

WHITE PAPER

The outlook for the dairy market

Capturing opportunities in a
complex regulatory environment





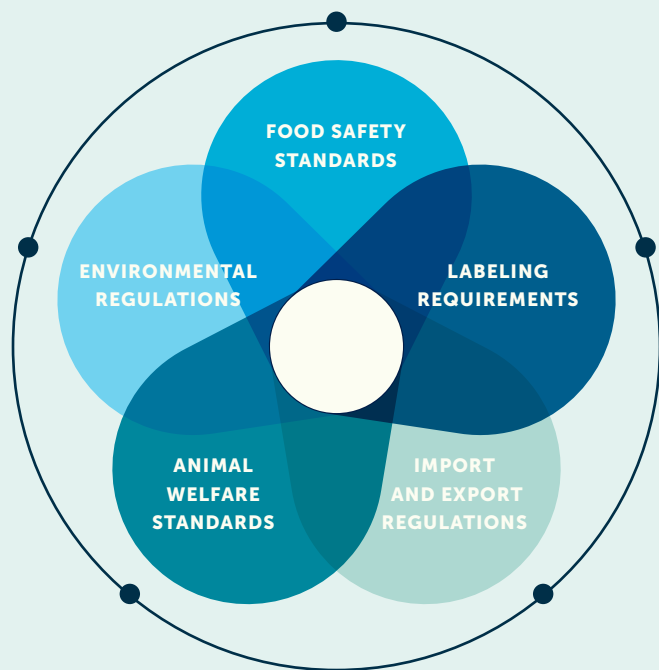
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Introduction:

A highly regulated international market

Dairy represents a growing opportunity in the CPG business, but there are serious regulatory factors to consider.



Dairy consumption is on the rise.

One OECD-FAO report projects that global consumption of fresh dairy products will increase by 1.2% per capita every year through 2030. The study also predicts that changing trade environments could substantially alter the flow of products. Dairy producers that deliver high-quality milk products aligned with the latest national and international standards will be poised to capitalize on these trends. But that depends on proactively addressing key regulatory influences.

Food industry regulations typically operate at the national level, but they often have worldwide effects. While some countries are active regulators, others don't have strong food law frameworks in place. In those cases, wider efforts are underway to help dairy producers navigate compliance, and these can serve as general guidelines.

For example, the Codex Alimentarius represents a significant collection of standards, guidelines, and codes of practice established by the Food and Agriculture Organization (FAO) and the World

Health Organization (WHO). It addresses a wide range of dairy industry topics, including food safety, quality, and labeling specifications designed to promote fair trade standards and consumer protections on a worldwide scale. In turn, these guidelines have profound effects on markets and the flow of products.

A complex regulatory environment presents plenty of challenges for dairy producers and CPG manufacturers:

- **Locating regulatory information from different sources in diverse formats and languages**
- **Adapting in real-time to changes in laws and policies**
- **Carefully analyzing regulatory access requirements before introducing products to new markets**
- **Coordinating globally dispersed regulatory teams**

This white paper will help you understand some of the key regulatory concerns facing dairy producers. It provides advice for addressing those concerns and discusses technology choices that can help you make the most of a promising dairy market.



Countless agencies protect consumers worldwide. Meeting their standards keeps your products on the shelf.

The European Union's hygiene regulations and the Food and Drug Administration's (FDA) standards in the United States are just two examples of regulatory frameworks that institute food safety regulations for the dairy industry. These authorities are good indicators of the kinds of regulations you'll need to follow — and the variance between different geographical authorities.

Food safety standards by region

The EU's regulatory framework is robust. Legislation like Regulation (EC) No. 853/2004 outlines specific hygiene requirements for food that originates from animals. These regulations mandate strict hygiene practices at every stage of dairy production, from the milking process itself to final packaging. The EU also requires providers to implement Hazard Analysis and Critical Control Points (HACCP)

principles, conduct regular hygiene audits, and maintain detailed records to demonstrate compliance with its standards.

The FDA plays a similar role in the United States. Its Grade A Pasteurized Milk Ordinance (PMO) establishes a set of minimum standards and requirements regulating the production, processing, and distribution of milk and milk products. Those include cleanliness laws that dictate thorough sanitization practices for equipment, facilities, and vehicles. Unlike their counterparts in the EU, US producers are also responsible for ensuring all milk products are pasteurized.

A multi-regulatory environment

Adhering to multiple regulatory standards in different geographies is as complex as it is essential. Dairy producers tend to employ localized regulatory compliance teams, consulting services, or technology solutions that help them keep pace with evolving regulations.

It might seem burdensome, but it's worth the effort. Failure to keep up with regulatory demands can lead to negative outcomes both legally and commercially.

Disregarding regulators can lead to damaging penalties and product recalls, while breaching the trust of consumers harms your revenue and erodes brand trust.

It's in your best interests to put strict hygiene procedures in place, keep processing facilities clean, and closely monitor the quality and safety of your products to guarantee consumer health and loyalty.

Food safety standards

Labeling requirements

Labeling is an essential part of regulatory compliance and consumer transparency.

Labeling requirements are a crucial part of any country's consumer protections. They ensure dairy producers maintain transparency, represent their products accurately, and mitigate legal risks associated with misinformation. These requirements typically require ingredient lists, nutritional data, and allergen warnings.

In many regions, ingredient lists are responsible for detailing every component used in a product's formulation. That transparency enables informed choices for consumers, especially in a world of increasing awareness around dietary restrictions, allergies, and personal preferences. Nutritional information like calorie content, macronutrient composition, and vitamin and mineral details help your customers understand and assess the nutritional impact of dairy products on their diets.

Consumer transparency and regulatory compliance

As a dairy producer, you need to ensure your packaging and labeling comply with these regulations to inform consumers accurately and avoid regulatory non-compliance.

For dairy consumers, allergens are a particularly relevant issue. Substances like casein, whey, and lactose are common allergens and sensitizers, and milk itself is considered a global major allergen source. Diligently identifying these substances will prevent adverse and unexpected health outcomes for your customers. That ensures consumer safety, avoids litigation, and protects your brand. At the same time, ensuring you comply with labeling regulations protects you from regulatory penalties, recalls, and losing access to valuable markets.

It's helpful to invest in robust quality assurance processes that include label verification and review procedures differentiated by region. Enacting these practices protects you against both brand and regulatory risk by ensuring compliance and accounting for evolving standards. Given recent consumer trends in health consciousness, you might consider going above and beyond the strictest labeling guidelines to highlight your products' quality and nutritional benefits.

Ultimately, whether you're accommodating consumers or regulators, accuracy and transparency are essential.



Import and export regulations

Trade agreements and tariffs make importing and exporting dairy products between countries or regions a complicated affair.

Import and export dynamics determined by international trade agreements significantly influence the dairy industry. They have the potential to substantially impact your competitiveness based on your products' countries of origin.

Trade agreements can be as simple as bilateral accords between two neighboring nations or as complex as continent-spanning multilateral trade pacts. Famous examples of multilateral pacts include the US-Mexico-Canada Agreement (USMCA) and the Comprehensive Economic and Trade Agreement (CETA) between Canada and the EU.

Trade agreements: Mixed blessings

Typically, trade agreements open up new opportunities for their participants to export products into new markets and can be mutually beneficial for all parties. One major benefit comes in the form of reduced or eliminated tariffs, the taxes imposed by one country on goods and services imported from another. Tariffs typically

arise out of trade disputes or protectionism, and reducing or eliminating them undoubtedly makes it easier to do business in a foreign country.

On the other hand, trade agreements can also intensify competition between foreign producers. If you gain access to a new market as a dairy producer, you may be entering a crowded field populated by trusted brands — who now have access to your market as well. In addition to new competition, you'll be responsible for coming to terms with new regulatory frameworks and standards.

Whether your business thrives in a new market depends on careful preparation and a strategic approach to globalized market dynamics. Changes to import and export regulations aren't under your control, but keeping a diligent eye on international regulatory news will help you anticipate their impact and plan proactively for new markets, new regulations, and new competitors.



Animal welfare standards

Dairy consumers care about how producers treat animals, and so do regulators.

In contrast with plant-based agricultural producers, dairy suppliers carry the added burden of animal welfare. Standards for the treatment and care of animals encompass all aspects of responsible animal husbandry, including housing conditions, feeding, and veterinary care. To avoid penalties, disruptions to market access, negative press, and loss of consumer trust, dairy producers need to adhere to strict rules around the treatment of the animals at the core of their businesses.

The complexity of animal care

Some regions may be subject to complex and overlapping spheres of animal welfare legislation. The US is a good example. While the United States Department of Agriculture (USDA) maintains and enforces federal regulations, individual states have also put their own legislation in place. California, for example, passed Proposition 12 in 2018. This

legislation establishes confinement practices and space requirements for farm animals in an effort to improve their welfare.

Maintaining these standards often requires extensive investments in animal husbandry infrastructure to accommodate comfortable housing, adequate exercise and rest, proper nutrition, and necessary veterinary services. Staff need training to ensure they're up to date on humane livestock handling practices.

Regardless of your jurisdiction, it's imperative that you thoroughly survey the relevant regional, national, and intranational regulatory environments and review your practices against ongoing legislative changes. Otherwise, you risk financial penalties and disruptions in supply.

Compliance professionals with localized expertise are major allies in these efforts. PLM software that maintains an extensive database of regulations can also help you keep up with regulatory changes as they occur.



In the midst of increasing environmental awareness, dairy providers need to balance production and the needs of the planet.

Regulators require agricultural businesses of all kinds to adhere to strict environmental standards, and dairy is no exception. These efforts largely aim at combating climate change, but environmental contamination is also a primary focus. For dairy producers, environmental regulations chiefly concern waste management, farm run-off, and greenhouse gas emissions.

Targeted solutions for global problems

Regulations that target environmental contamination often center on water sources. In some jurisdictions, dairy farmers are responsible for implementing beneficial land management practices like riparian planting along riverbanks to prevent runoff. Solutions as simple as fencing can prevent livestock from accessing and polluting bodies of water.

Greenhouse gas reduction tends to center on two main aspects of dairy production: methane output

from livestock itself and emissions associated with physical operations and transport. Dairy producers may be required to reduce livestock-driven emissions through improved feeding practices and dietary changes, methane inhibitors or modifiers, and manure management. To reduce carbon emissions associated with fossil fuels, regulatory frameworks are beginning to incentivize renewable energy or demand that producers enact the latest energy conservation practices.

Your environmental protection measures depend on the jurisdictions where you operate, and it will take a concerted effort to maintain visibility into the relevant regulatory frameworks. Mitigation efforts tend to involve renewable energy sources, production techniques, nutrient management plans, and precision farming.

Fortunately, many of these efforts produce better outcomes for both the health of the planet and the quality of your products. Committing to improved environmental practices will play a key role in the long-term viability and growth of the dairy business.



Environmental regulations

Conclusion:

Navigating regulations with Trace One solutions

Technology solutions can help you streamline your work and meet your regulatory obligations.

Consumers are becoming more knowledgeable, and regulatory demands are increasing in scope and sophistication. As a result, dairy producers will increasingly rely on technological solutions to ensure their products meet customers' expectations for transparency and reflect the highest food quality and safety standards. Accessing, managing, and updating all product data directly by mapping it through a single source of truth can help your business navigate the dairy market's complexities.

Trace One solutions provide the data integration you need to support safe, high-quality dairy production and stay ahead of evolving global regulations.



Trace One Devex PLM boosts the visibility, harmonization, validation, and traceability of product data at each stage of the product lifecycle.

That helps you maintain strict control over your products and align them with national and international regulations. As a result, you can both accelerate time to market and ensure compliance with all relevant standards.



Trace One Regulatory Compliance delivers dairy regulatory data for 173 countries to help you continually monitor compliance and gain

insights into new market and product development initiatives. It also provides 24/7 regulatory monitoring that enables real-time review of new requirements and standards.



Trace One regulatory consulting services can support your compliance efforts through expert advice and guidance. Our experienced regulatory

professionals deliver product compliance assessments, business process optimization, and labeling support to ensure you align with relevant standards in your operational regions.

Master regulatory compliance

to gain a competitive edge
in the dairy market

Remaining competitive in a growing global market requires a keen understanding of international regulations and the agility to react to evolving standards. With the right technology and expertise on your side, you can capitalize on industry growth while providing safe, compliant, and high-quality dairy products to consumers.



Interested in learning more?

Book a guided demo today

Trace One is a global leader in PLM and compliance solutions in the process-based manufacturing and retail CPG space. With more than 30 years of industry expertise, we deliver innovative and scalable solutions that support the entire product manufacturing lifecycle and equip our customers to thrive in new markets. Serving more than 9,000 brand owners worldwide, Trace One is committed to delivering the best in every aspect of business, including solutions, data standardization and access, customer success, and social and environmental responsibility.

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