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The Little Island That Did: Related Variety, Branding and Place-based Development In South Australia

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Abstract

While the vulnerability of natural resource-dependent rural communities and regions to environmental, technological, and market-based shifts and shocks has long been recognised there has also been recent appreciation of the fact that more remote, non-metropolitan places can and do thrive in neoliberal spaces and times. Drawing on the notion of related variety, itself an offshoot of evolutionary economic geography, this paper examines the factors that best explain the relative robustness and adaptiveness of Kangaroo Island, South Australia, economically, in the face of a severe market and regulatory crisis. Based on semi-structured interviews with local farmers, other representatives of the local business community, and key members of local and State Government and regional development agencies this paper argues that Island producers' dedication to overcome the region's isolation, together with their commitment to quality, niche and value-added products carefully tuned to export markets, has been a key element of this success. Local spillovers within and between sectors and firms sharing cognitive proximity have also been fundamental in fostering production, processing, marketing, and logistics innovations. This case study demonstrates how the local farming sector was brought into a new direct relation with major international markets for food and fibre, based on the Island's developing global reputation for high quality, high value produce. It underscores the capacity of local scale businesses to develop innovative market strategies and to combine efforts in order to form broader networks that 'jumped scale' and ensured their farming business success and, crucially, their ties to the land.

Keywords: related variety, evolutionary economic geography, branding, place-based development, Kangaroo Island

1.0 Introduction

The vulnerability of natural resource-dependent rural communities and regions to downward spirals of developmental decline due to a combination of poor seasons, escalating scale economies, and the rationalisation of government industry- and region-specific funding has been increasingly recognised internationally (e.g., Gray & Lawrence, 2001; Halseth, 2017; Pritchard & McManus, 2000; Tonts & Haslam-McKenzie, 2005). Early writings on globalisation argued that the intensified economic competition ensuing from the advent and rapid spread of e-commerce would economically devastate rural places. However, subsequent research has demonstrated that non-metropolitan places can and, in some cases, *do* thrive in neoliberal spaces and times. The

mounting cases of ‘little towns that did’, to invoke the sentiment of Barnes and Hayter’s (1992) seminal paper, suggests that place-based development is more than just a case of good luck in search of a theory. Further, some such places have arguably become successful in part *because of* globalisation. While ‘new regionalist’ approaches have been criticised (Lovering, 1999; O’Neill, 2005), a new literature on place-based economic development in rural regions has highlighted, via numerous case studies, the capacity of rural communities to harness local social, economic, cultural, and environmental capital and successfully plan and execute local developmental agendas that provide sustained tangible—and intangible—benefits.

Based on a case study of Kangaroo Island, South Australia, the aim of this paper is to examine the role of the evolutionary economic geography (EEG)-derived notion of related variety in the apparent resurgence of a small, staples-dependent pastoral economy and community following a major market and regulatory ‘shock’. In doing so, the paper also touches on the influence of place marketing and branding in helping account for relative success of a number of local entrepreneurial ventures in fostering the farm sector’s demographic and economic recovery.

The remainder of the paper is structured as follows. The next section reviews the emerging literature of related variety together with that of place marketing and branding and seeks to produce a coherent conceptual platform for interpreting the strategic decisions of Island producers—individually and collectively—to broader and local scale crises, threats *and* opportunities. The methods used to collect the data and information central to this paper are then outlined prior to the major section which sets out and discusses the research findings. The concluding part seeks to synthesise the paper’s key arguments and findings, and reflects on the value of the concept of related variety in understanding the sometimes surprising good news stories of otherwise structurally disadvantaged rural economies.

2.0 The Power of Place: Related Variety, Place Marketing, and Local Economic Development

Two factors feature prominently in the discussion of rural economies’ structural strengths and weaknesses. First, natural resource-dependent peripheries around the globe—whether that dependence be agricultural or mineral and energy related—are characterised by low population densities, high degrees of remoteness, low levels of accessibility, and narrow economic bases. They tend to be ‘slippery spaces’ in that workforces tend to be highly mobile and there is little ‘capital deepening’. Local and regional multiplier effects are also generally truncated (Beer & Pritchard, 2003; Danson & de Souza, 2012; Freshwater, 2016; Halseth, 2017; Halseth & Ryser, 2018). Second, the tendency for agriculture to be the lead sector in rural regions creates disarticulation between the generation of gross regional product, on the one hand, and employment, on the other. Given that farming is generally a net employment-losing sector it is hardly surprising that many non-metropolitan regional development strategies advocate, *inter alia*, for diversification of the industrial base away from agriculture in order to grow local employment.

EEG provides an overarching theory and battery of concepts for dissecting the dynamic fortunes of businesses, industries, and regions (Boschma & Martin, 2010), including rural economies (Tonts, Plummer, & Argent, 2014; Plummer, Tonts, & Argent, 2018). While an important aspect of evolutionary analysis is the identification of an industry’s and/or region’s path dependence (MacKinnon, 2012), EEG is agnostic about the developmental trajectories that might flow from such a reliance. In other words, although path dependence may be

identified whether or not that becomes a weakness for a region is an empirical matter. EEG regards ensembles of leading firms, industries, and institutions, together with the market dynamics and antecedent space–time as both the product of and co-contributor to regional economic change. The institutional framework is inclusive of formal and informal organisations such as local and state governments and their various instrumentalities, industry peak bodies, unions, local sporting and social clubs, to name but several (Boschma & Frenken, 2006; Boschma & Martin, 2007).

True to the broader definition of evolution, the economic landscape is regarded by EEG researchers as a more or less open field of competition, shaped by processes of natural selection, fuelled by firms' seemingly innate urges to attain greater scale economies. When a particular innovation—regardless of whether it is technical, organisational, or managerial in nature—becomes the industry standard, dynamic increasing returns to scale and the formal and informal promotion and training in the innovation's use creates a form of cognitive lock-in (Hudson, 2005; Wilson, 2014). This is, of course, a strength and a weakness of path dependent economic development. Strictly speaking, path dependence relates to an industry's reliance on particular forms of temporally-variant technology and/or practice. As many economic geography primers illustrate, though, industry and region tend to be intimately related, meaning that path dependence is also often a type of place dependence (Plummer & Tonts, 2013).

In the field of social resilience research 'lock-in' can be seen as a complex covering four intertwined forms (Wilson, 2014). *Structural lock-in* refers to the roles of the natural resource base, settlement and transport networks, and society's prevailing social mores in guiding the socio-spatial parameters of local and regional economic development. *Economic lock-in* addresses the positive feedback loops emanating from increasing dynamic returns to scale and which help to embed businesses and key industries 'in place'. *Political lock-in* relates to the formal and informal governance of local and regional economic development and strategy, and addresses the tendency for local elites and formal planning policies to support or defend the *status quo* in terms of economic strategies. Finally, *socio-psychological lock-in* incorporates the bounded rationality of much economic decision-making; evident in the 'export mentality' of many staples-dependent regions even in the face of a profound market downturn (Wilson, 2014; Hudson, 2010). Together, these lock-in effects emphasise the physical, formal and informal institutional, and behavioural factors that perpetuate a region's path and place dependence.

The diffusion of explicit information and more tacit practical know-how associated with a particular leading-edge initiative can be a tide that lifts all boats across the sector. However, once an economic 'shock' hits and new forms of knowledge are required, the duration and depth of crisis conditions are dictated by how rapidly local entrepreneurs can find and promote new solutions to replace outmoded ideas and practices.

2.1 Related Variety

Related variety effectively marshals the concepts of bounded rationality, cognitive lock-in, and information spillovers into a theory of place-based development. The concept is a logical extension of the notions of comparative and competitive advantage in that it entails firms building on and honing established regional competencies (Frenken, van Oort, & Verburg, 2007). A research agenda around the mechanisms inherent to related and unrelated variety has emerged as intellectual curiosity has intensified over how the benefits of agglomeration are first generated and then distributed amongst firms, industries,

and employees. Frenken, et al.'s (2007) ground-breaking research argued that related variety—firm diversity within a single industry—was more effective in fostering knowledge spillovers and their attendant positive effects than unrelated variety. The last mentioned—the portfolio effect of having a diverse set of industries represented within a region—was negatively related to unemployment growth (Frenken, et al., 2007).

Central to the effectiveness of related variety is the idea of cognitive proximity. This notion holds that knowledge and competencies are more readily shared and assimilated between industries and firms in which a functional relationship exists even if they are, for all intents and purposes, different (Boschma & Iammarino, 2009; Cainelli, Ganau, & Modica, 2019; Frenken, et al., 2007; Wixe & Andersson, 2017). For Boschma and Iammarino (2009) related variety of a localised and specialised nature is more likely to “...induce effective interactive learning and innovation” (p. 293). Cainelli et al., (2019) suggest that the post-2008 recession performance of Italian labour market regions was positively related to related variety and, in turn, long-term regional economic resilience.

The measurement of related variety and industrial relatedness has been the subject of recent methodological debate. While national data collections offer breadth of coverage and afford robustness in the testing of key relationships over time and space, they generally do not contain vital and relevant institutional information on, *inter alia*, the nature of the regulatory framework and industry support policies. Nor can such databases easily account for or capture local spillover effects (Cainelli, et al., 2019). Similarly, Wixe and Andersson (2017) point to a perceived disjuncture between the phenomenon and its indicator. They argue that cognitive proximity and knowledge spillovers are individual-scale phenomena, even though they can be measured at the firm- and sub-industry levels. For Wixe and Andersson (2017), occupational variety may be a potentially more important predictor of economic diversity and/or relatedness than industrial diversity. This suggests that developing a deep understanding how local spillover effects work may involve qualitative as well as quantitative research approaches, including data and information sources.

2.2 Branding and Place Marketing

As already established, the diffusion of differentiated forms of technical knowledge throughout the regional economy is a central element of related variety. Asheim, Boschma, & Cooke (2011) distinguish between three primary knowledge bases: (a) analytical (science-based), (b) synthetic (engineering based), and (c) symbolic (arts based). Importantly, these knowledge forms are seen as complementary and symbiotic in the production of regional advantage. For example, while state-of-the-art scientific innovation may be necessary for individual firms to attain greater economies of scale, *avant garde* symbolic knowledge could prove key in the brand and marketing strategy that might stimulate existing and/or new markets. Done effectively, such promotional activity incorporates the three knowledge forms into a coherent package that encapsulates the power of regional ‘related variety’.

The creation of place-based brands and broader place marketing strategies can serve to either reinforce or rupture extant path dependent patterns of development, even when pitched at new markets. As argued elsewhere, ‘lock-in’ can be beneficial to a region where it enables established comparative and competitive advantages to be capitalised on through, for instance, the more-or-less subtle shift to the production of more highly price-inelastic goods out of basic staple commodities (e.g., luxury knitwear out of local wool). A region with an historical dependence on broadacre pastoral production can find new, more

lucrative strings to its developmental bow if it can add or substitute high value niche animal or crop products to its ensemble of exports via such an avenue (e.g., Argent, Walmsley, & Sorensen, 2010).

Brands, and the branding process, have formed lacunae in economic geography research until relatively recently. This is surprising given the vital roles that brands—and the processes by which they are constructed and circulated—play in creating economic rents. The cultural–interpretative turn in economic geography has entailed greater sensitivity to the symbolic qualities of production, consumption, and circulation. This heightened awareness has developed simultaneously with the growing popularity of place-marketing and branding efforts by regional and local ‘boosterist’ development organisations charged with the tasks of recruiting and retaining elusive production factors. The rise of the alternative food network movement has also coincided with this re-assertion of ‘the local’ and ‘the regional’, with food, fibre, and drink producers marketing their wares to local and extra-local markets, often extolling the desirable tangible and intangible characteristics (e.g., organic, *terroir*, handmade, ‘authentic’) of their produce (Ilbery & Kneafsey, 1998).

Although Australia has an established reputation as an exporter of food and fibre to the rest of the globe this does not mean that concerns about the operation of the domestic food system do not exist. Canal Vieña, Serrao-Neumann, and Howes (2020) emphasise that household food insecurity may have affected as much as 17 per cent of the urban population. More broadly, taking into account over-nutrition and poor diets, Dixon and Richards (2016) point to evidence that some three quarters of the Australian population are not eating in accordance with World Health Organisation guidelines. It is in these contexts that the emergence and subsequent growth of alternative food networks in Australia needs to be considered. Reaction to the corporate, centralised model of food production, processing, and distribution in the country can be seen in an incipient re-localisation of the food system, evidenced in part by the growth and geographical spread of farmers markets—about 150 Australia-wide in 2010 (Fielke & Bardsley, 2013)—and the emergence of formal institutions whose charter explicitly champions the achievement of sustainable production and food security for all (e.g., the Australian Food Sovereignty Alliance). The branding process can involve formal and informal processes, with Protected Designation of Origin certification an example of the former. However, regardless of which dynamic is involved, when successfully completed, the commodity and the place of origin can become conflated (Pike, 2009), a beneficial outcome for both region and community.

It is tempting to think of a brand as little more than an eye-catching, interesting, or alluring image, logo, ‘jingle’, or other sensory artefact that positions a product vis-a-vis its intended market segment. Brands can contain many messages and much potential economic value. As Pike (2009, 2011) has argued though, branding is a precarious process with no guarantees that a resultant label will be embraced by its target audience. Freightened within each brand are facets of the product’s relative provenance, authenticity, and distinction, and central to this its ‘geographical entanglements’ (Pike, 2011). The reception of a brand and its spatial connotations is akin to the double hermeneutic, with potential consumers reflexively investing their own memories and sense of place with those they ‘see’—or interpret—lying within the brand itself. The dialectical interplay between branding, brands, and place has been well recognised by, *inter alia*, the craft beer brewing sector which has literally made an art form of simultaneously advertising individual breweries, beers, and the localities of production (Pike, 2011; Thurnell-Read, 2016; Gatrell, Reid, & Steiger, 2018).

Brands then, are not spaceless nor placeless objects even though they can come to symbolise cultural homogenisation, as in the putative ‘McDonaldisation’ of economic and cultural life under globalisation (Ritzer, 1992). As critical geographers have argued for some time, the most successful trans-national corporations are those that adapt their corporate strategy, including market relations and promotions, to the cultural morés, preferences, tastes, and needs of their new host society. In relation to largely staples-dependent rural economies and societies, overwhelmingly reliant on rents captured via global export markets, branding can provide a lucrative avenue for positioning otherwise bulk, price inelastic commodities as ‘quality’ high status, positional goods, able to command a premium in highly competitive markets. This is especially important for producers in agriculturally-exporting nations which have abolished co-operative collective statutory marketing arrangements (Botterill, 2011)

Consistent with a geographical political economy and EEG approach, the vital role of local and non-local formal and informal institutions in helping to form and navigate new developmental trajectories is recognised in much of this literature. Local government, local chambers of commerce and the like are central to this effort. In the context of regions characterised by relatively narrow bases and institutional thin-ness rather than thickness, a careful balance of competition and collaboration is often what is required for locally sustainable development outcomes. Of course, not all regions and places are equally well-endowed to adopt a ‘locally-led’ approach to securing their future and benefitting from the inherent unevenness of globalisation. Nevertheless, the growing scholarship on place marketing and place branding provides some insights into the politics and praxis of how otherwise disadvantaged places can place themselves on a sounder footing relative to rival regions in the increasingly hostile competition for capital and people.

The foregoing review suggests that, with some good management and a modicum of luck, non-metropolitan regions historically dependent on the production and export of basic staple commodities can achieve long-term economic resilience. Often, diversifying the entire regional economic base has been seen as the solution to economic decline in such regions. However, the notion of related variety suggests that economic success can be achieved through local firms within the same sector operating at industry cutting-edge levels, and sharing relevant performance information, deliberately or otherwise. The place marketing and branding literature further argues that such industry and place dependence can be capitalised on via the appeal to a global marketplace that is increasingly desirous of food, drink, and fibre from distinctive places. In other words, this paper argues that these two broad bodies of literature are essentially complementary, at least in relation to their application to rural regions and localities.

3.0 Methods

The field research on which this paper reports was funded by an Australian Research Council Discovery-Project grant (DP150104580). An important element of the project’s research design involved two of the chief investigators returning to their respective PhD research case study areas to conduct interviews with (a) members of the local farming sector, (b) representatives of local government, (c) sporting and social organisations, (d) relevant regional development agencies, (e) state government bodies, and such like in order to gain an appreciation of the nature and dimensions of change that had occurred in each region since the completion of the earlier research.

In the research for this paper, the author conducted semi-structured interviews with five representatives of the Kangaroo Island business community—including the farm sector—one member of local government, a former rural financial counsellor, and the former Commissioner for Kangaroo Island, all during late 2017 and early 2018. Many of the above were identified via web searches but contacts within the Commissioner for Kangaroo Island office assisted by providing additional potential contacts. Six farmers who participated in Argent's earlier PhD research were also interviewed. All interviews were digitally recorded, transcribed, and analysed in accordance with the aims and objectives of the Australian Research Council-funded project but also attentive to emergent germane and salient themes.

4.0 Kangaroo Island: An Historical Geography

Kangaroo Island (see Figure 1) has a colourful historical geography. Its history of Aboriginal settlement is sketchy. The Indigenous Kartan people apparently abandoned it prior to the disappearance of the land bridge that joined the island to the continent approximately 9,500 years BP (Lampert, 1979). Early British explorer, Matthew Flinders, thought the island devoid of human habitation when he surveyed it in 1802 on his antipodean voyage. Reeves Point, near the island's now largest town of Kingscote, was the first point of European colonisation in South Australia (1836) though this was soon abandoned by the South Australian Company settlers for the more propitious site of Glenelg on the South Australian mainland coast (Nunn, 1989).

Figure 1. Kangaroo Island.



Source: Office of the Commissioner for Kangaroo Island, 2016.

Subsequent, if episodic, waves of investor and settler interest in farming and colonising the island were frequently met with disappointment and occasional financial ruin. The eastern third, including the Dudley Peninsula and the Kingscote–Wisanger areas, was the more agronomically promising portion and the first settled by Europeans. This area subsequently became prized and ‘tightly held’ farming lands; a fact recognised in the 1875 proclamation of the Hundred of Dudley; the first such zone after the island was gazetted as County Carnarvon a year earlier (Nunn, 1989, p. 137). Beyond these areas though, severe environmental constraints permitted little but extensive grazing. The low, dense scrub covering the central plateau—known locally as ‘The Kohinoor’—and soil trace element deficiencies were the primary limiting factors. However, and true to the promise of productivism, state-led technological advances helped local farmers overcome these limitations. Mechanised land clearing and the addition

of copper sulphate to pasture fertiliser applications enabled the implementation of a post-WWII soldier settlement scheme which ‘opened up’ the central and western portions of the island to more intensified agricultural and demographic development.

The Kangaroo Island War Service Land Settlement Scheme covered a total of about 93,100 ha (230,000 acres) and was one of Australia’s largest of the post-WWII period, second only to the Gairdner River scheme in Western Australia (Hoffman, 1970). In 1945, after over a century of European settlement, only 163,201 ha—approximately 12% of the island’s area—had been cleared (Bauer, 1959, p. 474). By 1976 the area of farmland had increased by 89% to 308,970 ha (Australian Bureau of Statistics [ABS], 1994, p. 328). Between 1947 and 1954 the island’s human population grew by 70.5% from 1,479 to 2,522 persons (ABS, 1994, p. 320); the sheep flock expanded ten-fold from 87,100 to 875,000 over the 1945 to 1970 period. At August 1991, the Kangaroo Island human population stood at nearly 4,000 while the sheep flock was almost 15 times greater than its level at the conclusion of the Second World War and prior to the bulldozers and chains levelling the dense scrub of ‘the Kohinoor’.

4.1 Co-evolution Across Scales: A Pastoral Economy and a Macro-scale Institutional and Policy Framework

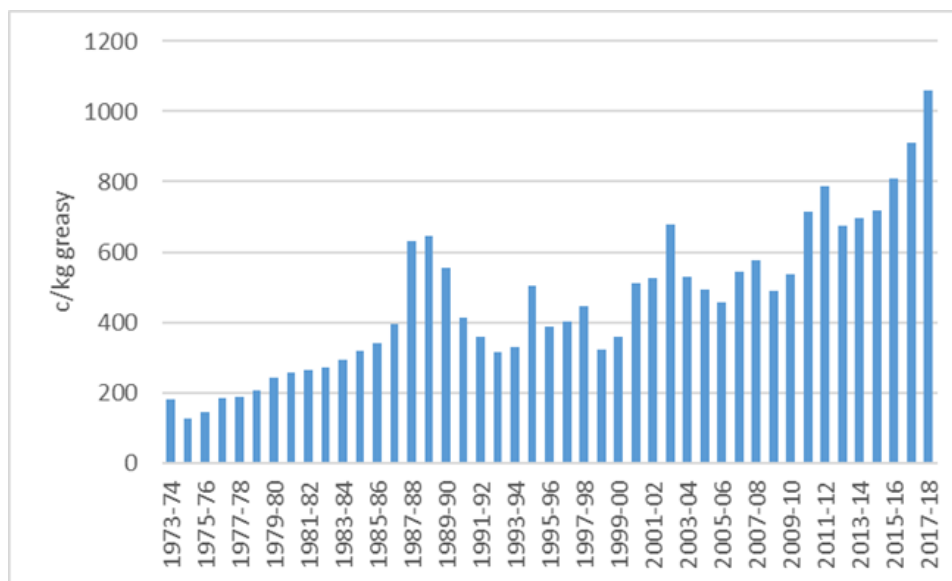
The island’s economic and demographic fortunes have been tightly bound to those of the pastoral economy, particularly wool and sheep, for most of the last 150 years. In these senses, the region has functioned in a similar manner to most other Australian inland rural regions: as a more or less reliable source of agricultural commodities for state, national, and international markets. This pattern of development meshed neatly with the (then) simple economic strategy and constructed comparative advantages of South Australia.

The island farm sector’s and broader regional economy’s dependence on a few export-oriented staple commodities—wool, livestock, and grain—emerged regularly as a structural disadvantage, only to be seemingly forgotten as buoyant market conditions returned. As an example, the 1970 national wool price slump had a dramatic impact on the island. The number of non-performing farm loans grew through 1971–1972 and a number of local farmers sought employment on the South Australian mainland in order to provide living expenses for their families and ensure the financial survival of their farm. Local island businesses began trading on a cash-only basis in an attempt to insulate themselves from the worst of the cash flow and debt problems enveloping the farm sector. The island’s population dipped by over 6% between 1966 and 1971 (Argent, 1997).

However, the straitened times of the early 1970s yielded to a general upturn in the island farm sector and, therefore, the broader regional economy, as wool prices recovered and investment conditions followed suit. As amply documented elsewhere (Gray & Lawrence, 2001; Lawrence, 1987; Pritchard & McManus, 2000) the 1980s was a decade of radical structural and regulatory change in Australia, characterised by the ideological hegemony of neoliberalism in policy making and its application to (formerly public) goods and services delivery. In relation to the last mentioned, the corporatisation and/or privatisation of former state-owned enterprises and the deregulation of long-standing markets featured prominently across almost the entire gamut of Australian society and economy. Of particular relevance to this paper are the deregulation of the Australian banking system, the floating of the Australian dollar (\$) and the unrelenting campaign to dismantle collective-based, co-operative market regulatory structures across Australia’s farm industries.

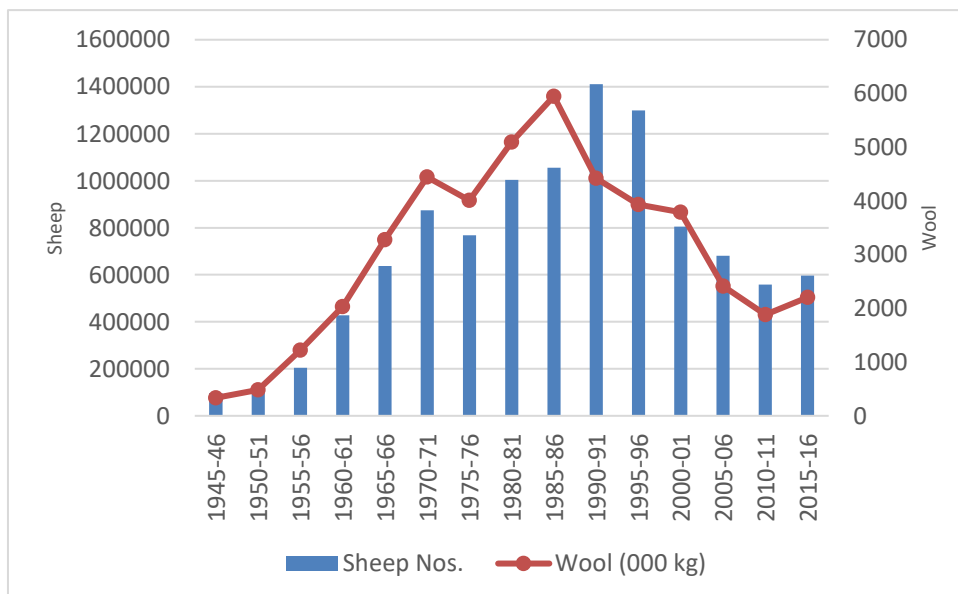
On Kangaroo Island these broader scale forces were felt keenly. From the early 1980s, constantly improving wool prices (see Figure 2), coupled with a generational turnover of farms, fuelled an increasingly optimistic local land market. Farm sale values tripled while sale volumes doubled over the decade (Argent, 1997). As indicated in Figure 3, the island’s sheep flock and wool production surged in direct response to the continually appreciating wool market. The best wool prices in a generation, underpinned by the reserve price scheme (Richardson, 2001, p. 101), flowed over into farm capital expenditure items which, in turn, boosted local town businesses. Local agronomist, Bob Hagerstrom, wrote in *The Islander* in June 1988 that, “The past few months have seen an ‘upsurge’ in spending on farms—new vehicles, machinery sheds, building fences, more maintenance on buildings, etc etc and the bright seasonal prospects augur well for the future of farming on K. I.” (Hagerstrom, 1988, p. 7).

Figure 2. Australian wool prices (c/kg greasy, nominal values).



Source: National Council of Wool Selling Brokers of Australia, various years.

Figure 3. Kangaroo Island Sheep Numbers and Wool Clip (‘000s kgs).



Source: ABS, various years; National Council of Wool Selling Brokers of Australia, various years

The period covering the late 1980s and the 1990s was one of high and escalating debt for the Australian farm sector. For indebted wool growers the high prices of the late 1980s, guaranteed by the wool reserve price scheme, provided something of a buffer against the very high interest rates on borrowing. However, the expanding gap between actual market demand and the Australian Wool Commission's (AWC) reserve price saw the accumulation of an enormous stockpile in the nation's major wool stores, reaching 4.6 million bales in January 1991. This was the equivalent of between just over a half to just under a full year's production (Bardsley, 1994). The decision by the then Federal Minister for Primary Industries and Energy, John Kerin, on the 31st May, 1990, to reduce the minimum reserve price for wool from 870 cents/kg clean to 700 cents/kg clean, and to then suspend the scheme indefinitely less than one year later, precipitated a massive cash flow and debt crisis for much if not all of the wool growing sector. Wool prices plummeted almost immediately and dramatically to the lowest levels on record (National Council of Wool Selling Brokers of Australia [NCWSBA], 1993). The AWC was forced to oversee the dismantling of the Reserve Price Scheme and raised the wool tax rate from 8% to 18% in 1989–1990 and thence to 25% so as to cover the cost of wool purchased via the now defunct floor price scheme (NCWSBA, 1990, 1991). This situation was met with a wave of creative destruction: a national flock reduction scheme was introduced in 1990 to cull 10.5 million unsaleable sheep (NCWSBA, 1991), the grisly task of shooting and disposing of the unwanted animals left to individual farmers. Numerous proposals to liquidate the mammoth wool stockpile, including incineration, circulated throughout rural Australia at this time.

Given the island's dependence on wool growing, the wool market's collapse hit with anticipated force. Farm incomes approximately halved while debt spiralled, fuelled by interest rates of over 20%. With farm equity levels and interest coverage ratios declining to precariously low levels an expanding number of farm families sought financial—and, to an extent, emotional—refuge in the island's rural counselling service. Nearly one third of the island's farms were registered with the service at some stage during the 1990s. An estimated ten per cent of local farms disappeared over the 1990s and 2000s through a combination of farm sales and subsequent amalgamations, and displacement by a forestry managed investment scheme (Kangaroo Island Rural Counselling Service, 1995).

Earlier research (Argent, 1997) highlighted the reliance of island retailers on the farm sector but also noted that around half of all local businesses had somewhat insulated themselves from the vicissitudes of farming by diversifying into tourism. Those firms that depended most heavily on the farm economy were predictably hard-hit by the financial crisis of the early- to mid-1990s with many experiencing substantial decreases in turnover and thus, employment. A sense of the demographic impact of the long-running downturn can be seen in the 2.7% decline in the island's aggregate population between 1986 and 1991 as net migration losses intensified. Some former farm families left the island permanently, while numerous individual farmers took up paid work on the mainland with the hope of saving the farm. Over sixty per cent of the island's 15–24 year olds left during the late 1990s and early 2000s, discouraged by poor local career prospects. Nonetheless, from the mid-2000s onwards the island population began to grow more strongly, achieving average annual rates of growth of above 1%, and net migration losses decreased substantially. Employment rebounded in the immediate post-crisis years though has tapered off more recently (see Table 1).

Table 1. Rates of Population Change, Kangaroo Island, 1986–91 to 2011–16

1986–1991	-2.67%
1991–1996	4.15%
1996–2001	4.31%
2001–2006	0.59%
2006–2011	3.61%
2011–2016	6.43%

Source: Argent, 1998; ABS, 2017.

Table 2 shows the broad industrial composition of the island workforce and its structural shifts over time. A striking feature of that table is the dominance of the primary sector as an employer even as its share of total employment has declined over time. The island economy and labour market has gradually become more service sector-oriented over last half of the 20th century; farming provided over 47 per cent of all employment at the 1971 Census but declined to just over one quarter of all island jobs in 1996. While agriculture is traditionally an employment-losing sector due to, *inter alia*, the ongoing capital substitution of labour driven by farmers' needs to outrun declining terms of trade for agriculture, the number of jobs in the sector *grew* by nearly ten per cent over the twenty years covered in Table 1.

In many rural regions, the ongoing, if not increasing, centrality of farming to the local economy would probably be associated with declining production factors and poor economic prospects. However, on Kangaroo Island local farm industry and institutional innovation pathways taken in the wake of the 1990s wool 'shock' have been linked to a literal rejuvenation and revitalisation of the rural economy. The remainder of the paper further develops these themes, focusing particularly on: (a) the role of local knowledge spillovers within and between industries and firms that share 'cognitive proximity' in facilitating the development and spread of leading innovations; (b) the ongoing power of 'the local' amidst the putatively homogenising tendencies of global capitalism; (c) the crucial role of business innovation in the evolution of industries, including staples-dependent ones; and (d) the fundamental parts played by institutions within and across geographical scales in these processes. A vital element of this reconfigured institutional framework was the island itself, or at least the power of the island's brand, in opening avenues into new markets and helping to create value across a range of industries.

Table 2. Employment by Industry, Kangaroo Island, 1996–2016

	1996		2001		2006		2011		2016	
Industry	%	LQ	%	%	LQ	%	%	%	LQ	
Agriculture, Forestry and Fishing	26.5	4.7	25.1	23.1	4.6	21.0	22.5	5.6		
Mining	0.2	0.4	0.2	0.1	0.9	0.4	0.3	0.3		

Table 2 continued

Manufacturing	3.4	0.2	4.9	3.5	0.3	3.4	3.5	0.4
Electricity, Gas and Water	0.9	1.0	0.7	0.7	0.7	1.2	0.7	0.6
Construction	4.7	1.0	5.0	6.5	1.0	6.8	6.2	0.8
Wholesale trade	3.3	0.6	3.1	2.2	0.6	3.2	2.1	0.8
Retail trade	9.7	1.0	8.9	11.3	1.0	10.1	9.2	0.9
Accommodation and Food Services	9.6	1.7	11.6	12.1	2.1	12.6	11.7	1.8
Transport, Postal and Warehousing	5.5	1.3	6.3	5.4	1.3	5.4	6.2	1.5
Information Media and Telecommunications	1.1	0.5	0.5	0.8	0.5	0.6	0.3	0.2
Financial and Insurance Services	1.5	0.5	1.2	0.9	0.3	0.6	0.8	0.3
Rental, Hiring and Real Estate Services	1.5	1.0	1.4	1.2	0.9	1.2	1.0	0.8
Professional, Scientific and Technical Services	1.7	0.4	2.5	2.3	0.4	3.0	2.8	0.5
Administrative and Support Services	2.4	0.9	4.6	4.2	1.2	3.7	4.7	1.3
Public Administration and Safety	4.3	0.8	4.7	5.3	0.8	6.1	5.2	0.7
Education and Training	7.9	1.0	6.4	6.6	0.9	5.5	7.2	0.8
Health Care and Social Assistance	5.5	0.5	6.0	7.7	0.6	8.4	7.9	0.5
Arts and Recreation Services	2.5	1.8	2.8	0.9	0.8	1.6	2.1	1.6
Other Services	3.9	0.8	3	2.7	0.7	2.9	3.0	0.8
Total (nos.)	1716		1929	2121		2199	2166	

Source: Australian Bureau of Agricultural and Resource Economics, 2017.

4.2 Related Variety, Knowledge Spillovers and Market-making: A Kangaroo Island Case Study

In the immediate aftermath of the farm debt and income crisis of the early 1990s, individual farm families fought with considerable ingenuity and tenacity to maintain possession of their land and livelihoods. Diversification and pluriactivity became the catchcry of the 1990s and numerous island farm households started new ‘in-house’ enterprises such as agri-tourism or aquaculture, for example, and/or cutting farm running costs as deeply as they practicably could. The island’s natural attractiveness and already established reputation as a tourist destination meant that various forms of agri-tourism and farm accommodation were a relatively easy option for intra-enterprise diversification. Some farmers who acquired a neighbouring farm used the vacant farmhouse as a bed and breakfast enterprise. Wine grape production also expanded sharply from a low base and triggered an incipient wine estate tourism market on the island. These endeavours did not save all financially troubled island farms but the money that such activities generated provided some families with an economic buffer while they decided the next steps for their business and family.

Kangaroo Island’s relative remoteness and inaccessibility has always been a double-edged sword for its economic and social development. Along one blade is its exoticism, the island’s somewhat unique flora and fauna and many scenic attractions have long been major drawcards for short- and long-term visitors and have also helped build its national and now global identity. However, the tyranny of separation, if not distance, has formed a substantial and long-lasting psychological and economic barrier between the island and the mainland. While islanders have long felt excluded from the political and economic mainstream (see Nunn, 1989), these attitudes have nourished a strong sense of local pride in the community’s ability to triumph over adversities (discussed above), many of which they feel have been imposed upon them by the actions of distant governments, corporations and markets.

The narrow and occasionally treacherous strait that physically separates the island and the South Australian mainland, Backstairs Passage, forms the other blade. Freight costs for shipping basic inputs onto and transporting staple commodities from the island have consistently been raised as significant disadvantages for island farmers. Islanders have argued consistently that the 16 km between Cape Jervis on the South Australian mainland and Penneshaw, Kangaroo Island, constitutes the most expensive freight route in Australia. The apparently insurmountable cost–economic disadvantage reinforced the island’s path dependence on fine wool production, the relatively high value per unit weight of the commodity and its comparative ease of transport (i.e., uniform rectangular prism bales of compressed wool fibre) making wool production for export more viable than most other forms of farm production. For example, while cereal crops have been grown in pockets of the island for many decades, the relatively high costs of bulk handling have hampered broader development. The revitalisation of the island’s mainstay sector would then seem to have depended on the development of premium quality, high value farm sectors, with well-managed farm businesses at the cutting edge of innovation, at their core.

A sense of the island’s resilience as well as its path dependence can be found in its consistent attempts over the past two decades to develop a brand that conveys its reputation for quality farm produce, its exoticism, and perceived purity. For example, two small industries that have flourished somewhat on the island since the 1990s crisis are Ligurian honey and bee products and seed potato production. Both industries require strict biosecurity control, and this is naturally afforded by the separation from the mainland. As the following attests, though, key to the

success of the island's economic and, to some extent, social recovery, is its capacity to link with and draw upon the knowledge and expertise of institutions and individuals of influence at other geographical scales, and harness knowledge to attain industry 'best practice'. Consistent with growing consumer demand for 'clean, green' ethically-produced food, fibre, and drink, and the apparent elision–conflation of local or regional specificity—as seen in the growing popularity of Product Designation of Origin branding—with notions of quality and authenticity, select island producers have gradually moved to create a distinctive brand that celebrates and commodifies the island's reputation for fresh, high quality farm goods. In the following, penultimate section I outline three instances of farm sector innovation on Kangaroo Island—across cereal, wool, and egg production—in which elements of related variety, place marketing, and branding are to the fore.

4.2.1 Kangaroo Island Pure Grain. Kangaroo Island Pure Grain (KIPG) was formed in 2009. The group is a vertically- and horizontally-integrated consortium of island mixed grain–livestock farmers and handling, storage, and logistics firms, united by their drive to meet national and international markets for high quality, high value cereal grains and oilseeds, and to maintain their own family-based businesses. For at least some of the farmers who form the core of the KIPG group, the wool market collapse of the early 1990s provided both the necessity and opportunity to expand and diversify their operations. The cash flow and debt crisis drove some farmers off their land, temporarily or permanently, and this created an opening for less indebted farmers—local or not—to expand.

The foundation of KIPG was partly a reaction to the externalities associated with the privatisation of the nation's grain bulk handling services. The 2009 sale of the Australian Barley Board (ABB) to Canadian-owned grain merchant, Viterra, brought about an end to the operation of 'single desk' grain handling on the island. Prior to its acquisition by Viterra, ABB had itself acquired the South Australian Co-operative Bulk Handling business. Kangaroo Island grain growers delivered an annual average 23,000 tonnes of grain to the state-owned and managed Kingscote silos, which was then shipped to the mainland. While the ABB had periodically warned island farmers of a potential 25,000 tonne annual harvest minimum threshold for the maintenance of the shipping route between Kingscote and Port Adelaide, it had never implemented it. However, on assuming control of South Australian grain bulk handling Viterra followed through on the threatened denial of service.

Prior to 2009 island grain farmers often felt disadvantaged by the later maturing and harvesting times for island-grown grain, suffering substantial price penalties simply due to certain market 'windows' closing. Freight costs of \$70/tonne also meant that production for the major mainstream market categories was often barely economically viable, depending on seasonal pool prices. The removal of the state-owned and -managed grain pipeline forced island farmers to experiment with grains and other crops that better suited the local growing conditions and that also gave them a crucial marketing edge based on the island's perceived 'pure' and 'unique' characteristics.

For instance, a small group of farmers that would later form the core of KIPG had earlier banded together to privately sell locally grown canola to Japan at premium prices, hiring marketing guru, the late Duncan MacGillivray, as intermediary. Approximately 3,000 tonnes per annum of Kangaroo Island-branded canola has been shipped to Japan by this entrepreneurial group over the past decade. Since its formation, the group's approach to research and development and marketing has also evolved over time. Following its experience with exporting high value canola to Japan, KIPG's strategy has been to pursue

the production and marketing of niche, high value crops to particular lucrative markets, including linseed, lentils, and broad beans to Indonesia (B. Ramsay, personal communication, 2018). 15th February

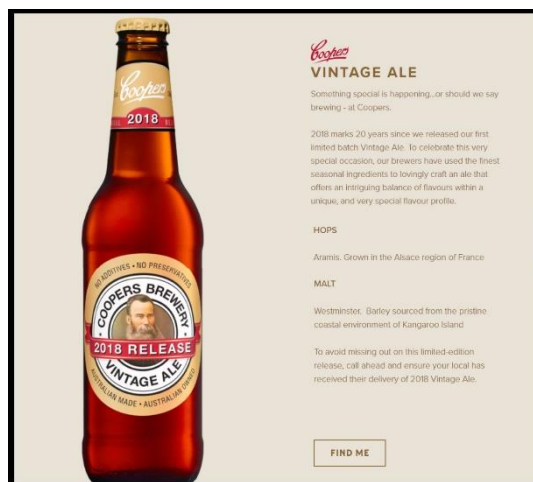
Wresting control of the commodity chain from farm paddock to end-processor has been central to KIPG's strategy. It owns and manages a major 23,000 tonne silo facility at Arranmore near the Kingscote airport and also leases facilities at the mainland port of Osborne for grain cleaning, grading and bagging and containerisation. The group's smallness and adaptability to changing market requirements are a point of contrast with larger, more centralised grain marketing firms. As one KIPG member put it:

It's [the Osborne facility] working well because we're targeting the smaller guys, whereas the Viterras of this world—they're not interested in. They [Viterra] want to sell you 20,000 tonnes at a time whereas we're quite happy to sell you 20 tonne (B. Ramsay, personal communication, 15th February, 2018).

A measure of KIPG's stature as a fully integrated and fleet-footed grain producer, marketer, and trader is the decision by SeaLink, the major freight and passenger service to and from the Island, to provide a regular 5.30 am boat service to ship grain stockpiled at the Arranmore facilities to the mainland the year-round, hence avoiding bottlenecks and increased costs during the summer peak season for grain cartage and shipping.

A recent exemplar of KIPG's focus on high quality production for niche markets is its export contract with Allied Mills for biscuit grade wheat. A relatively low-yielding variety, biscuit wheat is perfectly suited to Kangaroo Island conditions. The popular Tim Tam chocolate biscuit is comprised of 70 per cent KIPG biscuit wheat flour. Island growers are paid a premium because of the island's GM free status and the relatively low price for biscuit wheat—compared to hard wheat varieties—so as to secure the island as a long-term production site (B. Ramsay, personal communication, 15th February, 2018). Another instructive example is KIPG's contract to provide malting grade barley to the family-owned Cooper's brewery in Adelaide, South Australia. The brewery approached KIPG to produce 6,000–7,000 tonnes of malting-grade barley to be malted in Cooper's new facilities. The island's 2017 harvest was used in the production of the 2018 Cooper's Vintage Strong Ale and promoted and branded as such (see Figure 4).

Figure 4. Cooper's Vintage Ale advertisement.



Source: Cooper's, 2018.

A fundamental contributor to KIPG's success is the island's actual geophysical and socially constructed reputation as a reliable provider of high quality and 'clean' grain. KIPG members' ability to achieve consistency in quality and supply, and a commitment to traceability is central to this constructed competitive advantage: "So, our call to fame was that we know the paddock, the farmer... traceability has probably been the biggest key for us" (B. Ramsay, personal communication, 15th February, 2018). In these senses, then, the island's remoteness—often a major hindrance to local farm financial viability—has been reinterpreted as an asset: "So, I think for the first time in my lifetime that strip of water [Backstairs Passage] is proving to be an advantage rather than a disadvantage. We're marketing it [canola, barley] as clean, green, whatever" (B. Ramsay, personal communication, 15th February, 2018). These strict production and handling standards have been maintained by regular communication between farmers and end markets as well as local peer pressure.

4.2.2 KI Wool. As stated earlier, island woolgrowers faced an immediate need for cash flow in the wake of the withdrawal of the wool reserve price scheme and the wool market's subsequent collapse. Those growers able diversified their income sources, establishing new initiatives on farm, finding off-farm work and/or placing their sheep business on 'autopilot' while switching their management behind other parts of a mixed farming enterprise (e.g., beef production, cereal–oilseed growing). However, pluriactivity was neither a desired nor practical option for all sheep graziers.

While the wool market generally continued in the doldrums for a number of years following the calamity of the early 1990s, some farmers—individually or as a loose grouping—intensified their farm and flock management and, as in the case of the KIPG just discussed, focused more strategically on understanding, identifying and targeting end markets, wherever and whomever they might be. KI Wool, a loosely organised private consortium of local island woolgrowers, emerged out of the recognition that, amidst the structural and systemic factors that had so undermined the island's pastoral economy, individual farm business acumen—or its lack—also played a part. The advent of KI Wool also coincided with another generational turnover of farm managers on the island, with a small but new wave of frequently tertiary-educated young men and women—mostly sons and daughters of resident farm families—returning to the island to take up the reins of management, often in partnership with his–her parents. In an era in which the demographic fortunes of peripheral rural regions around the globe have been characterised by long-term heavy net migration losses of young adults (Argent, Smailes, & Griffin, 2015; Argent & Walmsley, 2008; Farrugia, 2016) this is a remarkable trend.

Central to the Group's *modus operandi* is a commitment to consistent and accurate record-keeping in relation to key stock performance indicators (e.g., fleece weights/head, average micron, gross margins per mob), together with a willingness to share and 'benchmark' such measures across the group's members. Not content with intra-island comparisons and contrasts in production, KI Wool (and KIPG) has assiduously sought to attract industry-leading farm management knowledge to the island. Naturally enough, the close cognitive proximity between island woolgrowers and grain growers fostered a combination of trust but also gentle inter-firm competition and rivalry that spurred member farms to attempt to adopt cutting edge on-farm and in-office techniques and practices. Even in depressed market conditions and below average seasons the 'best' graziers in the group have achieved 6–8% return on investment per annum (J. Gregory, personal communication, 2018; B. Ramsay, personal communication, 13th February, 2018).

Member adherence to intra-group benchmarking and management improvement has been matched by the establishment of strategic relationships and links with marketing firms, processors, and consumers. In place of the former centralised model of statutory wool marketing in which growers commission their wool to sale via a pastoral stock agency or other intermediary and surrendered control of every 200 kg bale of wool once it left the shearing shed, KI Wool formed alliances with a Victorian woollen mill to process the wool. The washed and spun yarn is then sent to Hy-Sports clothing firm which manufactures sportswear and casual knitwear. Some of the jumpers have been given distinctive island branding and sold to tourists, thus further promoting the place of origin. KI Wool growers have also established direct links with Japanese and Chinese woollen mills and have shipped approximately A\$750,000 worth of greasy wool to these markets per annum over recent years (J. Gregory, 13th February, 2018, personal communication,).

4.2.3 Kangaroo Island Free Range Eggs. The final example of island agricultural innovation and entrepreneurialism that speaks to the EEG concepts of path dependence, cognitive lock-in, related variety and resilience is Kangaroo Island Free Range Eggs. Island born and bred, Phil and Fiona Tyson's decision to move into egg production was triggered not so much by the wool market crisis of the early 1990s but a realisation that sheep shearing was not a job that Phil should be doing into middle age and beyond. Having already purchased a small block to build a house on, Phil and Fiona began with 400 hens in 1993. Initial sales of eggs were promising, encouraging the Tysons to expand to 3,000 hens. With Phil still shearing and working at the local abattoir, and Fiona at home with their two small pre-school aged children, the couple decided to hire their first employee. However, they soon realised that the increased production costs associated with the job were barely compensated for in ease-of-management and/or expanded throughput.

Building on Phil's skills and experiences as a part-time farm manager—alongside his other roles—and accrued funds from egg sales, the couple built the farm up to over 2,000 hectares. This move allowed them to grow the feed grain for the 64,000 hens they run, free-range, on the property. Now employing 25 workers from the local community, including a number with intellectual disabilities, Tysons sell 15,000 dozen eggs into local and mainland markets per week (P. Tyson, personal communication, 14th February, 2018). Each of the 15,000 cartons is an advertisement for the island as well as for the Tysons (see Figure 5). However, while the island's expanding reputation for clean and quality farm produce facilitates their egg sales, 'that strip of water' (P. Tyson, 2018) reduces the effects of any island premium by adding about \$300,000 in annual freight costs.

Figure 5. Advertisement for Tyson's free range eggs.



Source: Kangaroo Island Free Range Eggs, 2018.

5.0 Conclusion

It is not surprising that residents of peripheral natural resource-dependent regions and communities might regard their ‘propulsive sector’ with at least some ambivalence. On the positive side, the revenues derived from its export sales have been extolled as a strength and welcomed as an important contribution to national coffers and to the viability of lead firms. From a negative perspective, though, such staples sectors are also renowned as offering low and declining employment opportunities for the local workforce. It is hardly surprising, then, that such regions have generally experienced poor demographic fortunes for a generation or more, characterised by youth net migration loss, fertility decline, accelerated ageing and shrinking populations. What this paper has demonstrated is that such a negative fate should not be seen as guaranteed for all rural regions.

Kangaroo Island’s farm sector, the economic base and broader social community suffered a parametric ‘shock’ in the early 1990s with the collapse of the wool market. Its subsequent, gradual revitalisation, and actual rejuvenation, was based in part on small groups of entrepreneurial farmers hungry for the latest proven production techniques and management approaches, including farm performance benchmarking. The competitive atmosphere generated amongst those participating eventually became greater than the sum of its parts, with the development of consortia through which to, *inter alia*, further process and value-add to their staple commodities for high value end-markets (e.g., biscuit wheat for Tim-Tams, specially labelled canola for Japanese niche markets). Such initiatives necessitated the forging of deep and tight linkages with marketing agents, logistics firms, end processors and the like at multiple scales. It is through this battle for individual and collective financial sustainability that valuable knowledge was shared between participating island farmers. United by a commitment to produce high quality food and fibre, and to protect the island’s reputation for purity, those participating in KI Wool and KIPG created their own ‘industrial atmosphere’ (Marshall, 1910), even if only on a small scale.

The Kangaroo Island case study, and the notion of related variety, helps explain how agricultural dependence, instead of being detrimental for local development, can provide a fillip for market development, business, and factor growth. In small, sparsely settled rural communities one would assume that the potential for the latest innovation to be overheard via local ‘buzz’ (e.g., coffee shops, bars) would be somewhat restricted. However, the notion of cognitive proximity reminds us that information can also spread easily—and perhaps be taken and applied more effectively—amongst groups who share a knowledge base, lexicon, and mindset, even if they only see each other irregularly at weekend football matches, roadside chats, local industry seminars and suchlike. These instances highlight the relevance of the related variety and place marketing conceptual lens, for they demonstrate how the local farming sector was brought into direct relation with major international markets for food and fibre—based on the island’s developing global reputation for high quality, high value, unique produce—attributes that major mainstream producers can only dream of. While the island farmers certainly had some unique factors in their favour in pursuing their development strategies they also had to overcome a great many locational, economic, bureaucratic and logistical hurdles to achieve them. In these senses, the foregoing is a remarkable story and yet all places are remarkable in their own way.

Recent regional and local development scholarship has sought to disentangle the factors and forces that explain the economic and demographic resurgence of select rural and remote regions (e.g., Halseth, et al., 2010; Halseth, 2017). Although the complex of variables defies easy categorisation, a blending of

regional comparative and competitive advantage together with local innovation systems and entrepreneurship are common features of what Halseth, et al. (2010) term a “place-based approach to rural development” (p. 1). The notion of place emphasises specificity and (relative) uniqueness against the perceived homogenising tendencies of globalisation. In this way, individual places offer a potential point of difference within a global market saturated with imagery and narratives pitched at the mass market’s centre. As this literature also stresses, those places and regions able to market their products—and hence the territory of origin more broadly as both authentic and sui generis—can become brands in their own right and attract key factors of production so as to garner robustness and resilience.

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