

Snowville Creamery's New Community Capitalism

Snowville Creamery – located near Pomeroy, Ohio – is a small but growing dairy processing firm with a unique business model and product array.

by Warren Taylor

Warren Taylor and his wife Victoria are owners of Snowville Creamery, located near Pomeroy, Ohio. Warren followed a long career in dairy engineering by “going back to the roots” – small-scale dairy processing. Warren is a self-proclaimed “Dairy Evangelist” – touting the benefits of “old-fashioned” milk.

Furthermore, Snowville Creamery aspires to be an example of community commerce: local sustainable food production committed to benefiting the community as a whole. We believe in cultivating multiple relationships among dairy farmers, employees, retailers and consumers. Such relationships are possible only when like-minded people trust and support one another. When Snowville Creamery began buying milk from local farmers six years ago, all producers firmly desired to use the Federal Milk Market Order (FMMO) minimum pricing as the basis for milk payments.

Snowville Creamery and our producers developed a “sliding scale” milk-pricing program with the greatest differential when the FMMOS price was low, and a smaller differential when the FMMOS price was high. This system helped level the most severe milk price gyrations. However, our producers still could not know what they would receive for their milk until long after Snowville Creamery had processed, packaged, and sold the products. We finally made a milk-pricing breakthrough at the end of summer 2012, following months of serious drought. Our farmers’ balance sheets were back in the red due to high costs for forage and feed. We met and worked out increases for their pay price by \$3/cwt. to reflect a fair price atop production costs. In doing so, we asked them to have that price be consistent, month to month, unless there was a reason to change it. The following spring, we dropped the price \$1/cwt as the grass was growing well. We put that dollar back on last fall to recognize the rising cost of feed and forage through the winter. Currently, Snowville Creamery’s base price is at \$25/cwt., plus a premium for components. We are only able to price our producers’ farm milk in this fashion because we have established the principle of transparency in our mutual costing arrangements and trust that everyone is being treated fairly. I consider this pricing program one of the great successes achieved by Snowville Creamery and the dozen dairy farmers supplying our raw milk.

Unique business model

Snowville Creamery is starting its seventh year of operation, having closed its sixth year grossing nearly \$6 million and netting a profit of about \$400,000. We are now utilizing the milk from about 600 cows each day that are located on a dozen nearby dairy farms. Those operations range in size from 12 to over 200 cows.

Snowville Creamery produces whole milk, 2%, fat-free, and chocolate milk in half-gallon, gable-top, paperboard/recyclable cartons. We also package whipping cream and half-and-half in the same half-gallon cartons. All these products are sold exclusively in half-gallon paperboard containers, as that is the only type of carton filling machine we have. We pasteurize with a high temperature, short time pasteurizing system at about 165 degrees F, for less than 20 seconds. We believe this provides the minimum possible heat treatment. We also do not homogenize the milk, so that the cream rises to the top.

Our business model aims to produce the finest milk we can. That ethic requires continuous improvement, not just meeting minimum standards. Our customers relish the outstanding taste of fresh, minimally-processed, grass-grazed milk. Many of our consumers have come to enjoy the seasonal variations in taste and mouth-feel that are inherent in good, old-fashioned, grass-sourced milk. Part of our development plan includes continued improvement of the soil fertility, quality of forage grown, cows’ health and fertility, and freshness in getting milk to the customers’ table.

Minimizing the product delivery time between Snowville Creamery and a customer’s table is achieved with a variety of distribution arrangements. In our local town, Athens, southeastern Ohio, we deliver products to about a dozen businesses and stores ourselves. We also deliver directly to about 40 stores (referred to as “DSD”, direct store delivery) in the nearest big metropolis: Columbus, Ohio. The Columbus market makes up about 40% of Snowville Creamery’s total business. Whole Foods Markets (WFM) is an important outlet for our products in Ohio, Kentucky, Pittsburgh, and Washington DC. Those 30 stores are served by either WFM’s own distribution system, or by a contracted distributor. Our products destined to Whole Foods stores are picked up at our creamery’s dock three times a week by a semi-truck and very economically and promptly delivered to the WFM stores. In the Cleveland and Cincinnati markets, we went through two years of self-distribution at great cost—all part of our “learning curve.” The delivery drivers would begin in Columbus, then drive about two hours to either Cleveland or Cincinnati before delivering to the stores for six to eight hours. Then, the delivery trucks returned to Columbus. We absorbed these costs (and losses) until Snowville Creamery had built the market in those cities to a volume that would be attractive to another distributor. We now deliver those distributors with our 26-foot refrigerated truck, dropping full pallet quantities at each of the distributors for their breaking down and organizing into their individual store deliveries, which they manage.

Fortunately, as our business volume and service area have expanded, the combination of Cincinnati, Cleveland area, and WFM distributors have happened to already serve a number of smaller regional and sub-regional retail stores that have started marketing our “Ohio brand.” This increased local demand is mak-



In his long career as a dairy plant engineer, Warren Taylor rubbed some of the biggest elbows in the fluid milk business. But Warren’s career path has taken him back to the “grass roots” of dairy processing: small-scale, green (grass-based) goodness.

ing it possible for our milk to be available in smaller rural outlets where we could otherwise, not afford to deliver a sale totaling few cases of products.

In early 2013, Snowville launched seven different yogurts and *crème fraîche* (a 36% butterfat rich sour cream). Even though the largest grocery stores selling our fluid milk products have so far declined to take Snowville Creamery’s yogurt, these new cultured products accounted for over 15% of our dairy sales volume last year. We expect yogurt to climb to as much as 25% of our business volume this year, as more grocery chains have accepted these yogurts.

We call Snowville Creamery’s yogurt “American-style” – to heck with Greek yogurt that is all the current rage. The Greek yogurt method strains out 2/3 of the liquid *after* the yogurt is cultured. Eliminating the “whey” by such straining reduces nutrition and creates an environmental problem. Snowville filters about half of the water out of the milk *before* culturing. So we get a thick, creamy yogurt with all the nutritional benefits of milk and no acid whey to dispose.

Customers like grass-based products

Snowville Creamery decided to continue with its philosophy of using very fresh, grass-fed milk and a commitment to the highest quality unique dairy products. We do make vanilla-flavored yogurt but, every other Snowville Creamery yogurt flavor is, to my knowledge, unique in America. Our 6% butterfat and 2% butterfat plain yogurts are packaged in 24 ounce containers after being cultured in a vat and cooled through a plate heat exchanger. This system has become the typical way for manufacturing yogurt world-wide. Along with the 1% butterfat vanilla, we make a 2% butterfat ginger-cinnamon yogurt called “Gingamon.” We also produce classic set-in-the-cup, cream-top 8% butterfat dessert yogurts in 16 ounce containers. Our three dessert yogurt flavors are lemon-ginger, coffee-cardamom, and turmeric-mace. We let everyone else fight over strawberry yogurt business.

Snowville Creamery’s customers increasingly welcome good, grass-fed milk fat, considering that milk fat to be an important part of their healthy diet. Our whole milk sales have progressed from less than 25% of our total fluid milk sales to nearly 38%. Meanwhile, the fat-free milk and 2% low-fat varieties are both declining – compared to whole milk. In my opinion, it’s time for the American dairy industry to stop pandering to the 30-year old fiction that saturated fat from animals is deadly. Wouldn’t it be great if America’s dairy lobby leadership actually promoted the value of dairy farmers’ products by actively supporting the consumption of full-fat and high-fat dairy products. Dairy leaders refuse to admit that there is any difference between grass-grazed milk and grain-fed milk, so health benefits of grass-fed milk cannot be recognized!

Perhaps Snowville Creamery’s most exciting cultured product is our 36% butterfat *crème fraîche*. I learned while sampling the product in the Washington D.C. Whole Foods Markets that French people do not consider any of the *crème fraîche* in America to really be true *crème fraîche*. This perception makes it sometimes difficult to get them to try ours. I don’t recall any French person trying our *crème fraîche* that did not smile and buy one – while agreeing Snowville Creamery’s product was like what they enjoyed in France.

Dealing with GMO grain issues ...

The biggest trend I see is our consumer’s concern about milk produced with GMO grain. We find our sample demo folks in stores are aggressively, and sometimes even rudely, confronted about non-GMO feed for our cows. Whole Foods Market is taking the lead with posters around their stores confirming their commitment to non-GMO food. This issue is clearly a problem for livestock product producers. Snowville is not certified organic: the truth is that our farmers have used GMO grain in the past, some still do. Most of our milk supply is now produced with non-GMO grain, but not all of it. We expect to be non-GMO by spring 2014.

Helping locate non-GMO grain for our dairy producers is only part of what customers want. The majority of non-GMO grain grown in Ohio is still grown with some amount of non-organic fertilizers, herbicides and/or pesticides. Consumers of grass-fed milk expect it to be produced organically. As a future direction, Snowville Creamery looks towards organic certification.

Supplies of both organic and non-GMO grain are limited in Ohio. Even at the low grain utilization of 10 pounds per day per cow, our farmers need three tons of grain per day, over 1000 tons per year, about 40,000 bushels of corn. With our principles of sustainability, we are loathe to source that grain from



The Snowville Creamery logo features an old-time milk maid pouring milk. That “traditional” theme is carried through to the firm’s grass-based products.



Here’s an array of Snowville Creamery’s consumer products. This small, but growing dairy processor procures milk from about a dozen, grass-based dairy producers located in Ohio and nearby West Virginia. Customers like the old-fashioned, grass-based goodness of Snowville Creamery’s dairy products.

hundreds of miles away. Before Snowville Creamery can source organic grain within Ohio, we will have to develop substantial additional organic grain supplies and the infrastructure to transport, hold, grind, mix, and deliver that grain to our farmers. That functionality does not exist today. Our next step may have to be building a local non-GMO and certified organic grain mill.

Good grain model in New York

There is a companion part, which is the grain storage, grinding and mixing, and delivery to dairy farms. Perhaps the finest example of an integrated grain and mill operation serving the livestock farming community is that of Mary-Howell and Klaas Marten of Penn Yan, New York. The Martens produce a wide variety of grain products. In addition to high-dollar wheat for New York.

Now Snowville Creamery is prepared to use the example of a long-term, mutually-beneficial trusting relationship, as we have established with our farmers, to develop a certified organic feed and forage supply for those 600 cows. Just as dairy farmers are numb after years of rollercoaster milk-pricing, they are also resigned to similarly gyrating feed costs. One great measure of success for many organic milk producers is self-sufficiency in feed and forage. However, that achievement is not practical with most 200-cow, grass-grazed dairy operations.

We need partnerships with local grain and forage farmers in which we promise to pay a fair price above production costs. Perhaps, a sliding scale, as we used with our dairy farmers, will be appropriate with our new non-GMO grain producing farmer partners. When commodity prices are below the cost of production, we will pay a fair price above the cost of production. When commodity prices are high, we will expect those same farmers to accept a below-market price when that still gives them a good return.

Perhaps this gets to a key point in our struggle to meet a constantly increas-

ing consumer demand. That is we are not playing on a level playing field. The large industrial food producers, who must look to export, for rising consumption of their products, are the recipients of taxpayer-based subsidies. They continue to be favored with the flow of capital and government largesse. The market is not being allowed to work. It is being distorted by the various bully monopoly business interests who trumpet free markets. But they do not really want free markets. They want to control markets. In American agriculture, today, they do.

We have learned a lot in the last six years. As the saying goes, experience is the best teacher, and the most expensive. From the beginning, we considered ourselves to be in a position of service between the farmer and the consumer. We focused on their needs first. I wouldn’t want to do this any other way. Our ability to survive during the difficult economic times of the last six years is a testimony to the validity of that philosophy.

As a dairy engineer, I built a large consulting company which designed massive dairy processing facilities for some of the largest food and dairy companies in the world. I did it by having the same outlook as I did when I was a corporate engineer working for Safeway stores when they were the largest milk bottling company in the world. I work for the owner as their employee. I give myself over to their needs and find in doing so a clear course in decision-making. We trust our customers to support our product and validate our vision of community capitalism. So far, it works. We hope it will give others the confidence to develop and expand the reach of their community’s local agriculture.

Local, grass-fed, non-GMO grain (and alfalfa) dairy is the real future of the new progressive, American dairy industry. Let’s give the milk-lovers of America what they really want: honest, great-tasting beverage milk!

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