

State Government Assistance to the Local Wine Industry: New England Australia 2000 to 2010

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Abstract

The New England-North West region of NSW boasts a cluster of features which point to the opportunity of the development of a successful premium wine industry in the region. This has been recognised by State Government, which has assisted the facilitation of industry value-adding and expansion in the region throughout the past decade. The industry has developed to a point where it is now pursuing a regional-branding and marketing strategy for that portion of the region, “New England Australia”, which recently gained Geographical Indicator (GI) status in 2008. The State Government will continue to provide catalytic and supportive industry development assistance to the industry. It welcomes the examination by the University of New England and associated research organisations into ways in which they can interact with the industry through research, with the goal of providing further impetus to regional wine industry development activity.

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Introduction

One of the industries assisted by Industry & Investment NSW in the New England - North West region of NSW in recent times has been the emerging regional boutique wine industry. The development of the industry has been identified in the region's [Regional Business Growth Plan](#), and in turn the [NSW State Plan](#), as an area worthy of support. Development of the industry is seen as having a host of direct and indirect employment and investment effects. These are further multiplied through the regional economy as a result of synergies of the sector with the creative arts, food and tourism sectors.

At the time of writing the industry in the region is estimated to generate between \$30m and \$50m per annum in retail sales (depending on yields) and employs directly over 110 full time equivalent employees. Further there are indirect employment multiplier effects through the wine tourism sector and associated support industries.

State Government assistance to business

State Government assistance to business in regional NSW is delivered by Industry & Investment NSW, through its Business Development Manager and regional Office networks and a suite of business development programs. The Department's current "tag line" in terms of business development is Start, Run, Grow, with the underlying dual objective of creating sustainable jobs and attracting new investment to regional NSW. The Department works with communities, with industry groups and with business in the pursuit of the following objectives.

- As well as providing a facilitative role, the Department has approximately thirty one individual programs to help achieve these objectives (see [Business in NSW](#) and [Small Business in NSW](#)).
- Some programs involve improving the business climate to encourage new industries and existing industries to expand, while others work with individual businesses themselves to improve performance.

State Government assistance to the New England local wine industry

It is useful to acknowledge that specific individual amounts of financial assistance to the regional wine industry have been quite modest, and in most, if not all, cases have been on a dollar for dollar basis or less. In other words, Government looks for significant self-contribution on any industry projects which may apply for assistance. This ensures a high level of ownership, management and obligation on the part of the industry being assisted. It should also be pointed out that, in many cases, local communities and councils, local industry sponsors and other stakeholders have contributed to this leveraged input in addition to the industry themselves.

The process used to assist the local wine industry has been one of taking small steps alongside the dynamic consolidation of past wins, while encouraging industry benchmarking for premium quality (something that was identified as crucial in the 2003 Viticulture Strategy for the region). These steps have been undertaken alongside testing different markets and marketing techniques, getting the feel of the 'target market' whilst keeping abreast of ongoing changes in tastes and attitudes. The process has been pursued along similar lines to that of a standard business SWOT analysis, namely trying to build on strengths, trying to address and minimise the effect of any weaknesses, helping to take up new opportunities as they arise, and building strategies to address any threats.

The "New England Australia" wine region group is undertaking a regional branding strategy and has just unveiled a new brand / log / tagline for the region as a small component of that strategy. The new image is presently copyrighted by the consultants undertaking the current branding and marketing strategy - Winestream

Communications. In coming months and years the industry hopes to see more of this brand on local and regional dining tables, in local and regional fridges, in restaurants locals frequent, on presents they give, and in front of wine consumers further afield.

This new brand is the culmination of the recent regional wine industry development activity undertaken by industry and State Government dating back to 2000. Chronologically, some of the specific projects with which State Government have been involved in include:

- In 2000, the Department (then NSW Department of State and Regional Development) organised a viticulture industry workshop with the University of New England (UNE). At that workshop, Richard Smart, leading Australian viticulturalist, was quoted in the local press as remarking that: ‘...the New England is the last great undiscovered wine region in Australia’. We knew then there was something special about this area.
- In 2002, the Department prepared the New England – North West (NENW) Viticulture Industry Strategy: in collaboration with the (then) New England North West Regional Development Board (NENWRDB) and the NENW Area Consultative Committee. The strategy was launched in 2003 (see Vanzella, 2003).
- In 2003, the Department assisted local wine industry group incorporation (Southern New England Vignerons Association Inc.) and provided ongoing facilitation. The Department then also helped incorporate the Namoi Valley Vignerons Association, meaning that the New England - North West was then fully geographically represented by three vignerons associations (the third being the New England Winegrowers Association, centred around the Tenterfield area, which had been in existence for some years to that point). The groups together still represent the majority of area under vine in the region and provide the focus for regional wine industry development activity.
- Between 2003 and 2006, the Department funded and provided various wine business development workshops, one of which hosted the Secretary of the Australian Wine and Brandy Corporation's Geographical Indications Committee, to come and talk about Geographical Indicators and explain the application process to growers. Moreover, Wine Australia 2004 hosted a group of local producers for the first time – again in collaboration with the NENWRDB.
- Between 2003 and 2009, the Department funded two successive Food and Wine Industry Development Projects which were co-ordinated by NENWRDB, with additional funding from Federal Government agencies, the NENW Regional Tourism Organisation and some local councils. The regional wine industry was an integral part of both projects.
- Between 2006 and 2010, the Department funded the growth of the New England Wine Show / Gourmet in the Glen event under the Community Economic Development Program and assisted on the Steering Committee. The event takes place every year in October in Glen Innes, and 2010 will represent the event's 6th year. The event is financially self-sustainable and has met with notable success. For example, at the 2007 New England Wine Show, esteemed Australian wine judge James Halliday was quoted on ABC local radio as saying (*inter alia*) that ‘... there is no other region which has come on stream with so much to offer as New England... variations in altitude, aspect, degree of slope, and soil type give vignerons a wide choice of variety and wine

style...'. Again this was another comment which gave heart to the local industry.

- In 2006, the Department funded the two New England vignerons associations to create a "New England Australia" wine industry website, under an old Departmental program called a group New Market Expansion Program application. More significantly, in 2005, following a recommendation from the New England – North West Viticulture Strategy, and at the time when the local industry had reached a critical mass eligibility point, the Department commenced facilitating and funding the application to the Australian Wine and Brandy Corporation (AWBC) to gazette "New England Australia" as a wine producing region, or "Geographical Indication" (or GI). The GI was subsequently gazetted on 23 January 2008, some three years after the project commenced. The project had some involvement from UNE through the Community Liaison Officer who made available high-end mapping resources in the Geography Department to help define the region, using cadastral mapping data under licence from the NSW Lands Department and Department of State and Regional Development, and utilising UNE's sophisticated map plotting resources.
- In 2008, the Department funded the NSW Parliamentary Regional Food and Wine Showcase. Thirty of the region's food and wine producers were showcased at an invitational event at Parliament House in Sydney, in which most local producers took part, to high acclaim from Sydney guests. Invited guests included food and wine media, restaurateurs and sommeliers, State politicians as well as boutique food and wine buyers.
- In 2009, the Department took four local producers to Restaurant 09 as part of the Department's "Regional Flavours" stand of eight food and wine producers from this region. The exercise was a pilot program for the Department's involvement in the event. In 2010, the Department has provided funding and facilitation assistance for the industry to undertake a "New England Australia" regional wine branding strategy, which is about half completed at time of writing. This strategy is being undertaken by Winestream Communications, with contributions by industry, some local councils and some local and regional sponsors.

In addition to these industry development activities designed to 'improve the business climate', the Department has assisted various individual wine producers in a number of areas over the years. These include taking part in other food and wine trade shows, undertaking business and market planning activities, developing their own marketing materials to access new markets, exploring export opportunities, becoming export ready and visiting overseas markets where appropriate, and helping to expand operations and sales.

The region was also lucky enough to attract the Department's 2010 Wine Tour to the region, which brought a number of boutique wine buyers from Sydney and interstate to the region to expose them to all producers at one location. This event was held in Armidale at the end of October 2010 with some 15 - 20 of the region's producers taking part. This event is held only once every two years and the region secured the event in 2010 by outcompeting Southern Highlands in a business-case assessment.

Future directions

It has been recognised that to help build the brand of a region, the industry needs to recognise that region's brand as an asset on the regional industry's balance sheet. The

region needs to continually work to build value into that brand, while being aware that experience in other regions has shown that increasing brand value is slow and laborious, and that any mistake can devalue that brand extremely quickly. As such, every effort needs to be made to build value into that brand while addressing any issues quickly which could devalue that brand.

There are some features of "New England Australia" which are already working in favour of building brand value. Firstly, when the completed GI application was finally lodged back in 2007 to the Australian Wine and Brandy Corporation, the application fee was \$2,000 (plus GST). In the intervening period since that time the fee was increased to \$5,500. In late June this year, the AWBC announced that this fee is to be increased to \$27,500 which places a significant financial hurdle in front of future applications, and it will also prevent applications which could otherwise be seen as "frivolous". It also means that 'New England Australia' currently is one of the newest recognised wine producing regions in Australia, and is likely to remain "fresh" for some time to come. This is despite the fact that the two most recent determinations were Pokolbin and Upper Hunter Valley on 29 July 2010 and a further application in the pipeline is Mount Gambier which is at the initial stages of interim determination.

Secondly, as previously mentioned, the food and wine sector has been identified as one priority area in this region under the Department's Regional Business Growth Plan, which is part of the overall State Plan for NSW, which in turn drives state government regional development activity. So the Department will continue to assist the industry, undertake further business development activities, and look for synergies of wine with the food, tourism and creative industries sectors.

Conclusion

The wine sector is complex and the regional industry faces many challenges. On the production side some of these challenges include managing for frosts and hail, managing and controlling pests and diseases, vineyard management practices, maintaining consistency of quality and quantity, lack of access to a skilled labour force and lack of transport infrastructure.

Several further challenges and opportunities present themselves on the marketing side. The wine market is highly segmented and as such there is complexity and associated difficulty in defining the target market where this target market is dynamic. The need to define the region's unique selling proposition is coupled with the issue of perceived "value" and psychology of wine pricing points, at the same time an awareness of distance to high density population centres and its effect on promotion of the region as a wine tourism destination need to be kept in consideration. The industry also has to be mindful of the difficulties in attracting new investment, hurdles to industry capacity building, the importance of encouraging a 'local first', slow food, mindset within the very important local market and the synergies that exist with food, art, other creative industries and tourism.

Any academic research targeted to help address these challenges, and others, and so helping develop the local wine industry to its potential, would be most appreciated by industry and regional development practitioners alike. The regional industry will be there to assist and be involved in developing any such activity.

Finally, the decade-long interface between the NSW state government and the New England Australia wine region affords some broader reflections. It would be a difficult task to quantify, in a monetary sense, the extent to which the industry has benefited from the continued government presence detailed above. Nevertheless, two general points can be made. First, assistance to the industry, while relatively long-term, is best described as 'light-touch'. At every phase in the industry's trajectory,

from the initial scoping and research and development, through to the incorporation of the three producer associations, the sponsoring of particular marketing events and the development of the regional brand and strategy, the contribution of State Government has been on a dollar-for-dollar basis or less. Further, the identification of the New England North West cluster as worthy of this 'light touch' approach has been framed by both the NSW Regional Business Growth Plan and the NSW State Plan. These are nuanced policy instruments and qualitatively distinct from the State Government 'picking winners' in any sense. Rather, the approach to the New England Australia wine region is best viewed as one strand in an element to the overall strategy for the [Northern Inland Region](#).

Secondly, despite government intervention into regional economic development in Australia – at both state and Federal levels -- being subject to sustained critical evaluation (see, for example, Sorensen and Epps, 1993; Kelly, Dollery and Grant, 2009), the 'proof is in the pudding': the approach of Industry & Investment NSW is vindicated by the growth of the grape-growing, wine-making and tourism industries in the region (see, for example, Grant, Dollery and Hearfield, 2011). Moreover, it has also received support in the recently completed [Wine Grape Market Prices Inquiry](#) conducted by the NSW Legislative Council Standing Committee on State Development from 1 September to 3 December 2010. Despite calls by some participants for more radical forms of government intervention in the face of perceived 'market failure' in the Riverina grape-growing region, (see, in particular, Legislative Council, p. 22) of the eleven recommendations contained in the [Final Report](#) the first was 'That Industry and Investment NSW and the Wine Grapes Marketing Board fund a consultant to provide targeted business advice for grape growers in the Riverina district to assist in responding to industry restructuring'; the final recommendation being: 'That the Wine Grapes Marketing Board works with the growers in the Riverina to develop a model for collective marketing of grapes' (Legislative Council, 2010, xiv).

Of course, the eventual form that these two recommendations take – for individual business assistance on the one hand and potentially, for a regional branding strategy on the other, are yet to be determined. The recommendations of a State Government Inquiry are some steps back from any legislation and far further from rescuing a regional industry which is suffering in current market conditions. Nevertheless, these recommendations strongly echo the approach taken by Industry and Investment NSW in the context of New England Australia – surely a vote of confidence.

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