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## DARÉGAL : A GLOBAL EMPIRE OF CULINARY AROMATIC HERBS

by

**Luc Darbonne**

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### Overview

In 1974, Luc Darbonne joined the company owned by his family which was specialised in the production of asparagus plants and the dehydration of aromatic and medicinal plants. In 1976, he decided to launch a new activity of frozen aromatic herbs and perfected a process (whose patent he subsequently registered) which made it possible to conserve the organoleptic qualities of aromatic herbs. His first client happened to be a neighbour who had just bought the Picard frozen food and opened his first shop where he started selling Darbonne's products. Following Picard's example, other food industry manufacturers in turn became Darbonne's clients. Today, Darégál has a 70 % global market share, and 72 % of its sales take place outside France. As far as Luc Darbonne is concerned, it is essential to constantly innovate if one wants to remain market leader, and his company spends 3 % of its turnover on R&D. Luc Darbonne is the fourth generation of his family to run the business and he is anxious that the next generation ensures the longevity of the company. This would call for an appropriate family-run governance. He is the president of Family Business Network (France) which tries to promote family-owned businesses which have a regional base and an economic solidity built on the long term.

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## TALK : Luc Darbonne

Darégal was founded 125 years ago. Today, the group employs 500 people throughout its sites in France, Spain, England and the United States. Its turnover for aromatic herbs is 118 million Euros, 50 % of which is generated by the American market.

The company has four factories : they are situated near Paris, in Brittany, Spain and California. Each has ten processing lines and seven packaging lines. The plants are grown on 80 farms, none of which is more than 100 kilometres from a factory, and they cover a farmed area totalling 1,500 hectares. Our production capacity is 100,000 tonnes per year which is considerable for aromatic herbs.

We operate in three main markets : industry (70 %), with clients such as Unilever, Nestlé, McCormick, Bongrain and Bel ; catering (18 %), with McDonald's, Subway and Sodebo ; and, finally, large-scale retailing (12 %), with Picard, Kraft and Carrefour. Our products are distributed in more than thirty countries. Exports represent 72 % of our sales.

### Five generations at Milly-la-Forêt

In 1887, my great-grand-father started cultivating asparagus plants having learnt the technique at Argenteuil, north of Paris. The company's first farm at Milly-la-Forêt was made into offices in 1954. Today it is still the headquarters of the holding company.

My grand-father continued the production of asparagus plants using selected plants and working closely with the National Institute of Agronomic Research (*Institut national de la recherche agronomique, INRA*) and subsequently with the Vilmorin seed company. Today, one of the branches of the group, the Darbonne company, is the European leader of the production of asparagus plants.

At Milly-la-Forêt there was a very old tradition of growing medicinal plants because a hospital which treated lepers was situated there : the patients grew these plants which were used to ease their pain. Leprosy has now disappeared, but the know-how remains, and the family company developed this activity. During the 1950s, my father decided to abandon the production of medicinal plants in favour of the cultivation of aromatic herbs.

When I joined the company in 1974, I had a degree in electromechanical engineering and I was not very interested in agriculture. I decided to industrialise the company and I started the activity of freezing aromatic herbs. During the first year, I sold only 300 kilos. My first client was Armand Decelle. I delivered my produce using a rented van. Armand had just opened his first Picard frozen food shop in Fontainebleau and his offices were in an attic just above the ice-making machines. My choice to freeze herbs coincided with the trend of take-away ready-made meals, sandwiches and sauces. I brought food industry manufacturers the solution they needed, and this is how I have managed over forty years to increase the turnover of aromatic herbs from 1 million Euros to 118 millions Euros.

When it was time for my father to pass on the company, my brother and I decided to split the company 50-50. My brother was in charge of the nursery gardening business, and I took over the aromatic herbs activity. Dividing up the company between the two of us was more advantageous from a fiscal point of view but it was also the most rational means, inasmuch as these two sectors of activity have completely different operation methods. One is closely related to agriculture, while the other, the food industry ; one needs land and long-term investment, whereas the other needs medium-term investment. Lastly, the employees in each sector are not interchangeable. Since the two sectors did not have the same share value, I ended up by buying my brother's shares in the aromatic herbs activity, and the two companies are now completely independent.

In January 2013, my son took over the reins from me. He has a business school degree and intends to develop the company's marketing sector, whereas I concentrated on the products. He thinks that our products are good but that we could make more money with them, and he is certainly right.

### **Outsourcing our crops**

When I started working for the company, we had our own land but this was difficult to manage. In order not to exhaust the soil, one must rotate areas of land between seven and ten years for some plants, and during this time one must grow other plants in their place. Twelve years ago, I decided to abandon growing plants and delegated this part of the process to outside farmers. Each farmer reserves just 10 % of his land for growing aromatic herbs and has to rotate the crops every year in order to produce them in the best possible sanitary conditions. The area of aromatic herbs cultivated varies from 10 to 20 hectares. We give farmers plants and seeds, but we always remain owners of the production. The farmer looks after the planting, fertilizer inputs, weeding and irrigation. We handle the harvest and the processing.

We provide our farmers with the necessary farming equipment in particular seeders which are specially designed for aromatic plants. We harvest with machines which we designed because there are no tools on the market which are suitable for a large harvest of aromatic plants. The machines for harvesting spinach, for example, are not adapted for parsley because spinach is harvested just once whereas parsley needs harvesting five or six times every 21 days. Furthermore, we are very careful to make sure that the plants do not touch the earth in order to avoid any spoilage and microbial pollution.

The fresh produce is transported in trailers to our storage chillers. We rent the trucks but we own the skips which are designed to make unloading clean, without damaging the plants.

Our teams monitor the plants from start to finish. This means that we can guarantee complete traceability of the product from the planting stage to its processing and packaging. For instance, for every ready-made meal sold by Picard with our herbs, we can be very precise about the variety of herbs used, the inputs during plant growth, and on what date the herbs were harvested and processed. Very few manufacturers in the food industry are able to ensure such traceability. It is possible solely because we are the owners of the plants from the beginning to the end.

### **R&D**

There are very few laboratories in the world which carry out research into aromatic plants because this is a very small industrial sector which is not of interest to many people. This is why we invest a great deal of money into agronomic research, to help improve varieties and cultivation conditions or for disease resistance. We are lucky that we are located near the Évry Genopole science park : we have a number of research contracts there. Our aim is not to make GMOs (genetically modified organisms) but to accelerate mutations in order to improve the quality of plants.

We also carry out R&D on the processes of dehydration, freeze-drying, freezing, stabilisation and concentration. Unlike our rivals, who are generally specialised in one of these techniques, we practise them all, regardless of whether hot or cold temperatures are involved. This means that we can satisfy any manufacturer's demands and quickly find the solutions to their problems, often by working with them. For example, our R&D centres work with R&D centres used by cheese-makers in order to perfect specific preparations.

We can even cross our agronomic R&D with our clients' R&D in order to develop together the products which they want. For example, for a number of years Barilla has produced a particular kind of pesto sauce which is not heat-treated so that it can preserve its aroma and still remain green. This is possible thanks to the variety of basil which we perfected specifically for Barilla. This is an example of just how far we go to satisfy our clients' needs.

## **The products**

Today, we have a range of 25 aromatic products which are essentially leafy green products, but we also sell garlic and shallots.

We manufacture Individually Quick Frozen (IQF) products which can be sprinkled directly onto dishes. We also offer mixes of IQF products which have the advantage of grouping together herbs which were harvested at different times of the year. All these products can be reduced down into single, individual packages which can be used more easily in the catering sector.

We also sell dehydrated products which have been dried in a 'flash drying oven' which I developed myself in 1985 from a tobacco kiln made in England. This equipment can dry out aromatic herbs in 45 minutes and stabilises the colour.

We also offer products which have been stabilised with salt or sugar and which are used in some ready-made dishes, sauces, and marinades, notably with chicken.

Some of our 'Smart Taste' products are produced as paste and can be used directly in sandwich-style products. Others are incorporated in liquids containing pepper, salt and sometimes a few vegetables, and then sterilised to be used by the food industry. Many food industry companies use what is called 'factory tubes' which are completely sterile. Preparations based on herbs are delivered in one-tonne containers which can be hooked up to tubes which are directly linked to the production lines.

We also manufacture aromas. We work with Biolandes, a company in the Landes region of south-west France, which uses fresh or frozen plants. The results are better than when one uses dehydrated plants which is what our rivals use.

For the past three years, we have been manufacturing oils in which we have infused fresh plants. These oils are then used to flavour certain industrial dishes. Our latest innovation is frozen infusions which are made from fresh plants, for example, mint, and which really have the aromatic quality of the fresh product.

## **A joint venture in the United States**

In 1985, I decided to develop our frozen aromatic herb activity in the United States. I asked a student (carrying out his French national service in a company) who was working at the Crédit Agricole in Chicago to study the market. He found nothing ; the product did not exist. Other studies which he carried out showed that 90 % of French firms which had established themselves in the United States without working with an American company had failed. Therefore, I tried to work with two American companies which produced freeze-dried chives, but this proved unsuccessful. I hired the marketing director of one of them which was a subsidiary of McCormick, and we started the business in 1987.

Business grew and a few years later we had a market share of 70 %. Two other companies copied us but only managed to share the remaining 30 %. In 1991, the McCormick subsidiary suggested a 50-50 joint venture. We agreed and this partnership still exists to this day. In this new set-up, the marketing director whom I had poached from McCormick could not stay in the company. Before leaving, he gave me a piece of advice which undoubtedly contributed to the success of this joint venture. He suggested that the company statutes should state that the president of McCormick and the president of Darégal should both be on the boards of directors and in no case should they be replaced by a financial director or anybody else.

We followed this advice, and the next five presidents of McCormick came every year to see us and discussed the purchase of a fork-lift truck or other equipment like this, whereas ordinarily they spend their time trying to convince financial analysts that McCormick is a good investment. They like coming to France and I have made friends with them which means that we can trust each other. As, in addition, the company is doing well, there are no

problems. For a company quoted on the stock exchange and whose turnover is close to 5 billion Euros, it was not a very easy decision for them to join forces with a small, family-owned French company, but I later learnt that our joint venture was one of the most successful ever made by McCormick.

### **Our locations in Brittany and Spain**

A few years ago, we bought the frozen branch of Gyma, a company created by Ducros which used to be our rival and was having financial problems. Having taken over the factory located in Saint-Divy in Brittany, we started looking for the ideal region to grow Mediterranean plants and in particular where we could grow basil organically.

We asked a geo-politician to help us identify possible sites. He helped us eliminate areas considered too risky for a twenty-year investment such as Egypt, Morocco and Algeria. We hesitated between Turkey and Spain but finally chose Spain because of cheaper transport costs. Four years ago, we built a factory in Santaella in southern Spain. It is in a desert area but paradoxically it is less likely that our water supply will be cut off there than if we had a factory on the outskirts of Paris ! The local authorities assure us that we have enough water for three-year periods which is enough for us to manage our irrigation systems.

### **Relocation in Europe**

Over the past few years, the Chinese have cornered the global market for garlic. Chinese companies are able to produce frozen garlic at 1 Euro/kilo, whereas unpeeled French garlic in 50-kilo bags costs 1.80 Euros/kilo, and it takes two kilos of fresh garlic to make one kilo of frozen garlic.

Chinese garlic in any case is getting more and more expensive because of high export taxes and increases in labour costs. Farmers in China are now paid three Euros per day compared to one Euro ten years ago. Furthermore, China is faced with constant problems associated with food safety. We monitor our production in China but one can never be sure that there are zero health risks.

For these reasons, we are trying to generate a European garlic industry and we hope to benefit from the fact that our Spanish factory is right in the middle of the Andalusian garlic production area. Spanish farming methods are quite rustic, so we have recruited people from California who were experts in industrial garlic production at the time when China had not yet overtaken California in this field. We have also been working on plant selection to increase yields and produce varieties which are virus-resistant. Finally, we have imported specific agricultural machines perfected by the Chinese. By combining these different factors, we hope that we can produce garlic with very little labour and thereby become competitive, compared to our Chinese rivals.

### **And now...**

I handed over the management of Darégal to my son but I am still in charge of the holding company. My wife loves gastronomy and has written twenty-seven cookbooks, and we intend to travel around the world looking for new aromatic plants which are not well known in France and Europe. We shall also study various methods of using aromatic plants. We have a busy time ahead of us, but I do not intend to go into retirement quite yet.

### **Family Business Network**

I spend a large part of my time as president of the Family Business Network (FBN). This is an association which was created twenty-two years ago by an American who had studied family-run businesses at the International Institute for Management Development (IMD) in Lausanne and wanted people who had followed this training programme to keep in touch. The FBN still has its headquarters at the IMD in Lausanne and now has 7,000 members

representing family companies of all sizes throughout the world. Families such as the Wendels, Peugeots or even the Tata family are members. There is a world congress every year which welcomes between 800 and 1,000 people. I am the president of the French association and treasurer of the international association, which gives me an opportunity to discover very different cultures.

Three years ago, the Chinese government's representative for private Chinese companies came to see me. He wanted to find out how French people transmitted their family-owned businesses. I thought that this question was a little paradoxical since in France the transfer rate for family-owned business and private assets is only 10 %, compared to 50 % in Germany and 70 % in Italy. In China, the situation is dramatic : the family planning policy of one child per family has produced a generation of young people who have been too spoiled, have a bad image, and are unable to take over family-owned businesses from their parents.

I discovered a similar, problematic situation in the United Arab Emirates when I was there to help launch the UAE's national FBN association and where I had to stand in for the FBN president. The Prince of Dubai explained to me that in his country successions generally result in legal battles. The head of a company illustrated this difficulty by drawing on his own experience. He has four wives some of whom are Shiites and others Sunnis, and twenty-four children, both girls and boys, who all have different religions. He asked me what we could do to resolve the problem. I found it hard to know what to say. There is a great deal to do throughout the world to promote and develop family-owned businesses.

## DISCUSSION

### Patents

**Question :** *Have you registered other patents apart from the one you mentioned ?*

**Luc Darbonne :** The best patent is being able to keep one's machines for oneself ! A patent is only useful in order to protect oneself from the risk of one's innovation being copied once the machines come off the production line. We registered our patent when we established our company in the United States. We do not have any other patents.

### The American joint venture

**Q. :** *How did you grow from owning a single subsidiary in the United States to having a full-blown joint venture with McCormick ?*

**L. D. :** I started by creating a company called Daregal Inc. which marketed products imported from France. To launch the joint venture, we created a new company which incorporated all the valuable assets from Superfarm, the McCormick subsidiary, and we brought in the capital and know-how from our side. Daregal Inc. has become the holding company of all our American businesses.

### Fresh, dry and frozen products

**Q. :** *In the market for aromatic herbs, what is the balance between dry products and frozen products ?*

**L. D. :** As far as frozen products are concerned, competition does not come from dry products but fresh products. In the French consumer market, dry products represent 70 %, and fresh and frozen, 15 % each. Dry products are practical because they can be stored in the cupboard, however, they do not have a great deal of taste. Fresh products have become much more accessible price-wise than before, but their quality can vary greatly depending on the season. Produce which is frozen always has a great deal of taste because it is grown outdoors, not in greenhouses, and is harvested when ripe. Furthermore, at the end of a day in the kitchen, fresh parsley loses 50 % of its aroma : this only happens to frozen parsley after four years (if it has been kept at a constant temperature of  $-18^{\circ}\text{C}$ ) and after five years, if it has been kept at  $-22^{\circ}\text{C}$ . Frozen produce therefore offers greater quality.

Competition is greater in the United States where fresh produce has a well-established market share and frozen products have an image which is even worse than that of canned food ! France is the only country in the world where frozen products have a good reputation, thanks partly to the quality of products sold by the frozen food distributor Picard.

Additionally, in many developing world countries, the cold chain is not really reliable, in particular in large-scale retailing. In Brazil, for example, the average consumption of frozen products is approximately 120 grams per person per year compared to 80 kilograms in France. In Brazil, we sell frozen aromatic herbs mainly to food manufacturers who need quality products for their ready-made meals. In China, we sell predominantly dehydrated or stabilised products which do not need the cold chain. They are much more expensive than those of our competitors but they satisfy our clients' need in terms of food safety. They are very popular for making instant meals in a cup which has a very large market in China.

### Chemical substitutes

**Q. :** *Do you not fear competition from substitutes – ersatz products – like in the perfume sector where flowers have been replaced by chemical products ?*

**L. D. :** Competition from chemical substitutes has always existed. Currently, there is a tendency for natural products. The more people are 'down in the dumps', the more they need a ray of sunshine on their plates. But it is not substitutes which can bring them that, but rather

a marjoram or basil leaf, or a sprinkling of chives. Manufacturers also appreciate natural products if we are able to supply regular quality throughout the year. It is when we cannot give them a stable taste quality that they turn to chemical alternatives.

With our infused oils, we are directly in competition with substitutes, but we emphasise the composition of our products on our packaging. They only contain natural products and there are no chemical agents.

### **Logistics**

**Q. :** *How do you cope with the unpredictability of agricultural production ?*

**L. D. :** We do not sell fresh products but only processed products. We are not worried about the unpredictability of agriculture because we have enough stock. The same products are grown in several farms in order to avoid any disruption of supply.

### **Transmission**

**Q. :** *How have you organised handing on your business ? Have you other children who might be interested by the company ? Has the FBN helped you ?*

**L. D. :** I have three children : a daughter who is 37, and two sons who are 36 and 35. I prepared the transmission long before becoming a member of the FBN.

A few years ago, the INSEAD (Institut européen d'administration des affaires) Business School organised week-long training sessions aimed at helping members of the same family decide what to do with regard to the company. My children, my son-in-law, the secretary general of Darégal and I took part in one of these sessions. The other people taking part had a variety of nationalities ranging from French, Belgian, Israeli to Spanish.

This training was very helpful. My daughter has been living in the United States for 18 years. One day she wants to work for the company but only once her children have all grown up because she knows that working in a family-owned company takes 150 % of one's time. In the meantime, she is working for another company. However, she is present at all the board meetings so that she knows the company well.

My elder son has always been caught in the middle, between his sister and his brother, and does not want to find the same situation in his professional life. Therefore, he works for another company, but he is a sleeping partner which means that maybe one day one of his children might want to come and work for the company.

My younger son always said that he wanted to follow in my footsteps. I sent him to the United States to get some training and told him to set up a subsidiary there to sell our frozen products in the large-scale retail sector. When he returned to France, it was clear from the start that there were differences between us : having worked on his own for four-and-a-half years, it was very difficult for him to report back to his father who was both president of the Group and president of the company.

We created a 'transition board' with members of the board and external experts. The aim was to take a step back, and try to be objective with regards to a potentially irrational father-son relationship. I had experienced a very difficult transition period with my father who did not want to let go, and I did not want this to repeat itself. The transition board helped us appease our relationship and a year later, we now get on extremely well again. Today, I am still the president of the holding company and also of the American joint venture with McCormick. My son is the president of Darégal as well as the subsidiary which he set up in the United States, and a small company which produces chicory. He reports back to the holding company at monthly meetings like all the other general managers, and everything is going very well.



## Establishing sites in new countries

**Q. :** *What do you think of the methods made available to SMEs (small and medium-sized enterprises) by French local authorities to help them export ?*

**L. D. :** I have never really made use of these methods. The most important thing when one sets up a site in a new country is to be able to rely on an honest and serious person on the ground who will let you use his networks and will help you understand this new world where you are going to work. As well as the services put in place by the state, for example expansion bureaux, there are local people who offer their services but who are generally not honest or serious. It is better if one can find one's own contacts.

**Q. :** *How do you find them ?*

**L. D. :** In the United States, I asked the McCormick tarragon buyer whom I met every year and with whom I got on very well. He was clearly a good man and we had the same way of thinking. I asked him if he could help me recruit some employees and find a lawyer, and it was not a problem. He was the person who supervised the opening of the factory.

In Argentina, I was helped by Chileans who bought our asparagus plants and had a subsidiary in Argentina.

In China, I knew a family-owned Taiwanese company from whom I bought garlic and freeze-dried mushrooms before selling them to the United States. This company is now established in China and all the people who monitor our products in China are part of this company.

**Q. :** *But you also enlisted the services of a person doing his French national service abroad in a company, when you were in China.*

**L. D. :** You are right. The young man in question had studied at Harvard and he helped us a great deal. However, his work for us was not financially profitable, but sometimes one needs a spark to set the wheels in motion.

Presentation of the speaker :

Luc Darbonne : is a graduate in electromechanical engineering from the EEMI (Paris). He is the fourth generation to work in the family-owned company, Darégal, where he started in 1974. In 1976, he started the process of freezing aromatic plants. In 1980, he invented the Individually Quick Frozen technique for aromatic herbs. In 1985, he installed a dehydration unit; in 1986, a deep-freezing unit for basil ; and in 1988, he launched the IQF technique for aromatic herbs in large-scale retailing. He is at the head of a group of companies : Darégal in Europe, and Daregal Inc. and Supherb Farms in North America which employ more than six hundred people. The Darégal Group is the world leader in its sector. Luc Darbonne is also the president of the Family Business Network (France), and an administrator for the *Société des agriculteurs de France* and the French national association for research and technology (*Association nationale de la recherche et de la technologie*).

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