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EXPORT TOOL KIT



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Perspective: Export Expertise

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Whey protein moves full speed ahead

The U.S. dairy industry saw more than its usual share of potential game-changing developments over the course of the past year—from the unveiling of critical farm bill proposals to the long-awaited approval of free trade agreements with Colombia, Panama and South Korea.

But a decade from now, 2011 might best be remembered as the year that whey protein crossed over from an ingredient on the rise to a full-fledged, long-term global growth proposition. Trends and events of the past 12 months point to a new level of recognition of the benefits of whey products from suppliers, food and beverage manufacturers and consumers alike and, with it, a corresponding rise in demand even in the face of price hikes.

The one-two punch of emerging and developed market demand has created a supply shortfall that will likely hold for at least the next year, U.S. whey manufacturers say.

On the emerging market side, the factors driving overall dairy consumption (rising incomes, urbanization, food chain modernization, etc.) are fueling rapid expansion of the infant formula and swine industries — both major users of whey fractions experiencing explosive growth. On the developed market side,

protein-fortified Greek yogurt is similarly exploding in the United States and its appeal spreading into other markets. And European consumers are looking to protein-fortified products (yogurt and otherwise) even more than their U.S. counterparts.

Across all nations, health and wellbeing messages that revolve around protein consumption and the advantages of dairy proteins in particular have entered the vernacular of consumers, food R&D labs and health authorities. The U.S. Dairy Export Council, funded by U.S. dairy farmers through the checkoff program, has been integral in spreading the whey message here and abroad since its inception in 1995 through a comprehensive program including (but not limited to) processor and end-user education, application assistance and efforts to remove non-tariff barriers to whey trade.

Whey protein has become a cornerstone ingredient with broad recognition of its functionality and nutritional value. That is clearly seen in how whey protein use spread from athletic and medical nutrition products to mainstream snack bars and beverages, as well as consumers' growing familiarity with the ways in which protein impacts muscle

maintenance/growth, weight control and overall health.

Any doubts about the strength of demand are muted by what has been an unprecedented level of capacity building activity over the past year. Five major European co-ops — Arla Foods, DMK, FrieslandCampina, First Milk and Valio — announced plans to expand existing whey processing facilities or build new whey plants. The Milk Link expansion was the first step in a whey partnership formed this past summer with New Zealand dairy giant Fonterra Cooperative Group.

In September alone, South American dairy processors Mastellone Hermanos, La Sibilia and Laticínios Porto Alegre unveiled plans to expand whey protein capacity in Argentina and Brazil.

These facilities — set to start going online in late 2012 and reportedly aiming for high-value, high-protein applications — are being built not to serve some theoretical projected rise in whey protein demand. The demand is already there. Markets are short now. The world needs new supply and needs it fast.

There are, however, market headwinds and potential hurdles to overcome. There is a danger of prices running too high, particularly if global economic conditions deteriorate. The threat of ingredient substitution is relatively low since price spikes in previous years exhausted the easier reformulation options. But delays in implementing new processing capacity will set back innovation and depress growth.

There is also some question as to the United States' place in the future market. U.S. suppliers have done a phenomenal job of leading the charge on whey and are the global leader in most categories. But in the litany of new construction projects aimed at satisfying growing whey demand, one thing is missing: efforts to expand U.S. capacity — particularly in high-value whey fractions.

It is true that part of the reason Europe and South America now appear ahead of the curve on capital investment

is that they were behind the curve. The United States has been processing the vast majority of its whey for some time — other countries less so. So while we may need greater whey capacity, the first order of business is building cheese capacity to supply the whey stream. Without it, the United States is less likely to access lucrative, growing whey markets at home and abroad.

Research has shown that extracting whey proteins from skim milk is both technologically and economically feasible, but it creates a separate problem of what to do with the casein-only milk left over.

Sources indicate a number of U.S. suppliers are nonetheless contemplating new whey projects and could soon pull the trigger—and none too soon. It is critical that the United States build on its market leadership and that U.S. efforts include a stronger position in higher end whey fractions.

Trendsense, a tracking system developed by market research firm Sloan Trends Inc. to identify and quantify trends and forecast optimal timing, sustainability and life-cycles of foods and food ingredients recently cited whey protein growth.

Based in part of data gathered through Dairy Management Inc.'s 2008 Whey Tracker study, Sloan noted that whey protein is in the "popularization phase" — the stage in which medical/nutrition benefits of an ingredient cross over to consumer media and the marketplace, creating opportunities in niche and specialty markets. But the company noted whey protein is mass-market ready — poised to cross over into the "commercialization phase" in the year ahead.

My contention is that at some point this year it already crossed over to the commercialization stage in the collective consciousness. What we saw in 2011 is just the start. CMN

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