

Marketing an Incubator for Farmstead Cheesemaking

FNE06-588

Argyle Cheese Factory LLC
(Highland Cheese House)
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Goals:

To research and start a farmstead value-added business as an alternative market for the milk produced on the farm. Using the knowledge and experience gained from the process to assist other farmers' interested in the value-added option make more informed decisions.

Farm Profile:

The grant application was submitted under the name of Highland Cheese House. It was a partnership between two neighboring farms; the Randles (David and Marjorie) and the McDougalls (Robert and Mary Ellen). Both dairy farms are about the same size, milking herds of 50-60 cows and have been in their respective families for more than 150 years. Shortly after the application was filed the McDougalls withdrew from the project because of family health issues. The Randles decided to go ahead with the project on their own and renamed the business Argyle Cheese Factory LLC (ACF), with a dba of Argyle Cheese Farmer. The SARE office allowed the grant to continue with their change of name and ownership.

David Randles is a partner with his brother William Randles in the family dairy farm, Randles Fairview Farm (RFF). They are the fourth generation to operate the farm since it was purchased in 1860 by their Great-Grandfather. They milk between 45 and 50 cows on 250 acres of some of the most fertile soil in Washington County. They raise all of their dairy replacements and grow all of their own forages that they feed the cows.

Marjorie and David Randles own ACF and operate it as an LLC. ACF and RFF are two separate and different entities.

Participants:

We had several key individuals that helped move the project forward:

- Sandra Buxton, Extension Agent with Washington County Cornell Co-op Extension: Helped with details needed for market research, also was a key organizer in The Cheese Tour, which became part of our marketing plan. She was a resource of individuals and written resources which gave us specific information. She was one of our key cheer leaders.
- Paula Schafer, Ag Economic Extension Agent, Saratoga and Washington Co.; Paula wrote a feasibility study for ACF. It pointed out areas that were strong and other areas that needed to be addressed to be successful.

- Peter Dixon: A well known cheese consultant for farmstead cheese operation. He spent two days on the farm making cheese and discussing some of the areas that would need to be addressed. We also made cheese with him at his facility in Vermont. He spent a day at the newly opened ACF plant and guided a make of cheese curds.
- Shannon Nichols: A farmstead cheesemaker from central NY. She had built her own cheese plant on the farm and makes and sells cheese. She spent numerous two day visits teaching and demonstrating how to use equipment and make cheese. She was instrumental in the choices of the types of cheese that we would make. Her knowledge in bio chemistry, the chemistry of cheesemaking and marketing were critical in completing the building part of the project and the first months of making cheese.

Project Activities:

The grant set out to answer the question: “Why are small dairy farmers not adding value-added products to make their operations more profitable?” We identified four reasons (hurdles) that keep farmers from adding value-added products to their businesses;

1. Time
2. Money
3. Lack of Knowledge
4. No Marketing Experience

In an attempt to show how we planned to overcome or get around these hurdles we wrote a business plan. The time commitment to research and write the plan was great; Marge estimated that she spent over 80 hours during a three month period. The plan has been revised/updated three times since the original was finished in 2006. Having a written plan has proved to very valuable as we walked through the process of building the business, both physically and marketing plan. When a business decision needed to be made we would look for direction from the business plan. This process kept us on track to develop a business that we wanted, because we had a plan to follow.

The project had two major activities, to start manufacturing cheese and create a marketing plan. ACF started making cheese and yogurt in the new “cheese house” in late October of 2007. This date was over a year later then first planned. The amount of time and money that was needed to build the plant was almost double what we had originally thought. A number of small details that were part of designing and building the plant were unknown when the plan was written. These details became some of the biggest issues and took time to research and find answers to. It turned out that there were very few “small, simple issues” in the project.

An example of one of these small issues was: How would the steam flow from the boiler to the cheese vat? This seemed like secondary, small issue, because the big issues were, what would we use to heat the milk, what equipment would we need to make the heat and what type of fuel would we use to heat the water. We decided on steam heat using a boiler fueled by LP gas. What we did not see after we ordered all the equipment and spent 5 months finding and waiting for a plumber who understood steam and was willing to work with us in applying his knowledge to our goal of making cheese, was we had a

placement problem of where the boiler was in relationship to the vat. Bottom line is that steam can not flow up hill and be pushed down hill with a return of water to the boiler. The path of the steam had to take was going up over a door frame and down to the vat. After several attempts to find a way it would work, we moved the boiler to a separate outside building about 20 feet down hill from the cheese house. A well insulated tube was built between the boiler house and the cheese house that would move the steam to the vat along with electricity to the LP gas to the boiler house. Of course this all took time and money to build this additional structure and rewire and re-plumb so the system would work. The delay of an additional couple of months was very frustrating at the time, but has returned great benefits. The steam heating process has worked very efficiently and does a great job heating the milk. The steam heat also allows us to make yogurt and other products that require the milk to be heated to a higher temperature. By moving the boiler to a separate building there was room to build a “yogurt closet”. This well insulated room is equipped with a heat exchanger that allows the air to be kept at a set temperature so that up to 125 gallons of yogurt can be incubated at one time.

Results:

As stated above we did start processing the farm’s milk in late October 2007, with the blessing of NYS Ag and Markets. During the period of October 2007 through March 2008 (the end of the grant period) ACF purchased 23,453 lbs. of milk from RFF for \$5,051.94. ACF used the milk to make 2,593 lbs. of cheese and 5,049 lbs. of yogurt.

The products were marketed through three main channels;
Farmers’ Markets,
Wholesale Accounts, and
On-Farm-Store

A majority of the product was sold at farmers’ markets. We were accepted at two local markets, Saratoga and Troy. Both of these markets operate year round so it gives us an outlet through out the year. The biggest wholesale account has been another local farm store at a dairy farm. This farm started processing their own milk and bottling it shortly after we started processing our milk. It has been a great cross marketing partnership, they sell our yogurt and cheese curds at their store and we sell their bottled milk in our store. Our farm store is a small entrance room with a cooler in it. It is self-service so we leave it open 24/7. Many people are amazed that we can operate with out manning the store, but it seems to work. A new customer once asked if we have “ever been ripped off”. A customer who stops in on a regular basis was in the store at the same time, and told the “newbie”, “I make sure I put in the right amount of money, if not more, because I want this store to stay open.” We have been pleasantly surprised by the traffic through the store, when we are located on a town road, off the main highway.

Conditions:

Other than the time line being a year off there was only one condition in the marketing area that affected our sales. The Saratoga Farmers' Market limited our product line to the sale of yogurt for the 2007-08 winter market. This depressed our sales at that market for that winter market. In the long term, this restriction has paid big benefits. Yogurt sales at the Saratoga Farmers' Market are higher than any other market that we currently do. Dave (he does the Saratoga Market) focused only on yogurt for that winter market and learned how to sell a product by getting customers to stop at his table and try the product. If he had cheese and yogurt at that market he would not have given yogurt the attention he did. He is known as "The Yogurt Man" at the market and has a large loyal following of yogurt eaters.

Economics:

Our project cost and income data for this project were limited because the processing business did not start till the last six months of the grant period. Our total income for this period was \$16,836.93 and the total expenses were \$15,009.88. These numbers do not include capital purchases and debt payments so there was a negative cash flow for the period, which was expected.

We did make one major adjustment to our cost of goods calculations before we started processing milk. We increased the minimum purchase amount to \$20.00 per cwt. This increase was due to the increase in the cost of production. When we started planning we had used \$15.00 per hundred weight (cwt) as the minimum price to be paid to RFF for the milk purchased. If the price paid by DairyLea for the milk, was higher than \$15.00 per cwt, we would pay the higher market price. Since the major reasons for starting this project was to keep the family dairy farm viable, we needed to pay the farm a price that would cover the cost of production and result in a net profit for the farm.

Assessment:

The process of adding value-added products to an operating dairy farm is much more complicated and costly (both in time and money) than we anticipated. It takes a lot of perseverance and work to be successful in the addition of a new business to the existing farming operation. There needs to be one main player, totally committed to the process and not be responsible for the every day operation of the farm so they can be totally focused on the project.

In 2005 we visited a farmstead cheese operation in Vermont. The farmer made a statement that Dave and Marge have repeated through the process of building ACF. He said, "Lots of people come here and want to start a cheese making business. I tell them it is a lot of work, but they don't understand hard work, but you are farmers, you know what hard work is." Dave often tells the story and adds that we knew it would be a lot of hard work, we just didn't know how much more.

Even with all the work ACF has continued to process milk and make cheese and yogurt. Dave and Marge have made a large commitment of time, money and energy; they will continue to grow the business not only in size but in profitability. Their hope is that one

of their four children and families will return to continue the business when they retire. They also hope that RFF will continue as a family farm operation, supplying the high quality milk needed to make the cheese and yogurt.

Adoption:

We will continue to process milk at “the cheese house”. In 2009 ACF purchased and processed over 105,000 lbs. of milk. The markets for the products are growing and interest in our product seems to be growing as well. As we grow our markets our product line grows as well. In 2009 we have ventured into a new line: frozen deserts, which include gelato, frozen yogurt and sorbets. Expanding into this new area will expose our product lines to new markets and new consumers.

The partnership between ACF and RFF has also been positive. During 2009 with the depressed milk prices being paid to the farmers, RFF was able to make it through the year without borrowing any money, partly because of the premium that ACF was paying for the milk.

Outreach:

During the time we were building “the cheese house” there was much interest from our neighbors and friends in what we were doing. There was some interest from local farmers, but all seemed interested to watch but no interest to jump in.

Our biggest outreach has been through an annual event “The Cheese Tour”. It is a self driving tour in Washington County visiting five different cheesemakers’ operations. During the two day event each September for the past three years, we were visited by more than 1,000 people interested in the cheese making process and the farm. The visitors have come for various reasons, a cheese buyers from Boston and NYC looking for artesian cheeses, families wanting show their children a real farm, neighbors that want to see what we do and several farmers interested in the process. We always encourage the farmers to come back and spend a day with us when we are making cheese. Attached please find a brochure for The Cheese Tour.

Marge has presented a program on building a business plan for value-added- products. She presents the workshop not only as a cheesemaker but also as a financial planner, owning, The Practical Planner, a financial planning practice. She did one workshop in 2008 in Vermont at Taylor Farm. She worked with Peter Dixion who was putting on the multible day workshop, a part of it talking about the importance of writing a business plan. The second presentation was done with Sandy Buxton in 2009, helping individuals looking to start small businesses on their farms. I have attached the hand outs for the workshops.

An article was written about the planning process in Small farm Quarterly, Fall of 2007. Two other articles have been written about the farm over the past 3 years in our local newspaper, The Glens Falls Post Star.

We continue to reach out to farmers when they show some interest, but at this point do not have any future cheesemakers lined up yet.

Report Summary:

The purpose of the project was to determine the viability of a value-added operation added to an existing small dairy farm and along with sharing it with other farmers. A business plan was written and the processing plan was built. Outreaches to farmers were accomplished by, written articles, workshops and tours. Argyle Cheese Factory, LLC is an active growing business making cheese and yogurt. Their production and sales have increased each year. A premium is paid for the milk used in the process, which has a positive affect on the cash flow of the family dairy farm, Randles Fairview Farm.

The four main results we learned were:

1. The project cost more and took longer than was projected.
2. Making cheese and yogurt and selling it is a lot more work than we expected.
3. To add a value-added process to an existing operation successfully, there has to be deep commitment by all parties involved and there needs to be one person as the lead person who has very limited responsibility outside of the value-added operation.
4. There is great market potential for high quality farmstead products in our area.

Marjorie B. Randles
12/28/2009

Executive Summary

This plan will outline the strategy and financial details for the start up and ongoing operation of the Argyle Cheese Factory, LLC (ACF). This new farmstead cheese making facility will be located on the farmstead of Randles Fairview Farm (RFF). The members in this new operation are David and Marjorie Randles. David and William are also partners in Randles Fairview Farm, a family run dairy farm. The dairy farm has been operated by the Randles family since the 1860s. In order to accomplish our goals, ACF will capitalize on David's knowledge and experience in dairy along. Marge's experience as a tax and financial planning professional will provide key skills to help this new enterprise to succeed.

The primary goal of our ACF is to provide an avenue for RFF to become more profitable today and into the future. This will be done by purchasing some of the milk produced by RFF at a reasonable and stable price. ACF will process the milk into high quality, value-added dairy products that will be sold to consumers and retailers.

A secondary goal of this plan is to build a business that can be part of a movement in the Northeast to help small to mid-size dairy farms find ways to be a viable part of the changing economy. ACF hopes to be an incubator of value-added dairy products for other dairy farmers in the area. Existing farms will see how using value-added products can be a possible way of making their farms more viable. Another way ACF will help future value-added businesses is to keep accurate records of the process of planning and building the business.