

Value Chain Initiative Success Stories

Barley Food Service Value Chain

Barley is used primarily for beer and feed, but the Alberta Barley Commission was looking for a way to make people aware that barley is also a very healthy grain that could be used in baking. The whole grain has a low glycemic index, and is a soluble fibre with a unique flavor.

The Good Earth Café is a coffee house and restaurant that differentiates itself by serving healthy alternatives to mainstream baked goods. All their baked goods have to be free of preservatives and trans fats, and they were looking for a conscientious response to the low-carbohydrate craze. Some of their customers were also looking for wheat-free products.

The use of barley flour was part of an overall strategy to develop healthy trans fat-free, whole grain products. Hamilton's Milling worked with Good Earth to introduce barley because the grain has some unique characteristics and bakers had to be educated on how to handle it. The Alberta Barley Commission made the promotional materials such as handouts and point-of-sale material to educate the public.

"There was an outstanding level of cooperation from stakeholders and partners in the chain," said Good Earth Café co-founder Nan Eskenazi. "They went so far as to help us with recipe development, right down to visual merchandising. It was a real full cycle of support in assisting us."

Baked Barley Retail Products Value Chain

As a smaller retailer, the Calgary Co-op doesn't rely on large national bakers to innovate just for them, so with help from the VCI team, the grocer selected Byblos Bakery as the local baker with the capability to develop new products for them.

Byblos suggested experimenting with new barley products since Alberta is Canada's major barley producer. What they created were delicious new flavours of buns and Barley Bites, and a continuing relationship.

“Working closely with the Calgary Co-op gives us the confidence to invest in innovation,” said Rob Jansons of Byblos Bakery. “We cannot compete with the big bakers just on price and volume. The (VCI) program is a tremendous boost to the future competitiveness of the local food industry.”

This value chain project included Schroeder Milling and the Alberta Barley Commission as partners. The Leduc Food Processing and Development Centre, and Alberta Agriculture and Food's Agri-Processing Branch also provided a resource to the project along with the Value Chain Initiative.

Little Potato Company Food Service Value Chain

The Little Potato Company (LPC) is the only company in Canada that specializes in growing small potatoes and is actively pursuing the development and enhancement of small potato varieties.

LPC has developed a very successful retail value chain, but recognized that a food service value chain approach could also be very successful with the right restaurant partner.

Earl's was one of the chains with which LPC thought they would like to form a value chain. They approached the restaurant's Executive Chef to see if and how he could use the potatoes. LPC worked with Earl's to supply them with many different potato varieties and ideas on the best way to cook and serve them. As a result, roasted potatoes were offered as a side dish for all dinner entrees and the LPC was identified on the menu as the supplier. This was a very successful partnership and Earl's is now using Little Potatoes in their BC, Alberta and Manitoba restaurants.

"Supplying Earl's kept up the flow of new product sales while retail stalled," said CEO Angela Santiago of The Little Potato Company. "They bought the new potatoes on a consistent basis until we sold out at the end of May 2006. They are expanding the market into BC this year."

Little Potato Company Retail Value Chain

Edmonton's Little Potato Company is Canada's only potato supplier that deliberately specializes in smaller potatoes, launching an innovative line of creamer potatoes in 1997. But the success of the product spurred competitors to market small potatoes of their own.

Working with the Value Chain Initiative, the Little Potato Company was able to develop a pilot project with a retailer to launch two new potato varieties from France. The new potatoes are expected to be the first in a new line of high-margin products sold by the retailer that emphasizes flavour, convenience and quality.

"We neglected to continually innovate and, sooner or later, competitors copy and price erosion occurs," said CEO Angela Santiago of The Little Potato Company. "The VCI was the catalyst that triggered my company to reinvent our product innovation process."

More About The Little Potato Company Value Chain Experience

The following story explains how a value chain has been used to develop a brand within the potato industry. The approach has allowed its partners to 'think outside the box' and has added value to the product bought by customers. The company wants their customers to think of Little Potato Company as the "Kraft Dinner of Little Potatoes." Jacob Van der Schaaf had a dream to taste the baby potatoes he enjoyed as a boy. This dream led him and his daughter Angela Santiago to establish the Little Potato Company (LPC). The LPC is a creative produce company, which offers produce of exceptional quality and superb flavour.

The company's vision is to promote the taste and convenience of little potatoes as an excellent side dish: 20 minutes from preparation to plate – little potatoes are the new, natural convenience food of the 21st century. To accomplish the vision, LPC believes in establishing relationships and listening to customers.

Customers expect a convenience food to be supplied all year. This presented a challenge for a traditionally seasonal product. To meet the expectations and to 'take care of things,' the Little Potato Company applied a value chain approach.

Establishing the value chain:

The business approach chosen by Little Potato Company proved to the market that they were committed to their customers for the long term. By working with their partners, LPC was able to coordinate supply of the baby potatoes year-round and exceed their customers' expectations by converting a commodity into a value-added product.

LPC's commitment to customers was evident as they asked questions to determine what standards were desired for the products themselves. To become unique in their customers' minds, they created relationships based on communication, from customers to producers.

LPC started off to establish relationships, in person with the Buyers, Directors of Procurement and Field Representatives to learn the quality and standards desired by the customer. By working back to production with growers open to new ideas, LPC could show the growers the market needs and together try to implement change in systems to meet the standards, including sizing, seed and planting specifications.

This knowledge provided an education opportunity where the partners could compare the difference in quality derived from current production and processing practices to the desired product quality standards. Soon they were able to eliminate culls, out of the product flow and ultimately improve efficiency and "pocket books." They also worked on consistent pricing formulas that last for 12-month periods and blend pricing between the colours to make it easier for the retail market.

In its seven years of operation, the LPC has grown from one acre to a value chain encompassing 25 dedicated staff in the processing plant and nine growers from Alberta, Saskatchewan, California and Washington State.

Results:

The relationships and open communication lines throughout the chain enables:

- The partners to respond to rapid change in technology or market needs.
- Customers to let LPC know of problems and for solutions to be worked out together.
- Customer loyalty through trusted relationships.
- Improvements in potato growing because feedback is shared among partners.
- Both LPC and growers can quickly adjust technical and production systems.
- Achieving sales, while customers receive the desired product.
- Improvements in quality and production of baby potatoes that match established standards.
- Financial stability for LPC and their partners.

Further Initiatives:

The early success achieved by the LPC means that they must stay one step ahead of the competition and further differentiate their products. This is where the Little Potato Company and its' partners continue to adapt and manage their value chain approach.

LPC is moving to “foodview” a traceability program to present to the retailer. Once implemented, a year or two will be required before the system runs most effectively. Customers will be able to enter a unique number off their package of little potatoes into a computer to see the process involved in producing the baby potatoes.

The Foodview system is expected to produce benefits for all levels of the chain. For example:

- Retailer concerns for safety. If the retailer has a product problem, it can pull the lot number and find out more information on the specific packages.
- Processor will be able to track product movement and respond to questions and increase the chain’s ability to improve production systems.
- Producers can use the information for benchmarking information and make decisions on systems or management changes.
- Customer will have the convenience offered by a unique product available all year and access to information on the use of the product.

As LPC continues to manage and develop their value chain, maintaining relationships is critical, though this actually increases the work involved. The interest and expansion into Eastern Canadian markets, means more potatoes are grown and new relationships are built with these buyers. As a result LPC has introduced brokers into the existing chain to

help maintain the image and the brand. Brand maintenance will help grow and maintain relationships with customers.

To find out more about the Little Potato Company visit www.littlepotatoes.com.

Dow AgroSciences Canada Inc. – Experiences in developing and managing a large value chain

Today, someone somewhere is buying canola oil. The world's vegetable oil market reflects industry-wide changes based on changes in food nutrition requirements, food labeling, demographic changes and evolving needs of a convenience-driven consumer.

Understanding the trends and consumer issues is key to understanding the vast opportunity for a healthier vegetable oil.

To capitalize on these opportunities, Dow AgroSciences Canada Inc. developed a value chain to create new technology, develop markets and become a reliable supplier in today's canola market.

Overview

Dow AgroSciences' Nexera canola brought a value-added trait to market through an identity preserved (IP) value chain. Nexera canola was specifically designed to consistently deliver Natreon oil. This oil offers the stability and health profile desired by consumers. Greater stability removes the need for the oil to be hydrogenated, thereby improving frying performance and shelf life while eliminating trans-fats in foods. New legislation for trans-fat labeling in the United States and Canada has contributed to exponential growth in end-use demand for Natreon oil.

Challenges

The challenges of meeting Dow's consumer demand were:

- Providing a consistent supply of quality Nexera canola to meet the demand for Natreon oil.
- Acting alone, no one party could be a reliable supplier of the product or take advantage of this vast market opportunity.

Dow was able to meet these challenges by creating a value chain.

Coming to a common understanding among a variety of partners is never easy. Two factors having a direct impact on the success of this value chain are:

1. An agreed upon vision for serving the consumer: and
2. Having similar motivations: profit is always a motivator, but sustainable growth must be ensured. If one party is motivated to capture all the value, the value chain fails. Likewise, if any particular party loses interest or no longer sees a significant enough return, the supply chain will not grow.

Value Chain Secures Reliable Supply

To secure a reliable supply of a guaranteed product specification, Dow developed strategic partnerships with retailers, producers, grain consolidators, exporters, primary processors, and secondary processors.

To reach the consumer base, Dow and its value chain partners place particular emphasis on demand creation initiatives with global canola crushers, secondary processors, and retail food companies.

The vast majority of producers today deliver in a spot price market. Growers involved in Dow AgroSciences' value chain are encouraged to consider forward contracting. IP grain contracting has evolved considerably with multiple contract options that can be tailored to suit most growers' needs – leaving as much pricing flexibility as desired.

The product that Nexera supplies is not just seed in a bag, but is a specific end-use product attribute that cannot be produced without the unique capabilities of each participant in the value chain. The typical “zone of attention” from most seed manufacturers today ends at the farm-gate. To succeed in the value chain, parties faced a paradigm shift from a “buy-sell” mentality towards a partnership philosophy.

By working together, all parties are able to capitalize on the market opportunity and to maximize profits.

Benefits of the Value Chain

Key benefits to Dow's value chain include unique marketing opportunities, guaranteed markets, opportunity to extract greater value from a generic, commodity market, defense against competing global crops (soybean), and ability to manage risk.

The value chain has generated an opportunity to diversify and brings new value into an otherwise generic commodity. Growers, grain companies, exporters, processors, and food companies, bring new value into categories of oil-based products that currently lack differentiation and are under increased price scrutiny. Engaging in these opportunities provides a competitive advantage for all players.

From 2000 - 2004 Nexera canola has generated \$36 million incremental value for Nexera growers (i.e. value of crop production above generic canola, delivered to producers). This has been created by consumers' recognizing value in the technology benefits of the Natreon oil.

While the greatest portion of the value generation is directed to the grower level, other value is also generated with other players of the value chain to continue investment in the

technology and infrastructure required to create demand and build further supply capability.

New Value Chain Opportunities

As companies such as Dow AgroSciences recognize the benefits of value chains, business case development and R&D resource investment will continue. Particularly within agriculture, there is tremendous future opportunity in novel food solutions, utilizing plant-based products as feed-stocks for the industrial sector, and developing plant produced animal health products.

For more information call the Dow AgroSciences, Solutions Center at 1-800-667-3852 or check the web page at www.dowagro.ca

Warburtons - A Wheat Value Chain that continues to develop its systems

Warburtons Wheat Value Chain spans Canada and the United Kingdom. The bakery identified that the best way to manufacture their desired premier products was to consistently use high-quality wheat while sourcing through implementation of an identity preserved system.

Overview:

In 1993, Warburtons, a century-old family firm and Britain's largest independent bakery, built a value chain to address a management challenge: *"How to manage their premier bakery product's quality and consistency through the use of specific varieties of wheat?"*

Research revealed that particular varieties of Canadian Western Red Spring Wheat (CWRS) – specifically Teal, Pasqua and Columbus – worked best in their system of producing bread better suited to their customers' tastes. To ensure these varieties Warburtons' began discussions with the Canadian Wheat Board to use "identity-preserved contracts" to source specific varieties of wheat.

Building the value chain:

Working with two elevators – Agricore (formerly Manitoba Pool) and Paterson Elevator, Warburtons began to build their value chain in 1993 to address:

1. Management of bread quality and consistency using specific varieties.
2. Sourcing through implementation of an identity preserved system where production contracts were awarded to farmers with a reputation for growing consistently good quality CWRS crops.

The crops are grown from certified seed under good management practices for production and storage. Information from reports on weather conditions, inputs, crop yields and sampled wheat are shared. Trust and reputation are critical between the partners. The farmers receive a premium per tonne over regular CWB price for identical grain and Warburtons accept all contracted wheat that meets the agreed upon standards. They purchase direct from CWB and are charged to cover the additional administration and logistical costs.

The elevator ensures the identity-preserved conditions by maintaining the correct characteristics and keeping the product separate from other varieties throughout the entire grain handling system. A management fee is paid to the elevator companies for administering the contracts and preserving the identity of the wheat through shipment.

A research lab and pilot bakery, Warburtons Technical Centre in Brandon, Manitoba conducts quality tests, refines their bakery technology and experiments with new varieties and combinations.

Benefits:

Constant communication happens in this value chain to continue the value they have created through coordination and to ensure the grain is identity-preserved. For Warburtons the value chain has enabled them to continue to produce consistent, high-quality bakery products.

Warburtons' continues to invest in the value chain:

To continue the value chains' investment in the identity preserved wheat program, the value chain adopted "croplands software". Today, through the Warburtons Technical Centre in Brandon, Manitoba, Warburtons Ltd. contracts approximately 800 growers to manage 160,000 acres of Identity Preserved Wheat annually.

Warburtons' innovative approach illustrates how the agriculture and food industry has adopted the use of technology within an existing value chain. The attached 'pdf' file has the story on how Warburtons has used this software to manage risk in the chain and some background on this software application.

For more on Warburtons Ltd. visit http://www.warburtons.co.uk/index_flash.html

For more on Linnet – The Land Systems Company visit www.croplandsthesystem.com

Testimonials

"The information in the Agri-Food Value Chains, from concept to a practical, powerful business strategy CD will be useful to anyone interested in building a value chain. It is a tool to get your value chain started." Nancy Romanow Cranston, Past Chair, Agriculture and Food Council's Value Action Team.

"The program developed in our value chain will be a tremendous boost to the competitiveness of our local food industry." Retailer

"We now have the confidence to try new products and approaches to get us out of the commodity rut." Producer

"A complex mix of capabilities are deeply embedded in the value chain strategy, which underpins the value creation for the customer and leads to advantages for the businesses involved in the chain." Fresh Food Consultant