CORRECTED VERSION

OUTER SUBURBAN INTERFACE SERVICES AND DEVELOPMENT COMMITTEE

Inquiry into liveability options in outer suburban Melbourne

Melbourne—16 April 2012

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Yarra Valley Wine Growers Association:
Mr R. Howden, Chief Executive Officer.
The CHAIR—we invite Mr Richard Howden from the Yarra Valley Wine Growers Association to join us. Please take a seat. Mr Howden, there are a few formalities we need to go through before we start. Your contributions before us today are going to be recorded, and a hard copy of that will be made available to you for making any changes to spellings and so forth. Whilst you are with us, anything that you provide to us is protected by parliamentary privilege. That parliamentary privilege does not extend to any commentary outside of this moment in time and in this particular setting, and it is meant to make you feel comfortable about speaking freely. We welcome your opening remarks and we would like you to start off by stating your name, your designation, the organisation you represent and the physical address, if there is one, of that organisation.

Mr HOWDEN—I am Richard Howden, I am the chief executive officer of the Yarra Valley Wine Growers Association, and we are based in Bell Street in Yarra Glen.

The CHAIR—Thank you very much. Do you have opening remarks that you would like to start our interaction with.

Mr HOWDEN—I was going to quickly mention about the wine industry in the Yarra Valley to give a brief overview. The Yarra Valley wine industry we are in greater Victoria, and excluding the Murray Darling and Swan Hill we are the largest wine growing and manufacturing area in Victoria. We contribute quite a bit to the economy. There was $23 million in growth production in 2010. I do not have the 2011 and 2012 results. When you include the interaction with tourism and other sides of the industry, it is estimated to be above $200 million to the economy which is somewhat significant for the region. We also employ quite a number of people. There is in excess of 900 people employed within the different wineries and cellar doors and so forth around the region.

The wine industry is also one of those industries which is quite unique in some ways around the country where we value add all the way through the process, from producing the grapes all the way through to ultimately retailing them at the other end through cellar doors and that type of thing, which is great because it means that a lot of the profits and everything stay within the region, and the employment implications are very strong there. The Yarra Valley wineries are based in regional areas where they are very passionate about their plot of dirt, their farms and protecting them at all costs, and looking at sustainability into the future. The wine industry has been here since the mid-1800s, I think it was, with a bit of a hiatus, but it basically has been here for a long time, and that passionate nature of wanting it to continue on, that longevity into the future is very core to what we are all about.

At the moment the wine industry is going through a bit of a tough time, like a lot of industries—things such as the high Australian dollar; oversupply, which you would all be aware of; things such as imports that are coming in; things like retail consolidation which has had a major impact on the wine industry; taxation and uncertainty around taxation, and there are a lot of other uncertainties around health issues and other pressures that are coming in. It really is in a transitional stage at the moment and it is also in a position where it is very difficult to run a profitable business within the wine industry, particularly for the smaller-sized producers of which there are a lot of in the Yarra Valley. It is a very challenging industry at the moment with the current economic situation.

The CHAIR—in terms of the smaller growers, what proportion of those would be growing to supply other winemakers, and what proportion would be winemakers themselves?
Mr HOWDEN—I do not have those exact proportions but certainly the majority of them will be making some wine themselves but then at the same time they are selling parts of their fruit on to bigger wineries. They do have the joint business there. Probably around about 20 or 30 per cent, I am guessing there, solely growing to supply other wineries within the region and, as I said, the majority of them, the rest of them, have the winemaking facilities, as well as the growing.

The CHAIR—If somebody wanted to become a vigneron, to be a winemaker, is the Yarra Valley itself offering opportunities for people to almost start from scratch, as an outsider, or is it something that is within the domain of a family’s holdings? Can newcomers come in and learn the ways and therefore the winemakers derive another source of income for offering education and training?

Mr HOWDEN—Certainly it is open to newcomers to come in, and there are on occasions newcomers, although it has slowed down—there are not that many nowadays—due to the economic situation. But if people want to come in and buy up a property or something like that, that is there. As far as the education and training that is certainly one of the points I have touched on within your mandate here. Wineries work together a lot and wineries help each other out a lot, but they are not in the position to be providing education. Certainly skills is one of the big issues that we face out here, and the lack of skilled employees is very difficult. That is going through the entire industry, from your vineyards, through to the wineries and then down through to the cellar door and the hospitality side of it. There is a major lack of skills, particularly for the training of people, someone with a bit of background and knowledge to come in, and not just your seasonal workers or your short-term wait staff, that is okay, but your more skilled staff who can be there ongoing. That is very difficult to get and people are continually scratching their heads and wanting skilled managers, wanting skilled wait staff, wanting skilled retail staff and skilled people in the winery. It is a big problem. For a newcomer coming in without any skills, it would be difficult to get people, firstly, with skills but also to learn themselves. Within the region there is a lack of those skills and certainly a lack of training at the moment.

The CHAIR—With an institution like Swinburne nearby, have you made approaches and overtures to an institute like that, that is higher education, as well as vocational education?

Mr HOWDEN—Yes, we have worked with Swinburne to an extent and we have had interactions. Swinburne do provide some training and have tried to get certain short courses up and certain certificates and that sort of thing to assist with this. Even things like forklift training and these types of skills, which is very good and does help out, I suppose it is the next level up to get those next level skills. I am not sure, and I have not looked into it and we have not done a study on it, why people are not skilling up at places like Swinburne that do offer some of those courses. Why they are not doing it—I am not totally au fait with everything Swinburne is offering, because they did go through quite some changes, but whether there is not that level of skill being offered, that level of training.

The CHAIR—Would a school of agriculture in this region be viable, realistic?

Mr HOWDEN—I could not talk on the viability of it, but certainly to have somewhere to provide those skills and getting people wanting to go along and reskill and then come out having those appropriate skills, I do not know how much it falls back to our industry. At the moment there is a lot of on-farm training that does go on to an extent to get people up and going. There is a fair bit of that. How much we can influence places like Swinburne, I am not exactly sure. Certainly more training is needed. We need more skilled people, as I said, through the farms, right through to chefs, waiting staff, the whole lot.
Ms GRALEY—I notice your biggest production is in the red wine variety. Is that right?

Mr HOWDEN—Chardonnay and pinot noir are the two.

Ms GRALEY—I am thinking about our far neighbours in the Asian region with these huge populations, and I recently read that China is starting to embrace wine at a greater rate than anywhere else in the world. Do companies here have an export strategy and what markets do they have in mind? What do you see as the potential for future growth?

Mr HOWDEN—The other point I was going to touch on was the exporting and the capacity that we have. Certainly there is capacity out there. People want to get into export. Our bigger companies are certainly exporting. They are exporting to numerous countries around the world. As you said, China is embracing wine and it is starting to get up and go, and also in South East Asia. There are more and more countries within our region that are looking for wine. We have a competitive advantage there because we are close and it is easy for us to service those countries, to get over there and visit them, to send wine there. It makes it a desirable destination to export to. There are a number of wineries wanting to get into that. At the moment, for the mid to smaller wineries, they are struggling a little bit to get that export knowledge and that assistance to get them to be export ready. It costs a lot to do it. Once you have a market up and going, it costs a lot to maintain those markets. They have to get their heads around the economic side of it. But once they look into that they see that, yes, there are risks and they are going to have to maintain those markets and there is a cost involved in that. Then they have to look at, 'How do I skill up to get to that level?' Although there are programs and assistance out there, it does cost quite a bit of money.

It is a big investment to get ready to export, and then there is that additional big investment then to build it. When you are not going to see a return for potentially two or three years before you even start to get a decent return, it is a major investment which means that these smaller players really do struggle. When I am talking to them, they really are at base level and they are not understanding the first bit about all the compliance issues and practical things such as how you export in terms of trade and those basic issues. It is difficult for them to find out without significant amounts of time and effort employed into it. There is a need for us to fully capitalise on these markets because, as you said, they are exciting markets and they are growing. Other countries are doing it really well. The French are always into these markets very early, and we have competitors with Chile and Argentina and all these other countries that have seen these markets and say, 'Fantastic, let's get in there.'

We as a country need to be saying, 'Okay, we need to be more dynamic as far as that's concerned getting into these markets.' Certainly a region like ours where we have the ability to do it and we are seen as premium, we are one of the few wine regions in Australia that has some form of international credibility and profile which is fantastic. There are about four or five, and we are always in the top four or five regions throughout the whole of Australia, which is great but we need to be able to really capitalise on that and get those small to mid growers or winemakers up to a level where they can start to push those—

The CHAIR—When you talk about the small to medium winegrowers, are they typically companies in that situation?
**Mr HOWDEN**—They vary a bit. The industry has been going through quite a bit of change and there are the families or the individuals, but then there can be some one-out people who are purchasing or leasing a winery, so they are not owning anything as such, they are leasing a winery, and they are building up their own brand. There are people under that type of model. Then there are some people who have come in and invested and had people in to manage it and to run it. But, yes, there are quite a few small family operations.

**The CHAIR**—Quite often in an organisational mind-set there is a crossover. There is a period of pain for family organisations to accommodate the advice and expertise from an employee, a senior management person or somebody to provide advice in export marketing and perhaps production procedures coming into that fold. Sometimes I think an association like yourself could play a role in brokering flexibility or a mind-set so that small to medium firms can accommodate new ideas coming from outside the family circle. It is a classic situation quite often.

**Mr HOWDEN**—Yes, and it is something that we try to assist with and we try to lead them down the path to an extent. As I said there is a major cost where, particularly at the moment, a lot of these businesses are struggling, and they are struggling to make a dollar. To think of investing any amount of money in gaining that knowledge or that expertise to be able to export is probably something further away from where they are at the moment. However, it is one of those times where it is critical to do it, because if we are not doing it now we are going to miss—we will not miss out but it makes it more and more difficult as more countries do jump in. So it is a difficult time to embrace these things and get involved.

**The CHAIR**—A lot of those countries are having those industries subsidised as well, government subsidies.

**Mr HOWDEN**—Yes.

**Ms McLEISH**—Before I ask my question I want to get back to where you were talking about being export ready and getting that knowledge. Where are people going to get that?

**Mr HOWDEN**—The national, state government provide a little bit, also our Wine Australia, our peak body, provides a little bit but it has, particularly recently, started to get a little bit confused and it has moved around a little bit. Austrade was assisting with some market entry assistance and also with some skills based stuff, but then they have moved out of that a little bit, and Wine Australia has taken that up a little bit. It is out there but it is difficult now to work out exactly where to go for what, and it is not streamlined and easy as it potentially could be.

**Ms McLEISH**—Thanks. My question is about the seasonal workers that come in and they obviously need to stay somewhere. Where is it that they are staying, and do the larger growers have the facilities on their farms that they put people up, and what would the smaller ones do?
Mr HOWDEN—Not many people have the facilities to put people up and they rely on—basically a lot of it comes from outside contractors. There are a number of contractors who employ during the busy time, and they are employed by the winery or the vineyard, they come in and do the stuff and then they move on again. It is something that has been run by the outside contractors and they are putting them up. They will be looking for accommodation all over the place. They will be requesting accommodation from everywhere, from private houses to—well, I am not sure where they put half of them, and they do struggle. That is a big issue. Certainly with the skilled people that wineries do get in during the busy time but also ongoing, they look for a private residence because there is not really anywhere to put them. They are hoping that the winemaker might have a spare bedroom, or we get a lot of advertising in our newsletters to say, 'Can you put someone up for a period of X amount of months.' That is at a slightly more skilled level where the winery may be employing them directly, as opposed to the unskilled labour level which is operated by the contractors that come in. I am not quite sure where they put them up but there is a host of them out here.

Ms McLEISH—Then they have to get there too.

Mr HOWDEN—Yes. It has been incredible this year with the amount of itinerant workers coming down because up north there was no work for them due to all the issues they had up in Queensland. They all came down here and we were taking, I do not know how many, calls every single day, 'Have you got work? Have you got work?' They have been camping or wherever they stay. There have been a lot of people down here looking for work, which is good in a way because it means there have been lots of workers to be able to get the work done, with the season we have had this year where a lot happened all at once. It was fantastic to have that labour there.

Mr ONDARCHIE—What could the local council do to assist your members businesses grow by freeing up regulation or providing new services?

Mr HOWDEN—I was not expecting that one, as far as local council is concerned. To an extent regulation of planning is once again one of those things that is a little bit of a bugbear. The more efficiently and smoothly planning can operate, the better. I know the council is working very hard on that and we have certainly spoken to council about that. It is hopefully getting better, but when people want to expand or change something within their facility, to be able to do that quickly, effectively and efficiently is important, particularly with vintages, because often you will go through your vintage planning and you will decide, 'Okay, we need to do X, Y and Z, build new buildings,' or whatever it may be, and it is important to get that done pretty quickly because with vintage, another, be it eight, nine, 10 months away, you do not want to go through too many vintages without that. That is an area that could certainly help.

The CHAIR—I was in Sydney yesterday and I read a travel magazine offering accommodation in desirable destinations, and it was slanted very much to accommodation in New South Wales, and the opening remarks in their promotional instrument that I was looking at claimed that the Hunter Valley was the premier winegrowing district in Australia. I will leave you with that comment, and the challenge that arises from them positioning themselves so far, because my immediate reaction was that that was not necessarily true. That might have been a little bit jaundiced by my belief in Victorian winegrowing, but I put that challenge to you, and perhaps you can follow that up and say you might be first amongst equals perhaps. That is a better position.

Mr HOWDEN—We often do make outrageous statements as well.
The CHAIR—That is the one that is out there at the moment for this weekend.

Mr HOWDEN—If that is the one they have got out there then we can put out our own outrageous comments. The way things are happening at the moment within the industry, not only in Australia but also around the world, there is a big move to the new styles of wines that are coming out. If you look at what the Yarra Valley is doing, it is always seen within Australia as being one of the most dynamic, one of the most interesting and exciting wine regions. Although we have this fantastic history, we also have these winemakers that are really dynamic and doing some fantastic stuff. People want that wine. We get quite a number of internationals that come out, sommeliers and trade and so forth, and they love coming to the Yarra Valley because they know they are going to see all the cutting edge stuff in the Yarra Valley, all the leading stuff, what is going to be happening in the future, that is what is going to be happening in the Yarra Valley. We are the place where winemakers want to come and work, we are the place that leads the Australian industry.

The CHAIR—Thank you very much for coming along today. Your contribution has been most enjoyable, and we wish you well as you transit through this phase that is putting pressures on the industry, and how you adapt during these times. We will be particularly interested to track that. We wish you all, as a collective, very great success.

Mr HOWDEN—Thank you very much.

Witness withdrew.

Hearing suspended.