

## **MSU Product Center**

*For Agriculture and Natural Resources*

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

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### **Dairy - Ice Cream - Overview**

#### **Products included in the product line**

- Ice cream includes both ice cream and frozen dairy products such as ice cream bars and other treats.

#### **General market trends and information**

- Retail sales of ice cream were \$8.7 billion in the U.S. in 2003, total sales including all outlets was \$9.7 billion which represents an increase in excess of 4 percent from 2002. It is estimated that the retail market for ice cream will grow by 7 percent after adjusting for inflation from 2003 to 2008. Supermarkets are the dominant point of purchase for most ice cream products.
- A consumer survey showed that 93 percent of households consume ice cream. The industry has been successful in introducing new products that appeal to children, those interested in health, and those interested in indulgence.
- Unlike some products, ice cream consumers are not brand loyal. According to a survey, only 26 percent of all ice cream consumers are single brand users.

#### **New product trends**

- From 2001 through the first quarter of 2003, there were 715 new ice cream products introduced in the U.S. The most common new product claims were reduced or no fat, and all natural. Ice cream products are often co-branded with other products or images to appeal to children.
- Examples of new product introductions include Klondike's Ice Cream sandwich with Reese's Mini Pieces, Dreyer's Skinny Cow no sugar added fudge bars, and Wegmans' All-Natural Peak of Perfection ice cream products.
- The industry has been successful in developing new products that appeal to children, those interested in health, and those interested in indulgence.

#### **Manufacturing and distribution issues**

- The ice cream market is somewhat concentrated. The three largest firms control 40 percent of the market with smaller firms accounting for 60 percent of retail sales.
- It may be difficult for new products to find space in supermarkets. It is unlikely that space in the dairy case will be made available or expanded for new firms.
- One barrier for potential entrepreneurs in the ice 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 same price.
- One option for entrepreneurs is to open or to service food service firms that specialize in ice cream. Ice cream parlors remain popular with consumers. Single serve packaging also has potential, as more and more people live by themselves.○

#### **Overall assessment of opportunities**

- In conclusion, the greatest potential for product development in ice cream appears to be in the areas of indulgence, and ethnicity. There are also some opportunities in developing products that appeal to convenience, value and wellness.

#### **Sources**

Mintel. Ice Cream.

\_\_\_\_\_. Global New Products Database.