



Innovative and reference business models in the agrofood industry

MODEST GUINJOAN

The size of the food industry in Catalonia in number of companies and different activities as well as in its good competitive position in the Spanish and foreign markets makes it difficult to single out any business role model. The reason is that there are many.

The ones we show here come from a small and a medium-sized company, from subsectors with few things in common, as are quality wine and growing fruit and olive trees. Their competitive strategies and their approach to innovation are also different. Nevertheless, they are successful companies with a similar footprint in international markets. They are two examples, pure innovation and innovation based on tradition, among many our country has fortunately created and still does so in an industry with a bright future.



Costers del Siurana SAT

Costers del Siurana SAT is a company based in Gratallops in the Priorat county. It produces wine and operates in the market with two reference brands: Clos de l'Obac and Miserere. Apart from these aged wines, they also work with three brands with a lower output: Dolç de l'Obac, Kyrie and Usatges, all of which labelled with the Priorat denomination of origin.

The heart and soul of the company, Carles Pastrana, born in Tarragona into a family with no direct relation with the industry despite a farming background, decided to move to Priorat together with a friend in 1979, with the idea of recovering the history of the great wine from the region, which had been lingering for a long time. The county was then among the most depressed in Catalonia, with migration decimating year after year a population ravaged by poor profitability of hard farming on harsh soil, with a very typical product, basically thanks to its high content of alcohol, but hardly appreciated by the market.

Carles Pastrana was one of those entrepreneurs who saw a potential in the Priorat wine, albeit with innovative steps in its making.

The entrepreneur, a newcomer to Priorat, acquired land and entered the world of wine starting from scratch, spurred by the wish of making a good product in a place with plenty of wine history, but especially driven by the juvenile drive of carrying out a personal project. Carles Pastrana was one of those entrepreneurs who saw a potential in the Priorat wine, albeit with innovative steps in its making (coupage, quality, new varieties) that somehow broke up the most traditional rules.

Ora et labora, proclaimed by the Carthusian monks at nearby Scala Dei at the foot of the Montsant range from 900 years before, became

a tenacious *labora* in reviving half-abandoned crops, replanting Grenache, introducing new varieties that are classics in the area today (Cabernet Sauvignon, Merlot and Syrah) while preserving Tempranillo and Cariñena crops, all in a very rugged territory where half the area is lost in slopes and access paths, among other usage causing loss of useful area.

Labora only yielded its fruits ten years later. In 1989, tenacity took shape in 11,400 bottles of wine. Shortly after, in 1991 and later in 1993 to be precise, the World Wine Guide rated Clos de l'Obac as one of the 100 best wines of the world. It was not sheer tenacity but there was a goal, making good wine, and guidelines resting on a few principles that consolidated with time and are currently followed to the last detail:

- ▶ Making wine from own grapes.
- ▶ Fixed coupage.
- ▶ Maximum quality requirements.
- ▶ Honesty in the above principles.

Despite the investment wave and the great interest created by the denomination of origin (DO) of the slate *terroir* to this day, despite the opportunities of jumping on the train of international exposure and drawing some profit from it, Costers del Siurana followed the entrepreneurial credo of its beginnings. Perhaps these principles bear no technological innovation; nor is there any organisational revolution or any practice deserving to make its way into marketing handbooks as they break moulds on how to approach wines to the market.

The biggest innovation at Costers del Siurana came about when Carles Pastrana, his friend and another few entrepreneurs saw, back in the late 1970s and early 1980s, the latent potential of an absolutely unique production area, enriched it with new varieties and were able to make attractive, competitive wines in the quality aged wine market.

At Costers del Siurana, the second feature that can somehow be termed as innovative has been to stick to strategic entrepreneurial principles based on the best of Catalan tradition and history as well as to make an economically feasible project out of it, with a presence in the most important premium wine markets.

Costers del Siurana has 130 hectares of land in the **Priorat DO**, of which 50 are located in Gratallops and Torroja del Priorat, with an average production of 1-1.5 kg per grapevine. This rate differs heavily from those obtained in big grape growing areas, where these figures are easily multiplied by ten.

Methodical crops, without any chemical treatment or synthesising product, strong analytical control before harvest, accurate selection of grapes by which any faulty are discarded and slow and natural winemaking processes are the previous steps to ageing in new French oak barrels after each harvest. The final, fully unfiltered wine results in a premium quality product.

Strict control of grape quality and winemaking processes following the same criteria are crucial to obtain quality wines.

The cost of grapes obtained from Costers del Siurana crops is between €3 and €5 per kilogram, which is relatively high but based on cropland on slopes and the quality of harvested grapes. With such a valuable raw material, the accurate processes implemented by the company and the drive for quality, the resulting price of the wine needs to be according, which translates into a consumer price range of €40-50 per bottle.

Costers del Siurana wines are obtained by means of fixed coupage, that is, the same proportion of varieties and the same oak sort are kept every year. Based on this, the difference of wines from one year to the other is exclusively due to differences in each harvest. Thus, vintage



▲ Clos de l'Obac is one of the reference brands of Costers del Siurana.

years are allowed to define the quality of a specific vintage wine; no standardised or desired quality is sought with adjusted coupage, as most winemakers do. After all, there is a clear respect for the different yearly behaviour of nature, making the unique properties of each vintage wine.

The production of excess grapes, i.e. those left out of fixed coupage, goes to the Usatges wine brand, the price of which is slightly below the company's reference brands.

Strict control of grape quality is a crucial point to obtain quality wines. As crucial are wine-making processes following exactly the same criteria. The wine is fermented at controlled temperature, aged in new barrels and cleared with fresh egg white, manually transferred to separate sediments and stabilised with the cold of two winters. The result is a gift of utmost value and premium quality for the palate.

With production close to 70,000 kg of grapes from different varieties, the company makes roughly 60,000 wine bottles a year. Costers del Siurana is sold in forty countries, from the United States to Japan, including all Europe. Distribution in foreign markets is done through importers and agents. Sales outside Spain are currently half the total. In expansive times they

were as high as 80%, but the crisis has also crushed foreign markets, which are likely to be the first to recover.

The organisation is made of eleven people, with relatives and non-relatives, mostly locals and great experts in this field, plus some external support at specific times of the year for jobs like pruning and harvest. The organisation has no sales team, not even for the Catalan and Spanish market. Sale is almost done by inertia, relying on reputation, repetition and discovery by new customers. Many are generated through a singular tool: cellar visits.

Costers del Siurana keeps true to some very classical and very Catalan principles: seriousness, solidity, top quality and much work.

These visits are previously arranged, either individual or in small groups, lasting between two and three hours, and apart from the explanation of the different winemaking processes, they include tasting the company's four most valuable brands. Between 3000 and 4000 people visit the wine cellar in Gratallops every year, including some prominent guests. In an industry like that of wine, in which entrepreneurs are almost considered artists of their product, visits to the company implicitly include the wish of personally knowing the author of the artwork. Hence Carles Pastrana devotes a considerable part of his time to receiving these guests, so this activity is a basic tool to promote the own brands.

Promotion of Costers del Siurana wines is also done by word of mouth by usual customers and visitors coming from many different countries. No advertising is done. Visits to the cellar become orders sooner or later, either at the same cellar or at the visitors' places of origin, always related with a select product that is not consumed in large amounts.

Honesty, seriousness in business, product quality and constant price positioning make the

Costers del Siurana brands some of the most appreciated from Priorat. Doing it without any farfetchedness based on good management of promotion and communication tools is the more notable as this industry is based to a large extent on subjective quality perception (smell, taste, etc.), thus allowing some space for opportunists and hucksters, although this sort of conduct is not able to last long. So positioning brands in the premium segment in a stable way is not the ultimate indicator though it proves a solid competitive strategy.

With production capacity to make double the wine as now, a hard forged reputation and a sound financial position, Costers del Siurana has a bright future while keeping true to some very classical and very Catalan principles: seriousness in all business aspects, solid positions in a target market (premium quality) that is never lost out of sight and work – much work, which is rightfully the foundation of any business, as this company shows, with thirty years of Catalan wine history patiently written, not to speak of those still to come, in a county with a privileged nature thanks to tenacious action by man, our ancestors.

This innovation may be in the detail and not spectacular at all, based on applying some traditional principles and under the auspices of a DO that has taken firm grip in international markets, also partly thanks to the success of Costers del Siurana. Yet in a point in history when easy money, flash and speculation has been appreciated and now all this has gone, working seriously and solidly and helping to create value in a county that was doomed to failure, is this not a highly valuable way of innovating and providing progress?

Agromillora Catalana, SA

Agromillora Catalana is the holding company of a set of businesses operating in different countries in multiplying, producing and selling woody plants, especially drupe and olive trees

and grapevine with top genetic and health quality. Additionally, though to a lesser extent, they also work with ornamental plants and other sorts of trees like citruses and trees producing timber for furniture.

Dynamism at the company in recent years has come from new markets, particularly the United States, Chile and Northern Africa.

Agromillora was born in 1986 based on cooperation between agricultural technical engineer Joan Samsó and the Sumarroca family, who produces wine and sparkling wine in Subirats. Together with Carles Sumarroca, Samsó decided to create a company working with nurseries, taking other engineers into his team. The company initially produced and commercialised fruit trees and grapevine, to which olive tree production was added later. As to the shareholders, the world's leading coppicing company, the Italian cooperative VCR (Vivai Cooperativi Rauscedo) came in later. Each of these partners holds individual shares in the Agromillora equity capital between 8% and 22%.

The strategy to settle in other countries has been followed by selecting the markets considered to be most interesting at any moment. Apart from Agromillora Catalana, SA (the holding company owning the shares in the remaining societies), the group is made of Agromillora Iberia, doing production activity at the headquarters in Subirats and Sant Sadurní d'Anoia, Agromillora Sur (Chile), Agromillora Taperao (Brazil), Agromillora Andina (Argentina), Agromillora Uruguay, North American Plants (Oregon, USA), Nurstech (California, USA), Agromillora Australia, Agromillora Méditerranée (Tunisia), Agromillora Marruecos (Morocco) and Agromillora Fidan (Turkey).

The Agromillora group produces roughly 40 million plants every year, with an overall €30 million turnover. Out of these plants, about 17 million are produced in the Subirats and



▲ The Agromillora group currently produces 40 million plants every year.

Sant Sadurní d'Anoia facilities, where the company has 80,000 sqm of greenhouses, and the rest is spread over different properties in America and other places. Roughly 30-40% of the production in Subirats goes to foreign markets, especially in the Mediterranean, like Italy, France, Morocco and Tunisia as well as to Central and Northern European countries, though at a smaller scale. Agromillora has in total 300 to 500 employees according to the period of the year, as activity is highly seasonal. The workforce in Subirats and Sant Sadurní is 120-150 strong.

Increased dynamism at the company in recent years has come from new markets, particularly the United States, Chile and Northern Africa, where the company has created subsidiaries to grow, stock and distribute coppiced plants from Subirats. Apart from consolidating the Greek market, the next to be developed are Turkey, Libya and Saudi Arabia.

Reproduction of woody fruit trees (peach, cherry, plum, nectarine, etc.) is made at in vitro culture labs at facilities in Subirats, Chile and Oregon. This system ensures maximum efficiency in clonal production (i.e. identical copies) of plants. With its in vitro production, Agromillora



▲ The Agromillora plant in Subirats exports 30-40% of its output.

supplies 50% of the European and Mediterranean market and also dominates areas like California, Chile and Australia. They are further world leaders in applying in vitro culture to fruit trees.

Olive tree production is made with herbaceous stakes in Subirats. Agromillora is also the world leader in coppicing this sort of tree. It operates with the Arbequina IRTA i-18, Arboçana i-43 (from the Penedès region, having been under threat of extinction and later recovered) and Koroneiki i-38 (Greek) varieties, all of which are appropriate for superintensive culture. This sort of culture has right now the brightest potential based on productivity per hectare achieved and thanks to mechanisation of some agricultural processes like harvest. Both factors are critical to reduce costs, especially in a situation like the current in which oil prices drop, which will probably consolidate following increasing offer and implementation of superintensive culture.

The competitive strategy of Agromillora relies on three basic pillars: innovation, production scale and distribution technology.

The three mentioned varieties, coming from genetic improvement programmes, were selected by the Institute of Agrofood Research and Technology (IRTA) and certified by the Department of Agriculture, Farming and Fisheries of the Government of Catalonia. Agromillora is currently working in own olive tree varieties appropriate for superintensive culture from crossing existing varieties. The group produced a total 17 million olive trees in 2008.

In grapevine coppicing, the company relies on the Italian VCR cooperative, which is a shareholder of Agromillora, as has been previously mentioned.

The competitive strategy of Agromillora relies on three basic pillars: innovation, production scale and distribution technology. Innovation is inherent with the company, the name of which indicates a commitment to continuous improvement in the agricultural sector. Agromillora has a research and development (R&D) centre in Monistrol d'Anoia since 1997, featuring the latest technological innovations of the market. Beyond this centre, the commitment of Agromillora with innovation relies on a wide network of contacts and cooperation agreements with public research institutes, universities and other private companies from different countries, allowing them to carry out first-class research and technical trials. In this context, new drupe root packs developed by Agromillora that are being successfully introduced to the market are noteworthy.

The production scale allows to serve demand by growing big markets like the American and developing ones in South America, Northern Africa and Turkey, among others. As to implementing superintensive culture, which requires huge amounts of trees due to crop density, units for production capacity to cater for the markets are practically counted by the millions.

Finally, distribution technology ensures capillary customer service. Based on the plants produced in Subirats, a network of partner nursery operators complete the growth of the plant and ensure its access to the final market.

Agromillora is a company with deep local roots. Most employees at the facilities in the Penedès region are local residents. Also, in a globalised market, the drive of the company is to be international. It is no surprise that its mission statement

is straightforward: «Our purpose has always been to do research, develop and make progress in the agricultural sector in order to achieve higher quality and performance.

At our headquarters in Subirats and our subsidiaries scattered over the world, we do research to improve agricultural production on our planet.» In the light of results, this mission is being carried out in a production setting with still a long way to go.

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