

Chaos in California could be boon for Wisconsin cheesemakers

By Rob Schultz, Wisconsin State Journal

MADISON – Wisconsin's cheese producers are poised to profit – perhaps mightily – from a feud that has buckled the knees of California's dysfunctional dairy industry.

California cheesemakers have prospered for decades because the price of milk used to make cheese has been set lower than what competitors from other states, including Wisconsin, pay. Now, California's financially strapped dairy farmers are saying their future depends on whether their state's cheese producers can be forced to pay the same price as everybody else, according to a Wisconsin State Journal report.

If California cheesemakers are forced onto a level playing field, sales of Wisconsin cheese – estimated at about \$5 billion – could increase by \$200 million, according to a top dairy industry executive from Wisconsin.

“It could be very significant,” said David Fuhrmann, chief executive officer and president of Foremost Farms, a Baraboo-based company that is Wisconsin's No. 1 cheese producer. Foremost makes cheese and other dairy products for sale worldwide.

At issue is that California sets its own milk prices, and those prices are usually lower than those paid in the federal system followed by most states, including Wisconsin.

California's dairy farmers didn't complain about the low prices until recently when feed costs began to soar. Most farms there don't have room to grow their own feed, so they

must buy it, usually from another state. Factor in higher regulatory costs, and environmental and water concerns, and it all led to more than 100 of the state's 1,600 dairy farms closing in 2012, according to Michael Marsh, CEO of Western United Dairymen, a group that represents about 65 percent of California's dairy farmers.

California cheese is as much as 10 to 15 cents a pound cheaper.

"That's huge," he said.

Nobody knows that better than California's dairy farmers.

The thought of California producers losing that milk-price advantage has Wisconsin cheesemakers salivating.

"If they have to pay more for the milk, and get on a more level playing field with us, we will gain market share because the majority of their cheese is being shipped to the Midwest or the East, and we have a huge transportation advantage," Fuhrmann said.

"That should allow us to be a lot more competitive and gain market share at their expense."