

A Fresh Look at a **Mature Market**



It's a heavy responsibility taking over a successful business that has been in the family for almost 180 years, never mind making changes to that business's makeup – its essential DNA – to tap into new markets and growth opportunities.

Just ask Handri Conradie, MD of At Source Handmade Foods, who not only took over management of the Conradie's well-established Ceres fruit farm in 2002, but then set out changing the fundamental way in which it did business and, in the process, changed the face of South Africa's dried fruit market.

"The farm, Koelfontein, has been in our family since 1832. I'm a 6th generation fruit farmer working this land, so we have a proud heritage of farming in the family and it's a massive responsibility for me to

guard and grow that legacy," says Conradie, reflecting on the farm's early history when the world-renowned fruit growing region was still dominated by wheat and livestock farming and fruit was only grown on a small scale-predominantly for household use.

But flash forward to 2010 and the Conradie farm is no longer just a small-time player – Koelfontein is now the home of At Source Handmade Foods, one of the three largest processors, packers and distributors of dried fruit in South Africa and the largest retailer house brand supplier of dried fruit in the country.



inter alia

So how did Conradie take this family heirloom and turn it into an agri-business success story? With vision, that's how. Conradie didn't just look for opportunities to make incremental improvements to the existing model, but rather saw an opportunity to be the catalyst for the transformation of the dried fruit industry and at the same time, integrate the business further down the value chain.

"I looked at the available dried fruit products and thought we could do better. Remember that in his day, my father was regarded as the leading dried fruit grower in the country. He won the industry's top award an unrivalled 10 times by the time single channel agricultural marketing was deregulated, so the trophy was eventually awarded to him permanently. Yet, I did not see that same quality nor much innovation on the supermarket shelves, so clearly consumers were being short-changed. I wanted to create a whole new category of dried fruit that South Africa had only seen in limited availability through niched imported products," he explains.

That idea was soft eating dried fruit; totally different, completely unique and unlike the traditional dried fruit consumers knew. "By working with Woolies," Conradie continues, "to establish this new subcategory and by bringing a totally new eating experience to the market, I believe we have expanded the dried fruit market by creating new consumers among people who did not previously eat dried fruit.

"Our R&D team – we have three full-time qualified food scientists in the company resulting in us punching well-above our weight on this front – did not stop there and also developed a wide range of fruit rolls, bars, strips and fruit and nut combinations all with one common characteristic: a superior eating experience. We'd like to think that our contribution to the category sparked positive reaction from our competition and today consumers of healthy snacks are spoilt for choice.

"I also wanted to move away from us merely being a primary producer; just 'farming up to the farm gate,' and take responsibility and control of a larger portion of the value chain. So instead of just growing and sun-drying the fruit, we now handle the primary production as well as the processing, packaging and distribution directly to retail – an integrated

agri-business in the true sense of the word," he adds.

This has seen the business grow very quickly – from being the major house brand (a.k.a. retailer private label) supplier of Pick n Pay's, Woolworths' and Melissa's The Food Shop's brands, to recently launching its own dried fruit brand, Cecilia's World.

Yet this growth was also sensible. "When we entered the market, we knew we didn't have the financial resources, expertise or experience to start our own, new brand. We made a conscious decision to rather approach

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retailers and pack for them in their brands. It was a win-win at the time, very little was being done in the dried fruit category in the retailer private label space. We also entered the market during a period of positive growth for house brands and unprecedented retail growth in general, which really helped.

"But to position ourselves for a time when we inevitably will reach saturation point in the private label business, we wanted to launch our own brand to reach parts of the top-end market that we aren't currently reaching and where we feel there is still tremendous scope for growth, especially convenience stores (like at fuel station forecourts), independent retailers and delis. So in July 2010 we launched our own range of dried fruit products under the brand Cecilia's World," Conradie says.

Simultaneously, the company was looking to international markets for further growth opportunities. It is already supplying a certain amount of dried fruit in bulk to an Australian client which handles its own packaging and distribution, but ultimately Conradie wanted to export direct to retail with Cecilia's World.



That plan is now well underway, with At Source having made inroads into the Middle East and Europe.

"Internationally we will always supply a certain amount of product in bulk to the trade, but we also believe there is scope in certain markets for shortening the supply chain to supply overseas retailers directly, whether in their brands or our own. Because the private label space in those markets has reached maturity long before South Africa's and those supermarkets have their own established house brand suppliers, we knew we also needed our own brand as an alternative vehicle to our tried-and-tested house brand success formula. This strategy took effect late 2010 when we started supplying a Middle Eastern supermarket chain directly with our packaged products. We're also going to begin direct supply to a major European retailer soon," Conradie adds.

But this success has not been without its challenges. Conradie says entrepreneurs in the agri-business sector have to contend with obstacles such as access to finance for funding working capital and capital expenditure in this very capital-intensive sector; the unpredictability of major risk factors such as exchange rates and weather conditions; shortage of adequate skills; and dealing with issues related to value chain integration that primary growers have traditionally not had to worry about.

A major source of concern within the industry currently is government's policy (or rather lack thereof) on land reform, agriculture and water. "In the new government, land reform and agriculture now resides in two different departments and at present there's no clear policy on addressing the essential national interest in sustainable food security while fulfilling the political need for land reform. In the Western Cape, land reform has come to a grinding halt after the new minister of land affairs stopped equity-based land reform transactions (our own proposed BEE deal for our farm workers being an example). We're also increasingly feeling the pressure on water, as a scare resource, which is expected to worsen with the evident encroachment of government on farmers' water rights. Agricultural research is also in disarray due to a lack of funding and the loss of critical skills in an area where South Africa was once one of the world leaders.

"We're lacking strong leadership from government in the agricultural sector; the publishing of the much-vaunted Green Paper has been postponed numerous times. Yet one does get the feeling that government acknowledges that they do not have all the answers, but with the ruling alliance in limbo leading up to the 2012 ANC conference, I am not expecting any decisive action soon," Conradie explains.

On this journey, Conradie has also been mindful of the role the farm plays in sustaining the hundreds of workers employed through the business. The combined permanent staff complement of At Source and Koelfontein is 250 workers, rising to almost 500 workers (which includes the temporary staff) during peak season.

Many farm employees grew up on the farm and have been involved in Koelfontein's operations for 20 or even 30 years. This has led to a strong focus on social responsibility, with the business investing heavily in things like housing, training and social development among workers.

"We take skills development very seriously and work to build both hard and soft skills among staff," says Conradie. "We start from a very young age with our workers' children already. We have a crèche where toddlers are looked after and stimulated while their mothers work on the farm. We also run holiday programmes for the school-going children which involve fun activities such as sports and games, creative exercises like hand crafts, singing and acting, while also trying to assist with the establishment of a strong values base by teaching children principles of good citizenship through a recycling project, lectures on the history of the farm and region, environmental awareness by having excursions into the veld in the surrounding mountains and much more."

At Source is a company guided by a clear strategic vision and an unwavering commitment to quality and innovation. But it's also a company with a big heart, as demonstrated through its efforts to enrich the lives of its workers and their families. This has made for a successful continuation of the family's heritage – one that remains true to Koelfontein's past and undoubtedly, its future. □