



Setting Up Your Own Processing

Eric Klein – Hidden Stream Farm – Dover Processing Inc.

Our Farms, Our Future Conference 2018

Background – Hidden Stream Farm

- Direct Marketing
- Why did we start?
 - As a small farm you need to differentiate not be least cost producer
- What do we raise and sell?
 - We raise grass-fed beef, deep bedded natural hogs and pastured broilers
- When did we start
 - 3rd generation farm with the 4th coming up.
 - Started Direct Marketing in summer of 1999 with local farmers markets.

Growth of Hidden Stream Farm

Started small in 1999 while working in town

Enrolled in the Land Stewardship Project “Farm Beginnings” program.

Started as a young family struggling to quit the town jobs and stay on the farm “full-time” (Direct Marketing was in the early days)

Steady growth, quality products and determination kept us going

LOTS AND LOTS OF MISTAKES

Current Growth

- Through evolution and many experiments the demand increased.
- Hidden Stream Farm 2.0. circa. 2002
 - Started working with many chefs and coops and food service
 - Expanded the access to local food

Local food distributor

- HSF became a “go to” source for true local food!
- Provide “single-source” ordering and invoicing
- Radius of 150 miles from where the food was grown, prepared and consumed.
- Core Business remains
 - Grass Fed Beef
 - Deep bedded pork
 - Pasture raised chickens



Offering More

- As we evolved so did the products.
- Fresh never frozen meats and other foods.
- Started with a few vegetable growers.
- Added organic and pasture raised eggs.
- More vegetable growers.
- Fruits
- Foods from local foragers. (Morels, Ramps, Nuts, Nettles, .etc)



Challenges in the meat business.

- Meats: Processing:
 - Many rural communities are faced with aging infrastructure. Ours was the aging of small USDA plants in rural America that were built during the “creamery generation”.
 - Plants were not set up for volume of animals or increased production of value added products like ham, bacon and sausages especially “uncured”.
 - No loading docks or truck access for pallets.
 - No middle ground for processing. Either small country meat processors or large corporate plants

Next Steps – Dover Processing

- Why??
 - Aging local processing plants
- Continued growth for Hidden Stream Farm.
- We wanted to still be able to offer custom cuts for our customers and specialty products.
- The larger processors were set up to “cut to spec”
- With the shortage of processing slots in our area it was a good fit.
- The timing was right!

Process of building and funding

- 3 yrs. planning for Dover Processing.
 - 1. Find a site
 - 2. Finalize business plan and cost of construction and equipment
 - 3. Secure Funding
- Several years of designs, changes, buildings, locations finally all came together.
- Found a small town close to the farm (12 mi) with an empty newer building that fit our needs in an industrial zoned area. City water, city sewer and good power availability. Makes USDA grant easier.
- Worked with designers, contractors, several equipment companies, electricians, refrigeration company.

Financing

- Debt Financed – 100% ownership
- Sources of financing
 - Bank Financing
 - SBA 504
 - Private Debt
 - Personal Equity

Final Stages

- After many years of behind the scene work, we completed Dover Processing. Worked with a contractor off and on for several years developing and tossing ideas. Many revisions and learning along the way.
- Construction phase took just 6 months to complete!
- Found a terrific plant manager from another local USDA plant that knew the business and was eager to make this is own.
- Continually worked with USDA before, during and after construction.
- While they can't give direction until the grant inspection walk-through, they were very helpful in steering us towards regulations and previous experiences.
- Currently running at about 65% capacity.

Growth

- We built in enough room to be able to accommodate more local farmers and direct marketers by helping them develop new products and offer them a high quality product for their customers.
- Co-Packing.
 - We see increased business in co-packing for other businesses to help them bring there product to the marketplace.
 - We are able to leverage our resources for packaging, shipping, ingredient sourcing and the ability to cross dock with easy pallet handling and temporary cold storage.

USDA vs State Equal to

- USDA Grant of Inspection gave us more market access.
- Our location gave a better cross section of new customers for Dover Processing. Minnesota, Wisconsin, Iowa
- Despite the horror stories, we had a good relationship with our current district inspectors
- State inspection was just as rigorous with out the added value of interstate business.

USDA

- USDA Inspection gave us the ability to market to a broader audience. Our proximity to bordering states made it more appealing for other farmers to use Dover Processing.
- Larger clientele to draw from for processing customers who wanted to also expand across state lines.
- We were already using USDA inspected plants so the relationship with on-site inspectors and supervisors was already started.

The right team is everything

- The learning curve has been very steep, but we learned to put a good team together.

Accountant

Attorney

Bank

Investor (lenders)

SBA 504

Hired a private individual to help present the financing package.

Future

- The Future of Dover Processing Inc. will have many benefits
 - Help the local rural community
 - Support small farmers
 - Create local jobs at a living wage

