Sheep and Goat Dairy Market Conditions and Consumer Research

Prepared by Atlantic Corporation for the Northeast Dairy Business Innovation Center

HIGHLIGHTS REPORT

ATLANTIC CORPORATION

NORTHEAST DAIRY BUSINESS INNOVATION CENTER

Overview

Atlantic Corporation (Atlantic) implemented a consumer insights survey of 597 Northeast consumers to assess attitudes and preferences regarding sheep and goat dairy products, specifically cheese, milk, and yogurt. A B2B survey of 26 New England sheep and goat dairy farms was employed to evaluate the most effective sales channels for Vermont and New England sheep and goat dairies. We also conducted secondary research of the global market conditions for sheep and goat dairy.

This report highlights key findings from our research to educate Vermont and New England sheep and goat dairy producers and other industry stakeholders on how to improve strategic planning and support market expansion. In addition to this highlights report, Atlantic created a comprehensive final report describing all findings as well as a data dashboard, where users can explore data from the consumer survey that is available at: https://www.atlanticcorporation.com/vt-goat-sheep-dashboard.

Key Findings

Consumption

Across all dairy types, more respondents reported consuming cheese than any other product, followed closely by milk and butter (Figure 1). While fewer respondents consumed sheep or goat dairy products, over half consumed goat cheese. In comparison, 21% consumed sheep or goat milk and only 11% consumed sheep or goat yogurt. Cheese is likely the leading product for sheep and goat dairy producers. Most of the stakeholders that responded to our B2B survey produce cheese as well.

89% of respondents consume cheese.

56% consume goat cheese.

Although fewer consumers purchase sheep and goat dairy products than they do cow, globally, North America is the second largest market for goat dairy products and the U.S. is a leader in sheep cheese imports – having imported an estimated 53 million to 73 million pounds of sheep cheese annually.

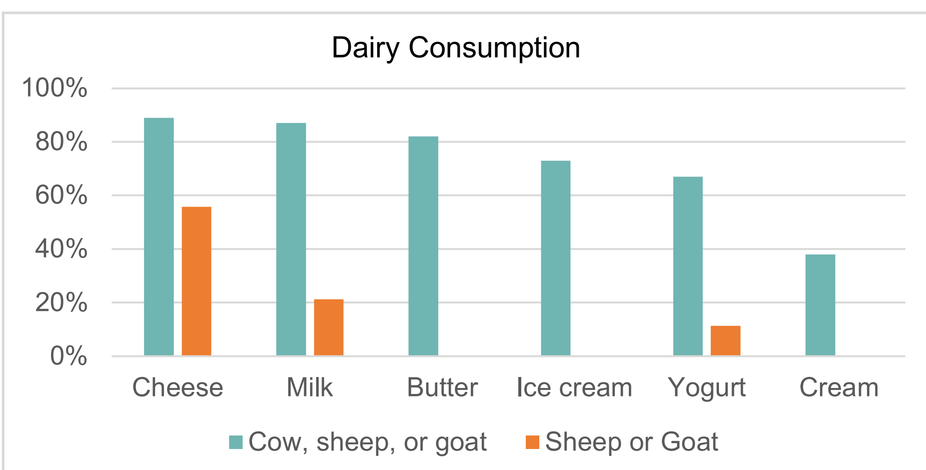

Figure 1. Dairy consumption by product type and dairy type. Only cheese, milk, and yogurt consumption of sheep or goat dairy was

Consumer Preferences

Respondents overwhelmingly preferred cow dairy for cheese, yogurt, and milk products, assuming price and quality are equal. Second to that, consumers generally favored plant-based alternatives, while only a small fraction of consumers preferred goat or sheep dairy (Figure 4).

Almost all those who consume cow dairy products reported liking them, which was measured on a scale of 1 to 10, with 1 being "dislike very much" and 10 being "like very much". Of those who tried sheep dairy products, over half indicated they liked sheep milk and 70% indicated they liked sheep yogurt. Respondents appeared to like goat dairy products the least, with only 44% of those trying goat milk liking the product. Goat cheese and yogurt had higher consumer liking ratings of 58% and 63% respectively.

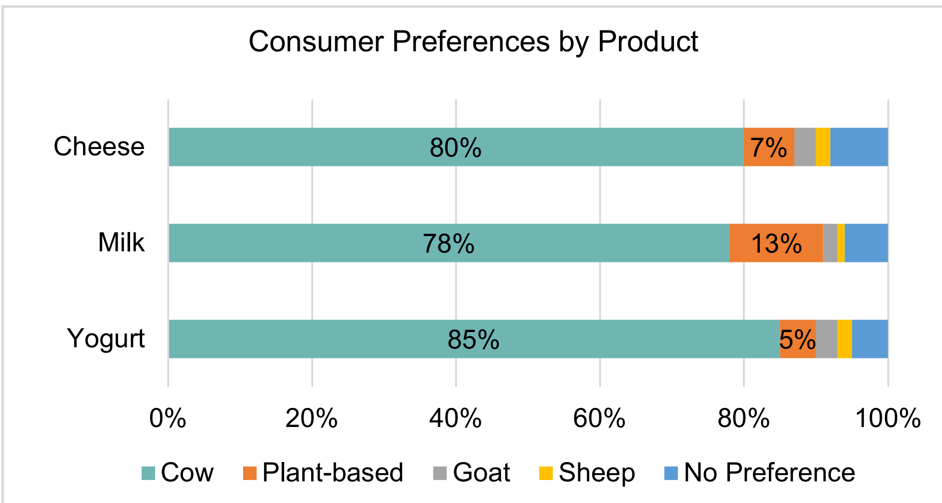

Figure 2. Preferences for dairy type by product (cheese, milk, or yogurt) assuming price and quality are equal.

Willingness to Pay

Consumers are willing to pay the highest premiums for local or organic sheep and goat milk.

We assessed how much more (or less) consumers were willing to pay for sheep or goat dairy products over cow dairy. About 7%-12% of consumers indicated they are willing to pay more for sheep dairy over cow, depending on the product, while 9-16% were willing to pay more for goat dairy. Of those willing to pay more, they were willing to pay between 27% and 39% more for sheep or goat dairy, depending on the product (Figure 3).

We also assessed how much more consumers are willing to pay for local or regionally produced products over non-local as well as organic products over conventional. About 9-13% of consumers were willing to pay more for local sheep or goat dairy depending on the product. Of these consumers, they were willing to pay an average of 29.5% more for local sheep milk and 27.2% more for local goat milk. In contrast, they were only willing to pay 19.6% more for local sheep cheese and 18.9% more for local goat cheese over non-local.

Trends were similar for organic dairy products. Across all dairy types, consumers were willing to pay the highest premiums for organic milk of all three products. They were willing to pay 35.4% more for organic cow milk, 27.8% for organic sheep milk, and 31.6% for organic goat milk over conventional.

These findings align with results from the B2B survey. Over 90% of the sheep and goat dairy stakeholders assessed reported that they would ideally like to sell in local markets, believing that consumers are willing to pay an average of 35% more for their products in local channels. Our secondary market research showed that demand for local products is growing as more consumers prioritize consuming and purchasing food made by local, small-scale producers to help build social and economic stability in their communities.

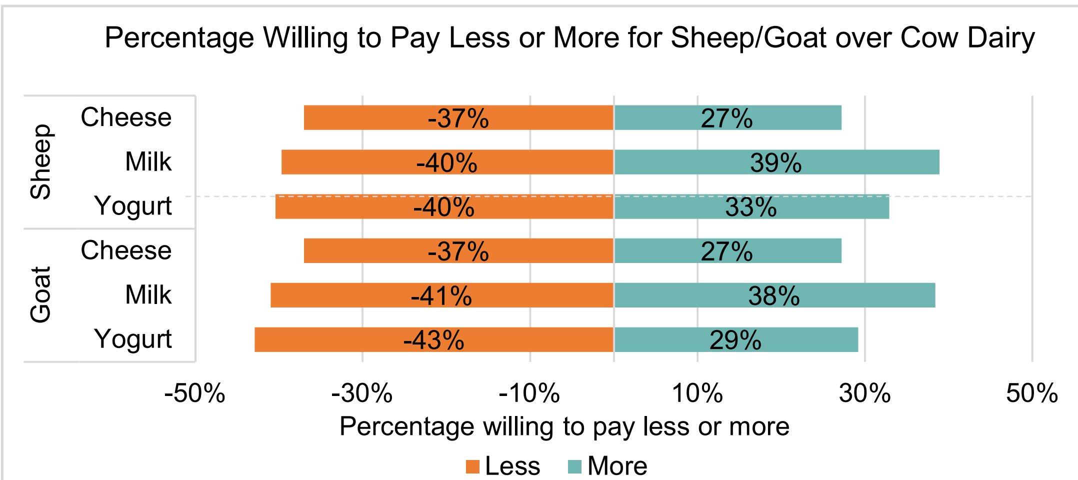

Figure 3. How much more (or less) respondents are willing to pay for sheep or goat dairy compared to cow dairy.

Packaging Preferences and Marketing

The consumer survey revealed preferences for packaging types and sizes. For cheese, consumers preferred vacuum-sealed packaging across all dairy types, but the preferred package size varied by dairy type (Figure 4), with consumers seeking smaller sizes for sheep or goat cheese than cow cheese (8-oz vs 16-oz).

Respondents generally prefer white plastic containers for their milk, regardless of the dairy type. They were split between preferring gallon or half-gallon sizes for cow milk, yet desired smaller, quart-sized containers for sheep and goat milk. Lastly, consumers indicated an overwhelming preference for yogurt packaged in single-serving 5- to 6-ounce cups in white plastic containers across all dairy types.

Participants in the B2B stakeholder survey stated that creative and appealing packaging has helped to market their products. Two stakeholders use environmentally friendly packaging to appeal to those who prioritize sustainable products. Another noted the use of bright and colorful packaging to appeal to consumers.

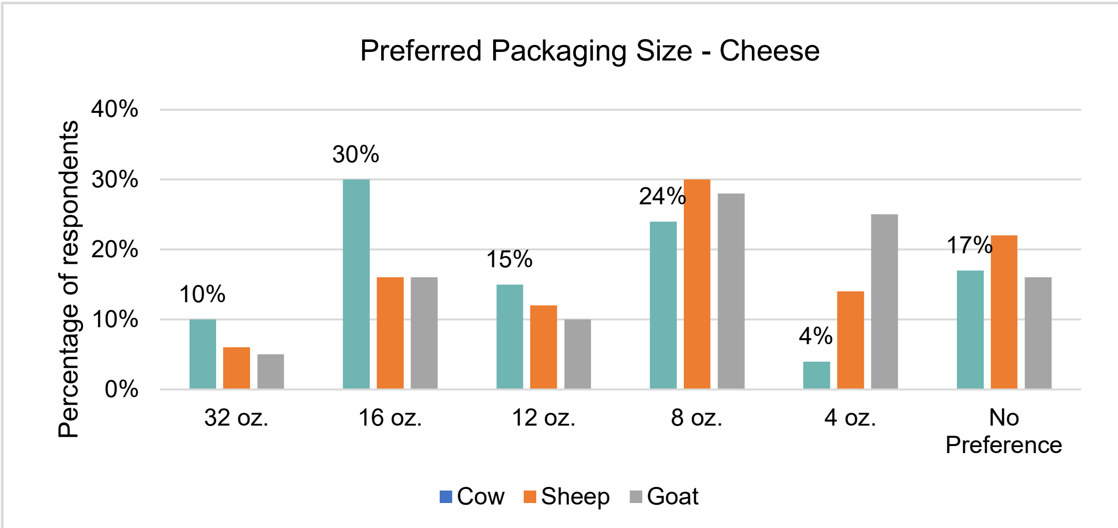

Figure 4. Preferred packaging size for cheese by dairy type

Perceived Availability

Most respondents do not believe sheep and goat dairy products are available for them to purchase at their usual shopping channels, with the exception being goat cheese. Almost half of respondents perceived goat cheese as available, while 19% reported that sheep cheese is available. Less than 10% of consumers reported that goat and sheep yogurt products are available.

Our consumer survey also demonstrated that consumers are typically unfamiliar with the dairy operations that produce the sheep and goat dairy products they purchase. Additionally, a key theme derived from the B2B survey showed that more consumer education is needed to improve knowledge of availability and the many health benefits of sheep and goat dairy products.

> Offering samples can improve consumer awareness and help drive sales of sheep and goat dairy products.

Sampling may help drive sales of sheep and goat dairy products and increase awareness. Among those who have previously sampled sheep and goat dairy products, over half purchased the milk products they sampled while one-third purchased the cheese they sampled (Figure 7). Many of the stakeholders assessed in the B2B survey indicated that they offer samples to drive sales.

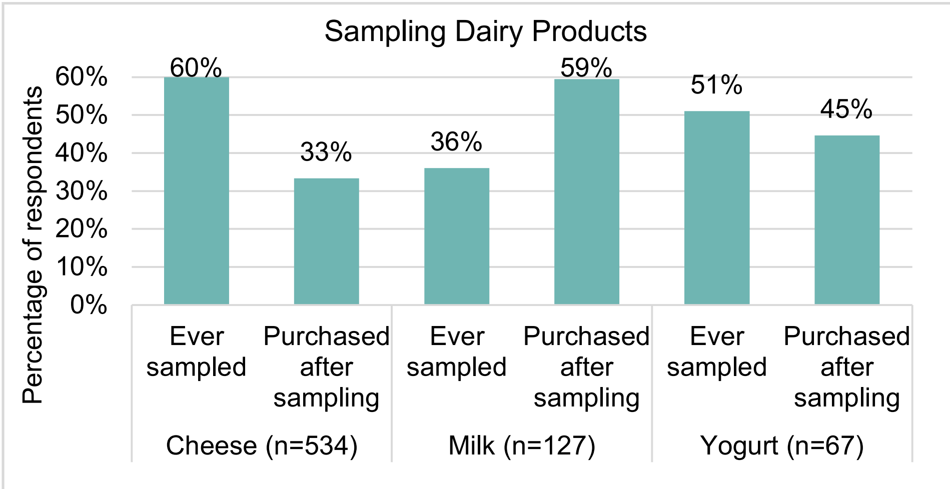

Figure 1. Percentage of respondents that have ever sampled sheep or goat dairy products and the percentage of those who go on to purchase them

Conclusion

Consumer preferences indicate that cheese is most likely to succeed in the U.S. sheep and goat dairy market of the three products studied. Globally, North America is the second-largest goat dairy market and a leader in sheep cheese imports. Additionally, most respondents from our B2B survey were goat cheese producers.

Educating consumers on the availability and benefits of the sheep and goat dairy should increase consumption and demand for the products. Our consumer research showed that consumers generally do not perceive goat or sheep dairy products as available for them for purchase in their usual retail channels. Providing opportunities for consumers to sample products should drive consumption. Consumers who sampled sheep and goat dairy products purchased them up to 60% of the time.

Local markets are commonly thought of as being the most profitable for sheep and goat dairy products, as consumers are often willing to pay premiums for local products. Our research confirmed this finding. While fewer consumers are willing to pay more for local dairy, those willing to pay premiums are willing to pay roughly 20% more for cheese or yogurt and 30% more for milk over non-local sheep and goat dairy. The customer segment for local products may be smaller, but it could lead to greater profit margins. The most appropriate retail channels to capitalize on local food premiums are farmer's markets and farm stands, specialty food stores, and local food stores or cooperatives. Producers could also work with local chefs and restaurants to break into local wholesale markets.

These findings, along with our final report and data dashboard, can enable sheep and goat dairy producers to improve marketing strategies, tailor production to products highest in demand, and identify target markets for their products. Our market research tools may also spur additional research in an industry where producers desperately need more resources and assistance in promoting their products and educating consumers.