

## **Marlborough Grape Growers Cooperative Winter Review 2019.**

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**MARLBOROUGH  
GRAPE  
GROWERS  
COOPERATIVE**

### **EXECUTIVE SUMMARY**

The Coop. is a business entity with a membership expecting a better than market average return for their grape production. From within the population the vast majority are very happy with how the Coop. is performing in terms of financial returns for their grapes. But most members acknowledge that there are aspects of their organisation that need addressing to lift their experience to a 10/10.

This review has identified several of these areas - that if seen to be addressed by the membership will strengthen the Coop. and secure a stronger future and more united, trusting cooperative community. The detail of these membership derived initiatives is in the body of the discussion and appendix.

Primarily the membership is seeking financial security for their current and future wellbeing. Good, regular, transparent communication that fosters trust in the board and management to deliver this security is paramount. Members feel vulnerable if they are not included and taken along for the journey; surprises dash this trust and fosters as ammunition for the few that like to feed on negativity. Pleasingly, this review has identified that only a few have this disposition, and that the majority of members want to believe in and support their leadership.

Harvest is a key and stressful time for each individual. Their years' work is relying on a single harvest event happening, and being carried out well. Good support and communication with members up to and through this process on an individual as well as collective basis goes a long way to elevate this stress, and maintain trust. Members have noted that the Coop. is doing this better than in the past.

The Coop. consists of a membership. Many within see that much more could be made of this unique entity through drawing collectively on the skills and interests of its individuals. Focus groups and committees to support strategy and leadership, along with a social committee to foster a greater sense of family will only strengthen and unite the Coop. Better engagement should build trust and transparency naturally as relationships establish and strengthen.

Sales and doors to premium markets should open, as well as volume through a growing engaged membership. Coop. membership will be seen as a desirable place to be a part of, or aspire to, as well as an entity that buyers will endeavour secure long-term business relationships.

Most of the members are engaged, proud growers whose aim is to produce a premium grape crop. They value technical support in their decision-making processes, as well as a regular Coop. face in the field. Quality, as well as quantity is the end game at harvest. They realise that costs of production are only going to continue to rise. Thus, they endeavour to input to produce quality, but with the expectation that they will get increasing returns to match.

They see a significant role of the Coop. being to secure strong, lucrative ongoing sales contracts to support their businesses and the coop collective into the future. Transparency of these sales and marketing journeys is essential to the membership. Being part of the process fosters trust, and softens any disappointments. Negative surprises do damage.

Overall, I believe that this review has found the Coop. to be soundly supported by its membership. Current expectations are being well met. But the members have current concerns and aspirations for

the future. If addressed, the MGG Coop. will be a strong, united entity; desirable to be a part of whether that be a member, employee, or a long-term buyer.

## INTRODUCTION

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The annual viticulture winter review is conducted as a one on one basis with each cooperative member. As the cooperative's viticulturist, my focus is normally on technical aspects of the previous growing season and harvest outcome; identify with the member any concerns, and then create a plan to address them in the coming vintage.

V2019 followed on from two high disease pressure seasons; seasons that caused the membership to lift the bar and significantly address their management to deliver a quality crop. Better management in conjunction with lower botrytis pressure pre-harvest meant that quality outcomes were very good.

Great V2019 outcomes freed conversation to focus on other aspects of the cooperative. Discussions ensued to draw out the key aspects that the membership felt were, or were not being addressed well. Every effort was made to use open questions; to facilitate the members to have an unsolicited freedom to address matters that they raised in discussion, without being led. It was key to see what was at the forefront of the members mind.

An overall scoring of the coop was requested of members. How would they rate their cooperative in meeting their current expectations from 1 to 10? To finish they were then asked to suggest what would lift the cooperative to 10/10.

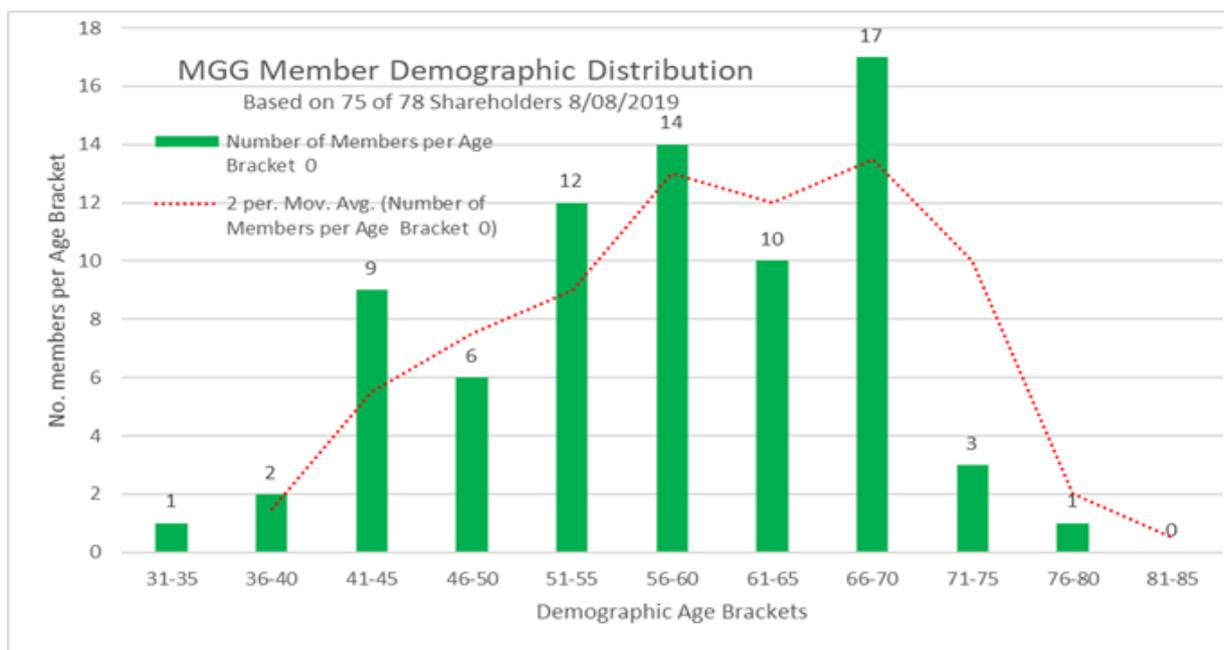
This document compiles the outcomes of this review, and draws a current picture from the membership's perspective. It summarises a collective of ideas for immediate and future consideration.

## RESULTS

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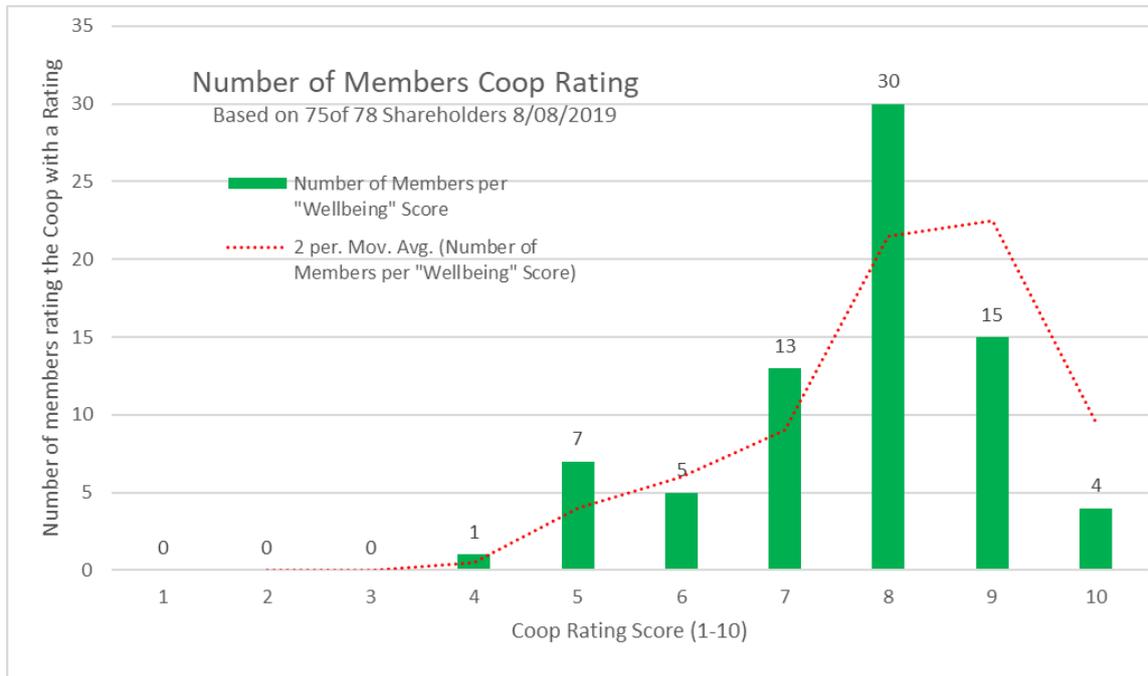
Demographic Distribution of members. (Graph 1.)

- Separated into 5-year age bins. Mean age: 57.86. Median age: 58. Mode age: 68.



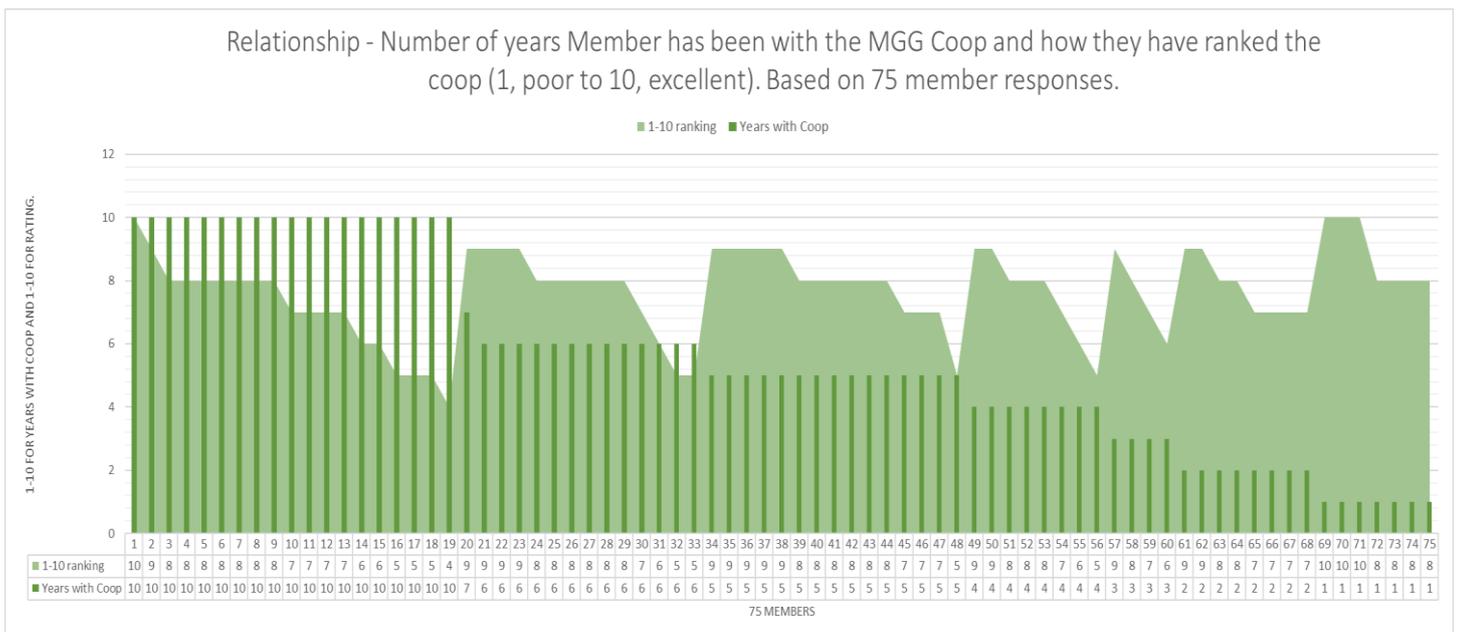
**Member Coop Rating.**

- Distribution of how members currently rate the cooperative as to meeting their expectations.
- 1: performing poorly. 10: performing excellent. Mean: 7.69. Median: 8. Mode: 8. (Graph 2.)

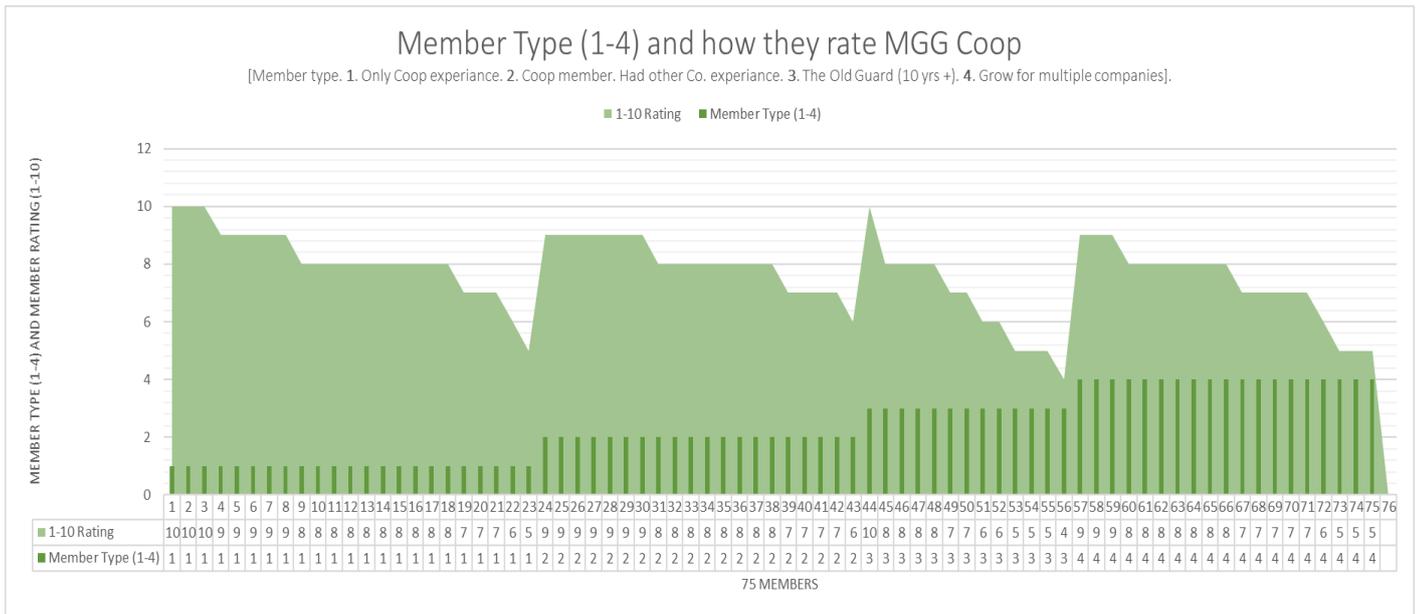


**Relationship between the number of years a member has been with MGG Coop, and how the member is currently ranking its performance. (Graph 3.)**

- The longer the member has been with the coop, the greater the range of rating.
- The shorter the period with the coop, the higher, and less diverse the rating.



Member “Type” (1-4) and how they rate the Coop. (Graph 4.)



V2109 Data Capture from MGG Coop Member Winter Reviews - Summary		
Subsection	Subject	Member % with similar unsolicited response
Communication	Happy with current level of communication	85.3%
	Comfortable to communicate with management and board	82.7%
	Build a better/stronger member community	41.3%
	Want more about the journey (transparency) to the outcomes	29.3%
Harvesting	Pre-harvest communication was good	74.7%
	Pleased with the harvesting	72.0%
	Pre-harvest communication could be improved	26.7%
	Had an issue with harvesting	25.3%
	Like to see winemaker in vineyard for pre-harvest assessment	12.0%
Viticulture	Happy with current level of support and service	90.7%
	[The member] strives to deliver quality	22.7%
	Content with allowable cropping level	12.0%
Coop vs Others	Coop is better to deal with then other companies	37.3%
Sales	Increase sales value	30.7%
	Increase sales volume	17.3%
	Engage a sales specialist	17.3%
Directors/mgmt	Pleased with the professionalism of directors and GM	22.7%
	More professional upskilled directors. Utilize skilled members	18.7%
Marketing	Diversify our markets	26.7%
	Engage a marketing specialist	21.3%
	More wine tastings, education and promotion (internal & external)	14.7%
	Connect members and buyers – “The Story”	10.7%
Winery, Tanks, Labels	Concerned with the control of Vinlink	16.0%
	Have own winery and labels	12.0%

## DISCUSSION

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### Demographics. (Graph 1.)

MGGs membership demographic spans a 40 year range from the mid-30's to mid-70's. The mean age being 58, the most common age bin being 66-70. Two thirds of the membership sit in a single standard deviation spanning 20 years; 48-68 years of age.

Surprisingly, there was a good distribution of ages as originally it was thought that there would be a strong skew to the senior end of the spectrum. But there could still be concern with the 28% of members who are above the retirement age. What are their plans for succession, selling, leasing etc in the near future? The Coop. will want to maintain access to this fruit.

### Coop. Rating by Members. (Graph 2.)

The Coop. membership rates itself highly in terms of how the organisation is meeting their current expectations. The mean rating being 7.69/10, the median and modes both being 8/10. With a standard deviation of only 1.29, two thirds of the membership rated between 7, 8 or 9.

Interestingly, 4 members rated their Coop. 10/10; all clearly stated that the Coop. currently ticked all the boxes for them. These boxes being; the Coop takes all my fruit, lets me get on and manage my vineyard, pays well, and is available for support when I need it.

Members who scored the Coop. low tended to be original Coop. members; whose expectations still sit with old values that were initiated a decade ago.

#### 1. Membership duration with Coop. verse their rating. (Graph 3.)

When we graph the members Coop. rating against the number of years that they have been a member, we see a trend –

- Recent members rate the Coop. very highly. Little spread. To date their experience has been good, whether they are new to the industry, or have come from elsewhere. Coop. needs to maintain and build on this experience.
- The longer the relationship, the greater the spread in how well their expectations have been met. For 10+ year members, this range is 4-10. Can these non-content members re-align their expectations with the new realities and values that are currently faced and embraced by the Coop.? What can we learn from the long-time members who truly value the Coop.? Is this a matter of contentment, and a fact that some will never be content?

#### 2. Member Type verses their rating. (Graph 4.)

- *Type 1. Members who have only grown for the Coop.* – a large spread of 5-10. 80% are very happy. 20% of these members may not be aware of the freedoms and benefits derived from being in the Coop. as they have no other reference. Industry realities need to be realised. The grass is not always greener on the other side.
- *Type 2. Coop. member. Had other company experiences* – All but one member sits in the 7-9 rating bracket, very pleased with their current experience. The 6-rating member sees future potential in the coop, but is concerned that the Coop. may not embrace changes necessary to remain competitive with other wine companies.
- *Type 3. The Old Guard (10 yrs+)* – sees the greatest range of rating responses (4-10). Discussions with the more negative element always reflected back to how good it was in the past. This seems an ingrained attitude, and may never change. Interestingly, this amounts to only 6 (8%) of the membership. But this 8% has been negatively vocal over

the past few seasons, upsetting many others who have now disengaged from many aspects of Coop. life. The other half of the Old Guard are very happy with the current model and how the Coop. is tracking.

- *Type 4. Grow for multiple companies* – Rating distribution of 5-9. By far, the majority rate the Coop. as 7-9 as how it's performance stacks alongside the other companies that they supply. My observation is that those who rate the Coop. lower in this group are of a naturally critical disposition; they will never be pleased. Intestinally, one of these members who was off contract has just resigned.

### Communication

This is by far the area of strongest member interest. Positively, 85.3% are happy with the current level of communication coming their way, and 82.7% are comfortable to communicate as and when they see necessary with board and management. But even so, all see that communication can improve, and were free to express how this could be implemented.

Many noted that they had seen an improvement in recent communication efforts;

- A lift in the vehicles of communication, as well as the level of that communication.
  - **Trust and transparency.** Overall the biggest perception has been the lift in the level of transparent communication. A lack of trust from membership has been a common theme, and transparency in process as well as outcome is desired. The journey to an outcome will help put a situation in context, and support the appreciation of why some situations arise, and how they are dealt with.
  - **Surprises.** No one liked surprises; good or bad, but particularly if it was negative. Legal fees, Chardonnay issues, name and logo changes were all cited as examples of where greater transparency and engagement for the “journey” should have been the norm.
  - **Meetings –**
    - The tone of meetings is now more positive. Those who regularly tended to utilize a meeting as a vehicle to get exposure to their grievances have been better controlled from the front (as well as separate private conversations). Sadly, many members have stopped attending meetings as these “bad members” have driven them away. The challenge will be to draw them back.
    - There are mixed messages around the meeting management; some liking blunt handling of proceedings, other seeing it as offensive. Firm but moderate tones may be better called for.
    - Some felt proceedings were well managed, giving members time to air concerns. Other saw this as time wasting and should have “discussions” reined in sooner. A difficult balance.
    - Most members felt that the information provided at meetings was good. They come primarily to be informed. All speakers have received praise for the material delivered, and the way they have been able to address questions from the floor.
    - Meeting agendas should be full and complete giving ample notice for members to deliberate prior to gatherings.
    - Some find the Golf Course facilities poor – meeting layout and the ability to see the screen need addressing.
    - New members need to be welcomed and given an opportunity to address the membership at the meeting.

- **Board and Management Updates –**
  - As these are seen by the Coop. as primary vehicles of communication, there were mixed messages of engagement. Yes, many members read the correspondence, and found it to be informative, but sadly a number of members pay little attention.
  - Members appreciated the details on payment schedules and how sales were progressing.
  - Members appreciate the need for discussion on sensitive information that gives the Coop its competitive edge.
  - All the above needs to be tempered to address a waning trust (in some quarters) with transparency for all.
- **Face to face communication –**
  - A number of members would appreciate board members and management to be more visible out in the field – on a regular basis meet with members on their patch to capture the “temperature”.
- **Building a better/stronger member community.**
  - Many members saw the Coop. as only a vehicle to deliver a competitive income.
  - But 41.3% of members saw an untapped, unique strength in the Coop; its members!
  - The positive response from members to this unique potential was strong, emotional and diverse. But all saw that the Coop. could be so much more if it tapped into the potential of allowing its membership to engage and work together in an array of forums and activities.
  - Members saw the opportunity to set up a social committee that could address and deliver a deeper culture and family element to the Coop. This could meet many members needs; needs that management is not in a position to address. Members would opt in.
    - Enhanced member to member communication, belonging and family. Draw in those who feel out on a limb.
    - Social functions e.g. Christmas or Harvest Parties
    - Websites/magazines/Facebook
    - Member Contact Details list (opt in).
    - Business to business support (in addition to viticulture)
    - Pastoral needs
    - Build a united spirit.
    - Mentoring of new members.
- **Code of Ethics.** Many members believed that a code of ethics should be implemented to set a standard of how we as a cooperative interact with one another. This would primarily help build a culture of how we behave as a family community. This standard could be used to address members whose behaviour was deemed out of order.

### Harvesting

Harvesting and its process was seen as second most on members mind; critical to get right; 12 months of work, and for many their only income source, all rode on having a good harvesting experience and outcome.

**Pre-harvest communication** - 74.7% of members said that pre-harvest communication was good, and has improved from the past. Friday afternoons transparent harvest progress and beers at the office was well appreciated. A few thoughts to further implement (offered by 26.7%);

- Implement an initial contact 7 days out from potential harvest.
- Compile a list of members who use nets. Such members need an extra element of preharvest warning and communication.
- Use multiple means of communication.
- Have available a 24/7 hot line for members to use.
- Ensure harvesting at a property does not begin until the member is present.

**The harvest process** - 72.0% of members were very happy with the level of quality and effort that went into harvesting their crop. A lot of specific praise was given. They liked the greater emphasis on assuring quality, and health and safety; not just what was done, but how it was done.

- 25.3% of members had an issue with harvest. They may have been very happy with their harvest, but still had a concern;
  - Only a few of these issues were to do with excessive damage in the vineyard to posts and vines.
  - Several complaints were around the quality of the pick with particular reference to berries being dropped under the vines. These were all in older vineyards with thick/bent trunks.

Several failings were really down to poor communication (by the member) as to not adequately identifying and reporting potential hazards on their properties. For example, irrigation risers and septic tanks.

### Viticulture

**Viticultural Support** - 90.7% of the membership felt that the level of service and engagement from the Coop to support them technically was good to excellent. They liked a proactive support.

- They liked the level of and appropriateness for the Viti Updates, field walks and seminars; many expressed regrets that they could not attend due to other commitments.
- Viticultural support had led to improvements in the quality and efficiency of production.
- Most felt that the availability of technical support either in the field or over the phone met their requirements.
- A number of members expressed that the field walks and seminars facilitated a good way to meet with other members and bench mark their own operations.

**Delivering Quality** – 22.7% of members stressed that quality was very important to them in the production of their crop. They saw the need to address;

- Reward individuals appropriately for quality. Lift the perception in the coop that quality is the standard.
- Vet new member applications to ensure we filter out potential poor quality.
- Promote and uphold ethical and sustainable attributes to our production. 100% SWNZ compliance was seen as a good move.
- Individuals would appreciate feedback from the winemakers as to the quality of their crops. Essential for any member looking to improve their product.

**Crop Level Allowance** – 12.0% expressed satisfaction that their crop level allowance was fair.

- There was little comment that this was seen as a soft cap to their production.
- Praise was given that the coop takes all the fruit.
- Some felt that other members were pushing the boundaries with production levels, and that the “sugar issue” was really a symptom of greedy-grower management.
- Need to ensure that there are mechanisms within the Coop. to retain blocks (maintain crop volume) that might be lost with members leaving.

### Coop. verses Other Companies

**Coop. verse Others** - 37.3% of members expressed that the Coop. is better to deal with than other companies. As 30% of our members have no experience with another company, this really equates to 53% of our members with multiple company experience saying that the Coop is the best to deal with. Why is this?

- They like our level and quality (trust) of correspondence.
- The Coop. is easy to approach and work with.
- They are treated fairly.
- Feel confident (not vulnerable) in the Coop. delivering around harvest. All the crop is taken.
- They like the freedom to just get on and grow grapes.
- The Coop. has a regular and dependable physical presence – we show our face to the membership.

### Sales

**Sales Value** - 30.7% of members believe that the Coop. needs to increase the value per unit of what we sell.

- They are looking to produce quality grapes to be sold in premium markets; both for their own personal pride, as well as maximising their returns.
- Members want nothing but the best – deliver quality wines into premium markets, having premium brands.
- Differentiate ourselves from the ordinary “bulk” Marlborough.

**Sale Volume** – 17.3% of members believe the Coop. needs to grow more, and has lagged behind perceived expectations. This growth in sales volume can come from both increasing our grower/ha base, and buying other wine to expand our markets. Big picture view (of Coop. Chairman) would be that the Coop grow to be one of the top four sized players (by volume) giving the power to hold up price for its members, supplying wine or grapes to its buyer. See Appendix on this section for details.

**Engage a sales specialist** – 17.3% of members suggested that to drive sales value and volume, the Coop. engages a sales person; a professional who has the skills, personality, motivation and correct mix of contacts.

### Directors and Management

**Board and Management professionalism** – 22.7% of members referenced that they are pleased with the board and management.

- They are happy with the way they conduct themselves when seen engaging with the membership.
- They are seen as a balanced mix of professionals, practical, with business acumen, engaged to deliver Good-to-Great for the Coop.

**Professional Upskilling** – 18.7% of the membership felt that the board and management should engage in further upskilling. Members suggested;

- A need to address professional skills in leadership, conflict handling, and personal development.
- Address “slickness” in process, methodology, thoroughness and risk analysis.
- Bring greater diversity to the board; professionalism, gender, background, small and large growers etc.

**Utilize skilled members** – members suggest that the Coop. utilizes the professional skills of the membership in multiple areas; strategy, risk analysis, training. This is to draw on the strength’s, diversity, skills and experience of individuals who have a vested interest in the success of the Coop, as well as to share the load.

- Develop a skills-list from individuals within the Coop. Utilise these people.
- Implement focus groups/internal consultants to support the board in its strategic thinking and governance.

### Marketing

**Diversify our markets** – 26.7% of members suggested that they were feeling “exposed” and “vulnerable” having so much of our portfolio of sales tied up with TWG. To help them feel more secure, and have greater peace of mind, they suggest;

- Increase the diversity of secure, long-term markets to spread risk.
- Move from playing in bulk markets to premium markets; work with a different type of buyer.
- They believe that to date the Coop has done well with current resources, but must look to change what and how we are doing our marketing.

**Engage a market specialist** – 21.3% feel we need to engage a marketing specialist to help support sales into other markets. (There may be some member ambiguity here over the role of sales verse marketing expertise collated in this report). They feel that;

- This is not a skill we currently have in-house. We need a “dynamic marketer”.
- Found the KPMG presentation very generic; not tailored to the Coop. What were the tangible outcomes from this investment?
- MGG Coop. needs a strap-line and vision statement.

**Wine tastings, education and promotion** – 14.7% of members feel that more resource should be placed into wine tastings and education for our members benefit, as well as buyers. Many thoughts on internal tastings mingled here;

- More opportunity to taste our own wines.
- Have educational tasting sessions to build member appreciation and wine quality skills.
- Have the opportunity to view the wine making and decision making and blending processes in action. The grower spends a year to produce a quality crop – they want to follow the transition through to the finished product.
- Help drive quality produced in the field through independent assessment of member wines; share and collectively celebrate the best outcome.
- Complete the feedback loop to the membership about what buyers are saying about our wines.

**Connect members and buyers** – “The Story” – 10.7% raised that they felt we were underplaying our unique Grower Cooperative story. We have a good product, a good story that needs to be told. We need a marketing guy!

- Some members are proud of what they are doing and want to have the opportunity for buyers to visit their terroir, and see first-hand the story that went in to the production of their grapes.
- Enthuse, inspire, educate buyers in the field. Spin the yarn over a BBQ and our wine.
- Badge our vineyards proudly with our Coop. logo. This is our shop window.
- Engage in the wider community and promote that engagement as part of our cooperative community spirit;
  - Bread of Life, John’s Kitchen, Migrant Centre, Health Causes, Cycleways; targeting sponsorship to where the greatest need is.

#### Winery, Tanks and Labels.

**Concern over the control of Vinlink** – 16.0% feel that the Coop. lost its way when it handed control to Vinlink and its winemaker. Other points of tension encompass;

- Frustration that pick decisions are made by an external (non-MGG) winemaker sitting remotely in an office.
- Unwillingness to commit larger portions of crop to the Coop. due the high exposure to this one entity.
- Now just a bunch of growers that sell grapes, not wine. Control is lost.

**Have our own winery and labels** – 12.0% suggest that we take charge of our own destiny. Buy or develop our own winery/tanks and labels, thinking to the long term. Take control of wine margins. A sub-group of growers could make the initial investment that would eventually change hands into MGG Coop. ownership.

#### CONCLUSION

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This review has identified several areas within the Coop., identified by the membership, that if seen to be addressed, will strengthen the Coop. and secure a stronger future and more united, trusting cooperative community.

Overall, I believe that this review has found the Coop. to be soundly supported by its membership. Current expectations are being well met. The members have current concerns and aspirations for the future. If addressed, the MGG Coop. will be a strong, united entity; desirable to be a part of whether that be as member, employee, or a long-term buyer.