

MSU Product Center

For Agriculture and Natural Resources

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Dairy - Fluid Milk – Selective opportunities

Market drivers that provide selective opportunities

- Fluid milk products that appeal to the demand driver of **convenience** have **selective** opportunities.

Specific opportunities

- Improved packaging of single serve milk products has increased the convenience of fluid milk. This has helped develop new distribution channels for fluid milk.
- Convenience stores now account for 24 percent of retail fluid milk sales. Another source of growth is the use of vending machines to sell milk products. Vending machines could be used to sell milk at schools, roadside rest stops, and other locations.
- Another development that appeals to the demand driver of convenience is the development of shelf stable products. Sales of shelf stable milk products increased by 33 percent from 2000 to 2002. Shelf stable products allow consumers to pack milk in their lunches and store them anywhere. It also allows retailers to cross promote milk with other products such as cookies.
- Home delivery of milk products is also making a comeback. However, given the current price of gasoline, it is difficult to determine if this method of milk distribution will be feasible in the long run.

New product examples

- From 1998 through 2002, there were 371 product introductions in the fluid milk industry, and there has been an upward trend in new introductions.
- Examples of new product introductions include Shamrock Farms mmmilk sold in 12 oz. containers, and Fry's lowfat chocolate milk sold in one quart plastic containers.

Special issues

- Entry into the market may be difficult. There are some very large firms in the industry. Joint ventures may be necessary.
- New distribution channels may be a way to provide products that appeal to convenience.
- Federal Milk Marketing Orders make price competition difficult. In order to be the low cost producer other costs will have to be minimized.
- One way to improve the product is to tie the convenience attributes of the product with other attributes such as improved wellness, or indulgence (new flavors, lowfat, nofat, etc.).

Key to success

- Consider the level of competition, and how competitors may react to you.

Sources

Mintel. Milk.

_____. Global New Products Database.