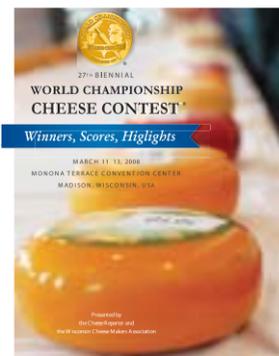




# CHEESE REPORTER

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The Official World Championship Cheese Contest Scores & Highlights Booklet

## USDA Cuts Milk Production Forecast, Raises Cheese, Milk Price Forecasts

### Higher Feed Prices Expected To Dampen Milk Output During 2008

**Washington**—In its monthly supply-demand estimates, released Wednesday, the US Department of Agriculture (USDA) reduced its forecast for 2008 milk production and boosted its forecasts for cheese, other dairy product and milk prices.

The agency reduced its forecast for 2008 milk production as growth in output per cow is forecast slower than last month. Higher feed prices are expected to dampen production during the year.

Related to that point, the projected season-average farm price for corn is raised to \$4.10 to \$4.50 per bushel compared with \$3.75 to \$4.25 per bushel last month. Record use during the first six months of the 2007/08 marketing year and prospects for smaller-than-expected production are expected to support cash and futures corn prices near current record levels through summer.

Milk production this year is now projected to total 190.0 billion pounds, down 700 million pounds from last month's forecast but still 4.4

billion pounds higher than 2007 milk production. If this latest forecast holds, it will mean US milk production will have grown by 8.2 billion pounds in just two years.

Both Class III and Class IV price forecasts for 2008 are raised from last month. Tighter supplies of milk and expected strength in both domestic and export commercial use underlie increased product price forecasts.

Cheese prices are forecast higher as supplies remain tight. USDA is now projecting that cheese prices will average \$1.7750 to \$1.8250 per pound this year, up from last month's forecast of \$1.7450 to \$1.8050 per pound and also above the record high average of \$1.7380 per pound last year.

Despite relatively heavy production and large stocks, butter prices are forecast higher as later-year supplies are expected to tighten. USDA now projects that butter prices will average \$1.3100 to \$1.3900 per pound, up from last month's forecast of \$1.2250 to \$1.3150 per pound.

Nonfat dry milk prices are forecast slightly higher as supplies tighten and export and domestic demand remains relatively firm. Nonfat dry

milk prices are now projected to average \$1.3600 to \$1.4000 per pound this year, up from last month's forecast of \$1.3500 to \$1.4000 per pound.

USDA also raised the dry whey price forecast slightly. The agency now projects that the dry whey price will average 27.5 to 30.5 cents per pound this year, up from last month's forecast of 26.5 to 29.5 cents.

These higher product price forecasts translate into a new Class III price projection for 2008 of \$16.55 to \$17.05 per hundredweight, up from last month's forecast of \$16.15 to \$16.75 per hundred but below 2007's record Class III price average of \$18.04 per hundred.

The Class IV price is now projected to average \$15.35 to \$15.95 per hundred in 2008, up from last month's forecast of \$14.95 to \$15.65 per hundred but still about \$3.00 below last year's record Class IV price average of \$18.36 per hundred.

The all milk price forecast for this year is raised to \$17.65 to \$18.15 per hundred, from last month's forecast of \$17.30 to \$17.90 per hundred. In 2007, the all milk price had averaged a record \$19.13 per hundred. •

### Cheese Production Rose 4.8% In February But Declined In California; Output Of Nonfat Dry Milk, Skim Milk Powders Jumps

**Washington**—US cheese production during February totaled 784.1 million pounds, up 4.8 percent from February 2007, the US Department of Agriculture (USDA) reported last Friday.

Adjusted for the extra day in February due to leap year, February cheese production was up 1.1 percent from February 2007.

For the first two months of 2008 (which had an extra day), cheese production totaled 1.597 billion pounds, up 1.4 percent from the first two months of 2007.

(The percentage changes that follow have not been adjusted for February's extra day.)

Regional cheese production during February, with comparisons to February 2007, was as follows: Central, 340.0 million pounds, up 9.3 percent; West, 334.6 million

• See **Cheese Output Rises**, p. 12

### Despite High Milk, Fuel Costs, Setting Aside Cheese For Aging Is 'Good Business Decision'

**Madison**—Consumer demand for premium aged cheese more than compensates for higher energy costs and premium milk prices, making the choice to set aside product for aging a "good business decision," industry experts say.

Lower interest rates take some of the pain out of curing cheese, along with the weak dollar – making domestic aged cheeses more economically attractive to customers.

However, it's not a very good economic decision to age cheese without a firm commitment, no matter where the markets are, according to Stan Dietsche, sales and procurement manager for Oshkosh Cheese Sales, Oshkosh, WI.

"But we have finally learned the one basic rule regarding an aged Cheddar program: If you don't have it, you can't sell it," Dietsche said.

Historically speaking, no one in the aged Cheddar game thought the high-cost inventories of 1998, 1999 and 2005 would ever go away,

Dietsche said.

However, the cheese did sell and now, for the most part, it's hard to find, he said. With that in mind, we will continue to set product aside for long hold, with the intent of moving a good share of it at 12 to 18 months of age.

At that level, there's good customer demand and the sell cost leaves room for everyone to get a fair return, Dietsche said.

The biggest cost is the price of milk and not getting a return on that investment for the length of aging – paying interest for 18 months, said John Fiscalini, owner of Fiscalini Farms, Modesto, CA.

Another California artisan cheese company, Cypress Grove Chevre of Arcata, agrees that all costs are increasing rapidly.

"Higher energy costs do make it more expensive to age cheese and higher milk costs make the value –

• See **Cheese Aging**, p. 10

### US Dairy Organizations, Companies Express Concern Over EU's Continued Push To Boost GI Protection In Doha Talks

**Washington**—A number of dairy and food industry organizations and companies "remain disturbed" to hear that European Union (EU) negotiators are continuing to press their demands for enhanced protections of geographical indications (GIs) in the ongoing Doha Round of trade negotiations in the World Trade Organizations (WTO).

Organizations and companies that expressed their concerns over the EU's position on GIs in a recent letter to US Trade Representative Susan Schwab included International Dairy Foods Association, National Milk Producers Federation, US Dairy Export Council, Associated Milk Producers, Inc., Dairy Farmers of America, Davisco Foods International, First District Association, Foremost Farms USA, Hilmar Cheese, Kraft Foods, Land O'Lakes, Leprino Foods, Schreiber Foods, Swiss Valley Farms, Tillamook County Creamery Association, Giuseppe's Finer Foods, Grocery Manufacturers Association, American Meat Institute, and the Wine Institute.

In 1992, the EU created systems known as PDO (Protected Designation of Origin), PGI (Protected Geographical Indication) and TSG (Traditional Speciality Guaranteed) to promote and protect food products. Over 100 different cheese products from EU countries ranging from Greece and Spain to Italy and France are protected under this system.

Peter Mandelson, the EU's trade commissioner, last year described GIs as "absolute political 'must haves'" for the EU in the Doha Round. But the US dairy industry has long opposed efforts by the EU in the Doha Round negotiations to extend to foods the GI protections that were established for wines and spirits in the Uruguay Round.

"Our industries and companies will be severely impacted financially

• See **EU GI Push Opposed**, p. 13

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## Cheese Aging

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and therefore, the cost of holding that inventory – higher,” said Mary Keehn, founder and owner, Cypress Grove Chevre.

“The increased costs, however, are proportional – if not a bit less – than the increased cost of milk,” Keehn said.

High milk prices are affecting all cheese sales – not just aged cheeses, said Jay Allison, vice president of sales and marketing, Tillamook Cheese.

“Our consumers have to make choices on the foods they purchase every day,” Allison said.

Fortunately, in spite of high milk prices and production declines throughout the US, production at

Tillamook remains strong, he continued.

“We believe if we give consumers a quality piece of cheese that consistently delivers the taste they love, they will continue to seek out Tillamook products and our volume will continue to grow,” Allison said.

### Energy Costs Factor Into Equation

Energy costs in the form of increased transportation play a significant role in the cost of cheese aging, said Rick Schlapman, national sales manager for WOW Logistics, Appleton, WI.

“In the past, a majority of the aging programs excluded the cost of transportation from the aging cost formula, and were treated as a ‘one time’ expense,” Schlapman said.

“Today, transportation costs are treated as a part of the price of cheese,” he continued.

From a storage perspective, WOW is aware of the increasing costs for heating and cooling its facilities, Schlapman said.

“We have taken steps to minimize the impact of these costs by investing in lower-cost fluorescent lighting, high efficiency door seals for our dock doors, and computer-controlled temperature monitoring,” Schlapman said.

The increased cost of energy and fuel is simply figured into the up-front charges of a set-aside program, Dietsche said.

Whether it’s reflected in higher premiums at the plant level or increased freight bills, energy cost is not a significant factor regarding whether we will continue to age cheese, he said.

Current economic factors of high milk prices and high energy costs,

combined with rising healthcare and labor costs, certainly pose significant challenges for everyone in the dairy industry, said Brad Nicholson, vice president, organizational development, Sartori Foods, Plymouth, WI.

“However, we at Sartori Foods remain very bullish on the quality and unique product characteristics that specialty aged cheese provides to a growing segment of the market,” he said.

“Developing the appropriate pricing model for the cost and risk involved in manufacturing aged cheese is a critical element for the future,” Nicholson continued.

“Energy costs are minor in the scheme of things,” Fiscalini said. “We have decided to continue doing what we do best and try to ride out the storm.”

### Cheddar, Italian Production Down

There are several factors affecting the issues of cheese aging costs and Cheddar production declines, according to Tom Clegg, vice president of sales and marketing for Kineva Foods, Green Bay, WI.

“First, the unsettled market has played a role in less Cheddar being put away for aging,” Clegg said.

“Producers are hesitant to have large inventories of ‘higher priced’ cheese in inventory with the instability of the market in recent months,” he said.

**“Developing the appropriate pricing model for the cost and risk involved in manufacturing aged cheese is a critical element for the future.”**

—Brad Nicholson,  
Sartori Foods

Secondly, there has been a more immediate need for other types of cheese, which we feel has affected the amount of cheese being put away for aging, Clegg continued.

While the overall production of both Cheddar and Italian-style cheese is down, aging cost or milk cost has had little affect, said Schlapman.

According to Stan Dietsche of Oshkosh Cheese Sales, the drop in Cheddar production could be due in part to several factors – one of which is a plant’s desire to move away from producing commodity cheese and instead focusing on products that will net a better return like specialty or hard Italian styles.

“From our spot in the bleachers, domestic production of the hard varieties seems to be on the increase,” Dietsche said. “Especially when you consider the long-term



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0.01% Accelerzyme® CPG	+	++	+	+
0.05% Accelerzyme® CPG	++	0	+	+

Table 1. Some organoleptical properties of 12-weeks old Cheddar prepared with- and without Accelerzyme® CPG

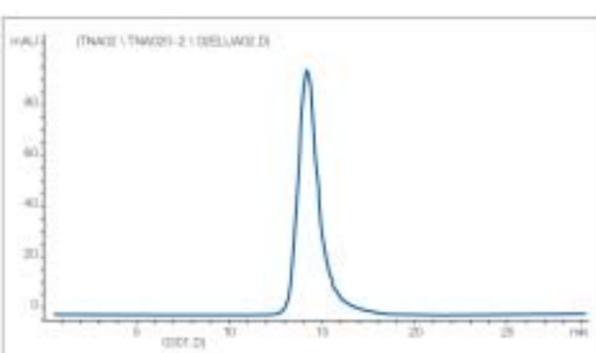


Figure 1. HPLC chromatogram of purified carboxy-peptidase enzyme in Accelerzyme® CPG

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## Cheese Aging

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availability of imports.”

Cheddar aging inventories have dropped over the past 24 months, but more as a response to the demand for dry products in the Pacific Rim, and perhaps the diversion of milk into other dairy products like yogurt, said WOW's Schlapman.

“The inventories for aging hard Italian-style cheeses has grown significantly due to several factors, including the droughts in Australia and New Zealand, and the devaluation of the dollar, which is making domestic production more cost-effective,” Schlapman said.

### Weak Dollar, Lower Interest Rates

The weak dollar will likely have a significant impact on companies that rely on imported cheese, Sartori's Nicholson said.

**“What makes it hard to stay on course is when Cheddar is going into your program green at two bucks plus. That's over \$80,000 sitting on the floor without one month into it, with the anticipated return remaining about the same and the risk being just a tad higher.”**

—Stan Dietsche,  
Oshkosh Cheese Sales

“For Sartori Foods, the high price of imported cheese should create additional market opportunities – especially for our Sartori Reserve line – which is preferred in consumer taste panels over the imported products we compete with in the market,” Nicholson continued.

Fiscalini said he doesn't see any new competitive advantages to aging cheese at this time.

“The weak dollar helps, but it helps in fresh or young cheeses, too,” he said.

The high price of imported cheeses due to currency conversion is an advantage to US producers, Cypress Grove's Mary Keehn said.

“Interest rates are lower now, but most inventory lines of credit are variable, so that must also be considered in this volatile economic market,” Keehn said.

Lower interest rates will take some of the pain out of curing cheese, and that's certainly a plus, Dietsche said.

“Long term, the increased cost of imports may not only encourage consumers to test their palates on domestic counterparts, but hopefully will increase their appetites for nice, sharp Cheddar as well,” he continued.

## GMA Seeks \$380 Million Increase In FDA's Fiscal 2009 Budget; \$150 Million Would Be For Food Safety

Washington—The Grocery Manufacturers Association (GMA) this week called for a substantial increase in the fiscal year 2009 budget of the Food and Drug Administration (FDA) to support the Center for Food Safety and Applied Nutrition (CFSAN) and related activities in the Office of Regulatory Affairs.

FDA is responsible for regulating 80 percent of the US food supply, but receives only about one-third of the federal government's food safety funding, GMA noted in a letter to members of Congress.

“This needs to change if we are to maintain our position of global leadership and assure consumer confi-

dence in the US food industry,” GMA said in the letter.

“There is a growing chorus of support for increased FDA funding,” the letter pointed out. The FDA's own Science Board recently concluded that the “scientific demands on the FDA far exceed its capacity to respond.”

In a letter to the House Energy and Commerce Committee, the Science Board recommended sustained increases for the FDA budget, starting with a \$375 million increase in fiscal 2009, of which \$128 million would be for FDA's food safety activities and an additional \$75 million would be for information technology.

“Significantly, the Senate Budget Committee recently ratified this need by taking the unusual step of including a \$375 million increase for FDA within the government's over-

all spending blueprint for FY 2009.”

GMA supports sustained increased funding for FDA's food program, which is needed for two reasons: to provide FDA's Center for Food Safety and Applied Nutrition with the necessary scientific expertise and leadership capacity to properly assess risks and make science-based regulatory decision; to increase the number of FDA inspectors and laboratory personnel in its Office of Regulatory Affairs to oversee the manufacture, distribution, and importation of food products nationwide.

Accordingly, GMA joins with the Alliance for a Stronger FDA to call for a \$380 million increase for the FDA budget in fiscal 2009, and an additional \$100 million to be directed to the modernization of the agency's “critical” information technology systems.” •

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## Cheese Aging

Continued from p. 11

It's more out of necessity that cheese be put aside for aging to meet customer needs for fall, Clegg added.

"Lower interest rates help offset some of the higher initial block costs," he continued.

### Consumer Demand For Premium Aged Cheese Continues To Grow

We feel that setting aside cheese to meet anticipated demand is still a good business decision, Dietsche said.

"What makes it hard to stay on course is when Cheddar is going into your program green at two bucks plus," he said. "That's over \$80,000 sitting on the floor without one month into it, with the anticipated return remaining about the same and the risk being just a tad higher."

**"We see domestic demand increasing as other sources of aged product become less available. There will always be a certain segment of the consumer market that demands premium aged cheese."**

—Tom Clegg, Kineva

Consumer demand for high quality, aged specialty cheese continues to grow, Nicholson said. Despite the high costs associated with aging cheese, we believe there are significant benefits to our products and that high-quality specialty cheese is what today's consumer is looking for.

"I think consumer demand for all gourmet cheeses has been rising and

should continue to rise," Fiscalini agreed. "I'm not aware of any production declines."

"The recent burst of the housing bubble may take some of those customers out of the equation, but hopefully only temporarily," he continued.

The cost of aging Cheddar is not a matter of economics – it's a way of life, Tillamook's Allison said.

Our customers expect Tillamook cheese to have consistent quality – whether it's a piece of Cheddar aged 60 days or three years, he continued.

The droughts in Australia and New Zealand – coupled with the reduction in value of the dollar – have caused more customers to focus their efforts on domestic production – particularly for hard Italian cheese, Schlapman said.

"At WOW, we have seen a change in the product mix in our storage facilities from Cheddar to domestically produced Italian cheeses," he said.

"Due to the length of the aging process for Italian cheeses, WOW is also challenged with managing the space needed to accommodate this growth," Schlapman continued. "The result has been a win-win for the customer and WOW."

Good quality aged cheese will always be in demand, according to Clegg.

"We see domestic demand increasing as other sources of aged product become less available," Clegg said. "There will always be a certain segment of the consumer market that demands premium aged cheese."

We see a much more dramatic increase in demand for aged cheese, Keehn agreed.

"The American palate has become more sophisticated and this is not likely to change," she said. •

## Whole Foods To Celebrate Parmigiano Reggiano With 'Cracking Open' Ceremonies At 270 Stores

Austin, TX—Whole Foods Market just announced it will attempt a Guinness World Record for "Most Parmigiano Reggiano Wheels Ever Cracked" at the same time at 270 Whole Foods locations worldwide.

The "cracking open" ceremonies will begin at 3 p.m. Eastern time on Saturday, April 12. Whole Foods Market cheesemongers will demonstrate the traditional method of breaking into 24-month-aged wheels of Parmigiano Reggiano in the company's cheese departments worldwide using official tools (five different knives) from Italy's Consorzio del Formaggio Parmigiano Reggiano.

The entire process of carving into and portioning each 85-pound wheel will take approximately half an hour.

"It will be the 'crack heard around the world' as we 'break open happiness' simultaneously at our 270 stores to try a feat worthy of the Guinness World Records Book," said Cathy Strange, global cheese buyer for Whole Foods Market.

Each year, Whole Foods Market cheese buyers visit the region where Parmigiano Reggiano is produced and hand select wheels based on the

best flavor profiles. They buy from just a handful of producers, who buyers know personally.

"Our chosen wheels are carefully aged and hand tended for a full two years to bring out the desirable 'pleasant fireworks' on the tongue," Strange said.

Guinness has agreed to send two "adjudicators" or official judges to attend the ceremonies in the Kensington store in the UK and the Bowery Houston store in Manhattan. To certify the official record, confirmation from each store must be received and verified.

"Guinness World Records is pleased to be a part of this monumental day in Whole Foods Market's history," said Laura Plunkett, marketing director for Guinness World Records Book.

"We are eager to receive the verification from all 270 stores and deem this a new record for the most Parmigiano Reggiano wheels ever cracked simultaneously," Plunkett said.

"From across the ocean, it gives the producers of Parmigiano Reggiano great satisfaction to know that the work of their hands and the labor of their lives is appreciated for its place of origin, its quality, and its health-giving naturalness by all the cheese specialists of Whole Foods Market," said Giuseppe Alai, President of the Consorzio del Formaggio Parmigiano-Reggiano. •

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