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Perspective: Export Expertise

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Demographically speaking, the numbers add up

Global demographics are shifting, and central to that shift is the expansion of the world's middle class.

To many of you that may not be big news. We often speak of how the world's growing middle class (and their expanding appetites for and capacity to buy animal proteins) will create opportunities for U.S. dairy suppliers. In fact, we hear it so often that the particulars get lost behind the sound bites.

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It is, however, only in the particulars that one sees the impressive depth and breadth of the prospects for the industry and realizes the necessity for the U.S. dairy sector to more aggressively court overseas customers.

Let's focus on a few key points:

- The global population will expand by 1.6 billion people by 2034, with 95 percent of that growth (or 1.52 billion people) coming from developing countries, according to the Organization for Economic Cooperation and Development (OECD). That's 1.52 billion potential new dairy consumers *outside* the United States—consumers in varying stages of per capita dairy consumption, but all with far to go before reaching current U.S. levels.
- The expansion of the world's middle class will exceed population expansion. The OECD projects a 1.4-billion-person jump in the number of middle class consumers in the world from 2009-2020—again concentrated in developing nations.

The World Bank projects 93 percent of the world's middle class will reside in emerging markets by 2030 (compared to 56 percent in 2000), with particularly strong expansion in Asia. In 20 years, even Thailand and Malaysia could have bigger economies than France has today, says OECD.
- U.S. suppliers need to begin courting the world's developing middle class now, because growth is likely to come not as a gradual incline but as a spike in which millions sweep into the category simultaneously in a year. A large mass of Asian households resides just below the global middle class threshold, and it won't take much to push them over the line en masse, says OECD. They will have the money and desire to buy protein foods like dairy.
- This middle class is going to be concentrated in increasingly dense urban areas, making marketing to the masses

easier than ever. This year, about 45 percent of the population of less-developed nations lives in urban areas (up from 40 percent in 2000). By 2020, half the population of emerging markets (and 78 percent of the developed world) will live in cities.

- The world's population is aging, is nutritionally aware and is seeking food and beverages that address their health issues.

In 2009, only 11 percent of the globe (around 740 million people) was age 60 and older. By 2050, sexagenarians and higher will number more than 2 billion and account for more than a fifth of the world's population, according to United Nations data. In China alone, the over-60 group will number 248 million by 2020 and 437 million by 2050. In developed countries like the United States and Europe, they will account for a full one-third of the people.

Particularly in the United States but also abroad, this group is marked by its focus on assuming more direct control of its health care—i.e., looking for food products with proven health benefits—a natural fit for dairy.

Multi-nationals have read the numbers and are reacting.

Nestlé said it expects 1 billion people to emerge from poverty and be able to afford its products in the coming decade. The company is spending tens of millions, gearing marketing efforts and expanding capacity to cultivate what it sees as an increasingly important sector of its business.

Danone has shifted its business over the last decade to increasingly target emerging markets. By year-end, developing countries will account for 42 percent of total company revenues, up from 27 percent in 2003. Both

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Danone also has expanded the target demographic to include even lower-income consumers living on food budgets of as little as \$1 per day, and has shown there's profit to be made and valuable customer loyalty to earn on products retailing for 10 cents a bottle. Factoring in select lower income segments sends the already eye-popping middle class market drivers into the stratosphere.

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Restaurant kingpin Yum Brands, processing/packaging supplier Tetra Pak and other multi-nationals are looking at the demographics and making similar moves.

The data, as OECD points out, do not tell us exactly what products the middle class will be consuming or where they will be made. It is up to the U.S. dairy industry to take the opportunity presented by the numbers and make it a reality. **CMN**