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1. DBIC Honors Two Wisconsin Companies with Innovation Awards

Two Wisconsin dairy companies were recognized today by the Dairy Business Innovation Center for their leadership and dedication to growing Wisconsin's dairy industry.

The fifth annual "DBIC Innovation Zone Awards" were presented to Chris Roelli, Roelli Cheese, of Shullsburg, Wis., and Tera Johnson, teraswhey™ Reedsburg, Wis., to highlight the accomplishments of both companies in product and technology innovation. The award ceremony took place at the DBIC's Conference on Profitability and Environmental Sustainability in the Dairy Industry.



Pictured left to right: Norm Monsen, DBIC; Tera Johnson, teraswhey™, award recipient for Innovation in Technology; Chris and Dave Roelli, Roelli Cheese, award recipients for Innovation in Product; and Dan Carter, DBIC.

Chris Roelli and his family at Roelli Cheese worked together to re-open their historic cheese factory near Shullsburg in 2007, with an emphasis on crafting small batch cheeses. During the past 12 months, they developed a new artisan cheese named after a neighboring township. The result is Dunbarton Blue, an earthy Cheddar Blue open-air cured on wooden planks in the Roelli's own aging cave. The cheese has grown hugely in demand at specialty cheese stores across the country and has put Roelli Cheese back on the Wisconsin cheese map.

Tera Johnson, Wisconsin Specialty Protein and founder of teraswhey™, received the DBIC's second award this year. In August, the DBIC celebrated with Johnson as she hosted the grand opening of Wisconsin Specialty Protein in Reedsburg. The \$14 million, 22,000 sq. ft. facility was built using Leadership in Energy and Environmental Design (LEED) guidelines, and at times, had more than 30 engineers working to design and incorporate the most cutting-edge "green" technology. In addition, last

fall, Johnson launched a new line of protein products in a variety of flavors, aptly called “teraswhey”. The drinks will soon be available across the country in Whole Foods stores.

“In choosing these companies, the DBIC team sought to recognize innovation in two categories: product and technology. As one of Wisconsin’s most hardworking dairy artisans, Chris Roelli continues to celebrate Wisconsin’s cheesemaking heritage by crafting innovative artisan cheeses, while Tera Johnson has not only built the first plant in the nation to process organic goat and sheep whey, but has also launched a new whey protein product that does America’s Dairyland proud. Congratulations to all,” said Norm Monsen, DBIC Manager.

2. Team Column: The Financial Side of Business for Smaller Companies



This month, we hear from **Rich Scheuerman**, DBIC Strategy, Marketing Services & Client Manager. Rich is a seasoned executive with 30 years of management experience, and served as President and CEO of Alto Dairy Cooperative until its sale to Saputo in 2008. Rich earned his MBA from the Wharton School of the University of Pennsylvania and currently teaches finance to MBAs and Statistics to undergraduates at a local college. He assists clients in the areas of strategic planning, financial planning and analysis, operational assessments, risk management, turnaround consulting and general management. This month, he gives us advice for smaller cheese operations on the **Financial Side of Business**.

I have had the good fortune in recent months to visit a number of smaller cheese operations to assess the financial side of their businesses. While all of the people I have met were fine cheesemakers with a passion for their craft, I have observed some deficiencies in the business side of their operations which could lead to unwelcome financial surprises. Let me briefly relate a few of these observations:

- **Cash vs. accrual accounting** – Most farming operations use a cash basis for accounting and this has carried over to many small cheese companies. Larger processors use what’s called accrual accounting. While cash accounting can continue to be used for preparing tax returns, accrual accounting provides a much better picture of the current profitability of the business. Basically, accrual accounting attempts to match the timing of sales and expenses. Sales are recorded in a given month whether or not cash was received. Similarly, product expenses are not recognized until product is sold. This can result in a much different bottom line than cash accounting, particularly if product inventories are large or expenses are “lumpy”. Usually, a simple spreadsheet can be used to translate cash accounting numbers to an accrual-based report.
- **Inventory valuation** – If significant quantities of cheese or supplies are stored, the value of that inventory should be recognized on the business’ balance sheet and not expensed until used or sold. Inventory tracking and valuation are two very important aspects of accurate financial statements. Knowing how many months of supplies and finished goods are in inventory is also critical to production planning. Again, relatively simple spreadsheets can be developed to accomplish these tasks.
- **Pricing** - The process of developing prices and the understanding of how the various brokerage fees/commissions, and distributor and retailer markups impact the final selling price to the end customer can be complex, but are critical to the success of a business. While most prices are set by the marketplace, it is imperative to know if a given price provides an adequate margin to the

processor. This is accomplished by developing unit costs for each item sold. Again, spreadsheets can be useful.

- **Customer Credit Checks** – The old saying is “A sale isn’t a sale until the cash is in the bank”. Almost every business has been a victim of a credit customer not meeting their payment obligation. It is common business practice to have potential credit customers fill out a Credit Application with bank and trade references. Dun and Bradstreet reports can also be ordered and are very informative for larger accounts. It is important to closely monitor your accounts receivable aging and have a strict process for following up on past due invoices. When a cash-strapped customer decides who gets paid, the squeaky wheel does get the check.

Paying attention to these issues is not as much fun as making cheese, but is necessary to manage a business. Fortunately, addressing these issues is not as onerous as it might seem, especially if there is a family member who knows their way around Excel spreadsheets. If you would like assistance in improving your business practices, contact your DBIC client manager.

3. Grants Available to Create New Opportunities in WI Agriculture

The Wisconsin Department of Agriculture, Trade and Consumer Protection announced this week it is accepting applications for its Agriculture Development and Diversification (ADD) grant program, which supports new enterprises and opportunities in the food and agricultural industry through innovation and growth. Proposals must be received by 5 p.m., March 15, 2010.

"We are looking for projects that will ADD value to Wisconsin agriculture and invest in the state's future," said Rod Nilsestuen, Secretary of Agriculture, Trade and Consumer Protection. "Despite the challenging budget times, the state needs to continue to make targeted investments to grow our economy. These highly competitive grants return millions of dollars to the state in increased profits, new markets, and new technologies."

Since its creation in 1989, DATCP has funded 342 projects with \$6.8 million. ADD grant recipients have reported their grant projects have leveraged \$49 million in new capital investment and over \$140 million in economic returns, including sales increases, cost reductions or other economic impact.

Current ADD grant project examples include: researching the economic viability of commercial sweet potato production; investigating the feasibility of raising walleye and hybrid walleye in commercial aquaculture facilities; evaluating the technical and economic feasibility of a proposed biomass aggregation and densification facility; and conducting field trials for hardy table grape production in Wisconsin.

"We want projects that will focus on a challenge facing part of the Wisconsin Ag industry and will work to find solutions that foster further growth and opportunities in Wisconsin Agriculture," said Mike Bandli, ADD grant program coordinator.

The 2010 ADD Grant materials are available online at the DATCP Web site, <http://datcp.state.wi.us/>. Search "ADD grants" or call Mike Bandli at 608-224-5136 for more information.



4. Industry News


- **WSCI to Host Labeling Seminar, Trade Show:** The Wisconsin Specialty Cheese Institute is hosting a special value-added seminar and trade show at its next meeting, Friday, March 12, 10 a.m., at the Great Wolf Lodge in Wisconsin Dells. Open to WSCI members and non-members alike, the labeling seminar will feature the following topics and speakers:
 - **Label Design Do's and Don'ts.** Matt Wilhm, Creative Services Director, Wisconsin Milk Marketing Board
 - **Labeling Compliance Update.** Matt Mathison, Vice President, Technical Services, Wisconsin Milk Marketing Board
 - **Wisconsin Identification and Support.** Cathy Hart, Director of Cheese Company Communications, Wisconsin Milk Marketing Board
 - **Label Printing: What You Need to Know.** Samantha Forster, Aladdin Labels



A mini trade show featuring suppliers, vendors and other companies that provide labeling and packaging resources to the cheese industry will follow a networking luncheon. Attendance for the seminar, lunch and trade show is free for WSCI members and \$25 for non-members. Anyone interested in attending or exhibiting is asked to RSVP by March 5 to Kathy Brown at WSCI, email info@wisspecialcheese.org or phone 866-740-2180.

- ❖ **Meister Cheese Launches New Dairy Procurement Program:** Meister Cheese in Muscoda, Wis., has launched a new program: Animal Friendly Family Farms, or “A Triple F”, a partnership between Meister Cheese in Muscoda and Scenic Central Milk Producers, a dairy farmer cooperative based in Boscobel. The program is designed to recognize premium, high quality milk produced using ethical and sustainable methods by Wisconsin dairy farms. It is a protocol of ethical treatment of dairy animals to which dairy farmers must follow, and for which they will be audited. Meister Cheese plans to craft specialty cheese made from the “A Triple F” milk and market it through a differentiated retail program.
 - **Wisconsin Licensed Cheesemaker Scholarship Now Available:** In an effort to help grow the state's artisan cheesemaker community, Wisconsin Cheese Originals, an organization dedicated to sharing information about new artisan cheeses and the cheesemakers who craft them, has established a yearly \$2,500 Wisconsin Licensed Cheesemaker Scholarship. The scholarship is available to any Wisconsin resident intending to pursue a Wisconsin Cheesemaker License. The deadline to apply for the 2010 scholarship is March 15, 2010. To learn more, download the scholarship application form at <http://www.wisconsincheeseoriginals.com/about.php>
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5. Upcoming Important Dates

- **March 6-10: Wisconsin Dairy Sheep School. Spooner, Wis.**
The DBIC, the Spooner Agricultural Research Station, and UW Cooperative Extension will host the first Wisconsin Dairy Sheep School in March. The school will train new producers in an effort to increase the supply of quality sheep milk. The five-day course will be held at the Spooner Agricultural Research Station and will feature lectures on topics including: weaning and artificial rearing of lambs, mastitis and milk quality, parlor design and milking machine function, ewe nutrition, and milk handling regulations. The course will provide hands-on experience in the milking parlor and caring for young lambs. As space in the milking parlor and barn is limited, course enrollment will be capped at 14 students. Enrollment preference will be given to Wisconsin residents and those interested in commercial dairy sheep production. For a course brochure and application, http://www.dbicusa.org/sheeps_milk.php
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- **March 16-18: World Championship Cheese Contest. Madison, Wis.**
Participate with cheesemakers and buttermakers from around the world in the 28th biennial World Championship Cheese Contest, to be held at the Monona Terrace in Madison, Wis. This contest is an objective assessment of cheeses and butters and awards Best of Class gold, silver and bronze medals to the finest products in 80 classes. Key contest dates include:
 - * Entry Deadline: February 18, 2010
 - * Entries Delivered: March 10, 2010
 - * Contest Judging: March 16 - 18, 2010
 - * Awards Banquet: April 22, 2010More info available on the contest website at: <http://www.worldchampioncheese.org/>
 - **March 17: Wisconsin Vs. The World, An Evening at the World Contest. Madison, Wis.**
A once-in-a-lifetime event to sample and compare 15 unique, rare, international cheeses vs. their Wisconsin artisan counterparts, side by side. Meet 30 cheese judges representing six continents, as well as 11 award-winning artisan Wisconsin cheesemakers, all sampling their best of the best at Monona Terrace in Madison. Time: 6 p.m. - 8 p.m. Tickets: \$20. Advance sales only. More info: <http://www.wisconsincheeseoriginals.com/>
 - **April 20-22: International Cheese Technology Exposition. Madison, Wis.**
In even-numbered years, Wisconsin Cheese Makers Association and Wisconsin Center for Dairy Research host cheese manufacturers and suppliers from across the nation and around the world. The International Cheese Technology Exposition is an intensive combination of morning seminars, two full afternoons of uninterrupted Expo and evening social affairs. It is the world's largest gathering devoted solely to the multi-billion dollar market for cheese and related dairy products. More info or to register: <http://www.cheeseexpo.org/>