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Masters of Change  
by Linda H. Smith

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The Schmidt family doesn't always find change easy, but they never shrink away from it when it's the right thing to do. Now in the third generation of farming in the U.S., Schmidt Farms has changed location multiple times, adopted conservation tillage before it had a name, added and dropped livestock and sought value-added enterprises. Brothers Alan and Hans and their wives, Brenda and Jennie, already are planning so they will be ready if their children, now ages 10 to 14, choose to farm.

They were chosen as Top Producer of the Year finalists for their ability to survive and thrive in the Chesapeake Bay area—one of the most environmentally challenged watersheds in the country and one with increasing suburban pressure. By squeezing additional dollars of profit from their existing acres, they are able to support multiple generations.

Oscar Wilhelm Schmidt and his brother, Ernst, left Germany in 1910 and tried farming in Argentina, Brazil, Paraguay, Uruguay and Saskatchewan before migrating to the Eastern Shore of Maryland in the early 1920s. Today, the family farms 1,800 acres near Sudlersville.



In time, Oscar's son Walter took over the operation with his brother, who died in 1970. Although Walter's sons Hans and Alan were still in grade school, the death of his brother was a wake-up call for him to begin transitioning the farm while he was still in good health and could serve as an adviser.

"Dad taught us management skills on specific enterprises very early," Hans says. "He let us make decisions and make mistakes."

**Goodbye to Livestock.** When the brothers purchased the farming operation from Walter in 1995, it included a 500-sow farrow-to-finish hog operation that had been part of the farm for 50 years and a cow-calf herd. That soon changed.

"We saw the handwriting on the wall regarding both the local livestock market and environmental issues," Hans says. "We decided to get out of the livestock enterprises and survive on grain. Two years later, we realized we couldn't make enough from grain, given our land base."

Located 70 miles from the major population centers of Washington, D.C.; Annapolis, Md.; Newark, Del.; and Philadelphia, the operation's acreage growth was limited by suburban encroachment, and the brothers didn't want to enter rental wars with neighbors. So they needed to get more profit out of the existing 2,100 acres owned by the family (1,800 farmed).

They looked around and saw thriving markets for high-quality hay for horse farms and fresh green beans for the nearby urban markets. They invested in a new co-op that offered a lucrative market for edible soybeans and began growing canning tomatoes on contract. They converted one farm to organic production and switched to seed soybeans and seed barley.

Most recently, they added wine grapes. "We are maxed out on tomatoes and string beans, and we have all the hay acres we can manage. So we looked for value-added enterprises," Hans explains.

**Wine Grapes.** New to the vineyard business just seven years ago, the Schmidts began growing grapes on three acres. Their current 20 acres represent the largest commercial vineyard in the state, and Jennie is president of the Maryland Grape Growers Association. The wine grape industry is an emerging market in Maryland, with 558 acres of grapes in the state and 42 licensed wineries, many of which are not yet open.

"We learned through networking and by doing," Jennie explains. "One of the hardest things was that with grain, the focus is more on quantity; with grapes especially but hay and vegetables as well, it's all about quality. Once you have figured out how to get the quality, then you can focus on quantity." Another adjustment is that it takes three years before you harvest a crop and five years to reach full production.

Growing interest in wine grapes and boutique wineries in the state has spawned a new enterprise, which Jennie runs: custom vineyard management. In addition to the family's 20 acres, they now manage 35 acres of grapes for other vineyard owners.

"Growing wine grape varieties opens the avenue for a winery down the road—perhaps our children will choose to do that," Jennie adds.

This mix reduces risk through multiple added-value crops, and it keeps two full-time and two part-time employees employed year-round. "By being busy 11 months of the year, the business is able to support our three families and our employees," Jennie says.

The Schmidts employed a total of 28 people this past summer—seven local teens and 13 migrant workers from Guatemala for the tomatoes and grapes, plus family and year-round employees.

Not every venture has been a success. Raising birds for hunters and ostriches for meat came and went.

"We now look at markets that exist—not ones that you have to create a market for," Hans says. Every enterprise is reviewed regularly on its own merit and will stay only as long as it is the best fit for the operation's resources and profitability.

"Alan and Hans have a unique ability to assess risk and make well-calculated business decisions, often into areas that are new and different and as yet unproven to them and their neighbors," says Kenneth Bounds, vice president of MidAtlantic Farm Credit.

"A key component of success for farms is the ability to objectively review your financial condition and make strategic financial and operational decisions based on the analysis," he adds. "Alan and Hans perform enterprise analysis, track and analyze costs by unit and trend income and expenses by enterprise. They use this information to make appropriate operational changes."

**Analysis is Key.** Ag lender William Walmsley with the Centreville National Bank of Maryland, also agrees: "[The Schmidts] are in the top tier of those who look at the math first. Cash-flow analysis is completed for every enterprise from field corn to grapes and all in between. All tools are used in production and marketing to recover as much profit as possible."



Opening the door to new opportunities remains a key to the Schmidts' future. Alan and Hans will try new enterprises that many farmers would never consider. Given the transition their father, Walter, set in motion, the brothers have set a course to ensure the farm remains profitable—and ultimately will support their children, should they choose to farm. It may not appear to be the same farm it was in generations

past, but change is necessary to stay profitable and productive.

#### **Quick Facts**

> Location: Sudlersville, Md.

> Owners and partners: Hans and Jennie; children Zachary, age 12, and Katrina, age 10. Alan and Brenda; children Jacob, age 14, and Tyler, age 11

> Crops in 2009: Field corn, 645 acres; feed- and food-grade soybeans, 500; hay (timothy, orchardgrass, alfalfa), 311; wheat, 275; seed barley, 170; canning tomatoes, 150; green beans, 140; popcorn, 57; grapes, 20

#### **Conservation Is Critical**

Living in an area where water pollution is a major issue, Walter Schmidt instituted conservation tillage in the 1960s, long before it was widely promoted.

Sons Alan and Hans also have taken a proactive, rather than reactive, approach. They have entered 120 acres that abut local waterways in conservation programs and have adopted nutrient-management systems, such as filter strips, grassy buffers, tree buffers and winter cover crops.

“It’s important that farmers put as many BMPs [best management practices] on the ground as possible,” Hans says. “We don’t want to be blamed for runoff.”

Precision agriculture via GPS reduces overlap of seed, fertilizer and chemical applications, reduces soil compaction and results in cost savings and environmental benefits. Data collected help the brothers make better management decisions. “Using a lightbar to spread poultry manure lets us apply the optimum rate, but not overdo it,” Alan says.

Because these practices also provide wildlife habitat, the Schmidts received the Maryland Wildlife Farmer of the Year award in 2006.

In 2008, Schmidt Farms received a cost-sharing grant to build an agrichemical handling facility, a permanent structure with a diked loading pad—the first in the county. The facility consolidates numerous tanks and sprayers into one location. Not only is it safer environmentally, it is more efficient.

**Teaching Conservation.** Due to their proximity to Washington, D.C., the Schmidts frequently get requests from groups who want to visit a farm. They often let government administrators, foreign visitors or city folk ride in the tractor and even let them drive it on the return trip across the field. They use these opportunities to teach how farmers are farming responsibly.

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