



# Mid-Size Producer, Capturing Local Value: M&M Heath Farms

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The Northwest Direct farm case studies were developed to provide in-depth information about the direct and semi-direct marketing opportunities that exist for farmers within their regional food system and how these opportunities are captured by a diverse set of successful producers in Idaho, Oregon and Washington. Direct marketing strategies employed by the farmers featured in this series include farmers' markets, community supported agriculture (CSAs), u-pick, farm stand and on-farm sales. Semi-direct marketing strategies include sales to restaurants, caterers, retailers (grocery stores, butchers, etc.) and processors, arranged and completed by the farmer him/herself without the use of brokers or wholesalers.

In 2002 and 2003, members of the case study research team performed in-depth on-farm interviews with each of the 12 farm families in this study. Interviews were transcribed, financial information was collected, reviewed and interpreted and outlines for the case study content were developed. Professionals were hired to write the case studies. Each case study went through a series of reviews by the case study farmers, university faculty and research team members with final permission for publishing and distribution given by the farmers themselves.

The nature of profitable small acreage farming demands flexibility and the willingness to change. These case studies, therefore, reflect a "snapshot in time" of each farm. Readers should be aware that these farms have undoubtedly evolved since the initial interviews. They should also be aware that the unique nature of each farm necessitates an individualized treatment of the analysis of farm profitability and the criteria by which that is measured. The case studies contain financial information to the extent that farmers were willing to share, and reflect our intention to educate the reader, while at the same time protecting the farmers' need for confidentiality.

It is our intent that the case studies will be of use to:

- Current farmers who want access to a greater share of the revenue that comes from the foods they grow and raise and are interested in exploring one or more marketing options.
- New farmers who are designing their production and marketing systems, who are interested in employing one or more marketing strategies, and are establishing a business plan for their farm.
- Educators and other agricultural professionals who work with producers and others interested in direct and semi-direct marketing.
- Policy-makers who are interested in enhancing the financial stability of family farms in the region through innovative policy and government funding.

A total of 12 case studies were produced by Rural Roots, Inc. and the University of Idaho as part of the Northwest Direct project. A list of the other case studies in the series is included at the end of this document. These case studies are one component of a larger USDA Initiative for Future Agriculture and Food Systems project called *Northwest Direct: Improving Markets for Small Farms*. For more information on this project and its outcomes, visit the project website at <http://www.nwdirect.wsu.edu/>.



Colette DePHELPS, NW Direct Case Study Research Team Leader



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## *Farm Overview and History*

The residents of Southern Idaho are fortunate. With little effort, they can eat delicious, local, organic and sustainably grown foods, available to them through farmers' markets, farm stands, on-farm sales, Community Supported Agriculture, grocery stores and restaurants. The small sustainable farms in this region network and support each other in their endeavor to build local food systems and ensure their own survival.

Mike and Marie Heath, of M&M Heath Farms, make a significant contribution to this effort by raising over 400 acres of certified organic produce for a variety of markets. Mike Heath, who has been farming in Southern Idaho for over 20 years, says, "I'm convinced that sustainable organic is the way to go."

Heath's interest in organic farming began in 1982. He had returned a few years previous, from an overseas Method-

ist Mission trip to Malaysia and the Pacific Islands, where he had taught conventional farming methods and farm technology to rural subsistence farmers. This experience opened his eyes. Heath explains, "It turned out that they knew a lot more about farming under those conditions than I did." Additionally, he was able to witness first hand the detrimental effects that pesticides had had on the beneficial insect populations in the Philippines, and in other areas. Upon his return to the States, he stopped spraying his hay crop, and started importing ladybugs.

His first efforts at organic production did not pay off financially, due to the lack of a market for his 20 acres of organic potatoes. But it was a good learning experience, and Heath, a bit wiser, cut back on the acreage devoted to potatoes, and was able to gradually expand his organic production over the years, beginning with

**Mike and Marie Heath  
M&M Heath Farms  
Buhl, Idaho**

### **Marketing Strategies Employed**

- Sales to Processors
- Sales to Retailers
- Sales to Distributors/Brokers
- Community Supported Agriculture (CSA)
- Farmers' Markets

### **Primary Crops**

- Beans, Dry and Seed
- Potatoes
- Winter and Summer Squash

### **Secondary Crops**

- Barley
- Hay
- Wheat
- Corn
- Peas
- Tomatoes
- Miscellaneous Fruits and Vegetables
- Flowers

### **Livestock**

- Beef
- Chicken
- Eggs

**NORTHWEST DIRECT  
MARKETING  
FARMER CASE STUDY**

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**Organic Yukon Gold potatoes on M&M Heath Farms**

alfalfa and potatoes, and adding a variety of organic vegetables and grains, including beans, barley, corn, hay, squash, sunflowers, tomatoes and wheat. Marie Heath explains, "I think it is important that we start small with any new market or any new product (and) see how it's working (and then) build up from there." Mike Heath agrees, asserting, "I never bet the farm on anything."

Their farm, the parcel they own and live on, is situated on 18 acres due west of Buhl, Idaho. Additionally, the Heaths rent several other parcels from nearby farms, transitioning the land for organic production. They lease 200 of his first wife's family farm. They lease 56 acres from a farm just down the road, plus land on three other properties, for a total of 450 crop acres. Most of these properties have been farmed by the Heaths for 15-20 years. Heath says that the owners have been more than willing to make the transition to organic production because the income is better and it is better for their land. The landowners cooperate with Heath on a share-crop basis- dividing the income and the costs of production and labor.

Mike Heath grew up in Iowa, and got his Animal Sciences degree from the University of Idaho. Marie Heath grew up around Buhl. Her father had a blacksmith shop and her family raised most of their fruits and vegetables in their garden. She currently works full time in a pediatrician's

office, and says that being married to an organic farmer has motivated her to educate her patients on the health benefits of eating organic foods, and to encourage patients to inform themselves about the pros and cons of conventional medical practices, such as the use of antibiotics and vaccines. Marie Heath says that her job keeps her from being involved in the daily farm operations, but that she likes to attend farmers' markets and offers moral support to Mike.

### *Marketing*

Mike Heath sells his organic products through a variety of avenues, believing that diversification of markets is an important business strategy. He sells his potatoes and squash to Mountain People's Warehouse, an organic food distributor in California. He sells potatoes to Amy's Kitchen for their frozen entrees, and also to Kettle Foods, for their potato chips. He sells organic barley to end users, such as the Coors Corporation, and to an Idaho dairy. Hay and alfalfa are also sold to feeder lots. Some of his produce is marketed to retail stores. Additionally, Heath sells directly to consumers through Community Supported Agriculture (CSAs) and Farmers' Markets. He says that his reasons for direct marketing are both financial and philosophical. Heath can get a premium price for his products by selling directly and locally, and Heath states, "I

*"I never bet the farm on anything."*



Farm tour participants have lunch on M&M Heath Farms.

think it's silly to be putting 1500 miles on food. When I was overseas, (I saw) how vulnerable this nation is when it comes to food security. We are so totally dependent on diesel to feed 98% of the population.... I would like to at least let people around here (eat locally.)" By selling his products through local markets, Heath is doing his part to develop and sustain a local food source.

Potatoes grow very well in the area, and organic potatoes are in particular demand. Heath sells more than 50% of his potatoes to processors, such as Kettle Foods and Amy's Kitchen, the remaining potatoes go to fresh local markets. Heath is one of the only producers of organic squash in the area.

### *Community Supported Agriculture*

Mike Heath participates in two Community Supported Agriculture (CSA) subscription services. In each case, he is one of several growers contributing to a weekly distribution of CSA shares. The largest CSA, operated out of the Ketchum/Hailey area, serves between 90-100 subscribers. Heath delivers to the Sawtooth Botanical Gardens, which is a convenient pick-up location for the subscribers, plus there is a staff member there who is willing to help with the distribution of the shares.

The CSA season is usually mid-May to mid November, though with season extension methods, produce can be offered as early as mid April, and go into December. In 2002, Heath and his partners sold CSA shares for \$450. Customers paid in two installments, and the financials for the Ketchum service was managed by a bookkeeper.

Heath helps fill in the production gaps for at least one other subscription service. He says, "The cooperative producer system is pretty good from the standpoint that we can fill holes that occur.... If one of the producers does not have... something, then...I can fill in so they get a more steady supply." He uses his storage crops that he already has on hand, so generally does not have to grow especially for the CSAs, though he does grow particular crops for his direct marketing avenues in general: lettuce, tomatoes, sweet corn, beans, peas, and sunflowers. His potato and squash crops are multi-purpose, and are sold through many avenues.

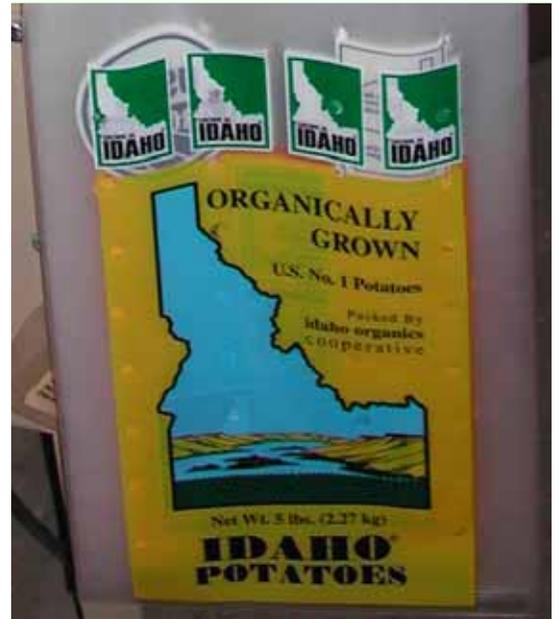
### *Farmers' Markets*

Heath sells at Farmers' Markets in both Twin Falls and Ketchum. He considers the farmers' markets be an essential sales avenue. At market, Heath promotes the farm identity. He also sells his produce at a premium price. Potatoes that are sold through Farmers' Markets can yield as much as \$1 per pound. This is twice as much as Heath gets through other direct marketing avenues, and four times as much as Heath gets from a wholesale distributor. Heath coordinates delivery of CSA shares with attendance at the Ketchum Farmers' Market, and delivers to retail stores at the same time, thus saving fuel and labor.

Marie Heath helps her husband with sales at the market. Because of her job in the Twin Falls pediatrician's office, she knows many of their customers and their children by name. Heath advises farmers wanting to sell through farmers' markets to remember that the customer is always right.

### *Sales to Retailers/Restaurants/Distributors*

In his interactions with his customers, Heath tries to take a personal and conscientious approach. He says that in his sales to retailers, such as



### **The Cooperative Advantage**

Mike Heath understands that small growers need to stick together. He cooperates with several other growers to fill over 100 CSA subscriptions each year. Sharing the CSA production ensures a long sales season, ample quantity, and the kind of variety that CSA customers demand. Sharing the labor of marketing and delivery allows farmers to keep their operations diverse, without the burden of focusing all their time and energy on the CSA service.

Heath and eight other growers market food to restaurants and the Boise Co-op through the Idaho Organics Cooperative. Also through the cooperative, Heath and other potato growers market their product to grocery stores using the above bag, declaring "Grown in Idaho" "Packed by the Idaho Organic Cooperative" and "Certified Organic."

The shared production and marketing gives an advantage to the growers that would not be theirs if they marketed individually. Heath says, "We bag our smaller potatoes that don't make count. It has been a real plus in a lot of these supermarkets. If they are in a store that carries both conventional and organic product, and are in a bag with organic written on it, and with the seals on it, it is easy for them to sell.... (Otherwise) how are consumers really supposed to know if (the potatoes) are conventional or organic?"

*“Most farmers don’t have to market at all. They grow it and it goes into a warehouse and the only decision they have to make is when to call them up and tell them to sell it. We have to find the market and actually work on making the sale.”*

those to the Boise Co-op, as well as to restaurants, he must take time for face to face contact or a phone call every week. He says that an organic farmer selling through direct markets must take the time to do the marketing. He adds, “Most farmers don’t have to market at all. They grow it and it goes into a warehouse and the only decision they have to make is when to call them up and tell them to sell it. We have to find the market and actually work on making the sale.”

Selling enough product at a reasonable profit to remain economically viable is one of the big hurdles for any producer. For a farmer with over 400 crop acres, finding markets for the food is imperative. Mike Heath says that the acreage he farms would be ideal for high population centers with an interest in organic foods, but for Heath to survive, he must market product through distributors, and ship outside of the area in order to have enough customers. He says that if the major retailers would take local food, then that would be ideal, but when Heath sells to Albertsons, which he does every year, the food must be shipped to a distribution center in Salt Lake, in order to

be shipped back to Southern Idaho and sold in local stores. But, Heath says, “How do you convince Albertsons to carry local produce? Or how do you convince people to go to the farmers’ market instead of WinCo? If we did that, I think that the whole country would benefit- especially these rural areas. Consumers could get fresher, and probably a little bit (less expensive) food, especially if there wasn’t the freight (figured into the cost.)”

Mountain People’s, the organic food distributor, sells produce in the region that it’s grown, thereby providing a market for the producer and savings for the consumer. Mike Heath says that by cooperation and networking, producers are better able to keep local foods in the area, and increase profitability.

#### *Idaho Organic Cooperative*

The Idaho Organic Cooperative is one such organization of southern Idaho producers that enhances local sales channels through cooperative production and marketing. Heath participates in the cooperative, primarily through the sales of his potatoes.



Heath stores organic potatoes in one of his warehouses.

On his bags of potatoes, Heath uses the logo of the Idaho Organic Cooperative. He and Nate Jones, another local producer, provide the potatoes for this label. The potatoes also have the USDA and State of Idaho Organic seals, as well as the “Grown in Idaho” label. All of this labeling assures customers that they can trust the quality of the product that they are getting from Heath and Jones. In the future, Heath would like to see a cooperative packing facility and transportation system developed in southern Idaho.

### *Production Methods*

M&M Heath Farms raises three major crops: potatoes, beans and squash. Heath also grows alfalfa, and grains such as wheat and barley. Plus he grows fresh market crops such as lettuces, tomatoes, summer squash, green beans, peas, and sunflowers. In 2002, all of his acreage was certified organic or transitioning. On the certified and transitioning acreage, he uses a seven year crop rotation: three years of alfalfa, one year of row crop, one year of grain, one year of row crop, one year of grain, then back to three years of alfalfa. The alfalfa is sold to local dairies, and has the added benefits of weed control and building up the soil.

Water on M&M Heath Farms is provided by the Twin Falls Canal Company. This water is part of a large canal system in which the farmers own shares. The cost, therefore, is based on the amount of irrigated land. In 2002, a share cost \$19.50, which is less expensive than other irrigation districts. “Irrigating,” says Heath, “is an art.” The skill required to manage and execute an efficient irrigation operation is being lost to farmers as the old irrigators retire or die. The technology has improved, of course, evolving from open ditches to gated pipe to sprinklers and pivots. Heath finds that sprinklers and pivots save water and labor, plus there is a government incentive to install sprinklers for the sake of water conservation. But Heath also tends to buy his equipment at auctions and sales, which means that he is willing to stay one step behind cutting edge technology in order to save money. He was able to buy gated pipe, for example, very cheaply, at a time when others were beginning the upgrade to sprinklers.

Heath tends to be frugal in general, saying, “You could take all of the equipment that I own and it wouldn’t cost as much as a new tractor that a conventional corporate farm would buy. I’m really cheap when it comes to equipment.” Two of his potato harvesters only cost him \$25 each. He can often find good deals on used equipment, when farmers in the conventional industry upgrade. Heath owns five tractors with attachments. He has a bean combine, plus cultivators for beans and potatoes. He owns the irrigation equipment and a plow. He has a Viber shank for prepping the ground in the spring. Heath does not do his own ma-



Heath grew over 50 acres of organic potato varieties in 2002.

nor repairs, saying, “I hate it.”

Soil amendment is an important part of Heath’s land management. He adds three tons of compost in the fall to all fields, except the potato fields, which require five tons. He buys his compost from Magic Valley Compost, and uses it almost exclusively, despite access to manure. The process of managing manure, and the weed growth that results from its use, makes compost the more attractive soil augmentation for Heath. He also uses a liquid fish or compost tea application as a foliar during the growing season.

#### *Crops*

Heath has a hoop house in which he grows multiple crops, especially tomatoes. The house, valued at \$1200-\$1300 in materials, was received through a grant, and he altered it so that it is portable, rather than setting it in concrete. A local greenhouse starts plants for Heath. In order to comply with organic certification requirements, Heath provides the potting soil and fertilizer mix for the starts.

Heath’s operation is inspected by the organic inspector from the Idaho State Department of Agriculture Organic Program every year. Primarily, Heath says, the inspector is interested in his record keeping. He then goes out on the properties to look around. Heath says that a good relationship with inspectors is imperative for organic farmers.

The organic potato crop is what M&M Heath Farms is known for. In 2002, Heath raised over 50 acres of a vari-



ety of potatoes, including Yukon Golds, Russet Gems, Early and Late Reds, a Purple, and a White. A lot of labor goes into the potato production. Heath says that he hand weeds the fields once a year, then during harvest, he is always looking for the right technology to dig the potatoes without damaging them. Half of the potatoes go straight to processing facilities, which only require that Heath sort out the rocks and dirt, and then the potatoes are washed and graded at the facility. The remaining half must be cleaned and put in bags or boxes and stored in the farm's storage sheds. Several employees are required to pick, wash, sort and bag or box the potatoes. Heath says that to fill a truck with 200 cwt of potatoes, he needs ten people to work for four hours. Potatoes dug for the processing facility are dug with a mechanical harvester which reduces the number of laborers needed. Potatoes that are not immediately shipped, as well as other crops such as wheat and winter squash, are kept in one of Heath's storage units.

In 2002, M&M Heath farms employed three full time and approximately ten part time employees. One employee, Al, works fairly autonomously and lives in a house on one of the properties. Another does the irrigating and some of the plow work. The third full time employee is part owner of the Sunset Butte Corporation and lives on the family farm. He also manages Heath's cattle. The part time employees are frequently family members of the full time employees. Heath hires seasonal help for weeding, harvest, and packing. Heath feels good about the relationship he has with his employees and partners, saying "I like to think that I contribute to the sustainability of our small community. I have helped to support and feed a lot of families. Most of those families stay here most of the year... work hard, and have good values."

Heath, naturally, puts a great deal of his own labor into the operation of his farms. In the winter, Heath typically works a thirty hour week, taking orders, planning the upcoming growing season, doing office work and bookkeeping. December through February, he estimates that he spends approximately 20 hours per week on marketing. Beginning in March, he spends eight hours per day, six days per week on farm operations. He begins planting potatoes in April, squash and corn in mid-May. Harvest and irrigation then begins to dominate his time, and his hours increase to ten hours per day, six days per week, plus another four hours on Sundays. This continues into October. In November and December Heath spends approximately 35 hours per week repacking storage crops.



A sorting table when sizing potatoes for different markets.

### *Livestock*

In 2002, M&M Heath Farms kept 20 brood cows and calves as a shared enterprise with one of Heath's partners. He also kept between 500 and 600 broilers and 60 laying hens. The cattle were pasture fed, and also given organic alfalfa hay. Some grass fed cattle were sold directly to customers, who had them custom butchered. The rest, though they were certified organic, were sold as 'feeders' to a non-certified market for conventional raising and slaughter.

For his chickens, Heath provides 90% of the feed, all of it organic. The other 10% is a non-organic protein mix that he gets from a local mill. In 2002, his broilers were pre-ordered and then sent to a state-inspected facility in Hazelton for slaughter. At the time, there was no USDA inspected facility available locally for processing. Heath says that the frustration for small beef and poultry growers in the area is the lack of inspected facilities. He states, "To be able to sell by the piece, (the slaughter facility) has to be USDA inspected. To do that we would need to be able to ship it to Nampa or Idaho Falls to be slaughtered, then it has to come in a USDA certified truck back down to Buhl where there is a USDA cut and wrap place. As far as I'm concerned, it's too much of a hassle. I'm not really set up to haul critters up to Nampa (one or two at a time.)" Heath and other producers in the area have been participating in efforts to establish a local USDA inspected poultry processing facility.

### *Profitability by Enterprise*

Sustainable farming on a mid-sized scale allows for interesting and innovative relationships that often defy customary business practices. The share-cropping arrangement that Mike Heath has with the other property owners is maintained without any written agreements. The landlord pays 100% of the taxes and water, Heath takes care of the irrigation and tractor labor, and they divide the packing supplies, harvest labor, mechanical costs and profits. At the end of the year, the farmers square up with each other- all on each other's word and a handshake. Heath also shares production responsibilities with other growers in order to fill CSA shares and to cut down on costs of packing and distributing product.

By participating in cooperative agreements with other producers, and with the landowners with whom he farms, Heath increases his staying power in the market by reducing out of pocket expense and sharing labor.

Mike Heath markets his products through several avenues. In 2002, he sold through five different marketing channels. Forty-three percent of his sales were to processing facilities: Amy's Kitchen and Kettle Foods. Forty percent was sold through distributors, mainly Mountain People's and Heath and LeJeune. And 8% went directly to the end user. These were primarily grain sales to dairies.

Direct sales through retail outlets, farmers' markets and CSAs brought in 9% of Heath's sales income in 2002. Heath's potato sales provided the most income from direct market avenues (See Figure 1.) Despite the small contribution to overall farm sales, the advertising and premium return afforded by direct marketing makes these sales a crucial part of the farm's profitability. Marketing directly to the consumer also promotes fresh, local food sales, supports the local economy, and contributes to the health of local citizens-outcomes that are in line with Heath's values.

In 2002, Heath sold a diverse selection of products through the different marketing channels (see Figure 2.)

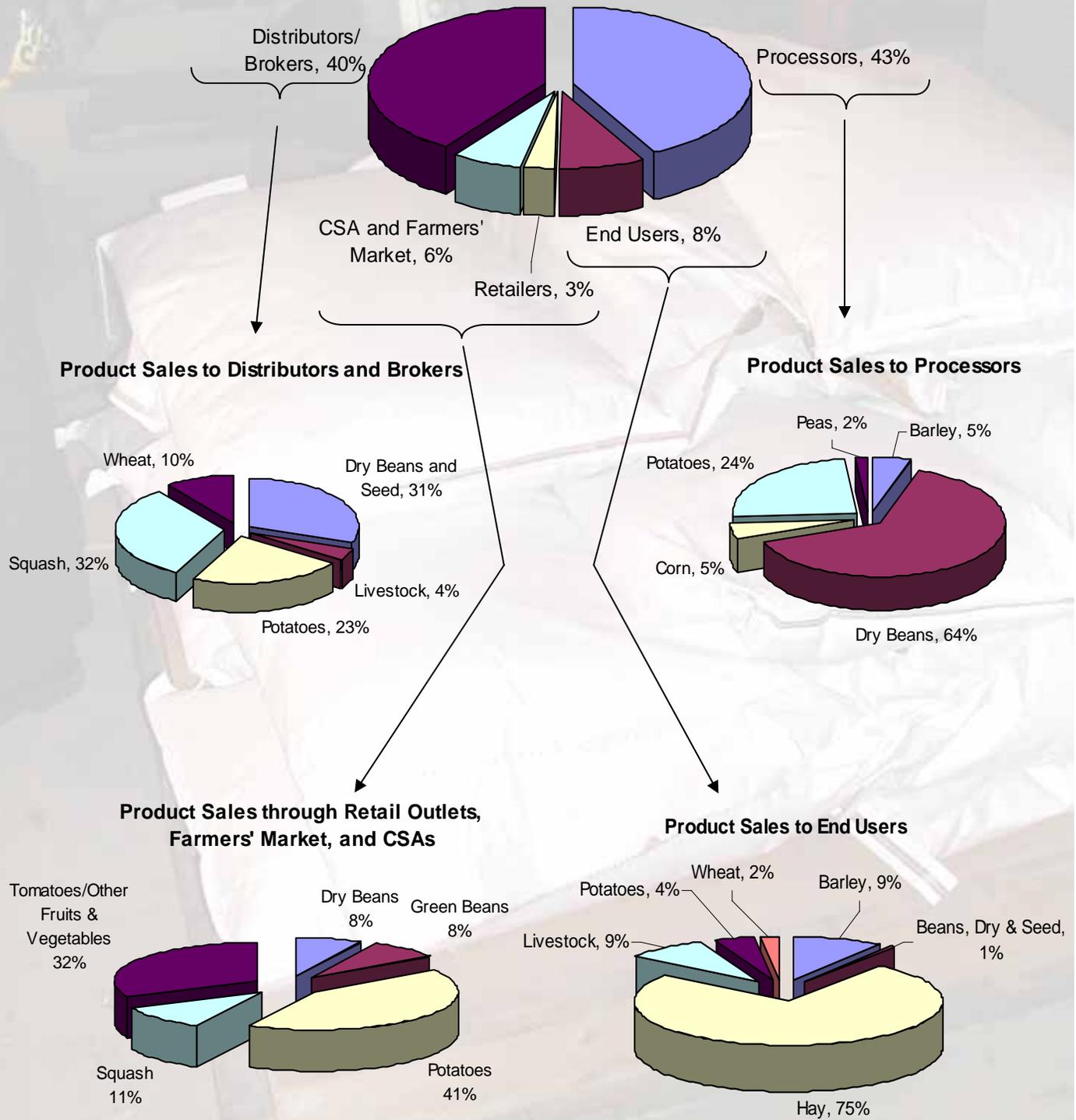
Squash and dried beans and seed were the primary crops sold to distributors. Potatoes and other vegetables were the primary crops sold through direct marketing avenues. Dried beans and potatoes were the primary crops sold to processors. Hay was the primary crop sold to end users- in this case, a local dairy.

Dry and seed beans accounted for the majority of his overall sales by product type, at 40%. Potatoes were the second largest sales crop, totaling 24%. The majority of his potatoes went to Amy's Kitchen and Kettle Foods, though potatoes were sold through every marketing channel. Squash sales accounted for 14% of his total sales in 2002. Heath sold most of his winter squash through Mountain People's, and Heath and LeJeune- both natural foods distributors.

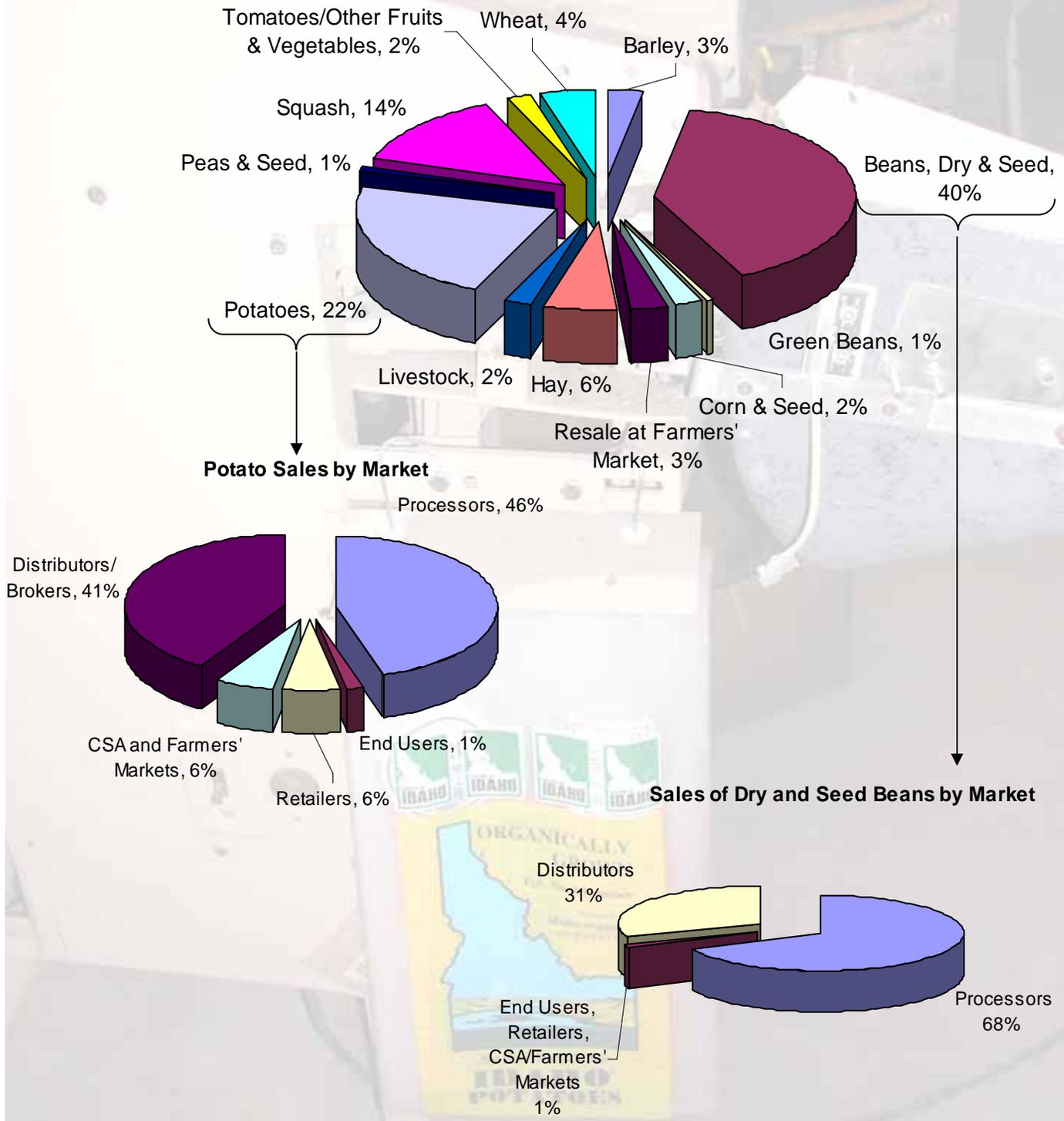
Production costs were 46% of the overall expenses in 2002. Payroll associated with production was the highest expense in this category, comprising 34%. Packaging accounted for 18%, and seed and shipping costs each comprised 11% (See Figure 3.) Operational expenses were 17% of the total budget.

*"I like to think that I contribute to the sustainability of our small community."*

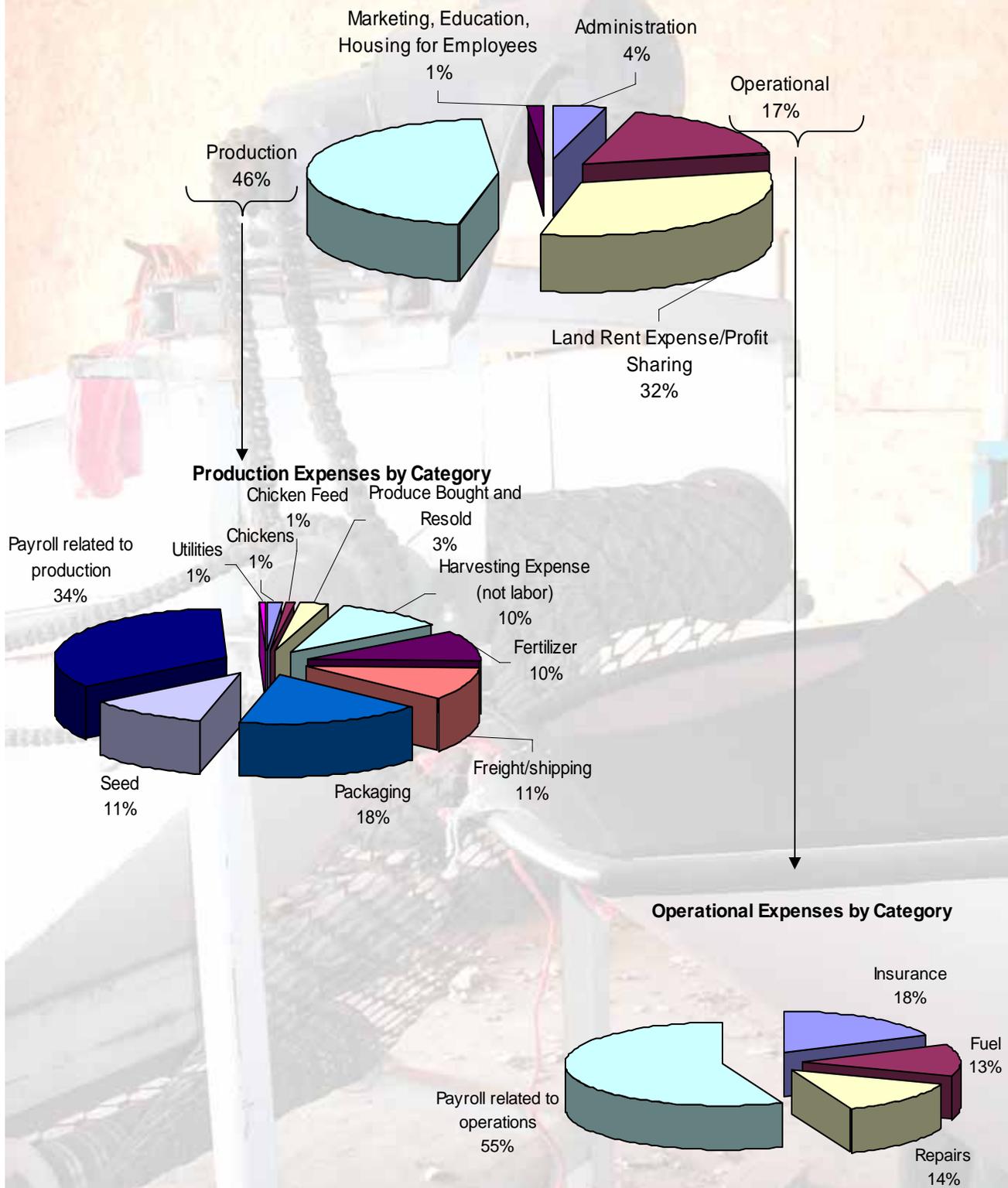
**Figure 1: Breakdown of Sales by Market  
M & M Heath Farms, 2002**



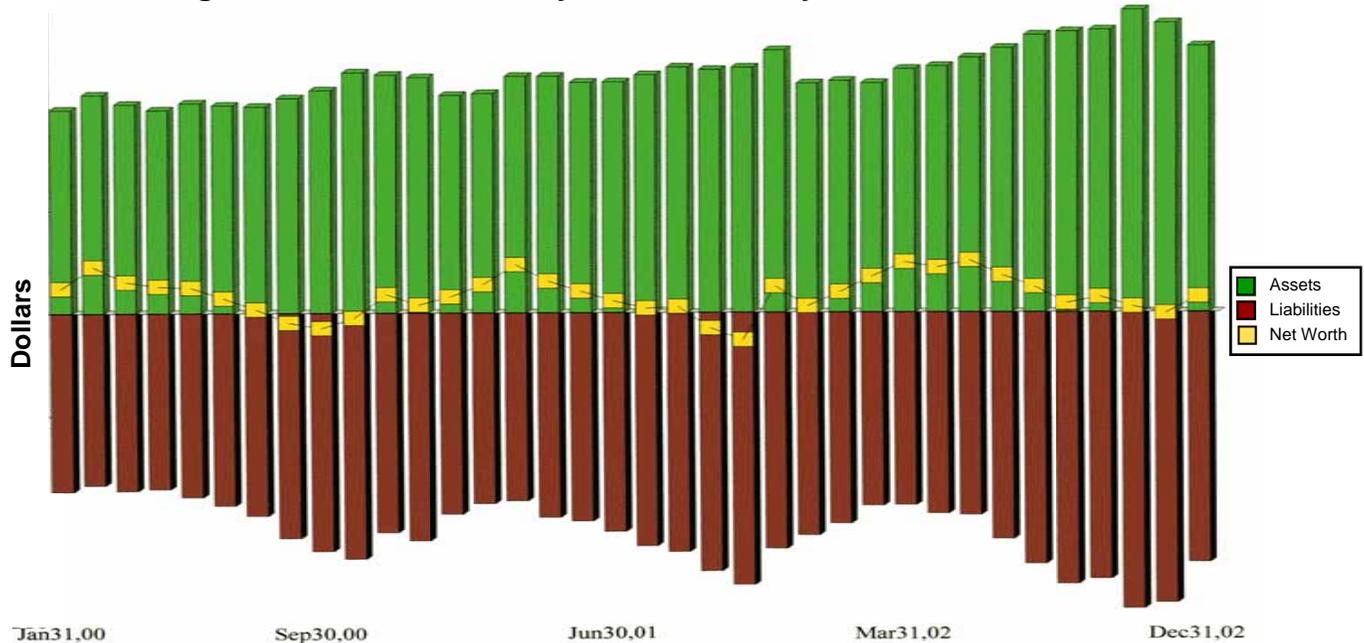
**Figure 2: Percentage of Total Sales by Product  
M & M Heath Farms, 2002**



**Figure 3: Expenses by Category M&M Heath Farms, 2002**



**Figure 4: Balance Sheet by Month, January 2000- December 2002**



Payroll associated with operations comprised 55% of costs in this category. Insurance was 18%, and fuel and repairs were 13% and 14% respectively. Figure 4 shows changes in Heath’s balance sheet on a monthly basis over a two year period. This is one example of Heath’s careful financial record-keeping. A visual depiction of his net worth allows Heath to plan for the seasonal fluctuations in farm liabilities, and keep an eye on his assets. This helps him avoid the feast or famine dynamic which often results from a seasonal occupation. But by diversifying his markets, Heath ensures a steady income year-round.

Heath says that 75% of the food they eat comes from their farm, which according to the US Department of Labor 2003 Consumer Expenditure Survey, equals approximately \$2300 worth of groceries for a two person household. This savings contributes to the farm’s financial sustainability, and contributes to the farmers’ health in many ways.

### *Philosophy, Goals, and Advice to New Farmers*

Organic farms that market locally face many challenges. Competition from corporate farms, finding local markets for products that provide a premium price, and weed control are a few of these challenges. Mike Heath uses cooperation, diversification, and education to mitigate these threats. Heath, along with every other producer in the nation, is also challenged by the rising costs of fuel. But this is another reason for developing local markets for food. Heath seeks to find the means to market his high quality products as locally as possible. This is in line with his values as a farmer and as a citizen in his community.

Mike Heath hopes to own outright his 18 acres of property and house before he and Marie retire. They are taking steps toward complete ownership each year. He aspires to continue to develop local markets through a cooperative approach with area farmers who share his philosophy. He believes in educating people about sustainability, and he’d like to offer apprenticeships on his farm to help promote sustainable agriculture by educating the next generation of farmers.

Mike Heath appreciates the flexibility afforded by the farming lifestyle. He likes being his own boss, and living in a small community where he knows people, and where people look out for one another. Heath says that 75% of the food they eat comes from the farm, which according to the US Department of Labor 2003 Consumer Expenditure Survey, equals approximately \$2300 worth of groceries for a two person household. This savings contributes to the farm’s financial sustainability, and contributes to the farmers’ health in many ways.

The strength of M&M Heath Farms resides in diversity of production, marketing avenues, and biological activity. Heath’s farm is one of the oldest organic farms in the state and this gives him a strong advantage and opportunities in the marketplace. Additionally, his production methods have maintained the health and value of his land.

When asked what Heath perceives as the greatest opportunity for his farm, Heath says, “I’m a firm believer in local food systems.... People are starting to ask questions about conventional agriculture (and) I think that the organic market is here to stay.”

Northwest Direct is a four-year research project involving the five partners listed below. Our goal is to increase profitability of small farms in the Pacific Northwest through research and extension. We have documented locally based food systems, developed case studies of direct marketing farmers, fostered expansion of farmers markets, and addressed regulatory and infrastructure barriers to direct sales. Northwest Direct is coordinated by Washington State University's Small Farms Program. More information is available at [www.nwdirect.wsu.edu](http://www.nwdirect.wsu.edu).



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