RECENT IN RETAIL

THE DAIRY DILEMMA

With restaurants & schools closed, milk processing plants have fewer customers during a time of year when cows produce at their fastest rate. Now an estimated 3.7 million gallons of milk and 750,000 unhatched eggs are dumped daily—putting this industry in big distress. Read on to learn more about this dairy dilemma and how it could affect the retail landscape.

COVID19 is souring the dairy industry

REVENUE WILL DECLINE

With major clients like restaurants and schools closed, farmers can only rely on retail to sell product. This will likely cause the industry a 10% revenue decline.

FARMS COULD FAIL

Even if business is on the decline, farmers can't just shut down. They still need to feed and care for animals—creating high costs with low income.

PRICING VOLATILITY

Having a heavy surplus of product, the industry is anticipating price reductions by as much as 25% which will only add to the economic strain on dairy farmers.

Similar to the meat industry, dairy is experiencing a chain reaction of events because of COVID19. With less consumers, there is now a surplus of product which will affect distribution, waste, consumer cost and farming as a whole.

Consumers are stocking up on shelf-stable dairy

POWDERED MILK
+45%

PROCESSED & IMITATION CHEESE
+31%

SHELF-STABLE EGG SUBSTITUTES
+45%

ALL % L4 WKS VS YA

In grocery stores, dairy products have been in high demand as more consumers are eating at home during the pandemic. In the last 4 weeks, dairy purchases have been up +26% vs YA but have declined -7.8% vs prior period. Decline vs prior period is likely caused by supply chain issues.

In addition, there have been less traditional dairy panic purchases due to their shorter shelf-life, whereas substitutes like powdered milk and imitation cheeses have grown.

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Plant-based dairy alternatives are growing

+25%

Although traditional milk sales have spiked during the pandemic, plant-based milk (RFG & Shelf-stable) has soared. Plant-based dairy alternatives have seen short-term growth at +12.4% CAGR. This is more likely caused by younger demographics continuing to adopt vegan and flexitarian lifestyles vs mainstream changes in behavior due to COVID19.

This growth demonstrates the lack of overlap between shoppers for plant-based dairy alternatives and traditional dairy commodities—allowing both categories to exist simultaneously.

What can we expect next?

A rise in direct-to-consumer products to increase profit margins

An expansion of regional networks to donate products and offset costs

An emergence of new on-farm activities or tourism as alternate revenue

From a dairy surplus to extreme price reductions, we can expect this industry to make big changes to help offset product costs and losses.

We wouldn't be surprised to see an increase in brand partnerships, new revenue tactics on farms and more direct-to-consumer sales to help support category recovery.

Are there opportunities for your brand to grow or remarket during this surplus? How are you integrating shelf-stable consumer mindsets into your planning? We can help.

WEEKLY INSIGHTS

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