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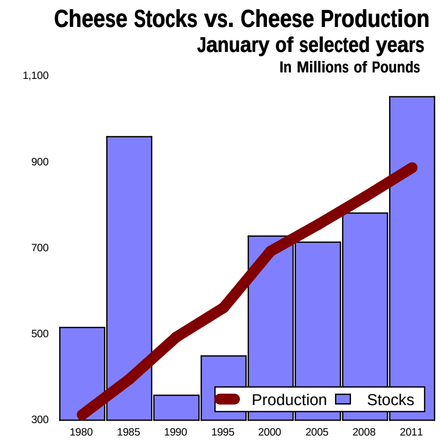

CDFA Calls June 30-July 1 Hearing On 4b, 4a Pricing Formula Changes

Proposals Would Hike Whey Portion Of 4b Formula, Alter Make Allowances, Adjusters For Cheese, Butter; Other Proposals Due June 10

Sacramento, CA—The California Department of Food and Agriculture (CDFA) on Wednesday announced that a public hearing will be held on June 30 and July 1, 2011, in the CDFA auditorium here to consider changes to the state's Class 4b and 4a pricing formulas.

Earlier this month, the CDFA received a petition from California Dairies, Inc. (CDI) to hold a hearing to raise the make allowances for butter and nonfat dry milk in the Class 4a pricing formula, and to increase the butter f.o.b. price adjuster for Class 4a.

This week, the CDFA received a petition from Land O'Lakes, Inc. (LOL) proposing to reduce the make allowance, reduce the f.o.b. adjuster for cheese, and update the whey portion of the Class 4b pricing formula.

In addition to the CDI and LOL proposals, interested parties are entitled to submit alternative proposals detailing other changes in the Class 4b and 4a pricing formulas. Alternative proposals must be received by the CDFA's Dairy Marketing Branch no later than 4:00 p.m. on Friday, June 10.

Alternative proposals should be e-mailed to: dairy@cdfa.ca.gov; or faxed to (916) 341-6697.

The current Class 4b formula contains a whey factor that values dry whey at a fixed level of 25 cents per hundredweight no matter what price that whey is trading at in the Western whey markets.

This fixed, 25-cent value "stands in stark contrast" to the federal order Class III formula that contains a whey factor that has effectively returned values in excess of $1.40 per hundredweight in recent months, LOL noted. From January through April 2011, the federal order whey formula added an average of $1.46 per hundredweight to the pay prices of dairy producers in federal order markets.

LOL said its proposed changes "would result in a more equitable sharing of whey's market value." LOL proposes that the 25-cent fixed factor remain in place when whey's market value averages 24.49 cents or lower.

When whey's market value averages 24.50 cents and above, under LOL's proposal, the whey portion of Class 4b would increase in five-cent increments, from 30 cents per hundred when the average monthly Western dry whey price is 24.50 to 25.49 cents per pound to $1.00 per hundred when the Western dry whey price is 38.50 cents per pound and above.

LOL is also proposing that the Class 4b formula be amended to the most current weighted average manufacturing cost for cheese published by the CDFA last November for the 2009 calendar year period.

According to that study, the weighted average cheese manufacturing cost in 2009 was 19.66 cents per pound, or 0.22 cents less than the current make allowance for cheese of 19.88 cents in the 4b price formula. LOL is proposing that the CDFA reduce the cheese make allowance to 19.66 cents.

LOL is also proposing that the CDFA consider changing the f.o.b. price adjuster for cheese to be consistent with the most current data

• See **Hearing On 4b, 4a,** p. 16

Cheese Importers Association Gets USDA OK As Qualified Promotion Program; Aims To Boost Promotional Programming

Washington—The Cheese Importers Association of America (CIAA) this week received designation from the US Department of Agriculture (USDA) as a qualified importer promotion program.

Under the final rule implementing the dairy import assessment, importers are permitted to form their own qualified dairy product promotion program and request certification of their program from USDA.

The CIAA-qualified program will be eligible to receive up to 2.5 cents of the 7.5-cent assessment paid by dairy importers subject to the assessment. Qualified programs may conduct promotion, education, and market and nutrition research of dairy products.

Beginning August 1, 2011, importers will be required to pay the dairy import assessment, a fee equivalent to 7.5 cents per hundredweight of cow's milk solids in imported products.

Of that 7.5-cent assessment, five cents will automatically be sent to the National Dairy Board, while importers will be able to direct USDA to send the remaining 2.5 cents to a qualified program of their choice.

Prior to the implementation of the import assessment on August 1, 2011, dairy importers will need to notify USDA that they are designating the CIAA qualified program to receive their monies.

Now that it is an eligible qualified program, the CIAA said it plans to

• See **Qualified Program,** p. 10

Saturated Fats In Dairy Products Might Not Be Harmful, Might Boost Health: Research

Providence, RI—The long-held belief that the saturated fats in dairy products are harmful to health continues to be contradicted by recent research findings.

Most recently, a published analysis of thousands of adults in Costa Rica found that their levels of dairy consumption had nothing to do statistically with their risk of a heart attack.

"Things like milk and cheese are very complex substances," commented Stella Aslibekyan, a community health graduate student at Brown University here and lead author of the study, which was published in advance online earlier this month in the journal *Nutrition, Metabolism and Cardiovascular Diseases*.

"We looked at (heart attack risk and) dairy products in their entirety and then looked at separate components of those dairy products, including fats, and it turns out that the results are null," Aslibekyan said. "Perhaps the evidence is not there."

Rather than suggesting that the saturated fats in dairy products are harmless, Aslibekyan and co-author Ana Baylin, an adjunct assistant professor of community health at Brown, hypothesize that other nutrients in dairy products are protective against heart disease, for all but perhaps the highest dairy consumption quintile in their study.

The potentially beneficial nutrients include calcium, vitamin D, potassium, magnesium and conjugated linoleic acid (CLA).

For the study, Aslibekyan and Baylin analyzed data on 3,630 middle-aged Costa Rican men and women. They split the study population between two equal groups: 1,815 "cases" who had non-fatal heart attacks and 1,815 comparable "controls" who did not. The researchers looked not only at the

• See **Dairy And Health,** p. 6

USDA Raises Dairy Export Forecast By $300 Million On Higher-Than-Expected Cheese, Butterfat Shipments, High Prices

Washington—USDA's Economic Research Service (ERS), in its quarterly *Outlook for US Agricultural Trade* report released Thursday, raised its fiscal 2011 export forecast for dairy products by $300 million due to greater-than-anticipated shipments of cheese and butterfat.

Global demand remains strong and is expected to keep international prices at relatively high levels, the report added.

For fiscal 2011 (which ends September 30, 2011), ERS is now projecting that US dairy product

• See **Export Forecast Up,** p. 4

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EDITORIAL COMMENT

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> ...saturated fat isn't nearly the dietary "villain" it has long been portrayed as. Indeed, there's even some emerging evidence that saturated fat might offer some health benefits.

Time To Stop The War On Saturated Fat

For over 30 years, the US government has been recommending that consumers cut back on their consumption of saturated fat. It's now time for the government to stop giving this wrong-headed advice.

It was way back in 1980, in the first edition of the Dietary Guidelines for Americans, that the federal government offered this advice: "Avoid too much fat, saturated fat, and cholesterol."

The advice in the 2010 edition of the Dietary Guidelines is worded differently, but the message is pretty much the same: "Consume less than 10 percent of calories from saturated fatty acids by replacing them with monounsaturated and polyunsaturated fatty acids."

Offering this advice to consumers isn't the only way the federal government pushes its anti-saturated-fat message. Just to cite one example: a proposed rule published by USDA back in January would, among other things, reduce the level of saturated fat in school meals.

The government, of course, is hardly alone in its war on saturated fat. A wide range of so-called experts has long called for consumers to limit their saturated fat intake to 10 percent of total calories.

Even the food industry is getting involved in this effort to highlight saturated fats. The Nutrition Keys front-of-pack nutrition labeling initiative, which was recently launched by the Grocery Manufacturers Association and the Food Marketing Institute, places saturated fat content right on the front of food packages, along with information about calorie, sodium and sugar content.

Both the federal government's "Nutrition Facts" label and the GMA/FMI Nutrition Keys initiative illustrate how much emphasis has been placed on the importance of saturated fat in the diet over the years.

Keeping in mind that the Nutrition Facts panel has been around since about 1994, it's noteworthy that saturated fat is located near the top of the panel — above the other "evils" such as cholesterol, trans fat, sodium and sugars, and also above the "good" nutrients, such as dietary fiber, protein, calcium and other vitamins and minerals.

As far as Nutrition Keys is concerned, well, just four basic icons are always placed on the front of food packages, and one of them is saturated fat. And this labeling initiative is one that puts an emphasis on the negatives (four are highlighted), while downplaying positives (up to two, such as calcium, are allowed).

Basically, what Nutrition Keys tells consumers is that saturated fat content is one of the four most important characteristics of a food. And this is a food industry initiative.

Frustratingly, this ongoing, and even increasing, focus on saturated fat comes at the same time more and more research is concluding that saturated fat isn't nearly the dietary "villain" it has long been portrayed as. Indeed, there's even some emerging evidence that saturated fat might offer some health benefits.

And, astonishingly, some of this research is sponsored by the very same US government that has long been telling consumers to cut back on saturated fat intake!

As reported on our front page this week, researchers from Brown University found that the dairy intake of people who had heart attacks was not statistically different than the intake of people who did not. The researchers didn't actually suggest that the saturated fats in dairy products are harmless, but hypothesized that other nutrients in dairy products are protective against heart disease.

Their research was funded with a grant from the National Institutes of Health, the US medical research agency and part of the Department of Health and Human Services.

What the research seems to be concluding, as evidenced by a number of recent study findings, is that both dairy products in general and saturated fats in particular are extremely complex. Yet the advice remains simplistically the same: reduce intake of saturated fats.

We can't help but think back to that 1980 version of the Dietary Guidelines for Americans, which advised against too much fat, saturated fat and cholesterol but didn't bother to mention trans fat. It wasn't until the 1990s and the first decade of the 21st century that the truth finally emerged about trans fat (the artificial kind): that no amount in the diet was healthful.

But despite the almost universal acceptance of the fact that no amount of trans fat is recommended (that is, consumption of the artificial trans fats, such as partially hydrogenated vegetable oils, should be as close to zero as possible), trans fat is still listed below saturated fat on the Nutrition Facts panel.

The implication is pretty obvious: that saturated fat and trans fat are equals in the world of nutrition negatives.

The issue really boils down to this: the federal government and many others have been pushing for reduced consumption of saturated fat for decades, yet health problems such as obesity continue to worsen.

We think it's time for the federal government, and everybody else, to end this longstanding war on saturated fat, because the evidence just isn't there for a convincing case against all saturated fat.

Over and over again, that's the message we're seeing when it comes to saturated fat. For example, Brown University researcher Ana Baylin concluded that "it is important to look at the net effect of whole foods and dietary patterns and not only isolated nutrients."

Science journalist Gary Taubes, who spent seven years researching his book, *Good Calories*, *Bad Calories*, questions current dietary recommendations to limit saturated fat and argues that fat, particularly saturated fat, is not to blame for heart disease or rising obesity levels.

And scientists at a recent symposium on saturated fats and health agreed on the need to reduce oversimplification when it comes to saturated fat dietary advice.

We wholeheartedly agree. It's time to end the decades-long war against saturated fat. r

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Policies That Try To Manage Price Volatility Will Limit Growth, Cut Exports: IDFA Study

Root Cause Of US Dairy Price Volatility: Global Dairy Market Price Volatility

Washington—Dairy policies and programs designed to enable dairy farms and dairy companies to manage milk price volatility are preferable to policies that attempt to insultate the US from global dairy price fluctuations, a new economic review from the International Dairy Foods Association concludes.

A Look at Dairy Market Price Volatility and Options for Dairy Policy Reform was written by Bob Yonkers, Ph.D., IDFA vice president and chief economist.

The review examines available data and published research on the proposed Dairy Market Stabilization Program (DMSP) included in the dairy policy reform package developed by NMPF.

US dairy market price volatility in recent years was not caused by domestic dairy market factors or broader domestic economic conditions, the review noted. Rather, US dairy market price changes in recent years are almost entirely due to volatility in world dairy market prices.

"Increased participation in export markets has made the US industry subject to international price swings, which bring higher prices at times and lower prices at times," IDFA's review said.

Looking at data for milk powder, the review noted that, prior to 2004, the US domestic market price was often higher than the world market price. Beginning in 2004, however, the US domestic market price for nonfat dry milk has nearly always been at or below the world market price for skim milk powder.

Since then, every time the world market price increases, the domestic market price follows, and when the world market price declines, the domestic price falls as well.

The primary reason that the US price has been lower since 2004 is that dairy importing nations are geographically closer to competitors in Europe and Oceania, so transportation costs are greater for US-sourced product. With some variation in the trends, this same pattern exists for other dairy products traded internationally as well, the review said.

Although the US dairy industry's ability to use its vast resource base to increase milk production emerged in the mid-1970s, the record growth in the past five years stemmed from increased global demand and new overseas market opportunities for US dairy products, according to the review. The US has now transitioned from a dairy importer to a dairy exporter. In addition to one key benefit, increased sales, what are the implications of this evolution?

Price volatility in the US domestic market is "inextricably tied" to price volatility in the world dairy market, the review noted.

Closer Look At FAPRI Study

A study by the Food and Agricultural Policy Research Institute (FAPRI) concluded that milk prices would have increased by $2.21 per hundredweight over the March through December 2009 period had NMPF's Dairy Market Stabilization Program been operating.

Following a request by IDFA, the authors later added a link to an appendix with data that IDFA said present a different picture.

The additional FAPRI appendix data "directly predicts that US dairy exports would have dropped significantly if the DMSP had triggered limits to farm milk production during the dates reviewed," IDFA's review said.

Study results from the appendix table show that during March through May of 2009, US exports of nonfat dry milk would have fallen by 38 percent, butter exports by 16.4 percent and American cheese exports by 8 percent.

Another "key finding" noted in the FAPRI study appendix table shows that US dairy market prices would be "much more volatile" when the DMSP would trigger actions to limit farm milk program, IDFA's review said. The DMSP, "intended to stablize prices, actually would work to destabilize them."

Dairy programs that attempt to limit price volatility by controlling milk production "clearly would have a negative impact on US dairy exports," IDFA's review stated. "And, because they manipulate domestic prices above international prices, these programs also could add to domestic milk price volatility."

There are more effective and less intrusive policy options available and in use by other industries today. Risk management widely accepted and utilized by other commodities, for example, are "underutilized" by the US dairy industry.

IDFA's review concluded that "dairy policies and programs designed to enable producers to better manage milk price volatility are preferable to policies that attempt to insulate the US from global price variation. Risk-management policies are consistent with the approach adopted by other ag sectors to expand trade and support a growing production base."

Export Forecast Up

(Continued from p. 1)

exports will reach $4.0 billion, up from the agency's February forecast of $3.7 billion.

During fiscal 2010, US dairy product exports were valued at $3.369 billion.

During the first half of fiscal 2011 (October 2010 through March 2011), US dairy exports were valued at $2.068 billion, up 49.1 percent, or $681 million, from the first half of fiscal 2010.

US dairy imports during fiscal 2011 are projected to total $2.7 billion, unchanged from the February forecast. During fiscal 2010, US dairy imports totaled $2.417 billion.

During the first half of fiscal 2011, US dairy imports were valued at $1.385 billion, up 12.0 percent, or $148 million, from the first half of fiscal 2010.

US cheese imports are projected to total $1.0 billion during fiscal 2011, unchanged from the February forecast. During fiscal 2010, cheese imports were valued at $963 million.

During the first half of fiscal 2011, cheese imports were valued at $561 million, up 7.9 percent, or $41 million, from the first half of fiscal 2010.

If these projections hold, the US during fiscal 2011 would run a dairy trade surplus of $1.3 billion, up from a dairy trade surplus of $952 million in fiscal 2010.

During the first half of fiscal 2011, the US ran a dairy trade surplus of $683 million, up from a dairy trade surplus of $150 million during the first half of fiscal 2010.

Overall, fiscal 2011 US agricultural exports are forecast at a record $137 billion, up $1.5 billion from the February forecast and 26 percent ($28.3 billion) above fiscal 2010.

Forecast 2011 US agricultural imports are forecast up $5 billion from the February forecast to a record $93 billion. Fiscal 2010 imports had totaled $79.0 billion.

With imports expected to increase faster than exports, the US agricultural trade surplus drops to $44 billion, down $3.5 billion from the February forecast but still well above the 2008 record of $35.6 billion.

The world macroeconomic outlook for 2011 supports continued trade expansion, despite the growth slowdown from 2010, ERS said. World trade volume in 2010 rose 13.6 percent, exactly offsetting the decline in 2009.

In 2011, world trade is expected to grow 6.8 percent.

Economies in Chinese and Indian have continued strong growth, bidding up commodity prices and providing direct and indirect boosts to US farm and raw material exports in both price and volume terms, ERS noted. The current credit environment supports the financing of agricultural trade.

The 2011 macroeconomic outlook is subject to uncertainty due to commodity price inflation and the European debt problem. A risk from inflation is that increases in short-term interest rates in emerging market economies may not only curb inflation, but also sharply curtail economic growth.

Slower domestic demand growth in an emerging market country could slow trade growth and further curtail world GDP growth by the end of 2011, ERS said.

As world commodity and financial markets reflect continued concern about the European debt situation, concerns about world inflation will be increasingly important in the emerging market economies of Asia and Latin America, ERS said.

Crude oil prices have fallen recently, reflecting both the diminished concern about political changes in the Middle East and slowing demand growth in China and India.

FDA Extends Comment Deadline On Nutrition Labeling Of Standard Menu Items In Restaurants

Washington—The Food and Drug Administration (FDA) this week announced that it is extending the comment period until July 5, 2011, for its proposal to provide nutrition information for standard menu items in chain restaurants and similar retail food establishments.

In the Federal Register of April 6, 2011, FDA had published a proposed rule that would require calorie labeling on menus and menu boards in chain restaurants and retail food establishments. Additional nutrition for standard menu items in a written form would have to be made available to consumers upon request (for more details, please see *FDA Proposes Rules For Calorie Labeling On Chain Restaurant Menus*, on page 1 of our April 8th issue).

The original deadline for comments on the menu labeling was June 6. FDA received several requests to extend the comment period.

The requests stated that additional time is needed to comment on the proposed rule for a number of reasons, including a need for time to assess the effect of the proposal on the industry, a desire to conduct consumer research to support comments on the proposal, and the complexities of the proposed rule.

FDA has decided that an additional 30 days will provide interested parties sufficient time to respond to the proposal. Therefore, the comment deadline has been extended to July 5, 2011.

From Our Archives

50 YEARS AGO

May 26, 1961: Washington—All Americans were urged this week by President Kennedy to join with the dairy industry in observing the 25th anniversary of June Dairy Month. "Dairy foods provide a very important share of the well-balanced diet of the American people," Kennedy said.

Chicago—A federal agency has asked authorities to seize 33 cases of Swiss cheese its says are poked full of phony holes. The cheese named in the US District Court suit was acquired by the J.S. Hoffman Co. of Chicago from the Triangle Cheese Co. of Monroe, WI, and was to have been distributed as "Hoffman's sliced Wisconsin cheese." The holes were spooned into the cheese artificially, "thereby concealing the inferiority of the product," authorities said.

25 YEARS AGO

May 30, 1986: Madison— "Grazing" defines the new eating pattern sweeping the country, according to cookbook author and cooking school instructor Marlene Sorosky. Grazing brings the concept of snacking to its ultimate level. It is a form of nibbling that can go on all day and into the evening, taking the place of one or all meals, Sorosky said.

Washington—Replacing the federal system of distributing ag commodities to schools participating in the national school lunch program with a different system which gives schools more control over which foods are purchased would likely result in increased product purchases and costs by the CCC or less use of CCC storable products such as Cheddar, butter and NDM.

10 YEARS AGO

May 25, 2001: Sacramento, CA—The CDFA this week decided not to change California's 4b (cheesemilk) pricing formula by adding a value for dry whey to the formula. The current 4b formula equals the sum of the Cheddar cheese factor plus the whey butter factor; the proposed 4b formula would have equaled the sum of the Cheddar cheese, whey butter and skim whey powder factors.

Washington—Producer and processor organizations this week touted different approaches to stem the tide of rising MPC imports into the US. Led by NMPF, more than two dozen organizations have endorsed legislation that would impose tarrifs on milk protein imports.

Cheese Stocks Should Be Viewed In Context Of Current Production, Factors Like Exports

Boston, MA—While current total cheese stocks of over 1.0 billion pounds sounds like a very large number historically, it has to be viewed in context with current historically strong cheese production and commercial disappearance numbers.

That point is the focus of an article, entitled "A Closer Look at Cheese Stocks," in the April 2011 *Market Administrator's Bulletin* for the Northeast federal milk marketing order.

A key component in discussing the current dairy market situation or projecting milk prices is an examination of the supply and demand for dairy products, and part of the supply side of the equation is stocks of dairy products, the article explained.

In its monthly *Cold Storage* report, USDA's National Agricultural Statistics Service (NASS) reports current levels of stocks for various dairy and other food products, including cheese stocks.

Notably, total cheese stocks, as reported in the *Cold Storage* report, exceeded 1.0 billion pounds in March 2010 and have remained above that mark through April 2011. The only other time cheese stocks were above 1.0 billion pounds was during a two-year period in 1983-84, the article pointed out.

At a glance, it would seem then that a very high volume of cheese stocks hangs over the market, putting downward pressure on the cheese price and thus milk prices in general.

But despite so much cheese in storage, the CME cash market 40-pound Cheddar block price has remained above $1.50 per pound since January 20, briefly rose above $2.00 per pound in early March, and hasn't been below $1.60 per pound since April 8.

Looking at total cheese stocks, production, and their relationship to each other for the month of January, from 1980 through 2011, shows the nature of their relationship over the past three decades.

When cheese stocks were last above 1.0 billion pounds, in 1983-84, the support price for milk was above $12.00 per hundredweight. Government stocks of American cheese accounted for roughly 60 percent of total cheese stocks.

There was indeed a glut of cheese in storage, relative to the size of the cheese market at that time. Stocks were 314 percent higher than total production, the article noted.

Cheese stocks diminished each year from 1984 to 1990. From 1988 on, total stocks have averaged 96 percent of total cheese production, ranging mostly between 80 and 116 percent. Stocks have averaged 104 percent of production since 2000.

These data imply that stocks have grown mostly in proportion with production, the article explained. In relative terms, 1984's 1.0 billion pounds of cheese in cold storage is not the same as today's 1.0 billion pounds in a market that is three times larger.

For the past two decades, the cheese industry has held the equivalent of a month's production in storage, the article noted. Stocks must be evaluated in relation to market size.

That being said, the percentage of cheese stocks over production in January 2011, 118.7 percent, is as large as it has been since 1987 and may be putting some downward pressure on current cheese prices—just not to the degree if may have when the cheese market was smaller, the article said.

Better characterizing those stocks as to how much total volume is committed or already sold may further help interpret the situation, but the *Cold Storage* report does not currently collect data regarding whether stocks are committed.

Also, US cheese exports have grown to about 5 percent of total production in 2011, up from about 1.5 percent five years ago and just 0.5 percent in the late 1980s.

As the export market has become a more consistent and significant demand point for United States cheese, inventory requirements to supply such a market may impact, to some degree, the level of stocks the cheese industry may hold, the article noted.

Protein From Bacteria Found In Yogurt May Alleviate Bowel Disorders

Nashville, TN—A protein isolated from bacteria found in yogurt and dairy products could offer a new, oral therapeutic option for inflammatory bowel disorders (IBD), a study led by Vanderbilt University Medical Center researcher Fang Yan suggests.

The study found that the protein, called p40, was effective as an intervention in animal models of colitis.

One type of bacteria often used in yogurt, Lactobacillus rhamnosus GG (LGG), has been used in attempts to prevent intestinal disorders such as IBD, but results using whole bacteria have been mixed.

Researchers isolated two specific proteins secreted by LGG.

Dairy And Health

(Continued from p. 1)

subjects' self-reported dairy intake, but also at measurements of dairy far biomarkers, namely 15:0 and 17:0, in their bodies.

What they found is that the dairy intake of people who had heart attacks was not statistically different than the intake of people who did not.

After breaking people into quantiles, based on their dairy consumption amount, there was no significant linear relationship between consumption and heart risk, even among the most voracious consumptions. The highest consumption quintile consumed an average of 593 grams (about 1.3 pounds) of dairy products a day.

When the researchers controlled for risk factors such as smoking, alcohol intake, and physical activity, the lack of a statistically significant association between dairy intake and heart attack risk remained.

They also tracked and adjusted the data for levels of CLA and calcium and found they may have a protective effective. Protective effects lessened in the highest quintile, however.

Baylin likened the nutritional complexity of dairy products to that of eggs, which were once a source of intense consumer concern because of their cholesterol content, but are now viewed in a more complex way because they, too, have seemingly protective nutrients.

The National Institutes of Health (NIH) funded the research.

More Saturated Fat Findings

A year ago, the University of Copenhagen hosted an international symposium on the impact of saturated fatty acids on the risk of cardiovascular disease (CVD).

Experts concluded that "single risk factors have limitations when considered on their own because the effects of diet on CVD risk are mediated by many pathways, with blood lipids being only one." When it comes to determining the correlation between CVD and food, the entire components comprised within the food matrix may be more important than concentrating solely on fatty acids content.

Gary Taubes, a correspondent for the journal *Science*, believes dietary fat, whether saturated or not, is not a cause of obesity, heart disease, or any other chronic disease.

Recent Dairy Australia research found no association between high intakes of either regular-fat or lowfat dairy products and increased risk of death from cardiovascular disease. Some researchers suggest the protective effect may be due to dairy's beneficial impact on blood pressure, but others suspect certain dairy nutrients may be the key.

"Although dairy products contain saturated fats, they are also rich in minerals such as calcium, potassium and magnesium which may have beneficial effects not only on bone health but also cardiovascular disease," said Dairy Australia dietitian Glenys Zucco.

"What we do know is dairy foods are packed full of nutrients which are not only good for bones but may also be beneficial for heart health and people should aim to have three serves a day," Zucco added.

A report of an expert consultation released last year by the UN's Food and Agriculture Organization (FAO) concluded that there are "inherent limitations" with the convention of grouping fatty acids based only on the number of double bonds (saturated fatty acids, monounsaturated fatty acids and polyunsaturated fatty acids) "insofar as describing the effects of fatty acids on human health and in developing dietary recommendations."

The expert consultation "recognized that individual fatty acids within each broad classification of fatty acids may have unique biological properties and health effects," which has relevance in making global recommendations because intakes of the individual fatty acids that make up the broad groupings will differ across regions of the world depending on the predominant food sources of total fats and oils.

A series of research articles published in last October's issue of *Lipids* provided a snapshot of recent advances in saturated fat and health research, based on science presented at the 100th American Oil Chemists' Society (AOCS) annual meeting in May 2009.

During a symposium entitled "Saturated Fats and Health: Facts and Feelings," scientists specializing in fat research analyzed the evidence between saturated fat intake and health, and agreed on the need to reduce over-simplification when it comes to saturated fat dietary advice.

"The relationship between dietary intake of fats and health is intricate, and variations in factors such as human genetics, life stage and lifestyles can lead to different responses to saturated fat intake," said J. Bruce German, professor and chemist in the department of food science and technology, University of California at Davis.

"Although diets inordinately high in fat and saturated fat are associated with increased cardiovascular disease risk in some individuals, assuming that saturated fat at any intake level is harmful is an over-simplification and not supported by scientific evidence," UC-Davis' J. Bruce German added.

Citing Softening Prices, Higher Exchange Rate, Fonterra Reveals Lower Opening Forecast Price

Wellington, New Zealand—Fonterra this week announced a 10-cents per share increase in its forecast profitability for the 2011 financial year, leading to a similar improvement in its forecast.

There is no change to Fonterra's forecast milk price. The updated forecast payout range before retentions is $8.00 to $8.10, which would be a new record for Fonterra.

At the same time, Fonterra announced a lower opening forecast payout for the 2011/12 season commencing June 1, 2011, reflecting an outlook for a higher average exchange rate and potentially moderating commodity prices.

For the new 2011/12 season and financial year, Fonterra is forecasting a milk price of $6.75 per kilogram of milk solids plus a forecast distributable profit range of 40 to 50 cents per share.

Henry van der Heyden, Fonterra's chairman, said the opening forecast for 2011/12 reflected a realistic outlook by Fonterra's board towards global dairy markets over the coming season.

"In the current season, farmers have benefited from sharply higher commodity prices due to improved world demand for dairy products. Commodity prices have been close to record levels," van der Heyden noted.

"Although current market prices and exchange rates would still yield a milk price similar to this season's, recent months have been characterized by a softening in commodity prices and continued strength in the New Zealand dollar," he continued. "As commodities are mostly sold in US dollars, a higher exchange rate hits the milk price.

"We must also be aware of the potential effect that current high commodity prices may have on dairy market dynamics, as high prices tend to encourage more supply into global markets from a number of countries," van der Heyden added.

Despite the 2011/12 forecast milk price of $6.75 per kilogram of milk solids being 10 percent lower than this season's current $7.50 forecast, it still represents Fonterra's highest opening forecast to date, van der Heyden pointed out.

The updated forecast payout range for this year combines an unchanged forecast milk price of $7.50 per kilogram of milk solids and a forecast distributable profit range of $690 to $830 million, equating to 50 to 60 cents per share.

The final payout will be confirmed when Fonterra announces its annual financial results in late September. If confirmed within the forecast range, it would represent a new record, exceeding the $7.66 (cash basis) achieved in 2007/08.

Dairy Conditions Improving In New Zealand, Australia; Fonterra Expects Record Output

Auckland, New Zealand, and Southbank, Victoria, Australia—After a difficult start to their current dairying seasons, conditions have improved considerably for the New Zealand and Australian dairy industries, recent reports indicate.

In New Zealand, Fonterra and its farmer shareholders are on track to report record production for the 2010/2011 season following some of the best fall weather conditions in recent years.

Steve Murphy, Fonterra's general manager milk supply, said that with two weeks of the season still to go, milk production was more than 4 percent ahead of the same time a year ago, when much of New Zealand was experiencing dry or drought conditions.

"Exceptionally favorable pasture growth conditions since January mean our farmer shareholders have enjoyed strong production around the country, particularly north of Taupo," Murphy said.

"This is a real turnaround from earlier in the season when many of our farmers were struggling with a cold and wet spring. This, coupled with an early December drought, depressed production levels dramatically," Murphy continued.

"It was a tough start to the season due to the northern drought. Farmers then had to cope with more drought, floods and snowstorms," Murphy explained. "But the recent excellent pasture growth has meant herds are now in good condition, which bodes well for calving and the new season's start."

The additional milk will be welcomed in the market, where supply remains tight, Murphy said.

Fonterra recorded its highest ever month for exports with 229,000 tons of its dairy products leaving New Zealand shores in March. Gary Romano, managing director of Fonterra trade and operations, said the "real driver for the export record is the ongoing strong demand from China, South East Asia and the Middle East."

Meanwhile, according to the 2011 Dairy Australia Situation and Outlook report released last week, positive economic indicators and widespread favorable seasonal conditions would appear to give many parts of the Australian dairy industry a platform for growth.

Operating conditions for most in the Australian dairy industry have improved dramatically in 2010/11 and national milk production has been maintained with a marginal gain of less than 1 percent, taking the total to 9.1 billion liters.

The Australian milk production outlook for 2011/12 is for a gain of 1 to 2 percent based on herd growth intentions, and the likely positive margins for southern producers over feed costs.

Should these intentions be realized, Australian milk production for 2011/12 would reach 9.25 billion liters. However, there may be some further upside in this forecast, should seasonal conditions continue to be favorable in most regions.

Looking further ahead, though, three-year production intentions from a 2011 survey showed a further decline in the medium-term growth expectations compared with the 2010 survey. Based on these expectations and assuming reasonable seasonal conditions and prices, milk production could range between 9.2 and 9.5 billion liters by 2013/14.

For Australia's dairy industry, the domestic market has represented a safe haven in recent years, in contrast to the more volatile international market. However, with increasing pressure on margins, manufacturers will be carefully assessing the relative returns and opportunities for growth represented by the domestic and export markets.

"While the initial cuts to private label retail dairy product margins have been absorbed by the major retailers, the dairy industry has raised concerns about the long-term impact on the profitability of the fresh milk supply chain if the discounting is continued," said Ian Halliday, Dairy Australia's managing director.

The international dairy market has enjoyed a strong price recovery in 2010/11 with the combination of good demand from the developing markets led by China and Russia and the general weakness of the US currency. This delivered higher farmgate prices to Australian farmers. But for exporters the benefits of higher commodity prices have been offset by the strong Australian dollar.

The annual report analyzed a range of factors impacting the dairy industry, and pointed to high international commodity prices, the global economic recovery and robust growth in Asia as cause for optimism.

"Overall, the industry's position has improved with steady demand growth in key markets such as China and South East Asia," Halliday said.

Despite initial concerns about the effects of the Japanese disasters and Middle East unrest on dairy consumption, the demand for imported product in those regions appears to be increasing.

The report highlights limited substitution of lower-priced vegetable oils and proteins, despite the sustained higher dairy products prices.

For more information, circle #6 on the Reader Response Card on p. 14

For more information, circle #7 on the Reader Response Card on p. 14

PERSONNEL NOTES

KEN MEYERS of MCT Dairies, Inc. has been elected president of the Cheese Importers Association of America (CIAA) for the 2011-2012 term. Other CIAA officers include: Thomas Gellert, Atalanta Corporation, first vice president; Dominique Delugeau, DCI Cheese Company, second vice president; Linda Karaffa, Norseland Cheese, Inc., treasurer; and Ken Olsson, A.V. Olsson Trading Co., secretary. The following CIAA directors were newly-elected to a three-year term: John Angiolillo, Icco Cheese; Roisin Hennerty, Irish Dairy Board; Phil Marfuggi, The Ambriola Co.; Carolyn Mortland, Fonterra USA; Jordan Phiebig, Galaxy Dairy Products, Inc., Mike Restivo, Finlandia/Valio USA; Philippe Surget, Lactalis Deli; Paul Schilt, Mifroma USA; Jim Robinson, Jana Foods; and Daniel Schnyder, Emmi Roth USA.

MICK GLEASON has been named director of engineering at Schneider Packaging Equipment Co., Inc., responsible for the company's engineering applications as well as research and development. Gleason started his industrial automation career in robotics. With more than 20 years of experience, he has led hardware and design engineering projects that provided systems designs for complex automation projects. Prior to joining Schneider, Gleason worked with a global provider of air defense, operations management, and data integration and distribution. Additionally, Schneider Packaging has appointed MOIRA GRIMES as its human resources manager. Grimes' experience in human resource management spans several industries, including manufacturing and production.

DEATHS

PROFESSOR DEAN OTIS CLIVER, 76, died Monday, May 16, 2011 at his home in Davis, CA. Cliver was a professor at the University of Wisconsin-Madison with the Food Research Institute from 1962 to 1995, and was a professor at the University of California-Davis from 1995 to 2008, continuing as a professor emeritus until his recent cancer diagnosis. Cliver was an expert in the area of foodborne disease and a widely published member of the worldwide scientific community.

Central WI Cheese, Buttermakers Association Supports Babcock Hall Dairy Plant Project

In the photo above are, left to right: Kim Heiman of Nasonville Dairy, Marshfield, WI, president of the Central Wisconsin Cheesemakers and Buttermakers Association (CWCBA); Barb McCarthy, University of Wisconsin Foundation; and Jim Mildbrand of Grassland Dairy Products, Greenwood, WI, secretary/treasurer of the CWCBA.

Marshfield, WI—The Central Wisconsin Cheesemakers and Buttermakers Association (CWCBA) recently gave the University of Wisconsin Foundation $7,000 for the University of Wisconsin-Madison Babcock Hall remodeling/rebuilding project.

CWCBA members have a long history of using the resources of the Wisconsin Center for Dairy Research (CDR), which is housed in Babcock Hall, to train its employees, and the Babcock Hall Dairy Plant to develop cheese varieties and improve butter quality, noted Kim Heiman of Nasonville Dairy, Marshfield, CWCBA president.

CWCBA members continue to rely on the CDR for supporting the cheese and butter industries and the buildings and infrastructure need to be up to modern cheesemaking and buttermaking standards, Heiman continued. The reputation of the Wisconsin dairy industry and the Wisconsin Master Cheesemaker program require facilities that reflect the strong tradition of leadership that Wisconsin enjoys.

Built in 1950, Babcock Hall is home to the UW-Madison food science department, as well as the CDR, and is renowned for its signature Babcock Hall ice cream. That ice cream, along with a variety of award-winning cheeses plus fluid milk and other products, is produced in the Babcock Hall Dairy Plant, the oldest university-run dairy operation in the US.

The UW Foundation has established a CDR/Dairy Plant Building Fund as plans for reconstruction of Babcock Hall's dairy production facility take shape.

FDA Seeking Info On Preventive Controls Used To Address Hazards In Food Plants

Agency Wants To Make Appropriate Best Practices On Hazards, Control Measures For Specific Industries Publicly Available

Washington—The Food and Drug Administration (FDA) this week announced the opening of a docket to obtain information about preventive controls and other practices used by facilities to identify and address hazards associated with specific types of food and specific processes.

FDA said it is establishing this docket to provide an opportunity for interested parties to provide information and share views that will inform the development of guidance on preventive controls for food facilities that manufacture, process, pack, or hold human food or animal food/feed.

The Food Safety Modernization Act, signed into law by President Obama in early January, requires the owner, operator or agent in charge of a food facility that is required to register with Food and Drug Administration to take certain actions, including to evaluate the hazards that could affect food manufactured, processed, packed, or held by the facility and to identify and implement preventive controls to significantly minimize or prevent the occurrence of such hazards.

A written plan must be prepared to describe the procedures used by the facility to comply.

FDA is required to issue guidance with respect to hazard analysis and preventive controls. Given the diversity of registered facilities and regulated foods, FDA will use guidance to assist the food and feed industries in complying with the preventive controls regulations, when finalized.

The agency said it plans to leverage, where appropriate, the best practices for hazards and controls identified by the food and feed industries for specific types of food and specific methods to manufacture, process, pack and hold food.

Representatives of the food and feed industries have told FDA the food safety information they have developed is not proprietary and have committed to sharing with the agency the best practices relating to hazards and control measures they have identified.

FDA is interested in making appropriate best practices relating to identified hazards and control measures for specific industry segments publicly available.

The agency is requesting comments that will inform the development of guidance on the following: hazard identification (biological, chemical, radiological, and physical); and control measures associated with specific types of food or specific methods of manufacturing, processing, packing, or holding food.

FDA is particularly interested in preventive controls practices that are practical for small and very small businesses to implement.

In particular, the agency said it welcomes input on any of the following general categories with respect to human food or animal food/feed:

■ Conducting a hazard analysis to determine the hazards associated with specific human food or animal food/feed and processes (e.g., the procedures used to determine potential hazards and to assess whether they are reasonably likely to occur).

■ Implementing process controls (e.g., processes employed to prevent, eliminate, or reduce to acceptable levels the occurrence of any hazards that are reasonably likely to occur).

■ Validating food/feed safety controls (e.g., information on procedures used to determine that control measures are capable of controlling the identified hazards).

■ Implementing sanitation controls (e.g., procedures and practices utilized to minimize the risk of contamination) for human food and animal food/feed.

■ Implementing supplier controls (e.g., procedures and practices used to ensure raw materials and ingredients are safe for their intended use).

■ Environmental monitoring for Salmonella and for Listeria monocytogenes for specific types of food facilities (such as ready-to-eat food facilities).

■ Microbiological and other testing used to help ensure the safety of specific human food and animal food/feed.

■ Specific biological, chemical, radiological, and physical hazards and controls for food types such as (but not limited to) milk products, ready-to-eat food, spices, and medical food.

■ Preventive control approaches and practices (e.g., for validation, supplier controls) that are practical for small and very small businesses to implement.

■ Allergen control (human food), including procedures to ensure that ingredients are accurately declared on the label, procedures to ensure the proper label is applied to the food, and procedures and practices to prevent the unintentional incorporation of a major food allergen into a food by cross contact during manufacturing, processing, and holding food.

Electronic or written comments should be submitted by August 22, 2011.

Electronic comments may be submitted at www.regulations.gov.

For more information, contact Jenny Scott, Center for Food Safety and Applied Nutrition, Food and Drug Administration, at (301) 436-2166; or Kim Young, Center for Veterinary Medicine, FDA, at (240) 276-9207. CR

In Wake Of Danisco Acquisition, DuPont Forms Two New Business Units

Wilmington, DE—After acquiring more than 92 percent of Danisco, DuPont has announced the formation of two new business units: Industrial Biosciences and Nutrition & Health.

DuPont has appointed Craig F. Binetti as the president of the new Nutrition & Health business and James C. Collins, Jr., as president of Industrial Biosciences. Richard C. Olson will assume responsibility for ongoing integration of Danisco across both new business units.

Nutrition & Health will combine Danisco Food Ingredients with DuPont's existing Nutrition & Health business to form a $3 billion specialty food ingredients and food safety business.

Binetti has led DuPont's Nutrition & Health business since 2007. He has led several businesses during his 34-year career with DuPont, including serving as chairman and CEO of Solae.

Industrial Biosciences will integrate Danisco's Genencor enzyme division with the DuPont Applied BioSciences business to create a $1 billion industrial bioscience business. CR

Qualified Program

(Continued from p. 1)

increase its promotion and education activities. Importers designating the CIAA as their qualified program will benefit from new promotions of specialty cheeses and opportunities to educate retailers and customers about imported cheeses, the CIAA said.

The CIAA intends to expand its training and public relations programs to educate its customers about specialty cheeses and how to serve them and use them in the preparation of foods and meals.

According to a USDA cost-benefit analysis of the final rule implementing the dairy promotion assessment, if importers had been assessed 7.5 cents per hundredweight, or the equivalent thereof, for imported dairy products in 2008, as specified in the final rule, it is estimated that about $4.9 million would have been paid.

That $4.9 million estimate for 2008 is based upon estimated typical milk solids contents of products imported.

Also under the final rule, two dairy importer representatives will be appointed to the National Dairy Board. USDA is seeking nominations of dairy importers to be considered for appointment to the National Dairy Board; nominations must be received on or before June 9, 2011.

Nominations may be submitted by individual dairy product importers or by organizations representing dairy importers. The CIAA does plan to submit names to USDA for nomination to the National Dairy Board.

Founded in 1948, the Cheese Importers Association of America represents the interests of companies engaged in importing and marketing in the US a wide variety of cheeses from all over the world.

About Qualified Promo Programs

Mandatory assessments collected from dairy farmers under the Dairy Production and Stabilization Act of 1983, which created the National Dairy Board, totaled $284.5 million in 2008.

That 1983 law provides that dairy farmers can direct up to 10 cents of their 15-cent per hundredweight assessment to qualified programs.

The National Dairy Board portion of the revenue from the 15-cent per hundredweight producer assessment was $95.5 million for 2008, or about 5.05 cents per hundred, and qualified programs revenue from the producer assessment was $189.0 million.

As of April 2010, there were 61 qualified programs. These include state organizations such as the CMAB, WMMB, Idaho Dairy Products Commission, Washington State Dairy Products Commission, Vermont Dairy Promotion Council and Oregon Dairy Products Commission; as well as regional organizations such as the Midwest Dairy Association, New England Dairy Promotion Board and Western Dairy Association; as well as other organizations. CR

Weighted Average Hauling Assessment On Mideast Order Was 50.2 Cents Per Hundredweight In May 2010

Brunswick, OH—The weighted average hauling assessment per hundredweight on the Mideast federal milk marketing order in May 2010 was 50.20 cents, 2.5 cents higher than May 2009.

The marketwide May 2010 weighted average hauling assessment was $4,400.01, $169.96 more than May 2009.

Those were among the findings of a *May 2010 Transportation Analysis*, recently released by the Mideast market administrator's office.

The study analysed the hauling assessments paid by milk producers and the delivery distance to the first delivery point of milk marketed by producers pooling on the Mideast marketing area.

Hauling assessments represent the transportation costs incurred by the milk producer when transporting raw milk from the farm. Many of the observed assessments likely include stop charges incurred by the milk producer; stop charges are a function of farm pickups and do not represent farm-to-plant transportation expenses.

The hauling assessments appearing on producer payrolls do not necessarily reflect the total costs of farm pickup and delivery to the plant.

For this study, delivery distances were approximated using the shortest hard surface highway distance from the county seat of the applicable producer to the actual location of the receiving plant. No attempt was made to account for milk reloads or to estimate milk assembly miles, which are miles traveled to collect the raw milk.

There were 5,672 producers included in this analysis and they represent a geographical region that includes Illinois, Indiana, Kentucky, Maryland, Michigan, New York, Ohio, Pennsylvania, West Virgina and Wisconsin.

Producers included in the study marketed approximately 1.24 billion pounds of milk in May 2010, and the average delivery volume was 218,910 pounds. During May 2010, total hauling assessments paid by producers included in the analysis was approximately $6.2 million.

The weighted average delivery distance in May 2010 was 105.0 miles, 2.3 miles greater than the May 2009 weighted average. The weighted average mileage rate factor (MRF) was 1.45 cents per hundredweight per mile, marginally lower than May 2009.

Looking at the impact producer size has on hauling assessments and delivery distance, the analysis found that weighted average hauling assessments ranged from $222.45 for the smallest producers to $7,182.25 for the largest producers.

Weighted average hauling assessments per hundredweight ranged from $1.11 per hundred for the smallest producers to 38.95 cents per hundred for the largest producers.

That decline in per hundredweight assessments as delivery volume increases indicates the presence of diminishing marginal costs in milk transportation, the analysis noted.

Weighted average MRF ranged from 4.53 cents per hundredweight per mile for the smallest producers to 0.83 cents per hundred per mile for the largest producers.

Weighted average hauling assessments per hundredweight ranged from 15 cents for Wisconsin producers to $1.05 for producers in Maryland. Weighted average MRF ranged from a low of 0.91 cents per hundredweight per mile for Michigan producers to a high of 2.89 cents per hundredweight per mile for Indiana producers. CR

California Pizza Kitchen To Be Acquired By Golden Gate Capital

Los Angeles, CA—California Pizza Kitchen, Inc. (CPK) and Golden Gate Capital this week announced that they have entered into a definitive agreement under which an affiliate of Golden Gate Capital will acquire CPK for approximately $470 million.

Founded in 1985 by Rick Rosenfield and Larry Flax, California Pizza Kitchen is a leading casual dining chain featuring a line of hearth-baked pizzas and a broad selection of pastas, salads, appetizers, soups, sandwiches and desserts.

Of the chain's 265 restaurants, 205 are company-owned and 60 operate under franchise or license agreements. These 265 CPKs are located in 32 states and 10 foreign countries.

CPK pizzas are also available to sports and entertainment fans at three Southern California venues: Dodger Stadium, Angel Stadium of Anaheim and the Staples Center. Also included in CPK's portfolio of concepts is LA Food Show Grill & Bar, which is located in Manhattan Beach, CA.

The company also has a licensing arrangement with Nestle USA to manufacture and distribute a line of California Pizza Kitchen frozen products through supermarkets and other retail outlets.

"We are very excited as we open a new chapter in the very successful history of CPK," Rosenfield and Flax stated. "Golden Gate Capital is a leading investor in the restaurant industry, with a proven track record as a value-added partner to its portfolio companies, and we believe that its significant commitment and experience in the sector will benefit all of our stakeholders." r

FDA Update: US Marshals Seize Cheese; Cheeses Recalled; Smugglers Convicted

Washington—The United States Attorney's Office, at the request of the Food and Drug Administration (FDA), filed a verified complaint earlier this month, requesting that the US Marshals seize cheese products distributed by Brunkow Cheese of Wisconsin Inc., after FDA inspections found evidence of rodent infestation.

The US District Court unsealed the case last Friday, and documents show that the US Marshals seized certain cheese products at the facility earlier last week.

Brunkow Cheese, based in Darlington, WI, manufactures, packs, labels and distributes cheese products.

The verified complaint alleges that in February 2011, FDA conducted a comprehensive inspection of the company that revealed evidence of rodent activity. A follow-up inspection in late April found that the company had taken corrective action to remedy many of the February violations, but had not resolved the rodent contamination problem.

In other regulatory developments, Atalanta Corporation, an Elizabeth, NJ-based food distributor, has recalled Nazareth Classic and Nazareth Light cheese because the product has the potential to be contaminated with Listeria monocytogenes.

Less than 70 cases of the recalled cheeses were distributed, mostly in Northeast retail stores. Recall notices were sent to all retail outlets that received the potentially affected product.

The potential for contamination was noted after routine testing by the Belgian manufacturer revealed the presence of Listeria monocytogenes in the bulk. All remaining inventory of the affected product has been quarantined and will be destroyed under FDA supervision.

Quenby Hall Blue Stilton Cheese is being recalled by Schratter Foods Incorporated, a Fairfield, NJ-based food distributor, because the product has the potential to be contaminated with Listeria monocytogenes. The recalled Quenby Hall Blue Stilton Cheese was distributed nationwide in retail stores.

The potential for contamination was noted after routine testing by the company revealed the presence of Listeria monocytogenes in the bulk.

The distribution of the product has been suspended while FDA and the company continue to investigate the source of the problem.

Finally, federal officials recently announced the convictions of defendants Yuri Izurieta and Anneri Izurieta, both of Miami, FL, and Naver Trading, Corp., a Miama-based company, on one charge of conspiracy to smuggle goods into the US and five counts of smuggling goods into the US.

According to the evidence elicited at trial, Anneri Izurieta and Yuri Izurieta operated Naver Trading, Corp., a licensed importer engaged in the importation and sale of dairy products. Over several years, the Izurietas and Naver Trading, Corp., repeatedly imported multi-ton shipments of cheese and other dairy products into the United States.

Although these dairy products were released from the port into the custody of the Izurietas and Naver Trading, Corp., the defendants were not authorized to sell and distribute the dairy products pending successful completion of an examination by FDA, according to a US Department of Justice (USDOJ) press release.

On multiple occasions, FDA discovered Salmonella, E. coli and Staphylococcus aureus in the Izurietas' dairy products while the products were on hold in the custody of Naver Trading, Corp., the press release said.

The Food and Drug Adminstration alerted the Izurietas about the contamination of their products, and required them to either destroy or re-export their dairy products under supervision.

Despite receiving these warnings, the Izurietas failed to destroy or re-export tons of contaminated cheese, the press release said.

The Izurietas even admitted selling a shipment of 4,890 kilograms of imported cheese that contained both E. coli and Staphylococcus aureus. r

COMING EVENTS

www.cheesereporter.com/events.htm

Agenda Released For 2011 IAFP Annual Meeting July 31-Aug. 3 In Milwaukee, WI

Milwaukee, WI—The International Association for Food Protection (IAFP) has released the details of its upcoming annual meeting, to be held here July 31-Aug. 3 at the Frontier Airlines Convention Center.

Sunday's opening session features Roger Cook of the New Zealand Food Safety Authority on "100 Years of Food Safety: Putting the Risk in to Take the Risk Out."

Monday's symposia will cover global food safety; environmental testing and mandatory reporting; the potential use of thresholds in risk assessment and labeling decisions; bacteriophage; and a look back at 100 years of dairying.

The afternoon sessions will focus on innovations in food defense; harnessing the latest food defense tools from federal, state and international sources; biotracing; and a historical look at 100 years of food law.

A special technical session on dairy will also take place on Monday.

Tuesday's morning symposia will provide an update on the latest foodborne disease outbreaks, and will cover food safety education for youth; how to respond to questions from the media and consumers; bacterial strain persistence and control in the industrial food processing environment; and the risks and benefits of BPA in food packaging.

The symposia will focus on the validation of enteric pathogen interventions; novel approaches for the characterization of foodborne pathogens; safety risk ranking for prioritization; energy-based antimicrobial intervention techniques; initiatives to advance food safety in China and Africa; and details on the Sanitary Transportation Act.

Special roundtable discussions will cover the long-term health outcomes of foodborne disease, and responding to the 2009 Codex Guidelines for Listeria monocytogenes in ready-to-eat foods.

The final day of the meeting will begin with sessions on approaches to improve food safety; the perils of raw milk consumption; the ongoing battle over raw milk cheese; the microbiological safety of dry spices; and water contamination awareness.

The afternoon symposia will cover dry processing operations; encouraging food safety behavior in food operations; and what's in store for the food safety industry in the next 100 years.

The program will conclude with a lecture by Jorgen Schlundt, director of Denmark's National Food Institute, on reducing the foodborne disease burden, focusing on risk assessment, food safety objectives and analytical needs.

Cost to attend the meeting is $455 for IAFP members and $680 for non-members if registrations are received by June 30, 2011.

IAFP will charge additional fees for some of this year's special events. Cost to attend is 100-year celebration is $55 per person.

The awards banquet is $55 per person, and the IAFP Foundation Golf Tournament on Saturday at the Silver Springs Golf Course is $195 per person. To register online, visit www.foodprotection.org.

Online Exhibit Reservations Begin June 1 For 2012 International Cheese Technology Expo

Milwaukee, WI—To help accommodate more attendees and exhibitors than ever, the 2012 ICTE will move from Madison to the larger, more modern Frontier Airlines Center here.

Co-hosted by the Wisconsin Cheese Makers Association (WCMA) and the Wisconsin Center for Dairy Research (CDR), the expo will take place April 10-12, 2012.

The new venue will feature a larger, more open exhibit floor with 25 percent more booths – the largest cheese expo in the world.

It will also feature high-tech seminar and ballroom space for expanded networking and dining; hotel accomodations within walking distance of the Center; and fine dining, recreation and transportation options.

WCMA will open the exhibit floor for online sales on June 1. Previous exhibitors are encouraged to sign up before July 14 to receive priority booth placement.

For more information, visit www.cheeseexpo.org or contact WCMA's Judy Keller at (608) 828-4550 or via email: jkeller@wischeesemakers.org.

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WANTED: Used Artisan Cheese Making Equipment. 50-200 gallon Vat Pasteurizers. Small Make Vats. Don't let your old equipment sit there doing nothing! See us at www.bobwhitesystems.com. Call 802 763-2777 or email Tim@bobwhitesystems.com

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WANTED TO BUY: Westfalia or Alfa-Laval separators. Large or small. Old or new. Top dollar paid. Call **Great Lakes Separators** at (920) 863-3306 or e-mail drlambert@dialez.net.

3. Supplies

4. Walls, Flooring

EXTRUTECH PLASTICS Sanitary POLY BOARD© panels provide bright white, non-porous, easily cleanable surfaces, perfect for non-food contact applications. CFIA and USDA accepted and Class A for smoke and flame. Call **EPI at 888-818-0118.**

5. Real Estate For Sale

USDA CHEESE PLANT FOR SALE-SAN DIEGO, CA. 73,000 square feet, built in 2007. 3000 amp/480 v power waste water treatment. 10" chemical/hot water sewer line. High pressure gas line. Freezer/Cooler. Please contact: Linda Greenberg, (858) 677-5343; or email: linda.greenberg@colliers.com

7. Positions Wanted

PROMOTE YOURSELF - By contacting Tom Sloan & Associates. Job enhancement thru results oriented professionals. We place cheese makers, production, technical, maintenance, engineering and sales management people. Contact Dairy Specialist David Sloan, Tom Sloan or Terri Sherman. **Tom Sloan & Associates, Inc.** PO Box 50, Watertown, WI 53094. Call: (920) 261-8890 or FAX: (920) 261-6357; or email: tsloan@tsloan.com.

8. Consultants

Advertise here. Call Cheese Reporter at 608-246-8430; or email info@cheesereporter.com for more information.

9. Contract Services

"CUSTOM 6" DELI HORN production and conversion services available - your milk or ours. **Harmony Specialty Dairy**, www.harmonyho.com; ralph@harmonyspecialty.com or call (715) 687-4236.

10. Dairy Products For Sale

DAIRY PRODUCTS MARKETING: Cheese sales specialists in all types of cheese. Visit our **NEW** website: www.dairyproductsmarketing.com and call (920) 921-9449

12. Warehousing Facilities

REFRIGERATED WAREHOUSING AVAILABLE: Cooler-Frozen Dry. Located off major 4-lane highway. Flexible shipping, receiving hours. Contact: **Mid-Wisconsin Warehousing**, Beaver Dam, WI; (800) 336-7249 Ext. 140, Willie. Or cell phone: (920) 948-4741.

13. Reconditioning Services

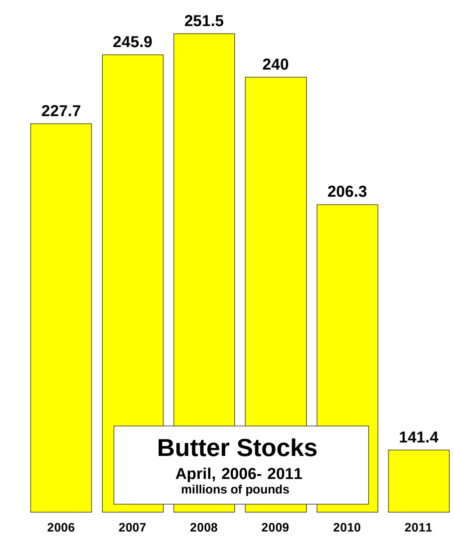
Advertise here. Call 608-246-8430 for information.

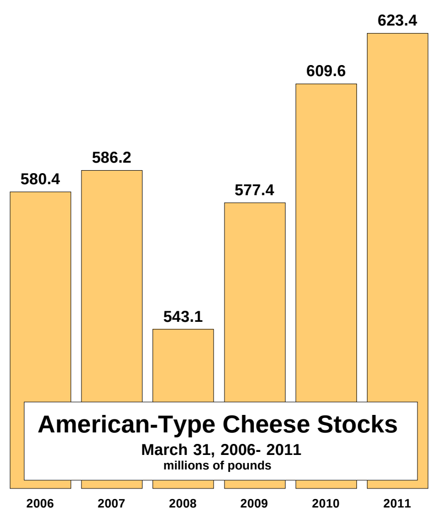
Dairy Product Stocks in Cold Storage

TOTAL STOCKS AS REPORTED BY USDA

(in thousands of pounds unless indicated)

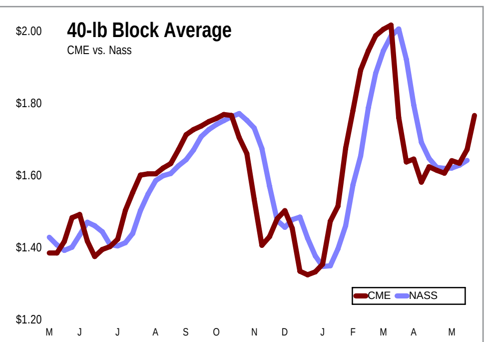
Commodity	All Warehouses Stocks			Percent of		Public Warehouse Stocks
	April 30 2010	March 31 2010	April 30 2011	April 30 2010	March 31 2010	April 30 2011
Butter total	206,291	144,244	141,382	69	98	114,279
Natural Cheese						
American, Total	609,588	610,635	623,368	102	102	
Swiss	26,760	32,557	31,152	116	96	
Other Natural	382,266	385,716	386,482	101	100	
Total Cheese	**1,018,614**	**1,028,908**	**1,041,002**	**102**	**101**	**633,122**





DAIRY PRODUCT PRICES

May 27—NASS,USDA. Prices included are provided each week by manufacturers. Prices collected are for the (wholesale) point of sale for natural, unaged Cheddar; boxes of butter meeting USDA standards; Extra Grade edible dry whey; and Extra Grade and USPH Grade A nonfortified NFDM. A transaction is complete when the product is "shipped out" and title transfers. •Revised



Style and Region	May 21	WEEK ENDING May 14	May 7	April 30
40-Pound Blocks				
Average Price		**Dollars/Pound**		
MN/WI	1.7107	1.6986	1.6858	1.7061
Other States	1.6314	1.6213	1.6111	1.6084•
US	1.6393	1.6262	1.6182	1.61735•**Sales**
Volume		**Pounds**		
MN/WI	1,115,144	706,450	1,047,041	1,024,637
Other States	10,065,635	10,522,496	10,058,356	9,957,053•
US	11,180,779	11,228,946	11,105,397	10,981,690•
500-Pound Barrels				
Average Price		**Dollars/Pound**		
MN/WI	1.7604	1.7356	1.7032	1.7109
Other States	1.7508	1.7327	1.6952	1.7067
US	1.7551	1.7339	1.6991	1.7084
Price Adj. to 38% Moisture		**Dollars/Pounds**		
MN/WI	1.6811	1.6608	1.6290	1.6337
Other States	1.6575	1.6410	1.6091	1.6152
US	1.6680	1.6493	1.6187	1.6225
Sales Volume		**Pounds**		
MN/WI	4,356,513	3,867,471	4,987,474	3,561,549
Other States	5,398,244	5,313,209	5,236,790	5,349,112
US	9,754,757	9,180,680	10,224,264	8,910,661
Moisture Content		**Percent**		
MN/WI	35.08	35.21	35.17	35.07
Other States	34.51	34.53	34.68	34.49
US	34.76	34.82	34.92	34.72
Butter				
Average Price		**Dollars/Pound**		
US	1.9951	2.0806•	2.0227•	2.00788•
Sales Volume		**Pounds**		
US	5,439,653	4,426,334•	6,335,894•	4,139,643•
Nonfat Dry Milk				
Average Price		**Dollars/Pound**		
US	1.6171	1.6141•	1.6000	1.5987
Sales Volume		**Pounds**		
US	19,298,445	19,866,694•	21,907,716	11,926,717•
Dry Whey Prices				
Average Price		**Dollars/Pounds**		
US	0.5046	0.4936	0.4891	0.4764
Sales Volume		**Pounds**		
US	8,607,769	12,343,130•	10,592,279	11,101,179

CHEESE REPORTER
READER RESPONSE CARD
(Print Your Name and Address Clearly Below)

For information about the advertisements or new product information, circle the number below which corresponds to the ad or article in which you are interested.

Issue Date: 5/27/11

Name ___________________________
Title ___________________________
Company ___________________________
Address ___________________________
City/St/Zip ___________________________
E-Mail ___________________________
Phone/FAX ___________________________

1	2	3	4	5	6	7
8	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
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94	95	96	97	98	99	100
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108	109	110	111	112	113	114
115	116	117	118	119	120	121
122	123	124	125	126	127	128
129	130	131	132	133	134	135
136	137	138	139	140	141	142
143	144	145	146	147	148	149
150	151	152	153	154	155	160

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
___Plant Personnel
___Laboratory (QC, R&D, Tech)
___Packaging
___Purchasing
___Warehouse/Distribution
___Sales/Marketing
___Other___________

PLEASE SEND ME MORE INFORMATION ON:
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___Material to advertise in Cheese Reporter
___Other___________

Circle, copy and FAX to (608) 246-8431 for prompt response

DAIRY FUTURES PRICES

SETTLING PRICE *Cash Settled

Date	Month	Class III*	Class IV*	Dry Whey*	NDM*	Butter*	Cheese*
5-20	May 11	16.38	20.10	48.950	160.250	200.000	1.6400
5-23	May 11	16.41	20.10	48.950	160.250	200.000	1.6410
5-24	May 11	16.42	20.10	48.950	160.250	201.250	1.6420
5-25	May 11	16.43	20.10	48.950	160.250	201.250	1.6420
5-26	May 11	16.44	20.10	48.950	160.250	201.250	1.6440
5-20	June 11	16.92	20.19	52.000	160.000	198.000	1.6770
5-23	June 11	16.98	20.19	51.500	160.000	198.000	1.6850
5-24	June 11	17.24	20.19	51.500	160.000	200.000	1.7050
5-25	June 11	17.42	20.19	52.000	160.000	200.000	1.7230
5-26	June 11	17.66	20.19	52.500	160.125	200.000	1.7430
5-20	July 11	17.50	20.00	53.500	159.500	199.000	1.7240
5-23	July 11	17.57	20.00	52.500	160.000	201.975	1.7380
5-24	July 11	17.74	20.18	52.500	160.000	206.750	1.7680
5-25	July 11	18.10	20.18	53.500	160.000	206.750	1.7870
5-26	July 11	18.36	20.18	54.000	160.000	206.750	1.7870
5-20	August 11	17.71	20.05	52.500	159.250	201.250	1.7480
5-23	August 11	17.79	20.05	52.500	159.250	203.500	1.7480
5-24	August 11	17.98	20.05	53.000	159.250	207.250	1.7800
5-25	August 11	18.07	20.05	53.050	159.250	207.250	1.7800
5-26	August 11	18.21	20.10	54.000	158.750	207.250	1.7900
5-20	September 11	17.36	19.70	51.500	157.000	202.000	1.7640
5-23	September 11	17.80	19.70	51.500	157.000	203.500	1.7640
5-24	September 11	17.98	19.70	52.750	157.000	207.000	1.7800
5-25	September 11	18.09	19.70	53.500	157.000	208.000	1.7860
5-26	September 11	18.20	20.09	54.000	156.000	208.500	1.7880
5-20	October 11	16.91	19.90	49.500	155.000	202.250	1.7700
5-23	October 11	17.72	19.39	49.500	154.000	205.000	1.7700
5-24	October 11	17.86	19.60	50.700	153.500	206.000	1.7930
5-25	October 11	17.86	19.60	52.000	153.500	206.000	1.7910
5-26	October 11	17.86	19.60	53.000	153.500	207.000	1.7850
5-20	November 11	16.43	19.25	49.000	150.500	199.750	1.7370
5-23	November 11	17.37	19.20	49.475	150.500	202.000	1.7370
5-24	November 11	17.50	19.20	49.475	150.000	202.250	1.7660
5-25	November 11	17.55	19.40	52.000	150.000	202.250	1.7640
5-26	November 11	17.54	19.35	52.000	150.000	203.500	1.7640
5-20	December 11	16.31	18.80	48.250	147.000	193.000	1.6990
5-23	December 11	16.96	18.80	48.250	147.000	194.000	1.6990
5-24	December 11	17.02	18.80	48.250	147.000	194.000	1.7030
5-25	December 11	17.04	18.88	50.000	147.000	195.000	1.7100
5-26	December 11	17.09	18.75	50.000	147.000	195.000	1.7100
5-20	January 12	16.20	17.75	47.250	143.500	185.000	1.6660
5-23	January 12	16.37	17.75	47.250	143.500	185.000	1.6660
5-24	January 12	16.44	17.75	47.250	143.500	185.000	1.6660
5-25	January 12	16.44	17.75	47.250	143.500	186.000	1.6660
5-26	January 12	16.55	17.75	47.500	143.500	186.000	1.6660
5-20	February 12	16.20	17.47	45.000	134.000	174.500	1.6530
5-23	February 12	16.20	17.47	45.000	134.000	174.500	1.6530
5-24	February 12	16.18	17.47	45.000	134.000	174.500	1.6530
5-25	February 12	16.29	17.47	45.000	134.000	175.500	1.6530
5-26	February 12	16.30	17.17	45.000	134.000	175.500	1.6530
5-20	March 12	16.15	17.47	44.000	132.500	174.500	1.6600
5-23	March 12	16.19	17.47	44.000	132.500	174.500	1.6600
5-24	March 12	16.16	17.47	44.000	132.500	174.500	1.6600
5-25	March 12	16.24	17.47	44.000	132.500	174.500	1.6600
5-26	March 12	16.25	17.47	44.000	132.500	174.500	1.6600
Open Interest - May 26		**35,544**	**4,235**	**1,890**	**2,372**	**3,384**	**2,205**

DAIRY PRODUCT MARKETS

AS REPORTED BY THE US DEPARTMENT OF AGRICULTURE

WHOLESALE CHEESE MARKETS

NATIONAL - MAY 20: The cheese market is firm. Both barrels and blocks firmed daily during the past week to settle at $1.7100 for barrels and $1.7075 for 40-pound blocks at week's end. CME cash cheese prices have not been this high since late March. Cheese production across the country is building seasonally as milk volumes increase. Cheese stocks are on the heavier side, but often referred to as not being burdensome. Domestic cheese sales are generally centered on contract orders. Export demand is moderate to good and is being aided by some CWT assistance.

NORTHEAST - MAY 25: In the last seven trading sessions, barrels and blocks have seen daily price increases with barrels increasing $.0975 and blocks increasing $.1175 during those seven sessions. Weekly average prices reflected the recent trading, resulting in a $.0200 increase in wholesale prices for Process 5-pound Sliced cheese, while Cheddar 40-pound block and Muenster increased $.0375. Wholesale prices for Swiss Cuts were unchanged. Cheese production continues to increase following the seasonal increase in milk production with the exception of cream cheese which has slowed production ahead of holiday plant closures. Inventories for Mozzarella and Provolone are building, as demand has declined as most colleges have concluded their spring terms. Demand for aged Cheddar remains good.

Wholesale prices, delivered, dollars per/lb:			
Cheddar 40-lb blocks:	$1.9875 - $2.2625	Process 5-lb sliced:	$1.7800 - $2.0900
Muenster:	$2.0075 - $2.2125	Swiss Cuts 10-14 lbs:	$3.6675 - $3.9900

MIDWEST AREA - MAY 25: The cheese market has been showing signs of strength on the cash cheese market, though a few traders are skeptical that supplies are really that tight and interest may be more of a speculative nature than real need. Overall, orders may be slowing for some packagers and processors as prices rise. Some solid interest was noted for barrels and good processing solids. Most packagers and processors will be down for an extra day or so for the holiday weekend, reducing bulk cheese needs. Some concern is noted from buyers that normally age cheese may have less in storage than planned. Many hard Italian cheese agers are continuing to order fresh product to have it available for sale next winter. Cheese production is about steady though some spot milk buyers are surprised by the tightness (and higher than expected holiday weekend spot milk prices) for spot milk in some areas. For many grazers or summer pasture based milk producers, conditions have generally been too wet/cold for grazing until recently. Also, sharply higher Class IV (butter/powder) prices versus Class III prices have kept milk away from cheese in some locations. Components are showing more of a seasonal decline, particularly from grazers.

Wholesale prices delivered, dollars per/lb:			
Brick/Muenster 5# Loaf:	$2.1800 - $2.3300	Process 5# Loaf:	$2.0325 - $2.2400
Monterey Jack 10#:	$2.1425 - $2.8650	Cheddar 40# Block:	$2.1700 - $2.8650
Mozzarella 5-6# (LMPS):	$2.0125 - $2.9650	Blue 5# Loaf:	$2.4975 - $2.0500
		Grade A Swiss 6-9#:	$2.9500 - $3.3550

WEST - MAY 25: Western cheese prices are higher as contract buyers continue to clear supplies. Processors are reported to be looking to acquire additional supplies where available. Cheese plants are running heavy schedules over the holiday week to clear increased milk supplies. Stocks of cheese are above year ago, with producers comfortable as to inventory levels. The higher prices are causing some export buyers to look at only immediate needs.

Wholesale prices delivered, dollars per/lb:			
Cheddar 40# Block:	$1.7975 - $2.1500	Process 5# Loaf:	$1.7975 - $2.0550
Monterey Jack 10#:	$1.9875 - $2.1475	Cheddar 10# Cuts:	$1.9775 - $2.1975
		Grade A Swiss Cuts 6 - 9#:	$3.2450 - $3.6750

FOREIGN -TYPE CHEESE - MAY 25: The weekly average block price increased, resulting in a $.0375 increase in wholesale prices for all domestic varieties. Prices for Swiss cuts and imported varieties remained unchanged. Swiss cheese production continues to increase in the Northeast along the seasonal milk production trend with a majority of current production adding to inventories.

Wholesale selling prices, delivered, dollars per/lb:	Imported	Domestic
Blue:	$2.6400-4.6900	$2.1275-3.6150
Gorgonzola:	$3.6900-6.3900	$2.6300-2.8900
Parmesan (Italy):	0	$3.2450-3.6600
Provolone (Italy)	$3.4400-6.2900	$2.1700-2.3275
Romano (Cows Milk):	0	$3.3175-5.4600
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	$3.7600-4.0825
Swiss Cuts Finnish:	$2.5900-2.8500	0

EUROPEAN DAIRY MARKETS

WESTERN EUROPE - MAY 26: Drought continues to enter into most all conversations throughout Europe. Granted, not all areas are suffering from limited moisture, but the impact elsewhere will potentially impact the more fortunate areas. At the present time, pastures remain green and lack of moisture is generally not reflective within the dairy industry, although in some areas, pastures are starting to turn yellow which is typically a trait associated with August conditions. Milk production trends have been positive for the first quarter of the year, but in past month or so, output in some areas has been sharply lower. Milk output in France is a good example of this trend. Demand for manufactured dairy products is limited to internal or domestic needs.

EASTERN EUROPE - MAY 26: Milk production in Eastern Europe is increasing seasonally. Some areas of Eastern Europe are also dealing with limited moisture. Milk producers and handlers are stating that current conditions are OK, but an extended period of limited moisture will quickly curtail milk output. As milk volumes increase, manufacturing facilities are also enhancing processing schedules. Stocks remain limited, although manufacturers and handlers are indicating that volumes are building and stocks are available for current use and will be available for future needs. At this time, sales activity is minimal and centered around an internal European market. International sales activity is slow. Domestic animal feed buyers are also less active at this time.

MILK EQUIVALENT, MILKFAT & SKIM SOLIDS

	Milkfat* Basis	Skim** Solids		Milkfat* Basis	Skim** Solids
Week of May 23 - May 27, 2011	0.0	0.0	Comparable period in 2010	0.0	0.0
Cumulative since Oct.1, 2010	0.0	0.0	Cumulative same period last year	0.0	1.5
Cumulative Jan. 1 - May 27, 2011	0.0	0.0	Comparable Calendar year 2010	0.0	0.0

WHOLESALE BUTTER MARKETS

NATIONAL - MAY 20: Producers and handlers had mixed opinions on the strength of the cash market. Some desired that the cash price would have maintained a lower level for a longer period of time, while others indicated that prices will probably maintain a level above $2.0000 for the balance of the year. Churning activity across the country also is mixed. Some producers are taking advantage of available cream volumes and generating butter for current and future needs, while others are churning for immediate needs, not enhancing inventories, and selling surplus cream to other uses. Demand is increasing as buyers return to the marketplace as the cash price firms. Some buyers are indicating that their needs are higher at this time as they are now only returning to the marketplace following the recent holiday period.

NORTHEAST - MAY 25: In the last seven trading sessions, prices have increased $.1725. Production is increasing as cream availability increases ahead of the Memorial Day holiday. Butter makers with limited inventories are not adverse to the expected increased churning activity over the weekend as domestic demand is improving with some brokers expressing increased interest in building inventories ahead of the summer season. A stronger US dollar, compared to other currencies, has weakened export interest. Cream multiples are ranging from 122 to 134.

CENTRAL - MAY 25: The cash price is the highest thus far this year and the highest since early November 2010. The current cash price compares to $1.5375 last year at this time and $1.2650 in 2009. Producers and handlers have mixed opinions on how to proceed with their inventory strategies. Some remain hesitant to enhance inventories too much while others are speculating that current values are manageable and prices down the road will be even higher. Churning activity is often closely aligned with current demand and inventory strategies. Cream supplies are fully sufficient to maintain desired plant capacities, but Class II operations are increasing their cream needs, especially for ice cream output. Butter producers are anticipating that cream offerings will increase by the end of the week as Class II operations reduce production schedules in observance of the Memorial Day weekend. Most will be very selective in procuring additional offerings with price being a significant factor. Orders, especially foodservice, during the past few weeks have been heavier as summer resort and vacation areas of the Midwest prepare for the unofficial opening of the summer vacation season this upcoming weekend. Retail orders are steady with no significant feature activity slated for the holiday weekend.

WEST - MAY 25: The butter price for Wednesday is unchanged at $2.1225. The cash price has gained $.0525 this week. Prices this week are higher on bids with no sales activity reported for the week. The western butter markets remained strong. Buyers are cautious at the current prices, while paying close attention to cold storage supplies. Most buyers are content to fill contracted needs. Production is active at butter churns as the Memorial Day holiday has Class II plants dark or operating at reduced schedules. The school year ending has added to manufacturing milk supplies. Butter inventories are reduced from year ago levels and the added production will help to shore up supplies.

DRY MILK PRICES - MAY 23 - MAY 27

Nonfat Dry Milk:

Central & East	
Low/Med. Heat:	1.6200(NC) - 1.7100(+1)
Mostly:	1.6400(NC) - 1.6800(NC)
High Heat:	1.7100(NC) - 1.8000(NC)
Western	
Low/Med. Heat:	1.5500(-1) - 1.6750(+1½)
Mostly:	1.6000(NC) - 1.6350(+1)
High Heat:	1.6400(+1) - 1.8200(NC)

Whole Milk:

National:	1.9000(NC) - 2.0000(+1)

Buttermilk Powder:

Central & East:	1.4600 (NC)- 1.6300(+1)
West:	1.4650 (-½) -1.5400(+1)
Mostly:	1.4700 (NC) - 1.5100 (NC)

California Weighted Average NFDM:

Week Ending:	Price:	Total Sales:	Sales to CCC:
May 20	$1.6077	11,158,773	0
May 13	$1.5605	13,370,309	0

NONFAT DRY MILK

CENTRAL - MAY 19: Spot load offers are steadily increasing in volume, yet are mostly confined to single digit loads versus blocks. Domestic demand as well as international demand is active. Farm milk intakes are increasing seasonally, although the flush is lagging by one to two weeks from historical timing. Condensed skim sales are active, but with a few cheese plants adjusting milk orders to accommodate lower cheese sales, condensed skim is moving to the dryers. Plants at most locations have dryer capacity to spare. NDM inventories are building gradually. Producers have yet to reach inventory levels that promote aggressive selling.

EAST - MAY 19: Strong Class II and III demand continues to pull manufacturing milk supplies away from dryers, limiting nonfat dry milk production. NDM manufacturers are becoming concerned about future milk supplies and their ability to fill future commitments. Current production is focused on filling current orders and building inventories with little available for spot market trading. Drying schedules continue to be conducive for either low or high heat production. Demand is increasing as whey and WPC purchasers consider NDM as a more available alternative product. Freight rates continue to limit eastern purchases of the more available product in the West.

ORGANIC DAIRY MARKET - OVERVIEW

ORGANIC DAIRY OVERVIEW - MAY 20: Organic dairy weekly supermarket newspaper advertising remained at a high level, the second-highest level of 2011. An increase in organic yogurt advertising to the highest level of 2011 and a sharp decrease in organic milk advertising to the second-lowest level of 2011, leaves organic yogurt ads as clearly dominant for the period. Organic yogurt in 6-ounce containers has a weighted average advertised price of 61 cents, 21 cents below two weeks ago. All ads for 5.3 ounce Greek yogurt reflected a price of $1.25. The national weighted average advertised price for half gallons of organic milk decreased 35 cents to $3.21. The national weighted average advertised price for organic gallons is $4.49, the lowest weighted average advertised price for organic gallons since fall 2009. There were no ads for organic milk in 8-ounce containers for the first time in 2011. Nevertheless, cumulative ads for 8 ounce organic milk during 2011 still leads the organic milk category, with 47.7% of organic milk ads.

WEEKLY COLD STORAGE HOLDINGS

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

DATE	BUTTER	CHEESE
5/23/11	8,419	123,061
5/01/11	7,983	127,764
Change	436	-4,703
Percent Change	5	-4

CASH PRICES - MAY 23 - MAY 27, 2011 - CME

Visit www.cheesereporter.com for daily prices

	CHEDDAR BARRELS	40-LB. BLOCKS	AA BUTTER	GRADE A NFDM	EXTRA GRADE NFDM
MONDAY May 23	$1.7125 (+¼)	$1.7125 (+½)	$2.0725 (+¼)	$1.6200 (NC)	$1.6100 (NC)
TUESDAY May 24	$1.7400 (+2¾)	$1.7400 (+2¾)	$2.1225 (+5)	$1.6250 (+½)	$1.6100 (NC)
WEDNESDAY May 25	$1.7550 (+1½)	$1.7800 (+4)	$2.1225 (NC)	$1.6400 (+1½)	$1.6100 (NC)
THURSDAY May 26	$1.7900 (+3½)	$1.7875 (+¾)	$2.1800 (+5¾)	$1.6400 (NC)	$1.6100 (NC)
FRIDAY May 27	$1.8175 (+2¾)	$1.8100 (+2¼)	$2.1800 (NC)	$1.6400 (NC)	$1.6100 (NC)
Week's AVG Change	**$1.7630 (+0.0910)**	**$1.7660 (+0.0960)**	**$2.1355 (+0.0785)**	**$1.6330 (+0.0090)**	**$1.6100 (-0.0170)**
Last Week's AVG	**$1.6720**	**$1.6700**	**$2.0570**	**$1.6240**	**$1.6270**
2010 AVG Same Week	**$1.4575**	**$1.4895**	**$1.5525**	**$1.3000**	**$1.2900**

MARKET OPINION - CHEESE REPORTER

Cheese Comment: Prices increased this week. Monday's block market activity was limited to an unfilled bid for 1 car at $1.7125, which raised the price. On Tuesday, the only block market activity was unfilled bids for 2 cars at $1.7400, which raised the price. One car of blocks was sold on a bid at $1.7800 on Wednesday, which raised the price. On Thursday, the only block market activity was an unfilled bid for 2 cars at $1.7875, which raised the price. Friday's block market activity was limited to an unfilled bid for 1 car at $1.8100, which raised the price. Barrels increased Monday on an unfilled bid for 1 car at $1.7125, rose Tuesday on an unfilled bid for 1 car at $1.7400, increased Wednesday on an unfilled bid for 1 car at $1.7550, jumped Thursday on an unfilled bid for 2 cars at $1.7900, and increased Friday on an unfilled bid for 1 car at $1.8175.

Butter comment: There were no sales on Monday; an unfilled bid for 1 car at $2.0725 raised the price. Tuesday's activity was limited to unfilled bids for 3 cars of butter at $2.1225, which raised the price. There was no market activity at all on Wednesday. On Thursday, 2 cars were sold on bids at $2.1800, which raised the price. There was no change in the butter price on Friday; activity included an offer-based sale of 1 car of butter at $2.1800, and an uncovered offer of 2 cars of at $2.1800.

Nonfat dry milk comment: The Grade A nonfat dry milk price increased this week. On Tuesday, 1 car of Grade A NDM was sold on a bid at $1.6250, which raised the price. On Wednesday, 1 car of Grade A NDM was sold on a bid at $1.6350; an unfilled bid for 1 car at $1.6400 then set the price.

WHEY MARKETS - MAY 23 - MAY 27, 2011

FOR THE PERIOD MAY 23 - MAY 27, 2011

Whey Protein Concentrate—Central and West:
Edible 34% Protein: 1.4700(+2) –1.6450(+1½) Mostly: 1.4900(+2) –1.5500(NC)

Dry Whey—Central (Edible):
Nonhygroscopic: .4700(+1) – .5300(NC) Mostly: .4750(+½) – .5200(NC)

Dry Whey–West (Edible):
Nonhygroscopic: .4925(+1¼) – .5500(NC) Mostly: .5050(+1¼) – .5375(+¼)

Dry Whey—Northeast: .4975(NC) — .5400(NC)

Lactose—Central and West:
Edible: .3600(NC) –.5600(NC) Mostly: .4300(NC) –.5100(+1)

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

Animal Feed Whey—Central: Milk Replacer: .3700(+1) –.5200(NC)

Visit www.cheesereporter.com for weekly prices

HISTORICAL MILK PRICES - CLASS III

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
'95	11.35	11.79	11.89	11.16	11.12	11.42	11.23	11.55	12.08	12.61	12.87	12.91
'96	12.73	12.59	12.70	13.09	13.77	13.92	14.49	14.94	15.37	14.13	11.61	11.34
'97	11.94	12.46	12.49	11.44	10.70	10.74	10.86	12.07	12.79	12.83	12.96	13.29
'98	13.25	13.32	12.81	12.01	10.88	13.10	14.77	14.99	15.10	16.04	16.84	17.34
'99	16.27	10.27	11.62	11.81	11.26	11.42	13.59	15.79	16.26	11.49	9.79	9.63
'00	10.05	9.54	9.54	9.41	9.37	9.46	10.66	10.13	10.76	10.02	8.57	9.37
'01	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60	11.31	11.80
'02	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
'03	9.78	9.66	9.11	9.73	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87
'04	11.61	11.89	14.49	19.66	20.58	17.68	14.85	14.04	14.72	14.16	14.89	16.14
'05	14.14	14.70	14.08	14.61	13.77	13.92	14.35	13.60	14.30	14.35	13.35	13.37
'06	13.39	12.20	11.11	10.93	10.83	11.29	10.92	11.06	12.29	12.32	12.84	13.47
'07	13.56	14.18	15.09	16.09	17.60	20.17	21.38	19.83	20.07	18.70	19.22	20.60
'08	19.32	17.03	18.00	16.76	18.18	20.25	18.24	17.32	16.82	17.06	15.51	15.28
'09	10.78	9.31	10.44	10.78	9.84	9.97	9.97	11.20	12.11	12.82	14.08	14.98
'10	14.50	14.28	12.78	12.92	13.38	13.62	13.74	15.18	16.26	16.94	15.44	13.83
'11	13.48	17.00	19.40	16.87								

Hearing On 4b, 4a

(Continued from p. 1)

reported by the CDFA last November. The CDFA reported that the difference between Cheddar cheese prices from the Chicago Mercantile Exchange and prices from audited sales of California Cheddar cheese for the 24-months period from July 2008 through June 2010 was minus 0.18 cents per pound.

LOL is proposing that the CDFA reduce the f.o.b. cheese adjuster from the current 2.52 to 0.18 cents per pound in the Class 4b formula.

CDI had requested that the make allowance for butter be raised from its current level of 15.60 cents per pound to 18.11 cents per pound, and that the make allowance for nonfat dry milk be raised from its current level of 16.98 cents per pound to 19.84 cents per pound.

CDI also wants the current f.o.b. California butter price adjuster raised from the current 3.09 cents to 4.85 cents per pound (for more details about CDI's proposal, please see *California Dairies, Inc., Seeks Hearing To Boost Make Allowances For Butter, Nonfat Dry Milk*, on page 1 of our May 13th issue).

Prior to the CDFA announcing the hearing, the California Dairy Campaign (CDC) requested that, if the hearing is granted, the scope of the hearing be expanded to include Class 4b milk as well as Class 4a.

The current Class 4b make allowance is higher than the CDFA 4b cost study and the market value of whey "is not currently reflected" in the 4b pricing formula, the CDC noted.

In addition to these proposals, CDFA's Dairy Marketing Branch is proposing to make administrative changes to the Class 4a and 4b pricing formulas to include language to implement the collection of security charges provided by the Milk Producers Security Trust Fund.

Originally, money collected for the fund came from assessments on milk in Classes 1, 2 and 3. However, in 2006 (effective January 1, 2007), the fund was modified so that assessments from all classes of milk, including Classes 4a and 4b, are collected.

To assist persons in preparing for the upcoming hearing, a public workshop will be held on Monday, June 20, at the CDFA Auditorium. At this workshop, interested persons can review and discuss all proposals submitted with CDFA staff and other interested parties.

The CDFA will supply background and limited analysis of the petitions and only those alternative proposals submitted by the June 10 deadline. r