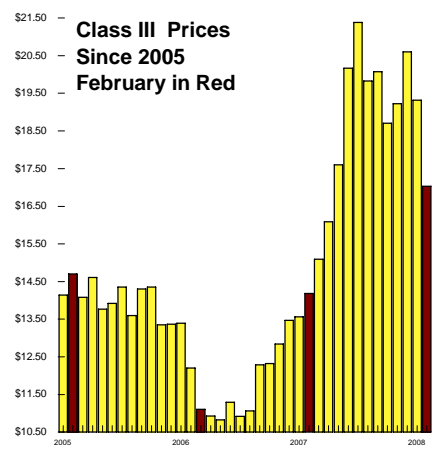




# CHEESE REPORTER

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## USDA Proposes Class I Price Hike In Three Southeastern Federal Orders

### Citing Emergency Marketing Conditions, USDA Skips Recommended Decision

Washington—The US Department of Agriculture (USDA) today published a tentative final decision that increases Class I prices in the Appalachian, Southeast and Florida federal milk marketing orders.

The decision, which requires producer approval before being implemented, also proposes to amend certain features of the diversion limit, touch-base standards and transportation credit provisions for the Appalachian and Southeast orders.

USDA also determined that emergency marketing conditions exist that warrant omitting the issuance of a recommended decision.

The tentative decision specifically proposes to immediately adopt amendments that:

- Adjust the Class I pricing surface in each county within the geographical marketing areas of the Appalachian, Florida and Southeast orders.

- Make diversion limit standards identical for the Appalachian and

Southeast orders: 25 percent of deliveries to pool plants during the months of January, February, July, August, September, October and November, and 35 percent for the other five months.

- Reduce touch-base standards to one day each month for the Appalachian and Southeast orders.

- Add January and February as months when transportation credits are paid for the Appalachian and Southeast orders.

- Provide for the payment of transportation credits in the Appalachian and Southeast orders for full loads of supplemental milk.

- Provide more flexibility in the qualification requirements for supplemental milk producers to receive transportation credits for the Appalachian and Southeast orders.

- Increase the monthly transportation credit assessment from 20 to 30 cents per hundredweight in the Southeast order.

According to USDA, the Class I price increases adopted in this decision would generate higher marketwide pool values in all three southeastern orders by approximately \$18 to \$19 million for the

Appalachian order, approximately \$17.5 million for the Southeast order and approximately \$38 million for the Florida order.

In estimating the impact on minimum producer prices, blend prices will increase by about 26 cents per hundredweight for the Appalachian order, approximately 64 cents per hundred for the Southeast order, and \$1.19 per hundred for the Florida order.

The proposed changes are based on the record of a public hearing held last May in Tampa, FL. That hearing had been called in response to a petition from Dairy Cooperative Marketing Association (DCMA), which consists of nine dairy cooperatives that market and pool their milk in one or more of the three orders.

At last May's hearing, a witness appearing on DCMA's behalf testified in support of temporarily increasing minimum Class I prices in the three orders. The witness testified that all elements of the proposals for the three orders are offered as a "single package" to address the

• See **Class I Prices Hiked**, p. 26

### Alto Dairy Co-op Members Approve Sale Of Assets To Saputo Cheese USA

Fond du Lac, WI—Alto Dairy Cooperative announced Wednesday that its members have approved the sale of the co-op's assets to Saputo Cheese USA Inc. for total consideration of \$160 million.

The sale, which was unanimously approved by Alto's board of directors in January, was voted on and approved by 98 percent of the co-op's members who attended a special member meeting held in Fond du Lac on Wednesday.

A large number of Alto Dairy members from across Wisconsin and Michigan's Upper Peninsula attended the meeting to vote on the proposed asset sale.

Rich Scheurman, Alto Dairy's president and chief executive officer, called it a "historic day" for Alto. Approval of the sale by Alto's members "will strengthen the business by improving the long-term viability of our manufacturing facilities, providing job stability and a long-term purchaser of milk for dairy producers in Wisconsin."

The 114-year-old dairy cooperative makes American- and Italian-style cheeses at its plants in Waupun and Black Creek, WI. Cheese and whey produced by the co-op are marketed nationwide under a variety of brand names and private labels.

"Alto Dairy has always been recognized as an industry leader and today is no different," said Howard Zellmer, chairman of Alto's board of directors and a dairy farmer from Montello, WI.

"Although it is hard to see an end to the cooperative form of business at Alto, our board is pleased that we were able to provide an economic return to our members for their investment and loyalty to the cooperative," Zellmer added.

The asset sale is expected to close sometime during March.

Saputo Inc. said the acquisition of Alto's assets will enable Saputo Cheese USA to expand its business and represents a major step in its goal to achieve a stronger presence in the US. •

### Use Of Name 'Parmesan' Hasn't Become Generic, Infringes On PDO

#### Protection For Parmigiano Reggiano, EU Court Rules

Luxembourg City, Luxembourg—Because Germany has failed to show that the name "Parmesan" has become generic, use of the word "Parmesan" for cheese that does not comply with the specification for the protected designation of origin (PDO) "Parmigiano Reggiano" infringes the protection provided for that PDO, the European Court of Justice ruled Tuesday.

Under the European Union's (EU) PDO regulation, products registered as a PDO are protected against "any misuse, imitation or evocation." Generic names may not, however, be registered, and registered designations may not become generic.

Being of the opinion that Germany does not sufficiently protect the PDO "Parmigiano Reggiano," the European Commission brought

See **EU Parmesan Ruling**, p. 25

### With Double The Protein, Greek-Style Yogurt Touted As 'Next Big Thing' For US Market

#### FAGE USA Begins Production Of Greek Yogurt In New York State

Madison—Increased popularity of Greek-style yogurt is no trend – it's a growing segment in the yogurt category which appeals to everyone from gourmets to dieters to athletes.

Demand for Greek-style yogurt is also an indication that the US yogurt industry is returning full-circle, embracing technologies that harken back to traditional European methods and flavors. Nowhere is this more evident than in the growth of yogurt imported from Greece.

As recently as 2002, USDA's Foreign Agricultural Service (FAS) figures show that US imports of yogurt from Greece were less than one million pounds. By last year, imports of Greek yogurt had jumped to 19.3 million pounds. That was up 70.4 percent just from 2006.

The value of these yogurt imports from Greece has risen dramatically, from just \$1.2 million in 2002 to

\$31.6 million in 2007. Greece supplies about 80 percent of all US yogurt imports, FAS figures show.

In the US, Stonyfield Farm, Londonderry, VT, began producing authentic strained Greek yogurt in May 2007. It is now distributed nationally in natural foods and grocery accounts, including Whole Foods Market, Stop & Shop, Kroger and Wal-Mart.

Stonyfield Farm made the decision to produce a Greek yogurt under the "Oikos" brand once it could locate a partner capable of making an authentic, strained Greek-style yogurt.

It's the straining process that helps deliver the incredible creaminess and texture of Greek yogurt, said Peter Lewis, director of innovation and business development, Stonyfield Farm.

"Some other brands take a short cut and rely on high fat content,

• See **Greek-Style Yogurt**, p. 8

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## Greek-Style Yogurt

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starches and gelatins to try and approximate a true Greek yogurt's incredible taste and texture...but not us," Lewis said.

Our partner also had to be organic because we use exclusively organic ingredients in Oikos yogurt, he continued.

Oikos will be in one out of every three Wal-Mart Supercenters early this year and is setting sales records for a Stonyfield Farm new item launch, Lewis said.

"Without a doubt, Greek yogurt is the next big thing in the US yogurt market," he said.

It's not a trend – it's a new segment in the yogurt category, Lewis said. It appeals to a wide variety of consumers and offers something for everyone.

Gourmets appreciate Greek yogurt's unique, delicious taste and texture, and it makes an ideal cooking ingredient, Stonyfield's Lewis said.

"Dieters love that it has such a creamy, indulgent taste, yet is fat-free and lower in carbohydrates compared to regular yogurt," he said. "Athletes love the high protein count of Oikos – double that of regular yogurts."

Consumer demand for "ridiculously thick" Greek-style yogurt is continually rising, according to Ioannis Papageorgiou, president and COO, FAGE USA Dairy Industry, Inc.

### New FAGE USA Greek Yogurt Plant To Begin Production Next Month

The leading dairy company in Greece, FAGE was the first to market Greek-style yogurt in 1975. The company's brand "Total" is FAGE's signature product.

"The success of Total led other manufacturers outside of Greece to imitate the product using 'Greek-style' as a product descriptor, but there's only one authentic Greek yogurt company," Papageorgiou said.

FAGE USA is currently investing about \$80 million to build a new production facility in Johnstown, NY, designed exclusively for production of FAGE Total Yogurt. The plant is expected to be fully operational by next month.

The new facility will enable the company to maintain current retail prices and ensure support for its market growth strategy, Papageorgiou said.

FAGE has always planned to bring manufacturing operations to the US and fulfill rising consumer demand for FAGE Total yogurt. Most impor-

tantly, production of FAGE in the US will not change the taste, texture or price of Total yogurt.

According to Papageorgiou, FAGE is the first and only company to provide customers strained yogurt due to its unique, proprietary manufacturing process.

During production, the yogurt is strained to remove most of the whey from the milk; typically, four liters of milk will produce a liter of yogurt.

Made of only two ingredients – live cultures and milk – FAGE is free of additives, sweeteners and preservatives, and has higher quantities of protein than other yogurts.

Fitness and health-conscious consumers buy FAGE Total because it comes in a range between fat-free and full-fat. Based on personal preference, it can be used both as an ingredient or eaten by itself.

Chefs often use FAGE Total as a healthy choice in recipes for foods higher in fat. The exceptionally thick product won't separate over high heat, which means it can be incorporated into a range of creative recipes.

### US GSY Manufacturers Cater To Americans' Affinity For Flavors

Americans favor yogurt that is sweetened, while Europeans prefer plain yogurt, FAGE's Papageorgiou continued.

Vermont's Cabot Cooperative Creamery introduced Cabot Greek-Style Yogurt just before the 2007 holidays after about half a year of research and development to perfect its recipe, said Jed Davis, director of marketing, Cabot Creamery.

Cabot now offers plain Greek-style yogurt in both cups and larger sizes up to 32 ounces, as well as 6-ounce cups of eight different flavors: Chocolate, Dulce de Leche, Honey, Tropical Fruit, Vanilla Bean, Cherry, Strawberry and Peach.

Two of our retail partners – Shaw's in the Northeast and Publix in the Southeast – have been the earliest to offer Cabot GSY to their consumers so far and although it hasn't been long enough to fully evaluate, early sales figures and anecdotal reports point to success, Davis said.

Cabot GSY is a richer, smoother, creamier yogurt compared to tradi-

tional yogurt embraced by consumers in the US, Davis said.

It also has a higher butterfat content – Cabot's is 10 percent butterfat – than typical American yogurts, many of which are the nonfat variety.

Cabot is developing and will soon release a reduced fat version of its Greek-style yogurt, Davis continued.

Earlier this month, AgroFarma, Inc., a dairy manufacturer based in South Edmeston, NY, introduced its flagship product – Chobani Greek Yogurt.

**"Dieters love that it has such a creamy, indulgent taste, yet is fat-free and lower in carbohydrates compared to regular yogurt. Athletes love the high protein count..."**

—Peter Lewis,  
Stonyfield Farm

Made using traditional European straining methods, this Greek-style yogurt contains more than twice the amount of protein than traditional American-style yogurt.

"Many of the popular American yogurt brands add artificial ingredients and fillers such as high fructose corn syrup and corn starch to enhance taste, or have the equivalent of a candy bar in sugar content," said nutritionist Sophie Pachella, founder of New York's EatStrong diet consultancy.

"Chobani packs twice as much protein as traditional American brands while remaining very low in simple carbohydrates," Pachella said.

AgroFarma was founded in 2005 with the vision of bringing Greek-style yogurt products to US consumers. Chobani is produced under the direction of master yogurt maker Mustafa Dogan, an internationally renowned yogurt artisan.

The yogurt is available in 6-ounce, 16-ounce and 32-ounce sizes. Currently available in grocery and



Stonyfield Farms' Oikos. An organic Greek-style yogurt



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## Greek Style Yogurt

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The yogurt is available in 6-ounce, 16-ounce and 32-ounce sizes. Currently available in grocery and specialty food stores throughout the US, flavors of fat-free Chobani Greek-style yogurt include fruit-on-the-bottom Strawberry, Blueberry and Peach, as well as Honey, Vanilla and Plain (available in 2 percent and 10 percent fat varieties).

"As consumers continue to seek out healthier ways of eating, many are adopting the Mediterranean diet, and the rewards couldn't be greater," said Hamdi Ulukaya, AgroFarma president.

"People in the Mediterranean region eat an abundance of food from plant sources, and consume yogurt

and cheeses that contain lean sources of protein," Ulukaya said.

"At the same time that Mediterranean food has gained appeal in the US over the past five years, the yogurt category in general has grown enormously due to heightened awareness of its culinary and health virtues, as well as its intrinsic luxury appeal," added FAGE's Papageorgiou.

Specifically, demand for Greek-style yogurt is on the rise. In 2006, Greek annual revenues for FAGE were \$481 million, including consolidated sales for the US and Europe.

"Revenues in the US market are consistently going up and FAGE is carving out a distinct market for itself as a healthier snack/dessert alternative – much like Pinkberry did," Papageorgiou said.

For the first six months of 2007, US sales have been increasing by 62.5 percent annually, and FAGE expects that pace to continue.

"FAGE's evolutionary next step is to expand by building a permanent production facility in the US, in order to further position itself as a significant yogurt manufacturer in the \$3.2 billion US yogurt market," he continued.

### Greek-Style Yogurt Resonates With Consumers As Healthy Dessert

Greek-style yogurt has been getting a lot of attention, including a plug from Oprah Winfrey among others, Cabot's Jed Davis said.

"We were attracted to this product by the possibility for incremental sales from a product that didn't require significant additional capital

investment in our existing manufacturing facility," Davis said.

Initially, Cabot assumed that GSY would be used primarily, if not exclusively, as an ingredient.

"In fact, as an ingredient it can actually provide a useful means to 'skinny up' some recipes – using GSY in place of higher fat dairy products such as sour cream or even butter," Davis said.

GSY can also be used in place of some harder-to-find dairy products such as Quark, for example, in some recipes, he added.

"But what we found was that Cabot GSY resonated most as an indulgent dessert," Davis continued. "The richness of texture and flavor make it such a delicious treat that ingredient use has become increasingly designated the 'number two' way to enjoy GSY."

**"Now the time seems ripe for yogurts like GSY that harken back to traditional European methods and flavors. US consumers may now be ready for more flavorful yogurts with differing textures. We see GSY as one of those efforts, and feel that it has legs."**

—Jed Davis,  
Cabot Creamery

Greek-style yogurt is another niche within the overall yogurt category that has staying power, Davis said. Its recent embrace by customers may also be an indication of the yogurt industry returning full-circle.

"Recall that when yogurts were first introduced stateside, they tended to be European-style and many Americans found that flavor and texture just too acidic and foreign to really embrace," Cabot's Davis said.

"Initially, yogurt was more of a natural foods store item," he said.

Once US yogurt makers began making "American-style" yogurt – sweeter flavor, smoother texture – the domestic yogurt industry took off, Davis said.

Add in a dash of convenience – cups, on-the-go tubes – and variety – you name a flavor and there's probably a yogurt out there – and a solid health message, and the rest is history, he said.

"Now the time seems ripe for yogurts like GSY that harken back to traditional European methods and flavors," Davis said. "US consumers may now be ready for more flavorful yogurts with differing textures. We see GSY as one of those efforts, and feel that it has legs." r



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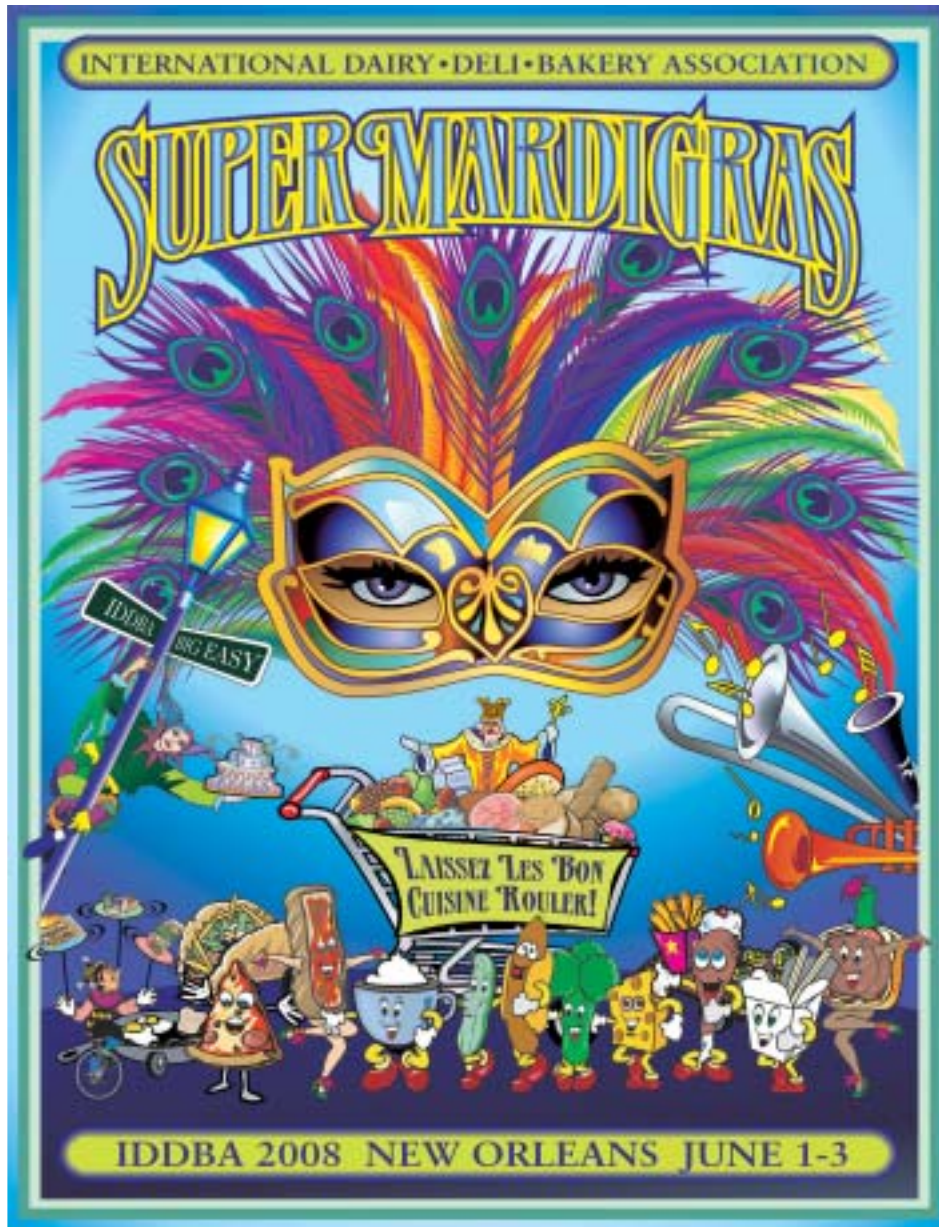
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