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Summer 2015

Eating Healthy for the Long Run



South Beach, Atkins, Paleo, Raw Food, Five-Bite, these are the fad diets we have heard about, possibly tried for ourselves. However, food choices are no longer a quick month-long diet, but a long-term, lifestyle choice. Recent Mintel data indicates that consumers are turning away from fad diets and basing their dieting habits on long-term goals. Consumers today focus on 1) clean ingredients, 2) value consciousness, and 3) e-commerce specialty products. These focuses also change the landscape for dairy food trends.

Clean Ingredients

Consumers look transparency on the labels of the foods they are purchasing. Sustainable foods are no longer the leading issue; consumers want to know about the ingredients, the products and the manufacturing and sales companies behind the food. According to Mintel, less than 38% of consumers trust what the company puts on a label. One of the growing label claims consumers are looking for is local.

Defining Value

Baby Boomers and Generation X were generations of brand loyalty. However, with the emergence of the millennial generation, brands are becoming less important as they look for brands that offer the most convenience at the lowest cost. Millennials are the largest generation in US history, around 92 million compared to the Baby Boomers at 77 million. Brands need to adapt and start focusing the balance between affordability and premium positioning.



Internet Market Access

With the millennial generation spearheading food trends, and a demographic largely focused in social media and digital communication, brand e-commerce is emerging. Consumers are looking to fulfill specific diet needs and personal interest. With the internet at their fingertips, they can find information in an instant. Brands stay relevant by engaging customer interaction with online contests, promotions and R&D.

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The Dairy Market Report

Butter

The butter market is on a roller coaster ride. Some market analysts believe the butter market is/will-be oversupplied and are predicting a significant price correction lower. This uncertainty has bled its way into the spot market. Repeatedly, over the last several weeks, hedgers, perceiving a big price move possible (in either direction), have purchased put and call options to protect their financial positions. Options traders have offset some of that risk by utilizing (via buying or selling) butter futures contracts. For a variety of reasons, this has caused futures contracts to temporarily move higher, and provided opportunity for physical traders to purchase butter at the CME spot market (buy low), sell higher priced butter futures contracts (sell high) and cash the check on the difference. Twice, in the last six weeks, this mechanism, not fundamentals, has caused the spot market to rally. Butter production was down 1.7% YoY during Apr after being down 3.2% during 1Q15. Adding to supply, 7.1 million lbs of butter and other butterfat products came into the USA during the month.

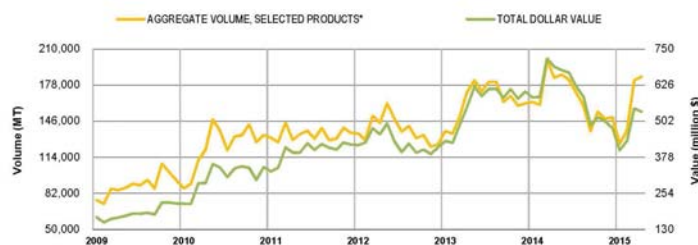
Nonfat Dry Milk and Skim Milk Powder

Nonfat dry milk/skim milk exports nearly set a record at 127 million lbs during Apr, up 8.0% YoY; the 3rd highest monthly volume ever. Exports were up 6.6% YoY during Mar. Production of nonfat dry milk was up 13.1% during Apr while output of skim milk powder was lower; down 31%. Total milk powder production was up 2.7% YoY.

International Market

According to the US Dairy Export Council (USDEC), strong volumes of milk powder, whey, lactose and cheese were exported in the early months of 2015. In April, U.S. dairy suppliers exported the second-highest volume (based on daily-average) for milk, cheese, butterfat, powders, whey and lactose. U.S. exports continue to stay strong despite the world market supply. Europe and Oceania's supply increased in April, creating a very competitive world market. Chinese Skim milk powder imports were down just 13% YoY during Apr, the smallest YoY decline in the last nine months. Cheese imports were up 8% YoY, while butterfat imports were down 35%. China will return as a source of demand growth for dairy markets; growth in Chinese demand will outpace growth in Chinese milk supply.

US Exports



* Volume includes SMP, WMP, food preps, MPC, whey, cheese, butterfat, lactose

Chart credited to U.S. Dairy Export Council

The data and forecasts in this report are excerpts from the Dairy & Food Market Analyst by Jerry Dryer and Matt Gould. mgould@dairymarketanalyst.com



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Profile: Baldor Specialty Foods

Baldor Specialty Foods is known for specialty produce. From Portland, Maine to Norfolk, Virginia, Baldor puts quality first.

In 1918, Louis Balducci Sr. rented a produce pushcart for \$5.00 a week in Greenpoint, Brooklyn. Louis emigrated from Bari, Italy and came to the United States in 1916 where he dug ditches and piecework construction on the Midtown Tunnel, the 59th St. Bridge, and the elevated subway tracks between Flushing and Long Island City.

The produce pushcart was the beginning of Louis Balducci's retail entrepreneurship. That led to a small fish market in Greenpoint, then the purchase of an ice truck for making deliveries of huge ice blocks to homes in the days before refrigeration. Unknowingly, Louis was setting up the foundation for what would become Baldor Specialty Foods.

Today, Baldor's business portfolio includes a whole range of specialty grocery, dairy and cheese, as well as meat and poultry. Baldor's warehouses contain over 4,000 stocked items and 1,000 custom fresh cut option. Delivering to small restaurant and large venues, Baldor keeps products fresh for every customer's needs. Baldor recognizes Grassland as a quality source and partner to grow their dairy business. Everybody needs butter!

In addition to quality products, Baldor offers customers quality service. Baldor takes pride in delivering exactly what customers need, exactly when they need it. The company stops at nothing to provide great food and logistics to give their customers an edge. Baldor sales representatives provide personal service to new and long-standing customers.



*"Quality you can trust.
Service that delivers."*



Baldor's Promise:
*"Curate and deliver the
best and freshest food
in the world."*

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



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Summer 2015

Eating Healthy for the Long Run, continued

Dairy Trends Impacted by Millennials

In the last year, Americans spent more money in restaurants than on groceries. While restaurant visits decreased per capita, the amount of spending increased. This change in spending is attributed to the millennial generation; baby boomers tend to eat at home. Historically, restaurants account for more butter and cheese consumption than at home. Ethnic foods and restaurants tend to be heavy users of dairy products as well, and these establishments are popular among millennials. Mintel data reports 59% of the U.S. population eats ethnic foods to try new flavors. While Italian, Chinese and Mexican cuisines reign as the longstanding ethnic foods, Thai, Greek, Indian, and Cuban to name a few, are becoming increasingly popular for their complex flavor. Dairy products often as paired with sweet profiles while ethnic foods are most commonly associated with savory flavor. With the growing trend of preparing ethnic foods, the dairy industry needs to adapt to be included. Beverages, yogurt-fruit fusions and chocolate desserts lead the way for incorporating dairy in this trend.

The consumers influencing and driving current food trends is the millennial generation. Millennials continue to set standards for food companies' transparency and redefine value instantly with digital communication. Dairy products need to adapt to these changes and provide innovative products, which meet consumer trends.

Grassland is Heading to the Windy City

Grassland is exhibiting at the Institute of Food Technologists Food Expo in Chicago, Illinois. The IFT Annual Meeting and Food Expo takes place July 12-14, 2015. Over 23,000 food science and technology professionals are scheduled to attend.

Grassland developed several application samples for its milk permeate and buttermilk products. Come taste for yourself at Booth #3902. Grassland's staff welcomes the opportunity to meet with prospective and existing customers; feel free to reach out to us to set up a meeting while in Chicago.

Grassland continues to meet all of your dairy ingredient and industrial butter needs!



Photo courtesy of the Wisconsin Milk Marketing Board, Inc.

To set up a meeting or for general inquiries,
email us at ingredientsales@grassland.com.



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Product Profile

Nutrose - Milk Permeate

Grassland Dairy Products, Inc.'s Nutrose is manufactured from the production of milk protein concentrates (MPC). Milk permeate powder is the carbohydrate portion of milk obtained by fractionating and concentrating the lactose, vitamins and minerals which are removed during the MPC production process. Grassland's Nutrose undergoes a crystallization process to create an exceptional dairy ingredient powder composed of at least 80% lactose. Nutrose is sourced from milk and therefore only has properties found in milk.

Applications: superior carbohydrate source, lactose replacement, bakery, confections, cultured and fresh dairy products, dairy blends and more....



Sample our
Nutrose
application at
IFT Booth
#3902

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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