

Change Language:

Dairy Foods

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Culture is King

Cultured dairy products proliferate; cheese, ice cream eye greater sales opportunities.

THE CULTURED category is made up of yogurt, cream cheese, cottage cheese, dairy dips and sour cream. Yogurt often dominates the conversation, thanks to Greek yogurt and the like. But, for once the story in cultured dairy products isn't all about yogurt. Cream cheese and cottage cheese are trying to bring the attention back to them with innovative new products, capitalizing on trends like savory flavors, snacking products and emphasizing protein. These are trends that are showing up across the cultured aisles.

Yogurt's popularity remains strong. Its versatility is on full display as food processors display increased interest in Greek yogurt especially, which they pair with cream cheese and hummus in dips. Greek yogurt's success continues to inspire the category, bringing more interest for other styles of yogurt, as more Australian-style and Icelandic yogurt products hit the market. Drinkable yogurts are gaining steam as the snacking trend takes hold and consumers look for easier, on-the-go quality protein options.

The cultured landscape is changing and processors have a unique opportunity. By thinking outside the box, by creating more hybrid products (like Greek yogurt cream cheese or dairy dips with yogurt, etc.), and by continuing to innovate with flavors/products, processors can bring consumers attention back to the entire category by giving them what they want — quality protein, easy snacks, convenience and a good, clean nutritional profile.

During the last five years yogurt production has continued to climb, according to the US Department of Agriculture's National Agricultural Statistics Service, increasing from 4.1 billion pounds in 2010 to 4.7 billion pounds in 2014. More recently, yogurt category dollar sales grew 3. 2% to \$7.4 billion, while unit sales were at a standstill, according to Information Resources Inc. (IRI), Chicago, for the 52 weeks ended Aug. 9, 2015.

According to Chicago-based Mintel, spoonable and drinkable yogurt segments are both expected to see growth through 2020, though sales for spoonable products are seeing a steep slowdown from preceding years. Yogurt drinks' growth rate is forecast to stay ahead of spoonable yogurt as the novelty of Greek yogurt subsides. While consumers' interest in Greek-style products will remain, other yogurts are headed into the spotlight to help support yogurt's long-term future growth, states Mintel in its "Yogurt and Yogurt Drinks, U.S., August 2015" report.

The Mintel report further noted that "the yogurt category is primed for growth, even as it experiences a slowdown from Greek yogurt's fading novelty. Interest in health will allow for continued positive performance at a steady growth rate."

Bellevue, Wash.-based The Hartman Group offers another view on this, pointing to the premium side of the category. The company said that the premium yogurt category is poised for continued growth, even as the base category flattens out or declines in terms of volumetric growth, and it cited three main reasons:

First, there is a strong stable of growing, early-stage brands trading at low distribution levels. Second, premium yogurt has a large number of \$1 million+ early-stage growth brands across the United States. Finally, premium growth is more or less constant in the non-measured channels (e.g., Whole Foods Market, Trader Joe's, natural/specialty).

The Hartman Group noted that the premium category had seen two historical waves — Natural/Organic and then Greek— and now it's poised for a third wave: Further specialized yogurts (indulgent, medicinal and nutritional).

The group breaks down four areas of innovation: super-indulgent full-fat yogurt brands; high-density probiotics; more targeted nutritional profiles (high-protein and low-sugar, for example); and alternative textures/styles (think Aussie- or Icelandic-style).

Beyond protein, the conversation in yogurt and other cultured products has turned to how can processors make them more functional (like adding grains, seeds, probiotics and vitamins); and how can they keep a clean label. Clean, functional ingredients and knowing the story behind the company (where is the food coming from), are top-of-mind for many consumers.

Chobani, Norwich, N.Y., was one of several companies to add grains. Last year the company created a line of Greek yogurt with fruit and whole grain steelcut oats. This year's extension, called Ancient Grain Blend, mixes Greek yogurt with steel-cut oats, quinoa, chia, buckwheat and fruit. Flavors include Raisin Brown Sugar and Oats Peach.

Yoplait (a brand of General Mills, Minneapolis) focused on functionality with its new Greek yogurt line called Plenti. The yogurt is made with fruit, seeds (flax and pumpkin) and whole grains. It contains a 1:1 sugar-to-protein ratio (12 grams of each). All colors, flavors and sweeteners are derived from natural sources.

Say "Cheese"

Snacking, convenience and hybrid product innovation are dominating the cheese market right now. As busy consumers replace more meals for more frequent snacking, cheese producers have a unique opportunity to innovate and expand their market.

Cheese production increased from 10.4 billion pounds in 2010 to over 11.4 billion pounds in 2014, according to the USDA's National Agricultural Statistics Service.

Based on the numbers and product innovation, consumers still prefer natural cheese over processed. The natural cheese category saw dollar sales jump 6.5% to \$12.7 billion, with units up 2.8% to 3.6 billion, according to Information Resources Inc. (IRI), Chicago, for the 52 weeks ended Aug. 9, 2015. Meanwhile, the story hasn't changed much for processed cheese. While the category's dollar sales dropped only 0.2% to \$3.1 billion, the units were down 5.3% to 836 million.

According to a Mintel survey, the top reasons consumers buy cheese is because it's affordable and made with high-quality ingredients (both men and women 53%). Men (58%) are significantly more likely than women (48%) to indicate high-quality ingredients are a purchase driver.

Mintel noted that nutritional motivations also are popular — 46% buy cheese to increase their calcium intake, while 45% buy it to increase their protein intake. Manufacturers should tout these claims and make them even more top of mind for consumers, especially as interest in high-protein foods remains on trend.

“[Consumers] want bold flavors and convenient products that offer the protein they need to fuel them throughout the day,” said Barbara Gannon, vice president of corporate communications, Sargento Foods Inc., Plymouth, Wis.

Sargento answered the call for more protein and good on-the-go snacks, with its launch of Balanced Breaks earlier this year. The snack packs feature a combination of natural cheese, roasted nuts and dried fruits, in flavor varieties like Natural White Cheddar, with sea-salted almonds and dried cranberries. It has 7g of protein per pack.

Borden Cheese, Kansas City, Mo., created a similar concept, which is made and distributed by Dairy Farmers of America, Kansas City, Mo. The company introduced Good2gether snack trays, a portable pack that combines natural cheese and mini-twist pretzels in a prepackaged container. It contains 11 grams of protein per serving/package. Flavor varieties for the cheese cubes include mild or sharp Cheddar and Pepper Jack cheese. The package also features an easy-to-peel-back lid, adding to the convenience.

The hybridization of snacks is a response to a shift in consumers' eating habits. Instead of the “three square meals and a snack” pattern, consumers now snack between meals, with meals and instead of meals, according to Mintel's Snacking Motivations and Attitudes, U.S. 2015.

Hybrid snacks – those that combine foods not traditionally eaten outside of the meal occasion – are becoming more popular as consumers' snacking and meal-time food choices blur, according to Mintel. These new snacking patterns give manufacturers broad latitude to integrate a number of different foods into the snack occasion.

Reichel Foods, Rochester, Minn., introduced a new snack called Pro2snax. The single-serve package features fresh produce paired with a healthy protein, like cheese. Initially, the product is available in two varieties, sliced apples and mild Cheddar cheese and Gala apples and almonds. A package of the cheese variety has 4g of protein.

Alongside these snack pack options, other processors have introduced mini varieties or convenient packaging for its cheeses. The smaller sizes play into a desire for portion control as well.

Ice Cream Embraces Health

The ice cream category shares many of the same themes seen in other categories of dairy foods and beverages. Manufacturers are experimenting with new flavors and inclusions, they are cleaning up the ingredient statement, and addressing consumers desires for portable, on-the-go formats. And, of course, ice cream manufacturers face fierce competition for shelf space in the frozen dairy case.

Perhaps the biggest obstacle is consumer demand. Americans don't buy as much ice cream as they used to and manufacturers aren't making as much anymore. Ice cream production hit a five-year low in 2014 and the numbers for 2015 aren't looking any better. Through August, production was down 0.8% compared to the previous year, to 525 million gallons, according to the National Agricultural Statistics Service of the US Department of Agriculture. Annual consumption, as measured by retail sales, increased just 0.1% according to IRI, a Chicago-based market research company. A scrap of good news for the industry was that dollar sales rose 2.5%, thanks to a 9-cent average increase in price.

Manufacturers of ice cream, gelato, frozen yogurt, novelties and other frozen desserts talk about consumers' desire for indulgence. That often plays out in mouthfeel and flavors or inclusions. Yet consumers of dairy desserts are no less interested in the ingredient deck than are consumers of other dairy foods and beverages.

As Beth Bloom of the market research firm Mintel writes, "While indulgence plays a strong role, health awareness exists: 19% of frozen treat buyers say they are buying less because the products are unhealthy. And though 95% of consumers eat ice cream for dessert (with any frequency), fruit and yogurt are more likely to be turned to with high frequency, suggesting moderation."

How are creameries addressing consumer health needs? Cleveland-based ice cream maker Pierre's offers lactose-free ice cream in vanilla and chocolate. Its Pierre's Slender No Sugar Added Reduced Fat Ice Cream assortment "has been a popular favorite for a long time and features six flavors," said Matt Thornicroft, the company's assistant marketing and communications manager.

Then there are high-protein and low-glycemic desserts, which don't meet ice cream's standard of identity but are sold in the frozen dairy case. Amit Pandhi, the CEO of San Diego-based Artic Zero, said his all-natural pints "fill a void in the frozen case." That void is "guiltfree indulgences," he added.

One serving of Artic Zero contains 3g of protein, derived from WPC-80, an ingredient made from whey.

Brio is another low-sugar frozen dairy dessert brand offering 6g of protein per serving. It offers a veritable kitchen sink of nutritional buzzwords, including: "a rich dose of calcium," magnesium, vitamin D, 24 other vitamins and minerals, omega 3-6-9, prebiotic fiber, antioxidants and selenium. The dessert is sold in 4oz and 14oz containers.

Also making health claims about their frozen desserts are gelato makers, who point out that a serving of gelato has less fat than ice cream (because gelato is not made with cream). Still, gelati are considered a treat that is offered in a wide variety of flavors.

"Gelato is an indulgence," said Simona Faroni, the co-founder of G.S. Gelato, Fort Walton Beach, Fla. She said the company's focus is on "simplicity, naturally natural, clean label, gluten-free and non-GMO."

Unilever, the leader in gelato sales in the United States, added four flavors to its Breyers Gelato Indulgences line this year: chocolate caramel, mint chocolate, strawberry truffle and cappuccino. They are sold in clear 28.5oz containers. Unilever's newly acquired brand Talenti introduced three limited-time offerings last fall: pumpkin pie, eggnog and

peppermint bark. These are sold in clear 14oz plastic screw-cap jars.

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KEYPOINTS

1. Greek yogurt's success continues to inspire the category, bringing more interest for other styles of yogurt, as more Australian-style and Icelandic yogurt products hit the market. Drinkable yogurts are gaining steam as the snacking trend takes hold and consumers look for easier, on-the-go quality protein options.
2. Snacking, convenience and hybrid product innovation dominate the cheese market. As busy consumers replace more meals for more frequent snacking, cheese producers have a unique opportunity to innovate and expand their market.

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