

Summer 2009 edition

Knowledge Insider

Where business meets opportunity | **Consumer trends**

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Farm Credit Canada
Advancing the business of agriculture

Canada



“The great illusion of the marketplace is a simple one: That it is supply based . . . that if you build it they will come. The great reality of the marketplace is simpler still: Nobody who produces is in control. Nobody who sells is in control . . . The great reality of the marketplace is that it is demand-based. Customers own it lock, stock, and barrel.”

– Jim Taylor and Watts Wacker, *The 500-Year Delta*¹

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Business insight from FCC

Make better decisions with better information. Use Knowledge Insider to help track global shifts and industry trends. For more knowledge that you can use to plan for success in your business, visit www.fcc.ca/learning.

Farm Credit Canada is proud to present Knowledge Insider, a semi-annual publication offering thought-provoking information to producers and other agriculture entrepreneurs. Trends described in this document are supported with facts and figures and examined in the context of what's on the horizon for Canadian agriculture.

Please direct questions and comments to FCC's Customer Service Centre at 1-888-332-3301 or email csc@fcc-fac.ca.

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Cette publication est également offerte en français.

Shopping list

Let's see, I need:

- mushrooms: What kind? Canned, dried or fresh?
- onions: Seven varieties to choose from.
- green pepper: At least there's only one type of green pepper - but do I want organic?

Pasta:

- spaghetti noodles: What is durum semolina anyway? What about whole wheat, rice noodles or corn noodles? Gluten free? Extra fibre? They're all different prices. Some are different sizes. How can I compare them? Ah-ha, here's one that's omega-enriched.

- cooking oil: What is it I've read about linoleic acid levels? It's saturated fat that I should avoid, isn't it? I thought olive oil was best, but what about this blend of flax, olive and canola? And are cold-pressed oils for cooking or for salads?

Meat:

- ground beef: Regular, lean or extra lean? Should I try ground turkey? What about ground soy product? Maybe I'll just order in tonight.

Consumer trends in food markets

Whether you produce, process, distribute or sell food products, the success of your business depends on knowing what products consumers will buy and which ones they won't. This edition of Knowledge Insider explores consumer trends in food markets.

The marketplace is quickly changing. World populations are growing and aging. Wealth is shifting between developed and developing economies. World leaders are questioning the ability of global food systems to feed growing populations and meet changing consumer demands.

The Internet and the media have increased consumer awareness of issues such as domestic food security, food safety and traceability. Consumers can see what people are eating around the world and expect grocery shelves stocked with affordable food that is convenient, tastes good, and keeps our bodies and the planet healthy.

To meet consumer demands, scientists are helping to make food more nutritious, plentiful and

flavourful. Consumers in developed countries have seemingly endless choice, from low fat to organic, ready-to-eat to omega-enriched. Even salt comes with less salt!

The future will bring even more innovation. From biodegradable packaging and cell phones that scan labels for nutrient information to food customized to match personal genetic coding, food production is evolving to meet the changing needs of consumers and the planet.

About 80 per cent of new food products fail in the first year. Annual consumer trend forecasts are available at the click of a mouse. How do you know which trends will stick and what is right for your business? Monitoring and understanding what drives long-term trends can guide your strategic planning.

Businesses in agriculture and agri-food are putting consumer trends on their agendas. As you read through this edition of Knowledge Insider, look for opportunities for your business to adapt to consumer trends in food consumption.



We don't all have the same choices

The topic of food is close to us all, yet not everyone in the world has enough to eat, let alone an overwhelming choice in food products. Over one billion people worldwide live in poverty and many do not know where their next meal will come from. Innovators who can find ways to meet nutritional needs in an affordable way can have a positive impact on people's lives.

Innovations can offer solutions. Nestlé has worked in partnership with farmers in India for 45 years. Their Milk District Model finds cost-effective ways to secure plentiful supplies of fresh milk. Other companies, like Unilever, are extending credit to this massive market and developing customized goods to meet their needs. Could you develop relationships today to build markets in emerging economies of tomorrow?

This edition of Knowledge Insider focuses on trends in developing and developed countries.

It starts with the consumer

It's not just retailers who need to pay attention to consumers. All players in food value chains can use consumer trend information to deliver the right products at the right time.

Monitoring and understanding consumer trends and their drivers can help guide innovation, increase efficiencies and prepare your business for changes in consumer purchasing habits.

Fads versus trends

A trend is evidence that a pattern of repeated behaviour has emerged. A fad is a situation that rises rapidly and then quickly disappears. Do you remember purple ketchup?

There's risk in entering new markets or creating new products based on emerging consumer trends. Martin Gooch of the George Morris Centre compares the uncertainty to penguins ready to jump into the ocean. Will you be the first penguin

to take the plunge and risk being eaten, or will you jump too late, after all the fish have been eaten? Are you a trendsetter, or do you prefer to try new markets during the growth or maturity stage? What information do you need to make the decisions that are right for your business? Start by understanding what's driving trends.

Drivers impact trends

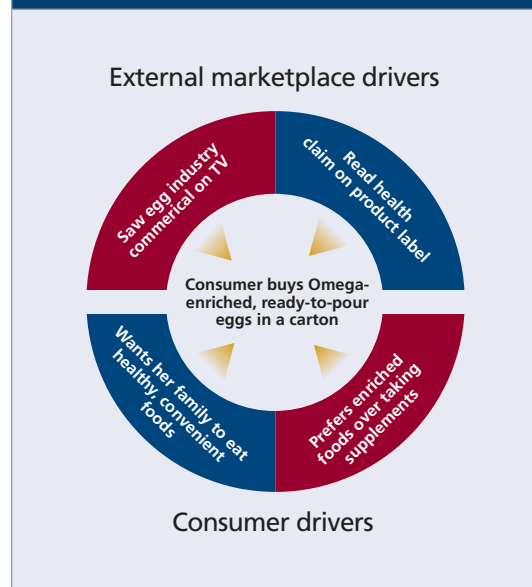
What motivates a consumer to purchase one food or beverage product over another?

Decisions are based on the interplay between external and individual drivers.

Figure 1 shows four possible drivers that were at play when a consumer decided to purchase omega-enriched, ready-to-pour eggs in a carton.

Ideally, every player in the value chain monitors trends on their own and then communicates with their partners to identify opportunities for new or value-added products.

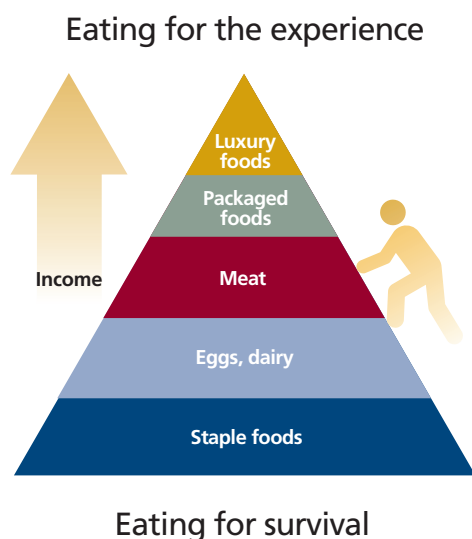
Figure 1: Drivers impact trends



What drives food choices?

Income level is the biggest driver of food choice. Other factors like convenience, quality and variety also drive consumer purchases.

The average U.S. supermarket offers 45,000 products. Add health claims on labels and new types of enriched foods and it's no surprise that some consumers wonder what to buy. Some want green products and others expect traceable food supply chains. Many want to be confident that their food is safe and virtually all want it to taste good.



How could you learn more about what motivates your customers and adjust your products to meet their demands? Consider whether your pricing structure reflects consumers' price sensitivity. Assess which products your customers will pay a premium for.

The impact on agriculture and agri-food

Let's look at how two Canadian industry organizations are using trend analysis.

Pulse Canada's Pulse Innovation Project has studied the link between pulse consumption and health since 2005. They are exploring how to turn an inexpensive protein source into value-added products like pulse-enriched pastas and breads.

The Canola Council's "Growing Great 2015" campaign highlights canola's healthy properties.

Both organizations are linking their product health attributes to consumer priorities (like weight control and diabetes) to drive innovation and industry growth. How are marketing agencies and industry organizations in your value chains using consumer trends, and what could you do to influence their direction?

Consumer trends and business innovation

Successful producers and agribusinesses use consumer trends to guide their decision making. Whether you watch trends on your own, employ professional marketing staff or contract with an external firm, we believe that monitoring trends is only the first step to success. You know your products and your business. How could you learn more about what consumers will want in the future and understand what's driving these trends to inform your business decisions? To find out more, check out Trend Watching 101 in the Tips and Tools.

Did you know?

Prince Edward Island's Sensor Wireless Inc. knows that consumers want fruits and vegetables that are fresh and look good. They sell customized, wireless, potato-shaped sensors that travel alongside potatoes on production lines. The Smart Spud uses radio-frequency identification technology (RFID) to detect how harvesters, windrowers, graders or processing equipment are bruising or damaging potatoes.

