

## Jersey Value-Added 101 Workshop *Second Annual Report*

As commodity milk profit margins erode, more and more Jersey owners are asking themselves, “*Should I process my own milk?*” The second workshop, March 21-22, held in Dayton, OH., resulted in participation from 28 producers representing 18 unique operations, from 10 states. Much like the first Value-Added 101 Workshop, held March 2017, the goal was to provide information to members as they explore the possibility of processing their own milk and becoming a value-added operation. Presentations came from two industry experts, two in-class producer success stories, along with two processing facility site visits.

Many consumers today are looking for local, fresh, quality products that they can connect with and feel good about purchasing and consuming. Dairy farmers can produce a nutritionally superior product that also satisfies many of the consumers’ interests. Producing and delivering a product to the public today may not be as simple as it was for a bottling operation two generations ago, but it is still possible. The industry consultants presented on food safety and how proper design of a processing facility will greatly assist a food safety program. The participants also gained insight on conducting a market assessment in their area and how to better market their potential dairy product.

### Producer Success

Starting off the first day was Angel King of **Blue Jacket Dairy**, Bellefontaine, OH. Angel and her husband Jim started their artisan cheese operation in

2008. Angel started her research and development by picking up cheese making books and developing her cheeses in-home. After attending cheese making classes and conferences, visiting creameries, and eating a lot of cheese they developed a business plan with a consultant and started producing. Angel stressed that beginning to process a dairy product

requires a passion for that product. This passion will raise product quality, increase product development, and help gain consumer interest.



The second producer success story was told by Jenna Kilgus, representing **Kilgus Farmstead Inc.** from Fairbury, IL. The farm of three generations started bottling and distributing the herd’s Jersey milk in 2009. They seasonally graze the 140-cow herd to produce a rich non-homogenized Queen of Quality™ labeled milk. The Kilgus milk stands out from its competitors due to its many unique qualities; single sourced, on-farm processed, non-homogenized, All-Jersey, and non-GMO fed. Jenna walked the group through how they developed their brand and marketing material, their different distribution channels, and the use of diversification to maximize the farms potential. The Kilgus Farmstead markets its dairy’s milk, along with Jersey beef, Berkshire pork, and Boer goat meat. Jenna stated that when developing an operation’s name, it is important not to unintentionally limit the business to only dairy products if plans may lead to diversification into other product areas.

### Processing Facility Tours

On the first day the group was able to visit **Young's Jersey Dairy** in Yellow Springs, OH. Young's started to sell fresh fluid milk direct to consumers in 1958 after realizing that there was a market for their product. In 1960, they opened their first dairy store and started dipping ice cream to customers. Through the years Young's have grown substantially while retaining the small herd size. Young's now make farmstead cheese and sell ice cream from their own mix formula. Agri-tourism is a major component of the business, attracting 1.2 million customers to its grounds each year. The milking tie stall barn is still available to be visited by customers along with the addition of a goat petting area, putt-putt course, driving range, batting cage, giant slide, restaurant, and various other activities through the year. Stuart Young shared the dairy's history and experiences with the group. He stressed the importance of initially developing a good label and brand and then retaining that image to preserve the market.

The second site visit stopped at **Ayars Family Farm** in Mechanicsburg, OH. The farm started making ice cream in 2010 to expand the traditional ways of marketing their milk. The ice cream is produced on site in small batches in a Carpigiani machine. The farm recently built an event center at the farm to house the many tour groups that come to the farm. Bonnie Ayars is able to market and sell their ice cream through these events. John Ayars stressed that managing a dairy herd and processing your own dairy's milk is a tough proposition, but other avenues do exist to market a dairy product. Ice cream mix can be purchased and made on-farm, or a creamery could co-pack cheese with a farm's label that could then be marketed direct to customers.

### Industry Expert Presenters

**Neville McNaughton** spoke to the group about food safety and designing a processing facility with sanitation as a top priority. A food processing plant needs to consider every aspect of its construction in regards to sanitation, from the ceiling and lights to the floors and drains, and everything in-between. A Food Safety Plan is a key aspect to any business dealing in food production and should be developed first. Neville noted that building a processing facility

is not a cheap venture, but should be done correctly to avoid future costly repairs and remodeling. Neville has been in the cheese making industry for more than 40 years, both as cheesemaker and consultant.



**James D. Gage** first covered the many different product options and challenges with each, whether it be; fluid milk, yogurt, kefir, ice cream, butter, cheese curds, fresh cheese, and aged cheese. Jim also 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?”*

Like the other presenters, Jim repeated the importance of visiting and talking to other value-added producers. When attending different trade and product shows, Jim suggests picking up all the advertising and promotion material available to use as a future resource in developing marketing material for a new dairy. Jim specializes in value-added dairy and local food business development. Jim has worked on business and marketing issues with over 250 value-added clients over the last 12 years.

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?”*

# NAJ Milk & Component Outlook - 2018 Prices through February

2018 AVERAGE STATISTICAL BLEND PRICE FOR EACH FEDERAL ORDER		2018 MILK VOLUME (Million #)		2018 AVERAGE JERSEY REGULATED BLEND PRICE	
Northeast (Boston)	\$15.31	Northeast (Boston)	4,400	Northeast (Boston)	\$19.20
Appalachian (Charlotte)	\$16.96	Appalachian (Charlotte)	983	Appalachian (Charlotte)	\$19.92
Southeast (Atlanta)	\$17.32	Southeast (Atlanta)	906	Southeast (Atlanta)	\$21.29
Florida (Tampa)	\$19.14	Florida (Tampa)	446	Florida (Tampa)	\$22.48
Mideast (Cleveland)	\$14.44	Mideast (Cleveland)	3,308	Mideast (Cleveland)	\$17.91
Upper Midwest (Chicago)	\$13.92	Upper Midwest (Chicago)	5,729	Upper Midwest (Chicago)	\$17.57
Central (Kansas City)	\$14.12	Central (Kansas City)	2,898	Central (Kansas City)	\$17.78
Southwest (Dallas)	\$15.00	Southwest (Dallas)	2,598	Southwest (Dallas)	\$18.46
Arizona (Phoenix)	\$14.25	Arizona (Phoenix)	910	Arizona (Phoenix)	\$17.63
Pacific Northwest (Seattle)	\$14.01	Pacific Northwest (Seattle)	1,419	Pacific Northwest (Seattle)	\$17.07
<b>ALL FMMO MARKET AVERAGE</b>	<b>\$15.45</b>	<b>ALL FMMO MARKET TOTAL</b>	<b>23,598</b>	<b>ALL FMMO MARKET AVERAGE</b>	<b>\$18.93</b>
California 4b (Cheese Milk)	\$13.37			California 4b (Cheese Milk)	\$17.60
California Overbase	\$13.12			California Overbase	\$17.35

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.

2018 AVERAGE JERSEY BLEND WITH ESTIMATED PROTEIN OR CHEESE YIELD PREMIUMS		2018 AVERAGE DOLLAR DIFFERENCE: JERSEY MILK WITH PREMIUMS VS. STATISTICAL BLEND PRICE		2018 AVERAGE PERCENT DIFFERENCE: JERSEY MILK WITH PREMIUMS VS. STATISTICAL BLEND PRICE	
Northeast (Boston)	\$19.45	Northeast (Boston)	\$4.16	Northeast (Boston)	27.2%
Appalachian (Charlotte) (includes protein prem.)	\$20.29	Appalachian (Charlotte)	\$3.37	Appalachian (Charlotte)	20.0%
Southeast (Atlanta)	\$21.29	Southeast (Atlanta)	\$3.20	Southeast (Atlanta)	17.7%
Florida (Tampa)	\$22.48	Florida (Tampa)	\$3.39	Florida (Tampa)	17.8%
Mideast (Cleveland) (includes protein premium)	\$18.59	Mideast (Cleveland)	\$4.16	Mideast (Cleveland)	28.8%
Upper Midwest (Chicago) (includes cy premium)	\$17.84	Upper Midwest (Chicago)	\$3.92	Upper Midwest (Chicago)	28.1%
Central (Kansas City)	\$17.78	Central (Kansas City)	\$3.66	Central (Kansas City)	25.9%
Southwest (Dallas)	\$18.46	Southwest (Dallas)	\$3.48	Southwest (Dallas)	23.3%
Arizona (Phoenix) (includes protein)	\$18.00	Arizona (Phoenix)	\$3.76	Arizona (Phoenix)	26.4%
Pacific Northwest (Seattle)	\$17.07	Pacific Northwest (Seattle)	\$3.08	Pacific Northwest (Seattle)	22.0%
<b>ALL FMMO MARKET AVERAGE</b>	<b>\$19.13</b>	<b>ALL FMMO MARKET AVERAGE</b>	<b>\$3.62</b>	<b>ALL FMMO MARKET AVERAGE</b>	<b>23.7%</b>
California 4b (Includes CY Premium)	\$18.99	California 4b (Includes CY Premium)	\$5.62	California 4b (Includes CY Premium)	42.0%
California Overbase	\$18.75	California Overbase	\$5.63	California Overbase	42.9%

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	2018	REGULATED MILK PRICES	2018	AVERAGE JERSEY PRICE ADJUSTMENT PER CWT:	2018
Butterfat	5.10	FMMO Milkfat	\$2.3811	FMMO Milkfat Adjustment	\$2.80
TRUE Protein	3.84	FMMO True Protein	\$1.6439	FMMO True Protein Adjustment	\$1.01
Other Solids	5.73	FMMO Other Solids	\$0.0669	FMMO Other Solids Adjustment	(\$0.00)
Solids Not Fat (SNF)	9.57	CA 4b (Cheese Milk) Milkfat	\$2.3155	CA 4b (Cheese Milk) Milkfat	\$3.70
Cheese Yield (90% Fat Recovery, 38% Moisture)	13.29	CA 4b (Cheese Milk) SNF	\$0.6057	CA 4b (Cheese Milk) SNF	\$0.54
		CA Overbase Milkfat	\$2.3400	CA Overbase Milkfat	\$3.74
		CA Overbase SNF	\$0.5670	CA Overbase SNF	\$0.49

# NAJ Milk & Component Outlook - February 2018 Jersey Price Comparisons

<u>FEB '18 STATISTICAL BLEND PRICE</u>		<u>FEB '18 MONTHLY MILK VOLUME</u> (Million #)		<u>FEB '18 JERSEY REGULATED BLEND PRICE</u>	
Northeast (Boston)	\$14.88	Northeast (Boston)	2,118	Northeast (Boston)	\$18.73
Appalachian (Charlotte)	\$16.31	Appalachian (Charlotte)	457	Appalachian (Charlotte)	\$19.32
Southeast (Atlanta)	\$16.57	Southeast (Atlanta)	429	Southeast (Atlanta)	\$19.58
Florida (Tampa)	\$18.57	Florida (Tampa)	204	Florida (Tampa)	\$21.94
Mideast (Cleveland)	\$14.01	Mideast (Cleveland)	1,605	Mideast (Cleveland)	\$17.39
Upper Midwest (Chicago)	\$13.59	Upper Midwest (Chicago)	2,879	Upper Midwest (Chicago)	\$17.11
Central (Kansas City)	\$13.72	Central (Kansas City)	1,442	Central (Kansas City)	\$17.27
Southwest (Dallas)	\$14.60	Southwest (Dallas)	1,211	Southwest (Dallas)	\$18.03
Arizona (Phoenix)	\$13.91	Arizona (Phoenix)	428	Arizona (Phoenix)	\$17.17
<u>Pacific Northwest (Seattle)</u>	<u>\$13.66</u>	<u>Pacific Northwest (Seattle)</u>	<u>677</u>	<u>Pacific Northwest (Seattle)</u>	<u>\$16.62</u>
<b>ALL FMMO MARKET AVERAGE</b>	<b>\$14.98</b>	<b>ALL FMMO MARKET TOTAL</b>	<b>11,450</b>	<b>ALL FMMO MARKET AVERAGE</b>	<b>\$18.32</b>
California 4b (Cheese Milk)	\$13.38			California 4b (Cheese Milk)	\$17.47
California Overbase	\$13.01			California Overbase	\$17.09

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>FEB '18 JERSEY BLEND WITH ESTIMATED PROTEIN OR CHEESE YIELD PREMIUMS</u>		<u>FEB '18 DOLLAR DIFFERENCE: JERSEY MILK WITH PREMIUMS VS. STATISTICAL BLEND PRICE</u>		<u>FEB '18 PERCENT DIFFERENCE: JERSEY MILK WITH PREMIUMS VS. STATISTICAL BLEND PRICE</u>	
Northeast (Boston)	\$18.97	Northeast (Boston)	\$4.09	Northeast (Boston)	27.5%
Appalachian (Charlotte) (includes protein prem.)	\$19.68	Appalachian (Charlotte)	\$3.37	Appalachian (Charlotte)	20.7%
Southeast (Atlanta)	\$19.58	Southeast (Atlanta)	\$3.01	Southeast (Atlanta)	18.1%
Florida (Tampa)	\$21.94	Florida (Tampa)	\$3.37	Florida (Tampa)	18.2%
Mideast (Cleveland) (includes protein premium)	\$18.06	Mideast (Cleveland)	\$4.05	Mideast (Cleveland)	28.9%
Upper Midwest (Chicago) (includes cy premium)	\$17.38	Upper Midwest (Chicago)	\$3.79	Upper Midwest (Chicago)	27.9%
Central (Kansas City)	\$17.27	Central (Kansas City)	\$3.55	Central (Kansas City)	25.8%
Southwest (Dallas)	\$18.03	Southwest (Dallas)	\$3.43	Southwest (Dallas)	23.5%
Arizona (Phoenix) (includes protein)	\$17.53	Arizona (Phoenix)	\$3.62	Arizona (Phoenix)	26.0%
<u>Pacific Northwest (Seattle)</u>	<u>\$16.62</u>	<u>Pacific Northwest (Seattle)</u>	<u>\$2.96</u>	<u>Pacific Northwest (Seattle)</u>	<u>21.7%</u>
<b>ALL FMMO MARKET AVERAGE</b>	<b>\$18.51</b>	<b>ALL FMMO MARKET AVERAGE</b>	<b>\$3.52</b>	<b>ALL FMMO MARKET AVERAGE</b>	<b>23.8%</b>
California 4b (Includes CY Premium)	\$18.83	California 4b (Includes CY Premium)	\$5.46	California 4b (Includes CY Premium)	40.8%
California Overbase	\$18.45	California Overbase	\$5.45	California Overbase	41.9%

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>Feb-18</u>	<u>REGULATED MILK PRICES</u>	<u>Feb-18</u>	<u>AVERAGE JERSEY PRICE ADJUSTMENT PER CWT:</u>	<u>Feb-18</u>
Butterfat	5.06	FMMO Milkfat	\$ 2.3490	FMMO Milkfat Adjustment	\$2.74
TRUE Protein	3.82	FMMO True Protein	\$ 1.6265	FMMO True Protein Adjustment	\$0.99
Other Solids	5.73	FMMO Other Solids	\$ 0.0550	FMMO Other Solids Adjustment	(\$0.00)
Solids Not Fat (SNF)	9.55	CA 4b (Cheese Milk) Milkfat	\$ 2.2812	CA 4b (Cheese Milk) Milkfat	\$3.57
Cheese Yield (90% Fat Recovery, 38% Moisture)	13.22	CA 4b (Cheese Milk) SNF	\$ 0.6197	CA 4b (Cheese Milk) SNF	\$0.54
		CA Overbase Milkfat	\$ 2.3040	CA Overbase Milkfat	\$3.60
CME Block Cheese Price	\$ 1.52	CA Overbase SNF	\$ 0.5680	CA Overbase SNF	\$0.48