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GROCERY SHOPPERS GRAB PRIVATE LABEL

The popularity of the rapidly expanding private label market is strong. A hefty 96% of consumers in North America purchase private label products when grocery shopping, according to a recent study conducted by Market Force Information, Inc.

Price and value were cited as the top two reasons for buying private label among the categories studied by the Colorado-based firm. Of the categories analyzed, dairy products were the most frequently purchased private label groceries, while snacks ranked second, and cereal and cleaning supplies tied for third place.

Eighty-three percent of consumers indicated that they sometimes buy private label brands if the product is better or it offers a higher value than the national brand alternative in a particular category. Thirteen percent said that they always buy private label if one is offered in their desired product category, and only 4% are either unaware of private label products or never purchase them because they think national brands offer a better value and product.

Market Force's findings for the dairy category revealed that most consumers are filling their grocery carts with private label products such as milk and cheese on a regular basis. Private label yogurt and butter followed. Slightly more than three quarters (76%) of respondents said they purchase private label dairy products most or some of the time, 19% said always and only 5% said never. Price appears to be the primary motivator.

(Continued on page 2)

PRIVATE LABEL *Continued*

Of the 95% who buy private label dairy somewhat regularly, 78% said it is due to price and 48% attributed it to good value. Of the 5% who only buy national brand dairy, taste (50%), and quality (23%) were the main factors. When asked if their primary grocery carries private label dairy products, 80% of consumers said yes, followed by 12% who did not know, and 8% who said no.

When it comes to snacks, more than half of respondents said they buy private label some of the time, 22% select them most of the time and 7% always choose them. One-fifth of consumers said they never purchase private label snacks. Salty snacks—chips/pretzels—are most likely to be purchased at least once every two weeks, followed by granola bars, sports nutrition bars and crackers. Sixty-eight percent of consumers indicated their primary grocery offers private label snacks, 9% said no, and 23% were not sure.



Private label cereal is also popular on shopping lists. More than half of respondents (63%) buy private label cereal some or most of the time, 8% always do, and 29% never do. Private label brands have worked to do in converting consumers from national brands, according to Market Force. In a 2011 study conducted by the company, the same number of consumers (29%) said they never purchase private label cereal. Saving money is a big factor in making the decision to purchase private label cereal. Of the 71% who indicated they purchase private label cereal in the 2013 study, 76% do so for the price and 47% for the value. The consumers who only buy national brand cereal primarily do so for the taste (61%)

and to redeem coupons (17%). Cold, non-organic cereal is the most common cereal purchase. Most of those surveyed (78%), know that their primary grocer offers a private label cereal, 15% did not know, and 7% said the grocer did not carry it.



While private label products continue to be popular, there is still substantial opportunity for grocery brands to increase wallet share, according to Market Force.

“It’s worth noting that in every category we studied, consumers cited price as the primary reason for purchasing private label brands,” said Janet Eden-Harris, chief marketing officer for Market Force. “On the flip side, taste and quality were the top reasons given by consumers for never purchasing private label. If grocery brands can deliver on both price and taste, they have a good chance at grabbing more private label market share.”

NIelsen HIGHLIGHTS STORE BRANDS’ POSITIVE SALES

Store brands growth continued in 2012 across all major retailing channels in the U.S., with sales gains as reported by The Nielsen Company again outpacing the national brands, detailed *PLMA’s 2013 Private Label Yearbook*. Store brands sales for all outlets combined grew 2.9% last year, boosting the total annual dollar volume for private label by more than \$3 billion to a record high, topping \$108 billion. National brands also experienced gains, but at a slightly lower rate of 2.2%.

In supermarkets, store brands sales also set a new record. Private label sales volume in supermarkets generated an

additional \$73 million in 2012 and achieved an all-time high of \$59 billion for the channel overall. Store brand dollar share in supermarkets held even at 19.1%, as national brands sales edged up 0.2%.

RETAIL BUZZ

Target began launching *Simply Balanced*, its new grocery wellness brand this summer. The full collection will be rolling out in Target’s grocery aisles over several months. *Simply Balanced* is replacing two subsets of the *Archer Farms* brand: *Archer Farms Simply Balanced* and *Archer Farms Organic*.

Simply Balanced’s nearly 250-product line includes snacks, pasta, beverages, frozen seafood, dairy and cereal, according to Specialty Foods magazine. Target says half of the products are organic and three-quarters of the initial line are GMO-free. As part of Target’s commitment to wellness, the *Simply Balanced* line will eliminate all GMO ingredients by the end of 2014.

Meanwhile, Kroger plans to expand the company’s *Simple Truth* private label line, which is exhibiting strong sales, according to company president Rodney McMullen. The 450-item line will increase by 75 new *Simple Truth* products, reported privatelabelbuyer.com.

“In terms of *Simple Truth*, it’s been obviously a huge home run. It’s connected really well with our customers. Because of that...the brand itself is earning more shelf space, and we continue to find new items that will fit nicely into that,” added Mr. McMullen.



RETAIL TRENDS:

AT SPROUTS, FARM FRESH IS BREAD AND BUTTER



Sporting an old-time look reminiscent of simpler times, Sprouts Farmers Market is quickly carving a distinctive niche among grocery retailers and winning widespread loyalty among consumers. The 160-unit chain prides itself on great prices, fresh produce and old-fashioned customer service, as well as making shopping a fun experience, according to *Whole Foods* magazine, which named Sprouts retailer of the year.

Upon entering Sprouts, music from the 50s and 60s greets customers along with spacious brightly lit aisles. Whole grains and produce are sold from barrels and wooden crates. There is low-slung shelving, and maneuvering the stores, which are between 25,000, and 28,000 square feet, is easy. Friendly team members are present to help customers.

Shoppers generally head to the farm-fresh produce section, the heart of every store, noted communications manager Lauren Rosenblum. Rather than situated to the left or right, Sprouts' produce section is located front and center. "That's really our bread and butter, that's what our company is founded on," Ms. Rosenblum stated as she emphasized the special role produce plays for Sprouts. "We want to make a point of showing we know produce."

The bulk department, featuring barrels full of candies, wholesome grains, nuts, coffee, flour and more, is touted as a fun place for people to try new products, experiment with recipes, and grab what they need, explained Ms. Rosenblum. In addition to the giant wooden barrels, clear bins situated in rows allow shoppers to scoop products into a bag, add a twist tie, write a PLU number on it, and bring it to the cashier for weighing.

A glimpse at other departments finds full-service meat and seafood counters with skilled butchers who make homemade sausages; deli with made-to-order sandwiches; more than 200 varieties of cheese; and bakery with freshly baked goods.

Sprouts carries thousands of products for consumers with sensitive diets. "We really pride ourselves on being leaders in gluten free," states Ms. Rosenblum. Blue bib tags highlight gluten free products. The retailer stocks 2,000 gluten-free items. A special refrigerated section is devoted to dairy-free products. Soy-free, vegan, organic, eco-friendly, and functional foods are also plentiful.

A "Defy It With Your Diet" program is also featured. There are shelf-talkers throughout the store that explain the attributes of certain products. Small "Did You Know?" panels highlight products that are high in fiber, good for weight management, etc.

Private label items increased to 1,200 as of June 1, 2013, from 800 items in 2011. The colorful *Sprouts* logo on a product signifies no artificial colors, flavors or preservatives. "Healthy Living for Less" is the company's tag line. "We're trying to fill a void by offering healthy food at affordable prices," noted Ms. Rosenblum. About 25% of Sprout's 16,500 products are on sale at any given time.

Another distinctive feature is Sprouts' supplements department with more than 4,200 vitamins, herbal supplements, and more. The company educates its staff members in order to guide customers, noted Janet Little, director of nutrition. Also, there are in-store

educational lectures, where customers can communicate with credentialed speakers. Web-based seminars are offered at least twice a month on health and nutrition issues.

Sprouts plans to spread its roots, seeking a 12% annual new store growth rate for the next five years, with 20 Sprouts stores planned for 2014.

RETAILERS TAP INTO TECHNOLOGY

Technology driven innovations help retailers advance the shopping experience and stay ahead of the competition.



Kroger is tackling consumers' major concern, waiting in line, with Que Vision. This infrared technology developed by a British firm, reduces customer wait time by tracking the number of people entering the store, waiting in line to purchase items, and leaving the store. Que Vision is also making the scheduling of employees more efficient.

Cincinnati-based Kroger has slashed the wait time from four minutes to only 27 seconds today from the time a customer gets in line and begins putting groceries on the conveyor belt, according to *The Charleston Gazette*.

Meanwhile, Publix is expanding its Online Easy Ordering service for in-store delis to all stores, according to *The Lakeland Ledger*. Customers can order custom sandwiches, sliced meats and cheeses, and arrange a pick-up time. The easy-to-use system is accessible via computer or smartphone.



Calendar of Events

NOVEMBER

5-7: China Fisheries & Seafood Expo*

Dalian, China
Dalian World Expo Center
chinaseafoodexpo.com

12-15: Food & Hotel China*

Shanghai, China
Shanghai New International Expo Centre
fhcchina.com/en/

19-21: Food Ingredients Europe*

Frankfurt, Germany
Messe Frankfurt
foodingredientsglobal.com

23-26: SIAL Middle East*

Abu Dhabi, United Arab Emirates
Abu Dhabi National Exhibition Centre
sialme.com

**Food Export Association of the Midwest USA and Food Export USA-Northeast will be at this show.*

FEATURED PRODUCTS:

Watershed Foods

Watershed Foods produces freeze-dried fruit, freeze-dried yogurt and other premium ingredients. The company is a provider for private label freeze-dried snacks, fruit, and powders and supports research & development and innovative solutions for companies of all sizes. Watershed Foods seeks mutually beneficial partnerships, providing service in a culture that encourages the need to learn, adapt, and innovate to drive value for their customers. Learn more about their new Dremz line today. For more information, e-mail info@foodexport.org.



Lawrence Foods

Lawrence Foods has been a manufacturer of bakery ingredients and customized solutions since 1890. Traditions of quality and service excellence have made them a preferred supplier to retail bakery operations, foodservice operators and distributors, in-store bakery operators, and commercial manufacturers across the U.S. Lawrence Foods is a family business enterprise that takes pride in the reputation they have built as a business partner with proven expertise and operational agility, providing solutions for products and packaging that deliver quality and performance. For more information, e-mail info@foodexport.org.

Ecuadorian Rainforest

Ecuadorian Rainforest, LLC, founded in 1997, is your doorway to a world of natural ingredients. The company carries over 1,000 natural ingredients from fruits and vegetables to marine. Ecuadorian Rainforest, LLC offers many U.S.-sourced ingredients including coriander, a citrus-like flavored ingredient known for its antioxidants, and chamomile, a popular ingredient used to aid sleep. For more information, e-mail info@foodexport.org.





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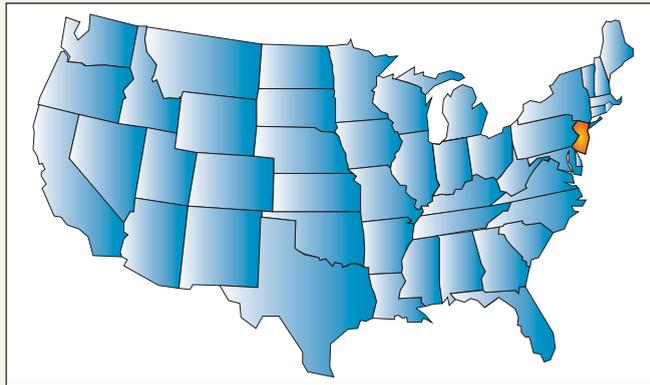
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STATE SPOTLIGHT: New Jersey

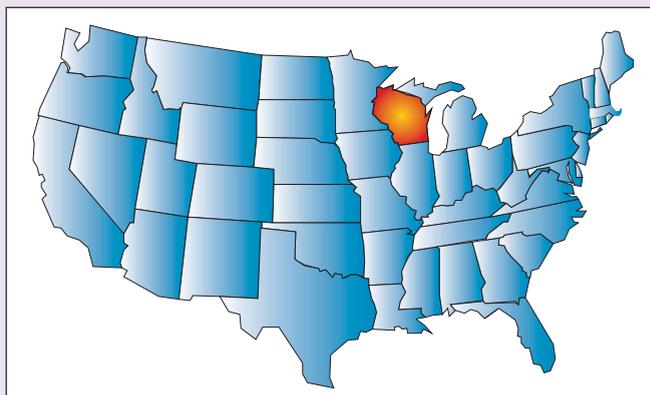


- ✓ 10,300 farms cover over 750,000 acres, or over 16% of the state's land.
- ✓ Farmers in the "Garden State" produce more than 100 different kinds of fruits and vegetables for consumers to enjoy either fresh or processed in New Jersey and elsewhere in the Northeast, in Canada and in many countries around the world.
- ✓ Nationally, New Jersey is one of the top producers of cranberries, blueberries, peaches, bell peppers, cucumbers, spinach, squash, sweet corn, tomatoes and lettuce.
- ✓ The state also produces a number of specialty crops, including award-winning New Jersey wines. New Jersey is the fifth largest wine producing state in the country.
- ✓ Fish and seafood are also a valuable commodity with tons of bluefish, tilefish, flounder, hake, shellfish and other species harvested annually.
- ✓ In 2011, New Jersey exported over \$1.6 billion in processed food products, with top markets including Canada, Mexico, Pakistan, U.K and United Arab Emirates.
- ✓ In 2011 New Jersey ranked 7th in the nation in fish and seafood exports, totaling \$50.2 million.

2012 TOP AGRICULTURAL EXPORTS:

ORANGE JUICE, NOT FROZEN	
Total Value:	\$209.7 million
MISCELLANEOUS FOOD PREPARATIONS	
Total Value:	\$200.9 million
TEA/MATE PREPARATIONS	
Total Value:	\$115.6 million
SOYBEANS, WHETHER OR NOT BROKEN	
Total Value:	\$90.1 million
BANANAS & PLANTAINS, FRESH OR DRIED	
Total Value:	\$68.4 million
UNDENATURED ETHYL ALCOHOL, OVER 80% STRENGTH	
Total Value:	\$59 million
ANIMAL/VEGETABLE FATS & OILS	
Total Value:	\$56.7 million
WHEAT & MESLIN	
Total Value:	\$56.5 million
VEGETABLE SAPS & EXTRACTS OF LICORICE	
Total Value:	\$56.4 million
DENATURED ETHYL ALCOHOL & OTHER SPIRITS	
Total Value:	\$53.8 million
MINERAL, AERATED, FLAVORED WATERS	
Total Value:	\$51.9 million

STATE SPOTLIGHT: Wisconsin



- ✓ Known as the "Badger State" Wisconsin is one of the most diverse agricultural states in the nation, producing an extensive variety of dairy, livestock, vegetables and specialty crops, generating over \$51 billion to the state's economy.
- ✓ There are over 78,000 farms in Wisconsin covering nearly 15.2 million acres or nearly 44% of the land.
- ✓ Wisconsin is known as "America's Dairyland" because of its cheese making heritage. Some 1200 Wisconsin cheese makers make more than 600 types of cheese and win more awards than any other state or nation.
- ✓ Wisconsin leads the nation in the production of cheese and ranked 2nd in the export of cheese in 2012 at \$149 million.
- ✓ The state also leads the nation in the production of cranberries, ginseng, mink pelts, corn for silage, and snap beans for canning.
- ✓ The state ranks in the top five for oats, tart cherries, maple syrup, mint oil, and carrots, sweet corn and green peas for processing.
- ✓ In 2012 Wisconsin agricultural companies exported \$2.9 billion with top markets including Canada, Mexico, China, South Korea and Japan. This represented the 13th highest agricultural export value in the nation.
- ✓ In 2012 Wisconsin led the nation in the export of prepared/preserved cranberries (47.4%), flax seed (45.1%), durum wheat (43.4%), fresh/dried ginseng roots (37%) and unfrozen prepared/preserved sweet corn (37%).

2012 TOP AGRICULTURAL EXPORTS:

DENATURED ETHYL ALCOHOL & OTHER SPIRITS	
Total Value:	\$282.5 million
MISCELLANEOUS FOOD PREPARATIONS	
Total Value:	\$180.4 million
WHEY PRODUCTS	
Total Value:	\$109.9 million
SOYBEANS, WHETHER OR NOT BROKEN	
Total Value:	\$91.7 million
DURUM WHEAT	
Total Value:	\$85.7 million
SAUSAGES AND SIMILAR PREPARED MEATS	
Total Value:	\$80.1 million
CHEESE INCLUDING CHEDDAR & COLBY	
Total Value:	\$80 million
BEER MADE FROM MALT	
Total Value:	\$77.2 million
WHEAT (OTHER THAN DURUM) & MESLIN	
Total Value:	\$73.4 million
MIXES AND DOUGHS FOR BAKERY GOODS	
Total Value:	\$64.1 million
BAKERY GOODS	
Total Value:	\$61.4 million

NEWS BRIEFS

Healthy foods for men are among the top 10 natural and organic food trends that will soon influence mainstream grocery shelves, according to Sterling-Rice Group. Trends include manly yogurt and jerky-fruit bars and male-oriented health foods with an emphasis on food-as-fuel. Brands will move away from functional benefits such as weight loss and immunity, and go loftier, promising clarity, calm, inner peace, and bliss. Also on the rise are power-packed greens like kale and arugula, which are expanding their reach while bringing health benefits to teas, snacks, and sweets.

The popularity of meat alternatives is expanding. Only 7% of consumers identify themselves as vegetarian, but 36% use meat alternatives such as tofu, tempeh and seitan, according to Mintel research. What's more, less than half of consumers who use meat alternatives are using the products in place of real meat, and 16% indicate

using the products alongside meat offerings.

One-third of U.S. adults want to reduce or eliminate gluten from their diet, revealed NPD Group's Dieting Monitor tracking service. This result was the highest percentage of consumers making the claim since NPD Group started asking the question in 2009. "A generation ago health was about avoiding fat, cholesterol, sugar, and sodium in our diet," explained Harry Blazer, chief industry analyst and author of NPD's Eating Patterns in America. "While those desires still exist for many, they no longer are growing concerns. Today, increasingly more of us want to avoid gluten in our diet, and right now it is nearly 30% of the adult population... and it's growing. This is the health issue of the day," stated Mr. Blazer.

Parents are seeking food and beverages that appeal to the entire family rather than products and meals that are just for kids, according to

a recent Cargill survey. The majority (81%) of parents stated it is important for purchased foods to appeal to the whole family, meanwhile one-third of parents stated they "often prepare separate adult and kids' meals." Parents tend to seek whole grains and fiber rather than unhealthy ingredients like sugar, fat, and sodium. "Our research suggests that consumers are largely interested in positive nutrition," commented Cargill's marketing research manager DeeAnn Roullier.

Technomic predicts made-to-order pizza is an emerging food trend, according to its *Concepts 2020* research report. "Made-to-order pizza can be the next big growth niche because its fresh, gourmet positioning provides a strong platform for popular health and wellness concepts," says Darren Tristano, executive vice president.

"The 'better' trend seen in 'better burgers' will also drive 'better sandwich' and 'better pizza' concepts. Not only are

made-to-order pizza concepts delivering better quality and fresher ingredients, consumers are able to create their own pizzas that are ready within minutes, a proven recipe for success within the fast casual space."

New research from Mintel reveals that of the 13 key consumer markets in America, the only two categories for which consumers claim that they are spending more year on year are in-home food (with a 14 percentage point net difference of consumers claiming to be spending more in this area) and household care (two percentage point difference of consumers claiming to be spending more). Despite this, Mintel's research finds consumer spending has increased across all evaluated markets, highlighting the fact American consumers remain focused on getting the best deals for their dollars.

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