

What does this case study show?

Tarac plays a vital role in the collection and processing of winery residuals. It is integral to the sustainable future of the Australian wine industry.

“The fact that we can provide this service and add-value to the residuals, demonstrates the important service we supply to our customers,” Chris said.

The case study also highlights the importance of market intelligence and strong industry knowledge as critical success factors for continued growth and survival.

“It is important to focus on continuous improvement as competition becomes more global. We have also learnt not to limit innovation to any one aspect of the business but instead look at innovating across all spheres of business,” he said.

“Also, being proactive in determining market directions, so that you can respond appropriately and rapidly.

“We also place high importance on building new relationships and the continued development of existing ones through direct contact to provide service excellence. These global relationships are integral to our ongoing success.”

The next step

Tarac has always been a very innovative company. It has sustained growth by continually innovating and meeting the challenges of the changing industrial landscape.

Through the continual expansion of its services and product offerings to meet the needs of Australian winemakers Tarac is now developing into a ‘one-stop-shop’ service provider.

The business is currently working on plans to form longer term partnerships in the supply of value-added spent marc to the agriculture markets for feed lots and as compost.

Its recent export success will also pave the way for future expansion and identification of new markets, and continued exploitation of the changing market dynamics in export markets.

“However, it is important that we achieve this export growth without compromising our existing customer bases,” Chris said.



Food in SA – A snapshot

Food is vital to South Australia's economy.

The agrifood industry currently contributes \$11.5 billion to the state's economy each year – and accounts for 145 000 South Australians jobs.

The majority of South Australian food industry businesses are small to medium operators.

Agrifood products contribute approximately 25% of exports from South Australia. Wine exports add a further 25%.

South Australia's major export markets are Japan, USA and Hong Kong - with products such as Meat, Seafood, Fruit and Cheese on tables and kitchens worldwide.

Under the South Australian Food Plan – which underpins the future development and growth of the State's food sector – a key target is to increase the value of finished foods by 8% per year.



Focus: Customer focus/Sustainability

This case study highlights the role Tarac Technologies plays in providing environmental solutions to the Australian wine industry to ensure the industry's sustainability well into the future.

Introduction

Tarac Technologies was established in 1929 by ex-CSIRO scientist Alfred Allen in South Australia's Barossa Valley - the heartland of the Australian wine industry. The company's major goal was to recover grape alcohol, grape seed oil and tartrates from winery by-products (grape marc - skins and seeds and other winemaking residuals) and transform them to commercially viable products.

Tarac has successfully built on its solid foundations and is now a key player in the Australian wine industry providing a competitive and sustainable advantage to the industry.

It has four plants, strategically positioned in the key wine growing regions of Australia - two in the Barossa Valley, and one each in South Australia's Riverland and Griffith in New South Wales. These plants enable Tarac to service approximately two thirds (by volume) of the residuals from the entire Australian wine industry.

Through its recent acquisition and launch of Beckwith Park, Business and Industry Park, Tarac now also provides opportunities for businesses seeking to lease office, storage and manufacturing facilities with the benefit of being located in the planned green star rated business and industrial park.

Business overview

Tarac offers a unique array of services to the Australian wine industry, providing key environmental solutions to the industry, thereby contributing to its sustainability.

Major environmental issues that Tarac alleviates includes the disposal of solid and liquid winemaking residuals. Tarac currently processes in excess of 30 million litres of distillation wine lees and 120,000 tonnes of grape marc per year. It also collects and processes 5,000 tonnes of filter cake per year.

Tarac's closed loop processes ensure maximum utilisation of wine industry residuals while minimising the adverse impacts of its own by-products and processes.

The solid residuals are treated to recover grape alcohol, brandy and tartaric acid, products that are in-turn sold back to the wine industry for use in their wine making process. This has enabled Tarac to become Australia's leading manufacturer of grape alcohol – the key product contributing to growing export markets.

Additionally, waste water generated through Tarac's processes is recovered and treated at a state-of-the-art facility, North Para Environment Control (NPEC) in the Barossa Valley. The treated water is re-used for Tarac's own processes as well as for irrigating vineyards in the vicinity of Tarac's plant in the Barossa Valley.

“Our business could be considered pivotal to the wine industry in the current environmental debate. The services and products that Tarac provides offer wineries a sustainable environmental and commercial solution to deal with residuals from wine making. Tarac's unique processes extract further value and provide the industry with simple compliance with regulatory requirements,” according to joint chief executive officer Chris Zajac.

How to move forward?

To meet the challenges of the ever changing national and international markets for grape alcohol products, Tarac has had to re-invent itself over the years. This has led to Tarac's business model undergoing significant changes. Tarac's achievements can be attributed to a highly trained, motivated and dedicated workforce offering a blend of technical and managerial skills, combined with the company's proactive stance.

"The secret of our success lies in our workforce which is world class and encompasses a range of skills," Chris said.

Having developed its own processes Tarac also has the capabilities of customising its products to cater to the changing needs of the industry.

A major shift in global markets that has occurred since Tarac's inception has been the reduction in consumption of fortified wines and brandy in Australia. This has compelled Tarac to develop export markets for its increasing volumes of grape alcohol, an area of the business that has seen significant growth in the past 12 months. Tarac's competitive advantage stems from being proactive in determining market directions so as to respond appropriately and rapidly.

Tarac is an unlisted public company governed by an independent and highly active and experienced board. Tarac regularly undertakes strategic and business planning sessions and has internal systems that support these.



Where to go for help and advice?

Tarac is actively involved in the wine industry, not just through its products and services but also as a member of various industry bodies such as the Winemakers Federation of Australia (WFA), Australian Wine and Brandy Corporation (AWBC) and Australian Society for Viticulture and Oenology (ASVO). It is also represented on industry committees of the Wine Industry Suppliers Association (WISA), the South Australian Wine Industry Association (SAWIA), the Wine Industry Technical Advisor Committee (WITAC) and the South Australian Centre for Innovation. This enables Tarac to monitor regulatory and market trends as well as offer support in the strategic direction of the industry.

However, having a unique product offering, Tarac relies on its internal resources for market intelligence. This, coupled with the close working relationships Tarac has with various global processors, has enabled Tarac to position itself and prepare for the anticipated growth in export markets. These networks have been instrumental in Tarac's success in supplying product into the European market.

Over the years, Tarac has sought and received guidance and advice from the Department of Trade and Economic Development, PIRSA, Business SA and Austrade.

Value chain specifics?

In dealing with the residuals left over from wine making, Tarac is an important aspect of the wine value chain.

Tarac's competitive niche is a consequence of the enduring and evolving relationships it has with wine companies in Australia, which provide access to their residuals to maintain a flow of raw materials. Despite the uniqueness of its services, Tarac does not take its position in the value chain for granted and continually refines its services to better cater to the industry's needs.

At the other end of the value chain, Tarac works very hard to maintain excellent working relationships with its customer base, both international and domestic, through frequent face-to-face contact. Tarac's small export team ensures round the clock access thereby minimising the communication delays due to varying time zones.

Customer service has priority at the highest levels in Tarac. Executive team members travel both internationally and domestically to discuss improvements, developments and to respond to any queries clients might have regarding business. This guarantees a strong relationship between customers and the internal Tarac team and enables Tarac to rapidly respond to changing demands in market dynamics and to seize emerging opportunities, again building sustainability into the services and products delivered to the wine industry.

What have they learned?

The business fully understands the importance of continued engagement with its value chain partners.

By developing close relationships with export partners, over recent years the business has been able to capitalise on market changes within the alcohol industry.

A similar approach to the Australian customer base led to the development of liquid tartaric acid for use in wine making. Previously Tarac only supplied powdered tartaric acid to various wineries. In this it was in competition with several other tartrate suppliers. In an effort to differentiate itself and provide customised service Tarac developed liquid tartaric acid. By internalising this step into its own manufacturing processes Tarac was able to save wineries time by eliminating the extra manufacturing step with a ready-to-use product. It also reduced waste in terms of empty bags for disposal, residual tartaric acid left in the bags, reduced employee injuries and the need for laboratory testing.

Critical success factors?

Several factors have contributed to Tarac's success to date and underpin its plans for the future.

Amongst the key is the ability to identify and then anticipate delivery of products and services into emerging market opportunities.

According to Technical Sales Manager Ken Klingner, success in the export trade is based on "keeping abreast of market trends by fostering close connections with our export partners and being able understand their specialised needs".

"We have been able to position ourselves around the forecast growth in demand for grape alcohol based solely on market intelligence developed using Tarac's internal resources," Ken said.

By producing a unique grape-based alcohol product it has helped its customers comply with strict quality control and brandy manufacture laws. This has been particularly critical to ensure access into emerging export markets where sensory profile consistency is critical.

Success has also come to Tarac though its ability to always keep the customer at the forefront and to work closely with them.

Challenges?

The continuously evolving business environment has exposed Tarac to several challenges, which it has confronted each time, to emerge as a stronger business.

Since the mid 1990s the progressively reduced consumption of fortified wines and brandy in Australia compelled the business to develop export markets, which came with its own set of challenges. The company now has to grapple with international trading conditions including the volatility of exchange rates, competition from lower cost manufacturing and subsidised countries as well as import tariffs applied to Australian products.

"To satisfy the demands for our product, brought about by the expansion of the export market, we had to change production processes to increase production volumes of suitable products. This innovation also facilitated product customisation to meet the requirements of the new customer base," Chris said.

Along with the entire wine industry, Tarac also confronts the impacts of climate change and its consequences. There is a growing regulatory regime pre-empting the advent of the Carbon Pollution Reduction Scheme. Tarac needs to be able to respond to these changes to remain viable and continue to deliver value to its customers.

Additionally Tarac faces an internal challenge in more convincingly exploiting the value proposition that it provides to the wine industry and ultimately the consumer as a provider of services critical for the environmental sustainability of the industry.

Other challenges include the unique nature of Tarac's business model, as well as its geographical locations.

