

Traditional Food Sector and Consumption in the USA - Main Trends

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Sociedade Portuguesa de Inovação

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I. Market Overview

A. US Market

B. US Food Sector

I. Market Overview

A. US Market

General Points:

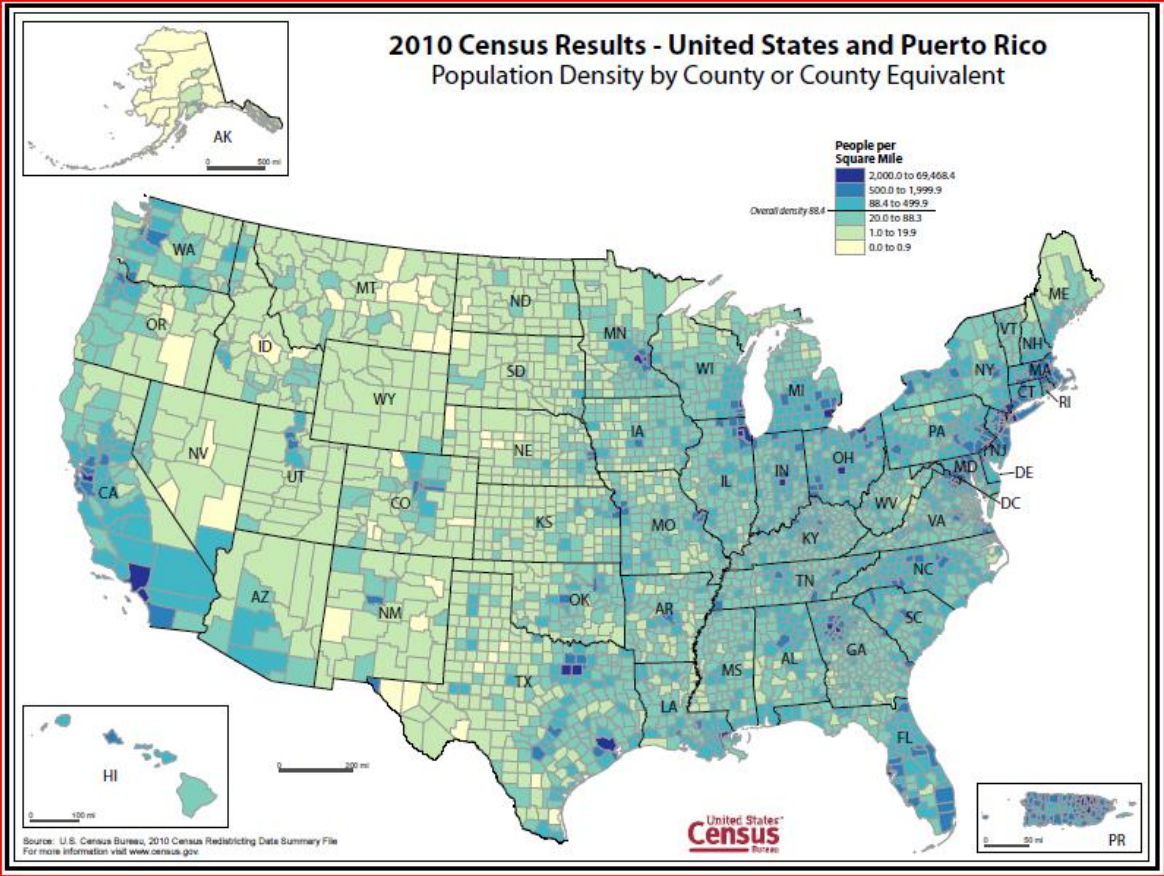
- 9,826,675 sq km, 2 ½ times the size of Western Europe
- Most technology powerful country in the world
- 325 million population
- GDP of \$18.58 trillion
- GDP per capita (purchasing power) of about \$57,300
- Population below poverty – 15% (trending up)
- Official Unemployment – 4.5% (March 2017)
- Under Employed – 13.5% (March 2017)



World Fact Book, CIA, 2015; US Department of Labor, 2015 / U.S. Government sites

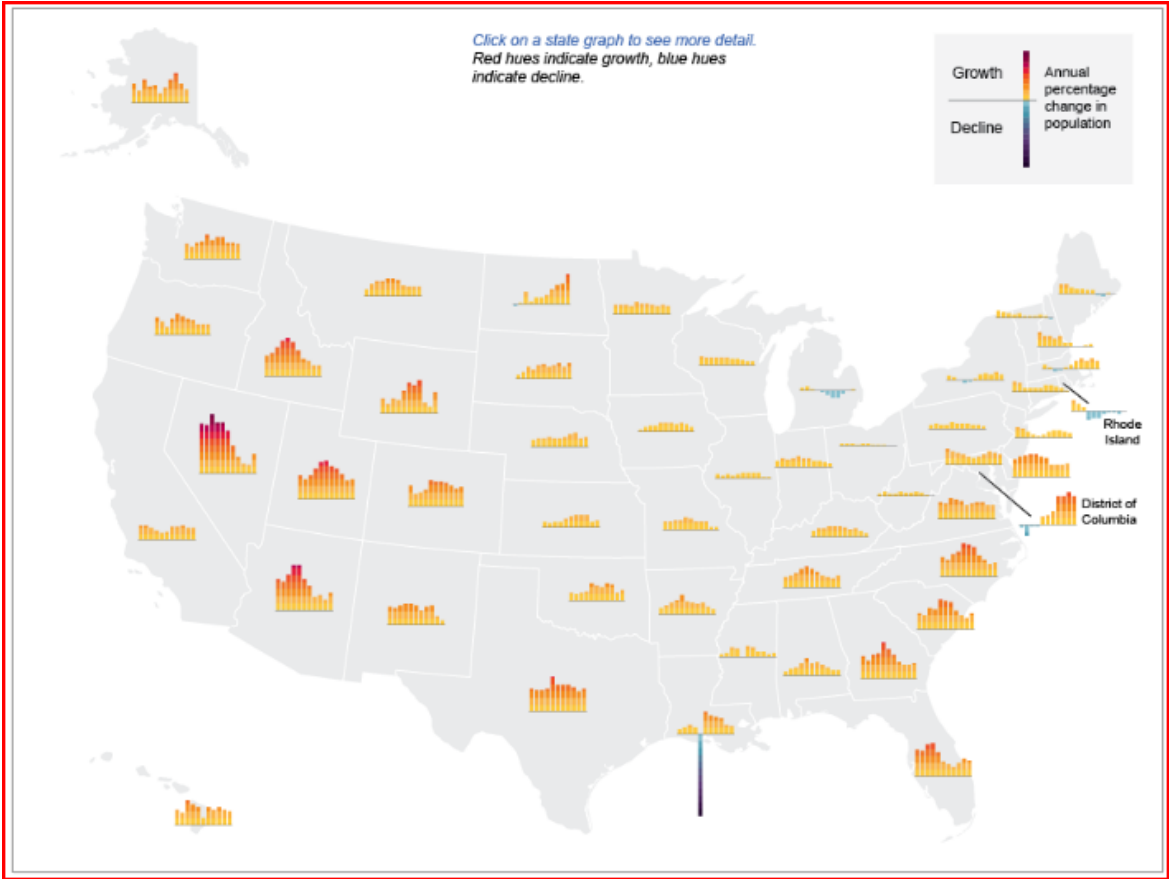
I. Market Overview

A. US Market



I. Market Overview

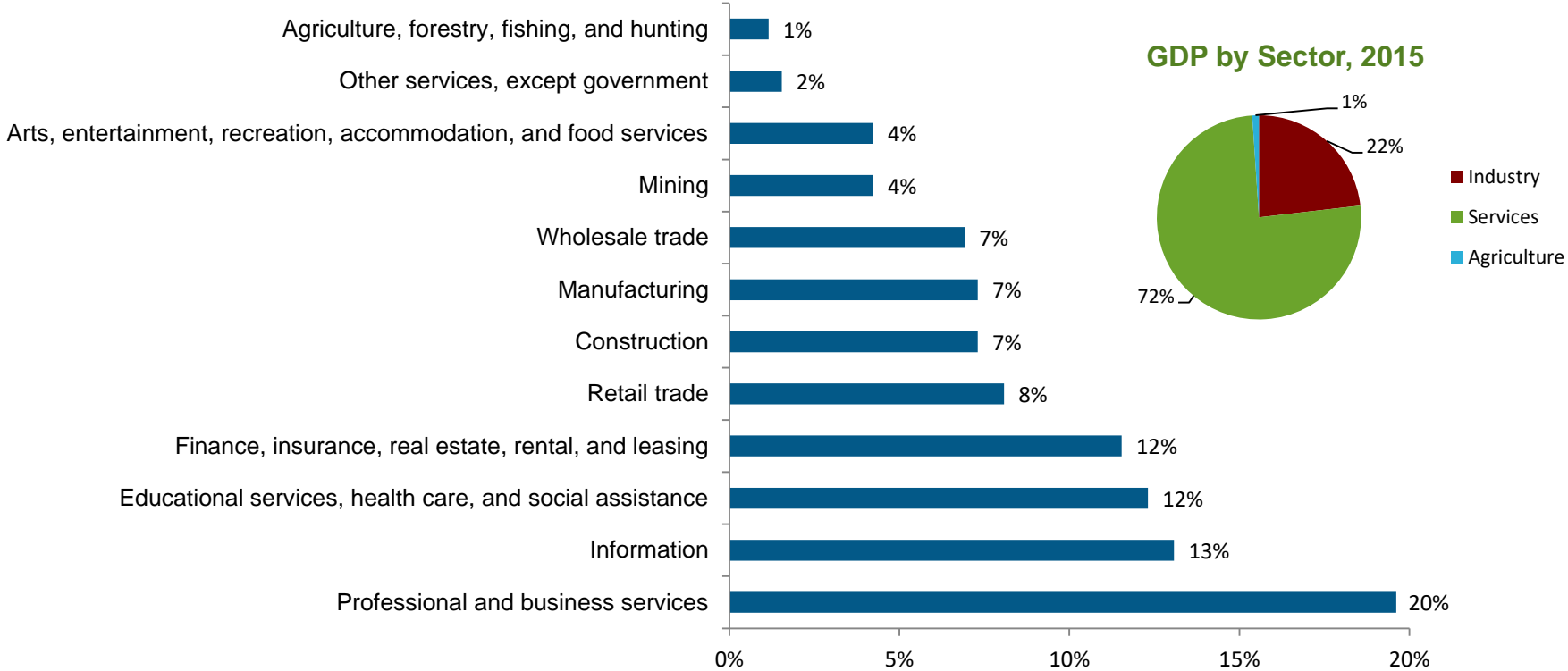
A. US Market



I. Market Overview

A. US Market

U.S. GDP Breakdown by Sector 2015 (% of GDP)



Bureau of Economic Analysis, 2015 <https://www.bea.gov/iTable/iTable.cfm?ReqID=51&step=1#reqid=51&step=51&isuri=1&5114=a&5102=13>

I. Market Overview

A. US Market

Undergoing a “reshoring” trend

- 37% of executives with \$1 billion or more in sales are bringing, or considering to bring, their production to the US from China (2012).
- Brought back manufacturing: General Electric, Nissan and Ford.
- 2015 resulted in about 300 reshoring cases with electronics and transportation equipment companies leading the way, followed by high-end apparel.
- Benefits of US:
 - Less risky investment climate
 - Stability in wage inflation
 - Enhanced productivity
 - Availability of skilled labor (consistent quality)



I. Market Overview

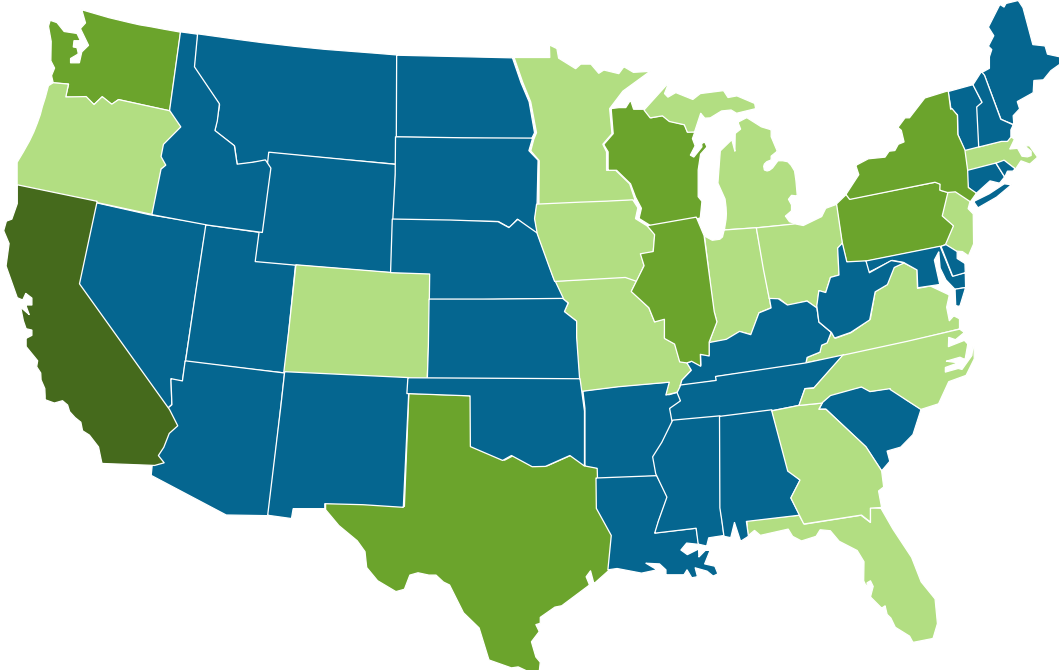
A. US Market

B. US Food Sector

I. Market Overview

B. US Food Sector

Food and Beverage Manufacturing – Top 7 US States by Number of Establishments



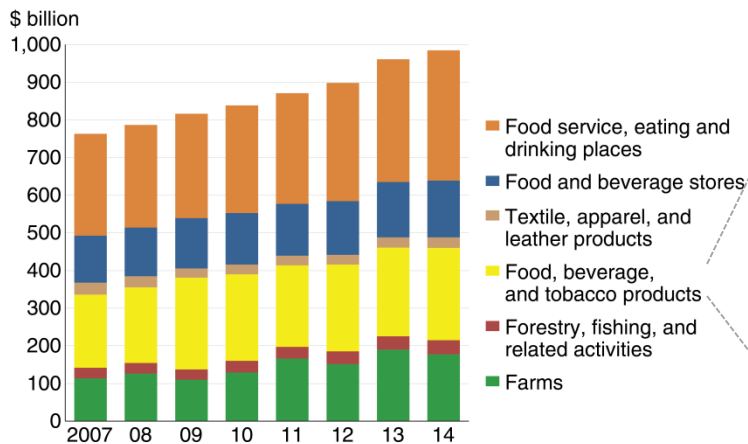
- California
- Washington
- Wisconsin
- Illinois
- Texas
- New York
- Pennsylvania

4,000 to 5,000
 1,000 to 4,000
 500 to 1,000
 (2010 US Census Bureau, County Business Patterns)

I. Market Overview

B. US Food Sector

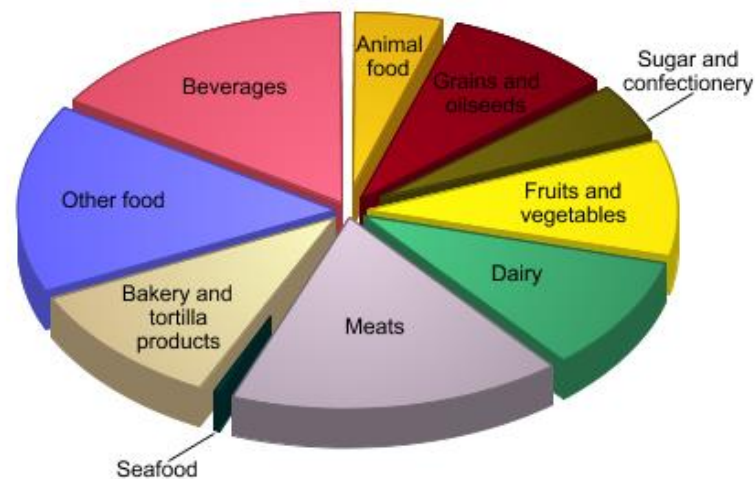
Value added to GDP by agriculture and related industries, 2007-14



Note: GDP refers to gross domestic product.

Components of food and beverage manufacturing: value added, 2011

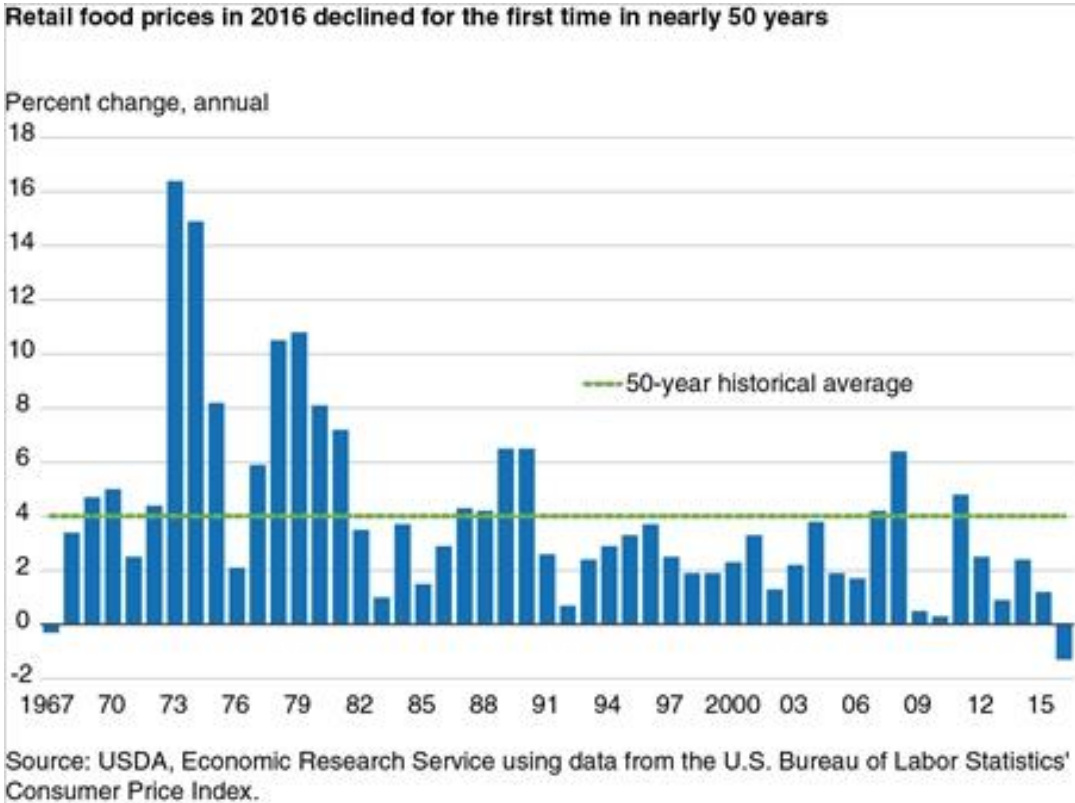
Meat processing is the largest component (17 percent) of the food sector's total value added, followed by beverage manufacturing (16 percent)



USDA, Economic Research Service using data from US Census Bureau 2013 (graph on the left) and Annual Survey of Manufactures from US Census Bureau 2011 (graph on the right)

I. Market Overview

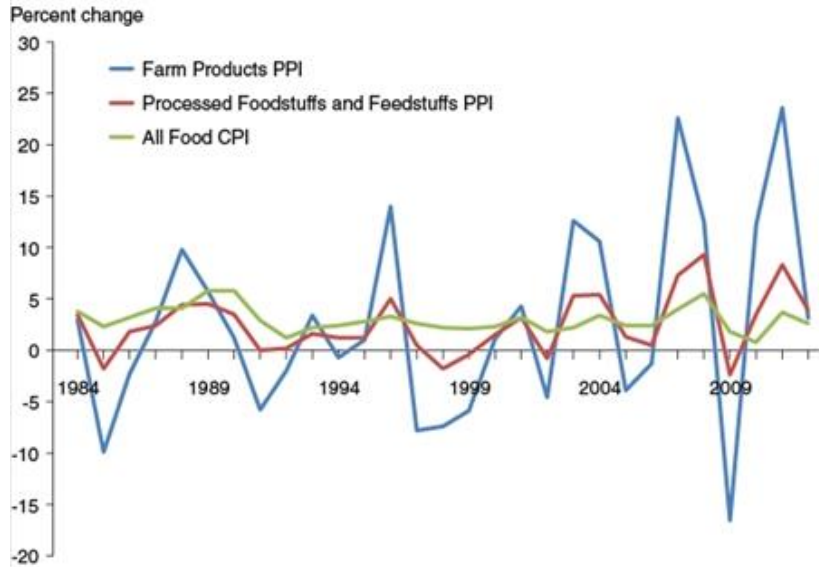
B. US Food Sector



I. Market Overview

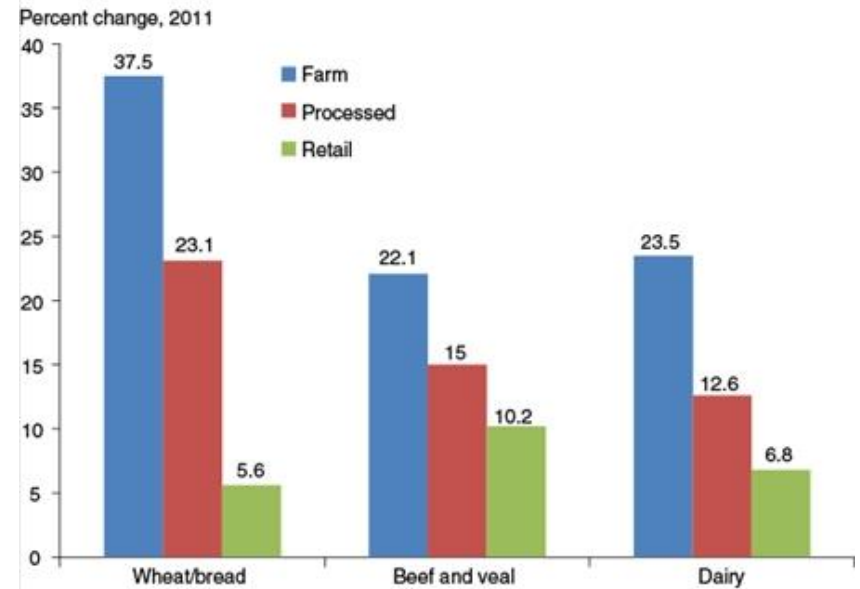
B. US Food Sector

Price swings for farm products and processed foods and feeds are larger than retail food price fluctuations in general...



PPI = Producer Price Index; CPI = Consumer Price Index.
Source: USDA, Economic Research Service using data from the Bureau of Labor Statistics.

...and for specific commodities and food products

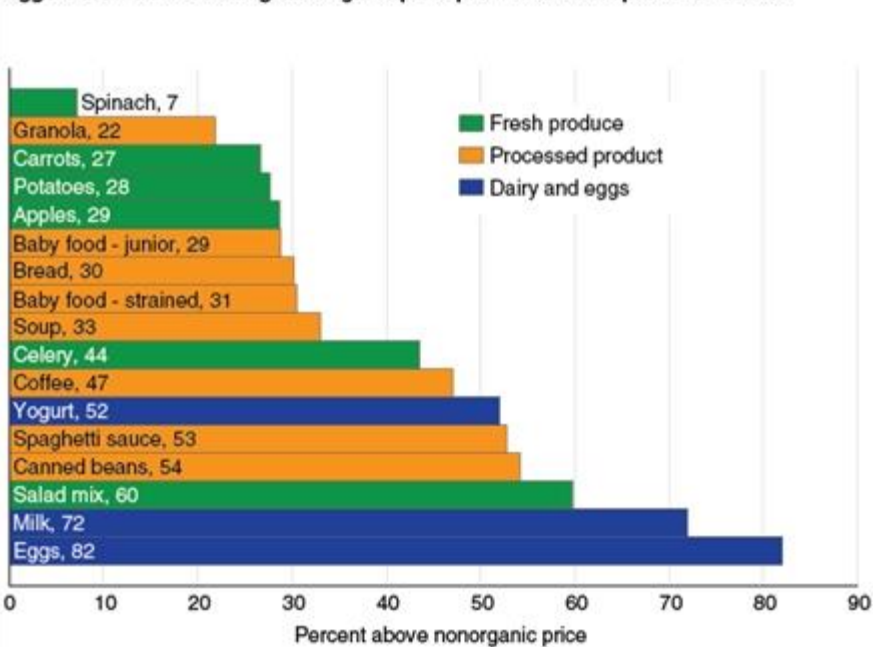


Source: USDA, Economic Research Service using data from the Bureau of Labor Statistics.

I. Market Overview

B. US Food Sector

Eggs and milk have the highest organic price premiums of the products studied



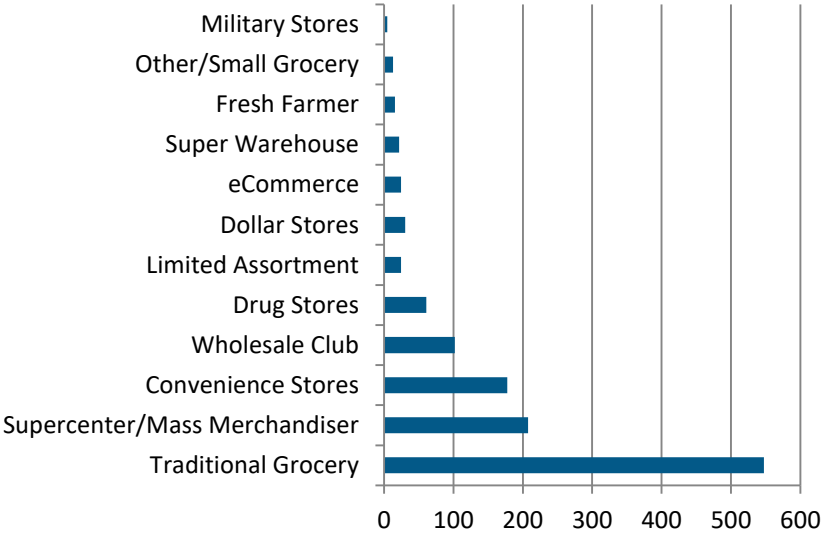
Source: USDA, Economic Research Service using 2010 Nielsen Homescan data.

I. Market Overview

B. US Food Sector

Food Retail – US Retail Landscape (2014)

2014 Sales per Retailer Type (bilions of USD)



% Change in sales from 2013 to 2014



<http://www.foodprocessing.com/articles/2016/food-and-beverages-changing-retail-landscape/>

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II. Market Opportunities

A. Fish

B. Grains

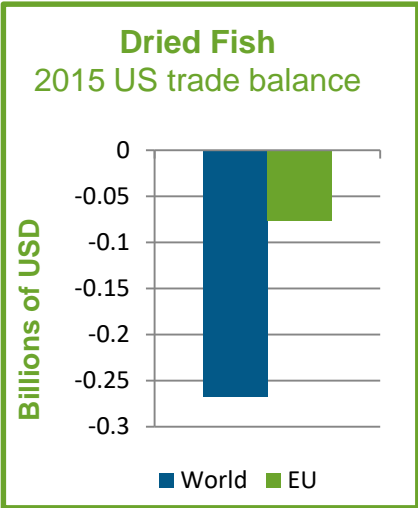
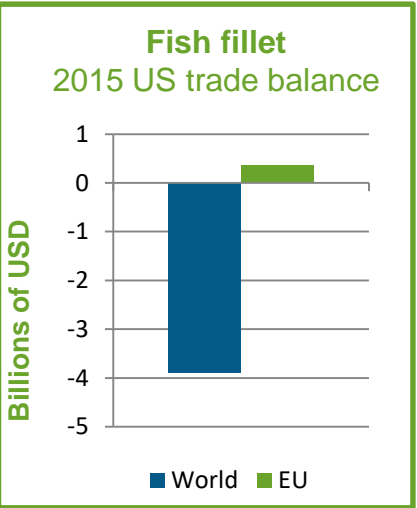
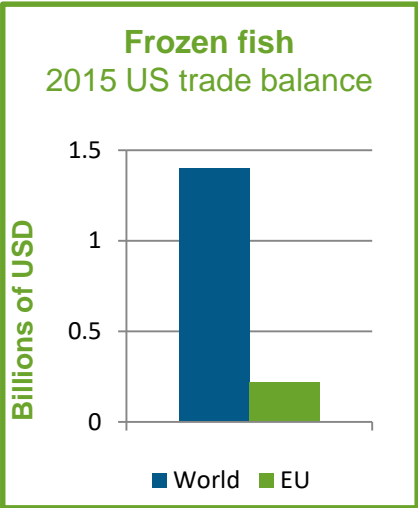
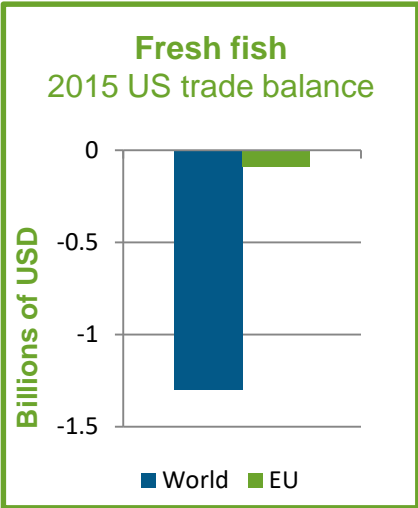
C. Fruits & Olives

D. Vegetables

II. Market Opportunities

A. Fish: Import/export Trends

- **The US seafood trade deficit reached \$14.3 billion in 2014**, making it one of the country’s largest commodity trade deficits.
- Although the US is the second largest world seafood consumer, **only 4% of seafood imports are from the European Union (2015)**.



II. Market Opportunities

A. Fish: Import/export Trends

	Fish type	2013-15 Variation (\$)	2013-15 Variation (%)
Imports from the EU to the US	Fresh and chilled salmon (60% of fresh fish imports)	\$75m to \$60m	-20%
	Fresh and chilled trout	\$1.7m to \$4.0m	+135%
	Frozen tooth fish,(50% of frozen fish imports)	\$5.3 to \$10.2m	+92%
	Frozen swordfish (14% of frozen fish imports)	\$0.8m to \$3.0m	+275%
	Frozen sole	\$8.2m to \$2.5m	-70%
	Tuna fillets	\$0.9m to \$3.9m	+333%
	Cod fillets	\$5.9m to \$3.1m	-48%
	Prepared or preserved eels	\$26m to \$59m	+126%
Exports from the US to the EU	Fresh rays and skates	\$4.7m to \$2.6m	-45%
	Fresh salmon	\$0.7m to \$2.9m	+314%
	Frozen sockeye salmon	\$98m to \$202m	+106%
	Caviar or caviar substitutes from fish eggs	\$9.3m to \$16.1m	+73%

II. Market Opportunities

A. Fish: Opportunities and Barriers

Opportunities

Increasing demand



Market pressure to decrease price

Barriers

- Improvement per capita disposable income
- Growing interest for healthy lifestyles

- Price competitiveness without compromising quality and reliability

II. Market Opportunities

A. Fish: Market Trends

- 1) Americans who are **age 55 and over** also consume higher amounts
- 2) The Americans who live in the **Southern or Western US** have a higher preference for fish
- 3) Most consumers consist in households with an **annual income between \$20,000 and \$60,000**
- 4) Fish is mainly consumed on **weekdays**
- 5) Almost all US consumers eat fish **at home** (rather than carried from home and eaten elsewhere)
- 6) Primarily as a main dish (90%) and during dinner.
- 7) Primarily looking for fish products which are **healthy and convenient**
- 8) More than half of Americans would like to see information about **sustainability on packaging**

II. Market Opportunities

A. Fish

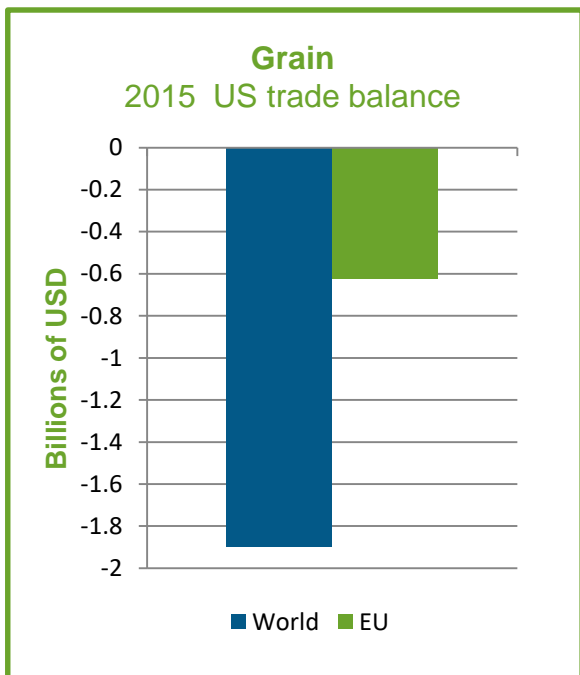
B. Grains

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II. Market Opportunities

B. Grains: Import/export Trends



Grain type	Imports from the EU to the US			Exports from the US to the EU
		Cereal grains	Cereal flours	Swell cereals
2013-15 Variation (\$)	\$6.5m to \$14.1m	\$2.6m to \$4.3m	\$12m to \$45m	\$1.6m to \$5.7m
2013-15 Variation (%)	+117%	+65%	+275%	+256%

II. Market Opportunities

B. Grains: Opportunities and Barriers

Opportunities



Barriers

- Non-GMO grain demand is not met
- Price change due to change in USD strength
- ↑ Price due to natural disasters and bioethanol production
- ↓ Price due to large supply (GMO farming)

II. Market Opportunities

B. Grains: Market Trends

- 1) Switch from **low-fat diets to low-carbohydrate diets** led to a drop in the US consumption of grains
- 2) Growing demand for **whole grain** foods has been particularly observed among people with sensitive digestive systems
- 3) **Decreasing consumption of bread** over the past few years, which is mostly a consequence of the unhealthy perception
- 4) **Pasta consumption has continued to be popular** due to its low price, quick preparation and multiple applications.
- 5) In the particular case of bakery wares (e.g. bread, pastry, cakes and biscuits) - switch from focusing on what the food is missing (e.g. “reduced fat”) **to what the food itself is** (e.g. “simple”)
- 6) **Uncertain future demand for gluten-free grain** products.

II. Market Opportunities

A. Fish

B. Grains

C. Fruits & Olives

D. Vegetables

II. Market Opportunities

C. Fruits & Olives: Import/export Trends

Overall, there has been a **growing US trade deficit** in fresh and processed fruits over the last decade, as fruit imports have been increasing at a higher rate than fruit exports.

	Fruit type	2013-15 Variation (\$)	2013-15 Variation (%)
Imports from the EU to the US	Jams and fruits preserved in a liquid not made of vinegar or sugar	\$209m to \$272m	+30%
	Fruit juice: Apple juice	\$72m to \$161m \$21m to \$76m	+124% +262%
Exports from the US to the EU	Fruit juice:	\$179m to \$128m	-28%
	Frozen orange juice	\$79m to \$46m	-42%
	Cranberry juice	\$52m to \$39m	-25%

II. Market Opportunities

C. Fruits & Olives: Opportunities and Barriers

Opportunities



Barriers

- Open domestic import regime
 - Lower average import tariffs
 - Counter-season market opportunities
-
- Low and decreasing demand
 - Increased competition from low-cost or government-subsidized production
 - High domestic supply due to the several non-tariff barriers for the exportation of fruit produced in the US

II. Market Opportunities

C. Fruits & Olives: Market Trends

- 1) In the US, fruit consumption decreased 6% from 2011 to 2016, primarily due to a 14% drop in the consumption of fruit juice
- 2) Driven by double digit **declines among adults who are 45 and older**, particularly among 65 and older adults who have been eating less fruit “as is”, particularly bananas
- 3) **Decreasing popularity of fruit juice** mostly driven by the ongoing interest in consuming low-carbohydrate foods and the increasing competitive set of beverages available to consumers, such as the flavoured waters
- 4) Growing consumption of fruit as a **snack**, particularly during the morning, such as convenience fruit (e.g. Mandarins)
- 5) Almost all fruit (90%) consumed in the US is **sourced from or prepared at home**

II. Market Opportunities

A. Fish

B. Grains

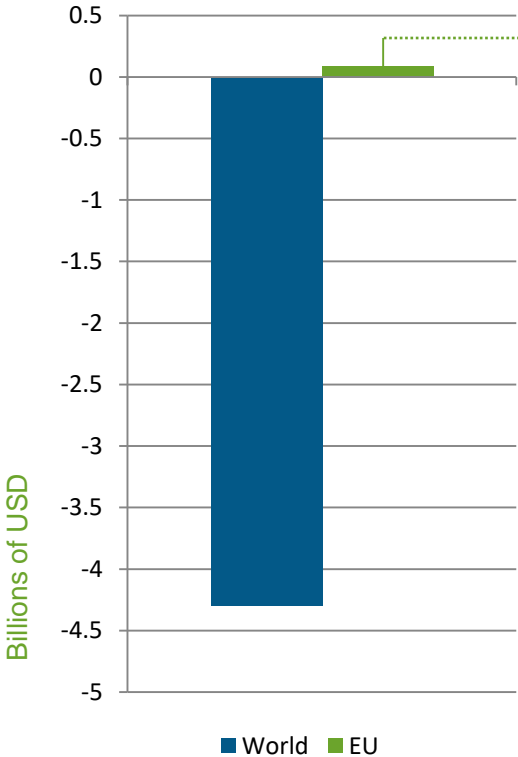
C. Fruits & Olives

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II. Market Opportunities

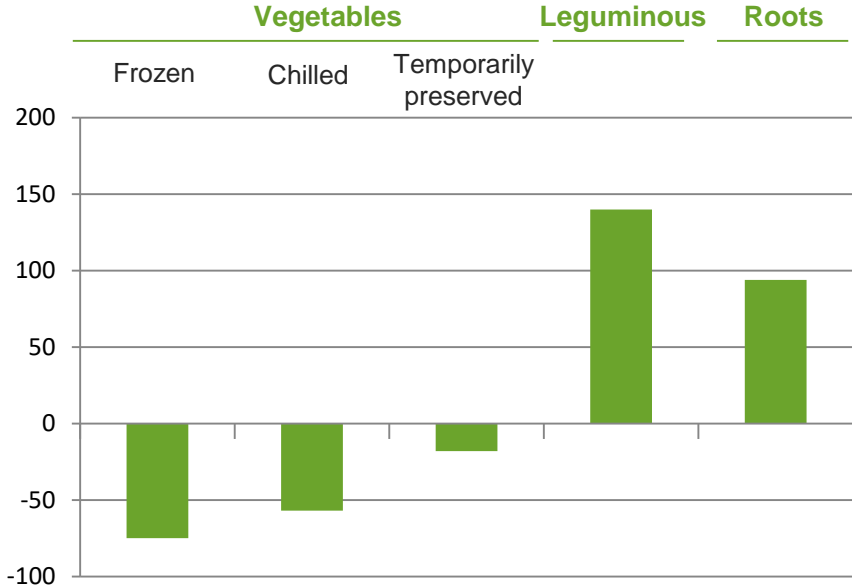
D. Vegetables: Import/export Trends

Vegetable and mushrooms 2015 trade balance



The trade deficit of edible vegetables was offset by the trade surplus of edible leguminous vegetables and vegetable roots.

Vegetable and mushrooms 2015 trade balance with the EU / millions of USD



II. Market Opportunities

D. Vegetables: Opportunities and Barriers

Opportunities



Barriers

- Canned cultural specific products may have a niche market
- Specialty vegetables representing high priced items
- Added value items (e.g. minimally processed items)
- Decreasing demand
- High quality vegetables grown on very fertile land in the US
- Yields per acre are high with the support of world leading post harvest technology
- Import competition from Mexico and South America (e.g. Chile)

II. Market Opportunities

D. Vegetables: Market Trends

- 1) **Females over 65 consume more** vegetables than the average of consumers
- 2) **Decreasing consumption among certain groups**, namely: consumers with incomes \leq \$20k; 1-2 member households without children present; Asian and African American consumers; retired female or household head; and consumers living in the east and west south central and mid-Atlantic US regions
- 3) Decreasing consumption of vegetables mostly due to its decreasing popularity **as a side dish during dinner**
- 4) Although traditionally US consumers seek **convenience and taste in vegetables**, there has been a growing interest in vegetables which are organic and locally produced.

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