



STEP – Agri-Value

**Natural Products Expo West 2018
March 8-11, 2018
Anaheim, California**

TRIP REPORT



**CONNECTING SASKATCHEWAN
BUSINESS WITH THE WORLD**

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Overview/ Mission Description

Natural Products Expo West (NPEW) is the world's largest natural and healthy food products trade show, taking place each March in Anaheim, CA. STEP Members were able to exhibit within an area of booth space reserved by STEP, walk the show or exhibit on their own. STEP's space at the show gave STEP members with natural, specialty and organic products and ingredients the chance to reach the international marketplace.

On top of exhibiting at NPEW, STEP partnered with the Canadian Organic Trade Association (COTA), the Government of Alberta and the Government of Ontario to put on a Business Builders Breakfast. The event was free to all Canadian companies and featured speakers covering a variety of important topics for anyone interested in doing business in the United States. Speakers included: Bobbi Leahy – Director of Sales, SPINs, Sandi Hester – Senior Director Natural and Organics, Tree of Life Canada, Corinne Shindelar – CEO Independent Natural Food Retailers Association.

Summarized Agenda

NPEW ran over a 4-day period at the Anaheim Convention Centre in Anaheim, CA. The first day consisted of the Business Builders Breakfast, the Fresh Ideas Organic Marketplace and Hot Products. The main show ran over the next three days with set exhibiting hours. The Engredea show which focuses on food ingredients takes place within the same space during the same time as NPEW. Participants also had the opportunity to attend hundreds of different educational sessions on a variety of topics related to the natural products industry. A group dinner for STEP members was held the Saturday evening after the show.

Market Information

U.S. organic sales hit \$47.0 billion in 2016. This represented an additional \$3.3 billion in since 2015. Organic food sales accounted for \$43.1 billion and organic non-food sales equalled \$3.9 billion. While the overall food market has grown at a rate of 0.6%, the organic food market has a yearly growth rate of 8.4% (Organic Trade Association [OTA], 2017).

Fruit and vegetables remain the cornerstone of the organic food market. The organic fruit and vegetable penetration in the total fruit and vegetable market nearly doubled between 2007 to 2016 from 7% to 13.6%. The fruit and vegetable market is worth \$15.6 billion, representing over a third of the organic food market (OTA, 2017). The top fresh organic products are packaged salads, berries and apples (Nielsen, 2016).

New categories with notable growth: Condiments and meat, poultry and fish are the fastest growing organic categories. Highest growth was captured by condiments at 18.5%, followed by meat, poultry and fish at 17.2% (OTA, 2017).

Organic food is a bigger market but has slower growth than organic non-food. While organic food has over 90% of the organic market share, the organic non-food sector continues to experience higher growth rates year-to-year. Non-food organic growth has been consistently higher than organic food from 2005 to 2015 and

through to 2016 estimates (OTA, 2016). This sector includes organic cosmetics, pet food, fibers and flowers. With sales still small for the total category and in individual sectors, organic non-food is seen as an area ripe for more growth.

Organic fiber sales leading growth of organic-non-food market. Organic fiber's share of the total fiber market has increased 5-fold since 2005, to 0.5%. Despite representing a marginal portion of the sector, sales grew by 16.8% in 2015 and make-up 37.2% of the organic non-food market. Although textiles are not included in the Canadian or USDA organic standards, the Global Organic Textile Standards (GOTS) are actively supported by the Organic Trade Association (OTA) while negotiations for their inclusion in US national standards continue. Organic retail trends.

Mainstream grocery stores key source of organics. Sales data shows that over a third of organic sales occur through mainstream grocers. In a study of buying behaviours of families, the OTA found that the majority of U.S. parents (78%) buy their organic groceries at regular grocery stores. However, they are increasingly likely to buy organics from mass merchandisers (54%) and warehouse clubs (32%) (OTA, 2015). This is followed by National Natural Grocery Chains (19.2%) and Regional Natural/Health Food Stores (15.3%) and Club/Warehouse Stores (12.5%). All other channels are less than 7% of sales (OTA, 2017).

Different sized retailers attract different organic products. Natural and specialty retailers help drive innovation in the industry by seeking out the newest ingredients and trends. Small organic food companies tend to gain market presence through this channel. Mainstream grocery and mass market channels focus on more established products and lines.

Online grocers gaining ground. The number of U.S. families that buy organic groceries online has doubled (from 7% to 14%) from 2014 to 2015. Parents who buy organic online are younger, highly educated and wealthy compared to the general population. They are more diverse and more likely to be male (OTA, 2015). The top online grocery retailers by average basket-size were Peapod, Fresh Direct, Instacart and Amazon Fresh. Fresh Direct does the greatest total sales, however Instacart has the highest year-over-year sales growth of 72%. (Springer, 2016). According to OTA's 2015 survey, of those families that purchase organics online, they are most likely to use Amazon (85%), FreshDirect (20%) and Peapod (13%).

Grocery shopping landscape shifting with 'stealth competitors'. Four of the top ten grocery retailers are not traditional supermarket operations. Two discounters (Walmart and Target) and two drugstores (CVS and Walgreens) made the top 10 grocery retailers for 2016. These categories, along with dollar stores, are "stealth competitors" that have been steadily taking volume from traditional supermarkets (Zwiebach, 2016). This will be a trend to watch for regarding organic sales.

Results

In total 16 STEP member companies participated in the mission to NPEW. 4 exhibited within STEP's booth space, 8 walked the show and 4 exhibited on their own. Results are still being tabulated but so far 266 trade leads were reported that lead to 34 deals in market and an estimated \$6,350,000.00 in sales over the next 12 months.

The show attracted roughly 85,000 attendees and 3,500 exhibitors. The location of the STEP space was near the back of Hall A. The STEP display was well received by the exhibitors. The floor plan was completely changed from previous years due to the new North Hall opening. Traffic at the booth was steady throughout the three days, tapering off into Sunday afternoon (the last day of the show).

The networking breakfast was well attended with almost 100 registered attendees. Feedback from participants was generally positive and the topics covered were deemed to be relevant. The speakers did an excellent job and interacted well with the audience.

Recommendations

The mission was highly successful. Natural Products Expo West is the ideal show for companies interested in the natural and organic products industry in the US. The show provides access to buyers from across North America and around the world. NPEW allows established companies to grow their business and provides a great learning opportunity for companies interested in entering the market.

The Business Builders Breakfast continues to be a great kick-off event to NPEW. The speaker line-up was solid and the event was well attended. Efforts should be made to continue this event in future years. With a focus being placed on finding new topics and new speakers.

Outside of NPEW there was also a chance to attend the Southern California IFT's Supplier Night. STEP exhibits at the national IFT show every year. IFT focuses on food ingredients and innovation. Supplier Night's are smaller versions of the national show. They feature table top displays in a banquet room for one evening of exhibiting hours. This may be an opportunity to add some value to NPEW if companies are interested in taking space. The costs are minimal and the event attracted a large crowd.

STEP plans on returning to the show next year and already has space book. The space will be of comparable size and location to this year's show. The increasing cost of this show continues to be an issue. Without additional funding sources exhibiting may become impossible for some of our smaller members.

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Pictures

