



Values-based food supply chain case study: Good Earth Farms

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Origins of Good Earth Farms

Mike and Deb Hansen started their Central Wisconsin farm, Gifts from the Good Earth, in 1995. Their goals for their farm revolved around environmental, economic and social sustainability. As demand for their organic, humanely raised meat products grew, they developed partnerships with four other farms to create a company called Good Earth Farms in 2005. Their first partnership was with two skilled Amish poultry farmers, followed by agreements with pork and beef producers. These five farms sell nearly all of their certified organic meat products through the Good Earth Farms website.

Key characteristics

Good Earth Farms products include grass-fed beef, pasture-raised pork, chickens and turkeys, all certified organic. Their focus on taste, freshness and animal welfare attracts many loyal customers. The Hansens say that, “In this game, it’s not the least cost producer but rather the highest quality producer who wins.” Annual sales were \$324,000 in 2011, with beef and pork accounting for 55 percent of sales.

With the exception of hogs, all animals are aggregated and transported to the meat processing facilities by Mike. This assures that Good Earth Farms’ animal welfare standards are met during loading, hauling and unloading. The hog farmer transports his hogs in accordance with these standards. The processors use humane slaughtering methods. Mike picks up the frozen meat in his refrigerated truck and returns it to his farm, where it is stored in commercial freezers.

Customers place orders through the Good Earth Farms website. The Hansens assemble, weigh and price the meat and invoice their customers, who pay online by credit card. Once they receive payment, the Hansens pack the meat in specially designed boxes fortified by dry ice and insulating foam. The boxes are treated to protect quality during shipment, and are then shipped to customers on Mondays and Tuesdays. Good Earth Farms ships to customers in four shipping zones with delivery times of one to four days. The delivery companies provide Mike with tracking reports for each shipment.

The Hansens feel that customer service is key. Good Earth Farms adheres to timely, quality shipping practices and quickly responds to customers’ questions and concerns. It is important to them that shipped meat arrives solidly frozen.

Good Earth Farms is a limited liability corporation (LLC) solely owned by Mike and Deb. The other participating farmers are valued suppliers who currently have no legal or financial associations with Good Earth Farms. Beef and pork farmers are usually paid within 30 days of slaughter. Due to the substantial investment in poultry batches, an installment method is used to pay chicken and poultry producers within six months of starting a batch. The Hansens do not pay themselves salaries as managers of Good Earth Farms, but they draw \$500 monthly to offset family expenses. The balance of net income goes toward upgrading the firm’s infrastructure, including freezers, trucks, trailers and buildings.

Pricing is based on cost of production plus a reasonable profit. Good Earth Farms calculates all production costs associated with a given animal species, and adds in their marketing, transportation, processing and shipping costs. On top of this, they add a 25 to 35 percent profit margin for each farmer and Good Earth Farms. This means that both production and management are valued and compensated at a similar rate.

Strategic partnerships

The farms that sell meat through Good Earth Farms each raise a different mix of livestock: chickens and



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turkeys are raised by two Amish farmers, the beef by the Hansens and a neighboring beef farmer, and the pork by another experienced producer. The Hansens selected these farmers based on common values that support Good Earth Farms' business philosophy. There is no written agreement regarding how many animals each farmer will produce each year, but the Hansens discuss production and other goals with their partners.

Good Earth Farms works with two USDA-inspected processing facilities. USDA inspection is required because nearly all of their products are sold across state lines. The Hansens ship frozen meat to customers around the U.S. via two mainline parcel distribution companies. Spee-Dee Delivery Company, based in St. Cloud, Minnesota, handles deliveries to the Upper Midwest. FedEx delivers boxes going elsewhere. Good Earth Farms ships enough product to receive discounted shipping rates. They are working with FedEx to develop a box from which the insulating foam can be returned and recycled.

Half of Good Earth Farms' customers are located in the Upper Midwest. However, Good Earth Farms counts customers in all of the remaining continental states, with concentrations on the two coasts and Florida. Customers tend to be well-educated, conscious of environmental and human health issues and particularly concerned about animal welfare. While most customers find Good Earth Farms online, many new customers arrive through word-of-mouth.

Early on, Good Earth Farms hired a professional web hosting firm to support the development of the company's website. They also hired a professional consultant to monitor and troubleshoot the company's information technology system. Mike and Deb say, "We hire good technical people to keep our system up and lessen our own time crunch."

Future directions

When it comes to the economic sustainability of Good Earth Farms, the Hansens optimistically report, "We're able to cash flow these businesses, we're paying off debt and our net worth is growing." They feel that there is such a strong demand for the type of product that they offer that they are not threatened by competition.

Since 2003, Mike has been working full time with his family farm and Good Earth Farms. His responsibilities include animal rearing, health and welfare; field and pasture work; customer contracts; marketing; and shipping. Deb works off the farm as a Certified Public Accountant, and also manages the financial records of the farm and Good Earth Farms. She and the children help with daily operations as needed.

Running two businesses sometimes requires that Mike work 80- to 100-hour weeks. These hours aren't uncommon for entrepreneurs, but they don't align with the Hansens' commitment to quality family time as part of social sustainability. In order to address this issue, they plan to hire a shipping room employee and support that position through increased sales for the LLC. They also plan to upgrade the website to make it more user-friendly, informative and interactive.

Following a major highway expansion next to a potential business location on the west end of the Hansens' farm, Good Earth Farms is exploring the construction of a new building that would house a retail store, better shipping and docking facilities and office space.

Ultimately, Good Earth Farms is focused on maintaining the high quality so valued by their customers. Mike says, "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."

A longer version of this case study (and related research) is available at two locations:

www.cias.wisc.edu/economics/case-studies-profile-mid-scale-food-enterprises
www.agofthemiddle.org

The Good Earth Farms website is:

www.goodearthfarms.com/

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