



VERMONT DAIRY MARKETING ASSESSMENT

FINAL REPORT

February 24, 2020

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PREPARED FOR

The Vermont Agency of Commerce & Community Development and Agency of Agriculture, Food, & Markets

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INTRODUCTION & PROJECT BACKGROUND

Vermont has a strong and well-supported identity as a dairy state. Its characteristic agricultural landscape—green rolling hills populated with livestock and picturesque dairy barns—drives much of the state’s tourism activity and public perception. According to a 2019 survey conducted by Vermont Public Radio and Vermont PBS, 93 percent of Vermonters believe that the state’s dairy industry is very important or somewhat important to the state’s sense of itself.

This perception is not a superficial or inaccurate one. Vermont is responsible for more than 60 percent of the milk produced in New England, and the state’s dairy sector brings in over \$2.2 billion in economic activity every year, accounting for about 70 percent of the state’s total agricultural sales. In addition to fluid milk, the state is well-known for value-added dairy products, especially artisanal cheeses. Between 2013 and 2018, Vermont cheesemakers placed in the American Cheese Society Best in Show awards nine times—equal to the next three states (Wisconsin, California, and Pennsylvania) combined¹.

But like other milk producers across the U.S., dairy farmers in Vermont are facing unprecedented pressures. Five consecutive years of low milk prices have especially challenged milk producers in New England, where topography generally prevents farmers from reaching the same economies of scale that their counterparts in the West and Midwest are able to achieve. Farm loss and consolidation have resulted in Vermont losing almost a third of its dairy farms between 2007 and 2017.

With the state’s dairy farmers at risk, and with a palpable awareness of dairy sector’s economic, historic, and cultural importance to the state, Vermont leaders and stakeholders have put a significant amount of energy and attention over the past several years into finding ways to keep the dairy industry viable. Past studies have focused on farm conditions, production dynamics, consumer trends, marketing strategies, policy environments, and other topics as well. Whether addressing the national, regional, or state level, all of these reports highlight corresponding conditions in the dairy sector and in dairy consumption trends: declining fluid milk consumption, an oversupply of fluid milk, excess inventories of dairy products, too many choices competing for consumer attention, growing competition from plant-based milks, and a production sector that is experiencing spatial concentration, size bifurcation, and geographic drift west. In short, the effort to turn fortunes around for Vermont’s dairy sector is several decades in the making.

The strategies that these past studies point to as possible remedies for the continually challenging dairy outlook tend to land in seven broad areas:

- product specialization
- expense management
- revenue diversification
- professional supports
- structural investments

¹ “Producing Milk With A Targeted Purpose,” presented by Galen Jones, Elynn Ladd, George Miller, and Jeremy Stephenson at the Northern Tier Dairy Summit, April 2019.

- market development
- policy approaches

The only Vermont-centered report we reviewed that addresses a Vermont dairy brand or mark-of-origin is from 2013, and it includes this recommendation among numerous other recommendations covering the entire spectrum of focus areas listed above. Instead, throughout these reports we find a significant amount of focus on product specialization (encouraging the shift to high-attribute milks, organic milk, grass-fed milk, goat milk, etc.), professional supports (highlighting the need for technical education, expertise sharing, and research and development investments), market development (focused on countering the trend of declining consumption), and infrastructural investments (preventing the erosion of current processing capacity and increasing future capacity).

ABOUT THIS REPORT

This dairy marketing assessment and report was called for by the Vermont Legislature in Act 83 (S. 160), signed in June 2019. The Act called for a range of reports, efforts, and programs to support agricultural development in the state. The dairy marketing assessment was specifically directed to evaluate “the viability of increasing the consumption of Vermont dairy products in major metropolitan markets in New England and the Northeast,” with particular focus given to consumer trends in dairy consumption; market viability of production characteristics, value-added products, and Vermont source-identification or branding (e.g. “Made in Vermont”); and funding sources and policy incentives that could help support effective strategies.

The Vermont Agency of Commerce and Community Development (ACCD) and Agency of Agriculture, Food & Markets (AAFM) hired NY-based food systems consultancy KK&P to complete the assessment. KK&P kicked off the project in October 2019. KK&P’s research combined qualitative and quantitative methods, including:

- Phone and in-person interviews with 28 dairy sector stakeholders and experts (including expert perspectives from outside of Vermont)
- Brand case studies of past and current dairy efforts and businesses in Vermont
- Case studies of state- or place-based branding efforts from outside of Vermont (focused on but not limited to dairy)
- Analysis of Vermont brand positioning across a range of food and beverage products
- Aggregation, review, and analysis of relevant secondary data and reports

Addenda to this report evaluate potential policies and funding sources to support our recommendations.

RESEARCH THEMES & FINDINGS

NATIONAL & REGIONAL DAIRY MARKET DYNAMICS

Dairy consumption in the U.S. has changed substantially over the past two decades and continues to shift. Figure 1 illustrates changes in U.S. per capita consumption of dairy products from 1975 to 2018. While fluid milk consumption has been steadily declining for years, Americans are actually consuming more dairy than ever—6% more (by milk equivalent) in 2018 than five years prior. This growth is largely driven by cheese and butter consumption, which grew 13% and 6%, respectively, from 2013 to 2018, while fluid milk consumption dropped by 12%. Since cheese and butter require many pounds of milk to produce a single pound of finished product, Americans now consume more milk in the form of cheese and butter than they do as fluid. Cheese consumption alone accounts for more than twice the volume of fluid milk Americans consume (350 lbs. milk equivalent per capita as cheese vs. 146 lbs. fluid milk).

Fluid milk's steady decline belies more nuanced dynamics within the fluid milk market. One of the more notable shifts over the past decade has been the reversal in whole vs. reduced fat and non-fat milk. After reaching a low point in 2013, whole milk sales have been climbing since, growing 15% from 2013 to 2018. Reduced fat milks (1% and 2% milk fat), in contrast, declined by 15% during that time, while non-fat milk sales dropped by 44%. Farmers and processors we spoke with commented on the challenges of adapting to this shift in consumer preferences, as it has led to an oversupply of skim milk, and an undersupply of cream as an ingredient for products like half-and-half.

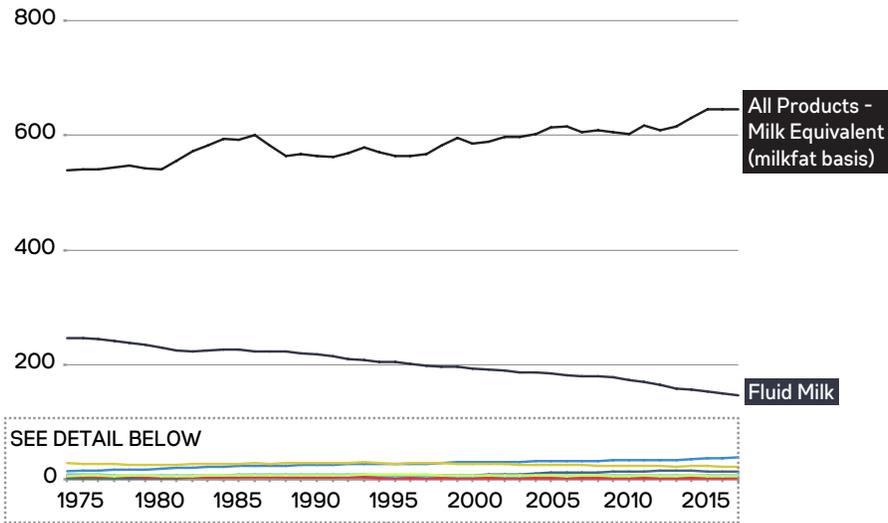
Data provided by New England Dairy reveals additional trends in fluid milk consumption at both the national and New England levels. Organic milk sales, which occupy 13% of the U.S. market and 17% of the New England market by sales value, both dropped from 2017 to 2018, and continued to slip in the first three quarters of 2019. Grass-fed milk, which accounts for 0.4% of the New England market and 0.25% of the U.S. market by sales value, saw tremendous growth from 2015 to 2018; the segment grew by 13% for the U.S. during the first three quarters of 2019 but dropped by 13% for New England. Sales of non-homogenized milk in both markets have slipped after peaking in 2015 and 2016, and still occupy a market share of less than one-tenth of one percent. Lactose free milk, at 11% U.S. and 12% New England market share by sales, is growing in both markets.

After peaking in 2013, per capita yogurt consumption has been on the decline since, dropping by 10% from 2013 to 2018. New England Dairy data also shows that yogurt consumption is dropping in both the U.S. and New England markets. Greek yogurt, which two interviewees acknowledged for giving a big boost to the dairy sector, has been declining since a 2015 peak in both New England and the U.S., though it still occupies substantial market share (48% of all yogurt sales in New England, 43% in the U.S.).

Quantitative data and qualitative input from interviewees both support the notion that cheese is an area of high potential and growth for the dairy sector. As previously mentioned, U.S. per capita cheese consumption grew by 13% from 2013 to 2018, and accounts for more than twice as much milk usage as fluid milk. A 2020 market research report by Sundale Research projects that U.S. cheese consumption will grow by 14% in sales from 2019 to 2024. The report also explicitly calls out specialty and artisan cheeses as top growth segments, noting that specialty cheese sales grew 9.5% in 2018 and 8.7% in 2019, amounting to about \$5 billion in retail sales; it projects specialty cheese growth of 8% per year from 2019 to 2024, significantly outpacing growth in the overall cheese market. According to Sundale's research, specialty cheese accounts for 12% of total U.S. cheese production, at 1.6 billion pounds in 2019. State origin data from New England Dairy shows that Vermont-origin cheese accounts for \$63.4M

Fig. 1. US Per Capita Dairy Consumption, 1975-2018

Annual per capita consumption in lbs.

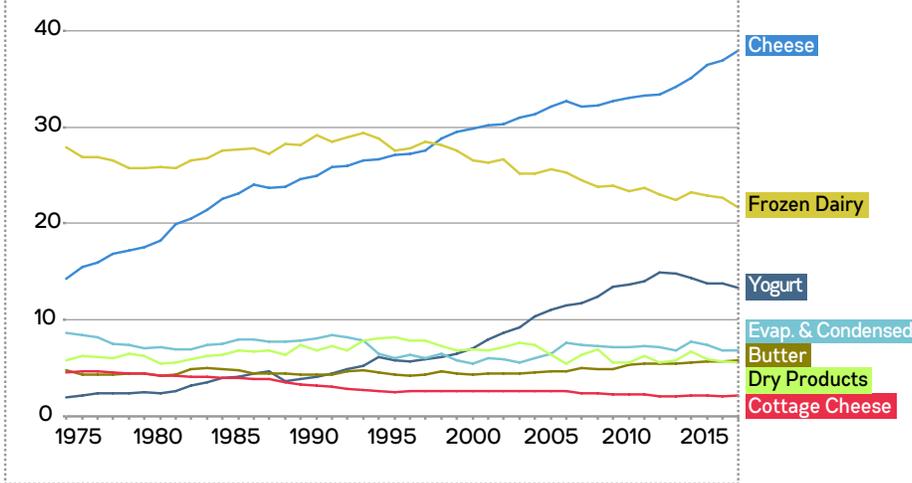


ALL PRODUCTS - MILK EQUIVALENT
2018 per capita consumption: 645.7 lbs
Five-year growth trend, 2013-2018: +6%

FLUID MILK
2018 per capita consumption: 146 lbs
Five-year growth trend, 2013-2018: -12%

SEE DETAIL BELOW

Annual per capita consumption in lbs.



CHEESE (EXCLUDING COTTAGE CHEESE)
2018 per capita consumption: 37.9 lbs
Five-year growth trend, 2013-2018: +13%

FROZEN DAIRY
2018 per capita consumption: 21.7 lbs
Five-year growth trend, 2013-2018: -6%

YOGURT
2018 per capita consumption: 13.4 lbs
Five-year growth trend, 2013-2018: -10%

EVAPORATED & CONDENSED
2018 per capita consumption: 6.8 lbs
Five-year growth trend, 2013-2018: -6%

BUTTER
2018 per capita consumption: 5.8 lbs
Five-year growth trend, 2013-2018: +6%

DRY PRODUCTS
2018 per capita consumption: 5.6 lbs
Five-year growth trend, 2013-2018: 0%

COTTAGE CHEESE
2018 per capita consumption: 2.1 lbs
Five-year growth trend, 2013-2018: +1%

in sales in New England and \$220M in the U.S., representing 8.1% and 1.3% market share respectively. Vermont-produced cheese has been steadily climbing in New England market share over the past five years; in 2018, Vermont cheese surpassed Wisconsin cheese in New England market share for the first time, and increased its lead over Wisconsin in 2019. In U.S. sales, Wisconsin has lost market share for the last four years, whereas Vermont has shown recent gains.

NATIONAL CONSUMER & CULTURAL TRENDS

The most influential consumer generations today—Millennials and Gen Z-ers—are the driving force behind an increasingly complex and innovative food culture in the United States. These generations are increasingly choosing diets and brands that align with their personal values, seeking to know where their food comes from and what’s in it, and are more conscious of the impact their choices make on personal and planetary health. Their definition of health tends to encompass functional, mental, and emotional well-being, rather than being defined simply by food groups, nutritional content, and calorie counts. They put more of the onus on themselves as consumers to make responsible choices but also expect those who produce their food to adhere to more ethical and environmentally sound practices—in either case, “voting with their forks” is the end result. These generations of consumers also came of age in the era when personal computers, smart phones, and social media became culturally commonplace. They believe that what they eat reflects who they are and what they eat often serves openly for personal identity-making (e.g. vegan), group affiliation (e.g. foodies, barbecue fans), and virtue signaling (e.g. “clean eating”) on social media channels.

Numerous studies, reports, articles, and sector experts have identified the broad, generationally-driven consumer trends discussed above. Within those broad trends, we identified nine specific, interconnected trends that are relevant to the Vermont dairy marketing study and to the question of a Vermont “brand” value. Taste, of course, continues to reign as the top driving factor of any food or beverage choice in virtually all consumer surveys, however the following more conceptual and cultural trends also play an increasing role in consumer choice.

1. Transparency: Consumers want and expect more transparency in the brands they choose, favoring those that are transparent about the where, how, and what of any given food or beverage product. This transparency may include the pathway and story of a product across the entire supply chain; a label that delivers specific, understandable, and accessible information; and proof that a brand is acting upon its commitments and principles. According to a report from Label Insight and the Food Marketing Institute (FMI), 75% of shoppers said they would switch to a brand that provides more in-depth product information than what’s required to be provided on the physical label. In another study from Response Media, 70% of respondents said their purchases are always or often influenced by transparent content. More than 90% said they want transparency in ingredients and their sources, as well as in production and manufacturing processes, shipping and handling, and sustainability efforts.

This is something big food companies/industries ‘under fire’ have used to try and revamp their reputation and/or shift consumer perception such as McDonald’s Canada’s “Our food. Your questions.” campaign² that offers customers a chance to publicly ask anything and gives McDonald’s an opportunity to dispel rumors, educate customers and stand behind its products. Panera bread has also used transparency to elevate its position in QSR with the well-received “Food As It Should Be” marketing campaign³ along with a “transparent menu” that lists calories, detailed ingredients and nutritional information for every item, as well as an animal welfare report and positive impact report.⁴

Furthermore, transparency is not new to the dairy industry and, in fact, it has been a focal point for some time; yet it has become increasingly challenging to find the right message with the right audience as the landscape of scrutiny and misinformation escalates.⁵

² <http://yourquestions.mcdonalds.ca/>

³ <http://adage.com/article/cmo-strategy/panera-promotes-transparency-campaign/299051/>

⁴ Additional examples of how brands may improve transparency may be found here:

<https://www.forbes.com/sites/juliabolayanju/2019/04/24/4-practical-steps-to-drive-transparency-in-food-drink/#5dea10c3a7a4>

⁵ <https://www.dairyfoods.com/blogs/14-dairy-foods-blog/post/92676-why-the-trend-toward-transparency-starts-with-todays-dairy-producers>

2. Clean Labels: An increasing number of consumers today are looking for simple product labels and ingredients with integrity (high quality and responsibly sourced). Non-GMO and organic claims are becoming less of a factor in the decision-making process, although products with no artificial ingredients and less sugar continue to be sought after. Euromonitor International estimates that global sales of “clean label” food products will reach \$180 billion by 2020; the trend is expected to continue growing.⁶ Bigger food companies and brands have had to achieve this through reformulation or innovation, and some have done it well, such as Häagen-Dazs, with the introduction of its “Five” proposition (“five simple ingredients”), while start-ups such as Purely Elizabeth and Simple Mills have built it into their DNA.

Notably, while plant-based alternatives to milk and yogurt are on the rise, they are also much more scrutinized for unfamiliar and artificial ingredients.

3. Real Foods: The perimeter of the grocery store continues to be a more desired and frequented destination and hotbed of innovation than the center aisles, with consumers today increasingly seeking fresh and real foods over processed and packaged foods. The center aisles are still a destination for staple items and various forms of convenience, but whether looking at fruit and vegetable snacks, the yogurt case, or functional beverages, the perimeter areas are where innovation is happening today. Foods like butter, whole milk and ice cream (to the point above) are preferable over lower fat or lower calorie options that use synthetic ingredients. To that end, the freezer section has seen a rejuvenation with repositioning of frozen vegetables and fruits and new product categories such as Perfect Bar. We’ve seen commodities like oats reinvent themselves in the dairy aisle with oatmilk, cauliflower innovating from a vegetable to a starch alternative and Chobani expanding into creamers and milks.

4. Social & Environmental Responsibility: Millennials and Gen Z-ers are more vocal and participatory in driving systemic change, including within the food system. There is increased focus on holding companies and industries accountable to higher social, environmental and ethical standards. At the top of the list for consumers are animal welfare, fair labor practices, sustainable packaging, and environmental impact. Locally-grown and farmer-owned are examples of label terms that signify social responsibility, and correlate more strongly in consumer minds with “real” and “clean” foods.

5. Personalization: As consumers learn more about how specific nutrients, ingredients, and diets impact our health—whether the information is evidence-based, a mainstream trend, or something more dubious—they’re seeking foods and beverages that meet personal health needs and preferences. Top health priorities include digestive health, brain and heart health, and increased energy. Specific ingredients consumers are looking for include protein, fiber, and antioxidants. Furthermore, consumers are seeking choices that fit changing home, family, and work dynamics. They want to know a brand understands and can meet their particular needs wherever, whenever, and in whatever format is desired.

This is particularly apparent in the rise of specific diets such as Keto, Paleo, and Low-FODMAP; meal delivery services and kits that allow customers to choose their menus; as well as apps like NOOM that allow people to personalize their approach to wellness and weight loss.

6. Mindfulness: Mindfulness is a newer but significant trend that underscores how consumers are becoming more aware of the intersection of food, personal health, and climate change. This trend is related to the clean-eating and plant-based foods movement, in which consumers seek complementary positive impacts on body and environment by shifting to a diet richer in plant-based foods. Mindfulness is also related to the “food as medicine” trend, as

⁶ <https://www.fooddive.com/news/onward-and-upward-clean-label-trend-shows-no-signs-of-slowness/545738/>

consumers seek out specific foods and beverages in advance of, or in addition to, medications as a way to improve health outcomes, whether that's weight loss, stress reduction, better sleep, or mental health.

Probiotics and digestive health continue to grow in importance with product choices expanding beyond the typical yogurt and kombucha categories into snacks and cereals that allow people to "snackify" digestive health. Despite regulatory issues and lack of Generally Recognized As Safe (GRAS) status, CBD is quickly infusing itself into almost every category, from milk to water to popcorn; as well as beauty products and nutraceuticals.

7. Social Media: Food is one of the most common topics posted to, shared, and talked about in social media channels, in particular on Instagram (an assessment of 5 million posts on Instagram showed that food-related hashtags were the second most common topic area on the platform). This is so prevalent a phenomenon today that restaurants, bars, and hotels are building dishes, drinks, and experiences with social media sharing expressly in mind. Social media users acquire 'badge value' by sharing their finds and experiences through social media, while brands get the unique credibility and exponential network reach that "tastemakers" can confer. Brands that use social media well can build engaged communities of advocates and—if they're lucky and effective—viral moments.

8. Start-Up Culture: With the "good food" movement a couple decades into its life-cycle, more of today's young entrepreneurs are choosing to enter the food and beverage space. These brands are typically more health- and wellness-oriented. Consumers, for their part, are seeking out and energized by small emerging brands that offer new formulations, ingredients, formats, and experiences. This explosion of start-ups across several sectors—from functional beverages to performance snack bars to meal delivery services—has created more choice, more competition, and more focus on innovation from international food and beverage companies.

9. Experiences: It is often said that "food is the new rock," which highlights the degree to which food-related experiences have supplanted buying music recordings and attending concerts as a pursuit and use of discretionary cash among younger generations. The saying also illustrates the way that chefs and food personalities have attained a cultural status previously reserved for rock musicians. Dining out and food tourism provide not just an experience—frequently a social one—but also something that can be documented on social media and shared with others. A study by Harris Group found that 72% of Millennials would rather spend money for experiences over material goods.

The trends described above reveal both a number of potential opportunities for the Vermont dairy sector to tap into, as well as challenges to consider and navigate.

Potential Opportunities

Because consumers innately see dairy foods and beverages as real, and many dairy products have very simple ingredient labels, dairy has an advantage over plant-based alternatives in terms of the Transparency, Clean Labels, and Real Foods trends. This advantage can be leveraged on packages, in advertisements, and through campaigns.

Consumers are shopping and innovation is happening in the 'fresh' aisles—both refrigerated and frozen—so dairy processors have a captive audience if they can develop products that deliver functional benefits, mindful propositions and even indulgent experiences, and be creatively launched to get people's attention and shape new perceptions of dairy.

Vermont dairy already has a credible foundation for transparency that it can build upon by going deeper into the story of its farmers, farms, processes and values. There is such richness in the heritage of the state's dairy sector that bringing that to life through communications on packaging and personal experiences will go a long way in connecting with consumers.

It is evident across these opportunities that language matters, so what is said, how, and where can help to create and own a narrative for Vermont dairy that can work across multiple channels.

Challenges

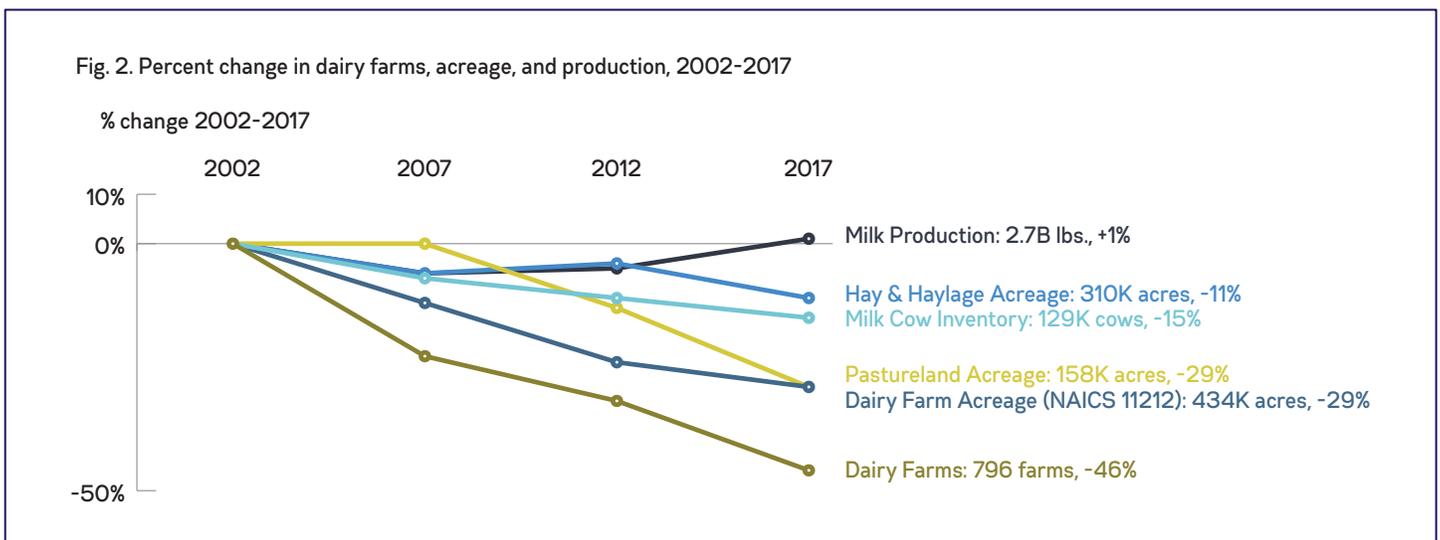
Animal welfare, labor, and environmental impact continue to grow as areas of scrutiny and decision making for consumers. As Vermont dairy considers policy and regulatory issues, it could consider how to make commitments in those areas that are meaningful to consumers.

While plant-based alternatives are on the rise and taking a bite out of the dairy industry, consumers have not chosen one or the other. In fact, many consume both. Rather than directly fighting the perhaps-inevitable rise of plant-based milks, arguing instead that dairy is part of a healthy and balanced diet (even in co-existence with plant-based alternatives) may be a more effective case and point of view.

VERMONT & NEW ENGLAND DAIRY SECTOR CONDITIONS

Farm Loss & Consolidation

Farm consolidation and losses are changing Vermont’s dairy sector. As has been noted and discussed in numerous reports and articles, including the 2020 Vermont Agriculture and Food System Plan, the number of dairy farms in Vermont has dropped dramatically over the past several years—from 1,466 in 2002 to 796 in 2017, a 46% drop in just 15 years⁷. Over the same period, dairy farm acreage and pastureland acreage both dropped by a lesser though still significant amount—29%—while the number of dairy cows in the state dropped by just 15%⁸. Figure 2 illustrates these trends, which suggest that while some loss of individual farms is due to land exiting production, other farm losses are attributable to consolidation. This is affirmed by trends in farm size where, for example, dairy operations with 20-199 head of cattle dropped by two-thirds over the 20-year period from 1997 to 2017, while operations with 500-1,000 head doubled, and operations with over 1,000 head increased by a staggering factor of 10 (from 2 farms in 1997 to 21 farms in 2017)⁹.



⁷ Data provided by VAAFM
⁸ USDA Census of Agriculture
⁹ USDA Census of Agriculture

Even with these substantial decreases in farm numbers, acreage, and dairy cow inventory, Vermont dairy production has remarkably held steady, producing about the same volume of milk in 2017 as in 2002—efficiency due, at least in part, to ever-improving animal genetics.

These trends in farm loss and consolidation intensify the “scale bifurcation” described in the 2020 Vermont Agriculture and Food System Plan: mid-sized farms are increasingly rare, while large farms grow and small farms stay small. In a dominant commodity system which favors economies of scale, small farms are particularly ill-suited to compete with much larger operations. Vermont and New England farms are already at a disadvantage on this playing field nationally, as the region’s topography prevents the proliferation of the very large operations that are feasible in the West and Midwest. Vermont has some dairy operations with independent brands that differentiate from the commodity market – such as Thomas Dairy, which sources from seven farms ranging from 25-80 head, and Monument Farms, with 500 head – but these farms account for a very small portion of the state’s dairy production (Thomas and Monument combined account for less than 1% of the milk produced in the state). The milk produced by most other small farms flows directly into the commodity system, where farms do not capture any value from their small or mid-sized farm identities.

Milk Production & Prices

In 2018, Vermont dairy farms produced 2.68 billion pounds of milk – 64% of all milk produced in New England, worth \$455 million in sales. This production volume represents a 6% increase over 2010, despite the previously described decreases in farms, farm acreage, and milk cow inventory. While Vermont’s dairy production volume held relatively steady between 2010 and 2018, the price that farmers are paid for milk, which is driven by federally defined base prices, has been much more volatile, and particularly challenging for farmers over the past five years: after peaking in 2014, farmers have faced five consecutive years of low prices. Although prices crept back up slightly in 2019, the Northeast Federal Milk Marketing Order (FMMO) Class I milk price is still down 25% from its 2014 peak. According to the 2020 Vermont Agriculture and Food System Plan, milk prices have not been sufficient to cover estimated operating costs since 2014. This gap between milk sale value and production expense is especially wide in smaller farms, according to USDA estimates of production cost by farm size.

Most farmers we interviewed commented on the challenges that this price landscape presents to them, and many suggested that a federally implemented supply management system is likely the only way to break out of the boom-bust milk pricing cycle. As one farmer put it, “When times are good, you want to make all the milk you can. When times are bad, you want to make all the milk you can. It never corrects itself. It’s always encouraging us to make more milk.”

Organic milk has long been seen as a more predictable and profitable alternative to the conventional market, especially for smaller farms. As far back as 1989, when Organic Cow of Vermont was founded (see case study in appendix), Vermont farmers have been drawn to the higher premiums offered by organic milk production, even with the associated higher costs of production. One farmer we spoke with discussed how their switch to organic was a game-changer, allowing them to bring their son in as a partner in the business, and spoke highly of their co-op, Organic Valley, which they described as “the best thing that ever happened to us.” Organic milk production in Vermont grew by 15% in volume from 2011 to 2016, but that growth did not outpace overall growth in milk production in the state, thus holding steady at about 6% of all milk produced. Due to its higher price, however, organic sales accounted for 13% of all milk revenue in 2016.

But even the organic market is not entirely insulated from price volatility due to supply-and-demand dynamics. After several years of steady growth, organic prices dropped in 2017 due to oversupply¹⁰. Organic Valley has implemented supply management strategies to help mitigate these swings in supply and price.

Grass-fed dairy represents another growing value-add opportunity for fluid milk producers. Organic Valley has launched a Grassmilk brand, for which it offers farmers a \$5 premium (per hundredweight) above organic pricing¹¹, amounting to about 13% more than the price paid for organic milk in 2019¹². Several stakeholders we spoke with see significant potential in grass-fed dairy, both in consumer demand and as a strategy for better land stewardship and animal welfare.

Production of cheese-quality milk is another strategy available to farmers wishing to earn value above commodity pricing. Cheese production requires milk with certain qualities – high protein and fat content, no use of fermented feed – and artisan cheese producers like Spring Brook Farm pay milk prices comparable to organic pricing for milk that meets its standards. Cheese maker Jeremy Stephenson of Spring Brook is now exploring the potential for a new production facility (not affiliated with Spring Brook) that would process up to 16 million pounds of milk annually, eight times the milk volume that Spring Brook currently processes. While this would still amount to a tiny share of Vermont’s overall milk production, Stephenson estimates that it could support 15-20 or more small farms, all earning much higher value than is available to them in the commodity system.

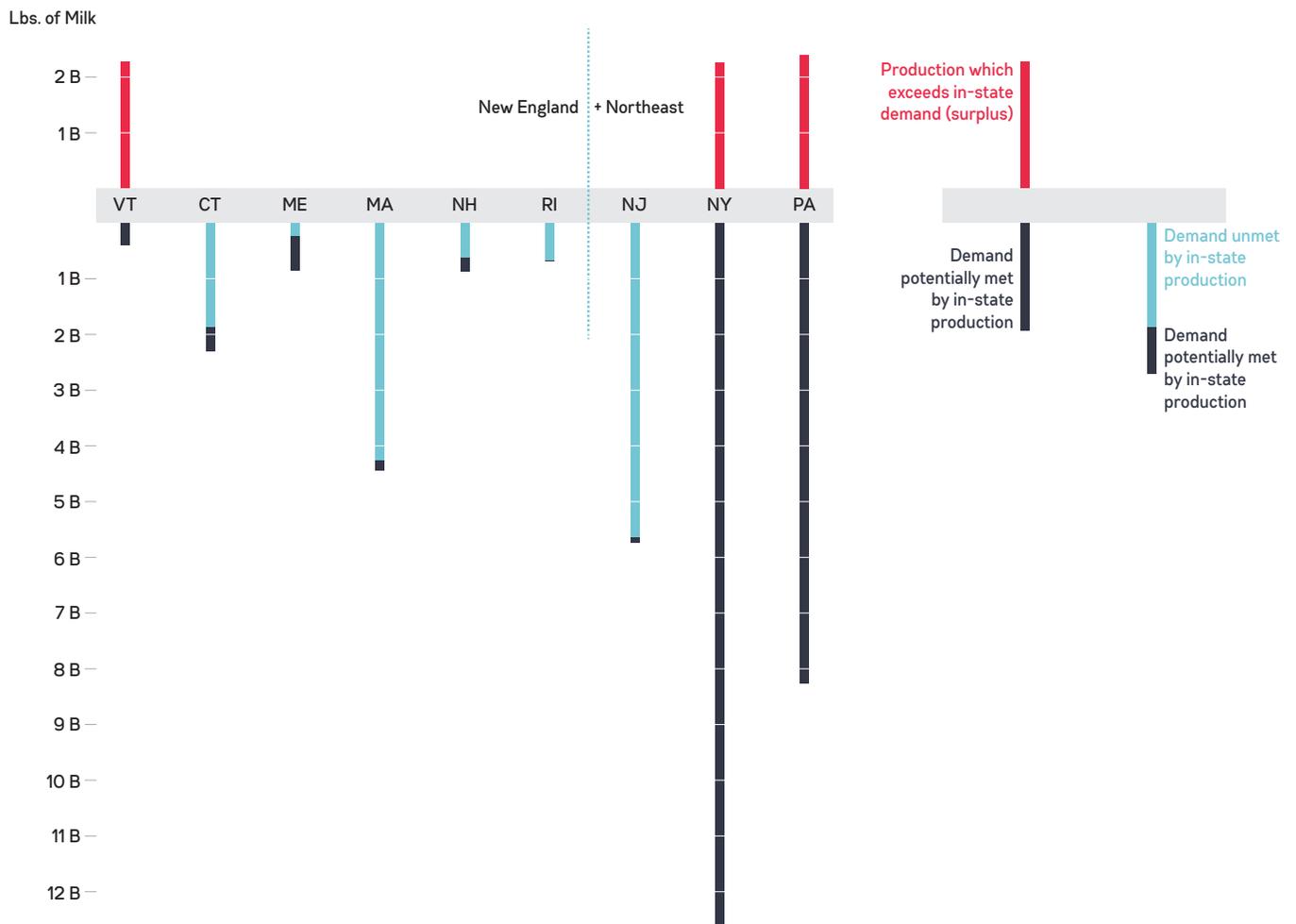
Sheep and goat milk represents another small but growing segment of the state’s dairy sector. The number of milk goats in the state nearly quadrupled from 1997 to 2017, while sales of sheep and goat milk increased by 24% from 2012 to 2017, amounting to \$4.2 million in 2017. While this revenue was equivalent to just 0.8% of the volume of cow dairy sales that year, the goat milk sector in particular has potential to grow. Nationally renowned cheese company Vermont Creamery cannot currently meet its own need for goat milk within the state, and is sourcing from Canada. They have expressed a desire to develop ten new Vermont goat dairies at 400 goats each over the next five years, which would amount to a 50% increase in milk goat inventory in the state over 2017 numbers.

¹⁰ <https://vtdigger.org/2017/08/27/organic-milk-prices-plummet/>

¹¹ Email from John Cleary, Organic Valley, Jan. 31, 2020

¹² <https://nodpa.com/n/847/Organic-Milk-Pay-Retail-And-Feed-Prices-April-2019>

Fig. 3. Dairy supply/demand balance for New England and Northeast states, 2018



Regional Supply & Demand Balance

Vermont produces far more dairy than its residents consume. Even if Vermonters exclusively consumed Vermont-produced milk, that would only account for 15% of the state’s total milk production. Figure 3 visualizes the supply-demand balance for dairy production and consumption in New England and the Northeast. Vermont is the only state in New England that produces a greater quantity of dairy than its residents consume; milk produced by Vermont could meet 28% of the dairy consumption of New Englanders. Even with Vermont’s surplus milk, New England is still a net importer of milk, with the region’s own milk production equivalent to less than half of what it consumes. In the broader region of the Northeast (adding New Jersey, New York, and Pennsylvania), both New York and Pennsylvania, like Vermont, produce more milk than their states’ residents consume. Vermont produces 9% of the milk produced in the Northeast, and could fulfill about 7% of the Northeast’s overall consumption. Like New England, the Northeast is a net importer of milk, though its supply gap, at about 18%, is a smaller share than New England’s. All of this suggests that while in-state marketing to Vermonters has limited potential in absorbing Vermont’s dairy production, the state is well-positioned to market its milk to New England and Northeast states.

STAKEHOLDER PERSPECTIVES

The Vermont Dairy “Brand”

At the forefront of our qualitative research were two intertwined questions: what is the Vermont dairy “brand,” and should the state put its own resources towards some kind of managed definition of that brand? On the former question—essentially, determining whether or not there are ineffable qualities of Vermont dairy products that can be defined separately from any one producer’s, brand’s, or other region’s reputation—it could be said that few of our interview subjects could definitively describe Vermont’s brand with precision and clarity, but all of their responses were generally in agreement with one another in tone. Generally, people responded that Vermont’s “brand” conveys values such as authenticity, cleanliness, purity, ethics, trust, and quality to consumers. Perhaps most importantly, however, it was clear from several stakeholders that simply the name “Vermont” itself—and in some cases, variations like “Vermont Made” and similar formulations—carries a strong resonance among wholesale and retail buyers. It’s notable that dairy producers who have “Vermont” or a close proxy in their name (e.g. Vermont Creamery, Cabot), producers who don’t but are strongly associated with the region (e.g. Ben & Jerry’s, Monument Farms), and processors who are relatively anonymous vis a vis the consumer market (e.g. St. Albans Cooperative Creamery) all noted this phenomenon and described it as valuable to their business.

However, the more complex—and for present purposes, important—question is *who* should define the Vermont “brand,” *how* it might be formally defined, and *what* would be the vector for disseminating it to consumers. We posed this question of all of our interview subjects, with a particular focus on whether or not the state of Vermont should consider committing resources in the near-term to defining and managing a Vermont “brand” for dairy products, and whether or not doing so is likely to have a positive impact on the state’s dairy sector. The overall response from our interview subjects could be characterized as ranging from several definite or emphatic “no’s” to a few more tepid “maybe” or “why not” responses, and a handful of qualified “yes” responses.

Starting with the responses that were in favor of an official Vermont “brand,” we found that our interview subjects who felt this way did so on a qualified basis. Namely, these were dairy producers or value-added processors who have an ideological and material interest in defining Vermont’s milk supply according to high standards of land stewardship and attributes, meaning approaches like regenerative agriculture, 100% grass-fed cows, organic certification or better, soil and water conservation, elevated labor practices, and more. If a Vermont brand could be developed to align with those values, they would support that effort. To these stakeholders, defining a Vermont brand by geography—as the Seal of Quality initially did to an extent—would not be enough of a distinction and would not be worth the effort. They view the future of Vermont’s value proposition to consumers as aligned with their obligation to environmental stewardship as well as more likely to be competitive in the marketplace. Not coincidentally, these stakeholders are usually not sanguine about the future of conventional fluid milk as a competitive industry for Vermont farms. The Vermont brand model that these interview subjects proposed most resembled specialty, high-attribute, place-based milk cooperatives and private brands similar to those we evaluated in our case studies, detailed further below, such as MOO Milk and Ithaca Milk.

At the opposite end of the spectrum—and more common among our interviews—were negative responses to the idea of a state-managed Vermont “brand.” Most of the interview subjects who expressed this point of view were successful and established cheese-makers, value-added processors, and even large scale fluid milk processors. These stakeholders tended to agree that there is an inherent value in the Vermont name in association with their own brands but felt strongly that they and others in the private sector are the best stewards of that value and best understand how to leverage it for the benefit of their products and company. One interviewee described the idea of

a state-associated Vermont brand as “short sighted and chest-thumping” and said that “we need collaborative supply chain support, marketing support, not nebulous plan development—because we all sell as a Vermont branded product.” Another independent dairy farmer who operates outside of the coop system viewed the notion of a Vermont-sponsored brand as direct competition with their brand.

Slightly less intense negative responses in our interviews came mostly from dairy farmers who simply don't find the approach to have any potential or promise of success, in an environment where every state in New England is engaging in a dairy promotion campaign of its own, where Vermont producers are utterly reliant on the goodwill of consumers in other states to consume the 85% of milk that is in excess of what Vermonters could possibly consume themselves, and when they are so beholden to national and international dairy market dynamics. In short, there seems to be little faith among these dairy farmers that there could be a Vermont brand that is both effective and broad enough to make space for large, conventional dairy producers as well as small-scale, specialty dairies and cheese-makers.

In addition, some of these same interview subjects—dairy farmers and processors alike—expressed skepticism about the reach of the Vermont brand value in the abstract. They pointed out that while the Vermont brand carries weight in special-occasion items—e.g. artisan cheeses, premium ice creams, and maple butter—it has limited value for everyday items and commodities, as the consumer in that case has less price tolerance for a “Vermont premium.” Therefore, any state-managed brand effort may have limited impact in the sectors that actually need the impact and duplicative impact in sectors that have already leveraged the Vermont cachet. In all cases, these stakeholders felt strongly that the state's inevitably limited financial resources would be better spent on other strategies to ameliorate conditions in the dairy sector. Several of these strategies are detailed further in the sections below.

Challenges for Farmers

Dairy farmers interviewed for this assessment commented on a number of other challenges beyond the economic struggles brought by low milk prices. Some feel that the state's agriculture sector is perpetually on the defensive against attacks on its environmental impact and animal welfare practices, and that many in the state do not understand or value farmers' contributions to land stewardship and the economy. “We need to be better about telling our story,” one farmer said, wishing that marketing and promotion dollars could go toward more proactive and positive storytelling rather than reacting against negative press.

Many farmers also criticized Vermont's burdensome regulatory environment, commenting that some of the state's policies are far more restrictive and costly than those in neighboring states; recent changes to manure management requirements came up in several interviews. Complying with these regulations “requires investment with no increased production,” noted one farmer, thus negatively impacting farmers' ability to invest in innovation and scaling up. “In general, farmers want to see our farms be successful,” another added, “[It's about] letting us have the flexibility to be those good stewards of the land.” One interview subject noted that other New England states are more supportive of their dairy sectors, pointing to Massachusetts' Dairy Farmer Tax Credit, Connecticut's Dairy Sustainability Grant, and Maine's Dairy Relief Program. Farmers also commented on the state's apparent lack of coordination among agencies, with confusing or inconsistent messaging and lack of clarity over who manages a particular issue.

Lack of Cheese Expertise Pipeline

Our interviews with stakeholders in Vermont's artisanal cheese sector elicited a significant critique of the state's lack of investment over the past two decades in maintaining and developing Vermont's dairy “brain trust.” As a

consequence of this lack of investment, some highly experienced people in the value-added field feel that the state suffers from a dearth of cheese-making expertise, from a proficiency gap, and from a quality gap.

Although Vermont is a national leader by most measures in artisanal and farmstead cheeses, these products compete at the retail level with cheeses from Canada and Europe that are produced at a high level of consistency, quality, and scale. In an environment where production already costs twice as much per given weight of finished cheese relative to European producers due to systemic factors outside of their control (labor costs, health-care costs, lack of subsidies, etc.), Vermont's cheese-makers are therefore at a competitive disadvantage if they can't compete aggressively on quality above all.

In these stakeholders' opinion, it is quality that's the most important value that Vermont brands should be focusing on—achieved with high-attribute milks, thoughtful expression of place, serious cheese-making skills, strict food safety protocols, business risk assessments, and other tactics. As one cheese-maker put it, "the market for artisan cheese no longer includes space for amateur operators and production. If you think you're going to be able to start a farmstead cheese business and sell to an intermediary, that's an unrealistic scenario."

Achieving high quality and consistency requires extensive investments across the sector in education, business supports, and technical assistance, investments that Vermont has insufficiently prioritized in the twenty years since artisanal cheeses experienced their first boom. Interview subjects pointed to the demise of the Vermont Institute for Artisan Cheese, the approaching retirement of the two remaining high-level dairy science academics at UVM, and the seeming absence of a strategy to sustain Vermont's cheese expertise. In short, these stakeholders feel that Vermont's "brain trust" in the value-added domain is far weaker than it should be, after twenty years at the forefront of the artisan cheese movement.

Lack of Sector Investment

Related to this critique is the perceived lack of investment by the state in related brick-and-mortar resources such as Quebec's Cheese Expertise Center¹³, and in processing infrastructure. One of our interview subjects highlighted the Cheese Expertise Center as exactly the type of physical resource that would bring together investment in the state's dairy "brain trust," a site for high-level food safety and production education, and a crucial separate facility for research and development efforts and product innovation. These stakeholders did acknowledge that the recent award of funds for a Dairy Business Innovation Center might yield this kind of resource for the state, one that would create "a real positive feedback loop between industry, academic institutions, and federal and state dairy market dollars, all working in a coherent fashion to support the dairy industry."

Other interview subjects highlighted the ongoing lack of large dairy processing facilities in Vermont, despite the 130% increase in processing facilities overall in the past decade (which seems to have occurred mostly around small-scale, cheese-making, and on-farm processing facilities). In the current environment of oversupply, this gap puts pressure on the sector as a whole by pushing more milk to lower-value product outputs. At the same time, however, these same stakeholders implied that the state should not necessarily be in the business of infrastructure development itself, due to its inherent inefficiency relative to the private sector. However, they were in favor of the state looking at processing infrastructure as an economic development issue in which they could better support existing processors and create a business environment that would incentivize new investment in facilities from the private sector.

¹³ www.cheeseexpertisecenter.com

A related issue that was brought up several times by different subjects were the significant challenges in the distribution arena due to the lack of licensed CDL drivers in the region. Outside of milk pricing, some described it as one of the largest problems facing the dairy sector. This dynamic has been noted across the country, with an estimated shortfall of around 60,000 drivers nationally. A 2018 report by the Vermont Department of Labor⁷ shows “Heavy and Tractor-Trailer Truck Drivers” as the profession with the third most current openings in the state, among the category of professions requiring some college experience, associate’s degree, or other non-degree award. In Vermont, which has complex roads and distribution routes, and a preponderance of small dairies, this shortage may be felt especially acutely. This kind of workforce development is the kind of supply chain investment that most stakeholders would feel is entirely appropriate for the state to take a direct role in to remedy, as opposed to physical processing infrastructure, for which indirect supports and policies may be more appropriate.

BRAND ANALYSIS & CASE STUDIES

Vermont Brand Positioning Analysis

To better understand how Vermont-based food brands are leveraging their place of origin, we looked at themes across brands that are representative of the state’s food and agriculture industries, with a focus on dairy and breweries.

In summary, when brands leverage their Vermont identities in positioning and marketing, it is primarily through storytelling, visual imagery, and evocative language about the specific aspects of the state that reflect the brand’s values. Vermont contains multitudes, and as such, it offers resident food brands a range of opportunities to enhance their brand positioning by tapping Vermont as supporting evidence of their values – Vermont becomes shorthand for a wide range of characteristics. When used in promotional materials and labeling, Vermont is not so much a ‘brand’ but rather a ‘claim’—one attribute among many others to convey things like quality, integrity, place, and realness.

According to the state’s Think Vermont! Web site:

“Made in Vermont” is synonymous with high-quality, authentic, artisanal products in the minds of consumers, who are willing to pay a premium for a taste of the Green Mountains.

Vermont is quickly becoming the East Coast epicenter of food and farm entrepreneurship. The state ranks first in the nation for craft breweries per capita and is regularly recognized for its award-winning cheeses from companies like The Cellars at Jasper Hill, Spring Brook Farm, Vermont Creamery, and Cabot Creamery Cooperative. The Alchemist Brewery’s Heady Topper is a widely-sought-after favorite and Hill Farmstead has been named the best brewery in Vermont, the United States, and the world, by RateBeer.

Vermont food products are in high demand nationally; the state produces 47 percent of the nation’s maple crop – making it the national leader – and 67 percent of all milk in New England.”

In our analysis of Vermont brands, we identified the following eight values and characteristics as frequently associated with Vermont-origin branding. In some cases, Vermont is explicitly invoked (e.g. Vermont Creamery); in others it is merely implicit or subtextual, yet the brand’s values nevertheless align with a certain ineffable “Vermont-ness”.

⁷ www.vtلمي.info/projlt.pdf

- **Quality.** Many brands emphasize quality and flavor in their brand positioning. Examples include Vermont Creamery (“Taste above all”), Monument Farms (“Fresh taste”), Spring Brook Farm (“Award winning cheese”), and Hill Farmstead Brewery (“Elegant beers of distinction”).
- **Small-batch, handcrafted, artisanal, authentic.** Closely related to quality is an authentic, small-batch, “real food” ethos, which is expressed, either through language or brand aesthetic, by several companies, including Hill Farmstead Brewery, Jasper Hill, Grafton Village, Crowley Cheese, and Green Mountain Creamery.
- **Heritage.** Companies with decades-long histories in Vermont often call out their heritage, with “Since...” language being central in their branding or logo: Cabot Creamery (“From our cooperative of farm families since 1919”), Thomas Dairy (“Fresh from our fields since 1921”), Crowley Cheese (“A Vermont Original since 1824”), and Grafton Village (“A Vermont tradition since 1892”).
- **Family farms.** Often hand-in-hand with “heritage” positioning, emphasis on family farms is a natural fit for dairy companies: Cabot Creamery and Thomas Dairy (“a family-owned dairy”) are two examples.
- **Care for the land, respect for nature.** Environmental sustainability, land stewardship, and respect for nature are brand values expressed by Monument Farms and Long Trail Brewing.
- **Animal welfare.** Vermont dairy brands sometimes explicitly emphasize their animal welfare practices; Monument Farms (“happy cows”) and Butterworks Farm (“where a cow can be a cow”) are two examples.
- **Social mission.** Many Vermont dairy brands emphasize a social or values-driven mission, whether it’s in environmental sustainability or positive community impacts. Vermont Creamery, Cabot Creamery, and Ben & Jerry’s are all certified B Corporations, while smaller companies like Butterworks Farm and Spring Brook Farm (which itself is actually owned by a mission-driven non-profit) emphasize their positive social impacts in their branding language.
- **Creative, quirky, neo-hippie.** A quirky or whimsical brand identity may be a more obvious fit for beer companies - Alchemist Beer and Lawson’s Finest Liquids are two examples - but Ben & Jerry’s has famously owned this brand styling with unexpected flavors (and flavor names) and colorful packaging.

These qualities are not at all mutually exclusive, and in many cases are combined in complementary ways to express a distinct brand identity.

Analysis of Past Vermont Dairy Branding Efforts and Place-Based Efforts in Other States

KK&P also conducted more detailed case studies of relevant current and past branding efforts in Vermont and in other states, with an eye toward what has worked – and not worked – for place-based brand efforts. KK&P cast a wide net in its selection of brands, including those both successful and unsuccessful; emphasizing state/place-based identity to varying degrees; initiated by both public and private sector entities; and with efforts focused either exclusively on dairy products or more broadly on food and agricultural products. Complete case studies may be found in the Appendices to this report.

Profiled Vermont brands include:

- Cabot
- Jasper Hill
- Monument Farms
- Organic Cow of Vermont

- Vermont Creamery
- Vermont Milk Company
- Vermont Seal of Quality

Profiled brands from other states include:

- Ithaca Milk (New York)
- Kentucky Proud
- Maine's Own Organic (MOO) Milk
- New Hampshire Dairy Premium Fund
- Proudly Wisconsin
- Taste the Local Difference (Michigan)

Although each brand offers its own lessons, a few top-line themes and considerations emerge across the cohort of summarized brands:

- **Third party place-based brand identities must decide whether "geography is enough."** These add-on brands or labels that exist to enhance other private companies' own marketing, e.g. Vermont Seal of Quality, Kentucky Proud, Proudly Wisconsin, and Taste the Local Difference – fall on a continuum between a "geography alone" broad inclusivity and a "geography-plus" strategy that links the brand to additional characteristics, and expects participating companies to meet those characteristics or standards. The "geography alone" approach is cheaper to run because audits and compliance monitoring are not required, but the brand value and meaning can get diluted. "Geography-plus" can maintain greater value in the marketplace, but requires costly monitoring to maintain the brand's integrity. Interestingly, the Vermont Seal of Quality program moved along this continuum during its lifespan, ultimately being wound down because the brand's integrity became diluted and the state lacked funding to reinstate more forceful auditing. Most brands in this category are public or industry group initiatives; Taste the Local Difference, in Michigan, is an interesting exception, founded by a non-profit and since spun off as a for-profit marketing agency.
- **The fate of many place-based private sector start-up brands has turned on their access to capital (or lack thereof) at critical stages in their growth,** or when faced by unforeseen circumstances. Organic Cow of Vermont was able to scale significantly only after selling a majority stake in the company to H.P. Hood in 1997; similarly, Vermont Creamery's 2017 purchase by Land O' Lakes has enabled significant expansion in the company's processing capacity. In contrast, Vermont Milk Company (VMC) was forced to close its doors and auction its remaining assets to pay back creditors in 2010, after just four years in business, when it lacked the capital to weather the one-two punch of spiking milk prices and fuel prices. Maine's Own Organic (MOO) Milk suffered a similar fate, shutting down in 2014 after its out-of-date processing equipment created an untenable supply chain challenge for which there was no workable solution; the company's circumstances were largely the result of being undercapitalized from its launch. Monument Farms in Vermont and Ithaca Milk in New York seem to have scaled gradually and not significantly thus far; their vertical integration may afford them some flexibility or resilience, but without knowing their long-range plans or desires for expansion, it seems clear that they would probably require significant additional capital were they to pursue aggressive scaling.

- **Value-added products may offer more potential for place-based premium branding.** Fluid milk seems to have greater price sensitivity among consumers, and as such may be harder to build a place-based brand premium around (as illustrated by skepticism regarding New Hampshire’s Dairy Premium Fund, and its slow start), although there are nevertheless successful examples of premium branded fluid milk (Monument Farms; Ithaca Milk), just as there are examples of failed place-based value-added dairy brands (Vermont Milk Company). That being noted, value-added products may present more scalability (they travel better and further, so it’s easier to expand territory) and less price sensitivity (customers are already buying something ‘special,’ so why not spend a little more for a place-based premium) than fluid milk. Vermont Creamery and Jasper Hill are strong examples of value-added dairy companies successfully and meaningfully leveraging the Vermont brand as they grow and scale. Cabot Creamery, for its part, is less explicit about place-based branding now than it used to be, instead emphasizing associated qualities – heritage (“since 1919”) and family farms.

PAST RECOMMENDATIONS & CONCURRENT EFFORTS

As discussed above, all aspects of the dairy sector have been extensively analyzed for at least the past decade. It is quite possibly the most studied major food sector in our nation, not least for the massive economic importance the dairy sector has in communities across the country, but also because it brings together a number of complex variables—dietary trends, environmental anxieties, commodity markets, international trade, product innovation, and many more—that are challenging to understand and ever shifting.

For our research, we reviewed six reports on the dairy sector, five of which focus on Vermont and one which focuses on Pennsylvania, in order to better understand the broader context of efforts to improve the dairy sector outlook and reverse unfavorable trends. These reports were:

2010 Vermont Seal of Quality Market Research Study, Rosalie J. Wilson Business Development Services and Louise Calderwood, January 2011

Appendix B: Revitalizing Vermont’s Dairy Industry, from the Farm to Plate Strategic Plan, Scott Sawyer et al., May 2013

Report and Recommendations of the Vermont Milk Commission, Vermont Agency of Agriculture, Food and Markets, January 2019

A Study of Pennsylvania’s Dairy Industry, Legislative Budget and Finance Committee of the PA General Assembly, September 2019

Vermont and New England Dairy Business Innovation Initiative, Vermont Agency of Agriculture, Food and Markets, 2019

Vermont Agriculture and Food System Plan: 2020, Vermont Agency of Agriculture, Food and Markets, December 2019

Throughout these reports, we found a range of recommendations and active efforts that can be organized into one of seven broad categories:

- product specialization
- expense management
- revenue diversification

- professional supports
- structural investments
- market development
- policy approaches

Of these, certain specific recommendations and efforts are of particular relevance to our findings in the Dairy Market Assessment.

The oldest of the reviewed reports—“2010 Vermont Seal of Quality Market Research Study” and “Appendix B: Revitalizing Vermont’s Dairy Industry”—contain two recommendations that address the strong perceived need for market development and professional supports (e.g. formalized mentorship and technical assistance).

The idea of a Vermont **Brand Ambassador Program** is proposed in lieu of supporting a new Vermont dairy brand, such as the former Seal of Quality, in “2010 Vermont Seal of Quality Market Research Study.” This study finds limited support for a renewed Vermont dairy brand and many inherent flaws and complexities in the approach. Instead, the authors propose the Brand Ambassador program and position, jointly managed by VAAF and VACCD, which would have both market development and professional support functions, and would “have an immediate and measurable impact on the sale of Vermont products by cultivating mindshare for Vermont products with retail buyers.” By developing relationships with buyers, assisting with merchandising, and coordinating Vermont visibility at trade shows, this position would both be more immediately effective than a label-based quality or origin brand, and more responsive and subtle in developing the state’s product image. Our research was unable to confirm whether this position was ever created by the state; a somewhat similar position was created in 2014, focusing on domestic export and trade shows, but it is not clear whether this position was linked to the Brand Ambassador recommendation.

In “Appendix B: Revitalizing Vermont’s Dairy Industry,” the authors make an extensive case for the expansion of the **Dairy Management Teams** concept, which is focused on professional supports, and, as appropriate, expense management and revenue diversification. These teams are comprised of 5-8 advisors for the participating farm, covering the range of needs a dairy farm is likely to encounter—feed rations, nutrition, milking, veterinary care, and so forth. The team’s interactions with the farm are facilitated, while implemented strategies are tracked and evaluated for impact. This approach essentially creates a formal methodology around a tactic process of inquiry and exchange of information that occurs continually in agricultural communities, in an effort to be more data-driven and impactful. Our research was inconclusive as to whether or not this 2013 recommendation was acted on or not, and the extent to which Dairy Management Teams are broadly used. The *Dairy Brief* section of the report, “Vermont Agriculture and Food System Plan: 2020,” however, revives the call for cohort learning groups and formal mentorship programs as effective means of delivering professional education, technical assistance, and new farmer entry and training supports in the dairy industry.

The urgent need for dairy sector strategies that include market development, product specialization, revenue diversification, professional support, and structural investment approaches (e.g. technical assistance, product R&D, and production education) is evident in Vermont’s recent award of USDA funds for a **Dairy Business Innovation Initiative** (DBII). VAAF’s 2019 proposal for this funding defines the five objectives that the DBII would focus on: market research for goat, sheep, and high-attribute milk products; better understanding consumers and training producers in branding and marketing; production education for cheesemakers; technical assistance and other supports for producer transition to grazing practices; and innovation in distribution and the supply chain. In the context of our project and research findings, it is significant that all of these objectives are really targeted to

informing producers, developing better and more adaptive producers, and strengthening the input streams (milk types) and output pathways (distribution) that producers rely on to be successful. In other words, the framing of the DBII is very multi-faceted and active, rather than one-dimensional and passive, as a Vermont label brand might be.

The strategies discussed above—both past and current—are highly centered on activities that would be implemented in Vermont. Our qualitative research, however, also found a surprising amount of interest in **supply management strategies** that would be implemented on a national and federal level but would theoretically have significant positive impacts in the state. These anecdotal findings are supported by the recommendations made by the report, “Report and Recommendations of the Vermont Milk Commission” by VAAF. In brief, Vermont’s Milk Commission endorsed the management parameters proposed by the Supply Management Working Group, an endorsement shared with the state’s Federal Congressional Delegation. It seems clear from this report and from our interviews that supply management may be viewed as the only truly controllable and broadly effective tool available to the dairy sector for stemming the nation-wide oversupply of fluid milk and reversing the trend of depressed milk prices and dairy farm closures to which Vermont has been subjected. Marketing, professional education, and infrastructure investments are, of course, valuable and effective in other ways. However, they clearly cannot on their own change the underlying dynamics of the dairy sector, in which rampant oversupply is devaluing the fundamental product and its producers.

Beyond the recommendations found in these reports, there are other concurrent policy-based efforts to improve conditions in Vermont’s dairy sector. Among these is the new legislation (Act 83), which establishes an **Ecosystem Services Working Group** meant to develop soil conservation practices and payment systems for the agricultural sector. In theory, farmers would receive financial incentives for following higher standards of soil and water conservation, which provides a net benefit for the state’s citizens through the preservation of public resources, and a diversified revenue stream for farmers that is independent of their principal crops and products. Since the majority of Vermont’s agricultural sector is involved in dairy farming, the main beneficiaries of this bill stand to be dairy farmers. Notably, this new policy corresponds to a subset of the strategies discussed in the reports that we reviewed. These include calls for investment in on-farm energy efficiency and renewable energy production in order to deliver both cost savings (for instance, in water heating, barn heating, and bedding expenses) and additional revenue streams (through manure digestion and associated byproducts, as well as the sale of energy credits delivered to the grid) for farmers. Overall, these strategies associated with financial benefits for ecosystem-related practices represented a minority of the recommendations we found in our literature review.

CONCLUSIONS

In light of the research findings detailed above, we reach the following conclusions, which form the basis for the recommendations outlined in the following section.

- **The creation of a Vermont dairy brand would not be the highest-return strategy for supporting the state’s dairy sector.** Due to Vermont being a significant exporter of milk (net exporting 85% of the milk it produces), any such branding effort would necessarily target consumers outside of Vermont, yet stakeholders were largely skeptical that consumers outside Vermont would pay a premium for Vermont fluid milk. Cheese retailers, on the other hand, while expressing great admiration for Vermont cheesemakers, emphasized that it’s each cheese brand’s individual story, quality, and innovation that appeals to consumers, much more than its Vermont origin.

- **Nevertheless, there are a number of areas of alignment between ascendant consumer preferences, growing market segments, and Vermont dairy's strengths:** and there are opportunities for the state to help the dairy sector "lean into" these areas. Market trends for which Vermont's dairy sector is particularly well positioned include:
 - Premium, specialty, and artisan cheeses and other value-added dairy.
 - High-quality, small batch, artisan products which offer distinct experiences and place-based or human-centered 'stories' behind the brands.
 - Values-driven purchasing, especially that which pursues environmental sustainability, land stewardship, regenerative agriculture, equitable workforce, and animal welfare.
- **Value-added product supply chains may represent the best opportunities for Vermont's small farms.** While the state's large farms are optimized for the commodity milk market, small farms struggle to cover the cost of production with commodity milk prices. Supporting the growth of the post-farmgate pipeline for high-value, high-attribute milk, especially for value-added products, would open up more rewarding market opportunities for the state's small farms. Strategies that build dairy expertise in both breadth (e.g. developing a higher number of top cheesemakers) and depth (e.g. strengthening the knowledge base of every single cheesemaker) would be most responsive to the needs and opportunities identified by the state's dairy stakeholders. The state stands to benefit the most from cultivating the next generation of nationally-recognized value added brands that can leverage high-attribute milk and Vermont's reputation for excellence.
- **The State of Vermont could best support the viability of its small dairy farms by pursuing a suite of strategies which support farms' adaptation to new business models that double down on what small farms already do well (make good milk and care for the land), while more strategically targeting sectors of the dairy market that are both high value and high growth.** Investments and grants, support services, better coordination among state agencies, and a regulatory environment more conducive to business growth and innovation would all help the state's dairy sector creatively and opportunistically respond to the changing dairy market.

RECOMMENDATIONS

Based on the themes and conclusions from our research, we outline the following recommendations and strategies that the State of Vermont and its stakeholders can pursue to support the viability of the state's dairy sector. The four topline recommendations below are largely interdependent: the success and impact of each rely on the success and impact of all. Successful dairy differentiation strategies, for example, will rely on strong and growing expertise in the state's dairy sector. We encourage the State of Vermont to consider ways to pursue the following recommendations in concert, seeking complementarity and intersection whenever possible.

BUILD VERMONT'S DAIRY EXPERTISE

Vermont's current dairy sector leadership and reputation is largely predicated on a small, core group of private sector stakeholders. There is valid concern about the lack of public sector expertise, the dearth of advanced production and processing skills, and the uncertain path to development of the next generation of dairy producers and processors. Vermont needs to vigorously **invest in innovation, professional development, and expertise-building throughout the dairy industry and especially in the value-added sector.** We recommend that the state of Vermont make a significant commitment of financial and other resources to building the state's dairy "bench" in the private sector (e.g. more award-winning cheesemakers), academia (e.g. leading dairy professors and researchers), the public sector (e.g. innovative state-managed dairy sector supports). The goal of this recommendation is to support more of the existing dairy and value-added brands in achieving national-level recognition and to nurture and accelerate the next generation of dairy and value-added brands that are now emerging or yet to be formed. Strategies may include:

- The state's Dairy Business Innovation Initiative (DBII) has received a grant from the USDA to move forward and its scope of services has already been explored deeply. Our recommendation is that the DBII emphasize comprehensive technical assistance, research and development supports, professional education, advanced food safety training, and other skills related to high-level value-added sector performance.
- Re-invest in Vermont's dairy "brain trust" at the academic and institutional level, with a particular focus on attracting expertise in value-added sectors, in high-attribute milks, and in forward-looking dairy opportunities, to make the state a national leader in dairy research.
- Develop a cross-agency, dairy business support services position in the state's government that can bridge the policies and priorities of different agencies in the interest of helping and advocating for Vermont's dairy sector. This position might be similar to New York City's Small Business Support Center¹⁴.
- Reinvigorate efforts such as the Dairy Management Teams, cohort learning groups, and formal mentorship programs called for in prior dairy sector reports.
- Organize cheesemaker round-tables in a pre-competitive collaboration framework to discuss opportunities for shared marketing services, reduction of production costs, and new distribution strategies towards a common goal of making Vermont cheeses more competitive and prominent in the national marketplace.

¹⁴ <https://www1.nyc.gov/nycbusiness/article/nyc-sbssc>

ENCOURAGE DAIRY DIFFERENTIATION

Many sources suggest that Vermont will have an increasing challenge competing in the conventional fluid dairy market, due to the production economies captured by farms with over 1,000 milking cows. The small percentage of Vermont's large dairy farms (>700 cows) are best equipped to succeed in these conditions. For much of the state's dairy sector, however, investing in **milk production that supports differentiated dairy products** may better leverage Vermont's geological realities, reputational assets, and business ecosystem. We recommend that the state of Vermont support and act on strategies identified in *Vermont Agriculture and Food System Plan: 2020* and other prior reports by **supporting farms and processors in transitioning to high-attribute milks and non-bovine milks**. The goal of this recommendation is to put more of Vermont's dairy farmers into a niche where there is a more favorable balance of supply and demand, and where they derive a better net return on their production investments. Strategies may include:

- Support dairy farm transitions to milk production that is 100% grass-fed, certified organic, or meets quality benchmarks for artisanal cheese production
- Support dairy farm transitions to cow herds that produce higher-value milks (e.g. Jerseys)
- Support alignment between value-added processors that are anticipating growing demand for goat's milk (e.g. Jasper Hill, VT Creamery) and dairies transitioning to goat herds
- Provide technical assistance for dairy farms implementing zero fermented feed practices and other specialized feeding protocols
- In collaboration with sector experts and the DBII, identify market opportunities in the value-added sector (cheeses in particular) and support the infrastructure and expertise investments necessary to capture these opportunities.

COMMUNICATE VERMONT'S DAIRY IDENTITIES

There is not a significant level of support in the dairy sector for a state-managed Vermont brand. Companies in the private sector would by and large prefer to be the vector and mouthpiece for their own version of the Vermont brand. Nonetheless, there are numerous ways in which the state can **provide valuable support in amplifying each producer and processor's brand, in connecting them to markets, and in giving new entrants into the sector the tools to be as impactful as possible** from early business stages in leveraging Vermont's different brand qualities however best matches their business plan. The strategies may include:

- Develop a sophisticated cataloging of the distinct ways that consumers "receive" the Vermont brand from different dairy producers and in different dairy categories, from conventional fluid milk to farmstead cheese.
- Develop case studies of Vermont success stories describing how individual producers have leveraged the Vermont brand *in concert* with specific business models, business decisions, and business skill.
- Using the above two elements, develop a marketing toolkit and set of best practice recommendations for start-up brands in Vermont, to be provided alongside the services encompassed by the DBII.
- Support the Vermont Brand Ambassador function described in the *2010 Vermont Seal of Quality Market Research Study* (with adjustments to account for conditions a decade later). This position (or positions carrying out this function) would help Vermont's producers and processors reach more deeply into the national market through trade shows and conferences, and would cultivate relationships with product buyers through actively promoted in-state visits to farms and producers. This strategy is aligned with

recommendations made in the *Vermont Agriculture and Food System Plan: 2020*, including the “content creation” position and the marketing broker positions.

- Provide the tools for additional collaborative marketing efforts that leverage the strength and market access of Vermont’s existing successful brands to provide a springboard for emerging producers and brands.

INVEST IN INFRASTRUCTURE & WORKFORCE

Vermont has seen a significant increase in processing facilities over the past decade, and yet still faces systemic hurdles that hamper scale, distribution efficiencies, and growth. We recommend that the state address these hurdles by committing resources and funding towards **increasing large-scale milk processing capacity, investing in relevant workforce development, and providing a brick-and-mortar facility for professional development**. Some of these strategies may be immediately actionable and others may require further study and planning. The goal of this recommendation is to lay the groundwork for disparate, targeted investments that will pay dividends over a longer term by correcting localized weak points in Vermont’s dairy sector. Strategies may include:

- Commission a study to precisely determine the need for and ideal location of a large fluid milk processing facility (such as St. Albans Cooperative Creamery).
- Commission a study of Vermont’s distribution network capacity and geography to determine if there are current opportunities for delivering products to more markets and better markets, and to do so with greater efficiency and speed.
- Task the Vermont Department of Labor with investment in the training of CDL drivers (Class A especially) through private sector training contractors, with targets for growth of that workforce over the next five years.
- Commission a study to determine the feasibility and cost of establishing the DBII as a stand-alone brick-and-mortar facility that serves as a flagship for Vermont’s dairy sector and provides a venue for dairy workforce development and high-level professional education.

APPENDICES

POLICY & FUNDING SUPPLEMENT

INTERVIEWEE LIST

BRAND CASE STUDIES

BIBLIOGRAPHY & DATA SOURCES

POLICY & FUNDING SUPPLEMENT

The policy proposals outlined on the following pages are potential approaches for pursuing the Dairy Marketing Assessment’s recommendations.

Recommendation Category 1: Build Vermont’s Dairy Expertise	
Recommended Actions	Related Policy Proposals
The Dairy Business Innovation Initiative should emphasize comprehensive technical assistance, research and development supports, professional education, advanced food safety training, and other skills related to high-level value-added sector performance.	1A: Support policy proposal 4D below (feasibility study for brick-and-mortar facility). If study supports investment, provide state-level capital funding for development of a brick-and-mortar facility to house the DBII, provide laboratory/workshop space for R&D and training, and classrooms for education.
Re-invest in Vermont’s dairy “brain trust” at the academic and institutional level with a particular focus on attracting expertise in value-added sectors, in high-attribute milks, and in forward-looking dairy opportunities, to make the state a national leader in dairy research.	1B: Provide long-term funding supports for two new academic positions in UVM’s College of Agriculture and Life Sciences, Dairy Center for Excellence, with a specific focus on high-attribute milks and value-added products.
Develop a cross-agency, dairy business support services position in the state’s government that can bridge the policies and priorities of different agencies in the interest of helping and advocating for Vermont’s dairy sector.	1C: Fund a special state-government position for one person to act as a liaison between dairy businesses and multiple agencies (VAAF, ACCD, DOE, DOL, etc.), with the specific mandate of facilitating business sector investments and growth while acting as a single-point resource for guidance and compliance. This may be modeled on NYC’s Small Business Support Center ¹⁵ .
Reinvigorate efforts such as the Dairy Management Teams, cohort learning groups, and formal mentorship programs called for in prior dairy sector reports.	1D: These recommendations are tied to the success of the DBII and should be supported by multi-stakeholder contributions related to policy proposals 1A, 1C, and 3D outlined elsewhere.

¹⁵ <https://www1.nyc.gov/nycbusiness/article/nyc-sbsc>

Recommendation Category 2: Encourage Dairy Differentiation

Recommended Actions	Related Policy Proposals
Support dairy farm transitions to milk production that is 100% grass-fed, certified organic, or meets quality benchmarks for artisanal cheese production	<p>2A: This recommendation should be supported by policy proposals 1A,1B,1C and 1D above.</p> <p>Additionally, the state should consider providing committed funding for a long-term value-added dairy program at UVM Extension, including current execution of the USDA Organic Research and Extension Initiative, "Advancing Grass-Fed Dairy."</p> <p>The Pennsylvania Dairy Investment Grant Program¹⁶ may serve as a useful model for direct grants at the state level.</p>
Support dairy farm transitions to cow herds that produce higher-value milks (e.g. Jerseys)	<p>2B: This recommendation should be supported by policy proposals 1A, 1B, 1D, and 2A above.</p>
Support alignment between value-added processors that are anticipating growing demand for goat's milk (e.g. Jasper Hill, Vermont Creamery) and dairies transitioning to goat herds	<p>2C: As per the recommendation in the Vermont Agriculture and Food System Plan 2020, fund a program such as VT DEC's New Worker Relocation Grant Program to incentivize relocation of goat dairy producers to VT.</p> <p>Additionally, this recommendation should be supported by policy proposals 1A,1B, 1C and 1D above.</p>
Provide technical assistance for dairy farms implementing zero fermented feed practices and other specialized feeding protocols	<p>2D: This recommendation should be supported by policy proposals 1A,1B and 1D above.</p>
In collaboration with sector experts and the DBII, identify market opportunities in the value-added sector (cheeses in particular) and support the infrastructure and expertise investments necessary to capture these opportunities	<p>2E: Provide funds for a cheese industry consultant to work with the DBII and specifically research market opportunities in cheeses and develop go-to-market infrastructure and expertise requirements to execute on those opportunities.</p>

¹⁶ <https://www.agriculture.pa.gov/Pages/Dairy-Investment-Grant-Program.aspx>

Recommendation Category 3: Communicate Vermont's Dairy Identities

Recommended Actions	Related Policy Proposals
Develop a sophisticated cataloging of the distinct ways that consumers "receive" the Vermont brand from different dairy producers and in different dairy categories, from conventional fluid milk to farmstead cheese.	3A: In preparation for Objective 2 of VAAFMs DBII proposal, provide funds to engage a market and brand analysis consultant to execute a study and set of deliverables that span policy proposals 3A, 3B and 3C. This study should be ready for distribution in advance of the December 2020 NEDFC/VAAFMs event.
Develop case studies of Vermont success stories describing how individual producers have leveraged the Vermont brand in concert with specific business models, business decisions, and business skill.	3B: This recommendation will be supported by policy proposal 3A.
Using the above two elements, develop a marketing toolkit and set of best practice recommendations for start-up brands in Vermont, to be provided alongside the services encompassed by the DBII.	3C: This recommendation will be supported by policy proposal 3A.
Support the Vermont Brand Ambassador position described in the 2010 Vermont Seal of Quality Market Research Study (with adjustments to account for conditions a decade later).	3D: Provide funding to VAAFMs to staff the Vermont Brand Ambassador position for a period of five years, with additional program funding for a) active engagement at national food trade shows and b) frequent buyer tours of Vermont farms and cheese producers.
Provide the tools for additional collaborative marketing efforts that leverage the strength and market access of Vermont's existing successful brands to provide a springboard for emerging producers and brands.	3E: This recommendation should be broadly supported over the long term by policy proposals 1A, 1D, 3A-C, 3D, and 4B.

Recommendation Category 4: Invest in Infrastructure & Workforce

Recommended Actions	Related Policy Proposals
<p>Commission a study to precisely determine the need for and ideal location of a large fluid milk processing facility (such as St. Albans Cooperative Creamery).</p>	<p>4A: Provide funds for VAAFM to engage a dairy processing consultant to execute a feasibility and cost study on a large fluid milk processing facility.</p>
<p>Commission a study of Vermont’s distribution network capacity and geography to determine if there are current opportunities for delivering products to more markets and better markets, and to do so with greater efficiency and speed.</p>	<p>4B: Provide funds for VAAFM to engage a supply chain consultant to execute a study of dairy product distribution from Vermont to other states. This study should coincide with the study in policy proposal 2E.</p>
<p>Task the Vermont Department of Labor with investment in the training of CDL drivers (Class A especially) through private sector training contractors, with targets for growth of that workforce over the next five years</p>	<p>4C: Allocate funds to VDOL’s Workforce Development division for the expansion of CDL training and licensing programs state-wide. Provide additional funds to VDOL to pilot expansion of a registered apprenticeship track for CDL drivers.</p>
<p>Commission a study to determine the feasibility and cost of establishing the DBII as a stand-alone brick-and-mortar facility that serves as a flagship for Vermont’s dairy sector and provides a venue for dairy workforce development and high-level professional education.</p>	<p>4D: Provide funds for VAAFM to engage a consultant to perform this feasibility, cost, and operational planning study, which would lead directly into policy proposal 1A above if the findings support moving to the next phase of development</p>

The federal funding opportunities summarized below are potential resources for the advancement of Vermont's dairy industry, and are targeted to a range of recipient types, from individual producers to state agencies.

Organic Agriculture Research and Extension Initiative (USDA NIFA)

The Organic Agriculture Research and Extension Initiative (OREI) aims to advance organic agriculture through research and development, outreach, and education, with farmers and ranchers as the beneficiaries of OREI-funded projects.

Who may apply: Land grant institutions, other public and private institutions of higher education, for-profit organizations, state agricultural experiment stations, research institutions and organizations, and individuals.

Award range: \$50,000 - \$2,000,000

Match required: 100%

More info at: <https://nifa.usda.gov/funding-opportunity/organic-agriculture-research-and-extension-initiative>

Value Added Producer Grants (USDA Rural Development)

The Value Added Producer Grant program provides direct funding to assist producers in expanding to value-added activities, with a focus on new product development and creation and expansion of marketing opportunities.

Who may apply: Individual agricultural producers, groups or cooperatives of producers, and business ventures controlled by agricultural producers.

Award range: \$75,000 (Planning Grants); \$250,000 (Working Capital Grants)

Match required: 50% of total project cost

More info at: <https://www.rd.usda.gov/programs-services/value-added-producer-grants>

Federal State Marketing Improvement Program (USDA AMS)

The Federal State Marketing Improvement Program (FSMIP) assists state entities in developing new market opportunities and marketing innovation for food and agricultural products. Vermont entities have received five FSMIP grants since 2010.

Who may apply: State departments of agriculture, other appropriate state agencies (universities and colleges, agricultural experiment stations, governmental entities).

Award range: Up to \$250,000

Match required: 100%

More info at: <https://www.ams.usda.gov/services/grants/fsmip>

Regional Food Systems Partnerships (USDA AMS)

The Regional Food Systems Partnership (RFSP) program supports collaborations that link public and private resources to regional food system development efforts and initiatives.

Who may apply: Partnerships must be formed of at least one eligible *entity* (farmers, producer groups or coops, food councils, non-profits, economic development groups, etc.) and one eligible *partner* (state agencies, private corporations, foundations, higher education institutions, or lending institutions).

Award range: Information not available (RFA currently under development)

Match required: 25%

More info at: <https://www.ams.usda.gov/services/grants/rfsp>

INTERVIEWEE LIST

The following individuals were interviewed for this project:

Marie Audet, Blue Spruce Farm

Clara Ayer, Fairmont Farm

Regina Beidler, Organic Valley

Leon Berthiaume and Kiersten Bourgeois, St. Albans Cooperative Creamery

Diane Bothfeld, Vermont Agency of Agriculture, Food & Markets

Reg Chaput, Chaput Family Farms

Elizabeth Chubbuck, Murray's Cheese

John Cleary, Organic Valley

Jane Clifford, Clifford Farm

Jed Davis, Amy Levine, and Roberta MacDonald, Cabot

Adeline Druart, Vermont Creamery

Mary Ellen Franklin, Franklin Farm

Cathy Gaffney, Wegman's

Rep. Rodney Graham, Graham Farms

Wendy Hallgren, Provisions International

Lisa Hatch, Dairy Management Inc.

Galen Jones, Crowley Cheese

Jenny Karl, New England Dairy

Mateo Kehler, Jasper Hill Farm

Rob Michalak, Ben & Jerry's

Jon Rooney, Monument Farms

Jeremy Stephenson, Spring Brook Farm

Dick Thomas, Thomas Dairy

Kyle Thygesen, Stonyfield

BRAND CASE STUDIES

This appendix compiles brand case studies relevant to the Vermont Dairy Marketing Assessment. Specifically, this appendix includes summary analysis of “past efforts to develop Vermont branded dairy products” and “efforts in other states for branding dairy products,” as specified in the project contract and work plan.

Brands were selected in collaboration with representatives from the Agency of Commerce & Community Development and Agency of Agriculture, Food, & Markets. KK&P cast a wide net in its identification and selection of brand efforts, including those both successful and unsuccessful; emphasizing state/place-based identity to varying degrees; initiated by both public and private sector entities; and with efforts focused either exclusively on dairy products or more broadly on food and agricultural products.

The summarized Vermont brands are:

- Cabot Creamery Cooperative
- Jasper Hill Farm
- Monument Farms
- Organic Cow of Vermont
- Vermont Creamery
- Vermont Milk Company
- Vermont Seal of Quality

The summarized brands from other states are:

- Ithaca Milk (New York)
- Kentucky Proud
- Maine’s Own Organic (MOO) Milk
- New Hampshire Dairy Premium Fund
- Proudly Wisconsin
- Taste the Local Difference (Michigan)

Although each brand offers its own lessons, a few top-line themes and considerations emerge across the cohort of summarized brands:

- **Third party place-based brand identities must decide whether “geography is enough.”** These add-on brands or labels that exist to enhance other private companies’ own marketing, e.g. Vermont Seal of Quality, Kentucky Proud, Proudly Wisconsin, and Taste the Local Difference – fall on a continuum between a “geography alone” broad inclusivity and a “geography-plus” strategy that links the brand to additional characteristics, and expects participating companies to meet those characteristics or standards. The “geography alone” approach is cheaper to run because audits and compliance monitoring are not required, but the brand value and meaning can get diluted. “Geography-plus” can maintain greater value in the marketplace, but requires costly monitoring to maintain the brand’s integrity. Interestingly, the Vermont Seal of Quality program moved along this continuum during its lifespan, ultimately being wound down because the brand’s integrity became diluted and the state lacked funding to reinstate more forceful auditing. Most

brands in this category are public or industry group initiatives; Taste the Local Difference, in Michigan, is an interesting exception, founded by a non-profit and since spun off as a for-profit marketing agency.

- **The fate of many place-based private sector start-up brands has turned on their access to capital (or lack thereof) at critical stages in their growth**, or when faced by unforeseen circumstances. Organic Cow of Vermont was able to scale significantly only after selling a majority stake in the company to H.P. Hood in 1997; similarly, Vermont Creamery's 2017 purchase by Land O' Lakes has enabled significant expansion in the company's processing capacity. In contrast, Vermont Milk Company (VMC) was forced to close its doors and auction its remaining assets to pay back creditors in 2010, after just four years in business, when it lacked the capital to weather the one-two punch of spiking milk prices and fuel prices. Maine's Own Organic (MOO) Milk suffered a similar fate, shutting down in 2014 after its out-of-date processing equipment created an untenable supply chain challenge for which there was no workable solution; the company's circumstances were largely the result of being undercapitalized from its launch. Monument Farms in Vermont and Ithaca Milk in New York seem to have scaled gradually and not significantly thus far; their vertical integration may afford them some flexibility or resilience, but without knowing their long-range plans or desires for expansion, it seems clear that they would probably require significant additional capital were they to pursue aggressive scaling.
- **Value-added products may offer more potential for place-based premium branding.** Fluid milk seems to have greater price sensitivity among consumers, and as such may be harder to build a place-based brand premium around (as illustrated by skepticism regarding New Hampshire's Dairy Premium Fund, and its slow start), although there are nevertheless successful examples of premium branded fluid milk (Monument Farms; Ithaca Milk), just as there are examples of failed place-based value-added dairy brands (Vermont Milk Company). That being noted, value-added products may present more scalability (they travel better and further, so it's easier to expand territory) and less price sensitivity (customers are already buying something 'special,' so why not spend a little more for a place-based premium) than fluid milk. Vermont Creamery and Jasper Hill are strong examples of value-added dairy companies successfully and meaningfully leveraging the Vermont brand as they grow and scale. Cabot Creamery, for its part, is less explicit about place-based branding now than it used to be, instead emphasizing associated qualities – heritage ("since 1919") and family farms.

Each of the above listed brands are individually profiled on the following pages.



VERMONT BRANDED DAIRY EFFORTS

CABOT CREAMERY COOPERATIVE

Years Active: 1919 – Present



Founded in 1919, Cabot Creamery Cooperative processes and markets a range of value-added dairy products. The cooperative has been owned by the Agri-Mark Co-Op since 1992, and according to the company website currently has 800 member farms across New England and New York. The company had finished product sales of \$650 million in 2014.

Cabot's range of cheeses is well-known across the Eastern U.S., and has nationwide distribution through Walmart, Sam's Club, and other U.S. grocery retailers. Cabot has been responsive and innovative in its product line, with flavored and specialty cheeses at a range of price points, as well as yogurt, butter, creams, and dips. They emphasize quality in their range of cheddars, which are aged naturally and longer than most American cheddars on the market.

Cabot featured its Vermont identity in its logo—with a Vermont state outline—until 2012, when the state government challenged its use of Vermont in its packaging, since many of its products are produced outside the state (and the milk to produce them is from across the region). Since then, the Cabot logo and marketing have more centrally emphasized its "farm family" and 100-year heritage over its Vermont identity, though there are still strong implicit Vermont associations with the Cabot brand.

Cabot Creamery was the first dairy cooperative to become a Certified B Corporation, codifying its commitment to transparency and social and environmental sustainability.

STRENGTHS & SUCCESSES

- Cabot Creamery's marketing strategies have been called "scrappy" and "grassroots," and are focused on "trial" – getting new customers to try their products, and trusting that the quality will speak for itself and have customers coming back for more.
- Cabot has been nimble and opportunistic in its product line, with new products developed in response to emerging trends (such as Greek yogurt and flavored cheeses), and strategic investments, such as a whey evaporation facility—with whey now accounting for 7% of the company's revenue.
- Cabot stays out of the commodity market, instead focusing on profitable value-added products that capture the highest value for the coop and its members.

- Cabot’s partnership with Jasper Hill for Cabot Clothbound Cheddar has been a mutually beneficial collaboration, creating a high-value product for Cabot that leverages a smaller-scale Vermont producer with an authentically artisanal brand identity.

CHALLENGES & WEAKNESSES

- With such a high production volume, Cabot and Agri-Mark must strive to maintain a consistent and reliable milk supply in a land-constrained region. A 2003 merger with Chateaugay Cooperative allowed the company to broaden their supply pipeline with farmers in New York.
- Cabot Creamery and Agri-Mark are vulnerable to global dairy market factors—the U.S.-China tariffs have exposed the company to losing millions of dollars, primarily on its whey products, which are almost entirely sold to the Chinese market.
- As described above, Vermont’s Rule CP 120 (on Vermont origin labeling of products) forced Cabot to rethink and ultimately minimize the way it uses Vermont in its brand identity. Cabot has been successful in its adaptation, however, with a new logo and branding language that leverages its heritage, family farms, and more accurately portrays its sourcing of milk from across New England and New York.

KEY LEARNINGS FOR VERMONT

- The Cabot Creamery-Jasper Hill collaboration illustrates the ways that the marketing infrastructure of a large and successful corporation like Cabot can be leveraged to support smaller Vermont companies. Investments and incentives that encourage and support such collaborations could allow Vermont dairy companies to innovate with mutually beneficial marketing arrangements.
- Vermont’s CP 120 rule may be something of a double-edged sword: as the AP reported at the time of the Cabot logo challenge, “Some state officials are worried about the change, saying Cabot’s widespread distribution helps promote other Vermont products and tourism, and are considering changing state law to let Cabot keep the Vermont reference in its logo.” Maintaining integrity around Vermont-origin labeling is a worthy goal, but the rule may also reduce potential marketing impact for the state, while also causing challenges for companies that scale up beyond a size that allows exclusive Vermont sourcing.

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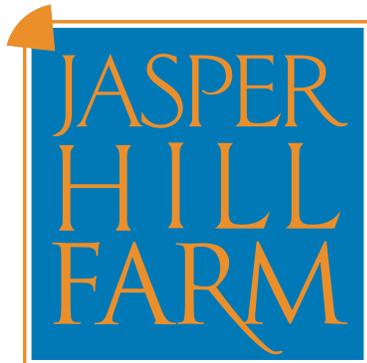
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JASPER HILL FARM

Years Active: 1999 – Present



Jasper Hill Farm was founded in 1999 by Mateo and Andy Kehler, in Greensboro VT. After some early successes in cheese-making, they started to develop a partnership with Cabot Creamery in 2003 to age small-batch cheddars for the cooperative. In 2006, this partnership cheese – Cabot Clothbound Cheddar – won Best in Show at the annual American Cheese Society competition. Since then, the Cabot Clothbound Cheddar program has grown significantly, to where it represents more than half of their current \$15M in annual top-line revenue and is the economic driver for their overall cheese affinage program.

Today, Jasper Hill keeps its own herd of 45 Ayshire cows and partners with Andersonville Farm, a dairy in Glover VT, to supply cheese-making operations of its own (e.g. Bayley Hazen Blue and Harbison). In addition, Jasper Hill collaborates with a handful of selected cheesemakers in Vermont and New Hampshire, aging and distributing small-batch cheeses under its own label (e.g. Landaff and Kinsman Ridge from Landaff Creamery in New Hampshire).

In the past 10 years, Jasper Hill has seen \$136M in gross revenue and \$6M in profit. In the same period, the company has spent \$101M in expenses in the state of Vermont and of that, \$77M has been spent or invested within a 15-mile radius of Greensboro. In its early days, Jasper Hill's mission was defined as preserving Vermont's working landscape. Today, however, they've adjusted that mission to focus on specifically influencing the economic landscape within 15 miles of their farm, a region that they've defined as their vital community.

Jasper Hill's current major projects are two-fold. First, the company is for the first time in its history developing a line of goat's milk products through a partnership with Bridgman Hill Farm in Hardwick, which involves the acquisition of a 500-goat herd from another retiring farm in Vermont. Second, the company is becoming involved as an anchor tenant in Hardwick's new Yellow Barn business accelerator project, in partnership with the town of Hardwick and the Center for an Agricultural Economy, which will allow them to increase their total production by 350K pounds of cheese.

STRENGTHS & SUCCESSES

- JH defines its winning formula as a relentless focus on quality, from their rigorous standards for milk production (no wet hay, no fermented products, specific breeds with valuable milk components, etc.) to their

obsessiveness around microbiology and food safety in their cellars to their limited range of cheesemaker partnerships. They adhere to the “religion of quality.”

- JH’s partnership with Cabot has been critical to its success, both in that they have a supply of starter product (almost better understood as “parts” than “ingredients”) that does not require them to own the dairy-production assets (cows or farms) and in that it has produced a profitable value-added product that can fund/subsidize other products in their portfolio.
- JH’s steady and persistent re-investment in high-quality production infrastructure (22K square foot aging cellars, robotic equipment, cheese-making equipment) has allowed it to scale up, stay at the forefront of American cheese-makers, and continually introduce new products to the market.

CHALLENGES & WEAKNESSES

- JH seems to have had very few obvious “failures” however the business has surely encountered numerous systemic hurdles over their years of operation. Among these, identified by Jasper Hill in personal interview, has been the perceived lack of investment by the state over the past two decades in a powerful Vermont-based brain-trust in dairy expertise, cheesemaker training, and associated technical capacities such as food safety compliance.
- Producing artisan cheese in VT costs producers twice as much per given weight as it does for European producers, due to a variety of systemic factors, including labor, production supports, trade supports, and lack of scale. That puts VT at a major disadvantage in the marketplace for comparable cheeses, both nationally and internationally, because Vermont is an export market.
- JH observes that within the artisan cheesemaking sector, there’s no more space for farmstead cheesemakers to be financially sustainable. Volume will be inadequate and operating risks to the business will be too high.
- JH sees limits in the degree to which it can help other Vermont artisan cheesemakers by acting as an affineur and marketing/distribution hub (as it does for Cabot, Landaff, and a select few others) due to the lack of state-wide food safety expertise and comprehensive business risk assessment among other producers in its sector. Protecting its own physical assets (i.e. cheese inventory) from microbiological risk is paramount for the organization, therefore it limits its exposure to potential errors by others.

KEY LEARNINGS FOR VERMONT

- Mateo Kehler stated to us and previously stated elsewhere that he’s not in favor of Vermont investing in a “state brand” for dairy. He also repeatedly refers to Jasper Hill’s rigorous emphasis on quality (the “religion of quality”) as its main competitive advantage. Notably, however, Jasper Hill uses the phrase “*A Taste of Place*” in its marketing materials. It is worth considering what they believe this “place” represents and why their use of this phrase is consistent with opposition to the idea of a Vermont “state brand” for dairy. Jasper Hill’s “place” is best understood not as Vermont, but really as Greensboro itself and more broadly, the Northeast Kingdom region. This is partly why a brand as successful as Jasper Hill does not see itself benefiting from an investment in a state-wide dairy identity.
- As in many regions and many facets of the food sector, focusing on supports for and health of “agriculture of the middle” may be the most effective and necessary strategy for Vermont, generally. The start-up and small scale dairy sector will always emerge where opportunities are perceived, and there are existing programs to springboard those producers (e.g. incubators, accelerators, grants, low-interest loans, etc.).

Large-scale producers have economies of scale, capital, and national supply chain relationships that provide other kinds of supports and stability. Producers trying to scale up to and stay in the middle sector (e.g. Jasper Hill), however, may be the most challenged to make that leap, but when they do so successfully, are critical leaders, mentors, and definers of the sector.

- Vermont may see significant, lasting economic benefits by making a variety of investments geared towards building an unparalleled level of quality in its dairy sector—rather than attempting to sustain historical levels of quantity—by applying the standards common to the best artisan cheesemakers throughout the state as a possible benchmark for standards from pasture to product.
- There’s strong support from value-added producers like Jasper Hill for investment in a Vermont or New England dairy innovation center as a way to rebuild the regional brain-trust and provide needed technical support services to a new generation of cheese manufacturers.
- See Quebec’s Cheese Expertise Center for a model innovation and learning center.
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Yellow Barn website, http://www.nvda.net/yellow_barn/index.html

MONUMENT FARMS DAIRY

Years Active: 1930 – Present



Founded in 1930, Monument Farms Dairy is managed by third-generation family members Pete and Bob James and Jon Rooney, with the fourth generation already working in the business. Monument Farms is a producer-handler – they milk 500 cows, and process all of that milk in their own processing plant. Their Monument Farms-branded fluid milk products (including chocolate milk, half and half, and heavy cream) are almost entirely sold via wholesale to retailers across the north and northwest parts of Vermont; according to Rooney, all of their milk stays within the state borders.

The Vermont origin of Monument Farms' milk is not central to its branding and marketing, which instead emphasize quality, animal welfare, and sustainability – “Fresh Taste,” “Happy Cows,” and “Care for the Land” are how the company's website answers the question, “Why Monument?” The company is, however, well-known as a Vermont-based dairy, so it likely reaps some implicit benefit from the Vermont brand association, even though it is not explicitly emphasized in its messaging.

As fluid milk consumption has trended down, Monument Farms has responded – successfully – with aggressive marketing; they are selling more milk now than ever before, but they have to distribute across an ever-expanding territory in order to achieve those sales numbers. Monument Farms has explored extending its territory outside of Vermont, into New York, but the regulatory environment dissuaded them, so they have focused expansion efforts within Vermont for the time being. According to Rooney, Monument Farms accounts for about 10% of fluid milk consumption in Vermont. The company has also considered value-added products, but because their milk production has always been well balanced with their fluid milk sales, the incentive to pursue new processed products has not been strong.

STRENGTHS & SUCCESSES

- Monument Farms' brand messaging focused on quality, animal welfare, and sustainability are consistent with – and perhaps implicitly leverage – some of the positive qualities associated with Vermont.
- The company's branding and marketing materials – website, videos, etc. – are well-executed and aptly express the brand's identity and value proposition.

- The company has been able to grow its fluid milk sales against a challenging downward trend with an aggressive marketing strategy.
- The company has also been able to keep production and sales well balanced as the company grows.

CHALLENGES & WEAKNESSES

- As more fluid milk consumption has shifted from skim to whole milk, Monument Farms has had to adjust its production and supply approach as it comes up short in cream – either sourcing outside cream for its half and half, or overproducing for the cream and feeding the excess skim to its methane digester.
- State regulatory compliance – e.g. requiring the construction of new manure pits – has been costly, requiring substantial investments without a commensurate increase in production.
- Chain supermarkets control retail pricing and want to protect their own brand-labeled milk, sometimes making it hard for Monument Farms’ milk prices to compete.

KEY LEARNINGS FOR VERMONT

- New regulations can be costly for farmers and processors to comply with, and may prevent, delay, or discourage investments in scaling businesses.
- The shifting trend in fluid milk consumption from reduced fat to whole milk has altered the supply chain’s balance of cream and butterfat, with implications rippling up the chain.
- Monument Farms’ brand positioning suggests that within the state boundaries, the power of the Vermont brand may be less effective than explicit characteristics or qualities.

Interview with Jon Rooney, conducted by Ben Kerrick, Nov. 13, 2019.

Monument Farms website: <https://www.monumentfarms.com/>

“Spotlight on Monument Farms Dairy.” Middlebury Natural Foods Co-op, June 1, 2017.
<https://middlebury.coop/2017/06/01/spotlight-on-monument-farms-dairy/>

THE ORGANIC COW OF VERMONT

Years Active: 1989 – 2000s



The Organic Cow of Vermont was founded in 1989 by long-time conventional dairy farmers Peter and Bunny Flint, who wanted to exit the conventional dairy system. They launched their organic business with 28 heifers, and marketed glass-bottled fluid milk and cheese made on the farm. The company grew gradually over its first five years, but sales took off in 1994 when rBST was federally approved, thus causing demand for organic milk, which did not allow use of rBST, to grow quickly and exponentially. Between 1994 and 1999, national demand for organic dairy grew 500%.

To meet growing demand, Organic Cow began sourcing from additional dairy farms. In 1995, the company was sourcing from four farms, and by 1998, that number had grown to 50 farms across the Northeast. Organic Cow recruited farmers whose practices were already close to qualifying as organic and helped them transition – organic transition periods were shorter then compared to now, and so the proposition of shifting to organic production was lower risk and high reward. The extra \$3-5/hundredweight that Organic Cow paid made a meaningful difference to those farms.

As the company grew, its limited access to capital constrained its ability to scale to meet demand. So in 1997, the Flints sold a 70% interest in the company to H.P. Hood, which allowed them to benefit from Hood's infrastructure, capital, and expertise, while the Flints still managed the company. Two years later, in 1999, Horizon Dairy purchased 100% of the company, after which point several Organic Cow suppliers switched to Organic Valley/CROPP (which by this time had entered the Vermont market), while a smaller number stayed on with Horizon. At some point in the years following, "Of Vermont" was dropped from the brand's name, though it continued to be marketed separately from Horizon. In 2011, WhiteWave (subsidiary of Dean Foods and owner of the Horizon brand) discontinued The Organic Cow to focus entirely on the Horizon Organic brand. (In 2013, WhiteWave was spun off independently from Dean, and in 2017 was acquired by Danone, which now owns it and the Horizon brand.)

STRENGTHS & SUCCESSES

- The Organic Cow was, in many ways, “at the right place at the right time” in terms of being able to capitalize on the tremendous growth in demand for organic milk in the mid-1990s.
- By offering its farmers a higher price for milk, it was a “lifeline” to struggling farms at the time, playing a significant rural economic development role in its region.

CHALLENGES & WEAKNESSES

- Lack of access to capital was a critical constraint to growth for the small company, essentially forcing it to sell a majority stake to a much larger company in order to continue its growth.
- The homegrown “Vermont” identity eventually became subsumed to the larger Horizon brand, as the company became absorbed into the large-scale national organic dairy system.

KEY LEARNINGS FOR VERMONT

- Access to capital is a significant challenge for homegrown companies as they seek to grow while still maintaining independence and control.
- While “Vermont” was prominent in the brand’s name, it’s not clear from existing literature how central the Vermont identity was to the brand’s positioning and competitive advantage in the marketplace; what is clear, however, is that its brand value was *much* more grounded in being organic.

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VERMONT CREAMERY

Years Active: 1984 – Present

VERMONT
CREAMERY®



Vermont Creamery was founded in 1984 by Allison Hooper and Bob Reese, launching with production of goat cheese and adding production of cow's milk crème fraîche soon after. In the 35 years since its founding, Vermont Creamery has built out a product line of fresh and aged cheeses from goat and cow's milk, cream products, and cultured butter. Although the company started with a focus on chefs and wholesale customers, the past decade or so has seen a substantial shift to retail, which now accounts for more than half of the company's revenue. In 2014, Vermont Creamery became a Certified B Corporation, with a mission focused on people, planet, community, and a high-quality supply chain. The company was purchased in 2017 by Land O' Lakes, a Minnesota-based farmer-owned cooperative, and in 2019 they announced plans to expand their Vermont production facility by 40%. The company currently has over 100 employees.

According to CEO Adeline Druart, the company's Vermont-based identity brings tremendous value to the brand, with "Vermont," "Vermont-made," etc., being central to the Creamery's brand positioning and strategy. The company is focused on bringing its premium products deeper into the dairy case – just this September it launched its cultured butter in retailers across the U.S., including 1500 Walmarts – but it faces supply constraints in Vermont. For example, there's not enough goat's milk in the state to meet the company's demand; the Creamery is working to identify and develop ten new 400-goat farms over the next five years. In the meantime, the company sources additional goat's milk from Ontario and Quebec.

STRENGTHS & SUCCESSES

- As a producer of premium value-added dairy products, Vermont Creamery is well-positioned to capture the additional value of the "Vermont" brand – in contrast to fluid milk, where consumers are more likely to be price-conscious or less willing to pay premium prices.
- The company's B Corp. positioning, focused on sustainable and ethical values-based business practices and products, enhances and is consistent with the qualities of the Vermont "halo."
- Vermont Creamery's rigorous focus on creating a very high-quality product (the Creamery has won numerous awards for its cheeses) also contributes to its ability to fetch a premium at the retailer.

CHALLENGES & WEAKNESSES

- As noted, Vermont Creamery faces supply constraints in both cream and goat's milk, especially given its desire to source from within Vermont.
- Vermont's Origin rule (Rule CP 120), which requires that Vermont-branded product must be at least 75% sourced within Vermont with exceptions disclosed on label, means that Vermont Creamery's goat cheese products must all carry that exception disclosure, given that the company cannot source enough goat's milk from within the state to meet the 75% benchmark.

KEY LEARNINGS FOR VERMONT

- The Vermont brand "halo" resonates with customers, and is particularly effective in service of premium, high-quality value-added dairy products.
- The state's Vermont Origin rule can in some ways be seen as a burden and discouragement to scaling businesses, whose growth plans outpace Vermont supply, but who are committed to developing Vermont-based sources as they scale.

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<https://www.burlingtonfreepress.com/story/money/2019/07/05/vermont-creamery-president-expansion-goat-cheese-dairy/1515536001/>

Vermont Creamery Website, <https://www.vermontcreamery.com/>

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VERMONT MILK COMPANY

Years Active: 2006-2010



The Vermont Milk Company (VMC) was founded in 2006, as an outgrowth of the work of Dairy Farmers of Vermont, a grassroots dairy farmer organization led by Anthony Pollina and Peter Sterling. Pollina was co-founder and the most public voice for VMC during its 3+ year tenure. The for-profit company was designed to provide farmers a higher and steadier price than was available to them in the commodity/coop system; at the time of its founding, it guaranteed its farmers \$15/hundredweight, when the commodity price was \$11. VMC also covered the cost of milk pick-ups rather than passing that cost down to the farmer, as most coops do.

The company invested about \$1 million in purchasing and upgrading a production facility in Hardwick, where they launched with yogurt and cheese, and later started producing ice cream. The company had longer-range plans to produce a line of bottled milk.

By early 2008, the company was facing major challenges. The price of milk had skyrocketed from \$11/hundredweight at the company's founding to \$24, meaning the company had to pay much more for its milk than planned – in turn forcing them to raise prices on their products, and thus losing one major customer. Fuel prices had also spiked, and since VMC covered the price of milk pick-ups, the company had to absorb these price increases as well. Press from March 2008 quoted VMC farmers who hadn't been paid the full price of their milk and were owed money by VMC. Later that year, VMC's financial struggles were pulled into the state political arena, when Anthony Pollina ran for governor as an Independent against Republican incumbent James Douglas, who publicly accused Pollina of financial mismanagement of the company.

Although the company had reduced losses in late 2008 and run in the black for three of the first five months of 2009, by early 2010, it had been forced to close its doors, and was auctioning off property and equipment to pay back its creditors.

STRENGTHS & SUCCESSES

- VMC's business model was based on a worthy mission to provide a better and steadier milk price for the state's dairy farmers

- The company's early-stage strategy of focusing on a narrow line of value-added products – cheese and yogurt, and later adding ice cream – seems to have been effective until spiking milk and fuel prices caused the company serious challenges.

CHALLENGES & WEAKNESSES

- The company was not adequately capitalized to sustain the serious increase in its expenses that it faced when milk prices more than doubled and fuel prices spiked.
- Whether or not the accusations of financial mismanagement were legitimate, the company's visible struggles in paying its farmers and other creditors were damaging from a public relations perspective.

KEY LEARNINGS FOR VERMONT

- Making the economics work for a small Vermont-focused startup are challenging, especially in the context of broader unpredictable market forces.
- Access to adequate capital and cash flow are critical for early-stage businesses to weather unforeseen challenges they may face as they gain their footing in the marketplace.

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Vermont Progressive Party. "Vermont Milk Co. wins one-year marketing deal." Vermont Progressive Party, April 4, 2007.

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VERMONT SEAL OF QUALITY

Years Active: 1977 - 2010



The Vermont Seal of Quality was launched in 1977 as an effort to add value to some of Vermont's commodity products such as maple syrup, apples, milk, and others. The VT Seal of Quality emblem which became familiar on products was itself rolled out in 1980. The seal was intended for agricultural and food products that were at least 85% produced or value-added in the state of Vermont. The stipulations of the Seal program were later expanded to allow use on Vermont products processed out-of-state, on a broader range of eligible products, and on additional new processing applications.

As the Seal of Quality program expanded, the cost of administering it through rulemaking, enforcement, producer support, and advertising, became increasingly complex and burdensome. The program ultimately weakened and saw its application to agricultural products largely limited to dairy, eggs, and maple. In the 2000s, the program adopted new designations intended to increase the use of the program across agricultural producers, associations, retailers, and restaurants. Despite these efforts, use of the Seal of Quality continued to decline, eventually being dropped by some of its most central historical users. In 2010, the Seal of Quality program was discontinued.

The Vermont Seal of Quality label had, since its beginnings, attempted to position itself as a marker and arbiter of quality for agricultural products, and not simply geography. As the consumer goods sector became increasingly complex and Vermont's reputation as a region for specialty foods developed, the program's commitment to quality as a key marker and to encompassing as much of Vermont's food sector as possible both revealed the Seal's own limitations.

STRENGTHS & SUCCESSES

- The VT Seal of Quality was ambitious in its scope and somewhat ahead of its time as an attempt to designate and elevate locally produced foods in a region. It was able to endure for a remarkable stretch and

its demise may have been a natural one, in a way – it came from a time that preceded the entire farm-to-table “good food” movement in the US and would’ve needed significant overhaul to remain relevant and manageable 30 years on.

- The Seal of Quality seems to have truly helped a lot of Vermont products get regional and national attention and distribution, and it served as a model for other regional and state brands nationally.

CHALLENGES & WEAKNESSES

- After a decade of budget cuts, the VT Agency of Agriculture was left with very few resources to manage the program and audit products, so the Seal was appearing on a range of products that shouldn’t have been included in the program (e.g. dog food), was being used on products raised entirely outside of VT, and sometimes illegally on products that had nothing to do with the program. All of this seriously damaged the integrity of the program.
- Defining, managing, and auditing quality standards is expensive, time-consuming, and labor-intensive. Furthermore, as the local foods movement and product sector expanded in Vermont, it may have become hard to define to what extent that expansion was organic or as a partial result of the investment in defining, managing and auditing the Seal of Quality. It’s unclear whether or not the program’s ROI was ever comprehensively evaluated.
- The termination of the program seems to have left significant disappointment in its wake – supporters of the Seal of Quality felt that it shouldn’t have been terminated; skeptics of the program seem to feel that it wasn’t relevant to their brands anyway.

KEY LEARNINGS FOR VERMONT

- States are rarely leading-edge developers of strong graphic brands, relative to the consumer packaged goods marketplace, and today’s leading brands are highly sensitive to controlling their visual presence in the market through packaging, social media, and labels. Developing a logo that is pleasing to a wide range of private brands and is likely to be featured prominently is a significant challenge in today’s extremely dynamic food sector.
- Defining “quality” in today’s food marketplace would be very challenging and possibly contentious, being that Vermont’s food producers are engaged in production methods ranging from the conventional (e.g. use of pesticides, standard grain feeding for large-scale dairy, etc.) to the cutting-edge sustainable (e.g. regenerative agriculture, biodynamic, 100% grass-fed). Managing and policing those standards would be more complex still.
- The top tier of food artisans in Vermont (mostly cheesemakers) have superseded the quality standard that a Vermont state brand can convey to the public, and may no longer be interested in participating in such a program. They may not want to have the qualities embedded in their product defined by a somewhat generic third-party certifier (as compared say, with an animal welfare certifying program) rather than by themselves.

- Defining a Vermont brand simply by geography, and actively marketing that brand as does Kentucky today through its Kentucky Proud program, may be the most accessible, low-cost, and expedient approach. However, it may be too general to generate significant interest in the brand either in-state or out-of-state.

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BRAND EFFORTS IN OTHER STATES

ITHACA MILK (NY)

Years Active: 2007 – Present



Ithaca Milk was launched around 2007 in the Finger Lakes, NY region, on the premise that “small scale, sustainable farming is possible in a modern farming landscape.” Their stated values are “Simple is better; You should know what ingredients are in your food; Food should be traceable to its origin; Natural processes deserve respect; Animals are not machines, and they should be outside; Farmers are stewards of the land.” They specify that each of their three farms is within 10 miles of their creamery, is less than 100 acres in size, and milks around 50 cows.

Ithaca Milk uses only Jersey cows for their cow’s milk products – fluid milk and a variety of yogurt flavors – as well as water buffalos for another line of yogurts that have more limited distribution. The cows are rBGH-free and are “all pasture fed with year round outside access” (note: product does not make “grass-fed” claims). Their products are especially known for delivering a cream-on-top product to the customer, both in the fluid milk and in the yogurts.

Their products are mainly distributed through Finger Lakes Farms, a regional distributor of NY state products founded by the same founder as Ithaca Milk (indicating a significant degree of vertical integration at a small scale). The product is also distributed by a few other regional distributors. The main market is believed to be NY state retail outlets (mainly locally-oriented supermarkets, coops, and small grocers) and therefore regional retail customers.

Ithaca Milk is positioned as a contemporary, ethical company selling premium products (Jersey cows, cream-on-top), with explicit local identification and resonance (Ithaca, Finger Lakes, upstate NY), and excellent, modern, friendly branding (clean typeface, cow’s face, uncluttered packaging). It is a brand that doesn’t seem intentionally targeted at “grown up” or kid consumers; however, the product has a family-friendly accessibility and flavor profile that seems likely to appeal to both adults and children.

STRENGTHS & SUCCESSES

- Ithaca Milk seems to be successfully developing a new identity for Ithaca and the Finger Lakes region of NY as a place for top-quality, premium dairy products.

- Ithaca Milk seems to have seen a great deal of success and growth in the retail sector over the past decade or so that it has existed. This may in part be due to their vertical integration into a well-developed wholesale distribution network, which benefits from the NYC retail market as its primary outlet.
- The product is excellent – creamy, luxurious, and consistent, while remaining straightforward. Their yogurt is a traditional type and the milk is presented in a common, recognizable format (plastic 1/2 gallon jugs, mainly). Ithaca Milk has not chased the Greek yogurt trend (although their water buffalo products reference yielding a similar high-protein quality), nor Icelandic skyr, kefir, or other added-value formulations common on the market today.
- Ithaca Milk has invested in its own creamery, which allows it to develop and capture as much value from their products as they want based on the investment, rather than being added to a larger regional pool of milk where their identity is erased and their higher quality is diluted.

CHALLENGES & WEAKNESSES

- There's insufficient information available to comment on any particular challenges or failures. Like all private dairy businesses, they have likely had some hurdles to overcome. However, none of those seem to have derailed them from steady growth.

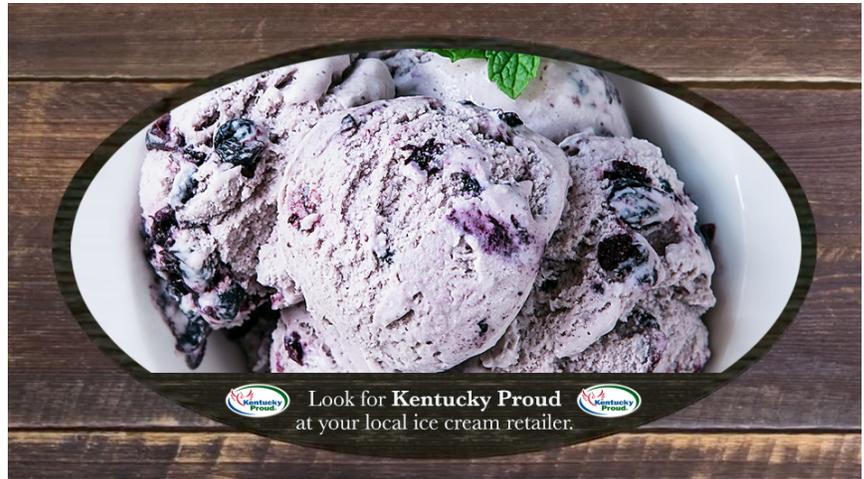
KEY LEARNINGS FOR VERMONT

- Ithaca Milk, like Vermont Creamery, is a dairy product company leveraging a well-known place name in a private enterprise to market premium products. This seems to be a successful formula for some operators and may be repeatable in multiple locales with geographic identifies (e.g. Northeast Kingdom, Champlain Valley, White Mountains, etc.).
- Producers who intentionally delimit their company size, milking cow breed, and production methods to develop a specific consumer value proposition, while also making an investment in controlling their own production, may find success in the premium dairy marketplace.
- High-quality, modern packaging, branding, and marketing that supports the brand's value proposition seems essential to capturing premium pricing and a share of the desired market.

Ithaca Milk website, <https://ithacamilk.com/>

KENTUCKY PROUD

Years Active: 2004 - Present



Kentucky Proud was launched in 2004 as an outcome of the Master Settlement Agreement with the tobacco industry. It was established with the goal of creating a new agricultural economy in Kentucky—transitioning farmers from being heavily tobacco-dependent in their production and towards new enterprises and crops. KY Proud remains active today and is comprised of some 19 different promotional and support programs related to specific product sectors, labor pools, markets, and sub-regions of Kentucky.

KY Proud is administered by the Kentucky Department of Agriculture and makes its presence known to the consumer with placement of the overarching Kentucky Proud logo and/or sub-logos (e.g. “Kentucky Farms Are Fun” or “Kentucky Wine”) on products, websites, advertising and elsewhere. The definition of a KY Proud product is “any agricultural product grown, raised, processed or manufactured in Kentucky.” KDA has no set percentage of Kentucky-associated ingredients for a product to claim KY Proud status, however.

KY Proud’s brand positioning is squarely focused on broad inclusivity at the producer level and general state pride at the consumer level. The goal is to increase consumer awareness about how supporting Kentucky’s farm families and locally produced products strengthens the state’s economy. KY Proud products are ubiquitous in the state and found at brick-and-mortar retail, restaurants, farmers’ markets, wholesalers, farms, institutional food service, and more.

STRENGTHS & SUCCESSES

- Kentucky Proud has been part of a broader effort from the Kentucky Agricultural Development Fund in moving KY farmers away from dependence on a rapidly declining tobacco industry and diversifying its agricultural base. In this effort, the overall program—spanning the KY Proud branding initiative, loan programs, grants, and infrastructural investments, among others—seems to have been a great success.
- Because of the enormous amount of funding to develop and promote the KY Proud program across numerous food and beverage product categories, as well as in associated job and sub-regional initiatives, there seems to be a very high level of consumer awareness about KY Proud.

- The broad inclusivity of KY Proud and low barrier to participation keeps the cost of this state branding effort relatively low, as the program does not require extensive accreditation, auditing, or monitoring. Presumably this makes more funding available for expanding the breadth of the overall program (i.e. new sectors and initiatives) and for promoting the program (i.e. increasing consumer awareness of existing sectors and initiatives).
- The existence and wide awareness of the KY Proud program has helped participating producers lower their marketing costs, or get better return on marketing investments, and has not imposed many costs associated with compliance on their operations in return for that benefit.

CHALLENGES & WEAKNESSES

- The broad inclusivity of the KY Proud program and the lack of specificity around what exactly constitutes a Kentucky grown, produced, or processed product has led to unintentional leakage of potential economic benefits from the state brand.
- Because the KY Proud brand applies to products simply manufactured in Kentucky (e.g. coffee beans roasted in Kentucky), in some cases no direct benefit accrues to anyone in Kentucky's agricultural sector.
- Although participants report finding value in KY Proud's marketing tools and supports, it's not clear that the program has delivered demonstrable economic gains to Kentucky farmers.

KEY LEARNINGS FOR VERMONT

- Some degree of Kentucky's overall success seems to be related to the fact that the various initiatives were directed out of necessity at transitioning farmers away from a dying agricultural sector, rather than sustaining a sector that the market had diminishing interest in.
- Some of the program's success also seems to be driven by the combined strategy spanning the KY Proud branding as well as significant economic development supports and investments.
- There is value in the go-big approach of KY Proud, provided an adequate funding source can be identified and sustained, insofar as it results in very broad consumer and producer awareness.
- Minimizing audit and compliance requirements by focusing on a simple and flexible definition of "state produced" keeps program costs low and allows proportionately more funding to be directed to marketing rather administrative efforts.
- Allowing for a simple or minimal definition of "state produced" may dilute the value of participation and diminish the potential in-state economic impact of the program. This essentially revives the shortcomings associated with the VT Seal of Quality program.

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Kentucky Proud Website, <https://www.kyproud.com/>

MAINE'S OWN ORGANIC (MOO) MILK

Years Active: 2009 - 2014



MOO Milk was formed as a cooperative in 2009 when HP Hood dropped 10 organic dairy farms in eastern Maine from its supply (because of the long distance between this group of farms and Hood's processing in Oneonta NY). Those farms were not able to find new buyers for their bulk milk. They bootstrapped a brand and an operation with donated funding from Stonyfield and loans, by arranging transport through a local milk hauler, and arranging part-time processing at a local plant.

The brand arrived in local stores in January 2010 and immediately found itself undercapitalized as it attempted to grow. In December 2010, Whole Foods stores in Massachusetts started carrying their products, as did Hannaford's at a later date, which helped sustain the business but was never enough to make it profitable. Other wholesale customers were regional grocers around the region where the milk was being produced (coastal eastern Maine).

MOO Milk never had the capital for a marketing campaign, and relied to a significant extent on its own limited cooperative members to spread the word. At its peak, the cooperative was probably selling around 5000 gallons of milk weekly. News reports suggest that the brand was beloved among a small group of consumers.

The brand shut down in mid-2014 due to the inoperability of its out-of-date equipment, which was creating leaky containers and the absence of a viable processing alternative. The timeline to bring a new plant on-line was too long to bridge with the existing options, and although the financing was available to the company, it was decided that disappearing from the market for the length of time the new plant would require was not viable, and therefore the cooperative disbanded.

STRENGTHS & SUCCESSES

- MOO Milk successfully developed a smart, memorable brand out of a very challenging situation and found limited market viability using the processing options that were open to them at the time.
- MOO Milk was able to attract interest from two major supermarket chains (Whole Foods and Hannaford's) within their first year of operations.
- MOO Milk developed a small, loyal following that was eager to support a local organic milk brand.

CHALLENGES & WEAKNESSES

- MOO Milk was never adequately capitalized in the way that they needed to be to make it through the ramp-up period and achieve break-even or better upon hitting a certain volume.
- The processing infrastructure that was available to MOO Milk throughout their lifespan was inadequate, unavailable, or simply non-existent, such that when their only solution stopped working properly, there was no available back-up.
- MOO Milk did not have access to, or did not think it necessary or possible to spend, the capital needed to build their own processing facility immediately upon launching operations. Had they invested in building this processing facility immediately, they may have survived both the growth leading up to break-even and more importantly, the failure of their first processing solution.

KEY LEARNINGS FOR VERMONT

- The lack of regional or local processing infrastructure in states like Maine has resulted in strained market connections to begin with (e.g. HP Hood picking up milk from eastern Maine dairies and trucking to central NY) and few viable in-state alternatives in the event of major operational changes (e.g. HP Hood dropping the eastern Maine dairies). This has downstream supply chain repercussions independent from the value of a region's dairy reputation, brand strength, etc.
- The marketplace can be quick to welcome smart regional dairy brands leveraging local identity and these brands can be developed in a relatively short timeframe if the product range is simple (e.g. fluid milk).
- Enterprises need to be adequately capitalized from as early a stage as possible from the point of launching. Undercapitalization can result in business failure that is not the result of poor product quality, low customer interest, and/or incompetent operations.

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NEW HAMPSHIRE DAIRY PREMIUM FUND

Years Active: Legislation signed 2019; program not yet active

On Aug. 7, 2019, New Hampshire Governor Chris Sununu signed House Bill 476 into law, creating a Dairy Premium Fund for the state. The law will create a New Hampshire-branded label (brand name and logo still in development) for fluid milk and other dairy products produced in the state. The program is an opt-in add-on label, available to any brand or producer that sells milk produced in the state. It is, in other words, not a standalone brand, but is more analogous to a certification. These products will carry a price premium – e.g. \$0.50 on a gallon of milk – paid by consumers to the retailer. According to the law, this premium will be collected from the processor, with 86% paid back to farmers, and 14% retained by the state for marketing and promotion of the program. State Agriculture Commissioner Shawn Jasper hopes the program will generate an extra \$2 to farmers for every hundredweight of milk produced. The program is being launched with \$200,000 in state seed funding, but the goal is for the program to ultimately be self-sustaining.

While many dairy farmers have expressed optimism about the program, others in the sector have been skeptical. In June, before the bill was signed, the Northeast Dairy Foods Association urged the governor to veto it, arguing that consumers will not be willing to pay the price premium, and that the program will overly burden the processors and distributors, with no return to them.

According to stakeholders interviewed for this project, the program is indeed off to a challenging start, with no processors yet signed up to participate, despite earlier goals to have products on the shelf by November. Stakeholders we spoke to also echoed the skepticism about consumers' willingness to pay, and noted that the state did not sufficiently engage processors and retailers in the design of the program.

STRENGTHS & SUCCESSES

- While it is still too early to tell how successful the program will be, the premise, at least, is valid in one important way: the supply-demand balance in New Hampshire is such that targeting the NH consumer base (as this program does) is a strong strategy. Commissioner Jasper estimates that New Hampshire-produced dairy could meet one-third of the state's demand at current levels; this balance is reversed in Vermont, where dairy production far outstrips in-state demand.

CHALLENGES & WEAKNESSES

- The program's slow start to getting processors onboard indicates that the program did not sufficiently consider the processor perspective. How (or if) the program will overcome this challenge remains to be seen.

KEY LEARNINGS FOR VERMONT

- The stalled program launch demonstrates the importance of engaging with a diverse swath of stakeholders – representing all links in the supply chain – before launching an initiative that will impact all of those stakeholders.

- Some stakeholders are skeptical that NH consumers will be willing to pay an extra \$0.50 on a gallon of milk. Although it's too early to tell how many consumers will be willing to pay the premium, the expert perspective at least gives cause for caution around strategies based on premium pricing for fluid milk.

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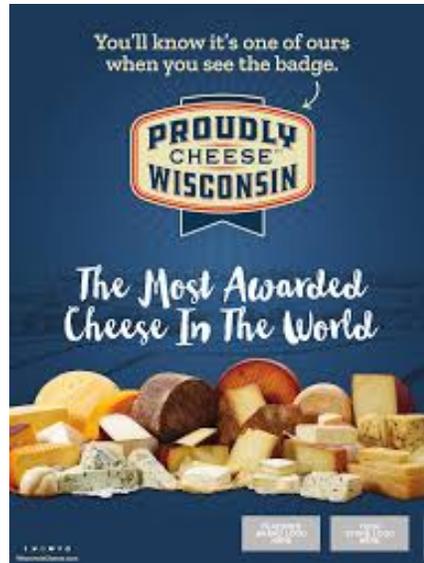
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PROUDLY WISCONSIN

Years Active: 2018 – Present (Dairy Farmers of Wisconsin, the state's dairy checkoff program which operates the Proudly Wisconsin brand, was founded in 1983)



In 2018 the Dairy Farmers of Wisconsin (DFW) launched a new brand identity and multi-faceted consumer campaign to validate and elevate its reputation as the 'State of Cheese.' Proudly Wisconsin consists of a new logo, fresh web site and photography; an anthem video and first national digital ad campaign showcasing the story and heritage of Wisconsin cheese; an educational, entertaining web series and Cheeselandia ambassador program; and an interactive 'cheese board' experience at the high profile pop culture festival SXSW.

Several months of research had revealed 86% of consumers think of Wisconsin when they think of cheese, but the DFW wanted to deepen Americans' knowledge and preference for Wisconsin-produced cheese products and increase usage and branding of Wisconsin cheese in products across the nation.

The campaign was grounded in a very 'foodie, culinary' direction with ads placed in publications such as *Bon Appetit*, *Food & Wine* and *The Food Network* and web talk shows featuring well-known chefs.

STRENGTHS & SUCCESSES

- The campaign makes an effort to appeal to different audiences, in particular millennials both via visuals on the web site as well as interactive content; it also launched a mobile friendly site.
- The web site provides a great deal of content and information on cheese, and tries to make it more of an 'experience' for the user, going into the types of cheeses made in Wisconsin, offering recipes, pairings, etc. and highlighting the cheesemakers.
- The campaign won the Association of National Advertiser's REGGIE Award In the Small Budget Campaign category.

- According to their annual report, Proudly Wisconsin efforts have resulted in an increase in social media engagement by 4,000%, over 200 cheese brands using the Wisconsin Cheese logo on their packaging, and items featuring logo achieving a 5.9% sales increase

CHALLENGES & WEAKNESSES

- The campaign did not generate national attention despite it being a national campaign.
- The campaign did not seem to establish a true point of difference for Wisconsin cheese - i.e., premium quality, responsible production, sustainable farming, etc.
- Proudly Wisconsin is perhaps too cheese focused, i.e., it does not connect to anything else of interest/value to consumers.
- Brand logo and visuals do not convey premium or specialty.
- There is no information in which products/brands throughout the country use Wisconsin cheese.
- It seems very commercial in tone and visuals

KEY LEARNINGS FOR VERMONT

- The brand and campaign are based on elevating and owning something Wisconsin is already known for - they had a very clear objective.
- DFW conducted research to identify a consumer preference for Wisconsin cheese, but the campaign does not seem to "lean into" or leverage specific qualities that might be driving that preference.
- Robust content and many different ways to tell the story are important.
- A one-shot campaign that does not have a long-term strategy behind it will not deliver sustained attention and engagement.

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TASTE THE LOCAL DIFFERENCE (MI)

Years Active: 2004 - Present



Certified by Taste The Local Difference®

Taste the Local Difference (TLD) was created in 2004 by the Groundwork Center for Resilient Communities (then called Michigan Land Use Institute) as a print and online guide designed to offer something of tangible value to the state's network of growers and retailers: to make the connections with consumers that weren't previously available and help build demand for local food. At the time, there was very little understanding about the importance and impact of 'local food' so Taste the Local Difference created tools and resources to help people become more aware of and participate in the process of supporting local food businesses and farmers.

The organization expanded over the next decade both in its footprint across the state as well as its outputs, including publishing thousands of guides to local farmers and businesses, maps, a smartphone app to make it even easier for people to connect with farmers, and its own magazine with 50 pages of farm listings and maps, plus articles highlighting success stories in the region.

Around 2012, Groundwork Center converted TLD to an independent LLC acting as for-profit marketing agency for the local Michigan food ecosystem. This allowed TLD to grow and expand as a business, while still supporting Groundwork's mission to promote the economic and social value of local food.

In 2018, Groundwork Center sold TLD to the Traverse City-based venture capital firm Boomerang Catapult which provided an infusion of new resources including capital, technology and business guidance to continue growing TLD across the state. The enterprise now serves 47 counties in northeast Michigan, the Upper Peninsula and southeast Michigan. Their marketing efforts include school pop-up markets, local events, certified local food events, listings in several local food directories, guides to local food and gift guides. They are led by a CEO and have eight dedicated staff including marketing, communications and local coordinators. They have also cultivated a community of 'local food enthusiasts' to champion the movement.

STRENGTHS & SUCCESSES

- TLD has established itself as an important and effective leader in the local food movement. The successful model in Michigan has been noticed by other communities in the U.S. and there are efforts underway to create a replicable model.
- The success of this non-profit initiative drove its evolution into a for-profit company and ultimately its sale to a VC firm that saw the value in investing its money and mentorship to expand and grow throughout

Michigan and beyond – validating the notion that local food is a good business proposition and consumers are on board.

- The web site is robust and informative and gives visitors a lot of ways to explore and engage with TLD - whether you're a business or farmer in need of marketing support or a consumer seeking to find out more about how to get involved.
- TLD gets a great deal of local media attention and community support.

CHALLENGES & WEAKNESSES

- TLD's revenue generation for local food businesses and farmers and broader economic impact does not seem to be reported anywhere.
- It remains to be seen if/how the mission and attention to the local community changes with the new dynamic of being owned by a VC firm.
- TLD's brand positioning is actually relatively generic – emphasizing local for local's sake – and with no emphasis on specific place-based characteristics associated with Michigan.

KEY LEARNINGS FOR VERMONT

- To be a certified TLD farm or food business, you must pledge to act in alignment with the TLD mission, and to provide accurate information about growing practices, ingredients, labor practices, etc. In other words, to the extent that the TLD brand espouses values beyond simply geography (local), those might be summed up as honesty and transparency. TLD also offers a certification for Certified Local Food Events.
- The initiative was created by a non-profit focused solely on Michigan, but because of its success, it evolved into a for-profit business and was ultimately sold to a VC firm – supporting the notion that well-executed locally-oriented/place-based marketing efforts add value to the local food system.
- Among TLD's marketing strategies are the human stories it tells about its participating farmers and food businesses.

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