

Making Value-Added a Reality

In early April National All-Jersey Inc. (NAJ) hosted its third annual Value-Added 101 Workshop. Combined, these workshops have included 86 attendees representing 52 separate operations from 24 states and one foreign country. Given that establishing a value-added enterprise is a long-term proposition, NAJ reached out to people who had attended the first workshop to see how their plans have developed. Following are some of their stories.

Red Ridge Creamery, Oklahoma

Steven and Patricia Koehn, along with their daughter Hope, son Blake and nephew Blair Clinesmith began operating Red Ridge Creamery in mid-February. Located on US Highway 60 in Lahoma, Oklahoma, the creamery is 10 miles from the dairy in Meno. The Koehns purchased a property with an existing building that they have converted into a processing plant and store. A search for equipment resulted in purchases from two locations in Idaho. The decision to locate their milk processing facility and retail store off the farm was made for two reasons. First, the permit process would be easier. Second, it would allow the retail store to be located on a four-lane highway, affording them greater visibility and customer traffic.

Currently the creamery produces fluid milk, cheese, cheese curds, butter and cream. The fluid milk is pasteurized, but not homogenized or standardized, which produces a very rich, creamy taste that has proven to be popular. Cheese curds are not well-known in the region, but once customers try them, they like them, and curds are quickly becoming the biggest seller. Butter is the second-most popular product. Higher in fat content than standard butter, and with the typical Jersey yellow color, the store sells all the butter

that can be produced. Two factors limit butter production. First, the processing plant does not have a churn, so cream is transported to a nearby processor with churn capacity available. Second, products need to be developed to use the skim that is separated from the cream. One option being considered is low-fat frozen yogurt, particularly since customers are asking for ice cream.



The creamery uses approximately one-third of the milk produced by the 90-cow Jersey herd. Their milk cooperative continues to market their excess milk, however that arrangement is not guaranteed to continue long-term.

In addition to the on-site store, Red Ridge Creamery products can be found at a market in Okeene and two stores in Enid.

Comfort Cow Creamery, Maryland

After much contemplation about how to get into the value-added business, David and Katie Pyle decided on a unique approach. Earlier this year the couple came across the opportunity to purchase a concession stand trailer which provided them a low-cost avenue to enter the retail dairy business. They outfitted the trailer with soft serve ice cream equipment and can make ice cream cones and shakes. The Pyles sell their milk to Dairy Maid

Dairy in Frederick, Maryland, and buy an ice cream mix from that processor.

The trailer's mobility affords them the ability to market at multiple locations. Comfort Cow Creamery opened for business in April. They operate the stand on the dairy three days a week and go to a nearby farmer's market one day per week. A touch of agritourism is incorporated by locating the on-farm site in proximity to a calf pen and within view of cows on pasture. The Pyles expect this foray to provide a considerable education about the retail dairy business and allow them to establish a customer base. Long-term plans call for expanding the business into additional products and processing their own milk.



Riverbend Creamery, North Carolina

Taking its name from the Catawba River that borders the farm, construction is underway on Riverbend Creamery at the site of Piedmont Jerseys, Lincolnton, North Carolina. Wanting to be operational by Christmas, most of the equipment has been purchased and is awaiting completion of the building that will house the processing. The creamery will be located close enough to the dairy's milking parlor to allow milk to be piped from one facility to the other. The processing building will also house their retail outlet.

Corey Lutz and his family plan to make fluid milk and ice cream. Discussions with local retailers have generated considerable interest in marketing their products, but commitments are hard to come by until products are available. The nearby Charlotte metropolitan area offers additional lucrative marketing opportunities. To further differentiate their product, Piedmont Jerseys are gradually genotyping and mating their herd for A2 beta casein.

Thistle Dew Dairy, Michigan

Drew and Beth Rupprecht established their dairy in 2016 with an eye on developing a value-added enterprise. A growing family necessitated taking a gradual, stepwise approach to this undertaking. In the two years since the initial Value-Added 101 Workshop, Beth graduated with a master's degree in entrepreneurship. Her final project in graduate school was to develop a business plan. The Rupprechts are currently working with a bank and a local grant to secure funding.

The dairy recently installed a robotic milking system to free up additional time to focus on processing and marketing. Plans call for Thistle Dew Dairy to create specialty cheeses from an on-farm production facility. Their milk cooperative will balance their milk supply through an arrangement whereby the dairy

'sells' all their milk to the cooperative and 'buys back' their milk used in the cheesemaking operation.

As these stories show, the road to becoming a value-added producer can take many forms. The characteristics of Jersey cows and their milk provide natural product differentiation, which is essential for value-added marketing. The one constant among value-added ventures is that they require time to plan, prepare, and research along with a healthy dose of judgement and guts.

NAJ Milk & Component Outlook - 2019 Prices through April

2019 AVERAGE STATISTICAL BLEND PRICE FOR EACH FEDERAL ORDER		2019 MILK VOLUME (Million #)		2019 AVERAGE JERSEY REGULATED BLEND PRICE	
Northeast (Boston)	\$16.90	Northeast (Boston)	8,963	Northeast (Boston)	\$20.81
Appalachian (Charlotte)	\$18.10	Appalachian (Charlotte)	1,844	Appalachian (Charlotte)	\$21.81
Southeast (Atlanta)	\$18.51	Southeast (Atlanta)	1,723	Southeast (Atlanta)	\$22.25
Florida (Tampa)	\$20.15	Florida (Tampa)	878	Florida (Tampa)	\$23.92
Mideast (Cleveland)	\$15.94	Mideast (Cleveland)	6,335	Mideast (Cleveland)	\$19.41
Upper Midwest (Chicago)	\$14.99	Upper Midwest (Chicago)	12,086	Upper Midwest (Chicago)	\$18.68
Central (Kansas City)	\$15.50	Central (Kansas City)	5,670	Central (Kansas City)	\$19.17
California (Sacramento)	\$16.01	California (Sacramento)	8,204	California (Sacramento)	\$17.04
Southwest (Dallas)	\$16.29	Southwest (Dallas)	4,845	Southwest (Dallas)	\$19.74
Arizona (Phoenix)	\$16.00	Arizona (Phoenix)	1,763	Arizona (Phoenix)	\$19.41
Pacific Northwest (Seattle)	\$15.60	Pacific Northwest (Seattle)	2,883	Pacific Northwest (Seattle)	\$18.63
ALL FMMO MARKET AVERAGE	\$16.73	ALL FMMO MARKET TOTAL	55,194	ALL FMMO MARKET AVERAGE	\$20.08

Prices reflect Federal Order minimum blend prices for city shown.

Total Grade A milk volume sold under FMMO.

Prices reflect FMMO minimum prices at Jersey component values.

2019 AVERAGE JERSEY BLEND WITH ESTIMATED PROTEIN OR CHEESE YIELD PREMIUMS		2019 AVERAGE DOLLAR DIFFERENCE: JERSEY MILK WITH PREMIUMS VS. STATISTICAL BLEND PRICE		2019 AVERAGE PERCENT DIFFERENCE: JERSEY MILK WITH PREMIUMS VS. STATISTICAL BLEND PRICE	
Northeast (Boston)	\$21.06	Northeast (Boston)	\$4.16	Northeast (Boston)	24.6%
Appalachian (Charlotte) (includes protein prem.)	\$22.18	Appalachian (Charlotte)	\$3.55	Appalachian (Charlotte)	19.1%
Southeast (Atlanta)	\$22.25	Southeast (Atlanta)	\$3.37	Southeast (Atlanta)	17.8%
Florida (Tampa)	\$23.92	Florida (Tampa)	\$3.77	Florida (Tampa)	18.7%
Mideast (Cleveland) (includes protein premium)	\$20.07	Mideast (Cleveland)	\$4.15	Mideast (Cleveland)	26.0%
Upper Midwest (Chicago) (includes cy premium)	\$18.94	Upper Midwest (Chicago)	\$3.97	Upper Midwest (Chicago)	26.6%
Central (Kansas City)	\$19.17	Central (Kansas City)	\$3.69	Central (Kansas City)	23.9%
California (Sacramento)	\$17.04	California (Sacramento)	\$1.06	California (Sacramento)	6.6%
Southwest (Dallas)	\$19.74	Southwest (Dallas)	\$3.49	Southwest (Dallas)	21.5%
Arizona (Phoenix) (includes protein)	\$19.78	Arizona (Phoenix)	\$3.78	Arizona (Phoenix)	23.7%
Pacific Northwest (Seattle)	\$18.63	Pacific Northwest (Seattle)	\$3.05	Pacific Northwest (Seattle)	19.6%
ALL FMMO MARKET AVERAGE	\$20.25	ALL FMMO MARKET AVERAGE	\$3.46	ALL FMMO MARKET AVERAGE	20.7%

Includes a protein premium of \$0.05 for every 0.01% increase in protein over the market average.

Prices reflect difference between Jersey price with premiums, and the statistical blend price.

Percent difference in Jersey price with premiums, over the statistical blend price.

ESTIMATED JERSEY MILK COMPOSITION		REGULATED MILK PRICES		AVERAGE JERSEY PRICE ADJUSTMENT PER CWT:	
	2019		2019		2019
Butterfat	5.09	FMMO Milkfat	\$2.5291	FMMO Milkfat Adjustment	\$2.97
TRUE Protein	3.84	FMMO True Protein	\$1.4974	FMMO True Protein Adjustment	\$0.92
Other Solids	5.73	FMMO Other Solids	\$0.2430	FMMO Other Solids Adjustment	(\$0.01)
Solids Not Fat (SNF)	9.57				
Cheese Yield (90% Fat Recovery, 38% Moisture)	13.28				
CME Block Cheese Price	\$1.56				

NAJ Milk & Component Outlook - April 2019 Jersey Price Comparisons

<u>APR '19(STATISTICAL BLEND PRICE</u>		<u>APR'19 MONTHLY MILK VOLUME</u> (Million #)		<u>APR'19 JERSEY REGULATED BLEND PRICE</u>	
Northeast (Boston)	\$17.34	Northeast (Boston)	2,271	Northeast (Boston)	\$21.49
Appalachian (Charlotte)	\$18.28	Appalachian (Charlotte)	470	Appalachian (Charlotte)	\$21.45
Southeast (Atlanta)	\$18.70	Southeast (Atlanta)	445	Southeast (Atlanta)	\$21.89
Florida (Tampa)	\$20.46	Florida (Tampa)	214	Florida (Tampa)	\$24.05
Mideast (Cleveland)	\$16.44	Mideast (Cleveland)	1,653	Mideast (Cleveland)	\$20.13
Upper Midwest (Chicago)	\$16.11	Upper Midwest (Chicago)	3,011	Upper Midwest (Chicago)	\$20.07
Central (Kansas City)	\$16.13	Central (Kansas City)	1,512	Central (Kansas City)	\$20.08
California (Sacramento)	\$17.66	California (Sacramento)	2,097	California (Sacramento)	\$18.84
Southwest (Dallas)	\$17.00	Southwest (Dallas)	1,285	Southwest (Dallas)	\$20.63
Arizona (Phoenix)	\$16.43	Arizona (Phoenix)	440	Arizona (Phoenix)	\$19.79
<u>Pacific Northwest (Seattle)</u>	<u>\$16.11</u>	<u>Pacific Northwest (Seattle)</u>	<u>754</u>	<u>Pacific Northwest (Seattle)</u>	<u>\$19.45</u>
ALL FMMO MARKET AVERAGE	\$17.33	ALL FMMO MARKET TOTAL	14,152	ALL FMMO MARKET AVERAGE	\$20.72

Prices reflect Federal Order minimum blend prices for city shown.

Total Grade A milk volume sold under FMMO during month.

Prices reflect FMMO minimum prices at Jersey component values.

<u>APR '19 JERSEY BLEND WITH ESTIMATED PROTEIN OR CHEESE YIELD PREMIUMS</u>		<u>APR'19 DOLLAR DIFFERENCE: JERSEY MILK WITH PREMIUMS VS. STATISTICAL BLEND PRICE</u>		<u>APR'19 PERCENT DIFFERENCE: JERSEY MILK WITH PREMIUMS VS. STATISTICAL BLEND PRICE</u>	
Northeast (Boston)	\$21.72	Northeast (Boston)	\$4.38	Northeast (Boston)	25.2%
Appalachian (Charlotte) (includes protein prem.)	\$21.79	Appalachian (Charlotte)	\$3.51	Appalachian (Charlotte)	19.2%
Southeast (Atlanta)	\$21.89	Southeast (Atlanta)	\$3.19	Southeast (Atlanta)	17.1%
Florida (Tampa)	\$24.05	Florida (Tampa)	\$3.59	Florida (Tampa)	17.6%
Mideast (Cleveland) (includes protein premium)	\$20.74	Mideast (Cleveland)	\$4.30	Mideast (Cleveland)	26.1%
Upper Midwest (Chicago) (includes cy premium)	\$20.31	Upper Midwest (Chicago)	\$4.20	Upper Midwest (Chicago)	26.1%
Central (Kansas City)	\$20.08	Central (Kansas City)	\$3.95	Central (Kansas City)	24.5%
California (Sacramento)	\$18.84	California (Sacramento)	\$1.18	California (Sacramento)	6.7%
Southwest (Dallas)	\$20.63	Southwest (Dallas)	\$3.63	Southwest (Dallas)	21.4%
Arizona (Phoenix) (includes protein)	\$20.13	Arizona (Phoenix)	\$3.70	Arizona (Phoenix)	22.5%
<u>Pacific Northwest (Seattle)</u>	<u>\$19.45</u>	<u>Pacific Northwest (Seattle)</u>	<u>\$3.34</u>	<u>Pacific Northwest (Seattle)</u>	<u>20.7%</u>
ALL FMMO MARKET AVERAGE	\$20.88	ALL FMMO MARKET AVERAGE	\$3.54	ALL FMMO MARKET AVERAGE	20.6%

Includes a protein premium of \$0.05 for every 0.01% increase in protein over the market average.

Prices reflect difference between Jersey price with premiums, and the statistical blend price.

Percent difference in Jersey price with premiums, over the statistical blend price.

<u>ESTIMATED JERSEY MILK COMPOSITION</u>	<u>Apr-19</u>	<u>REGULATED MILK PRICES</u>	<u>Apr-19</u>	<u>AVERAGE JERSEY PRICE ADJUSTMENT PER CWT:</u>	<u>Apr-19</u>
Butterfat	4.99	FMMO Milkfat	\$ 2.5375	FMMO Milkfat Adjustment	\$2.92
TRUE Protein	3.78	FMMO True Protein	\$ 1.9890	FMMO True Protein Adjustment	\$1.20
Other Solids	5.73	FMMO Other Solids	\$ 0.1990	FMMO Other Solids Adjustment	(\$0.01)
Solids Not Fat (SNF)	9.51				
Cheese Yield (90% Fat Recovery, 38% Moisture)	13.07				
CME Block Cheese Price	\$ 1.66				