

# From pasture to package: How one farm family reached for the retail dollar

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## Abstract

The dairy industry in the United States has undergone significant structural change in the last 50 years. In Williamson County, Tennessee, which is my home county, there were over 500 dairies in the county during the 1950s. Now there are 4, and the Hatcher Family Dairy is one of those 4 remaining dairies.

This is the story of how our farm family reached for the retail dollar to save the dairy.

**Key words:** dairy, retail, management

## Résumé

L'industrie laitière aux États-Unis a connu un grand bouleversement au niveau de sa structure ces dernières 50 années. Dans mon comté de Williamson, au Tennessee, il y avait plus de 500 fermes laitières durant les années 50. Il n'y en a maintenant plus que quatre et la ferme familiale Hatcher est l'un de ces dernières fermes existantes. Voici comment notre ferme familiale s'est dirigée vers la vente au détail pour assurer sa survie.

## Introduction

My brother Jim and I are partners in Hatcher Family Dairy. We are fourth generation dairy farmers, farming the same land our forefathers farmed since 1831. The current Hatcher Family Dairy partnership started in 1992. We enjoyed a few good years financially in the dairy business and then a string of bad years. At times, it seemed no matter how efficient we were or how hard we worked or how good milk production was, the farm had trouble cash flowing. In 2005, our dairy operation had reached a crossroads. It was important to me to pass the farm down to future generations as the 3 generations prior to me had done. The dairy needed to be sustainable. The only way to be sustainable was for the farm to be profitable. Should we continue down the same path with no control over the price that we received for our milk, or try to add value to our milk by bottling our own milk and setting our own price? Not only was there financial pressure, but developments were encroaching all around us. I told my brother that we need to do something different or get out of the dairy

business. I began to look at dairies in Alabama and South Carolina that had successfully added value to their milk by bottling their own milk. I was intrigued by the value-added concept and sought help from the Center of Profitable Agriculture, a partnership of the Tennessee Farm Bureau and Tennessee Agricultural Extension. The Center of Profitable Agriculture performed a study on the feasibility of our dairy bottling our own milk. The results of the study were sobering, and a little less optimistic than I expected. Even though our farm location was ideal for the development of a niche market because of the proximity to 1 of the highest income per capita populations in the country, the study truthfully showed the large amount of money required to start the venture. Not only that, but we needed to successfully market 85% percent of our current production (around 70 cows) in the bottle at \$6 a gallon to be profitable.

## Taking the Next Step

Although somewhat reluctant, the family agreed to proceed with pursuing the bottling of our own milk. The local university Middle Tennessee State University (MTSU) in Murfreesboro, has a small fluid milk processing facility. To limit our financial risk, we established a test pilot milk marketing project with MTSU. MTSU provided a truck to haul our milk to their processing facility and agreed to process a certain number of truckloads of milk for an 18-month period. A talented friend of my brother's designed the Hatcher Family Dairy logo. A retail milk store was constructed as part of the veterinary clinic on the farm to sell milk directly to the consumer. We purchased a small refrigerated truck to haul the finished milk products to wholesale accounts. Our first milk, around 200 gallons, was bottled on May 18, 2007 at MTSU. The milk processed that week was sold at our milk store, our local hometown grocery store and the Franklin Farmer's Market. The 18-month pilot project period allowed Jim to learn how to process fluid milk, including quality control, and proved to us that we could successfully market our processed milk to the local populace. The decision was made to make the investment to build a creamery on the farm. The creamery was completed in early spring of 2009. The facility was designed to efficiently process 2500 gallons of milk in a 10 to 12 hour period, including preparation and clean up.

Our milk is marketed as being predominantly pasture-derived from our cows on our family farm since 1831. The change from being a dairy producer to a producer-processor-marketeer has not been easy. The amount of extra work and expertise required to be a producer-processor (value added) dairy operation, compared to a traditional dairy operation (milking cows only) has been a shock. We already knew how to produce milk, now we had to process the milk and market the milk ourselves. There has been, and continues to be, many long days required and obstacles to overcome to keep the business going. Family members play key roles in all major management areas. Brother Jim is the milk processing manager, wife Sharon is the farm milk store manager and bookkeeper/check writer, son Charles manages the farming operation, the milk delivery routes, farm tours and social media, and daughter Jennifer manages the veterinary clinic and oversees herd health. Son-in-law Chuck and I both have full-time day jobs in Nashville. We help as we can on nights, weekends, and holidays.

### **The Outcome**

Since the spring of 2009 our gross farm income has quadrupled. We have paid no money for advertising or marketing of our products. Our marketing plan has been based solely on providing quality local fresh dairy products, word of mouth and free press exposure. The result has been a fiercely loyal customer base. Our customers want to support a local dairy and are willing to pay extra for the products. Hatcher Family Dairy products are sold in over 40 stores in the Middle Tennessee area, as well as several local farmer's markets and our farm milk store. Whole Foods is our largest wholesale account, selling our dairy products at 3 Tennessee Whole Foods locations. Convenience stores, mom-and-pop grocery stores, and coffee shops make up the balance of our wholesale accounts. Our biggest seller is non-homogenized whole milk, followed by 2% milk and skim milk. Our chocolate milk is known to be the best in the land. Over the last few years we have expanded our dairy product line to

include whole cream, half and half, buttermilk, butter, a low-fat chocolate sports drink with added protein, and gelato. We are also marketing our own beef, lamb, and eggs. The demand for these products is so high that we can only supply these products at our farm store and a few farmer's markets.

Since April of 2012, we have processed and marketed 100% of our milk production locally. The biggest challenge for a fluid milk producer-processor is to process and successfully market all the milk products they processed that week.

Many people want to visit a working farm. We have conducted educational walking tours of our farm for several years now. Farm tours taught us that the general population has no idea where their food comes from. Our goal is to educate people about production agriculture and to show them where their food comes from. Tour attendees have taught us something too though; we should all be more aware of how others might perceive animal welfare on dairies. We are sensitive to this and have changed some of our management practices as a result.

The tours have been so successful, reservations are required and we do charge a fee for the tours. We have found that tours are one of the best ways to promote our value-added farm products. Sales at the farm store on tour days are much higher than on non-tour days. Farm tours are our highest net form of farm income, and the income is not limited by milk production.

### **Conclusion**

Adding value to our milk by processing, branding and successfully marketing our milk has helped our dairy farm to be profitable. Through profitability has come sustainability, and through sustainability has come the ability to pass the farm and a successful business to future generations. Direct farm marketing is not for all dairies but for some, it can be the path to sustainability and that can save some dairies from going out of business.