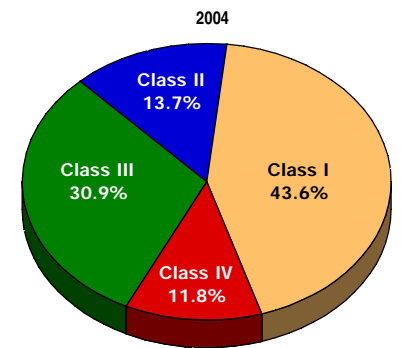




CHEESE REPORTER

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Utilization of Milk In Federal Orders



Real California Cheese: Tremendously Successful' Long-Term Campaign

Modesto, CA—By all measures, the California Milk Advisory Board's (CMAB) long-term program to expand California cheese production and consumption has been "tremendously successful," according to a case study prepared by Michelle Greenwald, a professor at Columbia University's Graduate School of Business.

Successful results of the effort include high consumer awareness of the Real California Cheese seal; a 609 percent increase in California cheese production from 1983 to 2004, and to a predicted two-billion-pounds plus in 2005; supplying 48 percent of the US increase in cheese consumption between 1994 and 2003; and cheese quality awards in competitions such as the US and World Championship Cheese Contests, the American Cheese Society judging and the World Cheese Awards.

In 1982, faced with declining fluid milk consumption and a surplus of milk at the farm level, the CMAB hired the Stanford Research Institute (SRI) to conduct a comprehensive analysis of the growth options for California's dairy industry. At the

time the study was commissioned, about 17 percent of California's milk supply went into cheese production and the state produced 10 percent of the nation's milk supply.

SRI undertook an extensive study of the long-term growth and profit potential of different milk use options, including cheese in all its forms. SRI's analysis included growth trends for each dairy product category, capital investment and process manufacturing costs, warehousing and transportation costs to major markets, and projected marketing expenses.

California's competitive advantages identified in SRI's analysis included the fact that expanded production was "highly feasible, with no significant obstacles," Greenwald noted. The state's dairies also enjoyed a transportation cost advantage, as it cost midwestern cheese makers an extra four to four and one-half cents per pound to supply California, and Pacific Northwest cheese makers paid, on average, an extra one to one and one-half cents per pound.

"In terms of perceptions, it seemed California had the potential to be a

credible, leading, high quality cheese-producing state, particularly in light of the fine reputation the state's world-renowned wine industry had achieved," Greenwald observed.

Another key factor that boded well for an expanded California cheese industry was the consumption growth prospect, Greenwald continued. Per capita cheese consumption in the state in 1981, at 23.3 pounds per year, exceeded the national average of 19.7 pounds.

Factors that weighed against pursuing cheese industry expansion were that California had higher cheese plant costs, higher labor costs and higher interest and depreciation costs. From an image standpoint, although it appeared California had the potential to transform itself into a credible leader in cheese production, Greenwald said it was clear it would have to catch up to states like Wisconsin and Vermont that had long been viewed as "dairy states."

SRI's analysis concluded cheese was the dairy industry segment that offered the greatest profit and

• See **California Cheese**, p. 14

Cheese Production Rose In February Despite One Less Day Than February 2004

Washington—US cheese production during February totaled 708.1 million pounds, up 0.5 percent, or almost four million pounds, from February 2004, the US Department of Agriculture reported Monday.

The production increase was achieved despite the fact that February 2005 had one less day than did February 2004, due to leap year.

February cheese production compared to February 2003, which also had 28 days, was up 9.2 percent, or almost 60 million pounds. Indeed, February 2003 was the last month in which US cheese production was below the 700-million-pound level.

Cheese production for the first two months of 2005 totaled 1.463 billion pounds, up 1.6 percent from the first two months of 2004.

February cheese production among the four major regions, with comparisons to February 2004, was as follows: West, 295.9 million pounds, up 2.0 percent; East North Central, 220.8 million pounds, up 1.2 percent; North Atlantic, 98.1 million pounds, down 4.3 percent; and West North Central, 83.1 million pounds, down fractionally.

Cheese production among the leading states during February, with comparisons to February 2004, was as follows: Wisconsin, 184.2 million pounds, up 0.5 percent; California, 162.1 million pounds, up 2.0 percent; New York, 55.6 million pounds, down 0.5 percent; Minnesota, 49.2 million pounds, up 0.7 percent; and Pennsylvania, 29.2 million pounds, down 6.7 percent.

American-type cheese production during February totaled 292.4 million pounds, down 1.6 percent from February 2004.

For the first two months of this year, American-type cheese output totaled 614.6 million pounds, down 0.7 percent from the first two months of 2004.

February production of American-type cheese in the leading states, with comparisons to February 2004, was as follows: Wisconsin, 68.2 mil-

• See **Cheese Output Up**, p. 8

Slotting Allowances Help Enhance Market Efficiency, Are Not Anti-Competitive, New Study Concludes

New Haven, CT—Slotting allowances help enhance market efficiency by optimally allocating scarce retail shelf space to the most successful products, rather than thwart competition, a new study concludes.

"Are Slotting Allowances Efficiency-Enhancing or Anti-Competitive?" was written by K. Sudhir of the Yale School of Management and Vithala R. Rao of Cornell University's Johnson Graduate School of Management.

Slotting allowances are lump-sum payments by manufacturers to retailers for stocking new products. Over the last two decades, they have gained increasing prominence and have emerged to be a "very major share" of new product development costs," the report said.

According to Deliotte and Touche, slotting allowances account

• See **Slotting Allowances**, p. 9

As Aged Cheddar Sales Climb, Current Prices High, Set Aside May Not Be Enough

Madison—Most cheese makers and cheese aging experts agree that while younger cheeses dominate sales in the aged Cheddar market, older styles take the spotlight as a rare specialty product.

Cheddar aged four to seven years is a dramatically different cheese in terms of both flavor and texture than the three- to four-month versions commonly found in supermarkets, the Wisconsin Milk Marketing Board (WMMB) reported. Aged cheeses offer bigger, sharper, more complex flavors that are increasingly sought out by chefs and consumers.

One of the country's best-known manufacturers of aged Cheddar is the Grafton Village Cheese Company (GVC) of Grafton, VT. Grafton produces just over one million pounds of Cheddar per year. Of that, three-quarters is sold as one and two-year-old varieties. The balance is divided up into three, four, five and six-year-old Cheddars.

Those aged Cheddars (between

three and six years) have only been on the market since 1999. In 1966, Grafton sold only one-year-old "premium" Cheddar. Fifteen years later, its two-year-old Classic Reserve Cheddar was introduced and in 1999, three-year-old Cheddar was created. Today, GVC markets Cheddar up to six years old.

"We believe we were responding to consumer demand for more flavorful, stronger Cheddar and felt this was what the marketplace wanted from Grafton. Not just more cheese, but older, more flavorful Cheddar," said Grafton's vice president, Peter Mohn.

Older Varieties Generate More Buzz

For cheese makers whose line of aged Cheddar runs the gamut from young to mature, most say their big sales come from younger varieties and the special reserve Cheddars get them noticed.

Based on pounds sold, one-year

• See **Aged Cheddar**, p. 10

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Aged Cheddar

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and two-year Cheddars are Grafton's best-sellers, Mohn said, although the older cheeses generate more buzz and publicity.

Sales of Cheddar aged over two years grow at a faster rate than younger ones because they are new and pique more interest, Mohn said.

"Repeat sales are strong and we do not see our other Cheddars 'cannibalized' by sales of older cheese," he continued.

"Since we introduced three-year-old Cheddar, we dedicate cheese at an early stage of aging to specific age profiles. Grading the cheese during this time may warrant moving some cheese to other age profiles."

—Peter Moen,
Grafton Village Cheese

However, older cheese does not generate greater sales by pounds than younger ones do, Mohn said.

"One reason is that younger Cheddars are more versatile, good for snacking as well as cooking. Note the increased interest in comfort foods," he said.

"Price is also a key factor. Older cheese has an increased cost to age, which ends up at retail with a higher price tag," Mohn said.

"Rarity adds to the mix. Old and very old Cheddars are not on every store shelf and need to be sought out," he continued.

Jed Davis, director of marketing for Cabot Creamery Cooperative of Montpelier, VT, said the rise in popularity of pizza over the past two decades and subsequent need for young, "current" Cheddar has somewhat overshadowed the gains that aged Cheddar has made.

Two trends – the aging of the American population and the refinement of their collective palate – have coincided to bring more attention to aged Cheddar of late, he said.

"As Americans acquire more of an appreciation for artisanal and specialty cheeses, they are pushing themselves further away from blander, milder flavors," Davis said. "Call it the 'de-Velveeta-izing' of the American cheese consumer."

Simultaneously, the population is aging, and as we humans age, we typically require a more well-defined flavor profile to make up for our tired taste buds, Davis said.

"At Cabot, we continue to be bullish on the outlook for aged Cheddar," he continued. "If fat content is a concern, the higher flavor

profile of aged Cheddar means more 'mileage' out of smaller servings."

Cabot naturally ages its Cheddar between 60 days and 60 months. About half of its stock is sold before it reaches its first birthday, Davis said, while the rest matures to as many as five years before it goes to market.

According to Stan Dietsche, sales and procurement manager with Oshkosh Cheese Sales & Storage, Oshkosh, WI, most aged Cheddar sells at around two and four years, and a good amount moves at five to six years.

"At seven-plus years it becomes harder to find, and at that age, it is truly a specialty cheese," he said.

The Carr Valley Cheese Company of La Valle, WI, is slated to roll out a 10-year-old Cheddar over the next few weeks. It is also experimenting with bandage-aged Cheddar, said owner Sid Cook.

According to Cook, several factors influence the taste and quality of aged Cheddar – including terroir and time.

"Cheeses are like wine – some years are better than others," Cook said. "It also depends on things like the weather – 1995 and 1997 were amazing years for cheese. Other times, they don't have as much flavor."

Beginning in the 1970s, the aged Cheddar market suffered a decline in quality that lasted about 20 years, according to Cook. During that time, most cheese makers aged their products with flavor-enhancing cultures rather than using traditional aging techniques, he said.

The return to traditional methods has improved the market dramatically, Cook said.

Those customers who buy aged Cheddar "relish the flavor," he continued. It's expensive to age and expensive to buy, but the flavor intensity allows customers to use small portions for cooking or snacking.

Kathy Holstad, marketing director with the Tillamook County Creamery Association (TCCA), agreed that because aged Cheddar has a very distinctive, bold and mature flavor, it goes a long way when cooking with it.

TCCA's oldest Cheddar is a vintage white extra sharp variety aged a minimum of two years.

"Tillamook's Cheddar is unique because we use the highest-quality milk and make our Cheddar slowly, allowing time for the cheddaring process," Holstad said. "We then age the old-fashioned way – with time."

Cheeses are like people – each develops in its own way with its very own achieved potential, Davis added. Not all people are cut out to be Olympians, nor are all cheeses.

"Some cheeses develop and are best enjoyed as a sharp Cheddar, others almost ask for more aging to

• See **Aged Cheddar**, p. 12



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Aged Cheese

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reach their full potential," he continued.

The Drier, The Better

Aging facilities typically prefer a drier Cheddar for premium aging, with a slightly firm, somewhat "curdy" body.

"Historically, the 'old timers' always wanted to see a drier Cheddar for aging and you know - it's true," Dietsche said. A cheese with a moisture level of 36.25 to 37.50 is great.

"Add a pH ranging from 4.99 to 5.10 and a dash of salt at a range of 1.75 to 1.80 makes it just about picture perfect," he said.

There has been an exception in regard to moisture levels over the past few years, added Dietsche, who was recently named assistant chief judge of the US and World Championship Cheese Contests.

"Because the higher moisture Cheddar or 'Standard Moisture Cheddar' is now made by design versus by default, you can have some pretty nice product at one-to two years-plus," he said.

On the trier, fresh Cheddar for "set-aside" should have a slightly firm, somewhat curdy body. Desirable pieces should also have uniform surface and color, and the flavor

should be clean with only very slight defects noted, Dietsche said.

Aged Cheddar Production In CA, WI
While California's presence in the aged Cheddar market has developed recently, it still has great lengths to go to match Midwest production, Dietsche said, due in part to the milk supply.

"In the past year or so, the California cheese specifically made for six-to nine-month cure has come a long way in regards to flavor and overall presentation," Dietsche said.

"In the past year or so, the California cheese specifically made for six-to nine-month cure has come a long way in regards to flavor and overall presentation."

—Stan Dietsche, Oshkosh Cheese Sales & Storage

"However, though they may have 'Happy Cows,' the milk produced for Cheddar is still a bit different than in the Midwest," he said. "Because of that, they have a ways to go before they have a Cheddar that could age out two or four years."

According to Dietsche, California

Cheddar has been used primarily in a mild to medium flavor range for shredding and cut and wrap to satisfy western markets.

Now, not only is retail product finding its way east, but Midwest converters are requesting California plants provide them with more flavorful Cheddar and they are responding, Dietsche said.

In the Midwest, there has been a significant increase in the demand for one-year-plus white Cheddar, Dietsche added. Consumers may feel white Cheddar has more flavor or it could be perceived as healthier.

"Either way, white super sharp Cheddar from Wisconsin is difficult to ferret out," Dietsche said.

In turn, what the Wisconsin and Midwest aged Cheddar manufacturers and distributors have to answer to is the challenge to provide a flagship premier aged Cheddar, Dietsche said.

"Think about it. Both the East and West Coasts have a good sharp-to-vintage colored or white Cheddar to offer and they are very successful marketing it," Dietsche said.

"The time is right and the opportunity is there. Someone just has to take advantage of it," he continued.

Meanwhile, at least one small California cheese maker is finding success with its aged Cheddars.

"The ability for California cheese makers to make a Cheddar that can age for multiple years I think has been shown by my own company, as we are selling out of our 30-month aged premium Cheddar," said John Fiscalini, president and CEO of the Fiscalini Cheese Company, Modesto, CA.

The biggest problem is educating

• See **Aged Cheese**, p. 13

Jones Automation Introduces New 640# Block to Slab to Loaves Cutter

Jones Automation has recently introduced a new 640-pound cheese cutter which will reduce the block to slabs, then finally to loaves.

Called the J-Cut Model 640, the cutter uses laser technology to accurately measure the block for precise slabs and loaves without trim.

The J-Cut cuts up to 30,000 pounds of cheese per hour, holding up to three 640-pound blocks in accumulation for even product flow.

The company said the J-Cut 640 can cut almost any type of product, including soft and hard cheeses.

Jones said that the J-Cut is a rapid pay-back investment, through reductions in labor and reduced repetitive type injuries and reductions in maintenance costs.

The J-Cut is easy to clean, the company said, and is made of super rugged stainless steel, built to USDA & WDATCP specifications.

Jones said the cutter's dimensions can be tailored to fit the cheese company's needs.

Jones' new cutter is equipped with Allen Bradley's new ControlLogix™ providing the very latest control and communication technologies, the company said.

Jones Automation specializes in the automation of material handling and size reduction equipment, including the cubing, chunking, separating and aligning of cheese blocks, the company said.

A video of the machine in action can be viewed at www.jonesautomation.net or call Jones Automation at 608-879-9307.

For more information, circle #105 on the Reader Response Card on p. 18

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Aged Cheddar

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the consumer as to what a good cheese should taste like, Fiscalini said. As the American consumer continues to grow in epicurean education, he expects the same transition as they have had in wine.

"Many started by drinking Sangria and Boones Farm wine in the Sixties and have finally evolved to be relatively sophisticated wine drinkers," he said.

"Still, too many Americans expect Cheddar to be yellow, bland and cheap, and also available individually wrapped in plastic," Fiscalini said. "As the consumer realizes that Cheddar has tremendous taste and texture, I hope we see the move to more artisan cheese consumption."

"As the California cheese industry tries to mirror the California wine industry, I expect many more great cheeses to be made here," he continued.

Aging By Design Rather Than Default

In the past few years, the extra sharp or vintage Cheddar category has become a specialty niche, according to Dietsche, and the overall industry has seen an increase in demand.

"With that in mind, more cheese now ages by design and not by default. Which means those who cure and sell aged Cheddar will try to

manage their inventories so that they have a range of aged cheese to offer," Dietsche said.

A good example of when a large amount of Cheddar aged by default was when the industry came off the high cheese prices of 1999, Dietsche said.

More than one set-aside program was caught long on inventory in 2000, 2001 and beyond with cheese produced in 1999.

"Thus the term 'suffering from 99 hangover' came into play," Dietsche said.

There is some truth to the assumption that some of the older Cheddars are simply two year-old varieties that didn't sell, Mohn said.

"However, one cannot 'make' four-year-old Cheddar," he said. "Two-year-old Cheddar cannot be substituted for four-year-old, or vice versa."

"We feel we must have the properly aged cheese on-hand at all age levels to fulfill orders," Mohn said.

"Since we introduced three-year-old Cheddar, we dedicate cheese at an early stage of aging to specific age profiles. Grading the cheese during this time may warrant moving some cheese to other age profiles," he continued.

Jed Davis of Cabot agreed there is some truth to the phenomenon that some six-year-old Cheddars are left-overs.

"We've certainly 'lost' a pallet of cheese, only to find it several years later. But I think generally cheese makers know their 'babies' well enough that proper rotation is the norm," he said.

One reason is that two-year-old cheeses don't necessarily automatically become great six-year-old cheeses, Davis said.

For a particular cheese, the point of diminishing returns for flavor and texture may not stretch out beyond six years, he continued.

"Also, if the goal is to make six-year-old cheese, the make recipe typically adjusts to accommodate the moisture and pH realities of a cheese that will be aging for that much longer," Davis said.

A Challenge To Predict Future Sales

For cheese manufacturers, it's hard to predict future sales of aged varieties and calculate how much product to set aside.

It's always a challenge to allocate inventory for aged Cheddar, Cook said. There are times when we don't have enough supply and it's a constant battle to try and anticipate sales.

"Ten years ago, we put a lot of cheese away and ended up with more than what our needs were. Other times, we're short," he said.

"The last thing you want is to have a great market for eight-year-

old Cheddar and not have any," Cook said.

According to Dietsche, the amount of Cheddar currently set aside for aging is "not nearly enough."

"We've certainly 'lost' a pallet of cheese, only to find it several years later. But I think generally cheese makers know their 'babies' well enough that proper rotation is the norm."

—Jed Davis, Cabot Cheese

"With the increase in demand for aged Cheddar, our program as well as others who hold product wish that more cheese had been socked away to satisfy the consumer's appetite," he said.

"The increase in set-aside pounds is hard to gauge," Dietsche continued. "The programs we work with are not only putting more cheese on the shelf, but holding it longer."

For a related story on how a company has partnered with another to make the United States' Best aged Cheddar, turn to page 24 for a feature story on Gibbsville Cheese. •

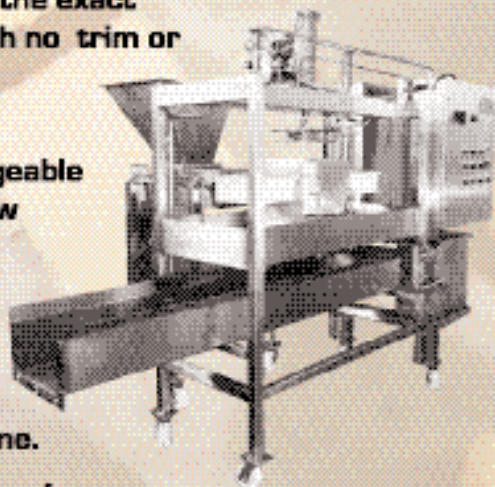
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