

CHEESE MARKET NEWS®

The Weekly Newspaper Of The Nation's Cheese And Dairy/Deli Business

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U.S. cheese, butter prices drop, but export levels are still strong

By Alyssa Sowerwine

MADISON, Wis. — Activity has been high at the Chicago Mercantile Exchange (CME) following sharp price drops in spot cheese and butter, but most analysts do not anticipate prices will fall to levels seen in 2009.

The spot butter price — which had held at \$2.1850 per pound since Oct. 6 before dropping 3.5 cents to \$2.1500 last Wednesday — plummeted 27 cents to settle at \$1.8800 per pound last Friday. However, it

didn't stay at that level for long and climbed back to \$2 per pound on Monday, where it has remained through Thursday. (*For today's market prices, see chart on page 2.*)

Bob Cropp, professor emeritus at the University of Wisconsin Cooperative Extension, says while he is not surprised that butter dropped — he notes that consumers likely started to pull back a bit at the retail level — he is somewhat surprised at the quick correction.

"I anticipated it would weaken some, and I don't expect it will hold at \$2 for the duration of 2010," he says. "\$2 is still a pretty strong price."

Eric Meyer, risk management consultant with Downes-O'Neill, also says he doesn't think the butter price drop is that significant.

"Butter is too expensive at \$2.15; it was due for a correction," he says. "The less couple of weeks, we've been hearing expectations of \$2 butter."

Meyer says he anticipates butter will remain at or near a \$2 price level, at least for the short term as holiday orders are finalized.

"As we go into the fall season, there is still really good demand for cream and fat,"

says Mike North, senior risk management advisor at First Capitol Ag.

North says he anticipates butter will hold steady over the next few weeks as the United States heads into its key consumption period.

Meanwhile, Cheddar block and barrel prices have been steadily dropping over the past few weeks.

Cheddar barrels averaged \$1.5635 per pound at the close of last week, and fell 6.75 cents on Monday to close at \$1.4425. Barrel prices continued to decrease this week to settle at \$1.3925 as of Thursday.

Cheddar blocks, which averaged \$1.5310 at the close of last week, fell 7.5 cents on Monday to settle at \$1.4050 before dropping another half a cent Wednesday to \$1.4000, where it remained Thursday.

Cropp and Meyer both say cheese prices have dipped below their expectations for this time of year.

"I think the market has been caught by surprise by the amount of cheese taken to the exchange," Meyer notes. "There's a lot of product around. The drop may have happened a little earlier than anticipated, but it's likely because manufac-

turers are sitting on this inventory and need to move it."

Meyer adds that he thinks the market has hit a point where retail demand has been impacted by butter and cheese prices being at higher levels.

However, he says he's not expecting cheese prices to go much lower than current levels.

Cropp notes that with cheese stocks at high levels, it's difficult to explain why prices got to such high levels in October.

"It appears that now the market is over-adjusting, which is not unusual," he says. "We'll have to see how willing people are to continue selling at these levels. Buyers are showing interest."

North also notes the "burgeoning" cheese inventory in the marketplace.

"Sellers began to get aggressive because buyers weren't," he says. "That inventory needs to move."

For the rest of the year into 2011, North says it's possible cheese prices could drop to levels of \$1.25-\$1.30 before returning to more stable levels.

• Strong U.S. exports

Cropp and Meyer also note strong dairy export levels compared to a year ago, as

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Third-party certification helps meet demand for food safety

By Rena Archwamety

MADISON, Wis. — Outbreaks, recalls and other issues regarding food safety have made headlines in recent years, and consumers aren't the only ones who are concerned. More retailers now are requiring their distributors to go above and beyond standard food safety regulations, and more manufacturers are adopting comprehensive third-party certification for food safety.

"More retailers are telling companies they have to be certified to do business with them. It gives retailers the kind of assurance they are looking for, only buying from the best suppliers," says Jill Hollingsworth, group vice president of food safety programs, Food Marketing Institute (FMI).

About 10 years ago, Hollingsworth says, FMI purchased the Safe Quality Food program, which already had been widely used in Australia and Europe, after retailers, buyers and foodservice companies, frustrated with the lack of structure in audits, asked for a better system. FMI improved and adapted the program for the U.S. market, and currently there are a little more than 5,000 SQF registrants worldwide.

In the past year, Hollingsworth says, she has seen a more than 120-percent increase in the number of companies that are certified or asking to be certified. She adds that the dairy sector is one of the biggest users of SQF.

"They have really stepped up to the plate and made some critical decisions," Hollingsworth says, estimating that about 25 percent of SQF certificates belong to dairy or beverage companies. "As an industry, they wanted to demonstrate to buyers that they want to meet this standard. They felt food safety is not a competitive issue."

Franklin Foods, an Enosburg Falls, Vermont-based manufacturer and marketer of cream cheese-based products, adopted the SQF program earlier this year. The company earned SQF 2000 Level 3 certification, the highest possible level which contains a quality as well as food safety component.

Manufacturing high-quality and safe products long have been part of Franklin Foods' manufacturing protocols and practices, according to Rocco Cardinale, director of marketing, Franklin Foods. For many years, he says, Franklin Foods has manufactured its products under strict HACCP (hazard analysis and critical control point) guidelines

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Milk production, prices forecast lower for 2011

WASHINGTON — The milk production forecast for 2010 remains unchanged from last month, but cheese and butter price forecasts for both 2010 and 2011 are lowered in this month's "World Agricultural Supply and Demand Estimates" report released by USDA this week.

While forecast milk production is unchanged from last month at 192.8 billion pounds, for 2011 the production forecast is lowered from last month's projected 196.0 billion pounds to 195.6 billion pounds, as forecast cow numbers are reduced from last month, USDA says.

Milk per cow is adjusted slightly higher in early 2011, but higher feed prices and lower forecast milk prices limit the rate of growth in 2011, USDA reports.

Meanwhile, exports in 2010 are forecast higher due to strong

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Hook's releases new batch of 15-year Cheddar

By Rena Archwamety

MINERAL POINT, Wis. — Hook's Cheese Co., which introduced a rare 15-year Cheddar last December, will release its third batch of the cheese next Friday, Nov. 19. (*See "Hook's Cheese debuts 15-year Cheddar today," Dec. 4, 2009, in the archives at www.cheesemarketnews.com.*)

The 15-year aged Cheddar
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NEWS/BUSINESS



SAFETY

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and voluntarily used third-party audits with other trusted organizations.

"A few reasons why we chose SQF is because it is internationally recognized, combines both food safety and quality, and through its training, audits and strict protocols, ensures that everyone in the organization is following the programs," Cardinale says.

The entire team at Franklin Foods, including receiving, manufacturing, warehousing, shipping and maintenance, participated in rigorous training, instruction and individual certification, Cardinale says. This was followed by a thorough three-day on-site audit evaluating the company's quality programs and procedures while monitoring its actual receiving, production, warehousing and distribution processes.

Franklin Foods has for the last several years embarked on a strategic growth plan, and its SQF certification will help to reassure its growing customer base.

"SQF certification assists in clearly communicating to our existing and potential customers (domestic and international) that we have achieved a 'global stamp of approval,'" Cardinale says.

Internationally-recognized and standardized third-party certification has become increasingly important as companies look to meet the demands of multiple, and often global, customers.

The Global Food Safety Initiative (GFSI), launched in 2000 by the Consumer Goods Forum, maintains a benchmarking process for other approved food safety management schemes. SQF and British Retail Consortium (BRC) Global Standard are among the certification programs whose standards have been formally benchmarked and recognized by GFSI.

GFSI aims to improve cost efficiency in the food supply chain through the common acceptance of GFSI-recognized standards by retailers around the world. GFSI's benchmarking procedure compares food safety-related schemes to the GFSI Guidance Document to ensure that all GFSI-recognized schemes have a common foundation of requirements applied during the audit, providing consistent results.

Davisco Foods, Le Sueur, Minn., earlier this month announced that it has become one of the first nationwide food ingredient companies to have its factories "A" certified against GFSI standards. Both its Le Sueur Cheese and Lake Norden Cheese factories recently participated in the BRC Global Standard for Food Safety certification program and scored "A" certifications, the highest possible, on the audit.

"Food safety must be the top priority for all food manufacturers," says Brian Paulson, food ingredient director of quality assurance at Davisco. "Davisco is committed to food safety and we make sure our customers receive safe, high-quality products every single shipment."

DCI Cheese Co., Richfield, Wis., also

this year earned company-wide recognition for meeting or exceeding GFSI standards. The company chose the GFSI standards because of the program's depth, says Jean Schieffer, DCI director of corporate quality. GFSI, she says, is the premier food safety audit, the most widely accepted and the current "buzz" in the food industry.

"DCI is a top innovator in the cheese market. We desired to hold the top certification for food safety to mirror our business plan," Schieffer says. "We chose GFSI because of its high standards and its wide acceptability."

Prior to adopting GFSI standards, DCI used other large players in standard third-party audits. While these auditing bodies have good standards and have helped the food industry for decades, Schieffer says, GFSI uses those standards and builds upon them, incorporating best business or manufacturing practices and relying heavily on science and process improvement techniques.

"They also cover employee safety, crisis management and change management to help guide the company through transition," Schieffer says. "They truly make you a better company."

The International Dairy Foods Association (IDFA) in the late 1980s developed the initial model dairy HACCP system and training program with the assistance of its cheese, ice cream and milk processors. IDFA also worked to help get HACCP accepted by the National Conference on Interstate Milk Shipment (NCIMS) as a voluntary alternative to traditional inspections of Grade "A" milk plants effective January 2004.

Because different customers require different certifications, IDFA also provides training in SQF and BRC as well as HACCP. Clay Hough, senior group vice president and general council, IDFA, says the current food safety legislation pending in Congress and the recognized systems comprising GFSI also are based on HACCP principles. He adds that standardization would help the industry, and GFSI, which benchmarks other food safety schemes, is a step in the right direction.

"IDFA supports appropriate food safety measures," Hough says. "However, there is such a confusing array of redundant audits required by different customers that it becomes a significant burden on dairy processors without any incremental benefit for food safety. IDFA supports standardization of these certification programs to reduce this redundancy."

IDFA continues to update its model Dairy HACCP program and training materials and software to keep current with modern processing and packaging technology.

Hollingsworth says the SQF program also continues to add new improvements and offerings. It offers online training, which she says is becoming more and more popular to help explain SQF to everyone on a company's staff, while only one or two people from a company may be able to attend training in-person.

SQF also recently introduced two new modules. The buyer module allows a

buyer to go into a database, and with the supplier's permission, see how well their suppliers have performed on audits. A new ethical sourcing module includes an international standard against which companies are evaluated for being socially and environmentally responsible in areas like child labor, worker welfare and air and water pollution.

Hollingsworth says third-party audits can be much more nimble than government standards and programs in adopting new technologies and different requirements.

"If there is a new science, we can quickly incorporate it, and it doesn't have to go into the regulatory process," she says.

Schieffer says third-party audits also are able to provide more in-depth audits than regulatory entities.

"Generally third-party auditors spend one to five days in a plant conducting audits in the processing areas as well as the supporting departments and their paperwork to be sure a robust program is in place," Schieffer says. "Regulatory auditors do not have this time luxury and their audits are not as in-depth."

Arla Foods receives tax credits to expand

MADISON, Wis. — Wisconsin Gov. Jim Doyle recently announced the state is awarding economic development tax credits to Arla Foods to assist in expanding its operations.

"As the economy turns around, we must continue to work hard to support communities and new economic development opportunities," Doyle says. "I am pleased we are continuing to support good companies that are creating jobs and a stronger future for northeast Wisconsin."

Susie Hjorth, president, Arla Foods Inc., says along with Arla's current investment at its Hollandtown Dairy, this tax credit will further support the

production of Arla's specialty cheese operation in Wisconsin.

"Our investment allows us to increase production, which therefore creates and expands the workforce here in our local community," Hjorth says. "We appreciate the strong support of the state of Wisconsin, our local dairy farmers, dedicated employees and their families."

Arla Foods will receive \$275,500 in economic development tax credits to support its \$8.9 million, 6,200 square-foot expansion project in Kaukauna, Wis.

Hjorth notes the expansion will help Arla Foods expand its specialty cheese production and create 41 jobs. **CMN**

Costs of third-party audits can vary. Hollingsworth says with SQF, there are four different types of costs: the cost to implement the program, including new procedures, adding new staff, etc.; the cost of training, to make sure everyone in the company understands the practices and training people to maintain documents; the yearly audit itself, where the cost is determined by private business arrangement with companies hired to do the audit; and the administrative fee SQF charges to maintain its database, which ranges from \$25 to \$500, depending on the size of the company.

Though there are many different options available for third-party audits, Hollingsworth says different programs can complement each other and work together.

"One thing required in the SQF program is that every dairy has a HACCP program, using those principles to manage," she says. "We have found those dairies that already have (HACCP) implemented have an easy time complying with SQF. The way we look at HACCP or other food safety plans, they all are very complementary. Food safety is universal." **CMN**

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