

**Annual Report #1
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Market Expansion of a National Award Winning Artisan Creamery

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Project Update:

It has been a big year for developments at Crooked Face Creamery as a result of the working capital we received by the Maine Department of Agriculture last year. With the completion of our improved cheese kitchen design, purchasing of new equipment for higher production, and the fabrication of our custom cheese smoker, Crooked Face Creamery is now making multiple batches of cheese a week, with an emphasis on our specialty cold smoked cheeses for both retail and wholesale markets. As a result of this push in production and market expansion, new opportunities and ideas for producing and marketing artisan cheese in Central Maine have started to take shape, including becoming a member of The Pickup, a rapidly growing wholesale distribution group which has picked up CFC cheeses and is now distributing them across the state, and also being recruited to head the research for a potential new collaborative cheese cave located at the Somerset Grist Mill and New England Food Hub in Skowhegan.

Our first objective of this project was to develop expertise in local and regional market opportunities for Maine-made artisanal cheese by conducting market research of successful New England cheesemakers. To kick off this research, I planned a trip this past year to Vermont to visit a few highly successful dairies including, Ploughgate Creamery, Jasper Hill, and the Von Trapp Farmstead. Each creamery operated on different business models, and have grown tremendously in the last ten years based on what suited their land base, resources, and demand for their unique products. The big takeaway from each visit was the importance of working with distributors. Due to their remote locations, it's essential to establish strong relationships with distributors to move your products beyond local and regional lines, a key component to their growth. The trip gave me a great perspective on wholesale pricing structures, and confidence that I can be competitive in this market, despite the fact I'm currently a much smaller operation as these larger creameries. For example, Jasper Hill wholesales their cheeses for \$10 per pound. The distributor adds a percentage onto that price, then the retailer marks it up about 30% on their end. By the time the cheese is displayed on sale at higher end retail shops, it ranges from \$26 - \$30 per pound. It is extremely useful to know these ballpark figures. If I keep my operating costs

low enough, wholesale distribution is a viable option for me and will open many doors for accessing new markets.

To share my experiences and knowledge base as my research continues, I have joined forces with the Maine Cheese Guild Marketing and Outreach Committee. It's the perfect setting and group of minds to take a look at these successful models and see how we can apply similar marketing tactics and distribution methods to our base of remote artisan cheesemakers. An incredible amount of work is underway for developing a stronger Web presence, a Maine cheese map with profiles on all licensed cheesemakers, collaborative marketing and events like a new Maine cheesemakers festival, online working groups amongst cheesemakers to share knowledge and ideas, ask questions, etc. This activity has been a great learning experience in terms of developing better local and regional knowledge of marketing and selling artisanal cheese.

The second objective of my project is to increase potential for Maine cheesemakers to establish greater market share among smoked cheese products. I have begun this process at my own creamery. Last year, I worked exclusively with Maine Wood Heat Co., on designing and building an affordable, efficient, cold smoker that offered an all natural process for smoking artisanal cheese in large quantities. The fabrication of the smoker was an incredible success. The piece of equipment works perfectly, and exactly the way we intended it to. As expected, the smoker is a first of its kind. It has the capacity for smoking up to 24 five pound wheels of cheese at a time, and up to 100 rounds of fresh cheese. With vents at the top and bottom of the smoker, I have complete control over the air input and exhaust output. The auxiliary firing chamber ensures the fire to create the smoke does not heat the unit itself, and allows me to adjust the levels of smoke throughout the process without needing to open the unit. I can start the smoking process in the morning, make a batch of cheese, and it will be ready to store for aging or for packaging within 2 hours. It is the most efficient system I could have asked for.

I have already done a number of demos of the smoker for private tours, and public events like Open Creamery Day last fall. This year, I'll be showcasing the smoker at the Maine Artisan Bread Fair in Skowhegan, at a class I'm teaching at KVCC with students studying sustainable agriculture, and also potentially partnering with Maine Wood Heat Co. at the Common Ground Fair. Both the general public and interested cheesemakers will be able to see the smoker in action. I also plan to schedule demos with interested members of the Maine Cheese Guild.

The third objective of my project was to increase Crooked Face Creamery's market share annual in regional markets. This work is also underway, with the majority of my efforts centered on marketing my smoked cheese to distributors, farm-to-table restaurants, and retail and wholesale outlets beyond my local markets. The most exciting development so far is establishing a close partnership with the efforts at Skowhegan's New England Food Hub/The Pickup wholesale distribution system. By offering my products through The Pickup, I have been connected to restaurants and retail outlets beyond my reach, and the potential for growth and their distribution list is consistently expanding to Southern and Coastal markets. I'm currently sending samples out

every week with their sales and marketing coordinator, experimenting with offering various quantities and packaging options, with discounts offered for bulk orders.

Deliverables:

So far during my project I have accomplished the following:

- A prototype and fabrication of a wood fired/cold cheese smoker
- Redesigned cheese kitchen and new equipment for more efficient larger scale production
- Updated Crooked Face Creamery website advertising my cold smoked cheese
- Revised Crooked Face Creamery branding (new logo and brochure) to promote new products, shift in focus and branding towards specialty cold smoked cheese

As I mentioned, I have already begun updating my website, expanding my market research, I'm actively sending samples to specialty shops and farm-to-table restaurants, hosting classes and demos of my cold smoker.

The major task ahead is to balance production with increased demand. Over the winter managing cashflow has been a challenge. As planned, however, I have been producing fresh cheese for local retail and wholesale markets so that I can have enough capital on hand to further invest in purchasing necessary milk and ingredients to build my smoked aged cheese inventory for 2016. I have also started to produce mini smoked Gouda wheels (less than 1 lb) with pasteurized milk which require less aging time, so I can get a quicker turnaround.

The other risk I described in my proposal was figuring out the cost I can charge for my cheese so that I can open up a greater possibility of working with distributors. A major accomplishment and successful partnership has been my milk supplier. I have been purchasing my milk from Richard Caverly and Beverly Donovan of Deer Hill Farm in Benton. They milk a small herd of award winning Ayrshires, and the milk is very high quality, has great components, has received many awards from Agri-Mark for components and quality, and is affordable. Compared to the \$4.40 a gallon I was quoted from another local dairy, I'm paying \$3.00 per gallon. This allows me to reduce my anticipated wholesale price over a dollar less than my anticipated \$12.50 per pound for aged cheese and \$8.50 for fresh cheese. Due to the percentage added on by the distributor, reducing production costs was crucial to make this new business model viable.

Next Steps:

The major next steps for Year 2 of the market expansion for Crooked Face Creamery are:

- Increased production and revenue of over 50% - from making 2 batches a week to 3 batches a week, with the ultimate goal of 5 batches a week
- Having fabricated, tested and now actively using the new cheese smoker, it's time to start developing more literature on the new technology both on the website and for print

- Continued emphasis on developing relationships with distributors. As remote as we are, it's a key piece in our expansion
- Further field trips and case studies on larger scale creameries, reporting on local and regional market opportunities and best practices for Maine cheesemakers accessing these markets

Budget Update:

As I mentioned above, it's been an exciting year with many new developments, and my goal to specialize in smoked cheeses and expand my markets for these unique products is as strong if not stronger than it was when I started out. The majority of my grant funds have been spent on what I anticipated in my budget - the cold smoker design and fabrication, new equipment like the cheese vat and hot water heater, new marketing materials, and personnel. I created a class in Quickbooks for the grant, and have allocated all appropriate expenses throughout my project to that specific class. The smoker came in less than I anticipated, but the equipment including the Rennai Hot Water Heater and vat hookup came in more than I budgeted for due to unforeseen technicalities in getting the systems to work together. The major expenses I have left will be allocated to printing costs/marketing materials and personnel for market research and continued case studies.

Final Thoughts:

As I mentioned above in the project update, new ideas are flourishing from my efforts to create a new unique product and expand my creamery - including a collaborative cheese cave concept at the Somerset Grist Mill in Skowhegan. I have been selected to head the feasibility study around what type of business model could be used and how we could capitalize on an available space that's ideal for aging cheese located in the heart of our local food hub and one of the key distribution centers for our community - the location of our famers' market and farm-to-table cafe. Being part of this project is a strategic move, the visibility and marketing opportunities for a "cave aged" cheese in the heart of our food hub is an exciting concept.

The Skowhegan area is rich with local farmers, support from the community, entrepreneurs exploring exciting new business concepts, and local eateries focusing on sourcing local food at the forefront of their mission to provide good food and a unique experience. Bigelow Brewery is a perfect example. They are a rapidly growing Brewery in Skowhegan, and recently added a wood fired pizza oven to feed brewery visitors on Friday nights. They feature local ingredients, specifically my fresh and aged cheeses each week on their pizzas. It's exciting that despite the fact I'm looking to distribute my cheeses beyond local markets, there are local markets that are becoming my biggest promoters and marketers. Along with Bigelow, a few other local businesses that consistently use my products are The Bankery, The Heritage House, The Pickup Cafe & CSA, The Maine Meal, Spruce Mill Farm & Kitchen, Rolling Fatties, and 45 North. I'm working on getting product reviews from these loyal customers so when new markets that don't

know about my business look up my website, I have a better online presence and reputation and chance of earning their trust for that initial order.

In all, I'm very appreciated of the support from the Maine Department of Agriculture, and I'm excited for my continued work and growth the marketing and technology grant awarded me.