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Manheim-based Kreider Farms looks to grow its dairy business with new products, more capacity



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Ron Kreider, CEO of Kreider Farms, holds bottles of its new farm-fresh lactose-free milk, introduced last week, and its iced coffee mocha milk-based drink, introduced in December.

Kreider Farms has long emphasized the farm-fresh aspect of its products, to distinguish itself from the competition.

Now, though, the Manheim-based company can describe itself in one more way — innovator.

On Thursday, Kreider Farms introduced the first farm-fresh, lactose-free milk in the dairy industry.

“This lactose-free milk takes us to a new level,” said Dave Andrews, vice president of sales and marketing at Kreider Farms.

“Not only are we going to market with a farm-fresh alternative, we’re starting to innovate and offer the consumer a product that hasn’t been available before,” he said.

Andrews said that other lactose-free milk brands undergo ultra-high-temperature sterilization, being heated to more than 275 degrees, which gives them an extended shelf life.

Kreider Farms, though, has no desire to go that route.

“All of our market research shows that today’s consumer is responding to more local, more fresh. ... We feel there’s a vacuum in the marketplace, that consumers would prefer this if it’s available,” said Andrews.

Kreider Farms isn’t stopping with fresh lactose-free milk. It will unveil another new dairy product this fall, though Andrews declined to reveal it at this time.

These follow the addition of a host of new products to the Kreider Farms dairy lineup in the past nine months.

They include milk-based drinks including mocha iced coffee, pumpkin pie and chocolate peanut butter varieties, plus drinks such as unsweetened iced tea and blueberry lemonade.

At the same time, Kreider Farms has reformulated existing products and updated their packaging.

“We’re going out on all fronts,” said Andrews.

Three-year investment

The splash of new and revamped products comes as Kreider Farms completed a three-year, \$5 million investment this spring in its dairy business.

The investment expanded its milk and drink processing, ice cream production and ice cream freezing capability.

With the new capacity, Kreider Farms will be able to boost its milk and drink processing to 5 million gallons a year from the current 3 million gallons.

Its ice cream production will be able to reach 1.5 million gallons a year, up from the current 150,000 gallons.

Ron Kreider, the third-generation president and CEO of Kreider Farms, said:

“Our family philosophy since my grandparents started our company over 80 years ago was to work hard, be good stewards, embrace change and reinvest for the future. We still live by these basic principles today.

“The commitment and the investments we have made into our dairy operation would make my parents and my grandparents proud and we look forward to the next 80 years,” he said.

The added capacity could have an enormous impact on the revenue generated by Kreider Farms’ dairy business, now \$10 million a year.

Kreider Farms, though, has no specific targets in mind.

“We actually don’t have numbers in our marketing plan. What we do realize is that we have so much opportunity to grow from a very small base that, really, the sky’s the limit,” he said.

But Kreider Farms will hold fast to its roots.

“We don’t want to grow into a big manufacturing company that has a farm. We’re not looking to go national. We want to be a respected, regional supplier of farm-fresh products,” said Andrews.

Kreider Farms could grow its dairy operation’s revenues to \$50 million annually and “still stay true to our values,” he said.

Those values are the main selling point for Kreider Farms.

“Our point of differentiation is the fact that we’re a real local farm...,” Andrews explained.

Although many competitors have the word “farms” in their names, he continued, “None of our competitors are farmers, in the true sense, like Kreider Farms is, with tractors and harvesters and combines and farmland and crops.

“We’re hopefully bringing authenticity back into the grocery store,” said Andrews.

More than marketing

The word “farms” is more than a marketing hook for Kreider Farms. It reflects the origin of the products sold under its name.

Its milk, for instance, comes entirely from its own cows, who eat feed grown on its own farms, Andrews said.

Methodology makes an impact too. Kreider Farms chills its milk from 100 degrees at the instant the cow is milked to 33 degrees in a mere eight minutes, to lock in the flavor.

“It’s the freshest milk you can possibly get, made with the smallest possible carbon footprint,” since the fields, barns and processing plant are in the same area, he said.

Rival providers combine milk from multiple farms and chill it over several hours, according to Andrews.

Kreider Farms tries to underscore that farm-fresh message in the mind of the public by offering tours of its farm six days a week all year.

More than 13,000 visitors took the tour last year, up 35 percent thanks to the opening of a 100-foot observation tower in May 2016.

Kreider Farms, founded in 1935, is the last full-scale egg and dairy farm combination in the United States.

The company farms more than 3,000 acres in Lancaster, Lebanon and Dauphin counties, the biggest portion being 1,600 contiguous acres outside Manheim along Doe Run, Indian Village and Penryn roads.

Kreider Farms, a 450-employee operation, has 1,600 cows and more than 6 million layer hens, a figure that will grow this summer to more than 7 million.

The egg business is the far-larger activity.

Kreider Farms is the nation's 15th-largest egg producer, with annual revenue of \$150 million. (See related story.)

Penn State University's James Dunn, a professor of agricultural economics, thinks Kreider Farms' dairy-business strategy makes sense.

"People really do have a warm place in their hearts for the person who produces their food. That's one reason why there are so many farmers' markets," said Dunn.

The professor said that as Kreider Farms tries to increase its dairy business, the company's authentic-farm angle will resonate with many of today's consumers.

"This local, know-your-farmer stuff is a big deal these days. Not with everybody, but it doesn't have to be everybody" for a product to be successful, said Dunn.

But Dunn emphasized that convincing a consumer to try your product is just the first step.

"Having the story helps, but the quality has to be there," he said.

To grow the dairy side, Kreider Farms knows it needs to turn around its "fairly low" market penetration in the four states (Pennsylvania, Maryland, Delaware and New Jersey) that it serves.

That will require getting its products on the shelves of some of the major players in the region such as Wegmans, Whole Foods, Giant, Acme and Shop-Rite, said Andrews.

It also would mean adding the rest of its product line to some of the stores that now have a partial roster.

For instance, all Weis and Redner's stores carry private-label eggs from Kreider Farms. Some Redner's stores carry its milk and ice cream too.