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Revitalizing Rural Indiana: Lone Pine Farms Moody Meats Inc.¹

Jodee Ellett^a, Frances Einterz^b, and Michael D. Wilcox Jr.^c

^a *Local Foods Coordinator, Purdue University Cooperative Extension Service, 615 West State Street, West Lafayette, Indiana, 47907-2053, USA. Phone: 765-494-0349 Email: jellettp@purdue.edu*

^b *Local Food Program Assistant, Purdue University Cooperative Extension Service, 615 West State Street, West Lafayette, Indiana, 47907-2053, USA*

^c *Assistant Program Leader for Community Development, Purdue University Cooperative Extension Service and Senior Associate, Purdue Center for Regional Development, 203 S. Martin Jischke Drive, Suite 266, West Lafayette, Indiana, 47907-1971, USA*

Abstract

Lone Pine Farms Moody Meats Inc. (Moody Meats) is a vertically-integrated farm-to-retail business operating in the central Indiana local food system. Adam Moody, a farmer turned serial entrepreneur, is highly responsive to place-based market dynamics. He employs common sense and tested business strategies with social capital to expand operations—a formula which has made him a recognized leader, with a successful model for improving Indiana agriculture and rural revitalization.

Keywords: local food, entrepreneurship, social capital, meat marketing, Indiana rural development

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Introduction

Lone Pine Farms Moody Meats Inc. (Moody Meats) is a vertically integrated business that produces, processes, and sells locally sourced foodstuffs, primarily meat, to retail consumers in Central Indiana. Moody Meats sources sustainably raised animals from their Lone Pine Farms and other 'local' farms, processes the animals in a Moody-owned slaughter facility, and then distributes the meat to Moody's Butcher Shops. The mission of Lone Pine Farms Moody Meats Inc. is "to provide differentiated, value-added meat products in a sustainable cycle of farming, processing, procuring business in an extremely clean, transparent, authentic environment with genuine personal service" (Ellett 2014). In spirit, Moody Meats has a dual purpose: to promote rural development and to connect people with food in an attempt to "redefine agriculture" (Reding & Moody 2011).

Farm Profile

Adam Moody is a fifth generation farmer turned serial entrepreneur that developed Moody Meats Lone Pine Farms Inc (Moody Meats) from his family land of 345 acres in rural Ladoga, Indiana. Unique to their farm was the seven-year rotation, established by his grandfather, of corn, soybeans, oats, rye, hay, wheat and spelt to manage soil fertility and feed their beef cattle and hogs. From 1987 to 1996, Adam farmed on the rotation of his forefathers and sold his products as commodities. Beginning in 1997, Adam made the decision to sell his farm products with added value, triggered by the experience of having the payment for a recently sold load of hogs be less than that required to buy his family an Easter ham (Steiner 2009; McGurk 2009; Ellett 2014). The overwhelming irony from that moment continues to be a driving factor in his business acumen and choice to vertically-integrate his farming, meat processing and retail operations. This choice enables Moody's customers to buy meat knowing how and where it was grown - building trust - a major factor for local food customers (Rushing 2013). It also has influenced the product mix on his farm and resulted in the addition of free-range broilers and free-range layers.

On the farm, and throughout his business, Adam Moody continues to measure success using an agriculturally-oriented triple bottom line, "Margins per acre, employment per acre and fertility retention are what I stand for..." (Einterz 2014). Managing the farm, however, evolved from a farm family affair to a business partnership between Moody and son. Now, because Moody's management skills are focused on growing downstream aspects of Moody Meats and his other venture, Husk LLC, the business relies on a combination of paying a farm manager to run the Moody Meats side and renting out surplus land that cannot be managed by Moody.

At its core, Moody Meats is a farming business sustained from the good soils and smart farming of his grandfather's creation. Moody Meats as a local food business is sustainable because of Adam Moody's tireless commitment to the farm and wide range of practical skills gained from growing up on a mid-sized farm in rural Indiana.

Business Situation

Interface with Local Food Systems

Moody Meats bridges rural entrepreneurship with urban consumer demand. Animals raised on the Lone Pine Farm and other local farms are slaughtered and processed in the Moody-owned facility and sold through four Moody's Butcher Shop retail storefronts in the Indianapolis, Indiana, region (Figure 1). Moody Meats markets to customers interested in sustainably produced local food by differentiating its product in four ways: (1) animals are raised without antibiotics or hormones as verified through farm visits, (2) meat products are sold as a farm to retail product, (3) customer service and loyalty is a priority and (4) customer feedback is integral for business decisions. Adam asserts that "the [food] business that succeeds at this will be treating the public like a person, not a statistic, and like a customer, not a consumer. This done [sic] by innovating the entire system toward the wants of these customers, not toward efficiencies of the industry" (Meter 2012).



Figure 1. Map of Lone Pine Farms Moody Meats Inc. and Husk LLC.

Moody Meats is highly responsive to place-based market dynamics as his income and success are anchored in the local food system. The evolution of Moody Meats from a family farm in rural Indiana can be illustrated with two examples. When Adam Moody encountered the ultimate irony of raising and selling hogs for the commodity market while simultaneously not being able to afford a ham from the grocery store, he began selling his beef, pork, chicken and eggs directly to the consumer at two farmers markets that were within 50 miles of the Lone Pine Farm (Steiner 2009; McGurk 2009; Moody Meats Lone Pine Farms 2014). This occurred as other mid-sized farms faced similar economic challenges in Indiana and throughout the U.S. From the years 1997 to 2002, the number of farms in the 180-499 acre size range dropped 20 percent, from 11,569 to 9,263 farms, while farms larger than 2000 acres increased by 39 percent (USDA 2004). “Thirty years ago on our country road, there were nine farmers scattered across 1,500 acres, now there are three counting me and my 250 acres. One of the farms is over 5,000 acres and the other is close to 9,000 total acres. My guess is before my life is over, in order to survive, one of those two will buy the other out. By the way, together they employ nine year-round positions on 14,000 acres or one job for every 1,555 acres. Our farm provides a full time position for every 125 acres. For us there was only one way to go if I want to raise my grandchildren the way I was raised-add value” (Reding & Moody 2011).

The second example of response to place-based market dynamics occurred in 2000 when the meat processing facility in Ladoga, Indiana, closed its doors. They had already closed their in-house retail front for freezer meat sales as there was less demand for this style of meat product from consumers. Rather than make the much longer drive to another processing facility, he and his wife, Lucy, decided to purchase the facility with a vision for regional retail store development.

After three years running the meat processing facility and continuing direct customer sales, Moody Meats opened a retail store in 2003 in Avon, Indiana, a location he had been pursuing as a result of customer demand. “It was very successful as our sales increased over 200 percent the first year. When translated into business language, means (sic) new problems, i.e., issues like product flow as now the need for animals exceeded our farm’s capacity. Training employees would become an issue. Facility limitations even came into play. Then of course, we needed cash flow to sustain the growth. These are all good problems, yet they are issues that can and will chew you up” (Reding & Moody 2011). These market challenges would continue. In 2007, Moody Meats was asked to anchor a retail shop inside the Indianapolis City Market, a newly renovated, indoor urban market with daytime retail hours and located in the downtown Indianapolis business district. As the first retailer to open in the space, Adam noted that people would stop to look at his meat case, but his “meat museum” would end up costing him \$250,000 and a year and a half of his time (Ellett 2014). This nearly caused Moody Meats to fold (Adam refers to it as his Pearl Harbor), but he shaped his resolve to maintain laser focus on profits, smart growth and customer service. Two years after this experience, Moody Meats opened a third retail location in Zionsville, Indiana, and turned an overall profit of \$38,000 within one year with no new line of credit. From 2009-2010 revenue increased 62 percent with no new debt. Expenses increased slightly (3.6 percent) with an internal rate of return of 4 percent (Reding & Moody 2011). In 2014, Adam opened a fourth retail store in Center Grove, Indiana, with outside investors, a personal accomplishment that verified his ability to run a profitable local food business (Einterz 2014). To thrive in the local food system in central Indiana, Moody Meats

needed successful business strategies to remain viable and grow in an environment favorable to large agribusinesses. To achieve this, Moody Meats employed novel strategies for the farmer-entrepreneur:

- 1) Sold farm products direct to consumer to establish brand;
- 2) Vertically-integrated supply chain to maintain product quality and manage costs;
- 3) Provided meat processing services to local livestock farmers;
- 4) Offered consistent, high-quality products with transparency to attract customers with food knowledge;
- 5) Employed a relationship marketing strategy to ensure brand loyalty, and;
- 6) Integrated other locally grown and produced foods into retail stores not available at larger supermarkets (Figure 2 and Table 1).

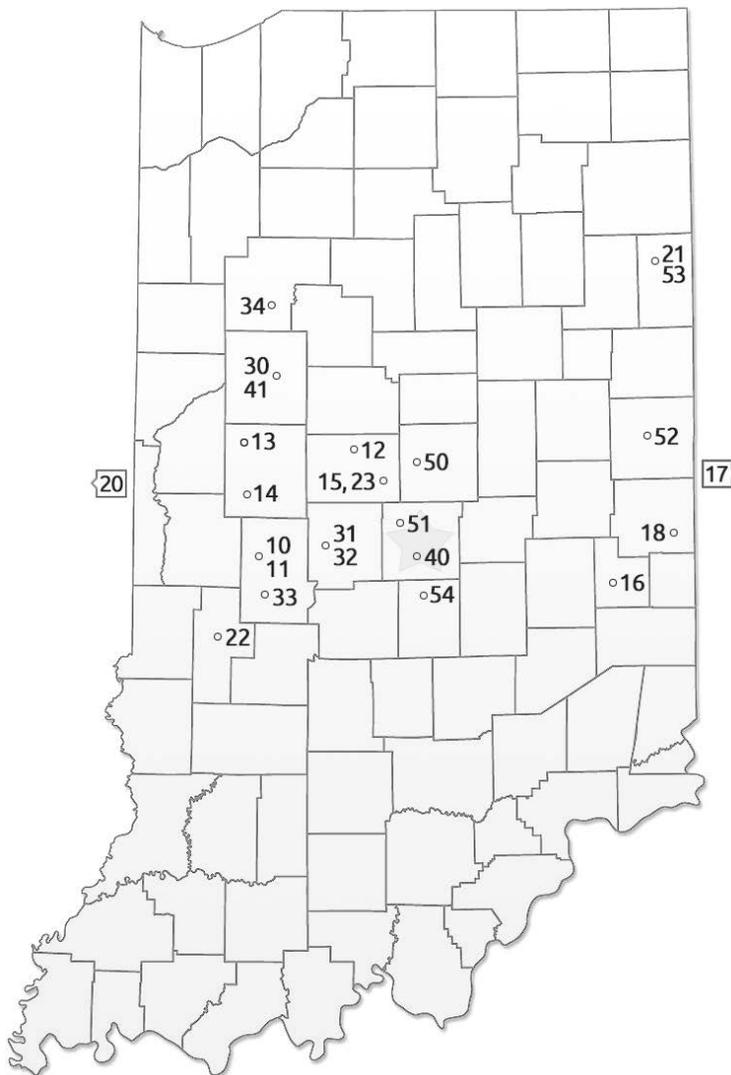


Figure 2. Map of Local Food Product Suppliers for Lone Pine Farms Moody Meats Inc.

Table 1. Local Food Product Suppliers for Lone Pine Farms Moody Meats Inc.

1. Meats+Eggs			
Map Code	Source	Product	Location
10	Boyd Pickle	Beef	Putnam County, IN
11	Jim Derringer	Beef	Roachdale, IN
12	Rhoades Red Angus Farm	Beef	Brownsburg, IN
13	Phelps Family Farms	Beef and Hogs	Ladoga, IN
14	Lone Pine Farm	Beef, Chicken, Eggs	Waveland, IN
15	Duck Du Jour	Duck	Zionsville, IN
16	Eli Creek Farm	Rabbit	Connerville, IN
17	Bowman & Landes Farm	Turkey	New Carlisle, OH
18	Ivan Esh	Eggs	Richmond, IN
2. Dairy			
Map Code	Source	Product	Location
20	Ludwig Farmstead Creamery	Cheese	Fithian, IL
21	Swissland Cheese	Cheese	Berne, IN
22	The Swiss Connection	Ice Cream	Clay City, IN
23	Traders Point Creamery	Milk, Yogurt	Zionsville, IN
3. Sauces, Spreads, Syrups			
Map Code	Source	Product	Location
30	Bonz Barb b-q	BBQ Sauce, Breeding	West Point, IN
31	Blue's BBQ	BBQ Sauce, Hot Sauces	Avon, IN
32	Sweet Maggie's Apiaries	Honey	Avon, IN
33	Harris Sugar Bush	Maple Syrup Products	Greencastle, IN
34	Two Cookin' Sisters	Salsa, Jams, Chutney	Brookston, IN
4. Beverages			
Map Code	Source	Product	Location
40	Hubbard and Cravens	Coffee	Indianapolis, IN
41	Triple XXX Root Beer	Root Beer	West Lafayette, IN
5. Food & Snacks			
Map Code	Source	Product	Location
50	Great Harvest Bread Co.	Bread	Carmel, IN
51	Vanilla Bean	Cupcakes, Cake Truffles	Indianapolis, IN
52	Coe's Noodles	Noodles	Lynn, IN
53	Amish Country	Popcorn	Berne, IN
54	Indy Family Produce	Produce	Center Grove, IN

These approaches have led to a steady increase in sales, profits and total number of employees (Figure 3). In 2013, retail sales were the highest percentage of gross sales (\$2.2 million) for Moody Meats (59 percent), followed by meat processing (27 percent) and wholesale sales (15 percent) (Einterz 2014). These sales were predominantly comprised of raw meat products (76 percent) followed by processed meat products (19 percent). The remainder of Moody Meats sales were comprised of the other locally grown and produced foods listed in Table 1. One of the challenges facing Moody Meats throughout its lifespan has been the inverse relationship between Lone Pine Farms and Moody Meats. By 2013, Lone Pine Farms remained the main source of broilers and eggs, but the ever increasing demand for beef means that Lone Pine Farms' market share of beef in the Moody retail outlets has decreased to less than 10 percent. This has changed

Adam’s focus from the farm to the business as a whole. When reflecting upon growth of Moody Meats, Adam says, “The business [Moody Meats] is a reminder to other agricultural sectors that the highest efficiencies do not necessarily make you profitable and you have to provide food that the consumers will eat. In other words, listen to your market” (Einterz 2014). When prompted for an official explanation of his business strategy, he describes it as one borne out of a lifetime of farming: trial and error. What Adam Moody has learned in his long entrepreneurial journey was that, in order to be a sustainable business, you must be a profitable business.

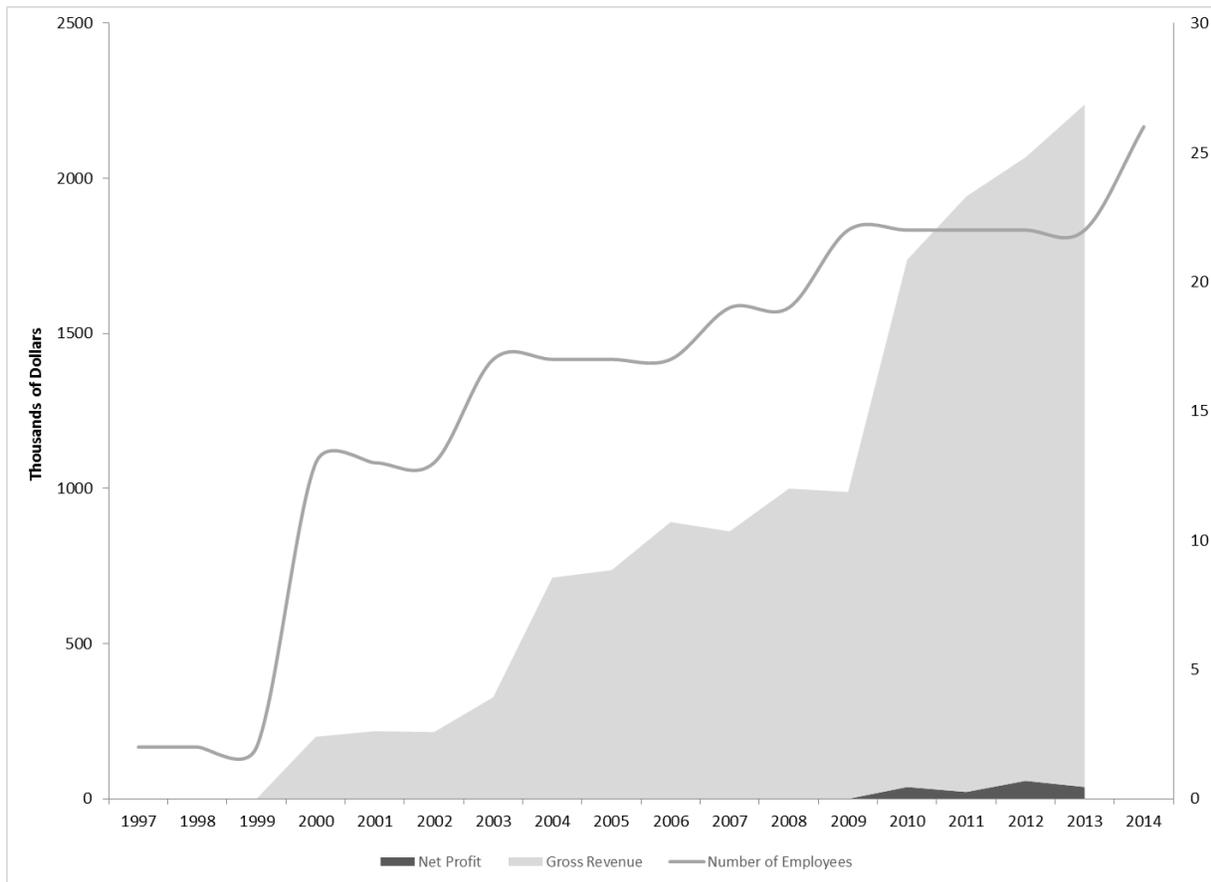


Figure 3. Gross Sales, Profit and Total Number of Employees for Lone Pine Farms Moody Meats Inc. 1997-2014.

Entrepreneurial Profile

In 1997, when Adam Moody began his entrepreneurial journey, Indiana ranked 45th in the U.S. for entrepreneurial activity (Fairlie 2011). He spent a couple of years, while farming, pursuing an associate’s degree from a technical college but had little interest in non-practical education around agriculture and did not want to continue supplementing his farming profession with an off-farm job in manufacturing (Ellett 2014). Adam personifies the farmer turned entrepreneur profile. McNally (2001) suggests that the likelihood of farm diversification is driven by farm size and production portfolio as well as farm household characteristics. Here, the Lone Pine Farm profile (medium-sized and includes the production of poultry) and the household composition (including a spouse and children working on the farm) complements McNally’s findings that

these characteristics increase the probability of farm diversification, including entry into retailing. However, Grande (2011) highlights that, while a farmer's propensity for diversification may be high, farm owners must have "sufficient entrepreneurial skills, market knowledge or the network needed to build an optimal business platform". Furthermore, Grande (2011) suggests that a combination of resources (financial, human, farm location, etc.) and dynamic capabilities (ability to integrate resources, sense opportunities and build appropriate networks) ultimately determine the success of new venture creation in the agricultural sector. For example, location, being situated in close proximity to the Indianapolis metropolitan area, was certainly a resource advantage from the demand side. On the supply side, Lone Pine Farms, and its multigenerational approach to sustainable farming and stewardship of the land, provided product attributes and a product mix that lends itself to retail. However, combining these demand and supply factors into Moody Meats started with Adam working with his grandfather and father on the farm, gaining a wide array of practical knowledge and skills. In addition, an example was set by Adam's mother who has owned and operated a natural foods grocery store in downtown Crawfordsville, Indiana, a town with less than 14,000 residents, since the late 1970s. Combining these experiences and attributes with Adam's innate 'dynamic capabilities' has certainly played a central role in the development of Moody as an entrepreneur and Moody Meats as an enterprise. Perhaps Adam was destined for this entrepreneurial journey that has merged the farming and retail components of his youth.

Building Social Capital

Adam Moody of Moody Meats is committed to rural vitality and the revitalization of family farms for rural communities. He leads by example but also works to share those lessons with other Hoosiers stating: "The underutilized asset in this consideration is in adding value to our agricultural products grown on our farms. These assets not only create jobs, but they create engaging vocations, which provides entrepreneurial opportunity for young people to stay close to the land. They will also create industry infrastructure, community leadership, educational opportunities, food security and contribution to wealth in the form of higher margins per acre for our producers" (Reding & Moody 2011). As a farmer selling crops and livestock in the commodity markets, very little social capital is required to take the market prices for your farm products. But, by entering the direct sales environment at the farmers markets, Adam began to employ bridging social capital with his market customers. As suggested by Grande (2011) social capital, or networks of producers and consumers, play a vital role in the success of the new agricultural venture. In Adam's case, he had to travel to the customer, tell his story and sell them a high-quality product so they would return for further business. When he opened his retail outlets, he needed to ensure his staff could convey the same customer focus, maintaining the networks he built. In 2008, Moody Meats conducted an in-store survey of its customers and found that of the returning customers, 71 percent return for product quality, taste, and staff and 29 percent return because it is a local food business (Reding & Moody 2011). Expansion and evolution of Moody Meats have successfully maintained that social capital. When he bought the meat processing facility, Adam relied on bonding social capital with fellow, like-minded livestock producers. He needed them to not only use his facility as a service but to provide Moody Meats with product. He successfully developed these bonds and continues to process and purchase meat from 29 farmers to slaughter/butcher a diverse range of species in smaller quantities. He provides special services not available from many processors in Indiana, including

the ability to contend with species diversity including: 150 rabbits per week; lamb and chickens; and slaughtering specifications (Halal and Kosher).

Adam continues to network with other groups, including higher education institutions such as Indiana State University, where he has served as the subject of, and consultant for an entrepreneurship curriculum, and Purdue University, where he has presented at the Purdue Extension Small Farms Conference and worked with various faculty. At the state level, Adam has worked on local food policy issues including on-farm poultry processing for farmers market vendors, the Raw Milk Working Group to review legislation, and the Locally Grown Working Group to address barriers for local food markets. As a result of his efforts, Adam received the 2014 AgriVision Award for exemplary leadership to maximize the vision of Indiana Agriculture presented at the Indiana State Fair (Keating 2014). Upon his award, Ted McKinney, director of the Indiana State Department of Agriculture stated, "Adam is an outstanding example of what it takes to be one of the best in Indiana agriculture. He has demonstrated the drive to further promote and advance Indiana agriculture" (McGrady 2014).

Revitalizing Rural Indiana

Alsos, et. al. (2003) describes three types of farm-based entrepreneurs: (1) the pluriactive farmer who engages in new business ventures to increase on-farm profit, (2) the resource-exploiting entrepreneur who takes advantage of the on-hand resources to start new businesses, and (3) the portfolio entrepreneur who begins new activities based on an innovative idea. The evolution of Adam Moody, the entrepreneur, and his business portfolio has followed this typology as a trajectory. He was the pluriactive farmer when he first bought the Ladoga processing facility and transitioned to the resource-exploiting entrepreneur when he opened the butcher shops. Finally, in 2013, Moody entered his portfolio entrepreneur phase when he collaborated to open Husk, LLC. This process was motivated by Moody's desires to keep Lone Pine Farms operational, solidifying Moody Meats as a local foods mainstay, and to ensure that his business ventures continued to positively impact rural Indiana.

Husk LLC, is the result of a previous collaboration with Nick Carter and successful networking with Chris Baggot (owner of Tyner Pond Farm and former CEO of Compendium Software). In 2011, Moody worked with Nick Carter, a fellow entrepreneur, and the Indiana State Board of Animal Health to create processing regulations for rabbit meat. The collaboration resulted in Carter's local distribution company called Meat the Rabbit. Carter's initiation into the local food system and a strong background of successful entrepreneurship (having founded or co-founded seven start-up companies by the time he was 30), set the groundwork for a strong partnership with Moody. From this partnership and an idea that Adam Moody had been nurturing since 2008, a new processing and distribution model was born in 2013. It took 45 days to find a 5,000 square foot warehouse based in Indianapolis, three Indiana sweet corn farmers and processing supplies.

At its inception, Husk LLC, froze locally-grown, non GMO sweet corn for wholesale and consumer sales through Moody Meats and larger grocery retail outlets. Located in a rural warehouse in Hancock County, Husk employs five people year-round and up to 40 during harvest season (Ellett 2014). Unlike the vertical integration of Moody Meats, Husk is distributed

through Piazza Produce, Marsh and Kroger Supermarkets, and Whole Foods, and their products are placed next to the big companies like Bird's Eye - not necessarily in the natural foods section. Nick Carter, CEO of Husk states, "We're proving that the big guys like Marsh will buy a product like this. They were just waiting for a local company to do this" (Dick 2013). Carter states that Husk's core philosophy is rural development and the business is looking to build more small-scale processing plants throughout Indiana (Dick 2013). In 2013, Husk LLC processed nearly 160,000 pounds of Indiana sweet corn. In 2014, their product line expanded to include green beans, garden shelled peas, sugar snap peas and snow peas (Husk LLC 2013).

Both companies, Husk LLC and Moody Meats, will continue to revitalize rural communities and remind Indiana what it means to produce food "in an ecologically and economically sustainable model." The Moody Meats Lone Pine Farms LLC enterprise is a vertically-integrated farm to retail business in the central Indiana local food system. Serial entrepreneurial activities that evolved from commodity farming to direct-to-consumer sales of meat to processing and eventually retail sales of meat and other local food products have resulted in higher gross revenues for Moody Meats, 26 new jobs (half of them rural) and political and economic recognition that this model of agribusiness is successful. Moody Meats remains confident and hopeful that "customers understand that by buying products from our store, that whether I [Adam Moody] raise them, or others, we are truly dedicated to the mission" (Wiles 2011).

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