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Title

Case Study No. 6: Straus Family Creamery and Dairy

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STRAUS FAMILY CREAMERY & DAIRY

Marshall, California

MISSION

The mission of the Straus Family Creamery is to consistently provide high quality, great tasting, organic milk products that are made with minimal processing and wholesome ingredients. The family makes business decisions based on environmental and ecological considerations that support the philosophy of sustainable, organic family farming, for the health and well being of the company, its producers, employees, and the community at large. Straus family members have been long-standing advocates of farmland protection and other environmental issues, such as preventing the spread of GMOs and maintaining the integrity of organic.

HISTORY

Nestled above the oyster-filled Tomales Bay, William and Ellen Straus's small family dairy started in 1941 with 23 cows. Like most dairy farmers of their time, they sold raw milk to a local milk processor and eked out a living while raising four children. Reading Rachel Carson's seminal book *Silent Spring* motivated Ellen to continue to improve their practices in order to lessen their farm's impact on the environment. Their commitment to both dairying and the environment helped them build strategic and sometimes unlikely alliances that would prove to be instrumental in saving the working lands of coastal Marin County.

In 1994, oldest son Albert, armed with a dairy science degree and big dreams, started a creamery on land located near the dairy to pasteurize and bottle his family's milk and to make other products from it. This new enterprise helped the Strauses control their market and captured more of the revenues. At the same time, Albert converted the dairy to certified organic at a cost of over \$100,000 (the first dairy west of the Mississippi River to do so). Although the dairy and creamery are separate businesses, they are both owned by the family and work hand-in-hand.



The Straus Dairy in Marshall (West Marin County), overlooking Tomales Bay.

GEOGRAPHY/SCOPE

Over the years the Straus Dairy has increased in size, up to their current herd of about 300 milking cows. They primarily use Holsteins or Holstein/Jersey-cross cows and produce their own replacement heifers, meaning they don't bring in female cows from other farms.

Due to the finite carrying capacity of their own 660-acre farm and the level of demand for their dairy products, the Straus Family Creamery has partnered with two nearby dairies to supply some of their organic milk. These are the Tresch Dairy in Petaluma, with nearly 900 cows on two

The Innovative Business Models Case Study Series

Developed by the UCSC Center for Agroecology & Sustainable Food Systems, this series of case studies focuses on the social and environmental efforts of innovative U.S. food system businesses across different geographies, scales, legal structures, and points along the food supply chain. While these represent only a handful of the thousands of socially and environmentally responsible food businesses across the nation, they have many features that others can learn from in developing sustainable businesses that incorporate the triple bottom line of people, planet, and profits.

separate dairies that cover close to 2,100 acres, and the Hughes Dairy in Bodega, with 100 cows on 182 acres. At the time of publication, one more family dairy was slated to partner with the creamery. All dairies are within 20 miles of each other and comprise nearly 1,300 cows on 3,000 acres, with a ratio of one cow to every two acres. Both the Tresch and Hughes dairies are certified organic and, like the Strauses, their owners are committed land stewards. The three families meet quarterly to discuss volume, pricing, and production issues.

Straus Family Creamery has a regional focus, supplying markets around California and the West Coast, and ships a small quantity of some products as far as Arizona and Colorado. Unfortunately, the extreme consolidation in the dairy sector has made having a regional focus less and less possible, with milk being shipped all over the country (one company, Dean Foods, processes 37% of the nation's fluid milk, more than the next five competitors combined). Straus primarily uses distributors to move their milk to restaurants and retailers. They also sell their products at farmers' markets in the San Francisco Bay Area.

PRODUCTS/SERVICES

Straus Family Creamery bottles its milk in both reusable glass bottles and recyclable plastic containers. They also produce butter (European style—salted or unsalted), as well as numerous yogurt and ice cream flavors. Recently introduced products that have been important for their diversification and economic survival are ice cream and frozen yogurt bases, which are used by independent shops at over 70 locations to make their own flavors. Although the creamery does not make its own cheeses, local artisan cheese maker Cowgirl Creamery relies on Straus milk, as do a handful of other cheese makers.

The creamery uses high-temperature short-time (HTST) pasteurization, bringing the temperature of the milk up to 170° F for just 19 seconds. This provides the benefits of pasteurization while maintaining the sweet, fresh taste of the milk. As opposed to ultra-pasteurized milk that can sit on the shelf for months, Straus milk should be consumed within 14–17 days. They do not homogenize their milk, preferring to let the cream rise naturally to the top.

Straus dairy products have won a number of awards, including gold medals at the L.A. International Dairy Competition, the American Cheese Society, and the California State Fair. The European-style butter was named best butter in America by *Sunset* and *House & Garden* magazines. Their products are also used at top restaurants, including Chez Panisse in Berkeley and the French Laundry in Yountville (Napa Valley).

FINANCING

William Straus purchased the dairy in 1941. The family plugged along for decades selling milk to a cooperative processor and reinvesting what little profits they enjoyed back into the business. Albert explored the idea of starting a creamery during his time as a student at Cal Poly in San Luis Obispo, where he majored in dairy science. For his senior thesis he developed a business plan to start a processing facility to make ice cream. Many years later, his ice cream dreams came to fruition when



The Straus Family Creamery line features a wide range of organic products.

he developed and built a multi-product organic creamery, which he started in 1994. Part of the capital to build the creamery and stock it with all of the necessary (and expensive) stainless steel equipment was provided by the sale of the farmland's development rights (called an easement) to the Marin Agricultural Land Trust (MALT), the agricultural land trust that Ellen Straus helped found. Other financing included loans from family and friends.

Despite the economic downturn and the glut of organic milk that began flooding the market in 2008, sales of Straus products are still growing—although not quite at the double-digit annual rate they experienced following the creamery's opening. However, customer demand is pushing the capacity of the creamery, and there is now a five-year plan to build a creamery in Petaluma to meet future demand.

MANAGEMENT/BUSINESS STRUCTURE

The Straus Family Creamery is a family-owned corporation (S-corp), with no non-family owners or public shares. Being family-owned has enabled the business to maintain high standards and values over the years. Straus has an executive team made up of Albert (the President and CEO), a Chief Financial Officer, and Vice Presidents of Sales/Marketing and Operations.

Straus Family Creamery does not have an advisory board, which can sometimes limit the perspective that outside experts can provide. However, Albert regularly meets with a group of CEOs for the purpose of learning, growth as chief executives, and to tap into the power of peer support. Straus also relies on interactions with and feedback from its customers, which helps keep the business honest and innovative—a more grassroots approach perfect for a grass-based dairy. With a strong Facebook community, regular farm tours, videos embedded in their website, and through attending and sponsoring many community events, Straus is creating more of a “customer advisory board” that also serves to educate and engage their loyal patrons.

LABOR PRACTICES

The Straus Dairy provides housing for five of its employees, a long-standing tradition that began when the dairy first opened. Hours at a dairy can be long, and animals often need round-the-clock care, so creating on-site housing for workers was crucial and remains important today. They are also committed to the health and safety of their employees, and provide benefits that include health, dental, and retirement.

The creamery employs approximately 65 people, providing a crucial source of employment for a small agricultural community. Like the dairy, the creamery also provides employee benefits, including health, dental, and retirement. Some of the more innovative employee perks are free English and Spanish classes.

SOCIAL/COMMUNITY INITIATIVES

From the time they arrived in West Marin, Straus family members have been leaders in their community. As immigrant Jews, William and Ellen had a strong commitment to social justice and tolerance of different faiths, ethnicities, and races. They worked to bring people together—city folks and country folks, environmentalists and conservative ranchers, Jews and gentiles—to learn about the earth and about farming, and to build mutual respect for one another.

Son Albert Straus has long been a leader in the organic movement, pushing for uniform standards that eventually led to the federal National Organic Program (NOP) and for more clarity in the organic rules for dairies. In the last few years the increasing number of organic “mega-dairies” has not only created a glut of cheaply-produced organic milk, but has exploited vague standards for livestock that only required an ill-defined “access to pasture.” While the Strauses and many other small and mid-scale organic dairies are limited in size due to their commitment to regular access to pasture for their herds, these mega-dairies had no natural limits because they provided little to no access to pasture beyond a dirt loafing area.

The Strauses have encouraged their customers to get involved in several political issues, including clarifying and strengthening the NOP pasture rule. They have also fought hard against the introduction of genetically-engineered alfalfa to the United States, which could potentially contaminate the certified organic alfalfa that is a critical animal feed. Albert regularly tests his animal feed ingredients to ensure that they are free from genetically modified organism (GMO) materials and is now a paid member of the Non-GMO Project, a new independent, third-party verification program. In 2010, Straus Family Creamery became the nation’s first creamery to achieve Non-GMO Project Verification for all of its products and will carry the “Non-GMO Project Verified” seal on all of its packaging.

Straus Family Creamery regularly contributes both money and their dairy products to meetings, conferences, fundraisers, and other like-minded events. In 2009 they donated nearly \$25,000 in cash and products, and are slated to contribute almost \$45,000 in 2010.



Albert Straus with his electric vehicle, powered by electricity from the dairy’s methane digester system.

ENVIRONMENTAL INITIATIVES

The Straus family has long recognized the relationship of their dairy to the surrounding environment. With the ecologically rich Tomales Bay below them and the Point Reyes National Seashore just beyond, the Strauses have always worked to prevent excess nutrients and soil from running off their pastures. While many dairies were moving towards more confinement-based management of their cows, the Strauses continued to allow their young heifers and dry cows daily access to pasture. They practiced rotational grazing, spread dairy manure on their hay and silage fields, and did not overstock their land with more cows than it could handle.

Ellen Straus helped establish the Marin Agricultural Land Trust (MALT), the first of its kind in the nation, designed specifically to protect working lands in rapidly urbanizing Marin County (just north of San Francisco). Without MALT’s efforts, the region might now look very different; as a Marin county planner remarked in 1971, “By 1990, Tomales Bay will probably look like Malibu,” with over 43,000 acres of suburbs planned for the coastside. MALT helped keep those plans in check, and the Straus’s home farm was protected with a MALT agricultural easement in 1993; sale of the land’s development rights to the trust provided capital to begin the creamery.

Straus Dairy uses many farming practices that are good for the cows and contribute to the health of the entire ecosystem. These innovative practices include allowing young heifers and dry cows to graze on pastures (when the fields are not too wet); milling their own feed so that they can verify that the ingredients are both high quality and free of GMO content; producing their own replacement heifers, which helps keep their herd free of outside diseases; following organic practices that prohibit the use of antibiotics or growth hormones in the herd as well as chemicals on the fields; generating electricity to power the dairy from a manure-powered methane digester; treating water used at the creamery and recycling it at the dairy; irrigating fields with natural rainwater or some liquid manures from the dairy barn; and tarping manure lagoons to capture the methane and to reduce flies, odors, and air pollutants.



The creamery also conserves resources in myriad ways. They were one of the first to reintroduce the glass bottle to milk drinkers; bottles are used an average of six to eight times before the glass gets recycled. All of the plastic used for milk jugs and yogurt containers is recyclable and the company is investigating alternatives to plastic, such as compostable or plant-based materials. The creamery's equipment is designed to be extremely water efficient, and employees use non-toxic hydrogen dioxide-based solutions to clean it. CEO Albert Straus drives an all-electric vehicle, which he powers with electricity generated from the dairy's methane digester.

While methane digesters are becoming more commonplace at dairies in the U.S., the Straus dairy was one of the first to install one in California, working closely with the state and other agencies to do so. The entire system cost \$340,000 to install, but Albert was able to offset \$140,000 of that price tag in the form of government grants, thus reducing the payback to only five years. The system now provides up to 90% of the dairy's energy needs, heats the water used in the dairy, and powers Albert's electric car. A new generator, estimated to be twice as efficient as the current model, will come online in the summer of 2010. In addition, due to regulatory changes, the dairy will be able to sell energy back to the grid for the first time.

KEY CHALLENGES

The dairy industry has taken an extreme blow in the last couple of years from a "perfect storm" of overproduction, the economic downturn, the melamine scandal in Chinese milk and baby formula, and increased competition from cheap milk protein concentrates from other countries. Price premiums have nearly disappeared for organic milk and many supply contracts have been broken.

Because Straus Family Creamery is vertically integrated and has a loyal customer base, it has been fairly immune to this storm. The business's sales have slowed, but demand remains high. The Strauses have also diversified into new products that have increased their resiliency.

Like most organic livestock producers, high feed prices consume a significant portion (50–60%) of the Strauses' income. They are constantly addressing this issue by experimenting with high-quality, organic waste feeds that can still meet the cows' nutritional needs and not change the flavor of the milk, or by buying their feed ingredients in bulk and mixing their own custom feed blends.

The Strauses have long been concerned about the conversion of farming lands to development, believing that farmers have enough to deal with and should not have to fight zoning changes or their right to farm. The Straus Family Creamery will continue to support and partner with MALT, and make other efforts to



Straus Dairy provides more than two acres of pasture for each of its cows.

protect both the land base and viability of agriculture in Marin County. The Straus family was an early supporter of the local non-profit Marin Organic, whose aim is to re-empower local communities, foster environmentally sound agriculture, and celebrate local food production. Marin Organic supports farmers and educates consumers about the role they can play in maintaining a vibrant regional agricultural economy.

CONCLUSIONS

Straus Family Creamery is a vertically integrated organic dairy producer and processor, the first of its kind west of the Mississippi. The Strauses have proven that a small, integrated dairy/creamery can succeed, and others around the country have followed their lead. While their approach may not seem innovative, it is extremely unusual in dairy farming, whose members are normally paid well below the cost of production despite all the hard work and capital they invest in their efforts.

In developing and conducting their business, the Straus family has always exceeded the "standard," including labor standards, organic production standards, and standards for quality, product diversity, and customer service. Farming is a hard way of life and doing it with integrity is often difficult to financially sustain. By building their own processing infrastructure, developing a high-quality product line, and generating strong brand loyalty, Straus Family Creamery is creating a sustainable business model and nourishing both a community and a movement.

FOR MORE INFORMATION on the Innovative Business Models Case Study Series, please contact the UC Santa Cruz Center for Agroecology & Sustainable Food Systems (CASFS) at 831.459-3240, or send email to casfs@ucsc.edu. You can learn more about CASFS at <http://casfs.ucsc.edu>

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