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# SNAPSHOT SERIES: TRANSITIONING TO VALUE ADDED ENTERPRISES

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## GAUKEL GROWN & GROUND - KEELINE, WY

*All Natural Stone Ground Whole Wheat Products*

 WALLACE CENTER  
WINROCK INTERNATIONAL

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The Wallace Center supports entrepreneurs and communities as they build a new, 21st century food system that is healthier for people, the environment, and the economy. The Center builds and strengthens links in the emerging chain of businesses and civic efforts focused on making good food – healthy, green, fair, affordable food – an everyday reality in every community. Winrock International is a nonprofit organization that works with people in the United States and around the world to increase economic opportunity, sustain natural resources, and protect the environment, implementing projects in more than 65 countries across the globe.

  
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**The Snapshot Series examines how traditionally direct marketing farmers are using value added enterprises to supplement and expand their agri-businesses, reaching new markets and consumers through the development of new products. This effort was funded in partnership with the Risk Management Agency as part of a multi-year initiative to develop and distribute risk mitigation resources for the direct marketing community.**

**More information on the series can be found online at [www.wallacecenter.org](http://www.wallacecenter.org).**

## **AT A GLANCE: GAUKEL GROWN & GROUND**

Husband and wife team Kevin and Julie Gaukel supplement income from their livestock business by processing, marketing, and selling stone-ground whole wheat products from their 320 acres of wheat crop. Products include mixes for a variety of breads, pancakes, muffins, and cereal. Their products are now available at their online store, at local farmers markets, and at grocery stores around the country.

## **BACKGROUND**

Husband and wife farmers Kevin and Julie Gaukel raise winter wheat and Black Angus cattle on approximately 3,500 acres in eastern Wyoming's Niobrara county, the least populated county in the least populated state in the nation. Kevin Gaukel is a fourth generation farmer and Julie Gaukel has a background in business education, and learned to farm by working with her husband. While livestock is the family's primary source of income, a severe drought starting in 2000 has made the livestock business increasingly difficult for the family. Currently, about 320 acres of the Gaukel's land is dedicated to dryland wheat production, relying exclusively on rain for watering. The Gaukels estimate that about 2 or 3 percent of their wheat crop is turned into value-added product, while the rest is sold to the local grain elevator.

## **VALUE ADDING**

While expecting their third child, the Gaukels began to think of ways to add to their income. Kevin came up with the idea of creating value-added wheat products based on the popularity of bread machines at the time. As this was the family's first venture into entrepreneurship, Kevin took marketing classes at the University of Wyoming and spent a lot of time researching the demographics for wheat products. Both Kevin and Julie took "Trade Show Survival", as well as cash flow management classes from the Wyoming Small Business Development Center.

The family initially started with two bread machine mixes and a pancake mix, which they test marketed at a local Christmas bazaar in December of 1998. In 1999, "Gaukel Grown & Ground" was officially licensed. In 1999, the Gaukels began to sell their value-added wheat products at farmers markets. In 2000, they contracted to sell these products to their first major retailer – a local grocery store chain. The next year, the Gaukels began selling their line of value-added wheat products through their website, and by the end of the year, they were selling at 15 grocery stores and specialty stores throughout the nation.

During the fall and winter seasons, the Gaukels are able to rely on their flour business when things are slow in the livestock business. At the holidays, the bulk of their value-added sales come from internet sales, while the majority of sales during the rest of the winter months come from store sales. And during the summers, the biggest source of sales is farmers markets.

## THE FIRST YEAR

After test marketing their product, the Gaukels applied for permits which was a fairly simple process. The Gaukels partly attribute the ease of the process to the fact that their products are dry mixes, and not ready-made products like breads or meat products, both of which face stricter regulations. “We really like the aspect of recipe development. We like to experiment, finding just the right combination of ingredients to provide a quality product our customers will enjoy,” says Julie.

For the Gaukels, the independent nature of their family-run business has always been important. During their first year, the Gaukels declined to borrow financing, instead purchasing everything, including equipment, on a cash basis. The family also makes it a point to carry out all aspects of their business themselves – from growing, harvesting, and cleaning, to grinding, mixing, and packaging. The Gaukels’ two daughters are also involved in the venture, sewing the pouches that package retail gift sets and wholesale items. Even their young son is involved, helping to add labels to products. As their children grow, so do their responsibilities within the family business. Only when the season is especially busy, such as during the holidays, do the Gaukels hire seasonal help.

## MARKETING

The Gaukels say they mostly rely on word-of-mouth marketing, although they also have a website and use brochures. Past efforts at using promotional materials – such as a mass mailing and a radio ad – weren’t particularly successful. The Gaukels also tried running an ad in a popular magazine, but did “not [get] a single response.” They’ve discovered that finding your most compatible niche and then making adjustments as needed is critical to keeping the public aware of how you can serve them best. Their main focus continues to be word-of-mouth and they are increasing their advertising efforts in the wholesale arena.

The Gaukels also say that they’ve also used local resources, such as state business administrations and universities, for classes and other ways to learn how to develop their business. In 2000, Kevin attended a seminar on “guerilla marketing” that provided insight into improving their grocery store labels. The presenter critiqued Gaukel Grown & Ground’s packaging labels, and using his suggestions, the Gaukels were able to better meet customers’ expectations for grocery store packaging. The Wyoming Small Business Development Center helps review their expenses to see where they can cut costs and helps them put together business plans. And Kevin is a founding member of the Wyoming Farmer’s Market Association which helps promote all natural products throughout the state.

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**“The more you can connect with customers, the more successful you can become.” -Julie Gaukel**

The Gaukels have also benefited from grants to support marketing their business. They were able to develop a website to market and sell products online, thanks to one state-funded grant program. And according to Julie, the “Wyoming First” program provides them with grant money that assists with booth fees and travel expenses to attend trade shows, which normally cost thousands of dollars.

## GROWTH AND RECOGNITION

In 2003, the Gaukels moved from hand cleaning their wheat to using a fanning mill. At the same time, they began to expand their product line. Since 1999, the Gaukels have expanded their product line from three to thirteen products, mostly based on customer requests for things like muffin mixes and other products. The Gaukels have also created gift baskets, offering their products in three unique “bouquet of flours.”

The Gaukels have won numerous awards for their small business, including the 2007 state, regional, and national U.S. Small Business Administration's home-based business champion of the year awards. The Gaukels, who are involved in their community by providing agricultural education programs to local youth, have also been honored in their home state for their contributions to conservation and education in Wyoming.

## CUSTOMERS

Gaukel Grown & Ground has customers throughout the United States, with the majority of its customers coming from the Rocky Mountain region. Customers come from a variety of backgrounds and ages, but they all share a common desire for natural and wholesome foods. Julie says that it's been interesting to watch their products travel through her customers—they've been to Alaska and Europe, and as far away as Australia. Gaukel Grown & Ground also gained exposure in the south and in Hawaii, when Kevin spoke at the 2nd Annual Grazing Lands Conference in Tennessee and Julie presented at the American Farm Bureau's Discussion Meet competition in Honolulu. The two have also taught workshops, including the Big & Small Acreage conference in Greeley, Colorado, and locally at several Agriculture Expos in Wyoming.

## ADVICE

As a new small business, the Gaukels have found that being flexible and developing products around what consumers want are critical to success. They've also found it essential to utilize all of one's networking opportunities and networks, such as small business administrations. Keeping their family-run business in the public eye, whether it's at trade shows or farmers markets or other events, is also essential: "People are comforted to know that it's only [the Gaukel's] hands that have processed the food. People are becoming more aware of the origin of their food sources." Julie advises, that "the more you can connect with customers, the more successful you can become."

## LOOKING TO THE FUTURE AND MEASURING SUCCESS

Since starting, the Gaukels say they have seen a 23 to 28 percent increase in sales every year and that their value-added business allows for a more consistent cash flow as a supplement to their traditional farming activities. Approximately 20 percent of the Gaukel's income comes from their value-added business. The hope is to develop their wholesale markets to make sales more consistent. To meet their customers' growing demands for long-term food storage, the Gaukels are beginning to offer their products in bulk.

Kevin and Julie have not only been involved in educating youth through hosting living classrooms at their farm and ranch, but also in educating adults about agriculture, through events such as the recent Wyoming Diversified Agriculture Tour. The 6th annual tour spotlighted Niobrara County producers who have turned to diversification in order to help balance the uncertainty of their industry. During this tour, the Gaukels shared their experiences – starting with the life cycle of winter wheat crops through the development of a value-added business.

For the Gaukels though, success means more than just increasing sales or profits. Because they're committed to agricultural education and conservation in Wyoming, they believe that success is also about the opportunity to share their "passion for agriculture...and products to live a more healthy life."

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**Finding your most compatible niche and then making adjustments as needed is critical to keeping the public aware of how you can serve them best. The Gaukel's main focus continues to be word-of-mouth and they are increasing their advertising efforts in the wholesale arena.**

## LESSONS LEARNED

- Focus on growing the best quality produce and contract with other businesses, processors, etc. to help with other aspects of the business.
- Self-finance; don't take on debt
- Build networks and networking opportunities through membership and participation with local associations, councils, and groups
- Use local resources such as business administrations and universities to develop business skills and knowledge.
- Maintain consistent public presence through trade shows, farmers markets, and events.
- Know what your customers want and meet their expectations

## RESOURCES:

Wyoming Business Council: <http://www.wyomingbusiness.org/>

Wyoming Small Business Development Center: <http://uwadmnweb.uwyo.edu/SBDC/>

Wyoming First: <http://www.wyomingfirst.org/>

United States Small Business Administration: <http://www.sba.gov/>

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