



# CHEESE REPORTER

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## New Dietary Guidelines Urge Hike In Lowfat, Fat-Free Dairy Intake

**Also Recommended: Limited Intake Of Saturated Fat, Sodium, Added Sugars; Previous Dietary Cholesterol Limit Not Included**

**Washington**—A healthy eating pattern includes, among other things, fat-free or lowfat dairy products, including milk, yogurt, cheese, and/or fortified soy beverages, according to the 2015-2020 *Dietary Guidelines for Americans*, which were released this week by US Secretary of Agriculture Tom Vilsack and Health and Human Services Secretary Sylvia M. Burwell.

The 2015-2020 Dietary Guidelines provides five overarching guidelines that encourage healthy eating patterns, recognize that individuals will need to make shifts in their food and beverage choices to achieve a healthy pattern, and acknowledge that all segments of society have a role to play in supporting healthy choices.

Those five guidelines are: follow a healthy eating pattern across the lifespan; focus on variety, nutrient

density, and amount; limit calories from added sugars and saturated fats and reduce sodium intake; shift to healthier food and beverage choices; and support healthy eating patterns for all.

Key recommendations in the new Dietary Guidelines provide further guidance on how individuals can follow the five guidelines. Among those key recommendations: consume a healthy eating pattern that accounts for all foods and beverages within an appropriate calorie level.

Healthy eating patterns include fat-free and lowfat (1 percent) dairy, including milk, yogurt, cheese, or fortified soy beverages (commonly referred to as “soy-milk”), the recommendations explain. Soy beverages fortified with calcium, vitamin A, and vitamin D are included as part of the dairy group “because they are similar to milk based on nutrient composition and in their use in meals.

Other products sold as “milks” but made from plants (such as almond, rice, coconut, and hemp “milks”) may contain calcium and be consumed as a source of cal-

cium, but they are not included as part of the dairy group because their overall nutritional content is not similar to dairy milk and fortified soy beverages.

The recommended amounts of dairy in the “Healthy US-Style Pattern” are based on age rather than calorie level and are two cup-equivalents per day for children ages two to three years, two and a half cup-equivalents per day for children ages four to eight years, and three cup-equivalents per day for adolescents ages nine to 18 years and for adults.

Current average intakes of dairy for most age-sex groups are “far below recommendations” of the “Healthy US-Style Pattern,” the Dietary Guidelines noted. Average dairy intake for most young children ages one to three years meets recommended amounts, but all other age groups have average intakes that are below recommendations. An age-related decline in dairy intake begins in childhood, and intakes persist at low levels for adults of all ages.

The dairy group contributes

• See **Dietary Guidelines**, p. 7

## Cheese Production Rose 0.6% In November; Mozz Output Fell 2%, Cheddar Production Rose 2%; Butter Output Increased 4.4%

**Washington**—US cheese production during November totaled 975.7 million pounds, up 0.6 percent from November of 2014, USDA’s National Agricultural Statistics Service (NASS) reported.

Cheese output during the first 11 months of 2015 totaled 10.681 billion pounds, up 2.3 percent from the first 11 months of 2014.

Regional cheese production during November, with comparisons to November of 2014, was: Central, 435 million pounds, up 2.6 percent; West, 410.8 million pounds, down 3.3 percent; and Atlantic, 129.8 million pounds, up 7.1 percent.

November cheese production in the states broken out by NASS, with comparisons to November of 2014, was: Wisconsin, 251.9 million pounds, up 4 percent; California, 201.4 million pounds, down 1.3 percent; Idaho, 76.4 million pounds, up 5.6; New York, 68.8 million pounds, up 2.6 percent; New Mexico, 58.5 million pounds, down 13.7 percent; Minnesota, 55.7 million pounds, up slightly; Pennsylvania, 34.2 million pounds, down 4.7 percent; South Dakota, 23.3 million pounds, up 0.1 percent; Iowa, 20.2 million pounds, up 4.1 percent; Ohio, 17.3 million pounds, up 2.4 percent; Vermont, 11.5 million pounds, up 0.8 percent; and Illinois, 6.7 million pounds, up 3.6 percent.

• See **More Butter, Yogurt**, p. 6

## US Dairy Exports Fell 24% In November, Imports Declined 1%; Cheese Exports Fell 7%, Cheese Imports Increased 12%

**Washington**—US dairy exports in November were valued at \$377.3 million, down 24 percent from November of 2014, according to figures released Wednesday by USDA’s Foreign Agricultural Service (FAS).

That marked the third time in four months that the value of US dairy exports fell below \$400 million. And it was the lowest monthly value for US dairy exports since February of 2011, when the value was \$341.9 million.

During the first 11 months of 2015, US dairy exports were valued at \$4.857 billion, down 27 percent from the first 11 months of 2014.

• See **Nov. Dairy Trade**, p. 11

## Most Pressing Issue Facing Minnesota Dairy Industry: Bottlenecks In Processing Capacity

**To Boost State’s Dairy Sector, Policy Makers Should Consider Measures To Stimulate Investments In Processing Capacity: Paper**

**St. Paul, MN**—The most pressing issue the Minnesota dairy sector is facing today is no longer sluggish milk production growth, but rather “bottlenecks in milk processing capacity,” argues a recently released briefing paper.

“Should policy makers seek to boost Minnesota’s dairy sector, they should consider measures to stimulate investments in dairy processing capacity and boost demand for locally produced fluid milk and soft dairy products,” the paper stated.

*Situation in the Dairy Processing Sector in Minnesota* was written by Marin Bozic, an assistant profes-

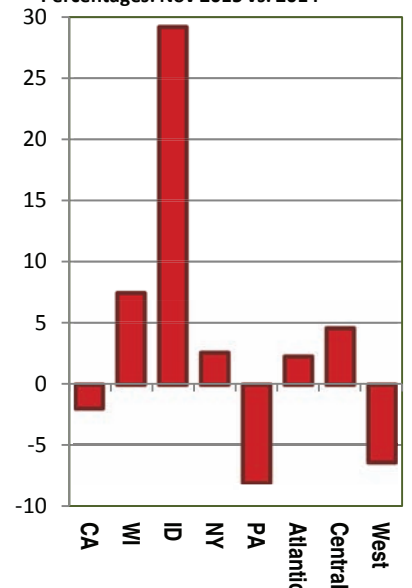
sor in the department of applied economics at the University of Minnesota and associate director of the Midwest Dairy Foods Research Center; and Jordan Clark, a graduate student in the department of applied economics at the University of Minnesota.

Between 1992 and 2014, Minnesota milk production declined by 7.4 percent, from 9.85 billion pounds to 9.13 billion pounds, the paper noted. Over the same period, milk production in the neighboring states of Wisconsin, Iowa and South Dakota increased by 16 percent, 16.5 percent and 27 percent, respectively.

Pennsylvania and Vermont, two Northeast states characterized by small average herd size similar to Minnesota, also grew over that time period by 3.2 percent and 6.1

• See **MN’s Plant Capacity**, p. 10

**Mozz Cheese Output**  
Percentages: Nov 2015 vs. 2014





## MN's Plant Capacity

(Continued from p. 1)

percent, respectively.

The fastest-growing state in the Midwest/Northeast belt was Michigan, with 77 percent milk production growth between 1992 and 2014.

Between 1992 and 2014, the number of dairy farms in Minnesota declined by 76 percent. Also, in 1993, milk production per cow in Minnesota was 345 pounds higher than cow productivity in Wisconsin and 135 pounds higher than in Iowa, but by 2014, production per cow in Minnesota was trailing Wisconsin by 2,030 pounds and Iowa by 2,640 pounds.

The difference between Michigan and Minnesota annual yield per cow increased from 1,120 pounds in 1992 to 4,785 pounds in 2014, the paper pointed out.

While these figures paint a picture of dairy decline, in reality the dairy production trends changed in the mid-2000s and Minnesota's milk production increased by close to 1.5 billion pounds between 2004 and 2015, the paper noted. Long-standing excess dairy processing capacity rendered the Upper Midwest for many years a "sellers" market for milk, characterized by small production growth, under-utilized processing capacity and high milk price premiums.

However, a combination of

attrition of processing capacity, strong regional increases in milk since 2013, and a decline in demand for fluid (beverage) milk have jointly altered the landscape in the last year and a half.

### Milk Price Basis Declines

The paper looks at recent trends in the Minnesota milk price basis, which is defined as the difference between the mailbox milk price (which captures the average price actually received by dairy producers, once all premiums and deductions have been accounted for) and the federal order Class III price, which is the price for milk used in cheese manufacturing.

The milk price that dairy farmers actually receive reflects the value of their milk components, as well as the local processing demand for milk, the paper explained. For example, when milk is scarce, processors may increase premiums for butterfat or protein, or may reward more generously milk with lower somatic cell count. Other methods processors use to compete for milk include subsidizing milk hauling costs or offering volume-based premiums.

If average milk components in an area are higher than the standard for Class III milk, than basis will capture the additional value of those components. When cheese, butter and dry whey prices decline, basis will also decline.

More importantly, the paper added, by measuring basis over time, "we can also begin to uncover dynamics in the competitiveness of milk demand in a certain area."

The Minnesota milk price basis averaged close to \$2.00 per hundredweight in 2012, 2013 and 2014, but has since declined to under 75 cents per hundred.

### Processing Capacity Changes

To evaluate the current situation in the dairy processing sector in Minnesota, Bozic and Clark contacted all major processors in the state, requesting plant-level data on capacity and capacity utilization. Most Minnesota processors extended strong support for this research and shared all requested production and capacity data.

For processors for which the authors were unable to obtain data, Bozic and Clark used interviews with dairy industry participants that work with those plants to obtain necessary data indirectly. As a result, they are able to present comprehensive and precise aggregate measures of dairy capacity and utilization in the state.

The authors classified all dairy plants into the following:

—Major dairy plants are those that intake raw milk or cream.

—Artisanal and farmstead operations are either very small independent dairy product manufacturers or dairy producers that have added dairy manufacturing capacity to their operations. For the sake of completeness, this category includes plants that utilize goat and sheep milk.

—Secondary processing plants are all plants that take dairy ingredients such as liquid or dry whey, cheese, milk powders, etc., as inputs in their production. Products such plants make are very diverse and vary from butteroil to cheese powders to processed cheese products and animal nutrition products.

There are 71 total dairy plants in Minnesota, the paper noted, including 19 major dairy plants, 18 artisanal/farmstead plants and 23 secondary processors. Minnesota has 18 large dairy plants, of which eight are cheese plants, six are fluid milk plants, one is a butter plant, one is a soft dairy products plant and two are milk powder plants.

By comparison, among some neighboring and nearby states, Wisconsin has 228 total plants, including 57 major dairy plants, 80 artisanal/farmstead plants and 60 secondary plants; Iowa has 34 total plants, including 10 major dairy plants, 15 artisanal/farmstead plants and three secondary processors; Nebraska has 17 total plants, including three major plants, 10 artisanal/farmstead plants and no secondary processors; and South Dakota has 12 total plants, including seven major dairy plants, two artisanal/farmstead plants and two secondary processors.

From 2010 to 2015, Minnesota cheese plant capacity utilization increased from 93.1 percent to 96.2 percent even though annual aggregate milk intake capacity increased from 6.1 to 7.3 billion pounds (18.8 percent increase) over this period due to expansions.

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**Neighboring states have grown their own milk production faster than processing capacity, and they do not need to import as much milk from Minnesota as before.**

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Over the same period, non-cheese plant utilization (fluid, soft, and drying plants) decreased below 65 percent due to declining demand for fluid milk and an increase in milk condensing capacity that is still not being utilized.

As South Dakota and Wisconsin increased their own milk production, the proportion of Minnesota's milk production processed outside Minnesota's borders declined from 16.2 percent in 2010 to 7.5 percent in 2015, the paper noted.

These statistics, Bozic and Clark noted, suggest the following:

- Neighboring states have grown their own milk production faster than processing capacity, and they do not need to import as much milk from Minnesota as before.

- Due to declining demand, Minnesota fluid milk plants are being utilized less.

- Cheese plants have undergone substantial increases over the past five years, through a combination of major plant upgrades as well as incremental expansions achieved through optimizing product mix or resolving production bottlenecks. At over 96 percent utilization, "it is fair to say that cheese plants in Minnesota are essentially full." Some increase in milk intake may come from running longer production shifts, but that opportunity is fairly limited.

- Under-utilized capacity still exists in the Class IV milk market, as Plainview Milk Products Cooperative recently increased its spray dryer capacity.

"The confluence of these four factors suggest that while capacity still exists to accommodate seasonal milk production surges, the recent decline in milk price basis is at least partially going to be persistent over the next several years," Bozic and Clark stated.

"Stimulating investments in cheese processing capacity and boosting demand for fluid/soft dairy products from local processors would seem to be policy initiatives that can help to address the forthcoming oversupply of milk in Minnesota," they concluded.

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