JANUARY 1991 **Kraft's Actions** Price/lb. Week of: Commodity Activity \$1.0525 No activity 1/3 Barrels NC No activity \$1.0850 1 car unfilled bid No activity Blocks NC Ø \$1 0850 No activity \$1.0525 No activity NC Barrels +1/4¢ \$1.0875 t car sold on offer Kraft sold 1 car Blocks @ \$1.0825 f car sold on bid @ \$1.0875 Barrels NC \$1.0525 No activity No activity NC \$1,0875 1 car sold on bid Kraft sold 1 car Blocks @ \$1.0875 No activity Barrels NC \$1.0525 No activity NC \$1,0875 No activity No activity Blocks

FEBRUARY 1991						
Week of:	Commodity	+/-	Price/lb.	Activity	Kraft's Actions	
2/1	Barrels	NC	\$1.0525	No activity	No activity	
	Blocks	NC	\$1.0850	No activity	No activity	
2/8	Barrels	NC	\$1.0525	No activity	No activity	
	Blocks	NC	\$1,0850	No activity	No activity	
2/15	Barrels	NC	\$1.0525	No activity	No activity	
	Blocks	NC	\$1.0850	No activity	No activity	
2/22	Barrels	NC	\$1.0525	No activity	No activity	
	Blacks	NC	\$1:0875	2 cars sold on offer © \$1.0975 7 cars sold on bids © \$1.0975 2 cars uncovered offers © \$1.0875	Kraft sold all 9 cars 2 on offer and 7 on bi Uncovered offer 2 cars @ \$1.0875	

MARCH 1991					
Week of:	Commodity	+/-	Price/lb.	Activity	Kraft's Actions
3/1	Barrels	NC	\$1.0525	No activity	No activity
	Blocks	NC	\$1.0875	uncovered offer 1 car @ \$1.0875	Kraft sold 1 car
3/8	Barrels	NC	\$1.0525	No activity	No activity
	Blocks	NC	\$1.0875	1 car sold @\$108.25 1 car unfilled bid @\$1.0850 2 cars sold @\$1.0875	No activity
3/15	Barrels	NC	\$1.0525	No activity	No activity
	8locks	NC	\$1,0875	No activity	No activity
3/22	Barrels			No activity	No activity
	Blocks			No activity	No activity
3/28	Barrels	NC	\$1.0525	1 car offer uncovered @ \$1.0525 2 cars sold on bid @ \$1.0550	1 car unfilled offer
	Blocks	NC	\$1.0675	5 cars sold on bid © \$1.055 1 car offer uncovered © \$1.0875	Kraft sold 5 cars 1 car unfilled offer

APRIL 1991 .							
Week of:	Commodity	+/-	Price/lb.	Activity	Kraft's Actions		
4/5	Barrels	NC	\$1.0525	No activity	No activity		
	Blocks	NC	\$1.0875	No activity	No activity		
4/12	Barrels			No activity	No activity		
	Blocks			No activity	No activity		
4/19	Barrels	NC	\$1.0525	1 car sold on bid @ market	Kraft sold 1 car		
	Blocks	NC	\$1.0875	1 car sold on bid @ market	Kraft sold 1 car		
4/26	Barrels	NC	\$1.0525	32 cars sold on bids @ \$1.0525	Kraft sold all 32 cars		
	Blocks	NC	\$1.0875	No activity	No activity		

MAY 1991							
Week of:	Commodity	+/-	Price/lb.	Activity	Kraft's Actions		
5/3	Barrels	+1-1/4¢	\$1.0650	Info not available	Info not available		
	Blocks	NC	\$1.0875	info not available	Info not available		
5/10	Barrels	+16	\$1. 06 50	11 cars sold on bids @ \$1.0725 6 cars sold on bids @ \$1.0750 5 cars unfilled bids @ \$1.0750	Kraft sold all 17 cars		
	Blocks	ete	\$1,0975	6 cars sold on bids © \$1,0975 2 cars uncovered offers © \$1,0975	Kraft sold all 6 cars Kraft made uncovere offer		
5/17	Barrels	+4-1/2¢	\$1.1200	5 cars sold on bid @\$1.1200 14 cars unfilled bids: 5 @\$1.1200 6 @\$1.1175 3 @\$1.1150	No activity		
	Blocks	+5¢	\$1.1475	2 cars unfilled bids @ \$1,1475	No activity		
5/24	Barrels	, NC	\$1.1200	8 cars sold on bids © \$1.1200 6 cars sold on bids © \$1.1225 6 cars sold on bids © \$1.1250 4 cars bids unfilled © \$1.1200	Kraft sold all 20		
	Blocks	NC	\$1.1475	No activity	No activity		
5/31	Barreis -	+1-1/4¢	\$1.1325	No sales Unfilled bids: 2 cars @ \$1.1200, 2 cars @ \$1.1300, 5 cars @ \$1.1325	No activity		
	Blocks	+3/4¢	\$1,1550	7 cars unfilled bids @\$1.1550	No activity		

Kraft Dominated 1

A week-by-week summary of 1991 trading at the National Cheese Exchange shows that industry giant Kraft's selective participation suggests an effort to hold down prices, particularly with respect to 500-lb. Cheddar barrels.

In 1991 cheese exchange activities, Kraft:

* Sold just over 90% of all Cheddar barrels transacted, despite the fact that Kraft produced zero barrel Cheddar until very late in the calendar year.

* Bought zero cheese at the exchange.

* Dumped loads of Cheddar barrels during times immediately prior to industry short-falls of that commodity.

Kraft's 1991 behavior at the National Cheese Exchange suggests that the firm used its dominant position to its eco-

			JU	NE 1991	
Week of:	Commodity	+/-	Price/lb.	Activity	Kraft's Actions
6/7	Barrels	+1¢	\$1.1425	No sales. 9 bids unfilled: 2 @ \$1.1400 7 @ \$1.1425	No activity
	Blocks	+1-1/4¢	\$1.1675	No sales, 7 cars unfilled bids @ \$1 1675	No activity
6/14	Barrels	+3/4¢	\$1.1500	No sales, 5 cars unfilled bids @ \$1,1500	No activity
	Blocks	+3/4¢	\$11750	No sales, 2 cars unfilled bid @ \$1 1750	No activity
6/21	Barrels	+2-3/4¢	\$1.1775	No sales. 8 cars unfilled bids @ \$1.1775	No activity
	Blocks	+2¢	\$1,2000	No sales, 2 cars unfilled bids @ \$1.200	No activity
6/28	Barrels	+1/2¢	\$1.1825	5 cars sold on offers of \$1.1825, 5 cars sold on bids of \$1.1825 5 cars sold on offers of \$1.1825 25 cars sold on bids of \$1.1825	All 40 carloads sold by Kraft
	Blocks	+1-1/4¢	\$1,2125	4 cars sold on bid of \$1.2125	

Week of:	Commodity	+/-	JU Price/lb.	LY 1991 Activity	Kraff's Actions
7/3	Barrels	+3/4¢	\$1.1900	10 cars offered & sold on bid @ \$1.1900 10 cars \$1.1900 \$1.1900 5 cars unfilled bid @ \$1.1900	Kraft sold all 20 carloads
- North S. S. C. C.	Blocks	+1/4¢	\$1.12150	4 cars sold on bid © \$1.2125 2 cars unfilled bid © \$1.2150	Kraft sold all 4 carloads
7/12	Barrels	+1¢	\$1.2000	8 cars unfilled bid @ \$1.1975 5 cars unfilled bid @ \$1.2000	No activity
	Blocks	+1¢	\$1 2250	1 car unfilled bid © \$1.2250	No activity
7/19	Barrels	+4-1/2¢	\$1.2425	5 cars unfilled bid @ \$1.2400 15 cars unfilled bids . @ \$1.2425	No activity
	Blocks	+5-1/2¢	\$1.2875	2 cars unfilled bids @ \$1.2875	No activity
7/26	Barrels	+3/4¢	\$1.2500	3 cars unfilled bids @ \$1.2500	No activity
	Blocks	+3/4¢	\$1,2875	2 cars unfilled bids @ \$1,2875	No activity

	190				
Week of:	Commodity	+/-	AUG Price/lb.	UST 1991 Activity	Kraft's Actions
8/2	Barrels	+1-1/4¢	\$1.2625	8 cars bid & sold @ \$1.2575 5 cars unfilled bids @ \$1.2625	Kraft sold all 8 carloads
	Blocks	+12	\$1.2975	1 car bid & sold @\$1.2950 1 car unfilled bid @\$1.2975	Kraft sold 1 carload
8/9	Barrels	+1/2¢	\$1.2675	2 cars unfilled bid	No activity
	Blocks	+1/2¢	\$1.3025	1 car untilled bid @ \$1.3025	No activity
8/16	Barrels	+1/2¢	\$1.2725	2 cars bid & sold @\$1.2700 2 cars bid & sold @\$1.275 5 cars unfilled bids @\$1.2725	Kraft sold all 4 carloads
	Blocks	+1/2¢	\$1.3075	2 cars unfilled bids @ \$1:3075	No activity
8/23	Barrels	+2-1/4¢	\$1.2950	14 cars sold on bid @ \$1.2850 3 cars sold on bid @ \$1.2900 3 cars sold on bid @ \$1.2925 5 cars unfilled bid @ \$1.2925	Kraft sold 8 carloads @ \$1.2875 and e carloads @ \$1.2900
	Blocks	+2-1/4e	\$1,3300	4 cars sold on bid @ \$1 2850 2 cars sold on bid @ \$1,3275 2 cars unfilled bid @ \$1,3300 2 cars unfilled bid @ \$1,3350	Kraft sold 4 cars @ \$1.2875 and 2 carloads @ \$1.3225
8/30	Barrels	+1¢	\$1.3050	2 cars unfilled bid \$1.3050	No activity
	Blocks	+1/2¢	\$1.3350	1 car unfilled bid @\$1,3350	No activity

nomic gain. Kraft holds an approxima entire U.S. cheese market, according t shadow cast by Kraft over the Exchange well-being of other industry participates and cheese plant operators.

Neither the Exchange nor the fed lishes a list of weekly sellers and buye used in this analysis is gained from the cation, *Cheese Market News. Cheese* able by subscription: \$65 per year Gorman publishing Co. 8750 W. Bryn IL 60631.

Where cheese prices a

Very simply, the National Cheese Green Bay Wisconsin, is where cheese weekly. Exchange activity sets prices f blocks, as well as 500-lb. Cheddar bauses the block Cheddar price as an inding many other varieties of cheese Colby) of the weekly block price at G many supermarket chains adjust chees morning, based on the prior Friday's price movement at the exchange.

Promptly at 10:00 a.m., Fridays, th hammered at the National Cheese Ex beginning of trading. The Exchange building on the east side of Green Bay,

A handful of industry traders med sell 40,000-lb. carloads of Cheddar c blocks (consumer cuts) and 500-lb. cessed cheese) are the only commoditie

Week of:	Commodity	4/-	SEPTEM Price/lb.	/BER 1991 Activity
9/6	Barrels	+1/4¢	\$1.3075	6 cars sold or @ \$1.3075
	Blocks	NC	\$1,3350	2 cars sold or @ \$1.3350
9/13	Barrels	+1/4¢	\$1.3100	6 cars sold or @ \$1.3975
		+1-1/2¢	\$1.3275	@ \$1.3100 2 cars bid un @ \$1.3075
	Blocks	+14	\$1.3200	5 cars sold or @ \$1.3375
9/20	Barrels	+1¢	\$1.3200	5 cars sold of @ \$1.3175 6 cars unfiller @ \$1.3450
	Blocks	+3/4¢	\$1.3525	B cars sold of \$1,3450 4 cars sold of \$1,3550 1 car sold on \$1,3550 2 cars sold of \$1,3550 2 cars sold of \$1,3525 2 cars unfiller \$1,3450
9/27	Barrels	+1-1/4¢	\$1.3325	2 cars sold or \$1.3250 4 cars sodl or \$1.3275 2 cars sold or \$1.3300 6 cars sold or \$1.3325 3 cars sunfille @ \$1.3325 2 cars unfillet @ \$1.3325
	Blocks	-1/4e	\$1.3500	1 car sold on @ \$1.3575 2 cars unfilled @ \$1.3500

Week of:	Commodity	+/-	OCT(Price/lb.	OBER 1991 Activity
10/4	Barrels	+1-1/4¢	\$1.3350	3 cars sold on @ \$1.3350
	Blocks	+1/2¢	\$1.3350	2 cars sold on @ \$1,3550 1 car sold on (@ \$1,3500
10/11	Barreis	+1/4¢	\$1.3375	9 cars sold to of \$1.3350 3 cars unfilled @ \$1.3375
	Blocks	NG	\$1.3550	2 cars sold to @ \$1,3550 2 cars sold on @ \$1,3350 3 cars unfilled @ \$1,3550
10/18	Barrels	NC	\$1.3375	4 cars sold @ 2 cars sold @
	Blocks	-3/4t	\$1.3475	1 car sold @3 3 cars sold @ 1 car offered \$1,3500
10/25	Barrels	NC	\$1.3375	2 cars sold or @ \$1.3375 Unfilled bid: 2 @ \$1.3375
	Biocks	-1/4g	\$1.3450	2 cars sold or @ \$1,3450 6 cars offered @ \$1,3450

Kraft Dominated 1991 Cheese Excha

week-by-week summary of 1991 trading at the Nationeese Exchange shows that industry giant Kraft's selecarticipation suggests an effort to hold down prices, parrly with respect to 500-lb. Cheddar barrels.

1991 cheese exchange activities, Kraft:

Sold just over 90% of all Cheddar barrels transdespite the fact that Kraft produced zero barrel Chedtil very late in the calendar year.

Bought zero cheese at the exchange.

Dumped loads of Cheddar barrels during times immediprior to industry short-falls of that commodity.

raft's 1991 behavior at the National Cheese Exchange sts that the firm used its dominant position to its eco-

	JUNE 1991							
: Commodity	+/-	Price/lb.	Activity	Kraft's Actions				
Barrels	+1¢	\$1.1425	No sales. 9 bids unfilled: 2 @ \$1.1400 7 @ \$1.1425	No activity				
Blocks	+1-1/4¢	\$1.1675	No sales, 7 cars unfilled bids @ \$1.1675	No activity				
Barrels	+3/4¢	\$1.1500	No sales. 5 cars unfilled bids @ \$1.1500	No activity				
Blocks	+3/4¢	\$11750	No sales, 2 cars untilled bid @ \$1,1750	No activity				
Barrels	+2-3/4¢	\$1.1775	No sales. 8 cars unfilled bids @ \$1.1775	No activity				
Blocks	+2¢	\$1,2000	No sales, 2 cars unfilled bids @ \$1.200	No activity				
Barrels	+1/2¢	\$1.1825	5 cars sold on offers of \$1.1825, 5 cars sold on bids of \$1.1825 5 cars sold on offers of \$1.1825 25 cars sold on bids of \$1.1825	All 40 carloads sold by Kraft				
Blocks	+1-1/4¢	\$1,2125	4 cars sold on bid of \$1.2125					

			of \$1.2125	
: Commodity	v +/-	JU Price/lb.	ILY 1991	
Barrels	+3/4¢	\$1.1900	Activity 10 cars offered & sold on bid @ \$1.1900 10 cars sold on offer @ \$1.1900 5 cars unfilled bid @ \$1.1900	Kraft's Actions Kraft sold all 20 carloads
Blocks	+1/4¢	\$1.12150	4 cars sold on bid © \$1,2125 2 cars unfilled bid © \$1,2150	Kraft sold all 4 carloads
Barrels	+1¢	\$1.2000	8 cars unfilled bid @ \$1.1975 5 cars unfilled bid @ \$1.2000	No activity
Biocks	+1¢	\$1.2250	1 car unfilled bid Ø \$1.2250	No activity
Barreis	+4-1/2¢	\$1.2425	5 cars unfilled bid @ \$1.2400 15 cars unfilled bids @ \$1.2425	No activity
Blocks	+5-1/2¢	\$1,2875	2 cars unfilled bids @ \$1.2875	No activity
Barrels	+3/4¢	\$1.2500	3 cars unfilled bids @ \$1.2500	No activity
Blocks	+3/4¢	\$1,2875	2 cars unfilled bids @ \$1:2875	No activity

Part of			GUST 1991	
Commodity	+/-	Price/lb.	Activity	Kraft's Actions
Barrels	+1-1/4e	\$1.2625	8 cars bid & sold @\$1.2575 5 cars unfilled bids @\$1.2625	Kraft sold all 8 carloads
Blocks	+1g	\$1.2975	1 car bid & sold @\$1,2950 1 car unfilled bid @\$1,2975	Kraft sold 1 carload
Barrels	+1/2¢	\$1.2675	2 cars unfilled bid	No activity
Blocks	+1/2¢	\$1.3025	1 car unfilled bid @ \$1.3025	No activity
Barrels	+1/2¢	\$1.2725	2 cars bid & sold @\$1.2700 2 cars bid & sold @\$1.275 5 cars unfilled bids @\$1.2725	Kraft sold all 4 carloads
Blocks	+1/2¢	\$1.3075	2 cars unfilled bids © \$1.3075	No activity
Barrels	+2-1/4¢	\$1,2950	14 cars sold on bid © \$1.2850 3 cars sold on bid © \$1.2900 3 cars sold on bid © \$1.2925 5 cars unfilled bid © \$1.2925	Kraft sold 8 carloads @ \$1.2875 and e carloads @ \$1.2900
Blocks	+2-1/4g	\$1.3300	4 cars sold on bid © \$1,2850 2 cars sold on bid © \$1,3275 2 cars unfilled bid © \$1,3300 2 cars unfilled bid © \$1,3350	Kraft sold 4 cars @ \$1.2875 and 2 carloads @\$1.3225
Barrels	+1¢	\$1.3050	2 cars unfilled bid @ \$1.3050	No activity
Blocks	+1/2¢	\$1.3350	1 car unfilled bid @\$1.3350	No activity
		Eurista estadorio		

nomic gain. Kraft holds an approximate 60% share of the entire U.S. cheese market, according to a 1991 study. The shadow cast by Kraft over the Exchange clouds the economic well-being of other industry participants, primarily dairy farmers and cheese plant operators.

Neither the Exchange nor the federal government publishes a list of weekly sellers and buyers of cheese. The data used in this analysis is gained from the weekly industry publication, *Cheese Market News*. *Cheese Market News* is available by subscription: \$65 per year (second class mail). Gorman publishing Co. 8750 W. Bryn Mawr Ave., Chicago, IL 60631.

Where cheese prices are set

Very simply, the National Cheese Exchange, located in Green Bay Wisconsin, is where cheese prices are established, weekly. Exchange activity sets prices for both 40-lb. Cheddar blocks, as well as 500-lb. Cheddar barrels. The cheese trade uses the block Cheddar price as an industry benchmark, pricing many other varieties of cheese (such as Muenster or Colby) of the weekly block price at Green Bay. Suppliers to many supermarket chains adjust cheese prices each Monday morning, based on the prior Friday's 40-lb. Cheddar block price movement at the exchange.

Promptly at 10:00 a.m., Fridays, the trading bell is gently hammered at the National Cheese Exchange, signalling the beginning of trading. The Exchange is located in a small building on the east side of Green Bay, Wisconsin.

A handful of industry traders meets weekly to buy and sell 40,000-lb. carloads of Cheddar cheese. 40-lb. Cheddar blocks (consumer cuts) and 500-lb. barrels (used for processed cheese) are the only commodities traded...

Wash st	Campadita		CONTRACTOR OF THE PROPERTY OF THE PARTY OF T	MBER 1991	Walter Andrew
Week of: 9/6	Commodity Barrels	+/-	Price/lb. \$1.3075	Activity 6 cars sold on bid	Kraft's Actions Kraft sold 6 cars
			ne nord	@ \$1.3075	
	Blocks	NC	\$1,3350	2 cars sold on bid @ \$1,3350	Kraft sold 6 cars
9/13	Barrels	+1/4¢	\$1.3100	6 cars sold on bid @ \$1.3975	Kraft sold all 10 car
		+1-1/2¢	\$1.3275	@ \$1.3100 2 cars bid unfilled	4 cars sold on bid
				@ \$1.3075	The Control of the Control
	Blocks	+1¢	\$1.3200	5 cars sold on bid @ \$1.3375	Kraft sold 6 cars
9/20	Barrels	+16	\$1.3200	5 cars sold on bids @ \$1.3175 6 cars unfilled bids @ \$1.3450	Kraft sold 5 cars
	Blocks	+3/4¢	\$1.3525	B cars sold on bid © \$1,3450 4 cars sold on bid © \$1,3550 1 car sold on offer of \$1,3550 2 cars sold on offer of \$1,3525 2 cars unfilled bid © \$1,3450	Kraft sold 5 cars @\$1,3450 Kraft offered & sold 2 cars @\$1,3525
9/27	Barrels	+1-1/46	\$1.3325	2 cars sold on bids of \$1.3250 4 cars sodl on bids of \$1.3275 2 cars sold on bids of \$1.3300 6 cars sold on bids of \$1.3325 3 cars sunfilled bid \$1.3225 2 cars unfilled bid \$1.3325	Kraft sold: 2 cars @ \$1.3250 4 cars @ \$1.3275 2 cars @ \$1.3300 2 cars @ \$1.3325
	Blocks	-1/4¢	\$1.3500	1 car sold on bid @ \$1.3575 2 cars unfilled bid @ \$1.3500	Kraff bid & sold 1 ca 2 car bid unfilled at \$1.35

Week of:	Commodity	+/-	OCTO Price/lb.	DBER 1991 Activity	Kraft's Actions
10/4	Barrels	+1-1/4¢	\$1.3350	3 cars sold on bid @ \$1.3350	Kraft sold 3 cars
	Blocks	+1/2#	\$1.3350	2 cars sold on bid @ \$1 3550 1 car sold on offer @ \$1 3500	Kraft sold 2 cars
10/11	Barreis	+1/4e	\$1.3375	9 cars sold to bids of \$1,3350 3 cars unfilled bids @ \$1,3375	Kraft sold 9 cars
	Blocks	NC	\$1,3550	2 cars sold to bids @ \$1,3550 2 cars sold on offer @ \$1,3350 3 cars unfilled bids @ \$1,3550	Kraft offered: 2 cars @\$1,3550 (sold) 2 car uncivered offe
10/18	Barrels	NC	\$1.3375	4 cars sold @ \$1.3375 2 cars sold @ \$1.3325	Kraft sold 6 cars
	Blocks	-3/4¢	\$1.3475	1 car sold @ \$1.3500 3 cars sold @ \$1.3475 1 car offered uncovered \$1.3500	1 car sold
10/25	Barrels	NC	\$1.3375	2 cars sold on bid @ \$1.3375 Unfilled bid: 2 cars @ \$1.3375	Kraft sold 2 cars
	Blocks	-1/4¢	\$1.3450	2 cars sold on bid @\$1,3450 6 cars offered & sold @\$1,3450	Kraft sold 4 cars

No shouting or frantic hand waving by common here. Rather, the 18 to 24 industry representatives nal their intentions in soft voices, as they offer, be sell. It's an old-boys club, a chummy atmosphe watch the proceedings from chairs, sipping coff with each other. A bank of old, wooden phone to the back wall. Traders may communicate with he during the trading session.

A huge blackboards spans much of the front change trading floor. A secretary records the trathe blackboard. To sell cheese, a firm makes an of a price and volume. For example: "3 cars Blocks per pound." That means the firm wants to sell the carloads of Cheddar blocks. An interested buyer first to cover that offer, sealing the transaction.

To buy cheese, a firm may also announce the by posting a bid, say "3 cars Barrels @ \$1.2350. marketer fills the bid, the cheese is sold.

The Exchange trades for at least 30 minutes, longer. At day's end, the final transaction sets "opinion" for the following week.

The National Cheese Exchange has garnered heated criticism and investigations. There is no saying that the Cheddar block price is the industry benchmark. That's the way the industry at large tractivity at Green Bay, right or wrong.

The meanest S.O.B. in the valley...

The accompanying monthly trading summaried during the recently completed year, Kraft sold 30 40,000-lb. carloads at the Exchange. Kraft brokere all barrel carloads and 59.5% of all block carloads

				EMBER 1991	
Week of:	Commodity Barrels	+/- NC	Price/lb. \$1.3375	Activity	Kra
11/1	Dalleis	NC	\$1.337 3	5 cars offered & sold @ \$1,3400	9 c
				5 cars sold on bid	+ U
				@ \$1.3400	
				11 cars sold on bid	
				@ \$1.3375	
				2 cars offered & sold	
				@ \$1.3375	
				Bids unfilled: 2 cars	
	Blocks		\$1,3425	@ \$1.3375	3000 3 000
	DIOCRS	-1/4¢	31,3425	5 cars sold on offers © \$1.3450	4 G
				2 cars sold on offer	
				@ \$1.3425	
				Offer uncovered: 2 cars	
				@\$1.3425	
				@ \$1.0850	
11/8	Barrels	-2¢	\$1.3175	4 cars sold on offer	4 c
			100	@ \$1.3200	2 c
				Uncovered offer: 2 cars	
	nı.	3.3.6		@ \$1.3175	
	Blocks	-1-1/20	\$1,3275	Uncovered offers:	2 0
				2 cars Ø \$1.3275 3 cars Ø \$1.3325	
				2 cars @ \$1,3350	
11/15	Barrels	-1-1/3¢	\$1.3000	Not Available	Not
	Blocks	-2-1/4¢	\$1.3050	Not Available	Not
11/22	Barrels	-1-3/4¢	\$12825	4 cars sold on offers	4 ca
				@ \$1.2850	2 ca
				4 cars sold on offers	
				@ \$1.2825	
				Uncovered offer: 2 cars @ \$1,2825	
	Blocks	-1-3/4e	\$1,2875	5 cars sold on offers	2 ca
				@ \$1,3000	4 ca
				Offers uncovered:	
				2 cars @ \$1.2875	
				5 cars @ \$1,3000	
11/29	Barrels	-1/2¢	\$1.2775	Offer uncovered:	Noa
				2 cars @ \$1.2775	
	Blocks	-1/2¢	\$1,2825	2 cars sold on offer	Noa
				Ø \$1.2825	

Week of:	Commodity	+/-	DECE Price/lb.	MBER 1991 Activity	Kraft's
12/6	Barrels	-3-1/2¢	\$1.2425	2 cars offered & sold @ \$1.2425 Offer uncovered: 2 cars @ \$1.2425	No acti
es:	Blocks	NC NC	\$1.2725	1 car sold on offer © \$1:2775 1 car sold on offer © \$1:2750 4 cars sold on offers of \$1:2725 Offer uncovered: 2 cars © \$1:2725	Kraft's uncover
12/13	Barrels	+1/2¢	\$1.2375	Offer uncovered: 2 cars @ \$1.2325	No acti
	Blocks	NC	\$1.2725	2 cars sold on bids of \$1.2725 Bid unfilled 2 cars @ \$1.2725	Kraft s
12/20	Barrels	-1-1/2¢	\$1.2225	Offer uncovered: 2 cars @ \$1.2225	Offer b
	Blocks	-1-1/2¢	\$1.2575	2 cars offered & sold @ \$1.2575	Kraft s
12/27	Barrels	-1¢	\$1.2125	Offer uncovered: 2 cars @ \$1.2125	Kraft o
	Blocks	-16	\$1.2475	Offer uncovered: 2 cars @ \$1 2475	Kraft o

991 Cheese Exchange Trading

by Pete Hardin

te 60% share of the o a 1991 study. The clouds the economic ants, primarily dairy

eral government pubrs of cheese. The data weekly industry publi-Market News is avail-(second class mail). Mawr Ave., Chicago,

re set

Exchange, located in prices are established, or both 40-lb. Cheddar rels. The cheese trade ustry benchmark, pric-(such as Muenster or reen Bay. Suppliers to e prices each Monday 40-lb. Cheddar block

e trading bell is gently change, signalling the is located in a small Wisconsin.

ts weekly to buy and heese. 40-lb. Cheddar parrels (used for prostraded...

	Kraft's Actions
bid	Kraft sold 6 cars
bid	Kraft sold 6 cars
bid	Kraft sold all 10 cars
	4 cars sold on bid
lled	See Addition to the Control of the See
bid	Kraft sold 6 cars
bids	Kraft sold 5 cars
bids	
bid	Kraft sold 5 cars
bid	@ \$1 3450 Kraft offered & sold
	2 cars @ \$1.3525
offer of	
otter of	
bid	
bids of	Kraft sold:
bida -£	2 cars @ \$1.3250 4 cars @ \$1.3275
bids of	2 cars @ \$1.3300
bids of	2 cars @ \$1.3325
bids of	AUTOMOTIVE AND AUTOMOTIVE AUTOMOTIVE AND AUTOMOTIVE AUT
au:a	200 PM 0
d bid	
bid	
bid	Kraff bid & sold 1 car 2 car bid unfilled at
bid	\$1.35

	Kraft's Actions
bid	Kraft sold 3 cars
bid	Kraft sold 2 cars
ffer	
	V-4-1-0-1-1
oids	Kraft sold 9 cars
bids	
ids	Kraft offered: 2 cars
offer	© \$1.3550 (sold) 2 car uncivered offer
oids	
1.3375 1.3325	Kraft sold 6 cars
3500	1 car sold
11.3475	
Coverac	1
oid	Kraft sold 2 cars
ars	All all makes at 1
	- 10 Mary 1988

No shouting or frantic hand waving by commodity traders here. Rather, the 18 to 24 industry representatives quietly signal their intentions in soft voices, as they offer, bid, buy and sell. It's an old-boys club, a chummy atmosphere. Traders watch the proceedings from chairs, sipping coffee, chatting with each other. A bank of old, wooden phone booths lines the back wall. Traders may communicate with home offices during the trading session.

A huge blackboards spans much of the front of the Exchange trading floor. A secretary records the transaction on the blackboard. To sell cheese, a firm makes an offer: quoting a price and volume. For example: "3 cars Blocks @ \$1.2660 per pound." That means the firm wants to sell three, 40,000 carloads of Cheddar blocks. An interested buyer must be the first to cover that offer, sealing the transaction.

To buy cheese, a firm may also announce that intention, by posting a bid, say "3 cars Barrels @ \$1.2350." If another marketer fills the bid, the cheese is sold.

The Exchange trades for at least 30 minutes, sometimes longer. At day's end, the final transaction sets the market "opinion" for the following week.

The National Cheese Exchange has garmered its share of heated criticism and investigations. There is no firm rule saying that the Cheddar block price is the industry's pricing benchmark. That's the way the industry at large uses weekly activity at Green Bay, right or wrong.

The meanest S.O.B. in the valley...

The accompanying monthly trading summaries show that during the recently completed year, Kraft sold 302 (83.1%), 40,000-lb. carloads at the Exchange. Kraft brokered 90.8% of all barrel carloads and 59.5% of all block carloads transacted

Week of:	Commodity	+/-	NOVE Price/lb.	MBER 1991 Activity	Kraft's Actions
11/1	Barrels	NC	\$1.3375	5 cars offered & sold @\$1.3400 5 cars sold on bid @\$1.3400 11 cars sold on bid @\$1.3375 2 cars offered & sold @\$1.3375 Bids unfilled: 2 cars @\$1.3375	9 cars offered 14 cars sold + uncovered offer
	Blocks	-1/4¢	\$1.3425	5 cars sold on offers @ \$1,3450 2 cars sold on offer @ \$1,3425 Offer uncovered: 2 cars @ \$1,3425 @ \$1,3425	4 cars offered
11/8	Barrels	-2¢	\$1,3175	4 cars sold on offer @ \$1,3200 Uncovered offer: 2 cars @ \$1,3175	4 cars offered 2 cars uncovered offe
	Blocks	-1-1/2¢	\$1.3275	Uncovered offers: 2 cars @ \$1,3275 3 cars @ \$1,3325 2 cars @ \$1,3350	2 cars uncovered offe
11/15	Barrels	-1-1/3¢	\$1.3000	Not Available	Not Available
	Blocks	-2-1/4¢	\$1.3050	Not Available	Not Available
11/22	Barrels	-1-3/4¢	\$12825	4 cars sold on offers @\$1.2850 4 cars sold on offers @\$1.2825 Uncovered offer: 2 cars @\$1.2825	4 cars offered 2 cars uncovered offe
	Blocks	-1-3/4¢	\$1.2875	5 cars sold on offers @\$1,3000 Offers uncovered: 2 cars @\$1,2875 5 cars @\$1,3000	2 cars sold on offers 4 cars uncovered offer
11/29	Barrels	-1/2¢	\$1.2775	Offer uncovered: 2 cars @ \$1.2775	No activity
	Blocks	-1/2¢	\$1.2825	2 cars sold on offer @ \$1.2825	No activity

			DECE	MBER 1991	
Week of:	Commodity	·+/-	Price/lb.	Activity	Kraft's Actions
12/6	Barrels	-3-1/2¢	\$1.2425	2 cars offered & sold @ \$1.2425 Offer uncovered: 2 cars @ \$1.2425	No activity
46	Blocks	NE	\$1.2725	1 car sold on offer © \$1.2775 1 car sold on offer © \$1.2750 4 cars sold on offers of \$1.2725 Offer uncovered: 2 cars © \$1.2725	Kraft sold 4 cars, plus uncovered offer
12/13	Barrels	+1/2¢	\$1.2375	Offer uncovered: 2 cars @ \$1.2325	No activity
	Blocks	NC	\$1.2725	2 cars sold on bids of \$1.2725 Bid unfilled 2 cars @ \$1.2725	Kraft sold both cars
12/20	Barrels	-1-1/2¢	\$1.2225	Offer uncovered: 2 cars @ \$1.2225	Offer by Kraft
	Blocks	-1-1/2¢	\$1.2575	2 cars offered & sold @ \$1.2575	Kraft sold both cars
12/27	Barrels	-1¢	\$1.2125	Offer uncovered: 2 cars @ \$1.2125	Kraft offered
	Blocks	-1¢	\$1.2475	Offer uncovered: 2 cars @ \$1,2475	Kraft offered

during 1991. Kraft offered to sell, and sold to fill others' bids. But Kraft never bid for, nor did Kraft buy any product.

As an individual year, 1991 was more or less the first "normal" year the cheese industry has seen since the 1988 Midwest Drought kicked in cheese pricing gyrations, starting in June 1988. The '88 Drought's aftershocks didn't cease until fall 1990, for cheese marketing industry. Thus, 1991 qualified as the first "normal" year following several roller-coaster years. However, 1991 was a pivotal year in another marketing regard. For the first time since the early 1970s, per capital cheese consumption in the U.S. actually declined! Overall cheese consumption, especially away-from-home use, declined in response to American consumers' recession-pinched pocketbooks. The national recession noticeably took its bite out of cheese sales, particularly as 1991 progressed.

Kraft is the predominant firm in the U.S. cheese industry. A recent cheese market study by Find/SVP suggested that Kraft holds 60% of the nation's cheese industry. Other competitors, such as Borden and Schrieber Foods, pale in comparison to Kraft's share of the cheese industry. During 1991, Kraft officials admit to holding 49% share of the natural cheese market. That's product cut and wrapped for distribution to supermarkets. Kraft holds about a 70% of the nation's processed cheese industry. Bellwether Kraft branded products such as Velveeta and Cheez-Whiz require many, many 500-lb. Cheddar barrels in their processing.

Until very late in 1991, Kraft had produced zero Cheddar barrels for several years. Kraft gains its required volume of 500-lb. barrels via private transactions (off the Exchange), with numerous cheese plants across the country. Kraft often engages such providers in exclusive supply contracts. These firms are obliged to sell to Kraft, or else offer cheese to the government's surplus program.

But the base price for firms exclusively supplying Kraft is based upon the respective commodity price established at the National Cheese Exchange. Thus, if Kraft were to act in such a manner that commodity cheese prices were unduly lowered at the exchange. Kraft would effectively limit costs of privately acquired product.

Kraft is well aware of money made through the ups and downs of the cheese exchange. In mid-summer 1990, cheese prices began a precipitous plunge, tumbling 35¢ per pound. But nowhere between mid-summer 1990 and mid-April 1991 did Kraft lower its price charged to retailers. Thus, Kraft pocketed the entire difference. Industry sources estimate that haul netted Kraft \$400-500 million, atop its usual cheezy profits.

Historically, prices for block and barrel Cheddar rise and fall in relative sync. The traditional "split" between those commodities' prices shows a 3.5-4.5¢ per pound advantage to 40-lb. blocks.

Price-wise, blocks and barrels may tug up or depress each other. A shortage of one commodity drives up the price of the other. In recent years, barrel Cheddar supplies have generally been tighter than blocks. That's due to two factors: expanding process cheese demand and conversion of several Midwest barrel Cheddar plants to Italian cheese production.

During 1991, the strongest example of Kraft's one-sided activities at the Exchange are seen in the months of April-June. At that time, Kraft dumped large quantities of barrel Cheddar on a demand-driven, rising market. By unloading barrels in this fashion, Kraft apparently hoped to keep the lid on barrel Cheddar prices.

Even a few week's grace from higher prices adds up to tens of millions of dollars for Kraft, when considering that the firm sells about 70% of the nation's processed cheese.

The typical concept of a commodity exchange is a site where industry players meet to transact their short-term needs, buying and selling. For Kraft, in 1991, however, it was no buy/all sell ... all the while realizing that the firm's private treaty cheese purchases were based upon the Exchange price.

If the National Cheese Exchange were governed by rules similar to the stock exchanges, such activities would likely be deemed illegal.

If two or three firms, controlling 70% of an industry, acted in a manner to fix prices, that would violate anti-trust laws.

But Kraft doesn't need any co-conspirators to influence cheese prices, at the Exchange.

1991 Summary: Kraft's Monthly Trading Actions							
	at the National Cheese Exchange Total Carloads Transacted Kraft's Transactions						
ionth:	2 Barrels	Rian S Hamaestrona					
anuary	Blocks	<u>v</u>					
ebruary	Barrels	0					
sui uai y	Blocks	9					
arch	Barrels	0					
	8 Blocks	6					
pril	33 Barrels	33					
	1 Block	1					
lay*	42 Barrels	40					
	6 Blocks	0					
ıne	40 Barrels	40					
	4 Blocks	0					
ily	20 Barrels	20 -					
	6 Blocks	4					
ugust	32 Barrels	23					
	7 Blocks	7					
eptember	33 Barrels	31					
	24 Blocks	16					
ctober	23 Barrels	20					
	19 Blocks	9					
ovember*	35 Barrels	31					
	14 Blocks	6					
ecember	2 Barrels	0					
	10 Blocks	8					