



Smooth operators



Frozen yogurt chips are a key ingredient in Yoplait's new Smoothies.

Dairy Management Inc. (DMI) partners with food and beverage manufacturers to encourage innovative new products and new uses for dairy ingredients. The latest success story for adding dairy to new aisles in retail is frozen yogurt chips.

This fall, General Mills introduced Yoplait Smoothies, a product developed in concert with DMI. Each pouch contains frozen fruit and yogurt chips, created using a breakthrough technology that

allows consumers to make convenient, nutritious smoothies at home. They simply take the smoothie mix out of the freezer and blend it with 8 ounces of milk, which makes two servings. The smoothies come in Strawberry Banana, Strawberry Mango Pineapple and Triple Berry flavors. Each serving contains a full serving of fruit and a half serving of dairy with live and active cultures.

"Smoothies are ever so popular but can be cumbersome to make at home," says Yoplait marketing associate Jason Walters. "With a nutritious 110 calories per serving, Yoplait frozen fruit and yogurt Smoothies are simple to prepare and perfect for time-crunched families."

Yoplait marketers also note that smoothies are a good way to fit in essential vitamins and minerals needed every day for good health.

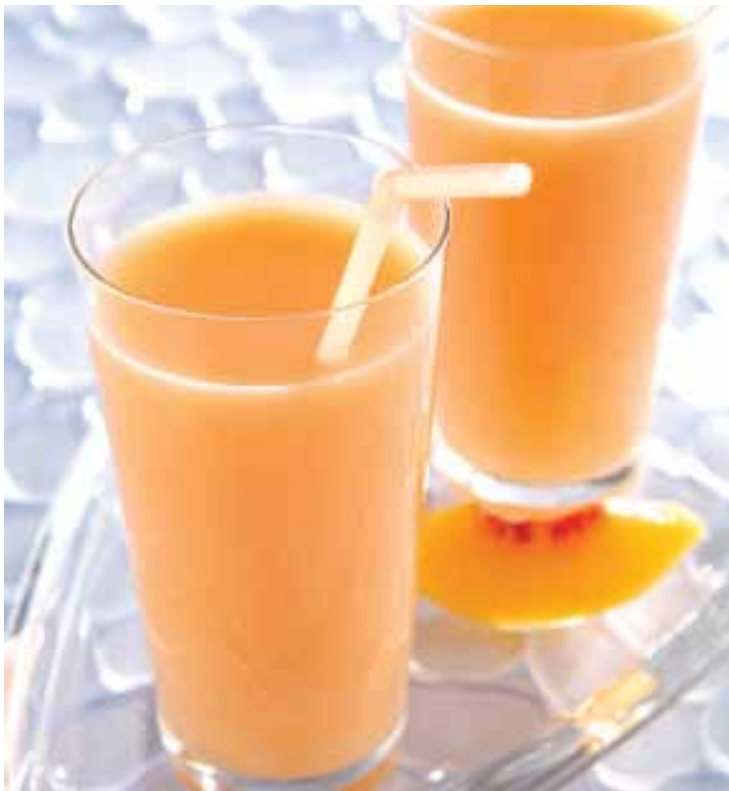
"Sales of yogurt and smoothie products have been a shining star for the dairy category in recent years," says Paul Rovey, Arizona dairy producer and chair of DMI, which manages the national dairy checkoff. "Checkoff-funded dairy ingredient marketing staff work with key food and beverage manufacturers to assist in the development of new products that drive volume by highlighting the nutrition, functionality, versatility and good taste of dairy ingredients."

This new product utilizes both dairy ingredients and fluid milk to increase milk utilization for U.S. dairy producers. In addition to providing technical support, consumer research indicated that once consumers tried the smoothies, they became regular customers. Consequently, DMI provided in-store sampling and promotional support for the roll-out, to boost sales through new customer trial.

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Studies targeting astringency find flavor still more important



In whey-protein fortified beverages, taste and aroma is more important than astringency.

As the dairy industry works to refine whey protein beverage formulations, Dairy Management Inc. (DMI) is funding research on what characteristics are most important to consumers. A new qualitative study showed they care more about flavor than astringency.

Astringency, which consumers describe as a “mouth-drying feeling,” has long been thought to be a major hurdle in getting the general public to accept whey protein beverages. While astringency is an expected attribute of many beverages – including red wine, tea and coffee – this is not the case with whey protein beverages.

Yet, consumers remain far more concerned about flavor and sweeteners over astringency.

Dr. MaryAnne Drake, professor of microbiology and sensory analysis at the Southeast Dairy Foods Research Center at North Carolina State University in Raleigh, N.C., conducted acceptance tests during six focus groups on clear beverages containing varying levels of whey protein. Consumers rated the products’ astringency, taste and overall acceptability. According to Drake, the focus groups determined that consumers were aware of astringency and were able to identify it in beverages, but that astringency intensity was not directly related to consumers’ dislike of the drinks.

Drake’s work also revealed that consumers who tested the same beverage while wearing and not wearing nose clips preferred it while wearing the clips.

“These results indicate that flavors/odors contributed by whey protein isolate (WPI) in acidic beverages may be as or more objectionable than the astringent mouthfeel,” Drake writes. “Ongoing processing step studies to minimize flavors contributed by WPI are crucial to widespread consumer acceptance of these proteins in beverages.”

Focus-group findings

DMI recently conducted focus groups and found that although consumers did note the beverages’ mouth-drying effects, flavor and smell remained paramount.

“Astringency isn’t the largest hurdle for whey protein in these beverages,” says Laura Gottschalk, vice president of U.S. manufacturing and ingredient marketing, DMI. “It appears to be secondary to taste and aroma.”

DMI’s research also looked into whether consumers who drank other functional beverages including *Gatorade*, *Red Bull* and *Vitamin Water* demonstrated an additional tolerance to astringency. They did not.

These consumers also hold functional beverages to a very high standard. They recognized that cranberry and pomegranate juices are astringent, but this is fine because the fruits themselves are natural.

“Manufactured drinks, however, had no such excuse” in the eyes of consumers, Gottschalk adds.

Group participants stated time and time again that they wanted a functional product that wasn’t overly artificial. In fact, when the focus group participants were asked to choose which one element of the prototypes they would change, they asked for a cleaner, more natural flavor. This was particularly true among women participants; females aged 35-44 were the most extreme in wanting pure, natural, light and clean beverages.

Women listed calcium and fiber as their top-of-mind preferences for functional ingredients, so long as the beverages were low-calorie. Several men noted that the packaging had to be something they would be willing to “take to the gym” and not be too feminine.

Another focus group discovery: Consumers were drawn to the end benefit of a functional ingredient rather than the ingredient itself. For example, a drink with 10 grams of protein did not generate as much excitement from the participants as the drink with just 2.5 grams that advertised a compelling satiety benefit.

My vantage point



“My new job puts me at the intersection of the third point of the triangle – meshing the two and bringing them together.”

From my vantage point, there has never been a more exciting and challenging time to be in the global dairy ingredients business.

Exciting, because every day we’re expanding our understanding of the applications for dairy ingredients here in the United States and around the world. Challenging because our global customers are more discerning than ever and the competitive dynamics shift so quickly.

The U.S. dairy industry is well-positioned to capitalize on the global opportunity. Toward that end, this fall the board of directors of the U.S. Dairy Export Council (USDEC) approved a plan to combine Dairy Management Inc.’s (DMI) domestic ingredient program with USDEC’s export program to create a global ingredients market platform. The move integrates the two into a single initiative, maximizing efficiencies and the impact of efforts to increase sales of U.S. dairy ingredients at home and abroad.

USDEC and DMI have coordinated for years; this formal integration reflects the reality that buyers, suppliers, product profiles, end-users, research needs and competitive pressures are largely the same whether selling internally or externally.

That’s where I come in. I joined USDEC in November as vice president of ingredient marketing. My task is to develop collaborative projects and relationships with food and beverage companies using U.S. dairy ingredients.

I come to this position after 19 years with Kraft, first operating through the lens of an ingredient user as part of Kraft Foods and for the last four years from the perspective of an ingredient supplier as part of Kraft Food Ingredients. This experience enables me to understand the needs of both sides. My new job puts me at the intersection of the third point of the triangle – meshing the two and bringing them together.

What does this mean to you?

As always, our top priority is to identify and cultivate the competitive advantages that are valued by both domestic and export customers. This new structure enables us to develop this story and use it effectively with customers worldwide.

We’ll also gain from synergies in the ample research directed by DMI and USDEC – nutrition research, applied research, product and ingredient research and market studies. For example, findings on the benefits of whey for addressing body composition apply globally. The key is to leverage those findings globally as well.

Just as importantly, your input will be leveraged across our global programs. As an ingredient supplier, your voice will be heard by a single set of ears and applied to programs that impact your export and domestic businesses evenly.

I’m looking forward to working with each of you in the days and weeks ahead. In the meantime, feel free to call or write (703-528-3049, vnicholson@usdec.org) to share your vantage point with me.

Vikki Nicholson,

Vice President of Ingredient Marketing
U.S. Dairy Export Council

Globalization study conducted for Innovation Center

Last year, dairy producers, processors and manufacturers announced an unprecedented agreement to collaborate on pre-competitive initiatives through the creation of the Innovation Center for U.S. Dairy (IC). The Center's mission is to create a forum to better deliver nutritious dairy foods, beverages and ingredients for the health of people, communities and the earth.

Through the IC, the entire industry is working together to address seven priorities established by a board of directors made up of top executives and chairs from the nation's leading producer, processor and manufacturing organizations. The priorities include:

- Sustainability
- Health and wellness
- Product development
- Information and communications
- Regulatory issues (excluding pricing)
- Consumer confidence
- Globalization

One of the first outcomes was a comprehensive report on globalization and how it impacts markets for U.S. dairy products both internally and externally. The report, conducted by an IC Globalization Task Force with support from business consulting firm Bain & Co., concluded that globalization is creating increasingly volatile dairy markets that will impact every segment of the industry from farm to fork in the years ahead.

To compete in this environment, the United States would be best served by strengthening specific competitive weaknesses and developing what the report calls a "Consistent Exporter" strategy. To do this, the industry will need to transition from a production-centric approach to a customer-centric one.

"Customers view the United States as well-positioned to succeed in global dairy, but also highlighted some shortcomings," the report concluded. Global buyers felt the United States had an inconsistent commitment to supply, fickle customer service, volatile pricing and a product mix that doesn't always align with their needs.

The status-quo is not a good option, the report says, because U.S. competitive advantages will deteriorate over time. Instead, the IC is pursuing a series of programs of work to improve the commercial focus of U.S. suppliers, better align their product portfolio and address price volatility to take advantage of growing opportunities both domestically and abroad.



InnovateWithDairy.com gets a makeover

Dairy Management Inc.'s (DMI) recently-refreshed InnovateWithDairy.com Web site features a new Market Insight section to help planning and developing new products.

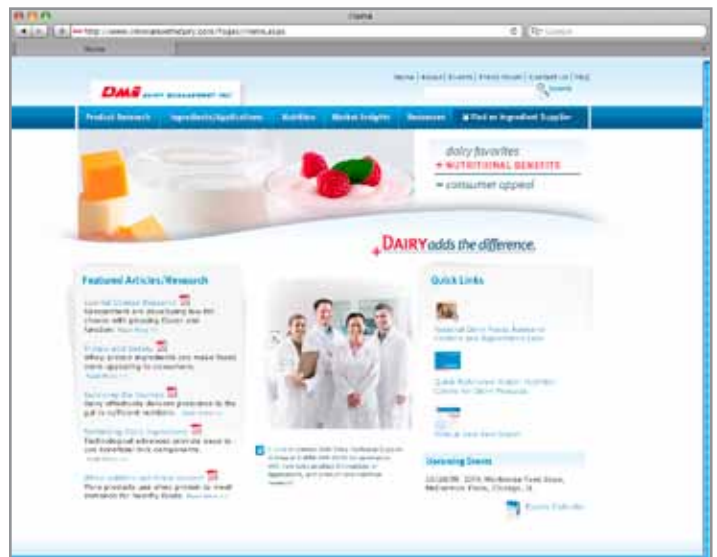
The new section brings market research and consumer insights to the site, which is designed to be an information resource for researchers, food formulators and marketers in the dairy, food and beverage industries. InnovateWithDairy.com is a rich source of current, easily-navigable information to assist in formulating innovative dairy foods and other products using dairy ingredients that meet today's consumer needs.

The site now features additional search filters, allowing visitors to find what they need faster than ever.

"Viewers can quickly locate topics of interest, whether it's a dairy ingredient like cheese or whey protein used in a specific application, or the latest dairy product and nutrition research," says DMI director of ingredient marketing and communications Kara McDonald.

"Staying competitive in an ever-changing food market can be challenging. This Web site was redesigned to give manufacturers more access to information to help develop the innovative products consumers want, utilizing dairy's function, flavor and nutrition," adds McDonald.

Come visit us at www.InnovateWithDairy.com.



Ingredient manufacturers can find applications resources, consumer insights and nutrition and product research on the redesigned InnovateWithDairy.com.



DMI Dairy Ingredient Vantage Point is published by DMI and is designed to provide information about the U.S. dairy industry for the benefit of dairy ingredient manufacturers and distributors.

Dairy Management Inc.™ (DMI) is the nonprofit domestic and international planning and management organization responsible for increasing sales of and demand for U.S.-produced dairy products and ingredients on behalf of America's dairy producers. DMI manages the American Dairy Association®, Innovation Center for U.S. Dairy®, National Dairy Council® and U.S. Dairy Export Council®. DMI's Web site is dairyinfo.com.

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News and notes

Dairy Ingredients Symposium set for March 2-3



The 2010 Dairy Ingredients Symposium will be held at the InterContinental Mark Hopkins hotel in the Nob Hill section of San Francisco, Calif., March 2-3. Billed as "the food and beverage industry's best opportunity to access comprehensive new technical and marketing information on dairy ingredients," the show is sponsored by CalPoly's Dairy Products Technology Center, Dairy Management Inc., U.S. Dairy Export Council and California Dairy Research Foundation.

Early-bird registration (postmarked before Feb. 12, 2010) is \$395; the cost after that date is \$445. A 15% percent discount is available for three or more registrants from the same company, as is a \$100 discount for members of the media, academics and government employees. A block of rooms has been reserved at a group rate of \$164 per night. For more information, visit www.DairyIngredients2010.com or contact Laurie Jacobson at 805-305-5056 or ljacobso@calpoly.edu.

NDC targets magazines with whey protein benefits

National Dairy Council (NDC) officials recently met with editors of several health, nutrition and fitness magazines – including *Self*, *Men's Fitness*, *Health*, *Shape*, *Fitness*, *Good Housekeeping* and *Women's Health* – to educate them about the health benefits of whey protein. Editors were provided with whey protein booklets and fact sheets as well as product samples. The meetings helped position NDC and its Whey Protein Advisory Panel advisors as a "go-to" resource for information on whey protein, says Marlene Schmidt, vice president, Dairy Management Inc.

Davisco, Meggle join forces on pharmaceutical lactose



Davisco Foods International and Germany's Meggle Group have entered into a joint venture for the production and marketing of pharmaceutical lactose. As part of the long-term agreement between the privately-held, family-owned companies, Davisco will expand its existing lactose production at its Le Sueur, Minn., facility to accommodate additional production lines for pharmaceutical lactose. Meggle will provide the technical marketing, sales and distribution for the products.

"Davisco Foods is excited and honored to engage in a joint venture with the Meggle Company to produce pharmaceutical lactose products," says Mark Davis, president, Davisco. "We have had a close and rewarding relationship for years with Meggle and have respected and admired their many achievements. The joint venture will produce the same high quality products and provide the same service that Meggle has historically produced and provided."

Trega acquires Green Meadows

Trega Foods, Little Chute, Wis., acquired Green Meadows Foods, a cheese manufacturer based in Hull, Iowa. Trega is a subsidiary of Canadian co-op Agropur, with additional facilities in Weyauwega and Luxemburg, Wis.

Green Meadows opened in November 2008. It has 85 employees and produces 80 million lbs. of American and Italian cheese a year. In addition, about 47 million lbs. per year of dry whey is extracted from the plant's milk intake.