

# CHEESE MARKET NEWS®

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## Italian cheese marketing fraud spotlighted by U.S. stakeholders

By Alyssa Mitchell

**MADISON, Wis.** — In today's crowded marketplace, packaging, price point and messaging can make or break whether a product gets picked up or passed over.

Authenticity in product manufacturing and labeling is not a new issue, but one U.S. manufacturer and importer of hard cheeses is calling for increased consumer and retail purchaser education on the differences between products made differently but presented the same way.

Neal Schuman, CEO of Arthur Schuman Inc. (ASI), Fairfield, New Jersey, says misrepresented products often

come in the form of dry grated cheese sold at restaurants, at retail and in foodservice.

"Part of the problem is that there are a number of operators that aren't familiar with the procedures or rules and actually believe they've been buying the right product," Schuman says.

According to ASI, 20 percent of the roughly 463 million pounds of Italian hard cheeses produced in 2013, such as Parmesan, Asiago and Romano, were "forgeries." ASI estimates that the sale of "fake" cheeses is growing at 10 percent each year. This is primarily seen with cheeses like Parmesan, often referred to as the "King of Cheeses," Schuman notes.

ASI says it markets about a third of the U.S. market for Italian hard cheese, including cheese it imports. The fourth-generation, family-owned business produces cheese at Lake Country Dairy in Wisconsin and processes them in Elgin, Illinois, to ensure the product retains its high quality, and also imports cheese. ASI supplies restaurants, grocery stores, foodservice and food ingredients for frozen and packaged items.

Meanwhile, fraudulent — also known as adulterated —

cheeses are filled with starches and anti-caking ingredients like cellulose, ASI says. Examples of "fraud" include skimping on the milk, impacting dairy farmers' bottom line; cutting corners on the aging process; and the use and "abuse" of additives.

While this practice violates FDA regulation, ASI says the agency generally focuses more on food safety breaches rather than fraud.

"We're not necessarily calling for increased regulations from FDA — we know they're doing the best they can with the resources they have," Schuman says. "We just want companies who use fillers in their cheesemaking to label their products appropriately."

Italian hard cheeses account for about \$620 million in sales within the foodservice sector alone, ASI says, noting operators may be purchasing fraudulent cheeses without even realizing it.

Although cheese fraud has been escalating in recent years, consumers also are becoming more discerning in their food selection, notes Bob Wheatley, CEO of Emergent Healthy Living, which manages communications for ASI.

"There's been a pervasive

shift in the last five years for higher quality," Wheatley says. An increased demand for premium, unadulterated cheese could spur operators to pay more attention to their supply, he adds.

Some hard Italian cheeses are altered once they leave the cheese plant and additives are thrown in with grating and shredding.

ASI has the ability to test all grated cheeses like Parmesan and Romano to determine the quality. Schuman says that partnering with trusted cheese producers and suppliers can help brands ensure that they are serving the "real deal."

The motivation for fraud in Italian cheesemaking typically is lower cost of ingredients and higher profit, ASI notes.

The International Dairy Foods Association (IDFA) brought the issue to light in a July 2013 letter to "Parmesan Cheese Purchasers."

In the letter, IDFA President and CEO Connie Tipton says that, on behalf of the National Cheese Institute (NCI), she is alerting purchasers to a concern that some cheese being labeled and sold as Parmesan does not meet FDA's federal standard of identity for products offered for

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## Cheese production up, butter down in July over prior year

**WASHINGTON** — Total U.S. cheese production in July was 988.4 million pounds, up 3.1 percent from July 2014's 958.5 million pounds, according to preliminary production data released Thursday by USDA's National Agricultural Statistics Service (NASS). (All figures are rounded. Please see CMN's Dairy Production chart on page 11.)

July cheese production also was up 2.5 percent from June's 964.0 million pounds, but on an average daily basis July production was down 0.8 percent.

Production of Italian-type cheeses totaled 422.3 million pounds in July, up 3.2 percent from July 2014's 409.4 million pounds. Production of Mozzarella, the most-produced Italian-type cheese, was up 1.3 percent from the previous July to 331.7 million pounds. Provolone production totaled 32.0 million pounds in July, up 7.1 percent from the previous year, while Parmesan production grew 13.1 percent in the year-over-year comparison to 30.1 million pounds.

American-type cheese production in July totaled 393.2 million pounds in July, up 3.4 percent from July 2014's 380.3 million pounds. Cheddar, the most-produced American-type cheese, saw production climb 4.7 percent in the July-to-July comparison to 282.1 million pounds.

Swiss cheese production in July totaled 26.6 million pounds, up 3.4 percent from the previous year.

Wisconsin, the nation's leading cheese-producing state, produced 261.1 million pounds of cheese in July, a 7.3-percent gain over its production a year earlier. California followed with 206.1 million pounds, a 1.7-percent gain over July 2014.

The next four cheese-producing states in July were Idaho with 79.7 million pounds, up 4.1 percent from its production a year earlier; New York with 66.9 million pounds, up 11.6 percent; New Mexico with 62.6 million pounds, down 2.5 percent; and Minnesota with 57.3 million pounds, up 4.1 percent.

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## Blue Bell resumes ice cream production at Oklahoma plant

**BREHAM, Texas** — Blue Bell Creameries announced Tuesday that it has resumed ice cream production at its facility in Broken Arrow, Oklahoma.

The company earlier this year ceased production at all of its plants following an outbreak of listeriosis that was linked to its products. In late July, production resumed at its facility in Sylacauga, Alabama, and the company Monday began distributing its ice cream again to select markets. (See "Blue Bell Creameries to resume distribution" in last week's issue of Cheese Market News.) The main Blue Bell plant in Brenham, Texas, still is undergoing upgrades similar to those made in Alabama and Oklahoma.

Production at the Broken Arrow plant will be on a limited basis as the company seeks to confirm that new procedures, facility

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## Vilsack urges Congress to act on child nutrition

**WASHINGTON** — U.S. Secretary of Agriculture Tom Vilsack this week delivered keynote remarks at the Center for American Progress encouraging Congress to act quickly to reauthorize the Healthy, Hunger-Free Kids Act and support the ongoing success of the healthier meals now being served in federal child nutrition programs.

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# NEWS/BUSINESS



## FRAUD

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sale as Parmesan.

“Under this standard, it is particularly important that cheese being sold as Parmesan contains only Parmesan cheese (no other types of cheese can be added), meets the required moisture content (not more than 32 percent), contains not less than 32 percent of milkfat, is aged for the required 10-month time period, uses no unapproved additives or ingredients and is otherwise processed in the manner specified in the standard of identity,” Tipton writes.

She notes the standards of identity were created by FDA to promote honesty and fair dealing in labeling and selling products by ensuring consumers that the products they buy meet the product quality and uniformity standards set out in the applicable standard of identity.

Thus, if a cheese labeled as Parmesan does not meet the FDA standard, it may be misbranded in violation of the Federal Food, Drug and Cosmetic (FDC) Act.

Adherence to the standard also is important as Parmesan that is manufactured with a higher moisture content could result in a lower quality product with higher spoilage, eroding consumer confidence or satisfaction with the product and constituting economic adulteration in violation of the FDC Act, Tipton says.

She also notes that, although powdered cellulose is considered by FDA to be generally recognized as safe (GRAS) and can be added to Parmesan as an anti-caking processing agent under the Code of Federal Regulations, it only can be used at levels sufficient to achieve the anti-caking technical effect, not for other purposes.

Schuman says that, unfortunately, the

issue so far has not gained much traction.

While there seems to be an industry consensus that the issue exists, stakeholders’ opinions vary in how to address it.

John Umhoefer, executive director of the Wisconsin Cheese Makers Association, says he understands the issue that is being brought to light, but it may be more of a good manufacturing practice issue versus a standard of identity issue.

“We don’t want to necessarily create a standard for how much cellulose or other ingredients are allowed,” he says. “At the same time, cheesemakers should strive to make the highest quality cheese with accurate labeling and nutritional information.”

Umhoefer says it boils down to pricing and marketing.

“If a label appears identical to a high-end manufacturer but the price point is lower, there is a challenge for that quality cheesemaker to educate the consumer on the quality difference,” he says.

Umhoefer notes that many buyers are looking for value, but even low-cost product needs to be accurately labeled and not misrepresented.

Given the choice between bringing consumer awareness to the negatives in the grated cheese industry or simply highlighting the quality Parmesans that are made in the United States, he would lean toward the latter, he says.

“This is a very complicated issue,” adds Errico Auricchio, president of BelGioioso Cheese Inc., Green Bay, Wisconsin. BelGioioso is another top tier hard Italian cheesemaker.

“In the grated cheese arena, you find a lot of ‘abuse,’ but I think people know what they are getting when it doesn’t cost as much,” Auricchio says.

He adds that in an environment of increased government regulation and enforcement, he doesn’t know that ad-

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Errico Auricchio  
BELGIOIOSO CHEESE INC.

ditional regulation is the right answer.

“People who break the rules will still break them, but those of us who follow the rules will just have more rules,” he says. “I don’t know if there is really a solution to this problem.”

Jeff Schwager, president of Sartori Co., Plymouth, Wisconsin, another manufacturer of hard Italian-style cheeses, says the company sees product labeled as Parmesan that does not meet the standard of identity but is being sold on the market to all segments.

“It is a concern. Companies that are doing this are giving the entire category a bad name,” Schwager says. “And from a competitive standpoint, when lower-cost elements are added in, it makes it harder for ethical companies to compete in a very competitive market.”

He adds that it’s more than a marketing issue; it is an ethics issue.

“It is a global market, and these inferior and adulterated products damage the industry credibility, limiting export opportunities,” he says.

Schwager says it is unlikely consumers are aware this is occurring.

“They believe they are buying Parmesan. I do not think there is an upside

in price in selling ‘real unadulterated Parmesan’ since they think they are already buying that product or consuming that product in ingredients and at restaurants,” he says. “In our experience, the companies that deal in these type activities are doing so to improve their profits and to have a slight price advantage, with little visibility to consumers.”

However, in a recent consumer survey conducted by ASI, the company found that 95 percent of those surveyed had concerns about the issue of adulteration, and 78 percent indicated companies should not be able to label their product as “real” when it includes excessive fillers, and another 61 percent said they would not purchase fraudulent cheeses.

ASI used a 10-minute online survey among consumers with demographics representative of the U.S. population. Participants were screened to ensure they were users of U.S. hard Italian cheeses such as Parmesan, Asiago and Pecorino in the past three months.

“The data coming back was compelling,” Wheatley says.

He adds that 75 percent of those surveyed said they would be willing to pay anywhere from 10-25 percent more for authentic cheese.

“We believe consumers can choose to buy what they want, but we don’t want the authenticity and name of Parmesan, Romano and other hard Italian cheese to be diluted,” Schuman says.

Now ASI, with Wheatley’s guidance, is gearing up to launch an educational campaign by the end of the year to bring the issue to light for consumers and cheese purchasers. More details on the campaign will be released soon.

“We’re hoping the awareness and light that is shed on this will compel all stakeholders in this issue to look more closely at how things are being done,” Schuman says. CMN

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