

DAIRY DRINKS, MILK & CREAM – GERMANY – 2023

Dairy is a staple for many Germans, but it needs to adapt to stay relevant in the face of growing flexitarian diets. Brands need to prove their value to maintain appeal.



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Dairy Drinks, Milk & Cream - Germany - 2023

This report looks at the following areas:

- Market drivers for dairy and dairy drinks, including the impact of inflation and shift in consumer demands
- Usage of milk and milk products, with 89% of Germans consuming dairy milk
- Usage of cream-based products, with opportunities for more varied NPD
- Priorities when purchasing dairy milk and perceived values that impact willingness to spend
- Attitudes towards dairy products, including packaging and nutritional and health expectations towards dairy
- Recent product launch activity, innovation and advertising campaigns



Dairy is a staple for many Germans, but it needs to adapt to stay relevant in the face of growing flexitarian diets. Brands need to prove their value to maintain appeal.

Overview

Milk is a staple in most German households with **87% of Germans** consuming dairy milk. Dairy milk faces increasing competition from plant-based options in line with growing consumer concern about sustainability and animal welfare. Indeed, plant-based milk leads in NPD.

Another challenge faced by the dairy market is high inflation. Transport costs, fodder and fertiliser prices skyrocketed in 2022 and consumers were confronted with steep price increases for milk. As **44% of Germans say they are worse off than a year ago** (as of September 2022) people with tighter budgets will be looking to trade down when food shopping.

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Nonetheless, many dairy users are willing to spend more money on products they perceive as higher value, especially when these support farmers (eg **56% of category users/buyers** are willing to spend up to 30 cents more per litre), are sustainably farmed (63%) or prioritise better animal welfare. Brands that align with consumers' values and communicate their ethical credentials will be able to better justify price increases; **48% of Germans** find milk products that are transparent about their environmental impact more appealing.

Dairy and plant-based milk blends, as well as novel flavours of creams and flavoured milks are all new ways to inspire consumers to maintain consumption and try new products.

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Report Content

EXECUTIVE SUMMARY

Key issues covered in this Report

- Overview
- The five-year outlook for dairy drinks, milk and cream

Market context

- Inflation hits dairy sales
- Consumers' ethical values shape the industry
- Stand out as a moral brand

Mintel predicts

- Dairy milk challenged by growing market of dairy alternatives
- Market size and forecast
- Value sales on the rise
- Slow decline in volume sales

Opportunities

- Compete in the energy drinks space
- Create more excitement for cream
- Target flexitarians with plant-based inspired options
- Enable the barista experience at home
- Play into the health and fitness trend

The competitive landscape

- Private labels have the strongest dairy market shares
 - Graph 1: company retail market share of dairy milk, by volume and value, 2021
- Quick download resources

MARKET DRIVERS

German economy

- The cost of living crisis is holding back the post-COVID-19 recovery
 - Graph 2: key economic data, in real terms, 2019-24
- Inflation continues to be the key concern in 2023 for consumers, brands and the economy...
- ...impacting financial wellbeing and consumer expenditure
- Rising living costs lead Germans to tighten their belts

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- Milk reputation and high costs challenge dairy farmers
 - Graph 3: conventional milk prices, 2020-22

Changing consumption patterns

- Milk usage across the generations
- Keep young Germans engaged

Personal and planetary health

- Helping consumers to make healthy choices
- Sustainability is in demand...
- ...and animal welfare is gaining traction

WHAT CONSUMERS WANT AND WHY

Milk consumption habits

- Milk variety is gaining popularity...
 - Graph 4: types of milk used in the last three months, 2022
- ...but dairy milk remains a staple across age groups
 - Graph 5: usage of select types of milk in the past three months, by age, 2022
- Dairy needs to keep up with current consumer demands
- Target flexitarians with tailored options as they grow in numbers
- Guide consumers towards healthy choices
 - Graph 6: usage of dairy milk, by fat content, 2022
- Provide digestion-friendly dairy options for health-cautious consumers

Purchase factors for milk

- Shelf life is the leading purchase factor for dairy products
 - Graph 7: purchase factors for milk, by category, 2022
- Long shelf life is important
- Organic at the centre of attention

Cream usage

- More Germans use cream compared to 2019
 - Graph 8: usage of cream products in the last three months, 2019 vs 2022
- Potential remains for more varied uses for cream-based products
- Help consumers to reduce food waste by promoting homecooking
- Entice with new flavours and tailored product ranges
- International inspiration: give cream more flavour

Behaviours towards milk consumption

- Health focus is a key factor for changes in milk consumption
 - Graph 9: priorities towards milk products focusing on lifestyle factors, 2022
- Tap into the health and fitness trend with fortified milk
- Support a healthy immune system through milk consumption
- Milk as an essential source of nutrients for children
- Key consumer groups for flavoured milk
- Flavoured milk has potential to grow for children and adults
- Consumers are willing to pay for ethical dairy
 - Graph 10: sustainability-focused priorities when purchasing milk products, 2022
- Sustainability awareness presents the dairy market with new opportunities
- However, there are limits to idealism

Attitudes towards milk products

- Consumers want transparency about brands' sustainability efforts
 - Graph 11: attitudes towards milk products, 2022
- Refill stations remain an untapped opportunity
- Helping consumers understand how to recycle and show the brand's values
- QR code for transparency to help consumers understand what they spend their money on
- However, packaging sustainably remains a complex issue

LAUNCH ACTIVITY AND INNOVATION

- New burst for private label in dairy product launches
 - Graph 12: milk and cream* NPD by private label vs brands, 2018-22
- Plant-based drinks lead product launches
 - Graph 13: milk and cream* NPD, by sub-category, 2018-22
- Environmentally friendly packaging claims in product launches are rising...
 - Graph 14: milk and dairy alternatives NPD with environmentally friendly packaging claims, 2018-22
- ...and can be used to convey brand values
- More choices of pack size for individual needs: going larger
- More choices in sizing for individual needs: going smaller
- Plant-based leads in organic launches
 - Graph 15: milk and cream* NPD with organic claims, 2018 and 2022
- Animal welfare claims are rising
- The standards are rising for animal welfare
- Going beyond cow welfare
- Emphasise what makes milk unique...

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- ...and how milk stands out
- Increasing focus on wellness offers opportunity for digestion focused products
- Flavoured milk is a growing market with untapped opportunities
- Attract energy drink lovers with energy milk
- Draw inspiration from plant-based trends for new flavours
- Take international inspiration to tap into tea's health halo

Advertising and marketing activity

- A classic pairing: coffee and milk
- International inspiration: feeling connected to local farmers
- Advertising emphasises taste and animal welfare
- Going with the times

MARKET SHARE

- Brands are under pressure to remain competitive
- The plant-based market will continue to grow

Retail market share of cow's milk by value, 2020-21

- Dairy brands see slight gains in 2021 at the expense of private label

Retail market share of cow's milk by volume, 2020-21

- Private label loses volume

MARKET SIZE, SEGMENTATION AND FORECAST

- The dairy industry is challenged by tight budgets...
- ...and changing dietary habits
- Value sales of dairy milk are expected to continue rising
- Volume sales of dairy milk are forecast to decrease

Germany: milk retail sales, by segment, 2018-21

- Inflation in milk prices push slow decrease in volume sales

APPENDIX

Appendix – products covered, abbreviations, consumer research methodology and language usage

- Products covered in this Report
- Abbreviations
- Consumer research methodology
- A note on language

Appendix – market size and central forecast methodology

- Forecast methodology
- Forecast methodology – fan chart
- Market size – value
- Market size – volume
- Market forecast and prediction intervals – value
- Market forecast and prediction intervals – volume

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