



MCT COMPASS

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Skim? Nonfat? Does it Matter?

Due to extremely tight world markets, U.S. manufacturers of milk powders have been given the opportunity to make skim milk powder for export instead of nonfat dry milk, which is typically donated as food aid. That stroke of fortune, however, has not only caused confusion, but also a large downward revision in USDA's production numbers for nonfat dry milk.

In its recent revisions for December 2004, USDA dropped nonfat dry milk production by 13.5% (or 14.6 million pounds). December's number was reduced because it included skim milk powder, and the revision highlights the difference between the two powders.

The strong world market for skim milk powder has provided U.S. nonfat dry milk manufacturers, accustomed to producing for government intervention, the opportunity to produce skim milk powder for the world market.

Over the years, the two names "nonfat dry milk" and "skim milk powder" have been used interchangeably, despite the fact that the two products are not the same. Nonfat dry milk produced in the United States and labeled as nonfat dry milk comes under the labeling and standards jurisdiction of the Food and Drug Administration's (FDA) Code of Federal Regulations (CFR). The CFR mandates that nonfat dry milk powder be manufactured solely from milk and does not stipulate any minimum or maximum protein content.

Meanwhile, skim milk powder, produced and traded within the international market is subject to the Codex Alimentarius Commission (Codex) standard. The Codex standard for skim milk powder requires a minimum 34% protein level. To meet the minimum 34% protein level, other products derived from milk, such as lactose, milk permeate or milk retentate, can be added as long as the casein to whey protein ratio is not altered.

Nonfat dry milk and skim milk powder standards are not the only differences between the CFR and Codex product standards. For example, Codex allows for the

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KEN'S CORNER



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One might ask if Codex and CFR standards can co-exist in harmony. One answer is sure; they have co-

existed since the 1970's. The latest round of WTO trade negotiations appears committed to reducing trade barriers and increasing market access. As more countries

gain access to the U.S. market, some cheese varieties may face stiffer competition from cheese made using the Codex standards that allow for greater ingredient flexibility.

Innovative cheese manufacturers have found ways around cheese standards, by producing more non-standardize cheeses. For example, manufacturers of pizza cheeses experience a win-win situation. Their cheeses offer specific functionality to the end-user while granting the manufacturer more flexibility in its make procedure and ingredient choices.

If the United States would adopt Codex internally, some recipes would change and doors would be opened to innovation. In the long run, the change would also allow us to be more competitive on the world market.

But we don't want to require Old World styles of cheeses to be reformulated just to meet reactive pressures regarding pasteurization. That, no doubt, would diminish the flavor profiles and the Old World style of cheese making. **MCT**

Rollercoaster Trend

For the third consecutive month, the CME cash cheese market has rallied during the second half of the month. Only time will tell if the latest run-up will also collapse. USDA's recently released outlook report indicates that milk production is expected to be about 2% higher in 2005 than 2004. USDA forecasts a 1% gain in commercial

use of milkfat in 2005 with commercial use of skim solids projected to

increase about 2%, due in part to greater exports. **MCT**

MCT Forecast					
	Block*	Barrel*	Class III	Butter*	Class IV
Mar	1.5317	1.4931	14.10	1.5527	12.65
Apr	1.5850	1.5600	14.70	1.5750	12.70
May	1.5000	1.4750	14.20	1.5000	12.55
Jun	1.5500	1.5250	14.20	1.5850	12.65
Jul	1.6000	1.5750	14.90	1.6500	13.00
Aug	1.6500	1.6250	15.40	1.6500	13.00

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

It's all in the name...

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use of milk and other products derived from milk, such as milk protein concentrate and casein, in manufacturing cheese, while the CFR does not.

Domestically produced Cheddar cheese, a standardized food product within CFR, does not allow for other dairy ingredients, like milk protein concentrate, to be used in the make procedure. Non-standardized domestically produced cheeses like Brie, Feta, Havarti, and pizza cheese, however, may use dairy ingredients not allowed in standardized cheese.

Another difference found in the make procedure for cheese is that Codex allows for a combination of control practices in addition to pasteurization to address food safety. Codex recognizes that countries do not necessarily have the same access to pasteurization technology and equipment, and not all countries believe it is necessary to pasteurize to achieve a safe food supply.

Moreover, in some cases, pasteurization would deviate from the historical make procedure and

potentially change the taste, texture and flavor profile of the cheese. As a result, Codex recognizes other control measures, such as aging of cheese more than 60 days, and heat treatments to meet its food safety requirement.

U.S. standards for dairy products often have specified time/temperature requirements within each product standard. These often state that the product must be pasteurized, or held for 60 days or more.

There is an element of irony that CFR and Codex could still contain so many differences given that the International Dairy Federation (IDF) was founded in 1903 to exchange ideas and resolve common dairy issues. IDF subsequently became the catalyst in the 1963 establishment of the Codex Alimentarius Commission.

In other words, the global dairy industry recognized early the need for harmonized standards of identity. However, even a century later, countries still retain one standard of identity for domestic production and another standard for global production and trade.

Through time, the Codex commod-

ity committees have worked to narrow the differences in standards, but the process is long and cumbersome. The Codex Committee on Milk and Milk Products meets every two years.

The Codex dairy standards process has eight steps. Therefore, under normal conditions, it takes a minimum of 16 years to implement a new standard, and often just as long to modify an existing standard.

Still, the importance of the Codex Alimentarius Commission with its 172-country membership cannot be overemphasized because it plays a critical role in global trade negotiations. Codex standards have been accepted as the scientifically justified norms for the purpose of Sanitary and Phytosanitary Measures and Technical Barriers to Trade.

The World Trade Organization (WTO) relies on Codex standards to resolve trade disputes. Countries are not able to restrict imports of cheese made under Codex standards unless the importing country has safety requirements that are not met by the country of export. **MCT**

