



# A HEALTHY HABIT

Edmonton's Kinnikinnick Foods offers great taste with a dose of good health

BY KEN MARK

If you're one of the approximately 250,000 Canadians, or one out of every 133 people, who suffer from celiac disease, accessing tasty and nutritious gluten-free products may be a problem. The strict food processing requirements, as well as the perceived size of the market, has made it difficult to grow this sector until recently. Now, however, companies such as Edmonton-based Kinnikinnick Foods Inc. (KFI) are trying to change all that, at the same time carving out a dominant position in the specialty-food niche, providing gluten-free baked goods that taste good too.

Despite the relatively small market size, gluten-free products are a bandwagon more producers are happy to jump on. As of April 30, about 3,330 gluten-free products were available on U.S. supermarket shelves, up almost five per cent since September 2005. "We survey hundreds of natural products retailers every four weeks," says David Browne, San Francisco-based director of Contents Services for SPIN, Inc., a company that tracks the natural products industry. "The mainstream grocery segment is growing at 16 per cent per year, which is higher than that for natural products outlets." As proof of that advance, Browne points to Wal-Mart, which has introduced 980 gluten-free products since mid-2005 as part of the total 11,250 products under its in-house Great Value label. "In 2006," says Browne, "we forecast that total U.S. annual sales for gluten-free products will keep growing at double-digit rates and reach US\$700 million."

That's good news for KFI. The company started off small, beginning operations in the proverbial garage when founder Ted Wolff von Selzam sold his products at a farmers' market stall in the early 1990s. Over the years KFI continued to

expand, opening up a 120,000-sq.-ft., the-future-is-here production facility in July 2005 to augment its existing 30,000-sq.-ft. plant. Now KFI products are found in 1,150 stores across Canada and 50 U.S. states as well as Puerto Rico, while at the same time maintaining thriving website sales. There is also an Edmonton storefront that features new products.

The company offers about 40 core products, ranging from bagels to cinnamon buns, plus another 30 to 40 low-volume sellers. All are preservative and trans fat free. Approximately 70 per cent of the products are sold frozen. During the last five years, business has increased 50 per cent to 80 per cent per year, and in 2001 KFI won the Agrivalue New Venture Award of Distinction from the Alberta Chambers of Commerce.

While gluten-free products are primarily aimed at consumers who suffer from celiac disease, they are also considered beneficial for other medical conditions such as autism, ADD (attention deficit disorder), as well as for consumers who are allergic to wheat, eggs, soy and milk. It may also help people with other autoimmune deficiencies such as multiple sclerosis.

The key ingredient to success in the specialty foods segment is the ability to deliver on your promises. This means ensuring your recipes and processes meet the specialized needs of smaller groups, while remaining vigilant that you continue providing the purity and quality customers have come to expect. And, like all food and beverage products, specialty market foods must taste good as well. "It's all about taste," says Jerry Bigam, chairman and CEO of KFI. "Even for celiacs who know that our products are good for them, if they taste like the bottom of a pizza box, they wouldn't buy or eat them." While flavour is the initial hook, the

**The key ingredient to success in the specialty foods segment is the ability to deliver on your promises.**

credibility behind KFI's gluten-free properties keeps customers healthy, happy and coming back for more.

To prevent cross-contamination from other products and raw materials both KFI plants are 100-per-cent gluten-free. In fact, even employee meals consist of Kinnikinnick products since they are not allowed to bring in their own food. Similarly, the in-house test lab is constantly checking ingredients from outside suppliers to ensure their quality, and inspecting their premises regularly to uncover any changes to the formulae of their raw materials, their packaging or other processes, in order to eliminate all possible airborne and other contamination.

Although KFI's production facilities resemble those of a conventional bakery and many of the processes are similar, there are some differences. For example, the test kitchen prepares the recipes and issues instructions to employees on the shop floor. One challenge is that KFI products typically contain more ingredients than most baked goods, often as many as 15 to 20 per product. "That's because we have to try to mimic what nature does without using gluten," says Bigam. "So we've introduced pea, tapioca and rice flours.

To service its trade customers, KFI ships its products to 13 distribution centres across North America. About 80 per cent of its sales are in the U.S., with just 20 per cent in Canada. "It's just a matter of population," says Bigam. "The U.S. has 10 times our population." In the U.S., the company's top seller is white sandwich loaf. In Canada, the most popular products are English muffins and pizza dough. However, Bigam has high hopes for the recently launched KinniToos – a gluten-, dairy-, egg- and trans fat-free, Oreo-like chocolate vanilla sandwich cookie that he believes has the potential to become the firm's flagship product.

As with other Canadian food exporters, conforming to the constantly evolving cross-border security regulations is a high priority for KFI. With the 2004 launch of the *Bio-terrorism in Food Act* in 2004, the FDA launched its one-size-fits-all pre-notification rule that requires each individual food shipment – whether it's a truckload of doughnuts or a small box of cookies – to have the same amount of documentation. "We have one of the most successful e-business sites in Canada," says Bigam, "so we send out almost 600,000 pre-notification (PN) messages a year." KFI worked closely with both the FDA and UPS, its carrier for almost 10 months, on integrating IT links and automating the timely transmission of relevant data to meet the regulators' deadlines and other requirements. Even now, those processes are being periodically updated to conform to regulatory changes.

The FDA is also the arbiter in establishing the permissible gluten level in

products that will enable producers to use the gluten-free designation on product labels. As explained earlier, KFI takes great pains to ensure that all of its products contain no gluten. In fact, such zero tolerance, which is a competitive advantage, is in keeping with our national *Food and Drug Regulations* (B.24.018), stating: No person shall label, package, sell or advertise a food in a manner likely to create an impression that it is gluten-free unless the food does not contain wheat, including spelt and kamut, or oats, barley, rye or triticale or any part thereof. "In reality, the acceptable level is about 20 parts per million (ppm)," says Cynthia Kupper, Seattle-based executive director of the Gluten-Free Certification Organization (GFCO), an independent, third-party group. "That's because testing procedures confirming levels below that are too difficult and expensive."

In other countries, the numbers vary widely. In the U.S., without any FDA guidelines in place, GFCO is targeting 10 ppm. "We have already certified five American companies, including a tea company," says Kupper. "And we're talking to four Canadian producers, including Kinnikinnick."

The problem with labels is that until now they have only covered major ingredients. Yet according to Bigam, hard candy producers often dust the mould with flour so the candies release faster after they have cooled. Similarly, cheese processors use flour in industrial-size graters so cheese blocks pass through them more easily. But since flour is not part of the recipe it's not listed on the label. Celiacs often complain that non-sufferers have no idea how much pain and inconvenience can result from minute amounts of gluten. "It can be as little as a crumb in a pat of butter," he says.

At present, KFI has no plans to expand production of gluten-free products beyond baked goods. However, it is considering extending its KinniBetik product line aimed at the diabetic market. Many medical experts claim that it has reached epidemic proportions, especially Type II diabetes since it is showing up in large numbers of children. Already KFI has a KinniBetik Chunky Chocolate cookie on the market with a glycemic index rating of 51, or about half that of a similar conventional cookie.

With a loyal following and more products under development, Bigam says so far the only problem has been one of meeting the demand. "It's very tough for us to keep up the quality as production volumes rise," he says, noting that demand has spread from the company's original customer base. "Right now, although we are focusing on sales in health food stores, we also see future growth in conventional supermarkets where shoppers are becoming more concerned about food allergens and paying more attention to additives and other ingredients such as trans fats." [E]

### CELIAC DISEASE: THE BASICS

Celiac disease (also termed sprue and gluten intolerance) is an autoimmune disease characterized by chronic inflammation and eventual atrophy of the villi in the small intestine caused by exposure to dietary gluten proteins contained in wheat, barley and rye. Celiac symptoms include loose bowels, gas, cramps and headaches, which can last for days. While rarely fatal on its own, since it interferes with the proper absorption of nutrients and drugs it can lead to other health problems.

The good news is that the condition can be reversed through a gluten-free diet. The bad news is that it can take years for a proper diagnosis. The most effective diagnosis requires an intestinal biopsy involving an endoscopy – swallowing a thin tube with a tiny camera that captures an image of the lower intestine and can bring back a sample of the villi.