

An Appetite for Natural and Green

By Lynn A. Kuntz, Editor-in-Chief

Given the slow economic recovery and rising raw material prices, food manufacturers are looking for a competitive edge in the products they offer to maintain profits and grow market share. Two increasingly popular, and often convergent, paths are incorporating natural and/or green into the product-development objectives.

Products marketed as natural or green provide added appeal despite their somewhat fuzzy definitions. In 2009, 23% of new food and beverage products carried "natural" on the label, according to Chicago-based Mintel's Global New Products Database, making it the year's No. 1 new-product label claim. Foods carrying a "natural" label rang up an impressive \$22.3 billion in sales in 2008, up 10% from the previous year, and organic foods garnered \$4.9 billion in 2008 sales, rising 16% from the prior year, according to "Healthy Eating Report for 2008" from The Nielsen Company, New York.

While organic was on the market fast track in the last decade, racking up yearly double-digit growth from 2000 to 2008, sales of organic products leveled off significantly in 2009, say Nielsen analysts. In fact, the percentage of U.S. organic-product consumers has not increased significantly over the past three years, remaining at 38% to 39%, according to researchers at TABS Group, Inc., Shelton, CT. However, the market hasn't stalled completely; according to the "2010 Organic Industry Survey" from the Organic Trade Association, Greenfield, MA, organic food sales rose 5.1% in 2009 to \$26.6 billion, compared to the total food sales increase of 1.6%.

One ingredient showing a clear shift to natural is colors, according to RTS Resources Ltd., Wolverhampton, England. The firm estimates the global food and beverage colors market is at \$1.7 billion, and natural colors make up approximately 38% (\$650 million). While total color usage has been growing by about 4% per year, naturals are growing by 6.5%.

Sustainability Influences Consumers' Buying Habits

Sustainability plays an important role in helping consumers decide which food items and products to purchase at their local grocery stores, according to a new survey conducted by the United Soybean Board. In fact, nearly 70 percent of U.S. consumers consider sustainability when choosing food products, and 78 percent take into account the sustainability of farm-produced ingredients.

When further queried about their thoughts on sustainable farming, 72 percent of respondents ranked U.S. farming as No. 1, followed by Canada and Brazil. They noted reasons for purchasing products from sustainable farms included less pesticide spraying on crops, better soil health and improved water quality are the top attributes reported among consumers for what makes a farm sustainable.

"The biggest thing we can do for the environment is practice no-till farming, which means not having to turn or plow the land, and thus leaving the soil intact and reducing runoff into streams and waterways," said Lewis Bainbridge, a USB Director from South Dakota. "Advances made through biotechnology have produced the soybean varieties that allow us to perform this important conservation practice."

Soybean conservation tillage, used on more than 65 percent of U.S. soybean acres, has resulted in a 93 percent decrease in soil erosion, 70 percent reduction in herbicide runoff, 50-percent reduction in fuel use and 326 million pounds of reduced CO2 emission—equivalent to 6.3 million cars off of the road. The latest soybean varieties reduce the need for pesticides/herbicides.

Green products, which address environmental and social problems, also have shown strong market gains. Packaged Facts, Rockville, MD, defines these ethical products as those that use terms such as “biodegradable,” “cage-free,” “earth-friendly,” “eco-friendly,” “ethical,” “fair trade,” “humane,” “local,” “locally,” “organic,” “organically,” “sustainable” or “sustainably” in product descriptions or marketing positioning. In both 2007 and 2008, over 2,100 new U.S. product launches carried ethical claims, with food and beverage launches representing 64% and 61%, respectively, according to Packaged Facts’ analysis of data from New York–based Datamonitor’s Product Launch Analytics (PLA) service. Through 2014, these foods should see a 57% growth rate, projects Packaged Facts. The Natural Marketing Institute (NMI), Harleysville, PA, estimates the size of the total (food and nonfood) green marketplace will reach \$420 billion by 2010. NMI says significant market opportunities exist in refrigerated, frozen and shelf-stable foods, and pet products; interest is above average in these categories. Further, researchers at Ohio State University, Columbus, found that more than 8 out of 10 restaurant goers surveyed in that city said they would pay more to dine at “green” restaurants. In the end, the success of green and natural products depends on whether consumer expectations are met, as well as whether the perceived value, especially for more-expensive products, encourages them to open their wallets.

Company’s Need to Promote Sustainability Efforts

While the majority of consumers are aware of sustainability, few can name products or companies that practice sustainable initiatives, according to a new report by The Hartman Group. This knowledge gap presents a prime opportunity for marketers to rethink their marketing messages to help educate consumers about their sustainability efforts.

Findings in the “[Marketing Sustainability 2010: Bridging the Gap Between Consumers and Companies](#)” report reveal 15 percent more consumers are now aware of the term “sustainability” compared to three years ago (69 percent in 2010 say they are familiar with “sustainability” vs. 54 percent in 2007), but only 21 percent can identify a sustainable product and even fewer, 12 percent, can name specific companies as “sustainable.”

“We’re seeing a broad gap in the way consumers and companies think about and approach sustainability,” said Laurie Demeritt, Hartman Group President & COO. “That very few consumers today can name a sustainable company underscores the fact that so many Corporate Social Responsibility (CSR) and sustainability activities go relatively unnoticed by consumers.”