CONSUMER TRENDS IN MILK BASED BEVERAGES

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Consumer Trends in Milk Based Beverages

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a world of possibilities
Dean Foods is the nation’s largest milk marketer, with strong regional brands from coast to coast.
We also have a wide array of national brands, reaching from the dairy case to the produce aisle.
**Today, Health is Front Page News**

- The never-ending medical “alerts”
  - “People who eat food are 40% more likely to gain weight”
  - Manufacturers & Fast Food are the root of all evil

- Consumers like simple solutions
  - 32mm people are on Atkins because it’s easy to understand
  - Subway: Eat here and lose weight like Jared

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Flavored and Specialty items are driving growth in the Milk category.

- These items offer unique qualities versus White Milk or other beverages.
- Fat Free declines reflect the consumer focus away from fat level concerns.

Source: IRI 52 Wks Ending 12/21/2003 - Total US
All the major Specialty Milk segments are showing growth.

- Soymilk and Organic are leading the way.

Source: IRI 52 Wks Ending 12/21/2003 - Total US
Milk sales in grocery stores have declined in the last year, but growth is coming from Single Serve sizes.

Supermarket Milk Sales
Volume Chg vs. Last Year

Driven by Flavored Milk

Source: IRI 52 Wks Ending 7/6/2003
Milk sales in grocery stores have declined in the last year, but growth is coming from Single Serve sizes.

Supermarket Milk Sales
Volume Chg vs. Last Year

% Chg vs YAG

Total Milk: 0.6
Gallons: -2.2
Half Gallons: 1.2
Quarts: -6.0

Total Single Serve: 1.5
Half Pints: -11.4
Pints/Other Sizes: 1.2

Take Home Sizes
Single Serve Sizes

Source: IRI 52 Wks Ending 7/6/2003
Today, consumers view milk as part of a much larger universe.

The Milk industry has evolved over time, and the competitive universe has widened.

Traditional Dairy universe

“Value Added” Milk
Milk Category

Broader food & beverage category: “Fluid Food”

Today, consumers view milk as part of a much larger universe.
As a result, Milk’s share of beverage consumption has declined.

Source: USDA Economic Research Service
As the population ages, our beverage preferences change. There are two major trigger points to reinvigorate the category.

Source: DMI: NFO “SIP” Data
These two trigger points are the growth segments for Milk

Supermarket Milk Sales
Volume Chg vs. Last Year

Driven by Specialty Milks
- Lactose Free, Soy, etc.

Driven by Flavored Milk

% Chg vs YAG

-14.0 -12.0 -10.0 -8.0 -6.0 -4.0 -2.0 0.0 2.0 4.0

Take Home Sizes

Single Serve Sizes

Source: IRI 52 Wks Ending 7/6/2003
Trendy packaging appeals to Teenagers and makes Milk competitive with other beverages.

- Variety
- Portability
- Contemporary image
- Appropriate sizes
- Extended shelf life
Baby Boomers – over 77 million strong – continue to seek out foods and beverages that promise good health and long life. Milk is key!

New research suggests that dairy foods – milk, yogurt and cheese – may help with weight loss!
Observations and Implications for Milk

- **We lead fast-paced lifestyles**
  - The line between meals & snacks is blurred
  - Nutritional products for on-the-go

- **Milk needs to leave the meal occasion**
  - 80% of milk is consumed with meals, vs. 30% for soft drinks
  - Vending / away-from-home consumption
  - Products by daypart

- **We need to make Milk interesting**
  - An experience; socially involving
  - Address health issues other than weight