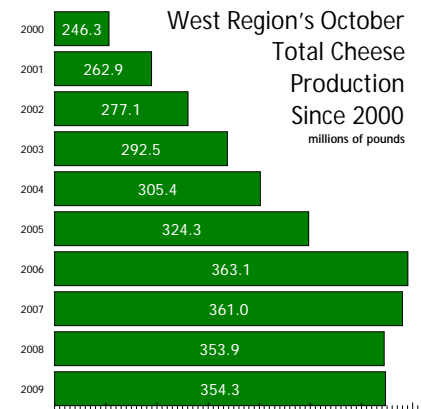




CHEESE REPORTER

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Global Dairy Product Price Index Up 82% From February Low; All Dairy Products Showing Signs Of Recovery: FAO

Rome, Italy—The UN Food and Agriculture Organization's (FAO) index of international dairy product prices has been "rising rapidly" in recent months and in November reached 209, an increase of 82 percent from its low of 114 (2002-04=100) in February 2009, FAO reported in its December "Food Outlook" published Wednesday.

The index rose by 32 percent in November alone, sparking speculation about a repeat of the large price spike that took markets by surprise three years earlier, FAO noted.

All dairy products are showing signs of strong recovery to levels not seen since August 2008, according to FAO. The largest increase has been displayed by butter, the price of which has doubled since February to US\$3,688 per ton.

Prices for both skim milk and whole milk powder have also increased by over 90 percent since February, to US\$3,375 and US\$3,525 per ton, respectively.

Causes of this rapid price rise "are not fully clear," particularly in view of the large public stocks for both butter and skim milk powder available in the European Union (EU), the FAO noted.

However, stock retention, combined with reduced milk output in the EU and the US, and lower growth than expected in Oceania's milk output may be contributing factors to tight export supplies. The economic recovery underway in large Asian countries and in certain

• See **Global Prices Rise**, p. 8

USDA Planning To Implement Dairy Import Assessment In Early 2010

Another Agency Priority: Exclude From FSIS Jurisdiction Cheese Products With Less Than 50% Meat Or Poultry

Washington—The US Department of Agriculture (USDA) plans to publish a final rule implementing the dairy promotion assessment on dairy imports in early 2010, according to a USDA Statement of Regulatory Priorities published in Monday's Federal Register.

USDA's regulatory efforts in 2010 will continue to focus on implementing the 2008 farm bill, the statement noted.

Also, the agency said it will implement regulations that will improve program outcomes by achieving USDA's high priority goals as well as reducing burden on stakeholders, program participants and small businesses.

The 2008 farm bill extended the dairy promotion and research program to include producers in Alaska, Hawaii and Puerto Rico, who will pay an assessment of 15 cents per hundredweight of milk production; and imported dairy products, which

will be assessed at 7.5 cents per hundred of fluid milk equivalent.

The farm bill had authorized USDA's Agricultural Marketing Service (AMS) to issue regulations to implement the mandatory dairy import assessment without providing a notice and comment period, but due to the interest of affected parties, a notice and comment period was provided.

In response to the May 19, 2009 proposed rule, AMS received 189 timely comments from dairy producers, foreign governments, importers, exporters, manufacturers, trade associations and other interested parties. Comments covered a wide range of topics, including 39 in opposition to the proposal and 150 in support.

Opponents of the proposal expressed concern over the lack of a referendum requirement among those affected; default assessment rates; lack of ability to no longer promote state-branded dairy products; lack of importer organizations eligible to become a qualified program, disputed the cost-benefit analysis for importers and producers; and cited unreasonable importer paperwork and recordkeeping burdens.

Proponents of the proposal expressed support for an expedited implementation of the dairy import assessment; cited the enhanced benefits both domestic producers and importers will receive as a result of implementation; recommended new Harmonized Tariff Schedule codes; use of a default assessment rate; recommended regular reporting of the products and assessments on imports; and all thresholds for compliance with US trade obligations have been met.

In response to the comments received and after consultation with the US Trade Representative, AMS will be addressing, in the final rule, referenda, alternative assessment rates, and compliance and enforcement activity. All remaining changes are miscellaneous and minor in nature in order to clarify regulatory text.

Also in USDA's Statement of Regulatory Priorities, USDA said its Food Safety and Inspection Service (FSIS) and the Food and Drug Administration have concluded that a clearer approach to determining

• See **Import Assessment**, p. 11

Specialty Cheese Makers Attract Holiday Shoppers With Seasonal, Limited Editions

Madison—Specialty cheese and dairy manufacturers are finding that they can augment holiday profits with limited-edition items and seasonal flavors, while raising awareness and sales of existing products.

Prior to launching a seasonal item – which can be expensive and laborious – cheese makers should investigate what's already on the market, taking a look at the company's core strengths and finding ways to make a tried and true cheese extra special, several cheese makers suggested.

Some limited edition varieties require more than a year of experimentation and research to create. Others are the result of a lucky coincidence, as was the case of the Mozzarella Company's Christmas Cheese.

The Mozzarella Company of Dallas, TX, has been making its Christmas Cheese for several years now and according to owner Paula Lambert, customers are clamoring for

the cheese before Thanksgiving.

"The telephone calls begin in early November – when will we have it, when will we make it, when will it be ready, where can they buy it," Lambert said.

The company makes Christmas Cheese from Thanksgiving through New Year's. It's a spreadable round of cheese festively flavored with a combination of chiles.

"It's a pretty cheese – a vibrant red round topped with a swirl of green jalapeno strips," Lambert said. "Some might call it a Mexican cheese, but you'll just call it 'good' when you taste it."

Christmas Cheese originated many years ago as a mistake, Lambert said.

"Something happened to one batch of our cheese. It didn't turn out exactly as it should have," she said. "It wasn't a bad cheese – just not the kind it was supposed to be."

• See **Seasonal Cheese**, p. 5

Cheese Production Rose 1.3% In October; Butter Output Plunged 14.3%

Washington—US cheese production during October totaled 861.2 million pounds, up 1.3 percent from October 2008, the US Department of Agriculture (USDA) reported last Friday.

Cheese output during the first 10 months of 2009 totaled 8.398 billion pounds, up 1.9 percent from the first 10 months of 2008.

October cheese output in the three regions, with comparisons to October 2008, was: Central, 386.1 million pounds, up 2.7 percent; West, 354.3 million pounds, up 0.1 percent; and Atlantic, 120.7 million pounds, up 0.3 percent.

• See **Cheese Output Rises**, p. 6

INSIDE THIS ISSUE:

- "Subsidized Dairy Exports" p. 2
- CSPI Wants Changes to Labels p. 3
- "Tis The Season" p. 4
- World Contest Entry Kits Available p. 9
- Bartering NDM For Soup p. 16

Seasonal Cheese

Continued from p. 1

The company decided to convert its mistake into something new and because Christmas was coming, wanted to create a limited edition cheese for the holidays.

We decided to add a variety of chiles to make it spicy, molded into small discs for simple serving, decorated the top with a star of green chiles and voila – Christmas Cheese, Lambert said.

“In most cases, a limited-time product does not generate significant margins, but it does highlight our line of product and that we are dedicated to supply specialty products of the highest quality.”

—Adam Mueller, Grafton Village Cheese

“Now our mistake has become a Mozzarella Company annual tradition,” she said, adding that customers flock to the cheese factory through New Year’s, sometimes buying between 10 and 20 handmade disks as gifts for neighbors, teachers and friends.

Wheels of Christmas Cheese weigh a little over half a pound each, and are ideal for snacking, melting and pairing with beer, wine or mixed drinks, Lambert said. The cheese stays fresh for a month or longer.

Christmas Cheese is mostly available directly from the Mozzarella Company and is targeted to retail customers – at the factory, through mail order sales and online orders.

Due to all the hand labor, it’s an expensive cheese to produce, but our staff loves to make it and our customers love to buy it, Lambert said. It’s become a holiday tradition.

The idea for a seasonal product created by Grafton Village Cheese of Grafton, VT, was first mentioned in January 2008. Just under a year later, Grafton Village released its limited edition Grafton Duet.

Grafton Duet is an attractively layered cheese made of two layers of Grafton Premium Cheddar and one layer of Minnesota-based Faribault Dairy’s St. Pete’s Select Blue Cheese.

“After about eight months of working out the procedures, pricing and ideal unit size, we offered it as a limited release for the winter of 2008,” said Adam Mueller, president, Grafton Village Cheese.

“Based upon the response from the industry, we decided to make the product available nationwide in 2009,” Mueller said.

Grafton Duet became widely distributed in July, and will remain available year-round, with added marketing emphasis during the holi-

day season.

The cheese is targeted to customers looking for a centerpiece for their gathering – regardless of the occasion, Mueller said. Grafton Duet is available at most locations where Grafton Cheddar is sold.

Making its holiday debut this year is Sartori Reserve Pastorale Blend – a Spanish inspired cheese made with a blend of sheep and cow’s milk, then dusted with sweet, smoked paprika.

Typically, most new cheeses take more than a year to develop, said Mike Matucheski, cheese maker of Pastorale Blend for Sartori Foods.

“It’s a cheese after all, and can take anywhere from six to 12 months or more just to make and age the cheese,” he said.

The market for seasonal cheese is difficult to gauge, Matucheski said. Primarily, it’s a cheese different from the “everyday.”

“At some level, there’s always something in development and with a little creativity, it can be a perfect offering for the holidays,” Matucheski said.

“Most retailers need to have it in their distribution system by October prior to the holiday season, and their decision to go with it most likely is reached as much as six months earlier than that,” he said.

“Smaller shops are more flexible, but it takes a lot of phone calls and foot work to get it done,” Matucheski continued. “In some cases, you need to hand-deliver the cheese.”

Pastorale Blend is Sartori’s first foray into a mixed milk cheese. The name was selected because the word “pastorale” is derived from the meaning of a picture or work of art representing a shepherd’s life.

“Sheep dairying has changed very little over the centuries,” Matucheski said.

“The milk season only lasts about six months at best, and while frozen

milk is available year-round, the best cheese is made from fresh milk,” Matucheski continued.

Sheep milk is very expensive – in our case, it’s close to \$90 per hundredweight, Matucheski said. As a comparison, cow’s milk runs between \$12 and \$20 per hundredweight.

“There are a lot of hidden ‘extras’ in getting a limited edition cheese out since you’re pushing the system,” he said. “It’s priced accordingly and being something special, our customers appear to be okay with the somewhat higher cost.”

Sartori Reserve Pastorale Blend is already stocked at a few select area stores – Larry’s Market, Tenuta’s, Nala’s Fromagerie, Fromagination and Kris’ Cheese to Please – and is only available while supplies last – until next holiday season, that is.

Cashing In On Sense of Urgency

Seasonal products typically don’t produce a windfall of sales, but often highlight a cheese company’s existing product line. Manufacturers should appeal to a holiday shopper’s sense of urgency when marketing products available “only for a limited time.”

“In most cases, a limited-time product does not generate significant margins, but it does highlight our line of product and that we are dedicated to supply specialty products of the highest quality,” said Grafton Village’s Adam Mueller.

When offering a limited edition cheese, companies need to make sure the product reflects their core business, and will eventually help raise awareness and sales of existing products, Mueller advised.

Cheese makers need to take a look at what’s already on the market when considering a limited edition holiday cheese, according to Sartori’s Mike Matucheski.

• See **Seasonal Cheese**, p. 7

Nelson-Jameson Introduces Flexible Double-Blade Ultra Hygiene Squeegees

Nelson-Jameson is expanding its line of FDA-approved squeegees with the introduction of flexible Double-Blade Ultra Hygiene Squeegees.

Specially blended rubber blades are designed to harbor less bacteria than standard foam blades, achieving a higher level of sanitation, Nelson-Jameson explained.

The replaceable blade cassette eliminates the need to discard the entire squeegee when blades wear out.

The squeegees can be used with any Euro-thread handle, which is sold separately. Bench squeegees for tabletop applications are also available in a variety of sizes and colors, including the company’s most recent addition: orange.

For more information on the new squeegees, contact Dakonya Freis, janitorial and maintenance product manager, at (800) 826-8302.

For more information, circle #100 on the Reader Response Card on p. 14

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Seasonal Cheese

Continued from p. 5

"Then take a hard look at your own core strengths," he said. "Maybe there are ways of making a tried and true cheese extra special."

"The hardest part is convincing retailers to take something new in their busiest time of year," Matuchewski continued. "Developing a personal relationship with a core of key retailers is very important."

New Holiday Cheese & Dairy

Products Hit Market For 2009

Dairy manufacturers have unveiled a host of holiday-inspired flavors for the 2009 season – from Cranberry Creme Brulee Kefir to Yog-Nog.

Lactalis USA, Inc. has added a Cranberry Orange & Pumpkin Spice flavor to its line of rondelé Gourmet Spreadable Cheese, and Alouette announced the return of its Berries & Cream flavor for a limited time during the holiday season.

Alouette's Berries & Cream All Natural Soft Spreadable Cheese combines raspberries and cranberries, and placed Best in Class in the Flavored Sweet Cheese category of the 2009 US Championship Cheese Contest.

Frozen yogurt company Yogen Früz recently announced the launch of its holiday themed flavors – Yog-Nog and Mint Chocolate Chip. The festive new mixes were unveiled at Yogen Früz stores across North America Monday.

"We are always looking for unique and exciting ways to serve our signature frozen yogurt," said Aaron Serruya, president, Yogen Früz.

"As we continue to expand our portfolio, we anticipate a great response with the introduction of our healthy, holiday-inspired flavors," Serruya continued.

For the first time, Lifeway Foods, Inc. of Morton Grove, IL, makers of kefir probiotic beverages, launched a seasonal Cranberry Creme Brulee Kefir earlier this month.

"Our hope is that seasonal flavors become an annual traditional for us at Lifeway and something that our customers look forward to each year," said Edward Smolyansky, chief financial officer, Lifeway Foods.

The 32-ounce seasonal drink – flavored with vanilla custard, caramelized sugar and cranberry – is available at Whole Foods Markets and Jewel Food Stores in Chicago, HEB in Texas, and select Kroger, Schnuck's, Stop N Shop, Hy-Vee and Food Emporium locations nationwide.

Lifeway's Cranberry Creme Brulee Kefir contains 160 calories, 2 grams of fat per serving, and 10 active cultures.

"Our kefir customers have been asking for a special holiday version for years, so we have been working to develop just the right flavor profile," said Lifeway CEO Julie Smolyansky. r

Improving Demand Prompts USDA To Boost Most Price Forecasts For 2009, 2010

Washington—The US Department of Agriculture (USDA), in supply-demand estimates issued Thursday, raised its milk production forecast from last month but said improving demand is expected to support prices for most products.

Prices for cheese, nonfat dry milk (NDM), and dry whey are forecast higher, but butter prices are forecast slightly lower, compared to last month.

Milk production forecasts are raised for 2009 and 2010 because dairy cow liquidation has been slower than expected, and improving milk prices in 2010 are expected to reduce the rate of decline in milk cow numbers.

USDA now projects that cheese prices will average \$1.2900 to \$1.3000 per pound this year, up from last month's forecast of \$1.2850 to \$1.2950 per pound; and \$1.6150 to \$1.6950 per pound in 2010, up from last month's forecast of \$1.6000 to \$1.6900 per pound.

Dry whey prices are now projected to average 25.5 to 26.5 cents per pound this year, up half a cent from last month's forecast; and 35.0 to 38.0 cents per pound next year, up one cent from last month's forecast.

Reflecting those higher projected cheese and dry whey prices, USDA raised its Class III price forecast for 2009 to \$11.30 to \$11.40 per hundredweight, up 10 cents from last month; and to \$15.15 to \$15.95 per hundred in 2010, up from last

month's forecast of \$15.15 to \$15.95.

Nonfat dry milk prices are now projected to average 91.0 to 93.0 cents per pound this year, up half a cent from last month; and \$1.2450 to \$1.3050 per pound in 2010, up from last month's forecast of \$1.1950 to \$1.2650 per pound.

Butter prices are projected to average \$1.1950 to \$1.2250 per pound this year, down slightly from last month's forecast; and \$1.4300 to \$1.5400 per pound in 2010, down from last month's forecast of \$1.4300 to \$1.5500 per pound.

USDA is now projecting that the Class IV price will average \$10.75 to \$10.95 per hundredweight this year, unchanged from last month's forecast; and \$14.60 to \$15.50 per hundred next year, up from last month's forecast of \$14.20 to \$15.20 per hundred. r

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