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State of the Industry:

Wisconsin success in dairy built on strong infrastructure

By Rena Archwamety

Editor's note: As part of our monthly "State of the Industry" series we take a look at the cheese and dairy industry across the United States. Each month we examine a different state or region, looking at key facts and evaluating areas of growth, challenges and recent innovations. This month we are pleased to introduce our fourth "State of the Industry" — Wisconsin.

MADISON, Wis. — Wisconsin has an unshakable reputation as a cheese state. From the red "America's Dairyland" across its license plates to the yellow foam "Cheeseheads" worn by football fans, those traveling through will see many reminders of the state's long and proud legacy.

There was a time, however, when even Wisconsinites questioned how long that legacy would last.

"In the early to mid 1990s, there was a very big gloom and doom attitude in Wisconsin's dairy industry," says Brad Legreid, executive director, Wisconsin Dairy Products Association (WDPA).

California had just overtaken Wisconsin in milk production. Farms were going out of business and dairy plants were closing. Industry was beginning to move further west.

"I think Wisconsin was being written off as America's Dairyland," Legreid says.

In recent years, however, a number of industry groups and leaders have come together to turn that trend around. Communication between producers and processors has improved. The rate of decline in total number of farms has slowed down, while farms that remain in Wisconsin are expanding and embracing new technologies to increase milk production.

"The whole attitude in the state has changed in the last decade," Legreid says. "It's a very positive, re-energized attitude."

Government support also has increased to help fuel growth in Wisconsin's dairy industry.

Sen. Herb Kohl, D-Wis., and Rep. Dave Obey, D-Wis., helped secure five years of funding for Wisconsin's Dairy Business Innovation Center (DBIC), an organization launched in 2004 to help grow the state's specialty artisan dairy businesses. The center is federally funded and matched by in-kind contributions from Wisconsin's dairy sector.

The Wisconsin legislature passed a 2004 tax credit to help dairy producers modernize and expand farm operations, and it passed similar credits in 2005 for livestock producers and in 2007 for dairy plants. Another proposed credit that covers dairy cooperatives is expected to pass by next year.

"In the 17 years I've been with WDPA, I've never seen anything like this. It's very positive," Legreid says. "It sends a clear message that the Wisconsin Legislature and government have a strong desire to support our No. 1 industry in the state."

Attitudes aren't the only changes in the Wisconsin's cheese and dairy industry in recent decades. The changing patterns and growing numbers of cheese consumption across the United States have been

reflected in Wisconsin dairy as well.

Total annual cheese production in Wisconsin has nearly doubled over 30 years, from 1.28 billion pounds in 1977 to 2.45 billion pounds in 2007. However, Wisconsin's total cheese production in 2007 fell about 2.1 million pounds from 2006.

While Cheddar still makes up a significant portion of Wisconsin cheese production, traditional American-type commodity cheeses have fallen since their peak production in the mid-1980s. Meanwhile, Italian and specialty cheese production has exploded.

Mozzarella and other Italian cheeses combined made up almost 48 percent of Wisconsin's cheese production in 2007. Cheeses in the "other" category, which includes specialty cheeses, totaled more than 174 million pounds in 2007 compared to 50 million pounds in 1997 and 22 million pounds in 1987.

"Wisconsin specialty cheese production has realized rapid and sustained growth," says Patrick Geoghegan, senior vice president of corporate communications for the Wisconsin Milk Marketing Board, which offers a number of programs to help develop and promote Wisconsin cheeses. "Consumers recognize Wisconsin's quality in cheesemaking, spurring Wisconsin specialty cheese to a 36 percent market share."

Dominique Delugeau, senior vice president, sales and marketing, DCI Cheese Co., Richfield, Wis., says the company has witnessed a dramatic shift in cheese trends over recent decades.

"You see the specialty cheese industry increasing at a much faster pace in the past 20 years, three times faster than commodity cheese," Delugeau says, adding that this trend is especially prevalent in Wisconsin.

"Wisconsin is a leader for organic and specialty cheese. It has more startup companies for specialty and artisan cheeses," he says. "A lot of commodity production has moved west."

Currently there are at least 600 varieties of cheese made in Wisconsin, more than any other state in the nation, and the number is growing.

Some new varieties include traditional cheeses like Cheddar or Jack with added flavors or attributes. For example, last year DCI Cheese Co. introduced a new line of Wisconsin-made probiotic cheeses under the County Line brand. The line includes Pepper Jack, Colby Jack, Monterey Jack and Mild Cheddar, all containing probiotic *Lactobacillus Acidophilus* cultures.

"We saw success with probiotics in yogurt and cultured products, so we decided to launch the cheese," Delugeau says.

"Customers are very intrigued — I think that cheese could follow yogurt," he says. "I would not be surprised to see more entries in that category in the near future."

Other cheeses emerging from Wisconsin include one-of-a-kind creations.

Mike Gingrich, co-owner of Uplands Cheese Co., Dodgeville, Wis., started making his Pleasant Ridge Reserve in 2000 to capture the unique flavor properties in the milk from his dairy farm. The washed-rind, Beaufort-style cheese has since won Best of Show twice at the American Cheese Society cheese contest and received several other awards.

"I thought we could produce a unique cheese, but I never realized how receptive this market would be,"

Gingrich says. Uplands Cheese produced about 70,000 pounds of Pleasant Ridge Reserve last year — more than 10 times as much as it did during its first year in business.

New cheese and dairy products continue to emerge from Wisconsin. In the last four years, DBIC has helped start-up companies and existing processors launch more than 50 new products.

“We are helping people develop American originals, even Wisconsin originals,” says Jeanne Carpenter, communications director, DBIC. “People always are looking for something new. The market for new good American original cheeses is endless.”

Carpenter says Wisconsin’s excellent dairy infrastructure makes it an ideal place for existing businesses to thrive and new ones to emerge.

“We have the best dairy infrastructure in the United States. There are lots of organizations to help, a good milk supply, lots of veterinarians and scientists,” Carpenter says. “I think other states are envious of the assistance our state offers dairy processors.”

Gingrich, who moved his family from California to Wisconsin in 1978 partially because of Wisconsin’s strong rural, family farm-based culture, agrees.

“The infrastructure for dairying is excellent,” he says. “Cheese plants are not too far away, and you have the opportunity to sell to three or four cheese plants rather than just one.”

He adds that regulations also tend to be more dairy-friendly in Wisconsin than in other states.

“We haven’t had a lot of trouble with regulations, compared with some of the rules in western states with water use, being close to living areas, some of the nightmares dairy people have to deal with in other states,” he says. “The whole regulatory climate in Wisconsin is fairly supportive of the small dairy operator.”

Wisconsin’s strong infrastructure and long-standing tradition for cheesemaking also have attracted investors from outside the country. Earlier this year two Canadian companies, Saputo Inc. and Agropur, acquired major Wisconsin companies Alto Dairy Cooperative and Trega Foods Inc., respectively. Arla Foods of Denmark also recently announced it will invest \$15 million in its Hollandtown, Wis., cheese plant which it acquired in 2006.

“Increasing numbers of international investors in the dairy industry are recognizing the value of Wisconsin’s infrastructure of more than 1,300 licensed cheesemakers, equipment manufacturing capabilities, dairy producers, unequalled availability of training and research resources,” Geoghegan says.

“We have seen unprecedented growth and expansion in our cheesemaking infrastructure,” he adds. “More than 30 projects have been completed in the past four years. More than \$1 billion has been invested by producer and processing segments of the industry in the past five years.”

And while much focus has been on specialty cheese, Legreid says commodity cheese also has found room to grow in Wisconsin.

“I think we will see companies here in the state continue to find an appropriate market, whether it’s on the commodity side or the specialty side,” Legreid says. “There’s room to grow on the commodity side also. We need both.”

John Umhoefer, executive director of the Wisconsin Cheese Makers Association, says the state’s

commodity cheese industry often is overlooked.

“There’s been good press on the number of start ups and new cheeses that have been created. Another untold story is the fact that even our high volume cheeses are not ordinary,” he says. “They’re always geared to specific functionality, specific formulas that make them really the high end in the commodity market. Larger volumes still drive the cheese sales in Wisconsin.”

While California again is nipping at Wisconsin’s heels, approaching it in cheese production volume, the mood in America’s Dairyland is more optimistic these days.

“We’re hearing stories that California is supposed to overtake us in cheese production,” Legreid says. “With milk production increasing and plant capacity increasing, that may not happen for a while.”

Umhoefer adds that with Wisconsin dairy farmers increasing milk production 9 percent in the last three years, the future of the state’s dairy industry looks promising.

“In general I believe Wisconsin has its swagger back,” he says. “We’ve gone from an industry questioned for its ability to survive to one that’s growing quickly. It’s really back to driving the industry.”

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