

Processing and Marketing Milk Produced on our Small Dairy Farm

Final Report for FNC97-199

Project Type: Farmer/Rancher

Funds awarded in 1997: \$5,000.00

Projected End Date: 12/31/2001

Region: North Central

State: Michigan

Project Coordinator:

[George Shetler](#)

Project Information

Summary:

PROJECT BACKGROUND

Our 40 cow dairy farm is located in Northern Lower Michigan. We have been farming that same land for over 20 years. We've raised five children with no off farm income and love farming as a way of life.

Our philosophy is that healthy soil produces healthy food which makes for healthier animals and people. Sustainable practices have been used from the beginning. We do not use any manmade chemicals or herbicides. For fertilizer, we use composted manure. We also use alternative methods for animal health, which means no antibiotics or hormones (rBST) that might be passed on to our customers.

Our cows are out on pasture six to eight months of the year. During the winter they are kept in a comfort stall barn are let outside for exercise and fresh air, weather permitting. Almost all of the feed for our cows is produced on our farm except a small portion (approximately 15%) which is purchased from a local neighbor or feed store. Our farmland is certified organic through Organic Growers of Michigan. Our goal is to become totally organic in the next few years when we have more help on the farm and can grow our own grains.

PROJECT DESCRIPTION AND RESULTS

The goals of the project were:

- The need to gain control of the price received for our milk
- Adding value to what we already produce
- To provide jobs for family and community or mentoring/apprenticeship opportunities for others interested in dairy farming using Whole Farm Planning methods.
- To create a direct market from farmer to consumer.
- To meet changing consumer demands for natural, locally produced, high quality milk.

The process to achieve those goals was as follows:

1995

- Talked to inspectors/get regulations to find out how complicated setting up a

processing plant would be

February 1996

- Survey letters to see if there was a demand for our product

March 1996

- Goals list/attended HRM (Holistic Resource Management) meetings for direction and guidance
- Visited existing dairies to see if we could handle the processing and to look at equipment and building sizes
- Prices on equipment and purchasing equipment found good deals from retired processors

May 1997

- Applied for grants - MASA & SARE
 - o MASA (Michigan Agricultural Stewardship Association) feasibility study, workshop and HRM director to assist us
 - o SARE (Sustainable Agriculture Research and Education) start up costs

June 1997

- Attended International Home Delivery Workshop to research processing and marketing

April 1998

- FSA loan (\$80,000) needed funds to start building

June 1998

- Started building (24ft x 40ft hip roof) time to take action
- Met with HRM director Ed Martsolf, helped us finalize our goals

April 1999

- FSA loan (\$30,000) was costing more than we had hoped

December 1999

- FSA loan (\$10,000) was still costing more than we had hoped
- Still building/hooks up equipment, more work than we had anticipated
- To do list: finish up all projects and have a projected start up time

January 2000

- Contacted stores (calls, newsletters, and visits), create a relationship with store owners

Thru June 2000

- Worked on to do list, lots of small jobs and loose ends
- Finally started production, bottled 90 gallons and gave it away for samples

December 2000

- Bottling 350-400 gallons per week
 - o Marketing to 18 stores
 - o Keeping up with current expenses but not making payments
- Paid interest on loan, used CCC payment

People:

The many people who have helped us put this project together are:

Inspectors:

- Paula Dankert, MDA Dairy Products Specialist, helped with building and equipment plans from start to finish
- Karen McNamara, Labeling Inspector, helped with ingredients list and nutritional facts

Motivators:

- MASA, we received two grants for feasibility study, Home Delivery Workshop

(\$250) and meeting with HRM director, Ed Martzholf (\$500)

- SARE

o Ken Schneider and Lisa Bauer, we received a grant that actually helped us get started (\$5000), they've been very helpful, Lisa has helped with everything from brochures to news releases, the Alternative Agricultural Marketing conference also helped us a lot and gave us a boost when we needed it

- Russ LaRowe, MASA Coordinator, Kalkaska SCD Technician, assisted with project planning/motivator

- Glenn Kole, Kalkaska County Extension Agent, financial evaluation of project/taxes

- Diane Bromelmeir, district conservationist NRCS, waste management plan

Existing Dairies:

- Osbourne Dairy, first dairy our size that we visited, very helpful with information from start to finish

- Calder Dairy, shared information on equipment and supplies

- Cooke Family Farm, visited their dairy to research size and equipment

- Country Dairy, one of the first dairies we talked to in the beginning, very encouraging, we now sell their ice cream and cheese through out store.

- Hartzler Dairy, have been a wonderful role model for us, they have been very helpful with information and support, larger scale than we are, but they have the same philosophy about farming

Equipment:

- RaeMelton Farms

o Ralph Truly, first equipment investment (\$1500), retired dairy processor gave us a very good deal on older small equipment

- Victor Van Remortal, retired equipment dealer who kept finding us good deals, even sent us a diagram of how we should set up our building, very helpful with information and support

- Quality Creamery

o Roger Haadsma, more good deals at an auction from another creamery going out of business

- Heritage Equipment, supplied most of our equipment through Mr. Can ReMortal, also restored some of our older pieces of equipment

- John Emmonds, retired processor who gave us a very good deal on his old bottle washer and has been very helpful with information

- Premium Dairy Equipment

o Fred Essner III, Fred did all of the sanitary welding and engineering on our stainless steel piping, he was very helpful and supportive through the whole process

- Dwight Leeth, welder who helped us with many projects, elevator, smoke stack and bottle washer, etc.

- Great Lakes Dairy Supply, supply chemicals for cleaning equipment and other products that were hard to find

- Filler Specialties, supplied filler parts and accessories

- ODEM, used building supply, we purchased an old metal freestanding sink for our lab area

Glass bottles:

- Stan Pac, supply all our caps and new bottles, have been very helpful with setting up equipment and getting our labeling correct

- Jerry Dannheim, buys and sells old used bottles

Truck:

- Northern Michigan Sandblasting & Painting, painted our delivery truck

- Visual Images, designed and did the lettering and cow spots

Interested Farmers:

- William/Connie Stratoff, are wanting to direct market their own milk, they visit regularly and are very encouraging
- Don/Kay Cordes, Victor/Rose Mier, David/Lynda McCartney, first organic farmers we met within the early 1990's to discuss finding a new market for our milk, they have all been encouraging and very interested in what we are doing, and some are planning on direct marketing also.
- Joe Scrimger, thumb area farmers co-op stopped by or called with questions and encouragement

Marketing/Bookkeeping

- Kim Harwood, cousin who happens to be a marketing consultant helped us look realistically at our projected sales and expenses
- Northern Michigan Business Services, LLC, Carolyn Krumlauf, gives one day Quickbooks training course, also helped get all of our sales recorded correctly.

Results:

Our plant is fully operating and we're bottling four products and have reached our goal of 400 gallons per week in six months.

We have satisfied customers who call, write letters and send cards of encouragement to thank us for what we're doing and for caring about their food. That in itself is very rewarding and is a result that cannot be measured.

We are finally receiving a fair price for our milk. Our milk is priced about halfway between regular milk and organic milk. We cannot afford the organic grain to feed the whole herd to be totally organic. In 1979 when the milk truck picked up our milk we were getting \$1.00/gal a little more than we are now when our extra milk is shipped conventionally. Processing and marketing our own milk we now receive an average of \$4.00/gal (\$46/cwt) compared to \$.90/gal (\$10.50/cwt).

Our expenses were more than we had expected so as of right now we are just keeping up with current expenses. We have not been able to make any payments on loans yet and need to bottle another 100 gallons per week to do so. We need to be bottling around 700 gallons per week by summer so we will be able to pay our son, Kaleb who is moving home to help with the whole operation.

I don't know that we would do anything differently next time. Had we known the amount of work and expenses we may never have begun such a project but now that we're bottling we are very happy we did.

This grant has taught us that anything can be accomplished if you persevere and have a passion to get something done. We have had to learn to work together as a family as never before. The first old gentleman that we purchased equipment from said "be kind to each other" as we were leaving his place. I never forgot that and it has helped get us through some very tired times. We've all had to help with the bottling plant and the regular farm chores at different times. Now we're all helping with orders and deliveries and still the farm chores. We have had to become better managers just to complete everyday tasks. Grandpa Shelter helps with processing. Grandma Zook baby sits so our daughter in law, Priscilla can help on processing day. Our son Jacob does our once a week deliveries on Fridays. Our daughter Annie is working on a home delivery route besides her other job and college. Our son Peter helps when he's home from college and they are all greatly appreciated. We have had to rely on the strength from the lord almighty to sustain us at all times.

We don't fully know what the results of this project will be for the next five to ten years. This has been a learning experience and will continue to be so.

The only recommendation that we have for other producers interested in marketing their own milk is that you have to have a passion to do this and your family behind you. You need to examine your resources that you already have and set goals as a

family or with your co-workers.

OUTREACH

- Farm meetings
- Kiwanis Club
- News releases
- Local newspapers
- Local TV stations
- Farm magazines
- Local magazines
- Newsletters
- Brochures
- Mailed flyers
- Word of mouth
- Grand opening – approximately 400 people attended
- Au Sable Environmental Institute has brought their students for classes
- Department of Environmental Quality has brought groups for study
- Farmer groups
- School tours
- Home school tours
- Individual family tours
- Many farmers have called or visited
- Store demos/display board, gave out samples and answered questions
- Point of sale sign for stores
- Video

Research

Participation Summary

Any opinions, findings, conclusions, or recommendations expressed in this publication are those of the author(s) and do not necessarily reflect the view of the U.S. Department of Agriculture or SARE.



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This site is maintained by SARE Outreach for the SARE program and is based upon work supported by the National Institute of Food and Agriculture, U.S. Department of Agriculture, under award No. 2019-38640-29881. SARE Outreach operates under cooperative agreements with the University of Maryland to develop and disseminate information about sustainable agriculture. [USDA is an equal opportunity provider and employer.](#)