

Values-based food supply chains: Good Earth Farms

G.W. Stevenson, UW-Madison Center for Integrated Agricultural Systems

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This series of case studies examines values-based food supply chains—strategic business alliances formed between primarily mid-sized farms/ranches and their supply chain partners—to distribute significant volumes of high-quality, differentiated food products and share the rewards equitably. Farmers and ranchers function as strategic partners rather than easily replaced input suppliers. All participants in these business alliances recognize that creating maximum value for the product depends on significant interdependence, collaboration and mutual support. These supply chains attach importance to both the values embedded in the production of the food products AND the values that characterize the business relationships.¹

Historical development through 2011

Introduction. Begun in 2005 by Mike and Deb Hansen in central Wisconsin, Good Earth Farms <www.goodearthfarms.com>² includes five operations that sell nearly all of their certified organic meat products through the Internet. Products include grass-fed beef, pasture-raised pork and chickens and turkeys. Founding farmers Mike and Deb partnered with four other family farms, including two Amish producers, to divide labor and organically raise meat animals. For an introduction and brief history of Good Earth Farms, see their website.³

Strategic and philosophical goals. The official mission statement for Good Earth Farms is “to produce the highest quality organic grass-fed beef, pasture-raised pork and pasture-raised poultry and make it available at a reasonable price to all who seek it.”

The Hansens’ goals for their own farm, Gifts from the Good Earth, revolve around environmental, economic and social sustainability. For a description of the environmentally regenerative strategies employed on the Hansens’ farm, see the discussion on the website’s homepage <www.goodearthfarms.com> of planting trees and native prairie grasses, restoring waterways and wetlands and keeping all land in permanent pastures. For a discussion of economic sustainability, see “Achieving economic stability,” page 8. One aspect of social sustainability, labor, is the most challenging, particularly considering the long hours required to develop and operate both



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¹Values-Based Food Supply Chains: Strategies for Agri-Food Enterprises-of-the-Middle explains the terminology and general characteristics of values-based food supply chains: <www.agofthemiddle.org>.

²All websites referenced in this document were accessed on 7/2/12.

³This case study describes Good Earth Farms operations from 2010 to early 2012.



Pasture-raised beef is one of the primary products at Good Earth Farms.

the farm and the business. This has taken its toll on the Hansens. (See “Leadership and management,” page 4.)

Early enterprise development. The development of Good Earth Farms LLC can be divided into the following four stages:

1995 to 2003. The Hansens acquired organic certification and developed sustainability practices for pasture-raised poultry, hogs and beef. They also experimented with Internet sales. Both Mike and Deb worked full-time jobs off the farm. Annual gross sales figures from the Hansens’ farm reached \$40,000 in 2003.

2003 to 2007. Mike quit his off-farm job and dedicated all his working hours to developing Good Earth Farms’ production and marketing, particularly the Internet platform. The Hansens divided animal species production by farm, initially with two skilled Amish poultry farmers, followed by agreements with pork and beef producers. Gifts from the Good Earth Farm began focusing on pasture-raised beef production as well as management and marketing functions for Good Earth Farms. Annual sales for Good Earth Farms grew rapidly, doubling each year until they reached more than \$300,000 in 2006 and 2007. Chicken and turkey accounted for more than one-half of the sales.

2008 to 2009. Impacted by the national recession, Good Earth Farms’ annual sales figures dropped, but not dramatically. Annual sales for 2008 and 2009 were \$276,000 and \$273,000, respectively. As the Hansens observed, “Most of the decline was in restaurant sales. The direct Internet sales continued to grow during these years.” (Mike and Deb Hansen, interview, 12/7/10). Sales of beef and pork surpassed sales of chicken and turkey. “Our pork sales have increased significantly. People are looking for alternatives to pork from pigs raised in conventional confinement systems.” (Mike and Deb Hansen, interview, 12/7/10). (See <www.goodearthfarms.com/Pastured_Pork.htm> for production methods and nutritional information for pork products.)

2010 to 2011. Good Earth Farms annual sales recovered, reaching \$316,000 in 2010 and \$324,000 in 2011. Beef and pork continued to be the largest sales categories, accounting for more than 45 percent of Good Earth Farms’ sales in 2010 and 55 percent in 2011.⁴ Sales projections for 2012 are \$340,000 to \$350,000. Another measure of enterprise growth was the volume of frozen meat shipped to Internet customers in a year. They shipped 1,480 boxes in 2011, an increase of 205 boxes over 2010. Good Earth Farms’ 10,000th box of meat shipped on November 14, 2011.

⁴In 2011 Good Earth Farms sold the following numbers of animals: beef - 40; pork - 90; chickens - 5,800; and turkeys - 1,000.

Dynamics as of 2011


Creating and marketing differentiated, higher value food products. As the Hansens said, “In this game, it’s not the least cost producer but rather the highest quality producer who wins.” (Mike and Deb Hansen, interview, 12/7/10). Good Earth Farms meat products are differentiated by the following characteristics:

Taste and freshness. According to the Hansens, these attributes are the result of treating the animals well (including choosing appropriate genetics and paying close attention to pasture management), forming partnerships with highly skilled meat processors and employing distribution logistics that maintain low temperatures in boxes of frozen meat.


Animal welfare. Customers value humane treatment and handling of animals raised for Good Earth Farms. Many are aware of the alleged questionable practices in the conventional meat industry through books like Michael Pollan’s *The Omnivore’s Dilemma* and films like *Food, Inc.* (See the beef, poultry and pork sections of the website—www.goodearthfarms.com—for descriptions of their animal stewardship practices, such as un-crowded, pasture-based feeding and feeds that containing no prophylactic antibiotics or growth hormones.) “We have a number of vegetarian customers who buy Good Earth Farms’ products for their meat-eating relatives.” (Mike and Deb Hansen, interview, 12/7/10).

Standards and certifications. Employing organic practices and raising animals on pasture create an important business niche for Good Earth Farms, particularly in the beef sector. All farms associated with Good Earth Farms are certified organic under the USDA’s organic standards by the Midwest Organic Services Association (MOSA). In 2010, the Hansens’ home farm, Gifts from the Good Earth, became the first farm in the country to be certified as “grass-fed” under the USDA National Organic Program.

Customer service. Good Earth Farms adheres to timely, quality shipping practices and quickly responds to customers’ questions and concerns. Many customers ask about the farms’ animal welfare practices. Whatever the question, the Hansens are committed to responding within a day to email or telephone inquiries. For family reasons, the Hansens are available for business before 6 pm CST, Monday through Saturday. They don’t answer calls or do business on Sunday. The Hansens disabled the customer comments section of the Good Earth Farms website due to spammers, but they still answer email. (See www.goodearthfarms.com/feedback.htm.)



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The Hansens also cater to consumers by sharing instructions for preparing and serving pasture-raised meat—see <www.goodearthfarms.com/Cooking_Tips.htm> for beef and <www.goodearthfarms.com/pasture-raised%20chicken.htm> for poultry.

The second area of customer service emphasized by Good Earth Farms includes adhering to shipping schedules and assuring that the meat will arrive at the customer's address solidly frozen. As indicated on the website, Good Earth Farms ships on Mondays and Tuesdays. Orders paid by noon on Saturday will ship the next Monday. The Hansens continue to perfect shipping boxes “that will stay cold in July in a heat wave in Las Vegas” (Mike and Deb Hansen, interview, 12/7/10). The Hansens are working with their major shipping partner, the FedEx Corporation, to develop a box from which the insulating foam can be returned and recycled, adding another differentiating sustainability characteristic.

Creating effective internal organizational forms and leadership.

Enterprise structure. Good Earth Farms is organized as a limited liability corporation (LLC) with Mike and Deb as the sole owners. While they are important business partners, the other four farmers currently have no legal or financial association with Good Earth Farms. There is no agreement on paper regarding how many animals each farmer will produce each year, but the Hansens discuss goals and animal numbers annually with their partners. In the future, the Hansens plan to explore ways of connecting farmers financially and legally to Good Earth Farms, including having them buy in to the LLC.

Leadership and management. Since becoming a full-time farmer in 2003, Mike has assumed responsibility for day-to-day operations of the Hansens' farm and Good Earth Farms. His responsibilities include animal rearing, health and welfare; field and pasture work; customer contacts; marketing; shipping and “anything else that seems like farming” (Mike Hansen, interview, 12/7/10). Deb works off the farm as a Certified Public Accountant. On the farm, she is responsible for managing the financial records of both the Hansens' farm and Good Earth Farms, LLC. Along with the Hansens' three children, Deb assists Mike with daily operations when needed.

Running two businesses requires a sizeable amount of labor. Mike estimates that he often works 80- to 100-hour weeks (Mike and Deb Hansen, interview, 12/7/10). While such daunting hours are not uncommon for entrepreneurs, they don't align with the Hansens' commitment to social sustainability, which includes quality family time. The Hansens hope to increase sales for the LLC so they can hire a shipping room employee. As Mike indicates, “To grow, as well as to reduce our time, will take



hired labor. It's a huge step." (Mike and Deb Hansen, interview, 12/7/10). They did hire their two college-aged sons during the summer of 2011 to expand poultry production on two of the farms. As the enterprise grows, Deb and Mike see sufficient need to hire someone to help with animal husbandry as well as the shipping (Mike Hansen, interview, 1/27/12). They would like to grow the business enough to make the position full time.

Selecting strategic partners.

Farmers. Good Earth Farms does business with five family farms, including the Hansens' home farm, Gifts From the Good Earth. Meat animal production is divided by species: the chickens and turkeys are produced by two Amish farmers; the beef by the Hansens and a neighboring beef farmer; and the pork by another veteran producer. The Hansens selected these farmers based on common values that support Good Earth Farms' business model. As Mike explains, "These farmers share our ethics, particularly with regard to animal welfare. They're good farmers who have been at it for a while, and we can count on their animals to produce high-quality meat. We trust them." (Mike Hansen, interview, 12/7/10).

Processors. Good Earth Farms' animals are slaughtered and processed at two USDA-inspected facilities. USDA inspection is mandatory because nearly all of the Good Earth Farms' meat products are sold across state lines. The chickens and turkeys are processed at the Sunnyside Meadows poultry processing facility in Dorchester, Wisconsin, 60 miles from the Hansens' farm. Good Earth Farms and Sunnyside Meadows share similar business values, and Sunnyside processes animals at an appropriate scale for Good Earth. Most importantly, "The quality of work at Sunnyside is impeccable." (Mike Hansen, interview, 12/7/10). Mike was instrumental in convincing the Mennonite owners of Sunnyside Meadows to convert to USDA inspection. He sees Sunnyside as a true strategic partner willing to adapt to strengthen both enterprises.

Good Earth Farms' beef and pork are slaughtered and processed at Pete's Meat Service in Randolph, Wisconsin, 12 miles from the Hansens' farm. Pete's is currently undergoing an inter-generational change in management and, according to Mike, working out "consistency issues" that are critical to meat quality standards for Good Earth (Mike Hansen, interview, 1/27/12).

Distributors. The Hansens deliver frozen meat products from Good Earth Farms in insulated boxes to customers around the nation via two mainline parcel distribution companies. Products are delivered to customers in the Upper Midwest by the Spee-Dee Delivery Company, a regionally organized enterprise with headquarters in St. Cloud, Minnesota



The chickens sold by Good Earth Farms are raised by two Amish farmers.



A special trailer humanely hauls chickens and turkeys.

<www.speededelivery.com>. The FedEx Corporation <www.fedex.com> delivers boxes going elsewhere in the country. The Hansens receive high quality service from both distribution companies, and Good Earth Farms has reached a size that earns discounted shipping rates.

Customers. One-half of Good Earth Farms' customers are located in the Upper Midwest, reflecting the company's regional origin and identity. However, Good Earth has customers in all the remaining continental states, with concentrations on the two coasts and Florida. Customers reflect the characteristics associated with "alternative food" markets: higher levels of education, conscious of environmental and human health issues, and particularly concerned about animal welfare. Most customers locate Good Earth Farms through the Internet, though many new customers are finding them through word-of-mouth (Mike and Deb Hansen, interview, 12/7/10).

Developing effective supply chain logistics.

Production and aggregation. Meat animals grown for Good Earth Farms are raised on family farms by experienced, species-specific producers who follow a common animal welfare protocol. The protocol followed for raising chickens is outlined in a handbook and also used for the turkeys. Protocols for beef and hogs are not written, but they include access to pasture, minimal time in buildings and basic humane care of animals.

With the exception of hogs, all animals are aggregated and transported to the meat processing facilities by Mike because the four other Good Earth farms and two processing facilities are within a 100-mile radius of the Hansens' farm. This assures that "animals will be treated well during loading, hauling and unloading ... according to our high animal welfare standards." (Mike and Deb Hansen, interview, 12/7/10). As an example of their commitment to animal welfare, Mike uses a special transportation trailer designed for humanely hauling chickens and turkeys.

Processing, with the exception of hogs, is done in species-specific windows during the year. Hogs are processed throughout the year and transported to Pete's processing facility by the hog farmer, whom the Hansens trust to follow the group's animal welfare protocols (Mike and Deb Hansen, interview, 12/7/10).

Processing and distribution. The two meat processors employed by Good Earth Farms use humane slaughtering methods. They process, cut and freeze according to the cuts of meat available on the Good Earth Farms' website. (See <www.goodearthfarms.com/Order%20Form.htm> for the selection of meat cuts avail-

able, ranging from whole animals to cuts and processed products such as sausage or ham.) Mike picks up the frozen meat and returns it in Good Earth Farms' freezer truck to the Hansens' farm, where the meat is stored in one of three large commercial freezer units from which they box and ship the products. Good Earth Farms also contracts with a cold storage facility for storage of some of the poultry products.

Customer orders come in through the website. Orders are assembled, weighed and priced by members of the Hansen family. They return invoices to the customers, who pay via credit card online. (The website indicates that customers can also phone in credit card information.) After payment is received, the order is assembled in specially designed boxes fortified by dry ice and insulating foam. In preparation for shipping, the boxes are treated to protect quality during shipment and stored in one of the commercial freezing units.


FedEx and Spee-Dee pick up shipping boxes at the Hansens' farm on Monday and Tuesday of each week. If a customer's invoice is paid by noon on Saturday, their box of frozen meat will be shipped the following Monday. As indicated by the map on their website—www.goodearthfarms.com/Order%20Form.htm—Good Earth Farms ships to customers in four shipping zones. Delivery time ranges from one to four days. Both delivery companies provide Mike with Internet-based tracking reports for each box of meat shipped. As Mike indicates, "It's important to not forget about these boxes when they leave the farm." (Mike Hansen, interview, 12/7/10).

Accounting and logistical coordination. Deb is responsible for accounting and record keeping at both Good Earth Farms and the Hansens' farm. Mike is responsible for overall logistical coordination of Good Earth, in consultation with the other four farmers, two meat processors and two delivery companies. (See "Leadership and management," page 4, for strategies to relieve the Hansens labor associated with the shipping logistics.)


Securing technical support. During the early years, the Hansens hired a professional web hosting firm to help support the development of the company's website. In order for web browsers to effectively identify the site, consultants worked with structure and key word placement. The Hansens also hired a professional consultant to monitor and troubleshoot the company's IT system. As Deb explains, "We hire good technical people to keep our system up and lessen our own time crunch." (Mike and Deb Hansen, interview, 12/7/10). Farmers of Good Earth Farms worked with the University of Wisconsin Extension and GrassWorks www.grassworks.org on technical aspects of their pasture-based farming systems.



Beef Summer Sausage is one of the processed meat products available from Good Earth Farms.



While chicken is one of the higher-selling meats, profit margins on chicken are lower than the other meats, given the higher processing costs per pound.



Achieving economic sustainability.

Pricing. Like many values-based enterprises, Good Earth Farms' pricing is based on "costs-of-production plus a reasonable profit margin" (Mike and Deb Hansen, interview, 12/7/10). In practice, this means that they combine cost structures on the production and management sides. First they calculate all production costs associated with raising a given animal species. As Mike explains, "We've done enough cost-of-production analyses over the last several years so we have a good idea of what they are for each type of animal." (Mike and Deb Hansen, interview, 12/7/10). On top of this they add a 25 to 35 percent profit margin for each farmer. Next, they calculate all costs associated with managing Good Earth Farms, including marketing, transportation, processing and shipping/distribution. They combine these management costs and add another 25 to 35 percent profit margin for Good Earth Farms LLC. ***This means that both production and management are valued and compensated at a similar rate.***

Payment practices. Included in the base price charged to customers are standard costs associated with operating an Internet-based business, such as a flat rate per pound that covers the costs of shipping. Customers are charged a nominal additional fee on their invoice that covers the varied cost of shipping, depending on delivery zone. (See the map at <www.goodearthfarms.com/Order%20Form.htm>.) Prices for individual cuts of meat are determined according competitive offerings and traditional marketing approaches to supply and demand. The Hansens offer sales to clear out slowly moving inventory. While chicken is one of the higher-selling meats, profit margins on chicken are lower than the other meats, given the higher processing costs per pound. "Chickens have become almost loss leaders for us." (Mike and Deb Hansen, interview, 12/7/10).

Payment to farmers varies according to animal species. Beef and pork farmers are usually paid within 30 days of slaughter. However, due to the substantial investment in poultry batches, an installment method is used to pay within six months of starting a batch. While the Hansens do not pay themselves salaries as managers of Good Earth Farms, they do draw \$500 monthly to offset family expenses. The balance of net income goes toward upgrading the firm's infrastructure, including buildings, freezers, trailers and trucks (Mike and Deb Hansen, interview, 2/24/12).

Economic sustainability. The Hansens are in the process of calculating net incomes to their farm and to the management of Good Earth Farms. While waiting for these numbers, they

optimistically report, “We’re able to cash flow these businesses, we’re paying off debt and our net worth is growing.” (Mike Hansen, interview, 1/27/12). As for competitors, the Hansens see the market continuing to grow for their meat products.

As Mike puts it, *“There is such a demand that other companies are not a threat. We’re actually our own competitors. We can destroy ourselves if we fall down on the quality of our products or the quality of our customer service.”* (Mike and Deb Hansen, interview, 12/7/10).

Future dynamics as viewed in 2012

Key areas of organizational positioning and growth. The following are important for the growth and maturation of Good Earth Farms:

- Supporting growth by increasing production numbers on existing farms and hiring an employee to assist with the increased production and shipping;
- Working with FedEx to develop better shipping boxes, with returnable/recyclable insulating foam;
- Redesigning the company’s website to make it more user friendly, informative and interactive; and
- Exploring the construction of a new building on the farm that would house a retail store, better shipping and docking facilities and office space. This was precipitated by a major highway expansion on the west end of the Hansens’ farm next to an important traffic interchange and potential business location.

Policy note

Good Earth Farms participates in three federal programs: corn and oat subsidies, the Conservation Stewardship Program (CSP) and the Environmental Quality Incentives Program (EQIP). One of their beef producers recently used EQIP funds to install fencing.

In 2006 Good Earth Farms secured a \$25,000 loan from the Wisconsin Department of Agriculture, Trade and Consumer Protection (DATCP) to build their inventory. They have not used any local programs. They received a \$5,000 grant from the chef Rick Bayless’ Frontera Foundation for refurbishing a shipping facility.

Mike Hansen reports no problems with any government policies in the last five years (Mike Hansen, interview, 5/3/11). He is eager to see how interstate shipment of meats processed at state-inspected facilities unfolds.



The Hansen family is involved in a range of activities on the farm—including putting up hay.

Credits

Mike and Deb Hansen provided the primary interviews upon which this case study and the policy note are based. The policy note was authored by Kate Clancy, University of Minnesota Institute for Sustainable Agriculture.

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Organizations involved with this report:

The National Initiative on Agriculture of the Middle is concerned with a disappearing sector of midscale farms/ranches and related agrifood enterprises that are unable to successfully market bulk commodities or sell food directly to consumers. See www.agofthemiddle.org. The initiative has three areas of emphasis: new business and marketing strategies; public policy changes; and research and education support.

The Center for Integrated Agricultural Systems (CIAS) is a research center for sustainable agriculture in the College of Agricultural and Life Sciences, University of Wisconsin-Madison. CIAS fosters multidisciplinary inquiry and supports a range of research, curriculum and program development projects. It brings together university faculty, farmers, policy makers and others to study relationships between farming practices, farm profitability, the environment and rural vitality. For more information, visit www.cias.wisc.edu or call 608-262-5200.

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Photos from Good Earth Farms.