STATE OF CALIFORNIA **GRAY DAVIS, *Governor***

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TO ALL INTERESTED PARTIES:

The Department will be holding a Class 2, 3 4a and 4b pricing hearing on January 29, 2003 in Sacramento. Two more requests for additional information have been made. This letter is in response to those requests.

Barrels Share of Cheddar Cheese Production

In 2001, 19 plants produced Cheddar cheese in California. Of these 19 plants, four made barrel style Cheddar with a total production share of approximately 43%.

In 2001, Cheddar cheese accounted for 34% of total cheese production. The Department does not have data on the share of barrel cheese among the other 66% of the cheese produced in California.

Cheese Byproducts

This study attempts to summarize information on the processing of byproducts by California Cheddar cheese plants. This report is an update of work the Department did in 1998. The previous work used information from manufacturing cost studies for 1996-97. This current study is based information from the manufacturing cost studies for 2000-01.

The following table summarizes how the whey stream was handled, for the eight plants included in both time periods. All eight plants in both time periods separated the whole whey into whey cream and skim whey. The skim whey was then handled by any of five methods (1) dumped down the sewer or field spread; (2) feed to local animals; (3) processed into skim whey powder with ~13% whey protein (SWP 13%); (4) processed into standard whey protein concentrate with ~34% whey protein (WPC 34%); and/or (5) processed either into high-end whey protein concentrate with 70-80% whey protein or into whey protein isolates with ~92% whey protein (WPC 70%+). For those plants making more than one skim whey product, the table reflects the primary product made:

	1996-97	2000-01
(1) Dump	1	0
(2) Animal	2	1
(3) SWP 13%	0	1
(4) WPC 34%	3	3
(5) WPC 70%+	2	3
	8	8

The table shows two things. There has been a shift away from just disposing of skim whey to further processing of skim whey. Also, when skim whey is processed, it is primarily made into standard or high-end whey protein concentrate rather than skim whey powder. This is also reflected in the volume of products from the plants in the current period. Based on volume of cheese processed, 90% of the skim whey was made into standard or high-end whey protein concentrate.

Confidentiality prevents presentation of actual processing costs. However, generally it can be said that processing costs for skim whey powder falls in the higher range of NFDM costs; high-end whey protein concentrate costs about one dollar to process, and standard whey protein concentrate costs fall between the costs of the other two.

Finally, it should be noted that there is no relationship between the prices of skim whey powder and standard whey protein concentrate (see attached figure).

Should you have any questions regarding this material please contact Eric Erba or Tom Gossard at the phone number listed above.

Sincerely,

David K. Ikari, Chief
Dairy Marketing Branch

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