

Distillery readies for production

Scraping back over 60 years of aviation history has occupied David Vitale's time over the past 2 weeks as he prepares the old hangar to become a 21st century whisky distillery. As well as overseeing the cleaning of the hangar and installing the new equipment, authorization is needed to meet the Australian Government's distilling regulations.

Given the nature of excise law in Australia, we will be holding a significant amount of excise on behalf of the Government until the product is ready to bottle. To be approved as a spirit manufacturer requires a rigorous assessment of the systems and processes in place at the distillery to ensure we produce a safe spirit and importantly for the tax office - we can accurately account for every last drop of alcohol produced. Excise on a litre of pure alcohol is indexed half yearly and is currently almost \$70.00 per litre or approximately \$20.00 per 700ml bottle of 40% alcohol.

Next month we expect to 'season the still' and start spirit production. We are still evaluating yeasts and examining the ideal barrel entry proof to give us the flavour balance we desire during maturation program. While we are very conscious of cost we are primarily driven to produce an outstanding whisky flavour. This means studying the minutia of process as well as using constructive innovation to bring improvements to the spirit - from plant biology, still design to maturation techniques.

At Victoria Valley Distillery we are fortunate to benefit from the many advances in the science of whisky making, as well as applying new techniques to our Australian environmental conditions. The

craft side is still very much present as whisky is influenced by the moods of Mother Nature and the passage of Father Time. Here molecular complexity occurs, chemistry we are still trying to understand, as the variables of grain cultivation, fermentation, and distillation, the influence of barrel woods and the effects of microclimate shape the whisky to a ripeness of our discretion. Whisky still relies on the skill and intuitive touch of the distiller-craftsman to coax out the desired nuances. Not quite hand-made, but a guiding hands at every step.

Victoria's whisky's Renaissance

Victoria has been the home to the Australian whisky industry since 1863. While distilleries were established in Sydney and Tasmania during the 1820s they mostly made gin, rum and brandy, the preferred spirits until the late 19th century. Victoria became the centre for Australian whisky attracting a number of large distilleries around Ballarat, Port Melbourne and the Yarra River. All the whisky produced was pot still malt whisky. These early distillers were not brand marketers, selling their



malt whisky in bulk to hotels and liquor outlets. This led to much adulteration, with Australian whisky being sold as "Scotch" or just plain whisky. Interestingly, the most common spelling of whisky in Australia until the late 19th century was 'whiskey'. Even the English used this spelling until the early 20th century. After the Great War Australian whisky was bottled and successfully sold under brand names. The first major brand of bottled whisky was Joshua Brother's Boomerang brand from the Federal Distillery at Port Melbourne. Joshua's Federal Distillery produced over 1.5 million litres a year. Another was Brind's whisky from the Warrenheip Distillery, near Ballarat, which had been established in 1863. The fact local whisky was held under Government bond gave local distilleries and consumers a Commonwealth guarantee of quality. The quality of Victoria's malt whisky was reputed to be very good. Being young malt it was more flavoursome than the light, young tasting Scotch blends which was the dominant whisky type in Australia during the early 20th century. By the mid 1920s Australian malt whisky was

starting to achieve commercial success due to protectionism and through the collaboration of the four largest distilleries syndicating their whisky and marketing efforts. In 1922 they launched Old Court (malt) Whisky at 11 shillings a bottle, 4 shillings more than Scotch. For many years it claimed to be 'The World's Purest' whisky. Between 1928 and the Second World War this was the number one spirit brand in Australia. In Victoria Old Court's market share was greater than all the imported whiskies. Old Court sold over 170,000 cases a year. Australia's protectionism provoked the British to enter into manufacturing in Australia and the Distillers Company of Edinburg established their Australian whisky distillery at Corio in 1928. They also introduced continuous distilling to Australian whisky production – blended whisky – previously only gin and rum had been made on continuous stills in Australia. While Corio's first whisky was maturing down in their Geelong warehouse, United Distillers Limited as they were known in Australia began acquiring most of Victoria's independent whisky distilleries from 1930, notable Federal and Brind's Warrenheip distilleries.

After World War II the Corio brand was the leading blended whisky brand in Australia and continued to command this status for another 30 years. It was even exported to Asia, the UK and the US in the 1960s. Since the 1950s dozens of Australian brands were introduced from United Distillers (Four Seasons, Gauntlet), Gilbey's (Gilt Edge & Bond 7 made whisky at Moorabbin after World War II), Milne & Co (Black Opal, started as a brandy distiller in Adelaide, made whisky from 1906 and was acquired by Gilbey's in 1945), as well as other brandy distillers, such as Penfold's (Hyland whisky), Samuel Smith (Imperial Vat) and Cleland's (Beaumont Blend). High tariffs ensured Australian whisky dominated the local marketplace. There were even agents blending Australian whisky with scotch (90:10) and selling the product under brands like McEwan's Blend and Blend 45. Eventually the

dismantling of Australia's protectionist policies in the early 1970s allowed Scotch and American whiskies to more aggressively compete on price and better quality. Corio distillery shut down in 1986. Whisky distilling returned to Victoria after a hiatus when the Bakery Hill Distillery started production in 1999.

Southern Victoria was an attractive region to make whisky as barley cultivation favoured the colder climate in winter. The water quality was very good, with a limestone platform running from Melbourne across to South Australia and the volatility of seasonal temperatures made ideal conditions for maturation.

Troubled Scotland

Last month Diageo, the world's largest spirit and whisky company announced it would be closing their Kilmarnock plant, the home of Johnnie Walker since 1830. Bottling will be moved to Dundee and 700 jobs would be lost to the town. Politicians see this as the thin end of the corporate wedge which could lead to Scotch whisky being bottled overseas, simply as cost reduction measure. Already 20% of Scotch is bottled outside of the United Kingdom. The relentless search for cost savings has been a bone of contention as more distilleries are corporatized by large beverage companies and the quest for efficiency is pushing back on the craft.

During the same week Diageo announced their most expensive line extension, the 'pinnacle of blue label' named John Walker. John Walker whisky will be launched in Asia this September, costing only \$AUD6,000 a bottle. Meanwhile Glenfiddich revealed their 'pinnacle whisky', their new (oxymoron) 50 year old malt, selling for \$20,000 a bottle.

The global demand for Scotch has been relatively strong during the recession only falling 5%, frustrated by a lack of working capital in the supply chain, resulting in de-stocking by importers, wholesalers and retailers

Factoid

The largest distillery in the world from the late 1850s until the 1880s was Gooderham & Worts distillery in Toronto Canada. It was also probably the first distillery in the Americas to use a continuous still (also called a Coffey, patent or column still). By 1861 it produced 1.25 million gallons a year, rising to 2.1 million in 1872; the equivalent of 900,000 cases a year. It stopped making whisky in 1957.

worldwide. This cash flow pressure is expected to continue until early 2011. While the large spirit companies like Diageo have greater exposure across multiple drinks portfolios, the specialist whisky companies like Edrington Group (Macallan and the Famous Grouse, the UK's most popular Scotch brand) have met with continuing success. Edrington recently announced an 8% profit improvement. Burn Stewart another middle weight whisky company (with Black Bottle, Tobermory, Bunnahabhain) also reported a 6% profit improvement.

George Washington's whiskey

At the turn of the 18th century America's largest whiskey distiller was the recently retired President George Washington. At his historical Mount Vernon plantation in Virginia his old distillery and 1797 recipe has been rehabilitated through archaeological work and archival research. The reconstructed distillery began making whiskey in 2005 to the original recipe (60% rye, corn 35% & barley 5%). This whiskey, blended with 11 other leading American whiskeys went on sale in July for \$US25 a 50ml bottle. Back in 1802 his aged whiskey sold at the \$1 a gallon premium or a couple of cents for a 50ml bottle back then.

Chris Middleton, August 2009