by A. Elizabeth Sloan

The New Hierarchy of Natural Foods

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The natural food and beverage market is flourishing. Despite the economic downturn, food sales at natural product stores rose 7.6% to $18.8 billion in 2008, according to *Natural Foods Merchandiser's Market Overview 2008.* Sales of food/beverages making a natural claim were up 10% to $22.3 billion in food/drug/mass channels excluding Wal-Mart for the year ended 12/29/08, Nielsen's LabelTrends service reported.

Natural, organic, and *no additives/preservatives* topped the list of better-for-you label claims on new foods/beverages introduced in the United States in the first half of 2009, according to Innova Market Insights. More consumers are buying natural products at conventional stores, up 12.5% in 2008, according to *Natural Foods Merchandiser.*

But as the natural food and beverage market matures, growing concern over the safety of some ingredients, a desire to support local farmers/businesses, and an increasing reluctance to pay more for products not perceived as offering a significant health advantage are shifting priorities.

Fresh remains the most important claim when it comes to food, considered very/somewhat important by 76% of consumers, according to the Hartman Group's *2008 Organic Report*. Nine in 10 shoppers in the Food Marketing Institute's (FMI) *2009 Grocery Shopper Trends* report said *use before/sell-by dates* were very (63%) or somewhat (29%) important in choosing where to shop; only 15% said natural/organic products had an influence.

In restaurants, *fresh* and *flavorful* are the most influential menu descriptors, according to Technomic Inc. *Fresh ingredients* are also the most important factor signaling a healthy menu item, followed by *less fat*, *more vegetables*, *lower calories*, and *made with natural, non-processed ingredients*, reports *Mintel's 2009 Healthy Dining Report—U.S.*

Pesticide-free foods are very/somewhat important to 48% of consumers, per the Hartman Group. Four in 10 shoppers (43%) in the FMI survey rank pesticide/herbicide residues as a serious health hazard, right behind bacterial contamination, BSE/mad cow disease, and product tampering—about the same as last year.

The largest increases in serious concerns in 2009 involve hormone-free and GMO foods. Just over one-third of shoppers (35%) think antibiotics/hormones used on poultry and livestock are a serious health risk—up 9% over 2008 and now ranking just behind terrorist tampering and avian influenza in the FMI survey. One-quarter think that GMOs and foods produced by biotechnology are a serious health hazard—up 5% over 2008.

Lastly, the number of shoppers who feel that *no chemical additives* are very important on a food label jumped 7% over 2008 to 44%; *no preservatives* rose 6% to 34%. MSG and high fructose corn syrup (HFCS) are other fast-growing concerns. According to *Gallup's 2008 Study of Pre-Teen Nutrition & Eating Habits*, 37% of moms are making a strong effort to limit HFCS. Pizza Hut is getting rid of artificial preservatives, colors, and flavors, nitrates/nitrites, and HFCS. Starbucks and Jamba Juice are also eliminating HFCS.

With consumers increasingly defining organic and natural foods as having similar characteristics, e.g., grown without pesticides, etc., it's not surprising that they're less willing to pay more for organic products, especially in a down economy—despite the USDA organic certification program. Nielsen reports that growth of UPC-coded organics in food/drug/mass excluding Wal-Mart fell from 24% in March 2008 to 1% in March 2009.

The Hartman Group reports that a *natural* claim is significantly more important—32% say very/somewhat important compared with a *locally grown* claim at 23% and *USDA organic* at 19%.

A similar hierarchy exists in restaurants. Technomic's August 2008 *American Express Market Brief* reports that 65% of diners find natural ingredients extremely/very appealing on restaurant menus; 48% view organic foods that way.

Nearly three-quarters (72%) of shoppers regularly buy local foods, up from 68% in 2008, reports FMI. Eight in 10 shoppers buy them because they're fresher, 75% to support the local economy, and 58% for taste.

As the trend to blending foods and ingredients to deliver inherently high-nutrient products and a variety of health benefits naturally continues, expect growth in segments touting natural goodness, phytochemicals, and natural antioxidants. Half of Americans bought a food/beverage in the past year because of its antioxidant content, according to Packaged Facts' *2009 Functional Food Report.* Special nutritional benefits drew consumers to orange juice, cranberry juice, and green tea. **FT**

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