

**To seek out sustainable solutions in moving farm commodities to branded products and reconnect consumers with producers**

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## **Executive Summary**

### **Background**

Commodity marketing is not sustainable. Most farmers have now recognized that traditional commodity markets do not ensure the survival of their businesses unless they are the least-cost producer. Most also recognize that they cannot be the least-cost producer. Some, however, have changed their thinking and view depressed commodity prices as opportunities to market products differently. They are doing this by branding, moving beyond commodities to products and in the process are re-connecting with their customers.

### **Objective**

The objective of this study was to search out examples where producers and consumers are reconnecting and where branding is being used to move from commodities to products.

### **Method**

The method used was to investigate and visit working examples in the UK, Denmark, France, USA and Australia.

### **Conclusions**

Conclusions were drawn from the investigations and are included at the end of the report. Working examples were found where producers have been successful in creating new relationships to reconnect with consumers. As well, consumers were searching out producers. Brands, whether they be personality, place, product, or values-based, have been developed by producers to move beyond commodities. These processes are working with varying degrees of success. More consumers and producers are developing more sustainable relationships.

## **Foreward**

Ellen and I operate a mixed farm in Brackley Beach, Prince Edward Island. The farm consists of a farrow-to-finish hog operation, 50 acres of seed potatoes and 500 acres of forages and hay. Our operation would be described as mid-sized. We have learned that 50 acres of potatoes is enough in a good year - and certainly enough in a bad year. I have valued having many of the same producers as my customers since 1977, the year we re-entered the seed market. One could say that we have built up a trusting relationship over some twenty-five years. When asked why I came back to the family farm, my response was "that the farm allowed me to do the things in life that I wanted to do." Farm life, even with its challenges, has been good for Ellen and me, and good for our family. No one ever said to me "that shalt farm". I always believe that I have options and I opted to farm; I can also opt to do something else.

In a small province there are enhanced opportunities to participate in farm organizations and to quickly take a leadership role. I had many roles in the Prince Edward Island Federation of Agriculture, first as a member, then as director, vice-president, president and PEI representative to the Canadian Federation of Agriculture.

My study background is biology and I have a keen interest in environmental issues, particularly as they relate to agriculture. Consequently I took an active role in the development and promotion of the Environmental Farm Plan for Atlantic Canada. The workbook has had wide acceptance in our province with probably the highest percentage of uptake for any region in North America. The provincial government deserves some credit for the success of this program.

Over the past ten to fifteen years, producers have experienced several price crises relating to commodity farming. We should not need further evidence that commodity farming can only be successful for those who can be the least-cost producers, which we are not. It could also be argued that consumers are not paying the true cost for food. If the system is not working; we should determine whether it is fixable; if it is not, we need to design a new system. The Nuffield experience has given me tremendous opportunities to have face-to-face discussions with individuals in many countries who have also decided that the present system was not working for them. They have taken bold steps to think differently and to look for opportunities that will allow for the sustainability of their farm and family.

## 1.0 The Study

The study consisted of two components:

### **1.1 Research**

First, to seek out individuals and groups who would be appropriate to interview for their activities relating to my study topic. Of great assistance were Nuffield Scholars, particularly in the UK and Australia. Additional help was obtained from staff in the Canadian Embassies in the UK, France, Australia and Germany, staff of Agriculture and Agri-food Canada, and connections with universities both in Canada and the countries visited. I also used personal connections. Many hours were spent reviewing websites and making e-mail contacts. Time spent in preparing for travel was probably equal to the time spent travelling. A point of interest with one contact would usually lead to a suggestion of visits to three or four other like-minded individuals.

### **1.2 The travel component**

The countries chosen for my investigative travel were the UK, France, USA, Germany, Denmark and Australia. The format used was semi-formal interviews with (1) individuals with branding initiatives; (2) visits to venues such as farmers markets, farm shops, restaurants and retail outlets which promoted local produce and producers. It was always a challenge to restrict visiting to fit within the timetable. The number of countries that I had intended to visit had to be reduced or substituted because of some suggestions that did not work out. The fascinating component of this process, for me, was that these were all first calls (no previous contact). My only previous contact was by e-mail, phone messages or through introductions via Nuffield relationships. I was duly impressed that people, who I did not know, were willing to take time to tell me about their experiences as it related to my topic and obviously their interest as well.

#### Travel

Travel consisted of four components.

1. Missouri, USA - eight days in 2004
2. United Kingdom - 16 days in January/February 2005
3. Europe (Denmark, France, Germany) - 20 days in March 2005
4. Australia - 24 days in September 2005

In addition to this I completed the following components of the organized Nuffield travel tour:

1. Manitoba/Saskatchewan, Canada - 12 days in June/July 2004
2. London, Paris, Brussels - 10 days in March/April 2005
3. Spain - 4 days in April 2005

Total travel amounted to 13 weeks

## **2.0 Background**

### **2.1 Introduction to North American agriculture**

An anecdote concerning the industrialization of North American agriculture is that in the late 1940s, there were 5 million farmers providing 25% of the produce consumed and 75% was imported. By the turn of the century this number had dwindled to 500,000, but these farmers now produced enough to feed the population and still export 75% of their output. Whether true or not, this illustrates the trend towards the commodity farming and the massive increases in agricultural output since the Second World War. Prince Edward Island is no exception to this trend. The number of registered farms dropped from 13,000 in 1950 to less than 1,800 by 2004. However the acreage was not lost and in fact increased to 646,137 acres over the same period. Average farm size increased from 50 acres in 1950 to over 350 acres in 2004.<sup>1</sup>

### **2.2 Environmental Impacts**

Today, more consumers are concerned about their food, how it is produced, what it contains, where it comes from and who produces it. Health issues such as E-coli contamination, pesticide residues, BSE, avian flu and foot and mouth disease are eroding consumer confidence in the food supply. Given the concentration of production capacity in the hands of fewer producers, little problems can become large ones very quickly.

Issues such as agricultural run-off, chemical inputs and a lack of proper nutrient management erode consumer confidence in the food system. Concentrated production over large areas of land in a mono culture can result in increased pesticide use. On average three calories of fossil fuel energy are expended to produce one calorie of food. As non-renewable resources are spent, the system becomes increasingly unsustainable.

While Prince Edward Island accounts for almost 30% of Canadian potato production, it is less than 5% of North American production and 0.5% of world production. Nonetheless potatoes are our major crop. An increase in acreage in the mid-1990s to support an expansion to the french fry processing capacity led to an increase in environmental pressures. Marginal land brought into production to accommodate the increased demand led to an escalation in agricultural pesticide run-offs and resultant escalating incidents of fish kills. Practices such as integrated pest management, crop rotations, nutrient management and buffer zones tend to mitigate some of the above issues. Nevertheless, in a system where the producer is not rewarded for doing the right thing, there is little incentive to follow these practices if one is increasingly trapped in a commodity treadmill. Economic survival at the expense of environmental equity, however, is not sustainable in the long term. There is a growing awareness of this fact in the agricultural community and steps are being taken to address these issues.



### **2.3 The North American consumer**

Never has the standard of living in first world society been as high. But also, never has society been more stressed. The most precious commodity in the first world today is time. Consumers are time pressured to a degree never before imagined. The increase in the standard of living has come at a terrible price. Compared to the nuclear family of the sixties with a single breadwinner, a single car, one TV set and a washing machine, today many households have more than two cars, microwaves, home computer LAN's and theatre systems, multiple TV sets, ride-on lawn mowers, snowblowers and a host of other things designed to make life more convenient and save time. Households themselves have undergone fundamental change with nearly 48% being single or one parent homes. Over 50% of today's meals are consumed outside the home, largely due to time pressure. North Americans spend only 12% of disposable income on food compared to around 30% in developing countries. Food itself has become a commodity. Almost half the food purchased is thrown away and the glut in supply has led to a casual relationship by a society that is considered to be obese and overweight. Upward trends in drug and alcohol abuse, suicide and divorce rates underlie a social system that is becoming increasingly unsustainable. Consumers escape the pressures of modern living through adopting a time out mentality, taking vacations and the summer exodus to cottage country. They also turn to brands for comfort, shopping has become the second largest pastime in North America and it is here that an opportunity exists to reconnect the producer with the consumer.

### **2.4 Introduction to Prince Edward Island, Canada**

Known as the Garden of the Gulf, Prince Edward Island was meant for fishing and farming. When explorer Jacques Cartier first set eyes upon it he exclaimed "it's the fairest land 'tis possible to see." Gently rolling hills and meadows make cultivation ideal and the iron rich red soil makes it particularly suitable for farming root vegetables and kale crops. The carrots are sweeter and the potatoes have a higher solids count. Numerous bays and estuaries enable the cultivation of blue fin mussels with almost half the North America fresh supply cultivated here.

### **2.5 Issue analysis**

Prince Edward Island is a finite resource that has almost reached its production capacity. There is limited land for expansion and productivity gains at the expense of environmental degradation are not an option. There is a symbiosis between fishing, farming and the community to share this resource, keep it pristine and continue to develop the infrastructure as a major tourist destination. The Island cannot compete on size against its competitors in North America. It must compete on quality. The challenge is to find a reward in the market place. This means leaving the commodity model and focusing on new strategies in the future. The FoodTrust initiative is an example of a process that seeks to market high quality foods from sustainable production systems and create a partnership among all participants in the value chain -

the producer, the retailer and the consumer.

## 2.6 Distributive trade

The last four decades have seen a massive shift in margin from the producer to the distributive trade across all commodity groups. By way of example, the following table shows that pork prices have remained fairly static since 1970; however, the value captured at the retail level has increased dramatically while the producer margin has declined.

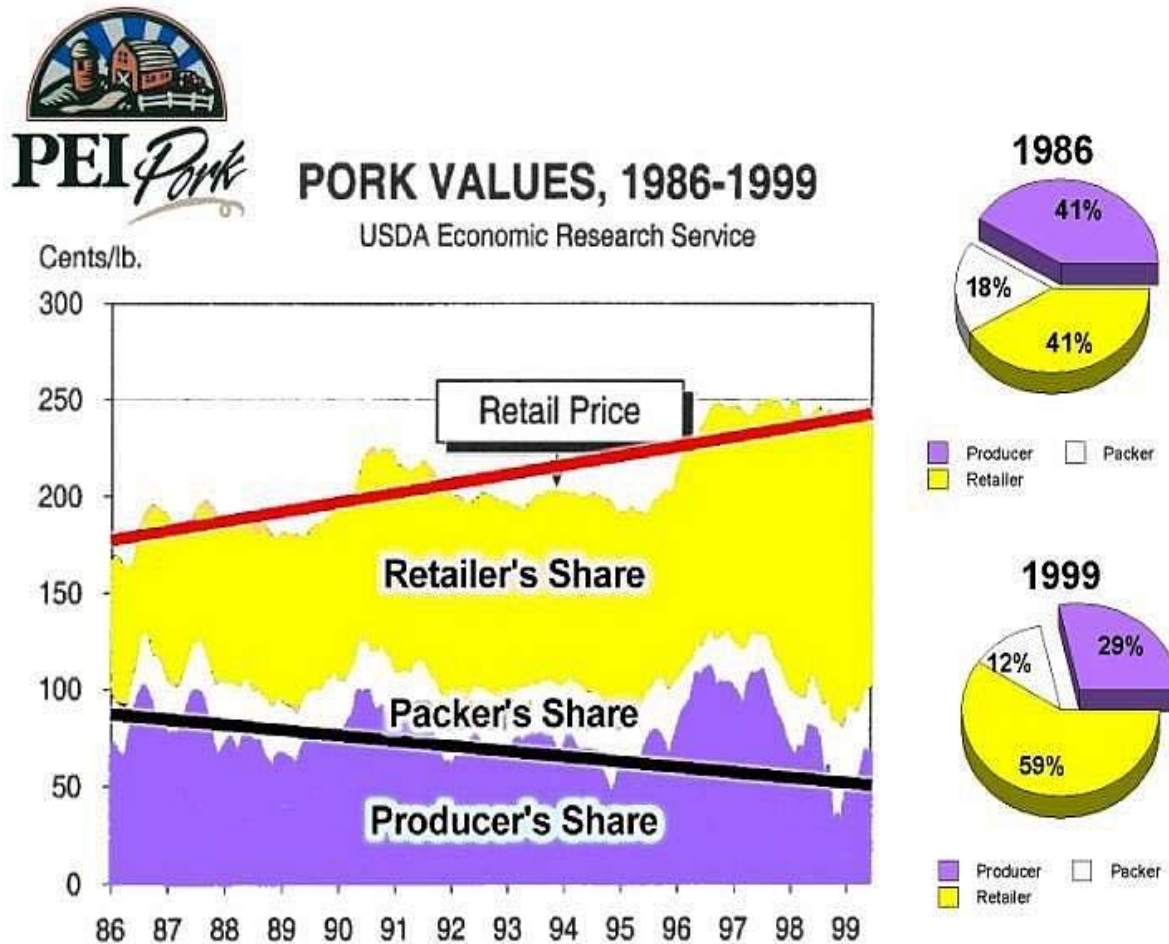
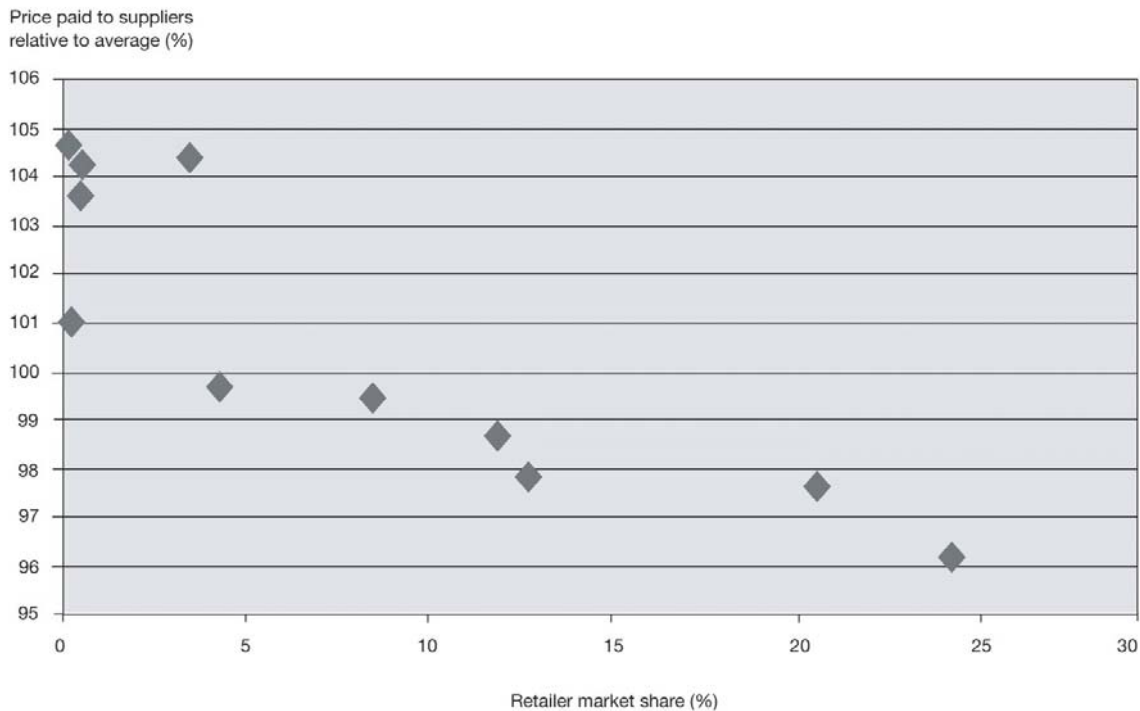


Figure 1: Pork prices 1986 - 1999. Provided by USDA Economic Research Service.

The concentration in the retail trade has been extensively written about; most scenarios predict three to five retailers will emerge as the global players. Whether the retail trade has consolidated to accommodate today's high volume agricultural output or vice versa is a moot point - the disconnect between the producer and the consumer has led to a system that is becoming increasingly production oriented. Price competition among retailers has forced continual margin pressure and efforts are largely focussed on

streamlining the overheads in order to survive. This has largely been achieved through consolidating, mechanization and a massive increase in yield per acre through industrial agricultural production methods.



Data from UK Competition Commission (2000) Appendix 7.2. Applies to suppliers' top 5 lines

**Figure 2:** Supermarket buyer power in action: UK market share and prices paid to suppliers. From “Food Inc. - Corporate concentration from farm to consumer” by Bill Vorley.

## 2.7 A branded approach

Branding offers a chance for the producer to reconnect with the consumer, an opportunity to be rewarded for doing the right thing. Branding is a means of differentiating oneself from the commodity model. Branding is far more than simply putting a trade name on a package. Branding is all about trust. In fact, the origins of branding can be traced to early artisans applying their mark to their work and developing a reputation in their community for honesty, diligence in their work and attention to quality. These early traders learned the value of customer goodwill associated with a name. Today, marketers apply the same time honoured principles on a global scale in offering consistent quality and reliability through their standardized processes. People learn to trust a brand name through association with consecutive positive experiences. The entire value chain to the consumer is part of the branding process - any weak link in the supply chain can destroy a brand. From a lack of

attention to quality at the production end, to a lack of proper stock rotation by the distributive trade, the path is fraught with potential problem areas. Consequently, only successful partnerships among all partners in the value chain will succeed.

Recognizing this, FoodTrust seeks out distribution partners with like minded values in ensuring a transparent service delivery to the consumer.

## **2.8 The branding process**

There are three different types of brands. At a basic level there are product brands. Detergents and toothpastes are prime examples of these. They rely on their effectiveness for their franchise. These brands need to continually reinvent themselves and find new propositions for consumers to buy them. One has only to look at the toothpaste wars, from the invention of plaque and tarter to the latest fad in whitening tooth enamel, every advantage is soon equalized by the competition and a new product plus is developed to maintain market position. This is a game that only the really big consumer companies can afford to play. The result of this approach is the exclusion of the smaller competitor, leaving the market available to two or three competitors at the most. Private label programs by retailers have traditionally focussed on taking up any slack in the market by offering a price alternative to the market leaders. This arrangement concentrated the market and the distributive trade in the hands of a few major players. Product brand relationships with consumers are therefore generally not an option for smaller producers in developing a branded approach to the market unless there are vast resources available to keep competitive through high research and development investment and continual renewal of the product, packaging and the communication.

The second type of brand is the personality based brand. Here the product is marketed through positive image association with a popular person, character or even place. Sanka coffee in the 1970s had a powerful franchise with the character of Juan Valdez, a coffee grower and spokesman for the brand. Pepsi uses rock stars as a platform to promote their cola. The problem with personality brands is that they do not generally last. Personality's eventually fade from the spotlight. Any negative imagery can quickly bring about a brand's downfall. Generally, only fashion or trendy products with short life cycles benefit from personality brands.

For long term sustainability it is generally advised to develop the third form of branding relationship with consumers - values based brands. A values based brand connects with the consumer at an emotional level. Comfort foods like Campbell's tomato soup or Kraft dinners are not about the product intrinsic. In reality, there are tastier and healthier options available, but consumers have adopted these brands as tried and trusted favourites. Tim Horton's coffee is a Canadian icon, but again the strength and flavour of the coffee is not as good as Starbucks, however far more people consume Tim's than Starbucks through the emotional attachment they have with the name. A cup of coffee bought at a Tim Horton's drive through on the way to work offers comfort from the stress of the congested traffic jams and the commute. Coca Cola, the greatest

of all the values based brands, is about a slice of life rather than quenching a thirst. The Coke moment is a reward and an indulgence for the consumer. The consumption of Coke is a celebration of life, a time out from the pressures of modern day living, and it does offer some relief from thirst, a mild caffeine kick and a calorie rush. Values based brands are the ones that endure. Some have made the journey from product brands initially, however all have this larger than life image in the mind of the consumer. Understanding the drivers to developing values based relationships with consumers is the key to sustainable branding. Psycho graphic market segmentation, an understanding of consumer relationships, usage and consumption attitudes, brand rationale and tonality all come into play in developing a brand proposition within a defined target group of consumers.

At a product level, a brand must satisfy a consumer need; at a values based level, a brand must be in empathy with the way a consumer feels about the product. Values based brands are created through connecting consumers' needs with their emotions in a way that satisfies both. Qualitative research into consumer dispositions towards products and a thorough understanding of the consumption moment is important in identifying these needs. A values based brand has to be positioned according to the consumer's experience or interaction with it in mind and not from a purely product or production viewpoint.

## **2.9 FoodTrust identity and organization**

The FoodTrust brand was created out of an audit of the attributes and properties that consumers associate with Prince Edward Island. As a place, the Island is known for its rich red soil and pastoral landscape. Farms must remain small by law. Its clean, pristine environment is cleansed by cold winters each year. Its uniqueness and isolation ensure a protected environment. Warm days are alternated by cool, salty ocean breezes at night making for ideal growing conditions. Legislation was enacted to keep a farming community by not allowing corporations to own more than 3,000 acres of land or individual farmers more than 1,000 acres. Consequently the Island is probably the last region in North America where more people live in the country than in the city. The people of Prince Edward Island are known for their warmth and hospitality; a strong sense of community prevails and people look out for each other. It's a community that has been time tested through generations. Here people take pride in their work and believe that doing the job right is as important as getting the job done. Within such a small community people are hard working and honest. Traditional values prevail. A strong sense of place, family and environment are the characteristics that make up the character of Prince Edward Islanders. This was summed up and an initial brand positioning statement was elaborated and subjected to qualitative consumer research: 'For generations, people have trusted Prince Edward Islanders to grow and harvest food that nurtures the body and the soul'. The research confirmed the hypothesis as credible and it remained to find a way to go to the market place. Three alternatives were pursued and a further



three concept boards were developed. The Island was positioned as a place that a) provides high quality products, a place that b) provides an ideal environment for growing high quality products and finally as a place c) where you could count on the people to provide high quality products. The “people” concept consistently outscored the other two in terms of credibility, and the slogan “Growing well is a way of life” underpinned the concept of high quality foods from sustainable production systems. This slogan works at many levels. Environmentally, it embraces sound principles of growing and production practices. Socially, it embraces a community that is healthy and vital. From a consumer perspective, it embraces the desire to consume foods that are grown well and are wholesome. Above all, the slogan is seen as an inspirational one that must continually be improved upon. In all these vital areas, it represents a call to action for FoodTrust and its members. The name FoodTrust itself was a contraction of a slogan that initially read “Food you can trust from Prince Edward Island, where growing well is a way of life.”

## **2.10 Brand Standards**

When FoodTrust first began looking towards establishing brand standards, it quickly became evident that there were many protocols involved across different commodity groups in environmental and societal issues. The organization quickly became bogged down in a multitude of standards ranging from soil and crop issues and pesticide management to animal welfare issues. What was required was a standard that the consumer could understand and that would be easy to manage and control. Starting with the consumer, research on the major concerns about food safety and production issues was reviewed, and the top ten issues uppermost in consumers’ minds were identified. FoodTrust reviewed these and found that food safety, quality and health were givens for any product. These standards at least had to be met. However, branding is all about positioning, and the organization had to find the levers with consumers that would give it a credible and competitive edge. These were also chosen from the top ten lists and environmental and social standards were added. Here FoodTrust could make a difference!

## **2.11 Going to market**

The first challenge for any brand is to find a compelling reason for consumers to buy; this requires a careful study of the market and the competitive landscape. Differentiation has to be meaningful, relevant and of genuine value to the consumer. It is important also to position a brand within the consumer’s perception of reality, whether that reality is flawed or not. Beliefs that organically grown food is healthier and that locally grown produce is safer are examples of such perceptions. The proposition should be sustainable in the long term, and price competition should not erode the brand equity. Ultimately a brand proposition should take the entire value chain into consideration, beginning always with a defined consumer need and proposition in mind.

### **3.0 Sustainability**

In the evaluation and interpretation of the results from my study, I was looking for sustainable systems. A commonly accepted definition of sustainable is “a system that is environmentally sound, socially responsible and economically viable.” John Ikerd was my inspiration for all things sustainable. He questions the long-term viability of the capitalist model as it relates to sustainability.

Capitalism was born in an environment where the pursuit of happiness was its goal. In the early days of the capitalist system there were many participating who would trade for the mutual benefit of both parties. Adam Smith could not have envisioned a society where the pursuit of wealth has replaced the pursuit of happiness. In its early days the study of economics was a study of a living entity on human relations and a relationship with a living environment.

Ikerd would argue that economics is not a life science anymore. It is chiefly interested in profitability, and for the most part does not take into account relationships between humans, and between humans and their environment. If we are to change course towards sustainable development then once again economics must be ingrained in the pursuit of happiness, and of right relationships between individuals and with the environment. In his book “Sustainable Capitalism: A Matter of Common Sense”, he states:

A strong case can be made that the societal usefulness of the industrial era has passed. Evidence continues to accumulate that any economic benefits no longer outweigh the rising ecological and social costs. The most impressive era of economic progress in the history of humanity appears to be nearing an end. All previous economic systems, including communism and socialism, eventually have become extractive and exploitive, rather than productive and supportive. They have degraded and depleted the natural and human resources upon which they are ultimately dependent. Eventually, the systems all benefited only the few at the expense of the many and benefited the present at the expense of the future. The fundamental flaw in all previous economic systems has been their intrinsic lack of sustainability. In an increasingly crowded world of scarce natural resources and destructive technologies, a new sustainable approach to economic development is imperative.<sup>2</sup>

Sustainability exists when individuals have the opportunity to pursue a quality of life, happiness, emotionally, spiritually and physically, but not compromise the ambitions of future generations. We are heavily dependent on non-renewable resources for our present standard of living. How can a food system be sustainable when three calories of non-renewable energy are required to produce one calorie of food? Is it right for one or two generations to use the cheap, readily-available fuels with no regard for future

generations? Although future generations cannot reward the present generation, it is a matter of the rightness of our values that we provide for them in advance.

Sustainability is not a destination but a living process that involves living systems.

It is easy to measure economic viability and as well environmental stewardship but social responsibility is more difficult. As FoodTrust board member, Carl Nicholson, said “we certainly know when people act in a way that is not socially responsible.” It is a matter of interpretation whether these values are shallow or deep with a level of permanency. Again, quoting Ikerd who quotes Alan Drengson, “deep” sustainability deals not only with relationships as they are, but also asks what those relationships *should* be and *must* be to sustain a desirable quality of human life on earth.”<sup>3</sup>

If social responsibility has as its foundation the values of honesty, fairness, compassion, responsibility and respect, then these are the values that one would consider in discussing social responsibility. In fact, no one would argue against these values and it is with these values that we can begin a discussion on sustainable futures.

It is a matter of rightness and quality of relationships at the physical, emotional and spiritual levels that the discussion must begin. These values cannot be proven as to their rightness but they do not need to be proven, it is a matter of common sense that we accept them.

These values became evident to us after the loss of our home and belongings in a house fire in the middle of an incredible winter storm. Within hours we were overwhelmed with food, clothing and money from our family, friends and neighbours. This sense of caring was not limited to rural people but was also evident by the generosity of the folks at Veterans Affairs in Charlottetown where Ellen works. Where would you choose to live? in an area where you don't even know the neighbour's name, let alone their values, or in a community where people are compassionate toward their neighbours? The Golden Rule was made evident in the aftermath of our fire. This sense of caring within a community is not a rare event but the norm in PEI. Millions of tourists have come to PEI and confirm the existence of these values. They come first because of the pastoral landscape, they return because of the people they met.

PEI is not blessed, or maybe cursed, by having deposits of fossil fuels or other metals and minerals. It is these very nonrenewable fossil fuels that our lifestyle has become dependant upon, and the present jump in fuel prices indicates that as fossil fuels become scarcer, or we continue to depend upon them for our needs, they will become more expensive. Will they ever run out completely, probably not, but they may become very expensive. Do we have alternative strategies in place? No, but we can develop them.

What PEI does have is access to the sun which sustains all life on earth. We ultimately end up eating the products of photosynthesis or its derivatives, i.e. plants or animals. Not only does PEI have access to solar power, as everyone else has, but we also have



access to water and abundant wind energy, rich soils capable of producing lush crops. We also have human, animal and plant energy which are all derivatives of the sun. It is interesting that when Christ was on earth he talked about being the light of the world, so we do have the access to the other Son for spiritual relationships. Christ actually talked a lot about darkness and light. Is it possible that a non-sustainable system based on nonrenewable fossil fuels is a dark system?

With this as a perspective on sustainability, I proceeded with travel to analyse enterprises on three different continents.

## 4.0 Findings from travel

### 4.1 United States of America (USA)



While in Columbia, Missouri, I met with Kyle Vickers, manager of Heritage Acres Foods, and Russ Kremer, of the Missouri National Farmers Union, which endorses the project. Heritage Acres Foods is a cooperative of 52 pork producers with its own processing plant. The product is branded as natural, that is, no antibiotics or growth hormones; humanely raised, which means the animals have access to the outdoors; and animals are grain-fed with no animal byproducts. The pork is hand-cut and naturally tender. There are no additives to enhance colour, flavour or texture. The naturalness of the product more than compensates for additives. Heritage Acres Foods believes their pork to be the safest and most wholesome pork available. Each piece of product can be traced back to the farm of origin. One challenge for the cooperative was to find the right general manager who could manage the plant and market the product. The cooperative has had difficulties accessing retail markets and selling all the cuts from the whole animal. The demands placed on the cooperative are no different from any other small supplier competing for a retail presence. Competing with those well established in the trade has been especially difficult. Heritage Acres Foods is a classic example of a great idea and a great product with implementation barriers.



### 4.2 United Kingdom (UK)



The UK is very much steeped in tradition and this also applies to agriculture. This tradition may be a barrier to success in the future as the UK adjusts to a new reality of farm subsidies geared toward the environment and potentially to an influx of cheaper, eastern-produced EU foods. Farm shops are quite common, contrasting quite visibly with the Tescos of the world. There was also evidence of many regional brands.

Consolidation in the retail sector is taking place and is dominated by Tesco which is expanding at the expense of the other leading retailers, especially Sainsbury. The price discounter in the UK is ASDA, owned by Walmart. Higher-end stores include Marks & Spencer and Waiterose. I visited one Waiterose store in London and was impressed with the cleanliness of the store and the high dress code of the staff. Waiterose has a willingness to buy locally and support local producers. When talking with people in the UK, they were unified in their praise of Waiterose as a retailer with more social conscience.

In discussion with Jack Ward, Nuffield Scholar and a Regional Director of the National Farmers' Union in the East Midlands, he identified three challenges that UK farmers face. 1. Relationships for farmers with the environment and what non-farmers expect

from them. 2. Relationships with retailers. 3. Relationships with government. Ward said farmers traditionally vote Conservative, so they are quite often ignored by both parties: the Conservatives, because they know they have the farmer's vote, and Labour which does not expect the farmer's vote. Ward thought that North American farmers were better represented in government.

I made several visits that I thought were appropriate for my study:

#### 4.2.1 Beckett's Farm Shop and Restaurant "*Just good fresh food*"



I met Simon Beckett and his father, Alan, both Nuffield Scholars. Their business is strategically located just off the M42 highway on the way into Birmingham, the second largest city in England. The restaurant and the farm shop are treated as two distinct operations. The manager of the restaurant has a fair amount of latitude but with well-defined targets for growth in sales and profit for each year. Simon prefers to have a "hands-off" approach to the restaurant, allowing the manager to have full reign of the business.

The farm shop is well stocked with sections for a bakery, deli, butchery, vegetables and eggs, hot counter and sandwich bar. The bread is always fresh and the sandwich I had was excellent. There appears to be a strong relationship between the customers and the Becketts and the rural setting and quality food.

Becketts have a farm of approximately 800 acres. They were heavily involved in chicken production in the past, but they have changed to focus on new enterprises. The food for the food shop does not come from their farm but is supplied by local producers. There are many historic buildings and barns which have been converted into rental properties. Simon's own house is one of those ancient properties which was refurbished from a barn dating back to 1200-1300 A.D. More recent buildings are gutted and re-faced with steel to serve light industry. He has converted acreages into soccer fields and pitches and even a daycare during the day and an athletic club by night. Simon looks for ways to draw something from property that gives a better return than agriculture but does not take away from the pastoral setting. He sees himself not as a finalizer or completer but as a visionary when it comes to new projects. He relies upon good staff to complete his projects. Most staff have been with him for a long time. Ian, his manager, says that staff might make more money somewhere else, but they like working for Simon because of his innovative ways. Simon has little time for whining farmers. If you don't like what you are doing, then do some thing else - shut up or shove off.

#### 4.2.2 Donald MacPherson - “Well hung and tender beef”



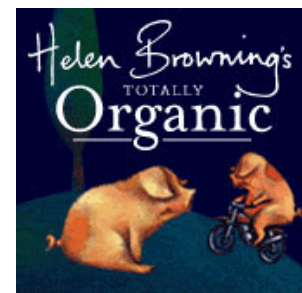
Donald saw an opportunity of niche marketing for his Angus beef at farmers' markets in Northern England and in Scotland. He moved from Scotland to a holding just inside the English border where he, his wife Sarah, and three boys live on a 450 acreage leased from a foundation.

He says that his wheat crop breaks even and the subsidy pays the rent. He has 200 ewes for breeding stock. His interest in developing his business came from the fact that he was not happy with the quality of beef they were buying in retail stores. They found it was not tender and they thought they could do better so they decided to use their own animals for their domestic purposes. He saw an opportunity to take this beef to local farmers' markets. He sold all his cattle other than the Angus breed because he believed this was the breed that consumers wanted and were willing to pay for. His goal is to build up his herd on grass-fed feeds. To achieve the tenderness he seeks, carcasses are allowed to hang for four weeks. He found an abattoir who was prepared to kill and butcher his animals to his specifications. His product can be found at six to eight farmers' markets per month. He was able to market 87 animals through the farmers' markets in 2003 and hopes to move up to 400 animals within three years. My impression of Donald MacPherson is one who you can trust to produce high-quality beef. He would fit well within the FoodTrust brand because he definitely believes and lives the core values of social responsibility.

On page 36 of his Nuffield Report, MacPherson discusses the attributes of Nolan Ryan Tender-aged beef (NRTAB). As we recall, Nolan Ryan was a star pitcher in both the American and National Baseball Leagues for many years. He will be remembered as a power pitcher, striking out over 3000 opposing batters. This brand is a classic example of a personality brand. I expect that the beef is excellent, but what becomes of this brand when Nolan Ryan is forgotten?

#### 4.2.3 Helen Browning's Organic Pork

Helen Browning's Organic Pork is a success story. Here again, I would describe this brand as a personality brand with exceptional quality. Like the Nolan Ryan brand, one could ask what happens to Helen's brand when she leaves the picture? Helen inherited her 1300-acre farm in the Wiltshire area from her father and started converting it to organic production in 1986. The farm consists of



pigs, a dairy herd, beef cattle, sheep and crops. It is with her free-range pigs that she has achieved her fame. The sows are a British saddleback breed which adapt well to free-range grazing and are bred to Durock boars which are a cross between Hampshire and a wild breed. The prodigy from this cross are hardy and the meat is distinctly flavourful. By 1998 she had branded her product and today it can be purchased at Co-Op Stores and Sainsbury. As well, there is a nation-wide delivery service if you prefer to place your order by e-mail or message.

Helen Browning has received national recognition as a member of the Curry Commission and is former chair of the Soil Association of the UK and a Commissioner with the Meat & Livestock Commission. Helen Browning's sausages ranked 10<sup>th</sup> in consumption in the UK, quite impressive for a small company. We were told the sausages were processed in Germany.

Tim Finney, managing director, said that any consumer should be able to go to the farm unannounced and not have the brand be embarrassed. This is a very powerful statement, and confirms they do understand branding. Where they seem to be very focussed and professional was in the area of promotional material and marketing which tells a good story about happy pigs and happy customers. Their markets demand more supply than their farm can produce, and they are able to source product from other certified organic producers who are audited on a regular basis. Helen Browning's listings now include beef and lamb.

#### **4.2.4 Regional Brands**

There are several regional brands in the UK; my travels focussed on Cornish King brand and Heart of England Fine Foods brand.



Cornish King brand is a regional brand launched in 1996 and a trade mark registered in 1998-99 to promote quality Cornish horticultural products. Its mission statement is: 1. To provide the best crops of consistent quality. 2. The product must be grown in Cornwall and, where possible, graded and packed in Cornwall. 3. To draw producers and packers behind a quality trademark.

Products sold under the brand are potatoes, vegetables, flowers, daffodil bulbs, foliage, beef and lamb. The brand is managed by the Cornish Horticultural Enterprise which oversees quality, quality control and licences, marketing companies and individual producers. These branded products can be found at a number of retailers including Waiterose, ASDA, Sainsbury, Summerfield, Safeway, Kwik Save and Stokes. Businesses have access to Objective 1 funding for support for infrastructure and marketing. Cornish agriculture is worth 60 million £ at the farm gate. This is a place-based quality brand that indicates origin of production and value-added with specific quality standards.

Anecdotal story

I talked with a lady who was responsible for quality standards for 40 producers. She said that half the producers were unable or unwilling to meet the quality standards and of the remaining 20, only four were able to meet production requirements. [www.chnet.org.uk](http://www.chnet.org.uk)

### Heart of England Fine Foods (HEFF)

HEFF was formed in 1998 to promote and raise the awareness of food and drink available in the Heart of England. It represents producers, growers and processors of speciality foods and drinks from the west-Midlands regions. It assists members to develop and expand profitable, sustainable markets for their products, utilizing regional strengths while raising consumer awareness of the excellent produce available in the region. [www.heff.co.uk](http://www.heff.co.uk)



#### 4.2.5 Nafferton Farm

An interesting add-on to the UK program was a visit to Nafferton Farm, owned by the University of Newcastle. I met briefly with Nuffield Scholar/farm manager William Taylor and with Carlos Liefert, Professor of Ecological Agriculture and responsible for Nafferton Farm. Under Liefert's direction, the staff is actively conducting organic research with crops and forages and especially with potatoes. They are also converting their dairy herd to organic production. He sees a new frontier for foods that have proven health benefits. He has developed a relationship with Tesco to produce organic carrots (for their "natural choice" brand).

Of importance to me was our discussion over GMO and non-GMO products. Liefert believes that the EU will agree in principle to accept GMO product but will put so many testing requirements in place to effectively keep GMO product out. Testing may well become so costly that there will be no benefit in trying to crack into this market. The UK presently buys non-GMO product (soya) from northern Brazil and has been able to prove, through testing, that the product is GMO free. Testing is expensive and reduces margins. We discussed the potential of Island producers being able to tap into the UK market as an Island; if we were to be certified GMO-free we would not have to continually commit to costly testing of the product. The combination of non-GMO and organic would give additional advantages. We intend to have follow-up discussions.

### 4.3 Denmark

#### 4.3.1 Aarstiderne (Seasons) Thomas Harttung, "Food you can trust"

"We recreate the close links between the work of the organic farmer and the work in all the kitchens - transforming the bounties of the land



into feasts of honest, nutritious, seasonal and inspired food.” - Thomas Harttung's business card

Probably one of the most successful box schemes in the world with 44,000 participating families, the success of Thomas Harttung's company is phenomenal. It started out as a Danish family wanting to buy land which happened to be a farm with shore property and a forest. They were not interested in farming and when the parents passed away, only one son, Thomas, was interested in farming. Thomas said he knew very little about farming, he was trained as a forester. He started out as a conventional farmer and saw an opportunity to grow organic seeds and grasses for an organic dairy farm. Thomas first learned about Community Supported Agriculture (CSA) on a visit to California and saw an opportunity to develop the same in Denmark. In 1996 his goal was to grow the idea to 250 households. The approach was to form a co-operative of the 250 members who would have input into decisions. There were initially many logistical problems relating to production. He talked about a “Talliban” approach to production and marketing and it was driving him crazy although numbers were growing. The CSA approach lasted only two years. In 1999 the Aarstiderne project was born. He said Danes were ready for his program and they got lots of free media advertising nationally. He was able to get credit from a Green Bank in Holland to develop a company that would be a good fit for the program. The new company had only three directors: the banker, the chef and himself. He hired as his CEO one of the former members of the co-operative who had a good understanding of the program.



This scheme is all about reconnecting urban households with farms by using a box scheme. Participants pay yearly, in advance, for the program. (Thomas does not like the word ‘consumers’ although he does use it.) These boxes are now delivered to the doors of householders bi-weekly using a fleet of 40 trucks. He said they had to take this leap of faith or the co-operative approach would have become stagnant. He said having a chef on the board was one of the most important reasons for success for validation and growth. The chef talked a food story and what you could do with the food through recipes.

As the company grew they were inundated with questions. They tried to handle this problem by creating a website which in a way was trying to put off direct conversations with the questioning public. He decided it was more important to have direct conversations than to provide information on a website. He formed, as he called it, a conversation department which handles 6,500 phone calls and more than 10,000 e-mails a month.

There is a demonstration farm where people can learn about sustainable agriculture and many school children come to the farm to learn about organic agriculture. However important this is, he feels it is more important to take his message to the city. Working with an NGO, he set up temporary street kitchens/restaurants outdoors, under tents, for 45 days. Chefs cooked meals and gave them away to passers-by. This action led to an

explosive growth of new members. The message was “this is high-quality food produced in a sustainable manner”. The chef was a good balance between citizens in the city and what they wanted to eat and the farmers who were prepared to grow the crops, i.e. giving the consumers what they wanted. He says “We spend serious amounts of serious time with our customers where they live, in their environment and not on the farm. If you want to create a relationship with your customers, get the food part of it right, so that it looks good and has that energy that shows that you care for it.”<sup>4</sup>

Thomas has a very transparent approach to numbers and prices. The prices paid to farmers and his sales prices are available for all to see. The prices paid to farmers cover the cost of production plus a fair profit. He believes in investing in and rewarding human resources. Farmers who have produced exceptional quality and have done exceptional environmental conservation efforts receive additional premiums. He calls the openness of his books for all to see “The Organic Full Monty”.<sup>5</sup> He would say his success was due to the collaboration with the chef and with the Green Bank. He said he had his first nice car, an Audi.

Some of the boxes packed are: mixed box, singles box, boring box, dogma box, all-Danish box. They also pack bags which are more expensive because of their smaller size. Produce is graded and inspected at his assembly yard and they pick out what is not acceptable, and that does not seem to be much. The choice available is vegetables, fruit, meat, fish, bread, cheese and wine. Recipes and newsletters are included in the boxes; recipes are always new - never repeated. Thomas, the chef and the CEO alternate responsibility for writing the newsletter.

The day I visited, we spent a fair amount of time in his forest, of which he is quite proud. He calls himself a forester by profession and training, but a producer by necessity.

He has recently opened a farm shop which is operated by his wife. The shop is small, but he says it is necessary. He said he tries to keep the contemporary look of the farm. He has converted the dairy into an area for cold storage and packing boxes. The plastic bag inside the box is colour coded with the type of box to avoid mistakes. He has converted the piggery into an office.

His plan is to move to bio-dynamics because he believes this will keep him fresh in the marketplace. He said that if he carried on the way he is, he would lose members to competition so he is prepared to possibly lose members anyway as he goes to bio-dynamics but he sees this as the right fit for the company. The bio-dynamic farm will include a dairy and cheese plant.

I was quite privileged to have spent three hours at Aarstiderne. Thomas picked me up at the train station, hosted a meal at the farm, discussed his business and gave me a tour of his forests and the new farm shop. He arranged for another employee to give me a return drive to the train station.



Royal Veterinary College professor, Andreas D. Neergaard, Copenhagen, participates in the box scheme. He says the product is of high quality, competitively priced and convenient. The box is left at his front step for easy pick-up.

#### 4.4 France

I first heard about the Label Rouge brand at a presentation by the George Morris Centre in Guelph, Ontario. The Label Rouge program was presented as an option to commodity farming and was viewed by the presenter as a positive step toward creating true value chains between producers and consumers. We had difficulty approaching people from the Label Rouge program but eventually, with the help of our Canadian Embassy in Paris, we were able to meet with a representative.



##### 4.4.1 Meeting with Mrs. Foqué of Centre de développement des certifications des qualités agricoles et alimentaires (CERQUA) and Label Rouge

CERQUA is a monitoring organization overseeing the Label Rouge branding activities. All producers are eligible to subscribe to the Label Rouge program. CERQUA's aim is to explain the system and its elements to producers and consumers to create a value brand and develop Label Rouge for export products. (At times though, foreign food producers attain Label Rouge certification in order to enter the French market.)



Label Rouge is a 40-year-old quality certification brand owned by the French state. It was designed to guarantee a product's high degree of quality for the consumer. The farming community, in cooperation with the French government, created it in 1964 in an attempt to differentiate their products. Since 1964, Label Rouge has built a remarkable reputation among consumers. Today, all of the five leading food distributor chains in France recognize the brand. The brand stands for environmentally sound production practices, excellent food safety, a higher grade of food quality and the processes associated in creating this increase in quality.

"The *Label Rouge* program focuses on high-quality products, mainly meat, with poultry as the flagship product. It emphasizes quality attributes such as taste and food safety, and free-range production practices. The average consumer can note a positive difference in taste between *Label Rouge* poultry and conventional poultry - in fact, regular taste-testing is a certification requirement to prove that these products are "vividly distinguishable" from conventional poultry.

"The main reason for the superior taste is considered to be the use of slow-growing birds instead of the fast-growing birds used in the conventional industry. The slow-growing birds are from speciality "rustic" genetic stock and are

harvested close to sexual maturity. The meat is flavorful and firm, but not tough.”<sup>6</sup>

The livestock market is easier to control and act upon. Vegetables are an option for certification, however, CERQUA is concerned that vegetable related issues may harm the overall image of the Label Rouge.

Organizational Network of CERQUA and Affiliated Groups:

French Government  Groupe Monqualité  Producers  
CERQUA

Government Involvement - The French government owns the Label Rouge brand. It provides some financial assistance to the program. Primarily though, it reviews the promise and technical requirements that CERQUA and Label Rouge make in the “cahier des charges” which is reviewed every five years. Also, the government supports regional promotion of product lines e.g. local beef growers.

Groupe Monqualité (G.M.) The G.M. is an operationally-oriented union of farmers, slaughterhouses, processors, distributors, CERQUA deputies and consumer focus groups.

These different groups meet to discuss procedures and regulations specific to the food products. The driving forces are market condition, industry issues and consumer concerns. All parties attempt to integrate industry issues as well as consumer concerns (such as animal welfare) into their regulations and promises. The G.M. also estimates production quantities in accordance with the market capacity. Moreover, the G.M. ensures that every producer receives a fair share of the earnings as long as the quality is provided.

CERQUA’s activities - manages and monitors the subscribers of the certification program. Subscribers are very committed to maintaining their certification under all circumstances.

Infractions are initially dealt with through sanctions by CERQUA. In extreme cases, further certification is denied and the producer is de-listed. This is a very extreme measure as the producer immediately loses his premium. In some cases, producers retire from the certification program as they may be reluctant to modify their production practices in line with the changing CERQUA requirements. Aging farmers, deciding to retire from farming altogether, may decide to retire from the program as well, as it would require further investment.

Validation: An independent third party provides the control mechanism for the CERQUA certification program (COFRAC). This party verifies the compliance with the rules stated in the “cahier des charges” (CERQUA charter) and producers’ products.

Premiums: Label Rouge branded products commonly sell at a 15% premium above

standard food product prices.

Inspections: Inspection by the French Committee of Accreditation (COFRAC) does not occur on a regular basis once initial certification is granted. At the producer level, random unannounced inspections are done to verify compliance. At the processing level, quality control is performed more frequently. Furthermore, as quality controls are becoming more stringent, they are even performed in restaurants at times.

Critical challenges and success factors for CERQUA and Label Rouge: Challenges: To maintain the collective structure of Label Rouge. To maintain a positive and widespread reputation. To continue to understand and integrate consumer demands and perceptions into the program. The primary success factor for the Label Rouge program is the enhanced consumer awareness for quality foods. Consumers in Italy and France have developed an above average concern for what they eat. Over time, Label Rouge has become the icon for premium, French quality products. Consumers trust the brand and are prepared to pay a higher price. Label Rouge consumers are a very loyal consumer group. They buy Label Rouge out of cultural and traditional pride.

International Activity: To date, there is no collaboration with other foreign certification systems. (According to Mrs. Foqué none are as good as the Label Rouge program.) However, the Label Rouge is used as a quality certification for foreign imported foods such as Scottish salmon and shrimp from Senegal and Madagascar. Many foreigners seek to obtain the Label Rouge brand in order to enter the French market more easily. A possible franchising venture is not out of question if suitable partners are found.

From what we have heard, the Label Rouge brand is not as effective as it used to be in giving producers a premium in the marketplace. A typical comment is: "Label Rouge is distinguished by its filiere system, a producer-centered supply network which allies upstream affiliates (hatcheries, feed suppliers) with producers and often processors, against the downstream affiliates including distributors and retailers. This achieves a "balance of power" that allows producers more control over prices and conditions, and ensures that each link in the chain receives a fair share of the end price. Recent indications are, however, that this balance of power is breaking down and that downstream affiliates are controlling more pricing decisions, threatening the viability of Label Rouge. Producers are now faced with declining sales and shrinking profits due to high retail prices, consumers' return to beef consumption, and over-production in response to demand."<sup>7</sup>

#### 4.4.2 Institut National des Appellations d' Origine (INAO)

I met with Audrey Aubard of INAO The practice of naming products by their geographic location is thousands of years old. INAO came into life in 1935 as an initiative to provide producers with a certification of origin mechanism to protect their products against fraud. Initially, this program was applied to wine growers only. INAO is responsible for three individual programs: Appellation d'Origine Contrôlée (AOC), Protected Designation of Origin (PDO) and Protected Geographical Indications (PGI).



AOC identifies an unprocessed or processed agricultural product which draws its authenticity from its geographical origin. This status guarantees a close link between the product and the terroir, which is a clearly defined geographical area with its own geological, agronomical, climatic characteristics, as well as particular disciplines self-imposed by the people in order to get the best out of the land. This notion of terroir encapsulates both natural and human factors, and means that the resulting product may not be reproduced outside its territory.

The purpose of the AOC is to protect a duly established reputation. The production conditions of the product are also the result of a culture and a history: they include local, loyal and consistent customs and are included in the decree. Finally, products with the AOC status must be submitted for approval under the responsibility of the INAO, including an analytic and organoleptic examination.<sup>8</sup>

PDO and PGI are systems for protecting the geographic domination of agriculture and/or agri-business products whose characteristics and specific features are linked to the land, to the production area and the skills involved.<sup>9</sup>

INAO's Activities: INAO is represented across France through regional technical centers. In accordance with the programs, these centers monitor environmental issues, marketing developments and producers'/processors' activities. It formulates requirements and efforts for subscribing producers, provides guidelines in the establishment of a brand of origin, protects producers/products against fraud and abuse of brand names e.g. "Champagne" and provides a guarantee to consumers on the product they buy.

A very important function of the INAO is their legal activity against fraud as well as the protection of the established definitions of geographic areas and their related products. For example, the INAO has clearly defined laws concerning what may be sold as "Champagne". The INAO enforces these laws through an international network of lawyers as well as bilateral agreements with other nations such as the United States.

In comparison to the Label Rouge program, the INAO programs focus more on origin and heritage of the product than necessarily its quality. However, INAO certified products

all comply with the ministry of agricultures food safety standards, comparable to the HCCP regulations in North America. For an INAO certification, one must comply with a quality standard.

Validation: The INAO has designed a book of requirements and customs applicable to the individual products from specific areas. Furthermore, chemical analysis of the product and controls of the growing site are preformed. If producers comply with the set parameters, they receive a label of origin certification.

Certified Products: Anything may be certified as long as it can be traced to a specific geographic site. The producers pay 25% of the certification expenses. The remaining 75% are provided by the state. INAO's certification programs contribute considerably to the economic development of specific geographic areas. The tourism and hospitality industry as well as local handicrafters directly benefit from INAO's activities. As an example, the certification of the "Champagne" region gave local wine growers exclusive rights to market their sparkling wine as Champagne. No other sparkling wine may sell itself as Champagne unless it comes from that geographic area. Not only did this certificate of origin allow a premium for the product, it also drew tourism to the area.

INAO's AOC certification is internationally recognized. Furthermore, the INAO has assisted foreign countries in establishing programs similar to those in France. It commonly takes two to three years to establish a program in a developed country. The program would include a collaborative network of producers, a subscription to the private office of intellectual property services as well as the computerization and centralization of trademarks at an international trademark office.

Critical Success Factors and Challenges for INAO: Label fraud continues to pose a threat to the integrity of the certification program. Competing certification programs are being initiated by other institutions e.g. ONIVIN. Consumer attention must be drawn closer to the INAO certification programs. While INAO may not undertake promotional efforts itself, it can provide ambitious producers with advice and support.

#### **4.5 Germany**

A change in consumer perspective is noted: In Germany, households commonly spend 12% of their disposable income for food. In comparison, French households spend 33% of the disposable income on food. In Germany, biological and ecological products still carry a political connotation among both producers and consumers. During the last two to four years though, consumers are moving away from this political conviction and are seeking modern, professionally branded products without political associations. Consumers are increasingly looking for indicators of high quality and nutritional value, rather than the "bio" categorization.



My interest in travelling to Germany was to re-visit two projects which I saw during a

sustainable agriculture tour in 1998. A span of seven years would give me a good impression as to whether these programs had grown or had fallen by the wayside. I was pleased to see that they had both moved forward. A third visit was to a distributor of organic cheese.

#### **4.5.1 Landwirtschaftlichen Beratungsdienst (LB) Schwabish Hall**



LB was spearheaded by Rudolf Buhler who was successful in re-establishing an old line of Landrace pigs which had almost become extinct, down to 20 animals. These animals were common to the Schwabish Hall region of Germany. He started his project in 1988 to revive the breed; by 1998 he had built a successful enterprise/co-operative where they were producing pork in substantive amounts to feed the local market. Germans are very passionate about buying local when they can, so if the breed could be resurrected to sufficient numbers, there would be a ready market. Buhler saw a market opportunity and became actively involved in breeding the remaining animals to increase numbers so that the herd could grow to a commercial operation. When you have a population of 80 million people who enjoy pork and prefer to buy locally, especially in Bavaria, it is not difficult to extract a small percentage of the population and come up with a significant number of citizens. Combine this with a rare breed of hogs that was close to extinction, had historical significance, and a product that is delicious, and you have many of the ingredients for making a successful offering.

This is what Buhler did with LB. He also determined there was a sufficient local market to raise and sell this pork as natural. The criteria for production include: no antibiotics, strict humane treatment, no GMO feeds and mandatory straw bedding. In 2005, the cooperative has grown in size to include a packing plant and retail meat shops. They have been able to develop a vertically integrated company, from producer to plate. We visited the shop in Schwabish Hall and our guide, Michael Bahr, who lives in the area, buys at the shop on a regular basis. We were impressed not only with the fresh offerings but also with the range of cured products.

This company has been structured as a co-operative of approximately 250 hog producers with a total number of 2,000 sows producing 40,000 market hogs. For 20% of the producers, this is a second income; their primary income is off-farm. It would seem that many producers have ten sows or less. In Buhler's case, he continues to produce breeding stock. We visited his barn which, incidentally, was in the city and counted from 20-25 sows. The hogs were housed on straw and had little confinement within the barn except during farrowing. The animals have the opportunity to move inside or outside as they choose.

We asked about validation of the standards for production. He said that all producers are audited each year and 10% of the audits are unannounced. So, producers must

always be diligent with their practices.

Beyond the office was an exchange area for wiener pigs, where producers who had sows and wieners could deliver their pigs to a holding area where they were picked up by finishing farmers. Staff took considerable time to explain their quality assurance program and we believed it to be quite comprehensive. When we asked about sick pigs and how they are treated, we were told that it was appropriate and humane to treat these animals but they had to be excluded from the LB program and sold as conventional pork.

In a discussion about price and membership, we were told that the membership fee was a one-time 500 € payment. The standard price paid to producers in March 2005 was 1.5 € per kilogram for conventional hogs. Hogs marketed fit one of three categories: (1) conventionally farmed (national standards); (2) ecologically farmed (regional label) and (3) the special brand LB (S brand). There was a 10% premium for ecologically produced pigs and a 33% premium for the LB pigs. The cooperative supplies 250 butchers and has five company stores; two in Schwabisch Hall, one in Stuttgart and two in Hellronn. In total they market about 150,000 pigs per year, of which 40,000 are the special breed. We were told that there is more demand for the product of the special breed than they can supply. In 1998 they were dependent upon packing plants to butcher and prepare their animals for consumers. The cooperative now owns their own packing house and have 20 trucks to transport the pork. There are 200 employees with most working at the abattoir.

On the issue of non-GMO, the cooperative purchased soya beans from Brazil. Samples are sent from Brazil four weeks before the ship leaves dock to ensure the quality of the soya beans. There is increased concern about the cooperative's source of soya beans in Brazil because of the expansion of GMO beans in that country.

The cooperative maintains a continuous information exchange between producers, marketers/ distributors and consumers. They depend upon chefs to promote their products with recipes and information that make the product attractive. Chefs in two-, three-, and four-star restaurants prepare the meat, based on the cut, provided by the cooperative. Chefs request specific cuts of meat from the cooperative so they can prepare appealing meals for their customers. The cooperative has branched out into beef and lamb. Some of the producers have a rare breed of cattle that they sell through the cooperative.

This seems to be a very positive story, however, we did not have a chance to talk with any farmers participating in the program.

#### 4.5.2 Tagwerk



Tagwerk, by traditional definition, is the area that one farmer could plough with one horse in one day. The main driving force behind Tagwerk is Rudi Oberpriller, a retired banker who is committed to organics. When we first visited in 1998, we met at the Tagwerk store in Dafen.

Since 1998 Tagwerk's membership has expanded, but without Rudi, the survival of Tagwerk could be in doubt. The stores they did own, have now been franchised to the former managers. Rudi's wife is the manager of one of the stores. The company has built a resource centre which also serves as a comfortable, small hotel and a depot for receiving and shipping. Tagwerk has consolidated and simplified its labelling to eliminate confusion with other eco-labels. Rudi says that some of the aspects of Tagwerk have to be aspirational. Many of the 25 employees are hired on a part-time basis because of insufficient work or inability to pay full-time wages. The group has expanded into eco-tourism and offers bike tours, in particular, to Greece where they do an annual bike tour.

For the 41 founding members in 1984, their first concern was for environmental protection while organized food production was initially second. Originally they did not pursue a relationship with producers, they were just interested in purchasing organic food. This quickly evolved into a strong relationship with producers. It seems that members are quite welcome to visit a farmer's fields and woods. The membership fee to join is 200 €. In 2004, Tagwerk sales grew by 10% while organic sales, in general, grew by 12% in Germany. The Tagwerk co-operative currently has an annual turnover of 3 million € and employs approximately 25 staff.

Tagwerk was founded in 1984 by a group of like-minded people who wished to redirect consumer purchasing habits towards local and regional foods. After making contact with local farmers and butchers, they established two parallel organizational structures. A multi-stakeholder co-operative was formed to join producers and consumers together by supplying a network of retail outlets with locally produced foods. This trading business is supported by the Tagwerk-Forderverein, a development association which advises farmers on environmental issues and manages the public relations of the combined group. Other parts of the Tagwerk network include a newspaper, used as an educational and information medium, and the Tagwerk Centre.

The co-operative promotes local and regional foods by emphasising and nurturing traditional craftsmen's techniques. For example, hard cheeses, pasteurised on member's own farms, are brushed with salt, as they were a century ago. This preservation of the traditional food heritage serves as the basis of the underlying marketing concept of the group, which has established Tagwerk as a prominent regional food products brand. The group currently operates in four districts to the North-East of Munich and has a combined membership of around 700 consumers, food processing businesses and farmers. 90% of the farmer-members of Tagwerk are also members of Bioland, Germany's largest organic farmers co-operative. The organic standards of



Bioland are, therefore, also applied to all of Tagwerk's produce.

The success of the group in promoting local and regional foods has generated competition from farm shops, health food stores and mainstream supermarkets. The co-operative has responded to this competition by selling several of its retail outlets to their managers, on a franchise basis, and focussing more directly on the development and supply of food products. In a further departure from the initial concept, these products are also now sold to conventional food outlets.

These changes allow the co-operative to focus on its key strengths and characterising features. Tagwerk is, at its heart, a network that brings together consumers and producers through a common interest in the development of quality, local food products. The Tagwerk newspaper profiles farmers, butchers and employees and promotes farm festivals, food preparation demonstrations and presentations. The structure aims to combine commercial awareness and viability with an appreciation of regional social and economic concerns.

As a multi-stakeholder co-operative, the business benefits its members in a variety of ways. Whilst farmers and small processing businesses do not normally sell all of their produce through the Tagwerk network, it provides an attractive sales outlet which enables them to preserve their heritage and regional identity. Consumers enjoy improved access to local and regional foods and a broader range of products. However, more importantly, it enables them to participate in a viable business venture which operates with integrity as a counterweight to large-scale food production and retail concentration. The group also plays a social role by re-establishing traditional links between consumers and producers to build mutual understanding.<sup>10</sup>

#### **4.5.3 Oekologischer Molkerei Betrieb Allgaeu (OMA) - meeting with Manuel Pick**

OMA was founded in 1991. Today it sells 160 types of cheese from ecological production. OMA buys cheese from dairy processors, packages and distributes it. The total OMA product line comprises 500 different milk products. OMA sources its cheese from all over Europe as wholesalers have begun to require a wide product range. Sales of approximately 3500 tonnes of cheese every year earn 18 million € in revenues. OMA employs 47 employees, 30 are full time, 17 are temporary

OMA works very closely with its processors in order to instruct them about the specific products they will purchase. There are no binding purchase agreements between OMA and the dairy processors concerning quantity. OMA simply commits to market the product.

Certification of the ecological OMA products occurs through an independent third party. The AliconBioCert GmbH guarantees the ecologic origin of the OMA products. Additionally, some of OMA's suppliers qualify to carry other certification labels such as "Demeter", "Bioland" or "Naturland" labels. OMA carries these labels forward on their

products as consumers recognize them.

For small cheese processors, the advantage of working with OMA is the connecting link to larger markets. OMA extends small processors' marketing capacity. Furthermore, OMA carries cheese products made from "bio-milk", thus supporting the "bio-milk" processors and producers.

OMA still has the very organic structure of a family enterprise. This may differentiate it from competitors entering the marketplace. There are challenges for the OMA label which requires further recognition as it has not established itself in consumers' minds sufficiently.

OMA is the fifth link in the supply chain: milk producer – dairy processor – OMA – wholesaler – retailer. This linkage may drive prices up and make them uncompetitive once large chains enter the bio-cheese market such as REWE. Consumers are starting to become confused as more and more labels are appearing on the market. There is a high risk of market share delusion due to too many small and unknown products labels.

#### **4.6 Australia**



If you talk to an Australian farmer long enough, the topic of water will come up. Australia's diverse crops - olives, oranges, poppies, rice, grapes, lettuce, wheat, sheep, and canola - and fish farming depend on water supply. Critical issues include having sufficient access to water, water quotas and water management. Terms like megalitres, centre pivots, water drains and dykes were all new concepts. If water was not an issue, could not Australia feed the world? Salination is also an issue in many parts of Australia. Salt is as close as two metres to the ground surface; the challenge is to be able to farm efficiently using water management while keeping salt out of the upper growing area of the plants. Australia prides itself as a land free of subsidies, 3-4% of farm income. I wanted to see how this worked and how they could be competitive in global markets. As an example of non-government involvement, there is no government crop insurance program, rather producers can participate with private firms and buy insurance for certain perils.

The planning for Australia was in the works for some time but trying to limit visiting to a three-week period in September was challenging. We have had contacts in the Perth area since the year 2000 when a group of 11 family farm businesses spent time on PEI and were interested in what FoodTrust was doing through branding. It seemed logical for me to do the same, and I also had a friend through a Nuffield acquaintance who worked on my farm and who is from Perth.

University contacts and positive responses from Nuffield Scholars were a sufficient invitation to visit Tasmania.

Griffith appeared attractive because of its wineries and again a Nuffield connection

through Peter Draper, a rice grower, who sold his product through the grower cooperative, SunRice, a brand since the 1950s.

The Perth visit was organized by the West Australia Department of Agriculture. They were keen to know about the FoodTrust approach to branding, and I was interested in their branding initiatives. There was also a one-day side trip to Albany to see some potatoes, visit Beth Gilbert (a wine producer and a visitor to PEI in 2000), Tony Smith, and the Albany Farmers' Market.

#### **4.6.1 Tony Smith, Albany**

Tony Smith is the owner of Bouveire Farm in Dunborke, close to Albany, and he began farming with 100 acres. In the early 1960s he was able to lease an additional 400 acres. He started growing grapes in 1968 to supplement his sheep and cattle operation and learned the technique of grape growing and wine production by reading appropriate literature and by talking to the Department of Agriculture advisors. In 1971-72 he planted more vines and was considered the founder of the wine industry in that area. He started by peddling his wine around Perth and expanded to 140,000 cases per year. The wine business was sold in 2000, allowing him to concentrate on raising trout and marron, a type of crayfish. He has been able to transfer some of the trout to salt-water dams with no adverse effects and has taken steps to ensure that the water can be re-used. He talked about water harvesting, that is, using a series of drains and dams to absorb runoff from roads and neighbouring properties. Dams have silt traps to improve water quality. Water is recycled as much as possible and most water loss is due to evaporation and seepage. He has had good success with raising trout in salt ponds which I gathered was not the norm. After leaving the settling ponds, the water is useful for irrigation of grapes. Smoked trout and pickled marron are examples of value-added products on the farm. Tree plantings provide diversification of habitat and a range of wood products. He anticipates that the forest will have a value of 1.5 million dollars in 30 years which will be the inheritance for his grandchildren. He has been successful in planting trees in salt seeps and granite outcrops as well as along midslopes on the farm. It seems that a fair amount of attention has been given to his willingness to diversify and value-add and to try things that have not been done in that area previously. Tony commented about the success of the wine industry in his area, and the willingness of competitors to work together in the offshore markets. He says there is one business plan for the whole nation, "Think Australian". He believes Australia can be a leader in wine production because of quality, taste and flavour. These can be pretty well guaranteed in Australia because of the consistency of the weather. He said that this is not so easily done in Europe. His philosophy is this "the things that are successful, do more and more of that; the things that aren't, get out as quickly as possible and cut your losses".<sup>11</sup>

#### 4.6.2 Herdsman's Retail Store - Perth "Where freshness comes first"



Herdsman's is a one-outlet gourmet food store in Perth catering to customers who want the highest quality and the freshest locally grown produce. It has received the award as the best fresh produce retailer for 2005 in West Australia. Their tagline is "where freshness comes first". They have the trust and understanding of their suppliers and their work ethic. In our visit to the store we noted that people were taking time to shop and talk and that the employees were helpful and courteous. The store is owned by two brothers who inherited it from their father and uncle. There is very little turnover in staff. They have weekly occasions where celebrity chefs demonstrate dishes and nutritionists are at the store on a regular basis. Parking attendants assist customers with parking on the store lot at the busiest times. We noticed that fresh products were stocked with care and positioned almost like an art display. They had delightful fresh fruit plates similar to the ones at A&P Canada. I talked to one of the employees who was happy to introduce me to one of the owners. We had a good discussion in his office where he emphasized Herdsman's commitment to freshness, convenience, quality and customer service.

We spent a lot of time looking at their produce and came to the conclusion that Herdsman's had created a strong value chain. The customers confirmed this.

#### 4.6.3 Albany Farmers Market



Albany is in the southwest corner of West Australia and every Saturday morning at 8 am is the scene of the Albany Farmers Market. Farmers Markets are the ultimate in reconnecting producers and consumers. The Albany Farmers Market came into existence in 2002 with support from the Great Southern Market Association and eleven producers. This has now grown to thirty producers who have incorporated and offer a variety of products. Guidelines include the following:

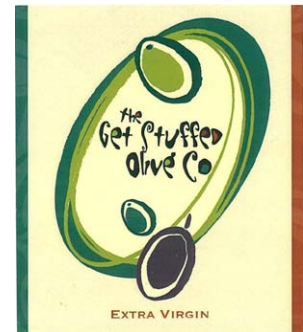
- all produce must be grown by the producers within their local area;
- there is a limit to how many producers can sell the same product;
- produce must be of the top grade, confirming the market to have a reputation of high quality.<sup>12</sup>

The Saturday I visited was still spring-like and there was excitement about the market. The quality of produce was very high and all stalls were food related and products were grown locally. It was not a chore for people to come out; it was an event that they looked forward to. Moms and dads came with their children. I thought it was a great experience, as does Ruth Speldewind of Albany who says: "This is not a supermarket

chore to get over and done with, it's a part of weekend enjoyment. It's about knowing the people who grow your food, talking to them, and supporting them so that they keep bringing great food to our market. It's about community and it's why I moved out of the big city. I was there for the very first Albany farmer's market and I hope I don't ever see the last."<sup>13</sup>

#### 4.6.4 The Ladies from Gingin: Maggie Edmonds and Carol Redford

These two ladies had to be included in the report. They are ambitious and energetic and do not understand the phrase "no, it can't be done". The Moore River Region, one hour north of Perth, has 80% of the olive groves in West Australia. Olive trees benefit from "the Mediterranean climate of the region and produce sunny balanced olive oils for a multitude of culinary uses" says Maggie Edmonds. Along with oil marketed under The Get Stuffed Olive Co label, Maggie also markets natural table salt from Lake Deborah which is unique in flavour and has several natural trace elements (not found in other salts).



"The salt crystals growing on the surface of Lake Deborah formed around 3-5 million years ago from the Westerly winds blowing across the primeval Indian Ocean and carrying minute amounts of sea spray inland, dropping the salt all over the ancient land. As the Australian climate became drier, these sea minerals were not flushed back out to sea and began to accumulate in the dried up river beds of what was to become the Avon River. Therefore, the salt has characteristics of sea salt, in that it contains many trace elements such as calcium, magnesium, iron and potassium, and the salt dissolves very easily just like sea salt because these trace elements and minerals weaken the crystal structure. The purity of the salt from Lake Deborah has been documented for over 80 years and there is no other salt lake in Australia that has the same unique combination of degree of purity and superior taste."<sup>14</sup>

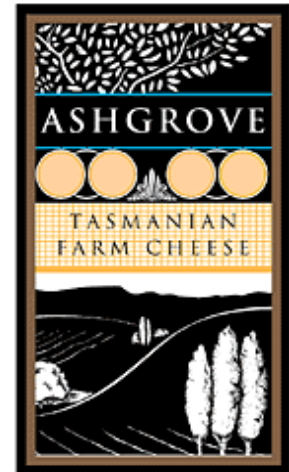
Carol talked about her brand, Gingin Olives, "you will know where it grows". It is a "strong brand in the heart of this region" and she refers to it as "authentic food with integrity."<sup>15</sup>

Both are members of the Moore River Foodlovers Club which celebrates food from the Moore River area through tours and food events. The Club promotes the health benefits of olive oil and promotes the quality of the locally-grown products including olives.

#### 4.6.5 Ashgrove Cheese - Tasmania

Ashgrove Cheese is a family-owned combination of a hand-made cheese factory and a dairy herd located along the Bass Highway on the way to Devonport. It specializes in hard English styles and a range of exotic flavoured cheeses. The Bennett family have a dairy herd of 900 cows and decided, in 1993, to add value to their milk by producing cheese. The use of their own milk gives them control over the quality of the input. Previous to 1993 they had no cheese-making experience.

Michael Bennett is a former Nuffield Scholar (1979). His daughter, Jane, (Australian Woman Businessperson of the Year) learned cheese-making in the UK and Jane spent some of her training at Alvis Brothers, another Nuffield connection. John Alvis and Nick Green, the farm manager, are Nuffield Scholars.



The Ashgrove Cheese shop is a well-stocked boutique where you can taste all the cheeses before buying them. They are especially pleased with their wild wasabi cheese which took five years to develop. The wasabi is Tasmanian-grown and both the stem and leaf are used in the production of this cheese which accentuates both the natural flavour of the cheese and the distinctive taste of wasabi.

On the day of our visit, there was a steady stream of visitors, some local and some from as far away as Wisconsin, USA. Interestingly, Ashgrove cheese is exported to Wisconsin, "the dairy state". In a lecture room to the side of the boutique there is a presentation that tells the story of cheese-making at Ashgrove. On another wall are numerous cheese awards won by the company and on the opposite glassed wall you have a view of cheeses being aged.

Ashgrove had many requests for school tours. Jane decided to use this as an opportunity to promote their product; they now take their story to the classroom and have the youth participate in making and tasting cheese. I suspect that the youth go home and demand that their parents buy only Ashgrove cheese. Cows are pastured in a field adjacent to the cheese plant which gives authenticity to the operation. Much of Ashgrove's success can be attributed to the desire of Michael and his brother to have a cheese plant and Jane's willingness to pull the company forward.

#### 4.6.6 Richard Bovill - Tasmania

My Nuffield host in Tasmania, Richard Gardner, arranged for me to meet Richard Bovill, chief spokesperson for the tractor campaign in Tasmania. This protest is in reaction to the decision of McDonalds to buy lesser-price potatoes from New Zealand rather than from the local producers in Tasmania who had contracts with Simplot. What appeared to be happening is that some Tasmanian farmers were losing their contracts to potato

producers in New Zealand. McDonalds has 725 outlets and serves 1 million people per day in Australia.

Fair Dinkum is the Australian term for genuine. The Fair Dinkum campaign was the slogan used by farmers in North West Tasmania who were aggrieved at losing their livelihoods to cheaper imports, in this case, New Zealand potatoes. McCains who now supply McDonald's decided to source New Zealand potatoes to meet McDonald's insistence for lower prices<sup>16</sup>. The effect would be a 50% reduction in contracts which would be given to New Zealand growers and could cost the local Tasmanian economy \$50 million and affect 43,000 tonnes of french fries.

Tasmanian growers reacted by taking 200 tractors onto the highways and travelling from Tasmania to Melbourne by ferry, driving to Sydney and then to the capital, Canberra, to protest what they saw as unfair trade. They insisted that the Australian government bring in legislation that would require unpackaged fruit and vegetables to be clearly labelled with the country of origin. Farmers believed that if the consumer knew the origin of the food, they would be more apt to choose Australian-grown products. Farmers also believe that fruit and vegetables coming into Australia may be subsidized and may also be produced under less stringent environmental standards than in Australia.

From my perspective, this is a difficult situation. I do not have all the facts. Can the Tasmanian producers be more efficient? Are they efficient now? Are there subsidies involved? These are questions I don't have an answer for. What is evident, however, is that when you are selling a commodity you are at risk of losing your market unless you are the least cost producer. The challenge that Richard's group has to deal with is this: they know they are not the least-cost producer, they must convince their Australian customers that their product is sufficiently better and thus sufficiently different from other products to justify a higher and thus a more profitable price. In effect, they need to develop a niche market. This niche market could conceivably be McDonalds if the Australian customers were to demand Tasmanian potatoes.

#### **4.6.7 SunRice**

SunRice is the international brand and identity of Rice Growers' Co-operative Limited (RCL), a 55 year old co-operative wholly owned by about 200 Australian rice-grower members. It has a strong tradition of aggressive growth, operating excellence and innovation. This vertically integrated agri-business produces and markets an extensive range of rice and value-added rice food products, exporting 80% of production to 60 countries including Canada. SunRice food brands are recognized around the world for their high quality. SunRice has annual sales of approximately Au\$800 million which includes Au\$500 million for value-added products. SunRice is Australia's leading exporter of processed branded food products and the fifth largest rice food company in the world. The Australian industry operates without product or export subsidies.



SunRice farmer shareholders grow an average of 1.2 million tonnes of paddy rice which achieved a record price of Au\$313 per tonne for medium-grain rice and higher prices for niche markets. This demonstrates the value of the brand. The majority of the revenue generated stays in Australia and, in particular, southern New South Wales.<sup>17</sup>

#### Brief History of rice growing in Australia

- 1914 Jo Takasuka grows the first commercial rice crop
- 1926 1570 tonnes harvested from 804 hectares
- 1928 Rice Marketing Board formed for the state of New South Wales and its mandate was to receive and store paddy, negotiate with millers on price, pay the growers the pool price less associated costs, select and issue seed, purchase bulk for inputs, promote rice
- 1930 Rice Growers Association (RGA) of Australia is formed to keep rice growers together
- 1950 Central Executive of the Rice Growers Co-operative form a new co-operative Rice Growers Co-operative Mills Limited. Growers pool funds and building growers' mill in Leeton which pays pay Au \$38 and the private millers were paying Au \$12; private millers could not compete
- 1955 RGA was successful in lobbying the State to give vestige of all production to the Rice Marketing Board through the Marketing and Primary Production Act. Co-operative launches its own brand "Sun White Rice" where they emphasize nutritional value, quality and consistency and launch a number of new value-added products
- 1985 Rice growers form new integrated organization called the Rice Growers Corporation Limited (RCL)
- 1990 Co-operative maintains its push towards diversification
- 1994 RCL supplies 180,000 tonnes of JAPONICA rice to Japan; Australian rice is well accepted in Japanese market
- 1995 SunRice joint venture between RCL and Japanese Rice Milling and Marketing Company successfully applies for rice imports license into Japan
- 2000 SunRice becomes the new trading name for RCL
- 2001-2004 Value-added consumer friendly products are developed, SunRice buys other food brands but keeps their management in place, successfully competing with international food companies<sup>18</sup>

The rice industry in Australia operates without production or export subsidies. The industry has improved water efficiency by 60% over the last ten years and there is adequate water remaining after the rice crop harvest to grow a second crop such as wheat. In other words, two crops for the same water. It is worthy to mention, though, that water has been a contentious issue in rice production for several years.

The SunRice vision to be the world's favourite rice food company is well on track. We met with Mike Hedditch, general manager of grower services, SunRice. He talked about under supply and over supply and the challenges of the drought from 2003 to



2005. Production had dropped from a high of 1.3 million tonnes to a low of 340,000 tonnes. SunRice was able to buy comparable commodity product and sell it to the traditional markets under the SunRice label. This helped to stabilize producers' incomes. In a situation of over supply the consumer still connects with the SunRice brand. Hedditch said that the brand is very valuable in both the under supply and over supply market. Branded products require that the market be supplied. SunRice was able to supply the market even though the drought had reduced the availability of Australian product. The drought did not affect sales as the consumer purchased the brand SunRice rather than looking for an alternate source from other countries.

SunRice brand had sufficient appeal to be able to enter the Japanese market where local production is highly subsidized and there is heavy reliance on manual labour on farm sizes that would average 1 ½ hectares. SunRice successfully launched its product in Papua New Guinea, a country that traditionally eats root crops. The farmer growers have voted to move from a co-operative to a company structure; this change is in response to the international understanding of what co-operatives are in comparison to companies.

New Products: SunRice is active in getting /developing products that are consumer-friendly; little time required to prepare; healthy school snacks; combination of rice, meat and vegetables in one package; microwave products; and have added shelf life.

By-Products: SunRice uses by-products to develop products for companion animals and livestock (e.g. cat litter).

The success in moving forward with the SunRice brand was made easier because rice farming is restricted to a particular region of Australia and within New South Wales (smaller area to deal with and smaller number of growers).

Vertical integration of the business has been beneficial to the producers because it is producer-owned. The major customers for their product are in the Middle East, Europe, Pacific Islands, and Japan. SunRice products can be bought in Canada.

#### **4.6.8 Australian wine**

Australian is now the 8<sup>th</sup> largest wine producer in the world and tends to follow the 80/20 proportion: 20% of the producers would produce 80% of the total product. Local consumption is the largest for any English-speaking country in the world at 19.6 litres per person. The country has experienced phenomenal growth in wine exports in that the Australian brands are making huge gains in exporting into the US market. The Canadian market is 5% of the Australian exports.

Although Australia seems to be the ideal place for growing grapes, in that temperature is dependable and reliable, there are concerns about availability of water and the number of pesticide applications per year. It should be noted that grape growing

requires less water than most cereal crops.

#### Grape Production:

2004 tonnes of production was 2.014, a 34.6% increase over 2003

2004 hectares producing grapes was 150,561

2003 hectares producing grapes was 142,793

Wine crushers in excess of 50 metric tonnes accounted for 1.97 million tonnes of the above.

In 2005 there were 1899 wine producing facilities, an increase from 1197 facilities in 2000. Only 18 have production of over 20,000 tonnes per year.<sup>19</sup>

#### Export sales

2005            4.5 billion dollars (estimated)<sup>20</sup>

#### Observations

We observed orange groves being converted to grape groves. We were told that the cost was 45/ton to harvest the oranges and the return would be 30/ton. Although things do not look rosy for orange production, things are not that great for the grape industry according to the Deloitte news release “Australia’s wine industry under pressure”.

“Effectively managing your business and establishing a point of difference for your brands are critical to surviving a fiercely competitive domestic market.” and “Wineries need to re-think their growth strategies in order to survive the difficult period ahead and to remain competitive and profitable,” said Mr. Harvey of Deloitte.<sup>21</sup>

We did not visit any grape-growing farms but we did visit four wineries (some grow their own grapes): Miranda, DeBortili, Casella, Lillypilly. We heard on more than one occasion of the ability of the wine industry to work collaboratively in the pursuit of export markets.

#### **De Bortili**

The company was established in 1928 and is now in its third generation of operation. We had a visit with Victor DeBortili, Export Director. DeBortili appeared to be a very mature company and has won numerous awards for quality wines, especially (the Noble One). Their wine store was well-



stocked with good value wines. As well as talking about the DeBortili brand, Victor emphasized his company’s commitment to water stewardship including treatment of waste water and waste from the grapes. It was our impression that if there were downturns in the wine industry, DeBortili would survive better than most.

#### **Miranda**

This was an add-on visit, mainly through the connection of a distant relative. We had a

tour of their plant and a good explanation of wine production and did some sampling. Miranda has been bought and sold a couple of times recently and employers are not quite sure what to expect.

## **Casella and Lillypilly**

The story around Casella and Lillypilly has a common theme in that they were both established by Italian families who left Italy in the early 1950s for a better life in Australia. Casella started producing wine in 1967 -Yolanda. The Lillypilly/ Fiumara family started production in 1972 in Leeton.

### **Lillypilly** “Where technology and tradition meet in a bottle”

Mr. Pascuale Fiumara spent his first five years in Australia working tirelessly to save enough money to bring his wife and five boys to Australia. Their retail business started as a roadside stand in Leeton and grew to the largest food retailer store in town.

Pascuale Fiumara was selected citizen of the year in Leeton in 2004.

It seemed natural for this family to expand from retail food to wine production. They named their wine company Lillypilly which is a tree native to the area. Lillypilly, in my opinion, is very much a boutique and is very much about personal connections with their clients. They do export; in Canada their wines are only available in selected restaurants. It was a significant challenge for them to ship one container load of their product into Canada. This connection happened because the buyer had tasted the Lillypilly brands and liked them so much that he wanted to bring them to Canada.



When we met Robert Fiumara, first impression was “I couldn’t help but like the guy.” He was very engaging and walked us through his signature brands and through his winery. He has received several awards for his wines, especially the Brotylyis fruit wines.

Lillypilly’s tag line is “where technology and tradition meet in a bottle”. We checked his website and we found accolades from at least 25 wine-testing experts. Robert had, and continues to have, help from his family through the food retail store to invest in the winery. He talked about his sisters-in-law helping with the labelling of bottles as they came through the assembly line. He also said the stability of the food retail store was very helpful in developing the Lillypilly winery. We bought three bottles of wine and he added two more bottles that he wanted us to taste.

Robert seemed satisfied with the size of the operation, although he would expand if conditions were right. He believed he was small enough to continue to have a strong relationship with his customers.

## Casella



In his book, *The Tipping Point*, Malcolm Gladwell talks about re-emergence of the hush-puppy brand from 30,000 pairs of shoes in the year 1993 to several million pairs for the year 1996. Casella Wines exemplifies extra-ordinary growth in that they had five employees in 1995 and now have 320 employees in their winery. Their Yellow Tail brand is the largest imported brand in the North American market. They have storage capacity of 60 million litres, capacity to handle 120,000 tonnes of grapes during one season and 3 bottling lines of 30,000 bottles per hour. The most recent line handles six bottles per second. Two new bottling lines will raise bottling capacity to 65,000 bottles per hour. Their wine-making facility is in a state of growth, their employees are young, they have zero inventory of product, and the plant itself is congested with forklifts moving product out the doors. Surprisingly enough, the original Casella parents still live on site in the shadows of this growing giant. This growth is attributable to their Yellow Tail brand.

### Rank of Australia's largest wine producers by winegrape intake<sup>22</sup>

Ranking as per total grape tonnage processed or contract crushed for company-own branded and bottled products and bulk products, including distillation, and inter-winery bulk juice/wine sales.

2003	2002	2001	2000	1999		2003 tonnes
1	1	2	1	2	Hardy Wine Company	259457
2	2	1	2	1	Southcorp Wines	240000
3	3	nr	nr	nr	McGuigan Simeon Wines	200000
3	4	3	4	4	Orlando Wyndham Group	200000
5	5	5	5	5	Beringer Blass Wine Estates	93052
6	9	11	nr	nr	Casella Wines	67000
7	6	7	7	7	De Bortoli Wines	62000
8	nr*	nr	nr	nr	Evans & Tate	41113
9	10	6	6	6	McWilliam's Wines	n.a.
10	11	12	12	12	Kingston Estate Wines	34000
13	8	10	10	9	Miranda Wines	17550

\*nr: not ranked in top companies in previous years

Casella has spent time and energy to get their labelling right. I suspect people are

buying Yellow Tail because it is good quality at a fair price and the Yellow Tail icon has an attractive and easy-to-identify as Australian appearance. It's catchy, it's attractive. I would suggest that Yellow Tail brand has evolved into a values-based brand. As anecdotal information, in talking to an employee of the PEI Liquor Control Commission, he says the wine is selling and they can't keep it in stock. If Casella honours their brand values, they may be well assured of success in the future.

### **“The [yellow tail] Story**

“Casella Wines has been exporting wine for five years, but it has only been in the last four that its export sales have escalated, spearheaded by the success of [yellow tail].®

“[yellow tail].® Has proven to be the most successful launch of any Australian wine brand in the history of the Australian wine industry. It is now regarded as a phenomenon, selling more than 500,000 cases in the US in 2001 against an initial forecast of 25,000! In 2003, sales rose to 5 million cases, and in 2004 sales exceeded 10 million cases.

“In one bound, [yellow tail].® Became the biggest-selling imported wine brand in one of the world's biggest wine markets. In June 2003, [yellow tail].® Shiraz became the best selling Australian red wine in British Columbia. In August 2003, [yellow tail].® Shiraz became the number one selling 750 ml red wine in the USA. In August 2004 [yellow tail].® Merlot became the biggest selling Merlot in the USA.

“Casella Wines now exports 97% of its annual production, with [yellow tail].® By far its biggest export label. These outstanding achievements have been recognized by winning the Australian Exporter of the Year in 2004 along with the Jimmy Watson Memorial Trophy; one of the most prestigious awards in the Australian wine industry. [yellow tail].® Has also won for the last four years the reputable Hot Brand Award, awarded by Impact Magazine in the US. To qualify as a “Hot Brand” the brand must sell over 200,000 cases and experience double-digit growth in a calendar year.

“The [yellow tail].® Range is exported to over 30 countries and in 2005 Casella Wines was inducted into Australia's Export Awards Hall of Fame. Although the US is Casella's principal export market, the UK, Canada, Asia and Australia are now also among the winery's primary markets.

“In 2005 approximately 140,000 tonnes were crushed making Casella Wines the 2<sup>nd</sup> largest winery facility in Australia. A third bottling line was installed in 2003 and a fourth bottling line is being installed in 2005 to handle rising export demands.”<sup>23</sup>

#### 4.6.8 Riverina Grove (RG)

We met with Louis Marangon, a local producer of high-end products, who has been experiencing 25% annual increases in the production of gourmet brands and contract packing. He is another family success story - his father emigrated from Italy in the 1950s. The products are locally obtained and he caters to tourists, bus tours and local customers. He identified the five Ps as being important - Products, Price, Packaging, People, Promotion.



Louis says changing lifestyles and cultural differences have been the major determining factors when developing his product range. RG has steadily grown to 38 different items under three different labels by 2002. Of particular significance are his pasta sauces. RG is in the final stage of finalizing its seal of approval for kosher certification. He has also been endorsed by celebrity chef Peter Howard, under the Peter Howard Selections label, for tomato relishes and lemongrass curry.

His boutique fits nicely with the Lillypilly size and style of operation where consumers and producers have opportunities for face-to-face encounters.

## **5.0 Summary of findings**

Some producers and/or producer/consumer collaboratives recognize that traditional commodity chains have deficiencies either because the system is not sustainable or because the historic and natural relationship between producer and consumer has been lost. However, I have observed that some systems have developed on the principles of trust and fairness and also, obviously, with a high level of quality products. All in the value chain are receiving a fair and reasonable return, from the producer receiving fair value for his efforts through to the customers who are receiving fair value for their money. Some customers view this as an opportunity to participate in sustainable systems by rewarding the producers for their efforts.

- < Some systems involved a whole industry moving forward with a branded proposition and a vertically integrated supply system, such as SunRice
- < Some brands are 50+ years old, such as Label Rouge
- < Some, Donald MacPherson's "Well hung and tender beef" are farmer (individual) driven
- < Some have a direct link with customers because of a historic product - LB pork in Germany
- < Some are personality brands - Helen Browning's organic pork
- < Some are consumer driven - Tagwert, Germany
- < Some are regional brands - Taste of the Midlands and the Cornish King brand
- < Some have experienced phenomenal growth in a short period of time - Casella wines (Yellow Tail) and Thomas Harttung's box scheme
- < All have a common theme of moving toward more sustainable systems and personalizing the relationship between producers and customers

There is no guarantee of success, but the present commodity approach does not work unless you happen to be the least-cost producer. Changes are seldom achieved without sacrifice; the rewards can be great and ultimately the choice is up to the producers.

For me, the time spent in travel was significant (13 weeks); the time spent on research and report writing equally significant; the experience gained - priceless.

## **6.0 Conclusions**

1. There can only be one least-cost producer.
2. Many producers and consumers are ready for a new system. Some producers and consumers have already started moving in that direction and like what they are experiencing. The re-connection that has occurred is built upon a bond of trust and accountability and both parties appreciate the results. There are advantages for both parties and, in particular, for producers who are clawing back some of their lost equity.
3. Success comes when there is a willingness to think (outside the box).
4. More consumers want to know where their food comes from, who produced it and the conditions of production.
5. Branding works. It works when sufficient time is taken to develop a brand properly. It works when the brand differentiates itself. It works when a brand is more than noise. It works when brand standards are upheld. It works best when brand standards are developed from the consumer's perspective.
6. The branding process takes longer than it should and does not usually provide immediate success and gratification.
7. Consolidation in the retail food sector continues unabated. There are some retailers, particularly smaller ones, who have opted to be different. They have chosen to differentiate to survive; they are usually high-end with the capacity and flexibility to purchase locally-grown, high quality products and at the same time provide the customer with a food experience.
8. Farmers markets are the ultimate in reconnecting consumers and producers.
9. Increasingly, there will be opportunities for foods that provide specific health benefits in addition to wholesomeness and taste. Most brands that I researched talked to the three pillars of sustainability: social responsibility, economic viability and environmental soundness.
10. Niche markets are not necessarily small. The niche market is big enough to provide the opportunity for like-minded producers.
11. The branding process may not reward every party equitably in the value chain.
12. From my experience, I believe the FoodTrust brand to be positioned correctly as a values-based brand.



13. Follow-up activities between Tasmania and Prince Edward Island to pursue areas of common interest as they may relate to agriculture and tourism.
14. Recognize the importance of having a collaboration of chefs in a branding effort (culinary approval).
15. Home meal replacements that are convenient and nutritious provides a marketing opportunity with branded products.
16. Nuffield program is not well-known or recognized in Canada in contrast to Australia and the United Kingdom.

## **7.0 Recommendations**

1. As follow-up, more in-depth analysis and research is required to validate some of the initial findings.
2. Forum to discuss successful branding experiences and share information (give others the knowledge to advance)
3. When brand standards are developed they must first be developed from the consumer's perspective and then from the producer's perspective.
4. Research is required to develop new ownership models that best serve both consumers and producers.
5. From a Prince Edward Island perspective, follow-up is required to determine if there is a market in the European Union for non-GMO products.
6. Producers need to view home meal replacement as value-added opportunities.
7. Individuals be encouraged to apply for Nuffield Scholarships to pursue these areas of study so that Canada could have ten successful candidates per year.

## **APPENDIX A - NUFFIELD HOST FAMILIES - LODGING**

UK

John Stones  
Simon Beckett  
Donald MacPherson  
Nick Green  
Paul Richards

Canada

Ian McPhadden  
John Lohr  
Jim Halford

Australia

Peter Draper  
Richard Gardiner

## **APPENDIX B - DISCUSSIONS AND VISITS WITH NUFFIELD SCHOLARS**

UK

John Stones  
John Alvis  
Nick Green  
Paul Richards  
Donald MacPherson  
Simon Beckett  
Jack Ward  
Ian Pigott  
William Taylor  
Richard Smith  
Stephen Craven  
John Alliston  
Sharon Byles

Canada

John Lohr  
Les Kletke  
Ian McPhadden  
Jim Halford  
Brent Wright  
Wallie Doerksen  
Art Petkau  
Fred Walsh  
Ken Edie

Australia  
Peter Draper  
Robert Dent  
Richard Gardiner  
Bernadette Clark  
Michael Bennett

## **APPENDIX C - ADDITIONAL VISITS**

UK  
William Vorley  
Carolyn Drummond  
Dr. Jonathan Turner  
Michael Slattery

Germany  
Dr. Cathy Rozel Farnworth  
Georg Gerl  
Brigit Wilhelm  
Paul Daum

France  
Alexis Millet

Australia  
Ian Longson  
Peter Dawson  
Ann Meyer  
Alan Campbell  
John Noonan  
Brian Clark  
Brad Plunkett  
Peter Dale  
Stuart Clarke  
Mandy Curnow  
Paul Rennie  
Dr. Peter Hay  
Gerard Castles

US  
Elizabeth Barham  
Michael Seipel  
Jose Garcia

## APPENDIX D - CURRENCY RATES

Currency rates for countries visited, expressed in Canadian dollars (as of 7 November 2005)

Danish krone	\$ .187
Euro (€)	\$1.397
British pound (£)	\$2.063
US dollar	\$1.181
Australian dollar	\$ .866

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