



MCT COMPASS

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USDA wants stricter FMD regs

When it comes to foot and mouth disease (FMD), USDA says an ounce of prevention is worth a pound of cure. But how much prevention is excessive?

After the UK identified its first case of FMD in February, USDA turned to the regulations already on the books for imports of animal products from markets without FMD-free status. Those regulations, written decades ago, have had a minimal impact on EU exports to the United States. The only dairy products banned are those containing meat as an ingredient and cheese packaged in liquid other than brine. Some products, including casein, lactose, cream, condensed milk and ice cream, are allowed into the country if accompanied by a USDA permit. All other products are unaffected.

But since then, USDA has reviewed more current science in an attempt to update the regulations.

On May 3, USDA signaled its intention to publish a proposed rule tightening the regs. As such, it won't take effect until after a public comment period and publication of final rule. The process is likely to take months.

The biggest change in the draft rule is the new requirement for special heat treatment to kill the FMD virus in dairy products.

Products would have to be either:

- ♦ double-pasteurized (161.5 degrees F for 15 seconds, twice);
- ♦ treated with ultra-high temperature processing;
- ♦ or have a single pasteurization followed by a treatment that lowers the pH level.

These changes could have a big effect on U.S. imports of EU cheese, casein and milk protein concentrate. Last year, the United States imported \$686 million worth of cheese, \$500 million worth of casein and more than \$200 million worth of MPC. About half of these imports came from the EU.

Some argue that additional heat treatments will denature the protein in MPC, making it ineffective for use in cheesemaking and as an ingredient in sports bars and other high-protein foods. Others contend that alternative heat treatments are just as effective in killing the FMD virus, while retaining the flavor of certain cheeses.

Some also have accused USDA of making arbitrary choices about which pasteurization techniques it will allow and which it won't. It remains unclear if real science, based on which treatments are necessary to kill the virus, was used to formulate these proposed regulations. □

KEN'S CORNER



*by Ken Meyers
President
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USDA is proposing stricter regulations on imports of dairy products from countries stricken with FMD (*see story at left*). While we agree it's appropriate to be cautious, the U.S. dairy industry must keep in mind that those same standards could apply to our own production if FMD ever strikes in the United States. In other words, if the virus hits here – this year, next year, whenever – it's only logical that we'll have to ask suppliers of our huge internal market to abide by the same strict regulations on heat treatment.

It's also important to be levelheaded about risk assessment. USDA readily admits that the risk of bringing FMD into the United States is much greater from Asia and South America – continents where the virus is endemic – than it is from Europe.

This case has received a lot of publicity, but it's no different than any other food safety issue. Above all, sound science and risk assessment must prevail. □

Class III could hit \$16

A modest, seasonal increase of 10-15¢ on the cheese market over the next six months will be enough to push the Class III price close to \$16.00 this fall. The futures market doesn't seem convinced that prices will hold that long; on Monday, September Class III futures closed

at \$14.40.

The butter market has paused here in May, but should resume its upward course as heat continues to pound the West Coast. We expect butter to average more than \$2.20 in September and October, translating into Class IV prices of around \$16.50. □

MCT welcomes new staff

MCT bids adieu to long-time office manager Stephanie Angelis, who retired last month. Stephanie will be missed by MCT staff and customers alike.

In the meantime, MCT added two people to the Millburn staff: Nadia Sanguinetti joins the team as administrative assistant and Jennifer Dolan steps in as staff accountant.

Also, Mike Mason has been tabbed as director of operations for the newly created MCT Manufacturing Division. We'll be ready to share more information about this exciting new venture next month. □

MCT Forecast					
	Block*	Barrel*	Class III	Butter*	Class IV
MAY	1.5935	1.5617	13.91	1.8512	14.97
JUN	1.6000	1.5748	14.65	1.9577	15.19
JUL	1.6239	1.5989	14.74	2.0792	15.75
AUG	1.6577	1.6327	15.03	2.1125	16.04
SEP	1.7083	1.6833	15.46	2.2000	16.35
OCT	1.7346	1.7096	15.90	2.2500	16.64

* Block, barrel and butter are monthly averages of CME prices.

The bulls are back; where are the cows?

Cheese and butter prices are higher than they've ever been for this time of year and the ongoing shortfall of milk compared with a year earlier is the culprit.

The March "Milk Production" report released by USDA in mid-April dampened expectations of a speedy recovery in U.S. milk production. USDA significantly reduced its estimates of cow numbers and output per cow from its earlier reports. According to USDA, the U.S. dairy herd in March dropped by 11,000 cows vs. February 2001 and was 55,000 cows less than a year ago.

In addition, milk production

per cow slipped by 2.0% vs. March 2000. In total, milk production during Q1 was down 834.8 million lbs. vs. a year ago. Regionally, only the West, +2.9%, posted positive milk production vs. March 2000.

For the first time since 1998, the industry is having to adjust to a declining milk supply. The biggest unknown is whether higher milk prices will offset rising energy and forage costs that could crimp growth of milk production in the Western states, especially during the second half of the year.

Lower milk production is translating into a tighter cheese market.

American cheese production totaled 299.7 million lbs. in March

2001, -1.5% from February on a daily average basis and -4.6% from March 2000. California production jumped 16.4% (+8.2 million lbs.) but this was offset by a 8.3 million lb. decrease in Wisconsin. Year-to-date American cheese production nationwide is down 5.3%, or 49.5 million lbs. (adjusted for leap day).

Some doubt if California will be able to maintain double-digit increases in American cheese production. As the summer heat sets in it is less clear if processors will be able to operate plants without interruption.

Rolling backouts impacted plant schedules in early May. And now that the heat is settling in, it could be a long summer. □

