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# thedairymen

## Back to the Future: what's in store for dairy?

**FUTURE OF PACKAGING**
How UK dairy is tackling the scourge of single-use plastic

**FIT FOR THE FUTURE**
Why doorstep delivery is back in demand in modern Britain

**FUTURE OF RETAIL**
How suppliers can survive UK grocery's mega-mergers


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# contents

## features



## category focus




04

28


43


88

**Carina Perkins**
Buying & supplying editor

It's funny how life comes full circle. Not that long ago, milkmen were an old-fashioned reminder of a quaint, forgotten past. Who needed a pricey pint of milk delivered to the doorstep every morning when we could pick it up for much cheaper in our local superstore, alongside everything else we needed for the week?

But, it turns out, milkmen were actually way ahead of their time. Glass bottles are the perfect answer to ditching plastic, their (increasingly futuristic) fleet of electric vehicles are far less polluting than diesel trucks, and their fixed-route doorstep delivery model puts the rest of the UK grocery sector to shame when it comes to efficiency. What's more, their range of locally-sourced produce caters to the growing number of shoppers interested in knowing exactly where their food comes from.

Their appeal is still fairly niche, admittedly. They don't have the same choice as the mults, and it's unlikely they'll ever be able to compete on price. But there is no doubting doorstep delivery, having almost been consigned to the past, is now firmly back in the future.

And as this year's Dairymen shows, milkmen aren't the only pioneers in 21st century dairy. With the scourge of plastic firmly in the spotlight in the wake of Blue Planet II, there has been some fantastic work across the industry to remove it from packaging (p24). And as our pick of 10 impressive innovators reveals, dairy companies are also using their technical knowhow to tackle other big issues (p36). At the same time, there has been a wealth of impressive NPD across everything from cheddar (p43) to ice cream (p85), helping propel the sector to volume and value growth.

The dairy industry can't afford to rest on its laurels, though. Retail mega-mergers are posing new challenges for suppliers (p16), while US bioengineers are on the brink of developing animal-free milk that (allegedly) tastes exactly like the real thing (p10).

But despite all this, and the spectre of Brexit looming over the horizon, the future is once again looking bright for British dairy.



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The **Kantar Worldpanel information** in this year's The Dairymen supplement was supplied by the **Kantar Worldpanel Dairy Team**. Kantar Worldpanel monitors the grocery retailer take-home purchasing habits of 30,000 demographically representative British households, and is viewed by retailers and manufacturers alike as the gold standard for consumer panel insights. Through its specialist dairy team, Kantar Worldpanel works with over 40 processors from within the UK dairy industry. **For further information** about the Kantar Worldpanel Dairy Team, please contact Lucy Partner on +44 208 967 4431 or Lucy.Partner@KantarWorldpanel.com.

# After 40 years of decline, doorstep milk delivery is undergoing a remarkable resurgence – driven by the 'Attenborough effect' and a new generation of eco-friendly shoppers

**James Halliwell**

Things have certainly changed around here. Once, farmland stretched as far as the eyes could see across Britain's green and pleasant land and people lived a gentler pace of life, typified by thousands of milk floats quietly trundling about in the early hours so the nation could wake up to a fresh pint of milk. Now, huge swathes of the countryside are being swallowed up by suburbia as the tranquil past gives way to the hustle and bustle of modern life. And milk floats are as rare as supermarket delivery vans are ubiquitous.

In the early 1970s, 99% of UK households had milk delivered to their door, says Andrew Ward in his book No Milk Today – The Vanishing World of the Milkman. Yet the rise of the supermarkets curdled the trade. By the late 1980s it became "cheaper to buy milk in the supermarket than from milkmen", he writes, and "by 2001 supermarkets were selling milk at cheaper prices than the milkman could buy it for." Today, that 99% has dwindled to just 3%.

But in March something surprising happened. After 40 years of decline, the numbers started going back up. Milk & More, which controls around half of the milk delivery market in the UK and makes 80 million deliveries to 500,000 customers every year, has gained over 40,000 new customers since January. CEO Patrick Müller says in the last three months "we saw volume growth for the first time".

It's been dubbed the 'Attenborough effect', after Blue Planet II revealed the damage done to the oceans by plastic to a horrified public. And Müller says 90% of those new customers are ordering milk in glass bottles. "They watched the programme and saw the devastating effect plastic has and they want to do something," he says. "Glass bottles are an easy solution and they don't end up in the sea." On average, a typical glass milk bottle is reused around 25 times.

But if Blue Planet II sparked eco-friendly shoppers to investigate whether a milkman could deliver a glass bottle of milk to their door, what they found waiting in 2018 was significantly more than that.

Milk & More customers can now order over 200 daily essentials online – from bread, eggs and

# o the future

## Life as a milkman in 2018


**Milkman**
*Ian Beardwell uses an electric StreetScooter for his 300 deliveries a night*

Ian Beardwell has been a milkman since 1990 (although he started helping out his father, who was a milkman for 38 years, on Christmas Eve 1979).

He delivers around 3,500 glass pints of milk to over 600 customers every week, alongside a range of around 200 essentials.

The alarm clock goes off at 11pm, and Beardwell's day begins with a half hour drive from his home in Islington to the centre in Wimbledon.

"I get there just after midnight, unplug my electric StreetScooter, load my handset with my daily orders then load the van. Then I do a final check and head out at 1am."

Beardwell makes about 300 deliveries every night through to 7am. "There are challenges out there in the middle of the night, you can get harassed by people, but you can get that during the day. Where I am it's quite uneventful.

"I'm back to the centre by 8am where I unload, do the paper work, return anything that needs returning and do the picking for the next day and store the products in the refrigerator. I wash the float if required, and plug it in."

He leaves the centre by 9am and arrives home at 10am. After doing some chores he goes back to bed at 12pm, then gets up at 3pm to pick up the kids and "do normal stuff like homework and so on." Then he's back in bed at 8pm ready to get up again at 11pm.

"The hours suit me, I get to see the kids, I can do things during the day. When I'm on the job, I am out there and I manage myself."

Having done the same round for 28 years, Beardwell has noticed some changes. His new vehicle is "clean, efficient and quiet – it takes the whole thing into the future."

Another big change is that "25 years ago 90% of my sales were milk, now 70% are milk and 30% are 'more'." While he has fewer customers these days, the ones he still has are "spending more."

One thing that hasn't changed in his job is the feeling of belonging to a community. "Unlike other delivery drivers we do the same road, the same route, the same area every day. I deliver to all five primary schools on my round. And I like to think that 1,000 five year olds around Wandsworth are all drinking the milk I deliver every day."

cheese to breakfast cereal, yoghurt and savoury snacks. And it's not the only company hauling the traditional milk delivery model into the 21st century.

Take Mylkman, a London-based maker of artisan nut and alternative milks that delivers to doorsteps around the city. Founder Jamie Chapman says more people than ever are returning to doorstop deliveries because they want to support a local business rather than large supermarkets. "The products are typically a lot more artisan and there's also a much greater awareness regarding plastic usage," he adds.

Or Sheldons, which recently revamped its website. It charges its own fleet using solar panels and has teamed up with a "local butcher and fruit & veg wholesaler to offer quality local produce at a competitive prices with free delivery". It also delivers newspapers and magazines seven days a week.

Creamline Dairies, which was founded in 1945 and bought Dairy Crest's milk delivery business in the north west for £1.15m in 2013, also offers a lot more than milk nowadays. It sources a range of "top end produce" from a 30-mile radius in Manchester, with customers able to order online until 5pm for delivery for breakfast the next day. Having also noticed a surge in interest after Blue Planet, the business is enjoying "significant, steady organic growth", according to sales manager Steve Neary.

Nick Rowe edits the Dairy Diary, which was originally created in 1982 as a sales promotion device for milkmen. "The industry has been in decline for as long as I remember, but it is very buoyant at the moment," he says. "Milkmen are now more like a farm shop that delivers regularly. Young people want quality local produce delivered to their door and there are older consumers who have no option but to get home delivery because they can't get out and about."

> **"Milkmen are now more like a farm shop that delivers regularly"**

Müller says Milk & More's customer demographic is "very spread out" in terms of a customer base. "They like to have someone from the local community and they like to buy into tradition. It is something people love, especially young families."

### Part of the community

If the idea of milkmen appeals to a broad range of the community it's because they have "always been held in high regard," adds Rowe. "It's more than just putting a pint of milk on the doorstep. A lot of companies talk about corporate social responsibility, but milkmen actually demonstrate it."

Milkman Tony Fowler has raised over £300,000 for charity and was awarded an MBE for services to the community by the Queen. "I always have soup on board or some spare bread," he says. "Even to just have someone to talk to means a huge amount to lonely people. And as people get older they get arthritis so you're a godsend if you can open a jam jar

or change a lightbulb."

Indeed, having arrived back in the future, milkmen have a more important role to play in society than ever. Elderly people are increasingly isolated and there are fewer police on patrol than 30 years ago. Trundling through the streets in the early hours, milkmen are the "eyes and ears" of the neighbourhood, says Fowler. "You realise who should be there, who shouldn't be there, who works nights and so on. It's amazing the little details you notice."

Some are even emerging as unlikely crime fighters. "A couple of weeks ago there was a burglary," says Müller. "It wasn't even a customer but the milkman drove by, saw an open door, took a look what was happening and found a very frightened mother and her three-year-old daughter in the front room. He called the police and went back three times to check the police had arrived."

Milkmen might be society's new superheros, but their old enemy, the supermarkets, are posing a tougher fight than ever. Not only do they also deliver to the door, but their infamously aggressive pricing hasn't dissipated over the years. Despite selling milk for twice as much as the mults, though, Milk & More gets "hardly any comments about the price", says Müller. "They see the value. It's more expensive to hand-deliver a glass bottle, to collect it the next day, to clean it, to sterilise it, to refill it."

The rest of the company's products are "very much in line with supermarket prices", he says, although Milk & More "doesn't want to be a little supermarket, we want to connect local communities with local producers."

And while the supermarkets might also deliver, their minimum online orders range from £25 to £40. "You can get a single pint of milk from the milkman," says Rowe. "And you can order the night before and have it delivered the next morning."

Müller also points out that when you "order with a supermarket you have a time slot, say Tuesday at 3pm, and you have to be there. This is not convenient for a lot of customers, whereas with a milkman you open the door and it's there by 7am."

## The evolution of the milk float

- **Until the 1950s milk was still delivered using a horse and cart.**
- **Early prototypes of the milk float first started to appear in the 1930s.**
- **By 1957 there were 55,000 floats idling around the UK at a top speed of 15mph.**
- **Diesel floats were introduced as rounds became larger and needed more power.**
- **The latest innovation is the zero emission battery-powered electric StreetScooter. They have a top speed of 53mph and its 33kW Lithium-Ion can travel up to 75 miles on a ten-hour charge.**
- **Each float can carry 860 pints of milk plus other products in a load compartment.**
- **They are all left-hand drive so milkmen can get in and out safely on the kerbside.**
- **They are also very quiet – important given Milk & More's commitment to deliver before 7am.**

### Efficiency

What's more, the electric milk float is ideal for delivering across modern cities and towns. They are quieter, more efficient and less polluting than diesel trucks, and new technology means they can go further and faster than ever. Milk & More recently splashed out £6.5m on 200 new zero emission battery-powered electric StreetScooters to replace diesel vehicles on urban rounds (see box), and says it saw a 90% reduction in operational costs in the first month.

As supermarkets struggle with online profitability, there is a buzz about alternatives. Dutch startup Picnic, which delivers grocery orders placed via a smartphone app at set times on electric vans, raised a staggering €100m in funding from investors in 2017.

The company, which currently operates in 50 cities across the Netherlands as well as Düsseldorf, says it's more efficient than other supermarkets. Orders go straight to suppliers who wing products to a Picnic distribution centre. Then Picnic delivers it for free, following a set route rather than zagging around towns to deliver groceries at specific times.

It's often compared to old-fashioned milkmen. But the modern British milkman is doing very similar. And while Milk & More holds a level of stock rather than Picnic's leaner model, that allows it to take an order at 9pm and deliver it by 7am the next day.

That 7am delivery time was the first big change made by Müller when Milk & More was acquired from Dairy Crest in 2015. It then put in a new internet platform, "completely changed the range" and launched an app so it's "very easy to order things whether you're at home or on the train", says Müller.

Teething troubles with the new website aside, over 40,000 new customers since the beginning of the year suggest the changes are going down well. And the future looks good. Not least because one thing that hasn't changed is that "milkmen already have the passion. It's a tough job, they are out in all weathers, rain, cold and snow, but they love their job."

Many of them "might have taken over from their father and want to give it to their son," he adds. "Now they have a realistic chance to do that, because for the first time in decades we are in growth. People like the experience. And it brings back memories of how it was when they were young."

# Lab-made milk: who needs cows?

Carina Perkins

Forget cultured meat. 'Animal-free' dairy proteins made using GMO yeast could be the next big thing to shake up the food industry

The future is now. Somewhere in a lab in San Francisco, scientists at Perfect Day are making 'real' milk proteins from yeast, not cows. And they aren't just working on a proof of concept for some fantastical far-off launch. Having raised a staggering $24.7m in a series A funding round this February, the company promises products containing its animal-free milk proteins will be on the market "within the next couple of years".

That's an impressive feat for a startup formed just four years ago when two strangers embarked on an internet working relationship. Perfect Day's founders Ryan Pandya and Perumal Gandhi had never met when they were approached by Isha Datar, executive director of US non-profit cellular agriculture research institute New Harvest Foods, in April 2014. She'd heard Cork-based synthetic biology accelerator IndieBio was looking for applicants for its summer 2014 programme, and asked if Pandya and Gandhi – both volunteers with New Harvest who had expressed an interest in making milk without the cow – wanted to apply. They agreed, and after pulling together a presentation in just four days through "Google Hangouts, Google Docs and Prezi", they were accepted into the programme, winning lab space for the summer and $30,000 of initial funding.

So the vegan duo quit their jobs, founded the company they initially named Muufri (Moo-Free) and flew to Cork, where they met for the first time in May 2014. Their concept – to produce ‘real’ milk in a lab without touching a cow – soon caught the attention of the international press. And after penning an article in the New Scientist on the potential environmental and societal benefits of their project, Pandya and Gandhi were approached by “disruptive” Hong Kong investment group Horizons Ventures, which also has the likes of Facebook, Siri and Spotify in its portfolio, alongside fellow cellular agriculture startups Hampton Creek and Modern Meadow.

Impressed with their vision, Horizons agreed to invest $2m, enabling Pandya and Gandhi to move to San Francisco, expand their team and set up a lab to continue their ground-breaking work.

Before long, they had successfully developed a genetically engineered yeast that could make dairy proteins through a fermentation process they describe as similar to craft brewing beer.

Essentially, the process involves “reprogramming” yeast by inserting the genes for casein and whey proteins into the yeast cells. “We’ve developed a type of microflora, using bio-engineering, that can produce dairy proteins using fermentation,” Pandya told The Grocer.

**“The fermentation process is akin to craft brewing, similar to how many other everyday products are made”**

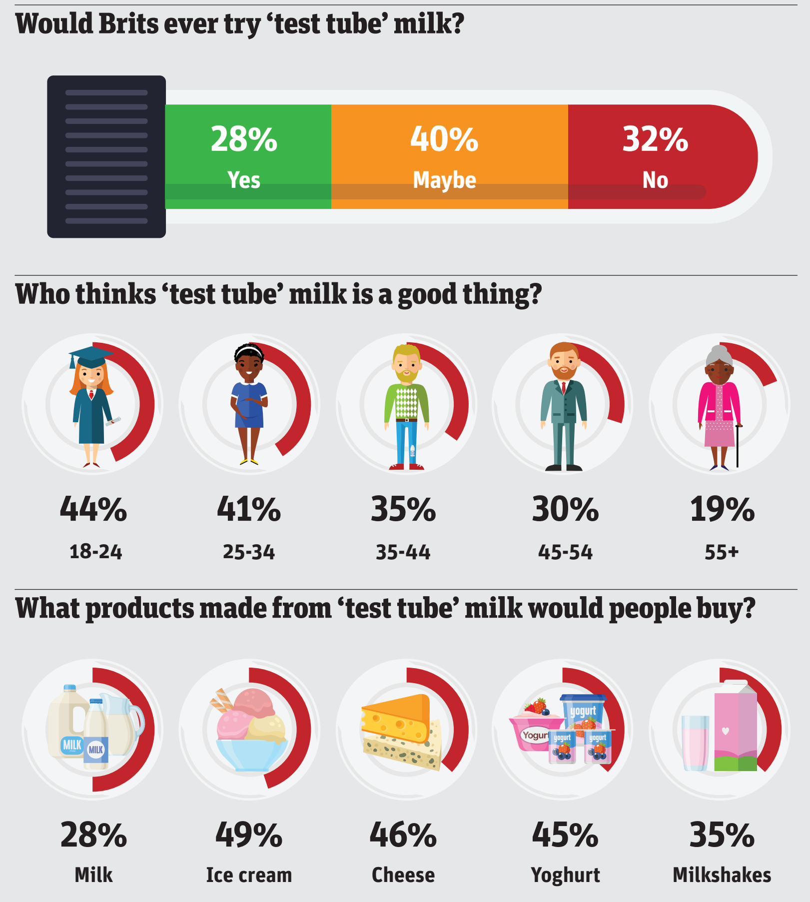
“The fermentation process is akin to craft brewing, similar to how vitamins, probiotics, enzymes, natural flavours, and many other everyday products have been made for more than 40 years.”

Through the fermentation process, the microflora ferments a carbohydrate source and converts it into casein and whey. “The resulting proteins – identical to the proteins in cows milk – are pure and highly functional and can be applied individually or in combination to make the delicious products we love, like ice cream, yoghurt or cheese – which will taste exactly the same as those made with conventionally produced dairy proteins”, he adds.

They won’t just taste the same, they’ll have the same nutritional value as conventional dairy, says Pandya – something plant-based alternatives can still only aspire to. And because the dairy proteins are man-made, rather than coming from a cow, they contain none of the less desirable “stuff” in conventional dairy, like lactose, saturated fat, cholesterol, antibiotics and hormones. Importantly, while the dairy proteins are made using genetically engineered yeast, they are “carefully filtered and purified” to ensure no GMOs remain in the final product.

Pandya and Gandhi argue that producing dairy proteins in this way is “cleaner, healthier, and more resource-efficient than animal farming”. And

## What UK consumers think about 'test tube' milk




*Source: Harris Interactive*

Dairy products made using bio-engineered milk proteins would offer consumers the "best of both worlds", according to the scientists working hard to get them on to our supermarket shelves.

There are no cows involved in the production process, so they would have the same environmental and welfare credentials as plant-based alternatives, they argue. And while a "good majority" of existing plant-based products are "missing the mark" on nutrition, taste and functionality," these products would be "indistinguishable" from conventional dairy on all fronts.

But would bio-engineered – or 'synthetic' – milk sell in the UK?

While the majority (83%) of consumers have never heard of synthetic milk, nearly three in 10 (28%) say they would buy it, with less than half (40%) refusing to consider it, according to exclusive research for The Dairymen by Harris Interactive.

This makes it a more attractive option than lab-grown meat, according to a previous survey by The Grocer, which found only 16% of consumers would be willing to try cultured meat, with 50% refusing to consider it.

"Immediate reactions are somewhat positive," says Celia Ward, a senior research executive at Harris Interactive UK. "Clearly there is scope to spread the word about synthetic milk and its benefits."

Younger consumers are more open to the idea of synthetic milk than older ones, our research suggests. Almost a third of consumers (31%) agree it is a 'good thing' for society, but that falls to just 19% of over-55s. In contrast, 44% of 18 to 24-year-olds are in favour. People were more likely to buy ice cream (49%), cheese (46%) and yoghurt (45%) made from bio-engineered dairy proteins than milk.

they've got the science to prove it. In 2015, Dr Mark Steer, a practical conservation biologist at the University of West England, conducted a preliminary life cycle analysis and environmental impact study comparing animal-free milk made using Perfect Day's process with milk from cows. He found the animal-free milk produced 84% less greenhouse gas emissions, as well as using 91% less land, 98% less water and 65% less energy than traditional milk.

That same year, Muufri – as it was then still known – produced its first prototype milk by blending the dairy proteins with fats sourced from plants and water. It also claimed the €200,000 runner-up prize in the Dutch Postcode Lottery Green Challenge, which aims to promote a low carbon future by investing in emerging green entrepreneurs. "Muufri makes milk without using cows and its unique process for "brewing" milk could eliminate vast amounts of greenhouse gas emissions that are being generated by commercial dairy farming," said the award's organisers. "The company has identified the necessary proteins, fats, vitamins and minerals found in dairy products to blend the milk of the future."

### A change of focus

As they inched ever closer to getting their 'milk of the future' on supermarket shelves, however, Pandya and Gandhi began to dream of bigger things. After changing the name of their company to Perfect Day in 2016 to "focus on what we're bringing to food, not what we're leaving out of it", the pair announced in November 2017 they were also shifting to a new B2B model. Instead of developing their own milk or cheese products, they decided to focus on producing their dairy proteins as an ingredient for food industry partners.

In a LinkedIn post explaining the change of direction, Pandya said that having connected with "innovators and visionaries across the food industry", they had come to appreciate dairy proteins were one of the "world's highest-quality sources of nutrition" and the "base for so many of the foods we all love, not just dairy products".

With global demand for protein set to increase by 80% by 2050, the duo wanted to help the world meet one of its toughest challenges yet – "producing enough nutritious protein to feed a global population of over 9.5 billion while at the same time preserving the planet", he added.

"By partnering with food companies, Perfect Day dairy proteins can extend to foods in every aisle of the grocery store, not just the dairy case, and not just a single product," Pandya said. "We can have an even greater impact on our food system, making high-quality protein accessible to more people than ever before.

"What started as a love for cheese has grown into a mission to create a world of delicious food products, including animal-free dairy products – and an evolution of our food system."

This shift in focus was no doubt a major factor behind the $24.7m investment Perfect Day secured during its funding round earlier this year – which "signifies the biggest raise in the history of the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emerging food tech space", they claim. It was led by Temasek, a Singapore state-owned investment company committed to helping create a more sustainable world. "Perfect Day's goal to pioneer a more sustainable approach to dairy aligns with Temasek's belief that collective action is needed to achieve the United Nations Sustainable Development Goals by 2030," says Gandhi.

The funding has enabled Perfect Day to expand its team and accelerate its efforts. Earlier this year, it appointed world-renowned protein technology expert Henk Hoogenkamp as its senior advisor for strategic development, and received its first patent for the use of animal-free dairy proteins in food application. It is now focusing on "scaling up our fermentation process to produce animal-free milk protein at commercial quantities, and forging partnerships with brands around the globe that will enable us to bring a whole new variety of animal-free products to market," says Gandhi. "Expect to see products on the market within the next couple of years."

### Other players

While Perfect Day might be the biggest success story in bio-engineered milk, it isn't the only player. The Real Vegan Cheese project – a collaboration between US-based citizen science laboratories Counter Culture Labs and BioCurious – is also exploring the use of genetically modified yeasts to produce milk proteins with the goal of "making affordable high-quality vegan cheese without animal agriculture", says Marc Juul, one of the project leaders and co-founder of Counter Culture Labs.

Having raised $37,369 on crowdfunding platform IndieGoGo, the team of self-proclaimed "biohackers" built up their labs "using donated equipment and used equipment from local biotech auctions." A subsequent grant from the Tarshis Foundation has funded two part-time researchers working at Counter Culture Labs and another researcher in Los Angeles. They are supported by a "crew of volunteers" helping out with everything from social media to lab experiments, says Juul.

So far, the team working on the project has "engineered yeast and bacteria to produce small amounts of milk protein and demonstrated how to take the base ingredients of milk and reconstitute them into a milk with the correct molecular structure that makes it suitable for cheesemaking," Juul says.

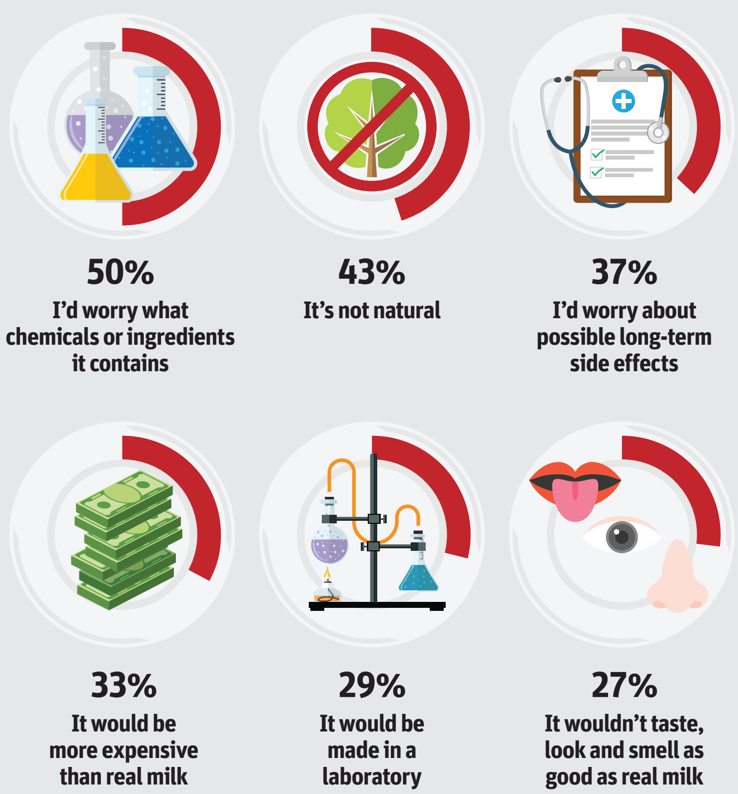
What really makes the project stand out, though, is the fact everything is developed openly, with experimental results posted daily to its website and any interested person able to participate in the project.

"We decided early on that an ethical genetically engineered system should be free and open to anyone," adds Juul. "Not just free to use, but open so others can understand the science and participate in development. We are not patenting any of our work and everyone is free to start their own company using our technology without paying us a licence fee."

It's an honourable commitment, and one that could open up bio-engineered dairy proteins to an even wider section of industry. Which seems appropriate. The future, after all, is for everyone.

## What UK consumers think about 'test tube' milk

### The biggest concerns about 'test tube' milk




*Source: Harris Interactive*

With most shoppers still in the dark about synthetic milk, there are some concerns "to be overcome for consumers to be more open to the idea", says Harris Interactive's Celia Ward.

Almost half of the shoppers (50%) we surveyed were worried it might contain dodgy chemicals or ingredients, with the fact synthetic milk wasn't 'natural' (43%) and anxiety over possible long-term side effects (37%) also major factors.

However, most consumers (43%) said they'd be more likely to try it if they knew it was safe. And it is, insists Marc Juul of the Real Vegan Cheese project, who points out "fermentation is a process that has been used for thousands of years to produce yoghurt, kombucha, kimchi and a range of common food items."

Some shoppers might be put off by the use of GMO yeast in the production process, but Juul stresses the final product "will not contain any genetically modified organisms."

**Marc Juul of the Real Vegan Cheese project**

Over a third (35%) of consumers said they would be more likely to give synthetic milk a go if it had the same taste and texture as real milk – something both Perfect Day and the Real Vegan Cheese Project promise they can deliver. "With 17% of consumers saying they want to try alternative milks but don't think they taste the same as real milk, a synthetic milk that tastes like real milk could be a winning proposition," says Ward.

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# Dodging the burn of mega-mergers

Kevin White

An unprecedented wave of retail consolidation and changes brought on by Brexit mean the future is uncertain for dairy suppliers. What can they do?

There is no way to put this delicately: dairy suppliers are "quietly crapping themselves". That's how one dairy insider sums up the mood in the industry, as suppliers stare down the barrel of Brexit uncertainty and an unprecedented wave of consolidation in UK grocery retail.

From Tesco-Booker and Sainsbury's-Asda to Co-op-Nisa and Landmark-Today's, wherever you look the number of dairy industry customers is shrinking – and the prospect of supply consolidation looms large. No wonder dairy suppliers are feeling strained.

So how do they plan to respond to the changes facing their industry? Who is most exposed? And what's the best strategy for protecting your business during this time of uncertainty?

Arla Foods UK MD Ash Amirahmahdi is clear: pretending nothing has changed is not an option. The major mults need to do something to tackle the threat of disruptors such as the discounters, and suppliers will need to adapt. "They are rapidly trying to simplify their businesses and cut costs out as they simply cannot compete with the discounters on a cost to serve perspective," he says. "This will only continue as we go forward, and unless we adapt, consolidation will be a threat."

It's a sentiment shared by Müller Milk & Ingredients' head of customer value Rebecca Oliver-Mooney, who agrees suppliers will simply have to react to the changing retail environment. "The winners will be suppliers who see and embrace the opportunities that it brings. Müller understands this."

Indeed, Müller is a seasoned consolidator itself, she points out. It bought Robert Wiseman Dairies at the beginning of 2012 and Dairy Crest's dairy operations in 2015 to build its now substantial presence in the UK, and this year announced the acquisition of two Nampak fresh milk packaging facilities adjacent to its dairies, with plans to to complete deals on two more by autumn 2019.

To meet the challenges ahead, Müller is now focusing on "massively" increasing its production capacity in the UK to ensure it is "best placed to build long-term customer centric partnerships" with retailers, Oliver-Mooney says.

The dairy giant pledged to invest £100m in its UK dairies operation in September 2016, announcing a further commitment to spend £100m in its yoghurt business last September. So far, it has "substantially" expanded capacity at Müller Milk & Ingredients' Severnside plant, giving it more "flexibility to make the kind of innovative, value added fresh milk products required by both scale and niche retailers across all channels, with milk produced by British farmers" Oliver-Mooney says. It has also doubled the size of its Müller Yogurt & Desserts facility in Telford, which has transformed its "capability and capacity for producing superb branded and private label yoghurt products" including big pots, which it couldn't previously make in the UK, she adds.

> **"If buyers working for this enlarged business abuse its market power, ultimately this will impact on choice and availability"**

Arla, meanwhile, is focusing on doing more to understand its retail partners, says Amirahmadi. "Supermarkets are becoming more systematic in the way they buy products," he says. "They classify their categories as commodities, everyday essentials and anchor products, and buy differently, depending on how that category is classified."

This approach has had a "massive impact on the way Arla does business with its customers", forcing it to invest significantly in developing people and

## What are the opportunities for smaller dairy suppliers?


While the big boys are perhaps best placed to benefit, retailer consolidation could also open up new opportunities for smaller suppliers – particularly in own label, sources suggest.

"We've already seen how Sainsbury's opened up its milk supply base to the likes of Medina and Tomlinsons after Müller acquired Dairy Crest's milk division, so it will be interesting to see if they roll out that format more widely once the merger with Asda is completed," says one dairy industry insider. "Arla have that sector sewn up with Asda at the moment, but with Sainsbury's in charge they may look to spread it out among other suppliers."

"This is an opportunity for us," agrees Wyke Farms MD Rich Clothier. "We could definitely see gaps opening up as they did in milk where the bigger independents come in."

"Own label cheese is becoming more and more like the milk sector has become. It's hugely commoditised, and has become consolidated between a couple of large suppliers such as Dairy Crest, Ornua and Arla.

"But as a result, this could offer opportunities to smaller, companies like Wyke, which thrive on their agility and customer service," he says. "Consolidation could lead to gaps in consumer choice at a time when second-tier retailers and discounters are at their strongest."

competencies to better understand its customers and "to work with them in a different way" he says.

"Historically the customer-supplier relationship was very much about negotiation, and was transactional," he adds. "But the nature of our relationship with customers is now becoming more partnership-based and more project-based."

### Taking responsibility

This type of approach reflects the changes to supermarket buying teams over the past two years, suggests Hamish Renton, MD of consultancy HRA Global. Following recent head office job cuts, buyers are being given increased remits, which mean they are looking to outsource a lot of commercial responsibility to suppliers.

"Not only are we seeing consolidation within supply bases, we're also seeing it within retail buying teams," says Renton. "So where a buyer may have initially covered yoghurt, they may now look after yoghurt and desserts. And as a result of these changes, they are expecting suppliers to do more of the legwork, particularly on the admin side."

Innovation is also important in this climate of consolidation, says Dairy Crest CEO Mark Allen. "If you do a good job with quality products, and if you invest in innovation and market them and promote them, the retailers tend to want to stock them."

> **"Following recent head office job cuts, buyers are being given increased remits"**

If suppliers stop innovating, marketing and promoting "the retailers don't particularly like it but even more importantly neither do consumers", he says.

Dairy Crest works "very hard" to establish differentiated positions for its brands and make sure "they are the ones retailers want to stock" Allen adds. "We've demonstrated over many years that we've been able to do that with Cathedral City in cheese, and I think we've got a very interesting position with Clover in spreads where we've taken out artificial ingredients."

With the mults still very much focused on price cuts – Asda and Sainsbury's claim their merger will help them cut the price of everyday products by 10% – the ability to deliver ongoing efficencies will also be vital to surviving retail consolidation, Allen suggests. "We still challenge ourselves to take cost out every year."

Meanwhile, when it comes to which supplier is most vulnerable to a merged Asda-Sainsbury's, several industry insiders point to Arla. It is the main liquid milk supplier to Asda as part of a long-term strategic partnership with the retailer, but only supplies about 20% of Sainsbury's milk, after the supermarket diversified its supply in 2016.

The dairy co-op also lost a major contract to supply Sainsbury's with own label cheddar to Ornua earlier this year, leading to question marks over its future supply relationship with Asda-Sainsbury's, as "its biggest customer for milk and cheese will

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now be the weakest partner from this merger" one industry source points out.

The loss of the Sainsbury's cheddar contract to Ornua, representing some 25,000 tonnes of cheese a year, was a blow for Arla, Amirahmadi admits. "It was a wake-up call." But he insists the business, with its newfound focus on customer relationships, will "win more contracts than we lose" in the long run.

"Losing the contract isn't something I would have wished for, but what it has done is prompted us to get together with Sainsbury's to look at the whole relationship. We're still one of their biggest suppliers in own label and branded dairy and in an odd way it has brought us closer together," Amirahmadi adds, insisting Arla is "well positioned" to service a more consolidated retail environment.

**Huge pressure**

Indeed, retailer consolidation should on the whole "benefit the big boys" says Renton, who points out some smaller suppliers don't have the resource to do the extra legwork required.

While the UK's major processors remain confident, however, British farmers are worried. Rightly so, suggests dairy industry analyst Ian Potter, who warns it would be "optimistic for farmers to think they are going to be one of the winners".

Many are already under "huge pressure" to meet the current demands of retailers and processors, and are braced for more onerous targets and lower prices from a stronger, more consolidated retail sector.

Even farmers who are part of the cost-of-production farmer groups run by the likes of Tesco and Sainsbury's could be under threat, he warns. "From a farmer's point of view, as long as you are a member of a retailer-aligned cost of production model, they're great," Potter adds. "But there has always been the question about what the retailer gets in return. Tesco or Sainsbury's could have a lot easier life just buying their milk like Asda does."

**"I don't think retailer pools in their current format have long left"**

**Retailer consolidation could have a negative impact on competition, which could ultimately lead to price rises for consumers, the NFU has warned**

Sainsbury's has so far insisted it will keep its cost of production model. "Our plan is to continue with our dairy farmers in that system," the retailer's director of brand Judith Batchelar told the Efra Committee during its inquiry on the proposed merger in June.

However, with Lidl signing up to long-term milk and cheddar supply deals with Müller and Dale Farm earlier this year, and Aldi sealing a similar strategic partnership with Arla, the cost of production model could soon be seen as an unwarranted cost among the big supermarkets, agrees another source.

"There are big questions over the future of the Sainsbury's Dairy Development Group after the Asda merger. These new deals which Aldi and Lidl have signed recently with Arla and Müller offer a lot of the same benefits without the cost," the source says.

"It essentially means the whole milk supply chain is outsourced to the supplier. These dedicated pools got the supermarkets out of trouble in the 2000s, but they've become a bit of a monster, and are hugely expensive. What benefit do the retailers get?"

With Tesco planning to launch discount chain Jack's within weeks, the future of its own Sustainable Dairy Group could become clearer sooner rather than later. "I don't think retailer pools in their current format have long left," suggests the industry source. "And I would be very surprised if they used milk from this source with Jack's, as it's really expensive."

With competition reducing as a result of retail consolidation, consumers could ultimately lose out, some sources warn. Speaking about the Sainsbury's-Asda merger in June, the NFU's director general Terry Jones said: "If buyers working for this enlarged business abuse its market power and make unreasonable demands on suppliers by transferring excessive risk and unexpected cost, ultimately this will impact on choice and availability for shoppers."

However, others argue consumers will benefit in the long run. More efficient, consolidated retailers provide "stronger and less fragmented platforms" for product innovation and category growth, says Müller Yogurt & Desserts commercial director Bill Mathieson, who insists the supplier is confident "dairy has a good future in a changing retail environment".

Mike Coupe was infamously caught on camera singing 'We're in the Money' when the Sainsbury's-Asda merger was first announced. Whether the two retailers can find a way to leave shoppers and dairy suppliers in the money could well decide whether this particular retail marriage can stand the test of time.

# The No.1 Flavoured Big Pot Brand*


Source: *IRI Marketplace 52 week ending 15th July 2018

# The man with the plan for yoghurt

Kevin White

## Despite the failure of Activia's relaunch, Danone's UK & Ireland MD is optimistic he can turn around the brand and the 'stagnated' yoghurt category

"It won't be a surprise that we'll have a completely new campaign for Activia next year," says Danone Dairies UK & Ireland MD Craig Read, as he explains the failure of the brand's high-profile relaunch in 2016.

Danone's multimillion-pound global campaign was designed to transform Activia into a premium "aspirational lifestyle brand" and aimed to demonstrate how women could "reach their everyday potential" by being 'InSync' with their bodies.

It was also meant to turn around plummeting sales, with the yoghurt brand seeing a 14.9% drop in UK value sales during 2015 to £172m [Nielsen/The Grocer Top Products].

But the revamp tanked, not just in the UK but across the whole of Europe – despite the support of celebs including Olympians Denise Lewis and Victoria Pendleton – leading to a further haemorrhaging in sales during 2016 (down 19.6% to £152m) and last year (down 13.4% to £139m).

"We tried to change the tone to make it more relevant to younger consumers, but it really didn't hit home," admits Read. "The huge loyalty and slightly older demographic we have with the brand meant it was very hard for those consumers to move into this new space, and I'm not sure it resonated in the way we thought it would with new users as well."

So what plans does he have to turn Activia's fortunes around, what are Danone's wider plans for the UK, and with Alpro now part of the Danone family, could a dairy-free range be on the cards?

"The positive news is that Activia is now in good shape compared to two years ago," says Read, who has just returned to work after taking three months' parental leave.

Having boosted sales through innovations such as the launch of its 'Double Zero' and Grains & Seeds variants, the yoghurt brand is now facing an "exciting future", he insists, hinting at further NPD alongside the new marketing push next year. "There is more exciting news to come from Activia. But I can't say any more than that at the moment," he says.

Read boasts a 20-year career in fmcg that started out "back in the days of field sales" with United Biscuits. He later spent almost five years at Budweiser, including a year in St Louis with the beer brand, before spending almost nine years at GSK in a combination of roles, latterly as marketing director at Lucozade.

He joined Danone Dairies three years ago as commercial director of the UK business, and after just over a year as MD says he's determined to turn around the fortunes of both Activia and the "stagnated" yoghurt category.

"We're not attracting enough younger consumers, and we're not making it easy enough for consumers to understand the benefits of the health category. So we've got a job to do there," he says.

"And it's not just about giving consumers great healthy products; it's also about the footprint that we leave behind," he adds. "What we know today is that when people eat they are also voting for the world they want to live in. They want to know who is behind that brand. That's what our One Planet One Health philosophy is all about."

With this in mind, Danone Dairies UK&I was the first UK dairy business to achieve certification by global sustainability NGO B Corp in February, an achievement Read suggests "really backs up on those One Planet One Health credentials".

It "holds us true to the way in which we run our business", he adds, particularly on how Danone engages on community projects (such as its Eat Like a Champ healthy eating schools project) plus the work it does to reduce its environmental impact, its health credentials and the way it treats its workforce.

### Cutting out sugar

Similarly, Danone also ticks the health box through a steady reduction in sugar content across its portfolio, Read points out.

"I wouldn't say we've done everything we need to yet, but we've been on a really aggressive journey. During the past 18 months, we've reduced sugar by 17% across the standard Activia range – representing about 118 million spoonfuls," Read says. "We've


"I wouldn't say we've done everything we need to yet, but we've been on a really aggressive journey"


also reduced sugar in the core Actimel range by about 14%, in addition to launching a No Added Sugar range for Actimel and Activia's 'Double Zero' range."

Elsewhere, Light & Free, the first 0% fat and 0% sugar product on the market, has become a £31m brand since its launch in 2016. "But there is still more to do on sugar, and still more to do when we think about innovation and ingredients," says Read.

Ultimately though, food companies live and die by their innovation pipelines, something Read says is "top of our agenda".

He describes the Manhattan-based Danone Manifesto Ventures – which invests in startup food and drink businesses like coconut water brand Harmless Harvest and, most recently, German home mineral water machine brand Mitte – as a "really unique team" and an exciting way to find and support new companies and fuel innovation.

Closer to home, Danone Dairies is particularly focused on the "mega trend" around "fluid lifestyles" and food on the go, he adds.

"We know almost half of food will be consumed out of home by 2020. Yoghurt is predominantly consumed in a pot, but if we want consumption to grow we need to make it more portable and easier to consume on the go. These are big areas to focus on."

The UK business is also now very much a testing ground for NPD, through Danone's recently launched Incubator team – something Read was at the forefront of developing. "We see lots of really interesting products launched by Danone across the globe, so what the team does is give us the opportunity to test and learn but also be agile by bringing a product to market much quicker than through traditional channels," he says.

Danone Dairies UK&I is the only Danone unit in Europe to have an Incubator team, Read adds, reflecting London's food trend-setting status. Its first product, the Danone of the World yoghurt and fermented drinks range, went on sale in June after previous success in France and Italy. It is "one of many new products we want to bring to market, and they won't necessarily be yoghurts," he adds.

Speculation has been rife – ever since Danone bought Alpro owner Whitewave last year – that the company could also be gearing up to launch dairy-free variants of Activia and even Actimel.

Read remains tight-lipped on the specifics, but says dairy alternatives is a "super exciting" category that has "huge" growth potential for the business.

"What we know is that a very high percentage of shoppers buy dairy alternatives in addition to dairy, rather than instead of it. We see it as a very complementary category, offering ultimately what consumers want," he says. "You can understand why Danone bought Alpro. If consumers desire a non-dairy alternative from some of our big brands, then we need to deliver it to them."

## snapshot

**Age:** 40
**Job:** MD, Danone Dairies UK & Ireland
**Home town:** The Sussex coast, but I'm a Kiwi by birth. I lived there for the first four years of my life before my parents came back to the UK and set up home in the Brighton, Hove and Worthing areas
**Family:** Married to Liz, with nine-month-old daughter Isla. We live in Clapham Common
**Potted CV:** I studied business and law at Derby, before starting my career at United Biscuits, followed by five years at Budweiser and almost nine years at GSK. I joined Danone almost three years ago
**Interests:** Travelling and playing golf
**Most enjoyable thing about your job:** The culture and people make every day an enjoyable yet challenging experience.

# Can dairy really go plastic-free?

**Megan Tatum**

Suppliers and retailers are looking to reduce reliance on plastic, but it's hard to find milk packed in anything else. What are the alternatives?

When Iceland committed to ditch single-use plastic from its shelves in early 2018, there was one category giving MD Richard Walker serious pause. "I can be honest, our biggest challenge on packaging to move out of plastics is milk bottles," he told The Grocer in May, citing an established system of blown plastic containers that had left the idea of a glass milk bottle more nostalgia than reality. In fact, despite the recent revival of the milkman, the proportion of fresh milk put into glass bottles has fallen from just under 95% in 1975 to less than 3% now. The remainder is poured into plastic, which is posing a major challenge in this post-Blue Planet era.

"The dairy industry has invested many millions of pounds in integrated plastic bottling plants over the last five years," explains head of packaging at Iceland Ian Schofield, and though "we have now briefed all our suppliers on the removal of plastic, this will require substantial capital expenditure and investment, which will not happen in the short term."

Fresh milk is far from alone in dairy when it comes to its environmentally damaging addiction to single-use plastic. From tubs of spreads to pots of yoghurt and slabs of wrapped-up cheese, plastic is ubiquitous in dairy. It's lightweight so cheaper and easier to transport long distances, says the British Plastics


Federation, and more malleable than other materials – allowing supermarkets to offer one to four-pint jugs of fresh milk. Crucially, it's also proven to substantially extend shelf life for many SKUs.

Quite simply it's the norm and has been for some time, says Jilly Whibberley, marketing director of the A2 Milk Company. "People have been aware of its sustainability issues for quite some time but there is a colossal cost in making changes. It takes something for people to look up."

In this case it was environmentalist David Attenborough and the national outcry towards plastic floating in the world's oceans. According to a 2018 survey of more than 5,000 consumers by Kantar Worldpanel, 24.6% now feel 'extreme concern' about plastic packaging in grocery, with 21% keen to see industry switch to entirely plastic free. As Walker puts it, "the genie is out the bottle" and dairy must act.

For many dairy brands the move toward more sustainable packaging is already underway. Launched in 2008 the Dairy Roadmap, a collective of green initiatives backed by farmers, retailers, manufacturers, and government, has seen 85% of HDPE (high-density polyethylene) milk bottles now recycled by UK dairy processors and more than 95% of tertiary packaging (pallets, containers and shrink wrap) made from reused or recycled material. In its latest report, the commitment has added a target to 'eliminate unnecessary single-use plastic' by 2025 too.

**"People have been aware of plastic's sustainability issues for some time but there is a colossal cost in making changes"**

This focus on reuse and recycling within the initiative echoes a sense among many brands that simply ditching plastic isn't practical. For Amelia Harvey, co-founder of The Collective UK, though the sight of plastic "all over the headlines" over Christmas 2017 left her thinking "bloody hell, I've got a black lid made of plastic and I've got to do something about this" the solution wasn't ditching plastic entirely. Not least as "the robust black lids have been an iconic part of the brand's identity since the brand began in 2011" and the material "offers the most hygienic and clean solution, whilst being robust and sturdy, protecting the product from spoilage".

Instead, as of next month, the brand will roll out its 'breakthrough' black plastic lids using a pigment that allows the lids to be detected by infrared sensors and easily recycled, unlike traditional black plastic. Harvey says "every new product will be packaged in the most sustainable plastic we can".

At Dairy Crest, too, the aim is 100% recyclable packaging for its butters and cheeses by 2021-22, achieved via a "year-on-year increase in the percentage of recyclable packaging used across our product groups".

Even this shift holds major technical

## Sustainable dairy packaging from around the world

**Kantar Consulting asked its team of Cultural Streetscapes correspondents to hunt down sustainable packaging solutions from across the globe. Could the steel bottles, clay pots, wood pulp cartons and glass pots they came back with work in the UK?**


### Stainless steel milk bottle

Organic milk by Indian brand Vedic comes packaged in a one-litre stainless steel container, which it insists is not only sustainable but provides a more hygienic and 'tamper-proof' format too. The containers are also entirely reusable and delivered chilled.

### Clay yoghurt pots

Russian supplier Kesidis Dairy packages its Greek yoghurt range in individual earthenware clay pots that convey 'naturalness and authenticity' – though they do come sealed in a plastic wrap.

### Wood pulp cartons

Sokpool Yeo Ooh (meaning 'the fox that untangles your insides') is a health milk drink created by You Us, the manufacturing department of a Korean convenience store chain. All products come in plastic-free packs, three quarters of which are composed of wood pulp fibres made using sustainable forest timber.


### Individual glass pots

Shunning plastic yoghurt pots, Brazilian brand owner Pamalani packages its fermented coconut milk yoghurts in individual glass containers with jam jar style lids. The brand encourages consumers to use (and reuse) the stylised packaging to turn its range into premium desserts with shots of fruit and nuts piled on top.

challenges, it says. Though its spreads are "widely recycled" already, "cheese flow-wrap packaging is not currently, due to the complex blend of polymers required to maintain product integrity and safety". It is working with experts to overcome the problem.

At Müller, new technologies have allowed it to move to lightweight designs, removing 10,000 tonnes from its plastic milk bottles since 2016. It has "actively increased the use of recycled plastic too" and says both moves have been boosted by taking packaging in-house to a facility adjacent to its dairies.

But for all this hard work the fact remains that, even where technically possible, plastic is woefully under-recycled in the UK, with two-thirds of plastic food containers incinerated or sent to landfill, according to the Local Government Association.

It's why some believe simply plugging recyclable plastic isn't enough. "You're still producing plastic and using that energy with a finite amount of times it can be recycled," says Abigail Kelly, category controller at Crediton Dairy. "I don't think that's enough of a change. We need a step change in what material we're using."

Crediton uses cartons across its UHT milk, cream and flavoured milk, despite being told as recently as 18 months ago by retailers that "we need to be in plastic" to launch into areas such as RTD coffee. "We decided to go with cartons and they've done extremely well," adds Kelly. "We've proved to ourselves and to the market that it's a valid format to be in and now it's obviously more environmentally responsible."

**"Smaller, tertiary brands, businesses and products will move first and will lead the way"**

The A2 Milk Company is also exploring cartons, having launched what it claims is the first fresh milk in a one-litre cardboard carton this month. A change in processor "gave us a big opportunity to rethink our packaging," says Whibberley, "and clearly the debate on plastic has fed into our choice. The carton offers additional benefits, with more space to communicate to our customers."

Bioplastics – entirely renewable plastics made from plant-based sources such as sugars or tree saps – have already gained traction in other categories, with Innocent Drinks rolling out a bottle made from 15% sugar-cane plastic in April. "It is economically viable," says Crediton head of sales and marketing Nick Bartlett of the material. "We're just in final discussions with various parties to make it happen" to replace the remaining plastic lids on cartons.

He accepts these sorts of agile changes will be far more challenging for dairy's major operators, though. "There are an awful lot of large, heavily invested factories geared up for blowing on-site poly bottles. Which is why smaller, tertiary brands, businesses and products will move first and lead the way. Bigger companies will then follow."

For Iceland's part it's confident, even with all its challenges, that a switch to plastic-free milk bottles will be achieved ahead of the self-imposed 2023 deadline. "We are working with all our suppliers to agree with us a timeline for the ultimate removal of plastic," says Schofield, "and are confident that Iceland will continue to lead the way in delivering a plastic-free future."


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# Disruptive and direct

The battle for shelf space continues. So we challenged two creative agencies to come up with new concepts that skip the supermarkets and disrupt the way people buy dairy in the UK

**Carina Perkins**

## How Now: putting the craft back in milk

British shoppers could be forgiven for thinking milk all tastes the same. Differences between full-fat, semi-skimmed and skimmed aside, you'd be hard-pressed to find a supermarket pint that tingles the taste-buds in an unusual or surprising way. That's because the industry has worked hard over the years to standardise production, delivering consistency for the consumer and maximising profitability down the supply chain. Now, though, some brands and suppliers are looking for ways to de-commodify dairy. And experiential marketing agency Sense London has come up with just the way to do it. Craft milk.

**How Now pop-up milk vans would be 'located tactically to provide chilled refreshment to market and park-goers'**


"People think milk is a commodity because it 'all tastes the same', but that's only because the industry has standardised its product," says Vaughan Edmonds, planner at Sense. "Once you start experimenting with the breed of cow, their diet, the terrain, and the climate, milk has just as much subtlety as a fine wine."

Milk isn't the only sector where commoditisation has caused problems for brands in the past. "Until recently the beer market was dominated by brands for whom it was demonstrated that consumers couldn't tell the difference in a blind taste test. It all came down to whose packaging you liked the most," Edmonds adds.

"But then the craft brewers came along and everything changed. They showed that you could make two beers that didn't taste alike, and in doing so opened up a whole new world for beer drinkers who could explore a string of new beers without ever getting bored. We want to do the same for milk."

And just as the craft beer revolution has already seen the number of UK breweries surpass 2,000 – the highest since the 1930s, according to HMRC figures – a similar movement is emerging in dairy, with a growing number of 'micro-parlours' cropping up across the British countryside.

Run by entrepreneurial farmers looking to bypass the big processors and get more for their milk, these micro-dairies are experimenting with different production method and breeds, as well as investing in on-site pasteurisation to gain back control over processing and make their milk stand out from the rest.

### How Now

Our craft dairy brand – How Now – would help fuel this revolution by "showcasing the strengths of different flavours" to "rekindle the lost art of milk drinking", says Alex Smith, creative strategist at Sense.

"There are so many different types of cows, ways of keeping them and ways of treating the milk," he adds. "But people have expectations around taste and if you are going to break that expectation you have to make a feature of it. You have to build this subcategory that runs alongside the standard category."

With bold colours and an emphasis on humour, the How Now brand of craft milks is a big departure from the "Sound of Music" image milk traditionally conjures. "We started by developing an on-trend visual language with hand-drawn illustrations and customised type, packaged under a memorable brand name to get standout in a traditionally bland category," says Adam Curry, creative director at Sense.

"Our goal was to emphasise the "crafted" nature of the product, partially by displaying certain artisanal cues, and partly by echoing the world of craft beer people are already familiar with. We wanted to turn the category conventions of milk (rolling fields, green on white, etc) on their head."

These aren't flavoured milks, Smith stresses. They are straight-up milks whose subtle flavour differences are all down to what cow they came from and how they were produced. So each of the craft milks in the How Now range – such as Happy Cow, Hairy Cow and Horny Cow – is named to reflect its origin. "It's all a play on 'How Now Brown Cow'," says Sally McLaren, board director at Sense. "We wanted the names to stand out and be non-conventional, which has worked really well for the craft beer sector."

And they won't be sold in the supermarkets. "If you are going to de-commodify a product it helps to go into the exact opposite place where you expect to see that product," says Smith. "Dairy and milk are very grocery-oriented products, so the opposite of that would be an out of home scenario."

With this in mind, How Now would create its own flagship craft milk bar in London "where people can discover the method behind the milk and try the produce of the nation's micro-parlours," says Edmonds, who points out the bar format is


How Now would have its own flagship 'craft milk' bar in London where consumers could 'try the produce of the nation's micro-parlours'

"a nod to the craft beer industry" that also plays on the fact millennials aren't big drinkers any more. "It would be similar to something like crush or smoothie bars, which have already got quite good traction in a retail environment."

Patrons can choose to swig their milk straight up or order it alongside classic accompaniments such as cereal, porridge, cookies or pancakes. They can even add booze, with an evening cocktail menu on offer. "We originally started with cereal pairings, which seemed to make a lot of sense, but we realised the offer could be much broader than that," says Smith. "Milk isn't just a breakfast thing – people drink it in the evening with cookies or in a hot chocolate. And it's also used in things like White Russians so it already has a foot in alcohol."

In order to spread the message of its craft milk campaign more widely, How Now would also have pop-ups in the form of milk vans "located tactically to provide the ultimate chilled refreshment to the market and park-goers of the capital," says Edmonds. Its fleet of vans could even tour music festivals, giving its target audience of trendy millennials a chance to try out the different flavours.

"Our product is very taste-led so it would lend itself well to sampling," says Smith. "And we acknowledge that – in its early conception at least – this is a somewhat faddish, hipsterish idea. Although too many brands focus on that segment of the market and don't pay enough attention to the mainstream, this is one idea where it would make sense. Hipsters got craft beer off the ground, so they could pull off the same trick with this."


# Rare: celebrating UK heritage breeds

Milk produced by heritage British cattle breeds is some of the best produce Britain has to offer. Carefully bred for centuries, native breeds like the Shorthorn, Ayrshire and Guernsey produce milk with unique characteristics. The Guernsey breed, for example, is renowned for producing a rich, yellow milk that contains 12% more protein, 30% more cream, 33% more vitamin D, 25% more vitamin A and 15% more calcium than average milk.

The import of higher-yielding Friesians and Holsteins from the Continent means some of Britain's native breeds have come close to dying out. But in recent years, some organic British farmers have started turning back to them. Native cows are hardier than imported breeds and require less additional feed, which means they can be kept outside for longer, improving animal welfare and reducing the risk of illness and the need for antibiotics.

It's a great story, and one that's bound to appeal to consumers increasingly interested in the origins and ethics of their food. But it's not always easy for farmers in far-flung corners of the British Isles to reach a wider audience. So brand design agency PB Creative has come up with a new direct-to-consumer concept to join these farms together under one umbrella and one voice.

**Rare's range would include flavoured milk curd, milkshakes and a truffle-infused brie**


"Rare is a range of artisanal dairy products made with the best quality free-range British milk," says Agata Racka, design director at PB Creative. "We work as a co-operative with carefully selected local farmers that cultivate a centuries-old tradition of keeping British heritage cattle breed."

As part of Rare's mission to "help sustain and preserve Britain's native breeds", 5% of every purchase will go to the Rare Breed Survival Trust, whose purpose is to secure the continued existence and viability of the native farm animals of the United Kingdom. "Consumers are losing trust in brands that are just a logo," says Racka. "They are looking for things that are more sustainable, which they can emotionally engage with."

In addition to being made with free-range milk, Rare's products are all organic, antibiotic-free, hormone-free and high animal welfare. "It is our guarantee that the businesses and products we promote are the best of British produce and have a positive impact on the cultivation of heritage, local communities and the environment," she says.

Aimed at the higher end of the market,


Rare's dedicated website would feature maps of farms, as well as information on breeds and products

Rare's branding is "simple and bold, reflecting both the cow and the milk," says Racka. The R in its logo, for example, features both a horn and the ear of a cow. "It is quite subtle and sophisticated, but that is what we want to be," she adds.

Rare's lineup of artisanal products is equally sophisticated, encompassing milk curd from Longhorn cattle flavoured with lovage, heather honey-flavoured milkshake from Highland cattle and even a white truffle-infused brie made from Shetland milk to "inspire, surprise and indulge" shoppers.

"We tried to choose interesting products," says Racka. "Milk curd is quite a sophisticated product, and lovage is a hip flavour. Milkshakes are quite cool at the moment and ours is flavoured with heather honey. So it's all connected to where the cows are from and it gives consumers the opportunity to try something they might not have tried before, which adds another layer of interest."

Each product is beautifully encased in packaging carefully designed to reflect the breed of cow that supplied the milk. "Rare breeds aren't just great in terms of the milk they produce, they also have some interesting looks," says Racka. "That is where the inspiration for our graphics came from. The different packaging reflects the different patterning of the cows."

In order to connect directly with consumers across the country, Rare has a dedicated website featuring a map of the co-operative farms, information on each of the heritage breeds they keep, and the full list of artisanal products available.

## Doorstep delivery

If they want to order online, shoppers can hand-pick the products they want, or buy a specially curated box of 10 products from different regions to get "a taste of the exciting world of Rare British dairy," says Racka.

Deliveries will be made direct to the doorstep in an "innovative chill box" created in collaboration with the UK's pioneering pure wool packaging producers. "There are British producers already making cool boxes using real wool so it is all very pure and environmentally friendly," says Racka. "It's using nature in a very modern and contemporary way."



In order to spread the word about Britain's heritage breeds, each Rare delivery box will contain a booklet showcasing the farms where the products are made, with a history of the breeds involved and an explanation of how the purchase makes a difference for the future of native farm animals in the UK.

It will also contain recipe ideas for each of the products to give shoppers inspiration to get back in the kitchen. "People are starting to get more interested in cooking, which is why things like Hello Fresh are becoming more popular," she adds. "But not everybody knows how to cook and we wanted to give inspiration for what to do with our products, so they can enjoy them more."

If shoppers want to learn more about heritage breeds and "how sustainable and ethical farming influences the quality of food and the positive effect on your health and wellbeing" they are also welcome to visit any of the co-operative farms and buy directly. "Nothing is hidden, consumers can go to the farm to meet the cows and talk to the farmers and see how everything is produced," Racka adds. "We think that contributes to the story in terms of transparency."



Kevin White

FrieslandCampina dominates UK dairy drinks with its Yazoo brand. Now it plans to use its innovation centre to expand into new categories

# Wageningen's

Every dairy company worth its salt needs at least one cow in its reception, and FrieslandCampina's shiny global innovation centre in the Dutch town of Wageningen is no different. Cows litter the building in sculptural and photographic form, while the supplier's devotion to milk also extends to a Guggenheim Museum-esque spiral sculpture, which soars up to the centre's atrium roof to represent the flow of the white stuff.

It's a fitting celebration of FrieslandCampina's status as a bona fide dairy giant. Operating in more than 100 countries, it turned over more than €12bn last year – making it bigger than both Arla and Müller. In fact, it's the sixth-largest dairy company in the world. But ask any UK consumer who or what FrieslandCampina is, and you are likely to draw a blank. In 2016, FrieslandCampina UK posted sales of just under £48m – according to its latest accounts – underpinned by the performance of its Yazoo flavoured milk range, which is produced in Belgium, and a sprinkling of supermarket own label business. "We've got a limited footprint in the UK," admits its UK & Ireland MD Gavin Blair.

Now, however, the Dutch dairy co-op has set its sights on growing its business in the UK. And the work being done by 400 scientists and researchers at Wageningen – the starting point for all of FrieslandCampina's NPD – is "instrumental" to its ambitions, says marketing director Will Jones.

So what exactly are Friesland's plans for its UK business, and could Brexit scupper them?

**"We need to continue playing in our heartland of dairy drinks and Yazoo No Added Sugar is a big part of that. But there are also other opportunities"**

Friesland's biggest innovation in the UK in recent years has been its trailblazing Yazoo No Added Sugar variant. Launched in 2016, it is made using a "unique" technique honed by staff at Wageningen, which involves splitting lactose from semi-skimmed milk into glucose and galactose. This creates a taste four times sweeter than lactose alone and ultimately means there is no need to add any extra sweeteners, says Jones. "It was a very creative solution to a very challenging brief."

Yazoo No Added Sugar has gone from strength to strength since hitting UK supermarket shelves, helping the overall Yazoo brand extend its market-leading dominance in dairy drinks with sales up 6.3% to £48.2m by the end of 2017 [Nielsen/The Grocer Top Products 2017.] But neither Blair or Jones are content to stop there, and are keen to build the UK business into more than just a vehicle for Yazoo. They have the full backing of the wider business, which is attracted by the "sheer scale" of the British market, and the fact its German division is roughly 11 or 12 times the size of the UK business. "The headroom is really exciting for my bosses," says Blair, who joined the business in November 2016 from Diageo. And while tight-lipped on specific details, he sees the UK business growing in three key areas. "We need to continue playing in our heartland of dairy drinks. But there are also other opportunities," he says.

One of those opportunities is own label, where there is scope for Friesland to expand its business with UK retailers in some categories. "Private label is a challenge as we obviously don't have any British

# white stuff

milk," adds Blair. "It's the ticket to the dance for some retailers. But there are also many other categories where that's less important."

Friesland is also eyeing the launch of new brands into the UK. "Our ambition is to launch another brand and for FrieslandCampina to become more of a portfolio player," says Jones. "Whether that becomes a cheese or a yoghurt is yet to be defined, but certainly we see opportunities to create a new brand and to bring international brands developed at Wageningen to the UK."

This will not be the first time Friesland has attempted to bring overseas brands to the UK. It launched yoghurt drink Optiwell to great fanfare in August 2015 with a pledge to spend £25m in marketing over the next four years, but the brand was delisted less than a year later due to poor sales.

However, while Blair admits launching new brands will be the "hardest challenge" for Friesland in the UK, he insists Wageningen gives it the resource, insight and R&D capacity to develop new brands and adapt existing ones for the UK.

So far, the company has highlighted "two or three categories" where it could bring NPD to the UK, says Jones. "We've done a full analysis of most categories, and benchmarked them on attractiveness versus our ability to deliver," he adds.

In particular, Friesland sees opportunities in dairy snacking and healthy dairy products such as quark, as well as nutrition and indulgent dairy. This could open up possibilities for a host of existing Dutch brands, including its Mona Oops! range of dairy desserts – something Blair says the UK business is already "looking at".

**"The key point here is we want to expand from our current footprint. We want to grow"**

Exactly how these new brands would be marketed in the UK is yet to be decided. Blair is a fan of Arla and Müller's masterbrand strategy, but admits the name FrieslandCampina is "a bit of a mouthful". "We want to build our name and reputation with the trade, but the actual consumer brand would be much more dictated to by consumer research," he says, pointing out Campina is a "consumer brand we have in other parts of Europe".

What is certain, though, is that Friesland will continue to innovate and test new products out on UK consumers. "Building brands in the UK isn't cheap, and it's not easy," says Blair. "But the key point here is we want to expand from our current footprint. We want to grow."

Brexit could, of course, pose a problem for the business, which currently has no manufacturing capacity in the UK, just sales offices. However, while it has "no firm plans" so far, Friesland is exploring whether it could store more products in the UK or even begin production here in the event of a hard Brexit, says Blair.

"If it did end up being a hard Brexit, and our supply chain or cost of goods became challenged, I certainly would be talking to my bosses about whether they would be open to some production over here."

With such evident passion for growing its UK business, FrieslandCampina may well be on its way to becoming a bona fide dairy giant in Britain, as it is elsewhere in the world.

# Whey to go, guys


Rachel Graham

Dairy companies are using their insight and technological knowhow to tackle problems unique to their industry – and beyond. From boosting the organic cheese market and helping farmers reduce reliance on antibiotics, to slashing water use at processing plants and making whey pay, here's our pick of 10 firms innovating for a better future for everyone

## Boosting British exports

The Organic Milk Suppliers Co-operative (Omsco) and Wyke Farms have joined forces to create the world's biggest organic dairy supplier in a bid to "unlock the potential of British organic dairy" both domestically and abroad.

The innovative joint venture, launched earlier this year, will produce branded and own-label organic dairy products certified to EU, US and Chinese standards, while also serving the UK market.

As part of the deal, Wyke is sourcing all its organic milk for cheese production from Omsco, while the organic milk supplier has taken a share in the ownership of bulk cheddar stocks for a proportion of domestic and export sales, reducing Wyke's exposure to volatile markets.

With organic cheese underperforming in comparison to other organic dairy products – just 1% of the UK's cheese market is taken up by organic compared with 5% in milk and 8.5% in yoghurt – the company is putting a big emphasis on cheddar. It launched a new brand – The British Organic Cheese Company – which it will aim at export markets alongside Wyke and Omsco's existing brands.

In total, the company is planning to manufacture up to 5,000 tonnes of organic cheese a year, within three to four years. Production is already up 60%, putting it well on track to hit that target.

So far, the jv has already secured deals with three major mults in the UK, supplying own label organic cheddars and Wyke Farms Organic in Ocado as well as gaining listings in a number of retailers in northern Europe for the Wyke Farms organic brand. It is also exporting Omsco's Kingdom brand, which is the first British organic cheddar brand to gain USDA approval for export to the US, and is set to launch further brands in 2019.

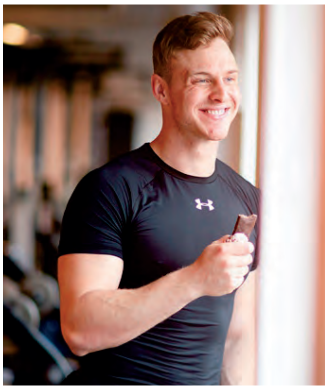
## Becoming self-sufficient

It's not easy for a large dairy company to go green. But that's exactly what Dairy Crest has got its eye on as it targets self-sufficiency in water use at one of the UK's biggest cheese processing plants by 2023.

The cheese giant's Davidstow creamery in Cornwall, which produces cheese for Cathedral City and Davidstow, currently obtains half of the plant's daily water usage from recycled sources, recovering 1.5 million litres of its own water each day. Another quarter is sourced from a nearby well and the remainder is provided by South West Water.

It aims to cut down its water usage while also increasing the amount it extracts from the 90% water whey byproducts of its cheesemaking, with the aim of reducing and eventually ending its reliance on the well and utilities suppliers. The dairy company also plans to install membrane bio-reactors, which will be used to filter and treat its waste water, so it can be filtered back into the creamery.

Dairy Crest's eco-friendly push doesn't stop there. It also plans to build its own solar farm to supply energy to Davidstow. The five-year project is set to cut the plant's greenhouse gas emissions by 1,700 tonnes of $CO_2$ per year (equivalent to the emissions of around 400 typical households), and feed excess power back to the grid.



## Leading the whey

Arla is bulking up its returns from the protein boom by developing innovative ingredients based on whey – a by-product of cheese production previously cast aside as waste.

The dairy co-op's ingredients division this year announced plans to splash out a further €100m on "new technology and capacity expansions" for its production of whey protein ingredients.

Recent innovations include new Lacprodan TexturePro, designed to address textural deterioration in protein bars, which tend to go hard towards the end of their shelf life. Arla has also developed a neutral-tasting hydrolised whey protein isolate specifically for crystal clear beverages. It can be ultra heat-treated to give it a water-like appearance, avoiding problems often encountered by protein drink manufacturers such as separation and milky colouring.

## Making territorials trendy

Shropshire supplier Belton Farm is spearheading a resurgence in territorial cheese with its new modern 'Fox' brand. Based on aged red and white Leicester recipes, Red Fox and White Fox are the first branded territorials to hit the mults "in years" claims the supplier, which changed its name from Belton Cheese to Belton Farm last year.

The brand hopes to appeal to "a new generation of discerning cheese buyers" by "taking a leaf out of craft beer's book", and has already scored listings in Tesco, Waitrose and Booths.

It's even teamed up with TV chef Joe Hurd to spread the message that "there's more to cheese than cheddar".

Run by third generation dairyman Justin Beckett, Belton Farm has also introduced new minimalist packaging across its ever-expanding Belton Farm masterbrand of territorial cheeses.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Dromona Mature CHEDDAR SLICES
ROWAN GLEN Mature CHEDDAR SLICES
ROWAN GLEN Grated Mature CHEDDAR
Dromona Medium CHEDDAR
ROWAN GLEN Mild CHEDDAR
ROWAN GLEN Mature CHEDDAR
Dromona Mild CHEDDAR
Dromona Extra Mature CHEDDAR
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Dromona Mature CHEDDAR
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## Making cheese free-range

Leerdammer has become the first major UK cheese brand to commit to using only free-range milk.

The Bel Group-owned brand launched a 'Free Grazing Promise' in July, which sees its 1,200 Dutch farmers allow their cows to graze outside for at least six hours a day for a minimum of 120 days each year. Its promise – developed in line with the Dutch Stichting Weidegang (Grazing Foundation) industry standard – compares with 180 days of grazing assured by Pasture Promise and the average of 215 days at pasture claimed by Omsco-supplied organic dairy products.

Bel intends to roll out similar free grazing initiatives across the remainder of its portfolio, including brands Babybel, Laughing Cow and Boursin, by 2025 after co-signing the Upstream Dairy Charter with the WWF earlier this year as part of a sustainability drive.

## Bringing the world to Britain

British consumers aren't always the most experimental when it comes to dairy, but that could be down to the relatively limited choice of products on UK supermarket shelves compared with elsewhere in the world.

That's all set to change with the arrival of Danone's new Innovation Incubator, launched at the beginning of 2018 to bring some of the French dairy giant's most popular ranges from overseas markets to the UK, as well as creating new products designed specifically for British tastes.

The first NPD to hit supermarket shelves is the new Danone of the World range of globally inspired fermented dairy drinks and yoghurts. It includes an Icelandic-style skyr, a Turkish-inspired ayran drink, a Greek-style straggisto yoghurt, an Indian-inspired lassi drink,and a Lebanese-style laban yoghurt.

Based on "authentic recipes from regions around the world with a rich history of yoghurt making", the Danone of the World lineup was initially launched in France as Danone du Monde on the back of research finding 70% of the population wanted to broaden their culinary horizons, before heading to Italy as Danone dal Mondo and hitting the UK at the end of June with a listing at Ocado.

Danone claims the range offers "a real market growth opportunity for retailers".


## Shoring up supply

Futureproofing dairy is notoriously difficult, but Müller's scheme to set up a new cohort of young farmers takes a small step into shoring up its supply.

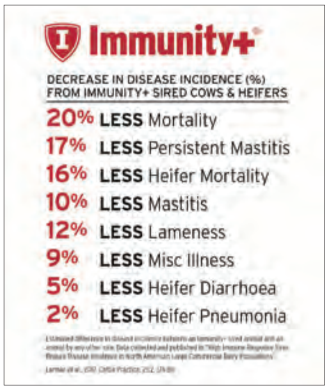
The Müller Direct Next Generation initiative has taken on a group of 25 Müller Direct farmers under the age of 30 for three years of support and training. Under the scheme, the dairy giant is set to fund a range of two-day training sessions on topics including market analysis, managing people, negotiating and business improvement planning for the Next Generation group of farmers, who hail from as far afield as North Lanarkshire and Dorset.

The first incarnation of the group, set to meet thrice yearly, held their first meeting to share advice and best practice in June. Its scheme will accept new applicants yearly subject to a minimum of three years' farm experience.

## Crowdfunding to ditch plastic

The 2015 dairy crisis saw some of the worst farmgate milk prices for years, with many farmers tipping their milk down the drain as a glut flooded the market. Having inherited the family farm against this backdrop, third generation dairy farmer Bryce Cunningham decided to take Mossgiel Farm in a new, sustainable direction.

Fed up of being controlled by the big dairies, Cunningham switched to organic and installed and an on-site pasteuriser so Mossgiel could sell its milk direct to consumers. And he's now launched a bid to make it the UK's first plastic-free organic dairy farm. Having already successfully crowdfunded a section of cow tracks to keep the farm's herd of Ayrshire cows, affectionately known as the Mossgiel girls, grazing outside in wet weather, Cunningham once again turned to the internet. A £10k campaign to raise money for Robert Burns-branded glass bottles and miniature milk churns, paying homage to the bard who lived on the farm when he first found fame, achieved its fundraising target in August after just 47 days online. Once the new glass bottles roll out, Mossgiel will trial its own deposit return scheme, with customers paying a small rental fee on first purchase, then paying for only the milk on visits to participating stockists when they return the bottle.


## Tackling disease

Genetics company Semex is helping reduce antibiotic use in the dairy supply chain by developing technology to identify animals with the highest natural immunity to disease.

Having won the Royal Dairy Innovation Award for its Immunity+ programme, which identifies enhanced disease resistance in bulls, the company recently launched new test Elevate. It identifies the genome-containing traits of a high immune response in females, cutting the five-year wait before an Immunity+ sire passes on increased resistance to daughters. According to the programme's first commercial results, high immune responders have up to 20% lower mortality and respond better to vaccination programmes. By choosing to breed from these animals, farmers can boost the natural disease resistance of their herd and thus reduce their reliance on antibiotics.

## Carving the way for kefir

Since its launch in 2012, Bio-tiful Dairy has been carving the way for of kefir-based dairy products in the UK. Founded by Russian former figure skater Natasha Bowes, who is lactose intolerant and wanted to see the product she grew up with in Moscow on shelves in her adopted home, the brand has secured listings across the big four.

Not content with its kefirs, smoothies and organic range, Bio-tiful launched a kefir-quark breakfast range earlier this year. Tapping trends for fermented foods promoting gut health, on-the-go food options and high protein diets, the brand claimed a world first with its combination of bio-live kefir and high-protein quark in a breakfast pot. And this month, the brand will take that ambition a step further, moving its kefir-quark breakfast products into a big pot format, packing a hefty 20g of protein in under 110 calories per serve.

LACTALIS McLelland

# Investing behind cheeses for every occasion



**The fastest growing**
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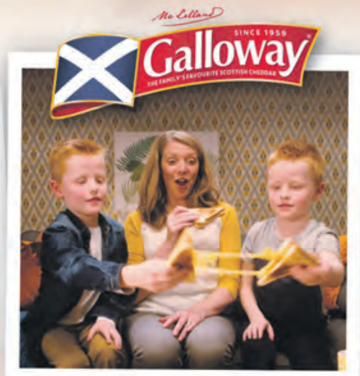


**The No.1 Scottish**
Cheddar brand*


**The No.1 Spreadable**
Cheddar brand


**The No.1 French**
Continental Cheese brand


**The No.1 Italian**
Cheese brand

Sources: IRI Value Sales Major Multiples 52 w/e 21st July 2018
*IRI Value Sales Major Multiples Scotland 52 w/e 21st July 2018


# New lease of life

## After years of being battered by own label, cheddar brands have been revived. But can they sustain their return to growth?

**Nick Hughes**

Cheddar brands are on the comeback trail. Following a disastrous 2016/17 when sales crashed almost 10%, brands are back in the black.

It's true to say brands' value growth of 3.9% [Kantar Worldpanel 42 w/e 20 May 2018] is mostly down to inflation, with volumes up just 0.3%, but that's still a huge improvement on last year's 6.9% volume losses. And some brands put in a particularly strong performance last year, with Cathedral City (+4.5%) and Seriously (+10.8) ahead of own label (–1.3%) in terms of volume growth [IRI 52 w/e 16 September 2017].

So who is leading the way in the branded cheddar revival, what is their recipe for success, and can they maintain growth in such a competitive market?

Dairy Crest chief executive Mark Allen attributes Cathedral City's recent growth (along with Clover, the brand was recently credited with driving a 6% increase in first quarter branded sales) to its focus on doing the basics well. "We spend a lot of time and effort looking at what consumers want to buy, how they want to buy it, and trying to make sure that we can offer them that right level of innovation in product, in packaging and trial of purchase to ensure we're front of mind."

Most of Cathedral City's innovation over recent years, notably around cheese snacking, "has paid back in spades", he says. The brand recently launched The Big Slice: larger, thicker cheddar slices designed to fit a piece of bread, and plans to launch further, as yet unspecified, adult snacking innovation towards the end of the year.

Dairy Crest's other cheddar brand, Davidstow, is also growing strongly, according to marketing director Lee Willett, who points to the September launch of a three-year-old Vintage product in Sainsbury's as an example of the brand's premium ambitions. "People trade up into Davidstow when they are looking for a special occasion cheese," he notes.

> **"Stop innovating, stop marketing, stop promoting and the retailers don't like it. Nor do consumers"**

Another brand holding back the tide of own label is Pilgrims Choice. Growth has been driven largely by a strong performance in both Asda and Sainsbury's, says Ornua Foods marketing director Mike Harper, who adds the decision of Pilgrims Choice and Cathedral City to promote a higher proportion of promotional ends at £2.50 rather than the £2 seen previously has also helped drive value.

Cheddar has always been deal reliant. However, volume sold on deal fell to 38.3% this year, from over 50% two years ago. Harper explains that because the base price of cheddar is typically lower now than in previous years, "loyal consumers are encouraged to pay a premium to pick up their favourite cheese on base, where previously buying at the reduced promotional price was inevitable as the discount was significant".

Allen, however, says the overall market shift away from deals doesn't reflect Cathedral City's strategy. "Promotions are an important part of our mix," he says. "Why is the category promoting less? Perhaps some of our competitors don't have quite as much cheese as they have historically."

Beyond price and promotional dynamics, Harper points to increased ad spend as key to the growth of Pilgrims Choice and other brands. "The last year has seen the majority of brands investing in above the line to drive equity. With Pilgrims Choice we have invested consistently over the past five years, and we are particularly seeing the benefit of this in the latest year with a real strengthening in our base, and rate of sale per distribution point."

## Fresh marketing

The past few years has seen Pilgrims Choice adopt a more disruptive tone of voice in its marketing. Following on from its diverting 'Pilgrims Choice Chosen' campaign, in May Ornua Foods launched a new £2.5m ad campaign titled 'The cheese of your dreams', which featured epic dreamscapes, puppetry and CGI moments, based on the idea that cheese fuels technicolour dreams.

The Seriously brand has also benefited from fresh marketing investment. As part of a £1m spend in 2018, the Seriously Spreadable sub-brand was the focus of a TV campaign, which first aired in May. The 'Be a Real Cheddar Spreader' campaign was developed to raise awareness of the brand's taste credentials by reassuring consumers that it is made with Scottish cheddar and easy to spread. A second TV burst is planned for later this year.

A redesign as part of a major brand relaunch that saw its cheddar segmented into Strong and Creamy sub-ranges, has helped drive growth in the brand during the past 12 months, according to Mike Chatters, sales director for Lactalis McLelland. "Last year's relaunch has been a tremendous hit with consumers, providing broader family appeal and helping to overcome maturity confusion with two unique product recipes for the two sub-ranges."

The cheese of your dreams? Pilgrims Choice credits its latest surreal ads for much of its return to form

## BRANDED VS OWN LABEL SPLIT

52 w/e 20 May 2018

| | VALUE | | VOLUME | |
|---|---|---|---|---|
| | £m | y-o-y % | kg (m) | y-o-y % |
| **Branded** | **519.0** | 3.9% | **77.0** | 0.3% |
| **Own label** | **881.2** | 4.5% | **157.2** | 0.7% |
| **Total cheddar** | **1,400.1** | 4.3% | **234.2** | 0.6% |

**Source:** Kantar Worldpanel

## TAKE-HOME SALES: CHEDDAR

52 w/e 20 May 2018

| | VALUE | | VOLUME | |
|---|---|---|---|---|
| | £m | y-o-y % | kg (m) | y-o-y % |
| **Blocks** | **1,133.4** | 3.5% | **192.7** | -0.3% |
| **Grated** | **170.5** | 6.7% | **28.1** | 4.0% |
| **Sliced** | **95.7** | 10.1% | **13.3** | 7.0% |
| **Other** | **0.6** | -23.3% | **0.1** | -24.3% |
| **Total cheddar** | **1,400.1** | 4.3% | **234.2** | 0.6% |

**Source:** Kantar Worldpanel

> **"People today want to know where their food has come from and how it's produced"**

Chatters believes Seriously's success can also be attributed to the fact it taps into growing demand for provenance. "People today want to know where their food comes from and how it is produced. We take every opportunity and use every touchpoint to tell consumers about the Seriously brand story and its quality credentials."

It won't be all plain sailing for Britain's biggest cheddar brands, despite their recent return to growth. The mults continue to rationalise their ranges, with Cathedral City losing a slew of listings in Waitrose this year following the retailer's latest revamp of its cheese aisles. But the brand, which still has good distribution elsewhere in the mults, remains confident.

Wyke Farms is having a tougher time. Although MD Rich Clothier reports some strong growth from the brand in second tier retailers such as Aldi and Lidl and in the independent trade, Wyke lost its footing entirely in both Waitrose and Sainsbury's this year. "It's been a year of one step forward and one step back", admits Clothier. "It's been tough because we've not achieved the promotional slots we had in previous years and some retailers have looked to go to two brand strategies."

Clothier believes the Wyke brand has a genuine point of difference in the market since it is "produced in Somerset by farmers in a sustainable way", and stresses he does not want it to become a mere promotional vehicle. "I want the brand to stand alone with a set of values. In some retailers that's cost us volume but that doesn't make us any less ambitious about what we can achieve in the future."

Having formed an

NEW

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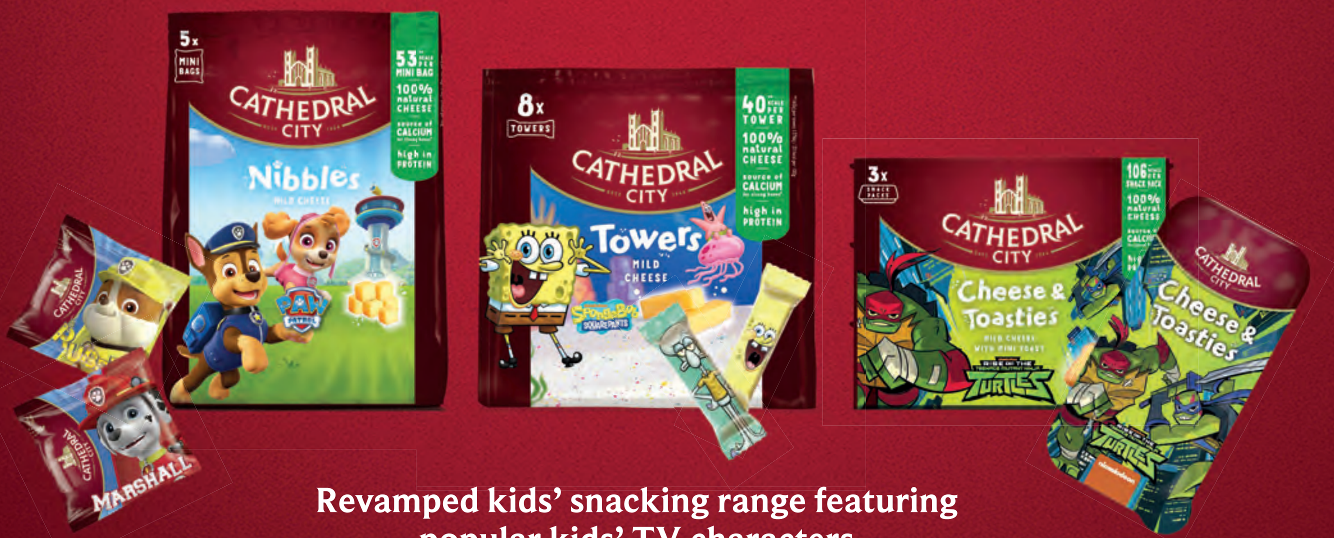


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* Cathedral City Original Snack Bar contains 414kJ / 100kcal per bar; 1725 kJ / 416kcal per 100g. Also available in Sweet Chilli and Caramelised Onion.


# As innovation dries up who's still pushing cheese NPD?

In an ultra-competitive retail market, many cheddar brands admit to concentrating on their core range rather than investing in risky NPD. There are, however, some notable exceptions to the rule.

The Wensleydale Creamery recently entered the cheddar market for the very first time with its Yorkshire Cheddar. Handcrafted from Yorkshire milk and sourced from 45 local farms, the cheddar is typically aged for up to 15 months to give it strength and character, according to the supplier. The launch is aimed at capitalising on the popularity of the 'Yorkshire' food brand, which The Wensleydale Creamery says is winning praise globally. Three months since launch, Yorkshire Cheddar has won listings in Morrisons, Tesco and Asda in stores across the north of England.

Another supplier looking to bring a new taste to cheddar is Windyridge Cheese, which has partnered with Diageo to launch the world's only official Guinness Cheddar. The Somerset-made cheese is matured to complement the "bold", "malty" and "full-bodied" taste of the stout infusion, says the company. Windyridge secured a three-year licensing deal with Guinness in 2017 to produce the cheese, which launched on St Patrick's Day in March online in 2kg deli truckles as well as 500g and 250g wax-coated SKUs and has since achieved listings and launched in the US. A smaller snacking version is due to launch later in the year.


**Windyridge Cheese has won a three-year licence to produce the world's only Guinness Cheddar**

"Shoppers are looking for convenience, added value and a format that meets the needs of different occasions," says Windyridge MD Melvin Glynn. "Enjoying Guinness Cheddar when socialising, at a sporting event, or at home makes this a shopping basket must-have."

Welsh dairy co-op South Caernarfon Creameries has also launched a booze-laced cheese after teaming up with local whisky brand Penderyn. The cavern-aged Dragon Cheddar is infused with Penderyn Madeira Finish whisky, which is aged in ex-bourbon barrels and finished in Madeira wine casks.

"We chose Madeira Finish as it has a slightly sweeter flavour which really complements the Llechwedd aged cheese. This is a luxury product, at the premium end of our range to appeal to cheese lovers who appreciate a mature, complex flavour," said MD Alan Wyn Jones as it launched this summer.

**"Own label is moving into key growth areas historically dominated by brands"**

alliance with organic milk pool Omsco (see p36), Wyke this month rolled out a new organic cheddar range into Ocado. The 280g range, which includes Mature, Extra Mature and Vintage Cheddar, will be listed with other retailers later this year and into 2019, Clothier says.

## Stiff competition

Outside of the top four cheese brands, some smaller players are enjoying distribution gains. Dromona has recently won a major contract with Lidl to supply its cheese into 8,000 stores across 22 countries, while Arla Foods reports positive growth for the Castello Tickler brand on the back of distribution gains on the core 350g range as well as Mature and Vintage offerings.

This has been achieved in the context of an ongoing retailer focus on their own label ranges, including tertiary brands – Tesco, for instance, recently revived its budget Creamfields dairy brand including five cheddar SKUs. "Own label cheese is branching out into the key growth sectors that have historically been dominated by brands," explains Rachel McColl, senior brand and category manager at Arla Foods UK "The rise in snacking and sliced cheese is well known, but a stronger focus on their own label versions from retailers has yielded double-digit growth year on year."

Cheddar's biggest players also need to be prepared to fend off competition from challenger brands offering value-added alternatives. After a successful trial launch with Musclefood.com and via its own online


Dragon
Proudly owned by our farmers
MILD WELSH CHEDDAR
CAWS CYMREIG MWYN
VINTAGE WELSH CHEDDAR
CAWS CYMREIG CLASUROL
MATURE WELSH CHEDDAR
CAWS CYMREIG AEDDFED
VINTAGE CHEDDAR & LEEK
CAWS CLASUROL EFO CENNIN
30% REDUCED FAT WELSH CHEDDAR
CAWS CYMREIG 30% LLAI O FRASTER
WELSH CAERPHILLY
CAERFFILI CYMREIG
WELSH MADE • WELSH COWS • WELSH MILK
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IT'S THE CHEESE OF YOUR DREAMS
PILGRIMS CHOICE VINTAGE CHEDDAR
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30% LESS FAT PILGRIMS CHOICE LIGHTER MATURE SMOOTH & RICH
30% LESS FAT PILGRIMS CHOICE LIGHTER EXTRA MATURE
TRY IT FOR YOURSELF AND SHARE YOUR
#CHEESE DREAMS

> **"The UK market could end up with a serious cheddar supply situation"**

shop, Joseph Heler's protein cheddar brand Eatlean has launched Eatlean Spreadable into Asda. "The new spreadable protein cheese is designed for anyone who is looking for a healthier diet – whether you are focused on high protein or low fat," says director George Heler.

Even dairy alternatives are starting to move into traditional cheddar territory. Dairy-free brand Nush recently entered the cheese category with the launch of a line of vegan Spreadable Ch*ese made from almond milk in Natural and Chive variants.

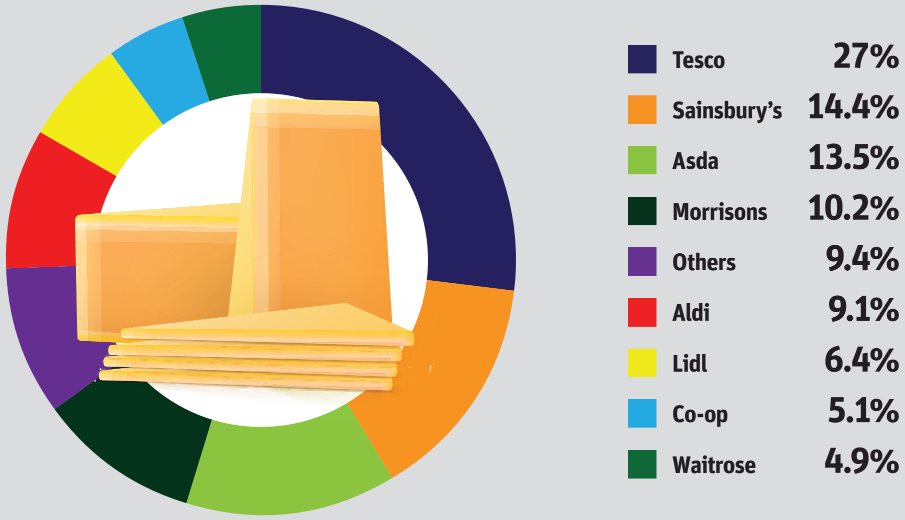
### Future growth

Despite these incursions into their traditional territory, cheddar brands believe there is plenty of headroom to grow category sales. Dairy Crest sees huge potential to grow adult snacking occasions by merchandising products at the front of store, with its Cathedral City snack bars now listed in 130 Co-op stores in food-to-go chillers. "This is an area of great growth for the category as a whole," says Willett.

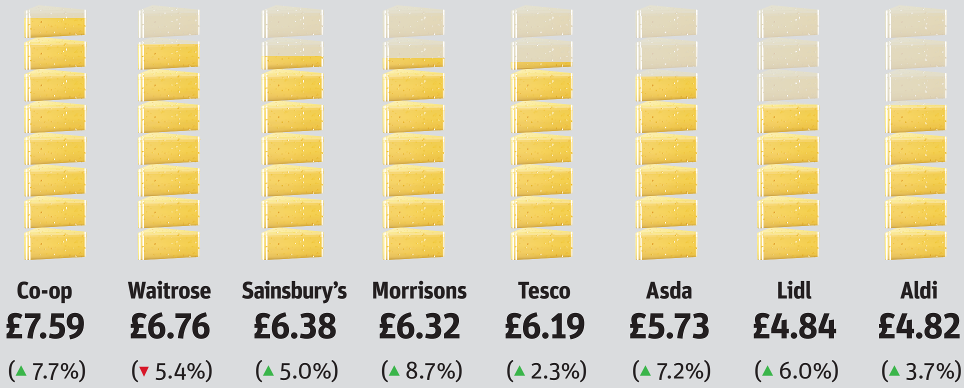
Of course, the price still has to be right, which could pose a bigger challenge for brands in the year ahead, warns Clothier. The long period of hot and dry weather this summer has forced some farmers to dip into winter feed supplies, raising concerns over costs. "If we go into winter with no feedstocks and end up with some sort of hard Brexit the UK market could end up with a serious supply situation coming through."

So, brands beware. The good times may be returning, but danger still lurks around every corner.

## Who has the biggest share in retail cheddar sales?




## Average cheddar prices in the mults and year-on-year change




*Source: Kantar Worldpanel *Average prices are per kg across own label and brands*

# Soaring costs push cheddar prices up and deals down

Cheddar has seen stiff price inflation in the past year, with average price up 3.7% [Kantar Worldpanel 52 w/e 20 May 2018]. The rising price of milk is key, curtailing brands' ability to drive volume through promotions. Two years ago, more than half of cheddar volumes were sold on deal – share has now fallen to just 38.3%.

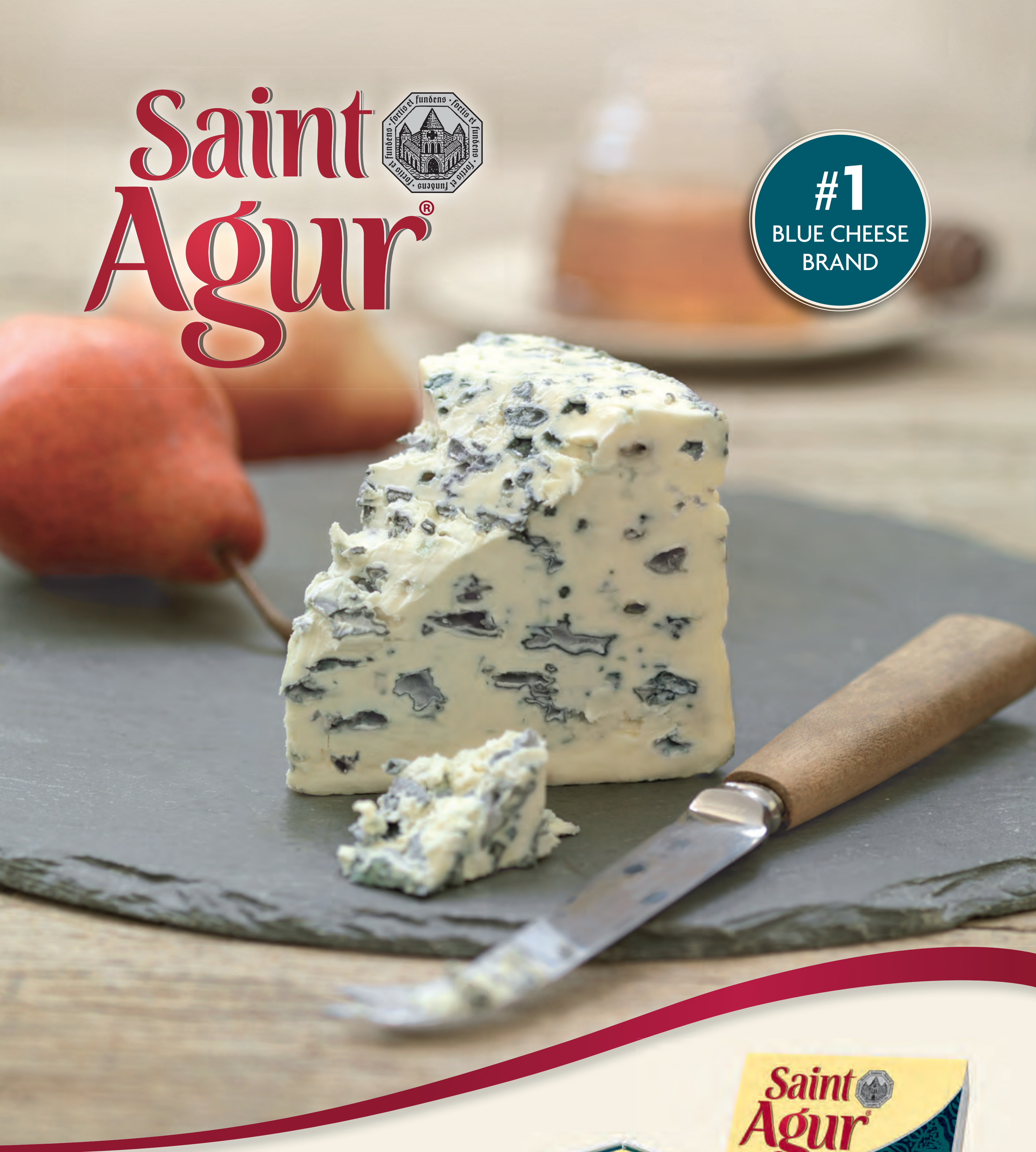
Sector value is up 4.3% on volumes up 0.6% at total market level (see p46), with the lion's share of that volume growth coming from Aldi and Lidl, which have seen respective gains of 15.8% and 12.3%.

"Despite the fact spend is up, volumes are down across most retailers," says Kantar analyst Michael Ndukwe. "In terms of volume, block cheddar has seen a small volume decline, down 0.3%. Grated and sliced formats have had another year of volume growth, of 4% and 7%. Sliced has seen slower growth compared with the 11.7% of the previous year, but it is still strong."

With grated and sliced respectively fetching 18p and £1.34 a kilo more than standard block cheddar on average, growing sales of these formats are helping to drive average prices up even further.

All retailers have seen average prices rise in the past year, apart from Waitrose, which has seen deflation of 5.4% as it continues to push own label at the expense of brands. Morrisons has seen the greatest prices rise, of 8.7%. Volumes have fallen by 6.7% for the retailer. That's 1.6 million fewer kilos of cheddar.

"For the majority of retailers, this is another year of decline in volume," adds Ndukwe. "In terms of volume, Waitrose and M&S were in growth in the previous year, but are now in decline. The Co-op has seen the biggest decline of all, at 15.8%."





- £14m retail sales value and growing at 7%
- Strong marketing support with £2m spend including 2 TV bursts

Source: Nielsen 52 weeks to 14.07.2018

*Sinfully Delicious Blue*

# How fromage went Franglais

British cheesemakers are increasingly taking their cues from the Continent. But can their cheesy hybrids compete on price?

Patrick McGuigan

If imitation is the sincerest form of flattery, then British cheesemakers must have the hots for their Continental counterparts. From Cornish camembert to Sussex halloumi, British cheeses based on European classics are beginning to rival the cheeses that originally inspired them.

At the same time, boundaries are being pushed with hybrid products that borrow from European traditions. This year's British Cheese Awards' Supreme Champion is a case in point. Sheep Rustler, from White Lake Cheese in Somerset, is made with ewes' milk like manchego, but uses a gouda-style curd-washing production process and is smeared with brine as it matures to give a pungent rind a bit like reblochon.

"Modern British cheesemakers have learned a lot from the French and the Italians, but we're not constrained by tradition," says White Lake co-owner Roger Longman. "We take inspiration from Europe, but our cheeses are uniquely British."

Even traditional territorials are starting to speak Franglais. The £10m Red Fox brand from Belton Farm is based on a red leicester recipe, adapted to be smoother and sweeter by using starter cultures more associated with the Continent. "As we travel more we're influenced by different flavours – we have to recognise that," says marketing manager Alison Taylor. "People want sweeter flavours. It's an influence from Continental cheeses like gruyère."

The public is also more interested in provenance and animal welfare, says Kiran Dyer, marketing manager at cheese wholesaler Harvey & Brockless. "The trend is definitely towards sourcing locally, especially because of the quality and range we now have in the UK. Continental does not mean artisan and with many of the PDO cheeses [from Europe] the milk is coming from multiple sources. Nowadays, the 'story' is more about the sourcing and the life of the animals, rather than the French village where a cheese originated."

> **"We've learned from the French and Italians… but our cheeses are uniquely British"**

Still, competing against large European dairies with access to cheap milk means price can be an issue. "We couldn't buy milk at the price some industrial French cheeses are sold in supermarkets," says Longman.

Prices of Continental cheeses have risen because of the weak pound, but are still often much cheaper than UK versions. A wedge of British brie can cost 30% more than a French equivalent, helping to explain the sector's ongoing growth. Continental cheese sales, excluding blue, grew by 5.8% in value and 5.5% in volume [Kantar Worldpanel 52 w/e 20 May 2018] led by Aldi, M&S and Tesco, which saw value sales rise 27%, 17% and

7% respectively. Apart from gouda (up 18%), soft cheeses were the star performers with mozzarella, halloumi, feta and ricotta all up in double digits.

"Mozzarella is flying because people are putting it not just on pizzas, but also in salads," explains James Millward, MD of European cheese supplier Eurilait. "We're also seeing fantastic sales of halloumi, feta and ricotta and smoked cheeses because of the hot weather. There are British versions of these, but feta is protected by PDO and people want the provenance."

Mike Chatters, sales director at Lactalis McLelland, echoes this point. "Provenance is crucial in Continental cheese. Shoppers want brands that provide reassurance around a product's authenticity and heritage," he says. "Health is another key driver and increasingly impacts shoppers' purchasing decisions. Products such as mozzarella, halloumi and feta are lower in fat than many other cheeses."

**New entrants**

Own-label accounts for 81.1% of market value, with sales up 8%, versus a 3.6% decline for brands. But brands are hitting back with NPD, including Lactalis' spreadable soft white cheese Galbani Freschetto and a new Président mini cheese selection. Other new entrants include Castello's Extra Creamy Brie and Halo cream cheese in chive and black pepper flavours.

At Savencia Fromage & Dairy, which supplies the Saint Agur brand and own label, general manager Nicolas Philippot says getting new brands listed is not easy. "In Germany or Belgium there are plenty of new brands on shelf, but it's difficult to launch something new here because own label is so dominant. The retailers want new own-label products but there is risk. If we develop something successful but then lose the tender a year later, a rival can benefit from our work."

With shelf space for NPD limited, brands are investing in marketing to support products already listed. Dutch brand Leerdammer, which is part of the Bel Group, has launched a campaign to highlight its animal welfare credentials with a 'free grazing' promise, guaranteeing it uses only milk from cows that graze freely in fields close to the 1,200 farms that supply the company, with a commitment the animals will graze for a minimum of six hours a day for 120 days a year.

"Over 70% of UK consumers want dairy brands to be more transparent about grazing policies," says brand manager Gaëlle Vernet. "By communicating our 'free grazing' promise on pack and through our marketing we believe we can help consumers make better informed decisions in relation to taste and animal welfare."

Such efforts can add real value, say many. Informing shoppers about quality and provenance is a topic picked up by Millward at Eurilait, a subsidiary of French dairy co-operatives Laita and Eurial. Laita runs the Passion du Lait charter, which covers animal welfare, land development, training for farmers, eco-friendliness, safety and quality. "The difficulty is trying to communicate that message on a 200g wedge in own label," he says. "At the moment they aren't important factors for retailers, but they are for brands. People need to get their heads around this to win over the next generation. Millennials are more interested in animal welfare than fat content."

It's this change in attitude that makes Longman at White Lake optimistic for the future of British alternatives to Continental cheeses, even if they do cost more. "There's been a generational change and millennials are more interested in where their cheese comes from and are willing to pay good money for good food," he says.

There's real value in having values, it seems.

Franglais Fox: Belton Farm's pair of Foxes use Continental-style starter cultures

## TAKE-HOME SALES: CONTINENTAL CHEESE*

52 w/e 20 May 2018

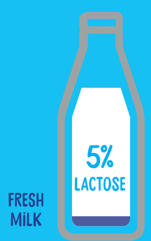
| | VALUE | | VOLUME | |
|---|---|---|---|---|
| | £m | y-o-y % | kg (m) | y-o-y % |
| **Other soft Continental** | **99.5** | 12.6 | **10.9** | 10.5 |
| **Mozzarella** | **88.7** | 12.4 | **15.6** | 10.9 |
| **Parmesan** | **51.3** | 0.0 | **3.1** | 0.1 |
| **Brie** | **48.0** | –1.3 | **6.5** | –2.2 |
| **Other hard Continental** | **44.4** | 5.8 | **3.9** | –0.5 |
| **Edam** | **35.0** | 4.5 | **5.8** | 3.9 |
| **Feta** | **27.2** | 10.9 | **4.1** | 4.6 |
| **Gouda** | **22.6** | 18.5 | **4.1** | 24.1 |
| **Camembert** | **20.2** | –6.6 | **3.1** | –4.0 |
| **Emmental** | **17.5** | 3.5 | **2.7** | 8.8 |
| **Leerdammer** | **14.8** | –10.3 | **1.7** | –12.7 |
| **Salad cheese** | **13.2** | –3.2 | **2.6** | –4.5 |
| **Mascarpone** | **9.5** | 2.9 | **1.7** | 3.5 |
| **Jarlsberg** | **8.1** | 3.9 | **0.8** | 8.2 |
| **Gruyère** | **6.3** | –2.8 | **0.4** | –10.4 |
| **Manchego** | **5.3** | –2.8 | **0.4** | –3.3 |
| **Ricotta** | **4.8** | 13.8 | **1.1** | 11.4 |
| **Maasdam** | **4.6** | 12.3 | **0.8** | 12.3 |
| **TOTAL** | **520.9** | 5.8 | **69.2** | 5.5 |

* Excluding blue
**Source:** Kantar Worldpanel

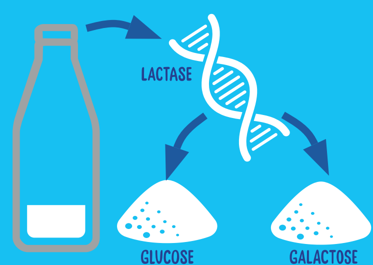
# INNOVATION THAT STANDS OUT IN ITS FIELD (LIKE OUR COWS)


As part of one of the world's largest dairy companies, we are obsessed with bringing innovation within dairy
YAZOO No Added Sugar is the only milk drink with no added sugar and no artificial sweeteners

## THE SCIENCE BEHIND NO ADDED SUGAR



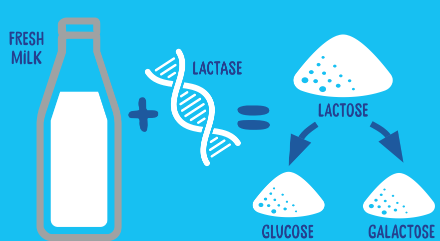

Fresh semi skimmed milk contains **5% MILK SUGARS** called Lactose




When we drink milk, the enzyme Lactase in our bodies breaks down the Lactose into 2 separate sugars, Glucose and Galactose

### WHY?

Because the combination of Glucose and Galactose tastes **4 X SWEETER** than Lactose alone. Which means we don't have to add any sugar or artificial sweeteners to make the product taste great!




At FrieslandCampina we have taken the milk and added the enzyme ourselves to split the Lactose before using the milk to make YAZOO No Added Sugar

FrieslandCampina
nourishing by nature

# Is this *really* junk food?

Kids' yoghurts could be classed as junk food under new government proposals. How would this affect the already struggling sector and is it a done deal?

**Natalie Brown**

There's an identity crisis facing kids' dairy. Not only could new government proposals see most kids' yoghurt classed as junk food overnight, but the second phase of its childhood obesity plan brings with it a double whammy of potential restrictions for the industry.

Public Health England is considering a revised nutrient profiling model that could see most fruit flavoured kids' yoghurt classed as HFSS (high in fat, salt or sugar). To add salt to the wound, it's considering banning supermarket promotions of them and imposing stringent advertising regulations, too.

The move would be a disastrous one for kids' dairy, a category already demonised by the media for the sugar content of kids' yoghurt and one that relies on multibuys to drive sales. At the same time, Westminster continues to ramp up focus on obesity, telling food makers to cut calories by 20% by 2024.

However, there are contradictory messages coming from the government: Petits Filous is listed in Public Health England's Change 4 Life campaign as a healthy under 100-calorie snack for kids, yet it's at risk of being classed as HFSS under the proposed new model.

What's more, the proposed nutrient profiling thresholds aren't consistent with dairy recommendations in the Eatwell Guide, a policy tool used to define government recommendations on healthy eating.

So what do the new proposals mean for the kids' dairy category? Is it really fair that some kids' dairy products could be classed alongside the likes of fizzy pop and chocolate biscuits? And what opportunity does the shifting of goalposts present dairy-free brands that are starting to make a play for the kids' market?

There is no disputing action needs to be taken on childhood obesity. NHS figures show that 22,646 children aged 10 and 11 in England in school year six – one in 25 of that year group – are severely obese, meaning they have been found to have a body mass index of at least 40. Just over a third – 170,000 – leave primary school overweight, and one in five leavers are obese.

> **"Nutritionally & instinctively it feels wrong that nearly all yoghurts would be classed as HFSS"**

But targeting yoghurts – a far more nutritious snack for growing children than a chocolate bar or a packet of crisps – would be a mistake, brands argue.

"We strongly believe that categorising yoghurts as HFSS would be the wrong approach to take," says Jonathan Bennett, external relations director at General Mills, which has reduced sugar in its Yoplait Petits Filous and Frubes brands by 17% and 15% respectively since 2016. "Yoghurts are nutrient-dense foods, recommended within the Eatwell Guide, and they are valuable sources of calcium, protein and other nutrients. Both nutritionally and instinctively it feels wrong that nearly all yoghurts would be classified as HFSS."

The nutrient profiling model is a tool used to determine whether products can be advertised during children's television programming and non-broadcast media including print, cinema and online where children make up at least a quarter of the audience.

The existing model, which dates back to 2004/5, is based on the recommendation for total sugar not to exceed 21% of total dietary energy. Under PHE's proposals for an updated version, this element would be replaced with the recommendation for free sugars not to exceed 5% of total dietary energy. It would mean many sweetened yoghurts that passed the previous model would now fail.

PHE, tasked with updating the current model as part of the childhood obesity plan, insists these changes will bring it in line with current UK dietary recommendations.

But the proposals have been slammed by dairy bosses. "It is a great shame to see yoghurt being represented as junk food," says Judith Bryans, chief executive of Dairy UK.

"Yoghurts are rich in nutrients and have an important role to play in delivering those nutrients to children. According to the latest UK consumption data, yoghurts contribute only a small amount to children's calorie intake (1% to 3%), saturated fat intake (2% to 4%) and free sugars (3% to 6%)."

It comes as the kids' yoghurt sector is already in bad shape: overall, they've seen £8.8m wiped off their value in the past year with sales down 3.8% to £222.1m on volumes down 3.3% [Kantar Worldpanel 52 w/e 20 May 2018].

Consumption is declining across all occasions with the exception of snacking, with consumption down double digits at breakfast and lunchtime [Kantar Worldpanel 52 w/e 22 April 2018]. "It is the big brands who are struggling and driving decline," says Amelia Harvey, co-founder of The Collective, whose Suckies range of kids' yoghurt pouches has the lowest average sugar content per 100g in the kids' yoghurt market (at 8.1g per 100g) and is bucking market trends, adding £6.4m in value to the category in the last year with sales up 60% [IRI 52 w/e 22 May 2018].


## TOTAL PACKED LUNCH OCCASIONS (M)

52 w/e 25 February 2018

| | 1 FEB 15 | 28 FEB 16 | 26 FEB 17 | 25 FEB 18 |
|---|---|---|---|---|
| **Aged 5-9** | 185.3 | 129.8 | 116.8 | 121.7 |
| **Aged 10-15** | 217.0 | 190.1 | 204.1 | 188.3 |
| **Aged 16-24** | 193.2 | 203.1 | 206.3 | 212.0 |

## TOTAL DAIRY MEAL OCCASIONS FOR KIDS

52 w/e 22 April 2018

| | 24 APR 16 | 23 APR 17 | 22 APR 18 | 2017-2018 |
|---|---|---|---|---|
| | (m) | (m) | (m) | y-o-y % |
| **Yoghurt & fromage frais** | 801.5 | 782.4 | 733.4 | –6.7 |
| **Ice cream** | 356.5 | 382.9 | 341.3 | –12.2 |
| **Cheddar** | 545.9 | 569.7 | 605.3 | 5.9 |
| **Milk drinks** | 62.8 | 70.8 | 53.6 | –32.1 |

## HOW KIDS' MEAL OCCASIONS ARE CHANGING*

52 w/e 22 April 2018

| | BREAKFAST | LUNCHBOX | EVENING | SNACKS |
|---|---|---|---|---|
| | y-o-y % | y-o-y % | y-o-y % | y-o-y % |
| **Yoghurt & fromage frais** | –14.7 | –13.9 | –1.2 | 13.3 |
| **Ice cream** | 0 | 121.6 | –14.6 | 13.7 |
| **Cheddar** | –20.9 | 8.2 | 10.1 | 14.7 |
| **Milk drinks** | –14 | –31.1 | –32.8 | –12.2 |

**Source:** Kantar Worldpanel *y-o-y% change in total occasions

"One of the biggest changes in the kids' dairy category is the ongoing rise in parents' demand for health and naturalness when choosing dairy products for their kids, particularly in yoghurt," adds Harvey. "This is evident in the growth of products with all-natural ingredients, including organic products and yoghurts that are lower in sugar."

These include Petits Filous Yoghurt Smoothies – made with 15% real fruit, 50% vitamin D and 9.9g of sugar per 100g – and Petits Filous Organic, which both hit the shelves back in March.

However, traditional yoghurt brands are facing competition from dairy-free rivals tapping into "fast-growing demand" for free-from and vegan options as a "direct alternative to the traditional variety for kids to enjoy on a daily basis", says Bethany Eaton, founder of Nush. This prompted Nush to launch the market's first dairy-free kids' yoghurt tubes made with almond milk (see p57), while Coconut Collaborative is making a play for the sector with the December launch of Little Coco Nutters, a three-strong range of yoghurt alternative pouches.

### Innovation

Despite these challenges, there isn't a huge amount of innovation coming through in kids' yoghurts, says Nina Shanahan, senior brand manager for Yoplait Kids at General Mills. "I don't see a huge transformation at fixture and as a mum I'm not seeing an awful lot that's different to what I was seeing last year."

It's a different story over in kids' cheese, which has seen a raft of NPD in the last year. Dairylea added Snackers, two new on-the-go snack packs, to its lineup (see right) alongside sweet chilli baked bites to its Dairylea Dunkers range; Cheestrings added a three-strong range of snack mixes to its portfolio and a new Pepperoni 'n' Cheese flavour joins Kerry Foods' Attack A Snak (see right).

"Kids' cheese snacking is highly expandable versus other categories including crisps, fruit sugar confectionery and nuts," says Victoria Southern, marketing manager at Kerry Foods, who adds sales of Cheestrings are up 13% thanks to its snack mixes that have "helped stretch the brand into new areas".

"Over the last 12 months we have also seen the emergence of a new sub-sector centred around light snacks. This sector drives engagement during the lunch and after-school snacking occasion with kids and teens."

### Kids' snacking

Indeed, snacking is the only occasion where consumption of kids' yoghurts is in growth, up 13% year on year [Kantar]. "Kids' yoghurts from a snacking point of view is doing OK and we shouldn't take our foot off the pedal in marketing it as a credible and sought out snack for children," says Yoplait's Shanahan.

But marketing kids' yoghurts as a credible snack will be a major challenge if the PHE proposals get the green light. HFSS foods are already subject to advertising and marketing restrictions to protect kids. TV ads for HFSS products are prohibited from appearing during or adjacent to programmes commissioned for or directed at audiences below the age of 16, and they can't appear in non-broadcast children's media or media where the audience is more than 25% under-16s. New legislation being mooted includes a pre-9pm advertising watershed banning the TV advertising of HFSS products before 9pm and an end to bogof deals in supermarkets.

**"As they stand, the NPM proposals would be a serious challenge to manufacturers"**

Yoghurt manufacturers would struggle to get on the right side of the revised nutrient profiling model through reformulation, warns General Mills' Bennett. "As they stand the proposals would present a serious challenge to manufacturers to the extent that reformulated products would be far removed from what consumers would recognise as a 'traditional' yoghurt," he says.

So they could well end up subject to marketing and promotional restrictions, which would undoubtedly have a big impact on sales. "More losses of multibuy promotions would continue to have a negative effect on the category – it makes me nervous," admits Yoplait's Shanahan.

Kids' dairy drinks brands are also up in arms over the proposals, which would "discriminate against healthy dairy brands and may fuel the negative, and often misinformed, perceptions around dairy," says milkshake brand Shaken Udder's co-founder Andrew Howie.

Public Health England is currently reviewing the submissions to its consultation on the nutrient profiling model. "We will respond in due course," says PHE's chief nutritionist Dr Alison Tedstone.

So for now, the sector has little choice but to sit tight and wait. With the proposals still under active consideration, it's too early for brands to start reformulating, says Bennett. "We don't know what the outcome of future regulations will hold but we certainly hope for a consistent approach that helps brand owners to plan with certainty and so that consumers receive consistent messages."

Of course, any changes wouldn't happen overnight, giving the market time to adapt, adjust – and get used to its new identity.


## Nush in a Rush

**Launched:** May 2018
**Manufacturer:** Nush Foods

The market's first range of dairy-free kids' yoghurt tubes comes in the form of Nush in a Rush, a two-strong range of almond milk yoghurt made with 20% pure almonds (rsp: £2.99/5x40g). In Strawberry and Blueberry flavours.


## Apple & Blackcurrant Suckies

**Launching:** October 2018
**Manufacturer:** The Collective

The Collective is adding a fifth flavour to its Suckies range (rsp: 75p/100g). With 7.9g of sugar, Suckies still has the lowest average sugar content per 100g in kids' yoghurt.


## Dairylea Snackers

**Launched:** April 2018
**Manufacturer:** Mondelez

Chocolate and cheese. That's the latest NPD from Dairylea, which has added two new chocolate flavours to its on-the-go Dairylea Snackers range in the form of Mini Oreo Cookie and Mini Chocolate Cookie snack packs (rsp: £1.50/78.6g).


## Attack a Snak

**Launched:** March 2018
**Manufacturer:** Kerry Foods

Pepperoni, cheese and tomato ketchup (rsp: £1.50) is the latest limited-edition flavour to join Attack a Snak's range of snack kits. Aimed at tweens aged 10 to 14, the product is designed as an on-the-go pizza alternative.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* Stays fresh for 7 days opened, and 21 days unopened. Drink before 'use by' date.
Calcium is needed for the maintenance of normal bones.
† Based upon Nielsen Scantrack data to WE 17.06.17
†† Source: Nielsen scantrack July 2017
Arla
let in the goodness

# The new cash cow

## Fresh milk sales are back in growth as shoppers splash out more on both brands and own label. So what's going on?

**Nick Hughes**

Milk is undergoing a long overdue renaissance. After years of commoditisation, symbolised by farmers storming supermarkets in protest over rock-bottom prices, brand owners are finally giving shoppers reason to value the white stuff.

Fresh milk sales (excluding soya, UHT and sterilised) have surged 4.1% over the past year, on volumes up 0.5%. And while most of the volume growth came from own label, which still accounts for the lion's share of sales in the category, Brits also splashed out an extra £11.8m on branded fresh milks. So what's going on? How are brands convincing shoppers to spend more on milk? And is category growth sustainable?

Brands are growing value sales almost entirely through inflation, with average prices surging by 6% year on year. This in part reflects price rises on branded lines following last year's eye-wateringly high farmgate milk prices – which also pushed up the cost of own label milk by 3.4%. But it also points to an emerging trend of premiumisation in the milk aisles as a growing number of branded added-value lines, such as fortified, filtered, organic and free-range milks, creep into supermarket chillers.

Up until about two years ago, retailers thought value would eventually claw its way back into fresh standard milk, so the appetite for increasing the amount of speciality and value-added milks was "perhaps not quite there", says Nick Bartlett, head of sales & marketing at Crediton Dairy.

"Over the past 18 months there has been a far greater increase in emphasis on growing speciality value-added milks," he adds. "The main reason is an absolute desire to add value back into this category."

Innovation has clearly played a key role. Harriet O'Regan, senior category and brand manager at Arla Foods UK, says milk products tailored to consumer lifestyle needs, such as Arla's BOB skimmed milk – which tastes like semi-skimmed – are driving the biggest growth.

> **"Over the past 18 months there's been a greater emphasis on speciality value-added milks"**

But more than that, industry figures believe societal changes are helping shift perceptions of the role of milk in the diet. Scott Wotherspoon, chief executive of The A2 Milk Company, cites the impact of celebrity-endorsed social media posts, eating trends such as clean eating and veganism, and growing interest in gut health as trends that have helped reshape the category. "With Instagram reaching an audience of one billion monthly users and Twitter broadcasting to an audience of 330 million, no one can now avoid [social media] for food and health-related messaging – particular the younger generation of 16 to 34-year-olds," he says.

Bartlett agrees that today's consumers are far more open to the idea of milks with additional benefits than previous generations. "Many years ago when we discussed these kinds of products consumers were very much on the page of 'do not mess with milk, it's natural, it's good in its own right so there's no need to modify it'. That's changed. Rather than look for products where something's been taken out, it's about products where something's been put in."

Bartlett says this plays to Crediton Dairy's strength as a supplier looking to service market niches. "Our place in the market is about having the flexibility and the agility to deliver specialist milks."

### Milk with benefits

Retailers that have attempted to cash in on the growth of added-value milks have not found success so easy to come by. In June, Asda ditched its new multivitamin milk range, with added vitamin D, vitamin A and iron, after less than five months. Abigail Kelly, category controller at Crediton, believes the failure was less to do with the concept and more about Asda's execution. "When you launch a product that looks identical to standard milk it's subject to being merchandised incorrectly in-store which adds to extra confusion," she says.

While Asda might have missed the mark on multivitamin milk, it was at the forefront of last year's free-range boom when it became the first mult to stock milk from cows that graze at least 180 days. Its decision to launch the Pasture Promise accredited Free-Range Dairy Farmers brand in over 300 stores prompted a surge in free-range NPD from retailers and brands, with Arla changing the name of its Organic milk to Organic Free Range last year to highlight that its cows are free to graze outdoors. Sales are already worth £4m, according to O'Regan, who attributes the growth to "consumers increasingly wanting to understand how and where their food and


**Inspired by celebrity-endorsed social media posts, consumers are increasingly interested in gut health, claims The A2 Milk Company**

## TAKE-HOME SALES: MILK

52 w/e 22 April 2018

| | VALUE | | VOLUME | |
|---|---|---|---|---|
| | £m | y-o-y % | litres (m) | y-o-y % |
| **Pasteurised** | **2,621.4** | 3.5 | **4,746.5** | −0.2 |
| **Filtered** | **239.9** | 5.6 | **316.7** | 7.1 |
| **Other types** | **176.1** | 11.6 | **130.0** | 10.9 |
| **UHT** | **154.7** | 3.0 | **232.5** | 1.0 |
| **Soya** | **84.7** | 5.6 | **92.5** | 4.5 |
| **Sterilised** | **6.8** | −2.9 | **6.3** | −5.9 |
| **TOTAL CATEGORY** | **3,283.6** | 4.1 | **5,524.5** | 0.6 |

## RETAIL SHARE

52 w/e 22 April 2018

| | VALUE | | VOLUME | |
|---|---|---|---|---|
| | £m | y-o-y % | litres (m) | y-o-y % |
| **Tesco** | **855.5** | 4.9 | **1,515.2** | 1.9 |
| **Asda** | **389.8** | 3.5 | **725.9** | −2.6 |
| **Sainsbury's** | **433.3** | 2.5 | **713.8** | −0.5 |
| **Morrisons** | **286.3** | 3.4 | **499.0** | −0.9 |
| **Co-op** | **338.5** | 12.3 | **542.5** | 12.5 |
| **Waitrose** | **144.4** | 0.5 | **205.9** | −1.2 |
| **Aldi** | **202.5** | 15.4 | **413.8** | 8.0 |
| **Lidl** | **123.9** | 9.0 | **253.5** | 1.9 |
| **Independents & symbols** | **95.9** | −8.1 | **137.0** | −10.2 |
| **Marks & Spencer** | **35.7** | −1.1 | **47.2** | −0.2 |

**Source:** Kantar Worldpanel

drink comes from". However, a lack of distribution is preventing free-range from achieving further market growth, says Pasture Promise founder Neil Darwent.

He says there remains an element of resistance from retailers because of the questions free-range standards raise about the provenance of their own-label offer. "The biggest question from consumers is not what is it or how much does it cost, it's where can we get it? It's coming, but it's going to take a few more years before free-range really becomes mainstream."

Organic milk, meanwhile, appears to be going from strength to strength. Graham's the Family Dairy says its organic range now accounts for 10% of its milk sales.

"Health and nutrition are at the forefront of people's minds and organic options are becoming more popular due to less processing, no artificial additives and a higher nutritional value," says marketing director Carol Graham.

### Price hikes

Brands aren't the only ones pouring value back into the category. Value sales of own label fresh milk are up 4.7% on volumes up 1.9% as shoppers continue to buy their morning pint despite some hefty supermarket price increases over the past 12 months as farmgate prices surged following a drop in UK milk production. In October 2017, average milk deliveries were down 5.6% on October 2015 levels [AHDB]. At the same time, the average farmgate milk price for non-supermarket aligned milk suppliers in Great Britain rose by 44.3% to 29.41ppl from August 2016 to August 2017.

The surge in farmgate prices prompted the mults to abandon their price wars and hike prices

> **"The big question from consumers is not what is Pasture Promise milk… it's where can we get it?"**

on own-label SKUs. Morrisons was the first to move on milk prices in October 2017, adding 10p to its two, four and six-pint bottles of standard fresh-milk, as well as its four-pint bottles of Morrisons Milk for Farmers. Sainsbury's followed, adding 10p to a four-pint bottle of standard fresh milk, now £1.10, as well as increasing its price for two pints by 5p to 80p, and six pints by 2p to £1.50. In December, Asda and Tesco added 9p to their four-pinters, now £1.09, as well as increasing prices on two- and six-pint bottles.

### A brighter future

Higher milk prices look set to stay. Dairy markets recovered slightly at the beginning of the year, causing farmgate prices to fall, but this summer's heatwave and feed shortages have prompted fresh concerns over supplies. As the Dairymen went to press, most of the major processors were paying more than 30ppl, while industry sources warned high farmgate prices would "inevitably" translate to another surge in retail prices by the end of the year.

Encouragingly, higher prices haven't yet had much of an impact on volume sales of pasteurised milk, which still accounts for the lion's share of total category sales. Value sales are up 3.5%, while volumes are down just 0.2%.

With shoppers seemingly willing to pay more for standard milk and splash out on added value lines, confidence is returning to the category. Where once there was only darkness and despair within the sector, milk suppliers are now daring to dream of a brighter future.

# Brexit & price volatility: can producers be insulated?

**The volatility of the global milk market remains a major challenge for dairy farmers and retailers. Although the price of milk at the farm gate and on shelf has edged up over the past year, the risk of sudden and dramatic swings remains a constant concern for farmers who also face the unpredictability of a post-Brexit future.**

In recognition of these challenges, processors and retailers are stepping up to help remove some of these uncertainties. In April, Müller Milk & Ingredients announced a new milk supply deal with Lidl that will give farmers the opportunity to fix up to 50% of their supply at a price of 28ppl for the next three years. The aim is to reduce the exposure of farmers to market volatility and create the ability to plan ahead. "This new approach gives dairy farmers security and confidence for the future and is a very good example of innovation which benefits the whole supply chain," said Müller milk supply director Rob Hutchison at the time of the announcement.

Müller is not alone. Crediton Dairy is giving its farmers the option to forward sell a proportion of their milk volume for the next two years at a fixed price of 28ppl. "[The price of] cream, which is a big driver of all this, is inherently volatile," says Nick Bartlett, head of sales & marketing. "What we are trying to do is take the peaks and troughs out."

Müller's supply deal with Lidl gives farmers the chance to fix up to 50% of their supply at 28ppl

Bartlett says take-up among Crediton's farmers has been good. "It was never forced upon them, it was about them looking at their individual business models. We have a disproportionate pool of young farmers where the guaranteed price is ever more important. We want to build long-term relationships."

Long-term relationships are also a focus for Dairy Partners, which has established contracts with over 100 farmers who contribute in excess of 140 million litres of milk to its soon-to-be upgraded manufacturing site in Newcastle Emlyn, Wales.

Arla too says its farmer owners are working extensively with retailers to ensure that, collectively, British farmers can continue to prosper while ensuring milk remains affordable to all. "Long-term relationships with retailers are an essential part of driving business change to help manage and mitigate the impacts of volatile markets," says Harriet O'Regan, senior category and brand manager.


müller Milk
FEEL THE URjj
müller Milk
frijj
STRAWBERRY
FLAVOUR
Milkshake
OFFICIAL MILK DRINK
BRITISH ATHLETICS
Athletics Ireland
müller Milk
frijj
BANANA
FLAVOUR
Milkshake
müller Milk
frijj
FUDGE BROWNIE
FLAVOUR
müller Milk
frijj
CHOCOLATE
FLAVOUR
Milkshake
OFFICIAL MILK DRINK
BRITISH ATHLETICS
Athletics Ireland

# The great dairy space race

**Sales of dairy drinks are rocketing and players are lining up to claim more space in front-of-store chillers dominated by fizzy pop. So who's leading the race?**

**Rob Brown**

The race is on to claim valuable space in the chillers at the front of Britain's c-stores and supermarkets. Long dominated and often owned by the giants of fizzy pop, these chillers are prime retail space perfect for tapping the booming on the go market. And dairy drink players want in.

"Food to go has moved with the times far faster than drinks to go," says Nick Bartlett, sales & marketing head at branded and own-label supplier Crediton Dairy. "Food to go is mostly own label and suppliers have moved more quickly than the big drinks brands. There's an explosion of new exciting dairy drinks hitting the market. This is what millennials want."

Indeed, the flatbreads, bagels, sushi, salads and wraps now up for grabs at lunchtime in c-stores are a world away from the soggy sarnies that were once the mainstay of food to go. Yet it's still the same old pop brands – Coke, Pepsi, Sprite etc – that dominate the drinks choice in to-go. Why? And could that be about to change?

Dairy drinks are the fastest-growing sector in dairy right now. They're also one of the hottest spots in soft drinks. Sales have surged 8.5% on volumes up 6.1% [Kantar Worldpanel 52 w/e 20 May 2018]. In our April Focus on Soft Drinks, dairy drinks had the fourth-greatest volume gain after mixers, fruit carbonates and mineral water [52 w/e 25 February 2018].

Meanwhile, cola, lemonade, juice and juice drinks are in decline, leading many to conclude that it's time for retailers to relinquish some of the space held by fizzy pop at front of store to drinks with greater growth potential.

"It's very challenging to get space in amongst the fizzy drinks at front of store," says Amelia Harvey, co-founder of The Collective, which in July launched its range of kefir drinks, flavoured with such exotic ingredients as mango & turmeric and berries & hibiscus, in 220ml single-serve bottles to tap the on the go opportunity (see p66).

> **"Millennials care more about their health. The chillers here need to change to reflect this"**

"Look at places like Australia, New Zealand and the west coast of America and the chillers are filled with intrinsically healthy drinks like kombucha, brands like Ugly Drinks and dairy drinks that are low in sugar and refreshing. Millennials are drinking less alcohol, exercising more and care more about their health. The chillers here need to change to reflect this."

There has been some change, of course. Growth in dairy drinks is being driven by three key areas: breakfast drinks, ready-to-drink coffee and protein-enriched products, following a huge wave of NPD from players large and small. But dairy drinks' progress into


Brewing growth: RTD coffee is the fastest-growing dairy drink sector, up £7.8m

## TAKE-HOME SALES: DAIRY DRINKS

52 w/e 20 May 2018

| | VALUE | | VOLUME | |
|---|---|---|---|---|
| | £m | y-o-y % | litres (m) | y-o-y % |
| **Chocolate** | **65.4** | 7.7 | **42.3** | 6.7 |
| **Strawberry** | **32.6** | –2.1 | **21.3** | –5.0 |
| **Coffee** | **28.1** | 38.3 | **8.0** | 56.5 |
| **Banana** | **20.7** | 5.7 | **15.9** | 9.5 |
| **Vanilla** | **14.2** | 1.9 | **7.3** | 2.9 |
| **Fudge brownie** | **5.8** | –11.2 | **4.2** | –14.1 |
| **Other** | **4.5** | 0.3 | **2.4** | –4.3 |
| **Cappuccino** | **4.1** | 3.6 | **1.2** | –1.8 |
| **Caramel latte** | **3.6** | 53.4 | **1.2** | 34.9 |
| **Cookie dough** | **1.5** | 9.7 | **1.1** | 6.8 |
| **Caramel** | **1.4** | 37.2 | **1.0** | 114.1 |
| **Chocolate & caramel** | **1.1** | 6.8 | **0.5** | –0.8 |
| **TOTAL** | **183.0** | 8.5 | **106.3** | 6.1 |

## RETAIL SHARE: DAIRY DRINKS

52 w/e 20 May 2018

| | VALUE | | VOLUME | |
|---|---|---|---|---|
| | £m | y-o-y % | litres (m) | y-o-y % |
| **Tesco** | **50.6** | 8.2 | **27.9** | 8.9 |
| **Asda** | **29.6** | –7.8 | **20.2** | –11.0 |
| **Sainsbury's** | **22.8** | 11.9 | **10.9** | 1.6 |
| **Morrisons** | **22.5** | 19.3 | **14.2** | 16.5 |
| **The Co-op** | **11.0** | –7.3 | **5.0** | –15.0 |
| **Waitrose** | **11.5** | 45.8 | **5.1** | 70.1 |
| **Aldi** | **6.0** | 4.7 | **5.1** | 2.9 |
| **Lidl** | **5.4** | 3.3 | **3.5** | 5.5 |
| **Independents & symbols** | **2.3** | –2.8 | **1.3** | 0.6 |
| **M&S** | **3.5** | 32.8 | **2.0** | 27.6 |

## BRANDED VS OWN-LABEL: DAIRY DRINKS

52 w/e 20 May 2018

| | VALUE | | VOLUME | |
|---|---|---|---|---|
| | £m | y-o-y % | litres (m) | y-o-y % |
| **Branded** | **130.6** | 5.6 | **63.2** | –0.4 |
| **Own-label** | **52.4** | 16.5 | **43.1** | 17.3 |
| **Total** | **183.0** | 8.5 | **106.3** | 6.1 |

**Source:** Kantar Worldpanel

pop's heartland at front of store has been slow.

"Making breakfast drinks more widely available at the front of store in the chiller section will help encourage more people to buy into the sector," says Gavin Loftus, head of brand for Weetabix On The Go, the drink launched by the cereal giant back in 2014. Nielsen data puts the brand's value at £19m [52 w/e 2 June 2018], or 75% of the breakfast drink sector.

"Our main drivers of growth have been increased in-store presence, across chilled and ambient, as well as promotions that introduce new shoppers to the brand. Breakfast drinks are the most impulsive part of the cereal category and continue to grow so it's still a great opportunity for retailers to tap into the demand for a chilled breakfast on the move."

### On the go opportunity

Indeed, Kantar's analysis suggests that demand for dairy drinks is being driven by growing demand from consumers looking for something they can consume on the hoof. "Growth is being driven by rising frequency," says Kantar analyst Chris Barron. "While shopper growth is stalling, those who do buy are doing so more often."

Yoplait is looking to increase shopper numbers by appealing to kids, with the March launch of a range of smoothies under the Petits Filous brand. "Frequency growth in the dairy drinks category is being driven by the increasingly busy lives that consumers lead, contributing to their need for on-the-go snacking," says senior brand manager Nina Shanahan.

"With this lifestyle change showing no signs of slowing down, the drinkables segment can capitalise further by providing relevant propositions. Tapping consumer trends is absolutely key to attracting new consumers into dairy drinks."

A catalyst for the change dairy drinks players crave came in April with the introduction of the sugar levy on soft drinks containing more than 5g of added sugar per 100ml. Dairy drinks are exempt from the levy. A month before the levy's introduction, CCEP launched its first ever dairy drink in the UK, Honest Organic Coffee.

> **"The appeal of RTD coffee is it has a high price per litre. It's the highest price in soft drinks"**

The brand is packaged in 240ml single-serve PET bottles and is aimed squarely at the to-go market, CCEP customer marketing director Simon Harrison told The Grocer back in April. "Ideally it will be served from the chillers," he said. "The appeal of RTD coffee for our customers is that it has a very high price per litre – in fact it has the highest price in soft drinks – so it is very attractive to them."

The 24p CCEP now has to pay the chancellor for every litre of full-fat Coke it sells in the UK is clearly not the only factor driving the company's diversification. Globally, The Coca-Cola Company is already the number one RTD coffee player, and its recent £3.9bn acquisition of Costa Coffee suggests the category will be a major focus for the soft drinks giant, with further launches no doubt on the horizon.

It's obvious to see why, with industry players unanimous about the category's growth potential. "The penetration of RTD coffee is about 8% and total flavoured milk is at around 39%, so it has a long way to go before it gets to carbonates, which are sitting at around 89%," says Abigail Kelly, category controller at Crediton, which claims to be Britain's biggest RTD coffee manufacturer, producing own-label lines for the Co-op and Asda, as well as its own Arctic brand, among others.

Sales are indeed booming. Take-home sales data for

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# CHILLED COFFEE BRAND*


## STOCK UP NOW

*Data source: Nielsen 52 w/e 17th June 2018


## Berries & Hibiscus Kefir

**Launched:** July 2018
**Manufacturer:** The Collective Dairy

This blend of raspberries, blueberries, blackcurrants and hibiscus (prized for its anti-inflammatory and antioxidant properties) is a newcomer to The Collective's kefir lineup and marks its extension into a 220ml on the go format (rsp: £1.50) along with Natural and Mango & Turmeric.


## Arctic Skinny Latte

**Launching:** Autumn 2018
**Manufacturer**: Crediton Dairy

This new launch from Crediton (rsp: £1/330ml) reflects growing demand for lower sugar and reduced fat dairy drinks and comes hot on the heels of the Arctic brand's new Mocha offering, which was launched in July.


## Danone of the World

**Launched:** July 2018
**Manufacturer:** Danone

This five-strong range of globally influenced dairy products includes Indian-inspired lassi and Turkish style ayran drinks (rsp: £1.50/250g). Danone says the launch was inspired by the growing adventurousness of consumers.


## Weetabix On The Go Kids

**Launched:** April 2018
**Manufacturer:** Weetabix

Aimed at kids aged five to 10, this launch from Weetabix comes in Strawberry, Banana and Chocolate variants (rsp: £3/4x180ml). The brand says one bottle provides the equivalent energy, fibre and protein of one Weetabix with milk.

RTD coffee from Kantar puts the sector in 38.3% growth to £28.1m. Caramel lattes are up 53.4% to £3.6m. And these numbers don't include on the go sales, meaning the true scale of the market is undoubtedly much bigger. Crediton expects its coffee sales to hit £20m next year. "With the growth brands like Starbucks are seeing, I can see the overall category hitting £220m by 2020," says Kelly.

And there's been no shortage of NPD – from everyone from Alpro to Nestlé with its new nitrogen-infused Azera Nitro products – to get it there. Again, Nestlé intends for Nitro, which is says has a "creamier and smoother" texture because of the nitrogen released into the drink on opening, to be served chilled to shoppers looking for a drink to consume on the go.

"This is a really exciting launch and promises to bring our premium Nescafé Azera brand to the forefront of the fast-growing chilled coffee segment," said Nestlé Beverages MD Neil Stephens on launching Nitro in March. "The launch of Nescafé Azera Nitro shows how our business is continually innovating and evolving with the times."

What might be surprising is how long it's taken Nestlé to jump in to RTDs, given its dominance of instant coffee. RTD category leader Starbucks, whose products are produced under licence by Arla, has delivered growth of 17.5% on volumes up 18.6% [Nielsen 52 w/e 17 June 2018], a feat it partly puts down to the variety of its portfolio.

"Choice and variety remain important to consumers and Starbucks is currently the only brand to offer a broad choice across its Chilled Classics, Doubleshot and bottled Frappuccino range," says Michael Lomas, commercial marketing manager at Arla Foods. "This year Starbucks also launched Signature Chocolate, inspired by the existing coffee-house customer favourite – the first non-coffee dairy drink in the range."

**"Either Yazoo or Frijj are on deal at any one time slugging it out. They are driving volume"**

### Luxury options

This move makes one thing clear: there is still demand for more indulgent dairy drinks, in spite of the growing numbers of consumers who say they are trying to shun sugar. Further proof can be seen in the growth of the Shaken Udder milkshakes brand, which has gained listings in Sainsbury's, WH Smith Travel and Boots, where it is available on meal deal.

"We outperformed the market with 41% growth in 2017, which followed 39% growth in 2016," says marketing manager Flora Cannon. "This growth has been driven both by gaining listings with key retailers and also the introduction of various new NPD and packaging redesigns."

The big brands in this area – namely market leader Yazoo, Frijj and Mars Drinks – are under increasing pressure from own label, which is driving the lion's share of growth. At take-home, own label is up 16.5% to £52.4m on volumes up 17.3%, while brands have seen value rise 5.6% on volumes that have dipped 0.4%. This has been driven by a big fall in promotions: 58.4% of sales were on deal two years ago, and in the past year that's fallen to 41.6%.

"One-litre flavoured milk is almost universally own label and that has moved to EDLP," says Crediton's Bartlett. "The pound price point is where it's at. Meanwhile, either Yazoo or Frijj are on promotion in any one period slugging it out. They are driving volume. Value is being driven by coffee, breakfast and protein."

The growth in own label is also being driven by the discounters. While still under-trading in the category, Aldi and Lidl have seen value sales rise by


THE COOLEST DROP
ROASTED ARABICA BEAN
ARCTIC COFFEE
CAFÉ LATTE
A WELL ROUNDED, SMOOTH FLAVOUR
CARAMEL LATTE
DELICIOUSLY RICH AND CREAMY
MOCHA
RICH COFFEE, BLENDED WITH COCOA
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330ml
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> "The market is moving towards EDLP so when reviewing range retailers should look for PMPs"

# How are dairy drinks acting on PHE sugar guidelines?

Dairy drinks might be exempt from the soft drinks sugar levy, but the amount of white stuff such products contain is still under scrutiny. PHE is calling on manufacturers to cut sugar content by a fifth by mid-2021 and cap the calorie count of single-serve dairy drinks to 300kcal. So what progress is being made?

In January, market leader Yazoo launched an advertising campaign for the No Added Sugar lines it launched last year. The aim, said communications manager Thuy Nguyen at the time, was to trumpet the claim that the range contains fewer than 100 calories per 200ml serve and no more sugar than a glass of semi-skimmed milk.

"We hope to reach 4.5 million families as part of the campaign, and encourage them to view Yazoo No Added Sugar as the perfect after-school treat that tastes great and provides kids with the goodness of milk," said Nguyen.

Number two brand Frijj also launched zero added sugar lines to its portfolio last year. The brand was also accused of shrinkflation last November after cutting the size of its single-serve formats from 471ml to 400ml while keeping the recommended selling price at £1.30. Müller said this followed research that found consumers thought the serving size 'too big'.


**No more sugar than a glass of milk: this was the claim of ads for Yazoo No Added Sugar in January**

The research also found that many shoppers still wanted indulgence. "Our consumer research shows that some want healthier milk drinks, but some want them to fulfil a treat moment," says head of customer value Rebecca Oliver-Mooney. "Consumer snacking operates on a needs spectrum, from full health to full indulgence. We must provide options and choice."

In RTD coffee, health is of growing importance. "The trend for healthier alternatives has seen a further sales increase in the skinny sub sector," says Starbucks senior marketing manager Charlotta Oldham. "Relaunched in 2017, the Starbucks Chilled Classics Skinny Latte is lactose-free, contains no added sugar and is only 77 calories per cup. It's growing at 67% year on year."

Emmi UK also notes growing demand for less calorific coffee. "Dairy drinks are exempt from the sugar tax but the focus on the issue means the category is under the spotlight, so it's important to have a low-sugar option in fixture," says category development manager Eleanor Joyce.

4.7% and 3.3% respectively. Aldi's decision to switch from Crediton's Moo Milk brand to own label (also produced by Crediton) helped drive own label's overall growth.

The growth in own label is prompting some brands to invest in price-marked packs. "The retail market is moving towards EDLP, so when reviewing their product range, retailers should look out for price-marked packs to offer shoppers obvious value for money," says Michelle Frost, general manager at Mars Chocolate Drinks, which launched 350ml formats price-marked at £1.29 last year for the to-go market.

Of course it's not just the on the go market dairy drink players are going for. In the past year, a number of players have launched larger sharing formats designed for at-home consumption. Shaken Udder has launched the Uber Udder 750ml take-home format, while Alpro's new Caffè range is available in one-litre packs.

"We have recognised the importance of making Frijj available for all shopping missions so this year has seen the launch of our 900ml proposition, which capitalises on the take-home market," adds Rebecca Oliver-Mooney, head of customer value at Müller Milk & Ingredients. "We are targeting additional consumption occasions after research found that Frijj consumers wanted a larger shareable portion size that can be kept in the fridge."

In short, dairy drinks aren't just threatening traditional soft drinks in front-of-store chillers. They're also bringing the fight to the fridges in our homes.

# STOCK UP ON THE UK'S BEST SELLING CHOCOLATE FLAVOURED MILK*


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# Down and out?

Branded butters and spreads are now cheaper on average than own label, but volumes are still suffering. What's going on?

**Natalie Brown**

Strange but true: branded butters & spreads now cost 32p per kg less than own label, following a year of rampant price inflation. The average price of brands is £3.83 per kg; own label weighs in at £4.15 [Kantar Worldpanel 52 w/e 20 May 2018].

It gets weirder still. Even though own label is now pricier than brands, shoppers have bought an extra 2.6 million kg of the stuff this past year. Own label average prices are up 29%, yet volumes grew 3.1%; branded prices rose just 9.5%, but volumes slipped 3.4% ahead of the overall market, which is down 1.8% in volume terms [Kantar].

Strangest of all, though, is that discounters are the driving force behind butters & spreads inflation. Aldi and Lidl have seen average prices spike by 25.2% and 24.3% over the past two years respectively, compared with an average market price rise of 14% over the same period [104 w/e 20 May 2018].

So what is going on? Can brands revive their fortunes? And will higher prices stop the discounter onslaught?

There are a number of dynamics at play here. Brands have been hit just as hard by eye-wateringly high commodity prices as own-label suppliers, and many have been forced to hike prices on block butter. "Against a backdrop of unprecedented cost inflation in the butters market, most brands are having a hard time," says Dairy Crest's marketing controller for butters & spreads Neil Stewart.

> **"Unprecedented cost inflation in butter means most brands are having a hard time"**

However, their reliance on deals continues to weigh down on prices overall, with 65% of branded butters and spreads volumes sold on promotion last year [Kantar].

Shifts in consumer buying habits have also played a role. With block butter prices surging by over a third, some shoppers have started trading down to cheaper spreads. Just look at sunflower spreads' triumphant return to growth after years of decline, with sales up 7.1% on volumes up 6.9%.

"The shift in retail prices has caused a twofold shift in shopper behaviour: butter buyers have cut back on the amount they are buying, driving butter volumes down, and attractive pricing in spreads has caused some shoppers to switch out of butter, driving a revival of spreads," adds Stewart.

It's not just price that's causing shoppers to reappraise spreads. Changing ideas of what constitutes 'healthy eating' has also given butter alternatives a boost. "The spreads category is benefiting from the growing trend for plant-based eating, with more shoppers choosing free-from options and 'buttery spreads' as alternatives to traditional butter," says Steven Hermiston, general manager at Upfield Foods, home to Unilever's former spread brands Flora, Bertolli and Stork. "With one in three UK consumers now identifying as flexitarian and ongoing health concerns around salt and fat levels, plant-based spreads have become very relevant to consumers' lives."

That such spreads typically sell for significantly less than butter and are dominated by brands helps explain why brands are now cheaper than own label on average. But it doesn't tell the whole story.

**Changing the mix**

A sharp decline in sales of flavoured butters – which have average prices well over double the market average – has also accelerated the shift in brands' product mix to cheaper variants. Lurpak's Infusions range, including a sea salt & pink peppercorn blend, disappeared from the market within a year of launch and the brand's garlic butter variant has been removed from Sainsbury's in the past year, for example.

At the same time, avocado and coconut spreads from the likes of Flora Freedom and Vitalite – which commanded a considerable price premium over standard dairy-free spreads – have also disappeared from supermarket shelves.

With price pressures mounting in the category, mainstream lines are also taking a hit. Kerrygold Spreadable was axed by Tesco in May and the brand's block butters lost significant space as a result of the latest phase of Project Reset.

All this lost shelf space means branded volumes are suffering. And with "no end to the inflation of butter, maintaining a healthy brand and planning for the future continues to be challenging," says Mike Harper, marketing director at Ornua, which owns Kerrygold.

But all is not lost. Just as the vogue for plant-based diets is helping to fuel a tentative renaissance in butter alternatives such as sunflower, demand for foods perceived to be less processed

Müller hopes its first foray into butters and spreads will 'reconnect people with taste'

## TAKE-HOME SALES: BUTTERS & SPREADS

52 w/e 20 May 2018

| | VALUE | | VOLUME | |
|---|---|---|---|---|
| | £m | y-o-y % | kg (m) | y-o-y % |
| **Spreadable** | **511.5** | 12.9 | **95.4** | −2 |
| **Block** | **409.9** | 26.4 | **70.0** | −4.5 |
| **Dairy spreads** | **198.7** | −0.9 | **97.9** | −2 |
| **Functional** | **71.4** | −1.7 | **10.9** | −3 |
| **Olive spreads** | **60.0** | −1 | **27.0** | −0.7 |
| **Low fat** | **51.9** | 1.4 | **24.1** | −0.5 |
| **Sunflower** | **36.4** | 7.1 | **16.2** | 6.9 |
| **Other dietary needs** | **12.6** | 11.6 | **4.6** | 8.1 |
| **Flavoured** | **4.1** | −8.1 | **0.4** | −9.9 |
| **TOTAL** | **1,356.5** | 11.9 | **346.6** | −1.8 |

## BRANDS VS OWN LABEL

52 w/e 20 May 2018

| | VALUE | | VOLUME | |
|---|---|---|---|---|
| | £m | y-o-y % | kg (m) | y-o-y % |
| **Branded** | **991.4** | 5.8 | **258.6** | −3.4 |
| **Own label** | **365.1** | 32.9 | **88.0** | 3.1 |
| **TOTAL** | **1,356.5** | 11.9 | **346.6** | −1.8 |

## RETAIL SHARE

52 w/e 20 May 2018

| | VALUE | | VOLUME | |
|---|---|---|---|---|
| | £m | y-o-y % | kg (m) | y-o-y % |
| **Tesco** | **356.1** | 7.2 | **91.9** | −4.3 |
| **Asda** | **197.7** | 6.7 | **53.3** | −5.5 |
| **Sainsbury's** | **210.6** | 9.8 | **47.9** | −2.5 |
| **Morrisons** | **151.7** | 11.3 | **39.9** | −0.2 |
| **Co-op** | **76.5** | 5 | **17.3** | −12.6 |
| **Waitrose** | **73.3** | 9.7 | **13.8** | −5.5 |
| **Aldi** | **87.9** | 45 | **25.3** | 15.8 |
| **Lidl** | **75.7** | 38.7 | **20.4** | 11.6 |
| **Independents & symbols** | **12.5** | 7.8 | **3.2** | −3.3 |
| **Marks & Spencer** | **15.0** | 17.3 | **2.5** | 3.4 |

**Source:** Kantar Worldpanel

(and therefore more 'natural') continues to fuel demand for premium butters that can demonstrate genuine provenance.

"Specific consumers want to go further in understanding where their food comes from," says Harper. "We'll be focusing on informing consumers about specifics of herd size and days on grass unique to Kerrygold."

Président, whose latest NPD is a spreadable butter with sea salt crystals, also believes premiumisation is the best way to get shoppers to swallow higher prices necessitated by cost price increases. "Health-conscious consumers are looking for more natural – in many cases, more premium – and less processed foods," says Lactalis McLelland's sales director Mike Chatters, who claims Président's sales are up 35.5% on volumes up 15%, with spreadable and block both in 'robust' growth thanks to its production processes and Normandy roots.

Taste is also crucial. Müller says it has identified a £201m opportunity with its foray into BSM – a spreadable butter made with 73% butter, rapeseed oil and buttermilk. In contrast, Anchor Spreadable contains 54% real butter, while Lurpak Spreadable contains 64%.

Tesco listed four variants of Müller's Spreadable range

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Prices for butter remain high, but supplies are beginning to stabilise, according to AHDB

# Is there any end in sight to butter price inflation?

'Tight supplies' best describes the latest situation with the dairy commodities markets, according to AHDB Dairy.

Unfavourable weather in New Zealand and dwindling milk supplies in the EU sent global butter prices soaring to £6,000 per tonne last autumn. And while prices have since dropped thanks to a recovery in global production and the selling off of the EU's stockpile of skimmed milk powder, they are still high.

Wholesale butter prices have reached seasonal highs every month since March 2017, with prices at £4,660 per tonne in April 2018, up £935 compared with April 2017 [AHDB Dairy 16 May 2018]. Cream prices, meanwhile, are still 'all over the place' as thin trade means prices vary depending on how much cream is required and when deliveries are needed.

The market does appear to be stabilising. "Oceania's weather seems to have stabilised and production seems to be back on track," says Jana Sutenko, a dairy & processed commodities analyst at Informa's Agribusiness Intelligence. "The EU continues producing large amounts of butter and the skimmed milk powder intervention stockpile sellout seems to be successful so far, lowering the pressure on wholesale prices."

However, the impact of Brexit shouldn't be underestimated, according to Rabobank dairy analyst Richard Scheper. The UK currently imports more butter than it exports – particularly from Ireland – so butter could become more expensive if Britain fails to negotiate a free-trade deal with Europe. Any extra customs checks at borders could also push up costs for consumers.

The UK imports more butter than it exports, so Brexit could have a big impact on future prices

As the Dairymen went to press, there were also concerns about the impact of this summer's heatwave on production in the UK. "Farmers have been voicing concerns over the effects of the heatwave that might soon kick in," says Informa's Sutenko. "Dry weather has not affected the productivity of the cows yet, but if the situation stays unchanged, there might be water shortages in some regions of the country."

And with cream prices remaining volatile, the longer-term dynamic in butters and spreads remains difficult to predict, says Dairy Crest's marketing controller for butters & spreads Neil Stewart.

"It seems likely, however, that if retail pricing of butter remains high, spreads will continue to see a benefit as consumers switch to cheaper alternatives," he says.

as part of its range review, as well as a Müller-branded block butter previously only sold in convenience. "We're confident we can shake up this sector," says head of customer value Rebecca Oliver-Mooney. "We can drive consumption across all age ranges, particularly families."

Graham's the Family Dairy's marketing director Carol Graham, meanwhile, thinks British butter brands will have a chance to shine as consumers look for "high quality, local and great tasting produce instead of imported brands".

### Plant-based opportunities

Butter aside, the surge in demand for plant-based spreads also presents a "huge opportunity" insists Hermiston. But how much brands can capitalise on these opportunities will, of course, depend on whether the discounters can sustain their growth while keeping a tighter lid on prices than their rivals.

So far, they are doing just that. Volume sales are up 15.8% at Aldi and 11.6% at Lidl, which remain cheaper than the major mults for BSM despite big price hikes this year. Their own products sell for £3.59 a kilo, versus the market average of £4.15.

With 44% of own-label butters and spreads sales through the discounters, that explains why own label is growing ahead of brands, despite higher average prices across the market, says Kantar Worldpanel dairy consumer insight director Rachel Knight. "Volume growth is through the discounters; because the majority of their business is own label, that's boosting total own label performance."

Still, things are changing. In the year to 22 May 2016, Aldi was selling its butters & spreads for an average of 90p per kg less than brands. The price difference is now 35p. Lidl was selling for 64p less – now just 12p per kg separates them.

If that gap narrows any further, things could get even stranger. Brands might be down, but they aren't out yet.

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# The importance of being earnest

Rob Brown

## Brands are forging a brighter future by embracing some good old-fashioned values

Here's news that will leave a sour taste in the mouths of Britain's biggest yoghurt brands: sales of own-label yoghurt have passed the £1bn mark in the past year. That represents growth of more than £100m since 2016.

Brands, meanwhile, are struggling. Value is flat at just shy of £1.8bn and volumes are down 1.3%. That's a loss of more than 7.5 million kg of branded yoghurt in just a year. Own label is up 6.1% on volumes up 3.8%, driving total market value up 2.2% to almost £2.8bn; volumes have grown 0.7% [Kantar Worldpanel 52 w/e 20 May 2018].

No prizes for guessing the key factors behind this. As the discounters steal share – both Aldi and Lidl have seen value soar by more than a fifth – the big four are cutting branded ranges and prioritising own label to keep a lid on prices and retain customers.

But the outlook is in fact slowly brightening for brands. Kantar figures for the year ending 3 December 2017 revealed that brands had lost 1.4% of their value on volumes down 4%, so the latest figures represent an improvement. So who's driving this? And what can be learned from them?

For the most part, it's the brands of the dairy giants that are suffering the most. Müller is down 4.3% in value, Yoplait has lost 10% and Lactalis Nestlé is down 6.3%, according to IRI figures for the year to 17 June.

"Yoghurt has become increasingly fragmented," says Emmi category development controller Joel Harrison. "Growth from ranges offering solutions to macro food trends is being offset by shoppers seeking cheaper alternatives to mainstream brands. Alpro, the Coconut Collaborative, The Collective and Arla are growing by tapping growing niches such as dairy alternatives, indulgence or protein."

All are in value growth of more than 20% [IRI], proving that retailers still need a strong branded counterpoint to own label. According to Amelia Harvey, co-founder of The Collective, it's the more agile players that are winning.

> **"Millennials are quite untrusting of big brands – they want transparency and values"**

"The world is changing," she says. "Millennials are quite untrusting of big brands – not because they're necessarily doing anything wrong, but because millennial consumers want transparency. They want values and they want to know where their products are coming from. The smaller challenger brands that can move quickly are the ones in growth."

For brands, it's more important than ever to have values. And many punters are prepared to spend more on those that can demonstrate a genuine commitment to ethical, environmental, culinary and health-related standards. "Shoppers are looking to spend their money on brands they feel a connection with," says Mark Scannell, head of category at Danone Dairies. "It's important brands tap into relatable customer needs and interests – for example, brands which operate with sustainable business practices or use high-quality ingredients and are transparent about provenance."

Players at all ends of the spectrum are doing just that. Lancashire Farm Dairies claims to be the first UK dairy to use only free-range milk in its yoghurts. The brand guarantees that all its cows spend a minimum of 150 days a year grazing on pastures.

"Happy cows produce the best-tasting milk," says MD Azhar Zouq. "Not only does free-range milk improve animal welfare, farmers will also benefit by saving on feed and bedding, as well as receiving a higher price for their milk."

### Less is more

It's also a way for brands to justify the premium they command. The Collective and Yoplait's Liberté brand make much of the absence of artificial sweeteners and preservatives in their marketing. The former claims to contain 'no nasties'. The latter has adopted stripped-back packaging to attract foodies seeking options that have undergone limited processing.

And it's working. "Liberté has been the fastest-growing yoghurt brand with a retail sales value over £10m in the past 12 weeks, driving growth in premium segments such as Greek and premium indulgent yoghurts," says brand manager Céline Hasboun. "As consumers look for products featuring high-quality, simple and naturally sourced ingredients, as well as exceptional taste, Liberté is well-placed to continue this trajectory."

Another proven sales driver is promoting yoghurt on its high protein content. One example of this is Arla's rapidly expanding Protein range, which was broadened into fat-free milk last


Lancashire Farm Dairies believes happy cows make the best milk

## TAKE-HOME SALES

52 w/e 20 May 2018

| | VALUE | | VOLUME | |
|---|---|---|---|---|
| | £m | y-o-y % | kg (m) | y-o-y% |
| **Desserts** | **806.9** | 1.0 | **179.6** | –2.6 |
| **Diet** | **348.1** | 2.1 | **142.0** | 1.6 |
| **Natural** | **291.9** | 8.7 | **140.1** | 6.6 |
| **Yoghurt drinks** | **278.5** | –0.5 | **89.6** | –1.6 |
| **Split pots** | **235.9** | –4.1 | **88.9** | –3.9 |
| **Kids** | **222.1** | –3.8 | **72.5** | –3.3 |
| **Fruited big pot** | **179.1** | 9.4 | **72.8** | 10.2 |
| **Active health** | **162.8** | 8.9 | **58.7** | 4.2 |
| **Luxury** | **162.2** | 7.1 | **53.1** | 4.4 |
| **Dairy alternative** | **71.2** | 22.4 | **21.1** | 18.7 |
| **Low fat** | **70.7** | –12.8 | **47.6** | –12.4 |
| **Breakfast** | **3.5** | –13.2 | **0.5** | –19.6 |
| **TOTAL** | **2832.8** | 2.2 | **966.6** | 0.7 |

**Source:** Kantar Worldpanel

October following the success of the yoghurts, cheeses and milkshakes launched in 2015.

And it's not just Arla that's playing the protein card. "This past year we've launched several protein-rich yoghurts including Protein 22, a high-protein, fruit-flavoured quark, and Skyr, an Icelandic-style yoghurt made in the heart of Scotland – both of which are performing extremely well," says Graham's the Family Dairy marketing director Carol Graham.

Müller has also launched a protein-rich quark, as well as replacing its Greek Corner range with Müller Corner Plain, which it claims is high in protein and contains 27% less sugar.

Growing demand for more 'natural' ingredients and protein-packed pots is, of course, reflective of the wider health trend in grocery that yoghurt brands both big and small have been forced to respond to.

Sugar remains the biggest challenge here, with growing pressure on manufacturers to cut sugar from their recipes (PHE wants average sugar content of yoghurt to have fallen by a fifth by mid-2021). Onken has been working gradually on reducing the added sugar in its Onken Fruit and Wholegrain yoghurts, delivering a 10.7% reduction since 2015, says Grove. "We have also recently launched Onken Light & Fruity, a range of 0% fat yoghurts with no added sugar and, again, only naturally occurring sugar from the fruit and milk."

Danone has reformulated its Activia and Actimel ranges to remove sugar, relaunching its 0% Fat ranges as 0% Fat and No Added Sugar – a move it claims has "received a very positive response from consumers".

Müller, meanwhile, has reformulated its "iconic" Müller Corner Strawberry flavour so it now has 19% less total sugar, and plans to reformulate its wider Crunch Corner and Fruit Corner ranges within the next six months. The brand, which claims the sugar reduction across its portfolio is "substantially ahead" of PHE's voluntary guidelines, also recently launched new Müllerlight Fruitopolis 0% added sugar, which contains 30% less sugar than standard lines.

### Growth of free-from

Müller's new lactose-free Corner variant also stands out in a busy year of NPD across the category, much of which tapped the rocketing growth in free-from yoghurt alternatives.

"The growing number of UK consumers adopting vegetarian, vegan and flexitarian diets has significantly impacted the yoghurt category over the past 12 months," says Bethany Eaton, founder of Nush, which recently launched the UK's first dairy-free yoghurt tubes (see p57). Indeed, volume sales of dairy-free yoghurts are up 18.7%, with value up 22.4%, making it a standout segment for growth in the category.

Not that sector leader Alpro cares much for the 'free-from' tag these days. "In a move that firmly repositions plant-based away from free-from and into the realms of an everyday, healthy choice in the heart

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## Ihana

**Launched:** July 2018
**Manufacturer:** Arla

Now for something completely different... a trio of lactose-free 'sorbet style' yoghurts (rsp: 80p/150g). Available in pink lemonade, papaya & lime and blackcurrant, lemon & mint variants, Ihana was first launched in Finland in 2016, tapping growing demand for indulgent yoghurts.


## Banana Butterscotch

**Launched:** July 2018
**Manufacturer:** The Collective

Banana is the top flavour shoppers wanted to see adopted by The Collective, according to research. A smooth banana purée with sticky butterscotch has been folded into its signature yoghurt for this limited edition pot (rsp: £2.19/450g).


## Oykos Tiramisu

**Launching:** November 2018
**Manufacturer:** Danone

Aimed at shoppers looking to round off an evening meal with a bit of indulgence, this latest seasonal addition to Danone's Oykos Greek-style yoghurt range is set to hit shelves just in time for Christmas (rsp: £2.50/4x110g).


## Onken Light & Fruity

**Launched:** March 2018
**Manufacturer:** Emmi UK

Emmi has made big strides in cutting sugar across its portfolio since 2015. One of its boldest moves yet was the launch of this fat-free, no added sugar range of big pots (rsp: £1.50), in Blueberry and Passionfruit variants.

of the store, Alpro has worked closely with Tesco to re-merchandise its dairy alternatives range in 700 stores," says head of marketing Vicky Upton.

"A six-monthly reset has continued to keep the offering current and resulted in impressive growth for the category and Alpro. Building on this success, Alpro has been working in collaboration with other retailers across more than 1,000 stores to ensure plant-based fixtures remain relevant and appealing."

Dairy-based brands are also focusing on how their products are merchandised, as well as the occasions they're aimed at, to stay ahead of own label.

With demand for "permissable indulgence" still high despite growing consumer awareness around health, snacking is now one of the fastest-growing yoghurt consumption occasions, according to Liberté's Hasboun. With this in mind, the brand last October unveiled Liberté Origins, a French-style yoghurt made with whole milk and set in 135g glass jars, dubbed as perfect for mid-morning or mid-afternoon snacking occasions.

Flavoured with real fruit and containing between 14.3g of sugar per 100g and less than 132 calories per jar, Liberté Origins can "compete with the likes of chocolate, biscuits and slices of cake for the precious 'me time' consumption moment, without compromising on permissibility", Hasboun claims, while the recyclable – or upcyclable – glass jars tap into "consumers' growing expectations for sustainable packaging formats".


**By using glass jars, Liberté Origins is tapping demand for more sustainable packaging**

The rise in yoghurt snacking means on the go is also seen as a key opportunity at Müller. "For those eating on the go, there is a huge opportunity to make yoghurt the lower-sugar and lower-fat alternative that people want," says commercial director Bill Mathieson. "Shoppers want to see yoghurt in the 'grab and go' areas, but there is currently limited or no presence, particularly in meal deals."

### Meal deal opportunities

Things are starting to shift. The Collective reports strong growth through Boots' meal deals and Danone's Scannell says retailers are beginning to allocate more space to yoghurts in the food-to-go fixture. He believes breakfast and lunch meal deals are a key opportunity for Actimel and Activia. "Every day almost half the UK population are eating breakfast out of home and 20% of those are consuming yoghurt during this time [IGD]," he says. "We can see dynamic growth in cereal-topped yoghurt, which over-indexes for this occasion."

Seizing these sorts of opportunities will become even more important as retailers continue to rationalise branded ranges and prioritise own-label in some areas. In June, The Grocer revealed that Tesco had pulled 15 Yeo Valley SKUs and a number of Actimel and Activia lines in the latest round of its Project Reset. Elsewhere, commentators say Asda has been pushing its own kids' yoghurts particularly hard, while plain has been a key area of own-label expansion across the mults.

For The Collective's Harvey, this reinforces the need for agility. "The bigger brands have business models geared to provide scale, but they can be too slow to react," she says. "The market is looking for naturalness and quality. The days of the whole zero-fat thing are behind us. People are now saying that certain fats are good for you."

In other words, brands need to move with the times. And these days, that means being a whole lot more wholesome, both inside and out.

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# What's in store for booming ice cream?

## Sales have shot past the £1bn landmark, with supermarkets taking tips from ice cream parlours to up their ranging game

**Daniel Selwood**

Phew, what a scorcher! This year's sweltering summer – the hottest since 1976 – surely made ice cream a near-essential part of every Brit's diet. Which was sizzling news for a market on fire even before the heatwave hit: take-home sales smashed the £1bn ceiling as value shot up 9.9% [Kantar Worldpanel 52 w/e 18 May 2018].

While this growth was largely down to inflation driven by higher prices and an abundance of premium NPD, volumes also rose (by 2.8%) thanks to new shoppers continuously entering the ice cream category while established shoppers bought more per trip, more often. Average price per litre rose by almost 7% to £2.78. Increased footfall has given stores the impetus to do more than simply stuff their chest freezers with two-litre tubs of vanilla, strawberry and chocolate. While not quite as outrageous as the mayonnaise ice cream from the artisanal Ice parlour in Falkirk, the mults' approach to ranging frozen desserts has definitely become more imaginative, rivalling the food-to-go giants. And this could be the key to making sales last beyond this year's heatwave.

Take Sainsbury's, whose £139m ice cream sales make it second only to Tesco's £281.5m. In June, the retailer claimed a UK first with a Unilever tie-up to open in-store ice cream parlours. The trial began with a Ben & Jerry's parlour in three south London branches, and a Carte D'Or outlet in two stores in Hertfordshire and Surrey.

"As a business, we look to make the ice cream occasion accessible to as many people as we can and our new partnership with Sainsbury's is designed to do just that," says Unilever VP for refreshment Noel Clarke. "This activity is part of a wider movement at Unilever in which we look to bring our customers new and exciting in-store

### TAKE-HOME SALES: ICE CREAM

52 w/e 20 May 2018

| | VALUE | | VOLUME | |
|---|---|---|---|---|
| | £m | y-o-y % | litres (m) | y-o-y % |
| **Premium ice cream** | **333.1** | 7.0 | **115.2** | 3.2 |
| **Chocolate snacks: sticks** | **264.5** | 21.8 | **61.2** | 16.0 |
| **All others** | **116.6** | –1.2 | **94.7** | –5.1 |
| **Child lollies** | **104.7** | 15.6 | **30.6** | 13.6 |
| **Filled cones** | **99.2** | 1.2 | **37.7** | –0.7 |
| **Adult refreshment lollies** | **40.7** | 20.1 | **8.4** | 15.6 |
| **Chocolate snacks: bars** | **29.7** | –6.0 | **11.2** | –9.8 |
| **Cups/tubs** | **20.1** | 48.9 | **3.8** | 16.9 |
| **Frozen yoghurt** | **4.6** | –39.7 | **1.2** | –38.0 |
| **TOTAL** | **1,013.4** | 9.9 | **363.9** | 2.8 |

**Source:** Kantar Worldpanel

initiatives that enhance their overall shopping experience, while also tapping into the growing food-to-go trend."

That desire to tap on-the-go was also behind Asda and Co-op welcoming F'real, the 'drinkable ice cream' foodservice brand from the US that allows shoppers to serve themselves a thick shake as they would a cup of coffee. First, they select a 350ml pot containing a 'puck' of ice cream. The machine whips up the contents to make them potable at the touch of a button, and the punters pay at the till. In the UK, F'real flavours are available in Vanilla, Chocolate, Strawberry and Cookie Dough.

It's a proposition that's "ideal for front of stores, where impulse items can add incremental sales to retailers" says Emma Wood, head of F'real EMEA. "Adults often choose a coffee or cold drink, and their children can now have a quality milkshake. We are seeing a strong purchase opportunity in the after-school and after-college slots, when parents and young adults are dashing to the supermarket."

At around 500 calories per shake, F'real also forms part of another trend: indulgence. Arjoon Bose, head of marketing for ice cream & snacking at Häagen-Dazs maker General Mills, says a growing love of indulgent, premium options has caused a notable shift in ranging at the supermarkets. Luxury ice cream has become a shopper destination, he says, with the whole gamut of high-end formats consolidated in a single in-store location, rather than scattered across freezers as they once were.

Luxury, in fact, is very much where it's at for shoppers and the category, Bose believes. "It's clearly the number one driver for growth across the ice cream category." Nearly 80% of premium growth has come from leading brands Häagen-Dazs, Magnum and Ben & Jerry's, he says, and they've been the biggest contributors to innovation. Häagen-Dazs, for example, launched handheld multipacks and trendy mini cups last year amid a brand relaunch – helping to fuel a mammoth 41.3% value surge [Nielsen 52 w/e 30 December 2017].

Such impressive growth is unsurprising, claims Charlotte Hambling, head of UK marketing for Froneri, which in January unveiled Extrême – a high-end ice cream cone range to take on Unilever's mid-tier Cornetto. "Luxury and premium ranges have been driving the market for some time as consumers continue to trade up, especially around the treat occasion that ice cream offers," she says. "Consumers are happy to compromise on a slightly higher price for the promise of exceptional quality."

Yet it seems Brits are a nation of two extremes when it comes to ice cream. Luxury options are increasingly finding themselves seated alongside their opposite: lower-cal formulas. US smash hit Halo Top and the UK's own Oppo are among the brands in the fast-growing better-for-you subcategory, with Birthday Cake and Choc Chip Cookie Dough among the hip flavours.

"Previously, healthy ice cream was reserved for specific niche dietary requirements such as non-dairy," says Oppo co-founder Harry Thuillier. "This was the summer of mass-market healthy ice cream, and you can see this in the big four retailers and more health-focused retailers like Holland & Barrett."

**"This was the summer of mass market healthy ice cream, from the big four to health retailers"**

In spite of the battle for freezer space, Bose is convinced luxury and better-for-you can live in peace. "They serve different occasions," he says. Indeed, low-cal is attracting a younger audience to the wider ice cream category and generating trial.

Which likely means more success in store for the category.


## Is boozy ice cream set to be the next big thing?

**Forget rum-raisin! When it comes to booze-flavoured ice cream, cherry brandy and gin fizz are where it's at. So insists Jane Woodhead, co-founder of Speakeasy, the alcoholic ice cream startup that made its retail debut in November.**

**Playing it safe is no longer an option. "In terms of flavour trends and what's on the shelf, the biggest development is with flavour: the more creative the better," she says.**

**With premium sales in strong growth, suppliers are increasingly turning to their drinks cabinet for inspiration. "As amazing craft spirits have been hitting the market, so has awareness of new flavour profiles, and we're seeing a crossover in consumers coming from the craft spirit section to ice cream," Woodhead adds.**

**This is the sort of innovation helping to drive trial in the category, claims Chow Mezger, MD of Jude's, which collaborated with London distiller Sipsmith to produce a G&T variant. "Consumers are looking for new sensory experiences and are prepared to trial their favourite traditional drinks in innovative new ice creams."**

**While reflecting the general trend across grocery for alcohol-infused products, boozy ice cream is currently making "a very small value contribution to the category" notes Froneri marketing boss Charlotte Hambling. But there is promise. "It's an area in which we may see more products introduced, especially in premium ranges," she adds.**

**There's one potential obstacle to growth, though: the UK's licensing laws. With alcohol content in lines such as Speakeasy's at or above 1% abv, they can be sold only to shoppers aged 18 and above.**

**However, that might prove to help rather than hinder sales. "Consumers are wanting a more adult-focused offering in the frozen dessert aisles," claims Yee Kwan, founder of premium Asian-inspired brand Yee Kwan Ice Cream.**

As dairy-free lines muscle in on standard products' chiller space, dairy giants are being inspired by the alternatives

**Rachel Graham**

# Alternative: the new mainstream?

The markets are churning in dairy. As dairy alternative brands go mainstream and are stocked in chillers next to the sector's giants, many mainstream players are moving in the opposite direction and going alternative.

Müller moved into free-from in May with the launch of lactose-free Müller Corner yoghurts and in July Arla brought Finnish lactose-free yoghurt brand Ihana to the UK. Meanwhile, Danone is mulling the launch of vegan variants under the Actimel and Activia brands after buying Alpro owner White Wave Foods last year. Even Coca-Cola European Partners and Innocent are at it, having respectively launched plant-based brand Adez and a line in nut milks in the past year.

The attraction is clear. Every area in dairy alternatives is in growth. Brits have spent an extra £66m on the category, with the value of take-home sales soaring 17.4% to £445.8m on volumes up 13.9% [Kantar Worldpanel 52 w/e 20 May 2018].

That's not all. Waves of dairy alternative innovation have been rewarded by retailers disbanding rigid free-from chillers to move alternatives alongside their dairy counterparts. In and out of the supermarkets, barely a single dairy-dominated space has been spared the invasion of the alternatives. No wonder mainstream players are now heading in this direction too.

So far, only Danone is exploring plant-based options – with Müller and Arla no doubt reluctant to do the same given the conflicts it would cause with their farmers. However, lactose-free milk is in strong growth, offering traditional dairy suppliers the opportunity to win back shoppers switching to alternatives for health reasons.

Plant-based brands remain unfazed by this mainstream incursion into the alternative space, though. The market has plenty of room for growth, says Alpro head of marketing Vicky Upton. "Two out of three households aren't buying plant-based options," she says. "In what we're calling 'The Year of Plant

## TAKE-HOME SALES: DAIRY ALTERNATIVES

52 w/e 20 May 2018

| | VALUE | | VOLUME | |
|---|---|---|---|---|
| | £m | y-o-y % | kg (m) | y-o-y % |
| **Total alternative milk** | **306.5** | 14.5 | **265.5** | 11.8 |
| *Nut/coconut milk* | **102.1** | 15.3 | **78.7** | 12.5 |
| *Soya milk* | **85.4** | 7.3 | **93.0** | 5.1 |
| *Lactose-free milk* | **79.6** | 16.5 | **62.8** | 15.3 |
| *Oat milk* | **23.6** | 48.0 | **17.7** | 42.5 |
| *Rice milk* | **13.9** | 0.3 | **11.6** | 5.8 |
| **BSM** | **27.4** | 14.4 | **22.7** | 13.0 |
| **Yoghurt/yog drinks/juices** | **70.7** | 20.1 | **51.3** | 21.4 |
| **Other free-from dairy** | **41.3** | 40.4 | **14.5** | 31.5 |
| **TOTAL** | **445.8** | 17.4 | **354.0** | 13.9 |

**Source:** Kantar Worldpanel

Power', our aim is to realise the category's full potential by working with retailers and foodservice outlets to target those two out of three."

Indeed, all of the big four supermarkets now offer plant-based alternatives both in dairy chillers and free-from ambient aisles – a double win for the brands. Even the traditional milk round is facing competition from dairy-free. London dairy-free delivery service Mylkman has won funding to expand its business into another five cities. Meanwhile, Rebel Kitchen has hit the capital's streets to deliver to the doorsteps of urbanites in a nostalgic marketing push.

**'Holistic' health**

It makes sense to aim at this end of the market, says UK commercial director at Califia Farms Ben Dando. While the 'core' alternatives consumer is still aged 35-54 and female, more families and millennials are now buying into the category, he says. And they aren't just reducing dairy consumption for health reasons, adds Violife CEO Anthimos Misailidis. Instead, the "holistically health conscious" want a way to improve their health and the planet's.

Millennials are also part of the generation that's grown up with a coffee shop on every corner. And so a growing number of milk alternative brands are launching products for coffee drinkers. Frothability is a key selling point, with the likes of Rebel Kitchen advertising froth-friendliness on pack, while Oatly attributes the success of its Barista Edition to "behaving in the same way you would expect from dairy". Meanwhile, Alpro extended its For Professionals range used in Costa Coffee shops in January this year.

Such NPD is driving strong growth in alternative milk, with oat-based products delivering the strongest percentage gain, albeit from a small base, in the past year. This has been driven by the efforts of brands such as Oatly to establish oats as a more sustainable alternative to soya, claims Oatly general manager Ishen Paran.

"We see a lot of new companies bringing out NPD in dairy-free, so consumers have never had so much choice, but it's brands that exceed expectations around taste and nutrition that win the loyalty of consumers," explains Paran. "They're recognising oat milk is neutral in flavour, making it easier to make the switch from dairy without changing the flavour of their tea, coffee or cereal."

Others tip dairy-free yoghurts and cheese for strong growth. "Dairy-free yoghurts and cheeses are still lacking penetration," says Misailidis. "Even a few years ago, a non-dairy cheese would have been considered a huge compromise – awareness hasn't matched the quality upgrade on the market."

Established brands are putting this to rights, with Nush following its kids-focused Tubes launch with a cheese alternative. Violife added more Continental cheeses to its vast range while Alpro not only extended its line of yoghurts but cut sugar in them, before bringing a dairy-free ice cream to the UK in October last year. Add to that goat milk supplier Delamere's first branded lines of non-animal-based alternatives with its Planted range, and the category has never had more variety.

Which is exactly what's needed to fuel further growth. "Around 30% of people are buying into dairy-free in the UK compared with 40% in Europe. There is still a lot of opportunity out there," says Plenish founder Kara Rosen.

With headroom like that, it seems a safe bet that more dairy giants will go alternative in the months ahead.

**"Around 30% of people in the UK are buying into dairy-free compared with 40% in Europe"**


## Innocent Dairy Alternatives

**Launched:** April 2018
**Manufacturer:** Innocent

Watch out, Alpro. Innocent's move into dairy alternatives is arguably the biggest challenge to the brand's dominance of the category in its history. Backed by a £4m marketing push, this trio of milk alternatives (oat, almond and hazelnut) come in PET bottles (rsp: £1.99/750ml).


## Oat/Almond Collaborative

**Launched:** June 2018
**Manufacturer:** The Coconut Collaborative

These oat and almond based yoghurt alternatives were launched as spin-offs to the Coconut Collaborative brand. Both natural flavoured variants are currently on sale at Sainsbury's and Ocado (rsp: £3.25/350g).


## Violife White Block

**Launched:** April 2018
**Manufacturer:** Violife

The latest continental cheese alternative from Violife (£2.99/200g) is designed to bring Greek salads to life without the dairy element. This soya-free product is made with coconut and olive oils to bring a taste of the Med to dairy-free aisles.


## Her Pistachio & Chai Latte

**Launched:** July 2018
**Manufacturer:** Mylkman

Her's first foray out of standard milk alternatives comprises pistachio & chai and cashew milk lattes. Such hipster credentials come at a cost: with an rsp of £3.99/250ml or £6.99/500ml, the glass packaged lines make craft ale look cheap.

# Rays of hope for the future

## As the sun sets on another eventful year for dairy, what are the industry's hopes and fears for the future? We caught up with Dairy UK CEO Judith Bryans to find out

**With Brexit, butter shortages and the boom in plant-based to contend with, it's been another tough year for dairy. How is the industry coping?**
Brexit and its associated uncertainty have made forward planning a challenge for every industry, and dairy is no exception. But despite this, the dairy industry is stronger than ever. As a category we increased both in terms of volume and value over the past 12 months.
Whilst consumers may have diversified their diets, dairy is still very much a fridge staple, with 98% of consumers using milk and 94% of UK adults purchasing cheese. There are few other industries that could boast such market penetration.

**Can millennials learn to love dairy again?**
Millennials have changed the way dairy is consumed. As a generation they're much more open to trying new products and flavours and more likely to consume dairy on host foods or as ingredients than as stand-alone foods, but they still love the taste. Through our joint consumer campaign with the AHDB we sought to remind millennials of their love of dairy, with our results showing that those exposed to the campaign were 11% less likely to reduce their dairy intake.

**What do you think is driving renewed interest in doorstep delivery?**
A combination of factors – some consumers want their milk in glass and others like the convenience that doorstep delivery offers, plus there's the increased choice of products available for delivery.

**How are commodity markets faring?**
This year has been a decent year for the commodity markets. Although butter prices were down from their 2017 peak the current price is still good. The same can be said for cream. The price for powder has lagged behind other dairy products but that's due to stock overhanging the market. It remains to be seen whether the recent period of hot weather and drought may affect prices later this year.

**Are you optimistic for the future of British dairy?**
I'm very optimistic for the future of British dairy. Domestic demand for dairy remains high and global demand is still increasing. UK products, known for their great taste, range and quality, can take advantage of demand at home and overseas.
Of course, in order for the UK dairy sector to take full advantage of overseas demand for dairy products and ingredients, we need a very clear view on what post-Brexit export requirements will be and I would urge the government to provide that clarity.

**What are you most excited about?**
The dairy sector coming alive to diverse ways of communicating with younger generations of consumers is quite exciting and offers many opportunities. We have focused a lot on millennials in the last two years, but we've recently turned our attention to communicating with Generation Z and that's something we're really looking forward to.