

The shifting landscape of food consumption

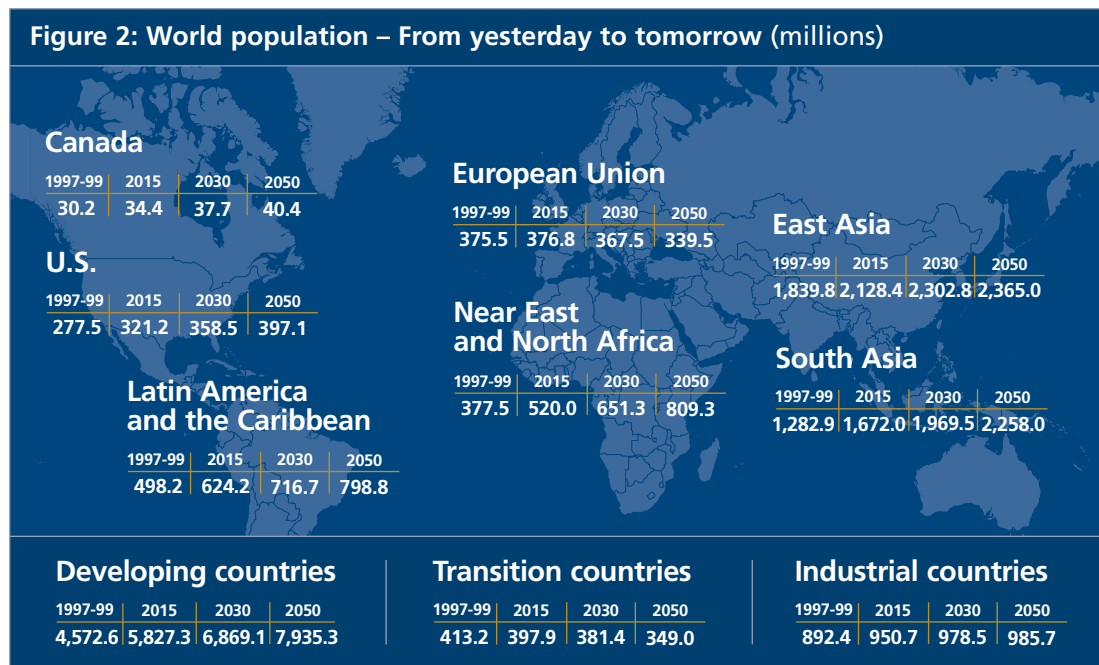
The world is changing quickly and so are food markets. The role of consumers is changing, science is changing food, and a new regulatory environment is being defined. What do you need to know about these changes to get ready for the future?

Food markets are changing

Many factors point to changes in food markets. Canadian food-spending is among the lowest in the developed world and has been decreasing proportionately for the past 40 years. World populations are growing and affluence is shifting among countries. Despite the impact of recent global economic events, many experts believe that China will be the world's largest economy within the next three decades.

Figure 2 shows projections of world population growth. Unlike the European Union and North America, developing countries and Asian and African countries will see massive growth. Growing middle classes in developing countries will consume more protein and processed foods. While growth is somewhat stagnant in Canada, the U.S. and Europe, populations are becoming more ethnically diverse. Some markets are aging rapidly and others have many youth.

Understanding how food markets are changing can help you produce the right foods for your target markets and help you take steps today to serve the markets of tomorrow.



Source: Conference Board of Canada

Figure 3: Global food consumption by category (kg/person/year)

Source: Food and Agriculture Organization of the United Nations

Population growth in North America has slowed. Population in the European Union is projected to decrease. How can you grow market share where population growth is slow or in decline?

Consider niche products for ethnic markets. Value-added, processed foods for busy families may be another opportunity. Aging consumers want more products that promote longevity and have smaller portion sizes. Mass markets seek lower prices or increased value in times of recession.

Global food consumption is changing. Wealthier consumers will want more meat and protein in

their diets and a wider variety of products that offer convenience and health benefits.

Monitoring trends in demographics, food consumption and world markets can offer insights that will help you make business decisions today so that you can be ready for tomorrow.

Trends that have taken hold in developed countries may emerge next in developing countries. The European Union and Japan are widely regarded as trendsetters for food markets.



Figure 4: Fastest-growing food categories by region

Europe Category growth rate	North America Category growth rate	Asia Pacific Category growth rate	EEMEA* Category growth rate	Latin America Category growth rate
Soup – frozen 25%	Energy/ sports drinks 52%	Herbs/ spices 33%	Chips/crisps (cereal-based) 137%	Ready-to-drink drinks 75%
Energy/ sports drinks 24%	Eggs 28%	Cooking fats/ oils 29%	Energy/ sports drinks 66%	Bite-size fresh food 33%
Fruit – frozen 15%	Ready-to-drink drinks 20%	Mixed fruit/ nuts/seeds 28%	Ready-to-drink drinks 58%	Vegetables – frozen 33%
Fruit/vegetable juice – frozen 13%	Dairy/dairy substitute drinks 11%	Probiotic drinks 28%	Fruit/herbal infusions 45%	Butter/butter substitutes 32%
Eggs 12%	Water 10%	Chips/crisps (vegetable based) 25%	Dips 42%	Sweet spreads 29%

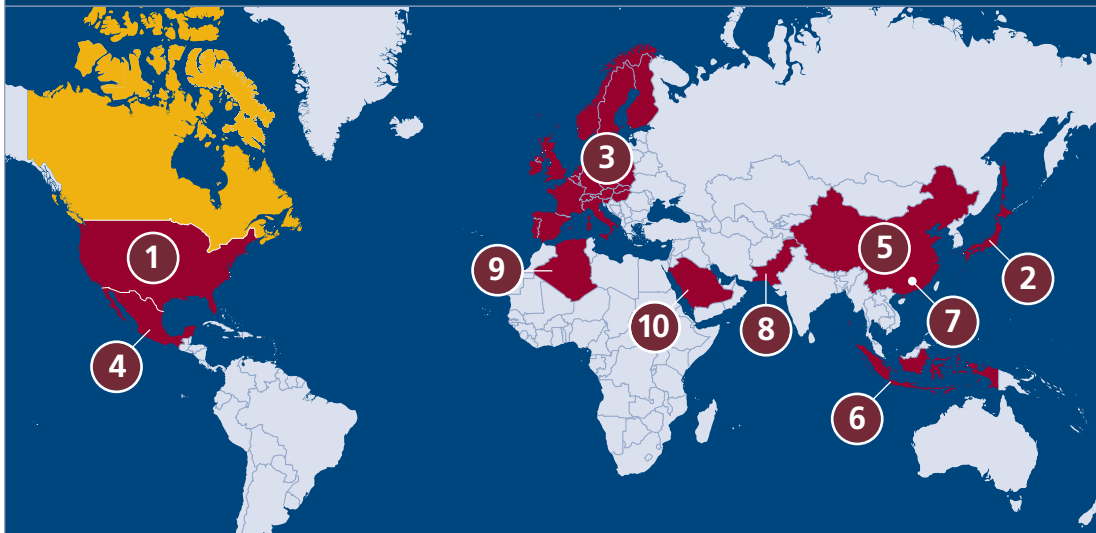
Source: <http://ca.nielsen.com/site/documents/2008WhatsHotinFoodandBeveragesFINAL.pdf>
*EEMEA – Eastern Europe, Middle East, Africa

Understanding where Canadian products are currently exported can also help you identify possible future markets. Figure 5 illustrates the diverse range of products that are currently exported. How will this picture change in 15 years?

Check out our Winter 2008 edition, *Knowledge Insider: Imagine if your market was global*, to learn

more about shifts in global wealth and what they mean for Canadian agriculture. Where could your future food markets be? Explore opportunities to capitalize on the trend toward value-added exports and think about your opportunities to combine imported and domestic ingredients in new food products.

Figure 5: Top exports for Canadian agri-food



1 U.S.

1. Fresh boneless beef
2. Frozen fries
3. Bread, pastry, cakes, biscuits
4. Food preparations

2 Japan

1. Canola seeds
2. Frozen pork
3. Fresh pork
4. Non-durum wheat
5. Soybeans

3 European Union

1. Non-durum wheat
2. Durum wheat
3. Soybeans
4. Flax seed
5. Lentils: dried, shelled

4 Mexico

1. Canola seeds
2. Non-durum wheat
3. Fresh boneless beef

5 China

1. Canola seeds
2. Canola oil
3. Barley
4. Peas: dried, shelled

6 Indonesia

1. Non-durum wheat
 2. Malt extract
 3. Frozen fries
 4. Peas: dried, shelled
 5. Durum wheat
- * Canada is Indonesia's top supplier of non-durum wheat

7 Hong Kong

1. Ginseng roots
2. Frozen boneless beef
3. Canola oil

8 Pakistan

1. Canola seed, low eracic acid
2. Non-durum wheat
3. Canola seed, other than low eracic acid
4. Chick peas: dried, shelled

9 Algeria

1. Durum wheat
 2. Lentils: dried, shelled
 3. Chickpeas: dried, shelled
 4. Peas: dried, shelled
- * Canada is Algeria's top supplier of non-durum wheat

10 Saudi Arabia

1. Barley
2. Frozen fries
3. Ice cream
4. Peanut butter
5. Specialty cheese

Source: Agriculture and Agri-Food Canada

Consumers are changing

Values around the world are converging. A better informed and more influential global consumer is emerging. Many global consumers are concerned with health and environmental sustainability. They want customized products, quick, convenient service, and local and international food choices. They have high expectations of the food system and need help figuring out what to eat.

Did you know?

In a U.S. study, 80 per cent of consumers said their purchase decisions are directly influenced by online reviews. More than half of consumers purchasing electronics have read customer reviews and up to 90 per cent of people trust word-of-mouth suggestions.

Many of your future customers are already wired with technology. In Europe and the U.S., Sprint Nextel launched MyFoodPhone, a new mobile phone that helps consumers monitor their daily food choices, consult with professionals and network with a community of like-minded people. What could be next? Refrigerators that track consumption and caloric intake? Shopping carts that calculate nutritional value or rate product choices? Hand-held monitors that analyze daily food intake based on personalized eating habits? Future consumers may access and choose food using different values and systems than we use today.

The individual in the household who prepares meals may no longer be your target customer.

The graphic shows different generations with purchasing power. A 2005 study shows that \$18 billion US in annual household spending is

influenced by 3 – 11-year-olds.² Their older siblings, the Millennials, are active consumers and prefer peer-recommended products. Dr. John Kelly of the University of Guelph says that 75 per cent of U.S. wealth is held by “woofs” – well-off, older folks.³ Whatever their age or demographic profile, consumers are taking on new roles. Here are a few to consider.

Consumer as CEO

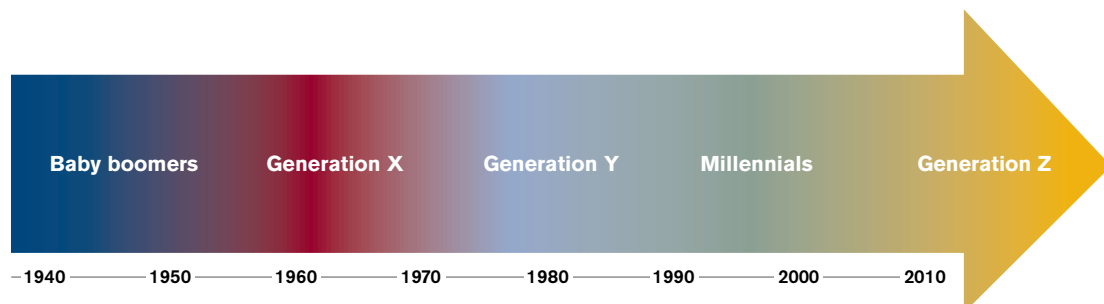
Communication is global, corporations are losing influence in the public arena and some researchers believe that consumers will gain CEO-like powers. Whether speaking for themselves or represented by large corporations that gather consumer purchase data, the voice of consumers is now heard more widely. Some companies recognize that customers want to hear from each other, not from a corporation. They offer customer-to-customer forums, engage loyal customers in marketing campaigns, and feature average people in product ads. Just like corporations, customers are looking to extract the greatest value from markets.

Did you know?

In 2004, U.S. consumers, recognized for their obsession with body image and diet, spent nearly half of their food dollars on meals and snacks away from home.

Consumer as lobbyist

Today, word of mouth travels faster than new products can get on shelves. The Internet and social networking have made it easier for communities of like-minded people to bypass geography and voice collective concerns. The effect of consumer lobbying in agriculture is evident through tighter quality control and traceability



measures in the meat industry. McDonald's influenced changes to animal husbandry in their supply chains and changed their packaging in response to consumer lobbying efforts. Campbell's has voluntarily lowered salt and fat in product lines sold in schools. Can you anticipate consumer concerns and turn lobbyists into spokespeople? Will you be ready if your company comes under increased public scrutiny?

Consumer as product authority

Your customer may know as much about your products as you do. In some cases, customers may be your best salespeople. Customer testimonials can influence others to buy your products.

Viral marketing and social networking are redefining the world of customer influence. The Zagat hotel and restaurant guide highlights the opinions of diners and hotel patrons, not expert reviewers. This trend is already strong in the film, theatre, music and book industries. Restaurants and foods are following suit.

Collaborative filtering software allows consumers to view millions of customer reviews online. In 2008, Google had a patent pending on technology to rank the most influential people on social networking sites like MySpace and Facebook. The technology could rate how successful someone is in influencing friends to read a news story or watch a video clip. Can your customers help you develop your reputation and influence product sales?

Consumer as individual

Many people want to stand out in a crowd. Some consumers define themselves through their purchases. From personal doodles on credit cards to customized cell phones, the trend toward personalization is strong in many industries. Time magazine recognized this trend and declared "you" as the person of the year in 2006. Nutritional boosters offering benefits like a brain boost or an energy fix are increasingly popular with juice outlets and health product lines. What Canadian agriculture products could be the next healthy energy boost? By understanding what consumers

want next, you could respond to the increasing demand for customized, individualized products.

Consumer as engaged participant

Some food retailers engage customers in their business. The personal values of Whole Foods Market's committed customers mirror their corporate values. Whole Foods customers trust that the company's entire value chain offers healthy foods that are sustainably produced and they're willing to pay a premium for their products. Engaged customers often provide word of mouth referrals. In an era where customer and brand loyalty is fading, engaged consumers may help to sustain your business.

Making it work – The Farm House Natural Cheeses

"Life is about relationships, don't forget that." Debra Amrein-Boyes took her father's words to heart and into her cheese business in Agassiz, British Columbia. In addition to the on-farm retail shop, events like cheese-making workshops and "Brunch on the Farm" provide an experience for customers, and at the same time build brand awareness and customer loyalty. Hundreds of cycling enthusiasts came out for a Slow Food Bike Tour hosted by Slow Food Vancouver, visiting the farm and sampling the cheeses and other local farm products. A spin-off benefit of customer and community involvement is that Farm House is often featured in the media, making promotion a breeze.

www.farmhousecheeses.com

Food is changing

Scientific advances in plant breeding and animal husbandry are adding functional attributes to common foods and untapping nutraceutical attributes in long-standing varieties. The push and pull of science responds to and prepares for future consumer needs. Innovations in food technology offer improved food safety. Inland, urban fish farms are supplying delicacy fish to growing populations and scientists are experimenting with growing in vitro meat in laboratories.⁴

Biotechnology and food science offer solutions in mold resistance, disease and bio-safety. This can increase yield, reduce input requirements and improve flavour. Golden rice, a nutrient-dense staple crop, is one example of how genetic engineering combats malnutrition in developing countries.

Did you know?

Taiyo Kagaku Co. Ltd in Japan has developed a super-dispersion technology to isolate nutraceuticals from hen eggs, making the particles smaller and more soluble and improving the bioavailability for human digestion.

Science is improving what we know about personal eating habits and teaching us how to eat for optimal health. We're learning more about the component parts of food, pulling them apart and reassembling them into value-added products. We're also learning more about human genes. In the future, we should be able to customize diets based on health-related needs – like diabetes or celiac disease – or tailor a diet to individual genomic coding.⁵

The regulatory environment is changing

There's a shift in how we regulate and monitor food production. Canadians want food to be safe and they expect governments and industry to be transparent, accountable and quick to act on food safety risks. Canada's food safety measures are aligned with Health Canada and the Canadian Food Inspection Agency (CFIA), and must respect international trade obligations. Our commitment to food safety could open doors to international markets.

Government and industry leaders recognize the need to improve standards to ensure a secure global food system. The emerging regulatory framework is based on a combination of country-specific initiatives and harmonized agreements. Over 27 countries in the European Union (EU) and the ASEAN 10 (which includes 10 Southeast Asian nations) have defined a common framework. The frameworks function within the broad umbrella of the World Health Organization (WHO) and Food

Did you know?

A study by the Guelph Food Technology Centre showed that 75 per cent of consumers are concerned or very concerned about food safety.

and Agriculture Organization (FAO) of the United Nations. Factors addressed include health claims, classification of foods and supplements, labelling, additives, safety and Good Manufacturing Practice (GMP). Codex Alimentarius, which protects consumer health and ensures fair practices in food trade, works in conjunction with WHO/FAO to increase pressure for harmonization.


Did you know?

More than 60 per cent of the world faces new regulation of dietary supplements, based largely on FAO/WHO guidelines and GMPs.

Can you have influence?

You may see tighter food regulations as a barrier to efficiency or you might see value in the ability to differentiate Canadian products on the basis of quality and high standards. Whatever you believe, the regulatory environment is changing. The call for tighter regulations comes from many players. Producers, manufacturers, shareholders, regulatory bodies, non-governmental organizations (NGOs), government and corporations are all seeking secure, sustainable food systems. New "Product of Canada" government regulations are based on opinions solicited by government from 1,500 consumers, farmers, manufacturers, processors, distributors and retailers. Demand for safe food and a more secure food system is growing. Most consumers want to read and understand nutritional information on labels and websites, and trust that they are accurate.

Some government and non-government groups are ready to support consumers seeking a more controlled system, better traceability or more transparency. One hundred U.S. scientists sent a petition to the Food and Drug Administration (FDA) demanding tighter regulation of energy drinks. Australian politicians are looking at



Changing our food – and what we wrap it in

Scientists at the U.S. Department of Agriculture have developed a composite food packaging film made from pectin, polylactic acids and nisin that can inhibit the growth of listeria monocytogenes. And, it can be made from renewable resources!

A new biodegradable plastic, Ecoflex, is certified by the North American Biodegradable Products Institute. It can be used in bags and packaging and remains shelf stable for one year before decomposing into compost within a few weeks. The U.S. Army is testing a new food wrap, Toxin Alert, that identifies when a food has gone bad. When food starts aging, antibodies in the wrap attack pathogens and an X-shaped stamp shows up on the wrap.⁶

What will the new world look like? Are we moving from:

Production-centric thinking	to	Consumption-centric thinking?
"If we produce it, they will buy it"	to	"Find out what they want and produce it"?
Government regulations	to	Self-regulation/certification?
Mass consumption	to	Mass customization?
Disjointed supply chains	to	Deeply integrated supply chains?
Profit-driven business	to	Sustainability-driven business?



Did you know?

Ontario's OnTrace and ATQ (Agri-Tracabilité Quebec) signed an agreement in September 2008 to facilitate intraprovincial information exchange. For more information, go to www.ontraceagrifood.com.

regulating the sale of energy drinks to minors.⁷ Consumer watchdog groups monitor regulations and standards in the food industry.

In the U.S., ConsumerLab conducts independent testing of food products in a laboratory environment to substantiate health claims. Consumers and health-care professionals regularly refer to their website. In Canada, groups like KGK Synergize conduct clinical research for companies

Did you know?

The source of the health claim can impact consumer reaction. Most consumers prefer health claims to come from government, rather than industry or private companies.

developing nutraceutical and functional food products, and the Centre for Science in the Public Interest publishes the results of independent testing in their Nutrition Action health letter.

Will you be ready when we reach the tipping point where consumers demand more reliable, consistent information about where and how foods are being produced?

Who's influencing regulatory change?

While world leaders work to create a new global regulatory environment, some groups are already taking action to meet consumer needs. Some large retailers use their influence to set standards and expectations further down the value chain. The Maine lobster industry is seeking certification as a sustainable fishery because Wal-Mart will only source from certified fisheries after 2011. The Stewardship Index for Specialty Crops is a green coalition dedicated to tightening controls and standards around sustainability and health. The coalition includes Wal-Mart, Sysco, the World

Wildlife Fund, the Environmental Defense Fund and others. They're building sustainability into the supply chain for growing, distributing and marketing specialty crops like fruits, nuts, vegetables and horticultural crops. This food industry powerhouse will address such issues as employment practices, pesticide use, greenhouse

Did you know?

The Food Industry Centre at the University of Minnesota has an online diagnostic tool to benchmark best practices in food safety. Do you export to the U.S.? How does your operation rate?

<http://webapps.cfans.umn.edu/TFIC/Main/index.html>

gas emissions and impacts on soil and water. Will you work with your value chains to get ready for tighter standards?

**Making it work –
Flanagan Foodservice**

Food distribution companies don't sell to end use consumers, so why would they watch consumer trends? Ask Dan Flanagan. President of Flanagan Foodservice, he has monitored consumer trends in food markets for 31 years. Dan's customers are school cafeterias, restaurants and long-term care facilities, but that doesn't stop him from looking further up the value chain. He understands that consumer demand drives food sales and works closely with his customers to meet their customers' needs. From addressing food safety concerns by becoming one of the first HACCP (Hazard Analysis Critical Control Point) certified warehouses to demanding traceability from produce suppliers, consumer trends influence Dan's business decisions. He attends conferences and trade shows, scans newsletters from food organizations, actively participates in trade associations and watches for hot topics in the media. For Flanagan, being in the middle of a food value chain means working closely with partners upstream and downstream, and always remembering that the consumer is at the wheel.

www.flanagan.ca

