

Business growth & stability through diversification

Celeste Cook, Berry Industry Development Officer, Fruit Growers Tasmania

Tasmania is a tourist destination, no one will argue with that. A substantial part of the tourism in Tassie is the agritourism experience. Producers welcome tourists onto their property to sample their produce and learn more about the land and farming activity. Rubus growers here have embraced agritourism as a part of growing their business. I talked to some of these growers who have diversified and found that agritourism is not the only tool that these businesses use to reduce the risk of loss and enhance profitability within their business.

Andrew Terry: Managing Director Tasmanian Berries, Exton and Christmas Hills Tasmania

You recently won an award for 'Excellence in Diversification' in the Kondinin Group and ABC Rural Australian Farmer of the Year Awards. What opportunities have you sought to diversify?

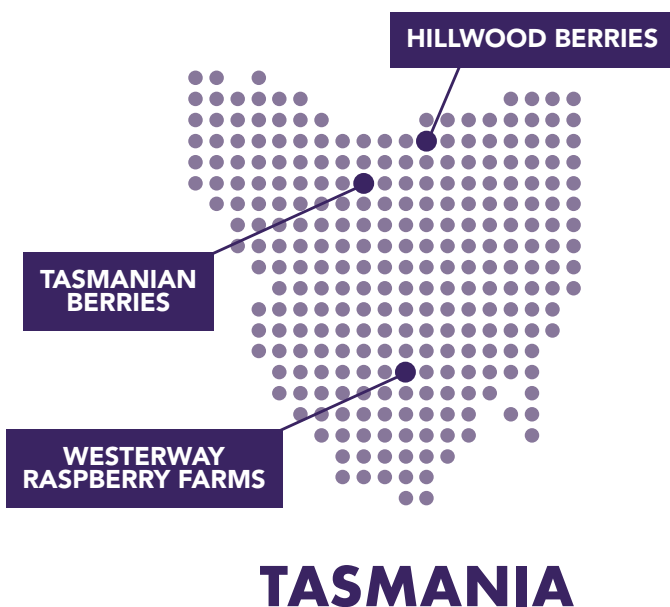
When we started the farming enterprise ten years ago, it was difficult to run the business and be profitable, with the amount of land that we had and what we were trying to achieve, without economies of scale.

Initially the farm was a beef grazing and cropping business. I started off purchasing bobby calves which I bucket-reared to build a herd. I grew crops of vegetables, poppies and pyrethrum but once we had rotated through these crops, I knew I had to diversify to keep my business operational.

My passion has always been intensive horticulture and in 2014, an opportunity to grow fresh berries came along, so I took the leap to 'give it a go'. This gave me the opportunity to leave my full-time employment, be self-employed and focus on my own business.

Since becoming a commercial berry producer, I have evolved that part of the business by initially producing in-ground strawberries and blackberries, to hydroponically grown berries, growing under protected poly tunnels and trialling production in a hot house.

I currently produce strawberries, raspberries and blackberries and the business is in the early phases of in-ground blueberry production. The expansion of the berry side of the business has meant that the business has had to diversify further, by becoming an Approved Employer under the SWP and the PLS to provide a seasonal workforce to pick the crops. The business has had to invest in worker accommodation to house the seasonal workers and we currently provide both on-site and close by accommodation to 150 seasonal workers.



How did you get inspired to enter into these areas of business?

The opportunity to do something new and innovative. This can lead to many challenges that can be very rewarding and sometimes frustrating; but that's what drives me to push the boundaries.

What were the risks to the berry production business that you had to manage?

Initially it was the financial risk. It was daunting leaving the security of paid employment to establish a new business. Then purchasing an established business, which despite having the benefit of experienced employees, was an immediate weekly cost to me during the middle of the off season when I had no income.

As time went on, expansion of berry production became the next risk. I would ask myself could I afford it? Was it worth the financial investment? Could I afford not to expand if I wanted to stay in the game? We were continually learning how to efficiently construct hectares of infrastructure, relying on international purchases and shipping to plant the annual crop on time and maximise the harvest season.

Overall, the largest challenge, has always been labour. In our first year, the business grew strawberries in the ground and after realising how hard it is to pick and having a large staff turnover during harvest season, it drove me to construct hydroponic tabletops in our second season. Our labour challenges are now impacted by COVID-19 and the restrictions on backpackers and seasonal workers entering Australia and Tasmania.

What were the other considerations you had to evaluate before moving into other business spaces?

I am always thinking about where the market needs the produce, so that we are not saturating the market and diminishing the profitability of the business. I also need to ensure that labour is available if we want to drive production in new areas, so that the crop can be picked.

How has diversifying your business helped to minimise the risk of loss (financial or otherwise) and provide stable employment opportunities?

By diversifying berry production through growing three to four different berries and differing varieties of berries, as well as using new techniques to prolong the growing season, we are able to provide our employees with an 8 – 9-month harvest period.

This makes the job attractive, particularly for those seasonal workers who travel from overseas as it makes the trip more lucrative.

In turn, this then incentivises them to want to return to our business year after year. The prolonged season also helps us ride out market fluctuations to even out high and low price points over the season.

What have been the primary benefits to Tasmanian Berries from diversifying the business?

The business has been able to spread risk across the different commodities, to mitigate against weather events, market fluctuations and trialling new methods and varieties to improve efficiencies and production.

The diversification within the berry side of the business, has allowed the business to extend the traditional harvest season and therefore increase employment opportunities and risk mitigation in the markets.

What advice would you give fellow berry growers looking to branch out into a new area of business?

When considering change, set goals and plan for the business to achieve those goals, by undertaking thorough research.

Once a plan has been determined, commit to the projects or task 100% and don't be afraid to give it a go. If you fail, stop and learn from it, keep working out better ways and methods to achieve the goal.



T A S M A N I A N
BERRIES

**Simon Dornauf:
Hillwood Berries Farm Manager,
Hillwood Tasmania**

Hillwood Berries has a café that I know is popular in the area, what other opportunities has the business sought to diversify?

We have diversified our business in several ways including the area of agritourism you mentioned with Hillwood's café and PYO crops.

Within our berry operation at Hillwood Berries, we have utilised crop manipulations such as Long Cane Rubus production to diversify out of the natural cropping window for Rubus varieties.

We have also been able to extend our production to 12 months by purchasing a farm in Bundaberg, Queensland. These opportunities have assisted the business with better seasonal labour retention and stabilising our seasonal cash flow.

Seven years ago, we became an Approved Employer for the Seasonal Worker Program (SWP) and decided to add a labour-hire arm to our business. This has helped to maintain the continuity of work for our SWP employees so they can pick other crops when we have less work available.

Becoming a labour provider also means we can provide assistance to other growers in our area that are unable to recruit their own SWP workers due to shorter harvest periods.

How did you get inspired to enter these areas of business?

The opportunity to add an agritourism arm to our business arose when the neighbouring PYO farm came up for sale.

We thought we could breathe some new life back into that business and use the facility to allow the local community to come and enjoy the fruits of our labour. It also gave us a chance to add value, by using some of our fruit that would not meet fresh fruit specification.

The other opportunities to diversify were a natural progression within our business. Both the Long Cane programme, and Bundaberg opportunities came about because we had to find ways to adapt to ensure our staff remain engaged in and challenged by the business.

While the labour-hire side of our business has also developed through a necessity to keep our SWP workers happy and provide them with work opportunities to maximise their earning capacities whilst in Australia.

What were the risks to the berry production business that you had to manage?

Labour and production have been the two biggest risks to our business over the last ten years. In both cases we have been proactive rather than reactive in managing these risks.

We have been an Approved Employer for seven years because we identified a need within our business to self-manage our labour. This has allowed us to maintain a long-term relationship with our seasonal workforce, having well-trained pickers returning year after year.

From a production sense we have tried to flatten our fruit supply for labour management purposes and to access better market opportunities. This also means that we have diversified risk throughout our season so sporadic weather events don't necessarily harm all of a particular crop in that season.

What were the other considerations you had to evaluate before moving into other business spaces?

What the implications could be on our current business at the time, such as cash flow and capital requirements, labour issues and growing conditions.

How has diversifying your business helped to minimise the risk of loss (financial or otherwise) and provide stable employment opportunities?

Diversifying our crops into different growing windows, whether that was on the same farm or in a different state, was mainly motivated by wanting to provide stable employment opportunities.

Our primary focus was to maintain the motivation of our skilled pickers and our full-time workforce as well.

What have been the primary benefits to Hillwood Berries from diversifying the business?

Diversifying our business the way we have has helped manage risks that we considered to be crucial to the sustainability of our business and that would allow us to continue to expand production within our business.

What advice would you give fellow berry growers looking to branch out into a new area of business?

I would look at initially trying to understand what the major risks are to your business and then work on what are some sustainable ways to manage those risks.

For example, get involved in the SWP to alleviate labour issues, protect against weather with tunnels, overcome soil issues with hydroponics, or diversify the crop using a different berry type.

All solutions will have different barriers to entry, but I have always looked at a barrier as door to open rather than a brick wall that you can't get over.



Hillwood
BERRIES | TASMANIA

Richard Clark: Westerway Raspberry Farm, Lanoma Estate, Westerway, Tasmania

Westerway Farm is popular for Pick Your Own (PYO) and providing fresh berries to the area, what other opportunities has the business sought to diversify?

PYO has actually been one of the more recent diversification activities on the farm. Our farm only had sheep when my mother and father purchased the first 50 acres in the late seventies. Then they bought a little more land and diversified into mint, seed crops, a forestry nursery and then, 25 years ago, into blackcurrants and then raspberries.

Interestingly, berries were planted with the goal of machine harvesting to supply the local juice manufacturer (Cascade Beverages).

It was only once the crop was planted and yielding that we then explored higher value markets including the fresh wholesale market, local IGAs, farmers markets, and a farm gate shop. We then broadened our customer base further by offering PYO three years ago after experimenting with designated 'Open Days' for a few years.

Other ways we have diversified our berry operation include selling individually quick-freezing berries in retail packs and to wholesale markets, a processing facility where we can puree and remove seeds from fruit, and working with Cascade to process our fruit into juice concentrates. We have also launched, in conjunction with local juice maker Juicy Isle, traditional syrups under our own 'Westerway Farms' brand.

Diversification is very important. We are always seeking out new markets to enter as there are customers whose demands change and new entrants and competitors entering our existing markets. We can't do everything involving berries, and we like to grow slowly in an "evolutionary" rather than "revolutionary" manner. Nevertheless, we cannot rest as we look for the next opportunity that suits the capabilities of our farm.

How did you get inspired to enter into these areas of business?

Almost every market or area of business my parents have entered has been under the safety net of a contract. A customer comes to our family with a proposition, and we work out how to fulfil that requirement.

Once we have learned the new area of business and have delivered on the contractual arrangements we have committed to, we look for other ways to expand these activities to new customers in different ways.

It was a contract offered by Cascade in 1995 that encouraged my parents to plant blackcurrants and raspberries and invest in overseas mechanical harvesting technology to harvest this fruit at a cost that would make sourcing Tasmanian grown fruit viable for Cascade and make a fair margin for our farm.

Once we were up and running, supplying Cascade reliably, we started to look at other opportunities and markets where we could leverage our fruit growing capabilities. Although challenging, berries can also be a fun and rewarding crop to grow and this helped inspire us to branch out and diversify into this area of the farming enterprise.

What were the risks to the berry production business that you had to manage?

Berry growing has as many risks as just about any other business – but there are a few interesting ones that affect us a little more acutely.

Firstly, berries are a very perishable product when compared with crops such as apples or grains which can be stored until the market price is more favourable. In the berry industry, you must sell your fresh produce immediately to ensure it has enough shelf life to get it to market, then be purchased and consumed by the customer before it spoils.

This is a timeframe of days, not weeks, meaning that berry producers are subject to the prevailing prices in the market at that point in time. Unfortunately, most berry growers' crops tend to peak at the same time of the year. The week between Christmas and New Year tends to be a "blood bath" for berries as supply is peaking but demand for groceries is low.

This is because Australian consumers have a full fridge of leftovers and don't need to go to the supermarket at this time. This culminates in very poor prices at a time of the year where yield is at its peak.

The problem above can be solved by freezing berries to sell at other times of the year. The challenge here is that once a berry is frozen, it becomes a commodity that can be traded in global markets with no limitations on shelf life. This sounds like an opportunity, but our country has a competitive disadvantage in commodities which require high labour input.

Germany, for example, is a rich, first world country but has a minimum wage of 9.50 Euros/hour (~AUD \$15/hr) compared with Australia \$28.05/hr (incl. super). Now consider the labour costs of Chile, China, Poland, Serbia, Ukraine, and other large exporters of berries. These countries can land shipping containers of frozen berries on to docks in Australia cheaper than we can even pick them for (let alone grow, process and transport them). So, in order to freeze a berry in Australia, you must have found niche markets requiring "Australian Grown" as a point of differentiation – and from experience these markets make up less than 10% of the national frozen berry market and are tough to find.

Aside from markets and prices, labour is a challenge in berries, and it makes up a considerable portion of the

cost of growing, harvesting and packing berries. This is made more challenging in a pandemic. Every business will argue that it is difficult to find suitable staff. But I would argue that trying to increase your workforce by a factor of 10-20 times in a 3-4-week harvest period, in regional Australia during a period where many other farms are also trying to do the same, makes berry harvesting particularly challenging.

We are fortunate in that we have machines that do much of the picking work for processing markets. But we still need upward of 120 seasonal workers in the week before Christmas. This task was made easier in previous years as there were a lot of working holiday makers traveling around the country following the harvest season, and they knew they could find good reliable work in the cooler Tasmanian summer.

International students on summer holidays also helped our industry during its peak. With closed borders and net migration to Australia turning negative for the first time in generations, our industry's short term, seasonal labour options have dried up. It will take creative solutions on the part of individual farmers (and potentially government) to get their crops harvested in the coming year with the industry overall set to face massive shortages and the prospect of a lot of fruit remaining sadly, unpicked.

On the other hand, berries face the same issues as many other businesses with weather, finance, regulation, insurance, transportation, product specifications, customers, suppliers, etc. But we produce tasty, beautiful berries at the end of the day which can make it all worthwhile.

What were the other considerations you had to evaluate before moving into other business spaces?

I think the first, second and third thing to do is work out if there is a market to make any expansion activity worthwhile. The best way to do this is with a contract but of course this is not always possible. But doing lots of research, working out what other similar products there are, what international trends are and talking to customers and suppliers all help to decide if that market will be profitable. Then, once sure there is a market, make sure you have the capabilities or can locate and implement the resources required to produce the product that the market has demanded.

How has diversifying your business helped to minimise the risk of loss (financial or otherwise) and provide stable employment opportunities?

It is vitally important. Once upon a time we had one large customer that took all the fruit we grew. It was relatively easy to organise and arrange as there was only one customer with one specification who needed to be supplied once a year and would make payment at a pre-arranged time. We took the opportunity while having one good reliable customer, to expand and diversify our product mix, our farm capabilities and our customer base.

Seventeen years into the relationship with our original customer, they were involved in a merger, and we lost our contract to supply bulk juicing berries. It was a painful moment losing our biggest customer. But it would have been catastrophic and provided an unrecoverable situation had we not had other markets that we had diversified into during the good times rather than resting on our laurels.

Customers come and go – even the good ones. Nothing stays the same. But diversifying your customer base and product mix as much as possible (to an extent that you are not overstretched or doing activities that are not profitable) means that the health of your business never relies solely on a single business or market.

What have been the primary benefits to Westerway Farm from diversifying the business?

My sleep. I sleep a lot better at night knowing that if a major customer calls me up tomorrow and tells me they have a new supplier or they are going out of business, our farm and business will continue. This gives my family security and our employees security as well.

Diversification has also allowed us to experiment in some different markets. We do this in a small way at first, to test the viability and profitability of a market. By testing several diverse markets, we can determine which markets we should continue to pursue with our given capabilities, and which are either not suitable for us or that we cannot supply in a viable and profitable manner. Without seeking to constantly diversify, we would be more likely to continue in segments of the market that are not viable for our business in the pursuit of maintaining scale.

What advice would you give fellow berry growers looking to branch out into a new area of business?

Understanding the market you are branching into is key. Is the market a fad or a long-term trend? Is the customer going to provide some type of security to back the investment I am looking to allocate to this project? There are opportunities everywhere and customers often have big ideas but small wallets. Aligning expectations on volumes, prices, quality etc., is vitally important between berry grower and customer and identifying real, long term and viable markets to branch into is key.

I think knowing what your business is good at and what you enjoy doing is another of the most important things when looking to branch out. There is no point diversifying into a new market that you really don't like (if you are not a people person, attending Farmers Markets isn't for you). Taking measured risks when diversifying means that if the new business opportunity doesn't perform as expected, you remain in business.

Any opportunity to branch out and diversify that gets you closer to your final customer (I am thinking PYO here), reduces the possibility that your role in the supply chain can be cut out by competitors or changing purchasing decisions by manufacturers or retailers. It is a great way of preserving your business continuity and ongoing viability.

Diversification isn't easy. But it is necessary! I would never suggest pursuing a diversification approach without first carefully planning and researching as many aspects of the activity as practical.

