

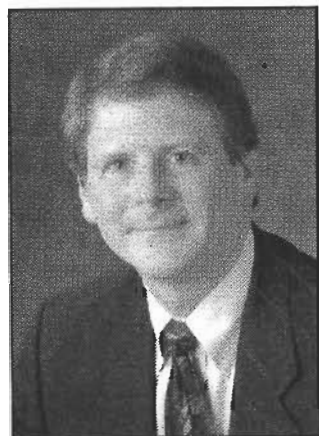
## GUEST COLUMNIST



CMN Exclusive!

## Perspective: Ingredient Technology

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## Growth in fluid milk markets? Look beyond the usual

It seems the entire dairy industry is looking to the Asian market for potential growth. With the exception of Japan and perhaps northern China, milk production is severely limited in this part of the world. As a result, many Asian consumers still lack a general familiarity with dairy products. There also is the issue of lactose malabsorption, which relates to the activity of the enzyme, lactase, produced in the intestinal tract—a condition that reportedly affects many Asian consumers.

There's no doubt that China is a country on the economic move. As that happens, it is natural that the population will seek foods to help them not only survive but also thrive.

What is the optimal approach for raising the nutritional status of such a population? Add animal products to the diet. What are the most nutritional products to add to the diet? Dairy.

A long-term strategy is to ramp up milk production. In the short term, raw materials can be imported to manufacture an array of products. The issue of lactose malabsorption can be countered by first targeting children who have pretty active levels of lactase and introducing products like yogurt that contain huge levels of lactase produced by the fermentation cultures that are delivered handily to the intestine. And don't forget hard cheeses, which lose the lactose

when the whey is drained out or when fermented by the cultures during aging.

This leaves one primary challenge: How do you get a consumer unfamiliar with the taste and texture of dairy to hop on board the bandwagon? By delivering it in a familiar package. According to a recent story by Cris Prystay in the *Wall Street Journal* (Aug. 9, 2005), that's just what companies like Fonterra are doing—packaging the good old white stuff in traditional Asian flavors like green tea, rose and ginger. While this isn't rocket science, just good marketing, it's a reminder of what needs to be done to expand new markets. By thinking beyond standards and using nutritional targets that the government supports, reducing lactose as needed, adding components to adjust texture and processing to meet shelf life and distribution demands, Fonterra and other smart companies are creating a strong new market for dairy.

This is happening in China today, but there are lessons here for our domestic market. American flavor preferences are as diverse as its population. The soft drink manufacturers get it, as you can see from the introduction of more exotic flavors. While flavored milks aren't unusual in the United States, they lean towards the chocolate, strawberry and vanilla standards. But Americans aren't all alike. Just like in China, where the population is not accustomed to drinking milk, our own market research suggests that there are plenty of people here at home who are unaccustomed to

drinking milk and yet are faced with health problems if they continue to gulp down sugar- and acid-laden soft drinks.

The people taking the lead thus far in the United States are the soft drink companies. They will readily buy, merge and form joint ventures with dairy companies in order to retain market share. These companies know the marketing and now need the dairy ingredients and know-how for dealing with these perishable beverages. One key is that this market is not a one size fits all.

Look at the regions of ethnic populations in specific parts of the country, and you'll see a number of new markets just waiting for those innovative enough to do the work. The secret is to fine-tune product characteristics and the marketing message to reach this new consumer. For example, it's doubtful that the recent Chinese immigrant in California has tastes that differ widely from the people in their home country. We can learn by observing successful product development and marketing in global dairy markets. By bringing that information home and applying it to domestic market expansion, we will have the products necessary to support the government's 3-A-Day recommendations and improve the health of our population right here. **CMN**

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