LATECOMERS: CHARTING A COURSE FOR THE WINE INDUSTRY IN THE NEW ENGLAND AUSTRALIA REGION[1]

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ABSTRACT: The Australian wine industry is currently experiencing a correction, ostensibly a victim of its own success. Some observers have concluded that prospects for the industry in the medium- to long-term are strong. However, a consortium of peak industry organizations recently called for more radical approaches to industry restructuring to protect its core viability. Against these uncertain prospects, this paper adopts a multidisciplinary approach to analyse the prospects for one of Australia's newest wine regions, New England Australia. We

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argue that despite the barriers to its development, a commercially sound course can be charted for New England Australia. This course is based on a regional strategic alliance featuring leadership, improved inter-industry cooperation, niche marketing and a branding strategy focused on what is unique to the region.

Keywords: Catanzariti Inquiry; New England Australia; serial reproduction; strategic alliance; Wine Restructuring Action Agenda (WRAA).

1. INTRODUCTION

The Australian wine industry experienced rapid growth and a concurrent expansion in productive capacity for almost thirty years. From 1990-91 to 2007-08, the total vine-bearing area of grapes increased from approximately 61 000 hectares to 166 000 hectares, and production expanded from 346 million litres to 1.3 billion litres. Exports increased from 57 million litres to over 714 million litres in the same period and the value of these exports increased from $180 million to $2.7 billion[2]. Further, this expansion saw a marked increase in the number of domestic wineries, from approximately 600 in 1990-91 to almost 1900 in 2004-05 (see, for example, Banks *et al*., 2007: 17; ABS, 2009).

More recently, the Australian wine industry has entered far less certain times. In a joint report released in November 2009, key industry organizations argued that 20 per cent of bearing vines in Australia were surplus to industry requirements, equating to a surplus stockpile of 100 million cases, set to double in two years if production was maintained. The report identified a number of structural factors contributing to this surplus, including an increase in competition globally, changing patterns of consumption and a strong Australian currency as contributing to a general oversupply problem (WRAA, 2009a). Ostensibly, the industry has been a victim of its own development and success, the consequences of which are oversupplies of both grapes and wine.

New England Australia is one of the industry's emerging wine regions. It was officially recognised as an Australian wine region by the Australian

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[2]Here and throughout this discussion dollar values are specified in nominal terms.

Wine and Brandy Corporation's (AWBC) Geographical Indicators Committee (GIC) on 25 January 2008. In its press release, the AWBC (2008, 1) stated that the 'unique set of climatic conditions and similarities of topography, soil types and climate have earned the region its new status'. However, to attribute Geographical Indicator (GI) status to the identification of a physically identifiable region alone is misleading. While under the *Wine Australia Corporation Act (1980)* the GIC may, 'on its own initiative ... determine a geographical indication in relation to a region or locality' (Australian Government, 2011, 87), in the case of New England Australia the awarding of GI status involved an application to the Committee for status from the regional grape-growing and winemaking industry, as well as State Government actors and consultants arguing the case. This process commenced in 2003 and involved assembling various data, including the profile of and prospects for the industry in the region, in addition to soil and climate data for the area (Vanzella, 2003)[3]. Subsequently, the awarding of GI status was widely celebrated by those in the industry in New England Australia (see, for example, Food and Wine, 2008).

Following from gaining GI status, a regional branding and marketing strategy was initiated in 2009 and publicly launched in October 2010 as a mechanism to continue the development of the viticultural, winemaking and wine tourism industries. The assistance and guidance provided by the New South Wales (NSW) State Government, while being 'light touch' in nature, has nevertheless been a critical presence in the development of the New England wine industry thus far (see, for example, Grant, 2011; Mounter and Sniekers, 2011). However, the uncertain market conditions referred to in the WRAA (2009a) report could threaten its development. This paper examines the prospects and opportunities of the New England Australia wine region in the face of these changed market conditions.

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[3] Under the *Wine Australia Corporation Act (1980)* the process of achieving GI status is framed with conjecture and refutation very much in mind (see, for example, §§ 40RA to 40Z) and involves both mandatory consultation with 'any declared winemaking organisation' and includes 'inspection powers' (Australian Government, 2011, 96 and 118 respectively). As such the operation of the GIC under the *Act* is similar to the operation of the *Appellation d'Origine Contrôlée* (AOC) classification system in France (for a discussion of the latter, see, for example, Garcia-Parpet, 2008).

The paper is divided into five main parts. Following the introduction, section two provides a geographical and statistical portrait of the New England Australia wine region set against the Australian wine industry more generally. In section three we argue that a combination of specific factors, including the magnitude of competition, marketing challenges, and structural tensions within the specific region render the position of New England Australia precarious. Drawing on the work of Grant *et al*. (2011a), we critically examine some potential strategies for the nascent region in section four. The foci of this examination include the role of leadership, and a 'virtual' New England Australia on-line presence. We argue that pursuing many of these elements in concert may well be required to guarantee future prospects for the region. The paper concludes in section five by indicating some directions for future research.

2. PORTRAIT OF THE INDUSTRY

Australian Wine Industry

It is difficult to over-state the expansion of the Australian wine industry in the past two decades. This is illustrated by Table 1, which shows that wine export values in 1990/91 were a mere 6.5 per cent of what they had reached by 2004/05. Furthermore, the number of wineries crushing more than fifty tonnes of grapes increased from 222 in 1995/96 to 384 in 2007/08, with an alternative count of wineries (inclusive of those crushing less than fifty tonnes) estimating that the number rose from 617 in 1990/91 to 1899 in 2004/05 (Banks *et al*., 2007: 17).

Additionally, both grape growing and wine production are now geographically dispersed throughout Australia, with the Australian Bureau of Agricultural and Resource Economics (ABARE, 2009) listing eighty six producing regions and as many subregions. This suggests that grape cultivation and wine production have proved immensely beneficial to many struggling parts of rural Australia, especially areas with smaller farm holdings (see, for example, Davidson and Grant, 2001: 296).

Table 1. The Australian Wine Industry, 1990/91 to 2010/11. Sources: Grant *et al*. (2011a); ABS, 1329.0 – Australian Wine and Grape Industry, various years; Jackson (2009).

	1990/91	1995/96	2000/01	2004/05	2007/08	2010/11
Total bearing vine area (ha)	61,362	80,574	148,269	166,666	166,197	171,000
No. of wineries crushing > 50 t	--	222	351	413	384	--
Total production (million litres)	346	606	1 035	1 442	1 257	--
Export volume (million litres)	57	130	339	661	715	740
Export value (A$ million)	180	472	1614	2748	2680	2570
Average export unit value: $/litre	--	3.63	5.17	4.05	3.75	3.51
Domestic consumption (litres/head)	17.8	18.3	20.5	21.8	29.0	--

Note: Projections to 2010-11 are derived from ABARE (Jackson, 2009), which provides forward estimates of total crush, but not total production in million litres, the number of wineries nor domestic consumption in litres per head.

Nevertheless, an alternative portrait of the grape-cultivating and wine-making industries began to emerge in the course of 2007/08. Alongside the increase in crush from 2006/07 to 2007/08, the value of Australian wine sold domestically declined by 4 per cent in that financial year (Jackson, 2009: 2). The quantity of wine exported dropped 9.2 per cent to 714.7 million litres, and the unit value of wine exported decreased by 6.9 per cent. Table 1 demonstrates that the unit value of exported wine has declined consistently since 2000/01, from $5.17 per litre to an estimated $3.51 per litre in 2010/11. Further the market penetration of other 'New World' producers into Australia's key export markets paints a concerning picture (see Appendix A for a brief account of this over the period 2000-09). Moreover, the value of wine imported into Australia in 2007/08 increased by 40.8 per cent, from 2006/07 to $431.4 million (ABS, 2009). This represented 16.5 per cent of the value of exports for the same year and 11 per cent of total domestic consumption, up from 7 per cent in the previous year (ABS, 2009). Imported wine is expected to represent 18 per cent of domestic consumption by 2013/14 (Jackson, 2009: 2).

A worrying aspect of financial sustainability in the industry is gleaned from recent forward projections. Wine grape production in 2009/10 was estimated to have been 1.53 million tonnes, down from 1.68 million tonnes in the previous year, but it is forecast to climb back to around 1.70 million tonnes in coming years. This forecasted increase is primarily due to a small increase in bearing area and a return to average yields assuming favourable seasonal conditions prevail (O'Donnell *et al*., 2011).

An increase in the output of grapes in Australia is not the only factor with the potential to cause persistent oversupply. Jackson (2009) concluded that global consumption of wine is stagnant, principally due to demographic changes in the major wine-drinking nations of the world; yet global production continues to increase, with fierce competition in export markets for Australian products. This competition has been amplified by lower production costs in many of Australia's New World competitors. Moreover, recent market trends have seen Australian exports shifting to lower-end, off-premise (that is, wine removed from the place of purchase and consumed elsewhere) sales in its two main markets of the United Kingdom and the United States. In real terms, 'wine grape prices in 2004-05 were only one-third of their level in 1997-89' (Sheales *et al*., 2006: 3). Looming behind this decline in real prices is the fact that stocks of wine in Australia have continued to increase – to somewhere between 1.9 and 2.3 years worth of sales, 'with the current surplus stockpile calculated at more than 100 million cases [set] to double in two years if current levels of production and demand persist' (Gent, 2010: 2).

While ABARE has recognized the multi-dimensional nature of the problem (see, for example, Sheales *et al*., 2006), the Australian wine industry has focused on the specific issue of oversupply, even contemplating the option of a vine pull scheme as a mechanism to address this problem. For example, Doug Lehmann, Managing Director of Peter Lehmann Wines, has called for between 20 000 hectares and 40 000 hectares of vines to be pulled (Greenblat, 2010), equating to 270 000 to 500 000 tonnes of grapes (or amounting to 20-40 million cases of wine). On 10 November 2009 a *Joint Statement* and *Supporting Report* were released by four industry organizations, the Winemakers' Federation of Australia (WFA), the Wine Grape Growers' Association (WGGA), the Australian Wine and Brandy Corporation (AWBC) and the Grape and Wine Research and Development

Corporation (GWRDC). The statement called for a range of measures to be introduced by government. In essence, large industry players are attempting to encourage structural change for the long-term sustainability of the industry. Yet the affects of any government-initiated structural reform, such as a vine-pull scheme, are by no means easy to predict. While the WFA may wish to purge the industry of what its CEO, Stephen Strachan, referred to as the ‘white shoe brigade’ (i.e.: hobby farmers) (Strachan, 2009/10, 5) analysis of previous government intervention into the grape growing and winemaking industries has demonstrated that the best laid plans can have perverse outcomes. The 1985-89 vine pull scheme has been lamented as the cause of grubbing (i.e.: removal) of valuable old-vine stock, as well as failing to encourage smaller producers out of the industry, for whom grape-growing was only one activity and as such subsidised by other income streams (see, for example, Gow and Grant, 2010).

New England Australia Wine Industry

What do these challenging market conditions and the stance of dominant industry players bode for newer players in the Australian wine industry? The New England Australia wine region is located approximately 650 kilometres north-north west of Sydney. Encompassing some 27 000 square kilometres, it is one of the largest wine regions in Australia (Food and Wine, 2008). In their discussion of the region immediately prior to its official recognition as a wine region based on geographic indicators, Chang *et al*. (2007: 6) provided useful information about the New England as a wine-producing region. First, commercial wine production commenced in the 1850s alongside the establishment of broad-acre farming and grazing. However, this production generally waned until the last of the vines were left to die out just prior to World War 2. As with many other areas in the country, it was only in the 1970s that interest in the industry was renewed in New England, and the vast majority of its currently productive vineyards were planted between ten and fifteen years ago.

Second, the New England Australia region was derived from the pre-existing ‘Northern Slopes’ region, and it is classified by the AWBC as a sub-region of the larger Northern Slopes area. This is represented in Figure 1. Yet, the New England Australia region is still geologically and climatically quite diverse. The plateau from Tenterfield in the north to Armidale and

Walcha in the south is characterised by a height of approximately 1000 metres, rainfall of 800-900 millilitres per annum and yellow Podzolic soils. On the other hand, the west and south of the region, around respectively the towns of Delungra and Kootingal, are approximately 600 metres above sea level, have significantly lower rainfall, and are constituted by black-earth Euchrozem soils (Chang *et al*., 2007: 7).

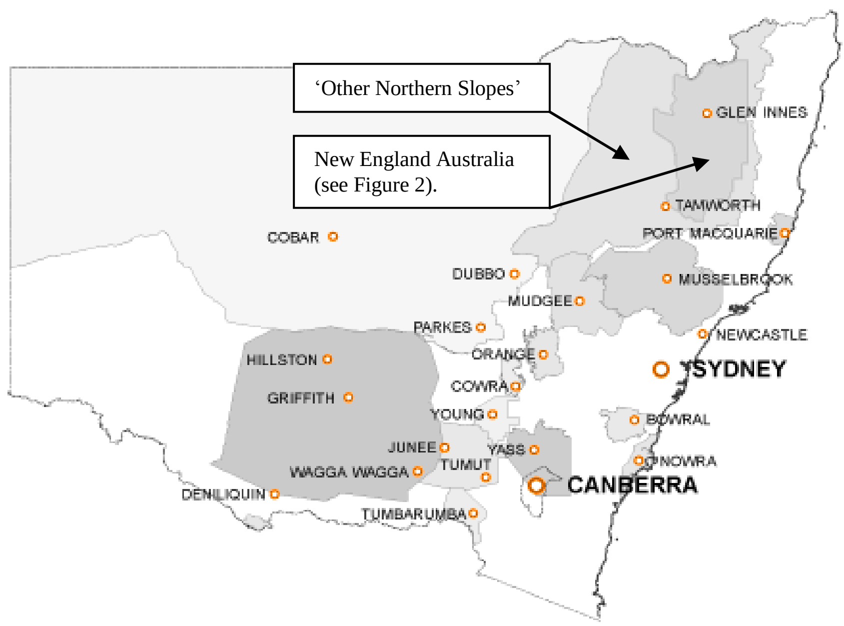

Figure 1. The Northern Slopes and New England Australia Wine Regions. Source: ABARE (2009).

Third, Chang *et al*. (2007: 8-9) provided a 'snapshot' of the industry based largely on an audit of the region conducted by the NSW Department of State and Regional Development in 2002-03. Table 2 provides a comparative portrait of the New England Australia wine-producing region as an element of the former Northern Slopes region.

Table 2. Grape Cultivation in Northern Slopes and New England, September 2005. Source: Adapted from Chang *et al*. (2007: 8).

	Northern Slopes	New England	New England as a % of Northern Slopes
Vineyards	52	41	79
Area (hectares)	409	291	71
Grape production (t/year)	2529	1852	73
Litres/bottles (million)	1.581/2.108	1.158/1.544	73/73
On-farm oenology as %	9.6	12.1	n.a.
Value ($ million)	29.5	21.6	73

While parts of regional Australia such as the New England may be buoyed by the development of wine industries such as that numerically represented in Table 2, in light of the difficult times the Australian wine industry is facing, how realistic is it to expect these nascent wine regions to continue to develop? More importantly, what factors can encourage a regional industry represented by New England Australia – how can the industry position itself with respect to difficult market conditions? How might it best be organised, and ought government involvement – federal, state or indeed local – be deployed as a mechanism by which to ensure the development of the region? With an eye to suggesting some answers to these questions, we now move to analyse New England Australia in more detail.

3. ISSUES FACING NEW ENGLAND AUSTRALIA

In providing a more detailed account of the problems facing the region and some potential strategies for future development, we have conceptualized these issues in four broad ways:

- In terms of the marketing of wine;

- In terms of strategic alliances and the problem of institutional design more generally. For example, building and maintaining producer organisations such that the marketing of New England Australia and its constituent components (wine, food, arts, tourism) can occur at all;

- The problem of an aggressive environment at the level of political economy; and

- Harvey's (2001) problem of the 'serial reproduction' of place-based commodities.

Marketing of Wine

Viewed from the first of these perspectives, the degree of competition, alongside what has been identified as the systemic problem of oversupply (see, for example, WRAA, 2009a, 2009b), appears to pose significant threats to the future viability of the region. The complexity of the wine market also adds to the difficulties the region encounters in self-promotion. The highly segmented structure of the wine market implies that demand can be fickle. As noted by a recent NSW State Government Inquiry, 'Wine is a highly differentiated product and in the marketplace consumers will pursue wine possibly but more often a particular variety or region, so demand is split' (Catanzariti Report, 2010, 16), The question then is how best to build reputation and differentiation from other regions given its current market position? While gaining GI status may be seen as taking a step forward, the region's status as a 'latecomer' fledgling industry places it at a competitive disadvantage with larger, established producers in other regions throughout Australia and overseas in terms of both price and perceived quality. Hence, there is a need for the region to define its unique selling proposition. This proposition is coupled with the issue of perceived 'value' and psychology of wine pricing points (Mounter and Sniekers, 2011).

In fact, some efforts have been made by individual producers, and groups of individual producers, to differentiate their product on the basis of (for example) organic, or near-organic production (see, Wright and Grant, 2011) and the tag of 'cool climate wines' offering superior quality due to greater temperature variation during ripening (referred to as 'diurnal variation', although this explanation is rarely offered alongside the 'cool climate' tag –

see, for example, Eastview Estate, 2011; Merilba Estate, 2011). However, the ability of wine producers in the New England region to benefit from value creation is constrained by the potential for misalignment between financial incentives for individual firms and their collective incentives. This misalignment is similar in nature to an underinvestment in public goods in the general economy. Value chain participants maximize their private net benefits, leading to suboptimal performance of the whole chain because of an underinvestment in what we term ‘chain goods’ (the value chain equivalent of club goods). Underinvestment in chain goods is likely to be especially damaging to the competitiveness of small-scale grape and wine producers because of their limited ability, compared with large-scale participants in the wine industry in Australia, to ‘internalize’ the externalities created by chain goods.

Strategic Alliances and Institutional Design

McNutt (1999) observed that club goods could be considered as public goods without the condition of non-excludability. Chain goods resemble club goods in that they are non-rivalrous and selectively excludable. That is, members of society outside the value chain are excluded from sharing in any benefits derived from collective action within the chain unless scope exists for ‘free riding’ or because certain members of the chain do not cooperate because they feel that they are ‘forced riders’ (McNutt, 1999). Horizontal and vertical strategic alliances are mechanisms to internalize chain goods, formed among groups at the same level and across different levels, respectively, in the value chain.

The promotion of New England Australia as a region, the initial enthusiasm and the sense of relief that followed the achievement of GI status in January 2008 (see, for example, Food and Wine, 2008; Cassidy, cited in Grant, 2011: 7) have been followed by the hard work of constructing a brand. *Prima facie*, developing a regional brand would appear to be a simple assignment. For example, a wine region could simply be classified according to its topography, soil types, climate or location; and a brand-based promotional strategy – incorporating advertising, sales promotion, publicity and public relations – would develop from this point. However, just with the process leading up to the achievement of GI status in March 2008, development of the brand up to and following its launch in October 2010 has been challenged by the production – or otherwise – of club goods in the sense discussed by McNutt (1999).

For example, the New England Australia Branding Strategy Committee was originally formed from two regional organizations, the Southern New England Vignerons Association (SNEVA) and New England Wine Growers Association (NEWGA). The Chair of this Committee, Shaun Cassidy, recollected that '... things got organized fairly quickly...' (Cassidy, in Grant, 2011: 8). Cassidy also stated that the experience of being part of a three person elected committee making decisions on behalf of a larger group of farmers was somewhat daunting: 'We're wine marketers for our own businesses, but we're not used to employing consultants on a cooperative level ... when you've got 18 other people's opinion you have to take into account it's not easy' (Cassidy, in Grant, 2011: 10).

Since that time, there have been significant, although contradictory, organizational developments. Recently, SNEVA and NEWGA merged to form the New England Wine Industry Association (NEWIA), thus offering the possibility of a single and potentially more coherent industry body representing the combined interests of New England based around the town of Tenterfield in the north and (roughly) around the City of Armidale in the south. On the other hand, the number of businesses in the region who are 'paid up' members of the brand strategy has decreased from eighteen to eight (Anon. 2011). This represents a small proportion of 42 vineyards, 5 wineries, 20 cellar door facilities and 291 hectares of vines of all vineyards (NEWGA, et al., 2011).

This surprising lack of representation within the brand strategy may be a reflection of the ungainliness of the region's size, which, as we have noted, is one of the largest in Australia and varies in terms of soil type, altitude and indeed modes of life of residents. This lack of solidarity is also reflected in the absence of any other business in associated industries – restaurants being the most obvious example – being part of the New England Australia organization. This is despite the fact that two restaurants in Armidale support the industry by heavily (and in one case exclusively) featuring New England Australia wines. Arguably, these wines are not just an element of the wine lists of these businesses but also form an important part of their broader business profiles (see, for example, Red Grapevine, 2011). Moreover, this lack of inclusivity is reflected in the fact that statutory bodies, including representatives from both state government (who have been identified as being crucial to the industry's development thus far – see Cassidy, cited in Grant (2011: 10)) and local government, are not part of the formal structure of the organization but are consulted and liaised with on an *ad hoc* basis.

It is difficult to overstate the problems that could arise from this lack of cohesion with respect to the organizational basis of the industry. For example, if different elements of a *prospective* wine/food/arts industry do not have an organizational base within which to communicate it is difficult to see how strategic planning can be undertaken at all. It might simply be that key individuals driving the branding strategy for New England Australia have not conceived of being more inclusive of other 'town-based' enterprises such as restaurants, hotels, motels and other accommodation facilities such as guest houses. Indeed, in some instances it may not be in the immediate interest of individual wineries to cooperate with urban-based accommodation facilities, particularly in cases where wineries themselves offer accommodation (see, for example, Petersons Armidale Guesthouse, 2011).

An alternative reason, suggested by Piggott (1990), may be the high value placed on independence which is contrary to the philosophy of voluntary associations or collective groups. There are numerous difficulties in maintaining a cooperative approach, but the underlying problem encountered by voluntary collaborations is the free-rider problem. As mentioned above, paid membership of the New England Australia brand strategy has fallen, but the potential benefits from regional marketing extend beyond those received by the collective members. Hence, the inability to enforce property rights adequately undermines the voluntary cooperative arrangements.

Surrounding Political Economy

This problem of institutional design is added to by the external environment at the level of political economy. Principal of these elements derive from the more historically entrenched and better organized sectors of the wine industry. A succinct statement of this opposition can be found in the submission to the NSW Legislative Council Standing Committee on State Development Wine Grape Market and Prices Inquiry, chaired by The Hon. Tony Catanzariti, MLC (Catanzariti Report, 2010) and conducted from September to December 2010. In its submission to the Inquiry, the Wine Grapes Marketing Board, an organization that has continually operated in the local government areas of the City of Griffith, Leeton, Carrathool and Murrumbidgee (the Riverina) since 1933, stated:

> The Board in seeking this inquiry is of the belief that the industry's market is flawed and requires legislative instruments to be introduced to remedy many of the problems that are being faced by wine grape growers that are not typical of a market with current structural supply and demand problems (WGMB, 2010: 1).

Further, the Wine Grapes Marketing Board's analysis of the flaws in the market was expressed in its summation of the Wine Restructuring Action Agenda (WRAA) proposed by the WFA [Winemakers Federation of Australia], AWBC [Australian Wine and Brandy Corporation; now Wine Australia], Grape and Wine Research and Development Corporation (GWRDC) and Wine Grape Growers Australia (WGGA):

> The aim of the WRAA is the targeted removal of vineyards in areas that are not sustainable for the development and ongoing growth of the Australian wine industry. *Many industry pundits and the WRAA itself point toward the increased development of wine grape plantings in cool temperate regions that have led to the oversupply being so marked. These wine grapes generally have higher input costs and land values but without markets for the wine the production from these vineyards* is being sold at low prices that is impacting on the grape prices of major production regions such as the Riverina and the warm inland regions of the South Australian Riverland and the Victorian and New South Wales Murray Valley (WGMB, 2010: 5; emphasis added).

The methodology used to determine grape quality and the relative profitability associated with particular grape qualities used in the WRAA (2009b) documentation have been subject to extensive and sustained criticism (see Grant *et al*., 2011b: 7-11; Gow and Grant, 2010). Additionally, evidence from New England Australia for the calendar year 2011 indicates that the region's producers were receiving approximately $1000 per tonne for grapes (Grant, cited in Catanzariti Report, 2010: 16), hardly the quibbling sums of approximately $150 per tonne that growers in the Riverina reported receiving and which formed the basis of the argument for government regulation of the market put forward by the Riverina's WGMB.

However, even if we are not justified in accusing these statutory corporations of an active bias against cool climate regions such as New England Australia, we suggest that there is some 'path dependency' with respect to which sections of the wine industry it is inclined to represent. For example, Aylward (2008) contests that past industry achievements and inertia on the part of industry organizations has seen the industry treading the same well-worn path. Rather than adopting multiple operating pathways that better align with global requirements, industry focus has continued to be on the inundated, price-sensitive commodity wine market, a market dominated by multinational wine producers. A leading Australian winemaker, Brian Crozer, placed the blame for the problems of oversupply and 'the negative and deteriorating image' of the Australian wine industry clearly on the behaviour of the large branded commodity wine producers (*Adelaide Advertiser*, 2010).

Harvey's (2001) Problem of the Serial Reproduction of 'Place' Commodities

Another challenge facing the New England Australia wine region can again initially be approached through the institutional lens of the Catanzariti Inquiry (2010). Faced with downward pressure on prices due to the problem of oversupply, the Inquiry recommended significant reforms in the areas of price formation, contracts and payments in the Riverina and encouraged the development of a code of conduct for the industry more generally (Catanzariti Report, 2010, xiii-xiv). Nevertheless, the first and last of its eleven recommendations are of most poignancy in this context, namely:

> **Recommendation 1**
>
> 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 re-structuring.

Recommendation 11

> That the Wine Grapes Marketing Board works with growers in the Riverina to develop a model for collective marketing of grapes (Catanzariti Report, 2010, xiii-xiv).

It would be cynical to observe that, with Recommendation 1, the Inquiry simply hived off its responsibilities to a consultant and that, in Recommendation 11, the idea of the 'collective marketing of grapes' can be read merely as a suggestion of cooperation between growers to the effect of negotiating collectively to achieve a higher prices from some of the industry's largest producers located in the Riverina. However, beyond cynicism, one way to address both these goals is to develop a brand for the region inclusive of not just grape growing and wine making, but also the development of a wine tourism industry as has been fostered in many regions in Australia (e.g. Hunter Valley Wine Country Tourism, 2011).

Herein lays the problem broached by David Harvey (2001) in his discussion of the Tahbilk vineyard and winery (formerly Chateau Tahbilk) located 120 km north of Melbourne and first established in 1860. Harvey (2001) argued that the development of a wine brand based upon the concept of a region (or more generically, a place) is premised on the seeking of a monopoly rent based (in turn) upon the particularity of that region. Further, Harvey (2001, 395) argued that 'It is not the land, resource or location of unique qualities which is traded but the commodity or service produced through their use'. In other words, we're not selling vineyards here, or indeed restaurants (or Buckingham Palace or Westminster Abbey, for that matter), but individuals' experiences of them: herein lie the commodities. In itself, these observations are not especially revelatory: The concepts of product differentiation generally, and the creation of exclusivity associated with a product in particular, are, perhaps so familiar to be trite. However, from his perspective, Harvey takes this point further:

> While uniqueness and particularity are crucial to the definition of 'special qualities', the requirement of tradeability means that no item can be so unique or so special as to be outside of the monetary calculus... the contradiction here is that the more easily marketable such items become the less unique and special they appear' (Harvey, 2001: 396).

We have seen that the New England Australia wine region, thought of as a *political economy*, experiences tensions between individual producers on the one hand and the desire to act collectively on the other. Harvey (2001, 2002) is pointing, very precisely, to another site of conflict: The development of the brand 'New England Australia' must be marketable in that it cannot fall outside the orbit of monetary calculus; nevertheless it must be unique enough such that it is differentiated from the Hunter Valley, Mudgee, the Riverina NSW or indeed anywhere else. Having flagged these general problems, we return to it in the specific context of our discussion of potential strategies for New England Australia.

4. Future Strategies for New England Australia

We have seen that New England Australia faces significant challenges as a developing wine and wine tourism, food and arts region from the combined perspectives of market-based economics, of place-branding and marketing more generally and also when the issues of institutional design and the political economy are taken into consideration. As such, what is to be done? In this context, one suggestion proffered by Grant *et al*. (2011a) can be re-examined in terms of its continued relevance, namely leadership. Discussing Garcia-Parpet's (2008) account of the transformation of Languedoc-Roussillon from *le gros rouge* producer to pioneering single-variety wines in France, Grant *et al*. (2011a: 92-94) argued that the influence of two individuals, Amie Guibert and Robert Skalli, was instrumental in introducing new production techniques, developing new marketing strategies and, in the case of Skalli, organizing the region's communes to conform with these innovations to the extent that the AOC system of quality (and price) classification was fundamentally altered. Further, Grant *et al*. (2011a) suggested that historically the Australian wine industry was familiar with the concept of individuals assuming leadership roles in championing particular regions. Examples they cited are Bob Roberts of Huntington Estate in Mudgee, Murray Tyrrell from the Hunter Valley and Chester Osborne in South Australia's McLaren Vale. Ostensibly, a similar role could be played by key individuals in New England Australia (see also WFA, 2010).

Nevertheless, in the account of the organization of the New England Australia Brand Committee of the (now converging) two industry associations, SNEVA and NEWGA, and the tailing-off of financial membership of businesses from the brand strategy, leadership in New England Australia has perhaps conformed too heavily to one model of leadership. That model would accord with trait-based theories centred on particular individuals (or the 'Great "Man"' theory of leadership). On the contrary, collaborative forms of organization more recognisable in explicitly political (rather than business) arenas – such as those based on broader deliberative processes, forms of 'common work' and different forms of representation – may be worth exploring in this fragile organizational context (see, for example, Dollery and Grant, 2011). These forms of leadership could be used to build a broader constituency for the purposes of galvanizing the New England Australia wine brand and fostering the legitimacy of the place-branding of the region more generally. Additionally, if such activities were conducted through, or in close association with, elected and appointed officials of local government, it is possible that they would garner broader legitimacy although be more contestable to begin with. Reducing the scope for free riding and avoiding initiatives that create forced riders (given that the firms are also competitors) should also help in building a broader constituency.

A second comparative observation made by Grant *et al*. (2011a: 95) was in terms of product differentiation and niche marketing. Languedoc Roussillon wines had succeeded, at least partially, by producing single variety wines, thereby generalizing away from the dominant marker of quality in the form of *terroir* Grant *et al*. (2011a: 95) speculated about the possibility of New England Australia producing a multi-variety regional wine (constituted by fruit and elements of production from several individual producers) or, alternatively, achieving product differentiation by producing organic wines, an approach that is demonstrating some promise nationally (see Wine Diva, 2010) and which three producers in New England Australia had already adopted (see, for example, Wright and Grant, 2011). Organic wines as a marker of product differentiation have proven to be financially unsustainable for two of the businesses, with one discontinuing the production of certified organic wines despite a deep commitment to the principles of both sustainable and organic grape growing and oenology (Wright and Grant, 2011). Further, given the relatively fractious nature of relationships behind the New England Australia brand strategy, it is difficult to conceive of the level of cooperation required to produce a single-labelled red or white wine representative of the region, although it may be possible that changed market conditions will engender cooperation between two or more producers. Alternatively, those who have moved into grape growing and cellar door businesses as part of speculatively diversifying their income streams may simply decide to discontinue wine-based activities as sources of income.

Another strategic possibility, particularly given the distance to major markets, is to develop a significant on-line presence in the form of a 'virtual' New England Australia experience that is integrated with less frequent 'real' tourism by individuals from larger demographic centres. Again, however, the prospect of this level of collective organization across the region appears, *prima facie*, to be stymied by the lack of cooperation across the region at present. Indeed, even resourcing the existing on-line presence of existing businesses may be a matter of offering services that are comparable to competitors in other regions rather than driving a collective platform that forms the basis of innovation on-line.

Finally, in terms of the development of future strategy, Harvey (2001, 2002) observed that there is a structural tension between the need to differentiate products on the one hand and the tendency toward serial reproduction for the sake of marketability on the other. It is a tension that is at play both inter-regionally and intra-regionally. With respect to the inter-regional element of this phenomenon, is it enough that New England Australia is anecdotally aware of the activities of their immediate competitors in other regions? Or is a far more systematic approach justified in this regard? With respect to the latter, the concept of 'strength in diversity' could work as a by-product of tasting wines from within a particular region and as a marketable attribute of what is a very large geographical space. The management of these issues ought to be of primary concern to those interested in the future prosperity of the region. For this reason, the areas of institutional design and organizational reform ought to be of primary concern. It is also through these organizational mechanisms that New England Australia may find its market niche, albeit one that is contestably arrived at, avoiding the possibility of being just another wine region over the Great Dividing Range. Capitalizing on the region's reputation for tertiary education and natural scenery may help in this respect. Nor is the creation of successful organizational forms in this regard a matter of unending mystery.

5. Continuing Research

Focussing on the recently ratified New England Australia wine region as we have done here has led us to highlight the opportunities and challenges facing one particular region. We have portrayed New England Australia as a 'latecomer' and, to a significant extent, as being poised at an important juncture in its development. The prospects for the industry lie not between the extremes of 'success' or 'failure'. Rather, they ought to be viewed as, on the one hand, the collective pursuit of growing an integrated wine, food, arts and sightseeing industry or, alternatively, a much quieter trajectory: one where a few commercially aggressive producers continue their work in relative isolation and continue to supply a loyal local customer base.

Many other regions in Australia and indeed NSW have moved beyond the level of development that the New England Australia region is currently wrestling with. Anecdotally at least, these regions are currently enjoying significant prosperity. As such, comparative analysis suggests itself. We can choose to look at a variety of well developed wine regions throughout Australia – the Yarra Valley, Margaret River, McLaren Vale, for example. Fruitful comparisons can even be drawn, particularly in terms of the design of institutions – the organizational and indeed political elements contributing to the success, or otherwise, of the region – as well as other factors that appear more immediately relevant, such as product quality and distance to markets.

Yet we need not look that far. At the level of public policy, the wine industry has been problematised from both a state and national level, specifically in the form of the NSW Government Legislative Council's Inquiry into wine grape market and prices. A useful extension of this work is to investigate other regions. Some of these regions – such as Mudgee and Orange in NSW and the Granite Belt just across the northern border in

Queensland – are, *prima facie*, similarly configured to New England Australia. Others such as the Riverina (the region that the Inquiry set out specifically to assist) are not. Nevertheless, to conduct research of a similar kind that has been undertaken here on these other wine-producing regions of NSW would surely be a source of valuable information, not merely for the grape-growing and wine-making industries but, as we have seen, for the regional economic development of the state more generally.

Having flagged the usefulness of such research does not render it straightforward. Economic indicators and more general data are readily available and historically grounded narratives that form important bedrock material for the place-branding that these regions are continually undertaking are also available (see, for example, Wahlquist, 2008). Nevertheless, access to the producer groups that have been the focus of research for this paper (see, for example, Grant, 2011; Wright and Grant, 2011) is by no means assured for other regions. The authors do not enjoy long-term customer and commercial relationships (or indeed friendships with) key players in other regions. In any event, there are signs that, with the launching of the New England Australia brand, producers are becoming increasingly wary of any representation of the region that is not wholly under their control, including representations as a result of research. It is likely that similar barriers would be encountered in other regions.

There may indeed be significant obstacles to conducting research that 'drills down' as much as this paper has been able to achieve due to a serendipitous set of circumstances. But this does not mean that such research ought not to be attempted. For example, what chain goods are crucial for developing wine regions, and is this a new role for government intervention? Why do some local restaurants actively promote wines from New England Australia and others do not? Is a more direct focus on consumers within the region warranted? Indeed, examining New England Australia as we have done in this context suggests that a genuinely interdisciplinary approach is the most effective form of analysis. This approach draws on disciplines in the social sciences such as economics, sociology, political economy, organizational analysis and marketing, such as that conceptualized as 'place-branding' (see, for example, Anholt, 2009; Trubek, 2009). Economic development involves all of these disciplines; it also erodes the distinction between positive and normative theory and research. While this might threaten those with a foundational assumption in the objectivity of scientific inquiry, the more the wine industry is reflected upon the more it would appear that it is a *tabula rasa* on which to inscribe meaning rather than solely an empirical event to be analysed.

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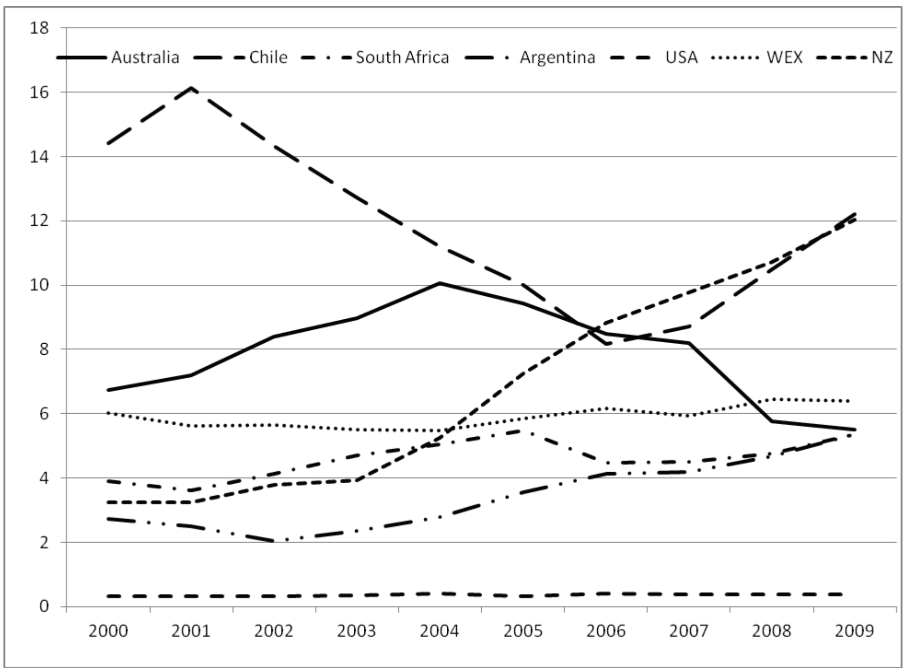
APPENDIX A

Figure 2. vealed Comparative Advantages in Wine, 2000-2009: Select Countries. Source: Anderson, K. and Nelgen, S. (2010, 107).



Notes: 1. Anderson and Nelgen (2010) reported an index of revealed comparative advantage in wine, which they calculated 'in value terms as the share of a country's or region's wine exports in its total merchandise exports divided by the share of world wine exports in total world merchandise exports'.

2. The index can be interpreted in the following way: 'the higher a country's index is above (below) 1, the stronger its comparative advantage (disadvantage) in wine, as revealed from the trade data assuming the government has not distorted producer or consumer incentives' (Anderson and Nelgen 2010, p. xvi). This serves as a guide to recent changes in the competitiveness of Australian wine production in world trade in terms of both relative costs of production and quality. The indices for the first decade

of this century are reported in Figure 2 for Australia, its main New World competitors and the four major Western European wine net exporters of France, Italy, Portugal and Spain (WEX). Australia is one of only two exporters for which the index in 2009 was lower than the index in 2000. In the case of the other exporter, Chile, a downward trend was reversed markedly from 2006 onwards whereas, in contrast, the Australian index declined sharply in the second half of the decade.