January 2022

JUST SAY CHEESE!

A Study of the European Cheese Market

The Strategy Boutique

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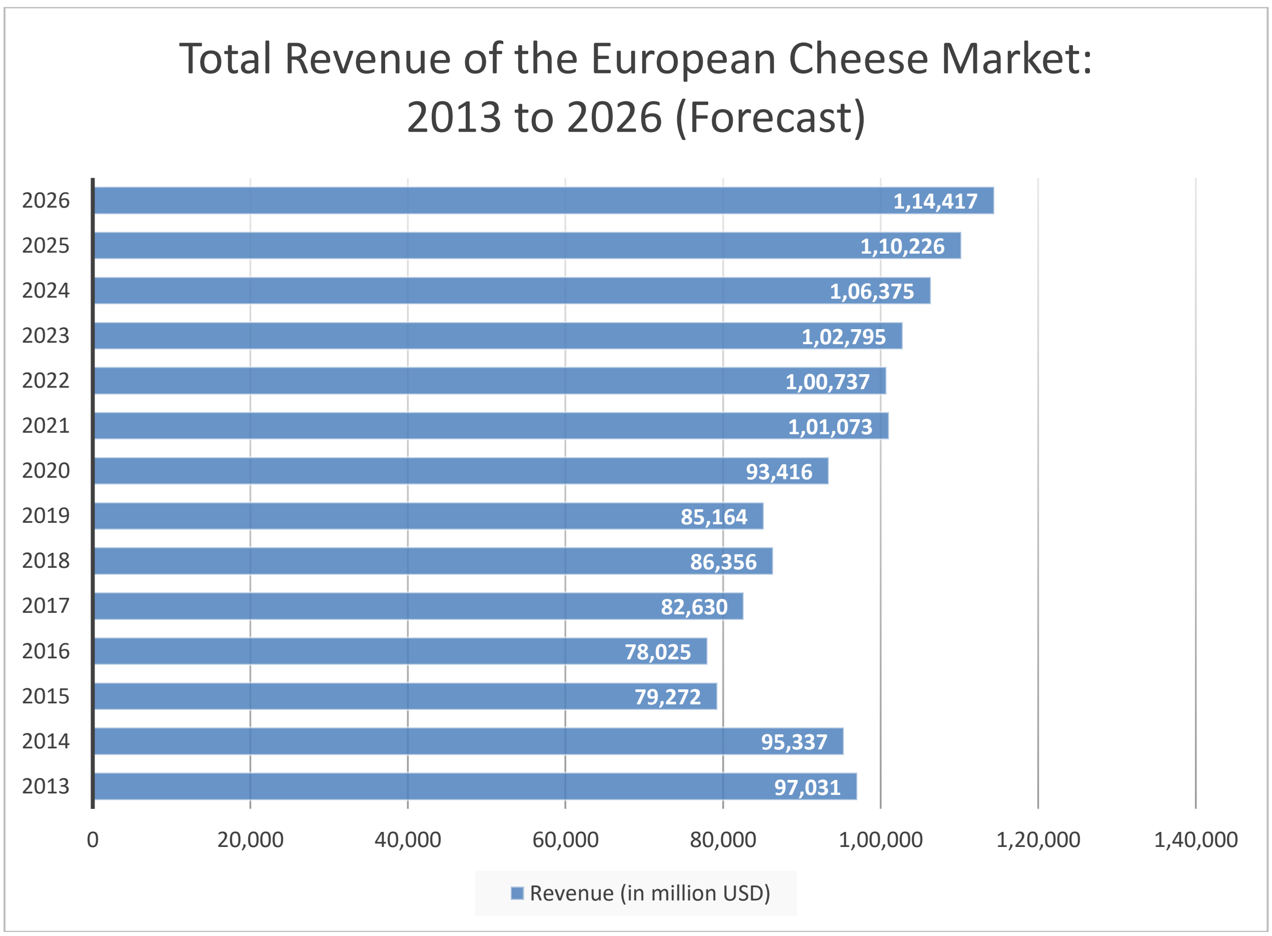
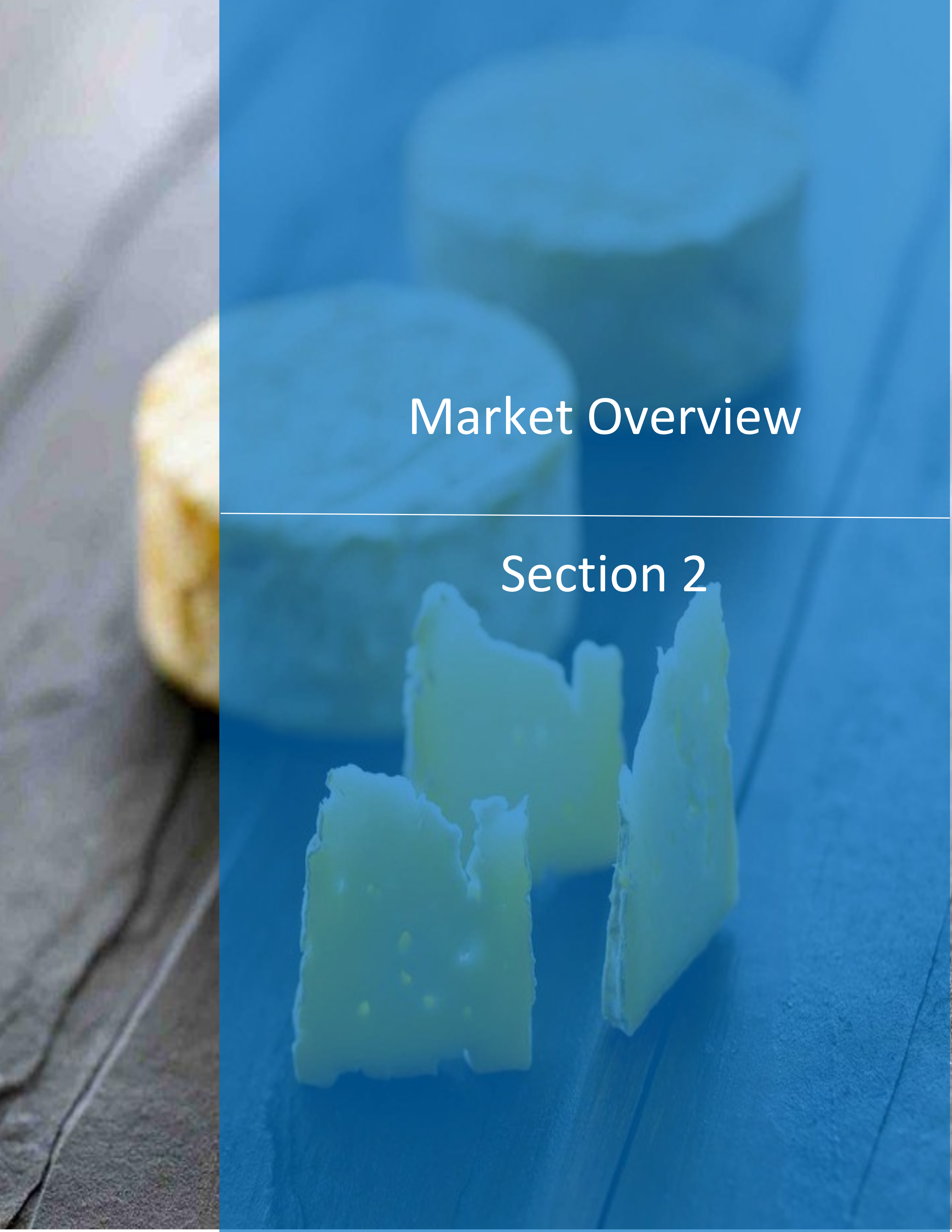
1 Introduction

Cheese plays a pivotal role in the local cuisines of numerous European countries. This represents one of the primary factors propelling the growth of the cheese market in the region.
Europe Cheese Market was worth USD 29.72 billion in 2021 and is estimated to be growing at a CAGR of 4.65% to reach USD 37.3 billion by 2026. Every year, approximately nine million tons of cheese are consumed in the European Union.
On average, a resident of the European Union eats around 15 kilos of cheese, and that figure is only expected to increase. According to figures for projected cheese consumption per capita in the EU, by 2025 Europeans will eat some 16 kilos of cheese. There are marked differences in consumption between countries.

Altogether, the findings and analysis from this report help conclude that the European Cheese Market is flourishing and will be a prime producer across the world, for many more years to come. Further, the cheese market in Europe is expected to bring in innovative solutions in all aspects of cheese production, use and distribution in the long run. The European cheese market is showing evident potential and continues to gain momentum with rapid development in the food industry.



Source: Statista

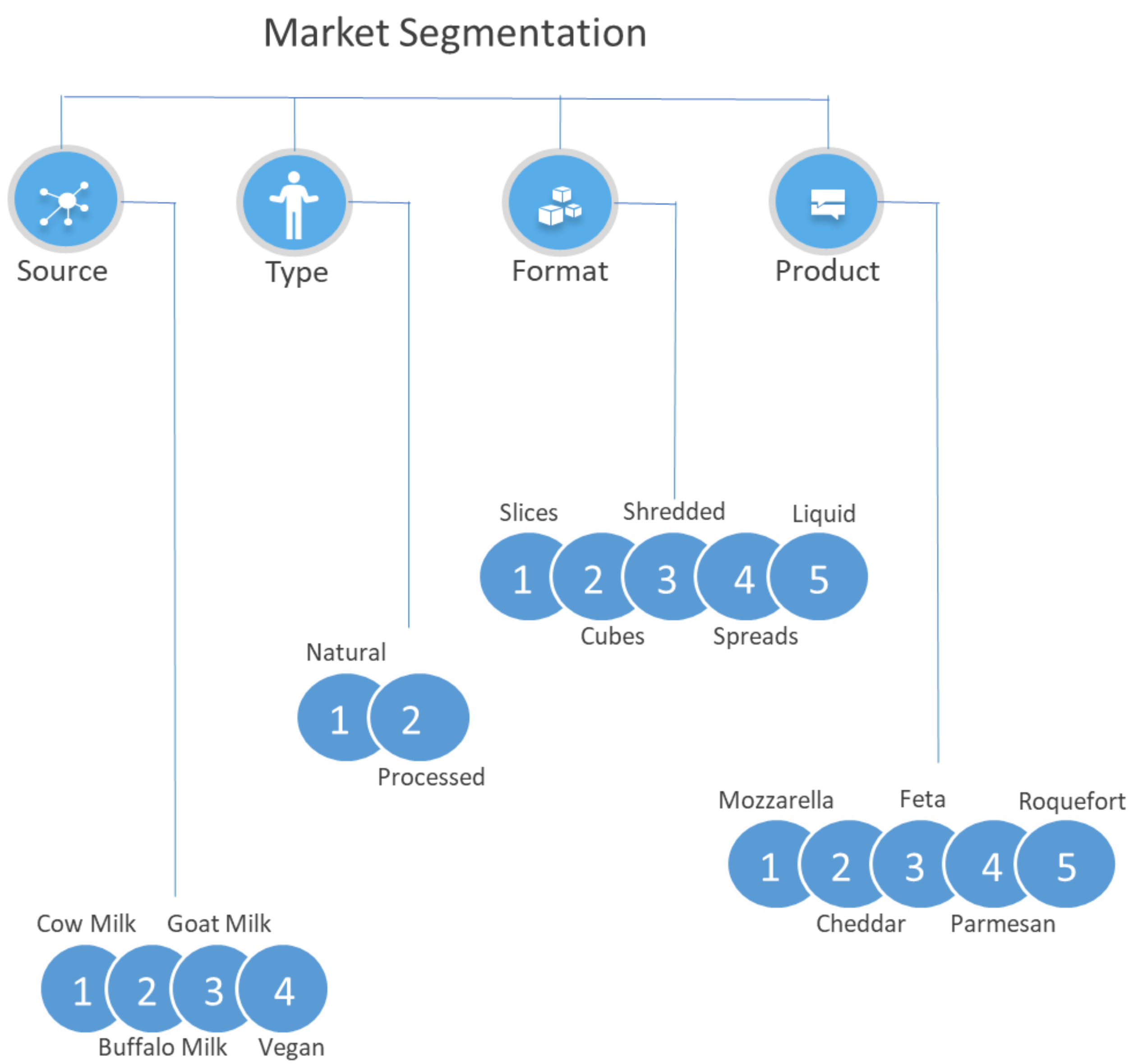


Market Overview

Section 2

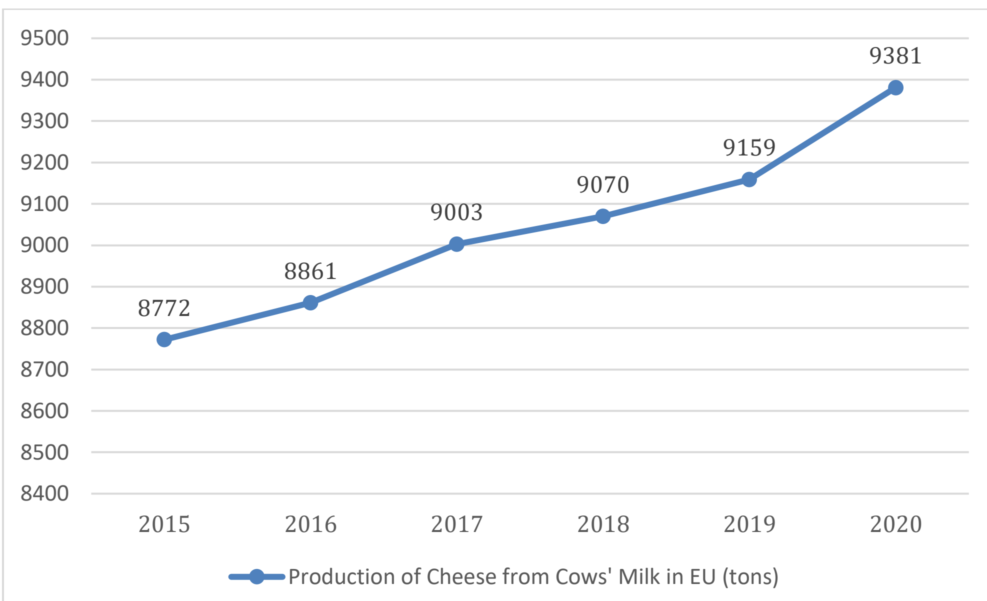
2 Market Overview

2.1 Market Segmentation



Breakup by Source:

- **Cow Milk-** Cow's milk has a mild, neutral flavour and a more cohesive protein structure that makes it popular for cheesemaking. Cow's milk contains larger fat molecules, making it harder to digest than goat's cheese and giving it a heavier mouthfeel. Cheese made from cow milk is dense and firm. In terms of availability, cow's milk is affordable and mass-produced.
- **Buffalo Milk-** Owing to the differences in chemical composition of cow and buffalo milk, cheese manufacturing from buffalo milk results in high buffering capacity, faster renneting time and lower casein hydration and leads to hard, rubbery, and dry body in several varieties of cheese, which restricts its use as raw material. Buffalo milk has a higher fat, protein, lactose, vitamin, and mineral content than cow's milk.
- **Goat Milk-** Goat cheese tends to be softer and tangier than cow's milk cheese. Nutritionally, goat milk is slightly higher in fat and minerals and contains less lactose, vitamin D, and riboflavin than cow milk. Because cheese made from goat's milk contains smaller fat molecules and less lactose than cow's milk, it may be suitable for people with lactose intolerance.
- **Others (Vegan)-** Vegan cheeses are typically lower in fat, protein and calcium than regular cheese and are likely gluten-free. Because vegan cheese is a processed food, it tends to be higher in sodium. The vegan cheese market has exploded in the last few years. There is now a multitude of varieties. Soy. Coconut, flour, nuts and seeds are a few sources for the same

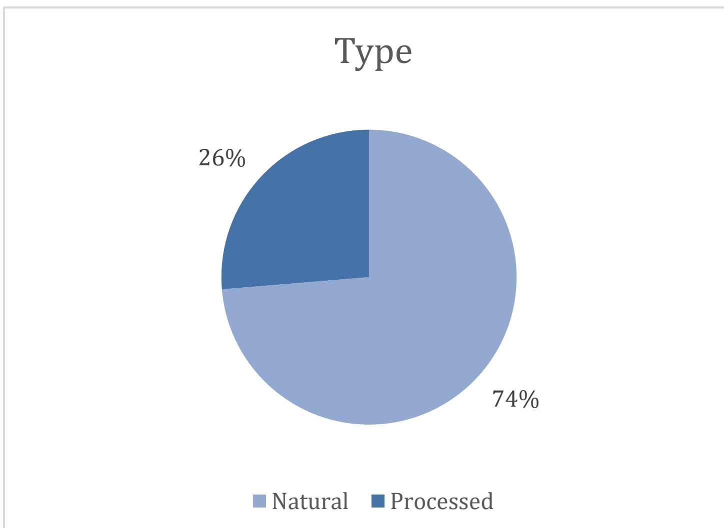


By source, the **cow milk segment accounted for the highest revenue, in 2020**. This is attributed to the presence of protein and fat in the milk which gives flavour and texture to the cheese. Furthermore, before the cheese making process starts, the cow's milk is pasteurized by heating the milk to a precise temperature and then rapidly cooling it. Heating milk kills the harmful bacteria present in the milk.

Breakup by Type:

- **Natural-** Natural cheese on the other hand is the purest form of processed milk and may not be harmful for the body as it does not contain any chemical or preservative to keep it fresh. Natural cheese is made of products using only simple and natural ingredients including fresh high-quality milk, salt, enzymes and natural colours. The major differences between processed and natural cheese are that natural cheeses have the whey (watery part of the milk) pressed out of them, while processed cheese does not.

- **Processed-** Generally, to make processed cheese, a portion of natural cheese is melted, emulsified and held together with preservatives, artificial ingredients and double the amount of salt used than that of natural cheese. It is then poured and reformed in to various other forms of cheese products. Processed cheese has a longer shelf than natural cheese, majorly because the latter has a large amount of salt and preservatives to keep it fresh.



Breakup by Product:

- **Mozzarella**- Mozzarella is a soft, white cheese with high moisture content. It originated in Italy and is usually made from Italian buffalo or cow's milk. Mozzarella is lower in sodium and calories than most other cheeses. Mozzarella tastes delicious in Caprese salad (made with fresh tomatoes, basil, and balsamic vinegar) and can also be added to many recipes.

- **Cheddar**- Cheddar is a widely popular semi-hard cheese from England. Made from cow's milk that has been matured for several months, it can be white, off-white, or yellow. The taste of cheddar depends on the variety, ranging from mild to extra sharp. In addition to being rich in protein and calcium, cheddar is a good source of vitamin K especially vitamin K2. Eating cheddar is one way to increase your vitamin K2 intake. You can add it to charcuterie plates, vegetable dishes, burgers, and eggs.

- **Feta**-Feta is a soft, salty, white cheese originally from Greece. It's typically made from sheep's or goat's milk. Sheep's milk gives feta a tangy and sharp taste, while goat's feta is milder. Since feta is packaged in brine to preserve freshness, it can be high in sodium. However, it is typically lower in calories than most other cheeses. It can be used by crumbling it over salads, adding it to eggs, or whipping it into a dip to eat with fresh vegetables.
- **Parmesan**- Parmesan is a hard, aged cheese that has a gritty texture and a salty, nutty flavour. It's made from raw, unpasteurized cow's milk that's aged for at least 12 months to kill harmful bacteria and produce a complex flavour. Since Parmesan is rich in both calcium and phosphorus — nutrients that play a role in bone formation — it may promote bone health. It's aged for a long time; therefore, Parmesan is very low in lactose and can usually be tolerated by most people who have lactose intolerance. Grated Parmesan can be added to pastas and pizzas. You can also sprinkle it on eggs or spread slices on a cheese board with fruit and nuts.
- **Roquefort-** Roquefort is a sheep milk cheese from Southern France, and is one of the world's best known blue cheeses. This food is a good source of Protein, Calcium and Phosphorus. However, this food is very high in Saturated Fat and Sodium. Blue cheese tastes great on top of burgers, pizzas, and salads made with spinach, nuts, and apples or pears.

By product, **the Cheddar segment generated the highest revenue, in 2020,** owing to its harder texture, creamier and sharp taste, and longer shelf life. In addition, the price of cheddar cheese is low as compared to that of other cheese like mozzarella, which make cheddar cheese affordable. Also, cheddar cheese is available in single slices wrapped in plastic, cheese spray, cheese spread, squeeze tube, and various other packaging options, which have opened a lot of opportunities for the market growth.

Breakup by Format:

- Diced/Cubes
- Slices
- Shredded
- Blocks
- Spreads
- Liquid

Retail sales rose for shredded cheese as consumers switched to home cooking during the COVID lockdown. Pizza has been a top use, in addition to Mexican foods like tacos and burritos. According to cheese use data, 82% of surveyed consumers use cheese in a meal, making shredded cheese the ideal format.

By region, **Europe contributed the highest share in cheese market analysis 2020,** attributable to high demand in France, Finland, Denmark, Germany, and other countries. Asia-Pacific is the fastest growing region followed by LAMEA, owing to increase in cheese consumption in various emerging economies.

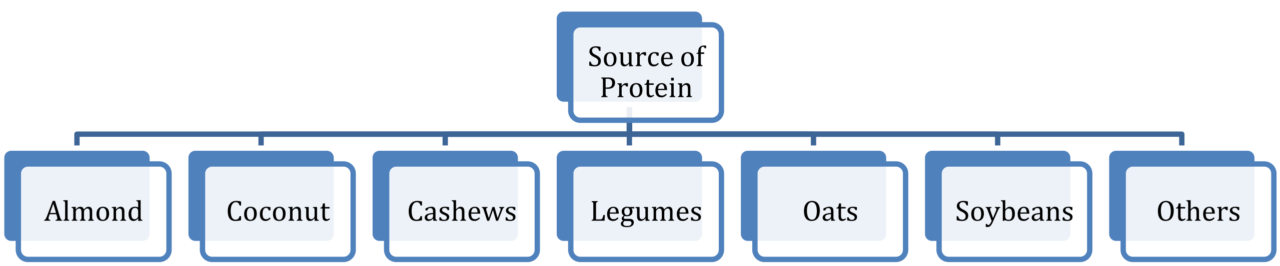
The European cheese market is the largest in the world, and despite very high per capita consumption levels, market growth has remained attractive and stable. Cheese has provided better export opportunities than any other dairy product, as the willingness to pay for quality European cheese has always been high, and the impact of higher raw-material costs is less problematic. Due to the maturity of the market, the strategic focus of key players is to consolidate current market positions by acquiring add-ons and facilitating new and innovative product development to stay ahead in the industry.

2.2 Vegan Cheese Market in Europe

The Europe vegan cheese market is expected to grow from USD 989.05 million in 2019 to USD 1,711.82 million by 2027; it is estimated to grow at a CAGR of 7.2% from 2020 to 2027.
The Europe vegan cheese market is likely to account for a remarkable share of the global vegan cheese market during the forecast period. Various health benefits provided by vegan cheese are driving the Europe vegan cheese market.

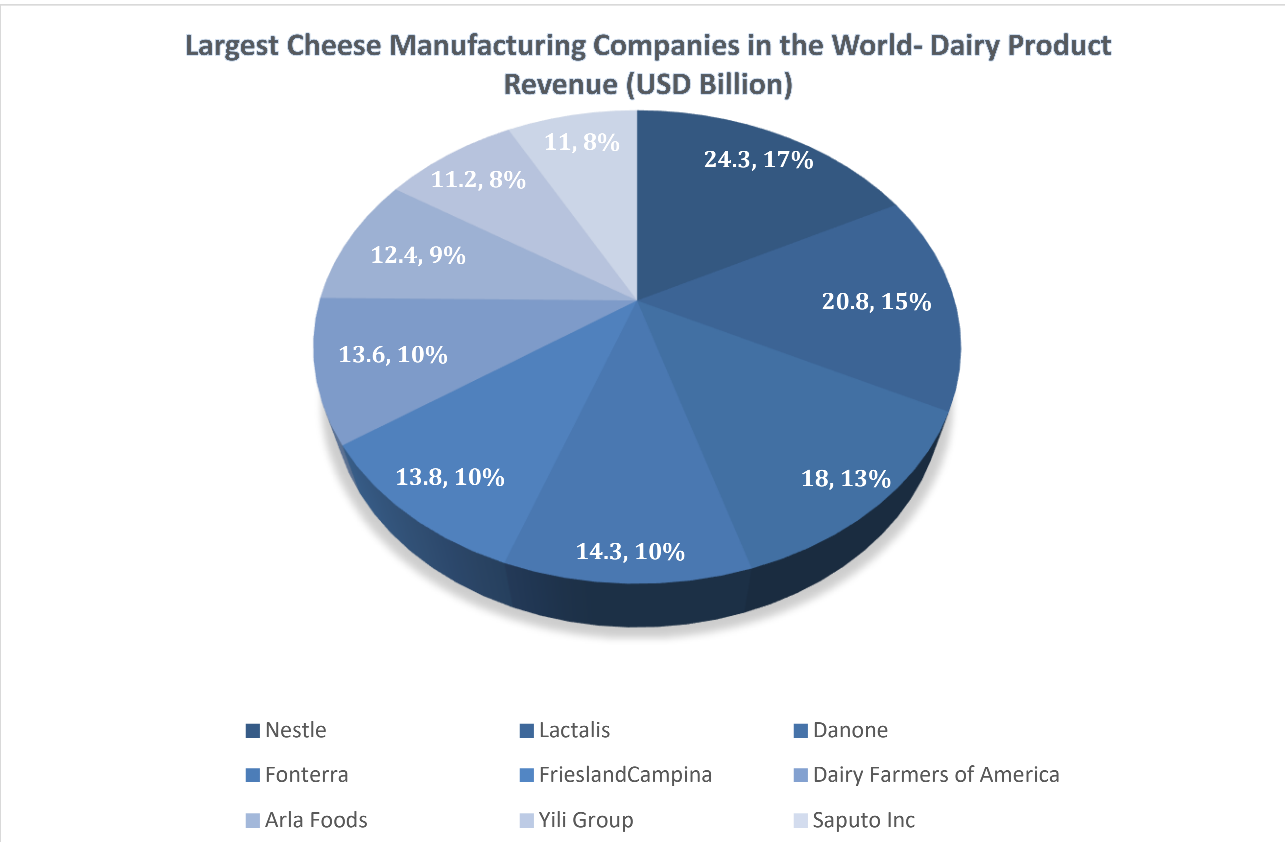
There has been a rising demand for vegan cheese due to increasing awareness of health benefits related to vegan cheese. Vegan cheese is prepared using various sources, such as almond milk, coconut milk, cashew milk, and soy milk. These sources have been well known for their high nutritional properties that have garnered the inclination of consumers worldwide. The vegan cheese is a rich source of various minerals—such as potassium and calcium—vitamins, and fibres.

This strong nutritional profile of vegan cheese has led to an upsurge in its demand. Vegan cheese is low-fat and gluten-free. Recent studies have shown that vegan cheese helps in reducing cardiovascular diseases. The high carbohydrate and fibre content of vegan cheese can provide abundant energy to the consumer. Additionally, vegan cheese contains probiotic bacteria that help in protecting the micro biota or intestinal flora. All these factors are contributing to the expansion and development of the Europe vegan cheese market.



2.3 Competitive Landscape

The global cheese market is highly competitive and fragmented in nature owing to the presence of many regional and domestic players. Emphasis is given on the merger, expansion, acquisition, and partnership of the companies along with new product development as strategic approaches adopted by the leading companies to boost their brand presence among consumers. Key players dominating the market include The Kraft Heinz Company, Almarai, Associated Milk Producers Inc., Britannia Industries, Arla Foods, and GCMMF (Amul) among others.



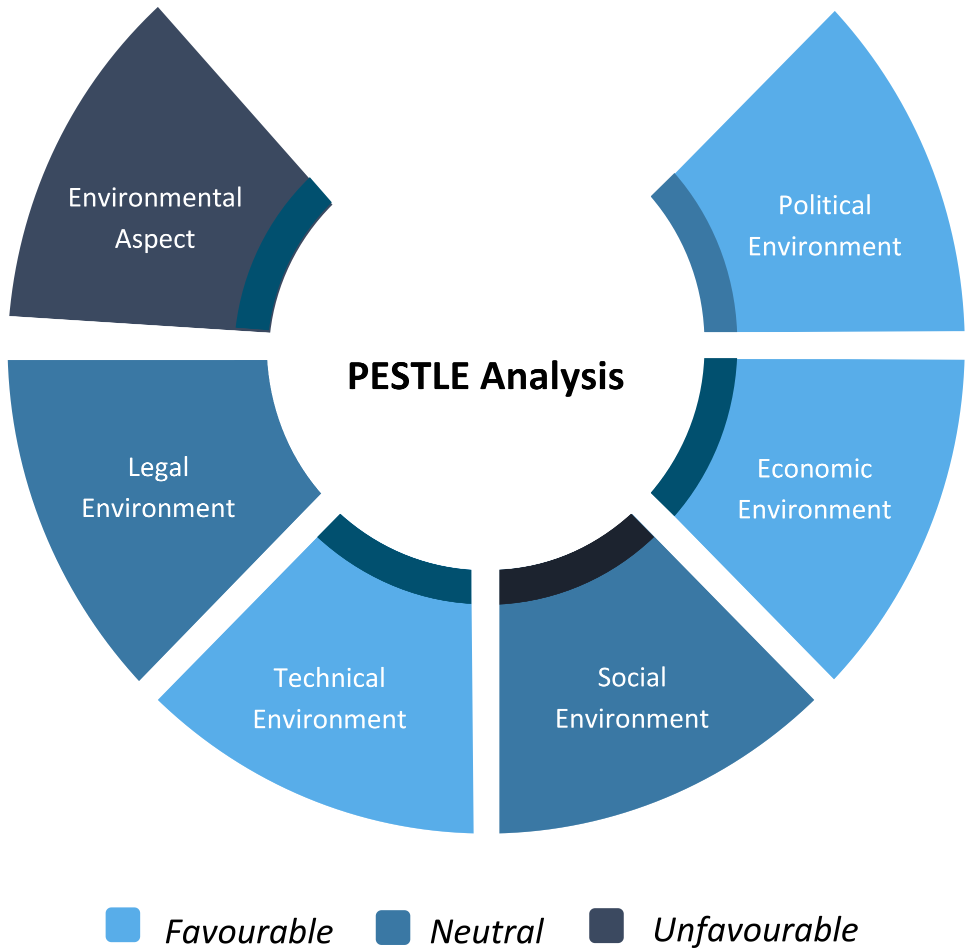
Source: Zippia

The Cheese Industry is a monopolistic market because it is a type of imperfect competition such that there are many producers competing against each other, but selling products that are differentiated from one another (by branding or quality) and hence are not perfect substitutes.

Firms in monopolistic competition typically try to differentiate their products in order to achieve above-market returns. Monopolistic competition involves a great deal of non-price competition, which is based on subtle product differentiation. Heavy advertising and marketing are common among firms in monopolistic competition. Barriers to entry and exit in a monopolistic competitive industry are low, and the decisions of any one firm do not directly affect those of its competitors.

Competition is high, and there isn't any particular company dominating the industry. To remain competitive, dairy companies search for product innovation, which is induced by both a supply push and a demand pull.

2.4 Pestle Analysis



POLITICAL

Various committees, composed of government representatives and chaired by a Commission representative, meet regularly to ensure that the Commission's responsibility for adopting implementing acts is exercised under the control of EU countries.

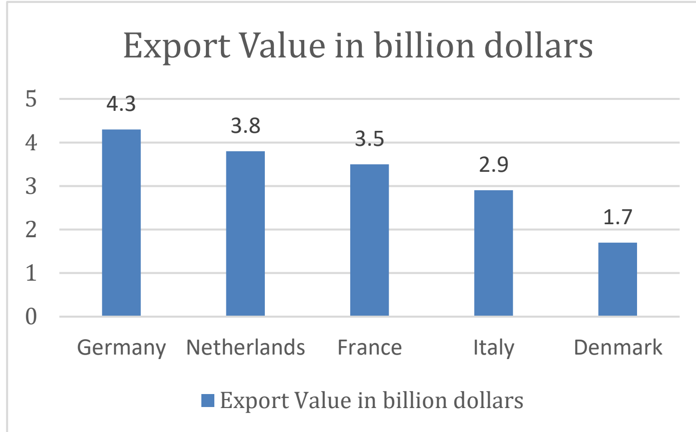
The committee for the common organisation of the agricultural markets meets regularly to discuss areas such as the evolution of market prices, production and trade in the EU and non-EU countries.

The EU is a major exporter of dairy products and is the biggest cheese and SMP exporter in the world.

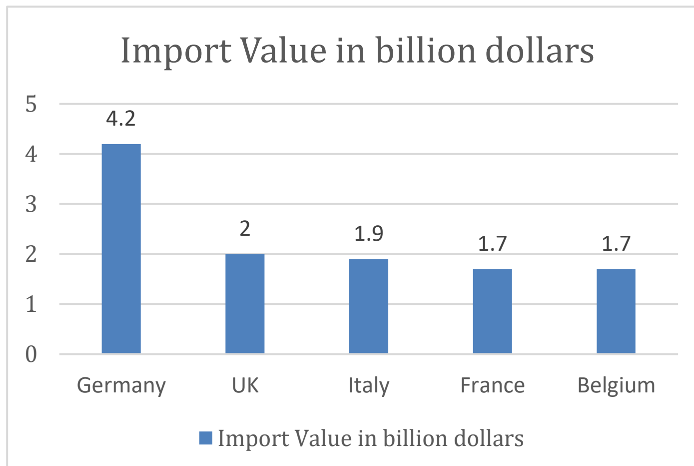
Dairy exports under certain quotas opened by third countries are subject to the issuing of an export licence.

An import regime applies to the entry of dairy products into the EU. Preferential imports are subject to import licences and, in general, payment of an import duty (tariff). Several trade agreements, multilateral and bilateral, have resulted in preferential imports at reduced or zero duty, mostly in the form of import quotas.

Top 5 Exporters of Cheese in the World	
Country and World Ranking	% of World's Export Value
1. Germany	15%
2. Netherlands	13%
3. France	12%
4. Italy	9.8%
5. Denmark	5.7%



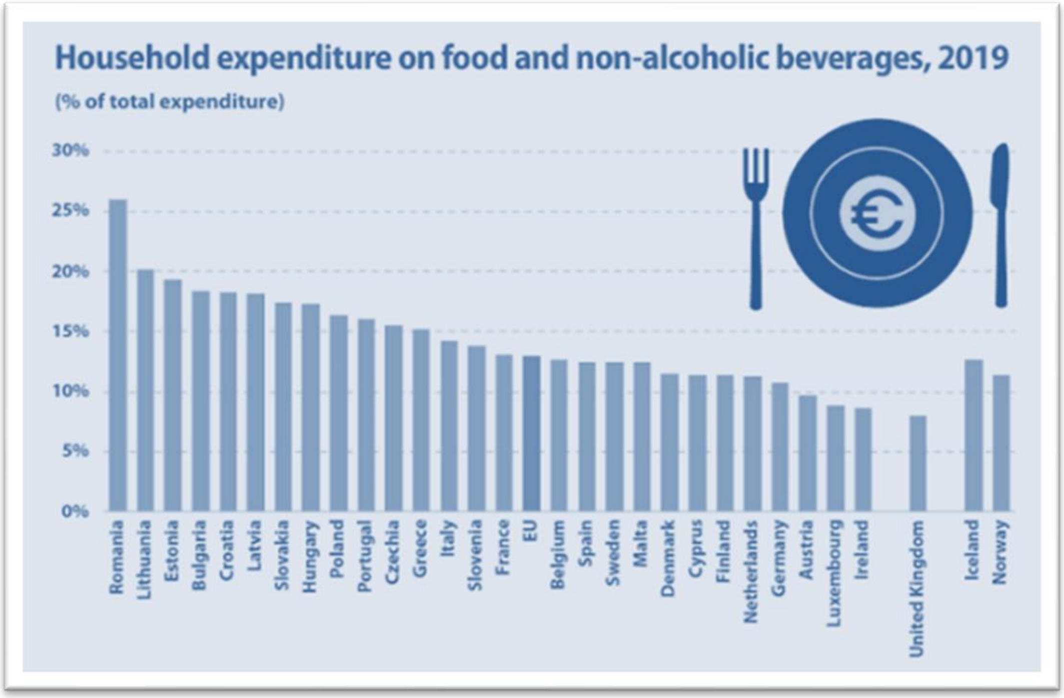
Top 5 Importers of Cheese in the World	
Country and World Ranking	% of World's Import Value
1. Germany	14%
2. UK	6.9%
3. Italy	6.6%
4. France	5.8%
5. Belgium	5.6%



ECONOMIC

In total, Europeans have around 10.2 trillion euros available to spend in 2021 on food, housing, services, energy costs, private pensions, insurance, vacations, mobility, and consumer purchases. This corresponds to an average per capita purchasing power of €15,055. This means that per capita purchasing power has a nominal growth of 1.9 percent in 2021. However, Liechtenstein, Switzerland and Luxembourg have the highest disposable net income by a wide margin, while Kosovo, Moldova, and Ukraine have the lowest. Thus, Liechtensteiners have more than 34 times the amount available for spending and saving than Ukrainians.

The euro area annual inflation rate was 4.1% in October 2021, up from 3.4% in September. A year earlier, the rate was -0.3%. European Union annual inflation was 4.4% in October 2021, up from 3.6% in September. A year earlier, the rate was 0.3%. These figures are published by Eurostat, the statistical office of the European Union.



Source: Eurostat

Most of the Netherland's turnover within the food manufacturing sector is generated by dairy processing. The amount was roughly 14.5 billion euros in 2019. In the last year, the manufacture of Swedish dairy products was estimated to amount to 2.8 million U.S. dollars. Liquid milk made up the majority of dairy food produced in the European Union, with a volume of nearly 20 million metric tons. The rest of the European milk was processed into cheese, cream, butter, fresh dairy products and milk powder. In Italy, the annual volume of milk delivered to dairies amounted to approximately 12 million metric tons in 2018. This milk was produced by almost 2 million dairy cows.

Based on its sales turnover of roughly 23 billion U.S. dollars in 2020, the French company Lactalis is the leading dairy manufacturer worldwide. Following this is the Swiss company Nestlé, and the French dairy corporation Danone, each with a revenue worth around 20 billion U.S. dollars. FrieslandCampina, another well-known, leading dairy cooperative, is based in the Netherlands, and is famous for their Edam and Gouda cheese. Cheese production in the Netherlands is forecast to reach nearly one billion Euros by 2025. Although the Dutch love their cheese, a good majority of their cheeses are exported. The Netherlands are sending out most of its cheese to Germany and Belgium. Similarly, the French cuisine consists of a delicate selection of cheese. To supply other countries with the specialty, 656 thousand metric tons of French cheese were exported in 2016. For the United Kingdom, the leading destination of dairy exports in 2020 was Ireland, by a large margin.

Europe has the highest level of per capita cheese consumption. In 2020, European people on average ate 18.44 kilograms of cheese. U.S. and Canada came in second and third in that year at 17.4 and 14.3 kilograms of cheese per capita.

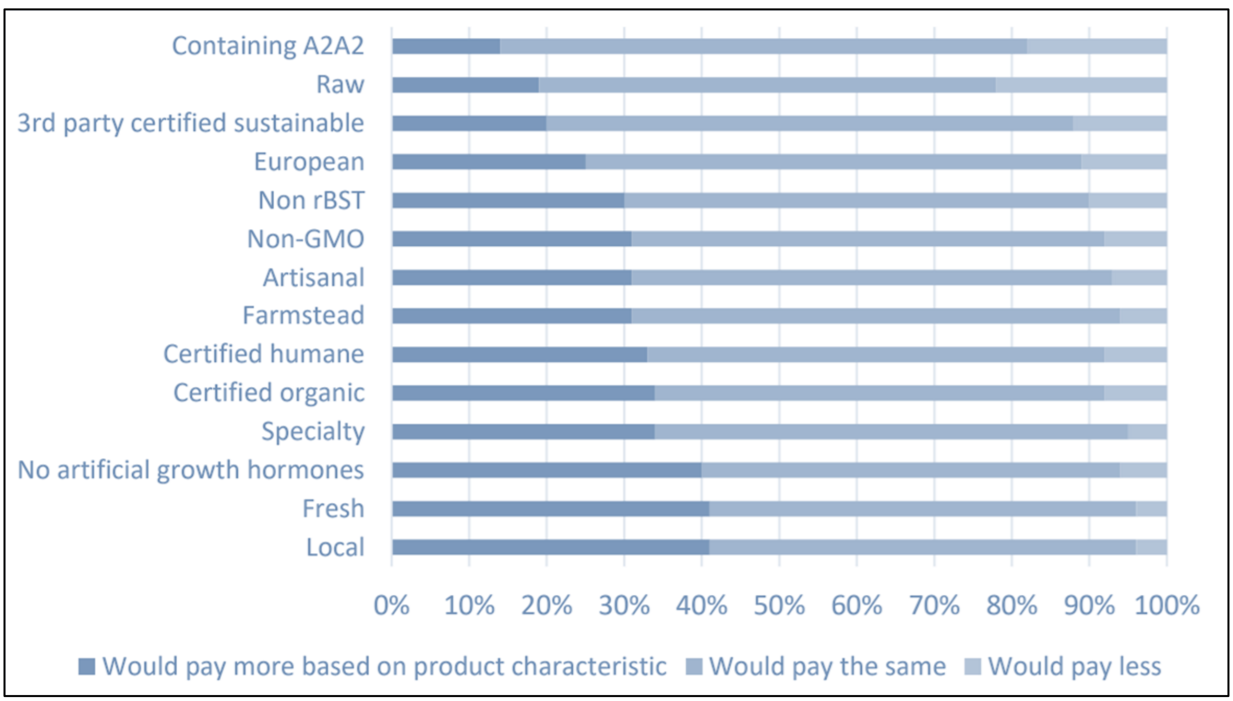
Europe is a major player in the global cheese industry. The 27 nations of the European Union generated 10.16 million metric tons of cheese in 2018, over twice as much as the second leading producer. As of 2017, Germany and the Netherlands were the top exporters of cheese worldwide, each exporting over four billion U.S. dollars' worth of cheese in that year.

SOCIAL

Society's relationship with modern animal farming is an ambivalent one: on the one hand there is rising criticism about modern animal farming; on the other hand, people appreciate certain aspects of it, such as increased food safety and low food prices. This ambivalence reflects the two faces of modernity: the negative (exploitation of nature and loss of traditions) and the positive (progress, convenience, and efficiency).

Netherlands aimed at gaining a deeper understanding about the acceptance of modern dairy farming in Dutch society. People take two dimensions into account when evaluating different aspects of modern dairy farming: (1) the way living beings are used for production and (2) the way a dairy farm functions as a business. In both these dimensions people appeared to adopt cautious opinions: most people preferred relatively traditional and natural farms and were concerned about the use of nature and treatment of animals in modern production—although this did not imply an outright rejection of modern animal farming. The study also looked for (and sought to explain) differences of opinion between social groups. Besides socio-demographic factors such as age and gender, farming experience and value-orientation (such as socially minded and professional) appeared to be important variables. The values and convictions within modern society can help to explain why some people are greatly concerned about animal welfare while some show less concern. This diversity also helps to explain why general information campaigns are quite ineffective in allaying concerns about modern animal farming.

Willingness to Pay Based on Cheese Product Characteristics



Source: Vermont Agency of Agriculture

Taking a closer look at the conventional cheese industry may be disheartening, but it might also be unrealistic for some to think about giving up cheese altogether. Conscious cheese lovers consider purchasing cheese from local cheese producers who use sustainable, organic, and humane methods. Certified Organic cheeses are made in more sustainable ways, including more humane conditions for the animals and reduced harmful effects on the environment.

TECHNOLOGICAL

Satisfying the needs of people from all lifestyles, from chefs cooking elaborate dishes to kids looking for a snack after school, the cheese industry has been able to push the boundaries and seek out the most cost-effective and innovative solutions in the production, processing, and packaging of cheese products.

Innovative new technology is also being introduced into the cheese industry to address sanitation and packaging concerns for consumers who are looking for more transparency in the products they purchase. From tackling moisture control to addressing the concerns of wastewater processing and discharge, cheese makers and packaging companies are working together to roll out machinery that can handle every challenge including clean label opportunities, whey co-product utilization, and consistent cheese quality.

Yet technology isn't being restricted to the processing and packaging floor. With consumers adopting mobile technology, more software applications are also being introduced to help people make better shopping choices when selecting their desired cheeses. Now people can use an app to access open knowledge databases filled with data on the varieties of cheese that are available. Consumers can also pull up an app to figure out which cheese would pair well with a favourite type of wine or meal.

The development of 100% cheese snacks (as crisps, bites, and balls) is a recent food innovation with exciting potential. Now, crunchy cheese bars are emerging and may prove to be the most popular format yet. Examples include Just the Cheese crunchy baked cheese bars in mild and aged cheddar, jalapeno cheese, and grilled cheese varieties and Sonoma Creamery’s line, which includes extra crunchy options like Everything Cheddar—perfect for breakfast with its everything bagel seasoning of sesame seeds, poppy seeds, garlic, and onion.

The rise of plant-based eating has made plant-based cheese an important growth opportunity. While plant-based cheeses can be found in formats such as blocks, slices, and shreds, there’s been a recent flurry of activity in plant-based spreadable cheeses with a focus on flavours. For example, cashew-based Treeline Plant-Based French-Style Cheese is available in Herb Garlic, Scallion, and Chipotle-Serrano Pepper, while Spero’s Sunflower Cream Cheese comes in savoury, as well as sweet flavours like cinnamon, chocolate, and blueberry. These products offer plant-based product consumers convenience, indulgence, and taste adventure.

Food innovation in ingredients, processing, and sustainability is showing that the cheese category is able to respond quickly to consumers’ evolving needs. This is creating some exciting opportunities for cheese manufacturers.

LEGAL

The EU milk market observatory provides data and information on the milk sector. It follows and analyses past and present trends at a global and European level for topics such as:

- production
- supply and demand
- production costs
- market perspectives.

There are 3 designations awarded by the EU – Protected Designation of Origin (PDO), Protected Geographical Indication (PGI) and Traditional Speciality Guaranteed (TSG).

PDO status means the cheese is entirely made in a particular region of the country of origin.
PGI status indicates it is either sourced, made or aged in the region.
TSG status means that the traditional character of the cheese is maintained, either in the composition or means of production.

The words on the EU label stand for the coveted national appellations. For example, in Italy, the PDO is called the DOP (Denominazione D'Origine Protetta) the PGI is called the IGP (Indicazione Geografica Protetta). Everything about the logo stays the same except the words.

ENVIRONMENTAL

The United Nations Food and Agriculture Organization estimates that 14.5 percent of global greenhouse gas emissions come from the production of meat, dairy, and eggs. This compels many people to remove meat from their diets in an effort to reduce their carbon footprint and mitigate the effects of climate change.

So, how concerned should we be about cheese and greenhouse gas emissions?
Collectively, meat, aquaculture, eggs, and dairy use approximately 83 percent of the world's farmland and emit 56 to 58 percent of food emissions. But these animal products provide only 37 percent of our protein and 18 percent of our calories.

The reason why beef and cheese are so bad in terms of environmental impact is linked to their source: cattle. Enteric fermentation takes place in the digestive system of ruminant animals, such as cattle, sheep, goats, buffalo, and camels. These animals have a "fore-stomach," also known as a rumen, where microbes break down the food and allow them to digest their food.

Some experts say that changing the diet of dairy cattle could help. Dairy cows produce methane when they burp and the amount they belch comes down to their feed. Burger King announced last summer that it would add lemongrass to cattle feed, claiming it would reduce emissions by 33 percent. Researchers

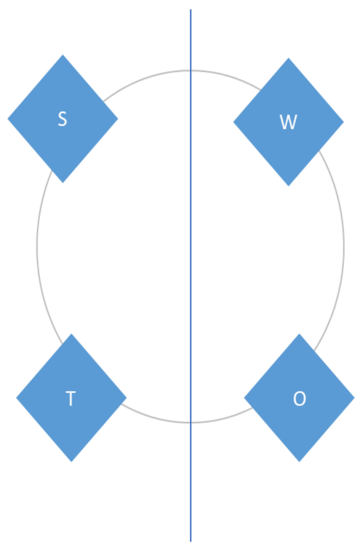
found that it's more likely that this will reduce emissions by only three percent.
Raising a milk-bearing animal puts out a significant amount of greenhouse gases, thanks in large part to the methane those ruminants emit. Feed production also contributes to global warming, and animal waste has implications for both water and air quality.

A few food technology companies are even developing dairy-free cheese made from vegan whey and casein proteins created through fermentation, which means that vegan cheese may soon achieve the same satisfying stretch as the conventional dairy version.

2.5 SWOT Analysis

- Rise in disposable income, and increase in demand for protein-rich food.
- Changing lifestyles, such as increasing dependence on ready-to-eat meals.
- Plenty of raw material and technical manpower is available at low cost
- The growing popularity of cheese in various cuisines such as Italian and Mexican.

- Unhealthy additives & ingredients in processed cheese, and perishable nature of the products.
- The increasing prevalence of lifestyle related health conditions such as obesity, high cholesterol levels, heart diseases and diabetes associated with excessive fat.
- Absence of comprehensive and reliable milk production data, impact assessment studies are almost non-existent.



- The demand for clean-label products, concerns about sustainability, and a dire need to avoid allergens is responsible for shifting consumer preferences toward plant-based alternatives.
- There is a gross lack of awareness among farmers about the quality parameters.
- The stringent regulatory legislations regarding cheese, demand for accurate labelling is on the rise.

- The global fast-food industry, is rising at a significant rate.
- There is an incredible degree for advancements in item improvement, bundling, and introduction.
- Vast pool of highly trained and qualified technical manpower is available at all levels to support R&D as well as industry operations.
- Greatly improved export potential.

Way Forward

Section 3

3 Way Forward

The European cheese market is majorly being driven by the escalating demand for different product flavours in local cuisines. Other than this, increasing consumption of authentic regional cheese in the region is further contributing to the market growth. Moreover, the rapid premiumization of cheese by numerous brands in the region is fuelling the market growth.

Cheese is a dairy product which is produced in a wide range of flavours, textures and forms. Cheese has been valued for ages due to its portability and longer shelf-life.
With an increase in the marketing initiatives taken by a number of players through various advertising mediums, the product awareness amongst the population in a number of new markets is augmenting. The development of 100% cheese snacks (as crisps, bites, and balls) is a recent food innovation with exciting potential. Now, crunchy cheese bars are emerging and may prove to be the most popular format yet. By distribution channel, the business-to-business segment generated the highest revenue, in 2020, owing to the surge in demand for QSR and online food delivery, which is propelling cheese market demand.

As consumer interest in all plant-based eatables continues to grow, so too does the demand for vegan cheese. The European vegan cheese market is anticipated to advance in the coming years. The market growth of the region is mainly attributed to the rising product availability as well as the surging awareness about the health benefits of a vegan diet. As per a recent study, the vegetarian and vegan food sector in Europe depicted that the sale of meat substitutes in supermarkets increased by 11%. In addition, major retailers, as well as food manufacturers, are increasingly concentrating on vegetarian and vegan products while continually expanding their ranges in the avenue.

Cheese has provided better export opportunities than any other dairy product, as the willingness to pay for quality European cheese has always been high, and the impact of higher raw-material costs is less problematic. The EU is a major exporter of dairy products and is the biggest cheese and SMP exporter in the world.

Conscious cheese lovers consider purchasing cheese from local cheese producers who use sustainable, organic, and humane methods. Certified Organic cheeses are made in more sustainable ways, including more humane conditions for the animals and reduced harmful effects on the environment.

The European Cheese Market is flourishing and bringing in innovative ideas of cheese-making. It will continue to be a prime producer across the world. This market is showing evident potential and continues to gain momentum with rapid development in the food industry.

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