U.S. Dairy Export Council
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Cheese Market News

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Perspective:

Export Expertise

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Foodservice drives Asian cheese demand

Every week, stories of international foodservice expansion pepper the U.S. media. The forces of globalization have created larger, more urbanized populations with more disposable income and less time to shop for and cook meals. Mass media, the Internet and travel (the World Trade Organization estimates the number of tourists crossing international borders will top 1 billion for the first time this year), not to mention restaurant marketing campaigns, have made cheeseburgers and pizza as familiar to consumers in Shanghai as in Cincinnati.

For U.S. cheese suppliers, reports of soaring restaurant profits in China or same-store sales growth in South Korea or new unit construction in Southeast Asia spell opportunity—and a sizable one at that.

Three new cheese foodservice and bakery research studies produced by the U.S. Dairy Export Council (USDEC) examined the foodservice and bakery markets in Korea, China and a select group of Association of Southeast Asian Nations (ASEAN) countries, specifically, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam—also known as the "ASEAN 6."

Three positive cheese growth messages emerged:

- Cheese consumption in each market is booming. The report forecasts 10 percent annual gains for the ASEAN 6 over the next five years, creating the need for an additional 110 million lbs. of cheese. China's cheese market is expanding about 20 percent per year, which should push total volume to more than 125 million lbs. by 2015. South Korea's market is expanding more sporadically but grew 30 percent to 194 million lbs. from 2006-2011 and further expansion is ahead.
- The foodservice and bakery channels are driving the gains, accounting for 80-90 percent of cheese use, depending on the country.
- Imports account for more than 70 percent of Korean cheese consumption, around 85 percent of ASEAN 6 consumption and a whopping 98 percent of Chinese consumption. And that situation is not expected to change soon due to scant cheesemaking capacity and no plans to invest on the horizon.

Conditions are ripe for growth, and foodservice chains—primarily pizza and fast-food operators—will lay the groundwork. Thousands of new outlets are on the drawing boards over the next decade, and the menus, though tailored to local tastes, still use plenty of cheese. ASEAN 6 foodservice operators questioned in one of the reports forecast 10-25 percent cheese usage per year for the next 3-5 years.

Among the many notable findings in the studies, including opinions on U.S.

commitment to exports (improving but still insufficient) and the impact of free trade agreements (U.S.-Korea beneficial, ASEAN-New Zealand-Australia detrimental), a few of them stand out:

* Despite Oceania being the first to seriously serve the ASEAN 6, Chinese and South Korean markets and the one to establish cheese taste, texture and color preferences, the United States has been gaining ground.

U.S. suppliers have earned recognition for efforts to meet buyer specs, particularly in Korea, and U.S. cheeses boast a reputation for quality. However, U.S. mozzarella is still viewed by many consumers as too white, and salt content is often an issue. Despite progress a perception lingers among some that U.S. product is behind that of Oceania and Europe.

* There still exists a gap in basic cheese knowledge in all three regions that limits the uptake to the most popular varieties—mozzarella, cream cheese and processed cheese.

Buyers often rely on distributors and suppliers to provide cheese information. Yet distributors themselves lack sufficient knowledge on applications and even handling cheese, disregarding humidity and temperature requirements.

Foodservice users in China are hesitant to switch from Oceania product because they feel any change in specs might require significant time and investment.

Korea, the most advanced in terms of cheese use, is an example of what cheese education can accomplish. The country imported no gouda in 2007. In 2011, gouda was gaining on cream cheese as the third largest seller by variety after pizza chains began incorporating it as a topping.

* I can't overemphasize the importance of producing Halal cheese if you want to develop business in Southeast Asia. Most Muslim consumers currently do not actively participate in the cheese market because they are not confident that imported cheese is Halal. More than half of urban consumers in the ASEAN 6—the prime target market—are Muslim. If the Muslim market could be enticed into the sector, it could expand cheese demand by an additional 77-100 million lbs. over the next five years. Products must have clear Halal labels. Cheese suppliers who can supply Halal cheese invariably have an edge over the competition.

(Cheese suppliers interested in having their products Halal certified can contact the Islamic Food and Nutrition Council of America at 847-993-0034 or www.ifanca.org or Islamic Information Center of America at 847-541-8141 or www.iica.org. USDEC has worked with both organizations, but others also provide Halal certification. Prior to shipping, always check with the destination country, since some recognize certain Halal organizations but not others.)

The United States is on the right track. U.S. sales have been rising to all three regions. In 2011, U.S. cheese sales to Southeast Asia, Korea and China/Hong Kong grew 46, 85 and 117 percent, respectively, to a combined 122 million lbs. Targeting foodservice opportunities could drive those gains significantly in the years ahead and USDEC's marketing programs will continue to lay the groundwork to build image and increase the overall sector's recognition of the United States as a quality and committed cheese supplier. **CMN**

Note: The U.S. Dairy Export Council is primarily supported by Dairy Management Inc. through the producer checkoff that builds on collaborative industry partnerships with processors, trading companies and others to build global demand for U.S. dairy products.