

BIG MILK

LITTLE CHECKS

BIGGER QUESTIONS

Assessing the Value of Value-Added

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SO... Value-Added, Huh?

Let's take a quick look at the basic questions to ask:

- What are You Doing Now?
- Grade A vs. Manufactured Grade?
- What Products are Being Considered?
- Batch or HTST Processing?
- Who is your Target Market?

By The Way...

There are NO secrets here.

**We will reveal the inner workings of
our Dairy Enterprise System.**

If We Don't Say, Just Ask!

What Are You Doing Now?

Milking Cows or Not?

- If Milking, What will your contract allow?
 - Are you willing to accept \$12/cwt on all milk shipped?
 - What if you're dropped altogether? A good relationship with your milk purchaser, and a great conversation early-on is essential.
- How do your current production levels mesh with your business plan? Can you handle fast change?
- What if business ramps up too slow - or even worse, too fast?

Grade A vs. Manufactured Grade?

Grade A

- Milks, Yogurt, Cottage Cheese, Eggnog,...
- Typically have shorter shelf-life, two+ weeks
- Marginal Value-Added, Perception or Reality?

Manufactured Grade

- Ice Cream/Frozen Dairy Desserts, Cheeses, Butter
- Long shelf-life and inventory holding capacity
- Greater Value-Added reputation

What Products Are Being Considered?

Milks and other Grade A Products:

- Conventional competition with the Wal-Mart's and Target's of the world – you'll lose your shirt and farm.
- IF- That's the only spin. What are you selling?
 - Local, Organic, Glass, Home Delivery, Experience, Unhomogenized, Grass-fed, and on and on...
- BUT – You better have volume, and lots of it.
 - Low Price, High Volume
 - Hi Price, Low Volume (Remember that shelf-life issue)

What Products Are Being Considered?

Manufacture Grade Products:

- Cheese, Ice Cream, Butter – the Cream of the Crop!
 - All typically yield very high premiums within the right market and population. Location, Location, Location
- Cheeses have unique and varied markets
 - Utilized whole milk – Fantastic!
- Ice Creams and Butter
 - WARNING: High Fat Content! Which means skim – uh oh!
 - Ice cream is seasonal and celebratory – great ag-tourism addition.
 - Butter Very High Price but low volume unless a bakery is found.

Batch Or HTST Processing?

The Pasteurization Process

- Please Don't Ask If You Have To Do This!!!
- Forget about Ultra-Pasteurization or Aseptic
- Batch Pasteurization (145F+ for 30 minutes)
 - Heated and held in a vat. Can be vat cooled but also pumped hot through homogenizer and plate cooled in flow.
- **High Temperature Short Time** (161F+ for 15 seconds)
 - Fixed flow rate, continuous system.
 - Typically higher volume plant.
 - Much more utility-dependent and maintenance demanding.

Who Is Your Target Market?



“Everybody says they’ll Buy Everything I can Make!”

Who Is Your Target Market?

Why Do People Go to Wal-Mart?

- Price and Convenience

Why Do People Go to Farmer Markets?

- Experience, Trust and Personal Feeling

Why Do People Go to Ag Tour Farms?

- Experience, Education, Entertainment

Who Is Your Target Market?

What are they comparing the product against at:

- Wal-Mart?
- Farmer Markets?
- Ag Tour Farms?

Who Is Your Target Market?

What about others:

- Restaurants, Bakeries, Web Sales?
 - Local, Local, Local
 - * And maybe Organic
 - Variety and Specialty

SO... Value-Added, Huh?

Consider:

- Location
- Population
- Products
- Volumes
- Farm Layout
- Transition & Exit Plan

There are pathways and solutions out there.

Thanks to Each of You!

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Visitor Area

Retail & Parking

Fenceline

Ag Trail

Yates Millpond

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