

U.S. FOODLINK

The bi-monthly newsletter for importers of U.S. foods

Vol. 13 No. 5



Online Grocery Push Accelerating, *But Physical Retailers Still Have Benefits*

Amazon's acquisition of Whole Foods Market set off a wave of speculation in the grocery industry, with analysts discussing how the deal will affect the landscape, particularly in regards to technology. Going forward, providing a strong omnichannel experience that blends in-store and online offerings may become more important than ever.

The deal will likely improve Whole Foods' procurement operations, but further benefits may not be immediately obvious, according to RBC analyst Mark Mahaney. One possible prize may be data, reported *The Wall Street Journal* (June 20). In addition to Amazon using Whole Foods locations as delivery hubs to expand its online grocery business, joining the online and in-store knowledge of both companies could help them better predict what goods to carry in each physical store.

The high level of overlap between the companies' customers could make for useful data as well. Approximately 62% of Whole Foods shoppers are Amazon Prime subscribers, according to Morgan Stanley, but Amazon doesn't have information about their shopping habits in physical stores. The deal will give the e-commerce company additional ways to track customer spending in-store. Bringing together data regarding online and offline shopping habits could help Amazon learn how to bring the impulse purchases common at cash registers to e-commerce.

Among the competition, Amazon's deal represents a major shakeup for many grocer's three-year plans, reported *Harvard Business Review* (June 21). Chains that believed they could grow quicker in the digital world than Amazon could open physical stores, that Amazon would remain constrained to e-commerce or that they could afford to expand their online offerings slowly to avoid cannibalizing in-store sales may need to rethink their strategies, according to Bain & Co. partner Darrell K. Rigby.

Amazon's rapid pace of innovation will force existing retailers to learn to act like startups, according to Rigby. Cross-

(Continued on page 2)



www.foodexport.org

industry studies found that 70% of consumers believe companies aren't providing a proper digital experience, and Amazon's potential in the brick-and-mortar segment could reduce the amount of time other retailers have to get up to speed.

The growth of e-commerce was already forcing retailers to action before the potential Amazon-Whole Foods merger, as approximately 40% of center-store categories are expected to shift online by 2025, according to Nielsen and the Food Marketing Institute. By that time, 75% of households are expected to buy food online in some form.

Despite the growth, fresh foods are expected to have lower penetration online, with BMO predicting 5% to 15% over time. Fresh penetration online could reach 20% if retailers have very good delivery services, but the importance of being able to see and touch produce means grocery stores aren't going away, according to BMO. Sixty-eight percent of respondents are unlikely to have meat shipped to them, 66% would not buy dairy and 63% would not want fresh produce, according to a survey by Morning Consult.

While the adoption of fresh food purchases through online ordering is slow, the opposite is happening for packaged foods, according to Nielsen. At the same time, e-commerce is becoming increasingly important for sales in the category, particularly food. Even though only 2% of packaged food sales occur online, e-commerce accounted for 20% of growth in the department. Morning Consult's survey found that 56% of consumers would order canned goods online, 39% would purchase frozen goods and 38% would purchase bread.

BMO Capital Markets believes Amazon's acquisition is just one stage in a broader restructuring of retail and e-commerce, not the signal of a consolidation phase. The deal may be a sign that a physical retail presence is still very important, despite the growing threat of online sales, according to Susquehanna Financial Group analyst Bill Dreher, reported *The Wall Street Journal* (June 19). He noted that, rather than demonstrating the supremacy of online shopping, the deal highlights the growing

importance of having an omnichannel strategy that includes both brick-and-mortar and online sales.



The lack of enthusiasm for purchasing fresh foods online may contribute to the need for an omnichannel strategy as well. Fresh food sales are driving retail grocery growth and the top-performing fresh retailers, which had 50% of their food sales come from fresh foods, experienced an average of 4% sales growth, according to Nielsen. In comparison, low-performing fresh retailers, with fresh sales accounting for just 29% of their total, experienced 1% sales growth across the store. Only top-performing fresh retailers saw an overall increase in traffic.

Click-and-collect models can help bridge the gap between fresh and e-commerce retailing, according to Nielsen. Fresh items are much more likely to appear in click-and-collect orders than home delivery, with fresh meat orders 223% more likely, produce orders 180% more likely and deli orders 163% more likely.

Six factors will come into play as grocers incorporate digital sales into their strategies, according to Nielsen: trust, value, experience, assortment, convenience and personalization.

Six factors will come into play as grocers incorporate digital sales into their strategies, according to Nielsen: trust, value, experience, assortment, convenience and personalization.

Building trust is important to online consumers, who demand all orders to be accurate, on time and undamaged. Value is centered on promotions, but consumers look for other benefits as well. Making websites and apps easily navigable is important to the experience, as customers are looking for simple to use platforms.

Product assortment, convenience and personalization are more important to digitally engaged customers than those who are novices. While consumers don't consider those aspects as important as trust, value or experience, Nielsen believes they will be important factors to help retailers differentiate themselves from competitors.

Even though sales are moving online and Amazon may be accelerating the process, only 7% of U.S. consumers shopped online for groceries in the last month, according to The NPD Group. In addition to selecting their own fresh foods, many consumers prefer the experience of grocery shopping in a brick-and-mortar store.

However, the 20 million consumers who are current, lapsed or new to online grocery shopping plan to increase virtual shopping for food and beverages over the next six months. NPD expects online grocery shopping to grow at a faster rate now compared to the earlier days, as consumers have already experienced the convenience online shopping offers.

Featured Products



The Gracious Gourmet

Bridgewater, CT

The Gracious Gourmet has created a line of all natural and award-winning spreads, tapenades, chutneys, and allergen-free pestos. Paired with cheese, meats, fish, and even ice cream, eggs, and pasta, their products can transform ordinary dishes into exceptional ones! Made in small batches, they source only the finest all-natural ingredients and never use preservatives. With health consciousness in mind, also minimize the use of salt and sugar and many products are vegan and naturally gluten free. Whether you are putting together a dinner party for a dozen or enjoying a quiet night at home, The Gracious Gourmet is here to help. Learn more at thegraciousgourmet.com



Tea-rrific! Ice Cream

Bridgeport, CT

Tea-rrific! Ice Cream is an artisanal ice cream company crafting super-premium ice cream infused with fresh-brewed tea and made with wholesome, minimally processed ingredients. Our ice cream starts with hormone-free cream from local farms and non-fat dry milk, cage-free eggs, and organic evaporated cane sugar. We then infuse it with the best specialty blends of loose leaf and herbal teas we can find, imparting all the goodness nature intended. To that we add only the finest clean ingredients to deliver a truly gourmet experience. That's it! No stabilizers, gums, corn syrup, preservatives or artificial flavors and colorings. Unlike any other ice cream brand, our ice cream delivers unique flavors, a creamy texture and clean off the palate finish that is refreshing and leaves you with just the pleasant essence of the tea.

Our flavors include, Ginger Matcha, Masala Chai, London Mist (Earl Grey with vanilla), Chunky London Mist (London Mist with Belgian chocolate flakes and roasted pecan chunks), Matcha Green Tea, Chamomile and Lavender's Blueberry. We offer our distinctly delicious ice cream in both retail and food service sizes. We offer pints (473ml) and 4oz (118ml) grab-n-go single serve cups with spoon included for retail and non-grocery retail channels, and 5qt (475L) and 2.5gal (950L) bulk tubs for food service. Our company is based in Bridgeport, CT, USA and we are able to export to most countries. For more information, please visit tearrrificicecream.com.



Big Fork Brands

Chicago, IL

Big Fork makes craft bacon sausage, pork jerky, and pork & bacon snack sticks. Big Fork works with family farmers in Iowa that raise Berkshire Hogs outdoors without the use of antibiotics EVER. All products start with the best tasting bacon on the planet; it's nitrate-free, uncured, and hardwood smoked. The process includes grinding the amazing bacon with antibiotic-free pork and adding a little brown sugar and sea salt. For the sausage it is naturally encased and smoked using a combination of hickory and applewood hardwoods. Big Fork sausage is made the traditional smokehouse way, with one difference; they cram as much bacon into every encased meat we make. On the premise that bacon makes everything better, we're making sausage better with BACON. That's basically it. Keeping it pure and simple, letting the clean pork and smoky bacon speak for itself.

Making Everything Better with Bacon Big Fork Brand products include 8 flavors of Bacon Sausage: Hickory & Applewood, Aged Cheddar, Spicy 3 – Pepper, Maple & Brown Sugar, Cracked Black Pepper, Chicken & Bacon, Portabella, and Bacon & Ale, 3 flavors of Pork Jerky: Original, Spicy 3 Pepper, and Maple and 3 flavors of Bacon & Pork Snack Sticks: Thai Ginger & Lemongrass, Maple & Black Pepper, and Hickory & Applewood. For more information visit: bigforkbrands.com



McClure's Pickles

Detroit, MI

Brothers Bob and Joe McClure grew up making pickles in Michigan using their great-grandmother Lala's recipe, passed down from their mother's side of the family. In 2006, they decided to pull out the old family recipe and see if it would make an okay business. After about one month of having their product for sale, they garnered a review in the Foodstuffs section of *The New York Times*. Almost overnight, they found themselves brine-deep in the pickle business. Today they still produce many items in their own factory and work directly with the farmers that provide the best produce available. After many years of making pickles with their family, they are excited to share them with your family and the world.

McClure's offers sensational pickles, great flavors and a variety of styles including: Garlic & Dill Pickle Spears, Spicy Pickle Spears, Garlic & Dill Whole Pickles, Spicy Whole Pickles, Sweet & Spicy Crinkle Cut. They also offer specialty relishes, kettle chips, and Bloody Mary Mix. Visit mcclures.com for more information.



Global Brand and Export Development, LLC

Naperville, IL

Cadia® is a natural and organic food company that brings to market the best quality food in its most natural state. By setting and adhering to a higher level of standards, they uniquely offer foods that support a shared philosophy of eating well and living well. Their honest approach reaches beyond food to the way they source from local and sustainable farms.

Cadia® was founded in July 2010 with the mission of creating a brand of affordable organic and natural foods that taste great. Cadia launched with 80 products including beans, juice, chips, and vegetables, and has now grown to more than 250 products (beverages, dairy, snacks, canned goods, frozen foods, staples, condiments, oil and vinegars, sweeteners, gluten free and non GMO products).

Cadia's tagline is "Abundance of Simplicity," and they believe just that. They hold a firm belief that food should be enjoyed and even celebrated for the simple pleasures it offers. For more information about their products visit mycadia.com



Koeze Manufacturing Company

Grand Rapids, MI

Cream-Nut All-Natural Peanut Butter has been a Koeze flagship brand since 1925. The company is fourth generation and was founded in Grand Rapids, Michigan, in 1910 by Dutch immigrant Sibbele Koeze. Today they craft heritage Cream-Nut peanut butter with the same recipe and care that Sibbele would still recognize today. Koeze uses only Virginia peanuts, slow roasted and slow ground in small batches. To create the exceptional flavor, they take the extra steps of removing both the skins and the hearts from the peanuts, leaving only the wonderful flavor and aroma of freshly roasted peanuts. Artisans inspect each batch for color, quality and taste. No detail is overlooked. For that classic peanut butter and jelly sandwich, a spread on fresh fruit or celery, or for creating that perfect sauce, the extra care, quality and unparalleled taste of Cream-Nut has been a mainstay at the table for generations.

For more product information visit: koeze.com

For more information about these Featured Products or other featured products please email: info@foodexport.org.

EVENT CALENDAR

AUGUST

17-21: HKTDC Food Expo

Wanchai, Hong Kong
Hong Kong Convention and Exhibition Centre
m.hktdc.com/fairmob/hkfoodexpo-en/

22-24: Fi South America

Transamérica Expo Center
São Paulo, Brazil
figlobal.com/southamerica/visit/when-where

SEPTEMBER

5-7: Seafood Expo Asia

Wanchai, Hong Kong
Hong Kong Convention & Exhibition Centre
seafoodexpo.com/asia

13-16: Natural Products Expo East

Baltimore, Maryland – USA
Baltimore Convention Center
expoeast.com

16-17: CHFA East

Toronto, Ontario, Canada
Metro Toronto Convention Centre
chfa.ca/en/tradeshows/chfa-east.html

27-29: Expo Alimentaria

Lima, Peru
Jockey Exhibition Center
expoalimentariaperu.com/en/venue.aspx

OCTOBER

3-7: World Dairy Expo

Madison, Wisconsin – USA
Alliant Energy Center
worlddairyexpo.com

7-11: ANUGA

Cologne, Germany
Koelnmesse
anuga.com

17-20: NACS (National Association of Convenience Stores) Show

Chicago, Illinois – USA
McCormick Place
nacsonline.com

25-28: Food Week Korea

Seoul, Korea
Coex Halls
koreafoodweek.com

30-Nov. 2: Gulfood Manufacturing

Dubai, United Arab Emirates
Dubai World Trade Centre
gulfoodmanufacturing.com

NOVEMBER

5-7: China Fisheries Seafood Expo

Qingdao, China
Qingdao International Expo Center
chinaseafoodexpo.com

8-11: Busan International Seafood Show

Busan, South Korea
BEXCO Exhibition Center
bisfe.com

9-11: Hong Kong International Wine & Spirits Fair

Wanchai, Hong Kong
Hong Kong Convention & Exhibition Centre
m.hktdc.com/fair/hkwinefair-en

Popularity of Digital Takeout Ordering Growing Among Americans

Sixty-five percent of U.S. adults order takeout at least once a month, and 94% have ordered takeout at some point, according to a Harris Poll survey on behalf of digital ordering company orderTalk. The poll found that 67% of customers prefer ordering takeout digitally, but would like digital ordering interactions to be easier.

Nearly two-thirds of respondents had ordered through an app or website, but 63% of digital users abandoned at least one order, with the most common reason being the app or website wasn't functioning correctly. Among those who ordered digitally, 46% do so because it is easier to make sure an order is correct.

Sixty-nine percent of men ordered takeout at least once a month, compared to 61% of women. Consumers with children under the age of 18 were more likely to order out at least once a month than those without children, at 77% compared to 59%. Renters were more likely to order out than homeowners as well, at 72% compared to 62%. Fifty-six percent of consumers expect to see discounts when ordering digitally, and 52% want menu item images.



Sixty-five percent of U.S. adults order takeout at least once a month, and 94% have ordered takeout at some point according to a Harris Poll survey.

Domino's mobile app is the most popular food delivery app among Android users in the U.S., with a weekly penetration rate of 0.38%, according to Cheetah Lab. Sixty percent of the chain's U.S. sales now come through digital ordering, and nearly two-thirds of those orders were placed on mobile devices, reported CNBC (March 16).

In comparison, UberEats has penetration of 0.21% and Pizza Hut 0.17%, reported *San Diego Union-Tribune* (June 22). UberEats is growing faster than its competition due to more stable pricing and relatively low fees, according to Cheetah Lab. The app, which charges a \$5 delivery fee for orders from hundreds of restaurants in the areas it serves, surpassed GrubHub in popularity in the U.S. market at the end of 2016.

In terms of overall app usage Postmates was the most popular, averaging 37 weekly opens per user. In comparison, UberEats saw 22 weekly opens and Domino's saw 18.

Mobile ordering has been beneficial beyond driving sales. The average waiting time for customers ordering food at Panera Bread restaurants dropped to one minute from eight minutes after the deployment of online ordering, reported *MarketWatch* (June 3). Online ordering now accounts for more than a quarter of sales at Panera's company-owned restaurants.

State Spotlights



With more than 96,800 farms occupying over 28.5 million acres; Missouri's most valuable agricultural commodities are cattle and calves. Soybeans are the most valuable crop, followed by grain corn.

2016 TOP AGRICULTURAL EXPORTS

Soybean Oilcake & Solids	\$273 million
Corn, Other Than Seed Corn	\$231.7 million
Soybeans for Oilstock or Consumption	\$216.6 million
Miscellaneous Food Preparations	\$165.4 million
Pork Meat, Fresh & Chilled	\$146.6 million
Beer Made From Malt	\$131 million
Pork Meat, Frozen	\$112.9 million
Dog & Cat Food, Put Up For Retail Sale	\$92 million
Animal Feed Preparations	\$53.5 million
Pork Offal, Edible, Except Livers, Frozen	\$47.3 million
Wheat & Meslin	\$39.4million



Agriculture is a major driver of the New York State economy with nearly 36,000 family farms on about 23% of the land area producing some of the world's best food. New York ranks in the Top 10 of agricultural states in 30 commodities.

2016 TOP AGRICULTURAL EXPORTS

Miscellaneous Food Preparations	\$282.9 million
Soybeans for Oilstock or Consumption	\$121 million
Baked Goods & Snack Foods	\$95.8 million
Sausage Casings & Tripe	\$73.5 million
Non-Alcoholic Beverages	\$70.4 million
Coffee, Roasted, Not Decaffeinated	\$60.5 million
Wine of Fresh Grapes Under 2 Liters	\$51 million
Prepared/Preserved Nut and Fruit, Edible Plant Parts	\$46 million
Sauces, Condiments & Seasonings	\$39.8 million
Dog & Cat Food	\$39.1million
Coffee, Not Roasted, Not Decaffeinated	\$38 million
Tomato Ketchup & Tomato Sauces	\$37.3million

news briefs

Consumer demand for organic foods is expected to grow rapidly. Consumers are looking for organic food and drink in the U.S. and other major markets, and competition will continue increasing considerably, according to USDA. Organic agricultural production is growing in both developed and developing countries worldwide, leading to increased competition.

Consumers look for deals at restaurants. More than one in three restaurant goers search for deals ahead of dining out, according to a survey by RetailMeNot. More than half of consumers have at least one food and dining app on their phone, with about 20% of the apps focused primarily on saving money. In addition, 80% of consumers are likely to try a new restaurant when offered a promotion, and 62% are willing to travel up to 10 miles to eat at a restaurant offering a discount.

Dairy alternatives are on the rise. Annual eatings per capita of dairy alternatives grew to 21 in 2016, up from 19 in 2013, while the consumption of plant-based meat alternatives declined according to The NPD Group. Dairy and meat consumption is still more popular as the average person consumes center-of-plate meat 73 times annually, and annual eatings of milk per capita are at 117.



Fast-food still going strong. Seventy-nine percent of Americans eat fast food at least once a week, while another 23% eat it three or more times a week, according to a study in *Economics & Human Biology*. Consumption of fast food among consumers only varies slightly by wealth, with middle-income consumers slightly more likely to eat it and wealthy consumers slightly less likely, reported *HealthDay*.

Americans want unique snack flavors! Jerky chips made from meat infused with international flavors were the top picks in a study of consumer preferences regarding salty snacks by Nielsen. Both lamb chips with feta and goat meat chips with curry ranked higher than all other flavors in uniqueness, but didn't score well in need or desire. Cauliflower, avocado, black bean and coconut chips all scored in the top 10.



Pancakes are popular for breakfast at restaurants.

Nearly a quarter of consumers purchased pancakes for approximately half of the past 10 restaurant breakfast occasions, according to Technomic. Waffles and French toast were both ordered for nearly half of the breakfast occasions by 17% of consumers each. Natural toppings and syrups were most common, but fruit preserves, jams and jellies in place of syrup would be appealing to nearly a third of consumers.

Consumers would rather eat out than cook. Over 40% of consumers prefer going out to restaurants versus cooking at home, according to a survey by Bellwether Food Group. Sixty-one percent of consumers feel restaurant meals are too expensive compared to cooking at home, and 29% are eating out less because of higher health insurance costs.

Are lunch restaurant visits on the decline? Americans made 433 million fewer visits to restaurants for lunch in 2016 compared to 2015, a 2% decline, according to The NPD Group. The drop was attributed to rising prices, increased use of delivery and busy schedules, with casual restaurants seeing the steepest decline in traffic. The average price of a restaurant lunch rose 19.5% to \$7.59 since the recession, reported *The Wall Street Journal*.

Americans snack to treat themselves. More than 25% of consumers agree taste is more important than health when choosing a snack, according to Mintel. The share of consumers snacking two to three times per day increased to 55% in 2017 from 50% in 2015, while Millennials are the generation most likely to snack four or more times per day.

Americans are more open to vegetarian meals.

Over 80% of Americans are open to making meatless dishes, particularly if they have a similar taste or texture to meat-centric dishes, according to a survey by the California Walnut Board. Walnuts, mushrooms and legumes are the top three foods consumers are willing to try in meatless meals.



U.S. FOODLINK

Tim Hamilton
Executive Director
thamilton@foodexport.org

John Belmont
Communications Manager
jbelmont@foodexport.org

Adolfo Montelongo
Communications Coordinator – Content
amontelongo@foodexport.org

Laura Buske
Communications Coordinator –
Publications
lbuske@foodexport.org

FOOD EXPORT ASSOCIATION OF THE MIDWEST USA

309 W. Washington Suite 600
Chicago, IL 60606
T: 312/334-9200
F: 312/334-9230
www.foodexport.org
info@foodexport.org

Michelle Rogowski
Deputy Director
mrogowski@foodexport.org

Teresa Miller
International Marketing
Program Manager
tmiller@foodexport.org

Molly Burns
Branded Program Manager
mburns@foodexport.org

Rob Lowe
Financial Manager
rlowe@foodexport.org

FOOD EXPORT USA-NORTHEAST

One Penn Center
1617 J.F.K. Boulevard, Suite 420
Philadelphia, PA 19103
T: 215/829-9111
F: 215/829-9777
www.foodexport.org
info@foodexport.org

Joshua Dillard
Deputy Director
jdillard@foodexport.org

Suzanne Milshaw
International Marketing
Program Manager
smilshaw@foodexport.org

Howard Gordon
Branded Program Manager
hgordon@foodexport.org

Bruce Pansius
Financial Manager
bpansius@foodexport.org

GOT FEEDBACK?

Let us know what you like about U.S. Foodlink, and how we can make it better: send an e-mail to info@foodexport.org

SUBSCRIPTIONS

The U.S. Foodlink newsletter is available every other month, in many countries around the world. Find out how to access the newsletter in your country by sending an e-mail to info@foodexport.org.

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.

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. Persons with disabilities who require alternate means of communication of program information should contact us. Food Export Midwest and Northeast do not tolerate fraud and are vigilant in preventing fraud in any of our programs. Food Export does not discriminate, and we reserve the sole right to accept or deny companies into our programs. For complete participation policies and our code of ethics, visit: www.foodexport.org/.