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(Above) Wegman's puts out a quarterly publication called "Menu: help make great meals easy." Cheese is highly featured in this publication which reaches more than 900,000 households. Farmland Dairies also participated in the "Emerging Markets" open discussion Thursday afternoon at the PA Dairy Summit. They brought samples of Skim Plus, a fortified non-fat milk product that fits with the Northeast trend toward lower whole milk sales and higher reduced and non-fat milk sales relative to the U.S. (Right) Dr. John Stanton, Department of Food Marketing, St. Joseph's University, stressed the importance of communication between segments of the dairy industry from producer to consumer. He also urged dairymen to "get involved in how their milk is marketed."



In a changing milk marketing landscape: 'Keep lines of communication open'

By SHERRY BUNTING
Special for Farmshine

LANCASTER, Pa.—From the opening keynote speaker, on "Emerging Trends in the Dairy Industry" to the second day's open discussion on "Emerging Dairy Markets in the Northeast," the 2009 Pennsylvania Dairy Summit lived up to Summit chairwoman Dina Zug's opening description as an "opportunity to come together to gain insight and share ideas."

In addition to describing current consumer trends in the food industry, keynote speaker Dr. John Stanton, a respected food marketing expert and professor at St. Joseph's University, Philadelphia, told the 500 Summit attendees to get more involved in how their milk is marketed. He stressed the importance of communication between sectors in the dairy industry.

The two-day Summit last week at the Lancaster Host Conference Center, February 11 and 12, was more than informative to producers, it also provided a platform for producers, processors and retailers to learn from each other.

Invited speakers not only shared with attending producers, they also learned from them. Ken Cassara, Wegman's vice president of dairy and frozen foods, along with Joe Cervantes, Farmland Dairies vice president of business development, said they appreciated the opportunity to not only participate in Thursday's open discussion on emerging dairy markets in the Northeast, but also gained a new appreciation for dairy farmers by attending the previous day's general sessions and breakouts.

"We need to focus on driving demand. Your future is to find ways to get people to drink more milk and to get together with anyone, any sector of the market, who says drink milk and eat cheese," said Stanton in the Wednesday morning kickoff. "Consumers today are 'trading down' in this economy. They are traveling less, driving less, cutting back on food purchases, and they are going to traditional grocery stores less."

He explained that while supermarkets are trying to "figure out ways to stay afloat," the dollar stores, warehouse markets and convenience stores are sectors that are "holding their own."

Emerging trends, said Stanton are that "consumers have less to spend, but they are not spending less at these other types of stores. They are buying less sirloin and more chuck, less asparagus and more broccoli. The top selling appliance today is the crockpot."

But "trading down" is not all bad for the dairy industry.

"Grilled cheese and tomato soup tops the list, as does macaroni and cheese, as comfort food in trying times," Stanton explained. "Consumers have lost their security. They are relying on some of those wonderful foods to bring back a sense of relief."

The sectors of the economy that are merchandising milk today have changed. Stanton highlighted 2007 data showing the erosion in supermarket sales has come not just because of the increased market share of big box stores, like Walmart, but also the fact that "Today we have everyone selling food," said Stanton. "Did you know Home Depot sells milk?"



New York dairyman George Mueller (center) and his wife Mary Lue talk about the dairy industry with Wegman's vice president of dairy and frozen foods Ken Cassara. Mueller had a farm showcase presentation on Thursday at the PA Dairy Summit and also led a breakout session on Wednesday about "Passing on the Dairy Legacy." Cassara also attended both days of the Summit and participated in an open discussion Thursday on "Emerging Dairy Markets in the Northeast." Mueller notes that a majority of his dairy's milk ends up at Wegman's, a Rochester, NY-based retailer with 72 stores in five states, including Pennsylvania.

Innovative new marketing channels are also emerging. Stanton described a daycare center where one of the features is that moms can order prepared dinners and a variety of grocery items for pickup when they return at the end of the workday to gather their children.

"There are whole new formats that are taking place that never even existed before," he said. "We have to make milk a part of the consumer trend toward buying partially prepared or ready-to-assemble meals. Consumers are not shopping for the next week's groceries. They are shopping for the next meal's groceries. We have to have dairy products that are consistent with how consumers want to eat."

The question for the dairy industry, said Stanton, is: "For each of these new food merchandising formats, how should we provide our milk to that format? What can we do to meet the needs of the people who want our product?"

Some of the answers, said Stanton, lie in packaging (i.e. chubs vs. cartons) and presentation (i.e. pre-shredded cheese vs. block).

He also said food safety and interest in where food is coming from are foremost in consumers' minds. "This creates opportunity for the dairy industry," said Stanton. "Consumers believe their neighbors are more trustworthy than people they don't know."

Stanton was quick to point out that the "local foods" trend should not be confused with "organic." He said "organic is waning. It's a niche market, but there is something wrong when we interpret a niche market as a trend. There's a difference."

Stanton noted, in fact, that among processed foods labeled "organic" on grocery store shelves, "a high percentage of those processed organic foods are not local, they are coming from China. So the consumer pays all of those extra dollars for food that isn't even local."

"Organic foods represent 1% of total grocery sales. For dairy, organic is 3% of sales," said Stanton.

He also interjected that of all the hundreds of consumer interviews he does each year he

has "never heard one consumer ever discuss so-called 'rbST-free' milk."

When consumers can visualize the tie between producers and their families and the product in the marketplace, "that's what they love," said Stanton. "We need to take advantage of that. In dairy, we have been so focused on reducing costs that our product is losing its identity with who and what we are."

Stanton urged producers to get involved in marketing that makes the dairy section more interesting, that ties faces and farms to the dairy products, and puts milk within arm's reach for consumers.

"In the stores, where do you find Coca Cola and Pepsi products? 22 different places. They are all over the store," he said. "Where is milk? In the dairy section."

Stanton also pointed to health as an area where dairy can shine. "The number of diabetics today has grown tremendously," he said. Speaking from experience, he explained that "One of the things diabetics have to do is to pay attention to matching protein and carbohydrates. I'm a diabetic. I can't eat a big breakfast. Milk works."

Probiotics are another "good, healthy food" area where dairy can have a strong foothold. "People are willing to pay for it," he said.

How Wegman's has "taken the ordinary to extraordinary," was the subject presented Thursday afternoon by Ken Cassara, vice president of dairy and frozen foods.

Through slides and video, Cassara communicated with producers how Wegman's has distinguished itself as a different kind of grocery store, capitalizing on the variety of consumer trends Dr. Stanton had discussed the day before.

Wegman's employs 37,000 people at 72 locations in five states.

In his 30-plus years with Wegman's, Cassara has seen competition in the food retail sector change dramatically. "Competition has greatly expanded because everyone on every street corner is competing for a share of the consumer's food dollar," he said. "There are numerous formats out there. What we have focused on,

and why people drive to shop at a Wegman's, is based on the simple idea that it is essential to treat employees and customers right."

Cheese is a focal point of the Wegman's experience, as is partially cooked or ready-to-assemble meals, tips from the chef, and knowledgeable personnel. In short, Wegman's prides itself on providing a unique, energizing shopping experience that strives to "help people get their meal on the table."

A core value goes back to Robert Wegman's "I am a merchant" speech, where he said: "I am a merchant. I do something no one else is doing and offer choices our customers do not have at the moment."

Viewing emerging markets in the Northeast from the processing side, Joe Cervantes, Farmland Dairies vice president of business development, also highlighted the simple core value of focusing on people and employees.

Farmland Dairies distributes fluid beverage milk across the entire U.S., with its core business along the eastern seaboard.

He noted that while consumption of fluid whole milk is down in the Northeast, consumption of low- and non-fat milk beverages has grown in the Northeast, relative to the U.S.

According to Cervantes, consumers are looking for value-added. "Progressive processors and retailers are expanding opportunities for milk in the Northeast," he said. "What has kept us in the 'dairy aisle' is the encumbrance of refrigeration."

Breaking those bonds, for example, Farmland is a leader in aseptic packaging for extended shelf-life, positioning milk in the vending and meal-on-the-go market.

"One of the challenges for increasing consumption of fluid milk is the proliferation of competition from non-dairy beverages," said Cervantes. "We have new carbonated beverages, waters, flavored waters, enhanced waters, so many choices."

He talked about the partnerships with Dairy Marketing Inc and the great programs for boosting fluid milk demand. And, after considerable open discussion with Summit attendees on Farmland's so-called 'rbST-free' milk status, Cervantes shared his appreciation for the opportunity to collaborate with producers at the Dairy Summit.

Both Cervantes and Cassara told producers to partner with suppliers and "keep the lines of communication open."

PDMP president Rod Hissong asked: "How do we do that? How do we get those one-on-one contacts and get past the disconnect?"

"It's really what you are doing right here at your Dairy Summit for the past two days," said Cassara. "We have a better understanding now of what you are going through."

Added Cervantes: "This opportunity to attend your Summit has been excellent for us to get that one-to-one, to share a common goal."

PA Dairy Stakeholders facilitator Alan Bair noted that both Cervantes and Cassara "spent the last two days listening here at the Dairy Summit, and they have donated their speaker fees to our ongoing producer education efforts. Let's take the information we've learned from them and move forward in our industry."