

CHEESE MARKET NEWS®

The Weekly Newspaper Of The Nation's Cheese And Dairy/Deli Business

Experts discuss opportunities, challenges for dairy products

By Alyssa Sowerwine

MADISON, Wis. — A panel of dairy industry experts discussed the challenges and opportunities facing the dairy product market at a session during the 2012 Business Conference of the Professional Dairy Producers of Wisconsin (PDPW), held here Tuesday and Wednesday.

Wednesday's session, titled "Are We Ready? Challenges and Opportunities for the Dairy Product Market," included comments from moderator Deb Boyke and panelists Dean Sommer and K.J. Burrington, all with the Wisconsin Center for Dairy Research (CDR), and Vikki Nicholson, senior vice president of global marketing, U.S. Dairy Export Council (USDEC).

Boyke began the session by noting dairy product sales have continued to grow and are projected to continue to grow globally.

"U.S. exports have soared in recent years, while imports have dropped to more artisanal cheeses," she notes. "But we need to figure out how we can maintain that and what our opportunities are going forward."

Boyke also noted that research from Dairy Management Inc. (DMI) shows that while 54 percent of consumers are trying to get more protein into their diet, many do not always think of cheese as a protein source.

Meanwhile, 87 percent of consumers snack, so it is up to the industry to help consumers make the connection between cheese as a snack and valuable source of protein, she says.

In his presentation, Sommer highlighted the strong growth in Wisconsin specialty cheeses in recent years. He cited research showing that in 2010, more than 21 percent of the cheese made in Wisconsin was specialty cheese.

Sommer gives much credit for the growth in specialty cheese to excellent marketing programs and work from the Wisconsin Milk Marketing Board (WMMB).

Particularly, the Wisconsin Master Cheesemaker program has helped to fuel this growth, he says, and many retailers are specifically highlighting

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the Wisconsin Master's Mark on products made by graduates of the program.

"Specialty cheeses also have been gravitating to the top of cheese contests," Sommer says. In last week's World Championship Cheese Contest, sponsored by the Wisconsin Cheese Makers Association, Wisconsin cheeses took home 30 gold medals.

Part of the growth also can be attributed to the myriad of short courses available through CDR, which have helped to spur education and application throughout the Wisconsin cheese industry, Sommer says.

On a global scale, the artisanal

courses have brought in experts from countries spanning the globe, he notes.

Along with the growth in production and popularity of specialty and other cheeses in Wisconsin has been continued growth in the byproducts of cheesemaking, such as whey and milk ingredients, Burrington said in her presentation.

She notes that there has been a reduction in sweet whey powder due to the increase in demand for higher protein and high value protein sources, such as WPC-34, WPC-80 and Whey Protein Isolate.

In addition, according to 3A Business Consulting, between 2005 and 2009, whey permeate production grew 17 percent per year, Burrington says. Meanwhile, WPC-80 production has increased 100 percent since 2003, and WPI production has increased 182

percent since 2003.

Burrington also highlighted some of the work CDR does for dairy ingredient applications, including providing research and development and product development support for USDEC's Dairy Ingredient Marketing Group for food companies.

CDR also has played a role in the development of U.S. milk protein concentrates (MPCs), Burrington notes. CDR ultrafiltration work started with cheese research, she says.

Domestic support of MPCs started with DairyConcepts in 2003 for both functionality and formulation work in beverages. Pilot plant/manufacturing support continued with T.C. Jacoby and Co. in 2006, she adds. There now are seven U.S. manufacturers.

More recent work has focused primar-

ily on characterization studies as new manufacturers of MPC start up in the United States, Burrington notes. The work includes comparisons with imported products to ensure that U.S. MPC can compete.

CDR also has been working on yogurt development. The center has developed expertise through working with ingredient companies wanting to sell their ingredients in yogurt, she says. There is a lot of contract work, as most ingredient companies do not have facilities to make yogurt.

To wrap up the session, Nicholson highlighted some of USDEC's work and the growing market for dairy product exports.

Nicholson notes that the U.S. dairy industry had a great year in 2011 and is continuing growth in the amount of dairy exports and the number of countries with which it is working.

She cites Korea as one example, noting that pizza is very popular in the country, and more than 50 percent of the pizza cheese used in chains in the country is U.S. cheese. The recently implemented free trade agreement with Korea and the United States will continue to fuel this growth, Nicholson notes. *(See related article in this issue.)*

Nicholson says Mexico also has been a booming market for U.S. dairy products, and pending trade agreements with Colombia and Panama could offer additional export opportunities.

Also during the PDPW Business Conference, James Su Hao of East Rock Limited noted that the Chinese are looking to the United States for ideas and expertise in helping their own dairy sector evolve.

Hao's company specializes in bringing American engineering to the Chinese dairy industry, and he notes that traditional dairy farms in his country have always consisted of several cows that grazed freely in grassy areas or on roadsides. However, modern operations are now being constructed, where cattle are housed in free-stall barns and milking parlors, he says.

"Chinese dairy managers are slowly learning how to get more production out of their cows by using better feeding and animal care methods," Hao says. "As a result, the Chinese government is paying people to build better facilities, which is vital to meeting the dairy nutrition needs of our people."

In her presentation, Nicholson also highlighted China as a growing area of opportunity for U.S. dairy products. She notes the country's growing middle class, rising incomes and current insufficient domestic production to drive imports.

She adds that even with increased dairy production in China in the future, the country still has many safety concerns about its locally-produced products.

Going forward, Nicholson says the U.S. dairy industry should work toward global opportunities for whole milk powders and anhydrous milkfat, an area the United States is not currently taking advantage of.

She notes that milk production is heavy globally right now as well.

"We need to make sure we convert that milk into the right products," she says. **CMN**