

FOODLINK

U.S.

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GOOD PROGNOSIS

Grocers' health-oriented strategies are shaping up, but there's still room for improvement.

Now several years into addressing the groundswell of public and government attention to problems with obesity, the diet-disease link, and the availability of organic and natural foods, U.S. supermarkets and manufacturers alike have supercharged their efforts to better educate and serve their customers.

According to the latest Health & Wellness Study by *Progressive Grocer*, many retailers are taking the challenge more seriously than ever before, incorporating such key elements as:

- Creating newsletters and other educational materials, as opposed to just using in-store signage;
- Planning more sophisticated promotions;
- Rolling out or expanding upon private label better-for-you programs;
- Beefing up training efforts, to make sure store-level associates are prepped on how to help sell wellness; and
- Eliminating trans fats from their in-store food production operations.

Vendors, for their part, have also taken new steps. Many have eliminated trans fats from foods they produce. Marketers

are also revamping advertising campaigns that target children, to address sensitivities over the messages being sent about consumption habits, especially considering the growing number of overweight and obese kids.

However, retailers still appear to be split over whether vendors are truly making enough healthy food available for them to sell.

While all this attention to healthy eating represents real progress, the risk exists that some grocers might let their momentum slip as more pressing financial and competitive concerns crowd their plates.

In fact, *Progressive Grocer's* analysis shows that the majority of grocers are leaving the responsibility for devising

and executing health-and-wellness strategies up to individual department managers, buyers, and merchandisers, instead of having a single person or team oversee these initiatives at a storewide or companywide level. Indeed, only 11% of respondents said their company has a dedicated health-and-wellness executive.

IN-STORE ACTION

While signage is seen as an important tool to inform customers about healthy products, most retailers say they aren't ready to take their programs to the item-by-item level that Delhaize-owned chain Hannaford, and now its sister chain Sweetbay



GOOD PROGNOSIS *continued*

Supermarkets, have taken with the “Guiding Stars” program. (Guiding Stars, launched last year, rates various products throughout the store on their nutritional content.)

That doesn’t mean grocers don’t see the need for more health information aimed at consumers, however. Two-thirds of respondents agree that “a uniform standard is needed for identifying foods as healthy.”

Interestingly, fewer retailers than last year say they’re creating special sections in their stores to address health concerns with product assortments. This might be because they’ve already created such focused areas in years past, or it could point to the fact that some grocers are trying a whole-store approach to health and wellness.

As one respondent notes, “All our specialty dietary sections are integrated within our grocery aisle. The goal is to educate all our guests.”

When it comes to merchandising organics specifically, however, more grocers are creating separate sections across the major departments of center store, dairy, meat, and produce.

They’re also increasing their promotional activity around organic and natural foods, which is a good thing, considering that many studies show that price continues to be a barrier to this category for many shoppers. An impressive majority of respondents—78.1%—say they’re now including these items

in their weekly ad circulars. Meanwhile 81.3% are creating special displays, and 62.5% are taking advantage of in-store sampling to convince their customers that healthy foods can taste good, too.

Another element that’s crucial to success in selling more healthy foods is store-level associate involvement. On a positive note, grocers say they’ve made substantial progress in training vs. what they were doing last year. Almost 40% of respondents this year say that their companies provide training for in-store employees to sell healthy-alternative products.

One area of the business that seems ripe for exponential growth is health-oriented private label lines. While less than half of respondents (42.1%) say their companies currently offer private label organics, this seems likely to change in the coming year, considering the sustained actions and successes of market leaders such as Safeway, Kroger, and Whole Foods with its popular 360 line. Additionally,

‘Stars’ have aligned

Hannaford Supermarkets, a regional chain based in Scarborough, Maine, confirmed earlier this year that consumers are increasingly choosing foods that offer more nutrition for the calories than those foods that don’t in many departments. The retailer went on to say that in some cases, better-for-you items are being chosen three or four times more than their conventional counterparts. The grocer released this information in September as part of its findings since last year’s launch of “Guiding Stars,” a storewide system with the aim of helping Hannaford shoppers make more informed nutritional choices.

Since its introduction in September 2006, Hannaford’s Guiding Stars system has analyzed, evaluated, and rated more than 25,500 food items in all of the grocer’s stores. The system features one-, two- or three-star ratings representing good, better, or best nutritional value, respectively.

The greatest change occurred in the packaged foods section of the store: Selection of packaged foods with one, two, or three stars grew steadily at 2.5 times the rate of unstarred items.

Hannaford is owned by the Delhaize Group, which is based in Brussels.

almost all of the retailers who say they’re currently offering their own brands of organics say sales from these products have increased in the past year.

As for overall sales of organics, virtually all product categories are experiencing higher turnover compared with last year, *Progressive Grocer’s* data shows. Baby food is now a top performer, with about 22.5% of total category sales coming from organics on average, vs. just 14.3% from organics last year. ★

HEALTHY MENU DEVELOPMENT

Diners’ increased health and wellness concerns are spurring menu changes.

As the number of people dining out continues to increase, foodservice venues are positively changing their fare to accommodate a corresponding growth in consumers’ demands for healthier food away from home.

The Chicago, Illinois-based National Restaurant Association (NRA), in its 2007 Restaurant Trends Forecast, pointed out: “Dietary issues are a concern for every consumer, and restaurants will satisfy consumers’ appetite for healthier menu options in 2007 by offering wraps, chicken dishes, and energy drinks.”

In the United States, well-

ness-based legislation is also a factor in this groundswell toward healthier restaurant food, mostly as a reaction to the global epidemic of overweight and obesity. As of May 2, 2007, a new element of the Nutrition Labeling Education Act of 1990 requires that any restaurant making nutritional claims such as being low-fat, no-fat, no-cholesterol, or heart-healthy for its food or meal combinations must be prepared to back up those claims by offering nutrient information.

Also in the U.S., two major cities—New York, New York and Philadelphia,

Pennsylvania—have banned trans fats in restaurants. Other cities including Boston, Massachusetts; Buffalo, New York; Chicago, Illinois; and Cleveland, Ohio are considering similar legislation, as are 12 states including California, Florida, and New York. Trans fats have been shown to negatively affect cholesterol to a high degree.

Other recent restaurant reactions include:

- KFC has introduced what it considers a better-for-you menu item in its Southern California locations: the Grilled Mexican Bowl, containing

grilled chicken, Mexican-style rice, jalapeno-pinto beans, and pico de gallo. Other new offerings include the Grilled Snacker sandwich, the Grilled Twister wrap, and a Grilled Kids Laptop Meal.

- El Pollo Loco in Irvine, California now offers steamed vegetables as a side dish and skinless flame-grilled chicken as an entrée. The restaurant also returned BBQ Black Beans to its menu, in a new and improved version—without saturated and trans fat.

- Denver, Colorado-based Chipotle Mexican Grill is offering natural food prepared in front of the customer. Additionally, 25% of the beans it buys are organic, and all the pork it uses is raised naturally. ★

NEW FRONTIER

Ukrop's Super Market proves that independently owned retailers can still successfully embark on new territory.

The turnout at the grand opening of Ukrop's Super Market in Roanoke, Virginia was so impressive that it inspired a cartoon in the local newspaper. In the comic, as a long line of people wait for Ukrop's to open its doors, a bystander asks, "Is this the line for the iPhone?" (The iPhone is a multimedia and Internet-enabled mobile phone introduced by Apple in June.)

Indeed, just as the iPhone was received with enthusiasm by technology lovers, Virginia-based Ukrop's is a dream come true to food lovers in Roanoke, a city of 95,000 that's considered a commercial hub of western Virginia and southern West Virginia.

Retailers including Kroger, Food Lion, and Wal-Mart have already penetrated the market, but the management at Ukrop's—the family-owned independent with 28 stores in Richmond, Williamsburg, and Fredericksburg, Virginia—feels that it offers something quite different—always has, in fact.

For one thing, the industry's current obsession with prepared foods and other convenience-driven concepts just makes Ukrop's president and CEO Bobby Ukrop scratch his head.

"We've been making food in a central kitchen for 18 years," explains Ukrop. "We're already 'fresh and easy,'" he adds, making obvious reference to Tesco's much anticipated built-for-America format set to debut within months on the West Coast.

The 58,700-square-foot supermarket in Roanoke, which from the outside

resembles a European villa more than a grocery store, is drawing plenty of curious shoppers who'd heard about the Ukrop's experience. Sales so far have been brisk, and some of Ukrop's signature homemade items are actually overindexing, according to the CEO.

LOCAL TASTES

Learning about the local market is a day-to-day task, says the store's general manager, Jason Woodcock. For one thing, he's discovered that his shoppers are keen on natural and organic foods. They also appreciate the fine cheeses on hand, in a department where Ukrop's has outdone itself.

"This store is No. 1 in the company in cheese sales," notes Woodcock. "The trick is having someone behind the counter at all times," he adds, referring to the friendly associate regularly stationed behind the bountiful circular service cheese island in the deli.

Perhaps the biggest revelation for Roanoke shoppers is that Ukrop's isn't just a supermarket. "We're also a restaurant," says Bobby Ukrop. The Roanoke store, for instance, features two levels of dine-in seating, more than at any of its other stores.

Overall, 20% of Ukrop's business consists of deli kitchen items. The chilled prepared foods alone comprise a voluminous menu that for some shoppers can be too much to take in. "We now have 200 recipes in our central kitchen," notes Ukrop. "If anything, we may have too



wide of an array of food."

Ukrop's most popular homemade delicacies include chicken salad, Duchess Potatoes, and Triple Cheese Macaroni and Cheese.

Other chef specialties, such as BLT Salad and Jumbo Lump Crab Cakes, are made in the store daily as well. "We try and mix up the selection on a daily basis," observes Ukrop.

In the interests of both creativity and efficiency, chefs consult with fresh department managers regularly to keep tabs on slower-moving items, or ingredients that have hit their peak, so that they can incorporate them into these recipes. For example, when juicy Virginia peaches were in their prime, special peach salads and a chilled peach soup appeared on the menu.

To facilitate this cross-department interaction, Woodcock organizes two daily food meetings for his staff.

SWEET EATS

In addition to its prepared foods, the company operates a division called Ukrop's Food Group Bakery, which bakes its primary specialty—White House Rolls—as well as cinnamon rolls, pound cakes, breads, and bagels.

Ukrop's had an early start in the bakery business, buying Dot's Pastry Shop, a local Richmond business, back in 1976. That move was essentially its entry into food manufacturing.

Although most shoppers today still have a sweet tooth, health concerns have even influenced tradition at Ukrop's bakery, and the operator has created a line of all-natural baked goods that doesn't sacrifice taste. "People are less interested in sweet breakfast items than they used to be," says Ukrop. "Doughnuts still sell well, though." ★

At the center

At its new store in Roanoke, Virginia, Ukrop's is experimenting with new products and merchandising techniques in center store, that part of the store lacking innovation at so many grocers.

The retailer is incorporating mid-aisle breaks to give shoppers room to browse the aisles more easily. It has also added a refrigerated case in the snacking aisle, where customers can find healthy fresh snacking options such as Chiquita cut fruit, veggie dip, and salsa. (Fresh-cut fruits and veggies are also found in back of the store, near the pharmacy.)

Like other smart retailers, Ukrop's is employing curved shelving in center store aisles to highlight specialty foods. Its gourmet selection includes the Joe's Market brand, a new private label line named after its gourmet shop, Joe's Market, in Richmond, Virginia. The line includes such specialty items as olive oil, sauces, dressings, and even organic yellow corn chips.

Calendar of Events

FEBRUARY

24-26: International Boston Seafood Show*

Boston, Massachusetts
Boston Convention & Exhibition Center
www.bostonseafood.com

24-27: Gulfood 2008 Food, Hotel, and Equipment Exhibition and Salon Culinaire*

Dubai, United Arab Emirates
Dubai International Convention and Exhibition Center
www.gulfood.com

MARCH

4-7: ANTAD Guadalajara, Mexico

www.antad.org.mx/

11-14: Foodex Japan* Tokyo, Japan

Makuhari Messe
www2.jma.or.jp/foodex/en/index.html

13-16: Natural Products Expo West* Anaheim, California

Anaheim Convention Center
www.expowest.com

26-28: Food Ingredients China* Shanghai, China

Shanghai Everbright Convention and Exhibition Centre, Shanghai International Exhibition Centre, and Shanghaimit
www.chinafoodadditives.com/d_e.htm

* Food Export Association of the Midwest and Food Export USA-Northeast will be at this show.

FEATURED PRODUCTS



Live lobsters

If you're looking for tasty, fresh Maine lobsters, look no further than Atwood Lobster Co. Positioned in the heart of Penobscot Bay and the Gulf of Maine, the company benefits from being located in the middle of the highest concentration of lobsters in the world. Bought from local lobstermen on a daily basis, the product arrives in crate form and is immediately graded according to size and shell quality. In Maine, lobsters must be caught in a trap (pot), and only mature legal sized lobsters are kept. These practices are primarily responsible for the

highly sustainable nature of Atwood's fishery. For more information visit www.atwoodlobster.com, or contact Ben Metivier at 1-800-521-5204, extension 38, or bmetivier@atwoodlobster.com.

Fun with chocolate

Children, and adults who are "kids at heart" will take delight in Bosco Chocolate Syrup, a classic syrup now available in an all-natural formula. The product comes in easy-to-use plastic dispenser squeeze bottles, and contains no fat, no artificial colors or flavors, and no preservatives. Its notable ingredients are natural cocoa and a hint of malt extract. Bosco Chocolate Syrup has an excellent shelf life suitable for the export market and can be used in many recipes, including chocolate milk, cake, Brooklyn Egg Creams, milkshakes, and as an ice cream topping. Learn more by visiting www.groceries-usa.com, or contact Noel Barrameda at New York-based Groceries USA (export manager) at 1-212-673-5000 or info@groceries-usa.com.



Poppin' good

In the U.S. market, Jolly Time is a brand that's synonymous with great-tasting popcorn. Its manufacturer, Sioux City, Iowa-based American Pop Corn Company, has been around since 1914, and in recent years has popped its way into nearly 40 markets around the world. Jolly Time Pop Corn is available in 17 tasty flavors, including Blast O Butter, White & Buttery, Big Cheez, and more. For more information visit www.jollytime.com, or contact Simon Lee at 1-212-673-5000 or simon@jollytime-export.com.



No Pain, no gain

The Pain Is Good line of all-natural salsas manufactured by Original Juan Specialty Foods in Kansas City, Kansas, just got hotter. Now the salsas feature new

packaging and three new flavors: Batch #66 Black Bean & Corn, Batch #112 Tequila Lime Cilantro, and Batch #164 Georgia Peach. To protect consumers from "snacking outside of their heat level comfort zone," the new label includes a colored band indicating the heat levels of Fiery, Snappy, and Wimpy. For more information visit www.originaljuan.com, contact Greg Dennis at 1-913-432-5228, or e-mail juans@originaljuan.com.



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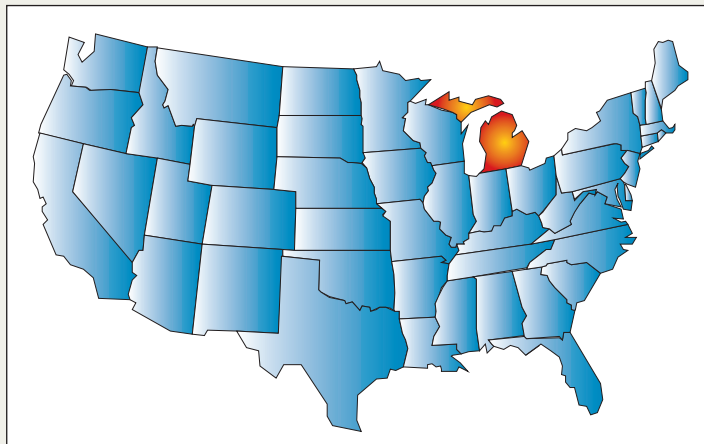
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STATE SPOTLIGHT: Michigan



✓ Michigan has 53,000 farms on 10 million acres with an average farm size of 191 acres. This U.S. state leads the nation in blueberry production.

✓ Half of Michigan's land is forested, contributing billions of dollars to the state's economy each year. In fact, Michigan is the number two Christmas tree producer in the U.S.

✓ Michigan produces more red tart cherries than anywhere else in the world, making up 68% of the national crop. Michigan also ranks fourth in the nation in the production of sweet cherries.

✓ This U.S. state is number three in apple production in the nation. Michigan apple growers produce more than 15 varieties, including Red and Golden Delicious,

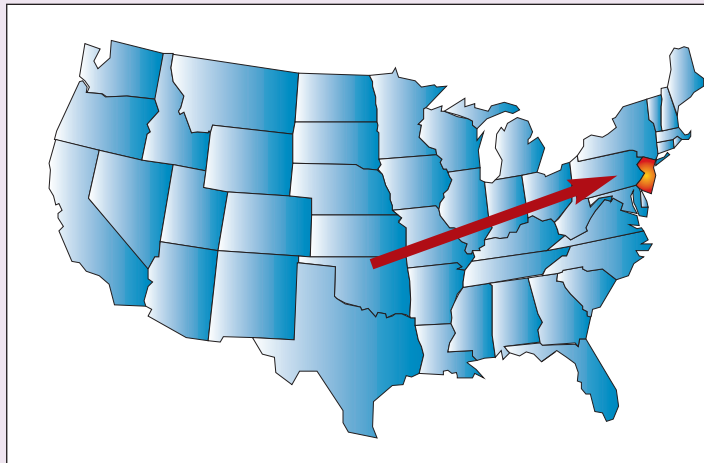
Jonathon, Northern Spy, McIntosh, Empire, Rome, and Ida Red.

✓ Michigan is also third in the nation for asparagus production.

TOP AGRICULTURAL EXPORTS:

WOOD	Total value: \$156.8 million
PREPARED FOODS	Total value: \$99.26 million
CEREAL & MILK PRODUCTS	Total value: \$96.2 million
VEGETABLES	Total value: \$89.1 million
CEREALS	Total value: \$67.2 million
MEAT	Total value: \$52.6 million
OIL SEEDS	Total value: \$52.5 million
FRUITS & NUTS	Total value: \$33.15 million
PRESERVED FRUITS & VEGS	Total value: \$30.9 million

STATE SPOTLIGHT: New Jersey



✓ New Jersey's 9,800 farms, covering 790,000 acres, generate \$857.6 million for the state.

✓ Farmers in the state produce more than 100 different kinds of fruits and vegetables that are enjoyed in the U.S., Canada, and in many countries around the world.

✓ New Jersey is one of the top 10 producers in the U.S. of cranberries, blueberries, peaches, bell peppers,

cucumbers, snap beans, spinach, squash, tomatoes, and lettuce.

✓ The state also produces hundreds of thousands of dollars worth of specialty crops, including a wide variety of award-winning New Jersey wines.

✓ New Jersey harvests tons of bluefish, tilefish, flounder, hake, shellfish, and other species each year, which are sold in the U.S. and

in foreign markets around the world. The state's commercial fishing industry adds another \$159 million to the value of agriculture.

TOP AGRICULTURAL EXPORTS:

PREPARED FOODS	Total value: \$166.67 million
FRUITS & NUTS	Total value: \$153.9 million
COCOA	Total value: \$131.26 million
PRESERVED FRUITS & VEGS	Total value: \$122.8 million
ANIMAL FEEDS	Total value: \$88.98 million
CEREAL & MILK PRODUCTS	Total value: \$74.1 million
GUMS & RESINS	Total value: \$70.3 million
FATS & OILS	Total value: \$56.7 million
VEGETABLES	Total value: \$45.46 million
WOOD	Total value: \$44.46 million

NEWS BRIEFS



Boston, Massachusetts-based casual dining chain Uno Chicago Grill, known for its deep-dish pizza, is launching two new concepts to address sluggish sales in the segment. The first concept, "Uno Plus," is an upscale model featuring artisan dishes and suggested wine pairings. Its prices will be in line with the original chain, however. (The average price for an entrée is \$14.50.) The other new concept is called Uno Due Go. It's a smaller, quick-casual format that will be rolled out to airports, hospitals, and other

commercial spaces. Its menu will include pizza, as well as sandwiches and salads.

Global bottled water consumption advanced 8% to 187 billion liters in 2006, according to the 2007 Global Bottled Water report from beverage consultancy Zenith International. The emerging economies of **Asia and Eastern Europe** drove volume sales, accounting for almost half of worldwide growth last year, the report finds. **Asia/Australasia** strengthened its position as the global leader in bottled water consumption, with a 26% share. Led by double-digit rises in **India, Malaysia, China, and Pakistan**, the region achieved an 11% increase over 2005 volumes.

The main impetus elsewhere was provided by **North America**, which saw sales go up by 9%. Looking ahead, Zenith predicts bottled water consumption will reach 251 billion liters by 2011.

Pleasanton, California-based Safeway, Inc., a leading U.S. supermarket chain, has announced a new environmental project to power 23 California stores with renewable solar energy. Solar equipment at the stores will produce 7,500 megawatt hours of electricity per year, enough to provide 20% of the stores' average power usage and up to 48% of power usage during the peak hours. Safeway projects that this initiative will remove 10.4 million pounds of carbon dioxide from the air, the equivalent of taking 1,000 cars off

the road annually or planting 4,000 acres of pine trees.

Restaurant chain Applebee's, based in **Overland Park, Kansas**, has opened its first Asian outlet, in **Shanghai, China**. The company said that a chef from its Culinary Centre at its headquarters worked with a locally-based chef to develop what it describes as a fusion of "Applebee's classics with favorite Chinese flavors."

London-based Tesco has launched Greener Living, a store brand for environmentally friendly general merchandise products, such as energy-saving light bulbs, bin liners from recycled plastic, and an energy-saving eco-kettle. Tesco said the Greener Living products will hit the shelves in early 2008 alongside its existing store brands: Finest, Value, and Healthy Living. The launch also includes a Greener Living Web site with practical tips for consumers looking to lessen their impact on the environment (www.tesco.com/greenerliving).

MISSION STATEMENT

The U.S. Foodlink Web site, newsletter, and e-mail bulletin are all brought to you by the Food Export Association of the Midwest USA and Food Export USA – Northeast, two state regional trade groups located in the U.S. that promote exports of U.S. food and agriculture. Through a partnership with Progressive Grocer/Nielsen, U.S. Foodlink was created to provide readers credible data and information in an easy-to-read format.

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