

CHEESE MARKET NEWS

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Panelists discuss challenges, outlook for dairy marketplace

By Alyssa Sowerwine

MILWAUKEE — In a constantly evolving marketplace, it can be challenging to pinpoint what the next consumer trend will be or what sort of regulations lie ahead. At a session Wednesday during this week's 2012 International Cheese Technology Conference, titled "Cheese ... Today's Challenges and Tomorrow's Opportunities," a panel of industry experts outlined cheesemaking challenges as well as what may be in store regarding future consumer and regulatory trends.

The session began with an overview of current challenges in cheesemaking, such as factors that affect body, texture and flavor, challenges with yeasts and molds, and the emerging issue of capturing whey's value in the cheesemaking process. A panel of experts including Mark Johnson, senior scientist and assistant director with the Wisconsin Center for Dairy Research (CDR); Dean Sommer, cheese and food technologist, CDR; and Karen Smith, dairy processing technologist, CDR, highlighted key findings in these areas.

With regard to capturing whey's value in the cheesemaking process, Smith notes that especially in Wisconsin "half the value of what you pay for in the milk goes into the whey.

"If your neighbor is capturing that whey value and you're not, they will be better able to reinvest those profits in their operation," she says. "Cheese can be the 'breakeven' for your business; whey can be the profit."

However, it is challenging for many cheesemakers to sufficiently capture whey's value, as processing equipment and even transporting liquid whey to another processing facility come with a high cost. (For more on this issue, see "Industry struggles with how to incorporate whey into pricing" in last week's issue of Cheese Market News.)

The second part of the session focused on opportunities for cheese and dairy going forward, including the impact of new federal regulations in the school lunch program on cheese.

Lynn Stachura, senior vice president of strategy, insights and planning for Dairy Management Inc. (DMI), presented a set of preliminary emerging "hypotheses" for future consumer trends that will impact the cheese and dairy industry.

The Innovation Center for U.S. Dairy, founded by dairy farmers through the dairy checkoff program and managed by DMI, is working to identify opportunities to drive the

growth of dairy and dairy-based products over the next five to eight years. The research is still under way, but six driving macro trends have emerged, Stachura says.

The six macro trends include:

- **Loss of the Middles** — Income divergence, changes in manufacturing and retailing, and the heated political landscape all evidence that middle-income Americans are becoming fewer in number, Stachura says, noting this will drive increased polarization between value and premium (product, channels, prices, etc.) as the middle class declines.
- **Inflation Nation** — Increasing global demand and inflation pressures, as well as natural resource stress and dairy production factors, all potentially can contribute to rising future costs, she says. Potentially rising food costs will force the industry to add real “value” for consumers.
- **A New America** — This macro trend speaks to the increasing diversification of the country’s population and the resulting drastic changes in the composition of the American family, consumption behaviors and food preferences, Stachura says. Aging boomers, the growing Hispanic population and the decline of the nuclear family will all influence consumer preferences and habits in the coming years.
- **Digital Empowerment** — Virtually everyone will have access to mobile and smart technology in the near future, and highly personalized tools will have a major effect on consumer decision-making, she notes. Technology will enable the “well-informed” consumer to demand greater transparency and wellness benefits.
- **Freedom to Live** — Wellness for consumers will evolve to be more about the quality of life, with health not a goal of itself, but an enabler to enjoy a better life, Stachura says. Food, exercise, health practices and work will intersect as consumers aim for a higher quality of life. In addition, rising health care costs and the consumer belief that food choices impact health serve as foundations for this trend.
- **No Compromises** — Consumers will display even less tolerance for compromise and, as a result, will be more open to new hybrid products and benefits in a quest to have it all, she says. Food-allergy-related subcultures and development of “alternatives” to dairy are helping to move this trend forward.

Stachura notes that once the research on these trends is complete, it will equip dairy businesses with a road map to identify and seize game-changing opportunities.

“From an industrywide perspective, dairy will be prepared to address the challenges of tomorrow,” she says.

Next, Dr. Steve Hill, director of cheese research and development for Kraft Foods Inc., discussed the future of cheese with respect to health and wellness trends.

Hill notes that consumer interest in protein is a continually growing trend, which provides a great opportunity for the cheese industry.

“Eating less meat is becoming more mainstream, and this provides a key opportunity for cheese as a protein alternative,” he says.

Hill also notes that more consumers are looking to gluten-free and low-lactose products, which is an underdeveloped area in the dairy sector.

Another hot-button issue over the past year has been sodium reduction in the U.S. diet, Hill notes. However, he says consumers aren’t necessarily looking to cheese as an area for sodium reduction.

“Many consumers aren’t willing to compromise on the taste of cheese and say it ‘tastes too good’ the way it is,” he says.

However, sodium reduction still is a concern from a regulatory standpoint, particularly in the school lunch program, notes Jessica Shelly, food service director for Cincinnati Public Schools, who also spoke at the session.

“School meals must feed kids, not fill garbage cans,” she says. “Foods are healthy only if kids eat them. We need school meals that make foods healthier and enjoyable.”

Shelly notes increasing challenges for school operators to put together meals that meet future restrictions on sodium under the Healthy Hunger-Free Kids Act. She says under the legislation, sodium levels in schools meals must decline by 25-50 percent over a 10-year period depending on the grade level.

“That is extremely challenging,” she says.

Shelly highlights cheese and dairy as a type of “super food group” due its high protein content and satisfying taste.

“The benefits of cheese need to be more strongly reinforced,” she says. “Few non-dairy foods contain as much naturally-occurring calcium and essential nutrients as dairy foods do.”

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