

by A. Elizabeth Sloan

Dairy's New Dynamics

With rising commodity costs cutting into profits, retailers are looking for innovative new products to lure even cost-conscious consumers to the dairy case. According to *Progressive Grocer's* October 2008 "Dairy Operations Review," two-thirds are seeking foods/drinks that address consumer health concerns; 41% want more natural and organic products; 25% seek fresher products; and 12% want more functional items.

Grocers reported that healthy items equal healthy sales: 79% cited yogurt as the fastest-growing dairy item in 2008, followed by natural cheese/cheese snacks. New flavors/functional additives put milk in third place. Cheese was the most profitable, cited by twice as many grocers as second-ranked yogurt.

More exotic flavors, new ethnic forms of traditional dairy foods, and unique add-ins and textures are surefire ways to grab shoppers' attention now that hard times are causing consumers to look for more unique experiences in everyday foods. While wild flavors and creative mix-ins have been the name of the game in the ice cream world, sales of Italian gelato and sorbets are coming on strong. Indian lassi, Finnish/Russian kefir, and Greek-style yogurts are also gaining traction in the U.S. market, as are rice, oat, and almond milks—served hot or cold. In Europe, the addition of seeds, nuts, and

grains are creating interesting textures and a new category of grab-and-go breakfast yogurts and beverages.

With snacks accounting for more than half of all growth in the restaurant business in 2007, dairy snacks such as Wells' Dairy *Blue Bunny Double Ice Cream Bars* in *Banana Split* and *Peanut Butter Cup* flavors are well positioned to become a drive-through favorite. The rise in brown-bagging—with yogurt ranking fourth in women's lunchboxes and sixth

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in men's, according to the NPD Group, offers an opportunity for dairy product sales growth.

Other innovative ideas include flavored butters (think mustard seed or hazelnut); dessert yogurts layered with cake that can be inverted into an attractive, sauce-topped treat; and yogurt drink packs that can fit in kids' pants pockets. Lastly, with high-spending boomers the top purchasers of specialty cheese, the most interested in local foods, and the last generation raised on Continental cuisine, classic European cheeses produced by American artisans should have very strong appeal.

Frequent shoppers in the dairy department rank no hormones/antibiotics second only to freshness as the most

important factor affecting their purchase decision, according to the International Dairy-Deli-Bakery Assn.'s (IDDBA) 2008 *Health and Wellness: The Purpose-Driven Consumer* study. Half (50%) are very concerned about hormones/antibiotics; 44% have such concerns about *trans* fats; and 37% seek no additives.

With FMI's 2008 *Shopping for Health* survey reporting that 59% of families are trying to regularly buy low-fat/fat-free dairy products, clearly

2008, according to ACNielsen's *LabelTrends*. IDDBA reports that while 42% of shoppers were aware of probiotics, 74% were familiar with the descriptor live active cultures.

High-satiety dairy products, such as Dannon's *Light & Fit Crave Control* yogurt, are a new weapon in the war on weight. With FDA approving conjugated linoleic acid (CLA) for use in foods in August 2008, dairy foods that help to burn fat and build lean muscle mass will soon become a reality.

reduced-fat, light, and lower-sugar dairy foods will quickly become the norm. Almost 60% of frequent dairy shoppers say that added nutrition claims such as vitamins, fiber, etc., are important. Antioxidants, vitamin D, omega-3s, fiber, and DHA in children-directed products are among the latest wave of dairy nutrient additions in the United States. Globally, fast-emerging nutrient trends include high-protein dairy products; heart-healthy, high-magnesium milks; milks that are very high in calcium for serious bone issues; lactoferrin-fortified milks; milks positioned for specific growth stages of infants/toddlers; and broadly fortified yogurts.

Sales of U.S. products carrying a probiotic claim crossed the \$1 billion mark in April

Daily dairy-based health "shots" in little bottles—many of which offer digestive or cholesterol-lowering benefits—are another hot category. Blood pressure-lowering milks and cholesterol-lowering yogurts are in widespread use around the world. The potential for milk bioactives is unprecedented. These compounds are associated with benefits that include increasing absorption of major fortification nutrients; boosting immunity; promoting anti-aging and anti-inflammatory actions; enhancing sports performance; and supporting bone, gut, and dental health. **FT**



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