

KEY CONSUMER TRENDS IN **FOOD & AGRICULTURE**

IF HINDSIGHT IS “2020”, WHAT WILL 2021 BRING US?

WE LOOK AT HOW COVID-19 IMPACTED OUR “KEY TRENDS FOR 2020 AND BEYOND”,
AND SHAPED THE CONSUMER FOOD TRENDS THAT WILL BE PREVALENT THROUGH 2021 & BEYOND.



INSIGHT FROM ORIGIN MERCHANT PARTNERS
SENIOR ADVISOR, STEVE BROMLEY

As we headed into 2020 and the dawn of a new decade, we noted that consumer preferences had been and were continuing to undergo significant change. We also noted our belief that many of these changes would only accelerate heading into the new decade. And then...along came the COVID-19 pandemic, changing almost every aspect of our lives, including our foods preferences and what we eat, where we eat and how we get our food. The changes have been profound and how the future will unfold is currently less than certain. As one food executive said, “If hindsight is 2020, then it is anybody’s guess what 2021 will bring!”

In this report we look back on the key trends we identified for “2020 and beyond”, assess how these have evolved over the past year and consider how emerging pandemic trends may impact the course of these trends and others into the future.

OUR KEY TRENDS FOR 2020 AND BEYOND

1. Continued growth of alternative food options
2. Demand for sustainability/traceability/traceability
3. Emergence of cannabis-based foods and beverages
4. Personalized eating – “Eating for Me”
5. Pressure on iconic foods brands

EMERGING COVID-19 TRENDS TO WATCH

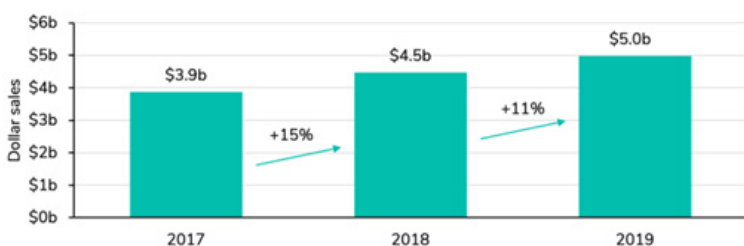
1. Home cooking – the rise of the “home chef”
2. Proactive self-health and self-care – “food as medicine”
3. Multi-channel delivery options – “when and where I want it”
4. Plant-based foods – driven by health and sustainability
5. Value, value, value!

KEY TRENDS IDENTIFIED FOR 2020 AND BEYOND – HOW DID THEY FARE OVER THE PAST YEAR?

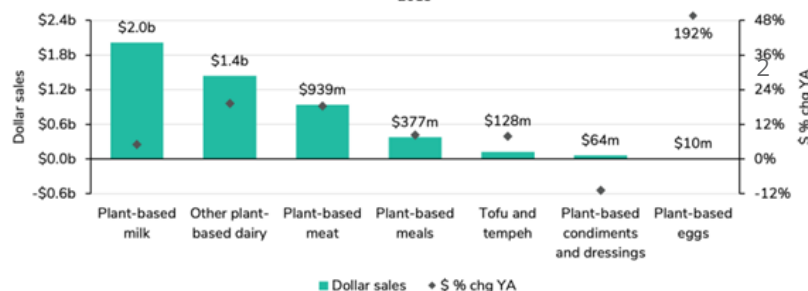
Trend #1. Continued Growth of Alternative Food Options

At the start of 2020, consumers were demanding alternatives for many foods including meats, dairy, breads, sweeteners, ingredients and more. We believed this would be a key trend for the future, driven by a combination of health, wellness and sustainability demands. This has certainly been the case as plant-based foods, a key alternative category, increased 11% in 2019 and 29% from 2017, across a number of products from dairy through meats, eggs, meals and more. And recent reports suggest growth in a number of these categories could be in excess of 40% once the results are in for 2020.

Total U.S. Plant-Based Food Market



Total U.S. Plant-Based Food Dollar Sales and Dollar Sales Growth by Category 2019



Source: SPINSscan Natural and Specialty Gourmet (proprietary), SPINSscan Conventional Multi Outlet (powered by IRI), 104 weeks ending 12-29-2019

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Source: SPINSscan Natural and Specialty Gourmet (proprietary), SPINSscan Conventional Multi Outlet (powered by IRI), 52 weeks ending 12-29-2019

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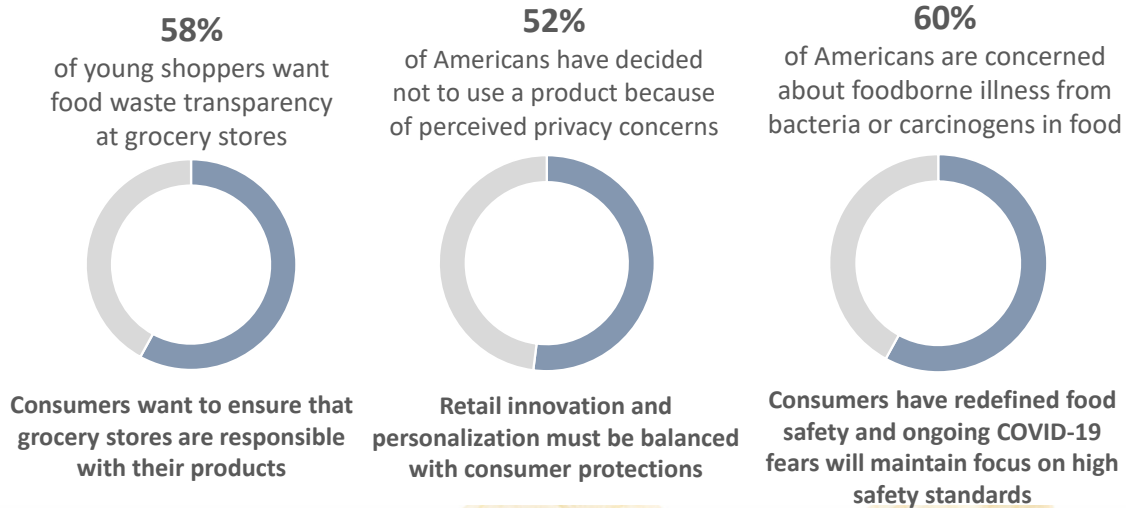
In our opinion the pandemic has done nothing to slow this trend; in fact it has accelerated, with consumers looking to healthier diets to support both their physical health and the health of the planet. The rise of alternatives and specifically plant-based foods was identified by Innova Market Insights as a trend reaching “global phenomenon” status with rising mainstream growth as we head into 2021. So check the box - the growth of alternative food options is alive and well and trending as predicted.”

KEY TRENDS IDENTIFIED FOR 2020 AND BEYOND – HOW DID THEY FARE OVER THE PAST YEAR?**Trend # 2. Demand for Sustainability/Transparency/Traceability**

In our report, we noted that consumer expectations around sustainability and transparency were higher than ever, and we expected this to grow as environmental and social issues gained more visibility. As we look back at 2020, there is clear evidence that companies reacted to these demands, including with transparent processes and a focus on carbon footprint reduction, renewable energy, recycling, low-impact packaging and distribution options and reduced food waste.

The recent Innova Market Insights Consumer Survey identified “transparency” as their #1 trend for 2021 and noted that 6 in 10 global customers are interested in learning more about where their food comes from, with 1 in 3 saying that their concerns increased in 2020.

As customers continue to seek trust, transparency will be brand currency ¹



TRANSPARENCY TRIUMPHS ²

3 in 5

Global consumers say that they are interested in “learning more about where the food comes from and how it is made”

3 in 4

Global consumers say that they expect companies to “invest in sustainability”

So - check the box on this trend as well - while the pandemic may have had a short-term impact, we continue to believe that demand for sustainable and transparent foods is here to stay and this train will not be coming back to the station any time soon.

Trending as predicted.

KEY TRENDS IDENTIFIED FOR 2020 AND BEYOND – HOW DID THEY FARE OVER THE PAST YEAR?

Trend # 3. Emergence of Cannabis-based Food and Beverages

Going into 2020, we noted that the legalization of cannabis for recreational and medicinal purposes was continuing at a rapid pace around the globe. We also noted that in our opinion, food and beverage manufacturers, in addition to cannabis companies, would pay strong attention to this trending ingredient and be proactive in adapting their products to tap into its potential popularity.

While the COVID-19 pandemic has slowed the legalization of cannabis around the globe, we believe this is only a delay and the trend to legalization will continue. In fact, we expect significant developments in the US under the new administration, which appears prepared to make big changes to current legislation on the federal level.

While the pandemic may have slowed legalization, it did not slow the growth of edibles (adult-use and medicinal). Across 5 US states where consumption is legal, end of year data shows that edible sales grew by 60% to USD\$1.23 billion, outperforming total cannabis market growth, with total cannabis-infused products reaching nearly USD\$3 billion in sales across the country. While edibles are growing, the continued development of food and beverage applications is expected to accelerate in the coming years.

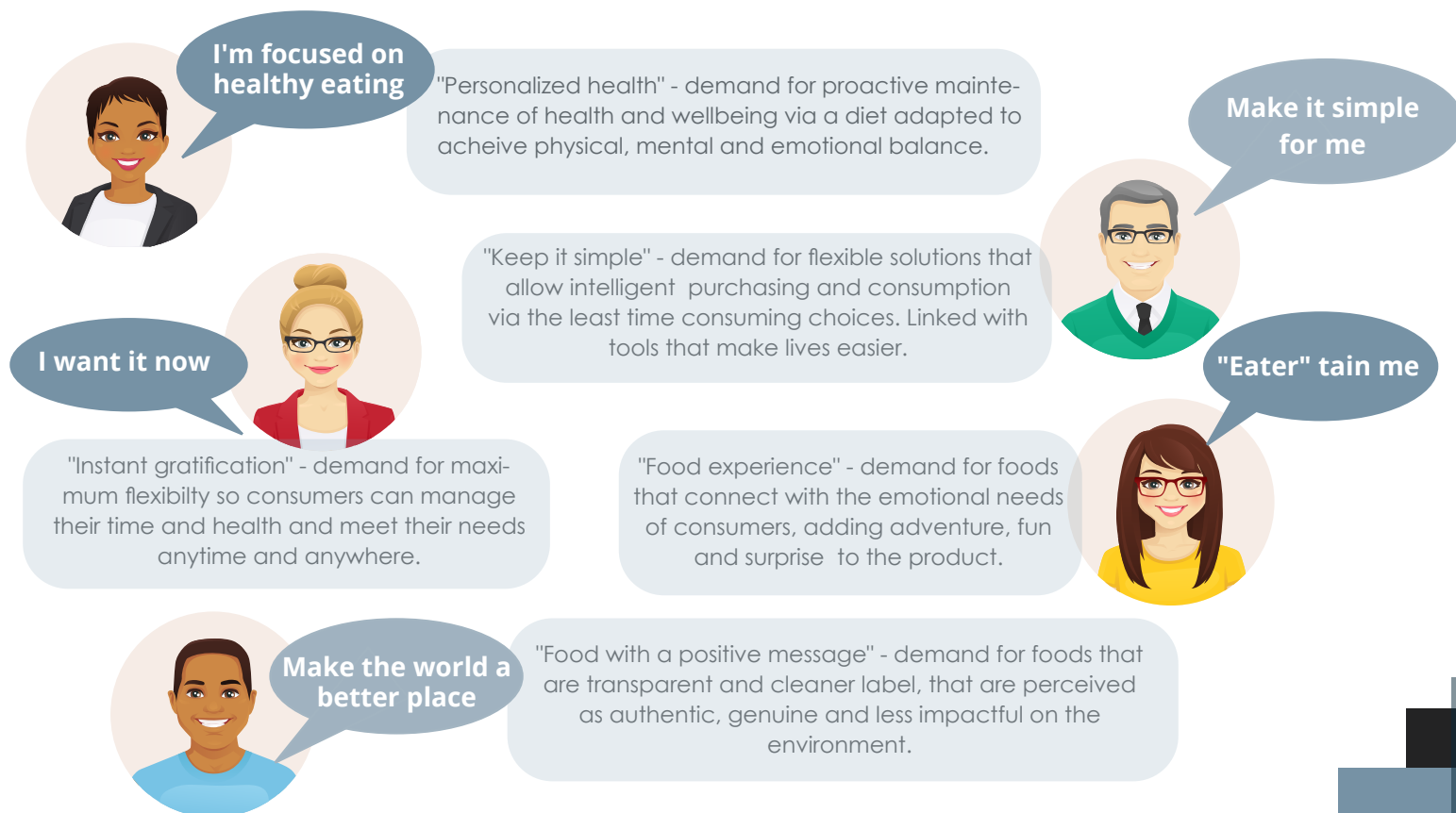
So, while time will tell how cannabis-based food and beverage applications will evolve, our bet is that this is still one to watch closely as consumers grow to accept the medicinal and/or adult-use benefits of cannabis, and look to consumption via foods and beverages. A developing trend to keep an eye on.

TBD...

KEY TRENDS IDENTIFIED FOR 2020 AND BEYOND – HOW DID THEY FARE OVER THE PAST YEAR?

Trend #4. "Personalized Eating - Eating For Me"

In our 2020 report, we noted that food is no longer just sustenance for many consumers, with choices incorporating personal and emotional elements driven by individual needs and preferences. This, in turn, was driving the need for food and beverage players to increase their focus on innovative processes, products and delivery options to remain relevant. We suggested that the "personalized eating" trend would grow as food companies developed flexible and adaptable innovation processes to meet ever-changing consumer needs.



While we did not see the pandemic coming, nor the profound impact it would have, there is no doubt that "eating for me" has, in fact, accelerated. Demand for healthy eating, transparency and simplicity has grown, omnichannel delivery options have exploded, and now, more than ever, personalized nutrition is in the spotlight as consumers look for food and beverage options that fit their unique lifestyles.

The Innova Consumer Survey 2020 noted that 64% of global consumers have found more ways to tailor their life and products to their individual style, beliefs and needs and noted "Tailored to Fit" as one of their top food trends for 2021.

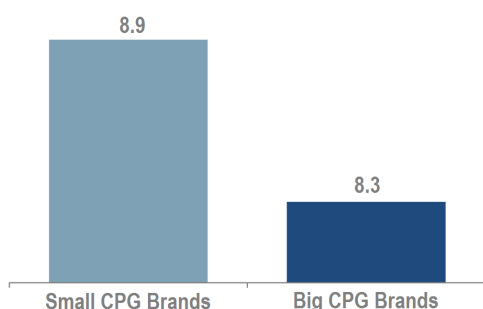
So, the "personalized eating" trend continues to accelerate and will be fascinating to watch as the decade unfolds. ***We believe this could be one of the most profound trends that lies ahead:*** food when we want it, how we want it, where we want it, and how we want to get it. Stay tuned!

KEY TRENDS IDENTIFIED FOR 2020 AND BEYOND – HOW DID THEY FARE OVER THE PAST YEAR?

Trend # 5. Continued Pressure on Iconic Foods Brands

Finally, we noted that iconic legacy brands had come under pressure as consumer preferences shifted to health and wellness, innovative flavors and tastes, sustainable business processes and new technologies. The playing field had shifted and smaller brands were gaining significant share at the expense of the “big boys”. We suggested that this would be a key trend to watch, and that without a fundamental change in direction, large legacy brands could continue to lose share.

Smaller Brands Now Trusted More Than Big Brands

Trust Ratings of big and small brands¹

Big Food Losing Share



"\$17 billion in U.S. CPG industry sales have shifted from large players to small ones since 2013"³

Growth Has Become Elusive

Over the past year the sales of **small CPG firms grew** at about 5.8%, **far faster** than the .9% growth rate of the largest CPG brands.

And then along came the COVID-19 pandemic, providing that “fundamental change” many large food companies could only have dreamed of. Almost overnight, the center of the store - where many iconic brands were dying - was back in style as consumers raced to fill their pantries. This move back to the center of the store has been sustained, which bodes well for many of the traditional legacy brands as consumer habits, once established, are slow to change. In addition, consumers have come to realize that \$50 previously spent on a restaurant meal can now be invested in high quality, better for you ingredients and products to make at home. This, combined with grocery retailers slowing innovation and new product launches in favor of keeping their shelves filled with legacy brands, has created a very interesting opportunity for traditional iconic brands to reclaim lost favor.

So, while we do not believe iconic brands have fully escaped the bounds of slow to negative growth, *the pandemic has certainly brought new interest, and if managed well, perhaps provides a new lease on life.*

We'll keep watching this one.

TBD...

WITH 2020 HINDSIGHT – OUR THOUGHTS ON WHAT LIES AHEAD

With the benefit of “2020 Hindsight”, it is apparent that while our “5 Key Trends for 2020 and Beyond” have been impacted both positively and negatively, all remain relevant and will continue to evolve over time.

These trends will be further driven by key behaviours that have emerged during the pandemic. Behaviours become habits over time, and given the many months we have been in pandemic restricted living, many of these new behaviors have likely transitioned to habit, in turn, impacting long-term trends.

HOW MANY DAYS DOES IT TAKE TO FORM A HABIT?

16 MINIMUM

66 AVERAGE

254 MAXIMUM

NEW BEHAVIOURS WHICH WE BELIEVE WILL IMPACT LONG-TERM TRENDS INCLUDE:

HOME COOKING

CANADIANS ARE STILL
BAKING BREADS AND
CAKES LIKE CRAZY!



BAKING NEEDS

+\$362M
+39%

FLOUR

+56%

SUGAR

+28%

CHOCOLATE
CHIPS

+56%

SEMI-MOIST
FRUITS

32%

THE PANDEMIC COULD PERMANENTLY ALTER CANADIAN FOOD HABITS³



60% Are cooking more at home during the pandemic



47% Are looking for new recipes more than before the outbreak



22% Are buying healthier foods



50% Intend to buy more local products when things are “Back to normal”

47%

Intend to cook more when the pandemic is over



PROACTIVE SELF HEALTH AND SELF-CARE – FOOD AS MEDICINE



The pandemic has driven a focus on health and wellness and “food as medicine”, with many consumers seeking healthy products that deliver functional benefits like immunity, or products that are packed with heavy loads of protein, ancient grains and/or other nutritionally dense ingredients. As with the emergence of home cooking, we believe the pandemic has accelerated the self-care movement and this will continue well after the pandemic has exited stage right. In fact, according to the Innova Consumer Survey 2020, 6 of 10 global consumers are looking for food and beverage products that support immune health.

As mindsets continue to shift from cheap calories to affordable nutrition, consumers are expecting more from their food

BETTER FOR YOU

Channel today:

Themes for retailers to incorporate into products they carry:

MULO

- Optimized nutrition and flavor in traditional categories
- Better plant-based ingredients (higher oleic soy, myceliated protein)
- Hexane-free production (natural blue dyes)
- Antibiotic-free certified animal protein

FUNCTIONAL FOOD

Natural Channel

- Phytonutrients to support human health
- Metabolic-boosting ingredients

FOOD AS MEDICINE

Specialty Medical

- Preventative medical food
- Augmented medical treatments

MULTI-CHANNEL DELIVERY OPTIONS – WHEN I WANT IT, WHERE I WANT IT!

If there is one trend that defines the impact of the pandemic, this might very well be it. The growth of on-line delivery options grew faster in 8 weeks than the previous 10 years, and the seismic shift in how we get our foods continues. We strongly believe this is just the beginning and predict multi-channel delivery options will continue to expand, driven by demands for convenience, safety and just-in-time everything!

ON-LINE IS GROWING BY BRINGING IN MORE SHOPPERS, AND GETTING THEM TO SPEND MORE

+86%

Vol. \$ & chg of on-line sales for food categories 12 Weeks to Oct. 2, 3030 vs YA

23%

More buyers
Penetration: 19.7% +4 pts.

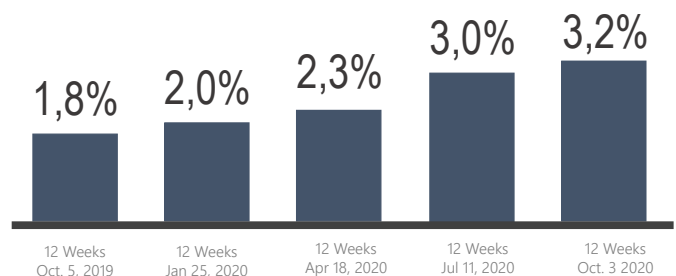
53%

More transactions
11 million transactions

52%

More spending
Average basket of \$53

Market Share – Online Sales (Canada)
GROCERY COMP¹



Source; 1. Nielsen Homescan ST, Grocery Composite Canada, All buyers, 12 weeks ending Oct 3 2020

PLANT-BASED FOODS – DRIVEN BY HEALTH BENEFITS AND THE SUSTAINABILITY OF OUR PLANET

Say no more, the statistics speak for themselves. We've seen increased demand for "plant-based everything", not just meats and beverages. Plant-based diets are being heavily touted for a wealth of health benefits including reduced cancer, heart-disease, stroke and diabetes, and also for being more sustainable than other options, aligning with consumers' social beliefs. As with our key trend of alternative foods, we do not see this slowing down any time soon.



VALUE, VALUE, VALUE!

Early on in the pandemic we detailed how we expected that increased supply chain costs and reduced promotions due to demand would lead to food price inflation, and as a result we expected consumers to seek bang for their buck, purchasing private label, value sized products and stocking up more during promotions. We have seen price inflation across certain foods categories combined with the economic woes of the pandemic including record unemployment and uncertainty. As a result, consumers are seeking value packaging formats as an arbitrage to stretch their foods dollars, and we believe this will continue.



WHERE TO FROM HERE?

The pandemic will end, and we will return to some form of a "new normal" in the coming weeks, months and years. And we'll continue to eat each and every day...with constant changes to our eating preferences and priorities being the norm, not the exception.

We'll be keeping an eye on the markets as consumer preferences evolve, with one thing that we can say for certain.....

.....WE'LL ALL KEEP EATING!

FOR MORE INFORMATION *on our insights into the food & agriculture sector or to discuss this report further,*
PLEASE CONTACT OUR ADVISORY TEAM:



Steve Bromley
Senior Advisor
steve.bromley@originmerchant.com
t: 416-775-3697



Andrew Muirhead
Principal
andrew.muirhead@originmerchant.com
t: 416-800-0697



Perry Caicco
Senior Advisor
perry.caicco@originmerchant.com
t: 416-450-3518



Jim Osler
Principal
jim.osler@originmerchant.com
t: 416-800-0784



Karen Fisman
Director, Business Development
karen.fisman@originmerchant.com
t: 416-779-3658



Matt Rome
Director
matt.rome@originmerchant.com
t: 416-800-1712

