



Strategic diversification into export reaps rewards for OMSCo

- OMSCo is currently the only EU exporter of organic dairy products to the USA
- OMSCo members produce around two thirds of the UK's organic milk output, with anticipated turnover of £100m
- OMSCo expects export sales to grow to 20% of turnover, at a time when the UK dairy industry remains a substantial net importer
- OMSCo produces around just 2% of the UK's total milk pool, but made up about 15% of the UK's entire raw exports in 2010

Overview

British organic dairy co-operative, OMSCo, has unlocked additional profits and found a successful means of ensuring the support of its farmer members by diversifying into export.

OMSCo first identified opportunities to export raw milk to Europe in 2008. It was initially a tactical move to find an outlet for an excess of organic milk supply on the UK market, but when OMSCo identified a need in France for organic milk that complied with specific French organic standards and worked out how to produce milk on its farms to meet this standard, business boomed. Not only did demand from the continent help absorb the UK oversupply, but it paid more, and the 200-strong group of OMSCo farmers benefitted from an export premium as a result. This move got the management team at OMSCo thinking about how it could develop further export opportunities that paid a premium.

Going Global

Having established that the key to early export success in the EU was to farm in the UK to the standard required abroad, it was a natural next step to research the possibility of producing organic milk in the UK to meet the USDA 'NOP' organic standard. The USA accounts for 40% of worldwide organic sales, and was a market previously off-limits to EU organic producers. Being able to produce milk to the US standard was a massive challenge for UK organic dairy farmers, but one which was required to access the market. OMSCo set up a team in 2011 to establish production that met the requirements of the NOP standards, involving the investment of both time and money by the coop on members' farms. The milk produced to this new standard makes OMSCo unique in Europe as the only exporter of organic dairy products to the USA, allowing OMSCo to diversify its product portfolio. The result is OMSCo's first consumer product, Kingdom Cheddar, and a range of specialist organic dairy ingredients that can be used by food manufacturers to allow them to sell their products in the USA as organic.

Kingdom Cheddar – an artisanal, high quality Cheddar – is the only EU cheese that can be sold as organic in the USA. In 2014, Kingdom Cheddar was one of three finalists in the World Dairy Innovation Awards and has just been awarded a silver medal at the Royal Highland Show, which the coop expects to boost its growth plans for the brand in the years ahead.

The NOP-Compliant Dairy range of specialist organic dairy ingredients, such as milk powders, butter and cream, is aimed specifically at food manufacturers who wish to export organic products to the USA. In the market for just a few months, OMSCo is now selling NOP compliant dairy ingredients to customers worldwide.

OMSCo currently produces around 5% of its milk to the USDA NOP standard, and is expecting to double this by the end of 2014 to meet increasing demand. OMSCo's supplying farmers enjoy a premium of around 12% on their milk price as a result. Together with its traditional export business in Europe, OMSCo expects sales into export markets in 2014 to reach approximately £20m. This accounts for roughly 20% of OMSCo's total projected 2014 turnover – making OMSCo one of the most export-orientated dairy businesses in the UK at a time when the UK remains a substantial net importer of dairy products.

What's next?

The OMSCo business will continue to diversify into products and markets which can add value to its members' milk. Its recent successes in the export market are a good example of this, but there is more innovation in the pipeline to drive future growth in markets where demand for organic dairy products continues to show strong growth.



The natural and organic market in the US is forecast for strong growth over the next few years, growing to \$226bn by 2018 at a rate of 9% per annum – representing a huge potential export market for UK organic producers. This is an area OMSCo will continue to invest in going forwards.