Kim Curtis makes soap in the basement of her Nebraska farmhouse, where Shepherd's Dairy Soaps & Lotions is based. Working in the country doesn't hinder her business, but rather fosters her creativity.

PHOTOS BY SCOTT INDERMAUR

Thinking outside the flock:

Regional partnerships help small, rural entrepreneurs succeed

A few years ago, Kim and Larry Curtis hit a dry spell.

Thankfully their 115 sheep were still producing the eight tons or so of milk each month that the Curtises ship to Wisconsin and New York to be made into gourmet cheese. But demand was down and milk soon was overflowing at Shepherd's Dairy, which sits just outside of Anselmo, a town of less than 200 people in rural central Nebraska.

"I think we probably filled every freezer in the county" with the excess milk, Kim says. "We thought maybe we should come up with our own idea."

With wool offering only a small supplement, the couple tried—unsuccessfully—making their own cheese.

And butter.

And ice cream.

Then, a friend gave Kim a book on homemade soap.

"The first batch worked."

What started as making a few bars of floral-scented soap handed out for free to hook customers has since turned into producing thousands of batches in dozens of scents, including a men's line named after the Curtis' sheepherding dogs Brutus and Toby, to sell nationwide in hundreds of stores and online.

After six years, the Curtises now use all the milk their ewes produce and Shepherd's Dairy Soaps & Lotions grosses more than the dairy operation.

The secret of the products' popularity is the high butterfat content of sheep milk (twice that of cows'), which is a good moisturizer for skin. The secret to launching Kim's business success: GROW Nebraska—a nonprofit organization that helps entrepreneurs statewide overcome obstacles of rural geography and isolation from commerce to run successful businesses.

Partnering with GROW (Grassroots Resources and Opportunities for Winners) Nebraska helped the Curtises with marketing, packaging, pricing, networking and product evaluation—business aspects Kim readily admits she knew nothing about when she concocted that first batch of soap in her farmhouse kitchen. Increased sales are proof of the partnership's worth.

"GROW Nebraska is the one that got me going," Kim says.

Urban areas have the advantages of larger amounts, concentrations and blends of human and physical assets. Rural communities often lack agglomerative assets, which are the advantages that emerge from the proximity of groups of people and similar firms.

Lack of agglomeration may limit access to resources needed to seize economic opportunities or confront new challenges. Labor pools, entrepreneurs, firms, innovation, infrastructure and financial capital generally are much more limited in rural communities while production costs are often higher.

However, regional partnerships can help rural communities offset the disadvantage of their smaller scale and greater isolation by leveraging and pooling resources to build agglomerations and reduce costs. Such is the case with GROW Nebraska's partnerships, including Shepherd's Dairy, Annies Jellies & Jams, and Bullseye Beef Jerkey, among other homegrown entrepreneurs.

"Regional partnerships can turn new economic advantages back toward rural areas, offsetting twin obstacles of size and remoteness," says Stephan Weiler, formerly an assistant vice president and economist at the Federal Reserve Bank of Kansas City. Weiler along with Jason Henderson, assistant vice president and Omaha Branch executive, and Katie Cervantes, former intern, recently researched innovative regional partnerships in the rural Tenth Federal Reserve District.

"Regional groupings can cross traditional boundaries and create new networks that blend complementary assets and shared interests," Henderson says. "These groupings can also help rural economies compete more effectively against more urbanized areas."

While broad regions already exist, often through administrative boundaries such as county lines, the most promising new regions evolve organically from the communities themselves.

"These new regions combine the unique individual features and shared interests of its people and landscape," Henderson says, "creating a whole that is greater than the sum of its parts."

Wanted: Regional partners

The rural American economy is defined by its small, isolated and often fiercely independent communities and businesses, Weiler says.

In the 19th century, rural residents plowed, mined and ranched their way to self-sufficiency. The rural economy of the 20th century was defined by the development of broad swathes of commodity production across the landscape.

The secret to Shepherd's Dairy Soaps & Lotions' success: sheep milk and business partnerships. Developing these products started as a solution to use excess milk from the Curtis family's dairy, but has quickly grown into a booming product line nationwide and online.

However, toward the end of the century, American competitive domination in such agricultural and manufacturing production eroded as lower cost alternatives became increasingly available in a globalizing economy.

As a result, rural communities are now seeking narrower economic niches in the beginning of the 21st century to orient their limited resources toward creating products and services that focus on creating new value for a global marketplace.

Today, roughly two-thirds of all counties in the United States are rural. But in the last decade, rural counties accounted for less than 3 percent of the growth in employment, income and population while the top 10 percent of U.S. counties accounted for roughly 75 percent of that growth.

It's clear that urban areas have a wide economic lead in the global economy because of the large blends of people, assets and resources in metro areas.

"The rapid pace of globalization has put rural communities in an extremely difficult situation," Weiler says. "Regional partnerships are critical to rural areas. Overcoming disadvantages such as small populations and isolated rural locations requires an unusually innovative and compelling cooperation."

It can be done. Successful regional partnerships are found throughout rural America. Creating new networks; crossing county lines; and blending public, private and nonprofit organizations, these partnerships were created to address collective interests and solve common problems.

"Regional partnerships are springing up across the rural countryside, taking a variety of forms and crossing many boundaries," Weiler says.

For example, Prairie States Center for Entrepreneurial Leadership was initially born from the need to protect the prairie chicken, which was designated as an endangered species in parts of Colorado. Subsequently, farmers and ranchers there and in Oklahoma, Texas, New

Mexico and Kansas formed a coalition to preserve the bird without hindering their agricultural operations. This effort was the beginning of what became a much broader regional collaboration.

Although the birds brought them together, participants ended up forming an economic partnership based on their mutual needs that extended well beyond protecting the prairie chicken.

Spanning a lesser geographic area but with the similar goal of regional partnership, the Twin Cities Development Association evolved in western Nebraska to combine and increase resources in the small, neighboring towns of Scottsbluff and Gering to collectively further economic development.

Also in Nebraska, GROW emerged in the late '90s—a time when the state's rural entrepreneurs faced tough marketing and training challenges because of broad geographic dispersion, says Janell Anderson Ehrke, founder and director.

"The businesses need to be able to sustain themselves," Ehrke says. "What we stress is they can live anywhere in Nebraska and make a living."

GROW shows them how.

GROWing beyond obstacles

"By pooling our resources," Ehrke says, "we create an impact."

The GROW staff works one-on-one with the businesses, and, perhaps most importantly, facilitates a network among entrepreneurs around the state, Ehrke says.

"Marketing is our thrust," she says. "They (Nebraska businesses) have to look outside their area."

This means being Web savvy and traveling to showcase products at multimerchant sale events. The more than 200 GROW business members are featured on the nonprofit's website, along with links to the individual businesses' sites. Additionally, the nonprofit touts the businesses collectively through news releases, chambers of commerce, economic development organizations and word-of-mouth, Ehrke says.

Janell Anderson Ehrke founded the nonprofit GROW Nebraska to help the state's entrepreneurs overcome geographic challenges.

Research shows it's partnerships like these that can help rural entrepreneurs succeed beyond their small, isolated communities while maximizing the benefits of the area, which is often the biggest obstacle these businesses face.

"Thinking regionally allows rural communities to focus on the natural complements between otherwise independent communities—cooperative assets often overlooked and underappreciated," Henderson says.

As world markets grow, connecting to new markets and resources is more vital now than ever before, he says. But it may not be easy for those in isolated areas—unless they have help.

Breaking down barriers

Research shows more rural leaders recognize forming regional alliances as critical to the success of their communities. While innovative partnerships can take a variety of forms in rural places, Weiler says the primary feature is the crossing of traditional boundaries of networks, institutions and space.

"The spark that ignites innovative regional partnerships comes when neighboring local leaders agree on shared interests," he says.

Partnerships often are issue-driven or may form around a new business opportunity or

common economic policy. Participants also may differ, linking private businesses and higher education institutions or local governments and philanthropic organizations. A single community or business may be part of multiple regional partnerships with focuses on different strategic concerns ranging from health care to education to economic development.

Perhaps the greatest challenge in rural partnerships is creating new networks that stem from shared interests, Weiler says. Already diverse groups often are divided, blinding them to the benefits of regionalism. Additionally, many rural regions must create partnerships across the barriers of city, county and state lines.

In the late '90s, the state of Wyoming created seven Basin Advisory Groups that successfully have both linked diverse groups and crossed physical boundaries.

Each of the seven groups' members represent water users statewide, including local government, agriculture, recreation, industry and environmental sectors. The goal is to collaborate to identify and prioritize water use, says Phil Ogle, supervisor of the River Basin Planning Section, which is a part of the state's Water Development Commission.

In total, the seven groups have about 100 active members who meet as often as every month, or just a few times a year. Thus far, the groups have developed plans for their particular area of the state, which may include one or more rivers. In the near future, all input will be compiled to form one comprehensive plan for the state to review and implement, Ogle says.

However, this doesn't mean the groups will disband. They will continue to meet and evaluate water use because managing the state's resource is a continual and ongoing process, he says.

Although members may have differing or competing interests, the partnership has been successful, Ogle says.

"It's like any collaborative process," he says. "Everybody has to give up a little to work together."

Bonding through a common interest, along with the rural attributes of independence and self-sufficiency, has benefited this partnership and allowed it to thrive, Ogle says.

"We're not large enough to have lost rural character," he says.

Weiler and Henderson say regional initiatives require that the unique resource of individual communities be valued, and that the benefits of acting regionally must match the contributions of individual participants. Partnerships must allow flexibility in working together while still acting independently.

Ultimately, forming rural partnerships may build a broader base of support among public, private and philanthropic institutions that recognizes the importance of regions while creating new leaders who can see across traditional boundaries and champion new initiatives.

Success stories such as these underscore the importance of forging productive partnerships, Weiler and Henderson say. However, it is important to look beyond traditional boundaries to realize broader opportunities of regional partnerships, they say.

Benefits, such as jobs, income and wealth, are not confined to the local area, but spill over into neighboring communities. This overflow is increasingly recognized as vital to economic growth, Weiler says.

The Curtis family owns more than 100 sheep. Their dairy, located just outside of Anselmo, Neb., is the only Grade A sheep milk dairy in the state.

Rural success

The Curtis family members, including the couple's youngest child, 17-year-old Luke, don't notice anymore the soft, clean soap scents that float through their farmhouse.

Kim and Larry have lived on that farm, where Larry was raised, for 16 of their 34 years of marriage. Larry's grandparents bought the land in 1910.

It's the kind of living Kim always hoped for. Growing up the daughter of a career Air Force airman, Kim moved from base to base as a child. She remembers her mother telling her with a laugh, "We should live in a dairy!" because of Kim's love of milk.

"I was always drinking it," Kim says.

Her father retired in Nebraska, where Kim met and married Larry. She would live on a dairy farm after all, but one where the milk is too expensive to drink, the family jokes. Although they live in cattle country, the Curtises run the only Grade A sheep milk dairy in the state.

Like the milk, the premium cheese–which can sell for as much as $19 or more per pound–isn't a staple in the Curtis' kitchen.

"Honestly, Velveeta is my favorite," Kim says.

Instead, she mixes the creamy milk in kettles with oils and lye. As the volume of soap production increased, and as she ran out of counter space, Kim moved her operation into the basement and hired two women to help her part-time.

In addition to milking the ewes twice a day and helping Larry run the dairy, Kim makes soap a couple of times a week, mixing and molding a dozen or so batches–upward of 700 bars–in an afternoon.

Milk-based soap must be kept cool; ingredients can only be heated enough to combine them, which Kim does in a blender rather than stirring. She then pours the mixture into Victorian-style molds and freezes the bars so they pop out of the casings easier. The bars must cure for a month before they are artfully packaged and distributed.

Orders ebb and flow, usually peaking around the holiday season, Kim says.

Although she's never felt restricted by working from the farmhouse, Larry and Luke are building her a facility to continue expanding. She hopes eventually all the dairy's milk will be used to make bath products.

But regardless of how large Shepherd's Dairy Soaps & Lotions grows, Kim would never transplant her business in a larger metropolitan area. She can't think of any reason to.

Working from the remote farmhouse doesn't disconnect her from the marketplace. Her rural business headquarters fosters her creativity while offering a sense of security and peacefulness, Kim says.

"I love being in the country."

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BY BRYE STEEVES, SENIOR WRITER

FURTHER RESOURCES

INNOVATIVE REGIONAL PARTNERSHIPS IN THE RURAL TENTH DISTRICT

by Stephan Weiler, Jason Henderson and Katie Cervantes

www.KansasCityFed.org/TEN

COMMENTS/QUESTIONS are welcome and should be sent to teneditors@kc.frb.org.