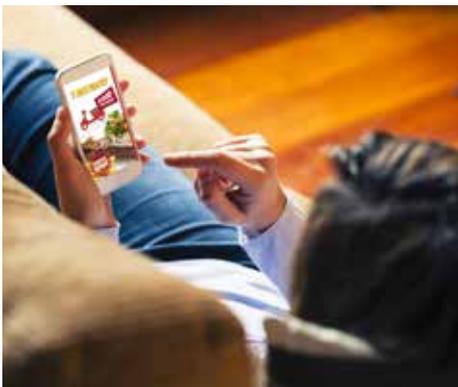


U.S. FOODLINK

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Delivery and Efficiency *Will be the Driving Factors of 2019*

The modern consumer is connected and convenience-focused – a trend that is matched by supermarkets themselves, and is working its way further down the supply chain. While online grocery delivery is still a small slice of the supermarket pie, its importance is continuing to grow, and cutting-edge grocers are preparing themselves for the future.

Deutsche Bank expects online orders to represent roughly 10% of the \$800 billion grocery market by 2023, up from 3% in 2018, reported *The Wall Street Journal*. The rise of ordering will have an effect on prepared food as well, as takeout and delivery from restaurants is expected to grow from 10% currently to 15% in 2028.

On the forefront of this delivery and pickup-focused future is Walmart, which has been rolling out new features and expanding its pickup towers for some time. Most recently, Walmart expanded a test of automated kiosks that serve as vending machines for online grocery orders at a supercenter in Sherman, TX, according to *Business Insider*.

The company reported 40% increased online sales growth in third quarter 2019, and the company expects overall robust growth of 35% for the entire fiscal year, according to *The State*. Walmart claimed its online pickup service in particular is attracting new customers and causing shoppers to add more items to their carts, and will offer grocery pickup locations at 3,100 stores by the end of fiscal 2020, while doubling the amount of stores offering grocery delivery and same-day delivery.

It's not just Walmart benefiting from the rise of online orders. Grocery apps are among the fastest-growing in the U.S., according to eMarketer. The firm predicted that 18 million U.S. adults will use a grocery app at least once a month in

(Continued on page 2)



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2018, up 49.6% over 2017, and more than one in five adult smartphone e-commerce buyers are expected to use a grocery app to order food in 2019.

The growing popularity of online ordering can be seen in Instacart, which it is reportedly on track to surpass \$3 billion in grocery orders in 2018, more than double its business from 2017, according to TXN, reported *The Information*. On average, Instacart customers purchased about three times per month from January to August, spending about \$88 each time.

One of Instacart's big new customers is Aldi, which entered a national partnership to bring online grocery delivery to all of the company's stores. The service will be available across 35 states in 5,000 new ZIP codes by late November. The national rollout covers 75 major markets, including San Diego, New York City, Miami, Raleigh and Minneapolis.



While many grocers are focused on delivery, they can't ignore their physical presence, as supermarkets with physical stores experience higher web traffic, attract new customers and increase brand awareness in the market, according to ICSC. The firm found that opening a new physical store leads to a 37% average gain in overall traffic to a retailer's website and increases its share of web traffic within that market by an average of 27%. The opposite holds true as well, and web traffic tends to fall when stores close.

To manage the demands of a supply chain that encompasses both brick-and-mortar sales and last-mile delivery, many grocers are turning to technology. Companies are stocking their warehouses with robots and artificial intelligence to increase efficiency, while venture capital firms invested more than \$1.2 billion in grocery technology in 2018.

Walmart is once again on the forefront in this area, and the retailer plans to open its first high-tech distribution center for fresh and frozen groceries in Shafter, CA. The facility will use technology to stack boxes and build pallets, which is expected to move 40% more product than a traditional distribution center and result in fewer damaged products.

Smaller chains are partnering with third-party solution providers to boost their own technological capabilities. For instance, Sedano's Supermarkets will launch an automated hyperlocal fulfillment center for e-commerce orders in

partnership with Takeoff Technologies, which will serve 14 Sedano's Supermarkets in Miami to offer consumers pickup services.

Takeoff's objective is to develop fulfillment centers that have one-eighth the footprint of a typical supermarket with the help of robotics and compact vertical spaces. The company is currently working with five regional and national retail chains in the U.S. and has several sites in development to deploy in 2019.

In total, half of U.S. grocery retailers are turning to AI to improve supply chain efficiency, according to a study from Symphony RetailAI. There is a lot of work to be done in this area: 48% rate their forecasting technology as average to very poor, with nearly two thirds struggling with disconnect between systems. In addition, 43% of grocery retailers say their technology can't keep up with business demands, while 44% say their existing systems are unable to sustain new growth.

Manufacturers are also using AI to help improve efficiency, and the sensing and imaging market is expected to grow about 10-fold to \$18.5 billion by 2023, according to market research firm Yole Développement, reported *The Wall Street Journal*. Tyson Foods is investing in a manufacturing automation center to further explore the application of vision technology in its operations, while Japan-based Omron Corp. is working to develop robots that can inspect objects from multiple angles, such as distinguishing a chocolate chip from a burned bit in a cookie.

Companies should also keep an eye on technologies that aren't quite making waves yet, but are on the cusp of mainstream adoption. Driverless cars are expected to disrupt the food and drinks industries in the next 10 years, according to research by *just-food and just-drinks*. The findings indicate driverless vehicles will cut last-mile delivery time and cost, changing the way consumers shop; food and drinks companies will need to rethink packaging, online presence and retailer relationships; and consumers are already enthusiastic about the prospect of driverless grocery delivery.

To manage the demands of a supply chain that encompasses both brick-and-mortar sales and last-mile delivery, many grocers are turning to technology. Companies are stocking their warehouses with robots and artificial intelligence to increase efficiency, while venture capital firms invested more than \$1.2 billion in grocery technology in 2018.

Kroger is already testing autonomous grocery delivery through a partnership with Nuro, an unmanned road vehicle startup. The pilot will begin in the fall in an unnamed market, allowing shoppers to place an order through Kroger's ClickList ordering system or Nuro's app and have it delivered the same day.

Featured Products



Big Fork Brands

Chicago, IL

Big Fork Brands is a Chicago-based, family-owned company centered on innovating the swine; bacon sausage, craft pork jerky, and pork snack sticks. We work with small family farmers in Iowa who raise 100% Berkshire Hogs outdoors without the use of antibiotics. We use the best tasting pork and bacon on the planet. Our goal is do very little to the glorious meat so you can taste the quality, taste the difference. All our products are clean label, minimally processed, and smoked using a combination of hickory and applewood hardwoods.

Founders Lance & Ann were both raised in a small lakeside town in Iowa. Their love for each other started early, as they grew up as childhood friends and neighbors. As young adults, travel took them to a small, lakeside town in Montana. They fell in love with the town and Lance ended up proposing to Ann in Big Fork, MT and as they say, the rest is history. bigforkbrands.com

Curry
FRESH



Disruptive Eating LLC DBA Curry Fresh

Ypsilanti, MI

Curry Fresh launched the first 'Fresh for 90 days' Indian food into U.S. grocery stores. We use high pressure pasteurization (HPP) to achieve a 90-day shelf life in refrigeration without using any preservatives. Currently packaged Indian food either has preservatives or is frozen – both distort the real flavor of the spices. We provide sauce that you can cook with in your kitchen, a pre-made meal that's ready in less than 10 minutes, and large quantities to restaurants for longer shelf-life and reduced waste. Our products can be found at your nearby grocery store or we can deliver to your doorstep.

CurryFresh.net | DisruptiveEating



Grandma Maud's, Inc.

Chicago, IL

Chicago, Illinois, based Grandma Maud's Inc. introduces Favorite Flavors Sauces; four delicious flavors that are sure to add just the right amount of zing to cooked meat for barbecues and special dishes. Current authentic flavors include: Southern Barbecue Sauce, Chipotle Sauce, Al Pastor Sauce and Asian Sauce. Each sauce is available for retail and foodservice. GrandmaMauds.com



Herr 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. herrs.com



Zollipops

Walled Lake, MI

Loved by Kids & Approved by Moms. Kidpreneur, Alina Morse's Zollipops & Zaffi Taffy, Clean Teeth Candy are the #1 best-selling, tooth-friendly, sugar-free candy in the USA according to IRI and AC Nielsen. In the USA, Zolli candy are sold at the #1 mass retailer Walmart, #1 food retailer Kroger and #1 online retailer Amazon. With over 100 million media impressions, Zollipops have been featured on CNN live at the NYSE, GMA Shark Tank, Steve Harvey, Harry Connick, NPR, Forbes, Scholastic & many other trusted media outlets. Zollipops were the only candy at the White House Easter Event two years in a row invited by First Lady Michelle Obama. Zollipops are great for families and consumers seeking a delicious healthy treat. Zolli candy are sugar-free, Nut-free, Gluten-free, Non-GMO, Dairy-free, Vegan, Kosher & Made in USA. Natural flavors & colors. Zollipops contribute 10% of profits & one million zollipops to schools to promote oral health education with children and families. National and international media support. zollipops.com



Sofia's Selection

Warren, MI

Introducing Sofia's Selection handcrafted line of olive tapenades, a perfect addition to bring extra flavor to your favorite meals – or be the meal itself. Sofia's Selection Tapenades, made with Californian olives, are much lower in salt content than other tapenades on the market, free of preservatives and gluten free! The tapenades come in four different distinct flavors, Roasted Garlic, Roasted Red Pepper, Roasted Vidalia Onion, and our mildly spicy kind, Roasted Serrano Pepper.

Sofia's Selection olive tapenades boasts intense but not over-powering flavors, combining perfectly with any meal. Use it with crackers or toast, or even on pizzas, pastas, fish and cheese boards. Enjoy on vegetables, or as a dip, the tastes blend excellently with any of your favorite dishes. Each of Sofia's Selection Black Olive Tapenades is made in the U.S., using black olives from California. Sofia's Selection products are hand-crafted in small batches and are shelf stable with a 12-month shelf life. sofiaselection.com

For more information about these Featured Products or other featured products please email: info@foodexport.org.

EVENT CALENDAR

FEBRUARY

13-15: SMTS 2019

Tokyo, Japan
Makuhari Messe
smts.jp/en

12-16: BIOFACH 2019

Nuremberg, Germany
Exhibition Centre Nuremberg
biofach.de/en

15-17: FCBCi Bakery Fair Philippines

Metro Manila, Philippines
World Trade Center
fcbai.com

17-21: Gulfood

Dubai, United Arab Emirates
Dubai World Trade Centre
gulfood.com

23-24: CHFA West

Vancouver, Canada
Vancouver Convention Centre
chfa.ca/en/Events/chfa-west

24-26: RC Show

Toronto, Canada
Enercare Centre
rcshow.com

MARCH

5-8: FOODEX Japan

Tokyo, Japan
Makuhari Messe
jma.or.jp/foodex/en

5-7: AgrAME

Dubai, United Arab Emirates
Dubai World Trade Centre
agramiddleeast.com

5-7: Expo ANTAD Alimentaria

Guadalajara, Mexico
Expo Guadalajara
alimentaria-mexico.com/en/

12-14: ANUFOOD Brazil

São Paulo-SP, Brazil
São Paulo Expo
anufoodbrazil.com

13-15: VIV Asia

Bangkok, Thailand
Bangkok International Trade & Exhibition Centre
vivasia.nl

18-20: Food Ingredients China 2019

Shanghai, China
National Convention & Exhibition Center
cfaa.cn/lxweb

28-31: Interpets

Tokyo, Japan
Tokyo Big Sight
interpets.jp.messefrankfurt.com

APRIL

1-2: Sandwich & Snack Show

Paris, France
Parc des Expositions de la Porte de Versailles
sandwichshows.com

1-2: Grocery & Specialty Food West

Vancouver, Canada
Vancouver Convention Centre
gsfshow.cfig.ca

1-4: HOTELEX Shanghai 2019

Shanghai, China
Shanghai New International Expo Center
en.hotelex.cn/shanghai-exhibition

4-7: FIBO Global Fitness

Cologne, Germany
Exhibition Centre Cologne
fibo.com/en

17-19: FABEX 2019

Tokyo, Japan
Toyko Big Sight
en.fabex.jp

24-26: Superfood Asia 2019

Singapore
Marina Bay Sands Convention Centre
superfood-asia.com

24-26: Food & Hotel Vietnam

Ho Chi Minh City, Vietnam
Saigon Exhibition and Convention Center
foodhotelvietnam.com/home

30-5/2: SIAL Canada

Toronto, Canada
Enercare Centre
sialcanada.com

Technology is Important, But Quality and Price Still Resonate With Consumers

While technology is important, values such as quality and price are still on consumers' minds. In fact, almost all U.S. consumers are value-conscious shoppers who regularly visit discount retailers to find a bargain, according to the National Retail Federation. The survey found 89% shop at various types of discount retailers. Of those, 58% reported shopping at dollar stores and 50% at discount grocers like Aldi or Lidl. Groceries are the second-most popular products shoppers purchase at bargain retailers, cited by 71% of those surveyed.



Supermarkets will likely need to change the way they display, promote and merchandise private-label goods to boost sales in the category.

Industry analysts believe traditional supermarkets can compete with discount retailers by innovating their private label strategies, reported *Harvard Business Review*. A hard discounter usually sells about 90% private label goods, whereas a regular grocery store sells about 15% private label in the U.S., 51% in the UK and 34% in France. The key is to offer private label goods at the right quality and price, the analysts note, and supermarkets will likely need to change the way they display, promote and merchandise private-label goods to boost sales in the category.

That said, price isn't everything, and 88% of consumers believe trust is extremely important when deciding where to shop, according to data from InMoment. Grocery shoppers are also increasingly demanding transparency and a closer connection to their food, according to a report from FMI and Label Insight. Seventy-five percent of shoppers reported being more likely to switch to a brand that provides more in-depth product information beyond what's on the label compared with just 39% in a 2016 similar study.

Meanwhile, 70% of shoppers will pay premiums for natural, ethical, enhanced or 'less of' foods, which is approximately 15 to 20 percentage points higher than it was in 2016, according to research from L.E.K. Consulting. The study also supported FMI's findings that consumers are interested in product information, finding that about 47% of consumers read labels at least most of the time when they purchase a product, rising to 53% among Millennials.

While consumers have a lot of desires for the products they buy, grocers and manufacturers can rest easy knowing that they are keeping pace with changing trends. Overall customer satisfaction with grocery food climbed 1.2% year-over-year, according to the American Customer Satisfaction Index's Nondurable Products Report 2018. Plant-based foods grew 20%, though customer satisfaction with soft drinks fell 2.4%.



State Spotlights



Leading the nation in several commodities including sugar beets, processed sweet corn, wild rice, dry beans, oats, corn, soybeans and flaxseed, rye and canola, Minnesota's more than 73,000 farms also produce livestock including turkeys, hogs, animal meats, cheese, honey and milk.

2017 TOP AGRICULTURAL EXPORTS

Corn, Other Than Seed Corn	\$195.4 million
Soybeans for Oilstock or Consumption	\$162.3 million
Animal Feed Preparations	\$151.4 million
Soybean Oilcake & Solids	\$136.5 million
Pork Meat, Frozen	\$129.5 million
Distiller's Grains	\$76.6 million
Wheat & Meslin	\$75.5 million
Pork Offal, Except Livers, Frozen	\$74.6 million
Non-Alcoholic Beverages	\$72.6 million
Pork Meat, Fresh or Chilled	\$72.5 million
Whey & Modified Whey Products	\$69.7 million



More than 9,100 farms cover over 720,000 acres, producing more than 100 different kinds of fruits and vegetables including blueberries, cranberries, peaches, tomatoes, bell peppers, cabbage, cucumbers, snap beans, spinach, squash, and sweet corn. Fish and seafood is also a valuable commodity including bluefish, tilefish, flounder, hake, shellfish and other species.

2017 TOP AGRICULTURAL EXPORTS

Miscellaneous Food Preparations	\$194.4 million
Orange Juice, Not Frozen	\$146 million
Bananas, Fresh or Dried	\$98.5 million
Vegetable Oils	\$93.4 million
Soybeans for Oilstock or Consumption	\$81.8 million
Vegetable Saps & Extracts	\$72.3 million
Grain Sorghum	\$60.9 million
Sugar Confectionery	\$58.9 million
Wheat and Meslin Flour	\$54.8million

news briefs

About 29% of U.S. adults saw nutrition information about foods at certain restaurants. The USDA study covered consumers age 20 and older at fast food or pizza restaurants between 2007-2014. About 44% of those who saw the menu labels in fast food restaurants reported using the information to help decide which foods to buy during the visit.

About 70% of shoppers will pay premiums for natural, ethical, enhanced or 'less of' foods. This is up about 15 to 20 percentage points from 2016, according to research from L.E.K. Consulting. About 47% of consumers read labels at least most of the time when they purchase a product, rising to 53% among Millennials.

Senior retail executives and consumers rank quality as the most important factor in purchase decisions. However, only 20% of senior retail executives feel low pricing is important, compared to nearly 40% of consumers, according to First Insight. In addition, only 20% of senior retail executives felt consumers believed prices were increasing online, compared to 51% of consumers. Twenty percent of senior retail executives also felt consumers believed prices were increasing in-store, compared to 60% of consumers.

Customer satisfaction with grocery food climbed 1.2% year-over-year in 2018. Plant-based foods grew 20%, and one in 10 consumers tried a gluten-free diet, according to the American Customer Satisfaction Index's Nondurable Products Report 2018. Customer satisfaction with soft drinks fell 2.4%. Hershey held the top spot with a score of 86, unchanged from 2017, while Dole jumped 4% to 85, the biggest increase among food companies. General Mills rose 2% to third place thanks to heavy investments in organic products, tying it with Quaker and Mars.



The number of annual eating occasions per capita in the U.S. has been on a steady decline. Modest population growth will result in a less than 1% annual increase in total food and beverage demand, but it won't be significant enough to stop the decline in consumption occasions per capita, according to The NPD Group. U.S. consumers will average 1,410 eating occasions per capita in 2018, compared to 1,453 occasions in 2009.

In the first half of 2018, 60% of grocery category prices saw an increase. The growth was compared with the same period a year ago, according to Price-Trak data. Price-Trak notes the increases were in line with rising commodity costs, retailer pressure to hold pricing, shifting consumer trends and the increase in private label activity, reported *Progressive Grocer*.

A more positive view of fats is among trends to watch in the natural and organic market. The New Hope Network believes there will be more focus on problems in the seafood supply chain and frozen food will make a comeback with cleaner labels and more healthy and flavorful ingredients. It expects plant-based markets will expand beyond vegans and there will be a growing focus on hydration products and testing that makes brands more trustworthy.

Sales of chocolate and coffee products with sustainability claims grew faster than the total category. Sales growth of sustainable chocolate products grew 16% in the year ending March 2018, versus only 5% growth in the category overall according to Nielsen. While the total coffee category declined 1% in dollar growth in the same period, coffee products with environmental and fair trade claims experienced double-digit dollar sales growth.

Almost half of U.S. chocolate buyers would like to see more chocolate in mini-sized bars or bites. Seventy-six percent say it's worth it to pay a little more for premium chocolate, while 31% would like to see more unique sweet flavors, 29% would like savory flavors and 30% would like those with functional benefits according to Mintel. Seasonal chocolate is the fastest growing segment, with sales forecast to reach \$3.9 billion in 2018, growing 29% since 2012.



Consumers will likely look for healthy food options during the holidays. The season is filled with indulgent foods, but people still try to remain with their lifestyle diets, and food brands can capitalize by offering products that align with those diets, according to Conagra's SVP of insights and analytics. Twenty-two percent of those who plan to attend holiday festivities this year will bring a vegan or vegetarian dish, according to CivicScience, reported *MarketWatch*.

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