Value-Added Milk Trends

Opportunities for Growth

Webinar March 19th, 2024

Today's Agenda

- Milk Retail Sales Trends
  - Value-Added Retail Sales Trend
- Consumer Perceptions
  - Milk and Alternative Beverage Perceptions
  - Purchase Drivers
- Recommendations

Milk Category: Retail Sales Trends

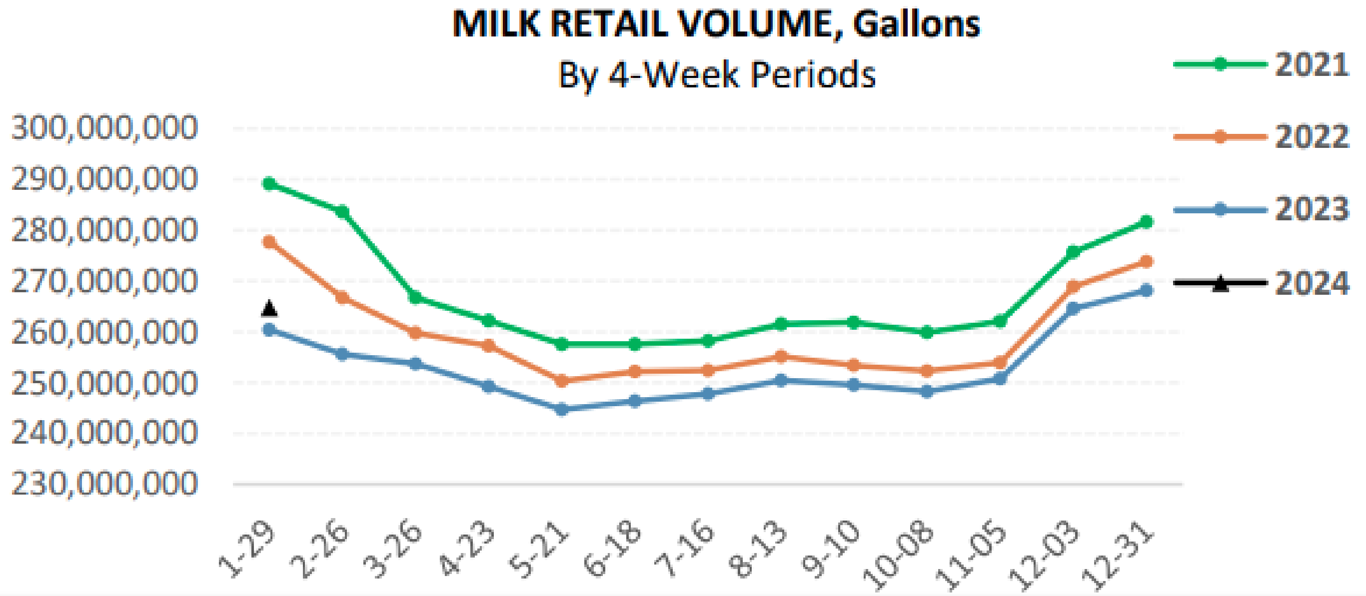
Milk volume sales fell in 2023 partly due to inflationary pressures on consumers. Volume losses appear to be moderating more recently...category grew 1.7% in January.

KEY MEASURES TREND AT A GLANCE

	Volume M Gal	Chg vs Yago M Gal	% Change vs Yago
2022	3,374	-104.0	-3.0%
2023	3,290	-84.3	-2.5%
4 weeks	265	4.4	1.7%

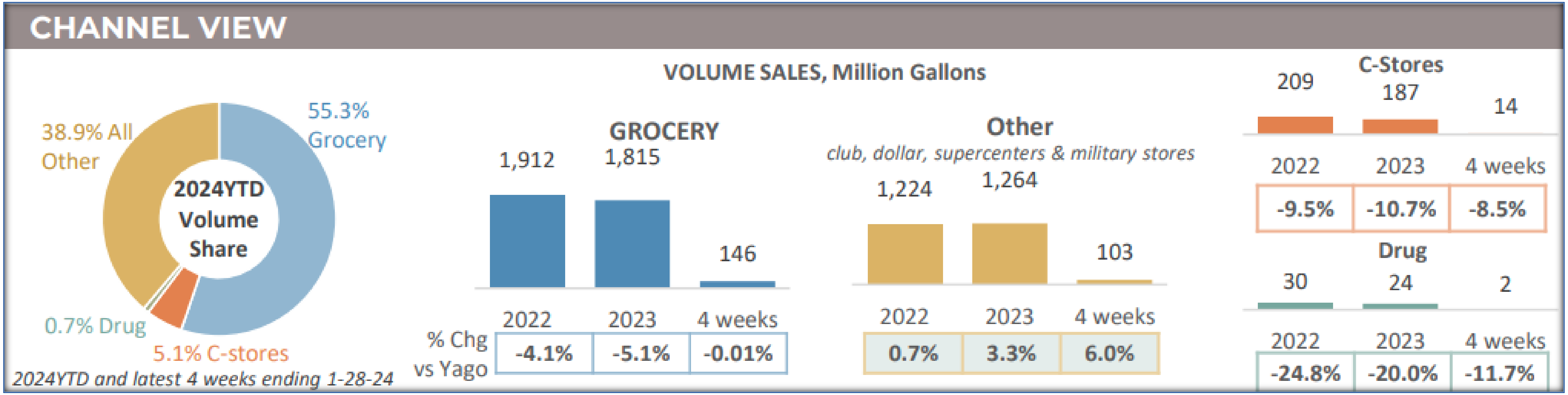
	Dollars M	Chg vs Yago $M	% Change vs Yago
2022	$17,043	$1,696	11.1%
2023	$16,531	-$512	-3.0%
4 weeks	$1,312	-$5	-0.4%

Latest 4 weeks ending 1-28-2024



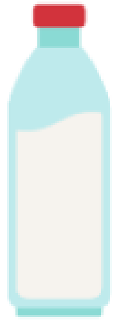
Source: IRI/DMI Custom Unify Milk Database, Total US Multi Outlet + Convenience,

In the past few years, growth in milk volume was noted in "other" outlets such as dollar stores while traditional outlets like grocery stores drove losses.



Source: IRI/DMI Custom Unify Milk Database, Total US Multi Outlet + Convenience,

Whole milk holds the lion share of the category and drove category growth last year as well as most recently.



WHOLE
milk

FAT	PROTEIN
8g	8g

150 calories

13 essential nutrients in every 8 ounce glass

MILK FAT CONTENT

	Volume Share	% Volume Change vs Yago		
	2024YTD	2022	2023	4 Weeks
Total Milk	**100.0%**	**-3.0%**	**-2.5%**	**1.7%**
Whole	45.9%	0.2%	0.9%	5.3%
2%	36.0%	-3.6%	-4.1%	-0.5%
1%	12.5%	-7.1%	-5.7%	-1.5%
Fat Free	5.6%	-10.9%	-9.5%	-4.7%

Source: IRI/DMI Custom Unify Milk Database, Total US Multi Outlet + Convenience,

Value-Added Milk: Retail Sales Trends

Value-Added Milk includes:

- Lactose Free/Reduced
- Organic
- Ultra-filtered
- Extra nutrients such as DHA
- Pre/Probiotic- must be cultured

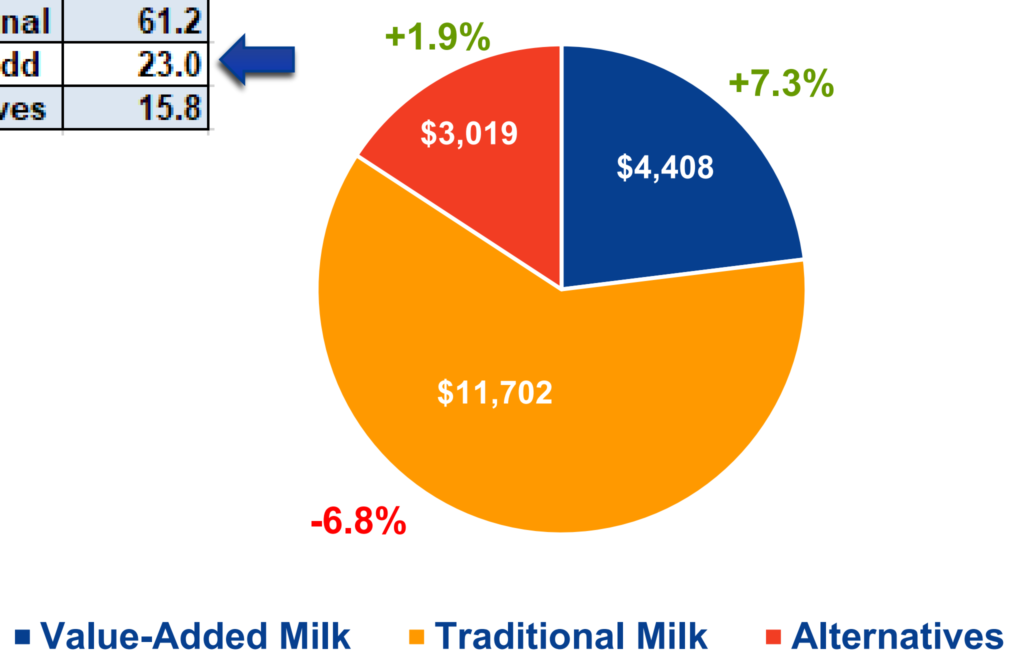
Among milk and non-dairy alternatives, value-added milk now represents nearly a quarter (23.0%) of dollars sales and 12.6 of volume sales. Value-added milks grew dollars 7.3% and volume sales 1.3%

Total Fluid Milk + Non-Dairy Alternatives

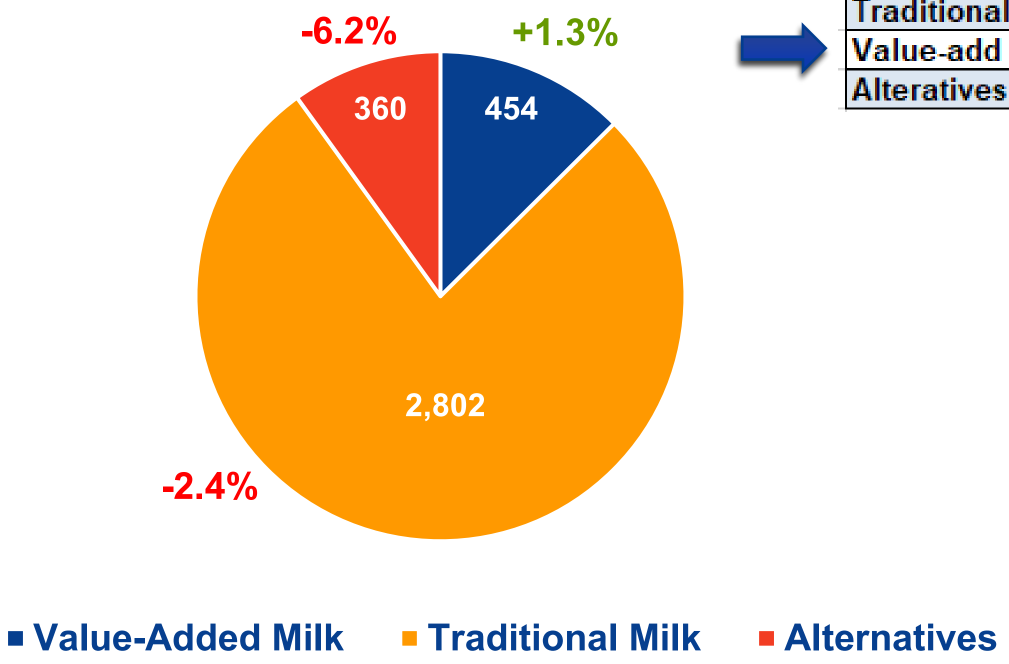
Latest 52 Weeks Ending January

	Dollar Share
Total	100.0
Traditional	61.2
Value-add	23.0
Alteratives	15.8

Dollars in Millions



Gallons in Millions

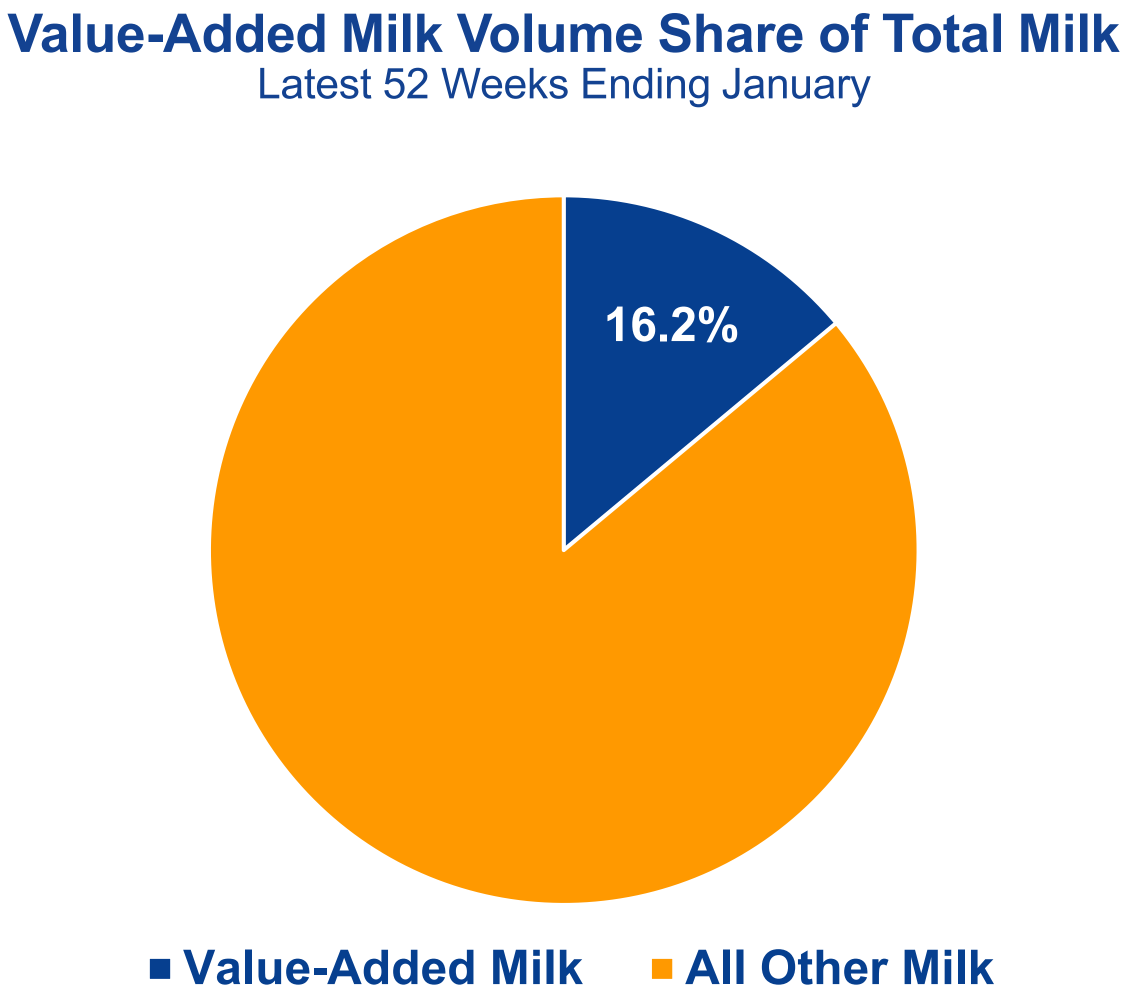


	Volume Share
Total	100.0
Traditional	77.5
Value-add	12.6
Alteratives	10.0

Product: DMI Value-Added Milk

Source: IRI/DMI Custom Unify Milk Database, Total US Multi Outlet + Convenience,

Value-added milk represented roughly 16.2% of total milk volume sold this past year.



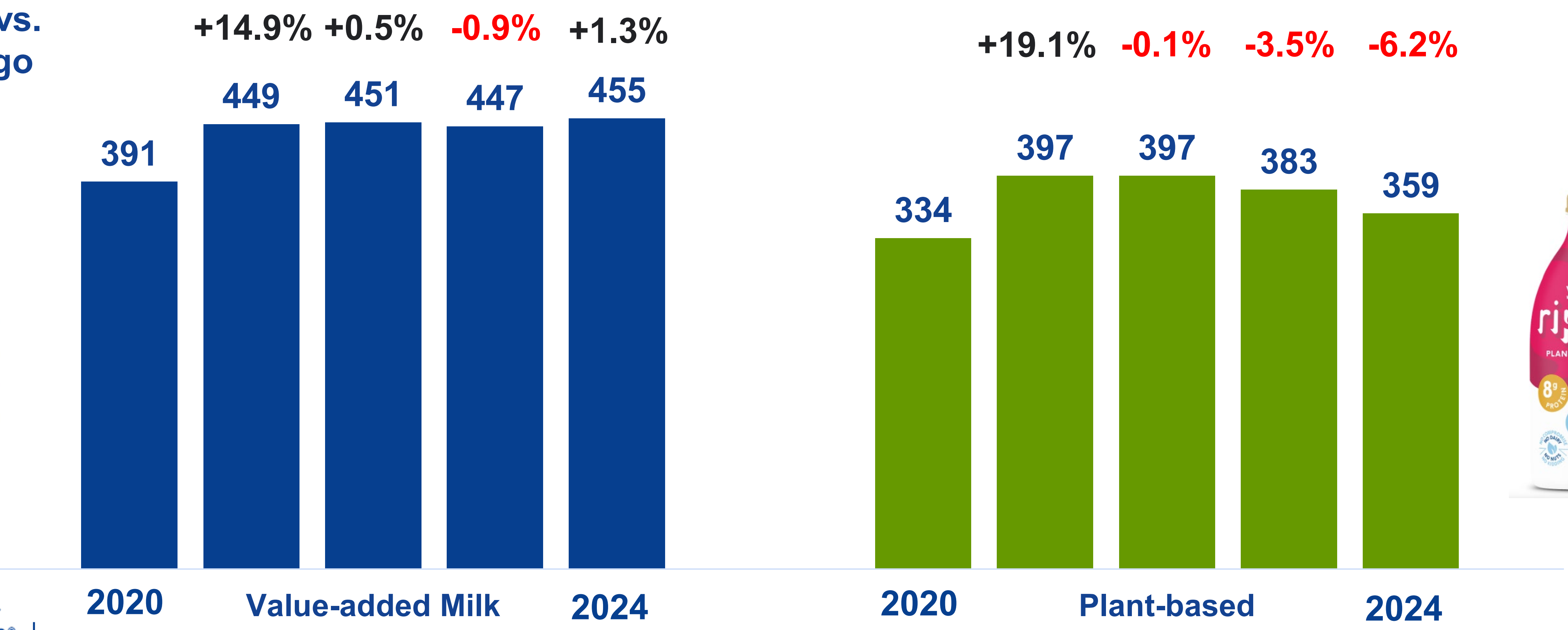
Product: DMI Value-Added Milk

Source: IRI/DMI Custom Unify Milk Database, Total US Multi Outlet + Convenience,

Both the value-added milk segment and plant-based alternatives noted volume sales weakness throughout 2022. However, value-added milk bounced back in 2023 and into 2024 while plant-based weakness continued.

Annual Volume Sales (Gallons in Millions)

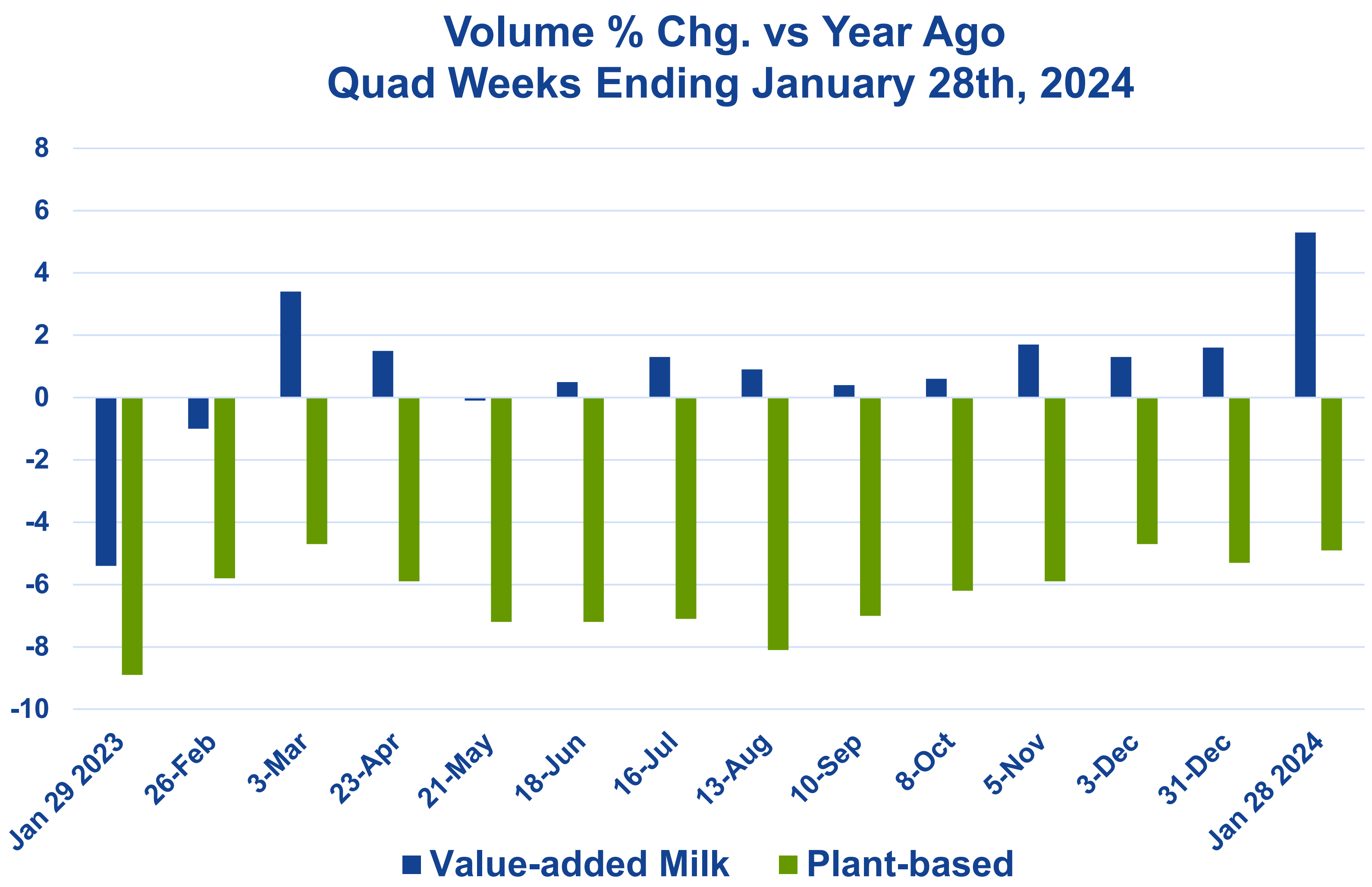
Latest 52 Weeks Ending February



Product: DMI Value-Added Milk

Source: IRI/DMI Custom Unify Milk Database, Total US Multi Outlet + Convenience,

While the value-added milk segment grew throughout 2023 and into 2024, plant-based alternatives continued to struggle.



Product: DMI Value-Added Milk

Source: IRI/DMI Custom Unify Milk Database, Total US Multi Outlet + Convenience,

Lactose free/reduced, protein enhanced, and ultra-filtered milk types have been driving value-added milk growth since 2019.

Value-added Milk by Type*
Annual Volume Sales (Gallons in Millions)
Latest 52 Weeks Ending February

Product	Latest 52 Week Pd Ending 02-25-24				
	Volume Sales	Volume Sales Year Ago	Volume Sales 2 Years Ago	Volume Sales 3 Years Ago	Volume Sales 4 Years Ago
LACTOSE FREE/REDUCED	249,762,293	231,083,789	223,232,171	206,609,044	170,261,006
% Change vs. Year Ago	8.1%	3.5%	8.0%	21.3%	NA
ORGANIC	194,511,709	203,623,167	214,274,577	229,912,117	207,353,988
% Change vs. Year Ago	-4.5%	-5.0%	-6.8%	10.9%	NA
PROTEIN	87,491,766	79,794,204	79,475,629	72,688,825	59,742,233
% Change vs. Year Ago	9.6%	0.4%	9.3%	21.7%	NA
ULTRA FILTERED	77,930,608	69,463,229	68,138,262	59,869,298	46,408,979
% Change vs. Year Ago	12.2%	1.9%	13.8%	29.0%	NA
OMEGA	27,934,533	30,380,781	32,318,367	32,746,031	27,748,681
% Change vs. Year Ago	-8.1%	-6.0%	-1.3%	18.0%	NA
A2	10,351,397	11,468,306	10,419,106	9,703,616	7,493,824
% Change vs. Year Ago	-9.7%	10.1%	7.4%	29.5%	NA
PRE/PROBIOTIC	281,487	133,877	141,368	166,275	185,349
% Change vs. Year Ago	110.3%	-5.3%	-15.0%	-10.3%	NA

Product: DMI Value-Added Milk

Source: IRI/DMI Custom Unify Milk Database, Total US Multi Outlet + Convenience,

NA=Not Available

*not mutually exclusive types (sales data not additive across types)

Within the alternative landscape only the oat and coconut types grew this past year. The largest type, almond, drove losses…down 9.5%.

Plant-based Alternatives by Types
Annual Volume Sales (Gallons in Millions)
Latest 52 Weeks Ending February

Product	Latest 52 Week Pd Ending 02-25-24				
	Volume Sales	Volume Sales Year Ago	Volume Sales 2 Years Ago	Volume Sales 3 Years Ago	Volume Sales 4 Years Ago
ALTERNATIVE BEVERAGES	359,365,055	383,056,004	396,753,870	397,340,866	333,655,159
% Change vs. Year Ago	-6.2%	-3.5%	-0.1%	19.1%	NA
ALMOND BEVERAGE	236,032,316	260,843,735	281,957,825	294,416,928	255,200,539
% Change vs. Year Ago	-9.5%	-7.5%	-4.2%	15.4%	NA
OAT BEVERAGE	61,092,593	60,517,281	51,712,777	31,410,611	10,511,648
% Change vs. Year Ago	1.0%	17.0%	64.6%	198.8%	NA
SOY BEVERAGE	23,980,761	25,632,461	26,212,301	30,467,502	30,311,844
% Change vs. Year Ago	-6.4%	-2.2%	-14.0%	0.5%	NA
COCONUT BEVERAGE	23,685,676	19,582,748	19,485,798	22,513,838	18,545,879
% Change vs. Year Ago	21.0%	0.5%	-13.4%	21.4%	NA
PEA BEVERAGE	4,714,376	4,713,166	3,975,976	3,132,366	2,706,395
% Change vs. Year Ago	0.0%	18.5%	26.9%	15.7%	NA
CASHEW BEVERAGE	2,238,508	2,774,648	3,336,638	4,300,634	5,023,136
% Change vs. Year Ago	-19.3%	-16.8%	-22.4%	-14.4%	NA
RICE BEVERAGE	2,055,011	2,444,044	2,924,750	3,703,618	3,622,631
% Change vs. Year Ago	-15.9%	-16.4%	-21.0%	2.2%	NA

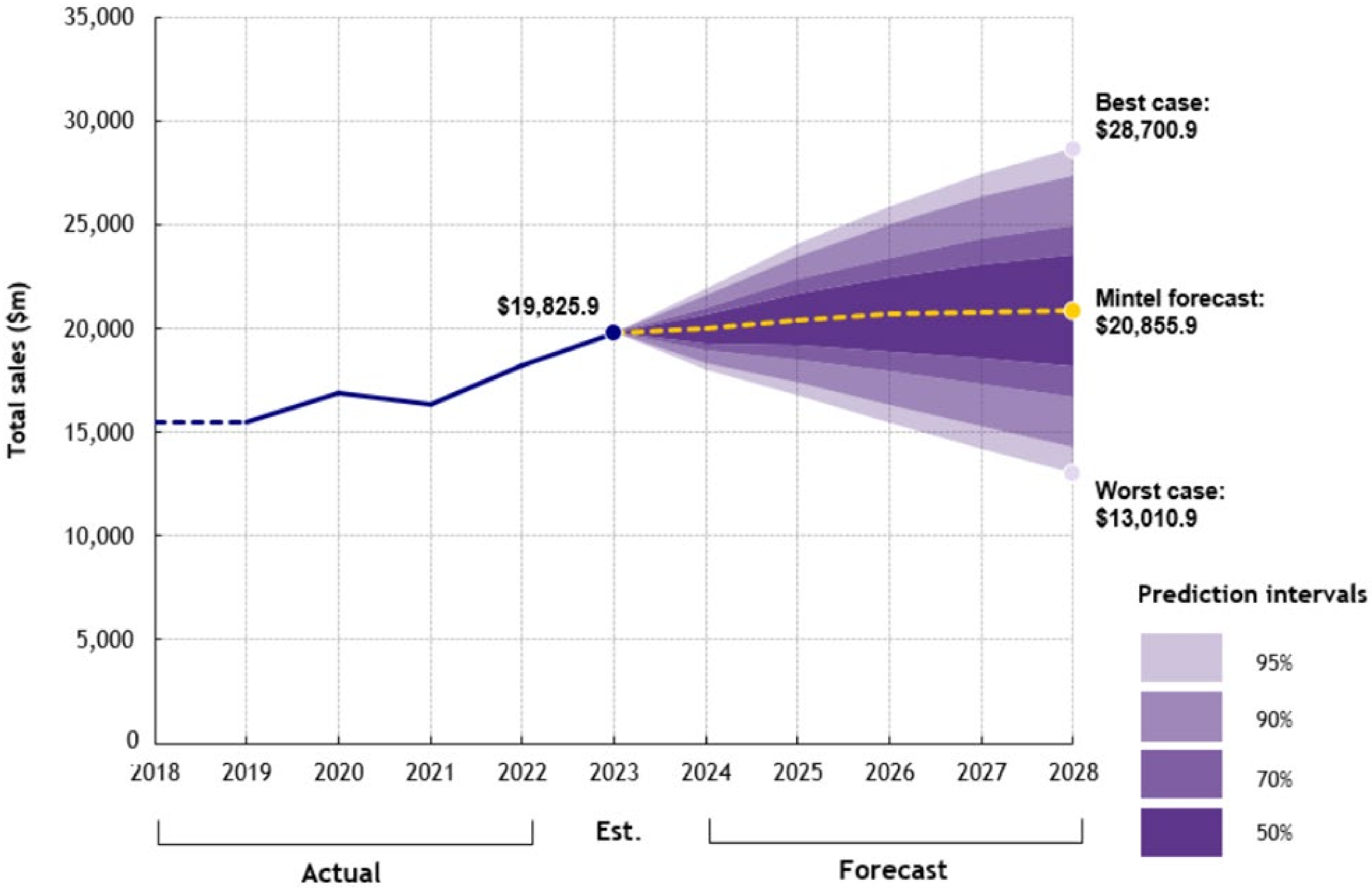
Product: DMI Value-Added Milk

Source: IRI/DMI Custom Unify Milk Database, Total US Multi Outlet + Convenience,

Milk Category: Forecast & Consumer Perceptions

Retail sales and forecast of dairy milk

US: total sales and fan chart forecast of dairy milk, at current prices, 2018-28



Source: based on Circana InfoScan Reviews; US Census Bureau, Economic Census/Mintel

Dairy Milk Forecast

Now 2023

Dairy milk

Dairy milk's perceived value and good taste propelled a resurgence of interest as people turned to familiar choices during inflation. The growing popularity of non-dairy milk has stunted dairy's growth, but people are returning to the segment for its trusted taste, nutrition, and versatility.

Non-dairy beverage

Non-dairy milk was challenged with higher prices and less positive perceptions on taste and nutrition leading to some people reverting back to more familiar dairy milk. However, success prevails as continued innovation increases choice and excitement in the category.

Next 2024-25

Dairy milk

As prices stabilise, dairy milk will be challenged as people turn to novel plant-based options. However, opportunities to highlight the distinct value and usage of dairy milk will solidify its position as a staple in households.

Non-dairy beverage

As prices lower, people will be more likely to trial new plant-based milks and purchase the category to utilise in various ways and appeal to household preferences. Inventive bases, formats, and flavors will keep people engaged in this segment and drive continued interest.

Future 2026-28

Dairy milk

The increased acceptance and continuous improvement in taste, texture, & nutrition of non-dairy milk will affect dairy's performance. The brands that will see growth, however, will be sustainably produced and provide sought-after health benefits.

Non-dairy beverage

Growth will slow as innovation peters out, but rising interest in healthy & sustainable lifestyles will position plant-based milks as a staple in households. Brands that distinguish themselves from milk with unique value in terms of sustainability, taste, & nutrition will see most success.

MINTEL

Source: Mintel, August 2023

What you need to know

Different milks meet unique consumer needs

Consumers find value in dairy and non-dairy beverage, which drives consumption. Both categories are finding their way into applications beyond traditional uses. Personalization is key, milk is gaining popularity for its versatility and ability to cater to varying dietary preferences.

Expand milk usage occasions; amplify consumer base

Improved product attributes (other than low price) are not enough to increase usage for most. Opportunity lies in highlighting novel use cases to attract new consumers and expand reach. Developing formats for portability to highlighting milk use cases in skincare can add value to time- and money-strapped consumers.

Price sensitivity sways purchase behavior of milk

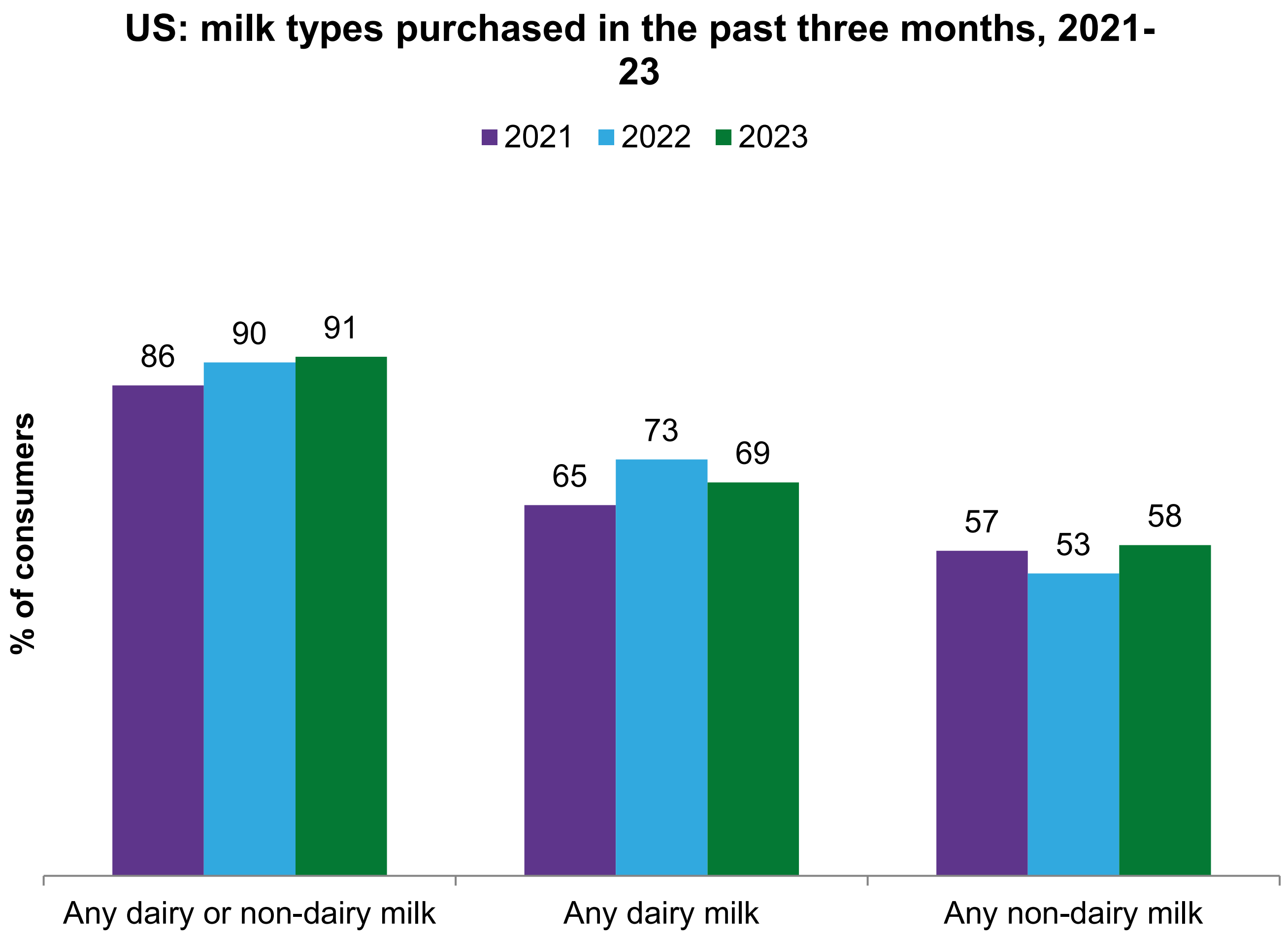
Consumers see milk as a staple, but are increasingly price sensitive and willing to trade down to cheaper brands. Rising prices from inflation exacerbated by supply-side issues related to climate change and increased production costs, may not force consumers out of the category, but they impact their milk shopping habits.

Inflation drives renewed interest in dairy milk

During economic downturns, simplicity wins in food and drink. Dairy milk's taste and value excel in consumer perceptions, driving a resurgence of growth as people revert to familiar choices.

As food prices soar, consumers prioritize cost-effective decision-making. Nearly 30% of people opt for dairy milk due to perceived value, and consequently, this price-conscious behavior is sustaining demand.

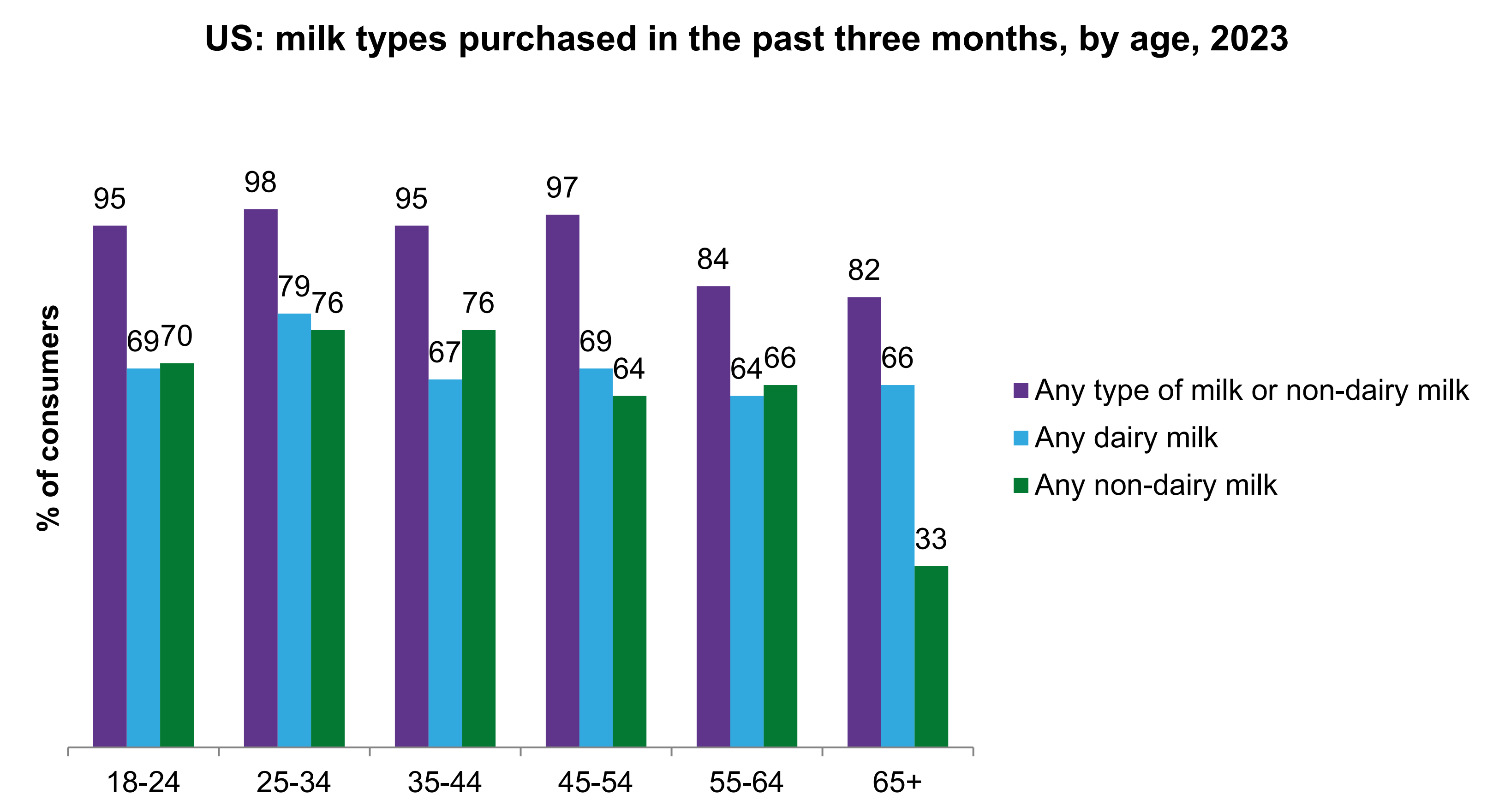
As inflation eases, there will be opportunities for dairy and non-dairy brands to act upon changes in consumption. Sustainability and health benefits, in particular, are claims that will only become more important for dairy and non-dairy beverage, especially as prices normalize.



Base: *1,714 internet users aged 18+ who have purchased dairy or dairy alternative milk in the past three months; 1,797 internet users aged 18+ who have purchased milk or* non-dairy beverage *in the past three months; 2,000 internet users aged 18+ who have purchased dairy or dairy alternative milk in the past three months*

Source: *Kantar Profiles/Mintel, June 2021, April 2022, May 2023*

Younger consumers display highest purchase behavior of BOTH dairy and non-dairy beverages



Lack of loyalty among younger consumers, with purchases evenly split between dairy and non-dairy beverage, suggests their significant impact on category growth and decline.

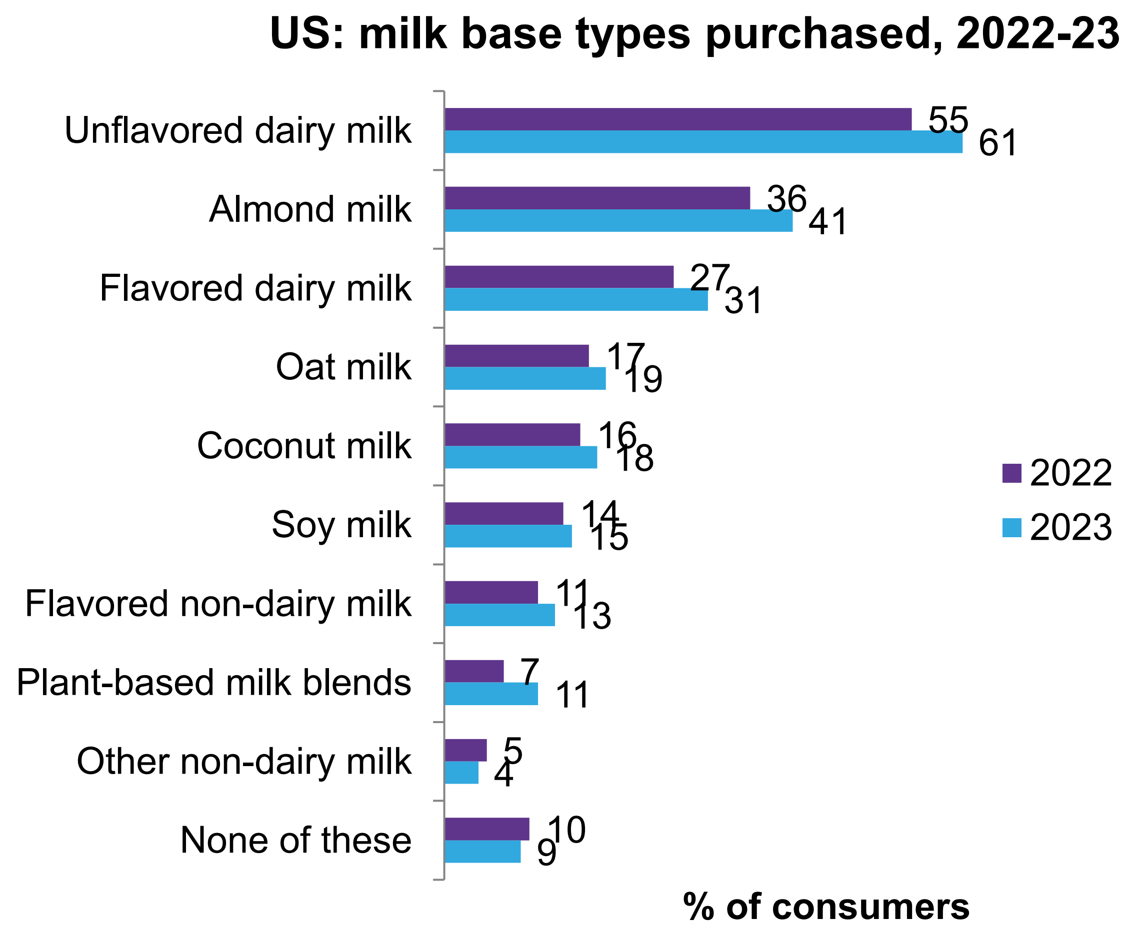
Factors like taste, dietary preference, ethics, and sustainability influence milk choices. This high switching behavior makes it critical for brands to deliver on what consumers prioritize in dairy and non-dairy beverage: taste, familiarity, value and nutrition.

Base: 2,000 internet users aged 18+ who have purchased dairy or dairy alternative milk in the past three months

Source: Kantar Profiles/Mintel, May 2023

Plant-based beverages are positioned for innovation, but consumer fatigue is a barrier…

Acceptance and availability of plant-based beverage surge, but too much innovation leads to cannibalization of existing products, decision fatigue, and confusion over health/environmental benefits.

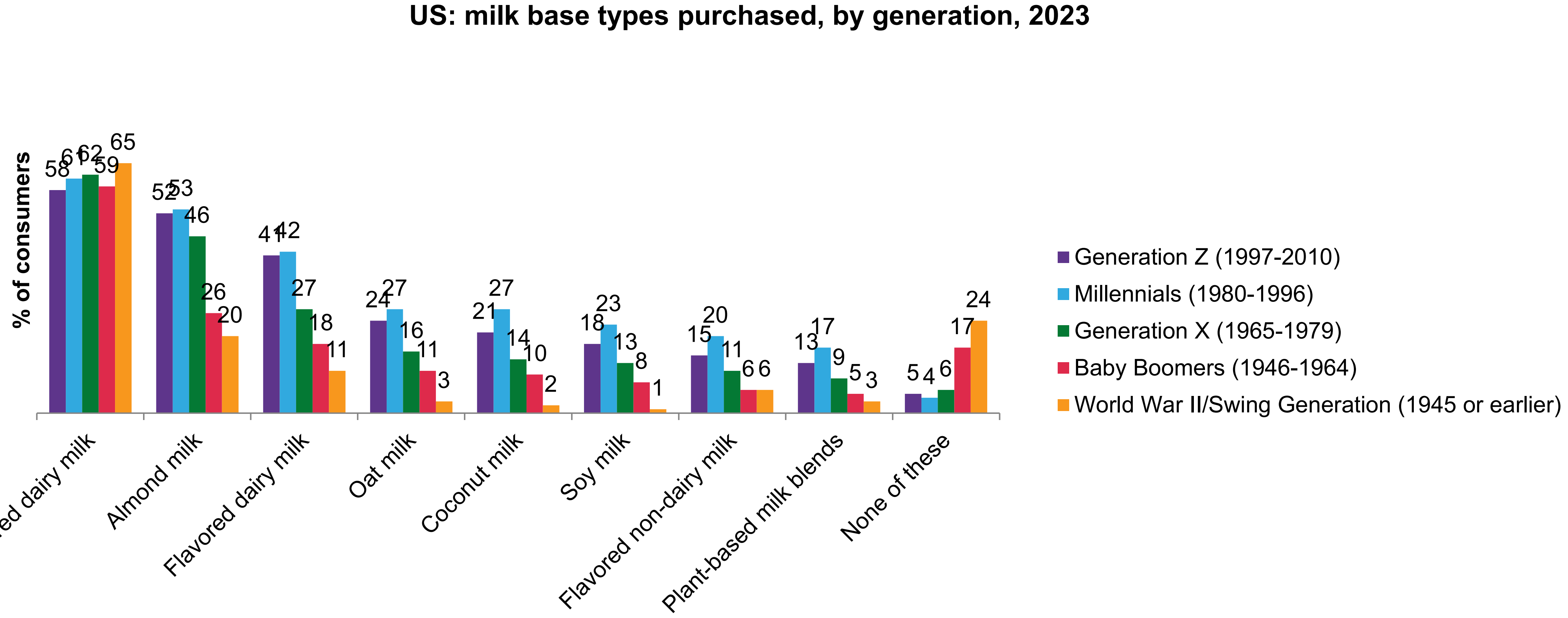


Base: 1,797 internet users aged 18+ who have purchased milk or non-dairy beverage *in the past three months; 2,000 internet users aged 18+ who have purchased dairy or dairy alternative milk in the past three months*

Source: *Kantar Profiles/Mintel, April 2022, May 2023*

Plant-based beverage finds dependable consumers in Gen Z and Millennials

Plant-based beverages check the non-negotiable boxes regarding health, sustainability and lifestyles that have emerged within younger generations.



Base: *2,000 internet users aged 18+ who have purchased dairy or dairy alternative milk in the past three months*

Source: *Kantar Profiles/Mintel, May 2023*

Unraveling the lifestyle choices of young consumers

Millennials & Gen Z are generations defined by a desire for…

HEALTH	EXPLORATION	SUSTAINABILITY
54%	**52%**	**25%**
of Millennials like their food and drinks to contribute to both their mental and physical health	of 12-17 year olds have reported enjoying trying new food and drink products	of 18-34s have reported eating less dairy to support the environment

Base: *internet users aged 18+ who consume products with at least one listed functional ingredient or claim; internet users aged 18-34, internet users aged 12-17 who have purchased food/drinks from stores in the past three months*

Source: *Kantar Profiles/Mintel, December 2022; Kantar Profiles/Mintel, May 2022; Kantar Profiles/Mintel, April 2022*

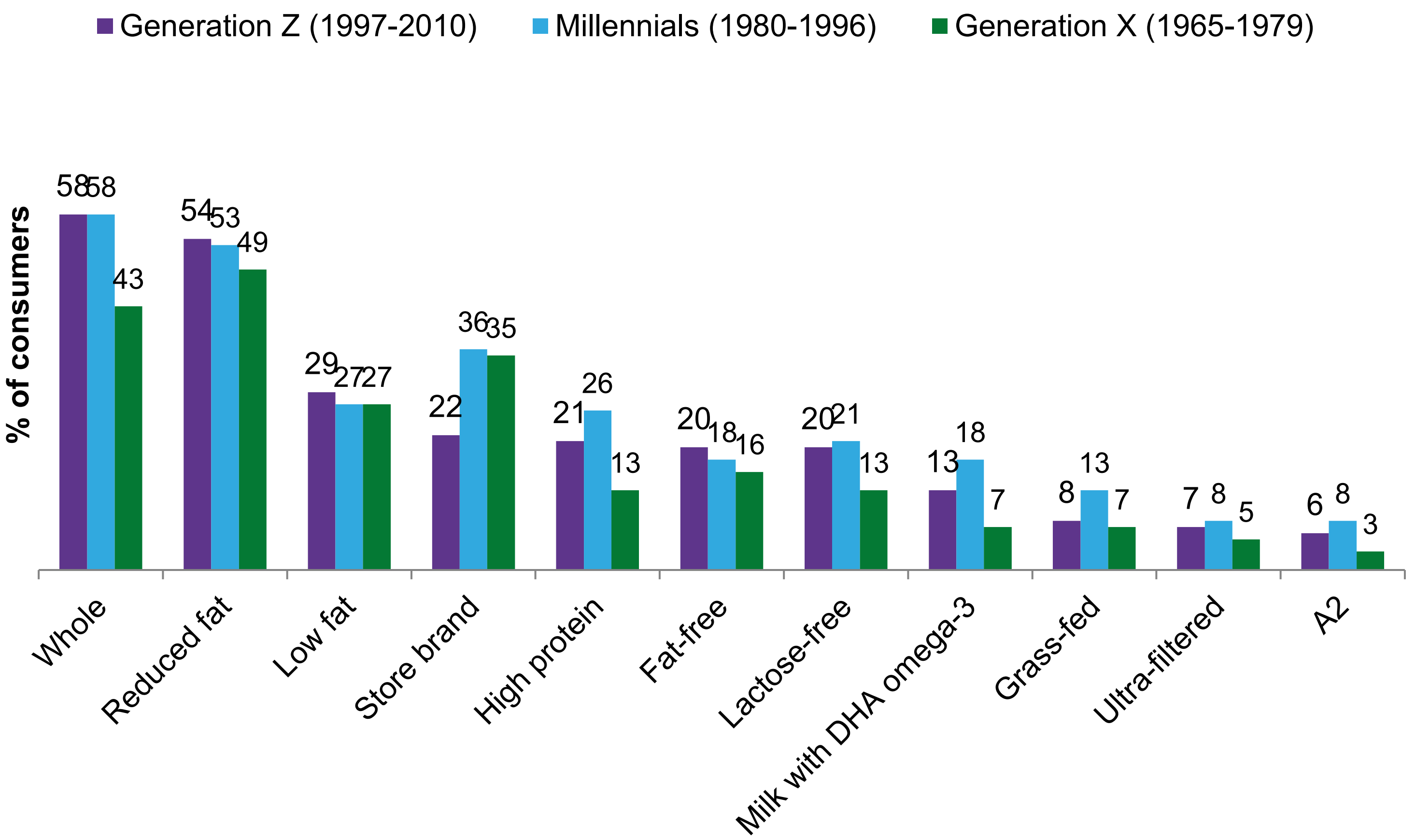
Gen Z consumers connect with dairy milk brands…

Branded milk tends to invest in marketing efforts that resonate with Gen Z's values, such as sustainability, animal welfare and exploration.

Legacy brands also often carry a sense of trustworthiness and familiarity, offering a reliable choice amidst an overwhelming number of options, especially related to quality and consistency.

Brands introduce innovative flavors, packaging and formulations that cater to Gen Z's desire for novelty and unique experiences. This appeals to their adventurous nature, encouraging them to explore and try different milk varieties.

US: dairy milk types purchased in the last three months, by generation, 2023



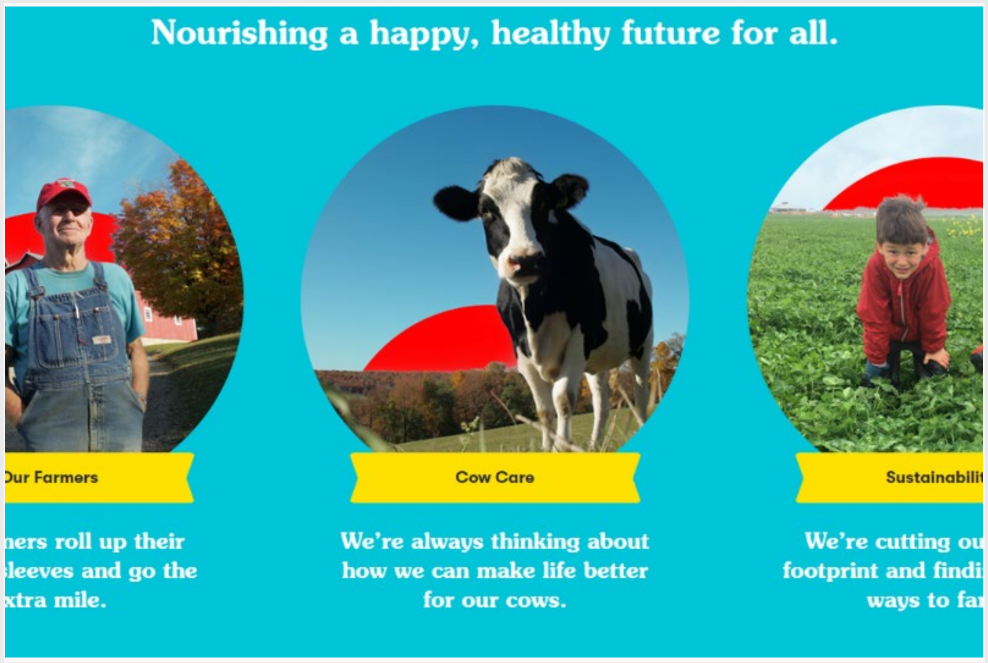
Base: 1,384 internet users aged 18+ who purchase dairy milk

Source: Kantar Profiles/Mintel, May 2023

Milk brands engage with younger consumers through causes they care about

68% of 18-34 year olds say they would switch to a company that supports a cause they believe in.

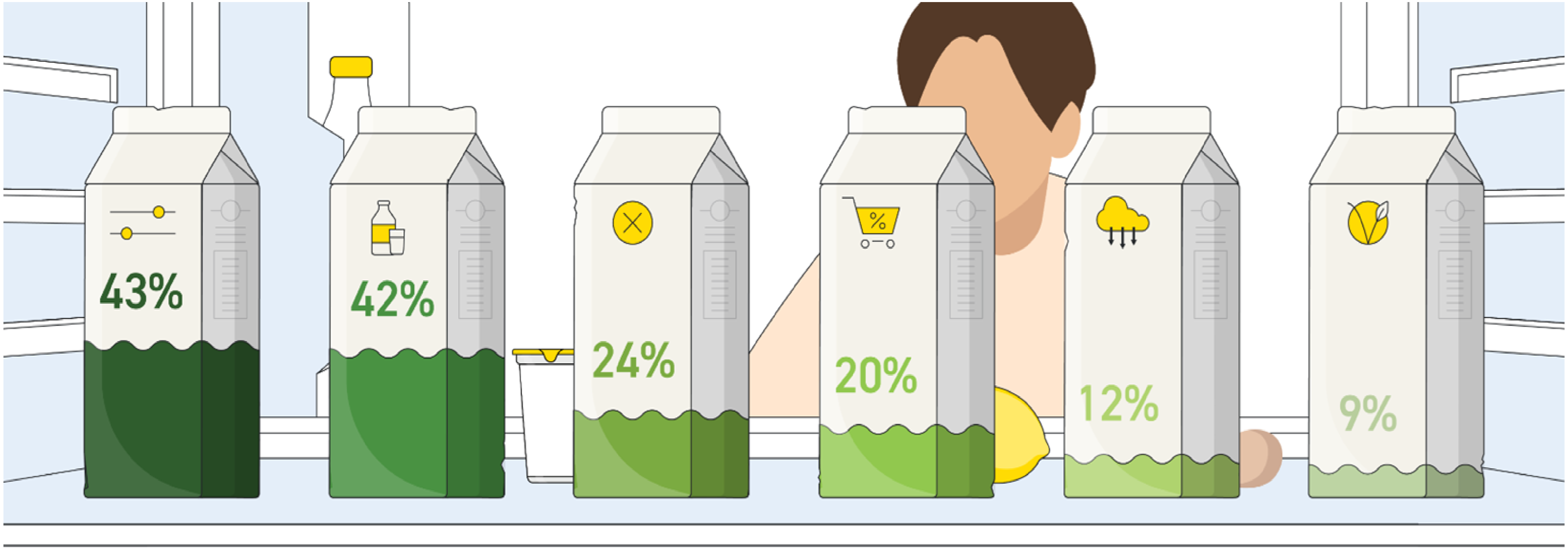
Fairlife Community and Animal Care Report



Horizon Organic Promise

Variety is the spice of life, hence consumers buy both

US: purchase factors for both dairy & non-dairy beverage, % of consumers, 2023



My household has varying preferences	Used for different applications	Someone in my household is lactose intolerant/ has a milk allergy	Purchase whichever is on sale	Someone in my household is trying to reduce their carbon footprint	Someone in my household is vegan

Base: 727 internet users aged 18+ who purchase both dairy and non-dairy beverage

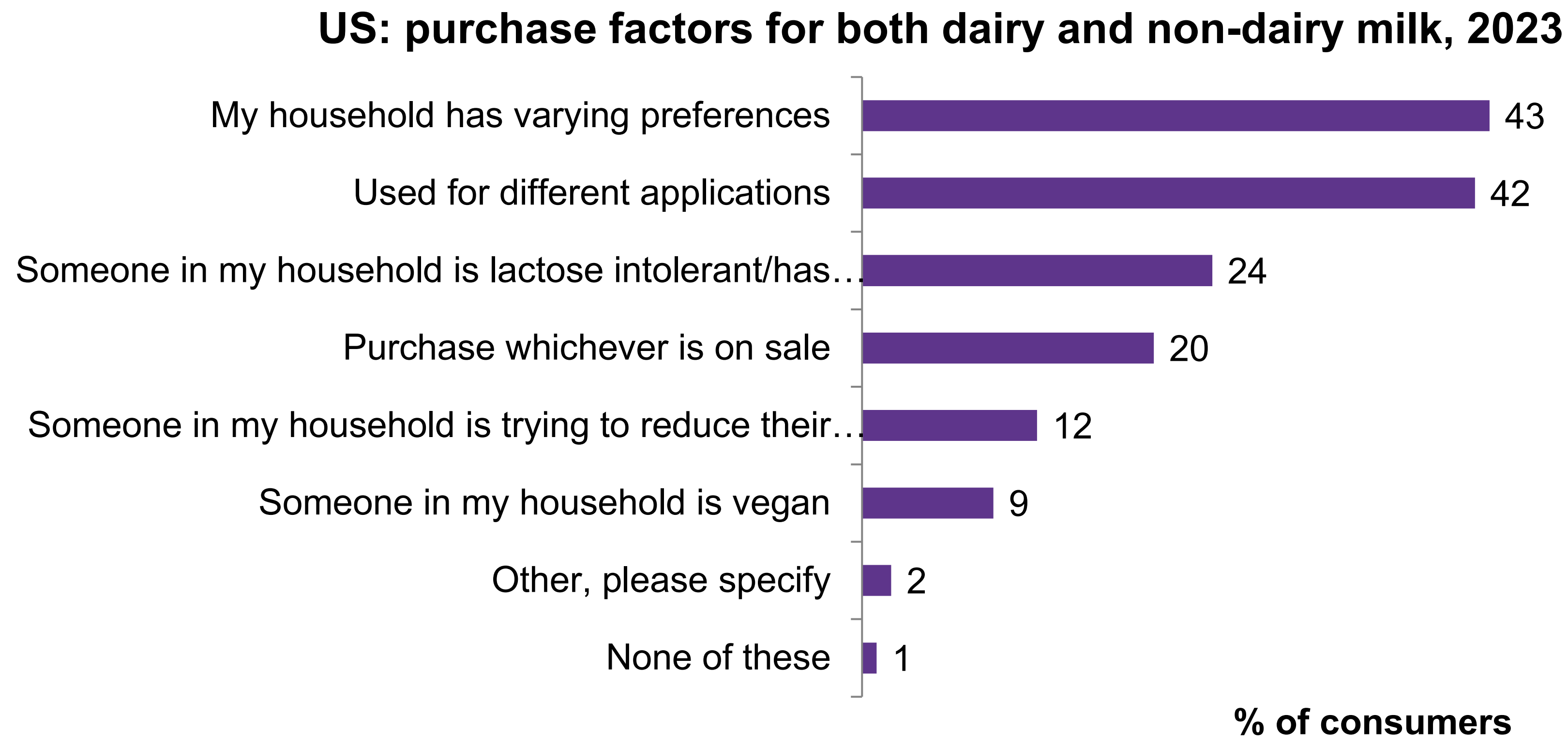
Source: Kantar Profiles/Mintel, May 2023

MINTEL

Read on mintel.com

Consumers find value in both dairy and non-dairy beverage

While non-dairy beverage gains acceptance and availability, dairy milk remains a staple in consumers' fridges and shows no signs of becoming obsolete.



Base: 727 internet users aged 18+ who purchase both dairy and non-dairy beverage

Source: Kantar Profiles/Mintel, May 2023

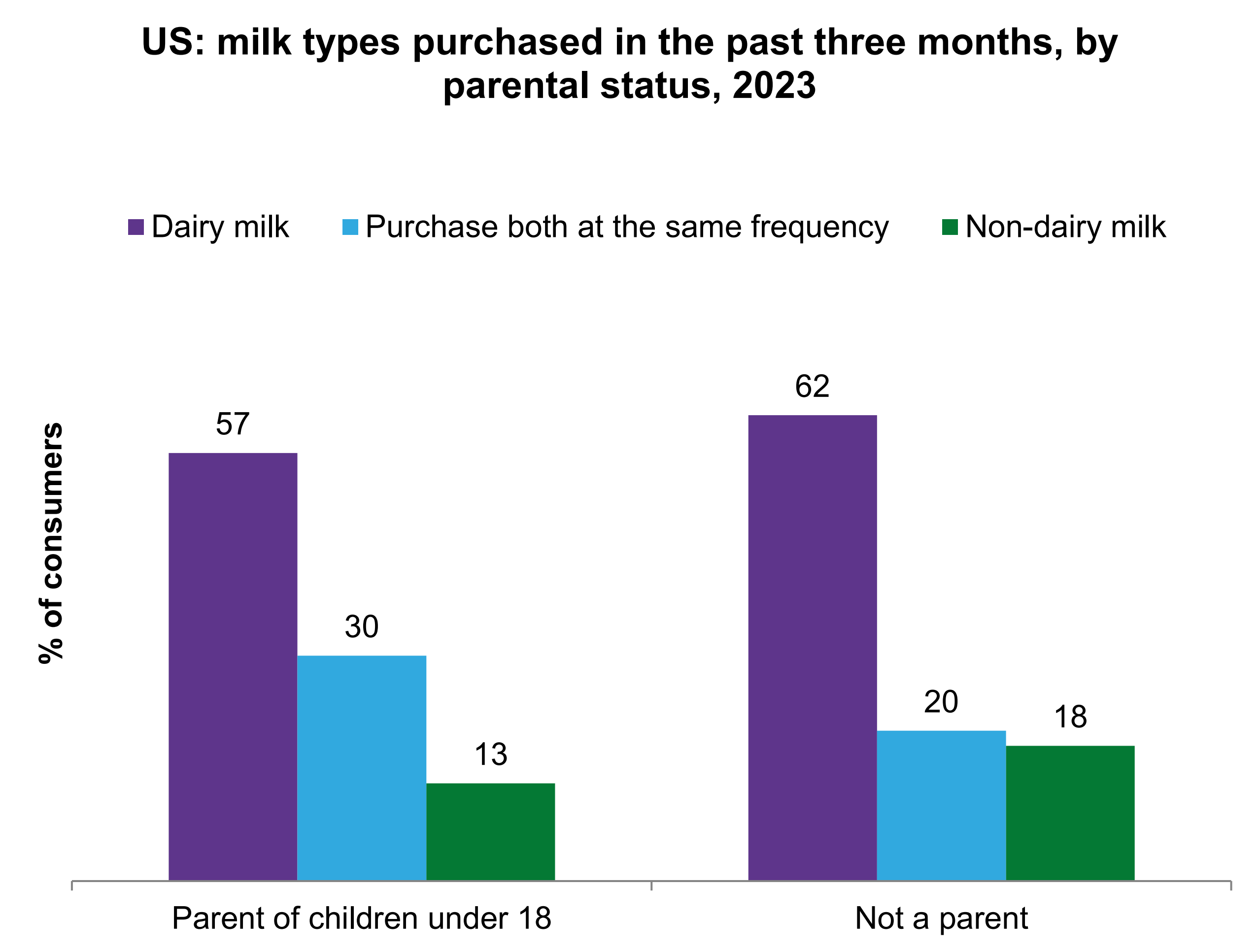
Parents are most engaged in both dairy & non-dairy…

Parental purchasing patterns show the least loyalty towards a single milk type, creating a valuable opportunity for strong positioning.

Clearly, parents see value in both categories, furthering the case for differentiation between the two based on unique strengths.

Defining attributes like taste, nutrition and usability helps target specific consumer groups and set the categories apart from each other.

Parents often buy both dairy and non-dairy beverage products to accommodate varying preferences within their households.



Base: *727 internet users aged 18+ who purchase both dairy and* non-dairy beverage

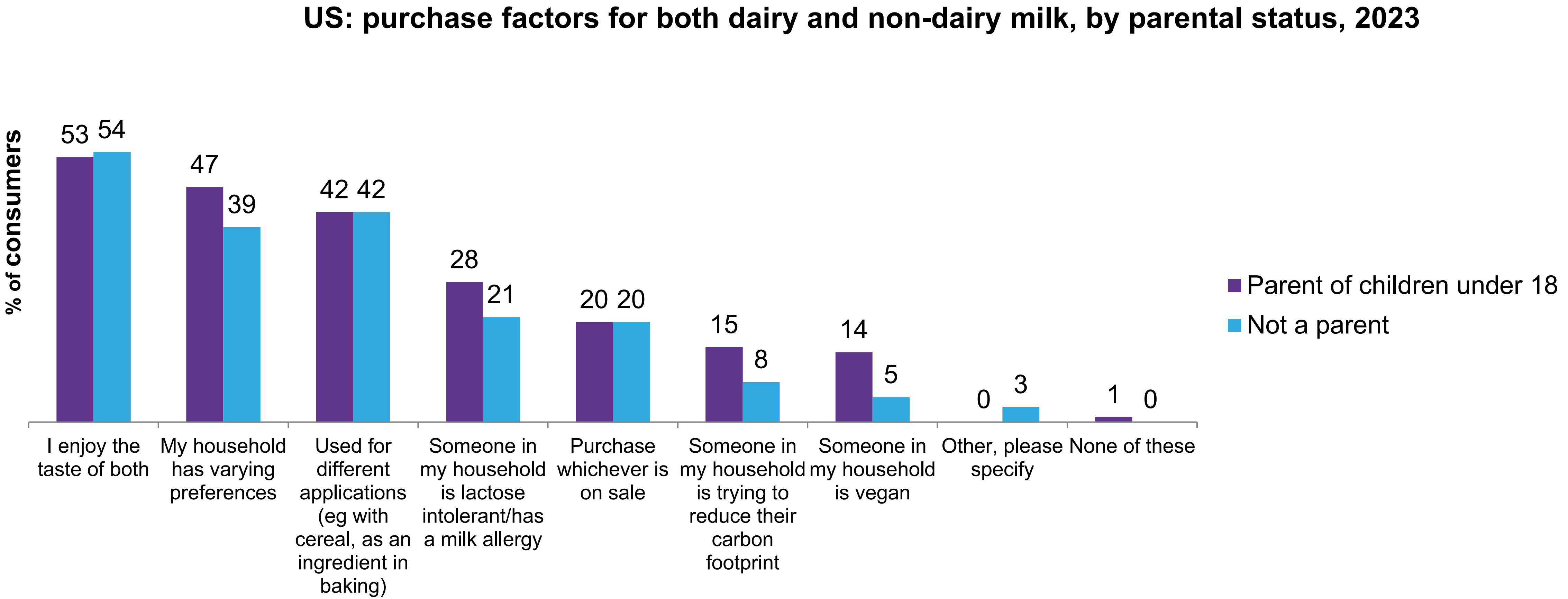
Source: *Kantar Profiles/Mintel, May 2023*

MINTEL

Read on mintel.com

…to meet the various preferences of their household

Households have varying preferences, with 54% of parents buying both, and in households with 3+ kids under 18, this number increases to nearly 60%.

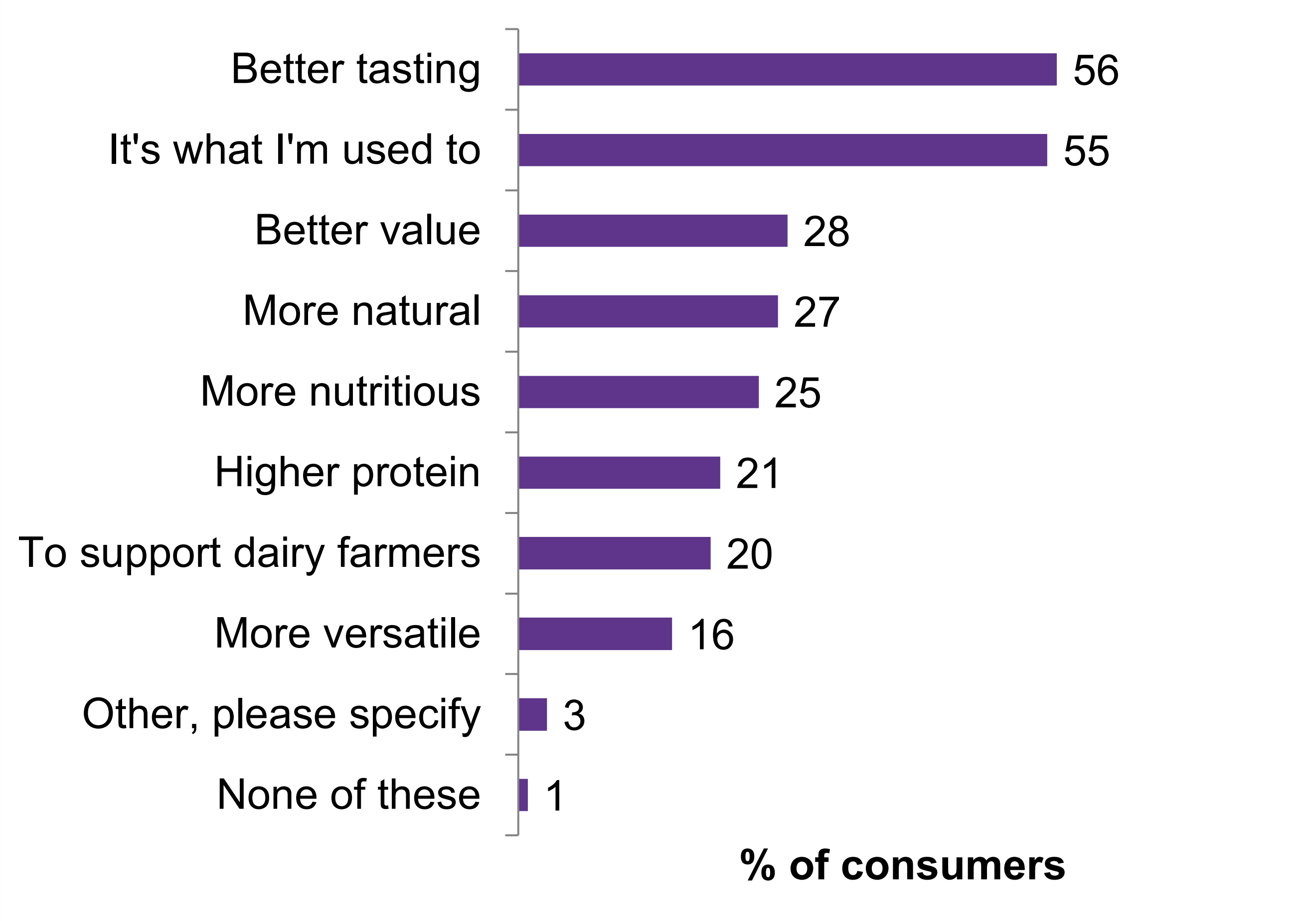


Base: *727 internet users aged 18+ who purchase both dairy and* non-dairy beverage*, 1,825 internet users aged 18+ who purchased milk in the past three months*

Source: *Kantar Profiles/Mintel, May 2023*

In inflationary times, milk's value and familiar taste resonate with consumers

US: purchase factors for dairy over non-dairy 2023



When budget constraints arise, consumers prioritize purchasing items they are confident they will like and utilize. Dairy milk, regarded as a long-standing staple, is perceived by consumers as versatile for both standalone consumption and as an ingredient in recipes, distinguishing it from non-dairy beverage options.

After a period of decline, dairy milk is experiencing a resurgence during high food prices, bolstered by positive associations with taste, nutrition, familiarity and versatility.

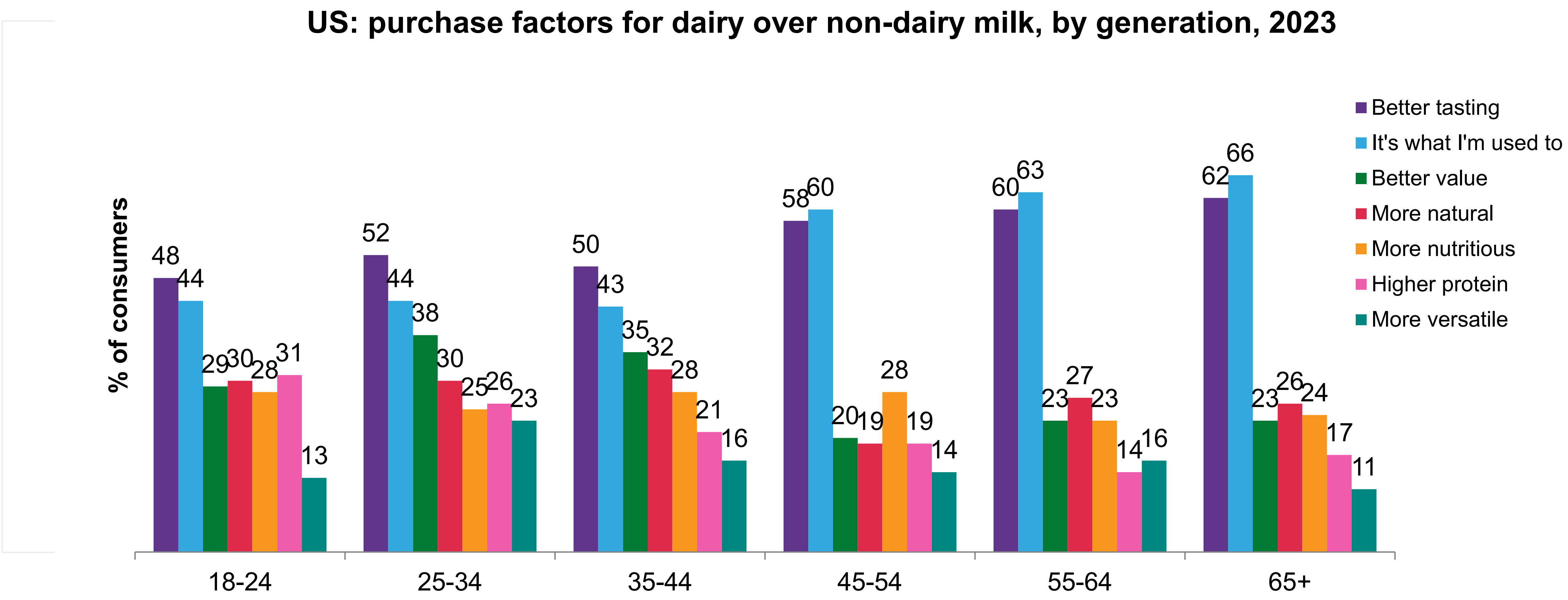
Even as non-dairy beverage grows, some consumers are returning to dairy milk due to concerns about extensive ingredients and processing. Emphasizing natural claims and simplicity will drive the milk category forward.

Base: *1,091 internet users aged 18+ who primarily purchase dairy milk*

Source: *Kantar Profiles/Mintel, May 2023*

Combination of value and health benefits make dairy a popular choice among younger consumers

Budget-conscious younger consumers face tough choices while grocery shopping and are opting for dairy to fulfill their need for high nutritional benefits at a low cost.



Base: *1,091 internet users aged 18+ who primarily purchase dairy milk*

Source: Kantar Profiles/Mintel, May 2023

MIDWEST Dairy

Dairy milk is a well-positioned solution for financially strained shoppers

Shopping behaviors and perceptions of consumers in "tight" financial situations*.

BUDGETING

39%

budget for groceries most of the time

VERSATILITY

48%

agree that a food/drink being able to be used in a variety of recipes adds value

HEALTH

49%

agree that a food/drink with health benefits has added value

Base: *1,000 internet users aged 18+*

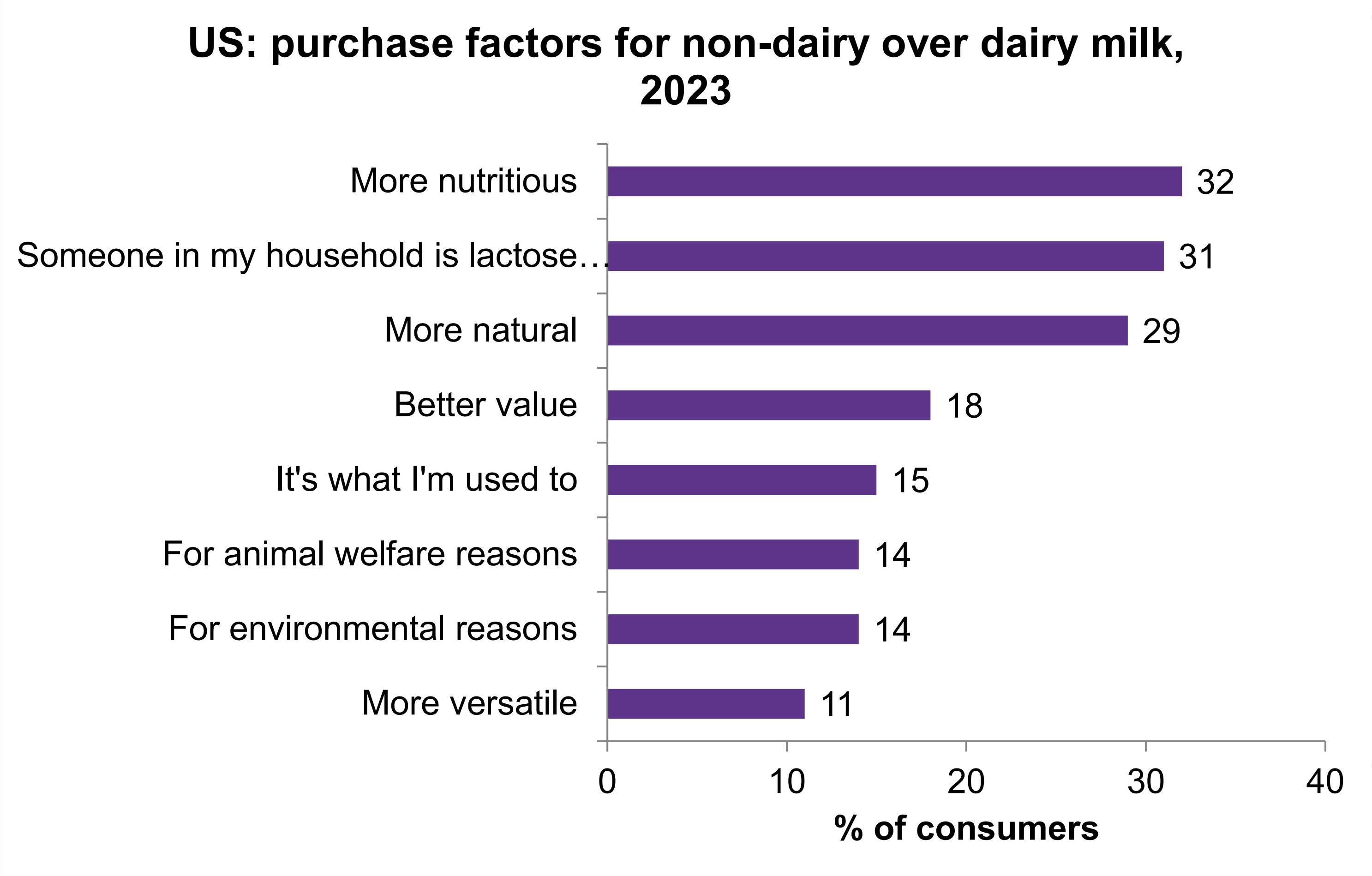
Source: *Kantar Profiles/Mintel, August 2022*

MINTEL

Read on mintel.com

Non-dairy beverage lacks compelling reasons for purchase, creating an opportunity for brands to differentiate as a distinct category

Non-dairy beverage's perceived lack of versatility has prevented a total takeover of dairy milk: dairy is a versatile staple, whereas plant-based beverages are predominantly used in coffee and smoothies.



Base: *554 internet users aged 18+ who primarily purchase* non-dairy beverage

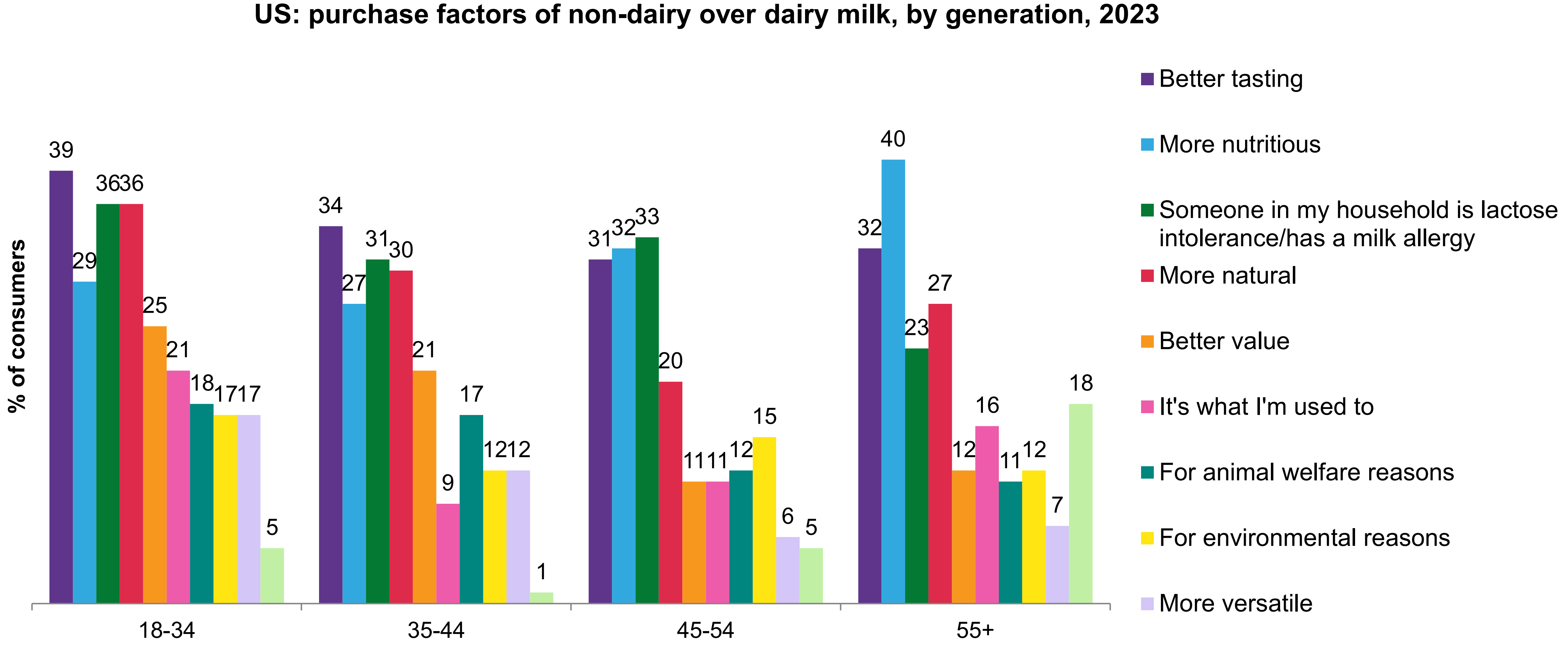
Source: *Kantar Profiles/Mintel, May 2023*

MINTEL

Read on mintel.com

Gen Z & Millennials go to non-dairy beverages for taste

While nutrition is central to the marketing strategies of plant-based brands, Gen Z and Millennials, their largest consumer groups, prioritize taste above all else.



Base: *554 internet users aged 18+ who primarily purchase non-dairy beverage*

Source: *Kantar Profiles/Mintel, May 2023*

MINTEL

Read on mintel.com

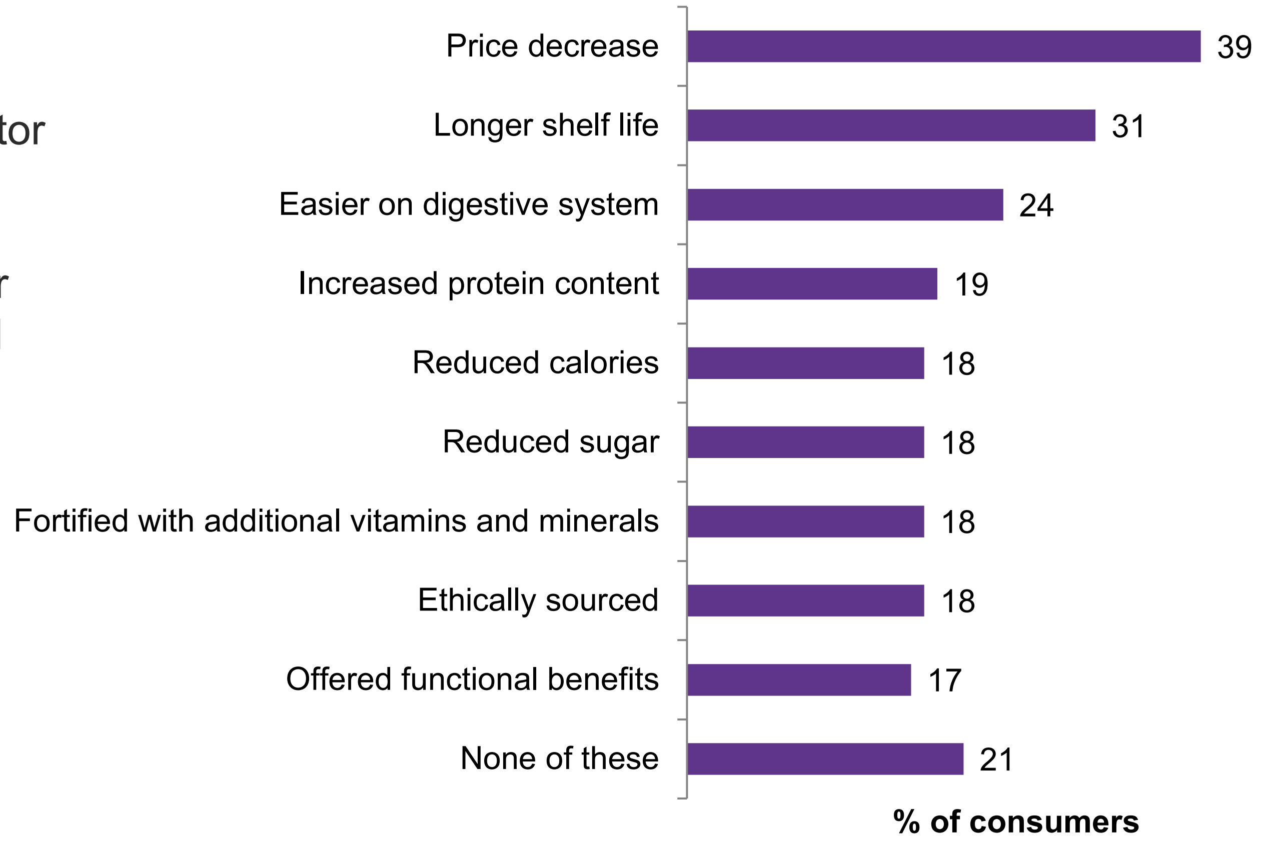
Stand out from the crowd with unique health and sustainability attributes

In a market flooded with choices, the challenge for milk brands lies in standing out and enticing consumers to switch.

With similar nutritional profiles, the differentiating factor lies in the brand's ability to capture attention through innovative packaging, unique flavors, and creative marketing strategies. Brands must tap into consumer preference, offering alternatives like lactose-free and reduced sugar to cater to diverse dietary needs.

The focus extends beyond the product itself to encompass ethical and sustainable practices. By reinventing themselves and addressing evolving consumer demands, milk brands can position themselves as compelling choices, encouraging consumers to make the switch.

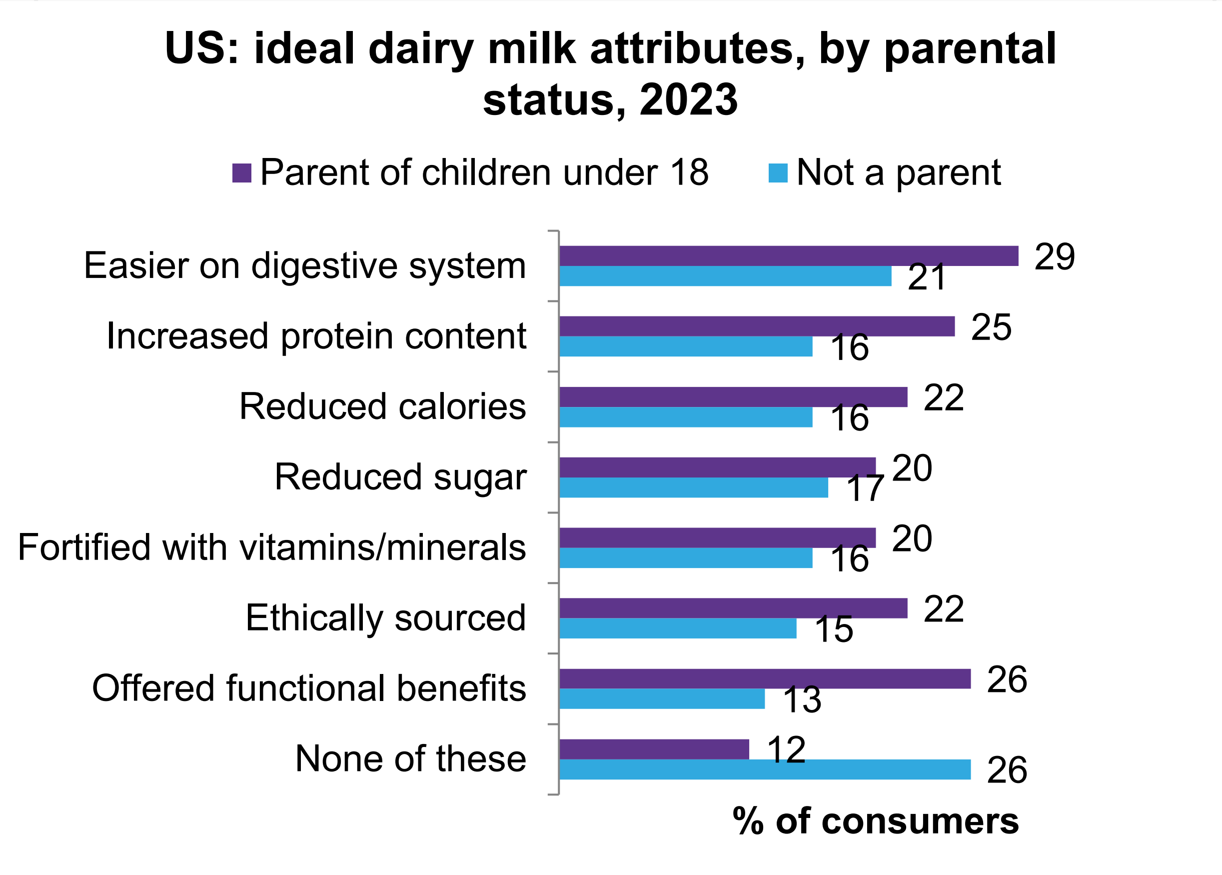
US: ideal dairy milk attributes, 2023



Base: 1,000 internet users aged 18+

Source: Kantar Profiles/Mintel, May 2023

When it comes to parents, added health benefits are top motivators for increased dairy purchase



Parents are willing to buy more based on added health benefits. They are interested in milks with higher protein content, lower sugar and functional benefits. A lower cost is desired, but this can be offset by additional nutrition benefits that add extra value.

There is great opportunity for brands to focus on how they can help make parenting easier by providing clear messaging surrounding the benefits of dairy milk for kids.

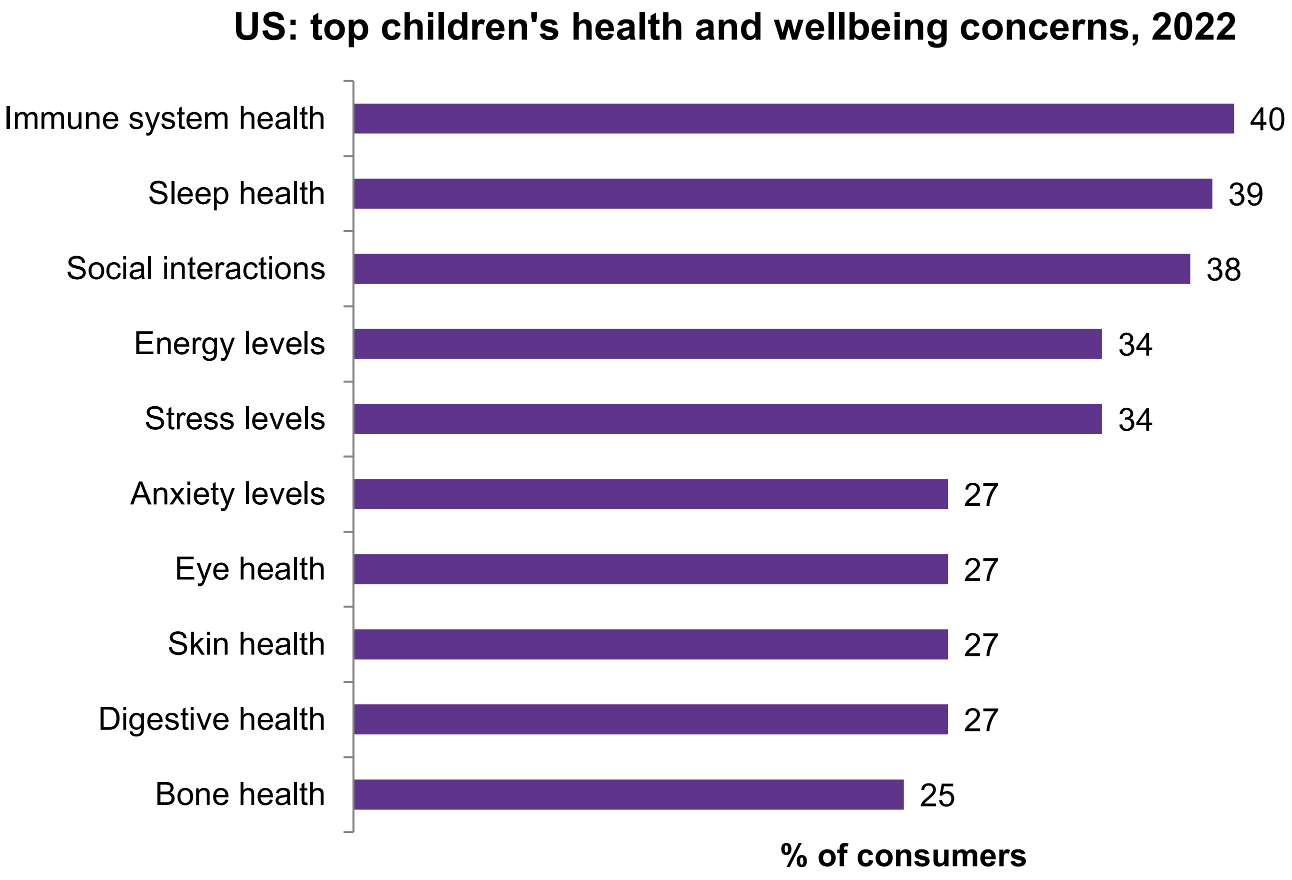
Horizon Milk excels in this with their Growing Years line of milk, which was developed with pediatricians and contains DHA Omega-3 to help support brain and eye health, along with prebiotics and choline. Milk brands are well positioned to meet the needs of parents and children, so making these benefits clearer can help motivate greater purchases.

Base: *1,000 internet users aged 18+*

Source: *Kantar Profiles/Mintel, May 2023*

Mental health concerns top parents' priorities

Brands need clear communication through marketing and on-pack messaging to educate how their products support both their children's physical and mental health.



Horizon Organic Growing Years is specially formulated with DHA Omega-3, prebiotics and choline

Base: 1,478 internet users aged 18+ who have children under 12 living in the household

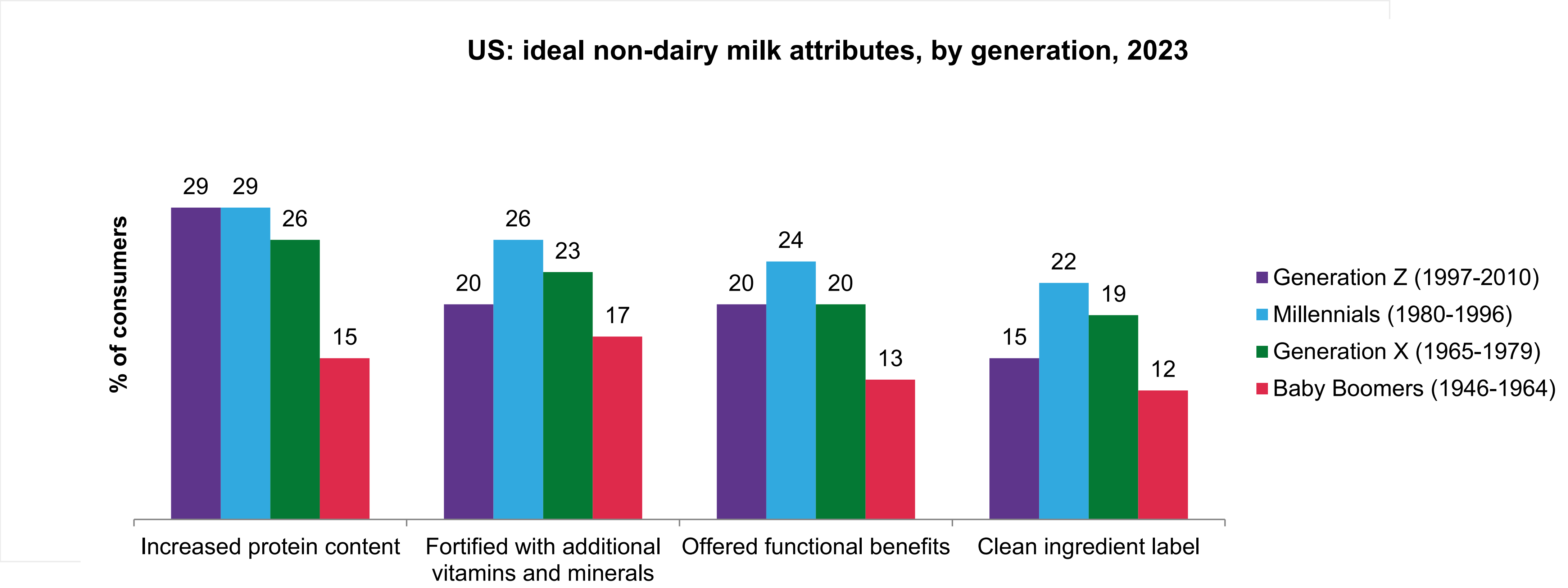
Source: Kantar Profiles/Mintel, November 2021

MINTEL

Read on mintel.com

Functional benefits have value in plant-based beverages for Gen Z and Millennials

54% of Millennials and 48% of Gen Z say they like food/drinks to contribute to their mental and physical health. Offer an extra boost of nutrients that cater to this demand.



Base: *1,000 internet users aged 18+*

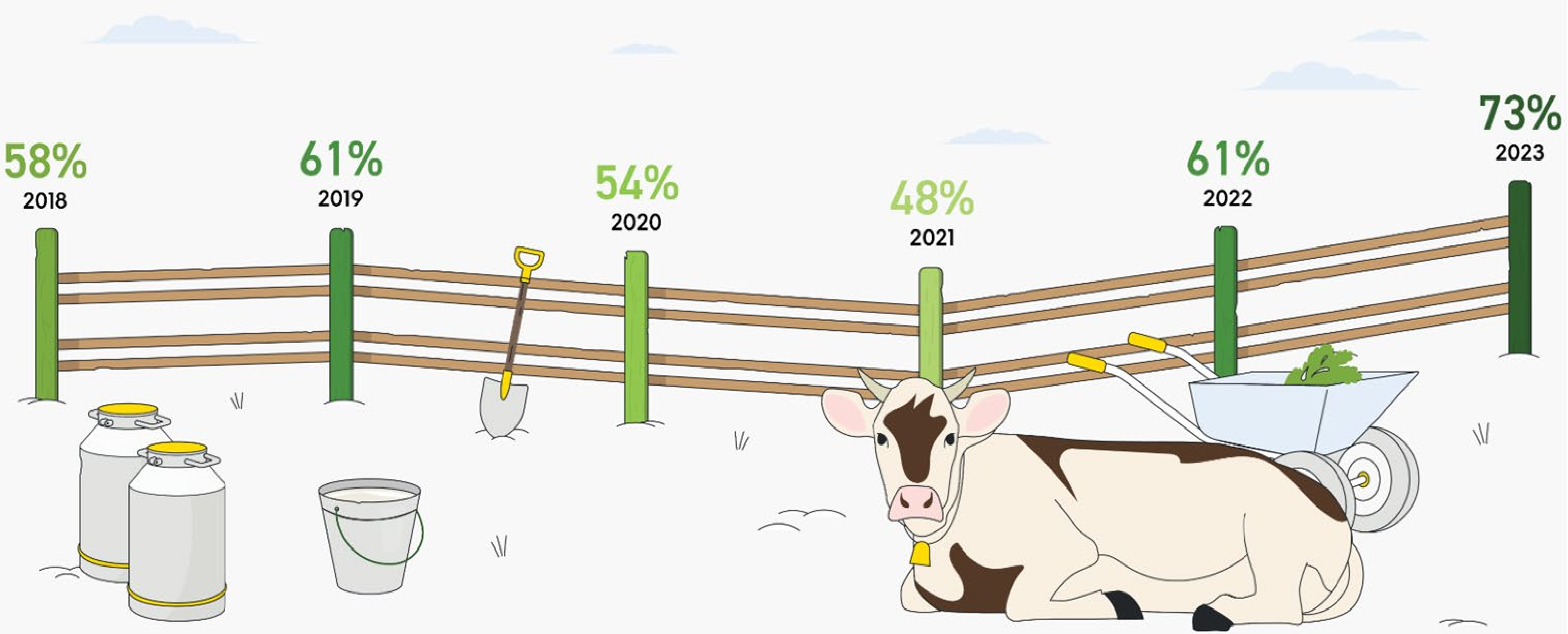
Source: *Kantar Profiles/Mintel, May 2023*

MINTEL

Read on mintel.com

Eco-friendly claims ascend in dairy milk as environmental consciousness rises

US: % of milk launches with environmental & sustainability claims, % of launches, 2018-23



MINTEL

Source: Mintel GNPD, January 2018-December 2023

Read on mintel.com

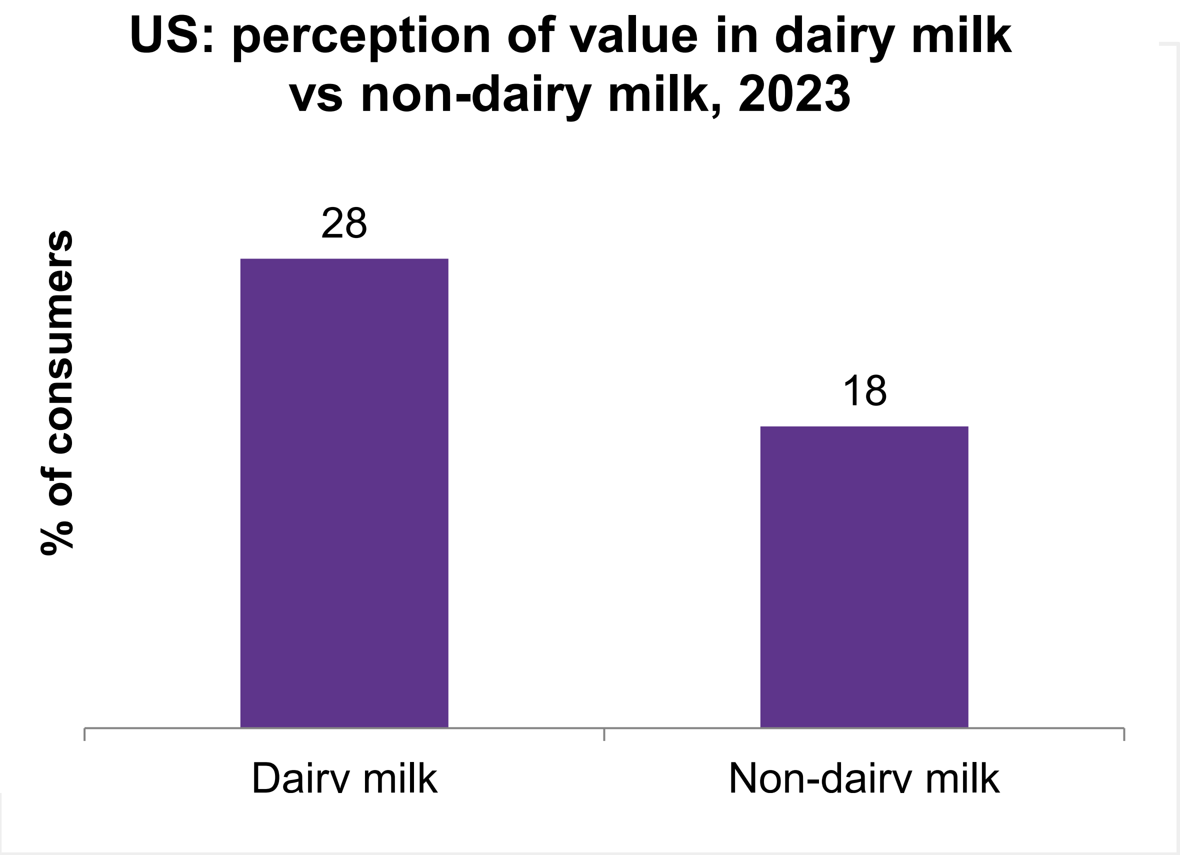
Ethical claims on the rise in dairy milk

Dairy milk launches with ethical and environmental claims are on the rise, showcasing a growing focus on sustainability and responsible production.

ANIMAL-FRIENDLY	ENVIRONMENTALLY FRIENDLY CLAIMS	ORGANIC CLAIMS
+86%	**+65%**	**+49%**
Dairy milk launches 2018-23 with "ethical - animal" claims	Dairy milk launches 2018-23 with "ethical - environmentally friendly" claims	Dairy milk launches 2018-23 with "organic" claims

Source: *Mintel GNPD, January 2018-December 2023*

Rising prices of plant-based beverage redirect consumers towards traditional dairy milk



28% of consumers choose dairy milk over non-dairy because they believe it's a better value

Despite inflation stabilizing, high food prices persist, compelling consumers to reconsider their shopping habits due to budget limitations. 83% of people who shop for their household are worried about rising food/drink prices. As plant-based beverage prices rise, some individuals opt for dairy milk, appreciating its taste, texture and nutritional benefits. Initially driven by sustainability, animal welfare and curiosity, the choice of non-dairy beverage lacks a dominant factor.

Financially strained individuals temporarily turn to versatile dairy milk, reverting to traditional options for cost-saving reasons. However, ongoing innovation and lower prices in the plant-based beverage market are anticipated to reignite consumer interest and consumption in the future.

Base: *1,091 internet users aged 18+ who primarily purchase dairy milk; 554 internet users aged 18+ who primarily purchase* non-dairy beverage

Source: *Kantar Profiles/Mintel, May 2023*

Dairy and non-dairy brands struggle to show sustainability efforts

Sustainability is a pressing concern for both dairy and non-dairy beverages, as they struggle to demonstrate superior environmental friendliness. The dairy industry faces criticism for high greenhouse gas emissions and environmental degradation.

Plant-based beverages have their own environmental challenges, varying by type, including substantial water usage for almond growth or harm to soil health and biodiversity with coconut production.

Surprisingly, only 14% of non-dairy beverage consumers choose plant-based options for environmental reasons, further indicating that neither dairy nor non-dairy beverage are winning this claim.

Base: *2,000 internet users aged 18+*

Source: *Kantar Profiles/Mintel, March 2022*

Dairy milk is gaining back relevance

Dairy milk is on the rise, as its positive taste, nutrition and value perceptions position it ideally for success. Cultural tides are changing, thus altering what consumers seek in their food and drinks in terms of nutrition, value, formats and claims. As it aligns with trends, dairy milk is gaining a refreshed image from its high protein content and simple ingredient lists, as well as its strong versatility to offset inflationary prices.

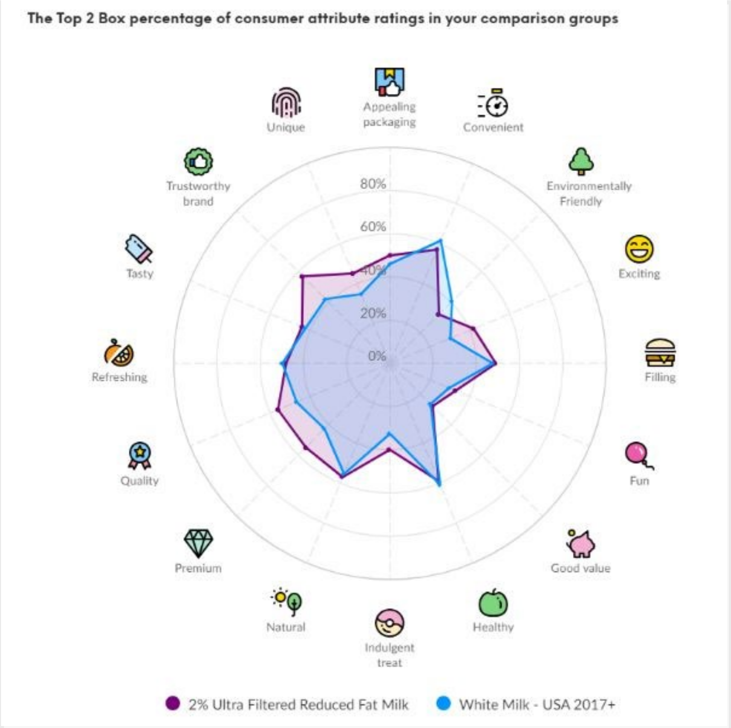
While non-dairy alternatives are simultaneously on the rise, consumers see a place for the two of them in their homes. Purchases of both dairy and non-dairy beverages are increasing; therefore, dairy milk will not lose its position as a staple as consumers find value in both categories and consume them for varying reasons.

Coca-Cola company conquering in specialty dairy milk with Fairlife

With its lactose-free formulation, Fairlife has been a top contender, seeing growth of 12% with its ultra-filtered offerings. On-packaging claims tout 50% more protein, 50% less sugar and free from hormones.

Consumers are more inclined to make purchase decisions based on health, where nutrient density offsets the higher cost of the products. <u>Over 50% of consumers in "healthy" and "ok" financial situations</u> say that extra health benefits add value.

<u>2% Ultra Filtered Reduced Fat Milk</u>



Consumer attribute rating for Fairlife 2% Milk vs White Milk

Source: *Mintel Purchase Intelligence, primary group: 2% Ultra Filtered Reduced Fat Milk; benchmark group: white milk, Jan 2017-Jul 2023*

MINTEL

Read on mintel.com

Consumer Trends: Key Takeaways

Desire for value shifts consumer purchase behavior

As inflation puts constraints on grocery spending, there is a heightened emphasis on value. Within this category, the simplicity of dairy milk aids in regaining share lost to non-dairy. With its familiar taste and trusted health image, consumers, especially younger audiences, are increasingly turning back to dairy.

Milks supporting consumer lifestyles in demand

When consumers choose dairy or non-dairy beverage, the decision is an extension of their values. Brands on either side have the opportunity to partner with consumers on matters they care about. Whether it be health or sustainability, consumers want clear communication about how milk can fill their needs and help them meet their goals.

Dairy and non-dairy beverage: variant purchase factors

Consumers opt for dairy and non-dairy beverage for diverse reasons, valuing both for their unique attributes. These sought-after options cater to consumer demands for health, sustainability, taste, and allergen-free benefits, driving increased.

Recommendations

Emphasize versatility & usage occasions of milk

Consumers are familiar with the versatility of milk, yet there is still potential to expand on its possibilities. From incorporating milk into a face mask to using milk in savory recipes, showcasing new applications can alleviate concerns about shelf life, higher prices while encouraging exploration of new milk-based experiences.

Divide the identities of milk

As consumers turn to dairy and non-dairy beverage for diverse reasons, it's essential to shift marketing towards highlighting their unique qualities. By emphasizing the distinctive factors of both categories, you can cater to varying consumer preferences.

Reach new audiences through tailored attributes

Position milk beverage as specialty beverages that can meet a variety of needs to open new markets. Target parents with milks containing nutrients for development, reach athletes with formulations for performance and portable packaging, and support at-home baristas dairy beverages capable of frothing.

Questions?

For more information contact…

Maureen Windisch, Senior Manager Consumer Insights & Analytics
Email: mwindisch@midwestdairy.com
Mobile: 651-487-4757

Mike Mancini, Account Manager
Email: mmancini@mintel.com
Mobile: 203-843-4936

Thank You!