

The Promise of Dairy in Asia

1. Could you briefly introduce Arla Foods and the products it offers?

Arla Foods is a dairy cooperative company, owned by our farmers, who are spread across 7 different European countries. We produce the milk from the cows, process the milk, and make a range of dairy products that you can find on the shelf, from infant milk formula, to milk, yogurt, and cheese. We are one of the few companies in the world to cover the entire dairy map.

2. What is the current research & development focus for Arla Foods?

There are several platforms for R&D, primarily in two directions: technology and food platforms, and need-based platforms. Sometimes research is need-based, consumer-driven, and sometimes it is technology-driven. These two concepts represent the R&D focus of the entire company.

The overarching theme for R&D is health, nutrition, and well-being. We strive to inspire consumers to live healthy lives, and make dairy a part of that choice. We achieve that by providing products that have as little rubbish in them as possible. We really try to work with clean labels, and are the biggest organic dairy producer in the world. Less is more, in that context, for most of our products.

3. What are some dairy products that you anticipate catching on with consumers, particularly young consumers, in the next few years?

In many markets, milk consumption goes down during childhood development, from the toddler to teenage years. Nonetheless, there's an increasing appreciation that nutrition coming from milk, whether it's protein, fat, calcium or minerals, is a good source for a balanced diet. Protein, in particular, is an area that young consumers are interested in. There are a lot of protein propositions entering the market right now.

To make an analogy, energy, through energy drinks, such as Red Bull, went from being a niche market twenty years ago, to becoming mainstream, one of the largest soft drink categories. I think that we're seeing the same process with protein, and that it will have a similar appeal to young consumers.

4. Lactose intolerance is more common in China, and many Asian countries, than it is in Western countries. How does this affect Arla Foods' approach to the Asian market?

The data that we've looked at indicates that almost 1/3 of Chinese consumers have some level of intolerance to lactose, but only 2% are aware. This is a great educational opportunity to bridge that gap, and offer a product range that provides the benefits and pleasures of dairy, but without lactose.

There's a consumer perception that when you've taken something out of the milk, that the milk becomes inferior somehow, and has been adulterated in some way that is not as good as the original. The opportunity is there, but tapping into it will require education, patience, and good products. The sector will grow, but it's not as easy as it might look on the surface.

5. What are Chinese consumers' current attitudes regarding the safety of infant formula milk powder?

Improving and I think that it's merited. The Chinese dairy industry has taken huge steps in the past ten

years, in terms of safety and quality. Despite this, the trust must be earned. This takes time, and is something that you must work on every day. Small mistakes can take a big sum of trust out of your trust account. The goodwill must be constantly maintained and earned step-by-step.

6. What will be the effect of the new Chinese legislation, "Administrative Measure for Registration of Infant and Young Children Milk Powder Formula Recipes", on milk powder consumers, and Arla Foods' business in China?

In general terms, I think that the relevant authorities in China have been working tirelessly to create an environment, to the benefit of the Chinese consumer, where trust, quality and safety continue to improve.

7. Can you tell us a little about yourself and how you came to work for Arla Foods?

I spent most of my career, thirteen years, for Procter & Gamble (multinational consumer goods company). Following that, I had a stint in beer and beverages for three years, before I started working in the dairy industry.

For the past seven years I've been working at Arla. Three of those years I worked in China on the executive team for Mengniu (Chinese dairy company, Arla's partner in China). 2 years ago I moved into my current role, as the head of Arla Foods' Asian business, while continuing to work closely with Mengniu.