

Tetra Pak Dairy Index

A biannual news and information
source about the dairy industry

Issue 3 – July 2010

Changing Global Demographics

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Dear Readers,

I'm pleased to present the third issue of the Tetra Pak Dairy Index, which focuses on changing populations around the world — and how these changes are influencing our industry and will continue to do so.

This Dairy Index highlights three worldwide demographic drivers bringing about changes in lifestyle and consumption in developed and developing countries: an ageing population, urbanisation and a growing global middle class.

Living longer, healthier and differently

Although the impact of these drivers differs from country to country, they present new and interesting opportunities for dairy producers everywhere to target the increasingly diversified needs of consumers as they live longer, healthier and more varied lives.

For example, dairy producers in many countries are beginning to offer products that target people who are interested in taking preventative health measures as they age.

Meanwhile, as the number of city dwellers continues to swell, dairy producers are benefiting from changing lifestyles which drive demand for more convenient products to suit increasingly busy, more mobile ways of working and living. At the same time, they are coping with the logistical challenges of producing liquid dairy products (LDP) in rural areas and distributing them in cities, sometimes located hundreds of kilometres away.

And finally, dairy producers in many developing countries have an eye on the global middle class, which is projected to grow from 430 million people in 2000 to 1.15 billion by 2030. During the next 10 to 15 years, developing countries such as India, China and Brazil expect a significant percentage of their populations to become part of this group — earning incomes which will enable them more easily to afford value-added products such as flavoured and fortified milk.

These trends are currently shaping the dairy industry in Pakistan, the world's fourth largest consumer of LDP and the subject of our Market Spotlight.

Changing, but still growing steadily

Even during the worldwide financial crisis, global consumption of milk and other LDP continued to grow, increasing 1.8% from 2008 to 2009. Steady growth in LDP consumption is expected to continue worldwide — rising by an estimated 2.4% compound annual growth rate (CAGR) from 2009 to 2012. This is up 0.2% on our December 2009 forecast made during the economic crisis.

Although demographic drivers may change the way consumers enjoy their LDP, one thing is certain: milk is an affordable, nutritious food staple, which continues to play a central role in diets all around the world.

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

About the Tetra Pak Dairy Index

The Tetra Pak Dairy Index is a biannual report, which is 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.

Changing global demographics bring new opportunities

In a changing world people are living longer than ever, with the number aged 60+ expected to grow from 739 million today to 2 billion by 2050. At the same time, more of us are calling cities, rather than rural areas, home: 50% of the global population now live in cities and 90% of future growth is expected to be in urban areas. And while the gap between the poor and rich is at its widest, more of us are part of a new global middle class which is expected to grow from 430 million in 2000 to 1.5 billion in 2030, according to the World Bank.

These demographic changes are set to significantly impact the global dairy industry by influencing consumer lifestyles and food choices worldwide. This, in turn, will provide new challenges and opportunities for dairy producers — particularly when it comes to products that meet the specific needs of different demographic groups.

"Changing demographics will provide tremendous opportunities for the dairy industry to expand its customer base," said Michael Zacka, Vice President, Marketing and Product Management, Tetra Pak. "Not only will more people need the nutritional benefits of milk, more people will be able to afford it."

Three demographic drivers impact today's global dairy industry

There are several major demographic drivers that will continue to influence our everyday lives between now and 2020, according to recent research from Tetra Pak. This issue focuses on three: an ageing population, urbanisation and an emerging global middle class.

Each driver affects different countries and regions in different ways. For example, in many areas, such as Western Europe, changing demographics are just beginning to have an impact on the dairy industry; in others, like Asia and the Middle East, significant changes are already under way. In other countries, such as Kenya, there is as yet little impact but major changes are expected.

1. An ageing population:

Different research studies segment older populations in different ways; some select the 60+ group, others the 65+ group. However, the 60+ group is the fastest growing segment in every region of the world, as a result of lower birth rates and longer life expectancy.

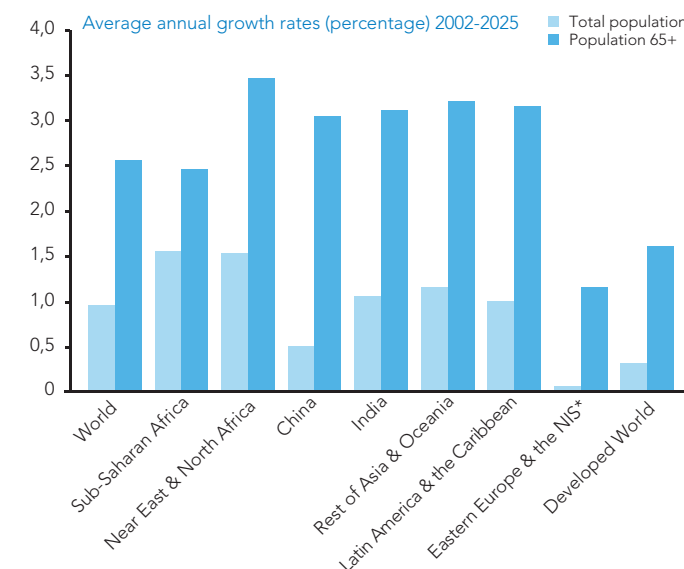
¹ Developed markets are defined as markets where at least 45% of the population has an annual purchasing power of more than USD5,000. This includes 43 countries around the world.

Ageing populations will most rapidly impact developed¹ regions where the percentage of people 65+ is increasing at an annual rate of 1.6%, the fastest ever.

Since 1970, worldwide life expectancy has risen by an average of four months per year, with women now living an average of 65 years and men 61 years, according to the United Nations.

65+ age group tops demographic growth globally

The population 65+ is growing faster and will continue to grow faster than any other demographic segment in every region of the world.

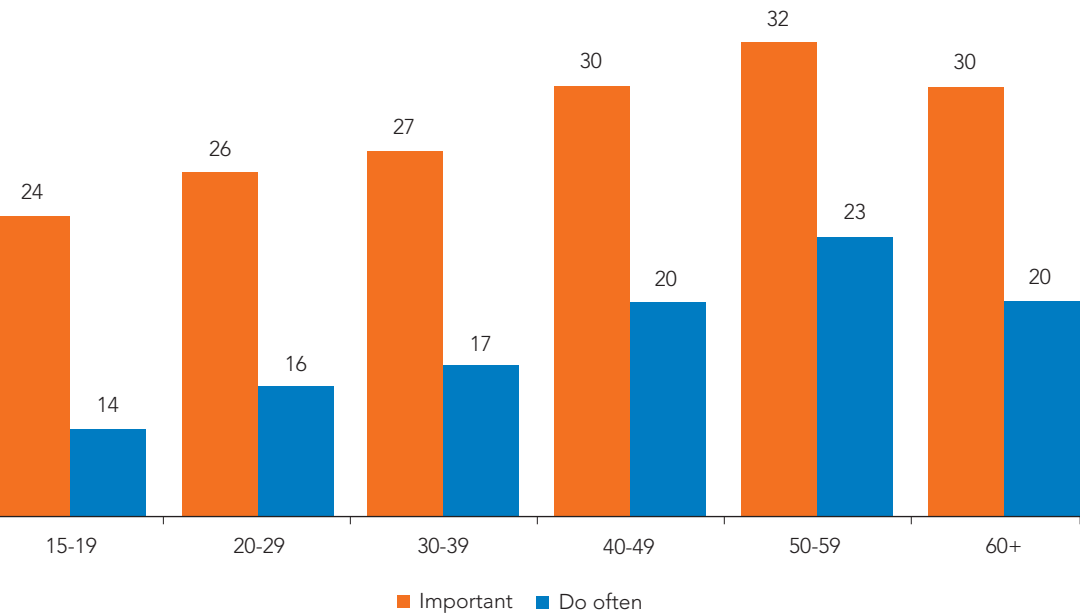


Source: U.S. Census Bureau, International Programs Center, International Data Base & unpublished tables.

*NIS or Newly Independent States refers to the independent nations that split from the former Soviet Union in 1991.

The 60+ population offers significant potential for dairy producers who can meet their specific needs and aspirations.

Importance of vitamin and mineral supplements grows with age
% of consumers who say activity is important vs. % who often do it



Source: GfK Roper Reports Worldwide, 2009, based on a survey of 30,000 consumers age 15 and older in 25 countries.

Aging population uses more vitamin and mineral supplements

After 40-years-old, around 30% of consumers consider vitamins and minerals very important compared to those age 15 to 39, according to GfK Roper Reports Worldwide. Usage also increases with age. In fact, in Japan, supplements for everything from anti-ageing to helping with weak joints have been popular for years among the 60+ population, according to Tetra Pak Japan.

When it comes to food and drinks, consumers 60+ are also more likely to view food as a special treat and to be concerned about food safety. For example, “having

something nice to eat or drink” ranks as the second most popular indulgence among people 60+ and the third most popular among the general population, according to data from GfK Roper Reports Worldwide. In addition, 59% of the global 60+ population is concerned about food safety compared with 53% of the general population.

“The 60+ population offers significant potential for dairy producers who can meet their specific needs and aspirations,” said Zacka. “This includes both products that cater to healthy lifestyles, such as fortified milk products with added calcium, vitamins and minerals and products that can be positioned as occasional indulgences.”

New preventative health products target adults at different ages
Dairy producers are offering products that target those 35+ who are interested in taking preventative health measures as they age. For example, CalciPlus, from Greek dairy producer FrieslandCampina Hellas, is aimed at those who are concerned about bone density loss which is more likely to impact the 35+ population. In Australia, Indonesia and Southeast Asia, a New Zealand dairy company, Fonterra, offers Anlene™, a range of products specially formulated to help adults maintain optimal bone strength. These products help provide most adults with the daily requirements of calcium, vitamin D and other nutrients, according to Fonterra.

And in Mexico, the world’s seventh largest consumer of dairy products, Alpura offers 40ytantos, a fortified milk positioned as a preventative health product for people 40+. Among other benefits, 40ytantos offers omega3 for a healthy heart and various antioxidants to help avoid premature ageing.

Mexican dairy producer Alpura targets the 40+ population with 40ytantos.



“Although these are still niche products and volumes are small, we would expect them to grow rapidly in line with demographic drivers,” said Michael Zacka. “For example, in Mexico from 2007 to 2009, value-added white milk products grew by 30%, despite the economic recession. However, these products still only represent around 5% of Mexico’s total commercial ready to drink (RTD) white milk market, which leaves plenty of opportunity for growth.”

Developing world becomes more youthful
High fertility rates mean that in the future developing countries’ populations will contain a large percentage of younger people. For example, in Pakistan, the world’s fourth largest consumer of dairy products, 53% are currently under 19.

People in the developing world are growing older too, but not as rapidly as in developed countries. Today, they comprise 9% of the total population but this is expected to double by 2050, to 1.6 billion.

Producers appeal to younger tastes
In many developing countries, dairy producers are currently focused on creating special products for children and teenagers. One example is Vietnam, where LDP are not part of the traditional diet but are growing fast. FrieslandCampina Vietnam has created flavoured milk products within their Dutch Lady brand and Vinamilk V-Fresh smoothies in chocolate, strawberry and other fruit flavours that appeal to younger tastebuds.

Mexican dairy producers are following the same strategy with milk/juice blends similar to yoghurt drinks in flavours such as mango and pineapple. These products command prices up to 15% higher than plain white milk.

At the same time, in China, milk for children is driving all milk sales because of its nutritional value. Sales of ‘kids’ milk’ — white milk with added vitamins and nutrients for growing children — doubled in volume in 2009. ‘Kids’ milk’ now represents a 4% market share in the total white milk segment, and is helping to increase the popularity of value-added white milk overall in China. Sales are now 365 million litres a year.

Dairies see future in untapped segments
Dairy producers in many developing countries have not yet begun to target certain demographic groups because affordability, availability and distribution concerns are taking top priority. For example, in Kenya — where 41.6% of the population is under 14 — producers are focused on supply and demand and infrastructure issues, rather than market segmentation. However, the future opportunities are clear.

Helen Too, Marketing Director and Product Development Manager, Tetra Pak Kenya, commented: “Young people are quite aspirational. Still, affordability is key. They want innovative, new products that specifically meet their needs and are different from adult products. In Kenya, consumers are used to drinking unpasteurised milk fresh from local dairy sources. We are encouraging small producers to get together in ‘Dairy Hubs’ where a central point of collection and storage makes it viable for milk processing companies to access the milk in reasonable volumes for hygienic processing and sale. The significant, untapped opportunities for reaching our young people with more products specifically designed for our youth are very much in the front of our minds, but can only be delivered once we have achieved our goal of getting the majority of the milk supply into the official processing stream.”

Health benefits and lifestyles outweigh labels

Recent research from Tetra Pak Germany demonstrates that people 50+ do not want to be seen as ‘ageing, seniors or elderly.’ For example, in Japan, where 22% of people are 65+, dairy producers focus not on age but on the health benefits of products, such as those helping to reduce cholesterol or decrease blood pressure.

“The 60+ population in many countries will have more time, more money and more education than ever before. They’ll also be fitter, more active and more vibrant,” said Tetra Pak Global Marketing Director Chris Kenneally. “Marketers who will do well will be those who can talk to this growing population group about lifestyles — not ailments.”

2. Urbanisation:

Today, 3.25 billion people around the world live in urban areas; by 2050 this number is expected to increase to 6 billion, according to the United Nations. Countries like Argentina, Brazil and South Korea are already highly urbanised, with more than 80% of the population living in cities. Urban populations in Asia and Africa are expected to double in less than a generation, says the UN.

Cities drive economic growth and so city dwellers in most countries have greater brand awareness and higher disposable incomes than their rural counterparts. This means they both want and can afford packed milk as well as value-added LDP, such as milk fortified with vitamins and minerals, flavoured milk and drinking yoghurt.

Dairy producers find new ways to meet needs of lactose intolerant

From Australia to Europe to Latin America, the number of people perceived to be lactose intolerant — or unable to metabolise the sugar found in milk products — is on the rise. Dairy companies globally are developing alternative “lactose-free” products targeted at this segment.

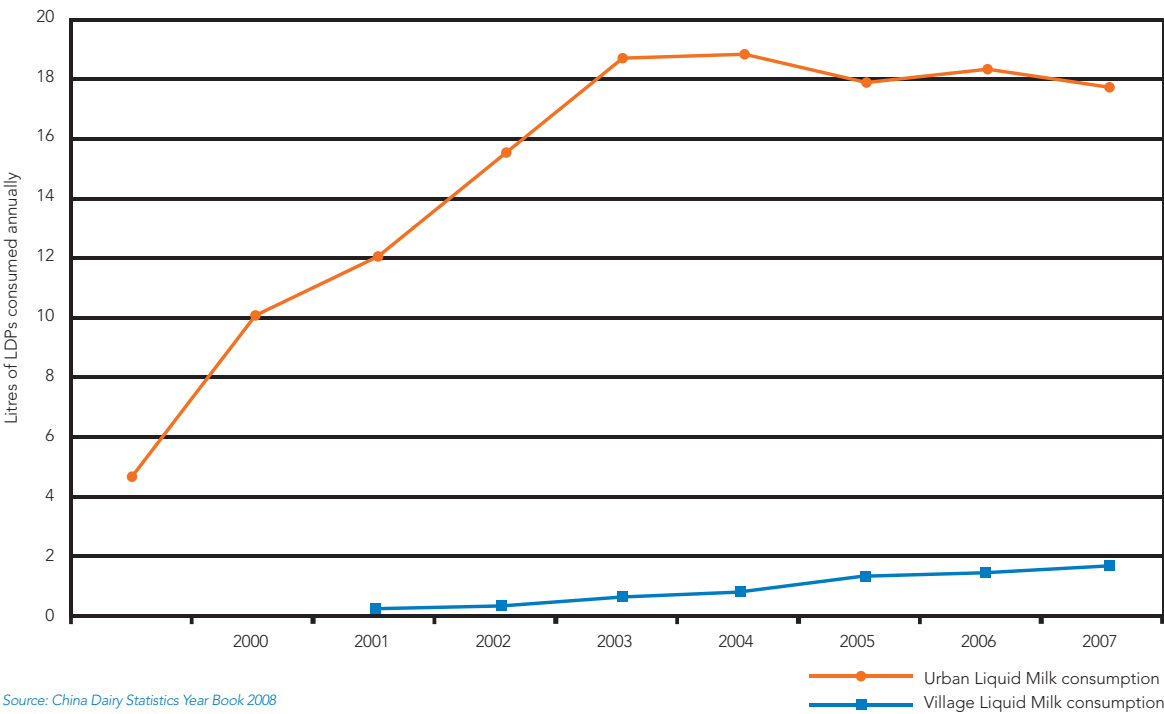
Some are even developing products for people who think they are lactose intolerant, but are not. They just have trouble digesting one of the proteins found in milk.

That’s the case in Australia, where A2 Dairy Products developed the A2 milk product, made with the ‘original milk protein’ or A2 beta casein protein. “It’s the fastest growing milk in the white milk category — with a 400% increase in sales over the last three years,” said Peter Nathan, Executive General Manager of the company.

The lactose-free segment is growing quickly. For example in Finland, lactose-free and lactose-reduced milks make up 11.2% of total white milk share purchased by customers, (Based on Nielsen Household Panel, 2009). Valio Evolus2, a lactose-free drinking yoghurt shot produced by Valio in Finland, grew by 31% from 2008 to 2009.

Chinese city dwellers consume more LDP

City dwellers in China consume significantly more LDP than their village peers with consumption among city dwellers nearly tripling in recent years.



This driver is impacting countries such as Indonesia, where increased urbanization has seen the growth of modern retail outlets. Bert Jan Post, Managing Director, Tetra Pak Indonesia, commented: “Now modern supermarkets provide Indonesians with an array of choice—from premium, value-added brands to affordable milk in convenient single servings—that meet their needs and their budgets.”

Cities drive product innovation

Urban trendsetters demand new types of LDP, from packaged milk to on-the-go products which offer more convenience for increasingly busy, mobile lifestyles.

Tetra Pak Marketing Director Martin Fejk, responsible for the Middle East and North Africa, said: “When people in the Middle East move to cities, they change their lifestyles. They’re busy getting jobs, they don’t have as many kids, and they are more receptive to new types of liquid dairy products, particularly packaged products, which they see as more convenient.

“Urbanisation also has a huge impact on the distribution of dairy products. In a country like Saudi Arabia, instead of families and villages producing their own food for their own use, all products need to be transported to cities which may be many kilometres away.”

Awareness can lead to opportunities in China

In 2010, China’s growing urban population is just under half of the total (633 million, 47.2%). By 2013, it is expected to overtake the rural population (reaching 669.9 million, 50.6% of total).

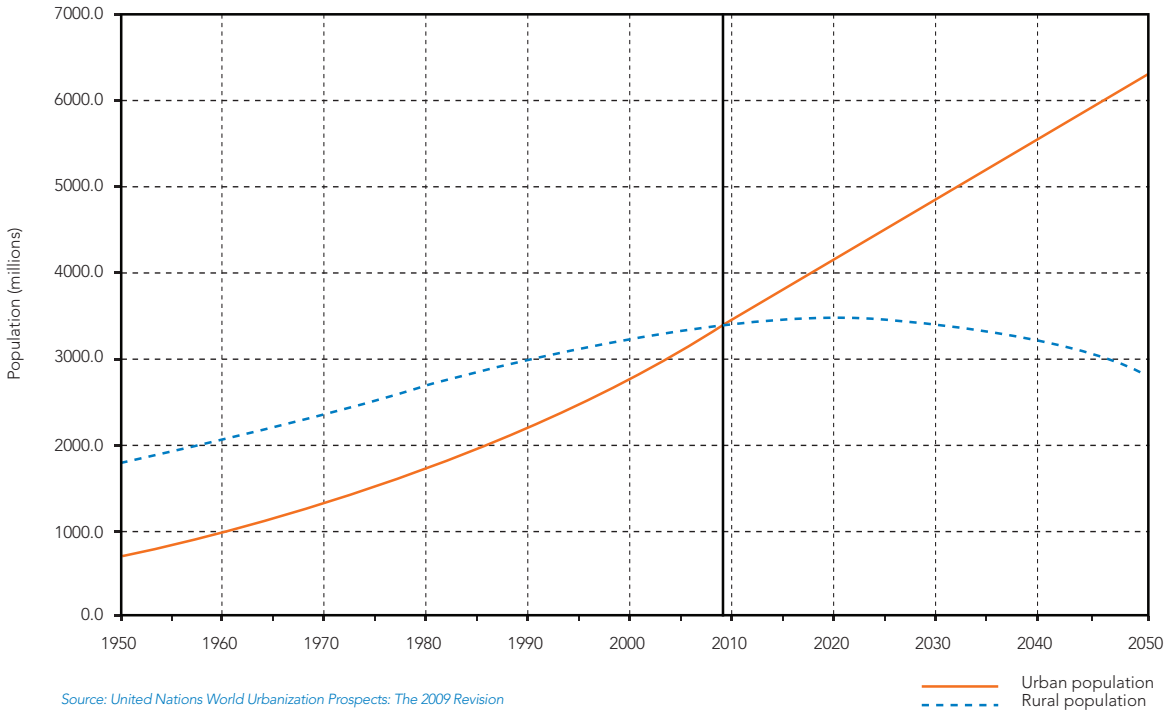
On average, rural workers earn less than one third of urban workers’ pay. They also consume just one-tenth of the liquid dairy products (LDP) consumed by China’s urban population — and the gap between LDP consumption in China’s cities and villages is growing quickly.

According to Tetra Pak Marketing Manager Henry Yu, rural consumers in China often lack nutritional information. They know little about LDP, which are not part of the traditional diet; the knowledge they have is limited to white milk. They are less conscious of brands than people living in cities and are unlikely to be trendsetters.

This presents both a challenge and an opportunity for Chinese dairy producers. There is great potential to increase consumption in what is already the world’s second-largest consumer of LDP by volume. At the same time, the dairy industry has more work to do to educate rural consumers about the nutritional benefits of milk and the growing number of LDP categories now available.

The world is becoming more urban

By 2050, the population of cities is expected to reach more than 6 billion people, while the rural population is forecast to decline to fewer than 3 billion.





3. An emerging middle class:

All around the world, the percentage of people who fall into the global middle class is increasing. The definition of 'middle class' differs from country to country although it is always based on socio-economic data such as income, material wealth and educational achievement. But everywhere this segment is enjoying increased purchasing power.

Developing regions lead growth

Most of the growth is coming from developing regions, such as India, China and Brazil. For example, by 2025 India's middle class is expected to number 583 million people — more than 10 times today's figure, according to GfK Roper Consulting. The average disposable income of Indian households (income after taxes, adjusted for inflation) is projected to grow by 5.3% each year.

During the same period, China's middle class is expected to increase from 43% of the total population to 76%. Incomes have risen sharply in the past few years; by 2025 China is expected to be the third-largest consumer market based on purchasing power, says the McKinsey Global Institute.

"The consumer base for liquid dairy products is growing and in many countries, consumers now have more money in their pockets," said Michael Zacka. "However, you can't just market across the board to the emerging middle-class.

There will still be consumer preferences based on where people live, their food preferences, climate and other factors. Affordability will remain the common levelling factor, and dairy producers will need to choose the right price point to reach the middle class successfully."

Premium products more affordable

In developing countries in particular, dairy producers are beginning to look for growth in the rapidly expanding middle class. Premium LDP products, such as drinking yoghurt, fortified milk and flavoured milk, are now more accessible than ever to the middle class — opening up new opportunities for dairy producers.

Between 2006 and 2009, the 'middle class effect' contributed to strong growth in flavoured milk sales in China (up 4.7%), Indonesia (up 6.8%) and Brazil (up 11.1%).

In China, the premium white milk and value-added white milk categories, which exclusively target the middle class, grew aggressively between 2007 and 2009 as consumer purchasing power rose. In 2009, premium white milk products accounted for almost 20% of total value share, according to Tetra Pak China.

For instance, Milk Deluxe from MengNiu, a long-life packaged milk, is the flagship product in China's premium segment. It is positioned as containing high-quality raw milk and is sold in small packages

The consumer base for liquid dairy products is growing and in many markets, consumers now have more money in their pockets.

(250ml) at a retail price 75% higher than regular white milk. And last year, YiLi's low-lactose white milk, YingYangShuHua, was successful in the market.

Producers target the bottom of the income pyramid

While many dairy producers are looking to the emerging middle class for growth, others are seeking new growth opportunities at the bottom of the "income pyramid" with new products and product packaging. For example, in Mexico, where 60% of the population is in the low-income segment, dairy producers are seeing increased growth in lower-priced liquid dairy products (LDP) such as 'dairy formula,' which recombines white milk with vegetable fat.

The UHT dairy formula retail price in Mexico is 15% to 20% less than regular UHT white milk, making it an attractive option. Today, low price UHT milk represents 25% of Mexico's total commercial ready to drink (RTD) white milk market, and it is growing fast through different brands such as Nutrileche, Mileche, Tamariz and Bonaleche.

Meanwhile in Indonesia, where people live on less than USD2 per day, dairy producers are also targeting consumers who fall lower on the income pyramid. In this case, many producers are finding success with 60-125ml packages of dairy drinks that offer the right combination of price and quality.

Bert Jan Post, Managing Director Tetra Pak Indonesia and responsible for marketing and product management in South East Asia, said: "In Indonesia, as in many other markets, both the biggest challenge and the biggest opportunity is tapping into the lower segment of the population pyramid. Finding the right product at the right price point for this income group is key to a product's success."

Said Chris Kenneally: "With a growing and increasingly diverse population — some with more money, many with little money — affordability will be a key challenge and opportunity. However, one thing is sure: with this increasing diversity, the dairy market will become increasingly segmented, targeting very specific needs among different population groups."

Milk: affordable nutrition for all

The lifestyle changes in many countries give dairy producers new opportunities to introduce innovative, affordable LDP for all demographic segments.

In developed countries, the 100ml milk-based probiotic 'shots' claiming that "consuming one a day will keep you healthy" are popular yet relatively more expensive than plain white milk and positioned as high-end products. However, dairies in developing countries are also introducing similar smaller packaged milk drinks for people with limited incomes, positioning them as an easy and affordable way to obtain essential nutrients.

Michael Zacka commented: "Global dairy companies are using the same packaging, but with slightly different strategies in developed and developing countries. For example, in developed countries, small-sized products are often positioned as high-end, healthy living products. In developing countries, where budgets are much tighter, similar small-sized products are sold at much cheaper price points and marketed as an affordable way to consume important dietary nutrients."



Global LDP consumption expected to increase by 2.4% CAGR from 2009 to 2012

Ready To Drink (RTD), long-life products to drive growth — with Asia, Africa and Latin America leading the way
Worldwide consumption of milk and other liquid dairy products (LDP) is expected to grow at a compound annual growth rate (CAGR) of 2.4% from 2009 to 2012 — reaching 283.2 billion litres by 2012, according to Tetra Pak forecasts. This is up 0.2% compared with the company's December 2009 forecast, which was lowered amidst the uncertainty of the global financial crisis.

Global consumption of RTD long-life packaged products is expected to drive much of this growth — accelerating from a 5% CAGR from 2006 to 2009 to 5.4% CAGR from 2009 to 2012. The strongest growth in the ambient RTD LDP category is expected to come in Asia (8.7% CAGR), Africa (6.9% CAGR) and Latin America (7.1% CAGR).

Tetra Pak President and CEO Dennis Jönsson, commented, "Milk is an affordable and nutritious food staple, which continues to play an important role in healthy diets all around the world. While we expect to see steady growth in consumption over the next three years, we're also expecting to see the dairy industry take advantage of the new opportunities that go hand-in-hand with shifting demographics worldwide — from increased urbanisation, to ageing populations and an emerging middle class in many developing countries."

Consumption grows despite financial crisis...
Worldwide LDP consumption increased by 1.8% from 2008 to 2009. Consumption in developing markets was up by 2.9% during this time period, while consumption in developed markets declined by 0.4%.

Overall LDP consumption was buoyed by stronger-than-expected global consumption of white milk, which increased by 1.3% to 201 billion litres worldwide from 2008 to 2009. Eastern Europe and Africa led consumption growth in the ambient RTD white milk category, with year-on-year growth of 6.6% and 6.0% respectively.

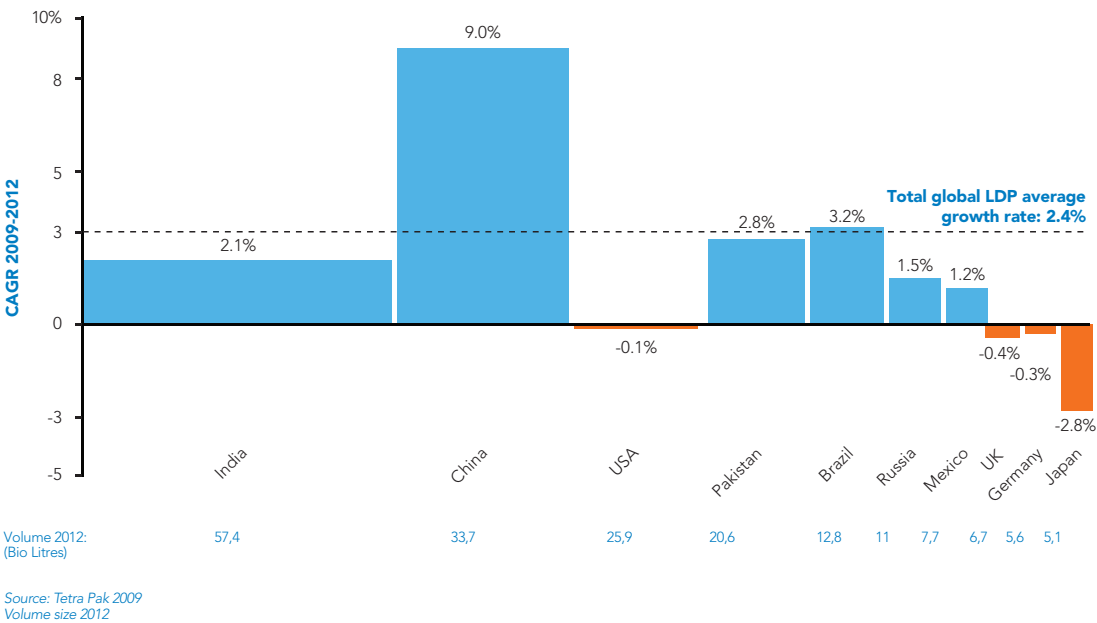
From 2009 to 2012, worldwide consumption of white milk, which represents 76.1% of total LDP consumption, is expected to continue growing, reaching a CAGR of 1.5%. This is up 0.2% from Tetra Pak's December 2009 forecast.

But some value-added products were affected
As expected, consumption of many higher-priced, value-added LDP slowed during the crisis. For example, from 2008 to 2009, flavoured milk — typically one of the fastest-growing LDP categories — grew by just 0.8% worldwide.

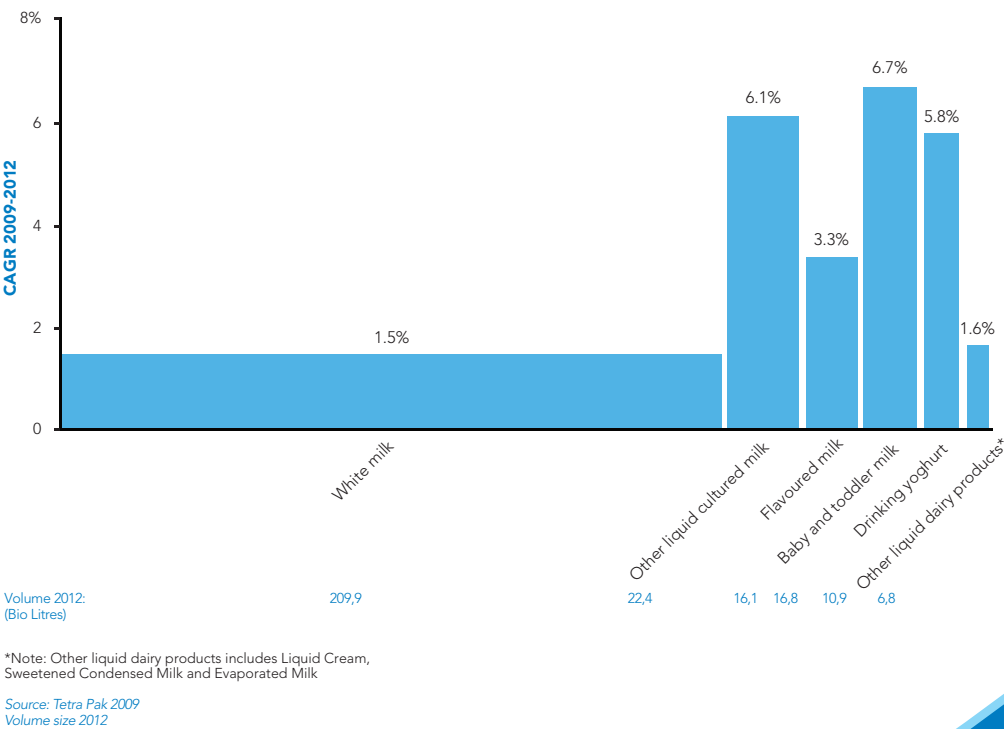
Within the flavoured milk segment, long-life varieties grew by 2.7% globally from 2008 to 2009, while chilled products declined by 2.7%. Overall consumption of flavoured milk is expected to rebound post-crisis, particularly in markets with fast-growing younger populations, with a projected worldwide CAGR of 3.3% from 2009 to 2012.

Products such as drinking yoghurt and soy milk are also expected to grow steadily following the financial crisis. For example, from 2009 to 2012 the CAGR of drinking yoghurt is expected to reach 5.8% and that of soy milk 3.1%.

LDP consumption in top 10 dairy markets to reach 186.8 billion litres by 2012
Developing countries such as India and China will continue to drive growth, while consumption in developed countries including Germany, the UK and Japan is forecast to decline between 2009 and 2012.



Consumption of value-added LDP forecast to grow
Global consumption of white milk, the most popular LDP, continues to grow, as does baby and toddler milk, flavoured milk and drinking yoghurt.



Shifting demographics transform Pakistan's dairy industry

One of Pakistan's long-standing traditions is that of the milkman who goes door to door delivering households their daily supply of milk. As a result, unprocessed, unpackaged milk represents nearly 94% of all liquid dairy products (LDP) consumed in Pakistan and has long played an important role as a tea creamer, yoghurt and stand-alone refreshment.

From 2006 to 2009, consumption of LDP in Pakistan steadily increased in line with population growth, with a CAGR of 2.4%, according to Tetra Pak data. In 2009, LDP consumption reached 18.9 billion litres — maintaining its position as the fourth largest LDP consumer after India, China and the United States.

In the same period, packaged LDP grew at a CAGR of 8.4% compared with unpackaged products, which grew at a CAGR of 2.1%. Tetra Pak expects packaged LDP to continue growing, with a CAGR of 10.4% from 2009 to 2012.

Pakistan mirrors demographic drivers around the world. More urban, educated and sophisticated consumers, an emerging middle class and a large group of younger consumers are transforming its dairy industry. As elsewhere, they demand new, safer, more convenient products.

Going urban

During the past 11 years, Pakistan's urban population has increased by 3 percentage points. By 2009, 35.5% were living in cities (59.9 million people, 5 million more than in 1998), according to Tetra Pak Pakistan. Thus, as people have moved further from the rural areas where most of the dairy farms are found, their access to good quality loose milk has been limited due to the lack of a cold supply chain. This has provided packaged milk companies with the opportunity to provide good quality, safe milk in an alternative form.

More educated, sophisticated consumers

This group values safety, hygiene and convenience; as a result, from 1999 to 2009, packaged LDP products grew by a CAGR of 19%.

This has been partly due to dairy industry educational campaigns which have created awareness of the safety and nutritional benefits of packaged milk.

Many consumers also appreciate the fact that packaged milk does not need to be boiled before use — as loose milk does. In addition, it can be stored for up to three months before opening, so they do not need to source milk daily.

Households choose premium products

The growing middle class can afford safer, healthier products that cost at least 20% more than loose milk. The number of Pakistani households in the top three socio-economic groups (as defined by SEC A-C, a tool used to measure consumers' prosperity) has grown by 1% annually in recent years, according to Tetra Pak Pakistan.

These consumers, who now make up 42% of the population, are increasingly able to afford to premium packaged products such as skimmed and RTD flavoured milk.

Youthful population

Currently, 30% of Pakistan's population is under 9 years of age and 53% is under 19.

Producers are promoting RTD flavoured milk to younger consumers, who most often choose chocolate, strawberry, mango and banana. Adults also like flavoured products. One of Pakistan's most popular flavoured milk brands also offers traditional flavours like saffron, pistachio and cardamom to appeal to adult tastes.

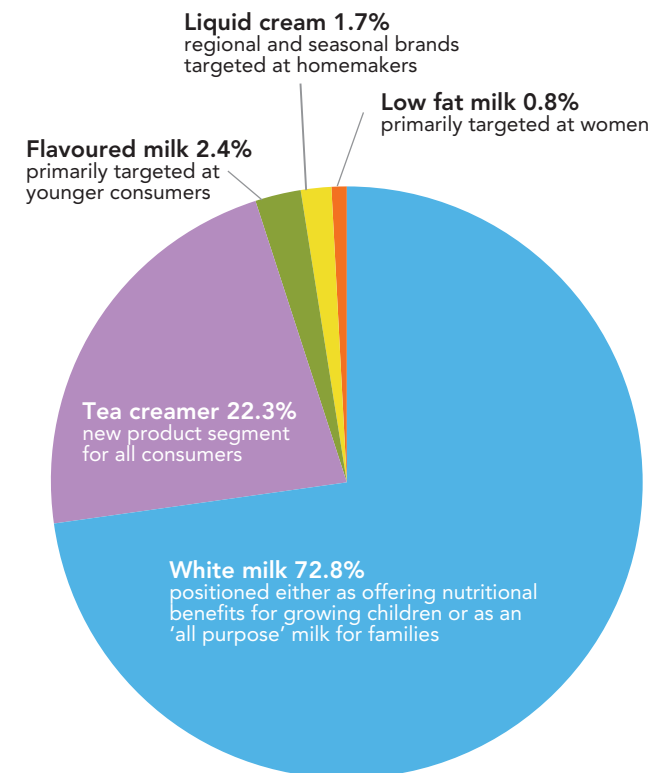
Flavoured milk still represents just 2.4% of the RTD LDP market in Pakistan. However, it grew by a CAGR of 56.3% from 2006 to 2009 and is forecast to grow at 23.1% CAGR from 2009 to 2012, according to Tetra Pak.

Targeting consumer segments

While nearly 72.8% of RTD LDP in Pakistan are still sold as plain 3.5% long-life milk, dairy producers are increasingly segmenting the market and developing specialised products. With the exception of white milk and tea creamers, all other products are positioned as "premium" and command higher prices.

Pakistan's five main product segments

This data represents the packaged LDP market with a total volume size of 808 Mio litres in 2009 and is split in the following way:



Source: Tetra Pak, 2010

Outlook bright for packaged milk

Pakistan's population is growing by 1.7% a year, and LDP consumption is expected to grow at a CAGR of 2.8% from 2009 to 2012. Milk has always played a central role in the Pakistani diet but with demographic changes driving new preferences for packaged milk, the era of nothing but plain, white unpacked milk is rapidly changing

Meeting needs of tea-drinkers

In 2007, dairy producers in Pakistan realised that consumers were buying small packages (250ml) of plain white milk for use as creamer in the country's most popular beverage: tea. Consumers preferred the richer taste of tea made with UHT milk, and smaller packages were more affordable.

So producers began developing and marketing special tea creamer recipes in 200ml packages. In addition to improving the taste profile of tea, the new size also made tea creamer more affordable than plain white milk. Today, tea creamers represents more than 25% of the LDP market which will achieve a CAGR of 28% from 2009 to 2012, according to Tetra Pak.



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

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