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PRESS RELEASE: What plant milk makers don't want you to know

Powered by lactose-free innovation, dairy is challenging the dominance of plant milks, with US sales of lactose-free milk set to catch up with – and perhaps even overtake – almond milk.

In America, lactose-free milk is growing twice as fast as plant milks:

- Total US plant milks grew by 7% in 2017 to \$1.5 billion/€1.3 billion (IRI).
- Almond milk, the biggest plant milk segment in the US with 75% of sales, grew 9.3% to \$1.1 billion (€940 million) in 2017.
- But US sales of lactose-free milk grew an impressive 13% – *almost double the rate of total plant milks* – to more than \$923 million (€789 million).
- At current growth rates, sales of lactose-free milk will equal those of almond milk by 2020.

Four elements are driving the success of lactose-free dairy:

1. Product innovation
2. Marketing
3. Versatility
4. Natural advantage

1. Product innovation

Fairlife is the stand-out growth brand in lactose-free, growing by 52% (IRI) in 2017 to become the No. 2 lactose-free brand. Produced by ultra-filtration, it delivers a milk that features:

- A higher protein content (13g per 240ml vs 8g for ordinary milk)
- No lactose
- Half the sugars of regular milk (6g compared to 12g)

Fairlife debuted in 2015. By 2017 its annual sales were already \$228 million (€192 million), despite selling at a 100% premium to regular milk

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and a 50%-60% premium to plant milk brands. Its success is helping drive growth in the lactose-free segment.

But even the established market leader in lactose-free, Hood Dairy's Lactaid, is doing well. Hood Lactaid sales rose a robust 4.9% to \$575 million (€471 million), according to Symphony IRI.

2. Marketing

Dairies are doing a better job of marketing their lactose-free products, capturing the attention of people who like dairy's inherent nutrition and prefer the taste. Makers of lactose-free milk are creating a broader platform for milk consumption just at a time when several factors have attracted the bellwether Millennial generation to whole milk, including:

- Protein
- Healthy fats
- An ingredient label that is both short and "clean"

It's largely Millennials who are driving the increase in consumer interest in lactose-free milks, especially Millennial parents, who understand that milk is nutritious and want their kids to have the taste and nutrition of real dairy. They also want to avoid upset stomachs so they're looking for products without lactose.

3. Versatility

Cow's milk has the advantage of versatility and can be used in drinks and in cooking more widely and easily than plant milks.

4. Natural advantage

The ingredient list of lactose-free milks compares favourably with the long ingredient lists of plant milks, which look to many people like an over-processed and not-very-natural product. Milk has one ingredient and its vitamins and minerals are naturally present. Many plant milks have 10, 15 or more ingredients – with added vitamins and minerals.

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And when it comes to the “plant” benefit, some consumers may wonder what the benefit really is from a product that’s actually only 6%-10% plant material.

As for the digestive benefit – the biggest driver of growth of the plant milk market being consumers who believe that cows’ milk gives them bloating or other digestive discomfort – lactose-free milk provides the same benefit, thus eroding plant milks’ competitive advantage.

Given the choice of a good-tasting lactose-free milk, more and more consumers are willing to choose dairy’s natural nutrition and shorter ingredient list over plant milks.

Lactose-free milk is to plant milk as butter is to margarine – one natural, one highly processed. And we know how that story ended.

NOTES FOR EDITORS

1. Editors can request comment or arrange an interview with Julian Mellentin, by contacting Marta Matvijev at marta@new-nutrition.com.
2. Julian Mellentin is one of the world’s few international specialists in the business of food, nutrition and health. He is director of New Nutrition Business, which provides case studies and analysis of success and failure in the global nutrition business and is used by more than 1,700 corporate subscribers in 42 countries. New Nutrition Business is a research and consultancy company with an expert focus on the business of food and health since 1995. It has offices in the United States, Europe, and New Zealand and affiliates in Japan and South Korea. Find out more at: www.new-nutrition.com