

U.S. FOODLINK

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Amazon's Whole Foods Acquisition *Reverberates Throughout the Food Industry*

Amazon's acquisition of Whole Foods Markets closed Aug. 28, and Amazon immediately reduced prices on certain items. However, research firm Barclays found the initial price reductions to ultimately be a public relations move, as fewer than 1% of the chain's SKUs were affected at stores in New York City and Chicago. Prices on the affected items were reduced by an average of 25.4% in New York and 21% in Chicago.

The items initially advertised for price cuts were *Whole Trade* bananas, organic avocados, organic large brown eggs, organic responsibly-farmed salmon and tilapia, organic baby kale and baby lettuce, animal-welfare-rated 85% lean ground beef, creamy and crunchy almond butter, organic Gala and Fuji apples, organic rotisserie chicken and *365 Everyday Value* organic butter. Other items received discounts as well, including tomatoes on the vine priced 43% lower in New York City.

Despite the cuts, many of the customers lost during Whole Foods' recent decline may be gone forever, and Barclays believes the industry is "entering a new era of survival of the fittest." The firm doesn't expect "mediocre" food retailers or high-priced specialty retailers to survive the changes hitting the retail food landscape.

At the same time, the cuts brought prices in Whole Foods' 12 regions more in line with each other after previously differing significantly, reported *The Wall Street Journal* (Aug. 28). Whole Foods' overall prices would need to drop 15% to strike even with most competitors, according to analysts. Further cuts are expected as the merger progresses, according to a Whole Foods spokesperson.

Prior to the deal's completion, 38% of current Whole Foods shoppers and 31% of Amazon shoppers were feeling positive about the acquisition, according to a survey by GfK. The number of consumers optimistic about the deal rose to 43% among those who regularly buy from both companies.

(Continued on page 2)



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Amazon's Whole Foods Acquisition Continued

In comparison, only 12% of Amazon customers and 10% of Whole Foods customers had a negative opinion about the deal, while the remainder either felt neutral or weren't aware of the development. Additionally, the merger could expand the companies' customer base, as only 23% of those who feel optimistic about the transaction currently shop at Whole Foods.

Another survey noted that 78.5% of those who occasionally shop at Whole Foods don't do so more often because the prices are too high, while only 14.3% cited a lack of online ordering. A similar survey by ChargeItSpot found 30% of respondents hoped the deal would result in lower prices at Whole Foods, reported *Business Insider* (July 21). Additionally, the ChargeItSpot survey found 62% of respondents were more likely to shop at Whole Foods after the acquisition, and 84% had positive feelings about the merger.

In terms of individual chains, the retailer most likely to be impacted by the deal is Trader Joe's, according to BMO Capital Markets. As many as 30% of the chain's stores have crossover with a Whole Foods location within one mile, compared to 10% for most other grocers. Additionally, Trader Joe's lacks an online/delivery strategy to combat the expertise Amazon will give Whole Foods.

Amazon could have an impact on the restaurant distribution industry as well, selling more goods to restaurants, according to *Nation's Restaurant News* senior financial editor Jonathan Maze. The company's Amazon Business service already sells products directly to restaurants, and the company could compete with Costco and Restaurant Depot in the alternative distribution market.

The deal could have a significant effect on food e-commerce, utilizing Whole Foods to boost Amazon's delivery services. All of Whole Foods' private label products are being made available through Amazon.com, AmazonFresh, Prime Pantry and Prime Now.

However, Barclays analyst Karen Short noted the deal's effect on the foodservice industry may be limited. Established foodservice distributors offer convenience, price and efficiency, which makes them well positioned to compete against Amazon. They already offer same-day or next-day delivery, and the larger companies have the scale and supply chains needed to not only compete on price, but to deliver fresh food far more quickly and efficiently than Amazon can, even with the help of Whole Foods. Additionally, foodservice demands very sophisticated private label offerings, and most brands are not substitutable.

The deal however, could have a significant effect on food e-commerce, utilizing Whole Foods to boost Amazon's delivery services. All of Whole Foods' private label products are being made available through Amazon.com, AmazonFresh, Prime Pantry and Prime Now. At the same time, Amazon noted that the companies will integrate their technological capabilities, and Amazon Prime will become

Whole Foods Market's customer rewards program.

"Amazon has been putting in place a number of pieces from automation and distribution centers to delivery capabilities," founder and CEO of the Center for Advancing Retail & Technology Gary Hawkins said.



"They've got all the pieces in place to plug pretty quickly into the Whole Foods experience, activity and operations ... to really leverage that acquisition."

Deutsche Bank analyzed the way Amazon handles its fulfillment relationship with Sprouts Farmers Market to better understand how the merger may affect both businesses. Produce accounts for about 25% of Sprouts' sales, but its popularity was even higher through Prime Now, where produce accounted for 48% of the top 25 most ordered items and 66% of the top 100. Deutsche Bank took this as a sign that customers "value the freshness that Sprouts brings to Amazon's grocery inventory and believe it telling of how Amazon will likely leverage Whole Foods over the medium term."

Adding a larger variety of fresh items to the Prime Now service would increase adoption rates considerably, according to Buy Box Experts partner James Thomson. Amazon's access with data could help the company localize the selections it offers.

At the same time, 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.

Aside from fresh food, food buying habits are moving online, according to BMO. Approximately 40% of center-store categories are expected to shift online by 2025, based on work by Nielsen and the Food Marketing Institute. By that time, 75% of households are expected to buy food online in some form. As a result, BMO sees Amazon's acquisition as a stage in a broader restructuring of retail, not part of a consolidation phase.

Featured Products



WORLD'S FINEST CHOCOLATE

Chicago, IL

Queen Anne Cordials: Our Cordial Legacy For over 65 years, Queen Anne® has been America's #1 brand of cordial cherries. In 1948, the first Queen Anne Cordial Cherry was introduced – a whole Maraschino cherry, suspended in a creamy center and enrobed with smooth milk chocolate. Queen Anne Cordial Cherries quickly became the founding company's most successful product and a cherished treat for special occasions.

Queen Anne returned to Chicago in 2006 when World's Finest® Chocolate, the venerable 75-year old family-owned and operated chocolate company, acquired the brand. World's Finest Chocolate is recognized for using only select, premium ingredients and manufacturing chocolate directly from the cocoa bean.

Whether for holidays, special occasions, or family gatherings, Queen Anne Cordial Cherries are an indulgence everyone treasures. For more information visit:

WorldsFinestChocolate.com



Herr Foods, Inc.

Nottingham, PA

Herr's line of export products is based on our best-selling snack foods and is complimented by salsas, dips and other unique products specially selected for export success. Herr's is committed to service and is dedicated to providing the flexibility to meet distributors' needs. Herr's has experienced over 65 years of success in the US market and continually introduces innovative products and packaging to satisfy ever-changing appetites and tastes. Our export line of quality snacks consists of more than 40 items including potato chips, tortilla chips and cheese curls. Herr's is owned and operated by the Herr family. We remain true to the founding principles, which have guaranteed satisfaction to our customers year after year. Herr's snacks are distributed in 12 states throughout the Northeast/Mid-Atlantic region through company owned routes and nationally by way of independent distributors and National Retailers. Internationally we export to 50 countries. herrs.com



Derstine's Inc.

Sellersville, PA

Derstine's, Inc. is an independent, family-owned, full-line foodservice distributor. Since 1983 we have been providing regional food operations and restaurants with everything they need to serve their customers with great food and quality products.

Derstine's is your "one-stop source" for: Fresh Produce, Quality Meat and Fish, Refrigerated and Frozen Foods, Canned and Dry Goods, and even paper supplies.

This Pennsylvania Supplier also represents Pellman Foods, Inc., distributor of New York style Cheesecake known for its velvety smooth body of fresh cream cheese and sour cream set in a real graham cracker crust and dusted with graham cracker crumbs. Kosher certified and ready to ship worldwide. derstines.com



Connoils

Waukesha, WI

CONNOILS is a leading international raw materials and supplement manufacturer, distributor and wholesale supplier of saw palmetto oil, an extract derived from the deep purple berries of the saw palmetto fan palm. This plant is indigenous to the southern coastal regions of the U.S. Studies have shown that saw palmetto has various medical benefits, including the treatment of testicular inflammation and urinary tract infection, coughs and respiratory congestion. It can also balance metabolism, stimulate appetite and aid in digestion. Research confirms that saw palmetto's bioactive ingredients are of lipophilic nature, and are extracted and well assimilated by the skin. This suggests when applied topically the active ingredient of saw palmetto may be more bioavailable and provide more effective treatment for particular body areas and organs.

Extraction without any solvents makes it a much greener production process. It is an herb that has been shown in clinical studies to play a role in maintaining a healthy prostate. It increases urine flow (as a diuretic) to promote relaxation as a sedative, and to enhance sexual drive as an aphrodisiac. Dihydrotestosterone or DHT is a particularly potent form of testosterone found in saw palmetto. Saw palmetto can stem excess sebum or oil production in the glands of the skin. connoils.com



Albanese Confectionery Group, Inc

Merrillville, IN

Over 30 years ago at the Crossroads of America
A family owned business was developed in Northwest Indiana.

We manufacture Gummi's and Chocolates with a simple recipe for success
Putting flavor and texture first, making us the "World's Best!"

With Gummi shapes ranging from butterflies, worms, frogs, and rings
And most importantly our bears, that is the number 1 thing!

Our 12 Flavor™ Gummi Bear mix is what sets us apart from the rest
With Gummi's sour on the inside and out, too, we can surely attest!

These gummi's are offered in bulk and our World's Best branded bags
That come in all kinds of options that will make you quite a fan!

And now let me tell you about more of our delicious treats
Our Gold Label Milk, Yogurt, & Dark Chocolates that no one can beat!

Coating pretzels, nuts, and gummi bears, nothing goes unlooked
All you'll need is one bite and you'll sure to be hooked!

With our triple dipped malt balls and peanut butter peanuts, we rise above
And our BRC and Kosher Certifications that you will surely love!

So don't waste any more time to try our treats that are yummy
Go ahead, grab a bag, and find out why we're the "World's Best" Gummi's!

albanesecandy.com



Dietary Pros Inc.

Wausau, WI

With many years of experience in the probiotic industry, the team at Dietary Pros Inc. has developed an in-depth understanding of probiotic cultures and the parameters that influence product quality. Their expertise in formulation and specialty technologies to optimize delivery has created industry leading products. This Wisconsin company offers Probiom® branded products for resellers and distributors, and specializes in private labeling of stock formulas. They also accommodate custom formulations. All Probiom probiotic products are manufactured with only the highest quality ingredients to benefit and enhance digestive health.*

The newest addition to the Probiom family of products is Flexatine® Professional Strength, by the makers of Probiom probiotics, Dietary Pros Inc. The Flexatine concept was developed to provide a glucosamine, msm, and chondroitin free, all natural product. In addition, it had to deliver true efficacy for joint health, be drug free, and reduce WOMAC pain levels.

Professional Strength Flexatine delivers a significantly better result than traditional joint formulas, without chemicals or allergens! It is designed for efficacy, but value priced, making it a far better choice, both clinically and economically. dietaryprosinc.com

*These statements have not been evaluated by the Food and Drug Administration. This product is not intended to diagnose, treat, cure or prevent any disease.

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

EVENT CALENDAR

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

9-11: Fisheries & Seafood Show
Qianzhen District, Kaohsiung, Taiwan
Kaohsiung Exhibition Center
taiwanfishery.com/en

12-14: PLMA's Private Label Trade Show
Rosemont, Illinois – USA
Rosemont Convention Center
plma.com

14-16: Food & Hotel China
Shanghai, China
Shanghai New International Expo Centre – SNIIEC
fhchina.com

2018

FEBRUARY

14-16: SMTS (Supermarket Trade Show) 2018
Tokyo, Japan
Makuhari Messe (Japan)
smts.jp/en

18-22: Gulfood Show
Dubai, United Arab Emirates
Dubai World Trade Centre
gulfood.com

24-25: CHFA (Canadian Health Food Association) West 2018
Vancouver, Canada
Vancouver Convention Centre
chfa.ca/en/chfa-west

Listed events are the international shows where Food Export will have staff/services available.

Lidl's First Stores Beat Opponents on Price

Lidl's first North Carolina stores are significantly cheaper than mainstream counterparts, with prices lower than nearby Walmart Neighborhood Market, Walmart Supercenter and Kroger locations, according to Deutsche Bank Markets Research analysis of three locations. However, Aldi's prices were 0.7% lower on average.

Lidl beat Walmart Neighborhood Market prices by 10.9% in center store and 8.5% in the meat, dairy and produce sections combined. Walmart was the price leader on three items out of 46, while Lidl took the lead on 41 and the others were tied in terms of price.

At the Walmart Supercenter, Lidl's advantage was significantly smaller. The discounter had a lower price on 29 of the 37 center store items examined, resulting in a 10.1% price advantage. However, Lidl only led on price in three of the seven dairy items, and Walmart tied on the remaining four, resulting in a 1% advantage for Lidl. Walmart was the price leader in four of nine national brands, while Lidl only had an advantage on two, resulting in a 0.2% advantage over Lidl. The discounter was 5.7% cheaper when taking the full basket into consideration, and 8.1% cheaper when national brands were excluded.

Lidl was 20.1% cheaper than Kroger in the center store, with 22 out of 31 products priced lower. Lidl's advantage was significantly lower in the meat, dairy and produce sections, with Lidl only ahead on five out of nine items, resulting in a 1.1% price advantage. Lidl was 14.6% cheaper than Kroger on the total basket.



Aldi was 1.5% cheaper than Lidl in the center store, but 0.8% more expensive in meat, dairy and produce. While Aldi was the overall price leader in Deutsch Bank's study, the analysts found that Aldi marked three center store items down the day Lidl opened. Without those discounts, Lidl would have beaten Aldi's overall prices by 0.5%.

Walmart may take similar measures in the future, according to what employees told Deutsch Bank researchers. The analysts were told Walmart would focus on providing the lowest-cost basket to customers. However, a Lidl district manager said the chain's strategy is to price below Walmart across the store, starting from the first day a location opens.

Deutsch Bank believes other factors may need to be taken into consideration when looking at the effect Lidl will have on the grocery landscape. The researchers found the stores to feel "premium," and its "overall presentation surpasses that of Aldi," according to the firm. Additionally, Lidl enhanced its grocery assortment with a variety of non-grocery items featuring "Surprises" in the middle aisles including cookware, electronics, exercise gear, men's and women's clothing and children's items such as game and coloring books.

Though Lidl's expansion, with 100 stores planned by 2018, will be a challenge for competing chains, its advance may not be as disruptive as some feared, according to Deutsch Bank. In particular, U.S. retailers have been dealing with Aldi since 1977, and discounters have not resonated with U.S. shoppers the same way they have in Europe. Most of the disruption is expected to come from grand openings, pulling traffic from nearby stores as interested customers line up to see what Lidl has to offer.

Lidl's latest expansion plans are for Ohio, as the chain submitted applications for locations in Broadview Heights, Howland and Austintown, reported *Cleveland.com* (Aug. 29). The Broadview Heights store is slated to open in 2020, which would make it the first in the state, and the company is considering additional locations for the state as well.

State Spotlights



Nearly 58,000 farms in the "Hoosier State" work 14.7 million acres, nearly two thirds of the total land with up to one third of the production exported to international customers.

2016 TOP AGRICULTURAL EXPORTS

Animal Feed	\$158.6 million
Pork Meat, Fresh & Chilled	\$131.1 million
Food Preparations for Infants	\$113.8 million
Miscellaneous Food Preparations	\$83.6 million
Corn, Other Than Seed Corn	\$55.7 million
Other Fructose & Syrups	\$51.3 million
Nuts (ex. Peanuts), Prepared & Preserved	\$48.5 million
Corn Seed, Certified, Excluding Sweet Corn	\$41.2 million
Pork Meat, Frozen	\$40.2 million
Bakery Products	\$30 million
Pork Shoulders & Hams, Bone-In, Fresh	\$26.6 million
Dog & Cat Food	\$24.1 million



Small, diversified farms across Maine, numbering about 8,200 and covering nearly 1.5 acres, supply niche markets with organic produce and meat and value-added products, as well as fiber products.

2016 TOP AGRICULTURAL EXPORTS

Lobster Fresh, Live, Chilled, Dried	\$381.6 million
Salmon, Fresh & Chilled	\$72.4 million
Mucilage & Thickener from Vegetable Product	\$54.4 million
Chicken Meat, Prepared & Preserved	\$32.3 million
Sea Urchins, Live, Fresh & Chilled	\$23.9 million
Cranberries & Blueberries, Fresh	\$20.1 million
Cranberries & Blueberries, Frozen	\$20 million
Potato Products, Prepared & Frozen	\$17.7 million
Live Eels	\$14.9 million
Lobster, Prepared & Preserved	\$11.6 million
Maple Sugar & Maple Syrup	\$9.8 million
Lobsters, Including In-Shell, Frozen	\$7.5 million
Crabs, Raw, Live, Steamed, Not Frozen	\$7.2 million

news briefs

People are grilling organic at barbecues despite the cost. Using organic and other health-conscious foods could cost almost twice as much as a traditional barbecue, at \$45.48 compared to \$28.55. "Organics are perceived as being healthier. But nutritionally, they're shown by studies to be nutritionally the same as traditional foods. For families looking to do organic, prices can become an issue," Food Institute president and CEO Brian Todd said, reported *CNBC*.

Sales of certain beverages fell at convenience stores during the spring. Carbonated soft drink unit sales decreased 4.7% during the 12 weeks ending June 17, while sports drink sales were down 9% and energy drink sales were down 0.5% according to Nielsen. However, sparkling flavored water unit sales rose 15.6% and bottled water sales were up 1.7%, reported *Convenience Store News*.



Most people know someone who buys groceries online. Almost all Americans say someone in their family shops for groceries in person at least once a month, with 83% going at least once a week, according to Gallup's Consumption Habits survey. However, only 9% of U.S. adults order groceries online at least once a month, including 4% who do it at least weekly.

Consumers are buying more dry goods online. About 97% of all consumer packaged goods (CPG) dollars are spent in brick-and-mortar retail stores, but 28% of consumers prefer to purchase groceries online regularly, according to Acosta. Twenty-three percent of older Millennials and 14% of younger GenX'ers are frequent CPG e-commerce shoppers, purchasing groceries online an average of 50% or more of the time.

Private labels are still on the rise! The amount of shelf space given to private label products increased 3.5% annually since 2012, according to Credit Suisse. Additionally, national brands are facing escalating pressure from retailers demanding lower prices. The 25 largest food and beverage companies hold a 63% share of the market, down from 66% in 2012, according to A.T. Kearney, reported *The Wall Street Journal*.



Healthy ice cream is trending. Dollar sales of ice cream with "good source of protein" claims jumped 207% in the 52 weeks ending May 27, according to Nielsen. Sales of ice cream with "considered 'healthy' by U.S. government policies" claims grew 85%, and sales of ice cream with vegan claims grew 53%. In comparison, dollar sales of ice cream with natural claims grew 7% during the same period.

Even so, some consumers are cutting back. One in ten U.S. consumers cut back on ice cream consumption due to health concerns, according to Mintel. An almost equal share actively avoid healthy versions because ice cream is "meant to be a treat." More than one quarter of ice cream buyers agree that, even though they find the treats unhealthy, they buy them anyway.

Prepared sushi is growing on popularity. Sales are up 13% at grocery stores and 20% at drug stores in the past year, and down 57% at convenience stores, according to Nielsen. The uptick in sushi sales in other channels shows the category is growing, and Nielsen analysts believe convenience stores can reverse the trend by improving consumer perception and innovating deli offerings.

Price is the main cause for lack of produce consumption. Less than half of consumers eat produce daily, according to a report from Category Partners and Beacon Research Solutions. Fear of spoilage and poor appearance in terms of quality and color were significant deterrents as well, reported *Supermarket News*.

Lunchbox treats vary by region. Granola and protein bars are the most popular lunchbox snacks in the Northeast, according to a survey by General Mills. Consumers in the South like to snack on chips, popcorn, crackers and pretzels, while Midwest and West Coast snackers opt for vegetables and fruit.



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