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## **Moose Droppings for Sale**

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**A**bout ten miles south of Provo, Utah, Southridge Farms' big red barn lies just off I-15, nestled among orchards and grassy hills. Travelers responding to their inviting sign, encounter a homey store located inside the barn with an old-fashioned ice cream counter, jams, jellies, dried and fresh fruit, and fruit salsas when in season. Visitors are invited to sample products, including the fruits displayed in see-through coolers to keep them at peak quality.

Phil Rowley, owner of Southridge Farms, has worked hard over the last 15 years to create a pleasant image of his farm, providing visitors to the farm with top-quality products and friendly service that meets his consumers' interests. Samples of seasonal fresh fruit are accompanied by an explanation of the fruit's variety and its characteristics. Samples of preserved products (jams, jellies, dried fruits, etc.) are offered year-round.

### **Company Background**

Rowley is the third generation of his family to earn a livelihood from the farm on which he was raised. His forefathers grew cherries, apples, pears, and peaches on this same farm ground. Hard times and poor product prices forced Rowley to explore new ways to market his fruits.

Tart cherries were Southridge Farms' primary crop until the bottom dropped out of the cherry market in 1986. Using a family recipe, the Rowleys began making jam to sell in local stores. During this time, Payson Fruit Growers (PFG) continued to market the bulk of Rowley's cherries, but prices became too low to sustain the family and the farm. To establish a niche market for his product, Rowley wanted to dry his cherries. PFG had dried and sugarcoated "snow cherries" a decade earlier with dismal success, so PFG was not interested when Rowley proposed the idea to them.

Convinced that a market for dried cherries existed, Rowley eventually located a dehydrating expert at the University of California at Davis who agreed to work with him. He helped Rowley build a prototype dryer that soon produced good, dried cherries. PFG was still not interested

in Rowley's dried cherries, so he contracted a welder to build a belt-system dryer. The welder thought an individually quick-frozen (IQF) machine would be a good starting point, so Rowley tracked one down in Oregon and bought the machine. He and the welder rebuilt it to meet the recommendations of the dehydration expert and soon the machine was turning out great dried cherries. Once the system proved feasible and profitable, both PFG and Cherry Central, PFG's marketer, wanted to be part of the project. Today, PFG operates four of its own cherry dryers.

Interested in adding even more value to their PFG dried cherries, the Rowley family coated them with yogurt and chocolate, then packaged the covered cherries with clever labels such as "Moose Droppings." They expanded their line of jams and jellies and increased their markets.



The idea for opening a store on the farm itself—a farm market—was born after Rowley visited farm markets in the eastern United States during a time when he was desperate for new ways to sell his products because markets were declining. "When you walk the floor at night realizing you are going to lose your farm, you really start to ask what can I do to get more out of my products," he said. A farm market, he explained, is where you bring customers to your farm, rather than gathering with others at a farmers' market to attract the customers.

To upgrade his barn for the farm market he envisioned, Rowley needed to convince his banker that it would increase his profits. He began by operating out of his garage for five years to test the market and his ideas. This experimental garage market allowed him to write a sound business plan with good data to support his projections. Rowley's experience-based plan convinced the bank he was creditworthy and they have been very supportive.

### Threats

Rowley considers new competition and food safety liability his greatest threats. Just one instance of a food safety problem could be devastating. The above threats are in addition to threats from weather-related elements one faces in an agriculturally based business. This enterprise is also vulnerable to the general ups and downs of the economy as any other type of business.

### Risk Management

Rowley is in constant contact with customers to gauge their response to his products and to receive ideas from them. He has learned to be flexible and to make adjustments as conditions



warrant. For example, he plans to employ the Internet to develop markets, to offer mail order, and to keep in touch with customers through a newsletter. Current markets are constantly monitored and new ones developed.

Southridge carries liability insurance to combat the risk of food safety. The importance of food safety and liability insurance was brought home recently when Rowley's eyeglasses were found at the bottom of a vat of yogurt and chocolate used to coat dried cherries. His insurance company was indifferent about dumping the product or selling it and seeing what happened. Rowley chose to dump the product and asked the insurance company to help pay for his expenses. This is just one example of problems with food safety that can arise where liability insurance helps cover the cost.

To combat early frosts, Rowley purchased wind machines and is testing a frost machine. When frosts limit production, he improvises and keeps his store full with apples from Washington or other areas not hit by frost.

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### Competitive Edge

Rowley is confident he will have an advantage over new competition because of his solid reputation and his constant interaction with customers who provide him with feedback. He is also creative and willing to try new things, such as the dried cherries and the farm market.

The type of cherry Rowley grows is sweeter than the tart cherries grown in Michigan, his biggest competition. Rowley's cherries are three to six Brix sweeter (Brix is a measure of natural sugars in fruits, according to the Brix scale), which is noticeable to consumers.

### Product Pricing

To price Southridge Farms products, Rowley analyzes what it costs to produce each product and considers what competitors charge for theirs. He wants to realize a 35 to 40 percent margin on each product. Rowley prices his products at the farm market just under what is charged for them elsewhere, so customers feel they are getting a bargain when they visit his farm.

### Market Research

Market research at Southridge Farms is mainly gathered through the response they receive from test samples at their country store. Their high level of customer service allows interaction with customers, as the customers taste the products. While informal, this allows the employees to get a good feel for what customers want. They also get feedback from people selling their products elsewhere.

### Measuring Success

Phil Rowley quips that his biggest measure of success is whether he can sleep at night. He stresses that in order to track success, producers need to have an accurate measure of each item's cost of production as well as knowledge of each product's potential selling price. Hence, Southridge Farms utilizes numerous spreadsheets to track their production costs.

### Future Plans

Rowley plans to develop an eight- to sixteen-page catalogue of products that could be mailed and distributed at other markets. The mailing list for catalogues will come from customers who visit the farm. He'd like to keep visitors involved with the farm through a newsletter and web page. Their current web page will be upgraded to increase year-round sales, instead of being used just in the fall to sell gift packages. Also, to make more efficient use of the farm year-round, they will start selling bedding plants.

### Conclusions

Southridge Farms is an excellent example of how a financial crisis can sometimes lead to innovation. Years of uncertain fruit prices led Phil Rowley to look for a way to relieve dependence on general market prices for his fruit products. It is not likely that all fruit growers

would be equally successful in following this pattern. However, elements of Southridge Farm's business practices, and Phil Rowley's personality, could figure in the success of any value-added agricultural business.

As an entrepreneur, Phil Rowley is forward thinking, optimistic, willing to put ideas into action, and willing to accept a certain amount of risk. The company maintains good records from which it tracks success. They constantly seek feedback from their customers and look for ways to respond to it. They also try to make the best use of their facilities through customer feedback.

**Guiding Principles**

- Determine each item's cost of production as well as its potential selling price.
- If you are able to show the bank a business proposal that has been thoroughly tested and that contains good data, you are more likely to get the financial backing you need.
- Longstanding markets can still change drastically. If you are willing to innovate and accept some risk, you may be able to reinvent your farm or products and thrive.



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