

# Product Innovation in the Dairy Case



America's diet has changed drastically over the years. According to a 2016 survey by the Pew Research Center, Americans are consuming 42% less milk and eating three times as much cheese as they did in 1970. Yogurt consumption has also soared, rising an astonishing 1,700%.

Although these shifts happened over the course of decades, additional changes currently underway will have enormous implications for retailers, suppliers, and marketers in the years to come. To compete and stay relevant, dairy companies must continue to evolve and deliver new and improved products that address the shifting needs and priorities of consumers.

This e-book highlights five influential trends in the dairy case:

- Clean label
- Organic
- Functional ingredients
- Grass-fed products
- Plant-based dairy alternatives

These trends are closely interrelated, and they cross over a number of dynamic categories, including cheese, ice cream, yogurt, and coffee creamers. This e-book explores specific examples of product innovation to highlight how brands big and small are interpreting these trends and adapting to the changing consumer landscape.

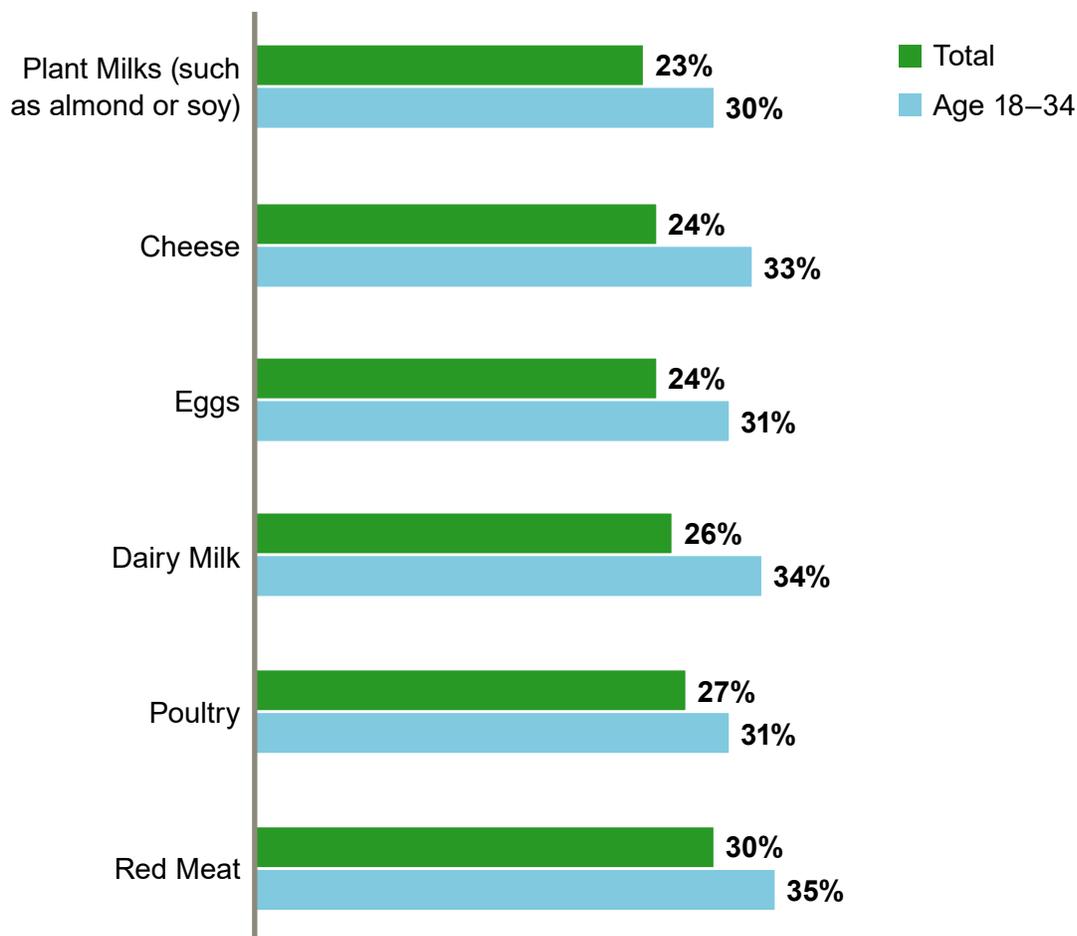
## Clean Label Sets a New Norm

Increasingly people want the freshest and most natural products made from the fewest ingredients without artificial additives—and the dairy aisle is no exception.

Consumers are closely examining nutrition labels and factoring them into their purchase decision, often favoring products made with “pure,” “real,” and organic ingredients.

According to a 2017 Packaged Facts National Consumer Survey, more than a third of younger consumers, those between 18 and 34 years old, say they are paying more attention to product claims and nutritional information for plant milks, cheese, and dairy milk, among other products.

**In the last few years, are you paying more attention to the product claims or nutritional information for any of the following?**



Source: Packaged Facts National Consumer Survey, February/March 2017

## Understanding Clean Label

*Food Business News* named “clean label” the trend of the year. But what does “clean label” actually mean to customers? Per FoodBusinessNews.net, a massive December 2015 survey of 27,185 respondents in 31 countries by London-based market research firm Canadean found that when asked what the term clean label means:

- 36% of respondents said free from artificial ingredients
- 34% said natural/organic
- 34% said they did not know what it means

Globally, other ways consumers defined the term were:

- No pesticides/chemicals/toxins (31%)
- Free from allergens (24%)
- No GMOs (23%)
- Minimally processed (16%)
- Simple/short ingredient lists (11%)
- Transparent packaging (7%)



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More**

For a comprehensive look at the clean label movement and related consumer trends shaking up the market landscape, check out [Natural and Organic Foods and Beverages in the U.S. 5th Edition](#).

## Examples of Products Embracing the Clean Label Trend

To appeal to natural-leaning consumers, a variety of big brands are overhauling products and portfolios. However, changes can often seem frustratingly slow due to the need to find clean ingredients that will work in iconic brands and products without negatively affecting their color, taste, texture, and shelf life. For example, most natural food colors are not as bright and lurid as the artificial dyes with which consumers are familiar.

Here is how some of the nation’s largest food producers are responding to consumer demand for more company transparency and cleaner formulation.

### Kraft Heinz Mac & Cheese

In December 2015, Kraft Heinz quietly removed artificial colors, flavors, and preservatives from its flagship macaroni & cheese—and consumers did not notice the difference. The artificial colors were replaced by natural colors from paprika, annatto, and turmeric. By March 2016 when the company revealed the switch, it had sold more than 50 million boxes of the new mac & cheese, according to CNN.com.



### Nestlé Dreyer's Slow Churned Ice Cream

In April 2016, Nestlé Dreyer's Ice Cream announced improvements to six iconic ice cream brands as part of a multi-year initiative to update and simplify ingredient profiles. Nine of its Dreyer's and Edy's Slow Churned flavors have been re-branded as Slow Churned Simple Recipes, containing no more than eight ingredients, compared to the previous average of 22. Artificial colors and flavors, high fructose corn syrup, and GMO ingredients have been eliminated, and the milk comes from cows not treated with rBST growth hormones.



### Nuestro Queso Cheese rBST-Free Milk-Based Products

In August, 2015, Cheesemaker Nuestro Queso, a co-packer and manufacturer of Hispanic dairy products for retailers' store brands, switched to working exclusively with dairy farmers that do not use the rBST growth hormones. The company now uses only rBST-free milk to produce its cheeses, creams, and drinkable yogurts. Nuestro Queso made the switch based on feedback from its Hispanic customers who said rBST-free milk is one of their top preferences for dairy products.



### WhiteWave Foods Simply Pure

In March 2016, WhiteWave Foods' International Delight brand launched a new line of coffee creamers called Simply Pure, made with skim milk, cream, cane sugar, and natural three flavors including vanilla, caramel, or hazelnut.





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See Packaged Facts' report [Refrigerated Coffee Creamers: U.S. Market Trends](#) for more information on newer-generation products that meet the “clean label” criteria.

## Organic Continues to Gain

In line with the clean eating trend, organic products are also gaining traction across categories. Manufacturers and retailers continue to make more organic dairy products available and at more affordable prices, including cheeses. Organic cheeses are available from a number of producers and sold in a wide range of retailers, some of which also market their own brands.

### Kingdom Organic Cheddar

Organic Valley, one of the largest manufacturers of organic products, went bold recently when it expanded the Kingdom Cheddar range with new Caramelized Onion and Cracked Pepper varieties. The company first brought Kingdom Sharp Cheddar into the U.S. at the end of 2013.



It is made with organic milk from pasture-raised cows and is the first and only USDA Certified Organic British cheddar available in the U.S. The new flavors were meant to stand out and deliver what consumers are looking for.

Andrew Westrich, brand manager at Organic Valley said in a release: “Kingdom Cheddars offer consumers bold and distinct flavors made in the British farmhouse tradition, and the new varieties are on trend and crave-worthy.” The producers of Kingdom are a small group from the Southwest of England known as the birthplace of cheddar.



**Find Out More**

For a detailed analysis of key issues and trends affecting the overall cheese market, read [Cheese: Natural and Specialty in the U.S. and Global Markets, 6th Edition](#).

### Applegate Natural and Organic Lunch Kit

Organic food producer Applegate introduced “the first natural and organic lunch kit” called HALF TIME. The kits contain products from three leading natural and organic brands: Applegate (natural and organic meats and cheeses); Stonyfield (organic yogurt); and Annie’s (organic fruit snacks and crackers.) The company developed the kits in response to research showing the need for such a convenient yet healthy product.



In a release Neil Leinwand, Applegate senior vice president of marketing said: “Our survey showed that parents love the convenience of pre-packed lunch kits, but not necessarily the ingredients. With HALF TIME, parents don’t have to compromise between convenience and quality because we’re combining three trusted natural and organic brands that are already in their refrigerators and pantries.”

Nearly 90% of parents surveyed thought pre-packed lunch kits were convenient, while 80% percent were concerned about nitrates, preservatives and artificial ingredients in those kits. HALF TIME comes in three varieties: Turkey & Cheese, Ham & Cheese, and Bologna & Cheese.

### Functional Ingredients Boost Product Appeal

Consumers are not only looking for free-from products that eliminate pesticides, chemicals, and toxins from their diets, they are also seeking nutrient-dense foods that offer additional health benefits. The “better for you” trend applies to everything from desserts to snacks.

### Brio Ice Cream

“Until recently, claims of ‘low-fat’ and ‘fewer calories’ were the main attributes that made a product healthy,” Arnie Koss, co-founder of Brio Ice Cream told Dairy Foods, “but now there’s a focus on getting more nutrition from every calorie you consume.” Koss cited protein, healthy fats, antioxidants, probiotics, prebiotics, and nutritive sweeteners as among the nutritional virtues today’s consumers are seeking in snack and dessert products.



Sold at Costco and natural food stores, Brio uses the tagline “ice cream with benefits.” Made with non-GMO organic milk, Brio contains fewer calories, less fat and sugar, and is gluten-free. On top of that, Brio’s ingredient line-up features antioxidants, omega-3 fatty acids, and probiotics.

### The Greek Gods Yogurt with Chia Seeds

The Hain Celestial Group, Inc, released a high protein nonfat Greek yogurt with chia seeds in February 2016. Chia seeds are a source of omega-3 fatty acids and rich in antioxidants as well as fiber, iron, and calcium. The Greek Gods Yogurt with Chia Seeds is available in vanilla, strawberry, peach, and blackberry.

Each 5.3 oz single serve cup contains 140 calories or less and 12 grams of protein.



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[The Yogurt Market and Yogurt Innovation, 2nd Edition](#) is a comprehensive review of the industry both in the U.S. and around the world. Trends propelling industry growth are reviewed, and readers will learn about brands that are making strong showings.

### Wallaby Yogurt Company Organic Whole Milk Kefir

According to Food Business News, kefir has started to transition out of specialty health food stores into mainstream grocery retailers. Kefir is a drinkable yogurt that is marketed for its health benefits, often with the claim that it supports digestive health. In recent years, interest in the product has continued to grow. Kefir was among the top Google searches in 2016, as reported by the International Food Information Council Foundation.



One example is Organic Whole Milk Kefir produced by California-based Wallaby Yogurt Company, which launched the product in July of 2015. Made with organic fruit and milk, each 32-ounce bottle contains 13 different strains of live and active kefir cultures.

“Since the successful launches of both our Organic Lowfat Kefir line, and our Organic Whole Milk Greek Yogurt line, we’ve received numerous consumer and retailer requests for Organic Whole Milk Kefir,” said Ellie Wells, VP of Marketing at Wallaby Yogurt Company in a press release. “The decision to give our consumers what they wanted was

easy. We're certain that both adults and children alike will enjoy the deliciously creamy and mild taste of this new product line. And not only does it taste amazing, but with 13 live and active cultures it has all the probiotic benefits of kefir as well."

## Grass-Fed Milk, Yogurt, and Cheese on the Rise

Many health-conscious consumers have started adding grass-fed meat into their repertoire, and grass-fed dairy products are also rapidly growing in popularity as well. This includes grass-fed milk, yogurt, ice cream, and butter.

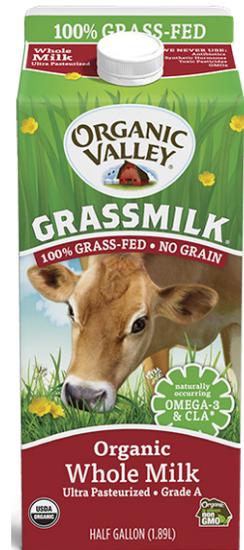
### The Appeal of Grass-Fed Products

"I think this is a rising trend not only because the 'grass-fed' term conjures this bucolic image of cattle grazing on a green hill, but I think it also assuages fears of animals being fed GMO grain," Jenna Blumenfeld, Senior Food Editor at New Hope Network, said in an interview with FoodBusinessNews.net.

Many consumers also believe (and the industry pushes the ideas) that grass-fed proteins offer health benefits and better nutrition than conventionally raised animals — for example, research has shown that grass-fed protein is better for animals and better for the planet. And, because grass-fed proteins are produced traditionally, they also align well with paleo diets.

### Organic Valley Grassmilk

The largest dairy farm cooperative in the U.S., Organic Valley, has been offering Grassmilk since 2012. Building off that success, in spring 2016, it introduced Grassmilk yogurt, a premium, cream-on-top yogurt made with 100% grass-fed milk.



### Stonyfield Organic 100% Grassfed Yogurt

In February 2016, Stonyfield Farm, majority owned by Danone SA, introduced Stonyfield Organic 100% Grassfed Yogurt, made from 100% grass-fed whole milk sourced from Maple Hill Creamery. Maple Hill Creamery also markets its own line of grass-fed yogurt, Greek yogurt, drinkable yogurt, kefir, premium raw milk cheeses (crafted by Grafton Village), and fresh mozzarella (crafted by Antonio Mozzarella). In July 2016, Maple Hill Creamery launched an extensive





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To learn more about the GMO debate and consumer drivers for buying natural/organic, see [Natural and Organic Foods and Beverages in the U.S. 5th Edition](#).

campaign—including online video, social media engagement, repackaging, and more—to educate consumers about grass-fed milk’s benefits.

## Dairy Alternatives Move to the Mainstream

More consumers are trying out plant-based dairy alternatives. This trend is connected to concerns about health and wellness, environmental sustainability, and animal welfare.

Some consumers seek dairy alternatives because of food intolerances, allergies, or vegan diets. Others choose dairy alternatives as part of the “clean eating” regimes often touted by social media stars and food bloggers. Dairy is frequently on lists of foods to eliminate, along with gluten, processed foods, and refined sugars. Millennials, in particular, are leading the way to greater consumption of plant-based foods.

Companies are responding to consumer demand, releasing a growing array of dairy alternatives to including plant-based milk, ice cream, coffee creamers, cheese, and yogurt.

### Silk Cashewmilk

As soy milk and almond milk have become staples, marketers are creating new plant-based dairy alternatives. In spring 2015, WhiteWave launched cashew-based Silk Cashewmilks in four flavors—Silk Original Cashewmilk, Silk Unsweetened Cashewmilk, Silk Vanilla Cashewmilk and Silk Chocolate Cashewmilk. The refrigerated cashew-based beverage is free of cholesterol, lactose, dairy, soy, and gluten.

The latest addition to WhiteWave’s Silk lineup is Nutchello, a line of nut-based beverages in three distinctive nut blends—Caramel Almond Cashew, Dark Chocolate Walnut, and Toasted Coconut Cashew. Nutchello is being positioned as an adult beverage and “a new way to savor break time, whether it’s morning, midafternoon, or night.”



At the CAGNY meeting, Yost said, “Did you know that today over 60% of Silk consumption is in the cereal bowl? We’re pushing beyond the bowl with the introduction of Nutchello. Three unique flavors make this beverage indulgent; but it’s nutritious and low-calorie” (FoodBusinessNews.net). As part of the launch, WhiteWave partnered with celebrity cookbook author Kathie Lee to create six adult-only (alcoholic) cocktail recipes that use Nutchello as a base.

### **Häagen-Dazs Non-Dairy Ice Cream**

In July 2017, Häagen-Dazs announced the launch of a new line of non-dairy flavors including chocolate salted fudge truffle, peanut butter chocolate fudge, mocha chocolate cookie, and coconut caramel. The company says the flavors will offer “a creamier texture and authentic taste.”

Other big-name brands in the non-dairy market include Ben & Jerry and Breyers, which introduced ice cream flavors made with almond milk.



## About Packaged Facts

The information in this e-book is drawn from a number of reports published by [Packaged Facts](#), a leading research firm specializing in food, beverage, and consumer packaged goods for more than 50 years.

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