

Division of Marketing
Agricultural Development and Diversification (ADD) Program
1998 Grant Final Report

Grant Number 13019

Grant Title Wisconsin Sheep Dairy Cooperative - Development of Marketing
Strategies (Phase 1)

Amount Awarded \$26,500.00

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1. Original Intent of The Grant Project

The objectives of this project are to: 1) Make an in-depth market analysis of sheep dairy products to develop one or several strategies that would ensure the best possible benefits for the members of the cooperative and 2) Hire a part time general manager in charge of all logistic problems, administrative duties and who would actively help in the marketing of the products.

The creation of the Wisconsin Sheep Dairy Cooperative and its status as a bonded and licensed dairy plant in the State of Wisconsin, just prior to the award of this grant, positioned the co-op to enter manufacturing and more aggressively market their raw milk.

This grant allowed us to research the creation and expansion of a stable, reliable market to assure the growth of this new industry in Wisconsin. In-depth market research and consultation was provided by contracting with Dan Carter, Inc. and M.A. Kastel and Associates, Inc. These firms have specialized knowledge of both the cheese industry and cooperative marketing development.

With the information obtained during this grant, we are now equipped to enter the direct market arena. The next phase of this project will entail creating value-added products and sharply growing the number of farms presently producing sheep milk in Wisconsin.

2. Work Conducted In This Project

Dan Carter Inc. prepared a report for the cooperative outlining the specialty cheese market in general and specific cheese varieties made from sheep's milk that the co-op could consider manufacturing.

M.A. Kastel Associates, Inc. took this information and opened up a dialogue with numerous distributors, retailers and manufacturers throughout the United States to gauge the market viability of the aforementioned cheese varieties. Thus, a number of business opportunities were identified, as that will be pursued in phase two of this project.

This firm also conducted an inventory of dairy manufacturing plants in Wisconsin capable of producing sheep milk cheese on a contract basis. In addition to identifying operations with the technical capabilities to produce small quantities of handcrafted sheep milk cheese, this investigation also produced a number of entities in the state interested in purchasing raw sheep milk in order to introduce their own proprietary products, augmenting their existing product line.

A detailed business plan will be completed during phase two of this project in order to guide cooperative management and secure the necessary funding to launch this project.

Mr. Kastel has, on a highly cost-effective basis, assumed some of the responsibilities that would have been executed by a management employee. Additional responsibilities are continued to be borne by the cooperative's board members. The intent here is to free up budgets' dollars to be effectively utilized on our marketing development program, the hallmark of this grant. In addition, we have contracted with the National Farmers Organization (NFO) for non-farm inspections and milk quality testing. This has also proven to be cost effective in comparison to the retention of our own employees.

- Interest in sheep milk from specialty cheesemakers continues to grow. Annual sales for 1999 were 186,000 pounds. For the year 2000 production season, we currently have sales commitments of 220,000 pounds of milk, and expect to be able to sell all milk produced by WSDC members, which should exceed 300,000 pounds this year.
- Customer milk quality requirements continue to evolve as the sheep milk products industry grows. One of our major customers has requested milk that meets IMS (Interstate Milk Shipper's) standards so they can expand their yogurt distribution from regionally to nationally. This will require many of our member farms to attain Grade A status and then IMS approval. Based on the excellent milk quality results we recorded last year, we do not expect this requirement to be a problem.
- To meet expected increases in milk demands for the future; the WSDC is developing projections of how quickly and to what level current members can increase their milk production as well as actively recruiting new producers to pursue sheep dairying.

Some addition accomplishments include:

- Item 1: Quality guidelines for milk sold by WSDC were established and used successfully during this production season to insure increased milk quality and to quickly address any problems that arose.
- Item 2: A WSDC Producers Manual was developed to provide members with the information needed to help them produce milk that meets the WSDC quality guidelines.
- Item 3: Many of the transportation problems experienced in past years were solved this year by using a flexible approach of individual and pooled shipments of milk, depending on the needs of the customer and the producer. (Note: The solutions to Item 3. are expected to continue to evolve as the size and number of shipments increase in future years.)
- Item 4: All milk produced in 1999 by WSDC members was sold by the end of October. This is a significant improvement over last year, when we were not able to sell all of the 1998 production until Jan. 1999.
- Item 5: Increased orders for milk, over the 1998 amounts, have been received from each of our existing customers in 1999 and projections for further increases are expected for next year from both existing and new 1999 customers.
- Item 6: Inquiries about sheep milk have been received this year from a number of cheesemakers. Several of these inquiries have resulted in sales of sheep milk to new customers. As mentioned above, based on the customer responses, we have experienced increased sales in 2000 to these new customers.

3. Public Outreach Efforts

All public outreach efforts will take place in phase two of this project. This will include an aggressive campaign to recruit additional farmers interested in joining the cooperative and producing sheep milk. This effort will include news releases/profiles in the major statewide agricultural publications, articles in the general Wisconsin media and participation in trade shows workshops and exhibitions.

In addition, phase two will include the cornerstone of this project, a formal market introduction of a commercially viable sheep cheese(s) produced in Wisconsin. National market communication will include industry trade show participation, advertising and an aggressive public relations campaign.

4. Results of Project

With the help of this ADD grant, we are now positioned to enter the marketplace during phase two of this project. In addition, opportunities will be created in Wisconsin to start manufacturing additional varieties of sheep milk cheeses, for the first time on a commercial scale. This manufacturing will either be done initially by existing cheese makers on a contract basis or in a new facility constructed for this purpose.

Due to the knowledge gained through market research conducted during phase one, we have now identified a potential joint venture partner who is interested in making a capital investment in the State of Wisconsin to facilitate sheep cheese and yogurt manufacturing. The incentive for this investment in our state is the economics based on moving their manufacturing plant close to the national center for sheep milk production. With the help of this grant, we have already successfully established Wisconsin's pre-eminence as the leader in the sheep dairy industry.

5. How will the Wisconsin agriculture industry be able to use the information from this project?

The opportunities created as a byproduct of this research will be presented to the agricultural community through a series of press releases/articles. This public-relations effort will culminate in a series of organizational meetings intended to equip interested farmers with the necessary knowledge to determine whether sheep dairying would be a viable farm-based enterprise for them to add to their operations.

6. Supporting Research Data

The market research documentation that has been developed contains proprietary information. This material will be made available to ADD staff upon request.

7. other...

We are unable to execute the economic impact report that this time. Due to the fact that we're roughly in the middle of this development project, there has been only modest economic development to date.

We credit the support of the ADD program with facilitating much of our growth to date. Cooperative sales are up and we have made documented improvements in the quality of our product. We are now garnering market attention and recognition of our high quality by our existing customers and new potential customers nationally.