



CHEESE MARKET NEWS



Perspective: Export Expertise

**Marc A.H. Beck is senior vice president,
export marketing, of the U.S. Dairy
Export Council**

Time to refocus that long-term vision on customers

The unfortunate truth is that global dairy demand slackened this year. And it's no mystery why: recession. Reduced incomes equated to fewer purchases, and in the developing world—the prime dairy importers—that meant less milk, butter and cheese.

U.S. dairy suppliers can look at the last eight months in a couple different ways. They can make a knee-jerk reaction that export markets are unpredictable and not worth the effort. Or they can look at nearly a decade of steady export expansion and virtually unanimous projections that, in the years ahead, worldwide demand will grow faster than available supply (driven disproportionately by emerging markets) and that traditional exporters like Europe and Oceania will be unable to fulfill it. Following the second, research-backed train of thought leads to the conclusion that the current unfavorable trade climate is a blip—albeit a significant blip—in long-term export opportunity.

And long-term opportunity requires enduring commitment.

USDEC has emphasized the value of commitment to the market since the organization formed in 1995. It was a long-term worldview that helped drive the industry to record export levels in 2008: \$3.83 billion worth of products shipped, representing 10.8 percent of the milk solids produced in the United States.

To be clear, long-term commitment does not yield benefits only during good times. Case in point: Mexico.

Mexico has remained a solid and even growing market in certain key sectors despite global economic troubles, and it stands as a testament to the value of far-sighted market building programs, customer focus and commitment by U.S. dairy suppliers.

Cheese has been one of the stars of the show. Backed by permanent and constant USDEC marketing activi-



ties, including in-store tasting programs, brochures and recipe cards, menu promotions, U.S. cheese festivals and close collaborative work with chefs and food and beverage personnel, U.S. suppliers have aggressively serviced the Mexican market and attempted to align their products with customer needs—perhaps more for Mexico than any other country. The most recent example is USDEC's gouda initiative.

USDEC is working with U.S. cheesemakers to build gouda trade in Mexico, a high-demand cheese variety that U.S. suppliers have largely ignored. Initial signs from the gouda initiative are very encouraging and could lay the groundwork for future growth not only in Mexico but across the globe, where the United States has missed out on a thriving gouda trade.

The dividends of such commitment have been impressive. U.S. cheese exports to Mexico grew 13 percent to 19,609 tons in the first half of 2009—a stellar figure given that U.S. cheese exports to the rest of the world fell 43 percent over the same period.

Dedication to the longer-term growth opportunities that lie outside our borders, servicing customers and maintaining innovation while matching product specs that the markets demand will prepare U.S. suppliers for a future in which the dairy industry becomes increasingly globalized. It's a future that we glimpsed in 2007-2008 and one that is not likely far off: When world economic growth returns, so will the dairy demand that's driven markets in recent years.

USDEC continues to lay the groundwork for future

growth with programs such as its cheesecake bakery contest in Taiwan this spring.

U.S. cream cheese had two strikes against it when facing the prospect of breaking into Taiwan's bakery sector: 1) Taiwanese cheesecakes used far less cheese than their American counterparts (20-30 percent vs. 60-70 percent); 2) Taiwanese bakers had little knowledge of or familiarity with U.S. cheeses.

USDEC's first U.S. Cheese Bakery Contest in Taiwan in November 2008 began breaking down those obstacles and the second contest this spring just about erased them.

In May, 96 chefs created 192 cake recipes featuring U.S. cream cheese. The event, which drew participants from all areas of the island, garnered extensive TV and print media coverage and more than

doubled U.S. cream cheese exports to 14.5 tons during the promotion period.

After the promotion, a number of participating bakeries turned their contest creations into regular menu items, generating a new outlet for a steady stream of U.S. cheese. Although volumes might be modest at first, it's this kind of base-building effort that made Mexico one of our best customers in good times and bad.

To be a consistent exporter, the United States needs to develop a customer-centric approach, rather than a production-centric model, moving aside the outdated mindset that we can legislate and regulate ourselves to sales (or disposal) and recognize that customers are sustainable users of our products. In other words, we need to make what consumers crave, not what the government will dump in a cave.

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