

David, Goliath and the cheese wars

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When the much-smaller David took on the giant Goliath, he eschewed the King's armour and went into battle protected only by a slingshot and five smooth stones. He felled Goliath with a single shot because he thought he could and because he believed he had God on his side.

When tiny St Albert Cheese Co-op stood up to Saputo, Parmalat and Kraft in last year's Judicial Review of Canada's cheese regulations, they did so armed not with legions of high priced lawyers but with the simple truth: Canadian cheese should be made with Canadian milk. And they had Canadian farmers on their side.

Together with tiny International Cheese of Toronto, St Albert's filed for intervener status to argue the case for Canada's dairy farmers because, in the words of co-op general manager Rejean Ouimet, "Saputo, Kraft and Parmalat don't want any regulations. That's like a highway with no speed limits. We'd like to see zero tolerance. We're a co-op. Our board asked itself: Can we put forward our members point of view? Can we stand up as a cooperative owned by 50 milk producers and defend ourselves?" And they did.

Started in 1894 by a handful of dairy farmers who'd settled the fertile farmland surrounding our nation's capital, their members are today 5th generation farmers and proud of it. In their plant in tiny St Albert, 45 minutes south east of Ottawa, 60 employees turn 25 million litres of milk a year into award-winning cheddars and other fine cheeses. And loyal consumers beat a path to their door.

International Cheese of Toronto, the only other intervener in the Judicial Review, is a 40-year-old family-owned and operated company that prides itself in producing "over 32 different cheese products using the freshest ingredients available in the market." Its website proclaims, "Where making cheese is an art". Their Ricotta is so good it was declared 'world's best' at the World Cheese Championships in 2006. Why did International intervene? Third generation cheesemaker Mike Salvadore puts it quite simply. "We don't believe in using additives. It's killing the market. We want to produce good quality cheese."

Replacing Canadian milk with cheap imported additives (modified milk ingredients such as milk protein concentrates) allows Saputo, Kraft and Parmalat to undercut the prices of quality cheesemakers like Rejean and Mike, making

cheese made with real Canadian milk less competitive. "We just want a level playing field," he says.

In their testimony before the Judicial Review, these two brave little Davids spoke up for the rights of Canadian dairy farmers, Canadian cows and Canadian consumers. Against a trio of Goliaths, Saputo the largest by far.

From humble beginnings as a Montreal mozzarella-maker in 1954, Saputo Inc. began a period of expansion in the 1990's that saw 20 major acquisitions in as many years. During this time, padlocks were placed on the doors of many Canadian dairies - including Harrowsmith, Cookstown and Oakville Ontario, Yorkton, Saskatchewan, Souris, Manitoba and milk plants in Calgary and Armstrong, B.C. - as Saputo bought up and then shut down local capacity. And local jobs.

Today, with 9,600 employees and 46 plants - 26 in Canada, 16 in the US, 2 in Argentina and 2 in Europe - Saputo Inc. is the 11th largest dairy processor in the world, the largest in Canada, the third largest in Argentina and among the top 3 cheese producers in the United States. A mighty Goliath indeed.

At the end of October, Saputo will close its Brampton plant, removing 190 jobs from the local economy. Arguing that the closure makes economic sense for the company, Saputo promised 120 of those employees jobs elsewhere.

Saputo's third quarter earnings to December 31, 2009 were \$104.3 million, up a whopping 80% over last year. Second quarter earnings were \$94.5 million, up 37% over year earlier numbers.

Supported by the testimony of St Albert and International Cheese, the Federal Court of Canada, in its fall 2009 ruling, upheld Canada's new cheese regulations specifying the amount of fluid milk to be used in the manufacture of Canadian cheese (Canadian Cheddar: 100 percent, soft cheeses: 95 percent, cheddar, Colby, and brick cheeses: 83 percent and mozzarella: 60 percent.)

But Saputo and Kraft appealed the finding. The Federal Court of Appeal is now reviewing the testimony, including that of St Albert's Cheese Co-op and International Cheese of Toronto. A final decision is expected in July.

When the Appeal is finally dismissed, dairy farmers and cheese lovers across Canada should stand up and give a bow in the direction of St Albert's Cheese Cooperative and International Cheese of Toronto, two brave Canadian David's who stood up to Goliaths Saputo, Parmalat and Kraft and, with simple truth as a weapon, stood down the giants.