



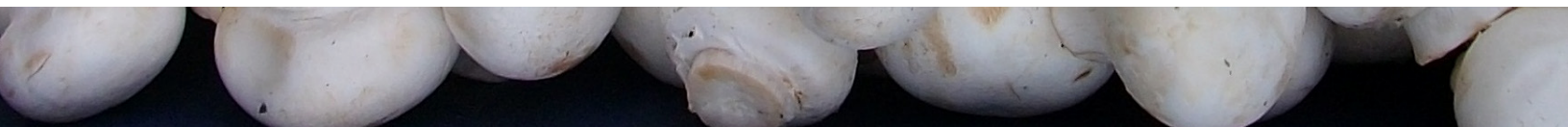
Greenwood Mushrooms

One in a series of profiles for the
Friends of the Greenbelt Foundation



Possibility grows here.

Supporting the long-term viability of farming within the Ontario Greenbelt is a primary objective of the Friends of the Greenbelt Foundation. This profile of Greenwood Mushrooms is one of a series capturing the business practices and management skills of successful and innovative Greenbelt farmers.





Greenwood Mushrooms

Introduction

Greenwood Mushroom Farms was formed in the early 1960s. In 1978, it expanded to include a group of mushroom growers in Durham Region to achieve efficiencies of scale. Clayton Taylor, who bought into the business in 1990, is the managing partner, with decision making and direction provided from the partnership team of five owners. Greenwood has two production sites in close proximity to each other, and a large processing and packaging operation. To achieve preferential tax benefits the functions of i) providing production inputs, ii) producing, processing, and packaging the mushrooms, and iii) the marketing and merchandizing, are divided between three separate companies, all part of the same partnership. Ontario Mushroom Farms is the growing substrate (compost) producer for all Greenwood Mushroom Farms' operations and those of its partners, as well as for sales to other mushroom farms in Ontario and eastern Canada. Ontario Mushroom Farms is currently expanding its compost production facilities through a major expansion, incorporating European technology and expertise. Growing substrate produced by Ontario Mushroom Farms' expanded facility translates into mushroom production with a total retail value of \$160 million.

Odour from the composting operation has caused considerable conflict with neighbours. To address this issue, the company is adopting newly available technology to enclose the operation. This involved the rerouting of a small stream in concert with the local municipality and Conservation Authority.

Greenwood Mushroom Farms is responsible for the production of their own crops, and the processing and packaging of the crops produced by Greenwood, by company partners in operations independent of Greenwood, and by a few other growers who supply mostly specialty varieties.

Company Aspirations

Greenwood is earnings driven. They enjoy the challenge of growing high quality mushrooms. Their guiding objectives are to produce a high quality crop at the lowest possible cost and be adaptive to deliver what consumers want.

Windmill Farms markets the output from Greenwood Farms' packaging operation and provides store level merchandizing services to retailers of their products. Retail, food service, and pizza markets are supplied with over 100 distinct products, each meeting the particular specifications of the customer.

The business has expanded in several phases over the years, incorporating significant mechanization, with the objective of establishing cost stability and production consistency. Greenwood operates one of the largest mushroom enterprises in Canada, with 360 employees.

Successes

Clayton Taylor proudly asserts that the firm's lenders assess Greenwood's financial performance as very successful. Farm Credit Canada frequently calls upon Greenwood management to present on business planning for staff and clients.

Taylor sums up their success by contrasting their growth to the struggles in recent years of several large competitors in the Canadian mushroom industry: "We must be doing things well." That is not to suggest that Taylor relies on outsiders to gauge their success. The partners are very satisfied with their returns, with confidence reflected in their multi-million dollar ongoing and recent investments.

The company attributes its success to:

- Its people. They are highly trained and experienced, and are very good at what they do.
- The ability to seek out and implement new technology to reduce costs and achieve high quality.
- Their three company business structure and its preferential tax treatments.
- Good relations with government officials and economic development agencies, and the leveraged funding to support their expansions.

Current Challenges

The large size and complexity of Greenwood presents two challenges for management. Firstly, growth requires the sharing of management responsibilities and expertise among a larger number of individuals, adding further complexity and placing different demands on senior managers.

Secondly, labour needs are growing in the face of government reviews of, and subsequent restrictions on, foreign worker access programs. While the policy and program issues will be addressed primarily by the industry association Mushrooms Canada, securing the local and foreign workers for Greenwood's daily operations must be managed by the firm itself.

Strategic Focus and Decision-Making

The company is fortunate that each member of Greenwood's ownership group has a unique set of skills, from production management to mechanical engineering, finance, and marketing. Significant decisions are made as a management group, led by the managing partner who devotes 20 to 25 per cent of his time to future expansions and business development.

The firm has a strategic plan that receives reviews and revisions at least annually. As witnessed in most exceptionally well managed businesses, the Greenwood team focuses on production, capitalizing on strengths, risk management, strategic investments, and performance monitoring.

Greenwood sticks to its knitting, producing only white and brown mushrooms, at which they are very proficient. They purchase other varieties of mushrooms, so Windmill Farms can provide a one-stop shopping experience for customers.

The company has explored entry into the prepared salad category, but has opted against diversification into this area for a number of reasons, most notably food safety risks.

While their integration from composting to the retail shelf does not readily lend itself to true value chain management, they share information with and support those with whom they do business, generating mushroom growth substrate (compost) for their exotic variety producers, and assisting those smaller producers in achieving organic and food safety standards. Likewise they support their retail customers by providing merchandizing support in the form of in-store display management.

“ Windmill Farms has been described as one of the best managed agricultural businesses in Canada and its success story has been showcased by Farm Credit Canada.

Strategic positioning of a business can be very beneficial to its financial performance. Greenwood has worked with the mushroom industry association to actively promote its status as a farming operation rather than an industrial operation. Recognition as a farming business provides access to government programs and funds, and affords the firm the benefits of operating under the provisions of the Farming and Food Production Protection Act.



When asked what they could have done better, Taylor cites two examples. Had they land-banked more adjoining property for expansion years before it was needed, they could have reduced the acquisition costs significantly. Additionally, they wish the technology they are introducing to alleviate their odour problems could have been adopted sooner, but the systems have just recently become available.

Best Management Practices

Marketing

All manner of mushrooms are offered - several private label lines, organic, sliced, triple-washed, colour blended, gourmet, and various package formats. Merchandizing services are provided for retail customers. By taking these approaches, Windmill has maximized brand identity and developed customer loyalty, verging on customer dependence.

Food safety, traceability, and organic certifications are in place. Serving the chain store and food service sectors requires assurances of quality and food safety, which Windmill is able to provide. Other food producers who are unable or unwilling to attain those standards are ill-advised to explore those markets.

Financial Management

As one would expect from a large, successful, profit-driven enterprise, the company focuses on numbers; collecting production and financial data, analyzing, and responding. Costs of production for both mushroom production and plant operations are reviewed weekly. Greenwood also measures its costs against its peers across Canada and internationally, to identify areas for improvement.

Taylor believes that it is critical to have the capital necessary to push the business forward. In the early days Greenwood took the approach most businesses must take. To build a strong balance sheet the partners plowed all the profits they possibly could back into the business.

Production Management

Greenwood employs a Hazard Analysis Critical Control Point (HACCP) system to maintain product quality and an Environmental Farm Plan as a component of their sustainability efforts.

Like many businesses with sustainable growth, Greenwood could easily have been the victim of its own success. One of their biggest associated challenges has been management development. The luxury of complete control in the hands of a few must often be sacrificed as a business expands beyond a critical mass. Delegation and reliance on others becomes essential. Taylor believes the keys to their management development are calculated recruitment and investment in qualified individuals.

Human Resource Management

Labour costs are 50 per cent of Greenwood’s cost of mushroom production. Hence, human resources management is critical. A large workforce comprised of people from diverse backgrounds can create challenges due to miscommunication and suspicions of preferential treatment. The company strives to treat all employees alike, whether it is in terms of workplace safety, harassment, discipline, or benefits. All Greenwood human resource strategies, policies, and practices are documented in a personnel policy book, made available to all staff.

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The firm also profit-shares with staff to encourage pride in performance.

Partners and senior management are 40 to 65 years of age, not yet presenting a serious succession issue for the firm. Notwithstanding that, the partners brought an employee into the ownership group six years ago to partially address future succession challenges. Another wise strategy has been to introduce more mechanization, thereby reducing the dependence on highly skilled production expertise – those who practice the “art” of mushroom production.

Risk Management

In a firm like Greenwood, risks come in many forms, and the significant investment of the partners warrants constant risk mitigation. The company subscribes to the government offered financial support programs for agriculture – Self Directed Risk Management, AgriStability, and AgriInvest. A full time staff member is dedicated to accounts receivables to safeguard revenues. Cash reserves are maintained at an appropriate level to provide an adequate buffer. Additionally, the risks associated with loss of critical, specialized production expertise is mitigated through the adoption of technology.

Outside Advisors and Support

Like most expansionary businesses the size of Greenwood, the firm depends heavily on outside corporate lawyers and accountants. A production consultant from Europe visits a few times per year to train staff and provide advice.

Taylor and his partners stay current with industry developments by travelling to other jurisdictions, monitoring investments within the mushroom sector, and staying abreast of legislative changes.

Funding for Greenwood's considerable expansion has been aided by government investments under the Rural Economic Development program, the Local Food Fund, and Growing Forward 2.

“ Our biggest single asset is our people and their ability to adapt, innovate, and deliver in an ever-changing business climate. The management team at Windmill Farms is considered one of the most experienced in the industry worldwide with extensive knowledge in all phases of mushroom production, sales, distribution, and marketing.





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