AMERICAN CHEESE SOCIETY

2018
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. This 2018 report builds on the findings reported in 2016 and works to identify potential trends and provide much-needed information about the artisan, farmstead, and specialty cheese sector in order to support cheesemakers and their businesses.

Researchers at the University of Missouri conducted the 2018 survey on behalf of ACS. Nearly 1,000 artisan, farmstead and specialty cheesemakers operating in the U.S. were invited to participate in the survey. The response rate was deemed statistically reliable with 95.5% confidence, and many findings are similar to comparative data reported in 2016.

This report highlights key findings in six areas:

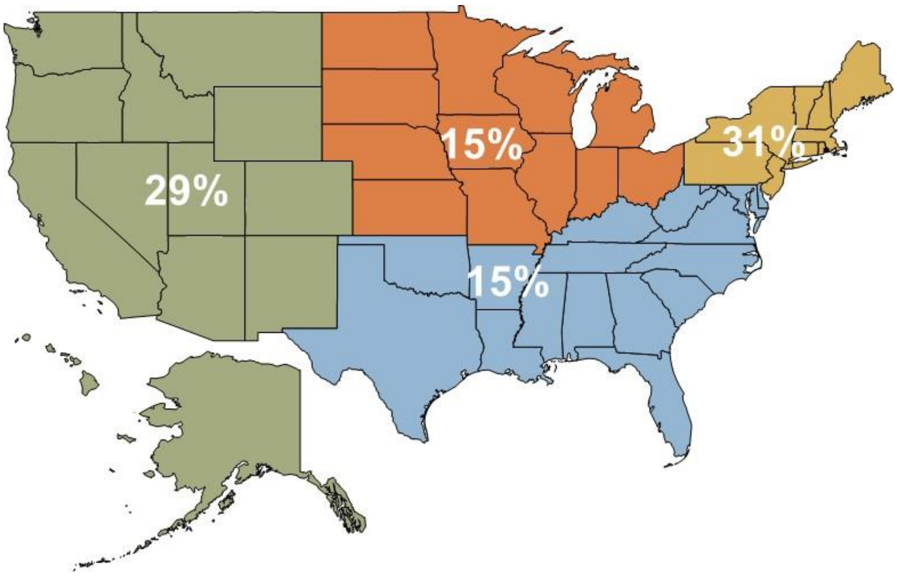
1. **Demographics** – location, years in business, facility size, profitability, employees, business operating expenditures
2. **Production** – volume, cheese styles, milk types and sources, aging
3. **Marketing** – labeling, distribution
4. **Food safety** – microbial and pathogen testing, inspections and audits, sourcing
5. **Industry participation** – ACS and state, regional, or local council or guild membership
6. **Attitudes** – perceptions regarding cheesemakers' own businesses and the wider industry

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

Data shared in this report were collected in the 2016 and 2018 surveys commissioned by the American Cheese Society. In some cases, survey questions asked cheesemakers to record information about their operations in 2015 and 2017, 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 and 2017, or 2016 and 2018, 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

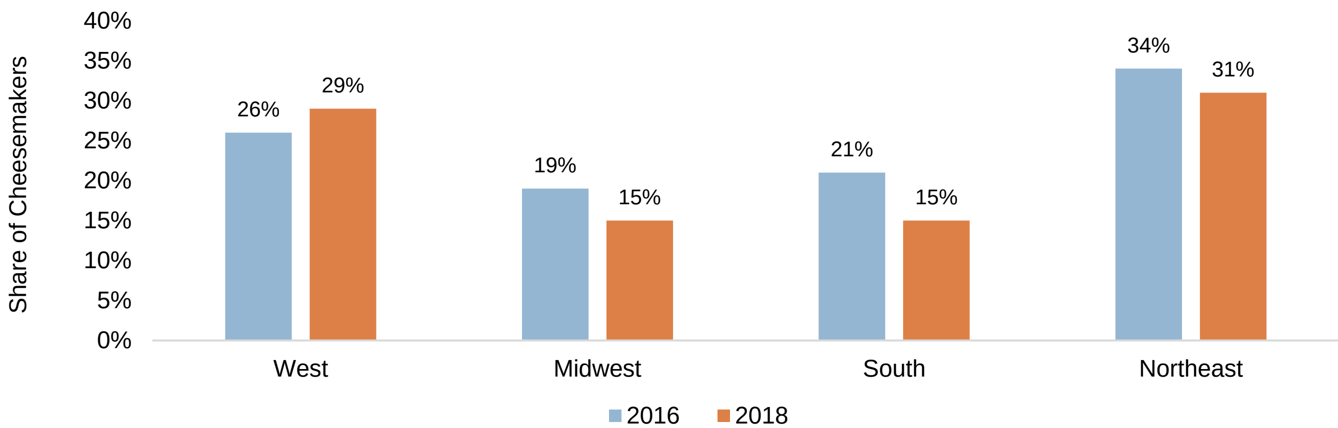


* Of the cheesemakers responding in 2018, 10% didn’t provide their location.

Geographic Distribution of Cheesemakers

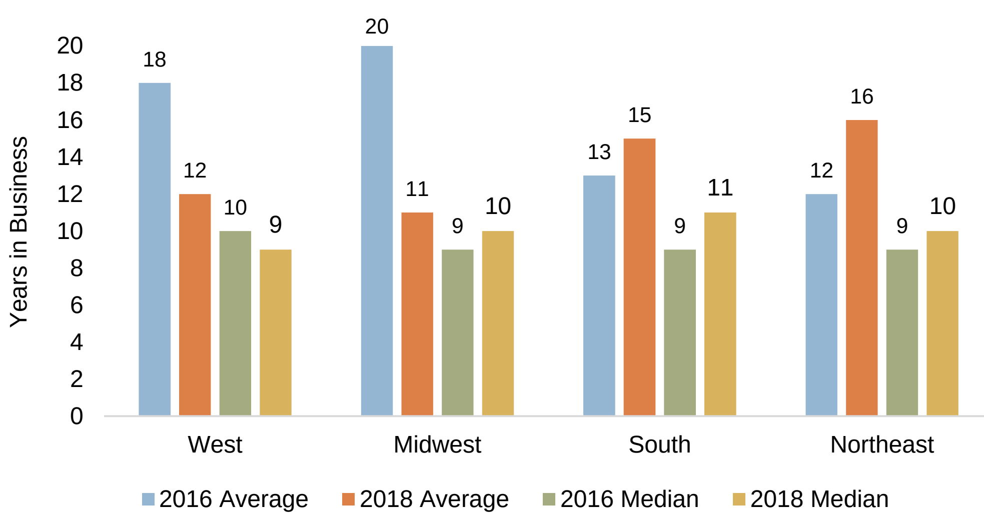
Of the 209 cheesemakers responding to the 2018 survey, 31% reported being from the Northeast, 29% were from the West region, 15% were from Midwest states, and 15% were from the South.

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



Number of Years in Operation

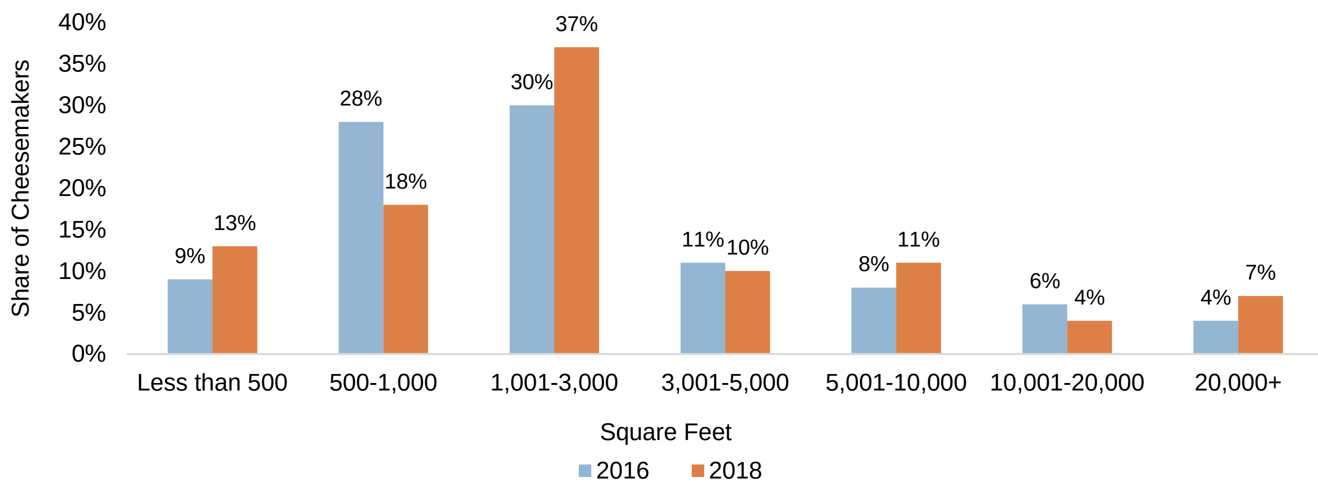
In the 2018 survey, cheesemakers had operated their businesses for 16 years on average. In the 2016 survey, years in business averaged 15 years for cheesemakers.

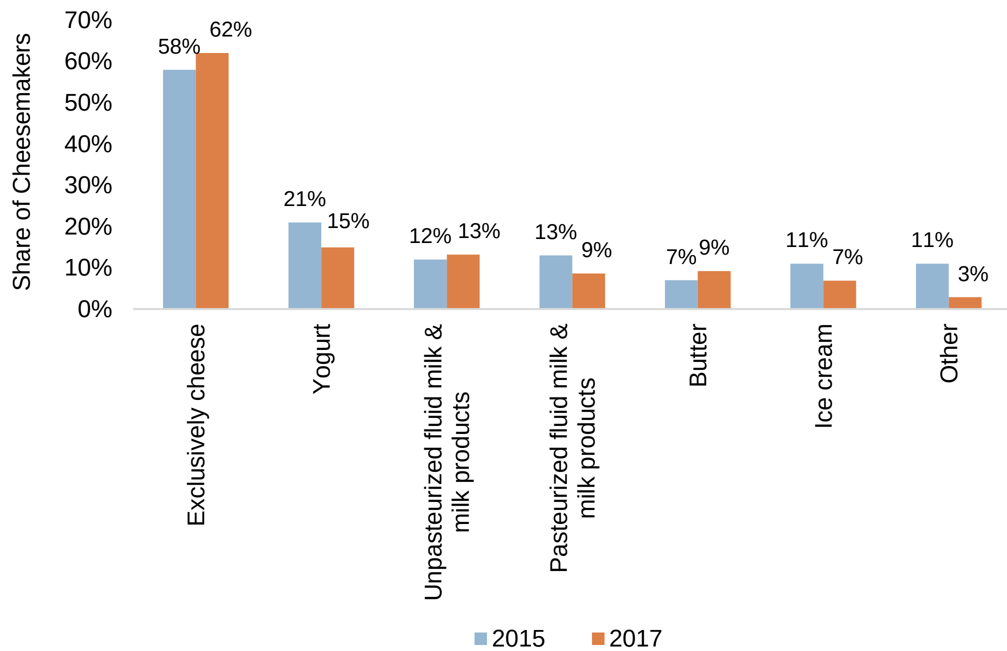


Demographics

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.





Cheese & Other Dairy Products

The share of cheesemakers who made only cheese was 58% in 2015 and 62% in 2017. Of the cheesemakers who made other products in 2017, 68% made only one other product, 21% produced two others, and 11% noted that they produced three to five other products.

21% Average profit margin of all cheesemakers who responded to the 2018 survey

Average Number of Employees Based on Production

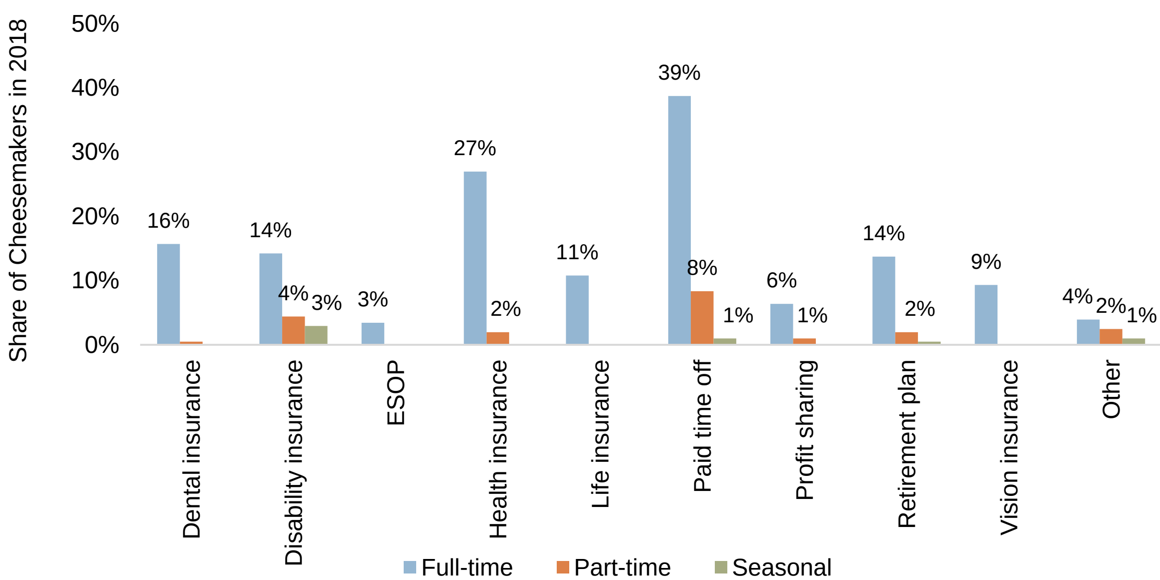
Pounds of Cheese	Full-Time Employees		Part-Time Employees		Seasonal Employees	
	2015	2017	2015	2017	2015	2017
5,000 lbs or less	1.8	2.3	3.3	2.7	3.3	1.7
5,001-10,000 lbs	2.3	1.9	2.3	1.3	13.2	0.7
10,001-20,000 lbs	3	3.1	2.1	2.4	1.7	0.8
20,001-50,000 lbs	3.3	3.4	2.6	3	2.6	1.1
50,001-100,000 lbs	6.6	16	2.4	1.7	(d)	6.1
100,001-500,000 lbs	16.1	13.6	10.7	2.2	6.5	1.4

On average, the greater the production volume, the greater the number of full-time workers employed by cheesemakers. However, no significant relationship existed between the number of part-time employees and production volume. Businesses that tended to produce more cheeses tended to employ more full- and part-time workers. Producing fewer cheeses means a business tended to employ more seasonal employees.

Employee Benefits

48% of cheesemakers in 2018 offered benefits to employees, with 81% of these cheesemakers offering between one and five benefits.

Cheesemakers were more likely to offer benefits to full-time employees than part-time employees and seasonal employees. 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

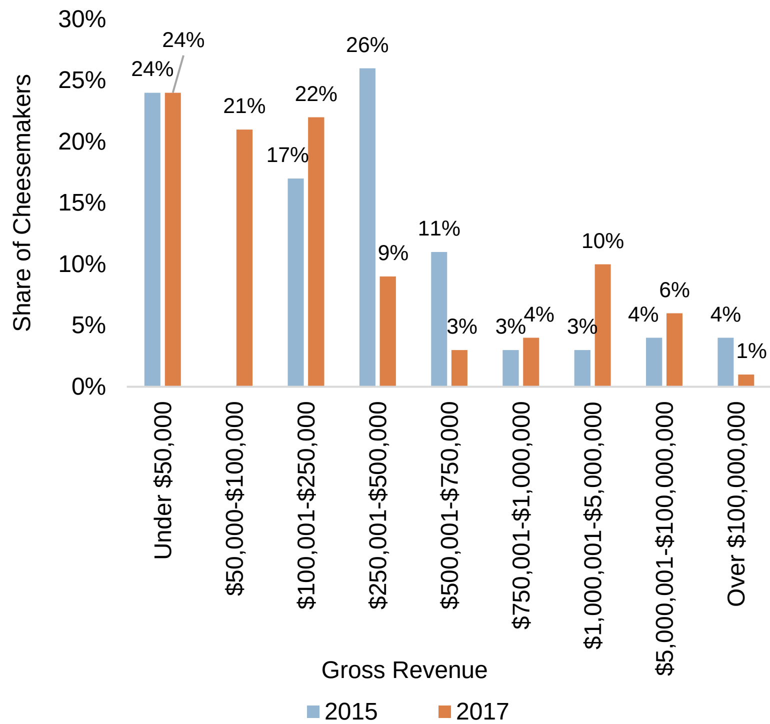
Gross Revenue from Cheese

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

Almost 25% of cheesemakers indicated they didn't operate profitably in 2015. This figure in 2017 was 20%. In the 2018 survey, 92% of cheesemakers reported that maintaining profitability is a current area of concern.

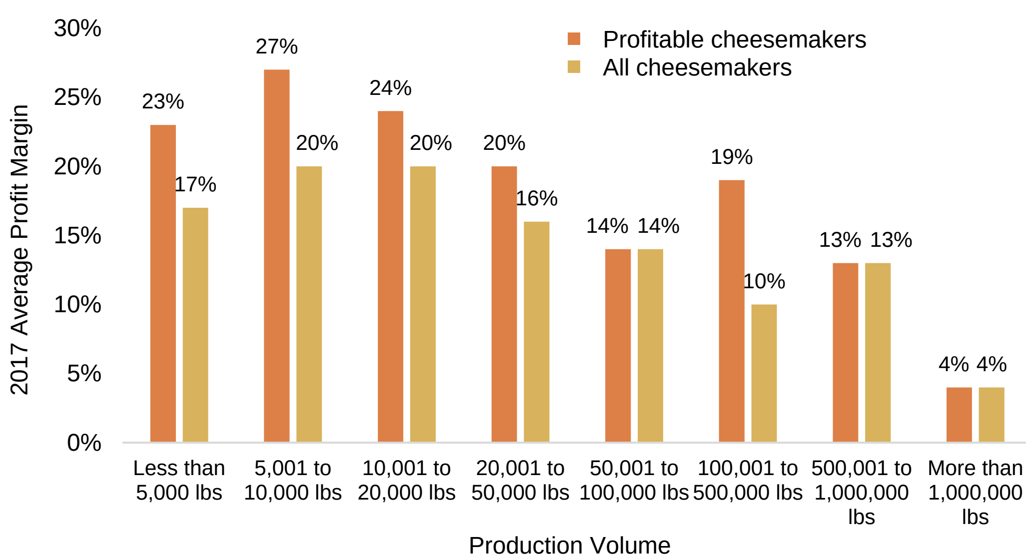
Among the cheesemakers who were profitable in 2017, the average profit margin was 21% compared with the 2015 average profit margin of 23%.

Unsurprisingly, cheesemakers that reported a higher 2017 production volume averaged higher gross revenue. However, strong gross revenue didn't necessarily translate to profit. The higher the cheesemaker's gross cheese revenue, the lower the cheesemaker's profit margin on average.



By region, the average 2017 profit margin was greatest for cheesemakers in the Northeast — 24%. During 2017, profit margin averaged 22% among cheesemakers in the West region, 19% for those in the Midwest and 18% for those in the South.

In 2015 and 2017, average profit margin was the same for West region cheesemakers. It decreased from 2015 to 2017 in the Midwest and South regions and increased in the Northeast region.



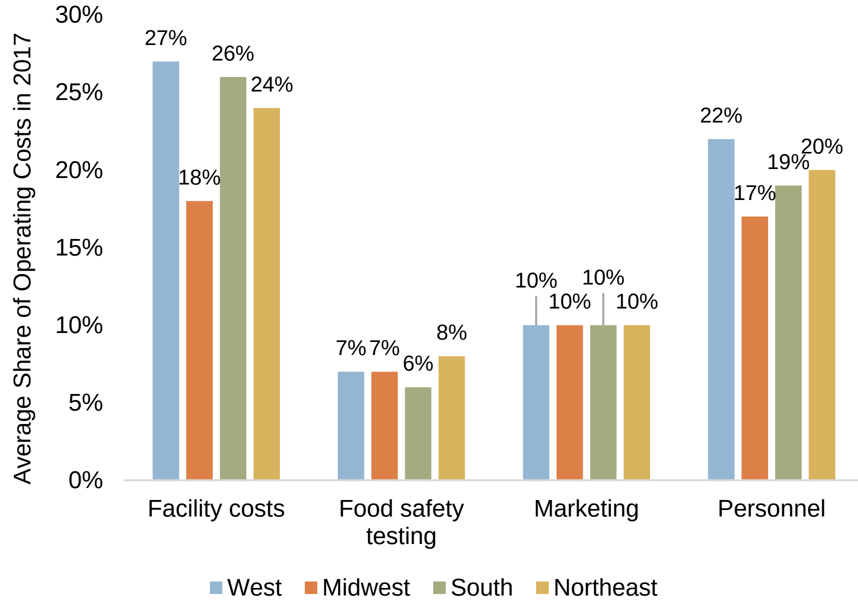
The 2016 report described that profit margins for cheesemakers grew as production grew. However, in 2017, data show that profitability tended to decrease as production volume grew. As shown in the chart at left, this was the case among cheesemakers with average profit margins of more than 0% and all cheesemakers.

Business Expenditures

For the average cheesemaker, personnel represented 33% of operating costs in 2017.

Business size, measured in production volume, had no effect on the share of total operating expenditures allocated to facilities, food safety testing, marketing, and personnel.

Regionally, facility costs tended to be lower in the Midwest during 2017 than in other regions. In all four regions, note that marketing costs as a percentage of business operating expenditures were the same. Marketing averaged 10% of total operating expenditures.

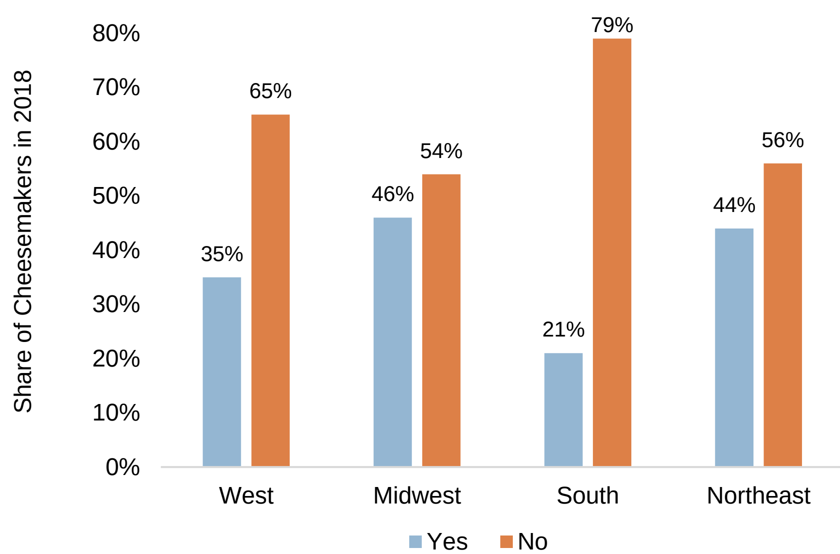


On average, cheesemakers with lower gross revenue tended in 2017 to have a higher percentage of total operating expenditures directed to marketing costs than cheesemakers with higher gross revenue.

Participation in Government or Government-Sponsored Programs

63% of cheesemakers in 2018 hadn't participated in government or government-sponsored programs during the previous three years. The Midwest and Northeast regions had the greatest shares of cheesemakers participating in such programs during the three years preceding their participation in the 2018 survey.

The most common reasons causing non-participation, according to the 2018 survey, were unawareness of such programs in their areas (32%) and the perception that the paperwork is burdensome (22%).



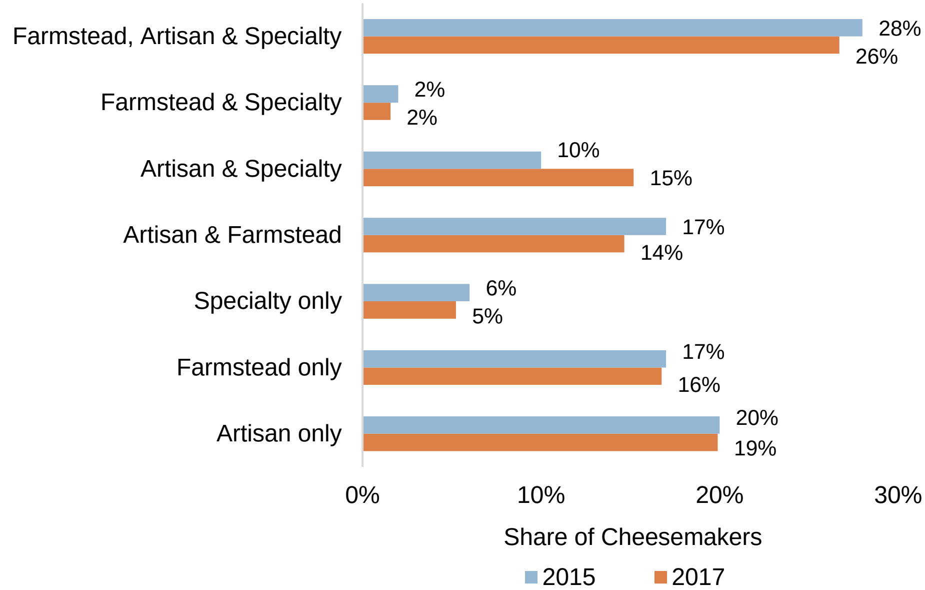
In the 2018 survey, cheesemakers in the Midwest were more likely than those from the Northeast, West, and South to be aware of government and government-sponsored programs that could help their businesses.

Production

Type of Production

ACS defines the terms artisan cheese, farmstead cheese, and specialty cheese in detail on the last page of this report. Many cheesemakers reported that the cheeses they produced in 2017 fit more than one of these definitions. In 2017, 19% of cheesemakers made solely artisan cheese. In contrast, 16% said their cheese was solely farmstead cheese, and 5% identified their cheese solely as specialty cheese.

26% made cheese in 2017 that fit all three definitions. Between 2015 and 2017, an increasing share of cheesemakers made both artisan cheese and specialty cheese.



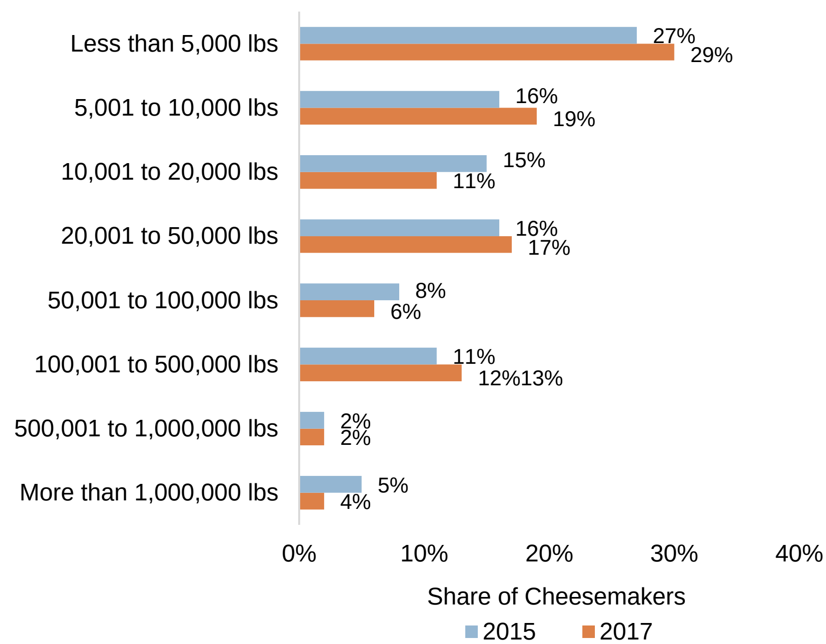
26,820 Pounds of cheese made by the average artisan-only cheesemaker in 2017 compared with 46,581 pounds for average farmstead-only cheesemakers, and 31,525 pounds for average specialty-only cheesemakers. These averages are for cheesemakers who produced no more than 750,000 pounds of cheese in 2017.

Production Volume

Nearly three-quarters — 74% — of the cheesemakers in the 2016 survey reported that their prior year production was 50,000 pounds or less. This percentage was 76% in 2017.

Roughly three in 10 cheesemakers produced less than 5,000 pounds of cheese in 2017.

5% of cheesemakers responding to the 2016 survey indicated that they produced more than 1 million pounds of cheese in the prior year. This share was 4% of cheesemakers in 2017.



48% Share of cheesemakers with 2017 cheese output that totaled no more than 10,000 pounds

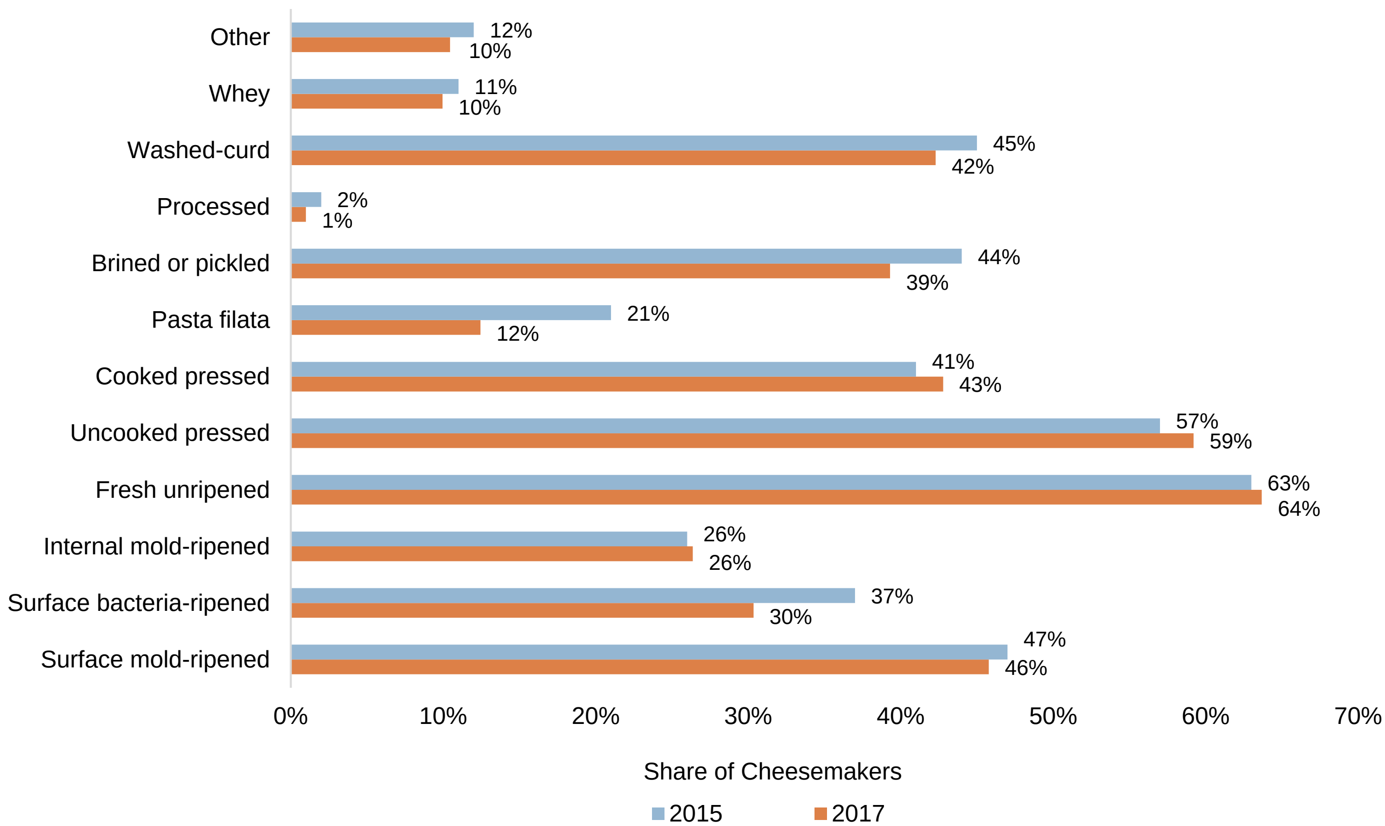
Production

Styles of Cheese Produced

The most common styles of cheese produced in 2017 were fresh unripened and uncooked pressed. 63% of cheesemakers reported making fresh unripened cheese in 2015; 64% reported this in 2017.

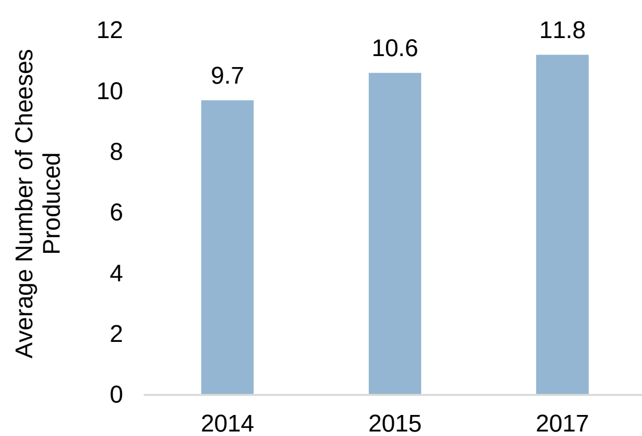
A greater share of cheesemakers in the West, Midwest, and South made fresh unripened cheese in 2017 than any other cheese. In the West, 63% made fresh unripened cheese, compared with 55% in the Northeast, 77% in the Midwest, and 73% in the South. In the Northeast, a greater share of cheesemakers reported making uncooked pressed cheeses — 61% — than fresh unripened cheeses — 55%.

The percentage of cheesemakers producing pasta filata dropped from 21% in 2015 to 12% in 2017.



The average number of cheeses produced by cheesemakers was 9.7 cheeses in 2015, compared with 11.8 cheeses in 2017. In 2017, 37% of producer-respondents offered six to 10 different cheeses.

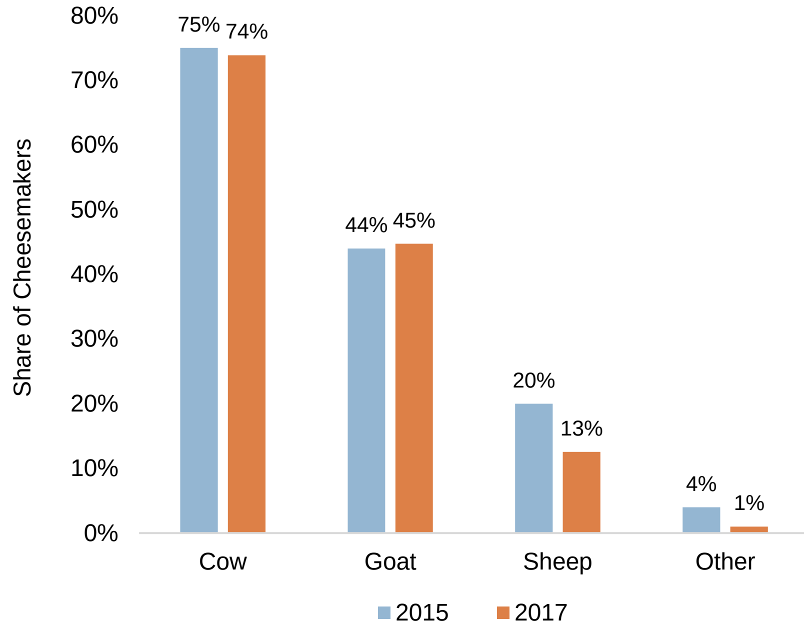
On average, large-scale cheesemakers and those cheesemakers who have been in business longer tended to offer more products. However, offering more products didn't necessarily increase profit. For every additional cheese product offered in 2017, average profit margin decreased by half a percentage point.



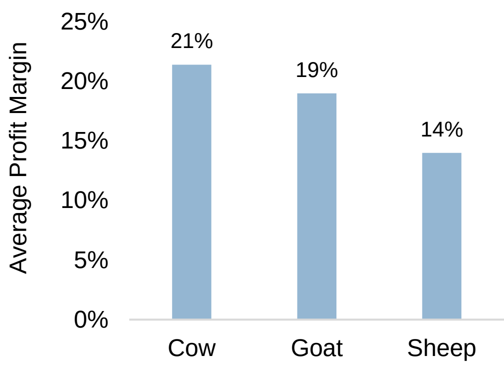
Production

Milk Type

Milk from cows is the most common type of milk used for cheesemaking. In 2015 and 2017, the share of cheesemaker-respondents using milk from cows was 75% and 74%, respectively, and the share using milk from goats was 44% and 45%, respectively. Those using milk from sheep dipped from 20% of cheesemakers in 2015 to 13% in 2017.



The average profit margin of cheesemakers using milk from cows was the highest at 21% in 2017. Cheesemakers who used milk from sheep averaged the lowest profit margins: 14% in 2017.

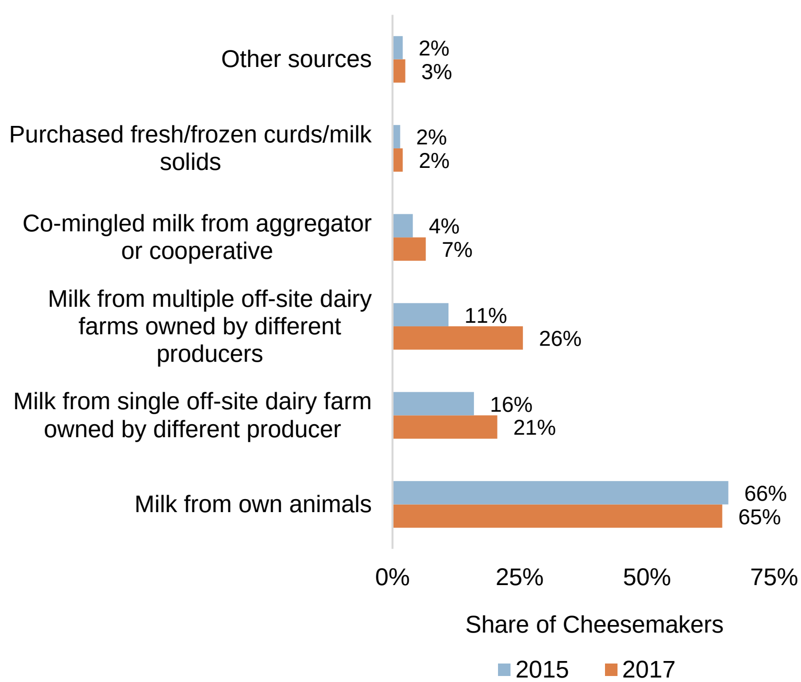


Using more than one type of milk tended to yield a higher production volume but not more profit. On average, for every additional type of milk used, profit margin decreased by 6 percentage points in 2017.

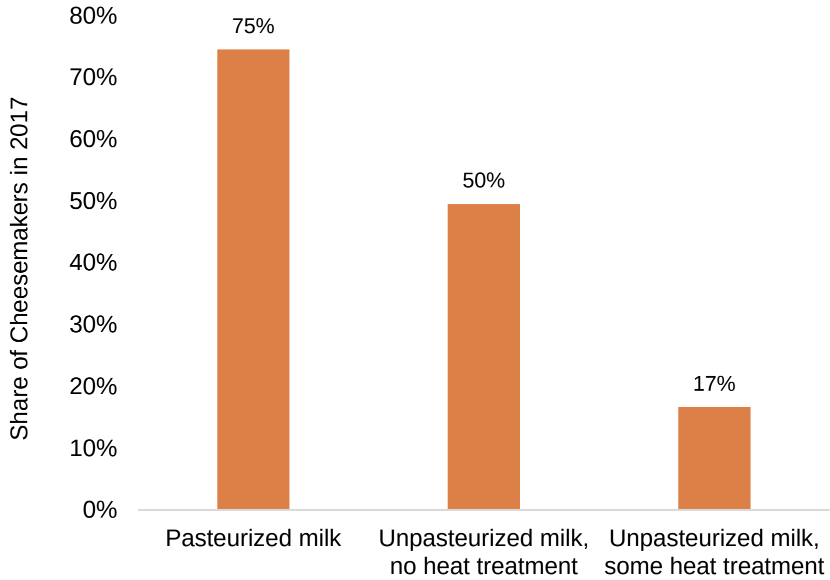
Milk Sources

Roughly two-thirds of cheesemakers sourced milk from their own animals to make cheese products in both 2015 and 2017. Thus, roughly two-thirds were also dairy farmers.

Profitable cheesemakers who only used milk they produced reported an average profit margin of 21% in 2017. Statistically, this average profit margin wasn't significantly different from the average profit margins of 22% reported for cheesemakers who sourced 100% of the milk used from other suppliers, and 22% for cheesemakers who used milk from their own dairy operations and milk from other dairies.



Production

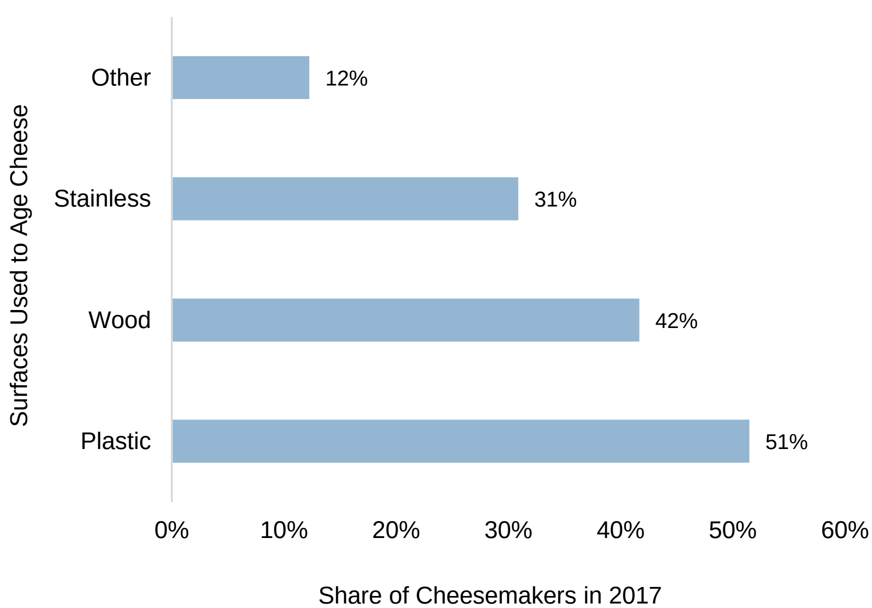


Raw vs. Pasteurized Milk

Three-quarters of cheesemakers used pasteurized milk to make cheese in 2017. Half of cheesemakers used unpasteurized milk that had undergone no heat treatment, and 17% used unpasteurized milk that had undergone some heat treatment.

Of the cheesemakers who used pasteurized milk, 48% also used some form of pasteurized milk to make cheese.

No statistically significant relationship was found between profitability in 2017 and the use of unpasteurized milk instead of pasteurized milk.



Aging Surfaces

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

Also, on average, cheesemakers who used plastic surfaces chose to age 53% of their cheese on plastic. In comparison, cheesemakers who used wood and stainless as aging surfaces aged an average 62% and 61%, respectively, of their cheese on these surfaces.

Marketing

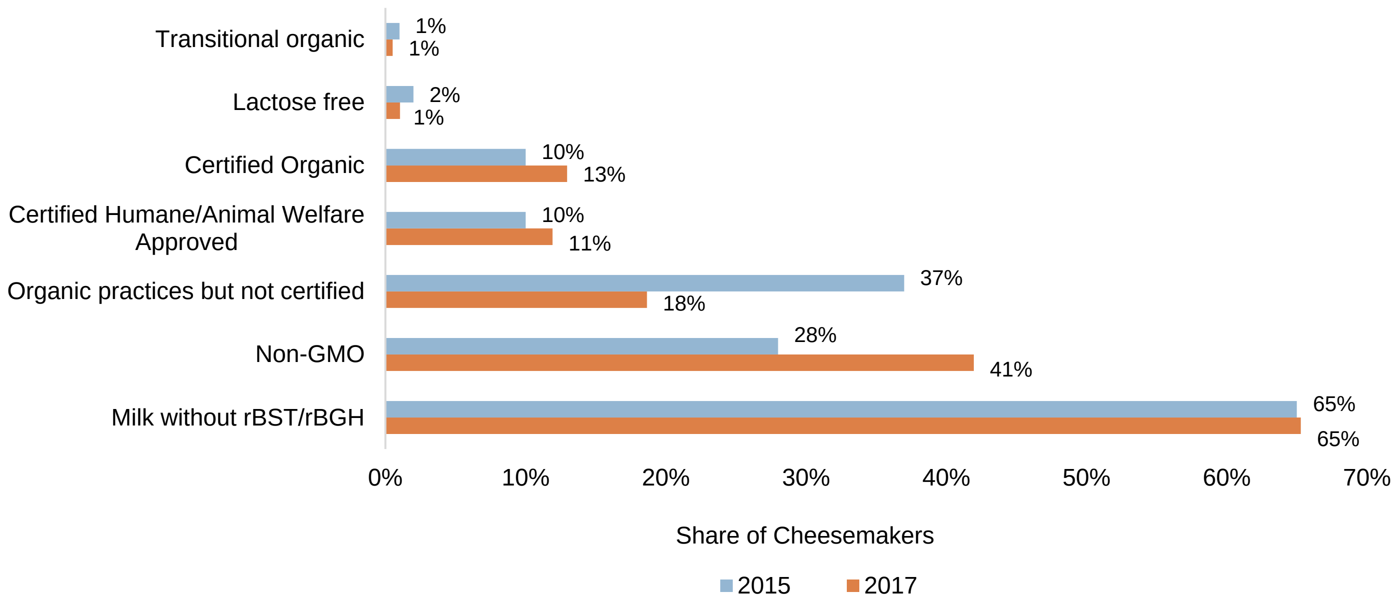
Milk Production Processes & Practices

Like in 2015, the majority of cheesemakers indicated that they used milk without rBST/rBGH to make cheese in 2017. The share of cheesemakers reporting using non-GMO practices for cheesemaking increased from 28% in 2015 to 41% in 2017.

In contrast, the share of cheesemakers using organic practices without certification dropped. The share who reported being Certified Organic was 10% in 2015 and 13% in 2017, but this growth isn't large enough to attribute the decrease in cheesemakers choosing organic practices without certification to more cheesemakers gaining certification.

41%

Share of cheesemakers who used non-GMO cheese practices in 2017. Note that just 14% of cheesemakers provided this information on cheese product labeling or other marketing materials



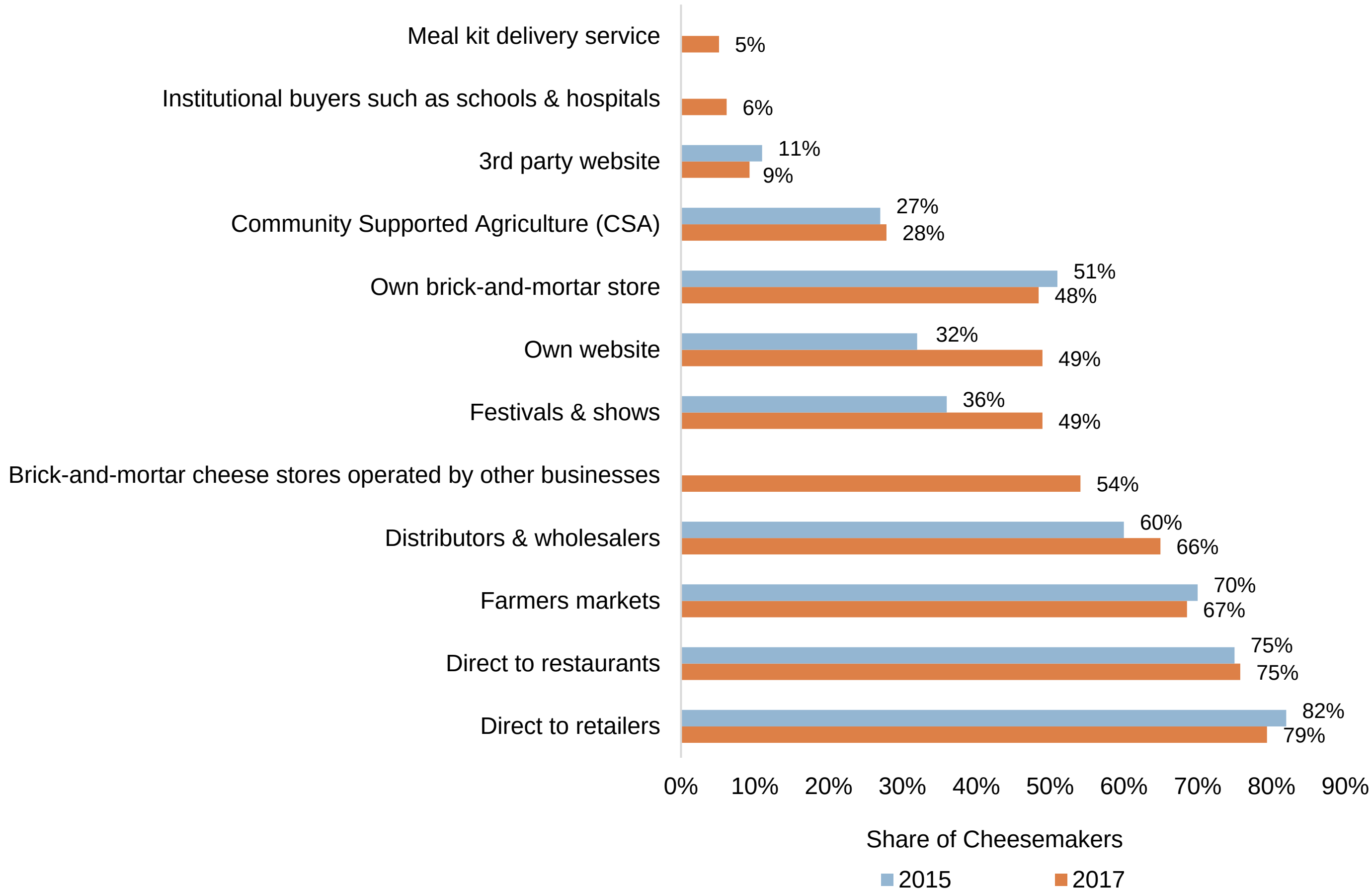
Distribution Channels

During both 2015 and 2017, distribution channels most frequently used by cheesemakers were:

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

In 2017, cheesemakers were more likely to distribute cheese through their own websites and at festivals and shows than they were in 2015.

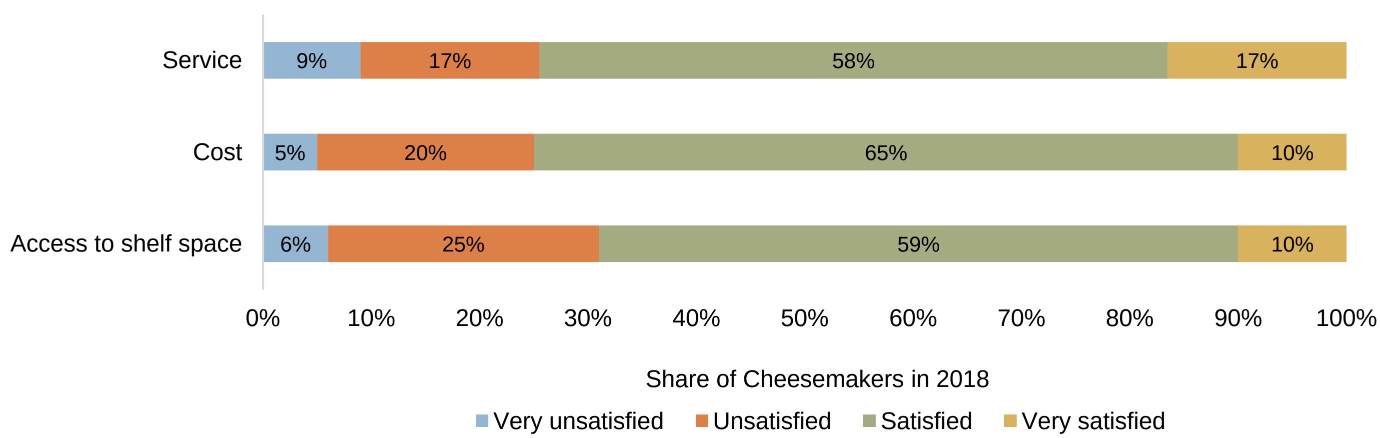
In 2017, 49% of cheesemakers used more than five channels to sell their cheese products. Profitable cheesemakers with higher-than-average profit margins — the average was 21% — tended to use five to seven distribution channels. Cheesemakers using eight or more distribution channels tended to have lower-than-average profit margins as did cheesemakers who used less than five channels.



New in 2018, the survey asked cheesemakers whether they distributed cheese through meal kit delivery services and institutional buyers, such as schools and hospitals. Relatively few cheesemakers used these channels in 2017 — just 5% and 6%, respectively.

Satisfaction with Distributor or Wholesaler

Cheesemakers indicated being predominantly very satisfied or satisfied with their distributors or wholesalers in terms of service, cost, and access to shelf space. Of these three areas, “access to shelf space” gathered more unsatisfied or very unsatisfied responses than the other two.

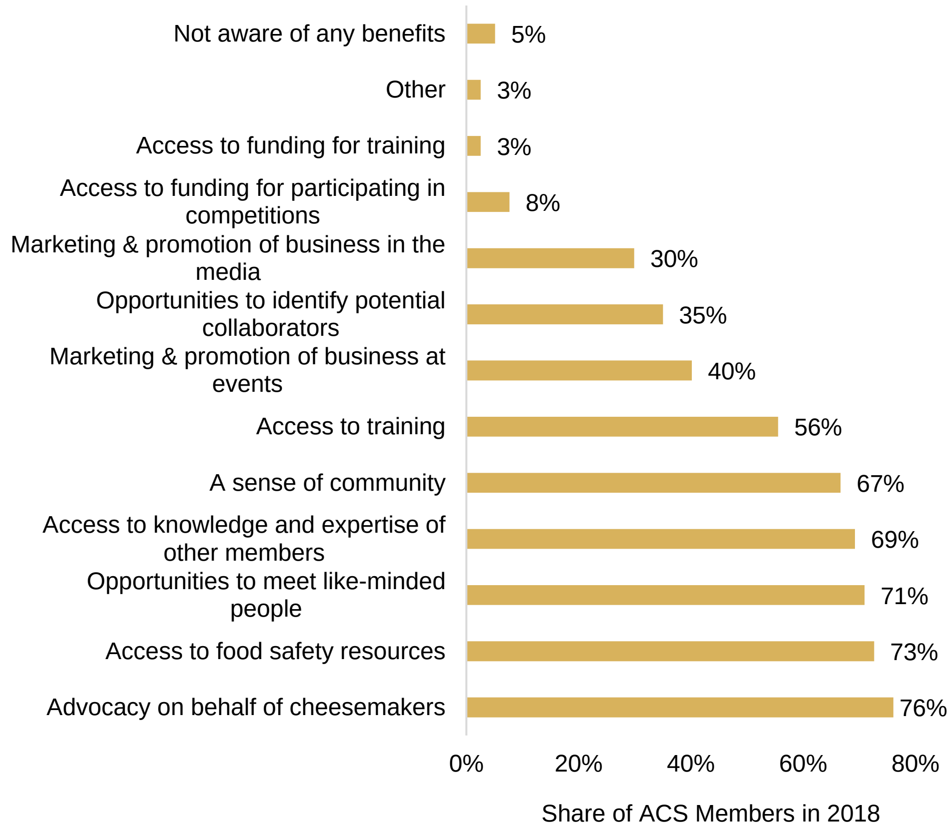


Industry Participation

ACS Membership

Of the cheesemakers who responded to the 2018 survey, 63% reported being members of ACS. Three-quarters of those cheesemakers perceived advocacy provided on behalf of cheesemakers to be a benefit of their ACS membership.

Other top membership benefits cited by the respondents were access to food safety resources, opportunities to meet like-minded people, access to knowledge and expertise of other members, a sense of community, and access to training. More than half of ACS members who responded to the 2018 survey indicated these factors as membership benefits.

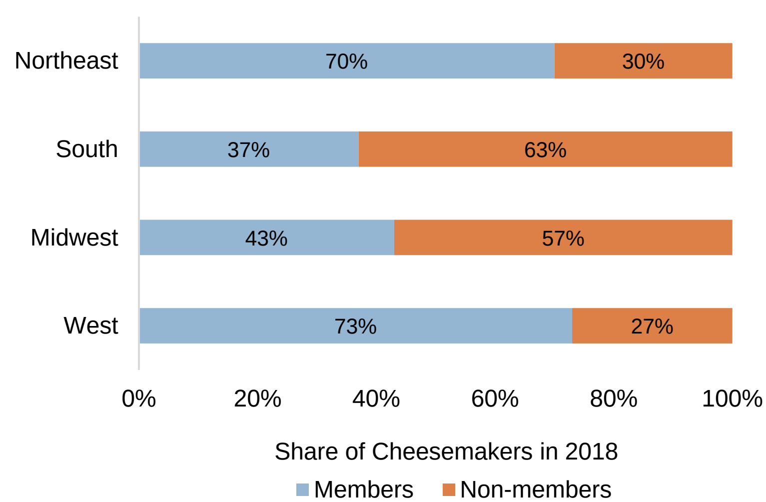


Businesses with higher production volume were more likely to be members. At least half of cheesemakers producing less than 10,000 pounds per year reported in the 2018 survey that they weren't ACS members, and more than 90% of cheesemakers producing between 50,001 pounds and 1 million pounds per year indicated they were members.

State, Regional, or Local Council or Guild Membership

Similar to ACS membership rates, 62% of cheesemakers reported being members of a state, regional, or local cheese guild in 2018.

Of cheesemakers who reported being ACS members in 2018, 70% were also council or guild members. The Northeast and West regions had the highest membership rates in state, regional, or local councils or guilds.



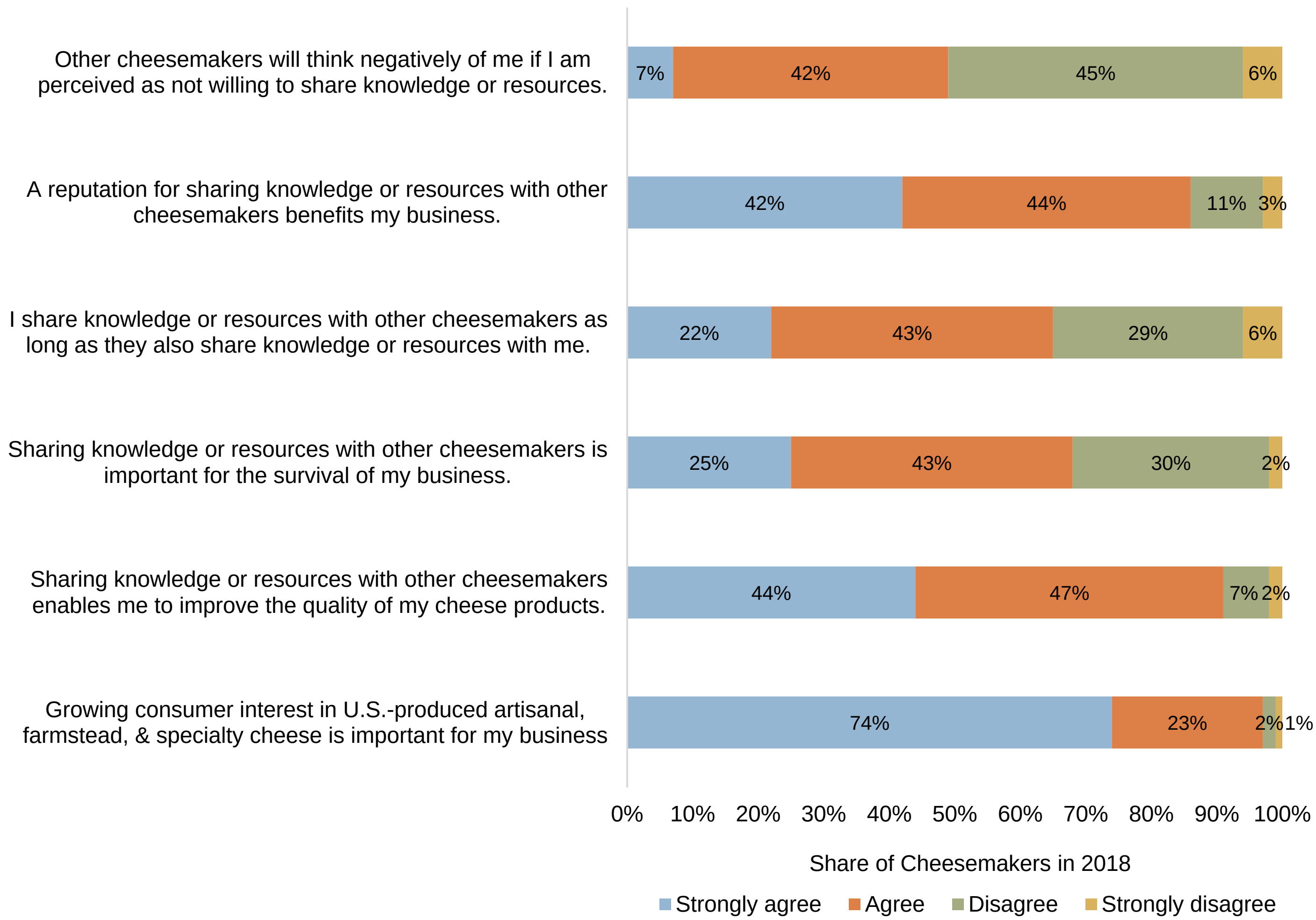
Perceptions of State, Regional, or Local Council or Guild Membership

Half of state, regional, or local cheese organization members responding to the 2018 survey reported at least six benefits of membership, regardless of their cheese production volume.

Of those who indicated they weren't members of a council or guild, more than half indicated that they weren't members because no state, regional, or local council or guild existed in their areas.

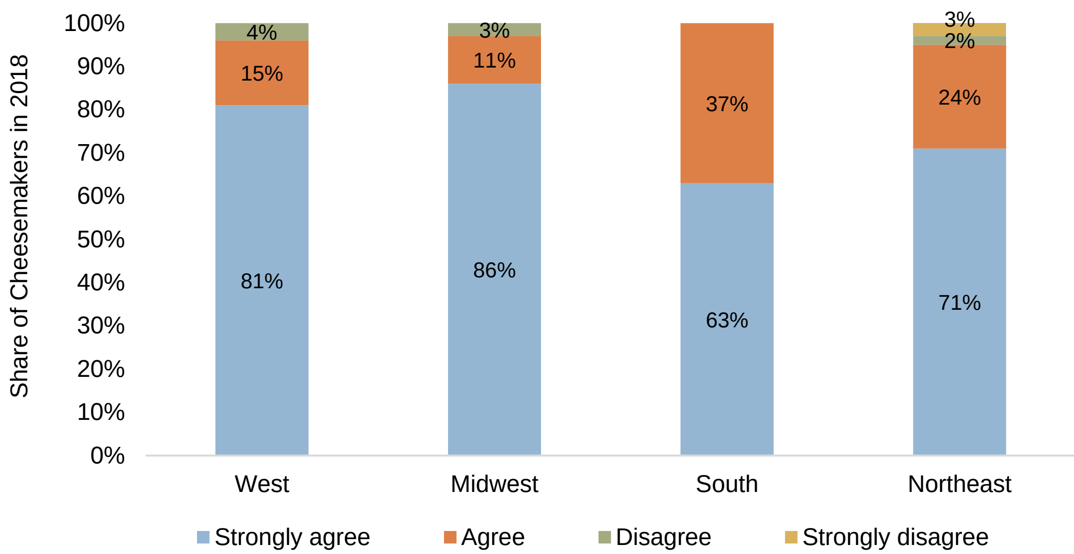
Industry Attitudes

Several attitudinal questions in the 2018 survey asked cheesemakers to consider their perspectives about the cheesemaking industry. Three-quarters of the respondents strongly agreed that growing consumer interest in U.S.-produced artisan, farmstead, and specialty cheese was important to their businesses, and 23 percent noted that they agreed with the statement. No other question garnered as much agreement. Also, 86% of the cheesemakers said that they strongly agreed or agreed that a reputation for sharing knowledge or resources with other cheesemakers benefits their businesses.



Industry Participation

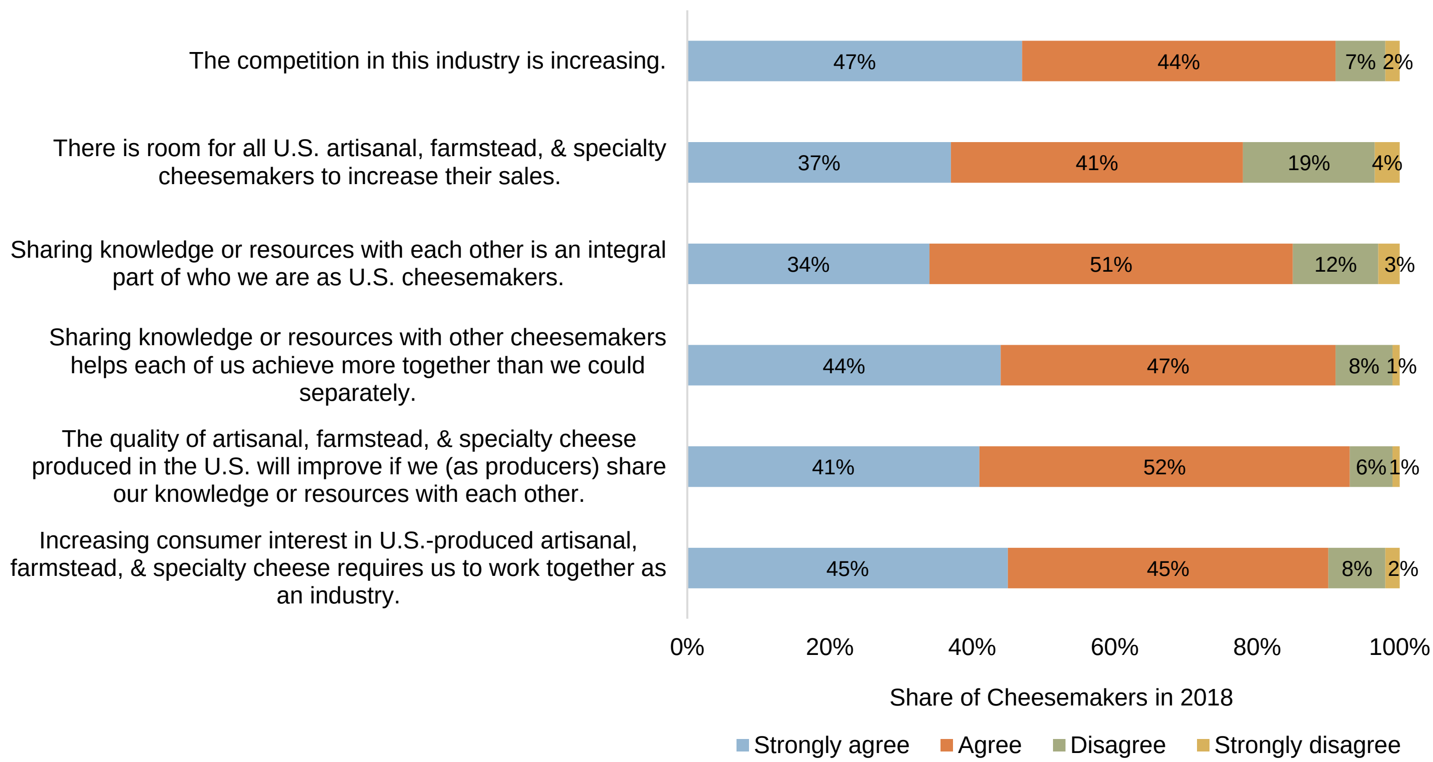
Sharing knowledge or resources with other cheesemakers is important for the survival of my business



During 2018, cheesemakers in the West and Northeast regions were more likely than cheesemakers in the Midwest and South to agree or strongly agree that sharing knowledge or resources with other cheesemakers is important for the survival of their businesses.

Industry Attitudes

More than 90% of cheesemakers agreed or strongly agreed that the quality of U.S. artisan, farmstead, and specialty cheese will improve if producers share knowledge or resources with each other, and that this will help cheesemakers achieve more together than they could separately. Nearly all cheesemakers also agreed or strongly agreed that industry competition is increasing.



Key Findings

This 2018 State of the U.S. Artisan/Specialty Cheese Industry Report builds on the 2016 report 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 increased from 43% in 2015 to 48% in 2017.
- 65% of cheesemakers sourced milk from their own animals.
- Cheesemakers increasingly are selling cheese through their own websites. The share using this distribution channel grew from 32% to 48% between the 2016 and 2018 reports.
- The percentage of cheesemakers reporting gross revenues of less than $50,000 stayed stable between 2015 and 2017 (24%). The average profit margin of profitable cheesemakers decreased slightly from 23% in 2015 to 21% in 2017.
- 92% of cheesemakers in the 2018 survey reported that maintaining profitability was a concern.

Contact Us

For any questions, or to learn more about the 2018 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

“Artisan” or “artisanal” implies that a 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.

Farmstead Cheese

In order for a cheese to be classified as “farmstead,” the cheese must be made only from milk produced by the cheesemaker’s own herd or flock and produced on the farm where the animals are raised.

Specialty Cheese

Specialty cheese is defined as cheese made in limited quantities 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).