



Milk Matters

a column by **Joseph O'Donnell**

Growing pains: cheese is dairy's future

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The producer checkoff-funded **Real California Cheese** (RCC) campaign – created and operated by the California Milk Advisory Board (CMAB) – was recently selected by the prestigious Columbia University School of Business as a case study of a highly successful strategic marketing program (the 30-page report is available at [www2.gsb.columbia.edu/divisions/marketing/research/under “Columbia Marketing Cases”](http://www2.gsb.columbia.edu/divisions/marketing/research/under/Columbia_Marketing_Cases)).

CMAB's outstanding work and success in marketing California cheese has brought us to the point where the market is on the verge of outpacing the supply. We need more California cheese! Let's review how we got here and where we are going.

Back in the early 1980s, it was difficult to convince California milk producers to promote anything but Class I fluid milk. However, the crystal ball gazers saw that milk production was rapidly growing while fluid milk sales were barely holding on. Where was this milk to go? The Stanford Research Institute was commissioned to do a study to help forecast the market for milk. This now famous report indicated that cheese – branded, nonbranded and specialty – was the future of dairy. And cheese is where CMAB put its focus, thus building the strength and success of California's industry. But, there were other factors in play as well.

Attractive option

Any cheesemaker in the 1980s who was looking to expand operations needed two things – a growing, competitively priced milk supply and a strong market. At the time, California's rapidly expanding production base, low prices and competition, and generic promotion program made it an attractive option. The fact that products that couldn't be marketed through traditional channels still had an outlet in the Commodity Credit Corp. made it a no-brainer.

The first big plant was built in Corona and took in 3 million pounds of milk each day – making it the biggest cheese plant in the country. Today, few major cheesemakers would build a plant that small. This thriving business environment laid the foundation for others – including companies like storied Hilmar Cheese Co. – to build large and highly respected cheese plants in the state. There seemed to be no end to cheese plant construction and expansion...and then came the 1990s.

The 1990s ushered in a new decade marked by consumer awareness of and interest in the environmental stewardship practices of California

agriculture. Consumer groups – motivated by genuine consumer interest and also self-interest – began asking questions that agriculture didn't have the data to answer. Varying departments within local, state and federal organizations mobilized to protect their respective corners – for some, groundwater, others surface water and so forth – with each department, down to the county level, having its own set of regulations. This made for an impossible environment to produce milk. Producers and processors worried about a stable milk supply joined in with regulators and university personnel to create a solution, which took the form of the California Dairy Quality Assurance Program. This education program was the first of its kind to bring together diverse departments and organizations that had never worked collectively to produce a producer education option with credentials.

What does this have to do with the RCC program? In the 1980s, the growth of milk production fueled the intensity of the RCC program. Per capita cheese consumption is up and so are sales of Real California Cheese. RCC has created demand to the point where supplies of certain varieties of California cheeses are nearly maxed out. Milk production continues to rise in California, however, constraints on milk production due to consumer pressures related to environmental stewardship issues are slowing this expansion considerably. The only way to remove these constraints while addressing consumer confidence issues is to generate good, science-based data for regulators and create compliance solutions that can be implemented efficiently and economically.

Started in California

This is not a California-only issue. Like so many things, consumer awareness of environmental stewardship started in California but will find its way across the country to wherever agriculture exists.

In short, California needs to recreate the growth environment that existed in the 1980s. While the demand for Real California Cheese grows, the milk supply is in danger of missing the mark. This dampens enthusiasm for companies to build cheese plants. By taking a business approach to addressing consumer issues and producing the scientific data necessary for removing consumer questions over California production, California cheese and the RCC campaign can expand to bring high-quality and nutritious cheese to all Americans. ■

FYI

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■ Information on the *California Dairy Research Foundation* can be obtained from the organization's web site at www.cdrf.org.