

Division of Marketing  
Agricultural Development and Diversification (ADD) Program

1995 Grant Final Report

Grant Number 10007

**Grant Title** Superior Shores Agricultural Venture

**Amount Awarded** \$26,250.00

**Name**

**Organization** Superior Shores Ag. Co-op, Inc.  
Ashland

**E-Mail**

**WEB**

Department Contact: DATCP - Marketing - ADD Grants  
PO Box 8911 Madison, WI 53708-8911  
Tel: (608)224-5136  
<http://datcp.state.wi.us>

**SUPERIOR SHORES**



**AGRICULTURAL**  
*Cooperative*

## **FINAL REPORT - DATCP-ADD PROGRAM SUPERIOR SHORES AGRICULTURAL VENTURE**

### **Project Overview**

The Superior Shores Agricultural Venture is an Ashland county and Bayfield county based initiative that was created in 1994 to help farm families of northwest Wisconsin through the development, production and marketing of value added dairy-fruit products do so in an environmentally proper and ethically sound manner.

Historically Wisconsin dairy farmers and fruit producers have not had a reason for joint cooperation. Although not competitors, each group faces similar issues that concern family farms statewide. The motivation that brought these two groups together are to address and do something about the following:

- 1) There is a production surplus of fluid milk available in northern Wisconsin now trucked out of the region for value added processing by other organizations. The local need is to stabilize and enhance the local market place.
- 2) Local fruit production is designed for the "pick-your-own" and "over-the-counter" markets. With the creation of new dairy-fruit products, the promotion of orchard expansion through new markets is under way.
- 3) The consumer market place is prime for entry by a dairy-fruit product line manufactured in northern Wisconsin. Promotion of a yogurt cheese line and eventually a (yogurt cheese) whey-based fruit beverage is expected.
- 4) The creation of a new generation for-profit agricultural cooperative that allows local public investment would create new employment opportunities.
- 5) A local agricultural cooperative could enhance local farm incomes by allowing the membership to utilize, produce and market their own dairy-fruit product lines. Farm income support enhancement and stability is critical.
- 6) Lastly, a focus on new opportunities connected to this venture which could include, but are not limited to, tourism, beef and pork meat products, sheep based product development including milk, cheeses, giros, wools as well as honey and herbal products.

### **Partnerships Developed**

In the Autumn of 1994 a number of dairy farmers and fruit producers individually vocalized their concerns about the future of agriculture in northwest Wisconsin to representatives of the USDA-NRCS, UWEX and the county Land Conservation Department. In follow-up discussions, these officials decided to hold a public meeting to bring together all interested dairy farmers, fruit producers, agency officials and economic development staff. Pri-Ru-Ta Resource Conservation and Development Council was requested to assist in the coordination, development and funding of a project to support the Ashland county - Bayfield county based farmers and fruit producers to do something about their concerns.

The Pri-Ru-Ta Resource Conservation and Development Council agreed to work with the core group to organize them, connect them with technical assistance and to secure funding to develop the concept of the "Superior Shores Agricultural Venture."

The cooperation of the individual farmers, fruit producers, RC&D Council, Ashland Area Development Corporation, USDA Natural Resources Conservation Service, Wisconsin Federation of Cooperatives, Cooperative Development Services, University of Wisconsin - River Falls, University of Wisconsin - Madison Center for Dairy Research, and of course DATCP led to the success and eventual independent operations of the Superior Shores Agricultural Cooperative, Inc. (SSAC).

### **1995 - 1996 Chronological Developments**

In June, 1995 the farmer organizers of this project took the first steps needed toward becoming a business organization. Invitations were extended to dairy farmers and fruit producers in Ashland and Bayfield counties to attend organizational meetings. A core group emerged and were selected as the project "Board of Directors" -- this group being Drew Johnson, Rick Dale, David Zepczyk, Lee Stadnyk, Sig Swanson, George F. Koval, and Curt Johnson. They decided to form an agricultural cooperative and to incorporate in Wisconsin. This was done; after developing By-laws and Articles of Incorporation, officers were elected. Drew Johnson, President; Rick Dale, Vice President; Sig Swanson, Treasurer and David Zepczyk, Secretary.

Continuing producer-member recruitment occurred throughout the summer of 1995. Major focus was on trial development of yogurt based products in cooperation with the University of Wisconsin - River Falls Dairy Science Department. In September and October, test production of a number of different types of no-fat, low-fat and regular yogurts, yogurt drinks and yogurt cheeses was completed.

Two very successful (by taste, appearance and shelf stability) no-fat and regular yogurts were developed with members providing fresh apple sauce, apple puree, raspberries, honey and maple syrup to utilize as flavors and sweeteners. Two successful (taste, texture, consistency) liquid yogurt drinks were developed.

- \* **Note** - Several potential marketing consultants met with this group between September, 1995 (1) and February, 1996. All emphasized the need to survey the consumer public as to their desires for new or different "dairy-fruit" products. This group chose to focus on product development by laboratory work with UW-River Falls and UW-Madison prior to surveying the consumer via a market research consultant

The liquid yogurt drink had a consistency of a soft milk shake or a thickened fruit juice. Adding whey from yogurt cheese made the drink taste much better, thinner and sweeter.

The first wheel of plain, regular milk based yogurt cheese was produced. Various yogurt cultures were sampled with one selected for further development. A no-fat yogurt cheese was produced and determined to be unacceptable and was dropped from further development. Flavors are easily added to yogurt cheese (Cajun spice, caraway and blueberry).

In early October, 1995 Drew Johnson and I met with Al Rabin of the Department of Development (now Commerce) to discuss a RED (Rural Economic Development) loan to support the cooperative in expanded product development/formulation, a comprehensive

business plan and a product line sales brochure. The SSAC membership voted to apply for a RED loan.

- \* Note - The SSAC never followed up with the RED loan application. My sense is that the
- (2) members are very conservative in their personal fiscal management and were individually unwilling to accept this risk at such an early stage in the project. I suspect that even today, a business loan would not be acceptable to this organization..

Later meetings were held with Steve Beaver of Dairy 2020 who directed the group toward consideration of a WHEDA loan and with Les Lamb and Andrea Nee of the WMMB. Dan Carter, Cheese Marketing Consultant participated in the WMMB meeting and expressed great interest in examining a variety of the plain and flavored yogurt cheeses. He expressed a willingness to distribute samples to a number of key buyers across the county so we could get feedback on taste, shelf stability, packaging, and pricing valuation. To date, no follow-up has been done with Dan Carter in trial marketing of the yogurt cheeses developed over the last year. In my opinion, the project lost out on a great opportunity for market establishment and to gain great information by not choosing to work closely with Dan Carter from the inception.

Throughout November, 1995 the staff of the UW-River Falls Dairy Science Department (Ranee May, Dairy Plant Manager was just exceptional to work with) monitored the variety of flavored and plain yogurt cheeses produced the previous month for shelf stability, moisture content, fat content, protein and appearance. Ranee and her staff continued monitoring of the yogurt whey based beverage as well. An interesting finding was that the added whey would separate from the other ingredients so future changes in stabilizers was needed.

A full membership meeting of the SSAC was held in Ashland on December 8, 1995 to review the October yogurt cheeses produced by the UW-River Falls Dairy Plant trials. All were deemed excellent. A membership decision was made to focus continued developmental work on plain, caraway, Cajun spice and blueberry yogurt cheeses. A yogurt cheese whey beverage with added fruit flavors and natural sweeteners would be developed as well. It was decided to shift future developmental work to the Center for Dairy Research at the UW-Madison due to their experience and broader contacts through the dairy industry. During a December 21 meeting of the SSAC Board of Directors and UW-Madison CDR staff, Dr. Bob Bradley agreed to provide developmental testing and support for the yogurt cheese whey-fruit beverage.

In January, 1996 the first yogurt cheese was provided in Madison using the River Falls process. Duplication went exactly as planned and for the first time, a cheese-fruit combination was made using dried blueberries (freeze dried, consistency of raisins). Dr. Bradley began evaluation of yogurt cheese whey for the addition of natural blueberry flavor and blueberry concentrate to formulate a liquid yogurt-fruit beverage.

Also, most importantly, in January the "project bid notice" was prepared and circulated to appropriate marketing consultants to begin the SSAC marketplace consumer analysis, feasibility study and initial business plan. The bid package was released with emphasis on continuation of product line development that had taken place to date. Emphasis was on the SSAC "mission"

and the northern Wisconsin consumer market place. Future local production of the final products is a key component for the selected consultant to consider. Eight bid items were released: 1) Consumer acceptance review study of the two potential product lines (yogurt cheeses/yogurt whey-fruit beverage), 2) Market place analysis with projections of sales and entry strategies, 3) Other potential dairy-fruit products, 4) Product development in sufficient quantity for the feasibility study, 5) Coop business organization training, 6) Financial/investment package with emphasis on the cooperative selling stock, 7) Draft production facility-processing plant design and 8) Initial business/marketing plan. Bidders submitting responses for one or more of the eight items included - Cooperative Development Services (via Will Hughes) selected for item 6; Center for Dairy Research at UW-Madison (via Tom Szalkucki) selected for items 3 and 4; and other bidders not selected at this time due to excessively high bid quotes were Marketing Round Tables of Minneapolis and Marketing Concepts of Gross Plains.

In March, Business Plans, Etc. of Washburn (via Craig Schowalter) was selected for items 1 and 2. Bid items 5, 7 and 8 were dropped due to a lack of acceptable bid quotations.

April and May, 1996 were extremely busy months for this project in the areas of continuing product development, in market research and for the cooperative to begin the process of a capital (equity) raising program through a public stock offering.

In April the Center for Dairy Research processed 1,200 lbs. of milk into plain yogurt cheese and into yogurt cheese with added percentages of dried blueberries by weight. Descriptive taste test panels continued to test the January, 1996 cheese as well as the April, 1996 cheeses. This is done at two, four and six weeks.

Conclusive results with the two batches of cheeses are: The plain yogurt cheese is excellent and preferred to those with added blueberries. Testers decided the blueberries (dried, dried with coating) from several sources were too dry, too low in natural flavor, too chunky and tended to fall out of the cheese during slicing. A decision made was to find blueberries from (same or different) sources with several important features: variable moisture content, higher sweetness/sugar content, different coatings to help the berry adhere to the cheese. It was also decided to try to use blueberries whole, whole coated, finely sliced and coarsely sliced in the (July, 1996) cheese making. On April 30, a blueberry flavored yogurt cheese whey beverage trial was completed using added blueberry concentrate and natural blueberry flavor. It was determined pH balance is key to a shelf stable, flavorful beverage. Taste tests were held on May 17th for the beverage with highly mixed results. Generally, the test panelists expected either more blueberry flavor or more whey flavor with great differences in level of sweetness, tartness, viscosity, overall flavor and "intent to purchase."

The SSAC Board of Directors makes all research and business decisions for this organization. Leadership has not been created or taken by one or two individuals -- at times, however, this may be a more ideal situation as decision making has been very slow and quite conservative at best.

The board selected Craig Schowalter of Business Plans, Etc., Washburn to develop and implement a market place and consumer based study of the yogurt cheese line and the blueberry

flavored whey beverage. Mr. Schowalter will develop market place entry strategies as well as an economic feasibility study for bringing the products to market efficiently and in line with the cooperative's mission.

Lastly, Cooperative Development Services, through Will Hughes agrees to develop a prospectus, legal documentation and marketing strategy for the SSAC, Inc. to offer a public stock sale of preferred stock to raise up to \$50,000 equity. Included would be the membership/producer common stock offering as well.

During June and July continued developmental work was carried out by project contractors. The CDS (Will Hughes) finalized a draft stock offering prospectus and risk disclosure statement with an overview of legal requirements involved. He met with the SSAC membership on August 12 to completely review the package and formulate the final documentation.

At the end of the August 12 session in Bayfield, the SSAC organization targeted October 31 as the date to have the stock offering on the table, finalized and ready to go public. The strategy is to sell non-voting, preferred stock to the public at \$25 per share in unlimited numbers. The goal is to raise an initial \$50,000 in equity to permit the organization to continue product and market developmental research post ADD grant. Each current and all future producer/members would purchase one voting share of common stock at \$25 each. Producers could also buy preferred stock as a member of the general public as well. The First American Bank in Washburn agreed to provide business account services for this important effort.

The final production of plain yogurt cheese and a number of varieties of yogurt cheese with added blueberries and added natural blueberry flavor was completed at CDR, Madison. The final manufacturing process (recipe) and ingredients list (with manufacturer and code) is complete. Shelf life of 30 - 60 days is ideal for best cheese flavor. Taste test panelists at the August session, however, did evaluate cheeses manufactured in January and May. Although different in flavor and texture due to aging, all were very acceptable.

Continued testing of a yogurt cheese whey - blueberry flavored beverage occurs as well. Craig Schowalter will use both cheese and beverage samples in focus group panel tests during August, September and October.

The SSAC, Inc. logo was selected. This was designed by a graphic artist of Screen Line in Ashland. This is important as it gives the organization an identity for the first time.

On September 20, the SSAC membership met in Ashland to review the final stock sales package prepared by CDS - Will Hughes. An amendment to the SSAC corporate bylaws was deemed necessary in order for the cooperative to sell preferred stock to out-of-state investors. A final taste test panel was conducted at the UWI-Madison Center for Dairy Research on September 18th. The seven varieties of yogurt cheese produced in August were evaluated at three weeks of age.

Ranked in order of panel preference were:

- 1) Plain yogurt cheese - excellent

- 2) Plain yogurt cheese with whole blueberries - good
- 3) Cheese/blueberries with natural draygoco flavor - flavor
- 4) Cheese/blueberries with natural comax flavor

- 
- 5) Cheese with blueberry flavored cranberries - good but dropped from consideration due to lack of fruit availability until 1998.
  - 6) Cheese with coarsely chopped blueberries - poor
  - 7) Cheese with finely chopped blueberries - poor

The top four cheeses were provided to Mr. Craig Schowalter of Business Plans, Etc. for September and October focus group taste, sensory and purchase interest evaluations. Final results of his tests will be presented to the SSAC membership at their November 8th meeting.

Finally on October 21st the CDR produced two gallons of the final recipe version of the whey-blueberry beverage for focus group evaluation by Craig Schowalter as well.

### **Accomplishments**

The Superior Shores Agricultural Venture has proven to be a most interesting and valuable exercise that brought together a diverse group of dairy producers and fruit producers from northern Wisconsin with the hope of stabilizing and eventually enhancing the fluid milk and fresh fruit markets of Ashland and Bayfield counties.

- a) A new (generation) cooperative was formed as the base organization. The cooperative incorporated under Chapter 185 of the Wisconsin Statutes in June, 1995.
- b) The prospectus, disclosure statement and stock certificates for sale of preferred stock to the general public to raise operating capital and common stock to producer - members for voting on cooperative actions was a major development. On November 12th the SSAC membership will meet in Bayfield to vote on final approval of the stock offering documents and to go public with the preferred stock offering.
- c) The product development research was initiated with individual ideas of the membership. In cooperation with technical support of the UWI - River Falls Dairy Science Staff and the UWI - Madison Center for Dairy Research, a process and recipe was developed to produce an excellent yogurt cheese line. This process will permit the SSAC to move forward with the ideal of a value added product line to enhance the market and prices received for fluid milk and fresh fruit in northern Wisconsin.

This product is a winner! This product will sell! Additional processing work in combination with additional fruit drying/flavoring/coatings is required, however.

- d) Developmental work on a yogurt cheese.whey - added fruit (blueberry at this time) beverage continues and required significant refinement before a marketable saleable beverage results. The concept of utilizing whey as the primary ingredient for a consumer beverage is an excellent and valuable finding from this project. With sweet (acidic) whey available from yogurt cheese production, this product line would be complimentary and

provide opportunities for dairy/fruit product diversification over the long run -- if consumer acceptance is there.

- e) Consumer acceptance - Ongoing research in market place acceptance of the yogurt cheese line and a fruit-whey beverage continues. Our initial sense is that consumers will find the yogurt cheeses very acceptable and priced very competitively. The beverage will be able to be priced competitively, but requires significant refinement and testing prior to market place entry.
- f) Product marketing of a yogurt cheese line and eventually a whey-fruit beverage will require further research and development. Brokers should be utilized and are available to assist the cooperative in this area. Local distribution in Ashland and Bayfield counties is being explored at this time.
- g) Production and distribution of product - The marketing consultant is well into discussions with northern Wisconsin cheese producers on when, where and how a yogurt cheese line will be manufactured (initially). I sense contract production will be done with an established cheese producer with the SSAC product label until sufficient market is established for the organization to consider in-house production.

#### **Evaluation of Results - Benefits to Wisconsin Agriculture**

The results of this project are exactly as stated in the original grant application. The Superior Shores Agricultural Cooperative, Inc. was developed, organized and is operational with a Board of Directors, expanding membership opportunities, a clear and realistic mission and a consumer oriented product line that can be easily produced and marketed in northern Wisconsin.

An important consideration since the beginning for the dairy farmers and fruit producers has been market enhancement for fluid milk and fresh fruit through creation of a dairy-fruit value added product line. This has been accomplished and will eventually lead to structural changes in northern Wisconsin that should provide long-range solutions toward improving the health and competitive position of northern Wisconsin agriculture. Two producer/members have already made financial investments towards expanding their production capability in fruit and other agricultural products. Two other producer/members are very seriously looking at full organic dairy operations in the very near future if the cooperative takes this marketing position.

Lastly, the product will soon close to hiring a manager once stock sales are occurring, raw materials are being purchased, contracts are being signed with agricultural member/producers and product production commences.

#### **Budget Summarization - Initial grant \$26,250**

Period September 1, 1995 to October 31, 1996 (w/60 day extension)