MSU Product Center
For Agriculture and Natural Resources
Funding: USDA Rural Development Cooperative Service   Market Advisor: The Hale Group

Dairy - Cream - Overview

Products included in the product line

- For the purposes of this report, cream includes 100 percent cream, half and half and non-dairy creamers including soy-based cream and other alternatives.

General market trend and information

- Retail sales of cream and creamer were $1.7 billion in the U.S. in 2003. This represents an increase of approximately 33 percent from 1998.
- Coffee shops, restaurants and other outlets that sell coffee are major users of cream. The number of coffee shops increased by 83 percent from 1998 to 2003. The consumption of cream has increased while coffee consumption has remained relatively flat. Consumers are replacing traditional coffee with lattes, mochas and other coffee based drinks that use cream as an ingredient.
- While the use of cream in coffee shops, restaurants and other outlets has increased, cream is essentially a commodity for these users. Coffee shops and other outlets will favor low cost sources of cream.

New product trends

- There has not been much in the way of product development in the cream market. From 1998 through 2003 there were only 79 new product introductions in the cream market; ranging from a high of 19 in 2001 to a low of 3 in 2000. Examples of new products include hazelnut and French vanilla flavored cream, and fat free cream.
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- Products that focus on wellness have seen the most introductions.

Manufacturing and distribution issues

- The cream market is not very concentrated; private label sales of cream account for more than 50 percent of all retail sales.
- A barrier for potential entrepreneurs in the cream industry is the level of regulation in the dairy sector. Fluid milk is regulated by Federal Milk Marketing Orders that affect all dairy products. These orders establish minimum prices for fluid milk and perishable processed products. Farmers receive a “blend” price which is a weighted average of all dairy commodity prices (milk, butter, cheese, etc.). The second aspect of the federal orders is that receipts are pooled among producers and processors to insure that all farmers receive the blend price. As a result, it is very difficult to compete on the basis of price.

Overall assessment of opportunities

- In conclusion the greatest potential for new product development in cream are those products that appeal to the demand driver of indulgence. The ability to develop cream products that appeal to the other demand drivers is limited.

Sources

Mintel. Cream and Creamers.
_____. Global New Products Database.
The Hale Group