



Nuffield Farming Scholarships Trust
an Alan and Anne Beckett Award

**Conquering the World from a
Farmhouse Kitchen:
a Recipe for Success**

Oliver Surman

December 2010

Conquering the World from a Farmhouse Kitchen: a Recipe for Success

	Page
Introduction	1
Background	
Farmers Should Diversify	3
Adding Value	3
The Journey behind the Thinking	
Japan	5
Australia	8
New Zealand	14
USA	18
How to Conquer the World from a Farmhouse Kitchen	
Motivation	23
Scale	23
Production Values	24
Personnel	25
Communication	25
Analysis	27
Conclusions and Recommendations	30
Postscript	31
Acknowledgements	33

The views expressed in this report are entirely my own and do not necessarily represent the views of the Nuffield Farming Scholarships Trust or any other sponsoring body

Introduction

I graduated from Newcastle University with a B.Sc in Rural and Environmental Economics in 1999 and, unsure as to what I wanted to do with the rest of my life, I gravitated towards London. The London lifestyle was enjoyable; I was working in the marketing department of an investment management firm and living in a respectable flat share with a Banker, Lawyer and Doctor. It was in the summer of 2003 that the penny finally dropped. I realised that the way forward was to complete this traditionally respectable set of professions and become a Farmer. Historically this would be seen as a safe career move but in the prevailing agricultural climate everything I was reading was telling me that I was entering an industry in decline.



In many ways there is nothing remarkable about me. I am in my early thirties and am happily married with a young son. I live in a nice house and have a great job that I enjoy immensely within the family business. To leave the story there would vastly underplay the opportunities and experiences that I have been afforded.

I have always enjoyed but never really appreciated fully the wonderful environment and opportunities available to me in agriculture, but now as a partner in my family organic dairy and beef farm in Worcestershire I have many reasons to be cheerful. Aside from the lifestyle and environmental benefits of living in the countryside the many challenges that running a small business provide, the responsibility, the autonomy and the opportunity are all factors that motivate me on a daily basis.

The family farming partnership comprises 850 acres that is organic from hedge to hedge, milking 210 cows and running another 75 Aberdeen Angus cross suckler cows. All stock born on the farm is kept on the farm, dairy replacements going into the herd and everything else finished at 24 – 30 months direct to slaughter. Our milk buyer is situated less than 10 miles from the farm and all the fat stock travels only 30 miles to the abattoir. We value greatly the strong and open relationships we have with both of our main buyers, and recognise many of the virtues and advantages of dealing with thriving family businesses. The farm also hosts a number of public events through the summer including a triathlon, jazz festival, a popular music festival and a Point-to-Point.

Since my return to the family farm we have developed a value added line to the business under the name of Pegoty Hedge. Initially we had our own animals back from the abattoir selling fresh meat cuts through local farm shops, delis, restaurants and outlets in London. As this business evolved we subsequently developed a range of organic ready meals, all made on the farm, that we sell through our existing outlets and also through organic box delivery schemes. We are constantly trying to innovate and have recently launched a range of stocks and gravy and produce stuffing, ducks and turkeys to capitalise on the Christmas market.

The diverse nature of life on the farm is exciting but presents many challenges. The variety of enterprises all require different skills and have different problems and opportunities associated with them. The general philosophy of the farm is positive and we are always open to new ideas and initiatives. We would like to think we have a 'can do' attitude and always strive to go the extra mile to make sure the customer



has a positive experience. Above all we are immensely proud to put our name to and champion our product to the consumer.

I feel very privileged to have been awarded a Nuffield Scholarship and I would like to thank the Nuffield Trust and my sponsors Alan and Anne Beckett for the wonderful opportunity that I have been afforded. I have been fortunate to travel the world and benefit from the reputation and networks that have been developed by previous Scholars and I hope that I will be able to add to the Nuffield legacy. I value greatly the platform that Nuffield has given me to share my personal experiences and opinions as well as the key findings and recommendations of my report.

I could not have undertaken my scholarship without the support of my wife Alex and parents Peter and Annie and I would like to thank them for everything that they have done for me over the last 18 months and for allowing me such freedom and latitude to pursue my odyssey across the world.



Background

Farmers Should Diversify

It is no secret that the financial viability of many farms in the UK is not sustainable and that many farmers are choosing to utilise their assets differently to produce a financial return that is more acceptable. Diversification is often held up as the panacea to all farmers' woes, and in many instances rightly so. Spreading your exposure and risk across a balanced portfolio is a well recognised strategy in business.

The term diversification I would argue should only be applied to additional enterprises that are divorced from the core farming competence. These may or may not take place on the farm but crucially must not have any interdependence with the core business. Such enterprises may involve the exploitation of redundant or under-utilised physical assets or equally a farm diversified business may utilise the intellectual and professional capacities and skill set of the farmer. The overriding and defining factor is that these additional enterprises are ring fenced and unrelated to the primary farm business.

The value added business may be contrasted against a diversified farm business. A value added business is where there is a direct interdependence between the core farming business and the additional enterprise. The concept of value adding must come with an appreciation of its implications; the inextricable link to the core competence gives rise to many exciting opportunities as well as obstacles and considerations.

My Nuffield study concentrates on this concept of adding value. I wanted to look at the factors that may influence success and consider real farm examples at a micro level and also broader issues in the industry. Are farmers bound within certain limits by the nature of their core business or indeed are these the attributes that will act as a spring board to success?

Adding Value

The fundamental principles of adding value, from a production point of view, are straightforward. In order to perpetuate a farming business, or indeed any business, the value of the output must be greater than the cost of the resource used in production plus the acceptable risk/reward compensation to the farmer for carrying out the activity.

In its most basic terms all agricultural practices add value through the nature of the farming activity; by taking a resource and utilising it to produce something that is intrinsically more valuable and desirable to the market place. Perhaps the starkest appreciation of this basic value chain is demonstrated by the New Zealand dairy farmer; here the farmer sees the dairy cow as the most efficient way of transforming the abundant resource of grass into a saleable asset. The cow is adding value to the grass by turning it into milk.

Moving to a slightly more sophisticated approach, farmers can alter their existing operational methods to add value and this may be achieved with little visible alteration to farming practices. Consider the suckler beef producer with a commercial herd of continental cattle. Simply by signing up to a farm assurance scheme guaranteeing welfare and quality standards and switching to a native breed



the farmer is now able to market farm-assured Aberdeen Angus fat cattle. The product is intrinsically more valuable right through the supply chain, to the retailer and the final consumer. The farmer has had to change very little in the way he conducts his operations.

It makes logical sense to maximise the value and strength of the supply chain and to have a differentiated product in a crowded marketplace. The skill of the primary producer is to identify and respond to market opportunities to add value. However, and crucially, having built this 'value' into the chain there has to be a mechanism to unlock and capitalise on this premium. It is important that the additional value that has been accrued through the supply chain and has ultimately been paid by the end consumer completes the journey and is equitably shared back to the primary producer.

So far I have just considered examples of value adding that are on a primary production, farm scale, where farming practices are altered to meet market demands. The barriers to achieving success in these scenarios are relatively low. Primary producers are able to achieve higher returns for their output by responding to market signals and incentives. In the UK farmers already produce to the highest possible standards and utilise technology and ever evolving techniques and skills to achieve efficiencies in production and to deliver what the customer wants. Many farmers will leave the supply chain at this point.

I wanted to examine farmers that further process their output and integrate more fully through the supply chain. This next level of value adding is where the farmer consciously undertakes an additional process or manufacturing procedure to enhance the attractiveness and value of the product to the consumer.

The farmer that chooses to further process starts a voyage into the unknown. It is the many exciting challenges that face farmers who have chosen to further process and add value to their product that I am particularly interested in and hope that this report will in some way help them on the journey.



The Journey Behind The Thinking

The following extracts from my travel diary introduce many of the fascinating case studies that I visited through my Nuffield travels and serve to highlight and raise many of issues that face farmers operating in the value added food sector. The diary also contains observations, thoughts and questions of both a personal and agricultural nature that I have considered during my travels.

Japan

Thursday 25th February
British Airways Flight BA5

I was at the airport, every inch the modern farmer drinking a latte in Starbucks at Terminal 5 while checking emails on my laptop.

I was served a Rachel's Organics yoghurt on the BA flight. Award winning packaging and slick marketing, a great product and all from a company that originated on a West Wales farm. This is proof that farmers can make it in the value added world. All I need to do now is find out how.

Monday 1st March
Kobe, Japan



I had a fascinating visit to a Kobe beef auction. Kobe beef is highly valued and the industry is tightly regulated and controlled. Authentic Kobe certification is issued on an animal by animal basis subject to compliance with stringent criteria. Furthermore all parts of the supply chain must be registered, from farmer to abattoir to wholesaler to retailer, in order to maintain the Kobe exclusivity.

In the words of my interpreter Mr Omori,

“The consumers do not have to worry about buying Kobe beef as long as they buy at such a shop where the [Kobe] monument is shown.”

Interestingly all the safeguards, marketing and branding of Kobe beef seem to have been formalised only in the last 25-30 years with the establishment of the trade/certifying body. In reality Kobe beef is a very exclusive market to enter. The success of the Kobe story is reinforced by the worldwide proliferation of Kobe style beef, all trading on the back of the principles and perceptions created and safeguarded by the industry body.

If you have a unique product with highly desirable attributes how do you protect against imitation? Kobe beef has gone a long way to achieving this domestically but internationally Kobe has become almost a generic term for expensive, highly marbled wagyu beef.



Tuesday 2nd March Kobe, Japan

I visited Mr Yuge and his wife at their farm in the mountains just outside Kobe. Mr Yuge decided to start manufacturing cheese as his market for fresh milk was under threat, the market was over supplied. He readily admits that he didn't know anything about cheese production but he educated himself by visiting Europe and reading around the subject. He refused to allow a lack of knowledge to be a barrier to developing his new enterprise.

He now processes about 30% of his milk and produces a range of products, not only dairy, that include: Camembert, Fromage Frais, ice cream, liquid milk, jams and cakes. The farm has also developed a restaurant and small farm shop. They have appeared in a 'Cheese Encyclopaedia' and have been selected to provide cheeses to the All Nippon airline business class cabin.

The business has received no grants or funding from the state and they were seen as trail blazers when they embarked on the journey in 1984. The investment in the business has been made step by step and the business has a feel of organic growth – all existing buildings have been utilised and adapted to their full potential and additional capacity has then been built over time. The farm is now held as a model for farm diversification and in fact the Government now comes to them to ask for advice and to study how the business has developed.

Wednesday 3rd March Tokyo, Japan

I ended up dining on noodles in a little place tucked below the pavement. A curious concept of ordering food via a vending machine, in Japanese, with no pictures. I ended up pointing at another customer's dish, gestured to the waitress and took a punt – it appears I ordered noodles, pork and a fishy/meaty soupy thing. The noodles were cold, are they meant to be or were they playing a trick on the bewildered tourist?

Thursday 4th March Tokyo, Japan

Definitely an occasion for the Nuffield tie, I am a delegate at the 3rd International Conference for the Food Industry 2010, a conference held in conjunction with the Foodex Japan 2010 exhibition.

The morning theme was 'Japan Brand - getting business on track abroad using [the] hidden power of Japanese foods'

The speakers offered advice to food businesses operating in foreign markets.

The first to present was Hisami Mitsumori from the Ootoya Co, a chain of restaurants that operates in Japan, Thailand, Hong Kong and other Far Eastern countries.

- The offering has to be a genuinely good quality product to succeed
- You need to ensure that you are able to replicate the product to the same standards as at home

The next speaker, Mr Tanaka from the Central Trading Co. exports to the USA



- Need to be aware what is needed/demanded in a foreign market, a product won't necessarily sell just because it sells in Japan
- Products may need to be sold in different ways in foreign markets
- Check out export requirements and statutory regulations

I had an opportunity to walk around the Foodex exhibition during the lunch break, like many food shows there are free tasting samples being handed around, the major risk here is that you are not always entirely sure what you are sampling. As one of only a few westerners at the whole event I was amused to see I was the only person in the dining hall using chopsticks, Japanese or otherwise, at lunch.

Friday 5th March
Tokyo, Japan

Early start to visit the Tsukiji Fish Market in central Tokyo, the taxi left the hotel at 4.50am. An incredible experience and a must see. There is an early morning tuna auction and then every kind of sea food imaginable in the adjacent market.



Australia

Sunday 7th March
Perth, West Australia

Almost directly from the plane I visited Kalamunda farmers market. Here they have a different take on the UK farmers market 30 mile radius qualification – anything produced in the state of West Australia counts, that is over 1 million square miles.

I had an interesting introduction to bio-dynamic and organic farming through a farmer who produces olive oils at Guinea Grove Farm. He didn't charge a premium for his product against other oils on the market. His view was that the problem with a high value item such as olive oil is that it can get left on the shelf and only be used for special occasions. His logic was that if there was no discernible difference in his product against another olive oil he could not justify the higher price. He would rather get turnover of his oil and repeat purchase and not box himself into the high value niche.

This approach did not take into account any of the positive characteristics and production externalities that are not in the bottle, such as the environmental benefits of the organic and bio diverse production techniques. He was effectively intentionally not exploiting the full value of his product. I suggested that perhaps he could have a dual pricing model and allow customers to pay extra if they felt the environmental aspects of the product were important to them.

I suppose the real point of this is that there is a practical trade off between pricing to sell and pricing at the true cost of production. There is little commercial sense going to a lot of time and effort adding value to your product if ultimately the market will not stand this premium or if it does not want the associated attributes.

Thursday 11th March
Williams River, West Australia

Having made the obligatory photo stop in Wagin to see the giant ram I headed on to visit William Newton-Wordsworth at Williams River.

The basic setup is that of an organic and bio-dynamic farm, approximately 2500 acres, principally running 350 suckler cows and around 250 ewes and a number of additional enterprises – pistachio nuts, almonds, pecans, oats, oranges, olives (for oil and eating), a café and farm shop, horse training and breaking and 5 water buffalo.

The farm is managed with a minimal staff – with just William and his 16 year old son Vincent plus volunteer WOOFERS (a charitable organization assisting those who would like to work as volunteers on organic farms internationally).

The farm manufactures marmalade from the orange crop. This marmalade is an incredibly interesting product. William acknowledged that they didn't really have the right conditions for growing citrus, in fact if you look at the orchard probably 30% is non productive. They don't pay too much attention to crop management, they don't seem to have a consistent production process for manufacturing the marmalade either. They seem to almost hope that the WOOFER they have at the time of harvest is a good cook and able to follow last years recipe and production procedures. They don't have a state of the art kitchen/packing facility. But almost casually through conversation William reveals that they supply Harvey Nicholls in London. Although



only on a small scale, a matter of hundreds of jars a year and admittedly with shaky economics due to this scale and associated distribution costs, the product is nonetheless on the shelf of this prestigious retailer. William didn't seem overly concerned or keen to make much of this achievement.

The shortage of labour has caused the farm to be managed in an unusual manner. The orchards are essentially turned on or off depending on the availability of people to harvest and tend to them. This year William has carried out virtually no upkeep and no irrigation to his trees and is debating if it is worth harvesting the crop that has grown at all. William has developed an incredibly pragmatic approach to utilising the limited resources available to him and one that is not geared towards maximising physical output but more aligned with a personal and balanced approach.

The Newton-Wordsworth motivation is very much ideological and spiritual, this approach to business and agriculture is completely new to me but it was incredible to see in action. Who is to say what approach to farming is correct, each and every one of us is different.

Saturday 13th March
Perth, West Australia

As the Nuffield journey is all about new experiences I booked in for a session of acupuncture. I had 5 needles distributed around my body, 2 in my feet, 2 in my wrists and one in the forehead, not a painful experience but you can certainly feel that they are there. I am not sure if it was the half hour in a darkened air-conditioned room or the acupuncture that had the most effect on me – perhaps it was both?

Tuesday 16th March
Keith, South Australia

I have arranged to stay with Brendon Smart a prominent member of Nuffield Australia. I had an introduction and tour to the Smart Group business. Brendon has some very innovative ideas on managing the farm in terms of the corporate structure and practical day to day personnel management point of view.

“We sat down and asked a lot of questions as to why we were working hard and not getting any further ahead. It mainly came back to human resources management.”

The principles of Brendon's philosophy seem very logical but in practice it was interesting to see how it worked.

The routine tasks on the farm are divided and then allocated between staff members, each task is also allocated a second to step in and act as backup. The lead worker gets full autonomy over the task including expenditure but has to deliver the specified outcomes. The system is essentially self policing with the responsibilities clearly defined and transparent to all members of staff.

The management decisions are made by family members and an independent CEO while the longer term strategic investment and management decisions are made at the board level. The board comprises family members and other independently appointed members such as the bank manager and accountant, with an independently appointed chairman.

The positive effects of this dramatic management approach are huge, employees now work with the family rather than for them and the intellectual and decision



making resource has been extended and enfranchised. The corporate structure has given more definition and direction to the business and has helped to provide clearer performance indicators and strategy.

It was interesting to reflect on the farm at home – could a similar approach work here too? How can you most effectively unlock the full potential of your workforce, and crucially are you brave enough to let go of the reins? Does the farm business really know which direction it is heading in?

Brendon's assertion that everything comes back to human resources management is too true.

Wednesday 17th March Adelaide, South Australia

Zoomed back in to Adelaide and stayed at the Minima Hotel – an interesting concept and presentation of the service industry of the future? The hotel is basically self service; I booked online, checked in by registering through a keypad in the reception area and was issued a keycard that enabled me to swipe myself in to the hotel and find my way to my prepared room. I did not see or have any interaction with staff or guests through my whole stay. I dropped my key in the box and left.

Thursday 18thth March Barossa Valley, South Australia

I drove up from Adelaide to the world renowned wine producing region of the Barossa Valley to visit recent Australian Nuffield Scholar Matthew Munzberg.

Five years ago Matthew would seem to have constructed a textbook mix of diversified and value adding businesses. At this time he was operating a thriving 20,000 bird caged egg business serving the nearby Adelaide market. Allied to this he also had 45 hectares of vines, selling the majority of his harvest on the wholesale market and having a small percentage privately processed and made into wine for his own Mad Dog brand.

The first blow to the business mix came with the prohibitive cost of complying with new legislation regarding caged egg production. The loss of the egg business wiped out almost 50% of the family business overnight.



This left the vines. You would instinctively think that producing grapes in one of the best known wine regions in the world would be a reasonably stable environment to fall back on. Indeed just looking at Mad Dog from a product and marketing point of view you could hardly construct a better product – a high quality wine produced in the world renowned Barossa valley.

The Mad Dog wine is made by a third party winemaker to Matthew's specifications bottled, labelled and returned to storage at the farm. The fact that the wine is made by a third party has helped shield Matthew from the high capital costs of setting up his own winery. He also has the ability to use the skill and talent of a winemaker that should ensure that the product is of the highest standard possible.

The problem was a market collapse. A chain of events beginning with huge over production led to many major processors dumping wine on to the market at or below



the cost of production. Even though these large wineries were not the direct competition to Matthew the quantity of high quality wine flooding onto the market depressed the prices and markets available to niche producers.

The problems Matthew is facing seem all too familiar. How to gain access to an ultra competitive market with a high value product that is not hugely differentiated from the competition? Matthew markets his product through traditional routes such as wine shops and restaurants but has a high number of low volume customers that are expensive to service. To try to gain sales at a better margin Matthew is developing the online channels and is beginning to investigate the benefits and attributes of social networking as a marketing tool. Matthew is operating in a very competitive market place not only with a lot of commercial vineyards to battle against but also a lot of hobby farmer labels (with different financial and lifestyle priorities) all vying for market access.

His journey is far from over and far from easy. It was a sobering and instructive day. You can have the best product in the world but if the market is operating against you then there is not much you can do about it. The frustrating factor is that it would only take a small market correction to totally transform the prospects of the business.

Friday 19th March Adelaide, South Australia

I met with Richard Gunner of Feast! Fine Foods at his Adelaide office.

Richard and his family are the driving force behind Feast! Fine Foods. They have the simple aim of bringing the best produce from the farm directly to the consumer. Feast! offer a range of branded meat products, each with a unique story and exceptional eating characteristics. The meat is sourced not only from Richard's own holding but also from a number of additional audited and approved high quality suppliers. Feast! claim to understand production better than any other meat retailer in Australia and supply some of Australia's best restaurants with premium quality meat. This means the customer can gain access and cook with the same high quality product that top chefs use. The business is a large scale value added operation.

Richard tries to control the supply chain as far as possible. Although not a typical farmer-driven value added business Richard is the farmer and primary producer but places himself at the opposite end of the supply chain. He argues that you have to operate at the point in the supply chain of your business that is closest to the consumer. All preceding elements of the chain are contributing factors but in his view the best use of his resource is to work at the final and perhaps most crucial point in that chain. Working at this point Richard can offer and explain the authenticity of his product and ensure that the unique message and attributes of his product are conveyed to the customers; he is best placed to monitor the market and respond to changing attitudes and demands. He can make sure that he maximises his chances of maximising the value he receives for his product.

Talking to Richard only served to highlight and reconfirm some of my own thoughts. Using the example of Feast! value is being accrued in the supply chain at all points but significantly one of the main selling points is provenance and unique offering of the livestock in the first place. This value is being keyed in to the chain right at the start but the value is not released until the final goods have been exchanged with the consumer. The problem is then to get the value chain to work in reverse and to release this premium at the appropriate stages in the appropriate ratios.



Richard seems to be running an efficient and focused business. It is interesting to note that the office and business base is in a very professional and relaxed environment of an Adelaide suburb and not in a farmhouse kitchen. Proof that he places himself at the top end of the supply chain?

Monday 22nd March Sale, Victoria

I arranged a visit to Gippsland dairy farmer and cheese maker Ferial Zekiman of the Maffra Cheese Company. Her story is a great example of a farm based value added business.



Having found herself in possession of a dairy farm and like so many others disillusioned with the price she was getting for her milk Ferial set out on the journey to become a cheese maker.

Through self education and by visiting many dairies in Europe she developed a thriving business producing a range of high quality cheese. Ferial quickly realised she had less interest in the day to day running of the farm than in the cheese enterprise and as a consequence installed a farm manager to manage the dairy and supply milk to the cheese making process. This meant she was now in a position to focus fully on her passion and main interest of cheese production.

The processing plant is on the farm and was carefully specified so that it is able to cope with the productive capacity of the farm. This has enabled the business to grow unhindered by additional step by step investment and planning concerns. The only additions have been chilled storage containers for cheese maturation. Interestingly there are 2 large yoghurt making vessels that stand idle in the corner of the factory – proof that the direction you think you will head in initially may be far from where you finally end up.

The farm occasionally imports milk to meet demand and this comes in at a significantly higher cost than the home produced milk and perhaps more importantly has different cheese making qualities. The consideration of importing milk and the production/continuity issues associated with this are looming for Ferial as demand for her product more consistently outstrips supply.

The clever development of the business has allowed Ferial the ability to grow and focus on the areas that interest her and where she is able to maximise her influence and skills. The business is very dynamic and very much driven through the personality and energy of Ferial. It is a true farm value adding business and has a management structure and focus that keeps the farm and dairy clearly separate.

Perhaps one of the biggest, but easy to overlook, achievements is that the core farm business outperforms the regional average. Ferial has, through efficient targeting of her personal skills and resources and with clear management, developed a successful value added business while maintaining and indeed possibly enhancing the core farm enterprise.



Wednesday 24th March
Melbourne, Victoria

I am staying with Andy, an old university friend, in Melbourne. I will never forget pulling his leg during our time at Newcastle University that the Food Marketing degree he was studying was lightweight and that ultimately marketing came down to the application of common sense, while of course my subject of Agricultural Economics was a proper degree with substance.

I am not sure who was right but looking at his current lifestyle and position with Kraft I don't think he was all wrong. I now understand and appreciate that marketing, branding, the management of relationships with retailers and maintaining the perception of your product in the market place are all key aspects of large scale and indeed small food businesses. Gone are the days when farmers are able to just keep producing with no reference to the final market.

Andy's wife, Emma, works for Fonterra. She outlined the relationship Fonterra has with the 2 major multiples in Australia and their expectations from suppliers. The core principle and approach of the retailer seemed to be a pretty blunt calculation - 'how hard is the supplier going to grow my business?' Even in this brief chat it only served to reiterate to me that dealing with the large scale retailers is not something that should be taken lightly.

She also introduced me to the concept that the last 50 metres of the supply chain is the most expensive – and the most critical. I can see the sense in this idea. Farmers often think that supermarkets have an easy ride and make money hand over fist at the expense of everybody else. It must be remembered that they, the supermarkets, operate in an environment that is far more competitive and cutthroat than farming. If you consider the complexities, cost and risks involved in running not just one but often hundreds of prime location retail outlets it is no wonder that they have to micromanage every millimetre of shelf space to ensure that it delivers not only what the customer demands but also what the shareholders expect.

In the same way that a dairy farmer cannot economically carry a barren cow in the herd a supermarket cannot sustain an underperforming product line indefinitely.



New Zealand

Monday 29th March
Blenheim, South Island, NZ

No matter how lost I get in finding my appointments I have so far managed to arrive exactly on time to each one.

Peter Yealand is something of a maverick. As a serial deal maker he seems to thrive on the entrepreneurial buzz of business. Peter calls himself a trader first and a farmer second. He started his life as an innovator in the aquaculture industry. Having made one fortune he moved on to become a pioneer developing commercial embryo transplants in deer. Environmental and 'green' credentials have been a common theme through his life and they are very much at the fore in his current project, the Yealands Estate Winery.

Yealands Estate is incredible, built up over a very short period of time by acquiring 8 marginal sheep/stock farms. The vines now cover 1000 hectares. The initial business model was to sell to the spot market. The changing fortunes and fluctuations in this market necessitated a reassessment of the business strategy, so in grand scale Peter set about building a state of the art winery. The approach was to retain the crop, further process the grapes, add value and reap the premium further down the supply chain.



The \$40 million carbon neutral winery was constructed. The plant was specified to match the productive capacity of the vineyards, but in fact the production has so far exceeded expectations that even before completion additional storage silos needed to be squeezed in. The winery is crammed with technology and is truly state of the art as well as being visually and architecturally stunning.

The wine business has really hit the ground running and has had no expense spared. A team of industry experts have been assembled from winemakers through to marketing and sales staff. Exports are going around the world – including Netherlands, UK, USA, Australia and Scandinavia. The wine can be found in supermarkets in the UK where it is sold both under its own name and also own label ranges for Tesco and Co-Op. Each market territory requires subtly different packaging and bottle requirements and approaches depending on domestic trends and demands, echoing and practically demonstrating the points made by Mr Tanaka at the International Food Conference in Tokyo.

As a perpetual innovator the latest project on the estate is the introduction of Babydoll sheep to control weeds and grass growth in the vines. These mini sheep are so small in stature that they cannot reach the grapes and spoil the crop. These Babydoll sheep are rare and expensive but Peter has 7 breeding rams and has calculated he requires a flock of 10000 to manage the 1000 hectares of vines; significantly less than the 5 million Guinea pigs that he calculated he would need to carry out a similar job.



Before he knows it he will have built up a flock with an asset value of \$3 million, saved himself over \$1.5 million dollars in machinery, labour and chemical costs, controlling the weeds and grass and reduced his carbon emissions to boot, and all of this before he has sold and marketed the wool and meat from the flock. Again this is going to be hugely desirable as he will be able to offer mature mutton flavours in lamb sized cuts due to the underlying small stature of the breed. At least this is the theory.

Clearly a very slick operator I am sure that there is probably more to his overall strategy than meets the eye. He professes not to own a suit and turns up to meetings without notes and paperwork. He claims he has no great underlying interest in any of his businesses and has no specific knowledge or skills. Indeed he claims that he is at his happiest on his tractor and earthmover.

Wednesday 31st March Southbridge, South Island, NZ

Yet again astonishing navigational skills see me arrive for my meeting with Robin Oakley. Robin farms around 500 hectares just south of Christchurch and grows potatoes, parsnips, broccoli, cauliflower, cabbage and pumpkins.

He is a young go-ahead guy who is keen to utilise marketing and branding to differentiate his product from the competition. He wants to try to create loyalty and an intrinsic value in his brand in what will become an increasingly competitive marketplace as the NZ retailers and consumers become more savvy and discerning.

Robin is grappling with problems familiar to many farmers, how to determine what the consumer wants, how to satisfy these wants and how to manage the process profitably.

Several years ago Robin developed a range of packaging for his potatoes in isolation and without reference and consultation with the consumer. While the product did sell Robin now wants to conduct some in store research to discover exactly what the shopper is looking for and to refine his offering. He has three key objectives

- To find out what influences purchase decisions
- To rank the order of importance of these decisions
- To identify opportunities in the market

Robin intends to conduct the questionnaires personally as he hopes to engage with the consumers and enter into dialogue that will hopefully increase his insight of the attitudes of his customers.

While the empirical data will be of value, by far the greatest positive that I can see coming from this exercise is that Robin will meet the consumer face to face and will see exactly the sort of environment and conditions in which his product will need to perform. In much the same way as Richard Gunner, Robin will be placing himself, if only for a short period, at the point in the supply chain that is closest to the consumer and from here he should be able to determine the factors that will enable him to maximise the value for his output.

Robin briefly touched on the management structure of the business, and he seems to have taken a similar if not so extreme route as Brendon Smart. He has offloaded much of the daily management to his team (around 30 employees) under strict



expectations in terms of performance. This leaves him free to take a more strategic role in the business and concentrate on developing new projects and ideas.

Friday 2nd April
Oamaru, South Island, NZ

I headed south to visit Grant and Ele Ludemann. I didn't really know what to expect from the visit so gave my little introduction piece about our dairy/beef farm and value adding enterprise, manufacturing prepared meals back at home. We then went on a tour of the Ludemann properties. Grant farms 8 properties and turns out is one of the biggest dealers/finishers of lamb in the South Island.

Grant confirmed the view that I had heard elsewhere in NZ and Australia that farmers will have to learn to farm for a profit rather than capital appreciation. He also identified the issues of releasing capital from farms and the ability or otherwise of retiring farmers to take their investment out of farm businesses. The value of farm assets have appreciated so much that farmers are in danger of pricing themselves out of the market. There are simply not the buyers out there who are able to afford to purchase farms in their entirety.

He also speculated if it would be beneficial for the beef and lamb industry in NZ to operate in a similar way to the dairy industry. Should they seek to have a single industry representative, like Fonterra, to enable the sector to operate at a level of influence that couldn't be achieved on an individual basis? This body could then promote the entire industry, the provenance, environmental benefits, flavour and safety of the product across the globe.

If the UK consumer is educated that the global supply chain of food is not necessarily an environmental negative, and in certain circumstances can be a net positive, then I think there is a clear danger to domestic livestock producers. There are no barriers to entry for a high welfare product that can demonstrate environmental credentials from entering the UK market. An organised coherent offering from a country like New Zealand may be well placed to capitalise on a changing attitude and perception of the environmental argument. The simple mental calculation to value low food miles may need to evolve to become an assessment of the overall environmental impact of a purchase.

Tuesday 6th April
Havelock North, North Island, NZ

I attended the Silver Fern Hawkes Bay Farmer of the Year dinner as the guest of Bill McCleod. The competing farmers were completely open about the nature of their business, business practices and financial performance and were happy to share this knowledge with their peers and direct competitors in the market place. Farming is surely a unique industry in this respect.

While at home we are perfectly happy to talk to people about our farming enterprises, we are definitely a little more guarded when it comes to the Pegoty Hedge value added business. We have spent considerable time and effort developing manufacturing processes and markets and feel that we should be careful not to reveal too many of the competitive advantages that we may have accrued.



Wednesday 7th April
Havelock North, North Island, NZ

I met with Pete Swinburn from Firstlight, a contact I had made the previous evening. Firstlight act as the intermediary between farmers that produce to high animal welfare and environmental standards and the market. They seek to manage the supply chain so that a consistent supply of high quality product is delivered to the end customer. Their products, primarily venison, are sold throughout the world often branded under retailers' own labels.

Firstlight want to develop and build a market for their own branded products and meal solutions, developed by prominent NZ chef Peter Gordon. The aim is to supply and stock branded chill cabinets in high end delis and food retailers in affluent parts of London and the UK with the Firstlight range. They will use their existing wholesale business to subsidise the import of the raw material but are looking for partners in the UK to cut and pack the meat, manufacture the sauces and to market, promote and sell the final product. The model itself is very interesting, from our own experience we have found it hard enough managing outlets that are in the same country let alone half way around the world.

The concept and model of co-packing and manufacturing arrangements offer advantages and opportunities for small scale value adding businesses. It is an effective way of increasing throughput in existing manufacturing facilities, spreading capital costs and more efficiently and fully utilising resources with minimal risk and additional investment. There is also the bonus that there are none of the marketing, selling and logistical issues to contemplate but there must also be a clear understanding as to liabilities and responsibilities of each party.

Firstlight are clearly a go ahead group of individuals with not only a strong back office and production ethos but with a strong sales and marketing skill set. It will be fascinating to see how and what they may be able to achieve in the UK market from a base half way around the world.

Friday 9th April
Pakaraka, North Island, NZ

I am currently staying with Nuffield scholar Alec Jack and his family. Alec grazes mobs of Holstein bulls with 2 quad bikes, 9000 volts and nerves of steel.

Alec's 9 year old son Todd came out with a great question at breakfast this morning when he asked me what a Scholarship looks like. I am not sure I can answer that one at the moment but I am having some wonderful experiences finding out.



USA

Monday 12th April
Clovis, California, USA

Brock Taylor, a friend of the Nuffield family, has helped me plan a few days in Fresno County, California. The county on its own had agricultural output of \$5.3bn in 2007 while the whole state of California grossed in the region of \$36bn. Agriculture here is big business.

The American 'can do' attitude and personality is immediately evident. Within minutes Brock has worked the phones and I have appointments set up across the county starting at Rabobank then on to Aaron McAfee at his organic dairy, and there are still numerous irons in the fire. The contrast to Japan where everything had to be planned weeks in advance down to the finest detail is stark.

On arrival at Organic Pastures Dairy Co we had a brief whirlwind chat with Mark McAfee, Aaron's father. His passion and enthusiasm is unrivalled. The McAfees have an organic dairy farm with a value added business that sells organic raw milk direct to the consumer.

The production and packaging of the milk is all carried out on site in modular converted lorry bodies. The raw milk is sold in approximately 350 stores California-wide, mainly concentrating in the affluent and lifestyle conscious areas such as Los Angeles and San Francisco. Demand is currently outstripping supply for the liquid milk so production of cheese, butter and cream is restricted. The ability to make these additional products is a valuable relief valve for the business as it allows excess supply to be taken out of the system and turned into a longer shelf life product.



The branding and imagery of the milk is contemporary and slick and Aaron and Mark are very visible and vocal in advocating their product. The unusual nature of the product allows the business a platform and exposure that they take full advantage of.

In many ways Organic Pastures is an archetypal value adding business. It is passionately driven, has a practical modular approach to the physical specification of the production facilities, has a strong brand and packaging and a large customer base.

The biggest threat and weakness in the business is also the key strength and selling point. The controversial nature of the product attracts a significant amount of intrigue and curiosity in consumers; if converted to raw milk they often remain extremely loyal customers.

If you are keen and have a strong stomach Organic Pastures have just launched a new line selling colostrum, a product for the truly committed.

Tuesday 13th April
Clovis, California, USA

The scale and productivity of the agricultural sector in Fresno County is almost indescribable.



I was lucky enough to have a tour of the Harris Beef feedlot, just one part of the Harris portfolio of businesses that includes a restaurant, horse division, fresh produce and food service operation.

The unit has capacity to finish over 200,000 head of cattle a year. Despite the scale, the attitude to production and attention to detail was second to none.

Although probably not appropriate to UK consumer attitudes, the ranch strives to produce an affordable high quality protein source to the highest of standards.

In the afternoon I visited another incredible large scale farm business, the Double Diamond dairy at Merced. Here they milk 6000 cows, literally 24 hours a day. The natural reaction is to recoil at the size of such an enterprise. But having seen the unit in person and witnessed the attention to detail, the environment and housing and human effort that is all targeted at the cow is to see a farm that is supremely well managed.

Large scale is not necessarily a negative attribute, the requirement to succeed when such significant sums of capital are invested is significant. They act as a pretty powerful driver to ensure that conditions, productive capacity and wellbeing of the livestock is maximised. I believe that you are just as likely, indeed possibly more so, to find substandard environmental conditions on a small dairy that is held together with baler twine than on a unit that has had millions spent on housing alone.

There has to be a realisation that to produce the food that we all demand at the prices we demand requires a degree of intensification. It is however a misnomer to automatically link this intensification to a degradation in animal welfare or the environment; it often enhances it.

Wednesday 14th April Clovis, California, USA

Today I got to see the next stage in the chain of the Harris Ranch story. Processing around 4000 head of cattle a week from their own feedlot the Harris Beef Company is an abattoir and cutting plant that produces a range of products for its own label, selected third party brands and the food service sector. Products include fresh beef cuts, seasoned beef products and a range of value adding precooked meals. The company views itself as a small scale differentiated niche operator - all things are relative.

The added value meals element is fascinating and it was interesting to see some of the techniques utilised in large scale production. The meals are manufactured utilising the Sous-vide technique, a method of cooking where the raw ingredients are sealed and cooked in airtight plastic pouches. It is a very simple, safe and easy to manage process.

The Harris approach to product development has turned a full cycle. Initially everything was undertaken in-house and new products were developed as much by following individual hunches as anything else. This method evolved and became more sophisticated as a more scientific and expensive approach was employed utilising market researchers and focus groups. The success and return on this strategy was not justifiable nor was it significantly more accurate than the initial hunch driven development process. Product development has returned to something closer to the original process. A board of 9 executives work with 2 in-house development chefs to refine and develop recipes and offerings.



Thursday 15th April
Ukiah, California, USA

I am perhaps the only person who drives from Yosemite to Ukiah via the Golden Gate Bridge. Having lost my way somewhere near Sacramento I knew that if I went west until I hit the Pacific Ocean and then turned right I would be heading in the right direction, I just didn't bank on downtown San Francisco being in the way. Perhaps investing in a map may not be such a bad idea.

Friday 16th April
Lincoln City, Oregon, USA

No navigation required today, I spent the whole day on Route 101 going north, over 500 miles at the sedate pace of 55 mph.

Saturday 17th April
Corvallis, Oregon, USA

A short hop in the rain to Tillamook to meet up with Mark Wustenburg. Originally a vet he has taken the ultimate journey along the supply chain and now works for the Tillamook Cheese Co-Op.

The Tillamook Co-Op consists of 100 or so farmers that send their milk to be processed into cheese at a central processing plant. Tillamook process around 1.5 million lbs of milk on a daily basis and annually produces 130 million lbs of cheese and 5 million gallons of ice cream with an annual turnover of around \$500 million. Again, the challenges facing this large scale business are very familiar and just as hard to crack and work out as they are at a smaller scale. The brand has very strong regional identity and it is trying to match these ideals with wider geographical growth. Increasing market share through their existing retailers is difficult as they are often competing directly with the retailer's own label lines in store.

Mark made a very good point relating to the (relatively) smaller niche retailers such as Wholefoods Market. Although they very much promote the message that they want to champion independent and 'local' producers they often can't deliver these ideals effectively. They have modelled their back end delivery and logistical systems on the large players and have lost the ability to be nimble at the regional level.

I stayed in Corvallis and met up with Mark's 2 sons. Both are studying at Oregon State University and they showed me around the university farms and some of the teaching facilities dedicated to agriculture and food production. The personal financial investment to pursue further education in the US is significant and is only matched by the wonderful academic and sporting facilities offered by the university.

Monday 19th April
Stahlbush, Oregon, USA

I spent the morning at Stahlbush Island Farm, an environmentally friendly farm and food processor committed to sustainable agriculture. The farm grows a range of crops including pumpkins, blueberries, blackberries and rhubarb destined for the industrial ingredients market.

The retail side of the business started almost accidentally when tour groups and visitors to the farm started asking if they could take the product home with them. The resulting range of frozen and pureed products is now available through outlets



ranging from farmers markets to the major retailers. Interestingly, they also somehow managed to trademark the 'Farmers Market' name in the USA.

Although already well established as a business, Stahlbush is a fantastic demonstration of the role luck and circumstance can play in the development of your business. Their product appeared on the Martha Stewart TV show, a hugely popular nationwide broadcast. A vet was preaching the virtues of pumpkin puree as a healthy dog food and happened to have a Stahlbush can on the desk by way of an example. The next day the phone was ringing off the hook with people wanting to know where they could purchase the product.

Stahlbush very quickly capitalised on this new demand and set about specifically tailoring the product to the pet food market. They created the Nummy Tum-Tum brand name and relabelled the existing cans of puree with the new branding. The exact same product was selling at a premium over the product packaged for human consumption. Even more amazingly it turns out that the regulatory standards for the pet food are even higher than those for human food consumption. The Nummy Tum-Tum brand turned over more in the first year of business than the entire farm.



Spot the difference.
Is perception everything?

Stahlbush does not conduct extensive market research or data collection but relies on an in-house team for marketing, branding and product development. Bill Chambers, the business owner and founder, used the apposite phrase that you have to be '*willing to do things that are not intuitive to you*' when trying to develop new markets and ideas. Similarly to the Harris Ranch they recognise that they may not be the target audience for the product but back their judgement and business awareness to make the correct decisions.

The Stahlbush farm tries to differentiate itself by offering a sustainable product. Bill explained his philosophies and how he applied some of his agricultural economics background combined with his environmental concerns to develop his own model for sustainability. He started from the basis that you could be as sustainable as you liked but unless you were also profitable then there was little point. He argued that your environmental ideals were as likely as not to be disregarded by the next occupier of the land if your business went bust. The net effect of striving for these high levels of environmental benefits would take little time to be eroded by a less conscientious producer. He suggested that you are much better taking a considered view and striking a balance between the desired environmental benefits against the financial incentives of intensive production to create a model and business that has longevity, sustainability and profitability.



Saturday 1st May
New York City, USA

Having successfully negotiated my way across the country the last stop of my journey was in New York where I took the opportunity to be a tourist for the day and visited the Museum of Modern Art. Are Andy Warhol's Campbell's Soup prints the ultimate tribute to having made it as a brand?



How To Conquer The World From A Farmhouse Kitchen

So what does this all mean? What are the commonalities and lessons that can be drawn to help the aspiring farm based value added business on its quest for world domination? While every business and every individual is different I believe that I have identified some of the core elements that need to be considered and addressed to at least help to maximise the chances of success.

Motivation

What is your motivation for embarking on a value added journey? Is it to capitalise on a new idea or market that you have identified or is it through necessity or are you trying to mitigate against a negative market for your core product?

The motivating factor for many value added businesses is an attempt at insulation from the vagaries of the market. A value added business is often a very effective way to remove and distance yourself against some of the fluctuations in the core market. However a fundamentally declining market or complete market collapse will be just as indiscriminate against the small producer as the major processor.

A positive driver is clearly a great motivator. Many of the risks faced are common to negatively driven enterprises but if the underlying psychology and attitude is positive, the business will move forwards and gain momentum much more quickly. There is not the thought continually in the background that you have to succeed to safeguard the core business.

Allied to the business motivation, equally important is personal motivation. There is an almost universal theme that behind every successful business there is somebody who is passionate, driven and is making it happen. Every individual is different and is motivated by different factors. People may be financially or ideologically driven but the key is that this central figure is driving the business forwards and has the determination to succeed and has the passion to enthuse others to the same goals.

Scale

How big is the world that you want to conquer?

- How big do you want to be?
- How big is the market in which you are operating?
- How do you manage growth?
- How big do you need to be to have a viable business?

What is your ambition? If your desire is to only ever supply your local farm shop and farmers' market then your approach to building the business, the physical infrastructure, marketing branding and strategy will be completely different to a business that has ambitions for regional or national market penetration.

Coupled with this personal ambition is the challenge of assessing the actual size of the market you are intending to operate in and in turn the portion of that market that you may be able to capture. The desired size and actual achievable size of the business may in reality be vastly different, reconciling these two variables will help to further define the business and future development as well as provide a reality check and guide to overall feasibility.



While not an absolute requirement for small start-up enterprises, an approximation of the potential market may be hugely valuable. At one end of the spectrum, the archetypal cottage industry, it may be argued that knowing the size of the market as a whole is fairly irrelevant, it is just sufficient to have a guide of the market in your locality. Whereas for a large scale project with national coverage up to date and accurate market intelligence may be a prerequisite and one of the fundamental cornerstones that the business is based on.

Market data may be utilised for a range of purposes; to aid the construction of a business plan, to obtain finance, and from planning factory design and machinery specification through to assessing fundamental project viability. The most accurate, or at least the most comprehensive, methodology of assessing the market is probably out of the budget of a fledgling business and in many instances common sense will give you as good a feeling as any. The most effective market research for a small business is often done by dipping a toe into the market and being nimble and receptive enough to respond to market signals.

It has been my experience throughout my study tour that almost all of the individuals I visited have grown their businesses organically and any market research has been carried out 'live' in the field. The farming entrepreneurs simply respond to opportunities and situations presented to them. Indeed many markets have been 'accidentally' discovered, been accessed through third parties or by exploiting existing relationships.

Given the premise that most farmer value added businesses start from small beginnings, the ability to forecast growth and productive throughput and scale of the business is valuable information, albeit difficult to obtain accurately. The financial commitment to physical infrastructure is significant; under invest at the initial stages and the business may falter through failure to meet demand or through inability to meet statutory production standards and requirements. Similarly, by over committing financially in the beginning, the business may be unable to sustain itself while demand grows.

Production Values

The production values of a business are the core principles and ethics that a business is founded on, they are the standards that you are judged against by the consumer. These production values will have direct impact on many areas of a business ranging from marketing and branding, production capacity and the potential scale of the business as a whole.

The ability to maintain the production values set in a business is closely related to continuity. It is the ability to maintain continuity of the physical supply of the finished product and, more importantly, the continuity of supply of the product with the same production values that builds trust with the consumer.

Are you only ever going to sell produce that is grown on the farm or made using a certain technique? There is no problem with this approach and in many instances the productive capacity of the raw material will never be a constraint to growth of the business and other factors will come into play first. But there needs to be an appreciation of the impact that setting stringent production values may have at a later stage. These may be positive in that the product retains a high degree of differentiation and exclusivity in the marketplace. Similarly if the criteria are set too high these production values may become self limiting in terms of growth.



There are benefits in having additional suppliers in a value added business to augment production so that all material is not sourced in-house. They give the ability to offset seasonal production, allow for growth over and above personal supply constraints and may increase the diversity and range of products available. Production values are not necessarily compromised but there may be the dilution of the unique message and story that is associated with the product.

Another consideration in setting stringent production criteria may be reflected back in the core business. The farm enterprise may lose its freedom to make difficult primary production decisions for fear of the knock on effects and continuity of supply to the value added enterprise.

Personnel

Having Conquered the World, Who is going to Rule it?

We must now look at the individual, the farmer, the person responsible for embarking on this exciting journey and also the person responsible for making it happen. The excitement and opportunity presented by a new business is undeniable and it is the entrepreneur who assumes accountability for both the risk and success of the business. As we have previously described, one of the defining characteristics of a value added business is that it is inextricably linked to the core farming business. And when considering the farmer it must be with reference to the value added business and the core business as a whole. For all the excitement offered by the new business there is still the important role that has to be fulfilled in the main enterprise. It is the appreciation and efficient utilisation of the human resource at its most appropriate point that can help to maximise chances of success.

There are several fundamental areas that need to be addressed;

- Who is going to be the driving force behind the value added business?
- Who is going to manage on a day to day basis the core enterprise?
- Where do you want to position yourself within the two businesses?

The reality is that for both the core business and new enterprise to thrive it is unlikely that same person will be in total managerial control of both operations. It is difficult to recognise and act when the tipping point is reached so that additional resource is required. It is also difficult to recognise where that additional input may be most effectively employed. Answering the three questions above will significantly help target this new resource.

Farmers on the whole do not have great ability to effectively delegate and allocate responsibility to others and they will often say that the most inefficient use of their time is spent dealing with and managing staff. There has to be a realisation that additional labour will be required, either in the core business or in the new added value business and part of the challenge is learning to focus this resource in the most efficient manner.

Communication

Telling The World

As farmers progress through the value added journey they move further away from their comfort zone and area of expertise. The farmer with an embryonic value added food business will have to learn and harness a whole new set of skills to ensure that the customer understands the product and will ultimately make a purchase. Branding



and marketing are huge subjects in themselves, and it is of course not necessary to have a complete understanding of them both but it is important to utilise some of the key attributes.

While the product on offer for sale must be of a quality comparable to the claims and expectations made about it, the success or otherwise of that product will depend on the ability to communicate to the final consumer. The perception of the product in the eyes of the final consumer is paramount, but how do you effectively communicate these qualities to the consumer?

Farmers hold many of the aces when it comes to food. They have the story, they have the credibility, they have the provenance, they have what the customers say they want. What they lack are the sophisticated methods of communication, packaging, advertising, access to distribution channels and resources to really push their product and the genuine qualities and values of that product to the consumer.

This paradox of having the product that the consumer wants but the inability to access and supply it to the consumer is confirmed if we look at the attitudes and product developments of the major food retailers in the UK. Many food retailers strive to attach the values and connotations to their products that farmers take for granted. At Marks and Spencer's you can buy an Oakham chicken or Lochmuir Salmon; similarly you can find Willow Farm chickens at Tesco's. There is no issue with the quality of these offerings; the interesting point is that they are sold using imagery and connotations that farmers have traditionally seen as their own. The reality is that the chickens are sourced from farms across the country and there is no such place as Lochmuir.

Clearly there has to be a point where the regional or artisan supplier crosses over and becomes a large scale operation that seeks to supply the mass market but this must be for the benefit of the farmer and not at his expense.



Analysis

There is undeniable opportunity in the world. Often the scale of achievement is only limited by the vision, passion and persistence of the individual. Farmers are no more precluded from success than they are bound to achieve it.

Do farmers have any natural advantages? I think that in many instances the answer is definitely yes.

By definition they are the only link in the chain that can truly lay claim to the primary production values and integrity of the product. They can honestly make the base connection with the consumer. If urban consumers are no longer able to demonstrate their hunter gatherer traits the next best thing is to forge a personal relationship with the person who is responsible for the growing or rearing of their food. Farmers must take advantage of this connection and communicate the production values and stories associated with their produce to form long lasting loyalty and empathy from and with the consumer.

Farmers are by their nature resourceful and innovative businessmen. They have an ability to think laterally, solve problems, juggle short term priorities against long term strategy, manage staff, comply with bureaucratic red tape and above all deliver. As dairy farmers we have milked our cows twice a day every day for hundreds of years, come rain, shine, flood, snow or storm. It is this level of dedication and determination to deliver to our commitments, no matter what, that sets our industry apart. Any farmer who moves into the value added sector will take these attributes and apply them equally diligently in the new business.

Farmers may initiate value added businesses for a whole host of reasons. Through my study I have visited businesses both large and small that have originated through necessity and equally a number that are driven by opportunity. The common factor is that they all have a dynamic individual behind them. The ideological, bio-dynamic and organic principles of William Newton-Wordsworth may be poles apart from the attitudes and approach of the Harris Beef Company or Peter Yealand but that is not to say that they are no more or less valid. The success of a business is not just measured by turnover, growth or output but also against the expectations and desires of the individuals involved.

I have seen businesses that are struggling through no fault of their own. The entrepreneurial talents of Matthew Munzberg may be no different to those of Ferial Zekiman or Mr Yuge but by a twist of bad fortune the industry that Matthew operates in is going through a crisis. All businesses operate with a certain amount of jeopardy and it is perhaps this inherent risk that spurs people on. Matthew's business teeters on a knife edge due to the state of the wider industry while Aaron McAfee is highly exposed to any health or food scares related to raw milk and Kobe beef farmers risk seeing their premiums eroded through imitation and the consequent dilution of the integrity of their product. It is true to say that just because you have a business that works today that you should not assume that it will be that way forever. Innovation of your product is essential in the same way that evolution of the market is inevitable.

Multi-million dollar businesses such as the Harris Beef Company grapple with the issues of market research and product development in just the same way as smaller operators like Robin Oakley. Both parties recognise the requirement to understand the market and to listen to the consumer but neither has found an effective, economic and robust methodology to do so. I have found no compelling evidence to justify



significant expenditure on market research but I have identified and recognised the requirement and benefits of understanding the nature and size of the market that you are operating in.

Perhaps the greatest skill to acquire when developing a new product, or even developing a business in general, is to retain the ability to embrace ideas and concepts that are not instantly intuitive to you. It is this ability to think about the wants and desires of the customer rather than relate every decision to your personal circumstance or preference that is vital. A farmer is not the ideal barometer of market trends, tastes and fashions. The ability to understand the market and the consumer will ultimately go a long way to dictating the success or otherwise of the product.

Perhaps without exception every value added business that I have visited operates at the upper end of the market for that particular product. This is perhaps unsurprising as the smaller scale producer will find it almost impossible to compete on a volume and value platform.

Every producer demonstrated immense pride in their product and integrity in their production systems. Most producers took a very pragmatic approach to their production values and issues of product integrity. Enterprises such as Firstlight and Feast! actively work from the basis of formalised accredited producer groups with a broad supply base. Ferial Zekiman is acutely aware of the product quality issues that must be addressed as her output increases but she is not taking a self limiting insulated approach to process only her own milk.

As a generalisation, producers who have exacting production criteria have, by and large, aspirations and ambitions for their business that do not place continual growth and expansion as one of the key drivers and are satisfied by that attainment of other wider goals.

Peter Yealand has what appears to be a very hands off approach to achieving his goals. He has through a track history of successful enterprises perhaps earned the right and indeed acquired the wealth to facilitate the development of his winery through a team of industry achievers. While this approach is not equitable for embryonic business it does illustrate one end of the spectrum. William Newton-Wordsworth would perhaps be at the opposite end. William is the primary labour force for the farm as well as being the driver behind the processing, marketing and selling of the value added product. His time is squeezed at every turn and is a limiting factor to both farm production and market development. The most clearly defined and targeted allocation of the entrepreneur's skill is demonstrated by Ferial Zekiman. The clear appreciation recognition of her personal skill set led her to employ a manager on the farm.

To once again quote Brendon Smart –

“We sat down and asked a lot of questions as to why we were working hard and not getting any further ahead. It mainly came back to human resources management.”

While in the short term it may be possible to juggle the managerial demands of both businesses, for both to thrive and reach their full potential the management issue must be addressed. Brendon Smart offers a bold approach to managing and empowering a work force and I have witnessed its benefits in person.



It is in the nature of farmers to carry out every task on a farm from muck carting to filing accounts, often within the same day. It is this attitude that has been so ingrained in their character, almost since birth, that is so hard to shake, but is perhaps one of the most important traits to overcome to unlock the full potential of an additional value added business. The strict discipline to focus energies most appropriately and allow others to take responsibility must be learned. Delegation is often an extremely difficult process to manage but in the long run an empowered, motivated and inspired work force will be one of the foundations to success.

I have seen examples of truly innovative and award winning packaging, branding and marketing. The Rachel's brand appears in a glossy 'Cool Brands' coffee table book alongside other iconic names such as Aston Martin and Rubik's Cube. The imagery used by Rachel's really does make the product stand out but the success is built on more than just a slick label. The product is of high quality and was launched at just the right time to take advantage of the surge in demand for organic produce. There is a genuine story behind the product and the look and feel is constantly being updated to stay ahead of the competition.

It is possible to build and conjure strong images and connotations through effective packaging and marketing. The story of the Oakham chicken or Lochmuir salmon demonstrates this ably. I do not want to denigrate these offerings from an agricultural perspective but farmers must recognise that this is the middle ground and a sector that they have all the attributes and opportunity to dominate.

It is often said that farmers must connect with the consumer and communicate the values and virtues of their product. But how is this best achieved? Are farmers best served by industry-wide bodies offering generic promotion such as EBLEX, or by affiliation to organisations with strong welfare or environmental messages such as LEAF? Farmers are frequently in danger of trying to tell consumers too much, and overloading them with information and bombarding them with an array of logos. Less is often more.

The important thing to achieve is to try to deliver the right, and relevant, message to the right people at the right time. Branding and marketing are huge disciplines in their own right and many large businesses have whole departments and teams devoted to them. Against this background how can farmers even begin to tackle the subject? I think it is fair to say that every business large and small recognises the need to manage the way that they are perceived by the public. Farmers must seek to use their natural advantages and the inherent empathy that the consumer has for genuine food with provenance.

The way that farmers, the agricultural community and their products are perceived is perhaps one of the most crucial but fragile relationships that farmers have to manage. They are at the mercy of so many factors, many of which are out of their control. At a macro level farmers must ensure that they are not only perceived to be, but actually deliver, on their responsibilities to manage the environment and natural landscape and take their responsibilities as guardians of the landscape seriously. At an individual level they must ensure that the personal dedication and care that goes into producing the high quality offering is conveyed to the consumer so that in turn the consumer really feels that they are buying into the story and are able to share in the emotional journey of the product from field to fork.



Conclusions and Recommendations

The battle plan to conquer the world:

1. Understand the context and philosophy of what you are trying to achieve.
2. Remember that by its very nature a value added business is inextricably linked to the core business. The core business must not be starved of innovation, management and direction due to the emergence of a new and exciting additional enterprise.
3. Ensure that your personal energies and efforts are efficiently channelled to maximise their impact in the businesses. Learn to empower and unlock the potential of your existing staff. There must be an appreciation that additional personnel will almost certainly be required either in the core or value adding business.
4. Own your story. It is definitely the most personal and perhaps the most powerful link you will ever forge with your customers.
5. You must be willing to embrace ideas and concepts that are not intuitive to you as an individual. You are creating a product for the market not yourself.
6. Perception is paramount. You can call it what you like, propaganda, spin, marketing or even the Max Clifford effect, but every successful industry or individual manages the way it is perceived by others. Farmers in general must try to remember this message but farmers in the value added food sector in particular must never forget it.



Postscript

Saturday 1st January
Ryalls Court Farm, Worcestershire, England

The formal element of my Nuffield journey is at an end. I have immensely enjoyed the last 18 months and have learnt at almost every turn during this time. I have learnt not just about my own area of interest but have increased my knowledge and understanding of agriculture as a whole. This has been achieved through the friendships built with my fellow 2009 scholars both from the UK and internationally, through the welcoming and knowledgeable Nuffield network and most importantly through the time that I have been able to spend away from my day job talking to farmers and looking at agriculture and food production around the world.

There are many salient points and lessons that I will take from my study. My report has developed to be as much a self help manual and reference as anything else.

The area of action that stands out above any other that needs to be resolved within the farming and food businesses at home is the allocation of my personal resource.

It is simply not possible to have hands on management of a primary production agricultural farm business and a value added food business at one and the same time while maintaining the necessary direction, focus and high standards required for success within both enterprises.

I need to answer many of the questions that I have raised in my report

- Where do I want to be within the businesses?
- Where are my skills most effectively utilised?
- What do I want the businesses to achieve?
- What is my personal motivation and ambition?
- What is my professional motivation and ambition?

I need to come to terms mentally with the fact that I cannot do everything and that I need to empower, trust and devolve tasks to either existing personnel or new members of staff.

I believe that both elements of the business have strong futures but to ensure that they achieve to their maximum I need to be managing the strategy and direction. I must ensure that my effort and energy is directed to the greatest effect.

There are many intangibles that I have benefited from through the course of my Scholarship. The very act and process of leaving the farm for a prolonged period and mixing with forward thinking individuals has allowed me to reassess and gain a new perspective on the world of agriculture and business.

Eighteen months ago when I set out on my journey to conquer the world I envisaged that my report would have, among other areas, focused on the effective use of marketing and branding and exploring different routes to market for value adders. However, I quickly discovered that there are key foundations that a farm based value adding business needs to have in place before these areas may be addressed. There has to be a stable and sustainable basis from which to start.



Fundamentally I am a farmer and will probably always want to be a farmer. For all of the excitement and diversion that an additional value adding business has to offer, it is paramount to ensure that at the end of the day there is still a farm to farm.



Acknowledgements

There are many people who have helped me navigate my way through my Nuffield experience over the last 18 months.

Thank you once again to my family, my wife Alex and my parents Peter and Annie for keeping the home fires burning.

Thank you to Stephen Watkins, Margaret Herbert and Richard Steele for introducing me to Nuffield and particularly to Margaret and Stephen for agreeing to be my referees. Also to John Stones, Nuffield Director, for his insightful and apposite advice and chivvy as required.

To my sponsors, Alan and Anne Beckett, thank you for giving me the opportunity to pursue my Nuffield odyssey, and special thanks to Anne for the editing, proof reading and pointing me in the right direction as required when I have laboured through my various reports and presentations.

My journey through Japan would not have happened without the assistance of 'my man in Kobe' Ben Tams. Natalie Westwood, Andrew and Emma Smith, Frank Tyndall and Nicola Raymond all contributed greatly to my Australian experience. In New Zealand I offer a great thank you to Grant and Ele Ludemann for their tremendous hospitality and to Alec Jack and his family for a few days of normality and family life before I hit the US. My time in America would not have been what it was without the unbelievable help and guidance I received from Brock Taylor, he went above and beyond the call of duty and introduced me to farming Californian style! Thank you to Mary Webb for pointing me in the right direction during my time in Oregon and to Matthew Tams and family for their hospitality in Seattle. Also thanks must go to Dr David Henneberry for arranging a fascinating couple of days at Oklahoma State University in Stillwater.

Oliver Surman
24 December 2010

Oliver J Surman
Ryall's Court
Upton on Severn
Worcester. WR8 OPF

Tel : (home) 01684 591535
Mobile : 07788 44 1612
Fax : 0870 7059 744
email : ojsurman@hotmail.com
www.pegotyhedge.co.uk

