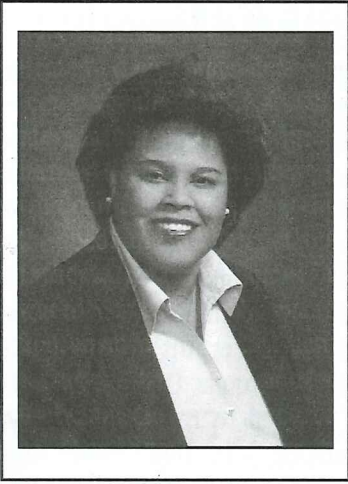


EXPORT TOOL KIT



CMN Exclusive!



Perspective: Export Expertise

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Coke, Pepsi and Dairy: A health and wellness winner

There was a time in the not so distant past when PepsiCo and Coca-Cola Co. would have been considered enemies of the dairy industry.

Today, Pepsi and Coke's investments in dairy processing operations and dairy-based new product development have not only made them partners to the industry, but also speak volumes about globalization, nutrition trends and future sector growth.

For starters, the geographic distribution of their investments reinforces the message that emerging markets will continue to lead the world in dairy expansion. Coke's dairy ventures have focused on China, India, Southeast Asia and Mexico; Pepsi's on Russia, the Middle East and, most recently, the United States.

Of even greater significance (and the reason behind Pepsi's U.S. yogurt partnership with Germany's Theo Müller Group) is that dairy's nutritional proposition aligns perfectly with increasingly heightened consumer demands for foods that fit the health and wellness paradigm.

In announcing its rollout of Müller brand yogurt to U.S. markets in July, Pepsi clearly answered why dairy has become

the go-to product for companies looking to expand globally in upcoming years.

Pepsi quoted a 2011 Euromonitor International study that forecast worldwide dairy growth would top all other food and beverage categories, outdistancing the gains of the Nos. 2 and 3 sectors combined through 2016. Progressively rising consumer demand for packaged milk, yogurt and value-added dairy products and for foods and beverages containing dairy protein, probiotics and calcium would drive the market, Pepsi said.

Dairy is a cornerstone of Pepsi's quest to triple sales of "good-for-you" products from \$10 billion in 2010 to \$30 billion by 2020. For Coke, health and wellness represents more than one-third of its global sales or more than \$15 billion, and dairy is a growing part of that business.

It is quite a turnaround from the days of milk losing share to sugary, fizzy drinks, and one that the U.S. dairy industry has been instrumental in engineering.

The Dairy Research Institute (DRI, funded primarily by the dairy checkoff), working with and through industry, academic, government and commercial partners, helped solidify milk and dairy ingredients' health and wellness credentials by fostering nutritional

and technological developments that facilitated innovation and instigated consumer demand.

USDEC also contributed by helping food and beverage manufacturers see how dairy advances consumers' health and wellness goals — for example, illustrating dairy protein advantages over soy. Staff also helped "activate" DRI research through a range of activities, including basic public relations, media seminars, presentations at industry expositions and technical conferences, and customized one-on-one consultations with food and beverage formulators and marketing personnel intended to drive adoption and commercialization of dairy ingredients.

When such companies do opt for commercialization, the benefits to the U.S. industry are potentially huge. Witness Coke and Pepsi.

The soft drink giants have the capabilities and the foresight to take dairy into a very different realm. Who better to answer the question that has vexed the industry for the past four decades: How do you bring mass-appeal excitement to a dairy-based beverage?

Both companies have long histories of creative thinking on technology and applications. We've seen some of that from Coke with its Minute Maid Pulp Super Milky in China, Smooth banana-flavored milk in Australia, Maaza Milky Delite in India, Minute Maid Nutri Boost in Thailand and Vietnam, and test marketed Powerade Protein Milk in the United States beginning in late 2011. And of course, most recently, Coke reached a pact to distribute Core Power, a high-protein sports recovery drink made by Fair Oaks Farms.

Pepsi has tested an oatmeal based dairy drink in Latin America, in addition to marketing its Toddynho kids' flavored milk drinks in South America and a range of dairy products through its Wimm-Bill-Dann operations in Russia and its joint venture with Saudi Arabia's Almarai Dairy.

Pepsi is clearly looking to develop dairy and dairy-based products and has a broad stable of health and wellness brands that could pair well with dairy, including

Gatorade, Quaker, Naked and Tropicana.

Coke and Pepsi have deep consumer insights that they communicate to their sizable, well-funded R&D departments (with satellite research centers in cities around the world to reach the most desirable emerging markets), who can fuse beverage concepts that fit the needs and flavor profiles of the markets they target.

USDEC can again assist when it comes to framing the communication, ensuring they have the right dairy message — be it weight management, satiety, muscle recovery, protein quality or other benefit — to reach the target demographic. And Coke and Pepsi, who have long, proven track records with promotional campaigns for iconic brands like Doritos, Mountain Dew and Coca-Cola have the advertising and creative muscle to get the point across.

The way things are going, it would not be at all surprising to see other leading beverage companies like Dr Pepper Snapple and Starbucks raise their dairy profiles. (Starbucks said a few months ago it would be rolling out "instant" dairy products in 2013 under its Via brand and called the line "fresh dairy done in a way that no one has done before.")

Alternatively, smaller companies looking for the big reward for envelope-pushing ideas are likely watching Pepsi and Coke and seeing opportunities. Who knows what could come next ... colostrum-fortified dairy immunity shots?

Having Coke and Pepsi interested in dairy gets everyone's attention. U.S. ingredient manufacturers must continue to look and listen carefully to the needs of these multinationals and be prepared to work collaboratively to meet these needs. The soft-drink giants embody the evolving nature of the U.S. and global dairy markets and offer a glimpse into a future in which milk, yogurt and dairy ingredients will occupy an even more elevated position in the consumer food and beverage hierarchy than they do today. CMN

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