Natural Foods Market

Food Industry Executive Leadership Development

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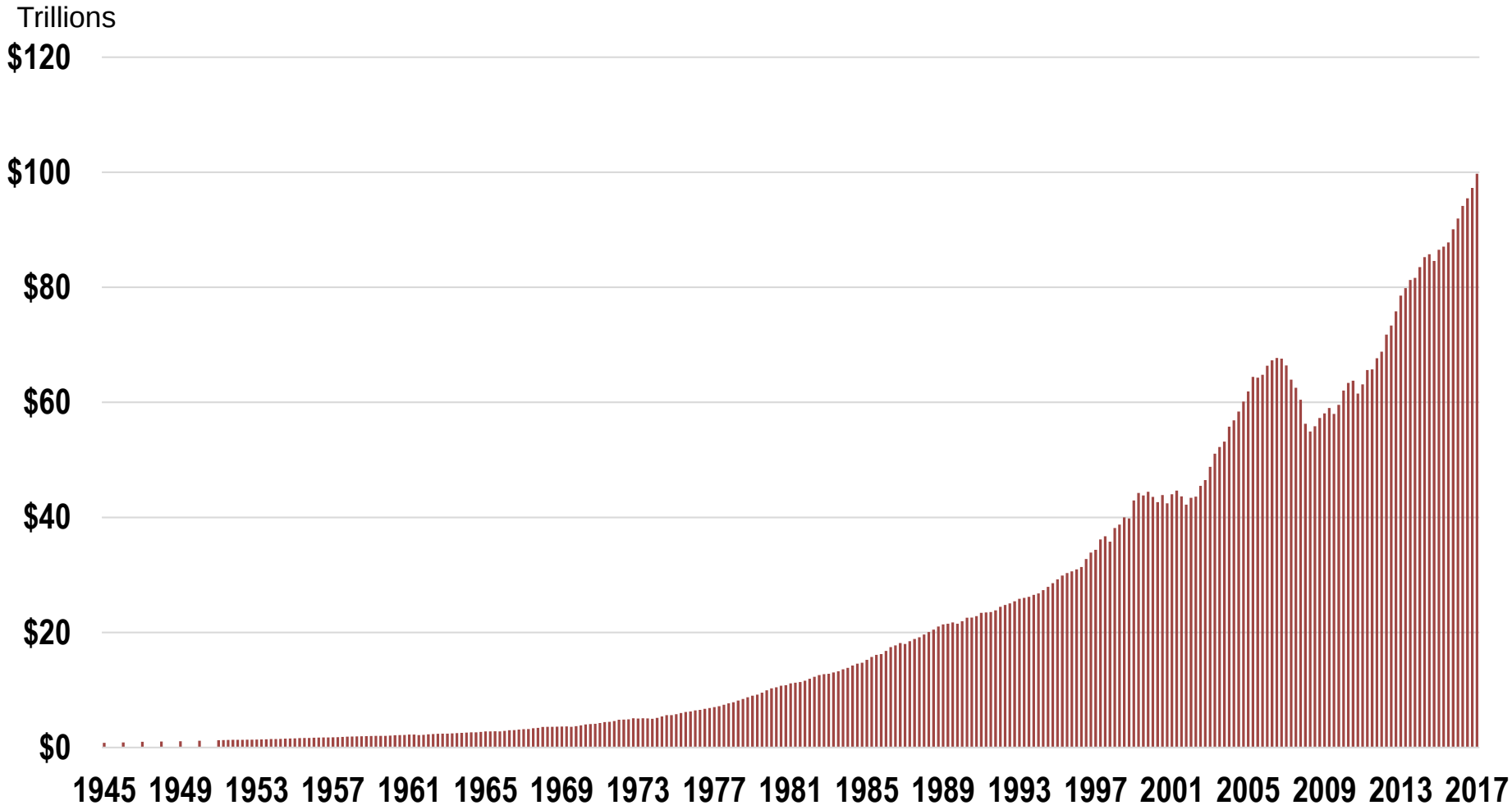
Leeds School of Business
UNIVERSITY OF COLORADO BOULDER
BUSINESS RESEARCH DIVISION

Cheaper Food (relatively)

Net Worth

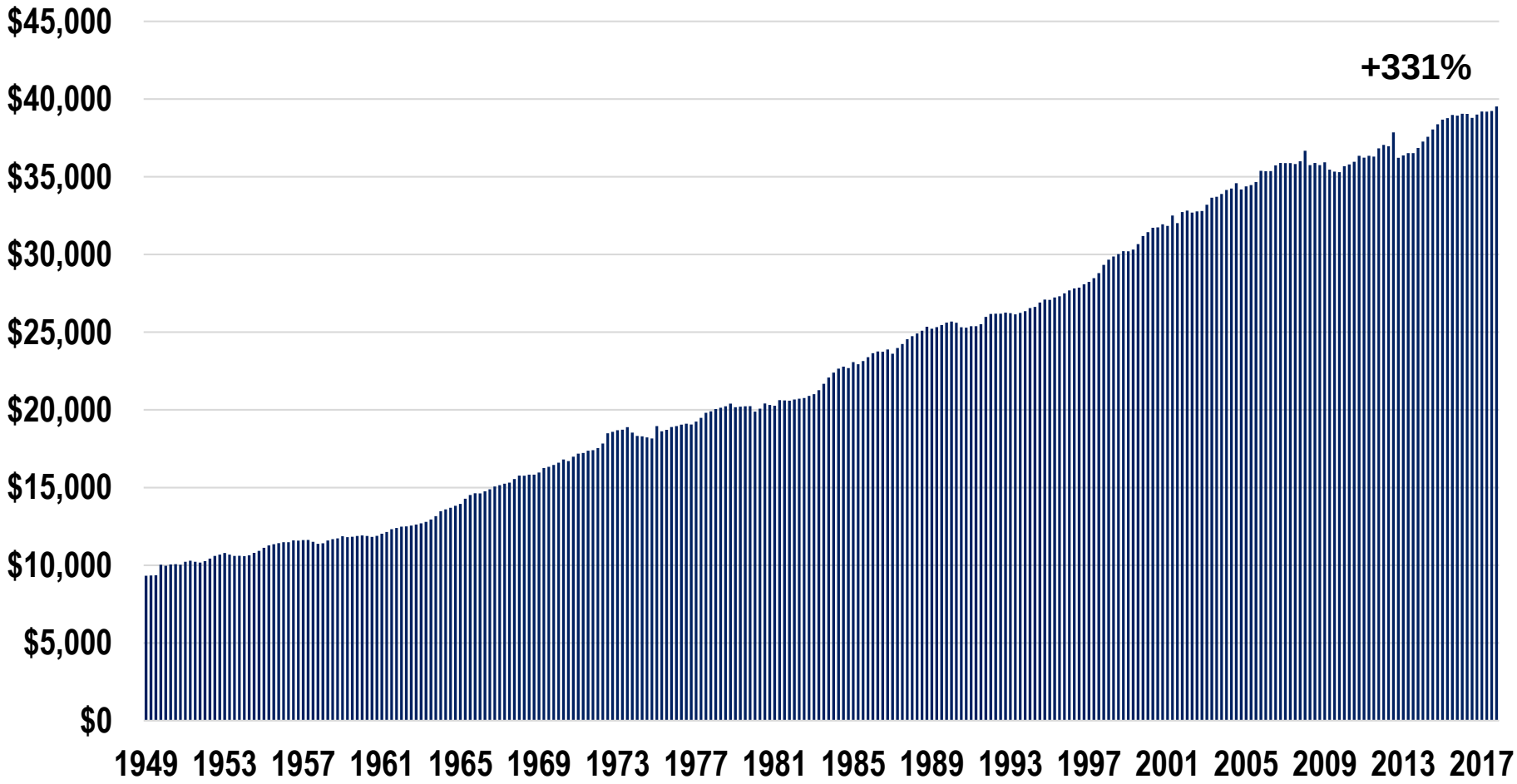
Households and Nonprofit Organizations, Net Worth



Source: Federal Reserve.

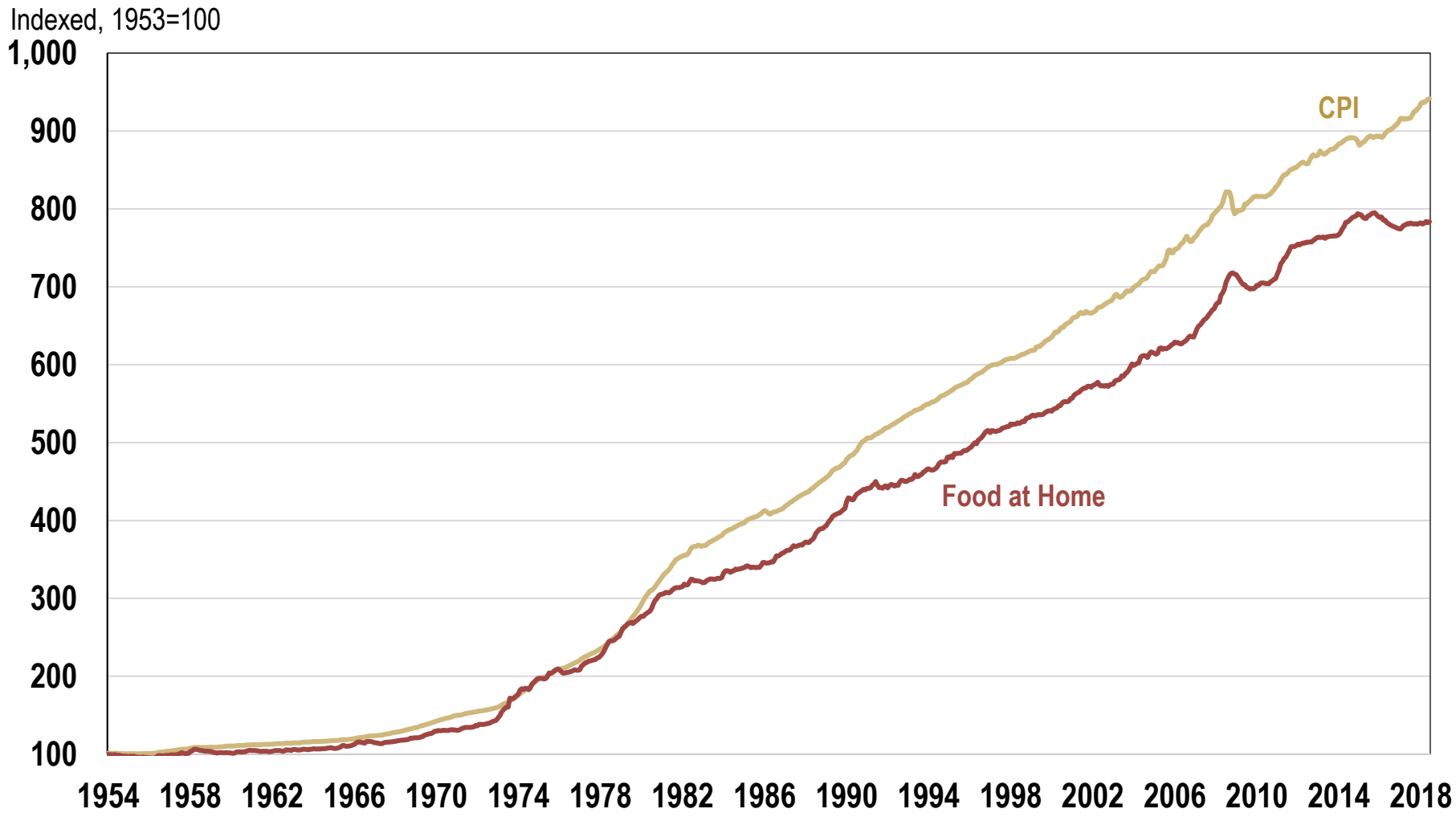
Per Capita Personal Income

Chained (2009) Dollars



Source: Bureau of Economic Analysis.

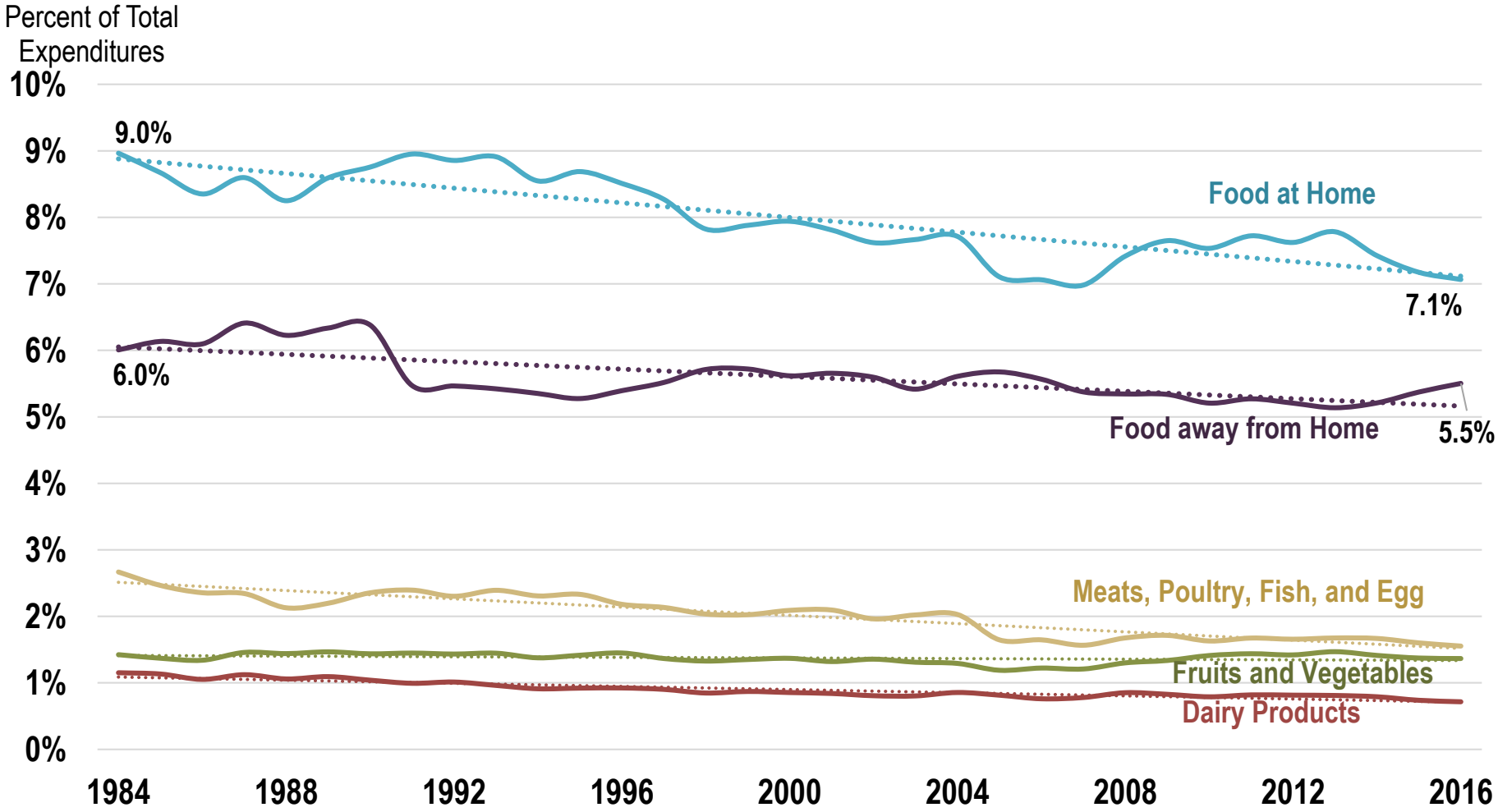
Consumer Prices



Source: Bureau of Labor Statistics, Consumer Price Index.

Consumer Expenditures

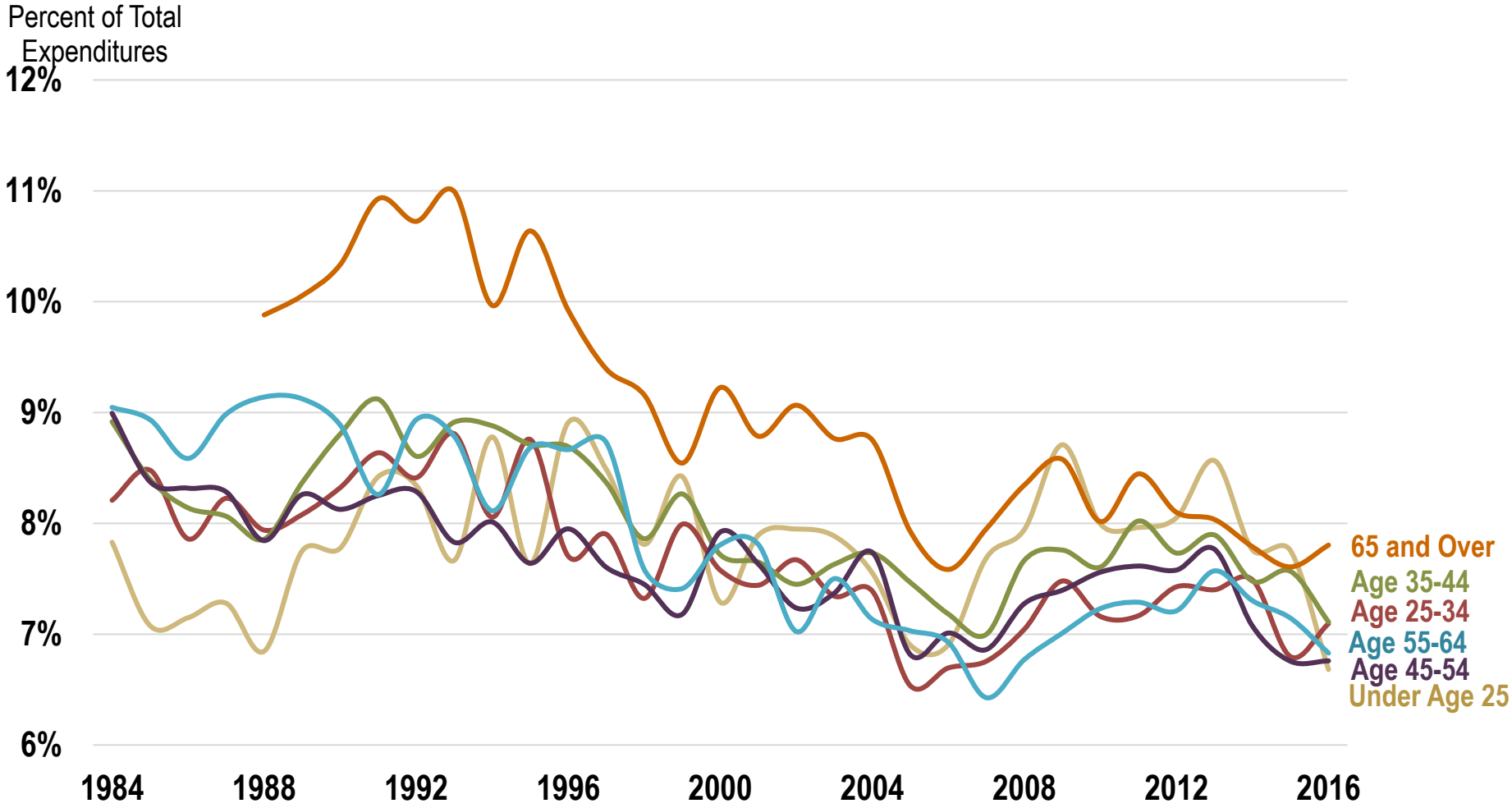
Percentage of Expenditures, By Type



Source: Bureau of Labor Statistics, Consumer Expenditure Survey.

Consumer Expenditures

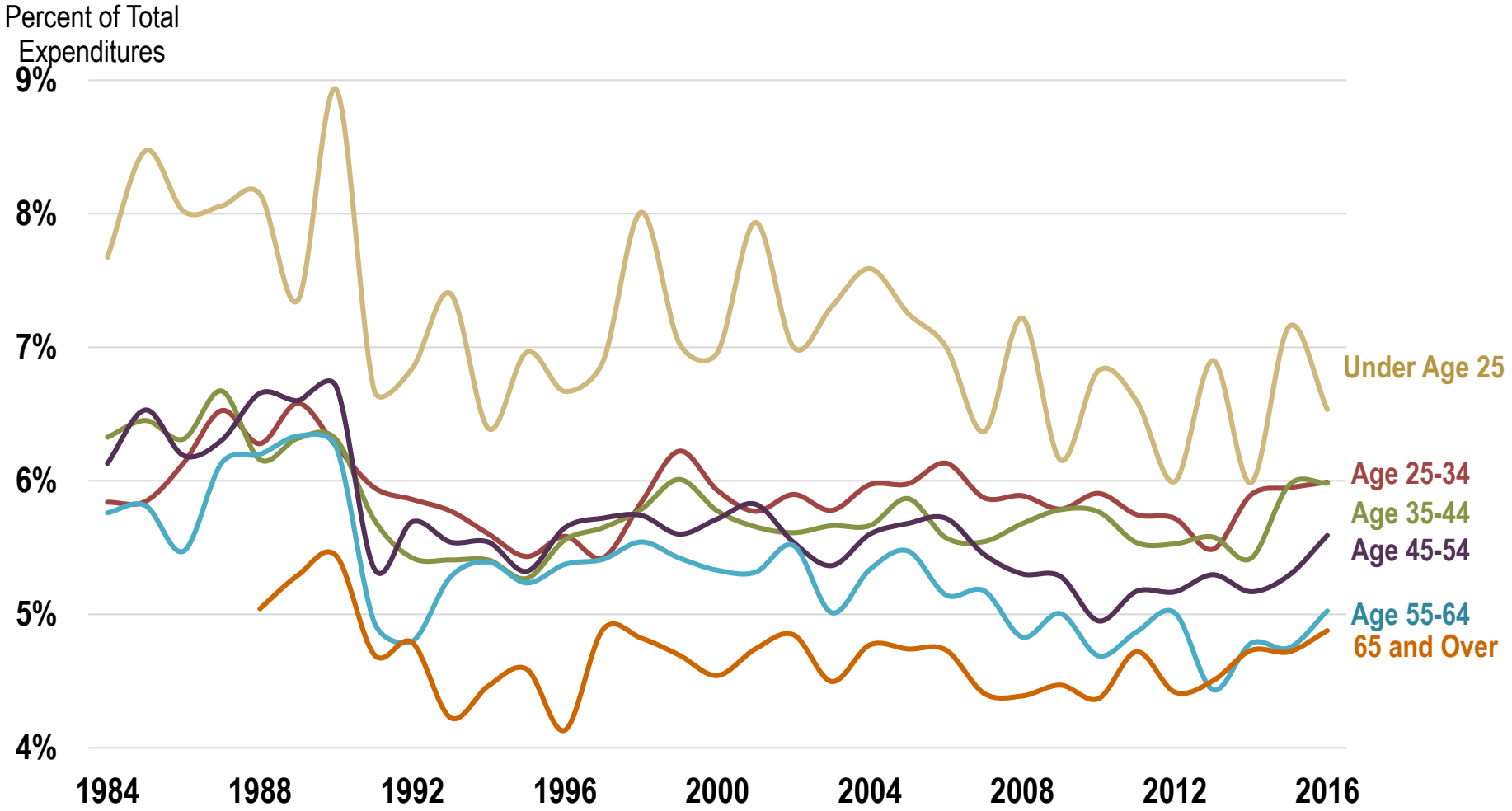
Percentage of Expenditures, Food at Home by Age of Reference Person



Source: Bureau of Labor Statistics, Consumer Expenditure Survey.

Consumer Expenditures

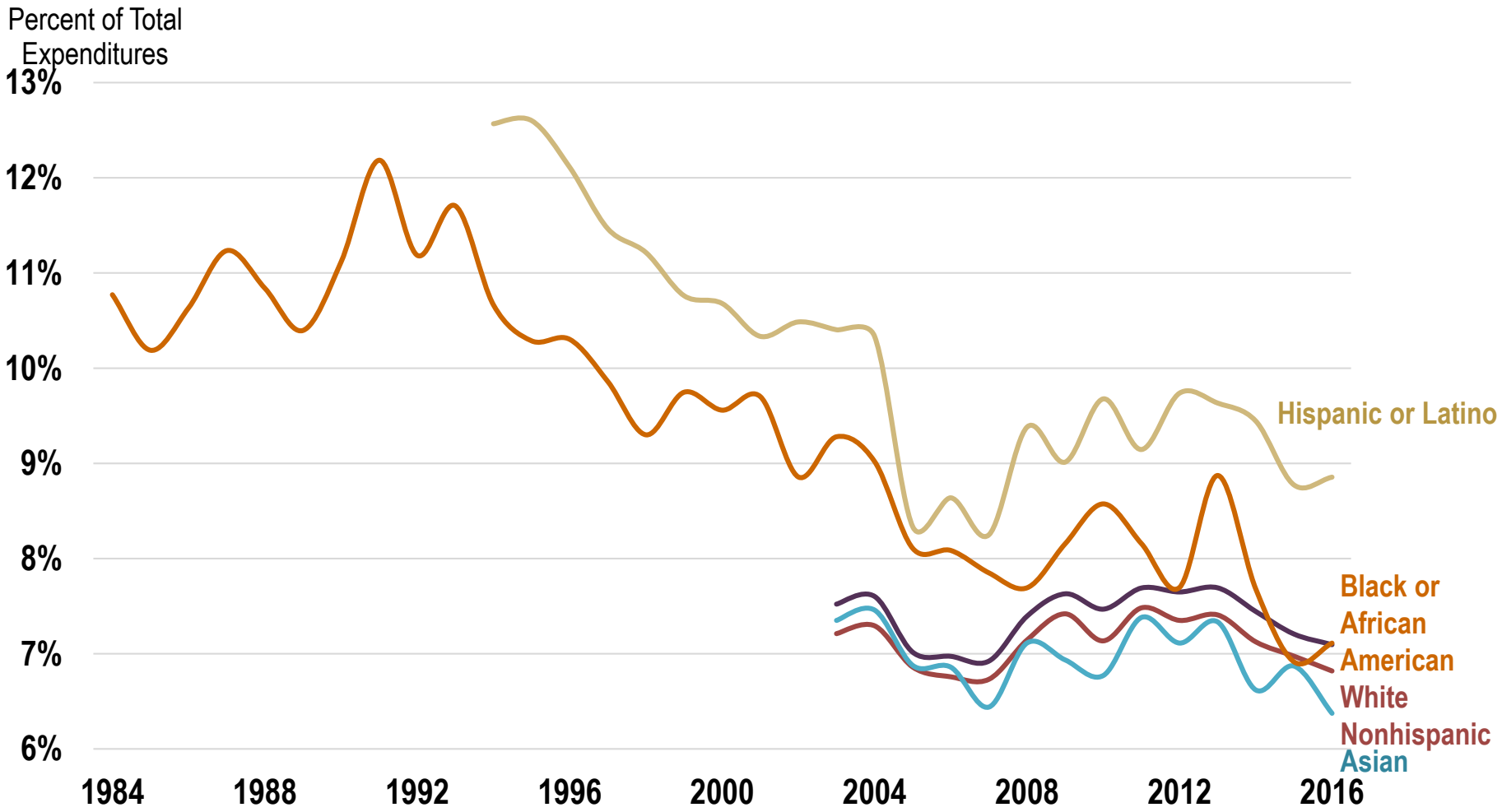
Food Away from Home by Age of Reference Person



Source: Bureau of Labor Statistics, Consumer Expenditure Survey.

Consumer Expenditures

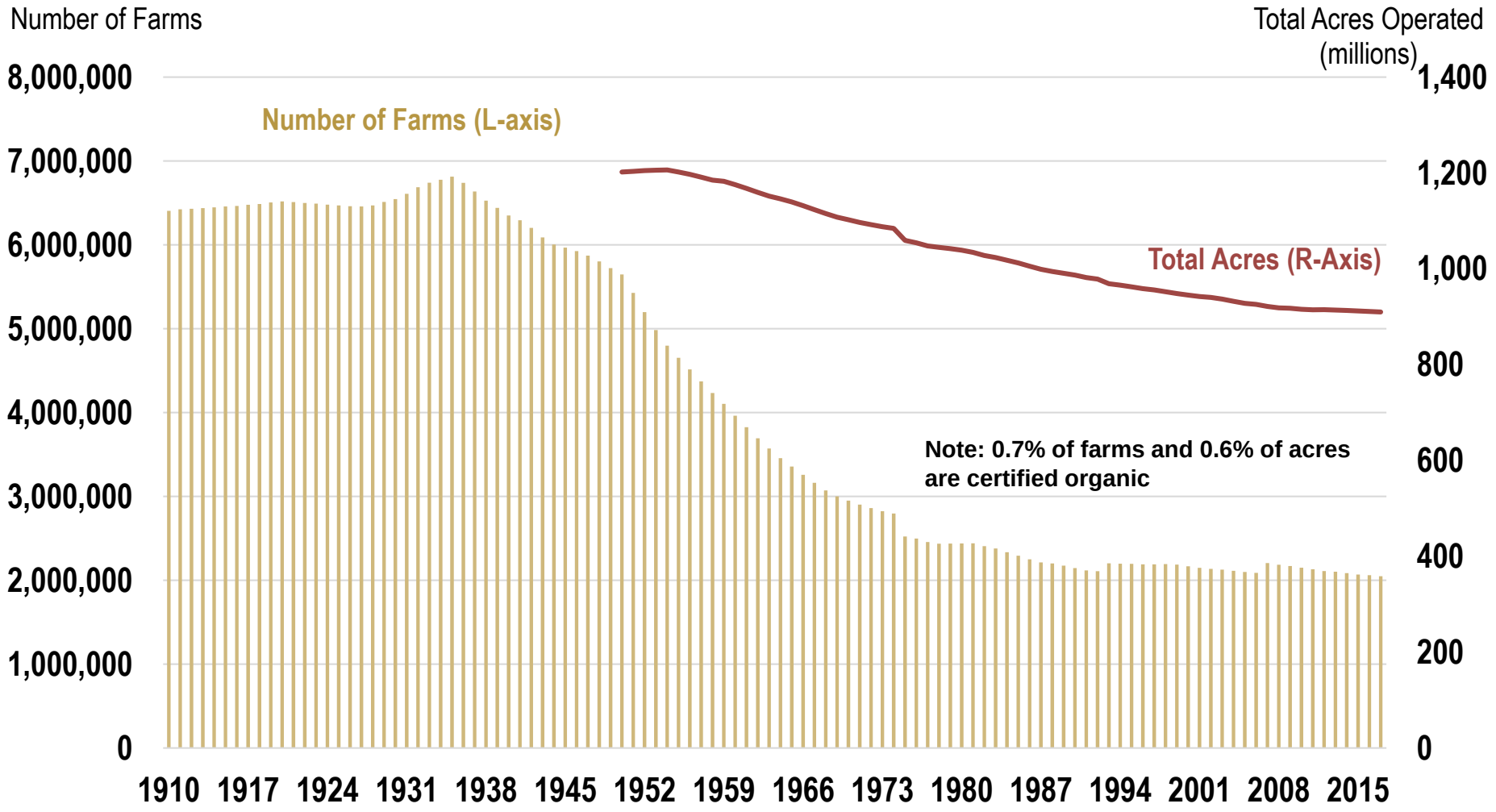
Food at Home by Age of Reference Person



Source: Bureau of Labor Statistics, Consumer Expenditure Survey.

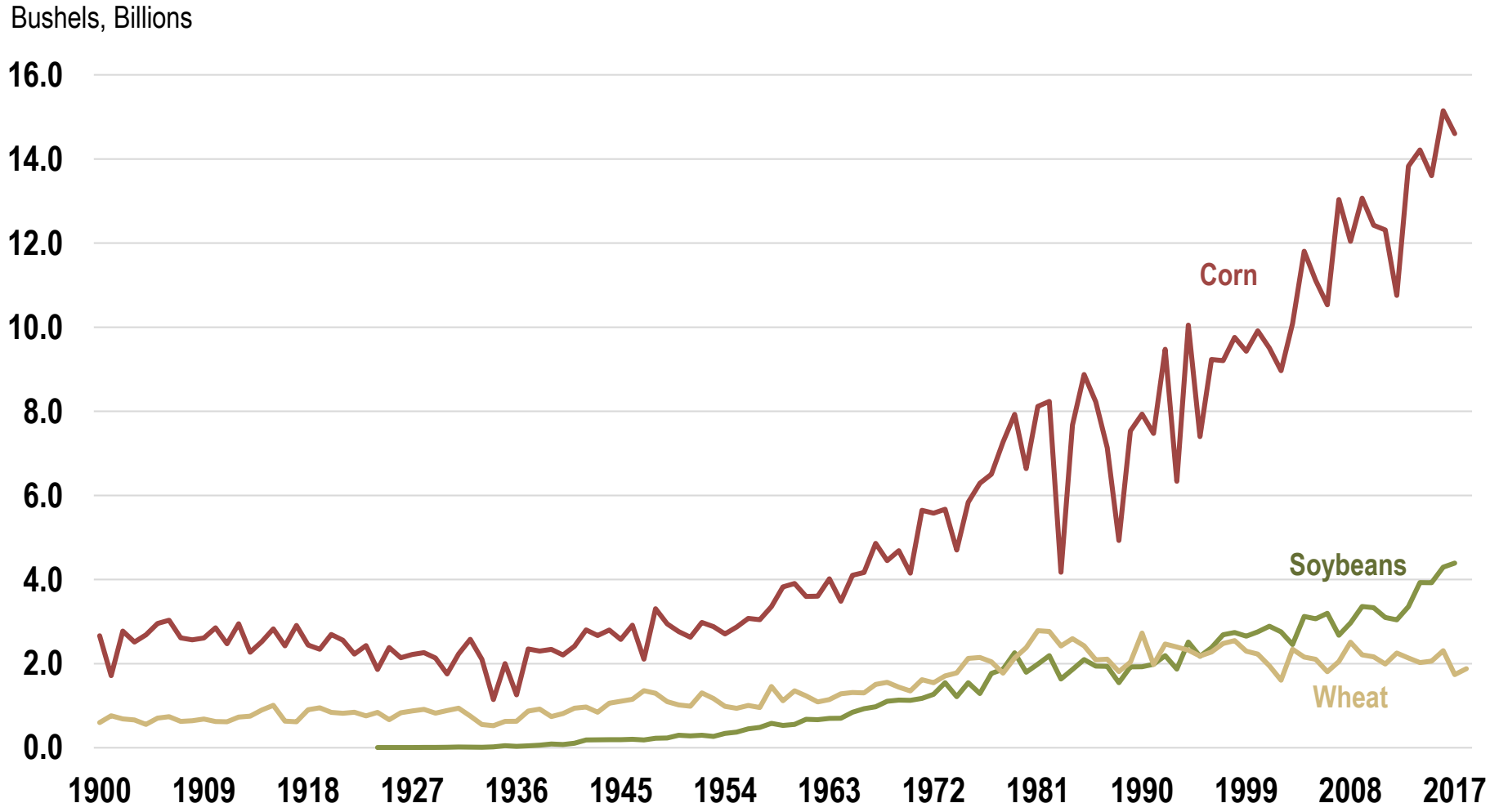
Food production is more efficient

Farm Land



Source: USDA, National Agricultural Statistics Service.

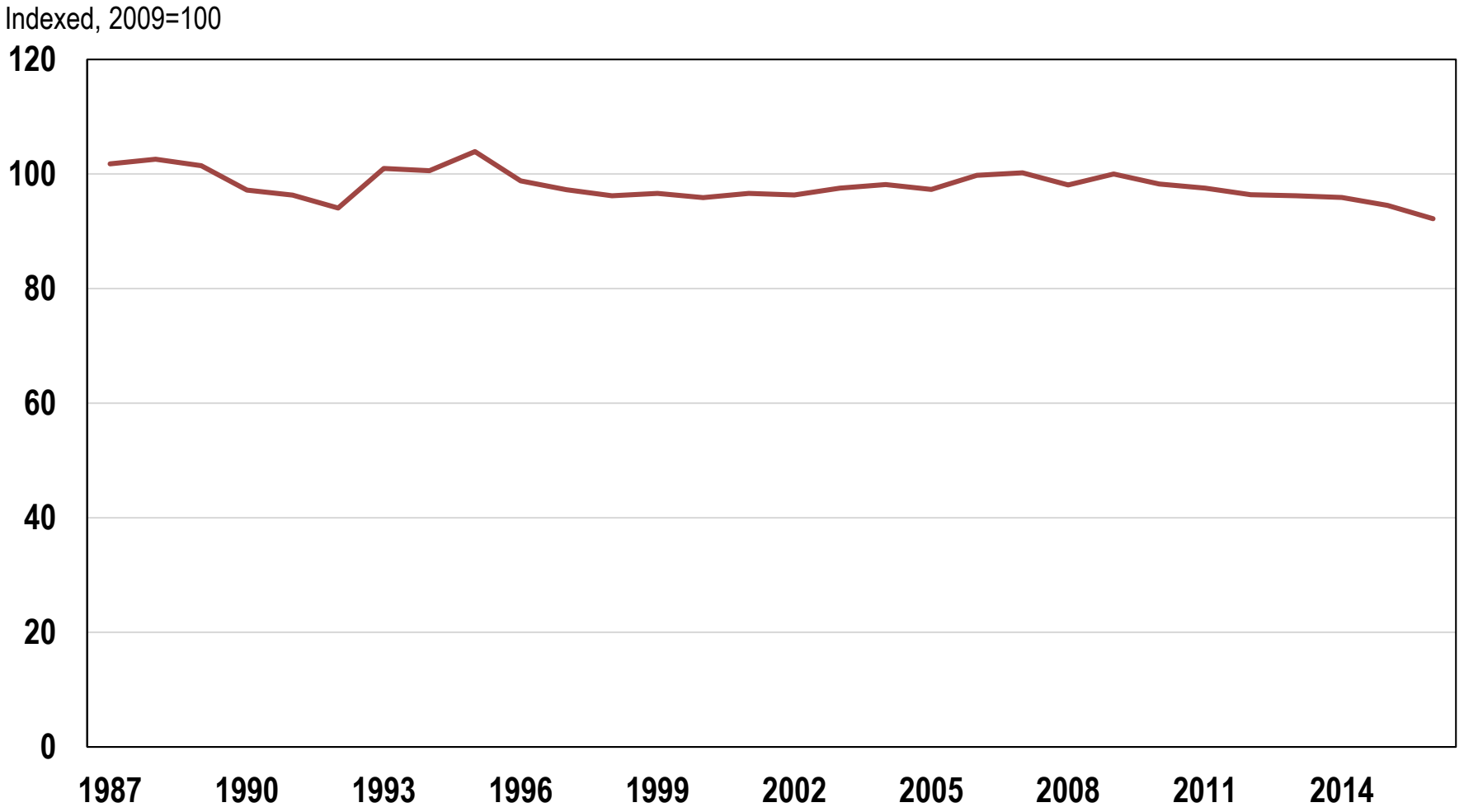
Farm Production



Source: USDA, National Agricultural Statistics Service.

Food/Beverage Manufacturing Productivity

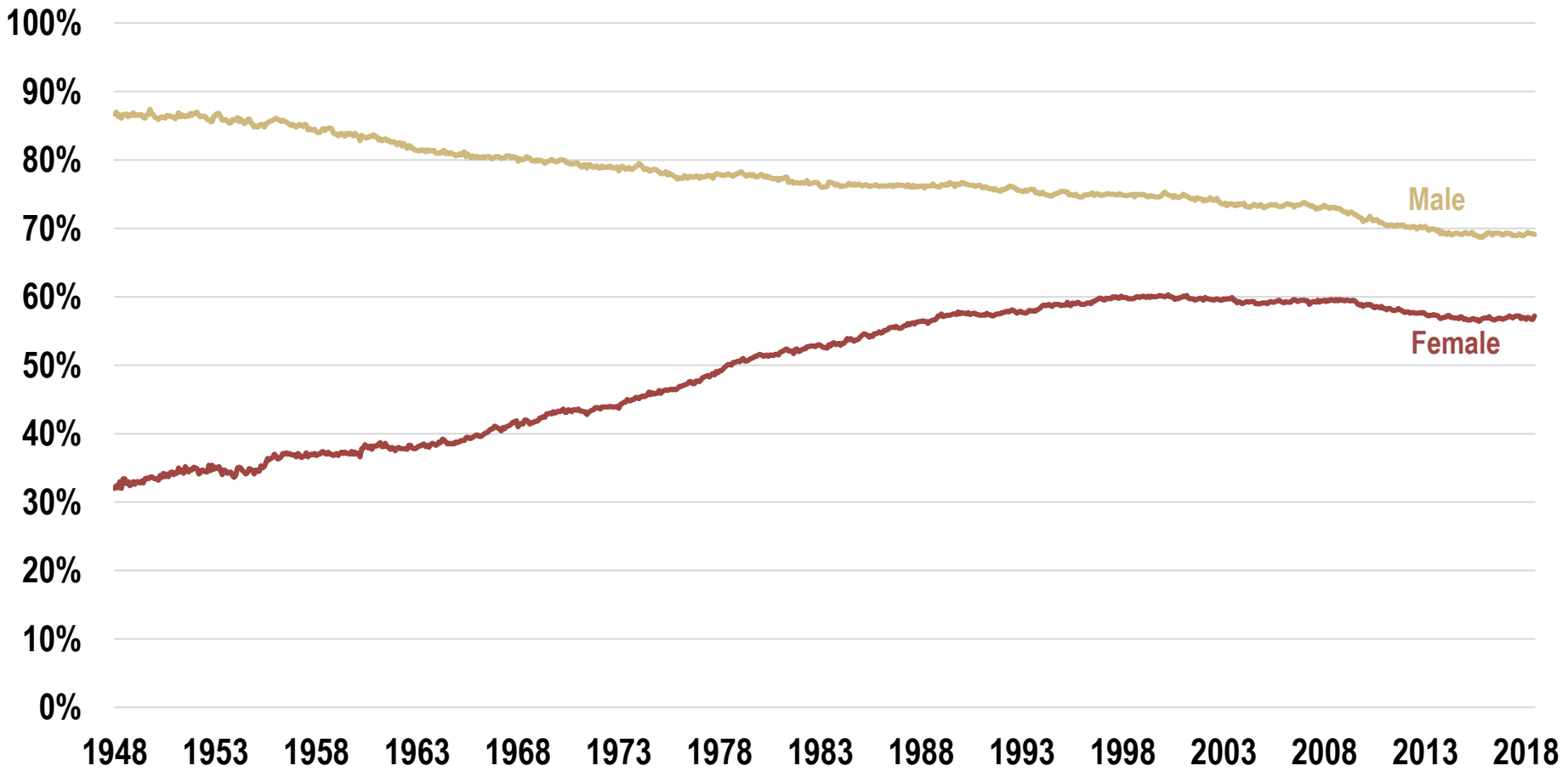
Multifactor Productivity



Source: Bureau of Labor Statistics. MFP includes KLEMS: Capital, Labor, Energy, Materials, and Business Services.

Time

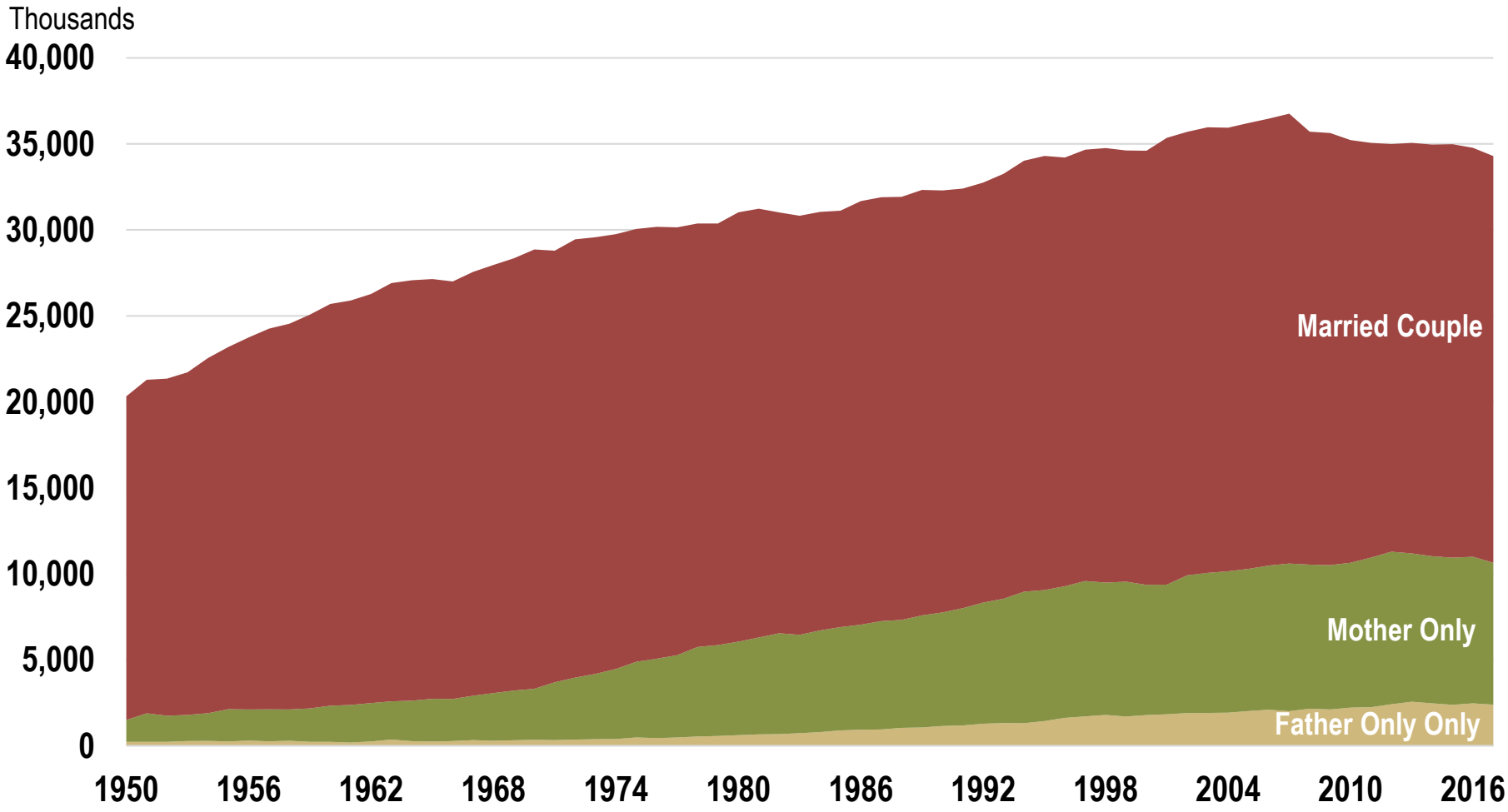
Labor Force Participation Rate



Source: Bureau of Labor Statistics, Labor Force Statistics.

Families with Children

Families by Presence of Own Children Under 18

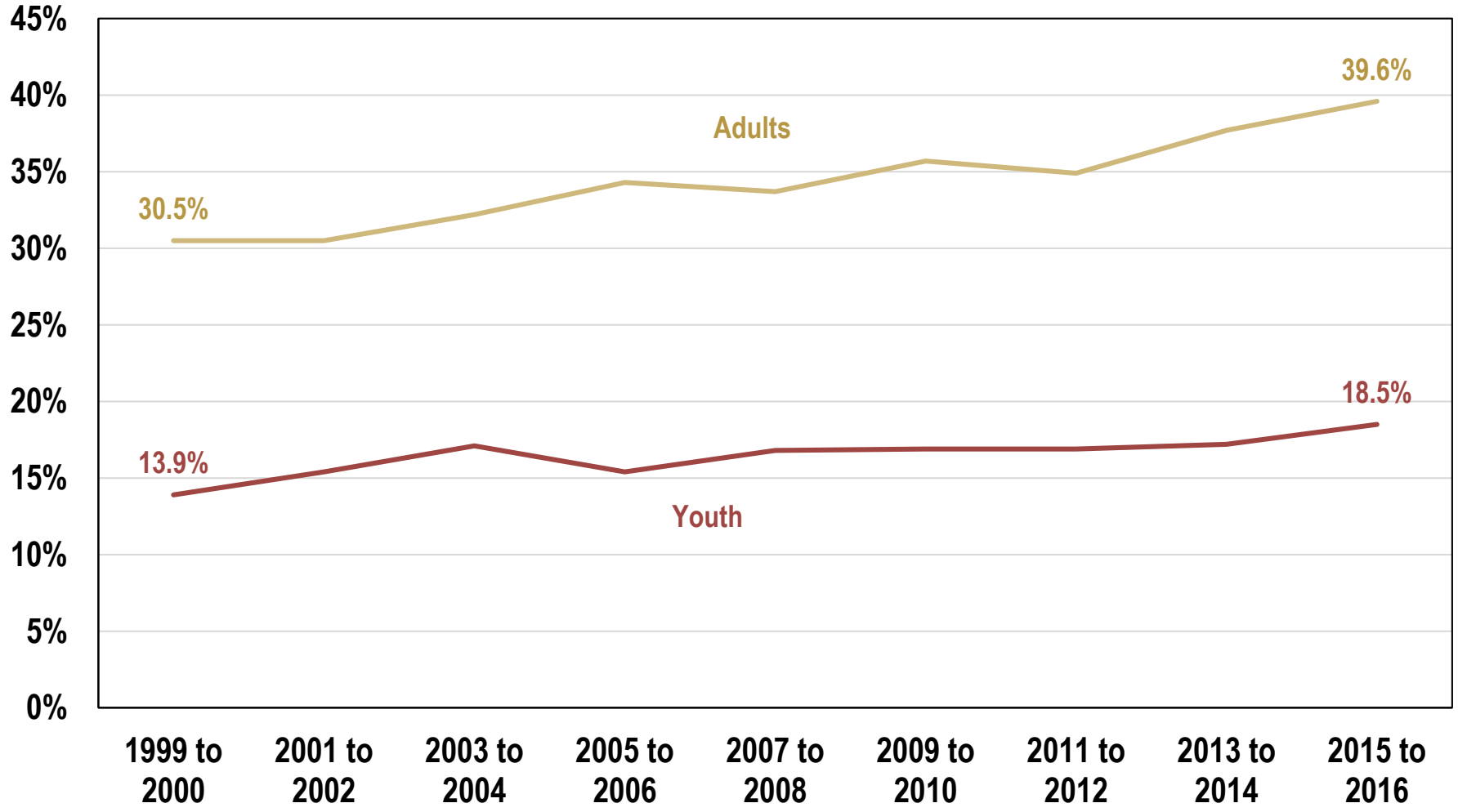


Source: Source: U.S. Census Bureau, Current Population Survey.

Health

Obesity Rates in the United States

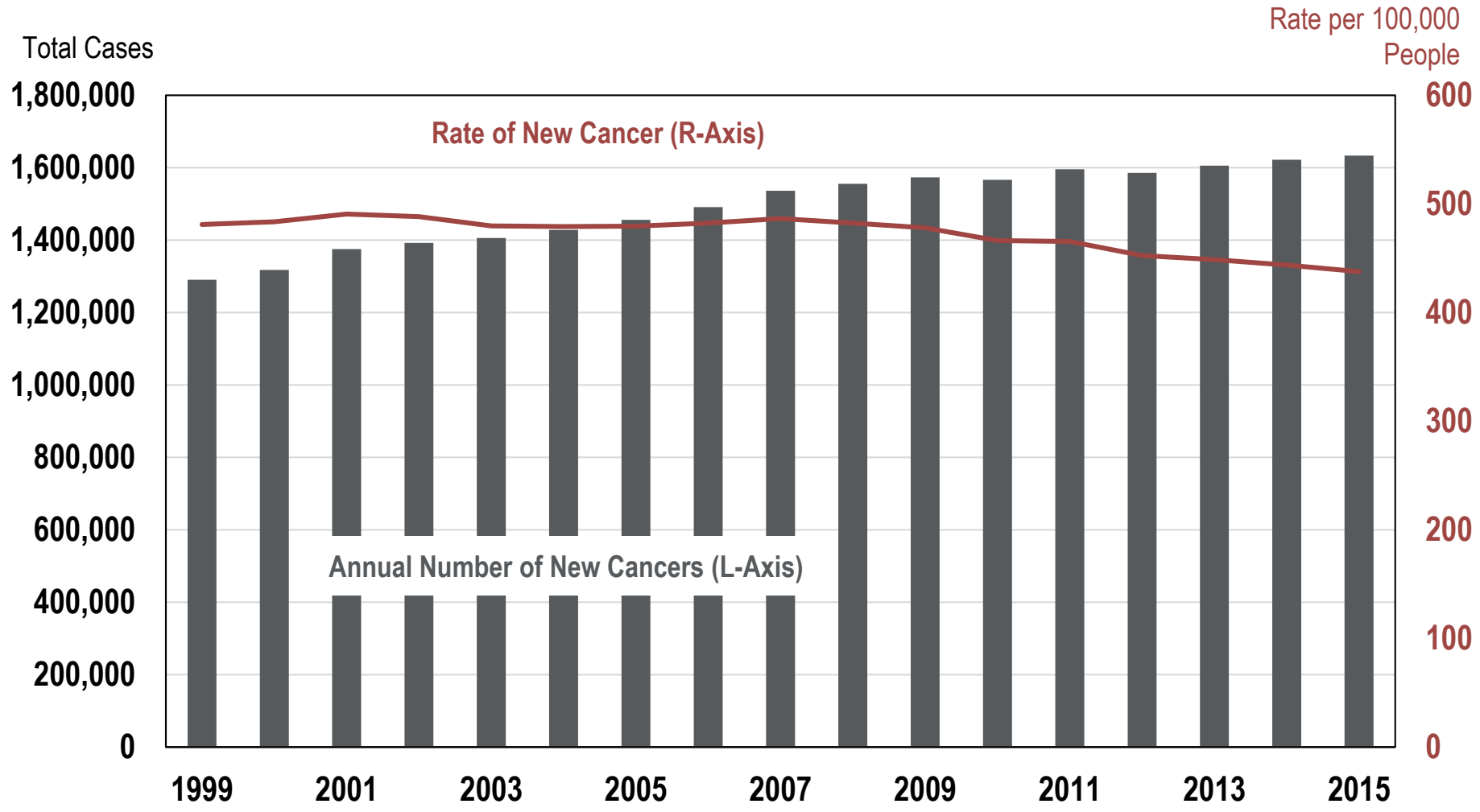
Adults and Youth



Note: Adults are defined as age 20 and over, youth are defined as ages 2–19.
Source: Center for Disease Control, National Center for Health Statistics, Prevalence of Obesity Among Adults and Youth Data Brief.

Cancer Rates in the United States

Annual Cases per 100,000 People



Source: Center for Disease Control, United States Cancer Statistics, Annual Rates and Number of New Cancers.

Changing Preferences

Organic and Natural Purchase Trends

Shoppers whose purchases are half or more organic are highly motivated by:

- The health benefits of organic goods
- Feeling better about themselves when they buy organic
- The taste of organic foods

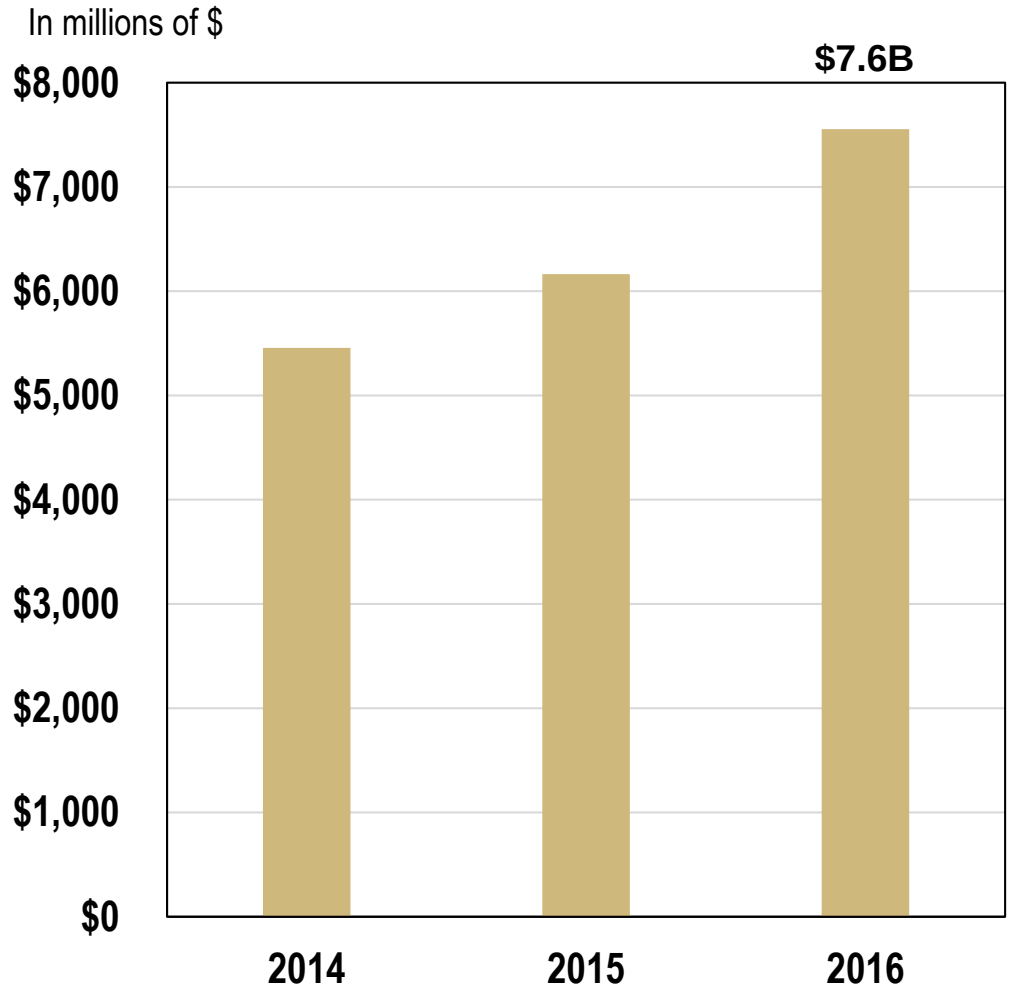
Other Trends:

- Opinions of organics are higher among younger age cohorts
- Most people are buying more or the same amount of organics

Sources: Mintel Market Research.

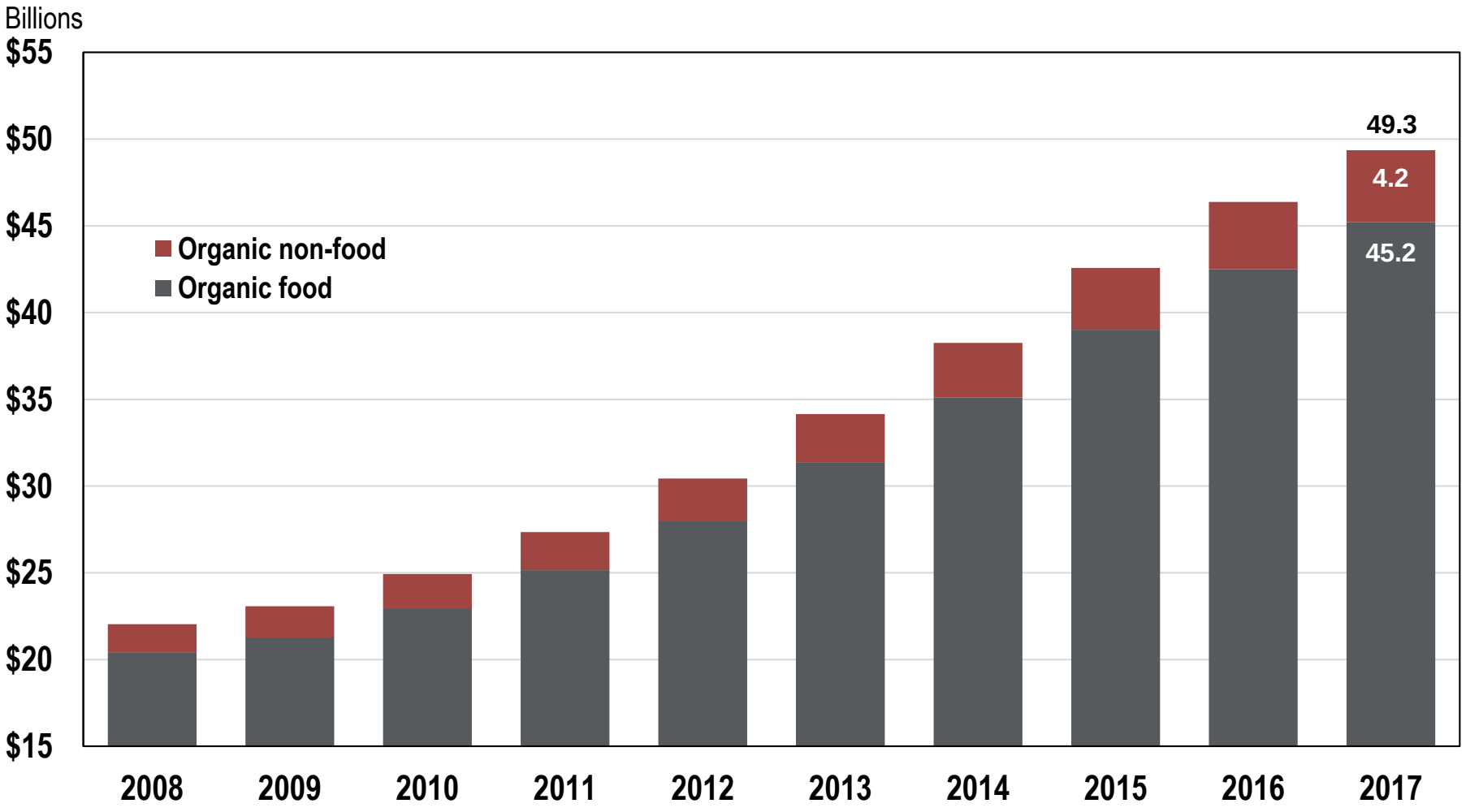
Production Substitution

USDA Certified Organic Value of Production



- Growth in value of production for all crops has lagged Organic Food value
- Value of production for all crops in the United States declined 8% in 2015 and rose 3.6% in 2016
- Value of production for organic food rose 13% in 2015 and 22.6% in 2016 nationally

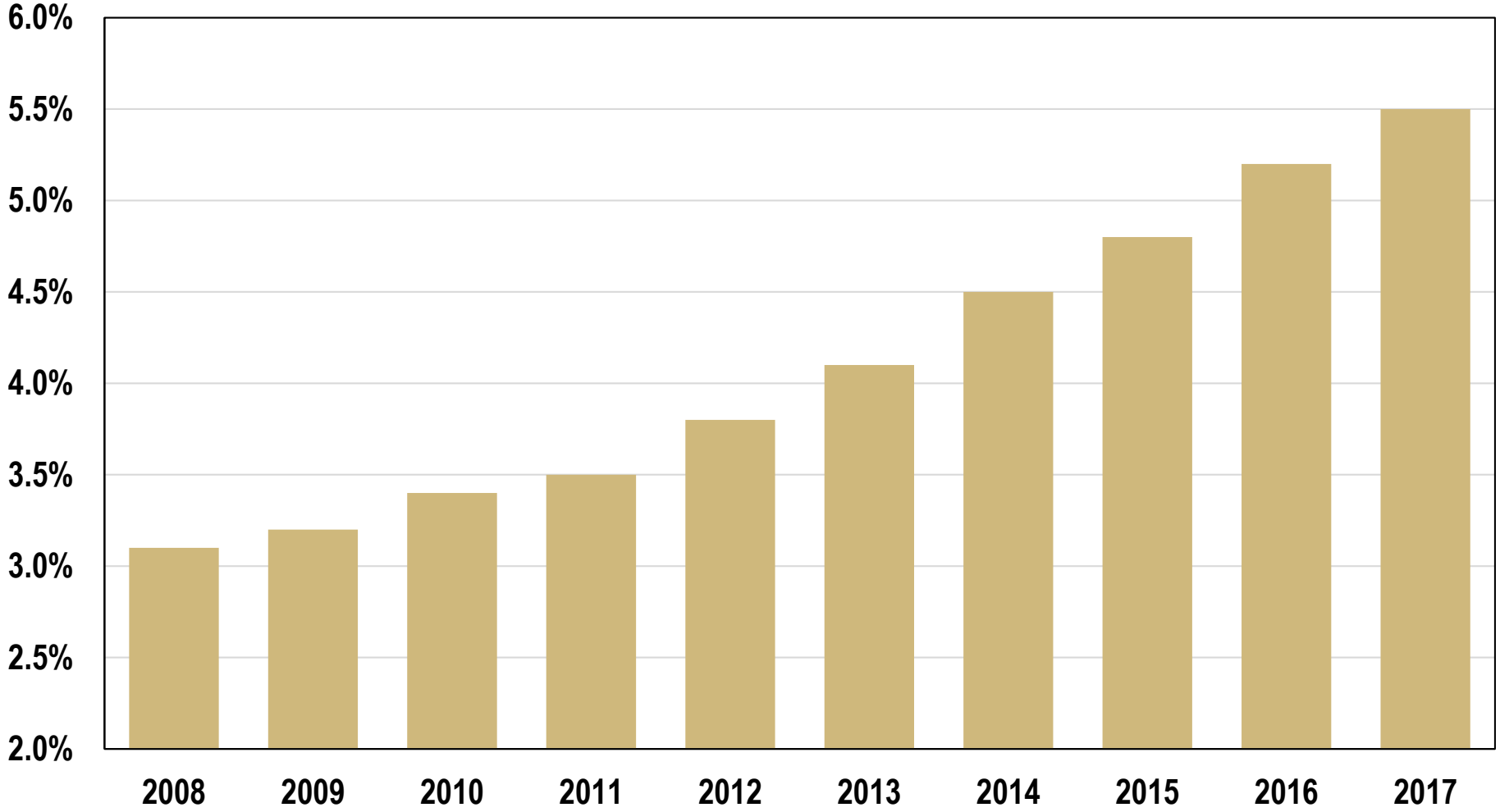
National Organic Products Sales



Sources: Statistica, Organic Trade Association.

National Organic Products Sales

Share of total food sales in the U.S., 2008-2017



Sources: Statistica, Organic Trade Association.

Why Colorado?

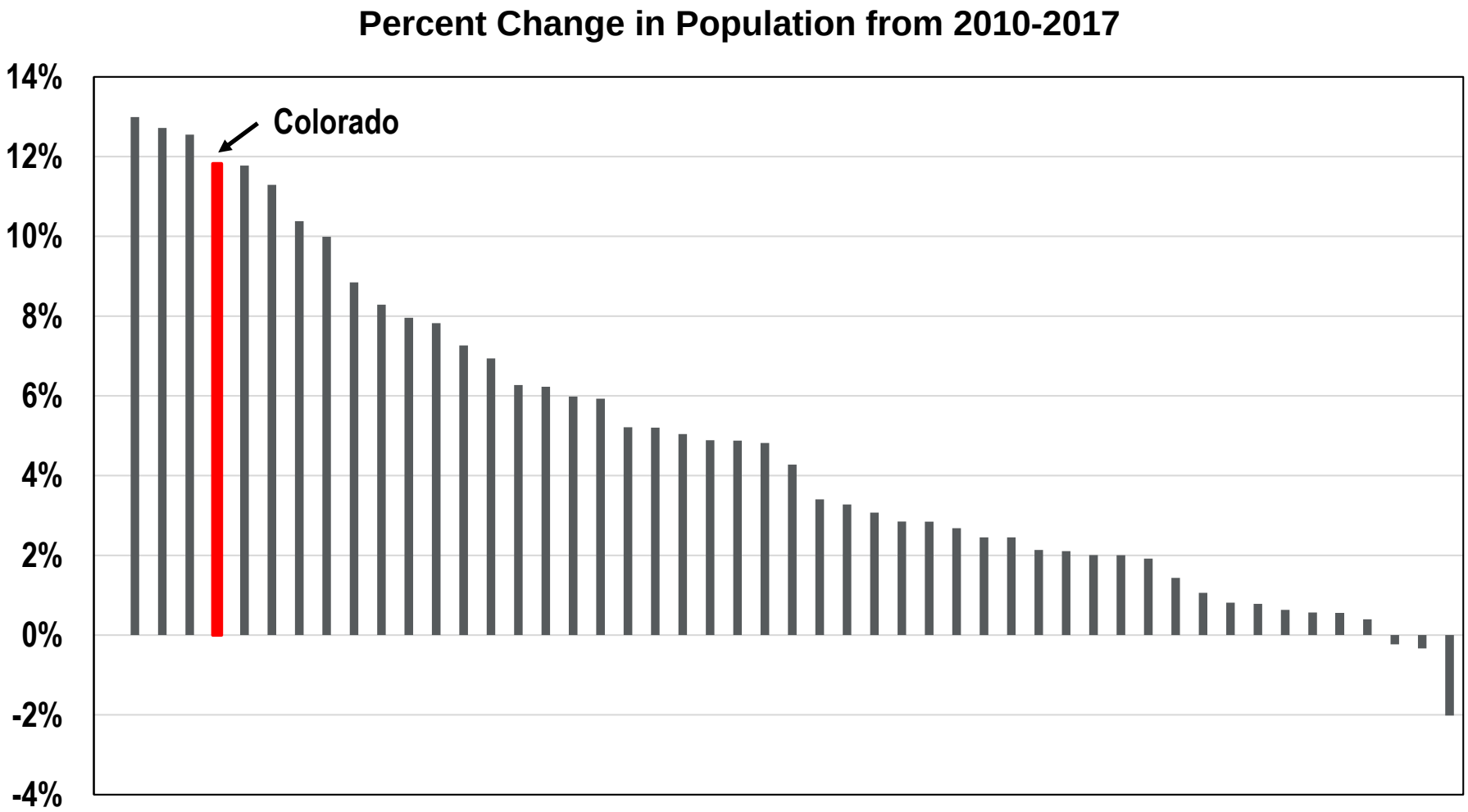
Colorado vs. United States

Outperformance since the Recession

Metric	2010 to 2017 Growth		
	United States	Colorado	Difference
GDP	2.1%	2.9%	+0.8%
Population (BEA)	0.7%	1.5%	+0.8%
Employment	1.7%	2.6%	+0.9%
Personal Income	4.0%	5.8%	+1.8%
Personal Income per Capita	3.3%	4.3%	+1.0%
Average Annual Pay	$55,375	$56,916	+$1,541

Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages; Bureau of Economic Analysis.

Population Change



Sources: U.S. Census Bureau.

Metropolitan Front Range

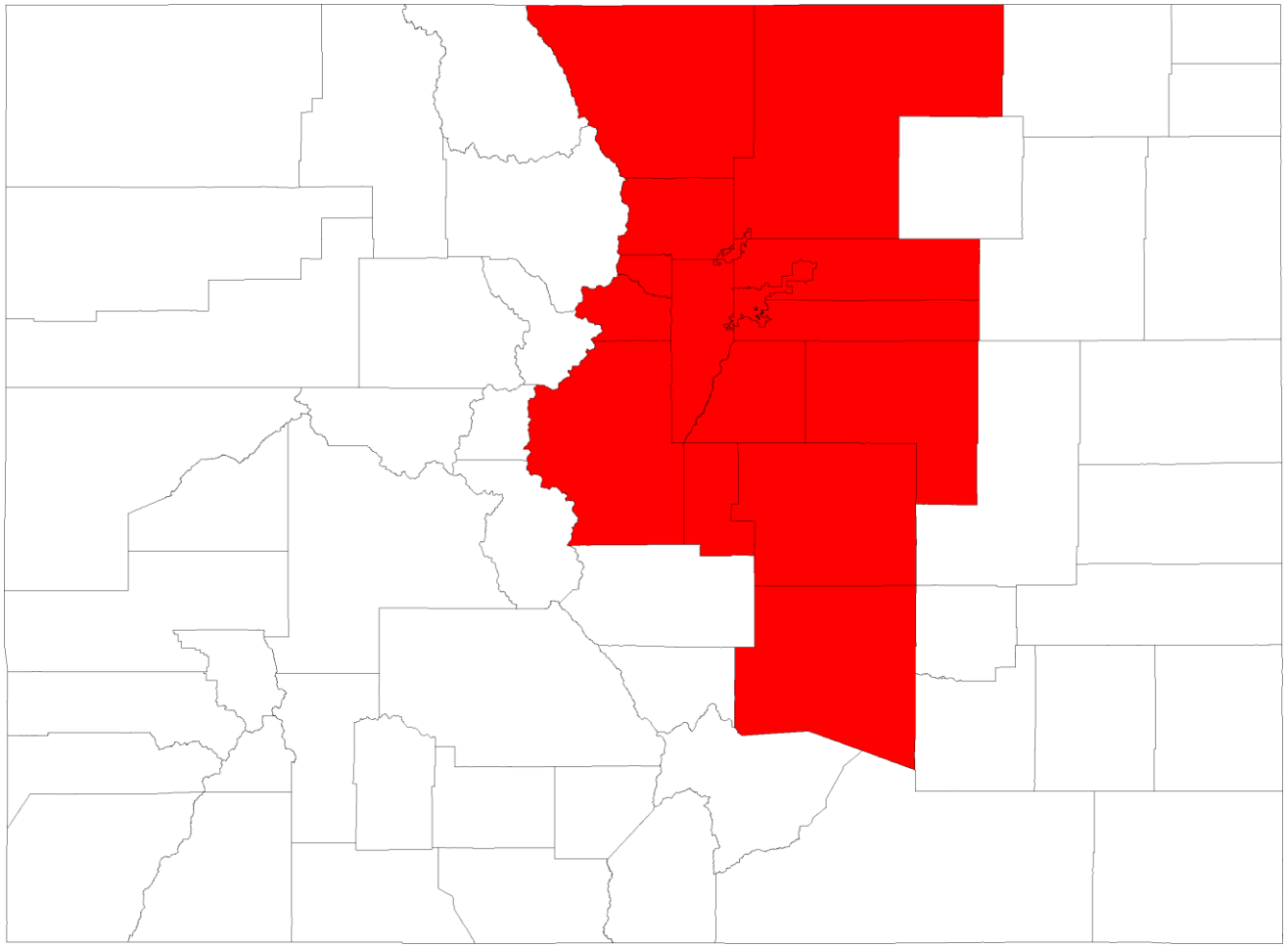
4.8 million people

85% of state pop

553k more people since 2010

95% of the growth

1.8% average growth



Source: Colorado Demography Office, U.S. Census Bureau, and the Business Research Division.

Colorado Food and Beverage Concentrations

Location Quotients (LQ)

- Colorado
  - Agriculture LQ=0.77
  - Manufacturing LQ=0.64
  - Food Manufacturing LQ=0.79
  - Beverage Manufacturing LQ=1.75

Employment Location Quotient:

<1 = Under Concentration
1 = Par
>1 = Over Concentration

- Boulder County
  - Food Manufacturing LQ=1.01
  - Beverage Manufacturing LQ=2.69
  - Large employers: Celestial Seasonings, Avery, Rudis

- Morgan County
  - Agriculture LQ=7.62
  - Food Manufacturing LQ=21.33
  - Large employers: Leprino, Cargill

- **Nearly 81% of Food and Beverage Manufacturing GDP is concentrated in the along the Northern Front Range.**

Strengths

- Savvy, health-conscious consumers
- Strong industry cluster
- Organizations like Naturally Boulder food startup accelerator and community
- Serial entrepreneurs like Steve Demos (WhiteWave, NextFoods), Todd Woloson (Izze), Tom Spier (Boulder Food Group, Evol Foods), and Mark Retzloff (Horizon, Alfalfa's)
- Infrastructure for innovative foods
- VC funding
- Income
- Population growth
- Educational Attainment

Applied Industry Research

Naturally Boulder Study (2011)

Employees and Sales

The typical natural/organic food business in Colorado has ten or fewer employees (76.8%), and more than half of companies produce revenues of more than $100,000 per year (52.1%).

COMPANY SIZE BY EMPLOYEES IN COLORADO

Size	Number	Percent	Cumulative Percent
1-5	130	68.4%	68.4%
6-10	16	8.4	76.8
11-20	12	6.3	83.2
21-40	12	6.3	89.5
41-100	7	3.7	93.2
101-200	6	3.2	96.3
201-500	4	2.1	98.4
>500	3	1.6	100.0%
Total	**190**	**100.0%**	—

COMPANY REVENUE

Income	Companies	Percentage
Less than $100,000	124	47.9%
$100,000 to less than $200,000	21	8.1
$200,000 to less than $500,000	29	11.2
$500,000 to less than $1 million	8	3.1
$1 million to less than $2.5 million	16	6.2
$2.5 million to less than $5 million	16	6.2
$5 million to less than $10 million	9	3.5
$10 million to less than $25 million	9	3.5
$25 million to less than $50 million	4	1.5
Over $50 million	13	5.0
NA (Currently not operating)	10	3.9
Total	**259**	**100.0%**

Naturally Boulder Study (2011)

Benefits

Companies reported the best aspects of doing business in Colorado to be:

- Cluster of natural and organic businesses
- Loyal customer base
- Colorado's high quality of life
- Strong business climate

BEST THING ABOUT DOING BUSINESS IN COLORADO (QUALITATIVE)

Best	Number	Percent
Cluster	41	34.2%
Customers	21	17.5
Quality of life	19	15.8
Business climate	17	14.2
Other	6	5.0
Workforce	6	5.0
Location	3	2.5
NA	7	5.8
Total	**120**	**100.0%**

Naturally Boulder Study (2011)

Threats

Top threats to running a natural and organic food business in Colorado are:

- High cost of doing business
- Relatively niche market
- Running distribution channels

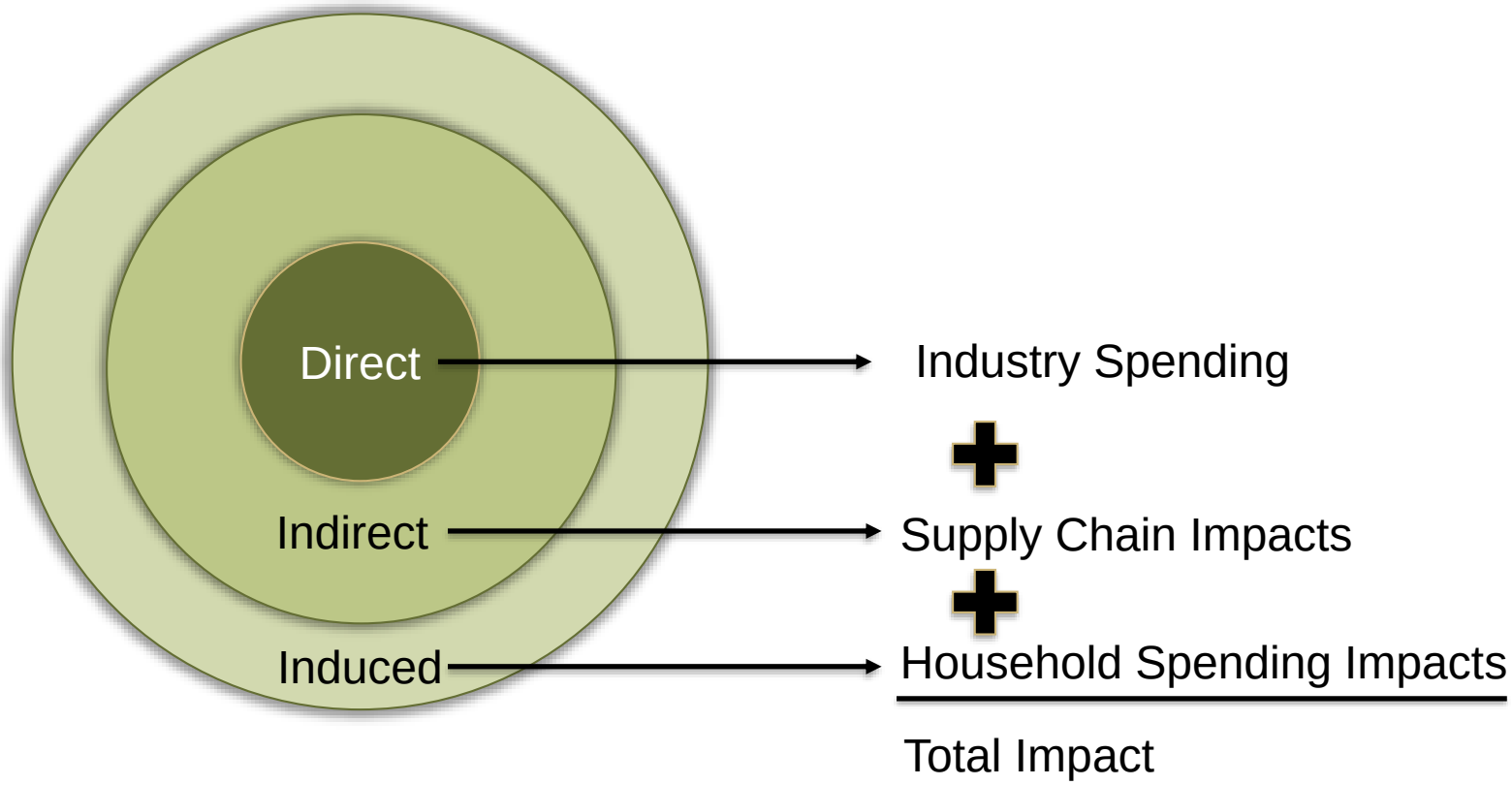
THREATS TO DOING BUSINESS IN COLORADO (QUALITATIVE)

Threat	Count	Percent
Cost of doing business	27	26%
Market size	16	15
Distribution/Transportation	9	9
Regulatory	6	6
Economy	5	5
Supply chain	4	4
Access to capital	3	3
Competition	3	3
Water	3	3
Education	1	1
Skilled labor	1	1
NA	26	25
Total	104	100%

Naturally Boulder Economic Impact (2011)

ECONOMIC IMPACT OF NATURALLY BOULDER MEMBER ORGANIZATIONS

Impact Type	Employment	Labor Income (Millions)	Output (Millions)
Total Effect	8,278	$297.1	$491.9



Good Food 100 Study (2017)

Ease of Implementing

Restaurants that serve natural foods report ease of implementation to:

- Working with local producers
- Meeting their core values
- Achieving better taste

EASE OF IMPLEMENTING GOOD FOOD PRACTICES

Category	Comments	Percent
Working with Local Producers and Communities	30	28.6%
Mission and Values	25	23.8%
Taste of Food	22	21.0%
Quality of Food/Ingredients	12	11.4%
Variety of Local Produce	8	7.6%
Food Preparation and Service	8	7.6%
Pride in Food	6	5.7%
Customers	6	5.7%
Menu Development and Implementation	4	3.8%
Other	4	3.8%
"It's Not Easy"	2	1.9%
Responding Restaurants	**105**	

Good Food 100 Study (2017)

Challenges

They face challenges with:

- Sourcing and availability
- Food costs
- Consumer attitudes and education
- Controlling consistent quality of their product

CHALLENGES TO IMPLEMENTING GOOD FOOD

Category	Comments	Percent
Sourcing and Availability	98	90.7%
Food Costs	63	58.3%
Consumer Attitude and Education	44	40.7%
Quality and Consistency of Food	27	25.0%
Labor Challenges	25	23.1%
Other	21	19.4%
Pricing	14	13.0%
Growing Seasons and Seasonality	13	12.0%
Menu Inconsistency and Development	7	6.5%
Responding Restaurants	**108**	

Good Food 100 Study

Findings

- 72% of purchases were “good food” purchase
- Higher percentage of regional purchases were “good” (89%)
- Economic impact totaled of 90 restaurants’ good food purchases:
  - $200M in output
  - $90M in value added
  - $53M in labor income

Thank You!