

Opportunities for U.S. dairy lie in growing Hispanic population

By Alyssa Sowerwine

DALLAS — As the U.S. Hispanic population continues to expand, researchers are finding that opportunities for the dairy industry lie in this fast-growing group of consumers.

A new Innovation Center for U.S. Dairy white paper analyzes the growing Hispanic market and reveals strategies to more effectively meet the needs of this population and expand dairy sales. The paper's findings were presented at a session Wednesday titled "The New America: Understanding the Hispanic Market" during the International Dairy Show in Dallas.

Session speakers — which included Yocasta Shames, account director for Siboney USA, a Hispanic marketing agency, and Lynn M. Stachura, senior vice president of strategic insights for Dairy Management Inc. (DMI) — note that over the next several years, the number of Hispanic households is expected to increase at a faster pace than any other group in the United States.

The Innovation Center white paper states that an estimated 47 million Hispanic residents in the United States represent 15 percent of the total population, with an estimated spending power of more than \$951 billion in 2008.

Stachura adds that U.S. Hispanic consumers outspend U.S. non-Hispanic consumers by 9 percent.

The white paper states that the Hispanic population is expected to continue to grow, outpacing total population growth by about 3 to 1.

Hispanic children are a critical base because predictions indicate that they will represent 25 percent of America's youth by 2020, the paper notes.

The white paper segments Hispanic consumers by level of acculturation, or the process of assimilating into a new culture, which is a strong indicator of consumption patterns, Stachura says. It also examines dairy preferences, perceptions and consumption among foreign-born less acculturated immigrants, foreign-born more acculturated immigrants and U.S.-born Hispanic residents.

The white paper states that milk consumption decreases as the acculturation process progresses. In fact, the less acculturated group consumes almost 50 percent more milk, cheese and yogurt than the most acculturated segment of Hispanic consumers.

This gap could result in the loss of 700 million pounds of fluid milk sales for this segment by 2030, the paper notes.

In addition, there is vast difference in dairy preferences between the less acculturated and more acculturated consumers, states the paper, which notes that whole milk penetration is almost 14 percent higher among foreign-born Hispanics compared with the U.S.-born segment, while drinkable yogurt penetration is almost double, and Hispanic cheese penetration is nearly four times higher.

"By appealing to the unique traditions of the less acculturated group, while recognizing that new habits get layered on, the dairy industry will be better able to maintain dairy consumption and help curb the drop-off," Stachura says.

The white paper also pinpoints specific recommendations to help meet the challenge of creating demand by addressing the traditional needs of these consumers, including messaging, positioning, new product and packaging innovation, and distribution strategies.

“Hispanic consumers in the U.S. are a highly diverse group with different beliefs, customs, experiences and behaviors,” Stachura says. “These cultural differences make it even more important for marketers to understand this audience and develop messaging and programming to meet their unique needs.”

Stachura notes that Hispanic consumers tend to use many different channels when shopping and tend to “stock up” on products. At the same time, many also do “just in time” shopping to select items they plan to cook that same day.

In addition, while Hispanic consumers are driven by value, that is not their only concern as many are more brand loyal across dairy categories than non-Hispanic consumers, Stachura says.

Stachura notes the dairy industry could benefit from promoting dinner time milk-drinking habits and the benefits of drinking milk over alternative beverages to U.S. Hispanic consumers.

“The consumption of milk at dinner is not a part of the culture in their home countries,” Stachura says.

In addition, while research shows Hispanics are frequent consumers of cheese, gaps exist in the varieties available to them, Stachura notes, adding that foreign-born Hispanic consumers are unfamiliar with the taste and uses for many U.S. cheeses and will need education and sampling to help accelerate adoption.

Integration of different cheese types also is an area of possible improvement, she says.

“They may be able to get the cheese they are accustomed to at their local bodega, but other American-type varieties aren’t available there,” she explains. “At the same time, larger retail outlets that carry a wide variety of American-style cheeses may not also carry traditional Hispanic varieties.”

Stachura notes that many Hispanic consumers also have preconceptions that lower-fat milk varieties are lacking in essential nutrients.

“The industry needs to educate Hispanic consumers about milk’s nutrient profile and reinforce that lowfat milk has the same nutrient package as fuller-fat varieties,” she says.

Still, Stachura says research shows that the unique nutrient package found in dairy products is extremely important to Hispanic consumers.

“With the right products and messages, as well as increased distribution where Hispanics shop most, the dairy industry has an opportunity to grow incremental sales,” she says.

To view the white paper, visit www.USDAairy.com or e-mail InnovationCenter@USDAairy.com.

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