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Artisan Cheese

IN 2022



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ARTISAN CHEESE IN 2022

Working through the cost of living crisis is a current battle for the UK's cheese industry, as challenges stack up – but opportunities abound, too

In 2022, it might feel a bit like we're out of the frying pan and into the fire. The last two years have been a challenging time for the UK's cheese sector. Covid caused issues with staff shortages due to illness, a country in sporadic lockdowns and a reduced footfall in towns and cities across the country. If the cheese sector learned anything from these tough times, it's how to be resilient. And so, as we find ourselves in a cost of living crisis in 2022, it's best foot forward for cheesemakers, cheesemongers and distributors. But it isn't easy. In some ways we might feel like we've been here before and we're battle hardened, but this time around the fight is different.

"I'm generally a positive person but we're being hit on all sides," says Clare Jackson from Slate Cheese in Suffolk. "It started around the Easter break. We noticed then that people are buying smaller pieces of cheese. Customers used to ask us to cut a decent



wedge, but now they ask for it to be sliced to what they can afford. We've started cutting the cheese paper to smaller pieces as we just don't need the larger sheets of cheese paper we used to use." The cost of living crisis is a multi-pronged problem and it's affecting businesses country-wide. Jen Grimstone-Jones from The Pangbourne Cheese shop in Reading is also feeling the heat. There are things that can be done to mitigate the costs a little, as Jen explains, but this firefighting is still difficult. "We are seeing price increases across the board. Everything is going up in price on an almost weekly basis. We have seen rises in the costs of utility supplies as well as fuel. We are lucky with our own deliveries as we have an electric van which is charged using solar energy, but any orders that we send out by courier are subject to higher courier fees as well as the cost of the packaging."

The Covid factor

There's some strong evidence that the issues presented by covid have shifted, if not completely gone away. The cheese sector made a solid recovery from covid and The Agriculture and Horticulture Development Board's findings paint a promising picture.

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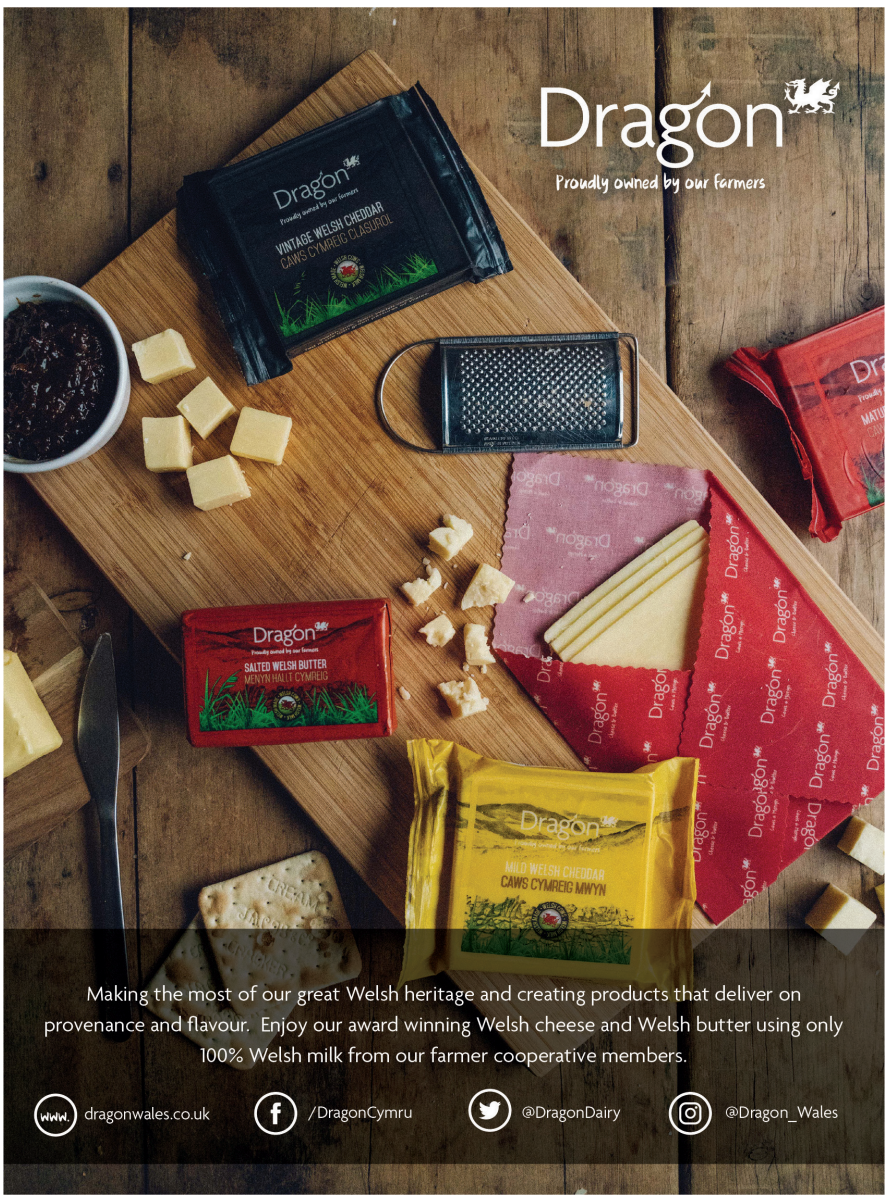


Overall retail dairy sales volumes for the full year 2022 are expected to be down versus 2021 but up slightly versus 2019, + 6% for cheese. This means the sector is doing better than it was before the pandemic. For Clare Jackson the problems brought on by covid have just about been resolved and in fact covid did bring some benefits to their small town in Suffolk which is reliant on tourism. The rise in staycations during the summer of covid meant more tourists in the town, which meant more people browsing the shops and buying more. "We make most of our money in the summer months,"



Clare explains. "The autumn is always a lull in sales and then it picks up for Christmas, but we have to make enough through summer to see us through." During Covid times this wasn't a problem as UK tourism was booming, but the stark difference between last year and this year, due to the cost of living crisis, is worrying. "A reduced footfall in the town is detrimental to our business," Clare says.

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>
> **SOURCE: THE AGRICULTURE AND HORTICULTURE DEVELOPMENT BOARD**



A NEW NORMAL

In the current climate price rises are inevitable. Businesses don't want to do this and many will put it off as long as possible, but many consumers who buy artisan cheeses understand the challenges faced by businesses operating in the sector.

"We are having to pass some of these price hikes onto customers, but we are also really aware that everyone is struggling so we are trying to absorb the increases where we can," says Jen Grimstone-Jones of Pangbourne Cheese Shop. "The majority of our customers are prepared to pay that little bit more for high quality and they would rather have less of something really nice than a lot of a lower quality product."

At Rowcliffe, one of Britain's leading importers and distributors of cheese and fine foods, they have an umbrella perspective on the cost of living crisis and how it is affecting all aspects of food production and distribution. "Fuel prices have a direct effect on transport costs and therefore on distribution costs, these drive-up production and distribution costs and hence lower profits for businesses," says Sunit Mehta, managing director. "Food businesses are being forced to pass on their rising costs to customers as they report being worse hit by inflation as compared to other businesses."

For many businesses, not putting up prices just isn't viable, but most will try to minimise this as much as possible. Online artisan food market, Yumbles, has seen this first hand. "Unfortunately, the price rises are impacting just about every cheese producer on Yumbles, across nearly every aspect of their production," says Katie Kitiri. "For example, cheese producer Godminster has reported packaging and raw material supplies have gone up in price, but that increase varies wildly depending on the supplier, between 15% to 57%. This is the same story affecting the vegan alternative producers on Yumbles too. This can be a particular challenge for small and artisanal producers and with such an extent in rises it is inevitable that some of the increase has to be passed onto customers. However, we have seen for now at least that most producers on Yumbles are sparingly rising prices, and where they are, they are often looking to add more value to customers in other ways."

The Cheese Lady has had a similar experience. "The rising costs of fuel and raw ingredients are definitely affecting the traditional cheese sector. However, so far we have been fortunate not to get too many price increases from the majority of our suppliers," says owner Svetlana Kukharchuk. But she knows it's only a matter of time before the issue does land on her doorstep. "It is inevitable and when our purchase costs rise, the increases will have to be passed on to customers."





A DAIRY FREE-FOR-ALL

One area of cheese production and sales that's been steadily increasing in demand is vegan cheese. As the number of consumers opting for a vegan lifestyle surge, so too does the innovation around this burgeoning sector – and the vegan cheeses available on shelves in 2022 are a far cry from the originals.

"We saw a huge drop in sales of vegan cheese during the lockdown periods," says Jen Grimstone-Jones. "Whereas we were selling more of everything else in the shop at this time, the vegan cheese sales fell off a cliff." But now everything is changing. Cheesemakers are perfecting their recipes and vegan cheese is not just good now, it's really good. It's a slow area of growth and many retailers are still finding it hard to sell, but the seeds that have been planted are starting to bloom. The global vegan cheese market size is projected to reach a CAGR of 16% during 2022-2028 according to Designer Women. It might feel like slow progress, but it's a safe bet for the future. "Sales have begun to pick up again but not quite to the same levels as we were seeing before," says Jen. "Our minimum order quantity has gone up with our vegan supplier so we often struggle to meet it, but we will only sell products that we would eat ourselves and at the moment we only sell KindaCo products." For other retailers it's all about choice and at Curd & Cure they've found the more varieties of vegan cheese they carry, from a wide range of producers, the better for the customer. "Vegan cheese is a market we have seen grow exponentially and anticipate this growth continuing," says Jessica Honey, commercial manager at Curd & Cure. "From when we first began listing vegan cheese around five years ago, the variety and quality has come on leaps and bounds. We now list around 50-plus varieties of vegan cheeses and alternative dairy products and have worked hard to find the very best producers in the country who are extremely skilled in what they do. Again, there are parallels with dairy cheese, and whilst we anticipate that consumers will be looking for options with lower price points, which we offer as part of this range, we are still seeing much demand for artisan, British produced vegan cheese which demands a higher price point."

It's a point Rowcliffe has seen in action. Whether the higher price of vegan cheese wins out with customers who have more focused needs, is yet to be seen. "Vegan cheese is very much a growing trend, but quality alternatives are expensive," says Sunit Mehta. "Therefore, we can expect a similar impact on sales to that which we have seen in dairy cheese."

THE GLOBAL **VEGAN** CHEESE **MARKET** SIZE IS **PROJECTED** TO REACH A **CAGR** OF **16%** DURING **2022-2028**

SOURCE: DESIGNER WOMEN

CUSTOMER SERVICE RULES

For businesses who are having to pass on price increases to the customers, the path ahead is paved with customer service.

At Slate Cheese the team is looking at ways to make browsing and shopping for cheese more of an experience to cater for the ever-more discerning post-Covid consumer. In our post pandemic times people want that human touch and a more personal service could be the key to navigating these choppy waters we are in. "With suppliers increasing prices and overheads and packaging going up, we are having to put prices up," says Clare Jackson. "We can't discount right now, so we're doubling down on customer service instead. We're perfectly placed to tell stories of local produce in Suffolk, and we can give out tasters while we talk about the journey of the cheese. People always get to taste before they buy in our shop."

Clare makes a point of looking for the positives and notes that people will be more likely to entertain at home during this crisis, rather than spending money on eating out. This means cheese businesses can diversify their range and offer more accompaniments to cheese. Sunit Mehta from Rowcliffe agrees. "Consumers will adapt their consumption in a variety of ways in order to save money including trading down, eating out less and buying more value range items." At Rowcliffe they see a range of possibilities for combatting the price hikes in the supply and production of cheese. "The introduction of smaller pack sizes is expected," he says. "Businesses are exploring alternative sectors and customers to help widen the market. Everyone will be trying to reduce and cut costs in other areas in a bid to avoid passing costs onto customers."



THE FUTURE OF SUSTAINABILITY

Being more environmentally minded is at the forefront of all food businesses, from cheesemakers to distributors and retailers, with many innovating and investing heavily in a sustainable future.

This is a smart strategy as it not only keeps the business more sustainable, it also cuts down on those rising fuel costs. It's something the cheese sector is seeing in all aspects of the business, from production right through to sales. By 2025 85% of dairy farmers will be following expert advice to optimise feed plans, which is directly linked to reduced emissions. Optimising feed plans also reduces waste, which reduces costs. At Curd & Cure they're also seeing the benefits of going green. "We work with our customers to ensure deliveries are kept to a minimum, delivering to specific delivery areas on set days of the week," says Jessica Honey. "We are also in the process of investing in new routing software to ensure our routes are planned as efficiently as possible. This will help offset the additional costs involved with transporting goods and ensure we are keeping our carbon footprint to a minimum.



Sustainability features heavily at the heart of all that we do, and this works hand in hand with efficiencies in delivering product. As well as ensuring we are constantly reviewing our own environmental impact, the partnership with more dairies helps to reduce their costs as deliveries are consolidated to us and delivered to the customer as part of a wider basket of products."

Jessica sees this push forward with sustainability as the path to the future of the business. It has a knock-on affect to all corners of Curd & Cure. "Sustainability within the business also links back to keeping our prices competitive, through initiates which limit waste such as upcycling products, including Stilton and Cheddar used in our Rescue Range Soups, working with Too Good To Go to create 'magic bags' containing end of shelf life products as well as working closely with our supplier dairies to monitor and manage supply and demand in real time across all product lines."

These initiatives fight back against the cost of living crisis in the same multi-pronged way as the crisis hits businesses. By using surplus ingredients in their Rescue Range they cut down on waste, and by working with Too Good To Go they claw back some of the costs that are lost in food waste. These savings feed back into the business and help Curd & Cure keep their prices at a reasonable level.

BY 2025 **85%** OF **DAIRY** FARMERS WILL BE FOLLOWING **EXPERT** ADVICE TO **OPTIMISE** FEED **PLANS**, WHICH IS **DIRECTLY** LINKED TO **REDUCED** EMISSIONS

SOURCE: DAIRY UK





SEARCHING FOR SILVER LININGS

The cost-of-living crisis isn't going anywhere anytime soon, and businesses have to find the chinks in the armour of this towering issue. There are many benefits to shopping small and as the trend for consumers to stay local continues, delis and farm shops can benefit from this. By continuing the valuable work they did during the pandemic, and continuing to innovate, there could be light within the darkness for indies.

Small town cheese shops and delis are perfectly placed to cut down on transportation costs. Locally sourcing directly from dairies and other nearby producers gives specialist retailers an edge over supermarkets in this crisis. Curd & Cure's Jessica sees a lot to be positive about amid the doom and gloom of the crisis. "Over recent years the support for British made cheese in the market has rapidly spiked. In response to this we have been able to partner with more up and coming dairies and connect them with our retailers and chefs. Despite the effects of cost of living and costs to business increases, we are confident that this support for British and artisan makers will continue. There will, of course, be consumers who choose this as a luxury. But we are confident that by having a wide variety of options and sharing the story of the producer, customers are happy to invest in their local and wider British economy and support these dairies."

At Country Cheeses in Topham, Essex, they see this crisis as an opportunity to build tighter bonds in their businesses and they remain positive about the future of cheese in the UK. "We can really focus our relationship building with our strong and very loyal customer foundation, who enjoy and will continue to enjoy the experience of our shops," says Gary Jungheim at Country Cheeses. Customer service and sustainability play a big part in the future of food businesses for Gary. "Customers can have as much or as little as they wish which has become more important now from a cost perspective, but it also helps when we're looking into reducing waste." So far they've been lucky at Country Cheeses and Gary is philosophical about the future. "We haven't noticed a change in shopping habits with our present customers, and we look forward to welcoming new customers who want to invest in a better product which returns more value in food, and social and economic terms alike. While prices will rise on all food, you get spades more return from artisan and small producers nearer to home."

For online retailers the benefits are clear. Not only do they bask in the absence of overheads and the minimising of the rising costs of energy, they can also offer a service to those customers who are choosing to stay at home more. As the staycation bubble withers a little because of costs, staying home might be where inroads can be made and online shopping could build back to pandemic levels. Although ultimately people want a return to their pre pandemic lives, the cost of living crisis is holding them back from fully embracing this. It does seem, however, that the desire to shop locally is strong, even if that is online shopping. Katie Kitiri from Yumbles online deli sees a lot of support for buying British. "While we have seen that demand for cheese has slowed down in the last couple of months, we are optimistic that ultimately the consumer trends towards quality over quantity and supporting small British businesses like those on Yumbles will prevail and sustain our fantastic producers in the tough months ahead."

Svetlana at The Cheese Lady agrees and believes it's the desire for good quality food that keeps customers coming back. "I'm sure that rising food prices have made some consumers hesitant to buy products that they would consider a luxury. The cost of living crisis is definitely a big concern for everyone, especially in the food sector. But I'd like to think that good wholesome food will always be in demand."

Looking ahead

Food services and businesses can take comfort from some encouraging statistics from the School of Marketing. Whereas in 2018-2020, 90.37 food businesses failed for every 100 that began, in 2020 to 2022 that figure fell to 80.51. It's a similar story in retail where the number was 79.75 in the years between 2018 and 2020 and 69.94 in the years 2020 to 2022. Although the current cost of living crisis is still playing out and the future is uncertain, many producers, distributors and retailers are seeing a lot to be optimistic about. At Country Cheeses building and maintaining relationships in the business at all levels is vital, and supporting each other has never been more important than it is now. "We have always been supportive of small, local, artisan makers and our future plan is to continue to do just that," says Gary. "We have extremely strong relationships with our cheesemakers based on years and years of close communication, regular visits to collect cheese, catch up and a mutual respect for a fine product. These guys are the future, not just for the cheeses they make but also for the jobs and local employment they offer too."

Such an uncertain future can make planning ahead feel precarious, but in a business where nothing is ever certain and in times where we have all learned to adapt, what the cheese sector has in abundance is resilience and determination. Gary from Country Cheeses believes history has a lot to teach us and that the traditions of cheesemaking and cheesemongering will prove to be the map that leads the cheese sector through this crisis. "The best way to plan ahead is by reflecting on the past and focusing on what's really important – tradition, quality, value for money and encouraging small scale food production. Less miles equals more food security. Artisan is always artisan, so even during difficult circumstances quality won't be sacrificed as it will in mass food production."

A wide variety of products and a variety of ways to sell it will clear a pathway through the fires for cheese businesses at all levels. As we move from covid to the cost of living crisis, the issues may change, but a response of flexibility and an ability to change with changing times, will bring light to the cheese sector in the UK. "It is undoubtably going to be a time of change," says Jessica at Curd & Cure, "but we are confident that by offering ranges which cater both to the more price sensitive end of the market, and those with a higher price point, with the quality, provenance, and story to back this up, retailers will be able to position themselves to ensure they are catering to a wider variety of needs. Britain now produces more varieties of cheese than France and with constant innovation in the market both in dairy and non-dairy, there is plenty to keep consumers engaged and excited in our flourishing industry."

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SOURCE: THE SCHOOL OF MARKETING


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