

MSU Product Center

For Agriculture and Natural Resources

Funding: USDA Rural Development Cooperative Service Market Advisor: The Hale Group

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Dairy – Cheese - Overview

Products included in the product line

- Cheese includes all the forms and varieties of the product. This includes natural and processed cheese, cream cheese, shredded cheese products. Etc.

General market trends and information

- Retail sales of cheese products were \$11 billion in the U.S. in 2003, total sales including all outlets was \$22.8 billion which represents an increase of more than 2.5 percent from 2002. Food service accounted for \$6.6 billion in sales, and mass merchandisers such as Wal-Mart accounted for \$2.8 billion.
- Virtually all households consume cheese products. It has been estimated that 98 percent of households consume cheese. There is growth in the consumption of natural cheese products; sales of processed cheese products are flat.

New product trends

- From 2000 through 2002 there were 884 product introductions in the cheese industry, ranging from a low of 260 in 2002 to a high of 343 in 2002.
- Examples of new product introductions include gourmet cheeses, convenient packaging, organic and goat cheeses.
- Products that focus on wellness and convenience have seen the most introductions.

Manufacturing and distribution issues

- The market structure for cheese is favorable for firms interested in the industry. Private label brands account for one third of all retail cheese sales. However, some markets such as some processed cheeses and cream cheese are dominated by a few large firms. One potential for entrepreneurs is to develop cheese varieties that are currently imported from other countries. The decline in the value of the U.S. dollar creates some opportunities to compete on price.
- One barrier for potential entrepreneurs in the cheese industry is the level of regulation in the dairy sector. Fluid milk is regulated by Federal Milk Marketing Orders that affect all dairy products. These orders establish minimum prices for fluid milk and perishable processed products. Farmers receive a “blend” price which is a weighted average of all dairy commodity prices (milk, butter, cheese, etc.). The second aspect of the federal orders is that receipts are pooled among producers and processors to insure that all farmers receive the blend price. As a result, it is very difficult to compete on the basis of price.

Overall assessment of opportunities

- In conclusion, the greatest potential for new product developments in cheese products are those products that appeal to the demand drivers of ethnicity, indulgence and wellness. There is also some potential in developing products that appeal to the demand driver of value and convenience.

Sources

Mintel. The Cheese Market.

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