



The Milkhouse
Winslow, ME
Caitlin Frame and Andy Smith
2014-2016 Loan Recipients

Loan History

Caitlin Frame and Andy Smith describe themselves as “very much first-generation farmers” who both became interested in farming during college. Caitlin, an environmental science major, was inspired to work in agriculture after learning about the industrial food system. Andy interned on a vegetable farm during the summer, where he just happened to be put in charge of milking a horned and ornery dairy cow. In spite of the cow’s particularly bad temper, Andy loved caring for her—an early sign that he was cut out to be a dairy farmer.

Caitlin and Andy met later while apprenticing on farms through the Maine Organic Farmers and Gardeners Association (MOFGA). They eventually co-managed a micro-dairy, where they learned to bottle milk and make yogurt. In 2012, while working at another dairy, Two Loons Farm, they began their own small yogurt business in a 14x14-foot milk room on the property. Finding that they couldn’t produce enough yogurt in that tiny space to meet growing demand, they soon decided they were ready to expand onto their own property.

When Caitlin and Andy started working with Coastal Enterprises, Inc. (CEI) to access a loan backed by The Carrot Project, they knew they were not only looking for land but were also going to need to retrofit the milking room and build up the creamery space if they were serious about scaling up their yogurt production. They worked with Janet Roderick at the Small Business Development Center (SBDC) to create a loan proposal and with Maine Farmland Trust to buy property in Western Kennebec County. Since moving to the property four years ago, Andy and Caitlin have received four loans, which have allowed them to purchase farm equipment, update the barn, and further invest in equipment for the creamery.

Farm Snapshot

The Milkhouse is a dairy farm and certified organic creamery located in Western Kennebec County, Maine. Owned and operated by Caitlin Frame and Andy Smith, The Milkhouse sells milk from their dairy cows, as well as yogurt, beef, eggs, and pork. They own and help care for about 100 cows and currently milk 25-40 of them.

Innovation

The Milkhouse differentiates itself from other dairies because of its homemade yogurt products, which it sells to institutional buyers and retail stores throughout Maine. Historically, they have relied on contracts with natural, independent grocers, but recently, they expanded their sales to mainstream grocers and institutional buyers after investing in a vat pasteurizer for their creamery.

Overview of Outcomes: Refining the Business and Discovering Resilience

The investments that Andy and Caitlin made in the creamery were integral to the growth of their business, and ultimately, have made The Milkhouse more resilient to unexpected challenges in the dairy industry as a whole. Within the organic milk industry, only a small number of large companies hold most of the contracts. In the last few years, as a milk surplus has brought prices down, these companies have canceled contracts. Unfortunately, the cuts have largely hit small or midsized producers that can't supply the same quantity as larger producers in the West and Midwest. In the last 18 years, almost half of dairy farms in Maine have gone out of business. At the same time, the bleak market, as well as high start-up costs, has dissuaded many young people from entering the dairy industry or taking on family operations.

Caitlin and Andy are part of a very small number of young dairy farmers in Maine, and they are entering the industry at a difficult moment. As entrepreneurs, they have had to focus on finding their unique niche in order to establish themselves in an uncertain market.

In 2015, just after Andy and Caitlin moved onto their own property, milk prices were at a record high. They secured a bulk contract with Horizon Organic and built a business model bolstered by sales from milk as well as retail sales of yogurt and meat. But they were not immune to the broader trends in the industry. In January of 2018, Horizon informed them that, in July of that year, they would be cancelling their fluid milk contract, along with the contracts of six other Maine farms. Caitlin explained that this shock came to them "just as they thought they were levelling out."

In order to make up the difference, Caitlin, Andy, and their team hustled to try to establish new retail accounts to sell more yogurt. Though unsure at first, they were ultimately able to make up the difference in sales. They picked up a number of wholesale accounts including a few natural food stores and 10 Hannaford stores, four school districts, and two colleges. Luckily, they were able to accommodate these new yogurt orders because of a recent investment in larger pasteurizing equipment, which they accessed with a loan from CEI backed by funds from The Carrot Project. As opposed to being completely reliant on bulk contracts, the farm had built up a brand with their yogurt so that they were uniquely positioned to move into new markets. Previous investments, a diversified business-, and an adaptable business plan allowed them to meet their financial goals in this particularly difficult year.

On the Horizon

Caitlin is particularly excited about the institutional accounts established this year, including a contract with regional school systems. To her, the relationship proves the variety of ways that they are offering a desirable and competitive product. The Milkhouse's decision to offer bulk yogurt certainly has made them more appealing to big accounts. The price is also feasible—

only a few cents more on the ounce than organic yogurt. Finally, the quality of the yogurt, with no added sugars or thickeners, is attractive to schools.

The Milkhouse is competing and distinguishing itself not just as a local farm but as a small business. And they are going to continue to grow. Next steps? They are going to need a bigger creamery. “When we built the creamery, it felt massive and luxurious,” said Caitlin, “and now we are maxing out its capacity.”

When they are not caring for their livestock or running the creamery, Caitlin and Andy are in conversation with dairy farmers to build resilience in the industry. Caitlin says that she has spoken with many fellow dairy farmers about the value of diversification and value-added products that distinguish them in the market. They are also involved in a movement of Maine dairy farmers to develop a Maine-grown brand that can compete with organic milk and other added-value dairy products, so that farmers no longer have to rely on the organic buyers. Andy is participating in a pilot project to create a milk processing facility that would supply the Maine milk brand. As a community, Maine dairy farmers are working to create new markets that distinguish small and midsized dairies on their own merits.