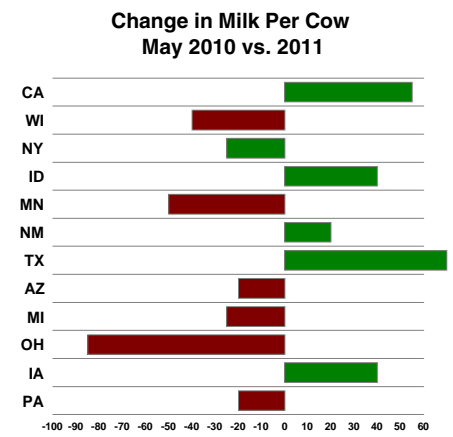




CHEESE REPORTER

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Review Finds Problems With FDA's Handling Of Imported Food Recalls

Washington—A review of the Food and Drug Administration's (FDA) handling of imported food recalls found a number of problems both with how firms handled the recalls and with how FDA monitored those recalls.

The review was released this week by the Office of Inspector General (OIG) in the US Department of Health and Human Services (HHS), FDA's parent agency.

Objectives of the OIG review were to determine whether: FDA's guidance for developing and implementing food recalls was adequate to ensure the safety of the US food supply; and FDA followed its own procedures for ensuring that the recall process operated efficiently and effectively.

From July 1, 2007, through June 30, 2008, FDA oversaw 40 Class I recalls of imported food products contaminated with pathogens and other harmful substances.

The OIG reviewed FDA's monitoring of 17 of those 40 Class I recalls.

Of those 17 recalls, seven were for Salmonella (including one for cheese from Mexico), five were for Listeria monocytogenes (including one for cheese from Italy), four were for potential contamination with botulinum toxin, and one was for unacceptable lead levels in beverage pitchers.

OIG's review of FDA's records relating to the 17 recalls found the following problems:

- Firms did not always take prompt action to initiate recalls. Although 15 recalls were initiated

• See **Import Recalls**, p. 6

G20 Ag Ministers Back Better Market Info, Transparency To Cut Volatility

Quality, Accuracy, Reliability Of Data On Ag Markets Needs To Be Improved

Paris, France—G20 agriculture ministers meeting here this week agreed on an action plan on food price volatility and agriculture, with the ultimate objective to improve food security.

The G20 (Group of Twenty) includes the US, Argentina, Australia, Brazil, Canada, China, the European Union, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, and the United Kingdom.

Discussions at this week's meeting focused on the mutually reinforcing challenges of increasing food production to meet future demand, and of short-term excessive volatility.

This excessive volatility not only has negative impacts on access to food for the poorest, and on many producers, including livestock producers affected by the volatile cost of feed, but could hamper investments and an effective market response to a long-term increase in food demand and may harm confidence in inter-

national markets, the agriculture ministers said in their "Ministerial Declaration."

Greater and sustainable productivity, better market information that improves transmission of market signals, more open trade, comprehensive rural development and agricultural policies, and sustained investments would enable agricultural producers to increase production, enhance their income, and improve global supply of food and food security, the ministers said.

The agriculture ministers recognize the importance of timely, accurate and transparent information in helping to address food price volatility, and agree on the need to improve the quality, reliability, accuracy, timeliness and comparability of data on agricultural markets (production, consumption and stocks).

Information on the current situation and outlook for global agriculture shapes expectations about future prices and allows markets to function more efficiently, the ministers stated. Lack of quality, reliable, accurate, timely and comparable information on market fundamentals may reduce efficiency and accentuate volatility.

Ag Price Volatility Has Many Causes; Info, Buffer Stocks, Futures Can Help Reduce It

Paris, France, and Rome, Italy—Market volatility is a feature of agricultural markets and will persist in the future, but may be reduced by measures to increase market transparency and reduce uncertainty, and ensuring that volatility reflects underlying market fundamentals and not misinformation, speculation, panic or incoherent policies.

That's among the conclusions of a special feature on price volatility that's included in a new report, the *OECD-FAO Agricultural Outlook 2011-2020*, released last Friday by the Organization for Economic Cooperation and Development (OECD) and the UN's Food and Agriculture Organization (FAO).

Most agricultural commodity markets are characterized by price volatility for three basic reasons, the report explained. First, agricultural output varies from period to period because of natural factors such as weather, disease and pests. Second, price elasticities, or the responsive-

ness of both supply and demand to price changes, are relatively small, and on the supply side at least in the short run.

Third, because production response may take considerable time in agriculture, supply cannot respond much to price changes in the short term, though it may do so much more once the production cycle is completed. The resulting lagged supply response to price changes may also cause cyclical adjustments that may add an extra degree of variability to the markets concerned.

Key drivers of volatility in the agricultural markets include:

Weather and climate change: One of the most frequent factors behind volatility on agricultural markets is weather, and adverse weather is indeed generally considered to have played a significant role in the 2006-08 price spike.

• See **Ag Price Volatility**, p. 8

The agriculture ministers decided to launch the Agricultural Market Information System (AMIS) in order to enhance the quality, reliability, accuracy, timeliness, and comparability of food market outlook information through strengthening the collaboration and dialogue among main producing, exporting and importing countries, commercial enterprises and international organizations.

The agriculture ministers said they recognize the key role that the private sector plays, in particular on stocks data.

Recognizing that comprehensive agricultural data benefits all market players, the ministers urged private sector entities to participate in AMIS and also to contribute to national information systems and to share data within these frameworks.

Building on the AMIS initiative, the agriculture ministers stressed the need to improve international policy coordination at the senior agriculture policy official level to share views and plans for immediate actions in order to prevent or mitigate.

• See **Better Info Needed**, p. 9

Milk Production Rose 1.5% In May; Smallest Percentage Increase In 2011; Wisconsin Production Falls 1.8%

Washington—US milk production in the 23 reporting states during May totaled 16.043 billion pounds, up 1.5 percent from May 2010, USDA's National Agricultural Statistics Service (NASS) reported last Friday.

That was the smallest percentage increase in milk production in the 23 reporting states thus far in 2011; previous increases ranged from 2.5 percent in January to 1.7 percent in April. April's output was revised up by 3.0 million pounds, but the percentage increase was unchanged.

• See **Milk Production**, p. 11

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The New Cheapskate Consumer Could Be Bad News For Dairy

One of the long-term trends that has emerged in the wake of the Great Recession is a new, or renewed, consumer focus on price. This might not be very good news for the dairy industry, at least at this time.

This certainly isn't the first time that consumers have been extremely focused on food prices. Remember generics? These products, which gained some market share back in the late 1970s and early 1980s, offered plain packaging and (usually) mediocre quality in exchange for a price that was often well below even store brands and almost always way below national brands.

Generics aren't much of a factor these days, but there's considerable evidence that consumers are now as fixated, if not more, as they were back when generics were enjoying some success in the marketplace.

Evidence of this point can be seen in practically every consumer survey that's been conducted in recent months. For example, as reported in our June 3rd issue, a recent survey conducted by the International Food Information Council Foundation found that the cost of food is becoming almost as important as the taste when it comes to grocery shopping.

Taste remains the top consideration, at 87 percent, but 79 percent of consumers said price impacts their decision when deciding which foods and beverages to buy. That's a 15 percent increase since 2006, so it's obvious that price has become more of a consumer concern in recent years.

Meanwhile, a Food Marketing Institute report released last month (also reported in our June 3rd issue) found that shoppers keep nutrition in mind when selecting foods, but money worries are hindering their choices, especially when healthier items are more expensive.

In addition to these and other surveys, various other studies have found an increase in consumer coupon use. Just to cite one example: Inmar reported recently that, after years of decline, coupon usage began to rise markedly in October of 2008, coinciding with the US financial crisis. That led to a 27 percent increase

in redemption in 2009, and in 2010, coupon redemption held steady compared to 2009 levels.

So what are the dairy industry ramifications of this new consumer focus on price, price and price? Several points come to mind.

First, it would appear that couponing is a pretty sound marketing strategy these days. A few years ago, when the economy was still in pretty good shape, it seemed like couponing was in decline, but as Inmar and others have found, coupon redemption has increased pretty significantly since the beginning of the Great Recession.

Second, it seems pretty safe to predict that private label products will continue to do well. Survey after survey has found that consumers are showing more interest than ever before in private label products.

For example, as we reported just last week, a new survey from AlixPartners found that almost 45 percent of consumers say the shaky economy has motivated them to continue to consider and ultimately purchase more private-label and other lower-priced food products.

Further, the AlixPartners survey indicated that for the foreseeable future, and possibly permanently, food companies will face an unforgiving, value-driven consumer.

Third, this growing interest in less-expensive food products isn't necessarily taking place at a great time for the dairy industry. Yes, dairy products remain a good value for consumers, considering all that they have to offer in the way of nutrition, taste, convenience, etc.

But dairy products aren't the value they once were. Broadly speaking, up until August of 2007, the Consumer Price Index (CPI) for dairy and related products had never been above 200. By the time the dairy CPI reached 201.7 in August of 2007, the overall CPI had been above 200 for more than a year and was up to 207.9, while the CPI for food at home had been above 200 since May of that year.

The dairy CPI remained above 200 for about a year and a half, and

...this growing interest in less-expensive food products isn't necessarily taking place at a great time for the dairy industry.

then, from March of 2009 through September of 2010, it dropped below that level.

Since last October, the dairy CPI has been back above 200, and in May it was 211.327, not all that far below the record level of 214.7, set back in August of 2008. It should be noted that both the overall CPI and the CPI for food at home were above 225 in May.

Looking more closely at one individual dairy products, the US Bureau of Labor Statistics found that the average retail price for a pound of natural Cheddar was a record high \$5.44 in May. Retail Cheddar prices have been above \$5.00 per pound every month this year. That's a frightening development in this era of the price-driven consumer.

Finally, maybe the timing of these high retail dairy product prices is occurring at a good time, when the dairy industry is pondering the proper approach for dairy policy in the next farm bill. Why is that?

Well, it seems like every time dairy prices spike, retail dairy prices increase and never come down quite as much. For example, the CME cash Cheddar 40-pound block price reached a record high back in May of 2008, at \$2.2850 a pound. The retail Cheddar price first topped \$5.00 per pound in November of that year.

In 2009, the CME block price fell all the way to \$1.0400 a pound (briefly), and averaged just under \$1.30 per pound for all of 2009 (the 2008 average was almost \$1.86 a pound). But retail Cheddar prices never fell below \$4.40 a pound. Just to put that in perspective, back in 2004, the first time blocks topped \$2.00 a pound, retail Cheddar prices peaked at about \$4.56 a pound.

Now, retail Cheddar prices are above \$5.00, and with CME prices remaining above \$2.00 a pound, it looks like \$5.00 retail Cheddar will remain for some time.

Dairy policy that eliminates price peaks, and valleys, should result in retail prices that are at least somewhat lower, on average, which is a wise strategy in this new era of the price-obsessed consumer. ▮

FDA Transforming Itself Into Global Agency To Meet Challenge Of Rapidly Rising Imports

Agency Acknowledges That It Won't Have Resources To Adequately Keep Pace With Pressures Of Globalization

Washington—The US Food and Drug Administration (FDA) on Monday unveiled a new strategy intended to meet the challenges posed by rapidly increasing imports of FDA-regulated products, including food, and a complex global supply chain.

Between 10 and 15 percent of all food consumed by US households is imported, according to a new FDA report, entitled *Pathway to Global Product Safety and Quality*. FDA-regulated products, ranging from food to medical devices, account for about 10 percent of all imports into the US.

The growth in imports has been rapid, and promises to accelerate, the report noted. A decade ago, 6 million shipments of FDA-regulated goods passed through the nation's 300 ports of entry. This year, the number will quadruple, to 24 million shipments.

Each year over the last seven years, food imports have grown by an average of 10 percent.

Manufacturers and producers that FDA regulates face intense pressure to lower costs and improve productivity, fueling a cycle in which the quest for efficiency leads to increased production abroad and higher volumes of imported products to regulate, the report explained. The shift in global product flows will make it difficult to identify the "source" of a product and to ensure that all players along the supply chain meet their safety and quality responsibilities.

And it is not just legal activity that poses challenges for FDA, the report pointed out. Increasingly, the agency must contend with ever-more sophisticated threats of fraud, product adulteration, and even terrorism.

In response to increasing globalization, FDA has expanded its capabilities and regulatory authority. The PREDICT system, for example, uses novel data analytics from the entire life cycle of a product to better identify and target high-risk products before they enter the US. The agency has also opened additional offices in key international locations and materially increased the number of certain types of foreign inspections.

In addition, the FDA Food Safety Modernization Act (FSMA) signed into law in January, represents a paradigm shift in the area of imports. For the first time, importers will have explicit responsibility to verify that their foreign supplies have adequate preventive controls in place and that the food they ship to the US is otherwise safe.

FDA also has the power to establish a third-party program for certifying

that foreign food facilities comply with US food safety standards, to require certification as a condition of entry for certain high risk foods, and to reject entry of food if the foreign facility or country refuses an inspection by FDA or its designee. FSMA also explicitly encourages arrangements with foreign governments to leverage resources, provide for mutual recognition and capacity building.

Despite such recent improvements, FDA does not, nor will it, have the resources to adequately keep pace with the pressures of globalization, the report said. FSMA directs the agency to inspect at least 600 foreign food facilities within the next year and double those inspections every year for the next five.

While the goal may be attainable in the first year, it would be impossible for FDA to complete 19,200 foreign food inspections in year six without a substantial increase in resources or a complete overhaul of the way it operates, the report said.

In order to cope with the magnitude of the fundamental shifts on the horizon, FDA is committed to substantially and fundamentally revising its approach to global product safety and quality, the report said. Over the next decade, the agency will transform itself from a domestic agency operating in a globalized world to a truly global agency fully prepared for a regulatory environment in which product safety and quality know no borders.

To achieve this transformation, FDA is developing an international operating model that relies on enhanced intelligence, information sharing, data-driven risk analytics, and the smart allocation of resources through partnerships. The new approach rests on four core building blocks:

- FDA, in partnership with its foreign counterparts, will assemble global coalitions of regulators dedicated to building and strengthening the product safety net around the world.

- With these coalitions, FDA intends to develop a global data information system and network in which regulators worldwide can regularly and proactively share real-time information and resources across markets.

- FDA will continue to expand its capabilities in intelligence gathering and use, with an increased focus on risk analytics and thoroughly modernized information technology capabilities.

- FDA will effectively allocate agency resources based on risk, leveraging the combined efforts of government, industry, and public- and private-sector third parties.

To meet its goals, FDA will engage all stakeholders in a process that will unfold over several years. ▮

Michigan State Researchers To Study Whether Some Dairy Cows Are Predisposed To Produce More Milk With Less Feed

East Lansing, MI—Michigan State University researchers believe that breeding dairy cows that produce milk with less feed can help the global goal of producing more food more efficiently.

"We already know how to get cows to produce more than 100 pounds of milk a day; we have the science to be able to do that," said Mike VandeHaar, animal science professor at MSU.

"Our question now is whether some cows are genetically predisposed to produce that milk with less feed," VandeHaar said. "If we find that feed efficiency is inherent in a cow's DNA, it will improve our ability to sustainably produce the milk and dairy products that our growing population consumes."

Through a \$5 million grant from USDA's National Institute of Food and Agriculture, VandeHaar and his fellow MSU researchers have set goals to increase the efficiency and sustainability of milk production by:

- Educating future leaders, voters and consumers about key practices in dairy husbandry that promote feed efficiency and sustainability.

- Developing a feed-efficiency database on 8,000 genomically characterized Holstein cows.

- Determining the genetic architecture of feed efficiency and building a foundation for genomic selection of more efficient animals.

- Developing and implementing genomic breeding tools to produce cows with enhanced feed efficiency.

- Developing and implementing practical support tools to improve whole-herd feed efficiency.

"Improving stewardship of resources in the dairy industry has been a lifelong passion of mine," VandeHaar said. "If we're going to eat animal products and feed more people, we have to do it more efficiently."

The goal is not just increasing the amount of milk a cow produces, but increasing efficiency of milk production can help improve stewardship of the planet, VandeHaar noted.

"Projects like this are critically important to our planet," VandeHaar said. "If we can't figure out efficient ways to feed 9 billion people in the next 40 years, we will have hungry people, political unrest and no place left for native ecosystems because we'll be using those lands to grow food."

The grant was awarded through USDA's Agriculture and Food Research Initiative. ▮

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For more information, circle #1 on the Reader Response Card on p. 14

Dairy Situation & Outlook

Since the beginning of May dairy product prices have strengthened, increasing farm milk prices more than anticipated earlier. Since May CME butter has averaged well over \$2 per pounds and was \$2.14 as of June 17.

CME Cheddar barrel cheese started May at \$1.6175 per pound and showed strong strength early June and as of June 17 it was \$2.0675 per pound. Similar, 40-pound Cheddar blocks increased from \$1.6225 per pound early May to \$2.1125 on June 8 and as of June 17 blocks were \$2.12 per pound. Western dry whey has been trading between \$0.52 to \$0.55 per pound and nonfat dry milk between \$1.62 to \$1.65 per pound.

Various factors are responsible for the strength in dairy product prices. But, dairy exports have been one factor impacting each of these dairy product prices. From January through April, compared to the same time period a year ago, exports were up 79 percent for nonfat dry milk/skim milk powder, 68 percent for cheese, 104 percent for butterfat, 32 percent for lactose with no change for total whey proteins.

Exports as a percent of production were 50 percent for nonfat dry milk/skim milk powder, 5.0 percent for cheese, 9.3 percent for butterfat, 68 percent for lactose and 50 percent for dry whey. On a total solids basis dairy exports accounted for 13 percent of US milk production.

A tighter supply has also been a factor for butter prices. While butter production is increasing, up 19.4 percent in April over a year ago, with strong exports and favorable domestic sales April 30 butter stocks were still 32 percent lower than a year ago

and 40 percent lower than the five-year average for this date.

Domestic cheese sales continue to show strength. While total cheese production for the month of April was 2.1 percent higher than a year ago, Cheddar cheese production was 3.3 percent lower and 2.0 percent lower year-to-date. Another factor for cheese prices that has been in the news was the hold put in place on 40-pound Cheddar blocks by Hilmar Cheese due to possible pieces of plastic in the cheese. This may have caused some of their customers to seek alternative sources of cheese and to bid up prices on the CME.

Beverage milk sales, which utilize about a third of milk production continue to be sluggish, except for organic beverage milk. Compared to a year ago, April sales of conventional milk were 2.9 percent lower and organic milk 19.9 percent higher. Total beverage milk sales were 1.3 percent lower.

When cheese and butter get over \$2.00 per pound concerns arise as to whether demand will suffer some.

Can prices at these levels hold to year's end? With high feed prices dairy producers need much higher milk prices but milk prices could show some weakness during summer and fall. Recent reports on the economy are disappointing and not helpful for continued domestic demand growth.

Exports, however, are still projected to stay above year ago levels to year's end due to improved world economy and increased dairy product purchases by key customer countries. And of course the level of US milk production for the remainder of the year will be important.

Dr. Bob Cropp is a Professor Emeritus at the University of

USDA's latest milk production report estimates May production up 1.3 percent from a year ago, the smallest increase this year. Milk production continues to run well above year-ago levels in the West with states showing the following increases: Arizona 6.4 percent, California 3.7 percent, Idaho 5.4 percent, Colorado 6.7 percent, Washington 5.3 percent, New Mexico 1.9 percent and Texas 8.8 percent. Each of these states had more cows than a year ago and all had more milk per cow except for Arizona and Colorado.

In the North/Northeast May production was lower with New York down 1.4 percent, Pennsylvania -0.8 percent, Ohio -5.9 percent and with Michigan up just 0.3 percent. Less milk per cow was the major factor for this lower milk production.

In the Midwest milk production continues to run below year ago levels with production down 1.8 percent in Wisconsin, 2.7 percent in Minnesota, 4.0 percent in Illinois and up just 0.3 percent in Iowa.

While milk prices have improved more than anticipated earlier, current high feed costs and anticipated as high or even higher feed costs this coming fall and winter may encourage some producers to start to reduce cow numbers and others to hold off on herd expansions. In recent weeks dairy cow slaughter numbers have been running around 6 percent higher than last year.

But, with the supply of dairy replacements available to enter the herd, cow numbers can still increase. High feed prices will continue to dampen increases in milk per cow. Not only are corn and soybean prices well above a year ago, so are hay prices, especially in the West. Compared to a year ago May hay prices were 94 percent higher in California and 98 percent higher in Idaho. Hay prices were more than 20 percent higher in the Northeast, but lower in the Midwest with the average for the US 54 percent higher.

In summary, exactly where milk prices are headed for the remainder of the year is far from certain. We know that milk prices are highly sensitive to rather small percentage changes in milk production, domestic sales and exports and/or anticipated changes in any of these factors.

As of now it appears that milk prices may fall some during the August to December period.

But, Class III prices may fall no lower than \$17 and Class IV no lower than \$18.00. This is far from certain. Current dairy futures are settling at these levels. Dairy producers need to evaluate their risk management strategies in attempting to protect future milk prices and also consider feed and other input costs. **r**

FROM OUR ARCHIVES

50 YEARS AGO

June 23, 1961: **Washington**—The FDA this week announced the rejection of objections against the use of hydrogen peroxide and catalase in cheese. Consequently, their use is expected to be permitted in Cheddar, washed curd cheese, Colby, granular cheese and Swiss.

Washington—Fearful that the school milk program would be locked in the omnibus farm bill, the Senate this week passed an amendment to extend it for one year as an emergency measure, in order that the program will not expire next week. It is understood that the emergency legislation has the approval of President John F. Kennedy, who declared it should not be permitted to lapse.

25 YEARS AGO

June 27, 1986: **Chicago**—Frozen juice bars, blended with cream, will be the hottest new product to tempt American palates this year, the Food Marketing Institute reported this week. Next comes Tombstone Double Top Pizza, said to be the first frozen pizza pie with extra cheese and extra toppings. Each pie weighs in at more than two pounds.

Madison—Researchers at the University of Wisconsin-Madison and PhaseX Corporation, Lawrence, MA, have developed a process to make low-cholesterol butter. Researchers have found that pure carbon dioxide, under controlled temperature and pressure, can remove cholesterol. The process, called super-critical fluid extraction, is now used in Europe to decaffeinate coffee.

10 YEARS AGO

June 22, 2001: **Wellington, NZ**—Dairy farmer shareholders of New Zealand Dairy Group (NZDG) and Kiwi Cooperative Dairies this week voted overwhelmingly in favor of merging to form Global Dairy Company (GDC). Roughly 84 percent of New Zealand's 14,000-plus dairy farmers voted to join forces to create GDC, which will rank as the world's ninth-largest dairy trading group.

Sacramento, CA—Natural gas utility costs for California manufacturers of Cheddar cheese, butter and nonfat dry milk in March had roughly tripled their percentage of total processing costs from two years earlier, according to figures released this week by the CDFA.

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US Corn Prices Would Be 17% Lower Than Expected If Ethanol Subsidies Were Ended

Geneva, Switzerland—Corn prices this year would be about 17 percent lower than they are expected to be under current policies if ethanol subsidies had been eliminated before the beginning of the year, according to a study released this week.

The Impact of US Biofuel Policies on Agricultural Price Levels and Volatility was written by Prof. Bruce Babcock, of Iowa State University's Center for Agricultural and Rural Development, for the International Center for Trade and Sustainable Development.

"It is indisputable that biofuels contribute to higher agricultural commodity prices because the biofuel industry represents a large and growing share of demand for maize, vegetable oil and sugarcane," the report noted. But biofuel production isn't driven solely by government subsidies; biofuels are the only large-scale substitute for liquid transportation fuels, so when crude oil prices rise, so too does biofuel demand.

Further, high agricultural commodity prices are not caused solely by expanded biofuel demand. Strong food demand growth and weather-related supply problems have also contributed to high prices.

Babcock's report makes three contributions to understanding the extent to which US biofuel policies contribute to higher prices.

First, estimates of the impact of US ethanol policies on crop and food prices are made for the 2005 through 2009 US crop marketing years, and the impacts of these subsidies are found to be "quite modest." The largest impact of subsidies occurred in the 2007 marketing year, when maize (corn) prices would have been 30 cents per bushel (7.1 percent) lower than they actually were.

This is a "modest" impact because the average corn price in 2007 was more than \$2.00 per bushel higher than the average price in 2004 or 2005, which implies that ethanol subsidies "have not been the major driver of higher commodity prices."

The second contribution is to provide estimates of the impact on agricultural commodity prices and food prices from market-driven expansion of ethanol. The price effects of market-driven expansion of ethanol are much larger than the price effects of ethanol subsidies.

If US ethanol production had somehow not been allowed to expand beyond 2004 levels, then corn prices in 2009 would have been about 21 percent lower than they actually were. Wheat and soybean prices in 2009 would have been about 9 and 5 percent lower, respectively.

Ethanol expansion had a "significant impact" on price levels, but even if ethanol had not expanded, crop prices would not have stayed low during this time period.

The final contribution of this report is improved insight into how current US biofuel policies are expected to affect crop prices in the near future.

Corn prices in 2011 would be about 17 percent lower than they are expected to be under current policies if ethanol subsidies had been eliminated last year.

These study results indicate the need for more flexible US biofuel policy. There is "no rationale" for the blender tax credit; eliminating it would also eliminate any justification for maintenance of the US ethanol import tariff.

Added flexibility could be introduced by relaxing blending mandates when feedstock supplies are low. **r**

USDA Raises Maximum Allowable Somatic Cell Count In Producer Herd Goat Milk To 1.5 Million Cells Per Milliliter

Washington—USDA's Agricultural Marketing Service (AMS) on Tuesday published a notice that amends the recommended manufacturing milk requirements by raising the maximum allowable somatic cell count in producer herd goat milk from 1.0 million cells per milliliter to 1.5 million cells per milliliter.

This action was initiated at the request of the National Association of Dairy Regulatory Officials (NADRO) and was developed in cooperation with NADRO, dairy trade associations, and producer groups.

It will ensure that goat milk can continue to be shipped and recognizes that goats have a need for different regulatory limits for somatic cells than cows, AMS explained.

USDA maintains a set of model regulations relating to quality and sanitation requirements for the production and processing of manufacturing grade milk.

These recommended requirements are developed by AMS and recommended for adoption and enforcement by the various states that regulate manufacturing grade milk.

The purpose of the model requirements is to promote uniformity in state dairy laws and regulations relating to manufacturing grade milk.

In consultation with representatives from NADRO, state regulatory agencies, the Food and Drug Administration (FDA), and dairy industry trade associations, USDA prepared the recommended requirements to promote uniformity in state dairy laws and regulations for manufacturing grade milk. To accommodate

changes that have occurred in the dairy industry, NADRO and various state officials have from time to time requested USDA to update the recommended requirements.

During its July 2009 annual meeting, NADRO passed a resolution requesting USDA to raise the maximum allowable somatic cell count for producer herd goat milk from 1.0 million cells per milliliter to 1.5 million cells per milliliter to provide consistency with the current requirements in place for Grade A producer herd goat milk.

Due to inherent differences between cows and goats, goat milk with a somatic cell count of 1.5 million cells per milliliter can be produced from a healthy, non-mastitic udder and therefore is quality milk, AMS noted.

The need for a separate standard for goat milk was recognized by the National Conference on Interstate Milk Shipments (NCIMS) and was raised to 1.5 million cells per milliliter at the 2009 NCIMS conference.

This change by AMS will align the recommended requirements for manufacturing grade milk with the Grade A requirements for goat's milk.

A notice of the proposed change to the recommended manufacturing milk requirements was published in the October 5, 2010 Federal Register. USDA received two comments, one of which was from the membership of the Other Species Milk Committee of the NCIMS in support of the proposed change and one from an anonymous source in opposition to the change which provided no scientific justification to support their opposition.

Accordingly, this change is incorporated into the revised recommended manufacturing milk requirements, and becomes effective July 21, 2011. **r**

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For more information, circle #3 on the Reader Response Card on p. 14

Study: Increased Yogurt Consumption Associated With Less Weight Gain

Boston, MA—A Harvard School of Public Health (HSPH) study that looked at how changes in dietary factors relate to long-term weight gain found that some foods were linked to greater weight gain, while other foods, including yogurt, were linked to less weight gain.

Researchers evaluated changes in multiple specific lifestyle factors and weight gain every four years over 12 to 20 years of follow-up in three specific large cohorts. Participants in the study, published in the *New England Journal of Medicine*, gained an average of 3.35 pounds during each four-year period, which corresponded to a weight gain of 16.8 pounds over the 20-year period.

Foods associated with the greatest weight gain over the 20-year study period included potato chips (for each one increased daily serving, plus 1.69 pounds more weight gain every four years), other potatoes (1.28 pounds), sugar-sweetened beverages (1.00 pound), unprocessed meats (0.95 pounds) and processed meats (0.93 pounds).

Several foods were associated with less weight gain when their consumption was actually increased, including yogurt (minus 0.82

pounds), vegetables (minus 0.22 pounds), whole grains (minus 0.37 pounds), fruits (0.49 pounds) and nuts (minus 0.57 pounds).

Potential mechanisms for the yogurt finding are unclear; “intriguing evidence” suggests that changes in colonic bacteria might influence weight gain. It is also possible that there is an unmeasured confounding factor that tracks with yogurt consumption.

The analysis showed relatively neutral associations between change in consumption of most dairy foods and weight gains.

For diet, focusing only on total calories may not be the most useful way to consume fewer calories than one expends, researchers said. Other yardsticks, such as content of total fat, energy density, or sugars could also be misleading.

Rather, researchers found that eating more healthful foods and beverages, focusing on overall dietary quality, was most important.

The most useful dietary metrics for preventing long-term weight gain appear to be: focus on eating more minimally processed foods (e.g., yogurt, nuts, fruits, vegetables, whole grains) and fewer highly processed foods; and focus on improving carbohydrate quality by eating less liquid sugars and other sweets, as well as fewer starches and refined grains. **r**

Import Recalls

(Continued from p. 1)

within 10 days after FDA became aware of the contaminated food products, the two remaining recalls were not initiated under 28 and 102 days, respectively, after FDA became aware of the contamination.

■ Not all firms submitted recall strategies or strategies containing complete information on recall depth, public earnings, and the level of effectiveness checks. Three firms did not submit any written recall strategies, and FDA did not maintain evidence of any verbal discussions with these firms on their recall strategies.

The 14 other firms submitted incomplete recall strategies, as follows: for nine recalls, the strategies did not address the depth of the recalls; for nine recalls, either the strategies did not address the need for public warnings or the firms did not issue prompt warnings; and for seven recalls, the strategies did not address the need to conduct effectiveness checks of consignees at the FDA-specified level.

■ Firms' recall communications with consignees did not always contain accurate and complete information and instructions on how to proceed with recalls.

Although four of the 17 recalling firms issued accurate and complete recall communications, the 13 other firms' communications did not contain critical information or contained inaccurate information, such as product lot numbers, production dates, instructions for the return of recalled products, and instructions to consignees to notify subconsignees.

■ Firms did not consistently submit timely and complete recall status reports so that FDA could assess ongoing recall activities. Five of the 17 recalling firms did not submit any status reports to FDA. The 12 remaining firms submitted untimely or incomplete status reports.

For example, in a recall involving Salmonella-contaminated cheese, the firm's status reports did not indicate the number of consignees notified, the date and method of notification, the quantity of products accounted for and returned, or the number and results of effectiveness checks conducted.

Because FDA's food recall guidance is nonbinding on the industry, the agency cannot compel firms to follow it and therefore FDA cannot ensure the safety of the US food supply, the review noted.

However, the OIG review pointed out, under the FDA Food Safety Modernization Act (FSMA) signed into law in January, FDA has the authority to conduct mandatory recalls and assess and collect fees related to food facility reinspections and food recall orders.

The OIG review also found that FDA did not always follow its own procedures to ensure that the recall

process operated efficiently and effectively. Specifically, FDA:

■ Did not conduct firm inspections or obtain complete information on the contaminated products in 14 of the 17 recalls. For four of those recalls, FDA did not conduct firm inspections and therefore did not obtain certain information, such as the contaminated lots and a list of all shipments of the products. For 10 recalls, FDA conducted firm inspections but provided no evidence that it had identified contaminated lots and associated lots or reviewed a list of all shipments of the products.

■ Did not conduct any audit checks of consignees in five of the 17 recalls and conducted untimely and incomplete audit checks in the remaining 12 recalls.

■ Did not review recall strategies and promptly issue notification letters to firms conveying the review results and essential instructions in all 17 recalls.

■ Did not witness the disposal of the products or obtain the required documentation showing that the products had been properly disposed of in 13 of the 17 recalls. For the other four recalls, FDA provided evidence that it had monitored the disposal of the products.

The OIG recommends that FDA consider the results of this review in implementing the FSMA, and follow its procedures for monitoring results.

In its written comments to the OIG's draft report, FDA said that, since its original recall policy was first implemented in 1978, the agency has continued to improve how recalls are conducted and monitored. In addition, the agency has seen an increase in the number of recalls of FDA-regulated products, some of which involve the “largest and most complex” recalls in FDA history.

To address these issues and to make relevant improvement in the current recall business processes, FDA said it is conducting a study to examine the current process and ensure that it protects the public health and removes violative products from the marketplace as timely and efficiently as possible.

Results of this study are under evaluation, but some of the proposals could include exploring the use of third parties to conduct some aspects of recall audit checks; triaging incoming recalls based on risk profiles in an effort to streamline the recall process; bolstering guidance to industry and enhancing opportunities to share best practices; improving consumer communications; and strengthening the management of the overall recall process.

“The new tools provided by FSMA, coupled with FDA's current recall process improvement efforts, will benefit consumers by improving FDA's ability to remove violative products from the market and to protect the public health,” FDA said in its comments on the draft report. **r**

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Global Dairy Sector Entering Decade Of Relatively High Prices, Strong Demand

Industry Also Faces Higher Production Costs, Continued Market Variability

Paris, France, and Rome, Italy— The global dairy sector is entering into a decade of relatively high prices, continuing strong demand for milk and dairy products but also higher production costs and possibly continued market variability, according to a report released last Friday by the Organization for Economic Cooperation and Development (OECD) and the UN's Food and Agriculture Organization (FAO).

Underpinning the report, *OECD-FAO Agricultural Outlook 2011-2020*, are expectations that world economies will continue recovering from the 2009 global crisis; that population growth will continue to slow; and that energy prices will trend upwards.

After sharply increasing (2007), dramatically falling (2008) and quickly rebounding (2009), international dairy prices remained at relatively high but stable levels over much of 2010.

Toward the end of the year and early 2011, global prices strengthened rapidly but stayed well below the peak levels of 2007/08 with the exception of record high butter prices.

After peaking this year, global dairy product prices are expected to ease as demand adjusts and as supply responds, particularly in Oceania. High production costs are expected to moderate the price fall despite the fact that feed prices are likely to decline over the short run and dairy producers are expected to further adjust their practices to mitigate the impact of higher costs.

The projected decline in international prices is expected to be short-lived, and followed by a subsequent rise in nominal terms of about 2 percent per year on average. Prices in real terms are anticipated to stay relatively flat, although at levels well above those of the previous decade, the report said.

Growing demand stimulated by rising population and income, especially in developing countries, underlines the firmness in prices over the medium term.

Over the outlook period, prices in real terms are expected to average between 10 percent (skim milk powder) and 40 percent (butter) higher than the last decade. The relative strength in prices stems not only from continuing strong demand but also from higher feed prices and other production costs, such as energy, land and labor.

After stagnating in 2009, milk production rebounded in 2010 and is expected to grow initially in excess of 2 percent annually for the next three years, causing prices to decline. As prices adjust downward, the growth

in milk production after 2013 is expected to be less vigorous.

The average annual growth for the next 10 years is projected at 1.9 percent, compared with the 2.1 percent average annual growth experienced in the past decade.

After a decline in production related to reductions in China, global whole milk powder production rebounded in 2010 and is expected to be one of the fastest-growing products along with butter and fresh dairy products.

As compared to the base period of 2008-10, whole milk powder, butter and fresh dairy products are expected to grow by 26 percent, while cheese and skim milk powder would gain 19 percent and 15 percent.

The US and European Union (EU) continue to dominate global cheese production with a two-thirds share of the total. Together they are responsible for 55 percent of expected additional global cheese output.

Despite the projected lower annual growth, China is expected to remain the largest whole milk powder supplier, producing more than a quarter of global quantities. New Zealand whole milk powder production is projected to expand following the gains in New Zealand milk production. China and New Zealand together account for two-thirds of all whole milk powder production expansion.

Increasing population and income, together with the growing popularity of dairy products, particularly among developing country consumers, is a key factor behind strong demand in the medium term. Demand for milk and dairy products is expected to remain particularly strong in importing developing dairy markets such as North Africa, the Middle East and East Asia, but also in more mature markets such as those in the EU, the US and Russia.

Oceania is expected to remain the most significant dairy exporting region, with a more than 40 percent share of the global export market. The dominant market position of New Zealand and Australia will, however, keep global markets under the influence of the region's weather and production conditions.

The recent growth in trade of skim milk powder and butter is expected to continue and skim milk powder trade is projected to increase by 30 percent over the base period, mainly the result of more exports from Oceania and the US, and of importers substituting away from higher-priced whole milk powder.

Global butter exports are expected to increase by 10 percent while the traditional leaders in export growth, cheese and whole milk powder, are both expected to record solid growth of 22 percent and 21 percent, respectively. r

National Farmers Union Of Scotland Wants Curbs On Financial Speculation In Ag Commodities Markets

Edinburgh, Scotland—National Farmers Union (NFU) Scotland is backing calls to curb the damage that financial speculation is wreaking on agricultural commodities markets.

Financial tools such as the futures markets were intended to assist industry in managing volatility but, as the importance of food production grows worldwide, these markets have attracted the unwanted attention of financial speculators, NFU Scotland said.

To counteract the impact that speculation is having, NFU Scotland is supporting efforts to introduce greater regulation to the sector aimed at stamping out abuse and manipulation.

Agricultural commodities "are inherently unstable and financial tools that allow those in the food supply chain to hedge their risk and plan forward are an increasingly important element in managing the market," said Nigel Miller, NFU Scotland president. "However, it is deeply alarming that the greatest proportion of activity in the futures markets no longer involves those in the supply chain but is, instead, taken up by speculators.

"The way the futures market operates should be about the industry


having the ability to manage itself," Miller continued. "Instead, it is a system open to third parties who often have little interest in managing the long-term risks associated with producing food but have every interest in short-term financial gain.


"The unwelcome entry of significant financial resources into the futures markets has brought increased volatility to markets and contributed to price spikes," Miller said. "To combat this, there is a need for greater structure to be given to the futures markets so that they do the job intended which was to allow those in the food supply chain to hedge their risk and plan forward."

NFU Scotland will join others in working towards improved regulation for commodity financial markets, Miller said.


"There is no harmonized regulation for these and, astonishingly, they lack a basic set of rules governing market abuses and price manipulations in some cases," Miller said. "We also welcome the efforts that are underway to define a common set of rules for both commodity and financial markets.

"At the same time, we have an opportunity to make sure that more transparent market information is made available to all to allow all parts of the food supply chain to better plan and manage their production," Miller concluded. r






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Ag Price Volatility

(Continued from p. 1)

Climate change is altering traditional weather patterns but current global assessments of climate change have been unable to quantify the likely effects of climate change on price volatility.

Stock levels: Stocks of storable commodities have long played a buffering role; mitigating discrepancies in short-term demand and supply of commodities, helping to smooth prices and reduce their volatility. Expectations of future price developments affect purchases for and sales from stocks held primarily for transaction purposes.

For the market to function effectively, a minimum amount of the commodity must be held in the system to transport, market and process. Though stocks data are "notoriously imprecise," general market sentiment suggests such minimum working stocks should be around 20 percent of use.

Energy prices: The price spikes of the early 1970s and 2006-08 were both characterized by a simultaneous surge in prices for commodities and energy, and crude oil in particular. Energy prices are an important cost factor in agricultural production, with two key elements being fertilizer and transportation costs.

OECD/FAO analysis has confirmed that a close relationship exists between rising energy prices and agricultural production costs. If oil prices had not increased so much in the period before 2008, it is likely that agricultural product prices would not have risen so significantly.

Energy prices can have both short- and long-term impacts on agricultural commodity prices. Price

increases of oil and petroleum impact the short-run costs of running farm machinery and irrigation systems, as well as the costs of processing, handling and transporting food along the value chain.

The longer-term impact of energy prices is observed in a typical one-year lagged response of agricultural production to price, reflecting producer decisions related to the costs of petroleum-based products.

A second link between commodity prices and energy occurs through biofuels and the expanding use of agricultural commodities as feedstocks for biofuel production. Biofuels now account for a significant and growing part of global production of a number of crops.

Biofuels can also have indirect effects on the prices of crops which are not widely used as biofuel feedstocks, as land begins to shift away from these commodities. Higher feed prices also may induce supply reductions in the livestock industries, although the full effect is somewhat mitigated with the incorporation of biofuel co-products into feed rations.

Exchange rates: The interactions between macroeconomic factors and agricultural markets have come under increased focus in recent years, with currency movements in particular having the potential to impact food security and competitiveness.

Given that most commodity prices are expressed in US dollars, fluctuations in exchange rates affect domestic commodity prices (in local currency) in countries that are highly integrated into world markets.

An appreciating currency relative to the US dollar reduces an exporting country's price competitiveness. To compensate and maintain inter-

national market shares, domestic prices may fall. For net exporting countries, such a decline in the domestic price would normally trigger a decline in production.

For net importing countries, commodities become relatively less expensive and demand would normally rise. Higher demand combined with less supply can be expected to result in higher world prices, holding other factors constant.

Growing demand: Steady growth in demand does exert pressure on commodity prices. If the rate of growth in production does not keep pace with demand, upward pressure on prices will result.

The latest UN estimates of population growth suggest that by the end of 2020 the planet will be populated by 7.7 billion people. The vast majority of this population growth is set to take place in large urban centers and mega-cities in developing countries. Such a shift in location carries with it a change in the composition of the food basket to more processed, convenience and higher value-added products.

Coupled with the demands of an increasing population is the additional demand induced by higher incomes. Per capita incomes in many poor countries may increase as much as 50 percent over the next decade, and such countries have a high propensity to buy food with additional income, including higher value-added commodities such as dairy products and meat.

Trade restrictions: Over time, greater market integration through globalization and trade liberalization tends to enhance price transmission and mitigate the key drivers of volatility by increasing the global supply and demand elasticity.

On the other hand, governments often respond to higher prices through interventions at the border and consumer subsidies, which diminishes price signals to producers and consumers.

Financialization of agricultural markets: While speculation is needed for the efficient functioning of futures markets, financial speculation which involves trading in futures markets and commodity derivatives without any link to the underlying cash markets has been suggested as one of the possible causes of volatile agricultural commodity price movements.

Possible Policy Responses

Recognizing that volatility will remain a feature of agricultural markets, coherent policies are required to reduce volatility on the one hand, but also to mitigate the impact of volatility on those who are most severely affected, the report said.

Agricultural supply will struggle to keep pace with the more steady growth in demand over the next decade. Supplies from traditional exporters are slowing, and demand in most developing countries is growing at a faster pace.

In this environment, commodity stocks are not being rebuilt and sudden shocks in either supply or demand result in market volatility.

While market volatility will persist, it may be reduced by measures to increase market transparency and reduce uncertainty:

- **Market information:** Information is critical for markets to function efficiently. Greater efforts are required to improve both national and international surveillance systems on plantings and production prospects. Where information exists, it needs to be better coordinated and disseminated.

- **Buffer stocks:** Buffer stock schemes have been a policy instrument used by a number of countries and international commodity organizations to reduce domestic and international price volatility. However, they have been virtually abandoned in developed countries.

- **Futures markets:** It is clear that well-functioning futures markets for agricultural commodities can play a significant role in reducing or smoothing price fluctuations. They provide instruments to transfer price risk, enabling commercial participants to hedge their products/purchases against the risk of fluctuating prices.

There is broad agreement that for futures markets to function well, appropriate regulations are required across all futures exchanges and markets.

- **Domestic and trade policies:** Large parts of the world's population will only have access to food if food can be traded internationally.

More open trade contributes to mitigating the key drivers of volatility by increasing the size and scope of markets and diluting the magnitude of shocks, effectively by facilitating wider supply and demand response.

- **Biofuels policy:** The precise impact of biofuels on agricultural commodity prices is a matter of debate, although some quantitative analyses have concluded that biofuel support policies have a noticeable impact on commodity prices.

Given the prospects of higher oil prices, the value of feedstock crops in the energy market may exceed their value in the food, feed or fiber markets, putting increased pressure on commodity prices as well as increasing the link with energy markets.

Considering the link between the energy and agricultural markets and the food security issues, there is a need to reconsider the role of policies in biofuel production.

Measures to help mitigate the impact of price volatility, according to the report, including emergency food reserves at national and regional levels; safety-net measures which may help governments, producers and consumers cope with food price instability; market-based risk management such as forward contracting and futures markets; and international policy coordination. r

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Better Info Needed

(Continued from p. 1)

-gate world food price crises. This senior officials group constitutes a "Rapid Response Forum" for market policy coordination.

The agriculture ministers recognize the important role that international trade can play in improving food security and in addressing the issue of food price volatility. Open and well-functioning markets are essential to allow more investment in agriculture, which is critical to ensure an increase in agricultural production and productivity to meet growing demand in the coming years.

A stable, predictable, distortion-free and transparent system for trade allows the unrestricted flow of food and agricultural commodities, contributing to food security, the agriculture ministers said.

This requires further cooperation in strengthening international governance of agricultural trade in favor of open, rules-based and well-functioning global markets for agricultural products, through the World Trade Organization (WTO) and its agreements, and its rules based on scientific standards and recommendations developed by the relevant international standard-setting bodies, such as Codex.

New Risk Management Product

The World Bank Group on Tuesday announced a new risk management product to provide up to an initial \$4 billion in protection from volatile food prices for farmers, food producers, and consumers in developing countries, addressing a key issue that was discussed later in the week by the G20 agriculture ministers.

This product, described as the first of its kind, will improve access to hedging instruments to shield consumers and producers of agricultural commodities from price volatility. It will also protect buyers from price increases in food-related commodities such as milk, corn, live cattle, sugar, cocoa and soybeans.

The Agriculture Price Risk Management (APRM) product will initially be rolled out by IFC, the World Bank Group's private sector arm, and J.P. Morgan. IFC hopes to roll out the product with other banks in due course.

In the debut facility with J.P. Morgan, IFC will commit up to \$200 million in credit exposure to clients that use specific price hedging products, while J.P. Morgan will take on at least an equal amount of exposure to them.

Since the exposure associated with risk management operations is typically smaller than the principal amount of hedges made available to clients, these combined credit exposures should enable up to \$4 billion in price protection to be arranged by J.P. Morgan for emerging markets agricultural producers and buyers.

Potential clients for the APRM product can include agricultural producers, consumers, aggregators,

cooperatives, and local banks, as well as others that meet predetermined requirements.

Greater Productivity Needed

To feed a world population expected to reach more than 9.0 billion by 2050, it is estimated that agricultural production will have to increase by 70 percent over the same period, and more specifically by almost 100 percent in developing countries.

The agriculture ministers committed themselves to implementing a broad scope of actions to boost agricultural growth. In this range of actions, they will give special attention to smallholders, especially women and young farmers, in particular in developing countries.

The ministers agreed to strengthen agricultural research and innovation and support results-based agricultural research for development through their national agricultural research systems and other forums.

They also insisted on the need to enhance the transfer of the research results and technologies to farmers and to ensure that research activities respond to their needs and concerns and involve farmers in that process.

The agriculture ministers agreed on the importance of involving relevant international research centers, G20 countries, and other relevant bodies in new and existing agricultural research and development initiatives.

They committed to creating an enabling environment to encourage and increase public and private investment in agriculture. In particular, they stressed the need to support public-private partnership on investments, based on a value-chain approach.

Agriculture ministers pledged to continue to address the challenges and opportunities posed by biofuels, in view of the world's food security,

energy and sustainable development needs.

They recognize the need to further analyze all factors that influence the relationship between biofuels production and food availability, response of agriculture to price increases and volatility, sustainability of agriculture production, and further analyze potential policy responses, while recognizing the role biofuels can play in the reduction of greenhouse gases, energy security and rural development.

Responses To G20's Action Plan

The consensus reached by the G20 agriculture ministers "marks an historic union of resolve in combating the pressing challenges of hunger and food price volatility confronting our world with greater regulatory," said US Secretary of Agriculture Tom Vilsack.

"Together, the G20 nations are committed to increasing agricultural production through use of improved practices and technologies and a commitment to new and expanded research and development," Vilsack continued. "The need for market transparency and consistency with science-based rulemaking systems among our nations and the international community is stronger than ever."

"What we saw when prices started to surge in 2008 was that the lack of information on stocks and availability can lead to panic in markets and panic is what leads to price hikes," said Robert Zoellick, World Bank president. "We are not going to be able to stop food prices from going up and down, but we can smooth out the swings and we can protect the poor whether they are small farmers or consumers."

But Oxfam said the G20's approach falls well short of the major surgery that is needed to tackle the global food price crisis. ▮

Hydrite Chemical Buys Facility In Milwaukee, WI, To Support Growth In Manufacturing Chemical Solutions For Food Industry

Brookfield, WI—Hydrite Chemical Co. has purchased a new facility in Milwaukee, WI, to help support the company's growth in chemical manufacturing.

The facility, which was previously the home of Unilever Foodsolutions, will be one of the facilities to manufacture chemical solutions to the food industry, Hydrite Chemical explained. The facility, built in 1991, boasts 133,000 square feet of manufacturing space and 15,000 square feet of office space.

"With the additional location and square footage of manufacturing space, we can be ready for the growth we've positioned ourselves for in the food industry," said Joe Weishar, Hydrite Chemical Co.'s vice president of operations.

Established in 1929, Hydrite Chemical is a diversified chemical company with 12 North American locations. For more information, visit www.hydrите.com. ▮

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More Children Have Food Allergies Than Previously Thought; Milk Among Most Common Foods To Which Kids Are Allergic

New York—A large national study of food allergies in the US has found that more children have allergies, including severe allergies, than previously thought.

The national survey of more than 38,000 families found that 8 percent of children in the US, or about 5.9 million children, suffer from a food allergy. Of those, according to a study published in the July 2011 issue of *Pediatrics*, 38.7 percent had a history of severe reactions, and 30.4 percent had multiple food allergies.

The most common foods children were allergic to were peanuts (25.2 percent), milk (21.1 percent) and shellfish (17.2 percent).

"This is the largest study ever conducted on the prevalence of food allergy in US children and it differs from previous studies in important ways," said the principal investigator Ruchi S. Gupta, a pediatrician at Children's Memorial Hospital and assistant professor of pediatrics at Northwestern University.

"Our goal was to paint a comprehensive picture of childhood food allergy in America," Gupta explained. "We began by surveying a representative sample of children in the US and collected extensive information on each and every food allergy reported, including date of

onset, method of diagnosis, and reaction history."

Data on race and ethnicity, gender, socioeconomic status, and geographic region were also collected.

"This study confirms what so many families already know: food allergy is a large and growing public health problem," said Mary Jane Marshisotto, executive director of the Food Allergy Initiative (FAI), which funded the study.

"In 2008, the Centers for Disease Control estimated that food allergies affected one in 25 children; now it's one in 13," she noted. "It is especially disturbing to see how many of these children have multiple food allergies and have already experienced life-threatening reactions."

Food allergies affect approximately 12 million Americans. Eight foods are responsible for 90 percent of all reactions: milk, peanut, tree nut, egg, fish, shellfish, soy, and wheat.

Food allergies appear to be on the rise in developed countries worldwide, but researchers do not yet know why.

One common theory is the hygiene hypothesis, which posits that excessive hygiene is responsible for the increase in allergies and other immune-mediated diseases.

The theory suggests that since we are no longer exposed to many bacteria, viruses and parasites, our immune system targets harmless substances, such as food proteins, instead. **r**

Draft Decision Means Collective Bargaining For Australian Dairy Farmers Can Continue

Canberra, Australia—The Australian Competition and Consumer Commission (ACCC) has issued a draft decision proposing to allow dairy farmers to continue to collectively bargain with dairy processors for another 10 years.

Australian dairy farmers have been collectively bargaining with milk processors under an ACCC authorization granted to Australian Dairy Farmers Ltd. (ADF), which represents the interests of Australian dairy farmers, since 2002, with the most recent authorization granted in 2006.

Currently, approximately 500 farming families are registered under the ADF's collective bargaining arrangements, in 18 collective bargaining groups.

The ADF has sought to continue the conditions of authorization that currently apply and which broadly limit the membership of bargaining groups to farmers with a "shared community interest" and prevent bargaining groups from using a common representative in negotiations with processors.

On March 8, the ADF lodged its application for reauthorization to enable dairy farmers to collectively bargain with dairy processors on the terms and conditions of their raw milk supply contracts. The ACCC sought submissions from interested parties potentially affected by the application.

Murray Goulburn Cooperative Co. Limited supports the reauthorization and is generally supportive of structures or arrangements that serve to protect dairy farmers' interests and assist them to realize better prices for their milk.

National Foods submits that the collective bargaining process provides time savings through the ability to reach a consistent contract with members of a collective bargaining group. National Foods submits that the current conditions of authorization are operating effectively and are well understood by the industry.

Coles Supermarkets considers that increased transparency in farmgate pricing as well as extended opportunities for collective bargaining by dairy farmers should be facilitated to assist dairy farmers in achieving fair return and reasonable contractual terms in supply agreements with milk processors.

In general, the ACCC may only grant authorization if it is satisfied that, in all the circumstances, the collective bargaining arrangement is likely to result in a public benefit, and that public benefit will outweigh any likely public detriment.

The ACCC considers that the collective bargaining arrangements are likely to result in public benefits by providing dairy farmers with

greater opportunity to have effective input into the terms and conditions of their supply contracts. This improved input provides a mechanism through which farmers may be able to negotiate more efficient outcomes compared to a situation where they negotiate individually and/or sign standard form contracts.

As a result, dairy farmers may achieve greater efficiencies in their business, for example, by addressing common contractual problems in a more streamlined and effective manner, the ACCC said. Further, collective negotiations have the potential to reduce information asymmetries that exist between dairy farmers and processors, which also enhance the potential for efficient outcomes to be achieved.

The ACCC considers that there is likely to be minimal public detriment as a result of the collective bargaining arrangements. It is unlikely that the collective bargaining arrangements will allow dairy farmers to raise prices for raw milk above efficient levels.

Participation in the collective bargaining arrangements is voluntary for both dairy farmers and dairy processors and collective arrangements will only be reached where all parties consider it to be in their commercial interest, the ACCC pointed out.

The ADF is seeking reauthorization for another five years, noting that a period of five years will save all parties time and money through a reduced administrative and compliance burden.

Further, the ADF noted that a five-year period creates a secure and stable business environment for the industry.

The ACCC is proposing to grant authorization for 10 years. In considering the term of authorization, the ACCC notes that the collective bargaining arrangements have been authorized since 2002 and are well understood by dairy farmers and processors.

The ACCC has had the opportunity to consider the collective bargaining arrangements on two previous occasions (in 2002 and 2006) and is satisfied that the public benefits from the conduct are likely to continue to outweigh the detriments for an extended period. The ACCC considers that granting authorization for 10 years will provide the industry with greater certainty over the collective bargaining arrangements for a longer term.

The ACCC is now inviting submissions from interested parties before making its final decision. Parties wishing to make submissions should do so by July 8, 2011.

For more information about the ACCC's draft determination, visit the ACCC website, at www.accc.gov.au. **r**

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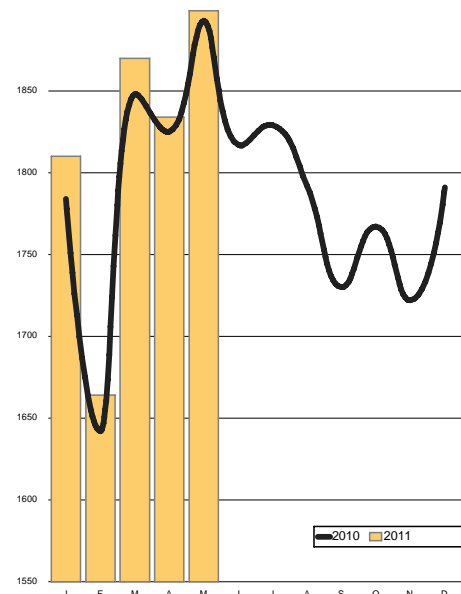
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May Milk Production -

Milk Production 2010 vs. 2011

Milk Per Cow by Month 2010 vs. 2011



Milk Production by State

State	2010	2011	% Change
California	3,545	3,677	3.7%
Wisconsin	2,320	2,279	-1.8%
New York	1,129	1,113	-1.4%
Idaho	1,084	1,142	5.4%
Pennsylvania	947	939	-0.8%
Minnesota	811	789	-2.7%
Texas	771	839	8.8%
New Mexico	700	713	1.9%
Michigan	741	743	0.3%
Washington	508	535	5.3%
Ohio	478	450	-5.9%
Arizona	374	398	6.4%
Iowa	386	387	NC
Indiana	174	167	-4
Colorado	240	256	6.7
Vermont	223	223	NC
Kansas	216	226	4.6
Florida	196	203	3.6
Oregon	206	215	4.4
Illinois	174	167	-4
Virginia	156	154	-1.3
Missouri	135	131	-3
Utah	157	157	NC

Milk Production

(Continued from p. 1)

Milk production for the entire US during May totaled 17.27 billion pounds, up 1.3 percent from May 2010. Production per cow in the 23 reporting states averaged 1,899 pounds for May, six pounds above May 2010.

The number of milk cows on farms in the 23 reporting states during May was 8.45 million head, 103,000 head more than May 2010, and 15,000 head more than April 2011.

California's May milk production totaled 3.677 billion pounds, up 3.7 percent from May 2010, due to 17,000 fewer milk cows but 55 more pounds of milk per cow. California's April milk output was up 2.6 percent from April 2010.

Wisconsin's May milk production totaled 2.279 billion pounds, down 1.8 percent from May 2010, due to 5,000 more milk cows but 40 less pounds of milk per cow. Wisconsin's April milk output was revised down by 7.0 million pounds, so production was down 0.5 percent from April 2010, rather than down 0.1 percent as originally estimated.

May milk production in Idaho totaled 1.142 billion pounds, up 5.4 percent from May 2010, due to 18,000 more milk cows and 40 more pounds of milk per cow. Idaho's April milk output was up 4.6 percent from April 2010.

New York's May milk production totaled 1.113 billion pounds, down 1.4 percent from May 2010, due to unchanged milk cow numbers and 25 less pounds of milk per cow. New York's April milk output had been up 0.8 percent from April 2010.

Pennsylvania's May milk production totaled 939 million pounds, down 0.8 percent from May 2010, due to 2,000 more milk cows but 20 less pounds of milk per cow. Penn-

sylvania's April milk output was also down 0.8 percent from a year earlier.

May milk production in Texas totaled 839 million pounds, up 8.8 percent from May 2010, due to 20,000 more milk cows and 70 more pounds of milk per cow. Texas's April milk production was up 7.2 percent from April 2010.

Minnesota's May milk production totaled 789 million pounds, down 2.7 percent from May 2010, due to 1,000 more milk cows but 50 less pounds of milk per cow. Minnesota's April milk output was down 1.9 percent from April 2010.

Michigan's May milk production totaled 743 million pounds, up 0.3 percent from May 2010, due to 5,000 more milk cows but 25 less pounds of milk per cow. Michigan's April milk production was up 0.7 percent from a year earlier.

May milk production in New Mexico totaled 713 million pounds, up 1.9 percent from May 2010, due to 3,000 more milk cows and 20 more pounds of milk per cow. New Mexico's April milk output was up 2.7 percent from April 2010.

Washington's May milk production totaled 535 million pounds, up 5.3 percent from May 2010, due to 11,000 more milk cows and 20 more pounds of milk per cow. Washington's April milk output was revised up by 2.0 million pounds, so production was up 3.5 percent from April 2010, rather than up 3.0 percent as originally estimated.

All told for the 23 reporting states during May, compared to May 2010, milk production was higher in 12 states, with those increases ranging from 0.3 percent in both Michigan and Iowa to 8.8 percent in Texas; down in eight states, with those declines ranging from 0.8 percent in Pennsylvania to 5.9 percent in Ohio; and unchanged in Indiana, Utah and Vermont. r

Seven-Day Food Fest Celebrates Food, Dairy From New York State

New York—Local food organizations, restaurants and manufacturers from New York state have partnered for "Eat Drink Local Week" in celebration of the state's regional food and dairy. The event will be held June 24-30. Organic Valley is a leading sponsor of the weeklong event.



Next week, each New York City Whole Foods store will have a foursquare offer that awards a coupon for a free Organic Valley product to anyone that checks in during Eat Local Week.

Event organizers also challenge participants to "get to know a new local cheese," make their own butter, ice cream or yogurt from locally sourced milk, and visit a nearby dairy.

Links to events happening next week, along with a list of participating restaurants, is available at www.ediblemanhattan.com. r

The company will be sampling dairy products from its nearly 200 New York farmer members, including its New York Fresh label, produced and bottled entirely in New York state.

The week, devoted to raising the profile of and creating markets for food and beverage makers in New York state, features hundreds of restaurant partners and seven seasonal ingredients selected from *Edible* magazine readers.

The seven chosen ingredients include: yogurt, strawberries, peas, chives and green garlic, rhubarb, lamb and oysters.

Eat Drink Local week's lineup includes an annual fundraiser for New York City's Greenmarkets, local wine tastings, "meet the farmer" breakfasts, dinners and gatherings; and in-store demonstrations of recipes chefs are featuring throughout the week.

In addition, the culinary demonstration specialists at all six New York City Whole Foods Markets will be challenged to develop a recipe using as many of the seven ingredients as possible and demo on the floor.

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COMING EVENTS

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Program Announced For 9th Sonoma Cheese Conference, To Be Held Feb. 25-29, 2012

Sonoma, CA—The ninth annual Sonoma Valley Cheese Conference, to be held here Feb. 25-29 at Mac Arthur Place, will center around the women behind the growing artisan cheese movement in the US.

The five-day conference, hosted by Sheana Davis of The Epicurean Connection, kicks off Saturday in San Francisco with Cheese Plus hosting a public Winter Artisan Cheese Fair from 1 p.m. to 4 p.m.

The event showcases cheeses, wines and ales from Sonoma County.

That evening, 18 Reasons in San Francisco will host a cheese maker reception.

The conference continues Sunday in Sonoma with an afternoon Winter Artisan Cheese Fair and a "Winter Mac & Cheese Cook-off" at Mac Arthur Place.

Monday and Tuesday will feature educational sessions focused on the "Leading Ladies of the American Artisanal Cheese Movement."

One panel on the "Leading Ladies of Chevre" will include Judy Schad

of Capriole Goat Cheese; Allison Hooper, Vermont Butter & Cheese Creamery; and Jennifer Bice, Redwood Hill Farm.

Another panel features "Dairy Farmers' Daughters" with Jana McClelland, McClelland's Dairy; Lynn Stray, Point Reyes Farmstead Cheese; Vivien Straus, Straus Farm; and Karen Bianchi Moreda, Valley Ford Cheese Company.

The "Cheese Community Leaders" session will feature Ari Weinzweig of Zingerman's; Adam Moskowitz, Cheesemaker Invitational; and author Sasha Davies, as well as a Wisconsin Artisan Cheese & Brew session featuring Sid Cook, Carr Valley Cheese; Chris Roelli, Roelli Cheese; Jeanne Carpenter, Wisconsin Cheese Originals; and Marilyn Wilkinson, Wisconsin Milk Marketing Board.

Other guest speakers scheduled to attend include: Jacquelyn Buchanan, Laura Chenel Chevre; Judy Creighton, consultant; Seana Doughty, Bleating Heart Cheese;

Brad Dube, Food Matters Again; Gordon Edgar, Rainbow Grocery Cooperative; Janet Fletcher, food writer; Steve Giambalvo, Cheese Works West; Glenda Humiston, USDA rural development director; Rich Lafranchi, Nicasio Valley Cheese; Tom Scott, Oliver's Market; Richard Sutton, St. James Cheese Shop; Anthea Stolz, Bi Rite Market; and Anna Wolfe, gourmet retailer. Cost to attend the event is \$250 per person, and includes all educational sessions and lunches.

On Wednesday, Feb. 29, Ari Weinzweig of Zingerman's will present a ZingTrain session designed to get participants thinking about running their organizations in new ways that help increase job satisfaction, reduce the burden on managers, cut back bureaucracy and build better bottom-line results to outperform competitors.

Cost to attend this special session is \$1,200 per person, and space is limited to 24 persons. To register, contact Sheana Davis at sheana@vom.com or call (707) 935-7960. More information is available online at www.sheanadavis.com. r

International Symposium On Spray Dried Dairy Products To Be June 19-21 In France

Saint Malo, France—The International Symposium on Spray Dried Dairy Products will take place here June 19-21, 2012.

Co-sponsored by the International Dairy Federation (IDF) and the French National Institute for Agricultural Research (INRA), the three-day conference is designed to bring together research and industry leaders in the field of dairy powders.

Speakers will discuss the development of better modeling and control of spray drying processes, and the

application of new alternative technologies for the manufacture of dried dairy ingredients.

There will be five sessions, plus one commercial presentation, on the latest advances in spray dried dairy technology.

Specific topics of discussion include the advances in dairy powder manufacturing, including membrane separation, vacuum concentration, spray drying, fluidization and storage.

Speakers will also talk about whey derivatives such as lactose and crys-

tallization, and process engineering and alternative technologies in relation to energy saving and recovery.

Speakers will discuss the physical functionalities and nutritional values of dairy powders, along with powder properties and reactivity – analysis, characterization, behavior during granulation and rehydration.

Abstracts for oral and poster presentations are now being accepted, and are due Feb. 1, 2012.

For more information or to register online for the International Symposium on Spray Dried Dairy Ingredients, visit www.colloque.inra.fr. r

'Bizarre Foods' Andrew Zimmern, Food Leader Will Allen To Headline Kickapoo Country Fair

La Farge, WI—Nationally known food leaders Will Allen and Andrew Zimmern will serve as keynote speakers for the Kickapoo Country Fair, to be held here Saturday, July 30.

Hosted by Organic Valley, the fair attracts thousands of attendees for a day of workshops, cooking classes, food seminars and farm tours.

Will Allen is the founder of Growing Power, which serves as an "idea factory" on sustainable food systems for the young, the elderly, farmers, producers, and other professionals

ranging from USDA personnel to urban planners.

Zimmern is co-creator and host of the Travel Channel's "Bizarre Foods with Andrew Zimmern," where he travels the world exploring food unique to various communities. Zimmern will give a keynote address and a cooking demonstration.

This year's Organic Valley Kitchen will feature chef Michel Nischan, sustainable food pioneer and executive director of the WholeSome Wave Foundation, proponent of heritage recipes, local food systems and sustainable farming. A complete schedule of fair events is available online at www.kickapooountry-fair.org. r

FPSA Releases Dates For 2013 & 2015 Process Expo

McLean, VA—The Food Processing Suppliers Association (FPSA) has released the dates for Process Expo in 2013 and 2015.

The 2013 show will be held Oct. 14-17 in Chicago, while the 2015 show will take place Oct. 6-9, also in Chicago. Process Expo is a biennial trade show where food industry representatives meet with suppliers in food equipment and technology.

Registration for this year's Process Expo, which will take place Nov. 1-4 at McCormick Place in Chicago, is available online at www.myprocess-expo.com. r

PLANNING GUIDE

July 10-11: WDPA Dairy Symposium, Landmark Resort, Door County, WI. For more information, visit www.wdpa.net.

July 10-14: ADSA Annual Meeting, New Orleans Ernest N. Morial Convention Center, New Orleans, LA. For more information, visit www.adsa.asas.org.

July 31-Aug. 3: 2011 IAFP Annual Meeting, Milwaukee, WI. For more details or to register online, visit www.foodprotection.org.

Aug. 3-6: American Cheese Society's Annual Conference, Palais des Congrès de Montréal, Montréal, Canada. For more information, visit www.cheesesociety.org.

Aug. 11-12: Idaho Milk Processors Association's Annual Meeting, Sun Valley Resort, Sun Valley, ID. For more information, visit www.impa.us.

Sept. 6-9: 14th Annual Dairy Science & Technology Basics for the Farmstead/Artisan Cheesemaker, Cal Poly Dairy Products Technology Center, San Luis Obispo, CA. For details, visit www.dptc.calpoly.edu.

Sept. 18-21: International Whey Conference, Chicago Marriott Downtown, Chicago, IL. For more information, visit www.iwc-2011.org.

Sept. 19-21: Second Annual International Dairy Show, Georgia World Congress Center, Atlanta, GA. For more information, visit www.dairyshow.com.

Oct. 10-11: Global Cheese Technology Forum, Reno, NV. For more information, visit www.globalcheesetechnologyforum.org.

Oct. 12-13: NCCIA Annual Conference, DoubleTree Hotel, Rochester, MN. For more details or to register, visit www.northcentralcheese.org.

Nov. 1-4: Process Expo 2011, McCormick Place, Chicago, IL. For more information or to register online, visit www.myprocess-expo.com.

Jan. 15-18, 2012: IDFA Dairy Forum, La Quinta Resort & Club, La Quinta, CA. For more information on the IDFA Dairy Forum, visit www.idfa.org.



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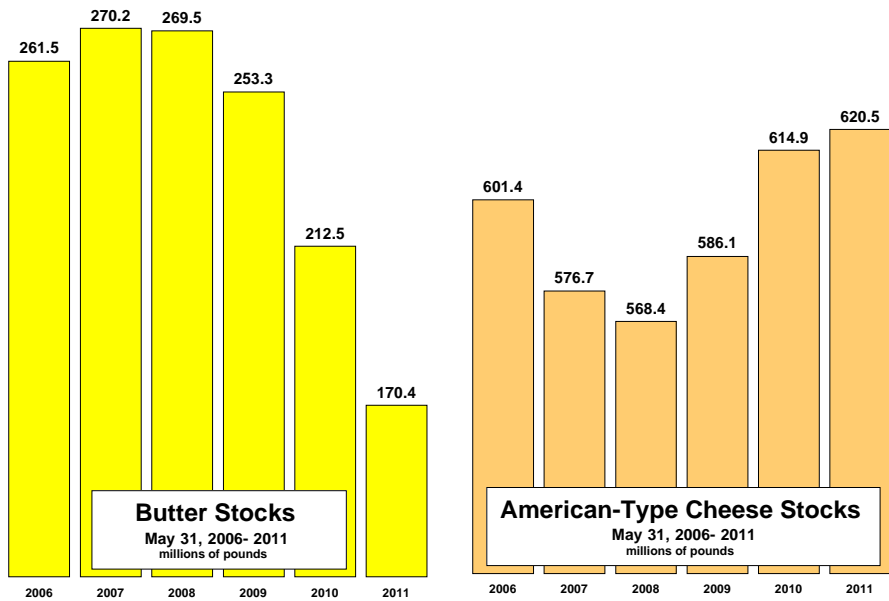
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Dairy Product Stocks in Cold Storage

TOTAL STOCKS AS REPORTED BY USDA
(in thousands of pounds unless indicated)

Commodity	All Warehouses Stocks		Percent of		Public Warehouse Stocks	
	May 31, 2010	April 30, 2010	May 31, 2011	May 31, 2010		
Butter total	212,488	141,728	170,413	80	120	137,396
Natural Cheese						
American, Total	614,935	621,426	620,467	101	100	
Swiss	27,339	31,427	34,191	125	109	
Other Natural	384,533	386,577	393,854	102	102	
Total Cheese	1,026,807	1,039,430	1,048,512	102	101	637,778



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DAIRY PRODUCT PRICES

June 24—NASS,USDA. Prices included are provided each week by manufacturers. Prices collected are for the (wholesale) point of sale for natural, unaged Cheddar; boxes of butter meeting USDA standards; Extra Grade edible dry whey; and Extra Grade and USPH Grade A nonfortified NFDM. A transaction is complete when the product is "shipped out" and title transfers. *Revised

Style and Region	WEEK ENDING			
	June 18	June 11	June 4	May 28
40-Pound Blocks				
Average Price	Dollars/Pound			
MN/WI	2.0862	1.9010•	1.8008	1.7605
Other States	1.9413	1.7802	1.6944	1.6412
US	1.9514	1.7904•	1.7065	1.6520
Sales Volume	Pounds			
MN/WI	759,728	989,799•	1,099,371	844,365
Other States	10,085,963	10,664,282	8,508,963	8,472,434•
US	10,845,691	11,654,081•	9,526,833	
500-Pound Barrels				
Average Price	Dollars/Pound			
MN/WI	2.1193	1.9814	1.8637	1.7933
Other States	2.0746	1.9284	1.8397	1.7590
US	2.0959	1.9511	1.8500	1.7741
Price Adj. to 38% Moisture	Dollars/Pounds			
MN/WI	2.0247	1.8910	1.7762	1.7099
Other States	1.9632	1.8309	1.7479	1.6707
US	1.9924	1.8565	1.7600	1.6879
Sales Volume	Pounds			
MN/WI	4,310,687	4,142,752	3,610,111	4,345,080
Other States	4,730,395	5,544,909	4,841,646	5,554,153
US	9,041,082	9,687,661	8,451,757	9,899,233
Moisture Content	Percent			
MN/WI	35.10	35.04	34.95	34.97
Other States	34.48	34.70	34.74	34.72
US	34.78	34.84	34.83	34.83
Butter				
Average Price	Dollars/Pound			
US	2.1188	2.1453	2.1244	2.0466
Sales Volume	Pounds			
US	3,672,709	3,381,902	3,746,610	4,820,883
Nonfat Dry Milk				
Average Price	Dollars/Pound			
US	1.6562	1.6524	1.6381	1.6262
Sales Volume	Pounds			
US	16,033,290	19,584,647	14,831,362	18,644,783•
Dry Whey Prices				
Average Price	Dollars/Pounds			
US	0.5256	0.5227•	0.5156	0.5031
Sales Volume	Pounds			
US	7,951,834	9,259,643•	7,739,009•	10,907,127

DAIRY FUTURES PRICES

Settling Date	Month	Class III*	Class IV*	Dry Whey*	NDM*	Butter*	Cash Settled Cheese*
6-17	June 11	19.15	20.90	52.550	160.000	211.925	1.9060
6-20	June 11	19.15	20.90	52.550	161.500	212.500	1.9060
6-21	June 11	19.14	20.90	52.550	160.000	212.500	1.9060
6-22	June 11	19.14	20.90	52.550	160.000	212.500	1.9060
6-23	June 11	19.14	20.90	52.550	160.125	212.500	1.9060
6-17	July 11	20.04	20.65	54.500	159.500	212.500	1.9790
6-20	July 11	20.06	20.65	55.000	161.000	212.000	1.9800
6-21	July 11	20.07	20.65	55.000	160.000	212.000	1.9850
6-22	July 11	19.92	20.65	55.000	160.000	208.000	1.9850
6-23	July 11	19.85	20.58	54.975	160.000	208.000	1.9700
6-17	August 11	19.05	20.20	52.000	159.250	212.000	1.8900
6-20	August 11	19.15	20.20	52.000	159.225	211.500	1.9200
6-21	August 11	19.27	20.20	52.000	159.250	211.500	1.9200
6-22	August 11	19.12	20.20	52.000	159.250	208.000	1.9050
6-23	August 11	18.77	19.95	51.000	158.750	207.500	1.8800
6-17	September 11	18.34	19.70	53.000	157.000	212.000	1.8400
6-20	September 11	18.41	19.70	52.500	156.500	212.000	1.8400
6-21	September 11	18.51	19.70	52.000	157.000	212.000	1.8500
6-22	September 11	18.41	19.70	52.000	157.000	208.000	1.8500
6-23	September 11	18.20	19.39	51.000	156.000	206.000	1.8270
6-17	October 11	17.70	19.75	49.975	155.000	213.000	1.7830
6-20	October 11	17.85	19.38	49.975	154.500	212.000	1.7830
6-21	October 11	17.85	19.45	48.950	153.500	212.000	1.7830
6-22	October 11	17.77	19.35	48.650	153.500	208.000	1.7850
6-23	October 11	17.55	19.16	47.500	153.500	205.000	1.7790
6-17	November 11	17.46	19.35	50.000	150.500	213.000	1.7510
6-20	November 11	17.45	19.07	49.975	150.000	211.000	1.7510
6-21	November 11	17.47	19.22	49.000	150.000	212.000	1.7510
6-22	November 11	17.37	19.12	49.000	150.000	207.000	1.7490
6-23	November 11	17.20	18.90	47.000	150.000	204.000	1.7300
6-17	December 11	17.43	18.94	50.000	147.000	204.000	1.7540
6-20	December 11	17.40	18.84	50.975	146.750	203.000	1.7540
6-21	December 11	17.38	18.77	50.975	147.000	204.000	1.7520
6-22	December 11	17.22	18.76	49.975	147.000	203.000	1.7400
6-23	December 11	16.90	18.72	47.000	147.000	203.000	1.7120
6-17	January 12	17.00	17.70	48.000	143.500	191.000	1.7000
6-20	January 12	16.92	17.70	48.000	142.650	191.000	1.7000
6-21	January 12	16.92	17.70	48.000	143.500	191.000	1.7340
6-22	January 12	16.80	17.70	48.000	143.500	191.000	1.7200
6-23	January 12	16.64	17.70	48.000	143.500	191.000	1.7200
6-17	February 12	16.56	17.50	45.500	134.000	177.000	1.6600
6-20	February 12	16.50	17.50	46.500	134.000	177.000	1.6530
6-21	February 12	16.52	17.50	46.500	134.000	177.000	1.7020
6-22	February 12	16.51	17.50	46.500	134.000	177.000	1.7100
6-23	February 12	16.41	17.50	46.500	134.000	177.000	1.6920
6-17	March 12	16.57	17.50	46.000	132.500	174.500	1.6650
6-20	March 12	16.54	17.50	46.500	132.500	174.500	1.6900
6-21	March 12	16.56	17.50	46.500	132.500	174.500	1.7120
6-22	March 12	16.54	17.50	46.500	132.500	174.500	1.7120
6-23	March 12	16.46	17.50	46.500	132.500	174.500	1.7120
6-17	April 12	16.50	16.00	40.250	121.000	167.000	1.6830
6-20	April 12	16.43	16.00	42.000	121.000	167.000	1.6830
6-21	April 12	16.42	16.00	42.000	121.000	167.000	1.6830
6-22	April 12	16.40	16.00	42.000	121.000	167.000	1.6830
6-23	April 12	16.30	16.00	42.000	121.000	167.000	1.6830
Open Interest - June 23		35,657	4,163	1,521	2,091	3,838	2,207

DAIRY PRODUCT MARKETS

AS REPORTED BY THE US DEPARTMENT OF AGRICULTURE

WHOLESALE CHEESE MARKETS

NATIONAL - JUNE 17: The cheese market is about steady, though with an unsettled undertone. Buyers ordering under monthly average systems are steady while orders from buyers using weekly averages are both higher and lower at current price levels. Reports indicate some bulk buyers are interested in purchasing product with some age from inventory rather than pay current cash prices. The sellers are clearing pre-Memorial Day product for a nice profit. Milk availability continues to impact cheese production. In northern states, heat and humidity caused intakes to slide though a slight rebound occurred this week as weather cooled. Components and cheese yields declined and are unlikely to rebound much, if any, until fall.

NORTHEAST - JUNE 22: Cheese production continues to be mixed with some production declines, due to lower milk intakes, being offset with increased cream cheese production. Orders for Mozzarella, Provolone and aged Cheddar remain steady. The continued higher cheese prices have heightened concerns of cheese makers that domestic demand will suffer due to the higher prices. Export demand for cheese continues to be good.

Wholesale prices, delivered, dollars per/lb:			
Cheddar 40-lb blocks:	\$2.4300 - \$2.7050	Process 5-lb sliced:	\$2.1800 - \$2.4900
Muenster:	\$2.4500 - \$2.6550	Swiss Cuts 10-14 lbs:	\$3.3875 - \$3.7100

MIDWEST AREA - JUNE 22: The cheese market is relatively steady as spot natural American offerings seem limited. While a number of traders think cheese prices could possibly fall in the short term, the likely "window of opportunity" for having extra loads of current Cheddar to sell and possibly lower cash cheese prices is shrinking. Cheese manufacturers and buyers are preparing for lower milk and cheese production, particularly when school meal programs require additional milk in August and September. Also, summer temperatures are typically higher, impacting both milk receipts and cheese yields. The other part of the demand equation is the current CME prices, if unchanged or possibly higher through June 30, would lead to a sharp increase (around 40 cents if the month ended 6/21) in the June monthly average over May. This provides buyers using monthly averages the incentive to make purchases in June and cut back in July. Some bulk Mozzarella is reported as available for less than \$2.00 per pound as orders have slowed seasonally along with current cheese prices. Interest in hard Italian varieties for aging programs has also slowed at current prices. Some operations are seeing good natural orders. Process has slowed for some while others have had big July 4th process promos to fill. The peak annual milk intake level is probably past in the upper Midwest.

Wholesale prices delivered, dollars per/lb:			
Brick/Muenster 5# Loaf:	\$2.6225 - \$2.6300	Cheddar 40# Block:	\$2.4700 - \$2.8650
Monterey Jack 10#:	\$2.5800 - \$2.8650	Blue 5# Loaf:	\$2.9400 - \$3.3500
Mozzarella 5-6# (LMPS):	\$2.4550 - \$2.9650	Grade A Swiss 6-9#:	\$2.7900 - \$3.3300

WEST - JUNE 22: Sales activity was limited to blocks with three sales reported so far this week. Cheese prices in the West are steady to firm. Contract cheese sales are accounting for the bulk of business. Cheese plants in the Northwest are operating busy schedules as milk supplies are heavy in the region. The Southwest is experiencing hot weather and reducing volumes of milk for manufacturing. Demand is sufficient to clear most inventories with some volumes going to export markets with CWT assistance. Sales of Mozzarella are slower as most schools are out of session and pizza demand slows into the summer.

Wholesale prices delivered, dollars per/lb:			
Cheddar 40# Block:	\$2.2425 - \$2.5950	Cheddar 10# Cuts:	\$2.4225 - \$2.6425
Monterey Jack 10#:	\$2.4325 - \$2.5925	Grade A Swiss Cuts 6 - 9#:	\$2.9650 - \$3.3950

FOREIGN -TYPE CHEESE - JUNE 22: The weekly average block cheese price moved marginally higher, causing wholesale prices to increase \$.00025 for all domestic varieties. Prices for Swiss cuts and imported varieties were unchanged. According to FAS, quota imports of Swiss/Emmentaler varieties from January through May 2011 totaled 19.2 million pounds, 10.8 percent more than the same period last year. Norway and Finland, the two top sources, account for 61.5 percent of Swiss/Emmentaler imports January through May 2011.

Wholesale selling prices, delivered, dollars per/lb:		
	Imported	Domestic
Blue:	\$2.6400-4.6900	\$2.5700-4.0575
Gorgonzola:	\$3.6900-6.3900	\$3.0725-3.3325
Parmesan (Italy):	0	\$3.6875-4.1025
Provolone (Italy)	\$3.4400-6.2900	\$2.6125-2.7700
Romano (Cows Milk):	0	\$3.7600-5.9025
Sardo Romano (Argentine):	\$2.8500-3.6900	0
Reggianito (Argentine):	\$3.2900-3.8300	0
Jarlsberg (Brand):	\$2.9500-4.8900	0
Swiss Cuts Switzerland:	0	\$3.4800-3.8025
Swiss Cuts Finnish:	\$2.5900-2.8500	0

EUROPEAN DAIRY MARKETS

WESTERN EUROPE - JUNE 23: Milk production in most parts of Western Europe is now past peak levels and declines from high levels are being noted. Lack of moisture over recent weeks has basically come to an end and much needed rainfall has and continues to occur. Pastures are once again greening up, although recovery from damaged grain crops is still unknown. Milk production declines during the drought period are not expected to be recovered, but at least the potentially sharp decline in milk output on the downside of the season has eased. Milk handlers are stating that they are seeing milk receipts somewhat stabilizing at this point.

EASTERN EUROPE - JUNE 23: Milk production in Eastern Europe is very near or at peak levels. Overall milk production is running a little ahead of last year at this time. Lack of moisture has also been plaguing this area, but rainfall is also being reported in this region, relieving some drought possibilities. On Wednesday, Russia announce that it would bar the importation of some German meat and dairy products just as the EU said it had struck a deal to allow the resumption of EU vegetable shipments. The announced ban, effective June 27, would initially affect 10 dairy products that currently are exported from Germany to Russia.

MILK EQUIVALENT, MILKFAT & SKIM SOLIDS

	Milkfat* Basis	Skim** Solids		Milkfat* Basis	Skim** Solids
Week of June 20 - June 24, 2011	0.0	0.0	Comparable period in 2010	0.0	0.0
Cumulative since Oct. 1, 2010	0.0	0.0	Cumulative same period last year	0.0	1.5
Cumulative Jan. 1 - June 24, 2011	0.0	0.0	Comparable Calendar year 2010	0.0	0.0

WHOLESALE BUTTER MARKETS

NATIONAL - JUNE 17: Churning schedules are trending seasonally lower as cream volumes decline. Cream pricing multiples generally firmed this week as competition for available cream volumes increases. Class II needs are increasing seasonally, especially for ice cream, thus pulling cream away from butter production. This is a typical trend for this time of the season, thus churning schedules are often declining from recent levels. Butter demand is holding steady at fairly good levels. Current churning activity is providing sufficient volumes of butter for current needs with some surplus clearing to inventory. In most instances, butter inventories are lighter than desired for this time of the season. Many butter producers are indicating that current butter sales at current price levels are not all that bad. Many do continue to voice their concerns about butter stocks for future needs.

NORTHEAST - JUNE 22: Butter prices have remained unchanged since reaching the \$2.1400 level on June 13. Trading has been light with only three loads transacted in the last five trading sessions. Butter production remains at reduced levels, partly due to continuing repairs at a plant that experienced an electrical fire last week, but also due to good demand for cream from ice cream and cream cheese manufacturers. Plants making butter are churning for immediate needs with very little being added to inventories. Demand for cream is steady to firm with the best demand occurring early in the week. Multiples moved higher and range from 133-142. Current production and inventories continue to be monitored closely as butter makers are hesitant to increase inventory levels at current prices. Domestic demand for butter has slowed, but export interest remains good.

CENTRAL - JUNE 22: Traders and handlers have mixed opinions on what occurred on Wednesday and are unsure what is in store for trading in the near future. Churning activity in the Central part of the country is lighter as increasing volumes of available cream are absorbed into Class II operations. Current churning activity is sufficient to fulfill demand with minimal volumes clearing to inventory. In many instances, butter producers remain cautious with their inventory management strategies with inventory levels often lighter than desired. Butter producers and handlers remain quite pleased with commercial butter sales. Although overall retail butter sales are lower, consumers continue to purchase butter at higher than usual prices for this time of the season. Some retail buyers are speculating that consumers might be adjusting their buying patterns to the higher cash prices by purchasing smaller quantities, but continuing to include butter, versus a substitute, on their grocery shopping list. Foodservice orders are generally holding steady, but some buyers are cutting back. Some foodservice buyers are stating that the traffic flow through restaurants is lighter during the week, but holding at weekends.

WEST - JUNE 22: Western butter manufacturers are busy clearing cream supplies while keeping a close eye on inventories. Although the market is significantly higher than usual for this time of year, sales have been good. Buyers are cautious, but continue to purchase. Ice cream interest is picking up for excess cream and churns are selling some cream rather than build butter inventories. The ice cream demand is slower than typical with current high ingredient prices. Butter stocks are lower than most years, but sufficient for current demand.

DRY MILK PRICES - JUNE 20 - JUNE 24

Nonfat Dry Milk:

Central & East	
Low/Med. Heat:	1.6400(NC) - 1.7300(+1)
Mostly:	1.6600(NC) - 1.7000(NC)
High Heat:	1.7300(NC) - 1.8000(NC)

Western

Low/Med. Heat:	1.6100(+1) - 1.7125(+1½)
Mostly:	1.6200(NC) - 1.6550(+½)
High Heat:	1.6750(+½) - 1.8250(NC)

Whole Milk:

National:	1.9400(NC) - 2.0600(NC)
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Buttermilk Powder:

Central & East:	1.5000 (+1) - 1.6300(NC)
West:	1.4800 (NC) - 1.5400(NC)
Mostly:	1.4800 (NC) - 1.5175 (+¼)

California Weighted Average NFD:

Week Ending:	Price:	Total Sales:	Sales to CCC:
June 17	\$1.6033	10,388,936	0
June 10	\$1.6370	13,467,999	0

NONFAT DRY MILK - CENTRAL & EAST

CENTRAL- JUNE 16: Central nonfat dry milk prices are unchanged to higher on a mixed market. Changes in milk intakes are described as minimal at several processing locations despite the recent stretch of heat and humidity during the last week. Cow comfort was maintained on operations with misters and fans, which helped keep milk production steady. Nonfat dry milk production is close to capacity at some locations because of the steady milk intakes, but equipment problems hampered drying for one to two days at some locations. Some plants are actively seeking out additional spot loads of milk to fully utilize dryers. Condensed skim sales into ice cream plants are active, though not quite at peak demand.

EAST - JUNE 16: Prices for low heat nonfat dry milk moved higher, while high heat prices held steady in the East this past week. Nonfat dry milk production increased this week as an electrical fire at an eastern balancing plant, caused milk shipments to be reallocated to various plants, resulting in increased volumes of condensed skim being channeled to dryers. Manufacturing plants receiving additional milk volumes were happy to increase their nonfat dry milk production, due to their concerns regarding future milk supplies and their ability to fill future nonfat dry milk commitments. Manufacturers focused on low heat production in order to handle the additional milk volumes. Current production is filling current orders.

ORGANIC DAIRY MARKET - RETAIL

ORGANIC DAIRY RETAIL - JUNE 3: Organic dairy weekly supermarket newspaper advertising set a record for the highest number of ads since fall of 2009. Of 9,210 surveyed newspaper supermarket ads across the US, 5,761 contained organic dairy advertising. This contrasts with two weeks ago, which recorded the second lowest level of organic dairy advertising during 2011; 1,847 organic dairy ads. This record-setting pace of retail advertising was driven by ads for both organic milk in half-gallon containers and organic yogurt. Each also set records for the highest level of ads since the fall of 2009. While organic milk ads are heavily weighted toward private label or store brands rather than national brands, the opposite is true for yogurt, where all ads are for national brands. Of 140 organic cheese ads, 116 appeared in the Northeast and 24 in the Midwest. Six-ounce organic string cheese was priced \$3.50 in 58 Northeast ads and \$4.39 in the Midwest ads. Each region featured one or the other of the two national organic dairy brands. There were also 58 ad placements in the Northeast for 8-ounce organic sliced American Cheese.

WEEKLY COLD STORAGE HOLDINGS

SELECTED STORAGE CENTERS IN 1,000 POUNDS - INCLUDING GOVERNMENT STOCKS

DATE	BUTTER	CHEESE
6/20/11	9,018	126,832
6/01/11	8,187	124,401
Change	831	2,431
Percent Change	10	2

CASH PRICES - JUNE 20 - 24, 2011 - CME

Visit www.cheesereporter.com for daily prices

	CHEDDAR BARRELS	40-LB. BLOCKS	AA BUTTER	GRADE A NFDM	EXTRA GRADE NFDM
MONDAY June 20	\$2.0675 (NC)	\$2.1300 (+1)	\$2.1400 (NC)	\$1.6500 (-¼)	\$1.6100 (NC)
TUESDAY June 21	\$2.0675 (NC)	\$2.1300 (NC)	\$2.1400 (NC)	\$1.6400 (-1)	\$1.6100 (NC)
WEDNESDAY June 22	\$2.0675 (NC)	\$2.1300 (NC)	\$2.0850 (-5½)	\$1.6375 (-¼)	\$1.6100 (NC)
THURSDAY June 23	\$2.0675 (NC)	\$2.1300 (NC)	\$2.0800 (-½)	\$1.6350 (-¼)	\$1.6100 (NC)
FRIDAY June 24	\$2.0775 (+1)	\$2.1300 (NC)	\$2.0600 (-2)	\$1.6250 (-1)	\$1.6100 (NC)
Week's AVG Change	\$2.0695 (-0.0030)	\$2.1300 (+0.0175)	\$2.1010 (-0.0390)	\$1.6375 (-0.0160)	\$1.6100 (NC)
Last Week's AVG	\$2.0725	\$2.1125	\$2.1400	\$1.6535	\$1.6100
2010 AVG Same Week	\$1.3800	\$1.4005	\$1.7005	\$1.2500	\$1.2475

DIRECTLY FROM THE CME FLOOR - RICE DAIRY

The cheese market held fairly steady this week with the only price action seen at the end of the week. Monday and Tuesday held pretty steady with the block market up a penny on a single trade while barrels held steady at 2.0675. Futures were relatively mixed throughout the first portion of the week with not much price action seen.



The middle of the week brought some trade in the block market; two loads at unchanged with a couple bids getting hit. Sellers were willing to show an offer at unchanged at the close which seemed to fuel some selling pressure in the futures. Thursday's session saw no activity in the spot market with no markets seen, either blocks or barrels. Futures did drift lower mainly in August – December with intra-day lows getting put in nearly 30 points below at unchanged.

Rounding out the week buyers lifted an offer in the block at unchanged alongside a bid in the barrel at a penny higher (the week's only price action). Futures responded up front with July trading up to about 50 higher on the day.

www.ricedairy.com

WHEY MARKETS - JUNE 20 - JUNE 24, 2011

FOR THE PERIOD JUNE 20 - JUNE 24, 2011

Whey Protein Concentrate—Central and West:
Edible 34% Protein: 1.5000(NC) – 1.7225(-6¼) Mostly: 1.5400(NC) – 1.5900(NC)

Dry Whey—Central (Edible):
Nonhygroscopic: .4800(NC) – .5600(+½) Mostly: .4900(NC) – .5300(+½)

Dry Whey—West (Edible):
Nonhygroscopic: .5100(NC) – .6100(+4½) Mostly: .5375(+¾) – .5675(+1¼)

Dry Whey—Northeast: .5200(NC) — .5400(NC)

Lactose—Central and West:
Edible: .3600(NC) – .6600(NC) Mostly: .4300(NC) – .5100(NC)

Casein: Rennet: \$4.7600(NC) – \$5.1400(NC) Acid: \$4.7000(NC) - \$5.1200(NC)

Animal Feed Whey—Central: Milk Replacer: .3800(NC) – .5150(NC)

Visit www.cheesereporter.com for weekly prices

HISTORICAL MONTHLY AVERAGE BUTTER PRICES

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
98	1.1932	1.3918	1.3452	1.3788	1.5465	1.8618	2.0085	2.1730	2.7566	2.4089	1.7447	1.4131
'99	1.4222	1.3153	1.2927	1.0289	1.1289	1.4931	1.3444	1.3963	1.3393	1.1248	1.0725	0.9163
'00	0.9090	0.9245	1.0200	1.0691	1.2450	1.2440	1.1790	1.1933	1.1727	1.1462	1.6490	1.3700
'01	1.2531	1.3852	1.5708	1.8217	1.8713	1.9783	1.8971	2.0880	2.0563	1.4070	1.3481	1.2793
'02	1.3454	1.2427	1.2473	1.1712	1.0590	1.0427	1.0302	0.9752	0.9635	1.0315	1.0425	1.1175
'03	1.0815	1.0405	1.0915	1.0906	1.0919	1.1142	1.1985	1.1708	1.1731	1.1846	1.2057	1.2861
'04	1.4320	1.7132	2.135	2.2204	2.0363	1.9300	1.7458	1.5408	1.7656	1.6475	1.9238	1.7083
'05	1.5775	1.6145	1.5527	1.4933	1.4044	1.5313	1.6210	1.6861	1.6988	1.6204	1.4260	1.3552
'06	1.3368	1.1930	1.1663	1.1632	1.1755	1.1643	1.1645	1.3035	1.3170	1.3206	1.2915	1.2405
'07	1.2248	1.2187	1.3218	1.3725	1.4825	1.5019	1.4913	1.4464	1.3783	1.3020	1.3590	1.3190
'08	1.2246	1.2088	1.3454	1.3905	1.4750	1.5001	1.5385	1.6279	1.6973	1.7320	1.6165	1.2007
'09	1.1096	1.1097	1.1770	1.2050	1.2526	1.2235	1.2349	1.2000	1.2199	1.2830	1.5008	1.3968
'10	1.3950	1.3560	1.4641	1.5460	1.5896	1.6380	1.7787	1.9900	2.2262	2.1895	1.9295	1.6327
'11	2.0345	2.0622	2.0863	1.9970	2.0724							

USTR Letters Confirm US Right To Export Variety Of Cheeses To South Korea

Washington—Three US dairy industry organizations on Thursday welcomed the release by the Office of the US Trade Representative (USTR) of letters between USTR and the South Korean government, which contain important clarifications regarding the ability of US cheese companies to continue shipping to South Korea a wide variety of cheeses.

South Korea is currently the number two export market for US cheese, trailing only Mexico. During the first four months of 2011, US cheese exports to South Korea totaled 31.0 million pounds, up 172 percent from the first four months of 2010.

The text of the Free Trade Agreement that South Korea negotiated with the European Union (EU) in 2009 included language on geographical indications (GIs) for several cheeses. This language called into question whether or not the US would be able to continue to sell many important varieties of cheese to South Korea, such as Brie, Camembert, Grana, Mozzarella, Parmesan, Emmental, Romano and Provolone.

For the past year and a half, the US Dairy Export Council (USDEC), National Milk Producers Federation

(NMPF) and International Dairy Foods Association (IDFA) have worked with the US government to seek assurances that these cheeses would still be permitted for sale by all suppliers, including those from the US. The Congressional Dairy Farmer Caucus also expressed concerns about this issue.

USDEC, NMPF and IDFA view the letters released by USTR this week as providing these important assurances.

Significant as these clarifications are, the three dairy organizations noted that concerns remain regarding the use of other cheese names of interest (for example, Asiago, Feta, Fontina, Gorgonzola), which the EU-South Korea FTA has called into question. These cheeses are also produced by a wide variety of US companies that are increasingly active in export markets.

Regardless of how these names are treated in South Korea, however, USDEC, NMPF and IDFA are eager to ensure that they would continue to be permitted to be used in other important markets in light of the common-use status of these terms in many countries around the world.

The US dairy industry takes seriously the danger to US cheese exports that EU GI goals pose as the EU negotiates with many important markets, particularly in Asia and Latin America. r



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