



A FROTHY FUTURE:

Understanding what's
next in alternative dairy

As recently as a decade ago, consumers looking for an alternative, non-dairy milk made with something other than soy likely had a tough search – and you could forget about finding it at the local Starbucks.

That's not the case today, not by a long shot. But it's from these decidedly niche roots of vegan and lactose-intolerant consumers that alternative dairy products have skyrocketed to unexpected success. The segment now represents a worldwide phenomenon that is expected to grow at a compound annual growth rate of 11.2% globally between 2020 and 2027, to reach an estimated \$44.89 billion.¹

So how did these products with fringe origins gain the attention of the masses? The answer is that the category lies at the center of several expanding trends, from health and wellness to sustainability and environmentalism. Not to mention the impact of the COVID-19 pandemic, which placed a spotlight on health and wellness, as well as environmental issues. It also didn't hurt that the emerging next generations of alt-dairy products have become much better at replicating the taste and texture of traditional dairy products.







Today, the question is no longer whether the category is here to stay, but how much will it grow and where is the alternative dairy sector headed next?

First, growth is strong and expected to get better. The U.S. market is a leader in the segment and presents a good picture of how the category will expand. Plant-based foods and beverages overall are doing well in the U.S., with the overall segment reaching \$7 billion in 2020, an increase of 27% since 2019, according to data from SPINS in a report from the Good Food Institute (GFI) and the Plant Based Foods Association (PBFA).²

Plant-based milk is the most well-developed segment in the overall dairy-alternative category, accounting for about 35% of total alternative sales at \$2.5 billion in the U.S. on growth of 20% since 2019, according to the GFI/PBFA report. Even more interesting, the report noted that alt-dairy drinks now make up 15% of overall retail "milk" sales, which will likely continue to expand as Americans continue to drink less traditional dairy-based milk,³ especially those in younger generations.⁴

Consumers are embracing new categories of alternative dairy products, from creamers to cheese. The growth prospects look even better for emerging plant-based dairy alternative categories.

ALTERNATIVE DAIRY GROWTH

						
	CHEESE	BUTTER	CREAMER	ICE CREAM	YOGURT	RTD BEVERAGES
2020 SALES	\$270M	\$275M	\$394M	\$435M	\$343M	\$137M
1-YEAR \$ GROWTH	+42%	+36%	+32%	+20%	+20%	+12%

Source: Plant Based Food Association/Good Food Institute.

To understand where the growth might be headed, it is important to comprehend what drives the plant-based consumer. Recent Cargill-proprietary research on plant-based dairy-alternative consumers suggests that these shoppers tend to have good eating habits; they are label readers and are interested in products with label-friendly ingredients that are also sustainably produced.⁵ However, it is also interesting to note that while nearly half of respondents (47%) reported having tried some type of plant-based dairy alternative, slightly more (50%) said they were not interested at all in these products. Flavor and taste tend to be a deciding factor for these consumers, and the report noted that 33% of respondents said they disliked the taste of dairy-alternative products. This would seem to indicate that there is a distinct opportunity to win over these consumers with products that address the taste issues.

The investment community and U.S.-based retailers would seem to agree. This interest is escalating, according to data from the Good Food Institute, as there was more investment in alternative protein in the first quarter of 2020 than in all of 2019.⁶

Many grocery retailers have also begun investing in the alt-dairy trend with private-label lines of plant-based products – and even traditional dairy companies are jumping on the bandwagon with plant-based non-dairy milks and vegan dairy products.⁷

As noted earlier, the COVID-19 pandemic has played an important role in driving acceptance of these products as consumers re-evaluated their dietary choices for health reasons.⁸ The report suggests some people now see dairy-alternative products as a way to a healthy diet high in nutrients and antioxidants.

Such interest and investment are likely to support ongoing innovation in the space, as well as prompt dairy companies to build up their plant-based portfolios in the future. Although almonds have been the dominant protein source in dairy-alternative products, a potential shortage of the nuts due to the current California drought⁹ will likely help spur development of new products from other plant-based proteins. The market is already seeing the emergence of products made with new plant-based protein sources ranging from peas and hemp to oats and cashews.



New advancement in ingredient technology and processing will help this innovation along and better address consumer expectations for taste and texture in these products. Some brands are also embracing a “different, but just-as-good” strategy in alt-dairy products, using flavors and spices that complement the plant-protein base but don't try to exactly mimic the taste of traditional dairy products. Either way, formulators are sticking to shorter ingredient lists featuring label-friendly, plant-based proteins.

At the same time, many of these next-generation dairy-alternative brands are shifting their product marketing strategies to mirror those often used in traditional dairy that position products for specific uses, such as milks or creamers for home-based baristas or by crafting premium artisanal products.

This is all good news for lovers of creamy and delicious dairy products who want other options. For these consumers, the next few years are likely to provide a tasty and frothier future.



Cargill can help you develop delicious dairy alternatives.

Contact us at 1-800-932-0544 or customerservice@cargill.com.

¹ Meticulous Research. “Dairy Alternatives Market by Product Type, Source and Distribution Channel – Global Forecast to 2027.” March 22, 2021. <https://www.globenewswire.com/en/news-release/2021/03/22/2196687/0/en/Dairy-Alternatives-Market-to-Reach-44-89-billion-by-2027-Exclusive-Report-by-Meticulous-Research-Covering-Emerging-Growth-Factors-Latest-Trends-and-Forecasts-and-Pre-and-Post-COVID.html>

² Plant-Based Foods Association/The Good Food Institute. “Plant-Based Food Retail Sales Grew 27% to Reach \$7 Billion in 2020.” <https://gfi.org/press/plant-based-food-retail-sales-grow-27-percent-to-reach-7-billion-in-2020/>

³ Widmar, D. Agricultural Economic Insights. “U.S. Dairy Consumption Trends in 9 Charts.” February 23, 2020. <https://aei.ag/2020/02/23/u-s-dairy-consumption-trends-in-9-charts/>

⁴ Stewart, H; Dong, D; Carlson, A. “Why Are Americans Consuming Less Fluid Milk? A Look at Generational Differences in Intake Frequency.” May 2013. https://www.ers.usda.gov/webdocs/publications/45073/37650_err149_summary.pdf?v=0

⁵ Cargill. Plant Based Dairy and Meat Consumer Research. February 2021.

⁶ Good Food Institute data cited in “Dairy Alternatives Market by Product Type, Source and Distribution Channel – Global Forecast to 2027.” Meticulous Research, March 22, 2021. <https://www.globenewswire.com/en/news-release/2021/03/22/2196687/0/en/Dairy-Alternatives-Market-to-Reach-44-89-billion-by-2027-Exclusive-Report-by-Meticulous-Research-Covering-Emerging-Growth-Factors-Latest-Trends-and-Forecasts-and-Pre-and-Post-COVID.html>

⁷ Chen, W. “Plant-Based Dairy Marketing Gathering Significant Momentum.” FoodInstitute.com. May 20, 2021. <https://foodinstitute.com/focus/plant-based-dairy-market-gathering-significant-momentum/>

⁸ Ibid., Meticulous Research.

⁹ National Public Radio. “Climate Change in California is Threatening the World's Top Almond Producer.” August 17, 2021.

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