

WELLNESS REPORT



STRONGER, FASTER, HEALTHIER!

As Canadians increasingly demand more nutritional value from the food and beverages they consume, the industry is responding with products designed to do everything from boosting energy levels to preventing the risk of heart disease. As a result, R&D teams continue to search for the “next big thing” in the wellness world, combining synthetic components with centuries-old natural ingredients. The question becomes, how far are consumers willing to go in the quest for better-for-you products that will help them live a more fulfilling life? This month *Food in Canada* takes a look at both the natural and not-so-natural products out there designed to fill this demand.

German philosopher Arthur Schopenhauer is attributed to having said that all truth goes through three stages: first it is ridiculed, then it is violently opposed, and finally, it is accepted as self-evident. No truer is the observation than the current consumer appetite for food and beverage options that promote health and well-being. • Today's grocery stores now stock a range of products that only a limited number of consumers of the past would have embraced: organic, inherently functional/healthy, and free of additives, preservatives, fat, sugar, gluten and/or lactose. Today's consumers are more than likely to make the connection between health and nutrition, according to the Ottawa-based National Institute of Nutrition's 2001 *Tracking Nutrition Trends* survey. The survey points out that in fact over 93 per cent of Canadians make the connection, with the result being the making of a multibillion-dollar industry in natural and organic products.

ALTERNATIVE YESTERDAY



Just how big is this market? New research by *Nutrition Business Journal* (NBJ), a trade publication for the U.S. nutrition industry, shows that the “healthy foods” category, which includes natural and organic, functional foods and “lesser evil, or better-for-you” foods, accounted for 21 per cent of the US\$566 billion food business in 2006, up from 13.3 per cent in 1995. And Euromonitor International, a global market research firm, reports that the Canadian market for health and wellness, packaged food and beverages, saw more than \$16 billion in sales in all retail channels in 2006.

CHANGES IN THE INDUSTRY

With such growth come changes. According to Michael Theodor, consumer views of the health food industry have changed dramatically over the years. Theodor, of Michael Theodor Brokerage, headquartered in Richmond, B.C., has been in the natural and organic food industry for over 30 years. A native Californian, Theodor began selling organic fruit in the mid-’70s in British Columbia before opening what is now Canada’s oldest natural and organic brokerage firm. He notes that in the past, people came into the natural and organic food marketplace because they were interested in different lifestyles and diets such as vegetarianism or macrobiotics; they were political activists taking

organic juice company Odwalla; dairy giant Dean Foods’ 2003 buyout of organic milk producer Horizon; and the Hershey Company’s purchase last year of Dagoba Organic Chocolate.

Since 1999, Canada has had a voluntary organic agriculture standard. Stakeholder demand, market growth and international trade led to the development and promulgation of the Organic Products Regulations in December 2006. If the Canadian experience is anything like that of the U.S., the implementation of the regulations will boost consumer confidence and fuel even greater demand for organic products.

PROLIFERATION OF RETAIL CHANNELS

“I think the biggest change is that natural products are now available everywhere,” says Deane Parkes, president of Preferred Nutrition, an Ontario-based distributor of well-known supplement brands and a consultant to health food retailers.

The established retail channel won’t disappear any time soon, especially as ardent consumers interested in all things natural have frequented natural food retailers for trend-setting products for decades. “The traditional health food store may still be viewed as a little weird,” says Parkes. “However,

MAINSTREAM TODAY

Natural products lead the way to evolution in health and wellness

By Natalie Cajic

a stance against the use of agricultural chemicals made by giants like the Dow Chemical Company; or they were making a statement against factory-type farming that harmed the environment and animals. By contrast, Theodor says that the aging baby boomer population, now big natural food purchasers, is looking to stay healthy longer and to prevent chronic diseases. They are also more educated and consequently more willing to look for self-care approaches to their health, including incorporating organic products into their lifestyle.

The Canadian natural and organic industry experienced big changes when the U.S. Department of Agriculture first released draft national organic standards in 1997 and then implemented them in October 2002. During this period, multinational corporations took notice of the double-digit growth in the organic sector, and a number of smaller organic food companies began being acquired. As a result of these multinational takeovers, Canadian shoppers looking for natural and organic options have increased accessibility and a wider variety of products available. A few notable examples include General Mills’ 1999 purchase of Small Planet, which owned Cascadian Farm and Muir Glen; Kellogg’s 2000 acquisition of organic cereal manufacturer Kashi; Coca-Cola’s 2001 takeover of the

with the emergence of many new high-end grocery natural food stores and supplement stores with a modern look, this old perception should become a thing of the past.”

Today, retail channels that are taking natural and organic mainstream include national grocery chains, big box retailers and even pharmacies. After all, who can forget Wal-Mart’s announcement of throwing its hat into the organic ring last year? “The fact Wal-Mart took on organics as a big new thing showed us that nothing was sacred,” says Parkes. And Canadian grocery giant Sobeys introduced not one, but two lines of private label products catering to the health and wellness trend: Compliments Balance, a health-conscious brand, and Compliments Organic, a line of products certified by Quality Assurance International (QAI) and accredited by Le Conseil des appellations agroalimentaires du Quebec (CAAQ). More recently, Shoppers Drug Mart announced it plans to make the pharmacy chain a destination for health and organic foods. As CEO Jurgen Schreiber, quoted in a *Globe and Mail* article, says, Shoppers plans to “own that part of the market.”

VARIETY FLOURISHES

The diversity of natural and organic products has skyrocketed in recent years, particularly in the areas of snack foods

and packaged or prepared foods.

Don Smith remembers 30 years ago when "organic" meant only produce, mainly from California and in limited amounts. At that time, his Perth, Ont. natural food store,

Foodsmiths, focused on natural foods, including supplements and locally grown produce. Today, Foodsmiths is a full-service natural food store that provides products in every category found in a typical supermarket, in addition to supplements and body care products. The store won the Brock Elliott Memorial Award for Excellence in Retailing in 2004, an award given by the Canadian Health Food Association (CHFA).

NEW EXPECTATIONS, NEW PRODUCTS

Today consumers are not only looking for healthy options but also convenience and ease of preparation. A scan of new product launches at the CHFA's recent trade show in Vancouver, Expo West 2007, illustrates how natural products and organics suppliers are meeting consumer demands for convenience. CHFA exhibitors sampled organic single-serve pizzas, reduced-fat chips and cheese puffs, smoothies chock full of whole, fresh fruit and berries with no added sugar, preservatives, or additives, and soy milk enhanced with omega-3. "It seems everything you could eat highly processed before now has a healthier alternative," says Parkes.

Theodor notes that a new product category has emerged to satisfy consumers who are not only interested in healthier options, but also in products that contribute to longevity and disease prevention. Functional foods or nutraceuticals are food products that have been shown to have specific health benefits. Sales in the category jumped from US\$15 billion in 1997 to US\$31.5 billion in 2006, according to *NBJ*. In fact, within the healthy foods category, functional foods represent 11 per cent of total U.S. food sales, compared to natural and organic foods at six per cent and five per cent respectively. Consumers have particularly embraced functional beverages, especially sports and energy drinks, and have started looking at lesser known fruits such as acai, goji, mangosteen, noni and pomegranate for refreshment with health benefits.

Current awareness of the relationship between diet and disease are at an all time high. The pursuit of optimal personal nutrition and the desire to prevent disease and maintain and promote good health continue to be the primary drivers for the natural and organic food industry. "Natural health products are mainstream big business," says Parkes. "No longer are we idealists viewed as fringe players." FC

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