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Sell in Bulk, Lose Farm. Sell Locally, and Watch Revenues Grow.

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ONE of the truly good-news stories in American agriculture, and one with meaning for small businesses of all kinds, is what's happening on Tyler Road here at the Shetler Family Dairy.

Not that long ago, George and Sally Shetler were small fry in an industry dominated by big players, producers of a bulk commodity in which prices essentially had not budged for 20 years. Continuing to supply the conventional fluid milk market, the Shetlers concluded, would take them down the same bankruptcy path that the Department of Agriculture says claimed almost 400 farms a week from 1974 to the mid-1990's, most of them small.

So in 1995, the Shetlers decided to try a more entrepreneurial approach. If the markets they could reach through conventional channels were unsatisfactory, what new market could they tap?

The one right around them, as it turned out — bottling and delivering their milk directly to stores in Traverse City, 25 miles away, the center of a five-county region with 165,000 residents and growing faster than almost any place in the Midwest.

The couple, who raised five children in a 90-year-old farmhouse with one bathroom and a lot of wallpaper with cows, sent a survey to local markets and learned that proprietors were eager to sell fresh food produced by local growers. They then sat at their dining table and wrote a straightforward business plan on one page of unlined white paper — "Start small within 1995. Action to be taken: Pray!!" — that accurately described the fast-growing business they and several of their children operate.

Today, the milk from its 38 cows is bottled in a \$140,000 microcreamery the family built and stocked with used equipment. The dairy ships 1,300 gallons of milk and dairy products twice a week to 50 stores in the Grand Traverse region. Their truck has a set of Texas longhorns bolted to the roof of the cab, a black-and-white Holstein pattern and a slogan: "From Moo to You."

The result? Revenues have grown fourfold, and the farm now has seven employees.

"You know what this has done for us? Every other weekend now I get off and don't have to milk," said Mr. Shetler, 53, who bought his 180-acre farm 25 years ago.

There are other examples of how the adage in agriculture to "get big or get out" is being turned on its head by growers who are staying small, and getting much more profitable. Mike and Tina Werp, for instance, produce specialty baby vegetables for 15 restaurants in Traverse City, Detroit and Mackinac Island, one of the state's top tourist destinations. They have an 80-acre farm in Grant

Township, which is south of Traverse City, but do most of the cultivating in greenhouses and fields on just 10 acres. Their total annual revenue is \$150,000, or \$15,000 an acre.

Revenue, moreover, is growing steadily and is enough to employ three full-time and three part-time workers. By contrast, conventional corn growers in the region are fortunate if they earn \$300 an acre. "The idea is to do things intelligently," said Mr. Werp, an engineer who was raised in Detroit but migrated to the region in the mid-1970's to manage the farm, which was owned by his grandparents. "I'm not trying to do what Ford, G.M. and Chrysler try to do. I don't need my vegetables to be in every community."

Entrepreneurial farms are largely invisible to government and economic development agencies, said Bill Palladino, a small-business development specialist in the Traverse City region. "We know it is a core economy for our region," Mr. Palladino said, "but we don't know how big it is yet. We want to know. The value-added ag economy is based locally, uses local resources, and takes those resources and extends them to the marketplace here."

The success of Shetler Family Dairy, Werp Farms and dozens of other small growers in northern Michigan has attracted the attention of the Traverse City Area Chamber of Commerce. The chamber's foundation joined the W. K. Kellogg Foundation in Battle Creek, Mich., which co-sponsored the publication of a regional food guide, prepared by the Michigan Land Use Institute, to link small farmers with local customers.

The basic idea of putting buyers and sellers of homegrown food together, of course, is not new. Farmers' markets have existed as long as the republic. But farmers' ingenuity in tapping new markets, and consumers' eagerness for farm-fresh foods, are both on the rise, according to the Department of Agriculture. And local and state governments and the business community are doing more to support the trend, recognizing that small farms are linked to other useful economic, environmental and cultural outcomes.

For instance, Douglas Luciani, the president of the Traverse City Area Chamber of Commerce, , said that farms provide scenic open space that helps attract tourists and puts a brake on some of the unmanaged development and sprawl.

Similar views are expressed in dozens of fast-growing urban and suburban communities nationwide. The number of farms that are 10 to 49 acres actually increased to 563,772 in 2002 from 530,902 in 1997, according to the latest farm census by the Department of Agriculture. Some of those farms are in Community Supported Agriculture programs, known as C.S.A.'s, which sell shares to customers during the winter for a portion of their summer production. There are now more than 1,700 C.S.A.'s, according to an article on NewFarm.org, a Web site of the nonprofit group Rodale Institute.

Farmers are driving the innovation in new markets. In Lincoln, Neb., earlier this year, a group of 10 farmers opened what most authorities think is the only grocery store in the nation owned and managed by growers. The 5,000-square-foot Centerville Farmers' Market in the historic Haymarket district occupies the first floor of a renovated steam-tractor factory. John Ellis, a farmer and the store manager, said the store was intended to operate year-round featuring homegrown, mostly chemical-free fruits, vegetables, meats (including buffalo, ostrich and emu), dairy products and other foods

produced by 31 growers. It cost \$75,000 to prepare the space, and business has been brisk. "We're attracting some attention and we're developing our market," Mr. Ellis said.

Consumers are not the only people taking an interest in locally grown food. State governments are beginning to see small family farms as an asset capable of generating jobs and slowing suburban sprawl. In Massachusetts, for instance, the Farm Viability Enhancement Program has helped 139 family farms, or 2 percent of the state's total, stay in business by making grants to farms for new marketing projects.

Last year, Gov. Jennifer M. Granholm introduced Select a Taste of Michigan, a program to promote asparagus and nine other fresh market crops. Rick Oomen, 49, a vegetable farmer in Hart, credited the program with raising prices. "The last two years, we've enjoyed the best fresh market prices I can remember," he said.

Such optimism is striking in an industry where bad news is generally the norm. Not so for many of the state's 52,000 farms, including the Shetlers'. Though there were days when the Shetlers thought they might lose the farm, those have passed. "Before we started bottling milk it was always at the back of my mind — do something," Mrs. Shetler said. "We did and it's working out."