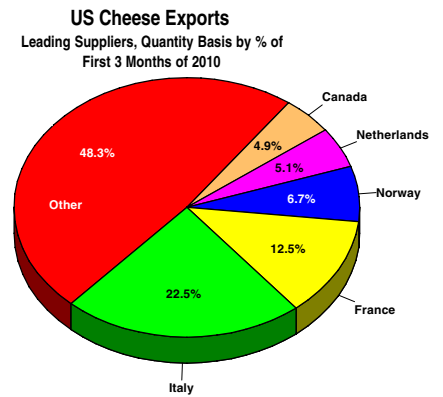




CHEESE REPORTER

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House Bill Would Establish Dairy Price Stabilization Program Featuring Allowable Milk Marketings, Access Fees, Dividends

Washington—Legislation introduced in the US House on Wednesday would establish a Dairy Price Stabilization Program in the US.

The *Dairy Price Stabilization Program Act of 2010* was introduced by US Rep. Jim Costa (D-CA), and is being co-sponsored by US Reps. Peter Welch (D-VT), Joe Courtney (D-CT), Rick Larsen (D-WA) and John B. Larson (D-CT).

Under the bill, USDA would publish a proposed order to establish a Dairy Price Stabilization Program that would apply to all dairy farms within the contiguous US that produce milk for sale commercially.

USDA would conduct a referendum among producers, and the program would only be implemented if the agency determined that it had been approved by a majority of the eligible producers voting in the referendum. Dairy cooperatives would be allowed to vote on behalf of its members, but co-op members could cast individual ballots.

If producers approved the proposed order, USDA would issue, not later than 30 days after referendum results are determined, a final order to establish the Dairy Price Stabilization Program. A referendum would also be required within three years after the program is enacted, to ascertain whether the program will be continued.

Under the program, a producer board would be appointed to advise USDA on administration of the program. The producer board would be

• See **Stabilization Program**, p. 12

Exports Rise, Imports Fall, US Runs Dairy Trade Surplus In 1st Quarter

US Also Runs Cheese Trade Surplus As Exports Increase, Imports Decline

Washington—When it comes to the US dairy trade balance, what a difference a year makes.

During the first quarter of 2009, the value of US dairy product imports was \$647.7 million and the value of US dairy exports was \$502.4 million, for a dairy trade deficit of \$145.3 million.

During the first quarter of 2010, the value of US dairy exports was \$735.0 million, up 46 percent from a year earlier; and the value of US dairy imports was \$499.4 million, down 23 percent from a year earlier.

As a result, during the first quarter of this year, the US ran a dairy trade surplus of \$235.6 million.

Just during March, the value of US dairy exports was \$290.9 million, up 71 percent from March 2009; and the value of US dairy imports was \$176.1 million, down 15 percent from March 2009. Thus, the US during March posted a dairy trade surplus of \$114.8 million.

Leading US dairy export markets during the first quarter of this year on

a value basis, with comparisons to the first quarter of last year, were: Mexico, \$171.3 million, up 28 percent; Canada, \$101.5 million, up 11 percent; China, \$49.5 million, up 98 percent; Japan, \$47.5 million, up 36 percent; the Philippines, \$36.4 million, up 89 percent; Vietnam, \$28.5 million, up 183 percent; Indonesia, \$26.3 million, up 45 percent; and South Korea, \$26.1 million, up 60 percent.

Cheese exports during the first quarter of 2010 totaled 72.3 million pounds, up 33 percent from the first quarter of 2009. The value of those cheese exports, \$137.6 million, was up 39 percent from a year earlier.

Leading destinations for US cheese exports on a volume basis during the first three months of 2010, with comparisons to the first three months of 2009, were as follows: Mexico, 21.1 million pounds, down 4 percent; South Korea, 7.7 million pounds, up 43 percent; Japan, 7.6 million pounds, up 125 percent; Canada, 5.2 million pounds, up 17 percent; and Saudi Arabia, 1.8 million pounds, up 107 percent.

Also during the first quarter of 2010, US cheese exports to Australia

totaled 1.2 million pounds, up 701 percent from a year earlier; and US cheese exports to New Zealand totaled 828,872 pounds, up from just 7,975 pounds during the first quarter of 2009.

To put those cheese exports to New Zealand in perspective, as recently as 2005, the US didn't export any cheese to New Zealand. From 2006 to 2009, US cheese exports to New Zealand reached an annual high of 285,921 pounds, in 2008.

Overall US cheese exports just during March totaled 29.6 million pounds, up 70 percent from March 2009. The value of those cheese exports, \$55.2 million, was up 80 percent from a year earlier.

Nonfat dry milk exports during the first quarter of 2010 totaled 119.2 million pounds, up 7 percent from the first quarter of 2009. The value of those nonfat dry milk exports, \$148.6 million, was up 45 percent from 2009's first quarter.

Dried whey exports during the first three months of this year totaled 125.0 million pounds, up 13 percent

• See **Dairy Trade Surplus**, p. 6

Groundbreaking Ceremony Marks Start Of SDSU Dairy Plant Renovation Project

Momentum Growing As Jackrabbit Council Spearheads Industry-Ready Plant, Training, Curriculum

With Kara Gutormson

Brookings, SD—With groundbreaking ceremonies held here last Friday, fruition is in sight for a dozen dairy manufacturing companies and private donors who have spearheaded a massive upgrade to South Dakota State University's dairy plant.

Known as the Jackrabbit Council, these industry leaders gathered here to take part in what they hope is a heavy investment in human resources by increasing the job pool of qualified supervisory-level SDSU students.

Davisco Food International and Valley Queen Cheese Factory are doing much of the leg work on behalf of the Jackrabbit Council.

"I think everyone saw a few years

ago that candidates out of school were fewer and those available weren't ready to contribute immediately to our operations," said Davisco's Jon Davis. "Come up time to train someone was about a year and a half."

There is a fee to join the Jackrabbit Council but members receive on-campus interviews and the possibility of hiring the graduating students first.

"We'll be able to lock these kids in before anyone else will be able to grab them," said Davis. "These kids will know who contributed to their success at the university level and who will provide a good lifestyle after graduation. Whether it's here in the Midwest, out in California, Idaho, Texas or wherever the members are."

The current membership includes Davisco, Valley Queen Cheese, the American Dairy Association of

• See **Jackrabbit Council**, p. 10

USDA Now Projecting 2010 Milk Production To Set New Record, 2011 Output To Jump 2.8 Billion Pounds; Demand To Push Prices Up

Washington—The US Department of Agriculture (USDA), in its monthly supply-demand estimates released Tuesday, raised its milk production forecast for this year and also projected that 2011 milk production will increase.

The report released Tuesday presented the agency's initial calendar-year 2011 projections for dairy. Projections reflect economic analysis, normal weather, trends and judgment.

Milk production for 2010 is projected higher than a month ago, and

• See **Projections For 2011**, p. 7

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Jackrabbit Council

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South Dakota/Midwest Dairy Association, Ecolab, Glanbia Foods USA, Hilmar Cheese, Jerry Lohr, The Gonzenbach Family, SA Education Foundation, SDSU and Tetra Pak CPS.

"Every day we get more interest from companies interested in becoming members of the Council," Davis said. "We encourage new members. After all, the stronger the Council, the stronger our methods."

Members of the Jackrabbit Council have set out to increase the job pool in three progressive methods:

- The design of a new dairy plant.
- Designing curriculum.
- Internships and recruitment

Top Notch Dairy Plant

Last Friday marked the first phase in a plan that was initially conceived nearly 10 years ago.

The \$9.3 million, 14-month construction project will model the SDSU plant into a facility more commonly being built in the dairy industry today.

Davis said the new facility will be a modern dairy plant with much of the technologies being used in operation today.

"Walking into the new SDSU plant will be like walking into any

new plant in the industry; they will look very similar," Davis said.

Combined with the existing facility, the new dairy plant will total 17,900 square feet.

Davis, chief operations officer at Davisco, said the dairy plant will give students a head start once they hit the industry.

"It will allow graduates to hit the ground running, and have much more of an immediate impact on our business, since they will already be technically savvy with the new innovations that we have in the industry," said Davis.

Austin Asche, a freshman dairy manufacturing student, spent 14 hours per week working at the SDSU dairy plant.

"I'm really excited just for the new dairy plant to give me a more accurate learning experience, because right now it's a little outdated compared with industry," Asche said.

He's got a point. The 30 to 50-year-old equipment, though still functioning, does not reflect what is currently used in the industry. A gap exists in what students can learn on the antiquated equipment and what's used in the industry.

Howard Bonnemann, instructor and dairy plant manager, was part of the team of SDSU faculty, Jackrabbit Council members, and engineers who determined the best options for



CELEBRATING THE GROUNDBREAKING: Many Jackrabbit Council members were in attendance on the SDSU campus in Brookings, SD, last week. From left to right in the above photo are: **Front Row:** Rich Hanson EcoLab; Mark Spence, Davisco Foods, Mark Leddy, Valley Queen Cheese; Don Marshall, SDSU. **Second Row:** Larry Gabriel, former SD secretary of agriculture; Walt Wojse, private donor, Howard Bonnemann SDSU. **Third Row:** Stan Davis and Jon Davis, Davisco Foods. **Fourth Row:** Vikram Mistry, SDSU; Ginger Hanten, ADA of SD. **Fifth Row:** Lloyd Metzger SDSU; Darwin Kurtenbach, SD Ag Dept; Mike Kruger, Midwest Dairy Council. **Sixth Row:** Trevor Clarke and Crag Linz, Tetra Pak CPS; Dave Chicoine, SDSU. **Last Row:** Neil Kucker, EcoLab; Dave Gonzenbach and Max Gonzenbach, representing the Gonzenbach Family; and Jerry Lohr, private donor.

outfitting the new plant.

"The equipment selected for the facility provides a technological leap of about 45 years, which should position us to give the students a better picture of what they will need for the industry," Bonnemann said.

Davis said he wouldn't be too surprised if some of the equipment is even more technologically newer than some of what's being used in the industry.

"That's good! We can test some of the new equipment there and potentially purchase it for our plants. It works both ways," Davis said.

The students are currently learning how to make cheese in an open 3,000-pound cheese vat, which has to be cleaned manually. The new plant will be outfitted with a Tetra Pak CPS horizontal cheese vat (HCV) and an enclosed Double-O vat, both of which will be automated and able to be cleaned-in-place.

Trevor Clarke of Tetra Pak CPS said his company's contributions will have a positive long-term affect on his company.

"It's a win-win-win for us at Tetra Pak CPS," Clarke said. "We feel good giving back to the industry by supporting the development of the kids who will potentially be responsible for continuing to develop and shape the dairy industry of the future."

"We also hope having been exposed to our equipment and cheese making technology in a purpose built scaled down training facility that they will be able to utilize their newly acquired skills and knowledge when they enter real-world manufacturing after graduation. We encourage all suppliers to get involved in this project," Clarke added.

Also arriving at the dairy plant will be an HTST pasteurization unit with a capacity of 5,000 pounds per hour, as well as a bag and bottle filler for milk. A receiving bay with a silo vestibule is also planned for the facility.

After the cheese is made, students will learn whey processing. Equipment to be added includes: a silo for pasteurized whey storage, an ultrafiltration unit, a four-stage falling film evaporator, a spray-drying system equipped with a fluid bed, and crystallization tanks for lactose manufacture.

Several key pieces of equipment will be added to update the manufacturing process of SDSU's best-selling product, ice cream. A scraped-surface freezer with a barrel capacity of 150 gallons, a blast freezer reaching a temperature of minus 40 degrees, and a much larger storage freezer will be added.

The current dairy plant allows students to learn the basic elements of processing fluid milk, ice cream, cheese, and butter.

Max Gonzenbach, representing the Gonzenbach Family, said his company has always benefitted from graduates on the university level and contributing to the Jackrabbit Council helps give back to the industry.

The most rewarding aspect of the project is "seeing a continuation of having a standout institution for dairy science, and a deepening pool of graduates to supply the need in the industry," Gonzenbach said.

Freshman dairy manufacturing majors must complete a class requiring a full semester of hands-on training in the plant. Several majors end up working in the plant throughout their college careers.

Curriculum Designed By Jackrabbit Council and SDSU

Students have always been provided the necessary education to fulfill the BS degree in dairy science. That will continue. However, Jackrabbit Council members will have a hand in the student's education which they hope will focus on specific aspects of manufacturing, rather than generic.

• See **Jackrabbit Council**, p. 13



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FDA Should Apply Same Rigor In Assessing Food Health Claims And Drug Approvals, IOM Says

Washington—The Food and Drug Administration (FDA) should apply the same rigor to evaluating the science behind claims of the health benefits of foods and nutritional supplements as it devotes to assessing medication and medical technology approvals, a new Institute of Medicine (IOM) report recommends.

There are no scientific grounds for using different standards of evidence when evaluating the health benefits of food ingredients and drugs given that both can have significant impacts on people's well-being, according to the committee that wrote the IOM report.

It recommended a new framework that FDA can use to consistently and transparently judge the appropriateness and validity of the scientific benchmarks used in studies that companies provide to support health and safety claims in their products.

Because it can be time-consuming and difficult to test products against actual clinical outcomes, such as whether they cure or reduce the risk of a disease, companies often conduct studies measuring effects on biomarkers, which are used as biological yardsticks or substitutes for clinical outcomes.

FDA has been hampered in its ability to assess the proliferation of health claims being made by food and supplement manufacturers in part because it lacks a process broadly accepted across the regulatory, food and medical communities to evaluate biomarkers as valid and appropriate measurements to substitute for clinical outcomes, the IOM committee said.

The committee's proposed three-part framework gives FDA a way to consistently and rigorously assess the selection and use of biomarkers across the food, device, and drug areas. The proposed framework entails validating that a biomarker can be accurately measured, ensuring that it is associated with the clinical outcome of concern, and confirming that it is appropriate for the proposed use.

The report calls for Congress to enhance FDA's abilities to study how health-related information can be communicated more effectively to consumers to help them better understand the science behind claims they see on packaging.

"We support the IOM conclusion that when foods or dietary supplements claim to provide drug-like benefits, they should be held to rigorous scientific standards," said Bruce Silverglade, legal affairs director for the Center for Science in the Public Interest. r

Jackrabbit Council

Continued from p. 13

"We know what is needed in real world manufacturing," Davis said. "We hope to fill any holes in the student's education before they come to our members."

Ultimately, the training program will be designed so the student will be able to run the equipment; have a BS in dairy science, and have experience in dairy plant management.

Recruiting At The High School Level Jackrabbit Council members don't feel that enough high school students consider the dairy industry when thinking about a career.

Mark Spence, midwest division manager for Davisco Foods, says that there is 100 percent placement of graduates in the dairy industry.

"We believe, once these kids come to realize that they will find a good paying job after they graduate, they will look to SDSU for a dairy science education," Spence said.

The plan is for Jackrabbit Council members to reach out to those in high schools and inform students of a career in dairy.

"Valley Queen currently employs 10 dairy science graduates, and we host interns every summer," said Mark Leddy, CEO of Valley Queen. "Because of the work ethic of the graduates, SDSU is a very important school for us to do recruiting with,"

Leddy said the company has a long-standing relationship with SDSU dairy science graduates, one which will continue to grow stronger with the modernization project.

"All of these components will enable the students to learn the fundamentals of manufacture at a commercially scalable level," Bonnemann said.

Graduate students, who currently coordinate their research trials with the plant production schedule, will reap the benefits of a research and development space. Several equipment additions in that area will also be commercially scalable, allowing the opportunity for companies to collaborate with the university on research projects.

The dairy bar sales area will be greatly increased and there will be booths and tables for customers. The current dairy bar will be converted to a 600 square foot classroom for the professors to instruct dairy students in their major courses.

In addition, the Institute for Dairy Ingredient Processing is a research component of the new dairy plant. The Institute was formed by a partnership between SDSU, the ADA of South Dakota, the Midwest Dairy Association and Dairy Management Inc.

The purpose of the Institute for Dairy Ingredient Processing is to expand the portfolio of dairy-based ingredients produced by the US for domestic and international markets.

David Chicoine, SDSU's president, said the project will benefit SDSU as well as the state to attract more students to SDSU's dairy science program.

"The renovation modernization project will strengthen the department, better serve the dairy industry through education and innovation, and add to an already national distinct program where both dairy manufacturing and dairy production are in one department," Chicoine said.

The current SDSU dairy plant dates back to 1959, when the South Dakota legislature authorized about \$800,000 in state money to build the current dairy plant building.

Vikram Mistry, professor and head of the dairy science department, called that decision insightful because similar departments at many other universities were being shut down.

"In the 50 years that have passed since this building was constructed, hundreds of students have gone through the program and, in fact, served the dairy industry of this country in ways that the designers of the building and designers of the program had never even imagined,"

Mistry said, adding his thanks to the dairy industry leaders and individuals who have supported the renovation project.

"We know what is needed in real world manufacturing. We hope to fill any holes in the student's education before they come to our members."

—Jon Davis, Davisco Foods

"I want to thank you for having faith in us and I want to thank you for showing us the direction and letting us ride on your shoulders," Mistry said. "We look forward to working with you for many, many years to come." r

An investment to the Jackrabbit Council ensures new graduates will be entering our industry fully equipped with the technical skills and education background needed to face the challenges of the future.

Contact Jon Davis, Davisco Foods for more information or to join. Jon.Davis@DaviscoFoods.com





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