Smithbrook Pemberton - a Case Study

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Smithbrook Wines Pty Ltd

Introduction
Smithbrook is currently the most significant privately owned wine grape producer in the Pemberton wine region of Western Australia. The 60 hectare vineyard is managed with a high input regime. The vineyard justifies the high labour input by delivering high quality grape and yield outputs. If Smithbrook was located in a region with labour constraints, it would be logistically impossible to operate the vineyard under the same regime.

Smithbrook is both a grape seller and wine producing operation. The vineyard has been extensively measured and monitored since 1991. These vineyard measurements are regularly analysed against strict key performance indicators.

To meet the criteria set by Smithbrook management, it has been necessary for the operation to adopt best practice policies.

The Smithbrook operation has many best practice policies. These policies relate to separate business activities and include wine production, marketing, human resources, vineyard and grape sales.

The Smithbrook vineyard best practice policy is:

Improving the vineyard efficiencies through a process of measurement (benchmarking) and monitoring whilst maximising grape quality, enhancing the natural environment and respecting the rights of others (i.e. neighbours).

This policy also forms part of the Smithbrook mission statement.

Smithbrook has developed many objectives and actions to assist the vineyard to fulfil this policy. A fifteen minute presentation at the conclusion of a full-day seminar does not allow sufficient time for all objectives to be presented, therefore, what follows is a snapshot of part of our vineyard management best practice based on the Smithbrook business plan.

The presentation consists of two related segments. The first category attempts to highlight where Smithbrook believes best practice has assisted in defining operation objectives and covers:

- quality and yield maximisation
- sustainability, and
- accountability

These objectives form the operational actions that should improve vineyard efficiencies.

The second presentation category highlights some of the positive outcomes from practicing best practice, viz:

- ease of management and
- profitability

Best practice objectives at Smithbrook Pemberton

Quality and yield maximisation
Smithbrook has identified that maintaining and furthering the grape and wine quality outputs are critical to the success of the business. To maximise the grape quality objectives without compromising yield, Smithbrook

- measure and monitor vine, block, trellis type and varietal performance. These measurements include soil moisture and utilisation of AusVit™ technology.

- encourage client (grape purchaser) feedback, input and approval via the adoption of techniques such as regular telephone and facsimile communications and post harvest evaluation questionnaires.

- obtain expert feedback by commissioning a leading international viticultural authority to undertake a best practice international comparison.

- benchmark by participating in surveys, comparing notes with industry colleagues, comparative wine tastings and participating in the G-G assay program.

Examples of Smithbrook's grape quality and yield objectives are

- All mature vines to yield less than 1.2 kilograms of fruit per square metre of canopy and all mature vines to have at least 16,000 square metres of canopy per hectare.

- All bearing vineyard blocks to be taste sampled by Philip May at least three times per week during the month prior to anticipated harvest date. At least two of these tests (per week) to be conducted with another person with relevant skills and experience.

- Dr Richard Smart be annually appointed to review the vineyard's performance to ensure it maintains world best standard.

- Participate in international benchmarking exercises.

Sustainability
Smithbrook applies best practice in the area of sustainability by:

- working to environmental protection policies that apply to the site, region and industry and through the application of integrated pest management principles.

- recognising that sustainability also includes economic factors. For economic sustainability to be realised, it is important that the vineyard and region gain international recognition for producing ultra premium quality. To this end, Smithbrook has adopted grape purchaser selection criteria to assist with this market positioning. Smithbrook’s own label wine production is also practiced to increase the awareness of the vineyard and region.

- ensuring the operation remains financially viable.

Examples of sustainability objectives that Smithbrook has adopted are:

- Maintain programs that improve the property’s management in relation to erosion, contamination, people
A accountability
The Smithbrook vineyard management system adopts accountability procedures that have been developed around best management practice.

The accountability areas that receive the most attention are:

• management information systems that record operational tasks such as spray application, machinery utilisation and stock control. The time cards system adopted by Smithbrook enables management to cost each labour activity by variety, block and vine.

• cost control centres for each component of the vineyard have been developed to assist in highlighting budget variances and to identify areas where efficiencies can be improved.

• reporting to management at regular intervals, both in terms of vineyard staff to vineyard manager and in turn, from vineyard manager to board of management. Increased accountability based on recording and monitoring of costs and efficiencies results in accurate reporting of the business position.

Examples of where Smithbrook uses best practice to assist in accountability objectives include:

• Maintain vineyard cost recording system to establish base for cost reduction.

• Reduce labour costs per output by at least 10% over a three-year period.

• Report cost centre variations and highlight areas for improvement to the Smithbrook board of management on a monthly basis.

Recommended actions
Some of the recommended actions that Smithbrook has formulated to maximise operational efficiencies based on the established objectives are listed below:

<table>
<thead>
<tr>
<th>Recommended action</th>
<th>Who</th>
<th>When</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Establish system of vineyard cost recording to establish base for cost reduction.</td>
<td>PM/JD/KB</td>
<td>14/2/97</td>
</tr>
<tr>
<td>2. Establish cost benchmarks - international.</td>
<td>PM</td>
<td>1/8/97</td>
</tr>
<tr>
<td>3. Audit overall farm management systems against guidelines in WA Environment Protection Authority Draft Code of Practice - Viticulture - 1996</td>
<td>PM/JD</td>
<td>May P/A</td>
</tr>
<tr>
<td>4. Review machinery requirement.</td>
<td>PM/JD/IB</td>
<td>June P/A</td>
</tr>
<tr>
<td>5. Contact labour sources (e.g. Manjimup Caravan Park, etc.) prior to each peak labour period to register employment rates and conditions.</td>
<td>JD</td>
<td>14/2 P/A</td>
</tr>
<tr>
<td>6. Measure vine quality performance</td>
<td>PM/JD</td>
<td>30/5 P/A</td>
</tr>
<tr>
<td>7. Annually appoint Dr Richard Smart to review the vineyard’s performance— to ensure it maintains world best standard</td>
<td>PM</td>
<td>Feb P/A</td>
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Outcomes of best practice at Smithbrook Pemberton

Ease of management

• Informed decision making. The management team at Smithbrook believe best practice greatly assists in management ease by encouraging information collection and performance monitoring that results in informed decision making.

• Timeliness. Best practice creates a vineyard practice environment that encourages implementation of tasks at the ideal time e.g., spray applications, irrigation and harvesting.

• Flexibility. With the information at hand, it is possible to change the management approach to handle conditions that are irregular or unforeseen interruptions, such as climatic conditions or disease outbreak.

• Objective measurement. By the very nature of quantifying activities and establishing written actions, it is possible to reduce subjectivity from management decisions. Smithbrook believe best practice encourages objectivity that, in turn, assists in overall management of the operation.

Profitability

Smithbrook is proud of the management history of the vineyard. However, as the business has expanded and matured, the management team became increasingly aware that opportunities existed to further improve the vineyard performance by focusing more closely on each operational entity.

The application of best practice, to most areas of the Smithbrook vineyard, has improved efficiencies and therefore profit margins. The two main areas of improved efficiencies have been labour and machinery. The extensive vine performance measurements and vine monitoring systems in place have improved the quality and quantity outputs.

The combination of increased margins and increased outputs have benefited the profitability of the vineyard.

Summary

Best practice:

• is applied to most viticultural activities at Smithbrook,

• assists in maximising quality and yield, increases the chance of sustainability and improves accountability,

• continues to make management easier,

• has improved profitability.