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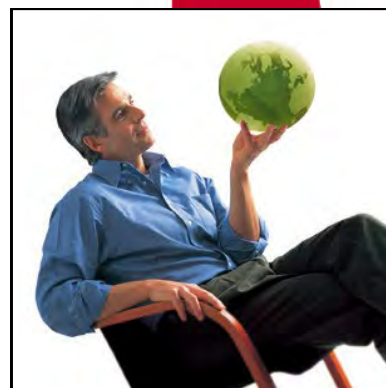
Agriculture et
Agroalimentaire Canada

**International
Markets
Bureau**

MARKET INDICATOR REPORT | JANUARY 2011

Consumer Trends

Non-Alcoholic Beverages in the United States



Consumer Trends

Non-Alcoholic Beverages in the United States



► EXECUTIVE SUMMARY



2009 marked the second year of unprecedented declines in the overall beverage market, signaling that the economy and decreased consumer spending continues to have a significant impact on beverage purchases. The overall United States (U.S.) liquid refreshment beverage market shrank by 3.1 percent in volume in 2009.

The economic downturn in the U.S. has refocused consumer behavior on value, leading them to choose private label products and discount store venues. In addition, U.S. consumers are seeking reduced calorie, reduced sugar, and functional value-adds in the beverages they consume. As a result, numerous new beverage products are entering the market.

Enhanced water, fortified/functional, and performance enhancing beverages are diversifying the beverage sector like never before. Enhanced and functional trends are leading the juice and juice drink category, as more manufacturers are recognizing and responding to the health and wellness trend by creating innovative, enhanced functional beverage products. In 2009, juices containing superfruits led consumer trends, and are expected to do so again in 2010. Consumer knowledge is maturing and many consumers now perceive a juice containing superfruits to be good for them. Superfruit juices can be pricey, but this has not deterred U.S. consumers. As the economy rebounds, consumers will be more willing to pay a premium when they believe there is a functional benefit.

Traditional and new wave caffeine beverages are popular with several demographics. New tea and coffee formulations, as well as energy drinks, account for a large share of sales in the beverage sector. Value propositions, combined with health benefits, have helped sustain the tea industry through the recession. Coffee customization has been driving sales in this sub-sector. Ready to drink (RTD) coffee beverage sales have experienced double digit growth, and that trend is expected to continue. Iced coffee drinks have become so popular that even the McDonald's chain now offers its own version of the product—McCafé Frappés. The company announced that April sales grew 4% in 2009, and they are partially attributing these sales to beverages, which includes their Frappé. Many caffeine-based drinks have flooded the market in the past year, and have been a consumer hit.

Sport drink sales are forecasted to grow by 1% in 2010, with an annual growth, between 2010-2013, of 0.25%. The two biggest players in this category experienced either negative or no growth for the 52-week period ending February 21, 2010. Sport drinks have become quite mature in the U.S. market, and consumers increasingly prefer fortified/functional bottled waters and teas.

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“VANILLA WAS AMONG THE BEST SELLING FLAVORS IN 2009 AND THE TREND IS EXPECTED TO CONTINUE.”

► DID YOU KNOW?

► U.S. parents are increasingly concerned about the nutrition and sugar content of the products consumed by their children.

► Goat's milk was the fastest-growing drinking milk sub-sector in 2009, with 6.1% value growth.



Non-Alcoholic Beverages—United States Market Sales—US \$millions

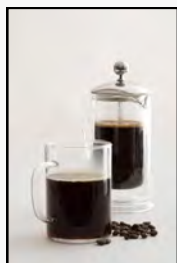
	2005	2006	2007	2008	2009
Fresh Coffee	5,651.4	6,021.1	6,460.4	6,986.7	7,599
Instant Coffee	659.2	625.6	608.4	619.5	638.9
Ready-To-Drink (RTD) Coffee	776.3	947.3	1,154.7	1,153	1,085.8
Black Tea	706.8	723.9	739.3	753.3	767.8
Green Tea	235.7	246.6	256.2	265.4	275.8
Fruit/Herbal Tea	581.4	594.7	604.2	615.1	627.8
Other Tea	18.4	32.3	52.4	68.6	96.4
Flavoured Powder Drinks	378.6	353.4	362.2	368.7	376
Organic Beverages	669.6	717.7	760.7	775.2	769.1
Organic Hot Drinks	233.6	264.2	297.2	316	329.7
Organic Soft Drinks	436	453.5	463.5	459.2	439.4
Better-for-you Beverages	13,785.7	14,284	14,411.4	14,486.3	14,810
Better-for-you Reduced Caffeine Hot Drinks	779.1	758.2	742.1	741.9	756.9
Better-for-you Reduced Caffeine Soft Drinks	1,508.4	1,463.1	1,197.1	1,042.8	902.6
Fortified/Functional Beverages	15,175.2	17,781.7	20,258.4	21,348.2,	22,154.3
Fortified/Functional Hot Drinks	195.4	189.9	187.8	185.5	185.1
Fortified/Functional Soft Drinks	14,979.8	17,591.8	20,070.6	21,162.7	21,969.2
Naturally Healthy beverages	16,332.9	17,052.4	18,276.6	19,060.6	19,079.2
Naturally Healthy Soft Drinks	15,729.4	16,420.2	17,616.1	18,373.1	18,348.8
Naturally Healthy Bottled Water	7,7274	8,051.9	8,538.6	8,870.6	8,634
Naturally Healthy Fruit/Vegetable Juice	7,921.1	7,769.9	8,406.8	8,763.5	8,915.8
Naturally Healthy RTD tea	484.5	523.6	572	625.3	671.6
Drinking milk products	28,687.71	28,380.63	31,649.06	33,109.95	29,161.07
Soy beverages	854.1	907.8	975.3	1,040.3	1,093.3
Health and Wellness Beverages	45,963.4	49,835.8	53,707.2	55,670.3	56,812.6

Source: Euromonitor International



► INDUSTRY OBSERVATIONS

- ▶ Consumer expenditures on non-alcoholic beverages in the U.S. amounted to US \$81.6 billion in 2009, up from US\$80.4 billion in 2008. The compound annual growth rate (CAGR) from 2004 to 2009 was 4.4%.
- ▶ The combined total sales of mineral water, soft drinks and fruit and vegetable juice in the U.S. for 2009, equaled US\$71.4 billion, up from US\$70 billion in 2008.
- ▶ Canada is the fifth-largest exporter of non-alcoholic beverages (HS code 20020) into the U.S., at a value of CD\$11,543,508 in 2009. This figure represents 4% of market share.
- ▶ Health and wellness beverages in the U.S. drove growth in the beverage sector in 2009 by more than US\$3 billion in sales, over the 2008 figure of US\$55.6 billion.
- ▶ The U.S. consumer is concerned and knowledgeable about how the things they consume impact their health and as a result, these consumers want their favourite beverages to be available in safe, non-plastic (bisphenol-free) containers.
- ▶ When it comes to flavours, cranberry is still a favourite amongst U.S. beverage consumers. In 2009, more than 130 new beverages containing cranberry or cranberry flavouring were launched in the U.S. However, vanilla was among the best selling flavors in 2009 and this trend is expected to continue.
- ▶ In 2009, the leading claim in the U.S. for new beverage launches was that a product was *upscale*. However, for the three months ending May of 2010, the leading claims were *natural* and *single serving*. Of the top 10 claims, *no artificial colour* has newly appeared, with 9% of the new drinks launched making this claim.



Fortified Functional Beverages

Market Data

- ▶ Fortified/functional (FF) beverage sales in the U.S. reached US\$22.1 billion in sales for 2009. This is a growth of 3.8% from 2008. While total retail sales have grown steadily since 2005, actual volume growth has been steadily falling. This is attributed to an increase in per unit pricing. Fortified/functional bottled water and fortified/functional energy drinks were the fastest-growing FF beverage subsector in 2009.

Consumer Trends

- ▶ Functional/fortified drink products, targeting specific consumer demographics, are enjoying success, with manufacturers introducing new sub-brands for these niche markets. Consumers became more interested in fortified/functional, over better-for-you (BFY) beverages. The most popular sub-category is energy drinks, targeted to young consumers. Popular formulations for these beverages include vitamin and mineral fortifications, antioxidants or high polyphenol content, green tea, caffeine or berries. Gatorade Co Ltd led in this sector with a 27% market share in 2009. Products that are fortified/functional, but also lower in sugar and calories, will be well-positioned to grow.
- ▶ Refrigerated juice and juice drinks earned more than US\$4.4 billion in sales for the 52 weeks ending November 1, 2009. That number is down by 1.3% from the previous year. The orange juice segment was down 4.1%, with refrigerated orange juice leading the sub-sector, with more than US\$2.6 billion in sales.
- ▶ Functional juice beverages, for adults and children, are being increasingly sought by the U.S. consumer. Reduced and no-sugar juice and juice drink products, are also gaining in popularity. Expect to see more and more products on the shelves with zero-calorie sweeteners like stevia, agave syrup, or agave nectar.



Retail Trends

- ▶ Refrigerated juice and juice drinks were purchased mainly through supermarkets, drugstores and mass merchandise outlets (excluding Wal-Mart).
- ▶ The top five fortified/functional beverage brands are, in order of popularity: Gatorade, Glaceau, Red Bull, Monster and SoBe.
- ▶ Unit prices rose slightly in 2009 among fortified/functional beverages, due to the cost of enhancements and functional additives. Prices seem to be holding steady, as private label products are increasingly entering this sector. It is predicted that, as the economy rebounds, consumers will be willing to pay a premium for fortified/functional beverages.

Canadian Performance

- ▶ Canada is the sixth-largest exporter of unfermented, unspiced fruit and vegetable juice beverages (HS code 200980) into the U.S., with a value of CAD\$19.3 million in 2009. This figure represents 6.5% of market share.

Competition

- ▶ The Gatorade Company Ltd, led the fortified/functional beverages sector, with a 27% market share in 2009, while Energy Brands Inc and Monster Beverage saw the biggest share increases in 2009. Coca-Cola Company and Red Bull North America Inc. round out the remaining top five most popular manufacturers.
- ▶ PepsiCo has acquired 34% of market share in the top 10 products list, while the Coca-Cola Company captured 17%, in 2009.

United States Top 10 Fortified/functional Beverages - Brand Market Shares - Retail Sales % breakdown

Brand	Company name (GBO)	2005	2006	2007	2008	2009
Gatorade	PepsiCo Inc	36.6	32.9	29.7	25.4	22.8
Glacéau	Coca-Cola Co, The	-	-	7.9	8.9	9.7
Red Bull	Red Bull GmbH	7.1	7.1	7.5	7.8	7.8
Monster	Hansen Natural Corp	2.3	3.9	4.6	5.7	6.7
SoBe	PepsiCo Inc	7	6.6	6	5.9	4.9
Powerade	Coca-Cola Co, The	6.2	5.4	5.2	4.5	4.1
Propel	PepsiCo Inc	3	5	5.6	4.5	4.1
Rockstar	Rockstar Inc	1.6	2.2	2.7	2.9	3.2
Minute Maid	Coca-Cola Co, The	4.7	4	3.5	3.3	3.2
Tropicana	PepsiCo Inc	3.5	2.9	2.6	2.4	2.2

Source: Euromonitor International

Better-for-you Beverages (BFY)

Market Data

- ▶ For 2009, the BFY beverage sector registered US\$14.8 billion in sales, a growth of 2.2% over 2008 figures.
- ▶ In the U.S. better-for-you (BFY) beverage sector, reduced sugar juice drinks experienced the strongest growth, at 15%, garnering US\$128 million in sales for 2009. Overall, the BFY reduced sugar carbonates comprised over 75% of total sales of the BFY beverages sector.



- Sales of BFY beverages are forecasted to increase by 3.8% in constant value terms between 2009 and 2014, to reach US\$15.3 billion in 2014.

Consumer Trends

- Reduced sugar, no-sugar, and juice drink products are gaining in popularity. Expect to see more products with zero-calorie sweeteners like stevia, agave syrup, or agave nectar.
- American consumers are turning to “no calorie” or “low calorie” carbonated drinks. As a result, these consumers are responding positively to reduced sugar and fat content claims displayed on packaging, and are shying away from high calorie, high sugar content. Further, sales of reduced sugar cola carbonates grew faster than reduced sugar non-cola carbonates.

Retail Trends

- Unit prices, across nearly all BFY beverage categories increased in 2009, due in part to increases in the cost of raw materials and production.
- The most popular BFY beverage product is Diet Coke, with a 29% share in 2009. Additionally, another Coca-Cola product (Coke Zero), rounds out the top three products, enabling them to capture over 34% of total BFY beverage market sales. Diet Pepsi, from Pepsi Co., is the second-most popular BFY beverage, with 16.4% of sales in 2009.

Competition

- The Coca-Cola Company accounted for nearly 35% of sales in the BFY beverages category in 2009.

United States Top 10 Better-for-you Beverage - Brand Market Shares - Retail Sales - % breakdown

Brand	Company name (GBO)	2005	2006	2007	2008	2009
Diet Coke	Coca-Cola Co, The	32.2	31	30.5	29.2	29
Diet Pepsi	PepsiCo Inc	19.5	19.1	18	16.9	16.4
Coca-Cola Zero	Coca-Cola Co, The	1.1	1.9	3	4.6	5.4
Arizona	Ferolito, Vultaggio & Sons	1.5	1.6	2	2	2.2
Lipton	Unilever Group	1.3	1.3	1.6	1.8	1.8
Snapple	Cadbury Plc	-	-	-	1.4	1.4
Starbucks	Starbucks Corp	1.3	1.2	1.2	1.2	1.1
Fruit2O	Sunny Delight Beverages Co	-	-	0.9	0.9	0.9
Maxwell House	Kraft Foods Inc	1	0.9	0.8	0.9	0.9
Folgers	Procter & Gamble Co, The	1.2	1.1	1	0.8	0.8

Source: Euromonitor International



Source: Mintel



Naturally Healthy Beverages

Market Data

- ▶ Naturally healthy (NH) beverages in the U.S. reached US\$19.08 billion in sales in 2009, up from US\$19.06 billion in 2008. NH soft drinks is the biggest performer in this sector, with US\$18.3 billion in sales.
- ▶ NH other hot drinks experienced the highest growth in 2009, increasing 46% to reach US\$9.8 million in 2009.
- ▶ The NH beverage sector is expected to grow by 3.8% between 2009 and 2014, to reach US \$19.8 billion in constant value terms in 2014.

Consumer Trends

- ▶ U.S. consumer knowledge of naturally healthy products is growing and has helped drive growth in certain categories, namely superfruit juice, tea and RTD tea.
- ▶ Bottled water sales declined by 2.7% in 2009 after years of consecutive growth. This decline is due to the growing backlash surrounding the harmful environmental impact of plastic bottles. The economy has also forced consumers to cut spending, with many opting for tap water in reusable bottles over purchasing bottled water.
- ▶ Many Americans are being drawn to tea for its natural health benefits and are increasingly seeking out tea products, such as white and red tea.

Retail Trends

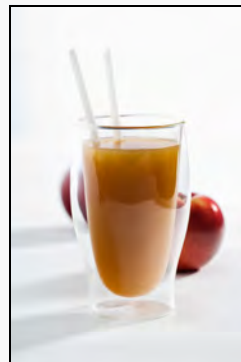
- ▶ Unit prices of NH soft drinks were steady in 2009, except for superfruit juice, such as pomegranate and acai, and RTD tea, which increased slightly. Superfruit juices are available in the produce sections of many traditional grocery outlets. The top five NH beverage brands in 2009, were Tropicana, Poland Spring, Simply, POM Wonderful and Minute Maid.
- ▶ Heavy saturation of the market, recession-wary consumer spending, and private label growth are having a negative impact on the NH beverage market.

Canadian Performance

- ▶ Exports of mineral and aerated waters to the U.S. equaled sales of CAD\$13 million in 2009, down from CAD\$19.8 million in 2008.
- ▶ Exports of various forms of fruit juice from Canada to the U.S. equaled CAD\$56 million in value in 2009.
- ▶ Vegetable juice exports to the U.S. in 2009 equaled CAD\$1 million in value.

Competition

- ▶ Nestlé Waters North America led NH beverages, with a 13% market share in 2009. Coca-Cola Co. was the second-leading manufacturer with a value share of almost 13%.





United States Top 10 Naturally Healthy Beverages - Brand Market Shares Retail Sales % breakdown

Brand	Company name (GBO)	2005	2006	2007	2008	2009
Tropicana	PepsiCo Inc	8.8	8	7.7	7.3	7
Poland Spring	Nestlé SA	4.6	5.3	5.4	5	4.7
Simply	Coca-Cola Co, The	1.3	1.6	2.5	3.1	3.8
Minute Maid	Coca-Cola Co, The	3.2	2.8	2.9	2.7	2.6
Arrowhead	Nestlé SA	2.6	2.8	2.8	2.3	2.2
Deer Park	Nestlé SA	2.1	2.4	2.5	2.2	2.1
Crystal Geyser	Otsuka Pharmaceutical Co Ltd	2.1	1.9	2.3	2.1	2.1
Dannon	Coca-Cola Co, The	3.9	3.7	2.5	2.1	2.1
Ocean Spray	Ocean Spray Cranberries Inc	1.4	1.3	1.4	1.8	2
V8	Campbell Soup Co	1.4	1.3	1.4	1.6	1.9

Source: Euromonitor International

Organic Beverages

Market Data

- ▶ In 2009, U.S. organic beverage sector sales reached US\$769 million, a drop from US\$775.2 in 2008.
- ▶ Organic beverage sales in the U.S. are forecast to grow to US\$855 million in 2014 in constant value terms, reflecting a CAGR of 2.1% over the period 2009 to 2014.
- ▶ Organic green tea experienced the highest growth, with 6% in current value terms in 2009.

Consumer Trends

- ▶ Many U.S. consumers were not able to justify spending extra money on high-priced organic beverages in 2009, as they were forced to tighten their food and drink spending.
- ▶ Those U.S. consumers who are still purchasing organic beverages see them as a superior product and accept the premium prices.

Retail Trends

- ▶ The bulk of the organic beverages sector in the U.S. is comprised of smaller, niche companies. Unit prices of organic beverages continued to increase in 2009 because organic ingredients are more expensive. Kraft Foods Inc. has an expansive distribution network and is able to leverage its strong resources to enhance its organic presence in the U.S. However, it is forecast that growth in the organic beverages sector will come from smaller niche companies, such as Honest Tea and Hansens, as they are in a position to provide greater promotion of their brands. The top five organic beverage brands are Starbucks, Celestial Seasonings, Welch's, Ocean Spray and Tropicana.
- ▶ Many companies have discontinued their lines of organic fruit juices due to little success in the sector.

Competition

- ▶ Starbucks led organic beverage sales in 2009, with an 11% market share. Hain Celestial Group Inc's Celestial Seasonings teas secured second place in the U.S organic beverage market with 4.7% of sales. Private label organic beverage sales captured almost 15% of sales in 2009, while others in the sector accounted for almost 69% of sales in that same year.



United States Organic Beverages - Brand Market Shares - Retail Sales - % breakdown

Brand	Company name (GBO)	2005	2006	2007	2008	2009
Starbucks	Starbucks Corp	8.3	9.5	10.8	10.9	11.2
Celestial Seasonings	Hain Celestial Group Inc, The	4.7	4.7	4.6	4.6	4.7
Welch's	National Grape Co-operative Association Inc	-	-	0.4	0.4	0.4
Ocean Spray	Ocean Spray Cranberries Inc	11.7	11.3	11.1	4	-
Tropicana	PepsiCo Inc	-	5	6.2	-	-
Florida's Natural	Florida's Natural Growers	-	-	3.7	-	-
Private label	Private Label	15.3	15.5	15.3	14.9	14.8
Others	Others	60	53.9	48	65.3	68.9

Source: Euromonitor International

Hot Beverages

Market Data

- ▶ Hot drink sales in the U.S., in 2009, reached US\$10.4 billion. This represents growth of 7.3% over 2008. Since 2005, this sector has been growing on average 6% per year.
- ▶ Within this sector, coffee sales reached US\$8.2 billion, tea sales equaled US\$1.8 billion and other hot beverage sales were US\$376 million in 2009.
- ▶ The value growth of hot drinks surpassed volume growth during 2009 due to higher unit prices for coffee and tea.

Consumer Trends

- ▶ U.S. hot beverage consumers desire portable and convenient ways to enjoy hot drinks.
- ▶ Fair trade, single source, organic and rainforest alliance brands were all very popular with the U.S. consumer in 2009.
- ▶ U.S. coffee drinkers are showing a renewed interest in instant coffee, based on its convenience, portability and lower price point.
- ▶ A number of products are being launched, in the U.S., that carry an ethical label. This is in response to consumers' increased awareness of the working and living conditions of individuals who reside in developing countries.
- ▶ In 2009, a greater number of U.S. consumers of hot drinks, such as chocolate and malt-based powder drinks, prepared them at home. This trend, however, mostly affected the coffee sector.

Retail Trends

- ▶ Supermarket/hypermarket outlets continue to dominate distribution in the hot drinks market.
- ▶ Fresh coffee beans, often considered to be of higher quality, became more widely available in mass distribution outlets, such as Dunkin' Donuts and Starbucks. Grocery stores are driving decreased pricing in this sector. Consumers are favouring supermarkets/hypermarkets to make their coffee purchases, as opposed to smaller grocers. This is due primarily, to the increased availability of popular brands such as Dunkin' Donuts and Starbucks in supermarkets/hypermarkets, in combination with heightened price sensitivity, and the increasing desire for one-stop shopping. Vending in coffee has slowly been declining, as consumers prefer to enjoy a cup of coffee at a specialty shop. Growth in specialist coffee shop outlets slowed in the past couple of years, with companies such as Starbucks closing over 600 stores in 2009. This trend of downsizing among specialty shops in the U.S. is expected to continue.



- ▶ Hot tea is gaining in popularity, particularly the white tea variety, because of its flavour and purported health benefits. The average unit price of tea beverages in the U.S. rose by 2% in 2009, due to increased demand for premium brands and the jump in global tea prices. Some teas, like white and roobios, were only sold through specialty and health food stores, but this is changing, as they are increasingly available in supermarkets and hypermarkets. Away-from-home tea consumption is growing, as more restaurants are serving specialty and premium teas. Foodservice outlets are also introducing tea lattes to their menu offerings. Tea specialist outlets, like Argo Tea, are growing in popularity. While loose leaf teas are increasingly found in supermarkets/hypermarkets, they are more likely to be purchased in specialty tea shops, or from producers, directly over the Internet. Unilever is one of the largest consumer packaged goods companies in the world, and has greater distribution and bargaining power with retailers, which is why its teas can be found in most supermarkets/hypermarkets, discounters and convenience stores. Sustainable packaging has become a concern for both consumers and manufacturers, causing packages to be redesigned, and spurring the introduction of biodegradable and 100% recyclable cartons. Teas, like white, roobios and oolong carry higher average unit prices. The top five tea brands are Lipton, Celestial Seasonings, Bigelow, Twinings, and Traditional Medicinals.
- ▶ Average unit pricing in the other hot beverages sector increased by 2% in 2009. These increases were due to rises in commodity prices of cocoa and sugar. Ovaltine led in the malt-based hot drinks category, however, it is not widely available throughout the U.S. Retail outlets, such as Ghiradelli and Hershey's, remained popular sources for malt and chocolate-based powder drinks, however, these are not widely available throughout the U.S.

Canadian Performance

- ▶ Canada is the top exporter of black tea, fermented and partly fermented, in packages not exceeding 3 kg (HS code 090230) into the U.S. with CAD\$23,227,470 in 2009. This represents 25% of market share.
- ▶ The U.S. imported green tea totalling CAD\$92 million in sales for 2009. Of that, Canada was the third top supplier, behind China and Japan, with sales to the U.S., equaling CAD\$10 million.
- ▶ Canada is the top exporter of roasted coffee (including decaffeinated) with CAD\$192 million in market sales for 2009, an increase in sales of CAD\$60 million over 2008.

Competition

- ▶ Major companies own the leading brands within the hot drink sector.
- ▶ Kraft Food led coffee retail sales in 2009, with a value share of 18%, followed closely by JM Smucker, with a share of 17%.
- ▶ Unilever led sales of tea in the U.S., in 2009, with a 22% market share and was followed by Hain Celestial, with 17%, and RC Bigelow, with 16%.
- ▶ Folgers brand of coffee showed respectable sales in 2009, capturing 13% market share.
- ▶ In the other hot beverages market, Nestlé led sales in 2009, with 23% of market share, followed by ConAgra Foods, with 13%.

United States Top 10 Hot Drink Beverages - Brand Market Shares - Retail Sales % breakdown

Brand	Company name (GBO)	2006	2007	2008	2009
Folgers	JM Smucker Co, The	-	-	10	10.3
Maxwell House	Kraft Foods Inc	5.6	5.3	6.1	6.3
Starbucks	Kraft Foods Inc	4.3	4.4	4.6	4.7
Eight O'Clock	Eight O'Clock Coffee Co	2.9	3.4	3.5	3.7
Lipton	Unilever United States Inc	3.8	3.9	3.8	3.7
Celestial Seasonings	Hain Celestial Group Inc, The	3.1	3.1	3.1	2.9
Bigelow	RC Bigelow Inc	2.7	2.7	2.8	2.8
Starbucks	Starbucks Corp	2.6	2.7	2.8	2.8
Dunkin' Donuts	JM Smucker Co, The	-	-	2.1	2.4
General Foods International Coffee	Kraft Foods Inc	1.5	1.4	1.5	1.4

Source: Euromonitor International



Sports Beverages

Market Data

- ▶ Sports drinks and energy drinks in the U.S. are predicted to grow by 2% in total volume between 2008 to 2013, reaching 6.7 billion litres.
- ▶ Protein powder sales captured 40% of the sports nutrition market in 2009, while protein ready-to-drink products accounted for 6% of sales.

Consumer Trends

- ▶ For energy drinks and shots, consumers are looking for greater functionality, including alertness, improved mood, balanced energy, hydration and antioxidant capacity. These consumers are also interested in mental acuity, increased concentration ability, and physical stamina.
- ▶ When it comes to sports drinks, U.S. consumers are looking for products that give them sustained energy for longer periods of time. In addition, consumers want these drinks to be multi-purpose, providing pre, post and overall support when it comes to their workout regime. L-taraine, creatine, protein, amino acids and vitamin B are just a few of the fortified/functional additives manufacturers are putting in their sports drinks. Sports drinks have become quite mature in the U.S. market and consumers increasingly prefer fortified/functional bottled waters and teas.
- ▶ Ready-to-drink sports nutrition beverages have gained acceptance among U.S. consumers, in part due to the growing popularity of the Muscle Milk RTD nutritional beverage.

Retail Trends

- ▶ Fifty-nine per cent of sports nutrition products in the U.S., are bought through health food stores and direct selling.
- ▶ The Muscle Milk brand was the number one sports drink in the U.S. for 2009. The company that makes Muscle Milk is targeting women, positioning the product as a daily convenient nutritional beverage, rather than a physique bulking supplement.
- ▶ Certain manufacturers have targeted non-specialist retailers, such as convenience stores, parapharmacies/drugstores and supermarkets/hypermarkets to drive product sales. These mass retail channels are appealing due to their potential to capture casual athletes who currently use these products infrequently or not at all.
- ▶ Whey protein is one of the most widely distributed sports beverage products, and is available in channels ranging from health food shops to cash and carry/warehouse clubs.

Competition

- ▶ The top protein RTD beverages sold in the U.S. in 2009 were: Muscle Milk (Cytosport Inc.), EAS (Abbott Laboratories Inc.), and MET-Rx (Rexall Sundown Inc.).
- ▶ The top protein powder products are Optimum Nutrition (Optimum Nutrition Inc.), EAS (Abbott Laboratories Inc.) and GNC (General Nutrition Centres Inc.).





Milk Beverages

Market Data

- ▶ Drinking milk sales in the U.S. fell in 2009 by US\$3.9 billion. This 12% dip is attributed to a combination of lower pricing, and high feed prices. In 2009, an oversupply of milk occurred in the U.S., due to the weakened global economy reducing the worldwide demand for milk.
- ▶ Goats' milk was the fastest-growing milk sub-sector in 2009, with 6.1% value growth. Next in the sector was soy milk, with a sales growth of 5.1% in 2009. Private label products dominated in this sector.
- ▶ Milk sales in the U.S. are forecast to be flat between 2009 and 2014.

Consumer Trends

- ▶ U.S. parents are increasingly concerned about the nutrition and sugar content of the products consumed by their children. As a result, the Ovaltine brand, with its healthy image, led the malt-based hot drink sector in growth in 2009.
- ▶ When it comes to the U.S. milk consumer, chilled milk dominates. This could be due in part due to the consumer's perception that chilled products are "fresh" products.
- ▶ As more and more Americans become lactose intolerant, traditional milk sales are declining. However, this has provided an area of growth for soy milk products. Soy milk sales are continuing to grow at mid-single-digit rates.

Retail Trends

- ▶ Private labels dominate drinking milk products.
- ▶ U.S. schools are removing carbonated beverages from their vending machines and other beverages are taking their place, including single-serving flavoured milk drinks.
- ▶ Dairy producers have begun to introduce shelf-stable varieties of flavoured milk drinks.

Canadian Performance

- ▶ Canada is the top exporter of milk (HS code 040120) into the U.S., with a value of CAD\$809,296 in 2009. This figure represents 95% of export market share. Within the milk sector, Canada is the United State's top import source for buttermilk, with value sales for 2009 reaching US\$12 million.

Competition

- ▶ Associated Milk Producers Inc., a private U.S. cooperative, transforms 6 billion pounds of milk into various dairy products each year. This organization boasts McDonalds as one of its retail customers, while they also supply milk to food manufacturers.
- ▶ The Land 'O' Lakes cooperative produced 12.7 billion pounds of milk in 2009, with sales reaching US\$10.4 billion. The organization boasts income growth of 30.9% in that same year.
- ▶ Dairy Farmers of America had sales equaling US\$11.7 billion in 2008 and US\$8 billion in 2009. This organization claims to be the largest dairy cooperative in the world, producing 62 billion pounds of milk a year. They are a major supplier to Dean Foods.
- ▶ Foremost Farms had US\$1.6 billion in sales in 2008, and produced 5 billion pounds of milk.





Soft Drink Beverages

(includes: carbonated drinks, RTD tea and coffee, and cold malt drinks)

Market Data

- ▶ Carbonated soft drink (CSD) sales grew 2.6% in 2009, totaling US\$28.8 billion. However, volume remained flat for the year ending January 23, 2010. The CSD market was estimated to be nearly US\$40 billion in value in 2009. Soft drinks have been hit by the recession, as consumers cut back on discretionary purchases. Interestingly, branded CSD's lost sales to private labels, a trend that is expected to continue in the short term. Citrus and super-fruit flavours continue to dominate in this sector.
- ▶ Ready-to-drink (RTD) tea sales showed strong growth in 2009. Private label tea sales grew by 53.5%, although it holds only 3% market share. One of the most popular forms of RTD tea was the iced tea variety. Loose-leaf and bag tea sales grew 4.4% for the year ending April 18, 2010.
- ▶ While RTD coffee sales declined, the sector still out-performed RTD tea, confirming that the U.S. is a nation of coffee drinkers. Because RTD coffee is seen as an expensive treat, expect to see a further decline in sales due to the faltering economy.

Consumer Trends

- ▶ Young consumers are the primary demographic for RTD coffee. Java Monster helped sustain sales in this sector, with the introduction of new flavours, and better value packaging that is attracting new consumers. Java Monster is predicted to continue to do well in this sector for the short term, as it has a loyal consumer base.
- ▶ U.S. RTD tea consumers are favouring the antioxidant properties of tea. Black lemon tea was the most popular RTD tea flavour in the U.S. in 2009, however, consumers are moving to green, herbal and white teas. Often these teas are combined with fruit flavours to improve their taste.

Retail Trends

- ▶ While retail outlets, such as Ghiradelli and Hershey's remain popular sources for malt and chocolate-based powder drinks, they continued to be sold mainly through supermarkets/hypermarkets in 2009. With the economic downturn, consumers are increasingly favouring mass-market channels over smaller grocery stores, due to the fact that they typically offer lower prices, a larger selection, and one-stop shopping. Vending of these beverages is not significant, and is not expected to increase in popularity in the future. The top five other hot drink beverage brands are Swiss Miss, Nestlé, Carnation, Ovaltine and Hershey's.

Competition

- ▶ The dominating players in the U.S. CSD sector are Coca-Cola Co, with 31% of market share, followed by Pepsi Co Inc, with 22% of market share. Private label soft drinks have yielded flat year-on-year growth since 2004, capturing 9.9% of sales in 2009.
- ▶ In the U.S. RTD tea sector, sales of Lipton and Arizona brand teas captured almost 62% of the market. The Dr. Pepper Snapple Group and the Cadbury Schweppes Plc company have dropped three of their RTD tea products since 2008. Interestingly there are only four major players in this sector. Private label RTD tea products accounted for 8.4% of market share, less than the 12.9% market share won by other players.
- ▶ In 2009, Starbucks Corp dominated the RTD coffee sector, owning 76% of the market, led by their Frappuccino product, followed by their DoubleShot and iced coffee offerings. Altogether, Starbucks Corp products occupy first, third and fourth place in the top five. Hansen Natural Corps Java Monster drink rounds out the top five in second place with 11.9% of market share in 2009. Both Campbell Soups Co (Godivva Belgian Blends), and Wolfgang Puck Worldwide Inc (Wolfgang Puck) dropped their RTD coffee products in 2008.



U.S. Brand Shares Ready-to-drink Tea (by Global Brand Name) - Off-trade Volume % breakdown

Brand	Company name (GBO)	2005	2006	2007	2008	2009
Lipton	Unilever Group	30.8	33.3	32.1	33.7	35.5
Arizona	Ferolito, Vultaggio & Sons	25	23.9	21.9	24.5	26.4
Snapple	Dr Pepper Snapple Group Inc	0	0	0	10.6	10.6
Nestea	Nestlé SA	13.5	7.6	6.1	6.3	6.2
Mistic	Dr Pepper Snapple Group Inc	0	0	0	0.5	0
Snapple	Cadbury Schweppes Plc	16.2	12.2	11.3	0	0
Mistic	Cadbury Schweppes Plc	0.8	0.6	0.5	0	0
Private label	Private Label	6.4	6.3	6	7	8.4
Others	Others	7.2	16.1	22.1	17.3	12.9

Source: Euromonitor International

U.S. Brand Shares Ready-to-drink Coffee (by Global Brand Name) - Off-trade Volume - % breakdown

Brand	Company name (GBO)	2005	2006	2007	2008	2009
Frappuccino	Starbucks Corp	83.9	82.8	71.2	67.5	67.4
Java Monster	Hansen Natural Corp	0	0	6.6	8	11.9
DoubleShot	Starbucks Corp	11	8.4	9.1	7.9	7.3
Starbucks Iced Coffee	Starbucks Corp	0	0.3	4	3.2	1.5
Bolthouse Farms	Bolthouse Farms	0	1.2	1.6	1.4	1.4
Godiva Belgian	Ülker Gıda Sanayi ve Ticaret AS	0	0	0	1.7	0.4
Cinnabon	Focus Brands Inc	0	0	0.4	0.4	0.3
Kahlúa	Pernod Ricard Groupe	0.5	0.4	0.3	0.2	0.1
Private label	Private Label	0	0.1	0.3	0.5	0.6
Others	Others	2.1	4.4	3.2	9.2	9.2

Source: Euromonitor International

United States Top 10 Soft Drink Beverages - Brand Market Shares - Retail Sales - % breakdown

Brand	Company name (GBO)	2005	2006	2007	2008	2009
Coca-Cola	Coca-Cola Co, The	14.9	14.8	14.8	14.3	14.1
Pepsi	PepsiCo Inc	13.6	13.3	13.1	12.6	12.3
Diet Coke	Coca-Cola Co, The	11.4	11.1	11	10.7	10.4
Mountain Dew	PepsiCo Inc	6.6	6.8	7.1	6.9	7.2
Diet Pepsi	PepsiCo Inc	8.1	8	7.6	7.3	7.1
Dr Pepper	Dr Pepper Snapple Group Inc	-	-	-	5.2	5.5
Sprite	Coca-Cola Co, The	4.5	4.5	4.5	4.5	4.4
Diet Mountain Dew	PepsiCo Inc	2.2	2.3	2.5	2.6	2.7
Diet Dr Pepper	Dr Pepper Snapple Group Inc	-	-	-	2.3	2.2
Coca-Cola Zero	Coca-Cola Co, The	0.4	0.7	1.1	1.5	2

Source: Euromonitor International

The Government of Canada has prepared this report based on primary and secondary sources of information. Although every effort has been made to ensure that the information is accurate, Agriculture and Agri-Food Canada assumes no liability for any actions taken based on the information contained herein.

Consumer Trends: Non-Alcoholic Beverages in the United States

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