



Cheese: What's New?

Prepared for Webinar: September 17, 2024

Agenda

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Consumer Mindset

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Cheese Trends Retail Sales

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Forecast & Outlook

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Product Innovation



Affordability

Enjoyment

Health & Wellness

Convenience

Sustainability



68%

of consumers in the Midwest Dairy Region say they

“LOVE CHEESE”



97%
of households
purchase
CHEESE!



Cheese Trends Retail Sales

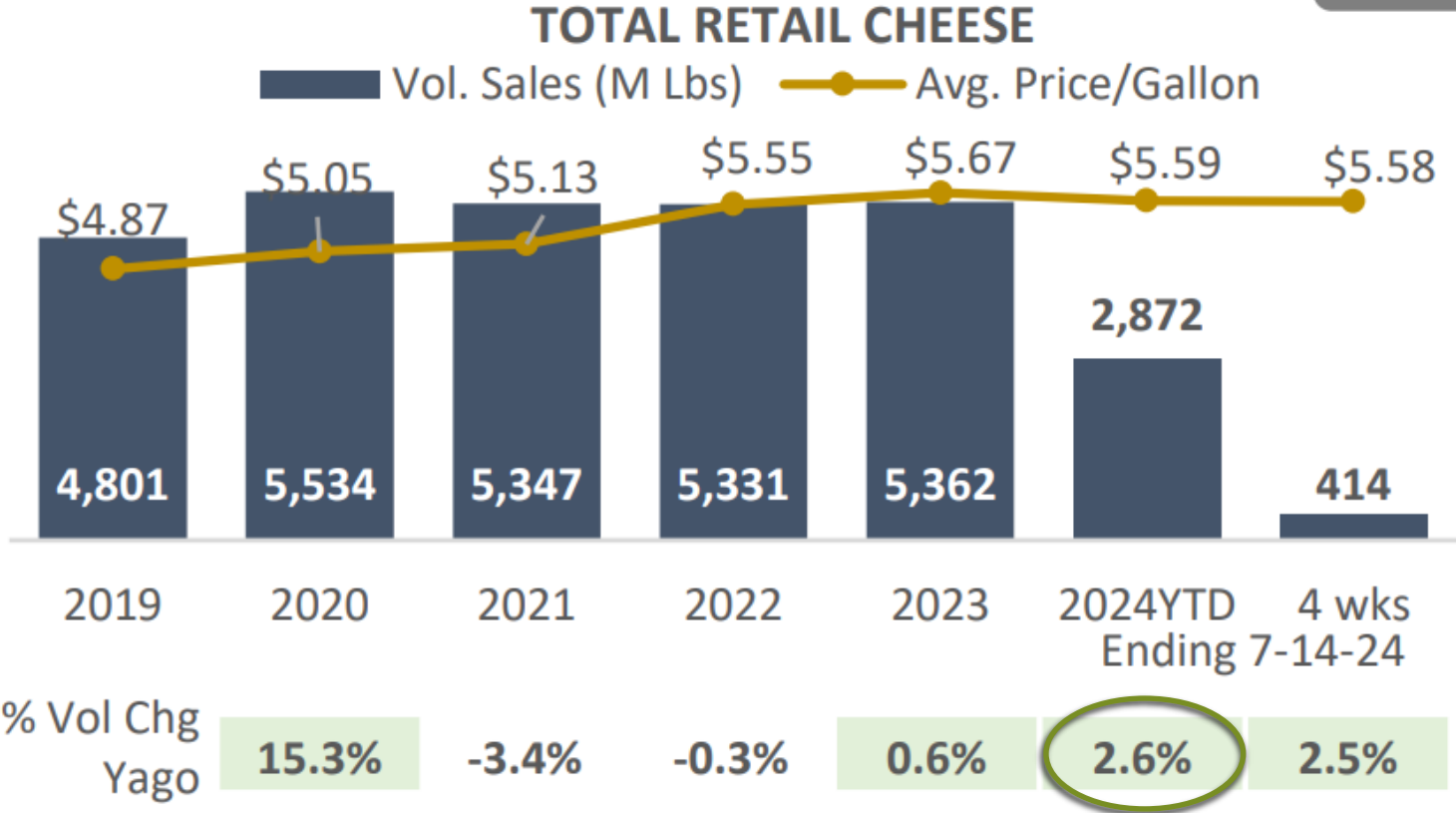


Year to date, overall cheese pound sales grew an impressive 2.6%; inflation easing.



Calendar Year Volume and Price Trend

Purchase Frequency
28.8X/yr
+1.7% vs Yago



Nearly all varieties of natural cheese grew at a healthy rate (+2.9%), especially mozzarella.

Cheese Varieties Volume Trend Vol. Sales (M Lbs)

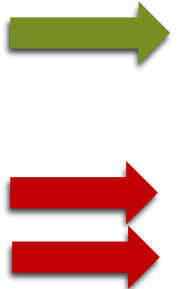
Weeks ending July 14, 2024	52 Wk Volume	52 Wk Vol Share	-- % Vol Chg vs Yago --		
			52 Wks	2024YTD	4 Wks
Total Cheese	5,434.5	100.0%	1.9%	2.6%	2.5%
Total Natural	4,621.3	85.0%	2.4%	2.9%	2.8%
Cheddar	982.1	18.1%	-0.1%	0.2%	0.0%
Cream Cheese	542.5	10.0%	0.7%	0.6%	-0.6%
Mozzarella	513.1	9.4%	5.4%	6.4%	5.2%
Colby Jack Blends	347.9	6.4%	2.7%	3.8%	4.1%
Cheddar Jack Hispanic Bl	322.2	5.9%	4.1%	4.2%	2.5%
String Mozzarella	244.5	4.5%	6.8%	8.3%	9.1%
Monterey Jack	188.7	3.5%	4.0%	4.7%	4.6%
Parmesan	186.7	3.4%	2.8%	2.8%	2.6%
Cheddar Jack Blend	118.2	2.2%	0.5%	0.6%	-1.7%
Ricotta	101.8	1.9%	1.0%	0.2%	-3.8%
Swiss	98.6	1.8%	-4.9%	-2.3%	3.3%
Provolone	96.5	1.8%	2.0%	1.7%	4.1%
Fresh Mozzarella	94.4	1.7%	7.9%	6.6%	7.3%
Queso Fresco	89.0	1.6%	2.8%	3.5%	5.5%
Italian Blend	65.3	1.2%	0.5%	-1.0%	-2.7%
Variety Blends	61.4	1.1%	1.8%	4.2%	9.4%
Feta	56.1	1.0%	5.7%	4.9%	7.1%



Processed cheese showed growth (+2.2% YTD);
vegan and imitation varieties weak.

Cheese Varieties Volume Trend Vol. Sales (M Lbs)

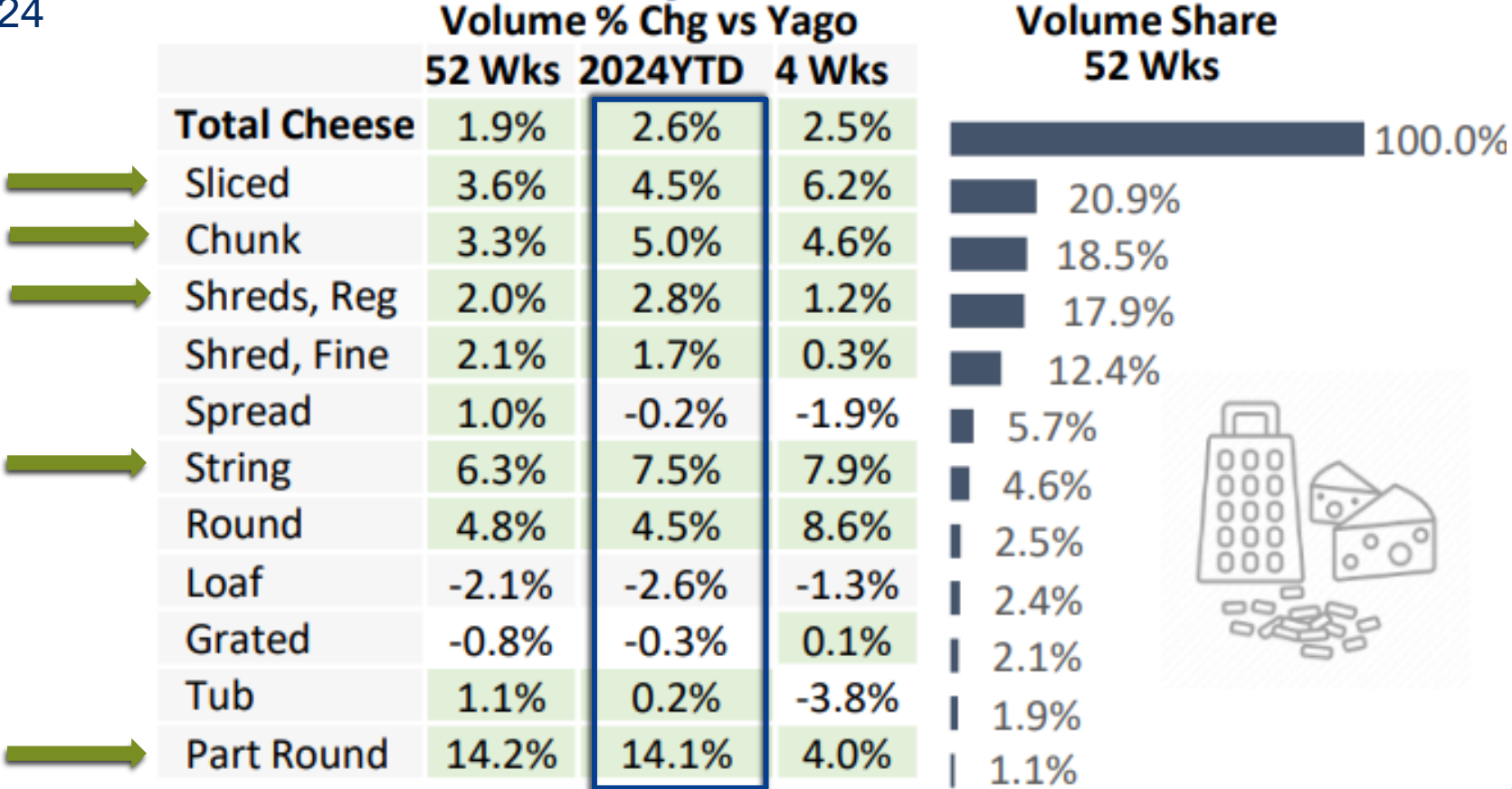
Weeks ending July 14, 2024	52 Wk Volume	52 Wk Vol Share	-- % Vol Chg vs Yago -- 52 Wks	2024YTD	4 Wks
Total Processed	754.4	13.9%	0.9%	2.2%	1.3%
Cheese Product	480.7	8.8%	-2.0%	0.0%	1.3%
Pasteurized Cheese	168.0	3.1%	3.5%	3.8%	2.3%
Cheese Food	56.4	1.0%	-3.4%	-2.7%	-5.2%
Total Vegan	20.6	0.4%	-2.4%	-2.5%	-4.0%
Total Imitation	10.8	0.2%	-7.7%	-6.5%	-7.4%



Growth was driven by many cheese forms but especially sliced, chunk and shreds.

Weeks ending
July 14, 2024

Volume Trends by Cheese Form



Supercenters and club continue to drive growth, grocery grew as well.

Volume Share and Trend by Outlet

Weeks ending
July 14, 2024

	% Volume Chg vs Yago	Latest 52 Wks	2024YTD	4 Wks
100.0% Volume Share	TOTAL U.S.	1.9%	2.6%	2.5%
54.8%	Grocery	0.4%	1.2%	0.7%
44.9%	Supercenters, Club, Other	4.0%	4.5%	4.8%
0.3%	C-Store	-6.3%	-7.1%	-7.4%
0.04%	Drug	-15.5%	-12.6%	-15.2%

E-Commerce Sales Trend



e-Commerce
Natural Cheese
Latest 52 Wks
Sales: \$1,985M
+\$196M vs Yago

% Chg vs Year Ago

	Dollars	Units
52 Wks	11.0%	12.8%
2024YTD	9.2%	10.4%
4 wks	9.0%	12.2%

All Circana regions contributed to growth, especially in the South.

Weeks ending July 14, 2024

Regional Volume Trend

All regions are posting growth.

% Chg vs Yago	Volume Index	Latest 52 Wks	2024YTD	4 Wks
TOTAL U.S.	100	1.9%	2.6%	2.5%
California	81	2.0%	2.5%	2.6%
Great Lakes	105	1.5%	2.5%	2.4%
Mid-South	104	2.2%	2.9%	2.4%
Northeast	99	0.4%	1.3%	1.7%
Plains	118	2.6%	3.1%	3.1%
South Central	83	2.5%	3.5%	3.3%
Southeast	105	3.1%	3.5%	2.5%
West	113	2.0%	2.5%	2.8%



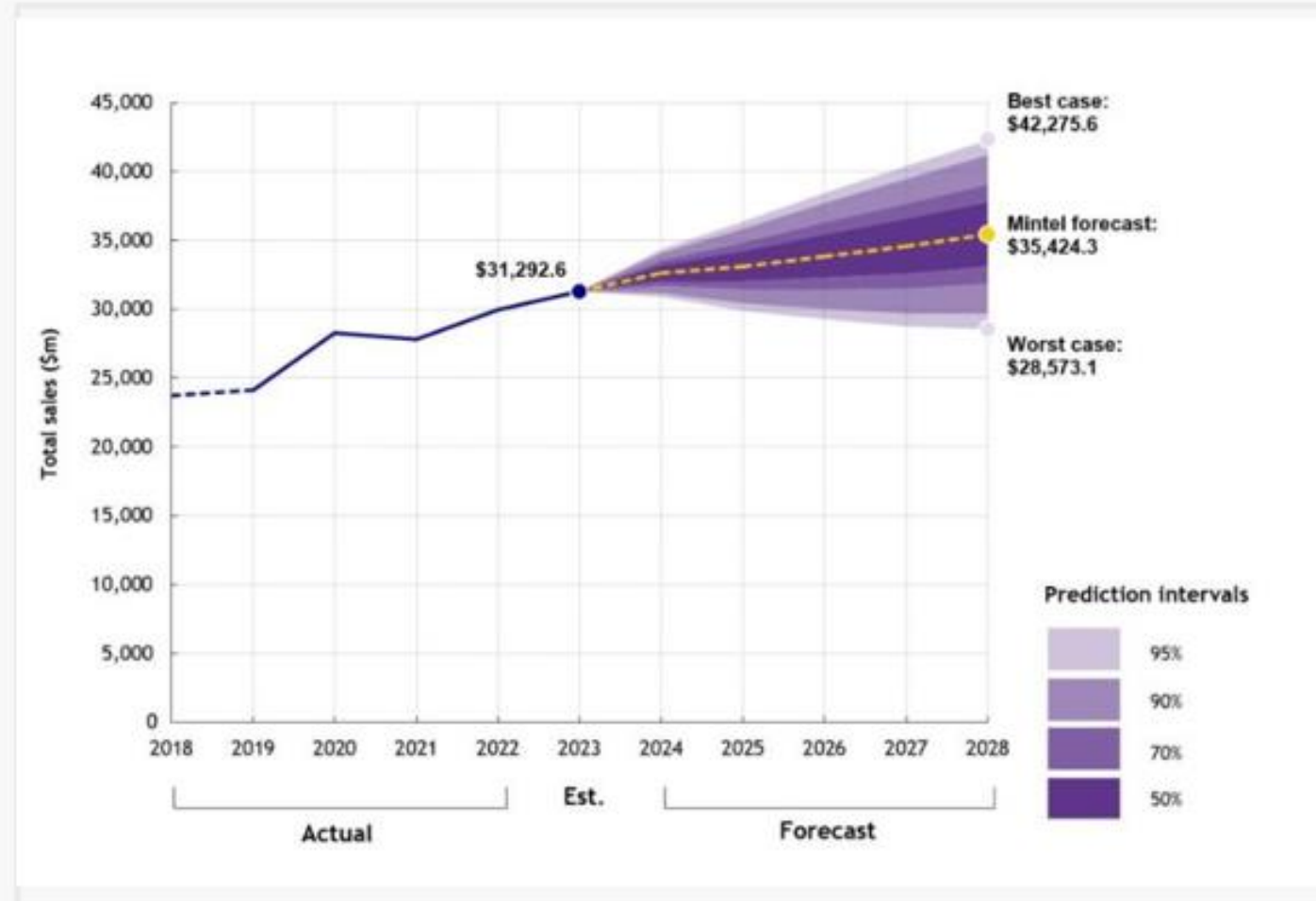
Cheese Forecast



Cheese sales are forecasted to hold on to virtually all pandemic gains



Cheese Retail Dollars Sales Forecast



US: total US sales and fan chart forecast of cheese, at current prices, 2018-28

Cheese: What's New? Innovation in the US



Products driving innovations in cheese: hard and processed cheese



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Acceleration of innovation activity in cheese, relative to the dairy category as a whole



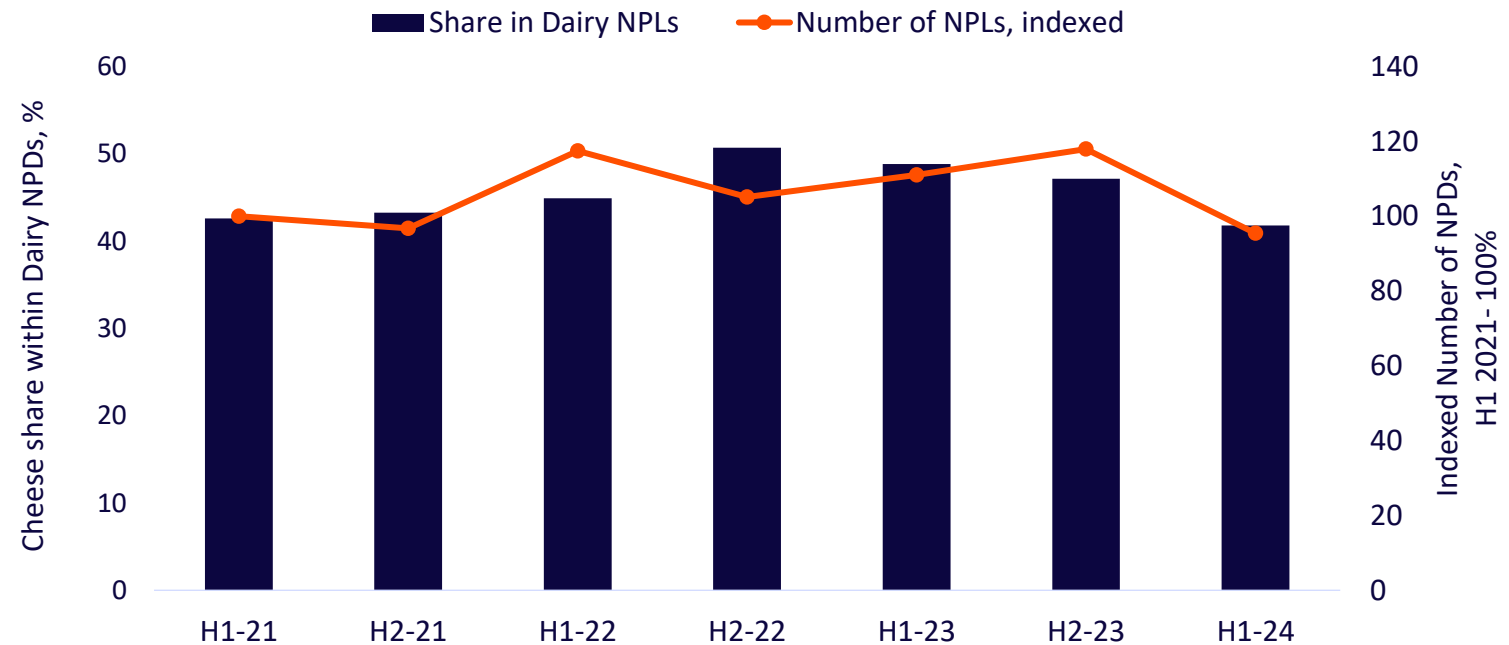
42%

Cheese share of product launches within the Dairy category, US, H1 2024

8% Cheese NPLs
CAGR 2021-2023, US

2% Dairy NPLs
CAGR 2021-2023, US

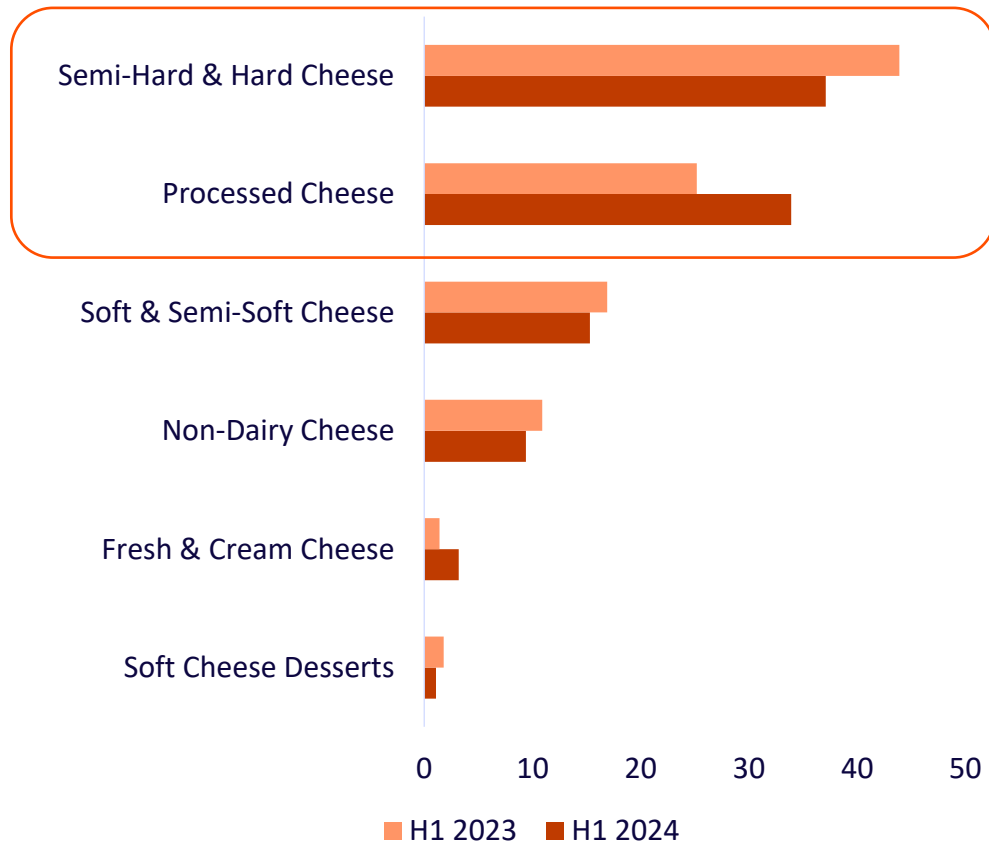
Dynamics of new product launches in cheese, US, H1 2021-H1 2024



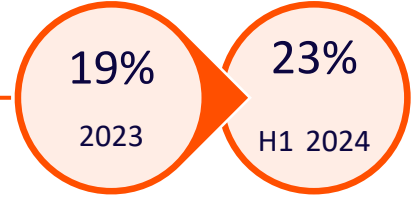
Sources: Innova Database, "NPL" = "new product launches"

Semi-Hard & Hard Cheese and Processed Cheese are helping drive innovation, especially from private-labels

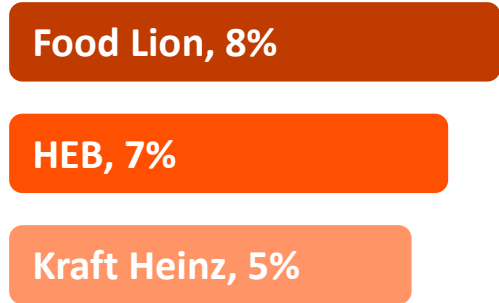
New cheese launches by product subcategory, US, H1 2023 – H1 2024, %



Cheddar, the top type of cheese for NPLs in the US, is gaining market share



Top 3 companies by the number of new product launches in 2024 H1, %



Food Lion and HEB have focused on **Hard & Semi-Hard Cheese** in their innovative pipelines.



Food Lion Mild Cheddar Cheese And Colby Jack Cheese Cubes US, June 2024

Enduring global megatrends lifestyle themes are influencing cheese innovation

3 in 5 

Consumers globally say they are making lifestyle changes due to global issues of concern



1: Health pressures

A healthy, nutritious diet is the aspect consumers have engaged in most to live healthily.



#2: Environmental concerns

Health of the planet is the #1 global issue of concern for consumers globally.



#3: Economic uncertainty

3 in 4 consumers globally are concerned about the cost-of-living crisis.



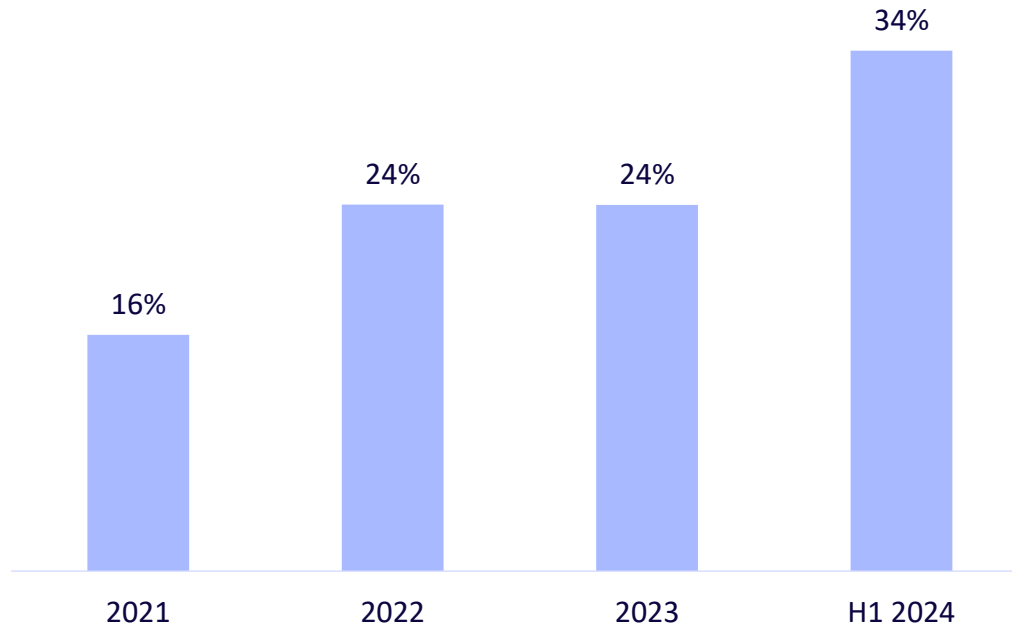
#4: Changing Occasions

Occasions are being shaped by more flexible lifestyles and new ways to socialize and entertain.

A spike in processed cheese innovation

Processed cheese's share of cheese launches in H1 2024 is double the footprint for the subcategory for full year 2021.

Share of processed cheese within new cheese launches, US, 2021-H1 2024, %



Top 3 companies by number of new launches in H1 2024, %

Dairy Farmers Of America, 7.1%

Kraft Heinz, 6.4%

Crystal Farms, 5.6%



In January, **Kraft Singles** launched new flavors for the first time in nearly a decade. Meanwhile, **Velveeta** introduces a line of Cheese Dips in June 2024.

TREND #1

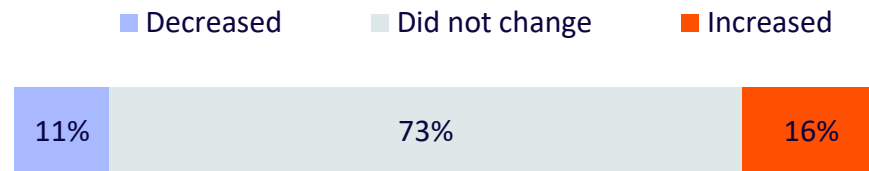
**Health & Wellness:
health claims to fit
consumer demands**



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Increasing cheese consumption for health-oriented reasons

Dynamics of dairy cheese consumption over the past year (US, 2024)*



More than 1 in 4 consumers in the US claim to be “**proactive**” in preventing health issues***

Top 3 reasons for increased dairy cheese consumption (US, 2024)**

Healthy, 47%

Taste preference changed, 32%

Lifestyle/needs changed, 24%



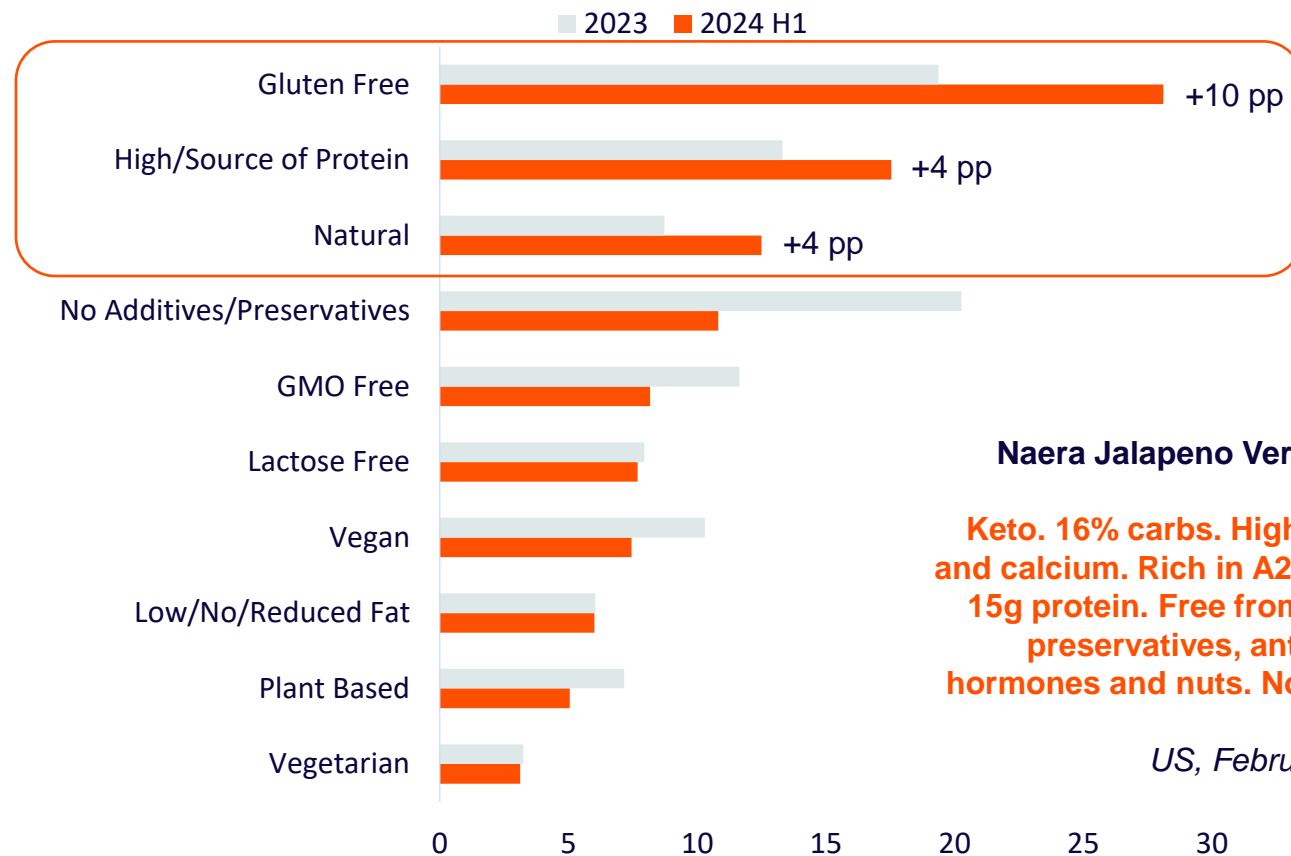
Kraft Flavor Fusions Garlic And Herb Cheddar Cheese
0g lactose. No artificial ingredients. No high fructose corn syrup. No added sugar. Keto friendly. Natural cheese.

US, April 2024

Sources: Innova Database, Innova Category Survey 2024. **Note:** *Q: Have you increased or decreased your consumption of these cheese subcategories over the past year? **Q: Why have you increased or decreased your consumption of dairy cheese? Select up to three. ***Q: “In order to live healthily, which approach you tend to follow?” (Single select).

Gluten Free, High-Protein, and Natural claims are growing for cheese launches

Top 10 healthy and choice claims in cheese new launches, US, 2023-2024 H1, %



Naera Jalapeno Very Gouda Crunch
Keto. 16% carbs. High protein and calcium. Rich in A2 protein. 15g protein. Free from gluten, preservatives, antibiotics, hormones and nuts. Non-GMO.

US, February 2024

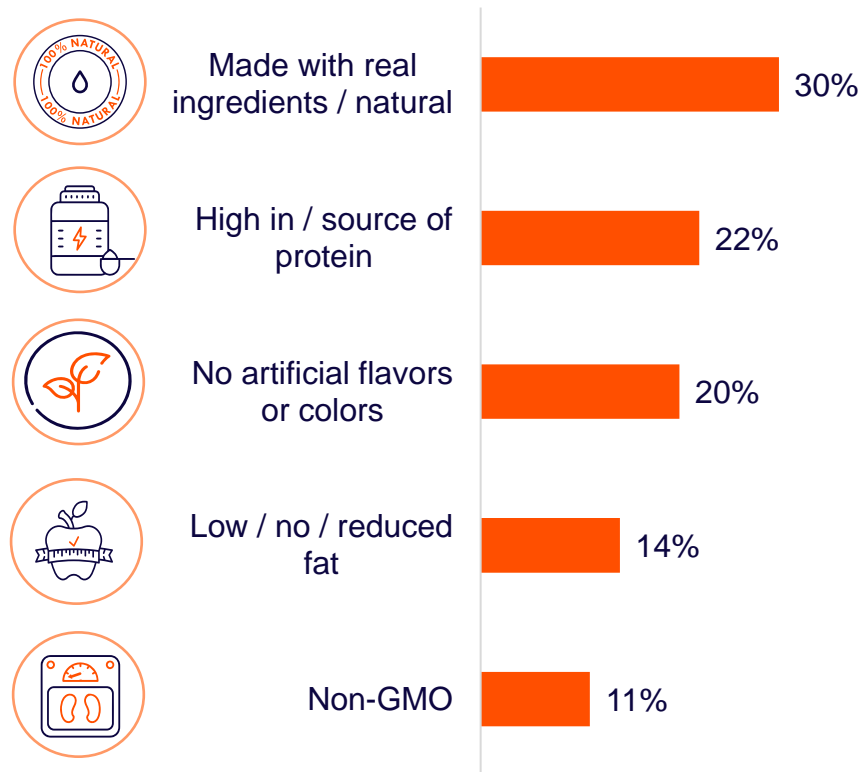


Sources: Innova Database

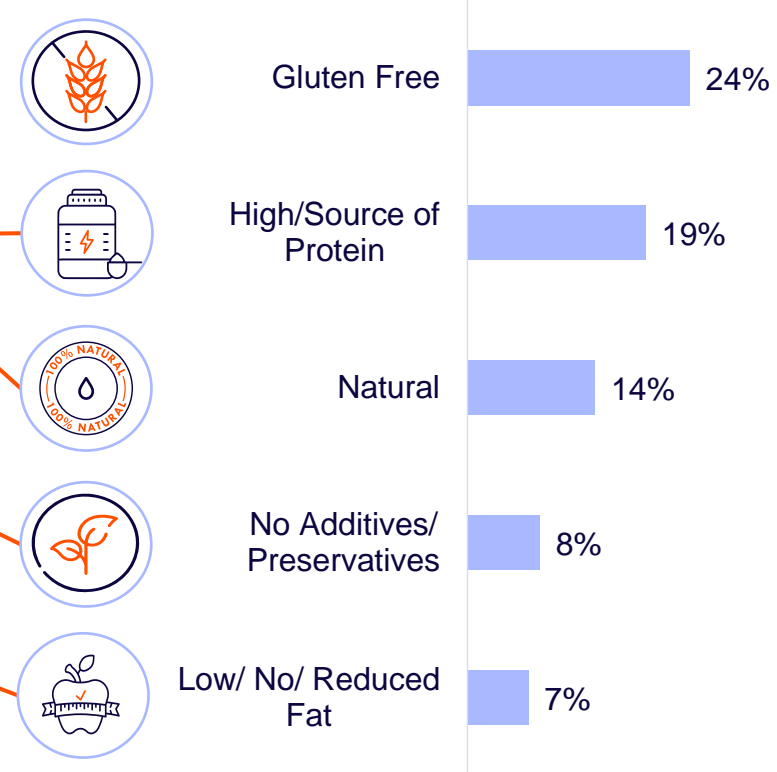
Note: Convenience and ethical claims are not included in this analysis.

Consumers value real & natural ingredients and high protein content

Top 5 most influential health claims for consumers when purchasing dairy cheese, US, 2024*



Top 5 health and choice claims in dairy cheese new launches, US, H1 2024

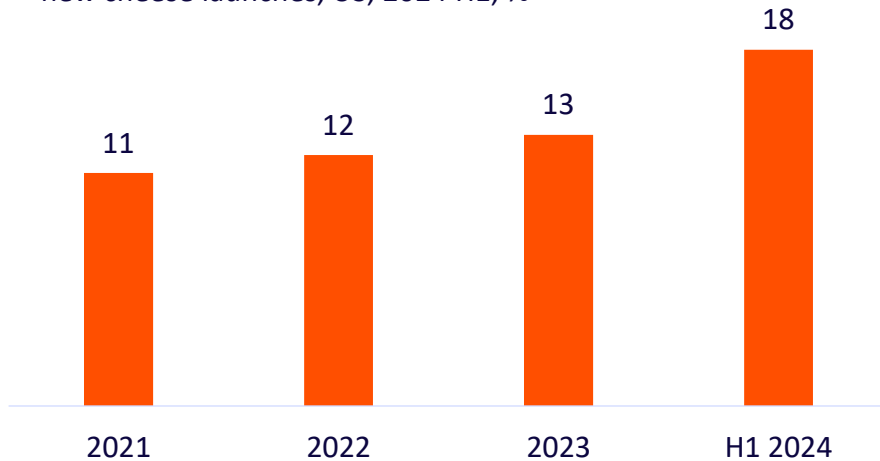


Sources: Innova Database, Innova Category Survey 2024

Note: *Q: Which claims most influence your purchasing decision when consuming dairy cheese? Select up to five (US, 2024)

Companies are expanding high protein offerings as the macronutrient resonates with consumers

Share of products with high/source of protein content claims within new cheese launches, US, 2024 H1, %



Top companies launching high protein cheese, % of new cheese launches with a high/source of protein claim



More than half of new cheese launches with high/source of protein claims are processed cheese, almost one-third – semi-hard and hard cheese (H1 2024, US)

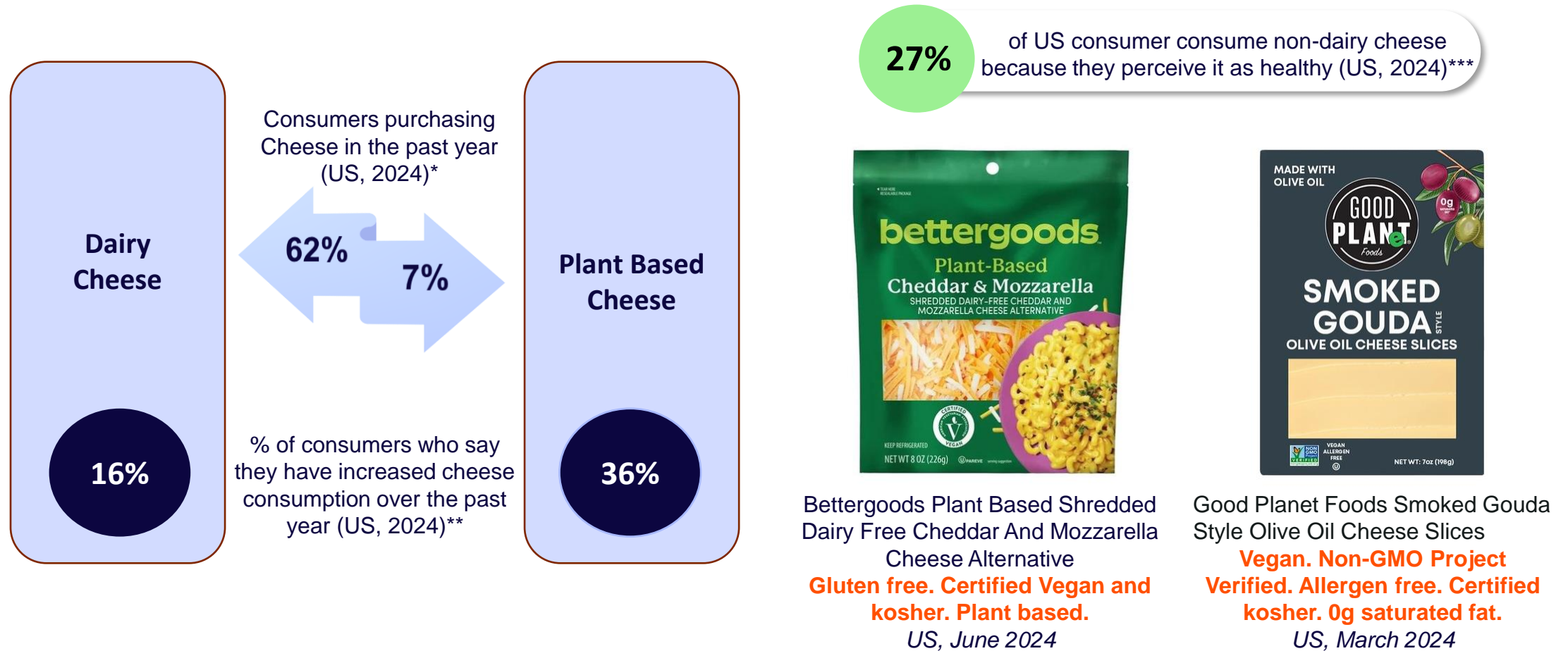


12g protein per serving
Dairy Farmers Of America,
US, March 2024



5g protein per bar
HEB,
US, May 2024

Dairy-free cheese is still niche, but consumer interest is growing, driven by positive health perceptions



Sources: Innova Database, Innova Category Survey 2024

Note: *Q: Which of the following dairy products have you purchased in the past 12 months? Select all that apply. **Q: Have you increased or decreased your consumption of these cheese subcategories over the past year? ***Q: Why do you usually consume cheese? Select up to five

TREND #2

**Sustainability:
attracting environmentally
conscious consumers**



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Sustainability is gaining attention, though there is room for boosting consumer awareness

Almost **1 in 5** Consumers in US say that environmental factors (**sustainability**, waste..) should drive the development of new products*



36%

Of US consumers state that they always pay attention to **Sustainability claims** on packaging**



US, Mar 2024



“At Crystal Farms, we source from dairy farmers across the Midwest to help them and the co-ops they are a part of, thrive.”



Sources: Innova Database, Innova Packaging Survey 2023, 2024 (US)

Note: *Q: Considering food and beverage, which aspects do you think should drive the development of new products the most?, ** Q: To what extent do you agree with the following statement?- I always pay attention to sustainability claims on the packaging

Environmental claims: from recycling to zero carbon

13% of new cheese launches in the US in 2023-H1 2024 have recyclable claims



In December 2023 Philadelphia launched new packages for Whipped Cream Cheese Spread and Cream Cheese Spreads lines in plastic PP (5) tubs.

Cocojune Labneh Original Organic Dairy Free Yogurt Spread
Earth-friendly.
US, May 2024



New package for Field Roast Chao Creamery Plant Based Slices: Creamy Original
Carbon Zero: carbon neutral.
US, June 2024



Carbon emissions associated with a product are the most important factor to determine how sustainable a product is

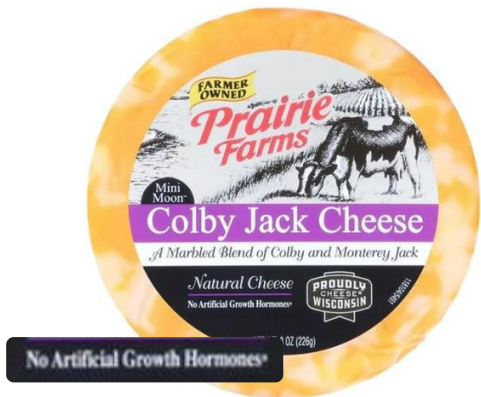
44%

of consumers in US agree*

Sources: Innova Trends Survey 2024 (US), Innova Database
Note: *Q: To what extent do you agree with the following statement? (sum of agree/strongly agree)

Animal welfare-related claims are more common than claims around sustainable packaging

26% of new cheese launches in the US (2023-2024) have Ethical - Animal/Fish & Bird claims



No Artificial Growth Hormones*

Prairie Farms Mini Moon Colby Jack Cheese
No artificial growth hormones.
 US, July 2024



Prairie Farms Mini Moon Colby Jack Cheese
Rbst free.
 US, June 2024



Kerrygold Dubliner Cheese Slices
Milk from Irish grass-fed cows
 US, July 2024



58%

of consumers in US

are willing **to pay extra** for food/ beverage products that are devoted to **solving 'animal cruelty' issues***

Sources: Innova Trends Survey 2024 (US), Innova Database

Note: *Q: Are you willing to pay extra for food/beverage products that are devoted to solving these global issues?

TREND #3

**Affordability:
boosting private label,
hindering non-dairy cheese**



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Private labels have increased their footprint among new product launches in cheese

3 in 4  Consumers globally are concerned about the cost-of-living crisis.

38% Share of new cheese launches in 2024 H1 in the US by private label (up from 32% in 2021)

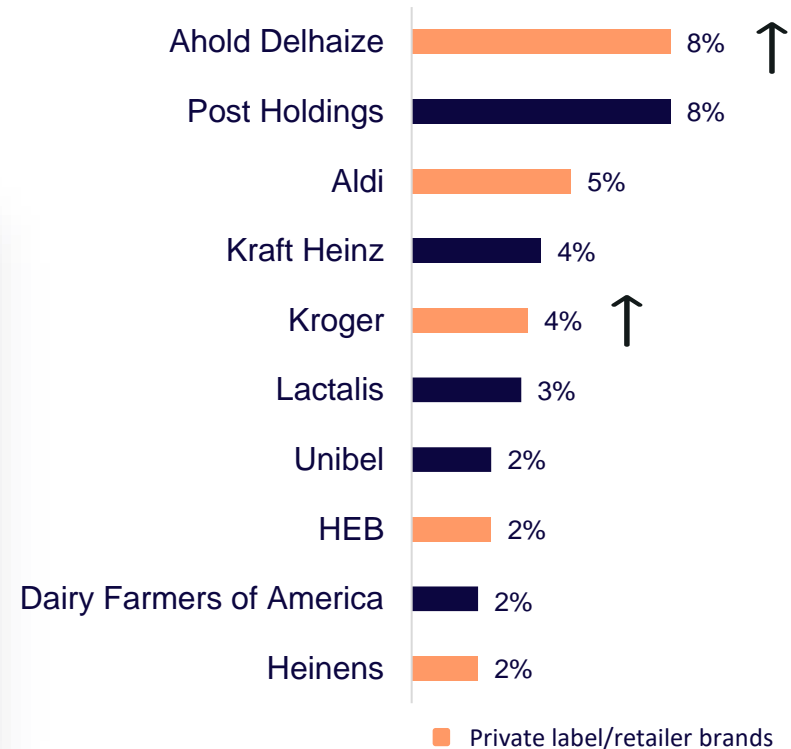


Food Lion American Cheese Singles by Ahold Delhaize
Double your money back guarantee.
US, May 2024

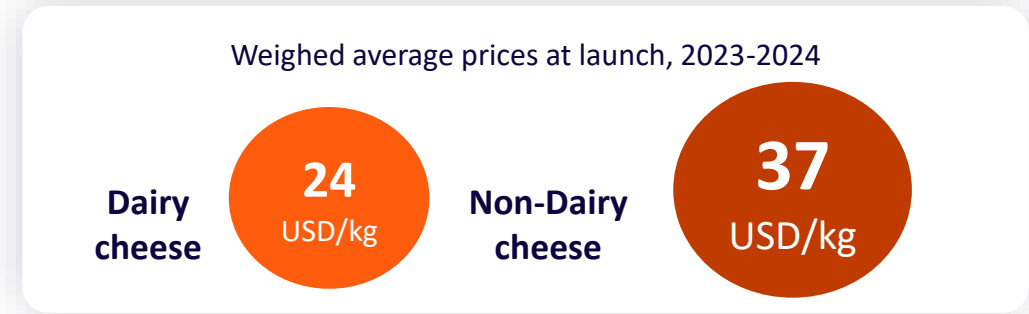
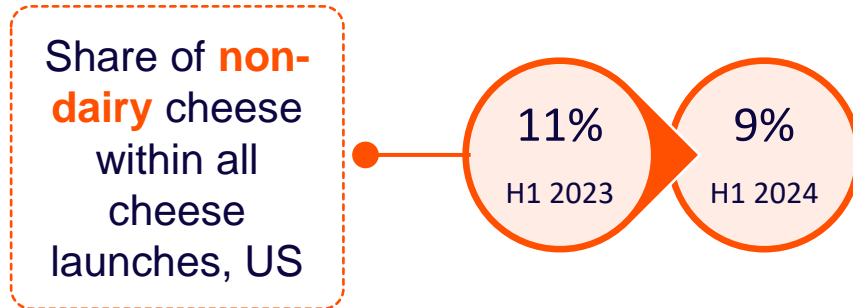


New package of Sprouts Farmers Market Shredded Sharp Cheddar Cheese
Value pack.
US, November 2023

Cheese launches by top 10 Ultimate Holding Companies (UHCs) in the US, 2023-2024



Higher prices for non-dairy cheese (relatively speaking) may depress consumption and innovation activity



Why have you decreased your consumption of the non-dairy cheese? (US, 2024)*



Chipotle Cheddar Style
\$10.99 USD

Import of Nuts For Cheese Chipotle Cheddar Style Wedge Organic And Dairy Free Fermented Cashew Product
120 g for 11 USD
US, January 2024



Sources: Innova Database, Innova Category Survey 2024

Note: *Q: Why have you increased or decreased your consumption of this cheese subcategory? Select up to three. (% of subcategory consumers who decreased consumption)

TREND #4

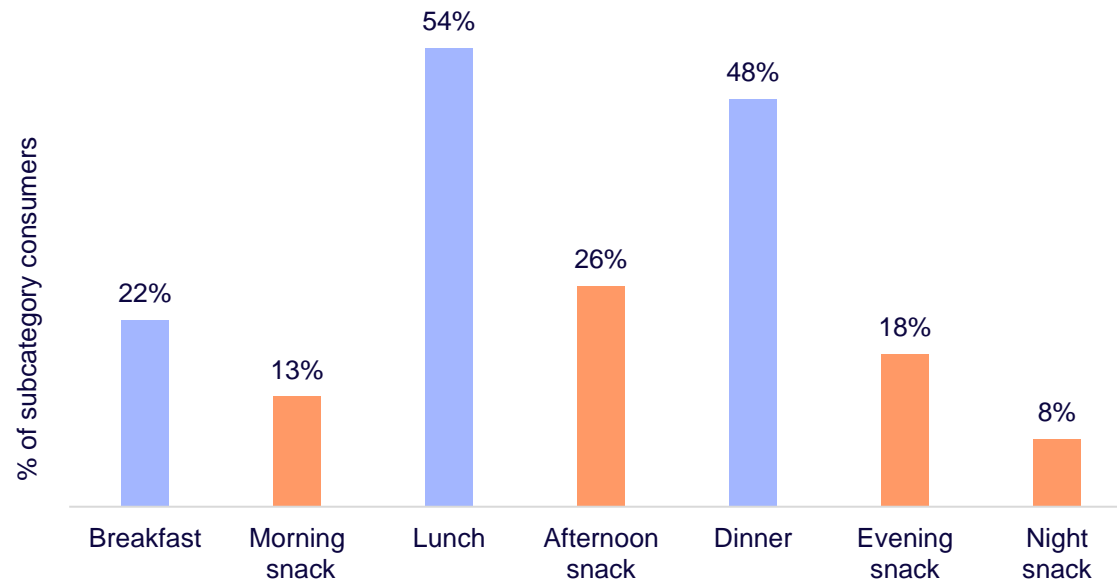
**Snackification:
flourishing snack formats
driven by convenience**



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Shifting consumption occasions for cheese: from meals to snacking

Typical cheese consumption occasions (US, 2024)*



65% of consumers eating dairy cheese as snacks (US, 2024)



Crystal Farms Pepper Jack **Snack Cubes**
US, April 2024



Great Midwest Gouda Cheese Cubes
Delightfully convenient. Perfect for snacking.
US, April 2024

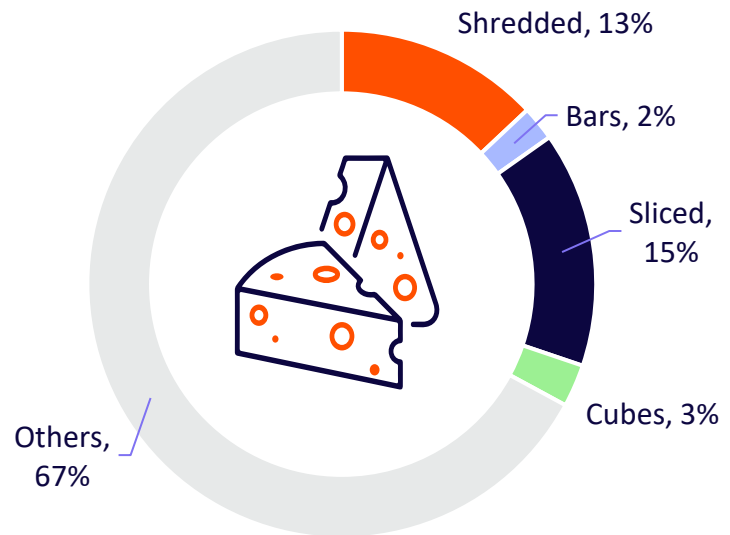
Sources: Innova Database, Innova Category Survey 2024

Note: *Q: When do you typically consume this product? Select up to three

Shredded and slices are driving snackification for cheese

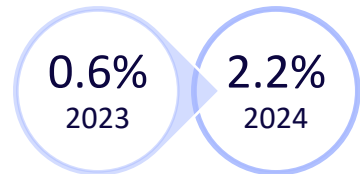
Above 60% of new cheese launches in 2024 in the US have **Convenience-Ready Prepared and Convenience-Packaging claims**

Types of cheese within new launches (US, H1 2024)



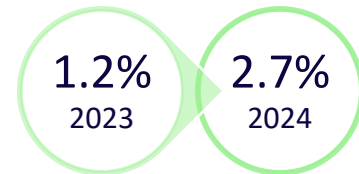
Bars and Cubes cheese types are emerging

Bars share in cheese NPLs, US



H E B Colby And Monterey Jack Cheese Snacks
US, February 2024

Cubes share in cheese NPLs, US

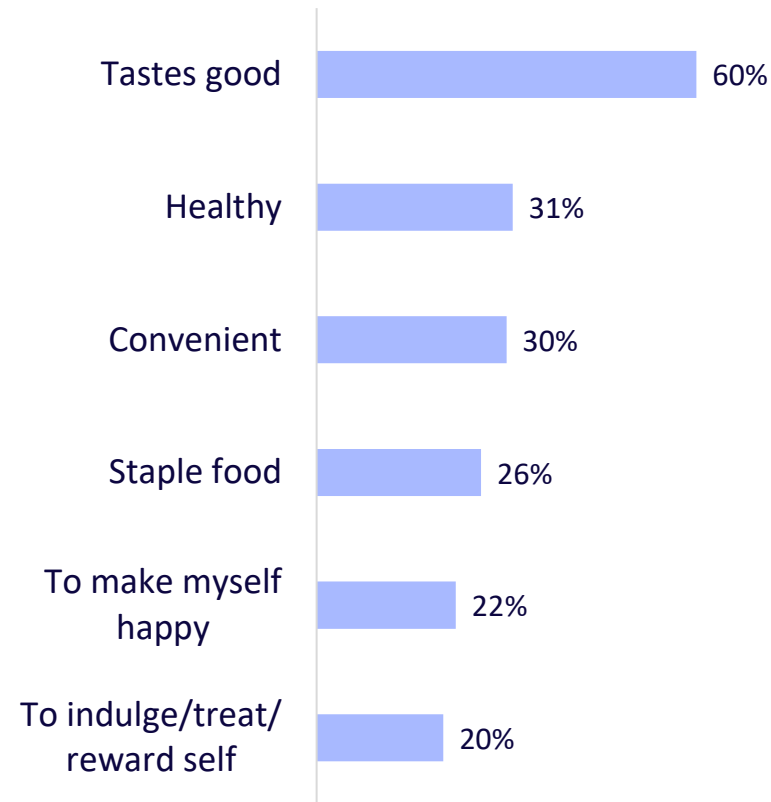


Weis Pepper Jack Snack Cubes
US, January 2024

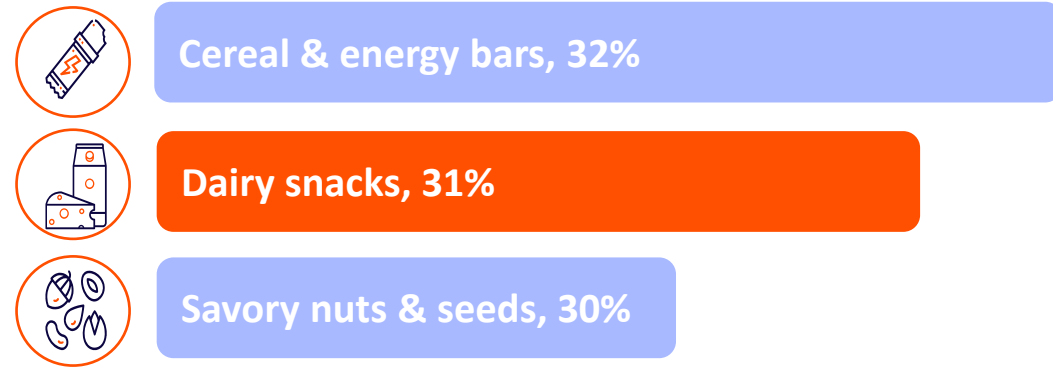
Sources: Innova Database

Healthy, convenient & indulgent: functional cheese snacks

Reasons for dairy cheese consumption (US, 2024)*



For which type of snacks do you consume a healthier alternative? **



10g protein
In 5 flavors
US, April 2024



5g protein per bar
In 3 flavors
US, March 2024

Sources: Innova Database, *Innova Trends Survey 2024 (US), **Innova Snacking Survey 2023 (US)

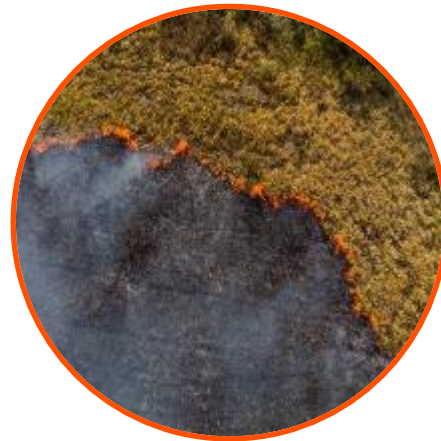
Note: *Q: Why do you usually consume cheese? Select up to five (Top 10 reasons) (US, 2024). **Q: Select all that apply out of 14 answer options, globally, 2023

Key Takeaways: Cheese Innovation



Healthy

Manufacturers are responding to consumer demand by launching healthful cheese products with natural ingredients, high protein contents, and no preservatives.



Sustainability

While recycling remains popular, a more comprehensive approach is emerging, focusing on carbon-zero goals, reduced emissions, and improved animal welfare.



Affordability

High prices may limit premium non-dairy cheese demand while private labels continue to expand their category footprint.



Snackification

Cheese is increasingly seen as a snack, with two-thirds of consumers consuming it this way. Innovations are driven by sliced and shredded cheese, with bars and cubes also gaining popularity.



Presented by Tom Vierhile, tom@innovami.com

THANK YOU

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