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Cheese prices at record on surge in exports to China

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By Jeff Wilson

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Cheddar-cheese prices climbed to a record as shipments to China jumped, pacing a surge in exports that has reduced supplies for domestic consumers.

Spot wholesale 40-pound blocks of cheese climbed 0.5 percent to $2.36 a pound Friday on the Chicago Mercantile Exchange, the highest since the data began in 1997. U.S. exports in January climbed 46 percent from a year earlier to 32,118 metric tons, as Chinese purchases doubled, according to the Dairy Export Council.

Wholesale prices have jumped 18 percent this year, signaling higher costs for consumers and restaurants such as Domino’s Pizza.

World food prices in February posted the biggest gain in 19 months, and dairy costs reached a record, the United Nations said March 6.

A rise in global demand comes as a drought threatens output in California, the nation’s top producer, and New Zealand diverts milk production to other dairy products.

“Rising Chinese demand for dry-milk products from New Zealand curtailed cheese production and boosted demand for U.S. supplies,” said Dave Kurzawski, a senior broker for FCStone in Chicago. “People had whittled down inventories looking for rising production in New Zealand to slow exports. Demand simply exceeded the gains in production.”

Class III milk futures, tracking a variety used to make cheese, climbed 0.5 percent to $23.29 for 100 pounds Friday in Chicago after reaching an all-time high of $23.43 on Jan. 31.

The cost of cheese is “certainly higher” than expected, said Michael Lawton, chief financial officer of Domino’s. So far, the gain “has not affected our prices.”

Record meat and dairy prices are increasing costs as competition among fast-food restaurants grows.

Quiznos, the toasted-sandwich chain, filed for bankruptcy Friday, four days after pizza chain Sbarro sought protection from creditors.

“The rise in wholesale prices has yet to be fully reflected at the consumer level,” Kurzawski said.