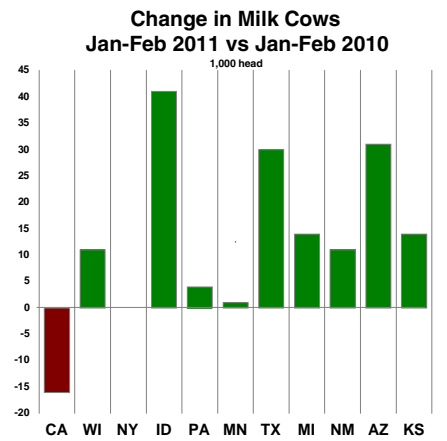




CHEESE REPORTER

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Demand Growth, Tight Supplies Keeping Dairy Prices High, But Those High Prices Could Squeeze Demand And Boost Supply

Wellington, New Zealand—Demand growth in Asia and tight global dairy supplies are helping to keep global dairy product prices at or near historically high levels, but those high prices could also lead to a slowing of demand and rising supplies, which in turn could lead to lower prices.

Current levels of dairy prices appear to reflect a change in supply and demand for food internationally, according to Henry van der Heyden, chairman of New Zealand's Fonterra.

"We are benefitting from a combination of demand growth from China and other Asian markets, and tighter international supply due to adverse weather conditions in many parts of the world," van der Heyden explained.

But with global prices for many commodities, including dairy, approaching all-time highs, van der Heyden sounded a note of caution.

"We must be mindful of the impact that dairy prices can have on demand in some markets, as well as on supply growth around the world," he said. As prices continue to climb, the possibility of a downward correction can increase.

Fonterra this week confirmed its current forecast payout range for the 2010/11 season of \$7.90 to \$8.00 per kilogram of milk solids (before retentions) and \$7.75 to \$7.80 per kilogram of milk solids (cash: milk price plus dividend). This forecast range means this year's payout may surpass Fonterra's previous record in

• See **High Global Prices**, p. 3

NMPF Releases More Details About Its Federal Order Reform Proposals

Competitive Prices Paid By Proprietary Cheese Plants Would Be Surveyed Monthly

Arlington, VA—National Milk Producers Federation (NMPF) has released more details about its Foundation for the Future federal milk marketing order reform proposal.

Foundation for the Future is NMPF's package of proposed dairy policy programs. In addition to federal order reforms, the proposal would end the dairy product price support and Milk Income Loss Contract (MILC) programs, introduce a new margin protection program, and implement a new dairy market stabilization program.

Earlier this month, NMPF's board of directors agreed to support several reforms to the federal order program, and now more details about those reforms have been released.

The primary objectives of NMPF's federal order reform proposal are to: address the inequities and the inadequacies of end-product price formulas; encourage manufacturers to produce new products resulting in higher returns both to themselves and to dairy producers; and more

equitably reward producers and handlers for balancing milk supplies.

Under NMPF's proposal, all milk used in manufactured dairy products would be competitively priced. This would eliminate the use of end-product price formulas for manufacturing milk, including make allowances.

There would, in effect, be two classes of milk use, NMPF said: fluid milk products (milk used to produce Class I products would be subject to minimum pricing, plus market-based premiums); and manufactured products (Class II, III and IV products will be competitively priced).

However, an advanced Class IV price would continue to be calculated, and the Class I price mover would be based on the higher of the competitive cheesemilk price or the Class IV price.

Each month, USDA's Agricultural Marketing Service (AMS) would carry out a survey of the competitive price paid by proprietary cheese plants to cooperatives and individual dairy producers for milk used to make cheese.

Proprietary plants, including those with 50 percent co-op ownership or less and managed by the proprietary

partner, producing all types of cheese would be surveyed if they process a daily average of at least 250,000 pounds of milk and are not subject to minimum pricing for that milk (under a state order, for example).

The data collected by AMS in the survey would include pounds of milk and pounds of butterfat, all premiums, component values, hauling subsidies, and lab and field service costs where applicable. Forward contracted milk would not be included.

USDA would publish the results of this survey for each of five regions. These regions would correspond to, and expand upon, the current federal order markets, but are defined for reporting purposes only. There will be fewer reporting regions than federal order markets to ensure that each region has a sufficient volume of manufacturing milk use to result in a robust competitive pay price.

California would be excluded from the survey as long as it continues to set a minimum cheesemilk price.

The national fluid milk (Class I) price mover would be the higher of

• See **NMPF Order Reforms**, p. 10

NMPF Hails Final Rule On Dairy Import Assessment; IDFA Voices Trade Concerns

USDA Creates Resources To Aid Implementation Of Dairy Import Assessment

Arlington, VA—The National Milk Producers Federation (NMPF) is hailing the final rule, published last Friday by USDA's Agricultural Marketing Service (AMS), that will apply the dairy promotion checkoff to dairy imports.

But the International Dairy Foods Association is concerned about the potential impact that the new dairy import assessment will have on trade.

NMPF first worked with Congress to include a provision in the 2002 farm bill to expand the dairy promotion checkoff to imports, but the expansion was blocked because of objections that the domestic checkoff was not applied to farmers in all 50 states, just the continental 48.

So NMPF again worked with Congress on the 2008 farm bill to

ensure that the checkoff was applied to every state. The final rule published last Friday extends the checkoff to Alaska and Hawaii, as well as Puerto Rico, starting on April 1, and then to dairy imports starting on August 1.

"It's been a long time in coming, but we've finally achieved a degree of fairness in the area of dairy promotion between domestic milk production and imports. Dairy importers, who benefit from the world's largest dairy market, need to help pay to expand that market, the same way that our farmers do," said Jerry Kozak, NMPF's president and CEO.

"While dairy imports enjoy a larger share of the US market compared to where things stood back in 1984, importers haven't paid a single penny to help promote the market, the way America's dairy farmers have. It's time that inconsistency

• See **Import Assessment**, p. ?

Milk Production Grew 2.4% In Feb.; Milk Cow Numbers Unchanged From January

Washington—US milk production in the 23 reporting states during February totaled 14.001 billion pounds, up 2.4 percent from February 2010, USDA's National Agricultural Statistics Service (NASS) reported last Friday.

January's milk production estimate was revised down by 21 million pounds, so January output was up 2.5 percent from January 2010, rather than up 2.7 percent as originally estimated.

For the entire US, February milk production is estimated at 15.055 billion pounds, up 2.0 percent from February 2010.

• See **Milk Output Up 2.4%**, p. 6

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EDITORIAL COMMENT



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A Truly Bad Dairy Policy Idea Is Finalized

Last Friday, as reported on our front page last week, USDA's Agricultural Marketing Service published a final rule that, among other things, extends the dairy promotion assessment to dairy imports. Thus, after about a decade in the policy-making stages, this truly bad idea is officially going to be implemented.

The roots of this idea date back to at least a decade. Indeed, it was 10 years ago next month, on April 5, 2001, that Jerry Kozak, president and CEO of National Milk Producers Federation, told the House Agriculture Committee that "it is only fair" that the cost of the national dairy promotion program "be shared fairly among importers and domestic producers."

Obviously, Congress agreed, because the 2002 farm bill included the dairy import assessment. And six years later, Congress still supported the idea, because it included provisions in the 2008 farm bill that enabled USDA to finally implement the controversial assessment.

It's interesting to review the history of this idea and see how things have changed over the years. We've opposed this assessment since it was first proposed a decade ago, and the idea is worse now than it was a decade ago, for at least two reasons.

For one thing, in order to implement the assessment on dairy imports, Congress had to alter the 1983 law that created the National Dairy Promotion and Research Order to include dairy producers in Alaska, Hawaii and Puerto Rico.

Those producers were exempt under that 1983 law because the law was intended, in part, to increase dairy consumption and reduce surpluses, and there were no surpluses in Alaska, Hawaii and Puerto Rico. Notably, since 1983, Hawaii's milk production has dropped from 149 million pounds to 25.3 million pounds annually, while Alaska's has fallen from 13.5 million pounds to 7.1 million pounds. These are big-time milk deficit states.

Now, under this new law, dairy producers in these states will see their milk prices reduced by 15 cents per hundredweight. It's difficult to

understand how this transfer of money from Alaska and Hawaii to Rosemont, IL (where Dairy Management, Inc., which administers the national dairy promotion program, is headquartered), will help those states reduce their milk deficits.

It's also interesting to look at the US dairy trade situation today compared with when Kozak testified back in April of 2001. Back then, Kozak noted that "increasing imports are supplying a larger share of the US consumer market," with imports supplying about 5 percent of the domestic market. The logic behind the import assessment was that, if imports were going to increase their share of the US market, they should have to pay to help increase the size of that market.

Certainly, at that time, US dairy imports had been rising for a number of years. For example, the value of those imports rose from \$1.1 billion in 1995 to \$1.7 billion in 2001, the year Kozak presented his testimony. And imports continued to rise, to a record \$2.75 billion in 2008.

But the US dairy trade picture has changed dramatically since 2001. That year, US dairy exports totaled about \$1.15 billion, meaning the US ran a dairy trade deficit of around half a billion dollars.

By contrast, in two of the last three years, the US has run a dairy trade surplus of over \$1 billion. And the US last year even ran a cheese trade surplus, which is quite a contrast to 2001, when US cheese imports totaled about 445 million pounds and cheese exports were around 115 million pounds.

Meanwhile, US milk production grew from 165.3 billion pounds back in 2001 to a record 192.8 billion pounds last year, while per capita consumption of all dairy products, on a milk equivalent, milkfat basis, grew from 586 pounds in 2001 to 611 pounds in 2009.

It appears that imports have actually lost some share of the domestic dairy market over the past decade. And now importers get to pay for the privilege of possibly losing even more market share in the US.

It's difficult to understand how this transfer of money from Alaska and Hawaii to Rosemont, IL (where Dairy Management, Inc., which administers the national dairy promotion program, is headquartered), will help those states reduce their milk deficits.

Along those same lines, the point has been made over the last decade that importers who enjoy the world's largest dairy market (the US) should help pay to expand that market. Well, there's pretty substantial evidence that they already have, to the benefit of the US dairy industry.

We'll cite just a couple of examples here. First, a quick glance at the growing US production of specialty cheeses shows that US cheese makers continue to take advantage of market niches originally carved out by imports of cheeses ranging from Havarti and Asiago to Gorgonzola and Gruyere.

That is, European cheese makers, and US importers of their cheeses, have spent many years and many millions of dollars developing and expanding US niche markets that are now being filled, in part, with US-produced cheeses.

Second, a decade ago, a major US dairy concern was rising imports of milk protein concentrates, which weren't produced in the US but were allegedly displacing domestic milk proteins (mainly nonfat dry milk). In 2009, the US produced about 93 million pounds of MPCs, with several manufacturers taking advantage of a domestic market that wouldn't exist were it not for the efforts of importers.

Finally, it's interesting to see this import assessment being implemented at a time when the US battles a variety of trade barriers around the world. That's essentially what this import assessment is: a non-tariff trade barrier. It's a tax on dairy imports.

If the US is really interested in "fairness," we can't help but wonder how many countries that import US dairy products (there are over 150 of them) also require US exporters to pay to support their dairy promotion programs. Our guess is that at least a few will now contemplate such an idea, in the interest of "fairness."

It will be interesting to look back in a few years and see if the 10-year effort to implement this expanded dairy promotion assessment was really worthwhile. **r**

High Global Prices

(Continued from p. 1)

2007/08 of \$7.90 (before retentions) and \$7.66 (cash comprising, at that time, milk price plus value return).

Strong international dairy markets mean 2010/11 is shaping up as one of Fonterra's best years ever in terms of returns to farmers, the New Zealand cooperative said in its interim report, released this week.

Fonterra said its net profit after tax for the six months to January 31, 2011, was \$293 million. This is the first time Fonterra has reported a profit for the half year.

Revenue for that six-month period was \$9.4 billion, 21 percent higher than the corresponding period in 2009/10, primarily reflecting the impact of higher international dairy prices, which were partly offset by a slight decline in sales volumes.

Andrew Ferrier, Fonterra's CEO, said rising milk prices are putting some pressure on Fonterra's operating earnings, which are primarily driven by the ability to make and sell dairy products at a margin above the cost of milk collected from farmers.

"This margin squeeze is particularly significant in our ingredients business where the cost of raw milk represents a substantial proportion of total operating costs," Ferrier said.

Commodities and ingredients segment revenue for the half year was 24 percent higher, at \$6.3 billion, with higher selling prices for dairy products, partly offset by a 2.6 percent decline in sales volume.

Milk solids production in New Zealand for the season to January 31, 2011, was marginally ahead of the same period last season, reflecting difficult climactic conditions across much of the country, Fonterra noted. Assuming normal rainfall in the March-May period, overall produc-

tion across the entire 2010/11 season is expected to be broadly in line with, or slightly ahead of, last season.

Meanwhile, in its *Rabobank Dairy Quarterly* publication, Rabobank noted that the global dairy market entered the second quarter of 2011 "with an unusually long, complex and, in many cases, as yet unsettled list of events to process as it grapples with what constitutes fair market value for dairy commodities in coming months."

On the demand side, at least up to March, conditions for end-use of dairy generally improved in most regions, with import buying further boosted by localized market developments, Rabobank noted.

Economic growth continues in the West, with encouraging, if modest, signs of employment growth. The expansion of developing country economies may have slowed somewhat, but it remains strong, and listed dairy companies continued to report brisk sales in markets like the Philippines, Malaysia and China through at least 2010's fourth quarter.

Moreover, most recent data suggests that import buying continues to expand "vigorously," Rabobank continued. Fourth-quarter import volumes rose 12 percent over prior year levels in milk equivalent terms, led by, though not restricted to, strong buying from the world's three largest dairy importers: China, Russia and Algeria.

The "greatest uncertainty" surrounds how events in Japan will progress, Rabobank said. Japan is the world's third largest economy, a top-five global dairy importer and the number two cheese buyer on the international market.

Forecasting nuclear meltdowns "is beyond our competency," Rabobank stated, but its report assumes that the nuclear situation in Japan stabilizes, leaving the main impact as that of the initial earthquake and resulting

tsunami. If this is indeed the case, "then the impact may prove surprisingly limited."

Beyond Japan, there are several reasons to believe that conditions will remain supportive for good demand growth for dairy through the second quarter of 2011. Rabobank expects further economic improvement in the US and European Union (EU), if at a slower rate than in 2010's fourth quarter, but more job creation, while prospects for the developing world "still look sound."

Rabobank sees reasons for optimism for robust demand for dairy imports. Rabobank sees little reason to forecast a near-term slump in Chinese buying, India has not only banned dairy exports but come to the market to plug up a market shortfall for the second time in three years, Korea had opened up its borders to 23 kilotons of duty-free cheese in the wake of a foot-and-mouth disease crisis, and countries like Taiwan and Sri Lanka have cut import tariffs.

North Africa and the Middle East (together accounting for about 17 percent of global imports) remain "an arc of instability" at present, Rabobank noted. But disruption of trade in countries like Libya is likely to be more than offset by strong buying from other countries rushing to ensure that food shortages and price inflation do not add to rioters' complaints, financed by high carbon energy prices. **FR**

Portola Packaging To Acquire Integra-Seal

Naperville, IL—Portola Packaging, Inc., recently announced its pending acquisition of Integra-Seal Industries, LLC, Kingsport, TN.

Founded in 1999, Integra-Seal is a manufacturer of low-density polyethylene tamper-evident closures for dairy, juice and bottled water packaging applications.

Integra-Seal is primarily known for its 38 millimeter Integra-Lock snap-on tamper-evident closure, it was reported.

The company also recently commercialized its tamper-evident Dyna-Seal 38 millimeter snap-screw closure.

Company president Martin McLean and vice president Dino Caserta will be joining Portola in commercial and tooling engineering-related capacities, respectively.

"Integra-Seal has been able to build long-lasting brand owner relationships due to its exceptional product quality and customer service," said Kevin Kwilinski, president and CEO, Portola Packaging.

"We look forward to growing those relationships even further, especially with small-to medium-sized dairy and water customers," Kwilinski continued.

The sale is expected to close by the end of March.

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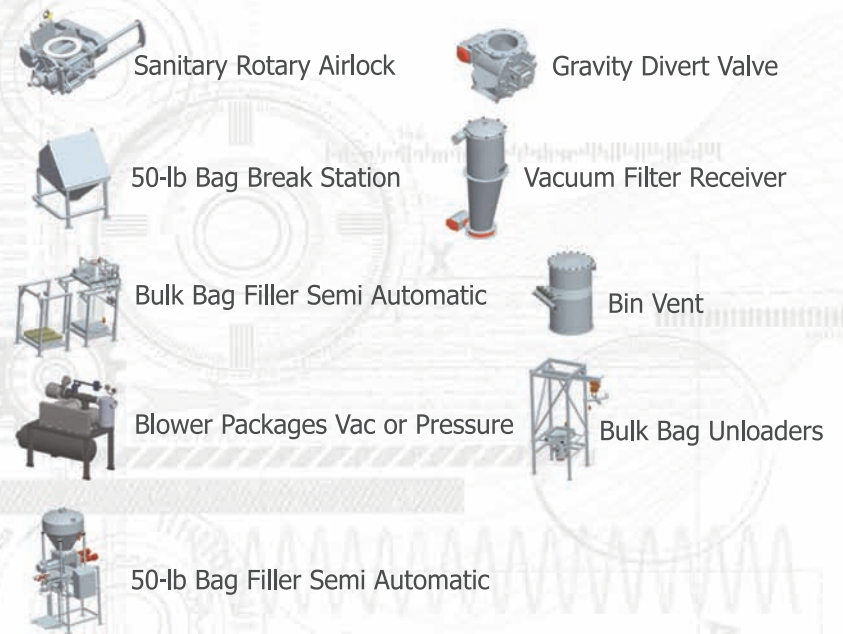
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Dairy Situation & Outlook

Milk Futures May Have Already Peaked For 2011

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

Farm milk prices have shown strong increases since the beginning of the year. Class III increased from \$13.48 in January to \$17.00 in February and will be above \$19.00 for March. Class IV increased from \$16.42 in January to \$18.40 in February and will be near \$19.70 for March. The US average all milk price increased from \$16.70 in January to \$18.40 for February and will be near \$19 for March.

But, these prices most likely will be the peak for the year. While butter, NDM and dry whey prices are holding up cheese prices turned sharply down. CME butter had been at \$2.12 per pound since March 7th before showing some weakness on March 16th. As of March 18, butter was \$2.07. Western nonfat dry milk has been in the range of \$1.48 to \$1.68 and dry whey \$0.45 to \$0.52.

On the CME 40-pound Cheddar blocks peaked at \$2.02 on March 3, started to show some weakness on March 8 and declined sharply on March 14 and as of March 18 blocks had fallen \$0.335 to \$1.685. Likewise, CME Cheddar barrels peaked at \$1.98 on March 3, showed some weakness on March 10 and as of March 18 barrels had fallen \$0.28 to \$1.70. Near month Class III futures responded with sharp declines as well.

It now looks like the Class III price will be well below \$17 by April and could be in the low \$16s from May to early fall and then recover to the high \$16s or higher. The continuation of strong exports of nonfat dry milk and dry whey are anticipated and should hold up prices of these products to mid summer or early fall.

Class IV could approach \$20 by April and remain in the \$19 range to

early fall before falling in the \$17 to \$18 range. Dry whey could stay in the \$0.40 to near \$0.50 range until fall which will help to support the Class III price.

This decline in cheese and Class III prices was not unexpected. Cheese and Class III prices peaked at levels that were unexpected based on the level of cheese stocks, cheese production and the level of milk production.

Cheese exports were 60 percent higher in 2010 than the year before and 96 percent higher in January than a year ago which helped to support cheese prices. But, 2010 cheese exports are just 3.7 percent of cheese production while January exports improved to 4.7 percent of production.

Cheese production has been well above a year ago with January production of Cheddar up 5.6 percent and total production up 5.0 percent. Sales have held up quite well despite higher prices. American stocks increased slightly from December to January and were 9 percent higher than a year ago as of January 31 and total cheese stocks 7 percent higher, the most for this date since 1987.

Butter prices may well weaken more but yet remain relatively high. Producers have been somewhat reluctant to build up stocks in fear that high prices were not sustainable.

Butter production increased just 2.7 percent in January over a year ago. Stocks increased 46 percent from December, but remain 29 percent below a year ago and the lowest stocks for this date since 2005.

Butter exports were strong in 2010, up 99 percent from the year before and accounted for about 8 percent of butterfat production. Butter as well as cheese exports for 2011 are

expected to be favorable but considerably lower than last year levels.

Cheese prices could well rebound some increasing the Class III price by summer and fall. But, this will require a slowdown in milk production. USDA's estimate of February milk production was up 2.4 percent from a year ago for the 23 reporting states and up 2.0 percent for US as a whole.

For the US cow numbers did not increase in February but were 0.7 percent higher than a year ago. Increases in milk per cow appear to be slowing some with February's production per cow 1.3 percent higher than a year ago.

Milk production is likely to show relatively smaller increases as we approach summer. Corn prices remain at high levels. February hay prices at the national level are 15 percent higher than a year ago with prices up as much as 56 percent in California and 39 percent in Idaho.

With lower milk prices returns over feed costs will be squeezed encouraging increased herd culling and reduced grain and concentrate feeding. With 3 percent more replacement heifers to calve this year the average number of milk cows for the year may not decline from last year, but a smaller increase in milk per cow could hold the increase in total milk production for the year below 2 percent.

Then if domestic sales can continue to show growth as well as favorable dairy exports, Class III prices will strengthen the last half of the year reaching at least the high \$16s.

Weather conditions for cow comfort and growing conditions will also be a factor determining where milk prices will be later this year. **CR**

FROM OUR ARCHIVES

50 YEARS AGO

March 24, 1961: **Washington**—Sen. Alexander Wiley (R-WI) has urged USDA to include cheese in the school lunch program. About 265,000 children in Wisconsin are now enjoying and benefiting from lunches served in schools, Wiley said. Unfortunately, cheese has recently been excluded from the program, Wiley continued.

Madison—A bill to prohibit makers from storing their cheese in their own warehouse brought a sharp reaction from the industry this week. The bill would prohibit a person from holding a warehouseman's license if he has ownership in the goods or products in storage. Black Creek cheese maker Arthur Jepson said the measure "would put us out of business because we couldn't obtain a warehouseman's license."

25 YEARS AGO

March 28, 1986: **New York**—While the European Economic Community is the world's largest dairy producer and exporter, a new study shows the dairy market to 1990 relying on innovative products such as cheese desserts, yogurt drinks and flavored non-butter spreads for growth. An emphasis on reduced fats is also evident in national markets.

Baraboo, WI—While a lot of news coming from the popular media in recent months has taken a critical view of the dairy industry, "it's time we reflect on the positive strides we've made," said Don Storhoff, president of Wisconsin Dairies. "The marketing results of the dairy industry during 1985 have been the most successful, most aggressive in years," Storhoff said.

10 YEARS AGO

March 23, 2001: **Washington**—The FDA recently granted permission to The Antigo Cheese Company, Antigo, WI, to test market Parmesan cheese that deviates from the US standard of identity in that it is cured for six months rather than 10 months. Kraft Foods was the first to gain FDA approval in April of 1999; Sartori Foods was the second, in November 1999.

Brussels, Belgium—As foot-and-mouth disease continues to spread across the EU, countries around the world continue to re-evaluate their dairy product import policies in an effort to control the crippling virus. Two outbreaks were confirmed this week in the Netherlands and one case in Ireland.



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About \$3.5 Million Of Underwriting Capacity Available For LGM-Dairy Insurance Program During March Sales Period: USDA

Washington—USDA's Risk Management Agency (RMA) on Tuesday announced that approximately \$3.5 million of underwriting capacity is available for Livestock Gross Margin-Dairy (LGM-Dairy) insurance sales during the March sales period.

Sales of LGM-Dairy occur the last Friday (business day) of each month starting at 5:00 p.m. and close at 8:00 p.m. the next day. The next sales period for LGM-Dairy is March 25-26, 2011.

The LGM-Dairy insurance policy provides protection against the loss of gross margin (market value of milk minus feed costs) on milk. Gross margin is the market value of milk minus feed costs. LGM-Dairy uses futures prices for corn, soybean meal, and milk to determine the expected gross margin and the actual gross margin. Prices for LGM are based on simple averages of futures contract daily settlement prices and are not based on the prices the producer receives at the market.

The actual gross margin per month is the actual marketings times the actual milk price for that month less the actual feed costs for that month. The actual milk price is the simple average of the daily settlement prices of the Chicago Mercantile Exchange (CME) Class III milk futures contract for the month during the actual price measurement period.

Any dairy producer who owns dairy cattle in the contiguous 48 states is eligible for LGM-Dairy insurance policy coverage.

LGM-Dairy was improved last summer by moving the premium due date until after the coverage period ends and adding graduated producer premium subsidies. These changes, plus a concerted effort among industry groups to promote LGM-Dairy insurance, resulted in recent significant increases in LGM-Dairy sales, RMA explained.

The Federal Crop Insurance Act authorizes expenditures for associated costs for all livestock pilot programs to a combined total of \$20 million per fiscal year. RMA currently reinsures eight livestock plans of insurance that provide livestock coverage, including LGM-Dairy.

In light of the increase in sales for fiscal year 2011, RMA made \$15 million of the \$20 million available for authorized expenditures to support LGM-Dairy sales, while continuing to have adequate funds available for the other livestock programs, based on historical spending.

More information about LGM-Dairy is available from a local crop insurance agent. Crop insurance agents must be certified by an insurance company to sell LGM-Dairy. r

Food Safety Working Group Helps, But Federal Food Safety Efforts Still Fragmented

Washington—Creation of the Food Safety Working Group (FSWG) by President Obama two years ago elevated food safety as a national priority, demonstrated strong commitment and top leadership support, and was designed to foster interagency collaboration on this issue.

However, according to a new Government Accountability Office (GAO) report, the FSWG has not developed a governmentwide performance plan that provides a comprehensive picture of the federal government's food safety efforts.

The FSWG is co-chaired by the secretaries of the Departments of Health and Human Services and Agriculture, and also includes officials from FDA, USDA's Food Safety and Inspection Service (FSIS), the Centers for Disease Control and Prevention (CDC), the Environmental Protection Agency, the Department of Homeland Security, the Department of Commerce, the Department of State, and several offices in the executive office of the President, including the Office of Management and Budget (OMB).

Both FDA and FSIS have created executive positions to focus agency efforts on food safety, and officials from both agencies told the GAO that the FSWG has increased interagency collaboration.

However, while creating the FSWG is a "positive first step," the GAO has reported that the continuity of food safety coordination efforts can be hampered by changes in executive branch leadership. As a presidentially appointed working group, the FSWG's future is uncertain, and the experience of the former President's Council on Food Safety, which disbanded less than three years after

it was created, illustrates that this type of approach can be short-lived.

Nevertheless, through the FSWG, federal agencies have taken steps designed to increase collaboration in some areas that cross regulatory jurisdictions, including:

- **Salmonella contamination.** FSIS and FDA worked together to establish complementary performance goals under the High Priority Performance Goal initiative, a White House management initiative, for reducing illness caused by Salmonella.

- **Food safety performance measures.** FSWG members have proposed 21 performance measures for assessing the federal government's progress toward meeting its crosscutting food safety goals. For example, to assess progress in preventing harm to consumers from unsafe food, one of the performance measures the FSWG is proposing is to track the prevalence of selected foodborne hazards in key commodity groups. As a next step, FSIS and FDA are beginning to set quantitative targets for the measures.

However, while the FSWG has taken steps to increase interagency collaboration on food safety, it has not developed a governmentwide performance plan that provides a comprehensive picture of the federal government's food safety efforts.

The GAO and others have identified options to reduce fragmentation and overlap in food safety oversight in the form of alternative organizational structures, but a detailed analysis of their advantages and disadvantages and the potential challenges that could arise if they are implemented has yet to be conducted.

Some of the alternative organizational structures identified include:

Single food safety agency. All aspects of food safety at the federal level could be consolidated into a single food safety agency, either housed within an existing agency or established as an independent entity.

This consolidation would bring oversight of all foods under a single administrator and consolidate tasks that are currently dispersed throughout multiple federal agencies, such as inspections, risk assessment, standard setting, and surveillance.

Food safety inspection agency. Food safety inspection activities, but not other activities such as surveillance, could be consolidated under USDA or FDA. Any new inspection system should employ a unified risk-based approach, which would require Congress to modify the current legislative structure.

Data collection and risk analysis center. Data collection and risk analysis could be consolidated into a single center that would disseminate the results of its analyses to the food safety agencies. For example, this center could consolidate food safety surveillance data collected from a variety of sources and analyze it at the national level to support risk-based decision making.

Coordination mechanism. Centralized, executive leadership could be provided for the existing organizational structure using a coordination mechanism with representatives from the agencies, similar to the FSWG. However, unlike the FSWG, the coordination mechanism would be led by a central chair who would be appointed by the President and have control over resources.

The new food safety law strengthens a major part of the food safety system, but does not apply to the federal food safety system as a whole or create a new risk-based food safety structure, the GAO noted. r

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Milk Output Up 2.4%

(Continued from p. 1)

Production per cow in the 23 reporting states averaged 1,666 pounds for February, 24 pounds above February 2010.

The number of milk cows on farms in the 23 reporting states was 8.404 million head in February, 81,000 head more than February 2010 but unchanged from January 2011.

Prior to flattening out in February, milk cow numbers in the 23 reporting states had risen for five straight months after bottoming out at 8.369 million head last August.

California's February milk production totaled 3.162 billion pounds, up 2.4 percent from February 2010, due to 8,000 fewer milk cows but 50 more pounds of milk per cow. California's January milk output was revised down by 3.0 million pounds, so production was up 0.6 percent from January 2010, rather than up 0.7 percent as initially estimated.

Wisconsin's February milk production totaled 2.007 billion pounds, up 0.5 percent from February 2010, due to 6,000 more milk cows but unchanged output per cow. Wisconsin's January milk output was revised down by 6.0 million pounds, so production was up 1.3

percent from January 2010, rather than up 1.6 percent as originally estimated.

February milk production in New York totaled 988 million pounds, up 3.8 percent from February 2010, due to unchanged milk cow numbers but 60 more pounds of milk per cow. New York's January milk output had been up 4.4 percent from January 2010.

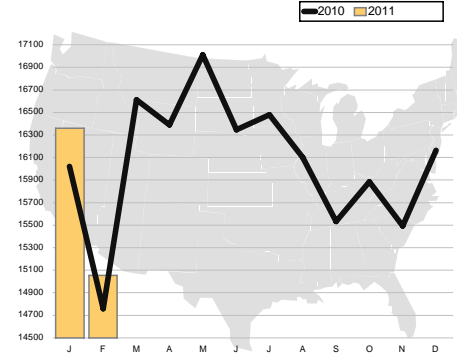
Idaho's February milk production totaled 968 million pounds, up 3.4 percent from February 2010, due to 19,000 more milk cows but unchanged production per cow. Idaho's January milk output was revised down by 13 million pounds, so production was up 4.0 percent from January 2010, rather than up 5.3 percent as initially estimated.

Milk production in Pennsylvania during February totaled 820 million pounds, down 0.2 percent from February 2010, due to 2,000 more milk cows but 10 less pounds of milk per cow. Pennsylvania's January milk output had been up 1.0 percent from a year earlier.

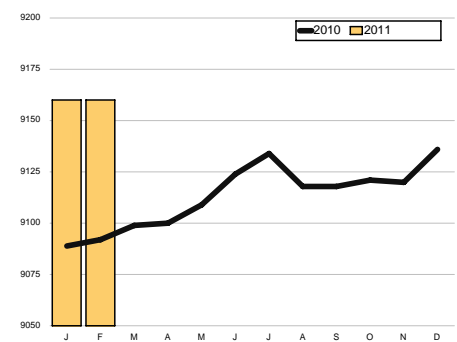
February milk production in Texas totaled 731 million pounds, up 8.8 percent from February 2010, due to 15,000 more milk cows and 80 more pounds of milk per cow. Texas's January milk output had been up 7.7 percent from January 2010.

Jan. Milk Production -

Milk Production 2010 vs. 2011



Milk Cows by Month 2010 vs. 2011



Milk Production by State

State	2010	2011	% Change	Cow Change from 2010
California	3,089	3,162	2.4%	-8,000
Wisconsin	1,997	2,007	0.5%	6,000
New York	952	988	3.8%	nc
Idaho	936	968	3.4%	19,000
Pennsylvania	822	820	-0.2%	-2,000
Texas	672	731	8.8%	15,000
Minnesota	710	704	-0.8%	1,000
Michigan	627	644	2.7%	7,000
New Mexico	595	612	2.9%	6,000
Washington	449	459	2.2%	6,000
Ohio	405	405	nc	-2,000
Arizona	330	354	7.3%	15,000
Iowa	335	339	1.2%	-5,000
Indiana	264	269	1.9%	2,000
Colorado	209	221	5.7%	7,000
Florida	180	202	12.2%	5,000
Kansas	188	200	6.4%	7,000
Vermont	193	198	2.6%	1,000
Oregon	189	187	3.9%	4,000
Illinois	155	150	-3.2%	-3,000
Utah	138	137	-0.7%	-2,000
Virginia	133	136	2.3%	nc
Missouri	111	108	-2.7%	-6,000

Minnesota's February milk production totaled 704 million pounds, down 0.8 percent from February 2010, due to 1,000 more milk cows but 15 less pounds of milk per cow. Minnesota's January milk output was revised down by 5.0 million pounds, so production was down 0.9 percent from January 2010, rather than down 0.3 percent as originally estimated.

Michigan's February milk production totaled 644 million pounds, up 2.7 percent from February 2010, due to 7,000 more milk cows and 15 more pounds of milk per cow. Michigan's January milk output had been up 3.5 percent from January 2010.

February milk production in New Mexico totaled 612 million pounds, up 2.9 percent from February 2010, due to 6,000 more milk cows and 20 more pounds of milk per cow. New

Mexico's January milk production had been up 6.1 percent from a year earlier.

Washington's February milk production totaled 459 million pounds, up 2.2 percent from February 2010, due to 6,000 more milk cows but five less pounds of milk per cow. Washington's January milk output had been up 2.3 percent from January 2010.

All told for the 23 reporting states in February, compared with February 2010, milk production was higher in 17 states, with those production increases ranging from 0.5 percent in Wisconsin to 12.2 percent in Florida.

Milk production for the 23 reporting states was lower in five states, with those declines ranging from 0.2 percent in Pennsylvania to 3.2 percent in Illinois; and unchanged in Ohio. r



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Another Battle Shaping Up Over Wisconsin Bills To Allow On-Farm Sale Of Raw Milk

Madison—Less than a year after then-Gov. Jim Doyle vetoed a controversial Wisconsin bill that would have allowed raw milk to be sold directly to consumers, a new battle is taking place over similar legislation.

Legislation introduced in both the Wisconsin State Senate and Assembly would allow a dairy farmer with a license and a Grade A permit from the Wisconsin Department of Agriculture, Trade and Consumer Protection (WDATCP) to register with the WDATCP for the purpose of selling raw milk and raw milk products.

The legislation also allows a dairy farmer who does not have a license or a Grade A permit to register with the WDATCP if the farmer milks fewer than 20 cows.

Under the legislation, a dairy farmer who registers with the WDATCP may sell unpasteurized milk and milk products directly to a consumer on the farm if the dairy farmer or the consumer provides a sanitary container, the container is filled in a sanitary manner, and the dairy farmer posts a sign stating: "Raw milk products sold here. Raw milk products are not pasteurized."

Also under the legislation, the WDATCP's rules governing the operation of dairy farms and the testing and quality of milk do not apply to a registered dairy farmer without a license or a Grade A permit if the farmer milks fewer than 20 cows.

This week, the newly formed Wisconsin Safe Milk Coalition, which includes dairy, medical professional and related organizations, urged members of the Wisconsin Legislature to not co-sponsor the legislation to permit the sale of raw milk in Wisconsin.

Members of the Wisconsin Safe Milk Coalition include the Wisconsin Cheese Makers Association, Wisconsin Dairy Products Association, Wisconsin Dairy Business Association, Associated Milk Producers, Inc., Foremost Farms USA, Land O'Lakes, Cooperative Network, Wisconsin Veterinary Medical Association, Wisconsin Public Health Association, Marshfield Clinic, Wisconsin Association of Local Health Departments and Boards, Children's Hospital and Health System of Wisconsin, Wisconsin Chapter of the American Academy of Pediatrics, Wisconsin Manufacturers and Commerce, and Wisconsin Medical Society.

"This misguided legislation is supported by a small number of Wisconsin residents who believe the benefits of drinking raw milk outweigh the risks, which we believe is scientifically inaccurate and unfounded," the coalition wrote. "Raw milk can cause people to become ill.

"Medical, public health and microbiology professionals recognize

the substantial risk for serious infectious diseases to occur with the consumption of unpasteurized milk," the coalition's letter continued. "Moreover, there is no published scientific evidence of either any benefit from raw milk nor is there any danger or loss of nutritional value as a result of pasteurization."

Supporting the legislation is the Wisconsin Raw Milk Association, a group that includes dairy producers, farmers and consumers committed to changing the current law that prohibits the sale of raw milk to consumers in Wisconsin.

The Wisconsin controversy over raw milk has been swirling for over a year now. In early 2010, then-

WDATCP Secretary Rod Nilsestuen announced a Raw Milk Policy Working Group to consider whether there are legal, regulatory means that might allow dairy farmers to sell fluid raw milk directly to consumers.

That working group met several times throughout 2010, and at its mid-December meeting, reviewed a draft report that includes parameters of a law to sell raw milk on a farm.

Under the parameters of that law, unpasteurized cow's milk could be sold only on the farm premises by the person who is licensed to operate the farm and delivered to the consumer on the farm where it is licensed and permitted to be sold.

That law would not have legalized the production, sale or distribution of any other unpasteurized dairy product, such as yogurt, whose pro-

duction, sale is currently prohibited by state or federal law.

In his veto message last May, Doyle said the legislation passed by the State Legislature "does not contain adequate testing requirements to ensure the safety of the public when consuming unpasteurized milk." He commended the "hard work of legislators" in crafting the raw milk bill, but said "significant questions must be answered and improvements should be made, particularly in strengthening testing requirements of unpasteurized milk, before enacting this type of legislation."

The Minnesota Department of Agriculture regulators are reportedly investigating a dairy farmer for allegedly selling raw milk illegally. **FR**



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FDA Launches Database To Help Food Industry Protect Food Supply From Deliberate Contamination

Washington—The US Food and Drug Administration (FDA) this week launched the Food Defense Mitigation Strategies Database (MSD), which is one of several tools developed by FDA for the food industry to help protect the food supply from deliberate acts of contamination or tampering.

This new database is designed for companies that produce, process, store, package, distribute, and/or transport food or food ingredients.

The Food Defense Mitigation Strategies Database provides a range of preventive measures that companies may choose to implement to better protect their facility, personnel, products, and operations.

These safety measures are specific to individual categories that impact every step of the food production and distribution process. Not all measures are applicable or practical for all sizes and types of food production.

In the database, data can be accessed using two different methods:

- **Lookup Tool:** Data can be searched by a specific item, or node, commonly used within commercial food production and distribution. First, users can select a food industry category from a provided list that includes materials, packaging, processing, storage, conveyance, retail food service, transportation/distribution, and general information. Once the category is selected, a list of nodes (i.e., critical points, and/or steps) will be provided to choose from. Once the node is chosen, select "GO" to view its safety objective(s) and steps that can be taken to ensure safety.

- **Search Engine Tool:** Data can be searched by a specific term or keyword, similar to any search engine on the Internet.

The US Food and Drug Administration noted that, although there is no specific targeting information indicating that an attack to the US food supply is imminent, intelligence information has revealed that instructional manuals detailing the intentional contamination of the food supply are available to known terrorist groups.

More information is available by visiting: www.fda.gov/food/fooddefense/ucm245544.htm. r

Import Assessment

(Continued from p. 1)

ends," Kozak said. "Everyone who benefits from this market should pay part of the tab."

But Connie Tipton, IDFA's president and CEO, is concerned about the impact the new import assessment will have on trade.

"We trade with more than 150 countries and continually advocate for open markets and trade policies that comply with international laws," Tipton said. "This international tax does not help expand our US dairy export markets and has been widely opposed by our trading partners."

IDFA is "concerned about how other countries will respond to our dairy exports once they become aware of the extra administrative burden and cost with limited or no benefits," Tipton continued.

"It's unclear to us why dairy producers are willing to promote dairy imports at a time when US dairy imports are declining and our US exports are growing," she added.

Outreach, Costs, Benefits Detailed
USDA said it has created resources to assist with the orderly implementation of newly assessed domestic dairy producers and dairy importers.

A variety of resource materials can be found at www.ams.usda.gov/dairyimportassessment, including a form for nominating milk producers or dairy importers to serve on the National Dairy Promotion and Research Board (there will initially be two importers on the board), and an application for qualification of a dairy product promotion, research, or nutrition education program.

Also, USDA is sending letters to all interested parties, including newly affected producers and importers, and producer and importer associations and organizations. The agency will also attend a variety of industry meetings to provide updates on the implementation of the final rule.

USDA has also posted on the AMS Dairy Programs website a cost-benefit analysis for the final rule. Estimated costs are \$6 million, which reflect assessments to be collected from dairy product importers (about \$4.9 million) and dairy producers in Alaska, Hawaii, Puerto Rico and the District of Columbia (about \$1.1 million).

Benefits to dairy producers in these areas are "are assumed to be similar to those benefits received by producers of other US geographical regions," USDA said. An independent economic analysis conducted annually by Cornell University "has consistently shown that the program has had a positive and statistically significant impact on per capita dairy consumption."

As far as the import assessment is concerned, USDA noted that persons opposed to the import assessment generally make two claims in opposi-

tion: that tariff-rate quotas (TRQs) constrain imports, rendering the promotion program ineffective in increasing the demand for imports; and that the promotion program does not promote many of the types of dairy products that are imported, usually as dairy ingredients.

Data for 2008 indicate that TRQs constrain dairy imports in varying degrees, USDA noted. For some products the quota fill rate is nearly 100 percent with little high-tier imports. There are "significant" high-tier imports for some other products.

For some products there are little or no in-quota imports. Some TRQ products have high volumes imported under special import programs.

...importers haven't paid a single penny to help promote the market, the way America's dairy farmers have. It's time that inconsistency ends. Everyone who benefits from this market should pay part of the tab."

—Jerry Kozak, NMPF

"Thus, TRQs do not seem to be a significant hindrance to the volume imported for many dairy products," USDA said. "Those products which will benefit only slightly from increased volume would still benefit from generally higher prices." And there are "significant quantities" of dairy products imported that are not subject to TRQs.


With the establishment of the dairy import assessment, importers will have "some influence" on the allocation of resources for the dairy promotion program, USDA pointed out. Each of the two importer representatives appointed to the National Dairy Board will have a vote on the types of dairy products to be promoted, the means in which they are promoted, and the markets that the program will target.


If importers establish a qualified program, resources for the program could be used by importers to tailor their own marketing efforts.

The National Dairy Board does not specifically promote all dairy products. For example, the Dairy Board does not specifically advertise or promote ice cream even though dairy farmers pay a 15-cent per hundredweight assessment for milk used in the production of ice cream.


Thus, the import assessment will be collected on all specified imported dairy products and imported products containing dairy solids, whether or not the Dairy Board chooses to promote such products.

Prices are higher for the entire complex of products that contain milk solids, both domestic and imported, USDA continued. r






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Dairy Research Institute's New Monthly Newsletter Reviews Nutrition, Product Research, Sustainability

Rosemont, IL—The Dairy Research Institute has launched Dairy Research Insights, a monthly e-newsletter that highlights technical insights related to the priority areas of dairy nutrition, dairy product research, and sustainability.

The e-newsletter will review and interpret research studies from the Dairy Research Institute and other research sources to help keep industry informed of the latest scientific insights. Each issue's content is selected, compiled and interpreted by dairy scientists and industry leaders with the Dairy Research Institute.

"Dairy research is critical for industry innovation, evolution and growth, but it can often be difficult to keep up on all the latest findings," said Kevin Ponticelli, chair, Dairy Research Institute, and senior executive vice president, Dairy Management Inc. (DMI).

"The *Dairy Research Insights* e-newsletter is a platform to help industry access critical technical insights that may positively influence product development, nutrition and marketing claims, production efficiencies, consumer demand and future growth," Ponticelli continued. "It supports our vision to be a world leader in the discovery, interpretation and dissemination of research that contributes to the health and well-being of consumers, our communities, the planet and the dairy industry."

"With the launch of this e-newsletter, we aim to be a catalyst for accelerated innovation, which is a key component of the Dairy Research Institute's vision," said Greg Miller, president of Dairy Research Institute and executive vice president of the National Dairy Council.

"Not only are we increasing accessibility to dairy-related technical insights, we also are providing context that is relevant and important to the industry at large," Miller added.

The first issue of *Dairy Research Insights* highlights 15 articles, including reviews of:

- Cheese industry efforts to address the sodium challenge.
- The carbon footprint of the US dairy industry.
- Dairy's role in managing weight.
- Protein for muscle protein synthesis.
- Vitamin D-fortified yogurt drink for glycemic control in Type 2 diabetes patients.
- Milk intake and academic performance.

The newsletter also links to published articles and abstracts that offer additional information. To receive the e-newsletter, interested can register at www.usdairy.com. r

Arla Foods, Germany's DMK Establish Joint Whey Processing Partnership

Viby J, Denmark—Arla Foods and DMK (future merger of Nordmilch and Humana) have announced that they will establish a 50/50 joint venture to start a whey processing partnership for the global food manufacturing industry.

The name of the new joint venture will be ArNoCo GmbH & Co. KG, and the two partners will invest a total of 44 million euros, of which 35 million euro will be used to build a whey processing plant at DMK's cheese plant at Nordhackstedt in Northern Germany.

The other nine million euro will be spent at Arla Foods' plant, Danmark Protein, in Nr. Vium, Denmark.

The joint venture will buy whey from DMK estimated at more than 700,000 tons annually and convert it into whey protein concentrate and lactose at the new plant.

The whey protein concentrate will then be dried at Arla Foods' plant, Danmark Protein.

DMK will supply all related services on behalf of ArNoCo GmbH. Arla Foods Ingredients will market, sell and distribute the products to the global food manufacturing industry.

The building of the new plant is expected to begin in October of this year. The plant is scheduled to be in operation by the end of 2012.

ArNoCo GmbH & Co. KG will be headed by managing directors Finn Simonsen from Arla Foods Ingredients and B. v. Borstel from DMK.

"We have identified the whey business as an important part of Arla Foods' 2015 strategy and we are set to double the turnover of our whey business," said Peder Tuborgh, CEO of Arla Foods. "This is an important step forward in achieving that goal."

"Expanding the ingredients business is one of DMK's strategic growth areas," said Dr. Josef Schwaiger, future CEO of DMK. "Its alliance with Arla in ArNoCo is therefore an important step towards higher value added and will strengthen the Nordhackstedt location's position for the long term."

Arla Foods has other whey partnerships in Argentina, Germany, France, Norway and Sweden.

The joint venture is subject to approval by appropriate competition authorities. r

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NMPF Order Reforms

(Continued from p. 1)

the national weighted average competitive cheese milk price survey, or the current Class IV formula butter-powder milk value. It would be announced in advance.

For example, the Class I mover for April would be the higher of: February's national average cheese milk competitive price, adjusted with weighted average NASS block and barrel cheese prices for the first two weeks of March; or an advanced Class IV price as currently calculated. A handler's minimum price for Class I milk would be this national mover plus the current Class I differential at the plant.

The minimum price bottling plants would be required to pay to producers and co-ops supplying Class I milk would be equal to the lowest regional competitive cheesemilk price plus applicable producer location differentials, lagged and adjusted the same way as the Class I mover.

Competitive Price For Milk

The price producers are paid for milk in manufactured dairy product uses (as currently defined for Classes II, III and IV) would be a competitive price. There would be no minimum price for manufacturing milk.

Each region's competitive price for

milk used to produce cheese, in addition to being used to establish the Class I base price, would be used to determine the butter-powder plant pool credit and the lowest of the regional competitive cheesemilk prices would enter into the calculation of the Class I pool contribution.

In order to stabilize pooled values and eliminate most plant depooling, the federal order pool would be a modified pooling of differentials, resulting in a producer price differential. That is, instead of pooling four class prices, relatively stable price differentials and balancing credits would be paid into and out of a differential pool, as follows:

- Handlers of Class I milk would contribute to the pool the lagged difference between their Class I price and the lowest regional competitive price. Both the Class I price and the lowest regional competitive price would be announced in advance and lagged in the same way.

- Handlers of a subclass of perishable manufacturing milk (products generally in Class II now) would contribute a fixed differential of 30 cents per hundredweight in the pool.

- Handlers of milk used to make cheese would have no contribution or draw.

- Handlers of milk used to produce butter and milk powders would receive a payment from the pool

when the national value of milk used to make butter and powder as calculated using the current Class IV formula adjusted for energy costs is less than the regional competitive cheesemilk price.

When the Class IV formula is higher than the regional competitive cheesemilk price, the Class IV handler would pay the difference into the pool. The payment to those who manufacture butter and milk powders would not exceed the funds available in the pool.

The blended result after the distribution would be a producer price differential for all pooled producer milk that would be paid directly from the market administrator.

USDA would be required to hold hearings, when requested, for the purpose of considering and implementing proposals to compensate handlers that truly perform balancing services for the Class I market.

These hearings are to include but not be limited to: a plant balancing credit to manufacturing plants that provide balancing services to the market; and intramarket transportation credits for markets in which balancing is based on long shipments of milk from within the marketing area.

Higher Producer Price Differentials

Under NMPF's proposal, funds in each order's pool would consist of:

- **From Class I handlers:** the applicable Class I differential, and the difference between the Class I mover and the lowest regional competitive advanced Class III survey price,

adjusted for the change in the NASS Cheddar price.

- **From Class II pool processors:** the 30-cent differential.

- **From Class IV pool handlers:** any amount that the Class IV formula price (adjusted for energy costs of processing) is above the region's competitive cheesemilk price.

If the Class IV price is below the region's competitive cheesemilk price, the first distribution from an order's pool would be to handlers of Class IV up to a maximum of the total funds available in the pool

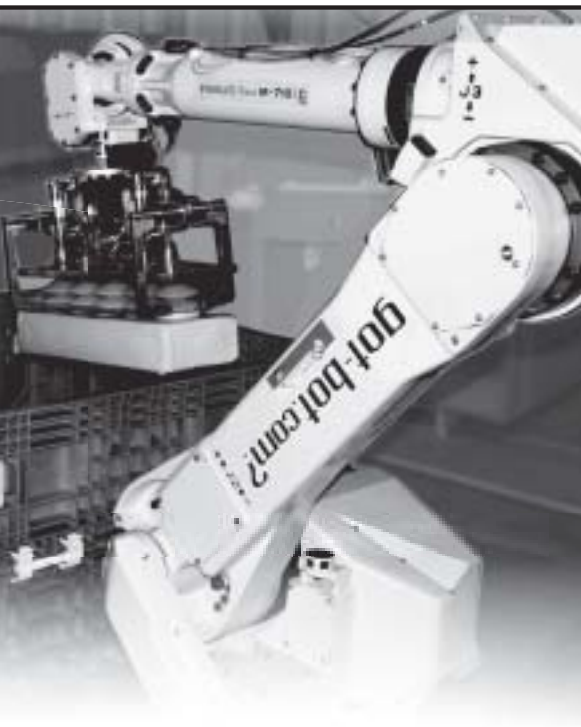
The remaining pool balance would be paid to producers in the PPD, subject to location adjustments and other pool balancing adjustments, as is currently the case. So that the PPD cannot be negative, the draw for Class IV plants would not exceed the available pool balance.

The PPD would be paid directly to producers and to producer co-ops, to keep it separate from the competitive prices paid by manufacturers.

A table prepared by NMPF shows the impact of its proposed federal order reforms on the PPD in each federal order using actual pooled volumes and underlying market values for the 2006-2010 period.

PPDs in each of the 10 orders would be higher under NMPF's proposal than under the current system. Differences range from 11 cents per hundredweight higher in the Upper Midwest order (which has the lowest PPDs of any order) to 47 cents higher in the Southwest order. r

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WI 'Driftless Area' Cheese Makers Learn About Marketing Their 'Taste Of Place'

Potosi, WI—Cheese makers have long known the value of "terroir." The challenge now is to bring that value to the marketplace and educate shoppers on the distinctiveness of regional artisan cheesemaking.

The concept of terroir, or "taste of place," can help cheese makers promote products from a specific region – such as the driftless region in southwestern Wisconsin.

"Terroir is a French concept, but each country has its own values. What is done in France can't be done in other countries, and what is being done here is to adapt terroir to the concept of a 'taste of place.'"

—Gersende Cazaux, a French graduate student

A group of cheese makers and industry representatives met here earlier this month at the National Brewery Museum for a special seminar on the "taste of place" concept.

The event was sponsored by the Driftless Food and Farming Project, a collaboration of the University of Wisconsin-Madison's Center for Integrated Agriculture Systems and the Dairy Business Innovation Center (DBIC).

The driftless region, named for the absence of terrain-flattening glaciers during recent ice ages, reaches 57 counties in Wisconsin, Illinois, Minnesota and Iowa.

With hilly terrain that is more conducive to grazing than row crops, the driftless region accounts for 70 percent of small-scale Wisconsin cheese, and is home to several other organic farms and artisanal businesses, said Michelle Miller, associate director, Center for Integrated Agriculture Systems.

"The driftless is a separate bioregion, with a separate set of opportunities and challenges," Miller said.

Cheese makers are central to the regional economy, she continued.

"What does this bioregion produce well, and how can it sustainably feed into the global market and provide rural income to maintain people on the land? That's the importance of cheese makers to the region, given that the ideal crop is growing grass on hilly slopes," Miller said.

Soil is the origin of terroir, added Monique Jamet Hooker, a chef and writer living in western Wisconsin.

"This is part of the whole phenomenon of coming back to the land, and that's what terroir is – going back to where you came from. What is the food like? What is the earth like?" she said.

Terroir was originally applied to local French wines such as Champagne or Burgundy, which by law must come from specific regions, said Gersende Cazaux, a French graduate student doing her fieldwork through DBIC.

"Terroir is a French concept, but each country has its own values. What is done in France can't be done in other countries, and what is being done here is to adapt terroir to the concept of a 'taste of place,'" Cazaux said.

Ivan Larcher, a French technical consultant to cheese makers, discussed how biology affects the taste of cheese.

The identity of the dozens of types of bacteria, yeasts and molds that enter milk before and during the cheesemaking process "is different on different farms, even if they are only one mile apart," Larcher said.

"Each farm has its own spectrum, and the dream of every cheese maker is to develop their own spectrum of bacteria, to make a personal signature," Larcher said.

"The spectrum is directly related to the place you live, and this is the concept of terroir, to make something different based on where you are," he continued.

Larcher "is telling us something we have known for a long time, said Chris Roelli, a fourth-generation Wisconsin cheese maker from Roelli Cheese Haus in Shullsburg, "and it has started to gain traction in this

business."

Microbes from the air, water and soil all play a role, he said.

"I am a firm believer that what is in the air, the water and the earth in your particular area greatly influences the flavor of cheese," Roelli said.

"The minerals in the earth are in the grass that's eaten by the cow, and we take her milk and make it into cheese, and that taste progresses from the ground to the consumer," he continued.

The cheese industry's current challenge is bringing the value of terroir to market.

But terroir offers something that consumers want, said Cazaux.

"There is this shared value in the driftless region; it's about sustaining community, about grazing instead of row cropping, and when you associate the driftless name to the cheese, you are associating your product with these values," Cazaux continued. r

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COMING EVENTS

www.cheesereporter.com/events.htm

www.cheeseshredder.com

Program Released For 15th Industrial & Fermentation Microbiology Symposium

La Crosse, WI—The agenda for the 15th annual Symposium on Industrial & Fermentation Microbiology has been released. The event will take place here Friday, April 29 at the Radisson Center.

The morning session kicks off with a presentation by University of California-Davis professor David Mills on lessons from infant-borne bifidobacteria.

Larry Steenson of Danisco USA will talk about the application of natural fermentation-based antimicrobials in food, and University of Minnesota professor Michael Sadowsky will discuss metagenomic approaches for enzyme, microbe and gene discovery.


The morning session will also include a presentation by Hans Liao of OPX Biotechnologies, Inc., on the industrial production of renewable

acrylic acid.

USDA's Ronald Hector will talk about engineering *Saccharomyces cerevisia* for efficient fermentation of biomass-derived sugars.

The final presentation will feature Wesley Marner of Applikon Biotechnology, Inc. on accelerating early bioprocess development by pursuing high-resolution data at the small scale.

Space is available to display commercial exhibits related to microbiology. The exhibit fee is \$200, and includes dinner and reception on Thursday, April 28, and registration for one representative.

For more information, contact S.N. Rajagopal, UW-La Crosse, at (608) 785-6976 or via email: rajagopa.s@uwlax.edu. More information can also be found online at www.uwlax.edu/microbiology. 

American Dairy Science Association Annual Meeting To Be July 10-14 In New Orleans

New Orleans, LA—The American Dairy Science Association (ADSA) and American Society of Animal Science (ASAS) will hold their 2011 joint annual meeting here July 10-14 at the Ernest N. Morial Convention Center.

The program format this year begins with poster sessions in the morning, followed by scientific sessions, lunch, and educational sessions. Monday's symposia sessions will cover topics like quality milk production in hot, humid climates; technological advances in the reduction of pathogens and spoilage organisms in milk; and reinventing dairy extension as a resource.


Tuesday's lineup includes predictions on the ethical food movement and what it means for animal agriculture; innovations in dairy processing unit operations; milk proteins and peptides – bioactivity and diges-

tion; and a full-day lecture on the environmental impact of dairy and beef systems.

On Wednesday, speakers will cover the current and future determinants of dairy product pricing; enhancing educational approaches for future changes in biosecurity and antibiotic use in animal agriculture; and nutrition's role in environmental management and meeting government regulations.

The final day of the symposium will cover mycotoxins, and the impact in ruminant diets, along with control strategies.

The deadline to register is June 8. Cost to attend for ADSA and ASAS members is \$400 per person and \$550 for non-members if registered by June 8.

For more information on the symposium or to register online, visit www.adsa.asas.org/meetings/2011. 

Online Registration Open For Pack Expo 2011; To Be Sept. 26-28 In Las Vegas

Las Vegas, NV—Over 25,000 industry visitors are slated to attend Pack Expo 2011, to be held here Sept. 26-28 at the Las Vegas Convention Center.

The three-day event will feature nearly 600,000 square-feet of exhibit space and over 1,200 exhibitors.

New to Pack Expo this year will be The Processing Zone, which will

showcase innovative processing solutions for the food and beverage industries.

In the Reusable Packaging Pavilion, attendees can see how choosing reusable pallets, hand-held containers, bulk containers, dunnage and other transport packaging solutions can raise productivity and profitability.


At the Brand Zone, Pack Expo visitors can see the latest advances in package design for glass, plastic, metal and paperboard packaging,

Public Discussion On Economics Of MegaDairies Is March 28 In Rockford, IL

Rockford, IL—Dairy industry representatives and the public are invited to attend a discussion here Monday, March 28 at the Clocktower Resort on how megafarms affect family farms, the community and the environment.

Speakers include *Milkweed* editor Pete Hardin; Northern Illinois University professor Kendall Thu; and Dan Imhoff, author of *The CAFO Reader*.

Thu will speak on the permitting process as part of a broader theme of the industrialized food system, democracy and social justice. Imhoff will talk about farming, the environment and design.


For more information on the event or to register, call (815) 745-9013. Details are also available online at www.StopTheMegaDairy.org. 

7th NIZO Dairy Conference Scheduled For Sept. 21-23 In Arnhem, The Netherlands

Arnhem, The Netherlands—Food industry representatives and academics are invited to attend the seventh NIZO Dairy Conference here Sept. 21-23.

The three-day event will feature the latest in scientific developments in flavor and texture research, along with new findings in the design and manufacture of healthy dairy foods.


Other topics in the program include strategies to reduce sugar, fat and salt; oral processing, mouthfeel and perception; flavor-texture interactions; flavor formulation, release and perception; structure formation, stability and processing; innovative dairy ingredients; and fortification with minerals, proteins and vitamins.

A full conference agenda, along with registration information, is available online at www.nizo-dairyconference.com. 

along with decorating and labeling techniques.

At the Confectionary Pavilion, manufacturers will find answers to their processing and packaging challenges.

The Confectionary Pavilion will include how to lower shipping and labor costs, while creating a more efficient flow of goods through distribution channels.

For more information, visit www.packexpo.com or contact PMMI at (703) 243-8555. 

PLANNING GUIDE

March 25-28: California Artisan Cheese Festival, Sheraton Sonoma County, Petaluma, CA. For more information, visit www.artisancheesefestival.com.

April 7-9: CCBA 46th Annual Convention, Claremont Hotel Club & Spa, Berkeley, CA. For more details, visit www.cacheeseandbutter.org.

April 13-14: Wisconsin Cheese Industry Conference, La Crosse Center, La Crosse, WI. For more details, visit www.cheeseconference.org.

April 24-26: ADPI/ABI Annual Conference, Chicago Marriott Downtown, Chicago, IL. For information, visit www.adpi.org.

April 28-May 4: National Conference on Interstate Milk Shipments, Sheraton Baltimore City Center, Baltimore, MD. For questions, visit www.ncims.org.

May 15-17: 2011 National Dairy Producers Conference, Embassy Suites Omaha, Omaha, NE. For information, visit www.nmpf.org/NPDC.

June 5-7: IDDBA Seminar & Expo, Anaheim Convention Center, Anaheim, CA. For information or to register, visit www.iddba.org.

June 11-14: 2011 IFT Meeting & Expo, New Orleans Morial Convention Center, New Orleans, LA. For information, visit www.ift.org.

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

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

August 11-12: Idaho Milk Processors Association annual meeting, Sun Valley Resort, Sun Valley, ID.

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.



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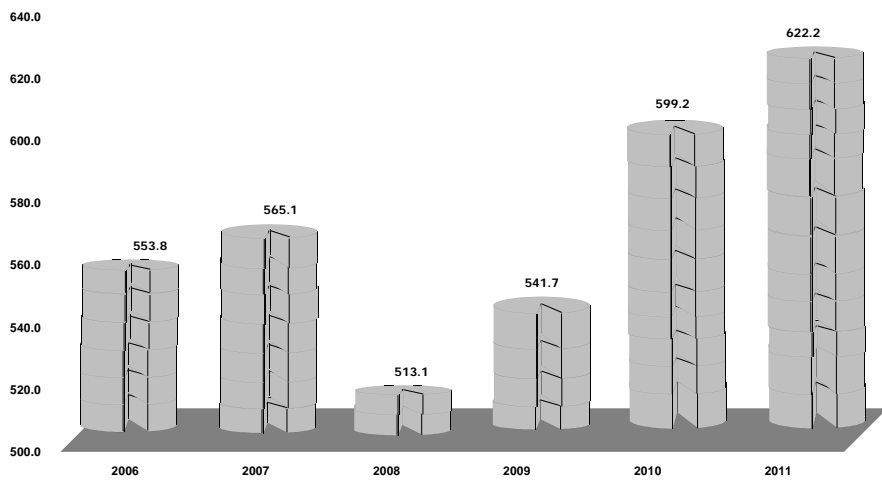
Dairy Product Stocks in Cold Storage

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

Commodity	All Warehouses Stocks		Percent of		Public Warehouse Stocks	
	Feb. 28 2010	Jan 31 2010	Feb 28 2011	Feb 28 2010		
Butter total	202,896	118,784	138,656	68	117	116,090
Natural Cheese						
American, Total	599,152	637,935	622,226	104	98	
Swiss	27,379	36,320	34,662	127	95	
Other Natural	369,384	378,142	379,086	103	100	
Total Cheese	995,915	1,052,397	1,035,974	104	98	649,458

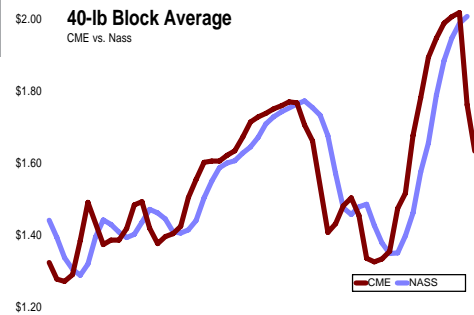
Cheese in Cold Storage

American-Type Cheese Stocks as of February 28, 2006 - 2011
millions of pounds



DAIRY PRODUCT PRICES

March 25—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 NFD. A transaction is complete when the product is "shipped out" and title transfers. •Revised



Style and Region	WEEK ENDING			
	March 19	March 12	March 5	Feb. 26
40-Pound Blocks				
Average Price	Dollars/Pound			
MN/WI	2.0847	2.0734	2.0038	1.9580
Other States	1.9971	1.9767	1.9380	1.8768
US	2.0036	1.9842	1.9432	1.8810
Sales Volume	Pounds			
MN/WI	838,426	902,574	872,551	553,442
Other States	10,459,365	10,863,904	10,121,132	10,028,971
US	11,297,791	11,766,478	10,993,683	10,582,413
500-Pound Barrels				
Average Price	Dollars/Pound			
MN/WI	2.0917	2.0844	2.0577	2.0054
Other States	2.0953	2.0701	2.0267	1.9755
US	2.0936	2.0769	2.0415	1.9896
Price Adj. to 38% Moisture	Dollars/Pounds			
MN/WI	2.0001	1.9920	1.9683	1.9171
Other States	1.9772	1.9565	1.9120	1.8621
US	1.9875	1.9733	1.9388	1.8878
Sales Volume	Pounds			
MN/WI	4,664,896	3,956,238	4,089,191	3,961,675
Other States	5,588,604	4,341,498	4,452,472	4,460,494
US	10,253,500	8,297,736	8,541,663	8,422,169
Moisture Content	Percent			
MN/WI	35.16	35.12	35.19	35.14
Other States	34.30	34.40	34.28	34.23
US	34.69	34.75	34.71	34.66
Butter				
Average Price	Dollars/Pound			
US	2.1156	2.0671	2.0115	2.0358
Sales Volume	Pounds			
US	3,282,372	4,041,890	5,031,991	3,922,387
Nonfat Dry Milk				
Average Price	Dollars/Pound			
US	1.5147	1.4794•	1.4701•	1.4023•
Sales Volume	Pounds			
US	16,029,311	17,685,652•	19,841,534•	17,530,504•
Dry Whey Prices				
Average Price	Dollars/Pounds			
US	0.4431	0.4628	0.4608	0.4288
Sales Volume	Pounds			
US	9,448,605	10,235,665	10,758,101	10,203,681

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TYPE OF BUSINESS: _____

___ Cheese Manufacturer/Processor

___ Cheese Packager

___ Cheese Marketer (broker, distributor, retailer)

___ Other dairy processor (butter, cultured products, ice cream, .)

___ Whey processor

___ Food processing/Foodservice

___ Supplier to dairy processor

___ Other _____

JOB FUNCTION: _____

___ Company Management

___ Plant Management

___ Laboratory (QC, R&D, Tech)

___ Packaging

___ Purchasing

___ Warehouse/Distribution

___ Sales/Marketing

___ Other _____

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DAIRY FUTURES PRICES

SETTLING PRICE	Date	Month	Class III*	Class IV*	Dry Whey*	NDM*	Butter*	Cash Settled Cheese*
3-18	March 11		19.66	19.66	47.000	150.550	207.425	1.9780
3-21	March 11		19.46	19.66	46.750	150.775	207.400	1.9750
3-22	March 11		19.46	19.66	46.500	152.000	207.250	1.9740
3-23	March 11		19.46	19.66	46.500	153.250	206.700	1.9740
3-24	March 11		19.45	19.66	46.500	153.250	206.600	1.9740
3-18	April 11		16.65	20.00	47.000	157.000	203.750	1.6850
3-21	April 11		16.54	20.00	47.000	157.025	200.950	1.6650
3-22	April 11		16.44	20.00	47.000	159.000	202.500	1.6650
3-23	April 11		16.35	20.07	46.950	160.000	203.450	1.6560
3-24	April 11		16.57	20.08	47.250	160.000	203.250	1.6680
3-18	May 11		16.48	19.85	47.675	159.050	195.900	1.6600
3-21	May 11		16.43	19.79	47.500	159.050	197.925	1.6490
3-22	May 11		16.18	19.90	47.000	160.000	198.000	1.6250
3-23	May 11		16.17	20.00	48.000	160.500	198.250	1.6250
3-24	May 11		16.70	20.00	48.500	160.500	198.500	1.6720
3-18	June 11		16.49	19.70	46.500	157.000	196.100	1.6450
3-21	June 11		16.50	19.70	46.500	157.000	196.525	1.6620
3-22	June 11		16.38	19.80	45.500	159.500	197.500	1.6600
3-23	June 11		16.43	20.04	46.000	160.500	198.750	1.6600
3-24	June 11		16.76	20.04	47.275	160.475	200.000	1.6860
3-18	July 11		16.95	19.85	46.500	157.975	200.100	1.7170
3-21	July 11		16.95	19.95	46.500	157.975	200.550	1.7170
3-22	July 11		17.10	20.00	46.500	160.000	200.000	1.7190
3-23	July 11		17.16	19.99	47.000	160.000	199.525	1.7190
3-24	July 11		17.37	20.00	47.750	160.000	199.675	1.7190
3-18	August 11		17.25	19.63	47.875	155.000	202.000	1.7410
3-21	August 11		17.29	19.65	47.875	155.000	201.000	1.7410
3-22	August 11		17.34	19.80	47.875	157.500	201.000	1.7410
3-23	August 11		17.48	20.00	48.250	160.000	199.700	1.7420
3-24	August 11		17.62	20.00	48.750	160.000	200.000	1.7420
3-18	September 11		17.30	19.00	45.875	148.000	201.275	1.7670
3-21	September 11		17.30	19.00	45.875	148.000	201.525	1.7670
3-22	September 11		17.40	19.10	45.875	148.500	202.000	1.7670
3-23	September 11		17.49	19.25	46.250	150.500	201.700	1.7670
3-24	September 11		17.70	19.30	46.525	151.325	201.000	1.7670
3-18	October 11		17.15	18.90	44.725	147.975	199.000	1.7200
3-21	October 11		17.20	18.85	44.725	147.975	199.000	1.7200
3-22	October 11		17.27	18.85	44.725	148.000	200.000	1.7400
3-23	October 11		17.40	18.95	45.000	148.000	198.750	1.7400
3-24	October 11		17.40	18.95	45.525	148.000	198.750	1.7400
3-18	November 11		16.56	17.75	44.250	137.550	193.500	1.6950
3-21	November 11		16.55	17.75	44.250	137.550	193.500	1.6950
3-22	November 11		16.57	17.78	44.250	138.000	193.500	1.7000
3-23	November 11		16.65	18.00	44.250	139.500	194.500	1.7000
3-24	November 11		16.68	18.00	44.250	139.975	194.100	1.7000
3-18	December 11		16.46	17.35	45.000	137.000	185.000	1.6920
3-21	December 11		16.48	17.35	45.000	137.000	185.000	1.6920
3-22	December 11		16.55	17.35	45.000	138.000	185.025	1.6920
3-23	December 11		16.60	17.50	45.000	138.000	185.025	1.6920
3-24	December 11		16.63	17.50	45.000	138.000	185.100	1.6920
3-18	February 11		15.88	15.35	45.025	121.000	170.050	1.6350
3-21	February 11		15.88	15.35	45.025	121.000	175.050	1.6350
3-22	February 11		15.95	15.35	45.025	121.000	175.050	1.6350
3-23	February 11		16.00	15.35	45.025	121.000	175.050	1.6350
3-24	February 11		16.07	15.35	45.025	121.000	175.050	1.6350
Open Interest - March 24			39,383	3,619	2,066	1,927	3,158	2,247

DAIRY PRODUCT MARKETS

AS REPORTED BY THE US DEPARTMENT OF AGRICULTURE

WHOLESALE CHEESE MARKETS

NATIONAL - MARCH 18: Cheese prices declined sharply this week, 33 cents cumulative on blocks and 26.5 cents on barrels. Prices declined to levels last seen in late January. The barrel/block spread is inverted as blocks declined further than barrels. Current interest is mostly slow as most buyers wait for prices to settle before reordering. The lower prices could help cheese exports that had slowed without CWT program export aid. Plant inventories are accumulating. Cheese production is generally steady to slightly higher though more operations are willing to part with extra milk and/or have reduced condensed skim use in cheese vats to slow inventory building.

NORTHEAST - MARCH 23: Cheese trading closed down last week with the weekly average for both blocks and barrels down not only more than any other week of either this year, but also 2010. For the week, the block average declined \$.2560 and barrels, \$.1935. Through this week Tuesday, blocks are down .0350 to \$1.6500 and barrels unchanged at \$1.7000. Even with the recent price decline, to provide a context, one year ago blocks closed the week at \$1.2700 and barrels at \$1.2650. Cheese orders have slowed as purchasers await the lower CME prices to fully flow through markets. Increasing seasonal milk supplies have contributed to production being steady to increasing, even with last week's price decline.

Wholesale prices, delivered, dollars per/lb:

Cheddar 40-lb blocks:	\$2.0775 - \$2.3525	Process 5-lb sliced:	\$1.8875 - \$2.1975
Muenster:	\$2.0975 - \$2.3025	Swiss Cuts 10-14 lbs:	\$3.0125 - \$3.3350

MIDWEST AREA - MARCH 23: The cheese market is unsettled. Many traders feel that inverted barrel/block spread may still need to return closer to normal. The phone is "starting to ring again" at more manufacturing plants, though most customers want to delay orders to use prices based on the lower weekly prices next week. Others, using monthly averages, should return in April. Orders received next week should still be available for Lenten season use. The lower prices may stimulate buyers to rebuild/build neglected aging programs on Cheddar and hard Italian types. Most February cheese cold storage numbers were lower, reflecting some "cannibalizing" of slightly aged product in storage while prices were charging higher. Finding real six-month Cheddar may be difficult before September. Current price levels may also provide an incentive for international customers to place additional orders. Cheese production is fairly steady. Spot milk supplies are more available and premiums are generally lower. Milk components remain seasonally solid, generating seasonally good yields.

Wholesale prices delivered, dollars per/lb:

Brick/Muenster 5# Loaf:	\$2.2700 - \$2.3100	Process 5# Loaf:	\$2.1400 - \$2.3325
Monterey Jack 10#:	\$2.2325 - \$2.8650	Cheddar 40# Block:	\$2.1500 - \$2.8650
Mozzarella 5-6# (LMPS):	\$2.1025 - \$2.9650	Blue 5# Loaf:	\$2.5875 - \$3.0300
		Grade A Swiss 6-9#:	\$2.7000 - \$3.3300

WEST - MARCH 23: Western cheese prices are continuing to decline. Wholesale Swiss prices are steady. Milk supplies are building in many parts of the West and more milk is finding its way to cheese manufacturers. Most production is geared to contracted needs and is clearing in orderly fashion. Buyers in some cases are attempting to delay purchases in order to take advantage of expected lower pricing averages. Export demand is better as prices recede, although CWT assistance continues to eligible producers.

Wholesale prices delivered, dollars per/lb:

Cheddar 40# Block:	\$1.8875 - \$2.2400	Process 5# Loaf:	\$1.9050 - \$2.1625
Monterey Jack 10#:	\$2.0775 - \$2.2375	Cheddar 10# Cuts:	\$2.0675 - \$2.2875
		Grade A Swiss Cuts 6 - 9#:	\$2.5900 - \$3.0200

FOREIGN -TYPE CHEESE - MARCH 23: Wholesale prices of imported cheese moved lower as the block average closed down \$.2560 last week, a greater weekly average decline than any week this year or last. Imported varieties remained unchanged. NASS reports stocks of Swiss cheese nationally as of Feb. 28, 2011, 34.7 million pounds, are 3.3 percent of all cheese cold storage holdings nationally. Swiss stocks in cold storage are 5 percent less than one month ago but 27 percent more than one year ago. There is no regional breakdown for Swiss.

Wholesale selling prices, delivered, dollars per/lb:

	Imported	Domestic
Blue:	\$2.6400-4.6900	\$2.2175-3.7050
Gorgonzola:	\$3.6900-6.3900	\$2.7200-2.9800
Parmesan (Italy):	0	\$3.3350-3.7500
Provolone (Italy):	\$3.4400-6.2900	\$2.2600-2.4175
Romano (Cows Milk):	0	\$3.4075-5.5500
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	\$3.1050-3.4275
Swiss Cuts Finnish:	\$2.5900-2.8500	0

OCEANIA CHEDDAR & BUTTER MARKETS

CHEDDAR CHEESE - MARCH 17: Oceania cheese markets are steady, although a weakening price trend is developing. Traders indicate that Japan is a major buyer of Oceania cheese and it is still too early to see the full impact of future shipments following the devastating earthquake and tsunami of last week. At this point, shipments remain on schedule but ports of entry might have to be changed. Traders state that coastal areas are the hardest hit with inland transportation logistics equally challenging, and it will be a long time before some semblance of order is restored. If milk has a processing option at the end of the production season, milk is often being directed toward milk powders versus cheese production. Most cheese needs are now known, thus remaining production and inventoried stock should be sufficient to cover projected needs.

39% MAXIMUM MOISTURE: 4,300 - 4,500

BUTTER - MARCH 17: Traders and handlers state that buyer interest has remained strong, but is easing somewhat in recent days. Traders feel that buyers might be stepping back from the market to see how this trend develops. Spot availability is limited as most all butter stocks have been fully committed.

82% BUTTERFAT: 4,600 - 5,200

MILK EQUIVALENT, MILKFAT & SKIM SOLIDS

	Milkfat* Basis	Skim** Solids	Comparable period in 2010	Milkfat* Basis	Skim** Solids
Week of March 21 - March 25, 2011	0.0	0.0	Cumulative since Oct. 1, 2010	0.0	0.0
Cumulative since Oct. 1, 2010	0.0	0.0	period last year	0.0	1.5
Cumulative Jan. 1 - March 25, 2011	0.0	0.0	Comparable Calendar year 2010	0.0	0.0

WHOLESALE BUTTER MARKETS

NATIONAL - MARCH 18: Churning schedules across the country are mixed, although for the most part, are seasonally steady. Cream supplies for churning are available, but other cream based product production is gaining momentum. Butter producers and handlers continue to question their inventory management strategies. Many remain cautious with their cream acquisitions and production schedules. Many butter producers are churning for current needs with inventory enhancement slow. A firm cash price, for this time of the season, is the major factor that is limiting inventory buildup. International buyer interest continues to be reported by many domestic butter producers. Domestic butter producers that are involved with international sales are comfortable with these sales as they clear cream volumes for them at low risk. Domestic butter demand remains seasonally strong. Although retail prices are higher than usual for this time of the season, it appears that retail sales are holding their own. Easter/Passover orders continue to be placed and some scattered retail features are scheduled to appear prior to the holiday.

CENTRAL - MARCH 23: Many butter producers and handlers continue to speculate that the cash price will not be able to sustain itself at this level, especially as the spring milk flush develops. As the price eased late last week, many were wondering where the bottom would finally settle, but the weakening trend subsided and remains at levels higher than may have projected. Churning activity is fairly active, although butter producers remain cautious with their cream purchases. Most butter producers and handlers continue to indicate that inventorying significant volumes of butter at this price level is still unsettling, although many are concerned about supply availability later in the year. Often, churning activity is keeping pace with current demand both domestically and internationally with lighter than desired surplus clearing to inventory programs. Some domestic butter producers continue to generate butter for international sales. Most indicate that there is minimal risk in filling international inquiries, especially when you have a contract in hand. Domestic butter demand is holding up quite well as orders and deliveries for upcoming holiday needs are placed and filled. For those buyers that are placing orders for more current needs, a slight slowdown might have been developing as potential buyers were hesitant in placing orders today that might be priced lower tomorrow.

NORTHEAST - MARCH 23: The butter price weakness was cited as contributing to what was called a "spill-over effect" on cream multiples, which began in portions of the Northeast following the close of CME Group trading last Friday. Lower multiples persist, with a spot market range now being generally 125-132, with occasional departures. At one balancing plant with cream available for sale, a return message left for a prospective buyer, quoting a multiple for cream in the low 120's, did not result in a return call. An ice cream plant located in Massachusetts will be closing for good, anticipating this to occur by the end of the month. Production will be relocated to another region.

WEST - MARCH 23: Western butter markets are unsettled. Buyers are looking to book product for Easter promotions and time is running short to make purchases for holiday delivery. Print orders are good into retail accounts. Butter churns are operating on busy schedules. Manufacturers continue to try to limit inventories to immediate needs with minimal storage. Some sales of bulk butter continue at discount to spot markets. Export interest is good.

DRY MILK PRICES - MARCH 21 - MARCH 25

Nonfat Dry Milk:

Central & East

Low/Med. Heat:	1.4700(NC) - 1.8500(NC)
Mostly:	1.4800(NC) - 1.7500(NC)
High Heat:	1.5100(NC) - 1.9000(NC)

Western

Low/Med. Heat:	1.4300(+3) - 1.7300(-2)
Mostly:	1.5000(+2) - 1.6300(-2)
High Heat:	1.5000(+5) - 1.7600(NC)

Whole Milk:

National:	1.8200(NC) - 1.9500(-9)
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Buttermilk Powder:

Central & East:	1.3650 (NC)- 1.6200(-3)
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West:	1.4200 (+2) -1.5600(NC)
Mostly:	1.4800 (+2) - 1.5200 (+2)

California Weighted Average NFD:

Week Ending:	Price:	Total Sales:	Sales to CCC:
March 18	\$1.4694	13,649,133	0
March 11	\$1.4009	15,182,731	0

ORGANIC DAIRY MARKET - OVERVIEW

ORGANIC DAIRY OVERVIEW - MARCH 11: The national weighted average advertised price for half gallons of organic milk declined 73 cents to \$2.78. The price range shifted downward at the bottom by 49 cents to \$2.50, but remained unchanged at the top, \$3.99. The weighted average advertised price for gallons is \$4.80, with a \$2.00 range; \$5.99 at the top and \$3.99 at the bottom. This week's range high and low have each been reached in various other reporting periods, but never in the same week, making this is the greatest price range for gallon organic milk prices since fall of 2009. Organic milk ads continued the 2011 trend of dominating organic dairy newspaper advertising. Also continuing is the domination of newspaper organic milk ads by ads for organic milk in 8-ounce containers. This report's 3,701 organic milk newspaper ads are the highest number during 2011 and higher than 23 of the 26 reporting periods of 2010. Ads for organic milk in 8-ounce containers continue to set new records, breaking the previous record set only two weeks ago for the highest number since this reporting series began during the fall of 2009. In contrast, organic yogurt newspaper ad numbers were lower than two of four reports during 2011 as well as any 2010 report.

WEEKLY GOLD STORAGE HOLDINGS

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

DATE	BUTTER	CHEESE
3/21/11	7,376	126,894
3/01/11	6,412	128,070
Change	964	-1,176
Percent Change	15	-1

CCC PURCHASES

Butter	2010/2011	2009/2010	NDM	2010/2011	2009/2010
Central	None	None	Central	None	None
West	None	None	West	None	132,276
East	None	None	East	None	None
TOTAL	None	None	TOTAL	None	132,276
Cheese	2010/2011	2009/2010	Milk Equivalent	2010/2011	2009/2010
Central	None	None	Central	0.0	0.0
West	None	None	West	0.0	100.0
East	None	None	East	0.0	0.0
TOTAL	None	None	TOTAL	0.0	100.0

CASH PRICES - MARCH 21 - 24, 2011 - CME

Visit www.cheesereporter.com for daily prices

	CHEDDAR BARRELS	40-LB. BLOCKS	AA BUTTER	GRADE A NFDM	EXTRA GRADE NFDM
MONDAY March 21	\$1.7000 (NC)	\$1.6500 (-3½)	\$2.0600 (-1)	\$1.7700 (-2)	\$1.8000 (NC)
TUESDAY March 22	\$1.7000 (NC)	\$1.6500 (NC)	\$2.0600 (NC)	\$1.7600 (-1)	\$1.8000 (NC)
WEDNESDAY March 23	\$1.6850 (-1½)	\$1.6250 (-2½)	\$2.0600 (NC)	\$1.7500 (-1)	\$1.8000 (NC)
THURSDAY March 24	\$1.6400 (-4½)	\$1.6250 (NC)	\$2.0700 (+1)	\$1.7500 (NC)	\$1.8000 (NC)
FRIDAY March 25	\$1.6400 (NC)	\$1.6275 (+¼)	\$2.0750 (+½)	\$1.7500 (NC)	\$1.8000 (NC)
Week's AVG Change	\$1.6730 (-0.1075)	\$1.6355 (+0.1230)	\$2.0650 (-0.0440)	\$1.7560 (-0.0340)	\$1.8000 (NC)
Last Week's AVG	\$1.7805	\$1.7585	\$2.1090	\$1.7900	\$1.8000
2010 AVG Same Week	\$1.2805	\$1.2870	\$1.4800	\$1.1340	\$1.1200

DIRECTLY FROM THE CME FLOOR - RICE DAIRY

The cheese market traded some volume this week with close to 70 loads trading all week. Starting the week out 26 blocks traded with prices breaking by 3 ½ cents, nothing in the barrel market. By Tuesday prices managed to hold steady with only a handful of loads trading across both markets.



Futures as a result of the week's opening traded slightly lower in the 2nd quarter, call it 20 lower on the two days. July- December futures on the other hand took a positive spin on the cheese market

with prices rallying roughly a dime.

Wednesday's session brought a lower cheese market with the block market breaking another 2 ½ cents and barrels down 1 ½ cents. The following day's cheese market did find some stability for the block market with 27 loads trading with prices holding at unchanged. Barrels on the other hand broke by 4 ½ cents with only a couple loads trading. Despite the downside in cash futures made a strong rally by the close of Thursday's session, May futures in particular settled 53 higher on the day.

Rounding out the week blocks found a bid at ¼ cent higher on the day with a couple loads trading at unchanged prior to that bid getting posted. Futures made a strong move to the upside with prices rallying to near limit up before breaking back to about 40 higher.

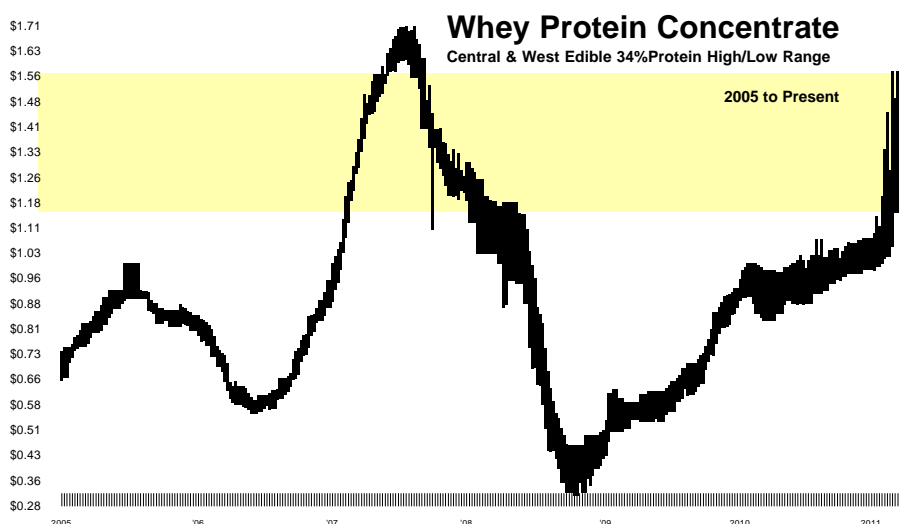
www.ricedairy.com

WHEY MARKETS - MARCH 21 - MARCH 25, 2011

FOR THE PERIOD MARCH 21 - MARCH 25 2011

- Whey Protein Concentrate—Central and West:**
Edible 34% Protein: 1.1500(NC) -1.5700(+8) Mostly: 1.1800(NC) -1.4500(+5)
- Dry Whey—Central (Edible):**
Nonhygroscopic: .3700(NC) - .6350(+14½) Mostly: .4000(+2) - .4700(+2)
- Dry Whey—West (Edible):**
Nonhygroscopic: .4250(+1¼) - .6400(-1) Mostly: .4500(NC) - .5200(NC)
- Dry Whey—Northeast:** .4125(NC) - .4375(NC)
- Lactose—Central and West:**
Edible: .3100(NC) - .5200(NC) Mostly: .3500(+2) - .4500(+3½)
- Casein:** Rennet: \$4.1400(NC) - \$4.9000(NC) Acid: \$4.2800(NC) - \$4.8500(NC)
- Animal Feed Whey—Central:** Milk Replacer: .2800(NC) - .4000(NC)

Visit www.cheesereporter.com for weekly prices



FDA Halts Imports Of Dairy Products From Area Of Japan Where Reactor Is Leaking Radiation

Washington—The US Food and Drug Administration (FDA) this week said it is halting imports of dairy products from the area of Japan where a nuclear reactor is leaking radiation.

FDA said all milk and milk products produced or manufactured from the four Japanese prefectures of Fukushima, Ibaraki, Tochigi and Gunma will be detained upon entry into the US. They will not be allowed to enter the US food supply, unless shown to be free from radionuclide contamination, with the exception of the specific products restricted by the government of Japan (milk from Fukushima only).

Those products will be refused admission into the US.

Because of the heavy damage caused by the earthquake and tsunami to the region, there are little or no products currently being exported from the affected area, FDA noted. Products generally travel by vessel, and the typical transit time for products to reach the US is about eight days.

FDA's import tracking system has been programmed to automatically flag all shipments of FDA-regulated

products from Japan, and the agency maintains a registry of companies that prepare, pack, manufacture, or hold food for intended consumption in the US. The agency said it will be paying special attention to shipments from those companies in the affected area.

In recent years, US dairy imports from Japan have ranged in value between \$1.6 million in 2008 to \$2.6 million last year. Dairy products imported from Japan primarily are rennet and concentrates thereof, non-alcoholic milk-based drinks, and edible ice except ice cream.

At this time, FDA said there is "no public health threat" in the US related to radiation exposure. FDA, along with other agencies, is "carefully monitoring" any possibility for distribution of radiation to the US.

According to World Health Organization (WHO), during a nuclear emergency, contamination of food can occur through uptake from soil to crops, or to animals through feed, even when levels of radioactive contamination are lower than those which might pose a direct threat to human health. The standards for acceptable limits for radioactivity in food are set at low levels in order to take into account the possibility of contaminated food being eaten over an extended period of time and resulting in a cumulative dose. r

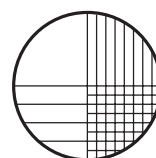
NEW 32 Inch CCX-D Cheese Shredder

Through Urschel Engineering advancements, Urschel now offers the U.S.D.A. accepted Model CCX-D Cheese Shredder with a 32 inch cutting zone enclosure option. A larger cutting zone enclosure enables an increased product flow area to promote higher throughputs.



Model CCX-D

- U.S.D.A., Dairy Division Accepted.
- Available 5 or 10 HP motor.
- Fully enclosed motor compartment.
- Swing-away feed hopper.
- 24 inch or NEW 32 inch cutting zone enclosure.
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