

Exploring how British farmers can develop a brand to market their produce to foodservice

## Nuffield agricultural scholarship trust



### AN HSBC FOOD CHAIN AWARD

**“Exploring how British farmers can develop a brand to market their produce to foodservice”**

A report for



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“The core argument is that the future of farming is more about environmental and economic security than food security. The role of government is to create opportunities and contracts not protectionism and subsidy. We will know we have succeeded when farming is renowned for its entrepreneurial mentality and not its victim mentality. Land use needs to marry economic, social, and environmental value. We need an industry that is profitable in the market place. British consumption of British food will be the result of innovation, investment, branding, and quality assurance of British farmers and British food, not the generosity of the taxpayer”

David Miliband, then Secretary of State for Environment, Food and Rural Affairs, speaking at the Oxford Farming Conference in 2007.

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## Abbreviations & Glossary

AHDB	Agriculture and Horticulture Development Board
BHA	British Hospitality Organisation
BPEX	British Pig
EBLEX	English Beef
CR	Corporate Responsibility
DEFRA	Department of the Environment and Rural Affairs
H&S	Health and Safety
FCC	Food Chain Centre
HACCP	Hazard and Critical Control Analysis Path
HCC	Hybu Cig Cymn
MLC	Meat and Livestock Commission
IGD	Institute of Grocers Distribution
NFU	National Farmers Union
LEAF	Linking Environmental And Farming
CPI	Consumer Price Index
OOH	Out of Home
ONS	Office for National Statistics
OECD	Organisation for Economic Cooperation and Development
EU	European Union
FAO	Food and Agricultural Organisation of the United Nations
NPD	New Product Development
R&D	Research and Development
SFP	Single Farm Payment
RDA	Regional Development Agency
QMS	Quality Meat Scotland
UK	United Kingdom
UN	United Nations
US	United States of America
WTO	World Trade Organisation

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## Executive Summary

Diana Spellman	The author of this report is the founder and Managing Director of Partners In Purchasing Ltd (PIP) a food and beverage buying business. I have been fortunate to have been given the opportunity to explore the food chain with the assistance and support of the Nuffield Farming Scholarship Trust and HSBC.
My company	PIP buys food and beverage products for 120 million meals a year on behalf of its clients, who are primarily organisations in business and industry, leisure, education and healthcare.
Farming family	More than 20 direct relatives in my family are actively involved in agriculture and food production. They have acted as a great sounding board for testing facts and ideas during this study.
Foodservice	The total UK food and beverage market is worth £150bn a year, of which the out-of-home segment, is serviced by the catering industry, is valued at about £40bn. Employing two billion people, this sector comprises restaurants, hotels, corporations, hospitals, schools, Universities, pubs, stadia, garden centres, petrol stations and leisure centres.
Aims and objectives	<p>The aim of this study was to raise awareness among farmers of the potential for foodservice to become an alternative or additional trading channel to their current routes to market and therefore a viable and profitable revenue stream.</p> <p>To achieve this I explored trading relationships within the UK and overseas, using the stimulation and resource provided, to find out how British farmers might build a brand suitable for marketing to foodservice.</p> <p>Guidance is provided on the most effective ways in which farmers can access foodservice customers. The report supports government objectives in encouraging farmers to stimulate entrepreneurial diversification projects.</p>
Product Development	PIP has been progressive in introducing farmers with finished goods to customers in the corporate dining workplace throughout the research period. For our clients, exclusive and premium products, quality ingredients and the service of delivery are the most important criteria when considering a supplier. Price is relevant, but only in terms of value for money. The products have been experimental and showcased for prestigious events only, quantities required are small. Corporate fine dining has provided an ideal environment for new product development.

The purpose of the report	This report documents the research undertaken during my Nuffield journey to write a handbook for farmers that would assist them in building a brand they could market to the foodservice industry. The report also aims to assist emergent producers to prepare themselves to find profitable routes to market in foodservice.
Why?	<p>The purpose of the report is to introduce foodservice as a market to farmer producers of finished goods. It also provides an opportunity for stakeholders throughout the foodservice supply chain to review the market place for trading opportunities. It will assist all parties in making informed choices by helping trading partners understand the motivations of other players in the supply equation.</p> <p>The information in this report will also be useful in helping those already producing finished goods for the retail market to adapt their production and distribution for the foodservice sector.</p> <p>Finally, the purpose of the report is to pass on the observations made during my travels and case studies.</p>
Who is this important for?	<p>The report is targeted at any business with an interest in the journey made by food between pasture and plate.</p> <p>Those who will benefit from the research will be those already producing or preparing goods for the consumer.</p>
The report is relevant for:	<p>Producers already supplying the retail market. Producers wanting to find new routes to market Farmers considering diversification. Farmers who want to know more about supply chains. Advisory bodies involved in connecting farming with foodservice.</p>
Methods:	<ul style="list-style-type: none"><li>◆ Desk research</li><li>◆ Study tours</li><li>◆ Conferences</li><li>◆ Publications</li><li>◆ Review current views</li><li>◆ Beliefs and research</li><li>◆ Travel Interviews</li><li>◆ Trade Shows</li><li>◆ Visit Farms</li><li>◆ Interviews of key influencers in the Industry</li><li>◆ Checks and verifications of information</li></ul>
Beneficiaries:	<ul style="list-style-type: none"><li>◆ Local food producers who are entering the supply chain and wish to improve their understanding of market forces and buyer behaviour.</li><li>◆ Local economies.</li><li>◆ Consumers.</li><li>◆ Local communities.</li><li>◆ Tourism.</li><li>◆ Food safety.</li><li>◆ Food security.</li><li>◆ Taxpayers, via a reduction in government subsidies.</li></ul> <p>The wider economy.</p>

Exploring how British farmers can develop a brand to market their produce to foodservice

- ◆ The environment.

**Conclusions:** This research provides a means for agriculture to benefit from producers and policymakers to understand the dynamics of the supply chain in relation to customer requirements. It sets out the stepping stones in order to plan how to get organised to reach the customer in the most efficient way. This requires research, education, investment, security and commendation.

**Recommendations:**

- ◆ Understand the consumer as well as the customer.
- ◆ Build a quality premium brand.
- ◆ Get organised financially and structurally.
- ◆ Buy in expertise.
- ◆ Understand how to make a profit.
- ◆ Be consistent with quality and volumes of supply.
- ◆ Secure your market place with consistent delivery of value and availability.

## Foreword

### **“Exploring how British farmers can develop a brand to market their produce to Foodservice”**

This study came about as a result of my discussions with many British farmers who were frustrated at their inability to influence the factors that determined their revenues. As a food broker, or agent, within the foodservice supply chain, I felt this segment of the market offered an opportunity to address their concerns in this regard. Further, I believed I could provide a link between farmers and the foodservice industry.

The information in this report offers a general insight into the food industry. It also explains tools which can be used to learn more about customer preferences in foodservice, and in particular the corporate staff dining sector.

The economics, choices and attitudes of the farming community have been investigated. At the same time, the foodservice sector has been researched in an effort to identify the opportunities in the market that exist for farmers.

These opportunities were then put to the test using my company's role as a sourcing agent. This testing took place in the corporate dining sector. Products were sourced from farmers who had already identified foodservice as a potential market, and had finished products ready to supply.

The Nuffield HSBC scholarship allowed me to conduct research overseas. To this end, I travelled to Germany, Italy, Holland and the USA, seeking examples of farmer controlled organisations in these countries. The subsequent case studies are intended to inform farmers in the UK of the development and opportunities in other countries.

During my research, I also looked for examples in the UK of farmers and wholesalers breaking into the foodservice market. These helped to illustrate the strategy a farmer, or any other business, requires if it is to reach and satisfy the target consumer. The research was enlightening and highly relevant considering the number of farmers that have had successes and setbacks while engaged in this process. While Nuffield studies have traditionally sought to uncover better practices overseas, I have in fact discovered revealing examples of good practice right under our noses.

Within the report, I have provided a view on my interpretation of the agricultural framework in the present economic situation. While farmers may find some of the observations obvious, or even naïve, they do however reflect a wider and general lack of awareness of the role of agriculture in foodservice.

The Meat & Livestock Commission, the now reformed levy body part of Agriculture and Horticulture Development Board, once said the biggest barrier to commercial success in the food supply chain was a lack of understanding among different stakeholders of how other sections of the supply chain worked. PIP facilitates communication between agriculture and foodservice and agrees with this view. Trading relationships operate more effectively when each party understands the requirements and motives of the others in that trading relationship.

## **Abstract**

This report is divided into six parts:

### **Introduction: setting the scene**

The introduction examines the case for those producing food to see beyond their traditional marketplaces. The economic and social framework for agriculture is described. The market place for food is described with an overview of the UK foodchain.

### **Chapter 1: The marketplace**

This chapter identifies the market sectors where the opportunities lie. It examines which products are suitable in which markets and the product attributes required by customers and consumers. The way in which farmers prepare products for a market place depends on specific conditions. Each proposition requires examination for its commercial viability. The report explores the prospect of preparing products for the corporate fine dining market place as a standalone diversification business.

Market research is vital in discovering what consumers want. Constant research is required to determine the consumers' fickle buying behaviour. Customers (the middle men) are consistent about their requirements. Sources to enable research into both of those requirements are provided as well as advice on how to interpret the signals.

### **Chapter 2: The product**

Prominent products are examined to find out why they are successful. The customer base and distribution of products throughout the wholesale supply chain are explained.

### **Chapter 3: The food business**

Examples of best practice in terms of how to combine sales, marketing and production within a business structure, as discovered during my travels.

### **Chapter 4: Conclusions and recommendations**

Concluding the key points, recommendations are also made for those considering adding prepared products as an additional or replacement income stream to their previous activities.

### **Appendix**

The appendix brings together a number of resources a food producer could use as a directory for useful information.

## **Introduction: Agriculture, agri-business and the food chain**

### **The case for engaging foodservice as a new marketplace**

To understand the motivation driving farmers to seek new market places in which to sell their food, and indeed the context of this research project, several factors must be considered:

#### **1. Commodity producers have little control over the prices they receive**

There is continued dissatisfaction among British farmers over their inability to influence the prices they receive for their goods. There is also a constant unease about revenue and income mechanisms. Supplying a customer directly with a finished product ensures a greater control on revenue than is possible when selling to a broker or processor.

#### **2. Supermarket chains exploit their power**

Supermarkets have often used their position of power over their suppliers to the detriment of farmers. Supermarkets have imposed their own production rules in order to maximise their own profit. Farmers with only one source of revenue have no other outlet for their produce and often are obliged to capitulate to supermarket demands to sell their produce at unfavourable terms or at a loss.

#### **3. Farmers do not generally appreciate the potential foodservice offers**

Farmers who have taken control over pricing by preparing their own produce for the market place as finished packaged goods have traditionally looked to the supermarkets for their main source of revenue. They have traditionally overlooked the foodservice market as a source of revenue. There is a perception that foodservice is too small, fragmented and that it is difficult to set up profitable supply chains. This report will challenge these views. Consumers in the foodservice market place have been sending strong signals to food buyers that they want to eat safe food. They want to know where it has come from and the way it has been produced. These buying signals have been dubbed traceability, provenance and authenticity.

#### **4. Corporate staff dining is a potentially lucrative market for farmers**

Companies in the UK have a strong tradition of providing meals to their employees in the workplace. The British Hospitality Association's UK food and service management survey reported that 1.5 billion meals were provided in foodservice. This equates to about five million meals per day bought or eaten out of home per day. The opportunity exists in this market to supply direct to the customer or consumer and cut out the middleman.

#### **5. Huge opportunities exist elsewhere in the foodservice sector, too**

Although the corporate dining market place is an ideal market place for the emerging producer to test new products, it is relatively small as a percentage of foodservice overall. Business and industry represents 40% of meals served in foodservice and corporate dining is unlikely to exceed 5% of that. However, once a product has been tested and developed in the corporate dining environment and considered to be suitable, many of the steps learned in this supply chain are applicable to the other market sectors in foodservice. Considering the number of meals provided across foodservice as a whole is 8.7 billion per year, there is an opportunity for farmers to benefit from high volume orders and long term business sustainability.

## **BARRIERS TO THE FOODSERVICE MARKET**

Despite the opportunities that exist, there are still barriers to finding new markets in foodservice:

### **1 Distortion of market pricing by non-commercial participants**

Sometimes landowners enter agriculture and produce crops which are not vital to lifestyle. The crop in effect becomes a by-product of the land rather than a core source of income. The crop will often be sold for a suppressed price, and this depresses the price for those who do require a profit from their produce. An example in the Organic world might be Lavestock Farms or Daylesford Organic whose enterprise goals are not primarily commercial.

This phenomenon can be found in the hospitality sector, too. Often, restaurant owners wish to operate a restaurant as a leisure venue, and are consequently content to run an on-site restaurant at a loss. Such players distort the true value of their offer, which undermines the true cost of the eating out or hospitality experience. This means that operators who provide food and beverage on a recreational basis at normal high street tariffs hamper those who need to make a margin. Examples are evident in the entertainment world in hospitality where food is given away for free .i.e gambling houses.

### **2 Transfer of skills**

The primary activity of farming is in itself a full time occupation. A change in day-to-day work practices, attitudes and business structure will all be required in order to embrace the ideas and propositions that this report suggests.

### **3 Inertia**

Fear, uncertainty and lack of knowledge are all barriers to entering a new market place. Keeping things as they are feels safe, comforting and risk-averse. It takes initiative, courage, energy, retraining and skill to confront the risks of entering a new and unknown market place.

### **4 Lack of Investment**

Investment returns in agriculture are much longer term than in other industries, therefore industry normally chooses to provide funds for research and development to industries which have higher and quicker returns on investment. British farmer-controlled businesses tend to be smaller than their foreign counterparts and few are listed public companies. Farmer-controlled organisations that have built up sufficient capital are located in Europe or the US over long periods of time and they are now investing in the UK and taking advantage of our domestic market opportunities.

## The Agricultural Framework in Britain: Setting the scene

### FARMING: A £6 BILLION INDUSTRY

The UK's food and drink market was worth £127bn in 2007. Within that UK farming generated £5.8bn in sales, equivalent to 0.5% of GDP. Source BHA Trends and Developments 2008 – Horizons for success

Agriculture accounts for over three quarters of the UK's land area and employs over half a million people, or 1.7% of the UK's workforce.

If a beef producer sells a bullock for £700 he may make a profit of £50 over and above feed, fodder, vet's bills, labour, machinery and so on. The other £650 will largely be spent in the local economy helping to sustain many other businesses.

For example, livestock farming in the southwest has an employment multiplier of 1.5. This means for every 100 people employed in agriculture, 50 additional people will be employed in associated businesses.

Agriculture is clearly a significant industry and contributor to the UK's wealth. However, it also faces considerable challenges.

In the first instance, the market is increasingly global in nature. As a result of the Single Farm Payment Scheme, which replaced EU subsidies linked to production, farmers now face the commercial reality of having to sell their produce into a market place linked more closely to world supply and demand.

Notably, this means all British farmers are competing not just with their close neighbours, but also with the developing world where costs associated with labour, land, inputs, transport costs and animal welfare are much lower.

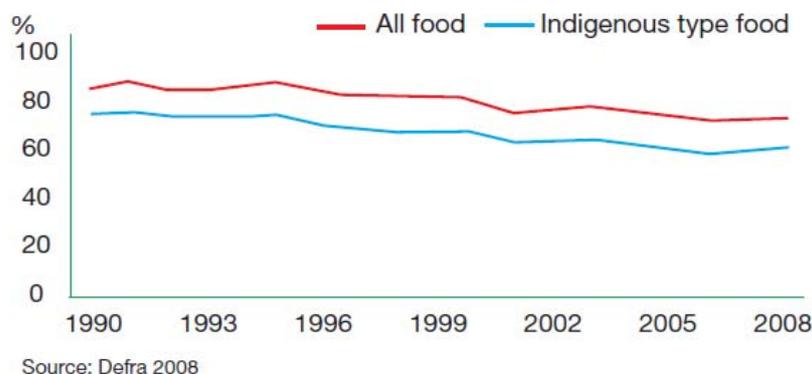
Without the comfort blanket of subsidies linked to production, more commercial risk has been shifted onto farmers, who must now ensure they are producing desirable products which secure a price above their costs of production.

In this environment, farmers in the UK face increasingly stiff competition from imports. The value of imports, feed and drink was more than £26.6bn in 2007, compared with exports of £11.4bn. Of the imports, the majority was in finished goods, with just 1% coming in as raw foodstuffs. Source: Defra Key Statistics 2008.

However, importantly for the purposes of this report, much of the imported raw food materials are absorbed by the foodservice sector.

Domestic agriculture contributes 60% of the UK's raw food requirement, while the food industry produces 73% of domestic finished food needs. But the UK's levels of self sufficiency are dropping (see graph, below). There exists an opportunity to produce domestically £5bn, or 30%, of the £15.2bn balance of trade.

Figure 1: Self Sufficiency of Food and Indigenous Food Produced in the UK



This chart shows how indigenous food consumption has dropped from 85% to 65% over 18 years and production of all food has dropped from 75% to 60%.

The majority – 90% – of the food we consume is supplied either domestically or from within Europe. The remaining 10% comes from North America, South America, Australasia, Africa and Asia. The primary products we import and use in the foodservice sector are: meat (mainly beef, lamb, bacon, and chicken and fish); fruit (mainly bananas, apples, lemons, oranges and exotics); beverages (tea, coffee and cocoa); vegetables (mainly salads, potatoes and roots).

Of these imported products, apples, soft fruit, chicken, lamb, beef and bacon and vegetables could feasibly be substituted by domestic products.

Already, there are examples of British farmers successfully competing with cheaper imports from Asia, which have a reputation for poor quality. Chefs in the restaurant business routinely reject poor grade, cheap Asian chicken breast portions which shrink during cooking and are tough to eat. Domestic producers have successfully focused on high quality, value-added poultry to provide a point of difference from lower grade imports.

The dairy sector has captured market share from imported value-added products such as cheese, yoghurt and flavoured milk by marketing domestically-produced copies of European recipe formulas.

But there remain sectors where more can be done. Apples, for example, have effectively been lost to export markets. Some 60% of Britain's apple orchards have been dug up and now 76% of the apples eaten in the UK are imported. Pear production has gone the same way.

It needn't be this way. Our climate is one of the most favourable in the world to grow orchard crops and significant technological research and development has taken place that could advance our competitive position with new varieties and attributes. There is an opportunity to claw back market share lost to New Zealand and South Africa, especially now that there is a demand for locally produced fruit from the consumer.

Another challenge facing farmers is that while the cost of their inputs has increased by 25% over the past 15 years, the prices they receive for their agricultural outputs have fallen by 9% in that time. Even apparent good news is tempered by reality. In the milk industry, for example, prices have increased by 30% in the past 12 months - but dairy farmers' costs have actually increased by 50% over the same period.

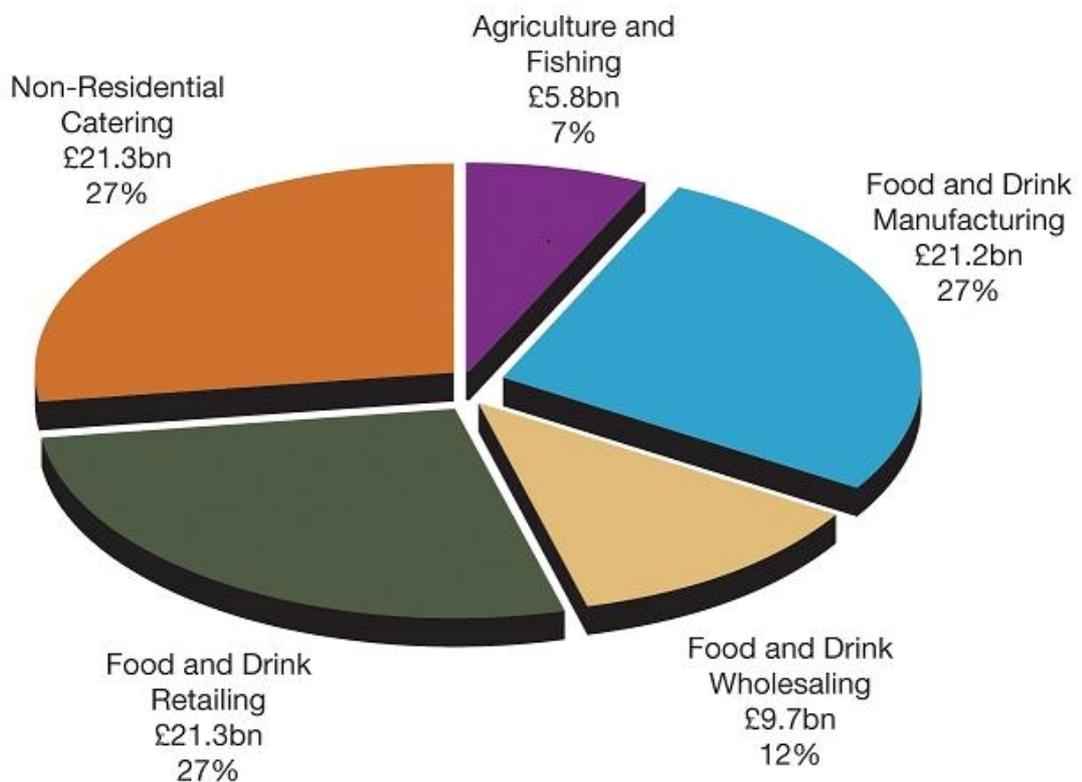
## WHERE DOES FARMING FIT IN?

Agriculture contributes just 7% of the value added to agri-food in the UK, with the remainder – or £73.5bn added by manufacturers and other food businesses. Source Defra, Key Statistics 2008

This can be explained by the fact that, in general, the output produced by farmers is usually sold on to processors/manufacturers, who clean, dress, process and package raw material into finished goods and then find routes to market for these products. There are over 8,500 food manufacturing sites in the UK involved in food processing.

The amount of value added to agri-food by other parts of the food and drink supply chain can be seen in this pie chart.

Figure 2: The Value Added by Agri-food to the Supply Chain



Source: Annual Business Inquiry (ONS) & Agriculture in the United Kingdom (Defra)

Manufacturers and processors sell finished products on to retailers and foodservice companies, who then supply directly to consumers.

The significance of this supply chain and its impact on farmers' livelihoods cannot be underestimated. Farmers were estimated to receive 23% less in 2005 than in 1988 for their contribution to a shopping basket of staple food items.

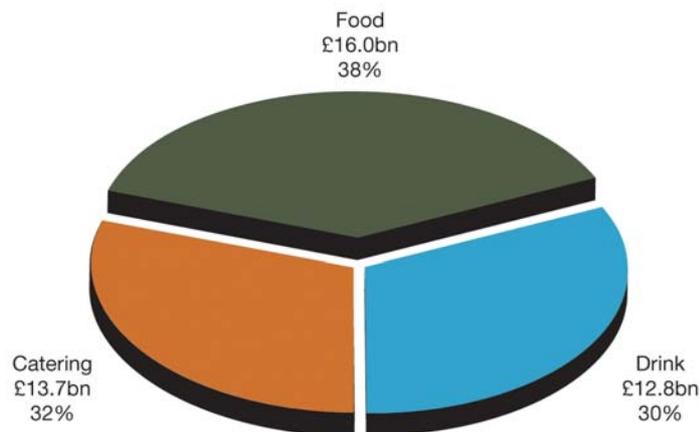
## CHAPTER 1.0: THE MARKET PLACE – What is foodservice?

The specific focus of this report is foodservice – that is to say the market for eating out, or out of home consumption.

In 2008 the average household spent £30 per person per week on food and drink. Of this, £8 was spent on food and beverage consumed out of the home. Source: Defra, Key statistics 2008. In 2007, the out of home market was valued at £39bn in sales, £13bn in delivered value and £9bn at factory/farmgate prices. Source: BHA Trends and Developments 2008 Horizons for Success

The out of home sector represents almost 30% of the food and drink sales opportunity and relates to one in three meals. Eating out is the country's fifth largest industry in terms of consumer expenditure, accounting for around 4% of UK employment, roughly 3.5% of GDP and around 38p of every pound spent on food in Britain. If trends follow the US then the proportion of meals eaten out of home will rise to one in two. This chart, produced by ONS, shows how much money consumers spent on catering as opposed to food and drink from the supermarket and other outlets in one quarter of 2007. It demonstrates that at least one third of sales in the catering sector remain an untapped market for farmer producers.

Figure 3: Consumers spending in Q3 2007 by Food, Drink and Catering, UK

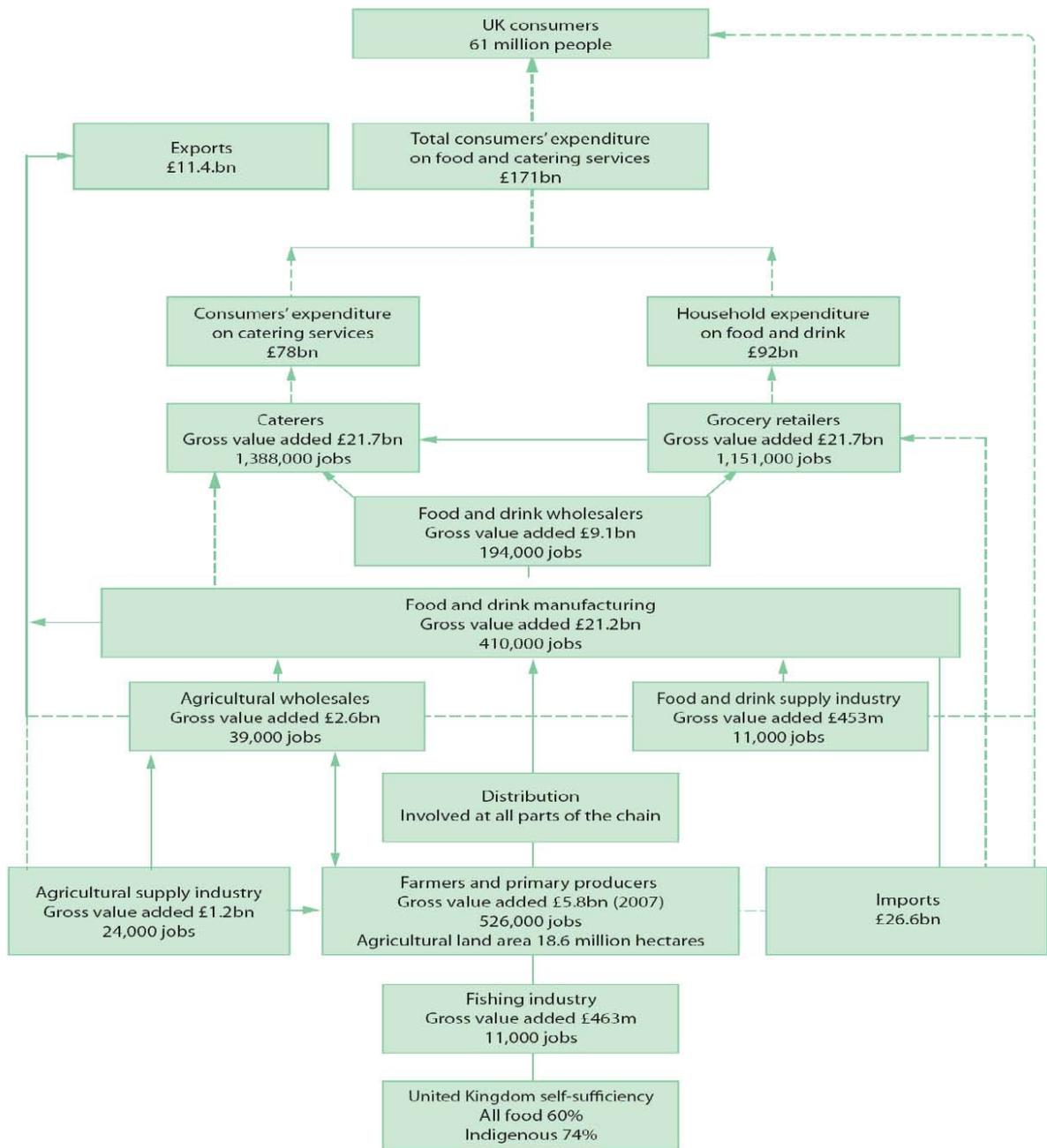


Source: Consumer Trends (ONS)

Of the meals eaten out of home in the UK, one in five is eaten in a hosted environment; this includes business and industry, healthcare, education, and the Ministry of Defence. This sector is often referred to as staff feeding or workplace dining. The total marketplace is worth £4.9bn in sales, which translates to £2.6bn worth of food purchases in the canteen environment and is a marketplace where farmer producers could potentially supply their produce. Average per capita spend in the staff dining room is £3.50 a day, across a total of 1.6bn meals a year. Source: BHA Trends and Developments 2008, Horizons for Success

Corporate fine dining is a further sub-sector of workplace dining and accounts for 66 million meals per year. The foodservice marketplace and its supply chain is opaque, complex, fragmented and diverse. The charts overleaf demonstrate the sub-sectors and structure in more detail.

Figure 4: The UK Food Chain

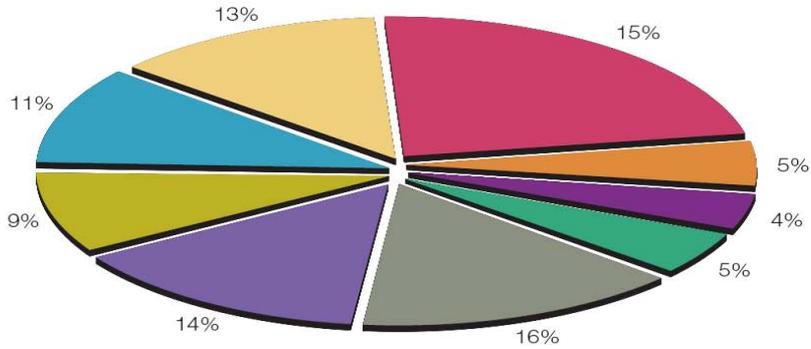


Overseas trade data is final for the full year 2007 from HM Revenue and Customs. (Data may not equal total due to rounding).  
 Dashed lines indicate main trade flows.  
 Consumers' expenditure, properly known as household final consumption expenditure, is final from the Office of National Statistics for full year 2007 and is calculated at current prices. (Data may not equal total due to rounding).  
 Gross value added (GVA) is the difference between the value of goods and services provided and the cost of raw materials and other inputs used up in production. GVA figures are from the Office of National Statistics and is provisional data for full year 2007, which is calculated at basic prices (market prices less taxes plus subsidies)

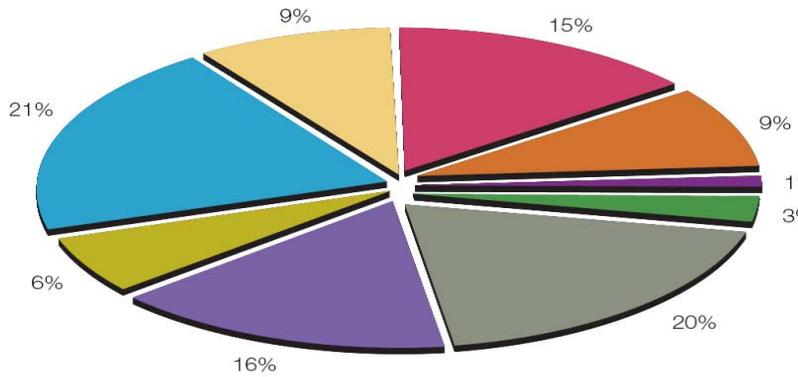
Source: Defra Agricultural statistics: The Food Chain 2008

Figure 5: Contract Caterers percentage share by business segment

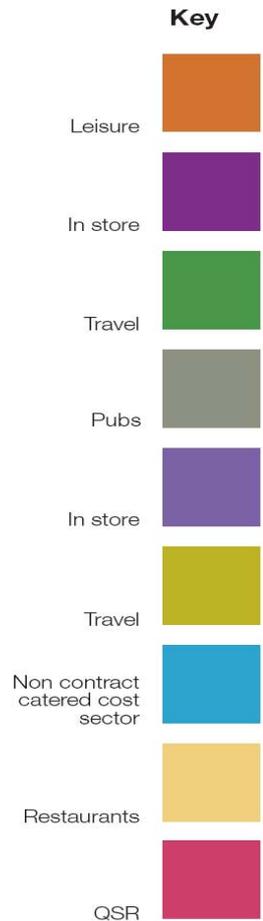
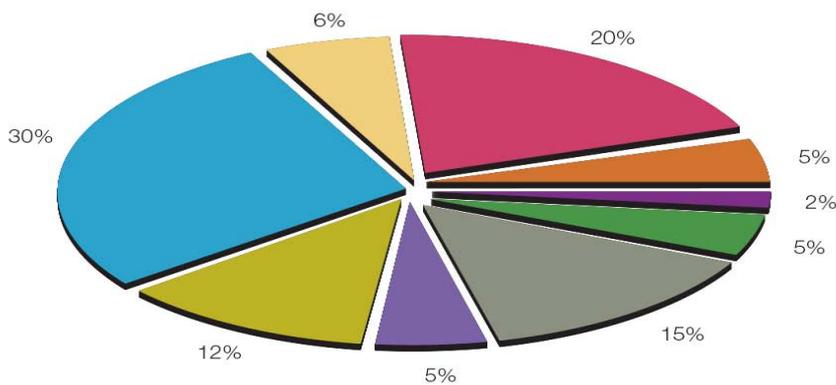
MARKET SHARE BY VALUE – SECTOR 2005  
TOTAL VALUE £39.5BN UP SINCE 2002



MARKET SHARE BY NO. OUTLETS – SECTOR 2005  
TOTAL OUTLETS 318,915, UP 11% SINCE 2002



MARKET SHARE BY NO. MEALS SERVED – SECTOR 2005  
TOTAL MEALS 11 BILLION, UP 9% SINCE 2002



Source: MLC P10

## **CHAPTER 1.1: THE MARKET PLACE: Promotion – What do I tell people about my product?**

Communicating the benefits of your products is a key part of engaging with the foodservice sector. Here, I examine some of the opportunities available for achieving a point of difference.

### **Local produce**

Professor Tim Lang introduced the concept of 'food miles' as a tool for comparing the environmental impacts of different foodstuffs based on the distance and means by which they travel. The concept has drawn attention to the globalisation of the supply chain and gained such popular currency with that many customers now prefer 'local' food. Retailers and restaurants have responded to this trend by increasing the choice of products they sell produced within striking distance of where they are sold.

However, simply measuring the distance food has travelled is not always a foolproof means of rating its green credentials. Indeed, there have been several robust challenges to the food miles concept, one of which emanated from the Agribusiness and Research Unit of Lincoln University in New Zealand.

Studies there concluded that rearing and distributing British lamb domestically generated more CO<sub>2</sub> emissions than shipping meat 11,000 miles by sea from New Zealand to Britain. New Zealand farmers can take advantage of year-round pasture and use less fertiliser, so they claim their lamb production is four times more energy efficient than the UK's.

A 2005 Defra report indicated that it can be more energy-efficient to import tomatoes from Spain by lorry than to grow them in a heated greenhouse in the UK. Lettuce grown out of season in the UK also compared unfavourably with Spanish salad crops when total carbon emissions were measured.

The situation is further complicated when one takes into account the human implications of moving to using fewer products sourced from overseas. In many emerging markets, local economies are geared towards providing goods for consumption in developed countries. If those markets disappear, then some of the poorest people in the world are left with no source of income. It may, for example, be environmentally sounder to buy green beans from UK producers, but in the customers' mind, how does that stack up ethically against denying a poor Kenyan farmer his and his family's livelihood? Rain Forest Alliance and Fairtrade hold considerable sway in our supply chain and have seized on these stories to market their goods.

### **Organic**

The Soil Association deserves credit for being among the pioneers of signpost food branding with its organic certification scheme. Through its campaigning work, the organisation has managed to invoke in the consumers' mind, in a non-specific but sophisticated way, the sense that food producers can contribute to well-being.

On a trip to the Biofach exhibition in Germany, I discovered that German consumers pay 20% more for their organic food, particularly for baby food, ready made meals and frozen products. Organic salmon was also popular and was promoted as being "GM-free with sound husbandry practices."

In the UK, organic milk has achieved a premium of between 5p and 7p per litre. Ultimately, however, a product such as organic milk will be subject to the same economic rules of supply and demand as the conventional product. It is also unlikely to settle into a stable production pattern until there is significant demand to overcome the conversion period of between three to seven years.

### **Linking the environment and farming: (LEAF)**

Despite significant campaigning during its recent history to receive the general public onto farms, the consumer remains largely unaware of production techniques. LEAF is regarded as a customer supply chain brand rather than a consumer brand. Despite that; Anthony and Lucy Carroll have built an awareness of LEAF to consumers in foodservice with their Heritage potatoes, as has Doug Wanstall through his food hub, based in Kent.

### **Red Tractor**

Red tractor has made significant strides in recognition by customer as a label representing 'safe' food since its early launch as the Little Red Tractor. Red Tractor is a brand that appeals in foodservice. In the retail market, it can dilute the manufacturer's own brand or the supermarket.

### **Fairtrade**

Farmer-produced products tend to fall into the category of "ethical sourcing" and there is a huge opportunity to ride on the back of this demand. Sales of ethical foods such as organic, Fairtrade and Freedom Food rose between 1995 and 2005 to £5 billion. In the current economic climate, sales of such products may take a temporary dip. But in our sector, many companies seek to resuscitate their financial reputation by making a visible commitment to responsibility of which local sourcing is high on the agenda. Inappropriate sourcing hits the front page of food news as was evident when Greene King were quick to deny that Zebu steaks were being served in their pubs after an undercover TV journalist revealed cheap imported cuts of meat.

## CHAPTER 2.0: THE PRODUCT- Production criteria

Differentiation is highly desirable. But before embracing such schemes as organic and Red Tractor, there are several basic attributes a product needs to exhibit to be attractive in the foodservice market:

### Health & Safety

Trusting the food we eat is paramount, particularly so in foodservice, where food and hygiene standards are more stringent than in retail. A corporate organisation will not put itself in the position where it might be liable for food poisoning. When catering for significant numbers, the assumption of the consumer is that the caterer is the guardian of their well-being. The Food Safety Act 1990 and the food and hygiene regulations of 1993 require “due diligence.” It is for the supplier of catering services to prove that “on the balance of probability he took all reasonable precautions to avoid the offence.”

The catering trade has interpreted this as meaning that each party in the food chain must demonstrate without reasonable doubt, that measures have been taken to prove that contamination of food has been minimised.

**Consumers** such as the general public are worried about BSE/CJD, food poisoning (e.g. E.coli, salmonella etc), and avian and swine flu viruses.

**Caterers/customers** are worried about E.coli, Salmonella, Listeria, Clostridium perfringens, Clostridium botulism, Campylobacter, Staphylococcus aureas and parasites such as tapeworm.

Technical advice specific to production processes must be sought..Amateur or hearsay advice will not be sufficient to interpret the gamut of regulations governing health and safety, weights and measures, labelling, transporting of goods etc, and caterers will not list your products without specific accreditation.

### Traceability

Customer confidence is enhanced by endorsement by production symbols such as LEAF, Soil Association, Freedom Foods, EBLEX, BPEX, and Red Tractor. However, there are so many symbols now that the clutter created on the packaging often confuses the consumer.

New technological developments are being explored to assist with traceability, from radio-frequency identification (RFID) tagging of animals with their pedigree and growth history linked to bar-coding and mobile telephone data transfer via pixel technology, through to reporting on websites.

### Sustainability

This much-used term is defined as the ability to create a product in a cycle which puts resources back into the production cycle at the same rate to which it uses up those resources whilst making the product.

Although conceptually we can easily identify with the term, recent commercial models have rewritten the rules inherited from our forefathers, and we have moved so far away from simple sustainable cycles, we are struggling to get to grips with manufacturing sustainably on a global scale.

Agriculture is at the centre of the debate of how to balance the levers in order to preserve our ecosystem. The conflicting pressures create a great deal of scepticism around the sustainable cycle, not without good reason, since there are still many aspects to investigate.

Nonetheless, many in the foodservice supply chain have taken the concept of sustainability to heart. In the

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US I interviewed Janette Norman, Vice President of Corporate Services and Real Estate at Goldman Sachs, who is responsible for buying the four million meals served every year on the company's New York campus. She said Goldman Sachs actively applied the concept of Environmentally Preferable Purchasing. She recited how the firm had researched the number of man hours it took to produce the two and a half tonnes of rice it consumed every year (180 in their calculation), the journey, the time, and the cost of the journey, its carbon footprint and the relative effects on the community the rice is bought from. They also managed the resultant waste and cost of removal of waste.

For many farmers and business operators, sustainability means survival and ultimately there lies the greatest challenge and responsibility.

### **Consistency and reliability**

It has been well documented that Beefeater, the chain of British steak restaurants, sources its strip loins from Australia or South America. This decision was made over five years ago despite continual consultation with the Meat and Livestock Commission over the years. The collaboration required to mobilise the UK's disparate beef producers into producing sufficient number of standard carcasses to guarantee Beefeater that they will always deliver tasty, tender steaks every time a customer is served is a challenge that still eludes the British meat supply chain.

Numerous papers have been written about selection of the best breed for meat quality. Clearly different climatic and husbandry conditions determine regional variety. The customer is not sufficiently close to the agricultural community to interpret these messages; therefore they find them largely confusing. Aberdeen Angus has the strongest breed recognition throughout the world with Scotch beef having a strong regional identity for quality.

### **Barriers to entry**

When a brand is conceived, it is important to create barriers to entry to protect the brand from other "me-too" competitors and to secure survival. A 'me- too' or look-alike brand can be copied within a period of six months in the retail sector.

#### **EU Certificate of Special Character**

Champagne is a classic long-standing example of this. The categories of food that may seek protection in Europe are: cheeses, fresh meat (including offal); meat based products; oils and fats; bread, pastry and cakes; mineral waters; fresh fish and molluscs; olives; fruit, vegetables and cereals; non-meat animal-derived products such as eggs, honey and milk; and ciders and beers.

The way is then opened for linked promotional activity, a decrease in reliance on support subsidy and a viable, sustainable rural economy.

A survey for the EU shows that over 700 UK food products could qualify and benefit from this protection.

### **Overall production criteria**

Security, safety and traceability have all been shored up by the surge in production schemes and their associated labels. Those with the highest profile include Red Tractor, Freedom Food, the Marine Stewardship Council, the Soil Association, LEAF and Fairtrade. The Fairtrade foundation reports an increase of 40% of sales on Fairtrade branded products. In our industry Fairtrade tea, coffee, sugar and chocolate are seen by our corporate customers as visible evidence of their Corporate Responsibility programmes in action. The Soil Association has announced an endorsement for Fairtrade by insisting that imported organic food is only acceptable if it also meets Fairtrade ethical standards (although it should be noted there are many organic certification bodies operating and not all will stipulate this requirement).

## **CHAPTER 2.1: THE PRODUCT- Understanding the Supply Chain**

Achieving the desired accreditations and meeting the basic legal standards is only part of the story. It is vital, too, to engage with the wider supply chain.

Most farm outputs are produced for the commodity market and sold to key intermediaries. Some 70% of this volume is prepared for the retail food market. Tesco, Asda, Sainsbury, Morrison's, The Cooperative Group and Waitrose are the dominant retailers.

Food products are processed to a state in which they are a ready-to-eat product for the convenience of the consumer. Since the advent of mass food processing, many traditional food preparation and cooking steps have been incorporated into the manufacturing of products. Also, additional ingredients are added to preserve products in order to extend shelf life. Packaging also extends shelf life of the product during transportation and of course incorporates designs to attract the customer's attention on the supermarket shelf.

The volumes of food consumed in foodservice represent approximately a third to a half of those required by supermarket chains. However, most products for foodservice are subject to the same processes as those destined for retail and take the same initial route to market. Differentiation generally takes place only at the point of packaging. Foodservice requires products prepared in larger pack sizes or different combinations of case size.

Caterers, chefs and the supply chain have to work towards finding optimum solutions for all parties. Often, supply negotiations are a tug of war between the ability of the wholesaler and the ability of the caterer to store provisions adequately prior to service.

The extent and availability of freshly prepared dishes on the menu directly reflects the caterers and wholesaler's ability to balance these dynamics. For instance, high street restaurant chains will try to reduce the number of ingredients used in the menus, optimise the highest volumes of ingredient value of delivery and use more processed ingredients to achieve this. So called "white table cloth" or fine dining restaurants will order ingredients which are diverse and as natural as possible. They can then add the value of their skills in preparing the dishes. This is a more costly exercise as ingredients value deliveries are low and more frequent.

The characteristics of the food supply chain are therefore divided between the high volume products entering the processing chain which deliver "convenience" attributes to consumers via the supermarket or via foodservice, and ingredients which have their convenience value added to by cooks and chefs. An element of entertainment, service or hospitality is also added to the out-of-home eating experience.

In the following pages I will examine each of the major volume commodity markets in turn to determine their significance to farmer-controlled businesses and to identify the opportunities that exist to build loyalty to a brand among consumers.

The following commodities are covered: Cereals (Wheat, Oats, Oil Seed Rape); Fresh Produce (Fruit & Vegetables, Potato, Roots, Greens, Exotics, Onions); Dairy (Milk, Yogurt & Cheese); Meat (Beef, Lamb, Pork, Poultry, Eggs, Turkeys).

### **CEREALS**

Wheat is the main ingredient used in foodstuffs. Of the six million tonnes of milling wheat grown in the UK, 20% is imported to meet local demand. The main player in buying and milling wheat is Allied Grains, part of Associated British Foods (ABF).

## **MILLING WHEAT**

Rank Hovis, part of RHM and Archer Daniels Midland Milling, accounts for more than 50% of the bread flour milled in the UK. Some 80% of the bread produced comes from Allied Bakeries (part of ABF) and British Bakeries (part of RHM). They control 55% of the bread market by value and produce bread under their own brands and for supermarket own labels.

Kingsmill, Burgen, Allison and Sunblest are the brands produced by ABF. Allison and Sunblest have highest profile in foodservice. Brands in foodservice tend not to develop strong loyalty because of the absence of visibility to the consumer. Sliced processed bread is predominantly used for toast or sandwiches for which low volumes are required and the loaf has a low value per item.

The strongest example within the cereal sector of a vertically integrated supply chain is demonstrated by well established baker Warburton's. It has adopted a farmer contract production arrangement based on a seed to loaf control system. This stabilises quality, protects the farmer growers and boosts efficiency in the supply chain. Warburton's is currently testing the foodservice market place by supplying hospitals with its traceable seed to sandwich offer.

## **OATS**

Oats have been well publicised over the last 10 years as being a "superfood." Porridge for breakfast is now a regular menu item and has become the main cereal to replace wheat for the growing number of consumers that have developed celiac disease and other digestive problems.

EU feed grains were generally in short supply, so UK oat exports also increased in 2007. Domestic milling use continued to rise and at 427,000 tonnes is almost double what it was a dozen years ago. Imports from Europe resulted because of the requirement for higher grade end-user milling quality. The increasing demand is clearly evident in the figures.

More opportunities to combine oats into menus or as an ingredient in finished goods are being identified.

## **FRUIT AND VEGETABLES**

Fruit and vegetables are an increasingly important commodity group in foodservice as consumers gradually acknowledge that good nutrition is essential for achieving a balanced diet and that processed foods have contributed significantly to the high levels of obesity and occurrence of diabetes.

In 2006, fruit and vegetable purchases fell short of the ideal five per day to the tune of 20%. The trend is heading towards the goal, however, with an increase of 10% compared with 1990. Schools, hospitals, healthcare facilities and universities are driving more consumption through the curriculum, menu and leadership.

If all consumers ate five portions of fruit and vegetables portions a day, consumption of fresh produce would increase from 8.2 million tonnes to 8.8 million tonnes per year.

Sustain researched the fruit and vegetable market for a report, prepared as part of Mayor Ken Livingstone's "Better food for London" Draft Food Strategy, which was published in 2005 as part of a bid to scope a sustainable food logistics hub. They reported that 30% of vegetables and 90% of fruit was imported from overseas, while 80% of all food requirements had to be transported from a distance greater than 50 miles. Imported produce could be substituted with British produced products. To service this demand; at present; glass house areas produce vegetables, salad and fruit are grown over an area of 152,900 hectares. Source DEFRA 2008

Commercial orchards stand at 20.8 thousand hectares. Soft fruit grow over an area of 9.6 thousand hectares of which strawberries are 70% of the value, providing revenue of £445 million. Of those peas, beans and salads comprise 121 thousand hectares.

An initiative to set up a dedicated food hub in London is progressing. The intended refurbishment of Covent Garden Market will bring British produce into the heart of the London market place.

The corporate fine dining sector has worked hard to embrace seasonal produce in the dining rooms by re-introduction the range and varieties of produce available around the calendar. Secretts Farm Enterprises based out of Godalming have entered the foodservice marketplace with locally farm produced vegetables with increasing growth.

## POTATOES

145 thousand hectares of land are given over to growing potatoes, providing a market place worth £664 million. 5.7 million Tonnes are accounted for by home grown potatoes Source Defra Agricultural statistics in your pocket 2007. 5.5 million Tonnes went into the food chain, of which 2 million tonnes were imported. This represents 38% of the total. 30% goes into production for canned/dehydrated and other, crisps and frozen or chilled chips or other fried variants. 37% go into chips as snacks. The highest level of growth is in the frozen and chilled chips category. (Source: British Potato council Annual Balance sheet of Potato Supplies and Disposals 1988 – 2007.)

MBMG is a marketing group based in East Anglia representing potato growers from East Lothian in Scotland to the West Country and importing from overseas. It has formed a strategic alliance with Compass Group to source home grown potatoes for Compass's 7,000 sites in the UK. MBMG has worked closely with chefs to educate them about the different varieties available in season and the cooking qualities of those varieties.

MBMG has progressed from being just a premium potato provider by dedicating one of its depots to offer other greengrocery items. This site carries 110 other product lines. It has created a brand for foodservice called Potato Lovers, which is endorsed by Chef Heston Blumenthal. It is a major supplier to Pauleys, a division of Brakes, which is one of the three largest suppliers of greengrocery to the foodservice sector.

## ONIONS

On my visit to Rix Farms in Essex I saw an impressive packing house where 300 variants of pack sizes and varieties were being prepared for the customer. Rix supplies onions all year round, having invested in a large temperature-controlled storage area to ensure supply during periods when local capacity is not available. Onions are sourced from other growing regions in the world. The company manages the onion category for Tesco in the south east of England.



Dave Fulwood, Australian Nuffield Scholar 2006 visits Rix farm

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## RAPESEED

681 thousand hectares of land were tilled to produce 2,108 m tonnes of rapeseed in 2007 for rapeseed oil, feedstock and seed Source UK Agriculture Living Countryside. Rapeseed oil represents only a small part of the vast range of edible oils on supermarket shelves.

However, rapeseed oil is beginning to increase its profile in foodservice. Farmer Hamish Campbell has developed a presence in foodservice due to his sustainable rapeseed oil offer. His success is related to the way he has presented his story to the marketplace. His offer meets all the sustainable criteria that the corporate fine dining sector is looking for.

### Case study

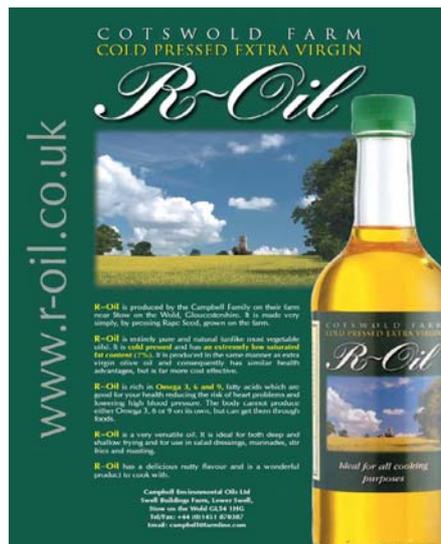
Campbell Environmental Oil is a farmer-owned business in Stow-on-the-Wold in Gloucestershire. It produces 25,000-30,000 litres of naturally pressed rape seed oil per month, sold under the brand name R-Oil. This is a healthy and high quality product for culinary purposes.

PIP encourages its clients to use R-Oil because of Campbell's complete environmental approach to production, distribution and recycling. The supplier delivers twice a week to London in vans powered by using waste oil-derived bio-fuel.

R-Oil is a source of linoleic and linolenic acid, which our bodies convert to Omega 3 and Omega 6 fatty acids. It contains no transfats. Extracted in the same way as extra virgin olive oil, but lower in saturated fat (R-Oil: 7%, Sunflower Oil 10%, Olive Oil: 14%), rape seed oil is locally produced and far more cost effective.

To improve its contribution to the environment and reduce waste, Campbell offers a collection service to remove waste oil from catering outlets at the same time it delivers new 5ltr and 20ltr cans. The waste oil is turned into bio-diesel to run the company's delivery vehicles and agricultural machinery. The oil rape cake by-product is used for animal feed.

R-Oil is bottled and canned on the farm in recycled cans. The price is competitive because of the low input associated with the management system. It creates value because it replaces imported olive oil and offers enhanced nutritional value. Here is an example of one their leaflets.

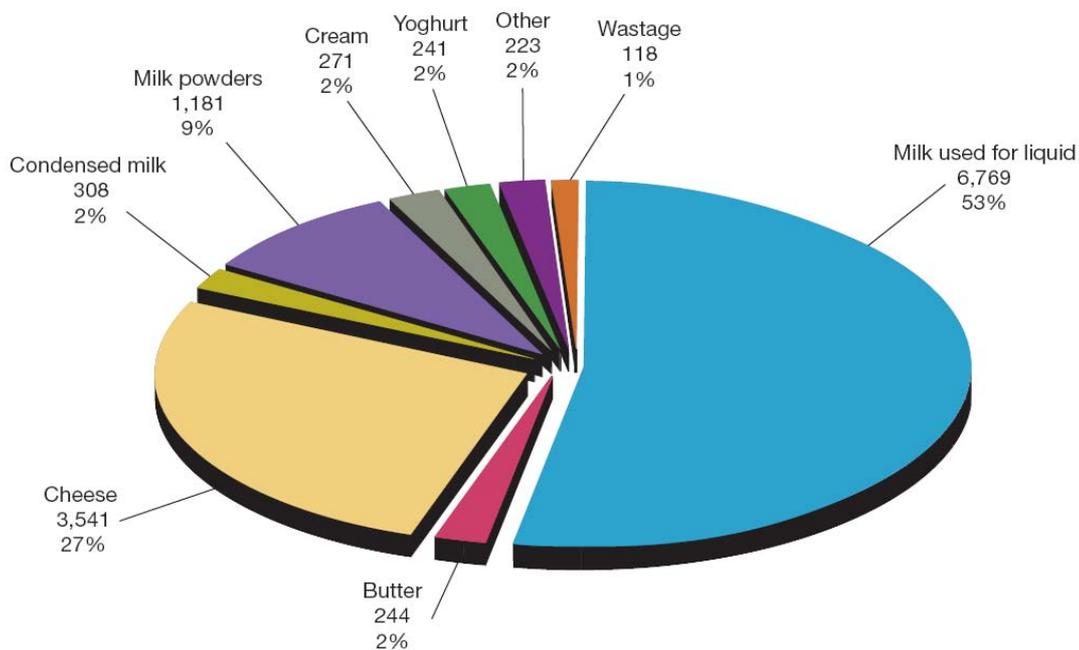


## DAIRY MILK

Processors such as Dairy Crest, Milk Link, Dairy Farmers of Britain, Robert Wiseman, First Milk and Arla manage and control 93% of the dairy supply chain.

If farmers were motivated to produce finished products themselves, they could seek a premium in order to generate a better return on investment. A change in the contractual arrangements would be required to hedge against currency changes and stabilise supply. If successful these changes could benefit 4,000 dairy farmers handling around 4 billion litres of milk.

Figure 6: Utilisation of Milk by UK Dairies 2007/08 (Million Litres)



Processed dairy products are derived from the 13bn litres of home-produced milk.

Market dynamics of supply and demand may be offset by the determination of corporations to maintain ethical buying practices and investigate other cost cutting initiatives.

### Cheese products

Cheese is the most frequently processed dairy commodity used in foodservice by both value and volume. The main products used are mature cheddar, mild cheddar, mozzarella for pizza, brie, camembert, and regional cheeses for cheeseboards. Mild soft cheeses are often used as ingredients and many soft liquid half fat cheeses are replacing full fat cream as dessert accompaniments and yogurt alternatives. There is a shift to use mature cheddar as an ingredient rather than mild as it yields more flavour per gram, which can be financially more economic.

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Specialist cheeses are the domain of the gourmand foodie and many more outlets and distribution services have sprung up due to the renewed enthusiasm for, and proliferation of, Artisan products. There are a number of cheesemakers' associations and affiliations to trade shows and events attracting the independent delicatessen customer.

Specialist cheeses require storage in particular conditions, ideally on straw in a maturation room held about 11°C. Selling the cheese at the optimum ripeness to the customer is a highly skilled activity. Skilled fromagiers are springing up in top restaurants to convey the romance and production methods of up to 30 cheeses on a cheese selection. Their knowledge is vast and the trade is developing in sophistication to the same status as a wine sommelier.

## Yoghurt

Some 35% of conventional yoghurt goes is sold through supermarkets. Organic yoghurt comprises 10% of the yoghurt market. Yeo Valley has been successful in achieving four- year contracts with supermarkets and wholesalers. Yoghurt consumption is falling as a commodity of the first time in seven years in supermarkets. There is not sufficient detailed data from within foodservice to determine if it is following the same trend.

While the US market and the local UK market have showed signs of slowing down, this is not true for the rest of the world. Drinking yoghurt is the world's fastest growing food and beverage product. Nielsen's report, "What's hot around the globe - insights on growth in food & beverage products," says drinking yoghurt stands out as the fastest growing seller not just in dairy but in the food and beverage industry as a whole. It suggests manufacturers should target this sector more aggressively.

## MEAT

Within my study, the meat supply chain appears to be the most fragmented, disparate and disjointed commodity group. It also carries at least £5.5bn in total finished goods: £2.6bn of beef, £0.8bn of lamb, £500m of fresh pork, £1.1bn of bacon and £0.5bn of sausages. The producers appear to have no influence over their customers. Both the farmer and the consumer are confused and frustrated about the lack of understanding about the values of each other.

Beef has the highest value in the foodservice market as a commodity group, typically amounting to 40% of the catering budget. It forms an important outlet for the dairy industry, as well as those producing specialist beef herds. The total head of cattle from dedicated beef and dairy herds are recorded by Defra as being 6.5bn. An average of 2.2bn is marketed each year. Some 22%, or about 500m, are absorbed by foodservice. Source: Agriculture and Horticulture Development Board (AHDB) formerly the MLC.

### Case for the foodservice sector to take control of its own beef supply chain

Demand:	Annual sales foodservice	£2.1bn
	Head of cattle	2.2m
	Scottish premium dedicated beef herd	1.1m
	Sales to foodservice:	22 – 30%
	Premium beef going to retail	£3.9bn
	Dairy beef entering foodservice	£0.5bn (12%)
	Imported premium/dairy to foodservice	£1bn

Of the 170, 000 tonnes of beef per year required by foodservice, only 33% of that is sourced from the UK. The current system of selling cattle through marts, agents and directly to abattoirs is open to inefficiency, subjective judgment, waste and opacity. There are over 50 large scale abattoirs registered with the Meat and Livestock Commission as well as over 300 smaller abattoirs and cutting plants across the UK. Some handle single species, some ruminants only, some pigs only and a handful can take in all three carcass

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types. Grading systems are based on the EUROP European-wide carcass grading, which rewards carcass size and shape rather than eating quality of the meat. Progress is being made to introduce technological methods to grade carcasses to reflect eating quality.

Despite farmers' efforts to provide great detail in passports and assurance schemes for the reassurance of the consumer, the traceability evaporates when carcasses are cut up at the abattoir. Once the carcass has been broken down and distributed across the supply chain there is little chance that the customer will know from which animal their mince, stew, chops or sausages have come. Even with large cuts such as steaks and joints, it is almost impossible to guarantee traceability of the animal.

Several claims have been made by the meat industry that traceability of meat is achievable in the near term or that it is available right now. The consumer is being misled when asked to believe that traceability back to the animal's passport is possible. The passport only records the birth, death, lineage and movements of the animal. Claims that the husbandry details are recorded on the passport are weak.

In certain circumstances, some meat producers record all of their feeding, disease intervention and supplements in a Quality Management System. But a farmer would expect to receive a premium for this additional work. Butchers in the foodservice industry frequently link the two and assure the customer (falsely) that they are automatically recorded by mandate. This is an expensive fantasy within the current system, and stands to undermine the confidence in meat in the trade both among farmers and the consumer.

Abattoirs act as clearing houses and have to cope with the inconsistencies created by the producers of a wide range of carcass sizes and quality levels. Quality is determined by muscle shape, fat quantity and distribution. Key players can manipulate the price by creating unnatural shortages and gluts, adding to the abattoirs' problems and exacerbating the range between the most immature or over-mature animals presented.

These factors do not coincide with the desires of the customer, who wants a consistent, tender, juicy, tasty, even-sized portion, majoring on steaks and chops in the summer, while in the winter, preferring roasts and casseroles. The problem for the farmer is that the seasonal weather cycles, breeding patterns and carcass imbalance do not lend themselves easily these demands. In the recession-hit period of late 2008 and early 2009, carcass demand has shifted from the hind quarter to the forequarter, creating yet more difficulties for the butcher.

Farmers point out that wholesale and retail butchers and meat processing plants all require different features from their carcasses. Retail butchers are looking for a well marbled muscle with plenty of fat coating the joint. Meat processing plants choose animals with the least fat as is possible with plenty well developed lean muscle to optimise the red meat to fat ratios and reduce trimmings. Wholesale butchers have carcass size as their paramount feature with cheap prices high on their agenda.

## **PORK**

Pork is more popular in foodservice than in retail, particularly sausages and bacon. In times of financial constraints, pork chops are often sourced as a substitution for more expensive beef cuts.

Over recent years nine million head of pigs per year have been marketed in the UK. The breeding stock population stands at 423,000. Of total pigmeat products in the UK, foodservice consumes 20% of that volume with 78% as pork and pork products (including sausages) and 22% going to bacon.

Of the bacon in foodservice, 67% is sourced from the UK while 23% is directly imported. Our perception through branding of Danish products is that Danish bacon has a higher profile and therefore has a greater market share. Erosion of the local pork market to advantage of Europeans has taken place over the last 10 years as pigs reared in the UK are subject to higher welfare conditions than those in Europe.

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Abattoirs proved reluctant to provide details on buying practices and processing capacity to local farmer controlled businesses.

## **LAMB**

The UK sheep flock was 15.5m head in 2007, and produced a crop of lambs of 16.6 million. A total of 41% of slaughtered lamb meat market in the UK was imported. As a sector, foodservice consumes 14% of lamb sold in the UK, with purchases valued at £510m. Source DEFRA Agriculture in the UK Structure of Agriculture 2008. This is mainly in the form of fresh premium cuts for roasting and braising. Some 73% of this is sourced from the UK and 27% is imported, in some cases frozen.

Source: MLC the Sheep marketing chain, 2006

## **POULTRY**

### **Chickens**

Broiler chickens produced and prepared for the table provided 410,000 tonnes of meat to the catering trade, mostly in portioned form, either as chicken breasts in three sizes, drumsticks, wings or cooked mixed brown and white meat for sandwich fillings or pie fillings.

Imported broiler meat is recorded as being only 17% of total chicken consumption. Of that Thailand, Brazil and Europe are the main exporters. Portions are offered and traded as a commodity product.

### **Eggs**

Some 4.5 million whole eggs per day are consumed in foodservice. This represents 20% of the total marketplace and is valued at £145m per year. Prepared eggs as ingredients, such as hard boiled, sauces, sandwich filling, powdered etc, are used in the same volume as required in the shell. They are consumed both in retail-prepared products as well as foodservice. Foodservice demands the Lion stamp mark as a minimum standard of quality and assurance.

### **Turkeys**

The turkey market place in retail is worth nearly £370m and is broadly divided between whole birds, convenience and snack products, portions, rolls and roasts.

One company that is exploring the foodservice market is Copas Very Very Special Turkeys. Having been established for 50 years, its website demonstrates its progression towards becoming one of the largest and most widely distributed turkey suppliers within and outside of the supermarket channel.

The bird is differentiated as a premium offer by adding value for the consumer, for example by including simple instructions on how to prepare the bird for cooking and how to present it on the plate. Turkeys are delivered to the consumer by courier ready for the oven accompanied by a thermometer cooking device, a recipe for stuffing and a jar of cranberry sauce.

Copas has developed several routes to market alongside the supermarket channel, which helps it balance between retail and foodservice. It has created an attractive brand which outlets such as garden centres, the Harrods Food Hall, and local butchers are happy to sell when they are offered the opportunity. It has done this by building relationships over a period of time and balancing the route to market with production, demand and group of diverse outlets.

Kelly's Bronze Turkeys, meanwhile, have been supplying turkey poults for more than 30 years from Kelly Hatcheries. Today they are the largest suppliers to the seasonal market, as well as hatching throughout the year for large-scale producers. Growing sales in this way has helped to contain production costs and to maintain a nationwide service to producers. Kelly's premium turkeys are distributed by marketing to consumers who appreciate the value of the slower growing process. Appropriate channels to foodservice have yet to be established.

Turkey does not feature greatly on menus in foodservice. There have been attempts in the public procurement sector to insist that British poultry is served to British government departments, something driven by the Public Service Food Purchasing Initiative (PSFPI). A report published covering the period July 2006 to June 2007 found that five government sectors recorded purchasing 100% British Poultry, six sites over 50% and six sites less than 50%. Of the 18 separate organisations, only two requested farm assurance programmes on contract invitations. Improved performance is encouraged through the Good Food on the Public Plate initiative, which is run by Sustain.

## CHAPTER 2.2: THE PRODUCT: Logistics- How do I distribute my product?

This chapter describes the main supply routes in foodservice, essential if a farmer is to get a product into the market and in front of consumers.

### Deliveries

Transporting goods ranges between 10% and 30% of the value of the goods; less where the commodity value is high, such as coffee, or more where the commodity value is low e.g. bread, milk, and greengrocery.

Wholesalers, generally, are tending to develop their logistics chain in a way that allows them to carry more products per consignment. This means using vehicles that are the right size to transport the goods in perfect condition and at the ideal temperature in the required volume, for unloading at the catering site. The wholesaler also provides a convenient delivery and invoice service.

At present, many farmer-suppliers do not offer this level of service. But wholesalers do exist who can assist farmers in preparing their products to meet these criteria. This is particularly true in the fresh meat chain.

Butchers with national distribution, such as Fairfax Meadow and Russell Hume, will consolidate consignments and provide advice to emerging producers. Several other butcher wholesalers with regional distribution also provide the same assistance to their producers. Companies in this category are British Premium Meats, John Sheppard and Browns of Rugby. Many more local butchers can be contacted through the National Catering Butcher network (NCB).

Other distribution chains are organised by foodservice companies such as Whitbread and the National Health Service. Frequently their logistics chains as are outsourced to specialist organisations such as DHL, Wincanton or Holroyd Meek, and Kuehne + Nagel.

Some restaurant groups that buy on behalf of their sites via a central purchasing department, such as Centre Parcs, have structured policies designed to promote local sourcing of products. Group food businesses look for consolidated deliveries on electronic invoices.

It is achievable, however. When Huw Ellis was promoting his COR organic flavoured milk product he overcame such barriers by securing some orders with schools to provide a nutritious alternative to carbonated soft drinks. Huw managed to secure a listing with 3663 whilst organising orders from the local schools.



### PRODUCT REQUIREMENTS

Meeting stringent health and safety regulations is essential to mitigate risk throughout their numerous outlets. They use either a wholesaler for distribution or have a central distribution depot. Economies of scale often dictate that deliveries are made in a minimum of one pallet per delivery, the frequency of which depends on shelf life of the product and the demand. Often a wholesaler will only stock the product if there is a contract with a customer. Getting a listing with a wholesaler and simultaneously finding customer demand with sufficient volume is a spinning plate's scenario.

Exploring how British farmers can develop a brand to market their produce to foodservice

The pricing of the product is a sensitive and demanding art. Each party in the supply chain is looking for between 5% and 30% profit margin of the volume depending on quantity. But the price still has to be attractive and competitive in the eyes of the end consumer.

Typically the product will make a loss for a period of time until sufficient demand is created to allow the volume sold to bring it into profit. The investment required for this start-up period cannot be underestimated.

This is the single most important financial element to consider when launching a brand. At least half of the 800 farmer-produced products launched in the past five years have failed at this stage. A good bean-counter in the business is essential, as is an executive who keeps a lid on costs while allowing sufficient marketing funds to get the momentum of the brand going. It is vital to have a different stream of income to live on until this nurturing stage of the business is overcome.

## **ROUTES TO MARKET**

### **3663 First for Foodservice**

3663 had sales of £1.5bn in 2007. Each of its depots is run as a local business, employing local people and contributing to supporting its local community. Each depot meets its suppliers directly to discuss their product offerings and the price viability of those products. 3663 has packaging specifications as well as minimum order quantities. Once on board, 3663's sales team will assist with product promotion and PR. The relationship can be strengthened by supplying samples for tastings at chefs' forums and for 3663's territory sales force to distribute.

Wicks Manor Pork has built a good relationship with 3663 by developing an East Anglia range. The products have a full colour listing in a brochure and receive promotional support. Having 3663's local territory sales force behind Wicks' products is worth the equivalent of £100,000 in terms of sales force resource.

Wicks' sausages and bacon are traded through 3663 Stowmarket depot, which had 1,462 accounts trading last year, part of a national customer base of approximately 30,000 accounts. Wicks' product has the advantage of being marketed by 12 business managers covering the accounts, supported by 174 business managers nationally.

Fergus Howie, farmer producer of the Wicks Manor Pork Farm products related to me how over two or three years he had built an excellent relationship with 3663. Wicks Manor has agreed order criteria with 3663 customer sales teams and acceptable collections and delivery days. Fergus said that order quantities can be quite erratic but on the whole, because there is a business culture of cooperation, most problems can be overcome. He recently had a successful order and delivery via the Northampton depot.

This arrangement spreads his pork brand across the country. Fergus is happy to continue to expand his distribution partnerships as well as develop his own delivery routes as the brand becomes more mature in the market place. He accepts that sometimes some margin has to be surrendered to the wholesaler. However, this can also be offset by the fact that a delivery on his vehicle would otherwise be prohibitively expensive.

3663 celebrated the launch of the second phase of its locally sourced product initiative for customers in East Anglia by marking the occasion with a farmers' market at 3663's Stowmarket depot. Twenty suppliers from East Anglia showcased approximately 200 new products available to 3663 customers in the region.

East of England Development Agency board member Edward Iveagh said: "This excellent initiative by 3663 will open up new markets for locally-grown produce in the food service sector. The enthusiasm shown by both the company and its suppliers is tremendously encouraging."

Exploring how British farmers can develop a brand to market their produce to foodservice

The 3663 project fits perfectly with EEDA's own initiative, Eat East – Nearer, Fresher, Better, and highlights the fact that in the East of England we have some of the best food and drink, produced to high standards of quality and traceability. This project will enable more people to taste good wholesome locally-grown food – benefiting producers, consumers and the environment.” Sadly the products from Stowmarket depot are being consolidated to Paddock Wood in Kent. Brands from East Anglia which have yet to be established are going to find it even tougher to be listed hard in this new environment.

## Brakes

Brakes had the highest turnover in 2007 of all the wholesalers at £1.8bn. It has 8,500 employees and a profit margin of 4.2%. 3663 is the next biggest player with £1.5bn sales with 6,209 employees and a profit margin of 2.8%. Margins in foodservice wholesale are tighter than those for supermarkets. Tesco reported a profit margin of 5.7% in 2007.

Brakes' research into this market place has concluded that many customers confuse 'local' with provenance. Its own approach to these intertwined, but logistically different, attributes is to focus on buying "best in season" and "best produced." The company's criteria are to find growers who are British where possible and regional players who have long term plans. Brakes have been building relationships with food hubs and have dovetailed joint activities with government bodies and food consultancy agencies.

## Independent distribution

James White's organic farm-pressed fruit juice is an example of a success story involving a farmer that manages its own production, marketing and distribution. At the outset James was reluctant to collaborate with 3663 as he felt its distribution costs and margin would erode the value of his brand via an unacceptable selling price or cut in his own margin. Initially he distributed all his products himself, until he built up a critical volume of demand, at which point he was able nominate agents to distribute on his behalf. This approach to building strong relationships with clients, particularly via the chef route, has proved successful. The brand is packaged in particularly attractive bottles, which reflect the philosophy of the business. The company has also constantly added innovations to the range. The brand is highly visible at foodservice industry exhibitions, where many chefs patrol the aisles.

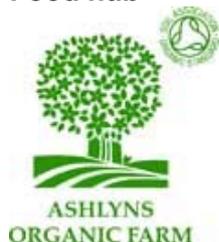


Since distribution costs can absorb between 5% and 50% of the cost of producing goods, distribution routes must be chosen carefully in the building of the brand. A food hub or independent distribution consolidator can offer solutions to reduce distribution costs. Here are two examples:

## Independent consolidator wholesaler

Moorsfresh was a fresh food-focused consolidator service provider created with government funding in 2002 to deliver local food with local provenance from small producers and merchants to restaurants and foodservice outlets in Yorkshire. The concept was welcomed with a blaze of good feedback and publicity. The produce was thoughtfully selected and supported by excellent marketing and great provenance stories. But business viability proved difficult when delivery order sizes were low and there were inconsistent levels of demand from the customer. The company is no longer trading.

## Food hub



Ashlyns Growers & Producers (AGAP) is a farmer-led co-operative based in Essex. It rents adapted storage and accommodation from farmer Jim Collins and is a food hub for both organic and conventional local produce. The farm is a local attraction for schools and organised groups of parties come to visit Jim's organic egg and cereal enterprise. There is also a training kitchen organised and headed up by Jeanette Orrey, well known as the first "Dinner Lady" trailblazer, who championed local and organic sourcing from the early days 10 years ago.

The farm has a meat cutting plant, so it can break down carcasses to customer orders. It also hosts the local Abel and Cole organic internet shopping depot as well as several local organic and seasonal fruit and vegetable seasonal box delivery schemes. There is a well stocked farm shop which attracts loyal local shoppers and tourists. It's a pleasant place to browse, have coffee and get closer to the natural environment.

AGAP has been successful in establishing its organic produce in over 100 local primary and secondary schools. This has been a challenging task due to spiralling food prices and tight budgets from schools, with much negative press from parents and pupils about changing their eating habits. AGAP has also helped develop its business by seeking out markets where grants have been available to assist the investment stage of the business.

## Bank Farm

Bank Farm is a Food hub run by Doug Wanstall, which has been equally successful, albeit with a different emphasis. It was also originally an egg enterprise, and now produces to free range LEAF standards. But the farm has built momentum as one of six food hubs for Asda, and has several other diversified businesses. The farm and coffee shop, for example, provides an outlet for carcasses from cattle and sheep raised on the farm.

1,200 products from over 75 growers and producers are consolidated into orders for schools, hospitals, farm shops, foodservice outlets and supermarkets at Bank Farm. The business has placed great emphasis on customer service, making sure the produce is local and of good quality. Pricing has been sensitive to customers' needs. Mike Duckett, Catering Manager at the Royal Brompton Hospital, has been instrumental in leading the way in public procurement by insisting he prepare meals for his patients at the Royal Brompton Hospital using organic ingredients, some of which has been sourced from Bank Farm. Bank Farms have also set up a joint initiative to re-process the spent and filtered cooking oil from the kitchen and process it into bio-fuel for the delivery vans.

## Local butchers

Local butchers provide a good way to distribute local products. The counter service lends itself to the best type of provenance and community story-related marketing.

## Farm shop

Manydown is a LEAF farm working on a mixed rotation basis, with its crops and grassland supporting a closed suckled beef herd of 180 Aberdeen Angus cows (reared in response to customer demand) and a sheep flock of 800 ewes, with a staggered cycle of lambing periods to produce lamb availability almost all year round (Christmas, late February, April and May). It also rears 2,000 free range chickens with minimum intervention, achieving a table weight of 2.5Kg in 11 weeks. Chickens are hung over five days for maturation.

A small pig herd is developing, producing bacon, sausages, ham and pork for the farm shop. The hindquarters are sold to local restaurant and pubs while the forequarters are driving a roaring trade in homemade pies.

## Farmers market

Farmers markets in Britain have grown in number from 800 five years ago to 7,500 now, attracting 15 million customers a year. Some 90% of these people buy their produce at a farmers market because they want locally grown fresh produce. Some producers are reviving demand for products which have been lost from corner shops, butchers, greengrocers and general stores as a result of the growth of the supermarkets, products such as local ciders, rustic baked breads and pastries, wide ranges of unpasteurised cheeses and ice creams. 1,500 of these kinds of products are also distributed to the independent foodservice market to single traders or traders with a cluster of outlets.

Farmers markets in New York are hotly patronised by the white table cloth restaurants. I sold salad punnets and herbs for huge prices in the Green market to local restaurateurs.



Yuno's Farmers fresh vegetable and herb market stall. Every Wednesday and Friday

## CHAPTER 3.0: THE BUSINESS - What type of company structure do I need?

Some agri-businesses in the UK are structured in a manner similar to European-style cooperatives, especially in the dairy business. However, as a rule a typical corporate structure is generally more popular, particularly with the food processors who dominate the food chain.

When I was travelling and visiting companies, I was on the look-out for best practices demonstrating good company structure. Not only was I searching for a developed brand or product range, I also wanted to discover the key decisions that the founders or the existing executives had made in structuring their businesses to provide a secure financial and social foundations for their companies to thrive and grow. Here, I feature three case studies based on what I discovered in Germany, US and the UK.

### BIOLAND



Bioland is Germany's largest organic farmers' association. It consolidates crops into processing and marketing facilities, which guarantees a route to market under membership and contractual conditions. Bioland's marketing material states that its organic standards include minimum nutritional requirements. Bioland had a small executive team servicing its growers. Founded in 1971, it has more than 2,700 members all over Germany.

It farms an area of about 85,000ha using techniques which follow Bioland's own guidelines. These are based upon the research of Dr. Müller and Dr. Rusch earlier last century. Bioland calls its method "organic-biological" farming. The method has been maintained, adapted and developed so that it now includes all aspects of a modern ecological agricultural production, animal husbandry and food processing. It also includes specialty producers, such as those supplying fresh water fish.

Bioland's farmer members are producing a wide range of typical agricultural produce, such as grain, vegetables, fruit, honey, hops, wine, milk and meat. This produce is either marketed directly to the consumer via markets, farm shops and direct delivery, or on a regional basis directly to trade partners. It is also marketed via contract partners. At present its customers include 178 bakeries, 33 butchers, 19 dairies, 29 grain mills, 10 breweries, 12 fruit juice producers and 48 other miscellaneous processors. This reflects the fact the group can offer a comprehensive range of products, including cereals, bread and pastries, noodles and pasta, dairy products, meat products, beer and juices.

Bioland is a well recognised registered trademark. All its members and partners are bound by contract and certified to use the trademark to label their products. The label signals quality and consistency to customers, which builds trust in the brand and generates repeat purchases.

Product quality is maintained through a broad controlling and inspection system. Farms and partners are inspected on a regular basis. In addition to controlling the guidelines, inspection bodies adhere to EC council regulation EEC 2092/91, which was implemented in 1991.

## BASIC AMERICAN FOODS



Basic American Foods (BAF) is a private company whose corporate headquarters I visited in Walnut Creek, a suburb outside San Francisco. This farmer-owned potato company has production and processing plants stretched across the US from west to east covering Vancouver, Washington, Idaho Falls, Idaho, Plover, Wisconsin, Mars Hill and Maine.

The company is family-owned and the founders, Jack and his brother Bill Hume, developed and improved a dehydration technique for onions and garlic in 1933. They traded the product internationally and subsequently developed dehydrated potato granules in the 1950s. They expanded into Poland with a potato plant in the early 1970s and later passed the business onto their sons, George and Jerry Hume.

The company reported a turnover of \$400 million in 2006 and has 1,600 employees involved in processing, packing, sales, technical and distribution. Its markets are foodservice, industrial, retail and international. Its primary products are dry potatoes, dry beans and refrigerated potatoes. Vegetables are grown under contract by approved farmers who are recruited within an agent and broker structure. About 500 acres in Idaho would be a typical-sized production unit of land.

Some 80% of BAF's sales are in the premium product category, supplying white tablecloth restaurants, grills and cafeterias. Of 145lb of potatoes consumed per person per year in America, 45.6lb per person is fresh and 99.4 lb per person is processed. Statistics sourced from the US Department of Agriculture economic research department indicate a trend towards consumption of processed product and a decline in fresh potatoes.

### Market Share of the US Potato Crop %

Frozen potato products 33; Fresh table stock 30; Snack chips (crisps) 11; Dehydrated 11; Feed 8; Seed 6; Canned and flour starch 1.

Fifteen varieties are grown by BAF, of which Russet, Burbank and Norkotah are the most prevalent. Half its production goes to fresh and half to processed. The potatoes are sent to a packing plant which was set up as a co-operative in the 1990's. It was started with less than 20 farmers and has now grown to over 100 producers. The purpose was to create:

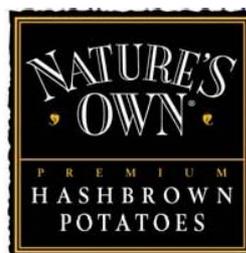
- ◆ Continuous supply
- ◆ Re-investment by farmers
- ◆ Reasonable volume
- ◆ Long term contracts
- ◆ Guaranteed payments with a minimum revenue over a 3-5 year period
- ◆ Increased acreage and size of farms
- ◆ Consistency of production and product

Strict guidelines are imposed regarding the use of pesticides and fertilizers, as well as disease prevention. No genetically modified seeds are permitted. The identity of each batch of potatoes is recorded and full traceability is available for examination. Waste controls are carefully monitored and new developments trialled in Idaho, where extensive research and development takes place in a technical department.

Exploring how British farmers can develop a brand to market their produce to foodservice

The waste water from the processing plants is treated and checked before being released back into the water cycle. The distribution of the growing areas ensures an early harvest from May, finishing in October in Wisconsin.

The majority of the production is turned into BAF's leading brands, such as potato pearls, which is a complete mashed potato product in five different variants. Some 100 tonnes a year go into private label products and the remainder is made into recipe dishes such as potato cheese bake, hashbrowns, casserole and chilli mix.



BAF has established its own sales force, which has created markets in foodservice and retail. Three-quarters of the company's sales are in foodservice, with customers including Aramark, Sodexo and Compass. Major wholesalers supplied by BAF include Cisco and Betty. Margins derived from foodservice are consistently between 8% and 15% while in retail they tend to be lower, between 3% and 5%. BAF's approach, through its 100-person sales force, is to focus on the customer and work with the wholesaler to ensure quality of service. The sales force is employed on a half-salary, half-bonus payment structure. Much product development work is carried out with the customer and the sales force spends most of its time listening to customers' needs and their changing requirements.

There are challenges associated with doing business internationally primarily because food law abroad differs from that in the US. In addition, customers are time-consuming and costly to reach. However BAF sees every sector as valuable for long-term stability, from the smaller independents to larger scale customers such as colleges, universities, healthcare, nursing and residential homes and schools.

BAF underpins its business through the solid corporate functions of senior leadership and strategy: Executive, Sales and Marketing; Customer Service; Technology; Safety; Finance, Logistics; Human Resources; and Information Services. Its main competitors are Heinz and Idaho Fresh-Pak Potato Processors.

BAF demonstrated features that were in common with other successful farmer businesses I've visited. I noticed three key factors:

1. Good use of professional advice
2. A business plan that is both aspirational and financial
3. Business structures appropriate to the function

## PRODUCE WORLD



Produce World Group, which is based near Peterborough, was a good example of a farmer controlled business in the UK. It manages fresh produce, fruit and vegetable supply chains for retail and foodservice. The group oversees the growing, processing, packing and the servicing of customers for all kinds of perishable produce.

The business is organised into brands. Each brand satisfies the major produce category groups offered by the multiple retailers. Products are supplied for each quality tier within each category (e.g.: value, standard, premium). The company's highest profile brands are Rustler Produce, which represents alliums (onions, garlic, shallots and leeks); and Solanum, its brand for the potato category. RB Organics deals with root vegetables. Frupac manages the fruit category by sourcing British and Brazilian fruit. My visit was to the RB Organics packing plant at Brandon.



Each company operates under its own identity and has a clear corporate structure with strategic and managing directors. More than 1,500 employees are supported by additional financial, IT, HR and training support functions from the Produce World head office.

The company was founded in 1898, and is still maintained by the Burgess family. William Burgess is chief executive officer. Ethical values are a strong part of the company ethos. It believes valuing, supporting and working closely with its growers and customers has helped it survive for four generations. It operates on an own-grown basis, in joint-ventures and through collaborative working with dedicated grower groups both in the UK and overseas. This way it can offer the diverse range of fruit and vegetables supplies that supermarkets and foodservice require. It is also an expert in organic produce.

Produce World has enhanced its success by acquiring businesses that complement its other brands and offer diversity of range. In November 2008 it acquired Marshalls Holdings, a group of companies with operations in the UK and Spain and its own distribution fleet. The acquisition has strengthened its ability to offer customers a fully integrated supply chain management solution from seed to shelf with full category management support. Its product range covers most UK produced vegetables as well as a large range of worldwide imported fruit and vegetables. Dedicated growers will be able to strengthen Produce World's position by offering diversification and crop rotation.

Produce World embraces corporate social responsibility. It interprets this term as to mean behaving responsibly towards its stakeholders and ensuring it manages the social, environmental and economic impacts of its business activities so they do not compromise the ability of future generations to meet their own needs.

The practical implication of that for Produce World means ensuring that the rural environment is managed within nature's limits and that our local communities remain vibrant. This goes beyond the obvious role as a major employer and the contribution that the business makes to the local economy. It also includes the support it gives to local groups and charities, its engagement with local government and its involvement with community-driven initiatives within the UK and in over 20 countries around the world where its produce is sourced. Last year the company joined forces with Business in the Community to emphasize these values.

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Produce World's organic operation is one of the largest produce sites in the UK, with a capacity to process and pack over 30,000 tonnes. The company is an early adopter of processing and packing innovations, including optical grading, vegetable polishing, and form-fill packing. Its supply chain management is driven by long term relationships both on the customer and grower side. Marketing and sales have equal importance alongside production. Accreditation is robust with Soil Association, LEAF and BRC certification encompassing 90% of its growers and processing plants.

The company displayed evidence of good organisation through the following:

- ◆ A well run and distributed plant and production
- ◆ A marketing and sales function given equal importance to production
- ◆ Staff employed in way pertinent to their function rather than according to a generic company ethos
- ◆ Systems incorporating up-to-date technologies and investment in IT, health and safety, quality, technical, agronomic and logistics functions.

### **RUTGERS FOOD INNOVATION CENTER, NEW JERSEY**

Rutgers is a government-funded incubator organisation designed to find resources and solutions for business growth. It offers practical assistance and help from experienced teams of people in the areas of food technology, packaging, recipe construction and nutritional guidelines. Once a product had been developed and attracted the right number of customers, distribution solutions are offered.

Rutgers introduced me to a number of food producer groups in New Jersey. They described how the producers organised themselves into co-operative groups who produce food for their home-town markets. They also use wholesaler selling agents, who are given exclusive rights to market products with a brand label distinguishing the growers' portfolio from the rest of the production.

Important in the locally established informal vegetable growers and distributors club, as a requirement by the chefs and restaurants to have a year-round choice of all types of vegetables. Therefore the growing group was obliged to buy in from other regions to supplement their own varieties when theirs fell out of season. If a product was short, it was vital to communicate this to the chef well in advance and offer an alternative; otherwise the chef would establish a new supply chain. A minimum order value of \$40 per drop was required at a minimum drop rate of 40 per day to make it economical to run a delivery vehicle and driver.



Diana and Carlo Petrini, Founder and President of the International Slow Food Movement visiting Rutgers Innovation Centre, New Jersey. USA

## CHAPTER 3.1: THE BUSINESS: Profit - How do I make money?

Satisfaction is far more important than profit, but without profit there is no satisfaction

You can conceive, manufacture and brand the best product ever seen. But unless you can market it successfully to the customer, nobody will ever know about it. In this section, I describe some businesses I visited on my travels, who used different ways to market produce to the customer.

### HONEY BROOK ORGANIC FARM

Honey Brook Organic Farm in New Jersey is an example of community-supported agriculture. It operates a collect-your-own service from a farm shop, a pick-your-own service from May to November, and delivered box schemes.

The company sells shares to the local, high-income population, who sign up by pledging money in advance at the beginning of the season. Shares are limited, hard to get hold of and command a premium. The land Honey Brook farms has been made available to the company at a reduced rate because it is a community project.

Shareholders get preferential rates on produce if they are prepared to donate some of their garage space as a hub or central pick up point. The company is delivering to about 20 different suburbs.

Honey Brook has 40 acres of croppable acres, 85 of woodland, wetland and lanes. It breaks even on 20 acres or 500 shares. It currently has 2,200 shareholders at \$600 a share, giving it revenue of \$1.32m. Its location, market positioning, land protection, marketing methods and organisation of customer expectation, delivery of produce were masterful. Labour comprised two full time staff over the planting season and up to 40 during the picking season - mainly part-time itinerant workers from Mexico.

The project was so successful that it was attracting unwelcome attention from property developers, who were pressurising local planners to release the land. The farmer was fending off the planners by highlighting their affiliation with a local watershed protection scheme and putting money aside with a view to buying the land themselves, in the face of high land property values.



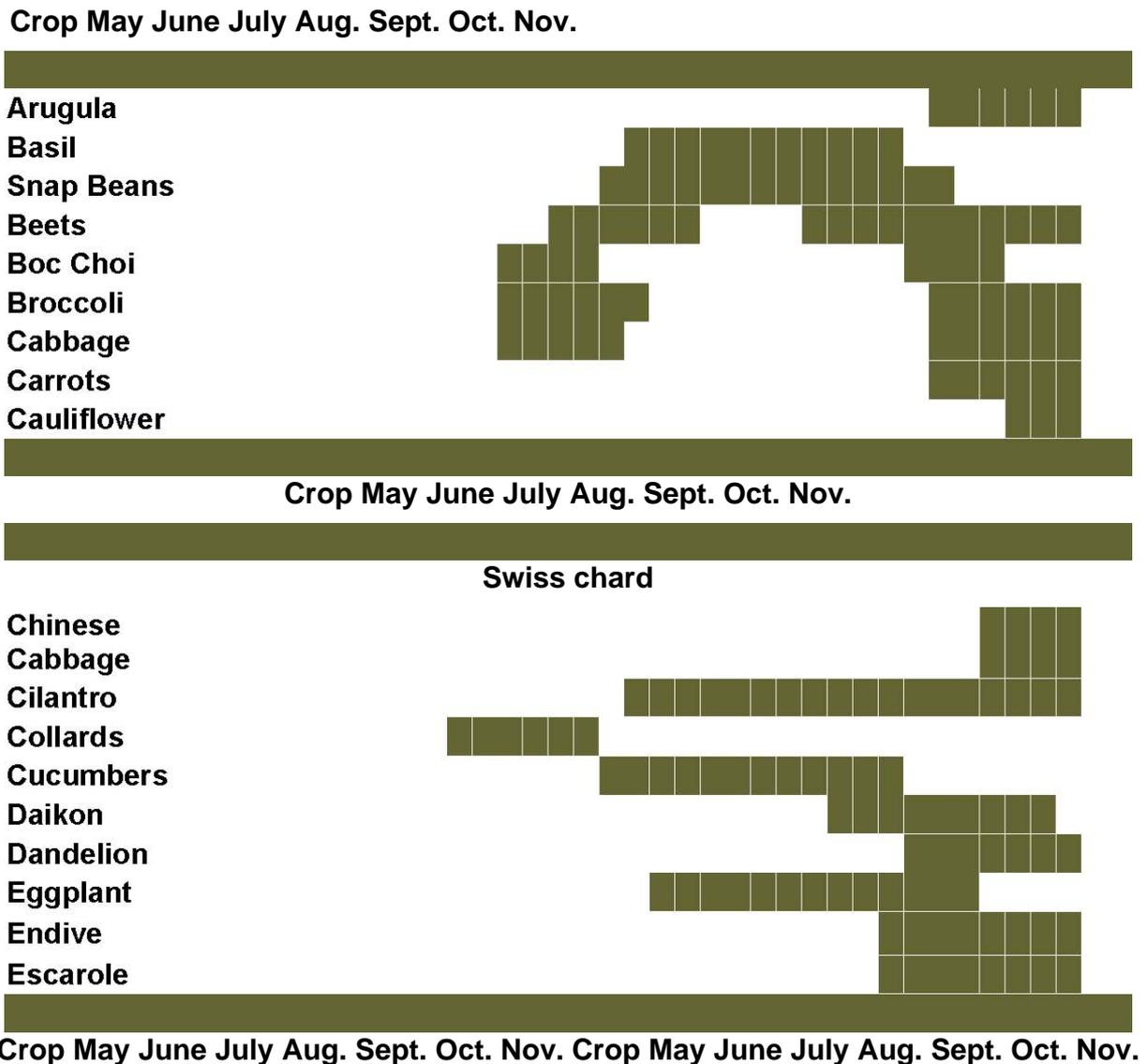
Honey Brook organic seedlings ready for planting out in May.

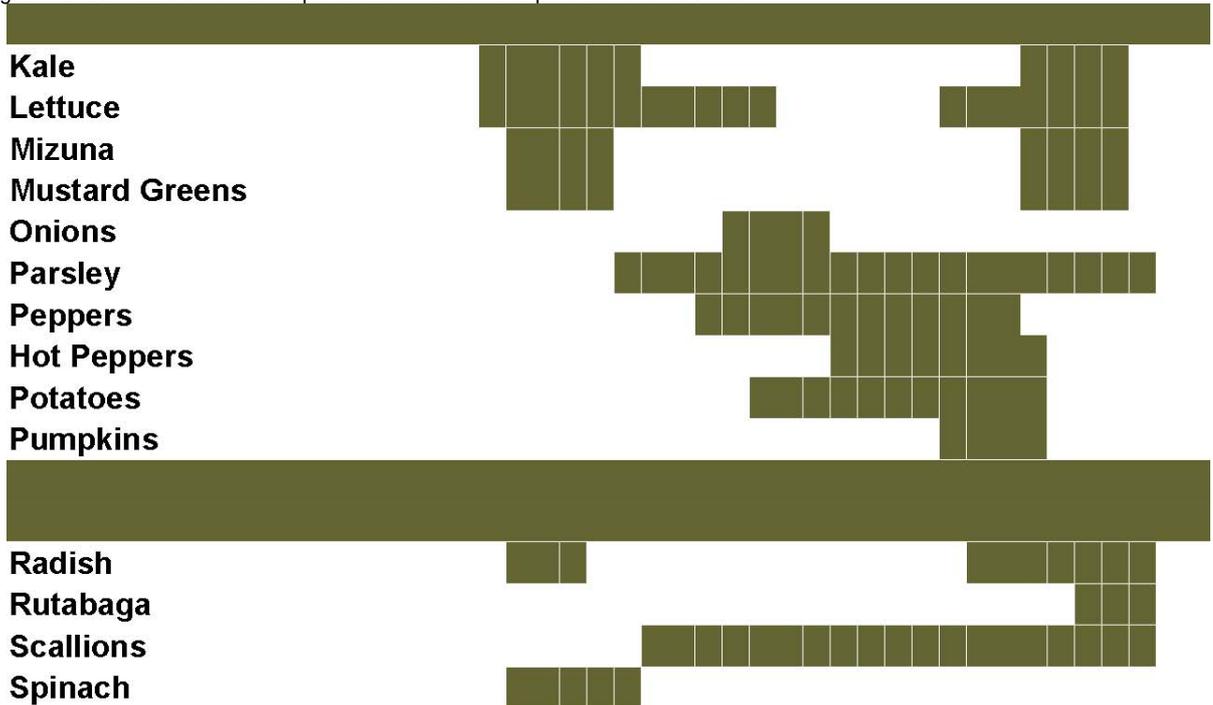
The chart below is Honey Brook Organic Farm's Harvest Calendar. Other crops grown, but not listed on this chart; include mesclun salad greens, dill, cilantro and other herbs, fennel, garlic, leeks, kohlrabi, shallots and gourds. However, it does not grow tree fruits, such as apples, pears and peaches. In the winter season, winter squash, pumpkins and sweet corn are "transitional sustainable" crops, meaning

Exploring how British farmers can develop a brand to market their produce to foodservice they will be grown on fields undergoing the cleansing process necessary before they can be fully certified as organic.

No produce is brought in from other farms, which means all produce is seasonally appropriate for Central New Jersey's climate throughout the harvest season. For example, in early spring and late fall, there is abundance of greens, and in the summer there are no cool weather crops such as carrots, broccoli or lettuce grown.

Figure 7: Seasonal availability of crops from Honey Brook Farm





### Pick your own crops

Honey Brook's pick your own crops include: strawberries, raspberries, blackberries, snap peas, cherry, currants, grapes and plum tomatoes, flowers, snap beans, edamame soybeans, okra, hot peppers, herbs and tomatillos.

This contrasts with our UK schemes, which are unable to offer such exotic ranges for such a long period. During May and June in New Jersey the main growing season offers red onions, spring cabbage, watercress, pak choi, onions, rhubarb chard potatoes, asparagus and peas alongside the old favourite's carrots, cauliflowers, primo cabbages, beetroot and red root spinach.

### WELL HUNG AND TENDER

UK beef supplier Well Hung and Tender uses a clever marketing technique for its on-line sales. Beef is offered in cuts to suit the occasion and the number of meals required. In this way the customer chooses the meat based on their meal planning and anticipated experience. For those attempting a dinner party, the technical side of selecting the right cut of meat and its associated jargon has been removed. Clear and simple cooking instructions are provided for the dish. The method suggested will almost guarantee a tender, moist result, regardless of how 'rookie' the cook.

The price of the meat is at a premium. However, the value of paying extra is evident from the delivery of the meat to the kitchen of the customer to the moment the satisfied diner licks their lips after a tasty meal. Farmer Producer Donald McPherson has experience of serving the restaurant foodservice sector. His findings were that the value of the individual deliveries did not provide sufficient profit in Northumberland and the Borders. To be viable carcasses would have to be delivered to a wholesaler or central processor or kitchen.

When I visited France, many of the butchers there employed a similar technique of marketing. Their cuts of meat are sold on the basis of muscle bundles called "seaming." By this method, the carcass is broken down into muscle groups with the connective tissue intact. The chef cuts the muscle across the grain into portions before cooking and serving. All the cuts result as gristle free and tender, providing a more consistent eating quality. The butchering is more labour-intensive and therefore expensive. However, the eating quality is

Exploring how British farmers can develop a brand to market their produce to foodservice

more consistent and leaves little waste. This method is more efficient and delivers consistent value for the customer which I believe is the outcome our consumers seek. Despite research and encouragement carried out by the former MLC, butchers insist that the method would be too labour intensive for the UK and our consumers would not be prepared to pay the additional cost. However English cow meat is one of France's highest beef imports so a compromise may be achievable over time.

## CHAPTER 3.2 THE BUSINESS: Wealth - What are my exit strategies?

### Having built up a successfully marketed brand, how can a farmer realise its value in a way that creates personal wealth?

There is an opportunity to sell the concept and the brand as soon as all the new product development has taken place and the product has the first signs of firm orders. The business may not be profitable at this stage, having absorbed so much research and development costs. However a new brand can be very attractive to a company that does not want to invest in R&D stage. Farmer Richard Burt sold his fledgling crisp brand to Jonty White for over £1 million. Investing some time into marketing the brand for sale at this stage helps to value the company and benchmarks the assets to leverage for collateral.

As the business grows, it is typical that the role of the directors changes to adapt to the business needs. Accumulating shares in the process is an important route to amassing wealth. Shares can then be traded for personal or company positions.

Once a brand is build in one sector, it may well be suitable for another, therefore growth and wealth can be accumulated in lateral directions.

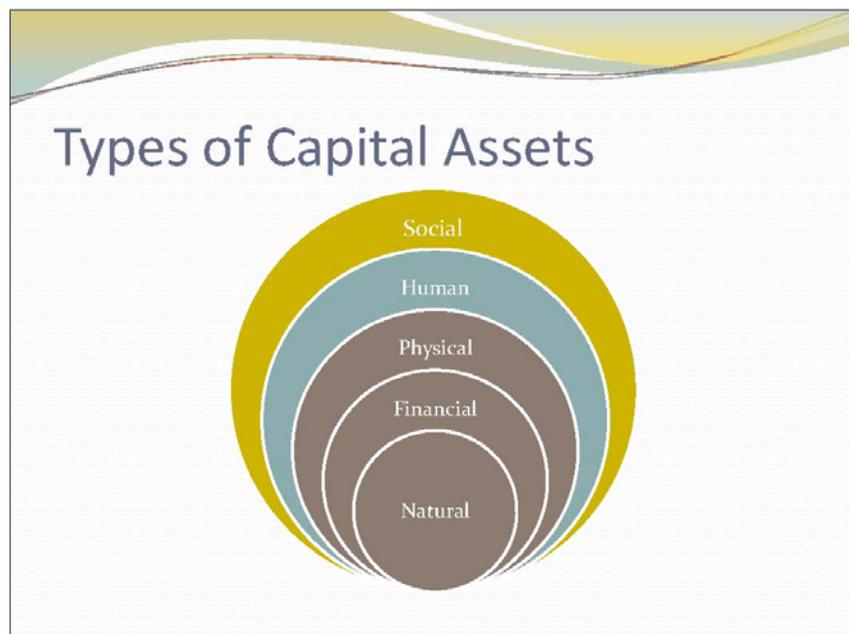
Family members will also have the opportunity to join a growing business. Freshly trained members of the family can add a very valuable resource of new energy and contemporary information.

Whichever scenario is deemed best for the business, special consideration should be paid to minimising capital gains tax.

### Valuing the business

Not all costs in a new business can be defined on a spreadsheet. As Louise Manning describes in her paper, 'Food Security and Brand Equity' (British Food Journal, vol.109 No.7), there are five layers of capital in a business including the monetary return - Social, Human, Physical, Financial and Natural, as follows:

**Figure 8: Five layers of capital assets;**



Exploring how British farmers can develop a brand to market their produce to foodservice

Investments of time have to be balanced out with tangible returns. When one activity is pursued out of balance with another, the business and the individuals suffer.

These imbalances create tensions with all the stakeholders: business partners, investors, employees, clients, customers, consumers, family, the individual, their friends, society around the business. Typically and most sensibly, individuals spend time doing the activities they have the most skills for and enjoy the most. But this leaves gaps in the business model. There is an important role within the business for somebody who manages the balance of these activities. It is pertinent to note that these aspects of community business are most tangibly visible in agriculture.

## CHAPTER 4.0: CONCLUSIONS - How did I benefit from my Nuffield study?

The research behind this report has taken more than four years of continuous investigation. I have evaluated and tested all of the ideas that have emerged. I have corroborated them either through my company or with the many people I have talked and worked with to glean valuable insights into the worlds of agriculture, foodservice, retail food and commerce.

The result is immeasurable. I have developed networking, marketing, speaking, interpersonal, independence and self worth skills I had not anticipated at the beginning of the project. My business has doubled in capital value, doubled in revenue and improved profitability by 25%. The brand value of my business has mushroomed. I am honoured to have been privileged to have such time and investment and hope to repay that investment in any relevant way possible.

I have produced not only a record of the observations of my travels but a document that begins to distil some of the key ingredients that farmers can use as a baseline in their own journey to building a brand.

My research has revealed that there is very little opportunity for profiteering – ie getting rich quick – unless lady luck plays right into your hands. Even then, there are quirks, often related to ruthless or extreme risk, which could play out the wrong way.

Imperfect weather creates conditions farmers have to cope with, giving times of feast and famine. But occasionally, being an expert in a particular marketplace or providing a particular commodity, allows a substantial profit to offset the lean year.

All sectors of the supply chain require preparation, thought, market advantage, and experience, fulfilling all the required criteria of features, availability, relationship, trust, honesty, and reliability. I saw no examples of businesses that were successful with pure luck. All demonstrated hard work, commitment, and sensitive interpretation of the market place and the consumer.

All successful businesses I have seen share one criterion, and that is a high level of knowledge of their sector, good decisions based on previous experience and longevity over many generations.

When Will Chase of Tyrells Crisps built enough demand for his crisps, he refused to bargain with Tesco because he knew he couldn't supply the required volumes without eroding his price. He controlled his customer by going to the foodservice and export market, where he could get a better price and secure a bigger margin. He also diversified into vodka. He invested in understanding his consumers and the market place at a time when premium crisps had risen in price both in value and in volume by at 16% over two years whilst standard crisps had dropped by 7% over the same period (source: Mintel). He has found many ways to sell potatoes to the same consumers with a diverse range of attributes.

I have identified that consumer information is vital to a business. Small scale adjustments take place all the time.

Retail-focused brands have to satisfy long term trends such as availability, affordability and convenience, with cheap food policies assisted by technology.

Conversely, foodservice prefers brands associated with service and authenticity such as R-Oil and Secretts farm produced vegetables.

## CHAPTER 4.1: RECOMMENDATIONS - What will you do next?

### Do your homework

Research all parts of the supply chain and market place in depth. The supply chain is the customer and the meal ticket is the consumer. The market is a self-regulating dynamic.

### Be passionate!

This overused term is fast becoming a cliché; however it does illustrate how connected products have to be to their consumer. Learning all you can about the products you sell means immersing yourself in that activity

### Be visible

Make sure your website is interesting, attractive and fresh. Invite customers to give you feedback and use the communication techniques that are available, such as blogging.

Get up close to your customers and treat them to lunches, special entertainment that is easy for you to offer but inaccessible to others. Seminars, farm days and general bonhomie work well for all parties.

Produce consistent quality produce and volume all the year around, endorsed by a quality assurance mark.

Create a brand and a story of provenance with differentiation which will leave a legacy. Apply for protected status such as PDO (Protected Designation of Origin) or PGI (Protected Geographical Indication).

### Learn how to bid for tenders

### Build relationships

Everybody appears to have an opinion about the way their food is produced and the quality of their view in the countryside. When the general public feel inclined to share an opinion about the countryside from an uninformed position, grasp the opportunity to guide them gently towards the current position of agriculture and its relevance to their way of life, the economy of the country and the outcomes. Invite people to your farm and become fluent with framing agricultural issues in layman's terms.

## **CHAPTER 4.2: IMPLICATIONS - What will they do next?**

- ◆ Fewer farmers will produce for supply chains at a loss.
- ◆ Traceability and authenticity will increase.
- ◆ Supermarkets will lose power over the provenance of products.
- ◆ The market will become polarised between value opaque products and highly visible provenance products.
- ◆ Stronger understanding of the customer and consumer in the food chain will follow.
- ◆ British consumption of food will result in increased skills, innovation, branding and quality assurance.
- ◆ Government agencies will become more integrated to helping business in a relevant way.
- ◆ Organisations will understand the supply chain with more clarity.
- ◆ Efficiencies will take place.
- ◆ Competition will increase.
- ◆ Transparency will remove cartels and opaque protectionist practices.

## **CHAPTER 4.3: OUTCOMES - What will I do next?**

- ◆ Investigate and interrogate the meat chain in more depth.
- ◆ Produce a report introducing the farming sector to the foodservice market, for the catering industry, which will be published as a secondary report to this travelogue.
- ◆ Develop the embryonic ideas in the report with interested parties.
- ◆ Develop PIP's services in Europe.
- ◆ Look to opportunities building up to the Olympics.
- ◆ Develop corporate responsibility and sustainability models into procurement.
- ◆ Practice my own advice.
- ◆ Listen to others and adjust.

## APPENDIX

### Bibliography

#### TITLE

The Silent Spring  
Fast Food Nation  
Food as Medicine  
The Living Soil  
The Earth Only Endures  
The Savvy shopper  
The Organic Directory  
In Praise of Slow  
Optimum Nutrition for the Mind  
The Black Swans  
Nudge

The Curry Report: Report of the Policy Committee, of the future of farming and food

60 years of Farming

Yorkshire and the Humber public Sector Food

Procurement: Reconnecting the Red Meat Supply Chain – Red Meat 1

Yorkshire and the Humber public Sector Food

Procurement: Reconnecting the Red Meat Supply Chain – Red Meat 2

The White Rose Project

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ADAS UK Ltd October 2007

Summary and final report of the above

## Producer organisations

### Producer Organisations

Name	Commodity Group	Website
<a href="#">Produce World</a>	Fruit and vegetable producer and processor	<a href="http://www.produceworld.co.uk">www.produceworld.co.uk</a>
<a href="#">RB Organics</a>	Organic vegetable growers, processors & packers	<a href="http://www.produceworld.co.uk">www.produceworld.co.uk</a>
<a href="#">James White</a>	Fresh English pressed fruit from Whites Fruit Farm	<a href="http://www.jameswhite.co.uk">www.jameswhite.co.uk</a>
<a href="#">Potato Lovers</a>	Potatoes	<a href="http://www.potatolovers.co.uk">www.potatolovers.co.uk</a>
<a href="#">Campbell Environmental Oil</a>	Rape seed oil	<a href="http://www.r-oil.co.uk">www.r-oil.co.uk</a>
<a href="#">Yeo Valley Organic</a>	Organic yoghurts and dairy products	<a href="http://www.yeovalleyorganic.co.uk">www.yeovalleyorganic.co.uk</a>
<a href="#">Russell Hume</a>	Meat, game and poultry specialists	<a href="http://www.russellhume.com">www.russellhume.com</a>
<a href="#">Wicks Manor Pork Farm</a>	Pork, Bacon, Hams & Sausages	<a href="http://www.3663.com">www.3663.com</a>
<a href="#">Ashlyns Growers &amp; Producers Ltd</a>	Fruit and vegetables	<a href="http://www.ashlyns.co.uk/growers-producers">www.ashlyns.co.uk/growers-producers</a>
<a href="#">Bank Farm</a>	Organic vegetables	No website <a href="mailto:caelia@bankfarm.co.uk">Celia Butcher [caelia@bankfarm.co.uk]</a>
<a href="#">Honey Brook Organic Farm</a>	Organic fruit and vegetables	<a href="http://www.honeybrookfarm.com">www.honeybrookfarm.com</a>
<a href="#">Beef Well Hung &amp; Tender</a>	Aberdeen Angus Beef	<a href="http://www.wellhungandtender.co.uk">www.wellhungandtender.co.uk</a>
<a href="#">Tyrells Crisps</a>	Hand cooked Potato chips	<a href="http://www.tyrellspotatochips.co.uk">www.tyrellspotatochips.co.uk</a>
<a href="#">Secretts</a>	Farm produced vegetables and herbs	<a href="http://www.secretts.co.uk">www.secretts.co.uk</a>
<a href="#">Heritage Potatoes</a>	Potatoes	<a href="http://www.heritage-potatoes.co.uk">www.heritage-potatoes.co.uk</a>
<a href="#">Copas Farms</a>	Fruit and vegetable farm	<a href="http://www.copasfarms.co.uk">www.copasfarms.co.uk</a>
<a href="#">Abel &amp; Cole Organic</a>	Organic fruit and vegetables	<a href="http://www.abelandcole.co.uk">www.abelandcole.co.uk</a>

## Reference organisations

<b>ORGANISATION</b>	<b>PURPOSE</b>	<b>WEBSITE</b>
Business in the Community	Business support group	<a href="http://www.bitc.org.uk">www.bitc.org.uk</a>
Business Link	Advice and support service	<a href="http://www.businesslink.org">www.businesslink.org</a>
Compassion in world farming	Advances farm animal welfare. Campaigns against factory farming	<a href="http://www.ciwf.org.uk">www.ciwf.org.uk</a>
National Rural	University and college resources for assistance with new food and beverage ventures. Conducts market research, product development Taste panels, Microbiological and chemical analysis, labelling, Quality assurance, Legislation, HACCP, Supply chain management Bournemouth, Harper Adams, RAC, Birmingham, Keele, Writtle, Newcastle, Warwick, Worcester	<a href="http://www.nationalrural.org">www.nationalrural.org</a>
Food Chain Centre (IGD)	Extensive and intensive market research either population wide or product specific Benchmarking analysis against similar businesses	<a href="http://www.foodchaincentre.com">www.foodchaincentre.com</a>
Food Standards Agency	To protect the public's health and consumer interests in relation to food.	<a href="http://www.food.gov.uk">www.food.gov.uk</a>
Food and Agriculture Organisation	FAO acts as a neutral forum where all nations meet as equals to negotiate agreements and debate policy.	<a href="http://www.fao.org">www.fao.org</a>
Good Veal	Promotes the preparation of veal to maintain healthy dairy herd sustainability	<a href="http://www.goodveal.com">www.goodveal.com</a>
Dunnhumby Academy	Specific research profiling Tesco's customers	<a href="http://www.kentbusinessschool.org">www.kentbusinessschool.org</a>
Food Development Association	The future of food development	<a href="http://www.fdaonline.co.uk">www.fdaonline.co.uk</a>
Rabobank	Largest agricultural bank in the world	<a href="http://www.rabobank.com">www.rabobank.com</a>
Defra - Department of Environment, Food, and Rural Affairs	Government department regulating food and agriculture	<a href="http://www.defra.gov.uk/">www.defra.gov.uk/</a>
DLG – German Agricultural Society	Tests agricultural and food know-how, exhibitions, publishing and certified agricultural machinery	<a href="http://www.DLG.org">www.DLG.org</a>
EFFP - English Food and Farming Partnerships	Develops Farmer Controlled Businesses to be profitable, competitive and sustainable enterprises.	<a href="http://www.effp.com">www.effp.com</a>
Share to Farm Scheme	Collaborative partnerships in agricultural commodity groups	<a href="http://www.sharetofarm.com">www.sharetofarm.com</a>

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Food Ethics Council	Challenges government, business and society to make wise choices that lead to better food and farming. Inclusive – involving and answerable to the people they affect.	<a href="http://www.foodethicscouncil.org">www.foodethicscouncil.org</a>
Institute of Hospitality	Professional body for managers working in the hospitality and leisure & tourism industries	<a href="http://www.instituteofhospitality.org.uk">www.instituteofhospitality.org.uk</a>
Institute of Agricultural Management	Promotes professional management in agriculture	<a href="http://www.iagrm.org">www.iagrm.org</a>
National Association of Master Bakers	Bakers information service	<a href="http://www.masterbakers.co.uk">www.masterbakers.co.uk</a>
LACA - Local Authority Caterers Association	Professional body representing catering managers and suppliers who provide services to local authorities.	<a href="http://www.laca.co.uk">www.laca.co.uk</a>
Mintel International Group Ltd	Research reports on every economic aspect of consumer behaviour	<a href="http://www.mintel.co.uk">www.mintel.co.uk</a>
OMSCO	Organic Milk Cooperative	<a href="http://www.omSCO.co.uk">www.omSCO.co.uk</a>
MLC - Meat and Livestock Commercial Services Limited	Independent services to the red meat industry including carcass classification, training, inspection, logistics and data capture	<a href="http://www.mlcclassification.co.uk">www.mlcclassification.co.uk</a>
NFU - National Farmers Union	Building a brand with the Red Tractor as a quality assurance standard of British production – emphasis on traceability	<a href="http://www.nfuonline.com">www.nfuonline.com</a>
QMS – Quality Meat Scotland	Works with the Scottish red meat industry to improve its efficiency and profitability	<a href="http://www.qmscotland.co.uk">www.qmscotland.co.uk</a>
Sustain	Alliance for better food and farming	<a href="http://www.sustainweb.org.uk">www.sustainweb.org.uk</a>
TNS	Customer data collection service	<a href="http://www.tnsglobal.com">www.tnsglobal.com</a>
UK Agriculture	Information is produced by Living Countryside whose charitable objects are to: Advance the education of the public in all aspects of agriculture, the countryside and the rural economy.	<a href="http://www.ukagriculture.com">www.ukagriculture.com</a>
USDA - United States Department of Agriculture	Statistics about population consumption and land use. Good for spotting trends	<a href="http://www.usda.gov">www.usda.gov</a>

### Other food wholesalers

There are a number of other food and beverage wholesalers who have championed the adoption of farmer produced suppliers. Wholesalers to look out for are Vegetarian Express, Simple Simon, The Cheese Cellar, Kent Frozen Foods, Medina, Peppercorn Foodservice, JJ's, John Mower, Essex Flour and Grains, Ritter Courivaud, Prestige Primeurs, Reynolds, West Horsley Dairy, Rippon Cheese company, Peros, Infinity Foods, Union Hand Roasted Coffee, Town and Country Chocolates, Mostly Smoked, Horizon Foods. They are all wholesalers who have customers interested in sourcing ethical products.