

Quality milk-based ingredients from Germany



Photo credit: Credits Uelzena eG

Sweetened condensed milk reportedly has enormous potential, particularly in Indonesia.

In the course of 65 years Uelzena eG has established itself as a specialist for milk powders, butterfats, sweetened condensed milk and other dairy products. The cooperative, which is committed to paying stable litre prices, is now directing increased attention to internationalising its activities under the Uelzena Ingredients brand.

How can the litre price paid dairy farmers be kept stable in the face of rising milk production and how can imminent surplus capacity be put to good use? These were the questions facing dairy cooperatives in the German state of Lower Saxony when they founded Uelzena as an umbrella cooperative near Hamburg, back in 1952. Their stated aim was to guarantee dairy farmers in member

cooperatives a secure income by controlling looming overproduction. In the case of a fresh product like milk, the solution was obvious, namely: processing surpluses into skimmed milk powder ensured that the regional prices would not fall dramatically as a result of the increased supply. At the same time, this would enable processing even after the rather short shelf life of the original fresh milk.

Much has changed in the last 65 years, but not this fundamental principle. The number of members now totals eight dairy cooperatives; when the chairman of the board is counted as a compulsory member as provided in the by-laws, the number is nine. These cooperatives are still Uelzena's main suppliers – and owners. Today, they employ nearly 700 persons and the entire Group, which ranks among Germany's 20 largest dairies meas-

ured in terms of revenue, offers a broad range of products through its five subsidiaries and their brands plus two joint ventures.

This is not immediately apparent to visitors who come to Uelzen. When you walk out of the colourful railway station – which was remodelled by the artist Friedensreich Hundertwasser at the turn of the last century – in this small town of 33,000, what particularly catches your eye are the large processing facilities operated by Europe's second-largest sugar factory which is located here and the local plant of an international ice cream and frozen foods brand. Uelzena's premises themselves appear modest at first glance, but this can only be said of the height of the buildings, not their footprint which could be expanded directly on location thanks to the purchase of the adjacent property.

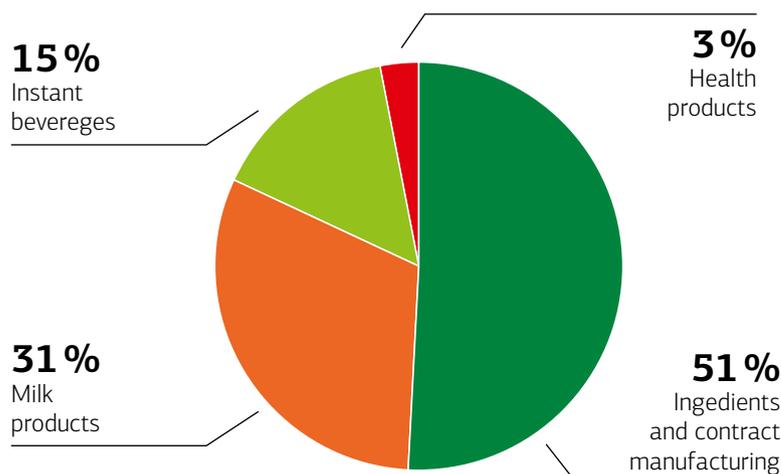
What visitors don't see here are the five other facilities in Warmsen, Saarbrücken, Ratzeburg, Bismark and Neumünster, and the network of dairy farms which belong to the umbrella cooperative through their own local cooperatives.

Under its Uelzena Ingredients brand, the cooperative offers a range of high-quality, dairy-based food ingredients and expertise in the area of milk fat processing. Its product portfolio includes milk powder (low-heat and medium-heat skimmed milk powder and buttermilk powder for chocolate and confectionery products), milk fats and sweetened condensed milk, various yoghurts and cream products as well as customised fat compounds and premixes. In addition to its ingredients business, the cooperative is a respected specialist of long standing for contract drying of natural colours, plant extracts and flavours as well as vitamins and minerals.

Altogether, 532 million kilos of milk were delivered by member dairies in the states of Lower Saxony, Saxony-Anhalt and Schleswig-Holstein and subsequently processed in 2016, generating revenues of €529 million. Ingredients such as milk powder, milk fat, sweetened condensed milk and cream, yoghurt and fermented milk products, and contract processing of customer raw materials accounted for more than half of this volume. The production and sale of milk-based products such as butter, butterfat and cheese represented a good 30%, instant beverages a further 15% and health products 3%.

These are the last performance figures Claus-Peter Witt is responsible for. He passed the baton to Jörn Dwehus at the general meeting on 30 June. The new CEO and chairman of the board had however already been designated at the beginning of the year and introduced himself at an internal works meeting and on the pages of the employee magazine. The 49-year-old agronomist noted that there will be no change in the company's focus: "This means continued

Uelzena – Revenue by division in 2016, percentage shares



Source: Uelzena eG

growth not only in the milk segment but also in the non-milk segment; growth that makes sure we continue to deliver a good performance. And not growth at any price, but only when it is gainful." Right from the start, long-term strategies have guided decisions at Uelzena, which counts approximately 100 corporate customers as its most important buyers. "We have worked closely with many of our customers for decades. We are quite proud of this fact. Their high standards and trustful sharing of information support our constant improvement", Uwe Radke, General Manager for Marketing and Sales for Uelzena eG and the entire Group, describes the cooperative's relationship with its customers.

At just under 72,000 metric tons a year, the milk powder segment alone accounted for nearly one third of product sales again in 2016. This was directly due to the founding of MTW Milchtrockenwerk Norddeutschland GmbH in Neumünster with three other industrial dairies for which Uelzena is in sole charge of marketing and sales. This is followed by the segment Butter, Butterfat, Premixes which generates just under 23% of total sales, followed by the Specialty Products segment with 20%. The Specialty Products segment focuses on instant drinks and health prod-

ucts, to name a few – products which can be produced with the help of Uelzena technology and expertise. By contrast, there has been a slow decline in cheese production which reports an annual output of approximately 30,000 metric tons, representing nearly 14% of the total sales. This is followed by the Delica-



The new man at the helm: Jörn Dwehus took over as CEO of the Uelzena Group in July.



Responsible for Marketing and Sales: Uwe Radke is proud of Uelzena's good relations with its customers

Uelzena – Product sales 2014-2016, by category, in metric tons and percentage shares

	2014		2015		2016	
Milk powder	31,120	17.4%	67,694	31.3%	71,706	32.4%
Butter, butterfat, premixes	48,998	27.3%	50,205	23.2%	50,638	22.9%
Specialty products	41,878	23.4%	44,379	20.5%	44,336	20.0%
Cheese	32,766	18.3%	31,102	14.4%	30,444	13.8%
Delicatessen / Sweetened condensed milk	24,529	13.7%	22,715	10.5%	24,134	10.9%
	179,291		216,095		221,258	

Source: Uelzena eG

tessen / Sweetened Condensed Milk segment with nearly 11%.

New markets, different products

"Cheese sales have particularly suffered in recent years as a result of the restrictions on exports to Russia", Uwe Radke told AMEFT at the Uelzena plant in late April. This and a decline in demand from China have affected other product lines as well. In response, he explained, the company is directing more attention to other markets and products, including Southeast Asia and the Middle East for the Milk Powder, Butterfats and Condensed Milk segments. "Our gently heated and barely denatured low-heat skimmed milk powder is perfectly suited for the recombination of milk and its processing into fresh dairy products, cheese and fermented products", said Bernd Gewecke, Sales Manager for Milk Powder. And Peter

H. Langner, Sales Manager for Milk Fat, added that "using a unique fractionation technology, hard stearins are separated from soft or liquid oleins, and the individual fractions can be recombined into a wealth of products. Defined melting points, degrees of hardness as required or a certain melting behaviour to meet our customer's specifications are possible upon request."

In addition, the subsidiary Warmsener Spezialitäten GmbH is specialised in the production of sweetened condensed milk (including a caramelised variant). These products are available with various fat levels and dry matter content and can be optimised according to the customer's needs. "The production process ensures an excellent dispersal of lactose," explained Johannes Rother, Sales Manager at Warmsener, "and therefore perfect product

crystallisation. Viscosity parameters can be adjusted as requested and powders or other ingredients can be added." In Uelzen they can also draw on the knowledge of another expert for foreign regions: Wolf-Dieter Borawitz is the halal officer for all five of the Group's production facilities and can look back on 25 years' in-house experience in sales. "The biggest challenge", he explained, "was finding the right certifier: there are more than 400 organisations involved in halal certification around the world". These organisations, he noted, are all recognised to different degrees. A further factor is the differences in the regulations in individual countries which are sometimes suspected of pursuing protectionist trade policies (see AMEFT I/17, p. 25-26). Johannes Rother concluded the first contracts for his purview in the Middle East and Southeast Asia back in 2015 and 2016: "Condensed milk has strong potential, especially in Indonesia." New customers in new regions – each with their own particular flavour preferences – can rely not only on the Group's many years of experience with customised ingredients but also on the guaranteed freshness of the raw product – milk – which always comes from farms located no more than 150 kilometres from the individual processing plant.

At GMF in autumn

"In light of this we will be making our first appearance at Gulfood Manufacturing in Dubai this autumn", Anja Brand, Product Manager for Ingre-



Peter H. Langner, Sales Manager for Milk Fat, will represent the Uelzena Group at GFM ...



... together with Johannes Rother, Managing Director at Warmsener Spezialitäten GmbH



Knows his way in the thicket of halal regulations: Wolf-Dieter Borawitz



Photo credits: Credits: Uelzena eG

A spray tower with fluidised bed is used in Uelzen for spray-drying operations.

dients, announced, adding, "we will be participating under our umbrella Uelzena Ingredients logo", irrespective of which product, subsidiary or brand is involved. At the same time, the geographical location is facilitating the collective's internationalisation: the container ports in Hamburg, Rotterdam and Antwerp are close-by and easy to reach. This does not however mean that the current shortage of transport capacity does not pose a challenge for the milk experts from Uelzen. The solution, according to Peter H. Langner, includes introducing the use of the Spacecraft freight box with an integrated heating mat which enables longer transport times. In view of the targeted halal certification requirement for containers on cargo ships, Wolf-Dieter Borowitz is already wondering how the transport industry will respond without creating further bottlenecks.

In addition, the city of Uelzen can draw on centuries of experience with international trade. In fact, beginning last year it can once again use the official designation "Hanseatic City of Uelzen": in the year 1374 local

merchants of the town, founded in 1270, attained membership in the Hanseatic League which had been established two centuries earlier to protect the economic interests of the trade guilds in northern Germany. At times, the Hanseatic League counted up to 300 cities, with Hamburg and Lübeck being the best known among them. Thus, you could say that looking to faraway countries is part of Uelzen trade and industry's DNA. And this step could open up new

sales markets with the potential to ensure that German dairy farmers belonging to the member cooperatives in Lower Saxony, Saxony-Anhalt and Schleswig-Holstein continue to receive a fair litre price for their milk, despite the end of the European Union's milk quota and the trend toward ever-lower retail prices that is being driven in Germany by discount supermarket chains. Thus equipped, Uelzena, now 65 years old, has its eyes not on retirement but the future. |

Subsidiaries and brands:

- Altmark-Käserei Uelzena GmbH (butter and cheese)
- Hoche Butter GmbH (Buvita blended spreads, Buti concentrated butter for industrial users, Hoche Butter butter specialties for bakeries and patisseries, Uelzena butterfats)
- H. Schoppe & Schultz GmbH & Co. KG (Grubon instant beverages for vending machines, Scho premium drinking chocolate specialties)
- Trilactis GmbH (Trilactis butter specialties, butterfats, cheese products for bakeries, patisseries and butcher shops)
- WS Warmseiner Spezialitäten GmbH (sweetened condensed milk, delicatessen cream, and yoghurt products)

Participating interests and brands:

- DFF Dairy Fine Food GmbH (markets Butaris concentrated butter for the retail market)
- MTW Milchtrockenwerk Norddeutschland GmbH (produces and markets skimmed milk powder)

Business divisions:

- Dairy Products, Ingredients, Instant Beverages, Health Food