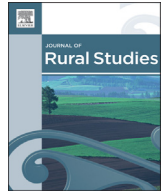


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# Heading down to the local? Australian rural development and the evolving spatiality of the craft beer sector

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## ABSTRACT

Rural geographical and regional development scholarship over the past two decades has increasingly focused on the capacities of local towns and regions to overcome chronic spirals of employment, business and demographic decline. In this context, this paper assesses the local development impacts of a once ubiquitous industry in rural Australia – beer brewing. Via a case study of 16 rural Australian craft breweries, the paper examines the factors underlying their establishment, and investigates the contribution that these new firms make to local and regional development. Applying evolutionary economic geography concepts such as place dependence and lock-in, and related ideas of embeddedness and ‘regulatory space’, the paper finds that the 16 brewers follow a variety of business models and most are small scale producers. For most, place dependence manifested as a form of embeddedness, reflected in their attachment to place, a desire to foster local and regional development and, for a minority, to create beers from local ingredients as far as possible. Evidence from the case study reported on in this paper suggests that local craft breweries are playing positive roles in engendering social, symbolic and, to a lesser extent, financial capital in their home towns and regions.

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## 1. Introduction

During the 1990s and early 2000s an academic and lay discourse emerged regarding the troubling circumstances facing rural communities in Australia and New Zealand (Le Heron and Pawson, 1996; Pritchard and McManus, 2000; Gray and Lawrence, 2001). Central to this body of work was a concern to understand the causes and impacts of farm restructuring, demographic decline and the withdrawal of public and private services such as banks, doctors and schools from the lower rungs of the regional urban hierarchy. Rural geography research from other parts of the so-called developed world generally echoed these sentiments (see, for example, Woods, 2003). Since this time, scholarship has focused on the subsequent experiences of rural communities following the removal of key planks of their economic and social bases, and the extent to which towns and regions possess the ‘capitals’, including innovation and creativity, needed to resist or at least rebound from these shocks (Gibson and Klocker, 2005; McGranahan et al., 2011; Argent et al., 2013). Given the political and ideological tenor of the time, with neoliberalist ideals of ‘locally-led’ and ‘bottom-up’

development fashionable in contrast to the state-led ‘smokestack chasing’ approaches prior to the 1980s, many academics have experimented with ‘new regionalist’ or ‘capitals’ interpretative frameworks to make sense of these changes and their impacts (e.g. Cocklin and Dibden, 2005; Rainnie and Grobbelaar, 2005). Such approaches have recognised the role of local entrepreneurialism, innovation and leadership in fostering the development of new businesses and industries in select rural locations, and highlighted attendant demographic and socio-cultural dividends. Often, such accounts focus on new businesses or industries that capitalise on different features of local resource endowment and a constructed comparative or competitive advantage (Kroehn et al., 2010; Halseth et al., 2010).

In a variation on this theme, this paper assesses the local development impacts of an industry that was relatively ubiquitous across much of rural Australia during the 19th and early 20th Centuries but almost completely disappeared following the 1930s. Since 2000, and particularly over the past five years, though, beer brewing has re-emerged in rural Australia. It is in this context that this paper: a) describes the numerical growth and spatial expansion of craft breweries across Australia from the early 1980s; b) via a case study, examines the factors underlying the establishment of a number of breweries in rural Australia; and c) assesses the

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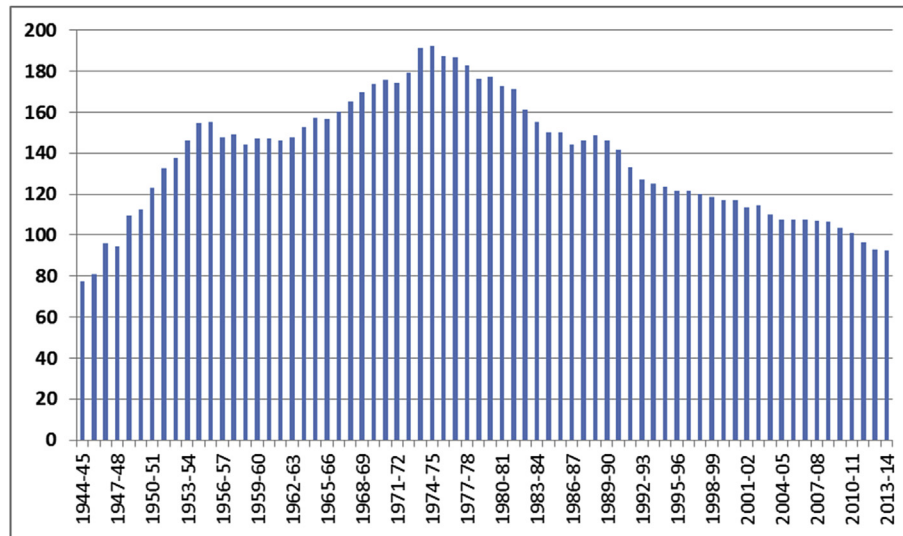


Fig. 1. Beer consumption, Australia, 1944/45–2013/14.  
Source: ABS, 2015.

contribution that these new firms make to local and regional development via employment, increased density of inter-firm functional linkages and place marketing.

The remainder of this paper is structured as follows. First, and following a brief description of the current market structure of the mainstream Australian beer brewing sector, the academic literature on beer market dynamics is reviewed and the case made for an evolutionary economic geography (EEG) approach to the evolution of both the mainstream and craft beer sector. Second, the methods employed in the case study analysis of rural New South Wales and Tasmanian (Australia) craft breweries are described prior to, third, a brief historical geographical account of Australian brewing over the 20th and 21st centuries. The results and discussion of the survey and interviews with the case study breweries forms the fourth major section of the paper, which is followed by the conclusion.

## 2. Understanding beer market dynamics: towards an evolutionary economic geography approach

Levels of market concentration in Australian brewing have greatly increased over the past thirty years. In 2012 the Australian beer market was dominated by just two brewing ‘groups’: Foster’s (subsidiaries Carlton and United Breweries, Cascade, Foster’s, Matilda Bay –47.2 per cent of total national sales) and Lion (subsidiaries Tooheys, Castlemaine, Swan, Hahn –43.9 per cent). Adelaide family-owned brewer, Cooper’s, was the third largest separate brewing business, with four per cent of national sales in 2012 (IBISWorld, 2012, 3). Recent analyses have also noted the growing share attributable to foreign ‘premium’ beer sales (c. 7 per cent) and locally-produced ‘craft’ beer (excluding Cooper’s) (2–3 per cent) (IBISWorld, 2012, x). Today, though, the domestic beer market is even more concentrated than these figures suggest. Lion Nathan, now simply known as Lion, was taken over by Japanese brewer and distiller, Kirin, in 2009. In 2011 South African-based brewing group SAB-Miller absorbed the Foster’s stable of beer brands. In 2015 this global scale cannibalisation of breweries appeared to reach an endgame with Anheuser-Busch InBev, a US and European conglomerate now known simply as ABInBev, acquiring SAB-Miller (Australian Brews News, various issues).

This increasingly predatory and globalised corporate activity will presumably provide the eventual successors with truly global

economies of scale in beer and associated beverage production, marketing and distribution. Equally, for a time at least, this market dominance will shore up the financial fortunes of the corporations concerned. Yet at other geographical scales (i.e. national, regional, local), market dynamics within the beer brewing sector disclose a troubling picture for the current crop of producers. As Fig. 1 displays, average annual beer consumption in Australia has been on a long-term decline, approximately halving in less than forty years to just over 92 litres per capita in 2013/14 (Australian Bureau of Statistics, 2015). Equally, revenue and employment growth in the sector has been flat since at least the turn of the current century: hardly surprising given the one per cent per annum decrease in beer consumption recorded in the country over the past decade (IBISWorld, 2012). Australian beer production is being restructured in the light of these trends. To cite some recent examples, the ‘White Rabbit’ brewery in Healesville, Victoria, was closed by Lion in 2014, with production shifted to the corporation’s Geelong facilities. In 2014 Carlton and United Breweries (SAB-Miller) closed down the Warnervale brewery located on the NSW Central Coast that once brewed the Bluetongue range of beers following its assumption of ownership via its takeover of the Pacific Beverages stable (itself a branch of the national dairy and drinks corporation, National Foods) (Australian Brews News, various issues).

Simultaneously, and emerging among the interstices between the major brewing corporations is an apparently vibrant and, to this date, robust craft beer sector.<sup>1</sup> Enjoying average annual rates of sales growth (by value) well in excess of its mainstream rivals (approx. 15–20 per cent compared to 0 per cent respectively) (IBISWorld, 2012), the craft and premium beer sectors have seen their shares of the Australian beer market steadily increase. Importantly for the focus of this paper, domestic craft beer production has also undergone a dramatic numerical and geographical expansion since 2001. Spatially, the expansion of the sector is characterised by two key trends: rapid growth of craft breweries in all of the nation’s capital cities but also in many regional centres and country towns where onsite brewing ended many decades ago.

<sup>1</sup> According to Australia’s Craft Beer Industry Association (CBIA), a craft beer brewery is defined as a domestically-based entity that produces less than 40 million litres of beer per annum (CBIA, 2016).

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