



Dairy Plant Investment Survey

Cooperating with Wisconsin Department of Agriculture, Trade and Consumer Protection
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- Wisconsin dairy plants invested **\$1.24 billion** in their equipment and facilities over the past five years.
- They plan on investing an additional **\$781 million** over the next five years.
- Investments in **upgrades to utilities** and **waste treatment** are both expected to increase in the next five year period.

Survey Methodology

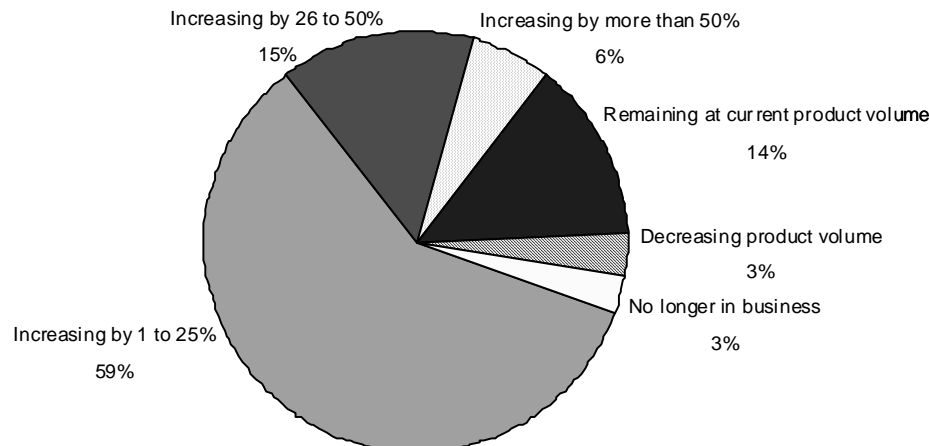
In January and February 2009, Wisconsin dairy plants were asked to give input on the current and future state of their dairy operations. Surveys were mailed to 185 plants. If a company had multiple plants in the state, it was asked to report only once for the entire company. After two mailings, surveys were returned by 68 percent of plants.

In order to expand the data to account for all dairy plants in the state, companies were split into strata based on production volume and type of product produced. Data on production volume and type of production was obtained from dairy product surveys conducted by the National Agricultural Statistics Service and the Dairy Plant Directory published by the Wisconsin Department of Agriculture, Trade and Consumer Protection, Division of Food Safety.

Future Plans and Investments

Nearly 60 percent of dairy processors plan on increasing their product volume by 1 to 25 percent over the next five years. Over one-fifth indicated they would increase their product volume by more than 25 percent. Very few plants plan on decreasing product volume or going out of business.

**Future of Wisconsin Dairy Plants, 2009-2013
Expected Changes to Product Volume**



Wisconsin dairy plants spent over one billion dollars on improving their plants over the past five years. Upgrades to plants producing natural cheese accounted for 65 percent of investments. Companies making less than 5 million pounds of dairy products spent over half, \$414 million, of the \$802 million invested in natural cheese plants, compared with larger companies, who spent \$388 million. For all plants, improvements to buildings and processing equipment accounted for 69 percent of the total.

Over the next five years, processors plan on spending \$781 million on upgrades to their plants. This reduction in investment dollars makes sense in light of the economic downturn experienced in 2009. Investments in plants producing natural cheese are still expected to account for the majority of money spent. However, in contrast to the previous five year period, companies producing less than 5 million pounds of dairy products are only expected to account for 12 percent of the \$392 million invested in natural cheese plants. Larger companies are anticipated to make up the remaining 88 percent of investment dollars to natural cheese plants.

As in the previous five years, investments in buildings and processing equipment make up the bulk of future improvements, although at lower dollar amounts. Investments in waste treatment and upgrades to utilities, however, are expected to increase in the next five years, compared to the 2004-2008 time period. Plants producing products other than natural cheese or whey products are expected to jump from 25 percent to 38 percent of total investments.

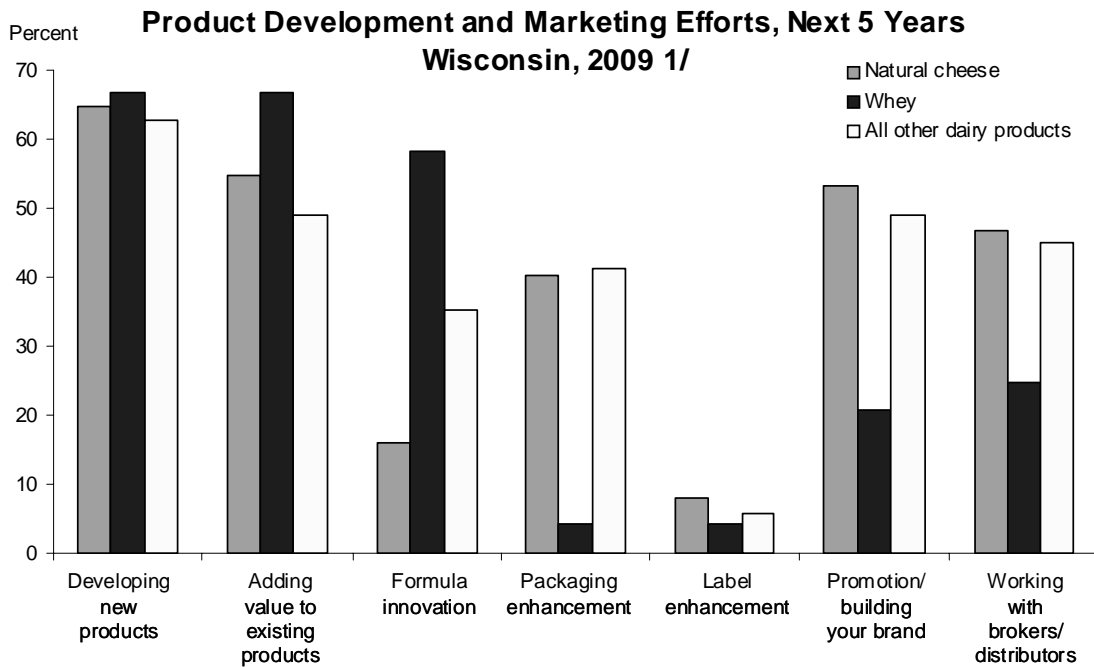
Investments in Dairy Plants, Wisconsin, 2004-2008

	Natural Cheese	Whey Products	All Other Dairy Products	Total
	1,000 Dollars			
Buildings	288,240	20,584	98,506	407,330
Processing Equipment	224,185	93,356	132,801	450,342
Packaging and handling equipment	237,049	1,233	48,475	286,757
Waste treatment	19,703	4,366	7,414	31,483
Upgrades to utilities	19,430	5,551	13,610	38,591
Automation or business software	13,608	1,488	13,339	28,435
Total	802,215	126,578	314,145	1,242,938

Expected Investments in Dairy Plants, Wisconsin, 2009-2013

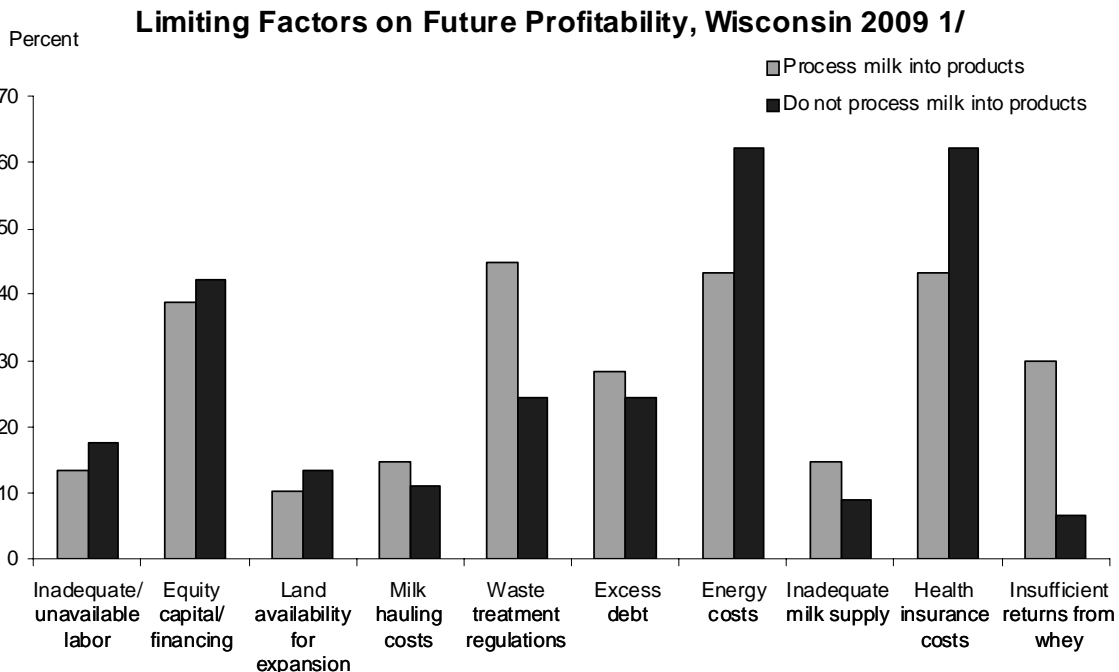
	Natural Cheese	Whey Products	All Other Dairy Products	Total
	1,000 Dollars			
Buildings	113,019	21,725	80,341	215,085
Processing Equipment	150,463	48,353	125,545	324,361
Packaging and handling equipment	50,613	10,165	48,822	109,600
Waste treatment	46,211	5,732	12,698	64,641
Upgrades to utilities	19,490	5,099	16,393	40,982
Automation or business software	11,812	2,115	11,939	25,866
Total	391,608	93,189	295,738	780,535

Respondents were asked to identify three areas where they would spend most of their product development and marketing efforts over the next five years. For all types of plants, developing new products and adding value to existing products were the most commonly chosen areas. For plants producing whey products, formula innovation also ranked high. For plants not producing whey, promotion/building your brand and working with brokers or distributors were common choices.



1/Each respondent chose up to 3 factors.

When asked to select the factors that are most likely to limit their future profitability, plants that process raw milk into dairy products indicated that equity capital or financing, waste treatment regulations, energy costs, and health insurance costs were equally important. For all other dairy plants, those that process dairy ingredients such as cream, whey, or natural cheese into other dairy products, energy and health insurance costs were the predominant factors chosen.



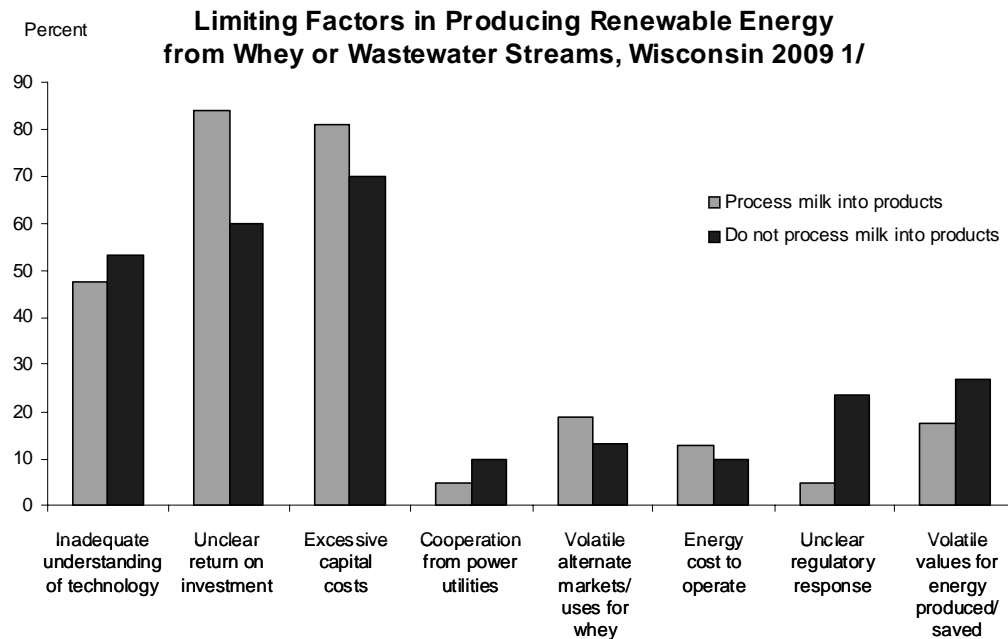
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Energy

Almost half of Wisconsin dairy plants, 49 percent, indicated they had an energy audit or worked with Focus on Energy in the past five years. Over half of the plants that responded to the survey, 54 percent, plan on investing in energy efficiency (e.g., boilers, motors, lights, etc.), while 20 percent of responding plants intend to invest in renewable energy (e.g., solar, wind, waste to power, etc.). Investments in energy efficiency and renewable energy are expected to total \$39.4 million and \$62.4 million, respectively.

	1,000 Dollars
Energy Efficiency	39,428
Renewable Energy	62,385

When asked if they were interested in adopting technology to produce renewable energy from whey or wastewater streams, 55 percent of plants indicated an interest. For all types of plants, an unclear return on investment, excessive capital costs, and inadequate understanding of the technology were the most limiting factors to producing energy from whey or wastewater streams.



1/Each respondent chose up to 3 factors.

We would like to thank all the dairy plants who responded to the survey. Your input is vital to show the current and future state of Wisconsin dairy plants.