

**--DRAFT PENDING SUB-COMMITTEE APPROVAL--**

**WISCONSIN DAIRY TASK FORCE 2.0  
SUB-COMMITTEE ON RESEARCH AND INNOVATION  
MINUTES**

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**February 8, 2019**

The Research and Innovation sub-committee of the Wisconsin Dairy Task Force 2.0 met on Friday, February 8, 2019 beginning at 10:00 a.m. at the University of Wisconsin-Stevens Point, Dreyfus University Center, Room 378, 1015 Reserve Street, Stevens Point, WI 54481.

**Call to Order**

Chair Chad Vincent called the meeting to order at 10:02 a.m.

**Members Present**

Members present included: Jeff Schwager, Chad Vincent, Andy Buttles, Steve Bechel and Ted Galloway. Paul Scharfman joined by phone. Ex officio member Jeff Buhrandt attended. Resource people, Drs. Kent Weigel and John Lucey, also attended. Dairy Task Force 2.0 Chair Mark Stephenson and DATCP staff Ashley Andre and Norm Monsen also participated.

Center for Dairy Research's Dr. Tom Guerin and Wisconsin Cheese Makers Association's John Umhoefer also attended.

Shelly Mayer and Rob Byrne were not able to attend.

**Minutes**

*Approve minutes of last meeting*

Chair Vincent asked for a motion to approve the minutes. Steve Bechel made a motion. Jeff Schwager seconded. The minutes were approved unanimously.

*Resume work on tasks identified in charging document*

Paul Scharfman described a patent he had previously held for specialty cheese condominiums, a concept to allow specialty cheese makers to take advantage of shared facilities and common areas while making product in their own plant space. It seeks to reduce some barriers for those who need facilities to commercialize their niche products. It is similar to a community kitchen. Mr. Scharfman would hope there could be several specialty cheese condominiums across the state.

Chair Stephenson asked what items may be shared. Mr. Scharfman explained items like the intake, boilers, some lab equipment, and shipping coolers could be shared. It could reduce the cost of those trying get into the business by a factor of ten.

Mr. Galloway commended the concept, but he cautioned that the details of the agreement between the entities would be very important. Mr. Scharfman noted that the shared facilities could be part of an existing business that specialty cheese condominiums are added to or a new facility.

Chair Vincent noted that sharing space is a way to help cheese plants operate more efficiently. If a plant has a couple days they are not running at full capacity, could that time be used by a new entrepreneur to make product?

Dr. Lucey added that in New Zealand he has seen facilities like this. One plant exists to make many different specialty cheeses, but they are all divisions of one business. He brought up the capabilities of the Center for Dairy Research (CDR) to support dairy entrepreneurs with their infrastructure. It can be challenging to work through details, such as insurance.

Mr. Umhoefer asked what the spark would be for the private sector to engage. Should there be a financial advantage that would take some of the risk away? Chair Stephenson noted that it may be beneficial to an existing plant if they have capacity and it could help with fixed costs. Dr. Lucey noted there is a lot of co-manufacturing in food. Mr. Galloway added that FSMA does make that challenging at times.

Mr. Monsen noted that when Mr. Scharfman first proposed this idea in the early 2000's, there was an obstacle that the licensing period for cheesemakers and buttermakers was 18 months. It has been reduced significantly since then allowing entrepreneurs and innovators to get started sooner. Mr. Scharfman added another change since that time is the availability of the web and consumer acceptance of niche products.

Mr. Schwager added that the concept makes sense, but that it should be kicked up to the business level. How do we fix the business model where artisanal dairy processors have a better chance for success?

Mr. Scharfman said that it is true that many specialty cheesemakers are fighting for the same four-foot section in a grocery store. How do we meet unmet consumer needs?

Mr. Galloway pointed out that distribution is the biggest problem for anyone in the industry right now. Chair Vincent noted that the Markets sub-committee is looking at how we can work together to get to the coasts to gain access to new markets.

Chair Vincent added that some dairy entrepreneurs can make a first batch at the Center for Dairy Research, but then how do they continue to make it, market, sell, distribute, gain access to retail, and then physically move the product. Each area can be a minefield and make a difference of why some succeed and others don't. He also noted that some smaller plants are hesitant to take a

risk to grow the next level. Are there state funds available, through possibly low interest loans, to get them to the next phase?

Mr. Galloway asked if there could possibly be an angel fund established with an entity that vets ideas. It could connect people together. Mr. Scharfman added that it would have to be profit driven, not charity. As technology is in the Silicon Valley, specialty cheese is in Wisconsin. It could make it easier to get into business. He asked if Mr. Umhoefer may take this concept to his Wisconsin Cheese Makers Association board members to see if they would be interested.

Mr. Umhoefer did note some challenges of applying this concept in existing plants, including money, licensing, other regulations, and liability. Mr. Scharfman noted that Wisconsin has the fundamentals in Wisconsin for specialty cheese entrepreneurs to be successful. Dr. Lucey asked if there is a way to identify what plants have capacity. Mr. Vincent noted that the Wisconsin Cheese Makers Association may have a better idea of that.

Mr. Monsen noted that previously there was a loan program for dairy entrepreneurs about 15 years ago. While it took a lot of hand holding with business planning and market assistance, it was ultimately very successful.

Dr. John Lucey shared PowerPoint slides with some ideas on product innovation. He began by noting that filtration technology is available for everyone. Mr. Galloway noted that the marketing is what makes some very successful in this area.

Dr. Lucey noted that we could redesign milk by selecting and breeding cows with unique concentrations of components. Again, marketing is a large factor. People are interested in something that is different. Mr. Galloway gave examples of how protein-concentrated milk would be beneficial in elderly care facilitates or how sour cream can be popular in squeeze bottles.

Dr. Lucey noted that companies are hesitant to make large investments in some of these new technologies without clarifications on government regulations. Mr. Galloway noted that the industry needs to be united in this way and push that we protect our industry's words. Dr. Lucey added that he presented to FDA on these topics last year, but government moves slow.

Dr. Weigel emphasized that no one is in a better position than Wisconsin with different types of dairies, genetics' companies, and research. Dr. Lucey described it as craft milk instead of commodity milk.

Dr. Lucey pointed out the amount of permeates we have in Wisconsin, and there is a lot we can do with them. It is a challenge, though, when check-off dollars can only be used for products that end up in human food. Permeates can be used in many other products so there is much left to explore. Mr. Galloway noted the importance of working across agencies, associations, and universities to take advantage of resources. Dr. Weigel noted that University resources are a cost effective way to work on dairy problems and opportunities.

Dr. Lucey noted the many research areas in the CDR facilities and how the new CDR is planned to be a licensed dairy plant. CDR could be used as an ‘incubator.’ He notes that serving as an incubator takes significant resources. He provided the example of Dairyvative Technologies, who they worked with previously. Dr. Lucey that 96% of his budget come from outside of the University.

Chair Vincent added the CDR does many valuable things. We have this gem in CDR and how do we do more to drive the industry and keep our leadership position? Mr. Umhoefer asked how we get funding for additional staffing at CDR so there are enough staff to complete the work that is needed. Mr. Vincent agreed that there is an incredible amount of innovation waiting to happen, but we are limited by people. Mr. Galloway emphasized the power of the intellectual assets of CDR. We need to market the university and how its essential support is needed for the future of the industry. Dr. Weigel noted that we have the facilities and farms in Wisconsin. How do we jumpstart innovative ideas, utilizing facilities we have? Dr. Guerin added that we need to figure out the feasibility and scope of ideas as they come in.

Dr. Lucey noted the challenges of us working in silos. Sometimes these silos are created by restrictions on funding. Hopefully one of the benefits of Dairy Business Innovation Initiatives in the U.S. Farm Bill will help this. We don’t want to duplicate efforts, and we want to leverage existing campus resources.

Chair Vincent added the importance of growing Wisconsin’s dairy exports. What resources do we need that we don’t have today so we can gain traction and move forward?

Mr. Umhoefer shared a summary document from the Wisconsin Cheese Makers Association on the Dairy Business Innovation Initiatives in the Farm Bill. He noted the hope that this work would spark something that lasts longer than five years, the length of the Farm Bill. Different groups are working together to get one proposal together quickly. There are not yet guidelines available from USDA, but they have been working with Wisconsin U.S. Senator Tammy Baldwin for clarification. Chair Stephenson asked if funding has been appropriated yet.

Mr. Galloway noted the importance of taking advantage of the assets we already have to not create a new bureaucratic structure. We need to use what exists and go farther. Chair Stephenson noted that depending on who implements this from USDA, they could have different ideas about how it will work. Also, with a possible tight timeline, we need to hope that people are ready with road worthy ideas to fund that can be started quickly.

Mr. Monsen noted that the Dairy Business Innovation Initiatives is a priority for the Secretary. Mr. Monsen also added that this center could be regional; that it could be a collaborative effort between states.

Mr. Monsen brought up DATCP’s dairy processor grant. There has been discussion about doubling the current \$200,000 available for those grants in the budget. Mr. Umhoefer noted that this is a priority for his organization.

## **Lunch**

The group broke for lunch at approximately 12:15 p.m. and reconvened 12:47 p.m.

## **Minutes**

### *Discussion*

Chair Stephenson provided direction to the group that most sub-committees are discussing concepts they want to move forward on and working independently to draft recommendations. These draft recommendations will be discussed in an upcoming conference call. He noted that recommendations should include background, the specific recommendation, and who it is directed at: individual, state, or federal.

He noted that two recommendations were passed at the December full Dairy Task Force 2.0 meeting in order to have them ready before the budget. While upcoming recommendations will be too late to be put in the Governor's budget, they could still be incorporated by legislators this budget or in the future. Mr. Buhrandt did agree that the timing is difficult, but it is still good conversation and there are still opportunities for ideas to be put into action.

Dr. Lucey asked if the final report will capture themes, such as research and innovation are important, need for greater collaboration with the university, need to promote dairy entrepreneurship, or the need to breakdown silos. Chair Stephenson said it will.

Mr. Galloway noted that there will need to be a sales pitch or marketing piece to the Dairy Task Force 2.0 final report. We will need to coax people to have interest. Chair Stephenson asked if there is a way to 'show and tell' in the legislature. Mr. Buhrandt said that in the past, UW System has done a '101' for legislators. It was well-received, but they thought if they did it again they would focus on a more specific topic. Agriculture could be a good example of that. Mr. Umhoefer added the importance of offering tours to legislators to connect them to the industry.

Mr. Buhrandt noted that the group could do a recommendation that the dairy industry be more vocal with legislators and stakeholders. He mentioned how you could tap into existing events, such as Ag Day at the Capitol. Mr. Schwager noted the importance of Task Force 2.0 members sharing the final report with their local legislators and asking for their support.

Dr. Lucey brought up the Wisconsin Ideas Dairy Summit that was held. Mr. Buhrandt added that something that came out of that was that there should be more ongoing, proactive dialogue in the industry.

Dr. Weigel asked about the Dairy Innovation Hub. Mr. Buhrandt noted that the administration has been discussing the recommendation.

### *Identify next steps*

Chair Vincent asked Ms. Andre to review the topics for the upcoming teleconference:

- Mr. Vincent will draft a recommendation, with input from Mr. Umhoefer, on the importance of specialty cheese in Wisconsin and the need to accelerate innovation and address barriers to growth.

- Dr. Lucey will draft a recommendation on the importance of expanding Wisconsin's dairy exports internationally.
- Dr. Lucey and Dr. Weigel will draft a recommendation on the importance of collaboration within the UW System and across the industry.
- Mr. Vincent will draft a recommendation, with input from Mr. Monsen, asking for an increase in grant funding for the dairy processor grants from DATCP.
- Mr. Vincent, will draft a recommendation, with input from Mr. Umhoefer, on the need for additional funding for staff at the Center for Dairy Research.
- Mr. Vincent and Mr. Buhrandt will draft a recommendation for the need for dairy farmers, processors, and businesses to engage with their legislators.
- Dr. Lucey will draft a recommendation to encourage FDA to make changes to their product standards of identity.

Mr. Monsen brought up the idea previously discussed of a fund. Chair Stephenson noted that Access to Capital sub-committee has been discussing some tax credit incentives. Mr. Schwager noted the importance of the Manufacturing and Agriculture Credit.

*Set a conference call*

The sub-committee chose to have their conference call on Friday, March 1, 2019 at 1:00 p.m. Materials will be due to Ms. Andre by Friday, February 22.

**Adjournment**

The sub-committee adjourned at 1:40 p.m.

Minutes drafted by Ashley Andre.