

# Close look reveals the good, the bad and the ugly

**EDITOR'S NOTE:** From milk supply, procurement access and rural impact to consumer demand, new products and efficiencies ... This is the first in a two-part series that examines some of the good, the bad, and the ugly in the Empire State, to offer background as a springboard for solutions.

By **TAMMY GRAVES** and **SHERRY BUNTING**  
Special for Farmshine

NEW BERLIN, N.Y. -- While fluid milk sales continue their trend of decline, consumer demand for other dairy products is a bright spot in the Northeast. Annual estimated total fluid milk sales in 2010 declined by 1.4% from 2009, according to early-2011 data from the USDA's Agricultural Marketing Service.

Everyone -- from dairy farmers and media outlets, to county economic development boards and state and federal lawmakers -- is talking about New York's dairy resurgence and its expected positive impact on dairy farms and rural communities.

New York State is home to about 110 dairy processing plants of which 30 are fluid plants. More noteworthy, today, is Chobani, the leading yogurt brand in the United States, according to market tracking software that tabulates retail sales by brand.

Chobani Greek Yogurt is produced in New Berlin, Town of Columbus in Chenango County, near South Edmeston, N.Y., where in 2010 they expanded the former Kraft Foods' plant purchased in 2005.

The brand name comes from the Greek "chopani," meaning "shepherd," and symbolizes "unconditional giving that comes from the heart."

"It's a word that is near and dear to Hamdi's heart," says Nicki Briggs, Agro Farma director of communications. The Turkish born Agro Farma founder, Hamdi Ulukaya, had the vision for Chobani.

Like an oasis in what was fast becoming a Central New York desert, Chobani is leading a yogurt explosion that is giving jobs and economic

vitality back to the region. The company is also known for its charitable contributions.

Other Greek yogurt production in New York includes the Fage brand in Fulton County, which is in the midst of an expansion construction project. There are also plans for Alpina Foods to open a yogurt-production plant in Genesee County.

What is Chobani's impact on New York's dairy industry? Are dairy farm families positioned to mutually benefit from the yogurt explosion here? Agro Farma's Chobani yogurt, for example, is a new dairy product in a tremen-

dous growth phase (300% growth in the past year).

Is Greek-style yogurt a silver bullet for sustaining the foothold and footprint of dairy farming within New York's landscape of economic vitality, environmental stewardship, and community revitalization?

Is expanding production in New York State possible for Chobani brand owners?

Do current milk marketing models pass-through enough premium in the mailbox milk price to move milk from New York's dairy farms to in-state plants that need more of it?

And will enough price incentives be passed back to help these dairy farm families steward the state's dairy-friendly natural resources by producing more milk for the growing demand?

**THE GOOD:** A dairy processor in New York State has a supply of raw milk.

It takes three pounds of milk to make one pound of Chobani Greek Yogurt. At the end of 2010, New York State held its rank as third in the nation for milk production (although USDA's most recent report for May showed New York's production fell 1.4% below year

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The brand name, Chobani, comes from the Greek "chopani," meaning "shepherd," and symbolizes "unconditional giving that comes from the heart." As the nation's leading yogurt brand (by retail tracking) its fans are known as "Chobaniacs," and they are emptying store shelves in New York State and the suburbs of Philadelphia. Chobani sold over \$500 million worth of yogurt last year and now ships to stores in all 50 states. Access to New York's third-in-the-nation milk supply is a hurdle for Agro Farma to meet the exploding consumer demand for Chobani Greek Yogurt.

Photo provided by Agro Farma

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ago, while total U.S. milk production increased 1.3% above year ago).

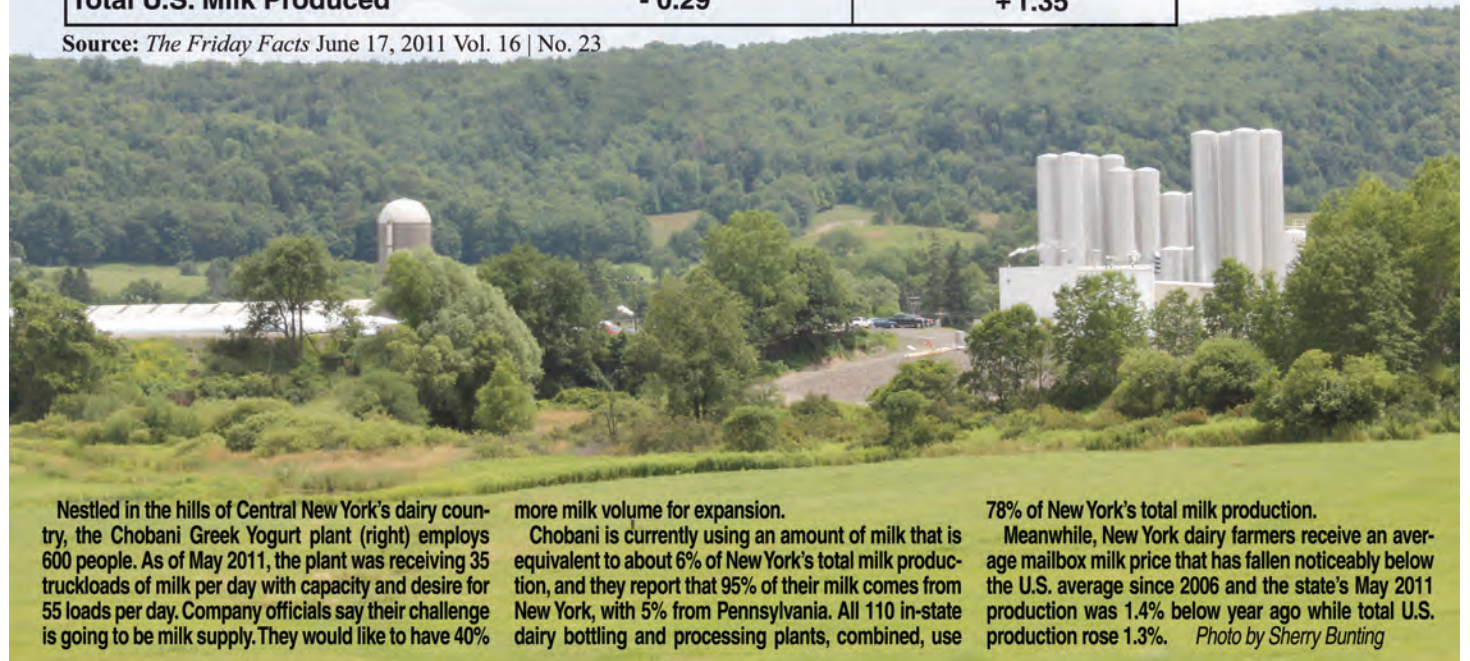
NYS Department of Agriculture and Markets reports the total amount of cow's milk used in production at New York State dairy plants for the month of December 2010 was 0.83 billion pounds (830 million pounds). During this same month, NASS reports that the state's dairy herds produced 1.07 billion pounds of milk.

Chobani, which employs 600 people, was receiving 40 million pounds of milk per month (22 trucks x 26.5 days) according to DFA reports in December 2010. As of May 2011, Chobani was receiving 65 million pounds of milk per month (35 trucks x 27 days). Agro Farma's Chobani plant expansion that began in

## DMS Milk Marketing Statistics May 2011

Numbers adjusted for 30.5 days	% change from Apr. 2010	% change from May 2010
DMS Milk Marketed	- 0.46	- 2.26
Total NY, PA and VT Milk Produced	- 0.56	- 1.04
Total U.S. Milk Produced	- 0.29	+ 1.35

Source: *The Friday Facts* June 17, 2011 Vol. 16 | No. 23



Nestled in the hills of Central New York's dairy country, the Chobani Greek Yogurt plant (right) employs 600 people. As of May 2011, the plant was receiving 35 truckloads of milk per day with capacity and desire for 55 loads per day. Company officials say their challenge is going to be milk supply. They would like to have 40%

more milk volume for expansion.

Chobani is currently using an amount of milk that is equivalent to about 6% of New York's total milk production, and they report that 95% of their milk comes from New York, with 5% from Pennsylvania. All 110 in-state dairy bottling and processing plants, combined, use

78% of New York's total milk production.

Meanwhile, New York dairy farmers receive an average mailbox milk price that has fallen noticeably below the U.S. average since 2006 and the state's May 2011 production was 1.4% below year ago while total U.S. production rose 1.3%. Photo by Sherry Bunting

August 2010 provides a 55-truck load capacity.

Agro Farma has a 7-year, full-supply contract with Dairy Marketing Services (DMS). DMS delivers 1.96 billion pounds of milk per month (942 trucks/day) to various plants, including Chobani.

Information at the DMS website explains the milk marketing organization annually markets approximately 16 billion pounds of Northeast milk, produced by more than 8000 farms, and manages a hauling system of 180 contract milk haulers delivering more than 900 loads per day. The DMS website also notes that the milk marketing organization was established through an agreement between Dairy Farmers of America, Inc. and Dairy Farmers of America, Inc. in 1999 "to ensure that Northeast dairy producers have a superior market and return for their milk."

DMS is self-described as "(serving) dairy producers, and the industry, by combining the milk supplies of independent and cooperative farms for the purposes of creating efficiency and the reduction of cost on milk assembly, field services and transportation. With DMS, all dairy producers can effectively and efficiently market milk in the most profitable manner," according to its website information.

(Note: DMS did not provide answers to questions submitted with this author's interview request.)

When asked about milk procurement, Agro Farma vice president of operations Keven Bucklin states: "We are not against any supply model and are open to any idea." He says he will discuss supply opportunities with independent cooperatives.

"Our Chobani plant is driven by whenever and wherever we can utilize local resources, like local farmers and local contractors. Whenever we can partner with a farmer, it's a great place to start," adds Bucklin, noting that Agro Farma has built its companies by starting with mother-nature and farmers.

Born on a South Dakota 70-cow dairy farm owned and operated by his brother, Bucklin says: "I enjoy being part of a company that is bringing excitement back to the dairy industry."

Greek-style yogurt has high levels of protein and fewer calories than conventional yogurt. It is said to be a health food disguised as a dessert. It is a snack, dessert, and offers culinary versatility in recipes.

Agro Farma owns and operates non-pool plants that are home to the Chobani Greek Yogurt plant in New Berlin, N.Y., and the Euphrates feta cheese plant in Johnstown, N.Y. Non-pool plants do not have a direct-from-producer supply. Therefore, Agro Farma is not doing a Federal Milk Market Order pooling, which allows sharing of the pool values.

On the other hand, Stewart's Shops, with milk bottling and ice cream production in its dairy portfolio, is a pool-handler, with a pro-

ducer supply, balancing their daily supply, and sharing in pool values.

The New Berlin plant production history includes Kraft cream cheese and Breyers yogurt, immediately prior to Agro Farma's facility purchase. In Johnstown, N.Y., crumbled feta cheese and feta in brine for food service has been made since 2000 and marketed under two name brands. The cheese is sold in 4-pound tubs to 33-pound pails to food service accounts mostly east of the Mississippi River. Bucklin supervises production and manages operations at both plants.

**THE BAD:** A dairy processor in New York State needs access to raw milk.

DMS markets milk production from various states, predominantly in the Northeast region, and records indicate around 63% of New York State's monthly production is marketed by DMS.

Dairy Farmers of America/Dairy Marketing Service (DFA/DMS) has 40% of its milk committed to the fluid (Class I) processors, according to Federal Milk Marketing Order One. The Federal Order requires only 10% of a handler's volume to be sold for Class I/fluid.



Turkish born Hamdi Ulukaya (left) founded Agro Farma in 2005, the parent company of Chobani Greek Yogurt. He is pictured here with Keven Bucklin, vice president of operations at Agro Farma. Bucklin supervises production and manages operations of the New Berlin and Johnstown, N.Y. plants that produce yogurt and feta cheese, respectively.

Photo provided by Agro Farma

In addition to the Federal Milk Marketing Order One, there has been a Western N.Y. Milk Marketing Order since March 1987. The Western N.Y. Milk Marketing Order had 117 producers delivering 358.2 million pounds in 2009 according to its annual report. Its Class I utilization of pooled milk was 50.7 percent of 318.9 million pounds in 2009.

Agro Farma pays the minimum Class II (manufactured) price – plus premiums and handling – for milk used in their Chobani Greek Yogurt operation. As much as 3.2 million pounds of milk are received there daily. Their expansion began in August 2010 and provides a 55-truckload capacity, while it currently receives only 35 trucks per day due to milk supply access limitations.

"Our challenge is going to be milk supply," says Bucklin of the Chobani brand. "We would like to have 40% more milk volume for expansion. We would like to have the access to milk to continue to grow immediately."

Rumors are growing in frequency and volume that California will be home to a Chobani plant to allow Agro Farma to ramp up its growth.

Jennifer Tavaris of Commerce Chenango, an economic development entity, says there is no planned expansion that she can comment on. Commerce Chenango assisted Agro Farma with applying for a Community Development Block Grant (CDBG) that provided funding to their financial package when they purchased the New Berlin facility.

In New York State, the Office of Community Renewal administers the CDBG program, which provides financial assistance to eligible cities, towns, and villages with populations under 50,000 and counties with an area population under 200,000, in order to develop viable communities by providing decent, affordable housing, and suitable living environments, as well as expanding economic opportunities, principally for persons of low and moderate income.

Currently, the nation's leading yogurt brand is 100% produced at the New Berlin, N.Y. plant. However, news reports last week (July 8) indicate that the Norwich-headquartered Agro Farma has received about \$18 million in federal new market tax credits to expand locally and has also acquired a large Australian dairy manufacturer and distributor, Beads Foods, to expand globally.

According to Bucklin, 95% of their yogurt-making milk is coming from New York and the remainder from Pennsylvania. Community members, who have observed license plates during milk deliveries, report milk is also coming from Canada and Ohio.

Please look for Part 2 of "The Good, the Bad, and the Ugly" (the "Ugly" and some more "Good") in next week's Farmshine.