

Australian Specialist Cheese Industry Innovation In Niche Marketing



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The Pratt Foundation/ISS Institute Overseas Fellowship

Fellowship supported by The Pratt Foundation



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Executive Summary

The aim of this Fellowship was to study first hand, the skills, knowledge and insights needing to be undertaken by specialist cheesemakers in Australia to become more competitive with their marketing in existing and new markets. In the past twenty years several small cheesemakers have emerged in Australia, producing a range of good quality cheeses, which provide the market with an alternative to mass-produced cheeses.

The challenge facing these traditional cheesemakers in Australia could be described as one of culture – we do not have the benefit of centuries of small-scale cheese making in this country. Until recently, most of the cheese made in Australia came from big factories and fell under two categories: 'tasty' and 'vintage'.

However, in both the local and the international marketplace, Australian cheeses compete with hundreds of other traditional cheesemakers from countries such as France and Italy – many of whom have the benefit of a long established reputation for producing quality cheese.

The overseas Fellowship program was purposely designed to explore the skills and knowledge deficiencies and to obtain the information necessary to enable the Fellow to advise, instruct, promote and improve the specialist cheese industry's marketing strategy in Australia.

Distributors and retailers in the USA and Asian markets are looking for products that offer something new and a point of difference to the traditional varieties of cheese available. However both economies are quality driven and any new product needs to be of very high standard in order to compete with the excellent European cheeses available.

In addition to this, it is largely perceived that premium quality is strongly linked with cheese made from raw milk. There was a definite perception that if the cheese was not made from raw milk then it was not a 'serious' cheese. The Australian food authorities are behind the rest of the world on this matter. Under current regulations, our inability to produce and market raw milk cheese means that we will always remain uncompetitive at the top end of the market. Changes to existing regulations to allow for the manufacture of raw milk cheese in Australia would resolve this situation.

Having seen the quality of both locally made cheeses and the imported European cheeses in the USA market it is difficult to see how the current product range from Australia could make inroads in the immediate future. More needs to be done to encourage our cheesemakers to be making the highest quality cheeses possible – artisan but high quality. This seems to be the only door open to new products. The best way to develop this trend is to encourage exposure to the types of cheeses which currently exist in these markets – these are cheeses which are generally not allowed in Australia as they are made from raw milk.

Although in the USA not much is known about Australian cheese, the perception is that we do have some good Australian cheesemakers and that our products will probably be of a high quality. More could be done by industry and government agencies to link our specialist cheesemakers directly to specialist cheese distributors.

Cheesemakers should be aware of the market gaps and logistical problems before determining which products would be suitable for Asian and USA export markets. Hard cheeses which can be surface freighted will be more successful than air-freighted soft, perishable cheeses.

Executive Summary

Communication of the product's value is essential. Sales need to be supported with clear information on the product and the producer. This can be further enhanced by maintaining quality websites for consumer education, allowing the producer to directly communicate his/her message and story.

Our cheeses in Australia are good enough to compete overseas. Creating inroads into these markets is inevitable as the search for new products grows to include producers outside of traditional cheese making countries in Europe. Haddow predicts that more and more specialist cheesemakers in Australia will look overseas to reach appreciative markets for their products. However, this will take several years and the potential will need to be realised and supported by government agencies to assist this process. Due to the nature of these high quality products, they are most commonly made by very small businesses that do not have the time, the skills or the resources to dedicate to developing overseas markets. Although agencies such as Austrade currently offer attractive grants and subsidies to new exporters, they are still aiming at high volume results. We need to understand these will be low volume products, but ones which will importantly deliver a great deal of profile and publicity, which may in turn benefit other export sectors.

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Awarding Body - International Specialised Skills Institute (ISS Institute)

We know that Australia's economic future is reliant upon high level skills and knowledge, underpinned by design and innovation.

The International Specialised Skills Institute Inc (ISS Institute) is an independent, national organisation, which has a record of nearly twenty years of working with Australian industry and commerce to gain best-in-the-world skills and experience in traditional and leading-edge technology, design, innovation and management. The Institute has worked extensively with Government and non-Government organisations, firms, industry bodies, professional associations and education and training institutions.

The Patron in Chief is Sir James Gobbo AC, CVO. The ISS Institute Board of Management is Chaired by Noel Waite AO. The Board comprises Franco Fiorentini, John Iacovangelo, Lady Primrose Potter AC and David Wittner.

Through its CEO, Carolynne Bourne AM, the ISS Institute identifies and researches skill deficiencies and then meets the deficiency needs through its *Overseas Skill Acquisition Plan (Fellowship Program)*, its education and training activities, professional development events and consultancy services.

Under the Overseas Skill Acquisition Plan (Fellowship Program) Australians travel overseas or international experts travel to Australia. Participants then pass on what they have learnt through reports, education and training activities such as workshops, conferences, lectures, forums, seminars and events, therein ensuring that for each Fellowship undertaken many benefit.

As an outcome of its work, ISS Institute has gained a deep understanding of the nature and scope of a number of issues. Four clearly defined economic forces have emerged out of our nearly twenty years of research. The drivers have arisen out of research that has been induced rather than deduced and innovative, practical solutions created - it is about thinking and working differently.

A Global Perspective. 'Skills Deficiencies' + 'Skills Shortages'

Skill deficiencies address future needs. Skill shortages replicate the past and are focused on immediate needs.

Skill deficiency is where a demand for labour has not been recognised and where accredited courses are not available through Australian higher education institutions. This demand is met where skills and knowledge are acquired on-the-job, gleaned from published material, or from working and/or study overseas. This is the focus of the work of ISS Institute.

There may be individuals or firms that have these capabilities. However, individuals in the main do not share their capabilities, but rather keep the IP to themselves; and over time they retire and pass way. Firms likewise come and go. If Australia is to create, build and sustain Industries, knowledge/skills/understandings must be accessible trans-generationally through nationally accredited courses and not be reliant on individuals.

Our international competitors have these capabilities as well as the education and training infrastructure to underpin them.

Addressing skill shortages, however, is merely delivering more of what we already know and can do to meet current market demands. Australia needs to address the **dual** challenge – skill deficiencies and skill shortages.

Acknowledgments

Identifying and closing skills deficiencies is vital to long-term economic prospects in order to sustain sectors that are at risk of disappearing, not being developed or leaving our shores to be taken up by our competitors. The only prudent option is to achieve a high skill, high value-added economy in order to build a significant future in the local and international marketplace.

The Trades

The ISS Institute views the trades as the backbone of our economy. Yet, they are often unseen and, in the main, have no direct voice as to issues which are in their domain of expertise. The trades are equal, but different to professions.

The ISS Institute has the way forward through its 'Master Artisan Framework for Excellence. A New Model for Skilling the Trades', December 2004. The Federal Government, DEEWR commissioned ISS Institute to write an Australian Master Artisan School, Feasibility Plan.

In 2006, ISS Institute Inc. set up a new ISS advisory body, the **Trades Advisory Council**. Members are Ivan Deveson AO; Martin Ferguson AM, MP, Federal Labor Member for Batman; Geoff Masters, CEO, Australian Council of Educational Research; Simon McKeon, Executive Chairman, Macquarie Bank, Melbourne Office; Richard Pratt, Chairman, Visy Industries and Julius Roe, National President Australian Manufacturing Workers' Union.

Think and Work in an Holistic Approach along the Supply Chain - Collaboration and Communication

Our experience has shown that most perceive that lack of skills is the principal factor related to quality and productivity. We believe that attitudes are often the constraint to turning ideas into product and a successful business; the ability to think laterally, to work and communicate across disciplines and industry sectors, to be able to take risks and think outside the familiar, to share – to turn competitors into partners.

Australia needs to change to thinking and working holistically along the entire Supply Chain; to collaborate and communicate across industries and occupations - designers with master artisans, trades men and women, Government agencies, manufacturers, engineers, farmers, retailers, suppliers to name a few in the Chain.

'Design' has to be seen as more than 'Art' discipline – it is a fundamental economic and business tool for the 21st Century

Design is crucial to the economic future of our nation. Australia needs to understand and learn the value of design, the benefits of good design and for it to become part of everyday language, decision making and choice.

Design is as important to the child exploring the possibilities of the world, as it is to the architect developing new concepts, and as it is to the electrician placing power points or the furniture designer working with a cabinet-maker and manufacturer. As such, design is vested in every member of our community and touches every aspect of our lives.

Our holistic approach takes us to working across occupations and industry sectors and building bridges along the way. The result has been highly effective in the creation of new business, the development of existing business and the return of lost skills and knowledge to our workforce, thus creating jobs - whereby individuals gain; industry and business gain; the Australian community gains economically, educationally and culturally.

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Fellowship Supporter

The Pratt Foundation was established in 1978 by Richard and Jeanne Pratt with the shared vision of supporting charitable enterprises and adding value to philanthropy. The Foundation is now one of the largest private sources of philanthropy in Australia. In the words of its mission statement, it aims “*to enrich the lives of our community*” and, in the words of Jeremiah, it works to fulfil this aim in a spirit of “*kindness, justice and equity*”. Haddow would like to thank them for providing funding support for this Fellowship.

Supporters

In Australia

Tasmanian Dairy Industry Authority

Don Sandman, Manager, Quality Assurance

Rural Development Services

Annabel Fulton, CEO

Slow Food

Judith Sweet, Convivia Leader, Tasmania

In the USA

34 Degrees

Craig Leiberman, CEO

American Cheese Society

Allison Hooper, President

In Japan

Austrade Japan

Takahiro Tejima, General Manager, Tokyo

Hisada Co, Cheese Shop Chain, Importers and Distributors

M Kawasaki, Import Manager, Tokyo

About the Fellow

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Qualifications

- Bachelor of Business (Hotel Management), Regency Park, SA

Memberships

- Member of the Tasmanian Dairy Authority
- Member of Slow Food Australia
- Member of the American Cheese Society
- Member of the Dairy Industry Authority of Australia

Professional Achievements

- Recipient of the Queen's Trust Grant, for cheese making, 1995
- Recipient of the Goddard Sapin-Jaloustre Trust Scholarship, for cheese making, 2003
- Founding committee member of the Australia Specialist Cheesemakers Association
- Regular judge at the British and New Zealand Cheese Awards (Chief Judge)
- Regular instructor for TAFE Adult Education (Tasmania) presenting classes on cheese appreciation and cheese making
- Has had several articles published in local and international food and wine journals and magazines including *Cuisine* (New Zealand), *Divine* (Australia), *Slow* (Italy), *40° South Magazine* (Tasmania) and *Gourmet Traveller* (Australia). Is also a major contributor to Will Studd's award winning book *Chalk and Cheese* (Purple Egg, Melbourne, 1999).

After growing up in a wine making family, studying hotel management and working in some of Adelaide's best restaurants, Nick Haddow discovered cheese.

Mentored by one of Australia's most respected and influential cheese experts, Will Studd, the Fellow spent time working at Milawa Cheese Co and Meredith Dairy in Victoria in the early 90s before being awarded a Queen's Trust Grant to work with cheesemakers in Europe, learning traditional cheese making techniques. During Haddow's time living in Europe, the Fellow visited and worked with many cheesemakers in England, Scotland, Ireland, Spain, France and Italy and was fortunate to experience and be involved in the manufacture of a huge range of cheeses.

Haddow also spent a year at one of the world's great cheese shops, London's Neal's Yard Dairy, before returning to Melbourne to set up and manage Stephanie Alexander's Richmond Hill Café and Larder, in Melbourne. During this time he also assisted in establishing Australia's only buffalo dairy and cheese factory at Shaw River, Victoria.

Haddow has been a judge at the British Cheese Awards and Chief Judge at the New Zealand Cheese Awards. The Fellow helped found the Slow Food Movement in Australia and was a member of the nation council of the same organisation. Haddow was also one of the

About the Fellow

founding committee members of the Australian Specialist Cheesemakers Association. He has written several articles on cheese which have appeared in many local and international publications and has twice led tours to the famous cheese regions of France and Italy.

More recently, Haddow has worked with a small cheese factory in the southern mountains of India and is currently working to improve the production and manufacturing processes of a cheese factory that sits at 4000m in the shadow of Nepal's Annapurna Mountain. Since residing in Tasmania, Haddow has been the cheesemaker and manager at the Pyengana Dairy Company. There he was responsible for improving their existing cloth-matured cheddar and introducing a range of new cheeses.

Currently Haddow consults to several of Australia's small cheesemakers, assisting in their product development, quality assurance and marketing. He is passionate about the future of small cheesemakers in Australia and provides regular seminars and workshops to further the education of Australian cheese consumers and professionals.

Haddow has recently opened his own cheese factory, Bruny Island Cheese Co, and is producing a range of farmhouse cheeses made from cow's and goat's milk.

Most recently, Haddow was awarded the Goddard Sapin-Jaoustre Scholarship to study the production of cheeses in France's Savoie region. Haddow is also the staff food writer for *40° South Magazine* in Tasmania.

The Fellowship Program

Aim of the Fellowship

The aim of this Fellowship was to study first hand:

- The skills, knowledge and insights needed to be undertaken by specialist cheesemakers in Australia to become more competitive with their marketing in existing and new markets.
- What traditional cheesemakers in Australia need to do to conform to new world regulations without compromising the quality of their products.

Specific Areas of Study and Development

- The successful manufacture of traditional cheese varieties within the regulations and conditions of a 'new world' environment
- Research innovative packaging options for traditional cheese production and their application for Australian specialist cheesemakers. What are the packaging options and why each one is used? What is different about packaging for speciality/traditional cheese production as opposed to other cheeses?
- The marketing, branding and promotion of Australia's traditional cheeses to improve their competitiveness in both the local and international marketplace. What is different about Australia's traditional cheeses to other countries traditional cheeses? What can we offer the market? What are the differentiating factors? How can we leverage this for developing the industry?
- The development of cheese maturation facilities which replicate a traditional environment.
- The production of unpasteurised milk cheese in new world countries and the quality assurance process required for its safe manufacture

Ongoing Areas for Development

- Investigate the potential for value adding to other dairy products
- What measures need to be taken to influence the culture in Australia to maximise the impact of marketing improvements in the specialist cheese industry.
- Create a marketing and promotional model which can be adopted Australia-wide using a selection of specialist cheesemakers as a model

The Skills/Knowledge Deficiencies

Previously in Australia, there existed a skills deficiency in the area of learning the basics of traditional cheese making. For this purpose, previous Fellows have traveled to countries such as France where there is a long tradition of cheese making and these skills can be readily gained. As a result of these previous ISS Institute Fellowships, the Fellow believes this skills gap has now adequately been addressed.

However, cheese making in these 'old world' countries does not deal with many of the difficulties faced by our own cheesemakers when they try and adapt these techniques in Australia under different regulations and conditions. These difficulties are, Haddow believes, preventing many of Australia's specialist cheesemakers from reaching their full business potential.

Therefore, the Fellow sought to capitalise on the work of previous Fellows by gaining further knowledge on the maturation and marketing of traditional cheeses, particularly from new world countries such as Australia.

The Fellowship Program

The results of Haddow's findings are of benefit to the specialist cheese making industry, but will also have flow-on benefits to the members of associated industries organisations such as the National Farmers Federation and the Dairy Industry Association of Australia.

To obtain the necessary information, the following activities were undertaken during the course of the Fellowship.

- Obtained evidence from specialist cheesemakers in the USA who are having success in marketing their products both domestically and internationally. Haddow also used this opportunity to gain further knowledge on how these producers employ various traditional maturation techniques within the confines of their food regulations and what measures they have taken to deliver quality assurance in the use of unpasteurised milk.
- Investigated, through discussion with retailers, manufacturers and wholesalers, new and innovative packaging options through visiting the USA 'Fancy Food Show' in New York and several specialist cheese retailers in New York.
- Interviewed members of the American Cheese Society and the CEO of leading specialist cheese distributor 34 Degrees on market requirements, in terms of branding, product communication and public relations.
- Investigated marketing requirements in Japanese specialist cheese market through meeting with Austrade representatives – visited specialist cheese retailers and met with Hisada Co, to determine what specific brand and packaging requirements are needed to be competitive in the Japanese marketplace.

The Australian Context

In the past 20 years several small cheesemakers have emerged in Australia, producing a range of good quality cheeses which provide the market with an alternative to mass-produced cheeses. These 'traditional' cheesemakers set themselves apart from large producers in the following ways:

- They are making cheeses which are unique to their environment and region, rather than replicating generic styles of cheese, eg cheddar
- They are employing traditional, low-technology methods of cheese manufacture, compared to large-scale and high-tech automated production
- They source their milk from only one or two farms, often their own farm – large cheese factories can source milk from hundreds of farms located over an enormous area
- Their production is carried out in small batches which requires a 'hand-made' approach, whereas large-scale production is almost entirely automated – a 'closed-system'
- Their cheeses show greater seasonal and environmental variations, compared to factory made cheeses that are standardised to minimise this variation
- They produce cheeses which compete on flavour and integrity, rather than seeking to appeal to mass-market requirements
- The cheeses they make require specialist retailing and distribution, not supermarket retailing
- Their cheeses have natural rinds and are matured in a traditional manner – modern factory cheeses are vacuum packed, do not have a rind and are matured at cold temperatures, which requires no labour

The challenges facing these traditional cheesemakers in Australia could be described as one of culture – we do not have the benefit of centuries of small-scale cheese making in this country. Until recently, most of the cheese made in Australia came from big factories and fell under two categories: 'tasty' and 'vintage'.

The present difficulties facing the traditional cheese industry in Australia are:

- The way producers accommodate the level of regulation and the lack of consideration paid to the unique circumstances of small producers
- The lack of specialist knowledge in the areas of distribution and retailing
- The level of understanding in the marketplace regarding these types of cheese.

Haddow strongly believes that to be successful, many of Australia's small cheese producers will need to look to export to sell their cheeses. Through the Fellow's own business, Haddow has proven that there are many international markets available to Australia's specialty cheese industry – Bruny Island Cheese Company began exporting in 2007 to the USA and has received many more enquiries for its products than it is currently able to satisfy.

However, in both the local and the international marketplace, Australian cheeses compete with hundreds of other traditional cheesemakers from countries such as France and Italy – many of whom have the benefit of a long established reputation for producing quality cheese. Haddow examined the ways in which Australia's specialist cheeses can be competitive in various export markets and what packaging products, distribution channels and promotional tools are available to maximise this competitiveness. In particular, Haddow focused his investigations in the area of branding – how can Australian producers brand

The Australian Context

their specialist cheeses so that they create an identity of quality, rationality and integrity. Haddow also addressed what specific requirements Australia's specialist cheesemakers need to address when marketing their products to the main export markets.

Researching new and traditional packaging options for our artisan cheeses will also have a profound effect on the way those cheeses can be distributed and retailed in Australia. This research will be carried out through observation in the marketplace.

Providing access to these innovative solutions to Australia's cheesemakers will lead to a tangible result in improving our product shelf life and marketability and increasing the appeal of these products to the consumer.

Currently, most cheese needs to be vacuum packed to make it viable for retailers to store the product for long periods of time without spoiling or the need to maintain the quality of the cheese. Vacuum packing seriously undermines the quality of traditional cheese as it does not allow them to breathe and lose moisture. This is not a problem for modern cheeses which are made without natural rinds and are developed with vacuum packing in mind.

More suitable packaging options for these styles of cheese include specialist papers that allow the cheese to breathe, timber boxes (which could be made from local timbers and therefore would provide value to additional industries) and high-tech plastic film that prolongs the life of the cheese without compromising its flavour and texture. There are many examples of this type of packaging in the USA and UK, however their availability in Australia is extremely limited, due to lack of demand, availability or understanding.

Haddow strongly believes that with this knowledge in place there is scope for many of these products to be produced locally using local manufacturing industries and, where appropriate, from locally sourced raw materials such as timber for packaging. The use of materials such as timber value adds to local regional resources and is an environmentally sustainable material.

Peak Organisations and Key Representatives

Government – Federal, State and Local

- Department of Agriculture, Fisheries and Forestry
- Food Standards Australia and New Zealand
- Austrade
- Department of Primary Industries and Water (Tasmania)
- Department of Economic Development (Tasmania)
- Tasmanian Dairy Industry Authority
- Agri-Food Industry Skill Council
- Manufacturing Skills Australia

Business, Commerce and Firms

- Dairy Australia
- Australian Institute of Export
- Packaging Council of Australia

The Australian Context

- Bruny Island Cheese Co
- Cheese Links
- Calendar Cheese
- Say Cheese, Valerie Henbest, South Australia
- Specialist cheese retailers
- Sandra Vazzoler – 2006 ISS Institute/Italy (Veneto) Overseas Fellowship (Sponsor: Skills Victoria)
- Virginia Reid – 2005 National Overseas Fellowship (Sponsor: DEEWR)
- Kylie Smyth – 2003 ISS Institute/TAFE Fellowship (Sponsor: Skills Victoria)

Professional Associations

- International Slow Food Movement – Australia
- Australian Specialist Cheesemakers Association

Education/Training institutes

- TAFE Tasmania – Gilbert Chandler Campus – Dairy Technology
- TAFE Tasmania – Drysdale Campus
- Goulburn Ovens Institute of TAFE
- Regency TAFE SA
- New England Institute of TAFE

International Context

The overseas program was purposefully designed to explore the identified skills and knowledge deficiencies and obtain the information necessary for Haddow to return to Australia equipped with the knowledge and ideas to enable him to advise, instruct, promote and improve the specialist cheese industry's marketing strategy in this country.

Program Content

The Fellowship program encompassed visits to many establishments and individuals involved in the manufacture and marketing of specialist and artisan cheeses, especially in the New York State area of the USA.

Although Haddow's itinerary was planned prior to his departure, on arrival in both the USA and Japan, many contacts provided him with information that led to other significant opportunities that were not known when he was planning his program in Australia. Haddow had anticipated this prior to departing on his study tour and had allowed sufficient time in the program to include such impromptu visits.

The following site visits and meetings proved to be the most significant in providing information, clarification and inspiration.

Meeting with Craig Lieberman

CEO of 34 Degrees, New York

Craig is a very successful importer of artisan cheeses from Australia and New Zealand

Key information gained:

Lieberman and his business partner, Kylie MacNamara (whom the Fellow had previously met with in Brisbane) operate a very fast growing business specialising in the importation of Australian artisan cheese. Their strength is in providing products to retailers which currently do not exist in the market. They usually do this under their own brand, but still give adequate exposure to the producer. An excellent example of their success is their marinated fetta – a product which previously did not exist in the USA. They admit that their biggest challenge is getting good quality cheese from Australian producers – especially as it is all pasteurised and their customers generally have a strong preference for raw milk cheeses from Europe – often at a lower price point.

Meeting with Rob Kaufel

Owner of New York based Murray's Cheese Shop – one of the world's leading importers and retailers of artisan cheese

Key information gained:

Kaufel was very insightful in his approach to cheese retailing and to the Fellow, typified the challenges facing Australian cheesemakers trying to get a foothold in discerning overseas markets. Kaufel told Haddow that his main driving factor was simply quality. If the cheese was good enough to be in his shop it did not matter where it came from. Of course, this is very subjective, but his products have to pass a series of tasting tests from himself and his staff. Consequently nearly all of the 400+ cheeses he deals with are raw milk. This he thought would be a major obstacle for any Australian cheeses in the USA.

International Context

Meeting with Stanley Klein

Owner of Zabars – one of New York's oldest and best cheese shops and mail order business

Key information gained:

This is one of the best food shops in New York. It has a very large range of cheeses. Again, nearly all were unpasteurised. Klein related to Haddow that this was not a policy, but a factor that was largely driven by the consumer wanting these cheeses.

Meeting with Andre Ricard

Cheese room manager of Dean and DeLuca – a very successful chain of top end food retailers

Key information gained:

Dean and DeLuca is a very up market operation, and one which is famous throughout the world. Their cheese selection was very high quality and was chosen largely on the premise of quality and availability. Raw milk was clearly the preference. A lot of education was provided on obscure cheeses to inform the consumer. This encouraged customer loyalty and increased spending.

Meeting with Ari Wiezmann

Owner of Zingermans Food Businesses, Anne Arbor, Michigan

Key information gained:

Haddow has met Wiezmann several times and his mantra in all aspect of his business is flavour. Therefore, artisan cheese from the USA and Europe were the staple. He stocks mostly raw milk, but not exclusively. Again, a strong focus was on customer education.

Annual Conference of the 'American Cheese Society'

Haddow attended this conference in Burlington, Vermont where he met with several key cheesemakers, distributors and retailers including:

- Cathy Gaffney, Manager, Speciality Cheese Department, Wegman's Foods Inc
- Daphne Zepos, Owner, Essex Street Cheese Company
- Jed Davis, Director of Marketing, Cabot Creamery

The 'Fancy Food Show'

At this event in New York, Haddow met with several USA specialist cheesemakers including:

- Alexandro Garcia, Director of Affinage, Artisanal Premium Cheese
- Alison Hooper, Owner/Cheesemaker, Vermont Butter and Cheese Company
- Peter Mohn, Vice President, Grafton Village Cheese Company

Meeting with M Saito

CEO of Fromage Fermier, an iconic specialist cheese importer, distributor and retailer in Tokyo

Key information gained:

Fermier is a leading importer, distributor and retailer of high quality specialist cheese in Japan. They currently do not sell any Australian cheese although they were aware of a few brand names. Their main concentration of products comes from France and Italy. They carry about 300 cheeses – most of which are unpasteurised and all of which are artisan products. This is a very discerning business and the Fellow got the impression that they did not consider cheese from Australia to be a serious contender for them. They reiterated that regulations restricting the importation of cheese to Japan were difficult and this often dissuaded potential producers. They service largely western restaurants and hotels however, increasingly, local consumers are buying more cheese in an effort to embrace a more western culture. The Australian brand is well recognised, but seems to be more of a novelty than anything else.

Meeting with Mr Kawasaki

Import Manager for the Hisada chain of cheese shops

Key information gained:

This meeting provided details of the supply chain and regulations which related to the potential importation of Australian cheese. This company conducted a trial a few years previously which showed that Australian cheese needs to be able to compete with high quality European cheeses both in terms of flavour and price. On several visits to Japan Haddow has never seen an Australian cheese for sale, but has noted a strong growth in the availability of artisan European cheese.

Findings: Key Issues

- At present there are very few specialist cheesemakers taking up the opportunity of exporting their products to either the USA or Asian markets. Those who are tend to be at the larger end of the scale.
- There is excellent potential for Australian-made specialist cheese in these markets as they present a real point of difference to existing choices – provided they are focused on quality.
- The level of required marketing within the marketplace is minimal and is largely carried out by end product retailers. The need for focused marketing at the production level is required to communicate the right message to the end consumer.
- The products with the most authentic 'story' are those that will be the most successful. The demographic of specialty cheeses has a sophisticated knowledge of how cheese is made and how to determine quality.
- Establishment of relationships and supply chains is of course essential. However, it might also present a deterrent to many potential exporters due to the cost of setting up and maintaining these links.
- Quality of product, consistency of supply and supply chain support are critical. The USA consumers are very sophisticated.
- Expensive products are not unacceptable as long as they are good and present a different angle.

International Context

Maturation

Specialist cheesemakers in the USA provided details of how they are replicating the traditional maturation techniques of European cheesemakers and affineurs in a new world context. Specifically they are building underground cellars which do not rely on artificial refrigeration and are a more economical form of maturation. The result on the cheese is better. The difficulty in Australia is that this approach would not pass existing regulations. Specifically, some of the best maturation facilities Haddow observed had the following in common:

- Natural floors which allowed for full transfer of humidity
- Very low air movement – impossible to achieve with conventional refrigeration
- Raw timber shelves (rough sawn) with the cheese rinds in contact with the timber

Raw Milk

USA cheesemakers are also enjoying a resurgence in consumer demand for local, natural foods. The extension of this is the Raw Milk Cheese Campaign in the USA. This campaign has very strong momentum and results in a very real demand for raw milk cheeses from the consumer.

Australia's approach seems to be at odds with the consumers demand for raw milk cheeses – our regulatory bodies and industry associations appear to be aware of the demand, but unwilling to change regulations to allow the demand to be satisfied.

The Australian industry should learn the USA lesson of the marketing advantage of raw milk cheeses in the international context – the USA is now taken seriously as a producer of high quality artisan cheese by European and Asian markets, largely because they produce a large quantity of raw milk cheese.

Packaging

Packaging approaches in the USA differ greatly from Europe. In the USA branding is paramount and several different materials are employed to achieve good quality products.

In Europe, very little packaging of the cheese is employed and often the cheese is sold completely unpackaged and unbranded. This is largely to do with the differences in the supply chain and the dedication the Europeans have in preserving the 'real' character of the cheese through careful handling.

Australia is more aligned with the USA in this regard and by comparison has only a very small range of materials available to its producers. As demand and education grows in Australia, so will the range of packaging options.

It is vital that more local producers travel to observe the various ways their own packaging approaches can be improved. These improvements might be in the flavour/texture of the product, the visual appeal to the consumer or the shelf life of the product. It is also important to note that although there are some innovative products available to the cheesemaker, one innovation that might be important to consider is the return to tradition – that is a step away from highly packaged cheese and the reliance of the cheeses natural beauty to provide the appeal. This is certainly the approach used in Europe and one which serves all aspects of the supply chain well.

International Context

The Japanese Market

The Japanese market is one of the most discerning Haddow has seen. The quality of the cheese and the dedication to excellent handling in order to preserve this quality is very impressive. Retail outlets have their own cellars to continue the maturation of the cheese properly.

The finest artisan cheeses are available from Europe. Cheeses from outside of Europe are virtually non-existent because of the perception that only great cheeses come from Europe.

The only opportunity for Australian cheese in Japan is to rely on the novelty factor of being an Australian product. However, it will need to be competitive both in terms of flavour and price. The trend is very much to replicate a European context – the cheeses, the way that the cheeses are marketed and merchandised, the way that the cheeses are matured. There is very little cultural difference between Japan and Europe – a fact which was surprising. Therefore, seeing Japan as a potential market would only be viable if the product is good enough to command respect.

Discussion of Findings

The Fellow is willing to make himself available for discussion and consultation with bodies such as State and Federal Departments of Agriculture, Food Standards Australia and New Zealand, Austrade and Agri-Food Industry Skills Council and to share his findings, so that the specialist cheese industry in Australia can develop further and take a strong position in marketing itself internationally.

A Test Case Scenario: Bruny Island Cheese Co



Bruny Island Cheese Co (BICC) established export links to the USA by way of an unusual route. BICC was the recipient of several excellent articles in key USA food magazines extolling the qualities of its cheeses. The jewel in the crown of this publicity was a very highly respected chef stating that one of BICC's cheeses was the "best thing he ate" during a three week, government sponsored, tour of Australia's best restaurants and food shops.

This resulted in BICC being contacted by several USA importers and distributors who sought to capitalise on the good publicity by representing and distributing BICC's cheeses in the USA. Although Haddow never thought that BICC would export cheeses due to its small size, Haddow was convinced by one particular distributor that his cheeses would be well represented and would achieve great success in the USA marketplace.

This whole process was undertaken without any kind of marketing plan for export and although BICC did achieve success in the USA market, it was by way of luck and circumstance rather than planning and good management. It was for this reason that Haddow sought this Fellowship, in order to learn what it would take for a cheesemaker in Australia to achieve the same outcome, via a more realistic route with appropriate business plans including marketing and management practices.

This Fellowship showed Haddow that there are opportunities for specialist cheesemakers in the USA and also the strongly growing Asian markets of Japan and China. Our products can be competitive with traditional cheese producing nations as long as they are of a consistently high quality and the supply chain is well organised and supported at both ends.

International Context

Communication is critical, considering the type of products being sold. They are hand made products and not only is it important for the producer to be comfortable with the story being told about their products, it is vital to the consumer that there is a story attached to these specialist products. Communicating this information clearly and ensuring that the information remains intact right through to the consumer is very important.

Given the geographic difficulties, it is also expected that much of this communication will happen via importers and distributors rather than retailers, chefs and consumers. Therefore, it is critical that excellent relationships are established with the distributor or importer. They need to know the product, understand its nuances, be familiar with where and how it is made and by whom. It is this information that will create the important point of difference – ‘the story’ of the product.

Our cheeses in Australia are good enough to compete overseas. Creating inroads into these markets is inevitable as the search for new products grows to include producers outside of traditional cheese making countries in Europe.

Haddow predicts that more and more specialist cheesemakers in Australia will look to overseas to reach appreciative markets for their products. However, this process will take several years and the potential will need to be realised and supported by government agencies to make it as easy as possible.

Due to the nature of these high quality products they are most commonly made by very small businesses that do not have the time, the skills or the resources to dedicate to developing overseas markets. Although agencies such as Austrade currently offer attractive grants and subsidies to new exporters they are still aiming at high volume results. We need to understand these will be low volume products, but ones which will importantly deliver a great deal of profile and publicity, which will benefit other export sectors.

Recommendations



The following observations encapsulate the information that was gained throughout the course of the Fellowship program.

Distributors and retailers in the USA and Asian market are looking for products that offer a point of difference and something new to the traditional varieties of cheese available. However, they are both very quality driven and any new product needs to be very high quality in order to compete with the excellent European cheeses available.

In addition to this, it is largely perceived that quality is strongly linked with the cheese being made from raw milk. There was definitely the perception that if the cheese was not raw milk then it was not a 'serious' cheese.

Having seen the quality of both locally made cheeses and the imported European cheeses in the USA market, it is difficult to see how the current product range from Australia could make inroads in the immediate future. More needs to be done to encourage our cheesemakers to be making the highest quality cheeses possible – artisan, but high quality. This seems to be the only door open to new products. The best way to develop this trend is to encourage exposure to the types of cheeses which currently exist in these markets – these are cheeses which are generally not allowed in Australia as they are made from raw milk. Exposure could be done by:

- Encouraging study tours of USA and Europe
- Arranging exchange programs to Europe and the USA
- Allowing exceptions to raw milk cheese importation to allow local producers study their competition.

Although in the USA not much is known about Australian cheese, the perception is that we do have some good Australian cheesemakers and that our products will probably be of a high quality. More could be done by industry and government agencies to link our specialist cheesemakers directly to specialist cheese distributors.

Recommendations

There is an overwhelming strong preference for raw milk cheeses, as these are seen as the only truly artisan cheeses.

The Australian Food Authorities are behind the rest of the world on this matter. Our inability to produce and market raw milk cheese means that we will always remain uncompetitive at the top end of the market. We need to change existing regulations to allow for the manufacture of raw milk cheese in Australia.

A 'code of practice' needs to be developed to ensure the safe manufacture of all cheese – not just raw milk cheese, but including raw milk cheese. In addition, an education campaign needs to be delivered to producers highlighting the critical control points in relation to the safe manufacture of raw milk cheese.

Hard cheeses which can be surface freighted will be more successful than air-freighted soft, perishable cheeses. Cheesemakers should be aware of the market gaps and logistical problems before determining which products would be suitable for USA and Asian export markets.

Communication of the product's values is essential. Sales need to be supported with clear information on the product and the producer. This can be further enhanced by using quality websites, through which the consumers can then educate themselves.

The following are specific recommendations to Government, industry, the business sector, professional associations, education and training providers, our community, and the ISS Institute.

Government

In view of the findings, the Australian Federal Government is encouraged to attend to the following recommendations.

- Review their policy on the use of unpasteurised milk for making cheese. We are currently not in line with most other countries in the world and are, therefore, non-competitive. The USA and Asian markets are very sophisticated and it will be one of the first questions a new exporter will be faced with. The opinion Haddow heard repeatedly is that it is difficult to justify the cost of distribution for pasteurised milk cheeses.
- Governments should also be encouraged to see the marketing value in small size exports to specific end-point markets ie a single shop or chain of shops. Although these sales will only be small, they deliver very powerful marketing messages about the overall quality of Australian produce.
- In order to improve or lower the price of specialist cheeses Australia must increase its manufacture and supply of specialist cheese. Government should encourage the on-farm value adding from the dairy industry, especially on those farms which are struggling to remain viable in a post-deregulation environment. This will require a greater degree of training options available. Until now many of Australia specialist cheesemakers have achieved their body of knowledge largely through overseas visitation and work experience. There needs to be nationally accredited courses available for people wanting to get started in the specialty cheese industry, both from the dairy industry and from outside of the industry.

Recommendations

- The government also needs to look at import replacement programs to assist the local industry get established. The availability of imported cheeses is preventing the consumer to support locally made cheeses. Australia has to continue to develop a cheese culture among consumers in order to truly foster our local industry. Imported cheeses need to be discouraged and support shown to local producers. This could be done by use of tariffs or import duties, as is the case in Canada. Such an approach would lead to a growth in local producers and the emergence of a true industry. This would also need to be done in conjunction with other measures outlined above.

Industry

For the past ten years the specialist cheese industry has been slowly growing. There are now more and more specialist cheeses from all states of Australia. Our industry is not cohesive in its approach as it is made up of makers both big and small.

Haddow believes that there needs to be an industry group dedicated to the needs of the small producers. The Australian Specialist Cheesemakers Association was established for this purpose, but, in his view, has failed and many specialist cheesemakers now do not belong to it. For Haddow, this is the most immediate problem.

In addition, knowledge sharing should be far more widely encouraged. There is still a great difficulty in obtaining work experience with small cheesemakers in this country. This is non-progressive and needs to change in order to grow the industry at a more rapid rate and in a more diverse way.

Professional Associations

- Dairy Australia
- Australian Specialist Cheesemakers Association (ASCA)
- Food Standards Australia and New Zealand

These associations are currently the key controlling bodies and have been established to work with all other interested parties, such as government, business and training providers in the creation and application of new approaches to improving the state of play in the specialist cheese industry.

Education and Training

Australian TAFE and tertiary institutions at present do deliver many training options that are specific to successful business development in the specialist cheese industry. There are general business courses and a few cheesemaking courses, however, in Haddow's experience, very few cheese making businesses have the skills and the knowledge required to successfully take them beyond the cottage industry stage.

TAFE is well placed to capitalise on the current momentum of dairy farmers seeking to value add the milk production by offering tailored tuition on setting up a specialist cheese making business and developing an export business plan.

Haddow believes that this needs to be driven by educational institutions rather than industry bodies as the industry bodies which exist are disparate and try to represent all-of-industry rather than emerging specialist cheesemakers.

Recommendations

At present, the majority of training modules are conducted by a very small selection of individuals – either through the TAFE system or on an individual basis. These individuals have been providing the majority of formal training in Australia for over two decades.

Going forward, it is important that a fresh approach to training is sought to provide an alternative voice to the status quo.

Community

In Australia, the specialist cheese industry is still small, but is growing rapidly as farmers realise the need to value add to their milk production to guarantee profitability in a fluctuating market. The community can play a strong role in their development by supporting locally made specialist cheeses over imported products. This will strengthen the industry and provide a greater platform from which our industry can pursue export opportunities.

In addition to the above, the community can play a strong role in seeking change to the laws which currently prevent Australian cheesemakers from making raw milk cheeses – and therefore remaining uncompetitive in the overseas markets.

How ISS Institute can be Involved

The International Specialised Skills Institute has the potential to utilise its many contacts to attract funding, and work with TAFEs, industry associations and individual cheesemakers. The ISS Institute can also play an important role in continuing to link potential candidates with past Fellows. This will result in knowledge sharing relationships which will continue throughout the Fellows careers.

One of the obvious problems is the exposure our local cheesemakers have to great cheese – largely because it is not allowed to be brought into Australia. So much can be learned from tasting these kinds of cheeses. In this regard the ISS Institute could organise a study tour of European cheeses for a selection of local cheesemakers who are in the position to learn and disseminate.

Change needs to occur on a grass roots level – that is with the cheesemakers who are already in operation in Australia. There are a few key producers who could together have a significant impact on the future of the industry. They are already producing, have significant market penetration, have existing knowledge on which to build and are aware of the current shortcomings of the industry and its potential. It is vital that ISS Institute continues to, and further develops its association, with these key players and aligns themselves with them to achieve the most impact from any future investment.

There is a key international event which the ISS Institute should be aligned with in order to gain access to vital information and networks which will improve the future of the specialist cheese industry in Australia. It is the ‘Slow Food Cheese Festival’ held every two years in Bra, Italy.

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