

GUEST COLUMNIST



CMN Exclusive!



Perspective: Industry Innovation

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Finding a market for U.S. milk solids

Where have all the solids gone? In the good ol' days, the milk solids coming from out West found a home in Midwestern cheese plants. Today, Wisconsin milk (and with it, cheese) production has reversed the decline while the historically milk-deficit Southeast finds its supply from places like Indiana, Michigan and Ohio. So where does the West — with its ever-expanding milk production — turn?

Domestic markets represent mature markets long on new product development but short on incremental increases in milk solids consumption. New product development on the domestic battlefield is rapidly shifting to adjust for consumer demands for greener products. Consumers are bombarded with information on global climate change and deteriorating water and air quality, and they have a zealous interest in the relationship between healthy animals and healthy food. They want to know where their food fits into

the equation.

In some ways, it may seem curious how animal welfare and animal health and food safety all become a single issue. Actually, though, it's profoundly simple: "How can an unhealthy, abused animal provide wholesome food for my family?"

That's an argument you don't want to have. Given today's communication capabilities, all operations from the farm to the supermarket are transparent, which may not be such a bad thing. It will help our industry become stronger because as we respond to consumer preferences we become more competitive in the marketplace. The pressure is on — not only to produce a continuous flow of new and innovative products, but also to be sure they are produced in the most sustainable and wholesome way possible (and marketed as such). Consumers need to hear that we pay attention to their concerns. This is the new marketing landscape; just ask the

mega-supermarkets about it.

What does all of this have to do with growing our market for milk solids and butterfat? There is a balancing act in the making. In order to gain access to grocery shelves, dairy and food manufacturers will be assessing the greenness of their label and the wholesomeness of their products. The battle over market share now includes factors from on-farm and in-plant production operations to distribution and packaging. For example, consumers want all the nutrition of dairy products, and they want the confidence that this wholesomeness has not been compromised by reduced attention to environmental stewardship, animal health and animal welfare on top of concern over energy (read oil) usage. Therefore, growth in U.S. milk solids production must compete based on the strength of these marketing factors but in a market where total per capita consumption in the United States will not likely see big increases.

Yet our industry continues to grow, especially out West. Just where is the market for butterfat and milk solids, especially nonfat dry milk and skim milk powder going? You can find the answer in the business section of any newspaper. The weak dollar and growing economies of developing countries have combined forces to convert the United States into a global supplier of these products. The other factor is brand equity for both private brands like Land O'Lakes or Kraft as well as labels marketed as Californian or American — even in those countries that don't like our politics, they do like our food. These people can afford dairy products now, and they are taking full advantage of the opportunity to improve their health in the process.

The West Coast excels in the produc-

tion of milk powders and butterfat and a new customer base for these products lies to the south and west of us. Likewise, markets continue to grow in North Africa, Middle East and even South America. Then there is the case of the country with the world's largest population — China. In spite of its rapidly growing milk production (twice California's and less than half that of the entire United States), China sees consumer demand continuing to outstrip production. Then there is the rest of Southeast Asia and the Philippines to consider. Furthermore, as consumers in countries like China become accustomed to dairy products the door opens to diversification of dairy products. In fact, yogurt is well-established, and cheese is on the rise. These overseas markets will be with us for a long time and that is good news as America expands milk production with attention to greenness (sustainability) and wholesomeness (nutrition) to confront diverse global nutritional needs, profitably.

Frankly, America is the only large-scale milk producer in a position to respond to this increased global demand. Other exporting countries either don't have the expansion capacity or have economic constraints. The United States is in a position to meet consumer demands for global climate concerns and animal production/food safety sensitivities as well as anxious global nutritional needs within one supply base. Globalization is anything but unification. Nevertheless, America has the ability to service these markets and capture a win/win situation for all. CMN

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