



Silver Fern tempers ambition

BY: TIM FULTON

Silver Fern Farms has slowed its global push into branded, direct-to-consumer retail.

A supplier at the company's farmer conference in Christchurch asked chief executive Simon Limmer to describe the biggest impact he had made since taking over 18 months ago.

Rather than take up the invitation to 'blow your own trumpet', Limmer said it was harder to build Business to Customer (B-to-C) relationships overseas than expected.

Instead it was focusing on more traditional Business to Business (B-to-B) partnerships.

"One of the things that we have worked

on in the past 18 months is just to step back a little bit and put a couple of stepping stones between here and there, as to where we're heading."

It wasn't easy to replicate winning sales and marketing in New Zealand, Limmer said.

Silver Fern's branding of retail packs resonated with NZ consumers but the market was unusual because it had a relatively short supply chain to two big supermarket groups so relationship management was fairly straightforward. It allowed Silver Fern to stock supermarkets with a broad range of product, backed by marketing such as the Delicious campaign and recognisable and well-regarded Silver Fern logo.

It was not easy to have that sort of marketing impact overseas, Limmer said.

China, for example, had hundreds of retailers accounting for about 95% of the trade so promotion was expensive. "Marketing horsepower in China can cost you hundreds of millions of dollars to build brand."

It also wasn't easy to stock and distribute product efficiently so a company like Silver Fern Farms needed local partners that could give it access to retailers. "Ultimately the consumer is who we need to be connecting with; but we don't jump from a NZ position into a B-to-C proposition easily."

Limmer said Silver Fern Farms had "actually slowed back a little bit on that ambition" to go into offshore retail with its branded packs. "We want to build a stronger platform at a B-to-B level before we go to that next level," Limmer said.

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'You can't have a value-add in commodities strategy; you've got to have it integrated – a continuum of value-add right through.'

He said previously the company created confusion by talking about value-add and commodity trading as separate businesses.

Value-add wasn't limited to retail packs in the supermarket, he said. The company needed to find way to sell a whole carcass so it could also add value simply by being closer to the customer, understanding the economics of various markets, inventory and being more "agile" in distribution and sales. A profitability gain of 1% in a \$2.5 billion-plus business like Silver Fern was significant.

"So we've got to be good right across the board. You can't have a value-add in commodities strategy; you've got to have it integrated – a continuum of value-add right through."

Limmer was also asked to compare the premium Silver Fern Farms could expect at point of sale for branded products over comparable non-branded goods. He wasn't prepared to be specific about the company's margins on value-added retail products "but it works for us," he said.

Answering another question about

Silver Fern Farms' sustainability credentials, Limmer said the company's first obligation "is making sure our story is the right one".

NZ's "Garden of Eden was not perfect" even if it was better than many - so the company needed to focus on a "good, fact based, economic based, integrated view as to how we're going to create policy to take us forward."

One of the big policy challenges was combating "emotive" arguments about NZ agriculture's contribution to international methane levels.

"We know that we've got a perception-based [government] policy that is emerging, particularly around methane. We've got to get that right because we can throw the baby out with the bath-water and not get the right outcome."

The company could help create a collective view of best land-use, including the role of trees. "Where is the science coming from to give us solutions, because our economy is based on the rural sector, it will continue to be so and it should be," Limmer said.



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