The Small Winery Perspective: Tarrawarra Vineyard

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Introduction

- Small wineries have a real problem with the concept and attainment of quality accreditation.
- Quality accreditation is not yet an issue for their market.
- The disciplines and methodology required to achieve accreditation are foreign to the small operation.
- The resources required—skilled staff, financial, computer systems—are still a major problem for small producers.
- Changes in this situation will only occur when:
  * They feel they are missing business because of their lack of accreditation.
  * A higher level of professional, technical and managerial skills become widespread among small winemakers.
  * Improved profitability generates the financial resources which will allow the necessary investment in staff and systems.
- Tarrawarra Vineyard has yet to fully commit to this path but it is now only a matter of time.

Tarrawarra Vineyard - Background

Yarra Valley Location
Tarrawarra Vineyard is located in the Yarra Valley. This is a wonderful area for growing grapes but there are some special considerations relevant to this discussion. The region has the benefit of being within easy distance of the resources and market of Melbourne but the disadvantage of only just beginning to achieve critical mass as a commercial scale grape-growing and winemaking region in its own right.

In its current renaissance, the area is relatively new. Any local skills and traditions that may have existed in its previous heyday have had to be recreated or imported. In older, continuously established winemaking regions, implicit procedures are often propagated over generations of vineyard and winery practice.

Given how quickly things have changed in our industry, this may indeed be a benefit in that we have not inherited generations of sloppiness and inertia together with the more sound traditions.

Small producer
Tarrawarra Vineyard is small, with only 9 ha of vines and an annual production of about 8,000 cases. I have only 6 full time employees: 2 in the vineyard, 2 in the winery and packaging, 2 in administration, sales and promotion.

Specialized producer
Tarrawarra Vineyard only produces Chardonnay and Pinot Noir table wines. These are marketed through distributors on the Australian east coast and importers in the UK, USA, Japan, Hong Kong, Germany and a few other minor markets.

Tarrawarra Vineyard is unusual in not currently having a cellar door sales facility and only limited direct sales.

Ownership
Tarrawarra is substantially owned, and entirely funded, by the family of Marc Besen, owners of the Sussan Corporation.

Tarrawarra Vineyard - Quality Accreditation

Tarrawarra has always aspired to be a quality producer. Tarrawarra vineyard was specifically established to produce wines of the highest quality. Perhaps naively, this was assumed by us to be sufficient to insure a profitable future.

As appropriate to its quality aspirations, Tarrawarra vineyard was generously, but not lavishly, equipped and it remains a source of great pride, if not profit, to its proprietors. As chief winemaker, over ten years I have not been denied any reasonable resources appropriate to the production of distinctive, high quality wines.

Tarrawarra is not currently in the process of acquiring formal accreditation
We have seriously researched this issue and are assessing our options but have not yet embarked on a program of formal quality accreditation.

As managing director, I have submitted to my other directors that the company should head in this direction but have so far been met with incomprehension. The family has seen my and my staff’s efforts met with wide critical acclaim and a sound and growing place in the super premium wine market. The quality of our product has appeared to be beyond reproach so they have not felt any imperative to seek the added imprimatur of formal TQM accreditation.

I have not been able to explain the distinction between making high quality wine and having accredited quality assurance systems. I think it is presumed we are doing all the right things anyway.

Tarrawarra has only recently come under some pressure to document its quality control procedures.

Our attitude in this regard may come to change as a result of our wish not to be excluded from any potential market.

Our vigorous export development activities have resulted in the opening up of small, but promising sales to a major UK supermarket chain. We have been amazed by the requirements of that group for fully documented procedures. Had we known of these requirements before submitting for this business, we may have included a margin for the time and effort required in satisfying them (even if this led to our price becoming uncompetitive).

In seeking to complete the pages of questionnaires, we have seen a vision of the future and realize that it would be preferable to be able to respond in a less ad hoc manner. It would have been much easier if we could have sent our customers a copy of our quality procedures manual. As we do not have one this was impossible.

Tarrawarra will inevitably move to acquire quality accreditation
As a small company with good resources, we believe it is only a matter of time before we formally seek accreditation. We have the technical and managerial skills; we have the basic management and computer systems; we have a market that is coming to value accreditation. We only need to make the commitment to push the issue up the priority scale.
Some general observations
The lack of profitability remains a long term impediment to the industry. The wine industry in this country has noisily (and im-
prudently) trumpeted its success when the real figures suggest that few companies can demonstrate acceptable returns on investment.

The export boom has disguised this lack of real profitability by providing volume sales at low margin. This has made it diffi-
cult for all but our major companies to generate the sur-
pluses needed to create internationally valued brands.

Australi an wine is now more than a commodity but its in-
ternational appeal is still generic rather than brand driven.

A small winery suffers the economic realities more profoundly than any other. Without the volume of product available to develop export markets, small wineries are obliged to seek a return in the increasingly competitive domestic market. Trimming costs and 'hanging on' has been the preoccupation of most small winery businesses in the past five years.

Where cutting costs is the prime concern, it is easy for resources and facilities to become run down. A time goes on, capital and other expenditure restrictions can insidiously diminish the capacity to deliver a quality result. The difficult economic times have put everything on hold with staff getting 'rusty' and demoralized when the real need is to keep skill levels, procedures, equipment and facilities up-to-date.

A small winery can never really compete on price. My experience of winery production economics in my own, and other opera-
tions, has shown that a large winery can process grapes into wine at anything down to one tenth the unit cost of a smaller winery. This is without even any reflection on the relative quality standards of either. It is a classic example of the simple and brutal economies of scale.

My basic premise is that even with ruthless cost cutting, small wineries can never achieve a cost-based competitive edge against their larger counterparts.

Small wineries have been competitive by being pioneers. In this country, small wineries have often been the pioneers of new regions, varieties and styles. The discerning public has followed them into these new areas and has been prepared to pay the premium. The larger wineries have previously been happy to let us do this and follow after the groundwork had been done.

This window of opportunity for small producers has become smaller. Now, competitive pressures amongst the bigger producers have forced them to move more quickly to exploit this more profitable sector of the market.

Some of the markets small wineries service will become more demanding. As in the case of Tarrawarra's dealing with the major super-
market group, the customer base for small wineries will become more limited unless they satisfy their clients' quality assurance standards. It is currently arguable that small wineries predominantly sell to customers who have no interest in, or concept of, TQM accreditation. It is only the big buyers such as government bodies and supermarket chains who are demanding this. Most who have dealt with these know that the large volumes demanded and the low prices paid mean that this is not such an attractive business for low volume, high cost small producers.

To stay competitive, small wineries will eventually have to formalize their commitment to quality. Small wineries must be seen to be at the cutting edge. As the big companies have followed into our domain, they have brought their immense technical, managerial and marketing resources to bear in areas that were previously ours to exploit. When coupled with their sophisticated quality assurance methodologies, the more aggressive approach of bigger producers means small winemakers will need to match them if they are not to be excluded from portions of the market. A more formal commitment to training and skill development and quality assurance procedures, as well as specific research and development projects, is needed. This must be recognized and encouraged by the proprietor and passed on to all in the organization.

Small wineries often pay lip-service to these ideas but seldom make a real commitment in time and funds to develop and maintain their organizational skill levels.

Somehow they will need to find the skills and resources needed. When we established Tarrawarra Vineyard over 10 years ago, the Yarra Valley had 11 licensed wineries and I was the first winemaker with an oenological qualification. There are now over 35 and most have at least one qualified oenologist. Clearly the technical skill base is already growing.

Management skills are less evident in small wineries but there is an increasing number of consultants and advisers who can guide the more technically or marketing oriented proprietors in this area.

Powerful computers with more accessible software are becoming common, even in this last bastion of resistance to their spread. While accepted for their utility in word processing, managing mailing lists and processing accounts, computers have yet to be widely accepted in a production management role.

Tarrawarra Vineyard's systems
To fully address my brief to speak on the small winery perspective, I will need to make some candid admissions. These probably reflect the general status of most small wineries in this regard.

We do not yet have any formal commitment to quality systems. My co-directors have yet to accept the value of a full commit-
ment to developing a quality management system. By the same token, I have not been prepared to argue that at this stage of our business development this is the best use of our limited resources.

We do not have a quality systems manual. We are aware how such a document is central to a quality system but we have yet to start collating it. We have heard stories how time consuming is the development and main-
tenance of this manual and have felt intimidated.

Process controls are ad hoc and not fully documented. In response to a comprehensive questionnaire from our super-
market customers, we prepared a detailed description of our system. We are aware of the need to capture the whole chain of events to be able to verify that the product is up to standard. This would also provide a useful record of processes and quality assurance procedures, as well as specific research and development projects. Some general observations
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market customers, we prepared a detailed description of our system. We are aware of the need to capture the whole chain of events to be able to verify that the product is up to standard. This would also provide a useful record of processes and quality assurance procedures, as well as specific research and development projects.
Using this program, I have prepared a simple flow chart which demonstrates the process of heat stabilizing wine by bentonite fining. Figure 1 shows an example of the program’s output. The graphical summary is accompanied by a formatted report which aids in the full documentation of processes. In itself, this type of program does not insure accreditation but it can be a useful aid. I have further details for anyone interested.

We have no formal procedures for control of non-conforming product or taking corrective action. As problems have arisen with the quality of given batches we have responded in an ad hoc manner. We now recognize the inadequacy of this and the potential for problems to be compounded but we will need to tackle this as part of our total program.

Our systems for product identification and traceability are well developed. One of the most important requirements for quality accreditation in the manufacturing area is a system for product identification and traceability through the winemaking process. I have worked on this problem for years and am convinced that winemakers consistently underestimate the difficulty of getting this area right.

Our bulk wine record keeping system is one of our great strengths. All winery operations are initiated and recorded by computer using our own Wine File WPM system. For the past 4 years, we have a full record of every operation between grape intake and bottling. For any blend, we can view this in summary or trace the winemaking path in full detail. This audit trail gives complete traceability as well as detailed composition and costing data. Naturally it satisfies the requirements of the Label Integrity Program.

Our records of bottled stock have not been as convincing. They have been maintained with a somewhat dated accounting system. This was quite inadequate for tracking our stock of materials and bottled product in a manner that allowed for lot identification and tracing. This is due to be replaced shortly and our new accounting system will have facilities for lot marking and tracking. Even so we are aware that this procedure will require great discipline if it is to be fully utilized.

Systems for purchasing and supplier assessment are rudimentary. We have always been concerned about the quality of our raw materials but have not really approached the issue as systematically as we should. We have bought grapes only occasionally and have maintained close contact with our growers.
when we did so, but we have not required them to satisfy any formal quality assurance criteria.

With winery consumables we have always bought the highest grade but we similarly have not sought formal quality certification from our suppliers.

Our biggest concern has been in the packaging area, particularly corks. These remain a major concern for the whole industry and we have had our share of problems so we have always sought to maintain pressure on our suppliers to verify their quality and grading assessments. We have visited most of them and inspected their facilities to ensure their production methods were as claimed. Where they have been inadequate, we have rejected the supplier altogether, or inferior batches as necessary. We now have instituted our own series of tests based on recently published guidelines by the WFA. This work will continue and be extended to all purchased products. In this regard, the WFA could greatly assist winemakers, large and small, by developing and publishing guidelines for other products as well.

We have no internal quality audits. As we have not yet formalized quality assurance criteria, we have no benchmarks against which to perform our audits.

Handling, storage, packaging and delivery systems are ad hoc and not documented. This is an area we have tended to take for granted but are now aware is fraught with perils. A recent inspection of our distributor’s warehouse in Queensland has caused great concern about the condition under which much wine is stored and delivered in this and other countries. We can also see that inadequate storage facilities for packaging materials is also leading to greater wastage and inefficiency than we ever imagined. Much work needs to be done.

Systematic quality records are non-existent. Except in our computerized bulk wine production management system, it is clear our records of quality assurance procedures, such as exist, are inadequate. They are dispersed in various computer systems, correspondence, memos, faxes, diary entries and individuals’ memories.

Conclusion
These admissions are troubling but we are not unique or even amongst the worst in our industry.