



IOWA AREA DEVELOPMENT GROUP

BRIAN TAPP

V.P. Value Added Agriculture

BRIAN TAPP

MA Economics

- **Iowa Area Development Group**
VP- Value Added Agriculture
- **Iowa State University**
VAA, Farm Food and Enterprise Development, SBDC
- **Southeast Missouri State University**
Center for Innovation and Entrepreneurship – COO, Missouri
Technology Center – Agriculture



BENCHMARKING – MARKET, FINANCIAL



- Knowledge of Market
- Market Research
- Identify Competition
- Direct and Indirect
- NAICS code – 31151
- 31151 = Dairy Product Production

NAICS CODES – STARTING POINT



North American Industry Classification System

- Main
- History
- Development Partners
- Federal Register Notices
- FAQs
- Reference Files ▾
- Search Results**
- NAPCS

NAICS Search

Enter keyword or 2-6 digit code

Enter keyword or 2-6 digit code

Enter keyword or 2-6 digit code

Search Results

2022 NAICS Definition

T = Canadian, Mexican, and United States industries are comparable.

Search results for: 31151

Number of records found: 5

- 31151** Dairy Product (except Frozen) Manufacturing^T
- 311511** Fluid Milk Manufacturing
- 311512** Creamery Butter Manufacturing
- 311513** Cheese Manufacturing
- 311514** Dry, Condensed, and Evaporated Dairy Product Manufacturing

NAICS CODES - DEFINITIONS

2022 NAICS Definition

T = Canadian, Mexican, and United States industries are comparable.

Sector 31-33--Manufacturing^T

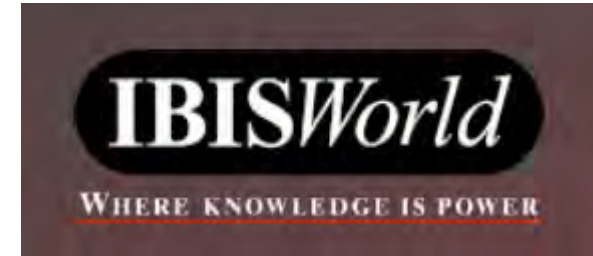
31151 Dairy Product (except Frozen) Manufacturing^T

This industry comprises establishments primarily engaged in one or more of the following: (1) manufacturing dairy products (except frozen) from raw milk and/or processed milk products; (2) manufacturing dairy substitutes (except frozen) from soybeans and other nondairy substances; and (3) manufacturing dry, condensed, concentrated, and evaporated dairy and dairy substitute products.

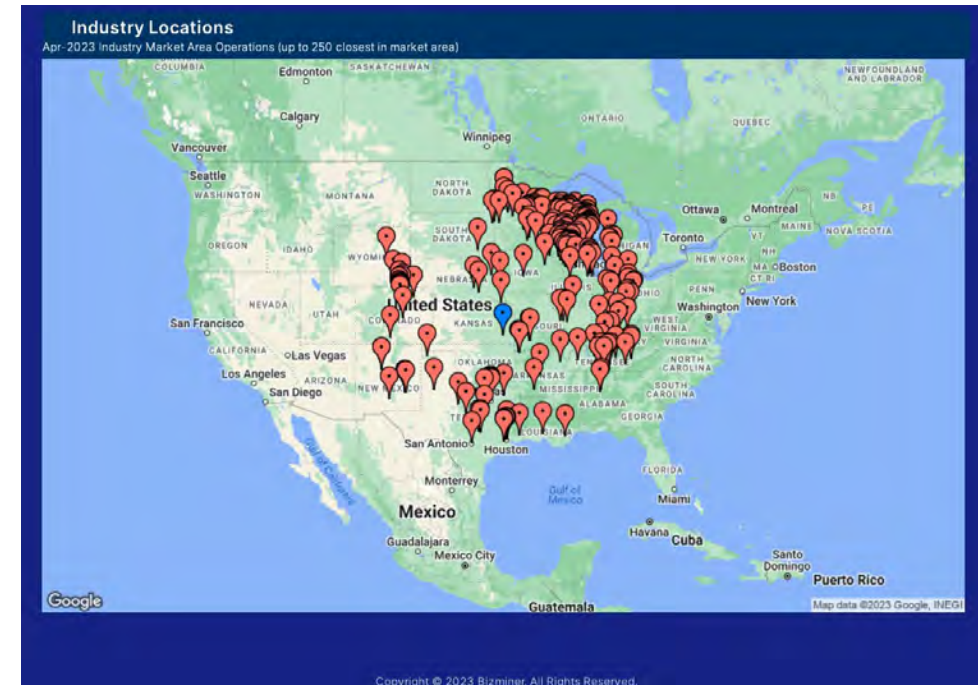
Cross-References. Establishments primarily engaged in--

- Manufacturing cheese-based salad dressings--are classified in Industry [31194](#), Seasoning and Dressing Manufacturing;
- Manufacturing margarine, margarine-butter blends, or butter substitutes--are classified in Industry [31122](#), Starch and Vegetable Fats and Oils Manufacturing;
- Manufacturing frozen whipped toppings--are classified in Industry [31141](#), Frozen Food Manufacturing;
- Manufacturing ice cream, frozen yogurt, and other frozen dairy desserts--are classified in Industry [31152](#), Ice Cream and Frozen Dessert Manufacturing; and
- Milking dairy cattle--are classified in Industry [11212](#), Dairy Cattle and Milk Production.

MARKET ANALYSIS – DAIRY PROCESSING



- How the industry works?
- Major Players
- Products
- Market Entry
- Profitability



MARKET ANALYSIS

Current Conditions

Recent Developments ([Expand All](#) / [Collapse All](#))

Aug 23, 2023 -- Dairy Farmers Struggle

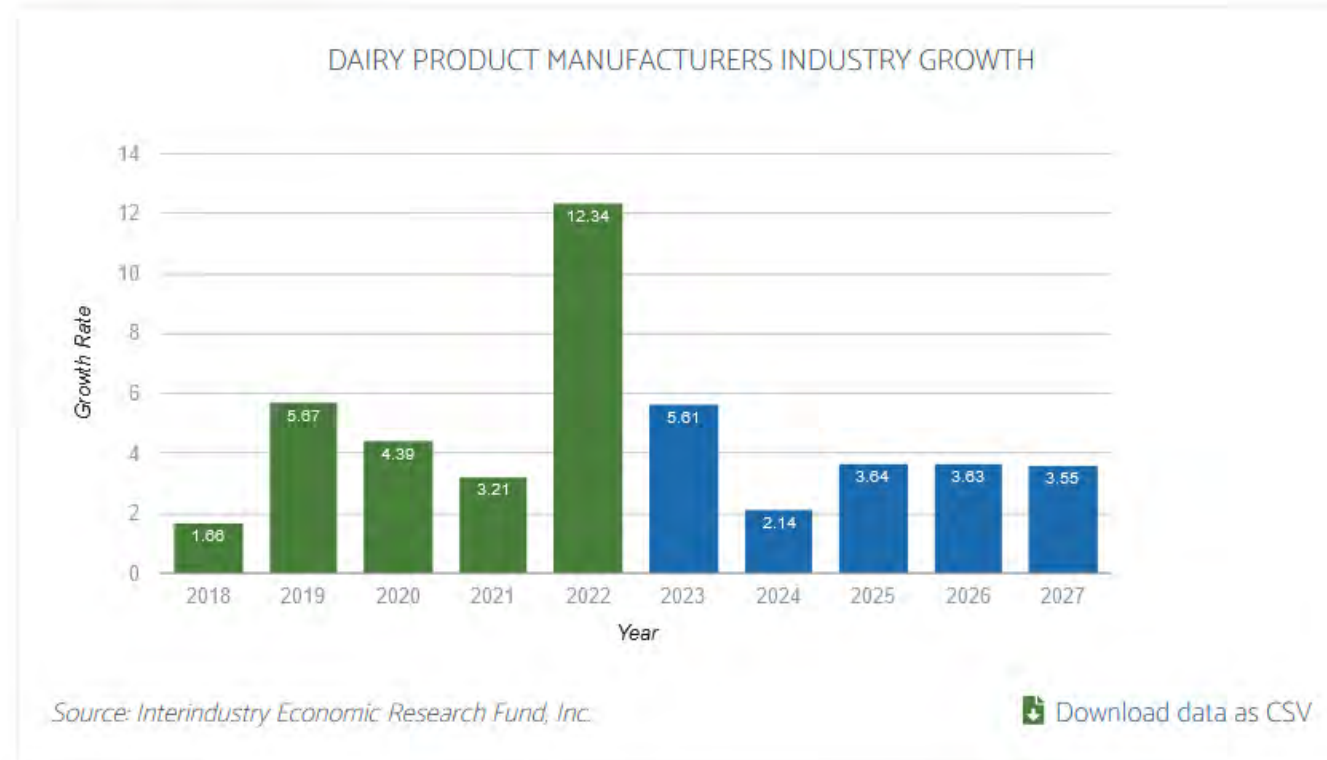
- Falling milk prices and rising costs have caused dairy farmers' earnings to plummet in recent months, with more dairies struggling to stay in business and some even closing for good, Focus on Agriculture (FoA) reported in August. [\(more...\)](#)
- Despite 2023 being on track to be the warmest year on record, ice cream volumes are soft as consumers demand more fruity flavors, according to an August article in Dairy Reporter citing research from NielsenIQ. [\(more...\)](#)
- The US dairy industry has grown significantly over the past two years, adding nearly 60,000 new jobs, increasing average wages by 11%, and increasing its total impact on the national economy by \$41 billion, according to the latest economic impact report from the International Dairy Foods Association (IDFA). [\(more...\)](#)
- Action in Congress seeks to return whole milk to school cafeterias, Progressive Dairy reports. [\(more...\)](#)

DAIRY PROCESSING

Industry Forecast

Sales for the US dairy product manufacturers industry are forecast to grow at a 3.71% compounded annual rate from 2022 to 2027, slower than the growth of the overall economy.

Last Update: August 2023



DAIRY PROCESSING

How Firms Operate

Products and Operations

Dairy product manufacturers produce dairy products from raw milk, processed milk, and dairy substitutes. Major product categories are fluid milk products; cheese and cheese-substitute products; dry, condensed, and evaporated products; creamery butter; and ice cream and frozen dessert products.

- Fluid milk products include milk of varying fat content, milk substitutes, cream, cottage cheese, sour cream, and yogurt.
- Cheese products include natural hard and soft cheeses (except cottage cheese), cheese spreads, cheese substitutes, cheese-based dips, and liquid whey.
- Dry, condensed, and evaporated products include dry milk, condensed milk, evaporated milk, ultra high temperature (UHT) milk, malted milk, infant and baby formulas, nondairy creamers, and mixes for ice cream, milkshakes, and yogurt.
- Ice cream and frozen dessert products include ice cream, ice milk, frozen yogurt, sherbets, frozen custard, frozen fruit pops, ice cream specialties, and non-bakery frozen desserts.
- Manufacturers may produce both branded products and private label products for retailers. They may also provide contract manufacturing or packaging for other companies.

DAIRY PROCESSING

Industry Trends

Fewer, Large Dairy Farms

The number of licensed dairy farms in the US has declined 65% since 1992. Yet overall milk production has grown, due to growth in the number of large farms. About 68% of the milk produced in the US comes from farms with over 500 cows. The industry has also seen growth in the number of “mega-farms” with thousands or tens of thousands of cows. Large dairy farms are using increased automation to achieve increased efficiencies and economies of scale that are making it hard for small, family-run farms to remain competitive.

Alternative Beverages

The decline in fluid milk consumption is forcing dairy product manufacturers to develop alternative, non-dairy beverages to grow their revenue. Manufacturers have expanded their offerings to include iced teas and coffees, fruit juices, lemonade, almond milk and soy milk. Alternative milks, made from almonds, soy or rice, are lactose-free, lower in fat than skim milk, and have a longer shelf life, making them attractive to both consumers and retailers.

Acquisitions And Mergers

Industry consolidation is a long-term trend for dairy product manufacturing. The 20 largest manufacturers control about half of the market. There were 25 dairy industry mergers involving US firms in 2017, 18 in 2018, 15 in 2019, 16 in 2020, and 23 in 2021. Mergers and acquisitions are driven by companies looking for revenue growth and distribution power. Dairy cooperatives are also consolidating, which is resulting in more consolidated milk marketers. The increasing globalization of the dairy industry is also contributing to a desire to achieve “critical mass” to compete in multiple markets.

DAIRY PROCESSING

Income Statement (Dairy Product Manufacturers, Industry-wide)

ITEM	2019-20	2020-21	2021-22
Revenue	100.0%	100.0%	100.0%
Cost of Sales	74.39%	75.24%	77.6%
Gross Margin	25.61%	24.76%	22.4%
Officers Compensation	0.37%	1.0%	0.87%
Salaries-Wages	5.95%	6.35%	5.34%
Rent	0.94%	0.79%	0.67%
Taxes Paid	1.02%	1.32%	1.11%
Advertising	1.93%	1.34%	1.14%
Benefits-Pensions	1.33%	1.61%	1.34%
Repairs	0.65%	0.4%	0.33%
Bad Debt	0.04%	0.09%	0.09%
Other SG&A Expenses	6.49%	4.1%	3.14%
EBITDA	6.88%	7.76%	8.37%
Amortization-Depreciation	3.71%	3.07%	2.97%
Operating Expenses	22.43%	20.07%	17.0%
Operating Income	3.17%	4.69%	5.39%
Interest Expense	1.39%	0.97%	0.71%
Other Income	-0.01%	-0.91%	-0.96%
Pre-tax Net Profit	1.79%	4.63%	5.65%
Income Tax	0.06%	0.16%	0.14%
After Tax Net Profit	1.73%	4.47%	5.51%
Number of Firms Analyzed	130	65	63

Balance Sheet (Dairy Product Manufacturers, Industry-wide)


ASSETS	2019-20	2020-21	2021-22
Cash	7.24%	13.46%	9.48%
Receivables	19.19%	19.86%	19.86%
Inventory	19.3%	22.2%	20.64%
Other Current Assets	2.95%	2.17%	1.25%
Total Current Assets	48.68%	57.69%	51.23%
Net Fixed Assets	39.58%	30.25%	35.72%
Net Intangible Assets	7.79%	7.21%	7.98%
Other Non-Current Assets	3.96%	4.85%	5.05%
Total Assets	100.0%	100.0%	100.0%
LIABILITIES			
Accounts Payable	14.6%	12.7%	13.74%
Loans/Notes Payable	12.59%	11.27%	7.42%
Other Current Liabilities	8.06%	9.09%	8.28%
Total Current Liabilities	35.26%	33.07%	29.45%
Total Long Term Liabilities	31.63%	22.5%	27.33%
Total Liabilities	66.89%	55.57%	56.78%
Net Worth	33.11%	44.45%	43.22%
Total Liabilities & Net Worth	100.0%	100.0%	100.0%
Number of Firms Analyzed	130	65	63

DATA SOURCES



INDUSTRY MARKET PROFILE
[31151] Dairy Product (Except Frozen) Manufacturing

Sector: Manufacturing
Market Area: ALL US
Release Date: Apr-2023



NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM

United States, 2022

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET



INDUSTRY REPORT

Dairy Product Manufacturers

NAICS: 3115
SIC: 2021, 2022, 2023, 2024, 2026
prepared October 16th, 2023

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WHERE KNOWLEDGE IS POWER

INDUSTRY REPORT 31151

Dairy Product Production in the US

Farm to table: Industry revenue will likely rise, albeit at a decelerated rate

Kimberly Troncoso | July 2022



United States
Department of
Agriculture

Agricultural
Marketing
Service

Dairy

Market Statistics

2022 Annual Summary

STATSAMERICA

E·D·A
U.S. ECONOMIC DEVELOPMENT ADMINISTRATION

2024 TRADE SHOWS

Trade Show	Date
Iowa Meat Processors Association – Ames	February 15-17
Indoor Ag Con – Las Vegas	March 10-13
Central Plains Dairy – Sioux Falls	March 19-21
Cheese Expo - Milwaukee	April 16-19
Peak (Poultry) – Minneapolis	April 17-19
AAMP - Omaha	August 1-3
CEA Summit East – Danville, VA	September TBD
NFRA Convention – National Harbor, DC	October 5-8



2024 TRADE SHOWS, MARKETING AND LEAD GENERATION

- 2024 Trade Shows / Manufacturing, Warehouse Distribution, Refrigerated & Cold Storage
 - Off Year For Some Shows
 - Looking at Regional Shows in 2024
 - Confirming before the end of the year
- LOIS, LoopNet, IADG Website
- Research on Investment (ROI) / Update
 - Past three contracts
- Research FDI / Consideration
- IADG Pipeline Deals Overview

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