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Spring 2015

## The True Milk Story

The Milk Processor Education Program (MilkPEP) and Dairy Management, Inc. (DMI) joined forces to launch the new Get Real campaign. Kicked off at the International Dairy Foods Association (IDFA) Dairy Forum at the end of January, the campaign focuses on the benefits of milk: Milk is nutritious, affordable, available and versatile.

Today's consumer is concerned with the food they are eating. At the Dairy Forum, representatives for the campaign shared market research that consumers take an active interest in where their food comes from and want an emotional connection to food as a reflection of who they are and what they stand for. These consumers are known as the millennials, ranging from 20-30 years old. The millennial population drives communication in an instant with social media serving as their news channels.

Over the years, consumer confidence in dairy milk has decreased. For the past five years, fluid milk sales have declined. Activists against dairy are getting more aggressive and imitation competitors like soy milk are making the same claims, causing greater consumer confusion and taking up space in the dairy corner of the grocery store. Negative connotations that milk is fattening and contains antibiotics fuels misguided perceptions about dairy.

The Get Real campaign is focused on regaining consumer confidence by telling the truth about milk and dairy foods. Using social media and maintaining real-time conversations with consumers through a digital dialogue, MilkPEP and DMI are advocating to #getreal and share the #milktruth. At the Dairy Forum, MilkPEP CEO Julia Kadison said that they were ready to get aggressive and come out against the milk naysayers.

In a recent publication of Dairy Foods magazine, Kadison was quoted "we're going to continue to elevate milk's benefits to be more relevant..." The campaign will focus on sharing positive stories about dairy and tell the emotional stories that creates a connection with the consumer, all while sharing the science behind the benefits of milk. The Get Real campaign is a narrative that meets consumers' rational, emotional and societal needs.



The Milk Truth campaign features 5 major facts about milk.

1. Milk is a nutrient powerhouse.
2. Milk is real, whole and a local product from family dairies.
3. Milk offers valuable nutrients without excess fat and calories.
4. The ingredient list is short and simple. Imitators can contain 10 or more ingredients.
5. Milk contains high quality protein.

The articles and commentary in this newsletter do not necessarily reflect the views of Grassland Dairy Products, Inc.



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## The Dairy Market Report

### Butter

Butter production fell 1.6% year-over-year during January and was an exceptionally low production number considering the easy-to-beat comparable. This production decrease suggests that butter prices could break, if and when production increases.

Butterfat demand is also picking up pace. Lower butter prices are being passed on to the retail consumer just as holiday orders pick up steam and restaurant orders are also gaining momentum. However with the "spring flush," we also expect butter production will ramp up and overwhelm near-term demand.

### Global Market

At the mid-March Global Dairy Trade auction, the weight average of all dairy products fell 8.8%. Buttermilk powder was down 11.6% after a 6.8% jump on March 3. Butter was also down 9.4%, and anhydrous milkfat continued down 8.4%. The average GDT price for butter is around \$1.6126/pound, down from \$1.7744.

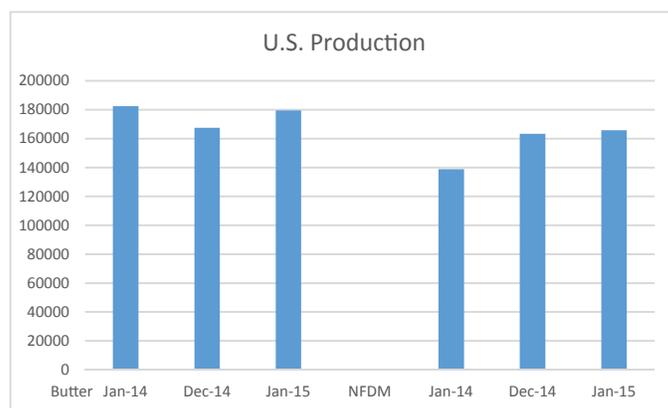
Chinese imports strengthened during January as a result of New Zealand's beneficial tariff. The first 135,504MT of NZ milk powders, 13,227MT of NZ milk fat, and first 5,066MT of NZ cheese imported during 2015 received a discounted tariff rate. This year the tariff was tapped out for all categories during February.

Oceania milk production was mixed in January. New Zealand production was up 0.3% during January, after being up 3.4% during December. Australia milk production was up 0.6% during January, after being down 1.5% in December.

### Nonfat Dry Milk and Skim Milk Powder

Nonfat dry milk prices are moving lower on the CME, especially in the recent weeks where cheese and butter prices are moving higher. We expect that nonfat dry milk will lead all dairy product market prices lower. Class III will slip below the current level to about \$14.60cwt during April and \$14.17cwt during May.

Nonfat dry milk production increased 19.4% year-over-year during January. However, with the exception of export orders, skim milk powder output fell 30%. The demand for nonfat dry milk and skim milk powder was strong, up 10.2% during the last three months of 2014 as cheese makers fortified the vat to boost output.



The data and forecasts in this report are excerpts from the Dairy & Food Market Analyst by Jerry Dryer and Matt Gould.  
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## Profile: Center for Dairy Research

The Wisconsin Center for Dairy Research (CDR) is the premier dairy research center. More than 30 researchers and scientists are involved in conducting basic and applied dairy research on the University of Wisconsin-Madison campus in Babcock Hall. CDR explores the functional, flavor and physical properties of cheese, cheese products and other milk components used as ingredients and as finished products.

CDR's facilities include a cheese pilot plant, dairy ingredients pilot plant, sensory lab, analytical lab and applications lab. CDR often performs partner trial runs and testing, working with United States dairy ingredient manufacturers. The Center is funded by dairy farmers through the dairy check off program and partners with organizations such as the Wisconsin Milk Marketing Board and the Dairy Management, Inc (DMI). The mission of CDR is to bring innovative, nutritious and profitable products to the global marketplace.



K.J. Burrington, CDR Coordinator for the Dairy Ingredients and Cultured Products and Beverages group specializes in functionality and applications for dairy ingredients. Since joining CDR, Burrington assisted in the evolution of adding protein-containing ingredients such as Milk Protein Concentrates and Whey Protein Concentrates in a variety of food categories. With diets such as the South Beach Diet and other low carbohydrate diets, protein became a popular focus of food development. According to Burrington, since the early 2000's, substantial nutrition research has been published about the benefits of dairy proteins on muscle recovery, weight management and healthy aging.

Burrington started working with Grassland Dairy Products in 2011. CDR and Grassland continue to expand on applications for dairy ingredients such as Grassland's milk permeate powder and Milk Protein Concentrates (MPC). "We started working with permeate ingredients in 2000 to find more uses for this underutilized dairy ingredient. Permeate provides the benefit of browning while maintaining a moist texture in baked products, typically at a reduced cost," according to Burrington.

CDR and Burrington work with dairy ingredient manufacturers and educate other product developers on how to use dairy ingredients in foods. Burrington hosts CDR short courses in Babcock Hall, on-site food companies, and overseas. Currently, Burrington and her colleagues are developing prototypes for the Institute of Food Technologists (IFT) Food Expo which will be sampled at the US Dairy Export Council (USDEC) booth. CDR is also helping Grassland to create prototypes for the show using Grassland's dairy powders.

"The new product trends we are seeing now are companies that want 'clean label' products. They want very few ingredients and the ingredients they want included are things like natural flavors and natural colors, low levels of added sugar, natural sweeteners, and no high fructose corn syrup," Burrington reports.



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## Profile: Center for Dairy Research continued

Prototypes like those for IFT include products that contain either cheese, MPC or milk permeate. These dairy ingredients provide protein and the permeate allows for total recipe sodium reduction. Burrington says that CDR is typically approached by companies who have an idea for a project, but do not have the ability to develop it themselves. CDR helps direct these companies in selecting the right dairy ingredient to reach a specific nutritional target. These companies then have the option of keeping those discoveries and research confidential.

CDR is continuing to grow and moving forward with an expansion of their facilities and offerings based on client needs. Burrington is excited that this addition will include an aseptic beverage pilot plant that will allow Ultra High Temperature (UHT) processing. Grassland Dairy was one of the contributors to the fundraising campaign which is projected to start construction in the fall of 2015 and complete in early 2018. Burrington will also be involved in training opportunities in export markets. One of the highlights in April will be the USDEC U.S. Dairy Business Conference in Singapore in which Burrington will be speaking on "Maximizing Value through Innovation with U.S. Permeate."

The Center for Dairy Research continues to be a leader in scientific dairy research and a valuable partner for dairy manufacturers like Grassland.

## A Change in Supply

Count those calories! Initiated by the Affordable Care Act of 2010, chain restaurants and vending machines will need to start posting calorie counts. The United States Food and Drug Administration (FDA) recently finalized regulations regarding menu labeling. The regulations apply to restaurant and entertainment venues which a) are a chain of 20 or more locations doing business under the same name; and b) offer the same menu items. Buffets, salad bars, beverages, and self-service items will also be affected.

According to the FDA, Americans eat and drink about one-third of their calories away from home. The regulations are designed to help consumers make healthy decisions. The FDA regulations will effect more than 200,000 restaurants nationwide and impact grocery and convenience stores with prepared foods. The FDA rules state that the calories must be posted clearly and prominently on the menu with guidelines to the size of the calorie declaration. Menu items with a variety of options available will also need to provide a calorie range.

Calories are not the sole focus of the regulation. The FDA also will require menus to provide "additional nutrition information upon request." Restaurants are required to have written nutrition information available for consumers who ask for it. Other nutrition information accessibility is also contained in the final regulations.

The menu regulations are to be implemented by December 1, 2016.



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## Product Profile

### Whipped Butter Tubs

Whipped tubs are a back of the house favorite. This product is primarily used in pancake houses for the breakfast program. Whipped butter is ideal for topping baked potatoes and spreads easily right from the fridge.

Whipped butter can be scooped and put into a little cup. Using a #60 scoop (1/3 oz.) the yield is approximately 240 servings.

#### Product Offerings:

- 8/3 pound tubs per 24 pound case, 36 cases per pallet.
- 2/5 pound tubs per 10 pound case, 100 cases per pallet.
- 4/5 pound tubs per 20 pound case, 60 cases per pallet.



## Grassland's Story

### Over a Century of Dairy Passion

Grassland Dairy Products, Inc. maintains the Wuethrich family legacy with more than a century of churning cream into delicious butter in Greenwood, Wisconsin. Grassland applies product research and development and continuous technological improvements to maintain its reputation as a quality dairy products manufacturer. With a variety of product offerings, Grassland commits to exceeding the needs of their dairy retail, foodservice and industrial customers, both domestic and international. Each product is made with the same commitment to quality, service and value as established by John S. Wuethrich in 1904.

Grassland and West Point Dairy Products LLC continue to build on a fundamental commitment to delivering unsurpassed quality and value.



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