Demand for omega 3 enhanced foods and beverages in the U.S.

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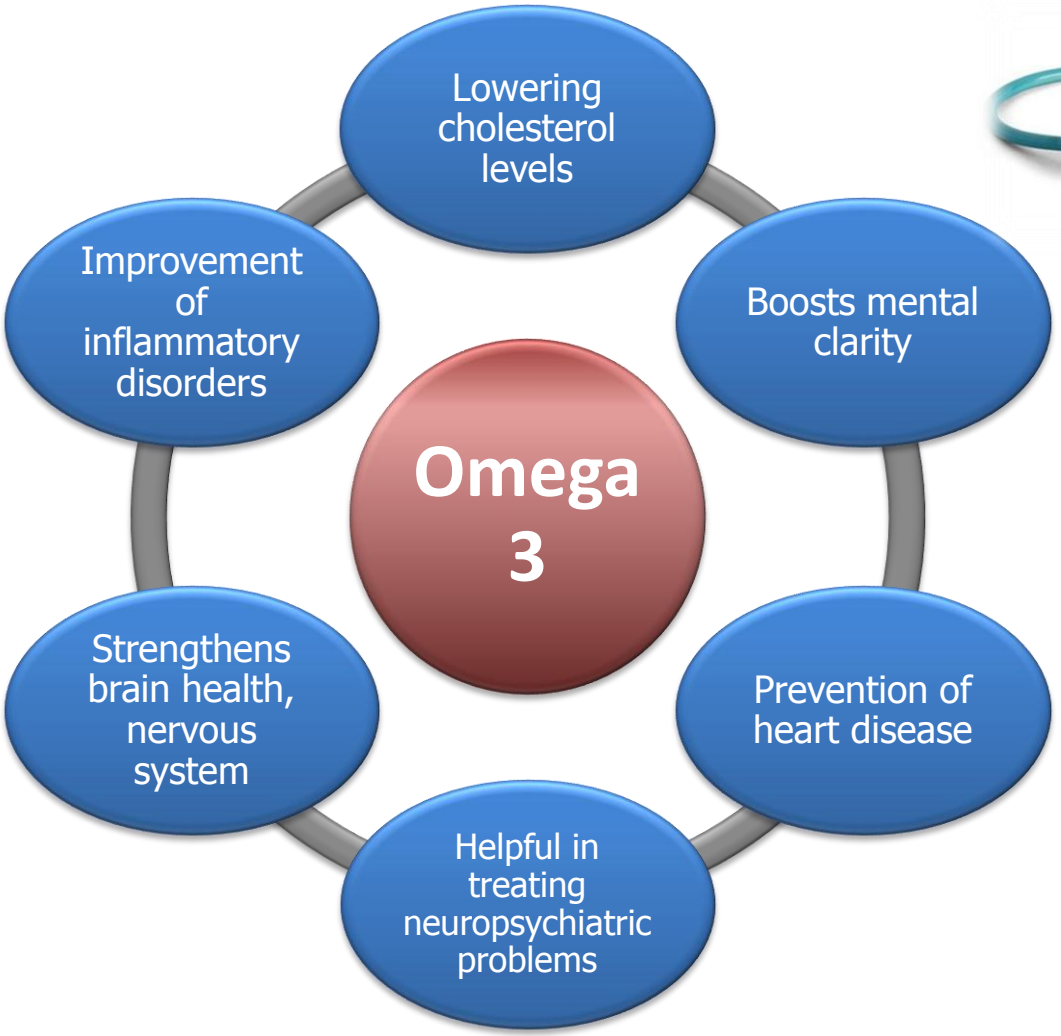
Index

- Key concepts
- Benefits of consuming omega 3
- Regulatory environment
- Products: ingredients and foods
- Trends
- Market
- Retail sales channel
- Marketing strategies
- Consumer profile
- Business opportunities

Key concepts

Docosahexaenoic Acid (DHA)	• Related to the nervous system (brain and eyes). • Fatty fish. • Oils fish. • Alga oils.
Ecoisapentaenoic Acid (EPA)	• Regulation of inflammatory diseases. • Fatty fish. • Oils fish.
Alpha Linolenic Acid (ALA)	• Prevent chronic diseases. • Flaxseed, walnuts, whole grains and vegetables. • Soybean, canola, hemp and colza oils.

Benefits of consuming omega 3



Regulatory environment

- ✓ The regulation related to omega 3 foods and beverages in the U.S. is still under construction.
- ✓ The Food and Drug Administration (FDA) has not dietary reference intake (DRI) to EPA nor DHA, because of U.S. states that ALA is the only essential omega 3 fatty acid. Nowadays, the FDA is reviewing the DRI to these fatty acid.
- ✓ The marketers of omega 3 foods and beverages use structure/function claims that are based in authoritative statements from recognized scientific bodies, such us the National Academy of Sciences or the American Heart Association.

Structure/function claims on selected omega 3 fortified foods and beverages

Marketer/Product	Structure/Function Claim
Atlas Food Company, Inc. Casablanca Gardens Organic Natural Couscous with 100% Natural Chia Seeds	Chia seeds are gluten free and (a great) source of omega 3.
Stonyfield Farm, Inc. YoToddler Whole Milk Fruit & Cereal Pure with omega 3 DHA	DHA is a natural fatty acid essential for babies'mental and visual development.
Unilever United States, Inc Promise Buttery Spread	Omega 3 ALA (250 mg) and omega 6 (2,000 mg) essential oils help maintain cholesterol levels already within normal range.
U.S. Mills, Inc. Uncle Sam Toasted Whole-Wheat Flakes & Flaxseed with Real Mixed Berries	Omega 3 fatty acids may help prevent cardiovascular disease, high blood pressure, and inflammatory disorders as well as lower the risk of some cancers and aid in mental acuity and metabolism.

Source: Packaged Facts

Regulatory environment

- ✓ The government also allows another form of claim: nutrient content claims describes the level of a nutrient or dietary substance in a product, using terms such as "good source of ……." or "high …….".

- ✓ Although these claims are made for nutrients or dietary substances that have an established daily value, the FDA allows to use them if they are based on an "authoritative statement" from a scientific or nutritional organization other than the FDA.

- ✓ Currently the scientific community has not yet arrived at a consensus in terms of the optimal intake of omega 3 fatty acids, but the most commonly referenced recommendations for the intake of omega 3 range from 0.5 to 2 grams of EPA and DHA omega 3 per day.

Nutrient content claims on selected omega 3 fortified foods and beverages

Marketer/Product	Nutrient Content Claim
Barilla América, Inc. Barilla Plus Pasta	Good source of Protein and ALA omega 3; Contains 200 mg of ALA per 56 grams serving.
Farmland Dairies LLC. Special Request 1% Plus with Omega 3 Milk	One serving contains 55 mg of both EPA and DHA.
Stonyfield Farm, Inc. YoBaby Plus Fruit & Cereal Yogurt with DHA	Contains DHA, 20 mg per serving.
Trader Joe's Company, Inc. Organic Extra Large Brown Eggs, Fresh, Grade A, Cage Free, Plus Omega 3	225 mg omega 3 fatty acids per egg; 75 mg omega 3 fatty acids per egg.
Trader Joe's Company, Inc. Roasted & Salted Walnuts with Omega Cranberries	2,000 mg omega 3 fatty acids per serving.
Unilever United States, Inc Promise Buttery Spread	Rich in omega 3 ALA.
Zoe Foods Zoe's O's Honey Whole Grain Flax and Soy Cereal	60% Daily Value of ALA (1.3 gramos); 800 mg ALA omega 3 per serving.

Source: Packaged Facts

Products - ingredients

- ✓ The three omega 3 used in foods and beverages in U.S. are ALA, DHA and EPA.
- ✓ The oil fish is the main source of omega 3 used as ingredient in enhanced foods and beverages in U.S.
- ✓ Approximately 75% of global omega 3 fish oil production is utilized in dietary supplements and just 15% is used in the formulation of omega 3 enhanced foods and beverages.
- ✓ The primary ingredient used in grain-based foods to add ALA is flaxseed because of its high fat content (41%), its relative ease of handling and its ease of incorporation into cereals, pasta and bakery.
- ✓ The main ingredient used to add EPA and DHA is fish oil, however, the algal oil is achieving more acceptance like sustainable source of DHA.

Products – foods and beverages

U.S. food and beverage product introductions carrying a "High omega 3" or "High DHA" content reference

Category	2005	2006	2007	2008	2009	2010	Total 2005-2010
Cereal Bars	18	13	16	22	8	18	95
Breakfast Cereals	7	9	15	7	8	23	69
Functional Drinks	5	3	12	15	5	15	55
Breads and Rolls	8	6	5	8	10	8	45
Baby Snacks	3	2	10	13	5	9	42
Other Savory Snacks	4	6	10	8	5	9	42
Milk and Cream	3	6	8	8	5	8	38
Nuts and Seeds	6	0	3	8	5	6	28
Cookies	1	3	6	3	6	5	24
Pasta	5	1	2	4	5	7	24
Potato Chips	1	2	5	5	2	7	22
Dressings	2	1	2	2	5	10	22
Yogurt	1	2	7	2	3	6	21
Spreadable Fats	2	2	3	6	6	1	20
Oils	0	2	3	6	5	2	18
Others	27	36	72	67	72	64	338
Total	**93**	**94**	**179**	**184**	**155**	**198**	**903**

Source: Packaged Facts

- ✓ Of all new food and beverage products introduced to the U.S. market between 2005 and 2010, products with claims or tags of "high omega 3" or "high DHA" (excluding fish) represented 12.9%.
- ✓ The foods and beverages with "high omega 3" claim represented the largest category of introductions by claim (12.3% of the product volume).

Trends

- ✓ **To offer new categories of foods and beverages:** increasingly the marketers are looking for new products enhanced with omega 3.
- ✓ **Categories with greater expansion:** breakfast cereals, cereal bars, dressings, baby snacks, functional drinks, soft drinks, juices, smoothies and yogurts.
- ✓ **Products for children and vegetarians:** the supply of products enhanced with fish oil is growing for these segments.
- ✓ **Attractive categories:** condiments and sauces, breads and butters.
- ✓ **Omega 3 enriched meats:** increased supply of poultry, beef and pork.
- ✓ **Research into new sources of omega3:** increasing awareness on the predation of fish stocks has led to new sources of omega 3 oils such as algal and krill oil.
- ✓ **Use of biotechnology:** some companies are using the biotechnology in order to get better sources of omega 3 and cheaper (Martek-AgroScience).
- ✓ **Preference for small servings:** the consumers want to get the necessary requirement of omega by eating de small servings of omega 3 enhanced foods and beverages.

Marketers of omega 3 foods and beverages

➢ AURORA PRODUCTS

Roasted flaxseed

Granola with flaxseed

Organic flaxseed

Salad Fixins

➢ GOOD HEMP PRODUCTS

Hemp oil

Dressings with hemp oil

Mayonnaise with hemp oil

Hemp milk

Marketers of omega 3 foods and beverages

➢ GFA BRANDS INC.

Omega 3 buttery spread

Organic vegetable buttery spread

Soy-free buttery spread

➢ HAIN CELESTIAL GROUP

Organic nutritional Mommy Bars

Whole grain cereal with omega 3 ALA

Chia seeds

Marketers of omega 3 foods and beverages

- **HAPPYBABY**

Baby meal or toddler snack with chia

Vegetables or fruits puffs

Baby food: quinoa and vegetables with DHA (algal oil)

Salmon stix

- **STONYFIELD FARM INC.**

Organic milk with DHA and EPA (fish oil)

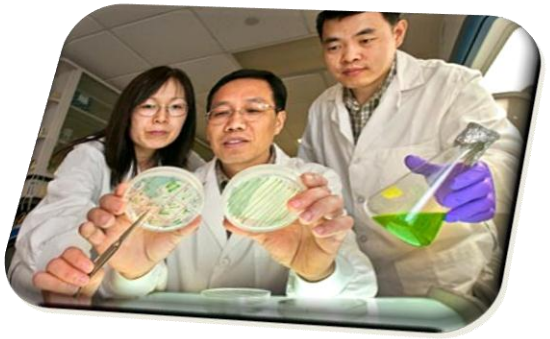
Organic yogurt with DHA to children 1-3 years old

Organic yogurt with DHA to babies 6-18+ moths

Organic Grek yogurt

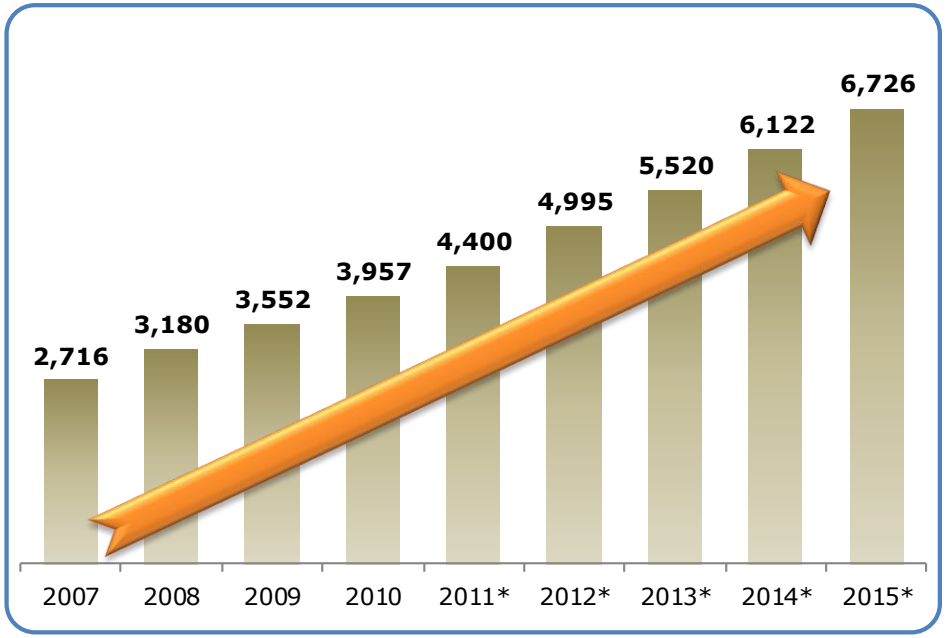
Market - ingredients

- ✓ The U.S. market for omega 3 ingredients is projected to grow approximately 40% during the 2010-2015 period.
- ✓ The U.S. market for DHA and EPA ingredients was estimated at US$ 1.6 billion in 2010 and is projected to approach US$ 2.6 billion in 2016.
- ✓ The major scientific publications that certify the benefits of omega 3, the technological innovation and the diversity of product categories are responsible for this growth.
- ✓ The marine oil-based supplements market in U.S. in 2010 was estimated at US$ 910 million and has been growing at about 22% annually since 2006.
- ✓ While the plant oil-based supplements market in U.S. in 2010 was estimated at US$ 390 million and has been growing at about 18% annually since 2006.



Market – foods and beverages

U.S. Retail sales of food and beverages products (excluding fish) with "High omega 3" or "High DHA" claims (Million US$)



/. Projected

Source: Packaged Facts

- ✓ Omega 3 enhanced products entered the retail scene in the United States in 2003, but it was not until early 2006 that such products entered mainstream U.S. supermarkets.
- ✓ Sales of omega 3 enhanced food and beverage products in the United States are estimated at nearly US$ 4.0 billion in 2010.
- ✓ By 2015 the U.S. retail market for foods and beverages will exceed US$ 6.7 billion.

Growing trend: average annual growth of **14.4%** between 2006-2015.

Market – foods and beverages

U.S. Food and beverage products inroductions

Year	"High Omega 3"		"High DHA"		Total	
	Products Introduced	% Change	Products Introduced	% Change	Products Introduced	% Change
2005	93	-	N/A	-	93	-
2006	94	1.1	N/A	-	94	1.1
2007	179	90.4	8	-	187	98.9
2008	184	2.8	11	37.5	195	4.3
2009	155	-15.8	14	27.3	169	-13.3
2010	198	27.7	13	-7.1	211	24.9

Source: Packaged Facts

- ✓ The number of U.S. product introductions with a "high omega 3" and "high DHA" claim has grown from 2005 to 2010.
- ✓ Despite the lower share of products with "high DHA", is expected to expand in the medium term.

- ✓ The breakfast cereals and cereal bars are the categories with the largest share.

U.S. Food and beverage product introductions with "High omega 3" claim by product category as percent of total high - omega product introductions

Category	2006	2010
Breakfast Cereals	9.6%	11.6%
Cereal Bars	13.8%	9.1%
Functional Drinks	3.2%	7.6%
Dressings	1.1%	5.1%
Baby Snacks	2.1%	4.5%
Other Savory Snacks	6.4%	4.5%
Breads and Rolls	6.4%	4.0%
Beverage Concentrates	1.1%	4.0%
Milk	6.4%	4.0%
Pasta	1.1%	3.5%

Source: Packaged Facts

Retail sales channel - traditional

Traditional Supermarkets

-These are stores that offer a full line of groceries, meat and produce and have at least US$ 2 million in annual sales.

Fresh Format

-Fresh stores emphasize perishables and offer center-store in the areas of ethnic, natural, and organic.

-Whole Foods, Publix GreenWise, The Fresh Market.

Limited-Assortment Store

-This is a low-priced grocery store that offers a limited assorted of center-store and perishable items (fewer than 2,000)

-Aldi, Trader Joe's and Save-A-Lot.

- ✓ The traditional supermarkets account for about 51% of all sales of omega 3 enhanced foods and beverages, followed by health/natural foods stores (28%) and club stores (8%).
- ✓ In 2009, store brands with an omega claim accounted for US$ 153 million in sales, and are expected to continue growing.

Retail sales channel – non traditional

Mass Merchandiser

-Are large stores that sell primarily hardline, but also carry grocery and non-edible grocery items.

-Walmart, Kmart and Target stores.

Convenience Stores

-Small store with limited product line, with focus being on fast-moving merchandise.

-7-11, Circle K, Wawa.

Supercenters

-Offer a wide variety of food, as well as non-food merchandise.

-Walmart Supercenters, Super Target, Meijer and Fred Meyer.

Wholesale Club

-Membership retail/wholesale hybrids.

-Memberships include both business accounts and consumer groups.

-Sam's Club, Costco y BJ's.

✓ Another channel for purchasing omega 3 foods is through Internet (Amazon, Ebay, etc.), because of consumer can buy omega 3 foods and beverages, especially non-perishable products such as bars, cereals and shelf-stable beverages.

Marketing strategies

- ✓ Include a claim of "high omega 3" or "high DHA" on the packaging of foods, so that it is readily identifiable by the consumer.
- ✓ Offer omega 3 enhanced foods with a organic certification in order to be marketed as friendly products environment.
- ✓ Take into account the environmental awareness of consumers: some companies offer products with omega 3, but derived from plant sources (flaxseed oil, algal oil, hemp oil).
- ✓ Promote food products derived from plant sources as highly suitable for vegetarians and vegans.
- ✓ Search the differentiation of food products using certifications such as the Kosher certification.
- ✓ Provide additional health benefits to omega 3, through the incorporation of vitamins in the products (yogurts fortified with omega 3 and vitamin A).

Marketing strategies

- ✓ Social Corporate Responsibility practices such as recycling, emissions control greenhouse gases or recycling oils are valued by consumers.
- ✓ Use eco-friendly packaging like plant-based plastics for yogurts.
- ✓ Companies that produce oils derived from plant sources are entering to the market for omega 3 enhanced foods.
- ✓ Sale of foods fortified with omega 3 primarily in traditional supermarkets and natural food stores.
- ✓ Segmentation of food products to specific markets such as infants, pregnant women, youth, athletes, etc.

Marketing strategies

- ✓ Increase the added value of soft drinks through the incorporation of omega 3.
- ✓ Sale of soft drinks with claims of "high omega 3".
- ✓ Include new flavors like cherry, pear-pineapple and passion fruit in order to raise the attractiveness of nutritional beverages with omega 3 (DHA and EPA).
- ✓ Include new plant sources of omega 3 in functional beverages such as flaxseed oil and chia oil.
- ✓ Promote the consumption of omega-3 required values through small servings during the day.

Consumer profile

- ✓ Consumer awareness of the need for consuming omega 3 products (either trough dietary supplements or enhanced foods and beverages), because of its health benefits.
- ✓ Greater education of the average American about the benefits of nutrition and in particular nutrients essential to better health and quality of life.
- ✓ An expanding aging population: seniors are the largest users of healthcare products.
- ✓ Seek alternatives and preventive health care, due to increased costs of medical care.
- ✓ Growing concerns about obesity and efforts to manage weight loss as part of improving wellness.
- ✓ Increasing awareness of and concerns about mental well-being, especially related to cognitive health in infants, children and the elderly.

Consumer profile

- ✓ Most Americans are looking for ways to maintain a healthier lifestyle.
- ✓ The consumers are examining their dietary habits in response to their own health and wellness goals.
- ✓ The consumers are very conscious of both the nutritional content and ingredients in the groceries they buy.
- ✓ The majority of consumers prefer to get their nutrition from food rather than supplements.

Business opportunities

- ✓ **Categories with high growth prospects:** breakfast cereals, cereal bars, condiments and sauces, butter spreads and beverages (soft drinks, sports drinks and functional waters).

- ✓ **Food products with added nutritional benefits to omega 3:** sacha inchi can be mixed with Andean grains, maca, carob honey. For example: cereals, bakery and cereal bars with omega 3 and Andean grains.

- ✓ **The youth market (teenagers) and under 50s:**: generally this group do not consume a diet that provides the nutrients needed. Preferably emphasize 20 year old to 40 year old group for particular niches because they have purchasing power and are willing to pay high prices for products that taste good and are healthy.

- ✓ **Omegas 3 based on plant sources:** flaxseed, hemp and chia oils are more stable and have found a place within the personal care products as well as functional foods.

- ✓ **Food and beverages fortified with con omega 3:** fit very well with the desire of Americans to maintain a healthy lifestyle.

Business opportunities

- ✓ **Nutritious food for animals with omega 3:** sacha inchi can be used to improve animal feed, because consumers increasingly demand poultry, beef and pork with nutrients (fatty acids, minerals, fiber, antioxidants).

- ✓ **New plant sources of omega 3:** because of marine sources may not cover the entire market demand and the need to capture additional markets: the vegetarian, vegan and environmentally friendly.

- ✓ **Pharmaceutical industry:** Scientific evidence that supports that omega-3 fatty acids reduce chronic inflammation and insulin resistance will help to develop cures for more than 23 million Americans who suffer from diabetes and other diseases.

- ✓ **Preventive health:** the high cost of medical consultations favor the purchase of preventive health products.

Thanks for your attention!

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