

# U.S. FOODLINK

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

Vol. 14 No. 1



## Pet Food Buyers Embracing E-Commerce, *but Brick-and-Mortar Still Important*

The pet care channel is big, with sales valued at nearly \$28 billion annually across both brick-and-mortar and e-commerce, according to Nielsen. Forty-four percent of consumers have purchased pet care items online, and about 34% purchased them in the previous three months. The nature of online competition means smaller brands currently hold a larger share of spending, but the rapid growth being experienced by large brands in particular and the category in general show this could change going forward.

Market research firm Packaged Facts found similar numbers to Nielsen, and estimated that pet food sales increased almost 6% in 2017, reaching \$26 billion. The growth trajectory is expected to remain positive at least through 2022.

Dry dog food was the fast-moving consumer good (FMCG) with the highest rate of e-commerce subscription orders in 2017, followed by pet treats. Cat food was highly ranked as well, coming in at ninth place. Twenty-nine percent of consumers considered purchasing pet care products online in the 52 weeks ending July 1, making it the second-largest FMCG category.

Large dog food brands dominate the market at traditional retail, with about \$8.1 billion in sales during the 52 weeks ending Aug. 12, 2017, accounting for 82% of the market share. Sales were up 1.1% from the same period in 2016. However, these brands have a lot of room for growth in e-commerce, where large manufacturers totaled only \$940 million in sales and 42% market share. Large brands saw 114% dollar growth during the period, showing consumers are willing to embrace offerings from bigger companies, even online.

While online growth shouldn't necessarily come at the expense of growth in traditional channels, Nielsen found some companies were having trouble achieving both. Among the top 20 brick-and-mortar dog food manufacturers the firm

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## Pet Food Buyers Embracing E-Commerce Continued

studied, only 11 were able to drive growth across both e-commerce and in-store channels during 2017.

In general, 18.3% of 2017 dog food sales occurred through online channels, growing 92.2% from the previous year, according to Nielsen. Cat food sales are smaller and growing more slowly, but still posting exceptional growth; 12.6% of sales in the category occurred online, a 63.2% jump from 2016.

Pet treats and supplies are among the top FMCG categories ordered for delivery, but don't make the cut for in-store or curbside pickup. This isn't necessarily a bad thing, as 87% of orders are completed through home delivery, compared to only 8% via in-store pickup and 4% through curbside pick-up.

Still, companies shouldn't write off the importance of pet care at grocery stores. Pet care products accounted for \$20.5 billion in retail sales during the 52 weeks ending Sept. 30, 2017, with dollar sales up 1%. A total of 5.6 billion units were sold, down 1.8% from the same period in 2016.

Eighty-eight percent of dog owners and 93% of cat owners purchased pet food at a physical store in the least 12 months, according to Packaged Facts, reported *Pet Product News* (Jan. 5). Seventy-six percent of dog owners buy all their food from a physical store, as do 81% of cat owners.

At physical pet stores, private label products accounted for 3% of total sales in the 52 weeks ending Sept. 30, 2017, down 3% from 2016, according to Nielsen. The average shopper made 7 trips to a pet store during the period, spending \$35 per trip.

Perhaps unsurprisingly, Millennials are the cohort most likely to use non-traditional buying options for their pet care needs, according to Packaged Facts. They are more likely to order pet products online for delivery, in-store pickup or curbside pickup.

"Much of the growth in the pet food market can be attributed to the rapid acceleration of online sales, particularly with behemoths Amazon and Chewy.com. Internet sales of pet products are outpacing and even stealing sales from other channels, notably pet super stores. Not to mention the emergence of Millennials as prominent pet market consumers," Packaged Facts research director David Sprinkle said. "But there are other, perhaps even at times under the radar, developments that are driving pet food growth."



Even as they expand online, specialty pet retailers aren't ignoring the importance of a physical presence. PetSmart opened 63 stores in the first three quarters of 2017, reaching 1,600 in total, reported *Pet Product News*. Petco is close behind with 1,500 stores, while Pet Supplies Plus reached 400 locations in May 2017.

Another potential change to the way pet food is purchased may be the rise of home delivery services that specialize in fresh dog food with home-made quality. Companies such as PetPlate, The Farmer's Dog, JustFoodForDogs, Ollie and Just Right by Purina are expected by Packaged Facts to have an impact on the industry in 2018.

The growing demand for quality may mean organic pet food is finally about to hit the big time, according to Packaged Facts' *Natural, Organic, and Eco-Friendly Pet Products in the U.S., 6th Edition*. The industry is facing challenges in the area, such as the popularity of organic food for humans reducing supplies and the complicated standards to which organic products must adhere. Additionally, the prices associated with organic products might make them even more premium than the usual high-end pet food offerings, causing customers to shy away from trying them.

At the same time, the report found that organic pet food standards are moving through the approval process of the National Organic Program, while the growing level of organic agriculture is increasing the supply of organic products. Packaged Facts noted that as natural pet food marketers seek to distinguish themselves from their competitors, offering organic products may be the next natural step.



# Featured Products



## Stonewall Kitchen

York, ME

**Our Story** It all began at a local farmers' market in 1991 with a hand-labeled line of jams and chutneys. More than 25 years later, our business has evolved to include sauces, condiments, baking mixes and so much more in order to satisfy our guests' ever-growing appetite for unique flavors. Today, we're proud to be one of the most awarded specialty food companies in America, having won 29 prestigious awards from the Specialty Food Association and three Outstanding Product Line Honors. Our extensive line of products is sold in more than 6,000 locations, both nationwide and internationally, but our commitment to quality has never wavered from those early farmers' market days.

**New Year, New Products!** Those resolving to "try something new" in 2018 are in luck: we're kicking off January by announcing a host of exciting additions to the Stonewall Kitchen line to help you shake-up your taste buds in the new year. Add a little spice to your life with one of our five fiery products featuring Sriracha, sweet chilies and ultra-hot ghost peppers. Take your appreciation for bacon to the next level with our new Bacon Ketchup and savory Bourbon Bacon Jam. Or give a foreign classic a try with our rich, boxed Saffron Risotto and two flavors of Dutch-inspired waffle cookies, our Maple Brown Butter Waffle Cookie and Cocoa Sea Salt Caramel Waffle Cookie. This launch is all about exploring new flavors, unexpected combinations and fresh takes on timeless dishes. Visit [stonewallkitchen.com](http://stonewallkitchen.com) to find out more about what we're up to and explore our products.



## East-West International Group, Inc.

Moreland Hills, OH

East-West International Group, Inc. (EWIG) was established in 1979 in Ohio, specializing in international trade. For more than three decades, EWIG has helped many western and Asian companies develop their international business. Our food division has exhibited in many shows in the U.S. and Asia and we have helped western food manufacturers establish distributors and organize promotional activities.

Serving retail, private label, snack and natural/organic market segments, this wholesaler/broker/export trade representative represents an extensive portfolio of products including cookies, nuts, dips, dressings, spices, sauces, chips/crisps, snack bars, tortilla/corn chips and more! [eastwestintlgroup.com](http://eastwestintlgroup.com)



## Herr's 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. [herr.com](http://herr.com)



## Cape Cod Provisions LLC

West Wareham, MA

Cape Cod Provisions was founded in 1996 on Cape Cod, a major cranberry growing region and the birthplace of commercial cranberry harvesting in the early 1800's. The company launched with a regionally branded line of cranberry confections. In 2016, the company was acquired by Cape Cod Sweets, LLC and is now based in Wareham, MA, in the heart of the northeast United States' "cranberry country."

Since our beginnings in 1996, we've expanded far beyond just our beloved cranberry, to offer decadent, on-trend and crave-worthy indulgences. Our products include chocolate covered fruits, fruit & nut blends, fruit & dessert truffles and specialty confections.

We now have four distinct brand families of specialty chocolate and fruit confections: Harvest Sweets®, Cape Cod Cranberry Candy™, Sweet Cravings® and New England @ Heart®. We proudly serve specialty market segments across the country and beyond. [capecodprovisions.com](http://capecodprovisions.com)



## Life Plus Style Gourmet

Valley Stream, NY

Life Plus Style Gourmet is best known for its unique and delicious line of artisan-made Coney Island Classics Kettle Corn and Caramel Corn. Each batch is hand crafted in copper kettles the old-fashioned way, reminiscent of walking the boardwalk during the summer in Coney Island, NY.

Made with 100% non-GMO whole grain American corn to create six exceptional varieties that will entice your taste buds: Sweet & Sea Salty, Butter Me Up, Caramel Corn, Cinnamon Bun, Jalapeno Poppers, Smokin' Bar-B-Q.

All natural, gluten free, certified kosher and made in a nut-free facility. It's naturally nutritious! Made in the U.S. and enjoyed around the world.

[coneyislandclassics.com](http://coneyislandclassics.com)



## Universal Probiotics

Produced by Universal Enzymes LLP

## Universal Probiotics

Manhattan, KS

Founded with passion for developing natural ways to protect and enhance the health of animals, Universal Probiotics began as a family business and has grown into a proven solution for animals of all kinds. Customers say their animals have never looked or performed better, and they will continue to invest in Universal Probiotics because of its unique ability to save them money they would otherwise spend on animal care.

Universal Probiotics is unparalleled in its ability to improve the digestive system of each animal species because, unlike other competitors, Universal Probiotics grows its beneficial bacteria together during the production process, ensuring the probiotics will function together for maximum results. For more information, e-mail [mark@universalprobiotics.com](mailto:mark@universalprobiotics.com)

For more information about these Featured Products or other featured products please email: [info@foodexport.org](mailto:info@foodexport.org).

## EVENT CALENDAR

### MARCH

#### 6-9: FOODEX Japan

Toyko, Japan  
Makuhari Messe, Japan  
[jma.or.jp/foodex/en](http://jma.or.jp/foodex/en)

#### 6-8: Expo ANTAD & Alimentaria Mexico 2018

Guadalajara, Mexico  
Expo Guadalajara  
[alimentaria-mexico.com/en/home](http://alimentaria-mexico.com/en/home)

### APRIL

#### 24-27: FHA (Food & Hotel Asia) 2018

Singapore  
Singapore Expo & Suntec Singapore  
[foodnhotelasia.com](http://foodnhotelasia.com)

#### 24-26: Seafood Expo Global

Brussels, Belgium  
Brussels Expo  
[seafoodexpo.com/global](http://seafoodexpo.com/global)

#### 30-May 04: Seoul Food & Hotel

Kintex, Seoul, South Korea  
Korean International Exhibition Center  
[seoulfoodnhotel.co.kr](http://seoulfoodnhotel.co.kr)

### MAY

#### 2-4: SIAL Canada

Montreal, Canada  
Palais Des Congres  
[imexmanagement.com/show/212/sial-canada-2018/#](http://imexmanagement.com/show/212/sial-canada-2018/#)

#### 16-18: SIAL China

Shanghai, China  
Shanghai New International Expo Centre – SNIEC  
[sialchina.com](http://sialchina.com)

### JUNE

#### 5-8: Alimentec

Corferias, Bogotá, Colombia  
[feriaalimentec.com](http://feriaalimentec.com)

#### 25-28: IFT (Institute of Food Technologists)

Las Vegas, Nevada – USA  
Sands Expo  
[iftevent.org](http://iftevent.org)

### SEPTEMBER

#### 4-6: Seafood Expo Asia

Wanchai, Hong Kong  
Hong Kong Convention & Exhibition Centre  
[seafoodexpo.com/asia](http://seafoodexpo.com/asia)

#### 17-19: SEAFEX 2018

Dubai, United Arab Emirates  
Dubai World Trade Centre  
[speciality.ae/seafex-seafood-aquaculture](http://speciality.ae/seafex-seafood-aquaculture)

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

# People Applying Their Own Health Desires to Pets

Humans' interest in eating healthier is extending to their pets, with 76% of dog owners and 71% of cat owners agreeing that "high-quality dog foods/cat foods are effective for preventive health care" in Packaged Facts' *February/March 2017 National Pet Owner Survey*. This number is up from previous years, and is similar to the up-and-coming trend of micro-targeted and functional pet foods. Rather than being formulated for a general age range or size, these products take age, breed, size/weight, activity level, indoor vs. active, type of fur, as well as allergies and other chronic health conditions into consideration. They also offer specific ingredients, such as probiotics, omega fatty acids, glucosamine, fruits, and vegetables.

Innovation in pet food will affect proteins, with alternatives expected to play a bigger role in 2018. Producers will launch products tailored toward specific protein needs, such as varieties of single-proteins, proteins as the



first ingredient, multiple proteins, and exotic proteins. Packaged Facts attributed interest in these products to the popularity of ancestral formulations, which aim to recreate the diets pets had before they were domesticated. These products are causing a rise in raw and whole prey pet food as well.



However, not all companies feel bound by this trend's origins. While some are embracing the wild animal association given to these products, others are simply playing up the high-quality and high-protein angle. Meat isn't the only angle for producers looking to break into premium pet food, as Packaged Facts' *September/October 2017 National Pet Owner Survey* found 68% of pet owners say vegetables can be good ingredients, while 48% feel the same way about brown rice.

For even more independent pet owners, DIY pet food is in. Some supplement meals with homemade indulgences, while others are interested in "semi-homemade" solutions by adding mix-ins, toppers, sauces or spray-on nutrients to their pets' meals. Producers are getting on the trend by offering customizable products, such as raw and dehydrated food that involves some extra preparation and can be customized from there.



## State Spotlights



The 68,700 farms covering over 14.4 million acres in "America's Dairyland" make it one of the most diverse agricultural states in the nation and a national leader in the production of cow's milk, butter and cheese.

### 2016 TOP AGRICULTURAL EXPORTS

Soybeans for Oilstock or Consumption	\$166.4 million
Denatured Ethyl Alcohol & Other Spirits	\$157.8 million
Miscellaneous Food Preparations	\$152 million
Sausages and Similar Prepared Meats	\$117.9 million
Wheat (Other than Durum) & Meslin	\$102.7 million
Cranberries, Prepared & Preserved	\$100.7 million
Whey Products	\$100 million
Sauces, Condiments & Seasonings	\$67.7 million
Baked Goods & Snack Foods	\$62 million
Varietal Cheese, Including Cheddar & Colby	\$60.1 million
Dog & Cat Food	\$55 million



Over 7,300 farms in "The Green Mountain State" cover 1.2 million acres, producing high quality cheeses, grass fed beef, cranberries, maple products and many other foods.

### 2016 TOP AGRICULTURAL EXPORTS

Foods Preparations for Infants	\$34.7 million
Chocolate Preparations in Blocks Over 2 Kilos	\$29.3 million
Cocoa Preparations Not in Bulk Form	\$19.1 million
Coffee, Roasted, Not Decaffeinated	\$15.3 million
Milk & Cream, Low Fat, Concentrated	\$11.8 million
Whey Products	\$11.6 million
Milk Albumin, Including Concentrates	\$10 million
Sugar Confectionery	\$7.7 million
Cocoa Paste, Not Defatted	\$7.6 million
Cocoa Powder, Not Sweetened	\$7.2 million
Cocoa Butter, Fat & Oil	\$6.8 million
Maple Sugar & Maple Syrup	\$6.2 million
Miscellaneous Food Preparations	\$5.1 million

# news briefs

## Fermented foods expected to be a top superfood of 2018.

A survey of registered dietitian nutritionists by Pollock Communications found other top superfoods to be avocado, seeds, nuts, green tea, ancient grains, kale, exotic fruits, coconut products and salmon.

**Liquid tea sales are still growing rapidly.** The category saw 18.9% dollar growth and 25.2% volume growth in the 52 weeks ending Nov. 25, making it the fastest-growing center-store segment for the second year in a row, according to Nielsen. Vinegar and cooking wine reported 12.4% dollar growth and 5% volume growth during the same period, while liquid coffee experienced 7.6% dollar growth and 5% volume growth.

**Chocolate producers are looking for ways to make the treat healthier.** Due to rising demand for better-for-you food, companies believe consumers are willing to pay more for higher quality products. Confectionery volume sales rose just 0.5% in 2016-2017, but dollar sales grew 3.6% during the same period, potentially due to an uptick in premium sales, according to Euromonitor International, reported Reuters.

**Hispanic shoppers are more profitable than total U.S. shoppers.** Additionally, they shop more frequently across all grocery trip types, according to Acosta and Univision's *The Why? Behind The Buy U.S. Hispanic Shopper Study*. Hispanic shoppers with children spend over \$150 more each year versus total U.S. shoppers.

**Retail beef demand is up 6.5% since fall 2012.** Premium cuts have been the driver behind beef's popularity, mainly due to low unemployment rates and rising median wages, according to the National Cattleman's Beef Association. Value-added pork is one of the sector's fastest growing categories, reported *Supermarket News*.



**The average consumer spends \$1,175 on takeout and delivery every year.** A study commissioned by Home Chef found 82% of respondents order out at least once every two weeks. Forty percent of respondents feel they don't have the time for a home-cooked meal, rising to 61% among those aged 18 to 24, reported *New York Post*.

**Consumers are using more outlets than ever for food shopping.** Seventy-six percent of weekly shoppers visit more than one retailer each week for groceries, according to Acosta. Thirty-seven percent of shoppers make multiple trips weekly to ensure their food is fresh, while 60% do so because of price. Thirty-three percent go to more than one retailer due to not finding all the products or brands they want at one store.

**Will center store items be the first to move completely online?** Supermarkets will need to place significantly more emphasis on fresh and perimeter items in the near future due to a diminishing role of the center store in brick-and-mortar settings, according to a Rabobank analyst. An estimated 2% of all domestic food and beverage retail is sold via e-commerce, reported *Supermarket News*.



**Packaging will play a pivotal role in reducing global food and product waste in 2018.** Online brands will reinvigorate their packaging in order to enhance the e-commerce experience, according to Mintel's global packaging trends. Clear and succinct package messaging will become more popular as consumers prefer brands that embrace minimalism.

**Consumer demand exists for alternatives to pasta and rice.** The United Fresh Produce Association's *FreshFacts on Retail* report predicts continued growth and expansion of fresh-cut and value added products, both in private label and branded produce, as health and convenience are two of the most important factors for successful new product launches in the produce department.

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## 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](mailto:info@foodexport.org)

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