

FINAL REPORT

# Value Added Dairy Initiative

# Partner Organizations

## **Wisconsin Department of Commerce Dairy 2020 Program**

Through grants and planning assistance, DOC helped producers increase production and improve the competitive position of the dairy industry.

## **University of Wisconsin Center for Dairy Profitability**

The center offered educational and applied research programs to enhance dairy profitability.

## **The Wisconsin Milk Marketing Board**

WMMB was instrumental in helping increase demand for dairy products, including by publishing the Wisconsin Dairy Artisan, Specialty and Farmstead directories.

## **University of Wisconsin Center for Dairy Research**

CDR served as a national leader in strategic research to improve the competitive position of the dairy industry

## **Babcock Institute for International Dairy Research and Development**

The institute coordinated international business study tours for VADI participants.

## **University of Wisconsin Extension**

The agency served as a technical resource for the industry and offered programs to farmers to help improve milk quality and increase production.

## **Wisconsin Cheese Makers Association**

The association offered workshops, seminars and special services to improve member services.

## **Wisconsin School for Beginning Dairy and Livestock Farmers, UW-Madison**

Provided business planning and management skills for dairy goat farmers.

## **Wisconsin Technical Colleges**

The technical colleges provided instruction in business management and technical skills for dairy goat farmers.

## **WI School for Beginning Dairy and Livestock Farmers, UW-Madison**

Provided business planning and management skills for dairy goat farmers.

## **WI Entrepreneurs Network**

Assisted DBIC in developing a system to track client progress.

## **WI Whey Opportunities Working Group**

The group addressed issues, opportunities and obstacles related to this long-neglected dairy segment.



## Introduction

In 2003 Wisconsin's dairy industry was rapidly losing market share in milk and cheese to other states. The state was home to 15,904 dairy farms, down from nearly 50,000 dairy farms in 1980, a startling loss of almost 1,500 dairy farms per year during the 20-year period. Milk production reflected the loss of farms, falling to 22.3 billion pounds in 2003. Associated with this decline was the loss of dairy processing plants. In 2004 the number of dairy plants fell below 200 for the first time in almost a century. Farmers, processors and cheese makers across the nation watched Wisconsin's dairy demise. There was little modernization or reinvestment, and California was dominating the market with newer, larger and more efficient facilities.

The Wisconsin Department of Agriculture, Trade and Consumer Protection's (DATCP's) Value Added Dairy Initiative was designed to invigorate the state's dairy industry.

Through new investments and effective partnerships at all levels, Wisconsin made a firm commitment to reverse the trend and to modernize and grow the industry. The goals were simple: More cows, more milk, more modern farms, more dairy plants and higher demand for dairy products.

The VADI was a well-coordinated, comprehensive endeavor that harnessed public and private resources and involved an array of organizations, groups and agencies. The turnaround experienced by Wisconsin's dairy industry involved producers and processors – large and small – from all areas of the state.





## Dairy Business Innovation Center

The Dairy Business Innovation Center was a non-profit corporation formed in 2004 to grow specialty and artisan cheese and dairy business. Its mission was to assist emerging and existing dairy farmers, as well as businesses large and small, to compete successfully. The DBIC helped producers and processors alike by providing assistance to build on Wisconsin's strong dairy identity.

Governed by a board of directors representing stakeholder groups, the DBIC successfully addressed the challenges facing Wisconsin's dairy industry. It developed plans to grow farm businesses and dairy plants and to create economic and social benefits for the state's rural areas.

The DBIC enlisted a large team of world-class experts, who worked one-on-one with businesses and entrepreneurs. Help came in the form of:

- Business assessment
- Research
- Market evaluation
- Facilities and equipment planning
- Appropriate product labeling and effective packaging
- Publicity
- Product distribution and transportation



## Grow Wisconsin Dairy Team

The Grow Wisconsin Dairy Team was a unique and effective joint venture of DATCP, the Wisconsin Department of Commerce (DOC), the Center for Dairy Profitability, UW Extension and Wisconsin Technical Colleges.

The GWDT team focused on producer modernization and value-added production with an eye to enhancing value throughout the supply chain. The team acted as a catalyst for reinvestment and innovation on farms and in processing facilities. With outreach efforts including one-on-one conversations, publications and conferences, the team reached farmers and processors statewide. The project promoted reinvestment and stimulated the creation of value-added processed products through technical assistance and grant incentives.





## Dairy Farm Management Teams

The Dairy Farm Management Teams operated from 2009-2013. The program's goal was to challenge dairy farmers to use a management team approach to identify and solve management issues.

Among other things, funding was used to

- Pay for consultants
- Test feed
- Test milk to ID specific mastitis issues
- Sampling and testing for Johnne's Disease
- Farm-ownership succession services

Being exposed to the team concept was a major goal of the program. Farmers recognized that teamwork could improve profitability. Frank discussions facilitated excellent outcomes. The level of understanding among stakeholders increased when the farmer, family members, the nutritionist, the veterinarian and the banker were in the same room.



## Brand Development and Strategy

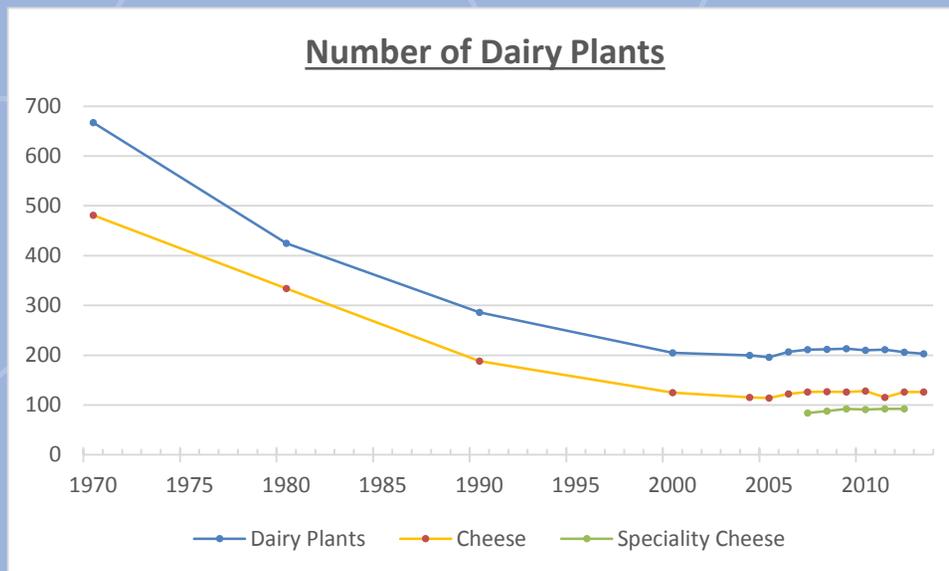
A total of 95 dairy clients received professional help with brand development and strategy, which included logo and branding production, packaging and labeling. Many of the innovative concepts, logos and labels were tested in more than 60 focus groups, addressing a product range of more than 90 dairy products.



VADI helped more than **1,700** dairy farms with modernization services.

Milk production increased to more than **27.8 billion** pounds produced in 2014 from 22 billion pounds annually when the program began.

The number of cows increased as did production per cow.



## Success Stories

Karen Kelley and her husband milk 65 cows on their family farm south of Fond du Lac. After much research and help from the DBIC and other VADI partners, the Kelleys opened **Kelley Country Creamery** in a new building on their farm. As their T-shirts say, it's "in the middle of nowhere".

*Kelley Country Creamery has rapidly grown to serve tens of thousands of customers with its ice cream, cakes and now cheeses. In spite of its somewhat remote location in the countryside, USA Today named it Best Ice Cream Shop in Wisconsin in 2010, and in 2013, it was cited as the Best Ice Cream in America by Good Morning America (ABC), which flew the Kelley family to New York for the show.*

Andy Hatch is a cheese maker who participated in the VADI program through a Babcock Scholarship that enabled him to travel to France. On that trip, he visited cheese producers as part of an R&D process that ultimately led to the creation of a new cheese, Rush Creek Reserve. Hatch said the cheese drew recognition to the company and probably to the state. It took a long time to develop Rush Creek Reserve, and the European trip was a key catalyst, he said. Andy is now part owner of **Uplands Cheese** near Dodgeville, which produces Rush Creek Reserve and Pleasant Ridge Reserve.

*Pleasant Ridge Reserve is the most-awarded cheese in American history, having won Best of Show in the American Cheese Society's annual competition three times (2001, 2005 and 2010), and having also won the US Cheese Championships in 2003. It is the only cheese to have won Best of Show three times, and the only cheese to have ever won both of the major, national cheese competitions.*



## Success Stories

“The DBIC staff and project has been extremely beneficial for our company and farmers. Our client manager has consistently exceeded our expectations and helped position us for success. We are incredibly lucky to have this kind of support for the dairy industry. Thank you for the great work and support!”

“Without DBIC it would be almost impossible, or much more difficult, to access the needed expertise to enhance the success of our business. In a small farmstead business, we’re always short on time and money, and DBIC can help with both of those needs. They can identify who should help (consultants) and help minimize the costs so you aren’t paying full price for everything out of pocket.”

“We have so much to learn in all aspects of the artisan cheese world, and to have access to so many talented professionals like you under one “roof” of DBIC, is a godsend. We would never be this far in our cheese venture without the collective assistance of all the DBIC and DATCP folks we have been so fortunate to align ourselves with. The road is still a long one, but we are excited for the possibilities ahead.”

We feel very fortunate to be a DBIC client at this time when we are learning and are new to the dairy industry. Our account executive and the team has helped us tremendously in every way possible. Providing information about storage/transportation facilities, connecting us to retail/distribution contacts, creating exposure for our cheese line, developing marketing, and creating labels are just a few areas I can highlight. I think our business would have taken its time to grow; however, with DBIC’s support it has just bloomed and continues to grow at an unprecedented pace. Thank you!!

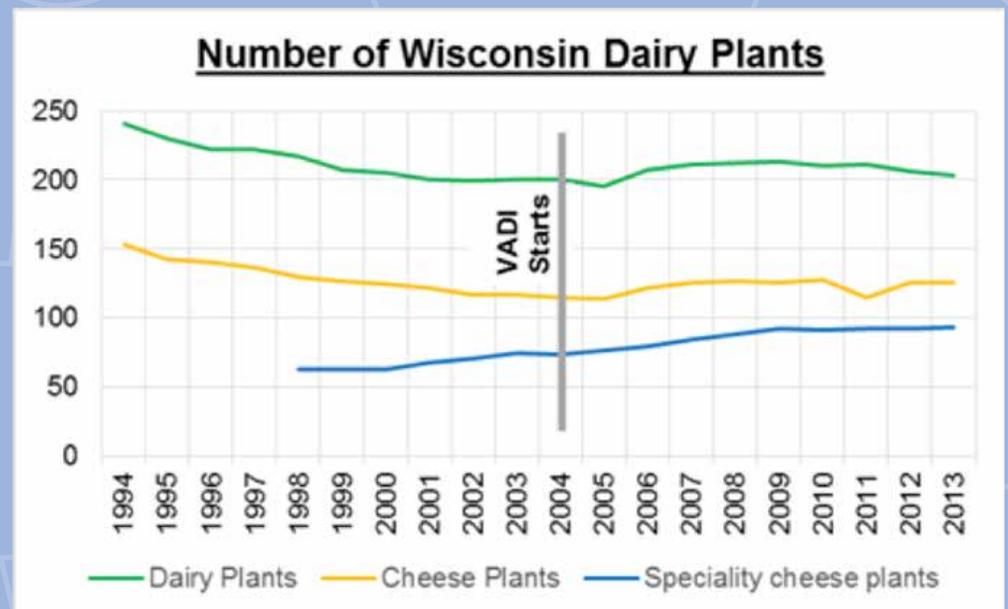


More than **250** processors received business planning assistance.

Specialty dairy production increased more than 100 percent from 302,497 pounds annually to more than **611,000 pounds**.

**73** new specialty dairy product enterprises were created.

**47** new dairy processing plants opened, and more than 100 expanded.





## Into the Future

The lessons learned from the DATCP VADI project continue today through various agencies and organizations. For example, DATCP has initiated the Growing Wisconsin Dairy 30X20 program, which is designed to improve the long-term viability of the state's dairy industry through services that include assistance to dairy farmers and processors to increase profitability and longevity.

The Center for Dairy Research will continue a number of the project components. These include the CDR Turbo program, the Master Cheesemakers and Certificate in Dairy Processing programs and new product development. CDR will administer innovation funds, maintain short courses and assist with product trials. CDR also will continue the emphasis on support for specialty and artisan cheeses.

Emphasis on the dairy goat industry will continue through the leadership of Southwest Technical College in Fennimore, which is developing curriculum for a dairy goat production program with assistance from DATCP. UW-Platteville will continue the excellent Focus on Dairy Goats annual conference.

Wisconsin's excellent Specialty Cheese Conference also will continue through the efforts of UW- River Falls, and the new Specialty Meat Development Center provides a full array of team-delivered and one-on-one services, as did the DBIC.

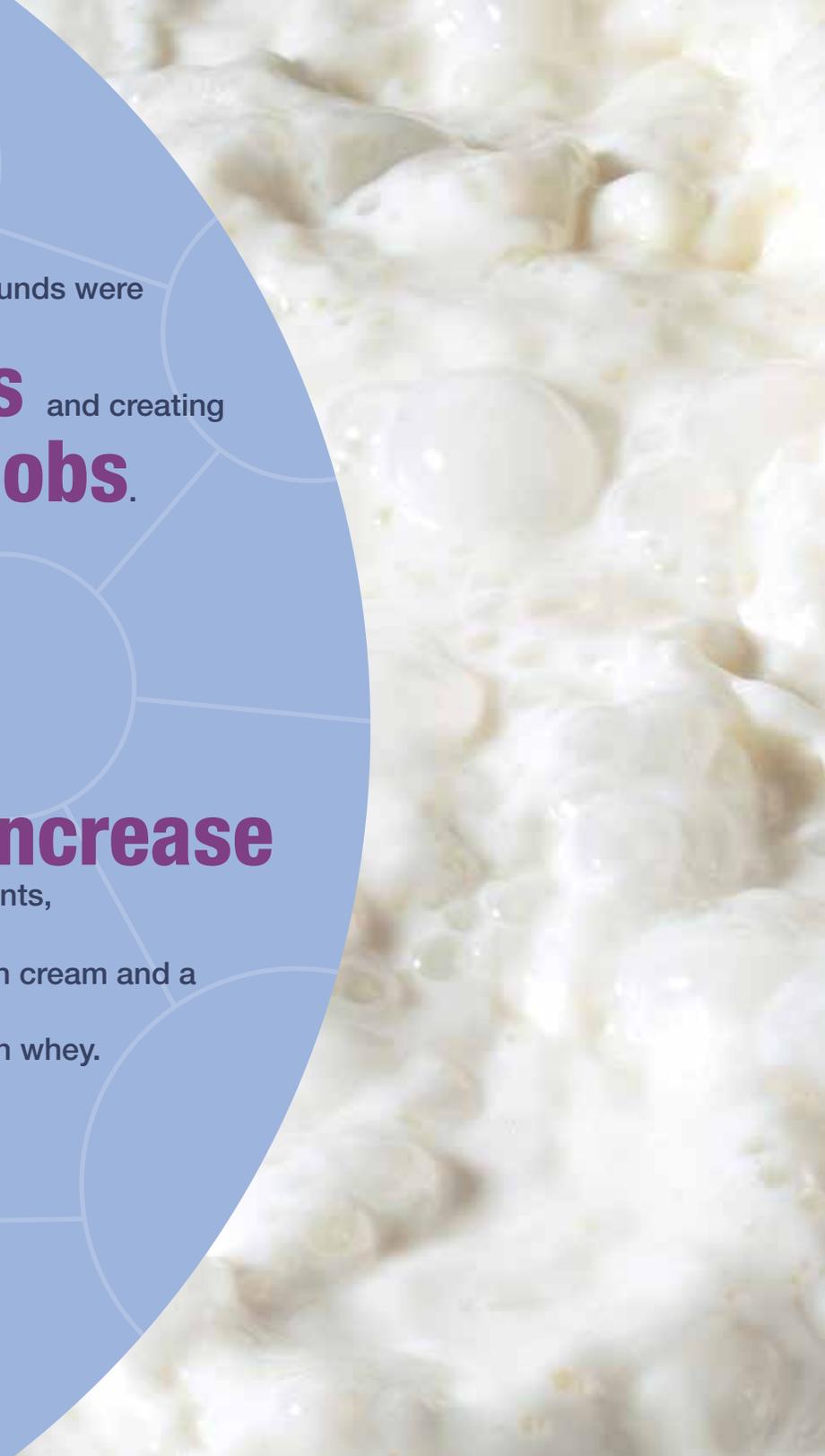
More than 100 grants totaling more than **\$2 million** were awarded to processors to support innovation, profitability and value.

Grantees reported that funds were critical to retaining **1,255 jobs** and creating **786 new jobs.**

DBIC clients received more than **1,000 awards** at national cheese competitions after the VADI initiative started.

DBIC clients reported a **17% increase** in raw milk delivered to processing plants, an **80% increase** in cream and a **219% increase** in whey.

Total dairy economic output increased to **\$26.5 billion** from \$18.5 billion when the VADI program began.





## Fond Adieu

The project served the widest possible range of producers and processors and benefitted the entire dairy industry of Wisconsin. On the small side were producers such as the 14-goat Dreamfarm farmstead near Cross Plains, and Uplands Cheese of Dodgeville, which was a two-family farmstead cheese factory when it started.

On the other hand, Montchevre of Belmont is North America's largest goat cheese company. Alto Dairy was the nation's largest co-op when served by DBIC, and Woolwich was the largest Canadian goat cheese producer when it expanded to Grant County, Wisconsin. Lake County Food and Winona Foods are other large processors who participated in the VADI effort.

The Value-Added Dairy Initiative had a dramatic impact across the entire dairy industry of Wisconsin. Wisconsin is home to just over 9,929 dairy farms and 1.27 million cows producing 27.8 billion pounds of milk. Wisconsin also leads the nation with most organic dairy farms, dairy goats and dairy sheep. The Wisconsin dairy industry also has approximately 1,200 licensed cheesemakers and 200 dairy plants. It employs 78,900 people in the state. Dairy is the largest segment of Wisconsin agriculture. Of the \$88.3 billion economic impact of agriculture, \$43.4 billion is contributed by dairy. The Value-Added Dairy Initiative brought a focus back to value-added dairy production and has reenergized the industry.



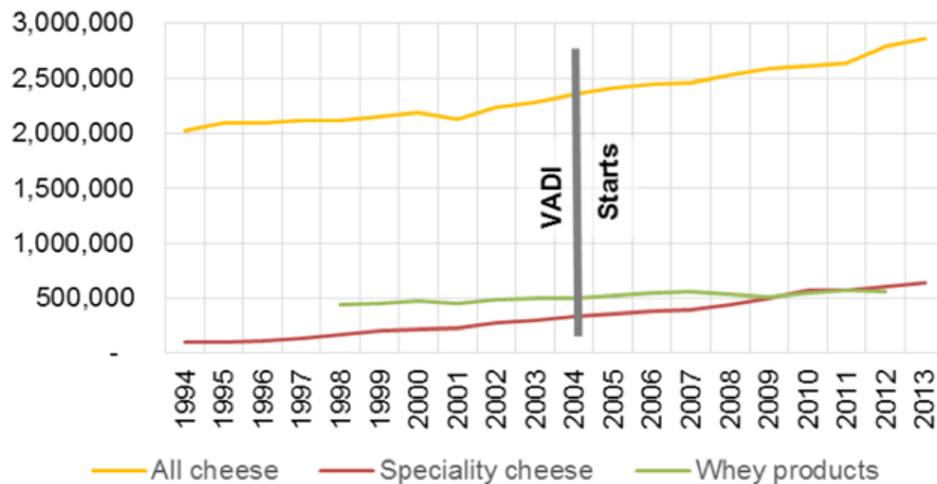
Wisconsin now makes more than

## 600 cheese varieties.

Specialty cheese production now accounts for almost **19%** of the state's total cheese production.

As of 2012, **29 farmstead operations** make award-winning artisan and specialty cheeses from cow, goat and sheep's milk, as well as farmstead yogurt and ice cream. Only six such operations were in operation when the VADI program began.

**Wisconsin Cheese Production (lbs. x 1,000)**





## Thanks to Dan Carter

If any one individual personifies the drive and success of the VADI effort and Wisconsin's dairy industry as a whole, it is **Dan Carter**, who assisted in the formation and successful operation of the Dairy Business Innovation Center.



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