

# CASE STUDY: Enhancing Economic Stability by Building Financial Resilience: A Model for Collaborative Learning Among Beginning Farmers in Southwest Wisconsin

## Brix Cider



*Everyone and every farm is so different. Talking about the needs of so many different types of farms helped us understand our own needs better.*



- Marie Raboin

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### Introduction to Brix Craft Cider & Brix Orchard LLC

- Marie and Matt Raboin
- Barneveld, Wisconsin (Iowa County)
- Established: 2014
- [www.brixcider.com](http://www.brixcider.com)



Marie and Matt Raboin have a lot of passion. Passion for apples and passion for cider, which led them to found Brix Cider in 2014. Brix Cider flowed as the natural evolution of homebrewed cider; unusual, ugly, and wild apples; and the purchase of a 6-acre farm in Barneveld, Wisconsin. With the somewhat unexpected first commercial production of Brix Cider in 2016, it became clear that the Raboin's nascent orchard could not produce all the apples needed for Brix cider.



This led to a creative sourcing model: harvesting apples from many different underutilized and wild orchards. This model provides Brix with a wide variety of apples, and provides markets for other farmers with unusual apples. The home orchard remains a testing ground for new and unusual varieties. All in all, the keystone of success for Brix Cider, which is now available widely through wholesale distribution, is agility, the ability to tell their story, and collaboration with many different growers.

Matt and Marie highlight a few financial, planning, and other factors that helped them start their farm and cider business. As Marie and Matt lived abroad in Sub-Saharan Africa for

several years working for NGOs and USAID, they were able to reserve significant savings. Between the savings from their time abroad, and a loan from Marie's parents, the couple was able to afford a down payment on the farm and farm house. Initially, both Matt and Marie worked off-farm jobs. In 2017, Matt left his off-farm job to work full time for Brix Cider (as of February 2018 Matt does not draw a salary from Brix Cider). Marie maintains her full-time off farm job ( with a salary of \$60,000/year) to pay the family bills, but plans to transition full-time to Brix in the fall of 2018.

In regard to business financing, the Brix Cider team utilized a SBA-7A government backed loan, and leveraged a home equity loan, to secure a business loan from Compeer Financial. Matt and Marie also received a "Buy Local, Buy Wisconsin" Grant (\$24,000) from the Wisconsin Department of Agriculture, Trade, and Consumer Protection in 2017 to support the development of their apple supply chain. These grant funds helped pay for some small harvest equipment and salary for their first two employees. Collectively, these financial opportunities allowed them to get started in a smart and secure way.

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## **Farm Goals for Participation in the Collaborative Learning Group**

As initiator of the Collaborative Learning Group, Marie was looking for a place to not only learn about farm finances, but also to build a community of peer learning for beginning farmers to feel open and talk about financial issues. As Brix Cider was just beginning at the outset of this Group, with potential to scale up quickly, Marie and Matt wanted to learn more about accessing loans and other support programs to develop their value-added enterprise.

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## **Lessons Learned from The Project**

At the outset of the project, the Raboins could not have fathomed how quickly Brix Cider would grow, or how valuable the resources and experts of the Collaborative Learning Group would become during this pivotal time of growth. The Brix Cider team implemented many of the financial management strategies, and benefited deeply from the Quickbooks trainings. However, the biggest lessons learned arrived toward the end of the project.

The fifth meeting of the Collaborative Learning Group focused on grants, investment strategies, and capital investments. The group benefited significantly from the expertise of Tera Johnson of the Food and Finance Institute (a project of the University of Wisconsin-Extension Business and Entrepreneurship Division) who shared extensively about capital investments in local food companies. This was complemented by Paul Dietmann, Senior Lending Officer of Mission Financing at Compeer Financial representing the lender's perspective. Together, Paul and Tera walked the group through how to prepare to apply for

a loan, what it takes to approach a bank for a loan, the types of loans available, and how to best finance farm and food manufacturing companies. Although the conversation discussed generalities, everyone had the opportunity to ask questions about their own farms' specific scenario. This session, along with ongoing support from Tera Johnson, spurred the Raboins to move quickly to scale up the business and access financing to do so.

"Everyone and every farm is so different," says Marie. "Talking about the needs of so many different types of farms helped us understand our own needs better." Brix Cider learned a lot about financial practices during the project, and ultimately felt supported to grow their business tremendously. And one thing is clear to Marie, "it became more and more apparent to me that asking for help and advice from professionals is worth the money."

Brix Cider also directly benefited from one of the final Collaborative Learning Group meetings. In this session, Paul Dietmann picked two real-life projects from group members, and outlined financing pathways and modeled return on investment for each project. Scaling up Brix Cider was one of the two examples used, with great benefit. This provided Matt and Marie a solid financial picture for the growth of the business, including possible investments in infrastructure to help them grow. In the end, this detailed look at Brix's potential made the pair feel confident this was the time to move forward boldly.

"We learned so much through participating in the group," says Marie. "If nothing else, the trust and comradery formed with the other farmers was something worth noting."

"I just feel more confident about making financial decisions related to the business because we have such a well vetted financial plan. In order to secure the SBA-7A loan from Compeer Financial we had to develop a full ProForma, which is no small task. Having the backing, confidence, and trust of our banker (Paul Dietmann) has been really important to the success of the project and the loan too."

Once they put together a full financial package it was really easy to see where to make changes to make the business most profitable. "Economies of scale exist, especially in agriculture," says Marie. "Having the ability to quickly change costs can make or break the business." Marie and Matt quickly learned at what scale they need to produce cider in order to sell wholesale and direct market through a tasting room to be profitable. They almost always planned on buying additional apples, but didn't realize that it would turn into such a great community business model. By purchasing "second" apples from local growers, they create a market for otherwise wasted resources. Their growers are happy to have a new market, and Brix can create a viable business as well. In addition, several of the u-pick growers Brix bought apples from obtained the proper license to sell their customers the Brix hard cider made from their apples. "In the end, we were not willing to invest the time and money into a business that was not going to offer us both well-paid, full employment, with the ability to spend time with our young family and go on vacation (someday)!"

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## A Few Notes for Beginning Farmers from Brix Craft Cider

- Think carefully about how are you going to cash flow your farm during the start-up phase, because farming is expensive. Will you have access to loans, savings, family support, or income from an off-farm job?
- From starting Brix Cider, we have learned how important it is to be defensibly unique. We have to be clear about why someone should buy our product over another product, especially when it costs more. That also means that understanding your target market is important.
- Branding and marketing is important. Sometimes it feels like it's more important than the product itself.
- Money matters, because in the end you need to pay the mortgage.



### Enhancing Economic Stability by Building Financial Resilience: A Model for Collaborative Learning Among Beginning Farmers in Southwest Wisconsin is a financial literacy and sustainability project funded through a North

Central SARE Farmer-Rancher Grant. From 2016-2017, a group of seven beginning farmers in southwest Wisconsin met regularly to learn from financial experts; engage in peer-to-peer discussion; and provide space for open and honest dialogue about current farm finances. The objective of the project was to improve the financial sustainability, resilience, and literacy of participating beginning farmers,

and demonstrate a replicable small-group model for other farms to adopt with similar learning goals using real-world farm financial profiles. This case study is one in a series of seven outlining the lessons learned by participating farms, and highlighting the financial skills and experts supporting this work. This material is based upon work that is supported by the National Institute of Food and Agriculture, U.S. Department of Agriculture, through the North Central Region SARE program under project number FNC16-1052. USDA is an equal opportunity employer and service provider. 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.