

# CHEESE MARKET NEWS®

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

## INSIDE

◆ **USDA plans to publish rule implementing dairy import assessment in 2010.**

*For details, see page 3.*

◆ **United States plans to enter negotiations for Trans-Pacific Partnership trade agreement.**

*For details, see page 4.*

◆ **Retail WATCH: Dairyfood USA strategically moves its extended shelf life cheeses into retail.**

*For details, see page 5.*

## USDA to give \$290 million to dairy farmers via new DELAP

WASHINGTON — U.S. Agriculture Secretary Tom Vilsack on Thursday announced the implementation of the new Dairy Economic Loss Assistance Payment (DELAP) program, which will distribute a one-time direct payment to eligible producers based on the amount of milk produced and commercially marketed by their operation during the months of February through July 2009.

Production information from these months will be used to estimate a full year's production to calculate the payments,

using a 6-million-pound-per-dairy operation limit.

"Through this program, eligible dairy producers will receive economic assistance that will help stabilize their operations during these tough economic times," Vilsack says.

Funding for the program comes from \$290 million authorized for loan assistance payments in the fiscal year 2010 agricultural appropriations bill, which was signed by President Obama in October. Since then, USDA has been determining how to distribute the funding. The ag bill also includes \$60 million for the purchase of cheese and dairy products that will be used in food banks and other federal nutrition and feeding programs. (See "President Obama signs 2010 ag bill," Oct. 23, 2009, in Cheese Market News' article archive at [www.cheesemarketnews.com](http://www.cheesemarketnews.com).)

"Our producers have not had many reasons to celebrate this year as they scrambled to keep their businesses alive," says U.S. Sen. Herb Kohl, D-Wis. "My hope is that these payments will bring a measure of relief to the hardships we witnessed in rural communities across our state and the country."

However, Michael Marsh, CEO of Western United Dairy-

men, says while the payments will be of some help, California dairy farmers wanted a different program that didn't cap payments based on farm production.

"Unfortunately, once again, it appears that the politicians in the Midwest have a little more sway in this program," Marsh says, adding that the DELAP program effectively penalizes California and other Western states with large dairy herds.

Rep. Jim Costa, D-Calif., also expressed disappointment following the announcement.

"It's unclear if USDA understands the complexities of California agriculture," Costa says. "I received assurances that the assistance USDA provided would be distributed fair and equitably. I don't know a dairyman in my district who believes this is fair for California."

Dairy Farmers of America (DFA) said while the announcement was "welcome news," DFA would have preferred a more equitable method of funding distribution.

"We are pleased funds will reach most DFA members before the end of the year, as it will bring a measure of much-needed relief to many of the nation's dairy farm families," says John Wilson, senior vice president of marketing and

industry affairs, DFA. "However, we would have preferred the program be implemented without caps as a more equitable way to provide relief to producers of all sizes across the country."

Other dairy industry leaders praised Thursday's announcement.

Jerry Slominski, director of legislative and policy affairs for the International Dairy Foods Association (IDFA), says IDFA is pleased to see the money "getting out the door" to farmers.

"They said they would have this done by the holidays, and they're pretty much right on schedule," Slominski says.

Slominski adds that he hopes USDA and the dairy industry still can keep momentum going for long-term system reforms.

The National Milk Producers Federation (NMPF) also stressed the importance of long-term improvements to dairy policy.

"The use of direct payments is not the best short-term approach to helping dairy producers, which is why NMPF had asked Congress earlier this year to allocate as many dollars as possible to cheese purchases," NMPF says. "That type of aid program is a more effective and beneficial use of federal resources, and treats all farmers

*Turn to DELAP, page 11 ⇨*

## CDFA to temporarily increase minimum milk prices in 2010

SACRAMENTO, Calif. — The California Department of Food and Agriculture (CDFA) announced Wednesday that the state's dairy farmers will receive a temporary adjustment in the minimum price of milk.

The decision was made after CDFA considered testimony from a Nov. 9 emergency hearing on proposed amendments to the Stabilization and Marketing Plans for Market Milk for the Northern California and Southern California marketing areas (see "CDFA hearing to consider milk price increase" in the Oct. 23, 2009, issue of Cheese Market News).

CDFA called the November hearing after receiving petitions from the Alliance of Western Milk Producers and from Western United Dairymen (WUD), both asking the department to consider price relief for dairy producers facing significant financial difficulties caused by production costs in excess of milk prices throughout 2009. Five alternative proposals also were submitted prior to the hearing (see "More California dairy organizations submit alternate proposals for minimum price hearing" in the Oct. 30, 2009, issue of Cheese Market News).

In this week's announcement, CDFA says it will amend the Class 1, 2, 3, 4a and 4b pricing formulas on a temporary basis from Jan. 1 to March 31, 2010. The decision will increase the Class 1 price by approximately \$0.35 per hundredweight by adding: \$0.0035 per pound to the milk fat price, \$0.0298 per pound to the milk solids-non-fat price, and \$0.0009 per pound to the milk fluid carrier price.

CDFA also will increase the Class 2 and 3 prices by approximately \$0.25 per hundredweight by adding \$0.0205 per pound to both the milk fat and milk solids-non-fat prices, and it will increase the Class 4a and 4b prices by approximately \$0.10 per hundredweight by adding \$0.0082 per pound to both the milk fat and milk solids-non-fat prices.

The effect of these changes will, on average, increase the monthly pool prices for the three months by approximately \$0.155 per hundredweight.

These changes are lower than those requested in the original petitions. The Alliance of Western Milk Producers had asked that the Class 1 price be increased by \$0.50 per hundredweight and Classes 2 and 3 by \$0.26 per hundredweight, the amount they were reduced by as a result of an October 2008 hearing on the same matter. WUD had requested a temporary \$0.50 per hundredweight increase on all classes of

*Turn to CDFA, page 11 ⇨*

## USDA, dairy industry sign pact to reduce emissions

WASHINGTON — USDA and the Innovation Center for U.S. Dairy this week signed a landmark memorandum of understanding (MOU) to work jointly in support of the U.S. dairy industry's goal to reduce greenhouse gas emissions by 25 percent by 2020, a goal set in January of this year by the innovation center board.

As part of the MOU, the innovation center and USDA have identified a variety of projects that can help the dairy industry achieve its greenhouse gas reduction goals and increase its financial and environmental sustainability.

The agreement first was signed in the United States by Tom Gallagher, CEO of the Innovation Center for U.S. Dairy and Dairy Management Inc. (DMI), which manages the national dairy checkoff program on behalf of U.S. dairy farmers. DMI was one of the founding organizations of the innovation center, which was

*Turn to EMISSIONS, page 12 ⇨*

## Former Protient facility is spared from propane fire

By Rena Archwamety

NORFOLK, Neb. — A fire broke out last Thursday morning in the propane facility next to a plant here owned by dairy ingredient manufacturer Protient.

Protient, which closed production at the plant in October 2008, currently is leasing the facility to specialty proteins manufacturer

*Turn to FIRE, page 10 ⇨*

# NEWS/BUSINESS



## EMISSIONS

*Continued from page 1*

created to foster industrywide pre-competitive collaboration and innovation on strategies designed to increase sales of milk and milk products.

The MOU then was signed by U.S. Agriculture Secretary Tom Vilsack on Tuesday in Copenhagen during the climate change summit there.

"This historic agreement, the first of its kind, will help us achieve the ambitious goal of drastically reducing greenhouse gas emissions while benefiting dairy farmers," Vilsack says.

"This memorandum came about because of the commitment of U.S. dairy farmers and the dairy industry to a sustainable future that includes both environmental and economic viability,"

Gallagher says.

Gallagher adds that the MOU is a way for USDA and the dairy industry to work together on common goals to increase sustainability and profit in the industry.

Under the agreement, USDA will take a number of steps to help farmers, including supporting a strategic research plan to help the industry further reduce environmental impacts. Other initiatives would help the industry develop future technologies, advance nutrient management, support renewable energy and improve energy efficiency.

"These efforts build on the Innovation Center for U.S. Dairy Sustainability Commitment, which includes projects designed to reach the greenhouse gas reduction goal of 25 percent by 2020," says National Milk Producers Federation (NMPF) President and CEO Jerry

Kozak, who along with Gallagher and Connie Tipton, president and CEO of the International Dairy Foods Association (IDFA), worked to develop the sustainability initiative's goals and plans.

"We are very pleased to be working with Secretary Vilsack and the entire USDA," Tipton says. "The additional cooperative efforts and assistance spelled out in this agreement will help the dairy industry move forward with its greenhouse gas reduction roadmap and further its role as a leader in sustainability."

Potential outcomes of the MOU include accelerating opportunities to adopt livestock manure processing systems that capture methane gas from livestock manure and convert it into electricity; coordinating research information on life cycle assessments; and supporting the dairy industry's ef-

forts in energy audits, feed management and energy conservation.

Gallagher notes that while some activists have pointed to the dairy industry as a large source of emissions, the industry has largely been part of the "solution" for many years.

Gallagher says the innovation center is nearing completion of a life cycle assessment of fluid milk from farm to table. Initial estimates by the Applied Sustainability Center at the University of Arkansas show that the entire dairy supply chain—from cattle feed ingredients through packaging and transportation to the consumer's table—accounts for less than 2 percent of total greenhouse gas emissions in the United States.

"The dairy industry's ongoing efforts to improve milk production efficiency over the past six decades have already reduced greenhouse gas emissions at the farm level by more than 60 percent," says Mike McCloskey, an Indiana dairy producer and chairman of the innovation center's sustainability committee. "To feed a growing world we must continue to develop new ideas, innovations and best practices to preserve natural resources and secure a healthy future for the next generation."

Gallagher says next he, Kozak and Tipton will need to sit down with USDA officials to figure out how each component of the MOU can be implemented.

Meanwhile, the industry has developed a roadmap that contains 12 initial projects that will help reduce greenhouse gas emissions by 12 percent, nearly half of the industry's overall goal. These projects include adopting best and next practices along every step of the dairy value chain in energy efficiency, manure management and recycling, transportation efficiencies, packaging innovations and nutrition management. CMN

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