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Dewey Farms

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Originally located in Fair Oaks, California, twelve miles east of Sacramento, Dewey Farms has been a family run farming operation for the past 150 years. The current owners and operators are Harry and Jane Dewey. The couple have been together since high school and are approaching their 70th wedding anniversary. This long-standing bond has helped them weather many tough situations over the years.

Harry started working on the farm as an eight-year-old, sorting almonds from hulls as they came down a conveyer belt of a large almond huller. As he grew older, he continued to help out wherever he could, while still going to school. After he graduated from high school, he joined the Navy and was on track to becoming a pilot. Fortunately the war ended before he was deployed overseas, and he was able to come home and marry his high school sweetheart, Jane Evans. They were 19 and 20 years old. They moved into a small bungalow on his father’s property and Harry helped his father continue to run the farm.

The farm originally planted grain crops in the 1870’s, but as prices for grain dropped due to the Great Depression, the family looked to farm something new; they decided on almonds and have been nuts ever since. To ensure the orchards got enough water, Harry’s grandfather used hand dug wells to create a state of the art irrigation system. The new system used dams and
locks, along with cement pipes, to push water up and over the hillsides of the Fair Oaks farm. Innovations like this gave Harry the mindset that anything can be accomplished through hard work.

**Loss of land**

Harry and Jane decided to start a family of their own. First came Harry John and then a few years later Eileen Marie. While Harry worked for his father, Jane became a secretary in Sacramento to help the family make ends meet, and for a while things were going very well. Then in the early sixties, just as it was becoming Harry’s turn to run the ranch, the local school district decided to purchase piece of the ranch to create a new school for the growing suburban population in the area. The family agreed to a deal and Dewey Elementary School was built. As the Sacramento area continued to expand, more subdivisions were built and value of land skyrocketed. The tax on the agricultural land was based on the value of housing developments. In one year the taxes increased by 500%. With the writing on the wall, the Dewey family knew that if they wanted to continue to farm, it would have to be somewhere else.

**Yolo, CA**

With a share of money from the sale of the original ranch and a loan from Harry’s father, Harry and Jane looked at orchard property within a 100 mile radius of Sacramento. They found what they thought would be a good farm, but the parcels were being sold through the Yolo County Court. They went to the court house in Woodland and placed the winning bid on a piece of property in Yolo, California. Even with this new piece of property Harry and his father continued to farm in Fair Oaks up until the day bulldozers came to tear out the orchards and level the ground for the new housing development. Following the loss of their land, Harry and Jane moved out to Yolo, continuing to farm the old almond orchards the previous owner had planted.

The soil in Yolo was very high in boron and caused gum to form at the spur of the tree. Because of this, the nuts would stick to the tree and create major problems during harvest. In order to make things easier on himself Harry decided to plant something new. Thinking back to the old family farm in Fair Oaks, Harry remembered his father had planted a few pistachio trees at the end of the rows of almonds. He didn’t know much about the nut at that time, but in the 1970’s he contacted farm advisors at UC Davis and decided to do a small planting of about ten acres, the rest has become what is now Dewey Farms.

**Pistachio Overview**

Pistachio consumption can be dated back to as early as 6750 BC. The trees originate from the Middle East and Central Asia. They have been a snack food for centuries and are one of only two nuts mentioned in the Old Testament. In the first century A.D. Emperor Vitellius introduced Rome to the pistachio. Apicius,
Rome’s 5th-century A.D. recipe book, includes pistachios. That which we call the “pistachio” is known as the “smiling nut” in Iran and the “happy nut” in China.

Pistachio trees can grow up to 30 feet (10 meters) tall. They are planted in orchards and take between 7-10 years to produce a significant crop. The trees are considered mature somewhere between years 10-20. The fruit contains an elongated seed, which is the edible portion. The fruit has a hard, creamish colored exterior shell. The seed has light green flesh, with a distinctive flavor. When the fruit ripens, the shell changes from green to an autumnal yellow/red, and abruptly splits part way open. This is known as dehiscence, and happens with an audible pop. Each pistachio tree averages around 50 kilograms (110 lb) of seeds, or around 50,000 seeds, every two years.¹

**Partnership with Paramount Farms**

Contract farming can be an great way to manage and increase production and marketing between two agricultural companies. It can result in both increased income for the farmer and higher profitability for the sponsor, while also reducing risk and uncertainty for both parties as compared to buying and selling crops on the open market. After our interview with Mr. and Mrs. Dewey, we learned that for the past 16 years contract farming for Paramount farms has been very fruitful for their business.

**The Contract**

Dewey Farms sells 90% of their pistachios to Paramount Farms, and the other 10% they sell locally at farmers markets in downtown Sacramento. This contract with Paramount Farms has provided Dewey Farms with access to a wide range of administrative, business, and technical services that would’ve otherwise been unavailable. Mr. Dewey can use the contract agreement as collateral to access credit, provision of inputs and production services, introduction of new technologies, education on new processes in the fields, guaranteed and fixed pricing structures, and access to more reliable markets.

The biggest advantage for a small-scale farmer like Mr. Dewey is the boosted revenue from increased branding and advertising done by his large partner. Paramount has much larger pockets and more investment in the industry, so they spend the money required to increase the brand of their pistachio products. For example, Paramount Farms has created a brand label just for their pistachio line called Wonderful Pistachios. Their commercials include some of today’s biggest celebrities, like Stephen Colbert, and slogans such as “Get Crackin” to market pistachios and increase consumption worldwide. These examples are shown below.

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The majority of small farmers in the U.S. have difficulty receiving credit for production inputs. With the recent collapse and restructuring of many agricultural banks, which in the past supplied farmers with inputs on credit, difficulties receiving loans have increased rather than decreased. Paramount Farms allows Mr. Dewey access to a line of credit to finance his production inputs; in most cases it is Paramount who advances this credit. When farmers require large investments, banks will not normally advance credit to them without the financial backings of a company like Paramount.

In addition, their contractual arrangement contains large production support in addition to the supply of basic inputs like fertilizer and monetary incentives as well. Paramount can also provide land preparation, field cultivation, and harvesting as well as basic training for the Dewey operation. This is primarily to ensure that proper crop harvesting practices are followed in order to achieve projected yields and required qualities stated in the contract.

New techniques are often required to satisfy pistachios’ high quality standards, as well as to increase productivity and to ensure that the nuts meet market demands. However, Dewey Farms is often reluctant to adopt these new technologies because of the possible risks and costs involved. They are more likely to accept new practices when they can rely on external resources for material and technological inputs.

Mr. and Mrs. Dewey have also learned many basic administrative skills through contract farming with Paramount, including record keeping, the efficient use of farm resources, improved methods of applying chemicals and fertilizers, a knowledge of the importance of the characteristics and demands of export markets. This allows Mr. Dewey to apply this knowledge to his other business ventures, crop investments, and farming activities, thus improving the general productivity of his operation. Dewey Farms often applies techniques introduced to them

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by Paramount’s management to their other crops as well, so the relationship between Paramount and Dewey Farms is a very important for them.

Lastly, the returns Dewey Farms receive for their pistachios on the open market depend on the current market pistachio prices as well as on their ability to negotiate with buyers. This can create uncertainty, which contract farming can eliminate. Frequently, Paramount indicates in advance the prices to be paid and these are specified in the agreement. This provides Mr. Dewey with a firm and guaranteed pricing structure, thus limiting the amount of risk in his production. Furthermore, small-scale farmers like the Dewey operation are often constrained in what they can produce by limited marketing opportunities, which often makes diversification into new crops very difficult. Farmers will not cultivate unless they know they can sell their crop, and traders or processors will not invest unless they are assured that the required commodities can be consistently produced. Contract farming offers both partners a solution to this situation by providing market guarantees to the farmers and assuring supply to the purchasers. They do not have to search for and negotiate with local and international buyers, and Paramount usually organizes transport for their pistachios as well. Even where there are existing outlets for the same crops, contract farming can offer significant advantages for the Dewey operation.5

Paramount and Dewey Farms have both supported each other very well over the last 16 years and their relationship is very symbiotic. Contract growing for such a large brand has provided Mr. Dewey with endless opportunity and increased knowledge to incorporate into his other endeavours.

**Challenges Facing Dewey Farms**

Dewey Farms is facing three main challenges as it prepares for the future.

- Should they grow
- How much should they rely on Paramount Farms
- How do they pass on the farm

Faced with the question of growth, Mr. Dewey is hesitant to provide a single answer. Mr. Dewey recognizes that growth will be needed to keep the farm viable into the future. He also realizes that long term decisions of growth need to be made in collaboration with the next generation.

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Decisions of Growth

The first question on the mind of Mr. Dewey is whether or not to attempt to grow his operation. As time has gone on Mr. and Mrs. Dewey have continued to do small plantings of pistachios, while keeping most of their land leased out for row crops. They currently have roughly 40 acres of pistachios in production with 10 more acres of younger trees just a few years away from production. The remaining 250 acres are leased to a local tomato grower. With the tomato lease coming due soon, the opportunity has presented itself for Dewey Farms to plant up to 250 more acres of pistachios. With this opportunity, comes great risk. Though he has seen success before, Mr. Dewey’s age makes it very unlikely that he will see the project paid off. The financial responsibilities of the project will be placed in the hands of the next generation of the family.

Another avenue of company growth can be achieved not by additional acreage, but by involvement in local niche markets. Currently, 90% of Dewey farm’s pistachios are sold through a contract with Paramount Farms. The remaining 10% are processed separately and sold through a local Sacramento farmer's market. The Sacramento area, as a whole, is a hotbed for healthy living and has a farmer’s market every day of the week. The Dewey’s used to be more involved in farmers markets but because of health issues have had to cut back. Although the farmer’s markets are considerably more work, they allow for much higher margins on the products sold. During the last growing season, the price of pistachios sold to Paramount Farms was around $4/lb. If Dewey Farms decides to spend an extra $1.50/lb to get their pistachios roasted and salted, they will be able to sell them at farmers markets for around $9/lb. A markup that large can represent a great profit for a grower. The only drawback is that enough product must be sold to cover the cost of additional employees that must be hired. Farmer’s markets are a great place to interact face to face and build relationships with consumers. Consumers greatly appreciate the interaction and it helps build trust between consumer and brand. It would also help spread the brand through word of mouth, which is very cheap and can be very effective if you reach the right people.

Smaller, local grocery stores are also a place Dewey Farms could expand into. In the past the Dewey’s have had success in these markets, but due to declining health, increasing age, and losing the ability to process their nuts, they have been pushed out of this market. The Dewey’s had relied on another local farmer to process and flavor the majority of their nuts, but government restrictions created such a big hassle that they stopped processing and flavoring everyone’s pistachios.

The biggest way that Dewey Farm’s could grow its market share is creating a website that consumers could order online from. Being online would allow the Dewey’s to pull from a wider audience and access consumers that were once unattainable. Many of Harry and Jane’s
customers send the pistachios to family and friends around the world, and by opening a website they could reach those consumers better.

Dependency on Paramount Farms

A secondary benefit to the sale of product at farmers markets is the mitigation of risk. The diversification of sales places less power in the hands of Paramount Farms. Although Paramount Farms has been great to the family farm so far, Mr. Dewey is concerned about the size that the company has become. Rumors in the farming world indicate that Paramount Farms will be planting ten thousand acres of their own pistachios in the next three years. At this growth rate it is evident why Mr. Dewey is concerned. The hope is that Paramount Farms will remember the farmers who have helped them grow to as large as they are now. Ideally, the market for pistachios will increase and demand will only continue to rise. If that is the case, Paramount Farms will still need growers to supply their extra demand.

If the demand for pistachios does not increase and more acres are planted, the price will drop along with grower’s profitability. For this reason, Dewey Farms takes comfort in its ability to sell nuts through the farmers markets, small stores, and other online marketplaces. The diversification of their sales provides a sense of financial security and independence that many farmers strive for.

Succession

Harry and Jane know that at the age of 89, they can’t run their own business forever. It is their desire to see the farming operation continue to grow, but they realize making arrangements for how the farm will be passed down is not easy. In 2012, the average age of principal farm operators was 58.3 years, up 1.2 years since 2007, and continuing a 30-year trend of steady increase. Harry Dewey contributes to this agricultural trend. At 89 years old he is still heavily involved in the day to day decision making and production operations at Dewey Farms. As the farm population rises in age, transfer of ownership and farmland control can be expected in the near future.

Succession Challenges

In addition to growing concerns about how to meet the retirement needs of older farmers, it is disconcerting that few senior operators have decided how managerial control of the farm will be passed to a successor prior to their death. For example, of 106 farm operators studied in California, only half had identified a successor. Failure to plan proper succession can be detrimental to a farm. If a farm is inherited by multiple heirs, taxes and fees may cripple the small business and its new owners. Inadequate planning can also result in family conflict, and the

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6 USDA NASS, 2012 Census of Agriculture, Preliminary Report
redistribution of assets in order to satisfy the rightful heirs who simply want a pay day from their share of the business.

When considering succession, many different barriers come into play throughout the process. Often, delayed planning can be attributed to a variety of things such as waiting for children to make career decisions, concern about the stability of successors family/marriage, economic variability, and even utter lack of communication. One of the easier options to consider is to sell the land and divide up the profits accordingly. California land values are ever increasing and Harry knows that they can receive a high value per acre. However, his desire to keep his family farming legacy operational has driven him to ignore the high monetary acreage values knocking at his door. Farming is more than a profit business for Harry Dewey, it’s what his family does.

Family Involvement

Succession planning in and of itself is a complicated issue faced by farm operators, but delayed planning can even further complicate the problem. Harry and Jane Dewey are aware of the complexities they currently face as their time on the farm winds down. Harry and Jane’s son Harry John Dewey chose a different profession than farming as a nuclear physicist at the Los Alamos National Observatory, but will be moving back to California upon retirement. Their daughter Eileen Marie Thomas is the Executive Director at the River City Food Bank in Sacramento. Eileen helps out at farmers markets and with some of the business and administrative work. Whereas their two children have not expressed complete interest in running the daily activities on Dewey Farms, two of their grandchildren have.

Joey Thomas and John Thomas are 22 year old twins, the sons of John and Eileen Thomas. Both of the grandchildren are students at California Polytechnic State University, San Luis Obispo. Joey will be graduating in June of 2016 with a major in Agribusiness and Johnny continues to study Horticulture specializing in fruit science. They have been involved with the business side of Dewey Farms since 2007 when they started helping out at local farmers markets selling nuts and developing relationships with the local customers. In 2011, they began to help out with the actual harvest and production of the nuts. Interest in the farm may have skipped their mother’s generation, but the desire to keep the family operation growing stuck with them. After graduation Joey plans to return to help out on the farm and knows that he is expected to learn most of the operation and management methods if he wants to continue the family operation when Harry Dewey, his grandfather, decides to pass on the farm.

"I love it," said Joe, as he popped a handful of his grandfather's profits into his mouth. "It just seems like a great tradition that should continue."
Harry Dewey recognizes the importance of Joey and John’s interests in continuing the family business. He reflected on not encouraging his own children to pursue farming, and recognized that this was a mistake. Harry knows that death taxes are extremely costly to a business of this size, and prefers to gift the land. With two children and five grandchildren, gifting is possible but difficult due to the children and grandchildren having careers and interests in other fields. Harry is aware that no succession plan will be completely equal amongst all children and grandchildren, but a succession plan as he phases out will be necessary. Family interest is not the only obstacle when it comes to succession.

Harry relies on the technical expertise and experience of his farm hand Hector Graciano, who has lived and helped out on the farm for over 40 years. This is another piece to the Dewey Farms succession puzzle. As a loyal employee, Harry and Jane Dewey plan to continue providing Hector with all the provisions he needs to continue working for the farm, if he so wishes. As Harry has gotten older, it has been Hector who provides the technical skills during planting, harvesting and production. As a result of his loyalty, they said they will never use the land he lives on for production, and hope that he continues to help out even after their phasing out of the company.

Conclusion

Dewey Farms is a 150 year old operation with plenty of life still in it. As a California operation they contribute to the local, state, and national economies and provide a product that is highly sought after in the agricultural industry. After 150 years of operation, they still face decision challenges on the production and business sides of things.

- Should Dewey Farms expand in acreage
- Should they continue to lease their land to contract growers upon current contract expiration
- Do they focus on almonds, pistachios, tomatoes or other grains
- How much should they rely on Paramount Farms, and how does their relationship grow in the future
- What kind of succession plan do they formulate and when

As Harry and Jane grow older, the most immediate problem to address remains the succession of their farm. Crop decisions, partnerships and contracts will remain relevant issues for years to come no matter who the owner or operator is for Dewey Farms. These are obstacles every farmer faces, the more relevant issue that remains is who will be that primary farmer. Succession is not an easy obstacle to tackle, and it is a problem that Harry and Jane Dewey have put plenty thought into. Together the married couple and owner operators of Dewey Farms have tackled many
obstacles before, but now it is time to take action and develop a plan to pass on their farm and legacy on to the next generation of California farmers.