

NUTRITION BUSINESS JOURNAL

Change on the big end of the spectrum

Natural products companies continue to lead,
even as big business steps in

By Rick Polito

With politics careening from one jarring gaffe and misstep to the next, it'd be easy to believe that the world is descending into chaos. Indeed, certain residents in the nation's capital seem intent on hastening that decline.

The natural products industry, however, has other ideas. And the rest of the world is listening, and maybe even following.

At press time, we had just learned that the CEO of BlackRock, the world's largest investment management company, has put the corporate world on notice that the companies it backs are expected to "serve a social purpose." In short, a company that manages \$6.3 trillion is demanding that companies be better at making the world better. The same day, we heard the announcement that **Nestlé** is selling off its candy business. That's right, Nestlé doesn't make candy anymore. Instead it is buying into the health and natural products space more than ever with their \$2.3 billion acquisition of Atrium Innovations.

But wait, there's more! As the BlackRock and Nestlé announcements came out, we learned that Ford is putting \$11 billion into electric vehicles.

The private sector isn't waiting for politicians to save the world.

Big companies could learn a lot from

the companies we honor in the *NBJ Awards Issues*, and maybe they already are. In last year's issue, we made a similar call-out to "business as a force for good." To see that idea adopted on a global scale is encouraging, but the path the NBJ Award winners are blazing is far from its end.

The winners

The omega-3 category has seen some tough years, but **Marine Ingredients** is using innovation to drive healthy growth, even as the death of co-founder and executive vice president Bruce Miller and the recent merger with **KD Pharma** marks a new era—both painful and exciting—for the company.

SmartyPants was the right brand at the right time to catch the gummies wave, but it was smart marketing and **Amazon** expertise that helped the company double in size every year.

With organic and plant-based on its supplements labels, **Ora Organic** is hitting the right notes with millennials to drive a whopping 400 percent growth.

It would seem unlikely that an executive at a big conventional packaged goods company would be considered for an NBJ Award, but **Campbell Soup Company** President and CEO Denise Morrison is

NBJ Award winners

- » Large Company Growth
Marine Ingredients
- » Medium Company Growth
SmartyPants
- » Small Company Growth
Ora Organic
- » Management Achievement
Denise Morrison – Campbell Soup Company
- » Mission and Philanthropy
Farm Aid
- » Stewardship and Sustainability
Sustainable Coffee Challenge
- » Supply Chain Transparency
Sabinsa
- » Science and Innovation
BioCollective
- » Efforts on Behalf of Industry
Plant-Based Food Association
- » Education
The Organic and Natural Health Association and Grass Roots Health for their Know Your Levels program

tugging the food giant in a healthier direction with voluntary GMO labeling, smart acquisitions and other unexpected initiatives.

It borders on the ironic that reporting suggests the natural products industry is not as involved as it could be in agriculture policy, but **Farm Aid** could be the ideal partner for more involvement, as Washington appears to turn its back on the family farm.

Many of us look at coffee as the most important functional ingredient of the

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Rick Polito, Editor in Chief

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Claire Morton, Industry Analyst

Katie Dove, Design Team Manager

Nancy McLaughlin, Designer

Kim Merselis, Business Development

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NBJ's 2017 Supplement Business Report



With growth steadier, and the regulatory tumult toned down, now is the time to make solid decisions based on solid data in the supplement industry. With **385 pages, 133 charts, 50 company profiles** and commentary from the most thoughtful voices in the industry, consider this report your navigational chart. **Receive 10% off as an NBJ Subscriber.**

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LETTER FROM NBJ: BACKWARD GLANCE, FORWARD VISION

It may be January, a season of looking forward, but Awards are about successes already accomplished. Those successes set a course into the future, but they can be a response to challenges we hope to leave behind.

But what of the challenges we *can't* leave behind?

Not quite a year ago, I was writing the cover story for Dark Issue 2, addressing concerns that an anti-regulation atmosphere in Washington would test the supplement industry to stay on the high road. Nobody predicted any dramatic and immediate effects, but a year later, we are left wondering if there were any effects at all.

We've gone a year without any significant scandal, but does that tell us anything? Scandals that erupt across the headlines can be damaging, but the scandals you don't hear about could be even worse. The goal is helping people maintain and improve their health, not merely staying out of the headlines.

We are encouraged that companies are still filing New Dietary Ingredient applications. It seemed to be a looming crisis that would fizzle and be ignored when the new administration checked in, but companies are not shrugging it off. The trade associations are taking seriously the task of ensuring a fair and solid Old Dietary Ingredient list.

That a raucous Wild West rodeo has failed to materialize is encouraging, but it seems no moment to get comfortable. As we have learned, political systems can be challenged. We haven't seen if they can be entirely toppled.

If anything, the upheaval calls for a greater commitment to the basic mission of the supplements industry. According to a Gallup survey, the number of uninsured adults has risen by 3.5 million since Donald Trump took office. The first proposed budget from the administration called for cuts of \$192 billion from the Supplemental Nutrition Assistance Program (SNAP) over a decade and \$200 million from the Special Supplemental Nutrition Program for Women, Infants and Children just in 2018. That belt tightening alone could create a greater need for supplements companies to reach the consumers most affected.

And so, a year ago, we pondered on these pages whether the industry could stay true to its better self. The organizations and companies honored here show us how possible that is. The efforts and initiatives detailed in this issue point the industry toward a place where simply avoiding misdeeds is not enough.

It could be time to put those better selves to work.



Rick Polito
NBJ Editor in Chief

COVER STORY CONTINUED

day, but it's easy to overlook the environmental impact of those billions of cups. That's what makes the **Sustainable Coffee Challenge** such an impressive undertaking. With corporate giants like Starbucks and McDonald's committing to make the coffee supply chain sustainable on an aggressive time table, this is the challenge that could fuel your morning, and change the world.


Sabinsa has never been reluctant to take on big challenges and has made transparency a crusade. Building relationships with Indian farmers to ensure a supply chain that's not only solid but socially responsible adds an admirable element to that crusade.

The BioCollective takes a unique approach to microbiome research, creating a body of knowledge that will allow researchers to build the science to fuel new generations of gut-health products.

The **Plant Based Food Association** was formed to advocate and coordinate for a category that is growing in popularity and creating waves across the food industry with innovation that makes it more palatable for more people to take meat off the menu.

Even among nutrition industry professionals, the number of people who know their blood levels for vital nutrients is exceedingly small. Translate that to the population at-large, and there are hundreds of millions who don't know what they're missing. That's why the Know Your Levels program, spearheaded by **GrassrootsHealth** and promoted by the **Organic and Natural Health Association** is so important. Recruiting people by the thousands to get their omega-3 and vitamin D levels tested is a model for the supplement industry that could be expanded across additional nutrients and change healthcare in America.

It's a big year of big business making big changes, and the supplements and natural products industries are no exception. Rather, they are exemplary.

We knew the regulatory downshift in Washington could be a driver of corporate responsibility. Now we know it is. 

NBJ Award: Large Company Growth

Marine Ingredients' 2016 merger with KD Pharma made for a successful 2017

By Todd Runestad

A company's success or failure certainly can float on the product category a business is in, but at the end of the day it's people that run the business, and top-shelf people can help make a business viable and profitable for the long term.

So it is with **Marine Ingredients**, a pioneer in the omega-3 fish oil business and the No. 3 omega ingredient supplier in the world—and this year's NBJ Large Company Growth Award recipient.

In 2016, Marine Ingredients merged

with **KD Pharma**, known for its concentrates like **Lovaza** generics, and is closing in on \$150 million in annual top-line sales. The company experienced solid double-digit growth in 2017.

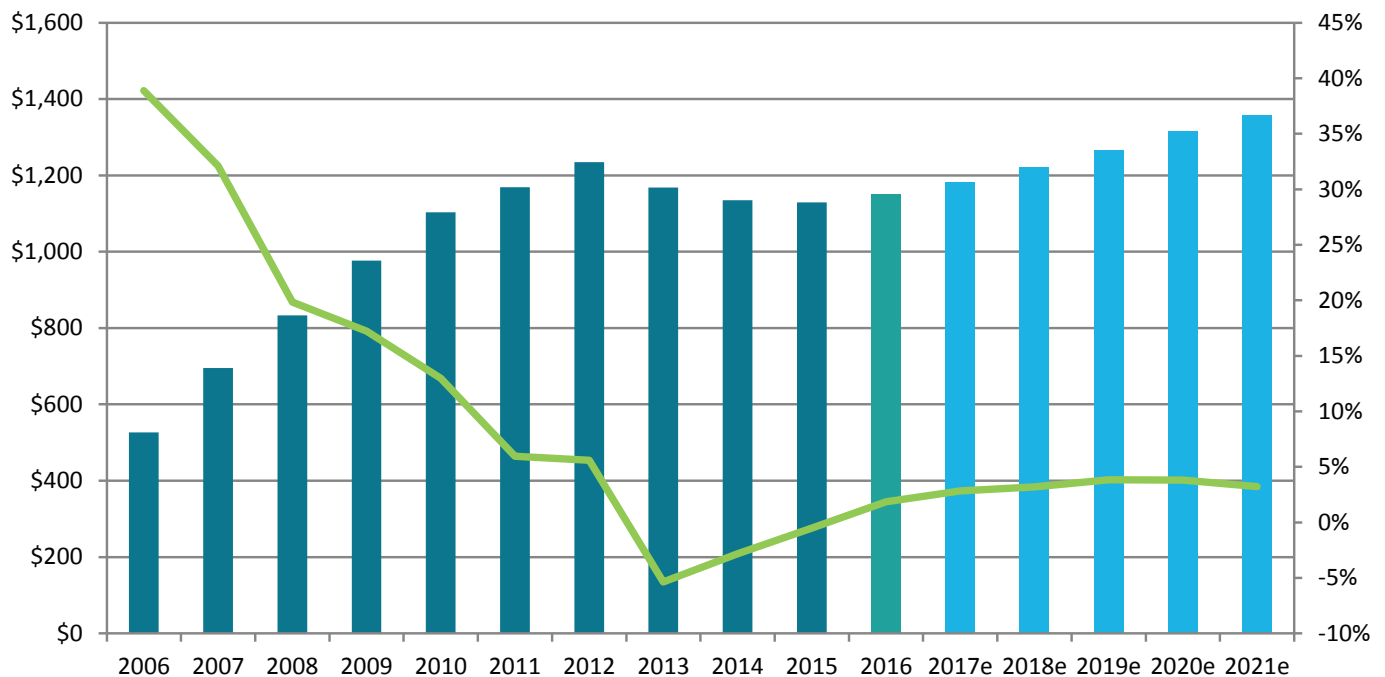
People power the fish world

The omega-3 category got its start as a successful supplement concern almost 50 years ago when Danish researcher Jorn Dyerberg and his team set sail for Greenland to study the indigenous Inuit people there. They found that, despite consuming very

NBJ Takeaways

- » Marine Ingredients played a key part in the development of the omega-3 category
- » As part of KD Pharma, the company is poised for continued growth
- » Diversification of offerings and close partnerships with customers have made Marine one of the top omega suppliers in the world

FISH AND ANIMAL OIL SUPPLEMENTS SALES AND GROWTH, 2006-2021E



Source: Nutrition Business Journal (\$mil, consumer sales)



Marine Ingredients™

few fruits and vegetables, and a whole lot of fat from marine species, only 5 percent of Inuits died from heart disease, compared to 40 percent of Americans. The researchers supposed the outsized consumption of omega-3 fatty acids from marine animals that predominated in the Inuit diet might account for the favorable heart health. This formed the basis for hundreds of subsequent research studies over the years that validated the cardio benefit of fish oil. In more recent times, Dyerberg has served as a consultant to Marine Ingredients.

“Dr. Dyerberg has been an incredible asset and mentor to Marine Ingredients,” said David Barnes, Ph.D., head of Global Research & Development at Marine Ingredients. “Marine was a small organization, so to have such a resource lent us a credibility far beyond our size.”

Marine Ingredients was founded, back in 1982, by Olav Sandnes and Bruce Miller. The two have been so closely linked to the omega-3 industry for so long that it’s hard for insiders to think about the fish oil supply business without considering the influence of those two on the market. Miller passed away last November.

“While hard to quantify,” said Barnes, “I think there is real and meaningful value to our industry to have people like Bruce, with his sterling character and reputation, represent and being in many ways the face of our industry. He will be sorely missed by many.”

Miller worked in sales, but he was no transactional salesman. Humble and personable, he worked as a partner to help omega-3 marketers develop innovative products and bring them to market. In no small part, he helped to create an entire business category that’s been a leading part of the overall dietary supplements business for nearly 20 years.

“What defined Bruce was he was trusted by everyone down the value chain” said Adam Ismail, executive director of the

omega-3 trade group, **GOED**. “Very few people have been trusted or respected more. A lot of competitors looked at Bruce and said he was who they strive to emulate.”

A merger success story

The combined synergy of KD Pharma and Marine is emblematic of a maturing industry, and will allow the company to participate in the M&A activity

low concentrate blends,” said Barnes. “Indeed, there are also some attractive opportunities in the plant oil space that might also benefit from our tool box.”

Marine has long been known for its ethical and sustainable sourcing of oil, and doubled down on that ethos with the recent launch of the only Marine Stewardship Council-certified Pacific cod liver oil. Every batch in Marine’s stable is tested for more than 450 contaminants by third-party analytical laboratories, and is NSF-certified, GOED- and Prop 65-compliant.

“Part of why they’ve grown so quickly is they don’t play the same game everyone else is playing,” said Ismail. “They differentiate.

“We can serve customers’ needs from the latest high-concentrate drugs entering the market to new premium cod liver oil to novel omega-3 products with high DPA to the most common natural and low concentrate blends.”

- David Barnes, Ph.D., Marine Ingredients

that’s surely still to come, insiders say. The KD technology offers flexibility to provide unique and differentiated products in the marketplace, while Marine brings deep market knowledge and business relationships. The company now sells a wide range of omega-3 solutions—arguably any variety outside of those locked down in patents.

“We can serve customers’ needs from the latest high-concentrate drugs entering the market to new premium cod liver oil to novel omega-3 products with high DPA to the most common natural and

They have a pretty sophisticated strategy, and they execute it well. They are more of a partner to their customers in that they help them develop new solutions. That’s what they’re known for in the omega-3 industry.”

The Marine Ingredients/KD Pharma story so impressed Ismail that he is set to leave his post at GOED to join the company as the KD Pharma Chief Strategy Officer. That says much, and represents a reason to believe the long-term business outlook of Marine Ingredients and KD Pharma will continue to be sustainable, ethical and profitable. 🌱

NBJ Award: Medium Company Growth

SmartyPants uses smart marketing and a studied awareness of Amazon to grow the gummies category

By Janet Kornblum

Like most parents, Courtney Nichols Gould and Gordon Gould just wanted to make sure their kids were taking their vitamins. But they couldn't find a solution that would be healthy, tasty—and affordable.

“There was some great stuff on the market that was really premium from a nutrient standpoint,” says Courtney Nichols Gould. “And there was stuff that was really affordable.” There also were vitamins that kids would take. “But those weren't all in the same package,” she says.

In other words, they came up with zip. So instead, they devised their own solution: **SmartyPants Vitamins**.

The premise was simple: create vitamins that were tasty enough for kids (and eventually adults as well) to actually take, but healthy enough for parents to feel good about their choices.

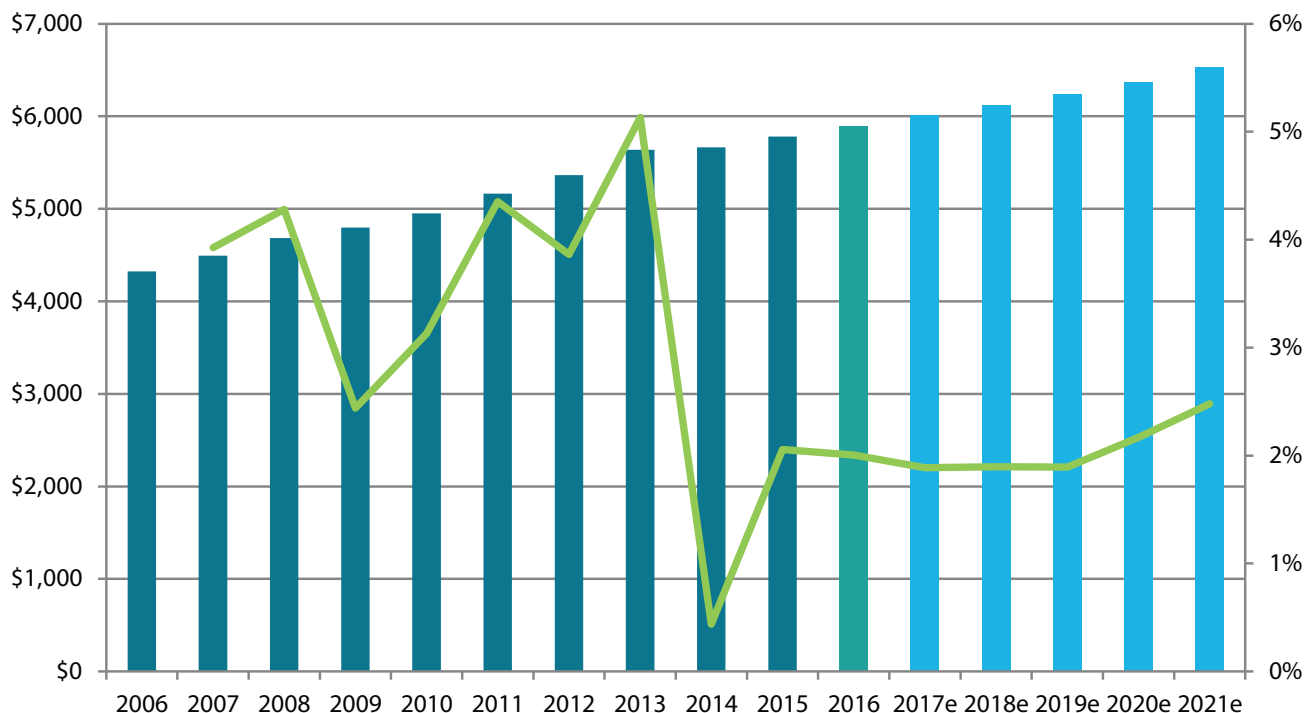
The actual execution, on the other hand, was a bit more challenging.

Courtney and Gordon, as they call themselves on their folksy web site, were both serial entrepreneurs, with several successes in

NBJ Takeaways

- » SmartyPants is among the first companies to use tech smarts in supplements marketing
- » Gummies have been criticized for sugar content, but SmartyPants emphasizes transparency and clarity in the matter
- » Online sales provided vital revenue to fuel the jump into retail

MULTIVITAMIN SALES AND GROWTH, 2006-2021E



Source: Nutrition Business Journal (\$mil, consumer sales)

the tech world. Among Courtney's: serving as chief operating officer of FlyClear/Verified Identity Pass. Gordon was founding CEO at social shopping hub ThisNext.

Together they had ambition and the aptitude.

A smart start

The Goulds started by selling directly to consumers on their site, where they discuss core values like "transparency, excellence and transformation," and on **Amazon**. The online mega-marketplace has been a particular focus. Positive reviews drive sales, but constant attention to analytics and Amazon's ever-shifting logarithm landscape keeps SmartyPants at the top of product searches.

They've now branched out to a variety of retailers from **Whole Foods** to **Walmart**.

SmartyPants had the right answer at the right time, says Zach Grannis, a partner for **CircleUp Growth Partners**, which has supported SmartyPants financially.

"SmartyPants had this incredible vision about how they could bring an affordable option that was super high quality to the market, under a brand and ethos that resonates with the consumer," Grannis says. "They understood their consumer at a deeper level than most consumer packaging companies do."

Today the co-founding couple run one of the leading companies competing in the



increasingly crowded field of palatable supplements catering to both kids and adults. Their kids, now 13 and 15, not only take the vitamins, they help design them as well.

While SmartyPants does not release financial figures, Gould did disclose that the company hit \$25 million in revenue

in 2016.

"We've doubled every year we've been in business and we do not anticipate slowing down any time soon."

Finding the sweet spot

Judging from Amazon reviews, they're fulfilling not just a niche but a genuine need.

"SmartyPants had this incredible vision about how they could bring an affordable option that was super high quality to the market, under a brand and ethos that resonates with the consumer."

-Zach Grannis, CircleUp Growth Partners



"My son hates taking vitamins or probiotics, so when I introduced him to these, I was worried it would be the same fight to get him to take them," writes a verified reviewer on Amazon. "Nope! Only took two days and he's asking for his vitamins! Praise the smarty pants gods. LOL!"

Many others share her enthusiasm, talking about how they love the taste and the fact that their kids look forward to their vitamin treats.

But not all think that gummy vitamins are heaven-sent. Some warn that they have too much sugar and other substances to be healthy.

Dietitian Ashley Koff, RD, once hated them.

"I was in the absolutely no gummy camp," says Koff. But over her 20-year career, she'd also seen that people would buy supplements they needed and then neglect to take them.

So Koff shifted to her new motto: "if you're going to gummy, gummy better."

Today she is a consultant for SmartyPants (but does not work with the company exclusively). She advises consumers to choose the best supplements possible.

She likes SmartyPants because, despite some sugar necessary for taste, they're high

quality and don't contain a lot of additives. She's especially impressed that the company managed to get fish oil, into the vitamins without the taste of, well, fish.

Koff advises clients to adjust their diets so they're taking the extra sugar they get from vitamins into account. Gummy vitamins are not for everyone, she says, but for some, they're making a big difference.

Gould agrees that supplements sans sugar make sense for those who will take them.

"Look, we know how sugar acts on the body. So we use the least amount possible. But we make it taste good, because if it doesn't taste good, no one's taking it," Gould says.

So SmartyPants tries to be "the good gummy," as they state on their site. And the Goulds hope the company will be a leader in the industry.

Gould says she wants SmartyPants to be an example of how a company can make a better-for-you product that tastes better while both minimizing the trade-offs and making them entirely transparent. "The hope is that everyone is moving in that direction," Gould says. "You see all these companies really trying to do better and better for the end user—and that's good for everybody." 🌱

NBJ Award: Small Company Growth

Ora Organic is a millennial, organic, digital-first supplements start-up

By Todd Runestad

All those legacy Southern California supplements companies might need to make way for the next generation, exemplified by hip, millennial start-up **Ora Organic**, winner of the 2017 NBJ Small Company Growth Award.

The young company, which began exhibiting at Natural Products Expo East in the fall of 2016, grew at a breathtaking 400 percent clip in 2017, and aims to match that in 2018. It's close to a \$10 million company today, built on a value proposition that brings the clean food movement to supplements. The company features mostly non-pill formats in either powders or sprays, with all-natural, organic (mostly), non-GMO ingredients. The powders are naturally presented with sumptuous taste profiles, thanks to the vision and expertise of its own in-house chief culinary officer. The company also has a distinctive brand identity, replete with compostable packaging that contains wildflower seeds, so consumers can throw the whole empty box in their garden and watch the flowers grow.

It began as an online-only brand, and is using its digital bona fides to attract and maintain an ever-growing bricks-and-mortar business.

"Our focus on being an e-commerce business first is what has really enabled us to develop and deliver

maximum value to our customers," said Sebastian Bryers, chief technology officer at Ora. "Emphasizing technology has allowed us to connect with our customers and understand their wants and needs in an unprecedented way. We're able to engage with them in the ways they prefer to be engaged, whether that's online or in the physical retail world assisted by digital efforts."

As Bryers put it, quality products are only half the battle. The other half is finding the most efficient way for consumers to reach the company. "That's meant having a super lean, highly effective digital business model."

The Shark Tank effect

Ora Organic gained notoriety in February 2017 when it appeared on hit television show *Shark Tank*, which introduces entrepreneurial companies to celebrities with deep pockets in hopes of being early investors in fledgling companies.

"I like the fact you have sales," said Shark Kevin Leary, the one celeb who put forth an offer to gain an ownership stake in the company. "I admire what you're doing and I like your product."

At the time, Ora had racked up \$415,000 in sales over the first 10 months of its life. Company CEO Will Smelko and co-founder and CCO

NBJ Takeaways

- » An online launch allowed Ora Organic to fine tune its message
- » A food-driven approach creates a unique niche for the supplements company
- » A spot on *Shark Tank* failed to produce an investor, but the publicity was pivotal

Ron Chang did an impressive, semi-snarky yet informative 11-minute dog-and-pony show on the company and its mission, and were looking for a \$375,000 investment and 5 percent stake in the company.

Leary said he'd give \$375,000 for 17 percent.

As some would say, Shark money is the most expensive money you'll ever get. That percentage was too high for the Ora team.

But this number was a good one: 5,810,000. That's the number of people who tuned in to the broadcast. Among them were investors who were not TV personalities and who could more closely approximate Ora's investment desires. The company's wish list included a mentor who understands supplements and sustainable farming and organics and healthy food and nutrition.

"The Shark Tank effect was incredible," said Bryers. "Our email list grew by seven times, and we had our best month of sales ever—three times greater than our highest grossing month before the show. Investors reached out offering money, and the fol-



low-up press provided a nice boost.”

Making sure investors connect with the Ora mission “is a make-or-break point for us,” said Smelko. “Our investors include individuals who care deeply about people and sustainability. The fact that they’ve operated, served on boards, or have invested in other pioneering organic companies means more to us than anything, as it’s a testament to their character and how they will support our vision for Ora Organic as a change-maker, not just a supplement-maker.”

The publicity also informed the company that its value proposition could resonate.

“The overwhelmingly positive customer response from a diverse audience showed us that the demand for premium, organic supplements exists well beyond a niche audience of urban foodies,” said Bryers. “People are craving organic, quality supplement

products, just like they’re demanding organic produce, ice cream, chips and kombucha.”

Organic taste test

One notable decision the company made around organic is in deciding where to exhibit at the Natural Products Expos. Every supplements company positions itself either in the supplements pavilion or, if it is a new company, in the hot products section. Not so with Ora Organic. The team made a conscious choice to place their booth square in the organics aisles of the shows.

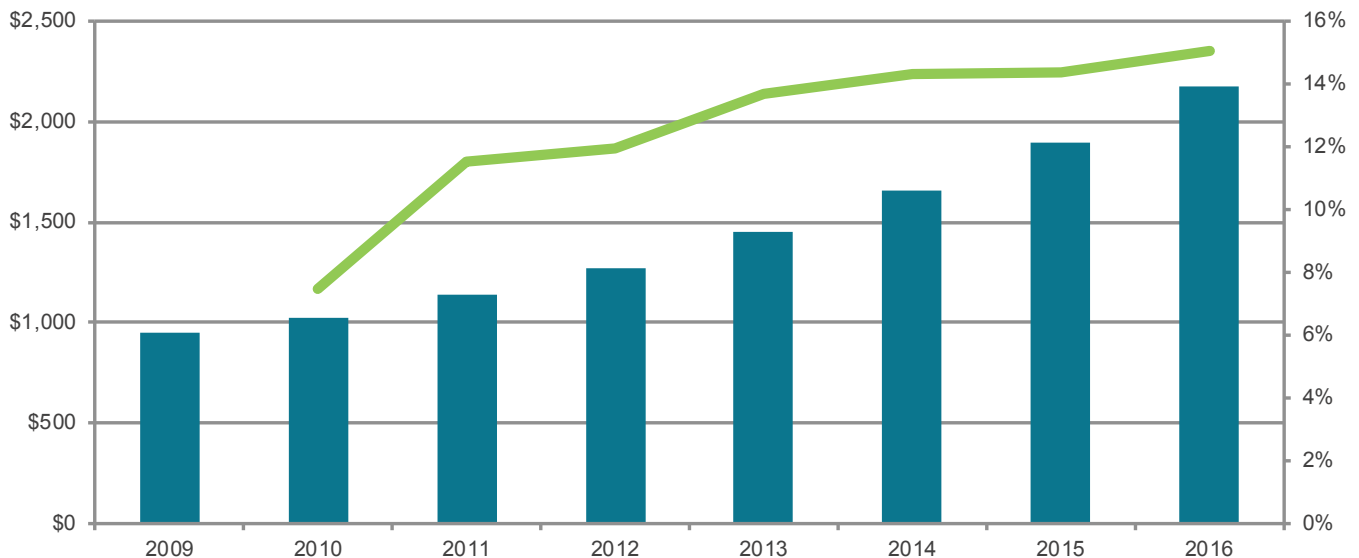
“To us,” said Smelko, “exhibiting in the

organic section isn’t so much about standing out from other supplement companies—many of whom are doing amazing things—but more so to shift the narrative around supplements by showing people that supplements can come from the same organic food they know and love. We want people to know that their supplements, like their food, can be organic and plant-based, too—that they don’t have to make compromises in the supplements aisle.”

That outside-the-box thinking signaling a commitment to organic, clean, plant-based, quality ingredients—not

*5,810,000 viewers tuned in the night
Ora Organic was featured on “Shark Tank”*

WHOLE FOOD SUPPLEMENTS SALES AND GROWTH, 2009-2016



Source: Nutrition Business Journal (\$mil, consumer sales)

"Emphasizing technology has allowed us to connect with our customers and understand their wants and needs in an unprecedented way. We're able to engage with them in the ways they prefer to be engaged, whether that's online or in the physical retail world assisted by digital efforts."

- Sebastian Bryers, Ora Organic

to mention the whole construct around taste—is what led to the company earning two NEXTY awards at the Natural Products Expos. These awards are given to companies that truly stand out, especially on the triumvirate of integrity, innovation and inspiration. On its first Expo appearance, Ora won the Editor's Choice NEXTY, decided at the show. Just six months later, Ora won a juried NEXTY at Expo West 2017.

"The fact that a small company like ours could win in our first show exemplifies this focus on innovation," said Bryers. "It's not about how big, rich and powerful you are as a business, it's about providing the best possible solution to consumer demands for integrity, honesty and transparency. The award also helped us attract incredible retail partners, investors, and online customers."

Supplements companies don't usually have to worry about taste. Yet this is a core tenet of the Ora brand. The company's R&D process starts with Chang, who was a former chef in the L.A. and Santa Barbara restaurant scenes. Tinkering with flavor profiles and combinations

to come to the final product takes up many months and dozens of prototypes.

"The supplement creation process is a culinary art form for us," said Smelko. "Usually our entire team is sick of taste-testing by version 50 of a given product, but that doesn't stop Ron from sticking samples in our faces. Many of our customers, of-

sources up front to really make sure we're putting our best foot forward by providing a great taste experience."


Employing digital analytics, Ora identified regional hubs around the country where it sees strong customer response. That led to a sales strategy based on regions, versus a national sales strategy. The year ahead is full of big plans and a number of new product launches that the company hopes will shake up the retail space as well as its traditional online channels. Bringing more health to more people is a core tenet, but so are the ideals of challenging norms like eco-friendly packaging, clean plant-based ingredients and overall healthier products. "We're looking to change false stereotypes around supplements," said Smelko. "We want to show people that supplements can be a positive force contributing to the health of people and the planet."

The next generation of consumers demands nothing less. Ora Organic is a

"We want people to know that their supplements, like their food, can be organic and plant-based, too—that they don't have to make compromises in the supplements aisle."

- Will Smelko, Ora Organic

ten millennial foodies themselves, are very picky. Very. Picky. So pleasing them is hard and requires us to invest the time and re-

mission-driven supplements company serving this consumer desire. And making a fabulous return in the process. 

NBJ Award: Management Achievement

Campbell's CEO Denise Morrison brings big ideas to Big Food

By Bill Giebler



You've probably heard of **Campbell Soup Company**. While not the oldest food giant in America (**General Mills** and **Procter & Gamble** have it beat there) and not the largest (running roughly an eighth of both **PepsiCo** and **P&G's** revenues), it's certainly among the most iconic.

Still, the position the company takes today is with feet in the present and eyes on the future. Easier said than done in a business climate of quarterly returns and short-term thinking.

Staying relevant in the fast-changing food and beverage world requires creative strategy. There's no room for status quo—especially when this company's status is part of the 'Big Food' establishment that consumers seek to escape by purchasing natural, organic, craft and artisanal foods.

Campbell isn't the only large compa-

ny looking at upstart organic companies for acquisition. They all are. What might set Campbell apart is the way it's allowing the new wave of food values to infuse even its legacy brands—and do so true in a manner true to the founding values of the company—bringing authenticity to the company overall.

This agility and focus on core values points to great leadership, which points to President and CEO Denise Morrison, recipient of this year's NBJ Management Achievement award.

"I have nothing but positive things to say about Denise," says John Foraker. The former **Annie's** president understands the Big Food world from his three years with General Mills. "Denise is a courageous CEO who I really admire. I know many of my peers do as well. She has been a real leader navigating Campbells through the choppy waters of rapidly changing consumer food values here in the U.S."

Morrison became CEO of Campbell in 2011, after eight years with the company and 30 years in the industry with Kraft, Nabisco, Nestlé, Pepsi and Procter & Gamble—making her mark in an industry where the C-suites are still dominated by men.

In just a few years, we've seen a conventional legacy company become fresh and relevant.

Part of our decision to recognize Morrison is that the choice honors the profound impact the natural products industry has had on the food and beverage world. Without the seeds planted by the pioneering brands of our industry, and the disruptive new brands that carry the torch, the inspiring, wellness-focused maps and charts by which Morrison navigates would not exist.

NBJ Takeaways

- » Keeping an iconic food giant relevant requires paying attention to changing consumer demands
- » Morrison and her leadership team built strategy with a look back to the company's founding directives
- » Campbell, under Morrison, aims to be a leading health and well-being company
- » Bold moves like voluntary GMO labeling and leaving the Grocery Manufacturers Association have earned Morrison acclaim from critics of Big Food

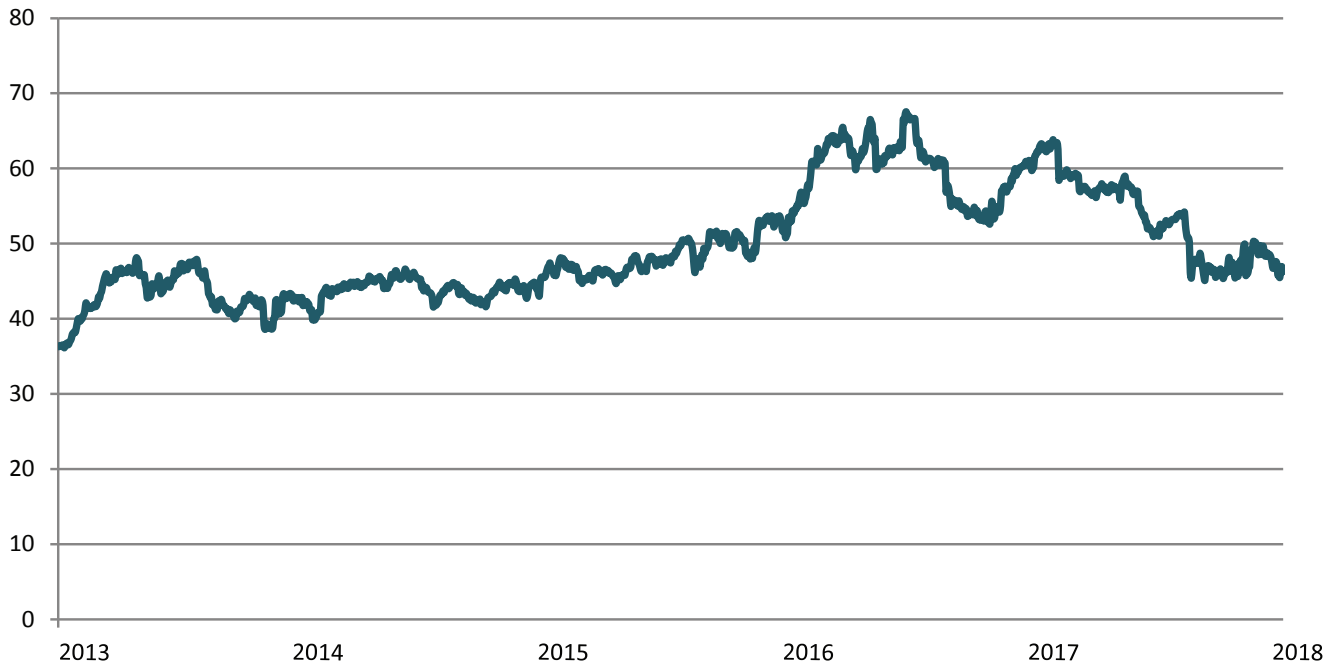
Listening to consumers

"Denise is a courageous visionary leader at this time of massive change in the world of food and beverage," says Neil Grimmer. Grimmer's fresh organic baby food company **Plum Organics** was acquired by Campbell in 2013, a key move toward more wholesome foods.

Morrison's ability to navigate this massive change comes largely from her ability to pay attention, says Grimmer. "The consumer comes first in every decision you make," Grimmer says, calling that a value he shares with Morrison. "And while it sounds intuitive that any business leader would make that a core priority of their decision making, oftentimes that's not part of the calculus."

Morrison points to the company's purpose statement, "Real food that matters for life's moments." The statement, developed

CAMPBELL SOUP COMPANY STOCK PRICE, 2013-2018



Source: Nasdaq

in 2014 under her leadership, is rooted, Morrison says, “in our belief in the power of food to connect people. So, we listen closely and carefully to them.”

Listening to customers, to a large degree, means listening to millennials. “Every year we talk to thousands of consumers. It’s part of our company’s DNA,” she says.

Morrison started a mentoring program for the next generation of female leaders and entrepreneurs. Even here she finds consumer wisdom. “While we’re together, it’s a chance for me to get to know our millennial consumers.”

“The first thing she said to me was radically different than any conversation I’d had with any multinational food CEO,” Grimmer recalls of his first meeting with Morrison, as the company considered acquiring Plum. “She said to me, ‘my grand-

kids are Plum babies, they’re not Gerber babies.’” That “lens of personal experience” in acquisition shows a consumer view, says Grimmer. “But it’s more than that. She has a deep, passionate engagement with the work she does, the food she serves, and ultimately the people she’s in service to.”

GMO, GMA

Listening to consumers has the company making bold departures from traditional thinking among big food companies. This is evident, says Foraker, in the “very courageous” steps Morrison took to re-position the Campbell’s portfolio through key acquisitions and in policy positions like supporting on-pack GMO Labeling and Campbell’s departure from the Grocery Manufacturing Association. It’s telling that the company joined the **Plant**

Based Foods Association (PBFA), recipient of this year’s NBJ Efforts on Behalf of the Industry Award. PBFA Executive Director Michele Simon said the move “shows that the company realizes that there’s a consumer shift going on and that they want to keep up.”

About GMO labeling, Simon says that Campbell was among the many companies resisting that transparency but was early to realize that position was no longer tenable. “So, I’d say that being one of the first to break out of that losing position was a positive sign.”

Eyes on the future

In 2016, Campbell’s leadership team employed “dynamic foresight,” to look beyond a typical five-year horizon, says Morrison. The goal was developing strategies to



navigate the interplay “of real food, health and well-being, and technology.”

Multiple lenses were employed, including market, consumer and technology trends, alongside cultural and ethnographic data. Campbell called on futurists, academics, chefs, designers, nutritionists and anthropologists. Morrison likens this kind of foresight to an advanced radar system, calling it “a systematic approach to understanding and anticipating how changes taking place today will present disruptions and opportunities for our business tomorrow.

“Foresight is a mindset,” Morrison continues. “It’s a journey, but it’s also an outcome.”

Again, Grimmer is both witness to and evidence of this. “Denise has been very focused on looking at the intersection of food, health and technology as part of her strategic compass,” he says. His latest

“Our goal is to be the leading health and well-being company.”

- Denise Morrison

ture Partners. The fund has invested in **Farmer’s Business Network** and **Back to the Roots** among other startups. Campbell provides these companies with financial support, creative encouragement and strategic counseling.

Yet, Morrison sees all this futurism and investment as consistent with what Campbell has done since day one. Founder Dr. John Dorrance, she says, sought to satisfy three objectives: using ingredients they

to improve the quality of our products and make healthier, nutritious food more accessible and affordable to more people.”

Blessed that Campbell’s name and logo are among the best known in the world, Morrison also sees a potential curse. “It’s only a curse if we take it as permission to stand still and accept the status quo,” she says. “It’s actually a blessing if we take it as a challenge to reinvent what the company stands for and forge ahead to keep our iconic status with a new generation of consumers. That’s why we’re focused on defining the future of real food.”

“Most notably,” Morrison says, “we’ve invested \$50 million to make our food more real. This mindset has led us to add positive nutrients to our products, such as vegetables and whole grains, to remove artificial flavors and colors, and BPA from our can liners.”

Being real and being big can coexist, Morrison believes. “Our goal is to be the leading health and well-being company,” Morrison says. Such an ambitious goal will require a balance of internal innovation and strategic, economically-sound acquisitions. The company, and its dynamic leader, are poised to do it.

“We are inspired by our heritage, clear-eyed about the present and focused on defining the future of real food,” Morrison says. 🌱

“Denise has been a real leader navigating Campbell’s through the choppy waters of rapidly changing consumer food values here in the US.”

- John Foraker

venture, NBJ Innovation Award-winning personalized nutrition pioneer Habit, has received substantial investment from Campbell.

In 2016, Campbell formalized its investment strategy by creating **Acre Ven-**

would serve at home in an appealing combination at affordable prices.

The company still assesses strategy on variations of these principles, Morrison says. “We believe we have a duty to address this in a way that benefits society by continuing

NBJ Award: Mission and Philanthropy

Farm Aid helps farmers, but they could use more help from the natural products industry

By Rick Polito

It's been more than 32 years since John Mellencamp and Willie Nelson climbed onto the stage at the first **Farm Aid** concert in the midst of the foreclosure-driven 1980s "Farm Crisis." In those 32 years, the natural products industry, and supplements in particular, have grown out of the health food store and into the mainstream, with success measured in the many billions of dollars.

Those farmers? They're still facing big



risks for their finances, small prices for the food they produce, and huge policy challenges in policy as Washington grows increasingly friendly to big corporations.

The problems didn't go away. Farm Aid didn't go away either. The organization remains a symbol of the struggles faced by family farms and an umbrella organization that ties together local and national efforts to keep those farmers on the land. For those efforts and for the increasing role they take in helping more farms transition to organic, the organization is being recognized with the NBJ Mission and Philanthropy Award. There are few missions more closely aligned with nutrition and natural products than Farm Aid's mission.

Follow the leader

But it's not just Farm Aid's grants to farmers and political advocacy that helped us decide the award. The award is also a nudge to the nutrition industry to get more involved in the policy arguments that shape how food is grown.

Walk the aisles at Natural Products Expo West, or really any trade show with a natural nutrition element, and you are almost certain to see dozens of pictures of farms. Food comes from farms, after all.

What you won't see in those same aisles? Farmers, or at least not very many of them. The connection between those farmers and the natural products industry would seem obvious, but it's not always well tended.

"If you ask farmers and people working in agricultural policy whether they are hearing enough from the natural products industry, they'll say 'no,'" says Andrew Pittz, an Iowa farmer turning aronia berries into a superfood supplement.

Farm Aid, says Pittz, is a place where that connection can be strengthened. "It's one more logical bridge that the natural products industry can help build with the farmers."

Food for thought

A bridge to the farmers is vital for nutrition and natural products, says Bill Chioffi, vice president of global sourcing at **Gaia Herbs**. The company works with small farms and agricultural programs to get more farmers interested in growing medicinal herbs. Helping farmers just makes sense for the supplement industry, Chioffi says.

The availability of domestically-sourced

NBJ Takeaways

- » Farm Aid connects a 50-state network of agriculture advocacy groups and farmer coops.
- » Current debate on the renewal of the Farm Bill highlights the need for natural products companies to weigh in on agricultural policy
- » The natural products industry is uniquely dependent on small farms Farm Aid supports

ingredients grows increasingly important when a global supply chain is vulnerable to global threats, including climate change. A stronger domestic supply chain isn't going to happen on its own. The current political situation in Washington makes it clear that companies need to step up and get involved with agriculture. "If you are awake in 2018 and reading anything that's actually happening," Chioffi says, "you know Washington is not doing anything to support the actual farmers."

Farm Aid, he adds, is an easy way to get involved. "Farm Aid has already built the public awareness and perception. You don't need to start from the ground up," Chioffi says. "They've already done the legwork."

Jim Habana-Hafner works on the frontlines of the struggle to save farms. As executive director at New Hampshire-based **Land for Good**, he fights to make sure farmland stays farmland. For him, Farm Aid stands out. They provide grants to Land for Good, but they are also leaders in the fight for a better food system that could benefit the natural products in-

dustry. “They were doing this long before anybody was into good food, local food,” Habana-Hafner says.

In the current pro-big business political climate, that kind of work, and an organization that ties together so many agricultural advocacy programs is as vital as it has ever been. It’s more than just grants to programs like his, Habana-Hafner says. “There are big structural issues that have to be dealt with at the policy level.”

In transition

What the non-profit does with the money raised by the annual Farm Aid concert is directly related to the natural products industry. More and more, says Farm Aid communications director Jennifer Fahy, the assistance they give farmers comes in the form of grants and support to transition from conventional to organic agriculture. When farmers call

the Farm Aid hotline, they may be looking for general answers and support, but Farm Aid staffers keep the organic agenda close at hand. “At what point is it possible to talk to them about transitioning, about how to do things differently on the farm?” Fahy asks.

That transition and support, says Pittz, is where the natural products industry could be more involved. They don’t have to fund the farmers moving to organic, though that would be nice. They do need to align with programs like Farm Aid to make sure government policy doesn’t stand in the way of that move. “I’ve said the natural products industry is probably the best industry to embrace this relationship,” Pittz says. “But really it may be the only industry in a position to do so.”

And Farm Aid may be the best partner in that relationship, says Pittz, who was selected as a Farm Aid farmer hero in 2013.

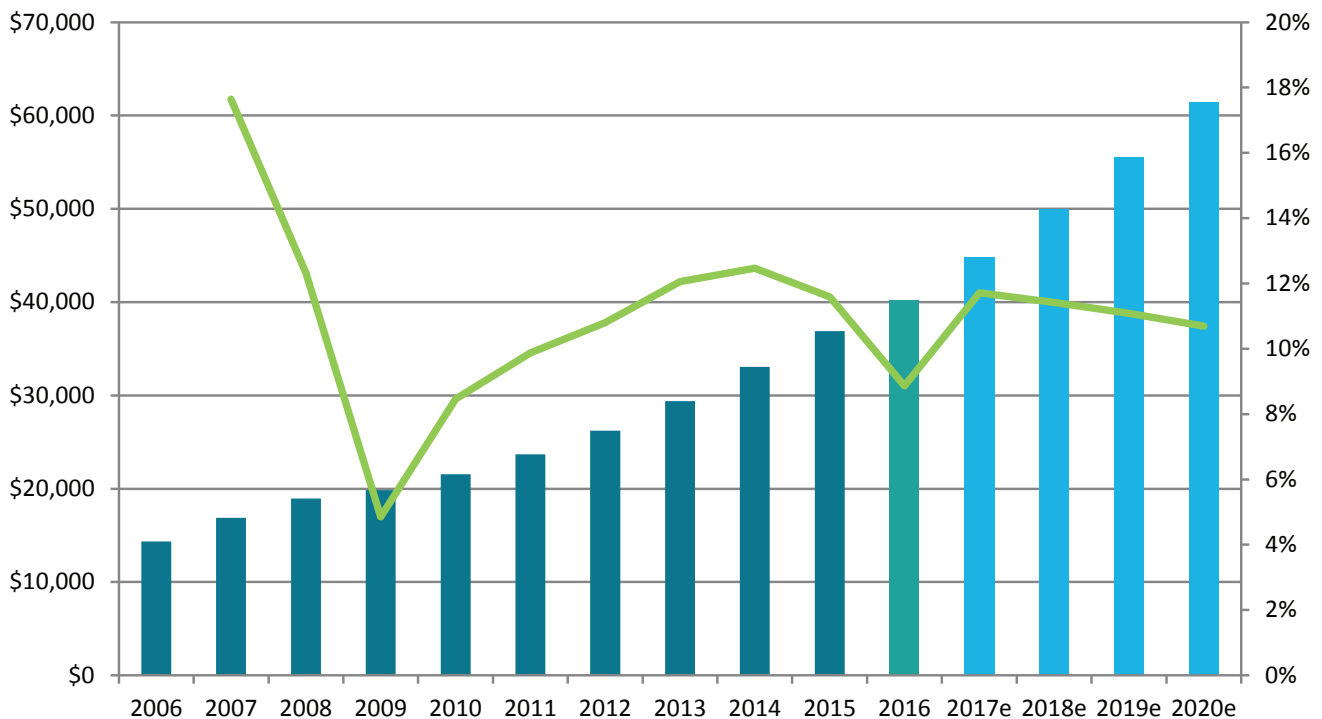
Cultivating a relationship

Fahy says the organization is eager to work with natural products companies. The Farm Aid hotline wasn’t designed to connect brands with farmers, but the connections to farmer cooperatives and food hubs make the organization a place where more of that could happen. An assurance that they can sell what they grow and produce is crucial for farmers. But Fahy says Farm Aid sees more than just those contracts and connections when it looks at the natural products industry.

It sees potential for a new angle of influence on agriculture policy. The U.S. natural products industry has \$200 billion worth of influence. With the Farm Bill up for renewal, that influence is needed immediately, Fahy says.

“If we don’t support our family farms now,” she says. “We’re not going to have them at all.” 🌱

ORGANIC FOOD AND BEVERAGE SALES AND GROWTH, 2006-2020E



Source: Nutrition Business Journal (\$mil, consumer sales)

NBJ Award: Stewardship

Sustainable Coffee Challenge targets an ambitious goal through collaboration

By Bill Giebler

Each day, millions of Americans start the day with a cup of coffee, many calling the first cup the most important moment in their morning ritual. In total, some 400 million cups are sipped and gulped over the course of a day.

Globally and agriculturally, coffee consumption, measured by 60-kilogram bags, exceeded 150 million bags in the 2015/2016 year, a number that's growing each year. Notably, consumption the last two years outpaced production as population grew and coffee's popularity continued to spread around the world. Perhaps sur-

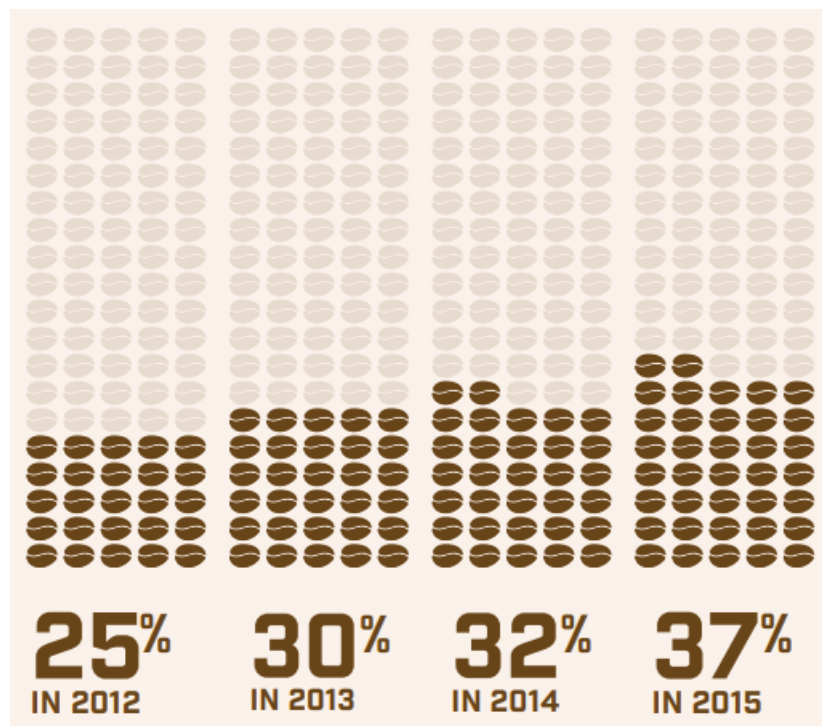
prisingly, the United States, number one in total coffee consumption, ranks 26th on a per capita basis.

Simultaneous to this growth, coffee production faces decline due to extreme weather events, new pest outbreaks and dwindling farmer populations. "We're facing a precipice in coffee," says Bambi Semroc, VP of sustainable markets and strategy at **Conservation International** (CI), "where climate change is going to cut in half the areas for growing coffee by 2050." CI foresees demand doubling or tripling in the same time frame.

NBJ Takeaways

- » Coffee demand is growing while coffee supplies could shrink if action is not taken
- » Global warming and other pressures make sustainability a protect-the-bottom-line proposition
- » The Sustainable Coffee Challenge does not police practices but enlists companies to lead each other

ESTIMATED PERCENTAGE OF GLOBAL VERIFIED SUSTAINABLE COFFEE



Source: McDonald's 2016 Coffee Sustainability Report

“There’s an increasing realization that we’re a finite world, and we’re all thirsty for coffee.”

- Bambi Semroc, Sustainable Coffee Challenge

That’s where the **Sustainable Coffee Challenge** (SCC) comes in. Semroc founded the program within CI, with help from Starbucks, the Global Coffee Platform and the Specialty Coffee Association, to bring sustainability into coffee production across sectors.

“In coffee, there’s a different imperative to do this,” Semroc reiterates. SCC isn’t, for the most part, a do-gooder effort or a marketing opportunity for participating companies. The goal is ensuring we get our coffee for mornings, and decades, to come. “We saw a bunch of different crises hitting the coffee sector,” she

asking what came next. “They’re about 4 percent of the global market,” Semroc noted, “so there’s 96 percent of the global market that we still need to change.”

The typical mechanism for increased demand is consumer education: get the

around the world,” said Victoria Zimmerman of McDonald’s Corporation in a statement on SCC’s website.

Certainly, both sustainable practices and consumer education were already well underway. Without those decades of hard-fought efforts paving the way, the current effort would lack structure. “There is certainly a comparison to be made here with the natural products industry,” says Neil Blomquist. “It took many small companies, farmers and dedicated consumers to seed our beginnings. Corporate acquisitions, mergers and Wall Street capital have become who we are today.” Big moves on big commodities start small. Blomquist—the former President and CEO of **Spectrum Naturals** who now oversees **Natural Habitats USA**, a grower, manufacturer, importer and distributor of organic, fair trade certified palm oil (and recipient of last year’s NBJ Mission and Philanthropy award)—knows this well.

Often the real innovation remains small. “We still need small, innovative companies and individuals to drive innovation and protect our values,” Blomquist says. “The same goes for the coffee industry.”

Self-policing self interest

SCC built a framework of four focus areas, identifying that sustainable sourcing should improve livelihoods, conserve nature, strengthen market demand and sustain supply.

Improvements in these areas will certainly have a huge value to the communities and environment in the coffee



**SUSTAINABLE
COFFEE
CHALLENGE**

says, “so it’s also in the companies’ best interest to try and get ahead of that and figure out ‘Ok, what do I need to do to make sure I have coffee that I can source and put on the shelf in the future?’”

Upleveling demand

The opportunity SCC saw was to create demand for sustainable coffee among the biggest market players. This, says Semroc, required participation from big brands. After 20 years of looking at the problem, she says, “we’d gotten some companies like Starbucks to a point where they were sourcing like 99 percent of their coffee through sustainable mechanisms”—an impressive feat, but one that left Semroc and others

consumers asking for it, and brands eventually step up. This wouldn’t be fast enough, Semroc believed. “We set up some mechanisms to drive this kind of peer pressure race to the top, and not just be like, ‘how do we educate consumers and how do we educate others to care?’ because that’s a really hard thing to do.”

Today, SCC has over 80 brands and organizations on board, including **Rainforest Alliance**, **Keurig Green Mountain** and **Allegro** alongside Farmer Brothers, Nespresso and Walmart. McDonald’s has pledged 100 percent sustainably-sourced coffee by 2020.

“Our size and global reach give us the responsibility to lead meaningful change

growing regions, says Blomquist. “Coffee has a very tainted history of third-world abuse that needs to be remedied. This effort also gives the growing number of consumers what they want to know about

make individual supply chains sustainable, including corporate-run programs, third-party certification, direct trade programs, “and even companies just investing in their supply chain,” she says. “We weren’t

we want them all to finish and do the best that they can.”

Meeting over coffee

“Are we making a difference? I’d say yes,” says Semroc, “though there’s still an awful lot to do.” Recently, the Challenge started action networks bringing companies together on specific task areas, like scaling up production or improving labor practices. It’s provided a new challenge of cooperation. One Semroc frames as, “How do we learn to play in the same sandbox and build the same sandcastle?”

It’s this call for collaboration, potential pitfalls and all, that inspires the award. Last year we honored **OSC2** for efforts like **The Climate Collaborative** for similar efforts. Internal commitment, self-monitoring and sharing of successes are key to both programs.

“The Sustainable Coffee Challenge provides an unprecedented opportunity to join with others, share what we’re learning and ensure all coffee is sustainably sourced worldwide,” states Kelly Goodejohn of Starbucks on the SCC website.

Semroc doesn’t see a problem with the demand for transparency or the self-policing. Partners should want improvement in the four focus areas, she says, “because you want these programs to deliver those types of results, those sorts of outcomes.” The results are coming together, too, she says, because “there’s an increasing realization that we’re a finite world, and we’re all thirsty for coffee.” 🌱

“Coffee has a very tainted history of third-world abuse that needs to be remedied.”

- Neil Blomquist, Natural Habitats

where their coffee comes from, and how the brands they buy from are taking care of the farmers, the local people and the environment,” he says.

What the SCC framework does not offer is auditing or certification. “We’re not the police,” says Semroc. “You’re actually policing yourself. If you can show that your initiatives are contributing to those outcomes, that’s great!”

Blomquist sees a risk, here. Managing costs is the highest priority for importers to stay competitive, and the temptation to cut corners will always be there, as will the risk of greenwashing. This is where third party certification programs like Organic, Fair Trade and Rainforest Alliance come in, he says.

Semroc, too, lists efforts at play to

trying to say one is better than another because we don’t really know.” The practices and outcomes have consensus, she clarifies, but which programs best stimulate those practices lacks agreement. “Since we don’t know that, we didn’t think we could choose a horse and bet on it entirely,” Semroc says. “All these horses are running the race and

“Our size and global reach give us the responsibility to lead meaningful change around the world.”

- Victoria Zimmerman, McDonald’s

NBJ Award: Supply Chain Transparency

Sabinsa's commitment to farmers and ingredient integrity sets the standard

By Melaina Juntti

If you're a health and wellness brand and you want to meet consumers' ever-growing demand for transparency, trusted suppliers are pivotal. They must be honest, ethical, environmentally sound and socially responsible. They must deliver consistent quality. They should demonstrate great care at every step—from cultivation to extraction and processing. Oh, and they should be equally willing to share their story.

Too bad such suppliers aren't easier to come by.

The fact that Sabinsa Corp. meets and exceeds all of these marks earns the com-

pany this year's Supply Chain Transparency Award. The New Jersey-based supplier, manufacturer and marketer of botanical extracts and branded ingredients has built a remarkable, multifaceted supply chain. Now in its 30th year of business, Sabinsa has earned worldwide acclaim for its top-level cultivation, research, extraction and standardization, and for its role in bringing Ayurveda to the West.

Ph.D., director of nutrition and applied clinical research at QPS—Miami Research Associates. "I can say that because I've visited their operations in India, including the farms, processing facilities and analytical labs. I saw firsthand the chain of custody that Sabinsa oversees daily, which allows them to have better overall quality control than most companies."

But Sabinsa didn't start out as a vertically integrated entity with a traceable, transparent supply chain. In fact, Muhammed Majeed, Ph.D., an Indian-born, U.S.-educated industrial pharmacist who'd worked at Pfizer, launched Sabinsa as a generic pharmaceuticals company. But when a major fraud and corruption scandal halted operations at the FDA's generic drugs division, he switched gears. "People were

NBJ Takeaways

- » Sabinsa's step into vertical integration was an evolutionary process
- » Company used pharmaceutical expertise to standardize Ayurveda
- » Focusing on farmer relationships—and crop guarantees—the company strengthens its community of famers
- » The battle against undisclosed synthetics became a mission to protect itself, its farmers and the industry

crazy from a pharma perspective," Majeed says. "So he began saying, 'I think you are



SABINSA

"Sabinsa really, truly does operate from farm to capsule. I can say that because I've visited their operations."

— Douglas Kalman,
QPA-Miami Research Associates

asking Dr. Majeed if he could get certain barks, leaves and stems from India," says Shaheen Majeed, worldwide president of Sabinsa and the founder's son. "He'd bring in these plants, and then that line of the business really started to build."

Old ingredients, new science

Dr. Majeed was intrigued, and puzzled, by what his new clients were doing with these ingredients. "They'd just crush up bark and put it in capsules, which seemed

trying to achieve a certain property with the bark. Let me get that for you.' What came out of that was standardization—and that became our calling. What you know about Sabinsa today comes from Dr. Majeed standardizing Ayurveda."

From there, Sabinsa continued expanding its capabilities, diving deeper into the supply chain to ensure the standardizations Dr. Majeed had deemed best. "If you follow our story, you'll see that we start gathering everything around us and doing it ourselves

to ensure a consistent, quality supply,” Majeed says. This included setting up a brokerage business, Sami Labs, as well as bringing extraction in-house. “Inevitably,” says Majeed, “we had to go back to the farms.”

But that seed wouldn’t take root until 2004, when a major drought and flood hit the Indian region that produced *Coleus forskohlii*, causing a shortage of raw material for ForsLean, Sabinsa’s weight loss ingredient. “There was nothing we could do,” Majeed says. “We realized that if we’d been speaking directly with the farmers, and if we’d been able to spread out the plots, we would’ve understood this dilemma much quicker and been able to address it with suppliers.”

Back to the land

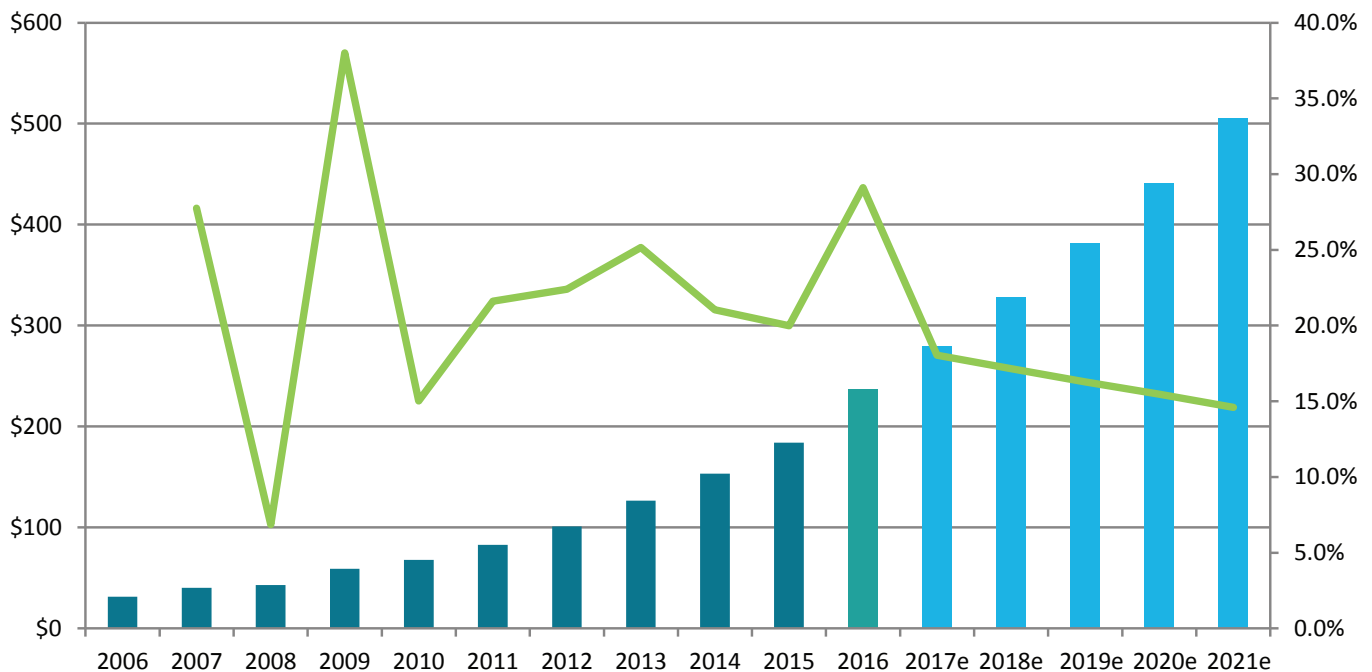
In 2006, Sabinsa bought some land of its own, hired botanists and soil experts, and began contracting with independent growers of turmeric, amla, black pepper, *Coleus forskohlii* and other crops. “Our mindset wasn’t, ‘Hey, we’re going to fix farming and change the world,’” Majeed insists. “We just wanted stability. We wanted to make sure our customers had the supply they needed and ensure consumers received the full benefits of our products. However, we soon realized that by doing all this, we could also change the lives of farmers.”

To help its contract growers succeed, Sabinsa introduced new farming technologies, financed irrigation systems and cham-

pioned sustainable, holistic agriculture methods. The company also committed to paying farmers top dollar. “We own the seeds, give them crop material and are with them all the time, so we know their expected outputs,” Majeed says. “We set a price at the beginning of the season and make sure they get paid, even if they have zero percent output. Because if these farmers fail to meet output goals, it is usually because of Mother Nature, not their fault.” And if a farmer receives an enticing offer to grow a different crop, Sabinsa will top it in order to keep that farmer in its chain.

Francine Schoenwetter, managing director of content, supply chain solutions at New Hope Network, toured Sabinsa farms

TURMERIC SALES AND GROWTH, 2006-2021E



Source: Nutrition Business Journal (\$mil, consumer sales)

“Sabinsa has been very aggressive in raising awareness about synthetic curcumin. Showing what the issues are in the botanical supply chain—and not trying to brush them under the carpet—is a great asset.”

— Stefan Gafner, Ph.D.

chief science officer of the American Botanical Council

this past November. “It really hit home for me while I was there: You have to treat your farmers well,” she says. “You have to understand the pressures they face and the competitive space they are in. This is fundamentally about relationships—not just between the many parts of Sabinsa’s business, but between people. It was hard not be impressed.”

Beyond helping farmers thrive in the fields, Sabinsa aids their communities by bringing in much-needed water and supporting schools. “For every Sabinsa water truck that goes into a farm, two go into a village,” says Darren Rude, CEO of **Nutrawise**, which partners with Sabinsa on these efforts. “People in India want to work—and work hard—to get ahead. Together, we all make a profit while also supplying better education and more water to these communities.”

Rude is also quite satisfied as a customer: “With Sabinsa, we feel stable,” he says. “We are the biggest bottler of turmeric in the world and have grown tremendously. They continue to grow with us and never run out of product.”

Real threats from synthetics

A few years back, Sabinsa discovered a threat to both its farmers’ livelihood and the integrity of the wider curcumin market:

Certain competitors were spiking turmeric with synthetic curcumin and selling it as 95 percent curcuminoids. Suspicious of the extremely low pricing, Sabinsa sent competitors’ samples to the University of Georgia for carbon dating. Sure enough, says Majeed, many were spiked by as much as 80 percent. “Having synthetic curcumin on the market would obviously affect the farmers,” he says. “They

became super worried about it.”

Sabinsa began making noise in the industry, issuing press releases, drafting white papers and suing the firms it had caught spiking. The company even shared its carbon-dating info with its branded-curcumin competitors, encouraging them to test their supply for synthetics. “Sabinsa has been


very aggressive in raising awareness about synthetic curcumin,” says Stefan Gafner, Ph.D., chief science officer of the American Botanical Council. “Showing what the issues are in the botanical supply chain—and not trying to brush them under the carpet—is a great asset [to this industry].”

Next up, Sabinsa will expand its agricultural pursuits even further. “We’ve acquired skills and knowledge through working with farmers, so we can now take this into other parts of India, as well as outside of the country, and still maintain the integrity of our ingredients,” Majeed says. He notes that common Ayurvedic ingredients that once existed only in India are now being cultivated in Thailand, Malaysia and Vietnam as demand for these botanicals skyrockets. “If we keep trying to get all of our materials from India, supply will run out,” Majeed says.

Sabinsa’s efforts to maintain a high-quality, transparent supply chain clearly raise the bar for all parties—from its farmers and their families to its customers and beyond. “It has a halo effect for the

“Our mindset wasn’t, ‘Hey, we’re going to fix farming and change the world.’ We just wanted stability.”

— Shaheen Majeed, Sabinsa

companies that source ingredients from Sabinsa because they also have a story to tell about the ingredient heritage of their products,” Kalman says. “At the same time, Sabinsa’s quality of care lifts up the whole industry. This is a much deserved award. If more companies knew about how Sabinsa operates, they’d be beyond impressed.” 

NBJ Award: Science & Innovation

Martha Carlin's BioCollective advances the field of microbiome medicine

By Marc Brush

The story of the nutrition industry is often a story of silver linings—passionate founders motivated by the tragedies and traumas of declining health driving innovation where nobody else saw a need. For every ketogenic potato chip, there is a mother with a child wracked by autoimmune disease. For every natural peanut butter, there are free packs of therapeutic food for malnourished kids in the developing world. Thanks to Martha Carlin, we can add a microbiome stool bank to this mix.

Back in 2002, a Parkinson's diagnosis for her 44-year-old husband would send

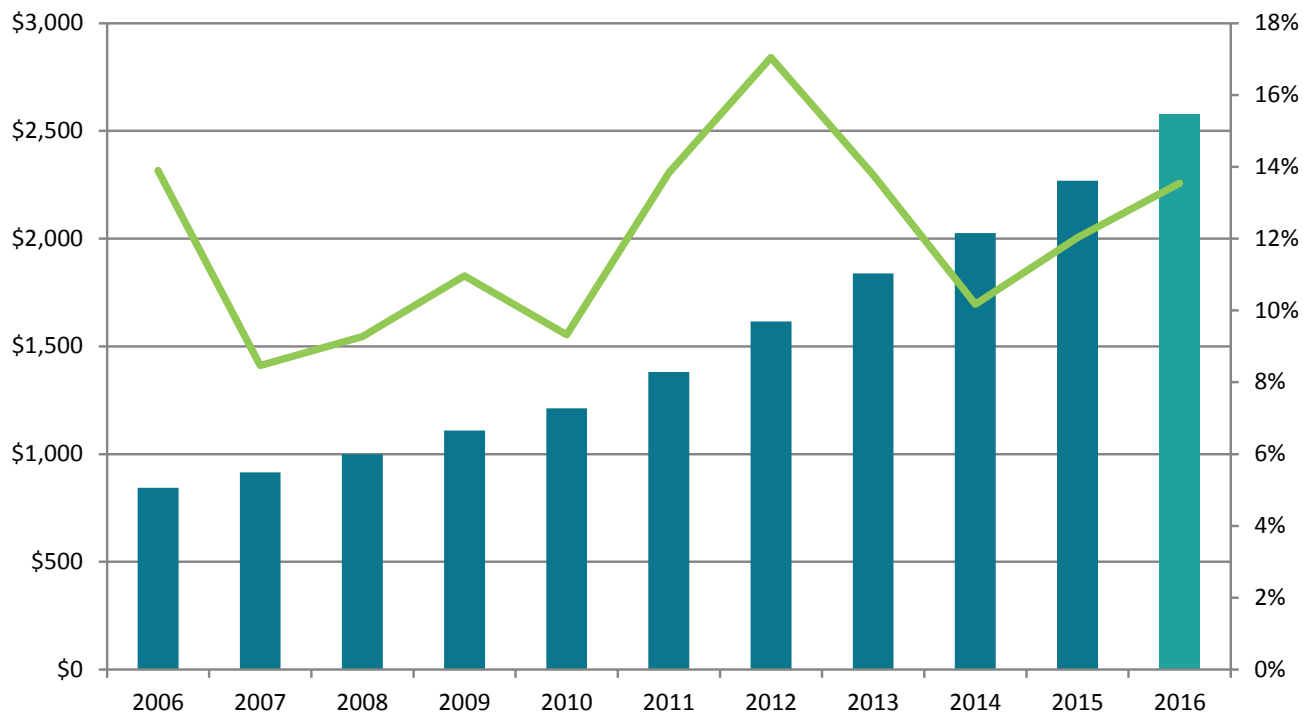
Carlin on a self-directed journey through the wilds of citizen science long before anyone had even heard the term. It's a journey that lands Carlin and the biobank she would come to launch, the **BioCollective**, squarely inside the beating heart of nutrition's future. Carlin and her team now operate on the front lines of the industry's buzziest categories—pre- and probiotics, personalized and precision medicine, the microbiome—with a branded supplement poised to hit the market in early 2018.

For translating a highly personal passion project into a discovery platform that

NBJ Takeaways

- » Biocollective founder Martha Carlin used accounting methods to look at microbiome science
- » The program was designed to make the sample and sequence process easy for consumers
- » Making microbiome science actionable will require connecting different researchers at different institutions

GUT HEALTH SUPPLEMENTS SALES AND GROWTH, 2006-2016



Source: Nutrition Business Journal (\$mil, consumer sales)

connects the dots between nutrition and the microbiome, we chose to honor Carlin and the BioCollective with the *NBJ* Science & Innovation Award.

It's a system

Carlin is not a scientist by training. She's an accountant. "I learned this primary way to look at a business—transaction flow review," she says. "You look for the risk points, the places where the business might break. Medicine was just not looking at Parkinson's disease in the right way, so I decided to apply this systems-thinking approach to it."

Anne Estes, assistant professor at Towson University and the brains behind the popular *Mostly Microbes* blog, saw the potential early on. "Martha has the brilliance and foresight to bring together different fields to solve complex problems and diseases," says Estes. "As a self-trained citizen scientist, she connected problems with the gut microbiome to Parkinson's disease early on."

Carlin started with food, the primary transaction flow into the body. For the next six years, she would study nutrition and soil biology in her spare time before diving into the deeper science around proteins and metagenomics. She would discover potential correlations between Parkinson's and childhood incidence of strep throat with heavy antibiotic loads. Interviews with Parkinson's patients would expand the system to include correlations with allergies and asthma, diabetes, and chronic stress. Two pivotal works of research—Dr. Martin Blaser's *Missing Microbes* and Dr. Filip Scheperjans's 2014 study of microbiota in Parkinson's patients—would add fuel to her fire that the microbial pathways to disease matter.

Carlin would then connect with Dr. Jack Gilbert at the **University of Chicago**, a leading researcher in all things microbiome and now co-founder of the BioCollective, to study time series samples of her husband and herself, pushing for insights

from the food supply that could work as microbial tools for modifying specific gene behavior. As clear evidence that smart minds think alike, Gilbert is one of the research community's strongest proponents of shared science that fosters collaboration. He's a citizen scientist, too.

Making it easy

As the idea for the BioCollective began to take form, Carlin focused on the pain points. Collecting samples carries a high ick factor, so why not invent a friendlier kit—enter the BioCollector. Access to samples is tough for researchers, so the BioCollective now provides well-characterized fecal samples as well as licensing to metagenomic sequencing data. That sequencing gets expensive, so the BioCollective shares costs over a wide number of users with no charge to sample providers. "These are all problems at the consumer level," says Carlin. "I wanted to build a company that focused there, so we can all move faster with this."

John Flattery, Director of Research and Innovation at **Aces Health** in Atlanta, Georgia, sees the power of that approach. "The BioCollective has scalable and affordable solutions that can propel the field of microbiome medicine to new heights. Solutions that monitor the microbiome in scalable ways will be critical in the evolution of precision medicine paradigms."

The BioCollective is moving beyond sequencing highly conserved segments in the bacterial genome to provide a fuller picture of viruses, fungi, markers of antibiotic resistance, and strain-level bacteria. There are

700 samples in the biobank and counting, with strong cohorts in Parkinson's, as well as growing cohorts in sickle cell, autism, and IBS. Data modeling is pointing toward patterns across disease states—from Parkinson's to thyroid to chronic gastrointestinal issues—in a shared functionality model that proves the power of systems thinking. In a further tip of the hat to the power of citizen science, Carlin is also developing a profit-sharing model that rewards sample providers as their stool sells over time to researchers and institutions.

What's next?

Carlin is scheduled to launch her first product—**Sugar Buster Biotica**—in February as a supplement to address glucose metabolism in the body. It's a pre- and probiotic formula with multiple specific strains, including one proprietary to **Pure Cultures**, an agricultural probiotic company in which Carlin was an early investor. Time series data has demonstrated meaningful impact on the microbiome.

Her success and savvy are getting noticed, by the industry and academia.

"Martha's systems-level insight on disease led her to assemble a world-class team of researchers to investigate the gut microbiome community and develop a targeted probiotic to rectify the microbiome dysbiosis," says Estes. "Her intelligence, passion, and resourcefulness is astounding."

As for the biobank, it's all about collecting more samples to connect more dots. "That's what we want," says Carlin. "We want to build the platform that connects these dots for the microbiome. There's so much competition in the research community now, so little sharing. Collaboration has the potential to solve these complex problems much faster, so we're working hard to open up the science." 🌱

"We want to build the platform that connects these dots for the microbiome."

—Martha Carlin, *The Biocollective*



NBJ Awards: Efforts on Behalf of Industry

Plant Based Food Association represents a category where innovation and revolution fit on the same plate

By Ilene Lulchuk

The revolution in vegan food is being won in the labs and kitchens where product development is redefining the category and on the plates of consumers who find that innovation not just palatable but enjoyable, but that same revolution is being fought in lawsuits and with lobbyists as conventional livestock-based foods ramp up to keep the upstarts down.

It is on those scattered battlefields that the **Plant Based Food Association** is helping lead some of the most important changes in food. Being the voice of a rapidly growing category garnering attention and opposition from entrenched interests wins the Association the NBJ Efforts on Behalf of Industry Award.

PBFA, a young and aggressive trade group, has stepped up to promote producers and fight labeling laws at a time when the plant-based sector is experiencing remarkable growth—and attracting pushback from threatened dairy and ag industries.

Last year was outstanding for the PBFA member community. The plant-based food sector shot from a \$3.5 billion industry in 2016 to a \$5 billion industry in 2017. Sales of plant-based milks alone topped \$4.2 billion last year, a 3 percent jump over the previous year, while cow milk sales dropped.

PBFA membership grew correspondingly throughout 2017, from a few dozen companies to nearly 100, with food giant **Campbell Soup Company** joining as a prized new member in the fall.

The PBFA also took on its first regulatory fight in 2017 and hired a D.C. lobbyist to protest the proposed federal Dairy

Pride Act, which would prohibit plant-based food makers from using words such as “milk,” “cheese,” or “yogurt,” even with modifiers like “soy,” “almond,” “vegan,” or “dairy-free.”

That bill now appears stalled.

“This has been a very scrappy operation so far,” says PBFA founder and executive director Michele Simon. “We built it up member by member. We haven’t had a lot of money. We relied on donations to get started. But now we can take things to the next level.”

PBFA is Simon’s brainchild. A food attorney and policy expert, she hatched the idea in late 2014—after an eye-opening lunch with Miyoko Schinner at Millenium, a gourmet vegan restaurant in Oakland,

NBJ Takeaways

- » Innovation is making plant-based foods an attractive option and more than simply a meat or dairy alternative
- » Livestock-based food groups see plant-based foods as a threat
- » Fighting over words like “cheese” and “bacon” will be a continuing struggle for plant-based food companies

to call her product.

“We were hit with the realization that we couldn’t call it cheese in California,” Schinner remembers.

As a small company based in a small Northern California town, Miyoko’s Kitchen couldn’t fight labeling regulations alone. It became clear to Simon that the plant-based food industry needed a collective voice and resources.

“A lot of these companies are making new types of products that the regulations haven’t caught up with and can’t keep up with. And so they are running up against outdated rules for

products,” Simon says.

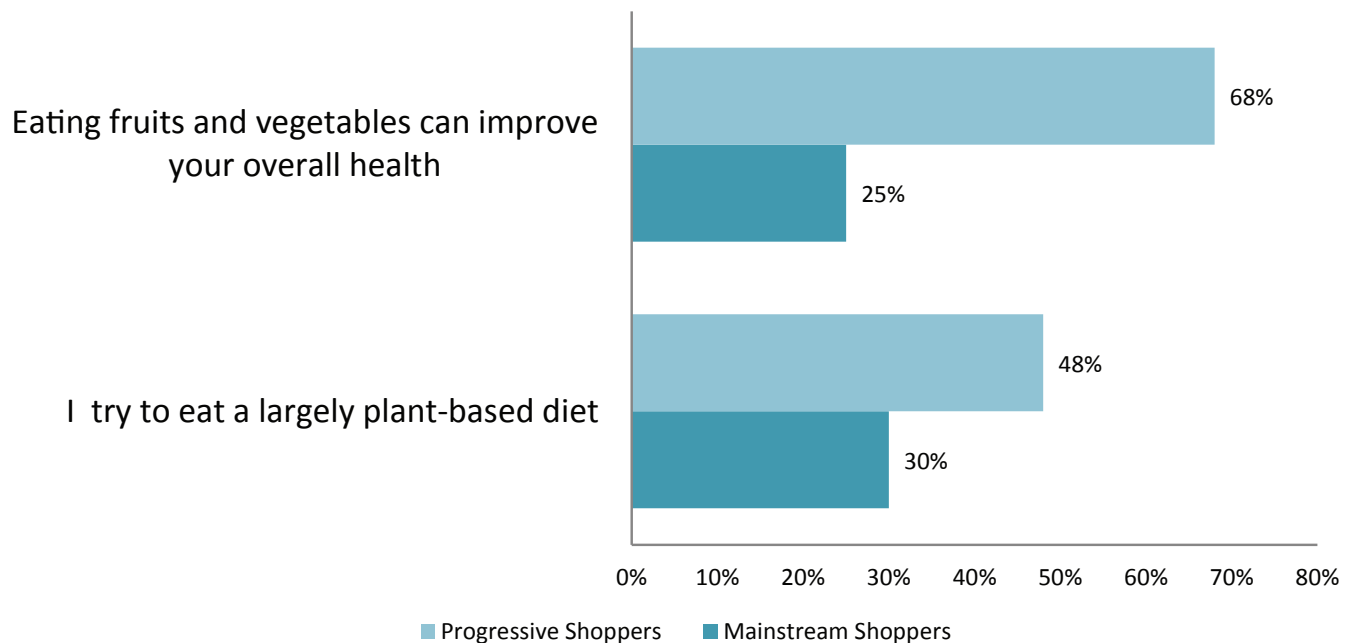
PBFA launched at Natural Products Expo West 2016 with 22 members. Found-



**PLANT BASED
FOODS ASSOCIATION**

CA. Schinner is the creator of **Miyoko’s Kitchen** artisan cashew-based cheeses. Back in 2014, she was struggling with what

CONSUMERS SHOWING STRONGER LEANINGS TOWARD PLANTS



Source: New Hope Food Values Survey Conducted Summer 2016; n=1,000 of vol. population

ers included **Daiya Foods**, **Follow Your Heart**, **Miyoko's Kitchen**, **The Tofurky Company**, and **Upton's Naturals**.

"There is no question that without the Natural Products Expo, none of this would have happened. It almost makes me weepy to think about," Simon gushed. "The very first meeting I had was at Expo, meeting the right leaders of the companies face-to-face who did not know me. I knew Miyoko, and that was it. With other company leaders, I had to earn their trust, and you don't do that by email. You do that by looking them in the eye."

Simon's timing was perfect.

The innovative plant-based foods sector has been claiming more shelf and cold case space with vegan meats, yogurts, cheeses, and ice creams derived from nuts, oats, legumes, and seeds. Creatively, the produc-

ers have redefined the category with new tastes and varieties that blow the old meatless wieners out of the kitchen. Just look to Beyond Meat's new hot Italian sausage or Miyoko's Smokey Vegan Mozz (mozzarella) for examples. There's even a Tofuna Fysh out there.

The industry's rise caught the attention of large conventional producers that wanted in on the action. Tyson Foods, the country's largest meat producer, invested in **Beyond Meat**. **Nestlé** bought **Sweet Earth Foods**, maker of breakfast meats like Benevolent Bacon. Maple Leaf Foods of Canada, a packaged meats company, acquired **Field Roast Grain Meat Co.** and **Lightlife**, maker of Chick'n. And Campbell has a line of pea-based milk under its **Bolthouse Farms** brand.

Fast Company recently declared a

"meatless meat explosion" is coming. And other publications named plant-based as the top food trend to watch in 2018.

Word wars

Of course, industry growth also caught the attention of conventional producers and some lawmakers.

"What comes with that [success] is a lot of opportunity, but also something that traditional food manufacturers—animal-centric producers—start to see as a threat," says PBFA board president Jaime Athos, CEO of the Tofurky Company. "So, obviously having our own voice in the halls of government becomes more important. We are seeing that now with the Dairy Pride Act. It's a real risk for our nascent industry if suddenly we won't be able to communicate accurately with our potential consumers."

“We decided early on that this wasn’t going to be an exclusive club of vegan companies.”

—Michelle Simon, Plant Based Food Association

Senator Tammy Baldwin (D-WI) introduced the Dairy Pride Act in Congress early last year, with the intent of “defending against imitations and replacements.” Under the bill, if it doesn’t come from a lactating animal, you shouldn’t call it milk, cheese or yogurt. “We’re not trying to fool consumers with the labels,” Athos says in defense. “Consumers are seeking

these products out.”

PBFA hired a lobbyist and jumped into action in November.

“Showing up in Washington definitely matters,” Simon says, confident that their lobbying kept that bill from moving forward, for now.

PBFA is braced for more challenges, however, and Simon says she won’t be surprised if a restrictive verbiage like the Dairy Pride Act appeared in the upcoming omnibus Farm Bill.

PBFA’s future goals include creating labeling standards, starting with milks (look for an announcement at Expo West in March); educating conventional retailers about the benefits of making more room

to providing our consumers with food choices that meet their nutrition, well-being and lifestyle needs. Working together with the Plant Based Foods Association, we can advance our shared goal of bringing more plant-based foods to consumers.”

PBFA is working on that goal by showing conventional retailers data like this:

- Retail sales of plant-based foods grew 8.1 percent between 2016 and 2017, according to data commissioned from Nielsen.
- 36 percent of consumers buy plant-based meats, according to Mintel.
- 36 percent of consumers prefer plant-based milks, according *NBJ* research.

“I talked to someone recently who told me she had a different kind of milk in the refrigerator for every member of her family,” Simon says. “Any store that isn’t providing those kinds of options are missing out.”

With PBFA, Schinner and Athos say plant-based food businesses are growing stronger together.

And maybe a bit more daring.

When first naming her foods in 2014, Schinner landed on “cultured nut product,” as the California Department of Food and

“We were hit with the realization that we couldn’t call it cheese in California.”

—Miyoko Schinner, Miyoko’s Kitchen

on their shelves for plant-based foods; and growing the PBFA membership.

Campbell’s legitimizing involvement should help with that.

“We decided early on that this wasn’t going to be an exclusive club of vegan companies,” Simon says.

Campbell Fresh president Ed Carolan said in a statement last fall, “We are commit-

Agriculture insisted. But check out the new packaging and label released this winter for her Double Cream Chive Vegan Cheese Wheel. That’s right, it says “cheese.”

“We are being bold,” Schinner says. “Animal agriculture has their lobbyists and their trade organizations, but we are going to be a formidable force that they will have to reckon with.” 🌱



NBJ Award: Education

GrassrootsHealth and the Organic and Natural Health Association use home nutrient tests to create a crowdsourced nutritional research model that could transform healthcare

By Rick Polito

Dr. Low Dog had a question for the supplements industry professionals gathered for the **United Natural Products Alliance** conference in Santa Fe. It was a basic question about a basic nutrient. “How many of you know your vitamin D level?” she asked.

In a crowd of dozens, three hands went up.

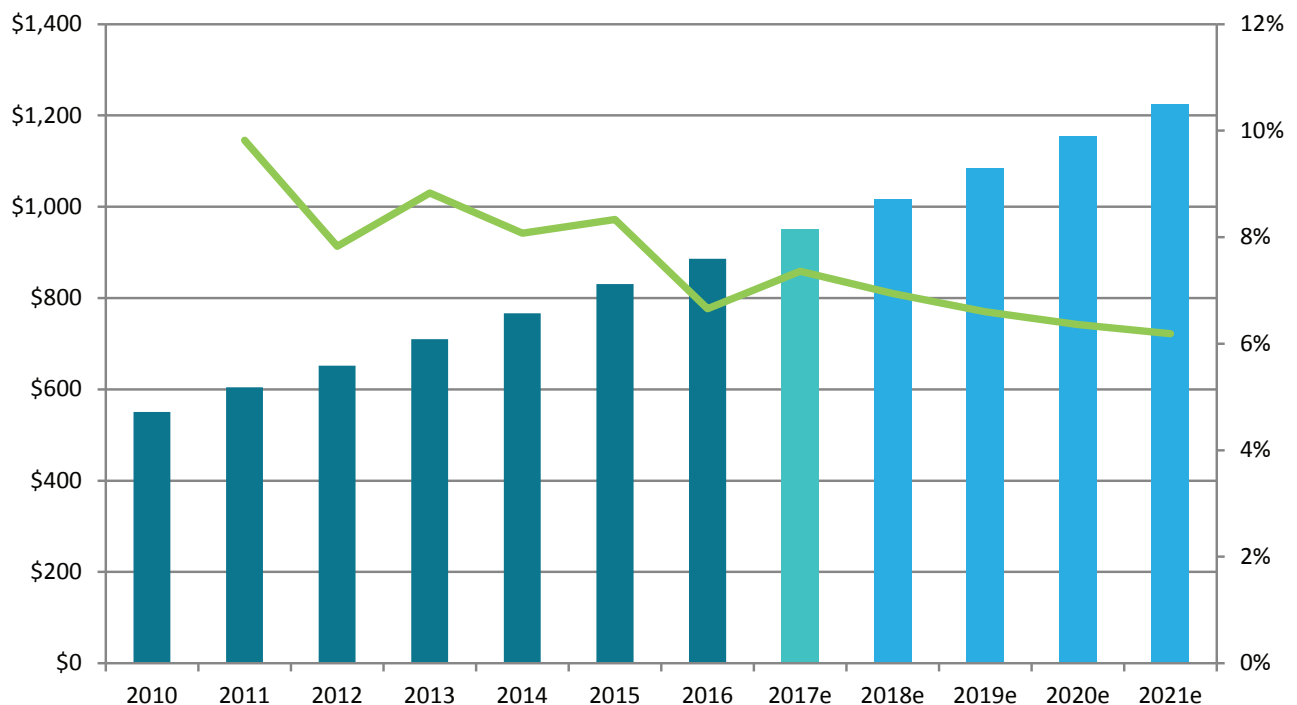
If that’s the story in an industry built on nutrition, it’s hard to imagine that many

consumers are going to be so informed. It’s the kind of statistic that frustrates Carole Baggerly, but Baggerly has done something about it. As founder and director of **Grass-Roots Health**, a home test and data gathering organization, she knows what *can* be done and what’s not being done. The need is vast and unmet. “People want to take action,” she says. “The minute you provide the opportunity to them, they do.”

NBJ Takeaways

- » The vast majority of consumers don’t know their nutrient levels
- » Home test technology and online data-gathering makes the “nutritional field test” model possible
- » Omega-3s and vitamin D are the focus of this program, but the model could work for other nutrients

VITAMIN D SALES AND GROWTH, 2010-2021E



Source: Nutrition Business Journal (\$mil, consumer sales)

“When you ask us what your intake should be, it really depends on where you are at right now.”

- Todd Norton, Aker Biomarine

GrassRoots Health has recruited more than 10,000 people who have had their vitamin D tested and filled out a detailed health assessment that adds to mountain of data available to researcher. Participants pay for the test and can see how their levels match up with health conditions, providing actionable insights. Teaming with the **Organic and Natural Health Association** (O&N), GrassRoots is expanding the program and adding omega-3s, creating a model that could be expanded to include other data. It's that game-changing model that earned GrassRoots and O&N the NBJ Education Award. If more people knew more about their levels of basic nutrients, it could transform not just the supplement industry but the entire U.S. healthcare system.

O&N director Karen Howard admits she could have been one of the majority

Howard had done what the supplement industry had asked of consumers. She'd taken her supplements not knowing if she'd done herself any good.

“People have been taking supplement on faith for a long time, and when you have a chronic disease, you can see results,” Howard says. “But most people do it because we believe in it, and that's not a way to change the healthcare system.”

Testing assumptions

Transforming healthcare is what Baggerly set out to do when she founded GrassRoots Health in 2007. She didn't come from a nutrition or healthcare background. She'd worked the business side of

Baggerly says. “If you have a problem, let me start a business to solve it.

She is sometimes astonished at the results. With limited resources, GrassRoots has recruited a cohort of more than 12,000 people who have paid to have their vitamin D levels tested. That research has driven a number of papers, suggesting vitamin D has a role in a host of health issues. A cooperative education and testing program with the Medical University of South Carolina reduced preterm births and other departments at the University are approaching Baggerly and GrassRoots health. “We have created an entrée into the medical industry,” she says.

Insurance companies are next. GrassRoots is in talks with two risk-based contract health insurance programs that see the preventive value in helping people monitor their health. Risk-based contract means hospitals make more money when their patients are healthier. Better nutrition reduces risk. Quantifying nutrient levels proves that. And nutrition becomes a financial imperative. If risk-based contract health is the future, that future becomes bright for the nutrition industry.

“We don't have enough money to pay for fee-based medicine and keep our population healthy,” Baggerly says. “I am a true believer in the economics.”

Taking the test

But as much as she is encouraged by the economics, the science and the “nutritional field test” model, she is equally impressed

of people in the UNPA conference who didn't raise their hands. Until recently, she didn't know her vitamin D levels. She didn't know if she was getting enough omega-3. She wasn't. “I was a little surprised because I like mackerel,” she says. “But you have to eat it three times a week.”

aerospace. But when she saw the “barbaric” reality of breast cancer treatment firsthand, and then learned the role of vitamin D in preventing breast cancer and a host of additional conditions, she applied her business background to a scientific challenge. “I'm a business startup person. That's what I do,”



Grassroots Health
Moving Research into Practice

"People have been taking supplements on faith for a long time, and when you have a chronic disease you can see results. But most people do it because we believe in it, and that's not a way to change the healthcare system."

- Karen Howard, Organic and Natural Health Association

with the response from the people seeking the tests. She remembers hearing the same thing in phone call after phone call. "They'd say 'You have given me the ability to take charge of my own health,'" she recalls.

Todd Norton, at Aker Biomarine, says his company saw the same response when they offered omega-3 testing at SupplySide West in 2015. Again, nutrition industry professionals had no idea of their levels and were excited to learn them. "It was really a nice snapshot of their health," Norton says.

The test provided an answer to a question that had puzzled Aker and other omega-3 companies, really *all* supplement companies. They couldn't

tell people how much to take. "When you ask us what your intake should be it really depends on where you are at right now," Norton says.

The response shows how deep consumer curiosity goes, Norton says. If the supplement industry could answer those questions and make the nutrients commonly missing from the American diet an actionable and individual matter, the value proposition for supplements would change dramatically. "Measure your numbers. Know your numbers. You don't have to guess," Norton says. "It'd be a different world, a different landscape."

Put to the test

The change wouldn't end at awareness either, Howard explains. Compliance is the bo-

nus. The GrassRoots and O&N "Power of Nutrients" program suggests retesting every six months. Howard knows how that six month date affects her. When she knows it's coming, she's more diligent in her supplement regimen. Compliance has always been a central issue for supplement sales. Testing is a strong nudge. "When I know that in six months I am going to have my omega-3 level measured, all of a sudden I'm really good at remembering to take my supplements," Howard says.

For Baggerly, it's not just the test and a single nutrient that becomes the nudge. It's the ability for people to find other ways to take charge of their own health. "People are ready to move," she says. "There are so many people who are health-conscious and know there is a better way to do things, and they are not getting the answer from their physicians." It's the sort of thing that doesn't just change lives, she says. It changes the entire healthcare system.

"I think healthcare is in the process of changing already," Baggerly says. "Monumentally." 🌱



Top Deals of 2017: M&A activity mirrors consumer pivot to healthier options

Total volume of *NBJ's* top 10 deals of the year jumps 60%, fueled by large transformational transactions and corporate divestitures

By Rodney Clark, Aspect Consumer Partners

Worldwide mergers and acquisitions volume topped \$3.6 trillion in 2017, substantially shy of the \$4.7 trillion in record volume posted in 2015, but in line with 2016 and the fourth consecutive year of total volume of more than \$3 trillion. In the U.S., while total volume experienced a decrease of 16% due to the absence of the large megadeals seen in previous years, the total number of deals jumped by almost 14%—a mixed signal indeed, but a clear indication of the breadth and depth of the overall market and proof that M&A activity remains high by historical standards. And with corporate earnings strong, capital markets at record high levels and optimism surrounding the end-of-year passage of a tax plan highly favorable to U.S. corporations, the stage appears set for another year of robust M&A activity.

In contrast to the broader global and U.S. M&A markets, the volume of M&A activity within the U.S. Nutrition Industry in 2017 surged to record high levels. Following a first half that appeared poised for merely another solid year of deal-making, in mid-June a Multi-Billion-Dollar Deal Wave crashed over the industry. The pace of announcements of large, multi-billion-dollar transactions was truly remarkable in the second half of the year, elevating activity to new levels and marking 2017 as a record year for M&A within the U.S. Nutrition Industry.

Nutrition Industry M&A advisor William Hood, who is one of the most active

advisors within the industry and advised both **Nature's Bounty** and **Atrium Innovations** on their recent deals, said, "2017 was simply a record year in the Nutrition Industry. Some of the largest vitamin, mineral, supplement (VMS) transactions on record were consummated, such as the Atrium Innovations and Nature's Bounty deals. Additionally, with the large, global consumer products companies needing to offset the struggling growth of their legacy brands and platforms, M&A activity was at high levels across a number of key industries—VMS, food and beverage, CPG. Expect this trend to continue for the foreseeable future."

For the full year, aggregate volume for *NBJ's* Top 10 Deals of the Year topped \$40 billion, surpassing the previous high-water mark of approximately \$30 billion reached in 2015, and a full 60% higher than the \$25 billion reached in 2016. This high level of activity, which also includes international transactions with a meaningful revenue presence in the U.S., was driven by large transformational transactions such as **Amazon's** \$13.7 billion purchase of **Whole Foods Market**, **Nestlé's** \$2.3 billion acquisition of Atrium Innovations and **Campbell's** \$4.8 billion takeover of **Snyder's-Lance**. It also includes, in contrast to previous years, a number of large corporate divestitures, such as **KKR's** acquisition of **Unilever's** spreads business for just over \$8 billion, **McCormick & Company's** acquisition of **Reckitt Benckiser's**

Food Division for \$4.2 billion and **Lactalis Group's** purchase of **Stonyfield Farm** for \$875 million.

In a more "normal" year of activity, notable transactions such as **Kellogg's** acquisition of **RXBAR** for \$600 million, **Nestlé's** acquisition of a 68% stake in **Blue Bottle Coffee** for an estimated \$425 million, or **Mars'** investment in **KIND Bar** would surely have been among the top deals of the year. As it stands, with a slew of larger, more impactful transactions having been announced and consummated, these and other transactions simply didn't make the cut.

Following are *NBJ's* top 10 deals of 2017.



Amazon acquires Whole Foods Market

It should come as no surprise that out of all the deals announced in 2017—and one could easily argue out of any transaction *ever* in the U.S. Nutrition Industry—

the most notable, truly transformational and far-reaching transaction was Amazon's acquisition of Whole Foods Market for \$13.7 billion. The announcement of this transaction on June 16 came as a surprise to most everyone and sent shock waves across the entire nutrition industry, and likely well beyond. The initial question surfaced by industry participants and pundits alike: Why would Amazon, the global e-commerce and technology giant, want to acquire Whole Foods, the most prominent bricks-and-mortar retailer of natural and organic food, beverages and other consumer products and its 465 stores?

From purely a size perspective this transaction is significant, as it ranks—along with **Danone's** acquisition of

WhiteWave and **JAB Holding's** acquisition of **Keurig Green Mountain**—as one of the largest pure-play transactions on record for the U.S. Nutrition industry. But the real significance of the transaction lies in its potential to impact, disrupt and transform across industries, including the way products are sourced and distributed within the \$780 billion U.S. grocery market; the use of technology, data and real-time purchasing information to offer customers alternative ways to engage with their favorite and new brands and to make product purchases; as well as what this means for other industry participants such as **Walmart, Target, Kroger, Sprouts, United Natural Food, Instacart** and many others within the industry. Additionally, and this appears to

be a largely unanswered question thus far, will Whole Foods under Amazon's ownership continue to be the standard-bearer for the natural and organic industry, maintaining its high standards, controls and processes aimed at ensuring food quality and safety for consumers?"

It is still early days for the Amazon/Whole Foods combination, as the transaction only closed on August 8 last year, but already the effects of the transaction can be seen: lower consumer prices on a number of in-store staple items; Amazon lockers have appeared in a number of locations; and Whole Foods' private label products have started to become available on Amazon.com, AmazonFresh, Prime Pantry and Prime Now. Expect more changes to come in the near future

2017 TOP M&A DEALS

Announce Date	Acquiror / Investor	Target	Transaction Value
US\$M			
Jun-17	Amazon	Whole Foods	13,700.0
Dec-17	KKR	Unilever Spreads Business	8,003.0
Dec-17	Campbell Soup	Snyder's-Lance	4,800.0
Jul-17	McCormick	Reckitt Benckiser's Food Division	4,200.0
Jul-17	KKR	Nature's Bounty	3,000.0
Dec-17	Nestle	Atrium Innovations	2,300.0
Jun-17	L1 Retail	Holland & Barrett	2,260.0
Dec-17	Hershey	Amplify Brands	1,600.0
Jul-17	Church & Dwight	WaterPik	1,003.0
Jun-17	Natura International	The Body Shop	1,000.0
Jul-17	Lactalis	Stonyfield Farm	875.0
Apr-17	Conyers Park (Simply Good Foods)	Atkins Nutritionals	856.0
Oct-17	Hormel Foods	Columbus Manufacturing	850.0
Jul-17	Campbell Soup	Pacific Foods	700.0

Source: Aspect Consumer Partners

as Amazon more fully integrates Whole Foods into its organization and as other organizations respond to the effects of such changes in the competitive landscape.



Campbell Soup acquires Pacific Foods and Snyder's-Lance

Campbell Soup was very active in 2017, announcing two large transactions aimed at solidifying its position in healthier for you soups and broths and significantly expanding its presence in the roughly \$89 billion U.S. snacking market. On July 6, Campbell announced the \$700 million acquisition of Pacific Foods, a pioneer and leader in organic broth and soup, as well as other shelf-stable plant-based beverages. The transaction furthers Campbell's commitment to providing "real food" to its customers and provides the company with an authentic brand that has a portfolio of natural and organic products, a loyal customer following and strong growth.

On December 18, Campbell Soup announced the largest transaction in its history, the \$4.8 billion acquisition of Snyder's-Lance, a leader in the snack industry with a portfolio of leading brands, including Snyder's of Hanover, Kettle, Snack Factory (Pretzel Crisps), Pop Secret and Late July Snacks. With the addition of \$2.2 billion in revenues from Snyder's-Lance, Campbell's snacking portfolio will almost double in size, to \$4.7 billion, and on a proforma basis

account for approximately 46% of total company sales, up from 31% prior to the acquisition. This represents a bold move deeper into the snack category and will enable Campbell to help stem its flagging growth and innovation. The transaction is not without challenges, as Snyder's-Lance has in the recent past struggled with its own challenges, stemming from a string of acquisitions and the perhaps tougher-than-anticipated integration of its Diamond Foods acquisition. These transactions continue the company's push, via acquisition, to reshape its offerings to meet changing customer tastes and preferences and to bolster innovation and growth. Previous acquisitions have included Bolthouse Farms, Plum Organics, Kelsen and Garden Fresh Gourmet.



KKR acquires The Nature's Bounty

At a rumored \$3 billion price tag, KKR's acquisition of a majority of The Nature's Bounty from Carlyle Group ranks this transaction as one of the largest on record in the VMS industry. The transaction, announced on July 24, ends yet another chapter in the herbal supplements company's long tenure as a market leader, one that has consummated a significant number of acquisitions and divestitures, and gone from private to public to private equity ownership since the time of its founding in 1971. This announcement follows the June announcement of the \$2.3 billion divestiture of the company's **Holland &**

Barrett business, one of Europe's largest health and wellness retail chains, with stores in more than 1,150 locations worldwide, to **L1 Retail**. KKR's and L1 Retail's large bets in the VMS industry, as well as Nestlé's acquisition of Atrium Innovations, are a strong sign of confidence in the continued strength of the VMS industry as a driver of health and wellness globally. Also of note was KKR's roughly \$8 billion acquisition of Unilever's margarine and spreads business, one of the largest private equity buyouts in Europe in all of 2017.



Nestlé acquires Atrium Innovations

In the U.S. and Europe, despite the high volume of M&A activity and the common drive by consumer packaged goods companies across all industries to focus on healthier product offerings for their customers, a trend we have not seen surface is that of food and beverage companies making large bets—via acquisitions—in vitamins, minerals and supplements. For that reason, Nestlé's recent push into the VMS sector with its acquisition of Atrium Innovations for \$2.3 billion is significant. And while Atrium Innovations is relatively small at approximately \$700 million in 2017 revenues, as compared to the \$15 billion Nestlé Health Science division (in which Atrium will reside), the transaction will enable Nestlé to

extend its health platform into other key product areas, including probiotics, plant-based protein nutrition, meal replacements and multi-vitamins—including non-GMO, natural and organic supplements where Atrium has market leadership positions. This appears a smart move by Nestlé given the strong consumer interest and growth within the VMS industry globally. The key questions is: who's next?



Hershey acquires Amplify Snack Brands

Hershey and chocolate are synonymous, particularly in the U.S. But in recent years the 100+ year old company decided it also wants to be known for its jerky snacks, acquiring KRAVE in 2015, and even more recently popcorn and chips, through its acquisition of Amplify Snack Brands for \$1.6 billion just one month ago. Hershey's 2015 acquisition of KRAVE, the pioneering premium jerky brand, was its first major move into snacking beyond its core chocolate and confectionary offerings, and likely foreshadowed a much bolder move into savory snacks in 2017 with its purchase of Amplify. With the transaction, Hershey is able to capture more snacking occasions with a larger portfolio of brands, including the Skin-

nyPop brand of ready to eat popcorn, Tyrrell's potato chips, Paqui tortilla chips and Oatmega protein bars. For Hershey, it is an acknowledgment that the traditional chocolate and candy categories are slowing and consumers are changing the way they approach snacking, often looking for healthier options across multiple categories. Mars' recent investment in KIND Bar, Kellogg's acquisition of RXBAR and Campbell Soup's purchase of Snyder's-Lance each follows similar logic: a large food company in slowing categories acquires an innovative, better-for-you company or brand in higher growth categories to bolster growth and reach new customers. This trend is sure to continue for some time to come.



Church & Dwight acquires Water Pik

What do oral hygiene products and shower heads have in common? Not a lot you may say. But in the case of Water Pik, Inc., the company's oral hygiene products and shower heads both derive their success from the oral irrigator technology first patented by the company in 1967. The company has since grown to become the market leader in both categories—Waterpik is the #1 water flosser brand and the #1 replacement shower head brand in the U.S. Given this success it is no wonder the company received backing from private equity firms

(EG Capital and more recently Mid-Ocean Partners) over the years and was ultimately sold to Church & Dwight last year for approximately \$1 billion. Water Pik's products are on trend as its oral hygiene products promote oral health and its shower heads promote wellness and water conservation.



Lactalis acquires Stonyfield Farm

Following Danone's \$10.4 billion acquisition of WhiteWave, Danone announced that it would divest itself of the Stonyfield Farm brand in order to circumvent any Department of Justice opposition to the WhiteWave transaction. In quite an ironic outcome, Lactalis, the number two dairy player in the world behind Danone—and thus its largest competitor—emerged at the end of a divestiture sale process as the ultimate buyer of Stonyfield. At \$875 million, Lactalis appears to be paying a market price for the company at approximately 2.3 times revenues and a rumored 20 times EBITDA. For Stonyfield, Lactalis could turn out to be the perfect acquiror, given its desire to offer healthier and organic products, its deep pockets and its strong market position in the global dairy industry. And given the recent innovation and heightened competition for space

within the yogurt category of late, now may be the perfect time to have a supportive, well-capitalized organization as parent company.



Conyers Park Acquisition Corp. acquires Atkins Nutritionals

The latest chapter in Atkins Nutritionals' somewhat long and storied history is its \$856 million acquisition last April by Conyers Park Acquisition Corp., a publicly-traded special purpose acquisition company ("SPAC") backed by Centerview Capital. The Atkins brand, built on Dr. Robert Atkins' eponymous diet, first rose to fame in the early 2000s and grew into a \$700 million powerhouse before crashing into bankruptcy in 2005 as the low carb craze faded and the company struggled under a mountain of debt. Atkins has clearly seen its ups and downs, but over the past ten years the brand and business has clawed its way back to a position of strength. North Castle Partners acquired the brand in 2007, stabilized the business and improved the product taste—to great success—and then later sold the business

to Roark Capital, which has continued to manage steady growth. Under the terms of the transaction, Conyers Park and Atkins combined to form a new holding company, **The Simply Good Foods Company**, which currently trades on the NASDAQ under the stock symbol SMPL. Now a public company, can we expect to see future M&A from Simply Good Foods? Will the company be as successful as Smart Balance, which combined with a SPAC in 2006, completed a series of strategic acquisitions (Udi's, Glutino, Evol), rebranded to Boulder Brands in 2013 and was then sold to Pinnacle Foods for \$975 million in 2015? Only time will tell. The same can be asked of the other most recent food acquisition by a SPAC, Gores Holdings' 2016 acquisition of Hostess Brands, another company with a challenged past that was brought back to health out of bankruptcy by a private equity firm.



Hormel acquires Columbus Manufacturing

If ever a company has used strategic M&A to affect significant corporate transformation, that company is Hormel Foods Corp. Hormel has been one of the most active serial acquirors within the U.S. Nutrition Industry in recent years,



and has completed a number of highly strategic transactions, including its \$425 million purchase of Capitol Wholesale Meats in early 2017 that strengthened its foodservice offerings, its 2016 acquisition of Justin's for \$286 million that gave it a leadership position in premium nut butters, its \$775 million deal for Applegate Farms in 2015 that gave it clean-ingredient American meat and deli staples, and its \$470 million purchase of CytoSport in 2014 that offered an entrée into the ready-to-drink protein and sports nutrition market. Late in 2017, Hormel announced yet another transaction, the \$850 million acquisition of Columbus Manufacturing, an iconic west coast maker of premium salami and deli meats sold under the Columbus brand. Columbus deepens Hormel's presence in the deli department, especially at the premium end of the market, which is experiencing the most growth. As an authentic, craft-driven brand, it resonates with customers, especially Millennials, and it has successfully introduced new on-the-go and snacking offerings.

Rodney J. Clark is Managing Partner and Co-Founder of Aspect Consumer Partners, an M&A, strategic and corporate finance advisory boutique focused on the healthy, active & sustainable segments of Food, Ingredients, Beverage, Beauty and Consumer Products. Email him at rclark@aspectconsumer.com. 



2018

EDITORIAL CALENDAR

(11 issues per year)

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