

The great potential of lactose-free

As lactose intolerance is estimated to affect about 75% of the world's population, and the best cure is simply avoidance, there is a huge potential for free from lactose products. Global retail sales of free from lactose are predicted to rise from about 25 million EUR in 2016 to about 47 million EUR by 2020, according to Euromonitor International. Out of this, soy milk and soy drinks will take around 20% of market share and other milk alternatives the lion's share of around 55%.

The lactose-free dairy market has a particularly large unrealized potential in the US, while China is a key market due to its sheer size. The country with the highest per capita consumption of free from lactose worldwide is actually in Europe: Finland, where Valio Oy has a 67% market share. After launching their first free from lactose product in 2001, 29% of their retail dairy sales are now free from lactose products. They will continue to promote a wider range of free from lactose products, emphasize the health benefits of free from lactose, and are likely to gradually decrease the focus on conventional dairy as investments in new products tend to be directed to free from lactose. Last year they launched free from lactose children's yoghurts with a low sugar content.

Other milk alternatives include specially manufactured foods which are not made from either dairy or soy – such as oat, coconut and almond drinks. For such products, Europe is held back by a traditionally strong dairy sector. China is the world leader in terms of per capita consumption, while the US, with strong almond production, is a large market as well.

It's interesting to see new channels opening up for free from lactose. Modern grocery retailing is set to remain the main food channel in most markets, but internet retailing is proving a successful way to enter new markets.

To summarize, there are many great opportunities for growth in free from lactose. Many countries still lack these products, and in key markets such as the United States, the assortment is immature. Meanwhile in Asia, free from lactose drinking milk is able to match other milk alternatives in terms of price and can position itself as a healthy alternative to these traditional products.

David Hedin
Euromonitor International