

VALUE PROPOSITION

Processors answer the call for milk products with added health benefits.

by Julie Cook Ramirez

Few people would argue that milk really does do a body good. That's fine, but the fact remains that we live in a society where people consistently want more out of the products and services they buy.

So while no one is about to deny that milk retains a healthy connotation in the minds of most consumers, those same consumers are now demanding that the original healthy beverage become even healthier. Apparently, it's no longer enough merely to be a good source of calcium and protein; today's milk is expected to assist consumers with resolving various health issues, from high cholesterol to heart disease to insomnia, all the while offering great taste and convenience to an increasingly on-the-go consumer.

"There is knowledge and respect amongst consumers that milk is a naturally nutrient-rich product," says Gail Barnes, vice president, fluid innovation, Dairy Management Inc. (DMI), Rosemont, Ill. "That being said, consumers' lifestyles are really changing and they are placing new demands on their bodies. That takes us into the whole area of functional products, where they expect an additional benefit."

After years of trying to earn back share of stomach taken away by soft drinks, juices and other

beverages, milk processors are finally seeing a light at the end of the tunnel, in large part due to the great strides made in out-of-home consumption channels, specifically schools, vending and convenience stores. Thus, they aren't about to let this ripe of an opportunity pass them by. As a result, a number of processors have rolled out innovative new products, designed to give the consumer added benefits, enhanced flavor and optimum portability.

San Antonio-based Promised Land Dairy Distribution Inc. recently introduced Your Ultimate Milk (Y.U.M.), a fat-free offering enriched with plant sterols, a natural plant extract present in most fruits and vegetables and clinically proven to lower LDL ("bad") cholesterol. Specifically, studies have shown that consuming foods containing at least 0.4 grams per serving of plant sterols twice a day, as part of a diet low in saturated fat and cholesterol, may reduce the risk of heart disease.

Sold in glass quart bottles in Fat-Free White, Fat-Free Chocolate, and Fat-Free White Chocolate varieties, Y.U.M. is the first plant sterol-containing milk to be sold in the United States. It is designed to appeal to health-conscious men and women, typically over age 35, who either want or need to lower

TOP 10 INDIVIDUAL WHOLE MILK BRANDS*

	\$ SALES (IN MILLIONS)	% CHANGE VS. YEAR AGO	UNIT SALES (IN MILLIONS)	% CHANGE VS. YEAR AGO
Total Category	\$2,947.1	-6.0%	1,142.3	-4.4%
Private Label	1,846.3	-7.4	726.6	-4.5
Horizon Organic	50.0	14.6	12.0	5.1
Borden	46.1	-6.8	15.9	-8.1
Lactaid 100	34.4	9.1	9.4	7.0
Prairie Farms	30.5	7.6	12.9	9.4
Pet	29.6	-5.1	13.2	-4.8
Organic Valley	28.1	-5.8	10.2	-7.7
Dean's	25.5	34.7	6.6	24.6
Tuscan Farms	25.1	-0.9	11.5	2.4

* Total sales in supermarkets, drug stores and mass merchandisers, excluding Wal-Mart, for the 52-week period ending January 28, 2007.

SOURCE: Information Resources Inc.

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their cholesterol levels.

Turbo-Charged

In San Francisco, Dreamerz Foods Inc. has tackled one of the most widespread problems facing Americans today: difficulty sleeping. Citing data from the National Sleep Foundation's 2005 "Sleep in America" poll, Dreamerz reports that 75 percent of American adults suffer at least one symptom of a sleep problem. Just under half of respondents said they have a good night's sleep "every night or almost every night." And the majority of consumers are not comfortable relying on prescription sleep aids.

"We've heard repeatedly from people that they don't want to take pharmaceuticals because of the side effects and the potential for addiction," says Amanda Steele, Dreamerz founder and chief executive officer. "There haven't been a lot of natural solutions for making sleep part of a healthy lifestyle, so there was a definite opportunity to bring consumers a product that has some efficacy behind it that tastes wonderful and can be a part of a bedtime ritual of relaxing before you go to sleep."

Steele and her team came up with the concept of Dreamerz, a milk-based beverage containing added ingredients that promote

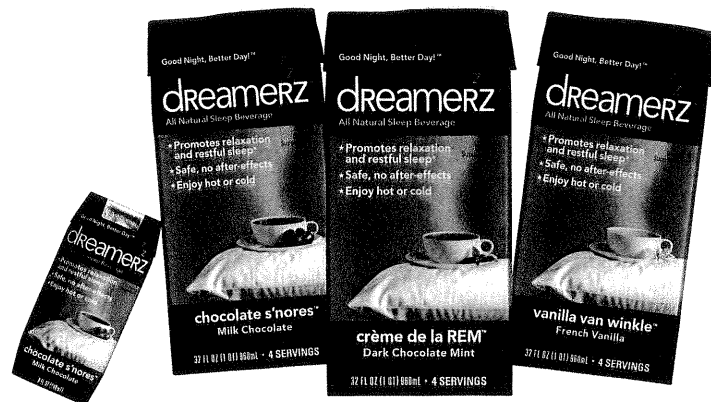
relaxation. Specifically, Dreamerz contains 0.3 milligrams of melatonin, a naturally occurring hormone that studies have shown to aid in sleep, and lactium, a hydrolyzed milk casein clinically proven to promote relaxation, in addition to milk's naturally-occurring tryptophan, which has also been shown to aid relaxation and sleep.

Since restless consumers have long turned to a glass of warm milk to help relax them enough to fall asleep, Steele says they were very open to the idea of a milk-based product that was specially formulated to help them catch their Z's.

"Milk is something that doctors and mothers have prescribed for years to help people fall asleep faster," she explains. We've taken an already accepted remedy and turbo-charged it with active ingredients that help even more with relaxation and managing your sleep cycle."

Dreamerz conducted a 10-day in-home use study with 89 consumers suffering from mild- to moderate insomnia. At the conclusion of the study, 77 percent of participants reported falling asleep faster, while seven out of 10 said they felt Dreamerz improved their quality of sleep.

Promoted as the "first all-natural



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