

The Global Cheese Market Report 2000-2015



PM FOOD & DAIRY CONSULTING
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The World Cheese Market Report

PM FOOD & DAIRY CONSULTING is publishing a new report: **The World Cheese Market Report 2010-2015**. It is a follow up on the report from 2009: **The Global Cheese Markets –Opportunities and Challenges in a volatile Market**, but the new report contains a lot of new features and valuable information (see content of the report). The report gives the overall view of the development on the world market for cheese in the 2000s in all regions of the world. The future prospects for cheese in the next decade is analyzed with focus on consumer trends, impact of the economic crisis, developments in the emerging dairy markets, and prognosis for the overall prospects until 2020.

The report also provides in depth analysis of more than 60 countries from all region of the world. This provides all the necessary information for evaluating the different cheese markets in the world and the future potential for expansion.

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Background

Several dairy experts have in advocated that the future for the dairy sector will be to return to the basic commodities butter and milk powder instead of value added products like cheese.

PM FOOD & DAIRY CONSULTING examine this statement and evaluates the future prospects for the world cheese market in spite of short term changes.

The main thesis of the report is that cheese has a dynamic prospect in medium/long term. However, the cheese segment has to adapt to the new situation saturated markets in OECD and no tradition for consuming cheese in the emerging dairy markets.

The development in the last five years in the global dairy and cheese market have shown what volatility means. The dairy commodity prices rocketed from 2005 to 2008 including cheese because of the rapid economic growth in most regions of the world. The growth was created by the demand for dairy products that for the first time in three decades surpassed the supply. The general fiscal crisis from mid- 2008 altered the situation and the prices declined and the global dairy sector was hit severely with declining prices and world and regional level. At the same time the production cost for both milk production and dairy processing remained at a high level. This led to a cost squeeze and the situation eased late 2010 when the dairy prices recovered.

During the financial crisis the demand for whole milk powder continued to grow due to the milk balance problems in especially China and Brazil. Several of the major exporting dairy countries with New Zealand in the lead changed strategy and turned away from cheese towards the basic dairy commodities – butter and milk powder. Opposite Russia was the driving force for expanding the cheese export because the domestic milk production still is unable to meet the demand for all dairy products especially cheese.

The turbulence the last five years show how fast the world dairy market can change and how the demand for dairy products shift.

Several dairy experts have advocated that the future for the dairy sector will be to return to the basic commodities butter and milk powder instead of value added products like cheese. PM FOOD & DAIRY CONSULTING

The aim of the report is to analyze the future prospects for the world cheese market will develop in the next decade and answer the following questions:

- What has been the impact on the cheese sector of the financial crisis – will the dynamic growth from the 2000s return?
- Can cheese be a future product in the emerging dairy markets where the expansion until now has focused on fresh dairy products and milk powder?
- Can the cheese market regain the value growth in the matured OECD dairy markets where private label and discount cheese has gained market shares in recent years?
- What are the future consumer trends for cheese in different parts of the world?
- What has to be focus of the cheese processing companies in relation to innovation and marketing to develop the cheese market in the emerging dairy markets?
- The report will identify the major cheese processing dairy company's in the future on national, regional and global scale.
- How will the trade patterns for cheese develop in the next decade and will new countries and companies enter the world market

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Extracts from the report

1. Introduction

Several dairy experts have recently advocated that the future for the dairy industry will return to the basic commodities butter and milk powder at the expense of cheese as the dynamic element of the dairy sector.

PM FOOD & DAIRY CONSULTING examines this statement and evaluates the future prospects for the world cheese market in spite of short term changes.

The main thesis of the report is that cheese has a dynamic prospect in the medium/long term. However, the cheese segment has to adapt to the new situation with saturated markets in OECD and no tradition for consuming cheese in many of the emerging dairy markets.

The development in the last five years has shown what volatility means. The dairy commodity prices rocketed from 2005 to 2008 including cheese to record levels because of the rapid economic growth in most regions of the world. This generated a situation where the global demand for dairy products for the first time in three decades surpassed the supply. The global fiscal crisis (GFC) from mid-2008 altered the situation and prices declined and the global dairy sector was hit severely. At the same time the production cost for both the milk production and the dairy processing remained at a high level. This led to a cost squeeze and the situation eased first late 2010 when the global dairy prices recovered.

During the GFC the demand for WMP continued to grow due to the milk balance problems in especially in Brazil and China where the impact of the GFC was minimal. Several of the major exporting dairy countries with New Zealand in the lead changed strategy and turned away from cheese toward the basic commodities – butter and milk powder. Opposite, Russia was the driving force expanding the cheese export because the domestic milk production has shown unable to cover the domestic demand for all dairy products and the priority has been fresh dairy products.

The increasing volatility on the world dairy markets requires increasing robustness both in the milk production and the processing industry includes the cheese segment.

The aim of the report is to analyze the future prospects for world cheese market in the next decade and answer the following questions:

- What has been the impact of the GFC on the cheese sector and will the dynamic growth return?
- Can cheese become a popular dairy product in the emerging dairy markets where the expansion until now has been on fresh dairy products and milk powder?
- Can the cheese market regain the value growth in the matured dairy markets in the OECD countries where private label and discount cheese has gained market shares in recent years?
- What are the future consumer trends for cheese in different parts of the world?
- What do the cheese processing companies have to focus on in relation to innovation and marketing to develop the cheese markets in emerging dairy countries?
- The report will identify the major cheese producing company's in the future on national, regional, and global scale.
- How will the trade patterns for cheese develop in the next decade and will new countries and companies enter the world market?

1.1 Background

The cheese market has been one of the most dynamic food segments in the last 20 year with steady growth in production, consumption and international trade. In 2009, the world cheese production exceeded the 20 million MT mark and approximately 1/3 of the world cow milk production is processed into a wide range of different cheeses. This is more than the yearly production of coffee beans, tea leaves, cocoa beans and tobacco combined.

The largest producer of cheese is USA, accounting for 30% of world production, followed by Germany and France. The biggest exporter of cheese by monetary value is France; the second, Germany (although it is the first by quantity). Among the top ten exporters, only Ireland, New Zealand, Denmark, the Netherlands, and Australia have a cheese production that is mainly export oriented: respectively 95%, 90%, 77%, 72% and 65% of their cheese production is exported. Only 30% of French production, the world largest exporter, is exported. The USA, the biggest world producer of cheese, is a marginal exporter, as most of its production is for the domestic market, however it has been increasing in 2010 and continues in 2011 to grow.

Germany is the largest importer of cheese and UK and Italy are the second- and third-largest importers.

Greece is the world's largest (per capita) consumer of cheese, with 27.3 kg (feta accounts for ¼ of this consumption). France is the second biggest consumer of cheese with 24 kg per capita and emmental for cooking and camembert are the most common cheeses in France. Italy is number three with 23 kg per capita. In the US the consumption of cheese is quickly increasing and has nearly tripled between 1970 and 2010 and reached 15.1 kg. Mozzarella is America's favorite cheese and accounts for nearly a third of the consumption, mainly because it is one of the main ingredients of pizza.

These are the highlights of the global cheese market until now, but the future will create a lot of changes. The cheese production will increase significantly in the emerging economies and so will the demand and consumption of cheese. New players will also enter the world market for cheese both on the export and import side. The product mix will also change from the traditional types of cheese to new cheeses that suit the demand in developing dairy markets like China and India. The demand will diversify from mainstream cheeses to a more polarized demand for added value cheeses to cheap discount cheeses. This also paves the way for increased production of analogue cheeses to the discount segment. The growth of food service and the food industry in many parts of the world also changes the demand for cheese types and in general it also increases the demand for cheese.

The GFC from 2008 to 2010 created a lot of turmoil in the world dairy sector with declining product prices for all dairy products. The basic commodities like butter and milk powder were hit hardest and very fast by the recession. For fresh dairy products and cheese the prices declined less although the demand decreased and the market polarized with focus on high price cheese and discount products.

1.2 Content of the report

The report will focus on the development of the global dairy cheese market in relation to production, consumption, major players, and international trade. The report is divided in two parts where:

- **Part 1** is analyzing the global trends and prospects for the world cheese sector in general
- **Part 2** is cheese market analysis of individual countries (61 countries from all regions)

The development of the global and regional cheese production is described and analyzed to identify the major characteristics including the production of the main types of cheese in **chapter**

2. The major cheese producing countries are identified and prognosis for the production until 2020 is set up.

In **chapter 3**, the global consumption of cheese is evaluated in relation to past and future developments. This includes the world and regional consumption development describing from 2000 to 2010 and prognosis to 2020. The consumption per capita is also analyzed and hereby identifying the potential growth markets in the future.

The international trade patterns are analyzed in **chapter 4** with focus on the export and import and the future prospects. The WTO I has facilitated better conditions for the world trade with cheese with less export subsidies and border protection. However, there are no sign of a WTO II agreement in a foreseeable future. The future changes in the world trade are identified in relation to the major exporters and importers of cheese.

In **chapter 5** the major cheese producing companies are identified and evaluated in relation to their capabilities in relation to technology, capital, innovation and market performance. The cheese producing are international players are producing more than the majority of countries so the analysis of their development is as important as to follow the development on a country basis. It also includes an assessment of the future possibilities to expand the production and market shares.

Finally, the report tries to identify the future winners and the most suitable strategies in a future market development characterized by increasing price volatility.

Chapter 6 focuses on the future trends on the world cheese market including cheese as ingredient, analogue cheese, the role of food service and food industry, and the power of the retail chains. The special conditions in the emerging cheese sector are also evaluated.

Chapter 7 summarize on the analysis of the cheese market in future from 2000 to 2020 in relation to:

- Production
- Demand and consumption
- Trade patterns
- The future cheese types
- The winners and losers
- Impact of the economic crisis

Part 2 of the report contains analysis of the cheese market in 61 countries from all regions of the world. The aim is to provide the reader with clear knowledge of the individual markets that differ significantly even inside the regions. The analysis includes for each country:

- General information
- The dairy sector in general
- Cheese production
- Export and import
- Major cheese producing companies
- Cheese consumption
- Cheese market
- Future prospects until 2015

1.4 Time scale

Descriptive market analyses: 2000-2010

Prognosis for the cheese market developments: 2010-2020 for the general world cheese analysis and 2010-2015 in the individual country analysis.

Example country analysis:

Italy



1. Introduction

Italy became a nation-state in 1861 when the regional states of the peninsula, along with Sardinia and Sicily, were united under King Victor Emmanuel II. An era of parliamentary government came to a close in the early 1920s when Benito Mussolini established a Fascist dictatorship. His alliance with Nazi Germany led to Italy's defeat in World War II.

A democratic republic replaced the monarchy in 1946 and economic revival followed. Italy was a charter member of NATO and the European Economic Community (EEC). It has been at the forefront of European economic and political unification, joining the Economic and Monetary Union in 1999.

Persistent problems include illegal immigration, organized crime, corruption, high unemployment, sluggish economic growth, and the low incomes and technical standards of southern Italy compared with the prosperous north.

Key indicators for Italy

Subject	Information	World ranking
Area	301,340 km ²	72
Population	61 million	23
Population growth rate	-0.2	158
Capitol	Rome	
Arable land	26%	
Religion	90% Roman Catholic.	
Urbanization	68%	
GDP	\$1.7 trillion	6
GDP growth rate	1.3%(2010) 2,5%(2011)	
GDP per capita	\$30,500	53

Source: Economist, CIA, OECD, PM FOOD

Italy has a diversified industrial economy, which is divided into a developed industrial north, dominated by private companies, and a less-developed, welfare-dependent, agricultural south, with high unemployment. The Italian economy is driven in large part by the manufacture of high-quality consumer goods produced by small and medium-sized enterprises, many of them family owned.

Italy also has a sizable underground economy, which by some estimates accounts for as much as 15% of GDP. These activities are most common within the agriculture, construction, and service sectors. Italy has moved slowly on implementing needed structural reforms, such as reducing graft, overhauling costly entitlement programs, and increasing employment opportunities for young workers, particularly women.

The international financial crisis worsened conditions in Italy's labor market, with unemployment rising from 6.2% in 2007 to 8.4% in 2010, but in the longer-term Italy's low fertility rate and quota-driven immigration policies will increasingly strain its economy. A rise in exports and investment driven by the global economic recovery nevertheless helped the economy grow by about 1% in 2010 following a 5% contraction in 2009.

The Italian government has struggled to limit government spending, but Italy's exceedingly high public debt remains above 115% of GDP, and its fiscal deficit - just 1.5% of GDP in 2007 - exceeded 5% in 2009 and 4% in 2010, as the costs of servicing the country's debt rose.

2. The dairy sector in general

The milk production in Italy accounts for 10% of the Italian agricultural value.

Over the last decade, the number of specialized farms producing cow's milk has experienced a significant restructuring from around 75,000 units in 2000 to 40,000 in 2010 while the average production per farm has increased from 140 MT/farm to 270 MT/farm. At the same time, the farm net income of agricultural output per business entity is almost three times that reported for agriculture as a whole (respectively, €74,000 and €28,000 per farm).

Key dairy figures 2000-2010

Milk production	2000	2005	2009	2010	2011
Dairy cattle (1,000)	2,127	1,842	1,895	1,920	1,950
Milk production (1,000 MT)	10,877	10,897	11,206	11,150	11,100
Deliveries to dairies (1,000 MT)	10,377	10,450	10,415	10,408	10,400
Production of dairy products (1,000 MT)					
Liquid milk	3,230	2,941	2,770	2,714	2,650
Fermented products	279	295	303	330	350
Cream	119	117	127	124	130
Butter	133	130	93	87	83
SMP	-	-	-	-	-
WMP	-	-	-	-	-
WP	348	164	114	120	130

Source: IDF, ZMP, PM FOOD & DAIRY CONSULTING

The production of dairy products other than cheese is limited in Italy compared to other European countries and only 30% of the milk is utilized for this. Drinking milk accounts for 21%, yoghurt 2%, and other dairy products 6%. Italy has no production of milk powder like SMP and WMP only WP as a bi-product from the cheese production.

The turnover for the Italian dairy industry was €14.8 billion.

3. Cheese production

3.1 Traditional Italian cheeses

Italy produces more than 400 different types of cheese and several of them are protected by the PDO (Protected Designation of Origin) under EU law. The most famous Italian cheeses are:

Bel Paese

A mild, white creamy cheese made from cow's milk. It is a modern cheese from the Lombardy

region of Northern Italy. Bel Paese is very similar to the French Port Salut. It can be used to replace mozzarella in cooking.

Caciotta

Caciotta describes a wide range of simple, rural cheeses from Italy that can be made with either ewe's, cow's or sheep's milk. They are soft and mild.

Fontina Val d'Aosta

One of the oldest cheeses in Italy, Fontina is dense, smooth and slightly elastic. The straw-colored interior with its small round holes has a delicate nuttiness with a hint of mild honey. When melted, as it frequently is, the flavor is earthy with a taste of mushrooms and a fresh acidity. Fontina is the primary ingredient of Italian fonduta and is a pristine table or dessert cheese. Fontina ripens in about three months and has a fat content of 45 per cent.

Gorgonzola

Creamy but firm blue cheese that ranges from mild ("gorgonzola dolce") to sharp ("gorgonzola "), depending on how long it has been aged. Good in salads and for dips.

Grana Padano

Grana Padano is a traditional, co-operative, unpasteurized, hard cheese. The smooth, natural rind is extremely hard and thick. This cheese is known to many of us as simply "Parmesan". The cheese should taste fresh fruity and sweet, with a hint of pineapple. The pale, yellow interior should be hard, grainy and crumbly. Grana Padano freezes very well. It ripens in 12 - 48 months.

Mascarpone

Mascarpone is a soft, white, fresh, vegetarian, cream cheese from the Lombardy region of northern Italy. In fact, it is not cheese at all, but rather the result of a culture being added to the cream skimmed off the milk, used in the production of Parmesan. It is, however, described as a curd cheese, although it is made in much the same way as yogurt. To make Mascarpone cheese tartaric acid (natural vegetable acid derived from the seed of the tamarind tree) is needed. After

the culture has been added, the cream is gently heated, then allowed to mature and thicken. This whitish to straw-yellow, creamy, mild fresh cheese is compact, but supple and spreadable and it is added to famous Italian desserts, sometimes accompanied by cognac. Frequently it is used for the preparation of certain dishes and sauces. It takes only a few days to ripen and has a fat content of 75 per cent.

Mozzarella

Mozzarella at its best is wonderful indeed. Mild, fragrant, delicate - combined with tomato, fresh basil and good olive oil it is a summer meal in itself. Traditionally made in southern Italy of the milk of water buffalo (introduced into Italy from India in the 16th century) - it is now made world-wide from cows milk, with varying degrees of success. Special food sections will carry it, best packaged in its own salty water.

Parmesan (Parmigiano)

Named after the town of Parma in northern Italy, Parmesan is one of the world's most popular and widely-enjoyed cheeses. Milk used for Parmesan is heated and curdled in copper containers but not before most of the milk's cream has been separated and removed. Curd is cut and then heated to 125 degrees F, all the while stirring the curd to encourage whey runoff. The curd is further cooked at temperatures of up to 131 degrees F, then pressed in cheesecloth-lined moulds. After two days, the cheeses are removed and salted in brine for a month, then allowed to mature for up to two years in very humid conditions.



Parmigiano Reggiano

Parmigiano-Reggiano is a traditional, unpasteurized, hard cheese made from cow's, skimmed milk. It has a shape of a drum with sticky, hard, yellow to orange rind. Parmigiano Reggiano weighs 75 lbs. and must be cut by a saw. The aroma is sweet and fruity, the color fresh yellow and the taste - fruity, like pineapple. Parmigiano Reggiano's flavor is unmistakably piquant. Primarily, a grating cheese, Parmigiano Reggiano is a great topping for soups, pasta dishes, veal chicken or salads. In Italy, this cheese is sold in large, grainy chunks, chiseled from the shiny drum that carries its name emblazoned on the rind.

Pecorino

Pecorino is the name given to all Italian cheeses made from sheep's milk. Pecorino Romano is the name given to cheeses from the Rome area, Pecorino Sardo is from Sardinia, Pecorino Siciliano from Sicily. It is traditional, creamery, hard, drum-shaped cheese. The smooth, hard rind is pale straw to dark brown in color. The cheese is made between November and late June. Pecorino Romano is larger than most cheeses of this type and must be pressed. It takes eight to 12 months to mature, during which time it develops its characteristic flavor - salty, with a fruity tang that becomes steadily more robust. The rind varies in color, depending on the age of the cheese, and may have a protecting coating of lard or oil. The compact interior is white to pale yellow, with irregular, small eyes. Pecorino is a variety spiced with peppercorns.

Pecorino Romano

Pecorino Romano is made from sheep's milk. It is straw-white in color and has a sharper flavor than the other cheeses listed here. Although it is sometimes referred to as "Locatelli" Locatelli is a brand name of Pecorino Romano. Pecora in Italian means sheep and Pecorino Romano is one of Italy's oldest cheeses. Legend has it that a shepherd filled his flask with sheep's milk before a long trip and the motion during the trip caused the milk to naturally ferment. The idea for a new cheese was born. Today most Pecorino is made in Sardinia Italy. With its fine flavor Pecorino's popularity as a grating cheese has grown significantly in the U.S. Since sheep only give milk for 6-7 months a year all production must satisfy the public's demand for the entire year.

Provolone

Provolone is an all-purpose cheese used for cooking, dessert purposes and even grating. It is traditional, creamery, stretched, curd cheese. This cheese appears in various shapes. The thin, hard rind is golden-yellow and shiny. Sometimes it is waxed. Provolone cheese can be of various types. Dolce (mild Provolone) is aged for two to three months, and it is supple and smooth with a thin waxed rind. It is generally used as a table cheese. Aged for six months to two years, it is darker with small holes and a spicy flavor.

Ricotta

Traditional, creamery, whey cheese made from cow's or sheep's milk. It is a basin-shaped cheese, pure white and wet but not sticky. Good Ricotta should be firm, not solid and consist of a mass of fine, moist, delicate grains, neither salted nor ripened. It is white, creamy and mild and is primarily used as an ingredient in lasagna. It is primarily made with cow's milk whey which is heated to 170 degrees F. Citric acid is added to encourage destabilization and separation and the temperature is quickly raised to 185 degrees F. Proteins from the whey separate rise and coagulate; the proteins (lactalbumin) are skimmed off and put in a wicker basket to drain for two days after which the "cheese" is ready for market. There are three distinct varieties of ricotta: ricotta salata moliterna (ewe's milk whey), ricotta piemontese (cow's milk whey + 10% milk) and ricotta romana (a byproduct of Romano cheese production).

Romano

Romano is one of the oldest Italian cheeses. It is made by a special method, known as "rummaging curd" or draining the curd quickly after molding, then piercing the surfaces slightly before salt is applied. In Europe, Romano is known by its original name Pecorino-Romano. The cheese has a fat content of 27 per cent and water content of 32 per cent.

3.2 Cheese production

Italy is one of the major cheese producers in the world (no. 4) and 70% of the Italian milk is processed into cheese.

Cheese production in Italy 2000-2015

1,000MT	2000	2005	2009	2010	2011	2015
Total	927	1,034	1,059	1,022	1,010	1,100

Source: IDF, PZ, PM FOOD & DAIRY CONSULTING

From 2000 to 2009 the cheese production increased by 14% but the production declined in 2010 and this continues in 2011. However, the gradually dismantling of the milk quota system until 2015 will enable the Italian milk production to expand and the cheese production is expected to grow to 1,100 MT.

The production of PDO cheeses in Italy account for 38% of Italian cheeses and absorb 47% of total Italian milk production.

Italian PDO cheeses (1,000 MT)

Name	Production 2009	Milk utilization 2009	Production 2010	Milk utilization 2010
Grana Padano	158	2,234	163	2,303
Parmigiano Regiano	113	1,669	119	1,753
Gorgonzola	48	395	48	412
Mozzarella di bufala	34	144	37	146
Pecorino Romano	27	154	28	158
Asiago	24	218	23	209
Taleggio	8	63	9	66
Provolone Valpadana	9	87	8	76
Montasio	8	71	7	65
Others PDO	21	190	21	184
Total	450	5,225	463	5,372

Source: Assolatte, PM FOOD & DAIRY CONSULTING

PDO cheese is the most important product segment of the Italian PDO/PGI products accounting for 55% of the turnover.

4. Export and import

The Italian cheese export accounts for nearly 25% of the total cheese production. Italy is both a large exporter of cheese and importer and in volume terms a net-importer. The import is nearly twice the size of the export. The export has increased with 25% from 2000 to 2010 and the import with 23%.

Export and import 2003 -2015

1,000MT	2003	2005	2009	2010	2011	2015
Export	204	234	250	252	260	280
Import	374	418	448	460	465	480
Net import	170	184	198	208	205	200

Source: IDF, Assolatte, PM FOOD & DAIRY CONSULTING

The export is expected to increase until 2015 with nearly 30,000 MT mainly driven by the spread of the Italian cuisine in a global scale. However, the import is expected to grow at the same pace.

The picture is different when the focus is on the export value where the export value has surpassed the value of the cheese import.

Export and import value 2008-2010

Million €	2008	2009	2010
Export	1,455	1,443	1,659
Import	1,522	1,326	1,505

Source: Istat, PM FOOD & DAIRY CONSULTING

In general Italy has a clear deficit in total external dairy trade but a surplus in the cheese segment.

More than 75% of the cheese export goes to EU countries and the major third country market is USA.

Top destinations for Italian cheese export (million €)

Destination	2008	2009	2010
France	233	257	297
Germany	210	217	264
USA	216	195	217
UK	150	140	159
Switzerland	95	91	99
Belgium	60	66	73
Spain	70	66	73
Austria	43	44	49
Netherlands	38	39	45
Luxembourg	42	40	43
Other countries	298	289	340
Total	1,455	1,444	1,659

Source: Istat, Ismea, PM FOOD & DAIRY CONSULTING

The value of the Italian cheese export increased significantly in 2010 reflecting the beginning recovery from the GFC. Almost 70% of the value of the cheese export came from PDO cheese that was sold at premium prices

5. Major cheese producing companies

The Italian dairy industry is characterized by a large number of small and medium size processing plants. Many dairies produce local and regional cheeses and the high demand for these specialty cheeses secure a premium price. The average size of dairies is still not very large – more than 78% of dairies collect 5,000 MT milk or less while in Germany and France the figures stand at 34% and 59% respectively.

All the main dairies (co-operatives and private companies) are located mainly in Northern Italy and specialized both in industrial, branded products and in the main PDO products (above all Grana Padano and Parmigiano Reggiano). Co-operatives register average sales revenues that are higher than those of the private companies (€6.9 billion versus €4.4 billion)

Lactalis Italia

Lactalis Italia is the largest company in Italy through an aggressive acquisition policy in the last decade. The company has a turnover of €1.3 billion in 2009 and this includes the activities of Galbani that has been acquired from 2006 to 2008.

Galbani was founded in 1882 and has today value share of 20.5% and volume share of 21.3% of the Italian dairy market, and cheese is the major part of the sales. Galbani is a leading exporter of Italian cheese and produces also outside Italy in Belgium, France, Switzerland, and UK. The Galbani Group has more than 3,100 employees and 4 processing plants in Italy and 111 distribution units. The major brands of the company are Santa Lucia, Galbani and Dolcelatte.

In 2010, Lactalis acquired the majority and control over Parmalat that had a leading position in Italy in relation to drinking milk. Combined the turnover of Lactalis and Parmalat Italy is €2.1 billion. The take-over does not strengthen Lactalis's position on the Italian cheese market.

Lactalis is dominating the cheese market with a wide range of brands in all categories of cheese.

Granorolo

The company was founded in 1960 and are today among the leading dairy companies in Italy located in Bologna. The company is a co-operative and has 7 processing plants with 1,800 employees and 2,000 dairy farmers are delivering to the dairy. Granorolo is the largest yoghurt producer in Italy, and a major producer of UHT-milk and cheese. The company is exporting to several countries inside EU but also to overseas market and it is primarily cheese – both fresh cheese (Mozzarella, Ricotta, and Mascarpone) and aged (Parmigiano Reggiano, Grana Padano, gorgonzola, Provolone, and Pecorino)

Beside the two major cheese companies, **Zanetti, Ferrai Giovanni Industries, Unigrani, Biraghi, and Zarpellon** are also playing an important role in the cheese processing.

6. Cheese consumption

Italy is among the top 5 in cheese consumption in the world with a consumption level of 1.2 -1.4 million MT in the last decade.

Cheese consumption 2003-2015

	2003	2005	2009	2010	2015
Total (1,000MT)	1,283	1,342	1,256	1,290	1.360
Per capita (kg)	20.2	21.2	20.9	21.0	21.3

Source: IDF, PM FOOD & DAIRY CONSULTING

The consumption per capita is high over 20 kg and it has been relatively stable the last decade. From 2010 to 2015 the consumption is expected increase with 70,000 MT or 5% and the per capita consumption will increase slightly.

7. Cheese market

The Italian cheese market is more or less saturated and cheese is an integrated part of the daily diet as a single dish, snack and ingredient in salads and cooking.

The fragmented supply side has created a weak bargaining position toward the retail chains and private label is gaining market shares. Still, the Italian consumers are loyal to local and regional cheese that is sold on open markets or small shops.

Cheese company shares 2005-2009 (%retail value)

Company	2005	2007	2009	Brands
Lactalis Italy	2.8	3.0	12.1	Santa Lucia, Locatelli, Invernizzi, Bel Paese, Valledatta, Galbanino, Galbani
Kraft Foods	6.4	6.2	6.0	Sottilette, Philadelphia
Other private label	2.7	2.8	2.8	
Granarolo	2.4	2.6	2.7	Granarolo, Pettinicchio
Zanetti	2.2	2.5	2.4	Zanetti
Unigrana	2.1	2.3	2.2	Unigrana
Ferrari Giovanni	1.6	1.7	1.7	Ferrari
Others	79.8	78.9	70.1	
Total	100.0	100.0	100.0	

Source: Euromonitor International, PM FOOD & DAIRY CONSULTING

Lactalis has increased their market share significantly from 2005 to 2009 mainly due to the acquisition of Galbani in 2006. The company has the leading brands in nearly all cheese categories. Kraft Foods is second with their Philadelphia brand and the processed cheese with Sotilette in the lead.

Granarolo, Zanetti, Ferrari, and Unigrana hold together a 9% value market share. Private label reach in 2009 an overall market share of 9% and the GFC has turned the consumer focus to the cheaper products.

The fragmented cheese market in Italy is illustrated by the 70% market value share to the small and medium size cheese manufactures.

8. Future prospects

The cheese production will also continue to play a dominating role in the future for the Italian dairy industry and the following can be expected until 2015:

- The cheese production will grow by 90,000-100,000MT due to the possibilities to increase the milk production with the gradually dismantling of the milk quotas and termination in 2015.
- The demand for Italian cheese is growing globally and the export will grow by 30,000MT in the same period.
- The domestic demand for cheap alternatives to the high price Italian cheese and the consumer focus on new type of foreign cheese will lead to 15,000MT of extra import.
- The overall demand for cheese will expand by 70,000MT.
- The structure of the cheese processing industry will be challenged the next five years. The merger between Lactalis and Parmalat will force all medium and small size processors to improve their marketing and innovative skill to be able to survive.
- Additionally, the growing power from the retail chains and private label will enforce this development.
- As in several other important cheese markets the polarization will grow so the discount cheese in the one end and the premium and branded cheeses in the other end will gain market shares.