

Dean Folkvord (left) transformed a hard-scrabble wheat farm into a fully integrated food company. Wheat Montana processes and distributes grain and flour to a network of micro bakeries, grocers and specialty purveyors across the U.S.



Cover Story / By Laura Sands

On a Roll!

This Montana wheat producer sows it, grows it and doughs it

PHOTOS: DOUG LONEMAN

How many times can you add luster—and value—to commodity wheat? More times than you might think.

As a young man, Dean Folkvord dreamt of a rodeo career, not of operating the hard-scrabble wheat farm his father launched with a part-time job in 1958. Based in Three Forks, Mont., the high altitude, dryland operation just

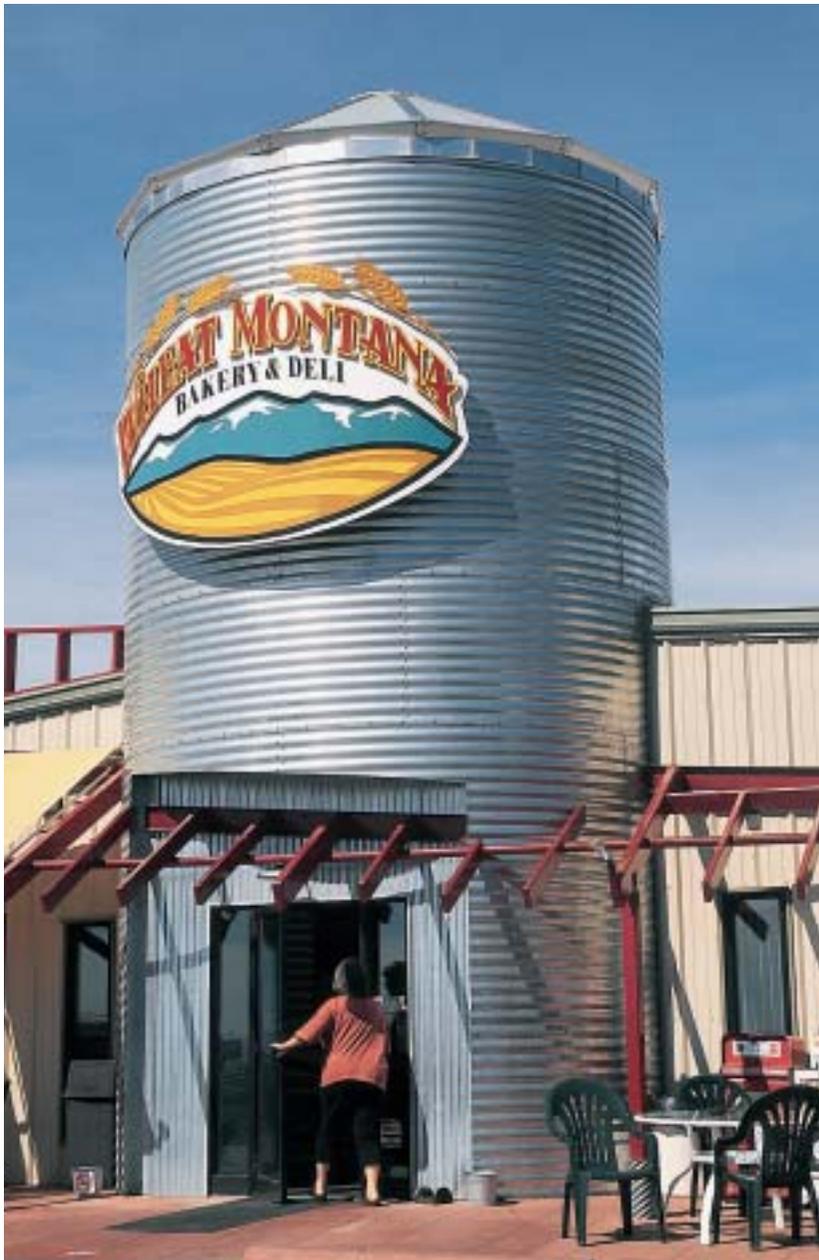
didn't seem to hold much promise for the restless, ambitious youngster.

Rather than escape, Folkvord embarked on a 25-year adventure to brand a high-quality wheat flour and recast his family's fortunes. The journey earned him the title of Top Producer of 2003 for business excellence, and a year's use of a Challenger tractor.

Roll model. Folkvord and his family-owned company, Wheat Montana, generate total sales of \$7.6 million, and a complement of specialty grains, flour, bread and food products that

are sold across the nation. The company bakes more than 10,000 loaves of bread a day. Its headquarters and restaurant, or the "wheat plex" as it is called, has become nothing short of an I-90 tourist destination that processes wheat products and serves up food to tens of thousands of visitors each year.

Even Folkvord admits he is a bit dumbfounded by the success of the Wheat Montana deli at the wheat plex, about 30 miles outside Bozeman. "We thought the restaurant would be a place where farmers could get a cup of coffee and a good lunch," says Folkvord. Instead, the deli grosses nearly \$1.7 million, more than area



Bread baked at the Wheat Montana Bakery is distributed fresh and frozen in a five-state area. Hope Folkvord (center), the company's chief financial officer, stays close to customers at the wheat plex deli, a destination for travelers along I-90.



squeaky, Middle America clean.

"I am completely convinced that people want not just wholesome foods, but a stronger connection to their food," says Folkvord. When customers or travelers stop at the deli for lunch, "they almost always buy flour and bread, even though they could get it at the Wal-Mart back home," says Folkvord. "It is because they want to be close to the source, and this is where we do it."

When customers buy at the bakery outlet, it is financial adrenaline that shoots directly back into the operation's lifeblood. "When we sell bread here for two dollars, we get the whole two dollars," he says. Thanks in part to the success of the processing segment, the farm itself has grown to 12,000 acres. Folkvord also buys grain from other producers who can adhere to the company's quality, conservation and chemical-free standards.

Protection. The business model also has buffered Folkvord from the worst market swings, and to some extent, even from Montana's lingering drought. "It doesn't much matter what wheat prices are—our profits stay about the same," says Folkvord. If their prices are high, they can be passed on to buyers. If they are low, the company makes up the difference on the value of the food segment. Working with other farmers and outsourcing some of the flour business to General Mills keep the grain and flour pipelines filled.

This wasn't the business model Folkvord envisioned when he came back to the family farm in the 1980s. "I couldn't have made a loaf of bread for anything," he readily acknowl-

McDonald's outlets, and is now spawning a series of franchised operations.

Folkvord's lender, John Phelan, a corporate account manager for Northwest Farm Credit Services, says "Wheat Montana and the Folkvords stand at the top of the class." Most nonfarm businesses of this scale operate at debt levels of 50% or higher. The Folkvords operate at a comfortable 15% to 20%, Phelan says, and carefully fund much of their expansions with retained earnings.

Starbucks revolutionized the coffee industry by convincing consumers to spurn off-the-shelf supermarket brands. It made superior—and more expensive—coffee part of a daily ritual that signaled better living.

In essence, Wheat Montana has been able to capture those same market values, and then some. "We sow it, grow it and dough it" is a company motto. The wheat plex facilities play off a grain-bin motif, and the restaurant, plant and employees are all

edges. In search of an angle to differentiate the farm, he and his father embarked on a partnership with a plant breeder who wanted to market specialty wheat varieties as grains for other bakeries and, maybe, a little bit of flour. That led to the purchase of a small bakery. "I thought I'd be a figurehead farmer, used mostly for marketing," he acknowledges ruefully.

Soon, he was a very poor figurehead indeed. The bread business, managed by the partners, was losing \$5,000 a month. Folkvord, his wife and parents were soon forced to choose: Buy out the partners and stay in the flour and bread business, or exit and lick their wounds. They decided to stick it out.

Desperation is a good motivator. Folkvord found himself clawing for any market. He found his first success in an area health food store as well as survivalist and religious circles who store grains that can eventually be

made into flour. Word of mouth was his best advertising.

But Folkvord wanted to make more of a marketing statement, so he went into an area advertising agency hoping to spend about \$500 on a logo. "I came out with a commitment to a \$30,000 campaign," he says. He borrowed the money, launched his limited bread, flour and grain line, and began selling.

In motion. Folkvord has aggressively developed name recognition wherever he could. In 1995, the company made the fastest loaf of bread, straight from the field, in just eight minutes. That stunt got Wheat Montana a spot on NBC's Today show and a mention in the *Guinness Book of World Records*.

Folkvord, a creative soul who writes country and western songs, "isn't interested in the status quo," says his ac-

countant and business adviser Harry Stannebein, a CPA who has worked with Folkvord for 18 years. That translates into risk management, in part, "because I think you always need to have four or five new ideas and products in the marketplace at any given time," Folkvord says.

But this begs the question: How many times can you reinvent wheat—the most common of commodities? More times than you might think, says Folkvord. For example, he has invested in an in-store wheat grinding system that allows consumers to grind their own flour, much as they do coffee. In-store flour sales jumped 20%. Innovations like this have kicked in when other business segments have slowed. "I consider constant product innovation strategies to be self-defense," he says.

Wheat Montana is also looking for new markets. The fledgling franchise segment will also allow the Three Forks processing facility to expand without assuming all the risk for such an expansion. And, recently, they have moved into some Wal-Mart stores. "That has been a fantastic relationship for us," says Folkvord.

Master of change. Folkvord displays other strong business attributes, says Stannebein. "Dean isn't afraid to make changes such as discontinuing products, restructuring unprofitable areas or eliminating employees who are not contributing to the business," says Stannebein. Recently, for example, the company jettisoned 60% of its bread line. "They were great products we really liked and hated to let go," Folkvord says. But, the change allowed the company to focus on consistency, quality and profitability.

Despite a trend toward home baking, Folkvord knows he doesn't have a guaranteed market. Nationally, flour use has plummeted, in part due to low-carbohydrate diet crazes. But Folkvord has been able to defy that trend by concentrating on his audience—an upscale, health-conscious group. How far can that market go?

Wheat Montana's grain and flour business already have a national reach. The bread business isn't far behind. And, he hopes that a Wheat Montana deli franchise will hit a town near you soon. Don't bet against him. ■

PROFILE: Dean Folkvord, 42, Three Forks, Mont., CEO of Wheat Montana

FAMILY: Wife, Hope; two children, Hillary and Haylee; parents, Fran and Dale. All are active in daily operations.

FARM: Dean's father launched the farm on a mere 250 acres in 1958. "My Dad and I always admired the efficiencies of the big outfits," he says. Today, they farm about 12,000 acres. "We are still enamored with increasing the size of our operation. The economies of scale in every aspect of our business invite enormous opportunities."

PRODUCTS: Originally, Wheat Montana handled mostly specialty grain varieties and flour sales of Prairie Gold and Bronze Chief wheat varieties. Today, the company bakes bread for itself and retailers, sells flour nationally and has generated a series of other innovative products, such as 7-grain cereal, wheat chili, and even branded Wheat Montana gifts and ceramics.

ON OVERHEAD: Wife Hope "is a very conservative chief financial officer and our managers hate it," says Dean. However, the strategy has paid off. "We learned early on that in doing business with Wal-Mart, it is imperative to control your overhead. If you can control your costs, then you can ride out a tough period when sales slip. If you don't, you won't; and if you do recover, you've missed the next opportunity."

ON GROWTH: "We are comfortable with growth of 7% to 10% (annually)," says Dean. "If we get beyond that, things start getting out of control and outcomes are harder to predict."

ON WORK: You may show up at the wheat plex to find the Folkvords busing tables or serving up sandwiches. "It is the best way to keep in touch with customers and the quality that you are producing," says Folkvord.

ON FUN: Folkvord is an auctioneer and donates those services to worthy organizations. He and a partner also write country and western songs, recently penning hits for Patty Loveless.

