

A PASSION FOR ORGANICS

Squeezing profits, social and environmental value from healthy juice in a bottle.

By Victoria Fuller and Josanne Nalasco

The small business which began on Gregor Robertson's organic farm in British Columbia in 1994 had a vision to become "a food company with integrity that reconnects urban people to incredible farms." A decade later, Robertson and his co-founder, Randal Ius, have left the farm and moved to a micro juicery in Vancouver, which has been accredited by the Certified Organic Associations of British Columbia. Despite the change, their commitment to operating a socially and environmentally responsible business remains. In fact, these core values are an integral part of financial success for Happy Planet Foods (HPF) as the company works to redefine the North American juice market.

Do you know the difference between organic or natural juice and the mass-produced juices and beverages found on any supermarket shelf? The latter have little food value and far greater impact on human health and the environment. Certified organic foods come from farms which do not use synthetic fertilizers, pesticides, herbicides, genetically modified organisms or hormones. Fields are fertilized using composted natural products. Consequently, organic plants are stronger, healthier and more disease resistant, making organic foods more nutritious and full of flavour.

What's in the price?

In the United States it is easier to turn a passion for organics into a strong business proposition. Consumers south of the border, and especially in California, are aware of the differences between organic and fresh juice and other juice products. They have a greater appreciation and understanding of the health benefits associated with organics and they exhibit strong brand loyalty to organic foods. Canadians, on the other hand, often interchange or confuse "organic" with "fresh". The challenge for Happy Planet has been to inform consumers of the health benefits of organic foods, and the value of supporting organic agricultures. Part of the problem is that Canadian consumers may focus only on the health benefits but ignore the larger social and environmental benefits.

A Delicate Balance

While Happy Planet stands firmly behind its commitment to the environment, Robertson and Ius have also learned that sometimes you have to compromise to survive in business. Organic ingredients cost at least twice as much as convention-

ally grown produce. HPF products offer high value but have a low profit margin. Fair trade and equitable social policy are injected into what is already a high quality production process. If HPF cannot successfully communicate the reasons for their higher prices to the price-sensitive market, the company will suffer. Therefore, they need to balance the optimum consumer price point with the fair grower's compensation.

Currently, HPF is focused on its role as middleman and is working to widen the channel between the two worlds. For now, they compromise: organic content will increase only as favourable cost structures emerge, such as savings in packaging, economies of scale, and eco-efficient processes. As long as the company keeps growing its overall organic content and continues to have good relationships with its suppliers and growers, Robertson says that he can live with the trade-off.

Partnering with Growers

While Happy Planet is committed to becoming 100% organic, the company is so far only at 73%, with 13 of 20 products certified organic. Apart from convincing Canadian consumers to choose organics, another major challenge is finding sources of organic ingredients in adequate supply. For example, passion fruit, the main ingredient in Happy Planet's popular Extreme Green smoothie, is very difficult to source organically. While other companies wait for organic sources to emerge, Happy Planet actively works with growers to help them transition to organic farming.

Happy Planet chooses to define the world around it, as opposed to being defined by it. Recently, Robertson spent a month in Costa Rica building relationships with a grower co-op and local processor,

so that Happy Planet would have a direct supply arrangement for bananas. Now, Happy Planet has a customized and direct source for 100% certified Fair Trade bananas. Current organic ingredients in Happy Planet juices include: strawberries, oranges, mangos, plum, peaches, carrots, tomatoes, grapefruit, lemon, guava, and bananas. The company's long-term partnership with growers provides a living for families committed to land stewardship and to growing the highest quality foods. Over 80% of HPF ingredients come from family farms.

Raw Material is Gold

Like any small business, Happy Planet has limited reserves of time and money, and must maximize the impact of its resources. A 2001 audit identified inefficient fruit yield and water usage as two major weaknesses for the company. To address these issues, Happy Planet installed a new press in early 2003 which could increase juice yield by 9% or 10% per apple. For Robertson, raw material is gold. Increased yield reduces the number of apples needed per batch, thus increasing cost effectiveness. Moreover, fewer apples means lower freight, fuel and labour costs and fewer by-products, thereby boosting the bottom line. The new press reduces water use through cycling, reduces chemicals used to wash the fruit, and reduces equipment energy usage. The installation of the new press provides HPF with an opportunity to reconfigure its piping so that the entire plant uses less water. By incorporating the plumbing work as part of the line-upgrade instead of a separate refit, the cost is easier to absorb.

Another way HPF incorporates eco-efficiencies into its processes is through its by-product disposal. When the company was tied to the farm, pressings, such as peel, were composted and used to grow carrots and strawberries. The farm has not been integrated with the business for the past five years, so Happy Planet has been shipping its waste to suppliers, who use it for compost. Soon, Happy Planet will send its apple pressings to a local company that makes apple powder and apple fibre. This is advantageous because Happy Planet's waste will be integrated higher up the food chain. The ultimate goal is to turn all by-products into food ingredients. Incorporating eco-efficiency into processing decisions is an important way that Happy Planet mitigates ingredient costs.

Small Fish, Big Juice Pond

Happy Planet's success makes the organic food industry look attractive to large companies. The global organic food industry

accounts for 2% of the retail food market.¹ In 2001 the North American organic food industry was worth \$8 billion and is expected to grow to \$20 billion by 2005. By 2010, 8% of the North American packaged-food business will be organic.²

Two companies, Odwalla and Naked Juice, pioneered fresh juice twenty years ago in California. Robertson credits Odwalla as a source of inspiration: "A progressive company with a well built brand created out of clearly defined values and direction. They first defined the category of "healthy juice in a bottle". Now, Odwalla has been acquired by the Minute Maid division of Coca-Cola Ltd. and few of the company's original values or employees remain. Naked Juice, a merger of six independent regional organic juice companies, was initially controlled by Chiquita but in 2002 was acquired by North Castle Partners, an investor in the Healthy Living and Aging market-place.³

What would happen to Happy Planet if it ever was acquired by a multi-national? Gregor Robertson hopes that the value of his company would still lie in the strength of the social and environmental values infused in the brand, as well as in the quality of its product.

Core Culture

Happy Planet's social and environmental values go beyond Robertson and Ius, who

emphasize that HPF is a team of people with a passion for food. At quarterly company "family" meetings everyone has a voice. The management team, referred to as the "apple core", meets weekly to discuss key decisions and strategic plans. Otherwise, individuality and independence are encouraged.

According to Robertson, "Happy Planet is committed to being a socially responsible business and this care and commitment starts with a healthy and happy work environment." The 50 employees represent 24 cultures and speak 11 languages, but the common language at work is food. For many HPF employees, organic and natural food is more than sustenance; it is an important part of their lifestyle.

By taking a proactive role in environmental and sustainable agriculture initiatives, Happy Planet has been able to establish a strong and unique brand identity, which has given it wider recognition with consumers than is typical for a company of its size. Robertson explains, "At Happy Planet, food is the bridge between social and environmental causes." In March of 2001, Happy Planet teamed with the Sierra Club of BC to stop clear-cutting in the Great Bear Rainforest, one of the world's largest unprotected areas of intact rainforest and home to a large grizzly bear population.⁴ Happy Planet distributed 'Action Caps' on its bottles with messages such as "Save the

Great Bear Rainforest" or "Stop the Chop". Each cap also carried an image of a grizzly bear claw and the Premier's phone number to encourage local residents to pressure the government to halt rainforest deterioration.

Growing Pains

Now, Happy Planet is truly on the edge - but it is a dangerous edge. The financial reality is that HPF still has growing pains to face. Robertson says that the company is not trying to reinvent the wheel, but standing 100% behind their values gives them a competitive advantage within the juice industry. HPF has learned that sometimes they must compromise; they cannot always lead the pack. For now, Happy Planet hopes to convince Canadian consumers that a healthy, tasty and sustainably-produced product can be squeezed into the same bottle - and it's worth it! ●

Notes

1. Queensland Government, "Drivers of Consumer Behaviour: Organic Foods – Who Buys, Who Doesn't and Why," Department of Primary Industries, www.dpi.gld.gov.au/bsu/11479.htm
2. Mark Rodriguez as quoted by Thane Peterson, "Climbing On the Organic Gravy Train," Business Week /Online, August 21, 2001
3. North Castle Partners www.northcastlepartners.com/about/about.php
4. Sierra Club British Columbia, "Stop the Chop – "Action Caps" urge Happy Planet juice consumers to Save the Great Bear Rainforest," Victoria BC, March 8 2001 www.bc.sierraclub.ca/News/Media_Releases/Happy_Planet.html



Happy Planet employees: the common language is food. Photo: HPF