

# A Farm-to-Fork Philosophy

With integration experience in the hog industry, family-owned and operated Sunterra Enterprises brings its farm-to-fork approach to the cattle industry.

by Colette Knutson Gjermundson



**A** salesman who travels door-to-door with a suitcase full of widgets — attempting to sell to people who don't know that they want or need widgets — faces a daunting and frustrating task. Contrast that with a salesperson who asks consumers what they want and need, then commits to producing and delivering it.

Welcome to Sunterra Enterprises Ltd., Calgary, Alberta, Canada. Whether it's growing feedlot steers or pigs in western Alberta, selling ready-to-grill beef kabobs to Canadian retail customers or processing pork for Japanese export, Sunterra's focus is producing and delivering consistent, high-quality, perishable products to satisfied customers.

The Sunterra group is a totally integrated, family-based business, headed by five brothers and employing nearly 600 people in grain, livestock, processing and retail. Its four main arms include:

- ▶ Sunterra Farms, an 8,500-sow production entity led by Dave Price, president;
- ▶ Echo Sands Ranching, a 2,700-cow and feedlot enterprise feeding 80,000 head annually and led by Doug Price, president;
- ▶ Trochu Meat Processors led by Ray Price, president; and
- ▶ Sunterra Quality Foods Markets, six stores led by Glen Price, president.

The separate entities are spread across more than 13,000 farm acres and 32,000 pasture acres. In addition, Art Price is the Sunterra group chairman and CEO of Axia Multimedia Corp., Calgary. Their parents, Stan and Flo Price, still offer advice and support.

The business's roots reach back to 1952 when Stan and Flo began farming a half section near Acme, Alberta. After four consecutive years of hailed-out crops, the couple hedged their losses by investing in hogs. At the same time, they were instilling work ethics into their seven children by giving them huge responsibilities at young ages.

"They raised a bunch of kids and taught everybody how to work," Doug says. "We always felt that we were a big part of the operation and that it would fail without us. When we made decisions we sat around the table and tossed it around, like we still do."

Alternative Marketing



PHOTOS BY TERRY ATCHISON

▶ Doug Price is president of Echo Sands Ranching, the beef arm of Sunterra Enterprises Ltd., Calgary, Alberta. Doug oversees a 2,700-head Angus and black-baldie cow herd and a feedlot enterprise feeding 80,000 head annually.

## Integrated step

In 1970, the Prices and some family friends brought Pig Improvement (Canada) Ltd., a breeding stock supply company, to their country and began to recognize a vast differential quality in pork.

"That became an opportunity," Ray says.

Glen adds, "We felt we no longer had control of our own destiny and saw that on the risk-management side, it made sense to get down the chain so we weren't so exposed to fluctuations. There was real motivation to capture more value and take control of the marketing side by delivering a consistently high-quality product."

In the mid-1980s the family got involved in Trochu Meat Processors, Trochu, Alberta, which was owned by a group of local farmers and located 80 miles northeast of Calgary. There, their products benefited from custom cutting, and they learned about yield evaluations that helped them further understand meat characteristics.

The Prices realized that some processors generate high-quality yields for the commodity market, while other relatively small packers are very successful at providing unique products for which customers will pay slightly more. With this goal in mind, the Prices purchased Trochu Meat Processors in late 1989.

Trochu Meat Processors had fewer than 10 employees when the Prices purchased it. Through a solid business philosophy and marketing opportunities, the plant now boasts an annual sales figure of about \$20 million U.S. dollars and has nearly 120 employees.

"They (large plants) have a lot of efficiencies of scale and effectively produce a quality product, but because of their size and volume, they can't respond to niche markets

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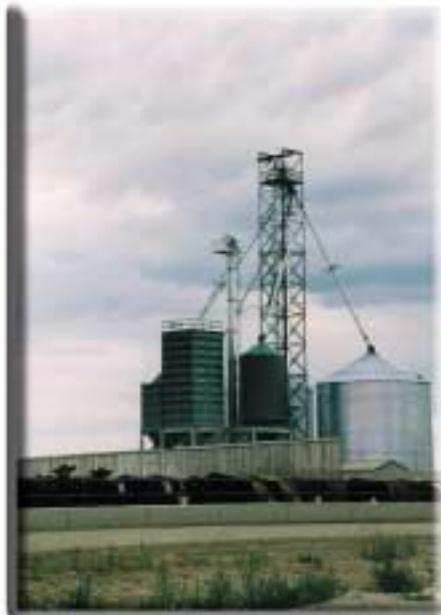
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as well as a small plant can,” Ray says. “We concentrate on unique customers who want something that the big guys don’t want to provide because it would just be too much hassle.”

### Full service

The Sunterra group focuses on full service and willingly customizes products at a customer’s request.

“We think as long as our customers are doing well, we’ll do well and get compensated,” Ray says. “We know we give



► Besides the Angus cow herd, Doug manages three feedlots for a 45,000-head one-time capacity, which provides the ability to feed 80,000 head annually. The newest feedlot became operational in 1998.



► The Price family has long raised cattle, but the Sunterra group itself first ventured into beef production and processing in 1998. The expansion works because of Sunterra’s large land base and the ability to utilize pig and cattle waste products on the land to produce feedstuffs.

up a lot in volume efficiencies, but we thrive on being able to process a quality product in a specific way. We only process what we have sold, rather than sell what we’ve processed.”

Though some might look down their noses at not operating at full capacity, he explains, “That’s not as critical to us as is making sure that we’re not pushing product into the market. We’d rather have a demand pull than a supply push.”

### Producing beef

In 1998, the Prices sold their Pig Improvement marketing rights, but kept the production facilities and renamed the company Sunterra to incorporate their focus of building successful businesses by using western Alberta’s sun and earth. Ray says, “We think there [aren’t] a lot of better places anywhere to live, so we make our business here.”

The favorable grain-growing environment and ability to feed cattle and pigs gives Sunterra an efficiency advantage. “We’re really competitive on the costs. We’re really competitive on the quality,” he explains. “So we marry those things for the world market.”

The Prices started exporting pork to Japan in 1993. Today, 70% of Sunterra’s pork is exported to Japan. Of the remaining 30%, about half is sold to specialty markets in the United States and Mexico, while the other half is retailed through selected domestic markets and Sunterra Markets.

In the past, Trochu Meat Processors also processed beef. However, Ray says, “After we specialized in the Japanese market it became very difficult to have two species through the plant; especially since HACCP (Hazard Analysis Critical Control Point) started.” Sunterra’s beef is now custom-processed at Edmonton, Alberta.

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the Sunterra group itself first ventured into beef production and processing in 1998. The expansion works because of Sunterra’s large land base and the ability to utilize pig and cattle waste products on the land to produce feedstuffs.

“It works around in a circle of production,” Ray says. “When you tie that together with taking away market swings on the meatpacker-to-producer side and add stability from the retail side, that solidifies the safety of the decision.”

### The herd

Stan Price raised purebred Hereford cattle for years. Doug followed in his father’s footsteps, breeding Hereford cows to Charolais bulls, but he eventually purchased Angus cows from a neighbor.

“The main reason was the replacement costs on the Herefords,” Doug says. “Our costs are quite a bit lower with Angus mothers because they last longer, and we cut out the bad eyes, prolapses and bag problems.”

Today, Echo Sands Ranching runs about 2,700 Angus and black-baldie cows terminally crossed with Maine-Anjou. Because many of their bulls are full brothers or out of flushes, Doug says, “We can put together pretty uniform animals.” A majority of the cows calve in April, except for one cow herd that calves in May.

The offspring are either harvested or sold as replacements. Because he produces beef for Sunterra Markets, Doug says, “I want a high gain inside the feedlot. I also want high-quality beef with high marbling and high yield at the least cost and the highest possible return. That’s what drove me to Angus cows bred to Maine-Anjou.”

The heifers are typically sold as replacements at \$300/head above market price. Selling all of his females as replacements also gives those customers opportunity to pick the very best. “I’m not pulling off of the top because I’m not using them,” he says.

Doug doesn’t produce his own replacements because he wants to keep his cow herd Angus. “In my opinion, if I kept half-blood females and bred them Angus, I’d lose a bit of hybrid vigor. I’d also get higher-grading cattle, but lose some good performance. If I went Maine-Anjou on half-bloods, I’d probably gain on performance but lose a little on grading.”

Besides, a straight Angus cow herd means Doug knows what he has as mother cows and that he can keep his cows from getting too big. “We run on a lot of pretty tough country, so I don’t want too big of a cow. I want a big calf, not a big cow.”

He shoots for weaning weights that are

50% of the cow's weight, or steers right at 600 pounds. Each year, Doug culls the bottom 10% of his cows, based on weaning weights alone.

### Feeding them out

Besides the Angus cow herd, Doug manages three feedlots for a 45,000-head one-time capacity, which provides the ability to feed 80,000 head annually. The newest lot became operational in 1998. It features backflow alleys and a drainage ditch so cattle and bedding are both delivered and removed from the front.

"To be competitive you have to produce quite a few cattle because the margins are smaller and smaller on the feedlot side," Doug says. "The biggest part of our business is running the feedlots and selling to local packers."

Still, Doug's Echo Sands cattle supply beef to Sunterra Markets for seven or eight months per year. "It's nice to have the beef and pork going through there because we can test genetics and handling so we know what makes a high-quality product. And it's neat for my pen riders or cowboys to be able to go to a store and say, 'We raised that product.'"

"We sell roughly 75 steers a week to the stores, depending on the time of year," he says. Of those, fewer than 25% are Echo Sands calves. "My own cattle are my first choice (to be processed for Sunterra), but if we don't have anything ready to go we'll select out of the feedlot for uniformity. We try to select Choice and low-end Choice."

### Sunterra Markets

Initially, the family considered gaining control at the retail level by owning and operating meat markets. "We quickly discounted that idea because it really restricted our market," Ray says. People are so time-constrained they can't afford to shop for meat in one location, baked goods in another location and groceries in another."

By 1990 the concept grew into an opportunity to offer all types of high-quality perishables while also becoming extremely service-oriented. The Prices model their retail stores after European markets in which customers buy daily for convenience and freshness.

"It wasn't as simple as just waving a wand and making it happen," Glen says, "but in the end it's all about people." They are trying to build an environment where people really enjoy quality products and good service.

Sunterra's newest and largest market opened in Calgary in August 2000. The 20,000-square-foot store was built from the



► The Sunterra group's newest and largest store is a 20,000-square-foot customer service mecca that opened in southwest Calgary in August 2000.

ground up, within a Swiss-style strip mall; but only after the surrounding community was surveyed about what stores it would like to have nearby and a Sunterra Market was the overwhelming favorite.

"We're excited about it because it's set inside a really good neighborhood," Glen says. Rather than being a one-spot destination shop for consumers in a large area, Sunterra looks toward serving a local community.

"We're striving to differentiate ourselves on perishable products," Glen says. Meat is the cornerstone of Sunterra's business, but they also offer fresh produce, unique food items, made-from-scratch baked goods, seafood, deli items and a coffee bar, as well as name-brand products.

"If we didn't have that selection, we'd force customers to shop elsewhere," Glen says. "Our philosophy is let's be competitive on name-brand products and then make sure we prove our rally where there is a point of product differentiation." Products that are fully controlled by the group are distinguished with a Sunterra brand name on the product.

Sunterra Markets offer a wide variety of entrées — all made from scratch in-house. Offerings range from precooked items from the deli to oven-ready to second-stage preparation items in the pantry to staples used to create the entire entrée at home.

"We've got a mix that assumes people have different amounts of time depending on their schedules," Glen says.

### Producer/customer relationships

Sunterra focuses on employing capable meat cutters and chefs, who work in wide-



► Sunterra Markets offer customers vast choices that range from staples to partially prepared, oven-ready to pre-cooked entrées.

open work areas, to advise customers on food selection and preparation.

"People can buy the best roast or steak in the world and totally destroy it at home if they prepare it wrong," Glen says, noting that people 30-something and younger didn't learn to cook like previous generations did. "Now, they want to enjoy food but they don't know how to prepare it."

Sunterra Markets doesn't spend time breaking down customer demographics. Rather, its focus is on customers who make food enjoyment a priority, including health, flavor and convenience. For example, Calgary's Elbow Drive market was formerly an old-style grocery store with numerous retired customers. When the Prices took over the existing operation in 1996, they noticed that frozen food sales were at an unbelievably high level. They quickly realized that store's client base had time to cook, but they didn't want to cook.

"We roll in there with a variety of fresh,

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portion-sized, prepared products, and all of a sudden we have people coming up to the counter saying, "You've changed my life!" Glen says, adding that it's important not to pigeonhole a market into very specific demographics.

Sunterra Markets goes one step further to connect with customers by publishing and distributing a five-times-a-year, eight-page newsletter filled with company and product

information, health education, recipes and cooking class schedules.

Sunterra offers Friday Night Feasts, which are order-ahead, gourmet, take-home dinners. They offer grocery delivery within Calgary and a Fresh Rewards Program in which customers earn one point for each dollar spent and can redeem points for free Sunterra products, a spa visit or theater tickets.

One reason for adding retail stores was to get actual customer feedback rather than interpreted feedback. "We have 3,000 to 4,000 people coming in every day, paying to be part of our survey," Ray says. "Customers feel comfortable giving us feedback because we're small, unique and fairly high service. We value their input because we believe we can change things at the farm level to affect [the final product]."

Sunterra also relies on customers for new-product development. “If you’ve already got market demand, it’s much easier than trying to push a product at them,” Ray says. He adds, “We don’t have a big sales force. We have a sales team of me in Japan and one person here in Canada.”

### **Overall focus**

Though some might view Sunterra

Enterprises Ltd. as too diverse to have a focus, Ray says the focus from farm-to-fork is, “to make our customers — particularly our Japanese customers and our retail-store customers — really, really happy.”

Surveying the modern, inviting atmosphere of Sunterra’s largest market, Glen concludes, “We just feel that we can put passion, focus and discipline into producing consistently higher products, rather than our

relying on outsiders to do it. We’ve taken what we learned on the production and meat side, applied it throughout the retail side and applied great service. The transaction might be a bit different (at different stages), but the philosophy is the same. The service, methodology and concern for quality are identical. We work really hard to make sure that we don’t step outside that model.”

