

Grayway

LEAD STORY

A TASTE FOR CHANGE

What's driving the rise of the specialty food market.

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WELCOME



Stephen Gray
President &
Chief Executive Officer

The specialty food market—natural, organic, locally grown, and foods that are “free from” certain ingredients—has seen immense growth over the last few years, with nearly 60 percent of consumers saying they bought a specialty food or beverage in the past six months. Americans, especially millennials, continue to discover specialty foods and beverages as they become a larger, more integral part of the American diet.

This issue of the GrayWay discusses what’s behind the specialty food trend, and how food and beverage manufacturers are working to meet this demand.

*Gray practices methods
which protect our environment.*



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MöllerTech USA, LLC
Woodstock, Ala.



A TASTE FOR CHANGE

What's driving the rise of the specialty food market

THE RECIPE FOR SUCCESS in the food and beverage industry has always been pretty straightforward: give consumers convenient access to great-tasting food at an affordable price. But over the last five years or so, the demand for specialty foods—such as allergen-free, gluten-free, organic and natural foods—has seen a sharp increase, forcing food and beverage producers to make dramatic changes to manufacturing processes and product ingredients.



Dr. Catherine Adams Hutt
Chief Science and
Regulatory Officer
Sloan Trends

Millennials are particularly inclined to seek out specialty food options, but want these options to fit into their “on-the-go” lifestyle. They also want to feel good about the foods they are consuming, demanding transparency about where their food comes from and what it contains.

According to the Specialty Food Association, the specialty food market is a \$120-billion-dollar industry in the U.S. Retail specialty food sales grew to \$94 billion in 2015, a 19.7 percent jump since 2013.

“Consumers are looking for foods with fewer and cleaner ingredients, and products that are made by companies with values they care about,” said Ron Tanner, vice president of philanthropy, government and industry relations for the Specialty Food Association. “All of these define specialty food.”

Dr. Catherine Adams Hutt has spent her career in both the private and public sectors, leading the food quality and safety programs for such household names as HJ Heinz, Campbell Soup Company, McDonald’s Corporation and Coors Brewing Company. She also served as assistant administrator for the U.S. Department of Agriculture Food Safety and Inspection Service—the regulatory agency for meat and poultry.

Dr. Hutt says that while food and beverage producers are responding to the demand for foods that are minimally processed and contain more natural ingredients, what consumers perceive as “dangerous” in today’s food supply chain may not have the scientific data to back it up.

“At least one-third of consumers are working to avoid eating foods with genetically modified ingredients, or ‘GMOs,’” Dr. Hutt explained. “I was working in government in the late ‘80s and early ‘90s when they were making decisions about the bioengineering of foods, and they took the evaluation of this science very seriously. The Food and Drug Administration (FDA) has consistently declared that bioengineered foods are safe. The Environmental Protection Agency has also considered the environmental aspects, and believes that with certain caveats and precautions that are in place through regulation, there should be no issue relative to environmental health.”

Regardless, Dr. Hutt says the consumer has the right to make their own decisions about what they want to eat, and food and beverage producers must be transparent about what’s contained in their food and beverage products. Consumers are demanding to know more about food nutrition, pesticide use, animal care and welfare, and the overall environmental impact of the foods they eat.



Joel Warady
Chief Sales and
Marketing Officer
Enjoy Life Foods

While opinions vary greatly on the dangers of GMOs, there is little dispute over the danger of allergy-inducing ingredients in foods. The simple fact is, more and more Americans are being diagnosed with food allergies, creating a ravenous demand for allergen-free food and beverage products.

“In 1990, one out of 50 people in America had food allergies,” said Joel Warady, chief sales and marketing officer for Enjoy Life Foods—a snack food producer that specializes in allergy-friendly and gluten-free foods. “Today, it’s one out of 13.”

Enjoy Life Foods went into business just 14 years ago in a 5,000 s.f. storefront, with one oven and one mixer. Fast forward to today, the company just moved into a 200,000 s.f. facility in Jeffersonville, Indiana—the largest facility dedicated to producing allergy-friendly foods in the world.

Why such a dramatic increase in food allergies among Americans? There are many theories, but both Warady and Dr. Hutt pointed to the increasing use of germ-killing soaps and antiseptics in U.S. households.

“In 1990, one out of 50 people in America had food allergies. Today, it’s one out of 13.”

—Joel Warady, Enjoy Life Foods



A TASTE FOR CHANGE

Enjoy Life Foods boasts North America’s largest allergy-friendly bakery. The 200,000 s.f. facility is located in Jeffersonville, Indiana.

“Kids used to go out and play in the dirt and, by doing so, would get all of this bacteria in their systems,” said Warady. “What we’ve done by using so much antibacterial soap and hand sanitizer is we’ve weakened their immune systems.”

And while the FDA has designated eight of the most common food allergens in the U.S.—eggs, dairy, peanuts, tree nuts, wheat, soy, fish and shellfish—other countries have designated even more. Warady says, in all likelihood, the list of allergens affecting Americans will continue to grow as well.

The challenge for food and beverage producers, he says, is removing these allergens from foods, while maintaining quality and taste.

“It’s not enough just to be safe, you’ve got to be safe but taste really great because, otherwise, people won’t buy it again,” he said. “The good news is, technology is allowing us to make the product continuously taste better, and I only expect that to improve.”

Top-10 Most Purchased Specialty Food Categories in 2016

Cheese and cheese alternatives	33%
Ice cream and frozen desserts	32%
Chocolate	31%
Coffee, coffee substitutes, and cocoa	29%
Oils and vinegars	29%
Cookies, brownies, cakes, and pies	28%
Pasta	28%
Pasta and pizza sauces	26%
Beverages—non-alcoholic	25%
Tea (packaged)	25%

Percentage of specialty food consumers who purchased within category. Source: Mintel

TALKING TURKEY

Poultry producers expanding product lines to meet growing demand for more specialty meat choices

AS INCOME LEVELS RISE, diets rich in protein are becoming increasingly popular worldwide. But it's no longer enough for meat and poultry producers to offer great cuts of meat. More and more consumers want more flavorful protein options, delivered by more venues, with as little impact to the environment as possible.

The meat and poultry industry is responding to changes in consumer demand by expanding their product lines, offering leaner options that meet the consumer's expectations.

Turkey is inherently one of the leanest meats available on the market today, and it's becoming a more common choice for meals outside of lunch and the traditional holiday meal.

"People are used to eating turkey at Thanksgiving and Christmas, and they are used to eating turkey at Subway and Jimmy John's," said Gary Cooper, owner and chief operating officer of Cooper Farms—one of the largest turkey processors in the country. "They're not as used to eating turkey sausage at breakfast or eating a breaded turkey tenderloin, like turkey parmesan over linguini, for dinner."

Recognizing the enormous opportunity to grow and expand this market, Cooper, who serves on the board for the National Turkey Federation (NTF), innovated a new program called 20 by 2020. The goal is simply to increase the consumption of turkey to 20 pounds per consumer, per year by 2020. Currently, the average American consumes about 16 pounds of turkey per year.



Gary Cooper
Owner and Chief
Operating Officer
Cooper Farms

One way the turkey industry is boosting turkey consumption is by introducing new, more versatile recipes, like this turkey/mac n' cheese sandwich.



Cooper says there are three main ways the NTF intends to meet this goal: by increasing the amount of restaurants that offer turkey as a menu choice; by creating and promoting more versatile, flavorful recipes for turkey; and by making turkey more prevalent in grocery stores.

“We’re just trying to expand people’s viewpoints about how turkey can be used and we believe we’re making some good headway,” said Cooper.

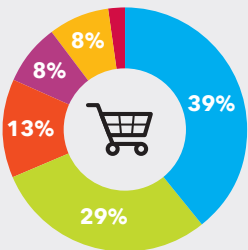
Meat and poultry producers are also responding to consumer demand for “free from” protein options by eliminating what consumers don’t want in their meats—like antibiotics, nitrates and GMOs—and ensuring their product labels highlight this information. Cooper says his company goes one step further and offers up-close-and-personal looks at their meat processing facilities.

“The average person in America, unless they are directly involved in agriculture, is far removed from the farming industry, so they’ve never gotten to see what’s going on at our farms,” said Cooper. “So, we are trying to educate the consuming public that is interested in turkey about what’s really going on. We’re taking food bloggers out to our farms, taking them into the barns and saying, ‘Okay, here it is. What are your questions?’ That’s been very helpful.”

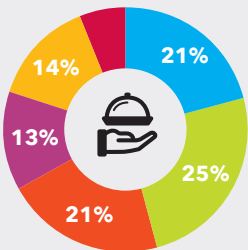
As consumer preferences for meat and poultry products continue to evolve, Cooper says he expects the industry will continue to diversify and meet these demands.

“Our company, in particular, has been really flexible in adapting to whatever a consumer group or customer wants,” he said. “It’s important as an industry we continue to do so.”

Likelihood of Considering Turkey While Grocery Shopping or Eating Out



Purchasing turkey meat in any form (e.g., whole turkey, breast, burgers, bacon, sausage, etc.) while grocery shopping



Ordering a dish that includes or features turkey while eating out at a casual restaurant (e.g., Panera Bread, Applebee's, etc.)

Very Likely, Somewhat Likely, Neutral, Somewhat Unlikely, Very Unlikely, Not Applicable

Source: National Turkey Federation

THE NEW FACE OF MANUFACTURING

Marksbury Farm Market Meeting the Demand for Local Meats in Kentucky, Tennessee and Ohio

Nestled in the rolling hills of the Bluegrass in Central Kentucky is a 12,000 s.f., USDA-inspected meat processing and distribution facility that specializes in providing locally raised, farm-to-table meats to the region. The plant opened in 2010 in response to this rising specialty food market and hasn’t slowed down since.

Richard McAlister, who co-founded the company with two local farmers and has since added several more partners, said he became interested in starting the business when he, as a consumer, was struggling to find locally pasture-raised meat in the area.

“The age of communication has changed people’s awareness of how food is being produced,” he said. “People are very aware

of where their food comes from and how it’s produced. We were seeing that starting to emerge and we felt strongly that Kentucky could support grass-based agriculture. We have an instantly renewable resource in Kentucky—it rains, we have sunshine, therefore, we have good grass. For herbivores, that’s what they are designed to eat. Pig and chickens are omnivores but they can do very well in the pasture. We wanted to encourage that type of agriculture production, and we felt like we could fill a gap where that was needed.”

To learn more about how Marksbury Farm Market operates, go to marksburyfarm.com.



Marksbury Farm Partners:
Greg Correll, Preston Correll,
Leonard Harrison, Richard McAlister,
Cliff Swaim, John-Mark Hack



GRAY... WE'RE BUILDING

MÖLLERTECH USA, LLC

WOODSTOCK, ALA.

Gray has been selected by MöllerTech USA to design and build a 150,000 s.f. plastic injection molding facility that will initially make interior parts for the next generation of Mercedes SUVs. The state-of-the-art facility, located on a 20-acre site in the Scott G. Davis Industrial Park in Bibb County, Alabama, represents a \$46.3 million investment and will create 222 new jobs. The project is expected to be complete in the spring of 2017.

MöllerTech is the automotive arm of Germany-based MöllerGroup, a family-owned company that employs 2,300 employees worldwide. The company produces interior parts for automakers including Mercedes, Audi, BMW, General Motors, Honda and Toyota.



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