



www.attra.ncat.org

CURRENT TOPIC

By Lance E. Gegner
 NCAT Agriculture Specialist
 August 2001

Dairy farmers can add value to their milk by processing and marketing their own products, such as cheeses, yogurt, butter, ice cream, and farm-bottled milk. Many consumers are willing to pay a premium for locally produced, high-quality, farmstead dairy products; organic certification may further enhance the market potential.

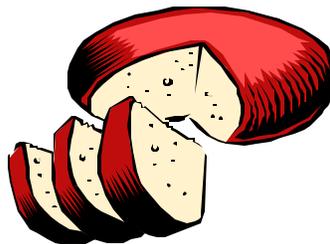
Developing a product line, production facilities, and a niche marketing strategy will take time, money, and commitment. It is unlikely that the enterprise will be profitable in the first three to five years. Additional skills beyond producing milk will be required. Here are some basic questions dairy producers need to ask themselves before they get into processing and marketing:

- Do I have the resources to do this?
- Do I really want to do this?
- Do I have the experience, people skills, and information to do this?
- How much profit potential is there with this enterprise?
- How will I market the product and what is the customer base available?
- Do I have the financial resources needed to support this enterprise during the start-up period?

Regulations

Dairy food processors – including small farms adding value to their own dairy commodities – are subject to a dizzying array of state and local regulations and inspections. Aspiring processors should check carefully with regulatory authorities for specific requirements during the planning stages of the enterprise, and once again as the equipment is ready to be installed. Some states may have training requirements for persons intending to process dairy food products.

State and local regulatory agencies have primary responsibility for enforcement of sanitation requirements on dairy farms and at dairy processing plants. Producers must contact their Department of Agriculture (Department of Health in Arkansas) for specific regulations and requirements before proceeding with any other steps. The National Association of State Departments of Agriculture has a directory at http://www.nasda-hq.org/nasda/nasda/member_information/gen_main.htm. A more general listing of all state and local regulatory agencies by state is available at the FDA's *Directory of State Officials 2001* at http://www.fda.gov/ora/fed_state/directorytable.htm.



Law professor Neil Hamilton's 235-page *Legal Guide for Direct Farm Marketing* is a good source of information about laws on marketing products directly to consumers and to retail and wholesale buyers. It was written to address producers' questions about the legal aspects of direct farm marketing. The book provides many contacts and resources across the U.S., including state and federal inspectors, organizations, and others. The cost of the book is \$20.00. To order, contact Drake University Agricultural Law Center, Des Moines, IA 50311, (515) 271-2947.

Organic Milk

At the time of this writing, the National Organic Program (NOP) is scheduled to begin implementation of the Final Rule for national organic standards in September 2002. As of this date, any producers seeking initial certification will have to comply with the requirements of the Final Rule. Producers who are already certified (by an agent that has received USDA accreditation) will have to achieve compliance with the NOP standard at their next annual inspection. For additional information on organic certification, request ATTRA's *Organic Certification & The National Organic Program* or visit NOP's website and review the Final Rule's standards for organic dairy production at <http://www.ams.usda.gov/nop/nop2000/nop2/finalrulepages/finalrulemap.htm>.

Demand for organic milk and milk products continues to grow nationwide. The *Organic & Natural News* article "Return to the Golden Age of Dairy" (1) states:

According to SPINS/ACNielsen, the organic dairy industry has experienced tremendous growth in almost every category it tracks. Organic milk gallons have taken the gold medal with a 148.8-percent increase in the 12 months ending July 2000 compared to the previous year. Other categories have made incredible leaps as well. Sales of organic cottage cheese and ricotta have risen 53.58 percent with packaged organic cheese, organic butter and organic sour creams trailing closely behind; all posted increases in the 30-percent range.

The growing demand for organic dairy products is driven primarily by consumers' belief in the higher quality and safety of these products, and their awareness of the positive environmental, animal welfare, and ethical impacts of organic agricultural practices. Many are concerned about the use of antibiotics and of rBST (recombinant bovine somatotropin), a genetically engineered Bovine Growth Hormone that is injected into an estimated 30 percent of lactating cows in conventional dairies. These are some of the reasons why consumers choose organic dairy products despite higher prices (2).

Organic milk comes from cows that are not given any hormones, antibiotics, or pesticides. They have access to open pastures and are fed 100-percent organic feeds—grown in fields that are chemical-free for at least 3 years. Organic milk must be handled separately from conventional milk and never intermixed. Organic milk and milk products must be processed, either on-farm or off-farm, in a certified organic plant.

**Other ATTRA publications that will help you to plan
for value-added production and direct marketing:**

Adding Value to Farm Products: An Overview

Keys to Success in Value-Added Agriculture

Direct Marketing

Alternative Meat Marketing

Evaluating a Rural Enterprise.

Sources of Further Information

The state Department of Agriculture is the best source of help and information. The producer will need to comply with state law first; everything else is secondary.

An excellent source of information is the Hometown Creamery Revival Project. This project is funded by the Sustainable Agriculture Research and Education (SARE) program of the USDA and managed by Ms. Vicki Dunaway. The Hometown Creamery Revival promotes on-farm processing as a means of making dairying a sustainable way of life for small farms.

Currently the project produces a quarterly newsletter, *CreamLine*, and maintains a list of equipment suppliers, events, and links to relevant websites at <<http://metalab.unc.edu/creamery/>>. A free sample issue of *CreamLine* is available on request. The subscription cost is \$22.00 per year or \$40.00 for two years. For more information, visit the project's website or contact:

Vicki Dunaway
Hometown Creamery Revival Project
P.O. Box 186
Willis, VA 24380
(540) 789-7877 (before 9 p.m. Eastern)
E-mail: ladybug@swva.net

The first major publication of the Hometown Creamery Revival, *The Small Dairy Resource Book*, is a 56-page annotated bibliography of books, periodicals, videos and other materials on farmstead dairy processing. These resources cover such topics as on-farm cheese, ice cream, butter, and other dairy processing; business and marketing; food safety and feeds; and grazing. This publication is available online at <<http://www.sare.org/handbook/dairy>>. To order a printed copy, visit <<http://www.sare.org/san/htdocs/pubs/>> or send \$8.00 plus \$3.95 for shipping and handling (check or money order) to:

Sustainable Agriculture Publications
Hills Building, Room 10
University of Vermont
Burlington, VT 05405-0082
(802) 656-0484 (to order with Visa or Master Card)

Artisan Cheesemakers Listserv is the original email list for discussing the production, marketing, and history of handcrafted and artisan cheeses, as well as other dairy products. For additional information visit <<http://members.xoom.com/cheesemaker/Cheemakers-L.htm>>, or to subscribe <Artisan_Cheesemakers-subscribe@yahoogroups.com>.

In March 2000, the Dairy Creamery Listserv was started. This mailing list was created for small, grass-based, traditional dairy farms and for small-scale processors who are pasteurizing and bottling milk, or making value-added products such as cheese, yogurt, cream, or ice cream, and who are selling either on-farm or within their regions. To subscribe to dairycreamery, send email to <dairycreamery-subscribe@yahoogroups.com>.

The April 2001 issue of *Ag Innovative News*, from the Agricultural Utilization Research Institute in Minnesota, did a special series focusing on producer-owned dairy processing. The series of articles included "Bottle at your own risk," "Pasturing for profit," "The milk-fed economy," and "Bittersweet end." These articles focus on feasibility studies showing that the prospects are dim for newcomers to enter the current well-established milk processing and distribution system. However, the studies do show niche marketing opportunities in the natural foods market. These articles are available on-line at <<http://www.auri.org/news/ainapr01/contents.htm>>.

Many electronic resources are available to those with Internet access (see **Further Resources: Websites** below). Several book suppliers are also listed in the **Further Resources** section.

References:

- 1) Belongie, Laurie. 2000. Return to the golden age of dairy. *Organic & Natural News*. October. 7 p. <<http://www.organicandnaturalnews.com/articles/0a1Feat2.html>>.
- 2) Hayhurst, Chris. 2000. Got organic milk? The natural dairy business is going mainstream. *E-Magazine*. May-June. 3 p. <http://www.emagazine.com/may-june_2000/0500gl_eating.html>.

Enclosures:

Dunaway, Vicki. 2001. One more new cheese plant on the planet. *CreamLine*. Summer. p. 1, 3-5, 12-19.

Hamilton, Neil D. 1999. Direct marketing unpasteurized milk from the farm. In: *The Legal Guide for Direct Farm Marketing*. Drake University Agricultural Law Center, Des Moines, Iowa. p. 199-201.

Major, David. 2001. The land of cheese marketing: Don't get caught without a paddle. *CreamLine*. Summer. p. 11.

Nation, Allan. 2001. Selling organic milk isn't as easy as it looks. *The Stockman Grass Farmer*. August. p. 22.

Smith, Barb and Steve Smith. 2001. Reviving the creamery – Marketing. *Organic Farms, Folks, & Foods*. Mid-Spring. p. 17-19.

Bernhard, Mike. 2001. Dairy opportunities??? *Organic Farms, Folks, & Foods*. Mid-Spring. p. 19-20.

Further Resources

Websites:

Organic Dairy Information

<http://www.nysvga.org/webpages5/cdcramer/profiles/arnold.htm>
Profile of an organic dairy farmer in New York.

http://www.iowafarmer.com/010324/niche_dairy.htm
Article on an organic dairy-processing farm in Iowa.

<http://www.organicandnaturalnews.com/articles/0a1Feat2.html>
Article about the marketing potential of organic milk.

http://www.emagazine.com/may-june_2000/0500gl_eating.html
Article about the marketing potential of organic milk.

<http://www2.gov.pe.ca/af/cornerpost/april99/link7.asp>
Article about a Horizon Organic Dairy farm in Maryland

Cheese Information

<http://www.cheesesociety.org>
The American Cheese Society website listing conferences, articles, and their latest newsletter.

<http://www.cheesereporter.com>
The Cheese Reporter Magazine website has an excellent searchable supplier directory, a large book and video selection, and lots of links to other websites.

<http://www.efr.hw.ac.uk/SDA/cheese2.html>
Excellent site on the basics of making cheese.

<http://www.erols.com/auraltech/index2.html>
Website with useful links on cheesemaking and on different cheeses.

Books and Supplies:

New England Cheesemaking Supply Company
P.O. Box 85
Ashfield, MA 01330
(413) 628-3808; Fax: (413) 628-4061
<http://www.cheesemaking.com>

Has information on cheesemaking, an on-line catalog for supplies and books, and many links.

Kitchen Arts and Letters, Inc.
1425 Lexington Avenue
New York, NY 10128
(212) 876-5550
<http://www.kitchenartsandletters.com>
Has a large selection of books on cheeses and cheesemaking.

Organic Dairy Farming
Kickapoo Organic Resource Network
Community Conservation, Inc.
50542 ONE Client Lane
Gays Mills, WI 54631
(608) 735-4717
Cost is \$8.00 postpaid.