

# DMI's DIAMOND

New program intends to bring more transparency to dairy ingredients markets



**M**arket trend information always has been an integral part of managing costs, forecasting and running a successful business, but it has taken on greater importance as commodity markets have become extremely volatile in the past few years. Processors are seeking reliable sources of information in an effort to develop a strategy to not

only ensure current costs are in line, but that they may develop a plan for forecasting future costs. With the idea of bringing more transparency to the market, Dairy Management Inc. (DMI), Rosemont, Ill., along with Technomic, Inc., Chicago, created Project DIAMOND as a resource to help dairy processors better understand the ingredients market.

DIAMOND is an acronym for Dairy Ingredient Assessment Monitoring of Opportunities and New Developments. The project is designed as a tool for dairy ingredient suppliers

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and dairy processors to help them assess market conditions by tracking ingredients from production through end-use applications.

The analysis currently focuses on seven ingredients, including nonfat dry milk, sweet whey, whey protein concentrate, whey protein isolate, milk protein concentrate, casein and lactose. The project



is ongoing and will be updated annually in an effort to more closely track changes in the dairy ingredient market and inform interested parties of trends as well as emerging opportunities.

“This type of database has not existed before,” said Laura Gottschalk, a vice president with DMI. “It is a new thing that is very repeatable and pretty transparent.”

Initially, the project is intended to track trends in the ingredients markets, but there may be some applications from a pricing perspective in the future.

“In '06 and '07, prices were out of the realm of the norm, but there could be some applications that could tie into the pricing aspect, but that is long term,” said James R. Dodson, director of U.S. manufacturing and ingredient markets for DMI. “Price also was not on our short look. There are many economists looking at this in different ways and we tried to stay away from the pricing scenario.”

“We wanted to know where is

it being utilized? Where are needs being met in the market and where is the unmet demand? The ingredient industry needs to get away from a commodity mentality and respond to shifts in production to

the key products where they are being used.”

Information gathered as part of the project included total production volume, key categories of use, whether processors have increased or decreased usage in the past year and what their outlook is for the coming year. As the project is updated annually, ingredient suppliers and processors will be able to develop a picture of how the market is evolving.

For sweet whey, DIAMOND revealed that 597.9 million lbs were produced in 2006. Key categories of use included processed cheese (28%), entrees/dinners (20%), ice cream (17%), and soups, sauces and dips (6%). From a historical perspective, of the companies surveyed 23% said they planned to increase usage, 22% planned to decrease usage, and 55% did not plan any changes. In the future, 17% planned to increase use, 10% planned to decrease usage, and 73% said they had no plans to change.

“(Sweet whey) is not just a fill-

### Dairy ingredient trends (2006)

Ingredient	Non-fat dry milk	Sweet whey
<b>Total production (million lbs)</b> .....	<b>957.5</b> .....	<b>597.9</b> .....
<b>Key usage categories</b>	Natural/imitation cheese Powered milk Ice cream Yogurt	Processed cheese Entrees/dinners Ice cream Soups/sauces/dips
<b>2007 usage</b>		
<b>Have increased</b> .....	<b>23%</b> .....	<b>23%</b> .....
<b>Have decreased</b> .....	<b>21%</b> .....	<b>22%</b> .....
<b>No change</b> .....	<b>56%</b> .....	<b>55%</b> .....
<b>2008 projected outlook</b>		
<b>Plan to increase</b> .....	<b>18%</b> .....	<b>17%</b> .....
<b>Plan to decrease</b> .....	<b>16%</b> .....	<b>10%</b> .....
<b>No change planned</b> .....	<b>66%</b> .....	<b>73%</b> .....

Source: Dairy Management Inc.



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er, it has functional characteristics and adds a dairy note to foods," Ms. Gottschalk said. "(It is) a lower cost ingredient that is scattered across different areas. We were able to close the gap to 82%, and show the dairy industry where the main uses for this ingredient are. Put another way, we were able to account for 82% of the sweet whey volume that was produced."

Ingredients that stood out in the data include milk protein concentrates (MPC), whey protein concentrates and casein.

The survey showed 138.9 million

lbs of MPC were produced in 2006, with the top four usage categories including natural/imitation cheese (45%), processed cheese (37%), nutritional beverages (9%), and entrees/dinners (8%). The top four categories accounted for 99% of volume, according to DIAMOND.

"We consider (MPC) to be a novel, newer ingredient," Ms. Gottschalk said. "What was driving demand were nutritional beverages. There were health and wellness considerations at play and lower costs drove people to think about using it more. Another

category was pudding. That usage was more focused on functionality (and) MPC really helps the body of it."

Ms. Gottschalk said WPC is similar to sweet whey, but it picked up additional usage in nutritional snack bars.

"It is a good concentrated source of protein and cost was a consideration," she said. "WPC is made from whey by the removal of lactose, and the protein ranges from 34% to 89.9%."

She added that health and wellness was a big driver, because the

Whey protein concentrate	Lactose	Milk protein concentrates	Casein/caseinates	Whey protein isolates
<b>298.3</b>	<b>238.2</b>	<b>138.9</b>	<b>163.4</b>	<b>20.9</b>
Processed cheese	Infant formula	Processed cheese	Nondairy creamers	Nutritional supplements
Nutritional supplements	Candy/confectionery	Imitation cheese	Frozen pizza	Nutritional bars
Entrees/dinners	Hot cocoa mix	Nutritional beverages	Whipped toppings	Nutritional beverages
Soups/sauces/dips	Pharmaceutical	Entrees/dinners	Imitation cheese	
<b>35%</b>	<b>20%</b>	<b>28%</b>	<b>13%</b>	<b>13%</b>
<b>10%</b>	<b>24%</b>	<b>10%</b>	<b>36%</b>	<b>23%</b>
<b>55%</b>	<b>56%</b>	<b>62%</b>	<b>51%</b>	<b>64%</b>
<b>24%</b>	<b>9%</b>	<b>19%</b>	<b>5%</b>	<b>10%</b>
<b>11%</b>	<b>13%</b>	<b>7%</b>	<b>24%</b>	<b>10%</b>
<b>65%</b>	<b>78%</b>	<b>74%</b>	<b>71%</b>	<b>80%</b>



protein content brings advantages to the product.

"I believe that is showing through in the data," she said. "Four out of nine that fell in this category said they are going to use more."

Other product areas standing out for their WPC usage were beverages like yogurt drinks and meal replacement drinks. Smoothies also were a growing category.

"A lot of meal replacement type things I would conclude were growing as well," Ms. Gottschalk said. "It is a pretty big usage category for dairy."

One ingredient that may be receiving less attention from processors is casein. Ms. Gottschalk said there were a substantial number of survey respondents who said they in-

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tended to use less, and she speculated it is probably due to cost and availability.

"Casein production has diminished worldwide," Mr. Dodson said. "It is down as far as volume. How long it will last isn't known, but (the data) indicates reformulating is under way. One reason (volume is down) may be Australia and New Zealand's milk supply has diminished and they have switched to more profitable items."

The DMI DIAMOND survey will be updated annually. Data for 2007 has been collected and is being compiled. For more information, contact James Dodson (jdodson@rosedmi.com). DBN

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