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Niche-Marketing Organic Wines: Ethical Dilemmas and the Importance of Stewardship as the foundation of Sustainable Business

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ABSTRACT: Wright Robertson of Glencoe is a vineyard, winery, cellar door and contract winemaking business located 18km south of Glen Innes on the New England Highway. It was established by Scott Wright in 1999 as a family business producing and marketing niche wines based primarily on their classification as certified organic products. It has provided Scott with interesting opportunities and challenges. In November 2010 he made the decision to desist with the businesses' organic-producer classification, informing his wholesale customers of this decision in an email sent 12 November 2010. As he stated in that correspondence: 'This is a decision that I have not come to lightly and I guess is really several years in the making'. In this paper he discusses his experience as an organic producer and niche marketer. While he will continue to use farming practices which are organically derived, rather than being organically certifiable, he nevertheless presents a justification for stewardship as the basis of the business into the future. Thought of as incorporating both financial and environmental sustainability, stewardship is now the core value of the business after his experience as a certified organic producer.

Introduction

Wright Robertson of Glencoe began as an organic operation in 1999 and the vineyard has been managed in an organic system since that time. Initially a one-hectare block of Shiraz vines, the operation has grown to four hectares of vines. Another three hectares of vines are managed conventionally nearby at Black Mountain. The Glencoe vineyard has been 'Australian Certified Organic' for that period of time and I was an organic auditor for that organisation in the early days. Wright Robertson is also an accredited organic processor.

I was trained in traditional winemaking practices at Charles Stuart University. My decision to create a certified organic business was based on a number of deeply held ethical convictions. Nevertheless, the organic industry is a bit of a 'flavour of the month' at the moment, and has been for maybe fifteen years. It has been gaining momentum year by year and receives a lot of attention in the food and wine industry. Bio-dynamics, which is a part of the organic movement, has also received a lot of attention, particularly by some wine writers in more recent times.

So it might be with some surprise that I don't give you a glowing recommendation to farm in an organic system. Has the organic experience been good for our family business? Well, I think the jury is still out. Certainly the organic certification has allowed us to have market access that we would not have had otherwise. Market access has become a significant issue in the wine industry

over the last few years as increased supply has caused problems on the wholesale market and in cellar doors generally. I would have to say that the organic certification has not led to significantly greater sales or significantly higher prices per bottle. Our experience with organics is that it enables people to get past the barrier to try our wines, and from that point onwards organic certification has very little to do with whether people continue to purchase our wines and drink them regularly. The major benefit of an organic certification programme for a wine producer is that it builds integrity with the wine consumer.

I believe all wine that is sold in the Australian wine market is governed by a quality price matrix, and that organic wine certainly fits within that sphere. If you are to sell large volumes of wine at a good price it really comes down to quality at the end of the day, and the integrity of the producer is very important.

Organic wine is not our only experience with niche wine marketing. We've had two other experiences, the first of which is the production of a dessert wine over three successful vintages. The other experience with niche wine marketing has been with our Pinot Noir from the Black Mountain vineyard. In the niche wine market, it really is the quality of the product that sells the wine, whether that is a dessert wine or an appropriate variety for the region, such as a Pinot Noir in a cool site. There are a lot of inappropriate wines produced in the New England, and in other wine growing regions. As Australians running vineyards and wine businesses, we have a tendency to produce every wine known to man, and then we wonder why the wine doesn't sell.

Our Organic Wine Experience

First of all, I'll go through our organic wine experience, outlining some of the challenges and some of the positives as well. The first thing to note in an organic system is that there is a cost. There's a cost in production, which is significantly higher than in conventional vineyards in terms of higher input use at times and higher cost of inputs. Certainly there are some organic systems that have quite low input costs, but I think generally we don't have the flexibility to use a wide range of inputs. But probably the larger cost is in terms of lost production from weed pressure and potentially from disease. Disease isn't our experience, but I do know other organic producers who suffer disease issues. Under an organic system a vineyard is slower to yield, and it never yields at the capacity of a conventional vineyard. Over time we have probably picked significantly fewer tonnes of grapes than our conventional competitors. I believe that over eleven years it has cost us quite a bit of production, and therefore cases in the market. Finally, we have certification costs.

And then at the retail point: I doubt very much that we have received any more per bottle than our conventional competitors for products that are directly comparable – for example, single varietal wines such as shiraz, cabernet sauvignon and chardonnay. The reason we are not doing better in an organic system is because if individual consumers are not concerned with a wine's organic status, the quality of a wine in a good conventional vineyard is similar to that in a good organic vineyard. So it's a matter of educating your consumers, and educating your wholesalers, about the distinct value of your product, whichever way you go.

We have recently taken on a wine distributor, which we only achieved because of our organic certification. Problems with this move are that we have had to sell those wines at a discounted price and absorb freight costs. Of all the wines that we sell now, the wines that go through the organic distributor have the lowest return. It is market access, which at the end of the day is important to sell those cases of wine, but it has certainly not been a 'golden egg' and is financially marginal. While our sales have been growing in the New England, the move to take on a wine distributor has taken important cases from a higher value market.

We have significant numbers of people who come into the cellar door because they see the organic certification logo on the front gate. That's important; they drive in the gate. Often I find that they leave with conventional wines and will continue to buy conventional wines from us because we do market both organic and conventional wines. So the real benefit achieved is that the wine is tasted by the consumer to start with. Then we have some integrity as a producer with a client and they'll continue to buy from us.

Our Dessert Wine Experience

Our experience with dessert wine production has been interesting and is something that we have been very excited about because we have been able to make a consistently awarded, very high quality wine which is very distinctive due to the particular climatic conditions we have: Not many vineyards in Australia could claim a minimum temperature of minus twelve! We have done a good job with that wine, and our experience has been that once we got everything right, it was very easy to market. I say that it was easy to market not because it was a dessert wine. It was about getting your wines right, identifying a niche and then fulfilling it. I think we have done a good job on these counts.

We worked on a production system for four years, and still have refining to do. The production system works well and it gave us a product that consistently receives a bronze medal when we put it in wine shows, beating a number of name brands. When we tasted that wine with wholesale clients, they could see the quality in the product and therefore they wanted to stock it. From those wholesale outlets, people would find us. There's no sign on the gate that says we produce a great dessert wine. People would just ring up and drive for hours to find that product.

Again, this is not a story about dessert wines being the be all and end all. In fact, there are huge production challenges with producing dessert wines and many people try and fail. High cost of production and low yields mean you'd have to make a hard judgement whether it's worth it. If you look at other wine systems around the country, those niches that are doing really well have identified that on their site, they can produce in this niche better than anyone else. And they hone it and hone it and hone it. For example, if you go to the Mornington Peninsular and visit Moorooduc, you'll pay $60 for a Chardonnay. That's all they do. They'll produce a Pinot Noir and a Pinot Gris, and four Chardonnays. And they are simply beautiful wines that are easy to sell. When you're in Melbourne going to a restaurant, you'll see the wine there. It's not hard to sell because it's an exceptional wine and its good value for money.

I think as an industry we're very bad at identifying niches, and honing our skills to produce them. And I think it's important in the New England we have a very diverse region. A lot of my

companions in the industry would say that's a great strength but, quite simply, I can't see how that is a strength at all. Diversity is great from a consumer's point of view, and it may have some marketing strengths. The great wine regions of the world have identified their regional heroes and they produce their wines well and consistently every year. They get their production costs down, they get their volumes of those great flagship wines up, they create a name and they produce them over and over again. Until we produce some of those wines in the New England, we'll struggle a little bit. We need some flagship wines to pull the industry through.

From a producer's point of view, it's very important to look at your site and your skills, to look at what you can and can't do well. Identify what you can do well and then hone it and hone it and hone it. Once you've got that product, you'll find it extremely easy to market.

Our New England Pinot Noir Experience

The third experience in marketing niche wines is the Pinot Noir that we produce from our Black Mountain vineyard. It's been a good wine, we've got our production system down pat, and again when we've tasted that wine with our wholesale clients it's easy to sell, and easy to sell with consumers. As with our dessert wine, we are able to capitalise on the specific conditions we experience in the vineyard and produce a wine that both reflects key quality points typical of Pinot Noir, as well as having markers of regional and winemaking distinctiveness. People seek us out due to the combination of these features.

Conclusions and the Future

There are only two reasons to be organic. Either it's an ideological reason, and you live and breathe organics and you love it, or you want to improve wine quality. And there's a lot of evidence that good organic systems produce superb wines. I don't think there's any extra money there at the end of the day; market access, maybe. But compared with the other niche marketing that we've done, there hasn't been any benefit over doing a good job of conventional wines. So I'm sorry if I sound negative of the organic industry. I just am cynical after 11 years that it has made any difference at all, and I do feel that it has probably cost our family business money.

If you are looking at success in the wine industry, it needs to be packaged around what you can do very well and your integrity as a producer. They're the great keys that those longstanding family businesses have managed to achieve in the wine industry. They work out their flagship wines, hone their skills and do it better. They pull out vines or graft them over to what they can do better. They get their cost down, they get their reputation and therefore their price goes up. And that's where your gross margins and market access come from. If organics is your thing, then that's great. It's just not the golden pot at the end of the rainbow that many people see from the outside.

As a boutique producer, our future does lie in niche markets. It requires taking a good hard look at what we can do better than anyone else that would really stack up on the national scale. Put yourself in the position of a wholesale client, or a customer who enjoys fine wine. There is now so much wine on the market that restaurant owners, hotel owners and consumers are bombarded with good wines at cheap prices. So if you're an owner of a restaurant and you want to list a

wine, which wine would you list? Would you list the wine from the specialist Riesling producer that consistently gets silver medals in every show that they enter, or would you list the wine from someone who grows eight varieties and doesn't know their head from their tail. Market access will be easy for those who say: 'No, I've chosen to do Riesling, and do it well, and I'm going to learn everything I can about Riesling. I'm going to improve my yields, keeping my quality up and get my costs down. I'm going to forge a reputation and I'm going to learn all I can. I'm going to get silver medals for my Riesling and I'm going to push on and on and on.'

Likewise, if you're a consumer and you love Chardonnay, you know you'll be heading for specialist producers such as the cluster of solid producers found on the Mornington Peninsular. You're not buying mediocre chardonnay from all the Chardonnay producers that are around the country. When we put it in that context, if you're in the wine business then you need to find the niches that you can do better than anyone else. And that's our experience. We're happy that we have found a couple of niches that we will be working on over the next few years, and hopefully improving our wine quality. It's been 11 years of learning. Pretty exciting for this region, I think there are some good opportunities for people that perhaps they are overlooking and they'll find them in time. So that's my encouragement to the industry.

We have decided, however, that being a certified organic business will no longer be one of those niches. As I recently stated to my wholesale customers, this was a decision that was several years in the making and not one taken lightly. Nevertheless when we began the business we commenced with five core values which encapsulated what we were setting out to achieve, namely:

1. To be a Christian business;
2. To be a family business and to provide an opportunity for our kids if they should choose it;
3. To be based upon farming and agriculture;
4. To value add what we produce; and
5. To be based in the New England because we really love this place.

There are many, many things that I value and have learned from organic farming which I hold very dear and will always retain. What I have discovered however is that the single most important factor in driving my business philosophy today is the Christian Stewardship of my family, employee, vineyard, winery and business. Good and Faithful Stewardship has to be my driving focus going forwards. The Oxford dictionary defines a steward as: 'A person whose responsibility it is to take care of something'. I guess I have come to the conclusion that my ability to be the best steward that I can be is hampered by my organic certification and I think that the organic industry has lost its way in a number of areas. Perhaps some people will not agree with me on that point and that's OK.

Nevertheless, I remain a great believer in many sustainable farming practices such as animal manures being used in preference to synthetic fertilizer, compost application, dryland agriculture, biological stimulation of soil microbes, natural products for building plant health such as seaweed, livestock incorporated into farming practices and free range production for animals. And we will be continuing many of our practices. But removing organic certification will enable

us to have the flexibility to make ‘good Stewardship’ decisions when we need to. This change will just mean that we will be in a better and more flexible position as we move forward to ensure that we are here for the long term.

That’s my experience in organics. I’d leave the organics for those who have made a life choice about organic farming. And look to what you can do better than anyone else.