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**A STUDY TO ASSESS THE GLOBAL MARKETING OF
MILK & DAIRY PRODUCTS – WHAT SHOULD THE
MESSAGE BE?**

BY

EMMA RUTTER

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Declaration

The views expressed in this report are my own and do not necessarily represent the views of the Nuffield Farming Scholarships Trust, nor of my sponsor the Trehane Trust, nor my employer. No endorsement of named products is intended and all facts are correct to the best of my knowledge at the time of writing. Due to the commercially sensitive nature of this project, I am bound by a number of product and/or company confidentiality agreements throughout this report.

Emma Rutter

Hailing from a long line of Cheshire dairy farmers, I studied a degree in Agri-Food Marketing and Business Studies at Harper Adams University College. I then went on to work in the marketing departments at Genus Breeding and Holstein UK. Since February 2004, I have worked at the National Farmer's Union as their National Dairy Adviser and led on a number of issues, including the Dairy Farm Assured Scheme, of which I was Treasurer; animal welfare; dairy hygiene; quotas; marketing; school milk; health and nutrition.

Recently I moved from the NFU to Tesco Stores limited, to be their new Agricultural Manager for dairy, looking after farming initiatives and relationships throughout the supply chain.

Emma Rutter
Clayhanger Hall Farm
Haslington
Crewe
Cheshire
CW1 5SH
Telephone: 07984 903433
Emma.Rutter@uk.tesco.com

1.0 Executive Summary

Background

The purpose of this study is to look at whether there was one global marketing message for dairy products, whether it is possible to combine messages effectively (e.g. health and nutritional or pleasure and image messages) and who should be paying for this marketing?

With this background, I travelled to the USA, New Zealand, Australia, France, Holland, Denmark, Sweden and Ireland, to study both generic and branded dairy product advertising campaigns. Were these campaigns successful and, if so, could their success be emulated across the globe?

Introduction

With the onset of CAP Reform in the EU and the progressive removal of support for agriculture, British dairy farming faces a more testing future. Increasingly, the industry will be dependent on real consumer markets for its revenues and a greater importance will be attached to the development of branded, added value products.

Aim of the Study

The focus of my study was to establish whether there was one global marketing message for milk, whether it is possible to combine messages effectively (e.g. health and nutritional or pleasure and image messages) and who should be paying for the marketing of milk? After all, it is farmers' livelihoods that depend on getting it right, but it is the processors who have better resources (money and expertise) to do it effectively.

More specifically I set out to investigate how we should be positioning dairy in the future. Whether the messages should be health and nutrition, or pleasure and image? As my travels progressed, I began to look at new areas; whether promotional messages were actually transferable, and the trends and influences that were driving consumption of dairy products around the world. The study, therefore, goes well beyond its original remit and I have included my observations of these other issues, because I see them as relevant to the future marketing of milk.

Results of the Study

To be a truly global generic message, from what I have seen and learnt throughout my travels, it needs to be a message of pleasure. For the purpose of this study, pleasure is defined as a positive sensation, desire or inclination. Pleasure also refers to 'enjoyment' related to certain physical, sensual, emotional or mental experience.

What I feel we have to do, is to communicate messages to consumers that makes them feel very differently about why they are buying milk in the first place. At the moment, it seems to me that in too many cases, milk is just seen an ingredient.

Conclusions and Recommendations

There are many global challenges that lie ahead for the dairy industry, including environment, nutrition and welfare. How and where food is produced is now in the spotlight. The consumer is increasingly concerned about food miles and there is an escalating awareness of provenance, and for dairy we have a good story to tell.

Recommendation: We must respond quicker to changes in consumer demands and buying trends.

What I have learnt is that different countries have their own individual nutritional needs and problems. Therefore, almost by definition, different nutritional messages are needed around the world.

Recommendation: There needs to be an increased emphasis on educating consumers about the benefits of dairy products.

To be a truly global generic message, from what I have seen and learnt throughout my travels, it needs to be a message of pleasure. It's not that I don't think health is important, or that I think we should forget about the nutritional messages altogether. However, due to their very nature, I think messages of health and nutrition can only be introduced at a local level.

Recommendation: To be a truly global generic message, dairy marketing needs to adopt a strategy based on pleasure and image, which is backed up by nutrition.

What we have to do is to communicate something very different to our consumers about why they are buying milk in the first place. At the moment, it seems to me that in too many cases, milks just seen an ingredient. I want to make people stop and think about milk.

Recommendation: There needs to be a greater importance attached to the development of branded, added value products. There is certainly much greater consumer choice elsewhere in the world.

The 'image' of dairy needs to encompass the whole of the supply chain - from farm inputs, to the final consumer. Public perception is key, and this needs to be positive.

Recommendation: Generic marketing of milk and dairy products needs to be balanced with a more proactive, consumer facing campaign about dairy farming.

The environmental impact of dairy farming and its inputs, all the way to disposal of the cartons and plastic milk bottles, has to be perceived as "responsible" by consumers.

Recommendation: The industry should look to move away from plastic milk bottles and develop new, environmentally friendly, biodegradable cartons.

Where I think global messages can be implemented successfully is in taking on the anti milk lobby, and in particular, I've been impressed by the initiatives already taking place through the International Dairy Federation. I took part in a meeting related to this when I was in New Zealand. There's no doubt that the anti milk lobby has become much more vocal, just recently, on a global basis. Some of their accusations are easy to repudiate, some not quite so, and the industry needs to be working together to change this.

Recommendation: The challenge for the dairy industry is getting everybody to work together on a global basis. This is already happening through the International Dairy Federation; however, the industry must do more.

I also feel we must focus more as an industry on the need to defend against alternatives, such as soya, that seek to erode dairy's nutritional message, virtually always from a weaker nutritional position. The likelihood is that more foods will be fortified with calcium and other dairy nutrients in the future. They are likely to make similar claims to dairy and the risk is that some people will consume these as an alternative. We have already lost the term "milk" to such bodies. Therefore, we can't let up.

Recommendation: With our strong domestic liquid market of 6.5 billion litres (MDC, 2006), we have a good story to sell, as consumers become more concerned with food miles and provenance.

2.0 Introduction

With the onset of CAP Reform in the EU and the progressive removal of support for agriculture, British dairy farming faces a more testing future. Increasingly, the industry will be dependent on real consumer markets for its revenues and a greater importance will be attached to the development of branded, added value products.

This will impose greater responsibility on the dairy processing sector to become involved in new and innovative dairy products. However, equally this work must be underpinned by the generic positioning of dairy products in the minds of the industry's consumers.

It is vitally important, therefore, that the generic message which is conveyed to the dairy consumer is positive, clear, easily understood and has a positive impact on dairy product consumption.

To a great extent there is a dilemma between the positioning of dairy products as healthy and nutritional products or as pleasure products; something that 'enjoyment' can be derived from. It may be possible to combine both messages, but to date; the focus has been emphatically on the former.

Recent research, however, has shown that dairy is under attack on health and nutrition grounds and this is believed to be having a negative impact on consumers. At the same time, there is a view that the most effective stimuli to dairy consumption is marketing messages focussed on 'pleasure' and 'image' to young adults and not to their parents. So, are we confusing consumers with the wrong messages about the milk they are drinking?

The issue is of immense importance to farmers. In the UK, for the most part, it is farmers who have funded the last national TV campaign for liquid milk. Farmers greatly supported the 'White Stuff; are you made of it?' advertising campaign but are farmer's confident that this is the right message to achieve the optimum return for their money?

3.0 Aim of Study

The focus of my study was to establish whether it was possible, and beneficial, to convey one global marketing message for dairy products, whether it is possible to combine messages effectively (e.g. health and nutritional or pleasure and image messages) and who should be paying for this marketing? On the one hand, it is farmers' livelihoods that depend on getting it right. On the other hand, it is processors who need a positive underlying attitude to milk and dairy products, to allow them to maximize the benefits of their brands.

Increasingly, retailers now have a part to play in the marketing of dairy products, and I have covered this area more thoroughly in the **Growth in Retailers and House Brands** section. Although their role is still very much in its infancy, two major UK retailers, Tesco and Asda, have recently run very different milk marketing campaigns. Tesco has also been running a health awareness campaign on dairy alongside processors and the Milk Development Council.

Ultimately, the aim of my project was to establish whether the farmer's farm gate price, or the potential to grow supply, will improve as a result of generic promotion, by increasing demand for milk and milk derived products. This has always proved challenging to measure and has meant that, in the past, all generic milk marketing has had to be fought for.

More specifically I set out to investigate how we should be positioning dairy in the future. Whether the messages should be health and nutrition, or pleasure and image? As my travels progressed, I began to look at new areas; whether promotional messages were actually transferable, and the trends and influences that were driving consumption of dairy products

around the world. The study, therefore, goes well beyond its original remit and I have included my observations of these other issues, because I see them as relevant to the future of the marketing of milk.

My scholarship has taken me to the Republic of Ireland, America, New Zealand, Australia, France, Holland, Denmark and Sweden.

Dairy conferences, including the International Dairy Foods Association (IDFA) and the Dairy Management Inc. (DMi) Board meeting, USA's Hilmer Cheese, Dairy Australia and Fonterra were just some of the stops on my global tour.

Other stops included international dairy companies, such as Pauls, Parmalat, Nestle, Campina and Arla. National dairy processors, such as Tatua (New Zealand), Dairy Farmers (Australia), National Foods (Australia), Murray Goulburn (Australia) and national organisations, such as the US Dairy Export Council, National Dairy Council (USA), Dairy Council for Northern Ireland, Dairy Australia and New South Wales Food Authority.

4.0 Global Dairy Situation

Industry

A key development in the global dairy situation includes a period of intense consolidation, with many major companies involved in key mergers and acquisitions. Since 1997, the industry has seen the formation of a number of dairy giants, including companies such as Dairy Farmers of America in the US, Friesland Coberco in the Netherlands, Humana Milchunion and the new Nordmilch group in Germany, Swiss Dairy Foods in Switzerland, Glanbia in Ireland and Arla Foods in Scandinavia.

The overall development of the leading multinational like Nestle and Unilever to focus their efforts mainly on the marketing side of the business was undoubtedly the main trigger of the new way of thinking about cooperation between food companies. This development also puts the overview of the global dairy top-20 in a new perspective. Nestle is still the dominant leader, with sales of over USD 18 billion. However the question is how much of Nestle's value creation is actually achieved by a company like Fonterra (turnover of USD 8.6 billion) taking care of a significant part of the processing of Nestle's products. (The World Dairy Situation, IDF, 2006)

Milk is produced in almost all countries of the world. The EU-15 and South Asia (India, Pakistan) are the most important milk producing regions and cover more than 42% of world milk production. The USA represents 13% and Oceania (Australia and New Zealand) only 4.1%. Most countries in the world are not self sufficient in milk production. The milk surplus (net export) regions are North America, Europe, Oceania and the countries of Argentine, Chile and Uruguay. (A Global Review – The Supply of Milk and Dairy Products, Dr. Torsten Hemme, *et al*, 2005)

The cost of milk production can be seen as an important indicator for competitiveness of milk production. Low production costs of milk producing farms are found in South America, Asia and parts of Oceania. In Western Europe, most countries of Eastern Europe and Northern America production costs are higher than 30 US-\$ per 100kg. (A Global Review – The Supply of Milk and Dairy Products, Dr. Torsten Hemme, *et al*, 2005)

World milk production increased by around 10% between 1992 and 2001. High growth rates can be found in Oceania, South Asia, East South Asia and Latin America. Milk production decreased mainly in the CIS countries and Eastern Europe, while it is nearly unchanged in Western Europe. (A Global Review – The Supply of Milk and Dairy Products, Dr. Torsten Hemme, *et al*, 2005)

Farming

During my travels, I also noted that dairy farming itself seems to be restructuring, due to a number of pressures, including competition for land, water and cattle. The availability of fresh water is a major technical issue looming for much of the dairy sector and its consumers, and was particularly apparent at the farms I visited in Australia. In the future, it is believed that Africa, Asia and Latin America will have the greatest difficulties. Parts of Europe, North America and Oceania will also have problems, albeit significantly smaller. Agriculture accounts for 90% of freshwater withdrawals in Central and South Asia, and Africa, and 60% in the Mediterranean (R Gardener, 2002).

Environment issues are now being talked about worldwide, with 'food miles', 'carbon footprints' and 'climate change' the buzz words of today. Jonathon Porritt, Founder Director of Forum for the Future said, "Farming contributes 7% of the UK's greenhouse gas emissions and, as a result of these emissions, farmers are on the front line for adapting to impacts of climate change". The impact of farming on the environment has never been more in the news, or more in the mind of the consumer. This brings with it added pressure and the various production systems around the world.

Shortage of labour will also have a major impact on a number of dairying countries, and the lack of new entrants appeared to be felt most strongly in the UK, Australia and New Zealand. In New Zealand, in the past, new entrants were able to afford their own property through practices such as share farming. However, presently, it is not possible to accumulate enough wealth through share farming to be able to buy their own place.

What was also clear to me was that consumers are much more interested on how their food gets from the farm to their fork, or to their glass. The majority of today's consumers are now far removed from the dairy industry, and how their milk is produced. However, it is not something we can get away from. We can't pretend milk doesn't come from cows. What I feel needs to be more transparent is how the milk gets from the cow to the consumer. In doing this, we need to raise the profile of farmers and their role in milk production.

Certainly, farmers around the world needed to be able to market themselves more effectively with their consumers. This was more apparent in some countries, than others, and I felt image management was something that needed a uniform approach. Education material and tools to help dairy farmers to better manage their "image" is something that could be made available worldwide, through organizations such as the IDF.

5.0 History of Generic Milk Marketing in the UK

Historically, the generic marketing of milk in the UK was undertaken by the Milk Marketing Board (MMB). They had a responsibility to maximise the value of milk in the market place on behalf of farmers and were, therefore, highly focused on product marketing.



The MMB undertook marketing directly and also through the Dairy Council, that undertook a number of highly successful generic marketing campaigns.

These campaigns promoted mainly cheese and liquid milk with the majority of the funds allocated to the liquid market, because liquid milk was seen as the flagship product for the dairy industry. Promote the pinta, and the rest would follow, was the philosophy.

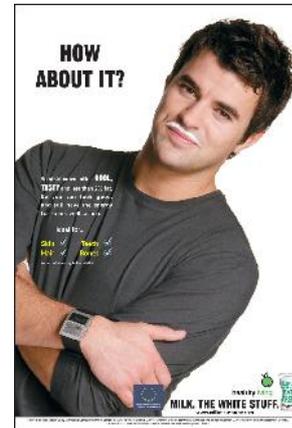
At its peak (in 1993), the Dairy Council spent £12 million on generic campaigns. Memorable campaigns included 'Accrington Stanley', 'Gotta Lotta Bottle' and the dancing milk bottle

campaign in 1991/93, which the MMB estimated added 326 million litres to the size of the liquid milk market.

After deregulation in 1994, the basis for raising funds for generic marketing became more complicated. However, the industry undertook a major campaign called ‘The White Stuff’, which was funded 50:50 by farmers and dairy processors. Voiced by Jonathon Ross, these cartoon adverts featured celebrities such as the late George Best and former boxer Chris Eubank.

More recently, a collation of five dairies and the Milk Development Council – under the umbrella group of Scottish Dairy Marketing Company – has been plugging away with its milk moustache campaign, one of two supported by £3 million of EU monies, featuring celebrities such as Steve Jones and Nell McAndrew. The other £3 million campaign is that of the Milk Development Council’s Naturally Beautiful campaign, aimed at teenage girls.

To me, it would appear that all generic milk marketing expenditure has to be fought for in the UK. However, the generic marketing situation is different around the world.



6.0 Pleasure and Image versus Health and Nutrition Messages

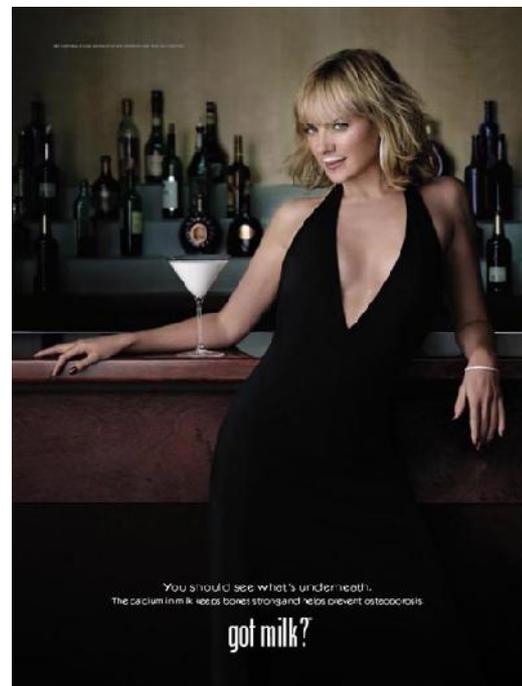
For this section of my study, I have chosen two generic milk marketing campaigns which support both the pleasure and image messages, and the health and nutrition messages, in order to make a comparison. For this purpose of this study, I have taken pleasure to mean ‘enjoyment’ relating to certain physical, sensual, emotional or mental experience.

Case Study: Got Milk?

In America, the milk moustache ‘Got Milk?’ campaign is jointly funded by America's milk processors and dairy farmers: The Milk Processor Education Program (MilkPEP) in Washington, D.C., and Dairy Management Inc., Chicago. The goal of the multi-faceted campaign is to educate consumers on the benefits of milk and to raise milk consumption.

The campaign was founded on a milk deprivation strategy and recognised that milk is seldom a stand-alone beverage. Its consumption is indelibly linked to a select number of meals and food occasions. And also, perhaps, the only time anybody cares passionately about milk is when they run out.

The campaign has been very successful in the US and has received lots of free advertising through American sitcoms and chat shows. Clearly, this might not be the answer for every circumstance, but it highlights some areas the UK dairy industry might find of interest. Scotland has already successfully pursued the celebrity milk moustache adverts, demonstrating the importance of pleasure attributes of milk.



Case Study: 3-A-Day

The 3-a-day campaign, urging people to consume milk, cheese and yogurt daily, has had varying degrees of success around the world. In America, it has been very successful. However, I don't think the 3-a-day message has translated quite as well elsewhere. Maybe because consumers struggle to get 3 serves of dairy in, along side their 8 glasses of water and 5 serves of fruit and vegetables? It seems to me that if consumers are bombarded with too many nutritional rules, they want to rebel.



In France and Finland, I also discovered that consumers generally have four servings of dairy, per day. So, a 3-a-day campaign would mean them having to cut down on their dairy consumption. Yet in Australia, for example, branded dairy products have tried to use the 3-a-day message as a way to differentiate their products. Pauls, part of the Parmalat Group, has developed a liquid product called "PhysiCAL", the strap line of which is: "two serves, two easy", and plays on the 3-a-day message. That's fine, but I also feel it leaves a confused consumer asking, "So how many serves of dairy a day do I actually need?"

Conclusions

Both the 'Got Milk' and '3-a-day' milk marketing campaigns have been successful in the USA, in their own right. However, after studying both these campaigns and their impacts, for me, a proposition based more on pleasure and image messages would seem more transferable about the world.

7.0 Evaluating Generic Milk Marketing Campaigns

In generic promotions, a pool of funds would typically support a large campaign that will make an impact on consumers. I feel that the 'Got Milk?' campaign is a perfect example of this. I would question whether one single milk processor or, indeed, an individual milk producer, could have afforded this generic milk marketing on their own. However, every milk company can benefit from the top-of-mind awareness of milk. Generic television advertising can also give branded retail marketing much more mileage.

Research in Australia has shown that the positive disposition towards dairy increased from 42% in 2001 to 53% in 2003. However, Australian research also confirms that having strong nutritional messages cannot alone generate positive consumption behaviour. Despite 80% of mums believing three serves of dairy is healthy for their children, 58% of children are not achieving their RDI for calcium. (Sweeney, DFOL tracking survey, 2004).

Generic marketing tends to be driven more by commodity products, such as milk. The right underlying attitude for a product is important. However, the world has changed; consumers don't tend to trust foods anymore, and companies need to do more to gain back this trust. This area is covered more thoroughly in the **Threats to Dairy** section.

There has always been scepticism that generic advertising doesn't work, for example, the 'White Stuff' campaign in the UK. I know that marketing is not tangible, which makes it difficult to measure. However, I feel that good advertising works and campaigns like "Got Milk?" and the 'White Moustache' prove that it does – detail to support this claim is made further in this section. Therefore, the dairy industry needs to accept that marketing works, but that it needs to be the right message.

Putting a Value to Generic Marketing

In both Norway and the UK, examples have been documented where generic dairy marketing, or the lack thereof, has had a significant impact in dairy consumption levels, particularly for milk. In the UK, resumption of generic dairy advertising after a virtual 5 year absence has

been credited with slowing the decline of milk sales by 82 million litres in the first 18 months of the MDC's 'Naturally Beautiful' Campaign. In Norway, white milk consumption declined by 44 litres per person per year over a 10 year period (and by 76 litres per person since 1980), despite branded advertising from their major dairy processor. However, at this time, a concerted advertising push was made by soft drinks companies and there was no generic dairy advertising, as Norway had no Dairy Council until 2003.

Work in Australia has been taken a step further, with the help of a formula created which uses population figures, national consumption figures and the percentage change in consumption behaviour for a five year period, based on a combination of criteria.

Table 1: Estimating Sales Delivered from Positive Impact on Attitude Influencing Consumption Behaviour

	Expected Incremental Milk Equivalent (MEQ – how much product actually used) delivered by the Consumer Marketing Program	\$ farmgate value from expected incremental MEQ's less imports (1)	Expected MEQ's consumption (2)	Incremental expected value delivered as a % of total expected consumption
Year One	10,165,029	\$2,561,587	5,718,000,000	0.18%
Year Two	15,211,083	\$3,833,193	5,839,000,000	0.40%
Year Three	23,415,001	\$5,900,580	5,963,000,000	0.48%
Year Four	36,203,364	\$9,123,248	6,088,000,000	0.66%
Year Five	44,314,191	\$11,167,176	6,216,000,000	0.80%
TOTAL	129,308,667	\$32,585,784	29,824,000,000	0.54%

- (1) Based on farmgate value of (Aus) \$0.28 per MEQ and assume 10% of total sales go to imports
 (2) Projections for Dairy Australia's Trade and Strategy Group (P Wilson)

Table 2: Estimating Potential Lost sales if no Generic Marketing Campaign is undertaken in Australia

Fiscal Year	Estimated Lost Milk Sales if No Generic Marketing Program (\$000)
2005-06	\$ 5,432
2006-07	\$10,864
2007-08	\$16,296
2008-09	\$21,728
2009-10	\$27,160
TOTAL 5 YEARS	\$81,480

Source: Dairy Australia

The above table explained - looking at the past 5 and 10 years trends for drinking milk per capita consumption in Australia, there has been a steady 1% decline annually, despite Dairy Australia's generic marketing efforts. Due to the lack of generic marketing in Norway, a 30% decline over 10 years (or approximately 3% per annum) was seen in drinking milk per capita consumption. Therefore, the difference (2% per annum decline) would be attributable to both consumer marketing and nutrition communications work. Assuming a 50/50 split in how much of the decline could be attributable to consumer marketing versus nutrition communications, or a 1% per annum decline in consumption, if no consumer marketing existed. Lost sales potential year one = current per capita milk consumption at 97L per annum x 1% change x current population x farmgate price of \$0.28 per litre. Another 1% change added on each year, then totaled up for 5 year impact.

So, what would happen if we were to use a similar formula using UK figures?

Table 3: Estimating Potential Lost sales if no Generic Marketing Campaign is undertaken in the UK

Fiscal Year	Estimated Lost Milk Sales if No Generic Marketing Program (£000)
2005-06	£ 9,047
2006-07	£18,094
2007-08	£27,141
2008-09	£36,188
2009-10	£45,235
TOTAL 5 YEARS	£135,705

Lost sales potential year one = current per capita milk consumption at approximately 84L per annum x 1% change (2005 saw a decline of 3% in the UK, compared to a 1.5% increase the year previously) x current population (60,441,457) x farmgate price of £0.18 per litre. Again, another 1% change added on each year, then totaled up for the 5 year impact.

From table 3, we see that the estimate opportunity cost of not advertising, through a potential lost in sales, is **£135,705,000** over 5 years. These figures are based on the fact the UK will see (on average) a 1% decline in consumption of dairy every year. Although these figures are only an estimate, I feel that should be of concern to the UK dairy industry.

However, encouraging moves from the UK dairy industry include the MDC's Naturally Beautiful Campaign and Scotland's high profile Milk Moustache Campaign, which features celebrities such as Nell McAndrew and Steve Jones. 'Naturally Beautiful' takes a fun image message and is supported by a nutritional theme. The consumer's need, in this case beauty, is backed up by subtle nutritional messages and consumers seem to be more impressed by this approach. I know this campaign is being watched very closely around the world and only time will tell as to whether these campaigns are successful or not.

In the US, the Dairy Production and Stabilisation Act of 1983 and the Fluid Milk Promotion Act of 1990 require a yearly independent analysis of the effectiveness of milk industry programmes. These promotion programmes operate to increase milk awareness and thus the sales of fluid milk and related dairy products.

Generic fluid milk and dairy product advertising conducted under the Dairy and Fluid Programs had a major impact on dairy markets. Over the period 1998 – 2002, it was found that, on average, the following marketing impacts would have occurred if the advertising under the Fluid Program had not been in effect, and advertising under the Dairy Program was equal to its level the year prior to the enactment of the national mandatory program:

- Fluid milk consumption would have averaged 4.3 percent lower annually
- Cheese consumption would have averaged 1.2 percent lower annually
- Total consumption of milk in all dairy products would have averaged 1.9 percent lower annually, or roughly 3.2 billion pounds on a milkfat equivalent basis
- The average price received by dairy farmers would have averaged 8.2 percent, or \$1.14 per hundredweight, lower annually
- Commercial milk marketing by dairy farmers would have averaged 1.9 percent lower annually

To examine the impacts that the USA's advertising programmes had on the markets, an economic model was developed where (1) generic advertising levels were equal to actual generic advertising expenditures under the two programmes, and (2) a no-national programme scenario, where there was no fluid milk processor-sponsored advertising, and dairy farmer-sponsored advertising was reduced to 42 per cent of actual levels, to reflect the difference in assessment before and after the national programme was enacted. A comparison of these two scenarios provides a measure of the combined impacts of the two programmes.

Table 4: Simulated Impacts of the Dairy and Fluid Milk Programmes on selected Market Variables, Annual Average 1999 – 2002

Market Variable	Unit	Baseline Scenario ¹	No National Program Scenario ²		No Dairy Program Scenario ³	
		Level	Level	% Difference	Level	% Difference
Fluid Milk Demand	Bil lbs	55.3	52.9	-4.3	54.8	-0.9
Cheese Demand	Bil lbs MFE	69.1	68.3	-1.2	67.9	-1.7
Total Dairy Demand	Bil lts	162.5	159.3	-1.9	160.8	-1.0
Basic Formula Price	\$/cwt	11.98	11.28	-5.8	11.47	-4.2
All Milk Price	\$/cwt	13.84	12.70	-8.2	13.29	-4.0
Milk Marketing	Bil lbs	164.6	161.4	-1.9	162.9	-1.0
Benefit-Cost Ratio ⁴	\$ per \$1				8.69	

¹ Baseline scenario reflects the current operation of the Dairy and Fluid Milk Programs

² No National Program Scenario reflects no Fluid Milk Program and Dairy Program advertising at prenatal program spending levels

³ No Dairy Program Scenario reflects current Fluid Milk Program and Dairy Program advertising at prenatal program spending levels

⁴ Benefit-cost ration computed for the Dairy Program only

Source: USA; effectiveness of the Dairy program in conjunction with the National Fluid Milk Processor Promotion Program

The above table shows, quite clearly, that the average benefit-cost ratio (BCR) for the USA's Dairy Program was **8.69** from 1998 to 2002. The BCR is one way to measure whether the benefits of a milk marketing programme outweigh the costs. It is calculated as the change in dairy farmer net revenue (what economists call 'producer surplus') due to increased demand, as a result of advertising, divided by the costs of that advertising. The above table concludes that for each dollar invested in generic fluid milk and cheese advertising, by US dairy farmers, results in an average **\$8.69** net return to these farmers.

To drill down to how this figure was arrived at, the above table presents the annual averages for supply, demand and price variables over the period 1999 – 2002, for the two scenarios. Generic advertising by the Dairy and Fluid Programs has had a positive impact on fluid milk consumption over this period. Specifically, fluid milk consumption would have been 4.3 per cent lower had the two advertising programmes not been in effect.

Therefore, generic advertising by dairy farmers and milk processors had an effect on the farm milk price and milk marketing. The table shows that the milk price would have been \$1.14 per hundredweight lower without generic advertising provided under the two programmes. Had there not been the two advertising programmes, the above table demonstrates that milk marketing would have been 1.9 per cent lower, due to the lower milk price.

A third scenario was subsequently simulated to measure the market impacts of the advertising programme supported by the 15 per cent 'check off' program that is, in effect, the US dairy farmer's milk marketing levy. This scenario assumes that the advertising programme operated by the fluid milk processors is still in effect. As in the earlier scenario, advertising expenditure by dairy farmers was reduced to 42 per cent of actual levels to reflect the situation prior to the enactment of the Dairy Program. A comparison of this third scenario with the baseline scenario gives a measure of the advertising market impacts of the current mandatory Dairy Program.

The last two columns of Table 4 present the results of this scenario. Had there not been fluid milk and cheese advertising sponsored by dairy farmers, fluid milk demand have been 0.9 per cent lower, cheese demand would have been 1.7 per cent lower, and total milk demand would have been 1.0 per cent lower than it actually was. Advertising under the Dairy Program also had a significant impact on the farmer's milk price. It again shows that milk price and spend on milk marketing would have been lower in the absence of the Dairy Program.

Conclusion

The above would suggest that the generic advertising programme, supported by US dairy farmers, has been a successful investment. Although questions often arise with respect to the accuracy of these return estimates, especially if you were to take into account low commodity prices and financial stresses faced by producers, generic milk advertising activity has resulted in modest gains in total fluid milk utilisation and has had a positive effect on milk prices in the US, resulting in positive net returns.

Whilst it was thought that the positive price effects were not sizable enough to sufficiently counter the low prices received by US dairy farmers at the time, generic advertising did improve demand and prices to dairy farmers relative to a non-advertising scenario. It also provided a net return on the investment to clearly support the advertising activity.

There is no doubt, I feel, that campaigns such as 'Got Milk?' or the 'Milk Moustache' have helped improve milk's image in the US. However, do these programmes now need to evolve into something that talks, more specifically, about the virtues of milk and dairy products?

Generic marketing shouldn't just be done for the sake of it. We need to be asking ourselves, what is our objective for the advertising? While any advertising is done to increase sales, if this is all that we are seeking, then I would say that our objectives are wrong. However, if our objective is to use generic milk and dairy product marketing to communicate messages, then it needs to focus on something which is of generic benefit to the category as a whole.

8.0 Generic Marketing versus Branded Products

For this part of the study, I have looked at two branded beverages that are popular in the UK. One of these brands would be in direct competition with some dairy beverages, whilst the other has seen a recent sudden surge in popularity thanks to a very successful advertising campaign. In one instant they show what generic marketing campaigns are up against. In another they help me highlight the point that many factors influence the demand of a product, besides that of advertising.

For example, demand for milk can also depend on retail price, retail price of substitute, disposable income, current and past generic (and brand) advertising expenditures, seasonality variables and trend variable for consumer change in tastes.

Case Study: Innocent Smoothies



'Innocent' is a brand of smoothie, that markets itself on the strength of what's actually in the product. Something many beverages avoid at all costs, including many dairy products. I like its witty packaging, with ditties such as, 'separation occurs, but mummy still loves daddy'. Their Fruit Towers premises, grass covered vans and cow patterned vans provide a student-feel alternative image that is, I feel, perhaps as effective a marketing ploy as any other.

'Innocent' also gives away drinks to the homeless, plants trees, encourages recycling and donates to the third world, while it treats all its staff to a snow boarding trip every year, awards £2,000 for the birth of each child and invites staff to apply for a £1000 scholarship to achieve something they've always wanted to do - like recording a single or going surfing.

Case Study: Magners Cider

In 1996, sales of Magners Irish cider rocketed 250 per cent thanks to an effective €30 million (£20 million) advertising campaign. The campaign not only highlighted the product, but also how it should be consumed; in a long glass with lots of ice. To me, it would seem that this campaign has appealed more greatly to woman. The significance of this is that, traditionally,

a big increase in cider consumption would have been at the expense of beer brands. But with women driving much of the extra consumption, it is likely to displace a different set of products, such as ready-mixed vodka-based drinks, and wine.



Cider is a drink that has never enjoyed a particularly upbeat or trendy image. One could say that it was similar to milk, in that respect. Thanks to recent brand advertising, it would seem that it has lost some of this stigma and people feel that it is more socially acceptable to consume cider.

Magners is enjoying the “trust” of its consumers. Consumer’s “trust” the brand and will purchase – generally at a greater cost – that product, over a highly similar private label product. However, if there is ever an erosion of trust, it is very hard to get back. The dairy industry needs to make sure that, whatever it does, it keeps public trust.

However, I fear the success of Magners does seem to highlight the highly promiscuous nature of modern brand consumption. Consumers have no loyalty and Magners is likely to become a victim of its own success rather more rapidly than it might have done a few years previously.

Conclusions

Good brands have consistent messages, but they have got to evolve with the consumer, which can make the job even more difficult for the generic marketer. However, it’s not just all about the brand, as I found out in Australia. You need to have great tasting products too. Cadbury’s launched a range of flavoured milks but undervalued the importance of the milk and making sure that they had good tasting product. Subsequently, their product was deemed unsuccessful and was being withdrawn from sale during my travels.

One brand that is doing exceptionally well is Australia’s ‘Farmers Union Iced Coffee’, which is Australia’s biggest selling fresh flavoured milk. I am told that a 600ml carton of ‘Farmers Union’ outsells the equivalent size of Coca Cola 3:1 in South Australia convenience stores (AC Neilson, 2004). However, I also feel that this beverage highlights the emerging popularity of iced coffee flavoured dairy beverages in southern hemisphere markets. It will be interesting to see how this trend transpires across the globe.



9.0 The Growth in Retailers and House Brands

Strong retail competition is now happening in global dairy markets, with the expansion of major retail chains in other areas, such as alcohol and convenience. Private labels have become a powerful force in the global Fast Moving Consumer Goods (FMCG) industry. It was interesting to note that in both Australia and New Zealand, where dairy brands had once dominated the shelves, house brands were beginning to take up more and more of the space. Although branded products remain strong in these countries, there appears to be increasing pressure from the major chains for brand consolidation, as they push their own brand strategies.

Closer to home, the UK’s grocery industry has recently come under more scrutiny. The Competition Commission’s latest enquiry will undoubtedly provide more talking points. However, I do feel that retailers have begun to realise that the erosion of dairy farm numbers in the UK is unsustainable. In the past, when farmers have quit, their cows and quota have been taken by others. There were fewer farmers – but no less milk. That’s changing, and in the age of green initiatives and local sourcing, the idea of importing milk is intolerable.

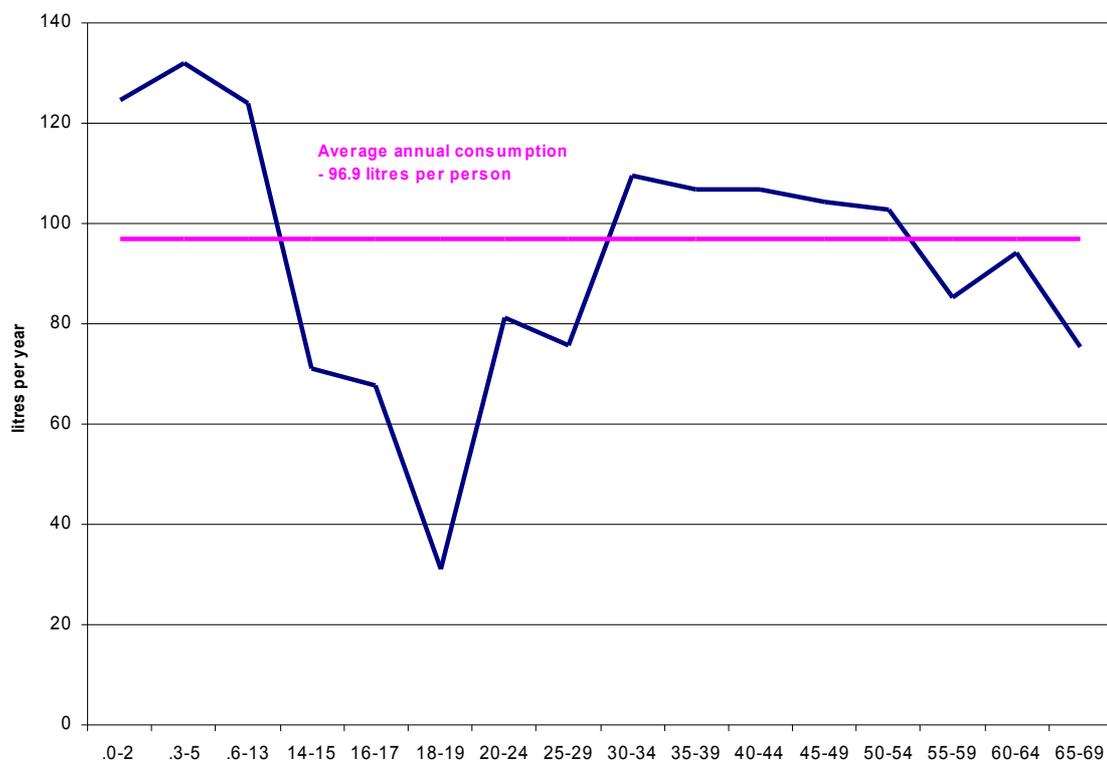
However, I also feel that alongside the growth of retailers and house brands, we have seen a huge growth in organic, Fairtrade and local food – each with its own political agenda. The retailers have acknowledged this, and are already ramping up their local offers in response to

consumer worries about the environment, food miles, quality and provenance. These new offers allow the shoppers to express their political opinions, from concern for the environment to support for poor farmers, every time they buy groceries. Local food is poised for massive growth in 2007. It has already bloomed to nearly £4bn in annual sales, according to the IGD.

10.0 Consumer Dairy Consumption Life Cycle

The graph below, based on Australian data, shows the two demographic groups where the decline in dairy consumption traditionally occurs. While the older teenage demographic represents the greatest single opportunity for increased consumption, the amount of resources required to tackle this independent, fickle and brand sensitive audience is difficult. However, impact on this age group can be had by focusing on ‘hanging onto’ the hearts and minds of children aged 5-12, and thereby start to reduce the sharpness of the consumption decline.

Per Capita Consumption of Milk over the Lifetime of a Consumer



Source: Dairy Australia

The introduction of a programme targeting older generations would recognise not only the decline in consumption seen amongst this audience, but also the expected rapid growth in this age group, who are increasingly looking to diet for improved health, with a higher disposable income. This will also be fuelled by the fact that the consumer of today is an avid pack reader and, therefore, is better informed. This will increase familiarity with, and improve their understanding of various dairy concepts, health benefits and strain nomenclature, thereby, boosting market penetration.

11.0 Changing Dairy Consumer

This section of my report looks at the trends and influences that I feel will be driving consumption of dairy products around the world. As my travels progressed I became particularly interested in how the consumer of dairy had changed and what factors would be

driving consumption in the future. I think this is an important area to highlight within my study, as future trends should dictate how we market milk going forward.

K R Marshall (2003) said that, over the last 25 years, consumer acceptance of food has increasingly been dominated by aspects of taste, texture, nutrition, convenience and safety. He also said that we can expect these trends to continue. However, their manifestation will take different forms in different parts of the world. These different forms will be driven by increasing purchasing power, particularly in developing countries; changing demographics, particularly increasing numbers of over 75 year olds in developed countries; and the globalisation that comes from the increasing concentration of power in the hands of the large retailers.

Dairy products are perceived as old fashioned by many consumers around the world and are losing relevance due to the lack of emotional values and changing food trends. Research indicates that dairy is not perceived as a 'food'/brand in its own right and means little to consumers, particularly in developed countries (Open Mind, August 2002). Dairy conjures up imagery of safe, secure, nurturing/maternal and is considered a staple/basic (Open Mind, August 2002).

Last year, the Milk Development Council reported that the tide on the 30 year decline in milk consumption looked to have finally turned, with new data showing a firm increase in sales in Britain. This change in consumer habit was put down to an increase in the frequency of buying milk rather than people buying more during each shopping trip. And the indications were that it was mainly being used in porridge, tea and coffee. TNS, who carried out the research, certainly found that porridge consumption rose in the winter with sales up 25 per cent, while hot drinks – mainly tea and coffee – increased by around 17 per cent and eight per cent respectively.

So, what are the future consumer drivers?

Trends continue to be in convenience, health, well-being and indulgence areas. This suggests a conflict but in reality none will win. Health continues to be on everybody's mind and in everybody's shopping basket. Consumers have started to realise that what they eat and their health are connected. Obesity and diet issues will continue to set an agenda for new product development and innovation.

However, the over riding issue is that of being an individual. Consumers want to be treated differently. Work is already being done to personalise foods to match your genetics. Athletes take pictures of their actual meals with a digital camera and send it through the internet. Nutritionists will then analyse the meals and give advice on how to change them. This is already being done in Japan and New Zealand is in hot pursuit.

However, in using these technologies, are we breaking the consumer's trust? On the 10th January 2007, the 'Daily Mail' broke with the news that clone farming had arrived in Britain. Supporters of cloning believe Dundee Paradise – the daughter of a clone born in the UK - and animals like it could provide the nucleus of Britain's future dairy herd. The calf was valued at £14,000 before it was even born.

But the use of clones, sometimes dubbed Frankenstein Farming, is extremely controversial. A 2002 Gallup poll found that 66% of American consumers said that cloning animals was "morally wrong". A March 2005 survey by the International Food Information Council, an industry trade group, reported that 63% of consumers would likely not buy food from cloned animals, even if the Food and Drug Administration determined the products were safe. Cloning scares consumers. They don't understand what it means, which leads to confusion and mistrust. Therefore, are we, as an industry, pushing the boundaries? And what is the

breaking point? I feel more thorough consumer review is urgently required into current and future farming practices, such as cloning and robotic milking.

New purchase criteria is emerging; fair trade and organics to name just two. Forty two percent of Europe's online shoppers are British and so doorstep delivery has done a full circle. Food miles will be an important future issue coupled with the increasing interest in climate change. I find it difficult to understand how consumers can be any closer to the point of origin than they are in the UK?

Although there are many different cultural differences around the world, there also needs to be an emotional connection to milk and dairy products. Take, for example, organic milk. This is said to meet consumer's emotional demands. Consumers perceive that the cows have been better treated and that the milk is better for them. Globally, I think that we have a huge task in connecting consumers back to farming again, and how their food is produced.

What is today's consumer like?

Today's consumer is more experimental with food, and is driven by pleasure and enjoyment. Due to greater opportunities to travel, today's consumer also tends to have a more global outlook in the foods they purchase. They are also much more interested in how their food is produced around the world. Therefore, it would seem to me, that milk is still seen as traditional, boring, nurturing and maternal.

Taste good, convenience and value will all drive consumption. The nutrition value of a product adds value, and can act as an incentive to buy. In most countries of the world there are school milk programmes to cater for the needs of children. However, it would appear the children don't seem to care about the nutrient content; all they need is for it to taste great. It would also seem that children of today have a better product experience at schools. This is because there are single serve, flavoured milk in plastic resealable containers when and where they want it.

Generally, when we hit our teenage years, our consumption of dairy products will decline, particularly for teenage girls. In particular, teenage girls are also more likely to believe the messages animal activist organisations put out and, therefore, less likely to consume milk because they think dairy cows have been ill treated.

Male adults are more likely to consume dairy beverages; whereas female adults aren't. This is because myths about milk and its nutrient value, in particular fat content, are still engrained. Dairy beverages designed for female adults are a huge opportunity area.

'Mum' is the nutrition key driver, and knows milk is healthy for her children. She is their role model and generally influences children's behaviour. There is a need to educate Mum about milk, through such aspects as media, new look of school milk and the internet.

The trouble with milk is that consumers can't see the benefits - unlike an aging cream type product - for a number of years. And they have to trust processors and retailers to put, exactly what they say they are going to, in it. Dairy's calcium message has been used time and time again and so, is it getting tired now?

12.0 Packaging of Dairy Produce

Packaging plays an important role in the marketing of milk, as it is the first thing a consumer will see. Around the world, I have noted that some processors are trying to differentiate their milk by using new forms of packaging to promote convenience, consumer loyalty, branding and profitability.

Milk packaging has changed a great deal over recent years. Prior to the widespread use of cartons and plastics, milk was usually commercially distributed to consumers in glass bottles. Here in the UK, we can still have our milk delivered daily by a milkman, if we so wish. Depending, of course, on our location. However, this is becoming less popular as a result of supermarkets selling milk at cheaper prices to that of the milkman. In New Zealand, in some urban areas, milk is still delivered to customers' homes.

Glass containers for milk are rare these days. Most people purchase milk in plastic bottles or in waxed-paper cartons. For me, it appeared that glass milk bottles were, and should continue to be, part of milk's heritage, similar to that of the Coca Cola glass. Selling milk in glass bottles would certainly answer some of the environmental issues surrounding plastic bottles and their disposal. Milk bottles can once again be recycled and there could be incentives for consumers to ensure that they did just that.

Another highly popular packaging concept in Canada, and now Wales, is milk packaged in plastic eco-pouches. These bags come in their own special milk jugs and the corner of the bag is cut off, to enable you to pour out of it. After use, there is very little waste packaging. However, the low cost of transporting new rolls is thought to be offset by the filling machinery being expensive and unreliable. It is also not known how successful this packaging concept will be with consumers.

Milk media and the act of advertising on the labels accompanying the milk is something that consumers are seeing more and more of, around the world. This makes milk packaging more interesting for the consumer. An interesting concept for the future, would be to include seasonal packaging, with relative advertising and recipes, such as Valentine's, Easter, Christmas.

Whatever the industry does, milk packaging will continue to be driven by the convenience and security (tamper proofing, non-repackable and low cost) but also by attractiveness, novelty, ease of ability to be recycled and biodegradability. These often conflicting demands will pose technical challenges. Milk packaging needs to be innovative to ensure it meets the increasing demands of the consumer.

13.0 Opportunities in the Dairy Sector

So, what about the opportunities for the dairy industry? I have already mentioned the changing dairy product consumer, but are there any opportunities that the global dairy industry can tap in to? Again, as part of my study, I began looking at the various areas of opportunity around the world.

Firstly, I think it is important that we remember that dairy produce is the original convenience food, so there should be opportunities for us here. Such as buying fridge space at the front of retailer outlets, so that consumers can impulse buy a dairy beverage on the way home.

Dairy products, to me, appear to have been very much at the forefront of the rapidly developing functional foods market across the world. In particular, the use of probiotics in yogurts and other fresh dairy products is now widespread, while vitamin and mineral enrichment of milks seems to be on the increase, with many products being targeted at specific sectors of the population with special nutritional needs. In France, for example, enriched milk products have been targeted at the elderly and expectant mothers and have proved particularly successful.

More recently, newer functional ingredients, such as omega-3 and oligosaccharides have also begun to feature in dairy applications. Consumers' growing appreciation of healthy eating to boost disease prevention, coupled with the rising popularity of functional foods, is another

spur to growth in the Australian and New Zealand market for omega-3-fortified food. Frost & Sullivan, the international market consultancy, is confident that the fortification of foods such as dairy, bread, egg, infant formula, spreads/margarines and meats, is set to widen the appeal of the omega-3 sector.

However, I feel that merely being functional is not enough. Products need to take advantage of other trends in the market such as quality and naturalness, and need to be at the forefront of trends in convenience and packaging, in order to maximize margins. Most importantly, products need to be supported by a clear and striking marketing message, which a wide range of consumers can relate to.

For this, more work on individualism needs to be done. For example, having different milks for different consumers: *“Find the right milk for you...”* The consumer is key, and we as an industry need to be true to the individual: *“Think small, think personally...”* There are opportunities for processors to produce “lifestyle” products, such as Fonterra and its ‘five platforms’, which are for bone, body, brain, indulgence and speciality/wellness.

Strategic partnerships are already happening around the world, and this needs to continue to happen in the future. It would appear that at the moment, dairy companies around the world tend to be fighting for global market share, rather than working together.

A “Research Bank” for dairy products

Throughout my study, it seemed to me that dairy research is not coordinated or focused on outcomes. There also appears to be no central resource for any of this research, such as dairy nutrients or weight loss, which means that money can be wasted, globally, completing very similar pieces of work, a number of times. Therefore, there needs to be a global approach to research, so that countries can target individual messages, to their home market or country’s individual need. The global dairy industry needs a central resource for all its messages and research, and I suggest a body such as the International Dairy Federation would be an ideal place to house this “Research Bank”.

But, can the global industry work together? I feel that it must. We need to protect and promote against all those who attempt to destroy everything that we have built up thus far. There needs to be a focal point for dairy products on a global basis. I feel that through an initiative such as this, and the likes of School Milk programmes, we would be able to educate children as to the virtues of dairy, and use them as a vehicle with which to re-educate their parents.

Health professionals and opinion formers opportunities

Throughout my travels, the industry contacts I spoke with pointed out there is now a substantial body of scientific evidence that raises concerns about health risks from cow’s milk products. You just have to look at the internet to see reams of articles informing you not to drink milk and why. They suggest problems in milk relate to the proteins, sugar, fat, and contaminants in dairy products. Therefore, there is an opportunity to look at the whole marketing package – through the ‘research bank’ of dairy – to ensure health professional and opinion formers are receiving the correct information, through tools such as the internet and sampling product exercises.

Consumers are weary of health claims, as people are always trying to disprove things. The dairy sector is an excellent example of this, through the many articles written against milk. I feel this makes the dairy industry cautious when it comes to pushing health message too hard, because they will be countered. Therefore, any message about dairy produce needs to be carefully constructed in order to get the balance right.

Misinformation, through chat shows and woman's magazines also needs to be rectified with the help of the industry's 'research bank'. Good stories about dairy need to get out into the public domain. In particular, we need to re-educate consumers about milk fat, so that it's back to a neutral position. The dairy industry also needs to be quicker to react to issues, such as trans fat.

We need to create a "dairy friendly" marketing environment, through school milk, wellness policies, health professionals and opinion formers. In the USA, milk is the only food required to be fed in schools.

14.0 Threats to Dairy Producers

Nutritionists, animal-rights activists and others, which I noted more commonly in the US and UK, criticise the widespread consumption of cow's milk by humans. They generally challenge the nutritional benefits of milk or raise ethical issues associated with its consumption.

There is some controversy over whether consumption of cow's milk is good for adult humans. While milk is often touted as healthy for its significant amount of calcium, required for healthy bone growth and nerve function, there is some disputed research to suggest that proteins in milk interfere with the use of its calcium to form bones by increasing the acidity level of the blood and triggering a response which balances that acidity level by leeching calcium that is presently in bones.

Dairy alternatives remain a niche market sector in most countries around the world. However, there is no doubt that they represent a fast growing niche - projected growth set to hit \$3.7 billion by 2006 (Aroq Limited, 2003). Soya milk and other non-dairy products are now widely available in mainstream retailers throughout the developed world, offering consumers an alternative to cow's milk products. The increase in sales appears largely to be due to the fact they're now flavoured (they used to taste bad) and because they market attributes of dairy, such as added health. Alternatives also seem to be quicker at registering health claims.

Research from Leatherhead Food International suggests that, in the non-dairy market as a whole, soya milks represent around 85-90% of sales. Most widely available alternatives include rice milks, oat milks and almond milks. These are less widely distributed than soya milk, and global sales are estimated to be no more than \$120 million (Aroq Limited, 2003).

Soya has become the fashionable option for people 'intolerant' to dairy products and although more debates are now being had about the actual goodness of soya and the evidence is starting to stack up against it, consumers still tend to perceive it as 'healthier' and better for them. Substitutes continue to get off lightly, on a global basis because oils are seen by many as non-animal linked and, therefore, healthier.

Alternatives are there and the dairy industry needs to accept them, but there is still a need to protect the industry from substitutes that erode overall dairy consumption. Health attributes of dairy are being eroded by alternatives. We have already lost the term 'milk' to such bodies.

So, what about Lactose Intolerance?

Lactose intolerance is the inability, or reduced ability, to digest milk sugar (or lactose) because of the low levels of the necessary enzyme (lactase) in the small intestine. It is estimated that about 2% of the British population is truly lactose intolerant. (British Nutrition Foundation (2002) Adverse reactions to food).

Unfortunately, perceptions of the prevalence of this condition amongst the general public is much higher. This could in part be due to the number of articles that quote food intolerance as affecting 45% of the British population rather than quoting specific intolerances and their respective prevalence statistics.

It is commonly believed that people with lactose intolerance must eliminate milk and dairy products from their diet, however, several randomised-controlled trials have demonstrated that milk with meals, and consumption of hard cheeses (which is naturally low in lactose) and fermented milk products such as yoghurt, are well-tolerated.

Image of Dairy Farming

We need to teach consumers about farming when they are in school, as it appears it is too late in adult life. Consumers need to be put back in touch with farming and why it's important. For example, issues such as animal welfare. It is an extremely emotive issue and public perception is key, that's why consumers need to be re-educated about farming. I believe that education is our one chance to change this.

Consumers are increasingly demanding that their food is from animals free of disease. This is both a consumer health and an animal welfare issue. The challenge will be to adopt cost effective measures to control or eliminate bacterial and viral diseases in milking animals. A particular challenge will be to ensure that these demands do not lead to unnecessarily strict measures, not justified by scientific results – such demands may impose burdens on farmers not warranted by the benefits. I feel that consumers ought to have more faith and again, a place where education have a real impact.

15.0 One Global Message for Dairy?

If we change attitude; can we change behaviour?

Research I have gleaned from around the world indicates that consumers know milk is good for them and think they should drink more of it. However, I feel that what campaigns such as 'Got Milk?' have shown us is that they never think enough about milk to be motivated to change their consumption habits. Therefore, we have to start making consumers think more about the milk.

It seems to me that a typical milk marketing campaign will emphasize calcium and other vitamins. Also, the calcium message still tends to override other milk health messages and consumers don't tend to know about the other nutrients in dairy products. However, I feel that messages of health and nutrition are now tired and cause consumers to tune out. Any new campaign has to break the mould for milk advertising, grab attention, and shake consumers out of their 'milk malaise'.

Although many consumers drink milk every day, I would say that it suffers from a complete lack of mind share. Consumers just don't think about milk often enough either inside or outside of the home. In order for any campaign to be successful, I feel that this lack of mind share has to change.

The right positioning and message is necessary but not sufficient to create a successful advertising campaign. There must also be the right creative input. In other words, great advertising comes from knowing what to say, as well as how to say it.

But, what makes dairy products or milk unique?

I am drawn to the conclusion that the marketing of milk and dairy products around the world needs to be based on a global strategy, but with a local feel. I feel that through doing this study, there is lots of potential; it's just the case of cracking it.

To be a truly global generic message, from what I have seen and learnt throughout my travels, it needs to be a message of pleasure. Each country has its own individual underlying health messages and, therefore, a global campaign would need another layer dedicated to nutrition, which fits a country's very own individual need or problem.

I also note that many countries buy into the nutrition value of dairy products already. Consumers already know they are good for them. We need to tell them something that makes them feel differently. We need to tell them something that makes dairy products irresistible.

16.0 Who pays?

Globally, it would appear that where a successful working relationship has been built between a country's farming and processing organisations, successful dairy product marketing programmes have been developed. Retailers in the UK are now starting to get involved with the dairy industry and I think this is a huge step in the right direction. This suggests that the dairy industry would be most successful if it worked together globally, to share research and messages and to ensure that these messages are all co-ordinated. It is then left to everybody within the dairy industry to play their role to make sure all the right messages get out.

Generic marketing adds value to dairy post farmgate. Therefore, until it leaves the farm, the product is largely undifferentiated. So, how does advertising it create benefit for the farmer? Any volume growth or added value to the sector is of benefit to farmers. Creating value in the mind of consumer is of benefit to everybody.

Without generic marketing, the credible communication of nutrition messages and consumption recommendations would be compromised. Dairy companies would not have advantage of avenues created by generic messages to build on benefits for their brands. Perceived substitutes to dairy, such as soy, non-dairy fortified products and supplements would further displace dairy.

I have highlighted calculations done in both Australia and the USA that show the impact of generic milk marketing in these markets. They have led me to conclude that generic advertising done in collaboration between dairy farmers and milk processors has had an effect on both farm milk price and milk consumption. In the USA, in particular results indicate that milk advertising under the current system has been profitable for farmers. Results also indicate higher price and market quantity due to advertising and that, above all, the benefits of generic milk marketing outweigh the costs.

Is the Dairy Industry Patient Enough?

It has to be. If not, it will fail. Marketing messages take time to build and the dairy industry has to be clever with money. Working together globally will aid this. Dairy's big competitors, such as Coke and Pepsi, are patient enough and have the money to wait.

There is not a short term fix for dairy marketing; it needs a long time investment. As adults we tend to forget the taste of milk and that it can be cleansing and refreshing. When it comes to marketing dairy products to adult females, there are lots of opportunities. I also feel that we need to be able to use the dairy weight research more effectively and be cleverer with indulgent products.

17.0 Conclusions and Recommendations

There are many global challenges that lie ahead for the dairy industry, including environment, nutrition and welfare. How and where food is produced is now in the spotlight. The consumer is increasingly concerned about food miles and there is an escalating awareness of provenance, and for dairy we have a good story to tell.

Recommendation: We must respond quicker to changes in consumer demands and buying trends.

What I have learnt is that different countries have their own individual nutritional needs and problems. Therefore, almost by definition, different nutritional messages are needed around the world.

Recommendation: There needs to be an increased emphasis on educating consumers about the benefits of dairy products.

To be a truly global generic message, from what I have seen and learnt throughout my travels, it needs to be a message of pleasure. It's not that I don't think health is important, or that I think we should forget about the nutritional messages altogether. However, due to their very nature, I think messages of health and nutrition can only be introduced at a local level.

Recommendation: To be a truly global generic message, dairy marketing needs to adopt a strategy based on pleasure and image, which is backed up by nutrition.

What we have to do is to communicate something very different to our consumers about why they are buying milk in the first place. At the moment, it seems to me that in too many cases, milks just seen an ingredient. I want to make people stop and think about milk.

Recommendation: There needs to be a greater importance attached to the development of branded, added value products. There is certainly much greater consumer choice elsewhere in the world.

The 'image' of dairy needs to encompass the whole of the supply chain - from farm inputs, to the final consumer. Public perception is key, and this needs to be positive.

Recommendation: Generic marketing of milk and dairy products needs to be balanced with a more proactive, consumer facing campaign about dairy farming.

The environmental impact of dairy farming and its inputs, all the way to disposal of the cartons and plastic milk bottles, has to be perceived as "responsible" by consumers.

Recommendation: The industry should look to move away from plastic milk bottles and develop new, environmentally friendly, biodegradable cartons.

Where I think global messages can be implemented successfully is in taking on the anti milk lobby, and in particular, I've been impressed by the initiatives already taking place through the International Dairy Federation. I took part in a meeting related to this when I was in New Zealand. There's no doubt that the anti milk lobby has become much more vocal, just recently, on a global basis. Some of their accusations are easy to repudiate, some not quite so, and the industry needs to be working together to change this.

Recommendation: The challenge for the dairy industry is getting everybody to work together on a global basis. This is already happening through the International Dairy Federation; however, the industry must do more.

I also feel we must focus more as an industry on the need to defend against alternatives, such as soya, that seek to erode dairy's nutritional message, virtually always from a weaker nutritional position. The likelihood is that more foods will be fortified with calcium and other dairy nutrients in the future. They are likely to make similar claims to dairy and the risk is that some people will consume these as an alternative. We have already lost the term "milk" to such bodies. Therefore, we can't let up.

Recommendation: With our strong domestic liquid market of 6.5 billion litres (MDC, 2006), we have a good story to sell, as consumers become more concerned with food miles and provenance.

18.0 Post Study

Since completing my Nuffield Scholarship, I have already spoken to, and received positive feedback from, the NFU Council, the Western Holstein Club and will be speaking to the Western discussion group in 2008. As Tesco's new Dairy Agricultural Manager, I am also heavily involved in their dairy marketing activities.

I have been asked to speak at this year's International Dairy Federation's International Marketing Working party, which is the meeting that kicked off my study tour. This meeting includes milk marketing experts from all over the world. Many of whom I managed to catch up with during my study tour.

I have also discussed with the Milk Development Council about speaking at one of their forthcoming Market Development days, to an audience that has a very keen interest in milk marketing.

Finally, I have had a paper published in the International Journal of Dairy Technology, which looks at the relationship between milk and multiple sclerosis. However, I may need a second Nuffield to fully develop this idea further!

19.0 References

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