



a world of possibilities

Consumer Trends in Milk Based Beverages

presented by:

Clay Boatright
VP - Trade Marketing
Dean Foods Company



Dean Foods is the nation's largest milk marketer, with strong regional brands from coast to coast





We also have a wide array of national brands, reaching from the dairy case to the produce aisle

Milks



Beverages



Cream & Creamers



Pickles, Syrups, Tofu, Dips & Dressings





Today, Health is Front Page News

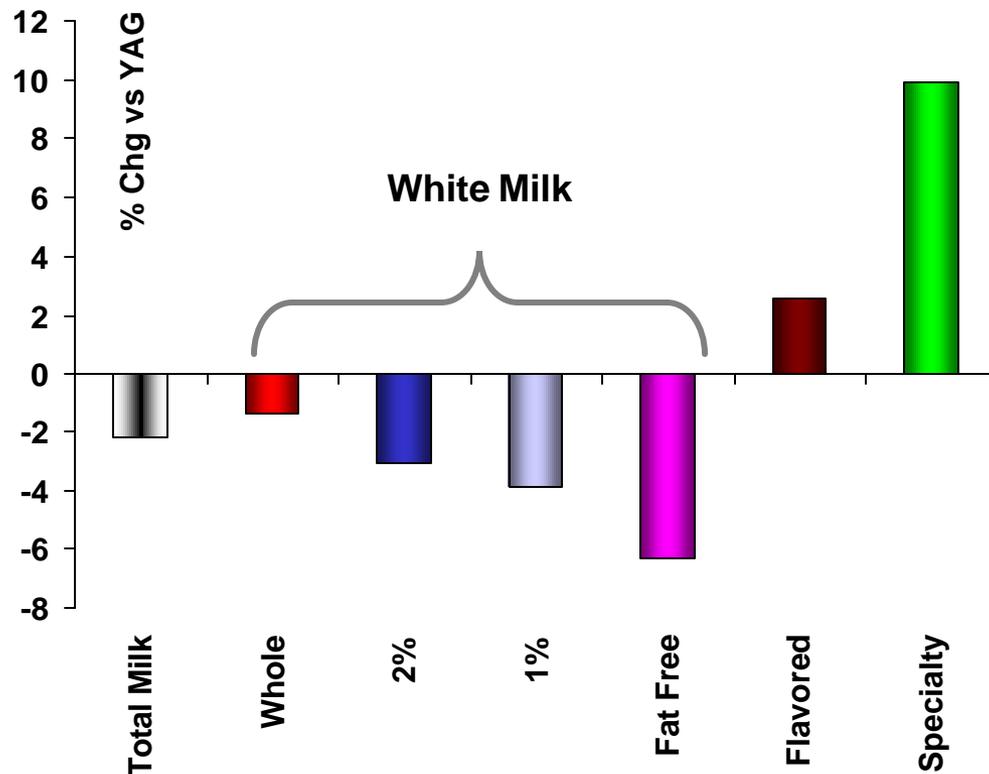
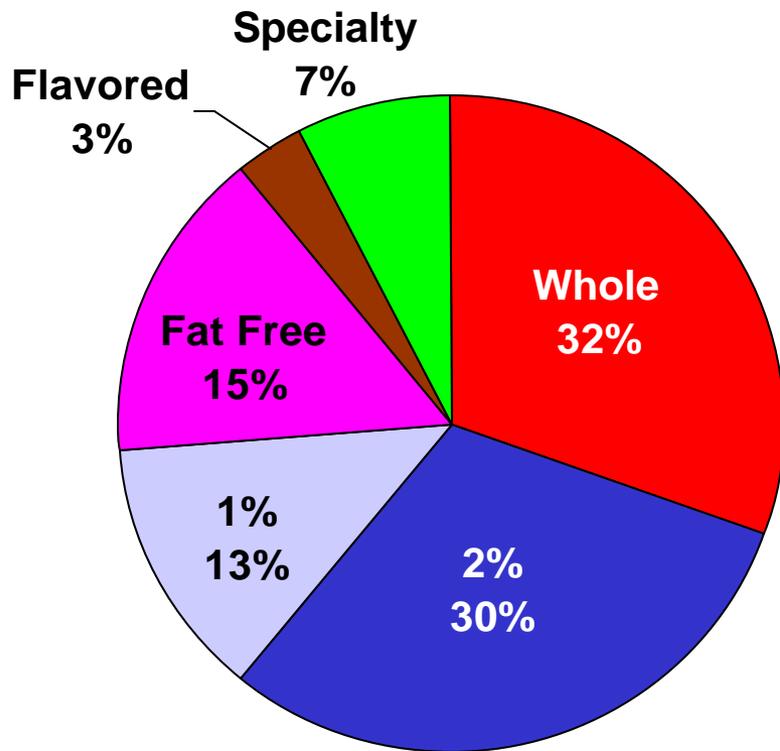
- The never-ending medical “alerts”
 - ❖ “People who eat food are 40% more likely to gain weight”
 - ❖ Manufacturers & Fast Food are the root of all evil
- Consumers like simple solutions
 - ❖ 32mm people are on Atkins because it’s easy to understand
 - ❖ Subway: Eat here and lose weight like Jared

<u>Old Days</u>	<u>1990’s</u>	<u>Today</u>	<u>Future</u>
Brands/Flavors	Fat	Calories/Carbs	Genetic Eng.
Pack Sizes	Cholesterol	Nutrition	Hormones
Price	Sugar	Portion Control	Irradiation



2003 Supermarket Refrigerated Milk Sales

Volume Sales



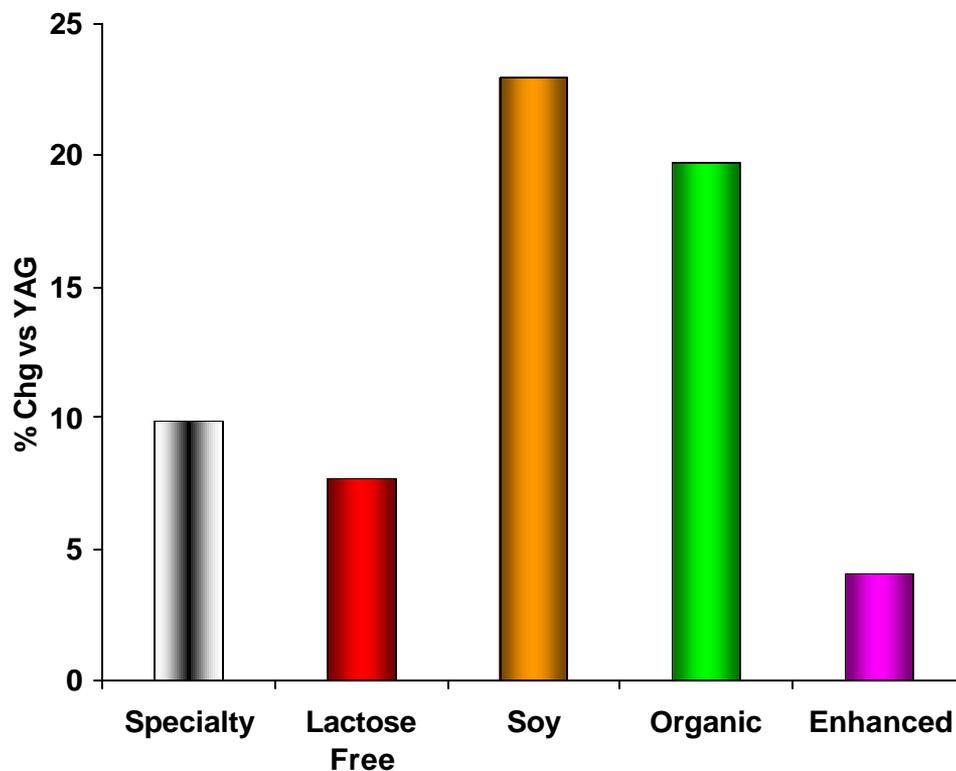
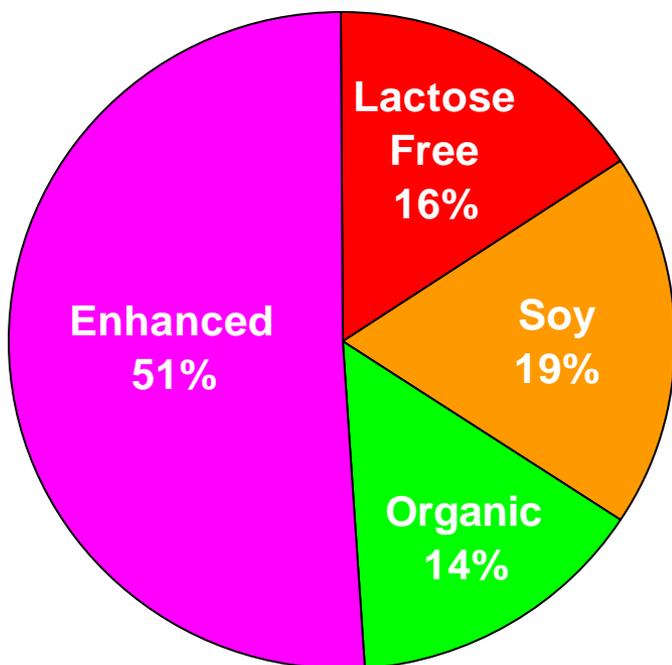
Flavored and Specialty items are driving growth in the Milk category.

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



2003 Supermarket Specialty Milk Sales

Volume Sales



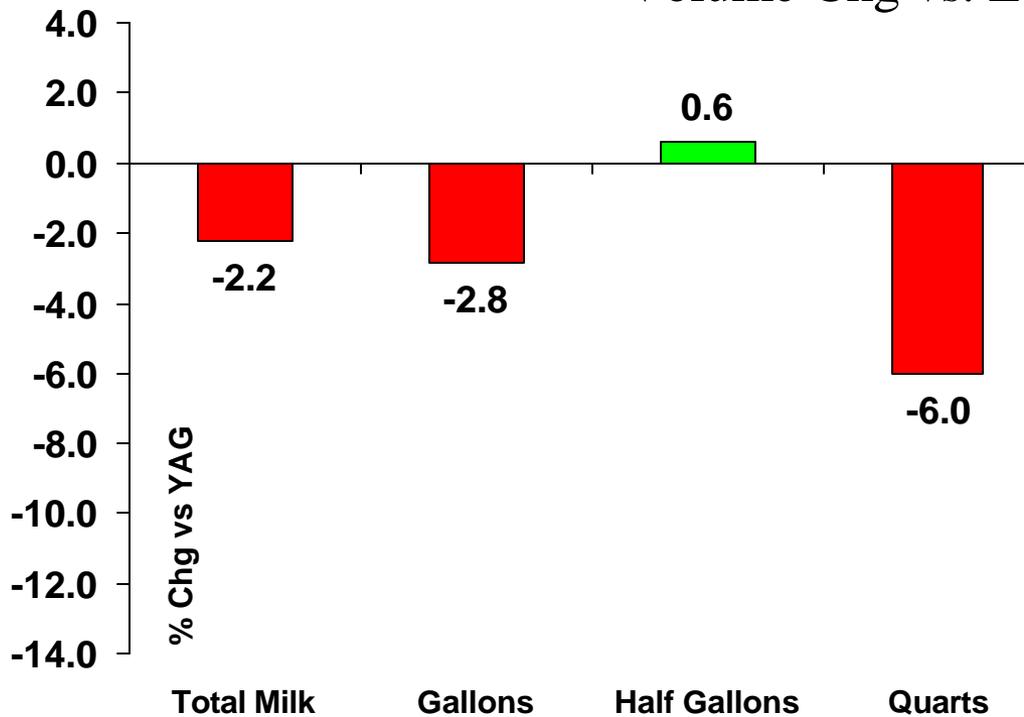
All the major Specialty Milk segments are showing growth.

❖ Soymilk and Organic are leading the way.



Milk sales in grocery stores have declined in the last year,

Supermarket Milk Sales Volume Chg vs. Last Year

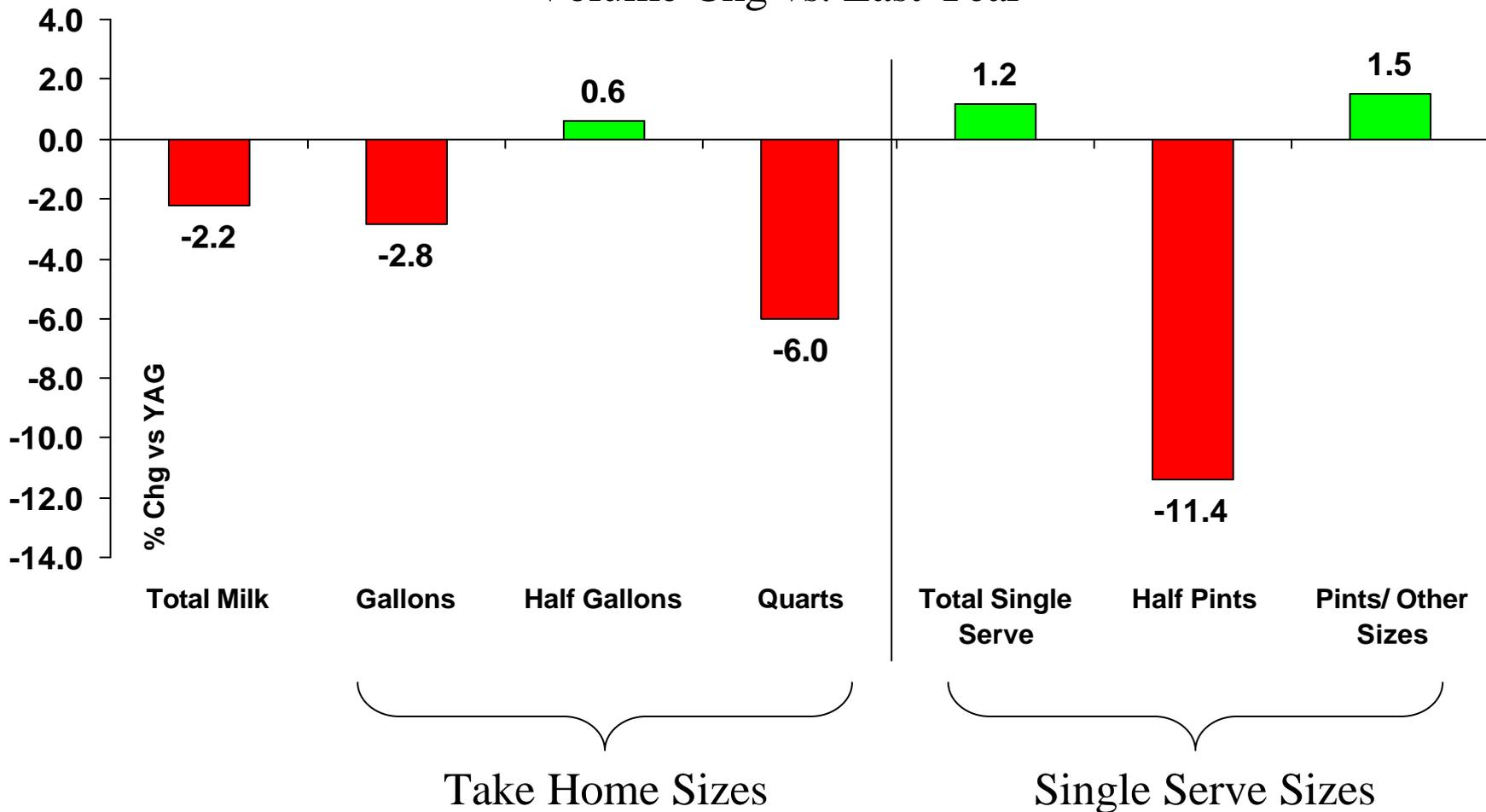


Take Home Sizes



Milk sales in grocery stores have declined in the last year, but growth is coming from Single Serve sizes

Supermarket Milk Sales Volume Chg vs. Last Year





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

Traditional Dairy universe

Today, consumers view milk as part of a much larger universe

Broader food & beverage category:
"Fluid Food"

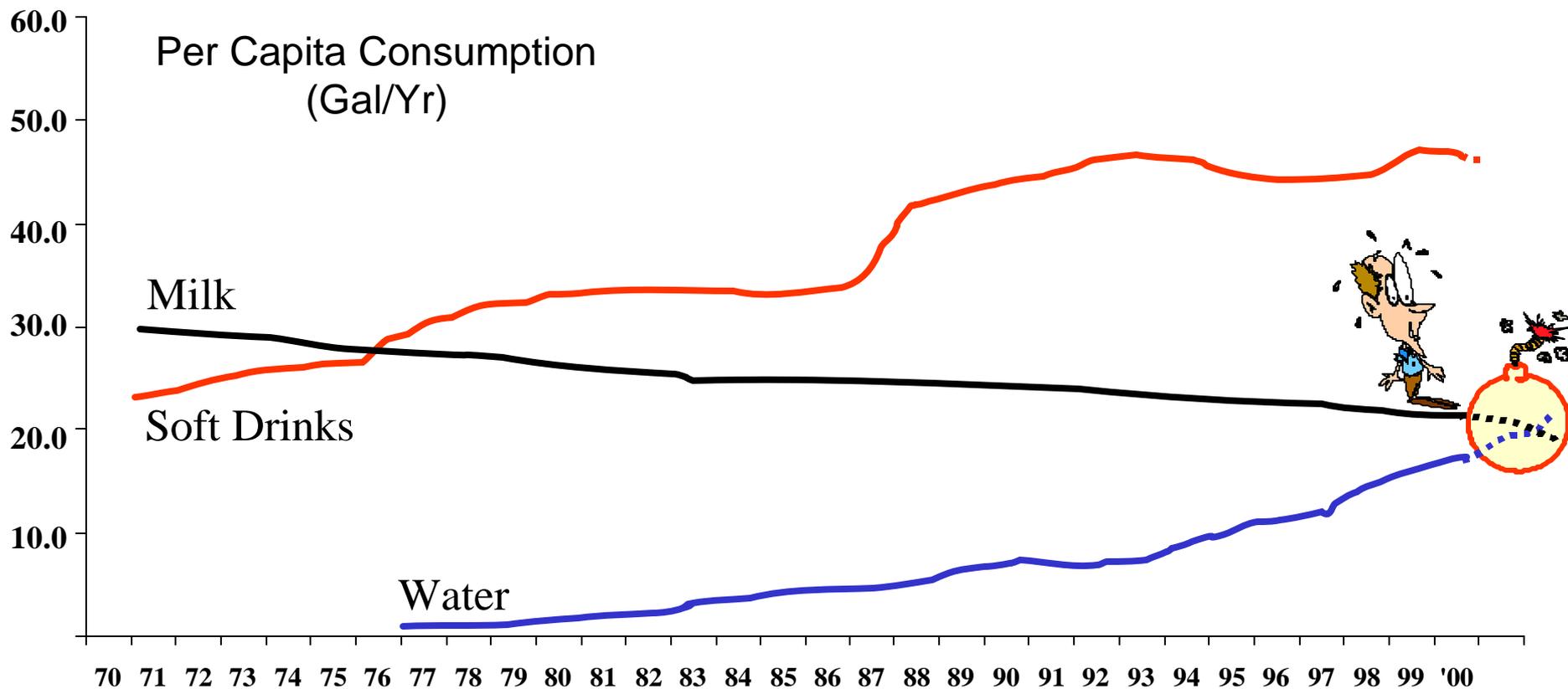
"Value Added"
Milk

Milk Category





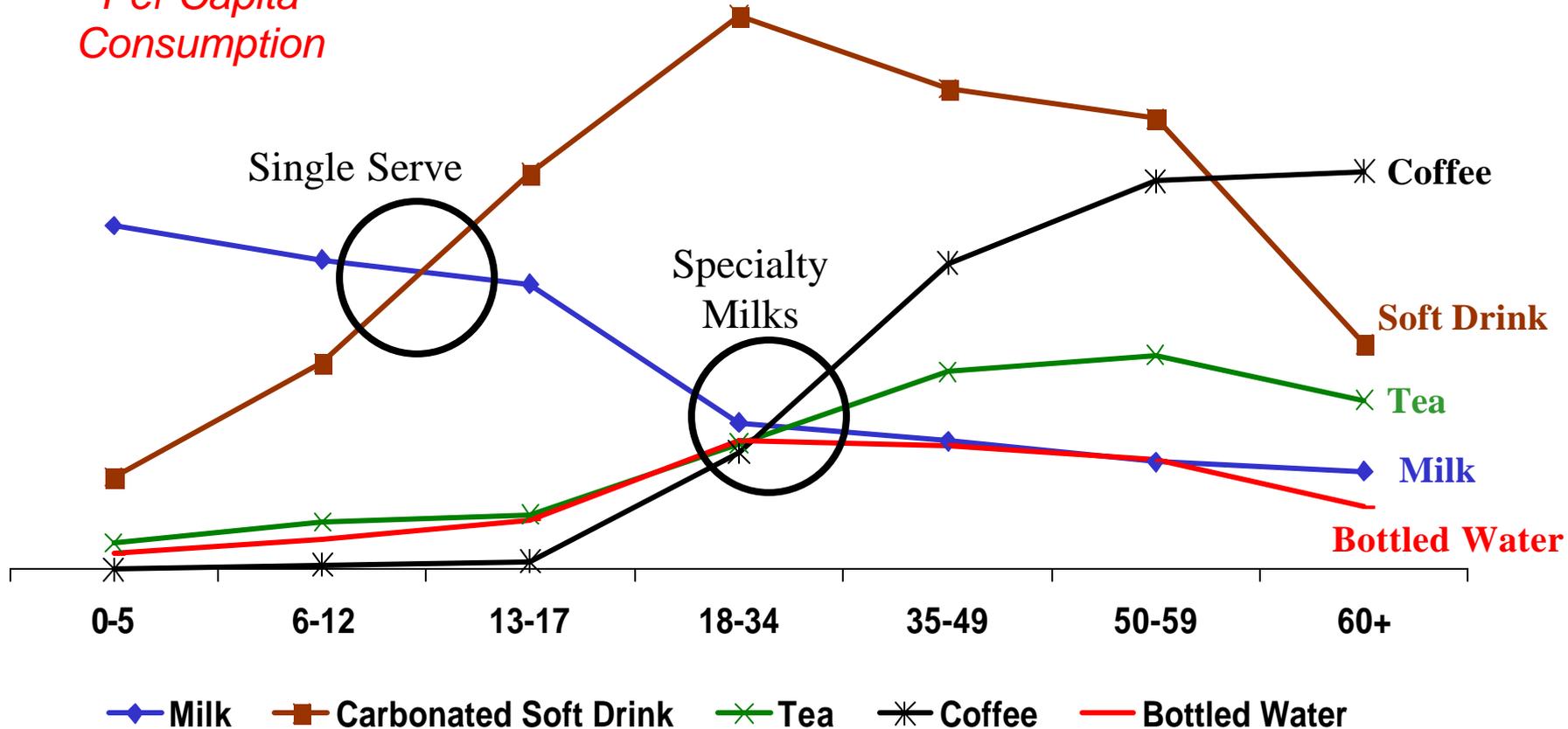
As a result, Milk's share of beverage consumption has declined





As the population ages, our beverage preferences change

*Beverage
Per Capita
Consumption*

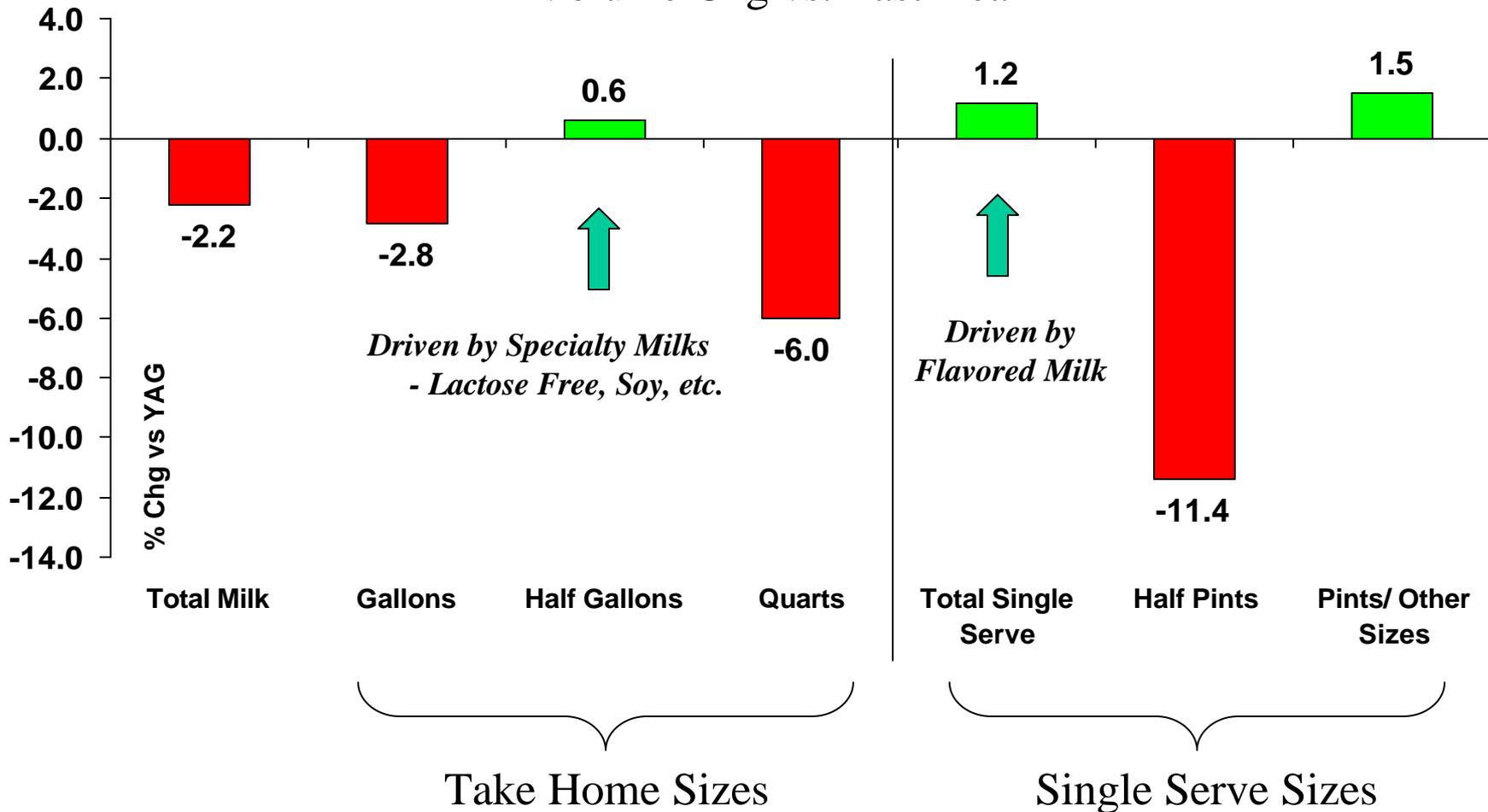


❖ There are two major trigger points to reinvigorate the category.



These two trigger points are the growth segments for Milk

Supermarket Milk Sales Volume Chg vs. Last Year





Trendy packaging appeals to Teenagers and makes Milk competitive with other beverages

- Variety
- Portability
- Contemporary image
- Appropriate sizes
- Extended shelf life





Value Added Specialty Milks address a variety of needs

- Baby Boomers – over 77 million strong – continue to seek out foods and beverages that promise good health and long life. Milk is key!
- New research suggests that dairy foods – milk, yogurt and cheese – may help with weight loss!





Observations and Implications for Milk

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

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

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