



*Daniel Best
Best Vantage, Inc.
Northbrook, IL, U.S.A.*

Food Industry Prognostications—2011

New year predictions are always risky, especially in these times of convergent black swan landings (5). Can we agree that our global situation appears distressingly turbulent? I’ve noticed that my tea leaves stubbornly resist discernable patterns, and I know that I am not alone in my frustration. Putting predictions into print, of course, runs the risk of being held accountable for them 12 months hence, although pundits would wager that such prognostications are read but once, for amusement, before consignment to the “auld lang syne.” Thus, shall I take the dare and project this thread into the future where so few dare to tread... methinks.

Omega-3s

Because they are linked to so many metabolic and other health disorders, omega-3s are arguably one of the most important nutrient deficiencies in U.S. and other Western diets. Until now, much of the debate has focused on the relative nutritional merits of the animal- or algae-sourced long-chain omega-3 essential fatty acids eicosapentaenoic acid (EPA) and docosahexaenoic acid (DHA) versus the plant-sourced short-chain omega-3, α -linolenic acid (ALA), which converts through animal metabolism into EPA and DHA. The argument has been made that metabolic conversion of ALA to EPA and DHA is too slow and that plant sources, therefore, are inefficient sources of omega-3s compared with fish or biotech algae. One may note, however, that to date no studies have found vegetarians to be nutritionally deficient in omega-3s. Quite the contrary (4)!

Prediction. The pendulum will swing in favor of plant-derived ALA omega-3 as the preferred source of omega-3s due to several factors. Part of this shift will result from pressure on fishery stocks and consumer concerns about food sustainability. Another part will stem from a recognition that plant-derived sources of ALA omega-3 (e.g., flaxseed, soy, chia, and nuts) represent the majority of omega-3 sources in human diets and cost far less.

Yet another part of this shift will be driven by researchers who are starting to appreciate that conversion of ALA to EPA and DHA may be far more efficient than was once thought, converting rapidly in the liver for transport to target tissues in the brain, eyes, and other organs. Look particularly closely at the work emanating from Stanley Rapoport’s team at the National Institutes of Health (Bethesda, MD), where they are using techniques such as PET-scan imaging and serum lipid infusions to trace omega-3 deposition in animal and (soon) human tissues (2).

Lifestyle Nutrition Disorders

Obesity and vitamin D deficiency (3) have become two widely recognized national public health crises. Ever in search of scape-

goats, politicians, social activists, and (sadly) some members of the medical and nutrition communities have been quick to point fingers at food companies for pushing their products on vulnerable, unsuspecting consumers in pursuit of a fast buck. I maintain that these are not nutritional diseases. These are cultural and lifestyle diseases that reflect massive shifts in human activity from active outdoor to sedentary indoor environments, where (in the case of vitamin D deficiency) sunlight is absent and night-owl behavior is increasingly common, especially among the young. Medical advice advocating the use of strong sunblocks and other forms of sunlight avoidance certainly hasn’t helped. Fundamentally, obesity happens when people with too low levels of activity consume too many calories. Changing the foods we eat won’t change these underlying realities.

Prediction. The obesity crisis will globalize *pari passu* (hand-in-hand) with the rapid dissemination and acceptance of video-screen and communication technologies in the workplace, play spaces, schools, and homes. Food companies, of course, will struggle to develop reduced-calorie foods, likely to no public health avail. However, this should help keep many food company marketers, product developers, and shareholders gainfully employed for the foreseeable future. Discussions on the use of grain foods to supplement vitamin D intake will continue to rise: grain foods, which already vector a wide variety of vitamins and minerals to consumers, will be identified as natural candidates for vitamin D supplementation.

Food Price Inflation

We are already seeing signs of serious consumer price inflation. This came to the attention of the media some time ago with biofuel and animal feed export-linked rises in corn and soy prices. The current bout of food ingredient inflation is more systemic and widespread. Today inflation affects corn, sugar, meats, grains, fruits, vegetables, cocoa, coffee, etc.

Part of this has to do with climate conditions—massive failures in the Canadian grain harvests in 2010 in part can be attributed to massive spring flooding, late plantings, a cool summer, and early frosts. Problematic crop yields have also occurred in Russia, South America, and Australia. Fruit and vegetable crop yields in Florida, California, Brazil, and South Africa perennially fall victim to freezes.

There are three schools of thinking on climate conditions: global warming, no climate change, and global cooling. The arguments for global warming have been made again and again. The arguments for global cooling are less well known. They are based on solar activity and ocean current cycles that, in the past, have correlated well with weather. One climate forecaster who may not be well known but who bears consideration is British meteorologist and astrophysicist Piers Corbyn, founder of the

WeatherAction forecasting service. Corby notes that we are in a period of sharply declining solar activity that is not expected to bottom out until 2020. If he is right, we can predict more turmoil in food supplies ahead. Oh, and one other thing, for the past three years his weather and climate forecasts have been “on the money.”

For the United States, price inflation will result from anticipated currency devaluation as the Federal Reserve’s Quantitative Easing (QE-2) hits home in mid-2010. The United States fairly recently became a net importer of foods. Devaluations in the U.S. dollar also should raise the price of imports and fuel exports, which would impact domestic food prices.

Prediction. Food price inflation will continue, driven both by currency devaluations and crop shortfalls. If crop zones shrink as economies fail and political turbulence increases, will we see a return to 1960s- and 1970s-style famines in vulnerable parts of the world? What will this mean to our industry? When food becomes more expensive, consumers more carefully scrutinize the “value” of their food purchases. As recent experience has shown, processed food (cereals and other grains) companies can do quite well in periods of recession as consumers eat and bring their entertainment activities closer to home. This is a good time for food companies to add new creative value to their food products (hint: nutrition sells). However, this is probably an especially bad time to try to short-change consumers (discussed below).

Truth in Packaging

Consumer Reports is on to it (in the February issue according to a January 4 press release); the mass media is on to it; and Mintel’s *New Products* maven Lynn Dornblaser characteristically has been on to it for at least two years—since the beginning of the economic crash (1). Food companies have been shrinking their package sizes, hoping that consumer won’t notice. This is the product of insular marketing “group think” processes, and it is dangerous.

In a different city, far away and long ago, I worked with a very bright, “free-thinking” new hire in product development. Her task was to accomplish cost reductions for a cake frosting mix SKU that had been in chronic decline. Her task was to cut costs, and marketing research would comparison test the new formula against the old to determine that there was no statistical significance in product perceptions by consumers. Once “no statistical significance” was accomplished, everyone could accept kudos for a job well done, and the product manager could expect a bonus and promotion. “Statistical significance” is a sticky concept, and the product development newbie threw in a curve—when she presented the formulas to marketing, she included an original product formulation that had been conceived quite a few “statistically insignificant” cost-cutting cycles back. In her presentation, the quality degradation of the current frosting mix from the original formulation over time was evident. Marketing was not amused, and she soon lost her job. The consumers were not fooled, however, and the product category continued its death spiral.

You can fool some customers some of the time, but they don’t like to be fooled. In a time of spiraling prices, food manufacturers should be especially careful about protecting their brand image. Brand loyalty is about trust—a critical variable that justifies price premiums. If you break trust with your customers, it can only be good news for store brands and private label companies. It only takes one incident to break trust, and in the Internet age, “broken trust” goes viral very quickly. It may never be regained.

Prediction. Under increased food price pressures, disillusionment with traditional brands will grow, and more consumers will investigate emergent brands.

And, on that happy note, I shall take my bows as your prognosticator and await your verdict next year—if you remember.

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Daniel Best is president of Best Vantage, Inc., a Northbrook, IL, based food business and technology consulting firm, as well as director of sales and technical services for ENRECO, Inc., a Newton, WI, based flaxseed and healthy grain ingredients supplier. He is also a former editor of *Cereal Foods World* who believes strongly in the fundamental nobility of the food industry. AACC Intl. member Best can be reached at dbest@bestvantageinc.com.

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