

Karl Kupers – Hirst Farms*

Background: (initial strategy, evolution of strategy and enterprise structure, dynamics and resources involved in getting started; amount of start-up capital required?)

Hirst Farms is a 5680 acre grain farm in the low rainfall (11-12 inches per year) region of Lincoln County, Washington. Karl Kupers joined his father working on the farm in 1973. Area agriculture is characterized primarily by dryland winter wheat / summer fallow cropping systems and beef cow/calf ranching.

In the mid- 1990's, out of concern for soil health and sustainability, Karl used a SARE Farmer Research grant to begin experimenting with alternative crops and direct-seed cropping systems on a 40 acre test plot. He has also been involved in on-farm cropping systems trials with WSU Extension and the Wilke Research Farm (alternative dryland cropping systems trials). He gradually translated these practices to the entire farm. The entire agricultural infrastructure of Lincoln County emphasizes the production, export and marketing of wheat. So, along the transition to more sustainable production systems, Karl recognized that he had to develop a complementary marketing strategy. In order to capture value and market share through his commitment to sustainability, Karl became the first Food Alliance certified grain grower. Food Alliance certification and market development efforts facilitated his marketing of grain direct to food processors, such as artisan bakeries. Another way that Karl is marketing the sustainability of his farm is through the Pacific Northwest Direct Seed Association. PDSA has entered a carbon credit lease agreement with Entergy (southern energy utility) for carbon sequestered through direct-seed cropping systems.

Karl is becoming widely recognized and respected for his efforts to improve the sustainability of dryland grain farming. He was profiled in SARE's *The New American Farmer* publication.

Organizational form / scale / leadership: (nature & legal form of the enterprise, number of members, capitalization and other major financial indicators, amount of product, leadership & decision-making structures, changes over time and reasons for changes)

Karl, like his father, has always leased the farmland from landowners that are between 3 and 5 generations removed from the farm. While these landlords take pride in their farming heritage, none of them have technical expertise in farming. Karl has taken the initiative to maintain transparency with his landlords and to keep them informed about agricultural sustainability and how he is trying to make their land and the farming more sustainable. Consequently, his landlords have supported his decisions to pursue alternative production and marketing systems. Recently, Karl purchased 1200 acres he had been leasing to keep it in production.

In addition to building the sustainability of the land, Karl promised the landlords that he would work out a transition of the farm to another farmer on their behalf. In early 2000, Karl brought in Jim Hirst to begin the farm transition. After three years of working together, Jim took over fiscal and operational responsibility of the farm and is now the leaseholder. Attorneys and accountants had questioned whether such a “non-family” transition on leased land would work, but Karl says he and Jim hit it off well and the transition actually came together more quickly than expected. Karl is now acting as the “tractor driver” and the marketer for the grains and specialty crops.

To facilitate the marketing of crops, Karl has established a Limited Liability Company called Columbia Plateau Producers with 11 other farmers in the region. They market their grain as processed flour under the label “Shepherd's Grain”.

Nature of products and the “value chain”:

* In 2002, Karl transitioned the management and responsibility of his farm to Jim Hirst. Jim is now the leaseholder and makes fiscal and operational decisions.

Karl has broken out of the rut of winter wheat / summer fallow monoculture that dominates Lincoln County. He has shifted to alternative crops, such as perennial grasses mixes for forage and CRP, safflower, sunflower, canola, and mustard – all produced in direct-seed cropping systems. Karl's primary crop is still wheat.

The key difference that Karl's new marketing strategy has created for his "value chain" is that he now considers himself a flour producer and not a wheat producer. Marketing flour as your end product requires a completely different mindset and financial strategy. For instance, as a wheat grower, Karl used to be paid for delivering wheat to the depot, but payments for flour are spread out over the course of the year as the wheat is milled into flour. In addition, direct marketing of a value-added product instead of a commodity has shifted the burden of production from quantity to quality. As a commodity wheat producer Karl says it's "yield, yield, yield – quality be damned." But when you are direct-marketing a value-added end product like flour, you are very concerned and take the extra steps to insure the quality of your product.

As is the key for many new successful marketing strategies, Karl's value chain is based on trust and relationship marketing. Karl credits Food Alliance certification and partnership with opening many doors for marketing his product, but the onus of making the sale is still on him. He is learning that patience and persistence are critical qualities for successful relationship marketing.

Economics of the Enterprise:

Karl claims to earn 10 – 12% more than other grain farmers in the area. He believes that the additional costs associated with innovation are more than offset by the premiums received from direct marketing. He also believes that the greatest economic benefits will be in the future, when the improved fertility caused by his new production systems will improve productivity. Direct-seeding and crop rotations have already significantly increased the value of and created a demand for the land that he leases.

Currently, Karl direct markets approximately 50% of his products. His goal is to have 100% of his crop contracted to direct markets before it is planted.

Key opportunities & challenges engaged:

The challenges of farming sustainably in the dryer regions of Eastern Washington have usually outweighed the opportunities. Karl has demonstrated that making sustainability the goal of a farm is dependent on continual learning, discovery and persistence. He notes that we can make things work if we get out of the rut of 'the way things are done.'

The greatest challenge and opportunity Karl faces is figuring out how to fit all of the elements of sustainability that he has learned and is learning into a comprehensive package and how to help other people understand this. Direct-seeding, carbon sequestration, crop rotations, land tenure, Food Alliance certification and relationship marketing are all pieces of the much larger picture of sustainability. None of them alone is "the answer" to challenges of farming. As enough of the pieces come together in a package, there is great potential for improving the sustainability of agriculture. Each of the pieces complements the others and learning how to see these complementarities is a key to success. Recently, Karl has been thinking about how to link sustainability all the way through the value chain of a product. As other units of the food system, such as dairy farms, food processors and retailers, begin to value sustainability, it makes sense to link them together to capture "life-cycle" sustainability of a product. With this in mind, Karl has encouraged other links in his value chain to become Food Alliance certified – so that there is third-party verification of sustainability from seed to consumer.

In addition to packaging sustainability, Karl is learning about the importance of different concerns consumers have about the products they buy. When he started direct marketing flour, he believed that his target market was the

“green” market. However, he has discovered that “local” is trumping every other concern in marketing. Shepherd’s Grain products have been wildly successful in Spokane, Washington – an Eastern Washington community not known for concern about environmental issues. But the proximity of Spokane to the Columbia Plateau Producers LLC has seemingly been the key. The issue of ‘what is local’ is definitely changing with improved technologies, though – and that has also had an impact on Karl’s success. He can now sit on his porch with his cellular phone, wireless laptop and digital camera and talk with a buyer 300 miles away in Portland, Oregon – and for Karl that is still his local community. He is now beginning to test how far his “local community” stretches.

Another challenge and opportunity that Karl thinks is important is breaking out of the monoculture of winter wheat / summer fallow. While there are certainly barriers to production in the low, winter-fed precipitation area of Eastern Washington, Karl thinks that there are opportunities special to the region, including proximity to large markets and the “benign” climate. The cities of Seattle and Portland proper are home to 2.64 million consumers – approximately \$800 million dollars of baked good sales each year. When someone claims that the market will be flooded if other farmers try to direct market, Karl claims he’s more than willing to share! Another opportunity that Karl sees is the fact that they don’t experience dramatic climatic shifts in Lincoln County. A sever drought might cut production by 25%, a hailstorm might clip the corner of the field and there is never a flood event too severe to farm - even mild climatic shifts can devastate production in the Midwest or Canada. Karl believes that in a benign environment like Eastern Washington, farmers can produce products of more consistent quality and quantity than anywhere else in the world, which is critical to developing direct markets.

Replicability in other settings:

Karl urges caution to other area farmers that are interested in direct-seeding, because not all of the problems have been worked out. Direct-seeding failed in the area already, when they tried it in a monoculture of wheat without crop rotations. He believes you have to be absolutely convinced about it, and that you need to be in good financial condition, because you will see yield drags in your first few years. He also says that while direct-seeding is a great weed management strategy in the long term, weed problems can quickly ruin a transition.

Regarding the direct marketing of the grain and flour, Karl says that it takes persistence, patience, and the ability to get out of traditional mindsets (both for the grower and the potential buyer). Progress has been slower than Karl expected, in spite of reports from buyers that he has been wildly successful in his marketing efforts. He feels there is still a lot to be learned and the need to coordinate multiple direct marketing efforts between different types of farmers and ranchers. For instance, Karl believes both he and Oregon Country Beef could both benefit from each other’s insight and promotion of the other’s products when they are dealing with buyers.

Research, education/demonstration, or policy changes:

In terms of production research, Karl encourages continued research on direct-seed systems and viable crops for the region. He comments that WSU and ARS have made strides in that they are screening all of their most recent research through direct-seed systems. He would like to see more varietal development, especially for alternative crops.

He also appreciates research concerned with packaging the elements of sustainability, such as work on the potential of carbon sequestration, the visionary establishment of Food Alliance, and case studies on successes and failures of direct marketing.