

Giving the people what they want

You would be hard-pressed to find cream cheese in a fancy food magazine photo spread or a food blogger's Insta-worthy cheeseboard. And yet, Moondarra Cheese has built a thriving business on this humble cheese that has been embraced by consumers at home and overseas.

Nick Katis and Matt Freeman go way back, to university days. The two used to catch up at overseas trade shows, with Nick working for Original Juice and Matt a regional marketing manager for the Australian Dairy Corporation.

When Original Juice changed hands, Nick and Matt joined forces to form a wholesale speciality cheese export business.

"We quickly developed our own brand, Moondarra, which we had contract-manufactured for us," Matt said. "The one product that sold particularly well was flavoured cream cheese. We saw an opportunity in that and started our own factory in Nunawading in 2004."

The business quickly grew from a staff of four working intermittently a few days a week to a full-time operation. The team was making close to 1,000 tonnes of cheese per year in 600 square metres, with no storage room or, indeed, room to move.

In 2011, Moondarra re-located to an 8,000 square metre block of land in a new business park development in Dandenong South.

"We were making 2,000 tonnes of flavoured cream cheese, and all of that was from cheese we bought and processed," Matt said. "We were one of the largest cream cheese buyers in Australia, and security of supply wasn't always guaranteed. So, we took the decision that we needed to vertically integrate to make sure we had a guaranteed supply into the future."



Clockwise from top: Moondarra's directors, Matt Freeman and Nick Katis, at the Dandenong South factory. One of Moondarra's best sellers, Honey & Pistachio Cream Cheese. There is plenty of room to move on the company's 8,000 square metre block of land, with one of the buildings sublet to another business.

Images: Irfina Fairberg

From a modest start of 1,000 tonnes of cream cheese a year, Moondarra plans to go to 12,000 tonnes in the next three years.

In 2014, the company started building its own cream cheese plant, commissioned in 2015. Once the new factory was operational, things moved quickly, with a second and then a third production line added to keep up with demand.

“The plant was a \$5-\$6 million project,” Nick said. “It was a big decision to make, and we had to work like crazy, but we knew that we had to secure our supply, be integrated and have scale, because we were focused in the flavoured cream cheese area.”

“The sums worked better to supply ourselves,” Matt added. “We are still our biggest customer, but it gave us the opportunity to have the extra capacity, economies of scale.”

The return on investment on the new plant was under five years, and with the business growing at 10-15% per year, Moondarra is now ready for another leap forward – a \$4 million investment to triple the current 4,000 tonne capacity.

People key to success

The factory currently employs about 80 staff, 40 full-timers and 40 casuals called upon during the busy peak periods.

While Matt and Nick used to be across every part of the business, including developing recipes and cheesemaking, they are ready to take a step back from the day-to-day production issues.

“In the early days, we had a cheesemaker from Bonlac Cobden who was terrific,” Matt said. “It was him and me who came up with the recipes, the design and the way to pack and process the cheese. ➤



Images: Irma Fainberg

From top: Moondarra Cheese employs 80 staff, with half full-time and half casual. All inclusions are checked with scanning equipment and by hand. The factory's peak production times are between August and January, as well as over Easter.

"Entrepreneurs started the company, and managers are really starting to run it now. They are the future of our business."



Images: Irma Fainberg

"I wasn't a cheesemaker. I was a marketer, but I just love cheese. I had a crack at it, and a lot of it was just common sense. We developed a process and kept honing it. We've had a few production managers come and go, and it's taken us 14 years of experience to get where we are and do what we do," Matt said.

New faces who recently joined the team include **Colleen Rigby**, who has more than 30 years of experience making cream cheese for Murray Goulburn, and **Chris Rolls**, who has come over from Brancourts to take on the job of flavoured cheese production manager. There is a new quality manager as well.

"With all these experienced managers taking over the production side of the business, Matt and I can focus on marketing and sales," Nick said. "Entrepreneurs started the company, and managers are really starting to run it now. They are the ones who are, really, the future of our business."

Playing to your strengths

Flavoured cream cheese may not be 'sexy', but consumers love it, and there is no better testament to that than Moondarra's confident and steady growth over the years.

"We are unquestionably number one in the latest technology and the most advanced factory for cream cheese in Australia," Nick said. "We make 95% of what in the 1960s and 1970s was called 'fruit cheese', but is now called flavoured cream cheese. We own that category."

Matt agreed. "When we started, flavoured cream cheese was very much a dying category. It was on the way out. We turned it around, and it is probably number one category in speciality cheese and growing at 12% every year.

"We have cornered a little area of the market with our product. It's unique and it's Australian. All in all, we are focused on giving people what they want and something that tastes good. We make really good cream cheese. We don't take any shortcuts. We are really quality obsessed."

Moondarra has experimented with brand extension into other flavoured cheeses, including club cheddars, but has found that playing to its strength was the best way to go.

"We're a big player in a small pond with flavoured cream cheese. And on the bulk cream cheese side we're a small player in a very big pond. Cream cheese is our only focus, so we can stay single-minded about that," Nick said.

When Russia banned foreign food imports, Moondarra lost 20% of its sales overnight.

"When customers come to us and say, we'd like the cream cheese to have this pH and have this flavour profile, we can do it. Whereas if they ask a big company, can you alter your flavour profile, they would say no chance, this is it, take it or leave it."

"With cream cheese, we have a real competitive advantage," Matt added. "We make more cream cheese than anyone in Australia. The other cream cheese makers just want to make bulk cream cheese, but we are prepared to add the value, to get the flavours right, to be in that innovation space."

Most recently, this has included cream cheese and biscuit snack packs, as well as a top-secret new product line that is due to appear on supermarket shelves by the end of the year.

Export advantage

Nick and Matt both came to Moondarra with strong export backgrounds, and this has continued to serve the company well.

"People are a bit daunted by exports, because they are the great unknown," Matt said. "But we were already working in that area, and we knew what we needed to do to get into those markets."

"We had a great market in Russia, through an old partner of Nick's from his Original Juice days. They love soft fresh cheeses in Russia, so ours fit really well into the market. The sales we were making there were just astonishing."

"It was our biggest overseas market until [Russia's president] Vladimir Putin said no to imports. We lost 20% of sales overnight when that happened. It really set us on our bum. At the time we had just commissioned our new cream cheese plant!"

"It makes me cry every time I think of what we lost there through no fault of our own. We are hoping one day it will come back, but we are not sitting around waiting for it, that's for sure!"

Moondarra's other export markets include Japan, China, the US and New Zealand.

"Yes, we sell cheese to New Zealand – I know, like coal to Newcastle!" Matt laughed. "We are in every supermarket in New Zealand and our brand recognition there is amazing."

But some markets are harder to crack than others.

"The Japanese are a classic example," Matt said. "It takes three years of discussions before you get anywhere in Japan. We have now done the three years, and they are really keen for it." Demand from China is growing too. ➤

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If you want to export, the advice is to "get your butt over there, get your face in front of people, shake hands."

"To start with these niche categories in Japan and China, it is hard, because the volumes are small and you air freight it," Nick said. "But if you put bulk cream cheese as the base of a container and then you put flavoured cream cheese products on top, now you're sending it by sea.

"The product has a long shelf life, it's got the Australian clean, green image that people are continuing to take to. Exporting it was expensive, but now we've got a complete solution with the foodservice market."

Budding exporters take note

To companies looking to export their products, Matt and Nick have very common sense advice.

"You've got to get your butt over there, get your face in front of people, shake hands," Matt said. "Also, you need to find a good partner. We start the process of finding a partner before we approach any retail stores. Although you often do need to get into somewhere to get a partner, it's a bit of chicken and egg.

"I always take the view that there is no right or wrong approach. I'd speak to large trading companies, I'd speak to small independent importers, I'd speak to medium-sized importers. I would converse with everyone and keep all the options open, and eventually you narrow it down to what works best for you."

Nick agreed. "We've had great discussions with large trading companies that opened our eyes about where the market was and how to refine our product a little better to suit that market. But we eventually decided not to go with them, because we were not prepared to do it for a dollar."



Image: Irina Fainberg

"Ultimately, it's about being in the market and meeting people, doing research, going to trade shows," Matt said. "The people you have to chase aren't the ones who are particularly interested in you, and the ones chasing you can often be too small. It's hard. But the only way to know about this is to go to the market and do research."

"And, very importantly, you've got to go where people eat cheese. Singapore, Hong Kong and Malaysia are not those places. For us, New Zealand is a great market, because they eat cheese. America is the same."

Spreading the risk

Export markets have been good to Moondarra, but they are notoriously volatile. To be successful into the long term, both Matt and Nick agree on the need to cover all bases.

"When we started out, the local supermarkets didn't want to know about us," Matt said. "They told us, this is a dying category, what are you doing this for, no one is interested, blah blah blah, see you later, thank you very much."

Eventually, through the efforts of one of its distributors, Moondarra got into

Woolworths, and the domestic business took off.

"We also started contract packing the South Cape brand for National Foods, and that helped us grow as well," Nick said.

"You need a strong domestic base to be able to export," Matt added. "We started out exporting, but the reason we were able to continue is because we also developed a strong domestic base.

"You need a good balance of both. You can't have all your eggs in the supermarket basket or the export basket. For us, we get a balance with exports, as well as our own brands and contract packing. You also need a mix of foodservice and retail."

Moondarra will be striving for that balance as it continues to grow and expand.

"We will be continuing to grow our export markets in our plain cream cheese and flavoured cream cheese, and add more retail products, like the snack packs," Nick said. "We'll continue to innovate with product sizes and flavours, and will continue to add interest into that space, focusing on cream cheese in all its forms. We have found what we are good at, and we are going to stick to that!" ■