

Marketing Poultry without a Processor

A Decision Case Study

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“Our business model relies on processing for our organic turkeys. The processing plant just closed – what are we to do?” asked Theresa. The Podolls, brothers David and Dan, and their wives, Ginger and Theresa, developed their family’s multi-enterprise organic farm by raising organic turkey on grain they grew organically. For their diversified farm to work, they contracted with a poultry processing plant to dress the turkeys for market. But then the poultry processing plant went out of business. How could the four farmers bring their turkeys to market? Could they continue their organic operation?

David and Dan grew up on the family farm in Fullerton, North Dakota, established by their parents in 1953. The farm was certified organic in 1977, decades before federal standards were implemented, and David and Dan, believing in organic production principles, continued to manage the land organically.

Currently, David and his wife Ginger manage small grains on most of the 480 acres. They grow triticale, hairy vetch, buckwheat, and millet. A diverse grain farm such as theirs has many integral components that include on-farm seed saving, cover crops, diverse rotations and green manures. For example, David has grown ‘Crown’ proso millet for more than six decades using the same seed. “We’ve been saving and planting it back, and it maintains its vigor and other qualities year to year,” David explains.

Theresa grew up on a conventional seed potato farm, completely unaware of organic agriculture. It was a college ecology course that changed how she thought about farming and introduced her to this alternative

approach to agriculture. She married into the Podoll family and in 1984 started farming organically with her husband, Dan, as part of the family operation.

As a complement to the grain operation, Dan and Theresa developed a profitable organic turkey enterprise, raising upwards of six thousand birds each year. Dan and Theresa manage this part of the operation. It was a way to add value to the small grains business. They could “farm smarter, not bigger” through stacked enterprises.

The turkey operation benefited from high-quality feed grains produced on-farm. In turn, the turkeys produced manure, providing fertility back to the fields. They raised high-value, heritage turkeys that were profitable and in strong demand with primary markets on both the east and west coasts of the US. Despite their strong business, marketing and production skills, this farm enterprise, like all independent businesses operating in small to mid-size supply chains, was vulnerable to changes further down the supply chain. In

the Podolls' case, they were dependent on the regional poultry processing plant.

Processing Problems

Many states, including North Dakota, limit on-farm processing and direct sales to 1000 birds per year. On-farm processing handles a maximum of 50-100 birds per day. At this rate, it would take at least 60 days to process the Podolls' turkey intended for Thanksgiving tables. A small-scale regional poultry plant like the plant that the Podolls relied upon usually processes around 200 birds per day, and up to 350 birds an hour. Regional plants typically process at least 50 days per year and tend to be independent or part of a grower cooperative.

In contrast, large poultry plants process year-round and daily as many as 250,000 birds per day. These plants are part of an integrated supply chain, where poultry production, processing and marketing are done by one company, so they wouldn't serve a farm like the Podolls'. In 2017, poultry was highly consolidated, where more than 55% of the turkey consumed in the US was raised and processed by four companies.

The Podolls' turkey business was nearly ten years old when, a few weeks before a barn-full of 6,000 turkeys were scheduled to be processed, the Podolls learned that the state was closing the processing plant. The plant had entered into contracts with local poultry farmers to raise chicken for them to process, was later unable to sell the chickens, and didn't pay the farmers who raised them. State officials forced the plant's closure because of the broken contracts with farmers and improper licensing. With considerable effort and stress, the Podolls were able to negotiate emergency processing services with a plant in

Minnesota and fulfill their own marketing contracts that year.

The Minnesota plant was unwilling to provide services on an ongoing contract basis. Without assurance that they would have somewhere to process the birds, the couple needed to think outside the box. Dan and Theresa came up with a number of options, only some of which they were willing to entertain seriously.

The Podolls considered setting up their own processing plant. Consolidation in the poultry industry meant that there was a growing shortage of processing services for independent farmers. The closure of the only nearby plant meant that other farmers were also in need of processing. The downside of this option is the extensive cost of building a facility vs. return on their investment. It could cost as much as \$500,000 to build a small plant, and then they would also need to contract with other poultry producers to keep the plant operating at capacity. It would shift the emphasis of their business from working on-farm raising turkeys to off-farm processing and marketing poultry (see *EXHIBIT A: Small Poultry Processing Plant and Services*).

Conversely, if they shifted the business to something smaller and switched to processing turkeys on-farm, they would need to scale the business to a sixth of its current size. The amount of work would be similar but a smaller operation would leave space unused on the farm. Most importantly, the profit margin for the business would be much less.

**“... Farm smarter,
not bigger”**

New Directions for the Operation

If Dan and Theresa quit turkey production, they could work with David and Ginger to expand the grain farm. Dan and Theresa knew the business but a larger land base would be required to support two families. That land would need to be purchased or rented, and if there wasn't land immediately available near the home farm, they may need to figure out how to get equipment to the new fields. Also, they would need to find a market for the grain they fed to the turkeys and find another source of manure.

Another direction would be to keep their options open. One of them could take a job off-farm. If they could secure an off-farm job, it would buy them time to identify and develop another enterprise. The job market was tight, but creating a suitable job was also an option. It might not be easy to find employment related to sustainable agriculture, but such a job could help build their business in other ways. Dan and Theresa knew they didn't want to leave farming altogether, but buying time could help them realize a longer-term goal.

Both Dan and Theresa enjoyed raising vegetables for home consumption and considered commercial vegetable production to be an alternative enterprise. There weren't many farms supplying vegetables for local markets, and they were rather far from a major population center. Pivoting in this direction meant that they would need to develop infrastructure such as a packinghouse (or other processing), cold storage capacity, and wholesale clients for the business to be successful, requiring significant capital investments. They would also need to hire seasonal labor to handle

weeding and harvest tasks (see *EXHIBIT B: Starting a Fresh Market Vegetable Farm*).

A final option they considered was to build on the family's experience in saving seed for both grains and garden vegetables. They struggled to find organic seed suitable for their home garden and were saving seeds for many of their favorite varieties already. The couple wondered if they could develop regionally adapted vegetable seeds that they could sell through existing organic seed companies. Such a business would allow them to continue to conduct on-farm research and plant variety improvement, but on a much larger scale. They could target seed production not likely to be addressed by land-grant universities, opening up a unique market for their products (see *EXHIBIT C: Organic Seed Processing*).

The Podolls are facing a difficult situation, but they have several options for the future. What should they choose to do, given the challenges and opportunities before them?



Exhibit A. Small Poultry Processing Plants and Services

The following is an excerpt from the article, *Small Poultry Processing Plants and Services*, by Kevin Ellis, Poultry Specialist, on the NCAT ATTRA Sustainable Agriculture website https://attra.ncat.org/attra-pub/poultry_processors/.

Interest in special poultry production is growing in the U.S. Many small farmers raise poultry with outdoor access, or they may raise a heritage American breed. Many consumers would like to buy poultry meat and products from these specialty birds. However, there are few processing facilities that provide poultry processing services for independent producers. Very large poultry processing plants are usually only set up to process their own birds. Therefore, some small meat processing plants have added poultry processing to their services, or entrepreneurs have built dedicated poultry processing plants. Since it is expensive to build a processing plant, some producers share resources and put together mobile processing units. Some of these plants are USDA-inspected, with inspectors being present during processing. If your birds are processed at a USDA plant, you have various options for selling the carcasses or products. For example, you can sell to the public, stores, restaurants, across state lines, etc. Some of these plants are state-licensed plants where inspectors may not be present during processing, and you may have fewer options for selling the carcasses.

Visit https://attra.ncat.org/attra-pub/poultry_processors/ to search for small-scale poultry processors throughout the U.S.

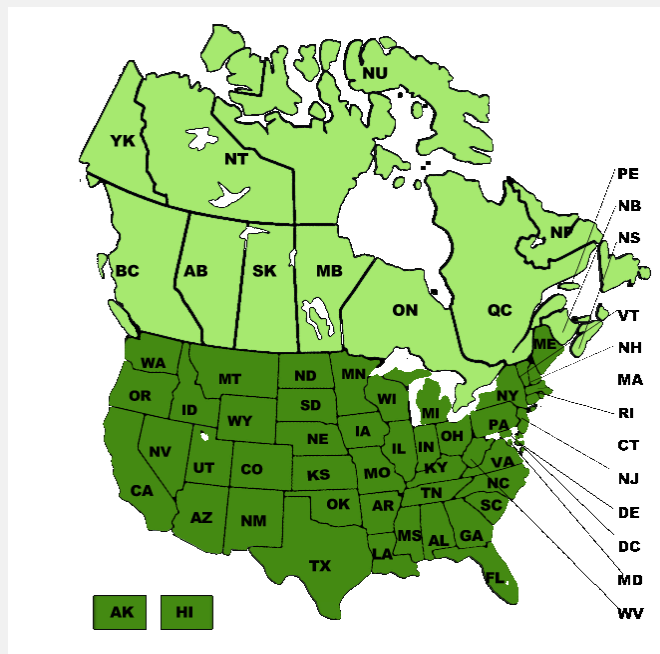


Exhibit B. Starting a Fresh Market Vegetable Farm

The following is an excerpt from the article, *Grower to Grower: Creating a Livelihood on a Fresh Market Vegetable Farm*, by John Hendrickson, University of Wisconsin-Madison Center for Integrated Agricultural Systems, 2005, available at <https://www.cias.wisc.edu/wp-content/uploads/2008/07/grwr2grwr.pdf>.

Keys to Success

There is no universal recipe for success as a vegetable grower. Farmers who excel have a passion for growing, and they enjoy the work. They also often have a certain amount of business and marketing savvy. Employee management skills are also important. The following observations and recommendations were gleaned from this case study:

- Farming begins with the soil, and making money requires managing soil for optimal health, fertility and weed control. Smaller growers are wise to adapt cover cropping and soil fertility practices from larger farms. For example, some of the market gardens under three acres seeded narrow strips of various cover crops on unused sections and between cash crops.
- Season extending techniques and technologies, such as hoopouses, can increase gross sales through longer harvest seasons and premium prices for vegetables out of season. Growers should fully consider the additional costs and work commitment required to extend the growing season.
- Focus on quality and setting your prices accordingly. The smaller grower's advantage over larger growers (and all growers' advantage over most conventional trucked-in produce) is offering premium quality crops using limited land and equipment.
- It is often best to avoid standard commodity crops such as russet potatoes and sweet corn. Seek unique crops or unusual varieties of standard crops. Carefully evaluate labor-intensive crops such as berries.
- Keep records of your production costs and price your products accordingly. Run your market garden like a business, even if it is mostly a hobby. If you lack business skills, hand off those duties to a partner while you focus on production.
- Try to limit your investment in equipment, but do invest in tools that will increase productivity. For instance, investing in a small cultivating tractor and set of cultivating tools frees up labor for activities more closely linked with generating income: harvesting, post-harvest handling, and marketing/sales. At smaller scales, an irrigation system and cooler may be more important early purchases than a tractor.
- Develop a marketing plan. Most growers find that direct marketing through farmer's markets or CSAs is more profitable than selling wholesale. Other farms earn better-than-wholesale prices from direct sales to restaurants and retail stores. Other growers feel that a diversified marketing strategy ensures stability and flexibility.
- Spend time developing your employee management style and training workers. Communication is critical. Do not underestimate the value of building up your management skills through workshops, reading books, or talking with more experienced farmer-managers.
- Strive for a net cash to gross ratio of at least 40 to 50%. Keep expenses low.



Network with other growers and visit as many farms as you can to discover new ways to grow, market and manage your business.

Exhibit C. Organic Seed Processing

The following is an excerpt from the eOrganic article, Organic Seed Processing: Threshing, Cleaning and Storage by Micaela Colley, of Organic Seed Alliance, and Alex Stone and Linda Brewer, of Oregon State University. eXtension, 2015, found at: <http://articles.extension.org/pages/18350/organic-seed-processing:-threshing-cleaning-and-storage>

Introduction

Proper post-harvest processing is critical to maximize yield, longevity, vigor, and overall quality of the seed crop. At maturity, seed must be harvested, threshed, cleaned, and fully dried before storage. Each of these steps requires proper timing, skill, and in some cases, equipment. While production of vegetable seeds is similar in many respects to vegetable production, post-harvest practices require knowledge and methods unique to seed production. For organic producers, timing of maturation and harvest can be particularly critical to avoid losses from seedborne diseases or insect pests. Organic certification standards also require use of equipment that is cleaned or not contaminated by use in conventional fields. Seed cleaning activities must be conducted either on a certified organic farm or in a professional cleaning facility that is certified organic. Packaging, shipping, and storage of organic seed must be clearly labeled as organic.

Seed Cleaning

Dry seeds can be cleaned of sticks, leaves, dirt, stones, and weed seeds based on differences in weight, size, or shape of the seed. Screens with various hole sizes are commonly used to separate seeds based on size either by hand or by machine. Commercially-available seed cleaning screens are categorized (by width of holes) in the U.S. in increments of 1/64th of an inch. Screens are used to either permit the crop seed to pass through the screen, or to retain the crop seed on top of the screen and permit smaller-sized materials to pass through and be discarded.



Cleaning seed by differences in specific gravity is one of the oldest seed cleaning techniques. When done by hand in the wind it is commonly referred to as winnowing. On the simplest scale, seed and materials are dropped before a wind source. The heavier materials fall closer to the wind source while lighter materials are carried further from the wind sources. On a small to medium scale, this is a very effective method to quickly clean seed. Many screen cleaners have a fan to assist in blowing off dust and chaff.

Teaching Notes:

Case Objectives:

- Understand how processing and supply chains affect farm production choices.
- Get a sense of the innovation required in organic productions with more limited processing and marketing local and national infrastructure.
- Consider how to balance on- and off-farm options when engaging in enterprise diversification.

Use of the Case:

This case is developed for use by extension educators, post-secondary instructors, state agency personnel, and others interested in increasing understanding of the organic transition process.

Materials Needed:

- Copies of the decision case study/ies on which to make notes as participants read.
- A laptop and projector to show slides of the farm, the markets, and the farm family. It could also be used to project discussion questions, certification requirements, or other materials of interest.
- A “U” or horseshoe-shaped seating arrangement for maximum participation among participants and the facilitator.

Dealing with Controversy:

Often in the discussion of a decision case study, participants will disagree about certain issues. While this is a mark of an effective case, the facilitator should keep the discussion from becoming argumentative and unproductive. Participants should be reminded that there are many points of view and to keep the discussion atmosphere constructive and nonthreatening. If desired, techniques such as role-playing or role reversal can help participants discuss the issues in a less personal way.

Use the following strategies to facilitate a productive, healthy discussion where controversy may be involved:

- Establish ground rules. These may include: allowing only one person at a time to speak; no one should speak twice before everyone has had a chance to speak once; no criticizing of others’ comments, etc.
- Encourage participants to use “I” messages when stating their viewpoint. Avoid using “you” or blaming statements.
- Ask clarifying questions such as, “Why do you think that?” A major communication problem is misunderstanding what was said.
- Ask participants to try to imagine the situation from the other person’s point of view. (Role-playing can also help with this.)
- Encourage participants to focus on what they want in the future or where they would like to go, rather than where they have come from or what has happened in the past.

Lesson Outline:

Discussion of this decision case study can last from 20 to 60 minutes, depending on the degree of preparation by the participants and the desired depth of the discussion. The outline below is one example of the way a facilitator might structure the discussion. In general, a decision case study discussion is a forum where participants talk to each other in addition to the facilitator. The format described here is useful when advanced preparation of the participants is not possible. If desired, the facilitator can include additional information on local crop production and social issues to enhance discussion and create a broader understanding of those topics.

- Introduction
- Facilitator introduces the case study and describes the goals and approach to be used
- Focus on a real situation
- Practice problem solving
- No single right answer – each person and situation is unique
- The Decision Case Study
- Facilitator introduces the decision case study.
- Participants read or reread the narrative of the decision case study
- Facilitator divides the participants into small groups of 2-4 people and asks them to discuss questions.
- Participants return to large group and share key points of their discussion
- Facilitator guides a group discussion on the remaining questions
- Conclusion
- Group members may select a preferred option or facilitator may have participants write individually and describe their decision in response to the dilemma and the rationale for the response
- Closing comments

Discussion Questions:

Below are examples of the kinds of questions the decision case study facilitator can use to stimulate discussion of the issues in this case. Participants may discuss some of these questions in groups of two to four and some questions as a large group. The questions used can vary depending on your time limit and the issues you wish to discuss. Other questions may be added as needed and appropriate to the situation.

1. How may farm decision making dynamics differ among two farming couples, compared to one farming couple being responsible alone for making decisions?
2. What are some pros and cons for raising farm products for small-scale vs. large-scale processing supply chains?
3. How do regional differences in conditions affect farmers and crop industries? Do some regions have an inherent advantage in processing and marketing? What aspects of particular regions in the U.S. may give them an advantage for producing and marketing certified organic products?
4. How does regulation affect the options organic producers have for processing organic products? Are these regulations necessary for certified organic marketing? Why or why not?
5. Does innovation benefit organic farmers? Why or why not?
6. Which of the options outlined in the Podolls' case require capital, time, and labor investments? At what level?
7. When deciding how to move their farming enterprise forward after the loss of the turkey processing plant, how should the Podolls weigh lifestyle considerations like income level, on-farm vs. off-farm work, and balance? What would you do in their place?



The following resolution to the case study, along with an analysis, is offered for the benefit of the instructor in preparing for leading a discussion of the decision case study. The information it contains and the final resolution of the decision case study may or may not be disclosed to discussion participants, at the instructor's discretion. Should the resolution be shared with participants after the discussion takes place, the authors suggest debriefing the epilogue and final decision with the students.

Epilogue:

The couple quit raising turkeys after the processor closed, and in less than a year had their first seed available for sale through seed catalogues. They built a seed business, first for grain seed, and then for vegetable seed. Not only did they have a history of saving seed, they also found that raising seed for commercial sale aligned well with the grain production business.

To make the business start-up work, Theresa worked off the farm for a decade for non-profit sustainable agriculture organizations. In many cases she created her own position and was then able to learn skills related to the seed business. Theresa also earned a Master's degree in community development, and then rejoined the business part-time in 2007.

In 2011 one of the seed companies failed to send them a signed contract, leaving a sizable hole in their market for the seed they expected to produce. At that point, they realized having a small number of large customers was not good risk management. They concluded that they needed to start packing and marketing their own seed varieties and heirloom favorites under their own label, **Prairie Road Organic Seed**. This approach afforded them a large number of small customers. It also enabled them to develop a diversity of small lots of production, mitigating risk both in marketing and production. By 2012, they had their own seed label and Theresa could work full time for the business.

They currently grow a variety of small grains for sale in the organic grain market. Through Prairie Road Organic Seed, they are also growing four different grains for seed and dedicate eight to ten acres to grain variety research. They offer 27 varieties of vegetable seeds adapted to the Northern Plains grown on six to eight acres. They strive to develop grain and vegetable seeds that are strong and vigorous in the Northern Plains environment. They pay special attention to developing seeds that are unlikely to cross-pollinate with GMO crops. In any given year, as much as a third of the grain cropland will be planted to green manures, while two thirds of the vegetable land will be in green manures. Since the turkeys no longer provide manure for the farm, they've developed a relationship with a nearby Hutterite community farm for manure.

These farmers are dedicated to a high level of diversity that is also achieved through maintaining wetlands and grasslands on their land. In their management approach, they see themselves as farming between the natural areas, not the other way around. In addition to the two couples and linked enterprises, they are now farming with some of their children. Each person brings unique skills, interests and labor to the farm so they expect the farm enterprises may change with this next generation's vision.

The Podolls are founding members of the Northern Plains Farm Breeding Club (FBC) and work with other farmers to share breeding skills and seeds. For more on FBC, go to: <https://www.ag.ndsu.edu/archive/carringt/05data/05%20Annual%20Report/NPSAS%20Farmer.htm>