

# *HSR Seeds Pty Ltd*

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Notes for GRASSLANDS Conference talk by John Auer.  
Global Marketing Director HSR Seeds.

Good morning and thankyou for having me.

I am the Global Marketing Director of HSR seeds which is now the merged entity of Snowy River Seeds and a QLD family company Hylan seeds.

Skye and our three children live in Tubbut and it doesn't come much more isolated and regional than that.

I have been asked to speak about

**Taking on the World.**

**And Competing Globally from Regional Australia**

The Snowy River Seeds story and some of my thoughts on why we have achieved what we have.

We are the forth largest supplier of sweetcorn seed in the world and the only one doing it outside the USA. Now we are the third largest hybrid summer crop seed company in Australia and wont be happy until we are the largest.

**Quiet simply the majority of businesses don't adapt fast enough and subsequently die.**

**I thought this conferences title of**

**Survive Adapt Prosper was good but I would also say to survive you need to; Adapt Prosper or Die**

I don't believe there are any earth shattering things we do differently, but in real terms we have done a lot differently.

I believe fundamentally to succeed;

- You must have a passion in the belly and fire in the heart and the fuel around you to keep stoking that fire.
- You must enjoy it
- Every overnight success story normally takes around 15 years
- We understood that if a job is worth doing its worth doing badly – have a go and make mistakes.
- You must Plan for and take Profits
- To quote someone – In business Money isn't everything but it comes a close second to oxygen.
- Money and oxygen are irrelevant without people.

**AND THEN**

We had to understand **who - we** are in the market.  
Were we a specialist business or a commodity business?

Many in agribusiness especially do not understand this.

If you say you are a specialist wool grower then you are probably misguided.  
- I am almost certain you are a commodity fibre supplier.

If you say you are a commodity wine maker, but are marketing it all under your own label then you are misguided.  
- You are a specialist brand manager.

**They are two very different businesses, understanding which one you are is critical as they take very different strategy's to manage.**

I actually run one of each;

Skye and I run commodity business growing wool;

- My customers are many links in the supply chain away from me, live in other countries and I have never met them..
- I have no impact on the market.
- We have no vertical integration.
- Cost of production and Critical Mass is everything.
- If you produce a commodity and want to stay in business focus on two things
  - You must get critical mass
  - You must be efficient

Snowy River Seeds was built as a highly specialised hybrid Seed Company built on the back of sweet corn seed

- We know personally most of our customers worldwide.
- We command nearly ten percent of the world market so we can and do impact it.
- We are highly vertically integrated.
- Unique Products, Marketing and Relationships is everything
- As a specialist and wanting to stay in business, we focus on three things.
  - People – the team
  - People – the supply chain
  - People – the customer

These three things will never go away.

Snowy River Cooperative was started in 1967 by an innovative group of farmers in Orbost with the idea of joint packing and marketing fresh vegetables.

One of the founders is still on our Board.

The business built up, and started doing some dry bean seed and sweetcorn seed.

They got caught in the cost price squeeze of the late 70's and decided to get out of vegetables and into seed only.

Snowy River experienced many of the problems that producer group businesses experience.

The rural landscape is littered with the carcasses of failed cooperatives. There are a few notable exceptions such as Murray Goulburn Milk.

Cooperatives and many family and other businesses are run like cooperatives, focussed on production, messy or no understood management structures, founded in mediocrity. But the ones that rise above that;

Create sound management structures focussed on the market.

Celebrate innovation and risk taking.

Focus on the bottom line over the long term.

Work really hard with Passion and Fire.

Understand and know the details of their business and in particular where they sit as a business.

Those that do this will be profitable and sound businesses.

**Be careful of copying by looking over the neighbour's fence, how do you know they are not going broke?**

**Farm businesses in particular can camouflage death for a long time.**

To succeed Snowy River had to rise above that and we did,

Management is the only thing you can control, don't focus on things you can't like climate or world markets.

It's not new that People are everything.

But you really have to believe it and act on it.

Good technical, driven people are difficult to attract to regional Australia.

The only thing that keeps them there is to grow the business faster than their ambition grows.

This is tough as the cycles in Agribusiness are often slow and in our case we get one product cycle around every 1.5 years.

We built and control the whole supply chain. We breed, produce, manufacture and market. We build and maintain very close linkages. If you fail to do this like most of the multinationals have you will over time lose your market to businesses that do.

It takes 10 years to get a product from concept to commercial.

The pace of change is slow. This takes a particularly dedicated type of person.

We were very lucky to have had a tremendously dedicated and driven team.

To hold this team together in an urban environment would be more difficult I believe.

Simply because temptations are greater and easier to take up and try.

Yet as professionals in the bush we find a few things hard.

We suffer from professional isolation and correct this with travel and fostering relationships around the world that keep us well grounded and well informed.

We still need to do more of this.

This is in fact most important for our general staff who don't necessarily get out as much and therefore don't get to benchmark themselves and our business against others.

The cultural cringe is still alive and well in Australia and it can have a debilitating effect on people's moral.

People need to understand the possibilities; we are the only company doing what we do outside of the USA. So we had to have an eye on our competitors and the best way to do that was go to the USA and observe the little rascals.

Interestingly if you sit quietly and look, they will get comfortable with your presence and go on about their business.

Often we knew what a competitor was doing before their people did.

The greatest challenge in Agribusiness is to attract and hold entrepreneurial and innovative managers, and they are often the greatest liability, because they can be terrible people managers. They are so focused and excited about their product that they just keep burning people off.

Understand this and your half way there.

It took me a while to work this out and I am still struggling to curb my urge **to just get in a do it.**

We did a range of things which we felt helps hold our team together

- We make profits
- We have made all staff shareholders of our company.
- We effectively share all information, and I mean all other than personal details everything else is shared.
- Most of our staff travelled overseas with the company.
- We didn't make people changes easily, but we didn't shy away from making sure that management performed and in turn demanding performance from others.
- We benchmark our remuneration plans across Australia and pay equally as well as urban based industry.
- We do not want salary to be an incentive to leave.
- We met formally with all staff to talk 1 on 1 about the business, themselves and us as managers.

The relationships along the whole supply chain are critical.

We heavily involve our suppliers, many of whom are also shareholders

The more they know the stronger supporters they become.

I remember in the early days on a sales trip into China, an old man in Guangsho Southern China after me telling him excitedly about our new 5 year Long Term Plan, said son that's not a long term plan we plan for 100 years.

He also told me something that has always stuck and I feel is very true;

There are three fundamental things in business and depending on the emphasis you place will depend how successful you are in doing business in that culture.

The three things are

1. Legal; Is it Legal
2. Money; Can you make money out of it.
3. Relationships; Can you develop the relationships.

Americans work on Money, Legal, then Relationships.  
Australians work on Legal, Money, then Relationships.  
Chinese and many Europeans work on Relationships, Money and then legal.  
Simply you will do the best business with those you get on with the best.

With that in mind the relationships we build are everything from suppliers through to customers.

We tell our customers everything, the good, the bad and the ugly.

Many of our customers and suppliers are personal long term friends.

Because we are in long term relationships and due to our slow product cycle, as is the case for many in agribusiness, **relationships are critical**. To have good relationships you must have open communication.

I worked at that every day, with a various degree of success.

But the more I worked on it the better the company went.

Invariably when something goes wrong it's because of a communication breakdown and invariably I could have done something better.

Doing business in Far East Gippsland has few draw backs and I feel many positives. It is not critical to our business, however if I started the business from scratch again today its likely we would be in a similar area.

We had to be innovative;

I think nearly every major move we made, I was told that wont work, you wont compete, you cant do that from Orbost.

Year round guaranteed quality popcorn supply; cant do that, we built the popcorn industry from nothing in Australia to now being a sound industry.

Selling sweetcorn seed to the USA, you will get smoked, now we are the biggest supplier of sugary sweetcorns into the Pacific North West and growing.

We had to take risks, but they were very calculated and based on well researched information.

We did a lot of things differently to our competitors, we told our customers more.

We involved them in our business.

We were always outward looking and taking risks and trying to do thing differently in order to show our customers we deserved part of their business.

If you don't do it differently and don't take risks, you will be like most other businesses, just mediocre.

We knew our business in fine detail, we knew and controlled costs and planned and budgeted so we knew what would happen.

It has been really rewarding to help Snowy River grow to where it is now.

Around 6 years ago I realised our growth would slow as we would reach some 15 – 20% world market share in sweetcorn seed, we needed new products. Hence we started looking for breeding programs or companies that offered growth. Hence in 2006 we merged with Hylan seeds a family company in QLD who had great Forage and Grain Sorghum varieties, but were weak at marketing. We merged the two businesses in a friendly merge and in doing so tripled our growth potential.

Mergers are not easy, but fundamentally unless you have a clear pathway to growth then over time you will die.

I believe strongly we have underwritten our growth for the next 10 years, but we better have something else on the plate well before then. It never stops.

### **The marketplace is guaranteed to be different in the future**

Agribusiness is a slow cycle business, often with product cycles of more than 12 months so its really only 15 to 20 crops away.

But we need to plan for what our world may be like.

I am being somewhat provocative

It's a world that looks pretty much as it does now.

But the world will in reality will be a smaller place.

- Although your current bosses may have retired as will have all the baby boomers, We will all be working twice as hard to fund their retirement and medical expenses
  - Generation X will be running the show.
  - Generation Y will be your 2IC
  - Your customers will want solutions yesterday, in other words, no longer will it be satisfactory to respond within 8 hours.
  - You will need to pre-empt your customer needs and deliver it before they even know they need it.
  - If you don't do it some one else will
- You will need to trace not just from paddock to plate but from genetics to mouth.
  - Liability and thus traceability will be compulsory, acceptable and non negotiable.
- Environmental and health issues will be key drivers in consumers buying patterns
  - The environment will be mainstream and an accepted cost to tax payers through food and other charges
  - There will be fewer tariffs, and many tariffs will be related to environmental charges.
  - Climate change will be accepted and managed for.
  - In your children's wildest imaginations they wont believe you when you tell them water used to cost less than \$1000 a mega litre. And you used to flood irrigate.
  - Carbon trading will be operating and factored in as a cost of business and it won't be equally costed around the world, just like nothing is today.
  - I truly hope and believe that the environmental cost of business will be actually passed onto the consumer.
- The technology behind GMO will be accepted in medicine and food production.

- You will be able to buy GMO food readily in the supermarket.
  - Medicine and food will often be inseparable and often delivered in plant or animal products.
  - A significant group of consumers will choose non GMO and be prepared to pay a lot for it.
  - Some products developed by GMO technology will escape and become an environmental nuisance and in some cases an environmental disaster.
  - There will be a huge debate as to whether some forms of GMO are actually organic food.
  - GMO food will be more important, business and food supply wise than organic food.
- Australians will begin to be seen as Asian not American or English.
    - The European Union, the Chinese and the Indian markets will be incredibly important markets and more important than USA.
    - China's consumption of canned and frozen products will be huge and this will create a massive market opportunity for Australia.
    - Our Chinese heritage will become a marketing tool, like our Aboriginal heritage is today.
- Our emerging biggest competitor will be Brazil.
    - With a lot more water, more arable land and over 200 million people they will be very tough to compete with.
    - Australia will still have less than 25 million people and in real terms no domestic market.
- Generation Y will be hard to sell to.
    - Every 10th person will live to close too 100 years of age.
    - The next generation will place more importance on how to live a life and the money to do it, than how to own material wealth, simply because they will live longer and the reality of 30 plus years of good health following retirement will have sunk in.
    - This will be the one of the worlds largest market segment growth areas, entertaining the elderly.
- Food supply will not be taken for granted and people will pay a lot more proportionally for food.
    - This will be good for food and fibre producers.

Doing business in this environment will bring its own challenges, but most important of all in agribusiness will be the **rise and rise of women in management**.

- I feel this will create a more balanced work place culture
- Our business culture will become even more adaptive and innovative.
- We will understand people better and account for this in how we do business
- We will care more, and as a consequence do better business.
- We will both deliver and demand greater honesty at all levels of business.

- We will reinvest our wealth more in people than in material things.
- **This will be a good thing for business.**

**So with;**

**Fire in the Belly.**

**And**

**Passion in the Heart**

**We have had a lot Fun along the way.**

**I hope you all do as well.**

**Thankyou.**