

Fiscal year 2022 – A year full of challenges for Appenzeller[®] cheese

28 April 2023, Appenzell *** Fiscal Year 2022 was an exceedingly challenging one, characterized by various external factors and events that had a cumulative negative impact on sales of Appenzeller[®] cheese, particularly in the export markets. A broad-based communication and sales promotion program mitigated the negative development on the domestic Swiss market to a certain extent. Christoph Holenstein, Director of the Sortenorganisation (consortium), is stepping down after eight years at the helm. Rudolf Hegg assumes responsibility for the organization.

After sales in November and December 2021 were already below the comparable months of the previous year, the first major setback came with the exceptionally weak Christmas business, which fell considerably short of expectations. The order situation recovered somewhat in February 2022, but then the Russian-Ukrainian war broke out. The economic consequences were severe: rising energy and fuel prices in Europe and intermittently overseas, a massive surge in inflation in the euro zone with inflation rates of up to 10% in Germany, the most important export market for Appenzeller[®] cheese. This was compounded by the collapse of the euro in relation to the Swiss franc, which triggered a further price surge. This period, characterized by uncertainties and fears, led to depressed consumer confidence and a strong purchasing reluctance. This was particularly true in regard of our neighbor to the north.

High inventories and production restrictions

Against the backdrop of these dramatic events, it is hardly surprising that export volumes suffered a major setback in fiscal year 2022, falling from 5,108 metric tons in the previous year to 4,456 metric tons (-12.8%). Once again, the high degree of dependence on the German market, which accounts for the lion's share of exports, was clearly evident. The domestic market was able to cushion the sharp drop in foreign business somewhat with marginal growth from 4,458 metric tons in the previous year to 4,567 metric tons (+2.4%), but was far from able to compensate for this, with the result that there was an overall significant decline in sales of 543 metric tons to 9,023 metric tons (-5.7%) compared to previous year. The critical market situation led to high inventories, which subsequently had to be reduced by severe cutbacks in production, so that production dropped by 13.1% from 9,743 metric tons in fiscal year 2021 to 8,462 metric tons in fiscal year 2022. As a result, it was impossible to produce according to monthly budgets in the fiscal year 2022.

Development of the individual business areas

The biggest production losses due to the poor overall market situation were recorded at the standard full-fat range, where production fell from 8,855 metric tons in the previous year to 7,592 metric tons (-14.3%) in 2022. Positive: The Appenzeller[®] Purple Label continued to grow in high single digits despite the difficult market environment.

Appenzeller[®] White Label proved to be resistant to the crisis and, at 310 metric tons (-1.3%), nearly matched the previous year's result of 314 metric tons. Further growth potential can be foreseen here for the future, as new listings in other export markets are already pending. Appenzeller[®] for Raclette also performed well, increasing by as much as 8% over the previous year to 121 metric tons.

Growth in this segment came primarily from the export markets, notably from France and the Benelux countries, where Appenzeller[®] for Raclette is sold in upscale retail outlets and specialized independent stores.

For the first time after several years of undamped growth, Appenzeller[®] Organic suffered a slight decline in production from 414 to 405 metric tons (-2.2%), yet managed to maintain a production level of over 400 metric tons. In the case of Appenzeller[®] Organic, a great deal of positive progress was made in the area of availability, particularly in Germany, with the result that Appenzeller[®] Organic was offered at many more cheese counters in the reporting year than in the previous year.

Summary: European market cluster risk, development of overseas markets

The fiscal year 2022 clearly demonstrated how heavily Appenzeller[®] cheese is dependent on the European export market in general and on the German market in particular. As the single currency, the euro (EUR) per se represents a serious cluster risk. The development of overseas markets will therefore help the Appenzeller[®] cheese consortium to support its business more broadly and provide greater stability in the long run.

Versatile communication and sales measures

The Sortenorganisation addressed the declining overall market trend in 2022 with a wide-ranging communication and sales promotion program. In Switzerland and Germany, the Sortenorganisation relied primarily on TV advertising with spots featuring the brand, and in Switzerland also with product spots for Appenzeller[®] White Label and Appenzeller[®] Fondue. In addition to year-round billboard advertising, this ensured diversity and awareness in the communication mix. Other than that, event marketing by means of tastings/demos, trade fair participations and other events in the two core markets Switzerland and Germany were again used to greater effect in 2022. These overarching measures were supplemented by numerous channel-specific activities implemented with our retail partners in Switzerland and abroad. Those activities also helped to mitigate the downturns to a certain extent.

Rudolf Hegg succeeds Christoph Holenstein as Managing Director

Christoph Holenstein, who has prudently managed and further developed the Appenzeller[®] Sortenorganisation over the past eight years as Managing Director, is embarking on a well-deserved retirement after nearly 30 years of service. At the General Assembly of April 28, 2023, Rudolf Hegg, the current Vice Director, was elected as his successor. Rudolf Hegg joined the consortium in October 2018 and was previously Head of Marketing and Market Development. At the same time, Pirmin Baumann was elected as the new Vice Director. Pirmin Baumann has also been working for the consortium for over two years as Head of Quality Management and brings with him a comprehensive range of experience in the field of milk processing.

Link to download pictures: <https://transfer.contexta.ch/s/xAbkN5YMWpS8bGR>

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