

## Dairy, Egg &amp; Egg Products

August 23, 2013

## RECORD HIGH CONSUMPTION OF 300,000 TONS OF CHEESE

Revision and actual raise of price for home-use cheese may begin around fall. Price of business-use cheese is already increasing since spring. For all types of home-use cheese, there will be a price hike by decreasing the content of the product, having new products with higher unit price per gram, revising the price of imported table cheese etc. This is due to the 12% increase in 80% of domestic consumption from July to December of cheese using imported ingredients compared to 6 months ago. Since the cost rose over 25% from factors such as exchange rates, there are limits what the industry can do. On the other hand, cheese consumption volume of fiscal 2012 marked a record high of 301,495 tons, proving the strong demand for cheese. It is about time to set an appropriate price for the healthy development of the industry.

Cheddar and mozzarella cheese from Oceania (Australia and New Zealand) accounting for 70% of imported ingredient cheese from July to December was 4,800-4,900 dollars per ton, while Gouda cheese was 4,700-4,800 dollars. In contrast to the price from January to June, the price rose 10-15%. This was a large increase by 25-30% for Japanese users due to the weakening of yen.

This resulted from a global price hike of milk and instability of supply. Dairy products have a low export volume in contrast to its production volume worldwide, and producing countries are limited. In recent years, the increase of demand in China, Russia, and India is causing an upward trend in the tight international market price. The rise in market price was caused by stock shortages of dairy products in Europe during spring, and the drought in New Zealand that dropped the production volume of raw milk, leading to supply instability.

As for the business-use market (over 173,000 tons), processed cheese from major companies slightly dropped due to the slump of slice cheese for fast-food restaurants, but natural cheese processing companies did well with their natural shredded cheese, increasing the volumes of ready-made meals as well as food processing makers, and leading to an overall plus. But the cooling down demand of business-use cheese is the most notable due to the price hike caused by steep rise of cheese price using imported ingredients. However, it is widely viewed that there will not be an extreme drop in demand caused by the price increase in March and April since the cheese industry has recovered its demand over the past 3 years proving that "cheese menu sells," and the

generation that are used to eating cheese are becoming the center of the population. As stated earlier, it is time to rethink the meaning of 300,000 tons of brisk consumption volume within the food industry and review the "price of cheese," adjusting and setting the adequate price for its product value.



## Trends of Specialty Trading Companies

### Nozawagumi:

For retailers, Nozawagumi's brand called "Frico" from the Netherlands is increasing and acquiring fixed customers for the larger 300g block by efforts of running events and campaign through in-store food sampling etc. By combining with Italian ingredients, sales of Italian "Ambrosi" are increasing in the local areas.



The company mainly handles traditional ingredient cheese, as well as a wide variety of cream cheese from Australia and the US. Nozawagumi has been looking for new suppliers for ingredients. From next year, the company will secure a wider supply route for the expansion of the variety of cheese and to fulfill the price range for a greater demand. This includes the full operation of a new factory in Chile, increasing the quantity of dairy production department in Europe, having stronger ties with major North American companies with high safety for its quality, and developing further on the test project with Latvia.

In addition, they will consider developing business of proposing cheese for nursing care or sports drinks with the company's whey protein team by using cheese as a source of nutrition.

## Chesco:

By type, fresh cheese such as mozzarella for wholesale was up 21.8%, cream cheese up 13.8%, film east up 14.8%, blue cheese up 13%, washed-rind up 4.2%, chevre up 4.6%, and semi hard up 39.6%.

As for spring products, unique single bite-sized "Tartare Shell-in" did well in volume sellers.

Semi-hard cheese from Europe was introduced to the overall route. Also, a new brand that teamed with a local European partner was introduced for direct-sales shops at department stores and high-grade supermarkets.

They unified the brand with other food products that goes well with cheese, and increase new fans by giving thoughtful advice about good combination with cheese. Product policy is important in accordance of the needs of the customers, and Chesco says that "products that are differentiable from others do not get involved in the price competition".



## Tokyo Dairy:

This company is winning new customers with its flexibility to change the cut shape or content volume in their own company factory depending on the business conditions. Products for the everyday household dish section at major volume sellers are going well since the numbers of their partner stores have increased. Tokyo Dairy was able to build good relationships with major volume sellers by providing service of dice-cut cheese.

As for restaurants, cheese aimed for family restaurants and coffee chains are doing well even though it is the summer season. For home use, "Pecorino Romano grated cheese" is doing well. There are many possibilities from its rareness and other cut products of natural cheese are aiming to gain customers with the store's proposal skills. In the fall and winter, the company is planning to add cheese fondue to the store, which has become well known in Japan. They will enlighten the customers about the ways to eat cheese fondue.



## Sekai Cheese Shokai Inc.:

By products, ripened cheese and cream cheese



containing fruits are favorable. The company is expanding the types of ripened cheese and in addition to 50 items of ripened French cheese such as Christian Janier's "Brie de Meaux," they will have 20 more items such as "yama no cheese (mountain cheese)." Ripened cheese is doing well at department stores in Kanto district at a higher price range of 2000 yen for 100g. Cream cheese containing fruits began selling from last year. "Peach melba" (from Denmark) abundantly containing peach flesh, "Fruits ram" (from Singapore) packed with raisins and ram are especially popular. The fact that the two products can be enjoyed as desert is the reason behind its popularity. Australian fruits cheese, "Melon & Mango" and "Black Forest" are also popular. "Melon & Mango" fully contains diced fruits inside the cheese. Black forest includes cherry and cocoa abundantly. The company plans to put effort in ripened cheese and cream cheese containing fruits to differentiate from other products.