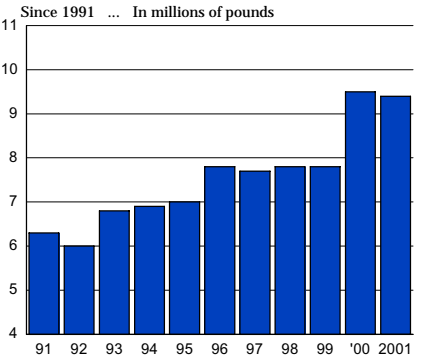




CHEESE REPORTER

Vol. 126, No. 40 • Friday, April 12, 2002 • Madison, Wisconsin

US Imports of Blue-Veined Cheese



Dairy Policy Still Undecided As Farm Bill Conferees Continue Negotiations

Washington—House and Senate members resumed negotiations this week on the new farm bill and leaders said they hoped to finish work on a compromise measure by the end of April.

It was the conference committee's first meeting on the farm bill in nearly a month. Negotiators had agreed last month on overall spending levels for a compromise bill, but talks have been stalled on a long list of issues, including dairy.

"Obviously, these are critical days," commented US Secretary of Agriculture Ann M. Veneman on Thursday.

Veneman thinks House Agriculture Committee Chairman Larry Combest (R-TX) is "absolutely committed to moving the process. He has now said he is willing to keep the conferees. He's willing to work, Friday, Saturday, Sunday through this weekend to try to get this process moving."

"We have to look to the fact that we are running out time," Veneman continued. "We need to put the differences aside, the politics aside because right now people in the country are waiting to get a result

and we in USDA need a result to implement as quickly as possible."

At the same Sparks Companies conference that Veneman made her remarks, US Sen. Pat Roberts (R-KS) said he was "extremely disappointed" with the farm bill debate and process.

"Most of our farm groups have seemed more interested in how many dollars they can get out of the bill instead of worrying about developing policies that will bring us the most benefit for the long-term future of agriculture," Roberts said.

This has been "the most partisan" of the six farm bills he has worked on, Roberts added. The Senate "decided to craft a political document with goodies for every Democrat up for re-election while completely locking Republicans out of the process."

There are "many problems" with the Senate's farm bill besides the politics that went into the legislation, Roberts continued. Specifically, he said, "we should not...create a dairy program that favors the Northeast over other regions of the country."

He was referring to the Senate farm bill's \$2 billion dairy payment

program. That bill earmarks \$500 million in direct payments for dairy producers in 12 northeastern states whenever the Class I price drops below \$16.94 per hundredweight; and \$1.5 billion for producers in other states, triggered off the quarterly difference between the five-year moving average US all-milk price and the US all-milk price for the quarter in question.

In an attempt to reach a compromise between the Senate's plan and the House farm bill, which includes no such dairy payment plan, the International Dairy Foods Association (IDFA) reported today that US Rep. Collin Peterson (D-MN), the ranking Democrat on the House dairy subcommittee, has offered an alternate plan for consideration by conferees that would be nationwide in its application.

Peterson's plan, according to IDFA, would rely on setting up production bases. Payments would be made only on the historical milk production base, not on any new production, thus creating a disincentive for expansion, IDFA said.

• See **Farm Bill Talks**, p. 22

KCCO Awards Contracts For At Least 81.6 Million Pounds Of Cheese, Seeks More Mozz, Cheddar

Kansas City, MO—USDA's Kansas City Commodity Office (KCCO) late last Friday announced the awarding of contracts for a minimum of 81.6 million pounds and a maximum of 172.4 million pounds of Mozzarella, pasteurized process American and natural American cheese for delivery between July 1, 2002 and June 30, 2003.

Specifically, KCCO awarded indefinite-delivery, indefinite-quantity contracts for a minimum of 29,473,920 and a maximum of 62,937,320 pounds of Mozzarella; a minimum of 40,471,200 and a maximum of 79,596,000 pounds of pasteurized process American cheese; and a minimum of 11,685,950 and a maximum of 29,846,250 pounds of natural American cheese.

For the Mozzarella contracts, the purchase price for each delivery month is the accepted differential price indicated plus the applicable previous month's average of the Chicago Mercantile Exchange (CME) cash market price for block cheese trading. Mozzarella contracts were awarded as follows:

- Land O'Lakes, Inc., Denmark, WI: a minimum of 8,023,680 and a maximum of 16,007,040 pounds of low moisture part skim (LMPS), unfrozen, processor pack at a differential price of \$0.0001-\$0.0300 per pound.

- Masters Gallery Foods, Plymouth, WI: a minimum of 9,031,680 and a maximum of 16,007,040 pounds of LMPS, unfrozen, processor pack, at a differential price of \$0.0250-\$0.0412 per pound.

- Lucille Farms Inc., Swanton, VT: a minimum of 403,200 and a maximum of 804,200 pounds of LMPS, unfrozen, processor pack, at a differential price of \$0.0900-\$0.0950 per pound.

- ConAgra Dairy Foods, Brookfield, WI: a minimum of 4,999,680 and a maximum of 11,975,040

• See **Cheese Contracts**, p. 16

Cheese Production Rose 1.9% In Feb. Despite Mozz Drop; Butter Output Jumps

Washington—US cheese production during February totaled 644.5 million pounds, up 1.9 percent from February 2001 but down 7.6 percent from January 2002, the US Department of Agriculture (USDA) reported last Friday.

For the first two months of this year, cheese production totaled 1.342 billion pounds, up 1.8 percent from the first two months of 2001 and almost exactly the same as production during the first two months of 2000 (which had an extra day due to leap year). Cheese production in 2000 went on to establish a new record high of 8.255 billion pounds.

Among the leading regions in cheese production during February, the West's output totaled 244.4 million pounds, up 4.8 percent from February 2001 but down 6.5 percent from January 2002; the East North Central's production totaled 195.8 million pounds, down 1.0 percent

• See **Cheese Production**, p. 40

Retail, Foodservice Demand Raises Domestic Production, Imports Of Blue-Veined Cheeses

Madison—More expansive use of Blue-veined cheese on both the retail and foodservice levels has increased domestic production and imports in recent years.

Blue-veined cheeses, which are marbled with a bluish-green mold, reveal visible mold cultures within their interiors, wrote Steven Jenkins, in his "Cheese Primer." Examples include American Maytag Blue, English Stilton, French Roquefort, Italian Gorgonzola and Spanish Cabrales.

US production of Blue-veined cheeses dates back less than a century. Researchers at the US Department of Agriculture (USDA), Iowa State University, University of Minnesota and Washington State University, among others, were instrumental in developing manufacturing methods for domestic Blue-veined cheeses.

By contrast, French Roquefort was considered a delicacy by Roman legionnaires over 2,000 years ago,

according to the Roquefort Association in New York. English Stilton, with its creamy white surface and wrinkled gray coat, originated more than 200 years ago.

Domestic Consumption, Production US consumption of Blue cheese has gained significantly in recent years. Per capita consumption of Blue cheese in 1970 was 0.15 pound; 1980, 0.17 pound; 1990, 0.17 pound; and 2000, 0.20 pound – a 33 percent increase since 1970, or roughly an 18 percent increase since 1990.

Domestic production of Blue cheese has likewise gained momentum over the past decade. In 1980, domestic production totaled 33 million pounds; 1990, 36.4 million pounds; and 1998, 43.9 million pounds. The year 1998 was the last year Blue cheese production was reported separately by USDA's

• See **Blue-Veined**, p. 34

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National Agriculture Statistics Service (NASS).

With Census Bureau population estimates coupled with Blue cheese imports and domestic production, this implies a market size of 42 million pounds in 1990, rising to 56 million pounds by 2000.

Blue Cheese Imports Increase 50%

From 1991 through 2001, imports of blue-veined cheeses increased almost 50 percent, according to the US Census Bureau and the US Department of Agriculture's (USDA) Foreign Agriculture Service (FAS).

Specifically, US imports of blue-veined cheeses increased from 6.3 million pounds in 1991 to 9.4 million pounds last year.

The key sources of blue-veined cheese imports in 2001 include: Denmark, 4.7 million pounds, up 34 percent since 1991; United Kingdom, 1.6 million pounds, up 130 percent since 1991; Germany, 1.2 million pounds, up 148 percent since 1991; France, 855,761 pounds, down 33 percent since 1991; and Italy, 565,583 pounds, up 101 percent since 1991.

Jens Kauffmann, marketing manager for Arla Foods, said the jump in import sales is primarily due to a sharp increase in retail Blue cheese

items over the past two years.

Arla, based in Denmark, imports its Rosenborg brand as well as private label Blue-veined cheeses to the US through a nationwide broker network.

Kauffmann said the company's importers/distributors sell about 70 percent of its cheese to the retail sector and 30 percent to foodservice outlets. Arla's Blue cheese is sold to both white tablecloth restaurant chains and distributors such as Sysco, Kauffmann said.

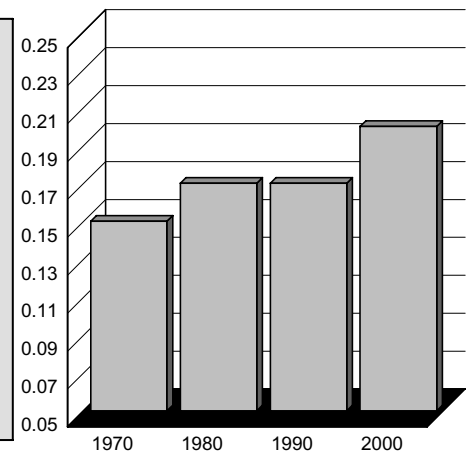
Although Arla's sliced Blue cheese is faring well in the US and listed in most major supermarkets, Kauffmann said the single largest market in America for Blue cheese is exact-weight, crumbled consumer cups.

Arla Foods is currently in the process of restructuring its production of Danish Blue cheese. Subsequently, all production will take place at Arla's dairy in Hogelund, which will undergo a substantial expansion and renovation. About 28,500 additional square feet of floorspace will be added, more than doubling its capacity from 6,000 tons to 15,000 tons annually. The project is slated for completion by summer 2004.

"Alongside a substantial increase in capacity, the Danish Blue project will result in a more flexible production structure and significantly

Per Capita Consumption of Blue Cheese

This chart shows a 33% increase since 1970, or about an 18% increase since 1990. With the Census Bureau population estimates, this implies a market size of 42 million pounds in 1990, rising to 56 million pounds by 2000.



enhanced working environment," said Jens Refslund, executive director, Arla's production division.

Another Blue-veined cheese – Stilton – is leading the imports just behind Danish Blue. Stilton is now the number two imported Blue cheese in the US, outpacing Roquefort by a two to one margin, according to the Stilton Cheese Makers Association (SCMA).

At its 2001 annual meeting in Melton Mowbray, United Kingdom, SCMA announced a substantial increase in the amount of Stilton exported to the US and abroad.

"Hard work by our exporters, distributors and retail accounts to improve the presentation and availability of Stilton has produced some outstanding results," said Nigel White, secretary to the SCMA in London.

"Our website continues to grow in popularity and promotional activity run in Manhattan by the Stilton US Information Bureau last fall generated much retailer and consumer interest," White continued.

The Stilton recipe and process, now almost 300 years old, is protected by the European Union's "Protected Designation of Origin" status, specifying the cheese may only be made from local milk from the English counties of Derbyshire, Nottinghamshire and Leicestershire.

Beyond Salad Dressings And Dips

Best known as a flavor ingredient for salad dressings and dips, Blue cheese is now regularly used in pasta dishes, omelets, crepes and soufflés, as well as a dessert paired with fresh fruit.

Chefs are increasingly using salad dressings as a flavor carrier for entrees, appetizers and sandwiches, A. Elizabeth Sloan, president of Sloan Trends & Solutions, Inc., Escondido, CA, reported in the January 2002 edition of the Institute of Food Technologists' Food Technology publication.

According to the Chain Account Menu Trendsetter Survey – a study which monitors independent restaurants and smaller chains known to originate menu trends – more than half of restaurant salad dressings are flavored vinaigrettes, followed by Caesar at 18 percent and Blue cheese at 7 percent.

The menu of the Irish Democrat Pub & Grille in Cedar Rapids, IA, has at least three entrees which use world-renowned Maytag Blue cheese, made in Newton, IA, and are named accordingly.

The restaurant features a Grilled Chicken Cobb Salad with Maytag Blue, Beef Tenderloin Encrusted with Maytag Blue cheese and of course, the Maytag Blue Burger.

"Those who recognize the name are dedicated to it," said Scott Loshbaugh, general manager. "We have loyal followers."

"This increased usage in restaurants is stimulating the retail demand for Blue, as consumers also want to experience these new tastes in their home."

Josen continued.

—Steve Josen, vice president of marketing for Saputo Cheese USA,

Loshbaugh said by using a distinguished brand of cheese instead of a generic one and promoting its use, people are more likely to choose that menu item.

"It somehow adds a little bit," he said.

Dairy trend analysts are also witnessing a growing presence of Blue cheese on menus.

"We're seeing it used a lot more in restaurants these days, from sauces to salads," said Nancy Fletcher, communications director with the California Milk Advisory Board (CMAB).

"Domestically, some of our newest cheese makers are producing Blue cheese," Fletcher said.

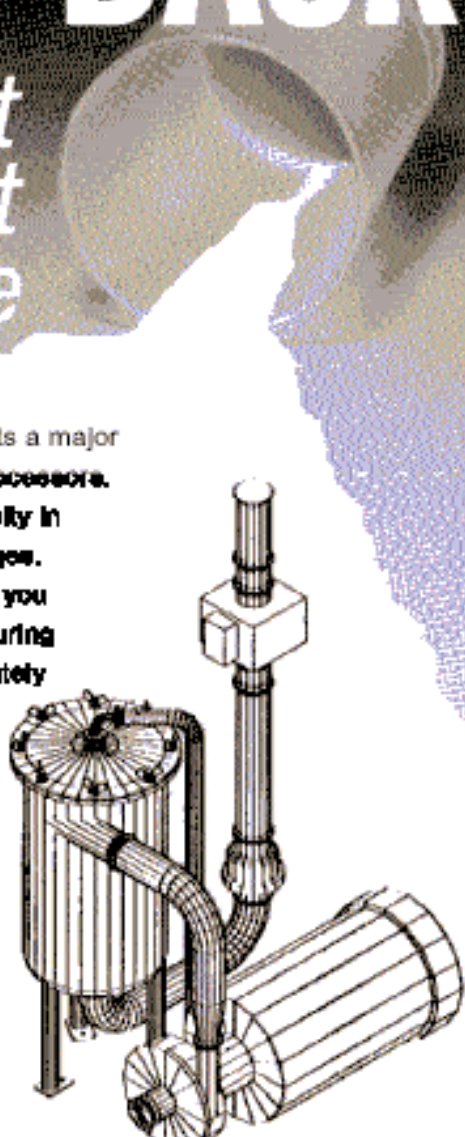
"We're certainly seeing increased demand, both at the foodservice and retail levels," she continued.

Seasoned Blue cheese producers agree. According to Steve Josen, vice president of marketing for Saputo Cheese USA, a division of Canada-based Saputo Inc. and manufacturer of Stella Blue, the trends for blue-veined cheese continue to exhibit

• See **Blue-Veined**, p.47

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solid growth potential in both the retail and foodservice markets.

"An increasing amount of food-service operators continue to include Blue cheese in their menus, by offering traditional uses such as salads topped with Blue, as well as creating new feature dishes by adding Blue to a variety of appetizers and main entrees," he said.

"This increased usage in restaurants is stimulating the retail demand for Blue, as consumers also want to experience these new tastes in their home," Josen continued.

Breaking Into Blue

Before receiving plaudits for his award-winning specialty Cheddars, Bill Boersma, owner of Bravo Farms in Visalia, CA, began thinking about breaking into the Blue cheese market.

In late 1999, the company was producing handmade medium Cheddar, which Boersma said filled the same slot as any commodity Cheddar.

"I didn't know if that was the wisest way to go," he said. "I've changed my mind since then."

Over the past three years, Bravo Farms' specialty Cheddars have prevailed in California's specialty cheese market. Still, Boersma wanted to try his hand at making Blue.

With the help of David Shultz, lead cheese maker at Bravo, the two embarked on a term of experimentation.

"We went through a lot of cream to figure out how to coagulate it," Boersma said. "We also needed to figure out what form or shape the market would accept. We used every hoop and then some that we could find."

The result is Bravo Bl'u, a triple creme Blue cheese that is between 81 and 82 percent fat. It has the texture and mouthfeel of butter, with the snap of traditional Blue cheese taste. It's definitely not a diet food, Boersma said.

The cheese is currently made in limited production. The company produced a couple thousand pounds of its Bravo Bl'u during 2000, although now that a standardized form has been completed, Boersma predicts a 10-fold increase in production this year.

It is available at select specialty groceries like Whole Foods and Bristol Farms throughout Northern and Southern California. Also, the company gained four new distributors since October and Bravo Bl'u can now be purchased in the Portland/Seattle areas.

Boersma anticipates a steady climb in the consumption of Blue cheese as American palates become more cosmopolitan.

"We're kind of out in the hinterlands of California and our culinary

expertise isn't as great as those who live in San Francisco, New York or Chicago," Boersma said. "Still, people are getting excited about it locally."

He added that the best way to promote Blue cheese is to include a quick, simple recipe on the package to encourage use. People appreciate it, he said.

Josen agreed that recipe ideas are an excellent way to increase Blue cheese sales. Saputo continues to attract customers through marketing programs, and providing usage and recipe ideas, he said.

"Additionally, Stella offers these cheeses in wheels, wedges and convenient crumbled varieties," Josen added.

Another newcomer is the Point Reyes Farmstead Cheese Company, located on the dairy farm of the Giacomini family in Point Reyes, CA. The 250-head dairy has been owned and operated by Bob Giacomini since 1959.

Managing partner and daughter Jill Giacomini said the family chose to make Blue cheese because of a long-standing love of exquisite food. "We chose to make Blue cheese out of a two-fold love of food and a love of cooking," Giacomini said. "We knew we wanted it to be a high-end table cheese - something that we could showcase."

Prior to embarking on the venture, the Giacomini family did extensive research on the manufacturing and marketing of cheese. After talking to food scientists, culinary experts and the media, their decision to make Blue cheese was reinforced.

"Blue cheese is a complicated cheese to make," Giacomini said. "It also has more market opportunities."

Artisan Blue cheese makers Monte McIntyre, former plant manager of the Maytag Blue Cheese

Company and Terry Roll, also of Maytag, joined the company on July 1, 2000.

Point Reyes Farmstead Blue cheese is marketed in high-end specialty grocery stores and fine restaurants in California's Bay Area. Recently, the company has expanded its marketing area to include southern California and the East Coast.

Seasoned Blue Cheese Makers

Settled in the hills of southwestern Wisconsin, Swiss Valley's Mindoro plant was completely renovated in 2001 to accommodate increased sales of its premium Danish-style Blue and Gorgonzola cheeses.

Swiss Valley manufactures both varieties in wheels, wedges, crumbles and cups. The company has received

In July 2000, Swiss Valley embarked on a major renovation of its Mindoro plant due to increased demand of its Blue and Gorgonzola cheeses. The project was completed last winter and the facility now produces roughly 3 million pounds of cheese annually.

Plant manager Richard Glick has been making Swiss Valley Blue cheese for the past five years and said during his tenure, the consumption of Blue-veined cheese has noticeably increased. He attributes the hike in sales to new flavors and a new understanding of Blue cheese.

Glick admitted that imports are giving domestic producers a run for their money, and companies need to put out a superior product in order to sustain a profit.

One of the most recognized domestic Blue cheeses is hand-made in the Midwest and shipped nationwide.

Each wheel of Maytag Blue is handmade from unpasteurized cow's milk. The curd is hand-seeded with *Penicillium roqueforti*, then hand-ladled into hoops, salted and aged from five to six months in cellars carved out into the hillside on the farm.

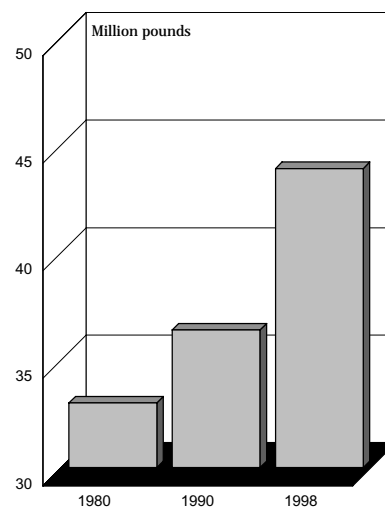
"In the last 10 years, we've tripled production," said James Stevens, president and CEO of Maytag Dairy Farms.

Previously Maytag also produced handmade Cheddar and Edam cheeses. However, due to the influx of orders, the company discontinued production of anything other than the variety that made it famous.

"We had to stop production on everything else when we started running short on Blue," Stevens continued.

Stevens said he believes the long aging process is a major factor responsible for the unique character of Maytag Blue cheese. •

Domestic Production of Blue Cheese



several awards for its Blue cheese, including Best of Class in the prestigious British Empire Cheese Contest. The cheese has also won several awards at the Wisconsin State Fair.

Since Swiss Valley has owned the plant, there has been an increased effort in marketing this excellent product, which has resulted in an upswing in demand for Blue cheeses, said Don Brick, vice president of Swiss Valley Farms' marketing division.

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