The Opportunity Towards the Bottom of the Pyramid
Dear Readers,

Rapid growth in emerging markets over the past decade has put consumer goods within the reach of millions of low-income households for the first time. Yet while developing countries like China, India, Brazil and Indonesia have become the growth engines of the dairy industry, the huge potential among lower-income consumers remains to be fully realized. The main challenge is reaching them with the conveniently packaged products they increasingly seek at a price they can afford.

To meet these needs we undertook a study several years ago to explore the potential of this untapped market in greater depth. We identified around 2.7 billion low-income people in developing countries who are increasingly concerned about safe and healthy food, particularly for their children. Many live in remote areas, shop in traditional stores and only buy what they can afford each day— in small quantities.

They live on $2-$8 a day and make up close to 40% of the world’s population. And they are responsible for 38% of Liquid Dairy Products (LDP) consumption in developing markets, around 72.5 billion litres, mostly unpacked. We call them “Deeper in the Pyramid” - DiP - consumers, inspired by C.K. Prahalad’s landmark book, "The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits."

And they represent a golden opportunity for dairy processors and packaging companies. Because today’s low-income consumers are tomorrow’s middle class. Research shows that the number of DiP consumers will decrease by 2020 as they enter the ranks of the middle class. Indeed, the world’s population living on a daily income above $8 is expected to rise from 52% in 2011 to 66% by 2020.

However, reaching these consumers will require new and innovative ways of working. Traditionally, our industry had developed products from the bottom-up, adding value along the way. We must do the opposite to realize the potential of this market. We may also need to take a different approach to risk, investment and organisation in different markets to meet the challenges of distribution and price point.

We are convinced that innovation, partnership and commitment hold the key to success in this market. We must develop products differently, distribute them differently and sell them differently to extend the availability of good nutrition in developing countries. This is an opportunity our industry can’t afford to miss. It’s an opportunity to transform lives by making safe and nutritious food available to a new generation of emerging consumers.

We hope you find this report useful and welcome your comments at dairyindex@tetrapak.com. You can also find the Tetra Pak Dairy Index at www.tetrapak.com/dairyindex.

Sincerely,

Dennis Jönsson
President and CEO Tetra Pak Group

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About the Tetra Pak Dairy Index

The Tetra Pak Dairy Index is an annual report designed to help dairy producers identify new opportunities for growth while offering all industry watchers information on the latest facts, figures and trends related to the global dairy industry. The data contained in this report are collected from a variety of Tetra Pak and external sources and analysed by Tetra Pak’s dairy market experts. The Tetra Pak Dairy Index also includes Tetra Pak’s analysis of the industry based on its day-to-day work with dairy customers, governments, non-governmental organisations and local communities around the world supporting every aspect of the dairy value chain.

Reaching the world’s low-income consumers

In 2004 business guru C. K. Prahalad presented a novel idea he hoped would solve the social and economic problems of the vast majority of the world’s population and prove a boon to business: reaching out to millions of the world’s poor— those at the “bottom of the pyramid” — with consumer goods that meet their specific needs.

The idea was embraced by many industries—from fast moving consumer goods companies selling shampoos and detergents to companies producing computers and automobiles.

The principles behind Prahalad’s book, “The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits,” also represent a tremendous opportunity for the dairy industry.

Tetra Pak has identified about 2.7 billion consumers living in developing markets on $2-$8 a day, which represents 38% of developing markets total Liquid Dairy Products (LDP) volume consumption that are virtually untapped by today’s dairy processors. Called Deeper in the Pyramid (DiP) consumers by Tetra Pak, they represent about 30% of the combined population of all developing countries—with half living in India and China. Consumption of LDP by these low-income consumers in developing markets is expected to grow from about 72.5 billion litres in 2011 to almost 80 billion litres in 2014, according to Tetra Pak.

“DiP consumers represent one of the biggest growth opportunities for the dairy industry in the coming years,” says Tetra Pak President and CEO Dennis Jönsson. “The key to tomorrow’s success for the dairy industry – small, medium and multinational players— is reaching these emerging consumers today,” says Jönsson.

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Reaching DiP Consumers

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“DiP consumers represent one of the biggest growth opportunities for the dairy industry in the coming years,” says Tetra Pak President and CEO Dennis Jönsson. “The key to tomorrow’s success for the dairy industry—small, medium and multinational players—is reaching these emerging consumers today,” says Jönsson.
Drawing inspiration from Prahalad, Tetra Pak developed its own “pyramid” to identify opportunities for dairy companies to provide healthy, nutritious and safe packaged products to consumers in developing countries where demand for liquid dairy is steadily rising.

At the Top of the Pyramid (ToP) are individuals living on more than $8 a day, some 52% of the world’s population. At the Bottom of the Pyramid (BoP) are those living on less than $2 a day, about 9% of the world’s population. Consumers in the middle of the pyramid, around 39% of the population and living on $2-$8 a day have good potential to boost dairy consumption growth in developing markets, according to Boston Consulting Group, who helped Tetra Pak develop the DiP classification.

DiP consumers are expected to change their consumption habits as they climb the economic ladder in thriving developing markets to join the more prosperous middle class. Indeed, as demand for LDP reaches a plateau in developed markets like Western Europe and North America, it is developing countries that are driving increased demand.

“We’re living in a two-speed world. Developed markets are moving slowly. Developing markets are moving rapidly,” says Paulo Nigro, Vice President Tetra Pak Central and South America. “Economic growth is putting packaged consumer products within the reach of millions of new consumers for the first time.”

The vast majority of increasingly economically empowered DiP consumers live, work and shop in just six developing countries: China, India, Indonesia, Brazil, Pakistan and Kenya. These six countries account for 76% of DiP consumption of LDP, Tetra Pak research shows.

Often paid daily, DiP consumers tend to shop in thousands of small, family-run grocery stores that are found across developing countries, from big, bustling cities like Delhi to emerging areas in the Northeast of Brazil. They have limited incomes, and focus on providing the best for their kids, often reducing other expenses before compromising on basic nutritional food such as milk.

6 developing markets represent 76% of LDP consumption in developing markets

72.5 Bio/ litres 55.2 Bio/ litres

Source: Tetra Pak 2011

2011 Total LDP DiP Consumption 2011 LDP DiP 6 developing markets consumption

Global population breakdown by income segment 2009 - 2020

Global population (bn)

Source: Boston Consulting
The brands DiP consumers choose today will influence what they buy tomorrow

Golden opportunity

The opportunity among DiP consumers - neither the richest nor the poorest people in developing countries - is three-fold, according to Tetra Pak.

Not only do DiP consumers represent a significant portion of LDP consumption in developing countries, but as they climb up the "pyramid" - thanks to economic growth and urbanization - they are likely to consume more milk and to be able to increasingly afford a wider range of LDP products. In fact, Tetra Pak research in Asia indicates that DiP consumers would like to drink more milk if they could afford to do so.

The world's population living on a daily income above $8 is expected to rise from 52% in 2011 to 66% by 2020 as millions of DiP consumers move up the economic ladder thanks to economic growth, according to Boston Consulting Group.

As a consequence, the brands DiP consumers choose today are to influence what they buy tomorrow, according to Tetra Pak. “Cultivating consumer loyalty is a big part of the opportunity,” notes Nigro, who helped drive the company’s strategic analysis of the DiP market segment.

Overcoming challenges

“There are three main challenges our industry must overcome to make the most of the enormous potential in this market,” says Nigro.

“You need to make products affordable to people living on $2-$8 a day. You need to make them available, in every village, town and city in developing countries. And your product must be attractive, offering quality, convenience and value, particularly for kids who are the next generation of dairy consumers,” he says.

The industry will need to make products, packaging and processing more affordable to reach DiP consumers, he adds, noting it will, for example, need to consider the benefits of integrating processing and packaging solutions.

Dairy processors will also need to boost innovation and efficiency in distribution to ensure their products make it onto the shelves of small, traditional stores without adding unsustainable costs.

Retail with a traditional twist

Around 70% of purchases in developing markets are in the so-called traditional trade, which sells everything from cooking oil and rice to batteries and bananas, according to retail analysts Planet Retail.

The stores have their own unique way of doing business. And that’s a challenge to companies accustomed to supplying modern supermarkets.

Reaching every corner store with its own approach to stock keeping, credit and retailing in countries with underdeveloped infrastructure can be tricky.

Indonesia, with its traditional family-run “Warung” stores, is a case in point. Companies around the world, from the pharmaceuticals industry through to telecoms companies, are trying to figure out the best way to tap the enormous potential of the DiP market.

“From soap and milk to cellular phones and aspirin, companies are looking to sell quality, affordable products to DiP consumers. It’s an enormous market. Don’t forget that many of them are the middle class of the future. They will cross that threshold in their millions,” says Deepa Kalpathi, Dairy Category Manager with Tetra Pak in India.

Making affordable goods on offer now include cars and computers. Last year a $45 tablet was introduced in India which promised to deliver modern technology to the countryside to help lift villagers out of poverty. Other innovations include a $15 water purifier and the Tata Nano car which costs around $2,000.

Affordability

Making products that are affordable is paramount. “Determining the right price point in a given market and then creating the products to meet that price point is the challenge,” says Nigro.

Tetra Pak has identified a number of ways to make products more affordable to DiP consumers, he says. Among them is innovation - changing the way both milk products and packages are developed – with the price point driving development.

“For example, by using alternatives to whole milk – such as whey, lactic acid or other dairy formulas using powdered milk – it is possible to produce nutritious and healthy dairy products at a lower cost. It is also possible to use vegetable protein,” says David Cheng, Manager, Product Development Centre at Tetra Pak Singapore.
Determining the right price point is the challenge

Another way to reach a desired price point is by package design - reducing package sizes and developing or opting for more basic packaging – all the while, keeping a focus on quality and safety.

In Latin American markets like Brazil and Mexico, big and basic packaging – usually 1 litre cartons without closures for milk – is standard for price-conscious consumers. This is not the case in Asia where there is a growing preference for smaller packaging to reduce costs and meet the needs of the local population, who buy more frequently in smaller quantities and close to home because they have a small income and are looking for the most affordable solutions.

“In Asia, offering products in smaller packages, such as 70 ml, 100 ml and 125 ml, has been the route to offer good quality, convenient products. This approach enables top brands to reach consumers with limited incomes and daily budget struggles,” says Hari Purnomo, Marketing and Product Management Director at Tetra Pak in Indonesia.

Availability

The other key challenge in the DiP market is figuring out how to reach DiP consumers where they shop - making products widely available in thousands upon thousands of small retail outlets, from overcrowded and congested cities to remote, rural areas.

“Cracking the traditional trade is probably the biggest challenge of them all,” says Tetra Pak Vice President Negro, noting that packaging companies like Tetra Pak are working with diaries, food processors and other consumer goods companies to solve this challenge.

Companies are coming up with a number of innovative ways to reach their DiP consumers. Some are producing locally in regions where consumption of packaged liquid dairy products shows potential for growth.

In Brazil’s Northeastern region, dairy processors have expanded their local milk production to make UHT milk more affordable.

Other industries are finding ways of reaching DiP consumers too. A large brewer operating in Zambia, for example, has tapped into Africa’s informal economy to distribute beer in densely populated cities by wheelbarrow rather than by truck. And in Brazil and India, distributors hire local housewives to sell their products door-to-door.

Others are engaging food distributors with a track-record of working closely with traditional stores. They develop close relationships with these stores, through simple merchandising activities such as small gifts to hand out to shoppers and promotional displays.

The impact on the social as well as economic bottom lines is clear. Brands not only increase their market penetration, but they also help local communities increase their income and standard of living.

China

In China, dairy companies are also looking at ways to tap demand among DiP consumers, many of whom live in smaller cities rather than mega-cities close to the eastern seaboard like Shanghai, according to Helena Kao, Dairy Category Management Director at Tetra Pak in China.

“China has been the main source of growth for many global companies, but if they wish to maintain that momentum they need to tap into new markets. That’s why the whole industry is now focusing on the DiP market. In China it’s a virgin market waiting to be explored,” she says.

With China’s LDP consumption forecast to rise by around 10.2% (CAGR) in 2011-2014, according to Tetra Pak, DiP consumers are seen as a key target market for dairy companies. Many DiP consumers in China live in smaller, regional cities, rather than the country’s mega-cities.

While DiP consumers make up 55% of the population, they consume less milk than those living in big cities - 52 litres a year per capita on average compared to 78 litres consumed by consumers in bigger cities, according to Tetra Pak.

To crack the price point challenge dairy companies are exploring the use of smaller packages – such as 220-180 ml - and introducing more affordable ingredients, such as soya and other vegetable proteins. Lactic acid drinks and flavoured milk drinks are also affordable alternatives to white milk and are extremely popular in China and forecast to grow by 11.9% (CAGR) worldwide in 2011-2014, according to Tetra Pak.

Egypt

In Egypt LDP consumption is forecast to climb by 7.7% (CAGR) in 2011-2014, with DiP consumers making up 30% of the population, according to Tetra Pak.

Fun for kids

India, where around 65% of the population are Deeper in the Pyramid, according to Tetra Pak, is a case in point. The majority of milk drunk in India is still consumed loose, but that is changing, particularly in cities.

India, the world’s biggest LDP consumer, is expected to notch up a compound annual growth rate (CAGR) of 2.9% in LDP consumption in 2011-2014, according to Tetra Pak forecasts.

Part of that growth is expected to come from less affluent consumers buying dairy snacks and drinks in a country where white milk sales still account for the bulk of consumption.

Danone, for example, has launched a milk-based product for kids called “Fundooz” as a tasty, healthy and affordable food brand for school children as part of its mission to bring healthy food to as many people as possible. The Fundooz range of vitamin-enriched dairy treats comes in two sizes, 70 grams and 80 grams.

To help reduce distribution costs and ensure consumers get fresher products with a longer shelf life, Danone set up a state-of-art manufacturing facility at Sonipat, Haryana.

The plant serves an area 300 kilometre-wide and uses local ingredients like rice and wheat flour. Education is also playing a role in the project, with the company looking at ways to raise awareness about healthy food.

“Food companies in India are looking at setting up small production plants dedicated to the surrounding area because the cost of distribution is very high. Once a plant is producing good volumes and a good profit they look at another area, another region, another part of the country and set up a plant there,” says Dairy Category Manager Kalpathi.

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Egyptian dairies have come up with some innovative ideas for reaching these consumers outside the urban city centres of Cairo and Alexandria.

One dairy is looking into providing three-wheeler bicycles to reach places where regular distributors don’t go, setting up a franchise so that people can sign up, go out on their three-wheeler bicycles and sell packaged milk to earn a commission, notes Per Sundelin, Marketing and Product Management Director at Tetra Pak in Egypt, who is supporting the customer on the project.

Egypt's leading dairy, Juhayna had another approach to reach out to the traditional trade: a campaign took place at the end of 2011 covering 50 villages in a region south west of Cairo to make its products more accessible in family-run stores.

The campaign, with approval from village elders, combined a CSR initiative to re-paint houses, brand buildings and promote packed milk products at a discounted price to encourage local, small store owners to stock Juhayna products. Based on the success of this project, in terms of increased distribution and sales, the project will be expanded in 2012.

With almost 77% of milk consumed loose in Egypt, educating consumers about the benefits of packaged milk is vital in order to reach the DiP market.

Misconceptions about packaged milk are widespread in Egypt. They include: packed milk contains preservatives; loose milk is more nutritious; and boiling loose milk kills all germs.

To counter these misconceptions the Ministry of Health, Chamber of Food Industries and the Faculty of Agriculture at Alexandria University are conducting a series of educational seminars for students, school-children and housewives about milk and food safety.

Pakistan

Pakistan is the third largest milk producing and consuming country in the world with 64% of the country’s population classified as DiP, which represents 60% of LDP consumption, according to Tetra Pak.

The challenge for the dairy industry has been to reach DiP consumers, especially in a country where 94% of the population consumes unpackaged milk and 70% of the population lives in rural areas. Food processors are coming up with innovative affordable products to reach this market.

One such product is affordable tea creamers, which has a huge potential among DiP consumers as drinking milk with tea accounts for 32% of total milk consumption in Pakistan, according to Tetra Pak research.

Engro Foods, for example, introduced a tea creamer, Tarang, which is now offered in several sizes, including a 125 ml package. The product, based on vegetable fat, is a low cost alternative to UHT milk and powdered milk used as tea whiteners. This has facilitated penetration into smaller retail channels reaching DiP consumers.

Mexico

Dairies in Mexico have come up with another product to reach their DiP consumers, which represent about 25% of the population, according to Tetra Pak: “liquid dairy formulas” – products reconstituted from milk powder – have been growing rapidly.

In 2011, more than one billion cartons of dairy formulas were sold in Mexico and are growing at almost 10% a year, according to Tetra Pak. They are on average 10% less expensive than regular milk in Mexico and make up more than a quarter of the Mexican commercial white milk market.

“Making packaged dairy affordable, available and attractive to DiP consumers is a way to create new opportunities for our industry in a sustainable way. This is good for society, the economy and the environment,” notes Robert Graves, Marketing Director, Tetra Pak, Mexico.

“Dairy constitutes a big part of the Kenyan diet, but the challenge for the dairy industry here is to increase milk collection volumes,” says Helen Too, Marketing and Product Management Director at Tetra Pak in Kenya.

“Economies of scale are critical to drive cost efficiency, which will make milk affordable to DiP consumers,” says Too. In Kenya Tetra Pak has been working with small dairy farmers and processors to increase volumes of high quality milk to deliver to the industry.
Big opportunity beckons for dairy industry in Brazil’s Northeast

Brazil’s Northeast is diverse and vibrant. Though less prosperous than many other parts of Brazil, it is emerging as the country’s star economic performer.

With a population of around 53 million people, the Northeast is home to more than one in four of Brazil’s population. Economic growth is boosting standards of living and purchasing power in the region’s nine states. In the past decade its GDP rise by 4.2% a year, compared with 3.6% for the country as a whole, according to a report in the Economist in 2011.

The local economy is taking off, thanks to Brazil’s commodities boom, investment in ports, railways and refineries. Tax breaks and improved transport are attracting firms to set up factories, stores and shopping malls. In the port of Suape, construction on the southern hemisphere’s biggest shipyard is underway.

“Where money and jobs flow, so does milk,” says Vivian Leite, Dairy Category Manager at Tetra Pak in Brazil. She notes that there has been a steady rise in sales of UHT milk in this region. In the past five years eight companies have established dairy production plants in the region and existing plants have been expanding production capacity to meet growing demand.

The rate for UHT sales in the Northeast far outstrips the Brazilian average. UHT sales by volume have risen by 32% in the region in 2008-2011, according to market researcher Kantar Worldpanel. That’s compared to a 14% increase in Brazil as a whole in the same period.

Today UHT milk is still generally consumed more at the top of the pyramid in the Northeast, but DiP households are also starting to buy UHT milk. “That’s a huge opportunity for our industry,” she says.

“Economic growth and development have lifted living standards and boosted the purchasing power of consumers, helping them to buy UHT milk,” says Leite. To make UHT milk consumption more affordable dairy processors have expanded their local milk production capacity. And they are working with farmers to boost milk quality and yields. As a result, UHT milk penetration in the northeast has risen from around 50% in 2008 to more than 60% in 2011, according to Kantar Worldpanel.

Dairy processors are also using distributors with local knowledge of small traditional stores to reach DiP consumers. These distributors know how to create the right incentives for shopkeepers to sell their products far and wide. And they are educating consumers about the health, nutritional and safety benefits of packaged liquid dairy products.

“One of the biggest changes we have seen among consumers in emerging markets is their growing awareness of food safety and nutrition,” says Eduardo Eisler, Marketing & Product Management Director at Tetra Pak in Brazil. “That’s having an enormous impact on the products that DiP consumers want to buy.”
For a true taste of Indonesia, step inside a “Warung,” a roadside store where you can buy everything from fresh vegetables, bananas and rice, to cold drinks and mosquito repellents. From Java to Jakarta, Warungs are where the majority of the country’s 245 million people shop and snack. It’s also where Deeper in the Pyramid (DiP) consumers go for their regular household purchases, often plucking wares hanging from a wire strung beneath the narrow eaves of a bamboo roof. It’s here too that shoppers buy liquid dairy products (LDP) such as sweetened condensed milk.

“There are around two million such traditional stores in Indonesia. They are family-run shops you can find in every town, village and city. Compare that to less than 20,000 modern stores in Indonesia and you get a picture of retailing here,” says Hari Purnomo, Marketing and Product Management Director at Tetra Pak in Indonesia.

“Getting your products efficiently and cost effectively to these millions of Warungs is critical to a dairy company’s success,” he says. But overcoming this challenge is well worth it as the potential growth is enormous. About 54% of the population are DiP consumers, living on $2-$8 a day. These consumers account for about 46% of LDP consumption in Indonesia.

But tens of millions of DiP consumers are expected to edge into the emerging middle class by the end of the decade thanks to robust economic growth, rising prosperity, urbanisation and social mobility.

In fact, the number of Indonesians living on over $8 a day is expected to more double to over 120 million between 2009 and 2020, according to Tetra Pak.

In addition, Indonesia’s LDP consumption is expected to grow at a compound annual growth rate (CAGR) of 7.9% from 2011 to 2014, according to Tetra Pak forecasts. That growth rate is just behind China, with a forecast CAGR of 10.2% during the same period.

“The younger generation is driving demand for liquid dairy products in Indonesia with parents eager to provide their kids with the nutrients they need to grow,” says Purnomo, citing So Good Food’s Real Good dairy drinks, which come in sizes as small as 80 ml in chocolate and cereal flavours, as one example of how to reach this key market segment.

It is among Indonesia’s DiP consumers that Tetra Pak sees significant potential for growth. Today, they account for a third of ready-to-drink (RTD) milk consumption and their annual per capita RTD consumption is forecast to quadruple from 1 litre in 2010 to four litres by 2020, according to Tetra Pak.

One of the drivers will be flavoured milks enjoyed by school children as snacks and treats, which at the moment are usually consumed on a weekly or monthly basis.

“It’s in dairy snacks that we see plenty of potential for growth, particularly in two affordable categories: Lactic Acid Drinks (LAD) and flavoured beverages,” says Purnomo.

The drinks tend to come in small packages ranging from 70 ml - 150 ml. Many of these snack-style products are sold for around $0.12.

“Value for money is critical for regular milk consumption among DiP consumers,” says Purnomo. “Every cent counts to make the product and the package available at the right price.”

Efficient production, packaging, marketing and distribution are vital to make the most of this promising market, says Rio Hascaryo, Dairy Category Manager at Tetra Pak in Indonesia.

“To succeed,” he says, “you need to generate big sales volumes to achieve economies of scale. And you need to create brand awareness and excitement around products.”

Around 70% of fast moving consumer goods (FMCG) are sold in traditional stores in Indonesia, rising to more than 80% among DiP consumers.

“These Warung stores really hold the key to unlocking the potential of the DiP market,” says Hascaryo. “It’s the place where the dairy industry can launch new dairy products in a traditional Indonesian setting.”
Good things come in small packages for cost-conscious Italians

In Europe’s age of austerity, Italians are tightening their purse strings, shortening their shopping lists and buying tomatoes, juices and cream in smaller packages.

Much like Deeper in the Pyramid (DiP) consumers in many developing countries, cost-conscious Italians are opting to save money, reduce waste and boost convenience by buying food and drinks in smaller packages, particularly families, pensioners and students.

“Italian consumers are buying smaller packages and that’s clearly linked to the economic climate,” says Elisa Nistri, Marketing and Product Management Director, Tetra Pak Italy. “In dairy we see growing demand for smaller packages of liquid cream and, in fact, shoppers are increasingly shifting from the standard 200 ml UHT liquid cream to 125 ml or 100 ml packages,” she notes.

Liquid cream is used extensively in Italian cookery with three out of four Italian families consuming it regularly, predominantly in pasta, sauces and desserts.

“By moving to smaller packages, consumers are clearly reducing waste. Research shows that half of Italian consumers do not use all the cream in the standard 200 ml carton and that 20% throw some away. This is why a smaller pack makes lots of sense in a period where every euro cent counts,” she says.

The popularity of smaller packaging extends to juices and nectars. The 200 ml package of juice, which accounts for a third of the Italian juice and nectar market, notched up growth of around 3% last year, says Nistri.

“In tough economic times people tend to cut back on spending and reduce waste. If you buy one litre of juice there is always a risk that you leave it open in the fridge and then throw some of it away,” she says. “With 200 ml that’s different: most likely you drink the whole lot.”

Italians, who are Europe’s biggest consumers of tomatoes, have also embraced smaller packages for this culinary favourite. That’s reflected in rising demand for bottles and cartons smaller than 500 ml. At the same time, demand for the 750 ml option has fallen by 1%.

“We’ve seen 27% growth in demand for 200 ml cartons of tomatoes. That’s a big move towards smaller sizes for one of Italy’s favourite foods,” says Nistri.
Global demand for liquid dairy products to accelerate in 2011-2014

Global consumption of liquid dairy products (LDP) is set to rise by a compound annual growth rate (CAGR) of 2.9% in 2011-2014, accelerating from 2.5% growth in 2008-2011, led by buoyant demand in Asia, Africa and Latin America, according to Tetra Pak research.

Asia, Latin America and Africa are all expected to record higher growth rates in consumption in 2011-2014 than in 2008-2011. Asia is forecast to consolidate its position as the world’s biggest market for liquid dairy and dairy alternatives, while Latin America is forecast to overtake Western Europe as the world’s second biggest market by 2014, the research shows.

Demand in Asia-Pacific is forecast to rise by 4.6% (CAGR) in 2011-2014 to some 165.3 billion litres. Africa will become the world’s second fastest growing market, with demand set to jump by 3.5% (CAGR) to around 17.3 billion litres in 2011-2014. Latin America’s consumption will grow by 2.1% (CAGR) to around 34.1 billion litres. In North America demand will remain flat with 29.3 billion litres, while in Western Europe it will shrink by a CAGR of 0.3% to 33.2 billion litres. Eastern Europe is forecast to see growth of 0.9% (CAGR) in 2011-2014 to around 21.2 billion litres.

Lactic Acid Drinks (LAD), baby and toddler milk and flavoured milk are expected to record the fastest growth rates in 2011-2014, Tetra Pak analysis shows. LAD is expected to notch up the highest growth rate, a CAGR of 11.9%, followed by baby and toddler milk with a CAGR of 9.0%. Flavoured milk is expected to record a CAGR of 4.8%.

White milk sales, the biggest category by volume, are expected to post a CAGR of 1.6% in 2011-2014 with consumption rising from 206.4 billion litres to 216.7 billion litres worldwide.

“These forecasts confirm that emerging markets like India, China, Brazil, Russia and Pakistan will drive the industry’s growth,” says Gisele Gurgel, the head of Dairy Category Management at Tetra Pak. “We are expecting to see buoyant demand, especially for lactic acid drinks and flavoured milk.

Global demand for liquid dairy products to accelerate in 2011-2014

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Source: Tetra Pak 2011

These tend to be affordable beverages and a big favourite among DiP in developing countries, particularly in Asia.”

The switch from loose to packaged white milk is expected to continue, prompted by growing awareness about the health benefits, safety and convenience of packaged milk, according to Tetra Pak.

In 2011, packed milk accounted for 49.8% of white milk consumption in developing markets, according to Tetra Pak. By 2014 packed milk is forecast to account for 53.1% of white milk consumption. Loose milk still accounted for 50.2% of white milk consumption in 2011, but is expected to drop by 2014 to 46.9% in developing markets.

“The white milk conversion is a sign that consumers understand the benefits and advantages of buying packaged liquid dairy products,” says Gurgel. “We expect this to continue and we will support our customers in growing the demand for healthy, nutritious, convenient and safe packaged milk among DiP consumers.”

Source: Tetra Pak 2011
About Tetra Pak

Tetra Pak is the world’s leading food processing and packaging solutions company. Working closely with our customers and suppliers, we provide safe, innovative and environmentally sound products that each day meet the needs of hundreds of millions of people in more than 170 countries around the world. With almost 22,000 employees based in over 85 countries, we believe in responsible industry leadership and a sustainable approach to business. Our motto, “PROTECTS WHAT’S GOOD™,” reflects our vision to make food safe and available, everywhere.

More information about Tetra Pak is available at www.tetrapak.com