Fluid Milk Outlook 2026: Navigating Headwinds and Tailwinds

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Today we will review:

- Fluid milk's performance in the Southeast against national trends
- Headwinds and Tailwinds for the SE fluid milk industry
- How The Dairy Alliance defends, invests, and leverages regional strengths to maintain market and relevance

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MARKET LANDSCAPE AND TRENDS

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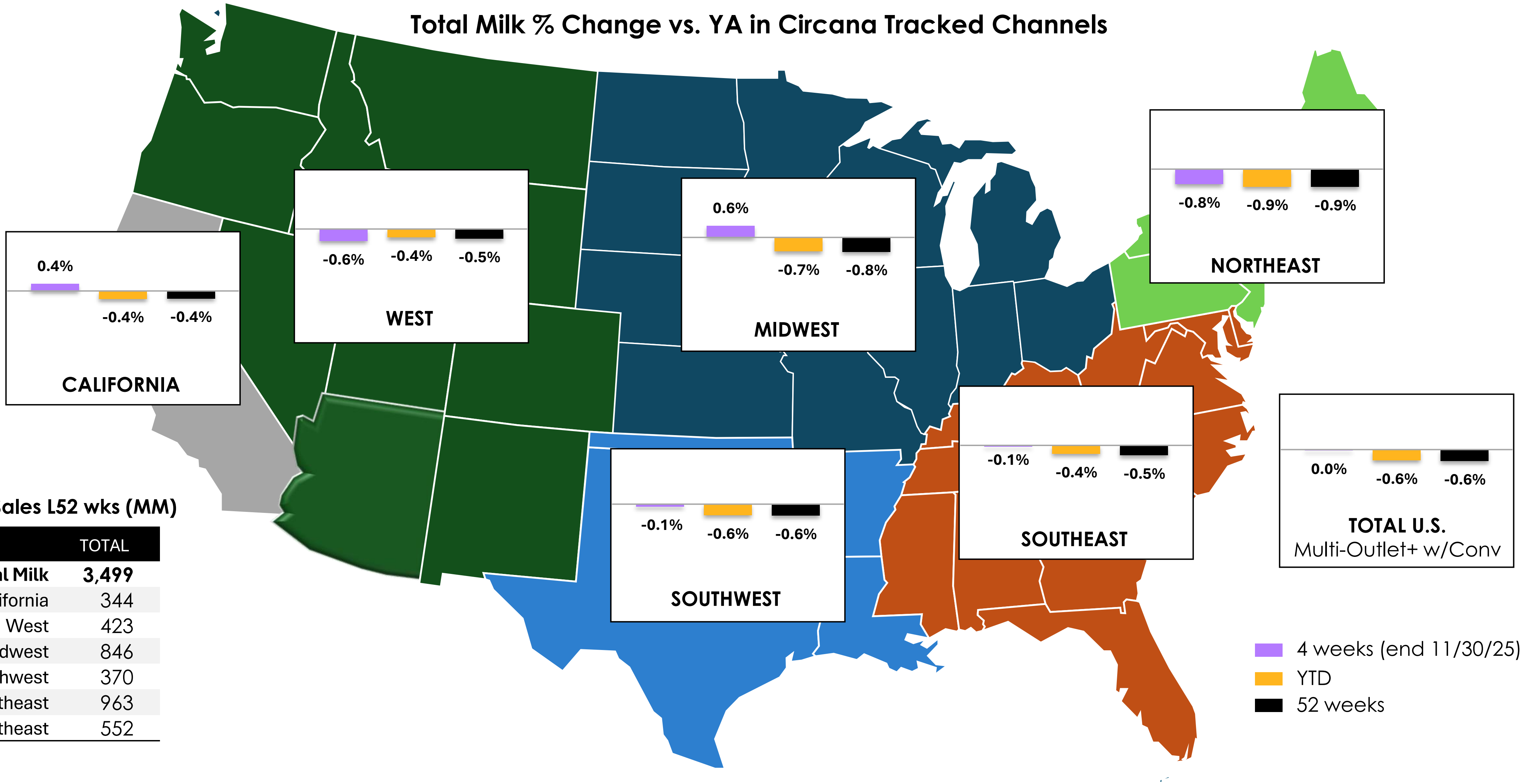
National Fluid Milk Consumption Trends

YEAR	PER CAPITA FLUID MILK (LBS)	% CHANGE VS PRIOR DECADE
1975	247	-
2000	134	-46%
2010	128	-4%
2023	128	-28% since 2010

Total Milk: All 6 Regions were Close to Flat



Volume Sales L52 wks (MM)

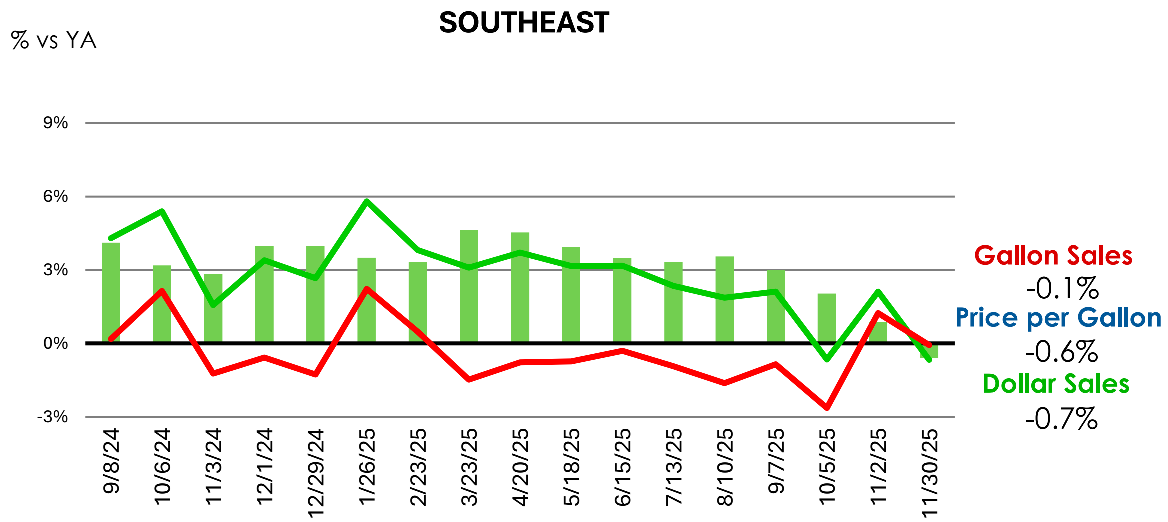
	TOTAL
Total Milk	**3,499**
California	344
West	423
Midwest	846
Southwest	370
Southeast	963
Northeast	552

Regional Trends: Southeast

Milk volume sales were -0.1% vs. YA. in the Southeast.

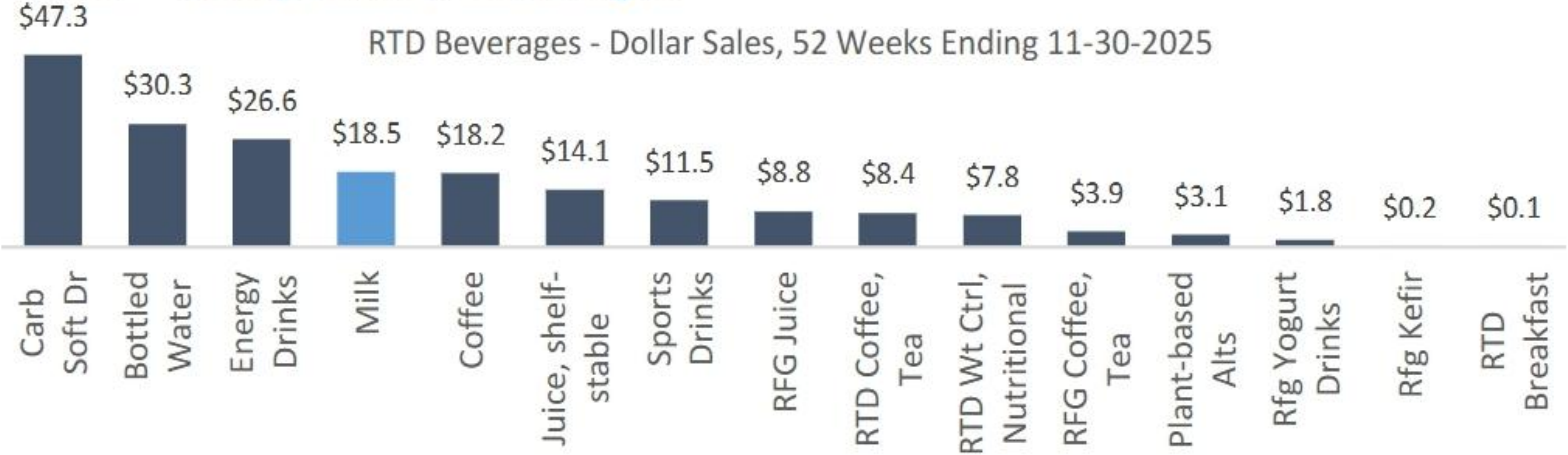
Traditional White was -0.8% and VA grew +3.7%.

VA growth was led by Enhanced at +9.7% vs. YA, followed by Organic at +0.9% and Lactose Free at +5.8%.



Multi-Outlet+ w/Conv Data thru 11/30/25	Volume (Gal)		Volume Share		Volume Growth Trend % vs YA				Price per Equiv Gal ($)			
	2024	**L52 Weeks**	**2024**	**L52 Wks**	**4 wk**	**13 wk**	**YTD**	**52 wk**	**4 wk**	**13 wk**	**YTD**	**52 wk**
TOTAL MILK	**967,388,313**	**963,450,529**	**100%**	**100%**	**-0.1%**	**-0.5%**	**-0.4%**	**-0.5%**	**$5.31**	**$5.26**	**$5.18**	**$5.20**
TOTAL TRADITIONAL	**802,442,535**	**791,102,253**	**82.9%**	**82.1%**	**-0.7%**	**-1.4%**	**-1.5%**	**-1.6%**	**$4.03**	**$4.08**	**$4.12**	**$4.12**
Traditional White	757,987,202	746,960,289	78.4%	77.5%	-0.8%	-1.5%	-1.6%	-1.7%	$3.77	$3.81	$3.86	$3.86
Traditional Flavored	44,455,333	44,141,964	4.6%	4.6%	-0.4%	0.6%	-0.8%	-0.8%	$8.57	$8.54	$8.53	$8.53
TOTAL VALUE-ADDED	**150,314,006**	**157,879,950**	**15.5%**	**16.4%**	**3.7%**	**3.9%**	**5.5%**	**5.6%**	**$10.33**	**$10.34**	**$10.14**	**$10.12**
Organic	63,442,500	64,411,232	6.6%	6.7%	0.9%	0.3%	1.7%	1.7%	$10.49	$10.50	$10.07	$10.03
Organic White	61,843,324	63,074,481	6.4%	6.5%	0.6%	0.1%	2.2%	2.2%	$10.26	$10.26	$9.84	$9.79
Organic Flavored	1,599,177	1,336,751	0.2%	0.1%	18.6%	9.7%	-17.4%	-18.7%	$19.81	$20.15	$20.96	$21.02
Non-Organic	86,871,506	93,468,718	9.0%	9.7%	5.8%	6.5%	8.3%	8.4%	$10.22	$10.23	$10.19	$10.18
Non-Organic White	76,654,223	83,194,951	7.9%	8.6%	6.7%	7.6%	9.3%	9.4%	$9.73	$9.73	$9.72	$9.70
Non-Organic Flavored	10,217,283	10,273,767	1.1%	1.1%	-1.6%	-1.5%	0.6%	1.0%	$14.47	$14.46	$14.04	$14.02
BUTTERMILK & EGGNOG	**14,631,772**	**14,468,325**	**1.5%**	**1.5%**	**-1.5%**	**-0.7%**	**-1.4%**	**-1.7%**	**$11.89**	**$11.09**	**$9.70**	**$10.22**
TOTAL FLAVORED (Trad & Value-Added)	**56,271,793**	**55,752,483**	**5.8%**	**5.8%**	**-0.1%**	**0.4%**	**-1.0%**	**-1.0%**	**$9.96**	**$9.94**	**$9.85**	**$9.84**
TOTAL LACTOSE F/R (Organic & Non-Organic)	**84,608,971**	**89,108,479**	**8.7%**	**9.2%**	**5.8%**	**5.3%**	**5.8%**	**5.9%**	**$10.09**	**$10.10**	**$10.07**	**$10.05**
Lactose F/R Non-Ultra Filtered	56,976,380	58,331,390	5.9%	6.1%	7.4%	5.6%	2.6%	2.4%	$8.34	$8.36	$8.40	$8.40
Lactose F/R Ultra Filtered	27,632,591	30,777,089	2.9%	3.2%	3.0%	4.8%	12.4%	13.2%	$13.43	$13.44	$13.22	$13.17
TOTAL ENHANCED (Organic & Non-Organic)	**43,723,592**	**51,813,012**	**4.5%**	**5.4%**	**9.7%**	**12.5%**	**20.2%**	**20.4%**	**$12.54**	**$12.52**	**$12.37**	**$12.36**

Milk – Competitive Beverages



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Fluid Milk: A Multifaceted Story

Fluid milk isn't driven by one trend—it's shaped by context: where, how, and why consumers choose it.

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TAILWINDS DRIVING FLUID IN SE

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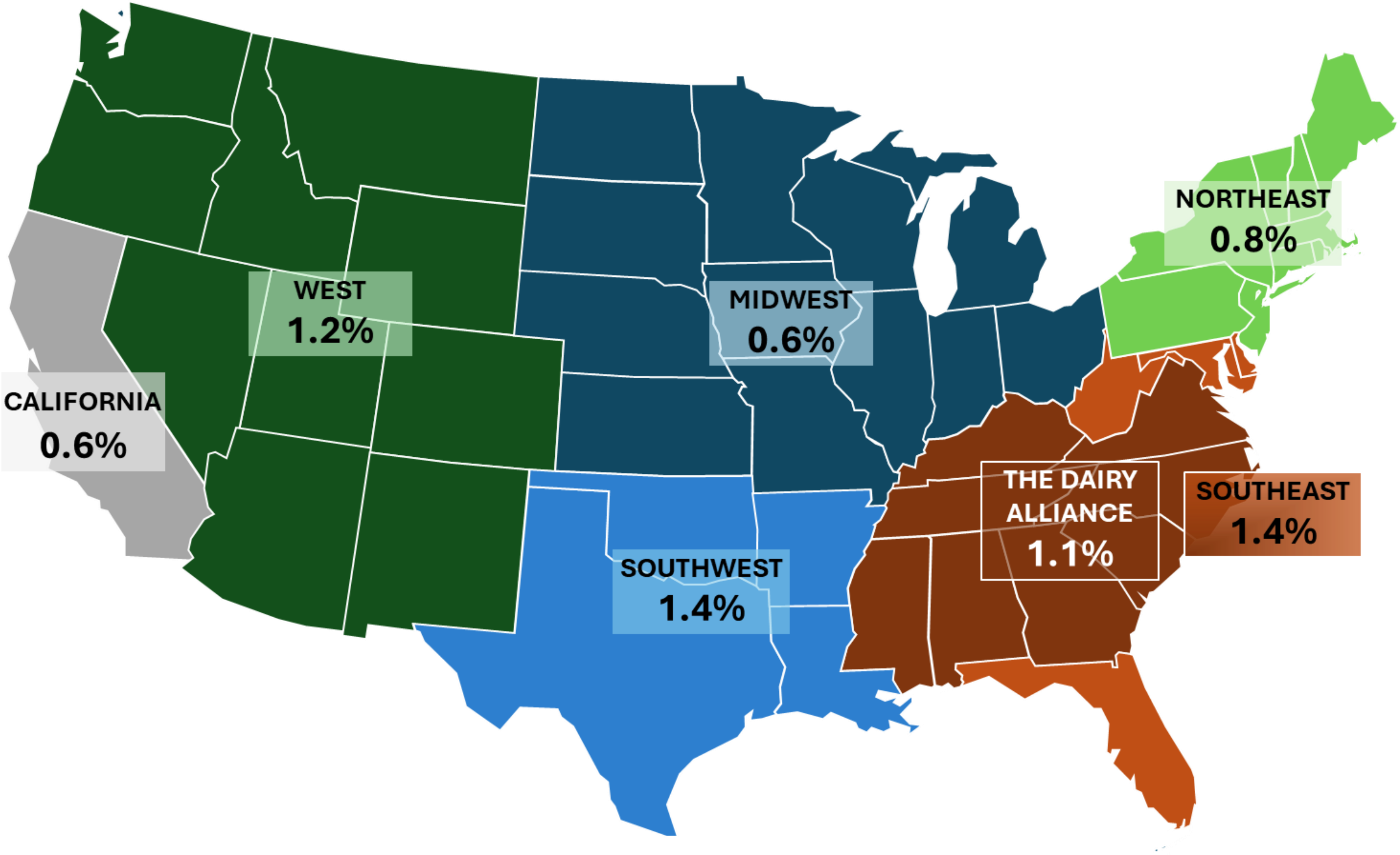
Population Growth 2023 - 2024

Southeast Population Growth Advantage



POPULATION GROWTH AND FAMILY DYNAMICS

South's Population Growth

The South's 1.6% growth rate leads U.S. regions, driven by migration and more people with children. *(U.S. Census)*

Family Demographics Drive Milk Demand

Families with children are our core milk-consuming group, supporting potential demand despite national declines.

Strategic Opportunities

Focus on family needs with affordability, nutrition, and cultural relevance.

PROTEIN AND PERFORMANCE

Dairy Marketed as Food Medicine
Consumers view protein intake as a proactive health strategy, not just nutrition – aligning with the “food as medicine” trend.

Milk Starts With a Built-In Protein Edge
Naturally occurring, complete protein – supported by a strong household base across The Dairy Alliance region.

Protein Demand is Sticking
Protein is part of everyday routines around wellness, strength, and recovery and is the thread that carries into performance next – because recovery is where nutrition credibility gets tested.

SOUTHERN FOOD CULTURE

Milk in Southern Food Culture

Milk, whether it's whole or buttermilk, remains deeply embedded in Southern food culture - breakfast, cooking, and baking traditions.

Pour One More

Southern food trends consistently inspire national menus, drive restaurant innovation, and dominate social media food conversations. Moments that celebrate authenticity, indulgence, family, and hospitality, are values consumers crave – leading to more pours each day.

In 2026, we're not just launching a campaign, we're igniting a cultural movement. We are partnering with a Celebrity Chef, Georgia Grown Chefs, and the Georgia Food & Wine Festival to elevate dairy milk from an ingredient to an experience, one that inspires incremental usage and celebrates Southern tradition

MORE PEOPLE, MORE RETAIL, MORE SCHOOLS

Tailwinds

Retail Infrastructure Continues to Grow

Large-format grocery stores and supercenters dominate the Southeast retail landscape, benefiting fluid milk sales. Strong retailer and local processor collaboration enhances milk's role as a traffic-driving staple.

Building a Better School Milk Experience

Moo Brew, Milk Dispensers, smoothie programs and now, Smart Swaps, provide better tasting milk, add more usage and provide nutritious options that keep milk in front of our future milk purchasers.

Whole Milk for Healthy Kids Act/Dietary Guidelines for Americans

Signed into law January 14th, WMHK Act brings whole milk and 2 % options back to school cafeterias. By exempting milk from saturated fat limits, school nutrition staff can work quicker to adjust menus that continue to meet school meal nutrition guidelines.

Strategic Opportunities

Aligning with channel dynamics helps sustain and grow volume and maintain market relevance despite category declines.
 Foodbank distribution centers are being explored as driver in 2026 and beyond.

PARTNER INVESTMENT

Powerful Partnerships Will Be The Foundation of a Thriving Southeast Dairy Industry

Powerful partnerships are driving the Southeast dairy industry forward by connecting schools, health professionals, and farmers. Collaborations in schools enhance the milk experience for children, while community wellness efforts promote dairy's role in balanced nutrition and lifelong health. Sustainability initiatives further strengthen the industry by showcasing dairy's commitment to responsible farming and environmental stewardship.

Our Choices Reflect Future SE Generations:

- **Make Decisions That Honor And Uplift Our Southeast Farmers.**
- **Make Decisions That Reflect The Interests Of Our Investors.**
- **Make Decisions That Embody A Spirit Of Collaboration – Preserving Our Distinctiveness While Uniting Us In Pursuit Of Market Success.**

HEADWINDS CHALLENGING FLUID GROWTH IN SE

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Southeast States
Milk Production and Dairy Farms

Year	Milk (mil. lbs.)	Dairy Farms
1980	14,440	
1990	14,418	10,261 (1992)
2000	12,042	6,105
2010	9,013	3,260
2020	8,455	1,650
2021	8,201	1,490
2022	8,112	1,345
2023	8,024	1,255
2024 (projection)	7,890	1,160

Southeast States
Dairy Farms and Milk Sales*

Herd Size	Number of Dairy Farms	Percent of Total Dairy Farms	Percent of Milk Sales
Less than 100 cows	722	51%	8%
100 – 500 cows	546	39%	28%
500 – 2,499 cows	118	8%	32%
2,500 cows or more	22	2%	32%
Total	1,408		$2.04 billion
	140 farms	10% of dairy farms	64% of Milk Sales
* 2022 Census of Agriculture			

Source: Calvin Covington, 2025 Georgia Dairy Conference

LOSS OF FARMS, LOSS OF MARKET

Southeast Market Dependence
The Southeast heavily depends on fluid milk with high Class I utilization rates but faces production stagnation.

Production and Supply Challenges
Southeast milk production declined overall, causing supply deficits and increased reliance on imports.

Emerging Consumer Trends
Consumers are shifting towards whole milk and value-added products like lactose-free and organic milk –*a minuscule amount processed in the Southeast*

Packaged Milk Volume Shares (%) in the SE

	Traditional Milk	Value-Added Milk
2023	**83.4 %**	**14.6 %**
2024	**83 %**	**15.5 %**
2025	**82.2 %** **as of 11/30/25*	**16.3 %**

PROCESSING AND INNOVATION CHALLENGES

Older Infrastructure & Milk Deficit Hinders Investment
Reliance on out of area milk raises operating cost and risk, discouraging expansion and innovation in older HTST plants.

Value-Added Packaged Milk Replacing HTST
Sourcing packaged milk offers a significantly more cost-effective and efficient solution compared to the substantial investment required to build new processing facilities.

Growth Stalls Without Alignment
Investors need reliable milk supply to justify processing investments, and farmers need secure processing and fair prices to grow production. Without alignment, expansion on both fronts remains limited.

Without investment in new processing equipment or facilities, innovation in fluid milk will remain stalled—limiting growth and competitiveness in the market.

PROTEIN NOISE; CROWDED SHELF SPACE

Protein is EVERYWHERE – More Products Will Try To Sound Like Dairy Without Being Dairy
Consumers want complete protein – 36% say they want to see it in food and drink products – so brands are racing to claim it.

Alternatives Grasping for Sales
With 36% of consumers wanting to see protein in their food and beverages, plant-based milk substitutes will push 'complete/whole protein' callouts more aggressively to reassure shoppers about nutritional adequacy.

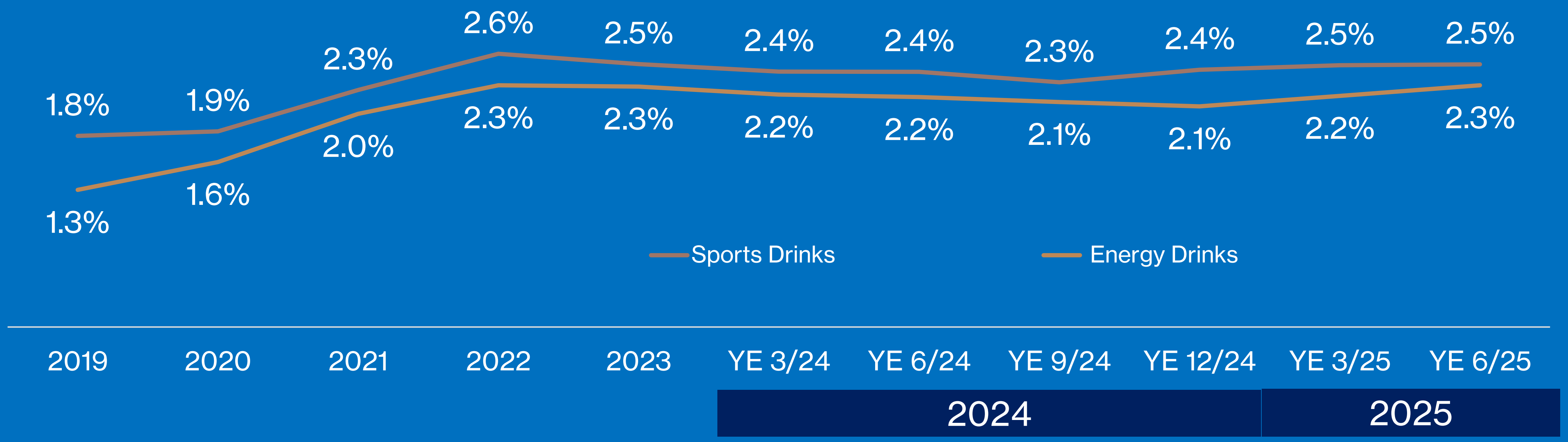
Shelf Space is Crowded and Competitive
Sports drinks, functional refreshers, energy-forward products, and high-protein options are all chasing the same post-workout moment. Milk competes not just on nutrition, but on relevance and visibility in a market that refreshes constantly.

Headwinds

THE FITNESS BEVERAGE SHELF IS CROWDED

All beverage companies are chasing the same post workout moment

Y/o/Y Growth Sports & Energy Drinks



Headwinds

CHANGES TO DIETARY GUIDELINES AND SCHOOL MEAL PROGRAM

- **Dairy foods including milk, cheese and yogurt – at all fat levels – are encouraged for the first time**, moving away from one-size-fits-all low-fat recommendations. Dairy foods with no added sugars are encouraged which will impact flavored low-fat milk offerings *(currently most consumed option).*

- The legislation makes offering whole and 2% milk an option, not a requirement.

- **Guidance and collaboration from USDA to state agencies, schools and dairy processors is coming** to support implementation of whole and 2% milk options.

- As with any regulatory change to school meals, there are several logistical factors that go into decision making, including product availability, price, student acceptance, and menu nutrient standards.

Smart Swaps is a nationwide hub of recipes, tools and training designed to help schools meet evolving guidelines and inspire delicious, nutrient-rich choices for students. ***Two of The Dairy Alliance staff*** *proudly serve on the Federation Strategy Team, helping shape and implement Smart Swaps across the country.*

SMART SWAPS

2026 PRIORITIES

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Priorities for 2026: *Fluid milk will remain at the center of what The Dairy Alliance does*

- **Milk & Performance:** Fueling the Southern Athletes and Active Lifestyles
- **Southern Culinary Heritage:** Milk in the Kitchen
- **Community Access & School Milk Programs:** Building Strong Dairy Habits
- **Navigating Consumer Perception**: Natural Protein, Simple Nutrition
- **Category Resilience & Innovation Within Dairy Milk:** Clean and Clear

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