Creating and Marketing Healthful Foods for Demanding Consumers

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Meeting Consumers Expectations for Healthful Foods

1. Consumer expectations
2. Technical challenges
3. Regulatory challenges
4. Global stewardship
Consumer Demands

- Safe
- Convenient
- Fresh-like
- Nutritious
- Fewer Additives
- Cheap!
- Safe!!
Where do consumers learn about food?
Where Do Consumers Get Their Information?

1. Phalates:
   • Wikipedia
   • Science News

2. Diacetyl:
   • Wikipedia
   • MediLexicon Int.

3. Perchlorate:
   • Wikipedia
   • EPA

4. Acrylamide:
   • Wikipedia
   • WebMD

5. Bisphenol A:
   • Wikipedia
   • EPA

6. Sodium:
   • Wikipedia
   • Am. Heart Association

7. HFCS:
   • Wikipedia
   • S. F. Chronicle

8. Aspartame:
   • Wikipedia
   • Mikkelson (Snopes) Foundation
5 Most Visible & Influential Non Government Organizations in the Food/Beverage/CPG Arena
What are healthy foods?
What are “Healthy” Foods?

• “Healthy” as a food labeling term
  • Defined by regulation
  • Definition includes “healthier,” all words with “health” root
  • Means all of these criteria: low in fat, low in saturated fat, limited amounts of cholesterol and sodium, has some contribution of specific “positive” nutrients (vitamins, minerals, protein, fiber)
What are “Healthy” Foods?

- Another wrinkle:
  - “Heart healthy” foods imply heart disease risk reduction
  - Must meet criteria for making defined heart disease health claims
What are “Healthy” Foods?

• Consumer perceptions may differ from regulatory definitions of “healthy”
  • “Organic”
  • “Natural”
  • “Fresh”
  • “No artificial ingredients”
What are “Healthy” Foods?

• Consumer perceptions may differ from regulatory definitions of “healthy”

• “Organic”
  • Meets USDA definitions, certification requirements for specific agricultural, handling, processing practices
  • “Organic” does not mean healthier, does not mean safer
What are “Healthy” Foods?

• “Natural”
  • Meets USDA and FDA policies for no synthetic ingredients, no color additives, no severe processes (Meat & poultry)
  • Formulating “natural” product may pose food safety challenges if safety-related additives are prohibited (lactate, diacetate)
What are “Healthy” Foods?

• “Fresh”
  • Meets USDA and FDA rules and policies limiting use of certain processing and preservation techniques
  • “Fresh” foods may pose food safety challenges
What are “Healthy” Foods?

• “No artificial ingredients”
  • Label claim must be true
  • Formulating food product may pose food safety challenges if safety-related synthetic additives are prohibited
What are “Healthy” Foods?

- Consumer perceptions may differ from regulatory definitions of “healthy”
- **The challenge**: meeting consumer expectations for a “healthy” food product could mean that the food may not claim it is “healthy”
Technical/Logistical Challenges

- Technological, safety
- Product stability
- Self-life
- Aversion to biotech?
- Sourcing (globalization)
- Consumer behavior
- Distribution
- Sustainability
- Price!
- Safety
Meeting the Challenge

• Pay attention to “Basics”
  • Good Agricultural/Manufacturing/Aquaculture Practices (GAPs, GMPs, GAqPs)
  • Sanitation
  • Consumer practices
• Regulatory requirements
  • Nutrition/Claims
• Sourcing
Where is our food coming from?
Impact of Income on Diet
USDA/ERS Observation

• Growing wealth in countries creates a demand for different food attributes.

• Beyond organoleptics consumers consider health, safety, convenience, and process attributes.

• Process attributes—which refer to the manner in which food is grown/raised, processed, and marketed — are becoming increasingly important.
“The World on your Plate”

Chicken Kiev
>10 countries!

Herb Butter

Salted butter - Ireland
garlic puree - China, USA, Spain
garlic salt - China, USA, Spain
lemon - USA
parsley - France, UK
pepper - Indonesia
water - Ireland

Batter:

Chicken Breast

Chicken - Ireland, Belgium
Flour - Belgium, France
Water - Ireland

Bread Crumbs

Bread crumb - Ireland, UK
Rape-seed oil - EU, Australia
Eastern Europe

Courtesy A. Reilly, FSAI, Ireland
## US Imports

<table>
<thead>
<tr>
<th>Volume</th>
<th>Jan-Nov 2005</th>
<th>Jan-Nov 2006</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thousand metric tons</td>
<td>Thousand metric tons</td>
<td>Thousand metric tons</td>
<td>Percent</td>
</tr>
<tr>
<td>Beef &amp; veal</td>
<td>1,074</td>
<td>923</td>
<td>-14</td>
</tr>
<tr>
<td>Dairy products</td>
<td>321</td>
<td>298</td>
<td>-7</td>
</tr>
<tr>
<td>Fruits, fresh or frozen</td>
<td>7523</td>
<td>7698</td>
<td>2</td>
</tr>
<tr>
<td>Fruits, prepared or preserved</td>
<td>993</td>
<td>1099</td>
<td>11</td>
</tr>
<tr>
<td>Vegetables, fresh or frozen</td>
<td>4656</td>
<td>4921</td>
<td>6</td>
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</tbody>
</table>

Source: Compiled by ERS using data from Census Bureau, U.S. Department of Commerce.

*U.S. Agricultural Trade Update/FAU-121/January 11, 2007*

Economic Research Service, USDA
The Issue - Sustainability
### Why Sustainability And Why Now?

<table>
<thead>
<tr>
<th>Changing Political Landscape</th>
<th>Scientific Realities Increasing</th>
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</thead>
<tbody>
<tr>
<td><img src="image" alt="American Flag and Capitol Building" /></td>
<td><img src="image" alt="Smoke stacks and ice cube" /></td>
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</table>

<table>
<thead>
<tr>
<th>Changing Consumer Landscape</th>
<th>Media Coverage</th>
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<tbody>
<tr>
<td>Consumers are most interested in what companies are doing to:</td>
<td><img src="image" alt="TIME Magazine" /></td>
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<tr>
<td>• Protect the environment</td>
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<td>• Recycle</td>
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<td>• Reduce waste</td>
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Consumers are most interested in what companies are doing to: • Protect the environment • Recycle • Reduce waste
Media Coverage Is On The Rise

Increased number of stories; intensified negative tone - 400 articles since July 1, 2007
The Consumer Is Noticing

% agreeing completely/mostly with following statements

- 43
- 35
- 34
- 29

Environmental conditions are getting better in this country
Global warming is not as much of a threat as the media makes it

2003 2006

The Customer Has Responded

Wal-Mart Unveils “Packaging Scorecard” to Suppliers
Sustainability – The Challenge

Retailer Mandates

Manufacturers

NGOs

Consumers

Shareholders

Academia

Governments

Media

SUSTAINABILITY

Strategy to Drive Sustainability for the Industry
- Leverage industry knowledge & practices
- Manage customer expectations
- Engage in emerging regulations/programs
GMA Sustainability Initiative

Two Phases

Phase I –

IAC Organization and Issue Definition & Prioritization
Retailer Mandates - Deloitte Compendium
Case Studies

Phase II –

Work Groups
Initiatives
The Summit
Summary

• The biggest challenge is meeting consumer perceptions of “healthy” and with truly “healthy” foods that are safe have long shelf life and in regulatory compliance.

• Consumer education continues to be a challenge especially with respect to
  • proper food handling and
  • the value of new technologies such as biotech, nanotech and irradiation.

• Balancing the desired value with cost competitive products that are environmentally friendly confronts all stakeholders.