

20 CATEGORY 17 INSIGHT



What's Next for Yogurt: A Global Review

Thanks to an increased health perception in a convenient package, the global yogurt market is growing at a moderate rate. The global low-fat yogurt market is anticipated to reach more than 28 billion by 2025, according to Grand View Research, Inc. Meanwhile, however, the Greek yogurt market in the U.S. is cooling off, with all eyes searching for the next big innovation. Adding to the complexity, yogurt is in fact a truly global food, with the top markets spanning four different continents.

We're taking a deep dive into the growth areas and opportunities in the category, from the flavor gaps in drinkable yogurt, to opportunity in mousse applications, unique flavor pairings, water buffalo milk varieties, consumer health motivations, to the top claims in both dairy and non-dairy varieties, plus much more.

Flavors

Plain and Vanilla are the only varieties in the top 10 to grow over the time period. Vanilla launches increased 30% (141 to 184). If we look at individual flavor components, Banana (630) and Passionfruit/Maracuja (586) shot into 8th and 9th place, respectively. Passionfruit is often paired with flavors such as Peach, Mango, Raspberry, Kiwi, Coconut, Papaya, Açaí, Blood Orange and Guava. Over this time period it has been most popular in Germany, UK and France, with increasing interest in Spain, Netherlands and Norway.



Top 10 Flavors Including Blends

01	02	03	04	05	06	07	08	09	10
									
UNFLAVORED PLAIN	STRAWBERRY	VANILLA	BLUEBERRY	PEACH	RASPBERRY	MANGO	CHERRY	APRICOT	LEMON

DRINKABLE YOGURT NEEDS FLAVOR FOCUS

While the category seems to have a lot going for it with fermentation, convenience and functional properties, drinkable yogurts only account for 10% of yogurt sales in the US. Mintel's research shows consumers rate drinkable yogurt below spoonable yogurt in key attributes such as "tasty," "exciting," "fun" and "indulgent treat," which is also strongly related to taste. The gap is largest for "tasty." Brands might be focusing more on functional benefits and lagging behind on the flavor innovation, in addition to possible texture issues for US consumers. As we know, flavor is always key, but especially so in categories like this where consumers still have a lack of familiarity, so flavor innovation and consumer education are important for category growth.

ARLA VANILLA SKYR DRINKING YOGURT

is free from added sugars and contains artificial sweeteners. The Team Denmark recommended product contains 0.1% fat, is high in protein, and features the Farmer Owned logo. Denmark 2017



Products



TERUN COOKED FULL-FAT YOGURT

is halal certified. This product retails in a pack containing 8 units. China September 2017



BROOKLEA LIGHT GREEK STYLE LAYERED PEACH & PASSION FRUIT YOGURT

is fat free Greek style yogurt with a layer of peach and passion fruit compote with sugar and sweetener. The product contains 83 calories per pot and is made with British milk. It is free from artificial colors, flavorings or preservatives.

UK September 2017



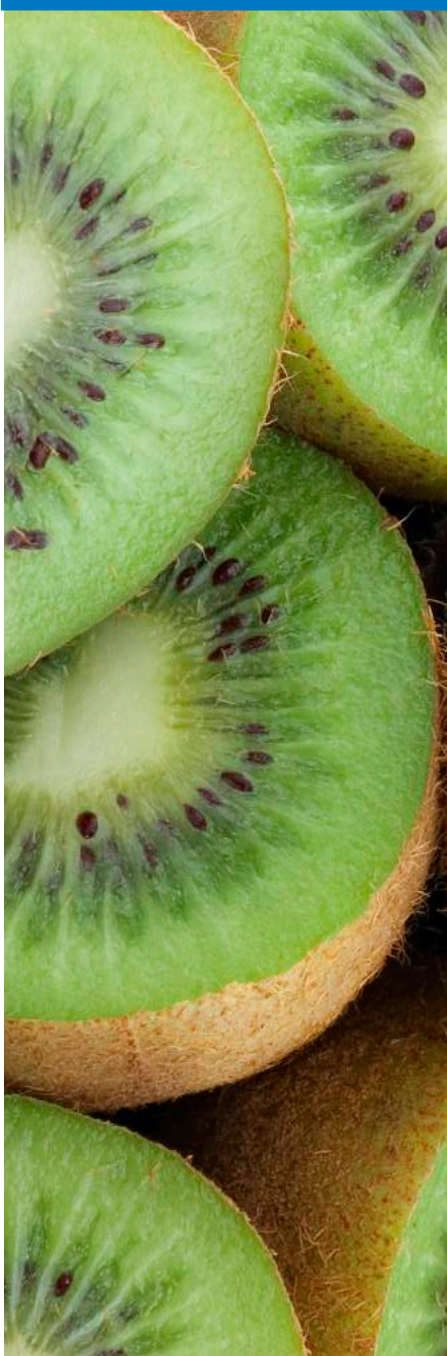
DAIRY FARMERS CHEEKY COW TAKES TWO TO TANG-GO PASSIONFRUIT, BLOOD ORANGE & GUAVA LAYERED YOGHURT

features a fruity layer on top and at the bottom. The product is made from at least 91% Australian ingredients.

Australia August 2017



Pumpkin Mousse featuring plain Greek yogurt and canned pumpkin is one of USA Triathlon's most popular fall recipes among their website readers/athletes.



Interesting Flavor Combinations



DANONE ACTIMEL LIME, GINGER & YUZU FLAVORED DRINKING YOGURT

contains 2% milk fat, L. casei, and vitamins B6 and D, which support the immune system.

Germany 2017



MILA MANGO, MARACUJA AND KIWI FULL FAT YOGURT

is formulated with 100% milk from the South Tyrol region, from cows that are taken care by farm members, and are fed only with 100% GMO-free feed. The product contains no added preservatives, gluten and GMO ingredients, and retails in a 250g recyclable pack that contains two 125g units. *Italy September 2017*



KROGER GREEK PINEAPPLE KIWI WITH A HINT OF SPINACH NONFAT YOGURT SMOOTHIE

contains other natural flavors, prebiotics, probiotics and vitamins A and D. This product is free from gluten, provides 18g protein, and retails in a 10-fl. oz. recyclable pack.

USA September 2017



In Germany, Italy and Poland, around a third of consumers eat/drink yogurt for breakfast, as an accompaniment to cereals or fruits, or on its own. In the US, 93% of yogurt consumers eat it for breakfast, including 29% on a daily basis.

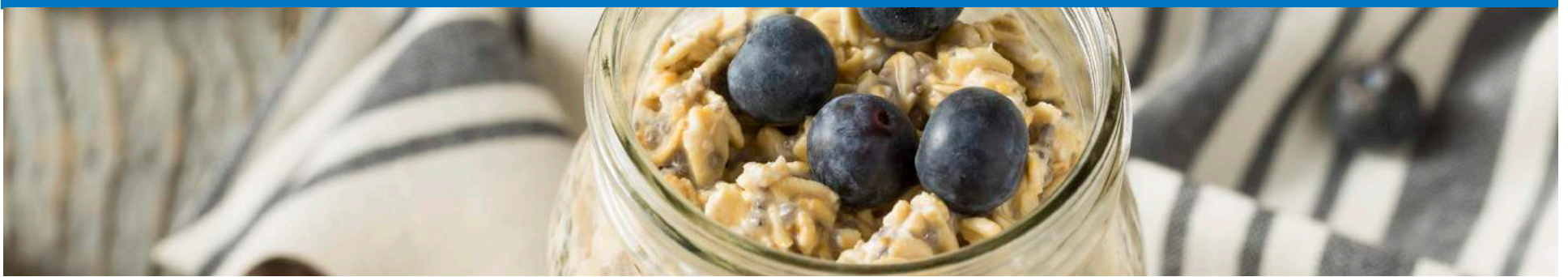
Healthy Messaging

“It is critical for brands to nail the message around yogurt’s natural health benefits,” says Mintel analyst Caroline Roux, “particularly with youngsters who have always been exposed to dairy-free products.”

Consumers continue to look for products that provide health & wellness benefits, but the focus on yogurt’s digestive and protein benefits has slipped. And while oats are trendy, Mintel research shows yogurt brands that incorporate oats aren’t promoting their health benefits as much as other food products do. For example, only 1% claim heart health versus 6% of other food products containing oats. And only 2% claim fiber versus one-fifth of other products.

There’s also room to innovate around yogurt-based breakfast options. Consumers are looking for breakfast foods that are tasty (of course), nutritious, filling, quick to prepare, and that provide energy. However, few yogurts positioned

as breakfast products are particularly high in energy and/or protein. When we look at drinking and spoonable yogurts featuring the word “breakfast” in their description and launched globally in the last three years, the average calorie count for 100 grams of product was just under 100 and the average protein content was 4.2 grams.



Overnight Oats In High Demand

OVERNIGHT OAT INNOVATION IN RETAIL is undergoing a boom time. Consumers of breakfast cereals in the US, UK, Indonesia, New Zealand, South Korea and the Netherlands have been encouraged to prepare their breakfast food at night by adding milk and/or yogurt to their oats and let them soak overnight.

QUAKER RECENTLY LAUNCHED A LINE OF CHILLED OVERNIGHT OATS CUPS in the UK and in the US in flavors such as Blueberry, Banana & Vanilla and Toasted Coconut & Almond Crunch. The cartons suggest adding yogurt if creamier oats are desired. In Canada, President's Choice launched Overnight Oats Greek Yogurts, calling out the product being a good source of fiber, as well as protein. California's Voskos Greek yogurt company has a detailed web page devoted to the creation of overnight oats using their yogurt, oats, fruit and chia seeds. (Interestingly, they promote the health benefits of all those ingredients except the oats.)



Dubo Food Apple Flavoured Overnight Oatmeal

comprises oatmeal and freeze-dried apple. Add milk to the resealable pouch and keeping it in the refrigerator overnight more than four hours to have a simple and nutrient breakfast meal with a soft texture. Pouch is easily portable for breakfast on-the-go or at the office. It can be topped fruits, nuts, yogurt, cinnamon or chia seeds. *South Korea November 2016*



Sojade So Avena! Yogurt with Oat, Banana, Passionfruit and Muesli

is vegan, a source of fiber, free from GMOs and flavorings and said to be ideal for breakfast. *Spain August 2017*



Ingredient Spotlight: Water Buffalo Milk

Water buffalo milk and products made from it are prized for their creaminess. Best known as the ingredient in Italian buffalo mozzarella, the milk contains 8.5% butterfat, compared with 3 to 3.5% in cow's milk, and it has 40% more protein than cow's milk. It is also reported that consumers with lactose issues can better tolerate water buffalo milk.

Yogurt made from water buffalo milk is as thick as Greek yogurt without straining, leading manufacturers like Ithaca Water Buffalo in New York to promote a product that is "the most natural yogurt" they can make, without thickeners and a "complicated mechanical process." The result, the company says, is "zero waste, and 100% natural, thick yet creamy yogurt, that is smooth and not sour or containing the high acidity of Greek yogurt."

They also claim it takes 3 cows to make the same amount of yogurt as one water buffalo, making their

product better for the environment.

Mintel only noted 2 buffalo milk yogurts in the world in 2013, but that number rose to 14 by 2015 and there were 11 as of September 2017. Chile, Romania and Turkey are the top 3 producers, with Turkey and Switzerland showing a recent rise in interest.

Spotted:

- Norman, a Brooklyn cafe from Scandinavian chefs Fredrik Berselius and Claus Meyer, opened this spring with buffalo milk yogurt with rhubarb preserves and sunflower seed granola on its menu.
- Auberge du Soleil, a fine dining restaurant in Napa Valley, CA, offers a dessert featuring lemon-flavored buffalo milk gelato, Suncrest peaches, Japanese beignets and Italian Amaretti cookies.
- ME Water Buffalo Co. in Appleton, ME, sells buffalo milk yogurt and gelato at farmers' markets in the area.



Bufala Organic Plain Buffalo Yogurt

is said to be an extraordinary, creamy yogurt specialty. The company supports the Pro Natura project to introduce young buffalo into protected nature reserves in Reusstal. Switzerland September 2017



Transilvania Lactate Greek Yogurt

is made with 100% buffalo milk, and has 10% fat. It is organic and free from gluten. The manufacturer claims to be responsible and involved in environment conservation.

Romania September 2017

“It is increasingly important we can demonstrate to consumers their food is safely and sustainably produced,” Edmond Scanlon, CEO Kerry Group, on achieving 100% sustainability certification of its milk suppliers in Ireland.

Milk Quality, Happy Cows and Traceability

Ethical – Animal claim is the top growing claim over the past year (+475% Q3 2016 – Q3 2017) in ice cream and has seen a 98% increase in the yogurt category from 2013-2016. Ethical - Environmentally Friendly Product claim rose 100% around the world from 2013 to 2015, climbing from 77 products to 154.

Happy herds and well cared-for animals may already be associated with better tasting milk in the eyes of the consumer, so Mintel reports that the extra effort involved in ensuring dairy traceability and responsible husbandry could give brands a significant perceived taste advantage.



PERFECT DAY: NO-COW DAIRY

As consumers increase focus on the treatment of the cows providing their milk, a new product that would assuage all worries of animal welfare while enjoying dairy products such as yogurt is emerging: Perfect Day – no-cow dairy. Perfect Day removes cows from the dairy equation all together, creating milk using “proteins derived from fermented yeast” in a process not unlike brewing craft beer, reports Whitney Filloon of Eater. Perfect Day’s website promotes the product as “more nutritious, safe, and sustainable than factory-farmed dairy. And it tastes just like cow’s milk!” The company also claims their process to create cow-free dairy uses 98% less water, 91% less land, 65% less energy, and produces 84% less greenhouse gas emissions than factory farms.



“Traceability - from pasture to plate - is very strong in China. Consumers want to know that the product they are consuming has been produced with the highest animal welfare, environmental and quality processes.”

- Milk New Zealand managing director Terry Lee



Yoghurt Break Greek Style Yogurt with Strawberry, Blueberry, Blackcurrant, Oat Flakes and Seeds contains 8% fat and features the Meadow Milk logo. Meadow Milk comes from farms where the cows are free to roam in meadows for at least 120 days each year, from Springtime through to the Autumn, and for at least 6 hours a day. Netherlands September 2017



Bien Aparecida Natural Yogurt is exclusively made using cow's milk sourced from Cantabrian farms. Cantabria is an area of lush vegetation between the Bay of Biscay and the Cantabrian Mountains in Spain. Spain September 2017



RegioFair Nature Sheep's Milk Plain Yogurt is made with organic, regional and sustainable Emscha sheep's milk from the Entlebuch UNESCO biosphere in Switzerland and contains orotic acid that contributes to the natural cell restoration. Switzerland September 2017

29% of Canadian households that use milk consider it important to know where dairy milk comes from.

Claims

Brands are pushing their natural credentials with claims such as No Additives/Preservatives, which is the third most popular claim, Hormone Free (+43% for this time period), GMO-free (+42%) and organic (+25%). Protein claims - that largely contributed to the success of Greek yogurt - now play a minor role in the marketing of new yogurt. According to Mintel, in the 12 months to June 2017, less than 5% of new yogurt launches featured a high protein claim, compared to 15% three years earlier.

Dannon's launch of a line of Non-GMO Project yogurts brought criticism from the National Milk Producers Federation, who ran an ad campaign against such labeling of dairy products, saying it was "deceptive" and "fear-based marketing." Dannon spokesman Michael Neuwirth explained the company wasn't necessarily opposed to GMO ingredients,

and that the changes were driven by consumer demand "for natural and sustainable eating options." "Consumers can go to the store and make choices based on their preferences, not ours," he said.

Spotted:

Hiday Farms in Burlington, MI, a small, family-run farm, produces thick and creamy, plain-flavored, organic yogurt made from milk from grass-fed cows. It's available in a handful of stores in eastern Michigan and receives customer comments such as: "Creamy and a farm fresh flavor. The yogurt I've been searching for! Thank you for providing a healthier alternative to mass produced yogurt."



43% of US buyers eat yogurt/yogurt drink for digestive health and 41% for the protein

- Mintel, Yogurt and Yogurt Drinks - US - August 2016

Top 10 Claims

1

LOW/NO/
REDUCED FAT

6

ORGANIC

2

LOW/NO/REDUCED
ALLERGEN

7

KOSHER

3

NO ADDITIVES/
PRESERVATIVES

8

SOCIAL MEDIA

4

GLUTEN-FREE

9

VEGETARIAN

5

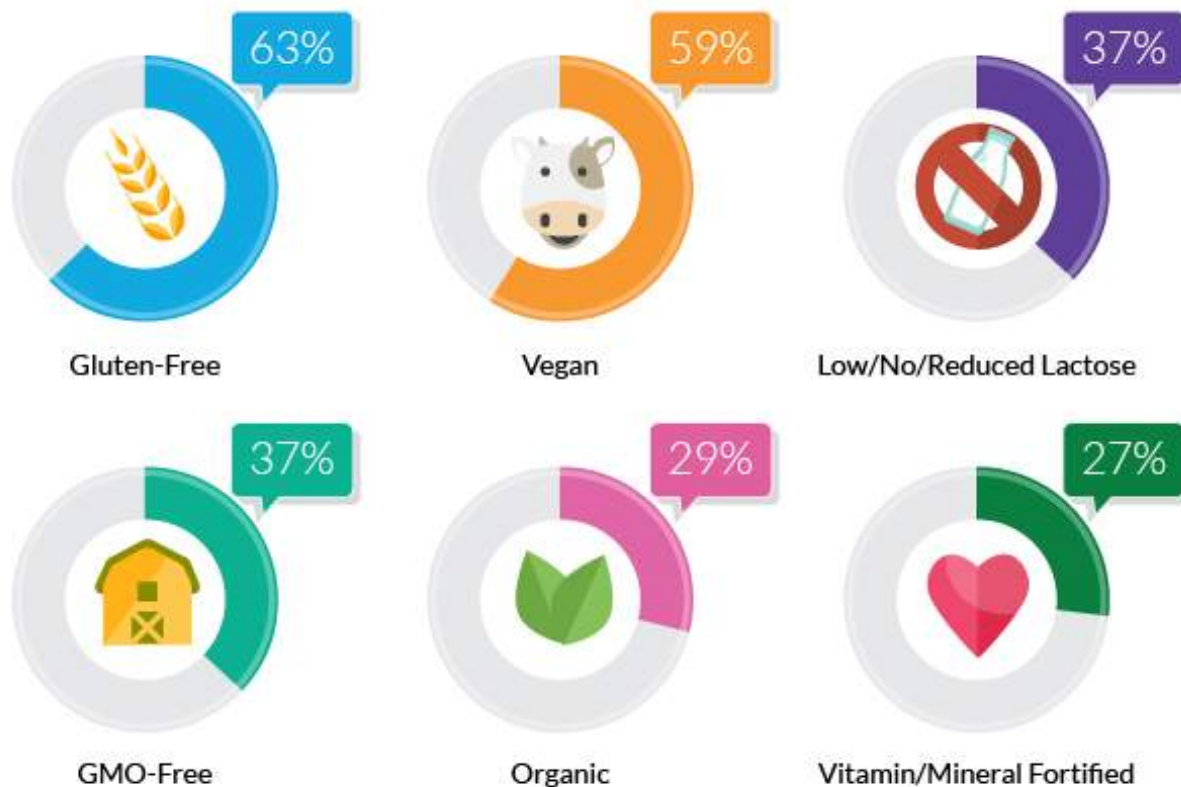
ETHICAL -
ENVIRONMENTALLY
FRIENDLY PACKAGE

10

LOW/NO/
REDUCED SUGAR

DAIRY-FREE YOGURT, NEW PRODUCT LAUNCHES, TOP CLAIMS, 2016

Source: Mintel GNPD



Stonyfield Organic Double Cream Lemon Yogurt with Fruit on the Bottom

is a kosher and USDA organic certified product, free from toxic persistent pesticides, gluten and GMO, and is made from milk from pasture-raised cows. *US August 2017*



LB Sabores Naturales Mocha Coffee Yogurt

contains Biovida probiotic and is free from preservatives, colorings and flavorings. It is lactose-free and ready to drink. *Colombia September 2017*

Launches/Countries

Technavio reports the global yogurt market is currently growing at a moderate rate because of increased awareness about yogurt's nutritional benefits and increasing consumer demand for convenience foods that are also healthy. A recent report by Grand View Research agrees, stating yogurt's health benefits and the increase in organic offerings are set to boost industry growth. Technavio also shows India and China poised to boost the yogurt category due to "growing urbanization and GDP, the rise in middle-class population, and the increase in disposable incomes."

Only 37% of the US population purchases yogurt - Mintel

In the United States, after years of fast growth, US sales of yogurt have softened. The Greek yogurt boom is fading, and Mintel quotes Chobani founder Hamdi Ulukaya as saying his company needs to step up and deliver what consumers of traditional yogurt are looking for, since they are unsatisfied and leaving the category:

"Last year alone, nearly two million households left (the yogurt category) because they could not find options that were right for them—namely a product that's affordable, has less sugar and is made with only natural ingredients."

China is the largest yogurt market in volume. In the past five years, the Chinese yogurt market saw a compound annual growth rate (CAGR) of 24% in value, while the US grew 6%. In mature European markets, consumption is declining slowly, due to fiercer competition coming from other food and

drink categories. France, Italy, Spain, Switzerland and Poland have all posted zero to negative CAGR in both value and volume in the past five years. In Germany, the third largest market in volume globally, the recent increase in consumption and average retail price have contributed to a market turnaround.

YOGURT, VOLUME SALES (000 TONNES), TOP FIVE MARKETS, 2016*

*est

Source: NBS, Economist Intelligence Unit, U.S. Department of Agriculture, U.S. Census Bureau, Information Resources, Inc., DeStatist, BMELV, BLE / Mintel



Plant-based Yogurt

Globally, plant-based milks and yogurts are on track to become mainstream as plant-based dairy has broadened its appeal beyond consumers with dietary concerns and allergies, and followers of vegetarian or vegan diets. These products have convinced consumers of their health and taste credentials.

The number of new dairy-free spoonable yogurts is in constant increase. In 2016, introductions increased by 20%, after increasing by 40% in 2015. While soy used to be the main base ingredient (80% of global dairy-free yogurt launches in 2011), product developers are now moving toward other ingredients such as coconut milk, which increased by 35% in 2016.

Ripple co-founder Dr Neil Renninger believes the plant-based yogurts

currently on the market have room for improvement, though, and the company is launching a line of Greek-style yogurts with a higher protein content (12g/serving) and superior texture to brands currently on shelf, which, he says, have improved, but can still look “gelatinous” and “weird.”

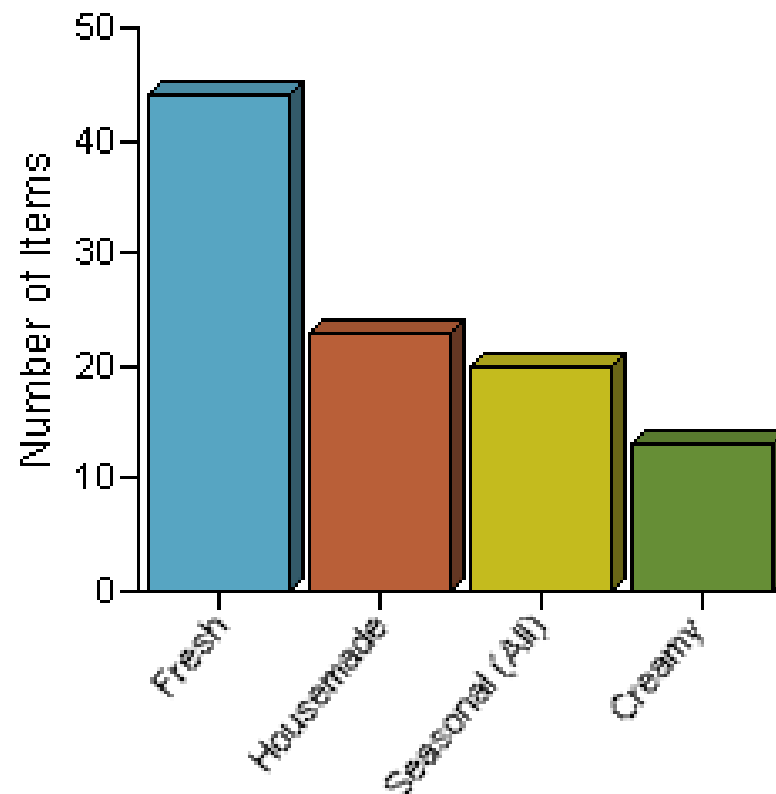
Spotted:

Broken Coconut restaurant in NYC, geared toward “food-conscious urban bohemians,” features housemade, dairy-free, probiotic-rich yogurt in 3 flavors:

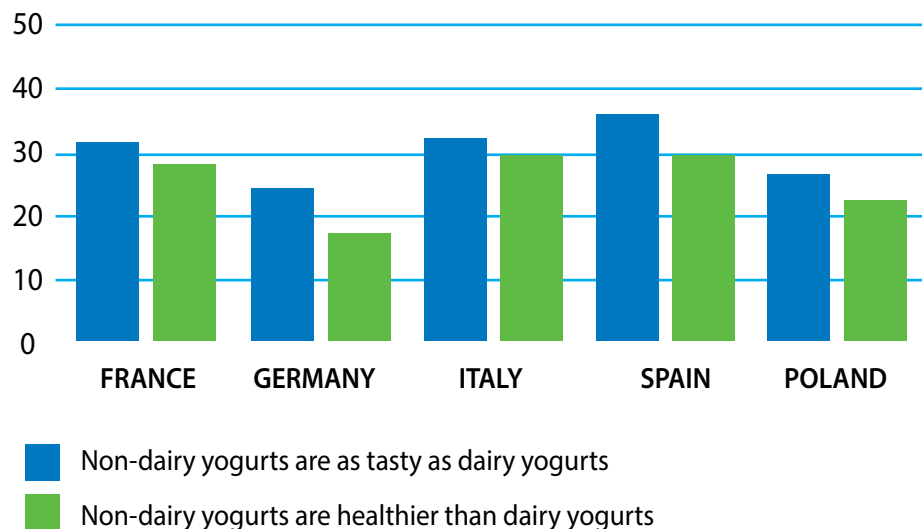
- Blueberries, banana, chia
- Raspberries and walnuts
- Black cherries, almonds, flax

Customers can also add sugar free, gluten free granolas: Coconut Almond Crunch or Tumeric Ginger Snap.

TOP CLAIMS IN DAIRY FREE, 2016



ATTITUDES OF NON-DAIRY VS. DAIRY, 2016 - Mintel



Base: internet users aged 16+ who eat yogurt/ drink yogurt drinks (895 in France, 906 in Germany, 889 in Italy, 937 in Spain and 932 in Poland)



Kingland Healthy Living Mango & Peach Dairy Free Yoghurt

is lactose- and gluten- free, suitable for vegans and made with Australian organic soybeans. Also available in Passionfruit & Chia, Apple & Cinnamon, Mixed Berries & Chia, and Unsweetened Plain. China June 2017, imported from Australia



Irene's Gourmet Super Cacao Flakes in Vanilla Coconut Yogurt

contains superfood, live cultures and raw cacao flakes, is sweetened with agave and coconut blossom, and is described as wholesome, vegan and delicious. The product is free of dairy, garlic, gluten, palm oil, preservatives, colors and artificial flavouring. South Africa May 2017



D'Hoy Almond Flavored Vegan Greek Style Yogurt

comprises natural coconut pulp and almond flavor, as well as probiotic cultures that can improve defenses and the digestive system function. It is free from sugar, salt, added fat, dairy, soy, GMO and gluten. Ecuador April 2017

Conclusion

The consumer demand of recent years was healthy options in convenient formats to be incorporated into their daily routine. Yogurt have worked -- and continue to work -- on meeting those innovation demands through increased protein, lowered sugar, organic ingredients and on-the-go packaging. Plant-based yogurts are increasing with bases expanding beyond soy as non-dairy products go mainstream. Health and convenience factors such as these will drive growth in the future. India and China are also poised to boost the yogurt category as their middle-class populations and incomes rise.

FONA CAN HELP!

Let FONA's market insight and research experts translate these trends into product category ideas for your brand. They can help you with concept and flavor pipeline development, ideation, consumer studies and white space analysis to pinpoint opportunities in the market.

Our flavor and product development experts are also at your service to help meet the labeling and flavor profile needs for your products to capitalize on this consumer trend. We understand how to mesh the complexities of flavor with your brand development, technical requirements and regulatory needs to deliver a complete taste solution.

CONTACT OUR SALES SERVICE DEPARTMENT

at 630.578.8600 to request a flavor sample or visit www.fona.com.

SOURCES:

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US consumers need to be convinced of yogurt drinks' flavor

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