

World Cheese Market

2000-2023



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The World Cheese Market Report

PM FOOD & DAIRY CONSULTING is publishing a new report: **The World Cheese Market Report 2000-2023**. It is a follow up on the reports from 2009, 2011, and 2013

The new report contains 1,080 pages of valuable information and a lot of new features (see content of the report). The report gives the overall view of the development on the world market for cheese from 2000-2014 in all regions of the world. The future prospects for cheese from 2014 to 2013 are analyzed with focus on consumer trends, developments in the emerging dairy markets, new markets and the future structure of the cheese producing companies.

The report also provides in debt analysis 80 countries from all region of the world and several new countries are added to the analysis since the last edition especially in Asia and Africa. This provides all the necessary information for evaluating the different cheese markets in the world and the future potential for expansion.

Is your company seeking new opportunities in the global cheese market this report is a must!

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EXTRACT FROM THE REPORT

1. Introduction

The World Cheese Market 2000-2023 is the fourth report concerning the global cheese market made by **PM FOOD & DAIRY CONSULTING**. Compared to the previous editions, the new report analyzes more country cheese markets and it accounts to 80 countries in all regions of the world.

The report gives the answers to the following questions:

- 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?
- How will the global cheese production and consumption develop from 2014 to 2023?
- 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 future dairy manufacturing structure be? Who will be the winner and losers in the future?
- How will the trade patterns for cheese develop in the next decade and will new countries and companies enter the world market?
- How will the use of bilateral trade agreements and Trans Atlantic- and Trans-Pacific agreements impact the global cheese trade?
- What are the consequences of the Russian embargo for the world cheese export and the Russian cheese market?

1.1. Background

The global dairy market has been changing significantly after the change of millennium with increasing demand for milk and dairy products globally and in the 2000s the demand in several periods surpassed the supply and the dairy prices increased generally.

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The global dairy market has been changing significantly after the change of millennium with increasing demand for milk and dairy products globally and in the 2000s the demand in several periods surpassed the supply and the dairy prices increased generally.

This situation was formed by fast growing demand for dairy products in emerging dairy markets with the BRIC countries in the lead. The price level for dairy product increased also significantly but at the end of the decade the dairy sector was also hit by the economic crisis which created increasing volatility and pressure on the global dairy sector.

From 2011 to mid-2014 the world market regained the dynamic growth with increasing demand and prices but from Q3 2014, the Chinese demand for milk powder declined significantly and Russia imposed an embargo for milk and dairy products including cheese and this situation has continued until now.

The fast growing demand in the emerging dairy countries has mainly been driven by drinking milk, yoghurt, infant formula and other dairy products targeted to children. This implied huge import of SMP, WMP, WP and other dairy ingredients and Russia was the only expanding market where cheese was the main product.

In the last two years, the dynamically growth in the BRIC countries have declined with Russia in economic crisis, Brazil is stuck in economically structural problems and China's economy seems to be overheated. Only India is continuing the positive growth. However, new dynamic markets seem to appear in Asia, Latin America and MENA.

Cheese is the major dairy product and it utilized approximately 40% of the world milk deliveries in 2000 and the same was the case in 2014 while milk powder and dairy ingredients has increased their share in the period. However, these product categories are suffering now when the global demand declines. Since 2000, through all the volatility the cheese segment has proven to be very robust and has managed the volatility better than other dairy product groups.

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 I** is analyzing the global trends and prospects for the world cheese sector in general from 2000 to 2023
- **Part II** is cheese market analysis of individual countries (80 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 2023 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 2014 and prognosis to 2023. 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 future changes in the world trade are identified in relation to the major exporters and importers of cheese.

Chapter 5 analyses the Russian embargo on the cheese import from a wide range of countries including EU, Ukraine, US, Norway, Australia and Canada. What are the consequences for the exporting countries and Russia in relation to cheese production, cheese consumption and alternative import possibilities? Finally, the future prospects and long term consequences are assessed.

The international trade agreements are in focus in **chapter 6**. The WTO I agreement is still ruling globally but it has not been possible to conclude WTO II. Instead, bilateral agreements have paved the way for expanding the cheese export. Besides, the Trans-Pacific and the ongoing negotiations about a Trans-Atlantic trade agreement will also open new possibilities.

In **chapter 7** 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 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 8 is dealing with cheese as ingredient in the food service and food industry with focus on EU, North America and other regions.

Chapter 9 focuses on the future trends on the world cheese market including the changing overall world agenda, new market opportunities, trends in developing cheese markets and general trends for the world cheese market from 2014 to 2023.

Chapter 10 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 II of the report contains analysis of the cheese market in 80 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 2020

1.3. Time scale

Descriptive market analyses: 2000-2014

Prognosis for the cheese market developments: 2014-2023 for the general world cheese analysis and in the individual country analysis.

1.4. Report sources

The report is based on PM FOOD & DAIRY CONSULTING's research of the international cheese market and the main sources are:

- International statistics: FAO, EUROSTAT, OECD, ZMP, ZMB, USDA, IDF, FAPRI, AgraEurope, Euromonitor International, PZ Netherlands, CLAL, others
- National statistical information
- Embassy enquiries
- Interviews with key dairy industry persons

- National dairy associations
- Dairy company websites
- Professional publications

The evaluations of global, regional and country markets shares is made by PM FOOD & DAIRY CONSULTING as well the future prognosis based on collected data material.

2. World cheese production

The world milk production has increased from 480 million MT in 1970 to 802 million MT (including all types of milk) in 2014 representing an increase of 67%. A large part of this expansion has been used to increase the cheese production in all regions of the world. The growth has been driven by innovation and product development in the dairy industry in respect to new types of cheeses designed for special population segments (children, teenagers, affluent consumers and main stream households) and for new uses of cheese in cooking, food service and food industry. The focus has also been on developing special cheeses to developing dairy markets with no tradition for consuming cheese. This includes especially white cheeses and processed cheese.

This chapter focuses on the cheese production in the different regions of the world in the recent decades including prognosis for 2023. The production is also analyzed on country level identifying the major producing countries and their growth rates. This also includes the development for the major categories of cheese.

2.1. World cheese production

In 1980, the world cheese production was 8.7 million MT and this expanded to 11.4 million MT in 1990 and by the turn of the millennium the production reached 16 million MT – nearly a doubling since 1980

The world cheese production reached the 20 million MT production mark in 2011 and the growing trend has continued and it reached 21 million MT in 2014. The global estimation includes all natural cheeses except processed cheese. Cheese from cow's milk delivered to dairies represents more than 80% of the global natural cheese production. The rest is made up on farm and home-made products, but also cheeses made from other milk (sheep, goat, and buffalo). Europe and Northern America produce more than 75% of the world cheese production.

EU and USA account for 68% of the world cheese production in 2014 and the production of cheese is expected to show dynamic growth until 2023 where the production will amount to 17.4 million MT. However, the relative share of the world cheese production will decrease to 66% in 2023 due to relatively higher growth all other regions of the world except other Europe.

World cheese production 2000-2023

1,000 MT	2000	2014	2014/2000	2023 (prognosis)	2023/2014
EU-28	7,694	9,412	22,3%	10,976	16.6%
Other Europe	278	315	13.3%	344	9.2%
CIS	454	939	106.8%	1,226	30.5%
North America	4,562	5,910	29.5%	7,290	23.3%
Oceania	664	642	-3.4%	690	7.4%
South America	1,107	1,747	57.8%	2,040	16.7%
Asia	458	483	5.4%	968	104.1%
Middle East + Africa	820	1,661	102.5%	2,732	64.4%
Total World	16,037	21,109	31.6%	26,446	25.2%

Source: IDF, ZMB, FAPRI, CNIEL, PM FOOD & DAIRY CONSULTING.

The world cheese production is expected to continue the positive growth trend from the last decade and the expansion from 2014 to 2023 is expected to be 25% equalizing 5.3 million MT of cheese.

5. Russian embargo

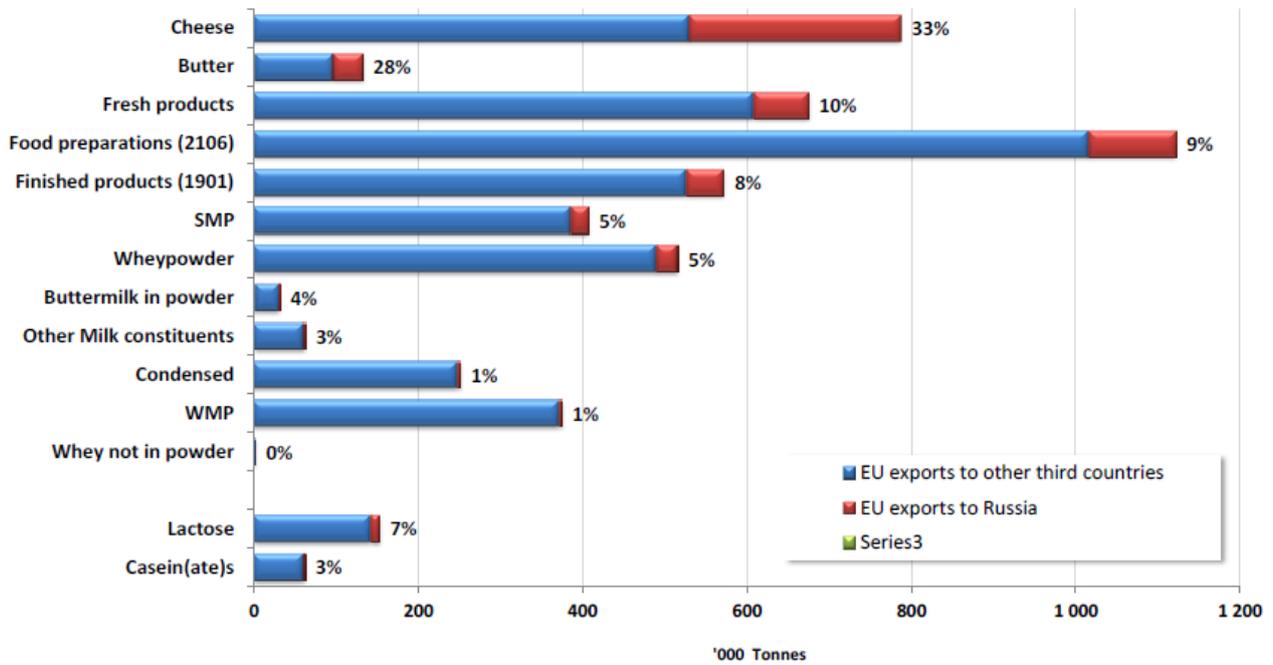
5.1. Introduction

From 1st August 2014, Russia imposed an embargo on foreign cheese was imposed against the United States, EU, Canada, Australia, and Norway. It was caused by the conflict in Ukraine where Russia during 2014 annexed Crimea and as response the western countries introduced a wide range of sanctions on the Russian leaders and economy. Russia's response was the embargo on dairy products including cheese for one year. However, the conflict has not been solved and the embargo has been prolonged without deadline.

5.2. Consequences for the export.

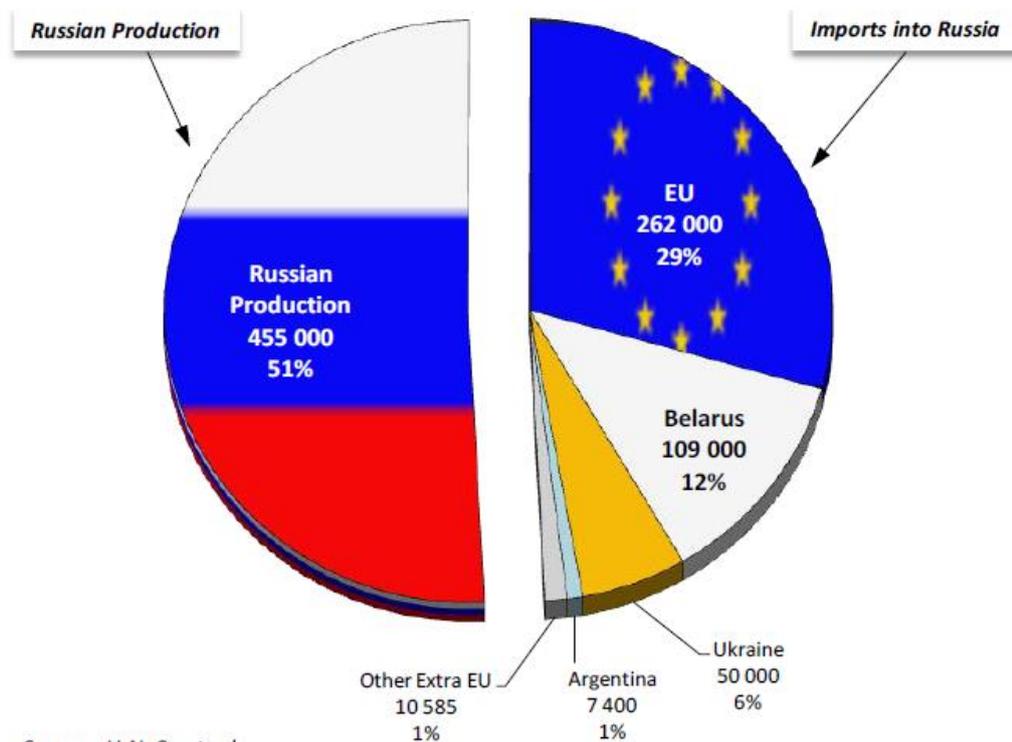
Until 2014, Russia was the world's largest importer of cheese and also substantial amounts of other dairy products and EU and Ukraine was the largest exporters hit by the embargo.

EU exports of Dairy products to Russia compared to total EU exports of Dairy products (year 2013)



EU's export to Russia in 2013 equalized 1.5% of the total milk production but it was a much higher share in Finland and the Baltic States. The export of cheese to Russia amounted to 1/3 of EU total export.

Supply of cheese to Russia 2013 (MT)



Ukraine was also hit severely and from 2015 the country has lost a cheese export of 50,000 MT to Russia. The country now suffers from declining milk production (-5% in 2015) and extremely low milk prices. In 2015, Ukraine lost the position among the top 20 cheese exporters in the world.

8. Cheese as ingredient

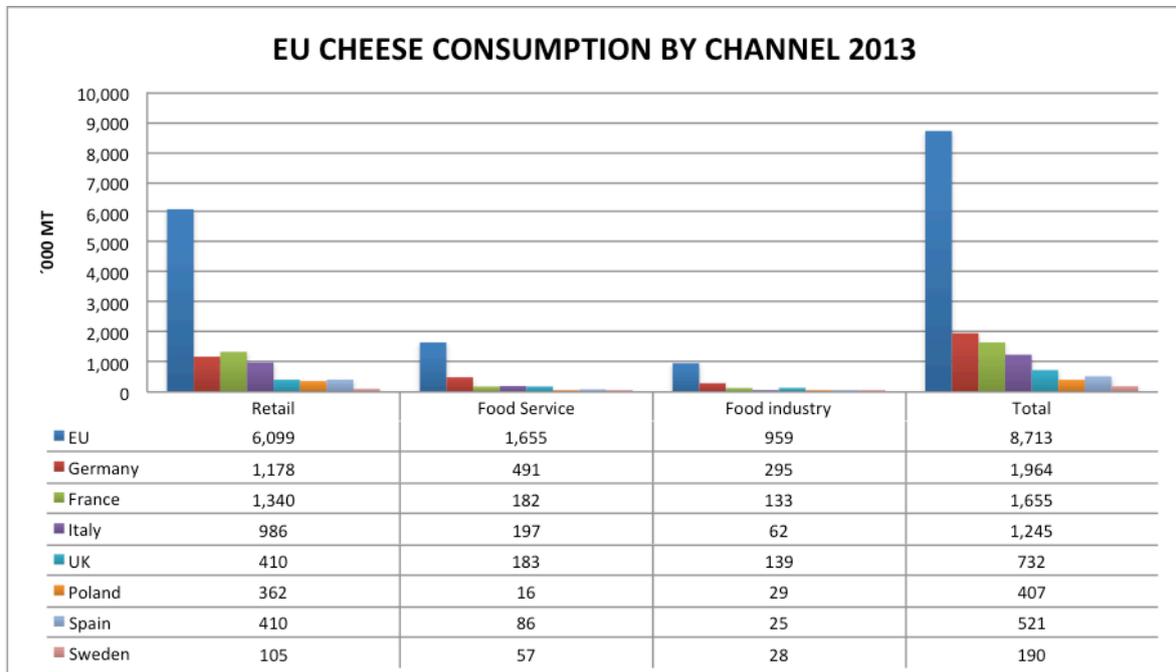
8.1. Introduction

The amount of cheese utilized as ingredient in food service and food industry is expanding rapidly in all regions of the world. The spread of western life-style with increasing demand for burgers, pizza and other Italian food has boosted the demand for cheese. In this chapter the development in North America, EU and other regions analyzed.

8.2. EU

The ingredient segment is the most dynamic element of the EU cheese market with an annual growth rate of 4.0% between 2001 and 2014, a period when retail cheese sales grew at an annual rate of only 0.8%. For the period 2008-2013 it is forecasted that the ingredient cheese segment

will increase at an average annual growth rate of 1.9% compared with a 0,45 % increase in the retail market for cheese.



The EU market for ingredient cheese is estimated to have totaled 1.412 million MT in 2009 and it is expected to increase by more than 9% to 1.8 million MT.

Country analysis extract

Finland



1. General information

Finland was a province and then a grand duchy under Sweden from the 12th to the 19th centuries, and an autonomous grand duchy of Russia after 1809. It won its complete independence in 1917. During World War II, it was able to successfully defend its freedom and resist invasions by the Soviet Union - albeit with some loss of territory. In the subsequent half century, the Finns made a remarkable transformation from a farm/forest economy to a diversified modern industrial economy; per capita income is now among the highest in Western Europe. A member of the European Union since 1995, Finland was the only Nordic state to join the euro system at its initiation in January 1999. In the 21st century, the key features of Finland's modern welfare state are a high standard of education, equality promotion, and national social security system - currently challenged by an aging population and the fluctuations of an export-driven economy.

Key indicators for Finland

Subject	Information	World ranking
Area	338,145 km ²	65
Population	5.3 million	116
Population growth rate	0.06%	178
Capitol	Helsinki	
Arable land	6,54%	
Religion	Lutheran 82%	
Urbanization	85%	
GDP	\$221 billion	62
GDP growth rate	-0.1% (2014) -1.3%(2013)	
GDP per capita	\$40,300	38

Source: Economist, CIA, OECD, PM FOOD

Finland has a highly industrialized, largely free-market economy with per capita output almost as high as that of Austria, Belgium, the Netherlands, or Sweden. Trade is important, with exports accounting for over one-third of GDP in recent years. Finland is historically competitive in manufacturing - principally the wood, metals, engineering, telecommunications, and electronics industries. Finland excels in export of technology for mobile phones as well as promotion of startups in the ICT, gaming, clean-tech, and biotechnology sectors. Except for timber and several minerals, Finland depends on imports of raw materials, energy, and some components for manufactured goods. Because of the climate, agricultural development is limited to maintaining self-sufficiency in basic products. Forestry, an important export earner, provides a secondary occupation for the rural population.

Finland had been one of the best performing economies within the EU before 2009 and its banks and financial markets avoided the worst of global financial crisis. However, the world slowdown hit exports and domestic demand hard in that year, with Finland experiencing one of the deepest contractions in the euro zone. A recovery of exports, domestic trade, and household consumption stimulated economic growth in 2010-12.

However, continued recession within the EU dampened the economy in 2012-14. The recession affected general government finances and the debt ratio, turning previously strong budget surpluses into deficits, losing its coveted triple-A credit rating, and on pace to breach EU debt limits in 2015. Finland's main challenge will be to stimulate growth while faced with weak export demand in the EU and its own government austerity measures. Longer-term, Finland must address a rapidly aging population and decreasing productivity in traditional industries that threaten competitiveness, fiscal sustainability, and economic growth. The depreciating ruble will retard exports to Russia.

2. The dairy sector in general

Finland is a highly developed dairy country with a long tradition for processing dairy products of high quality.

The Finish dairy sector has close ties to the Baltic countries and Russia and the dairy industry is engaged in production here. The European orientation has increased since the membership of EU in 1995 and especially the cheese and butter export has grown.

In 2014, the milk deliveries increased by 68,000 MT (+3%) compared with 2013 and the production of organic milk grew by 14.5% representing 2.1% of the total milk production.

In general, the milk production has decreased by 5% from 2000 to 2014 and the milk production began first to improve in 2013 and this has continued in 2014 and 2015 although with small annually growth rates. From 2014 to 2023, the milk production is expected to increase by 160,000 MT (+9%).

Key figures for the Finish dairy sector 2000-2023

Milk Production	2000	2005	2010	2012	2013	2014	2015	2020	2023
Dairy cattle (1,000)	361	316	284	280	283	285	287	290	300
Milk production (1,000 MT)	2,524	2,433	2,336	2,320	2,328	2,400	2,480	2,510	2,620
Deliveries to dairies (1,000 MT)	2,442	2,362	2,289	2,254	2,287	2,355	2,430	2,480	2,570
Production of dairy products (1,000 MT)									
Liquid milk	740	734	731	736	735	728	725	730	735
Fermented products	207	203	205	215	227	212	220	230	245
Cream	39	39	49	64	44	44	28	30	33
Butter	62	57	47	51	44	49	57	60	62
SMP	24	21	17	20	24	30	40	45	40
WMP	2	2	4	4	4	5	12		9
WP	89	36	40	45	34	33	35	38	40

Source: IDF, PZ Netherlands, PM FOOD & DAIRY CONSULTING

The Finish dairy sector was also hit by the GFC with declining prices and returns from the market in 2008 to 2010. In 2009, the government reduced the value added tax on food from 17% to 12% in

an attempt to stimulate the consumption. This has been the case for butter, cheese and yoghurt but the liquid milk consumption has remained stable.

The Russian embargo has impacted the Finish dairy sector severely and the production of dairy products has changed significantly away from cheese (-15%) to butter (16%), SMP (+33%) and WMP production is expected to more than double in 2015.

3. Cheese production

The Finish dairy industry is on a very high technological level both in processing and packaging and together with the dairy research and development it creates a perfect platform for developing and marketing of excellent cheeses.

The traditional Finish cheeses are:

Juustoleipa

This cheese is considered as the specialty of Finland and Lapland. It is a round cheese of various sizes made from cow's or reindeer's milk. The production of this cheese is following: The curds are drained and pressed into a flat, wooden platter with a rim. Then it is placed in front of the fire until the outer layer is "toasted". Then the cheese looks like bread and that's why it got its name which means "cheese bread". It is creamy and smooth under a crusty surface. The period of ripening is only a few days. Juustoleipa is usually served as a dessert with cream and cloudberry jam.

Lappi

Lappi is a semi-soft, semi-sweet cheese that slices easily and is excellent for melting. It comes from Finland's Lapland region.

Turunmaa

Traditional, creamery, semi-hard cheese made from cow's milk and it's name is according to the town of Turku on the southern coast of Finland. It is a rindless cheese of drum-shape with pale yellow color. It is a breakfast cheese that was probably introduced in the 16th century. The cheese is smooth and creamy, with a richness and depth of flavor that owes much to the excellent grazing. The texture is firm and open and the flavor is aromatic, with a slightly sharp tang on the finish. Turunmaa is matured for two months or more and has a fat content of 50 per cent. Similar cheeses are Korsholm, Danish Cream Havarti. Like Cream Havarti, it is both a table cheese and a breakfast cheese.

Besides the traditional cheeses all different kind of cheeses are processed in Finland like Emmental, Edam, Gouda, Havarti, processed cheese, blue and white cheeses. All together there are processed more than 50 different types of cheese in Finland.

Cheese production in Finland 2000-2023

1,000 MT	2000	2005	2010	2012	2013	2014	2015	2020	2023
Total	98	97	109	102	102	99	84	95	100

Source: IDF, PZ Netherlands, PM FOOD & DAIRY CONSULTING

The cheese production utilizes more than 30% of the milk processed in Finland to a wide range of cheeses. The main types are Emmental with famous brand Finlandia and Edam and represent 1/3 of the cheese production.

Other ripened cheese and open texture cheese that includes the traditional Finish cheese accounts for 40% and processed cheese for nearly 20%.

The cheese production in Finland has been severely impacted by the Russian import ban on dairy products since August 2014 and this impacted the cheese production immediately. In 2015, the cheese production is expected to decrease with 15% reaching an all-time low of 84,000 MT.

From 2014 to 2023, the cheese production is expected remain unchanged at around 100,000 MT but this is depend on that the Russian embargo is lifted at the end of the decade.

4. Export and import