

Introduction

The dairy industry is undergoing significant shifts in consumer preferences, supply chain dynamics, and pricing structures. As a sales agency with over 25 years of experience in perishables merchandising in the tri-state area, our organization has become adept in recognizing and acting on changing consumer behaviors, relying on a combination of intuition, communication, data, experience and collaboration to both understand and appeal to evolving local tastes and shopping patterns. With the dairy department accounting for approximately 10% of total grocery store sales, and dairy purchases driving more trips to the store than any other edible aisle (86 product trips per buyer, according to Supermarket News), it is critically important for sales agencies, manufacturers and retailers alike to be agile, intuitive and timely to capitalize on the latest perishables trends. Recently, there has been a surge in demand for cottage cheese and other high protein foods, fluctuations in supply and pricing due to a recent bird flu outbreak, and changing consumer attitudes toward alternative milk options, particularly almond milk. This white paper explores these trends, providing insights into how grocery stores and suppliers can adapt and benefit from these evolving market conditions.

Increased Demand for Cottage Cheese

Cottage cheese, once a staple of older generations, has seen a resurgence in popularity among health-conscious consumers. Calendar YTD, cottage cheese units and volume are up +18% in NY Metro and have been growing since 2023. Several factors contribute to this renewed interest:

1. Health and Nutritional Benefits

- Cottage cheese is rich in protein, making it an attractive option for fitness enthusiasts and those following high-protein diets, such as those on GLP-1s.
- It contains probiotics, which support gut health, aligning with the increasing consumer demand for functional foods.

2. Social Media Influence

- The rise of TikTok and Instagram food trends has led to innovative cottage cheese recipes, from protein-packed ice creams to savory meal additions.
- Influencers and dietitians promote cottage cheese as a versatile and nutritious ingredient, driving higher consumer engagement.

3. Shift in Consumer Preferences

- Consumers are looking for alternatives to traditional snack foods, seeking out high-protein, low-fat options.
- More shoppers are choosing whole, minimally processed dairy products over ultra-processed alternatives.

While demand continues to be strong, producers are trying to predict if this is a short-term fad, or it is a sector to invest in capital expansion. For now, leading manufacturers are focusing on maximizing efficiency.

Strategies for Grocery Stores and Suppliers:

To take advantage of the increased appeal for cottage cheese, grocery stores should:

- Expand shelf space and variety for cottage cheese, including flavored, whipped, and high-protein options, to meet growing demand and attract different consumer segments. A leading cottage cheese brand has experienced double-digit volumetric growth for 3-years in a row and grew by over 25% in Metro NY for calendar year 2024. To support this remarkable increase in “turn business,” RDD’s Space Technologists have been increasing shelf facings and believe that the expanded shelf presence has been a contributing factor fueling sales increases.
- Promote cottage cheese in cross-merchandising displays with fruits, granola, or savory toppings to inspire meal ideas and increase basket size.
- Leverage social media trends and influencer content by featuring recipes and usage ideas (like cottage cheese pancakes or bowls) in-store and online to drive engagement and sales.

Rising Demand for High Protein and Protein-Enriched Dairy Products Among GLP-1 Users and Health-Conscious Consumers

Consumers, particularly the estimated 15 million who are taking GLP-1s, are looking for food high in protein. Health and weight management trends are evolving, influencing consumer dietary choices.

1. GLP-1 Effect on Consumption

- An estimated 15 million people are using GLP-1 medications like Ozempic and Wegovy.
- These consumers are actively seeking higher protein intake to support:
 - Muscle maintenance
 - Satiety

- GLP-1 users often experience reduced appetite, leading to:
 - A focus on nutrient-dense foods
 - The need to meet nutritional needs in smaller portions
- This shift is driving increased demand for protein-rich options across food categories.
- ***Dairy continues to emerge as a go-to category for protein due to its natural nutritional profile and versatility***

2. Innovation and Reformulation of Existing Products

- In response to consumer needs, dairy companies are innovating and reformulating traditional products to offer enhanced protein content.
- High-protein milks, yogurts, and cheeses are now prominently labeled with protein callouts, such as:
 - "13g of protein per serving"
 - "2x the protein of regular milk"
- These products cater to both GLP-1 users, and health and fitness-minded shoppers.
- Formulations often use ultrafiltration or added milk proteins.
- These methods boost nutritional value without significantly altering taste or texture.

The trend reflects a broader consumer movement toward functional foods that align with specific health goals, including weight loss, muscle retention, and metabolic support. As protein continues to dominate health-focused dietary trends, dairy companies are well-positioned to capitalize on this demand by delivering high-quality, protein-forward products tailored to modern lifestyles.

Strategies for Grocery Stores and Suppliers:

To capitalize on the demand for high protein dairy products, grocery stores should:

- Feature high-protein dairy items in promotional areas, end-cap displays and dedicated health aisles to attract attention from health-conscious shoppers and GLP-1 users seeking convenient, nutritious options.
- Use clear signage and in-store education (e.g., shelf tags with protein content or health benefits) to guide consumers toward protein-rich choices and build trust in healthier alternatives.
- Closely collaborate with brands for targeted promotions or sampling events that highlight protein content and functional benefits, encouraging trial and boosting repeat purchases.

Impact of the Recent Bird Flu Outbreak

The dairy industry has also been affected by a recent outbreak of avian influenza, which has disrupted supply chains and driven up prices for various dairy products.

1. Supply Chain Disruptions

- The bird flu outbreak has significantly impacted both the egg and poultry industries
- Feed costs continue to increase as well as the unknown effect tariffs may have on the cost of feed
- Some dairy farms have reported lower milk production due to herd health concerns and logistical challenges in sourcing animal feed.

2. Rising Prices and Inflationary Pressures

- Dairy prices have risen because of increased operational costs, including feed, transportation, and labor expenses.
- Although egg prices have recently come down, consumers have experienced sticker shock, particularly in the pricing of staple dairy items such as milk, butter, and cheese.

3. Shifts in Consumer Behavior

- Higher prices have lead shoppers to seek value, often switching to private-label dairy brands, frequently switching among a consideration set of brands, or purchasing in bulk.
- Some consumers are cutting back on non-essential dairy purchases or opting for plant-based alternatives despite a general decline in the alternative milk market.

The dairy and poultry industries are facing supply chain disruptions, rising feed costs, and inflationary pressures that have driven up prices for staple items. In response, consumers are shifting behavior by seeking value through private-label brands, buying in bulk, or reducing dairy purchases altogether.

Strategies for Grocery Stores and Suppliers:

To mitigate the impact of rising dairy prices, grocery stores should focus on:

- Stocking affordable dairy options, including store-brand and value-packaged products.
- Offering promotions often and discounts on essential dairy products to maintain consumer loyalty.
- Educating consumers on product sourcing and quality to justify price increases.

- With SNAP benefits funding an estimated 40% of shopper spend on grocery edibles in the NYC 5-boroughs, it's important for suppliers and grocers to schedule promotions and TPR's to closely align with SNAP EBT monthly distributions to beneficiaries.

The Changing Consumer and Declining Interest in Almond Milk

Over the past decade, almond milk emerged as a leading alternative to traditional dairy. However, consumer interest is now waning with almond milk volume down -8.3% vs LY in NY Metro. Across Total US Food, the segment's softness became noticeable in March of 2021, and has been declining YOY ever since. The decrease has been attributed to several factors:

1. Environmental Concerns

- Almond milk production requires significant water resources, leading to concerns about sustainability. Consumers are increasingly prioritizing environmentally friendly food choices, leading some to switch to oat or soy milk.

2. Nutritional Considerations

- Many consumers are realizing that almond milk has lower protein content compared to dairy milk and other plant-based alternatives.
- Fortification with calcium and vitamins does not fully replicate the nutritional benefits of cow's milk.

3. Flavor and Functionality

- Some consumers report dissatisfaction with the taste and texture of almond milk, especially in coffee and cooking applications, and the rise of alternative plant-based milks, such as oat, offer creamier textures and better recipe functionality.

4. Return to Traditional Dairy

- With rising costs of plant-based alternatives, some consumers are returning to dairy milk, especially as concerns over hormones and antibiotics in milk production diminish due to improved farming practices.

Strategies for Grocery Stores and Suppliers:

Grocery retailers should adjust their plant-based milk offerings based on evolving consumer preferences by:

- ***Stocking a variety of dairy and non-dairy options while reducing inventory on underperforming brands.***
- ***Promoting newer plant-based options, such as oat and pea milk, aligning with current consumer trends, in addition to new enhanced almond-based offerings.***
- ***Educating shoppers on the benefits of various milk types through in-store signage and online content.***

Conclusion

The dairy department of grocery stores is experiencing dynamic changes driven by evolving consumer preferences, external supply chain disruptions, and inflationary pressures. The resurgence of cottage cheese and other high protein foods, the impact of bird flu outbreak on dairy pricing and supply, and the decline in demand for almond milk all point to a shifting market landscape. ***Grocery retailers must stay agile, adjusting their product assortments, pricing strategies, and marketing efforts to align with these trends and maintain consumer trust. By doing so, they can ensure sustained success in an increasingly competitive and volatile market.***

Tommy Caruana is a VP Senior Director of Client Services at RDD Associates, responsible for managing a portfolio of top-ranked Dairy clients in the NY Metro area. His 15+ years of experience encompasses multiple leadership positions in the retail grocery business, including roles in category management, merchandising, sales, supply chain and business development with Wakefern, Price Rite Supermarkets and Hazel Technologies. In addition to closing deals and moving cases, Tommy loves spending time with his two sons and playing basketball. To learn more about the latest trends in perishables, Tommy's food industry expertise or ***RDD's ELEVATED service solutions***, please visit our website or contact: info@rddassociates.com.