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1. One Year Later: Wisconsin Value-Added Businesses Are Thriving

By Jeanne Carpenter

In a testament to the resilience of Wisconsin's dairy industry, the state has welcomed six new specialty dairy plant openings and another 14 major expansions in the past year. In total, 43 new processing plants have opened and more than 70 have expanded in Wisconsin since the Dairy Business Innovation Center opened its virtual doors five years ago.

Today, while the U.S. economy slumps and dairy markets are at all-time cyclical lows, Wisconsin businesses continue to hold their own. Why? Because more operations are starting out with solid business plans, an ever-strong entrepreneurial spirit, and are concentrating on building strategic partnerships with regional and state entities. The success of Wisconsin dairy businesses continue to prove no state in the union has the infrastructure and resources to grow and assist the dairy economy as does the state of Wisconsin.

This month, as the DBIC begins its sixth year of operation, we take a moment to look back at the past year and celebrate the success of our clients, particularly the businesses that opened their doors in 2008. Here's a snapshot of three DBIC clients who are going strong and celebrating their one-year anniversary in America's Dairyland.

- **Wisconsin Specialty Protein:** This 21,000 sq. ft. specialty whey plant broke ground in Reedsburg and started operation, all in just over seven months. As the first facility in the country to process whey specifically from organic, goat and sheep cheese, CEO Tera Johnson is setting the bar high, taking deliberate steps to both build and operate the plant in an environmentally friendly manner. The plant currently employs 12 employees working two shifts, and by June, expects to run three shifts with 20 employees. The plant is on track to run



three shifts around the clock within six months, and Johnson hopes to have her own Wisconsin Specialty Protein product brand on shelves this summer. More info: www.artisanwhey.com

- **Sassy Cow Creamery:** It's hard to believe only a year has passed since the Baerwolf family opened the doors of its new farmstead milk bottling facility between Sun Prairie and Columbus. Sassy Cow milk is now available in more than 100 grocery stores in Wisconsin and Illinois, with markets rapidly expanding. In addition to both organic and traditional bottled milk, the plant crafts ice cream, churned butter and heavy cream. The creamery sends out an attractive monthly e-newsletter to customers, keeping readers up-to-date on farm happenings, product offerings and even encourages customers to collect its "Cow Cards" – trading cards depicting the personalities of individual Sassy Cows attached to its milk bottles. The on-farm store partners with local specialty food producers, offering a variety of specialty cheeses and niche products. Celebrate with Sassy Cow at its One Year Celebration Event on May 23, from 11 a.m. to 5 p.m. More info: www.sassycowcreamery.com



- **Woolwich Dairy:** One year after opening its doors, Woolwich Dairy continues plans to grow its U.S. headquarters in Lancaster, Wis. Owned by Tony and Olga Dutra, the plant employs 15 full-time local workers and is procuring milk from 125 goat dairy farms from five states, the majority being current or start-up goat dairies in Wisconsin. The 28,000 sq. ft. is the company's third production facility, and the first in the United States. It leads the trend of growing goat cheese production in the state of Wisconsin.



The Dairy Business Innovation Center congratulates these three businesses, as well as all of the start-up and expanding dairy businesses who have invested their future in Wisconsin. After all, Wisconsin's dairy future is in building one new dairy plant, one new specialty cheese and one new national market at a time. We look forward to partnering with each and every one of you to help develop, launch and market Wisconsin value-added dairy products.

2. DBIC Monthly Message: Wisconsin Whey



This month we hear from **Kelton Greenway, Production Specialist for the Dairy Business Innovation Center**. Raised at his family's business, Summit Cheese Factory in St. Croix County, Wis., Kelton has more than 15 years experience in managing dairy plants, including the Wisconsin Dairies/Foremost Farms plant from 1992 – 2007. He has extensive experience all aspects of operating a cheese plant, and is a certified wastewater operator. Kelton offers technical expertise to clients, especially those considering new whey options, and this month, tells us more about "**Wisconsin Whey.**"

Wisconsin reportedly had 2,800 cheese factories in 1922. Back then, the average plant produced only a few hundred pounds of cheese per day. There

wasn't much whey to deal with. In the early days, some whey returned to farms for feeding animals or was simply run down the nearby creek or drainage ditch with the other wastewater. The environmental impact of these low volumes was minimal. But the times were changing. By the late-1900s, cheese plant numbers had declined more than 90 percent. Many of the remaining plants were very large and included specialized whey processes. The plants not only addressed the environmental issues of whey disposal, they generated a by-product revenue stream.

Today in Wisconsin, cheese plants range from tiny farmsteads to huge industrial complexes. Dr. Bill Wendorff addresses the very small plants in his publication "Uses of Whey in the Farmstead Setting." Go to www.dbicusa.com/resources/wheypublicationwendorffweb.pdf to view the publication. Dr. Wendorff lists four Fs for whey utilization: food, feed, fuel and fertilizer. At the farmstead level, some operators are using whey as a livestock feeding supplement. However, most of it is used as fertilizer, either directly or through a manure pit. These small plants simply don't have enough whey volume to justify making a capital investment for whey processing. Even the butterfat in the whey is lost.

Cheese plants with larger whey volumes produce a variety of commodity-type products including whey protein concentrate (WPC). WPC is produced by processing whey through an ultrafiltration system. This process separates the higher value protein from the low value lactose and minerals, called permeate. Unfortunately, the permeate volume is greater than 80 percent of the starting whey volume. Permeate has so little value that huge volumes of it are spread on nearby agricultural land. The economic and environmental costs of this practice can be very significant.

Today we are witnessing a shift in how cheese plants look at permeate. By incorporating anaerobic digester technology, permeate and other dairy waste can become an energy source. Digesters produce methane gas which is used to produce energy. By-products are nutrient-rich fertilizer and water that can be treated in a conventional wastewater system. DBIC is currently aware of and/or involved in several digester projects in Wisconsin. With grant money and low-interest loans available, cheese plants are looking very closely at converting their disposal problem into a renewable energy opportunity.

3. DBIC Incorporates Fee Schedule to Ensure Long-Term Success

Through the leadership of Senator Herb Kohl and Congressman Dave Obey, and with the partnership of dozens of Wisconsin dairy organizations, the Dairy Business Innovation Center has received funding to continue to operate and offer technical services to Wisconsin's dairy farmers and processors through at least April 2010. Led by a stakeholder board, the center has a team of 20 world-class experts who have assisted and helped more than 170 dairy clients since 2004 by providing access to specialized technical assistance. During the past year alone, the DBIC has helped 37 clients start new businesses, develop new products and access new markets.



To continue its momentum in helping facilitate new value-added products and develop additional specialty dairy markets in this age of tight budgets, the DBIC has implemented a new fee schedule for client services. New clients will be required to submit a \$50 application fee, with returning clients to pay a \$100 application fee. Once approved as a client, the DBIC will offer those dairy clients **50 hours of free consultation**. A sampling of these services include:

- **Brand Development** – staff help clients explore and adopt the most effective marketing communication strategies to build their product brand.
- **Business Planning** – the DBIC connects clients to business planning assistance through its partner agencies and organizational contacts.
- **Equipment, facility design and technical assistance** – DBIC staff provide technical services to help clients build or expand facilities using latest technology and highest efficiency possible.
- **Product Development** – clients are eligible for product development cost sharing at the Wisconsin Center for Dairy Research and the University of Wisconsin –River Falls.
- **Packaging & Label Assistance** – the DBIC offers clients technical expertise and cost sharing in developing product packaging and label design.

After the first 50 hours of free consultation, clients may continue to use DBIC services at an industry-reduced rate of \$50 per hour. This new structure will create new opportunities for clients to build business and helps the DBIC become a more self-sustaining entity. In addition, the DBIC is excited to announce several new and expanded services, including:

- **Grant Writing:** Clients are eligible for consultation regarding grant funding opportunities and assistance with grant writing/applications. DBIC staff will help identify funding sources as well as assist in writing grant applications. Fee: \$200
- **Focus Groups:** Clients are eligible to participate in a DBIC Focus Group when they have a product or concept at or near completion. The client's cost for this service is \$150 for the first session. The session is shared with one or two other DBIC clients, each receiving about 45-60 minutes of consumer feedback from a selected panel of 8-10 respondents. Additional fees are required for additional focus group sessions.
- **Comprehensive Business Audit:** Clients are eligible for an objective, comprehensive business analysis involving their business systems, production, marketing and financial records. Up to 25 hours of DBIC service will be provided to identify the strengths and weaknesses of the client's business as well as make recommendations for future actions. Fee: \$1,000
- **Succession Planning:** Strategies will be identified for the most appropriate way and time to convey the client's business to the next generation of ownership. Fee: \$200
- **Long-Range Planning:** Clients are eligible for consultation regarding long range planning for their business. Meetings will be held two to four times per year to assess company progress and develop action plans as needed. Fee: \$200



The DBIC looks forward to working with new and existing clients in the coming year. Please don't hesitate to contact our Client Managers to get started. Contact Norm Monsen, 608-224-5135, norm.monsen@wisconsin.gov ; or Jim Cisler, 608-224-5137, james.cisler@wisconsin.gov

4. Industry News

- ❖ **Organic Sales Increase:** Sales of organic food and nonfood products grew 17.1 percent to \$24.6 billion in 2008 vs. the previous year, according to the 2009 Organic Industry Survey, conducted by Lieberman Research Group on behalf of the Organic Trade Association. Organic food sales grew by 15.8%, accounting for 3.5% of total food sales last year. Organic beverages experienced the greatest growth (40%), followed by breads and grains (35%). Organic fruits and vegetables accounted for the largest portion of organic food sales (37%), followed by beverages (14%) and dairy products (14%). Organic categories may have yet to reach their full potential. More than two-fifths of organic producers say that inconsistent supplies of organic raw materials continue to limit their ability to generate sales, with undependable supplies of organic grains mentioned most often. Lack of supplies of organic sugar is an issue for 11% of manufacturers.
- ❖ **UW Extension Publishes Resources for Farming in Uncertain Times:** The uncertainty about the depth and length of this current recession, along with the sudden and dramatic effect it has had on agricultural markets, is providing challenges to Wisconsin's farmers. UW Extension is responding with information about farming in difficult times and has published a series of papers on a variety of topics, including spring tillage and planning energy savings, budgets and budgeting, liquidity, working capital and the dairy cash crunch, farmstead and milk house cost savers, and commodity storage. View at: <http://www.uwex.edu/ces/ag/farmingindifficulttimes.html>
- ❖ **DBIC at IDDBA:** Dan Carter, Founder and Chairman of the DBIC, and Andrea Neu, DBIC Brand Position Director, will attend the International Dairy-Deli-Bakery Association show in Atlanta, Georgia from June 7 – 9. Both are available to talk and meet with clients and industry folks who will be attendance. They are also happy to help set up meetings between clients and industry representatives. To set up an appointment, contact Andrea Neu at 608-845-5087 or email neuera@charter.net



5. Six Wisconsin Dairy Companies Share \$100,000 in Grow WI Grants

Six Wisconsin dairy entrepreneurs were recently awarded \$100,000 in the third and final round of Year 5 processor grants through the Value Added Dairy Initiative, a federally-funded dairy reinvestment program administered by the Wisconsin Department of Agriculture, Trade and Consumer Protection.

The VADI program, which includes the Dairy Business Innovation Center, is funded through the leadership of Senator Herb Kohl and Rep. Dave Obey, and is matched by in-kind contributions of agencies and organizations within Wisconsin's dairy sector. Since its start-up in April 2004, the program has administered \$3.28 million in grants to 321 producers, processors and local dairy groups. Grant recipients include:

- **Baker Cheese Factory Inc., St. Cloud - \$20,000:** This company will increase manufacturing and storage capacities to spur production of a specialty string cheese line.
- **Colatus LLC, Elm Grove - \$20,000:** This project will allow completion of final product trials and provide large-scale sample products for testing by potential customers.
- **Fairplay Packaging LLC, Monroe - \$17,500:** This project includes researching and testing biodegradable packaging materials for cheese products.
- **Holland's Family Cheese LLC, Thorp - \$12,500:** The company is developing a computer-based cheese tracking system to improve the farmstead operation's profitability.
- **LaGranders Hillside Dairy Inc., Stanley - \$20,000:** LaGranders Hillside Dairy Inc. is undertaking an expansion that includes engineering and software programming to enter a new market.
- **Southwestern Wisconsin Dairy Goat Co-op, Mt. Sterling - \$10,000:** This Mt. Sterling-based cooperative will expand its whey cream goat milk butter product line with equipment upgrades to improve volume handling, new packaging, and in-house training.

As the Value Added Dairy Initiative enters Year 6 programming, watch for further grant funding opportunities to be available. Congratulations to all grant recipients.

6. Upcoming Important Dates

- **May 16: Goat Dairy Field Day: Markesan, Wis.**

The Tom Huitema family will host a goat farm field day on Saturday, May 16 from 10:30 a.m. – 2:30 p.m. at their Markesan farm, located at N1440 Green Lake County Road A, about 3½ miles north of the Green Lake-Dodge county line. A farm tour and program will focus on milk quality, genetics and feed rations. The event will be of interest to goat farmers, lenders, milk processors, 4-H leaders, and extension agents. Established in 2006, the farm started with 29 goats. The Huitemas are in the process of



expansion and will be milking 450 does by summer. The event is free, but registration is required at least a week in advance so there will be enough information packets and biosecurity. For more information and to register, contact Jeanne Meier, jeanne.meier@wi.gov, phone 608-224-5121.

- **May 19 – 20: Fundamentals of Cheese Distribution Seminars. Madison & River Falls, Wis.** Specialty cheese companies interested in increasing sales and improving buyer relationships should plan to attend the DBIC's Fundamentals of Cheese Distribution: How to Gain and Retain Distribution of Specialty & Artisan Cheese at two seminars in May. Cost is \$75 to attend. Companies interested in purchasing a copy of the DVD will be required to attend either one of the seminars, or sign up for one-on-one training. Participants will have the option at the end of each seminar to purchase the DVD for an additional \$75. Optional one-on-one training, including

the DVD, will cost \$500. Pre-registration is required for both seminars. The May 19 seminar in Madison will be held at the Wisconsin Department of Agriculture at 2811 Agriculture Drive from 8:30 a.m. to Noon. The May 20 seminar in River Falls will be held on the UW River Falls campus from 1 to 4:30 p.m. To register, contact Kathy Brown, DBIC, 888-623-2269 or email planningoptions@charter.net. Registration is due May 12.

- **July 21 – 23: Wisconsin Farm Technology Days. Waterloo, Wis.**

Farm Technology Days is the largest agriculture exposition in Wisconsin--a three-day outdoor event that showcases the latest improvements in production agriculture. Each year, it is held in a different Wisconsin County on a different host farm. This year, hosting is the Crave Brothers Farm, LLC, located two miles North of Waterloo, WI in Dodge County. Hours: Tuesday & Wednesday 9 a.m. - 5 p.m., Thursday 9 a.m. - 4 p.m. Admission is \$5. More information: <http://www.wifarmtechnologydays.com/>

- **August 5 – 8: 2009 American Cheese Society Conference. Austin, Texas**

Register now and enter your cheeses into the 26th annual American Cheese Society Annual Conference and cheese competition. The conference includes both cherished annual events such as the Festival of Cheese, as well as new events such as Meet the Cheesemaker. Three full days of educational workshops and networking opportunities await you. More info: <http://www.cheesesociety.org/>

The Dairy Business Innovation Center offers technical assistance to dairy producers and processors in developing value-added dairy products, business planning and market development. For more information, visit www.dbicusa.org or contact Jeanne Carpenter at 608-358-7837, email: Jeanne@wordartisanllc.com.

