

MSU Product Center

For Agriculture and Natural Resources

Funding: USDA Rural Development Cooperative Service Market Advisor: The Hale Group

[Use of this material is subject to caution.](#)

Dairy - Cultured Products Overview

Products included in the product line

- Cultured products are primarily yogurt which includes frozen yogurt, and drinkable yogurt products as well as traditional forms of yogurt.

General market trends and information

- Sales of yogurt and yogurt drinks were \$3.7 billion in 2003. Sales of smoothies (which may or may not be yogurt based) were \$1.1 billion in 2003.
- Increases in traditional yogurt sales are well ahead of inflation. Yogurt remains a popular food item with an expanding demand base. Yogurt drink sales increased in excess of 50 percent from 2002.
- The primary source of smoothie sales is food service establishments.

New product trends

- From 1999 through 2003 there were 653 new yogurt product introductions. The number of new product introduction is trending upward. From 1998 through 2003, there were 88 yogurt drink introductions, new product introductions of yogurt drinks are also trending upward.
- The most popular product positioning claims were low/no/reduced fat, organic, all natural and low/no/reduced calories.

Manufacturing and distribution issues

- The yogurt industry is very concentrated. In 2003, Dannon and Yoplait accounted for 64 percent of all sales. Barriers to entry may be high.
- The amount of shelf space for new yogurt products in supermarkets may be limited. However, there may be opportunities to develop sales through alternative distribution channels such as convenience stores and health food stores.
- A barrier for potential entrepreneurs in the cultured dairy product 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 developments in cream are those products that appeal to the demand drivers of convenience, ethnicity, indulgence and wellness. There is less potential in developing products that appeal to the demand driver of value.

Sources

Mintel. Smoothies.

_____. Yogurt.

_____. Yogurt Drinks.

The Hale Group