

FOODLINK

U.S.

THE BI-MONTHLY NEWSLETTER FOR IMPORTERS OF U.S. FOODS

AUGUST/SEPTEMBER 2014

VOL. 10 No. 4

U.S. GROCERY SHOPPER TRENDS 2014:



NEW BEHAVIORS RESHAPE INDUSTRY

Today's consumers, particularly young adults, are shopping and eating very differently from prior years, sparking changes throughout the retail food business, according to the Food Marketing Institute's report "U.S. Grocery Shopper Trends 2014." The familiar routine of shopping to restock the pantry is losing ground to shopping for ingredients to create a specific meal. Eating is spontaneous and strongly overshadowing the tradition of three distinct meals a day. Fragmentation is a key behavior resonating throughout modern food culture.

This year's annual analysis, done in collaboration with the Hartman Group, identifies five major trends:

1.) Diversification of the "Primary Store" As a Touchstone of Shopper Behavior

While traditional supermarkets remain the most frequented food retail location, consumers are taking advantage of the multitude of specialized options available for food purchases. Loyalty to a single "primary store" is giving way to diversity of stores. This year, 9% of shoppers indicate that they have no primary store—triple that of the past few years, emphasized the Food Marketing Institute (FMI). Shoppers on average report using approximately 2.5 different channels at least fairly often.

2.) Fragmentation of the "Primary Shopper" Role Within Households

Presently, shopping is much more likely to be divided between multiple members of a household, and as a result, primary shoppers now include men more than ever before. Men account for more than 40% of those who claim

(Continued on page 2)

U.S. GROCERY SHOPPERS *Continued*

substantial responsibility for the household's grocery shopping.

3.) A Generational Transformation in What "Planning" Means to Food Shoppers

How consumers plan for shopping occasions varies significantly by age group. Three-quarters of consumers (77%) make lists; some are ongoing and others are made just moments before going to the store. Paper is still the dominant format for list making, with 88% of all consumers using paper lists. Technology, however, has also become part of the process. Approximately half of all millennials who make a list (49%) use their mobile phone for keeping track of what to purchase and 21% use computers.

Shoppers aged 50 and over primarily build their lists throughout the week, adding items that are running low.



In contrast, millennials usually create their lists right before going to the store. For this generation, planning for a shopping trip is much more likely to be about building a meal or other eating occasion rather than stocking up the pantry with a list of basics that a meal can be created from later. The fragmented nature of modern eating has made food shopping a much more "on demand" activity. Millennials usually rely on recipes and other eating inspirations to create a shopping list of ingredients rather than primarily relying on a routine household food inventory to maintain and use as needed. Recipes that are both easy to make (59%) and under a \$10 price point (60%) are those most sought by millennials. They are the first generation as likely to build their list around recipes (43%) or a plan of specific meals (36%) as around sales specials promoted by the store (37%), revealed the report. This meal-based planning is in its ascendancy, says FMI.

4.) Re-Orientation of Consumer Attitudes Around Wellness, With Fresh, Less Processed Taking Center Stage

Health and Wellness has surfaced as one of the key guiding principles of today's eating culture. Consumers are seeking foods that are fresh, minimally processed, and natural. Many have become avid readers of labels, avoiding foods and beverages that contain chemicals and unknown ingredients.

Shoppers tend to have sets of claims they seek in tandem, corresponding with personal interests and values. For example, those who seek high fiber tend to be among those who seek whole grain.

Locally sourced products, signaling freshness and quality, pairs with the healthy eating trend and is generating great interest. The majority of consumers say they purchase locally grown products at least occasionally (90%).

Nearly all U.S. adults (92%) believe that eating at home is healthier than eating out—an advantage for food retailers vs. food service operators. Consumers believe they have more control over meals and snacks at home in terms of nutrition, health, and portion control.

Lunchtime presents a window of opportunity for retailers. Presently, lunch accounts for 59% of all meals eaten away from home, and 63% of those lunches are sourced from food service.

5.) An Opening Exists for Retailers to Become Trusted Allies in Helping Shoppers Navigate Food and Wellness

Whether trust or assurance comes in the form of confidence in the safety of products sold at a retailer or a belief that the retailer offers the best value and price, consumers view retailers as advocates for their interests. Currently, 43% of all shoppers view their primary store as an ally in supporting their overall health and wellness. Shopper trust around wellness can amplify the effects of other store benefits, according to the study.

TODAY'S EATING EXPERIENCE

Shifting demographic, economic, and cultural forces are influencing the modern eating experience. The only thing that is certain in today's eating culture is that eating can happen

anywhere, everywhere, and anytime, found the joint study.

Today's eating is more dynamic, democratized, and influenced by multiple family members having a voice in what is eaten and prepared. Instead of a single person in charge of the majority of meals, there are often a number of persons active in food management for the household. Thirty-one percent of millennials report sharing at least half of the responsibility for dinner preparation.

"The roles, rules, and rhythms of traditional eating culture have been remixed and reshuffled, changing the way we eat and engage with food."

—FMI Trends 2014

Consumers are eating alone more often (47% of all eating occasions are alone), an intentional act that enables them to multitask and catch up on other activities. Interestingly, even in multi-person households 39% of eating occasions happen alone.

Today's consumers are planning for meals differently, with immediate consumption (food purchased within an hour of eating) accounting for 15% of all eating occasions. The long-held tradition of three distinct meals a day has been replaced with snacking, which now accounts for 50% of all eating. In addition to timing, portion size, types of food, and flavor profiles have also become more fluid.

As food becomes a greater source of fun, exploration, and social connection in today's eating culture, time-pressed consumers are preparing less of it. Only 22% of consumers make dinner at home every night of the week. On average, consumers prepare 4.9 dinners at home per week, but for baby boomers it averages 5.1 dinners and for millennials, 4.5. When meals are eaten together, they may be broken down to sub-meals that cater to the different tastes of household members.

Ethnic diversity has resulted in an increasingly global palate, especially among young Americans. Unlike many of their parents, who lived in defined ethnic segments, millennials are immersed in greater cultural interaction in all facets of their life and their diets reflect a variety of ethnic cuisines. Young adults are not only seeking novelty and variety but also authentic and healthy ethnic dishes.

RETAIL TRENDS:

FRESH FORMAT, E-COMMERCE, AND LIMITED ASSORTMENT PROJECTED TO GROW AS TRADITIONAL SUPERMARKETS' SHARE SLIPS THROUGH 2018



Sales in the traditional grocery channel increased 1% to \$522.8 billion in 2013 even as market share decreased slightly to 46%, according to Willard Bishop's *Future of Food Retailing Report*.

Fresh format stores exhibited substantial sales growth of 10.4% to \$14 billion and the largest increase of new stores among all formats, growing to more than 1,000 locations in 2013. This format is continuing its growth, with The Fresh Market, Sprout's Farmers Market and Whole Foods Market all experiencing double-digit sales growth. Clearly, the consumer trend toward purchasing fresh and healthful products is strong.

Limited-assortment stores saw a steady 4.1% growth to \$31.1 billion in 2013. This format is led by Aldi, including Trader Joe's, which is expected to generate further growth with its plans for 650 additional stores during the next five years.

The super warehouse format grew at a modest 3.4% to \$20.8 billion, spearheaded by Winco's successful Texas expansion and warehouse redesign. The company also added hundreds of new private label items to its line.

Traditional supermarkets experienced only slight growth of 0.4% to \$444.2 billion in 2013. This format exhibited the largest decrease among all formats in market share to 39.1%. As more consumers shift to non-traditional formats such as dollar stores, supercenters, and e-commerce for their groceries, traditional supermarkets are feeling the loss.

Convenience stores posted consistent in-store sales growth of 2.4% to \$169.9

billion last year. This industry's focus on quick, easy, and convenient access to food has been key to its success, noted Willard Bishop.

Non-traditional grocery channel sales rose 3.1% to \$442.1 billion, with an increase in market share to 39% in 2013. Non-traditional food outlets are continuing to snatch market share from traditional grocery stores.

Wholesale club sales increased 2.3% to \$98.5 billion. Costco enjoyed a same-store sales increase of 6% last year and expanded to more than 450 club stores in the U.S.

Supercenter sales grew at a steady pace of 4.0% in 2013 to reach \$200.3 billion, while store count rose 3.2% to more than 3,800 stores. Meanwhile, the mass format recorded a slight decline of 0.1% to \$48.4 billion. Walmart, Target, and Kmart all posted same-store sales declines in 2013.

The dollar format continued to exhibit dramatic growth, with an 8.9% increase to \$28.7 billion, while store counts increased modestly by 5.2% to more than 27,000 stores in 2013. In 2014, Family Dollar added more than 400 new food items. Following a successful test program, Family Dollar plans to add beer and wine to its shelves in 2015, according to the *Charlotte Observer* (July 10). Dollar General plans to expand into Oregon, Maine, and Rhode Island.

Food and consumable product sales in drug stores increased a mere 1.4% to \$61.3 billion. Both Walgreens and CVS experienced slight same-store sales declines of 0.5%.



The military format sales decreased 5.2% to \$4.8 billion. However, the sales decline was mainly due to two weeks of shutdowns that are not typical for this format.

E-commerce sales for food and consumables rose 13.7% to \$21.1 billion

in 2013. Amazon continues to satisfy consumers' needs by offering food and consumables at reasonable prices via a quick and easy shopping experience. Meanwhile, brick-and-mortar retailers (e.g., Ahold, Harris Teeter, Kroger, and Shop-Rite) are boosting their e-commerce efforts to compete with Amazon.



OUTLOOK FOR 2018

Willard Bishop projects the market share for traditional grocery will decrease 1.2% to 44.8%, while share for non-traditional grocery will increase to 40.1% and convenience store share will rise to 15.1%.

Within the traditional grocery segment, fresh format stores are projected to continue to grow rapidly over the next five years at a rate of 12.1% annually. Limited-assortment stores will also experience strong growth of 5.9%. Small grocery stores will see a low growth rate of 2.1%. Traditional supermarkets' market share will continue to decline to 36.2% by 2018.

Looking at non-traditional grocery, supercenters are expected to gain significant market share during the next five years, hitting 19.4% by 2018. Both dollar and wholesale club will perform well with annual growth rates of 4.1% and 3.5%, respectively. Drug will experience minimal growth annually of 2.0%. Mass will continue to experience a large decline in annual sales of 6% into 2018 and a decrease in market share to 2.8%, as more conventional mass stores are converted to superstores.

E-commerce food and consumable sales will continue its healthy growth rate of 9.5% a year.

Calendar of Events

SEPTEMBER

18-20: Natural Products Expo East*
Baltimore, Maryland USA
Baltimore Convention Center
www.expoeast.com

30-October 4: World Dairy Expo*
Madison, Wisconsin USA
Alliant Energy Center
www.worlddairyexpo.com

OCTOBER

7-10: National Association of Convenience Stores (NACS) Show*
Las Vegas, Nevada USA
Las Vegas Convention Center
www.nacsonline.com/nacsshow

15-17: Food Ingredients Asia*
Jakarta, Indonesia
Jakarta International Expo
www.figlobal.com/asia-indonesia

19-23: SIAL Paris*
Paris, France
Parc des Expositions de Paris-Nord Villepinte
www.sialparis.com

NOVEMBER

24-26: SIAL Middle East*
Abu Dhabi, United Arab Emirates
Abu Dhabi National Exhibition Centre
<http://sialme.com>

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

FEATURED PRODUCTS:

Spoonable

Spoonable llc handcrafts confectionery sauces out of their kitchen in Brooklyn, New York. Their products are carried in over 150 gourmet food stores throughout the USA and also export to stores in Japan, the UK, France, and Hong Kong.

Spoonable's sauces are made from quality sugar, cream, and butter, plus a great sea salt (sel de Camargue). No preservatives, corn syrup, additives, or thickeners are used. Taste and texture are what make Spoonable's sauces excellent. They pair well with both sweet and savory foods—on ice cream, in a cake, dipped in fruit, eaten with a soft goat cheese or spread as a glaze on slow-cooked pork. This year's new product is a Pourable caramel sauce—perfect for drizzling over anything! For the holidays, it is bottled in a whimsical gingerbread man. Spoonable is now pourable! For more information, email info@foodexport.org.



CowPots

CowPots are a biodegradable, plantable pot made from composted cow manure on a New England dairy farm. With 260 cows on this family farm, brothers Matt and Ben needed to get creative with the excess manure on their farm. The invention of necessity, these renewable planting containers are a greener alternative for growers and farmers.

These seed starter pots are a great new way to grow stronger and healthier plants by promoting root penetration and reducing transplant shock. Perfect for everyone from large scale production to Farm to Table restaurateurs! For more information, email info@foodexport.org.

Rufus Teague

Rufus Teague is a true Midwest Kansas City style BBQ sauce. Founded in 2004 in Kansas City, Rufus Teague BBQ is the result of many years of competitions in the best of the best BBQ contests in the United States. Rufus Teague manufacturers gluten-free, all natural ingredients; MSG-free BBQ sauces, steak/dippin sauces, and meat rubs.

Rufus BBQ flavors are Honey Sweet, Touch O' Heat, Whiskey Maple, and Blazin' Hot. Rufus Steak/Dippin sauces flavors are Regular and Spicy. Rufus Meat Rub flavors are Regular Meat Rub, Spicy Meat Rub, Fish Rub, and Steak Rub. Rufus Teague's unique whiskey flask packaging has proven consumer appeal in the retail segment, and, along with high quality, all natural ingredients, creates an extremely loyal customer base. For more information, email info@foodexport.org.



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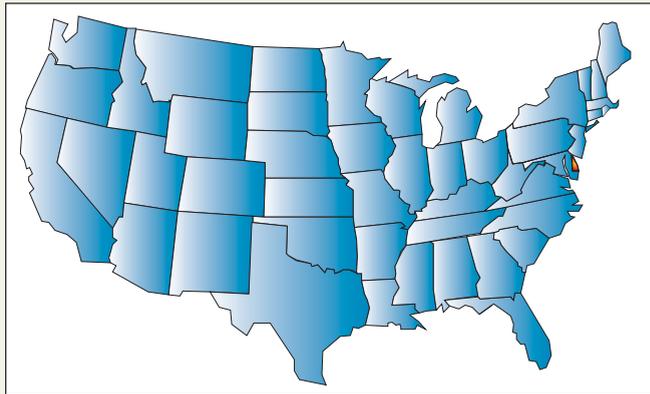
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STATE SPOTLIGHT: Delaware

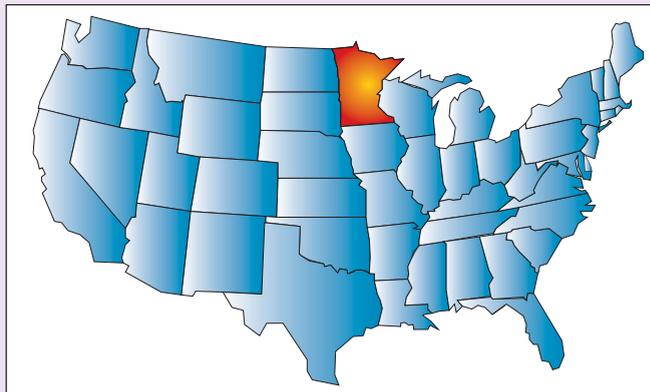


- ✓ There are 2,500 farms in Delaware working over 40% of the state's land.
- ✓ Delaware also grows a great variety of fruits and vegetables, including apples and peas, and is a U.S. pioneer in the food-canning industry.
- ✓ Corn, soybeans, hay, and potatoes are the most important crops in the state.
- ✓ Greenhouse and nursery products (flowers, ornamental shrubs, young plants) now rank in the top five agricultural commodities in the state.
- ✓ Among manufacturing activities, food processing ranks second in Delaware, with the poultry industry the most prominent activity.
- ✓ Baked goods, fish products, and fruit juices are some of the other notable processed foods in Delaware.
- ✓ Broiler chickens are Delaware's top commodity, with an annual aggregate output of \$3.2 billion, supporting 13,400 jobs.
- ✓ In 2013 Delaware exported \$248.1 million in processed food products, the top destinations including Belgium, Canada, Kazakhstan, China and Hong Kong.
- ✓ Broilers account for 74% of the state's total agricultural production, ranking the state eighth nationally in broiler production.

2013 TOP AGRICULTURAL EXPORTS:

BANANAS, FRESH OR DRIED	
Total Value:	\$134.9 million
CHICKEN CUTS & EDIBLE OFFAL, FROZEN	
Total Value:	\$107.4 million
ORANGE JUICE, FROZEN	
Total Value:	\$64.1 million
GRAPES, FRESH	
Total Value:	\$12.9 million
PINEAPPLES, FRESH OR DRIED	
Total Value:	\$12.7 million
MISCELLANEOUS FOOD PREPARATIONS	
Total Value:	\$6.9 million
BAKED GOODS & SNACK FOODS	
Total Value:	\$6.6 million
SAUCES, CONDIMENTS & SEASONINGS	
Total Value:	\$6.4 million
PLANTAINS, FRESH OR DRIED	
Total Value:	\$3.9 million
APPLE JUICE	
Total Value:	\$3.8 million
MILK ARTICLES & MALT EXTRACT	
Total Value:	\$2.8 million
YEASTS	
Total Value:	\$1.8 million

STATE SPOTLIGHT: Minnesota



- ✓ The state of Minnesota has over 74,000 farms, working approximately 26 million acres.
- ✓ With close to a 22% share of the state's total exports, food and agricultural production adds more economic contribution than any other single industry.
- ✓ Minnesota leads the nation in the production of several commodities, including sugar beets, turkeys, and oats, as well as sweet corn and green peas for processing.
- ✓ Estimates reveal that nearly one third of Minnesota's agricultural production is exported.
- ✓ The state is also a major producer of spring wheat, corn, soybeans, canola, hogs, dry beans, milk cows and dairy, and wild rice.
- ✓ Minnesota direct exports of total agriculture and related products topped \$2.8 billion in 2013.
- ✓ Minnesota's top livestock, in terms of market value are poultry and eggs, cattle and calves, milk and dairy, and hogs.
- ✓ Minnesota exported well over \$1.6 billion in processed foods in 2013, with top markets including Canada, China, Mexico, Japan, Philippines, and South Korea.

2013 TOP AGRICULTURAL EXPORTS:

DENATURED ETHYL ALCOHOL & OTHER SPIRITS	
Total Value:	\$244.1 million
SOYBEAN OILCAKE & SOLIDS	
Total Value:	\$209.6 million
DISTILLER'S GRAINS	
Total Value:	\$163.3 million
SOYBEANS FOR OILSTOCK OR CONSUMPTION	
Total Value:	\$140.8 million
CORN, OTHER THAN SEED CORN	
Total Value:	\$114.2 million
PORK MEAT, FROZEN	
Total Value:	\$86.2 million
WHEY PRODUCTS	
Total Value:	\$85.7 million
ANIMAL FEED PREPARATIONS	
Total Value:	\$82.3 million
PORK OFFAL, EDIBLE, FROZEN	
Total Value:	\$78.5 million
PORK MEAT, PREPARED & PRESERVED	
Total Value:	\$70.1 million
NON-ALCOHOLIC BEVERAGES	
Total Value:	\$65.5 million
BEEF-PULP & OTHER WASTE OF SUGAR MANUFACTURE	
Total Value:	\$59.6 million
WHEAT & MESLIN	
Total Value:	\$58 million

NEWS BRIEFS

Private label grocery purchases are continuing to trend upward. A hefty 98% of consumers are buying private label groceries at least some of the time, up from 96% in 2013, revealed a recent study by Market Force Information. Dairy, specifically milk, continues to be the most frequently purchased private label product, with 60% of consumers buying private label dairy most of the time or always. Ninety-five percent buy milk at least some of the time. So far this year, slightly fewer consumers are reaching for private label cereal—27% said they buy it most of the time or always vs. 30% who reported doing so in 2013. Similar to cereal, 27% of consumers report buying private label snacks most of the time or always. Private label chips, by far, are the most popular snack, followed by crackers, cookies, and granola bars.

The Sterling-Rice Group has identified 10 natural and organic food trends to look out for during the upcoming months of 2014. Lentils top the list! Fueled by the demand for plant-based protein, expect to see lentils in all kinds of food, from pasta to waffles. Next, probiotics, cobiotics, and

probiotics will continue to be sought for gut health. Beets will be moving from salad plates and show up in juices, fruit leathers, yogurt and other products. Whole grains will pop up in new and unexpected forms, namely, beverages. Food manufacturers will be churning out more bee-less honey from fruit-based formulations. Savory sauces and dressings will be boosting the nutritional value of salads, pastas, and other entrees. This trend might go sweet with calcium rich chocolate and caramel sauces and creamy high-protein cake frosting. Consumer demand will be spurring more products from grass-fed cows, pastured chickens, and pen-free pigs. African superfoods rise in popularity, from baobab fruit snacks to moringa leaf snack bars and bissap tea. More manufactures will be touting GMO-free on product packages. Algae milk is the new attraction in non-dairy milk. It possesses impressive nutrition stats, lack of allergenic ingredients, and a sustainable production story.

Demand for prepared cakes and pies is on the upswing. Total retail sales of prepared cakes and pies grew 24% from 2009-2014 to reach

\$11.2 billion, according to Mintel. The market research firm projects the category will grow an additional 18% from 2014-2019, reaching \$13.2 billion in sales. Nearly half (41%) of consumers claim to eat prepared cake and pies as a snack between meals, a higher percentage than many other occasions, including for a special occasion dessert (18%). Mintel cited in-store baked cakes and pies as a driving force behind category growth, with sales representing more than half of the overall category (52%), followed by shelf-stable cupcakes and brownies at 23%. Men are significantly more likely than women to eat prepared cakes and pies as part of, or in place of, a meal. Mintel said approximately 24% of men eat prepared cakes and pies as part of breakfast, and 25% eat them as part of lunch, while 13% use them as a meal replacement. Women are more likely than men to eat prepared cakes and pies as a dessert (75%, compared to 66% of men). Natural ingredients, without additives or preservatives, are important to consumers who buy them.

Consumers' craving for bacon broadens. Americans ate 1.1 billion servings of bacon in

the year ending April 2014, an increase of 6% compared with a year ago, according to The NPD Group. Consumption of chicken, beef, and turkey varieties of bacon also increased. The global information company attributes the jump to "new and innovative menu offerings," reported CBS News. A generation ago most Americans associated the crispy, salty meat treat with breakfast or the classic bacon, lettuce, and tomato sandwich. Now, bacon is found in a vast array of products ranging from bacon ice cream to bacon soap.

Incorporating more protein into diets is a top priority among consumers. Nearly half of U.S. consumers buy protein-enriched foods, according to The NPD Group. Cereal and bread are the most likely protein-enriched foods to be purchased, detailed NPD's new report. Protein bars and pasta are other protein-enriched foods that are going into consumers' shopping carts. Approximately one in five consumers say they have paid more for protein-enriched products, and protein bars are among the items most likely to command a premium, according to the report.

MISSION STATEMENT

The U.S. Foodlink newsletter and e-mail bulletin are brought to you by the Food Export Association of the Midwest USA and Food Export USA-Northeast, two state regional trade groups located in the U.S. that promote exports of U.S. food and agriculture. U.S. Foodlink was created to provide readers credible data and information in an easy-to-read format.

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