AMERICAN CHEESE SOCIETY

2020 State of the U.S. Artisan/Specialty Cheese Industry

Report of Key Findings

The American Cheese Society commissioned the University of Missouri to conduct this study.

About this Report

The inaugural State of the U.S. Artisan/Specialty Cheese Industry Report was prepared in 2016. The American Cheese Society engaged researchers at the University of Missouri to conduct a second study in 2018. This 2020 report builds on the findings reported in 2016 and 2018 and works to support cheesemakers and their businesses through the identification of potential trends and provision of much-needed information about the artisan, farmstead, and specialty cheese sector.

For the survey conducted in 2018, an attempt was made by researchers at the University of Missouri to create an exhaustive list of all artisan, farmstead, and specialty cheesemakers within the U.S. who were in business in 2017. Google searches resulted in 978 U.S. artisan, farmstead, and specialty cheesemakers who were invited to participate in the survey by postal mail. Responses from 209 participants were received. Responses from five participants were excluded from the analysis as those five producers exclusively made commodity cheese. Thus, the final sample included 204 participants.

The 2020 survey did not involve sending out invites by post, meaning the list was updated with careful attention paid to eliminating both those cheesemakers who had advised they were no longer operating, and cheesemakers without a valid e-mail address. As a result, for the 2020 survey, 762 artisan, farmstead and specialty cheesemakers operating in the U.S. were invited to participate in the survey. Responses from 191 participants were received. The response rate was deemed statistically reliable with 95.5% confidence, and many findings are similar to comparative data reported in 2016 and 2018.

This report highlights key findings in six areas:

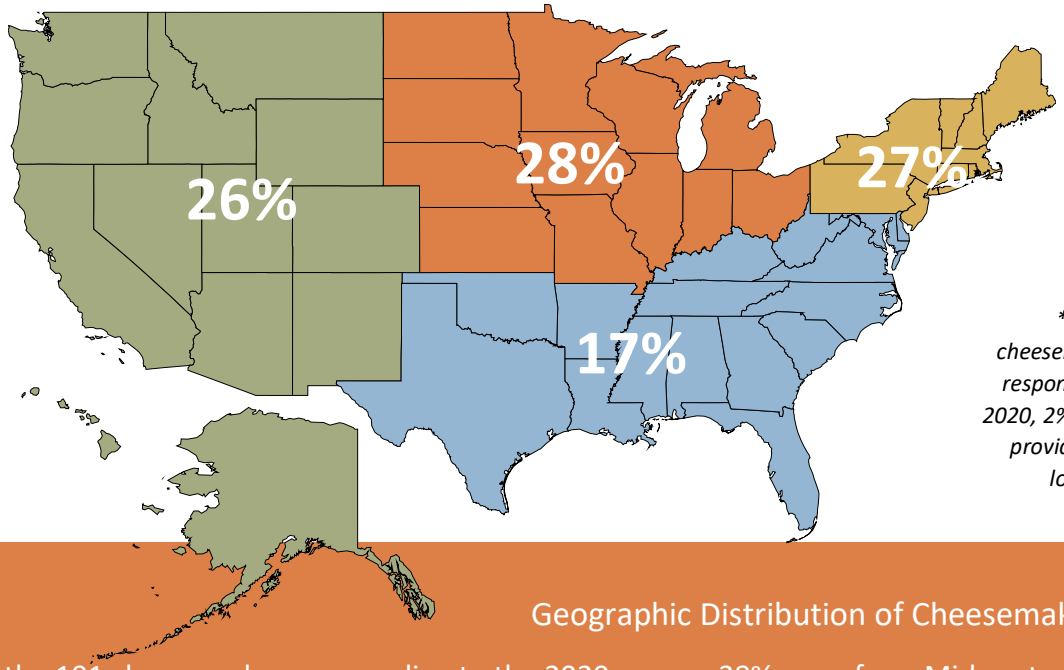
1. **Demographics** – location, years in business, facility size, profitability, employees, business operating expenditures
2. **Production** – volume, cheese styles, milk types and sources, aging
3. **Marketing** – labeling, distribution
4. **Industry participation** – ACS and state, regional, or local council or guild membership, and attitudes regarding sustainability and anticipated Covid-19 impact

For the purposes of this report, all cheesemaker-respondents are referred to as "cheesemakers."

Data shared in this report were collected in the 2016, 2018, and 2020 surveys commissioned by the American Cheese Society. In some cases, survey questions asked cheesemakers to record information about their operations in 2015, 2017, and 2019 and in other cases, cheesemakers provided responses to reflect their current attitudes and experiences. As a result, multiyear data presented in the report may be labeled as 2015, 2017 and 2019, or 2016, 2018 and 2020, depending on the structure of the question and the time period that the data represent.

This report was supported by funding from the nonprofit American Cheese Education Foundation.

Demographics

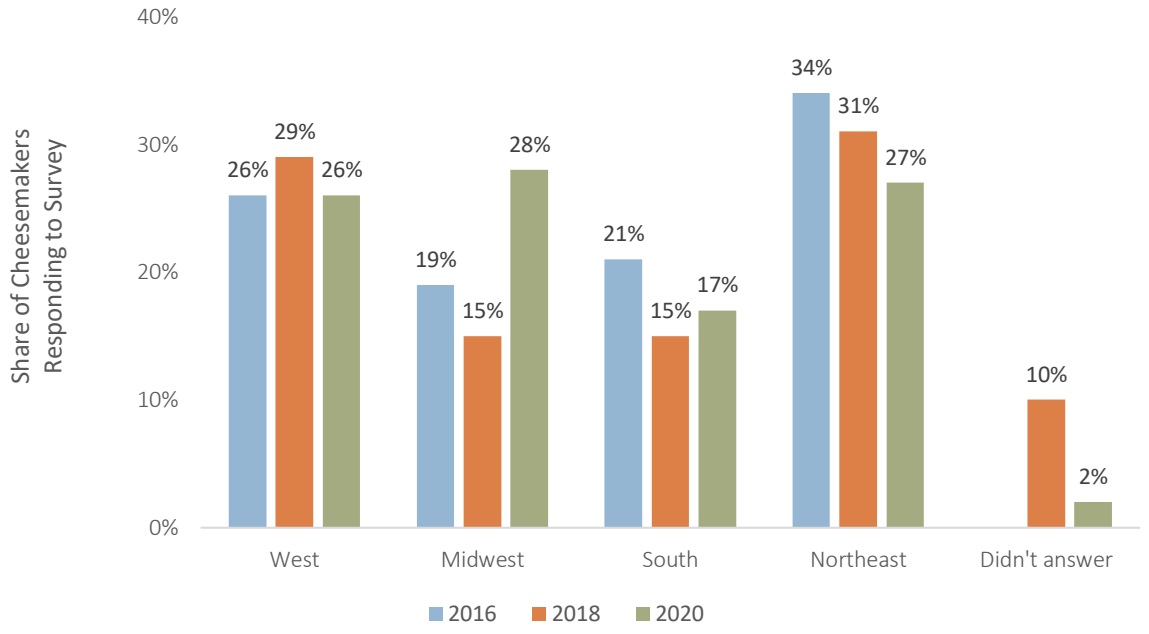


** Of the cheesemakers responding in 2020, 2% didn't provide their location.*

Geographic Distribution of Cheesemakers

Of the 191 cheesemakers responding to the 2020 survey, 28% were from Midwest states, 27% reported being from the Northeast, 26% were from the West region, and 17% were from the South.

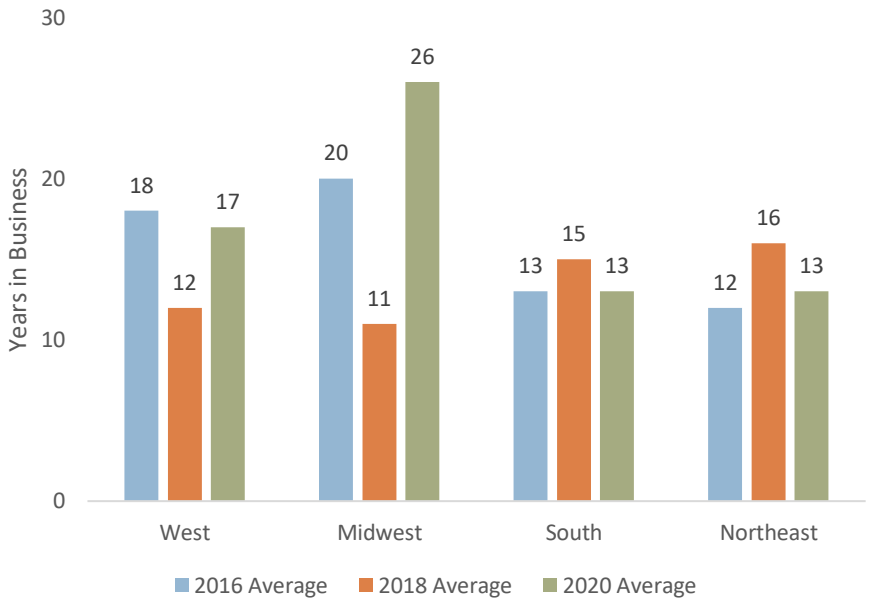
The graph below compares cheesemakers' locations in 2016, 2018 and 2020. Relative to the 2018 survey, the 2020 survey had a greater share of respondents from the Midwest and South regions and a smaller proportion from the West and Northeast.



Demographics

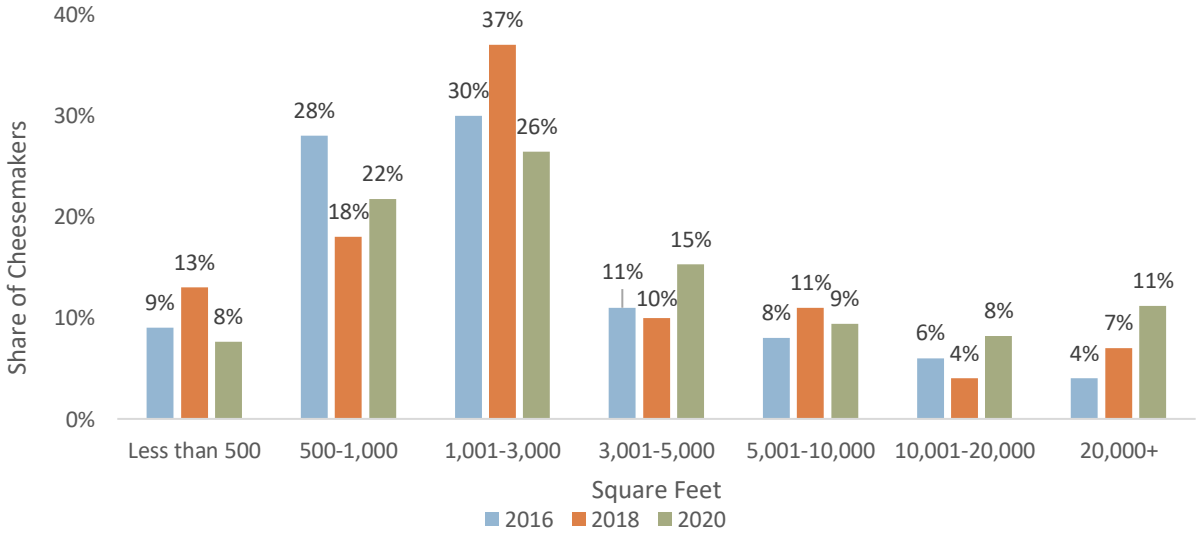
Number of Years in Operation

In the 2020 survey, cheesemakers had operated their businesses for 18 years on average. In the 2018 survey, this figure was 16 years and in 2016, years in business averaged 15 years.



Average Square Footage of Facilities

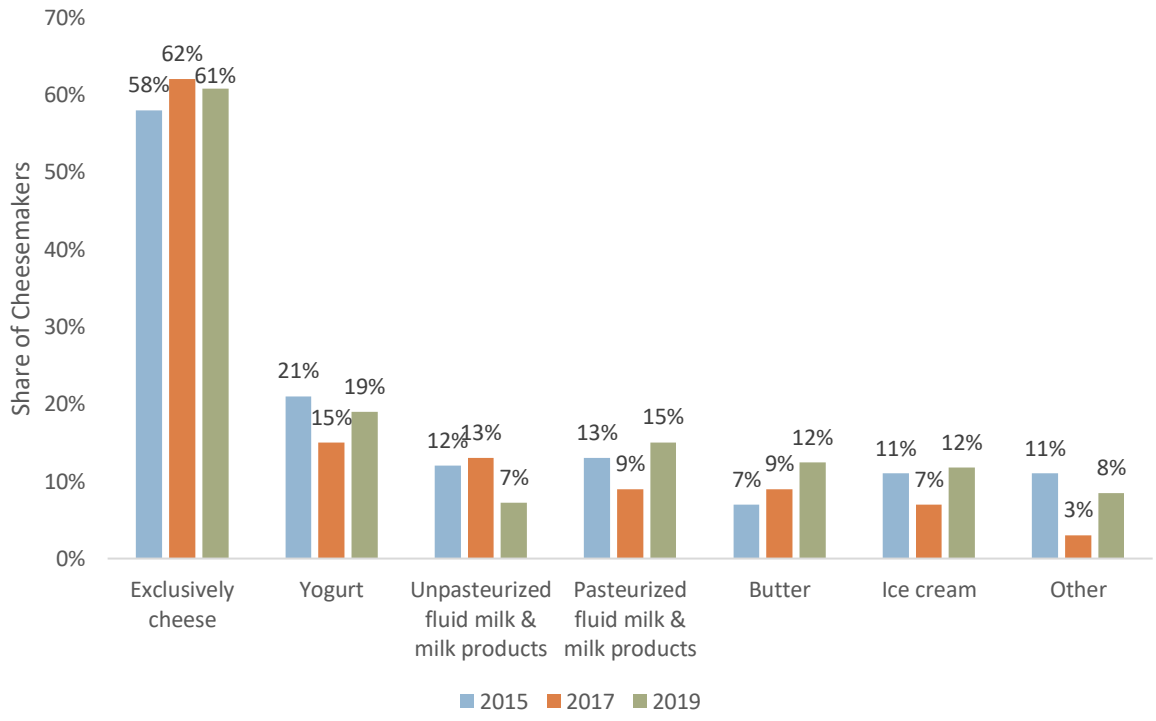
In the 2016 and 2018 surveys, roughly two-thirds of cheesemakers reported using no more than 3,000 square feet of facility space to produce cheese. In 2020, a greater number of respondents reported using bigger facilities and so the share of cheesemakers using 3,000 or less square feet of facility space to produce cheese dropped to 56%, compared to 68% in 2018 and 67% in 2016.



Demographics

Cheese & Other Dairy Products

The share of cheesemakers who made only cheese was 58% in 2015, 62% in 2017, and 61% in 2019. Of the cheesemakers who made other products in 2019, 48% made only one other product (68% in 2017), and 28% produced two others (21% in 2017). In this survey, 23% of cheesemakers responded that they made three to five other products in 2019. This is a large increase over the 2017 figure of 11%. Specifically, this survey found increases in the share of cheesemakers reporting the production of yogurt, pasteurized fluid milk and milk products, butter, and ice cream compared to 2017.



Average Number of Employees Based on Production Volume

Cheesemakers who made more than 100,000 pounds of cheese in 2019 tended to rely more on part-time and seasonal employees to complement their full-time staff than was reported in 2017, but less than reported in 2015. In comparison, cheesemakers who made less than 5,000 pounds in 2019 reported less full-time, part-time, and seasonal employees than they did in 2015 and 2017.

Demographics

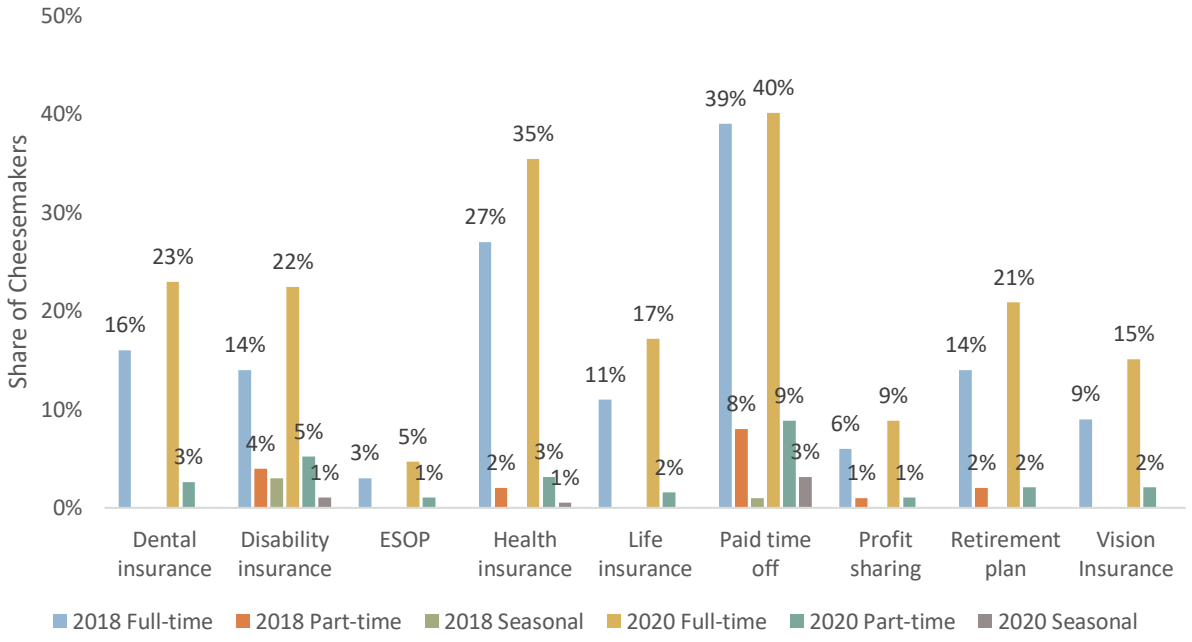
Pounds of Cheese	Full-Time Employees			Part-Time Employees			Seasonal Employees		
	2015	2017	2019	2015	2017	2019	2015	2017	2019
5,000 lbs. or less	1.8	2.6	1.7	3.3	2.7	0.8	3.3	1.7	0.4
5,001-10,000 lbs	2.3	1.9	2.0	2.3	1.3	2.5	13.2	0.7	1.0
10,001-20,000 lbs	3	3.1	2.6	2.1	2.4	2.9	1.7	0.8	0.7
20,001-50,000 lbs	3.3	3.4	4.4	2.6	3	2.3	2.6	1.0	1.0
50,001-100,000 lbs	6.6	16.0	8.5	2.4	1.7	2.4	(d)	6.1	1.5
100,001-500,000 lbs	16.1	13.6	19.0	10.7	2.2	4.3	6.5	1.4	2.9

Employee Benefits

51% of cheesemakers reported offering benefits to employees in 2020.

Cheesemakers were more likely to offer benefits to full-time employees than part-time employees and seasonal employees. In both the 2018 and 2020 surveys, the most popular benefits offered by cheesemakers to full-time employees were paid time off and health insurance. For part-time workers, cheesemakers were most likely to offer paid time off and disability insurance.

**ESOP = Employee Stock Ownership Plan*



81% Share of cheesemakers that reported having at least one employee with formal cheesemaking training in both the 2018 and 2020 surveys.

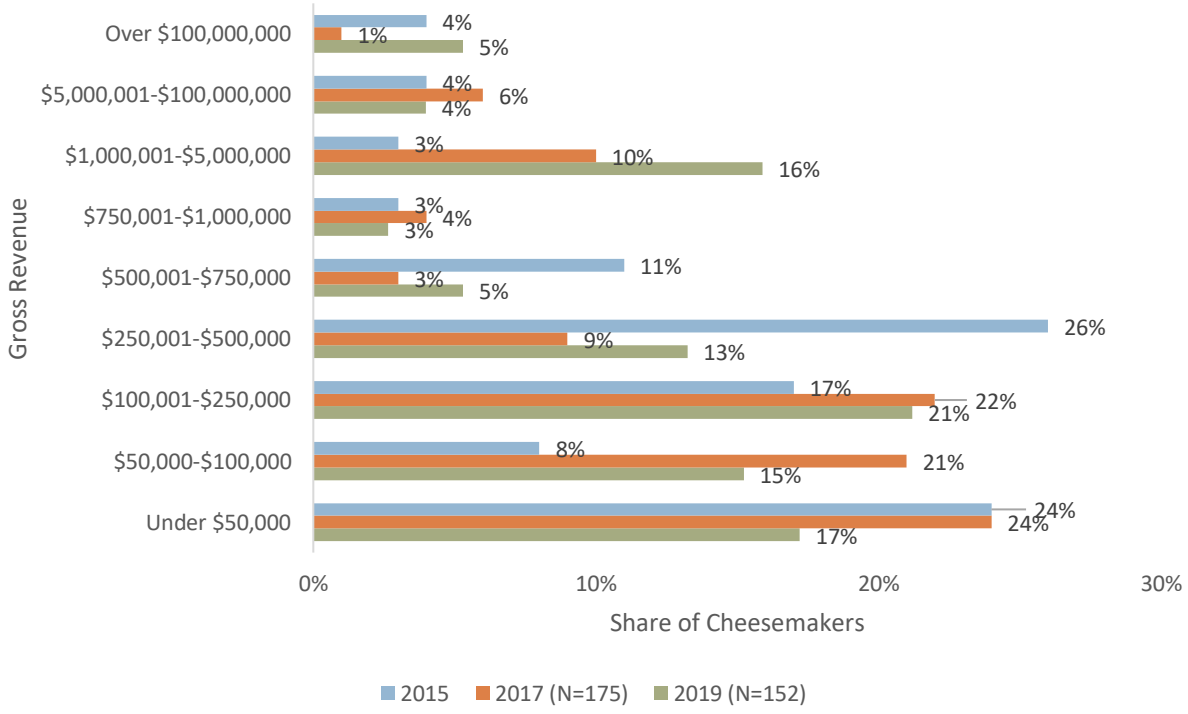
Demographics

Gross Revenue from Cheese

Nationally, 17% of cheesemakers reported annual gross revenues of less than $50,000 in 2019 — less than the 24% figure reported in 2015 and 2017. The percentage of cheesemakers reporting gross revenues greater than $5 million was 9% in 2019, 7% in 2017, and 8% in 2015.

In both the 2018 and 2020 surveys, 20% indicated they didn't operate profitably in the previous year of operations. In the 2020 survey, 91% of cheesemakers reported that maintaining profitability is a current area of concern, similar to the 2018 figure of 92%.

Among the cheesemakers who were profitable in 2019, the average profit margin was 25%, up from both the 2017 average profit margin of 21% and the 2015 average profit margin of 23%.

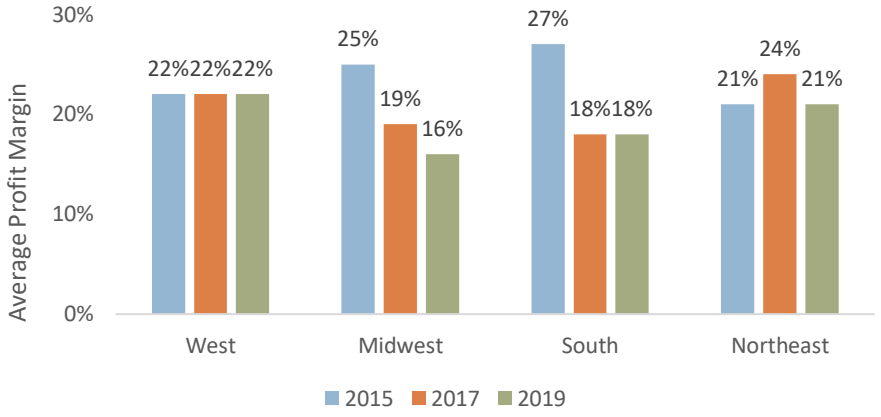


By region, the average 2019 profit margin was greatest for cheesemakers in the West — 22%. This is the same average profit margin as was reported in the previous two surveys for the West region. During 2019, profit margin averaged 21% among cheesemakers in the Northeast region, and 16% for those in the Midwest, both down from the 2017 figures. In the South, the average profit margin remained constant with 2017 at 18%.

Demographics

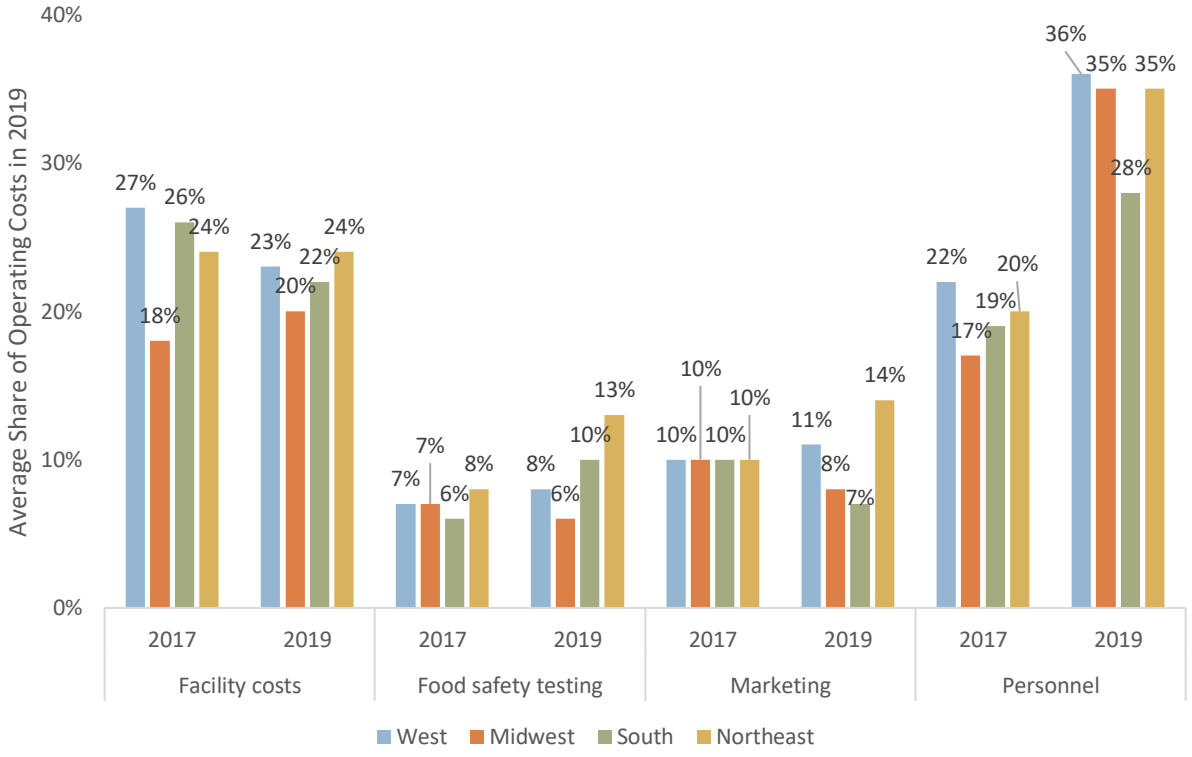
19%

Average profit margin of all cheesemakers who responded to the 2020 survey



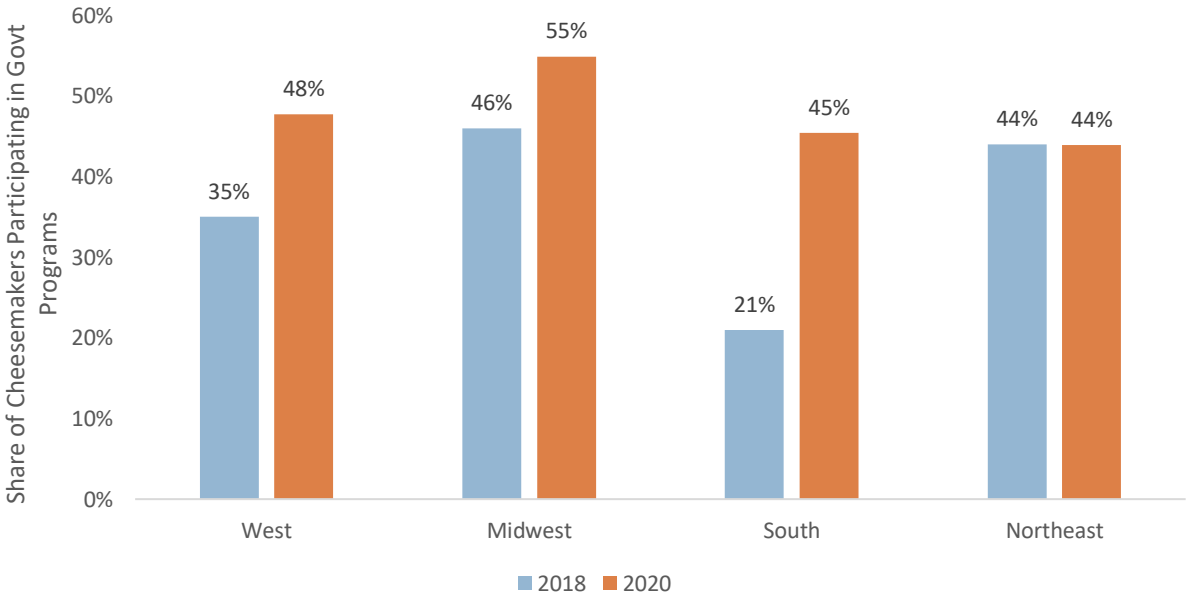
Business Expenditures

For the average cheesemaker, personnel represented 37% of operating costs in 2019 and 33% in 2017. Regionally, cheesemakers in the South reported lower average personnel costs than in other regions. In 2019, facility costs remained lower in the Midwest than in other regions. Cheesemakers in the Northeast reported higher average food safety testing and marketing expenditures than any other region in 2019.



Demographics

On average, cheesemakers in 2019 with higher gross revenue tended to have a higher percentage of total operating expenditures directed to personnel costs than cheesemakers with lower gross revenue.

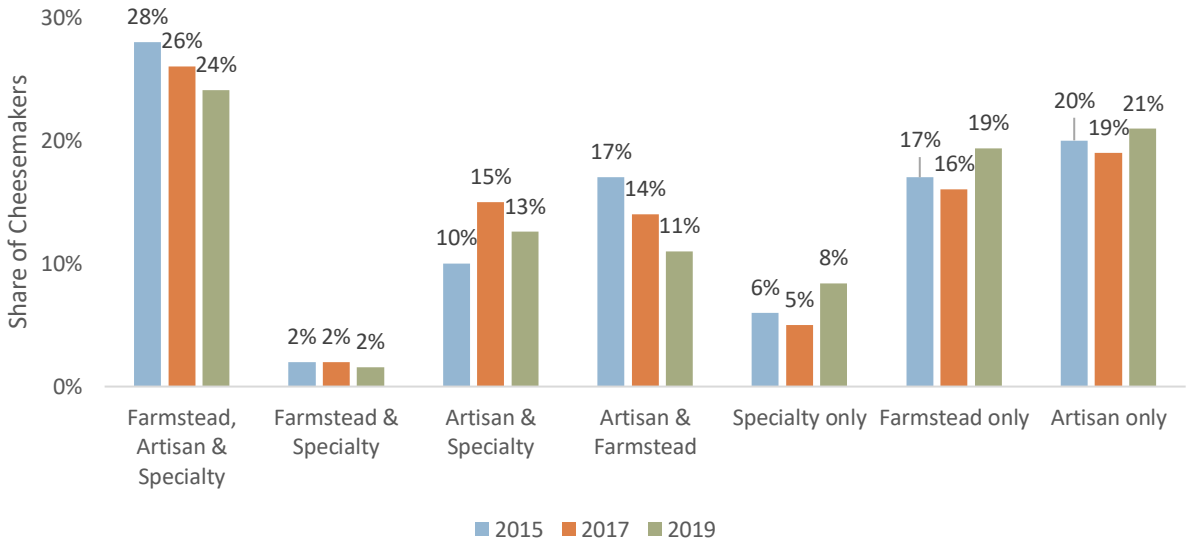


Participation in Government or Government-Sponsored Programs

49% of cheesemakers in 2020 had participated in government or government-sponsored programs during the previous three years compared to 37% in 2018. In 2020, the Midwest again had the greatest share of cheesemakers (55%) participating in such programs during the three years preceding their participation in the 2020 survey. In the 2020 survey there was a marked increase in the share of cheesemakers from the South region reporting participation in government or government-sponsored programs in the past three years (from 21% in 2018 to 45% in 2020).

The most common reasons causing non-participation, according to the 2020 survey, were: lack of interest in these programs (36% in 2020, compared with 19% in 2018); unawareness of such programs in their areas (36% in 2020, compared with 32% in 2018); and the perception that the paperwork is burdensome (22% in both 2020 and 2018).

Production



Type of Production

ACS definitions of the terms artisan cheese, farmstead cheese, and specialty cheese are provided on the last page of this report. The share of cheesemakers who reported that the cheeses they produced in 2019 fit only one definition increased from 2017 to 2019. In 2019, 21% of cheesemakers made solely artisan cheese (compared with 19% in 2017), 19% said their cheese was solely farmstead cheese (16% in 2017), and 8% identified their cheese solely as specialty cheese (5% in 2017).

Conversely, the share of cheesemakers reporting the cheese they made fit into more than one definition decreased from 2017 to 2019. 24% made cheese in 2019 that fit all three definitions, down from 26% in 2017.

79,969

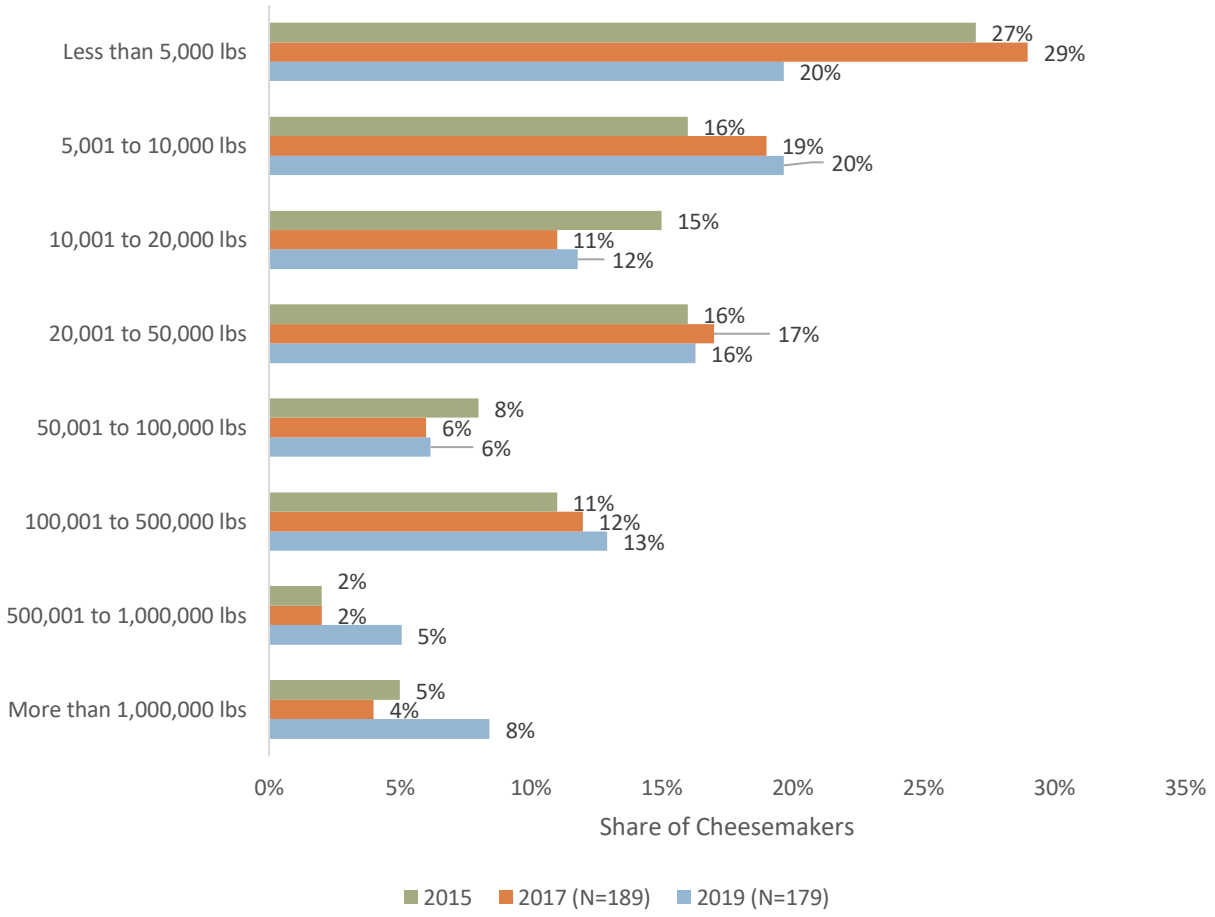
Pounds of cheese made by the average artisan-only cheesemaker in 2019 compared with 15,125 pounds for average farmstead-only cheesemakers, and 149,524 pounds for average specialty-only cheesemakers. These averages are for cheesemakers who produced no more than 750,000 pounds of cheese in 2019.

Production Volume

Nearly three-quarters — 74% — of the cheesemakers in the 2020 survey reported that their prior year production was 50,000 pounds or less. This percentage was 76% in 2017 and 74% in 2015. Nearly 30% of cheesemakers produced less than 5,000 pounds of cheese in 2019 and 2017.

8% of cheesemakers responding to the 2020 survey indicated that they produced more than 1 million pounds of cheese in the prior year. This share was 4% of cheesemakers in 2017 and 5% in 2015.

Production



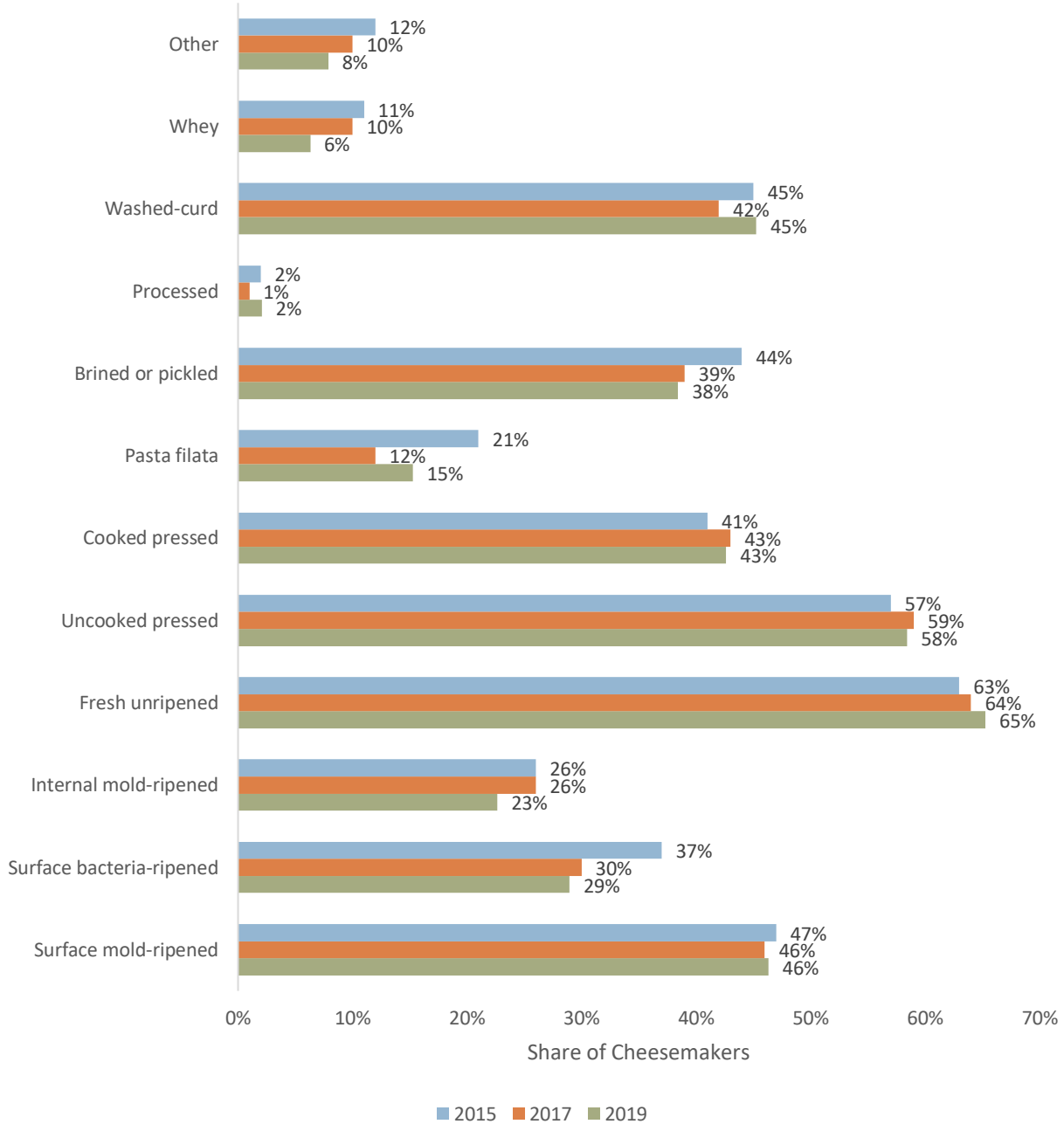
40% Share of cheesemakers with 2019 cheese output that totaled no more than 10,000 pounds (compared to 48% for 2017 and 43% for 2015).

Styles of Cheese Produced

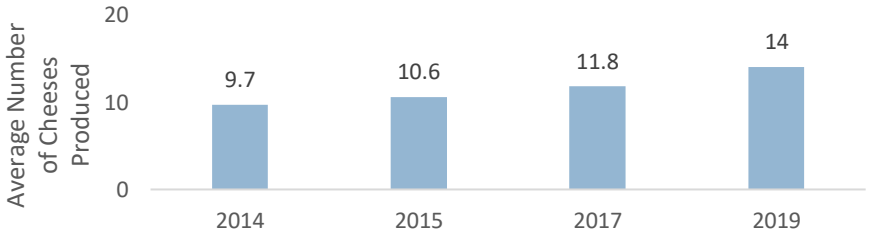
In line with previous surveys, the most common styles of cheese produced in 2019 were fresh unripened and uncooked pressed. 65% of cheesemakers reported making fresh unripened cheese in 2019; 64% reported this in 2017, and 63% in 2015.

Of the cheesemakers who reported making fresh unripened cheese, 29% were located in the Midwest, 28% in the West, 26% in the Northeast, and 17% in the South. Of the cheesemakers producing internal mold-ripened cheese, 28% were located in the South, 26% were located in each of the Midwest and Northeast, and 21% in the West. Surface mold-ripened cheeses were more likely to be made by cheesemakers in the Northeast in 2019 (35% compared to 26% in the Midwest, 21% in the West, and 19% in the South).

Production



The average number of cheeses produced by cheesemakers has steadily increased since 2014.



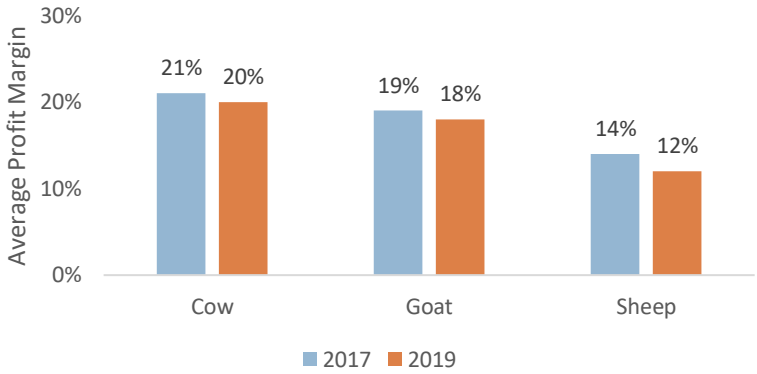
Production

In 2019, 30% of producer-respondents offered six to 10 different cheeses compared to 37% in 2017.

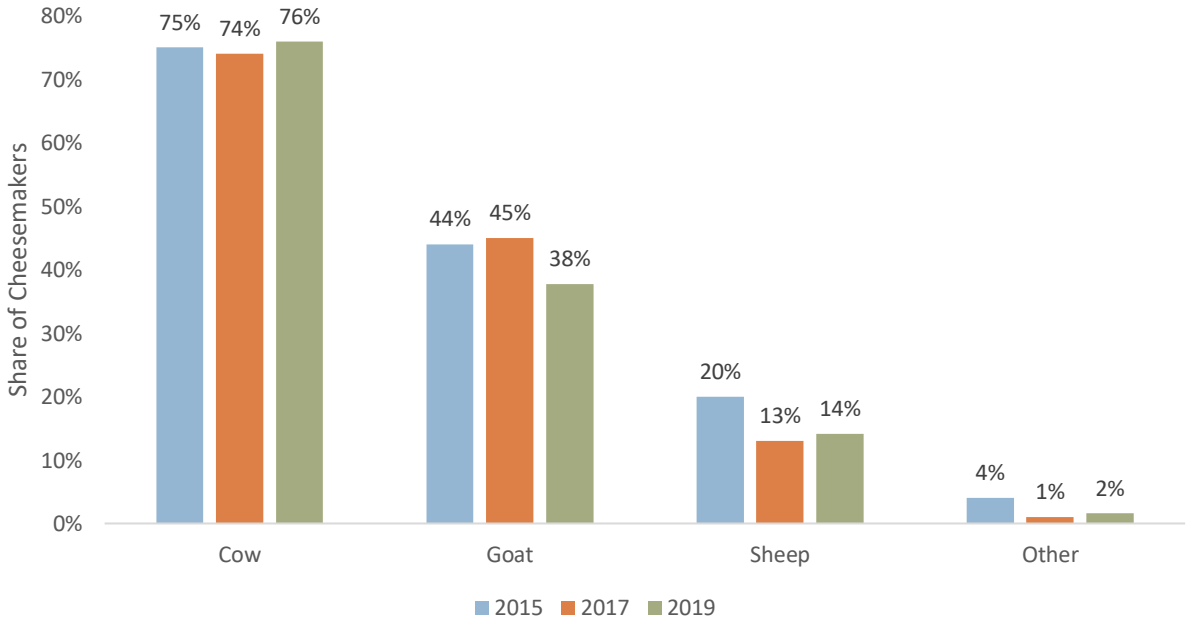
On average, cheesemakers who have been in business longer tended to offer more products. For every additional five years in business, the number of products offered increased by one.

Milk Type

The average profit margin of cheesemakers using milk from cows was the highest at 20% in 2019. Cheesemakers who used milk from sheep averaged the lowest profit margin at 12% in 2019.



Milk from cows is the most common type of milk used for cheesemaking. In 2015, 2017, and 2019, the share of cheesemaker-respondents using milk from cows was 75%, 74%, and 76% respectively. The share of cheesemakers using goat milk went down in 2019 with 38% reporting they used this type of milk compared to 44% in 2015 and 45% in 2017. Those using milk from sheep decreased from 20% in 2015, to 13% in 2017, and increased marginally in 2019 to 14%.

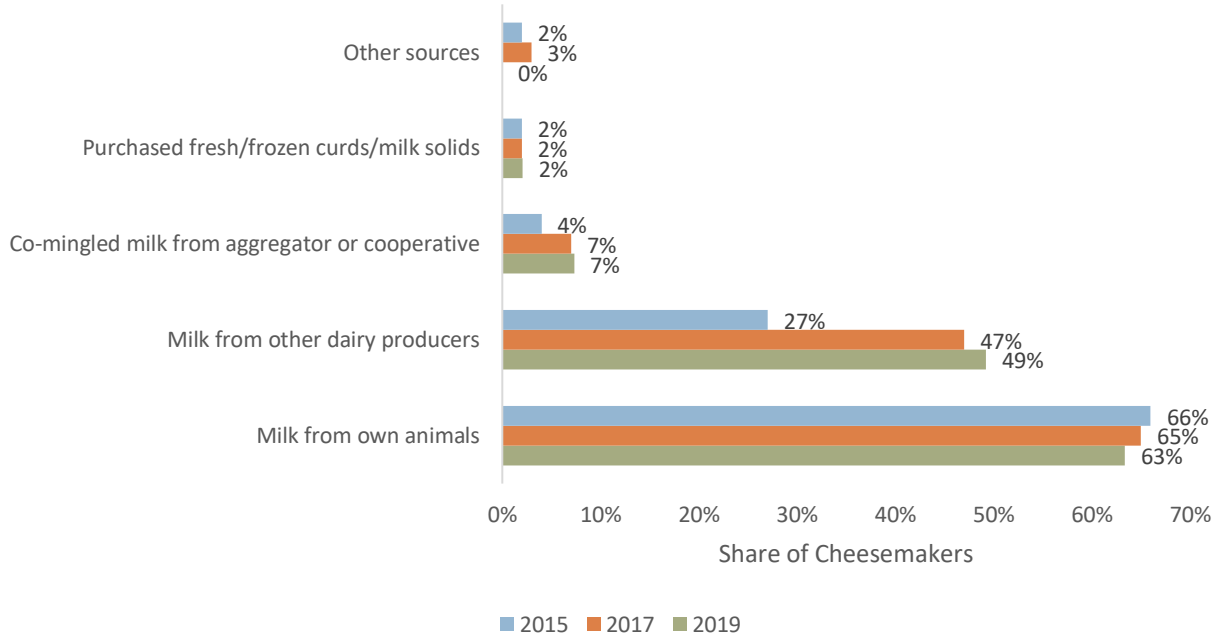


Production

Milk Sources

Roughly two-thirds of cheesemakers sourced milk from their own animals to make cheese products in 2015 (66%), 2017 (65%), and 2019 (63%).

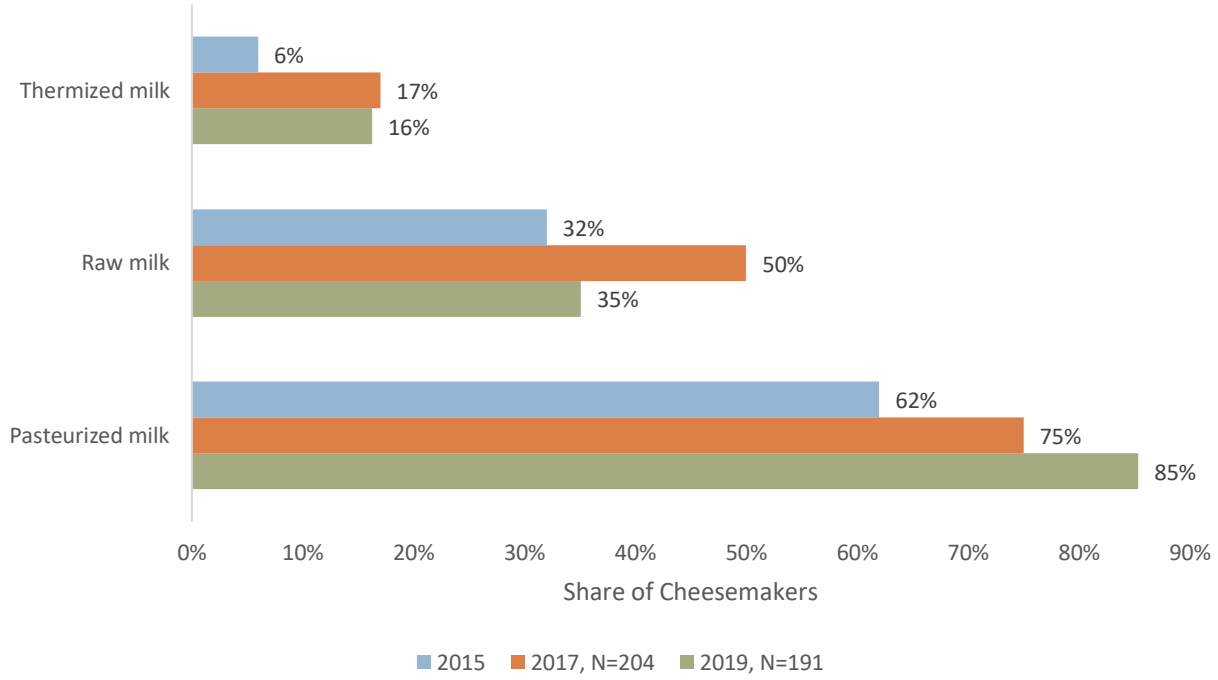
Profitable cheesemakers who only used milk they produced reported an average profit margin of 24% in 2019 compared to an average profit margin of 21% in 2017. The average profit margin reported for cheesemakers who sourced 100% of the milk used from other suppliers was 29% in 2019 compared to 22% in 2017. Cheesemakers who reported using a combination of milk from their own dairy operations and milk from other dairies had an average 21% profit margin in 2019 compared to 22% in 2017.



Raw vs. Pasteurized Milk

The share of cheesemakers using pasteurized milk to make cheese in 2019 was 85%. This is a significant increase from 62% in 2015 and 75% in 2017. Conversely, there was a decrease in the share of cheesemakers reporting the use of unpasteurized milk that had undergone no heat treatment from 2017 to 2019, with 35% of cheesemakers using this type of milk in 2019. Of the cheesemakers using more than 50% unpasteurized milk with no heat treatment in their cheesemaking, 14% were located in the Midwest, 25% in the South, 29% in the West, and 32% in the Northeast. The share of cheesemakers using unpasteurized milk that had undergone some heat treatment stayed relatively the same between 2017 and 2019 (17% and 16% respectively).

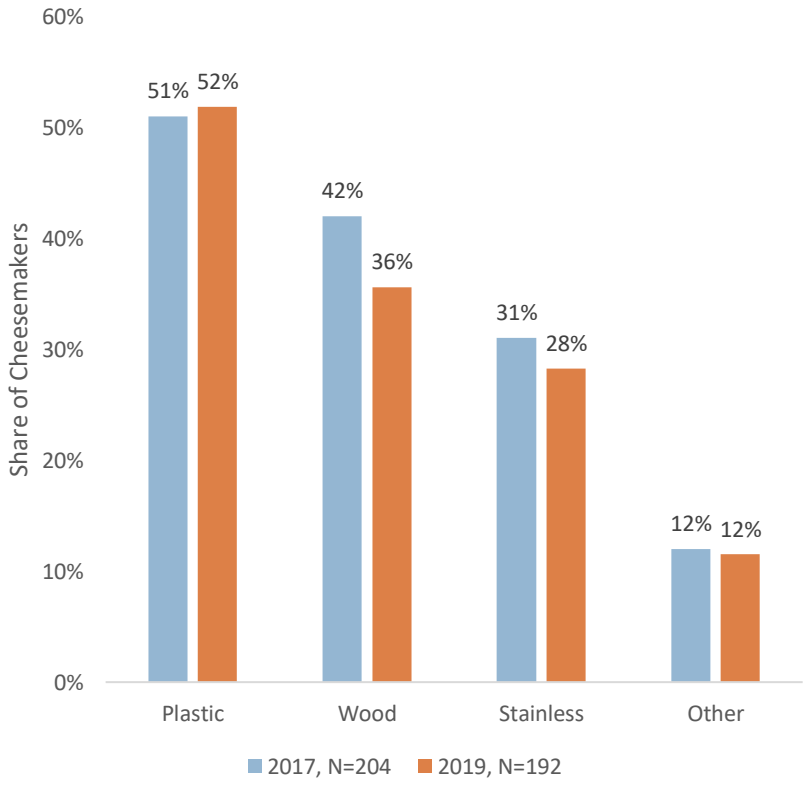
Production



Aging Surfaces

In 2019 and 2017, a greater percentage of cheesemakers used plastic surfaces to age cheese than any other surface: 52% aged cheese products on plastic in 2019, and 51% in 2017.

Also, on average, cheesemakers who used plastic surfaces chose to age 62% of their cheese on plastic in 2019. In comparison, cheesemakers who used wood and stainless as aging surfaces aged an average 60% and 49%, respectively, of their cheese on these surfaces.



Marketing

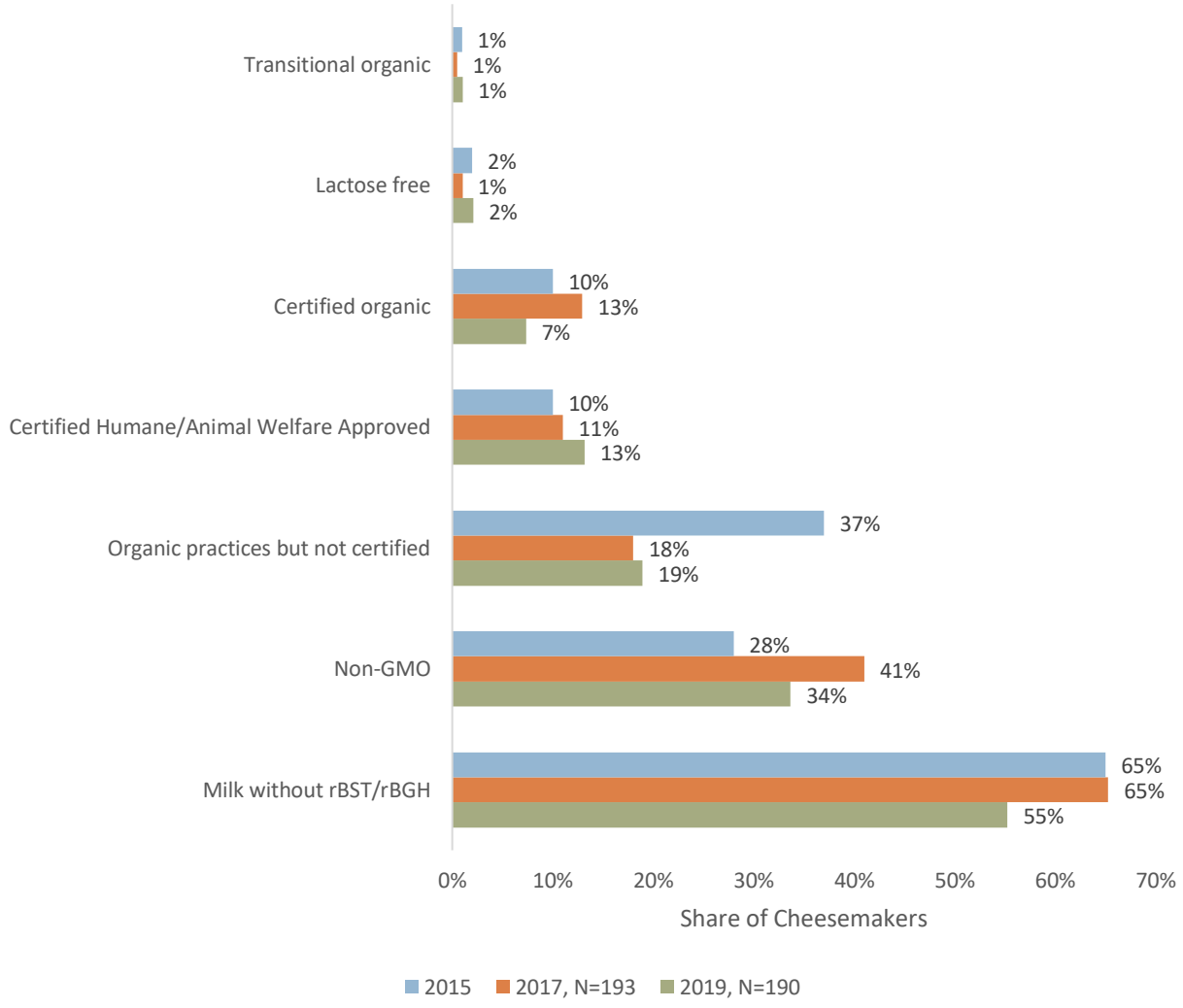
Milk Production Processes & Practices

As for 2015 and 2017, over half of cheesemakers indicated that they used milk without rBST/rBGH to make cheese in 2019 (65% in 2015 and 2018, 55% in 2019). The share of cheesemakers reporting using non-GMO practices for cheesemaking decreased from 41% in 2017 to 34% in 2019, however this is still higher than the reported 28% in 2015.

Similarly, the share of cheesemakers reporting being certified organic dropped. The share who reported being Certified Organic was 10% in 2015 and 13% in 2017, and decreased to just 7% in 2019.

34%

Share of cheesemakers who used non-GMO cheese practices in 2019. However in line with 2017, just 14% of cheesemakers provided this information on cheese product labeling or other marketing materials.



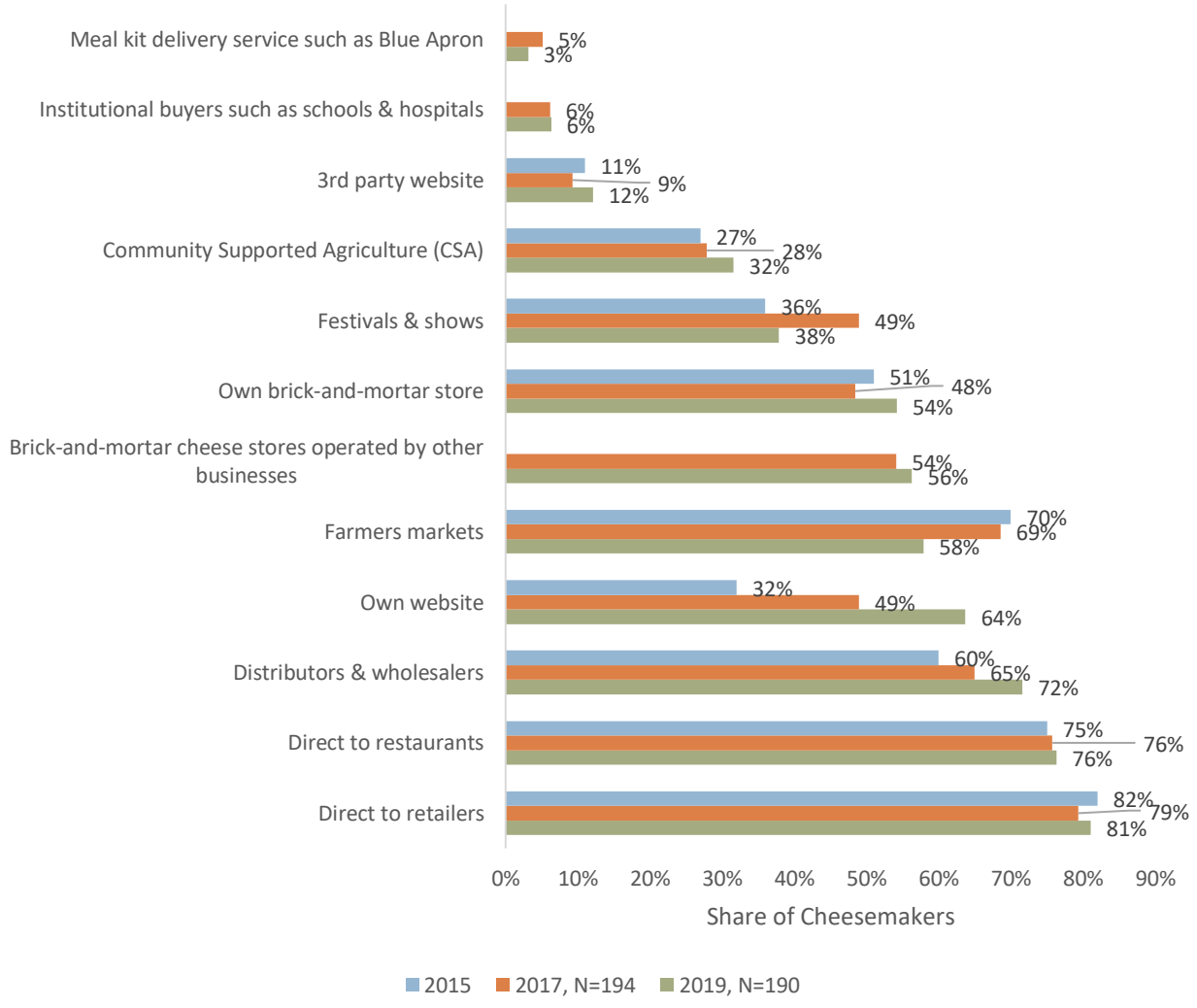
Marketing

Distribution Channels

From 2015 to 2019, distribution channels most frequently used by cheesemakers have remained as:

- Direct to retailers
- Direct to restaurants
- Distributors and wholesalers

In 2015 and 2017, farmers markets were the third most frequently used distribution channel, however in 2019, this channel has dropped to fifth. In its place, in 2019 cheesemakers were far more likely to report that they were distributing cheese through their own website than in previous years, with 64% using this channel compared to 49% in 2017 and 32% in 2015.

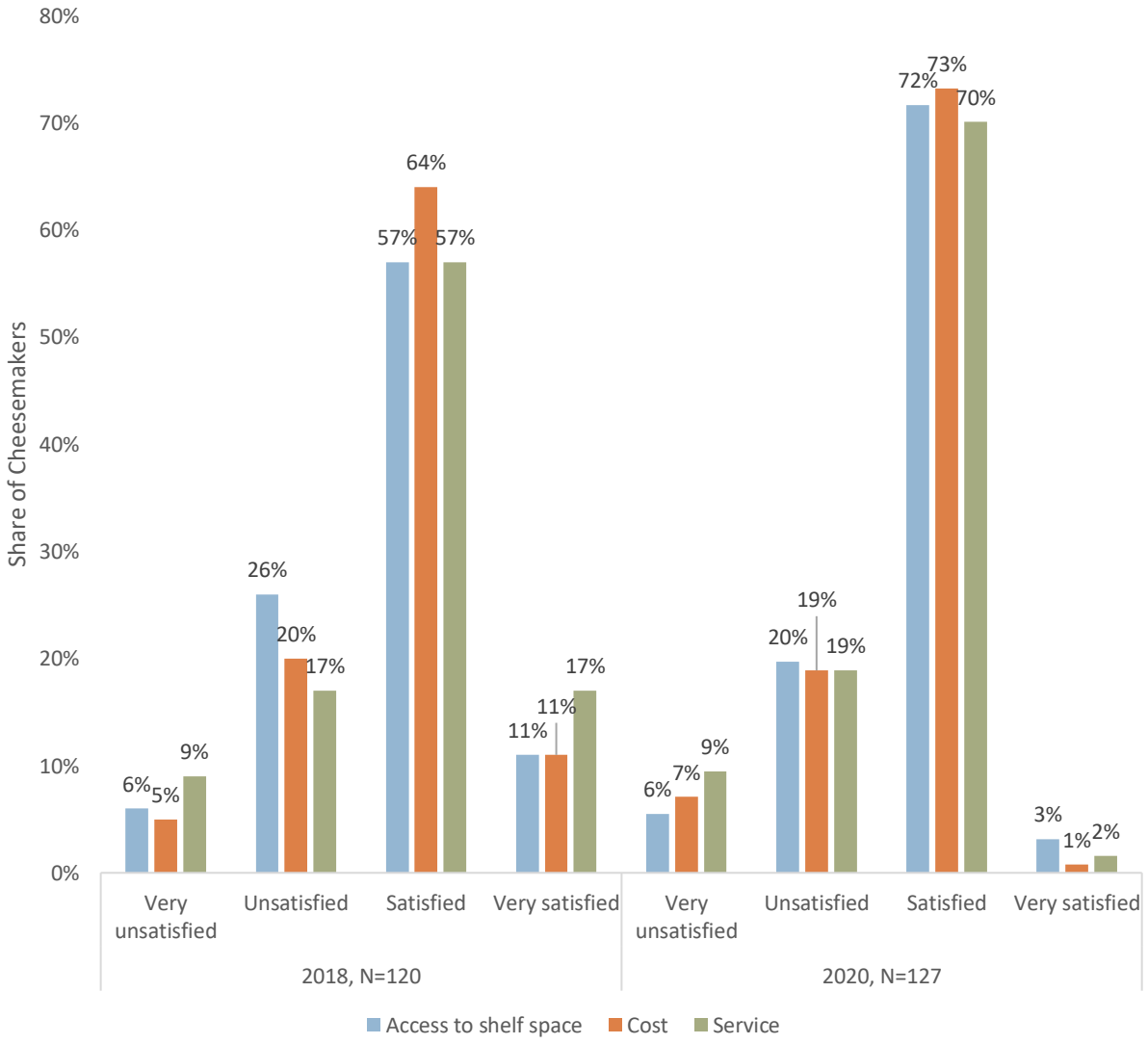


Marketing

Satisfaction with Distributor or Wholesaler

In 2020, cheesemakers indicated being predominantly satisfied with their distributors or wholesalers in terms of service, cost, and access to shelf space with nearly three quarters (72%, 74% and 75% respectively) of cheesemakers reporting they were satisfied or very satisfied. Of these three areas, "service" gathered marginally more unsatisfied or very unsatisfied responses in 2020 than the other two aspects at 28% compared to 26% for both cost and access to shelf space.

In 2019, half of all cheesemakers used more than five channels to sell their cheese products.

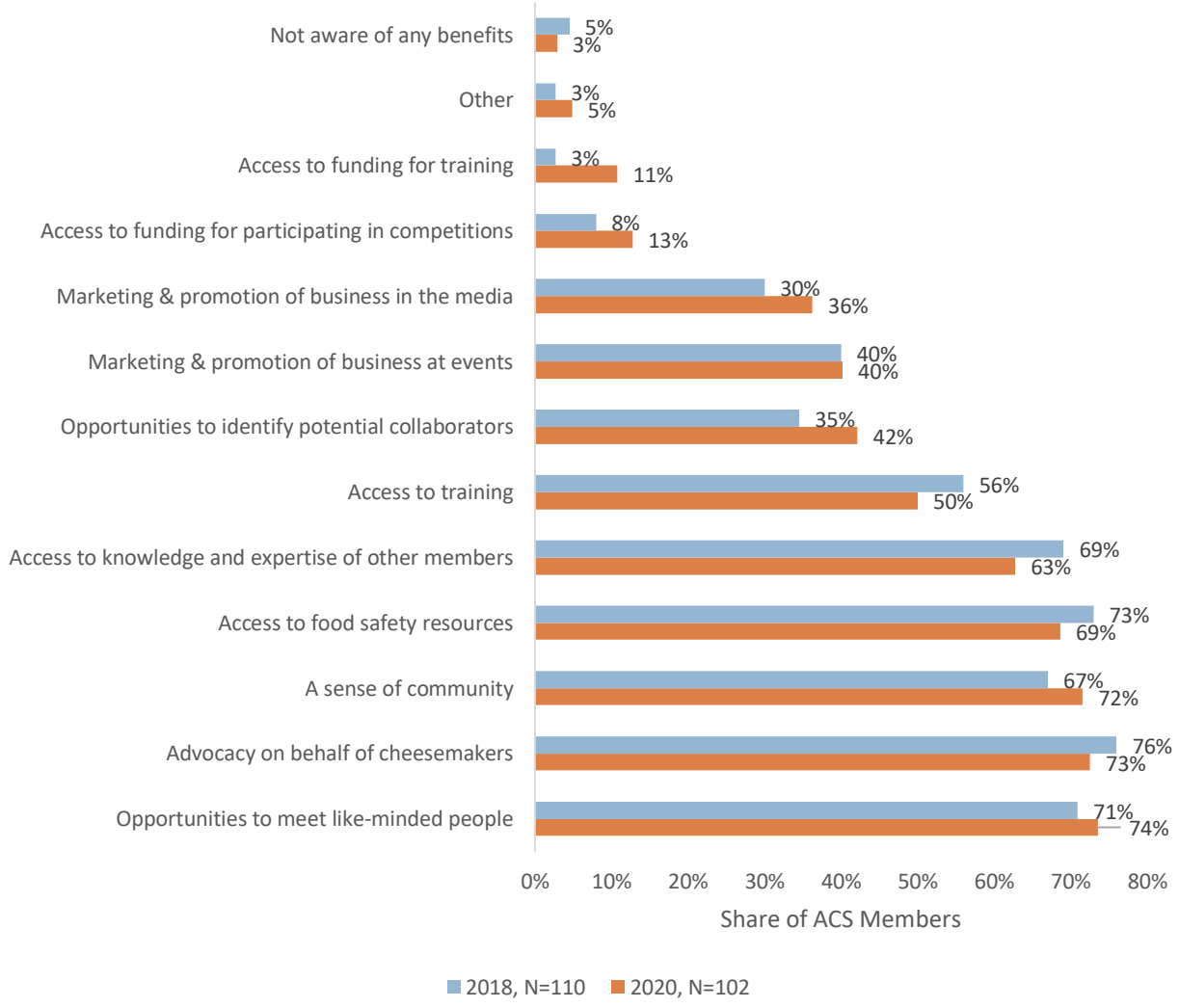


Industry Participation

ACS Membership

Of the cheesemakers who responded to the 2020 survey, 62% reported being members of ACS in 2020, in line with the 2018 survey. Nearly three-quarters of those cheesemakers perceived opportunities to meet like-minded people (74%) and advocacy provided on behalf of cheesemakers (73%) to be benefits of their ACS membership.

Other top membership benefits cited by the respondents were: a sense of community (72%); access to food safety resources (69%); and access to knowledge and expertise of other members (63%).

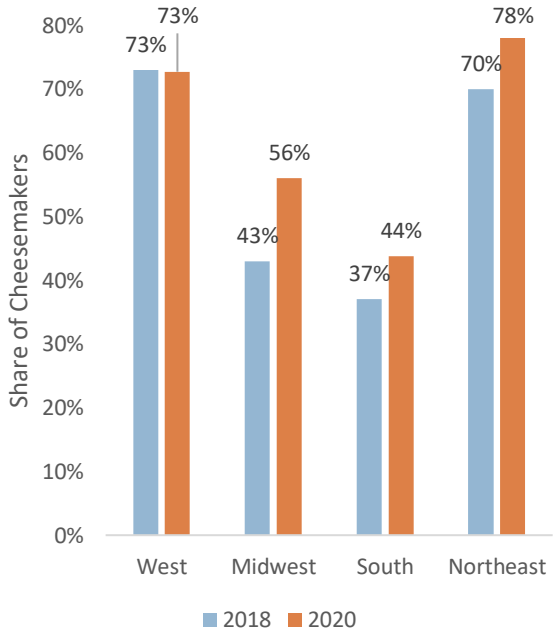


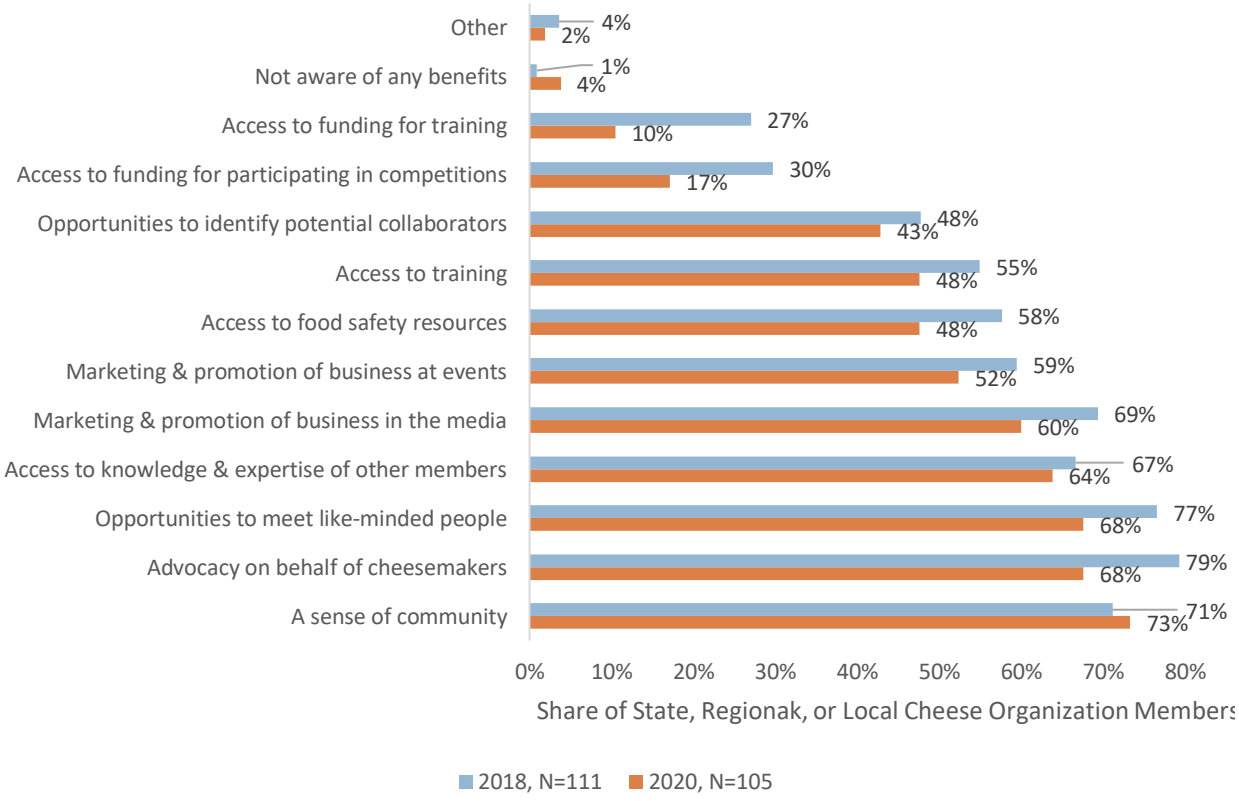
Industry Participation

State, Regional, or Local Council or Guild Membership

Similar to ACS membership rates, 64% of cheesemakers reported being members of a state, regional, or local cheese guild in 2020 compared with 62% in 2018. As was the case in 2018, the Northeast and West regions had the higher membership rates in 2020 at 78% and 73% respectively. There was a marked increase in the share of cheesemakers in the Midwest reporting membership of a state, regional, or local cheese guild in 2020 with 56% of cheesemakers being members compared to 43% in 2018.

Of cheesemakers who reported being ACS members in 2020, 76% were also council or guild members.





Industry Participation

Nearly three-quarters of state, regional, or local cheese organization members responding to the 2020 survey reported a sense of community as a benefit of membership (73%). Other top benefits were advocacy on behalf of members (68%), opportunities to meet like-minded people (68%), and access to knowledge and expertise of other members (64%). These benefits were also commonly perceived as benefits of ACS membership. More than half of state, regional, or local cheese organization members also perceived marketing and promotion of their business in the media (60%) and at events (52%) as a benefit of membership.

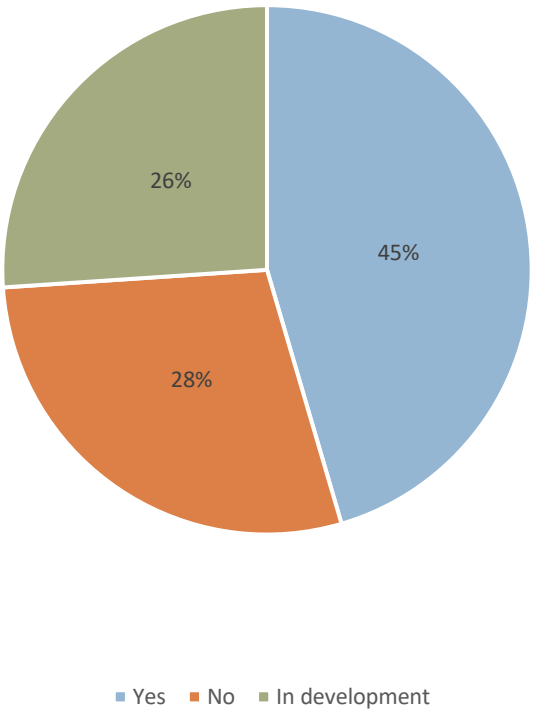
Of those who indicated they weren't members of a council or guild, more than 40% indicated that no regional, or local council or guild existed in their areas. These figures were down on those reported in 2018 with 59% reporting no regional organization in 2018 compared to 40% in 2020. Similarly, 65% reported no local organization in 2018 and this figure decreased to 47% in 2020.

Industry Attitudes

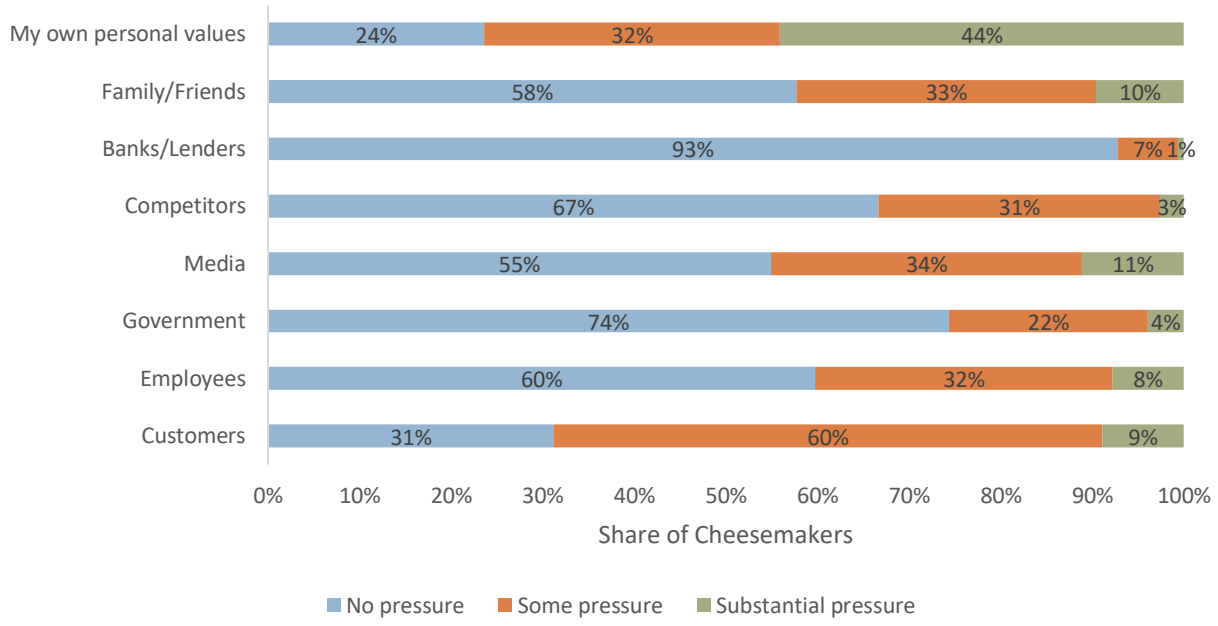
A question was added to the 2020 survey asking cheesemakers to report on whether they had a **sustainability plan in place to minimize the environmental impact of their cheesemaking business**. 45% of cheesemakers reported they had a plan in place, with 26% reporting that one was being developed.

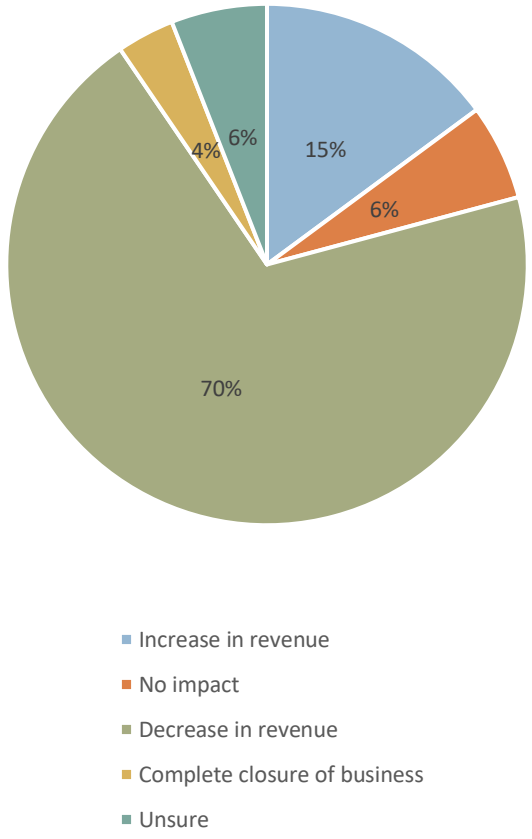
Respondents were also asked for the first time to consider their perspectives about pressure from stakeholders to act on climate change. 69% of cheesemakers indicated they felt some or substantial pressure from customers, however 76% of cheesemakers reported pressure to act on climate change as stemming from their own internal values.

74% of respondents reported they felt no pressure from government to act on climate change and 93% reported no pressure from banks/lenders.



Industry Participation





A third question added to the 2020 survey asked cheesemakers to estimate the **impact of Covid-19 on their 2020 Q1 and Q2 revenue compared to 2019 Q1 and Q2**.

A decrease in 2020 revenue compared to 2019 was reported by 70% of respondents. Just over a fifth (21%) of cheesemakers reported a drop in revenue from some distribution channels, such as farmers markets or direct to restaurants, being made up by an increase in direct sales to customers by way of their own website or some other e-commerce channel, resulting in either no net impact on revenue or an increase in revenue for 2020 Q1 and Q2 compared to 2019.

4% of respondents reported that Covid-19 had been directly responsible for the complete closure of their business. This equates to the loss of six cheesemaking business in the first half of 2020.

Key Findings

This 2020 State of the U.S. Artisan/Specialty Cheese Industry Report builds on the 2016 and 2018 reports and deepens the understanding of businesses that make artisan, farmstead, and specialty cheese in the U.S.

- The percentage of cheesemakers producing 10,000 pounds of cheese or less annually decreased from 48% in 2017 to 40% in 2019.
- 63% of cheesemakers sourced milk from their own animals.
- The share of cheesemakers using pasteurized milk in their cheesemaking increased from 75% in 2017 to 85% in 2019, while the share of cheesemakers using unpasteurized milk with no heat treatment decreased from 50% in 2017 to 35% in 2019.
- Cheesemakers increasingly are selling cheese through their own websites. The share using this distribution channel has grown from 32% in 2015 to 64% in 2019.
- The percentage of cheesemakers reporting gross revenues of less than $50,000 decreased from 24% in 2017 to 17% in 2019.
- The average profit margin of profitable cheesemakers increased from 21% in 2017 to 25% in 2019.
- The percentage of cheesemakers with facilities of no more than 1,000 square feet has decreased from 37% in 2016 to 30% in 2020.
- 91% of cheesemakers in the 2020 survey reported that maintaining profitability was a concern.

Contact Us

For any questions, or to learn more about the 2020 State of the U.S. Artisan/Specialty Cheese Industry Report, please contact the American Cheese Society at info@cheesesociety.org or 720.328.2788.

Who We Are

The American Cheese Society (ACS) is the leader in promoting and supporting American cheeses, providing the cheese industry with educational resources and networking opportunities, while encouraging the highest standards of cheesemaking focused on safety and sustainability.

Definitions Used in this Report

Artisan Cheese

The cheese is produced primarily by hand, in small batches, with particular attention paid to the tradition of the cheesemaker's art, and thus using as little mechanization as possible in the production of the cheese.

Farmstead Cheese

The cheese must be primarily made by hand with milk from the farmer's own herd, or flock, on the farm where the animals are raised. Milk used in the production of farmstead cheeses may not be obtained from any outside source. Care and attention must be paid to the purity, quality, and flavor of the milk. The cheese must be ripened naturally, with emphasis on the development of characteristic flavor and texture and without the use of shortcuts and techniques to increase yield and shelf life at the expense of quality. Respect for the traditions and history of cheesemaking are expected regardless of the size of the production.

Specialty Cheese

Specialty cheese is defined as a cheese of limited production, with particular attention paid to natural flavor and texture profiles.

Commodity Cheese

Cheese that's produced in large volume using industrial manufacturing techniques such as milk standardization, mechanization, and automation and that's often used in private labeling, food service, mass retail, or institutional settings. Responses from commodity cheesemakers were included in the data analysis if those cheesemakers also produced artisan, farmstead, or specialty cheese.

Cheesemaker

Any producer of cheese in the United States whose production meets the above definition(s).