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Market insight fuels value-add ambition

Cunderdin grower David Fulwood suggests that the grains industry could take a page from the Canadian potato industry's book. Ever alert to novel ways to lift the value of his grain, he is a determined advocate of value-adding and smarter marketing.

In 2005, a Nuffield Farming Scholarship allowed him to go in search of ideas. He was particularly struck by the way a group of Canadian potato growers reinvigorated their product while also making varieties less exposed to consumer fads. The Canadians stopped selling potatoes by variety and now market them according to the most ideal end-use, such as chips, mash, baking or boiling.

The beauty of this, says Mr Fulwood, is their market is not damaged by seasonal or other constraints that hit particular varieties, and growers can also change varieties without risking any adverse consumer reaction.

At the end of the day, he argues that the grain coming off his family's property in the Western Australian central wheatbelt is a food product, and this plain fact should dictate the way it is branded and marketed.

By this he means regional branding, with intellectual property rights over regional characteristics, traceability to ensure quality control, and a rigorous pursuit of end-user relationships that can be developed as premium markets by supplying dedicated grain products.

It is not a new idea, given that this is the way most food is grown and marketed across Europe, but it is still a radical concept for a bulk commodity such as Australian wheat.

However, Mr Fulwood says Australian growers face the choice of either continuing to be squeezed by increasing competition in commodity markets, or finding ways to value add and distinguish the Australian product.

"Commodity producers, as we all know, have to keep producing at lower and lower costs to stay competitive," he says. "It puts us under continuous pressure to keep costs down. The other way is to try and forge new markets for a differentiated product.

"Naturally, you are never going to turn 10 million tonnes into a niche product, but that doesn't mean there isn't scope for more involvement in the supply chain and communication with the end-user that will allow more of the crop to be grown to particular specifications."

During his travels to Canada, the Ukraine, England, Ireland, Scotland, Japan and China, Mr Fulwood sought ideas on ways to increase what is paid for the family's crop. He had previously spent seven years as a professional grains marketer before returning to the family farm, and his

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experience in the trade has him articulating two additional pathways for Australian grains: regional branding with traceability and new end-uses.

In many ways, the two go hand-in-hand. Crops grown for premium health or nutrition markets can be more readily quality-assured if particular traits are associated with particular regions, in the same way as much farm produce is marketed in Europe.

Many alternative end-uses, such as biofuels, pharmaceutical starch and biochemicals for industrial use, still have a considerable amount of R&D and government policy to be worked out, but Mr Fulwood sees immediate opportunity in better marketing food grains.

One concept working well in the UK is where graingrowers team up with other food producers and create 'food hubs'. He says regional branding works best where there is sufficient product volume and product range for supermarkets to work with. For many regions this is only likely to be feasible if it involves all of a region's food products.

There are already isolated examples of this, with clusters of growers around the country contracted to supply highly specified products to buyers, such as noodle makers, boutique breweries and pasta manufacturers. Mr Fulwood hopes these can become more the norm than the exception.

He says his Nuffield tour exposed him directly to some of the influences that are shaping world food markets, in particular the increasing emphasis on food quality and food safety.

Outbreaks of Mad Cow Disease and Avian flu have heightened consumer interest in food safety and traceability, and nowhere is the trend more pronounced than in Japan, where people are culturally obsessed with hygiene and cleanliness.

"There is opportunity and danger in this because a lot of people are starting to only feel secure if the food is local. So our grain must be synonymous with quality if it is to withstand these paddock-to-plate concerns," he says.

In Japanese supermarkets many common foodstuffs – from rice to melons and meat – are marked with the brand name of the province and the producer. In addition, the consumer is provided with information that includes the product's pest control history, fertiliser history, cargo collection and shipping information, and even the name of the co-op to which the farmer belongs.

Mr Fulwood says that while providing traceability for grain may be more challenging than for meat, the Japanese traceability system for rice is one example of how it could work. He says another area in which grain traceability could be implemented is in the traceability of grain used in meat production.

Another emerging influence on food markets is consumers' growing interest in the environmental credentials of different farming systems: "I visited a privately owned company north of London that pays a premium for grain grown on farms that have returned 10 per cent of their land to natural habitat. The company is turning over \$175 million a year because consumers are happy to pay a higher price – up to 30 per cent more – for breakfast cereals that are contributing directly to an environmental outcome."

"Basically, the growers are not only selling a grain product but a way for the consumer to feel they are doing their bit for the environment," he says. "These are the sorts of opportunities we need to be aware of and act on ...otherwise they could just as easily become market barriers."

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WALKING THE TALK

In his own operations, David Fulwood is taking the first tentative steps to make his produce “stand out in the market.” While branding and traceability systems are still a long way down the line, he has implemented an on-farm storage system, allowing grain to be sold as traceable.

The everyday demands of running a cropping area of 5,500 hectares has meant little spare time to implement lessons learned during his study tour, but the Nuffield Scholar is certainly thinking things through. “We haven’t yet got a brand, but it’s all part of the plan. I don’t think I would ever sell my whole production under a brand name and I think it’s always going to be a small percentage of anyone’s production. At the end of the day Australian grain is a pretty homogenous product, so you have to do something to make your grain different.

“Producers have to have a point of difference to give consumers a good reason to pay more for it. It could be a green image, it could be the fact that it’s produced under strict guidelines, there could be hundreds of different ideas to make your product stand out.”

WORLD TOUR PROVIDES FOOD FOR THOUGHT

During his 10-week Nuffield tour, David Fulwood examined a range of operations where producers were involved beyond the farm gate. Most were based in the United Kingdom and included:

Jordans Cereals: the upmarket health cereal manufacturer contracts farmers to grow grain under the Conservation Grade ‘Farming for Wildlife’ brand. Ten per cent of the farmer’s land is devoted to wildlife preservation and habitat creation. In return, Jordans pays the farmer a premium of between 10 and 15 per cent for Conservation Grade oats, wheat and barley.

Quality Meats Scotland: demonstrates the use of both regional branding and product traceability to add value to a product. ‘Scotch Beef’ and ‘Scotch Lamb’ are sold under the European-wide scheme, Protected Geographical Indication (PGI). To qualify for PGI, beef and lamb must be sourced from animals that are born, bred and slaughtered in Scotland, and reared exclusively through farm assurance schemes.

Southdown Lambs: the lamb marketing group based south of London sources 9,000 lambs a year from 14 growers in England’s South Down National Park area. Growers are paid a 10 per cent premium over the open market.

Bookham Cheese and Pasta: sources most of its ingredients locally, which offers full traceability and gives the company a unique selling point. Direct supply agreements are being established.

NUFFIELD SCHOLARSHIP – LAST CHANCE

Farmers across Australia are invited to extend their knowledge overseas as 2007 recipients of Australia’s most prestigious agricultural award, the Nuffield Australia Scholarship.

Winners are selected on their agricultural and leadership capabilities and their potential to make a strong contribution to the future of Australian agriculture. Each scholarship is valued at \$25,000 and is supported by leading Australian commodity, agribusiness and philanthropic organisations.

Applications close on June 30, 2007. Application forms are available from the Nuffield Australia office on 02 6964 6600, enquiries@nuffield.com.au or on the website www.nuffield.com.au.

Photograph: Nuffield Scholar David Fulwood on his family’s Cunderdin property in the Western Australian central wheatbelt

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