

Division of Marketing
Agricultural Development and Diversification (ADD) Program
1991 Grant Final Report

Grant Number 06007

Grant Title Organic Butter-Fat Utilization: The Production & Marketing of
Organic Butter & Ice Cream

Amount Awarded \$21,035.00

Name Aaron Brin

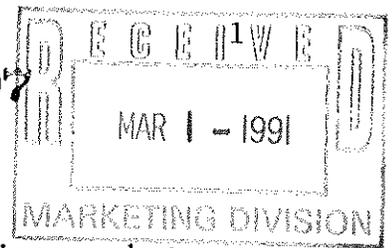
Organization Coulee Region Organic Produce Pool (CROPP)
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Summary:

The 1990 ADD Grant assisted CROPP in developing markets, testing demand for products and creating promotions for organic agricultural goods. We need to continue to build on what has already been done. We also need to put the Cooperative on a firmer financial foundation through product diversification.

Because of strong market demand for low fat cheese, there is a present and projected excess supply of cream. We propose to develop new products that would use this supply. Our objectives would be to produce, package and market organic butter and cultured butter and formulate prototypes for three flavors of organic ice cream.

The plan of work for butter includes market research to establish a wholesale price for butter, product formulation, choosing and certifying a butter plant and designing and printing the packaging. To develop ice cream we will research and source organically derived emulsifiers, stabilizers and fruit sweeteners. We will create three flavors, make test runs and develop three prototypes ready for production. The work plan to market our butter products will include creating a booth for the national trade show, wholesale and retail product sampling and creating an advertising and consumer education program.

The economic benefits will be to increase demand for organic milk and to add organic producers to the CROPP Dairy Pool. At this point our milk producers receive a premium over the conventional milk price because we have been able to maintain price stability in an era of declining milk prices. The Cooperative will have more competitive trucking costs by adding butter products to existing cheese deliveries. There will be jobs and income for the Wisconsin butter and ice cream plants we choose to work with and additional jobs at CROPP when these programs become fully functioning. The Cooperative will gain additional income from more diversified products, which will go directly to paying for our fixed costs.

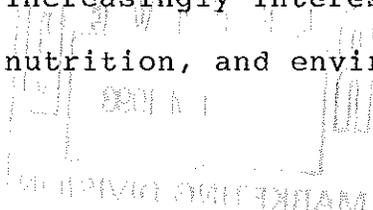
I. Original Intent and Perceived Benefit:

The original intent of this project was to utilize an excess supply of organic cream created by the demand for low-fat cheese. Development of Organic butter and ice cream could use this excess supply. In addition, a wider array of organic products was seen as a way of securing more space in the retail dairy case, more consumer awareness of organic dairy products, and as a result, higher sales of organic milk for our producers.

After the introduction of Organic Butter to the retail market we were extremely surprised to discover a large and persistent demand for this product. The demand was so much larger than anticipated, our excess supply of cream quickly became a severe shortage. A year and a half after the introduction, our shortage is more severe, necessitating a butter allotment to all of our distributors.

We were forced to change the original intent of our project to include the creation of skim milk products which could utilize the large quantities of skim milk that butter production creates.

The perceived benefit to Wisconsin agriculture was in the form of the creation and development of an entirely new market which previously was in it's infancy. The organic marketplace is a phenomenon of the 1980's. Consumer's are increasingly interested in food safety issues, health, nutrition, and environmental protection. Young families



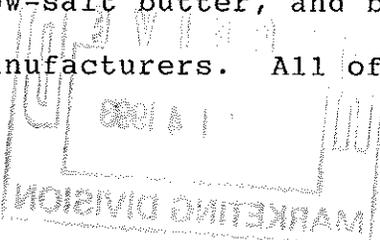
want to feed children food that is not grown with herbicides, pesticides, or chemical fertilizers. City people want to affirm their concern for family farmers and the sustainable practices that families employ to conserve farm resources for future generations. If organic products could be created to expand and develop this market, many people in agriculture could be benefited.

The creation of organic products firstly benefits family farmers, who are being forced off their land by low commodity prices. By producing organic milk, farmers can charge a premium price and earn a living wage for their work. By forming an organic cooperative, the premium is returned to the Wisconsin Farmer rather than going to a distant corporation. Expansion of the organic marketplace will mean the need for hundreds of new organic milk producers in Wisconsin. It will mean that thousands of acres of Wisconsin land will be involved in organic production. This insures the maintenance of healthy balanced soils and non-polluted ground water. It will also mean contracts with local dairies to produce organic products and the creation of new jobs in the local economy.

II.

A. Creation or maintenance of jobs:

CROPP Cooperative now manufactures cultured butter, low-salt butter, and butter in 60 pound blocks for manufacturers. All of these products are now being produced



by the Westby Co-op Creamery. This maintains jobs at a local creamery which is under severe financial stress at this time. In addition, CROPP has created jobs in milk hauling, warehousing, office, sales, and accounting.

B. New capital investment or industry expansion:

A skim milk supply agreement made with Horizons Yogurt of Boulder Colorado means that a national natural foods corporation will base it's production and distribution facilities in Wisconsin. On the local level, a skim milk reload station was created at the Westby Creamery. CROPP Cooperative sales for 1991 were \$1.1 million. We estimate that 1992 sales will be over \$2 million although the data is not analyzed as of this writing.

C. Development of new agricultural products:

Cultured organic butter, Lightly salted organic butter, organic non-salt butter in bulk, and low-fat powdered milk were all developed. These products have never been created in the United States before CROPP developed them. The increased demand these products entailed meant the expansion of the CROPP Dairy Pool from 12 to 22 organic producers.

D. Expansion of the market:

Because of these new organic products, the organic market place is expanding. Distributors and consumers are becoming increasingly educated and aware of organic products. We have added distributors in the Pacific Northwest, Southern California and the Northeast U.S. Our organic products now are shipped to Japan. There is a

large, untapped export potential which has been created in Japan and Europe.

E. Commercial application of new technologies:

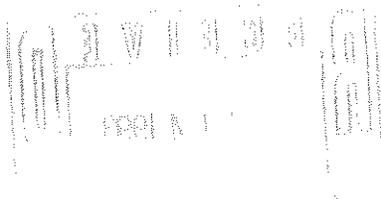
CROPP continues to make it economically feasible for farmers to practice organic methods of production.

F. Improvement of the Competitive position of Wisconsin agriculture:

Developing the organic marketplace in Wisconsin means Wisconsin Dairy farmers will have an outlet for their organic production. We have now created an array of organic products and a national distribution network. Farmers in Vermont, New York and California have yet to enter this market. CROPP represents the largest pool of organic milk in the country. The National natural foods industry must now turn to Wisconsin for organic milk

G. Efficient use of land and agricultural resources:

Organic certification requires farmers to have a plan to increase the fertility of their soil and solve their weed and pest problems. CROPP producers do not farm organically by neglect. Organic practices create healthy, fertile soils, whereas the continued use of chemicals often kills the life in the soil and creates long-term soil imbalances. In addition organic farmers do not pollute ground-water in Wisconsin.



III. Expectations, unexpected success or failure:

As described previously, we expected to sell 2,000-5,000 pounds of butter per month in the first year of production. Instead, initial demand was 10,000-12,000 pounds per month. 18 months after introduction demand is 15,000-20,000 pounds per month. This unexpected success forced us to change our grant program focus to low fat products instead of ice cream. The other surprise for us was how eager large natural foods corporations are to buy our milk. This led us to the skim milk supply agreement with Horizons Yogurt Inc. Finally, we underestimated the difficulties we faced in finding a plant to work with us in the production of low fat powdered milk.

IV. Information, education, field days and presentations:

A consumer information pamphlet was produced which described the health benefits of butter when compared with vegetable oil and margarine. Many consumers are not aware of the health problems related to the hydrogenation of vegetable oil in margarine, or the heating of vegetable oils in frying. This pamphlet also examined the positive qualities of butter which have been over-shadowed by the national debate on cholesterol and its correlation with heart disease.

A presentation of this project was given to The Rural

Development Program at Western Wisconsin Technical College. A presentation was also given at the annual meeting of North Farm Cooperative in Madison. Kickapoo Organic Resource Network (KORN), a project funded by the Sustainable Agriculture Program of WDATCP gave several field days on organic dairy production. These field days were held at CROPP producer's farms. In addition KORN is currently preparing an educational pamphlet on making the transition to organic dairy production.

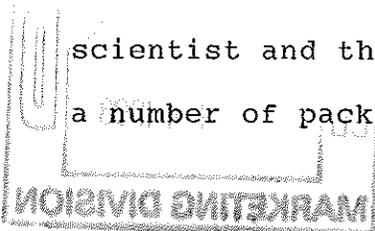
V. Future Projections:

As a result of this grant CROPP expects to be selling 40,000 pounds of butter products per month in two years. While it is too early to speculate on powdered milk sales, the first two months of full production averaged about 12,000 pounds per month. There is a great deal of interest in this product for export. We could potentially sell large quantities of dry milk to Japan.

Other promising products include low-fat cheese spread and a cultured low-fat milk which will be bottled like kefir and marketed at first in the Minneapolis, Milwaukee, and Chicago areas.

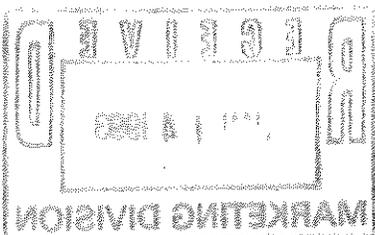
VI. Other information:

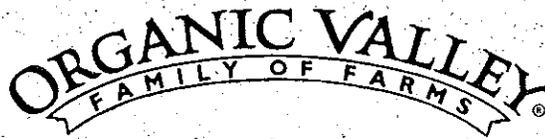
As a result of our consultations with the Dairy scientist and the packaging engineer at Rtech Inc. we have a number of packaging and product options.



We have been given information on three packaging options for powdered milk. These include a can, a foil lined bag, and a paper lined paper bag. These options are currently being evaluated for retail sale and for export to Japan.

The Dairy Scientist has given us information and formulation for low-fat cheese spread and low-fat cultured milk. We are especially excited about the possibility of marketing low-fat cultured milk and expect to move forward on this project in the near future. In addition to this we received information on organic mold inhibitors.





ORGANIC VALLEY FAMILY OF FARMS®

A group of family farmers who shared a love of the land and distrust of farm chemicals joined together in February, 1988 to form the C.R.O.P.P. Cooperative (Coulee Region Organic Produce Pool); makers of **Organic Valley** dairy products. It's purpose is to give market support for agricultural practices which are beneficial to the environment. Receiving a fair price for the extra effort needed to continue and improve organic farming methods offers an alternative to low farm prices which can pressure farmers to use conventional practices.

Southwestern Wisconsin, with its hilly terrain, is home to many small farms. The traditional activity of passing on the farm to the next generation emphasizes land stewardship and conservation in this environmentally sensitive area. The trend toward large scale agriculture which stresses intensive use of farm chemicals, expensive complex equipment, and large land tracts has contributed to the failure of 8 out of 10 Wisconsin family farms since 1940 with a corresponding loss of enterprise diversity and rural stability.

We are small and mid-sized family farmers searching for creative sustainable solutions to our farming and financial problems and for a sense of designing our own destiny. Our cooperative also stresses teamwork among its employees. We are farmers and workers who are mutually empowering each other and growing through cooperation.

Many of our members, using organic methods for many years, are now in the forefront of organic farming education. They sponsor field days, speak at seminars, work with legislators and continue to experiment on their own farms with methods that mirror the natural laws of living organisms and respect the interdependency of all life.

The backbone of our program has always been a quality product. From the feed each cow eats, to the manufacturing plants, to the final packaged product, all are certified organic by OCIA (an independent certification agency). The core philosophy of organic certification includes resource stewardship, conservation ethics and promotion of a safer food supply. In addition, every vat of cheese and batch of butter are tasted and graded to exacting standards before sold. We view our pool of high quality, Grade A organic milk as a precious commodity and sharing our exceptional products with consumers is a driving force behind our marketing effort.

The growing population of consumers who are concerned with health safety issues and who wish to purchase more natural, nutritious food grown without the use of pesticides or herbicides offer our expanding pool of farmers a market to sell their production. Healthy farming practices provide safe, nutritious food to consumers today and lead to clean air, water and living soil for future generations.



C.R.O.P.P. COOPERATIVE

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NATURE OF THE PROJECT:

Coulee Region Organic Produce Pool (CROPP), is an organic farmer's marketing cooperative in Southwestern Wisconsin. Our current membership consists of 22 organic dairy farmers and 25 organic vegetable producers. We have pioneered the production and distribution of organic dairy products in the United States. We currently produce and distribute 16 varieties of organic cheese, three types of organic butter and organic non-fat dry milk. These products are now available in 49 states. We are committed to a sustainable milk price for family farmers, agricultural practices which preserve and protect the rural environment, and the creation of fair-paying jobs in the small town economy.

HOW THE GRANT PROGRAM HAS HELPED THE PROJECT:

The grant program enabled the cooperative to sell our organic butter to the national natural foods marketplace through advertising, informational material and attendance at a national trade show in California. The ADD program also helped us to develop new organic low-fat products like our non-fat dry milk.

EXPECTED RESULTS:

By developing and marketing new organic dairy products, CROPP hopes to gain more space in the national natural foods dairy case and create national brand recognition for our label ("Organic Valley"). This will translate into a viable and sustainable economic venture for the organic farmers who have created this cooperative.

POTENTIAL ECONOMIC IMPACT:

By supporting CROPP, The ADD program has helped to develop the National Organic Marketplace. Furthermore, the Department of Agriculture has assured that Wisconsin Dairy Products will dominate this marketplace for the foreseeable future. There is a potential to add many more organic farmers to our pool of milk. This will return a higher pay price to farmers and at the same time preserve agricultural resources and protect Wisconsin ground water because of the sustainable practices our farmers employ.