



Milk and Beverage Outlook

by Marina Mayer

Posted: February 1, 2010



Milk still does a body good, but so do others drinks that keep dairy from reclaiming dominance.

When it comes to drinking healthy, milk and water go hand in hand. Milk delivers protein, calcium and vitamin C, whereas water makes up nearly 70% of your body.



In fact, according to the American Academy of Pediatrics' Healthy New Year's Resolutions, one of consumers' top five goals is to drink more milk and water and less soda and fruit drinks.

That's why many processors are revamping their lines to provide consumers with a team of uniquely healthy drinking options in easy-to-open packages and exotic flavors.

"The marketplace is seeing a lot of new products in a range of segments," says Gary Hemphill, managing director of information services for Beverage Marketing Corp., New York. "Particular areas of interest right now are coconut waters, relaxing beverages and energy [drinks]. The trend is toward healthier, all-natural ingredients."

All that is milk



Packed with calcium, vitamin C and other fortifying nutrients, milk is a hot commodity.

And sometimes it's not just the nutrients that make the product so, well ... milktastic.

For instance, Dakin Dairy Farms owes the wholesome taste of its milk to fresh, green grass it feeds its cows. According to its Web site, the Sarasota, Fla.-based processor developed a process that compensates soil with its own compost and mixes with numerous grains, minerals and hay, which are blended into a highly nutritious "salad" for the cows. This pesticide-free process was developed with the aid of the company's nutritionist, Rick Lundquist.

Additionally, Dakin Dairy started bottling its own milk in March 2009, says Karen Dakin, president and owner, and prints statements such as “Fresh From Our Farm” on its packaging. “The trends toward local farm-produced and packaged products are increasing,” Dakin says. “‘Local’ is the buzzword.”



Meanwhile, Massachusetts-based HP Hood continues to use ultrafiltration for its Simply Smart line, which Hood touts as delivering higher-fat taste at lower-fat levels. Varieties include Chocolate Fat-free, Fat-free and 1% Low-fat Milk.

On the other hand, consumers continue to seek out milk alternatives, says Chris Turek, marketing manager for Turtle Mountain LLC. As a result, the Eugene, Ore.-based milk processor developed the So Delicious Coconut Milk Beverage, which provides an alternative to consumers in search of a dairy-free diet. Made with imported organic coconut milk and fortified with calcium, vitamins A, D and B12, and magnesium, the beverage comes in Plain, Vanilla and Unsweetened flavors.



Furthermore, Turtle Mountain launched So Delicious Coconut Milk Kefir, which claims to deliver the health benefits of both coconut milk and cultured-dairy kefir.

Flavored milk, on the other hand, sounds off to a different tune. What was once considered an indulgence has gained appeal to consumers of all ages as a result of its low-fat and low-sugar options.

“Sales of flavored milk are booming,” says Jim Montel, executive vice president of strategic initiatives for Dairy Management Inc., which manages the national dairy producer checkoff program. “There [also] is growing demand for reduced-fat and reduced-sugar levels in flavored milk. DMI helped the U.S. dairy industry reformulate flavored milk with reduced fat and sugar to meet potential new standards.”

For example, Turkey Hill Dairy introduced Cool Moos reduced-fat flavored milk, available in Strawberry and Chocolate flavors.

“We have held numerous focus groups with mothers trying to determine the wants and needs they face when it comes to packaging,” says Melissa Mattilio, consumer marketing manager for the Conestoga, Pa.-based processor. “As a result, our two new ESL milks are packaged in a convenient, 12-ounce resealable bottle for moms, with bright attractive graphics for kids.”



Meanwhile, Kemps LLC, the Minnesota-based division of HP Hood, introduced its Select line of flavored milk, available in Banana, Chocolate, Strawberry and Cookies 'n Scream varieties, while Seattle's Darigold stays on trend with a team of lactose-free, reduced fat, homogenized, fat-free and extra calcium milk options in chocolate, strawberry and mocha flavors.

However, a tanking economy has forced many processors to hunker down and revamp their pricing structure to keep consumers coming back for more.



In Florida, for instance, milk can be sold as a loss leader, or as a product that's sold at nearly below cost to stimulate other profitable sales, Dakin says. "Milk without any added ingredients is a commodity product with an antiquated pricing structure regulated by the federal government," she says.

"Only pennies per gallon are made. The biggest challenge for our customers is being able to purchase our milk at a reasonable price."

In addition, processors are faced with price constraints, says Robert Murray, director of the Center for Healthy Weight & Nutrition, Nationwide Children's Hospital and professor of Pediatrics at Ohio State University's School of Medicine.

"It has been hard for dairy products to compete in the value equation with items produced for a few cents a serving," he adds. "On the other hand, children want and expect something for their money. Although taste is important, the nutritional benefits of milk, including its ability to strengthen bones, optimize growth, protect against illness and aid in weight management, all may contribute to a child's perception of 'value.'"

Nevertheless, fluid milk still faces the continued entry of different beverages, says Vivien Godfrey, chief executive officer for Milk Processor Education Program (MilkPEP), Washington, D.C.

"With consumers being offered so many choices, it is hard for packaged milk to keep shelf space in the retail environment," she says. "It is also hard to keep our share of voice in TV and print advertising with so many competing messages from other beverages."



To compete successfully in the marketplace, Montel advises dairy processors to provide products that meet today's consumer needs.

"The greatest opportunities lie in the continued development and

increased availability of creative offerings in restaurant foodservice and school foodservice channels," he says. "Creative offerings include coffee-flavored drinks and related dairy beverages, reduced-lactose and lactose-free milk, sports nutrition beverages and milk in single-serve packaging."

Plus, milk will continue to be touted as a nutrient-rich beverage, Godfrey says. "MilkPEP's 'Refuel with Chocolate Milk' has been very successful and demonstrates how the positioning of chocolate milk in a new, exciting way – as a drink to help replenish your body after exercise – gave a big boost to the category," she adds. "We believe that flavored milk may also benefit from tough economic times and can be seen as an affordable treat when more expensive treats may be out of reach for some families."

Watering its Way Up



It used to be that nearly every American couldn't leave the house without a water bottle strapped to their belt.

Then a dust-up over Aquafina, in which the Pepsi-owned company was accused of bottling municipal tap water, led many bottled water devotees to reconsider what they were really drinking. (Aquafina has since revamped its labels to describe the contents as treated tap water.)

"Customers want more assurances today that the water they drink is safe and high quality every time they open the cap," says Jane Lazgin, director, corporate communications for Nestlé Waters.

Now consumers are fully aware of what's on tap versus what's been untouched, and water producers are responding with a plethora of refreshing products that target the every-consumer. "The beverage market is moving to an era of specialization," Hemphill says. "Most new products are niche – targeted to a particular need state or particular consumer demographic. The era of one-size-fits-all for beverage products is no longer."

One niche market targeting particular consumers is the interest in raw foods. In response to this trend, Summit Spring Water Inc. introduced Raw Water, the first spring water to be bottled directly from the source without any filtration, treatment, pumps or boreholes, according to a press release.



"It is a natural 'living' spring water captured at the source and gravity fed directly into the bottle without any treatment whatsoever," says N. Bryan Pullen, president of the Harrison, Maine-based company. "Natural spring water taken straight from the earth contains nutrients

and has nourishing properties that are routinely being destroyed in the water treatment process. This product will be packaged in glass and placed inside a brown paper bag to protect it from harmful sunlight.”

Other water bottlers such as North Cove Springs blend fresh mountain spring water with all-natural sweeteners and healthy vitamins to produce a flavored water beverage. The Marion, N.C.-based company introduced North Cove Naturals, a line of 100% natural-flavored bottled water that contains the new “in” sweetener stevia and is enriched with vitamins C, B3, B6 and B12. North Cove Naturals comes in Apple Blast, Acai Blueberry, Lemon Citrus, Kiwi Strawberry and Dragonfruit flavors.

“We really set out to create our product with today’s consumer in mind,” says Chris Mencis, chief executive officers for North Cove Springs. “As we took into consideration the increasing awareness for natural, healthy products, we took great steps to ensure that all of the ingredients we used were 100% natural and that consumers would appreciate that we provide a great tasting, healthy option for them. As we sit on fresh North Carolina springs, we also offer bottled spring water. We are very proud of the high quality and purity of our water, which is the foundation for our Naturals line as well.”

Likewise, whey protein products such as ClearProtein from Fonterra USA, Rosemont, Ill., allow mainstream beverage producers to add protein to clear beverages without affecting the taste profile, says Josh Hosking, senior business development and marketing manager.

“The role of dairy in mainstream beverages is only just beginning to be realized and will continue to feature heavily in future innovation in coming years,” Hosking says. “This is a step change for the beverage category as traditionally protein-based drinks have been heavy, milky formulations with limited appeal due to taste limitations and a ‘body building only’ perception.”



Meanwhile, other water bottlers are reviewing their packaging in hopes of making tomorrow a little greener for their consumers.

For instance, Nestlé Waters North America launched its next-generation Eco-Shape bottle, which uses an average of 25% less plastic than the original Eco-Shape bottle. Plus, the plastic reduction helps the Greenwich, Conn.-based company exceed its goal for reducing plastic by an additional 15% by 2010, according to a company press release.

“As a bottled water manufacturer, we feel a responsibility to help get these bottles into recycling bins,” Lazgin says. “Every bottle Nestlé Waters produces is recyclable, including the caps, but we need to make sure recycling is more accessible – that’s why we’re working with non-profits, legislators and communities to improve access to

programs that make it easier to recycle.”

As a result, Nestlé Waters continues to focus on its carefully sourced natural spring waters like Poland Spring Brand Natural Spring Water, Arrowhead Brand Mountain Spring Water and its purified water brand, Nestlé Pure Life, Lazgin says.

“We recently introduced a new spring water brand called Re-source,” she says, “which is packaged in a bottle made out of 25% recycled plastic and is meant to help encourage better recycling in America.”

Tea time, with juice

“Other trends in schools include more sweetened teas and fruit drinks and fewer traditional carbonated soft drinks,” Murray says.



That’s why a number of tea and juice producers are trading in their sugars for some real fruits, vegetables, vitamins and nutrients.

“We are starved for real nutrition from vegetables and fruits, natural energy from real foods, not artificial stimulation,” says Dan Ratner, chief executive officer of Cell-nique. The Weston, Conn.-based beverage producer presented its first ready-to-drink Organic Super Green beverage, complete with 31 superfoods. This nutrient-rich beverage is high in protein, low in calories, contains no added sugar and fulfills eight to 10 servings of fruits and vegetables, Ratner says. The team of detoxifying flavors includes Lemon-Ginger, Berry Grape, Root Beer, Dark Chocolate, Apple, Japanese Roasted Tea, Pomegranate, Tropical Fruit and Citrus Vanilla.

“Non-dairy functional beverages will continue to grow,” he says.

In response to revised school lunch programs and new vending options, Dolton, Ill.-based Apple Rush Co. launched its own nationwide school distribution program with Organic 100% Juice Sparkling Beverages. The program started in California with the distribution of 8.45-ounce cans in Original Apple, Cranberry and Pomegranate options.

“The schools want better beverages for children. Other organic beverages just have refined organic sugar,” says Robert Corr, president for Apple Rush. “We only use juice and it’s organic.”

Another trend that is becoming more prominent is the desire for beverages to have a higher pH or are more “alkaline” and offer antioxidant properties, says Kurt Althof, director marketing for Coral LLC.

“Alkalizing one’s body is considered paramount for optimal health, as

is the consumption of antioxidants," he says. "We believe the best opportunities lie in delivering products that are in growing demand while providing unlimited choices. Our products address the trends but stop short of dictating what brand, flavor or type of beverage one should consume."

In response, the Incline Village, Nev.-based company launched Coral Mineral Sachets, which are antioxidant water, mineral-rich "teabags" that take the hassle out of making tea by transforming any tap or bottled water into an antioxidant-rich, alkaline beverage that costs a fraction of the price of sports drinks.

"The beverage category in general should continue to grow as hydration continues to be an issue," Althof says, "and the public is always looking for better tasting, more enjoyable ways to quench their thirst."

Couple that with an increasing desire for functional products and the demand for refreshments with added ingredients will continue to increase, Hosking says. "Dairy protein will become more and more predominant in mainstream beverages over the next 10 years as consumers seek to improve the nutritional value of their diets whilst maintaining their enjoyment and living busy active lives," he says. "Consumers are becoming increasingly savvy however and products with weak or false claims are likely to falter in the future."

Optimism overrules

Despite the down flux of the economy, companies continue to introduce new products, packaging, flavors and innovation.

"[One of the biggest challenges is] finding growth in a weak economy and tailoring products and packaging [for] the value-seeking consumer," Hemphill says. "[But] we expect the performance of the beverage category to improve as the economy as a whole improves."

Industry professionals maintain a positive attitude toward the future of the milk category in particular. "The outlook for milk is extremely positive," Montel says.

Similar to others in the milk limelight, he expects sales to continue to climb as single-serve milk becomes available in more locations, including restaurants and schools; reduced-fat milk products improve in taste; lactose-free products gain a better following; and flavored milk sales earn more popularity and acceptance.

"From our perspective, there are multiple areas to explore for growth," Godfrey says. "A primary goal is to continue to remind moms that their own behavior impacts the family's health."

For its part, water bottlers are pushing its innovative powers toward

their packaging.

For example, Nestlé Waters teamed up with Whole Foods Market to set up in-store re-source recycling stations where every plastic beverage container that's recycled garners a 5-cent donation to Keep America Beautiful, Lazgin says. "Our goal is to double plastic bottle recycling rates to 60% by 2018," she adds. "We believe there are more efficient and effective ways to approach recycling to capture all forms of containers, not just beverage containers."

Meanwhile, WhiteWave Foods Co., the Bloomfield, Colo.-based maker of Silk soymilk, is making consumers more aware of the health benefits of both soymilk and almond milk thanks to its partnership with Conservation International. Together, they developed the Silk Soybean Sourcing and Production Program, which reinforces Silk's values and commitment to sourcing soybeans that are produced in a sustainable, socially responsible and ethical manner, says Sara Loveday, marketing communications manager for WhiteWave. "More and more people are choosing soymilk as a healthy beverage option, going beyond breakfast, and we need to reinforce that," she adds.

Whether it comes in a milk carton, a water bottle or a juice container, today's processors make it easy for any nutrition-conscious American to drink more milk, water and other healthful beverages, and less pop.

Saddling Up with Soy

For years, soymilk has been given the bad rap – it's either too bland, too sour or just not tasty enough.

But thanks to a bevy of flavored soy options, even the pickiest of consumers can't help but enjoy a good-tasting milk alternative.

According to Chicago-based Information Resources Inc., soymilk sales experienced a 3.5% increase and a 2.9% boost in unit sales, in the year ending Nov. 29, 2009.

"This is a trend that started at least three years ago," says Sara Loveday, marketing communications manager for WhiteWave Foods Co., "and we believe will continue and expand for consumers."

That's why companies like WhiteWave – owned by Dallas-based dairy giant Dean Foods –continue to produce dairy alternatives.

Last month, for instance, the Bloomfield, Colo.-based producer of Silk soymilk introduced Silk PureAlmond, a dairy alternative that comes in Original and Vanilla flavors. Made from whole almonds, Loveday says, each glass of Silk PureAlmond is rich in antioxidants, naturally low in calories and provides as much calcium and vitamin D as milk.

WhiteWave also created Silk Heart Health soymilk, which combines the

heart-health benefits of soy protein with plant sterols, Loveday says.

“We need to continue to educate consumers about the health benefits of both soymilk and almond milk in order to drive demand for our products,” she notes. “More and more people are choosing soymilk as a healthy beverage option, going beyond breakfast, and we need to reinforce that.”

Minute Maid Makeover

According to Chicago-based Information Resources Inc., Sugar Land, Texas-based Minute Maid, a division of Coca-Cola Co., ranks No. 2 and 4 in the refrigerated lemonade and orange juice categories, respectively.

But that may change as the juice giant undergoes a massive makeover, which includes label changes, 10-ounce single-serve offerings and new flavors ranging from Strawberry Kiwi to Pomegranate Lemonade.

For example, its new line of enhanced orange juices places the company in a more glamorous position. The 100% orange juice products, available in Minute Maid Multi-Vitamin, Minute Maid Active and Minute Maid Heart Wise varieties, offer added nutrients, vitamins and functional ingredients and come in 59-ounce PET bottles with an easy-pour side grip.

“Today’s consumers seek products to support their active lifestyles,” Bill Kelly, vice president of juices and emerging brands for Coca-Cola, said in a press release.

Curriculum Calls for More Milk

For the past couple of years, milk vending has been a hot-button issue for nutritionists, schools, doctors and parents alike.

The battle isn’t so much how schools can provide milk to their students, but more so how can they provide the right kind of milk to their students.

“The trend in beverages has been away from milk and toward sweetened drinks for the past four decades,” says Robert Murray, director of the Center for Healthy Weight and Nutrition, Nationwide Children’s Hospital and professor of Pediatrics at Ohio State University’s School of Medicine. “This has had a significant negative effect on child nutrition and has contributed to higher intakes of daily calories for many children.”

To address concerns over school vending, Murray says the beverage industry continues to collaborate with health leaders to help establish

new standards for schools.

“Recently, the federal government has begun considering legislation to set a national standard for school nutrition, covering foods and drinks sold outside the school meal programs,” he notes. “Such standards would allow [the] industry to respond with innovations that apply nationwide, replacing the patchwork of state laws and regulations that currently govern school nutrition.”

To piggyback on this trend, Murray adds, dairy processors have created more eye-catching, attractive-looking packaging.

“Dairy packaging has become more aligned with consumer needs,” he notes. “Hand-held reclosable bottles, single-serving string cheese and yogurt in child-friendly tubes are examples of products that can be used on the go. More colorful dairy vending machines have helped peak interest.”

Over the past five years, for instance, the dairy industry has aimed to increase the distribution of single-serve, round plastic resealable milk packaging in schools, says Jim Montel, executive vice president of strategic initiatives for Dairy Management Inc., which manages the national dairy producer checkoff program.

“So far, we have achieved a 10% school conversion from cardboard cartons to plastic bottles, despite significant economic barriers,” he says. “To help increase the availability of milk in round resealable bottles, DMI is partnering with a major packaging company and U.S. milk processors to conduct tests from a production capability and pricing economics standpoint to overcome these barriers and meet demand.”

To protect milk’s place in schools, DMI – in partnership with the National Football League – has launched the “Fuel Up To Play 60” program, which encourages public officials to address children’s health and wellness through good nutrition, Montel says. In fact, by the end of the 2009-10 school year, this program is expected to be in 60,000 schools nationwide, reaching more than 35 million students (read more about “Fuel Up To Play 60” in this month’s Newsline).

“To proactively approach the demand by some consumers for sustainable products, the Innovation Center for U.S. Dairy is completing the first comprehensive life cycle assessment of fluid milk, which will be published in 2010,” Montel says. “The LCA will provide the industry with a scientific baseline of our carbon footprint so we can continue to improve the business value of our industry, reduce greenhouse gas emissions and provide products that are healthy for people and the planet.”

Additionally, the possible change in the 2010 Dietary Guidelines may urge parents to become more and more of a milk advocate.

“The 2010 Dietary Guidelines will likely continue to underline the importance of naturally nutrient-rich foods like milk, as will discussions this year involving meals in schools,” says Vivien Godfrey, chief executive officer for Milk Processor Education Program (MilkPEP), Washington, D.C. “Naturally nutrient-rich is a sweet spot for milk, and MilkPEP will continue to do all we can to help milk companies leverage these trends.”

Another significant area, Godfrey says, is flavored milk. MilkPEP’s “Refuel with Chocolate Milk” campaign successfully demonstrates the positioning of chocolate milk as an exciting drink that replenishes your body after exercise, she says.

“We believe that flavored milk may also benefit from tough economic times and can be seen as an affordable treat when more expensive treats may be out of reach for some families,” Godfrey says.

But one of the main challenges milk advocates face is how the school lunch program may alter its requirements on what types of milk will be served in schools, says Jerry Kozak, president and CEO of National Milk Producers Federation, Arlington, Va.

A significant growth area for dairy processors, chocolate milk has recently come under fire by nutritionists, some of whom have branded it as bad as carbonated soft drinks because of its sugar content. Left out of the equation are the many nutrients milk contains that pop lacks, suggesting that a spoonful of sugar is trivial if it helps the medicine go down.

“There is pressure to reduce the calorie count of the milk offered by schools, either through reductions in the fat or carbohydrate content of the products,” Kozak says. “We will have to be diligent in reminding decision-makers in Washington that milk has a uniquely valuable role in delivering nutrition to children, and we have to be careful that any new regulations don’t throw the proverbial baby out with the bathwater in an effort to slash caloric intakes.”

According to the Special Milk Program summary conducted by the Food & Nutrition Service, school milk programs have dropped to 5,600 as of Jan. 8, from a whopping 98,400 in 1969. Meanwhile, federal expenditures topped at \$150 million in 1977 but have since been reduced to \$14 million in 2009.