



Llwynhelyg Farm Shop

This case study highlights how a farm shop originally selling produce from the farm gate has evolved into a successful retail hub due to its commitment to expanding its product range, the strength of its local supply chains, and its focus on 'local sourcing' as a USP.

Background / Overview

Llwynhelyg Farm Shop is based in Ceredigion just off the A487 near Sarnau, the main coastal trunk road linking north and south Wales. The resort town of Aberaeron is 11 miles to the north, Cardigan 10 miles to the south, with other tourist destinations such as Llangranog and New Quay also within a similar distance. The nearest towns with food shopping centres and multiple retailers are Aberystwyth and Lampeter, 28 and 25 miles away respectively.

Llwynhelyg Farm Shop is a partnership run by Teifi and Jenny Davies. Originally a 32 hectare dairy farm when the couple took over in the 1980s, it was quickly determined that diversification would be essential for the business to survive and thrive, so in 1988 the farm shop was opened as an outlet for some of the vegetables grown on the land. By the late 1990s, and with milk prices plummeting, the decision was made to cease with milk production and channel all efforts into developing the farm shop. This choice proved hugely successful, with annual turnover increasing by as much as 25% - currently annual growth ranges from 5-10%.



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A key factor in this success has been the conscious decision to, where possible, source locally and to promote and support the local rural economy. Currently, the shop works with more than 130 suppliers, 80% of whom are from within a 40 mile radius.

Llwynhelyg Farm Shop offers a broad range of seasonal vegetables and fruit, including:

- Home-grown potatoes, 'dirty' carrots, and swedes
- In winter, local sprouts, 'greens', and lesser known vegetables such as celeriac, chard and spinach
- In summer, home-grown salad crops and herbs, with local tomatoes, runner beans, peas, and 'everything a Welsh vegetable garden can supply'
- Early Pembrokeshire new potatoes are available from beginning of May, followed a few weeks later by home-grown Ceredigion potatoes
- Strawberries and raspberries sourced from Pembrokeshire are available for most of the summer, along with gooseberries and blackcurrants
- Later in the season, plums and apples are sourced from Herefordshire
- For convenience, the shop also sells a full range of 'hot climate' produce, such as bananas and citrus fruits, and sweet potatoes and avocado, sourced from wholesalers.

A small proportion of the produce sold at Llwynhelyg Farm Shop is grown on the actual farm, mainly potatoes, salad leaves, courgettes, and a selection of culinary herbs such as parsley and chives. Potatoes are the main crop grown, with between 30 and 40 tonnes sold per year, as it is the most suitable to the farm's growing conditions. The farmland isn't suitable for growing 'Early' varieties, however, so 10 tonnes are bought in annually from Pembrokeshire.

There are around 10 semi-retired growers or what could be described as 'lifestyle' growers in the local area that supply the farm shop with a range of seasonal vegetables. Supply arrangements are non-contractual and informal. Suppliers phone up when they have vegetables available and they are paid cash on delivery. For this category of supplier it is stipulated that the growers must deliver their produce themselves, while the price paid by Llwynhelyg Farm Shop is the prevailing wholesale price.

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There are six other more established local grower-businesses that supply the farm shop on a regular basis too, two of which are specialist organic producers. The policy at Llwynhelyg Farm Shop is to buy produce because it is local, fresh, and available at the right price – the business doesn't promote organic as a premium or USP, as this could disadvantage sales of other local produce. However, where certified it is labelled organic at the Point of Sale.

Llwynhelyg Farm Shop is also supplied by two main wholesalers and they use the wholesale price to gauge the price that it pays other local suppliers. Where possible, the business tries to source as much Welsh-grown produce as possible when dealing with these wholesalers.

In addition to the fresh fruit and vegetables, the farm shop also stocks a range of processed food and ambient goods. A particular growth area over recent years has been the farm shop's development of a range of products cooked on site. Initially these products were cakes and desserts, but the cooking enterprise has since expanded considerably to incorporate up to 40 different savoury lines including pies, quiches, soups, and ready meals like lasagne. There are many local suppliers of jams and chutneys, but over the years, five main suppliers have been selected by the business based on the criteria of taste, attractiveness of product, and price.

Although Llwynhelyg Farm Shop does not claim to be a garden centre or nursery, it also sells a range of ornamental plants, flowers, and trees. Plant sales account for just 2-5% of the business's annual turnover, and are stocked purely to attract impulse buyers. In spring, the farm shop sells a range of bedding plants and perennials, before stocking shrubs and flowers during the summer, and locally-grown daffodil bulbs and winter pansies during autumn. Plants are bought on an 'as and when required' basis, with orders usually being placed when suppliers call into the shop.

Christmas trees are also sold, and compared to general plant sales, are a much more lucrative line for the Llwynhelyg Farm Shop. Over the festive season, they contribute around 10% of the shop's turnover, while December is the shop's busiest month by far. The trees are pre-ordered, where possible freshly cut from local suppliers to ensure they will last well, and delivered to the farm in one or two large batches. There is a significant amount of work involved with selling Christmas trees, as they have to be graded into type, size, and priced up. While the farm shop was advised to mark up the price by 100%, it has chosen a 60% mark up to try and ensure the stock will sell.

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Lessons To Be Learned

Product Choice

Although the business started off selling home-grown vegetables, it has continued to diversify its range as it has expanded. Llwynhelyg Farm Shop now stocks more than 1,300 products, over 650 of these sourced from 120 small scale producers, 85% of which are Welsh.

To achieve this broad product range, it has been necessary to buy from wholesalers as well as direct from local suppliers. In some cases, the origin of these wholesale goods is beyond the company's ideal 40 mile radius. The strategy of buying in from wholesalers to achieve a wide product range therefore needs to be balanced with Llwynhelyg Farm Shop's core 'local food' brand. Of course, the diversity of product range sold at Llwynhelyg Farm Shop may not be suitable for other businesses, whose marketing strategy may be more focused on strictly horticultural product lines.

Competitive mark-ups and profit margins are key features of the business. In many cases, the mark-up is below the comparable rate amongst other local businesses. For example, jams and chutneys sold at the shop usually have a mark-up of 30-40% compared to the recommended mark up of 60% for the key out-of-area suppliers. There are some exceptions to this approach, however, particularly in the retailing of plants, which are used to attract impulse buyers.

Supply Chain Issues

The business's location offers both advantages and disadvantages. As it is situated on a main trunk road, access for suppliers and customers is good, however the visibility is poor which makes access from the shop to the trunk road difficult. And while there is no significant retail competition in the surrounding locality, on the other hand it is a rural area with a sparse population (one that is boosted, however, by visitors during the holiday season). Furthermore the distance of wholesale markets and other supply routes has been turned into an advantage by promoting local produce as a key feature of the business.

Planning permission for development and expansion has proved problematic. As the business has grown, physical expansion has been restricted to the existing farm site because no greenfield developments are permitted in the Ceredigion Local Development Plan.

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Costs And Value-Added Within The Supply Chain

Llwynhelyg Farm Shop has developed a brand based on a focused marketing strategy, namely retailing local produce, at a time when 'local food' has become part of the prevailing Zeitgeist. In general, 60% of products are sourced from within 40 miles of the business; a further 25% from within wider Wales; and just 15% from the rest of the UK.

The business has been able to enact this strategy by building a locally-based supply chain, working closely with local growers, and competing successfully for awards and competitions that are focused on 'local' business, such as the now defunct 'Wales the True Taste' Awards. Llwynhelyg Farm Shop won numerous 'Wales the True Taste' Awards, while it has also been recognised as the 'Best Farm Shop in Wales' or 'Best Local Food Retailer' by organisations including the National Farmers Union, the Countryside Alliance, and S4C.

While local supply chains are strong, Llwynhelyg Farm Shop continues to rely on wholesalers to provide its full range of produce – if the business continues with its expansion, this balance between local and wholesale suppliers will need to be carefully managed. It should also be noted that while 'locally sourced' is a popular and increasingly successful marketing brand, what constitutes 'local' is not strictly defined and is open to interpretation (and manipulation).



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Supply Chain Improvement In Wales

Llwynhelyg Farm Shop is an example of how a farm-gate vegetable selling enterprise has evolved into a locally-supplied retail hub. Although it is primarily a retail outlet, the business has developed a strong network of local producer-suppliers and represents an example of a locally-based horticulture supply chain. Although the business has distinctive characteristics and has developed in a way that suits its distinct location, it is a model that, with appropriate modifications, could be replicated and established elsewhere in Wales.

One of the main benefits a short food supply chain as utilised by Llwynhelyg Farm Shop is the freshness of the produce on offer to consumers. In the case of a local food hub, a further benefit is the flexibility amongst suppliers, who can quickly and efficiently meet fluctuations in local demand. However, where food supply chains involve numerous small-scale growers, it is important that strict Quality Assurance procedures and standards are in place to try and ensure consistency and quality.

In Wales, there are challenges with developing more efficient supply chains. In rural areas transport is a major issue, while the establishment of any form of publically-funded or supported food distribution hubs and other means of facilitating supply chain development should not be to the detriment of existing businesses.



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