


The growing consumer pull for sustainable food in the US

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"Consumers want products both healthier and have less impact on environment"

In just-food's latest deep dive into the market pull for more sustainable food, Ben Cooper looks in-depth at the US market.

Sustainability is becoming an ever more important facet of doing business for US food manufacturers. This can be seen in business-to-business terms as companies adapt practices and reform relationships with partners to take greater account of environmental and ethical factors. Equally, it is a consumer phenomenon, as the increasing consumer pull for more sustainable food in the US shows.

As has been seen elsewhere, manufacturers and retailers are both responding to demand and leading the trend, as growing concern about food sustainability in the US steadily becomes a feature of the mainstream consumer market.

The acquisitions of plant-based food makers Sweet Earth and WhiteWave Foods by Nestle and Danone respectively are among several recent deals in the US that speak to the mainstreaming of once niche categories. Arguably no recent deal stateside speaks more persuasively to the mainstreaming of sustainability than Amazon's takeover of Whole Foods Market last year.

Indeed, the commonly held view that the US has lagged behind some European markets in terms of general consumer awareness of sustainability may be fair but must be qualified by the longevity and growth of Whole Foods Market, which has built a nationwide presence and profile over almost four decades that would arguably rival any comparable specialist retailer elsewhere in the world.

Sustainable food in the US

According to Euromonitor International's Passport Ethical Labels database, which tracks sales of food and beverage products with ethical labels relating to people, environment and animal welfare, the total market for such products in the US was estimated to be US\$262.5bn in 2017, rising to \$267.4bn in 2018. This makes the US the largest market in terms of total sales of food and beverage products with these types of labels, according to Euromonitor.

Sales of food and beverages bearing labels relating to environmental sustainability stood at \$198.6bn in 2017, Euromonitor states, while food and beverages with labels detailing human sustainability criteria reached \$181.6bn. Sales of food differentiated by animal welfare criteria reached \$5.5bn. As the categories overlap, they do not sum to the total.

Euromonitor estimates the market has grown by around 5% between 2016 and 2017 and will grow by another 5% by 2018.

Moreover, the research firm is predicting further growth. "Our data shows that retail value sales of packaged food with an ethical claim will increase year-on-year by 4% in the US between 2018 and 2020 as increased awareness, availability and affordability continue to drive consumer interest in ethical food purchases," Euromonitor ethical labels analyst Trishna Shah tells just-food. Shah says the "biggest winner" in terms of categories will be savoury snacks with retail sales growth averaging 8% year-on-year. Baked goods and confectionery are also expected to outperform overall growth in packaged food, Shah says.

This positive outlook is confirmed by the experience of major US food manufacturers which report increased interest in sustainability among their consumers. Jerry Lynch, chief sustainability officer at General Mills, says consumer interest in general in products offering enhanced sustainability criteria is rising. "We continue to see growth in their interest in products that demonstrate either sustainability attributes, or a sustainability back story that communicates work that's going on in the underlying supply chain."

Lynch cites the sustained growth General Mills has seen in its organic ranges as the most tangible indication of changing consumer sentiment, while Danone also identifies the growth it is recording in organic dairy as speaking to increased consumer awareness about sustainability.

A spokesperson for Danone's business in North America also points to the popularity of its Non-GMO Project verified yoghurt and plant-based products as further evidence of the trend. "Without a doubt there is strong interest among sectors of the population in the US that are

keenly interested in voting with their purchases for foods they feel deliver the values they prioritise," he says.

Consumer interest in food sustainability in the US is also shaping research and development and new product innovation at Hormel Foods, according to Kevin Myers, the company's senior vice president for research and development. "While sustainability initiatives have been a focus for Hormel Foods for many years, the heightened consumer awareness around sustainability has resulted in us taking an even more focused approach in this area."

Mainstream grocery retailers are also responding to increased demand for more sustainable food in the US. Walmart has for some years aimed to take a leadership position on sustainability, not least in the launch of its Project Gigaton supply chain carbon initiative launched last year. The retailer also recognises demand for a more sustainable approach to sourcing food from its customers.

"Customers today have high expectations for companies," says Micah Ragland, Walmart's director of sustainability communications. "They want to feel good about the products they buy and the companies they buy them from. They are asking for more visibility into how food is grown and products made, as well as the people and companies involved in those processes." Ragland adds the retailer focuses particularly on meeting these demands in produce, animal agriculture, grains and seafood.

Defining the market

While not included as one of the specific criteria in the Euromonitor International Ethical labels statistics, the growth in organic food clearly reflects growing sustainability awareness among consumers. According to the Organic Trade Association, a membership body that promotes the organic food sector in the US, sales of organic food reached \$47bn in 2016, up \$3.7bn on the previous year.

Regarding human sustainability, a further measure of rising consumer awareness is the growth in fairly traded foods. In fact, the US has two significant organisations certifying fair trade food, Fairtrade America, which is part of the global Fairtrade International (FI) labelling organisation, and Fair Trade USA, which split off from the FI group in 2011. Both organisations report healthy growth in foods certified as fairly traded.

Last September, Fair Trade USA reported sales of products bearing its mark across food and non-food categories reached US\$6bn in 2016, while Fairtrade International reported in October that retail sales of Fairtrade-certified products in the US rose by 5% in 2016 to US\$1.07bn.

Sustainability is such a broad term, with so many diverse connotations and associations, that the trend towards heightened consumer awareness of sustainability overlaps with other key market trends, such as clean label, growing demand for more locally produced food and, in particular, health and wellness. How consumers relate to terms like 'sustainability' and 'sustainable food' in the US is, as has been found in other markets, complex and multi-stranded.

Hormel Foods, for instance, has placed a particular emphasis on clean label, and emphasises this in the context of the general move in the consumer market towards more sustainable food in the US.

The Hartman Group, a Seattle-based market research firm specialising in analysing cultural drivers in the food and beverage sector, has conducted consumer research on clean label in the US. It found 65% of consumers say they look for food and beverages that have the shortest list of ingredients, while 58% of consumers say they look for food and beverages that contain only ingredients they recognise.

Euromonitor International also sees clean label as a significant driver of the overall "Ethical Labels market", including claims such as 'no artificial flavourings', 'no artificial sweeteners' and 'no artificial preservatives' within the "People" sub-category of the Ethical Labels database. "This is particularly pronounced within the emerging snacks market in the US where the vilification of sugar and chocolate confectionery has seen more consumers turn to savoury snacks, often perceived as healthier," Shah says.

Hormel Foods sees its work on clean label as building on its sodium reduction programme, confirming further the connection consumers make between sustainability and better-for-you food.

Strong associations with health and wellness

Many food companies and analysts see important links between growing consumer interest in better nutrition and sustainability.

Consumers are increasingly asking three fundamental questions about their food: What's in it? Where is it from? Who made it and how?

"While consumers may be in different places regarding their knowledge of and ability to purchase natural and organic foods, collectively we see a shift toward wanting better-for-you foods," says Tanya Rodriguez, senior cultural anthropologist at Hormel Foods. "Additionally, while influencers lead the charge, consumers are increasingly asking three fundamental questions about their food: What's in it? Where is it from? Who made it and how? These questions reflect consumer concerns about their own health and wellness as well as that of workers, animals and the overall environment."

This view is supported by Tish Van Dyke, global sector chair for food and beverage at global PR firm Edelman. Van Dyke believes consumer perceptions in the mainstream around the term sustainability are blurred and some of the nuances are not fully understood but says associations with better nutrition are key in how consumers understand the term sustainability. "When they say they want more sustainable products there's probably not a clear definition

amongst consumers what that means," Van Dyke says. "But they're saying to companies they want products that are both more nutritious, and better for them, meaning healthier, and that have less impact on the environment."

Nestle also sees sustainability and nutrition as closely linked. "We see clear evidence that people's palates are changing as routine consumption of food has given way to culinary discovery, where consumers want control over their food's nutrition, flavour, sourcing and sustainability," a spokesperson for Nestle's US arm says. "Consumers are more informed and sophisticated than ever, and as we've talked to them, we've learned sustainability is more than a single issue or topic; it's much broader. They want premium foods made with simple ingredients, sourced responsibly. And when it comes to sustainability, consumers want to see more than a label. They want to dive into the next level to see for themselves where their food comes from."

So, food sustainability in the US signifies different things to different people. As Lynch observes: "There is no such thing as *the* consumer. There are many consumers and they all have slightly different viewpoints."

Value add and premiumisation

Above all, while there may be diverse motivations at play and some consumers may not understand all the finer details around topics such as sustainable supply chains or Fairtrade, they recognise sustainability criteria as adding value to the foods they are buying.

Lynch says consumers "decode sustainability work in the underlying food supply chain as better-quality products. They recognise that companies are paying really close attention to the ingredients that are going into the food they're eating. That's where it comes home to roost."

As to whether these perceptions of quality foster premiumisation opportunities, Lynch emphasises the premium price differential will more commonly simply come down to the higher costs associated with production of products such as organic.

"The reality is that the underlying costs of the ingredients are higher," Lynch says, adding premium pricing tends to be more a feature when a new category first emerges. "In any early new-stage market, there's always a premiumisation opportunity. As the market grows, typically the premium tends to go away over time as those types of products become more readily available and the means by which to produce them become more efficient."

Tamara Barnett, vice president of strategic insights at the Hartman Group, says there is "money to be made" from companies offering premium products with sustainability cues, but says they must also be mindful that growing consumer awareness around sustainability has "raised the bar" for standard products.

"Many of the attributes that consumers are looking for in certain categories are requiring rethinking and new strategies around sourcing and production and that often does translate into a higher cost," Barnett says. "But, because that is the new baseline in many cases for

consumers, they [consumers] are not necessarily expecting all of those costs to be translated over to them. Certainly some of them are, where they feel those distinctions really warrant an extra cost, but in some ways the minimum threshold is rising for everyone."

This would appear to be borne out by Walmart's view on premium positioning for more sustainably produced foods. "At Walmart, we don't want customers to have to choose between a product they can afford and one that's good for the environment," says Ragland, citing the example of its target to source all its private-label coffee sustainably by the end of 2020.

It has been suggested by some analysis that US consumers are more attuned to environmental concerns than to issues around human sustainability, such as the ethical treatment of impoverished smallholder farmers.

However, not all subscribe to this view and the Euromonitor International statistics also appear to show little hard evidence for this. "I think we see consumers as interested in the human rights supplier treatment types of questions as they are in the environmental questions," Lynch tells just-food.

Hartman Group's research, Barnett says, suggests consumers do make strong associations between the term sustainability and environmental factors but once the term sustainability is removed the picture is very different. In fact, when the subjects are approached from a broader standpoint research reveals these human factors "resonate more strongly and intuitively than the environment does".

Van Dyke believes US consumers tend to relate more closely with environmental sustainability than with social criteria, and this sets the US apart from European markets. However, she expects awareness of human sustainability criteria to accelerate among US consumers over the next few years, along with awareness around food waste.

The brand-consumer relationship

Van Dyke sees food companies as playing a vital role in expanding consumer awareness and understanding around the sustainability of agricultural supply chains, not only in terms of environmental impacts but also regarding social and human factors relating to food production.

Moreover, Edelman's Earned Brand research underlines food brands and major retailers such as Walmart are in a very strong position to do this. Among other metrics, this study quantifies the strength of the consumer-brand relationship which it defines in terms of the Brand Relationship Index.

The Edelman Brand Relationship Index for US consumers is 40, in comparison with a global average of 37, and significantly lower figures for countries such as the UK (34), France (31), Germany (31) and the Netherlands (29).

Consumers tend to be more trusting of brands in the US than in Europe, Van Dyke suggests, which means companies may encounter less scepticism when looking to communicate information around sustainability criteria than might be the case in European markets.

Lynch appears to confirm this, judging there to be little difference in how consumers receive sustainability information about General Mills and how they receive other information. "I don't see sustainability attributes as being any different than other attributes that consumers might be seeking in products in their willingness or ability to trust brands," Lynch says.

Edelman has also conducted some sector-specific research within its Trust Barometer study of 33,000 consumers across 28 markets which is revealing in this context.

This work has not yet been published but Van Dyke reveals globally 61% of respondents agree with the suggestion "large-scale food and beverage production has harmed the environment and lowered nutritional standards". In the UK, the proportion is 65% but in the US it is lower than the global average at 59%.

That the figure is still 59% shows there is little room for complacency on the part of US food manufacturers. Indeed, Lynch is not alone in emphasising the link between promoting sustainability values to consumers and transparency. "Part of the sustainability journey is one of transparency as well, and in a world where consumers can know anything almost about any product it's really important for us to be transparent about the work that we're doing."

Nevertheless, the close rapport US consumers feel with familiar brands may put US food companies in a relatively strong position when it comes to communicating the sustainability attributes of their products and seeking to make sustainable values intrinsic to their brands.

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