



# WHAT'S AHEAD IN THE FOOD MARKETPLACE?

JANUARY 13, 2022







# GUEST SPEAKER

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Crystal Springs Consulting, Inc.



# AGENDA

- Significant market developments forecasted for 2022
- NAAF's new Market Basket Report
- A deep dive into pet products







# THE CRYSTAL BALL FOR 2022

*COVID Persists, but Confidence Rises*



# COVID IS FADING...UHMMM...NOT SO QUICK

## Consumer Confidence Index®

Index, 1985 = 100



\*Shaded areas represent periods of recession.  
Sources: The Conference Board; NBER  
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Omicron variant is again rattling the food marketplace

- Worker shortages impacting supply chain
- Retailers and restaurants facing worker shortage as cases climb

-but-

- Consumer confidence continuing to rise
- Consumer Confidence Index at 115.8 in December vs. 111.9 in November



# WHAT'S AHEAD...



## THE PROTEIN WARS WILL CONTINUE

Flexitarian diets rising (people are eating both traditional proteins and plant-based alternatives).



## DEMAND FOR TRANSPARENCY WILL CONTINUE TO INCREASE

- Consumers want “their foodstuffs to consist of ‘real’ kitchen-level ingredients.”
- More than 35% interested in the origin of the food they eat



# WHAT'S AHEAD...

## Continued

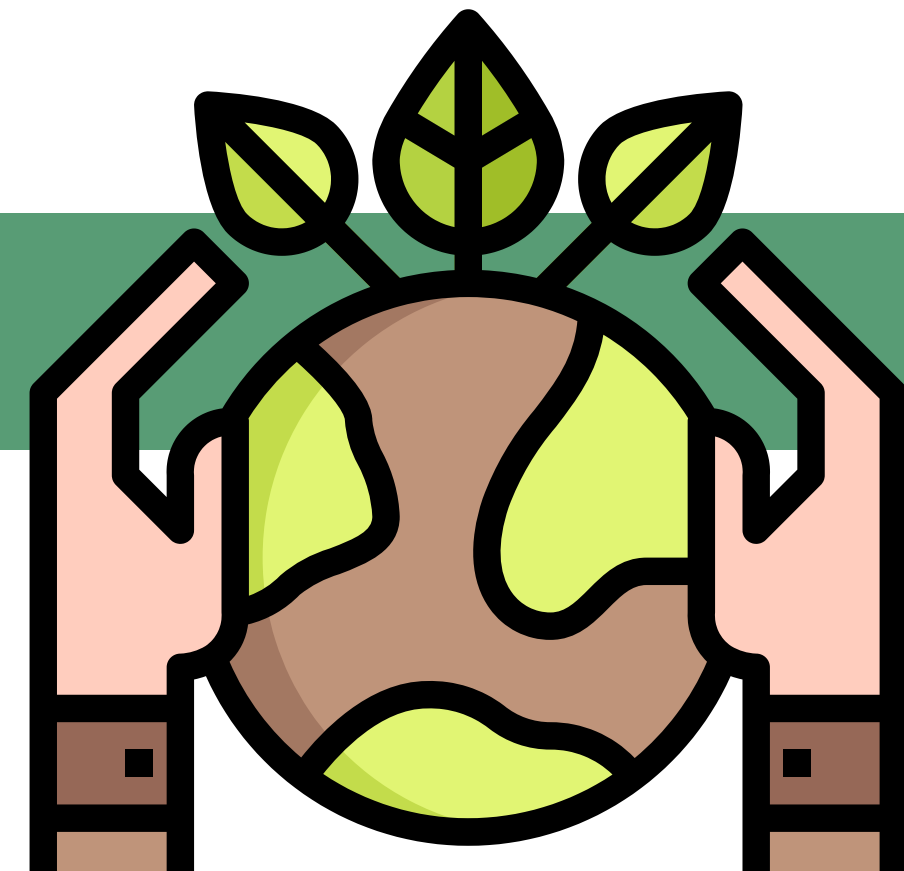


## FOOD AS MEDICINE

- 37% of consumers expect the snacks they eat to improve their mental well-being
- 55% of consumers are looking for foods, beverages and supplements that support gut health and overall well-being

## LOCAL AND SUSTAINABLE

- 31% looking for sustainable
- 30% looking for local





# EMERGING “IN” FOODS FOR 2022



## ANCIENT GRAINS

Consumers are growing wary of highly processed commodity grains

## SUNFLOWER SEEDS

Increasingly popular in crackers, ice cream and cream cheese



## A RETURN TO TRADITIONAL PROTEINS

Meat eaters who tried plant proteins will return to burgers and steaks



## HUMANIZATION OF PETS

Spending up sharply on our furry companions (more on that in a minutes)





# NEW FROM NAAF

## Quarterly Market Basket Report



**SPINS®**



**IRi**



# WHY THE NEW REPORTS?

- Understanding the competition is vital for new Tribal enterprises
- Monitoring increases (or reductions) in current offerings provides insight into the market opportunity
- Market Basket will provide information on the impact of inflationary forces



# READING THE REPORTS

- Average Retail Price – This is the average price the customer pays in that channel (conventional or natural)
- Average Retail price Year Ago – A comparison price for the same item in the same store
- Average Retail Price Change vs. Year Ago – The actual price change
- Percent Price Change vs. Year Ago – The percentage change
- Total Dollar sales Change vs. Year Ago – The increase (or decline) in total dollar sales
- Total Units Sold vs. Year Ago – The actual volume increase (or decline) in the product



# EXAMPLE OF REPORT

Average Retail Price	Avg. Retail Price Year Ago	Avg. Retail Price Change vs. Year Ago	Percent Price Change vs. Year Ago	Total Dollar Sales Change vs. Year Ago**	Total Units Sold vs. Year Ago***
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## MEAT PRODUCTS

Refrigerated/Frozen Beef/Pork Cuts (1.5 lb.)	\$7.04	\$6.67	\$0.37	5.5%	-0.1%	-5.3%
Refrigerated/Frozen Burgers (2 lb.)	\$9.13	\$8.88	\$0.25	2.8%	2.5%	-0.3%
Refrigerated/Frozen Meat Cuts (Other)* (20 oz.)	\$9.84	\$9.42	\$0.42	4.4%	-1.3%	-5.5%
Refrigerated/Frozen Bacon (1 lb.)	\$5.98	\$5.34	\$0.63	11.9%	2.4%	-8.5%
Refrigerated/Frozen Seafood (20 oz.)	\$9.96	\$9.58	\$0.38	3.9%	4.8%	-5.0%
Jerky (5 oz.)	\$5.91	\$5.53	\$0.38	6.9%	21.3%	13.4%
Shelf Stable Meat Snacks (4 oz.)	\$3.17	\$2.92	\$0.26	8.8%	22.1%	12.3%

## FROZEN FRUIT & VEGETABLES

Frozen Fruit (25 oz.)	\$5.25	\$5.16	\$0.09	1.7%	2.5%	0.7%
Frozen Potatoes (28 oz.)	\$2.90	\$2.84	\$0.06	2.0%	-2.7%	-4.6%
Frozen Vegetables (1 lb.)	\$2.03	\$2.02	\$0.02	0.8%	-8.4%	-9.1%

Sharp increase in prices, and a slowdown in units sold

Jerky and meat snacks growing despite price increases





# PET PRODUCTS:

- Great Opportunities;
- Significant Challenges



# THE PET PRODUCT MARKET DYNAMICS





# GROWTH IN PET PRODUCT MARKETPLACE

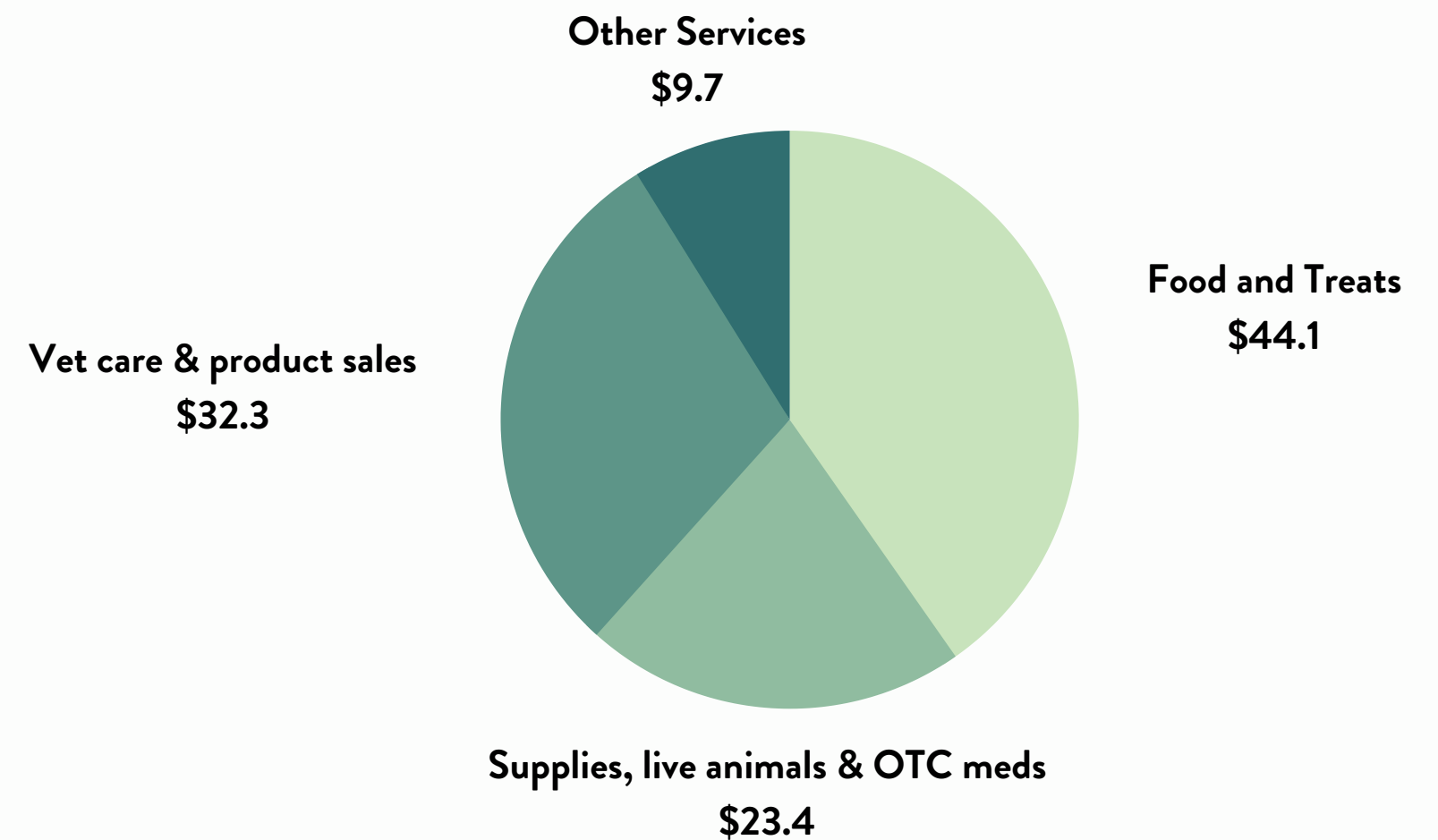
\$109.6 billion in 2021 sales represents  
21% growth over four years

**BILLIONS OF \$\$**



Pet food and treats account for \$44  
billion in 2021 estimated sales

**BILLIONS OF \$\$**



Source: American Pet Products Association - 2021



# A FEW IMPORTANT FACTS

## No. of households that own a pet:

Dog	69.0 million
Cat	45.3 million
Freshwater fish	11.8 million
Saltwater fish	2.9 million

## Who owns pets:

Gen. Z	14%
Millennial	32%
Gen X	24%
Baby Boomer	27%

Source: American Pet Products Association - 2021





# MORE IMPORTANT: CHANGING ATTITUDES

- Humanization of pets
  - No longer guard the house and catch mice
- Changing terminology:
  - Pets are now Companion Animals
  - Pet owners are now Pet Parents



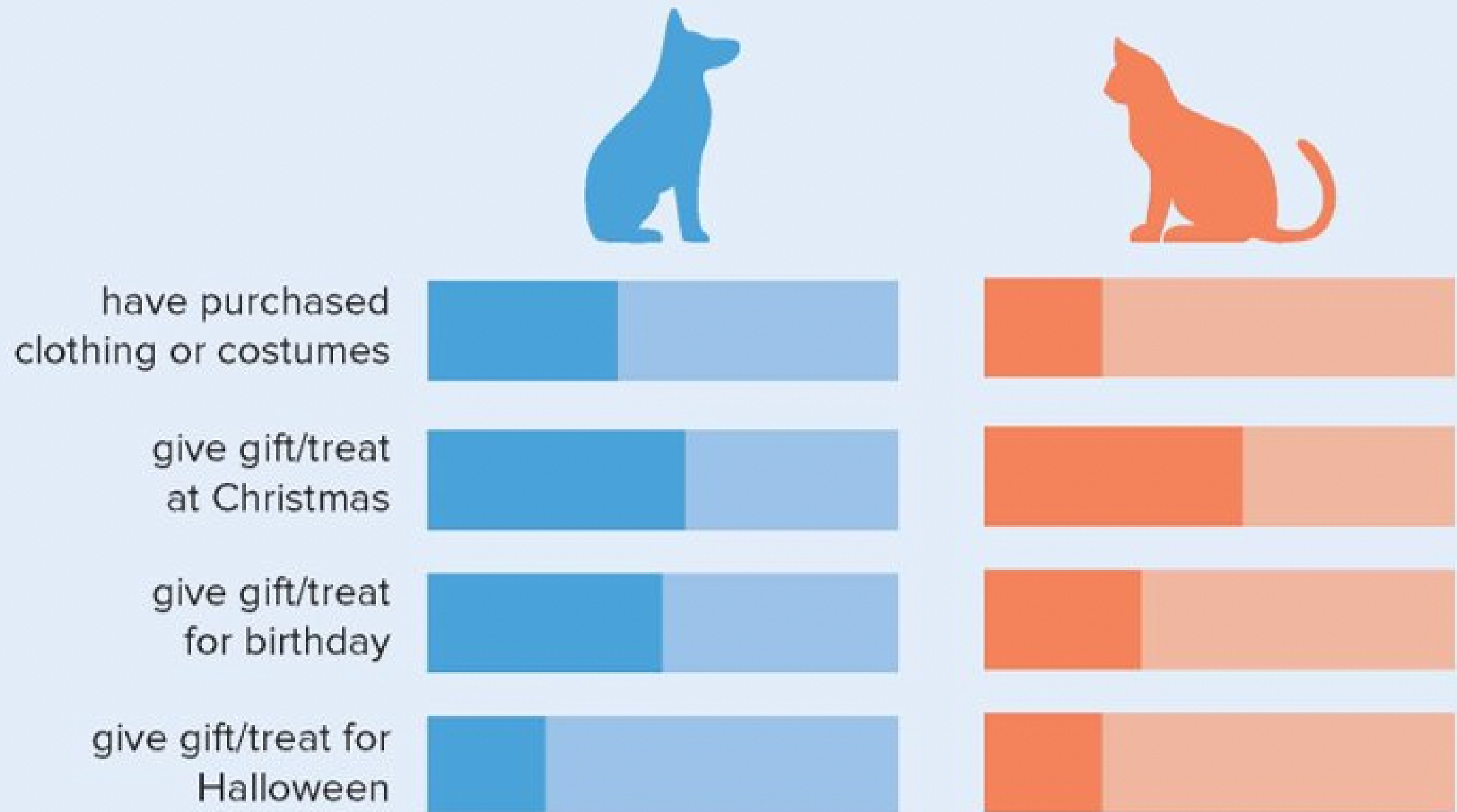


# CHANGING ATTITUDES CONTINUED

- 60% of dog and cat owners are very or somewhat concerned about their companion animal's nutrition
- Approximately 80% of dog and cat owners strongly or somewhat agree that what their pet eats impacts their health
- More than 80% somewhat or strongly agree that what they eat affects their lifespan.

Source: SPINS - 2021

## PETS GET THE BEST FROM THEIR OWNERS

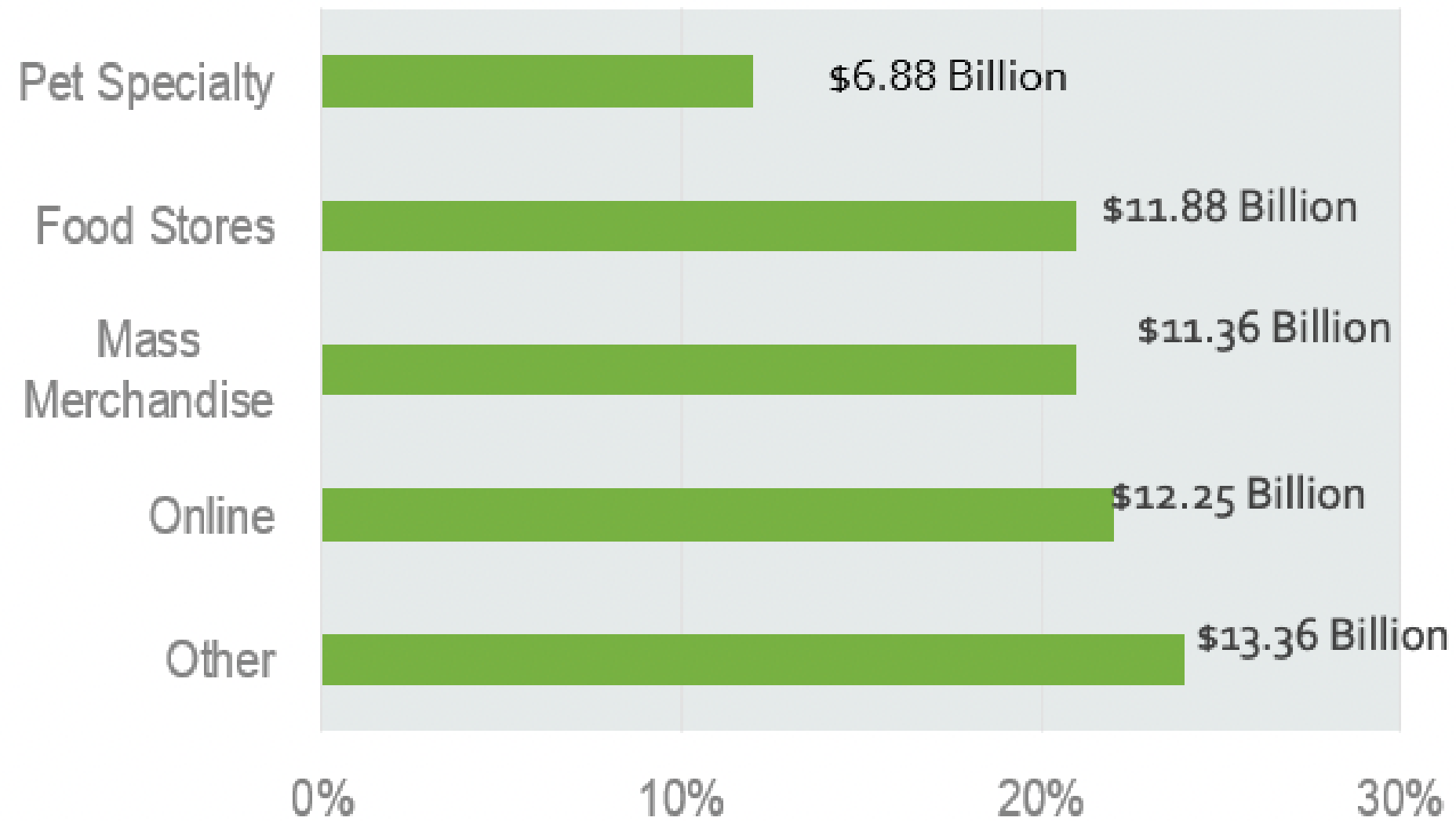


Source: FINN CADY

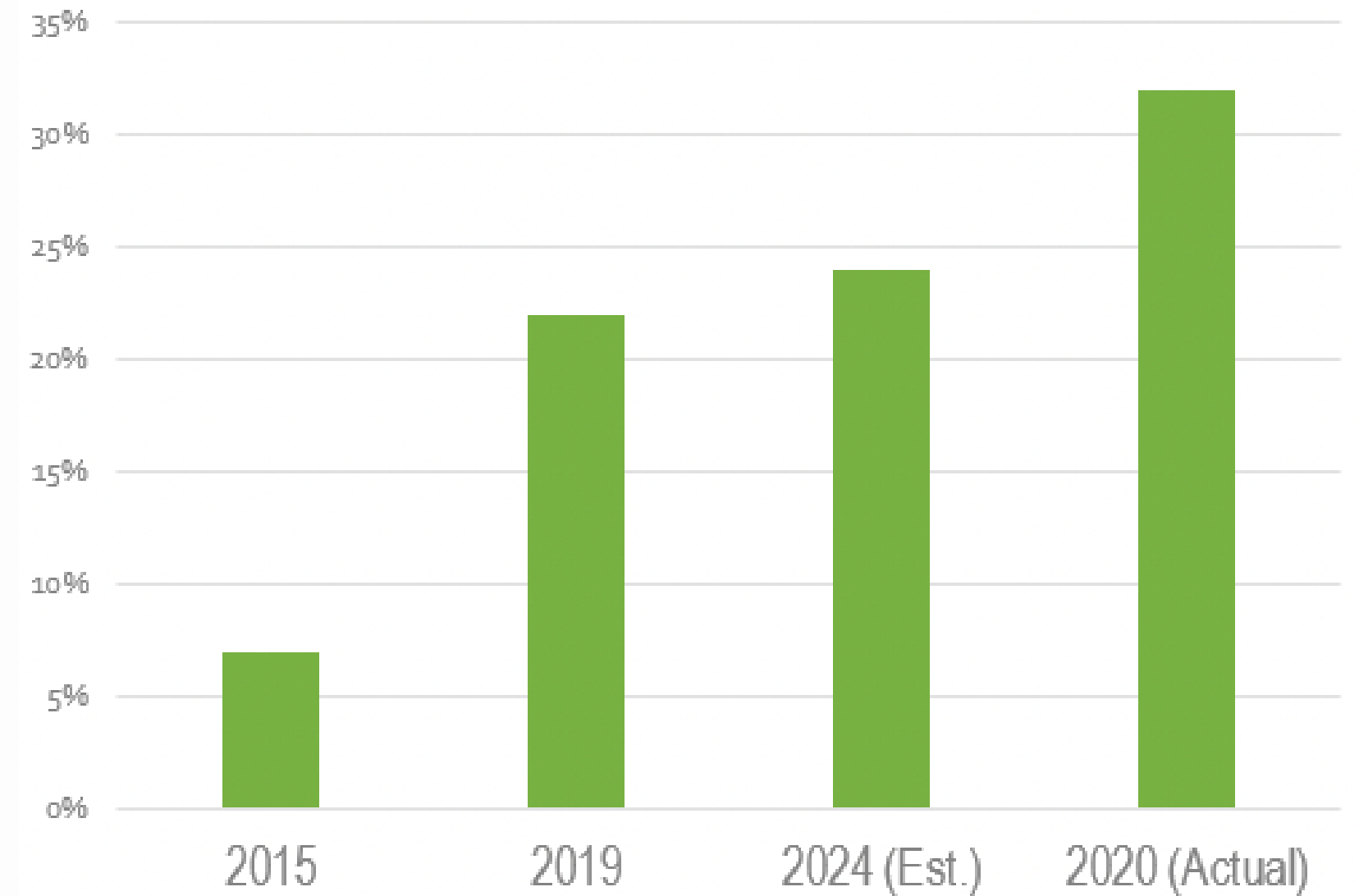


# CHANGING CHANNELS

## Share of Market - 2019



## Ecommerce Share





# BRANDS APPEAL TO DIFFERENT SHOPPERS



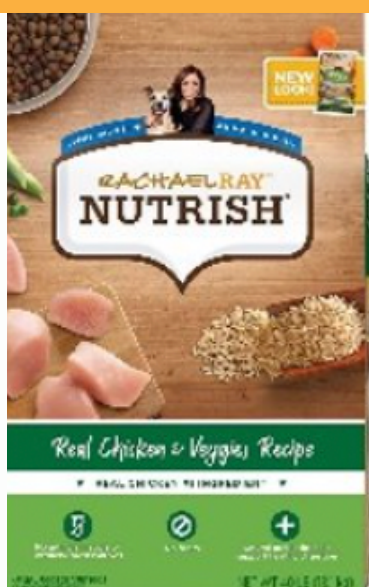
## Value Brands

- E.G. – Ol Roy
- \$7.98 – 15 lb. (Walmart.com)
- Ground Whole grain corn, meat and bone meal, soybean meal, animal fat, corn gluten meal, chicken byproduct meal



## Conventional

- E.G., Purina Beniful
- \$29.99 – 28 lb. bag (Chewy)
- Chicken, whole grain corn, chicken byproduct meal, barley, whole grain wheat



## Value Natural

- E,G, Rachel Ray
- \$18.28 – 14 lb. bag (Chewy.com)
- Chicken, chicken meal, soybean meal, dried peas, chicken fat, whole corn,



## Natural

- E.G. Blue Buffalo Wilderness
- \$49.98 – 20 lb. bag (Chewy)
- Deboned chicken, chicken meal, peas, pea protein, tapioca starch, menhaden fish meal



## Premium

- E.G. Origen
- \$55.99 – 13 lbs.
- Chicken, turkey, flounder, whole mackerel, turkey giblets, whole herring



## Super Premium

- E.G. Honest Kitchen Dehydrated
- \$74.99 – 10 lb. box
- Dehydrated chicken, organic barley, dehydrated potatoes, organic oats



# PET PRODUCT REGULATORY ENVIRONMENT





# WHO REGULATES PET PRODUCTS

## WHO REGULATES PET FOOD?

FDA and State Department of Agriculture regulate pet food.

FDA participates in AAFCO.

**AAFCO - no regulatory authority.**  
**Writes law, does not enforce law.**

- Defines ingredients
- Label laws
- Nutritional requirements

Most State Department of Agriculture participates in AAFCO.

FDA

**FDA:** ultimate regulatory authority of pet food charged with enforcing federal laws. Duties include:

- Inspections
- investigations based on consumer/veterinary complaints
- GRAS approvals
- random testing.

USDA would assist FDA in investigation.

**USDA - no pet food regulatory authority.**

Assists in investigations within their jurisdiction.

USDA

State Dept of Agriculture

**State Dept of Ag:** secondary regulatory authority of pet food charged with enforcing state laws. Duties include:

- Inspections
- investigations based on consumer/veterinary complaints
- random testing.

USDA would assist State Department of Agriculture in investigation.



**TRUTH** about  
pet food .com

# REGULATORY GATEKEEPER



# AAFCO

Association of American Feed Control Officials



Click here to visit  
AAFCO publications  
webpage



# SAMPLE INGREDIENT DEFINITIONS

- **Poultry and Meat** – This must include the whole muscle meat of the animal (flesh and skin”, with or without the accompanying bone, excluding feathers or hide, heads, feet and viscera. This can include hearts (because they are a muscle) but excludes items like livers and kidneys.
- **Poultry and Meat By-Products** – This is defined as “the secondary parts produced in addition to the principal part” of the animal. This includes the viscera, livers, kidneys and other organs.
- **Meat or Poultry Meal** – Meals are the staple of most dry pet foods because they are high in protein and very low in moisture. The terms Meat meal, poultry meal and bone meal apply to producers that are rendered from the animal tissues, including bone, but excluding added blood, hair, feathers, hoof, horn, hide trimmings, manure, stomach and rumen contents.

Continued on following page

# SAMPLE INGREDIENT DEFINITIONS

- **Meat or Poultry Byproduct Meal** – This describes ingredients that are rendered by the byproducts (described above).
- **Human Grade** – This claim can only be used on a label if all of the ingredients are “stored, handled, processed and transported in a manner that is approved for human grade food.

## NEW DEFINITIONS

- **Bison** – Common name for *Bison bison*. The meat or other ingredients derived from the animal (e.g. byproduct meal, meal, fat) must be referred to as “bison,” North American buffalo, “bison \_\_\_\_\_” or “North American buffalo \_\_\_\_\_” with the specific meat ingredient filling in the blank.
- **Water Buffalo** – Common name for *Bubalis bubulus*. The meat or other ingredients derived from the animal (e.g. byproduct meal, meal, fat) must be referred to as water buffalo” or “water buffalo \_\_\_\_\_” with the specific meat ingredient filling in the blank.



# OTHER REQUIREMENTS

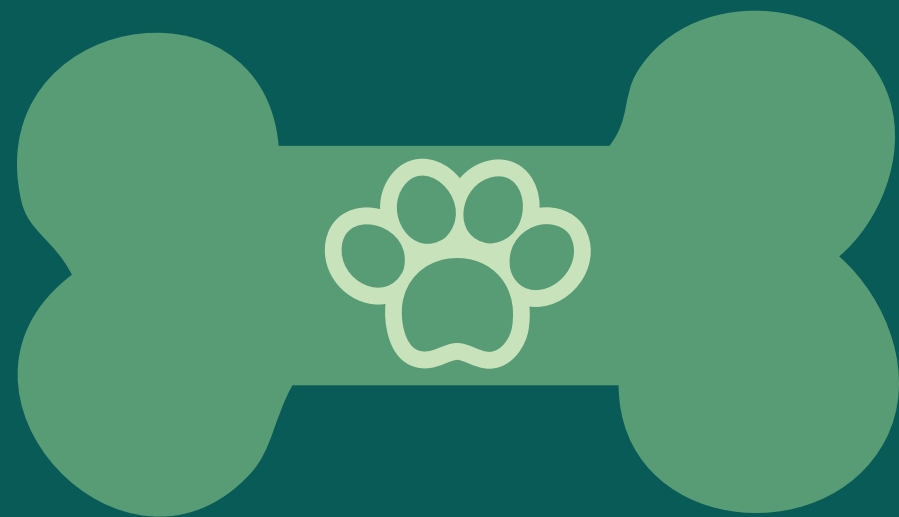
- Pet “food” must be “complete and balanced.”
- “Made with \_\_\_\_\_” allowed on front label if the product contains at least 3% of that ingredient
- All ingredients in “\_\_\_\_\_ and \_\_\_\_\_” Formula (e.g. beef and bison formula) must be 25% of weight of product, with each ingredients at least 3% of weight.
- “Human Grade” can only be used to identify ingredients that are deemed fit for human consumption and handled in a facility approved for human food

AAFCO DOG FOOD NUTRIENT PROFILES  
BASED ON DRY MATTER \*

Nutrients	Units DM Basis	Growth & Reproduction Minimum	Adult Maintenance Minimum <sup>b</sup>	Maximum
Crude Protein	%	22.5	18.0	
Arginine	%	1.0	0.51	
Histidine	%	0.44	0.19	
Isoleucine	%	0.71	0.38	
Leucine	%	1.29	0.68	
Lysine	%	0.90	0.63	
Methionine	%	0.35	0.33	
Methionine-cystine	%	0.70	0.65	
Phenylalanine	%	0.83	0.45	
Phenylalanine-tyrosine	%	1.30	0.74	
Threonine	%	1.04	0.48	
Tryptophan	%	0.20	0.16	
Valine	%	0.68	0.49	
Crude Fat <sup>c</sup>	%	8.5	5.5	
Linoleic acid	%	1.3	1.1	
alpha-Linolenic acid	%	0.08	ND <sup>d</sup>	
Eicosapentaenoic + Docosahexaenoic acid	%	0.05	ND <sup>d</sup>	
(Linoleic + Arachidonic):(alpha-Linolenic + Eicosapentaenoic + Docosahexaenoic) acid Ratio				30:1
Minerals				
Calcium	%	1.2	0.5	1.8
Phosphorus	%	1.0	0.4	1.6
Ca:P ratio		1:1	1:1	2:1
Potassium	%	0.6	0.6	
Sodium	%	0.3	0.08	
Chloride	%	0.45	0.12	
Magnesium	%	0.06	0.06	
Iron <sup>e</sup>	mg/kg	88	40	
Copper <sup>f</sup>	mg/kg	12.4	7.3	
Manganese	mg/kg	7.2	5.0	
Zinc	mg/kg	100	80	
Iodine	mg/kg	1.0	1.0	11
Selenium	mg/kg	0.35	0.35	2
Vitamins & Other				
Vitamin A	IU/kg	5000	5000	250000
Vitamin D	IU/kg	500	500	3000
Vitamin E <sup>g</sup>	IU/kg	50	50	
Thiamine <sup>h</sup>	mg/kg	2.25	2.25	
Riboflavin	mg/kg	5.2	5.2	
Pantothenic acid	mg/kg	12	12	



# HOW PET PRODUCTS ARE MADE







# TYPES OF PRODUCTS



**DRIED**

**REFRIGERATED**

**WET**

**DEHYDRATED**

**RAW**



# HOW PET INGREDIENTS ARE PROCESSED

- Most ingredients do not travel directly from the slaughterhouses to the pet food manufacturers.
  - they are collected by companies that specialize in pre-processing those ingredients for the manufacturers.
- Rendered “meals” are a staple of most dry dog/cat food
  - Proteins are cooked at extremely high temperatures to create a powder with high protein and low moisture
- “Slurries” are another important form for ingredients
  - which are a finely ground blend of the proteins needed for specific formulas.
  - These slurries are then produced as nude frozen blocks, are as combos (large bins, usually weighing about 1,000 lbs.)
  - Those companies will also produce ground and chopped ingredients which are used to make some wet (canned) products.

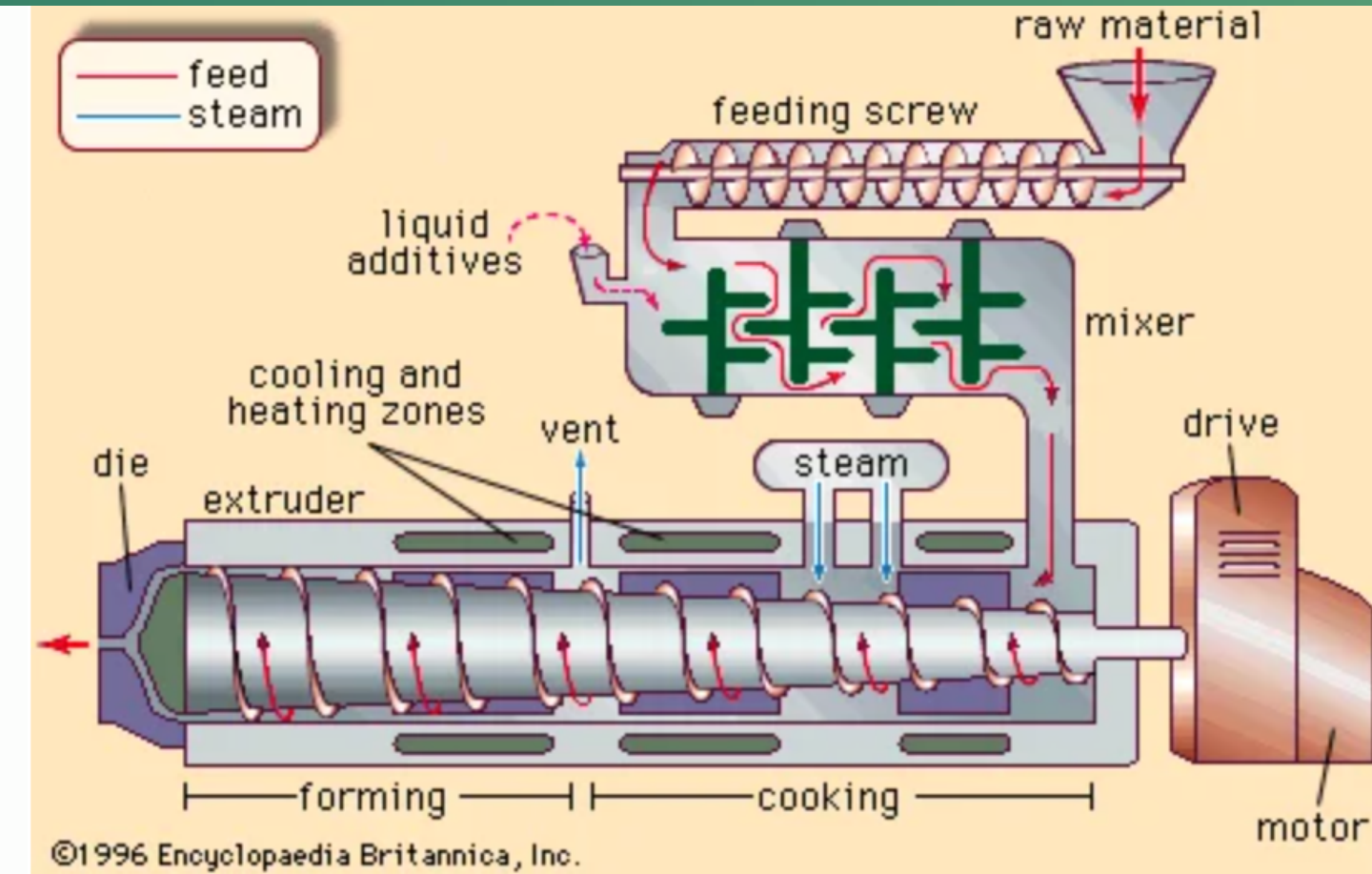
# MANUFACTURING

Dry foods (kibble)

- Generally produced using extrusion

Wet Products

- Generally produced using retorts



TYPICAL EXTRUDER CONSTRUCTION

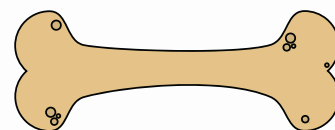


EXAMPLE OF RETORT



# PET TREATS

- The best low-cost option for meat/poultry/fish processing projects
- Existing equipment can be used to make many products
  - Smokers
  - Dehydrators
  - Etc.
- If manufactured in a human grade facility, using human grade ingredients, the products can be labeled as human grade.





# NAAF RESOURCES

- Quarterly Market Updates
- Email reports
- Webinars
- Market Research
- Funding for Feasibility and Business Development





A scenic waterfall cascading over mossy rocks, with a dark teal overlay containing text.

**THANK YOU!**  
**ANY QUESTIONS?**







# CONTACT INFORMATION

## Quarterly Webinars

- Next webinar: June 16, 2022

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