

Snack Cheese Attacks

Consumers have always loved cheese, but a recent study concluded they are snacking on cheese more often as a good source of protein. The love affair with cheese goes back to the dawn of civilization, according to a recent archeological find. A few years ago,



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archeologists found broken jars filled with a white substance buried in an Egyptian tomb. A recent article in the journal *Analytical Chemistry* indicated the material was tested and determined to be 3,200-year-old cheese.

While people have adored cheese and perfected cheese making for centuries, when a study in the 1960s linked saturated fats, like dairy fat, to heart disease, cheese was relegated to a favorite indulgence, or treat, because the fat in the product outweighed the benefits of the accompanying protein. Five-decades later in 2014, scientists reviewed the original study and found it flawed. Consuming saturated fats in moderation may not increase the risk of coronary heart disease; in fact, a recent study from the

European Society of Cardiology found that consumption of cheese was linked to an 8% lower risk of death. While the health aspects of dairy fat continue to be debated by the medical community, consumers seem to be casting their vote in favor of cheese.

Today's consumers are more focused on the protein content of cheese than the fat and are shifting their attitude toward cheese from it once being an indulgent treat to now being a healthy snack. The shift seems to be the driver behind higher consumption. In addition, cheese companies are developing innovative snack-sized cheese products that are improving customers' experience with

freshness and single-serve offerings. The perception of cheese as a healthy snack combined with innovation could drive U.S. cheese consumption from 12 billion pounds in 2017 to 13 billion pounds by 2022, a 1.5% average annual growth rate, according to a study by *Packaged Facts*.

Consistent with the trend over the past few years,

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Ken's Corner



*by Ken Meyers
President, MCT Dairies Inc.*

For decades, the dairy industry was criticized for lack of innovation. Cheese was basically seen as a commodity. That has changed. New cheese products are being introduced regularly and product packaging has

become more attractive as well as more informational in terms of the nutritional benefits cheese offers.

While the dairy case is filled with new cheese products, we can't overlook one of the largest drivers behind growing cheese consumption—pizza, a go-to meal for college students and families looking for a cost-effective, no-prep meal. In 2017, the U.S. pizza market was valued at just over \$50 billion, and it is projected to grow 12% over the next five years.

With 75,243 pizzerias in the United States, consumers can get their cheese fix any day of the week. According to *Pizza Today*, a 14-inch pizza typically has just over 8 oz. of cheese. With more than 11.5 million pizzas sold each day in the United States, pizza alone could account for nearly 2.1 billion pounds, or 17.5%, of annual cheese consumption.

Innovation—coupled with consumers growing love of pizza, the ongoing protein craze, and a renewed fondness for dairy fat—is nothing but good news for the U.S. cheese industry. **MCT**

Good News Lifts Markets

In late August, U.S. dairy markets received a boost from news that the United States and Mexico agreed to terms for the North American Free Trade Agreement

(NAFTA), with prospects that Canada could be brought into the fold as early as next week. USDA also announced it allocated \$84.9 million to procure dairy products to help producers adversely affected by retaliatory tariffs from China and Mexico. The news lifted futures forecasts for cheese and butter. Nonfat dry milk could climb into the 90-cent range this fall on less milk from California and prospects of smaller milk supplies in Europe due to hot, dry weather that has scorched feed supplies and pastures there. **MCT**

MCT Forecast

	Block*	Barrel*	Class III	Butter*	Class IV	Whey**	NFDM**
Aug	1.6275	1.5775	15.00	2.3100	14.57	0.3750	0.8125
Sep	1.7225	1.6725	16.54	2.3100	14.81	0.4225	0.8425
Oct	1.7075	1.6675	17.03	2.3900	15.36	0.4325	0.8825
Nov	1.7475	1.6350	17.18	2.4400	15.84	0.4350	0.9000
Dec	1.6850	1.5225	16.75	2.2525	15.33	0.4225	0.8975
Jan	1.5700	1.4500	15.85	2.1350	14.49	0.4225	0.8700

* CME prices.

**NASS prices.

...natural cheese gains favor with consumers

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more U.S. milk moved to cheese processing than any other category in 2017. Higher rates of consumption, both domestically and abroad, have been driving investment in cheese production. Last year, 26% of milk solids were used to make cheese compared to only 20% for fluid milk, the second largest use classification. When combined with its co-product whey, use accounted for 47% of total milk solids produced in the United States last year, according to the American Dairy Products Institute. Mozzarella was 33% of total cheese production, followed by Cheddar at 29%. Since 2014, production in all categories of cheese has increased steadily; although, Cheddar production jumped 8.4% last year vs. 2016, which could reflect new plant capacity added at the beginning of 2017. Wisconsin and California produce nearly half the nation's cheese, while the other 48 states combined produce 53%.

Over the last two decades, consumers have demonstrated a preference for natural vs. processed cheese. The compound annual growth

rate (CAGR) between 1997 and 2016 for total per capita consumption of natural cheese was 1.5%, whereas consumption of total processed cheese fell 0.7% over the same period. Blue cheese experienced the largest growth per capita, expanding 8.2%, followed by Hispanic cheeses with a 6% CAGR. The CAGR for both Mozzarella and the hard Italian category was 1.9%. Consumption growth per capita of Cheddar was modest at 0.5%, compared with other than Cheddar styles, which increased 2.9%. Overall, the consumption data suggests that people are experimenting with different varieties of cheese, but clearly most are reaching for natural cheeses compared to processed slices, spreads, and foods.

Whether convenience or protein is driving consumers to snack more often, they are looking to cheese to satisfy their cravings—and their product options have multiplied. Today's snack packs combine cheese with meats, crackers, nuts, and chocolate. Additional product innovation and a focus on protein could have consumers reaching for even more cheese in the future. And, why not? Cheese has been satisfying humans for thousands of years. **MCT**



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