

# The Market for Dairy Flavors

Health and indulgence are driving growth in the \$481-billion global dairy products market, representing a significant opportunity for manufacturers and suppliers of flavors.

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*All market information provided herein is sourced from Foodtrending.com, a global food ingredients market intelligence tool.*

—Editor

The global market for dairy products is currently worth \$481 billion and growing at a rate of 5.1% per year, fueled by growth in demand in the Middle East and Africa, Central and South America, and Asia Pacific (T-1). Cheese is the largest product category, with the global market for cheese now worth \$195 billion (T-2). Ice cream and frozen desserts is the next largest market, worth \$92 billion globally and growing at a rate of 5.9% per year.

The global market for butter and yellow fats is worth \$64 billion, while yogurt and cultured milks, including drinking yogurt and prebiotic drinks, is now worth \$63 billion. Although a much smaller market, demand for milk drinks now stands at \$25 billion and growing rapidly. Finally, the global market for chilled desserts is worth \$17 billion.

For this analysis, the author has focused on dairy products, excluding (unflavored) liquid milk, as this is not an opportunity for flavors.

In terms of sales by channel, retail accounts for almost two thirds of sales of all consumer expenditure on dairy products globally, with sales through all foodservice channels accounting for 34%. Although sales of dairy products through foodservice channels are forecast to grow over the next five years, share of the total market is likely to remain relatively static.

## Trends in Dairy Products

The dairy category benefits from positive health connotations, and there have been a number of new and innovative products launched with clear and targeted health benefits. Health will remain a significant area for development over the next five years, as well as a growing interest in sports and infant nutrition. Conversely, consumers are also seeking luxury and indulgence from the dairy category. This trend, combined with the desire for new and exciting flavor experiences, represents a significant opportunity for flavor manufacturers and suppliers—particularly when coupled with a global trend toward the use of natural flavors, where commercially viable. Finally, the areas of sugar and fat replacement are becoming increasingly important.

## The Market for Flavors

The market for flavors in dairy products is analyzed here by the following flavor types: natural flavors, synthetic flavors, industrial seasonings, herbs and spices, and flavoring materials (T-3).

While there is a significant trend toward the use of natural flavors in dairy products, synthetic flavors remain the largest segment when measured globally (T-4). However, demand is slow-to-declining, depending on the product category and country. Globally, use of synthetic flavors in dairy products remains static at \$1,086 million, with the largest areas of use being milk drinks, yogurt and cultured milks, ice creams and frozen desserts, and butter and yellow fats.

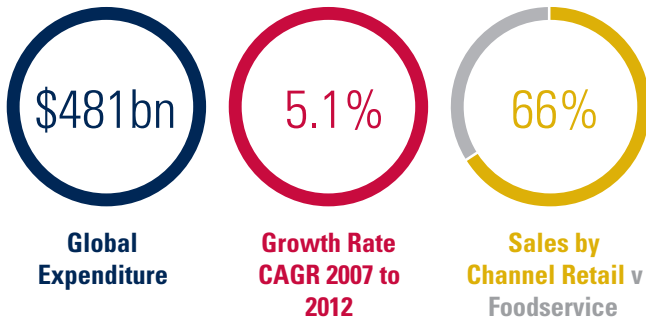
By contrast, use of natural flavors in dairy products has grown from \$486 million to be worth \$723 million over the last five years, a growth rate of 8.3% per year (T-5). Here, ice creams and frozen desserts are the largest users of natural flavors by product category, followed by yogurt and cultured milks, milk drinks and desserts. Growth opportunities for natural flavors across all dairy product categories remain strong, forecast to grow at 4.5% per year in value terms.

## Glossary

- **Cheeses:** Hard, semi-hard, soft, blue-veined, fresh and processed.
- **Ice cream and frozen desserts:** Ice cream, ice cream snacks, sorbet and water ices.
- **Butter and yellow fats:** Butter, margarine and yellow fat spreads.
- **Yogurt and cultured milks:** Yogurt, plain and set; stirred fruit; drinking yogurt; prebiotic drinks; junket; pap; vla (custard).
- **Milk drinks:** Non-fermented, flavored milk-based drinks. Generally, these are drinks formulated from semi-skimmed milk with added sugar/sweetener, stabilizer, flavor and color, sold either as fresh/chilled or long-life UHT products.
- **Desserts:** Chilled and cream desserts, other milk desserts, other fermented products, dessert mixes.

Note: This analysis excludes unflavored liquid milk.

### T-1. Global market for dairy products, 2012



Source: [www.foodtrending.com](http://www.foodtrending.com)

### T-4. Global market for synthetic flavors in dairy products, by category, 2012



Source: [www.foodtrending.com](http://www.foodtrending.com)

### T-2. Global market for dairy products, by category, 2012



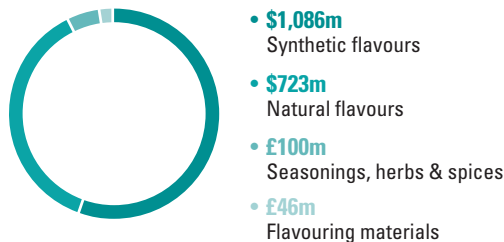
Source: [www.foodtrending.com](http://www.foodtrending.com)

### T-5. Global market for natural flavors in dairy products, by category, 2012



Source: [www.foodtrending.com](http://www.foodtrending.com)

### T-3. Global market for flavors in dairy products, 2012



Source: [www.foodtrending.com](http://www.foodtrending.com)

The market for seasonings, herbs and spices in dairy products is much smaller, worth \$100 million globally, albeit one that is showing significant growth. Finally, usage of flavoring materials in dairy products is also forecast to grow strongly, although again the total opportunity remains relatively small.

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