Market Assessment

Oat Milling in Wisconsin

Fiscal and Economic Research Center

Market Assessment for Kohler Company Farms Department

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Market Assessment for Kohler Company Farms Department

Introduction

Since establishing itself as a plumbing company in 1873, The Kohler Company has expanded its offerings to include products and services in the kitchen and bath, power, interior, and hospitality markets. Today, Kohler continues to seek opportunities for expansion and is currently interested in the possibility of expanding its offerings to include oat milling. As a result, the Kohler Company Farms Department has enlisted the services of Food to Market, a company specializing in assisting food entrepreneurs, producers, processors, and food hubs in expanding their food businesses, in order to assess the market potential for oat milling in the state of Wisconsin.

This report includes the following:

- Introduction
- Research Objectives
- Executive Summary
- Summary of Industry Representative Interviews
- Individual Industry Representative Interviews
- Market Analysis
- Potential Customer List

Research Objective

The objective of this research is to assess the feasibility of the Kohler Company providing milling services and selling milled oat products to oat growers and buyers in the Wisconsin area. This research will help identify target markets and potential clients for Kohler, as well as assess the growth of various markets, including oats and oat products, gluten free oat products, craft breweries, bakeries, and specialty stores. WISC will obtain this information through conversations with 5 oat producers within a 100-mile radius of Kohler Company Farms Department, along with 15 interviews with potential customers and end users for milled oat products. This information is meant to help WISC learn about milling service preferences and market trends in the Wisconsin area as well as learn about the market need and preferences for milled oat products in the area.

In order to gather the necessary information, the following questions were asked of milled oat purchasers:

- *Do you Purchase milled oats products?*
- *Which of the following milled oats products do you purchase?*
    - *Rolled oats*
    - *Steel cut thick rolled oats*
    - *Quick cooking rolled oats*
    - *Oat Flour*
    - *Gluten free rolled oats (reg)*
    - *Gluten free rolled oats (thick)*
    - *Gluten free rolled oats (quick)*
    - *Gluten free oat flour*
    - *Other (please indicate)*
- *What quantity of each do you purchase in a given year?*
- *Who are the leading suppliers of milled oats products in the region? What about in the US?*
    a. *What do you think causes them to be considered market leaders?*
- *How satisfied are you with your current milled oats product supplier? (scale of 1 to 5)*
- *What do you like best about your current milled oats products supplier?*
- *Are there any products that it is difficult or impossible to find a supplier for? (If yes, how much demand is there, or would there be for that product in an average year?)*
- *If you could quickly and easily acquire regionally milled fresh oat products, would that influence your decision to use or carry such products?*
- *When would you choose oats over other grains?*
- *Typically, how important is proximity of the supplier to your company when purchasing milled oats products?*
- *How important is price to your company when purchasing milled oats products?*
- *How important is quality to your company when purchasing milled oats products?*
- *Within the next 18 months, do you think that your company will be increasing, decreasing, or maintaining the amount of milled oat products you purchase?*
- *What criteria does your company use to select suppliers of milled oats products?*
- *What are two trends or issues that are going to affect the way you do business within the next 18 months?*
- *Would you be open to considering a new source for milled oat products?*

In addition, the following questions were asked of milled oat producers:

- *Do you produce gluten free oats? (If yes, exclusively or in addition to regular oats?)*
- *In the past three years what market trends have you noticed for oats?*
- *In particular, is demand for oats increasing, remaining the same, or decreasing? (Also ask about GF oats if they produce them).*
- *What do you think is driving the demand for oats and milled oats products at this time?*
- *In your opinion, what are the most popular milled oats products?*
- *What are some emerging markets for oats?*
- *In your opinion, is there a shortage of mills for oats in the area?*
- *Is there room in the market to increase oat production?*
- *Is Wisconsin and the nearby states a good place to grow oats? Why or why not?*
- *Do you contract with a miller to have the oats you produce milled?*
    - *If yes, which mill or mills do you use?*
    - *What criteria do you use when selecting a mill? (location, reputation, equipment, gluten free, price turn around, other?)*
- *Do you grow other crops in addition to oats?*
    - *If yes, what percentage of sales would you say is oats?*
- *What companies would you consider the main source of milling services for oats in the region? (GF oats?)*
- *In terms of quantity, about how much oats does a farm your size produce on average in a year?*

Executive Summary

The fifteen oat producers within a 150 mile radius of Kohler who were interviewed by WISC can be separated into four groups by industry: breweries, bakeries, specialty food stores, and cooperatives. WISC interviewed five different breweries, the majority of whom said they purchase rolled oats exclusively, in quantities ranging from 500 to 10,000 pounds. The main qualities that breweries seem to value in a supplier varied, however there was a common desire expressed by respondents to remain with suppliers with whom they had already formed business relationships. All representatives from this industry expressed extreme satisfaction with current suppliers as well, however the majority still said they would be open to considering a new supplier. It appears that the primary use of oats in this industry is for oatmeal stouts, which are not made by all breweries and often made in small quantities for a single product, making this industry in general a low-volume purchaser of oat products. The majority of respondents did however say their businesses would most likely be increasing the amount of oat products they would be purchasing in the next 18 months, which makes sense considering one of the major trends brought up by respondents was an increase in the size of breweries, as well as the quantity of new breweries in the area. This may lead to consolidation of beer distributorships.

Like the businesses in the brewing industry which generally purchased only a single oat product, businesses in the bakery industry interviewed by WISC usually said they purchased only rolled oats, in similar quantities, with the exception of one bakery who said they purchased around 75,000 pounds a year.

Bakeries were more likely than breweries, however, to purchase gluten free oats, especially since there are many bakeries that specialize in making gluten free products. Reasons for choosing a supplier varied greatly in this industry, as did the suppliers perceived as being market leaders, however product availability and convenience seemed to be prevailing criteria. Bakeries also seemed to be very satisfied with their current suppliers, but once again seemed open to new suppliers as well. When asked about the quantity of oat products they predicted to be purchasing in the next 18 months, all respondents said their businesses would most likely be maintaining their current quantities.

According to respondents from this industry, specialty food stores, unlike the previous two industries, on average purchase multiple different oat products from millers, including gluten free products. Quaker and bob's red Mill were by far the most popular suppliers among businesses in the specialty foods industry, mainly due to their production capacity and reputation. Bob's Red Mill, in particular, seems to have the reputation of being the place to go for gluten free products. Neither have locations in Kohler's target area, however. Availability of certain products was very important in choosing a supplier for businesses in this industry, which suggests many specialty food stores have particular needs driven by a particular customer demand. Like the other two industries, the specialty food industry, as well, seemed to be very satisfied with current suppliers yet open to new the idea of choosing a new supplier with the proper motivations. Representatives spoke of the growing demand for products that are gluten free, as well as products that are organic, non-GMO, and whole grain. The majority predicted their stores would be maintaining the amount of oat products purchased within the next 18 months.

Summary of Business Interviews

Producers

WISC was only able to speak with one oat producer within a 150 mile radius of Kohler. Below is a conversation held with a representative from Steinray Farm of Manawa, Wisconsin.

- *Do you produce gluten free oats? (If yes, exclusively or in addition to regular oats?)*

  No.

- *In the past three years what market trends have you noticed for oats?*

  Not much, they've gone kind of down (in production). They're an easy crop to grow but we've gone away from planting too many.

- *In particular, is demand for oats increasing, remaining the same, or decreasing? (Also ask about GF oats if they produce them).*

  Decreasing.

- *What do you think is driving the demand for oats and milled oats products at this time?*

  We don't use it in feed as much now that we've decreased our herd sizes. We don't use it in cereal, just in feed.

- *In your opinion, what are the most popular milled oats products?*

  Oatmeal.

- *What are some emerging markets for oats?*

  Besides as a cereal grain, maybe health benefits like in shampoos and hand lotions.

- *In your opinion, is there a shortage of mills for oats in the area?*

  Probably.

- *Is there room in the market to increase oat production?*

  It depends. Oatmeal is cheap anyway you look at it. I don't know if there's ever going to be a growing demand for it.

- *Is Wisconsin and the nearby states a good place to grow oats? Why or why not?*

  I would think so! We're in the Midwest so that's a pretty popular place, it's the right climate. Oats are usually a late-summer crop.

- *Do you contract with a miller to have the oats you produce milled?*

  No, there isn't anything around us. We could go to Indiana, but most is shipped out to Michigan or all the way to Mississippi.

- *Do you grow other crops in addition to oats?*

  Yes, corn and alfalfa.

  - *If yes, what percentage of sales would you say is oats?*

    Zero. (Don't sell, use for feeding own livestock.)

- *What companies would you consider the main source of milling services for oats in the region? (GF oats?)*

  CHS, which is a division of Cenex.

- *In terms of quantity, about how much oats does a farm your size produce on average in a year?*

  We have a 1,000 acre farm and about 10 percent is oats.

It was made clear in this conversation that Steinray Farm does not grow oats with the purpose of selling them to wholesalers, but rather as a means of feeding their livestock. Nevertheless, they still offer useful information regarding the demand for oats in the region as well as other related trends. From a producer's perspective, they see the demand for oats as decreasing, which conflicts with answers given by the majority of oat purchasers interviewed who predicted that their companies would be maintaining or increasing the amount of oat products they purchase in the next 18 months. This inconsistency may be the result of the fact that Steinray is not directly involved in oat selling and purchasing activities, and may therefore be getting information from different sources. Steinray has observed that oats have gone down in production, at least at their farm, which they directly attribute to a decrease in their herd sizes. It may very well be that other farmers in the region are indeed decreasing herd sizes as well, but this would not necessarily have an impact on the milling industry if these farmers too are producing their own oats and not purchasing or selling to wholesalers and mills.

When asked whether there is room in the market to increase oat production, the respondent from Steinray answered, "It depends. Oatmeal is cheap anyway you look at it. I don't know if there's ever going to be a growing demand for it." This suggests that, from a producer's perspective, oats are a product that is associated with stagnant growth, and will likely remain this way from some time. In terms of appropriateness of location, Steinray did say that Wisconsin, along with the entire Midwest, is indeed a good place to grow oats, since the climate in this region is ideal for oat production. This has led to the Midwest region being a popular location for oat producers. As mentioned earlier, however, Steinray farms themselves do not do any contracting with a miller, and our respondent is quoted saying that if they were to contract with a miller, their closest option would be in Indiana. In addition, they said most oats in the area if shipped elsewhere are shipped out to Michigan or all the way to Mississippi. They do, however, list CHS, a division of Cenex, as being the main source of milling located within the region, which suggests there is still some competition for Kohler that is closer to home.

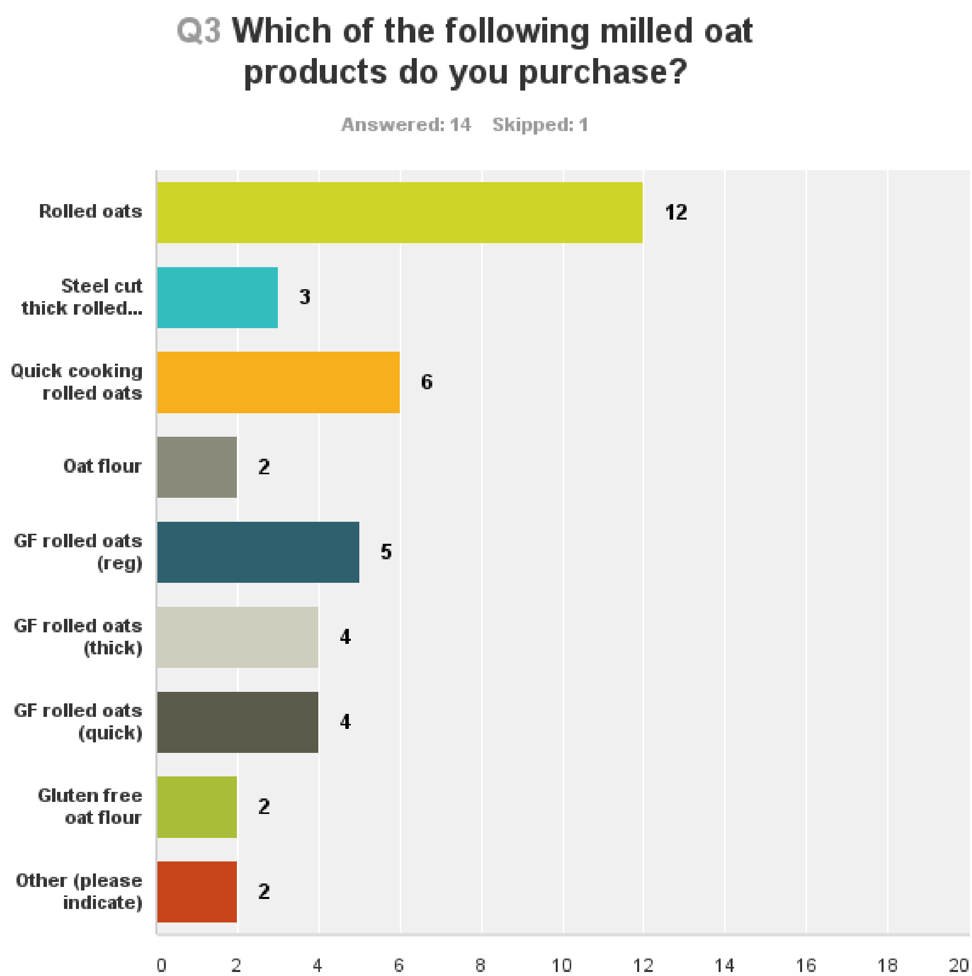
Purchasers

WISC was abler to contact 15 oat purchasers within 150 miles of Kohler, Wisconsin. Those interviewed include representatives from the brewery, bakery, and specialty food store markets.

- *Do you Purchase milled oats products?*

  Every respondent cited in this analysis answered yes to this question as a prerequisite to being interviewed.

- *Which of the following milled oats products do you purchase?*

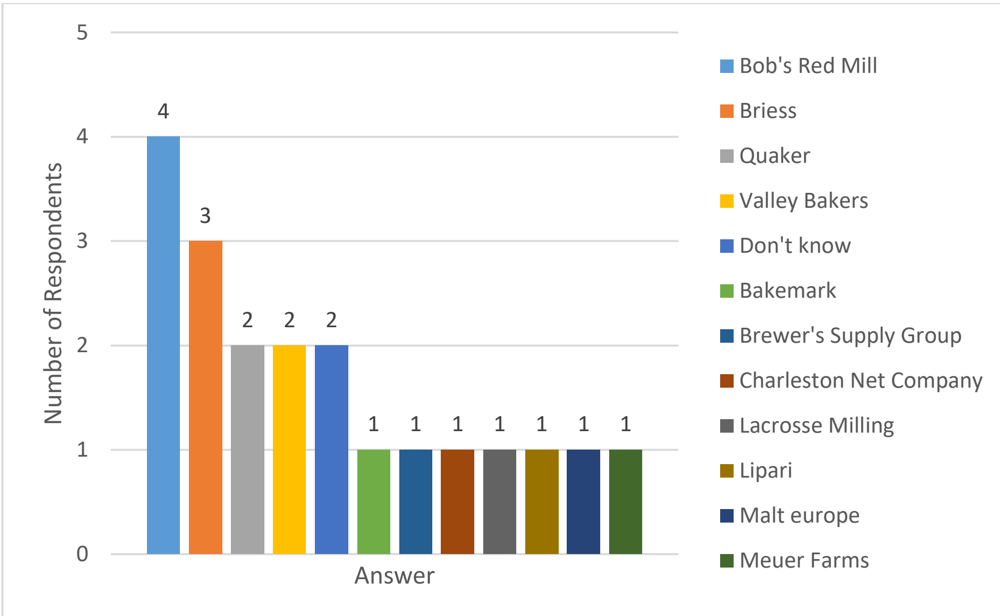


Rolled oats were by far the most commonly purchased by those interviewed, and in fact rolled oats were often the only type of oats respondents said they purchase. Gluten free rolled oats were not as commonly purchased as regular rolled oats, however, gluten free oat products were either more common or near as common as all other regular oat product categories, suggesting there is a substantial demand for these products.

- *What quantity of each do you purchase in a given year?*

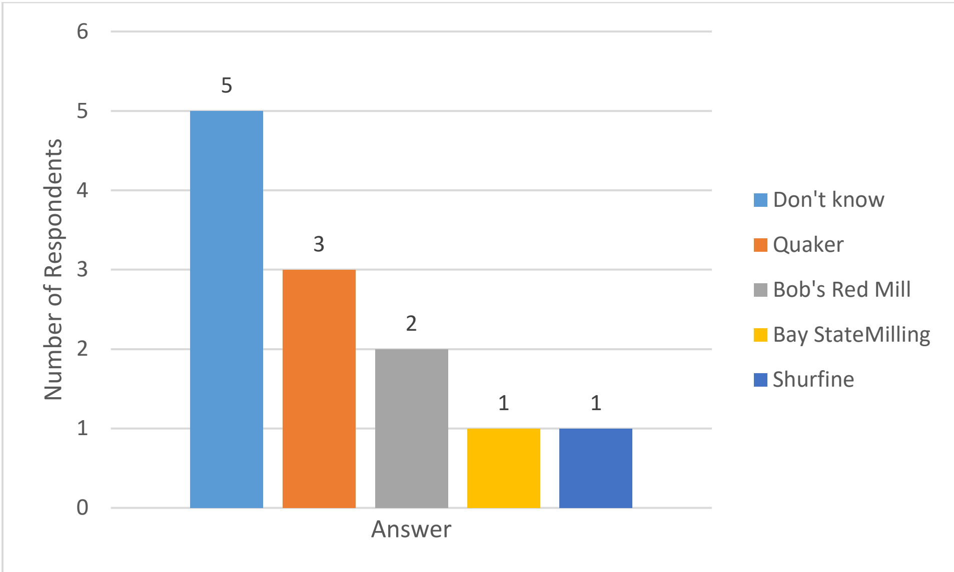
Responses for this question varied greatly, ranging from 100 pounds to 300,000 pounds for some products. In addition, it is difficult to compare answers given in cases to those given in pounds, since the size and weight of a "case" is never specified and is most likely different depending on the company. Nevertheless, it can be concluded that the largest quantities purchased by respondents come from the rolled oats category. Individual responses can be found in the Interview planning and Execution file of this report.

- *Who are the leading suppliers of milled oats products in the region?*



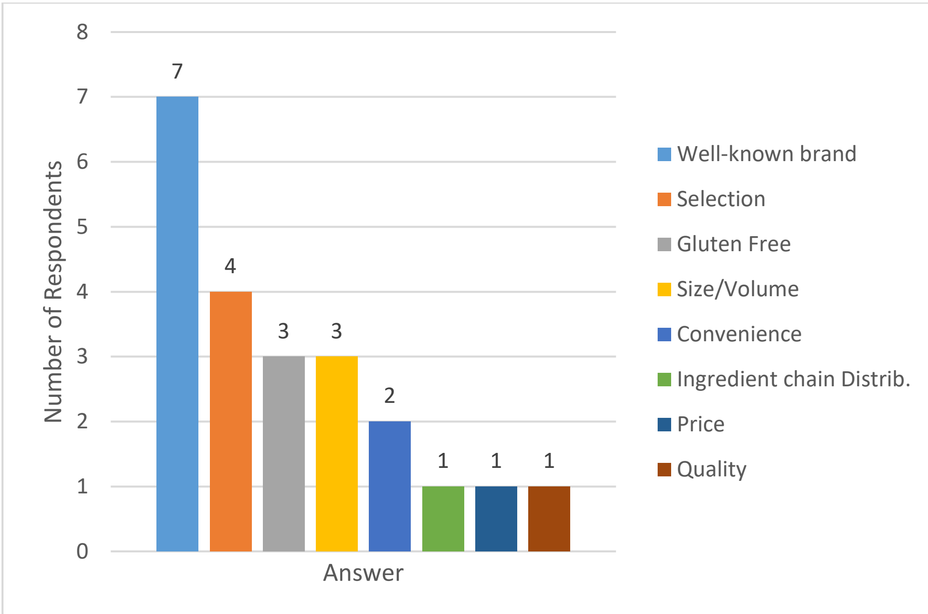
Bob's Red Mill was considered to be a leading supplier among respondents, particularly those in the baking industry. This may be in part due to their reputation for producing a large variety of gluten free products. Briess was also mentioned frequently, but only by respondents from the brewing industry. This suggests that each industry has their own perception of which oat products suppliers are market leaders, as each industry probably has suppliers who may have similar products, but can cater to the specific needs of each industry. Quaker and Valley Bakers were the only others mentioned more than once, each mentioned twice, but overall, respondents' answers varied a lot for this question across industries.

- *What about in the US?*



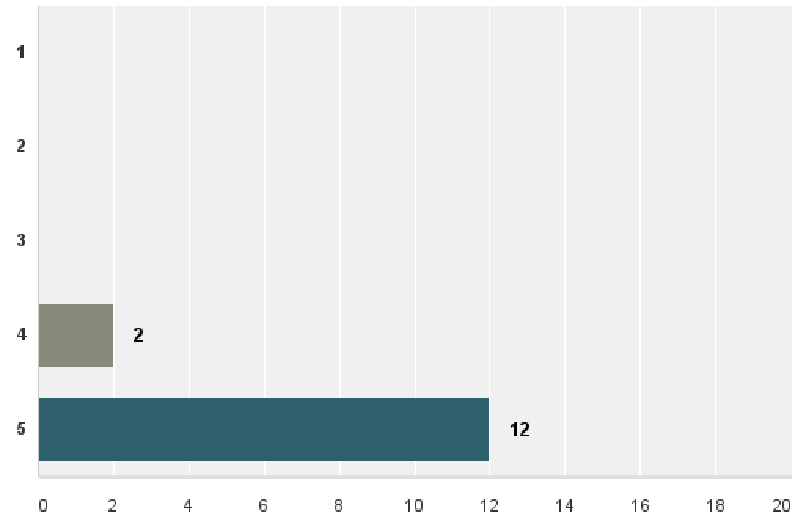
Almost half of the respondents who answered this question did not know enough about suppliers on a national scale to give a sufficient answer to this question. This tells us that a large percentage of those purchasing oat products in the state of Wisconsin most likely have a limited knowledge of oat production outside of the Wisconsin area and probably do not look too far beyond those located in a close proximity when selecting a supplier. Of those who did know enough to give an answer, almost half said that Quaker was a leading supplier in the US, closely followed by Bob's Red Mill. These two companies were also commonly said to be market leaders on a regional scale, which suggests that they are well known both regionally and nationally. Bay State Milling and Shurfine, however, were only mentioned when respondents were asked about the US as a whole, and therefore may not be as much of a threat to the client as companies like Quaker and Bob's Red Mill, along with the companies said to be leaders only on a regional level. This is due to the fact that the majority of Kohler's potential customers seem to prefer suppliers located nearby.

- *What do you think causes them to be considered market leaders?*



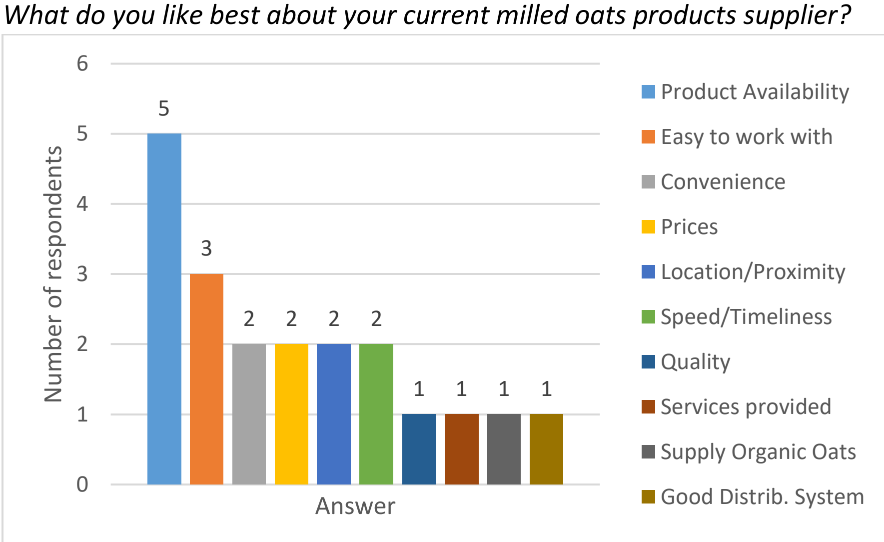
The main criteria used to identify a company as a market leader was brand awareness. Other common reasons cited were that the company has a wide selection of products, or sells certain products that are in high demand, including selling gluten free products, which was mentioned by three different respondents as being a reason a company was considered to be a market leader. The size and capacity of a supplier in regard to volume and production capabilities were also a common reason, as was convenience or ease working with the company.

- *How satisfied are you with your current milled oats product supplier? (scale of 1 to 5)*



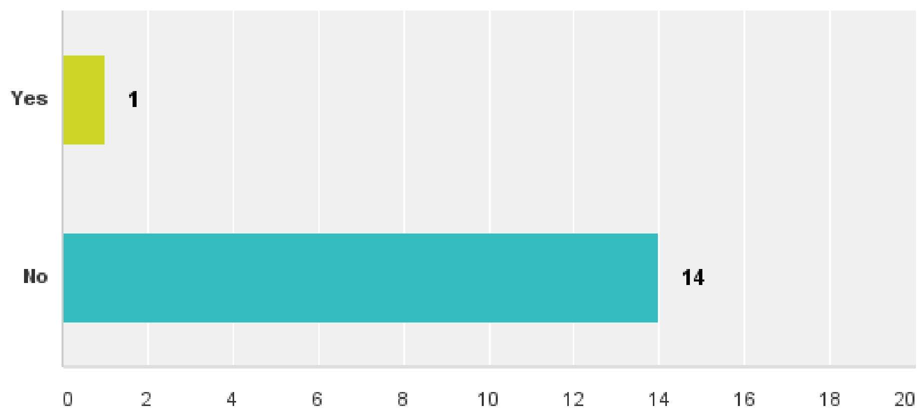
Almost every respondent who answered this question said their level of satisfaction with their current supplier was a 5, meaning they were very satisfied. Only two respondents gave their current supplier a 4, which is still a high score. It can therefore be concluded that overall, based on conversations with those interviewed, purchasers of oat products in this region have a high level of satisfaction with current suppliers. Though it can be concluded based on these findings that oat purchasers in the region do not currently have much reason to be actively seeking out new suppliers, customers may still be willing to switch suppliers if given enough incentive.

- *What do you like best about your current milled oats products supplier?*



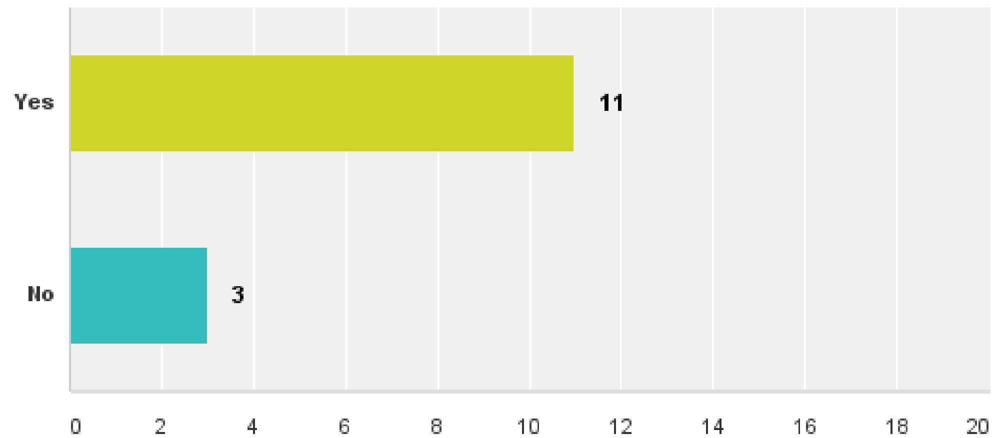
The main answer respondents gave when asked what they liked most about their current supplier dealt with their supplier's product availability, such as their ability to have the products they need in stock, have them when they need them, and in the desired quantities. Another common answer was that their suppliers are easy to work with. This answer is a bit vague but can be interpreted to mean that the supplier is accommodating to the needs of the customer or at least does not cause any problems for the customer. Other repeat answers include convenience, pricing, location, and timeliness of deliveries. A business relationship may be considered convenient for the customer if they already buy other products from the supplier.

- *Are there any products that it is difficult or impossible to find a supplier for? (If yes, how much demand is there or would there be for that product in an average year?)*



Almost every respondent said they had no problems finding a supplier for any of their products. Mike Zamzow from Bull Falls Brewery said his company had problems finding a supplier for hops, but since this is not an oat product it does not relate to this study.

- *If you could quickly and easily acquire regionally milled fresh oat products, would that influence your decision to use or carry such products?*

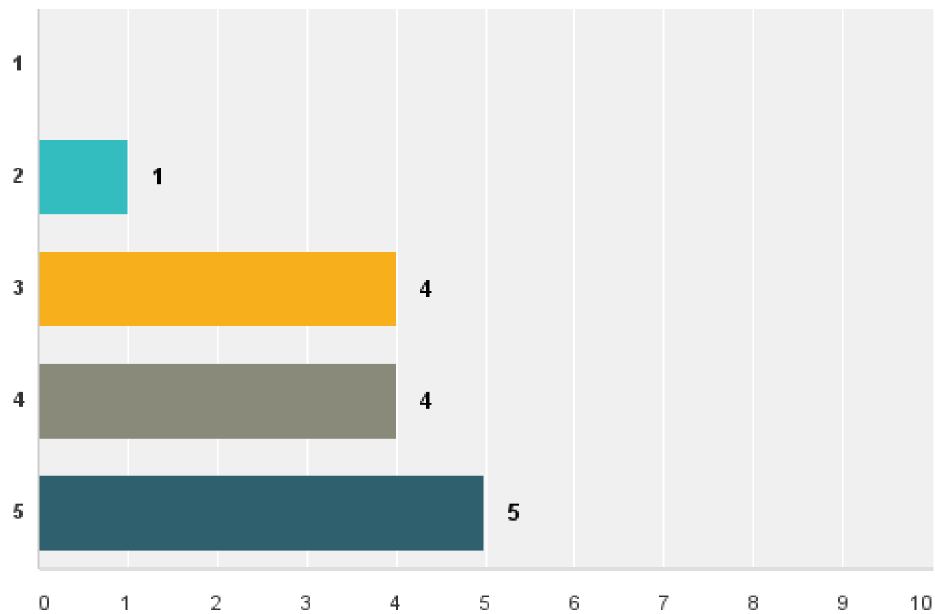


The majority of respondents thought that being able to quickly and easily acquire regionally milled fresh oat products would influence their decision to use or carry them. Those who did not said they either did not care as much about the proximity of their supplier, or had the intention of staying with their current supplier regardless due to a pre-existing relationship, making this perceived benefit irrelevant to their operations

- *When would you choose oats over other grains?*

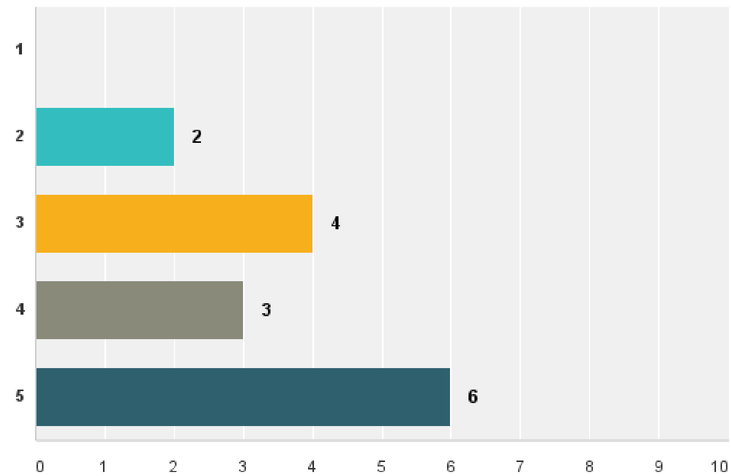
  Answers to this question varied based on the industry to which the respondent belonged, as well as among members of the same industry. Individual responses can be found in the Interview planning and Execution file of this report.

- *Typically, how important is proximity of the supplier to your company when purchasing milled oats products?*



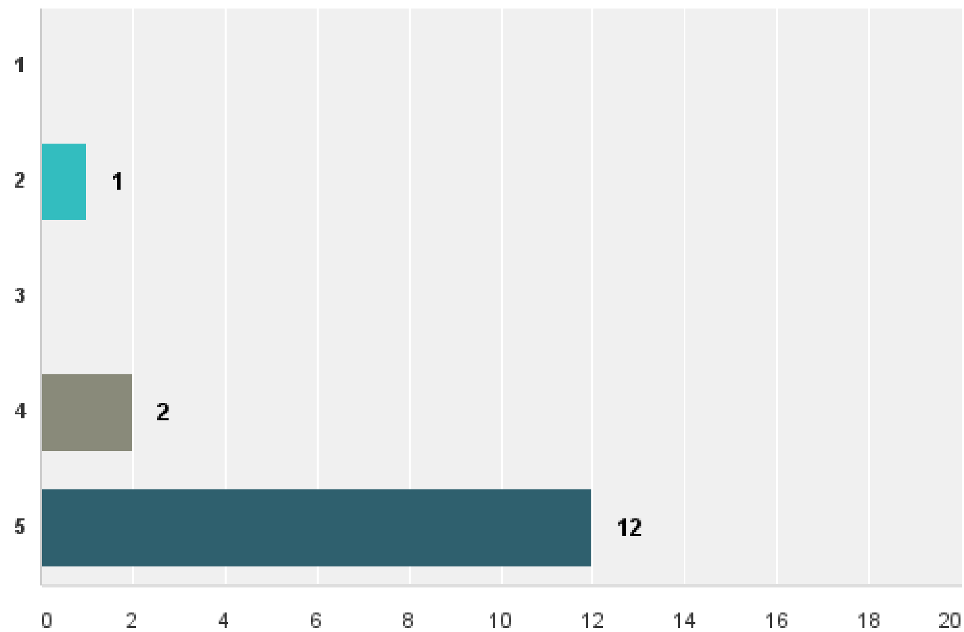
Overall, respondents seem to think that proximity is an important factor when choosing a supplier. One third of respondents gave proximity a 5, and almost all respondents gave it at least a 3 or above. This shows that being located near potential customers could possibly give Kohler a competitive edge, especially since the majority of companies comparable in size to Kohler are located farther away, and the majority of nearby competitors would be smaller farms with less production capabilities.

- *How important is price to your company when purchasing milled oats products?*



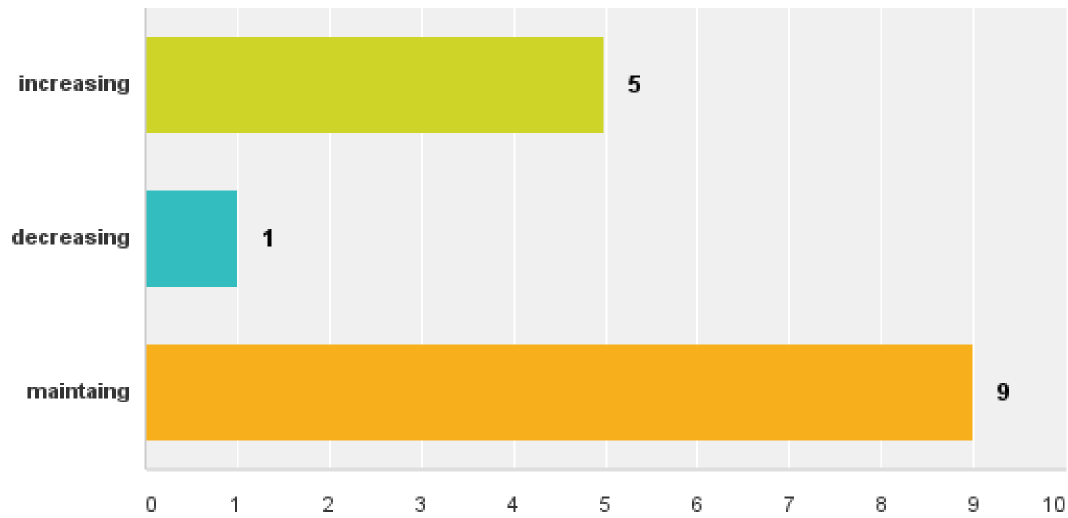
Even more respondents thought that price was an important factor, suggesting they may be willing to sacrifice proximity for lower priced products. There were two respondents, however, who gave price a lower score of 2, mainly because they saw oats as a fairly inexpensive product that did not have much of an impact on their company's expenditures one way or the other. This was especially true for companies that identified as being infrequent purchasers of oats or who bought them in small quantities. Among those companies who considered price to be their main or one of their main criteria in choosing a supplier, it was a common opinion that oats and oat products are extremely similar no matter where they are purchased, making price the only real differentiating factor from supplier to supplier.

- *How important is quality to your company when purchasing milled oats products?*



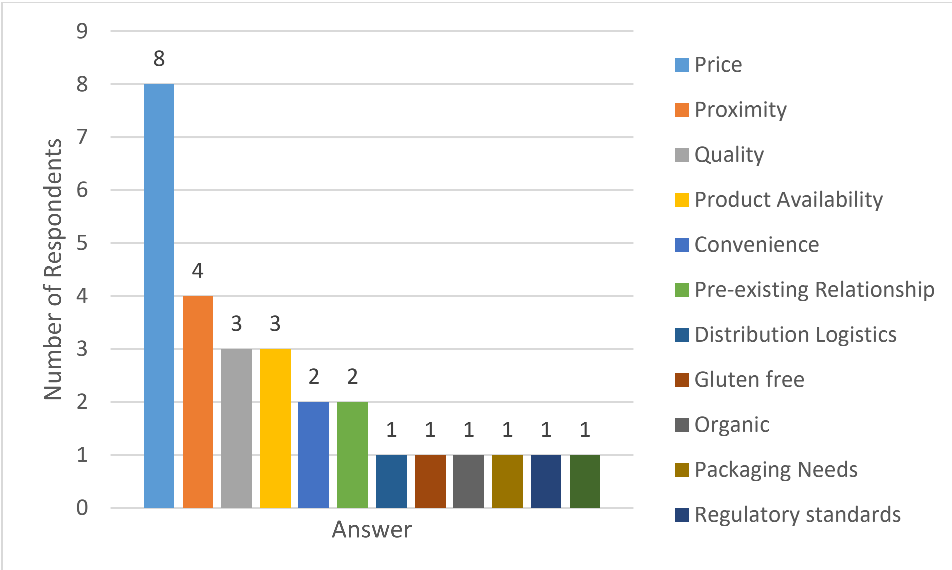
Quality was definitely the criteria that was most commonly considered by respondents to be very important. The majority of respondents gave this criteria a 5, and only one gave it a low score. The one low score can be attributed to the opinion that oats are of the same or similar quality regardless of the supplier, making any differences in quality a minimal concern.

- *Within the next 18 months, do you think that your company will be increasing, decreasing, or maintaining the amount of milled oat products you purchase?*



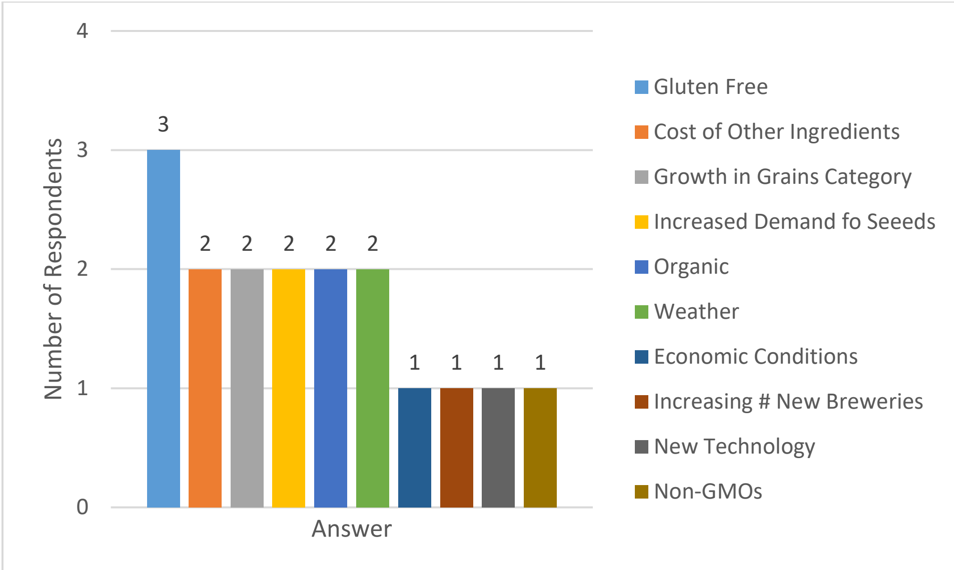
The majority of respondents said that their companies were most likely planning on maintaining the amount of oat products purchased within the next 18 months, suggesting that most did not foresee any major changes in purchasing activities one way or the other. A third of respondents did, however, say their companies were planning on increasing the amount of oat products they purchased, and only one said their company planned on decreasing. This suggests that there may be a greater demand for oats and oat products in the Wisconsin region in the near future.

- *What criteria does your company use to select suppliers of milled oats products?*



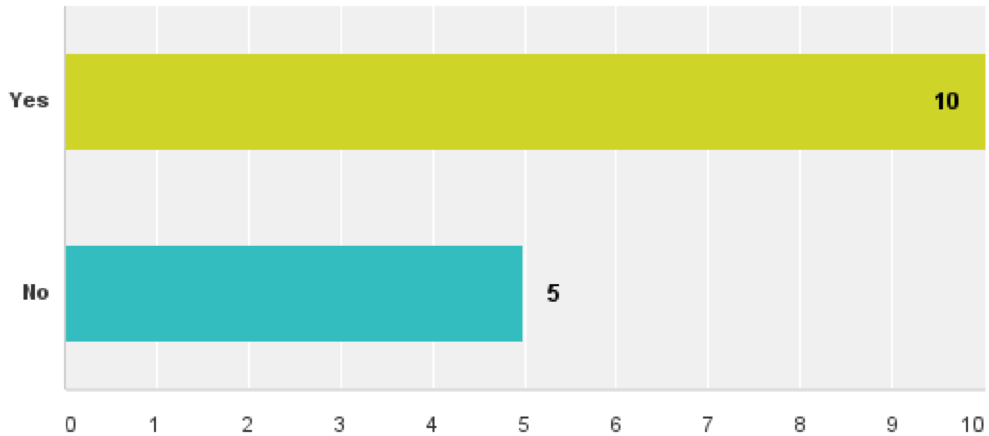
Price was by far the most common criteria listed for selecting suppliers of milled oats products. Once again, because oats are perceived by many purchasers as a product that is pretty standard no matter where they are purchased, price is often their primary differentiating factor. No other criteria was mentioned as frequently by respondents, but proximity, quality, and product availability each were mentioned various times. Two other criteria listed on multiple occasions were convenience and pre-existing relationships with suppliers who they were already using for other products.

- *What are two trends or issues that are going to affect the way you do business within the next 18 months?*



Answers to this question varied greatly. The gluten free trend was most commonly listed by respondents as a trend that will be affecting their business within the next 18 months. Other common trends listed include increasing costs of other ingredients or products, growth of the grains category, increased demand for seeds, the demand for organic products, and changes in weather patterns. Another interesting trend specific to the brewing industry is the rapid increase in the number of new breweries starting up. This will lead to increased competition for breweries in the region, who will have to concentrate more on local sales to get business.

- *Would you be open to considering a new source for milled oat products?*



The majority of respondents were indeed open to considering a new source for milled oat products, even if they expressed high satisfaction with their current suppliers. This was usually due to a commonly held attitude among purchasers in various industries of always being open to new opportunities to enhance business processes and create value. There was a third of respondents, however, who said they would not be open to a new supplier, mainly because of pre-established, long-standing relationships with current suppliers. It is also a possibility that some of the respondents who answered yes to this question were more open than others, and that some were simply saying yes because they did not want to rule out any possibilities, whereas some were seriously considering finding a new supplier.

Individual Business Interviews

Individual responses can be found in the Interview planning and Execution file of this report.

Competitive Analysis

Grain Milling Companies in Wisconsin

Company	Location	Phone Number	Revenue($)	Total Employees
Imperial mills, Inc.	Platteville, WI	701-324-4330	3,666,522	36
Didion, Inc.	Johnson Creek, WI	920-699-3633	3,119,879	15
Organic Ventures, Inc.	Fountain City, WI	507-457-0334	800,000	10
Wisconsin Naturals, Inc.	Valders, WI	920-758-2377	250,000	5
Lonesome Stone Milling, LLC	Lone Rock, WI	608-583-2100	200,000	3
Podgorski Grain Farms	Merrill, WI	608-583-2100	120,000	2
Ardent Mills, LLC	Kenosha, WI	262-652-6756		

Market and Industry Analysis

This industry analysis will provide information and trends on five industries targeted by the Whitewater University Technology Park. The fifteen interviewed companies fall into one or more of these industries.

Industry Analysis Table: Key Metrics

The industry analysis below depicts the revenue, profit, annual growth rate (2010-2015), annual growth rate (2015-2020), exports, and number of businesses for the researched industries as reported by IBISWorld.

Industry	**Revenue**	**Profit**	**Annual Growth 10-15**	**Annual Growth 15-20**	**Exports**	**# of Businesses**
Bakery						
Bakery Café Industry	$8.1 billion	$446.9 million	7.4%	2.4%	n/a	1,387
Bakery Product Manufacturing	n/a	n/a	n/a	3%	n/a	2,700
Breweries/Alcohol						
Breweries	$32.6 billion	$2.6 billion	3.0%	2.3%	$3.5 billion	1,037
Craft Beer	$5 billion	$408	18.8%	5.5%	$124.6 million	3,794
Cereal						
Cereal (IBISworld)	$11 billion	$1.4 billion	-1.0%	0.9%	$708.4 million	33
Cereal (First Research)						
Gluten-Free (retrieved from other)	$2.34 billion	n/a	34%	19.2%	n/a	n/a
Milling – Grain (First Research)	$20 billion	n/a	n/a	4%	n/a	240
Oats	n/a	n/a	-0.9%	3.5%	n/a	n/a
Oat Flakes	n/a	n/a	4.8%	5%	n/a	n/a
Wholesaling - Grain	$1.33.5 billion	$3.5 billion	2.0%	1.3%	n/a	2,137

Bakery

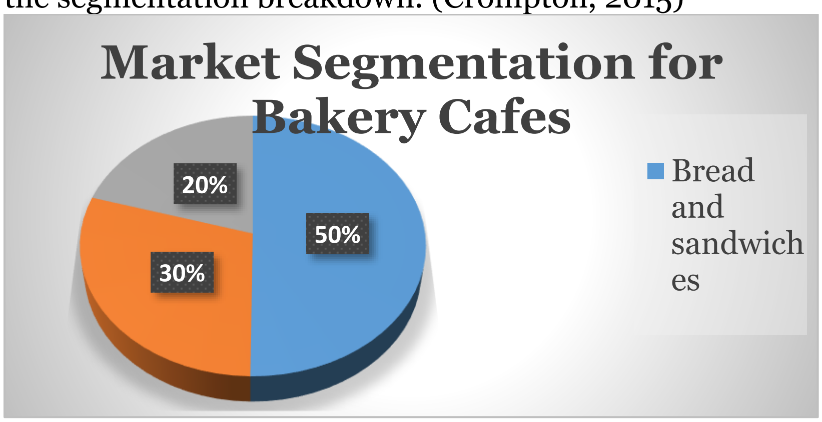
Quick Facts for Bakery Café Industry	
Revenue: $8.1-billion	Growth rate: **Increase** 2.4%
Profit: $446.9-million	Wisconsin's % of U.S. market: 1.3%
Quick Facts for Bakery Product Manufacturing	
Revenue: n/a	Growth rate: **Increase** 3%

The Bakery Cafes industry is primarily companies that produces products that are flour-based and baked in an on-site oven and meant for immediate consumption either on-site or taken to go. There are a variety of products including bread, cakes, pastries, pies and bagels; some bakeries offer complementary products, such as soups, salads and sandwiches.

Wisconsin holds roughly 1.3 percent of the United States bakery cafe industry establishments. The Great Lakes region, which includes Wisconsin, Illinois, Indiana, Michigan and Ohio, holds an accumulative 12.6 percent of the industry's establishments.

Key external drivers for the bakery café industry include consumer spending, healthy eating index, per-capita coffee consumption and consumer confidence index.

There are only two major company who hold a significant percentage of the market shares. Panera holds a majority of the market, holding 54.2 percent of the shares. Einstein Noah Restaurant Group holds 6.1 percent, but has seen a decline in locations since 2009. The remaining 39.7 percent of the market contain a number of other businesses throughout the country including Au Bon Pain, Corner Bakery Café, Bruegger's, and small business type locations. Bakery cafes splits their products into three over-arching categories: bread and sandwiches with 50.2 percent of the segmentation, other with 29.4 percent, and beverages with 20.4 percent. Below is a graph showing the segmentation breakdown. (Crompton, 2015)



Bakery Product –

The Bakery Product manufacturing consists of all companies that make fresh and frozen products, including bread, cakes, pies and doughnuts. The market is expected to increase in revenue by three percent between 2015 and 2019 according to First Research. Though the market revenue is expected to increase, the growth of the industry is low due to the cost of raw materials and energy costs. The two key external drivers for the Bakery Product manufacturing industry is energy prices and commodity prices. Both have been a concern over the years caused by the pricing fluctuating. (Bakery Product manufacturing, 2015)

Breweries/Alcohol

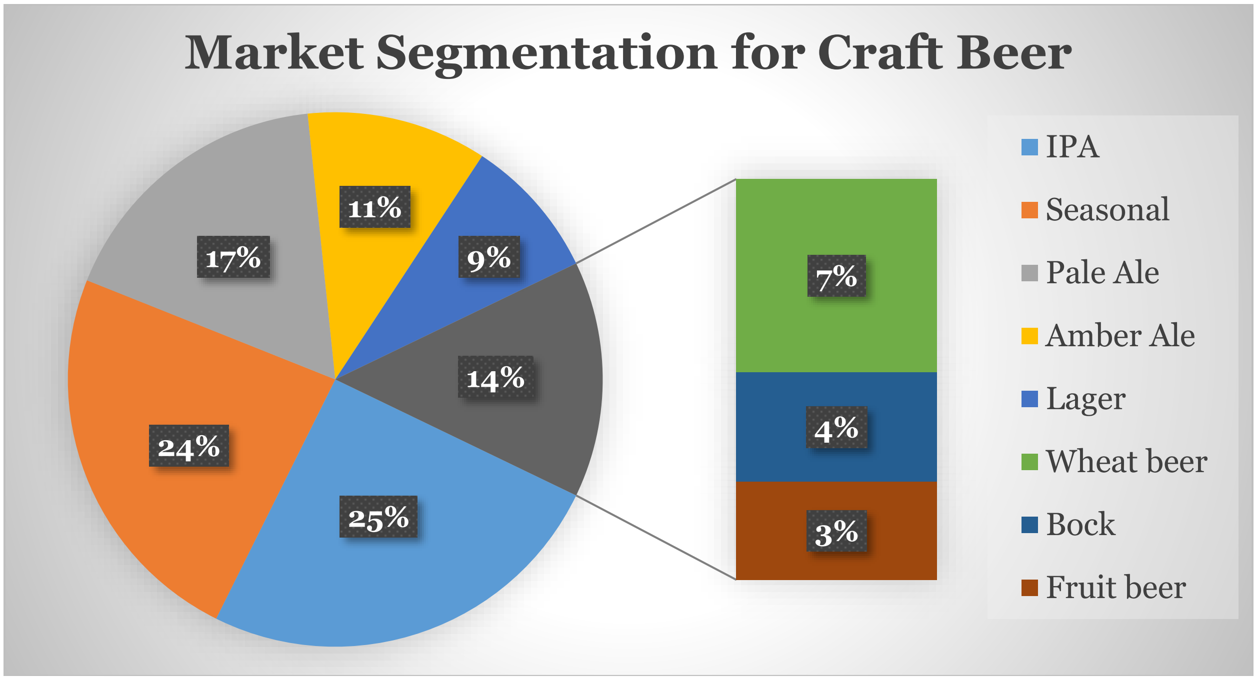
The most commonly known beer made from oats is the British specialty known as oatmeal stout. Though more common in Europe, it has a growing popularity in the United States because of the increased mouthfeel of the beer. It will adds a rich, smooth texture and increase the body (Reis, 2013). Oats, along with corn and sugar are cheaper than the usual malted barley. But they are rarely used as the base of the beer. Though they can be, Oats are rarely malted, and most often it is coupled with a barley base instead. It is more commonly used in craft beer as many of the larger commercial brewers do not have time for the increased brewing time. (Galante, 1997)

Quick Facts for Breweries	
Revenue: $ 32.6 billion	Growth rate: **Increase** 2.3%
Profit: $2.6 billion	Wisconsin's % of U.S. market: 4.3 %
Quick Facts for Craft Beer	
Revenue: $5 billion	Growth rate: **Increase** 5.5%
Profit: $2.6 billion	Wisconsin's % of U.S. market: 4.3 %

The breweries industry is the production of alcoholic beverages using malted barley and hops. This industry excludes wine, brandy, cider, distilled beverages and malt. The market has a revenue of $32.6 billion and is expected to grow 2.3 percent annually from 2015 to 2020. Wisconsin holds roughly 4.3 percent of the United States bakery cafe industry establishments. The Great Lakes region, which includes Wisconsin, Illinois, Indiana, Michigan and Ohio, holds an accumulative 15.4 percent of the industry's establishments. (Petrillo, 2015)

The craft beer industry consists of microbreweries and brewpubs that brew on the premises for resale or consumption. Microbrewery is defined as a location that produces a limited amount of beer, usually around six million barrels per year. A brewpub is like a normal pub that offers a selection of food along with their drinks, but produces a selection of beer on site. Stout beer - along with wheat beers, fruit beers and porter – have been growing steadily in popularity over the last five years and is expected to continue to grow for the next five years. The craft beer market is segmented into eight major product types: IPA with 25.2 percent, seasonal with 23.7 percent, pale ale with

17.3 percent, amber ale with 10.9 percent, lager with 8.6 percent, wheat with 6.9 percent, bock with 3.9 percent and fruit beer with 3.5 percent (Petrillo, 2015). Below is a graph showing the segmentation breakdown.

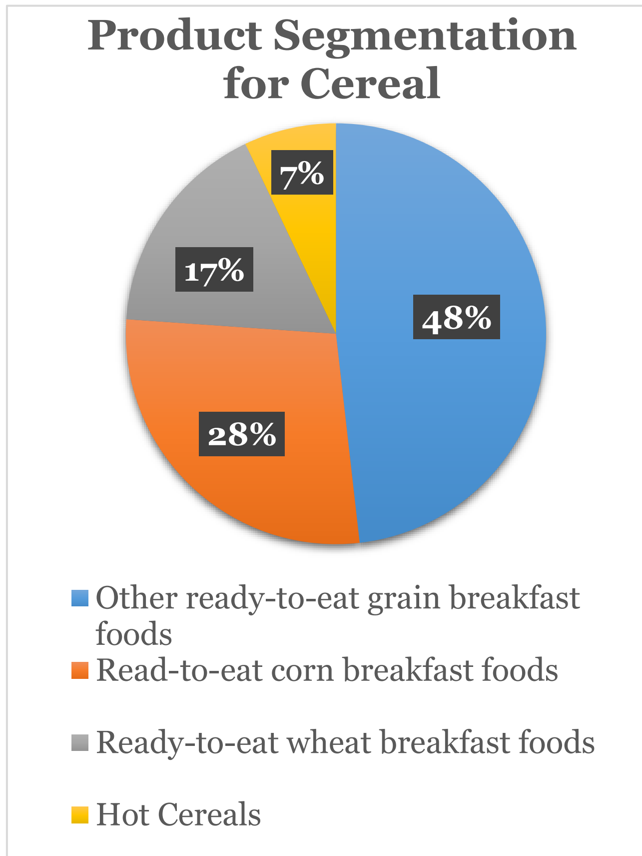


Cereal

The cereal production industry manufacture ready-to-eat and hot cereals by acquiring raw materials such as corn, wheat, oats, flour, sugar, malt extract and rice. The industry includes the purchase of packaging materials such as plastic and paperboard containers.

Quick Facts for Cereal (IBIS World)	
Revenue: $11 billion	Growth rate: **increase** 0.9%
Quick Facts for Cereal (First Research)	
Revenue: $11 billion	Growth rate: **increase** 3%

According to IBIS world, the cereal production industry manufacture ready-to-eat and hot cereals by acquiring raw materials such as corn, wheat, oats, flour, sugar, malt extract and rice. The industry includes the purchase of packaging materials such as plastic and paperboard containers. According to IBIS world, the market has a revenue of $11 billion and is expected to increase 0.9 percent annually from 2015 through 2020. This is an increase from the decrease of one percent from 2010 to 2015. The industry is split into four different product segmentations: Other ready-to-eat grain breakfast foods at 48.2 percent, ready-to-eat corn breakfast foods at 27.9 percent, ready-to-eat wheat breakfast foods at 16.8 percent and hot cereals at 7.1 percent. To the right is a graph showing the segmentation of the market. Oats are categorized under the other read-to-eat grain breakfast foods. Oats and rice account for the majority of this segmentation. It is expected to face an increase as people continue to purchase heath foods and gluten-free products. Cereal makers are turning to more healthful and convenient options as the competition in the market increases. Cereal production has two companies that hold a majority of the market shares. Kellogg Company holds 31.5 percent and General Mills holds 21.8 percent of the market. Post holdings Inc. and PepsiCo Inc. follow with 9.6 percent and 6.6 percent respectively. (Carter, 2015)



First Research shows similar trends in the cereal manufacturing market. According to them, health consideration is a growing driver in the market. Though the market is highly concentrated, small companies are able to emphasize organic and healthful ingredients thereby creating a niche in the market. First Research forecasts the industry to grow at an annual rate of three percent between 2015 and 2019. First Research emphasizes the increase of competition from breakfast alternatives, such as products that are easily consumed on-the-go, such as bagels, yogurt and breakfast bars. There is also danger in the volatile commodity prices, products such as oats routinely swing 10 percent or more from year-to-year (Breakfast Cereal Manufacturing, 2015).

Gluten/Wheat Free

Quick Facts for Gluten Free	
Sales: $2.34 billion	Growth rate: **Increase** 19.2%

Oats are a popular substitute for people with wheat allergies but they are not used much gluten-free meals, as they are not recommended for those with Celiac disease. Only in recent years have researchers announced it is safe for a majority of those with Celiac disease to eat oats in moderation. Oats themselves are gluten-free but because of cross-contamination when grown or processed near wheat, most assume it is not safe to eat unless it is certified as gluten-free (Burns, 2015). People with wheat allergies face a serious issue with cross contamination with other products (Fletton).

WISC found an article from about the growth and statistical future expected for gluten-free products. The original study, from the Packaged Facts' Gluten-Free Foods in the U.S. released in January 2015, predicts gluten-free products will grow 19.2 percent annually through 2019 with a total sales of $2.34 billion. The growth is a decrease compared to the past, as it increased an annual 34 percent between 2010 through 2014, reaching a sales of $973 million. The article explained that approximately one in 133 people in the U.S. have celiac disease, where the only treatment is a gluten-free diet. There is a growing interest and need for gluten-free options as more people self-diagnose themselves as gluten sensitive or choose a gluten-free lifestyle for its perceived additional health benefits. It is estimated that only 6 percent of the U.S. population (or 18 million people) are completely non-celiac gluten sensitive. (Crawford).

Global Oats Market

Currently, the global oats market is mainly composed of the feed market which accounts for 70 percent of total consumption. However, human consumption of oats is expected to grow, and the overall consumption of oats is expected to shift away from feed to food in future years. The global oats market is expected to increase due to a 3.4 percent increase in production from 2015 to 2020. This growth is higher than in previous years; from 2007 to 2014, oats production was declining by 0.9 percent. North America accounts for roughly 16.8 percent of global oats production (IMARC, 2015).

Global Oat Flakes Market

Oat flakes are the most popular type of oats for human food consumption, with 70 percent of the market share. The global oat flakes market is expected to increase due to a production increase of 4.8 percent from 2015 to 2020. This projected growth is a decline from the 5 percent growth in production from 2007 to 2014. North America accounts for 28 percent of the global oat flakes production market.

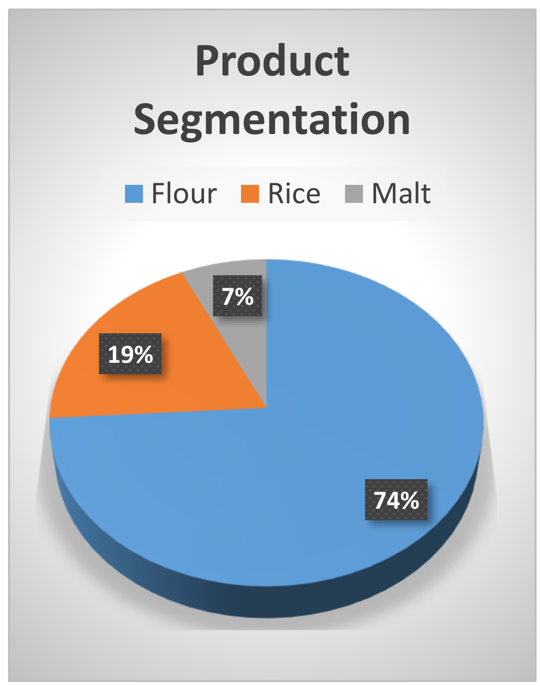
Key success factors for the oat flakes industry include rising incomes, changing lifestyles, manufacturing plant location, quality standards and brand recognition, efficiency of manufacturing, assured supplies of raw materials, and access to suitable and quality human resources.

Key risk factors for this industry include raw material and utility prices, industry entry risks, government regulations, adequate distribution, changes in foreign exchange, and adverse economic conditions (IMARC, 2015).

Milling

Quick Facts for Milling - Grain	
Revenue: $ 20 billion	Growth rate: **Increase** 4%

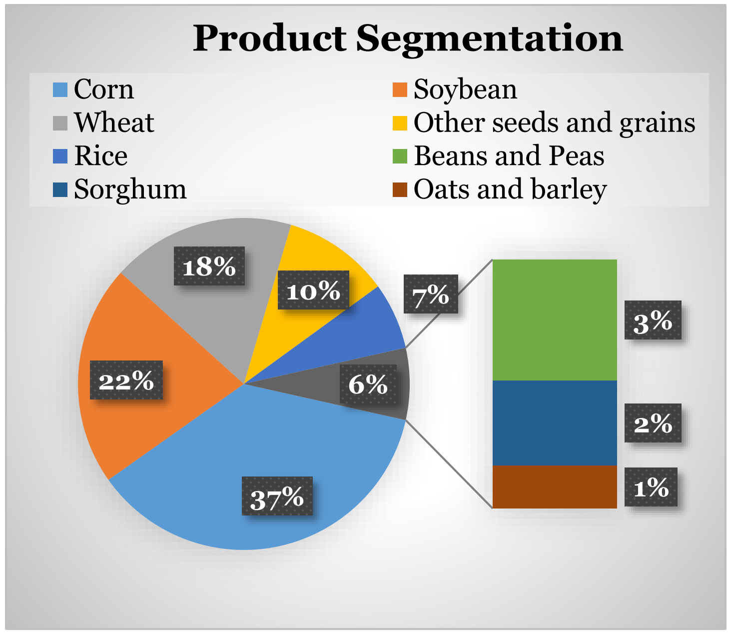
The grain milling industry include companies that mill flour and rice; malt grains (primarily barley); and mix prepared flour mixes and dough. The market has a revenue of about $20 billion. The industry is expected to grow four percent annually from 2015 through 2019. This after a sudden drop between 2014 and 2015 when the market growth went from four percent to two percent. Key drivers for the industry include the energy prices such as the cost of crude oil, government regulations, and the price of commodities: crops, metals and other raw materials. According to First Research, the industry is split up into three major products: flour (74 percent), rice (19 percent), and malt (7 percent). (Grain Milling, 2015)



Wholesale Grain

Quick Facts for Corn, Wheat & Soybean Wholesaling	
Revenue: $ 133.5 billion	Growth rate: **Increase** 1.3 %

The wholesale grain industry purchase and distribute grains like corn, rice, wheat, dry beans, soybeans and other inedible beans. The market is expected to grow 1.3 percent annually from 2015 through 2020. This is a decrease from the annual growth rate of two percent from 2010 through 2015. The current revenue for the market is $133.5 billion and it has a profit estimated at $3.5 billion. Key drivers for the market include demand from animal food production, price of corn, demand from bread production, price of coarse grains, world price of soybeans, world price of wheat. There are eight product and service segments to the grain wholesale industry: corn (36.7 percent), soybean (21.5 percent), wheat (17.9 percent), other seeds and grains (10.4 percent), rice (6.5 percent), beans and peas (3.4 percent), sorghum (2.4 percent), and oats and barley (1.2 percent). As depicted on the graph to the right. According to IBIS world, about half of the output in the oats and barley segment is used for animal feed. Only a small amount of this market is used in food manufacturing industries for human consumption. IBISworld made a point that many of the minor industry segments are expected to shrink as the prices for corn and wheat are expected to and continue to increase.



The industry has three major players that hold a large portion of the market shares. Archer Daniels Midland Company, an Illinois based company, holds 24.3 percent of the market. It focuses on processing oilseeds, grains and other crops for use by food and energy manufactures. It sells primarily back into its own company structure, and is looking to enhance its product line and geographical scope and diversifying its feedstock. ADM also operates an extensive grain elevator and transportation network for a wide verity of grains. Cargill Inc. - the second largest player - has 23.9 percent of the market shares. They are a privately owned, Minnesota based company. The company operates five divisions: agriculture services, food ingredients and applications, origination and processing, industrial and risk management and financial. Both ADM and Cargill Inc. are international companies spanning through various countries, though their based in the Midwest. The remaining key player in the industry is CHS Inc., which holds 9.1 percent of the market share. They are a Minnesota based company, formerly known as the Cenex Harvest States Cooperatives. CHS has three business segments: energy, agriculture and corporative and other. The grain wholesaling business is a part of the agriculture segment. Unlike the previous companies, CHS is primarily focused around the Great Lakes to the Pacific, though they have recently expanded into buying and selling internationally resulting in a significant market growth. Other companies include ConAgra Foods Inc. and Growmark Inc. neither of which hold more than 1 percent of the market shares individually. Growmark works primarily with the Midwestern U.S. and Ontario, Canada (Neville, 2015).

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Interviewed Companies Table

This is a summary list of the companies that were successfully contacted to help complete this project.

Company	City, State	Phone #	Web site (http://www.)	Description
Angry Minnow Brewing	Hayward, WI	715-934-3055	Angryminnow.com	Restaurant and brewery
Ann's GF Bakery	Appleton, WI	920-954-0832	Annsglutenfreefoods.com	Bakery
Atlanta Bread Co.	Appleton, WI	920-735-1540	Atlantabread.com	Bakery
Bill's Shop N Save	Arena, WI	231-924-5850	Shopnsave.com	Grocery retailer
Breadsmith	Whitefish Bay	414-962-6203	Breadsmith.com	Bakery
Bull Falls Brewery	Wausau, WI	715-842-2337	Bullfallsbrewery.com	Brewery
Chris and Lori's Bakehouse	Poynette, WI	608-635-7901	Chrisandlorisbakehouse.com	Bakery
Country Rose Bakery Cafe	Union Grove, WI	262-878-5474	Countryrosebakery.com	Bakery and cafe
Door County Brewing Co.	Bailey's Harbor, WI	920-839-1515	Doorcountybrewingco.com	Brewery
Lake Louie Brewing	Arena, WI	608-753-2675	Lakelouie.com	Brewery
Landmark Services Cooperative	Cottage Grove, WI	800-236-3276	Landmarkservicescooperative.com	Farming Cooperative
Nature's Best, Inc.	Sheboygan, WI	920-452-6176	Naturesbest.net	Wholesaler-distributor of natural food products
O'so Brewing Co.	Plover, WI	715-254-2163	Osobrewing.com	Brewery
Pearl Street Brewery	La Crosse, WI	608-784-4832	Pearlstreetbrewery.com	Brewery

Woodlake Market	Kohler, WI	920-457-6570	Americanclubresort.com	Grocery retailer and cafe
Woodman's	Appleton, WI	920-735-6655	Woodmans-food.com	Grocery retailer

Prospective Companies Table

This is a list of small businesses that were not able to be contacted prior to completion of the interview process but are still worth being contacted on the part of the [client] if additional information is requested. The information given below is from the database that was provided for this project.

Company	City, State	Phone #	Web site (http://www.)	Description

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