Market and Societal Trends

Leeds School of Business
UNIVERSITY OF COLORADO BOULDER

Food Industry Executive Leadership Development
2018 program

Food and Nutrition Headlines

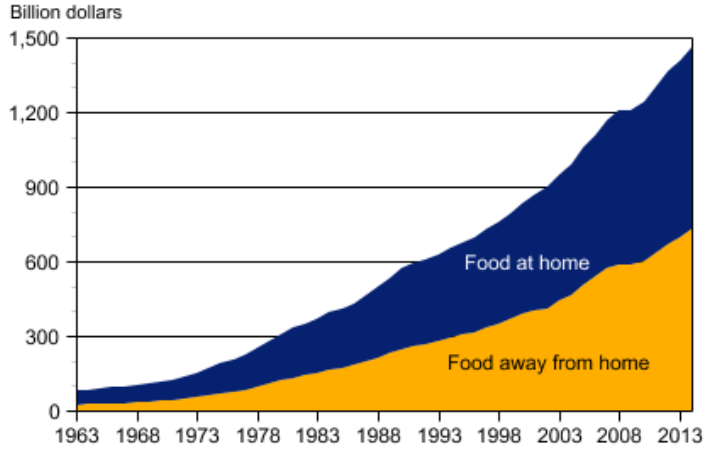
SUMMIT
VENTURE MANAGEMENT

JOHN GRUBB | MANAGING PARTNER | John@SummitVentureManagement.com

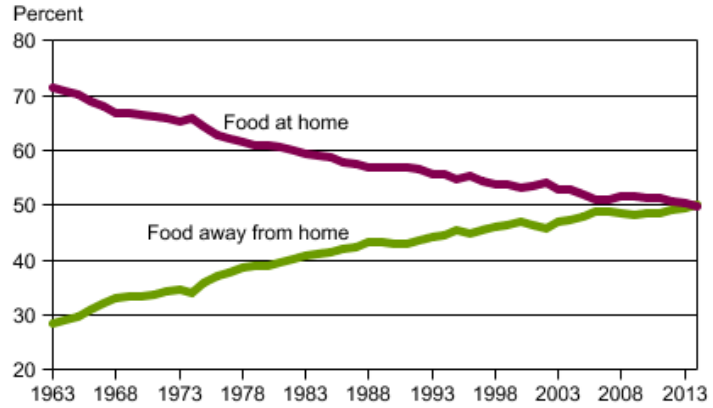
U.S. food market in 2017 was worth over $1.5 T

Overall growth in unit sales grows at about the rate of population growth – currently < 1%.
Food sales away from home have recently eclipsed at home food sales.

Expenditures for food at home and away from home



Shares of total food expenditures

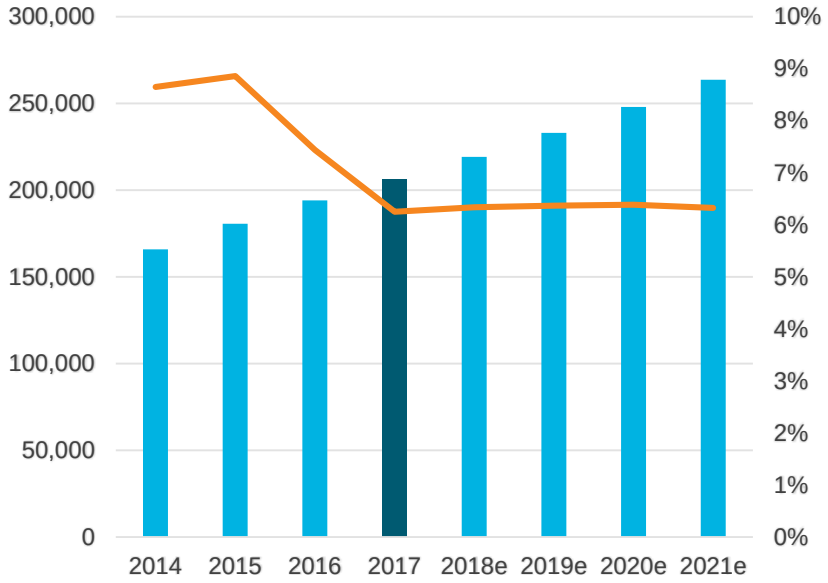


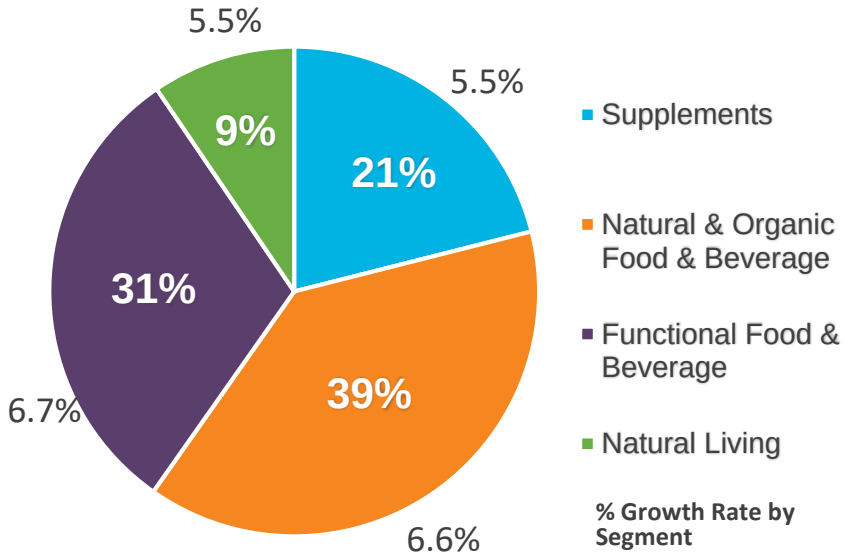
Source: USDA, Economic Research Service, using data from the Food Expenditures data series.

Dollar estimates vary based on inclusion or exclusion of select product categories and establishments

U.S. nutrition industry surpassed $200B in 2017

U.S. nutrition and natural products industry sales grew 6.3% to $206B in 2017. Supplements made up 21% of total sales.





Source: *Nutrition Business Journal* ($mil, consumer sales)

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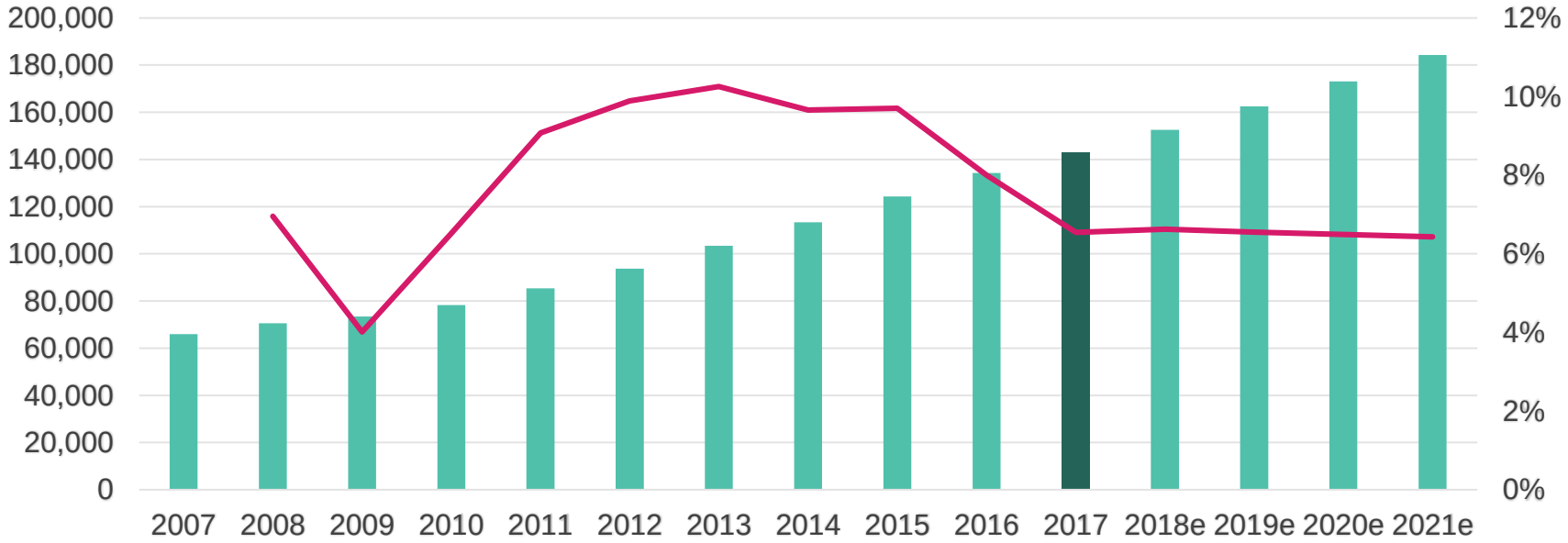
Food and beverage growth slows

U.S. Natural, Organic and Functional Food & Beverage sales grew 6.5% to $143B in 2017, down from 8% growth in 2016.



Source: *Nutrition Business Journal* ($mil, consumer sales)

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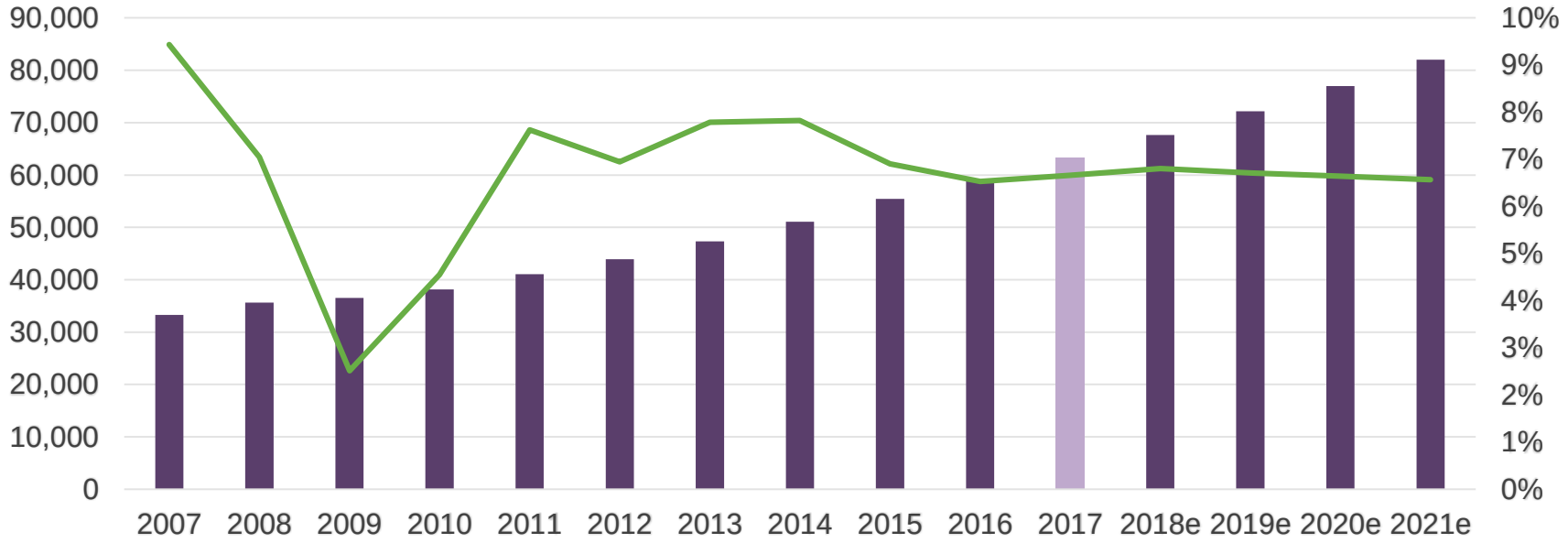
Functional food and beverage growth remains steady

Functional Food & Beverage sales grew 6.7% to $63B in 2017



Source: *Nutrition Business Journal* ($mil, consumer sales)

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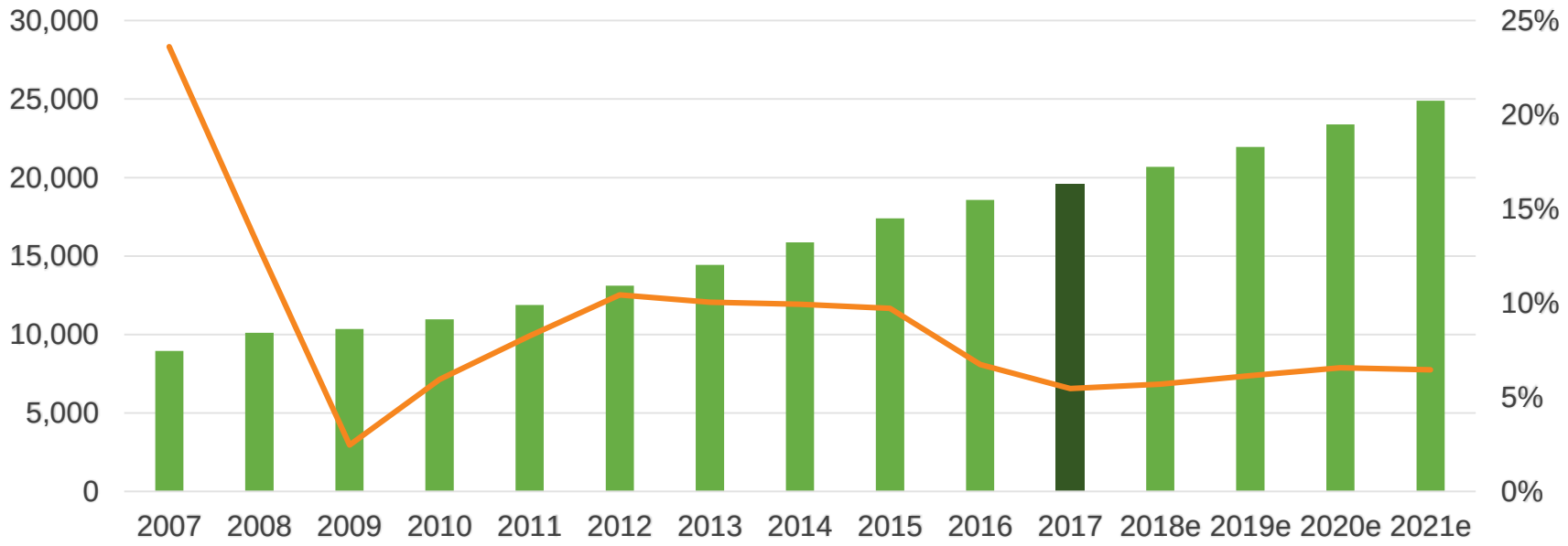
Natural Living now a $20B category in U.S.

U.S. Natural Living sales grew 5.5% in 2017, with growth down from 6.7% in 2016. Pet products a rising category for all of CPG.



Source: *Nutrition Business Journal* ($mil, consumer sales)

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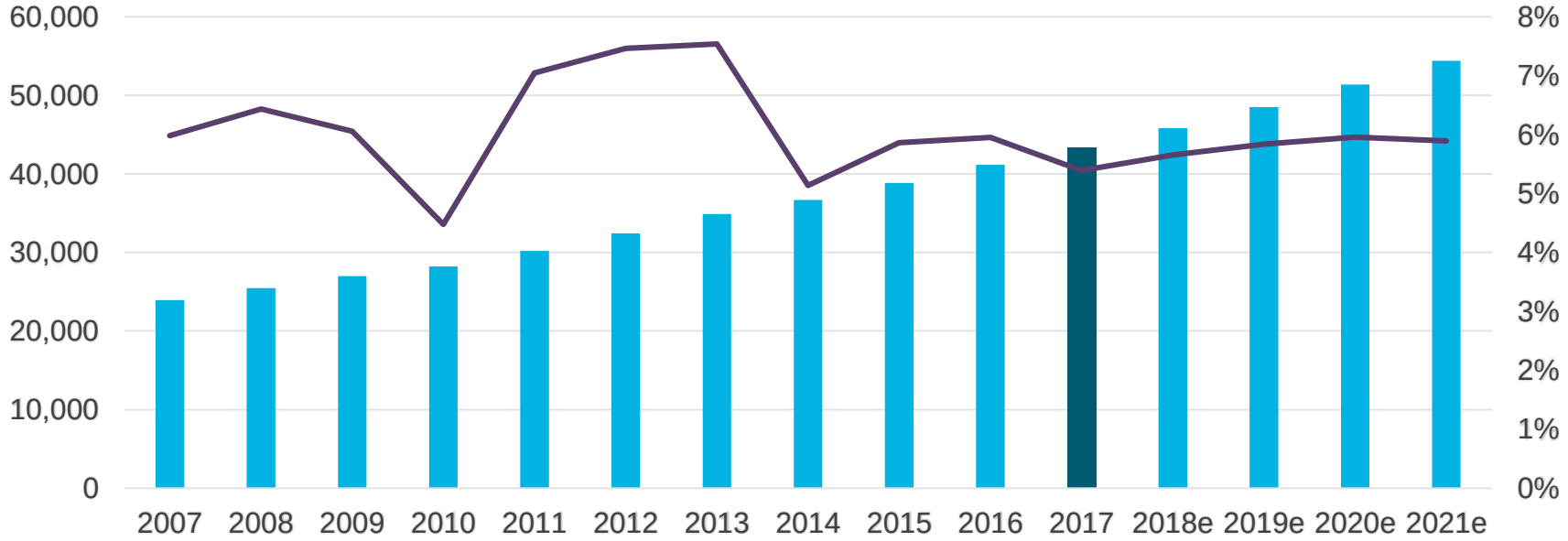
Supplement growth slows slightly in 2017

U.S. Supplement sales grew 5.4% to $43B in 2017, with growth down from 6.0% in 2016. Largest drop in growth driven by slowing sales in mass.



Source: *Nutrition Business Journal* ($mil, consumer sales)

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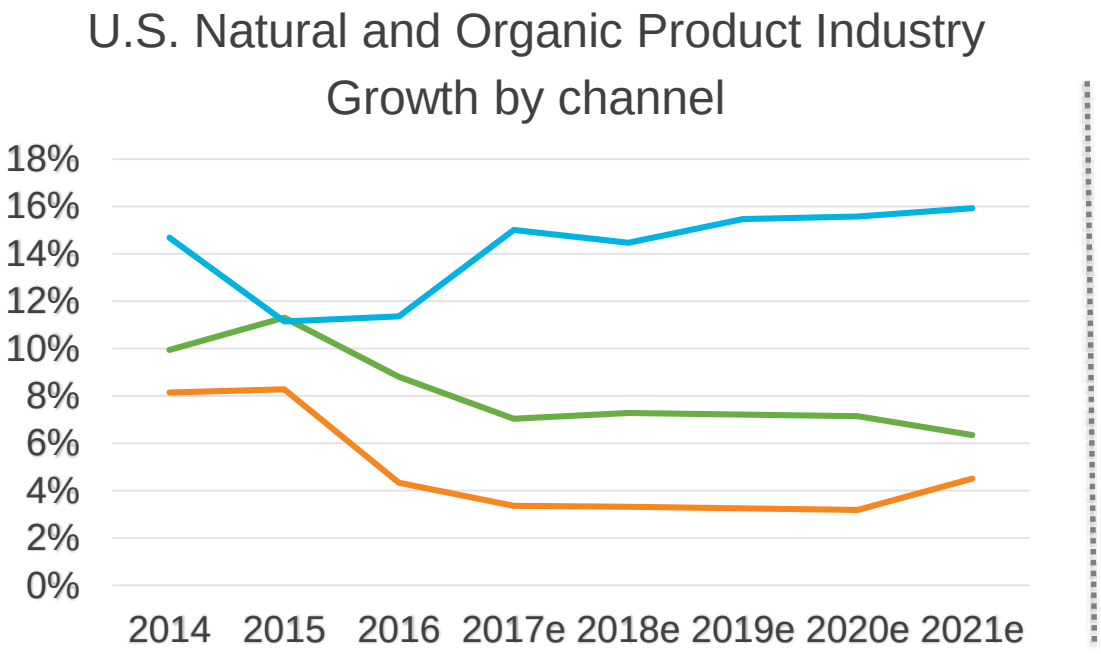
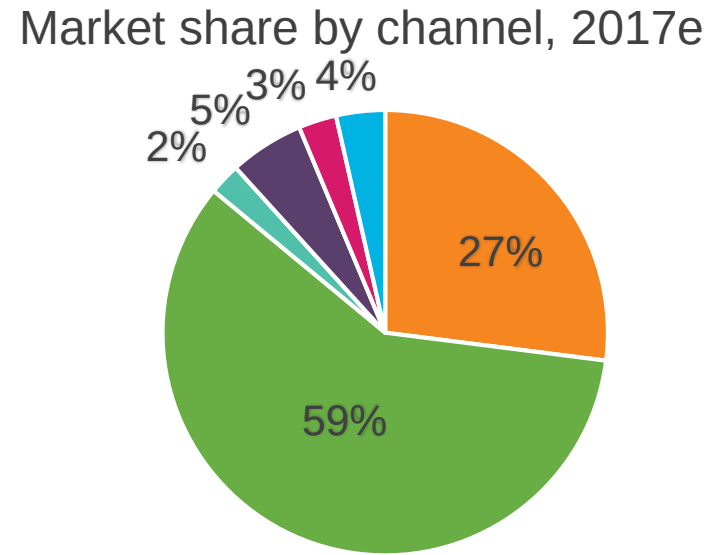
Mass market and natural channel growth slows; 59% of all sales still rung up in mass





Mass Market | Natural and Specialty | MLM/Network | E-Com | Practitioner | Mail Order, DRTV, Radio

Source: *Nutrition Business Journal* (2017 preliminary estimates; $mil, consumer sales)

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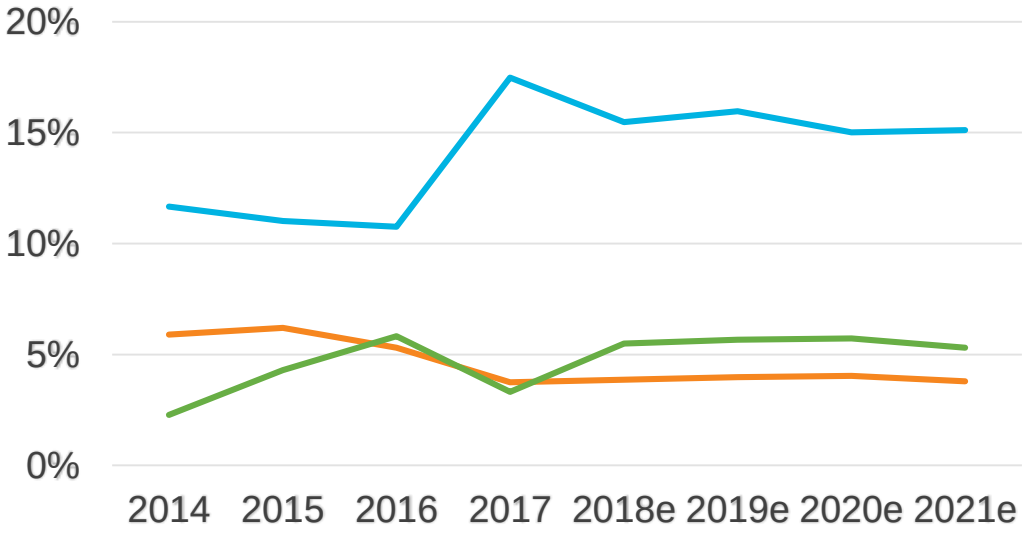
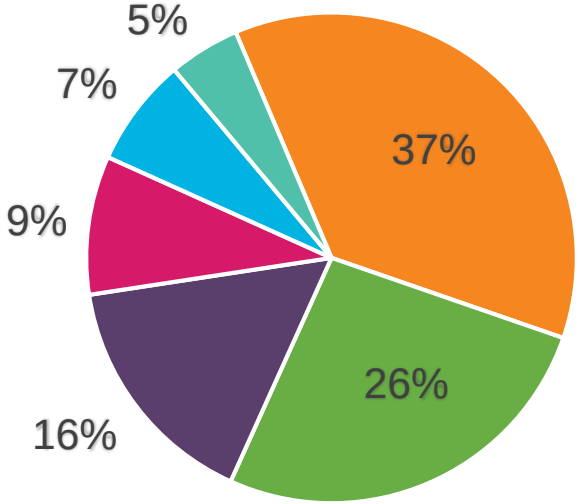
Natural & specialty still leads supplements

Online supplement sales up 17.5% in 2017

Growth by channel



Market share by channel, 2017e



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Source: *Nutrition Business Journal* (2017 preliminary estimates; $mil, consumer sales)

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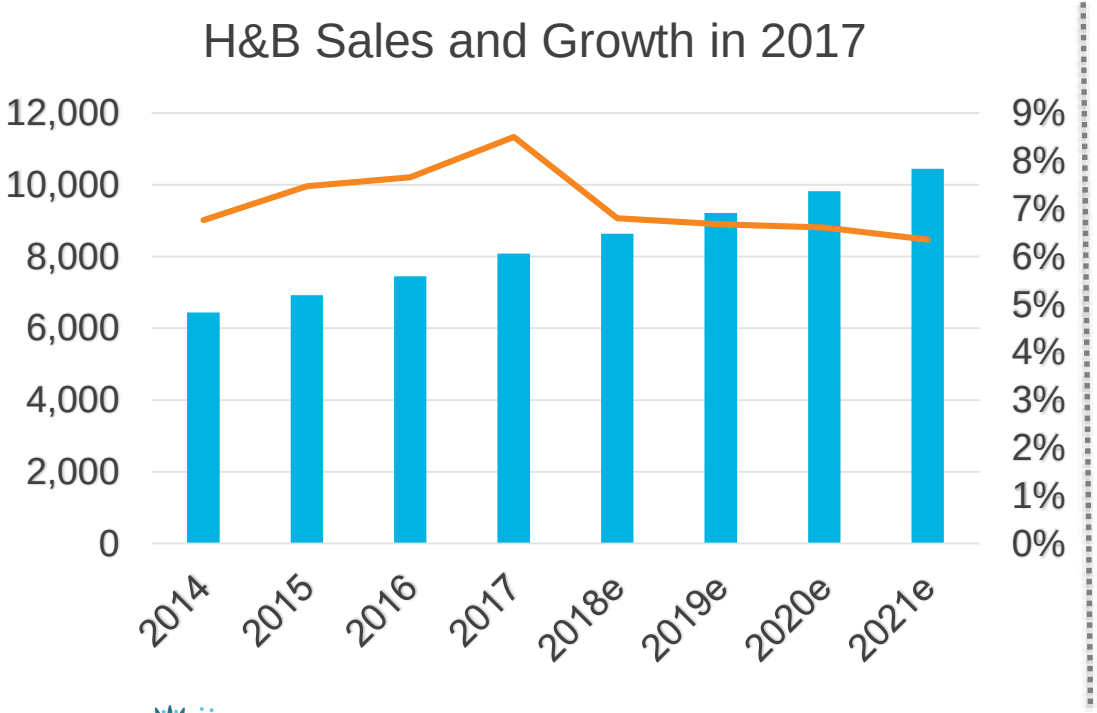
Herbs & Botanicals continue to shine on in ’17

H&B achieve strong category growth at 8.5%



Trending Herbs & Botanicals

- CBD
- Mushrooms
- Ashwagandha
- Turmeric
- Resveratrol
- Wheat and Barley Grass

Source: *Nutrition Business Journal* ($mil, consumer sales)

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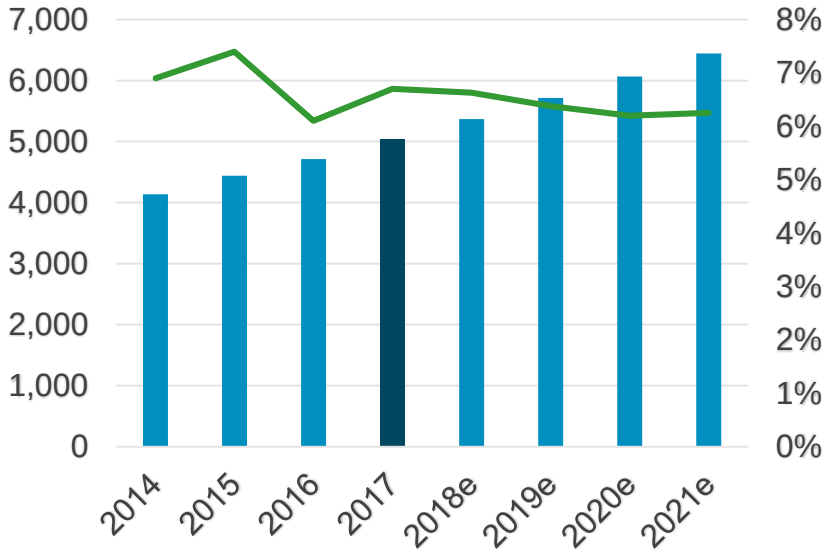
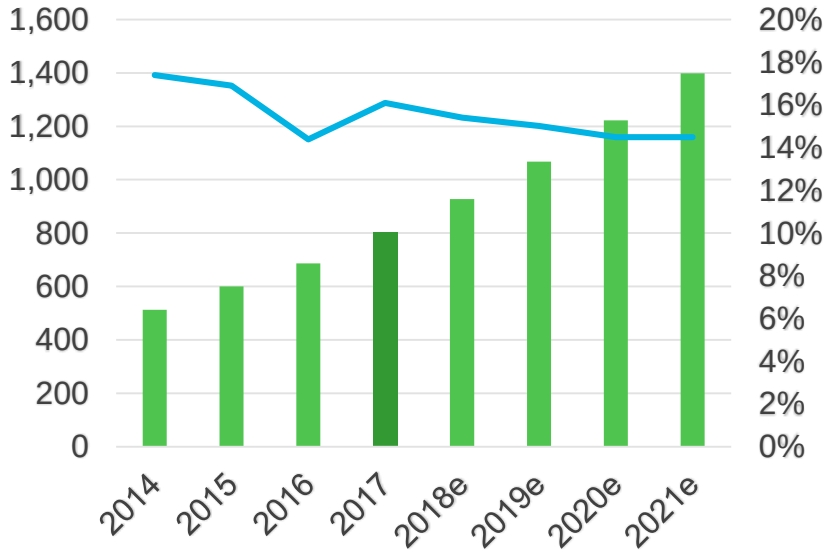
Protein supplements gain momentum—both in and out of the gym

Powders



Beverages



Source: *Nutrition Business Journal* ($mil, consumer sales)

Probiotic supplement sales slows, as prebiotic & digestive enzyme sales grow

Gut health supplements up 8.5% to $2.8B in 2017

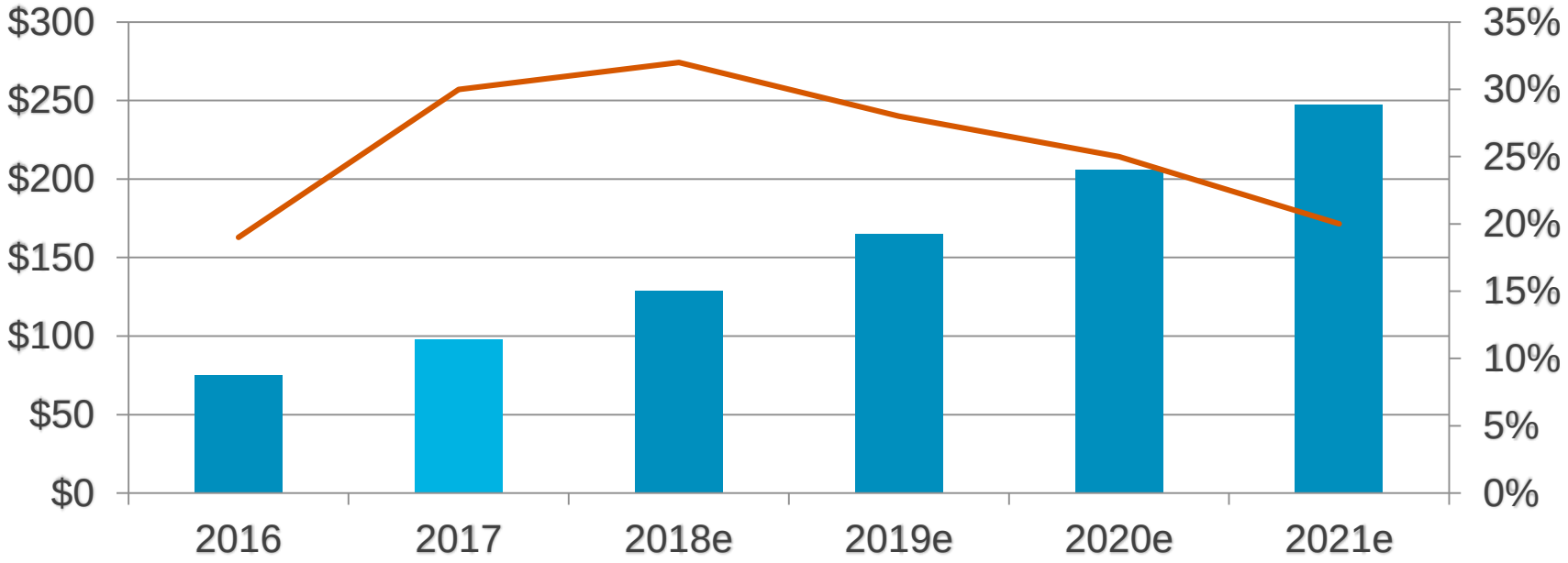
Source: *Nutrition Business Journal* (2017 preliminary estimates; $mil, consumer sales)

NBJ®

New Hope NETWORK™

Collagen continues double-digit expansion

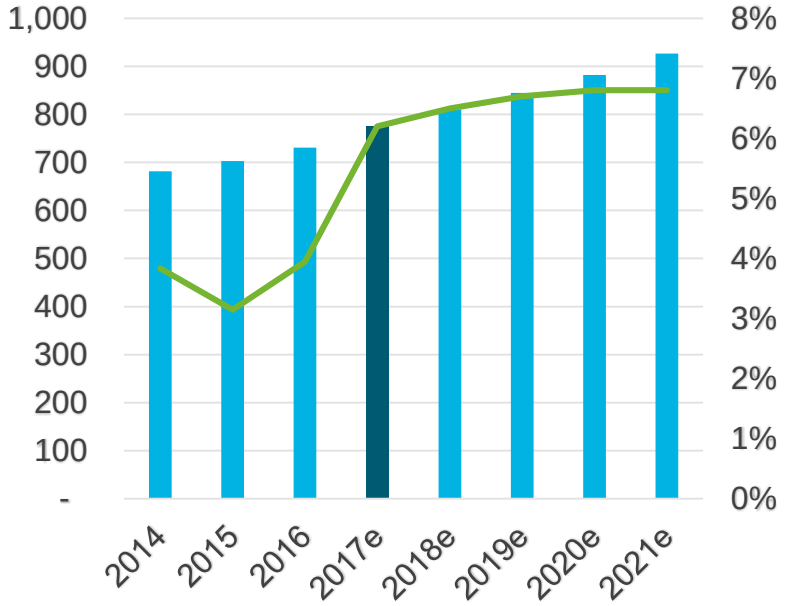
U.S. collagen supplements sales grew 30% to $98M in 2017

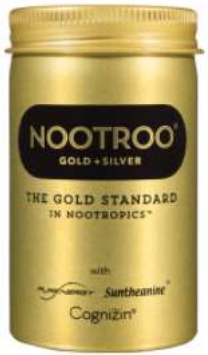


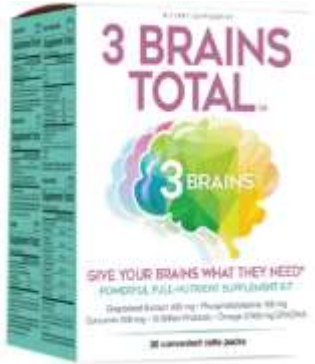
Source: *Nutrition Business Journal* ($mil, consumer sales)

Cognitive health growth spikes to 6.2% in 2017, addressing memory, focus

Cognitive health supplements sales approaching $800M







Source: *Nutrition Business Journal* (2017 preliminary estimates; $mil, consumer sales)

NBJ®

New Hope NETWORK™

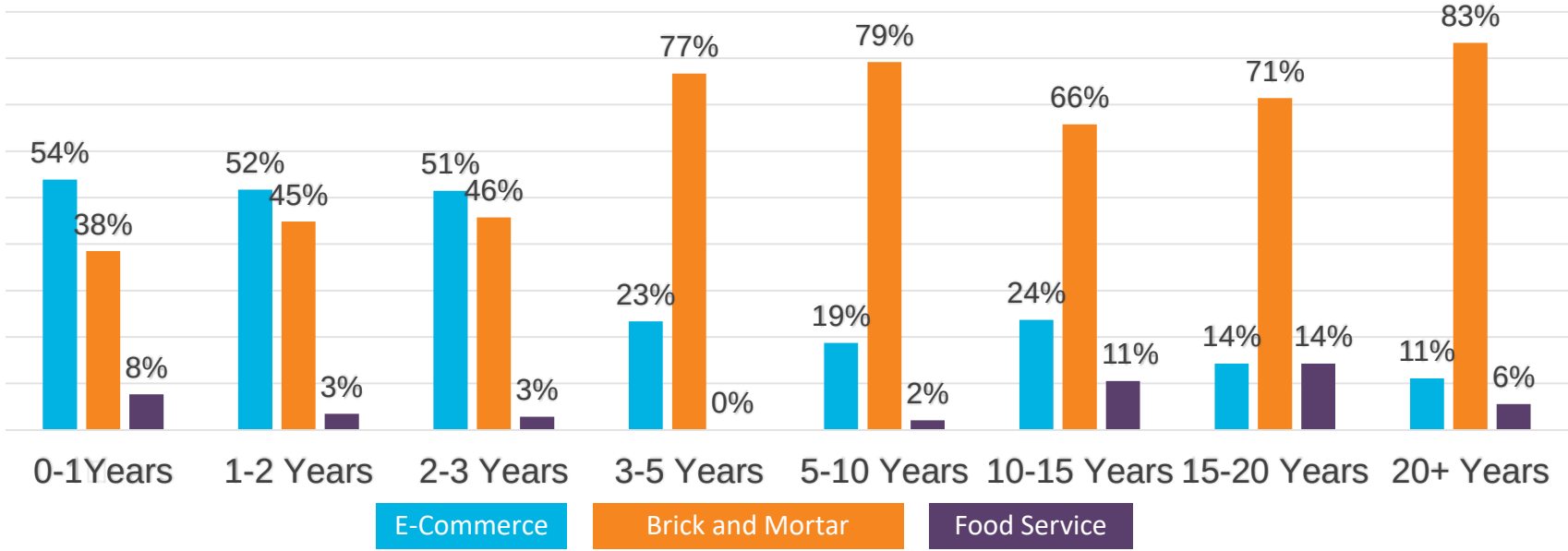
Pill fatigue fuels delivery system innovation and blurs line between supplements & food

NBJ®

New Hope NETWORK™

Retail is being disrupted: More than half of 0-3 year-old companies launched online

Through which channel(s) did your company's product(s) launch?



Source: New Hope Network survey conducted Q1 2018 (N=295), All Manufacturer Results

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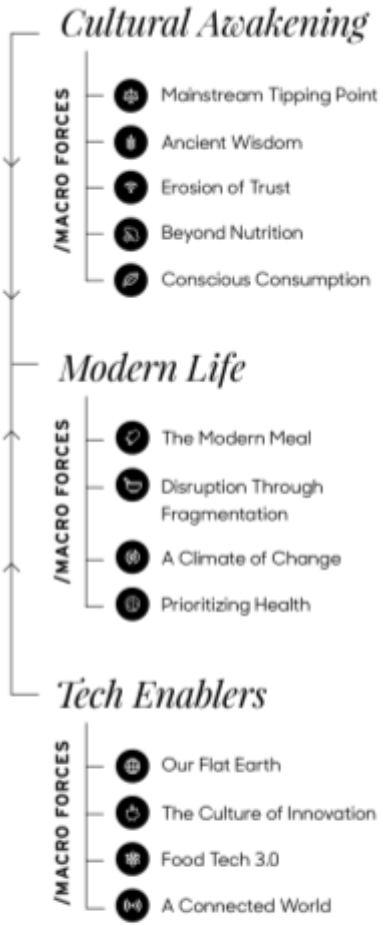
Cultural Macro Forces

New Hope NETWORK

www.nextforecast.com



Select cultural macro forces and market manifestations identified in Next Forecast appear on the following pages

ANCIENT WISDOM

Ancient grains

Whole grains

Inherently functional

Embracing biodynamic

Flavor advantaged

Market Manifestations

MAPLE HILL CREAMERY DRINKABLE YOGURT

NEW ZEALAND JERKY

DANG ONION CHIPS SALT-N-PEPPER

BIENA CHICKPEA SNACKS ROCKIN' RANCH

KURA START YOUR SMOOTHIE

4TH & HEART GHEE BUTTER

FLORA BAOBITES SUPERFRUIT SNACKS PEACH MANGO

BOKU SUPER 'SHROOMS

THE EROSION OF TRUST

Absence of negatives

Presence of positives

Transparency imperative

Short ingredient list

Source verified

Rehabilitation of science

Market Manifestations

ONCE UPON A FARM BABY FOOD BLENDS

SUSTAINABLE SEAS

FoodState

FOODSTATE

VEGGIE NOODLE CO.

BEYOND NUTRITION

Food as medicine

Protein craze

Customized nutrition

Quantified self

Food hacks

CBD

Food Tribes Redefine Food

Lack of Authoritative Guidance

Variety of nutrition and dietary opinions.

USDA

"Nutrition and health are closely related"

CDC
CENTERS FOR DISEASE CONTROL AND PREVENTION

WHO

BEYOND NUTRITION

Food as medicine

Protein craze

Customized nutrition

Quantified self

Food hacks

CBD

Crowd-sourced Nutrition Education

Dietary preferences long dismissed as “fringe” from various food tribes.

BEYOND NUTRITION

The purposeful brand

Environmental expectations

The B-corp revolution

Regeneration

Waste not

Market Manifestations

BAI BRANDS

BARNANA

DAILY TABLE

SPOILER ALERT

Market Manifestations

MODERN MEAL

Longer work and commuting hours

"Always on" culture

Enhanced nutritional awareness

Speed scratch solutions

Channel blur and delivery

BLUE APRON

CORE FOODS

MUNCHERY

ORGANICGIRL

WATCHAREE'S THAI MASSAMAN CURRY SAUCE

THE ZEN OF SLOW COOKING SLOW COOKER SPICE BLENDS DAUBE PROVENÇALE

CAFÉ SPICE VEGETABLE KORMA WITH SAFFRON RICE

CHEF SORAYA EAT A BOWL CHANA MASALA CHICKPEAS & RICE

CLIMATE OF CHANGE

Increasing population

Climate change

Water use

Input and waste management

Greenhouse gas emissions

Animal Protein

Competing visions of pastoral vs. industrial

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Indoor Agriculture Investments Exceeded $75 million for 2015

Top 5 2015 Indoor Agriculture Deals

COMPANY	WHAT THEY DO	FUNDING DATE	RAISED	STAGE
AeroFarms	World's largest indoor vertical farm	12.10.15	$20M	Series B
Illumitex	Horticulture LED lighting	8.11.15	$16M	Series C
BrightFarms	Design, build, and operate greenhouse farms near supermarkets	11.6.15	$14M	Series B
Harvest Urban Farms	Aquaponic farmers	9.10.15	$3M	Seed
Urban-Farmers	Urban rooftop and aquaponic farms	9.10.15	$2M	Series C

Source: AgFunder AgTech Funding Report 2015

FEED ME! / MARKET MANIFESTATIONS

MIDWESTERN BIOAG

SEAMORE I SEA PASTA

WESTLAND PRODUCE INC.'S LIVING LETTUCE

CLARA FOODS

PRIORITIZING HEALTH

Wellness evolution: from prevention to optimization

Know your metrics and biomarkers

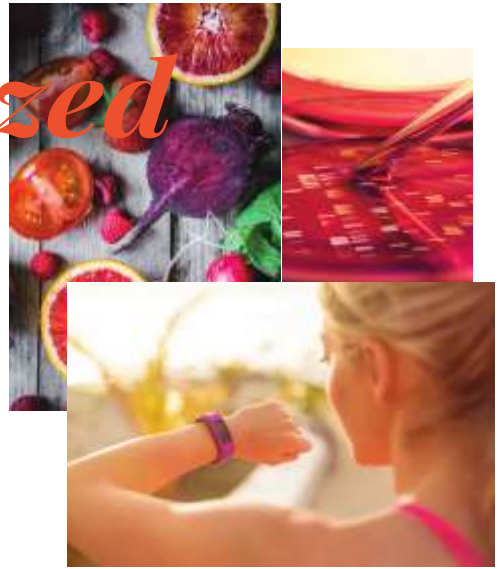
Allergies and a version

Sugar vilification

Genome and micro biome

The commercial success of personalized nutrition depends on two main factors

1. Availability of sound and actionable genetic testing
2. The development of special food products that are convenient, affordable, and good-tasting while avoiding the perception of diet "medicalization"



Source: RNutraceuticals World Magazine http://www.nutraceuticalsworld.com/issues/2016-04/view_features/personalized-nutrition-current-knowledge-implementation-possibilities

THE PERSONAL PROMISE / MARKET MANIFESTATIONS

ARIVALE

23ANDME

JUST THRIVE PROBIOTIC & ANTIOXIDANT

SKINSHIFT

PRIORITIZING HEALTH

Wellness evolution: from prevention to optimization

Know your metrics and biomarkers

Allergies and a version

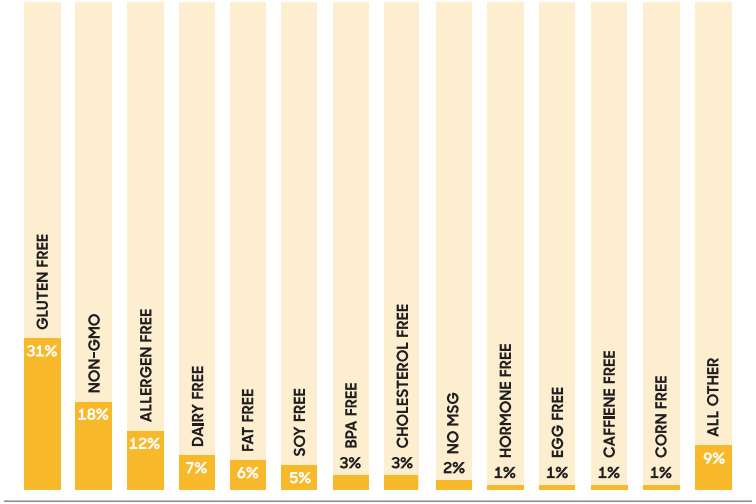
Sugar vilification

Genome and micro biome

"Free From" Claims Help Consumers Select Products Based on Their Specific Needs

Top Free-From Claims

Expos 2013-2016



Source: Natural Products Expo 2013-2016

FOOD ALLERGIES / MARKET MANIFESTATIONS

GOOD KARMA FOODS: FLAXMILK

FREE2B SUN CUPS

POP & BOTTLE ALMOND MILKS

DAIYA NEW YORK CHEEZECAKE

Thank you

Questions?
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