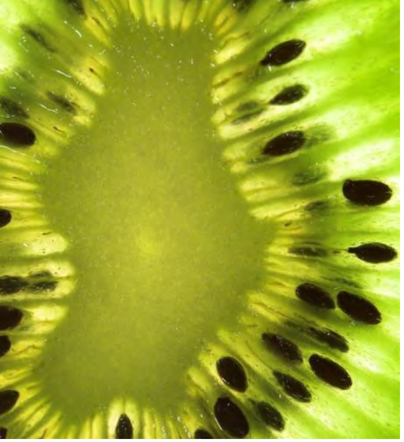
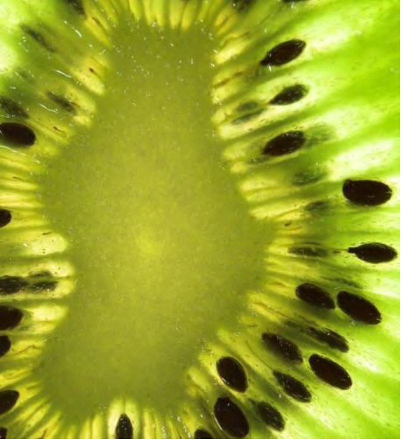


Accessing International Markets
- to the US and Beyond

Len Monheit, Executive Director,
Engredea / Nutrition Business Journal

March 21, 2013



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NBJ is the single most important source for information on issues shaping the nutrition industry...

Executive newsletter for decision-makers in the natural, nutrition and complementary & alternative health industries. Serving subscribers since 1996.

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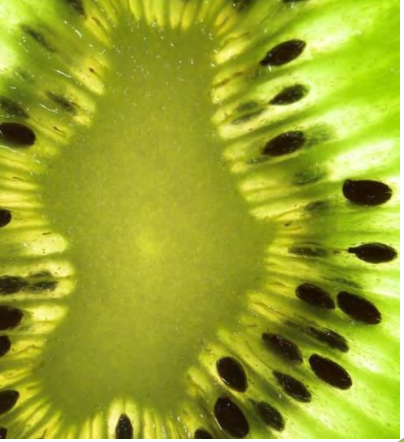

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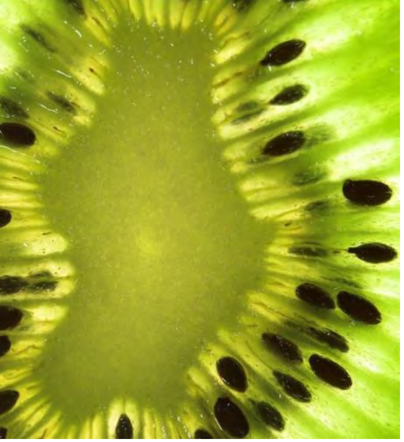
THE trade show to network and discover all that is innovative in the ingredient marketplace.

Bringing together the community of leading suppliers and manufacturers to source new ingredients, packaging, technologies, equipment, and services from over 200 exhibitors.



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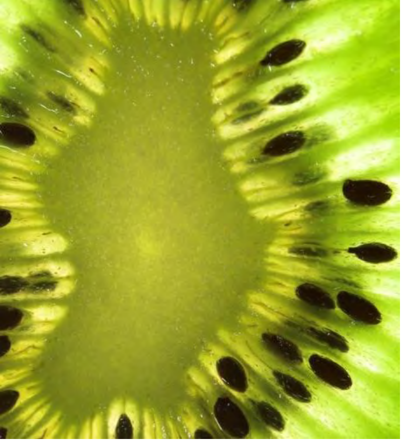  

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IN THE NEWS

FUNCTIONAL INGREDIENTS — YOUR CHAMPION OF HEALTHY PRODUCT INNOVATION & SCIENCE

Why did some supplement industry groups oppose Prop 37?

Todd Runestad | *Functional Ingredients* — *Nov. 14, 2012*

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California may have voted against labeling GMOs, but this issue is not dead. In the end, there were enough devils in the details to cleave off enough stakeholders to sink Prop. 37.

California's Proposition 37, which would mandate labeling of GMOs in products, was defeated by 53 to 47 percent. This was a direct shot at two big-monied titans of agribusiness and food processors.

"Collectively, these companies represent billions in annual profits; and they perceived a material threat to their bottom lines in the labeling requirement, as evidenced by the gusher of cash they poured into defeating it," noted Tom Philpott in *Mother Jones*.

While polls showed upwards of 90 percent of Americans desiring to know if their food contains biotech ingredients, this ballot measure went down for a variety of reasons, not least of which was the bounty-hunter provisions, the likes of which have haunted

Editor's Picks

Vitacost wants to be the Wal-Mart of Whole Foods

Consumer Reports tests caffeine levels in energy drinks

Nora Simmons | *Functional Ingredients* Oct. 26, 2012

Big name energy drinks like Monster, Red Bull and 5-Hour Energy have been catching a lot of bad press for not clearly disclosing caffeine content and health risks associated with their products. In response, *Consumer Reports* tested 27 popular products.

This has been one hell of a week for energy drinks. On Monday, the *New York Times* published an article citing five deaths reported to the FDA since 2009 all linked to Monster Energy drink. Tuesday Monster came out with an official statement saying that it would defend its products and that they "have always been safe."

The primary concern for consumers has centered around lack of adequate labeling of total caffeine content and potential health risks with these RTD beverages, and their popularity with adolescents and children.

In response to the confusion and to manufacturers' lack of action in changing their labels, *Consumer Reports* has just released a review of 27 popular and prominent products with complete caffeine content information.

> Caffeine levels per serving ranged from about 6 milligrams to 242 milligrams per serving—and some containers have more than one serving. The highest level was in 5-hour Energy Extra Strength; the lowest in the seemingly oxymoronic 5-hour Energy Decaf. (The company says it's for people who want to limit caffeine but still get a blend of nutrients that provides "an energy boost and a sustained feeling of alertness.") By comparison, an 8-ounce cup of coffee has about 100 milligrams; a 16-ounce Starbucks Grande, 330 milligrams.

[Legal Alert] FDA Uses Food Safety Modernization Act Authority to Shut Down Sunland Inc. (FDA) - Message (HTML)

Message Salesforce.com

Reply | Reply to All | Forward | IM | Call | Delete | Move to Folder | Create Rule | Other Actions | Block Sender | Safe Lists | Not Junk | Categorize | Follow Up | Mark as Unread | Find | Related | Select | Send to OneNote

Respond | Actions | Junk E-mail | Options | Find | OneNote

From: AHPA [newsletter@americanherbalproductsassociation.ccsend.com] on behalf of AHPA [ahpa@ahpa.org]
To: Monheit, Len
Cc:
Subject: [Legal Alert] FDA Uses Food Safety Modernization Act Authority to Shut Down Sunland Inc. (FDA)

The FDA suspends Sunland Inc. Food Facility Registration; Facility Prohibited from Distributing Food

In the interest of protecting public health, the U.S. Food and Drug Administration suspended the food facility registration of Sunland Inc., a producer of nuts, and nut and seed spreads. Registration with the FDA is required for any facility that manufactures, processes, packs, or holds food for consumption in the United States. If a facility's registration is suspended, that facility is prohibited from introducing food into interstate or intrastate commerce.

The fact that peanut butter made by the company has been linked to an outbreak of Salmonella Bredeney that has sickened 41 people in 20 states, coupled with Sunland's history of violations led FDA to make the decision to suspend the company's registration.

This was the FDA's first use of its registration suspension authority, under the Food Safety Modernization Act. This new authority enables the agency to take this action when food manufactured, processed, packed, received, or held by a facility has a reasonable probability of causing serious adverse health consequences or death to humans or animals, and other conditions are met.

A review of Sunland Inc.'s product testing records showed that 11 product lots of nut butter showed the presence of Salmonella between June 2009 and September 2012. Between March 2010 and September 2012, at least a portion of 8 product lots of nut butter that Sunland Inc.'s own testing program identified

nbj Nutrition Business Journal

Ayurveda gains ground in US market on strength of specific herbs

Nutrition Business Journal *Oct. 24, 2012*

Turmeric, boswellia & ashwaganda open the doors for growth in Ayurveda, but sustainability issues and a lack of practitioner licensure could be future barriers.

What is in this article?:

Ayurveda's comprehensive approach to physical, mental, emotional and spiritual well-being has formed the foundation of the Indian medical system for thousands of years. Now, this lifestyle—whose name literally means "the science of life"—is finally making inroads in the West. But how far down those roads are American consumers prepared to wander?

It's hard to say, but as of 2007, at least 200,000 U.S. adults had used Ayurvedic medicine in the previous year, according to the **National Center for Complementary and Alternative Medicine.** That number is miniscule compared with those who had used acupuncture (3.1 million adults) or chiropractic (18 million)—but the

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Study finds 37% of omega-3 supplement users don't want fish

Engredea News & Analysis
Mar. 21, 2012 11:36am

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A recent survey conducted by Discovery Research Group, in partnership with Aker BioMarine Antarctic, US, revealed that nearly four out of ten consumers who want to take an omega 3 supplement are looking for an alternative to fish oil.

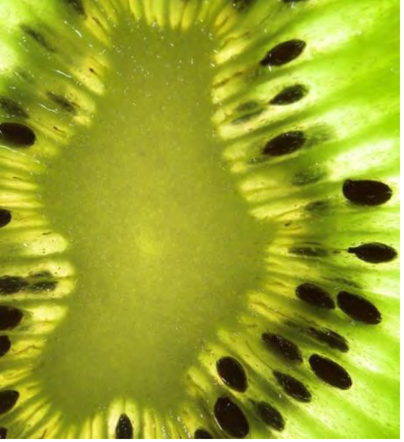
37% of Omega 3 Supplement Users Don't Want Fish

A recent survey conducted by Discovery Research Group, in partnership with Aker BioMarine Antarctic, US, revealed that nearly four out of ten consumers who want to take an omega 3 supplement are looking for an alternative to fish oil.

The survey went out to a panel of consumers who take a multi-vitamin or other nutritional supplement and indicated that they were interested in health and wellness and fitness. A total of 37% of participants consider themselves someone who wants to take or currently takes an omega 3 supplement, but would rather take something other than fish oil as an Omega 3 supplement. When asked why they do not want to take fish oil, the most common reasons given were: bad taste, bad aftertaste, fishy burps, bad smell, and large capsule size.

"While we are big fans of fish oil, this survey confirms what we have heard anecdotally from our customers and consumers," said Eric Anderson, VP Sales and Marketing AKASUS. "Clearly there is a market for consumers who want omega 3 supplements to increase these essential fatty acids in the diet but do not want fish oil. With 70% growth in Krill Oil in 2011, compared to 6% growth in fish oil supplements, krill is delivering on an unmet need in the market. What we see is that Krill supplements are expanding the omega 3 category."

Anderson continued, "Also, consumers are beginning to understand the differences in the



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UNDERSTANDING THE US INDUSTRY

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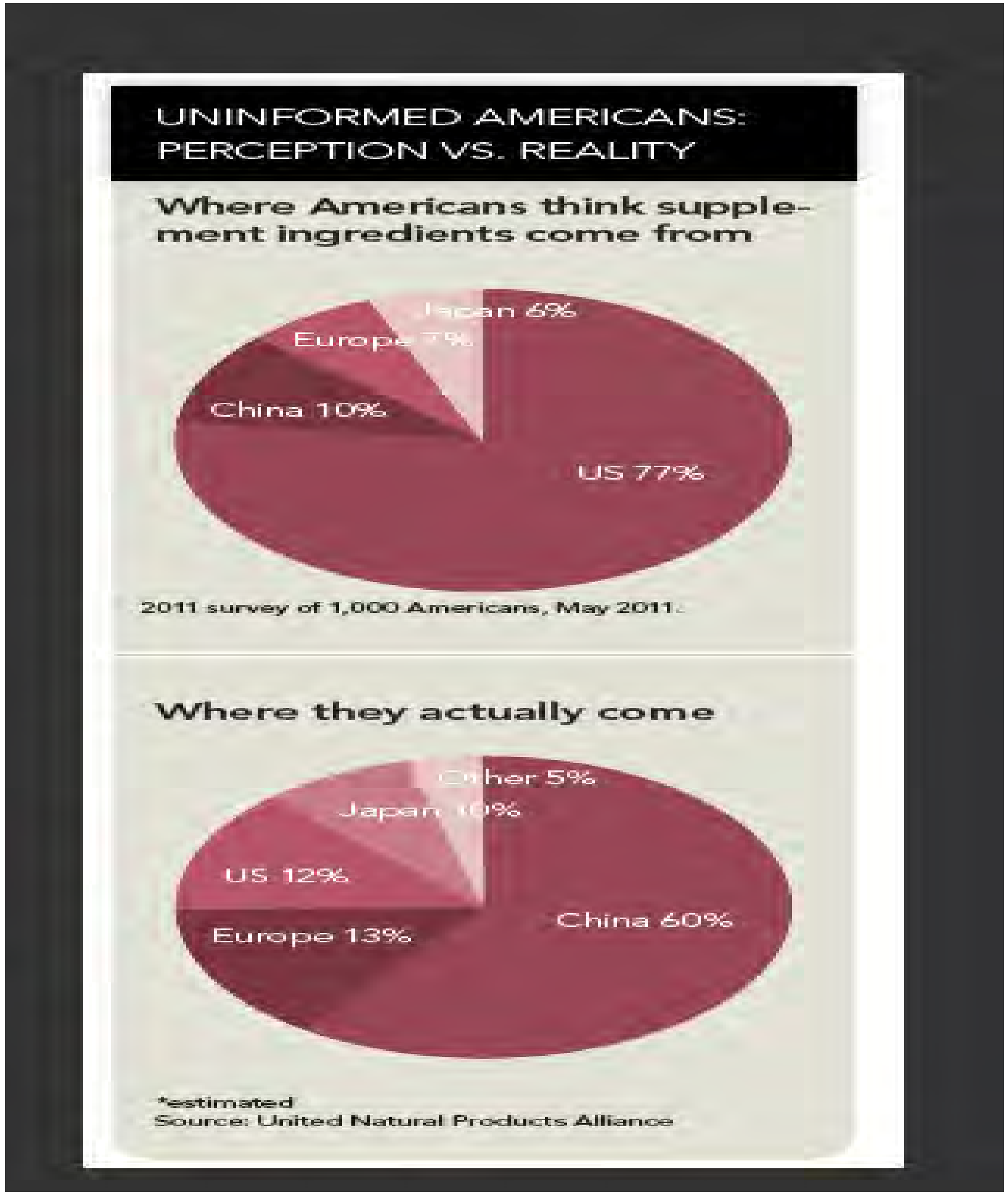
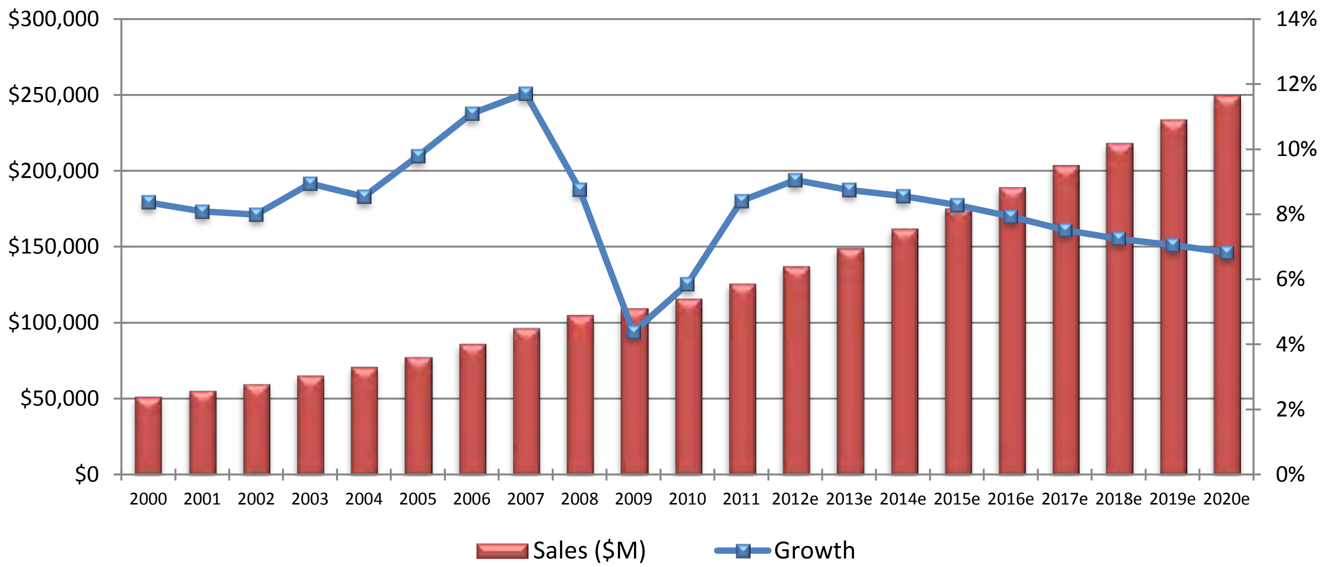
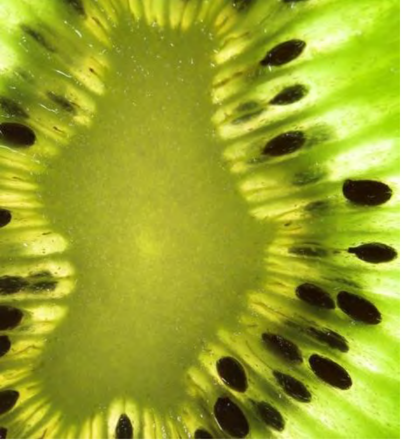

UNINFORMED AMERICANS:
PERCEPTION VS. REALITY
Where Americans think supplement ingredients come from
Japan 6%
Europe 7%
China 10%
US 77%
2011 survey of 1,000 Americans, May 2011.
Where they actually come
Other 5%
Japan 10%
US 12%
Europe 13%
China 60%
*estimated
Source: United Natural Products Alliance



U.S. Nutrition Industry Sales & Growth, 2000-2020e



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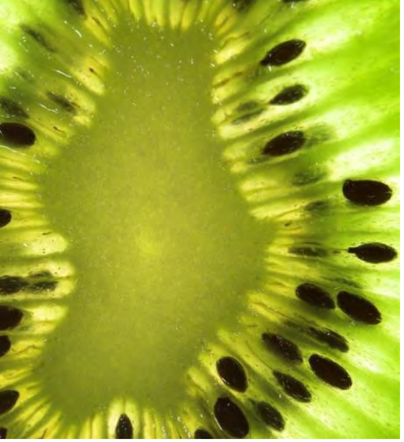
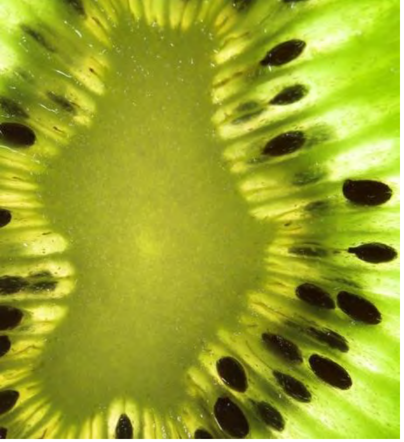
Natural & Specialty Retail



Mass Merchandisers





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VMS Retail

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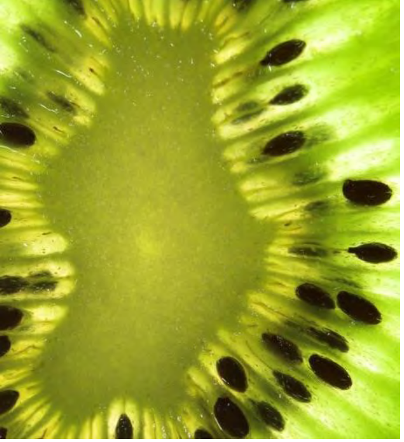

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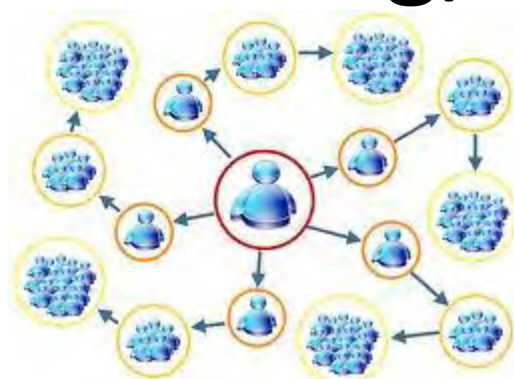
Network Marketing/MLM



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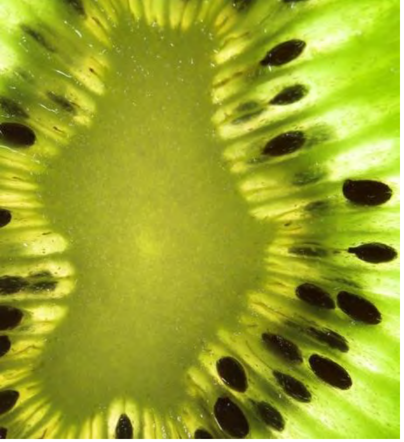

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Healthcare Practitioners




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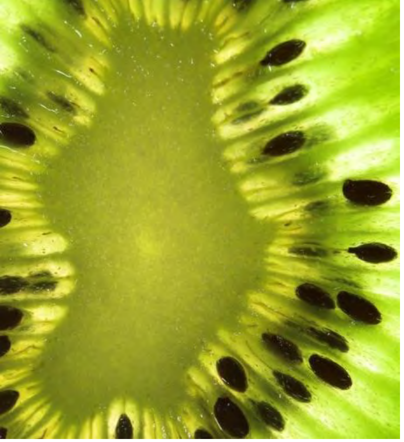

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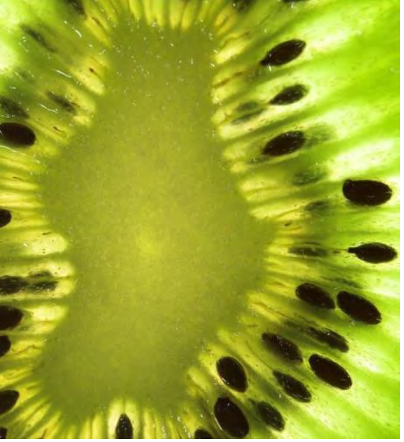

Direct Response


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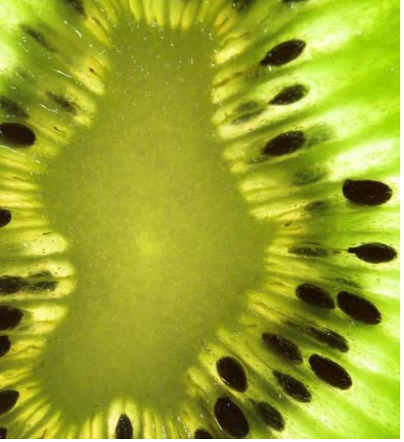

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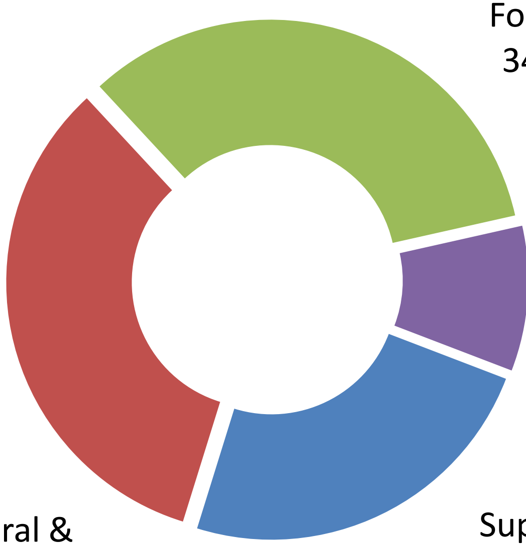
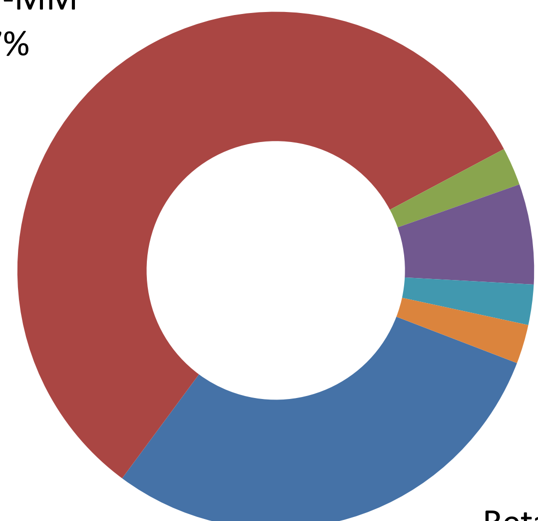
Sales by Product





2010 US Nutrition Industry Sales by Product & Channel

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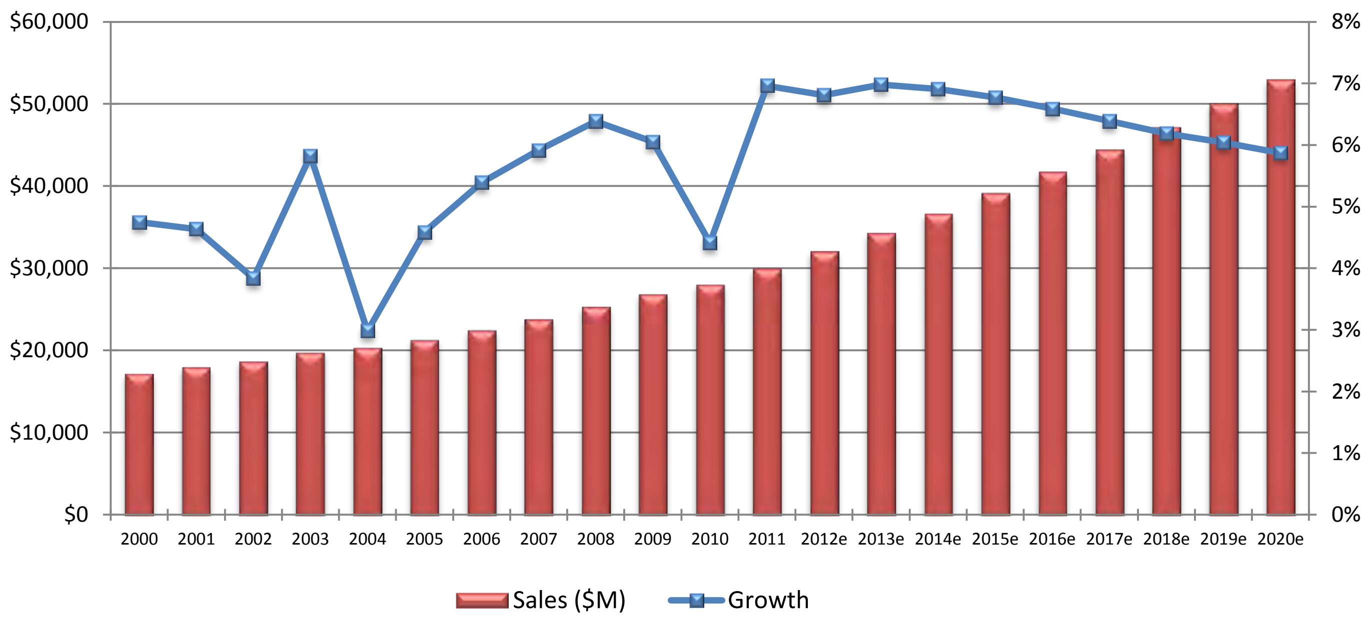


WHAT'S NEXT? // MARKET QUICKSTART

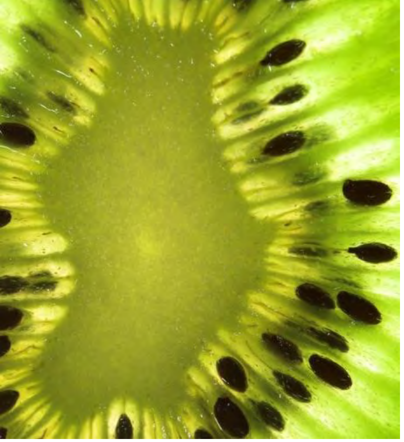
US Supplements: 2000-2020e

Hot off the presses – US 2012 year end take-aways

- IRI – mass-
  - supplements up 4%
  - Herbs down 1%
  - Aminos up 4%
  - Glucosamine/chondroitin down 10%
  - Melatonin up 33%
  - Probiotics up 42%
  - Vitamin A/D up 5%, B up 10%

Hot off the presses – US 2012 year end take-aways

- SPINS – natural minus Whole Foods
  - Supplements up 10%
  - Herbs up 9%
  - Aminos up 9%
  - Glucosamine/chondroitin flat
  - Probiotics up 27%
  - Vitamin A/D/K up 7%, B up 18%
  - Diet up 100%



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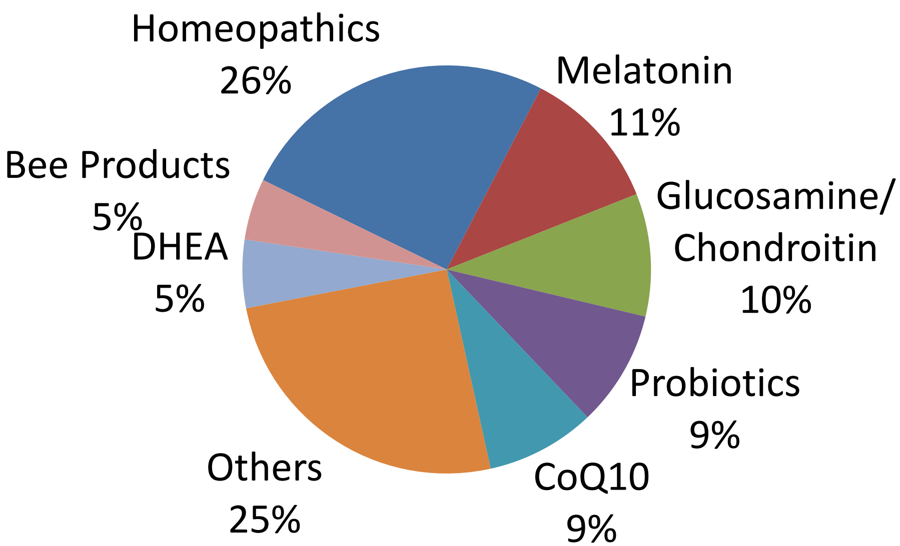
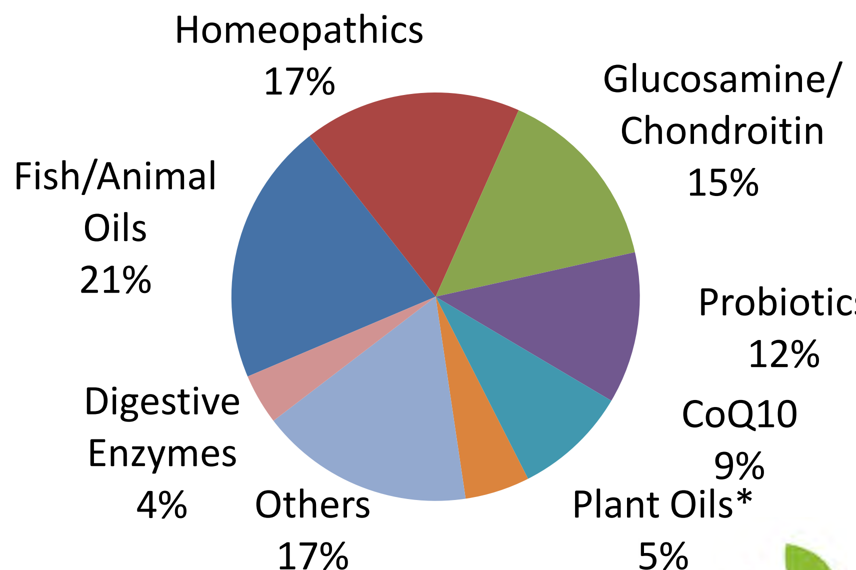
1996



2010



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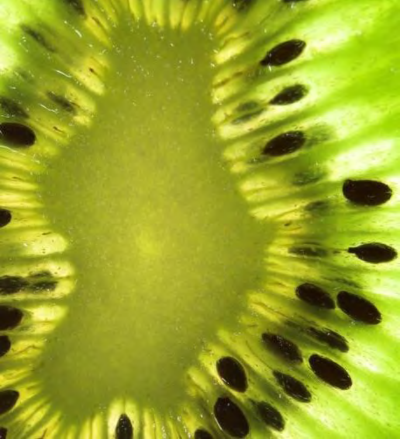
U.S. Specialty Supplement Sales: 1996 vs. 2010



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Products	2011e	2012e	2013e	2014e	2015e	2016e	2017e
Melatonin	184	216	250	281	313	346	378
Probiotics	748	864	973	1,076	1,179	1,281	1,378
DHEA	58	59	60	61	62	62	63
Fish/Animal Oils	1,159	1,236	1,310	1,380	1,447	1,512	1,576
Plant Oils	280	292	303	314	326	337	348
Glucosamine/Chondroitin	735	706	683	667	654	643	632
Bee Products	97	96	96	95	94	94	93
CoQ10	509	542	579	617	657	699	743
5 HTP	96	100	103	107	110	113	117
SAMe	120	119	119	120	121	122	123
MSM	79	75	72	71	70	69	68
Gelatin	36	35	34	33	32	32	32
Digestive Enzymes	221	233	246	259	273	287	301
Homeopathics	944	990	1,038	1,088	1,138	1,190	1,243
Others	245	253	261	267	274	280	285
Total Specialty	**5,510**	**5,817**	**6,127**	**6,435**	**6,749**	**7,065**	**7,379**

U.S. Specialty Supplement Sales by Product , 2011e-2017e

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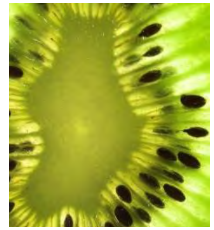
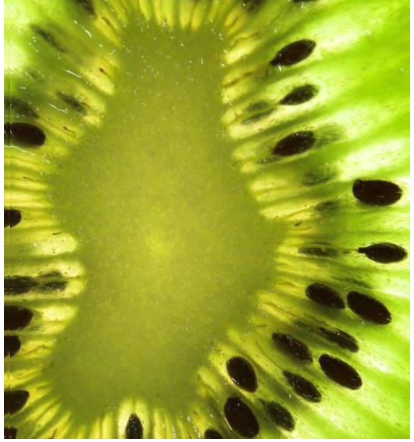


U.S. Regulatory Agencies

- Food and Drug Administration (FDA)
  - Responsible for regulations related to the safety of foods, cosmetics, dietary supplements, drugs, biologics and medical devices
  - Responsible for Labeling
  - Responsible for GMPs

- Federal Trade Commission (FTC)
  - Regulate claims in advertising

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INTERNATIONAL BUSINESS OVERVIEW

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EFSA rejects Glanbia fat loss claim

European Food Safety Authority | *Engredea News & Analysis* *Nov. 9, 2012*

Authority says the whey peptide's full manufacturing process was not described and no information was provided on the enzyme used for the specific conditions applied.

Following an application from Glanbia Nutritionals plc, submitted pursuant to Article 13(5) of Regulation (EC) No 1924/2006 via the Competent Authority of Ireland, the Panel on Dietetic Products, Nutrition and Allergies (NDA) was asked to deliver an opinion on the scientific substantiation of a health claim related to Prolibra® and "helps to reduce body fat while preserving lean muscle".

The scope of the application was proposed to fall under a health claim based on newly developed scientific evidence and including a request for the protection of proprietary data.

The food constituent that is the subject of the health claim is Prolibra® in relation to "helps to reduce body fat while preserving lean muscle" in the context of energy restriction for weight loss.

Prolibra® was described by the applicant as a partially hydrolysed whey protein isolate containing whey protein, peptides and milk minerals. The applicant denotes the peptides contained in Prolibra®as "weight loss peptides" and claims that these particular peptides contribute to the specificity of Prolibra® in relation to the claimed effect. However, no information was provided on the process of hydrolysis or on the characterisation of the

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DSM to acquire Fortitech

DSM | *Engredea News & Analysis* — *Nov. 6, 2012*

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Acquisition will accelerate DSM's strategy to become a full solutions provider in food ingredient blends.

- DSM (NYSE Euronext: DSM KON) to acquire Fortitech for total enterprise value of USD 634 million (about €495 million) in cash
- Fortitech expected 2013 net sales: about USD 270 million, with EBITDA of about USD 70 million, including synergies and excluding exceptional items
- Fortitech, headquartered in the USA, is a global leader in food ingredient blends for the food & beverage, infant nutrition and dietary supplements industries
- Acquisition will accelerate DSM's strategy to become a full solutions provider in food ingredient blends
- Acquisition will expand DSM's value chain presence
- Significant cost synergies estimated at 10 percent of net sales, fully realized by 2015
- One-time synergies estimated at USD 70 million, primarily capital expenditure avoidance
- Value creating acquisition; EPS accretive in first year after closing

Royal DSM, the global Life Sciences and Materials Sciences company, announced that it has entered into a definitive agreement to acquire Fortitech, Inc. (Fortitech) in an all cash transaction for a total enterprise value of USD 634 million (about €495 million). Subject to customary conditions, the transaction is expected to close before the end of the year.

Fortitech, a privately held company based in Schenectady (New York, USA), is a leader in customized, value added food ingredient blends for food & beverage, infant nutrition and dietary supplements industries. The company has approximately 520 employees. Fortitech has six production sites located in New York (USA), California (USA), Campinas (Brazil), Kuala Lumpur (Malaysia), Gastrup (Denmark) and Poznan (Poland), with sales offices in China and Mexico

engredea | NEWS & ANALYSIS

Public-private sector collaboration strengthens market access in ASEAN

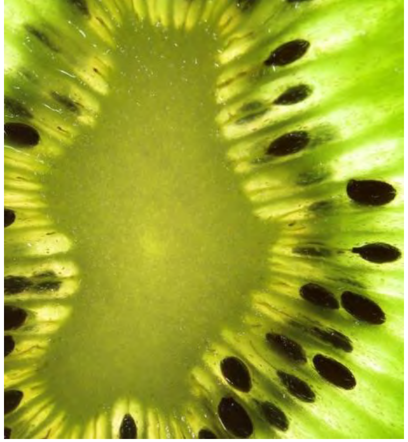
EAS | *Engredea News & Analysis* *Oct. 11, 2012*

Opportunities are abundant for businesses looking to enter markets of the Association of Southeast Asian Nations if they tap into regional agreements and are brought to the meeting tables of ASEAN.

Opportunities are abundant for businesses looking to enter markets of the Association of Southeast Asian Nations (ASEAN) if they tap into regional agreements and are brought to the meeting tables of ASEAN, the Managing Director of the Asia branch of international regulatory and policy consultancy EAS Strategic Advice has said.

Speaking at a lunch briefing for members of the Europe-ASEAN Business Alliance last week, Pushpanathan Sundram, who is also the former Deputy Secretary-General of ASEAN involved in developing the ASEAN Economic Community Blueprint and several key trade agreements, said that planning investment and operations around sector specific consultations with ministers and being well-informed about regional trade agreements underway are key to a successful business strategy.

"Businesses should work towards a two-track three-dimension engagement strategy with ASEAN to help build an optimum marketing environment in the region," he said. "It is important for the private sector to engage on national and regional levels, and at the political, policy and technical dimensions."



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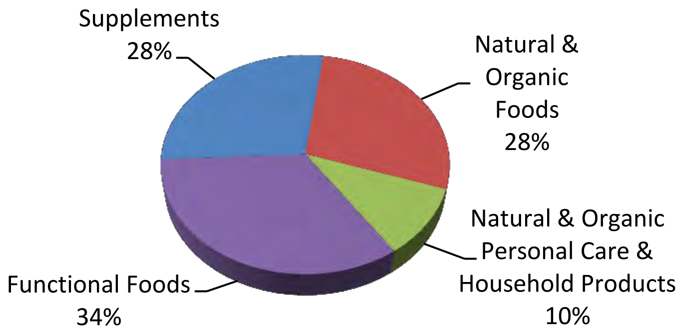

Category	2010
Supplements	84,500
Natural & Organic Foods	84,064
N&OPC & Household Products	30,985
Functional Foods	101,836
Total Nutrition Industry	**301,386**

Global Nutrition Industry Sales by Product, 2010

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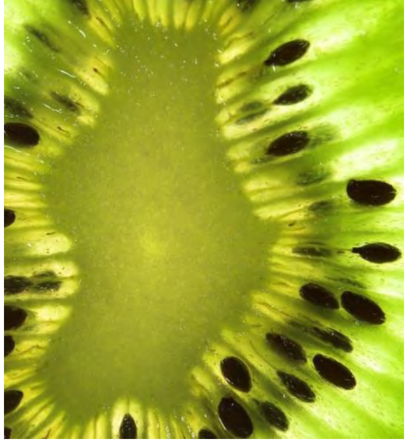

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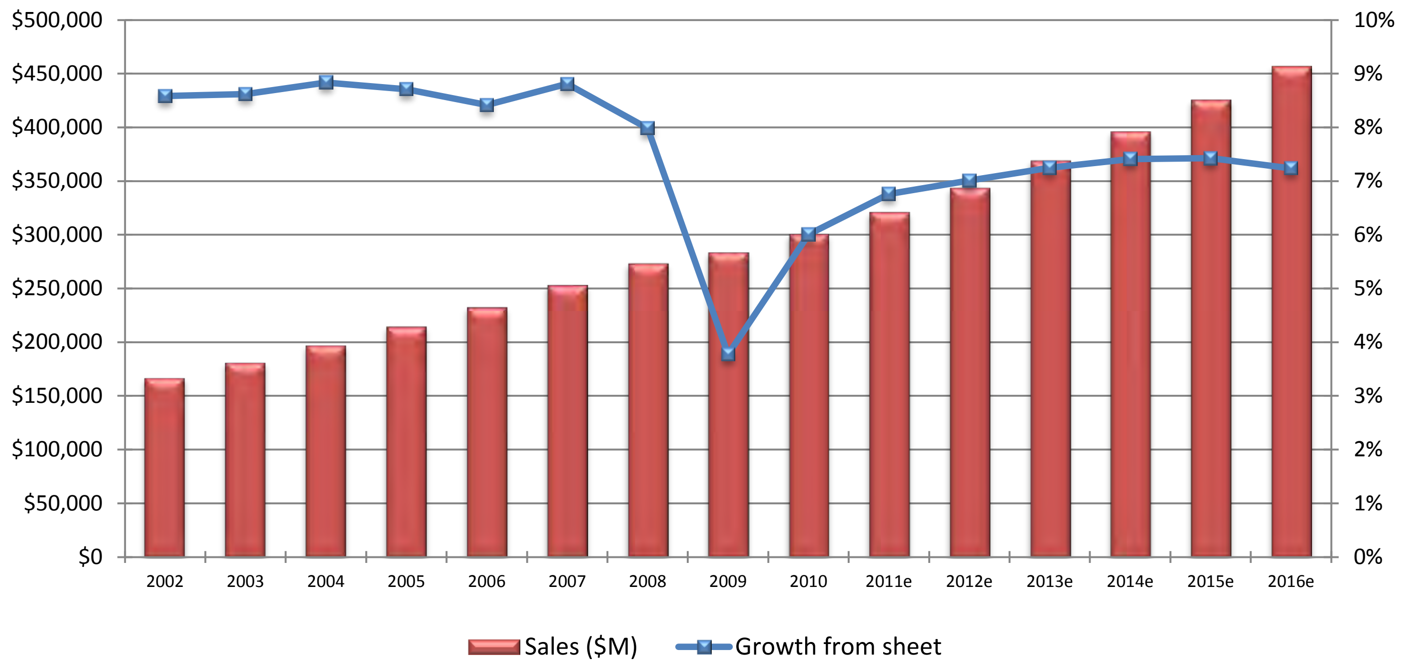

Global Nutrition Industry Sales & Growth, 2002-2016e

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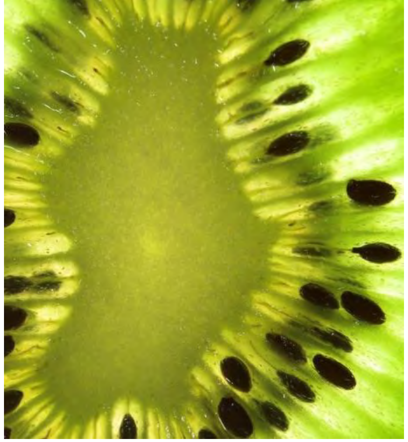
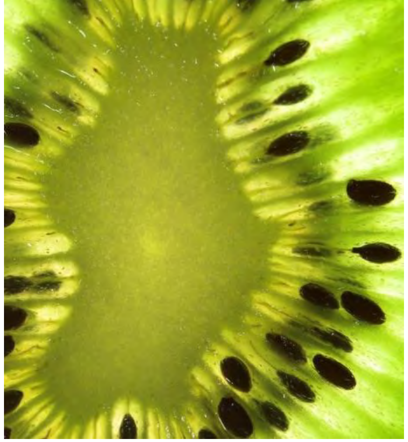


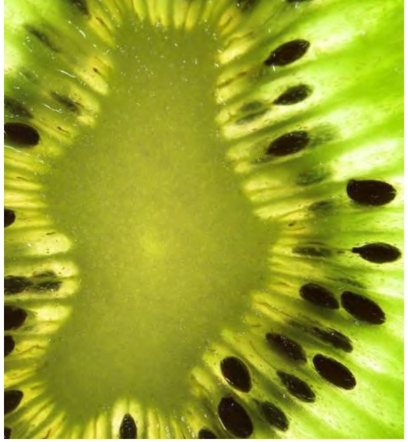
Products	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
USA	56,085	60,551	65,956	71,587	78,558	87,199	97,399	105,939	110,626	117,117
Western Europe	47,370	50,500	53,535	57,110	61,111	65,750	71,203	76,306	77,056	78,912
Japan	26,135	28,824	31,525	34,598	36,694	37,303	37,066	38,309	39,551	42,169
Canada	3,999	4,297	4,652	5,019	5,415	5,846	6,354	6,838	7,149	7,631
China	5,283	6,044	6,940	7,964	9,065	9,770	10,920	12,144	13,340	15,033
Rest of Asia	6,174	6,861	7,635	8,461	9,277	10,325	11,236	12,114	13,160	14,725
Latin America	3,369	3,741	4,175	4,696	5,336	6,069	6,921	7,931	8,442	9,420
Australia/New Zealand	2,717	2,993	3,292	3,674	4,108	4,487	5,144	5,788	6,117	6,755
Eastern Europe/Russia	1,670	1,943	2,321	2,799	3,359	4,042	4,819	5,669	5,781	6,291
Middle East	720	799	879	989	1,125	1,268	1,432	1,601	1,677	1,809
Africa	720	788	857	935	1,016	1,107	1,218	1,326	1,403	1,524
Total Global Market	**154,241**	**167,341**	**181,767**	**197,832**	**215,065**	**233,166**	**253,711**	**273,966**	**284,303**	**301,386**

Global Nutrition Industry Sales by Region, 2001-2010



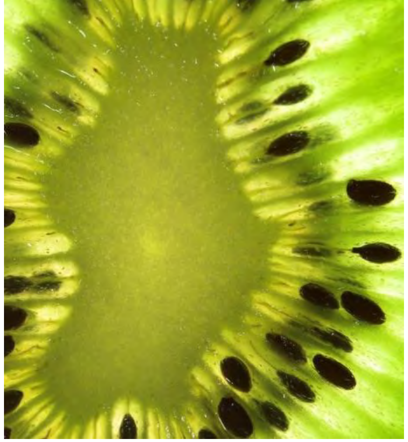
Products	2011e	2012e	2013e	2014e	2015e	2016e
USA	29,242	30,490	31,732	32,932	34,105	35,247
Western Europe	15,657	16,088	16,575	17,076	17,599	18,122
Eastern Europe/Russia	4,077	4,505	4,984	5,515	6,099	6,742
Japan	10,599	10,694	10,811	10,955	11,127	11,318
Canada	1,605	1,684	1,762	1,842	1,923	2,005
China	10,639	11,885	13,288	14,868	16,589	18,459
Rest of Asia	8,395	9,421	10,636	12,045	13,597	15,298
Latin America	5,650	6,481	7,440	8,544	9,807	11,250
Australia/New Zealand	1,938	2,029	2,126	2,227	2,328	2,430
Middle East	910	1,001	1,102	1,215	1,338	1,472
Africa	724	795	874	960	1,056	1,161
Total Global Market	**89,436**	**95,072**	**101,330**	**108,179**	**115,566**	**123,504**

Global Supplement Sales by Region, 2011e-2016e



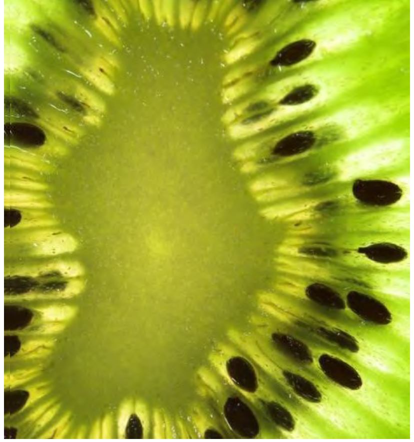
Factors influencing global growth

- Rising allopathic (Western) health care costs
- Aging population
- Belief in natural versus drug/synthetic
- Prevention versus treatment
  – Especially in economically challenging times, people tend to turn to self-care
- Growth of market in developing countries
  – More disposable income increases consumption of discretionary goods



Products	2011e	2012e	2013e	2014e	2015e	2016e
USA	40,852	42,768	44,554	46,231	47,846	49,409
Western Europe	30,441	31,201	32,293	33,745	35,938	38,273
Eastern Europe/Russia	1,497	1,646	1,816	2,009	2,225	2,470
Japan	22,509	24,085	25,650	27,189	28,603	29,861
Canada	3,237	3,454	3,675	3,903	4,137	4,377
China	2,103	2,439	2,805	3,198	3,614	4,048
Rest of Asia	2,351	2,586	2,839	3,112	3,405	3,718
Latin America	1,003	1,093	1,193	1,302	1,419	1,545
Australia/New Zealand	2,007	2,227	2,450	2,670	2,884	3,086
Middle East	631	687	756	835	927	1,029
Africa	576	631	692	762	842	932
Total Global Functional Food Market	**107,205**	**112,818**	**118,724**	**124,957**	**131,840**	**138,748**

Global Functional Food Sales by Region, 2011e-2016e

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INTERNATIONAL REGULATORY ENVIRONMENT

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ASEAN

ASEAN Barriers (eg Indonesia)

- Product/ingredient Registration
- Low Maximum Levels
- Import and export restrictions
- Stability testing
- Lack of clarity on law
- Inconsistent implementation
- Testing requirements

2013: Finalization of harmonized TMHS regulatory framework & guidelines

2013-14: Implementation of ASEAN harmonized technical requirements

2014: Last date for transposition of harmonized framework into the national legislation of 10 Member States

ASEAN Economic Community (Single Market) by **2015**

China
Notification system, claims and ingredients

China health food landscape

Complex Registration Process

Exaggerated Health Claims

Many Unregistered Products

Adulterated Products

Latin America:
Potential regulatory reforms in Brazil, Mexico, Colombia, Venezuela

Supplements/Ingredients Top regulatory agenda

MEXICO: Review
1. Control of Advertising
2. Review of Botanicals
3. Interest in Scientific Risk Assessment to set maximum levels

COLOMBIA: Review
1. Dietary Supplements Decree
2. Health Claims Decree for DS

VENEZUELA: Review – Draft Regulation under development: Definition, Maximum Levels, Botanicals, Claims..

Central America

BRAZIL: Review - Specific Regulation:
a) Classification
b) Definition
c) Maximum Levels
d) Plants

ECUADOR: New Regulation
1. New Regulation on Registration & Control of Foods
2. Draft Regulation on Food Supplements

Mercosur: Nutrition Claims

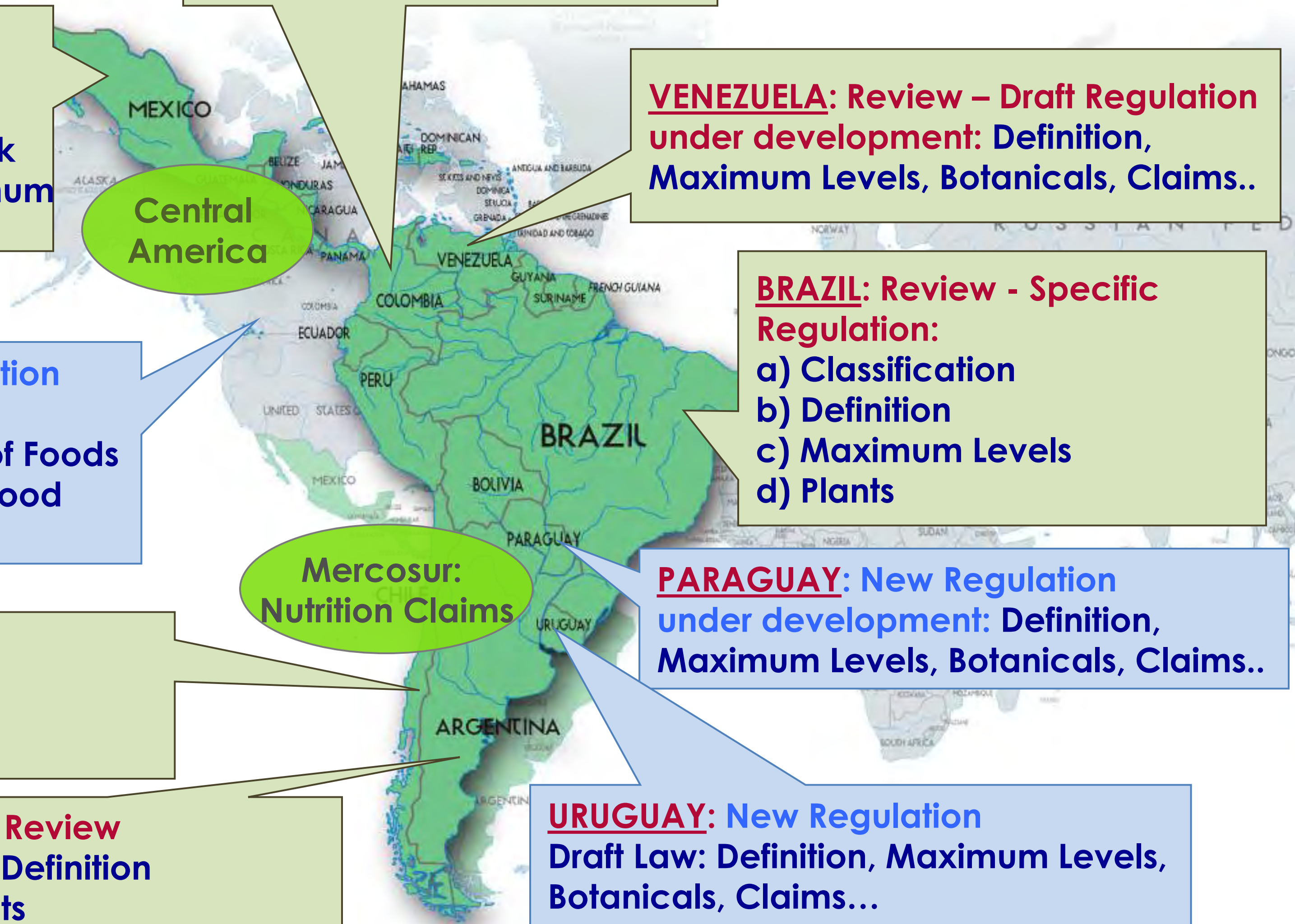
PARAGUAY: New Regulation under development: Definition, Maximum Levels, Botanicals, Claims..

CHILE: Review
1. Review of Definition
2. List of Plants
3. Claims

ARGENTINA: Review
1. Review of Definition
2. List of Plants
3. Claims

URUGUAY: New Regulation
Draft Law: Definition, Maximum Levels, Botanicals, Claims…

WHAT'S NEXT?



Regulators' focus

- Classification
- Definitions
- Safety and approval of ingredients.
- Scientific justification of health claims
- Quality of food supplements
- Requirements for market access
- Control once supplement products are on the market.

WHAT'S NEXT

THE NATURAL PRODUCTS INDUSTRY FORECAST 2013

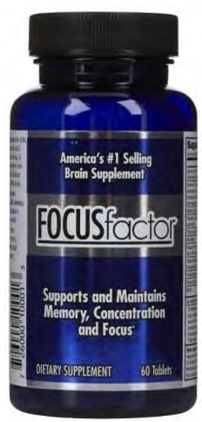
NEXTforecast.com

brought to you by sterling-rice group + Nutrition Business Journal®

→ Trend: **the 'brain space'**

2010 SALES

Hops	**+41%**	Brain & Cognition	+10%
Melatonin	+20%	Insomnia	**+12%**
Valerian	+10%	Mood	+11%



→ Trend: **digestive health**

CASE STUDY: *Bacillus coagulans GBI-30, 6086*

OCT 2010: **TPG** buys 25% stake in Schiff for **$50M**

JUN 2011: **Schiff** buys exclusive BC^{30} rights in supplements & OTC for **$40M**

Ganeden focuses on functional applications

> food service (**Jamba Juice**, **Red Mango**, **Naked Pizza**)
> yogurt, pasta, chocolate
> alternative sweeteners
> straws (**!?!**)

Q: Is the future of probiotics more in pills or more in food?

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→ Trend: **the new soft drink**

ENERGY BEVERAGES

$11B by 2015

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F.D.A. Posts Injury Data Citing Red Bull

By BARRY MEIER
Published: November 16, 2012

The government publicly released reports Friday of injuries that cited the possible involvement of Red Bull, the country's top-selling energy drink, just days after its producer said it was unaware of such cases.

Related

F.D.A. Posts Injury Data for 3 Drinks (November 16, 2012)

Caffeinated Drink Cited in Reports of 13 Deaths (November 15, 2012)

The Food and Drug Administration posted online 21 reports that had been filed with the agency since 2004 that mentioned Red Bull, including ones that involved hospitalizations for heart problems and vomiting. The mention of a product in a report of an injury or a death does not mean it caused it or contributed to it.

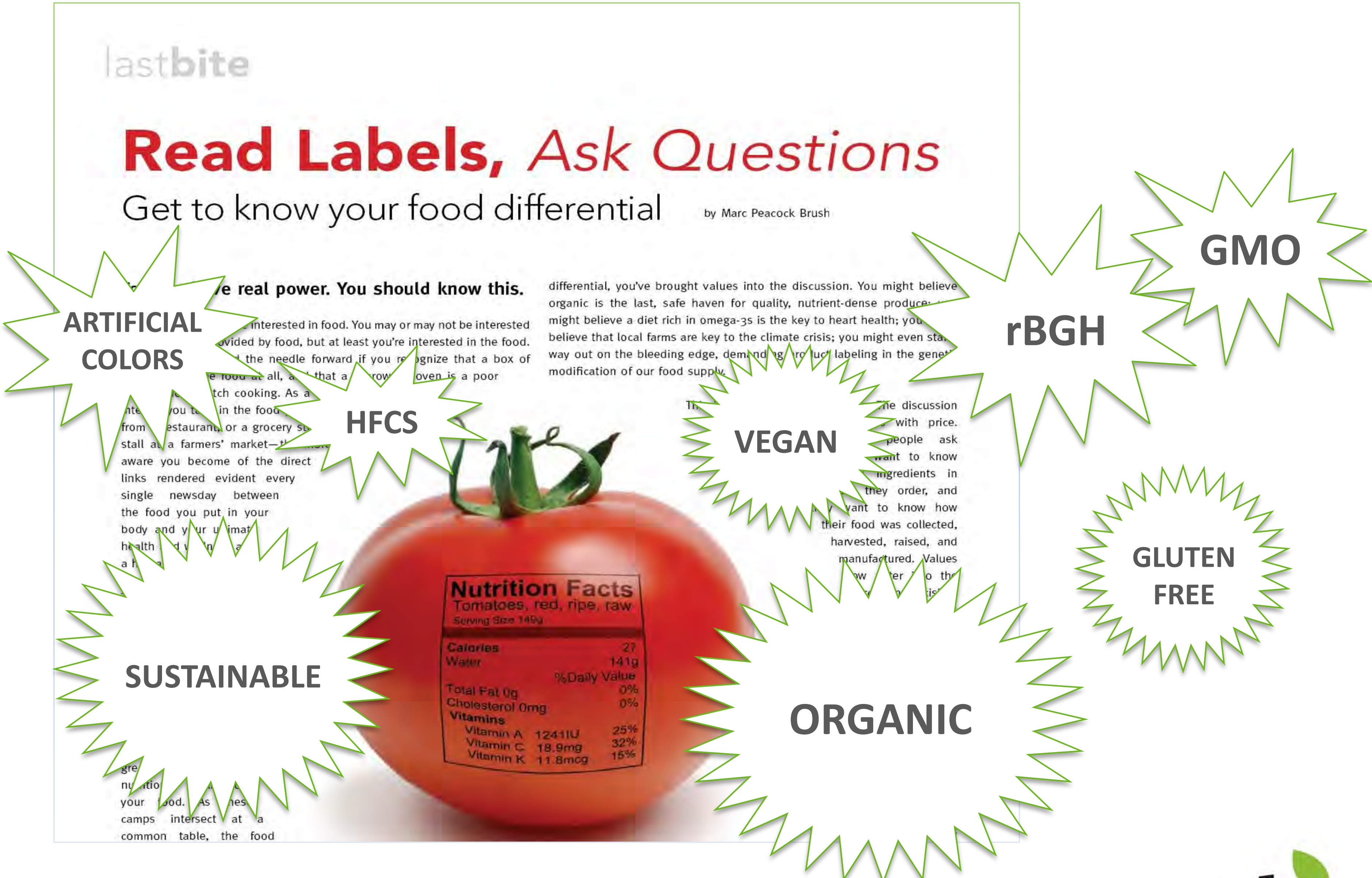
The release of the filings, after similar releases for three other highly caffeinated energy drinks, appears to underscore the crazy-quilt regulatory pattern governing such products. It also highlights the dearth of data that F.D.A. officials are confronting in determining whether to impose additional regulations.

On Saturday, Red Bull reiterated that it was not aware of any injury filings to the F.D.A. that mentioned it. In a statement, the company said, "As the F.D.A. stated, 'the existence of an adverse event report does not necessarily mean that the product identified in the report actually caused the adverse event'." Red Bull has said its beverages are safe.

In recent weeks, the F.D.A. has confirmed or disclosed a total of 18 filings involving fatalities and over 150 others involving injuries that mentioned one of four top-selling energy drinks — Red Bull, Monster Energy, Rockstar and 5-Hour Energy. But the volume of such filings stands in stark contrast to a federal report that found that over 13,000 emergency room visits in 2009 cited an energy drink as a possible cause.

Also, while producers of energy drinks that market them as dietary supplements, a group that includes Monster Energy, Rockstar and 5-Hour Energy, must notify the F.D.A. about death and injuries claiming a possible link to their products, companies that market energy drinks as beverages do not. Such companies include Red Bull, Coca-Cola, which sells NOS, and PepsiCo, which sells AMP.

The F.D.A. this week began publicly releasing adverse event reports related to energy drinks after The New York Times reported that it had received more than 90 filings about 5-Hour Energy, including ones that cited its possible involvement in 13 fatalities. In October, the agency said it had received five fatality reports that cited Monster Energy.



lastbite

Read Labels, *Ask Questions*

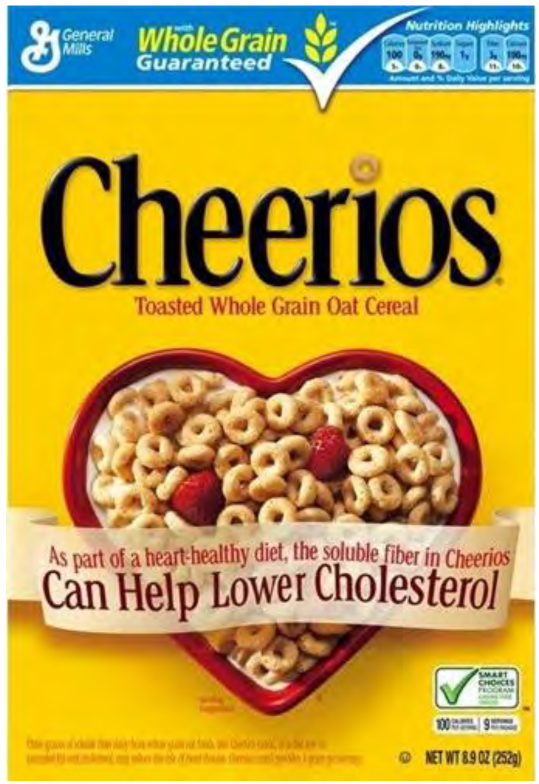
Get to know your food differential

by Marc Peacock Brush

differential, you've brought values into the discussion. You might believe organic is the last, safe haven for quality, nutrient-dense produce; ... might believe a diet rich in omega-3s is the key to heart health; you ... believe that local farms are key to the climate crisis; you might even sta... way out on the bleeding edge, demanding product labeling in the genet... modification of our food supply.

... the discussion ... with price. ... people ask ... want to know ... ingredients in ... they order, and ... want to know how their food was collected, harvested, raised, and manufactured. Values ...

→ Threat: **shoppers don't trust your labels**



Overblown claims lead to:

- Consumer **confusion**
- Brand **rejection**
- Lawsuits
- Regulatory warnings
- Legal **fees**
- Relabeling **costs**
- Reformulation

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→ Opportunity: **people want clean, simple food**

Natural & organic food sales overtook total **functional food** sales in 2008

Gluten free alone grew **40%** in 2010 and is now a **$2 billion** market

nbj

→ Opportunity: **whole-food & plant-based supplements**

→ Opportunity: **food transparency apps**

HONEST LABEL FOODS

One Degree ORGANIC FOODS

ShopWell™

Fooducate eat a bit better™

Any brand that thinks they can hide from being **totally transparent** with their consumers has no chance. Consumers are going to know everything about how we produce our products. And **if you don't give them that information**, then **they are not going to trust you**.

-Brendan Synnott
Revelry Brands

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MACRO FORCES

1

MACRO FORCE #1

SCALING AUTHENTICALLY

Grow. Grow. Grow. This has been the mantra of American business for the last century and continues to drive the thinking of most companies. Grow revenues. Expand market share. Grab a larger slice of the American stomach.

2

MACRO FORCE #2

REDEFINING INNOVATION

Tomorrow's innovation can and will look just as much like undoing as new doing.

3

MACRO FORCE #3

ANCIENT WISDOM

Our food future looks a lot like our past.

4

MACRO FORCE #4

TRANSCENDENT TRANSPARENCY

The era of giving lip service to transparency is over.

MACRO FORCES

The best message these days is no real message at all.

Growth at all costs is about as off-trend a message as we can think of.

This is organic in 2012:
Credentialed. Legitimate.
Certifiable. Meaningful. Tired.
Beleaguered. Milquetoast.
Maybe even irrelevant.

Consumers are moving beyond price as their single purchasing filter.

MACRO FORCES

9

MACRO FORCE #9

SMART, VALUES-DRIVEN MONEY

One out of every eight investment dollars under professional management now sits in a sustainable and socially responsible account.

True partnership demands common values.

10

MACRO FORCE #10

INTELLIGENT CUSTOMIZATION

The need for clever approaches to customized marketing and manufacturing of products is a strong indication of the shift in power from corporation to consumer.

Millennials are different from boomers. You have to allow them to participate in your brand.

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1900–2000
Century at a Glance

1900–1929 Getting enough food and nutrition

1929–1945 Barely Getting By

1945–1965 Convenience + New Products

1969–1980 Nutrition + Food Safety

1980–2000 Fast + Junk Food

ARTISANAL CRAFT LOCAL

1900 — 2012

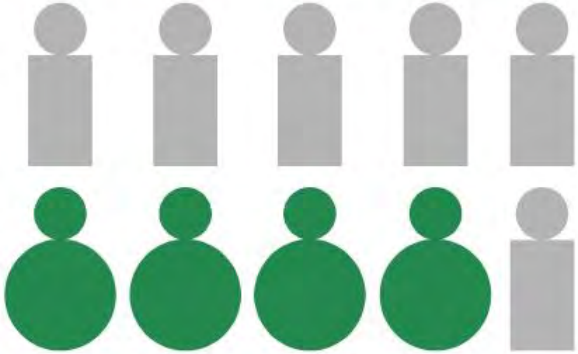
- Tractors 1905
- Crisco 1911
- Widespread Use of Synthetic Fertilizers 1920s'-1930s'
- Agricultural Policies + Subsidies 1930's
- Gradual Industrialization of Food Supply 1950s'
- Manufactured Foods 1960s'
- Social, Technological and Political Change 1970s'
- Natural products industry 1975
- Cheap Foods 1990 GMOs
- NYC Bans Trans-fats 2006

2012

Child Obesity

Stop Sugarcoating Childhood Obesity

40% Childhood Obesity in Georgia



TIPPING POINT

"The financial sector, multinational companies like ourselves, and governments have to question the way we do business. We need a new, sustainable model of capitalism, one in which business sits as part of society, not separate from society—and where the focus is on the long term, not on quarterly earnings."

Paul Polman, CEO, Unilever

ANCIENT WISDOM

X percent of the next 20 years will be spent undoing the past 50. Solve for X.

ANCIENT WISDOM

From forbidden fruit to super fruit.

ANCIENT WISDOM

But chia is emerging as another new, novel ingredient—in time for its fifth millennium of cultivation.

ANCIENT WISDOM

WAY BETTER SNACKS
GOWAYBETTER.COM

BRAD'S RAW FOODS
BRADSRAWCHIPS.COM

NATURAL VITALITY VITALITY B COMPLEX
NATURALVITALITY.COM

TRANSCENDENT TRANSPARENCY

"In a world where nothing can be hidden, you'd better have nothing to hide."

Greg Page, CEO, Cargill

TRANSPARENCY TRANSCENDED

GOOD AND BAD: Kashi vs. Honest Tea

TRANSPARENCY TRANSCENDED

FOODUCATE

(FOODUCATE.COM)

GAIA HERBS

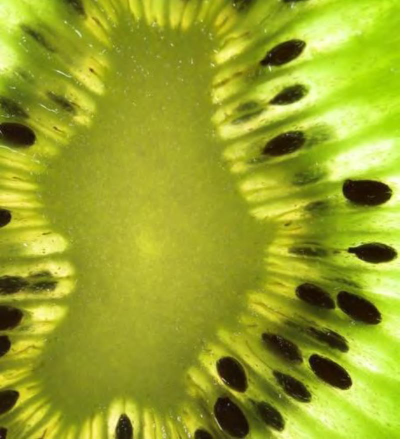
(GIAHERBS.COM)

HERBALIFE

(HERBALIFE.COM)

CONCLUSION

This is not about specific products and brands but rather the trajectory and change that these macro forces imply—both for the natural products industry and consumer packaged goods broadly.



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MARKET QUICKSTART PROGRAM

- Natural – colors, vs synthetic
- White label
- Global pressures and economics
- Regulation – NDIs, FTC
- Claims environment
- Legal- class action
- Mainstreaming pressure
- Product quality
- Food/drug/supplement convergence
- Grains
- Post-superfuit
- Satiety
- Sustainability
- Omega-3, vitamin D, probiotics

Ingredient Over-Arching Issues

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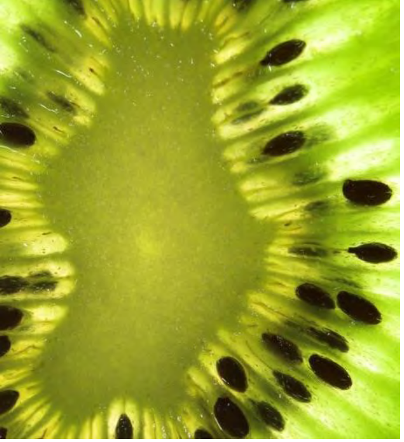
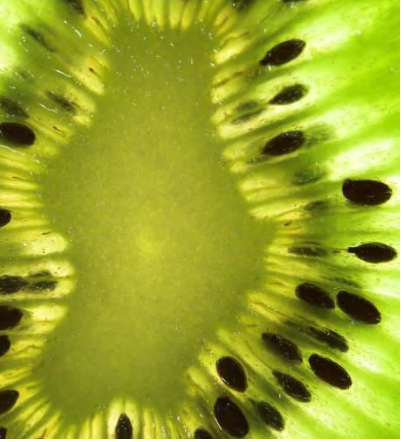


- Gluten-free
- High (differentiated) fiber
- Grains
- Coconut
- Sweeteners
- Cocoa
- Protein variation
- Fitness for purpose
- Beverages rule
- Technical solutions

Other considerations



- Whole Foods supplements
  - Lessen the science, ante up the natural/whole
- Sustained growth categories
- Vitamin D
- Aging
- Energy
- Omega-3s – Biotechnology clash?
- Contract manufacturing and e-tailing fall outside the normal chain
- >>>>beverages at the edge
- Condition specific vs life-stage
- Drug induced nutrient depletion an opportunity
- Natural surpasses organic for value

Takeaways

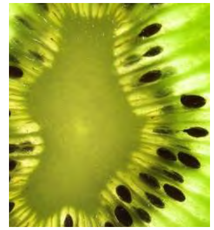
Hot Topics

- Turmeric
- Green tea
- Green coffee bean (and other Dr. Oz products such as raspberry ketones, seabuckthorn etc.)
- Guarana
- Astaxanthin
- Protein
- Plant stem cell based offerings
- carotenoids

Naturally functional superfoods

- Orange juice
- Cranberry juice
- Pomegranate juice
- Coconut water
- Green tea
- Fruits and vegetables
- Dark chocolate
- Greek yogurt
- Chickpeas
- Lentils
- Almonds
- Walnuts
- Seeds
- Blueberries
- Chia

MARKET QUICKSTART PROGRAM



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healthy business solutions

Getting in the Market

1 Establish own presence

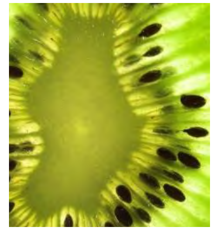
- **GLOBAL FOOD COMPANIES**
  (Nestlé, Coca-Cola, Cadbury, Kellogg's)
- **MULTI-LEVEL MARKETING COMPANIES**
  (Amway, Nu Skin, Shaklee, Herbalife)
- **GLOBAL FOOD INGREDIENT COMPANIES**
  (DSM, BASF, Indena, Lonza)

2 Find a local partner (Distribution/License)

Important Criteria for Selecting a Local Partner

- Industry Experience
  - What is the background of the company?
  - What companies do they currently represent?
  - What experience do they have with nutritional products?
  - How successful have they been in growing sales?

- Regulatory Experience/Support
  - What regulatory staff is in place?
  - What experience do you have in registering currently non-approved ingredients?
  - What ongoing regulatory support do you provide?



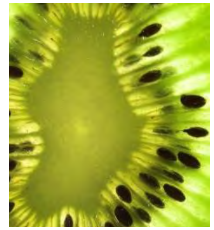
Important Criteria for Selecting a Local Partner

- Marketing/Sales Support
  - What sales/marketing staff is in place?
  - How is your sales organization structured?
  - How do you support the marketing of a new product?
  - How would you keep us informed?

- Importation Procedures
  - What importation procedures need followed?
  - What staff is in place to handle importation?

- References

MARKET QUICKSTART PROGRAM

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Developing a Plan

- Regulatory/Legal Requirements – Regulatory approvals, import restrictions, duties and tariffs, intellectual property protection, insurance and trade documentation

- Identification of Risk Factors – Country market risks, credit and currency risks and political risks

- Tactical Plan – Overview of key activities along with measurement and evaluation

- Financial Plan – Funding, operating budget, conservative revenue projections

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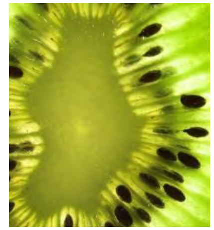
MARKET QUICKSTART PROGRAM



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healthy business solutions

Market Research Resources

- *Nutrition Business Journal* – Provides quantitative market data for the U.S. nutrition industry
  www.newhope360.com/nutrition-business-journal
- SPINS – Offers U.S. retail scan sales data for natural health food stores and mass market retail
  www.spins.com
- Euromonitor International – Supplies market size information for the nutrition industry covering a number of country markets
  www.euromonitor.com
- MarketResearch.com – Research reports on a variety of subjects www.marketresearch.com

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