

Prepared by the New Zealand Embassy in Washington.

Summary

- Plant-based milk, yogurt, cheese and ice cream offerings are a rapidly growing segment of the US consumer market while animal-free dairy and cell-cultured dairy are attracting increasing interest and investment.
- The coronavirus pandemic has contributed to US consumers becoming more familiar with the products given temporary stay-at-home lockdowns and dairy supply chain issues.
- Consumers choose to drink milk alternatives primarily for the different taste, followed by health reasons and sustainability concerns with traditional dairy.
- Almond milk is the leading milk alternative in the US with oat milk the second most popular among an increasingly wide variety of options that extends to pistachio, pecan, and hemp milk.
- However, some companies have entered the market or are looking to do so with offerings that try to replicate the properties of cow's milk as closely as possible.

Report/ findings

- Milk alternatives generated the greatest retail sales in the plant-based food market in the US in 2020. Sales of milk alternatives were valued at between US\$2.5 billion and US\$3 billion, which is around double that generated by meat alternatives. Two-thirds of US adults say they have tasted a non-dairy milk, compared to just over half who have tried a plant-based protein. One-third of Americans drink non-dairy milk at least weekly.
- Overall sales of alternative milks in North America amount to around 20 percent of the value of traditional milk sales, greater than any other region in the world. Alternative milks are still well behind the popularity of whole milk and 2 percent milk, but according to consumer surveys can be found in 12 percent of US households - about the same frequency as 1 percent and skim milk. Additionally, retail sales of alternative milks are growing, in contrast to the decline in fluid milk consumption in the US.
- The familiarity of alternative milks has been helped by them being a regular feature on the menus of some of the major American coffee chains. Dunkin' Donuts, for instance, introduced almond milk to its line-up back in 2014 and followed that with oat milk in 2020. Even if they are not on the menu consumers can often choose to substitute them in drink orders, although sometimes for a slightly higher price.
- Growth has picked up further during the pandemic. Retail sales shot up after the issuing of stay-at-home orders in March 2020. At the time, consumers were looking to stockpile food and goods for an uncertain amount of time, so they looked for items that could last for the long haul. Shelf-stable UHT dairy milk and plant-based milks were cleared off supermarket shelves along with pasta, canned and frozen goods. Pacific Foods', which has made plant-based products since 1987, saw a double digit increase in sales of its alternative dairy drinks from 2019 to 2020 was emblematic of the trend.

- Demographic data shows that alternative milk drinkers tend to be younger with millennials and Gen Zers preferring non-dairy options more than the general population. They are also more likely to live in urban areas than rural ones. But there does not seem to be a gender difference, with men just as likely to have tried alternative milks as women.
 - According to polling, most consumers choose to drink milk alternatives because they prefer the taste. Milk alternatives may have a different taste as well as texture for the drinker depending on what it is made from. Almond milk is the most sold type of plant-based milk in the US, accounting for more than half of sales by value. Oat milk, which first appeared on grocery store shelves only a few years ago, is now the second most popular plant-based milk. Soy milk is in third place having dropped from the top spot in 2013. Coconut-based beverages are in fourth and are one of the fastest-growing segments.
 - The sector continues to expand its offerings with a variety of other nuts, grains and legumes emerging as dairy alternatives. New Zealand company [avocadomilk](#) is one that has entered the US market in the past two years and is now in 1,000 stores and has deals with the countries two biggest natural food distributors. You can also find milks derived from pea, barley, cashew, pistachio, pecan, rice, flaxseed, and hemp.
 - Health is the next major reason that consumers are choosing milk alternatives. This includes people with dietary restrictions such as lactose intolerance as well as those who are seeking lower amounts of saturated fat and cholesterol. This has seen some traditional dairy players jumping on board. In 2019, US cooperative Dairy Farmers of America introduced a new 'blended' drink combining dairy and plant-based ingredients. The Live Real Farms-branded Dairy Plus Milk Blends incorporates lactose-free milk with almonds or oats. Live Real Farms senior vice president Rachel Kylo said the move "recognised an opportunity in the value-added milk category's growth areas – products like lactose-free and flavoured milk".
 - Environmental concerns about dairy production are also driving uptake of milk alternatives among some US consumers, although sustainability concerns are also being aimed at some of the popular plant-based alternatives such as the water-intensive nature of growing almonds in dry regions of the US.
 - Some companies are using precision fermentation and other technologies to create products that mimic the taste and flavour profile of cow's milk to compete directly with traditional milk producers. [NotCo](#), a start-up founded in Chile, is one. Its NotMilk product - made from pineapple, cabbage, chicory root fibre, coconut oil and pea protein - is sold at around 3,000 Whole Foods stores in the US. [Perfect Day](#) uses a precision fermentation process to create a protein powder in the lab that can be used in the production of animal-free ice cream. And [Impossible Foods](#), known for its plant-based burger, is working on developing an Impossible Milk although there is no date scheduled for it coming on to the market.
 - The US Food and Drug Administration (FDA) is due to issue formal guidance for industry on the consumer labelling of alternative milks in the coming year after public consultation concluded last month. The FDA review will focus on the use of "standards of identity" for dairy products established under common names such as "milk", "yoghurt" or "cheddar cheese" in the labelling of plant-based products. US dairy industry stakeholders have highlighted that "milk" is defined under these standards as "the lacteal secretion, practically free from colostrum, obtained by the complete milking of one or more healthy cows". And former FDA Commissioner Scott Gottlieb was widely reported in 2018 as saying "an almond doesn't lactate". While encouraging of innovation and consumer choice, FDA has concerns that the labelling of some plant-based products using such terms is "leading consumers to believe that those products have the same key nutritional attributes as dairy products".
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