

The future is coming faster than you know.

A word from Jo-Ann McArthur, President



We've just faced a shared global crisis with COVID. In many ways, it feels like we're finally coming out the other side, though we've thought that before. With any luck, when the 2023 Trend Report comes out, we'll look back on the last weeks of 2021 and say, "yes, that was the beginning of the end."

But, just when you thought we might get a break, now climate change is getting real - I mean really real, not just predictions and statistical modelling. After a summer of crazy weather events, conversations and actions around climate change are growing, culminating in United Nations Secretary-General António Guterres declaring climate change a "code red for humanity." At the 2021 UN Climate Change Conference (COP26), captains of

industry, scientists, and world leaders called on governments around the world to agree on coordinated action to tackle climate change essential to Earth's future.

In our sector, we see climate change directly contributing to rising food prices. For example, an 'out of control' durum wheat market is expected to cause a pasta shortage as Canada's durum wheat harvest is down by over a third due to severe heat and drought, causing prices to spike by 90%. Smaller crops are also anticipated across most commodities due to climate issues, whether drought, flooding, disease, or fire.

The Food and Agriculture Organization estimates the food system accounts for 33% of all greenhouse gas emissions. There is no avoiding the fact that our health and our planet's health are inextricably linked. What will a post-COVID "normal" look like? To start, we need to think "New Reality" instead of "New Normal."

We will see more companies coming together to solve a common problem despite being competitors. In addition, there will be work to develop meaningful and transparent claims, such as defining and establishing standards for regenerative agriculture claims to build consumer trust.

We are at an inflection point.

We're already facing food inflation beyond anything most of us have experienced. Some of that is a "COVID tax" that will disappear once supply chain issues are resolved. But, food inflation will continue due to climate change impacting the food supply and the application of carbon taxes to better reflect the true cost of food. In addition, the planet's health is now the number one global issue of concern.

For those who think we're stuck on a fixed path, though, history shows that people are willing to shift their food intake dramatically. In the U.S., for example, 40 years ago, the average person ate 90 pounds of beef annually; today, that's down to 60. And 40 pounds of chicken has become 90. So, there is room for material changes in diet.





The future is competing generations with unique needs and perspectives.

Our 2022 Trend Report introduces some generational splits, with a focus on Boomers/Seniors (those born in 1965 and before) and Generation Next or Z (defined as those born between 1997 and 2008 and accounting for 20% of the Canadian population), as the way they view the world and the future becomes more polarizing. For example, one of our 2019 trends was the shift from millennials to Gen Z, citing that they are not just “millennials 2.0” once you tease out life-stage differences. Instead, you need to understand how they differ from previous generations to engage them successfully.

Generations not only shape history but are also shaped by it. If Gen Z is the future, then Seniors and Boomers arguably are the past; their priorities focus on healthy eating and personal wellness for the next couple of decades more than planet health. Gen Z was already growing up knowing they would have to fix what past generations – mine included – screwed up. And then the pandemic hit coupled with a climate emergency. Talk about coming of age during turbulent times! “Eco-anxiety” is real, with 72% of Gen Z expressing some anxiety about how climate change will affect them personally.¹

1. 2021 Wunderman Thompson

The future is transparent – and green.

A key element shaping Generation Z's food choices is options that support “the social good.” These digital natives now have access to technology on their smartphones to choose between two brands at price parity and select the one with the lowest planet impact, putting brands under unprecedented scrutiny. Inaction on issues that are critical to them will be a brand breaker. If you want to be part of this emerging generation's choice set, you must offer a way to a better future, aligning with their values on environmental and social issues.

According to a new report from Deloitte Canada, The Future of Food: a Canadian perspective, nearly three-quarters of consumers across all demographics prefer to shop at food retailers with sustainable or ethical practices. Almost as many say it's also important they understand where their food comes from. The focus on planet health and our individual foodprint will only grow over time. Eating food is not just about human survival - it's also become about the planet's survival.

No matter their age or unique motivations, consumers are telling the food industry, in no uncertain terms, what they want — my questions to you are: are you listening, and how will you respond?

If you're not sure how to answer, here are two things you need to do:

1. Read this report for a look at what's ahead in the food, beverage, and agriculture sectors.
2. Contact me so we can discuss future-proofing your food business.

Challenges can become opportunities — IF you know how to leverage them to your advantage. That's where we come in. Turn the page to discover the trends we believe will most impact the Canadian and global food industry, and then talk to us about your next steps.

The future is calling. Are you ready to answer?



Jo-Ann McArthur
President

Our top **food & beverage industry and agricultural trends** for 2022 are:

Talkin' 'Bout My Generation:

Boomers and Seniors Are Coming On Strong

Let's Make This Clear:

Using Purpose Transparency to Gain Consumer Trust

Plant-Based 3.0:

A Divide Between Better For You and Better For the Planet, Real Food, and Science

Remapping The Paths To Purchase:

An Updated Shopper Journey for Post-COVID Grocery Behaviours

Blurring The Lines:

Foodservice Models Get Increasingly Hybridized

Cultivating Your Inner Garden:

Eating for Gut Health Goes Mainstream

Save & Splurge:

The High-Low Fashion Trend Comes to Food

Bonus Trend — What's Good for Me is Good for Fido:

The Humanization of our Pets

Farms On The Edge Of Uncertainty:

A Perfect Financial Storm Could Capsize the Canadian Agriculture Economy

The Emergence Of The Modern Farmer:

Doing Away with Stereotypes and an Increased Focus on Mental Health

Urgently Hiring:

The Farm Labour Gap Approaches Critical Levels

Talkin' 'Bout My Generation: Boomers and Seniors Are Coming On Strong

Different generations have different needs and need-states. Coming out of COVID, we expect more focus on the elderly and Boomers. (The oldest Baby Boomers will turn 76 in 2022!) These groups are under-targeted, with few research studies even including respondents over the age of 65. The senior segment accounts for nearly 7 million Canadians, however, representing a massive marketing opportunity,

Both Boomers and Seniors will look for more functional foods to support healthy aging. Most seniors want to age in place rather than go into care homes, with 81% of Canadians aged 65+ preferring to remain at home. Just 4% are considering retirement homes, 2% expect to live with family or friends, and only 1% will choose long-term care.¹ To achieve this wish and remain independent, they will be willing to pay more for food and beverage that preserves their muscle mass, skeletal strength, immunity, and vitality.

Functional meal solutions will be customized to each person's needs. Functional foods that support healthy immune systems and evening snacks that help with restorative sleep will be on the rise. Seniors and seniors-to-be require more protein-dense meals to battle muscle loss (sarcopenia is to muscle what osteoporosis is to bones). They, as well as their adult children as caregivers, will seek more innovative and effective solutions. Both groups have particular nutritional needs related to aging that differ from the general population. And your sense of taste diminishes with age, so recipes have to be tweaked to amp up flavour so that salt shaker isn't used as much.

1. Vividata Canada, April 2021



Older consumers aren't the technophobes they once were

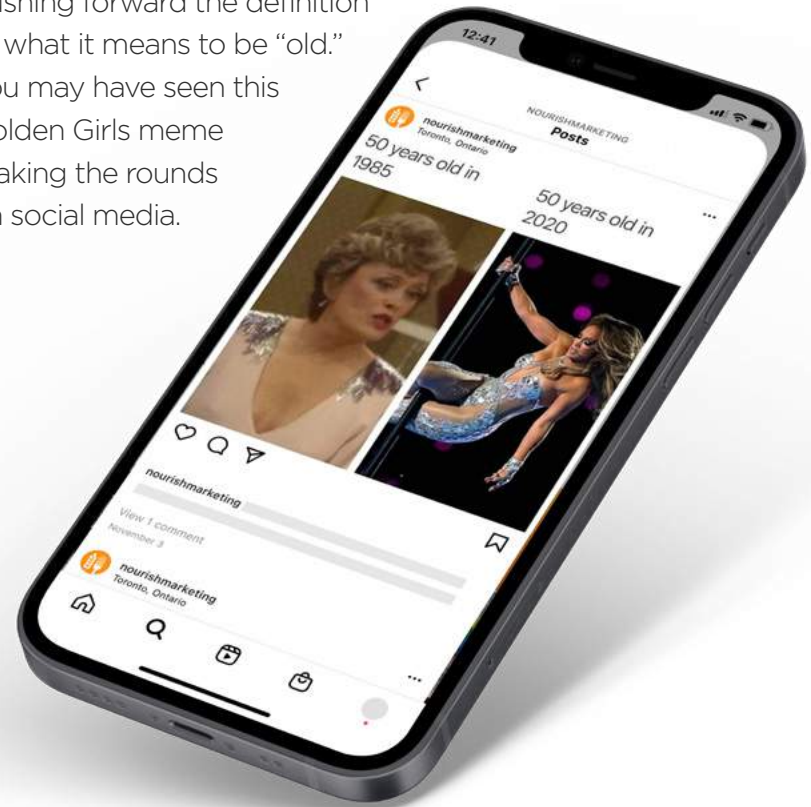
COVID pushed this group across the previous digital divide. Grocers and foodservice need to continue to help seniors navigate e-commerce and delivery services and customize the user experience. In short, simplify the process and bump up the font size, please. Offer easy reordering of items and pre-packaged bundles of grocery essentials to make it simpler to build their online carts.

Why not use seniors as influencers for YouTube videos and helpful FAQs, customized to meet their declining vision, motor control and cognition skills, produced and written by seniors to help seniors? Instacart has a Senior Support Service in Canada and the US and has found that initial contacts last on average 20% longer than traditional customer service contacts, but after two orders, support needs decrease while purchase frequency increases.

Meal kits and chef-prepared “Make-away” or “Finish at Home” kits from their favourite restaurants are a great way to lighten the load – they just finish and assemble the meal but still have some pride in “making” it themselves.

OK, Boomer! Wait... you are a Boomer, aren't you?

Today's Boomer doesn't look the same or act the same as that same age 30 years ago. Both boomers and Gen X are collectively pushing forward the definition of what it means to be “old.” You may have seen this Golden Girls meme making the rounds on social media.



Don't expect to gain any traction with this group if you treat them the same way their parents were treated. They have money, time, and energy. And, as the song says, they're “gonna live forever” – or at least they're going to give it their best shot.

FOOD FOR THOUGHT

Like it or not, Boomers have most of the wealth in our society, and they will fight aging in a way that no previous generation has. Ignore them at your bottom line's peril. If you want to win in the future, you need to figure out how to best serve this age cohort.

Can you develop new products or reposition your existing offerings to support healthy aging? As Boomers shift into senior mode, your easy meal solutions will allow them to maintain some level of independence and age in place at home – and that's another trend we see expanding, especially given the recent controversies around private LTC facilities. And remember, grandma doesn't look like grandma anymore, so your marketing needs to reflect that. (See the meme on the last page again for inspiration!)

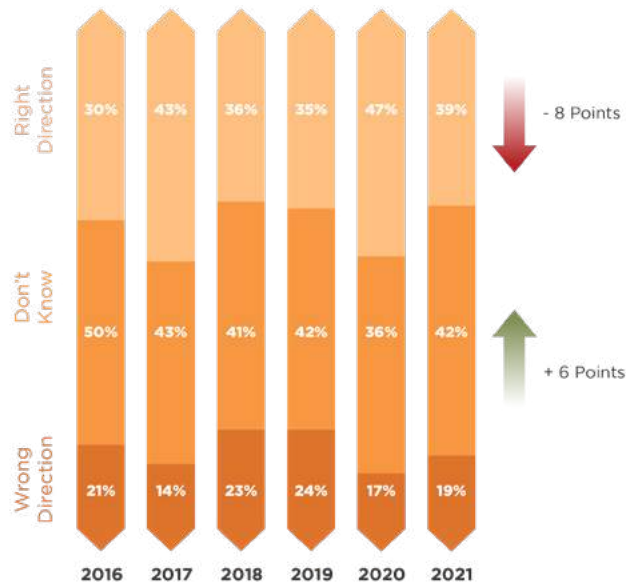
Let's Make This Clear: Using Purpose Transparency to Gain Consumer Trust

As we enter an age of increasing cynicism, brands will need to move from “market to me” to “matter to me.” We've talked about the trend towards radical transparency for many years, but now it's becoming an expectation rather than a “nice to know” – purpose transparency is critical to building trust. There is rising consumer demand from brands for total openness regarding the product life story, including sourcing ingredients, processing practices, the label and packaging.

The proportion of Canadian consumers who believe that Canada's food system is headed in the right direction has significantly declined compared to 2020. And, for the first time, global warming/climate change made the top five list of life issues.¹

1. Canadian Centre for Food Integrity Public Trust Research 2021

Overall, would you say that the food system in Canada, including how food is grown, produced, and sold, is moving in the right direction or the wrong direction?



THE CANADIAN CENTRE FOR FOOD INTEGRITY 2021 PUBLIC TRUST RESEARCH.

Fake news and mistrust of the media increased during the pandemic. It's time to pull back the curtain, invite consumers in and be fully transparent about your ingredients and sourcing, and how you treat your employees (whether full-time, seasonal, or migrant), as well as your company's social justice practices. That's the way to gain consumer trust; show them you have nothing to hide!

Make your mission and values matter to attract employees

Purpose is also crucial for companies wanting to attract and maintain staff, especially amid a labour shortage. The vast majority of employees (93%) believe now, more than ever, companies must lead with purpose, with 85% believing it is no longer acceptable for companies just to make money – they must also have a positive impact on society.¹

For ideas on building trust, check out how Local Line provides an e-commerce platform to connect local farmers across North America with consumers to sell their products directly. Have a look at iFinca, too, who have lifted the lid on systemic inequities in the coffee industry. Their app connects consumers with the coffee farmers behind your cup of joe. They share producers' stories and provide actual data about how much they were paid, allowing you to buy a coffee from a company whose values align with yours.

If you're in Retail, see what Coop, Italy's number one grocery chain with roots stretching back to 1854, is doing. Using QR codes to develop a CoopChain full-time traceability platform, Coop lets the shopper have the product's supply chain right in their hand.

1. Porter Novelli US 2020

Speaking of QR codes, their resurgence could become a game-changer for the food industry. Thanks to the pandemic, QR codes are everywhere and are easy to update. Even though they've been around for almost three decades and been given up for dead more than once, the pandemic, coupled with smartphone cameras having embedded readers, has allowed this technology to become mainstream.

Never far from the news, Walmart announced its latest step toward its sustainability goals at the end of September 2021, including becoming a regenerative company as retailers ramp up their climate-focused efforts. In the US, shoppers now have two labels under Built for Better to help them find products. "Built for Better — For You" focuses on nutrition and products made without specific materials or ingredients of concern, while "Built for Better — For the Planet" highlights products manufactured with reduced environmental impacts.

**CON COOPCHAIN
HAI LA FILIERA NEL
TUO SMARTPHONE.**

Scopri il nuovo progetto di Coop, che utilizza l'innovativa tecnologia blockchain per tracciare la filiera delle uova vivi verde Coop, in modo trasparente e certo.

LA COOP SEI TU.

FOOD FOR THOUGHT

Purpose Transparency is fast becoming table stakes for consumers. How can you invite them in to build trust and loyalty? What stories could you tell about your processes that you're already proud of but aren't sharing? And what changes could you make to what you do to better align with consumer expectations on corporate citizenship? Remember - you need to go beyond just having a statement on your website. Seeing is believing, so bring it to life with pictures and video.

Plant-Based 3.0: A Divide Between Better For You and Better For the Planet, Real Food, and Science

The future growth of plant-based food was a key trend in our 2018 Trend Report. Now we're in that future, and products' taste profiles have markedly improved, and categories have snowballed with broad consumer trials, albeit starting from a miniscule base.

What's next? We may see two ends of the plant-based spectrum emerge, where some products move from mimicking meat to 'embracing the plant' and being defined by what's best about them rather than by what they are not, while products at the other end double-down on science.

It takes more than a “plant-based” label to win today’s savvy consumers

In our 2020 Nourish Trend Report, “Science Me: Redefining ‘Real’ Food in the High-Tech Era” warned about the term “plant-based” losing meaning and credibility with consumers, and that seems to be coming to fruition. A recent study shows the shine on the “plant-based” Better-For-You halo is dimming, similar to what happened previously with the “all-natural” claim. A quarter of plant-based product consumers don't believe processed meat alternatives are healthier than the meat they are replacing. However, consumers are looking for whole foods-based protein solutions, with over half saying they would eat more plant-based options if they had the same nutritional content as meat.¹

1. Mintel 2021 US Plant-Based Proteins Market Report

Protein continues to be a hot button with consumers. A 2021 study looked at the 354 plant-based products sold in Irish supermarkets and found that a quarter of these faux meat products have insufficient amounts of protein.¹

We now see signs that meat alternatives are starting to falter in QSRs, an important signpost for mainstream trends. This was a key channel to drive broad trial and adoption, but the novelty is apparently wearing off. Orders of plant-based burgers have stopped growing, while beef burger orders rose 12% over the same 12-month period.² We've seen supply chain issues with alt-meat producers in the past, so it's worth watching to see if this is another glitch in the system or indicative of an overall shift away from the product category.

Different generational motivations; same opportunity for plant-based growth

As we see elsewhere, generational differences are emerging in this space. Consumers on the older end of the age spectrum want products they perceive as nutritionally better for them than their meat counterparts.

Younger consumers embrace food science for the sake of planet health; they are more supportive of the tech money coming into the cell-cultured food category.

There's been a boom in investment in lab-grown, synthetic, cell-cultured products. Generation Next is more likely to accept these products due to their sustainability benefits and ethical credentials, and to trust in the advances of food technology. Take note: technology will always win with younger generations. Consumers say they are more willing to embrace changes such as new food technologies or share data if they are beneficial to personal and global health.³

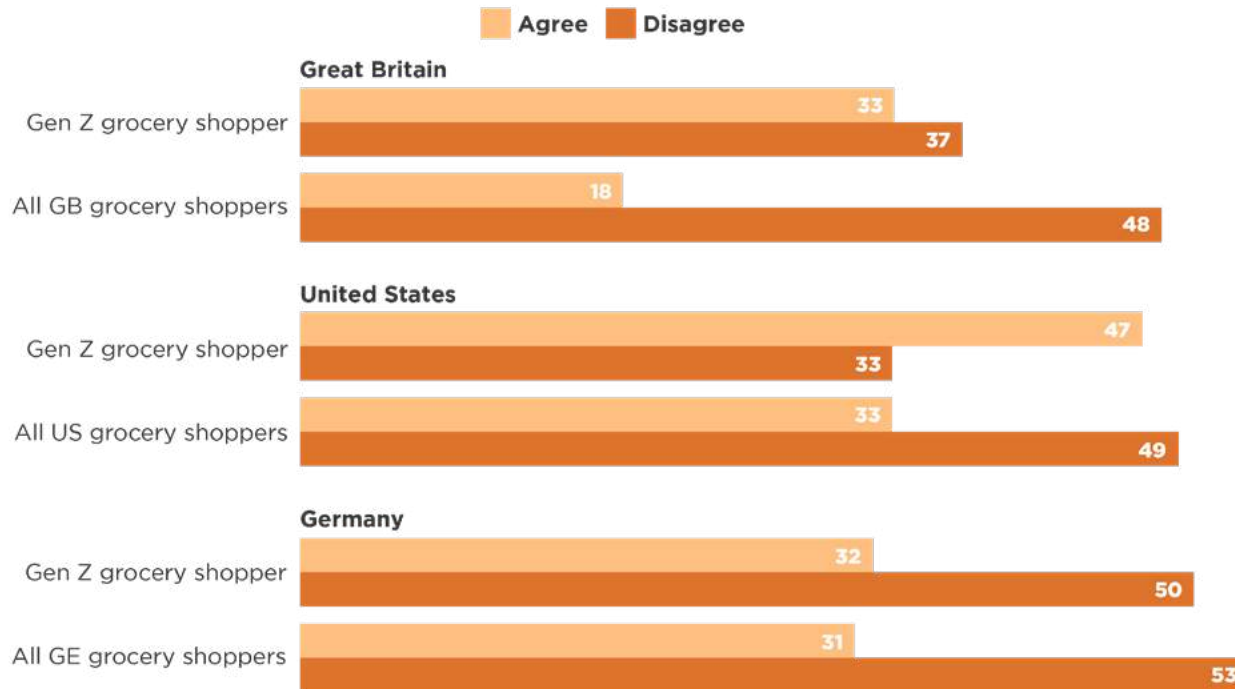
While older generations have shunned GMOs, Gen Zers, who see science as a necessary way to save the planet, understand their value. Gen Z grocery shoppers have a higher degree of acceptance for food technology in the US, with 47% agreeing with the statement "I don't think GMOs or additives are really unhealthy," compared to 33% for all grocery shoppers.⁴

1. Safefood 2021;
2. NPD Group, US year ending June 2021
3. Innova's Consumer Survey;
4. YouGov Profiles March 2021



Gen Z perceptions of GMOs and additives in key markets

Please state your level of agreement with the following statement: **I don't think GMOs or additives are really that unhealthy.** (% of adults in each country who say they are solely responsible or partly responsible for grocery shopping)



YUOGOV PROFILES, MARCH 2021

Another study shows Gen Z to be the most willing generation to try foods produced using technology at 77% positive, while Boomers are only 58% positive.¹

Impossible Foods uses GMO soy and GMO heme, and Perfect Day uses genetically engineered microbes. In fact, they see Gen Next as key ambassadors to make changes with their parents, putting out an online guide, “The Birds and the Trees,” on Earth Day 2021 advising teens on how to talk to their parents about traditional meat’s impact on climate change. Weeks later, Impossible Foods released a report about kids’ familiarity with global warming and what they can do to stop its adverse effects.

1. Ketchum’s Food Tech Consumer Perception Study 2019 US

Think beyond the usual categories

While most plant-based products have focused on meat and milk/dairy, there are still gaps in other categories, like desserts and bakery. For example, when asked what type of snacks they were most interested in, one of the top-ranking responses was plant-based, especially amongst younger women, where it was the number one choice.¹

Plant-based 3.0 will go back to simple. It needs to go beyond simply trying to replace the animal with plant products and instead find new ingredients and processes that are better from both nutritional and sustainability standpoints. Going forward, plant-based products will need to clearly demonstrate how they are either Better For You or Better For the Planet to continue consumer adoption.

1. Mintel Canada 2020



Seaweed about to make waves

Algae was one of our planet's first organisms. It has progressively lost its ick factor thanks to its use in East Asian cuisine and is sought after for its natural umami flavor. Not only does it improve taste, but seaweed has many nutritional benefits, including supporting cognitive health, the nervous system, healthy skin, boosting energy and metabolism, and helping children's development. Crunchy seaweed snacks are already popular with younger generations.

Seaweed (marine plants like nori, kombu, wakame, dulse, duckweed or water lentil) is farmed in the ocean and is basically a weed, while microalgae (spirulina, chlorella) tends to be farmed in tanks. It's easy to cultivate and is high in protein. The world's biggest food companies are already investing in this area (Nestlé, Unilever, Kellogg). Duckweed/water lentil is considered one of the most protein-efficient crops in the world, yielding ten times more protein per acre than soy while requiring ten times less water.¹

1. plantiblefoods.com

FOOD FOR THOUGHT

Knowing how needs and motivations vary by age bracket, how should your plant-based offering be formulated and positioned to appeal to your target demographic? Is there an opportunity for you to expand into other product categories? If you're already using a high-grade protein source, be sure you call out the amount and quality of protein on your label or menu. And finally, can you hit the sweet spot and offer a product that is both Better For You and Better for the Planet?

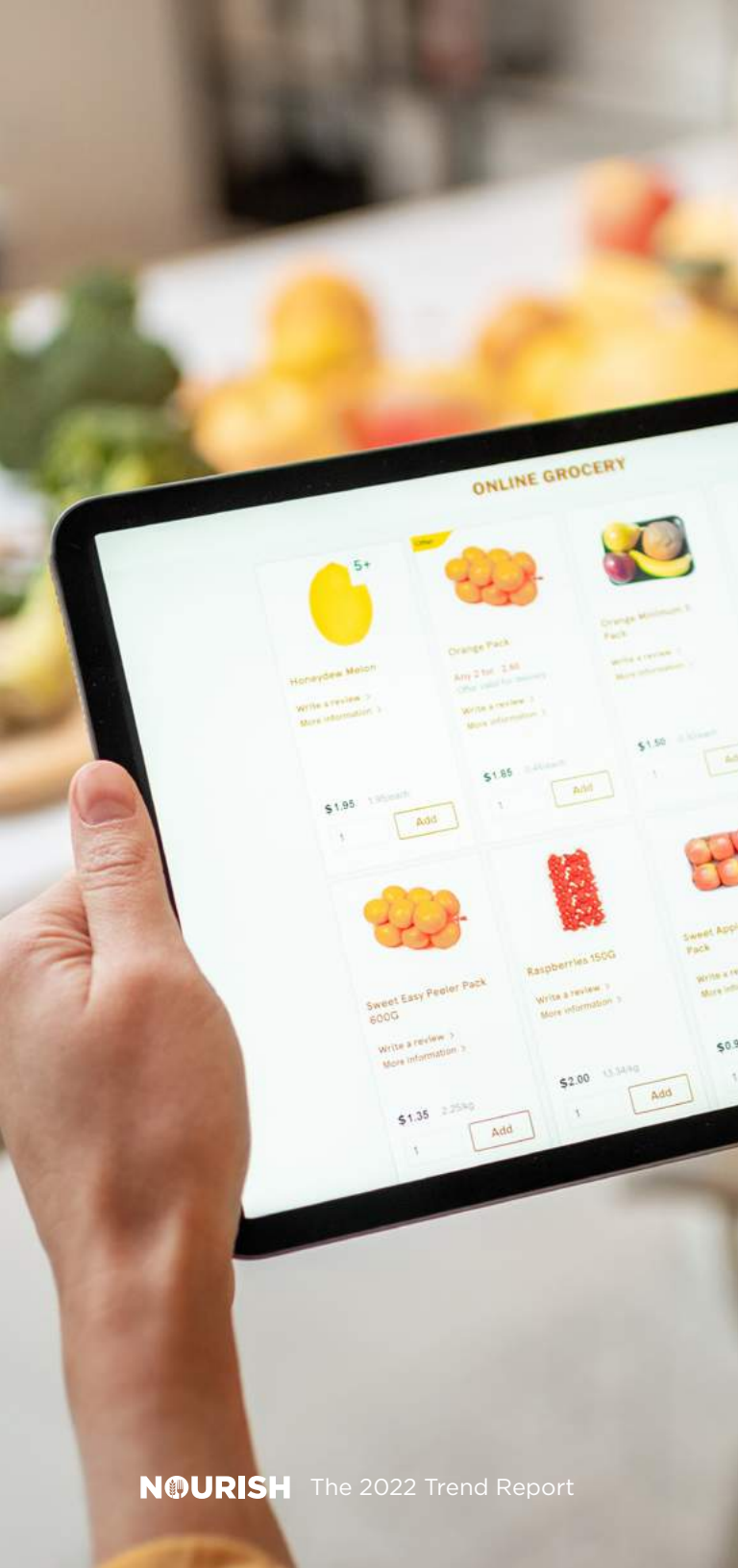
Remapping the Paths to Purchase: An Updated Shopper Journey for Post-COVID Grocery Behaviours

Many legacy businesses are still built around the traditional Shopper Path to Purchase. However, with e-commerce penetration catapulting five to ten years into the future with COVID, old assumptions, as well as store and restaurant designs, need to be rethought. Thanks to our Quarantine Kitchens, most consumers have tried new products, new brands, and new ways of shopping in the past couple of years.



Shoppers often have different needs when they are shopping in-store versus online. And while 83% of consumers use recipes to build their shopping lists, how they do this varies – again – by generation. Digital recipe usage is up over 2020 as consumers have been cooking at home more, driven by Gen X (36%), followed by millennials (25%) and Gen Z (23%). Baby Boomers are underrepresented, with digital recipes at only 17%. Regardless of where the recipe is sourced, recipes remain the #1 driver of new product trial.¹

1. Chicory Annual Recipe Usage Survey: 2021, US



The digital retail space has perfected one-stop grocery shopping

But with omnichannel, not only can you get your recipe idea online, but you can also purchase everything you need to make it online. More and more solutions are being launched to encourage this behaviour and lock in shopper loyalty. You can get help with your meal planning, find recipes and meal solutions, and order the ingredients and kits all in one convenient online place. While this works well online, it falls apart in-store. Grocery needs to approach the traditional shopping trip from a meal-backwards perspective rather than category department forward, and reverse engineer the customer experience. The challenge is how to integrate the online experience in-store with technology?

Hybrid work-from-home options have allowed for more exploration in home cooking. But we're tired of cooking - and we're especially tired of OUR cooking - and are looking for inspiration and shortcuts. Cooking fatigue is real! When shoppers go into a store, it will be for inspiration.

UX isn't just for digital; it counts in-store, too

Food is a sensory experience. Use that and think experientially to engage all the consumer's senses. Maybe that looks like more open kitchens showing the pizza or cakes being made. Or bundling meal solutions to make life easier and also increase basket rings. Can you think beyond traditional category silos and offer flexible meal solutions, showcasing protein options with accompanying side dishes? Even with restaurants opening back up, consumers got used to saving money cooking at home and will be open to something that elevates the everyday while still making it easy for them.

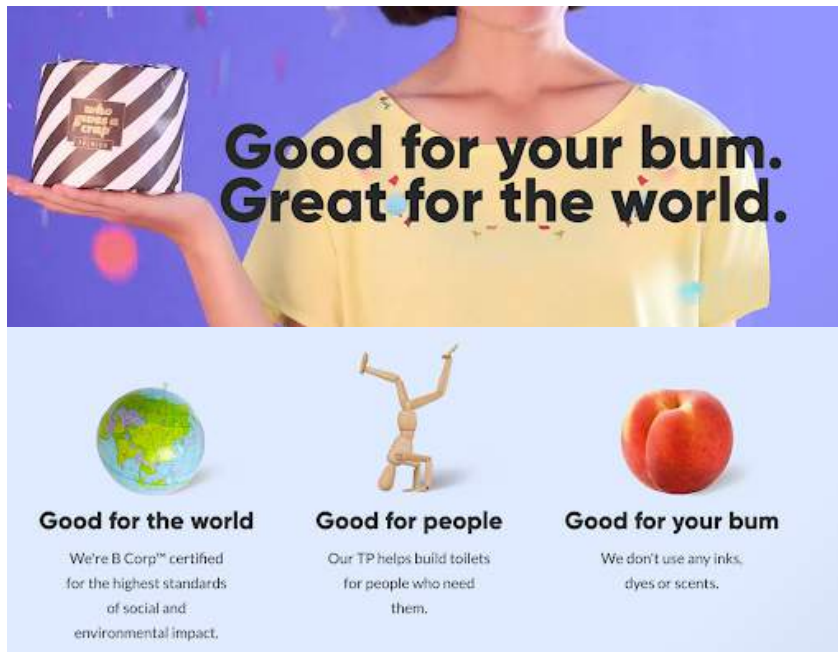
The frozen aisle found new life during the Quarantine Kitchen Era, elevating freezer food from backups or rescue meals to mainstays. M&M Food Markets is all over this trend, with its in-store meal advisors to provide product suggestions, details on ingredients, pairings, and preparation tips.



REAL FOOD FOR REAL LIFE

Consumers will outsource purchasing utilitarian staples to subscription models or online delivery and leave their in-store shopping for pleasurable experiences and inspiration. Many consumers are already outsourcing their lives to subscription models in fitness, razors, and now food, with companies like Amazon encouraging this by offering better pricing. We love to shop but not for paper towels or toilet paper.

One example is Australia's Who Gives A Crap, a subscription model for toilet paper. It's also a B Corp that uses 50% of profits to build toilets, which they claim is the modern invention that has saved more lives than anything else. That's an enviable trifecta of convenience combined with purpose and sustainability. (As an aside, we love the frank approach we often see in Australian marketing!)



**Good for your bum.
Great for the world.**

Good for the world
We're B Corp™ certified for the highest standards of social and environmental impact.

Good for people
Our TP helps build toilets for people who need them.

Good for your bum
We don't use any inks, dyes or scents.

FOOD FOR THOUGHT

The majority of consumers (80%) do not want physical shops to disappear.¹ Consumers will expect convenient experiences with endless aisles and solutions at their fingertips with more inspiration and customization across touchpoints.

How can you combine both online and offline to create a seamless “phygital” experience? How can you appeal to consumers’ senses to elevate the in-store or in-restaurant experience above online to bring them out of their homes? It may be time to rethink your customer’s Journey or Path to Purchase.

1. Puratos Taste of Tomorrow 2021, North America

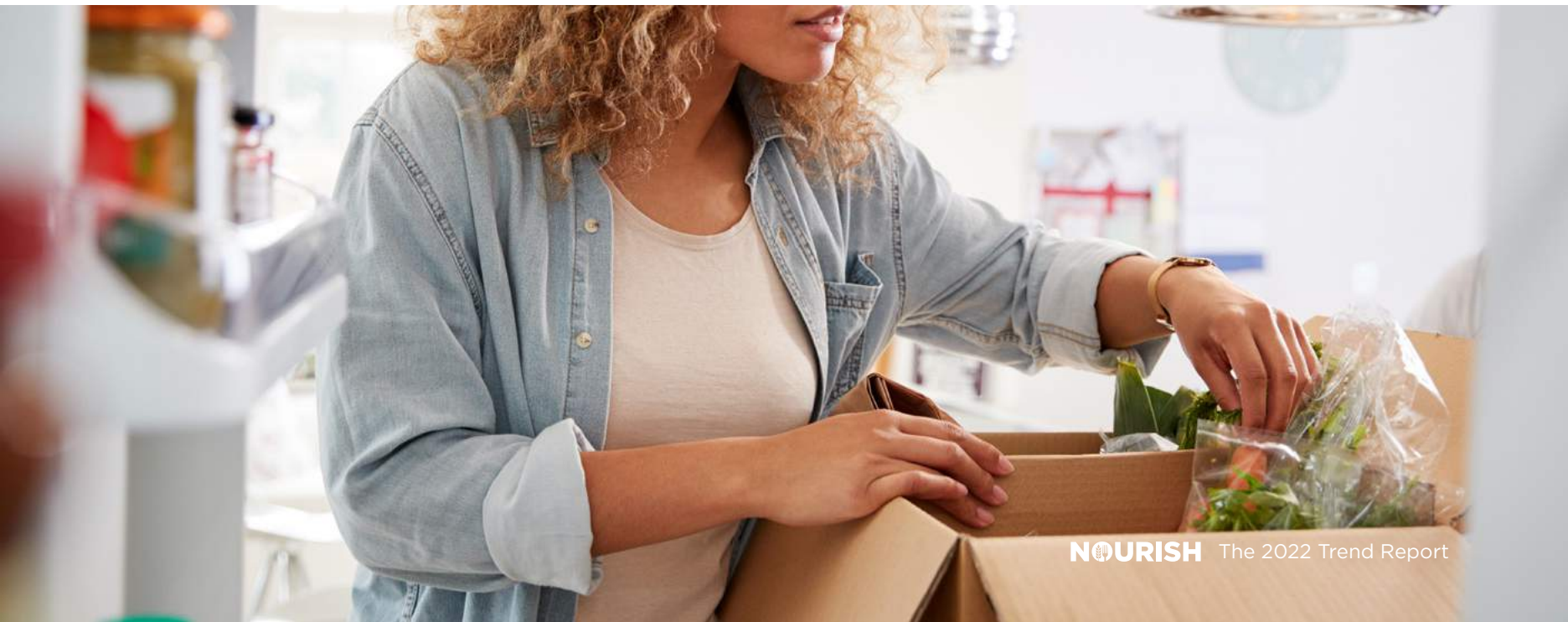
Blurring The Lines:

Foodservice Models Get Increasingly Hybridized

In our previous trend, we talked about hybrid working and shopping patterns. It applies across the entire food ecosystem as well. No one is staying in their lane anymore in the food ecosystem as everyone tries to solve for daily meal occasions. No more will we see a strict separation of restaurants and prepared meals on one end of the spectrum with grocers and packaged F&B on the other.

Hybrid approaches started during COVID as restaurants pivoted to bodegas and sold meal kits and groceries to survive. Restaurants will still embrace hospitality in their dining rooms but will expand prepared or finish-at-home meals as well.

We've seen the rise of the "Growcer" with grocery stores adding indoor agriculture, allowing them to not only customize what is grown for their trading area but how and where it's produced to achieve the peak of freshness. We eat with our eyes first, and nothing says fresh like seeing something grown and harvested in-store. It also checks those sustainability and transparency boxes.



Future-proofing with a shored up supply chain could stave off disaster during a future crisis

Vertical integration involves a company buying up its suppliers to have more control of its supply chain. Costco purchased a poultry processing plant in the US for USD450M to keep delivering low-priced rotisserie chicken to its shoppers. And companies like Walmart are getting into the logistics business, hiring their own ships as a way of guaranteeing the flow of goods. When you see a container ship on fire and losing cargo off the BC coast and read about container space going to the highest bidders, it's not hard to understand why.

QSR chain Freshii recently purchased a majority stake in online health and wellness food retail specialist Natura Market to ensure “that Freshii is well-positioned to meet the next generation of customers where they are,” according to Freshii’s founder and CEO.

Toronto’s Runners’ Market started life as an online app alcohol delivery service. Today, it’s morphed into a physical hybrid QSR/convenience store of curated products to better meet customers’ needs. Because if you’re ordering a bottle of rye for the weekend anyway, why not add some snacks and diapers, and skip that trip to the drug store later?

FOOD FOR THOUGHT

What complementary goods and services could you provide to make your customer’s life easier or better? Consumers with busy lives will appreciate the anticipation of their needs. And what could forwards, backwards, or vertical integration look like for your business? Remember to think outside of your lane – we actually encourage it! The best ideas are not always the obvious ones. “More baskets, more eggs” could be a winning model, choosing diversification of revenue streams to weather any future storms.

Cultivating Your Inner Garden: Eating for Gut Health Goes Mainstream

The link between gut health and wellness continues to grow. Recently published research even points to a link between gut and lung health. First, we had probiotics (the good bacteria), then prebiotics (feeds the probiotics) and now postbiotics are surfacing. Postbiotics are essentially the waste product of those probiotics after fermenting - upcycling on a micro scale!

Importantly for producers, 58% of global consumers are aware of the potential benefits of bacteria in the digestive system on their overall health.¹ Interest in postbiotics is up 391% over last year², and Google searches for 'microbiome' rose by over 250% between 2014 and 2019. Actioning this data, new product launches with positioning or marketing using the word 'microbiome' grew 267% from 2019 to 2020.³

1. ADM's Outside Voice

2. Spoonshot

3. Mintel

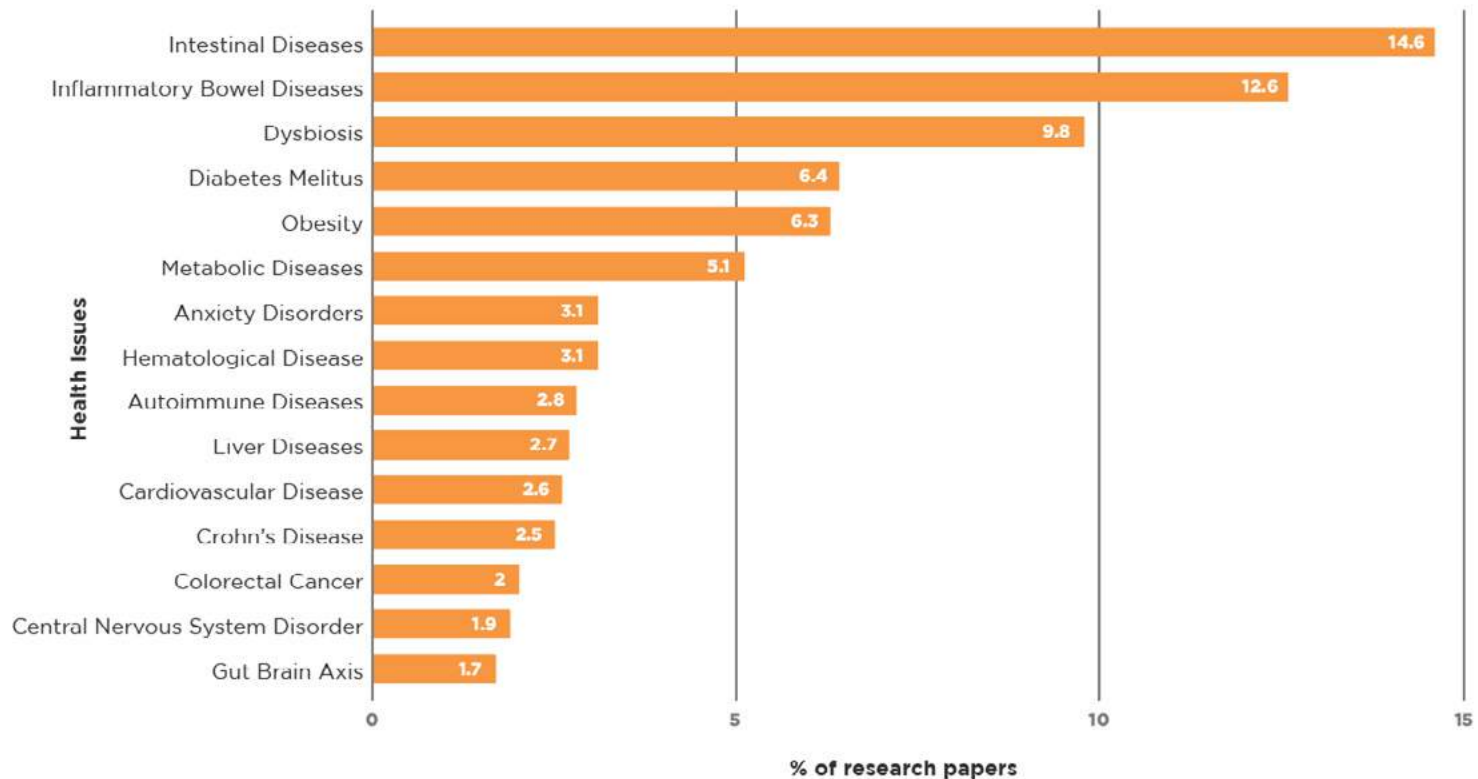


Gut health goes way beyond the gut

Fascinatingly, it turns out that a healthy gut means more than just a healthy digestive system. NIH studies show that our microbiome communicates with our lungs, liver, and kidneys. An analysis of academic research papers over the last decade shows that obesity is one of the leading health concerns in connection with gut health, but it's far from alone on the list.¹

1. Spoonshot

Leading health concerns highlighted in academic research papers on gut health





As medical research continues, interest in our gut microbiome and how it interacts with wellness will grow, and consumers will clamour for products to optimize it. This market is estimated to grow by 24% annually from 2020 to 2027, potentially reaching USD 1.9 billion by 2027.¹ If gut health is relevant to your brand, you want a piece of this pie.

Consumers have paid lots of money for hereditary DNA research through companies like 23andme. But it's our microbes that really differentiate us, and more consumer tests for that are coming into the market, like the Viome Health Intelligence Test, checking our gut microbiomes and making food recommendations to optimize its health. Perhaps one-size-fits-all dietary guidelines don't make sense, thanks to our unique gut microbiomes? We really are what we eat!

1. ReportLinker

FOOD FOR THOUGHT

Expect more functional foods with gut health claims, as well as a continued rise in fermented foods like kimchi and kombucha. With growing consumer interest in this area, are you missing some attribute claims you could already make on pack / on menu / online? You can't afford to be shy in this expanding market.

Save & Splurge:

The High-Low Fashion Trend Comes to Food

During the pandemic, consumers shifted some of their discretionary entertainment and travel budget into food to deal with boredom and anxiety. As a result, we've been treating ourselves to more "splurge experiences," trading up to prime rib at the grocery store for a more affordable option to fine dining.

With rising food inflation coupled with less discretionary income to put towards food purchases, food budgets will get tighter as the world opens up again and we have more travel and entertainment options on which to spend our money. However, 78% of Canadians claim they are concerned enough about food prices to change how they shop.¹ Loyalty levels may fall as consumers shop more deals and then pantry load when they find one.

What once seemed like a "convenient" food delivery option may not be worth the additional price for as many consumers going forward. Meal delivery services that make meal planning easier may seem an unnecessary expenditure. And that previous one-stop online grocery shop may be replaced with an in-person visit to a grocery discount banner.

1. Field Agent Study of 1,042 Canadian shoppers Aug. 24 to 29



A “mix and match” approach provides the best of both worlds for many consumers

The High-Low trend started in fashion, where consumers would pair, for example, an expensive designer blazer with a basic shirt to economize. Will consumers practice high-low in the food category by scrimping on the basics while splurging on accoutrements, like artisan olive oil, to elevate the meal?

Shoppers are more price sensitive on categories they purchase frequently and less so with fresh foods.¹

They are also more willing to pay a premium for products that save them time or support their values. Private label products will be a crucial way for shoppers to battle food inflation.

A recent 2021 US study finds that 26% of respondents are willing to pay more for a store brand product than a name brand if the store brand product is of higher quality or more sustainable.² In Canada, consumer perception of private labels is even better than in the US, thanks to stalwart brands like President’s Choice and Kirkland Signature, with 82% of Canadians considering them a good alternative to national brands compared to 76% of US consumers.³

1. IRI

2. Hartman US 2021 Brand Ambition

3. Nielsen IQ PL syndicated survey 2021

FOOD FOR THOUGHT

Meal kits had a second life during the pandemic. But with food inflation, will we see the middle of the market squeezed with more economical Grocery meal kits at one end and higher-end chef-curated meal kits at the other?

How can you provide innovation to your private label or discount offerings? Which categories lend themselves most to premiumization versus economization, and can you help customers with pairings from both ends of the spectrum? Explore ways to help customers stretch their food dollars while still providing excitement over the food and not just the savings.

BONUS TREND

What's Good for Me is Good for Fido:

The Humanization of our Pets

This year, we've included a pet trend as the line between human and pet food continues to blur. It's also traditionally recession-resilient and has been among the fastest-growing categories thanks to record pet adoptions during COVID. There are at present more pets in Canada than kids – let that sink in for a minute.

Ben & Jerry's entered the pet food business in 2021, introducing a line of frozen dog treats at US Grocery. Called "Doggie Desserts," they're made from the same ingredients Ben & Jerry's uses in its non-dairy desserts for people. They're shelved in the same section as their human desserts, too, so there's an opportunity for people to treat their dogs as they're treating themselves when they grab a pint of Cherry Garcia or Netflix & Chill'd.

Many other human food companies have pet food divisions as well. General Mills, which makes Cheerios and Haagen-Dazs ice cream, bought the Blue Buffalo pet food brand in 2018. Jelly maker J.M. Smucker Co. purchased Big Heart Pet Brands – makers of Meow Mix and Milk-Bone – in 2015 and Ainsworth Pet Nutrition in 2018. Nestlé has owned the Purina brand since 2001, and in 2020 it bought British natural pet food brand Lily's Kitchen. And, of course, Mars has had a pet food division since 1935.



Alternative proteins don't “bug” pets like they do people

Pets have a huge carbon pawprint; they're estimated to consume 20% of the world's meat. Millennials and Gen Z make buying decisions that align with their values, and many of these pet parents are becoming concerned about the carbon pawprint. Since vegan or vegetarian diets are problematic for dogs and virtually impossible for cats, what options are there?

Insect and mealworm proteins are low-cost and low-impact, and may also be healthier for pets — a surprisingly high percentage of dogs, for example, have an allergy to beef. Could this be a natural fit for alternative proteins that can't seem to get a foothold in the western world?

With the humanization of pets, owners often treat them as part of the family, and that includes their diet. Studies show there's been a shift in what owners feed their pets, with only 13% of dog owners exclusively feeding their dog kibble or canned pet food.¹

Look at this “Good Morning Sunshine” dog meal from Toronto’s Tom&Sawyer — it’s a beef blueberry oat bowl to start your pup’s day.



Other familiar-sounding offerings include Coconut Chicken, Louisiana Gumbo, and Italian Beef Pasta so the whole family can enjoy pasta night together. They update their meal menu regularly, too, to keep everybody entertained.

1. University of Guelph 2020

FOOD FOR THOUGHT

Even in past inflationary times, the Pet Care category has thrived. The premiumization we see in this arena is expected to continue. If you're in it already, what human trends can you leverage by extending it to four-footed family members? How can you humanize pet food products when it comes to the product, packaging, and placement, three of the four pieces of the marketing mix?

If you're in retail, pet food is a category that drives traffic. Look for opportunities to move it out of the pet food aisle where shoppers grab their staples and into the “people” aisles for spontaneous purchases - a treat for me, a treat for Rover. And if you're not in pet food at all, it may be time to think about bringing a brand under your umbrella.

Farms On the Edge of Uncertainty:

A Perfect Financial Storm Could Capsize the Canadian Agriculture Economy

The Canadian farm economy, as measured by net farm cash income (NFI), has trended steadily upwards since the early 1970s. From a low of approximately \$1.7 billion in 1971, NFI peaked at just over \$18 billion in 2020 (a jump of almost \$5 billion from 2019, likely COVID-related). These increases have fuelled a steady rise in farmland prices, buoyed machinery and equipment sales, and supported significant investment in individual farm operations. In short, the Canadian farm economy has been buoyant, reliable, and trending upwards for a sustained period.

However, it's easy to forget that the farm economy is incredibly complex and must navigate shifts in macro-economic trends, including inflation, interest rates, and government policies and regulations. Not to mention global trade disruptions. Who remembers 1985, when Willie Nelson and friends held the first Farm Aid concert to help American family farms survive? Or the 2005 convoy of Canadian farmers driving tractors down the 401 and around Queen's Park, describing "desperate times" and the need for government intervention? The farm economy has always been a bit of a roller coaster ride.

The question coming out of COVID: is the Canadian farm economy poised to continue its sustained growth and profitability, or is it vulnerable to an impending economic tsunami? Let's take a look at some key drivers: inflation, interest rates, and government policy.



Inflation

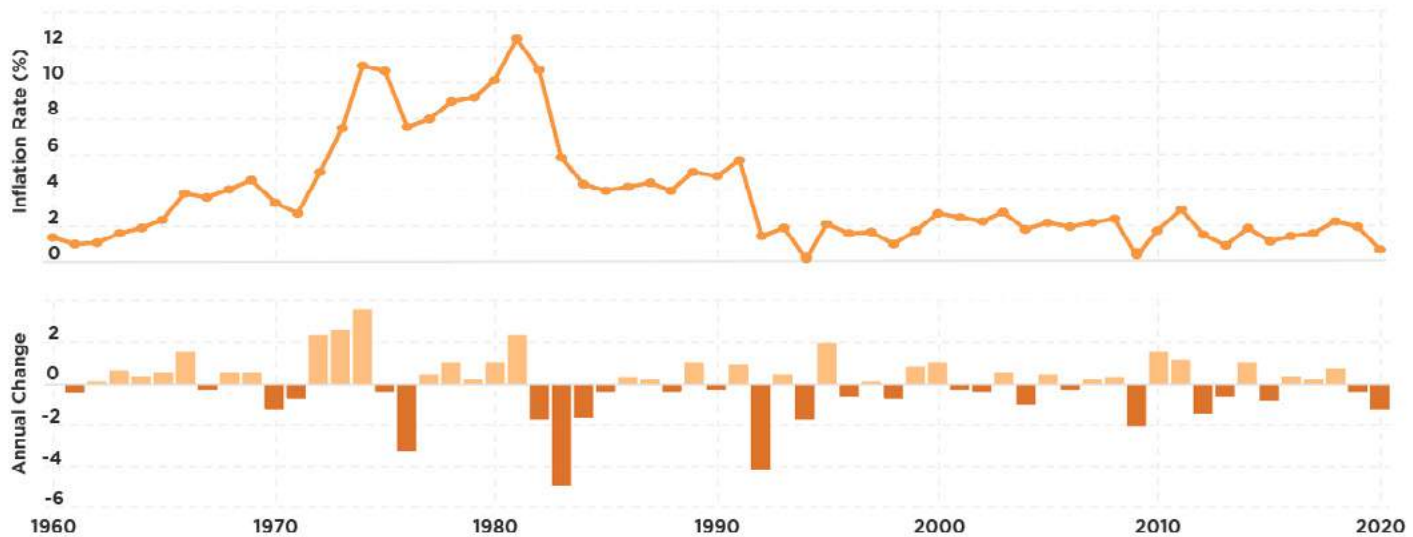
Coming out of COVID, there is a lot of talk about inflation roaring back, and nowhere is this more evident than in the grocery aisle. Statistics Canada reports that food prices are up 2.7 per cent over the past 12 months. And recently published research from Dalhousie University's Agri-Food Analytics Lab shows the food inflation rate in Canada may actually be closer to 5 per cent. Moreover, the study reveals that, in certain situations, these rising prices are causing consumers to change their purchase patterns.

For example, 49% of Canadians claim to have reduced their purchases of meat products in the last six months due to higher prices. Whether this is a short-term blip or a fundamental change is unclear.

But it does show that consumers will react in real-time to inflationary pressures in the food aisle, which affects the returns that farmers receive.

Inflation at the farm level is a complex story. Rising commodity prices, whether crop or livestock, can benefit producers as they receive higher prices for their output. However, while increasing crop prices may help cash crop farmers, they raise the cost of feed for livestock producers, deflating their profitability. And rising input prices – especially fuel, fertilizer, labour, seed, and crop protection products – affect the bottom line of all farmers. It remains to be seen whether current inflationary pressures are a short-term, COVID-related phenomenon or a longer-term trend and how supply chain disruptions, which can also have an inflationary effect, will impact various sectors of the farm economy.

Although inflation and interest rates have been stable for a while, this has not always been the case.



Source: Statistics Canada

Interest Rates

The agriculture sector is also directly affected by fluctuations in interest rates. Since 2010, the Canadian prime interest rate has trended in a narrow and predictable range between 2.25% and 2.45%. These relatively low and stable rates have led many family farm businesses to take on increased levels of debts – buying additional land, investing in quota, and purchasing capital items like equipment and machinery. All good moves, as long as interest rates remain low and stable, but potentially challenging if we enter into a rising interest rate environment. It is not clear that farm businesses are over-leveraged. Some economists believe that despite rapid increases in both purchased and rented land prices, farmland may, in fact, be undervalued in the big picture. But rising interest rates could still become a challenge on the income statement if farm businesses are not adequately prepared.

Prime Rate (1975 - 2021)



Source: Bank of Canada

Regulations

Another area directly affecting farm income is government policy, specifically any policy change that adds to operating costs. That means anything from environmental farm plans to mandated minimum wage requirements. The current hot topic at the kitchen table is Ottawa's proposed carbon tax - which will be charged to individuals and businesses that use carbon-based energy such as natural gas, diesel, and gasoline.

According to Western Financial Group, Canadian farmers are concerned about the carbon tax for two main reasons: shrinking profit margins and the potential for Canadian farm products to be at a global cost disadvantage. In short, farmers see the carbon tax negatively affecting the price of inputs needed on their farms and potentially affecting the competitiveness of Canadian commodities and value-added products in the global marketplace. And because producers in sectors that are not controlled by supply management are price takers (the price they receive is set in international markets), they can't pass along these increased costs to the end-user.

FOOD FOR THOUGHT

While the farm economy is currently robust and stable, and Canadian farmers have shown remarkable resilience and ability to adapt to changing macroeconomic conditions over time, the triple threat of inflation, rising interest rates, and increased cost pressures related to government policies and regulations has the potential to tip over the proverbial farm income apple cart. The next 12 to 24 months, as Canada and the world emerge from the so-called 'pandemic economy,' will be telling.

The Emergence of the Modern Farmer:

Doing Away with Stereotypes and an Increased Focus on Mental Health

There's an iconic scene in the mob drama *The Sopranos* in which family boss Tony Soprano, reluctantly working with a psychiatrist, bemoans the need for therapy at all. He says, "Nowadays, everybody's gotta go to shrinks, and counselors, and... talk about their problems. What happened to Gary Cooper? The strong, silent type. That was an American. He wasn't in touch with his feelings. He just did what he had to do."

To a certain extent, this has traditionally been the attitude towards mental health in the agricultural sector in Canada.

Farmers are by nature hard-working, independent, private people. They typically subscribe to the 'pull yourself up by your bootstraps' philosophy when it comes to taking care of their mental health and emotional well-being.

However, an increased incidence of suicide and other mental health challenges in farm communities across Canada has heightened awareness of this critical topic.

According to *The Farmer's Toolbox*, a mental health resource database, one in three Canadian farmers struggles with mental health issues, 68% are more susceptible than the general population to chronic stress, 58% meet the diagnostic criteria for anxiety, 45% report high stress, and 35% meet the criteria for depression. Those are sobering numbers.

In addition to the human toll this takes on individual farmers and their families, mental health issues pose a significant risk to the entire Canadian agri-food chain if not addressed proactively and properly. If our farm families aren't in good shape, both physically and mentally, it will compromise their ability to feed the nation and grow the agricultural economy.

The past 18 months have likely made things worse in terms of mental health in the farm community. Throughout the pandemic, farm businesses have faced increased difficulties concerning border and processing facility closures, shifting consumer demand, labour shortages, and supply chain disruptions.

Perhaps just as significant, farmers are social people. The suspension of trade shows and other opportunities to catch up in person with neighbours and friends have taken a toll that's not easily measured.

Thankfully, the agriculture industry is taking note. Initiatives such as the Do More Agriculture Foundation, Au Coeur des Familles Agricoles, Farm Credit Canada's Rooted in Strength, and 4-H Canada's Healthy Living Initiative are designed to help farmers and farm families deal more openly with mental health and wellness.

Additionally, the federal government and many provincial governments provide funding and programs to help farmers reach out, share their challenges, and provide effective support. And thought leaders like Senator Rob Black are calling for a national, industry-specific program to provide mental health support and resources for farm families.



4x

Farmers are 4 times more likely to use firearms to die by suicide than the general population.

58%

of producers met the criteria for Anxiety classification.

75%

of farmers have mid to high stress levels.

Source: Healthy Minds, Healthy Farms Exploring the Connection between Mental Health and Farm Business Management Medicine, 57(9)

FOOD FOR THOUGHT

In today's fast-moving, pressure-filled agricultural world, being told to "cowboy up" just doesn't cut it. The trend towards recognition and acceptance that mental health issues are 'mission critical' for the viability and success of the Canadian agricultural economy and the people that drive it is a positive step forward. Expect all levels of government, as well as industry and private sector partners, to continue stepping up and providing new initiatives to support and promote mental health in Canada's farming and rural communities.

Urgently Hiring: The Farm Labour Gap Approaches Critical Levels

Labour challenges in the farm sector is a topic we covered in the 2021 Nourish Network Trend Report, but the issue has evolved and intensified in the ensuing 12 months, so here we go again.

According to Statistics Canada, almost 270,000 people were classified as primary farmworkers in 2020. These hard-working people help produce Canada's wide diversity of grain, livestock, fruits, berries, vegetables and fibre. They are the linchpin of Canada's integrated agri-food system, which contributes over 2 percent of Canada's GDP, or around \$42 billion annually.

It is no secret that Canadian agriculture has had problems with insufficient and unstable labour supply for decades. According to a Canadian Agricultural Human Resources Council report, in 2019, primary agriculture brought in over 60,000 temporary foreign workers and still had over 16,000 vacancies. In 2017, on-farm agriculture had the highest job vacancy rate of any industry at 5.4%.



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2.1 million

Ag employs over 2.1 million Canadians.

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38%



1 in 8

Canadian jobs are in ag and agri-food.

In 2013, there were more than 56,000 career opportunities available in the ag industry in North America.

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The current labour gap is 63,000 employees and is predicted to reach 123,000 by 2029. And the pandemic brought further challenges, not only in terms of temporary foreign workers at the farm level but also in the processing and retail sectors of Canada's food chain.

Part of the reason for the significant employment gaps is that a lot of farm labour is just plain hard work. Farm wages haven't necessarily kept up with other sectors, either, making farm jobs a less attractive option within the overall economy.

Looking a bit deeper, many farm jobs are also more technically complex than ever before. In the not-so-distant past, working on a farm meant manual labour, often bent over, carrying heavy loads and working in hot, sometimes dusty conditions. While these elements still exist, technology is increasingly taking over on the farm.

Robotics, autonomous vehicles, drones, satellite-guided sprayers, and tractor cabs that look like space vehicles are becoming the norm. So, the challenge is more than just finding willing, physically capable individuals – modern farming requires skills training and technical proficiency.

The pandemic has clearly shown the need for a resilient national labour strategy that will stabilize worker availability through this challenging period and beyond. It also highlighted a requirement for further investments in automation and labour-saving technologies to lessen the sector's reliance on front-line workers, a familiar refrain in foodservice, as well.

FOOD FOR THOUGHT

There is no simple answer to these challenges, but here are some trends to watch as the agriculture sector looks to survive and thrive in this rapidly changing work environment.

- Education and skills training – the next wave of farmworkers may come from non-traditional sources. An engineering degree from Queens or UBC may be just as relevant as a traditional degree from one of Canada’s agricultural colleges.
- Technology – robotics, drones, autonomous vehicles, and GPS systems will all play a role in augmenting and perhaps even replacing human capital on the farm.
- Government policies – more stable and predictable immigration and temporary foreign worker policies are required to ensure Canada has the farm labour force it needs to remain competitive. Further investment in skills training is also needed.
- Wages – there is no doubt that wages must rise to attract the next generations of farmworkers. Even within farm families, there will be a need for competitive compensation to attract family members to stay on the farm instead of working for industry, government, or academia.

It is clear that Canadian agriculture will only reach its true potential once these systemic labour problems are addressed. Focused discussions on a long-term labour strategy, bringing together the voices of farmworkers, employers, and all relevant departments and levels of government will be critical in helping Canada’s agricultural and agri-food industries’ resilience.

What Nourish Can Do For You

Nourish has offices in Canada, but we work for clients globally. We do sector-specific trend reports as well as offer the following services.



Research

We are specialists in food with a deep understanding of your category, continuously analyzing industry trends and conducting original research to confidently aim your process and give you a clear line at the target.



Test Kitchen

Led by our professional chef, recipe and flavour profile development are among our unique specialties.



Video & Photography

In our spacious and versatile in-house studio, we can create stunning images to put your product's best foot forward.



Branding

From brand persona to mission and vision to logos and more, we work with you to shape your brand's identity.



Packaging

Our consumer insights and design expertise can help get your product into carts and into hearts.



PR & Influencer Marketing

We're specialists in Public Relations, who know how, when, and where to place your message for maximum reach and pick-up.



Events & Sampling

From pop-ups to trade shows, we can guide you from planning to execution of your customized event.



Multicultural

We don't see cultural barriers; we see new audiences waiting for someone to connect with them on their terms, and our deep understanding can open new markets for your business.



Digital Services

We create thumb-stopping, click-worthy digital marketing to win hearts, minds, and screen time.



Integrated Advertising

A consistent message across a variety of channels is an impactful way to reach your audience — IF it's done the right way.

Want to know more?

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