Blue Mountains Economic Enterprise

Food Industry Report Summary

2014

Introduction

Blue Mountains Economic Enterprise (BMEE) was approached by Blue Mountains, Lithgow and Oberon Tourism (BMLOT) to join its Greater Blue Mountains Food and Wine Development Advisory Group in late 2013.

A request was made for BMEE to assist in strengthening the region's attempts to position the Blue Mountains as a food destination.

Tourism Australia recently conducted research across 15 of Australia's key tourism markets, which shows that 'great food, wine, and local cuisine' is a major factor influencing holiday decision making (at 38%), ranking third ahead of world class beauty and natural environments (37%). For people who have never visited Australia, only 26% associate the destination with a good food and wine offering. However, for those who have visited, Australia is ranked second across the 15 major markets for its food and wine experiences (60%) behind France and ahead of Italy. For visitors from China, USA, France, India, Indonesia, Malaysia the UK and South Korea, Australia is ranked as the number one destination for food and wine. Over 60% of tourism visitors to the Blue Mountains region indicate 'food experience' as their most desirable activity (DNSW).

In order to position the Blue Mountains strongly as a food destination, it became apparent that there was a need for research into the regional food supply chain. Anecdotally, the Advisory Group was aware of a number of regional and neighbouring producers who have expressed an interest in supplying Blue Mountains' restaurants. Similarly, a number of producers were identified as having the capacity (supply) but not the ability to distribute appropriately.

BMEE initiated a project to conduct this research.

The project aimed to:

1. Identify regional producers with the interest and the capacity to supply the local hospitality industry.
2. Provide insight into producers' coordination issues, seasonal constraints and distribution.
3. Identify the level of interest in using local produce amongst Blue Mountains cafes and restaurants.

The objective of the project was to allow the Food and Wine Advisory Group to identify opportunities and constraints for food tourism industry and market development.

Project scope

BMEE engage a project officer to undertake the following activities:

1. Survey local (Blue Mountains LGA) Hospitality operators to identify supply needs
2. Survey local and regional producers to illustrate:
   a. Possible shared vision for tourism industry supply
   b. Shared constraints for tourism industry supply
   c. Identify stakeholders for possible future collaborative projects
3. Develop a regional producers' database
4. Report back to the BMLOT Food and Wine Advisory Group

Project Officer

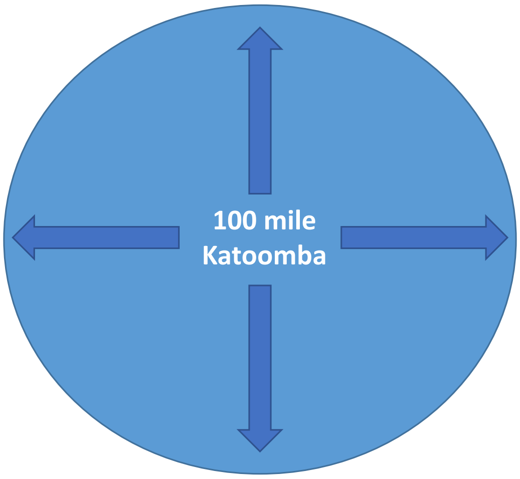
Kerry Caloyannidis was engaged by BMEE to undertake the above project. Kerry has an enviable pedigree in the food industry, working in some of the world's best known restaurants and as the founder of one of Australia's most successful boutique, gourmet food manufacturing businesses. She brought to the project a unique insight into the regional food sector of the Blue Mountains region. Kerry trained at the London Cordon Bleu Cooking School in the 1980s and worked at the legendary Spago Restaurant in LA, followed by stints at a three Michelin Star restaurant in the South of France as well as other famous landmarks in Paris, New York and Sydney.

When Kerry settled in the Blue Mountains in the late 1990s, she launched a small home based business called Whisk and Pin. She manufactured unique, hand-made, gourmet mueslis and cookies and within 10 years, grew this kitchen enterprise into a multi-million dollar, highly respected business with national and international distribution and a renowned café in Medlow Bath.

Summary of report by Kerry Caloyannidis

Geography and Methodology

The geographical parameters were set at within the Local Government Area (LGA) for Hospitality Operators and within a 100 mile radius from Katoomba for food producers, with a concentration on the Western and Hawkesbury regions.



A set of questions was developed for producers and food hospitality operators to form better understanding of both the current situation and the issues surrounding the supply and demand of local produce.

Survey Questions

Food Production / Manfuacturer Sector:

1. Name and Contact details
2. List of products grown or manufactured
3. Seasonal availability
4. Where do you currently sell your products?
5. How do you distribute your products?
6. Do you have any internal delivery facilities?
7. What is your capacity to supply?
8. Are you interested in local supply?
9. What is your current ordering system?
10. Do you have any particular certification?

Food Hospitality Sector:

1. Business name
2. Who are your current customers / the demographic and percentage of locals to tourists
3. Do you currently use any local produce on your menu?
4. Would you be interested in showcasing local producers on your menu?
5. What are your reasons for not using local products currently?
6. Do you need help in sourcing more local produce?
7. Do you think there would be a benefit in using local produce?
8. Do you consider yourself a tourism business?
9. Are you a member of BMLOT?

The database was populated with a record of conversation for each survey conducted.

Summary of findings

The Blue Mountains Food and Hospitality Sector was particularly impacted by the 2013 bushfire emergency. The tourism market contracted dramatically causing economic challenges for cafes and restaurants. In addition, local patronage declined due to the overall economic downturn. This led to more job losses locally and one of the most acute economic downturns faced by the Blue Mountains in recent history.

This sector is critical to the Blue Mountains' economy as it is a major employer of local residents and plays a key role in the Blue Mountains' reputation as a world-class tourism destination.

Economic analyses shows:

- The Food & Beverage Services sector contributes $153m (3.9 %) of total output and;
- Contributes 1,408 jobs (8.5%) to total employment.

Although there is a large array of primary and secondary food production in the Sydney and Western basins surrounding the Blue Mountains, the Blue Mountains has proportionally, a very small amount of food being produced in the local LGA.

The Food production and Manufacturing sector contributes:

- 0.8% of local economic output and;
- 0.8% to total employment.

This obviously places the Blue Mountains in a different category to established 'food' regions such as Mudgee and Orange.

Despite the low levels of production, the study identified a small number of boutique producers with an interest in working at an industry development level if such an initiative was conducted. The engagement and 'buy-in' of these small operators would be critical to the success of any future Food Industry development projects. With over 60% of tourism visitors to the region indicating 'food experience' as their most desirable activity, the Blue Mountains has considerable opportunity to position itself strongly in this area with a collaborative approach amongst these small, boutique, gourmet producers and manufacturers.

Primary producers outside of the region have very little interest in supplying the Blue Mountains specifically. The survey results indicate that producers have very little time or inclination to chase individual wholesale business and prefer to either sell at a retail level or wholesale in bulk. Supplying individual cafes and restaurants, especially out of their locality is not a financially viable option.

With limited local production and limited interest in direct supply from growers outside the region, the survey did not indicate strong viability for the proposal of a centralised distribution system to service the local cafes and restaurants sector. This could however be considered by companies already active in this sector as a means of diversifying.

The survey also identified a handful of top-tier, high-end restaurants with the ability and resources to use and showcase local produce sourced from specialised suppliers in a creative and flexible way. Despite these exceptions, the interviews indicated that generally, restaurants and cafes in the Blue Mountains LGA are not buying individually from specialty producers due to the costs and logistics associated.

The interviews with cafes and restaurants and the economic data indicate potential to lift the region's competitiveness as a food destination. The food production and manufacturing sector is very small but has a number of 'stand-out' operators who could form the basis of a strong product offering of boutique and high-quality items. Similarly, the region has a number of leading hospitality operators who could consolidate and further increase the use and showcasing of local produce, setting a benchmark for other operators within the sector.

The required facilitation of connections, capacity building, education, training and networking could underpin future industry development initiatives which would complement and strengthen the marketing and communication activities undertaken by BMLOT's Food and Wine Advisory Group.

Synopsis of interviews

Food Producers

The focus of the survey was to identify producers with the ability to currently supply or an interest in supplying the Blue Mountains Hospitality sector. Backyard growers did not fall within the remit of this survey.

Producers were targeted from within the Blue Mountains, followed by the Hawkesbury region and then west from the Blue Mountains towards Orange.

The survey collected information relating to the products grown or manufactured, their seasonality, the current sales and distribution channels used and the access to any internal delivery facilities. Information was sought regarding supply, the level of interest in local supply and any collaborative initiatives employed with other producers.

A data base of 148 Food Producers / Manufacturers has been developed and 67 interviews conducted.

The results indicate that Food Producers sell their produce in four ways. A number of producers use a combination of methods:

1. Pick your own
2. Farm gate
3. Local markets
4. Central Sydney markets

The majority of the Food Producers interviewed are family owned businesses. Generally, the responses indicated that 'business is difficult'. Produce is seasonal and many producers grow a variety of items in order to carry themselves across all seasons. This however is less evident with fruit growers and meat producers.

Feedback consistently indicated that growing and selling fruit and vegetables is 'hard work' and the prices returned to them were 'not what they used to be'. The survey indicated that competition and pricing at the Sydney markets is devaluing returns for primary producers and increasing pressure on these businesses.

The emergence of local Growers' Markets has provided an opportunity to increase their return on investment as it allows them to deal directly with the public and sell at a retail level.

Concurrently, there are those who only sell at the farm gate to avoid the costs and resources associated with markets.

'Pick your own' sales methods are also employed as a way to cut labour costs.

In all instances, producers indicated that they were satisfied with their own particular method of sales and distribution. There was little interest in examining alternative methods and / or targeting the Blue Mountains market.

The issue of supply varies greatly from producer to producer in relation to size. Many of the very local Blue Mountains farms are quite small and as such supply is limited.

The Blue Mountains is traditionally not an area rich in farmland as the land allotments are small and the weather is not always conducive for growing. As such, food production has developed largely in areas surrounding the Blue Mountains rather than within the local LGA.

The survey did however highlight a small number of potential industry leaders within the Blue Mountains who may be interested in a collaborative approach to positioning both their businesses and the region more competitively.

These potential leaders include, but are not limited to:

- Australian Gourmet Hazelnuts
- Bakehouse on Wentworth
- Belltree Wagyu
- Blue Fork
- Blue Mountains Coffee Roasters
- Blue M Foods
- Canoelands Orchards
- Capertree Valley Saffron

- Eddy Hungerford
- Eureka Organic Farm Products
- Fish River Roasters
- Gingerbread Folk
- So Shu Brewery
- Hill Billy Cider
- Josophan's Chocolates
- Kurrajong Native Foods
- Lithgow Free-range meats
- Stone Pine Distillery
- Zokoko Chocolates
- Whisk and Pin

Most producers have internal delivery facilities, however most often it was not deemed cost effective to deliver to individual wholesale customers.

When posing the question 'Are you interested in local supply' the answers were varied. Of those who did express an interest in local supply, the meaning of local was very specific to their own immediate region.

For producers throughout the Hawkesbury, there was little or no desire to necessarily 'support' the Blue Mountains through supply. Their interest was more focused on their own region and the Blue Mountains was considered 'out of region'.

Overall responses related to commercial and financial implications. The focus for Food Producers is 'wherever it is easiest and more cost effective to sell'.

Secondary Production / Manufacturers:

For secondary producers (manufacturers), the process of sales is based on a different sales and distribution model.

Producers of manufactured goods often start out in a very small way and grow organically. Once growth is at a certain level or the product has sufficient potential, the manufacturer usually hands over the distribution to another party. This enables the producer to concentrate on production and the distributer to handle the sales. The result of this is that sales are spread over a large geographical area and even though the manufacturer probably started by focussing on local sales, as the business becomes more successful, local sales form a minor part of the business model.

However, due to synergies in the positioning of many local products and the image of the Blue Mountains, the marketing of a number of locally produced products is focused on promoting the Blue Mountains as the origin of their product. This is an important opportunity which could serve as a leveraging point to assist the positioning of the Blue Mountains as a 'Food Hot Spot.'

Overall collaboration with other producers was minimal and certification was mainly only relevant to high-risk food producers.

Food and Hospitality Sector

The parameters of the Hospitality providers survey was based on the Blue Mountains LGA. It was compiled excluding fast food outlets and ethnic restaurants such as Chinese, Thai and Pizza. The aim was to cover a diverse range of cafes and restaurants from Glenbrook to Mt Victoria, across all tiers of business.

A data base of 95 cafes and restaurants has been produced with 43 interviews conducted.

Businesses were categorised within three tiers of service provision:

1. Top tier restaurants (example, Silks, Darley's, Como, Ashcrofts, Nineteen 23, Vesta, Escarpment, etc.)

2. Mid-level restaurants (example, Seven, Avalon, Bon Ton, etc)

3. Cafes (lower to top tier)

A set of questions was developed to identify key characteristics of each business. The survey set out to establish the demographics (local / tourism) of the business' customer base, as well as evaluating the level of local produce featured on their menu.

The survey was designed to gauge the level of interest in showcasing local produce, as well as understanding the constraints around using local produce on their menus.

The survey indicated that the primary consideration in relation to all decision making in this sector was financial implications. Profit margins were generally very small and as such, fiscal management is the priority.

As a leading tourism destination, the Blue Mountains has a very high number of cafes and restaurants in each village. Within the top tier level, there are a handful of operators who are showing leadership in using and showcasing regional produce. These businesses illustrate an ethos of sustainability in food production and consumption as well as having the ability to self-source and the ability to invest in high cost, specialised produce. These operators build their menus around changing seasonal availability as well as being able to accommodate shortages of supply by changing their menus and working around the produce rather than working the produce around their menus. A number of the top tier restaurants are primarily focused on the quality and range of produce, rather than being specifically focused on local produce.

A consistent comment made by the top tier level operators participating in the survey highlighted need for these restaurants to differentiate themselves. If everyone shopped at the same farms, there would be little menu diversification. This sector consistently identified the difficulties related to local supply, stating that it was often difficult to access the volumes needed to fulfil their needs.

Within the mid-level tier, cost is a factor along with lack of supply. These restaurants have mainly fixed menus and need to be able to ensure they can access stock constantly, in order to deliver a seamless service.

Top tier cafes were generally high-volume, busy and successful businesses. Of this tier, even though they understood the meaning of local and had an interest in local, the main focus remains supply and cost. There were a few local products scattered on cafe menus but overall it is not a consistent focus or direction. There was a general interest expressed in increasing the 'local produce' focus if supply was more readily available and not more expensive than the current supply.

Some of the lower end cafes had very little awareness of what 'local' supply actually meant and indicated that they felt they were getting everything locally as they used local providores.

Generally, the cafes interviewed did not identify themselves as 'tourism businesses'. Few were members of BMLOT and there was limited understanding of BMLOT and its activities.

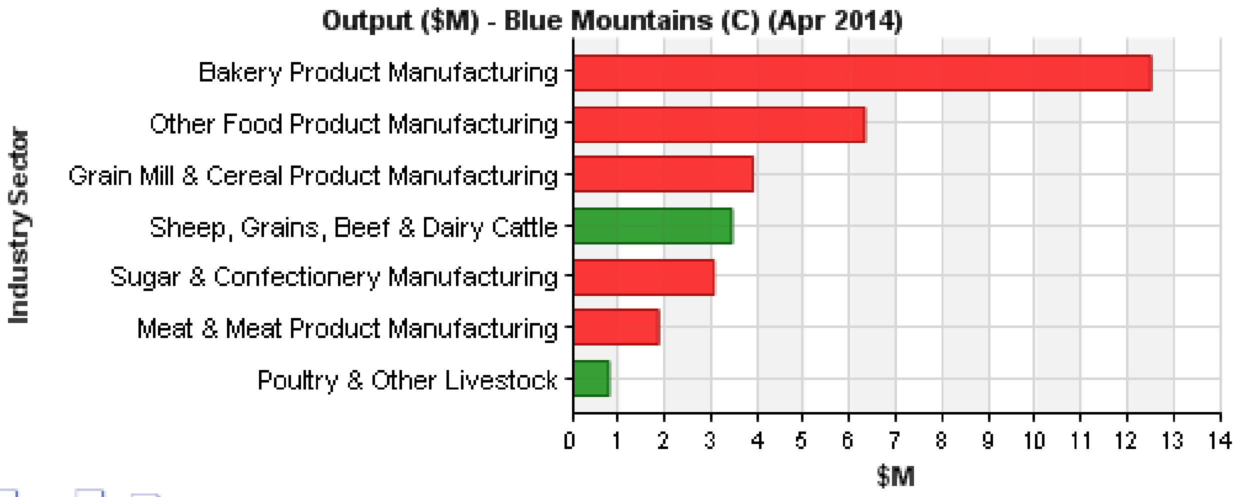
Blue Mountains Food Industry Economic Report

Food Production and Manufacturing

Output

This report shows the gross revenue generated by businesses and organisations in Blue Mountains.

The selected sectors contribute $31.782 million (0.8 %) of total output.



REMPLAN

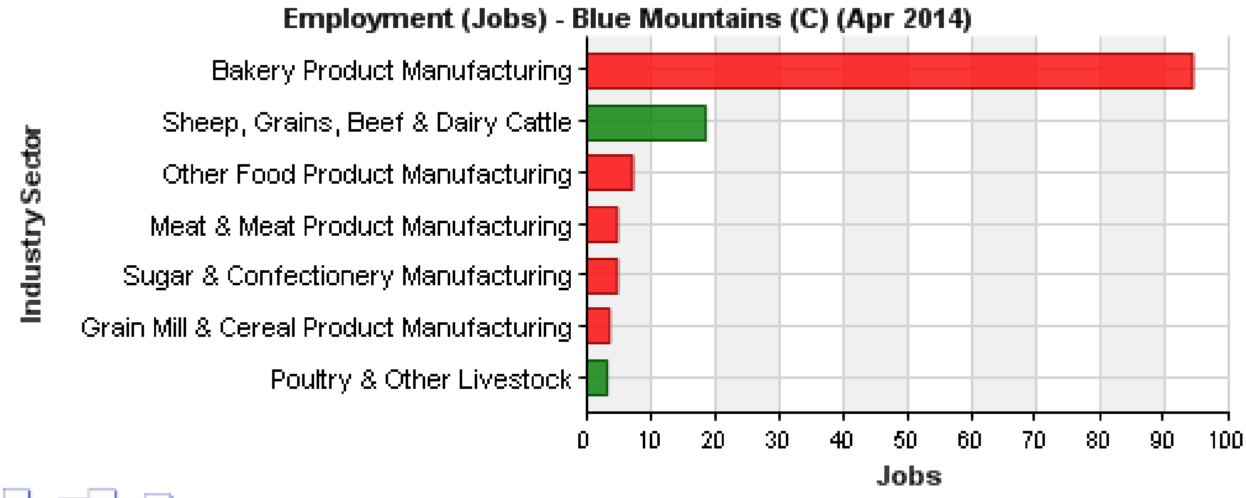
Selected industry sectors in Blue Mountains ranked by Output

Blue Mountains (Apr 2014)		
Industry Sector	$M	%
Bakery Product Manufacturing	$12.493	0.3 %
Other Food Product Manufacturing	$6.305	0.2 %
Grain Mill & Cereal Product Manufacturing	$3.890	0.1 %
Sheep, Grains, Beef & Dairy Cattle	$3.430	0.1 %
Sugar & Confectionery Manufacturing	$3.045	0.1 %
Meat & Meat Product Manufacturing	$1.848	0.0 %
Poultry & Other Livestock	$0.771	0.0 %
Sub-Total	$31.782	0.8 %

Employment

This report shows the number of employees whose place of work is located within Blue Mountains.

The selected sectors contribute 136 jobs (0.8 %) to total employment.



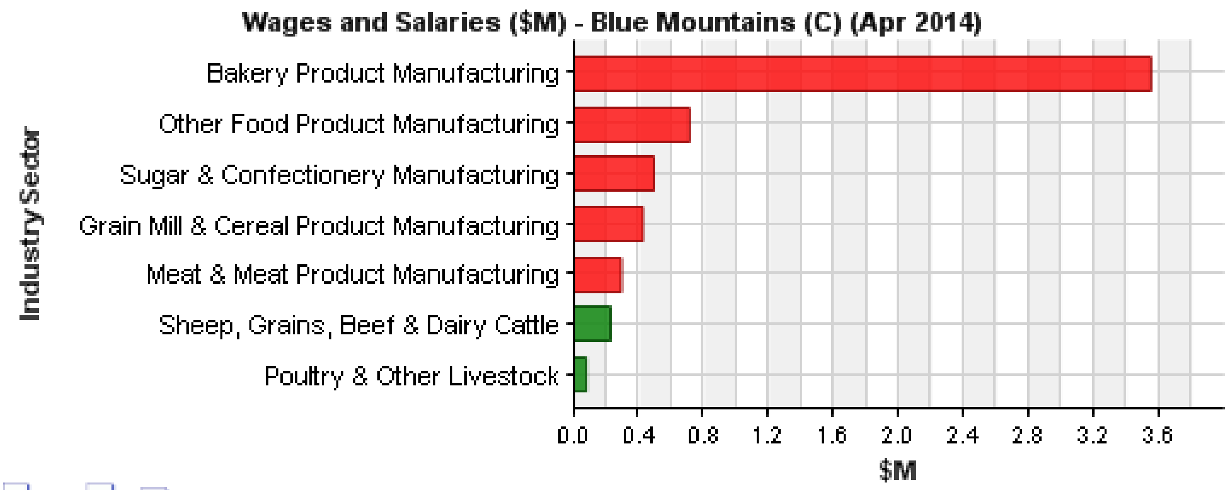
Selected industry sectors in Blue Mountains ranked by Employment

Blue Mountains (Apr 2014)		
Industry Sector	Jobs	%
Bakery Product Manufacturing	94	0.6 %
Sheep, Grains, Beef & Dairy Cattle	18	0.1 %
Other Food Product Manufacturing	7	0.0 %
Meat & Meat Product Manufacturing	5	0.0 %
Sugar & Confectionery Manufacturing	5	0.0 %
Grain Mill & Cereal Product Manufacturing	4	0.0 %
Poultry & Other Livestock	3	0.0 %
Sub-Total	136	0.8 %

Wages and Salaries

This report shows the wages and salaries paid to employees who work in Blue Mountains.

The selected sectors contribute $5.762 million (0.5 %) of total wages and salaries.

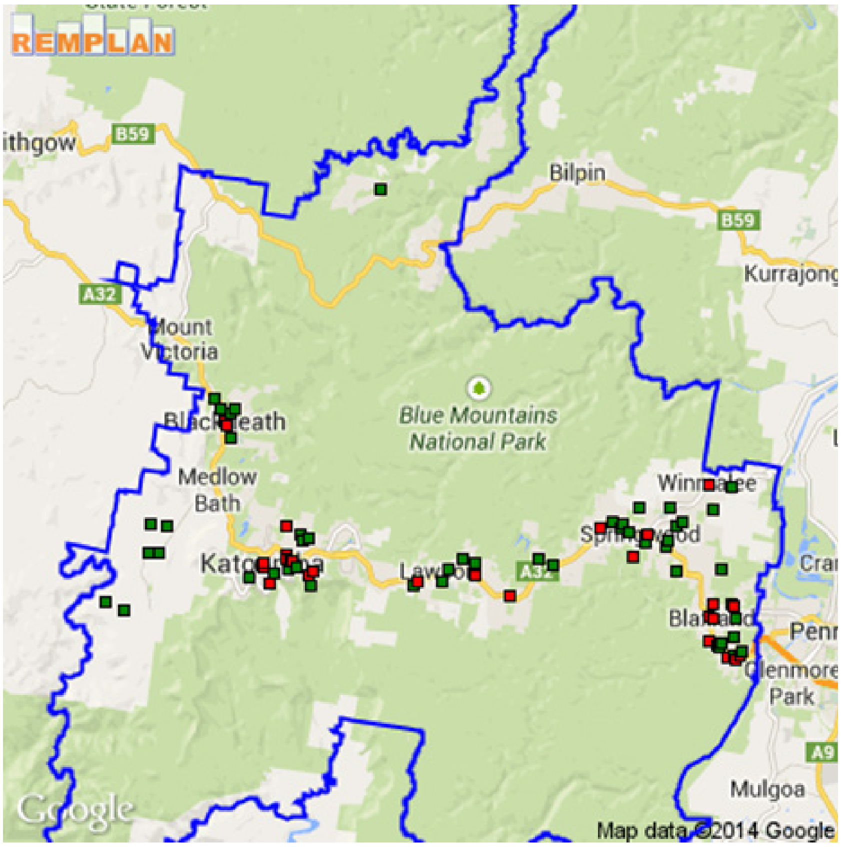


REMPLAN

Selected industry sectors in Blue Mountains ranked by Wages and Salaries

Blue Mountains (Apr 2014)		
Industry Sector	$M	%
Bakery Product Manufacturing	$3.551	0.3 %
Other Food Product Manufacturing	$0.711	0.1 %
Sugar & Confectionery Manufacturing	$0.490	0.0 %
Grain Mill & Cereal Product Manufacturing	$0.422	0.0 %
Meat & Meat Product Manufacturing	$0.290	0.0 %
Sheep, Grains, Beef & Dairy Cattle	$0.223	0.0 %
Poultry & Other Livestock	$0.075	0.0 %
Sub-Total	$5.762	0.5 %

Food Production and Manufacturing Businesses in the Blue Mountains:



Cafes and Restaurants

(Food & Beverage Services)

Part of the broader Accommodation and Food Services sector.

Includes the following sub-sectors:

4511 Cafes and Restaurants

4512 Takeaway Food Services

4513 Catering Services

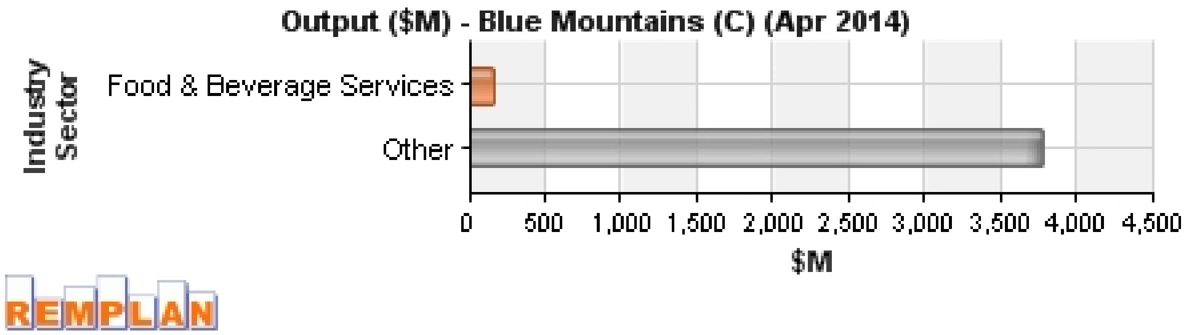
4520 Pubs, Taverns and Bars

4530 Clubs (Hospitality)

Output

This report shows the gross revenue generated by businesses and organisations in Blue Mountains.

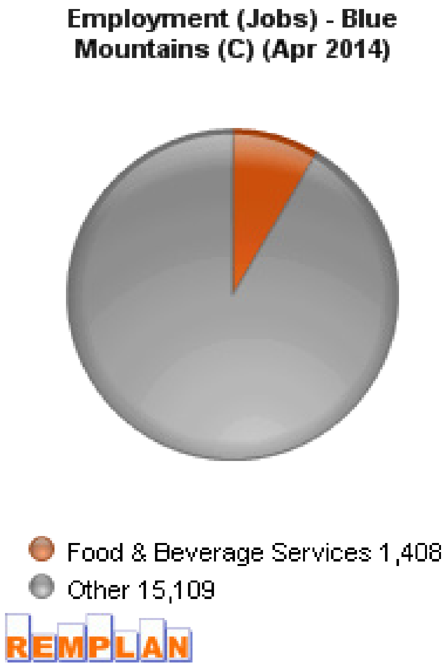
The **Food & Beverage Services** sector contributes $153.416 million (3.9 %) of total output.



Employment

This report shows the number of employees whose place of work is located within Blue Mountains.

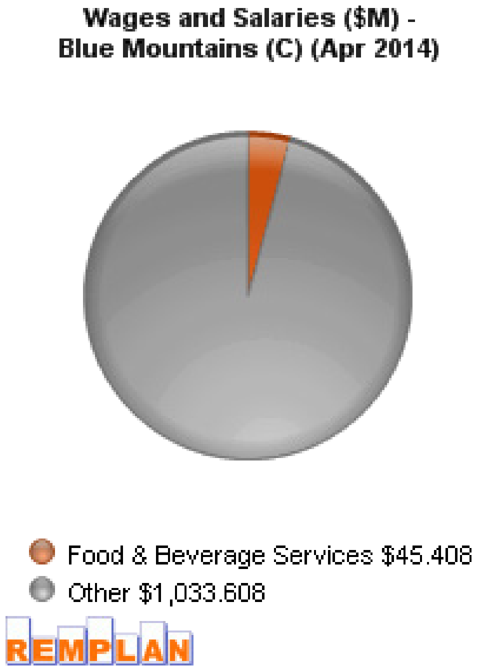
The Food & Beverage Services sector contributes 1,408 jobs (8.5 %) to total employment.



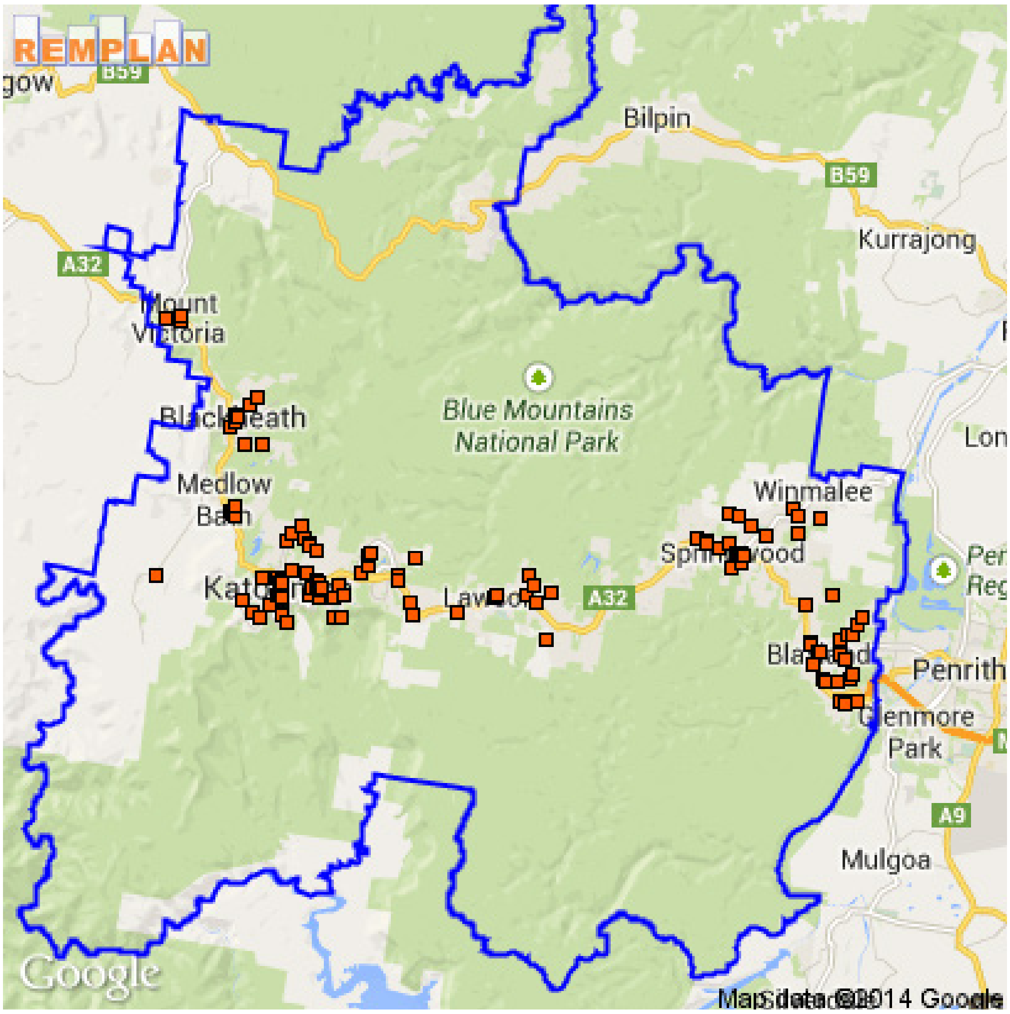
Wages and Salaries

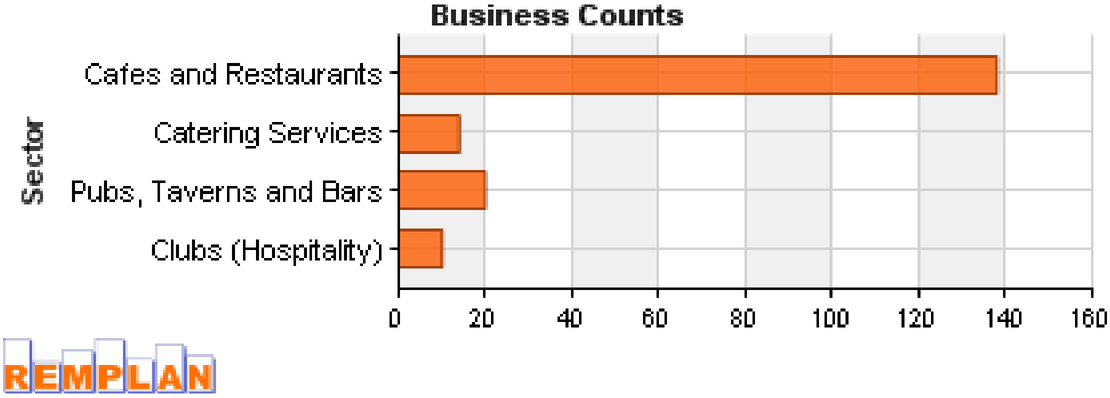
This report shows the wages and salaries paid to employees who work in Blue Mountains.

The Food & Beverage Services sector contributes $45.408 million (4.2 %) of total wages and salaries.



Cafés and restaurant businesses in the Blue Mountains





Businesses		
Sector	Count	%
Cafes and Restaurants	138	2.53 %
Catering Services	14	0.26 %
Pubs, Taverns and Bars	20	0.37 %
Clubs (Hospitality)	10	0.18 %
SubTotal	182	3.34 %
Other	5,263	96.66 %

The Blue Mountains – A Premier Food Destination

DRAFT SWOT Analyses

Strengths	Opportunities
Tourism markets exist.	Over 60% of tourism visitors indicate 'Food Experience' as their most desirable activity.
Dedicated Food and Wine Advisory Group supported by BMLOT.	Harnessing the potential Slow Food Blue Mountains.
Good PR achieved.	Raising awareness and connectedness of the local boutique producers and manufacturers.
Food related events established.	Raising the level of service quality, food knowledge within the Hospitality Providers.
Strong restaurant and café inventory with range.	Building a shared vision amongst the Hospitality Providers for the positioning of the Blue Mountains as a Food Destination.
Some boutique production and manufacturing.	Building stronger links between the tourism industry and hospitality sector. Every café / restaurant should be a member of BMLOT.
Some key active Restaurants and Cafes taking the lead in using local produce.	
Strong Slow Foods Movement.	
Successful local Coop.	

Weaknesses	Threats
Lack of critical mass of primary producers.	Poor service will erode Tourism market share.
Lack of connectedness between the Blue Mountains Hospitality Sector and the neighbouring production regions.	High expectations (60% of visitors expecting a good food experience) not met through lack of local produce / quality produce / service.
In relation to the volume of cafes and restaurants, the service quality is perceived to be low.	High expectations through good communication and marketing will not be delivered on.
Many Food Hospitality operators are finding profitability challenging and therefore implementing a survival over strategy approach.	Producers and Operators not working collaboratively or strategically.
Majority of Cafes and Restaurants do not identify themselves as a 'tourism business'.	
Lack of focus on Indigenous ingredients and a distinctly Australian approach.	

T: +61 (0) 2 4782 6555
F: +61 (0) 2 4782 5211
E: admin@bmee.org.au
W: www.bmee.org.au

PO Box 538, Katoomba NSW 2780
Economic Hub, 2 Civic Place,
Katoomba NSW 2780 Australia

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