

Value-Added 101 Workshop *3rd Annual Report*

National All-Jersey Inc. (NAJ) was formed in December of 1957 by the American Jersey Cattle Association to promote equity in milk pricing and to increase the value of and demand for Jersey milk. One way for Jersey dairy

producers to gain access to increased revenue from their milk is to become a value-added producer. This led NAJ to start hosting the

annual Value-Added 101 Workshop in 2017. The workshop has been held in St. Louis, Mo., Dayton, Ohio, and most recently Brattleboro, Vt. The combined workshops have reached 86 people from 52 separate operations covering 24 states.

This year's Value-Added course started on Tuesday, April 9 and ran through Thursday, April 11.

Tuesday, April 9

The workshop was kicked off by Courtney and Beth Hodge of Echo Farm Pudding in Hinsdale, N.H. Beth shared how the farm started

as a "4-H project gone haywire."

In 1997, the Hodges looked at different product options and saw there was an opening in the marketplace for a farm-made pudding. The herd

of 65 Registered Jerseys and Milking Shorthorns is milked by a robot and is currently using 20% of the milk in the on-farm pudding operation. The pudding

is made by order week-to-week, and the excess milk is balanced by Agri-Mark Cooperative.

Courtney stressed how making the connection with consumers is important in promoting your product. "You can make the personal connection with consumers when you can rattle off the names of the cows in your farm pictures. It clicks for the consumer that you are a real farmer and know and care for the animals."

Neville McNaughton, founder and president of Sanitary Design Industries and its consulting arm, CheezSorcer, first talked to the group on the different dairy product options and the challenges with each. Neville started by talking about fluid milk and stated that; "Everyone thinks fluid milk is the route to success, and today you may say to



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yourself ‘I have a very good chance of selling whole milk, or even cream top milk, and selling it all’ but I’m not sure you want to sell the best Jersey milk in a bottle with that much cream on top.”

The added components in Jersey milk can be utilized by separating the milk and selling cream or capitalizing on higher cheese yields. Neville also discussed the pros and cons of purchasing a batch pasteurizer compared to high temperature short time pasteurizer (HTST).

Jim Gage, of James D. Gage Consulting, Inc. then spoke on conducting a market assessment and understanding consumer demand. The assessment should answer questions such as; “Who are my customers?; How can I assess my market?; How can I communicate my message to my consumers?”

Jim instructed the group to evaluate their local and regional market. This would involve visiting stores and evaluating the specialty dairy case to see the different products and what is changing in the market. “When looking at the dairy case take note to which product label stands out and catches the eye and why.”

Jim also advised participants to seek out food industry experts to interview; This includes supermarket dairy managers, local food critics, chefs, and retired distributors. Questions could include food trends, pricing issues, value of local dairy



products, competitive nature of the market, etc.

The Value-Added Workshop included two dairy processing facility tours on Tuesday. The first stop was at Grafton Cheese in Brattleboro, Vt. The Grafton Cooperative Cheese Company was founded in 1892 by dairy farmers who gathered together in a cooperative to make their surplus raw milk into cheese. The participants were able to see the cheese making process and hear from cheese maker Greg Joslyn. The retail store also gave the participants the opportunity to see a store layout and how the different cheeses were marketed.

The second stop was at Mapleline Farm, Hadley, Mass. Mapleline milks 135 Jerseys and processes 275,000 lbs. milk per month with 70% produced by the

home herd. Participants were able to see the fluid processing room and hear from Chad and Jessica Dizek on the process.

John Kokoski stressed the importance



of ensuring there is a market for what you plan to produce. John noted that many people in his area are very health conscious and like sourcing from local producers. Some of his key beginning steps were to find the total

market population within a 25-mile radius, determine the make-up of that population, and then figure out the plan for distributing to those markets.

Tuesday evening supper was hosted by the University of Massachusetts at their Berkshire dining commons. UMass has been awarded the number 1 best campus food by the Princeton review for the past two years. Mapleline Farm supplies the university with the fluid milk used in their dining halls. The participants were able to hear from management of UMass dining on building a relationship with local institutions and positioning yourself to serve those markets.

Wednesday, April 10

Mark Gillman of Cato Corner Farm in Colchester, Conn. shared his story to start the second day. Mark left a career teaching seventh grade English in Baltimore, Md., to go back to the farm operated by his mother, Elizabeth MacAlister, when she started making cheese in 1999. Today, Mark is the head cheesemaker while Elizabeth manages the herd. The dairy milks 35-45 cows year-round and uses all the milk in the production of 55,000 lbs. of handmade cheese each year. Cato Corner’s Womanchego cheese was honored in the Cows’ Milk Farmstead Cheese category for the second consecutive year at the 2018 America Cheese Society competition. Mark took on the question, “why make cheese?” He discussed the yields of different types of



cheeses and their corresponding market value. Mark also talked about product marketing and gave examples of his price points given the different distribution avenues, whether the product is sold retail, wholesale, or through a distributor. The last point made by Mark was to find the area in the operation that intrigues you. Mark stated, “If your entire life you have been taking care of cows do you want to be making cheese yourself or should you find someone else to do that for you. This is something you need to consider when putting together your business structure.”

McNaughton then talked about designing your food processing facility with sanitation as the top priority. Planning the construction takes ground up thinking and consideration for every aspect of the facility, from the ceiling and lights to the floors and drains, and everything in-between. The building plans need to consider how raw product will enter, move within the plant, and exit as a finished product. How will employees enter and avoid cross contamination with their personal belongings? The planning and design of a food processing

facility needs to be well thought out to avoid future problems. Or as one participant said, “We do it nice, because we do it twice.”

Later in the day Neville talked specifically on

food safety programs and developing a Hazard Analysis of Critical Control Points (HACCP) plan.

Jim Gage and Mark Gillman then dove into funding business start-up, funding equipment and building growth, and funding working capital. Jim stressed finding a banker and lawyer that understand your needs as a value-added business.

USDA value-added producer grants are available to farmstead dairies, but can be complex and require a business plan and financial information along with the application.

Thursday, April, 11

The third day of the Value-Added 101 Workshop consisted of an optional tour to Spring Brook Farm, The Vermont Farmstead Cheese Market and Harpoon Brewery.

Jeremy Stephenson, the cheese program director at Spring Brook Farm discussed their cheesemaking process and the extra care that goes into making the award-winning cheese

they produce. Spring Brook Tarentaise, a French Alpine-style cheese, has won best of show on two occasions at the American Cheese Society, and best Jersey milk cheese at the World Cheese Awards in Spain. The participants got to see a behind the scenes view on the cheese-making operation and aging room, while engaging in the standard food safety practices of the facility.



Kent Underwood, President of Vermont Farmstead Cheese Company, opened their retail location to the 101 group and talked about how they host different events to attract customers to the market. The Vermont Farmstead Cheese Company has won numerous awards with their

farmstead cheese. Kent, with the help of next-door neighbor, Harpoon Brewery, provided an outstanding demonstration and tasting of five cheese and beer pairings.

National All-Jersey Inc. thanks everyone who attended or hosted the Jersey Value-Added Workshop. NAJ directors and staff will work on developing the concept further in order to continue to help Jersey owners asking, “Should I process my own milk?”



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NAJ Milk & Component Outlook - March 2019 Jersey Price Comparisons

| <u>MAR '18(STATISTICAL BLEND PRICE</u> | | <u>MAR'19 MONTHLY MILK VOLUME</u> (Million #) | | <u>MAR'19 JERSEY REGULATED BLEND PRICE</u> | |
|---|----------------|--|---------------|--|----------------|
| Northeast (Boston) | \$17.17 | Northeast (Boston) | 2,319 | Northeast (Boston) | \$21.18 |
| Appalachian (Charlotte) | \$18.31 | Appalachian (Charlotte) | 480 | Appalachian (Charlotte) | \$23.63 |
| Southeast (Atlanta) | \$18.70 | Southeast (Atlanta) | 448 | Southeast (Atlanta) | \$21.99 |
| Florida (Tampa) | \$20.41 | Florida (Tampa) | 226 | Florida (Tampa) | \$24.30 |
| Mideast (Cleveland) | \$16.19 | Mideast (Cleveland) | 1,665 | Mideast (Cleveland) | \$19.70 |
| Upper Midwest (Chicago) | \$15.28 | Upper Midwest (Chicago) | 3,243 | Upper Midwest (Chicago) | \$19.00 |
| Central (Kansas City) | \$15.76 | Central (Kansas City) | 1,504 | Central (Kansas City) | \$19.51 |
| California (Sacramento) | \$16.03 | California (Sacramento) | 2,258 | California (Sacramento) | \$17.02 |
| Southwest (Dallas) | \$16.58 | Southwest (Dallas) | 1,282 | Southwest (Dallas) | \$20.17 |
| Arizona (Phoenix) | \$16.18 | Arizona (Phoenix) | 463 | Arizona (Phoenix) | \$19.67 |
| <u>Pacific Northwest (Seattle)</u> | <u>\$15.79</u> | <u>Pacific Northwest (Seattle)</u> | <u>754</u> | <u>Pacific Northwest (Seattle)</u> | <u>\$18.80</u> |
| ALL FMMO MARKET AVERAGE | \$16.95 | ALL FMMO MARKET TOTAL | 14,641 | ALL FMMO MARKET AVERAGE | \$20.45 |

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>MAR '19 JERSEY BLEND WITH ESTIMATED PROTEIN OR CHEESE YIELD PREMIUMS</u> | | <u>MAR'19 DOLLAR DIFFERENCE: JERSEY MILK WITH PREMIUMS VS. STATISTICAL BLEND PRICE</u> | | <u>MAR'19 PERCENT DIFFERENCE: JERSEY MILK WITH PREMIUMS VS. STATISTICAL BLEND PRICE</u> | |
|---|----------------|--|---------------|---|--------------|
| Northeast (Boston) | \$21.43 | Northeast (Boston) | \$4.26 | Northeast (Boston) | 24.8% |
| Appalachian (Charlotte) (includes protein prem.) | \$24.00 | Appalachian (Charlotte) | \$3.59 | Appalachian (Charlotte) | 17.6% |
| Southeast (Atlanta) | \$21.99 | Southeast (Atlanta) | \$3.29 | Southeast (Atlanta) | 17.6% |
| Florida (Tampa) | \$24.30 | Florida (Tampa) | \$3.89 | Florida (Tampa) | 19.1% |
| Mideast (Cleveland) (includes protein premium) | \$20.38 | Mideast (Cleveland) | \$4.19 | Mideast (Cleveland) | 25.9% |
| Upper Midwest (Chicago) (includes cy premium) | \$19.27 | Upper Midwest (Chicago) | \$3.99 | Upper Midwest (Chicago) | 26.1% |
| Central (Kansas City) | \$19.51 | Central (Kansas City) | \$3.75 | Central (Kansas City) | 23.8% |
| California (Sacramento) | \$17.02 | California (Sacramento) | \$0.99 | California (Sacramento) | 6.1% |
| Southwest (Dallas) | \$20.17 | Southwest (Dallas) | \$3.59 | Southwest (Dallas) | 21.7% |
| Arizona (Phoenix) (includes protein) | \$20.04 | Arizona (Phoenix) | \$3.86 | Arizona (Phoenix) | 23.9% |
| <u>Pacific Northwest (Seattle)</u> | <u>\$18.80</u> | <u>Pacific Northwest (Seattle)</u> | <u>\$3.01</u> | <u>Pacific Northwest (Seattle)</u> | <u>19.1%</u> |
| ALL FMMO MARKET AVERAGE | \$20.63 | ALL FMMO MARKET AVERAGE | \$3.49 | ALL FMMO MARKET AVERAGE | 20.5% |

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>Mar-19</u> | <u>REGULATED MILK PRICES</u> | <u>Mar-19</u> | <u>AVERAGE JERSEY PRICE ADJUSTMENT PER CWT:</u> | <u>Mar-19</u> |
|---|---------------|------------------------------|---------------|---|---------------|
| Butterfat | 5.08 | FMMO Milkfat | \$ 2.5461 | FMMO Milkfat Adjustment | \$2.99 |
| TRUE Protein | 3.84 | FMMO True Protein | \$ 1.6303 | FMMO True Protein Adjustment | \$1.00 |
| Other Solids | 5.73 | FMMO Other Solids | \$ 0.2200 | FMMO Other Solids Adjustment | (\$0.01) |
| Solids Not Fat (SNF) | 9.57 | | | | |
| Cheese Yield (90% Fat Recovery, 38% Moisture) | 13.29 | | | | |
| CME Block Cheese Price | \$ 1.59 | | | | |

NAJ Milk & Component Outlook - 2019 Prices through March

| 2019 AVERAGE STATISTICAL BLEND PRICE FOR EACH FEDERAL ORDER | | 2019 MILK VOLUME (Million #) | | 2019 AVERAGE JERSEY REGULATED BLEND PRICE | |
|--|----------------|------------------------------------|---------------|---|----------------|
| Northeast (Boston) | \$16.75 | Northeast (Boston) | 6,692 | Northeast (Boston) | \$20.58 |
| Appalachian (Charlotte) | \$18.04 | Appalachian (Charlotte) | 1,374 | Appalachian (Charlotte) | \$21.93 |
| Southeast (Atlanta) | \$18.45 | Southeast (Atlanta) | 1,278 | Southeast (Atlanta) | \$22.37 |
| Florida (Tampa) | \$20.05 | Florida (Tampa) | 664 | Florida (Tampa) | \$23.88 |
| Mideast (Cleveland) | \$15.76 | Mideast (Cleveland) | 4,683 | Mideast (Cleveland) | \$19.17 |
| Upper Midwest (Chicago) | \$14.62 | Upper Midwest (Chicago) | 9,075 | Upper Midwest (Chicago) | \$18.21 |
| Central (Kansas City) | \$15.27 | Central (Kansas City) | 4,158 | Central (Kansas City) | \$18.86 |
| California (Sacramento) | \$15.45 | California (Sacramento) | 6,107 | California (Sacramento) | \$16.43 |
| Southwest (Dallas) | \$16.03 | Southwest (Dallas) | 3,559 | Southwest (Dallas) | \$19.45 |
| Arizona (Phoenix) | \$15.85 | Arizona (Phoenix) | 1,322 | Arizona (Phoenix) | \$19.28 |
| <u>Pacific Northwest (Seattle)</u> | <u>\$15.41</u> | <u>Pacific Northwest (Seattle)</u> | <u>2,129</u> | <u>Pacific Northwest (Seattle)</u> | <u>\$18.36</u> |
| ALL FMMO MARKET AVERAGE | \$16.52 | ALL FMMO MARKET TOTAL | 41,042 | ALL FMMO MARKET AVERAGE | \$19.87 |

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) | \$20.84 | Northeast (Boston) | \$4.09 | Northeast (Boston) | 24.4% |
| Appalachian (Charlotte) (includes protein prem.) | \$22.31 | Appalachian (Charlotte) | \$3.57 | Appalachian (Charlotte) | 19.1% |
| Southeast (Atlanta) | \$22.37 | Southeast (Atlanta) | \$3.42 | Southeast (Atlanta) | 18.1% |
| Florida (Tampa) | \$23.88 | Florida (Tampa) | \$3.83 | Florida (Tampa) | 19.1% |
| Mideast (Cleveland) (includes protein premium) | \$19.85 | Mideast (Cleveland) | \$4.10 | Mideast (Cleveland) | 26.0% |
| Upper Midwest (Chicago) (includes cy premium) | \$18.48 | Upper Midwest (Chicago) | \$3.89 | Upper Midwest (Chicago) | 26.7% |
| Central (Kansas City) | \$18.86 | Central (Kansas City) | \$3.61 | Central (Kansas City) | 23.6% |
| California (Sacramento) | \$16.43 | California (Sacramento) | \$1.02 | California (Sacramento) | 6.6% |
| Southwest (Dallas) | \$19.45 | Southwest (Dallas) | \$3.44 | Southwest (Dallas) | 21.5% |
| Arizona (Phoenix) (includes protein) | \$19.66 | Arizona (Phoenix) | \$3.81 | Arizona (Phoenix) | 24.1% |
| <u>Pacific Northwest (Seattle)</u> | <u>\$18.36</u> | <u>Pacific Northwest (Seattle)</u> | <u>\$2.96</u> | <u>Pacific Northwest (Seattle)</u> | <u>19.2%</u> |
| ALL FMMO MARKET AVERAGE | \$20.04 | ALL FMMO MARKET AVERAGE | \$3.43 | ALL FMMO MARKET AVERAGE | 20.8% |

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 | 2019 | REGULATED MILK PRICES | 2019 | AVERAGE JERSEY PRICE ADJUSTMENT PER CWT: | 2019 |
|---|--------|-----------------------|----------|--|----------|
| Butterfat | 5.12 | FMMO Milkfat | \$2.5262 | FMMO Milkfat Adjustment | \$2.95 |
| TRUE Protein | 3.86 | FMMO True Protein | \$1.3335 | FMMO True Protein Adjustment | \$(0.81) |
| Other Solids | 5.73 | FMMO Other Solids | \$0.2576 | FMMO Other Solids Adjustment | \$(0.01) |
| Solids Not Fat (SNF) | 9.59 | | | | |
| Cheese Yield (90% Fat Recovery, 38% Moisture) | 13.35 | | | | |
| CME Block Cheese Price | \$1.52 | | | | |