

CIRCLING IN ON VALUE:

Succeeding through process improvement, constant communication, and an obsession with quality.



BACKGROUND

Established in 1924 as W.G. Thompson & Sons Ltd., a grain elevator and feed mill, Thompsons has never wavered from its mission to supply customers with edible beans, wheat, corn and other cereals that exhibit the characteristics necessary for producing high quality consumer products. Renamed Thompsons in 2004, the company has succeeded through developing the ability to simultaneously innovate in line with consumer demands at multiple points along the value chain.

In founding Hyland Seeds in 1975, Thompsons acquired the ability to more closely link operations along the entire value chain and emphasize to participants – from seed breeders and agronomists through to farmers and marketing staff – that they are all integral to the food industry.

Thompsons has been able to develop unique and sustainable competitive advantages through its ability to more effectively manage the determinants of quality. This is achieved by producing varieties that better meet the requirements of specific markets, implementing carefully defined processes along the entire value chain, and contracting farmers to produce Identity Preserved (IP) crops for specific customers in Canada and around the world.



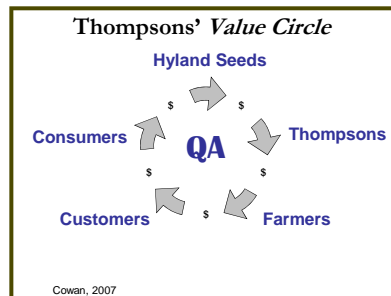
With grain handling facilities in Ontario and the United States, access to some of the richest farmland in the world, and attitudes and expectations borne through an acknowledgement that the customer and consumer, not the supplier or farmer, ultimately define the value of a product, Thompsons has built a reputation for producing top quality food type grains for more than 80 years and has grown into a major Canadian grain exporter and domestic supplier of seed, fertilizer, and other crop inputs.

DEVELOPING THE CHAIN

Thompsons' desire to connect normally disparate operations came from the advent of biotechnology (genetically modified) crops and the fears and misunderstandings that their development created among international customers. An identified need to react to customers' and consumers' perceptions of quality ahead of other considerations led to an initiative that has become the hallmark of Thompsons' operations. Known as the "Value Circle", the initiative focuses on enabling the open two-way flow of information between all parts of the value chain.



Japanese customers visiting IP Elite soybean producer



At the centre of the circle is the quality assurance function, a reminder of the importance that quality holds in the Thompsons business philosophy. Placed around the circle are Hyland Seeds, Thompsons, farmers, the customers and consumers. The circle provides a traceability function which, by identifying what happens to the crop along the entire route from breeding to delivery of the crop to customers and its use in producing a consumer food product, establishes accountability throughout the chain, as well as a basis for continual improvement.

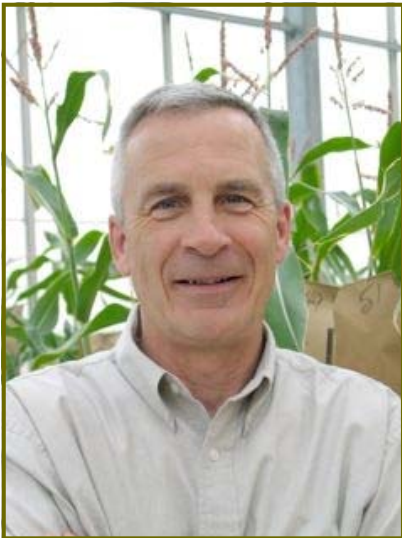


Producers and their families tasting international food products at the annual Thompsons IP Elite Conference

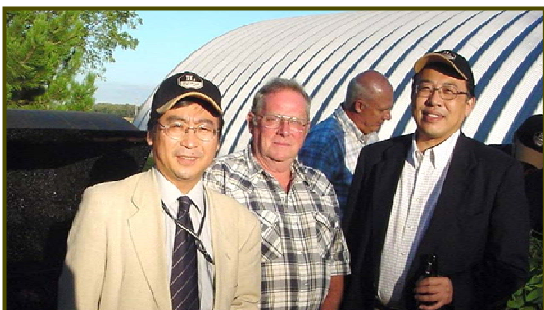
CASE STUDY: THOMPSONS - Page 2

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“We create value by bringing different partners together who have a common need and ultimately a common goal, that is, delivering a consistent product to the customer.... We allow (the different groups) to develop relationships with someone they might never be in touch or speak with.” – John Cowan, Manager, Hyland Seeds



John Cowan



Representatives from Taishi Food Co. (Japan) meeting Canadian producers belonging to IP Elite program

The value circle encourages everyone from seed breeders through to end product dispatchers to adhere to systems and processes required to produce products that consistently meet customer and consumer demands. By minimizing wasted effort along the entire value chain, the circle simultaneously reduces the costs of conducting business.

The same approach also helps Thompsons minimize its own and its partners' business risks. As stated by John Cameron, Thompsons' Director of Quality Assurance, ***“Quality sells your product; food safety means you will be around for the long term”***. Thompsons has morphed into being a supplier of differentiated commodities, a facilitator of information between chain partners and a guardian of quality from customers' and consumers' perspectives.

The circle also serves five other important functions:

- 1] It is a reminder that there is no beginning and no end to the process of creating and capturing value, and that all stages of the circle are equally important to its overall success.
- 2] The circle points to a reiterative process, one step leading to another, all the time looking to continuously improve.
- 3] It acts as an educational exercise, focusing members' attention on the need to understand challenges facing the other stakeholders.
- 4] The circle approach provides Thompsons with the ability to constantly monitor quality to ensure products meet customer requirements and, should an issue arise, address it effectively at any stage along the chain.
- 5] Proactive open communication allows participants to make informed decisions as to whether they are suited to work on the 'Thompsons' team, resulting in more stable relationships.

“Dealing with the end user makes you a better manager. Just because you’re producing a product doesn’t necessarily mean that you have a market for it. You’ve got to make sure you’ve got a market. If you have a market, you can produce it. If you produce it and don’t have a market, you’re stuck with it.” – Ted Jarecsni, IP Soybean Producer

Thompsons believes that the circle is a great way to encourage all members to work together and share insights into the challenges they each face in meeting consumer expectations, and to overcome those challenges for long term mutual benefit. That might include informing customers who may never have previously realized the effect biological factors can have on the overall delivery of consumer products, or leading farmers to realize the importance of IP systems.

To develop the personal relationships necessary to facilitate open communication throughout the entire circle, Thompsons annually hosts a conference that brings together as many stakeholders as possible under one roof. The open exchange of information leads to everyone around the value circle being more informed about the reasons certain processes exist. Once producers understand the reasons behind a requirement and, even better, that they have met and discussed those needs with the actual customer, experience has shown that their commitment to following processes required to supply products to any of Thompsons’ worldwide markets increases dramatically.

Internally, Thompsons’ business philosophy pays off handsomely. Operating within set guidelines, its personnel are encouraged to innovate and take on added responsibilities. This leads to added levels of interest, excitement and empowerment. An example of this is the extent to which breeders from Hyland Seeds want to be involved in discussions with end customers regarding their individual requirements, including, at times, working with food manufacturers’ marketing departments to develop innovative solutions for specific customer and consumer requirements.



European, Asian and North American food products manufactured using crops produced through the IP Elite program





Testing soybean characteristics for food manufacturing

“We changed from (being) a commodity business to a product business that has specific traits and characteristics. And to maintain those traits and characteristics, we need the traceability chain and accountability through that chain.” – John Cowan, Manager, Hyland Seeds



IP Elite Conference, Ontario

Simultaneous open communication with multiple stakeholders, who are all focused on meeting consumers' expectations, helps Thompsons maintain long term customer relationships by challenging everyone to continuously improve. It also provides Thompsons, farmers and their customers with unique opportunities.

“With a value circle ... you can seemingly look too complacent ... you’ve worked closely with somebody, you’ve shared information, you’re growing together ... and there’s a relationship.” Because the relationship goes beyond a transactional, price-based focus, “the buyer (may be) under greater scrutiny ... That’s something you always need to be conscious of, and make sure you’re not standing still, that you’re always moving forward and offering new ideas, new concepts, new ways of doing things, ways of saving them money and moving forward with them and growing with them.” (Andrew McVittie— European Sales, Thompsons)

The onus Thompsons places on the need for continuous communication throughout the chain and constant attention to customer requirements says as much about what Thompsons represents as what it does not. It is purposely not in the outright commodities game. Far larger companies exist, against which Thompsons has no desire to compete. It focuses on what it can do well, using innovative systems to create value by understanding customers' requirements for supplying high quality food grade ingredients that meet specific market needs.



BENEFITS

The processes followed by Thompsons provide a number of financial benefits, including a significant reduction in the chance of a costly surprise arising at any point along the route from field to fork. This translates into a decrease in business risk and greater likelihood of repeat business. With the cost of attracting new customers often being many times more than retaining a current customer, particularly when supplying Asian markets where relationships are key to securing business, this offers Thompsons clear benefits that it can pass on to farmers.

By consistently meeting customer and consumer demands, Thompsons' partners benefit financially from their efforts and enjoy greater market assurance.

Thompsons and its subsidiary, Hyland Seeds have expanded considerably. Thompsons has grown into a network of elevators, farm input suppliers and crop service providers, spread across Southern Ontario and the Northern United States. Hyland has grown into the largest private multi-crop breeding program in Canada, with research programs extending across Canada, the Northern United States and Europe.

Farmers benefit from this expansion through the opportunity to produce crops that often net a premium. Simultaneously, they can access innovative management tools, which translate into the ability to reduce costs and increase revenue across their entire business operations, not just their dealings with Thompsons. In addition, the opportunity to meet and interact with end customers located across the globe has instilled a sense of pride in many farmers that, by itself, encourages them to become better stewards of the land and continuously improve their management capabilities.



Thompsons' personnel and producers sampling international food products at IP Elite Conference



A **THOMPSONS** Case Study interview is included in the Value Chain Management Centre's DVD 3 Disc Set, which features interviews with participants of eleven successful value chains.

CASE STUDY: THOMPSONS - Page 6
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