



Nuffield  **Canada**
AGRICULTURAL SCHOLARSHIPS

**COLLECTIVE RESILIENCY AND
SMALL-MEDIUM ENTERPRISE
(SME) AGRI-PROCESSORS**

Shawn Moen

August 2023

NUFFIELD CANADA

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SCHOLAR PROFILE

Shawn Moen is a business owner, lawyer, husband and father living in Saskatoon, Saskatchewan. He has worn many different hats throughout the course of his career, which underlines his inquisitive nature, his versatility, and his desire to positively impact the community which surrounds him.

Shawn was raised in the farming community of Cabri, Saskatchewan, a town of approximately 400 people located in the south-west corner of the province. His family has farmed north of Cabri since 1907, growing a combination of durum wheat, lentils, chickpeas, and various other dryland-suited crops. His father Jim is an accomplished seed grower and resilient dryland farmer and his mother Nancy is the administrative glue overseeing the financial operations of the farm.



The Moen family continues to operate the family farm amidst changing weather, market, and macro-economic conditions. Shawn is the 5th Generation of the Moen family to work this land.

In his first professional chapter, Shawn practiced law for the better part of a decade. He graduated from the University of Saskatchewan with a Bachelor of Laws (2005, Distinction) and later from Osgoode Hall Law School (York University) with a Master of Laws (2010). From that foundation, he practiced in a myriad of areas – working with two of the largest law firms in Saskatchewan in civil litigation and corporate/commercial law and serving Her Majesty the Queen as a Crown Prosecutor. Shawn earned a reputation for high ethical standards, subject-matter versatility, interest-based problem solving, and an ability to navigate high-conflict situations to find fair solutions.



In his second professional chapter, Shawn quit being a lawyer, at least in the traditional sense. He walked away from a conventional legal career in 2013 and began to pursue his long-held passion – building a business with like-minded people and values at its core. After traveling the world and exploring different business models, he opened 9 Mile Legacy Brewing with his best friend Garrett Pederson.

For over a century, the Pedersons have farmed 9 miles away from the Moen family farm. Each generation of Moens and Pedersons have found opportunities to collaborate in agribusiness. 9 Mile Legacy Brewing is only the most recent interpretation of that relationship (but arguably the most fun!).



Shawn has received several commendations and acknowledgements throughout his career, but the titles of which he is most proud are “husband” and “dad”. He and his wife Deyne happily spend all of their free time raising their two beautiful and clever children, Pearse and Maeve.

It is with gratitude that Shawn was able to include his family in his Nuffield travels and venture with them through South Australia – making memories that will last a lifetime.

Their perspectives and the importance of future generations significantly and rightly inform his perspective as a Nuffield Scholar.

ACKNOWLEDGMENTS

With any Nuffield experience, the list of acknowledgements can run long.

The first person to acknowledge is of course my wife, Deyne. When we made the decision to apply for a Nuffield scholarship, we didn't know that our daughter, Maeve, would arrive at the outset of my travels and you would have to play zone defence while I was away. You have always taken a longview perspective of how this experience may impact both our family and me personally. You have believed in me when I did not. I am grateful to have a wife such as you.

I love you and am lucky to have found you.

The second person to acknowledge is my "other partner", Garrett. For many years, 9 Mile Legacy Brewing has been about our partnership and the mutual respect and trust in each other's capabilities. You didn't blink when I decided to pursue the Nuffield experience, on top of my existing duties as CEO of our brewery. Of course, we didn't know that our business would come so very close to failing during this project. You have also always taken a broad perspective of the relevance of the Nuffield Project to our business and my own capabilities as a leader. I am grateful to have a business partner such as you.

Finally, I must acknowledge the contributions of my parents, Jim and Nancy. You not only saw fit to assist my Nuffield Project financially but were ever-present in offering emotional support, counsel, and confidence. The course of my life has been anything but typical and you have always stood unwavering by my side, though I'm sure at times it has been scary. I am grateful to have parents such as you.

There were many, many people whom I met during my Nuffield Project – both abroad and here at home. Many who were generous with their time, opened their doors and offered laughter, hospitality, and fellowship. Many who shared their human experience and expertise. Many who have reciprocated and visited our small prairie brewery. You will see several of their names in this report and my social media posts, but these names are only the tip of the iceberg.

The beauty of the Nuffield experience is assuredly in its people. Our "humanness" and generosity will sustain us in an environment of increasing change and uncertainty.

SPONSORSHIP

My Nuffield Project was sponsored by the Nuffield Canada Alumni. I am indebted to the vision of this group and its commitment to the pursuit of excellence. It was not lost on me that my Nuffield Scholarship was awarded directly from Nuffield Canada and, in doing so, there is an element of direct financial commitment and risk by the Alumni. I hope that I have done right by you in my conduct as a Nuffield Scholar and my contribution to our collective scholarship.



I am grateful to have developed relationships with like-minded, Saskatchewan-based organizations that share the vision that we can always improve our approach in our province. Conexus Credit Union and the Saskatoon Regional Economic Development Authority were early partners in this project. Thank you for investing in me as a thought leader and believing that this was a conversation worth having.



Finally, I benefited from the financial support of two organizations that are very close to me. The company that I lead, 9 Mile Legacy Brewing Co. Ltd., and our family farm, Moen Farms Ltd. Pursuit of a Nuffield Scholarship involves both financial expense and operational flexibility from one's colleagues and family. I appreciate the sacrifices and commitment of those close to me.



EXECUTIVE SUMMARY

Small-medium enterprise (“SME”) agri-processors are a vital part of a local economy and a key piece in the ag-value growth plans of many policy makers, including the Government of Saskatchewan. A competitive SME agri-processing sector provokes a multiplicity of innovation, a diffusion of economic risk (due to the creation of anti-fragility within the sector), and spins out considerable economic growth for the surrounding community.

The vulnerability and importance of individual SME agri-processors has been exposed in recent years, with the presence of century-level disruptions (such as the COVID-19 pandemic), rising instability in global trade and food security, and heightened pressures related to interest rates, inflation, and supply chain disruption.

This report explores the concept of building *collective resiliency* in the agri-processing sector by embracing a collaborative ethos and designing clustering initiatives that are *decluttered*, positioned to foster the right type of *adjacency*, and are led by *Collaborative Champions*.

In an effort to unpack effective supports for scaling SME agri-processors, the author travelled to several premium agrifood clusters, namely South Australia, Tasmania, Japan, New Zealand, and the Pacific Northwest of the United States of America. In those places, he observed four categories of clustering initiatives: (i) Business Incubators, (ii) Designated Development Districts, (iii) Collective Retail Facilities, and (iv) Destination Marketing Initiatives. Each of these clustering initiatives have their unique opportunities and challenges, which are reviewed alongside examples observed.

The author also met with several Collaborative Champions (leaders committed to the development and success of their related ecosystems) and observed the occasional Common Good Economic Flywheel (organizations, infrastructure, and businesses that resulted from the implementation of well-designed and well-led clustering initiatives).

The author suggests several recommendations related to fostering a collaborative ethos within an ecosystem, designing clustering initiatives to be decluttered and adjacent to the intended stakeholders, investing in and developing local agri-processing leadership, and exercising patience and vision in the pursuit of Common Good Economic Flywheels.

DISCLAIMER

This report has been prepared in good faith but is not intended to be a scientific study or an academic paper. It is a collection of my current thoughts and findings on discussions, research and visits undertaken during my Nuffield Farming Scholarship.

It illustrates my thought process and my quest for improvements to my knowledge base. It is not a manual with step-by-step instructions to implement procedures.

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1 INTRODUCTION

My Nuffield Project focused on the approaches of other jurisdictions in supporting small-medium enterprises (SMEs) in the agri-processing sector. When I applied for my Nuffield Scholarship in June of 2021, my project proposal described the problem as follows:

“We traditionally think of Ag-Value initiatives as growing large-scale projects that focus on increasing the efficiency and scale of commodity production with an eye solely towards export. In reflecting on my experience in growing the SK Craft Brewing industry and lessons gained in my Master of Laws studies, I am concerned that a consolidation of agricultural investment in a handful of large-scale enterprises unnecessarily creates competitive fragility and gradually creates systemic disincentives to continued operation. It reminds me of the old adage of keeping all of our eggs in too few baskets.

In my view, it is better to increase the number of strong baskets. I intend to study how jurisdictions use a business incubation model to create environments where diverse, stratified, and multi-channel agricultural SMEs can survive in startup and thrive in growth – thereby fostering the creation of a multifaceted industry rather than a handful of large-scale initiatives.”

Understanding why this area posed concern for me requires some discussion of the various contexts from which I come – most notably, that of a Saskatchewan farm boy and a leader of a scaling SME agri-processor in a burgeoning industry. Section 2 provides that context.

The timing of my Nuffield Project meant that agri-processors such as our brewery (9 Mile Legacy Brewing) were confronted with a century-level disruption in the form of the COVID-19 Pandemic and its inflationary aftermath. This necessarily impacted my consideration of how supports for the SME agri-processing sector should look. Rather than focusing on supports or accelerants for individual growth (such as access to capital or innovation), I found myself focusing in conversation on how people and places fostered collective resiliency in the face of such a wide-spread and significant disruption.

Section 3 explores what I have observed to be an effective antidote to soften many traditional constraints to growth and provide insulation for potential century-level disruptive events – a collaborative ethos or amenability for “coopetition”.

Within the concept of collaboration, I noted three features that were interrelated and impactful: (i) clustering initiatives focused on decluttering and fostering adjacency, (ii) the role of sector leadership by Collaborative Champions, and (iii) the creation of common-good enterprises that act as flywheels for innovation, market access, and collective scale (Common Good Economic Flywheels). Several case studies accompany those findings.

Sections 4 and 5 summarize my observations and offer several action items, namely encouraging a focused approach to clustering initiatives, investment in local leadership development, and patience in the creation of large-scale common goods.

2 CONTEXT FOR STUDY

This section briefly discusses the contexts from which I come as a Nuffield Scholar: a Saskatchewanian, a craft brewing agri-processor, and a business leader navigating century-level economic disruption.

2.1 An Introduction to Saskatchewan

Saskatchewan is a western Canadian province located in the heart of the Great Plains. It is known globally for its vast, flat landscape, its hospitable population, its perennially hard-luck football team, and its bounty of production in primary agriculture. It is a massive province, with a description by historian Bill Waiser painting the picture that existed when Saskatchewan joined Canada as a province in 1905:

“But it was still huge by most standards. The proposed province was five times larger than the three Canadian maritime provinces and two-and-a-half times the United Kingdom. Even American western states did not measure up. Saskatchewan was three times larger than Minnesota, Nebraska, Oklahoma, or Kansas and only slightly smaller than Texas.”¹

The area of Saskatchewan is 160.9 million acres but only 45.9 million of those acres represent cultivated farmland – the rest being pastureland, forest, and a significant freshwater area in the northern half of the province.

Saskatchewan is the veritable breadbasket of the world, growing high quality, sustainable, and stable food on its massive land base. This is the land of canola (33.5% of 2021 SK production), wheat (24.4% of 2021 SK production), lentils (10.4% of 2021 SK production) and barley (9.2% of 2021 SK production)². The vast majority of crop is exported as raw commodities from Saskatchewan to places like the United States, China, Japan, Mexico, and the United Arab Emirates.

¹ Waiser, Bill (2005), *Saskatchewan: A New History*, (Calgary, AB: Fifth House Ltd.), p.8.

² Government of Saskatchewan (August 2022), *Agricultural Statistics Pocket Reference* [Pamphlet]. Regina, SK. Retrieved from <https://www.saskatchewan.ca/business/agriculture-natural-resources-and-industry/agribusiness-farmers-and-ranchers/market-and-trade-statistics>

Its productivity can be juxtaposed with the size and density of its population. Saskatchewan is a comparatively underpopulated part of the world, having 1,132,505 people recorded in the 2021 Census³. Almost half of its population lives in the large urban centres of Saskatoon and Regina and the rest largely live in smaller cities, towns, and villages. By contrast, 55,860 people were recorded in that same census as living on the farm.

To say there is a lack of population density in Saskatchewan does a disservice to a vast wide-open space where one can “watch their dog run away for three days”. To say that the province punches above its weight in terms of primary agricultural production similarly does a disservice to the almost legendary status of its farming community and its ability to grow food.

When all of that is considered, it is perhaps unsurprising that Saskatchewan has traditionally had its focus on aggregating resources and developing its export markets for primary production and less focus on building “value-added revenue” to complement farm production. While the value of its Agriculture and Food Exports was estimated at \$17.5 billion in 2020, its value-added revenue was \$6.8 billion in that same period. The bulk of our production goes to raw grains destined to be processed outside of the province.

I come from a part of the province that has a comparatively reduced population base and significant challenges from an agronomic perspective. Cabri (and by extension our family farm) is located squarely in the infamous “Palliser’s Triangle” – the tract of land that explorer Captain John Palliser described as too arid for settlement.⁴ Communities in that area have survived long periods of drought, natural disasters,⁵ and perpetually challenging growing conditions by evolving their farming practices to suit dryland farming (zero-till, effective crop rotations involving lentils, shelterbelts, creative use of groundwater). Despite the challenges of “the triangle,” the area continues to produce high-protein wheat and lentils for export around the world.

Like many “farm boys”, I worked the land with my dad and grandpa each year and helped bring in the harvest. Early on, my job was often driving the grain truck, either to storage at our yard site or to the elevator in town. I vividly recall wondering, at the precocious age of 16, why we would send our durum wheat away, kernel-intact, rather than making semolina flour (or better yet whole noodles) prior to export.

³ This is roughly 1.8 people per square kilometre (km²). By comparison, New Zealand is 20 ppl/km², Chile is 26ppl/km², Australia is 3ppl/ km², and Japan is 338 ppl/ km².

⁴ Henry, Les (August 17, 2022), Palliser’s famous triangle and soil zones of the Prairie provinces, *Grainews*. Retrieved from <https://www.grainews.ca>

⁵ For an excellent resource on the “Dirty Thirties”, see *Happyland* where the author posits that this infamous stretch of drought was a multi-decade affair punctuated by the occasional year of rain and “carved out broad, deep, and profound changes in the social landscape of Saskatchewan.” McManus, Curtis R. (2011), *Happyland: A History of the “Dirty Thirties” in Saskatchewan, 1914-1937*, (Calgary, AB: University of Calgary Press), p.230.

Recently, the Government of Saskatchewan has placed significant emphasis on developing the provincial ag-value sector and has detailed lofty growth goals, targeting an increase to Saskatchewan-based processing of the province’s agricultural products in the 2020s and an increase to overall agriculture value-added revenue from \$6.8 billion to \$10 billion.⁶ The approach of the Government of Saskatchewan has generally been to leverage advantages through federal-provincial agreements such as the Sustainable Canadian Agricultural Partnership, focusing on reimbursing processors for equipment purchases and capacity improvements. There are modest supports for market and new product development, though they generally pale in degree when compared with funding for capital equipment and capacity improvements. There is some investment in personal capacity building (grants for training and upskilling) but little to no investment directed specifically at leadership development.

Ag-value is generally thought of as synonymous with what I term agri-processing – businesses that focus on processing raw primary agricultural product into a product that has moved along the value chain. These sorts of businesses include, among others, cleaning, milling, extraction, and fermentation processes. Craft brewing is an example with which I am most familiar.

2.2 An Introduction to Craft Brewing

We launched 9 Mile Legacy Brewing in 2015 and have navigated it through several periods of growth – starting as a 100L nanobrewery and expanding it to its current capacity of 2,000L per brew cycle. Our award-winning craft beer is now sold in cans and distributed throughout the province. We have used Saskatchewan-grown and malted barley from day one and see significant value in working with suppliers that are as close to the farm gate as possible.

9 Mile Legacy Brewing has been privileged to play a central role in the development of the Saskatchewan industry – working with government to evolve regulatory standards and requirements, organizing the province’s brewers into an industry association, and being a thought leader on the innovative approaches to brewing (yes, we had the privilege of brewing a “durum wheat” beer – a noodle by a different name, I suppose).

The craft brewing industry had its start globally in the 1970s-80s, with the legalization of homebrewing by the Jimmy Carter administration in the United States and comparable regulatory relaxation in Canada. The moniker of “craft brewing”⁷ is used to differentiate small-

⁶ Government of Saskatchewan (n.d.), *Saskatchewan’s Growth Plan: The Next Decade of Growth (2020-2030)* [Policy Brief]. Regina, SK. Retrieved from <https://www.saskatchewan.ca/government/budget-planning-and-reporting/plan-for-growth>

⁷“Craft brewers,” according to the leading industry definition by the Brewers Association, are:

- SMALL – being significantly smaller than the large conglomerate players that dominate the beverage alcohol industry, typically operating on a local or regional basis only;

scale local breweries such as Anchor Steam (San Francisco, California) and Sierra Nevada (Chico, California) from the large, multinational brewing conglomerates that had dominated the alcoholic beverage industry since the temperance/prohibition movements of the early 20th Century.

The craft brewing industry is at once (i) a protest movement directed at international monopolies and market dominance, (ii) a revolution in flavour experiences for established and soon-to-be beer drinkers alike, and (iii) a return to a traditional brewing industry structure and a simpler time, when every European town would have its own local brewery making, fresh, distinct beer that was connected from a supply relationship to the farmgate.

At its heart, the craft brewing industry is an agri-processing industry largely populated by SMEs that creates several revenue channels (selling its product direct to consumer and wholesale through established business partners and sales channels), fosters startup opportunities for aspiring entrepreneurs, and adds significant economic spinoff to surrounding communities, in the form of jobs, taxes, local supply relationships, and community-level commerce.⁸

The craft brewing industry also converts locally-grown, raw agricultural product into something that can be sold at a higher price – in other words, it is an example of a home-grown “ag-value” industry. The boy hauling unprocessed durum wheat to the Cabri elevator may be excused for wondering whether the lessons of our SME agri-processing industry could transcend the production of beverage alcohol and, instead, be applied to a whole host of value-added agricultural products – textiles, proteins, food snacks, and (yes) noodles.

These contexts informed my desire to dig into a Nuffield Project that focused on ways to support scaling agri-processing sectors. Many preconceived notions of what that might look like came to a crashing head in the years that would follow my scholarship application.

2.3 Monumental Global Events and Changes in Thinking

I applied for my Nuffield Scholarship in June 2021. After just over a year of navigating the COVID-19 Pandemic, the world was approaching a sense of quasi-optimism. The very first COVID-19 vaccines were available earlier that spring and our first vaccinated summer was upon us. People

-
- INDEPENDENT – not being owned by one of those large conglomerate players; and
 - TRADITIONAL – employing brewing practices and ingredients that are traditional to the brewing of beer (largely in European brewing centres such as the United Kingdom, Germany, and the Czech Republic)

⁸ A study by Economic Development Regina estimated the total economic output from the craft brewing in the Greater Regina Area as \$10.7 million in 2017, including a direct economic impact of \$6.2 million and \$4.5 million in indirect and induced economic output. Economic Development Regina Inc. (n.d.), Masters of Their Craft: The Making of a Robust Beer Industry in the Greater Regina Area [Fact Sheet]. Regina, SK. Retrieved from https://issuu.com/reginaroc/docs/edr-craftbrewinfosheet_r2

were beginning to feel comfortable gathering again in large group settings. The thought that one *could* travel across international borders had returned. It felt like we were “returning to normal” and we were all keen to do so. The idea of several weeks of travel in pursuit of a long-held research interest was exciting.

The very first lesson of my Nuffield Project is that rarely do things evolve in a linear fashion. A few notable events that transpired after June 2021:

- My wife and I found out we were pregnant with our daughter Maeve shortly after I submitted my project application. She arrived in January 2022 and had a brief, but frightening and serious hospital stay. She is a complete force of nature, and that scare is but a memory.
- On February 24, 2022, Russia invaded Ukraine, delivering a shock to the global security framework, agricultural markets, and food security. Trade protectionism, global power blocs and food insecurity become the current themes. A return to the isolationist nation-state framework that predated globalism and multilateral cooperation appeared to be the likely path forward.
- The COVID-19 Pandemic did not quickly disappear with vaccines, as we all well know. Our country continued under pandemic-related travel restrictions until April 2022, and I ended up stuck in Ireland for an additional few weeks during my first travel leg. This impacted where and when I could travel for my research project.
- As the COVID-19 Pandemic lingered into 2022, so did the challenges navigated by our craft brewery. People changed their socializing habits and the return to bars, restaurants, and public events was slow. Supply chain disruptions, food security, and other macro-economic impacts resulted in serious inflationary concerns, with the big contributors being food and fuel prices.⁹ The result was a cycle of perpetual rate hiking, reaching levels not seen since the early 2000s. Individual SME agri-processors like 9 Mile Legacy Brewing were especially vulnerable in this environment of hesitant consumer spending, increasing input costs, and a lack of borrowing options (and prohibitive interest rates on existing loans).

As I returned from my last leg of travel in April 2023, our business had reached its breaking point. At the start of the pandemic, we made the decision to finalize a long-planned expansion to a larger production facility. The result of that shift in production and the impacts of the pandemic years resulted in the smaller facility becoming an unproductive asset. It employed a significant number of our colleagues and served a vital role in our community. After the unexpected end to an alternative use of that facility with a third party, our continued operation of the unproductive

⁹ Evans, Pete (April 20, 2023), Canada’s inflation rate jumps to new 31-year high of 6.7%, CBC. Retrieved from <https://www.cbc.ca>

facility threatened to bankrupt the overall organization. We made the tough decision to close this facility and focus our resources on our core business of producing and distributing packaged beer – costing many of our colleagues their jobs and impacting the perceived economic health of our business and the surrounding business district.

The story of our business was not unique, as many operators in the hospitality, tourism, beverage, and agri-processing sectors similarly struggled in responding to the COVID-19 pandemic and the resulting inflationary aftermath. Some ceased operations as a result. In many circumstances, the progress that had been achieved by innovative SME operations and sectors generally had been seriously setback, with the advantage going to scaled and well-capitalized macro-players. We witnessed a shift in sector composition.

The vulnerability of the SME agri-processing sector (with craft brewing being one example) had increased significantly in the post-pandemic aftermath. Nonetheless, people, businesses, and sectors find ways to move forward, not due to the individual genius of innovation of one of its participants but often by creatively working together. Each one of the foregoing crises were navigated during my travel period by way of collective resiliency.¹⁰

2.4 Why This Study Matters

The health of SMEs is vital to our overall economy and, in a world with increasing concerns about access to skilled jobs, food security and supply chain disruptions, SME agri-processors are of heightened importance.

The term *small and medium-size enterprise* (SME) refers to a broad swath of companies, ranging from single-proprietor businesses to those with hundreds of employees and tens (or hundreds) of millions of dollars in revenue. The precise definition of an SME varies by country but typically excludes large multinationals, state-owned enterprises, and conglomerates.¹¹

¹⁰ While most common definitions of “resilience” focus on an ability to restore oneself to a state prior to adversity or change, Taleb offers a much more compelling concept – that of antifragility.

Almost all people answer that the opposite of “fragile” is “robust,” “resilient,” “solid,” or something of the sort. But the resilient, robust (and company) are items that neither break nor improve, so you would not need to write anything on them – have you ever seen a package with “robust” in thick green letters stamped on it? Logically, the exact opposite of a “fragile” parcel would be a package on which one has written “please mishandle” or “please handle carelessly”. Its contents would not just be unbreakable, but would benefit from shocks and a wide array of trauma. The fragile is the package that would *at best* be unharmed, the robust would be *at best* or *at worst* unharmed. And the opposite of fragile is therefore what is *at worst* unharmed.

Taleb, Nassim Nicholas (2012), *Antifragile: Things that Gain From Disorder*, (London, UK: Penguin Books), p. 31.

¹¹ Lin, Diaan-Yi, Sruthi Namratha Rayavarapu, Karim Tadjeddine, and Rebecca Yeoh (January 26, 2022), Beyond financials: Helping small and medium-size enterprises thrive, McKinsey & Company. Retrieved from <https://www.mckinsey.com>

Three reasons why SMEs matter to the development of a local sector or industry:

- **Broad Economic Impact**. In OECD¹² countries, SMEs account for about 99 percent of firms and 70 percent of all jobs, and they contribute more than 50 percent of GDP in high-income countries worldwide.¹³
- **Innovation**. The agility of smaller organizations results in greater innovation and a competitive emphasis on high-quality output. This was observed most notably in McLaren Vale (South Australia) and Launceston (Tasmania).
- **Resilience or Anti-Fragility**. Broadening a sector with a multiplicity of actors results in a diffusion of risk – the sector as a whole is anti-fragile due to its competitive nature.¹⁴

An agri-processing sector populated by SMEs has a much broader economic impact, a democracy of innovation, and a diffusion of risk than an agri-processing sector dominated by a handful of large, multi-national actors.

My thought process changed during my study period. It was not sufficient to consider how incubation strategies can support and accelerate the economic growth of individual SME agri-processors if progress could be easily wiped out by large-scale disruptive events. Rather, one needed to think harder about how the concept of resiliency can be baked into overall sector development, such that existing SME players can respond to the shock of usual and unusual macro-economic events, constraints and impacts within the support of a collaborative sector.

2.5 Travel Summary – Premium Agrifood Clusters

My Nuffield travel spanned March 2022 to April 2023 and, within that time, I spent an aggregate of 15 weeks on the road and visited 6 different countries. Picking places of travel for this study proved challenging both for events beyond my control (pandemic travel restrictions) and

¹² Organization for Economic Cooperation and Development. Website: <https://www.oecd.org/>

¹³ *Ibid.* Notably, between February 2020 and April 2021, 70 to 80 percent of SMEs across 32 countries lost between 30 and 50 percent of their revenues.

¹⁴ *Supra* note 10, p.65. An anti-fragile sector is one that improves its position in the wake of a large-scale disruption. This does not mean that every actor in the sector is preserved but rather that the system as a whole responds to disruption in a net positive way:

In a system, the sacrifices of some units – fragile units, that is or people – are often necessary for the well-being of other units or the whole. The fragility of every startup is necessary for the economy to be antifragile, and that’s what makes, among other things, entrepreneurship work: the fragility of individual entrepreneurs and their necessarily high failure rate...

Restaurants are fragile; they compete with each other, but the collective of local restaurants is antifragile for that very reason. Had restaurants been individually robust, hence immortal, the overall business would be either stagnant or weak, and would deliver nothing better than cafeteria food...”

restrictions related to my means (the state of my business meant that I needed to focus or adjust my efforts from a timing and financial perspective).



Above: Shawn Moen in the test plots of Hop Products Australia (Bushy Park, Tasmania, March 2023)

As a result, I spent the bulk of my time in the following destinations:

- **United States of America (Oregon and Washington)**. I attended the hopyards of the Yakima Valley, Washington, and met with economic development professionals and several agri-processors in Portland, Oregon, and area.
- **Australia (South Australia and Victoria)**. I travelled to Adelaide with my family in Fall 2022 and connected with the wine industry in the McLaren Vale and Coonawarra regions, the agtech sector in Adelaide, and the agrifood tourism hub that is the 12 Apostles Food Artisans Gourmet Trail.
- **Australia (Tasmania)**. In Spring 2023, I returned to Australia but focused instead on Tasmania – touring the gastronomy hub of Launceston, attended hop harvest with Hop Products Australia, and toured several farms and agri-processors.
- **New Zealand**. I spent considerable time alongside the New Zealand craft brewing and input industries, as well as the clustering initiatives at both Massey University in Palmerston North and Lincoln University in Christchurch.

The reputation of these places for high quality agrifood products and entrepreneurial excellence and vigour drew me to these locations and, in their distance from high density urban centres, found several comparisons to our circumstances in Saskatchewan.

The similarities I observed amongst the locations when visiting were striking. These were places that were low population density on a relative basis – say when compared with neighbouring states such as California (USA) or Victoria (Australia). Notwithstanding the low density, they each enjoyed a multiplicity of SME agri-processors producing high quality, premium and innovative agrifood products and exhibited pride in their interconnectedness and the resultant ability to punch above their collective weight.

I didn't know it at the time, but I had inadvertently wandered into several premium agrifood clusters sharing similar character traits and a collaborative ethos.

I also travelled to Japan, spending 10 days in the Chiba, Utsunomiya and Mie Prefectures, touring SME agri-processors, retail outlets, greenhouses, and agricultural academic institutions. Japan is distinguishable from the foregoing destinations, given its high population density, but it was consistent in its commitment to producing premium agri-food products, supporting a multiplicity of SME operators, and taking pride in regional identities and specialities.

The consistent theme amongst all jurisdictions was the value each placed upon local collaboration, regional identity, and the creation of collective goods. These aspects were repeated so often that it felt contrived! There was a feeling that each jurisdiction was able to foster a sense of collective resiliency and opportunity by finding ways to work together (even if competitive in individual interest). I saw this sense of collective resiliency emphasized when groups were faced with macro, external disruptions that could not be addressed by any one actor individually.¹⁵

¹⁵ At the time I visited South Australia, China had announced prohibitive trade barriers to Australian wine imports. The South Australian wine industry had scaled to meet Chinese demand and were facing a harvest that may not have an end customer – causing many to explore downsizing their wine grape acreage and explore alternative uses for that product. Many viticulturists also operated as consultants for hire, complementing growers without that expertise and the use of shared production spaces such as McLaren Vintners were commonplace. Many cellar doors had multiple products for sale that were not exclusive to the individual vineyard experience (craft beer, spirits, juices). Many wine operators were actively involved in joint-marketing opportunities such as tourism boards or trade associations. While the level of the trade crisis was immense with very real economic consequences, one was left with the sense that the South Australians would collectively “figure it out” and preserve the industry. The attitude was one of concern, focus, and optimism, rather than despair.

3 OBSERVATIONS

I learned at the outset that the nature of my study topic was very broad, which always poses challenges in distilling results into something both reportable and actionable. That said, the benefit of this study topic was that it allowed me to cast a wide swath and meet with a vast variety of people and perspectives. I met with many small business owners, primary agriculture operators, diversified farmers, locally and internationally focused government officials, industry trade associations, academics, administrators, students, consultants, venture capitalists, financiers, and of course fellow Nuffield scholars.

Collaboration and cluster development (creating adjacency) were both key to sector growth in the places I travelled – separate concepts but inextricably linked. I will explore each concept in turn.

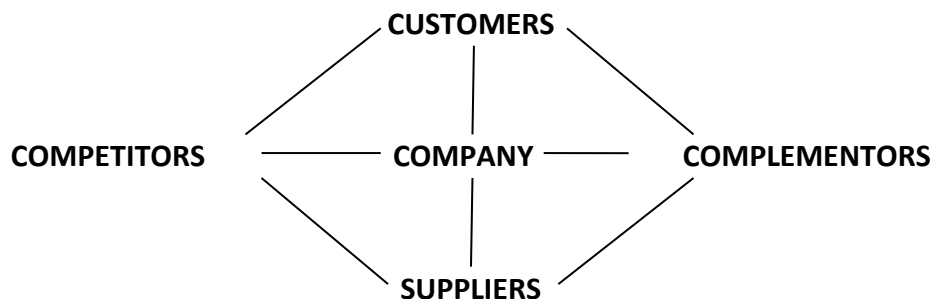
3.1 Power of Collaboration

Each of the jurisdictions I visited placed a high value on collaboration and collective interest.

In the craft brewing industry, we often “collaborate” to create a unique liquid product together, but the idea and context of collaboration as it was used in the places I visited felt more involved. It caused me to think a bit more deeply as to what it means to “collaborate”.

Adam Brandenburger and Barry Nalebuff’s book *Coopetition* is an excellence resource for exploring this topic.¹⁶ We traditionally think about business ecosystems as binary settings – competitors being “enemies” and distinct from the “allies” of suppliers, service providers, and customers. The goal being to accumulate allies and defeat enemies – in other words, WAR!

Coopetition encourages its reader to think about business as both “war and peace” and to remove the binary lens when considering competitive or complementary relationships. It starts with a Value Map, representing all the players and the various interdependencies:



¹⁶ Brandenburger, Adam M. and Barry J. Nalebuff (1996), *Co-opetition: 1. A revolutionary mindset that combines competition and cooperation; 2. The Game Theory strategy that’s changing the game of business*, (New York, NY: Doubleday)

The authors explain that there is a bias towards viewing ecosystem participants through a competitive lens, assuming that the new entrant is a competitive threat (i.e. customers and suppliers have an either/or choice between you and your competition). This fails to consider the idea of “complements” – when a customer buys a complementary product that makes him more likely to buy your product.

Each player exists on a continuum – both competitor and complementor. The focus of a cooperation mindset is to encourage the reader to look for complementary opportunities in addition to competitive threats, recognizing that there are both win-win and win-lose elements in all relationships with customers, suppliers, complementors, and competitors.

This was the essence of collaboration I observed in the places I visited – the ability to recognize when the attributes of a traditional competitor (skill sets, equipment, market access, brand presence) may complement the attributes of your business and being confident enough to explore that potential. In doing so, you expand your opportunities and minimize your losses.

Again, in the words of the authors:

“Business is cooperation when it comes to creating a pie, and competition when it comes to dividing it up. This duality can easily make business relationships feel paradoxical. But learning to be comfortable with this duality is the key to success.”¹⁷

This collaborative ethos was expressed when I met with key people in each of the locations I visited, but the ethos itself wasn’t enough to sustain sector growth and resiliency. It had to be shared throughout the sector (to foster reciprocal collaboration) and, as such, needed to be ingrained as part of the culture. To get to that point, it required collision points where trust and relationships could manifest and champions who could drive the ethos more broadly.

The following section will discuss economic clustering efforts as a mechanism to create those collision points through strategic adjacency. I will then describe the characteristics of the champions I encountered and the features of the common good flywheels that I observed.

3.2 Clustering as a Means of Adjacency

There are many resources on economic clustering and the intention of this report is not to prepare a treatise on approaches, best practices, or literature. Rather, I will briefly introduce the concept of clustering, discuss some general pros and cons, and describe some of the shining examples I observed. This report will then talk about the role of leadership, and the excellent flywheel outcomes possible.

¹⁷ *Ibid.* p. 4.

Clusters are geographic concentrations of interconnected companies and institutions in a particular field.¹⁸ They can be provoked by naturally occurring phenomena (consider the limestone base of the Coonawarra wine growing region or the sheltered Tokyo harbour ideal for trade and commerce) or they can be artificially constructed institutions (two examples that were observed are business incubators and farmers' markets). The motivation for clustering was about finding the right physical location to combine business efforts (marketing, logistics, information sharing) by positioning collision points near stakeholders. The physical collision points are important for inducing collaboration/cooperation mindsets.

Porter describes the breadth in which a cluster can aggregate a wide array of stakeholders:

“Clusters encompass an array of linked industries and other entities important to competition. They include, for example, suppliers of specialized inputs such as components, machinery, and services, and providers of specialized infrastructure. Clusters also often extend downstream to channels and customers and laterally to manufacturers of complementary products and to companies in industries related by skills, technologies, or common inputs. Finally, many clusters include governmental and other institutions – such as universities, standard-setting agencies, think tanks, vocational training providers, and trade associations – that provide specialized training, education, information, research, and technical support.”¹⁹

3.3 Virtues of Clusters

SMEs are subject to several constraints through their lifecycle and access to capital is usually identified as both a primary constraint to growth and the antidote to softening related constraints (such as access to labour, markets, or innovation).

According to Porter, there are several virtues with well-designed clusters that can reduce the reliance on access to capital:²⁰

- They promote both competition and cooperation. Rivals compete intensely to win and retain customers. Without vigorous competition, a cluster will fail. Yet there is also cooperation, much of it vertical, involving companies in related industries and local institutions. Competition can coexist with cooperation because they occur on different dimensions and among different players (fostering an environment of cooperation).

¹⁸ Michael E. Porter, *Clusters and the New Economics of Competition*, (Boston: Harvard Business Review, Nov-Dec 1998).

¹⁹ *Ibid.*

²⁰ *Ibid.*

- They are alternative ways of organizing the value chain, by mitigating the problems inherent in arms-length transactions without imposing the inflexibilities of vertical integration or the management challenges of creating and maintaining formal linkages such as networks, alliances, and partnerships (softening the constraint of organisational development).
- Clusters allow each member to benefit as if it had greater scale or as if it had joined with others without sacrificing its flexibility (softening the constraint of access to capital or markets).
- Companies in vibrant clusters can tap into an existing pool of specialized and experienced employees, thereby lowering their search and transaction costs in recruiting and making it easier to attract talented people from other locations (softening the constraint of access to skilled labour).
- Cluster development is often particularly vibrant at the intersection of clusters, where insights, skills, and technologies from various fields merge, sparking innovation and new businesses (softening the constraint of access to technology/innovation)

So, it's dead easy then! Collect a group of like-minded people together in a designated location and watch the wheels of cooptation turn and the common goods flourish! Of course, as is the case with many human endeavours, there is no automatic adoption of a higher purpose. As I found through conversations and observations, clustering is not without its challenges in real world application.

3.4 Challenges with Clusters

During my travels, I observed three general challenges impacting the successful execution of clustering initiatives:

- **Cluttering v Clustering.** A great line was shared with me during my travels: "It is critical to keep the clutter out of the cluster".²¹ Whenever a clustering initiative is underway, there will be stakeholders with "skin in the game" and a vested and authentic interest in seeing the cluster advance, cooptation manifest amongst stakeholders, and practical and impactful common good enterprises flourish with resulting economic impact.

²¹ I've kept this person anonymous as they continue to be very active in clustering efforts and no doubt need to engage with "clutter" from time to time!

There will also be those that want to be involved without having direct economic investment in outcomes and subject to external agendas – think governmental officials, consultants, and adjacent service industries. The challenge is to leverage resources, expertise, and networks from the “clutter” for initial cluster formation but keep operational oversight, accountability, and strategic vision with those having direct impact and vested interest on successful execution – primarily the participating entrepreneurs and local industry thought leaders.²²

- **Adjacency to Whom.** Not all adjacencies are created equal – cluster designers must be laser-focused on which stakeholders the cluster is intended to serve (keeping Brandenburger and Nalebuff’s Value Map in mind), the specific flywheel outcomes sought, and how the specific location creates or softens barriers to success and avenues for growth.

For example, a Shared Retail Space in the form of a farmers’ market serves several stakeholders – providing an accessible and cost-diffused space for growers/agri-processors to sell goods, an attractive use for the property owner (private or public), and a convenient and vibrant place for individual customers to shop. However, the customers are the key stakeholder in turning the Collective Retail Facility cluster into a Common Good Economic Flywheel. For that reason, the cluster should not be located adjacent to growing fields and processing plants. The cluster should not be located in a property that is starved for use for a variety of reasons (inconvenient location, derelict amenities, legacy public ownership). Rather, the cluster should be located in a *convenient and vibrant space for customers*.

I experienced some great examples of well-placed clusters in the locations I visited (such as Flinders NVI, described below). I also experienced some anecdotes of well-intended initiatives gone wrong!²³

- **The Human Dynamic.** The first two challenges can be addressed with proper cluster design – thinking hard about who the leaders and stakeholders are to carry out the vision of the cluster and where to place the cluster to maximize the right kind of adjacency. The challenge of “good faith buy-in” is tougher to address.

²² Flinders NVI is a fascinating example of the “clutter” exiting the cluster – see the case study below at page 17.

²³ For example, a student/business incubator located far outside the city centre on cheap land near an airport for purely municipal-led, economic reasons. No wonder the uptick of the cluster was limited!

I observed a couple of clustering initiatives that were extremely well-situated and resourced. All the components were the “right pieces” and had the potential to fit well together, but for some reason the participants had a difficult time finishing the puzzle picture. The challenges came down to behavioural aspects all too typical in the human condition.

Ego, tribalism, unequitable resourcing, diverse intentions and agendas, insecurity, lack of trust. All these aspects run interference on collaborative initiatives, even if the nuts and bolts of the cluster are well-designed and individually well-executed.

By comparison, the clustering initiatives that functioned with a collaborative mindset undoubtedly had a collaborative champion (or two or three) at its core, who provided leadership, connectivity, and thoughtfulness in driving the collaborative culture and shared vision of the cluster.

The next section outlines several examples of well-executed clustering initiatives that address the challenges of decluttering the cluster and seeking proper adjacency. These initiatives are grouped into 4 categories: (i) Business Incubators, (ii) Designated Development Districts, (iii) Collective Retail Facilities, and (iv) Destination Marketing Initiatives.

3.5 Examples of Clustering Initiatives

I visited several types of clusters and met with many cluster organizers in each of the places I visited. I organize these clusters into four categories:

- **Business Incubators.**

Notable Examples: Flinders NVI²⁴ (Adelaide, Australia)
Sprout Agritech²⁵ (Palmerston North, New Zealand)

These are programs (in person or virtual) that give very early stage companies access to mentorship, investors, and other scaling supports (below market rent, cheap equipment, peer groups, professional and technical support) to help them establish their footing and market presence.²⁶ For-profit incubators are generally established in tandem with

²⁴ <https://www.nviflinders.com.au/>

²⁵ <https://www.sproutagritech.com/>

²⁶ Business Development Bank of Canada (n.d.), What is a business incubator, *BDC*. Retrieved from <https://www.bdc.ca/en/articles-tools/entrepreneur-toolkit/templates-business-guides/glossary/business-incubatorsca>

financial partners such as financiers or venture capital firms whereas not-for-profit incubators usually have some affiliation with government and post-secondary institutions. They are very common in the tech sector (but certainly not exclusive to that sector) and can be tiered in design, including concepts such as “business accelerators” (which are more suited to later stage companies).

Opportunities: Provides facilitated entry points for startup businesses, teaching base business skills and promoting networking and collaboration amongst that cohort and service providers, mentors, and financial partners. Inexpensive to setup and easy to place near post-secondary institutions.

Challenges: Primarily useful for early-stage startups and as a pipeline for funding and scale opportunities. Often tailored to the tech industry. Agri-processors require an equipment component so, to serve that sector, it needs to be aligned with a shared production facility.

Case Study – Flinders NVI

Flinders NVI (New Venture Institute) was an impressive execution of the business incubation/acceleration clustering model. It styles itself as “South Australia’s premier centre for innovation, developing, enabling and connecting to a vibrant ecosystem of innovative businesses, curious and passionate students, dedicated researchers, international academics, and committed government partners to create untold future opportunities.”²⁷ A lofty vision statement that is executed through an express commitment to collaboration in all things and shared access to capital equipment and innovation of the other participants.

As told by Verity Kingsmill, Director of Flinders NVI, “There is an expectation of collaboration right off the bat – if participants aren’t prepared to lose their territorial attitude, they simply can’t access infrastructure, support, and solutions that the facility offers.”²⁸ Flinders NVI tiers its various incubation programs to tailor to participating entrepreneurs, covering pre-incubation, incubation, and acceleration levels.

²⁷ *Supra*, note 23.

²⁸ Moen, Shawn, Interview with Verity Kingsmill, September 19, 2022.



Right – Shawn Moen and Verity Kingsmill (Manager, Flinders NVI) at Flinders NVI (Adelaide, South Australia, September 2022)

It also has an outstanding origin story. Flinders NVI is situated in a former Mitsubishi plant in the south part of Adelaide. In the aftermath of the subprime mortgage crisis, Mitsubishi ceased operations at its South Australian plant, creating an economic vacuum south of Adelaide. The rejuvenation of the plant site became a job and investment scheme of the then-governing state Labour government, which prioritized the development of the Tonsley Innovation District to drive innovation, create jobs, and thereby energise the state economy.²⁹ In doing so, the South Australian government encouraged/incentivized the joint venture development of the Tonsley Campus by Flinders University and several private actors.

Then, a funny thing happened. The Labour government lost the next state election leaving the foundation of the Tonsley Innovation District intact and its collaborators resourced and connected. The result was the development of a highly collaborative facility that was resourced by government but not subject to political agenda, interference, or interests. By circumstance, the “clutter” was removed from the cluster during its formative years.

The most striking thing for me with Flinders NVI was the predominance of workspaces in the common area and the proliferation of windows. The very design of the facility is centred around creating adjacency and provoking collaboration amongst its participants – you can see what your neighbours are working on, get inspired and identify where you may complement one another. These were not science-fair level startups. These were often academic/startup joint ventures with companies as large as Siemens and Tesla.

An expectation of collaboration that permeates all levels of Flinders NVI.

²⁹ <https://tonsley.com.au/>



Right – The legacy of Mitsubishi at Tonsley Campus (Adelaide, South Australia, September 2022).

- **Designated Development Districts.**

Notable Examples: Habitat³⁰ (Dromana, Australia)
 Norwich Research Park³¹ (Norwich, UK)

These are areas designated by municipal authorities for accelerated development of business districts usually with abridged permitting time frames and relaxed zoning requirements, provided that the proposed business fits within the development goals.

Opportunities: Softens the developmental hurdles for startup businesses related to zoning clearances, building code compliance, and facility capital cost. If well curated, it creates adjacency with like-minded and brand-consistent startups and service providers that complement each other, creating a “destination district” and the means for collaborative endeavours.

Challenges: Often placed by municipalities for “land use” reasons, which can create adjacency issues in attracting customers/visitors. Development area can be finite, creating barriers on operating businesses wishing to scale beyond their initial footprint.³²

³⁰ <https://www.dromanahabitat.com.au/>

³¹ <https://www.norwichresearchpark.com/>

³² This appeared to be the case in the Habitat development in Dromana, as the well-curated district was bursting at the seams, surrounding by high value land on the Mornington Peninsula. The growth of individual companies was stifled, suggesting that a Designated Development District has a strategic lifespan or requires churn in a comparable way to a Business Incubator.

- **Collective Retail Facilities.**

Notable Examples: Harvest Market (Launceston, Tasmania)³³
Adelaide Central Market (Adelaide, South Australia)³⁴
Riverside Market (Christchurch, New Zealand)³⁵
Little High Eatery (Christchurch, New Zealand)³⁶
Denver Milk Market (Denver, Colorado)³⁷
Michi-no-eki “Roadside Stations” (Chiba, Japan)³⁸

Collective Retail Facilities are business models where a collective of growers and agri-processors share retail facilities, overhead, staffing, and/or administrative responsibilities to collectively operate in one retail location. These often take the form of farmers’ markets, public markets, and food halls, and are often located in places convenient to customers (Central Business Districts, travel stops). Operations of participants can be siloed (in the case of farmers’ market stalls with individual POS equipment), curated and complimentary (in the case of food halls offering a diverse selection of on-premise fare), or highly integrated with centralized administrative infrastructure and participants largely taking on supply relationships (as was the case with Michi-no-eki). They can range from outdoor, stall-based markets (Harvest Market) to repurposed warehouses or other unused civic facilities (Adelaide Central Market) to independent, renovated developments (Riverside Market, Little High Eatery, and Denver Milk Market), to deliberate, green-field developments (the Michi-no-eki “roadside stations”).

Location and adjacency to complimentary consumer behaviour matters greatly with Collective Retail Facilities. An obvious point but if a Collective Retail Facility is in a place that is inconvenient or unappealing to customers, retail sales will suffer. It is also critical to create adjacency for consumers to the individual agri-processor – putting a face to a name. This didn’t always take the shape of having the agri-processor personally operate the retail activation specific to its business (though it often does). At the Michi-no-eki, for example, the market handles all administrative and retail sale functions but posts pictures and biographies of its participants. That direct-to-consumer connection point is critical in fostering buy-in and an elevated experience.

³³ <https://harvestmarket.org.au/>

³⁴ <https://adelaidecentralmarket.com.au/>

³⁵ <https://riverside.nz/>

³⁶ <https://www.littlehigh.co.nz/>

³⁷ <https://www.denvermilkmarket.com/>

³⁸ Japan National Tourism Organization (n.d.), Michi-no-eki – Japan’s roadside stations [Travel Article]. Shinjuku-ku, Tokyo: Japan National Tourism Organization. Retrieved from <https://www.japan.travel/en/guide/michi-no-eki/>



Left – The “compost heap” at the Launceston Market (Launceston, Tasmania, March 2023)
 Right – The food supplier photo gallery at Michi-no-eki (Chiba Prefecture, Japan, April 2023)

“Decluttering” these business models is also a consideration. While several examples are administered by an entity connected to a municipal authority and are admittedly well-run (Adelaide Central Market and Michi-no-Eki), several were private developments (the Christchurch and Denver examples), and others were collective non-profit entities with a matured, professionalized governance structure (Harvest Market as an example). From my observation, those that matured from the municipally-run model to one that is “decluttered” had heightened vibrancy, premium curation, and an overall dynamic customer experience. Having those with economic “skin in the game” and operational expertise elevated the effectiveness of these clustering initiatives.

Opportunities: Pooled resources and centralized administration can create a dynamic market experience and increase retail opportunities for participating agri-processors. Physically operating in close quarters increases opportunities for conversation, innovation, and collaboration amongst participants. Well-curated and authentically local agrifood experiences compliment overall destination agrifood tourism marketing (creates gravity for surrounding sector).

Challenges: If poorly placed or operated non-professionally, the Collective Retail Facilities can be a net-negative on the agrifood branding of a location. If retail opportunities are limited, consumer engagement is stagnant, or the physical location is ill-suited, it is difficult to gain momentum and buy-in of premium agri-processors is challenging.

- **Destination Marketing Initiatives.**

- Notable Examples: 12 Apostles Food Artisans Gourmet Trail (South Australia, Australia)³⁹
 MONA (Hobart, Tasmania)⁴⁰
 The Farm Universal (Chiba, Japan)⁴¹
 UNESCO City of Gastronomy Designation (Launceston, Tasmania)⁴²

Destination Marketing Initiatives seek to create adjacency by linking agri-processors to tourism attractions and thereby increase the interaction points amongst producers and opportunities to engage with consumers. They can be centralized in structure (MONA and The Farm Resort), decentralized but connected via storytelling (12 Apostles Food Artisans Gourmet Food Trail) or conceptual in nature (the designation of Launceston as a UNESCO City of Gastronomy). If centralized, they can be led by the agri-processor itself⁴³ or led by an independent player.⁴⁴



Left – On the 12 Apostles Food Artisans Gourmet Trail! (South Australia, September 2022)
 Right – Homegrown milk and dessert on the grounds of Schulz Organic Dairy (South Australia, September 2022)

³⁹ <https://www.12apostlesfoodartisans.com.au/>

⁴⁰ <https://mona.net.au/>

⁴¹ <http://the-farm.jp/chiba/>

⁴² <https://www.cityofgastronomy.com.au/>

⁴³ The Farm Universal is owned by the Rago Group – 100 farmers producing 40 different types of vegetables. It combines a hands-on farm experience with a restaurant, glamping, white label food and beverage products, and an onsen spa resort.

⁴⁴ MONA is a transcendent and provocative art museum developed by successful Tasmanian gambler David Walsh. It is such an economic presence in Hobart, that entire food and beverage businesses exist to support its operations and adjacent activities. This also creates vulnerability for agri-processors participating in and relying upon this Destination Marketing Initiative, as where MONA goes, the ecosystem goes.

Each of these experiences are compelling enough to deserve their own case study. The common thread is that the tourism experiences must be authentic to the area and each participant must be committed to a high level of excellence in execution.⁴⁵ They require extreme buy-in by participants as to the overall vision and premium experiences.

Opportunities: Increased customer base by building gravity for tourism experiences. Enforced interaction amongst participants increases competition for and a high standard of excellence. Self-actualization of location through story-telling and tourist draw.

Challenges: Highly dependent on tourism economy, which can have a shelf-life or be disrupted by external events (need to diversify offerings to appeal to local consumer base). Reliant on shared initiative, collaborative ethos, and premium zeal of participating businesses. Very vulnerable if dependant on a highly centralized Destination Marketing Initiative.

There are several other clustering initiatives that are not included in these categories and this list is by no means conclusive. I have focused on initiatives that create physical operational adjacency amongst the operations of participants, understanding that the physical collision points and the interactivity that is required are essential in fostering a collaborative ethos. For that reason, examples that I have not include virtual “meet-up” or networking groups, regional or sector-specific trade associations, and shared production or co-working spaces that do not involve additional engagement akin to a business incubator model, although many of such examples were visited during my travels and foster collaboration to their own degree.

3.6 Collaborative Champions – The Role of Leadership

Each of the jurisdictions I visited where collaboration was at the forefront benefitted from the presence of a Collaborative Champion – the sort of person that creates gravity within the ecosystem and fosters collaboration by their presence, influence, and diligence.

⁴⁵ One of our favourite experiences was stopping by a dairy operator that participated in the 12 Apostles Food Artisans Gourmet Trail and having a glass of milk and ice cream with our kids while the dairy cows grazed outside the window. The customer experience was transformative.

These Collaborative Champions uncannily shared several characteristics:

- Confident humility that is focused and driven on strategic outcomes;⁴⁶
- Extensive international involvement, whether due to immigrating from another country or having spent significant time traveling and learning or working abroad;
- Generosity with their time, expertise, and networks;⁴⁷
- Heightened social consciousness exhibited by creating and overseeing public good enterprises that fostered networking and collaboration amongst ecosystem actors;
- Personal commitment to educational initiatives focused on advancing the knowledge base of the ecosystem and increasing the capacity and accountability of its participants;⁴⁸ and
- Connected to the jurisdiction with authentic personal ties (born in the area or married into it): “homegrown talent”.



Above – Shawn Moen and Yuichiro Asai at Asai Nursery (Mie Prefecture, Japan, April 2023)

Too often we rely on chance to produce champions within ecosystems. Ecosystems don’t necessarily attract champions – many of these folks ended up in a place due to some personal or family connection.

Prior to ecosystem evolution, we need to prioritize the creation of home-grown Collaborative Champions through leadership training and support. Investing in their success results in investment in the success of the sector and location.

⁴⁶ The Collaborative Champions I visited had a great deal in common with the “Level 5 Leaders” described in Jim Collins’s book *Good to Great* – people that build enduring greatness through a paradoxical blend of personal humility and professional will.

⁴⁷ In his book *Give and Take*, Adam Grant talks about the high success potential of “givers” – people that are uniquely “other-focused”, helping those whenever the benefits to *others* exceed the personal costs, who are disproportionately generous in sharing their time, energy, knowledge, skills, ideas, and connections with others. To a person, the Collaborative Champions that I met with were “givers”.

⁴⁸ Several of the meetings I had with Collaborative Champions were interrupted by phone calls requiring ecosystems problem-solving. Leadership was continually exhibited and in many cases was downloaded and delegated. Each Collaborative Champion was expressly committed to the development, accountability, and self-actualization of their peers and colleagues. When asked about his secret for organizational success, one Collaborative Champion pointed to *Reinventing Organizations* by Frederic Laloux, a treatise on building organizations that focus on self-management and individual wholeness.

3.7 Clustering and Common Good Economic Flywheels

Well-executed clustering initiatives and the accompanying collaborative culture generate many common goods – unique products, knowledge sharing and refinement of best practices, peer support and commiseration, elevation of regional reputation, and supply and logistics efficiencies – but the actual upside is exponential.

On a couple of occasions, I observed the creation of what I term a Common Good Economic Flywheel: entities, institutions, structures, or opportunities that would not exist without the sustained effort of a collaborative, clustered ecosystem and which generate extreme economic benefit for the participants and the sector generally. It is virtually impossible for even a well-capitalized, individual agri-processor to produce something of that magnitude and opportunity. Typically, people talk about collaboration as producing something that is “more than the sum of the parts” but this adage does disservice to the nature of these flywheels – rather than $1+1=3$, the height and scale at which they operated justified an equation closer to $1+1=100$.

In his book *Good to Great*, Jim Collins illustrates the nature of the “flywheel effect” when looking at those moments that made the great companies he had studied transcendent. His vivid description is worth repeating in full:

“Picture a huge, heavy flywheel – a massive metal disk mounted horizontally on an axle, about 30 feet in diameter, 2 feet thick, and weighing about 5,000 pounds. Now imagine that your task is to get the flywheel rotating on the axle as fast and as long as possible.

Pushing with great effort, you get the flywheel to inch forward, moving almost imperceptibly at first. You keep pushing and, after two or three hours of persistent effort, you get the flywheel to complete one entire turn.

You keep pushing and the flywheel begins to move a bit faster, and with continued great effort, you move it around a second rotation. You keep pushing in a consistent direction. Three turns... four... five... six... the flywheel builds up speed... seven... eight... you keep pushing... nine... ten... it builds momentum... eleven... twelve... moving faster with each turn... twenty... thirty... fifty... a hundred.

Then, at some point – breakthrough! The momentum of the thing kicks in your favour, hurling the flywheel forward, turn after turn... whoosh!... its own heavy weight working for you. You’re pushing no harder than during the first rotation, but the flywheel goes faster and faster. Each turn of the flywheel builds upon work done earlier, compounding your investment of effort. A thousand times faster, then ten thousand, then a hundred thousand. The huge heavy disk flies forward, with almost unstoppable momentum.

Now suppose someone came along and asked, “What was the one big push that caused this thing to go so fast?”

You wouldn't be able to answer; it's just a nonsensical question. Was it the first push? The second? The fifth? The hundredth? No! It was all of them added together in an overall accumulation of effort applied in a consistent direction. Some pushes may have been bigger than others, but any single heave – no matter how large – reflects a small fraction of the entire cumulative effect upon the flywheel.⁴⁹

In my view, this best illustrates the potential of a well-executed, collaborative clustering initiative – and why people often take shortcuts, grow impatient, or want to be along for the ride despite having no vested interest. These sorts of collaborative outcomes take time, diligence, and a commitment to a higher purpose, culture, and collaborative ethos. I saw several of these Common Good Economic Flywheels in my travels but will focus on one to close out this report: Yakima Chief Hops.⁵⁰

Case Study – Yakima Chief Hops (YCH)

In 1988, three hop farmer families in the Yakima Valley (Washington) decided to form a grower-owned hop company (Yakima Chief Ranches). The initial focus was on combining forces to streamline sales and distribution and build direct-to-brewer relationships.



The Carpenter family is one of those families, having settled in the area in the Yakima Valley in the 1860s and previously having multi-generational experience in growing hops in New York State and the United Kingdom. I met with former YCH Chief Supply Chain Officer Steve Carpenter in Minneapolis, MN in May 2022 and later visited Carpenter Ranches to meet with Mike, Austin, and Tyler (6th and 7th generations, respectively).

Right – Shawn Moen with Austin and Tyler Carpenter at Carpenter Ranches (Yakima, WA, June 2022)

The original goal in forming the grower-owner hop company was to break the control that hop brokers and distributors had on the grower and brewer relationships.

⁴⁹ Collins, Jim (2001), *Good to Great: Why Some Companies Make the Leap... and Others Don't*, (New York, NY: HarperCollins Publishers), pp164-165.

⁵⁰ The Launceston UNESCO City of Gastronomy designation, The Farm Universal development in Chiba, Japan, and Fonterra cooperative populated by 9,000 farmers would also fit this description.

As put by Steve Carpenter:

“Back in the 80s, there wasn’t a lot of transparency in the industry. It was dominated by the hop dealers who didn’t only broker the hops, but provided information between brewers and growers. As growers, we felt that the most important stakeholders in that equation were the brewers and the hop growers. We set out to change the way things were done. We wanted transparency. We felt that the more we knew about what our brewer customers needed, and what we went through to get them the product, the better the system would be.”⁵¹

Despite its focused origins in sales and distributions, YCH has broadly expanded its mission and found diverse ways to add value to its stakeholders. With the growth of its business and the need to add capacity, it began investing in extract plants and invited 10 other local hop farmer families to join. The continued evolution resulted in the addition of a hop breeding program (the resulting joint venture being responsible for the development of the highly sought after Citra® and Mosaic® varieties). The group holds roughly 30-35% of market share in the United States hop industry.

Again, Steve Carpenter on the longview perspective, values prioritization, and incremental effort that pushes the flywheel:

“We’re not losing sight on what has made us what we are. Any successful company stops every once in a while to look back and teach the younger generation what happens when you’re committed to making positive change in an industry. It doesn’t come without hard work and sacrifice. But one of the fun things about being a part of a conglomeration of family businesses is that we keep that family attitude. We know the history.”

Today, YCH not only supplies hops across the craft brewing sector (including to 9 Mile Legacy Brewing). It also runs a highly regarded breeding program, a brew school for its partner breweries, has strategic alliances with other farmer-owned hop distribution groups (NZ Hops Ltd.), pushes innovation boundaries with cryogenically frozen hops and hop oils and extracts, and has one of the more advanced quality control laboratories that I have ever seen, allowing it to contribute to the public domain of hop agronomic knowledge. YCH is also highly concerned with sustainability, coordinating Green Chief® internal farm quality and sustainability management programs to its partner farms and beyond.

The flywheel of YCH operates and improves the individual member farmer’s ability to focus on growing great hops. It creates blue ocean opportunities for the sector and improves public domain knowledge for best practices and sustainability.

⁵¹ Gould, Kenny (October 19, 2019), Learn About Hops With Steve Carpenter, 5th Generation Farmer and Former Yakima Chief Hops CEO, *Forbes*. Retrieved from <https://www.forbes.com>

Simply put – you cannot easily achieve what YCH has achieved by going at it alone. It requires an informed vision as to sector opportunity, courage in creating opportunities for collaboration with competitors, the right cluster design, Collaborative Champions such as Steve Carpenter, and long term, continual work at building upon the resulting collaborative initiatives.

4.0 CONCLUSION

This project started as an effort to find better supports for individual, scaling agri-processors. That goal was informed by our own challenges of scaling 9 Mile Legacy Brewing and by a belief in the SME role in advancing both the agri-processing sector and our provincial economy.

With the multitude of impactful, century-level disruptions that imposed themselves during the course of the study, focus shifted on finding those points of sector development that created collective resiliency – the theory being that if a foundation of collective resiliency is maintained, then the prospect of individual success is heightened and the ability of the sector to withstand crisis and disruption is bolstered.

A rising tide raises all ships.

My travels to the premium agrifood clusters of South Australia, Tasmania, Japan, New Zealand, and the Pacific Northwest of the United States of America led me to conclude that the combination of an authentically held collaborative ethos paired with well-designed clustering initiatives and the leadership of “Collaborative Champions” creates a positive impact for agri-processing sectors by fostering a base level of collective resiliency and setting the stage for massive potential spinoffs.

Common Good Economic Flywheels are not created overnight, and impactful clusters take commitment, diligence, and an embrace of collaborative values. But once they start spinning, the impact can change sector opportunity and global outlook.

5.0 RECOMMENDATIONS

This study results in several recommendations for consideration when determining how best to advance Canadian agri-processing sector and build collective resiliency:

- The focus on sector development is traditionally on facilitating availability of capital for individual agri-processors. Investing in SME-level clustering initiatives can build collective resiliency, set the table for collaboration, and thereby soften the individual need for capital.
- When designing a clustering initiative, be deliberate about the adjacency of the cluster – adjacency to whom and for what purpose. Positioning will determine the long-term outlook and impact of the sector cluster.
- Separate the “clutter” from the cluster. Ensure that decision makers and implementers of strategic vision have actual skin in the game (entrepreneurs) and a vested interest in the long-term success of the cluster, limiting the roles of those that do not beyond initial setup (government and consultants).
- The success of a collaborative ecosystem requires the establishment of a consistent and authentic culture. It requires ecosystem participants to “buy-in”. This is often driven by Collaborative Champions. Invest in training and support for home-grown sector leadership and deliberately develop Collaborative Champions rather than leaving this to chance.
- The combination of a widely held collaborative ethos, well-designed clustering initiatives and Collaborative Champions builds collective resiliency and sets the stage for something of higher potential – a Common Good Economic Flywheel. While the potential for Common Good Economic Flywheels is great, progress will not happen overnight. It requires patience, long term vision, common values, and steady pushing by cluster participants. Cluster strategies should take this necessarily extended timeline into consideration.

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