MANITOBA

Global Food and Beverage Industry Drivers

Introduction

In 2021, a team of international experts identified areas that are driving the most disruption and investment in the food and beverage industry, including Healthy Eating and Food as Medicine, Plant-based Foods, and Alternative Proteins and From Farm to Fork. This report discusses these three trends and provide some local examples on how Manitoba companies are capitalizing on these opportunities and expanding their local and international markets.

Healthy Eating and Food as Medicine

Immune support, gut health and mood management are now a priority for food consumers, with food and supplements merging into one. Ingredients and nutritional properties are under scrutiny by consumers looking for immunity-boosting food and beverages, pushing the industry for further product innovation. One area of innovation is represented by yogurt and sour milk products, with immune system claims up 24 per cent globally between 2019 and 2020. Probiotic claims grew by nine per cent globally during the same period.[1] The trend is increasingly moving from probiotics towards the addition of prebiotics.

Consumer emotional and mental wellbeing is also influencing food and beverage trends through the development of mood management, stress relief and sleep aids. Sixty-four per cent of consumers think wellbeing is the number one priority for overall health[2]. Some companies are exploring this with CBD[3]-infused food and beverages and using amino acids, such as L-theanine, with stress reducing and mood uplifting properties.

In Manitoba, an estate brewery collaborated with a sleep monitoring company on studies of the herbal qualities of hop oil and the positive effect on sleep. This brewery has also been experimenting on the extraction of oil from hops, using a steam-extraction process, and researching other applications for hops and potential hop-oil infused products.

Consumers are also interested in foods and beverages that could deliver beauty benefits. Collagen is one example that has seen strong growth in recent years due to its benefits to hair, skin, nails and joints. Multinational companies have launched collagen-packed yogurt in the United States in 2020, acknowledging that 46 per cent of global consumers are moderately or extremely concerned about their skin health and 52 per cent of consumer are interested in addressing joint and muscle pain. Manitoba entrepreneurs are taking advantage of this trend, and exploring the extraction of collagen from chicken cartilage for the Asian market and capitalizing on the health benefits.

Consumers are showing more interest in less processed and more natural foods. They are relying on labels to help them with their purchasing decisions. In 2021, the preferences around a food product label were free-from-preservatives, natural, no artificial, no GMO and no MSG, with 37, 34, 27, 26 and 19 percent of the consumers respectively[2]. Companies are re-engineering product formulas to include fewer ingredients and remove or replace artificial ones with more natural options. Survey results in 2021 showed that almost 69 per cent of Europeans were looking to eat more fruit and vegetables to improve their diet. Thirty-eight per cent of global consumers said they eat less carbohydrates to lose weight, while nine per cent of global consumers said they followed a strict low or no carbohydrate diet. This trend has further encouraged product innovation and new product launches with emphasis in snacks and breakfast cereals. A good example is keto-friendly tortilla chips launched by a well-recognized international company in March 2021. In general, government policies related to food labels make consumers pay closer attention to the nutritional information of food products and help consumers make food choices. One of the objectives is to combat obesity. In 2016, 39 per cent of the global population aged 18 years and over were overweight and about 13 per cent were obese[4]. The percentage of consumers reading the nutrition labels of food and beverages has increased during the 2017-2021 period. Russian consumers are the ones at the top when reading nutrition labels, going from 40 to 55 per cent in the period 2017-2021. Canada's percentage of consumers reading nutritional labels also increased from 30 to 42 per cent

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[1] Euromonitor - 2022

[2] Euromonitor's Voice of the Consumer: Health and Nutrition Survey, 2021

[3] CBD, or cannabidiol, is the second most prevalent active ingredient in cannabis

[4] World Health Organization, Obesity and Overweight, June 2021

in the same period[5]. In parallel, food and beverage players are investing in digital wellness solutions[6] to empower consumers to take control of their own health goals by personalizing nutrition.

Plant-Based Foods and Alternative Proteins

In 2021, plant-based food sector retail values reached US$23.3 billion globally and sales are expected to continue growing as more consumers seek sustainable food products and alternatives.

Although the vegan and vegetarian market is small worldwide, those trying to limit the consumption of animal products have now reached 22.5 per cent globally[7]. Consumers eat plant-based alternatives for many reasons. According to an international survey conducted in 2021 looking at consumption of plant-based alternatives, 37 per cent of respondents said they ate processed, plant-based meat alternatives to feel healthier, 26 per cent to avoid long-term health risks, 25 per cent to follow their doctor's recommendation, and 22 per cent because they feel that eating meat worsens their medical condition.

A large number of food products and initiatives exists in the category of substitutes that include meat alternatives, dairy alternatives, seafood substitutes and cell-based meat. There is now a new generation of meat alternatives that are moving beyond the veggie burgers of the past. New ingredients, processes and production techniques producers to replicate the taste, texture and the entire eating experience with eating real meat. Internationally recognized brands are expanding their selections. In 2021, one brand launched pork alternative products designed for the Chinese market in more than 200 Chinese stores.

Milk alternatives around the world surpassed US$18 billion in sales in 2021 with more than nine per cent growth over 2020[8]. Dairy alternatives have been ahead of meat alternatives for a longer time with a range of products to choose from, with soy-based alternatives making up a huge part of sales. There are developments in the dairy-free market with cheese products, with emphasis on improved taste and texture. One example is the new launch of a plant-based cheese that replicates Camembert. However, there are also questions about dairy alternatives and product sustainability, because of high water usage in production. The trend is moving towards carbon neutrality, with companies investing in reducing carbon emissions. In 2021, 39 per cent of European businesses invested in the development and launch of products with a low-carbon footprint such as carbon-neutral, plant-based pea milk products in Europe[9].

Sustainability is driving growth in plant-based seafood, with the development of substitutes such as un-breaded and un-coated products. It is easier for the final product to meet consumers' taste and texture expectations when battering and/or breading is part of the formula and manufacturing process. Big seafood companies are making more investments in plant-based seafood alternatives to mimic even more of the fish market, recognizing that consumers want more protein options.

Cultured meat production may be seen as an environmentally sustainable and ethical way of production, due to lower water and land use without animal slaughter. Governments from countries relying heavily on food imports, such as Japan, are the ones driving, encouraging and supporting this activity and investment, as it also helps to meet greenhouse gas reduction targets. Cultured meat is a reality since December 2020, when Singapore approved lab-grown chicken for sale in restaurants and delivery. Another innovation is the successful conversion of biological waste from poultry farming into a medium that could be used to cultivate cell-based meat[10].The lab-grown line of alternatives has not been limited to meat. Startups are looking further to include seafood, and ways to create food products in dairy, fats, honey and caviar.

Fermented proteins are attracting significant interest and investment in recent years, as fermentation technology is delivering a new wave of plant-based products that are high-quality and delicious. Insect protein is also growing in popularity, but the idea of eating insects comes with some cultural barriers. Eating insects can take the form of an ingredient of protein-enriched products outside countries where consumers are more used to eating insects as food. Despite cultural barriers, yellow mealworm from a French insect-farming company became the first insect product approved by the European Food Safety Authority (EFSA) in 2021. Manitoba has its own cricket powder on the market, a product produced by a young entrepreneur from Miami, a town located southwest of Winnipeg.

Alternatives are under increasing scrutiny over their health attributes as formulations may carry high salt or fat content and over-processing. As a result, the clean label challenge has become a point of contention within the sector. Producers of meat alternatives highlight the fact that their products are free of hyper-processed ingredients, GMOs, unnecessary additives, fillers and fake blood, as well as their efforts to include solely straightforward, easily understandable and non-off-putting ingredients.

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[5] Euromonitor Voice of the Consumer: Lifestyles survey, 2017; 2019; 2021

[6] The use of technology to help improve individuals' health and wellness

[7] Euromonitor's Voice of the Consumer: Health and Nutrition Survey 2021

[8] Euromonitor - What's New in Plant-Based Dairy and the Future of Animal-Free, March 2022

[9] Euromonitor - Top 10 Global Consumer Trends 2022: Expert Opinions and Trend Manifestation - May 2022

[10] Meetingplace Editorial July 25, 2022

From Farm to Fork

Direct-to-consumer models are transforming food supply chains as they allow shoppers to buy directly from the source (e.g. farmers or manufacturers). Locally sourced food has been on-trend for years around the globe. People choose local offerings to limit travel to purchase food, support local economies and to connect with their local identity, heritage or culture. In China, for example, farmers turned to a live platform, i.e., mobile app, to sell their food directly to consumers. At the same time, new platforms allow shoppers to save money by buying directly from factories or farmers at a lower price. People can find their sought-after items through convenient channels by purchasing products and bundles that are carefully-designed according to their needs and desires, using mobile ordering systems.

Consumers are also turning to local food, as they see it more sustainable. As food origins and sourcing become more important to consumers and governments, investments in new technologies in the areas of traceability, automation, vertical farming[11] and e-commerce are making the concept of farm to fork possible. In addition, younger shoppers are looking for a very fast delivery. To fulfil this requirement, proximity is becoming essential. Companies are introducing micro-fulfilment centres closer to consumers and partnering with hyperlocal delivery couriers. Startups in the United Kingdom, United States, Germany and Russia now offer grocery deliveries in under an hour. In April 2021, an online grocer in the United States dedicated to locally sourced food partnered with a giant in food service delivery to expand its reach. The grocer offerings will be listed in the app of the food service delivery for one-hour delivery from distribution centres or retail outlets that cater exclusively to online shoppers.

The European Commission presented the farm to fork strategy in May 2020, as one of the key actions under the European Green Deal. Contributing to achieving climate neutrality by 2050, the strategy intends to shift the current EU food system towards a sustainable model that ensures sufficient, affordable and nutritious food. Based on EU reports and forecasts, the model is expected to halve the use of pesticides and fertilizers and sales of antimicrobials. The model aims to increase the amount of land devoted to organic farming and promote more sustainable food consumption and healthy diets, reduce food loss and waste, combat food fraud in the supply chain and improve animal welfare. Public policy measures include supporting local food production and placing restrictions on imports. Promotional campaigns aim to boost interest in local brands to make domestic offerings more price competitive. Companies in Europe are already investing in more domestic production and agri-tech. According to the 2021 international survey[12], 19 per cent of companies in Europe are planning to do so, compared to 16 per cent of the industry in North America , 34 per cent in the Middle East, 16 per cent in Asia-Pacific and 14 per cent in Latin America.

Product origin is directly linked to sustainability as consumers in this niche market are basing their purchase on ethical and/or environmental reasons. Sixty-two per cent of worldwide retailers who took part in Euromonitor's 2020 Voice of the Industry: Retailing Survey indicated more people were buying locally produced products compared to previous years. The number of locally sourced claims jumped with the COVID-19 pandemic, with platforms allowing to support local economies and to connect with their local identity, heritage and culture. However, it appears to be a lack of trust in labels claiming "local" and "sustainability". Fewer than half the respondents of an international survey perceived those labels as trustworthy. This represents one of the biggest barriers to sustainability trends[13]. Digital traceability tools offer a great opportunity to offset the lack of trust in those labels. In Manitoba, a brewery brands its beer as starting where all great sustainable products do: on a farm close to home. The enterprise is both a family farm, where the owners grow all local ingredients such as barley and hops, and a brewery, where their ingredients are used to brew premium, sustainable beer. Another example of sustainable production is one of the largest egg farms in Canada with locations in Manitoba and Ontario that produces and uses renewable energy. In 2021, the company added a second solar field in Lyn, Ontario to generate 500 kilowatts of energy annually—enough to power 85 homes all year long. Now, the company is well-positioned to increase its use of renewable energy and reduce greenhouse gases.

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11 i.e., the practice of growing crops in vertically stacked layers.

12 Source: Euromonitor International's Voice of the Industry: COVID-19 Survey, April 2021

13 Euromonitor - What's New in Plant-Based Dairy and the Future of Animal-Free, March 2022