Business case ID Card

Name of the company: Kilbeggan Organic Food

Country: Ireland

Size of the business: 5 employees (including 4 from the family)

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Background

In the heart of the Irish midlands, six generation of Lalors have worked at the Kilbeggan farm, going all the way back to 1844. Beef and cereals were the main products when the farm started and remain so to this day, focusing mostly on oats.

In 1999, Pat Lalor decided to convert the family business to organic farming, getting rid of all pesticides, herbicides, and artificial fertilisers used for oat production. A decade later, as cereals became progressively more profitable, the Lalors started focusing most of their activities on oats. Keeping in mind that diversification is at the heart of every sustainable business, they launched in 2011 their own line of food products, starting with artisanal porridge, and later on handmade oat cookies and porridge bread mix. This marked the launch of Kilbeggan Organic Food.

The farm has always been profitable, thanks to the continuing commitment and creative ideas of the family that enabled the business to adapt to the market and create a powerful brand.

Main activities

Kilbeggan Organic Food is a family farm focusing on the production and commercialisation of beef and organic cereals, and especially oat-based products. Of the 121 hectares owned by the family, half is grassland - used to feed 200 beef cattle - and the other half is tillage, supplying organic oats. In addition, the company is selling artisanal food products such as porridge, cookies and porridge bread mix. For the milling of the oats and the baking of the cookies, Kilbeggan Organic Foods relies on the expertise of local contractors, following the original family recipes. To safeguard the quality of their products, they use only oats that have been grown on their farm. As a true family business, most of the company's activities are handled by the Lalors themselves. While father and son manage the farm on a daily basis, mother takes inspiration from her own recipes to design new products for the company. Their daughter studies international marketing, providing insightful advice on how the family can increase their sales. On top of this, they employ one person to help with the distribution.

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Market

Although beef and organic cereals are still providing revenues to the farm, porridge and oat biscuits represent a real added value in terms of sales. The products are sold in small local stores across Ireland, such as greengrocers or artisan food shops. The Lalors want their company to remain a family-size business, focused on handmade and local products, so they purposely do not sell their porridge or cookies to supermarket chains, to avoid mass production and maintain the quality of their products. This strategy appears to work quite well: customers praise the unique flavour of their porridge and cookies, and they sell their products all over Ireland, and even on the other side of the Atlantic, in New York, and as far afield as Russia.

The participation of Kilbeggan Organic Foods in numerous local fairs and exhibitions helped them build a solid brand over the years, and their porridge has been nominated for several awards, including the Euro-Toques and Great Taste awards. Their products are also advertised online but, because quantities remain limited by the amount of oats that can be grown on the farm, the objective is to maintain loyal customers amongst small retailers, rather than developing into a mass business. This focus on local organic products enables Kilbeggan Organic Foods to stand out from the competition, as there are still very few organic producers in the country, and bigger agro-food businesses usually buy oats from abroad.

Challenges and solutions

Producing local and organic food brings its own set of challenges. On the farming side, you have to adapt to natural conditions, with more risks of losing your harvest than in conventional farming. And to cook organic products, of course, all your ingredients have to be organic as well. For Kilbeggan Organic Foods, the farm is already supplying the organic oats, but some other organic ingredients are not always easy to find. Recently, they thought about producing oat milk for instance, but this product would need to be 'barista friendly' to be successful on the market, and they are yet to find a proper solution to get the milk to foam without adding chemicals.

Another challenge relates to food regulations. Initially, they were marketing their porridge as 'Kilbeggan Organic Porridge – The Creamy Porridge'. But since there was no cream in the porridge, they were told by the Food Safety Authority that they could not call it 'creamy'. Moreover, they learnt that the designation 'porridge' could not be applied since their product was not cooked, and was therefore considered as a mix for porridge preparation. To follow the rules, they had to rename their product 'Organic porridge oats', and they now they apply the rules very strictly in order to avoid further issues.

As is the case for all businesses, accounting is a critical aspect to make sure that the company is making money, and allocating profits properly. To this end, Kilbeggan Organic Food decided to employ a person two half days a week to keep the accounts. It is an extra, but necessary, cost. With Brexit, some new challenges

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might be laying ahead for the company, as 25% of their oat cookies are currently sold in Northern Ireland.

Funding

The Lalor family has been farming at Kilbeggan since at least the 19th century, so the initial investment came from their own funds. When they launched the brand Kilbeggan Organic Foods and started producing porridge and cookies in 2011, they didn't need to borrow any money to buy equipment since they decided to delegate the oat milling and cookies baking to local contractors. They simply used some of their own funds to finance the packaging, with some paper bags and labels printed in a local shop. In the future, they are planning to keep the same model and use only their own profits to support their marketing efforts.

What makes this case innovative?

Kilbeggan Organic Foods is not just a farm, or a food business: it is both. Thanks to a smart combination of activities, the company managed to create additional revenues from the organic oats produced on the farm, which ended up being much easier to sell in the form of final products, such as cookies or porridge. What makes the family business unique, is not only their creativity, which enabled the company to diversify its activities with little resources, but also their early commitment to organic farming, as they are still today one of the only organic oats producers in Ireland. Although demand for organic products significantly increased in the last years, the company made the choice to avoid mass production in order to safeguard the quality of its products, and is still only using the oats produced on the family farm.

Lessons learnt

Kilbeggan Organic Foods started on a kitchen table. The Lalor family has always been observing the competition very closely, and after switching to organic to increase income, they realised that they could earn even more if they were selling consumer products. Getting contractors to transform the oats into cookies and porridge was a good model to start with: that way, they didn't have to invest in new equipment, or learn a new skill, and they were not putting too much money at risk. As an artisan business, listening to customer feedback also played a crucial role in their success. For small companies, it is very important to keep up to date with the new trends and adapt to the market to remain competitive.

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