

## MACRO TRENDS: WHAT'S HOT IN THE SUMMER OF '17?

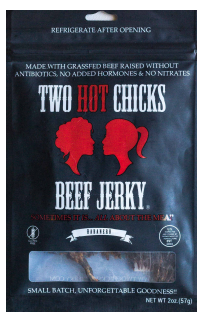
# MORE AND MORE MEAT SNACKS



Seafood may play a smaller role in the meat snack segment, but we found salmon especially well represented at the Sweets & Snacks Expo in 2017 with numerous brands, including **EPIC** and **Ruby Bay**, serving up sweet and savory versions. Featuring regional Alaskan tastes, **Dear North's** four gourmet flavors range from somewhat familiar to wildly unexpected, from Spicy Fireweed Honey and Savory Sea Kelp & Sesame to Wild Alaska Spruce and Salted Rhubarb & Raspberry.

For all **SHELF STABLE JERKY & MEAT SNACKS**, sales of *Labeled Grass Fed* products show impressive growth across the board. With cross-channel growth of 136.6%, these grass-fed meat snacks added \$22.1 million in sales over last year's numbers, reaching a total annual market of \$38.2 million.

**136.6%**

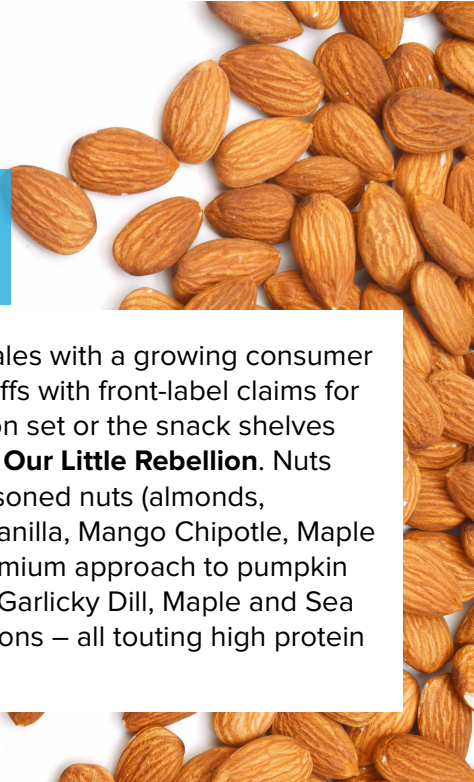


While meat snacks have enjoyed popularity and growth in the snacking market for some time now, we're especially impressed by the category's ability to innovate and iterate. We've seen new items from established brands, including **Mighty Organic/Organic Valley's** first-of-its-kind 100% grass-fed and organic beef stick called the Mighty Stick, as well as new brands making a name for themselves in this competitive space, such as small-batch **Two Chicks Beef Jerky**. Grass-fed beef is the gold standard, and both of these brands' products are seasoned with spices and honey (in lieu of refined sugar).



After expanding its product line to include Snack Mates, positioned for kids, **The New Primal** branched out even further while still catering to core customers. The new line of marinades and cooking sauces are touted by the brand as Paleo-friendly and Whole30 Approved with no oils or refined sugars. Much in the way EPIC extended its reach into culinary fats, The New Primal's line extension speaks to its rounded understanding of lifestyle-diet customers.

# PROTEIN PREVAILS



Across categories and formats, protein snacks are driving sales with a growing consumer base and some interesting crossovers. Chips, crisps, and puffs with front-label claims for protein content appear equally at home in the sports nutrition set or the snack shelves with new items from brands like **Come Ready Nutrition** and **Our Little Rebellion**. Nuts and seeds stand out, too, as B Corporation **Olomomo's** seasoned nuts (almonds, cashews, and pecans) come in unusual flavors like Cherry Vanilla, Mango Chipotle, Maple Masala, Sea Salt Vinegar, and Vanilla Chai. In a uniquely premium approach to pumpkin seeds, **SuperSeedz'** gourmet flavors include Curious Curry, Garlicky Dill, Maple and Sea Salt, Tomato Italiano, and several other sophisticated selections – all touting high protein content from the front of the package.

6.0%

Across snacking categories, *Protein* values of SPINS' **Functional Ingredient** attribute show 6.0% growth, rising to an annual \$1.7 billion market. This growth is driven by snacks in SPINS' *Natural Positioning Group*, which contributed an additional \$115.4 million in sales and grew 17.5% across channels.

# THE KIT CRAZE



Snackers want it all...in a single package, and brands are delivering on that demand. Kits are coming on strong from emerging and established brands. In classic combinations, the nut butter aficionados at **Justin's** first snackified their offering with pretzel and nut butter packs and then extended the line to include banana chips for dipping. **Peanut Butter & Co** came out with snacking cups that feature pretzels alongside its Chocmeister cocoa-hazelnut dip, which contain less sugar and more protein than other hazelnut spread snacks, according to front-label language.

**Farmer's Pantry** kits toe the line between meal and snack with beef, chicken, or turkey jerky and a respective pairing of cornbread crisps, French fry crisps, waffle crisps, or a veggie medley. The innovative snack brand proudly proclaims that all ingredients come from American farms, and it supports organizations that share its commitment to family farming.



# STARRING FRUITS & VEGGIES

With a vast selection of veggie chips on the market, shoppers find no shortage of crunchy snacks on the shelves, but new **porta béla** chips offer a unique umami flavor from mushrooms grown on the vertically integrated company's family farm. The original flavor is labeled Certified Gluten-Free by GFCO, non-GMO, soy-free, and vegan, and the brand emphasizes six components in its philosophy of responsible farming: soil health, energy and climate, waste reduction, farmworker welfare, water conservation and protection, and pest management. We'll be watching to see how porta béla fares with new varieties like Bacon Guacamole, Blue Cheese & Onion, and Chorizo Jalapeno in the future.



We first highlighted cassava in **Siete's** Paleo tortillas in our [Expo East 2016 recap](#); again, in the same brand's tortilla chips in our [Winter Fancy Food Show 2017 recap](#); and we noted a few delicious cassava-based pao de queijo (Brazilian cheese breads) from brands like **Kika's Treats** at the same Winter Fancy Food Show. At Sweets & Snacks Expo 2017, we saw this ingredient take center stage with brands like **Wai Lana**, treating the tuber as "the potato of the tropics" and seasoning chips with classic flavors like Barbeque and Sea Salt & Vinegar as well as trendier tastes like Thai Curry & Lime and Turmeric Cheese. **Plant Snacks'** Cassava Crunch chips got our attention, too, with grain-free labeling on the front of the package and a unique and tasty Beet with Goat Cheese flavor. While beets have a strong standing in the vegetable chip segment, we're starting to see them flourish as a flavor in several snacks, as well.

Fruit-leather brand **You Love Fruit** also branched out to beets – as well as carrots, celery, chia and flax seeds, kale, and spinach – in its **You Love Veggies** snack lineup. With blends containing artichoke fiber, fruit, and seasonings like allspice, cinnamon, ginger, and nutmeg, the certified organic treats satisfy a sweet tooth without refined sugar.

We first loved [Barnana's chewy upcycled banana snacks at the Winter Fancy Food Show](#). Now the Certified B Corporation has added crisp new dimension with brittles in crunchy Chocolate, Gingersnap, Peanut Butter, and Toasted Coconut flavors. The cookie-like texture comes from the addition of almond and oat flours as well as cassava starch, and the trendy thins are Certified Gluten-Free by GFCO, certified organic, and Non-GMO Project Verified.

**126.3%**

Across channels, *Labeled Organic* snacks with 95-100% organic ingredients grew at a rate of 8.5% over last year to an annual \$1.4 billion market. While the Convenience Channel represents a smaller subset with \$16.8 million in sales for 95-100% organic snacks, its growth rate was explosive at 126.3!



# FINGER ON THE PULSE

SPINS has tracked the growing presence of beans, peas, and other legumes across a variety of innovative applications, including bars, cereals, pastas, and snacks. Here we highlight new iterations of the trend as pulses proliferate in portable snack packages.

**Saffron Road** is well known for specialty foods with international flavors, and its burgeoning snack food offerings include Crunchy Chickpeas, Lentil Chips and Crackers, newer BeanStalks with a mix of bean and pea flours, and the latest launch, Chickbean Crisps. The crisps blend the namesake garbanzos with lentils, sweet potato, and yellow peas, with a front-label claim of 4-5 grams of plant-based protein per serving. The brand's version of Zesty Ranch chips make an especially accessible introduction to a natural alternative with a familiar, mainstream snack flavor.

**Enlightened** brings a new pulse player into the mix with Roasted Broad Bean Crisps in savory flavors like Garlic & Onion, Mesquite BBQ, Sea Salt, Sriracha, and Wasabi as well as sweeter ones like Cocoa Dusted and Sweet Cinnamon. Packages proudly proclaim 7 grams of protein and high fiber content (3-5 grams) in each gluten-free serving, and the snacks are Certified Vegan, kosher, and Non-GMO Project Verified.

Broad beans take a starring role by another name – fava beans – in **The Good Bean's** new Crispy Fava + Peas snacks. In Balsamic Herb, Habanero Citrus, and Sea Salt flavors, these bean bags sport front-label claims of 7 grams of protein per serving along with other key mentions, such as being Certified Gluten-Free by GFCO, cooked with coconut oil, kosher, made in the USA, non-GMO, and peanut-free.



**Lebbey** chickpea snacks got our attention with their sweeter flavors such as Cinnamon Crunch, Dark Chocolate, and Sesame Honey. (The brand also makes a spicy Hot Chili.) Calorie count (120-150 per serving), fiber (5 grams), and protein (6 grams) content all make the front label, and the pouches also point to being gluten- and soy-free, kosher, non-GMO, and vegan.

**92.5%**

Across channels, snack items with a plant-based protein as a **Functional Ingredient** grew a tremendous 92.5% over last year, adding \$58.8 million in sales to reach a \$122.4 million annual market.

# MORE COOL TWISTS IN CRACKERS AND CHIPS



Feel free to skip the dip: **Baked in Brooklyn's** pita chips pack a punch of gourmet flavor and a very satisfying crunch. The chips come in Dill Pickle, Hot Moroccan Spice, and Tandoori Spice varieties, and we also liked the brand's unusually shaped snack sticks in Dill Pickle, Korean Barbecue, and Smoky Barbecue.

**Paqui's** tortilla chips are Certified Gluten-Free by GFCO, kosher, and Non-GMO Project Verified and come in great flavors like Cool Salsa Verde, Nacho Cheese Especial, Spicy Queso, and Wild Wild Ranch. But the brand's use of super spicy peppers really sets these chips apart: shoppers went in hot pursuit of limited-release Haunted Ghost Pepper and Carolina Reaper Madness flavors. The brand is bold to use the Carolina Reaper pepper, which measures over 1.5 million units on the Scoville scale as the hottest chili pepper on the planet, but its customers may be even braver. Thousands of people posted pictures and videos of their participation in Paqui's savvy social media campaign, the #OneChipChallenge.



Known for high-quality chips cooked in coconut oil, **Jackson's Honest** debuted four new flavors of tasty tortilla chips. The Sprouted Red Corn flavor is restaurant-style, while savory Lime & Sea Salt and Salsa Fresca and sweet Maple Cinnamon Churro add special seasonings. All are kosher and Non-GMO Project Verified, and the seasoned varieties are 90-100% organic.

Known for an already impressive array of snacks made from a variety of ancient grains and seeds (including amaranth, flax, Kamut, millet, quinoa, sesame, spelt, sorghum, and teff), the **Suzie's** brand showcased several new releases at Sweets & Snacks Expo 2017. Suzie's Popped Lotus Seeds snack introduces the popular Asian food in three inviting flavors: Cheese & Chives, Salt & Pepper, and Thai Sweet Chili, with 4 grams of fiber and 3 grams of protein per serving. The brand's 2 Peas & a Bean line of baked and puffed snacks features fava beans with green and yellow peas, whole-grain flours, and tasty flavors like Almond Butter, Peanut Butter, and Turmeric & Salt. In addition to front-label shout-outs to 5-6 grams of protein and 7-8 grams of fiber per serving, each bag is also prominently labeled gluten-free, kosher, non-GMO, and vegan. And Suzie's brand lineup is still growing: with Beer Crackers (made with ale, hops, and spent grain) and tempting s'mores kits, we're keeping an eye on this versatile player in the snacking game!



# TREND ROUNDUP

Recapping Our Trend  
Predictions for **2017**



# CASHEWS CATCH UP

Cashews enjoyed the spotlight in 2017, starring solo as snacks and in varied applications among plant-based cheeses, milks, yogurts, and frozen desserts.

SPINS data shows the largest market for cashews is in shelf-stable nuts. Cashew sales in particular outpaced the shelf-stable nuts subcategory, growing at 3.0% to \$418.2 million in cross-channel sales versus the subcategory's 0.6% change. **Karma** nuts caught our eye with an innovative spin on cashew snacks, keeping the natural skins on the nuts, a benefit the brand offers for additional antioxidant content as well as great crunch and taste in interesting flavors like Cinnamon and Lime Twist.

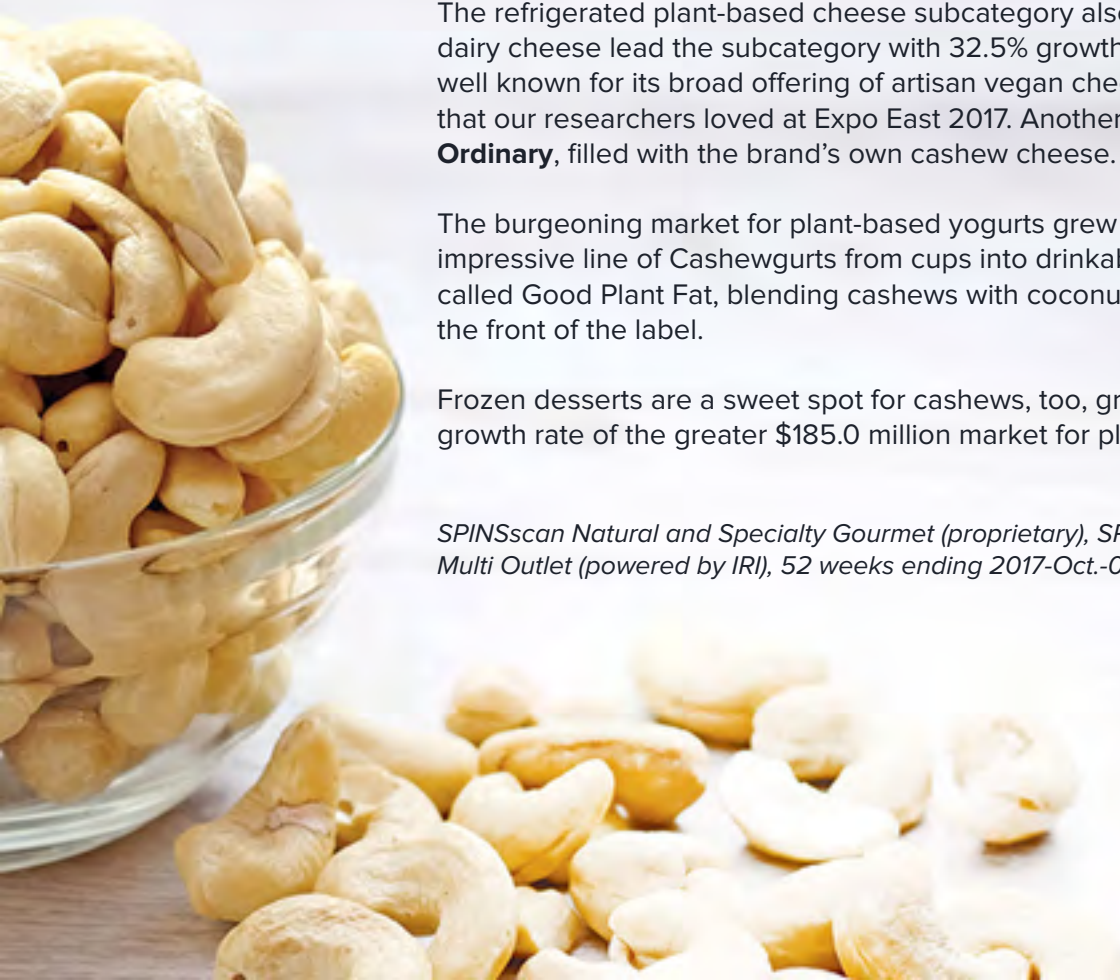
In the **REFRIGERATED PLANT-BASED MILK & CREAMER** category, cashew milks declined by 10.5% but still achieved an impressive \$48.8 million in annual sales. However, plant-based milk blends of cashews with almonds grew 39.4% to a \$21.4 million market. Though still a small segment, shelf-stable cashew milks also grew at 25.9% to \$2.9 million in sales.

The refrigerated plant-based cheese subcategory also shows impressive 19.8% growth. Within that, nut-based alternatives to dairy cheese lead the subcategory with 32.5% growth. One innovative highlight in this segment comes from **Miyoko's Kitchen**, well known for its broad offering of artisan vegan cheeses. The brand's newest additions are spreadable vegan pub cheeses that our researchers loved at Expo East 2017. Another delicious application from the show came in ravioli form from **Nuttin' Ordinary**, filled with the brand's own cashew cheese.

The burgeoning market for plant-based yogurts grew by 51.8% to \$127.4 million. Early in 2017, the **Forager Project** expanded its impressive line of Cashewgurts from cups into drinkable formats. Now the brand is launching a new line of yogurt alternatives called Good Plant Fat, blending cashews with coconut and focusing on fat. Each of the new yogurts features its fat content on the front of the label.

Frozen desserts are a sweet spot for cashews, too, growing by 78.4% to \$27.0 million, outpacing the already impressive 23.0% growth rate of the greater \$185.0 million market for plant-based frozen desserts.

*SPINSScan Natural and Specialty Gourmet (proprietary), SPINSScan Conventional Multi Outlet (powered by IRI), 52 weeks ending 2017-Oct.-08.*





## FLEXITARIAN FARE WITH PLANT-BASED BOOSTS

SPINS predicted that more plant-based foods and ingredients would emerge across a variety of segments in 2017 for health and environmental reasons, citing innovations in meat-dominated categories like jerky to often-nutrient-scarce segments like tortillas and flat breads. With the term [\*reducetarian\*](#) entering the popular lexicon (paralleling the book release of “The Reducetarian Solution”), the food and beverage conversation continues to center around plants but not necessarily under strict vegan or vegetarian terms. Plant iterations of jerky, for one, have certainly taken off in 2017, including **Maprao’s** Organic Coconut Jerky and **Watermelon Road’s** Dried Fruit Jerky in Pineapple Mojito, Watermelon Lemonade, and Balsamic Eggplant flavors – both [spotted at the Summer Fancy Food Show](#) – as well as **CocoBurg’s** Coconut Jerky, a [favorite find from the Food and Nutrition Conference and Exposition](#).

Beyond jerky, realistic imitation burger meats (think bleeding beet juice) fired up the mainstream restaurant and retail scene this past year, including patties from **Beyond Meat** and **Impossible Foods**, which appeared at retailers such as **Whole Foods Market**, **Mariano’s**, **Kroger**, **Hy-Vee**, and more.

Plants were increasingly sought out as a good source of protein in 2017. SPINS data shows that multi-source plant protein powders are leading the protein supplement and meal replacement segment, up 13% year over year to \$166.7 million. In the same segment, pea protein is up 101.9% to \$13.7 million. And consumers are looking for their protein boost in bars, too: in the **SHELF-STABLE WELLNESS BARS & GELS** category, multi-source plant protein has grown 136.5% over the last year to a \$39.8 million market.

*SPINSscan Natural, SPINSscan Specialty Gourmet and Conventional Multi-Outlet (powered by IRI), 52 weeks ending 2017-Nov.-05.*





# MAKING OVER THE FACE MASK

As anticipated, facial masks took center stage in body care in 2017. This subcategory has seen impressive growth over the prior year at 84.3%, even greater than the 51.7% growth reported in 2016. SPINS' **Product Type** that captures sheet and paper masks grew 387.9% to \$27.0 million. **Alba Botanica** is one natural skin care brand that's banking on this trend with its sheet mask line. Clay and mud masks reported the highest share of the facial masks segment, growing 105.5% to \$73.1 million, and we like the looks of the new mask launched by **Derma E** this year, with both charcoal and clay, plus seaweed and exfoliating apricot seed powder.

Using precise attribution to track benefit claims in facial masks, SPINS data shows that *Calming/Soothing* (up 173.2%), *Blemish Control/Acne* (up 157.9%), and *Detoxifying/Purifying* (up 126.4%) claims are all on the rise.

SPINS' proprietary attribution also gives visibility into all facial masks labeled as antioxidant and those that highlight the ability to reduce damage from free radicals, showing 39.8% growth. Anti-aging label claims report 12.6% growth, and products that highlight an anti-aging claim as the main benefit are up 109.4%. Does the anti-aging focus of Korean beauty trends drive this recent momentum for the facial masks segment? This anti-aging routine continues to penetrate the U.S. market, as evidenced by brands like **L'Oreal** expanding their lines with Korean beauty in mind and prominent retailers such as **Sephora** making the trend a primary marketing focus.

*SPINSscan Natural and Specialty Gourmet (proprietary), SPINSscan Conventional Multi Outlet (powered by IRI), 52 weeks ending 2017-Oct.-08.*





# MINDFUL METHODS OF PRODUCTION

What sorts of sustainable innovation came to pass in 2017?

**Kashi** continued to help grow the market for food from farmers who invest in the shift to organic production, adding four flavors of Chewy Nut Butter Bars to its offering of items that are Certified Transitional by QAI.

And there's been plenty of buzz about bugs internationally and stateside as insect foods continued to inch(worm) their way into the mainstream. In May 2017, foods made from crickets, locusts, and mealworms were [officially authorized for commercial food in Switzerland](#). In August, **Essento** [launched insect patties and mealworm balls](#) with rice, spices, and vegetables in the Swiss supermarket chain **Coop**, with serving suggestions similar to burgers and pita sandwiches. In September, Netherlands-based [Protix acquired Fair Insects](#), breeders of crickets, grasshoppers, and mealworms, with plans to diversify their offering to include more species, leveraging Protix's expertise with fly larvae. Also in September, the Swedish retailer **IKEA** [inducted Israeli fruit fly company Flying SpArk into its IKEA Bootcamp](#) business accelerator program.

In the U.S., the [start-up Aspire plans to expand](#) tenfold from the 25,000-square-foot automated production facility it opened in Austin, TX, in August 2017 as demand already outpaces the current supply. Now that bugs are fair game, sports fans seem ready to step up to the plate for this innovative fare. Aspire's client **Aketta** landed cricket snacks and tacos in Phillips Arena, the home of the NBA's Atlanta Hawks team. (Elsewhere, roasted [grasshoppers hit the menu at Safeco Field](#), home of the MLB's Seattle Mariners team, earlier this year in April.)

Where else has SPINS seen these critters crop up? Pioneer bar brands **Chapul** and **Exo** both [rebranded](#). Home cooks can get hands-on with a new [cookbook](#) and some cricket [salt](#). Retailers can spice up the prepared foods case with cricket [pasta with autumn vegetable chile and avocado salsa verde](#), and intrepid eaters with a sweet tooth might want a taste of [chocolate-covered cricket and coconut-toffee mealworm ice cream](#).

Before 2017, the pace of shifting attitudes toward insect foods might have been a crawl, but this year the potential of insect protein took flight.



## THE NEW IT-KITS

In addition to high-tech smart gardens of all sizes (plus indoor/outdoor accessories) on the market, new developments in simple supply kits for DIY foods drew SPINS' attention in 2017.

SPINS is impressed with the next generation of gear for growing food at home from **Back to the Roots**. The brand's self-watering planters with non-GMO and organic seeds and soil [won a NEXTY award at Expo East 2017](#). The innovative products integrates an ancient olla method on a miniature scale, providing steady irrigation by way of a buried vessel made from somewhat-porous clay, which disperses moisture only when the soil that surrounds it becomes dry. This simple solution facilitates fresh peppers and tomatoes with nearly no effort, delivering dedicated kits with everything home growers need to get started.

Another hot find at Expo East came from **Mama O's**, whose kimchi kits make it easy for first-time fermenters. Available in Original, Super Spicy, and Vegan varieties and three sizes, the kits contain Mama O's kimchi paste and everything else (except the fresh veggies), along with detailed instructions on how to get started making one's own authentic, probiotic kimchi.






## SOLVING FOR **SWEET**

This past June, under the new administration, the FDA stated that it would [delay](#) the original deadlines for the new Added Sugars line on nutrition labels by several years. However, this legislative shift hasn't hampered SPINS' prediction for more sweet flavors without sugary standbys. Manufacturers have led the charge on their own to ramp up alternative and natural sweetener formulations. SPINS data shows that across food and beverage categories, products featuring alternative sweeteners reported notable sales growth in 2017.

As we predicted, quickly growing alternative sweetener varieties included stevia in blends with other alternative sweeteners up 19.9%), lo han – also known as monk fruit – (up 9.5%), coconut/palm sweetener (up 18.6%), and erythritol (up 4.5%). Monk fruit in particular caught our eye in a handful of interesting beverages, including **YOOT's** new Detox Root Teas in Dandelion Root, Licorice Root, and Prickly Ash flavors and **Lakanto's** Drinking Chocolate and Matcha Latte mixes.

What's the top growth-driving category for alternative sweeteners? Frozen desserts snag the top spot, with 37.7% sales growth this year. In fact, **Halo Top's** Peanut Butter Cup flavor is the category's leading new natural product in every retail channel! Halo Top's frozen dessert blends the natural alternative sweeteners erythritol and organic stevia to achieve a lower sugar content.

*SPINSscan Natural and Specialty Gourmet (proprietary),  
SPINSscan Conventional Multi Outlet (powered by IRI), year to  
date 2017-Oct.-08.*



# SPECIALTY SODAS

## (AND HOPS WITHOUT THE HANGOVER)

When it comes to soda, craft variations are pulling ahead of the pack. Over the past year, sodas in SPINS' Natural and Specialty & Wellness Positioning Groups grew by an additional \$28.9 million, or 3.9%, to an annual total of \$775.8 million – while their Conventional counterparts declined by 0.5%. SPINS also predicted the rise of natural and alternatively sweetened sodas in the Natural Channel in 2017, due to a growing critical focus on sugar, and indeed, alternatively sweetened sodas in the *Natural Positioning Group* and the Natural Channel saw 11.7% sales growth this past year.

Numerous non-traditional soda flavors saw success in 2017. As predicted, SPINS researchers found a range of these innovative flavors centered on botanicals, fruits, and herbs, such as **Just Craft Soda's** Peach & Habanero, **Santa Cruz Organic's** Rose Hip Infused Earl Grey Tea carbonated lemonade, and **Sipp's** Lemon, Elderflower & Tarragon Sparkling Organics. Among natural and specialty sodas, drinks flavored with elderflower, hibiscus, and rose all reported growth: 14.3%, 20.5%, and 17.2%, respectively. For fruit flavors, a few top performers were blackberry (up 17.0%), peach (up 8.5%), and pineapple (up 21.1%). Another standout flavor with notable growth this year is ginger root beers (up 54.1%).

*SPINSscan Natural and Specialty Gourmet (proprietary),  
SPINSscan Conventional Multi Outlet (powered by IRI), 52  
weeks ending 2017-Oct-08.*





**TOP 10**

# **TREND PREDICTIONS**

FOR

# 2018



# FROZEN DESSERTS



With 4.8% growth and an additional \$269.2 million over the prior year's sales, the FZ ICE CREAM subcategory makes up 47.4% of the **FROZEN DESSERTS** category's total sales. As smaller subset of the category, FZ ICE CREAM PLANT BASED contributes a lesser portion of total category sales but very impressive growth: 40.8% and an additional \$39.5 million over the prior year's sales...and this growth comes entirely from natural products!

Read on to learn what's hot in **FROZEN DESSERTS** and how natural products are heating things up at retail!

**Within the greater FROZEN DESSERTS category, only those items in SPINS' Natural Positioning Group are producing double-digit growth across all three retail channels.**



An amazing 90.8% of this growth comes from the Conventional Multi-Outlet Channel!

## WHAT'S *HOT* IN FROZEN DESSERTS

**Halo Top's** Peanut Butter Cup flavor is the category's #1 new natural product in every retail channel! The brand speaks to any number of important trends, including a blend of natural alternative sweeteners (erythritol and organic stevia) in its formulation with lower sugar content, the inclusion of prebiotic fiber, and a front-label mention that the frosty treat is a good source of protein (with milk protein concentrate appearing as one of the first entries in the ingredient list).



### INGREDIENTS:

Milk and cream, eggs, erythritol, prebiotic fiber, milk protein concentrate, organic cane sugar, vegetable glycerin, vanilla extract, vanilla beans, sea salt, organic carob gum, organic guar gum, organic stevia.

# I SCREAM! YOU SCREAM!

We all scream for...**protein?**

SPINS' Product Library tracks trends with unmatched granularity in over 75 categories... all the way into your ice cream bowl! Leveraging our **Functional Ingredient** attribute, we can see that protein is growing at 284.2% across the **FROZEN DESSERTS** category with an additional \$78.7 million in sales over last year.

Further, we can examine the performance of six different types of animal- and plant-based proteins across the category. Here's the scoop on a few top types!

**WHEY PROTEIN** +58.1%

**PEA PROTEIN** +26.3%

**ANIMAL PROTEIN (GENERAL)** +18.6%



## SPINS WILD CARD

In the plant-based space, The New Barn's AlmondCrème desserts are a tempting alternative to traditional dairy ice creams. Yet unlike many other dairy-free treats, several of The New Barn's flavors aren't inherently vegan. The inclusion of egg yolks in most of the almond-based product line points to changing tastes and flexitarian diets – evolving nuances to watch!

The organic sunflower butter flavor catches our eye, too. With a growing incidence rate of food allergies, many consumers substitute seed butters for nut butters. In this recipe, sunflower seed butter creates a flavor not unlike classic peanut butter treats...within a tree nut- (not peanut-) based dessert – a unique combination that makes for an interesting twist!



Want to learn more about the evolving free-from trend? [SPINS' latest webinar](#) covers several influential factors, including consumer demand for transparency; increased rates of diabetes, food allergies, and obesity; and lifestyle diet trends that are changing consumer beliefs about healthy choices at the shelf. [Listen to A New Look at the Evolution of the Free-From Trend now!](#)



# SUGAR SCRUTINY:

## AN EXAMINATION OF THE SODA TAX

America is in the middle of a public health crisis. In October 2017, the [World Health Organization reported](#) obesity has tripled since 1975.<sup>1</sup> In the U.S., one-third of children and young people and two-thirds of adults are overweight or obese, according to [National Institutes of Health data](#).<sup>2</sup> And the prevalence of diabetes among American adults is 12% to 14%,<sup>3</sup> costing an [estimated](#) \$245 billion in health care and decreased productivity.<sup>4</sup>

With a [growing body of research](#) showing that frequent consumption of sugar-sweetened beverages (SSB) may be associated with weight gain and obesity, type 2 diabetes, heart disease, kidney diseases, and more,<sup>5</sup> it's not surprising that health interventions have focused on this category. Sugar-sweetened beverages, more than candy or snacks, account for 39% of added sugar in the U.S. diet – of which 25% comes from soft drinks – according to the Dietary Guidelines for Americans 2015-2020. The World Health Organization made SSB one of its main focuses in 2015, [encouraging](#) governments to adopt excise taxes that raise retail prices of sugary beverages by at least 20%.<sup>6</sup>



But despite these calls for sugar reduction over the past several years, shelf-stable soda and carbonated beverage sales have remained relatively steady nationwide, according to SPINS, with a year-over-year drop in sales of less than half a percent.<sup>7</sup> Specifically, sugar-sweetened soda sales were also steady, inching up only a third of a percent. In the alternatively sweetened soda subcategory, beverages marketed as lower-calorie or diet (which still have caloric content greater than 10 calories) are up 19.8%, though they only make up 3.2% of subcategory sales. Products with zero-calorie claims are down by 2.1%, and these items make up 92.5% of subcategory sales. On the whole, the alternatively sweetened subcategory is down by 1.9%.

Some local jurisdictions are banking on the idea that price can be a strong motivator of consumer behavior, enacting SSB taxes in hopes of driving down obesity rates and health care costs while generating revenue. Globally, soda taxes are gaining momentum. Since the start of this decade, [a growing list of countries](#), including Belgium, Chile, France, Hungary, Mexico, and Tonga, have enacted such taxes.<sup>8</sup>

Mexico has undoubtedly received the most attention due to the size of the country and its corresponding growing waistline, where more than 70% of the population is overweight or obese.<sup>9</sup> Following the introduction of a 1-peso-per-liter sugary beverage tax in 2013, Health Affairs reported that soda sales fell by 5.5% in the first year and 9.7% in the second year, with the largest declines among low-socio-economic populations.<sup>10</sup>

In 2014, Berkeley, CA, became the first city in the United States to implement a public health-based soda tax, levying a penny-per-ounce on sugary drinks. During the first year, according to the American Journal of Public Health, consumption of sugary drinks in the city's low-income neighborhoods fell by 21%.<sup>11</sup> It should be noted, however, that Berkeley's baseline pre-tax SSB consumption was a third of the national average (45 kcal/day vs. 131 kcal/day).

8

**There are now eight jurisdictions in the U.S. to have passed a similar tax, though one has been recently repealed.**

## IMPACT ON THE BOTTOM LINE ... AND THE WAISTLINE

Pennies add up: in Philadelphia, a 1.5-cent-per-ounce tax went into effect in January 2017, taxing a standard 2-liter bottle (67.6 ounces) \$1.01 and a 12-pack of cans (144 ounces) \$2.16. That nearly doubles the price of the product. Shelf-stable sodas, teas, and juices are more than a \$27.9 billion market at retail, with sugar-sweetened soda the single biggest subcategory at \$13.6 billion.<sup>7</sup>

The industry has kept a close eye on Philadelphia's sales tax because it was the first enacted in a major city. And retailers are feeling the impact, [reporting](#) that stores aren't only selling less soda, but they're also selling less of other products the tax covers, including sugar-sweetened alternatives to dairy, such as cashew and almond milk.<sup>12</sup> Several reports show that customers are leaving city limits and going to stores where the same products are now less expensive.<sup>13</sup>

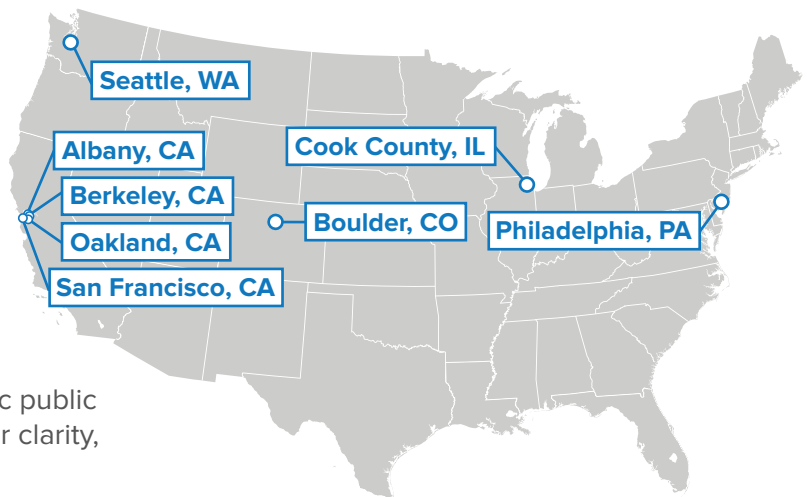


Early evidence suggests the taxes may drive healthier consumption patterns. [In Berkeley](#), sales of water rose by 15.6% in the first year.<sup>14</sup> And in the first six months in Philadelphia, retailers have reported that sales of water and 100%-juice products are up.<sup>13</sup> With more time, data will better indicate which types of products consumers substitute for SSB. A 2013 [study](#) in the American Journal of Agricultural Economics is cited frequently by those who oppose the tax, showing that a half-cent-per-ounce increase in SSB prices would reduce total calorie intake but increase sodium and fat intakes as a result of product substitution.<sup>15</sup>

## A LOOK AT U.S. IMPLEMENTATION

Although these new soda taxes share the basic aim of reducing consumption, key differences exist. Of the eight U.S. jurisdictions that have passed some form of a "soda tax," they are all set up differently. Some ask the distributors and retailers to bear the brunt of the cost, and others add the tax directly at the register for consumers to pay; some are just for added sugar-based sweeteners, while others include diet soda.

Use of the revenue from these taxes varies by jurisdiction, too, from general funds to highly specific public works, including health programs and education. For clarity, here's a brief summary of current soda taxes.



## THE CONSUMER SPEAKS OUT

Recently, Cook County, IL, saw a reversal of its beverage tax, as the tax is repealed effective December 1, 2017. In addition to Cook County's repeal, several other jurisdictions saw voters or elected officials across the country stop beverage taxes, including statewide rejections in West Virginia and Michigan. Tacoma and Spokane, WA, have explored possible beverage taxes but have not moved forward.

The **"Can the Tax" initiative**, as it is called in Cook County, argued that soda consumption has been declining for nearly two decades, and sales are at a 30-year low, according to beverage companies. In that same time period, rates of obesity and diabetes have skyrocketed. Similarly, the American Beverage Association has argued that sodas are taking too much of the blame for obesity. "A calorie is a calorie, and what the data clearly shows is that Americans are eating too much and taking in too many calories, period," the organization has stated.<sup>16</sup>

The tax was weakened in Cook County because it included artificially sweetened beverages and could not be applied to food stamp purchases, therefore not reaching a demographic hit hard by chronic disease. Since it was implemented on August 2, 2017, many retailers have reported significant declines in sales and trouble making profit margins. For example, Costco Northern Division Chief Operating Officer John McKay reported the retailers' nine Cook County locations saw a 34% decline in sales of beverages impacted by the tax. Over the same time, the retailer saw a 38% increase in sales of sweetened beverages in its nine stores in surrounding areas.<sup>17</sup> These arguments and consumer confusion, along with the unexpected and significant cost of implementing the tax, were utilized by the tax opposition groups to fight for repeal – and they won. With some polls showing 90% of residents opposing the tax, the Cook County Board of Commissioners repealed the beverage tax with 15 votes.

**"CAN  
THE  
TAX"**

## INDUSTRY IMPACT: CASE STUDY OF A SMALL PHILADELPHIA DISTRIBUTOR

The Philadelphia tax and all other jurisdictions' taxes outside of Cook County, IL, are not placed at the register but are paid by distributors. The thought here is that the tax would be passed through the supply chain – an added cost to retailers, who would then typically pass the cost to consumers.

One Philadelphia distributor said he used to sell a 5-lb. box of syrup for \$60. Now, the tax he has to pay on that box is \$57.60, based on the amount of ounces of product that it will yield. The tax essentially doubles the price of the product, and many of his customers are not willing to pay the increased price. He is trying to figure out how to gain his margin back, and, in the interim, his business is struggling.

In Philadelphia, the city's projected \$91 million in annual beverage tax revenue goes mostly to community services such as universal preschools, libraries, and parks. So, if consumption goes down, so too does the funding set to augment these important services. Some cities' taxes, such as Boulder's and Berkeley's, are set up differently, with revenue largely dedicated to programs that encourage the reduction of sugar consumption – smartly keeping the revenue focused on directly related health & wellness initiatives.





## TRENDWATCH: **SNACKING**

# WHAT'S HOT IN SUMMER OF '17

SPINS dives into snacking segment data and features a few hot finds from this year's Sweets & Snacks Expo. Read on for a taste of the trends!



Across retail channels, snack food sales amount to a \$59.9 billion market annually, but that number has actually fallen 0.9% from last year's \$60.4 billion total.

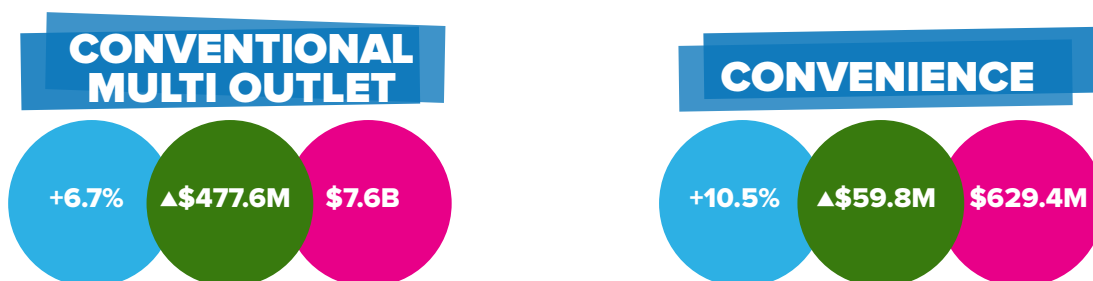
**SPINS knows consumers aren't really snacking less, and, more importantly, our data shows exactly where to find the growth in this important industry.**

In fact, using the *Snack* value of SPINS' Product Library's proprietary **Eating Occasion** and **Positioning Group** attributes, SPINS sees that natural and specialty snacks are growing cross-channel while conventional items' market share shrinks.



SPINS' panoramic view of the retail marketplace includes proprietary Natural and Specialty Gourmet Channels as well as Conventional Multi Outlet and Convenience Channels. By layering our unique product segmentation over this broad view, SPINS alone can pinpoint natural product performance to the specific retail channels where growth is taking place.

While the Natural and Specialty Gourmet Channels have been home to natural products for some time, natural snack foods show strong recent performance in the Conventional Multi Outlet and Convenience Channels, as well.



# NATURAL FROZEN FOODS

In recognition of National Frozen Food Month last March, SPINS' Vice President of Sales and Emerging Brands Strategy Greg Hobby presented on frozen foods and market trends at AFFI-CON on March 4, which is hosted by the American Frozen Food Institute (AFFI). Hobby shared SPINS data on key frozen categories, using SPINS' proprietary channels and attributes, such as **Positioning Group, Functional Ingredient, Labeled Gluten-Free, Product Type**, and more, to identify growth drivers and consumer trends. In this TrendWatch, we will dive into some of the frozen food trends affecting today's retail landscape.



## NATURAL IN FROZEN

In the Conventional Multi Outlet (MULO) and Convenience Channels, the FROZEN department has grown only 1.5% over the past year to a \$80.6 billion market. While products in SPINS' *Natural Positioning Group* make up just 7% of total sales mix in these channels, they represent 57% of the total sales growth. This is a result of shifts in shelf assortment. SPINS data shows that the natural product share of FROZEN's TDP (total distribution points) is 13%, but it accounts for 100% of TDP growth.

Delving deeper into category-level data for the MULO and Convenience Channels, shown below in the chart, reveals that products in the *Natural Positioning Group* are specifically driving growth in **FROZEN DESSERTS, FROZEN FRUITS & VEGETABLES**, and **FROZEN PLANT-BASED MEAT ALTERNATIVES** categories. Conventional retailers may be turning to natural products to garner consumer interest in the freezer section. **FROZEN DESSERTS** at conventional retailers became even more rooted in natural products when **Halo Top** achieved mainstream success in the past couple of years, and SPINS wouldn't be surprised to see a natural product shake up another traditionally indulgent category, such as **FROZEN BREAKFAST FOODS**, in the coming years.

### Frozen Category-Level Annual Growth by Positioning Group in MULO + Convenience Channels

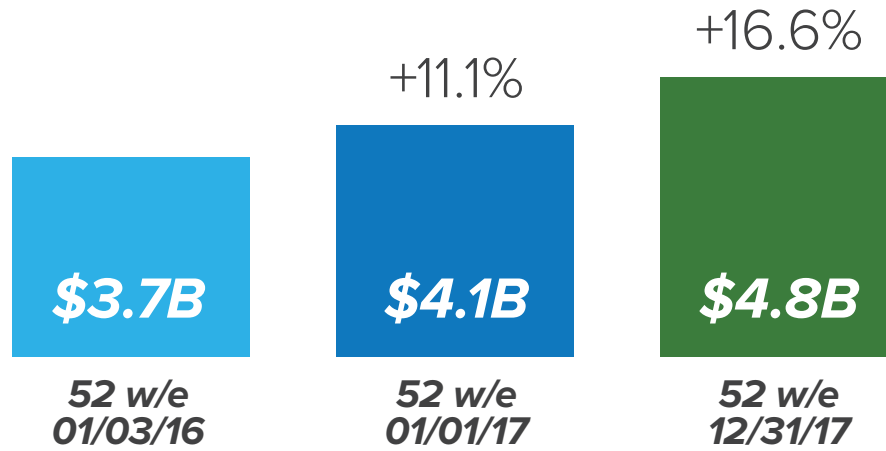
Category	Sales (\$B)	\$ %Chg	Sales Mix		% of \$ Growth		
<b>FROZEN ENTREES</b>	\$18.3	4.1%	88%	6% 6%	75%	4%	21%
<b>FROZEN DESSERTS</b>	\$13.6	1.5%	79%	8% 13%	9%	91%	
<b>FROZEN FRUITS &amp; VEGETABLES</b>	\$5.9	0.8%	90%	2% 8%	39%	61%	
<b>FROZEN APPETIZERS &amp; SNACKS</b>	\$5.2	2.3%	90%	6% 4%	82%	18%	1%
<b>FROZEN BREAKFAST FOODS</b>	\$3.8	3.4%	95%	3% 3%	91%	4%	6%
<b>FROZEN PLANT-BASED MEAT ALTERNATIVES</b>	\$0.5	12.3	6%	94%	31%	69%	
<b>FROZEN JUICES AND BEVERAGES</b>	\$0.2	-13.5%	99%	1%	<b>ALL SEGMENTS DECLINING</b>		
<b>Total</b>	<b>\$47.5</b>	<b>2.6%</b>	86%	6% 9%	42%	7%	51%

■ Conventional Positioning Group     ■ Natural Positioning Group  
■ Specialty & Wellness Positioning Group

Note: The market size and growth rate varies from the previous data callout because the FROZEN & REFRIGERATED MEAT POULTRY & SEAFOOD category was removed in the above chart since it largely contains refrigerated items. Percentages may not add up to 100 due to rounding.

Sales of natural products in the FROZEN department have grown 29.5% over the past two years to reach a \$4.8 billion annual market. Year-over-year growth is high among the top subcategories for frozen natural products, with plant-based meals (FROZEN MEALS & ENTREES VEGETABLE and FROZEN PLANT-BASED NUGGETS & STRIPS & CUTLETS) experiencing standout success. Let's examine this trend a little bit more closely.

### Natural Frozen Product Sales Cross-Channel



### Top Natural Frozen Subcategories

Ranked by Dollar Volume, Cross-Channel

Dollar Growth

FROZEN ICE CREAM	28.0%
FROZEN MEALS & ENTREES VEGETABLE	11.0%
FROZEN PIZZA	7.7%
FROZEN FRUITS	4.0%
FROZEN MEALS & ENTREES MEAT & POULTRY & SEAFOOD	47.8%
FROZEN NOVELTIES	43.0%
FROZEN PLANT-BASED BURGERS	9.4%
FROZEN BURRITOS & POCKETS	4.9%
FROZEN VEGETABLES	7.9%
FROZEN PLANT-BASED NUGGETS & STRIPS & CUTLETS	24.4%

