

Dairy Trends for 2023/24

Presentation to RSA Dairy Industry



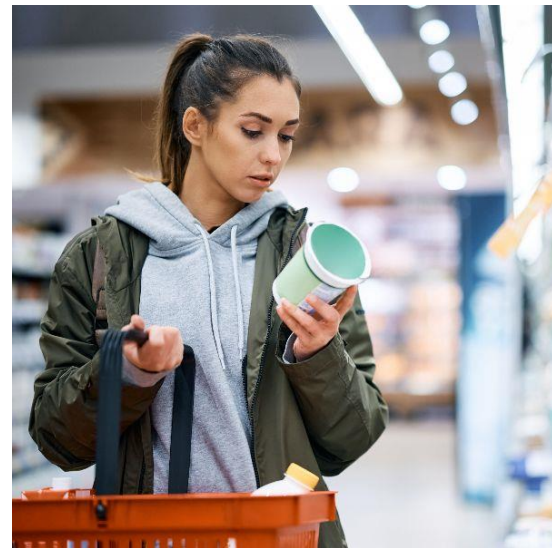
David Faulkner

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20th July 2023

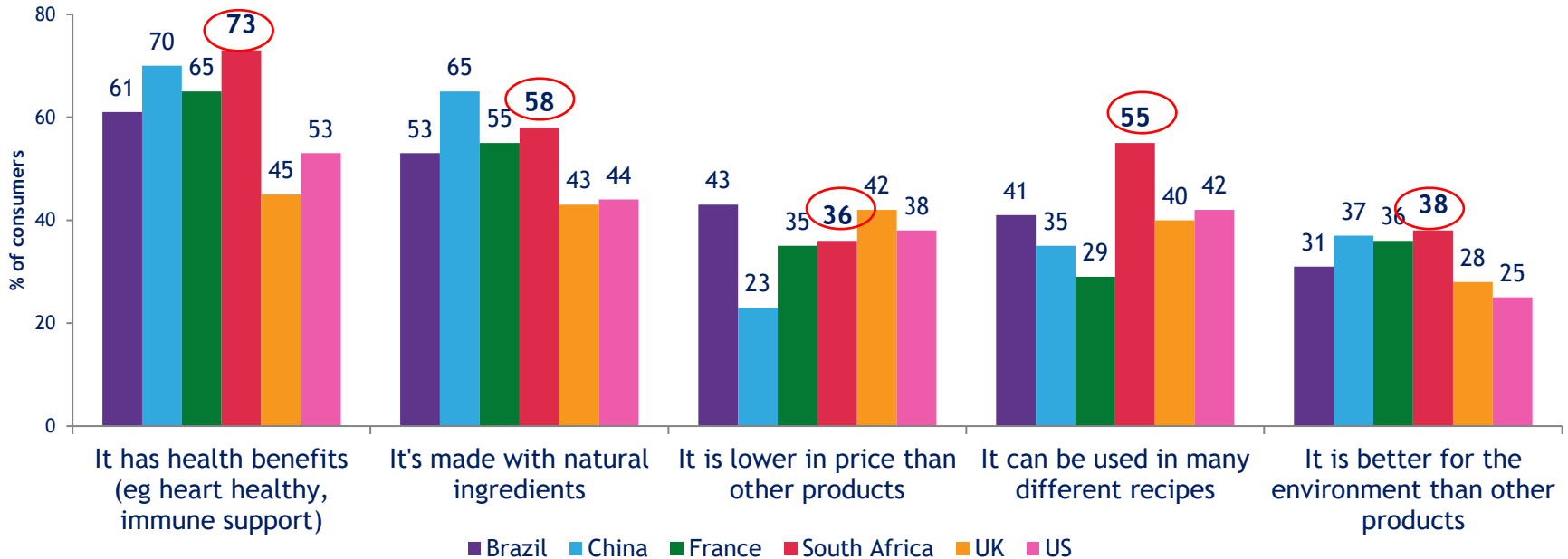
Mintel's Global Food and Drink Trends to navigate 2023, 2024 and beyond

- Factors which will impact on consumers' food and drink choices and availability include:
 - The impact and legacy of COVID-19
 - Ongoing global conflicts
 - Rising retail prices
 - Supply uncertainties
 - Increasingly frequent and more-severe weather events



Value is more than just a low price

Selected global markets: selected top value indicators in food and drink, "Which of the following indicates that a food or drink product is good value for the money? Select all that apply", 2022*



Base: Brazil, France, UK: 1,000 internet users aged 16+ in each market; China, South Africa, US: 1,000 internet users aged 18+ in each market

Source: KuRunData/Mintel; Kantar Profiles/Mintel, August 2022



DELIVERING AGAINST IMMEDIATE EVERYDAY CONSUMER NEEDS

- Savvy Sustenance
- Staying Sharp
- Adaptable Cooking
- Minimalist Messaging

ADDRESSING ISSUES WITH A WIDER LONGER-TERM IMPACT

- The Worth of Water
- Weather-Proofed Provisions

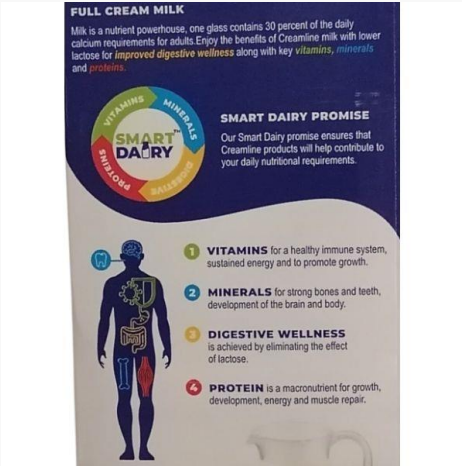
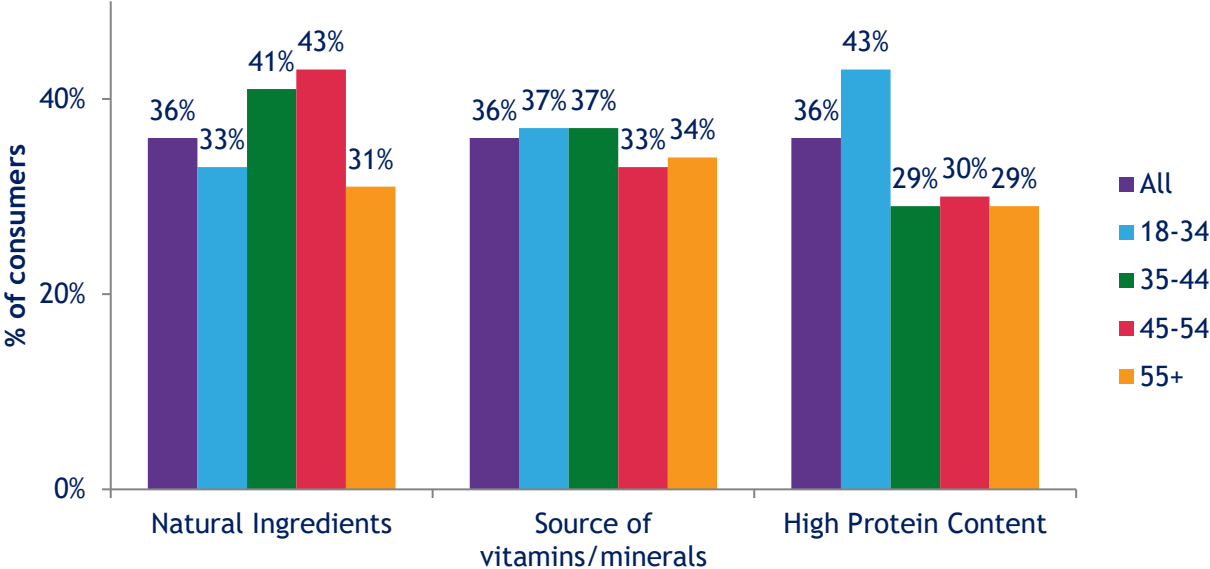
SATISFYING THE NEED FOR PLEASURE AND ESCAPISM

- Unguilty Pleasures
- Cosmic Comforts



Dairy must remain the go-to product for affordable nutrition

South Africa: top 3 factors when shopping for food, 2023



Base: 1,000 internet users aged 18+
Source: Kantar Profiles/Mintel, March 2023

Keep bellies and wallets full with satiating, nutritious dairy-based food and drink



Contains 20% daily fibre needs per serving (Netherlands)

- Satiation has increased relevance in inflationary times
- Link products to basic nutrition and 'fullness' messaging
- Price-conscious consumers associate feeling full with value for money.
- A dairy-based product like yogurt can deliver satiety benefits from its inherent nutrients and from added ingredients (eg fibre).
- **Breakfast** in particular is a big opportunity for products which keep you fuller for longer.

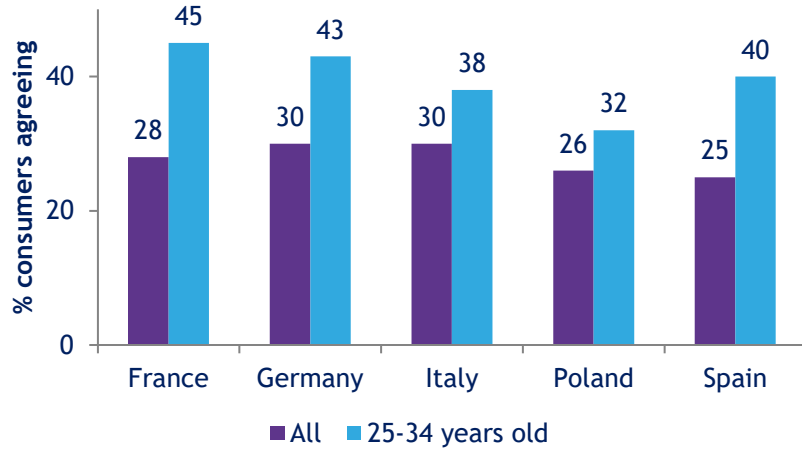


In France, Danone has launched an Activia porridge-style that is a source of fibre (3.2g per serving).

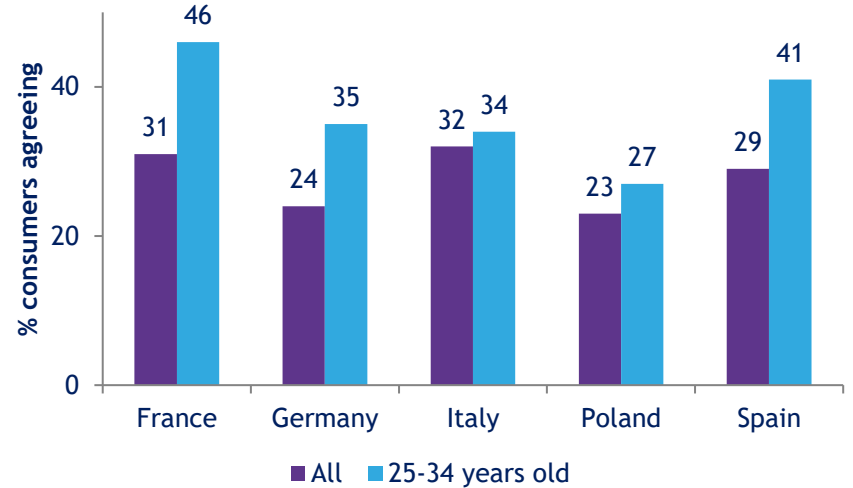


The opportunity for non-dairy

Selected European markets: "Environmental concerns have caused me to limit/reduce the amount of cow's milk I use in the last 12 months", 2022



Selected European markets: "Health concerns have caused me to limit/reduce the amount of cow's milk I use in the last 12 months", 2022



Ingredient choice, format and blends can make plant-based nutrition an affordable nutritional choice



Nestlé's new milk alternative combines a unique blend of oat and fava, with a strong nutritional value (US).

- Many consumers find dairy alternatives too expensive.
- 56% of US consumers agree that dairy alternatives should be more affordable than traditional dairy.
- Using less-expensive ingredients (eg oats) can make plant-based nutrition more competitive.
- Plant-based milk in powder form is also a way to make milk more affordable.



Animal-free dairy promises sustainability, affordability and good-tasting products

- Perfect Day leads the way in animal-free dairy production in the US.
- Product development expands with launch of Modern Kitchen cream cheeses and Brave Robot ices.
- Future ambition is to offer **mainstream highly affordable non-animal products with identical taste profiles.**

"We estimate we will have cost parity production...meaning we're going to sell our proteins at the same price it costs dairy farmers to produce milk proteins, already in 2024...and moving forward, we believe costs will continue to decrease".

Remilk CEO Aviv Wolf, Israel



Brave Robot x Coolhaus Mint Chocolate Chip Animal-Free Ice Cream Sandwiches (US)

Future forecast: 'better-for-us' will be the new 'better-for-you'

Including championing nutrition equity and nutrition justice, and shifting to sustainable food systems



Combat food security

The hunger relief organisation Philabundance partnered with local food banks to upcycle 12 tankers of milk, launching the Abundantly Good cheese brand in order to **combat surplus milk and food insecurity** (US).



High-quality yet affordable

Arla claims that 'as the world's largest organic dairy producer, our size enables us to provide high-quality yet affordable organic milk products for everyone' (Cambodia).



Regenerative farming

Hart Whole Milk "uses advanced regenerative farming methods to naturally restore soil health and minimise carbon footprint". (US)

Kerry Group provides equipment and training to dairy farmers in Burundi to help "strengthen the milk value chain and to make safe and sustainable milk more accessible to school children and the community".



Adaptable Cooking: help home cooks adapt and improvise in the face of increasing barriers to shopping and cooking

- Rising food prices are forcing them to switch to cheaper alternatives.
- Increased energy costs are changing how consumers cook their food (eg air fryers), requiring more guidance from food brands.
- Arm consumers with the knowledge they need to adapt when uncertainty arrives in the kitchen.

57%

57% of South Africans* say they use a time-saving appliance (eg air fryer, microwave) daily or a few times a week.

Inspire consumers to embrace 'new' energy-efficient cooking methods



Alpenhain Camembert can be oven-baked, pan-fried, deep-fried or air-fried. (Austria)

Versatile kitchen hacks can unlock multiple recipes



Offering a multiplicity of uses

Edeka Gut & Günstig Mild Creamy Yogurt is ideal for baking, salad dressings, fruits or simply eating directly with a spoon (Germany).



Recipe suggestions to extend use

Vemondo Organic Coconut Drink can also be used for cooking and includes a recipe suggestion on the pack (Poland).

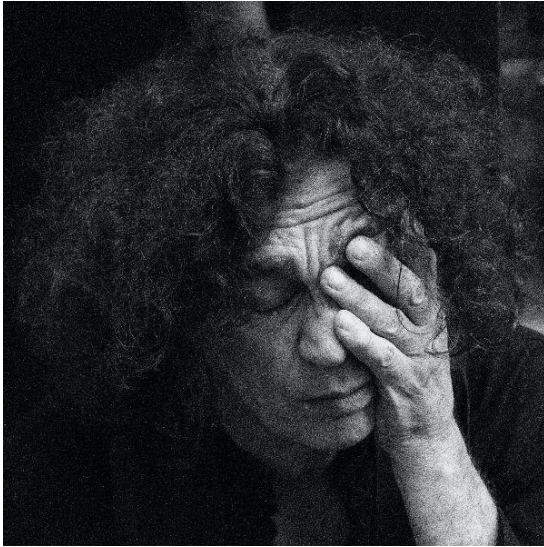


Giving a flavour upgrade to food

Knorr Crispy Topping with Spring Onion, Herbs and Cheese claims to give vegetables a flavour upgrade. (Germany).



Staying Sharp: help consumers optimise their mental performance at work, at home and at play



- Over the past 10 years, the number of global food & drink launches with an energy claim has rocketed by 110%.
- In a challenging world, consumers look for support to maintain focus and stay in control.

95%

of South African adults say that a healthy diet can promote good mental health*

Base: South Africa and China: 1,000 internet users aged 18+ in each market; Brazil: 1,000 internet users aged 16+

Source: Kantar Profiles/Mintel; KuRunData/Mintel, August 2022



More products will focus on containing nutrients that support cognitive and psychological functions such as magnesium, B vitamins and zinc



NutriDay Full Cream Strawberry Yoghurt
(South Africa)



Auchan Hazelnut Drink with vitamins B2
and B12 (France)

- Danone NutriDay is a source of vitamins B for mind and energy; vitamin A for eye health and zinc for defences.
- Auchan Hazelnut Drink contains vitamin B2 which contributes to the normal function of the nervous system, and vitamin B12 which reduces tiredness.

Vitality and gut health will drive use of dairy products for cognitive health

- Looking forward, new research and patents related to the gut-brain axis will create opportunities to **highlight how the digestive health benefits of pro-, pre- and post-biotics support cognitive health.**
- This also gives fibre-rich dairy products potential to shine.



Rich in fibre, contains bacteria that reach the gut alive (Netherlands)

Future forecast: scientific evidence of efficacy will be needed before emerging ingredients in the cognitive health benefit space can cut through



With valerian 'to maintain natural sleep, boost mental health' (UK)



Sonata Meiraku New York White Chocolate Drink contains 10mg GABA (Japan)

- **Adaptogens** (linked to stress relief) such as ashwagandha, holy basil and schisandra, claim to help restore balance and cope with physical or mental stress.
- **Nootropics** such as L-theanine and GABA are linked to enhanced brain power, focus and alertness.
- **Nervines** are calming botanicals, including hops, lavender and passionflower

Schemes like Nutri-Score and EcoScore can simplify transparency and informed decision making

- 43% of Germans say they avoid buying products with a low score from on-pack nutrition rating labels (ie Nutri-Score).
- Once this is a consumer expectation, more brands will follow early Nutri-Score adopters (eg PepsiCo).
- In 2021, the EC registered the European EcoScore to assign a mandatory 'reliable EcoScore' to products
- In the UK, Lidl is one of the first retailers to trial EcoScore labelling.



Globally we are seeing more informed and hardened consumers...



- *'...concerns around climate change, water and food shortages are being prioritised ahead of previous preoccupations with waste and plastic.*
- *In many markets we're seeing an increased sense of personal vulnerability and personal impact – both of which can act as **drivers for action**'.*

Richard Cope, Senior Trends Consultant, Mintel

The UN predicts a **40% shortfall** in freshwater resources by 2030.

Reassure consumers on responsible water usage

Dairy production can be water-intensive.



Naturkind Organic Mini Mozzarella.

The manufacturer works with WWF for the protection of natural resources. WWF recommends the Bioland standard* to help protect natural resources and screen products for water and social risks (Germany).



Silk Sweet Oat Latte Dairy-Free Oat Creamer.

The manufacturer claims to restore water to rivers drop for drop, putting back what is used to grow oats (US).



Igor Gran Riserva Leonardi PDO Gorgonzola Cheese.

The manufacturer is committed to: 100% animal welfare; ecological transport with methane; eliminating water waste; being a zero-emission company; using energy from 100% renewable sources (Italy).



Food and drink companies will need to develop product innovations which help consumers deal with the dangerous effects of extreme weather.

Hydration for hot weather: some products in the dairy fixture focus on both refreshment and energy



Refreshing and energising

Nissin York Acerola & Vitamin C Lactic Acid Drink. Described as refreshing and energising, with the sweet and sour flavour of acerola to help the consumer overcome summer 2022 (Japan).



The perfect way to refresh

EnerBio Organic Coconut Drink is described as a delicious and exotic alternative to milk and the perfect way to refresh (Poland).



Offering hydration

La Vie Claire Plain Sugar-Free Almond Milk claims to be both healthy and hydrating (France).



Contemporising extended life: tasty longer-life products come to the fore

Food and drink innovations will be called upon to deliver easy-to-use nutrition during catastrophic weather events.



Fresher for longer

Parmalat EverFresh UHT Process Full Cream Milk.

This redesigned pack is insulated with protective layers to keep the product fresher for longer (South Africa).



Oat powder mix

Greenforce Plain Organic Oat Drink Powder. 400g pack of powder mixture for preparing a vegan oat drink. Sufficient for 4l of drink. Sustainable and long-lasting. Less food and packaging waste (Germany).



Dry cream for baking, shakes, cooking, coffee

KN Kate Naturals Premium Heavy Cream Powder Requires no refrigeration so the consumer can make coffee or cook whenever and wherever it is wanted (US).

UngUILTY Pleasures: give overwhelmed consumers the freedom to indulge and to treat themselves

- With consumers carrying a heavy mental load following crisis upon crisis, food and drink brands should **rethink the positioning of pleasurable products**.
- Often, pleasurable food and drink are marketed as being naughty, guilty or frivolous. This approach can be alienating.
- Brands can **position pleasurable food and drink as necessities in tough times**, as opposed to guilty self-indulgences.

GUILT DOESN'T TASTE GOOD

48%

of Italian consumers agree that feeling guilty about their food/drink choices reduces the pleasure they get from them

Base: Italy: 1,000 internet users aged 16+

Source: Kantar Profiles/Mintel, February 2022



Help consumers to find pleasure in dairy consumption



Indulgent

Woolworth Ayrshire Double Cream Apple Crumble Flavoured Yoghurt with Apple & Cinnamon

Thick, creamy and indulgent (South Africa).



Extra Fruity

Zott Pure Joy Mango Flavour Fermented Coconut Milk Yogurt Alternative

Features a creamy and extra-fruity recipe (Germany).



Rich

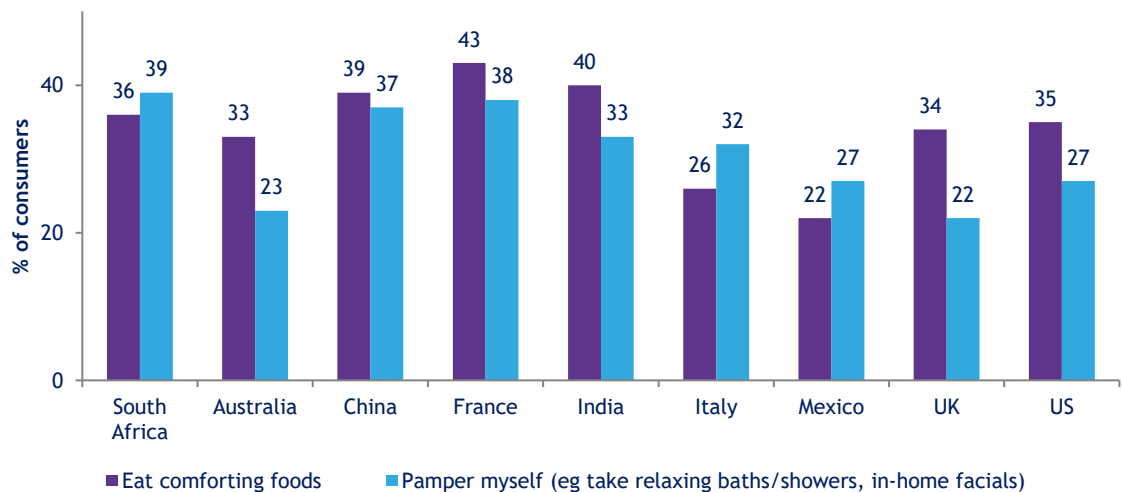
Sainsbury's Taste the Difference Quattro Cheese Bake

This delicious oozy cheese bake is rich and indulgent - a blended four-cheese bake with cheddar, double Gloucester, mozzarella and red Leicester (UK).



What's next: build dairy food and drink into self-care regimens

Selected global markets: select actions consumers take to relieve stress, 2021*



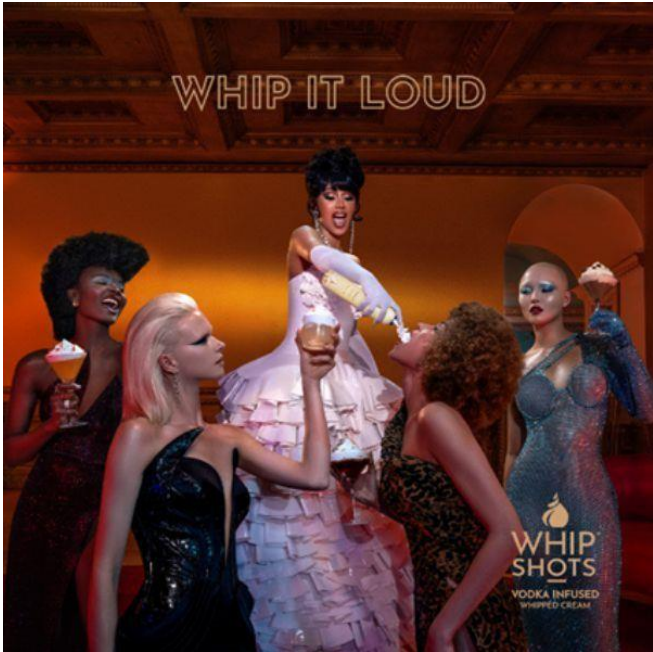
Bouchon du Madiran (France) comes in 10g portions

Base: Australia, China, India, Mexico, Saudi Arabia, US: 1,000 internet users aged 18+ in each market; France, Italy, UK: 1,000 internet users aged 16+ in each market

Source: Dynata/Mintel; KuRunData/Mintel; Offerwise/Mintel; Kantar Profiles/Mintel, August 2021



Future forecast: brands will explore new possibilities to heighten pleasure



Cosmic Comforts: new generations look to the stars for hope

72%

of 16-24s in Germany say it's hard not to be anxious about the future

- Space has long been a popular theme for marketers
- But as a marketing theme, space will become less whimsical and more tangible and profound, symbolising hope amid the intensifying crises on Earth.



Base: Germany: 500 internet users aged 16-24

Source: Kantar Profiles/Mintel, October 2021

Yili plans to launch a Space Lab for Future Dairy



Yili is an official partner for the Chinese Space Program

- In April 2022, Yili Group announced a collaboration with the China Center for Aerospace Science and Technology International Communications (CCASTIC).
- It is establishing a Space Lab for Future Dairy, which aims to leverage space technology to bring new transformative innovations to the health sector.



In conclusion: **Mintel's 2023 Global Food and Drink Trends** lay out a clear roadmap for global dairy companies

What dairy companies should already be doing

- When money is tight, assure consumers that nutritional needs are met.
- Help consumers optimise their mental performance at work, at home and at play.
- Give people the knowledge they need to adapt their meal plans amid fluctuating finances and product availability.
- Use clear and simple communication to connect with fatigued consumers.

What dairy companies should be urgently addressing

- More-respectful and resourceful use of water will become a priority for consumers and companies.
- Food and drink can help consumers endure heat waves, sub-zero temperatures and disastrous weather events.

Positivity and optimism: deliver pleasure and escapism

- Give overwhelmed consumers the freedom to indulge and to treat themselves.
- As Earth endures more chaos, space will become a source of optimism, innovation and connection.



Meet the Expert



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Experts in what consumers want and why

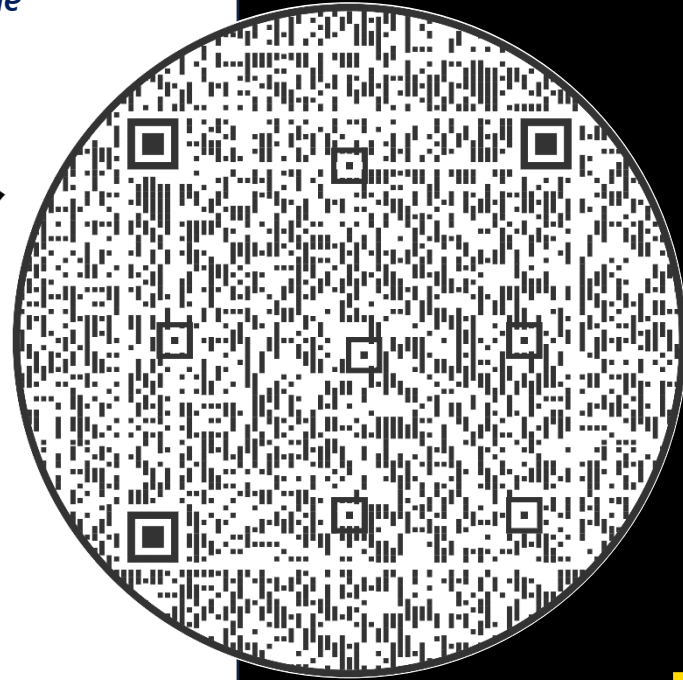
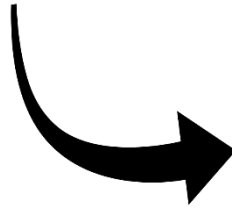


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