

Strange smells at Tilba Cheese: Loyalty, labelling and authenticity

The imminent closure of the ABC Cheese Factory at Central Tilba on the NSW South Coast has been described by locals as 'sad but inevitable'.

Regional businesses come and go every day, and the Tilba Cheese story is typical – an historical business strength becomes a weakness in a dramatically different industry climate, 130 years after it was first established. It's not all one way traffic, though, with regional business successes tapping new markets – especially premium products like those from Maggie Beer's kitchen in the Barossa, the Byron Bay Cookie Company, Madura Tea or the Beechworth Bakery.

But the Tilba Cheese story is special, elegantly illustrating the consequences of corporatisation and shareholder-led markets.

This is no 'poor local business needs a hand' story. The article quotes local business operators as saying they feel their town's business mix is strong enough to withstand the closure and associated loss of 17 jobs. And besides, Tilba Cheese is still to be sold through a shopfront in the village. This acceptance is refreshing, and a far cry from the woes and tears associated with Mitsubishi's 'downsizing' in Adelaide announced last year, which attracted handy State and Federal Government support. The good burghers of Central Tilba don't have their hands out.

So what's the story?

The story is one of how a series of perfectly sensible business decisions, as taught in a hundred MBA courses across the country, will inexorably bring the end of a differentiated product. It's a story of the relentless homogenisation of a globalised economy.

Tilba Cheese's story may have begun in 1891, but its fate was sealed when it was sold to the King Island Company in 1999. This sale was a quite sensible decision at the time and would have looked attractive: cash for the owners, and a new premium-brand owner.

But corporate success is not about production, it's not even about branding. It's about shareholder value and asset trading. So in 2002 King Island was bought by National Foods, which was in turn bought by San Miguel in 2005 for \$1.9 billion. San Miguel is the Pacific's largest listed food, beverage and packaging corporation with brands like Boags, Berri fruit juices and San Miguel beer in its stable.

Tilba Cheese is a tiny part of its product mix, and sooner or later it was destined to come up for discussion around the CEO's table. A small plant, just 17 workers, modernised, but still very hands-on. And stuck between being big enough to be a tasty purchase, but too small to really pull its weight in a multinational like San Miguel. 'Get bigger or close up' would have been the options. So a second quite sensible decision, led to the factory's closure.

A third, quite sensible decision, has San Miguel keeping the 'Tilba' brand, and producing at a new factory in Melbourne's north – one of the emerging hot spots of food processing in Australia.

So a series of quite sensible decisions brings a product known to many, available nationwide, and loved by a few loyal customers and tourists, to a new factory in Melbourne's north.

Does anyone care? Perhaps not if the product quality, availability and price is maintained. But something's missing.

Not the workers who were lucky to have scarce manufacturing jobs on the South Coast – that's another story.

But what's missing is authenticity. What do we get when we buy a brand, like Tilba Cheese, which is now no more than a hollow label on a different product? Truth in labelling has gone. We have laws and regulations about labelling in products made in Australia, imported, made in Australia from imported ingredients and all the other combinations that a globalised economy brings to our shelves.

But there is absolutely nothing to stop San Miguel from making Tilba Cheese in Melbourne (or in Manilla, for that matter) and selling it under the brand they own.

These shenanigans wouldn't play out the same way in international markets, where many regional brands – including European favourites like Beaujolais, Bordeaux and Champagne, as well as Stilton and Roquefort, and even Darjeeling Tea from India and Idaho Potatoes – are protected by the region, not the companies that operate in it. Known as geographical indicators, these brands are a form of intellectual property protected under international trade agreements.

But these protections do not apply inside Australia. And just as there is nothing to stop San Miguel from continuing to sell Tilba Cheese made in another factory, there is also nothing that we can do as consumers.

The market economists would argue that if we weren't happy we could stop buying. But to San Miguel that will send a clear signal that they can phase out production on the Tilba line in the Melbourne factory, freeing it up for other tasty treats.

The best way to show our distaste for deception would in fact be to buy more – sending the signal that the Tilba line is a valued part of San Miguel's product mix. What a great paradox – in order to maintain availability of a product some of us like but which is now part of a globalised production line some of us don't like, we need to buy more of it.

Local reports also suggest that it is likely that a caveat will be put on the soon-to-be-closed factory in Tilba that it shall not be used for cheese production. Another paradox? Setting such a barrier to others entering a market is a tactic often used by big businesses, and is quite legal, but is a slap in the face for the free market those same big businesses are otherwise so enthusiastic about.

Isn't it strange that a series of quite sensible decisions will lead to the sale of a small, modernised cheese making factory that can be used for anything but cheese-making? I hope San Miguel find a buyer with a creative new business idea for Central Tilba.

Regional business successes are almost all small and medium enterprises, generally owned by families or a small number of shareholders. Let's hope that they remain that way as they continue to grow. Too many of these kinds of paradoxes give me a belly ache.

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