

# FOODLINK

## U.S.

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

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## FOOD INDUSTRY EXECUTIVES REVEAL



## STRATEGIC GROWTH PLANS FOR COMING YEAR

**I**nnovative food and beverage products are in the pipeline! Sixty-six percent of executives polled stated their companies will offer new brand, sub-brand or private label products to maintain or grow sales, according to the 2014 McGladrey Manufacturing & Distribution Monitor survey, which identified the food and beverage sector's latest emerging trends and opportunities.

New items are not necessarily entirely new products and can be as simple as reconfiguring an existing offering or changing ingredients to expand upon an existing idea. Approximately half of respondents stated new products and line extensions are important to their company's sales growth. Innovation is key to new product development with 62% saying they will create new products to satisfy consumer appetites.

*"Our clients are not innovating in a silo," commented Terry Schwartz, partner, McGladrey LLP. "We have seen more and more companies aligning their innovation efforts, in collaboration with their customers, to meet consumer demands, including creating healthy and natural products, and developing new flavors and formulations,"* stated Mr. Schwartz.

Healthier eating trends among consumers are driving both product development and advertisements, with 33% of executives stating they will promote the health benefits of their products. Pairing healthy products and convenience has clearly sprouted as an emerging trend.

Packaging will also affect new products, with styles and size cited as important strategies for growth, according to industry executives. Offering the same product but in a different manner, such as a 7.5-ounce can of soda or 100-calorie package of snacks, can impact sales.

Additional examples of packaging trends were especially visible at the Specialty Food Association's 2014 Summer Fancy Food Show in New York City. Numerous packages featured a clear front, providing a window into the product. This stems from the rising demand from consumers to know what the product contains. Another packaging trend was simple designs to emphasize the product's ingredients. Simplicity in packaging correlates with the strong simplicity of ingredients trend. The clutter is disappearing from packages, making them easier to read. Similarly, the lists of ingredients are shrinking, answering the consumer desire for products with a few simple and natural ingredients.

*(Continued on page 2)*

STRATEGIC GROWTH PLANS *Continued*

Retailers' demands are also shaping product innovation. Increasingly, retailers are requesting that food manufacturers develop unique products that can be sold exclusively at their stores in order to differentiate them from the competition. This can include the creation of interesting flavors, special packaging and other distinctive features.

With the increasing focus on digital among consumers, industry executives are developing digital strategy as a key component of their overall growth strategy. More than one-third of industry executives plan to increase social media advertising and marketing, and 23% plan to boost online advertising, while 12% will increase spending on online promotions and coupons.

Social media will be a major driving factor. Importantly, social media usage will continue to grow as a way to not only promote products, but to form and maintain rich and enduring relationships with customers. More than half (68%) of food and beverage executives say their company uses social media for business activities. The most common presences are Facebook pages, blog posts and Twitter posts.

Meanwhile, online food sales are growing rapidly and are expected to reach \$9.7 billion in 2017. This segment is still just a small part of the overall market, however, and executives expect third-party, full-price retail stores to be the channel that increases their sales the most in 2014.

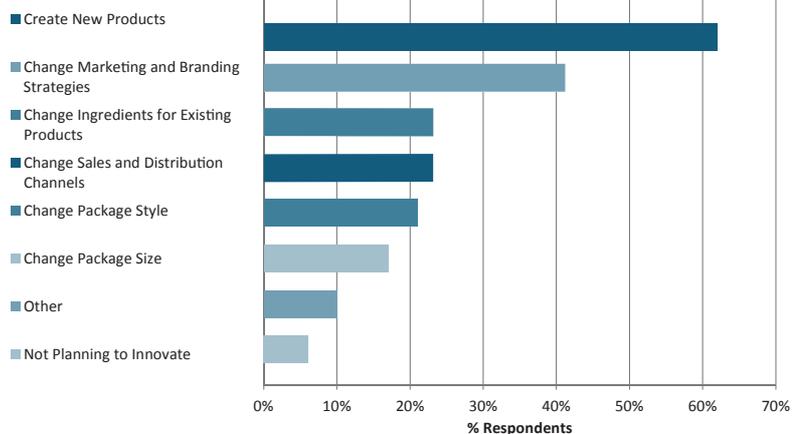
**Social Media Ad Spending to Skyrocket**

Total advertising dollars spent on social media in the U.S. is expected to exceed \$11 billion by 2017, according to research specialist Mintel.

"Social advertising [spending] is on the rise and shows no sign of slowing down," stated Mintel technology analyst Bryant Harland. "While display ads still play a key role in terms of brand awareness and new product discovery, getting the most out of social media marketing requires a greater emphasis on aiding networkers in conducting deeper research and helping them find information that is truly relevant to their needs."

Ways Companies Will Innovate in the Coming Year

(Source: McGladrey)



The most common ways of adding value to retail partner relationships include:

- Helping to manage merchandise and inventory allocation process (cited by 34% of respondents)
- Implementing improvements to supply chains to get products on the retailer shelves timely (32%)
- Using market research to better understand target consumers (28%)

Three-quarters of food and beverage companies offered discounts and allowances accounting for 4% or less of gross sales in the past year, and a similar percentage will offer the same discounts in the next 12 months.

Mergers and acquisitions will continue to be used to expand companies' presences and product lines. Nearly one quarter (24%) of executives report their organizations plan to acquire a company in the same business, and 18% plan to acquire a company in a complementary business.

Smaller and middle-market companies, defined as having \$100 million or less in revenues, are also seeking acquisition targets with 15% planning to acquire a company in the same business and 15% planning to acquire a company in a complementary business.

The top reasons for mergers are to expand product lines and reach new customers, at 37%, create cost synergies and improve margins, at 33% and improve current market conditions, at 31%.

Competition is a concern to 64% of executives, along with taxation to 62%. More than 10% state that availability of skilled labor, material and component pricing, and raw material availability will significantly limit growth.

Food and beverage executives will give a healthy boost to information technology (IT) spending this year, with four out of five increasing their investments. The industry is looking to IT to improve processes throughout the supply chain: optimize inventory, manage product volumes; forecast demand; schedule and streamline production; and engage, track, and understand retailer and customer habits.



Moving forward, industry executives expect dramatic growth in the food and beverage sector as the U.S. economy continues to improve. The respondents identified their companies as thriving for varied reasons, based on their expectations for the upcoming year:

- Significantly higher sales in 2014 than the prior year (60% of executives)
- Successful process-improvement initiatives (38%)
- Strategic investment in technology (30%)
- Significant increase in demand for products/services (30%)
- Net income higher than peers in the industry (30%)

# FOOD SERVICE TRENDS:

## LOOK OUT FOR THE "BIG SEVEN" MENU TRENDS

At both fast-casual and full-service restaurants, recent trends have been driving innovation and the search for new flavors and combinations. Seven trends in particular are gaining ground and will stand out in the near future, according to *Food Business News*.

### 1. AUTHENTICITY

Ingredient sourcing, ethnic cuisine and premium preparation help restaurant operators convey the feel of an authentic dish, something consumers are increasingly seeking in their meals.

800 Degrees Neapolitan Pizzeria, for example, serves its build-your-own Naples-style pizzas with blistered crusts and cheeses imported from Italy. The emphasis on the style and ingredients reinforce the pie's perceived connection to Italy.

Similarly, locally sourced ingredients in beverages are creating a connection as well. Burgerville in Washington State features milkshakes containing ingredients such as Oregon-grown strawberries and hazelnuts and dairy ingredients processed in Portland, OR.



### 2. ADJECTIVES MATTER

Featuring terms such as "artisanal," "house-made" and "rustic" can convey a sense of craftsmanship to a menu, increasing the consumer's perception of its quality. Incorporating such terminology also implies a degree of skill among those preparing the dishes, and helps make items stand out as more unique.

Peeet's Coffee & Tea features turkey slow-cooked for eight to ten hours and then topped with house-made pumpkin seed aioli. The Panera Bread bakery cafe emphasizes its hand-shaped, freshly baked artisan loaves and other items.

### 3. HOT AND SPICY INGREDIENTS

Coinciding with the popularity of ethnic cuisine is a newfound appreciation for heat, seen in the popularity of sriracha and the growth of various peppers and spices.

Assertive flavors are increasingly popular, with items such as Jack in the Box's Jack's Blazin' Chicken Sandwich, featuring ghost pepper ranch sauce and Swiss-style cheese.



### 4. SMOKY FLAVORS

Going beyond barbecue, smoky flavors in general are experiencing an upsurge in popularity, including charred dishes with influences from Nordic cuisine.

Arby's Smokehouse Brisket Sandwich, introduced as a limited-time offer, became the chain's best-selling new menu item. The sandwich is made with 13-hour hickory smoked brisket and smoked Gouda cheese. Even pizzas have experienced success with smoke, such as Papa John's Smokehouse pizza that features hickory smoked bacon and ham.

Beverages are included in the smoky flavor trend as well. To add smokiness to drinks, garnishes such as grilled pineapple and smoked rim salt are being used.

### 5. HYBRID FOODS

With the success of items such as the Cronut (croissant-donut) and Taco Bell's Waffle Taco, hybrid menu items can both generate buzz and become successes on their own merits. The croissant-donut combination created by New York baker Dominique Ansel has spurred a variety of similar creations, while Taco Bell's entrance into breakfast became a success.

### 6. FUNCTIONAL BENEFITS

With health in the public eye, chains that focus on the functional benefits of both foods and beverages stand to profit.

Restaurants such as The Veggie Grill, a fast-casual concept, are focusing on the functional benefits of their products, listing the micronutrients various items contain.

Beverages are also taking advantage of the trend, with smoothies and juices, in particular, touting functional benefits. The Red Mango chain, for example, has a line of smoothies that use patented Super Biotics, tapping into the probiotic trend.

### 7. FUSIONS STILL POPULAR

The blending of beverages and foods remains a trend, blurring the lines between the bar and the kitchen. Fusions range from whiskey-infused steak sauces and margarita-marinated chicken to Starbucks' tiramisu latte. More restaurants are continuing to join this trend. The Outback Steakhouse chain is among the newcomers to the fusion trend with the introduction of its Moonshine BBQ menu, featuring items coated in barbecue sauce made with real moonshine.

## TOP SUMMER FOOD TRENDS SHAPING MENUS

The hot food trends that were spotted this summer, such as meaty burgers and roots, are poised for growth during this new season. Summer's top food trends, identified by *Nation's Restaurant News*, include:

### BACK TO BASICS, BUT BETTER

In the quick service segment, Carl's Jr. and Hardee's introduced their Big Chicken Fillet Sandwich, an improved version with batter-fried chicken tenders replaced with a hearty five-ounce breast served on the baked-in-house bun.

### FOOD WITH ROOTS

Reflecting the healthy trend, nuts, berries, roots and spices are popping up on more menus. Consumers are seeking the sustained energy of natural sources of protein and fiber such as lean meat and whole grains.

### MEAT AS A CONDIMENT

While bacon continues to be a popular burger topper, other meats will be added. Red Robin is topping its burger with chopped smoked brisket, provolone, grilled onions and barbecue sauce.

### SEASONAL FRUIT

Strawberries, watermelon and peaches were featured on numerous menus, topping food and in beverages.



### HOUSE-MADE INGREDIENTS

Chefs at independent restaurants have been curing meats, making their own pickles and fermenting their own kimchi, and now chain restaurants are following their lead.

## Calendar of Events

### NOVEMBER

**5-7: China Fisheries & Seafood Expo\***  
Qingdao, China  
Qingdao International Convention Center  
<http://www.chinaseafoodexpo.com>

**12-14: Food & Hotel China\***  
Shanghai, China  
Shanghai New International Expo Centre (SNIEC)  
<http://www.fhcchina.com>

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

### FEBRUARY 2015

**8-12: Gulfood\***  
Dubai, United Arab Emirates  
Dubai World Trade Centre  
<http://www.gulfood.com>

**10-12: Japan's Supermarket Trade Show\***  
Tokyo, Japan  
Tokyo Big Sight, East Hall  
<http://www.smts.jp/en/index.html>

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

# FEATURED PRODUCTS:

## Trophy Nut Company Flavor Adventures

Trophy Nut Company has captured riveting flavors that take peanuts to a new level. Trophy's new line of "Flavor Adventures" has everyone talking about the six new flavors. Buffalo Blast, Wasabi Soy, Chipotle Tequila Lime Zing, Smokey Bacon Cheddar, Honey BBQ Bash and Tomato Basil, all show unique flavors of remarkable depth and freshness. Trophy Nut's outstanding reputation is well deserved, as a top quality roaster, and they feature a complete line of all nut products in cans, jars and bags. Currently exporting to Asia, Europe, South America, Central America and the Middle East, Trophy Nut is prepared to assist with all your importing needs. For more information, email [info@foodexport.org](mailto:info@foodexport.org).



## Evoke Healthy Foods

Evoke Healthy Foods makes nutritionally focused muesli products with unique and functional ingredients like chia seeds, goji berries, quinoa and more, catering to healthy and active consumers. The products are a mix of whole grains, dried fruits, nuts and seeds and can be enjoyed as a cold or hot cereal. The line includes certified organic and gluten-free. All products are vegan, kosher and non-GMO project verified. For more information, email [info@foodexport.org](mailto:info@foodexport.org).

## Vectra Trading Inc.

Vectra Trading Inc. supplies a full line of high quality food service oils, shortenings, condiments and baked goods. Whether it is a finished consumer product or a key ingredient in the manufacturing process; we strive to be your one stop shop. We proudly offer the following to our food service customers: baking fats, oils & shortenings; pastry & fruit fillings; frozen baked goods; cake, muffin and donut mixes; mayonnaise & salad dressings. For more information, email [info@foodexport.org](mailto:info@foodexport.org).



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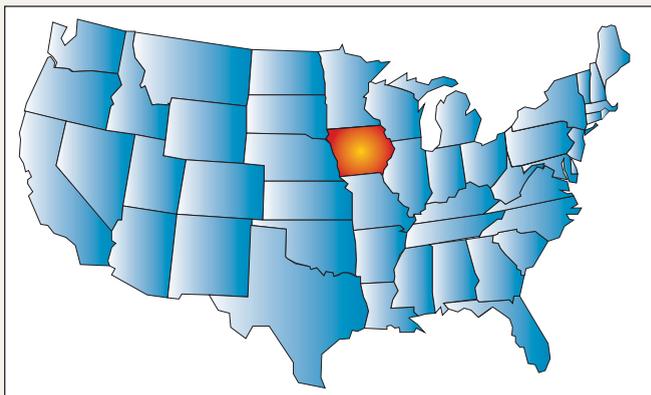
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## STATE SPOTLIGHT: Iowa

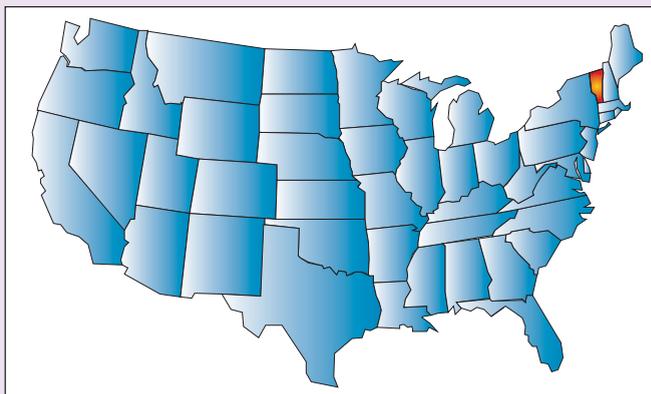


- ✓ Farmland accounts for approximately 86% of the land area in the state, with over 92,000 farms.
- ✓ Iowa is well-known for the abundant food commodities it produces and its world-leading position in the development of cutting edge food technology.
- ✓ The state is home to one third of the 100 largest food manufacturers and processors, creating a critical mass of food companies and industry knowledge.
- ✓ In addition to its innovative environment, Iowa offers food companies a central location and an efficient export transportation infrastructure.
- ✓ Iowa produces one-tenth of the nation's food supply and leads the nation in the production of corn, soybeans, pork and eggs.
- ✓ Iowa is ranked second in the nation in red meat production, and nearly one third of every pound of pork is shipped from an Iowa plant.
- ✓ There are about 1,500 beekeepers in Iowa that manage around 30,000 colonies of honeybees, producing well over 3 million pounds of honey annually.
- ✓ In 2013, Iowa exported over \$3.1 billion of processed food products, the leading markets including Mexico, Canada, Japan, China, South Korea and Hong Kong.

### 2013 TOP AGRICULTURAL EXPORTS:

|  |                 |
|--|-----------------|
| <b>CORN, OTHER THAN SEED CORN</b>      |                 |
| Total Value:                           | \$529.5 million |
| <b>FRESH PORK MEAT</b>                 |                 |
| Total Value:                           | \$512.9 million |
| <b>FROZEN PORK MEAT</b>                |                 |
| Total Value:                           | \$434.5 million |
| <b>SOYBEAN OILCAKE &amp; SOLIDS</b>    |                 |
| Total Value:                           | \$328.3 million |
| <b>SOYBEANS, WHETHER OR NOT BROKEN</b> |                 |
| Total Value:                           | \$239.3 million |
| <b>FRUCTOSE SOLIDS &amp; SYRUPS</b>    |                 |
| Total Value:                           | \$221.8 million |
| <b>DISTILLER'S GRAINS</b>              |                 |
| Total Value:                           | \$170.8 million |
| <b>FROZEN EDIBLE PORK OFFAL</b>        |                 |
| Total Value:                           | \$153.7 million |
| <b>SOYBEAN FLOUR &amp; MEAL</b>        |                 |
| Total Value:                           | \$140.6 million |
| <b>ANIMAL FEED PREPARATIONS</b>        |                 |
| Total Value:                           | \$126.7 million |
| <b>FROZEN BONELESS BEEF</b>            |                 |
| Total Value:                           | \$126.4 million |
| <b>CERTIFIED CORN SEED</b>             |                 |
| Total Value:                           | \$112.7 million |

## STATE SPOTLIGHT: Vermont



- ✓ Over 7,300 farms in Vermont steward 1.2 million acres or 21% of the land.
- ✓ Vermont is well known for high quality cheeses, grass fed beef, cranberries, and many other food products.
- ✓ Vermont also produces substantial crops of Macintosh apples, potatoes, eggs, honey, vegetables, Christmas trees, lumber, and green house nursery products.
- ✓ Vermont is the biggest producer of maple products in the United States producing more than 40% of nation's total output.
- ✓ Dairy is the primary farm industry in Vermont, producing more than two billion pounds of milk annually.
- ✓ Ice cream, butter, yogurt, and other popular dairy foods are produced from Vermont's rich milk.
- ✓ Made in Vermont specialty foods include breakfast cereals, sauces, chocolates, fudge, mustard, mints, salsas, crackers, breads, beverages, and salad dressings.
- ✓ In 2013 Vermont exported over \$195 million worth of processed food products with top markets including Canada, Mexico, China, Indonesia and the Netherlands.

### 2013 TOP AGRICULTURAL EXPORTS:

|  |                |
|--|----------------|
| <b>FOODS PREPARATIONS FOR INFANTS</b>                |                |
| Total Value:   | \$46.5 million |
| <b>WHEY PRODUCTS</b>                                 |                |
| Total Value:   | \$24.8 million |
| <b>CHOCOLATE PREPARATIONS IN BLOCKS OVER 2 KILOS</b> |                |
| Total Value:   | \$22.5 million |
| <b>CHOCOLATE PREPARATIONS NOT IN BULK FORM</b>       |                |
| Total Value:   | \$14.7 million |
| <b>MILK ALBUMIN, INCLUDING CONCENTRATES</b>          |                |
| Total Value:   | \$12.8 million |
| <b>MISCELLANEOUS FOOD PREPARATIONS</b>               |                |
| Total Value:   | \$11.5 million |
| <b>MILK &amp; CREAM, LOW FAT, CONCENTRATED</b>       |                |
| Total Value:   | \$10.3 million |
| <b>MIXES &amp; DOUGHS FOR BAKERY PRODUCTS</b>        |                |
| Total Value:   | \$6.3 million  |
| <b>SUGAR CONFECTIONERY</b>                           |                |
| Total Value:   | \$5.5 million  |
| <b>CANE &amp; BEET SUGAR, REFINED</b>                |                |
| Total Value:   | \$3.7 million  |
| <b>MILK &amp; CREAM, LOW FAT NOT CONCENTRATED</b>    |                |
| Total Value:   | \$3.5 million  |
| <b>MAPLE SUGAR &amp; MAPLE SYRUP</b>                 |                |
| Total Value:   | \$3.4 million  |

# NEWS BRIEFS

**Lunch trends are shifting.** The majority of today's consumers (80%) are seeking higher quality lunch fare and more unique menu items, according to a new study by Technomic. Consumers eat lunch away from home an average of two times a week, and 60% stated that menu variety influences their lunch purchases, 49% said health factors impact their purchases and 29% expect restaurants to offer smaller lunch portions. Nearly 40% said they eat a lighter lunch during the week. Sandwiches are a key platform for lunch-menu innovation, with top trends this year including pork-based preparations with a regional flair and trendy Asian-fusion varieties.

**Americans are consuming more yogurt, hummus, Mexican food, frozen sandwiches, fresh fruit and snack bars, according to a survey by Parade and market research firm NPD Group.** In contrast, they are having less cake, soft drinks, steak, turkey, corn and toast, revealed *What America Eats 2014*. When it comes to dessert, more Americans are skipping it. Presently, just 12% are having

a sweet item after dinner at home, down from 24% in 1986. When eating out, the chicken sandwich has become the new burger. Eleven percent of lunches and seven percent of dinners ordered at restaurants are chicken sandwiches. When buying organics, consumers look for vegetables first, followed by milk, fruit, eggs then seasonings, spices and sweeteners.

**Pumpkin moves beyond its seasonal appeal.** While the popularity of pumpkin soars during the fall, expect to see it pop up in unexpected places throughout the year. Recent research from Datassential MenuTrends shows that pumpkin has steadily grown as a dessert menu flavor since 2005, increasing 11% in the last year alone, reported *Nation's Restaurant News*. While one-third of pumpkin on dessert menus appears in pies, pumpkin is growing in all of the top menu item types where pumpkin is featured, including cheesecake, cakes, frozen treats, ice cream, custards, flans and dessert bars. Datassential analysts attribute the increased use of pumpkin to the trend in seasonal eating, while chefs

report they enjoy pumpkin's versatility. Phil Hambelton, chef of George Martin's Strip Steak restaurant in Great River, NY, is working on pumpkin baklava, a twist on the classic pastry, for this fall's menu.

**The lines between snack foods and main meal foods are blurring.** Snack foods eaten at main meals will grow approximately 5% over the next five years to 86.4 billion eatings in 2018, according to NPD Group's *The Future of Eating: Who's Eating What in 2018*. Ready-to-eat sweetened snack foods and desserts will be flat during the same period, as they are less likely to be consumed at a main meal. The strongest growth of snack foods eaten at meals will be in better-for-you categories, like refrigerated yogurt, bars and fresh fruit, which consumers perceive as more healthful and convenient and are more prone to eating between and at main meals, according to the study. "The growth in better-for-you snack foods in between and at meals is a good example of how consumers are redefining the foods they eat, and how the traditional lines between snack foods and main meal

foods are blurring," says Darren Seifer, NPD food and beverage industry analyst. Millennials, Generation X and Generation Z, are driving much of the growth in better-for-you snack food consumption between and at meals. All three groups combine positive attitudes about snacking, a desire to eat more healthfully and need for convenience.

**Seventy-five percent of American adults purchased green products or services in 2014, according to a survey by SCA and Harris Poll.** In the U.S., 40% of adults are willing to pay more for products if ethical and responsible manufacturing practices are guaranteed. Millennials (aged 18-34) are emerging as some of the most committed purchasers of sustainable products and services with 56% more likely to pay more for them, as compared to older consumers aged 35+ (34%). The overall majority of U.S. consumers who purchase green products do so for environmental reasons, while millennials are much more motivated by health benefits. The green trend is just getting started, according to 41% of Americans.

## 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. Food Export-Midwest and Food Export-Northeast administer many services through Market Access Program (MAP) funding from the Foreign Agricultural Service (FAS) of the USDA. U.S. Foodlink was created to provide readers credible data and information in an easy-to-read format.

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