

Riverford Organic Farms Ltd

This case study focuses on a vegetable box scheme that has managed to achieve a broad geographical spread after adopting a franchise model and a series of distribution hubs.

Background / Overview

Riverford Organic Farms Ltd operates an organic vegetable box scheme that covers the majority of England and parts of South Wales along the M4 corridor. Established in 1986 and now trading as Riverford Organic, the company is headquartered out of Wash Farm in Devon and incorporates three other 'sister' farms – Sacrewell Farm in Cambridgeshire; Upper Norton Farm in Hampshire; and Home Farm in Yorkshire. Each of the four farms, which range from a five acre smallholding through to 500 acres, is semi-autonomous and deals with local growers and suppliers in their own particular area.

The box scheme operates as a franchise system, whereby individuals buy a franchise for a particular territory and establish their own home delivery business. The franchises are full-time jobs and last for a period of five years, with the option to renew, but they can also be sold at any time. It is a requirement of the scheme that all franchisees live in their franchised territory.

The cost of setting up a franchise in a new territory is approximately £18,500 (including a £6,000 training fee), while the cost for taking on an existing franchise is dependent on the size and current valuation of the territory. At the time of writing, there were 75 franchisees covering practically all of England, plus parts of South East Wales.

The overwhelming majority (95%) of Riverford Organic's veg box trade is through this network of local 'vegmen' and 'vegwomen', with the remaining 5% sold to other box schemes or retail outlets. Annual turnover of the box scheme – the figure representing the price of boxes sold to franchisees – totals approximately £32 million, while the retail price paid by the end customers will include an additional franchisee profit margin.

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Some imports are necessary to keep the boxes interesting all year round and to cover the “hungry gap” around May when UK home-grown fields can offer little variety. It should be noted that Riverford Organic prefers to import tomatoes from Europe at certain times of the year rather than grow tomatoes under heated glass in the UK, which would be more resource intensive. In 2007, 78% by weight of the fruit and vegetables sold in Riverford Organic boxes was grown in the UK. To help provide continuity throughout the year, the company also operates a farm in the Vendee region of France, which has a longer growing season than Devon, enabling the supply of peppers and cucumbers to be extended beyond the UK season.

Customer orders are placed by phone or e-mail and are required two days before delivery. Distribution costs are kept as low as possible thanks to the franchise network and by having sister farms located around the UK. Daily orders are processed centrally at the nearest regional farm and the produce is picked, packed, and dispatched overnight to refrigerated collection and distribution hubs in the locality. There are 30 refrigerated hubs located throughout England and the produce is delivered to these hubs usually in the evening or at night. The franchisees collect orders the following morning and to deliver to their customers. There is no charge to customers for delivery, with boxes delivered on set days to maximise efficiency and reduce food miles. For imported produce, Riverford Organic policy is not to use air freight, preferring to transport by sea and by road.



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To maintain quality, produce supplied through the Riverford Organic box scheme must meet three specific standards:

- All produce must be a minimum of Class II under EU fruit and vegetable grading standards i.e. “reasonable quality produce which may show one or more defects”
- All produce supplied as organic must originate from growers or importers that are registered with an approved organic certification body, such as the Soil Association
- Each supplier has a specific product specification included as part of their contract covering flavour, appearance, varieties, post picking management etc.

Riverford Organic aims to use as little packaging as possible without compromising the quality of the product. Recycling of boxes is encouraged and the cartons are made from 95% recyclable materials. The aim is for 10 deliveries per box, however in reality the boxes are used on average four times. Bags are only used where necessary to protect the product or to retain moisture, while all punnets and paper bags are compostable and can be returned for recycling. The company even commissioned work by Exeter University to look at options for its packaging. The recommendations concluded that, from the perspective of energy and greenhouse gas emissions, it is better to use oil based polyethylene bags provided that they are recycled.

Riverford Organic’s main form of promotional activity is at food fairs, festivals, and trade shows, although the company does distribute a weekly e-newsletter to its contacts database.



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Lessons To Be Learned

Product Choice

Riverford Organic offers a vast range of products in addition to fruit and vegetable boxes, including dairy, milk, eggs, bread, deli, drinks, wine, plants, and gifts. For the box scheme, product choice comes down to three simple criteria: quality and the requirement for produce to be certified organic; that produce should be seasonal; and where possible produce must be locally-grown.

To meet customer demand for popular tropical fruit, some supplies are sourced from abroad. These lines are included in boxes more when UK-grown fruit is out of season, and less when UK fruit is in-season. Imports of out of season vegetables are dovetailed from abroad to meet the lack of UK domestic supply as and when required.

Supply Chain Issues

To ensure that supplies are as locally-sourced as possible, 70% of the produce is grown direct by the company at its base in Devon or at the three sister farms in Cambridgeshire, Hampshire, Cheshire and Yorkshire.

For all box schemes ingredients are primarily staples, such as carrots and potatoes. The aim is to meet the tastes and preferences of the greatest number of consumers, so unusual lines which may be unfamiliar are less likely to be included. Even with staples, however, the UK growing season for organically-certified fruit and vegetables can be limited and there are supply shortages especially in the hungry-gap period of late spring to early summer. To help overcome this challenge, the company has purchased a vegetable farm in France in order to provide continuity throughout the year.

Costs And Value-Added Within The Supply Chain

Riverford Organic operates a franchise system to help keep distribution costs to a minimum. Each of the four company farms is semi-autonomous and has its own network of franchisees, which has proven to be more efficient than organising the scheme as a more centralised network.

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Supply Chain Improvement In Wales

Many of the local group of farmers who produce fruit and vegetables for Riverford Organic boxes have been doing so for 10 plus years. It has been suggested that had it not been for Riverford Organic many would have remained grass or livestock farms – the box scheme and franchise model has proven to be a successful template for how farm diversification into vegetable production can be sustained in areas of the West Country that in many ways are comparable to Wales.

Under the franchise system, individuals set up their own home delivery business. Current coverage in Wales is limited to the South East M4 corridor and also in the North East. Beyond these areas, opportunities may exist for a similar box scheme franchise model to be adopted.

Any extension of the Riverford Organic box scheme further into Wales, or the establishment of similar models, could compete with indigenous box schemes. These tend to concentrate on the Cardiff area, where signs of competition for customers have been evident for some time. Low population densities in much of Wales mean that box schemes are more expensive to operate, with the most successful box schemes tending to be operated by companies who also utilise other complementary outlets such as farm shops, retailers, and farmers' markets.



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