

# Favors, Faults & Future Opportunities Fats & Oils



## Global Oils & Fats Forum Am. Palm Oil Council



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# U.S. Consumers Switch to Healthier Oils

↑ Use Last 2 Yr	2004	Δ 1996
Veggies	48%	- 2 pts.
Fruits	45%	- 6
Whole grains	44%	+ 5
<b>Olive oil</b>	<b>36%</b>	<b>+ 11</b>
Nuts	36%	-
Fish/seafood	34%	+ 2
Poultry	33%	- 9
Fiber	31%	- 4
<b>Reduced fat</b>	<b>25%</b>	<b>- 29</b>
Red. Calorie	23%	- 21

## Consumer Perception Healthiest Oils

- Olive oil – 91%
- Soybean oil – 87%
- Sunflower – 82%
- Canola – 82%
- Safflower – 79%
- Corn oil – 67%



**FDA Claims/Label: MUFA, PUFA/Omega, ALA, LA, DHA = New RDIs**

# Greater Consumer Understanding of Good vs. Bad Fats Driving New Products



423 New U.S. Canola Products 2004

245 New Oleic or Olive;  
84 high oleic safflower  
Products 2004

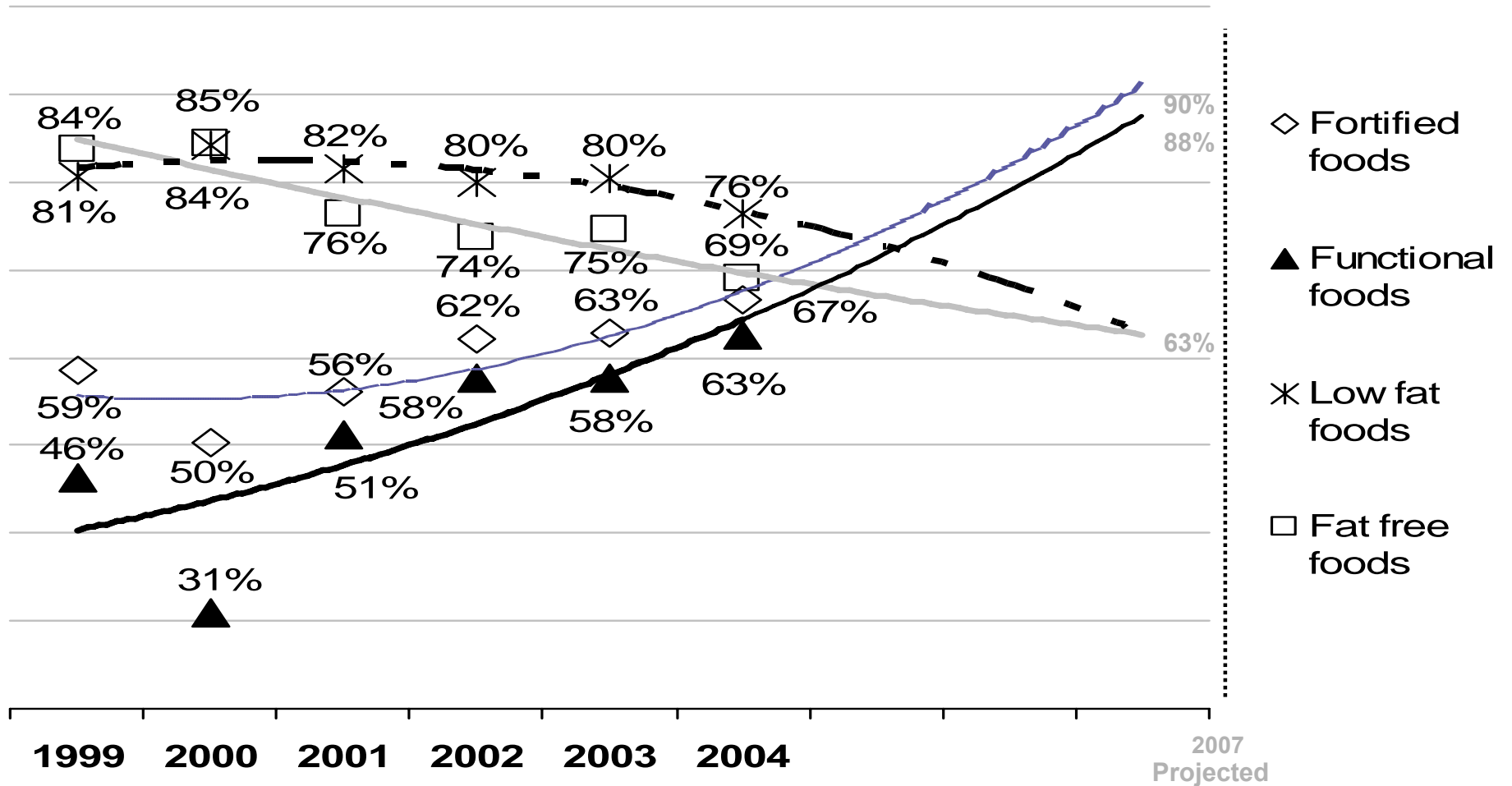
41 DHA, 21 MCT, 18 CLA,  
16 GLA, 28 EPA

# Healthy Fats = Entry in Positive Nutrition Mkt

## Functional Foods \$24.7B. +8%

### Low Fat Use Slowly Slides, Heart Market New Opportunity

(% general population stating have used ... in the past year)



# Health: New #1 Global Industry Driver in '04

## > Convenience, Private Label

### Shift to More Expensive & Healthier Oils

*(Calculated & Adjusted for Inflation on Euro Basis)*

Fastest Growing Category	Category Growth Rate 2003-04	Category Growth Value (Euro )
Soy-based Drinks	31%	244 mill
Drinkable Yogurts	19%	655 mill
Eggs	16%	802 MILL
Cereal/Muesli/Fruit Bars	14%	314 mill
Sports/Energy Drinks	10%	438 mill
Sugar Substitutes	10%	77 mill
Refrigerated. Complete Meals	10%	487 mill
Frozen Fruit	9%	37 mill
Refrigerated Salad Dressing	9%	21 mill
RTD Non-carbonated beverages	8%	1.9 bill

Fastest Growing Category T	Category Growth Rate 2003-04	% Category Growth Value (Euro )
Cocoa/Chocolate/Malt Drinks	8%	189 mill
Fresh Ready-to-Eat Salads	8%	166 mill
Frozen Meat	7%	299 mill
Fresh Vegetables	7%	640 mill
Refrigerated Desserts	7%	237 mill
Cooking/Edible Oils	7%	640 mill
Refrigerated Meat	7%	2.0 bill
Shelf-stable Cakes/Gateaux	6%	259mill
Refrig. Soup/Bouillon/Stock	6%	25 mill
Bottled Water	6%	920 mill
Toaster Pastries	6%	56 mill

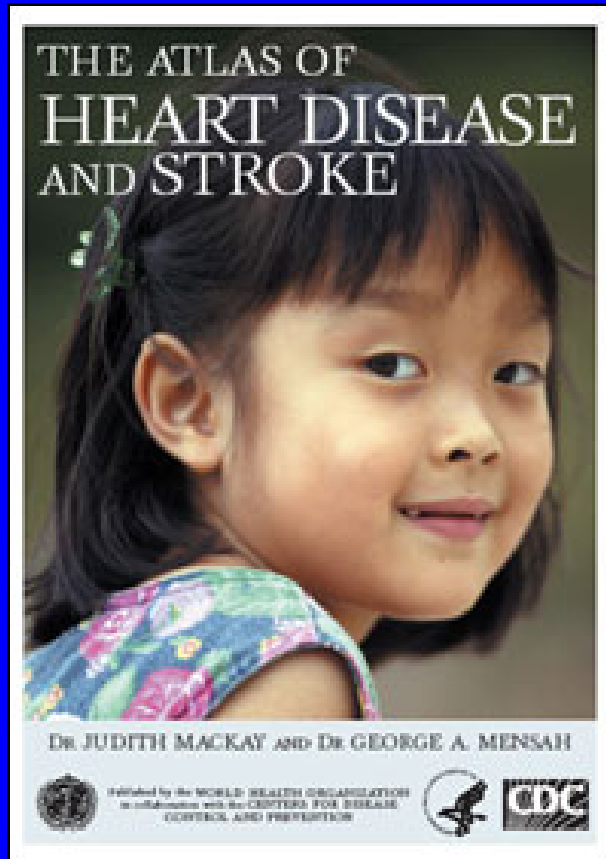
# CVD Cancer Top World Health Issues

SUMMARY	USA	Central Asia	China	Mex/LA	Oceania
<b>MOST COMMON HEALTH CONCERNS</b>	Heart disease Cancer Tiredness	Cancer Heart disease Eye health	Cancer Heart disease Osteoporosis	Cancer Heart disease High blood pressure	Cancer Heart disease High blood pressure
<b>MOST COMMON HEALTH PROBLEMS</b>	Tiredness Stress Overweight Allergies	Overweight Cosmetic signs of aging Tiredness Freq. colds/flu	Freq. colds/flu Osteoporosis Tiredness Arthritis	Overweight Stress Freq. colds/flu Tiredness	Tiredness Overweight Stress Cosmetic signs of aging

# Cancer #1 or #2 Cause Death Developed Countries: Close #1 in U.S.

SUMMARY	W Europe	N Europe	S Europe	E Europe
<b>MOST COMMON HEALTH CONCERNS</b>	<p>Cancer Heart disease Alzheimer's Eye health</p>	<p>Cancer Heart disease Other allergies Tiredness</p>	<p>Cancer Heart disease Tiredness</p>	<p>Tiredness Heart disease Eye health</p>
<b>MOST COMMON HEALTH PROBLEMS</b>	<p>Tiredness Stress Overweight</p>	<p>Tiredness Overweight Stress Other allergies</p>	<p>Stress Tiredness Overweight Frequent colds/flu</p>	<p>Tiredness Stress Frequent colds/flu GI problems</p>

# In 2001 CVD #1 Cause of Death Globally 2020 #1 Disability



## CVD to ↑

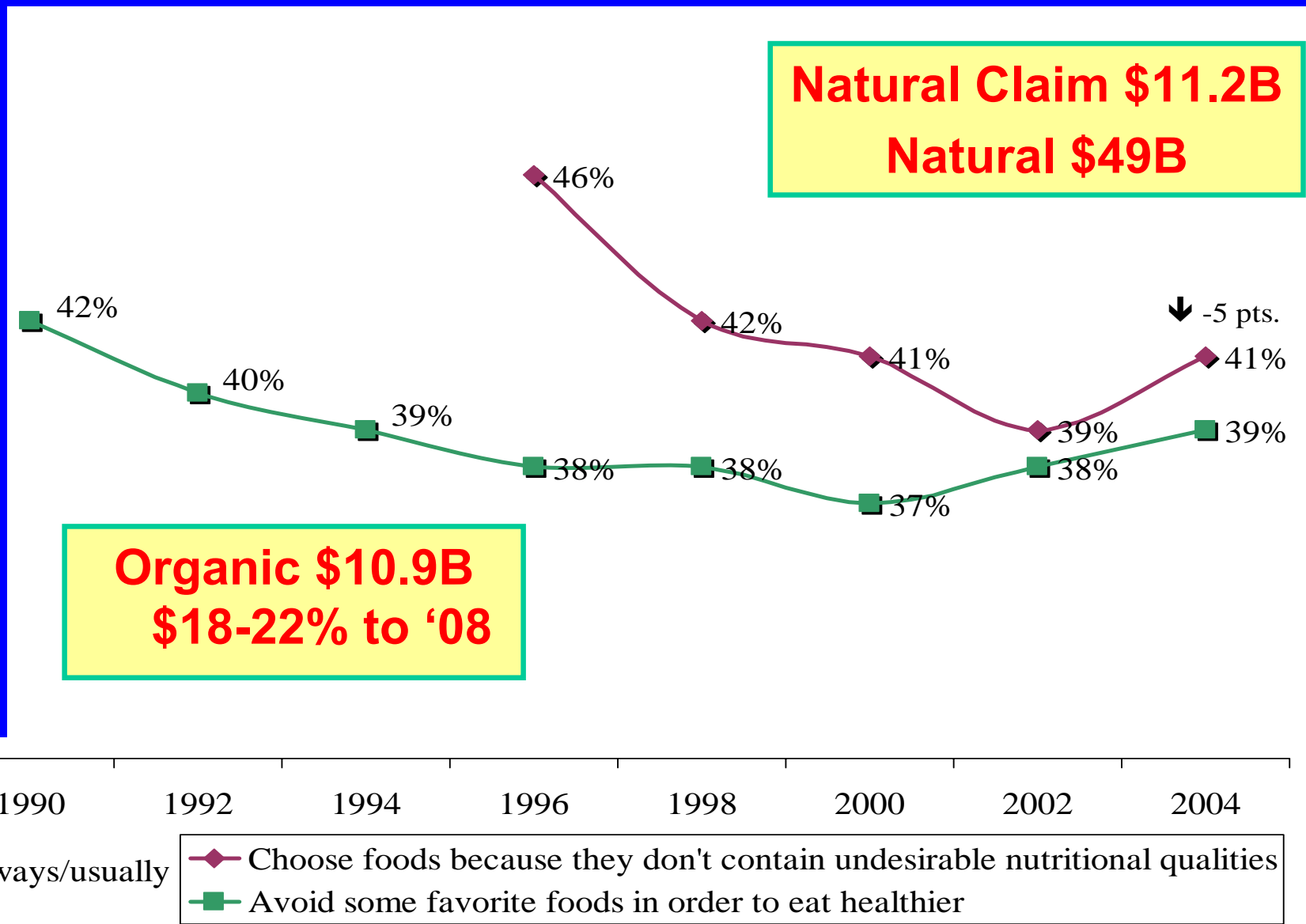
- 110 M in E.U. ↑ cholesterol;
- US 107M, 10% kids, 70.3M CVD
- HBP: 600M global, US 70M
- Kids BP 3X last 10 yrs. US,
- Epidemic Asia: HPB, weight

- CVD ↑ India & China > all developed countries combined > infectious disease & malnutrition

# Avoidance Behavior Returning

Dietary negatives coming back onto consumer radar screens

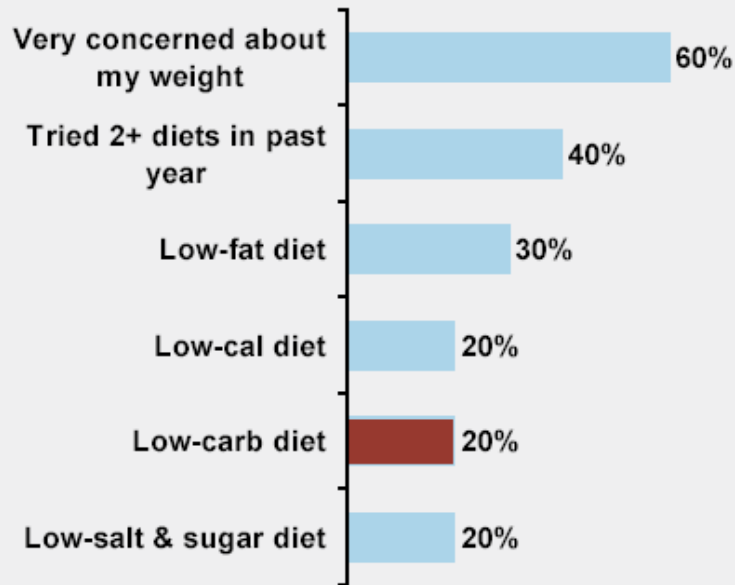
HealthFocus  
2005



# Moderation

## Low is High on Shoppers List 2004

### % of Overweight Adults Who Worry About Their Weight – And Take Action:



Source: IRI's MedProfiler Health & Wellness Survey  
Overweight adults defined by both BMI and self reported perception.

### Purchased Foods Promoted as:

- 63% promoted “low fat”
- 55% “low saturated fat”
- 52% “low calorie”
- 48% “low salt/sodium”
- 40% “low carb”

**Fat #1, Carb #2 – Reject New Product (27%, 22%)**

# No/Low Fat Growth Low Single Digits Largest Good-For-You Segment \$32.6 B

Product Segment	% Change \$ Vol. vs. year ago
Organic	14.4%
Sugar free, less sugar	11.3%
Flax/Hemp	13.6%
Whole Grain	7.0%
No/reduced lactose	5.6%
Carb conscious	3.8%
No/reduced calories	2.5%
<b>No/reduced fat</b>	<b>2.3%</b>
Calcium – good source	1.7%
Low/no sodium	-0.9%
Soy	-1.0%

Fat-free & low-fat foods: compound annual growth *usage* ↓ 5% & 2% respectively past 6 yrs.

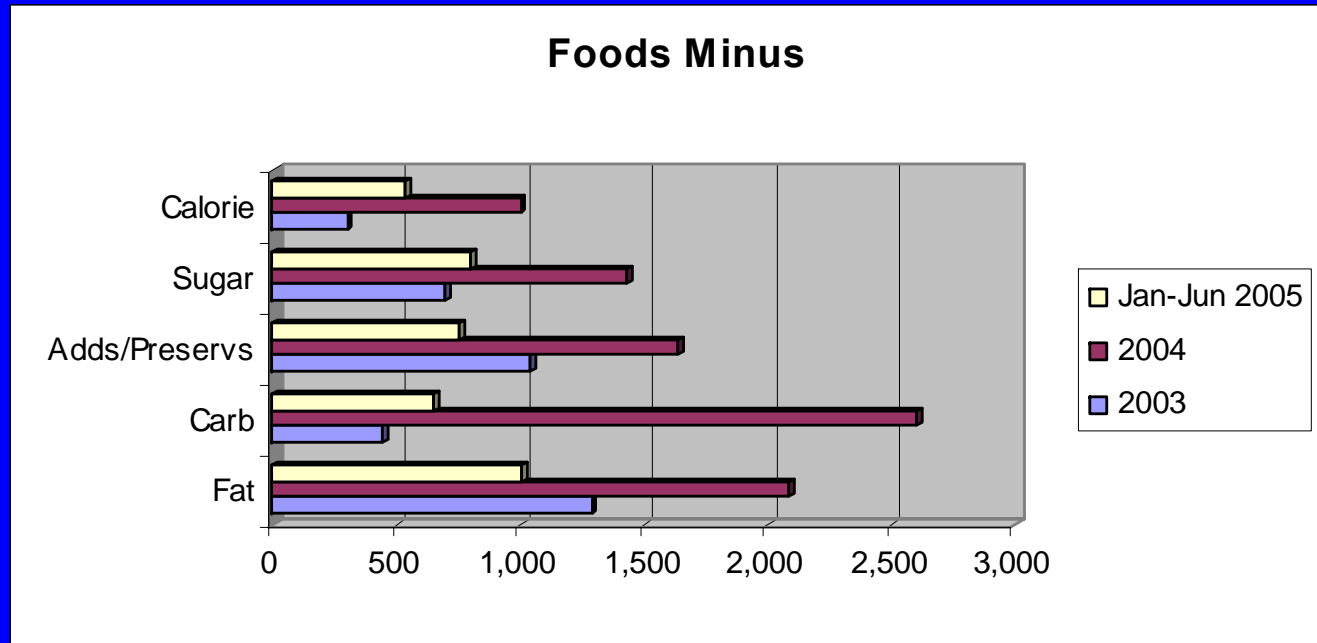
**Fat caused shoppers to buy a new product ↓ 74% in '95 to 29% in '04; #1 reason not to buy – 27%**

Natural Marketing Institute, '04, Food Marketing Institute 2004).



ACNielsen, Y/E/ March, 19, 2005

# Low Fat Leads New Products Intro's with Health Claims in N. America



- *Low fat leads but activity slight slowing down*
- *Low carb peaked in 2004*
- *No additives/preservatives*
- *Strong growth continues in low sugar*
- *Low/no trans fat claim influenced by FDA regulations*

# “No Trans” - Topic of Moment FDA’s Deadline January 1, 2006

- 2/3 aware trans, +8% 2003
- 43% use trans - free foods
- 44% try to limit trans, +8%
- 12% avoid completely
- 65% trans worse other fats

## Triscuit® Leads the Way to Sensible Snacking With a Whole Grain Heart Health Claim

After more than 103 years of providing America with a satisfying and tasty snack, Triscuit Baked Whole Grain Wheat Crackers is giving snack lovers a “whole” new reason to enjoy its hearty, woven cracker made with 100 percent whole grain. Triscuit will now display an official Whole Grain Heart Health claim based on a Food and Drug Administration (FDA) advisory released December 9th of last year that expands use of the claim to other whole grain foods that are low in saturated fat and cholesterol, but contain a moderate level of total fat.



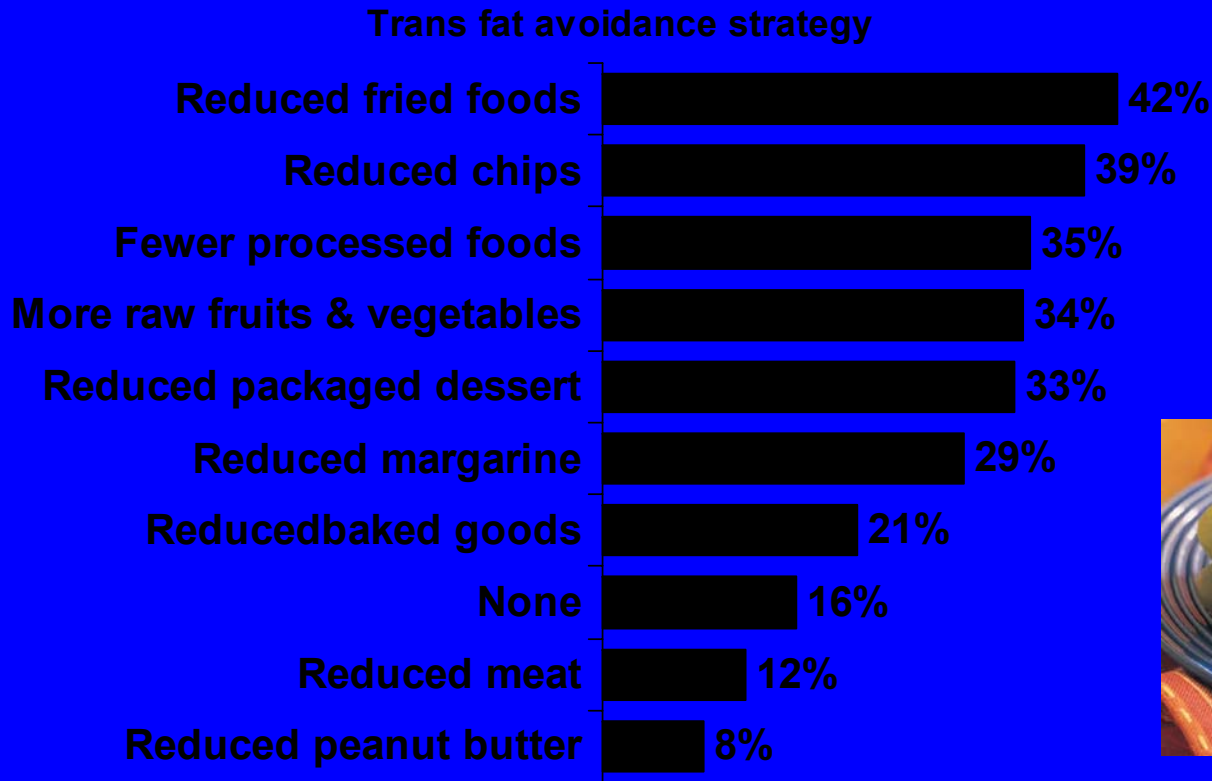
# “No Trans” ↑ Product Sales in U.S. \$6.4 B Yr. End '04; 33 of 635 Categories

Sales 52 Weeks Ending:	Total Food/Bev Sales (\$ Billion)	No Trans Fat Claim Product Sales \$
10/7/00	\$200.4 B	\$4.8
10/6/01	\$210.6	\$5.2
10/5/02	\$216.	\$5.5
10/4/03	\$219.8	\$5.7
10/2/04	\$223.1	\$6.4

10 Largest Labeled No trans Categories	Sales Dollars U.S. (Billion)	Dollar % Change vs. Year Ago
Snacks - Potato Chips	\$1.833	+4.8%
Snacks - Tortilla chips	\$1.453	-0.8%
Cereal - Ready-to-Eat	\$.781	+22.6%
Puffed cheese	\$.410	+3.9%
Snacks - Remaining	\$.298	+6.6%
Snacks - Corn chips	\$.287	-3.2%
Bakery - Bread - Fresh	\$.245	+163.5
Margarine and Spreads	\$.228	+9.1%
Cookies	\$.170	+28.9%
Snacks - Pretzels	\$.159	-3.0%

ACNielsen's Label Trends Tracking Service, Y/E 12/04 Total U.S.  
- Food, Drug, Mass - excluding Wal-Mart

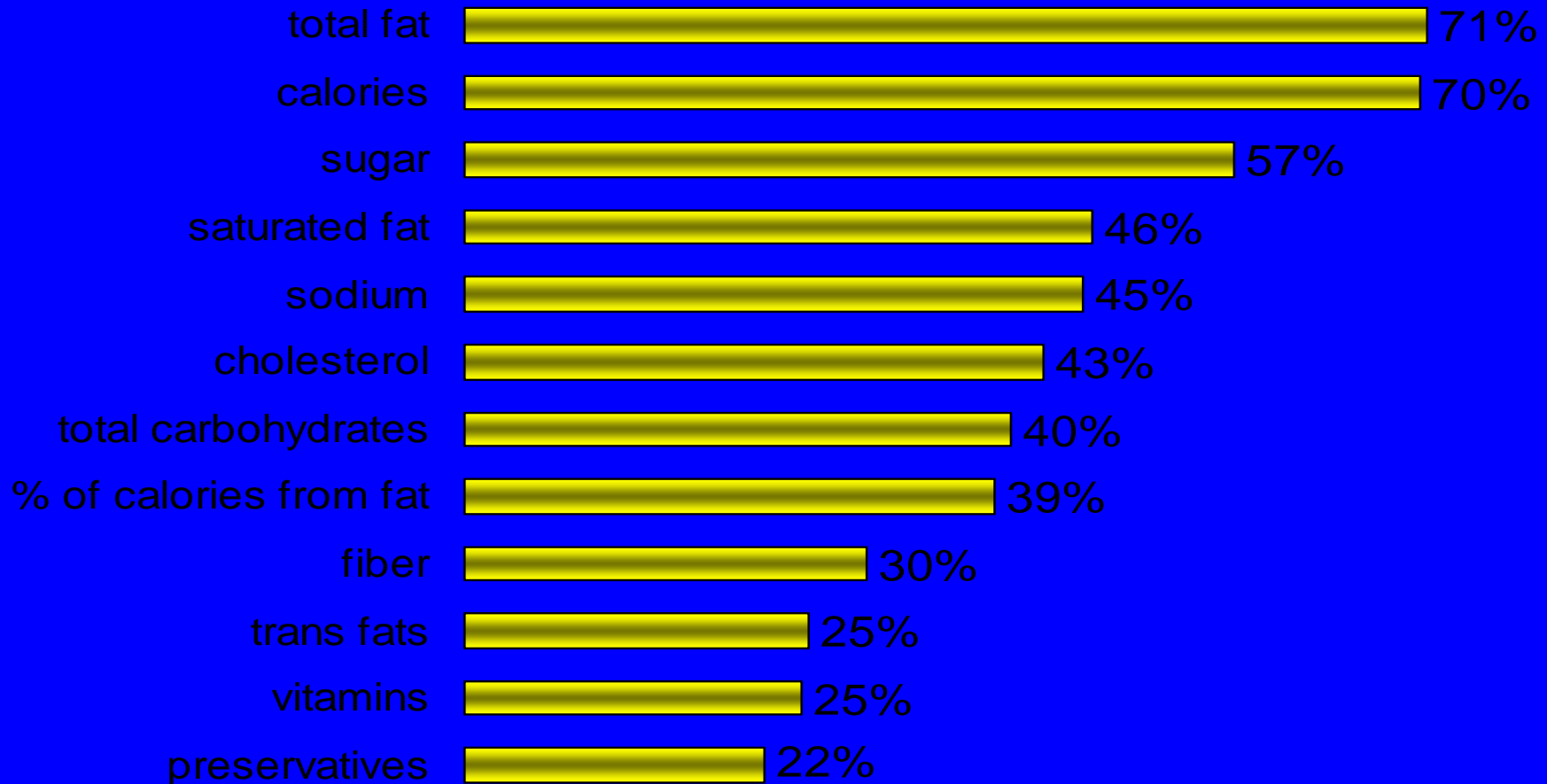
# Avoidance Strategies - Trans Fats



**Trans Most Associated: Snack foods, Fast Food, Margarine**  
● **Foods: Potato Chips, French Fries, Sweets, Margarine**

# Interest Shifting to Specific Fats

(% GP stating "When you read the label of a packaged food/beverage product, what specific items do you check most often...?")



# Most Important Food Label Claims

Extremely/very important label	USA	Extremely/very important label	USA
Fresh	62%	Low calorie	33%
Whole grain	45%	Fat free	32%
Grown without pesticides	44%	Low sodium	32%
Good source of calcium	44%	Sugar free	31%
Low in saturated fat	41%	Natural	31%
No trans fatty acids	39%	High energy	30%
High fiber	38%	Low carbohydrate	27%
Good source of antioxidants	38%	Certified organic	27%
Cholesterol free	36%	High protein	27%
Lower in sugar	36%	GMO free	18%
Low fat	36%		

HealthFocus, 2005

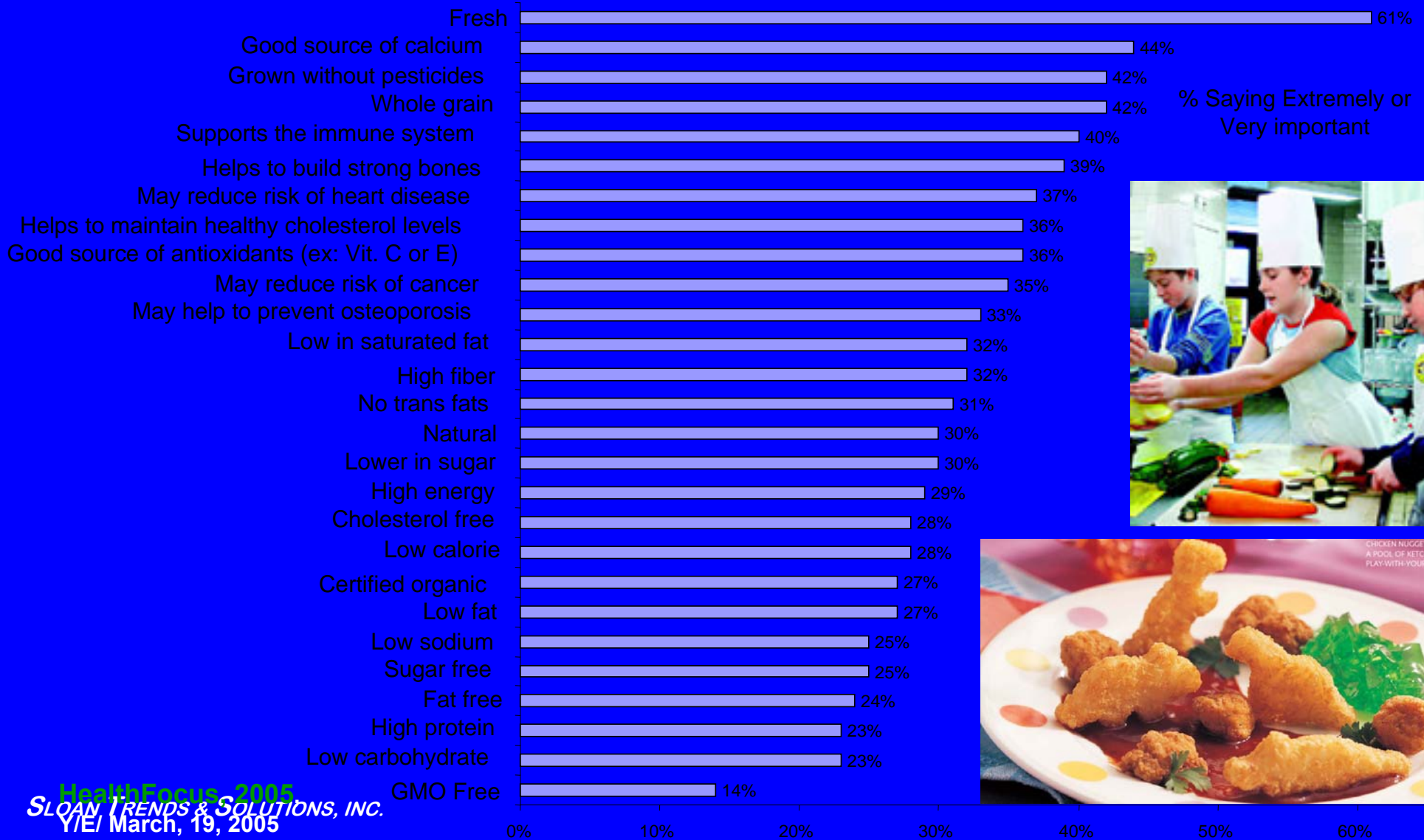
# Low Fat Most Influential Health Claim

Claims	Total %	Generation %				Health Concerns Influence Purchases a Lot %		Trying to Lose Weight %	
		Gen. Y	Gen. X	Boomers	Matures	Yes	No	Yes	No
Low-fat	63	52	61	64	66	72	54	71	57
Whole-grain	62	49	55	68	61	67	56	65	59
Low in saturated fats	55	44	49	55	60	64	45	60	50
Low calorie	52	42	52	54	52	60	45	61	45
High in calcium	51	58	55	47	48	55	46	50	51
High in vitamin C	51	57	59	49	46	53	48	53	49
Low sodium	48	31	46	47	56	58	38	52	45
Vitamin-rich or vitamin-fortified	47	51	52	47	41	53	40	47	46
Sugar-free	46	33	46	46	49	56	35	52	41
Reduces risk of heart disease	42	31	36	43	49	54	30	46	40
Low-carb	40	41	39	43	36	47	33	46	35
Reduces risk of cancer	26	19	19	24	35	32	19	26	25

Food Marketing Institute's "Shopping for Health Survey," Nov. 2004, Wash, D.C.

# Moms Concern: Sat'd & Trans; 7% ↑ Omega

Question: When Shopping for food, how important are the following statements on the label?



# Consumers Confused About Fats More Familiar When Appear on Labels

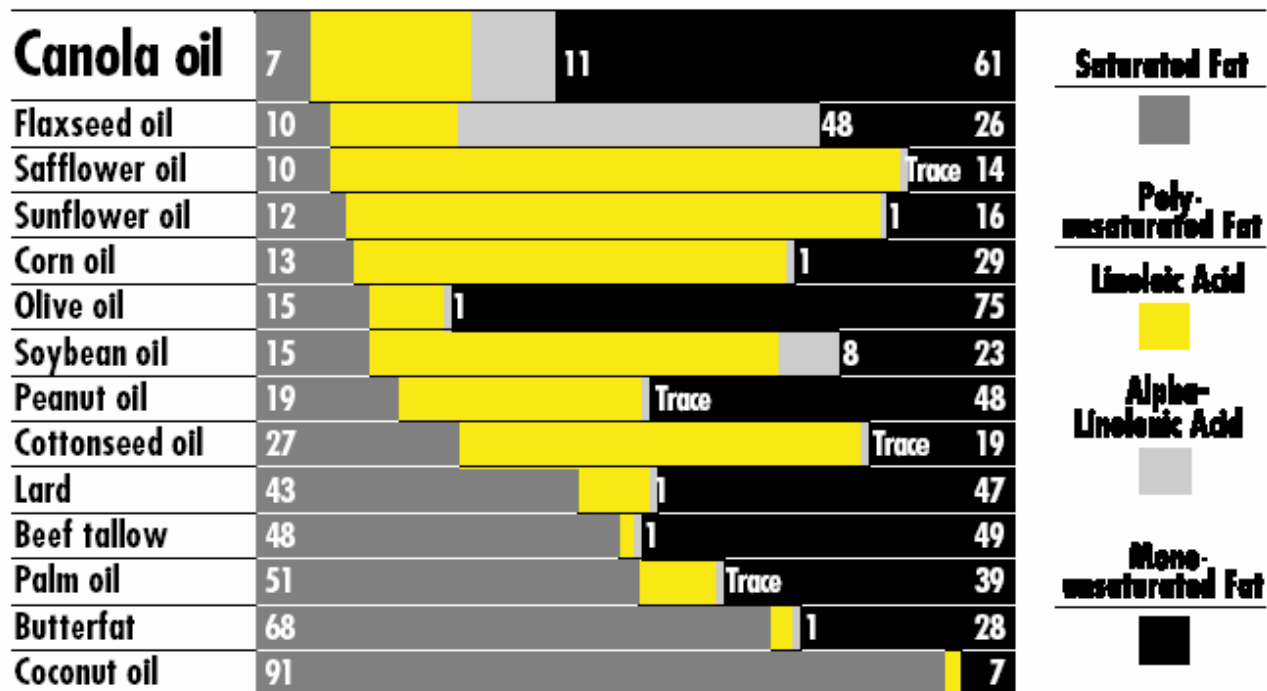
- ✓ 86% saturated fats *unhealthy*
  - ✓ 63% trans fats *unhealthy*
  - ✓ > 50% hydrogenated oil *unhealthy*
- 

- ✓ 53% polyunsaturated fats *unhealthy*
- ✓ 49% monounsaturated fats *unhealthy*

**59% Aware of Omega-s, 48% think healthy**

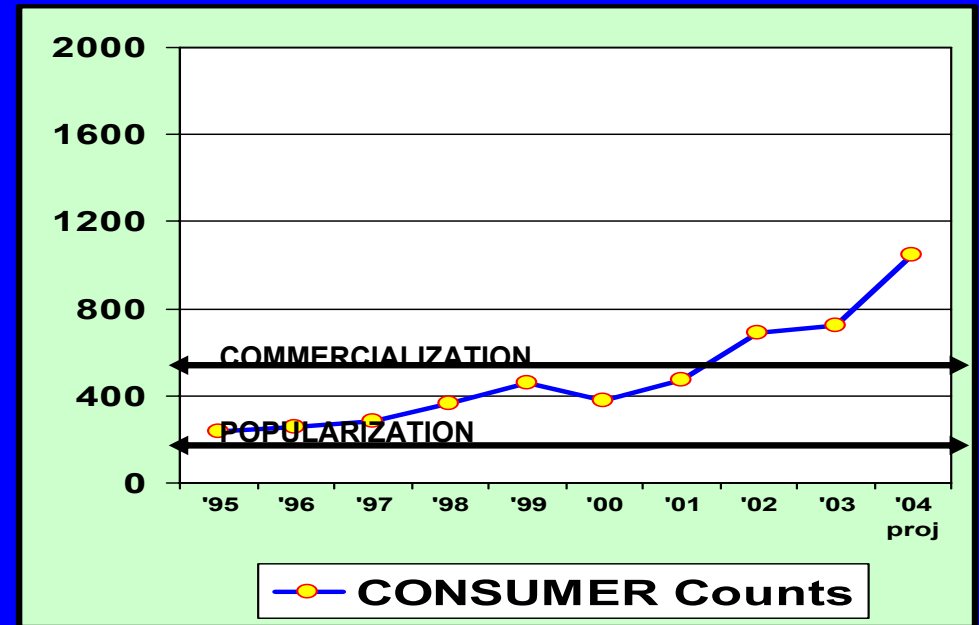
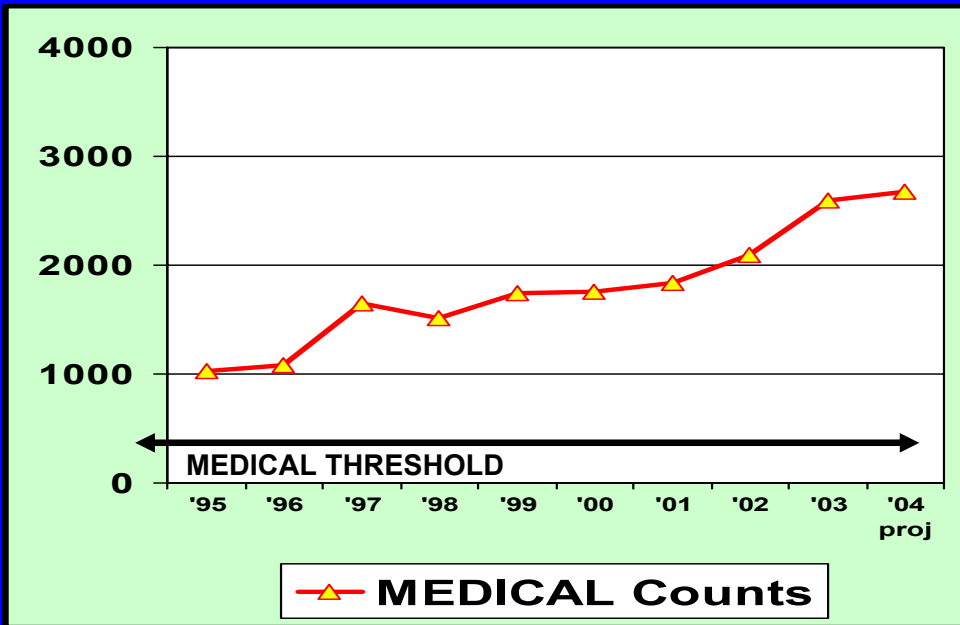
# Positive Dietary Components Will Become Key Marketing Tools Labels ↑ Familiarity

## Dietary Fat Content Comparisons



# OMEGA-3, EFA's

TRENDSense™  
SLOAN TRENDS, Inc.



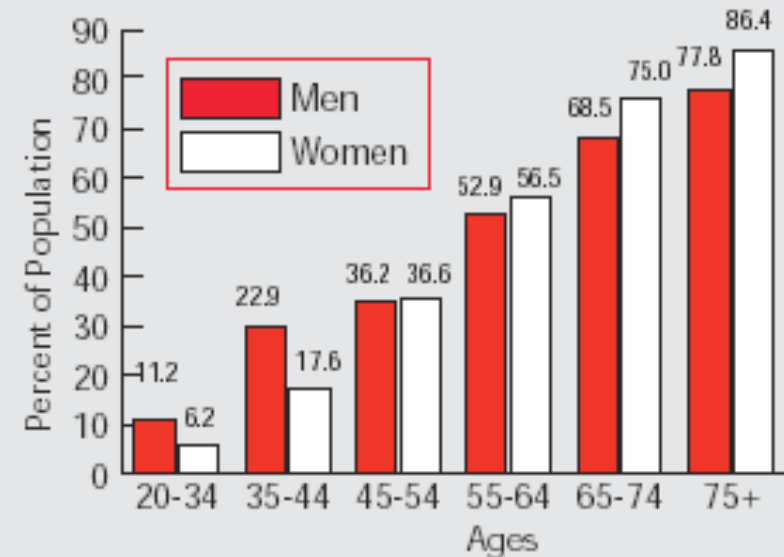
- #1 selling supplement '04; +40%/yr last 5 yrs.
- 22%↑ '04, 32% think deficient
- Food Execs rank #4 to grow their business, after soy, calcium, fiber/grain
- 55% link to heart, skin #2, mental #3
- Kid's Learning & Cognition Strong Market



# Omega & MUFA Claims Open CVD Markets

<u>Condition</u>	% HH's Trying to Prevent
Cancer	77.2%
Vision Problems	77.1%
Heart Disease	76.6%
High Cholesterol	76.2%
Hypertension	75.0%
Obesity/overweight	74.2%
Arthritis	74.0%
Stress-Related Problems	67.6%
Lack of Energy	69.5%

Prevalence of Cardiovascular Diseases in Americans Age 20 and Older by Age and Sex  
NHANES: 1999–2002



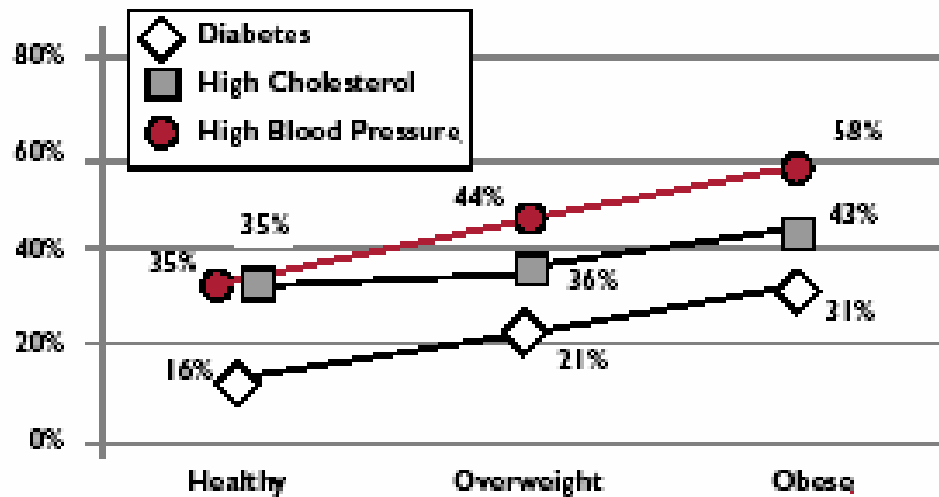
Source: CDC/NCHS and NHLBI. These data include CHD, CHF, stroke and hypertension.

**70M CVD • 104M ↑ chol • 110M Pre/Reg HBP •  
CVD ↑ 24% Men by 2013 • Women 19%**

# 65% Shoppers Manage/Treat Condition: 72% Heart, 65% Both HBP & Cholesterol

Chart 2

Incidence of Chronic Health Problems According to Body Mass Index Assessment

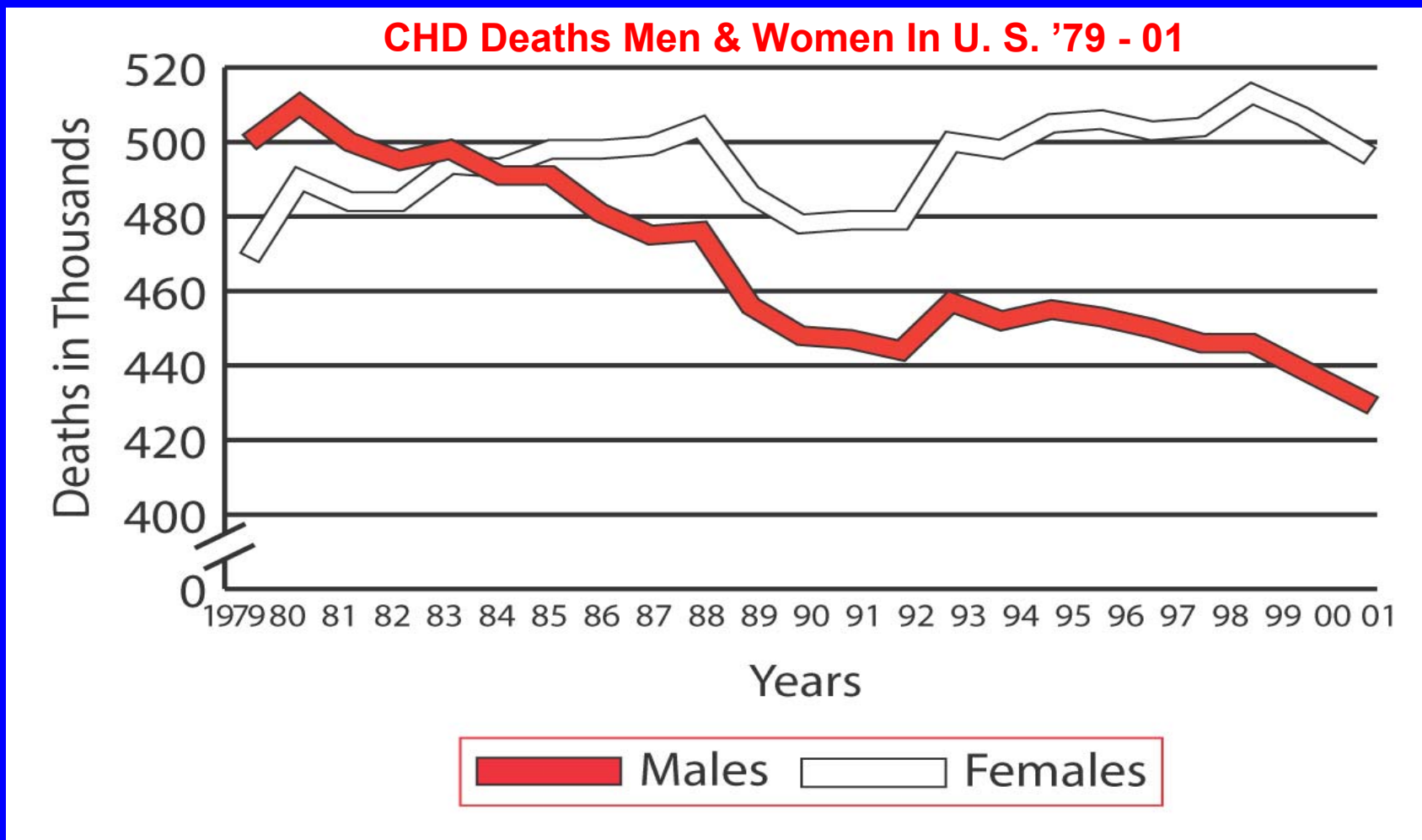


## Heart #1 Condition Shoppers Treating with Food

Condition	Reads Label to Manage Condition %
<b>High Cholesterol</b>	
Has	48
At Risk	13
<b>High Blood Pressure</b>	
Has	44
At Risk	13
<b>Diabetes</b>	
Has	34
At Risk	14
<b>Osteoporosis</b>	
Has	14
At Risk	14

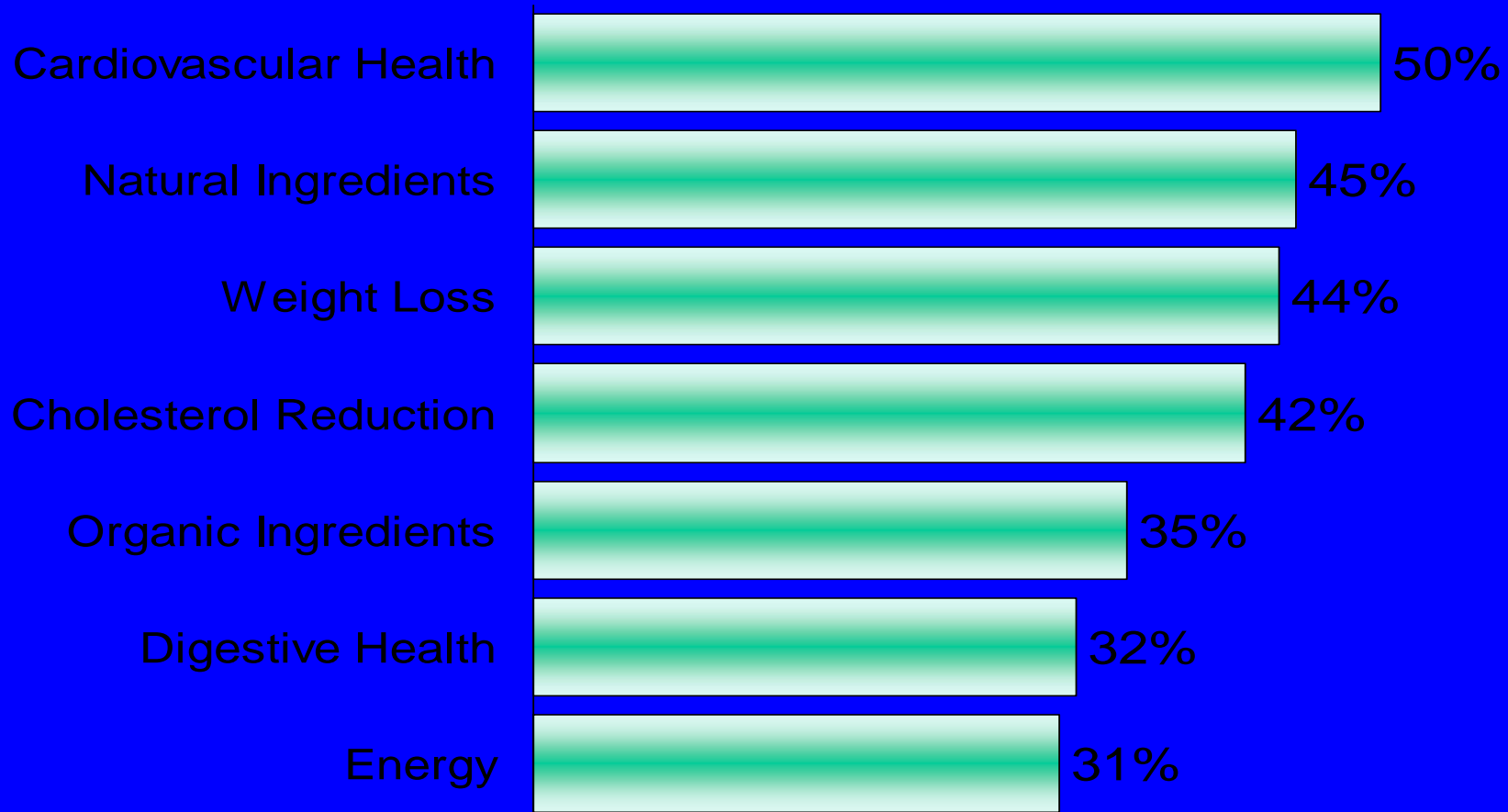


# New AHA Women's Heart Guidelines "Go Red" Campaign, NHLBI "Code Red"



AHA/ CDC/NCHS, 2004

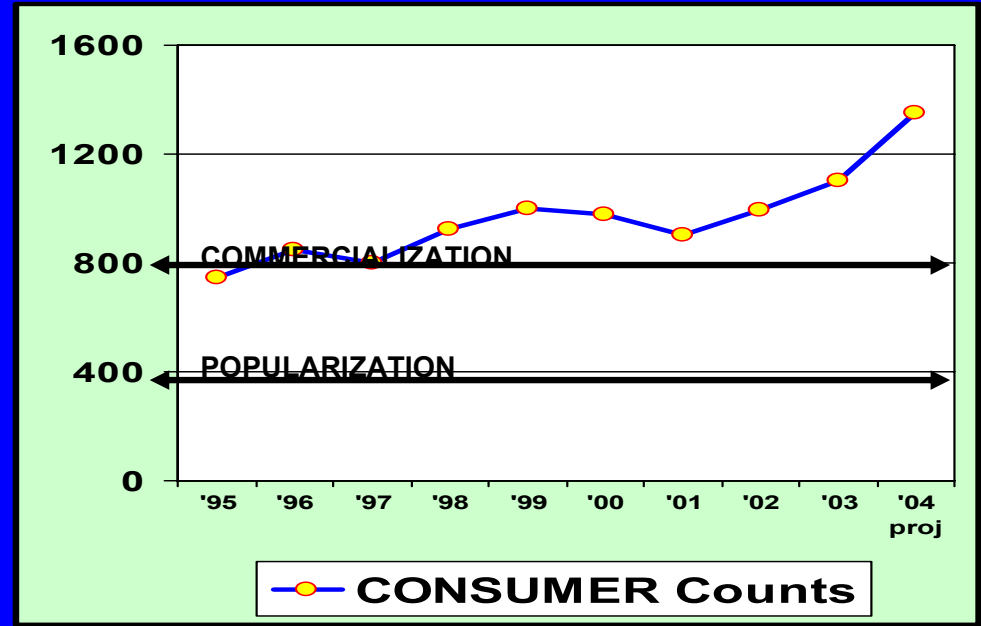
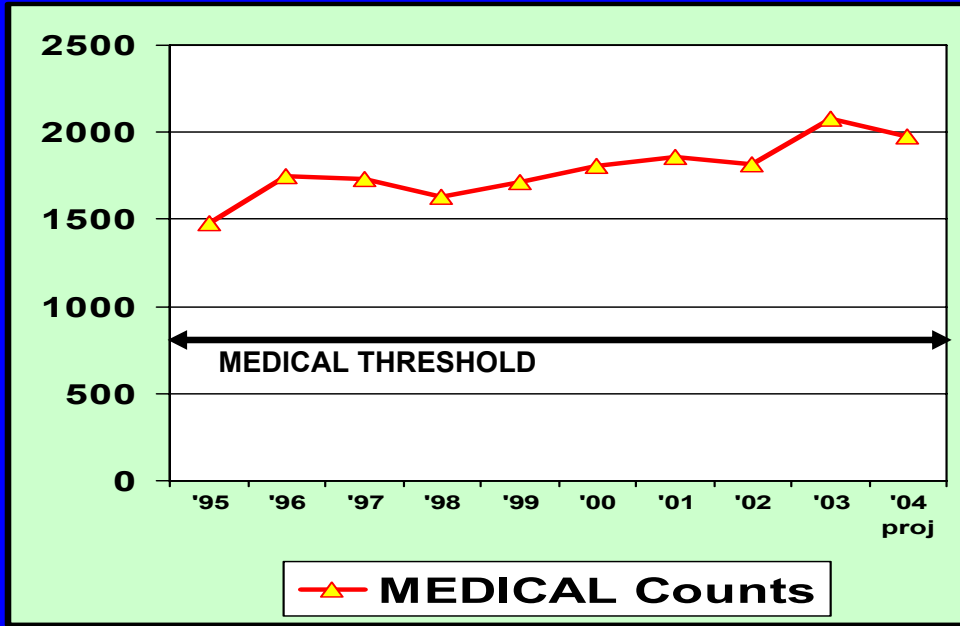
## Which benefits present the greatest opportunity?



# Cross Marketing Heart Friendly Foods & Rx Customer = \$70 B Untapped Op

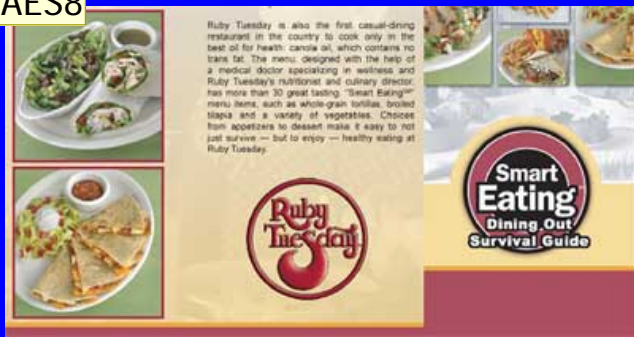
U.S. Ailments	Projected Prescription Scripts	Frequency	Projected Dollars, Front-end Spending, Total US (\$ billions)
	(in millions)		
Allergies/Asthma/Bronchitis	93	3.1	\$44
Anxiety and Depression	61	3.6	\$26
Arthritis	24	2.9	\$14
Birth Control/Contraceptives	22	3.1	\$13
<b>Cholesterol (High)</b>	<b>39</b>	<b>3.1</b>	<b>\$21</b>
Diabetes	39	4.7	\$14
Headaches and Migraine	16	3.1	\$9
<b>Heart Health</b>	<b>39</b>	<b>4.4</b>	<b>\$15</b>
Heartburn/Gastrointestinal/Reflux	36	2.9	\$21
<b>High Blood Pressure/Hypertension</b>	<b>98</b>	<b>4.4</b>	<b>\$35</b>
Infection (ear and UR)	39	1.5	\$37
Menopause and Osteoporosis	30	3.3	\$16
Pain Management, Muscular/Joint	71	2.8	\$40
Skin conditions	23	2	\$19
<b>Total Heart</b>	<b>176</b>	<b>5.4</b>	<b>\$71</b>

# CHOLESTEROL & Kids



**TRENDSense™**  
SLOAN TRENDS INC.





# Balancing Menus is Big Business Get Bigger

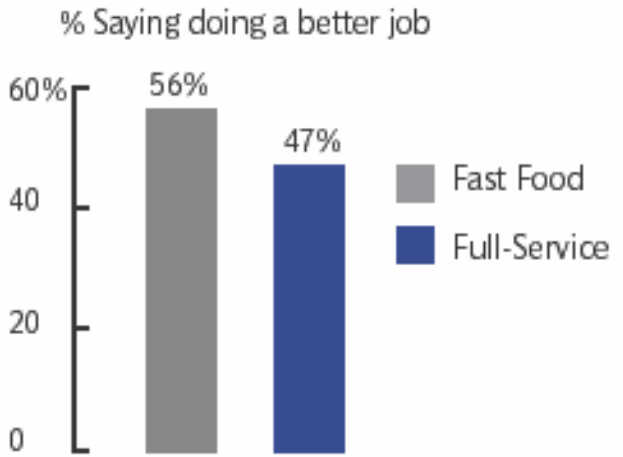


Our New LightHouse Menu: looking out for your health

Get all of the indulgence without the guilt. ▶



Have fast food/full-service restaurants done a better job at providing healthier options in 2004?



Source: Technomic/American Express Overnight Surveys



**Nutrition Guide**  
Eat smart by getting the nutritional information on your favorite meals. *Build your meal* ▶



Atkins<sup>®</sup>-approved menu

## Slide 29

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**AES7** Liz, 1/28/2004

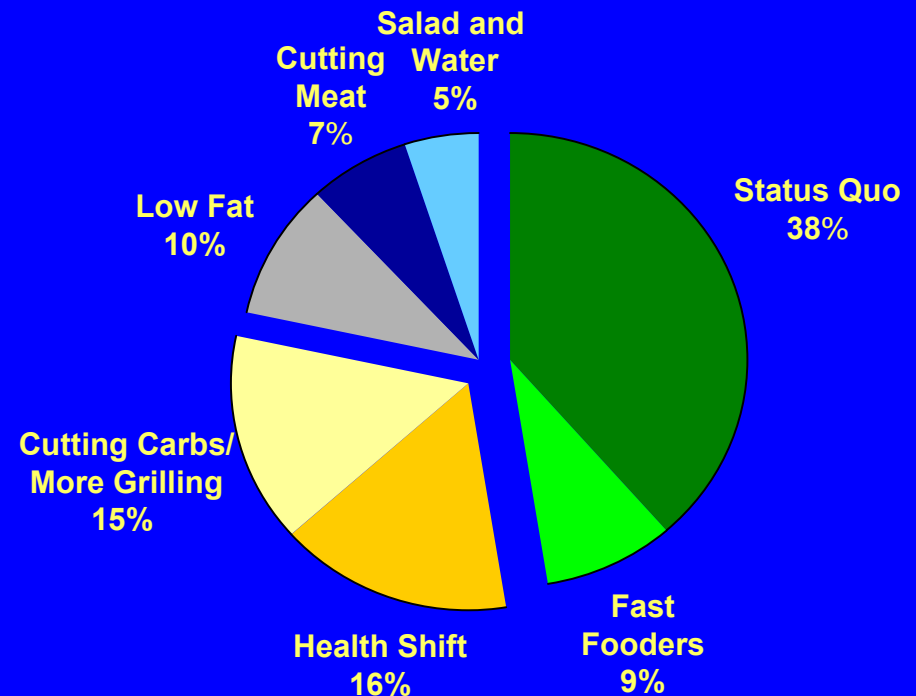
**AES8** Liz, 1/28/2004

# About Half of Today's Diners Think Health

- Status Quo and Fast Fooders = 38% of consumers; 47% of restaurant visits.
- Low carb eaters and those trying to eat healthier = 31% also are *heavy users* of restaurants.
- Low fat/calorie, vegetarian and salad eaters = 22% visit restaurants less frequently.

## Consumer Segmentation

*Share of Restaurant Visits*



Technomic To Be Released 8/31/04  
N=1,664

# 10 Fastest Growing Restaurant Items

## Natural Meats & Poultry Enter Chains

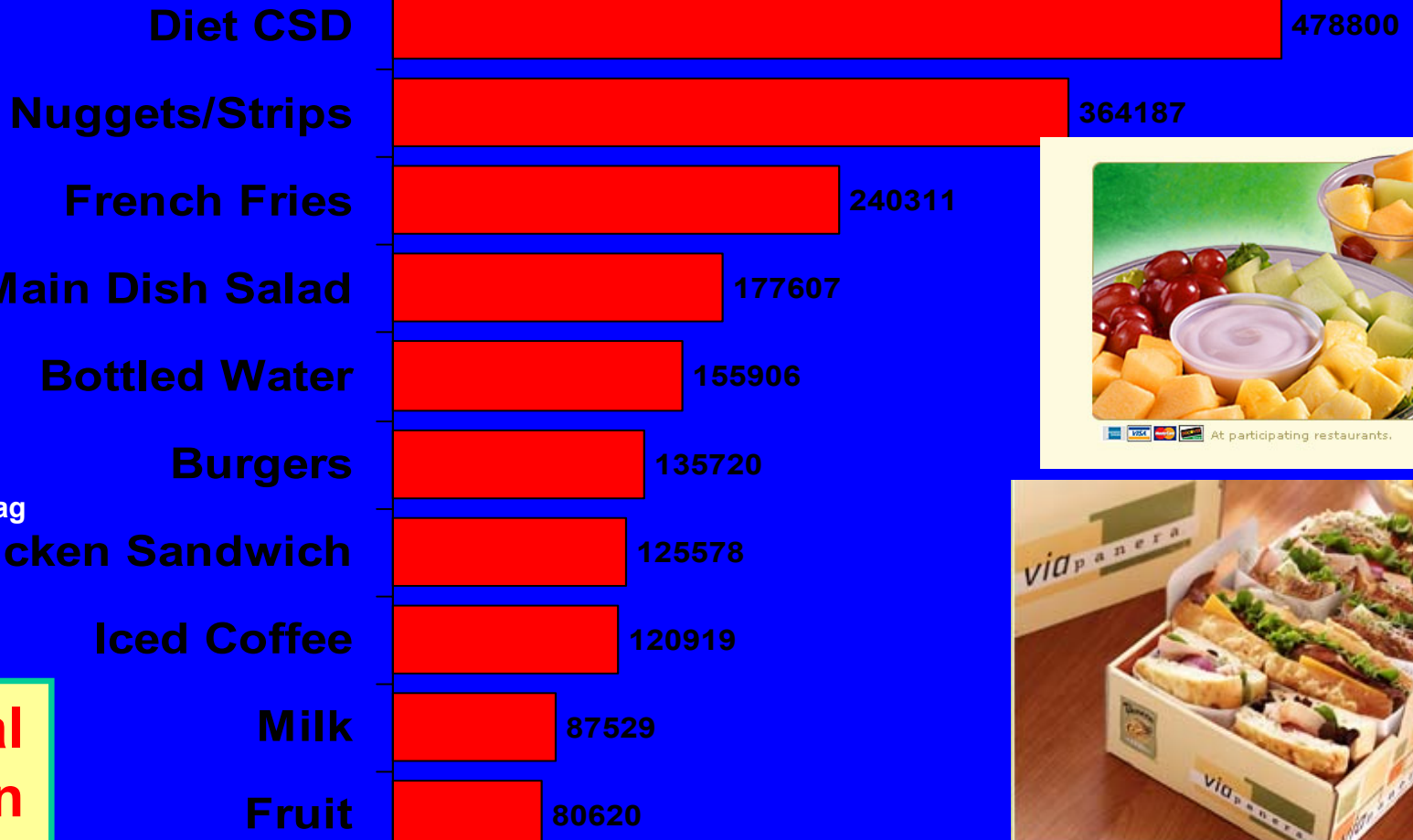
Change in Restaurant Orders(000)  
Year Ending Nov. 04 vs. 03



Microwave in Bag

Breaded Chicken Sandwich

**All Natural  
Chicken**



# Ordered More Restaurants Last 2 Yrs.

% Operators report ordering more of vs. 2 Years ago



- Seafood/fish 64%
- Salad 56%
- Take-out 52%
- Vegetarian 48%
- Chicken 36%
- Appetizers 36%
- Specialty Coffee 31%

- Spicier Dishes 30%
- Beef 30%
- Pork 29%
- Pasta 28%
- Turkey 18%
- Veal 13%

**Salad #1 Casual & Family Rest; Seafood #2  
Protein: Boomers Index ↑ Seafood, ↓ Boredom Fx**

# Grilled Menu Mentions Doubled U.S. 2004

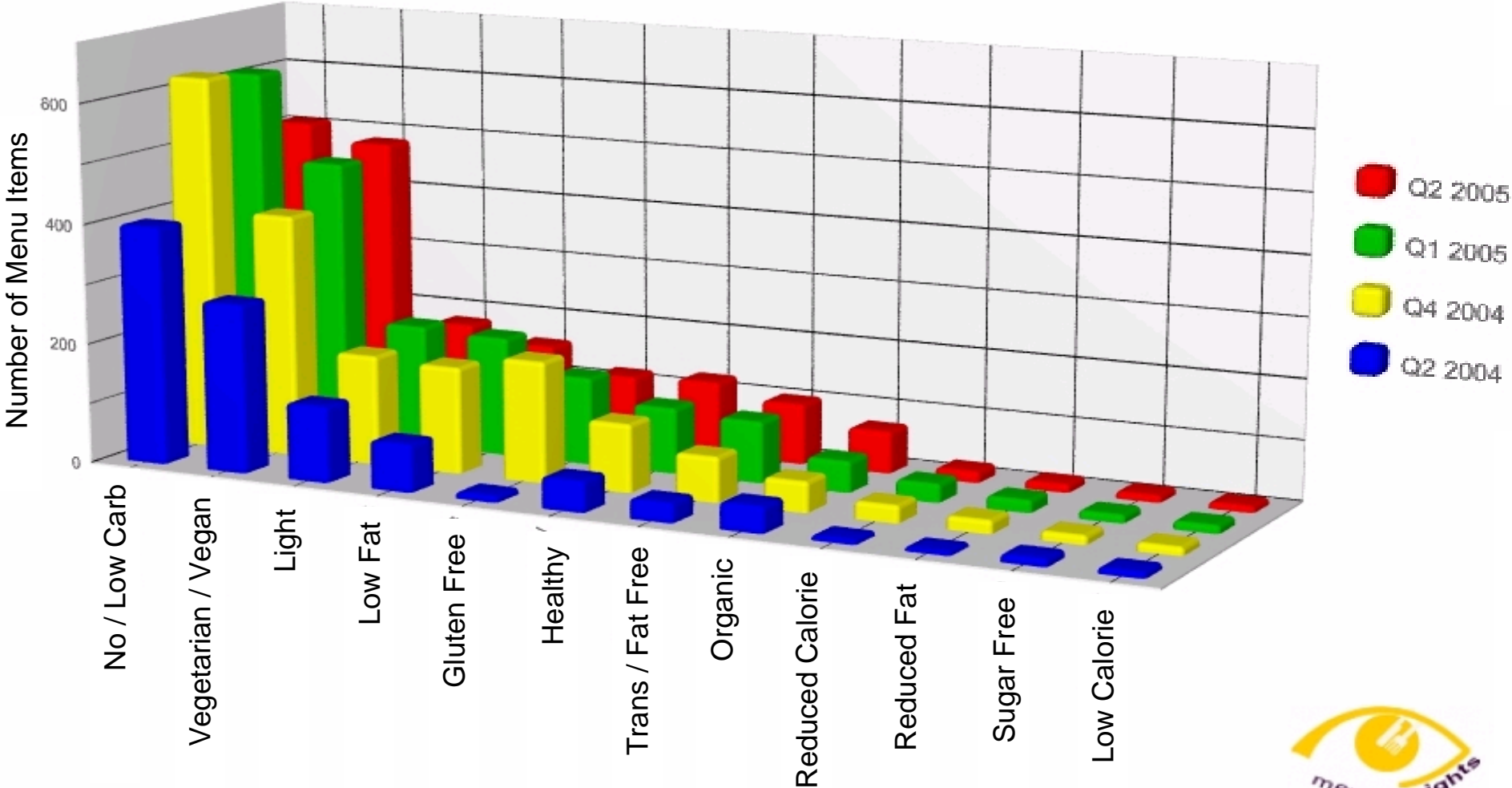
Question: "Compared to the last few years, are you currently eating more, less or the same amount of the following foods?"

Food Item	More	Less	Same	Don't Eat
<b>Baked or grilled chicken</b>	<b>40%</b>	<b>7%</b>	<b>48%</b>	<b>5%</b>
<b>Fried chicken</b>	<b>11%</b>	<b>33%</b>	<b>44%</b>	<b>12%</b>
<b>Broiled or baked foods</b>	<b>32%</b>	<b>9%</b>	<b>56%</b>	<b>3%</b>
<b>Grilled foods</b>	<b>36%</b>	<b>10%</b>	<b>52%</b>	<b>2%</b>
<b>Fried or breaded food</b>	<b>9%</b>	<b>38%</b>	<b>47%</b>	<b>6%</b>

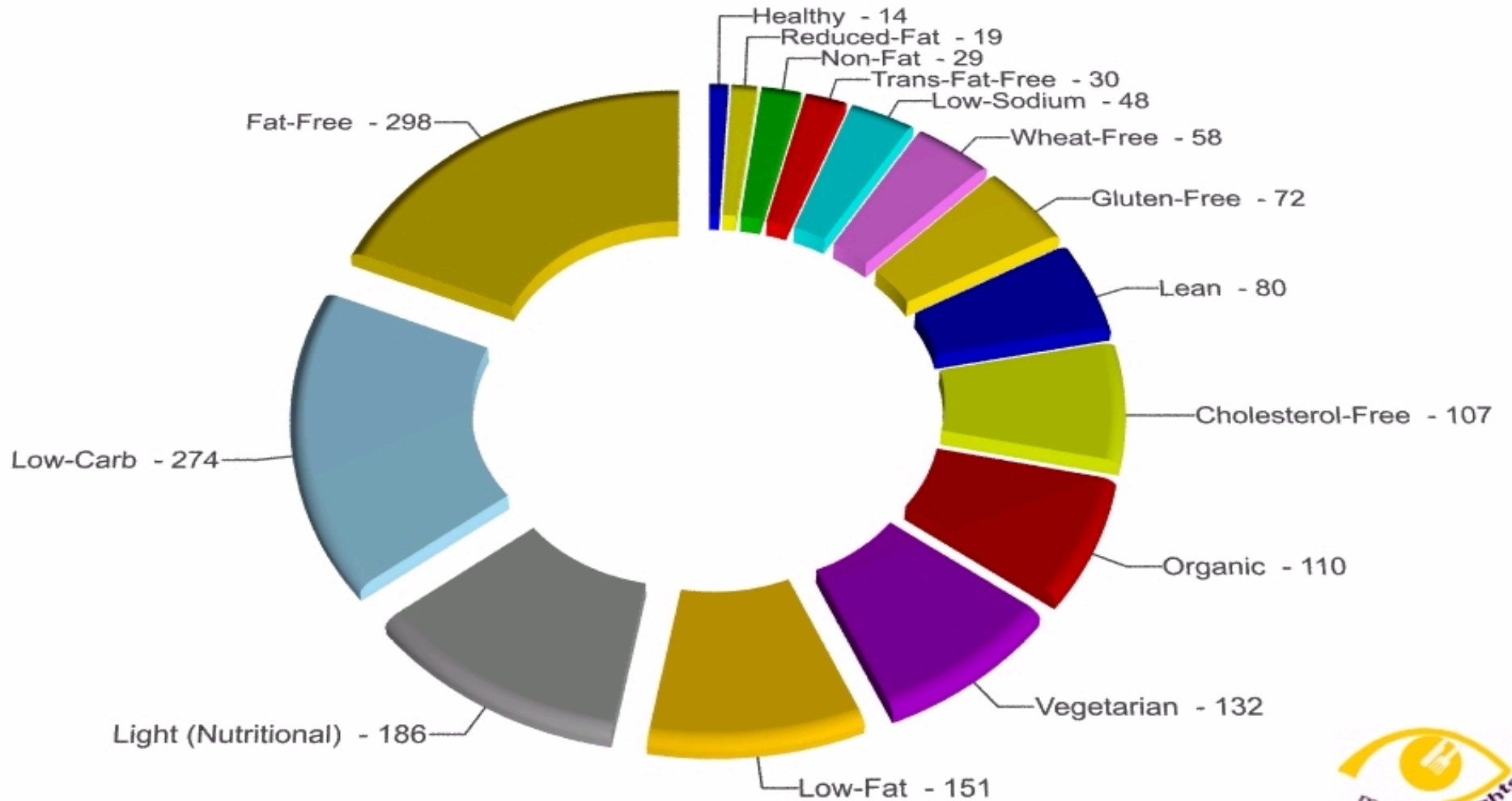


Technomic Inc. 5/2005

# Restaurant Menu Item Health Claims by Qtr.

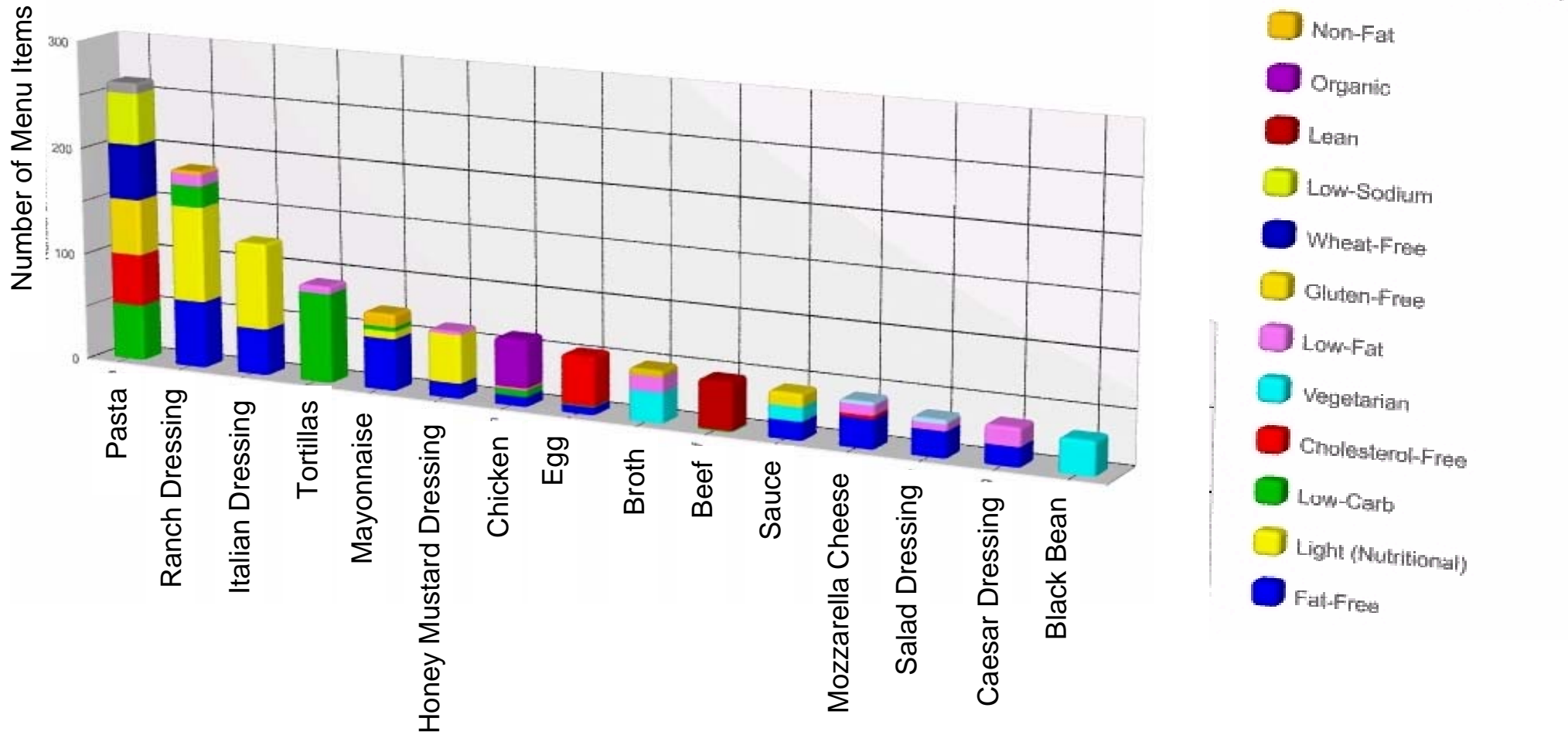


# Top 15 Ingredient Health Claims



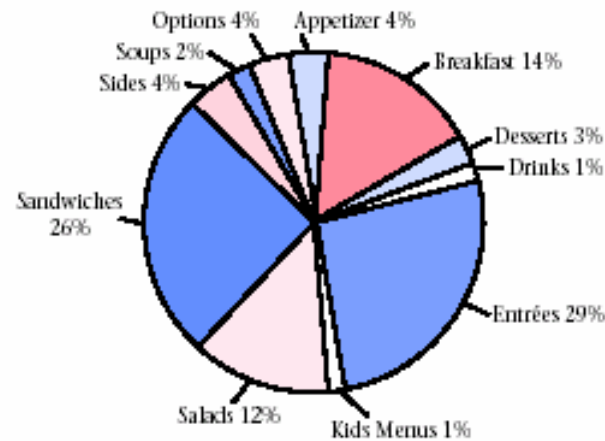


# Top 15 Menu Ingredients with Health Claims



# Overhaul Kid's Menu's for Health

Distribution of menu items with nutritional reference, 1st half 2004



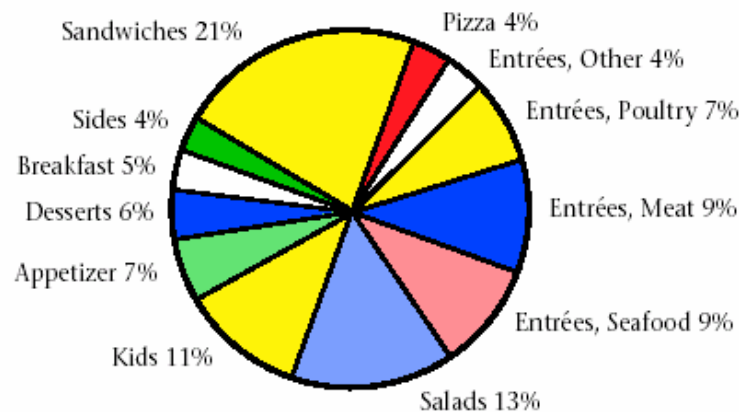
## Most Orders by Kids

- Carbonated drinks
- French fries
- Burgers
- Pizza
- Chicken nuggets
- Mexican
- Veggies
- Iced tea
- Seafood
- Ice cream

## Most Menued

- Chicken strips
- Burgers
- Grilled Cheese
- Pizza
- Mac & cheese
- Spaghetti
- Hot dogs
- Corn dogs
- Fish & chips
- Tacos

Percent distribution of new menu items by meal part, 2nd half 2004



# Olive Garden Touts Healthy Oils



Our travels through Italy landed us one of our greatest discoveries ever: extra-virgin olive oil from Colavita, now used in all of our dishes with olive oil. Buon Appetito.



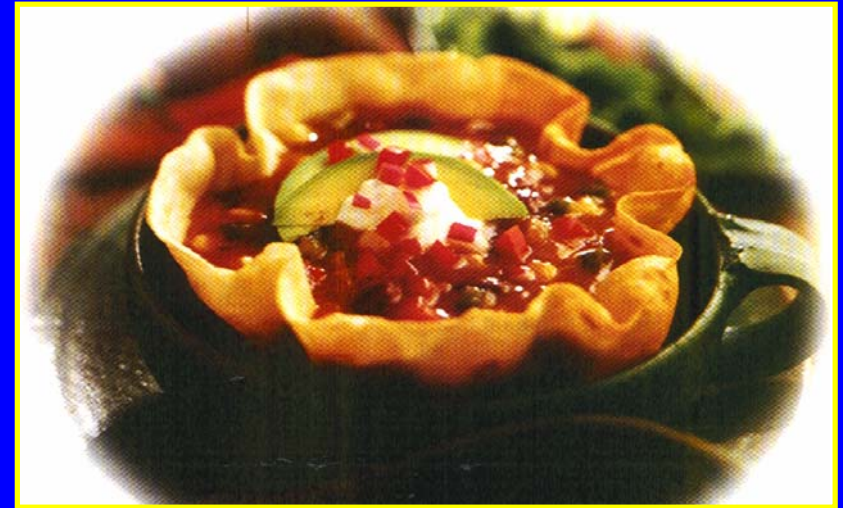
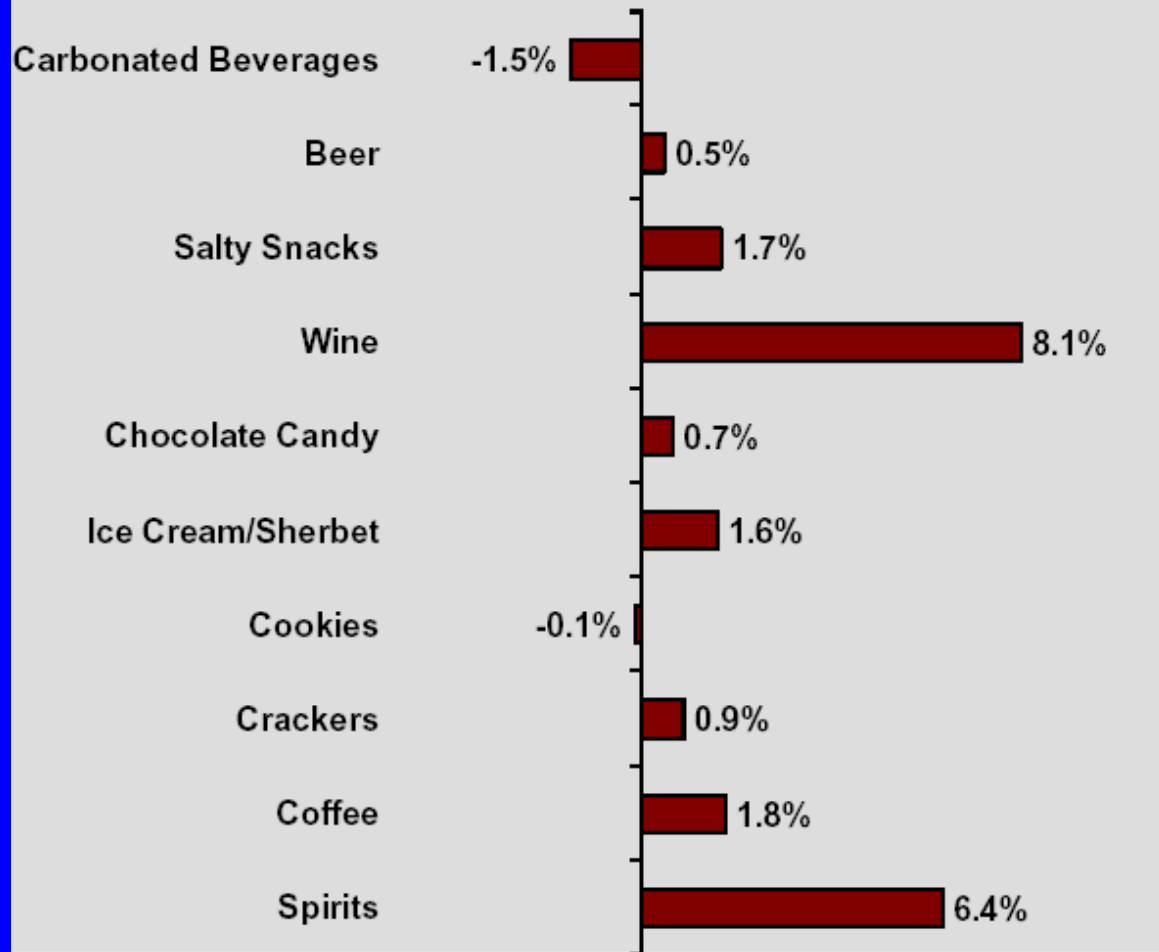
When you order our Spaghetti delle Rocca, you experience the flavor of an authentic Italian recipe. From our food and service to our décor – we are inspired by what we learn in Italy. At Olive Garden, we take pride in providing each guest with a genuine Italian dining experience and we learn from the Italians exactly how it's done.



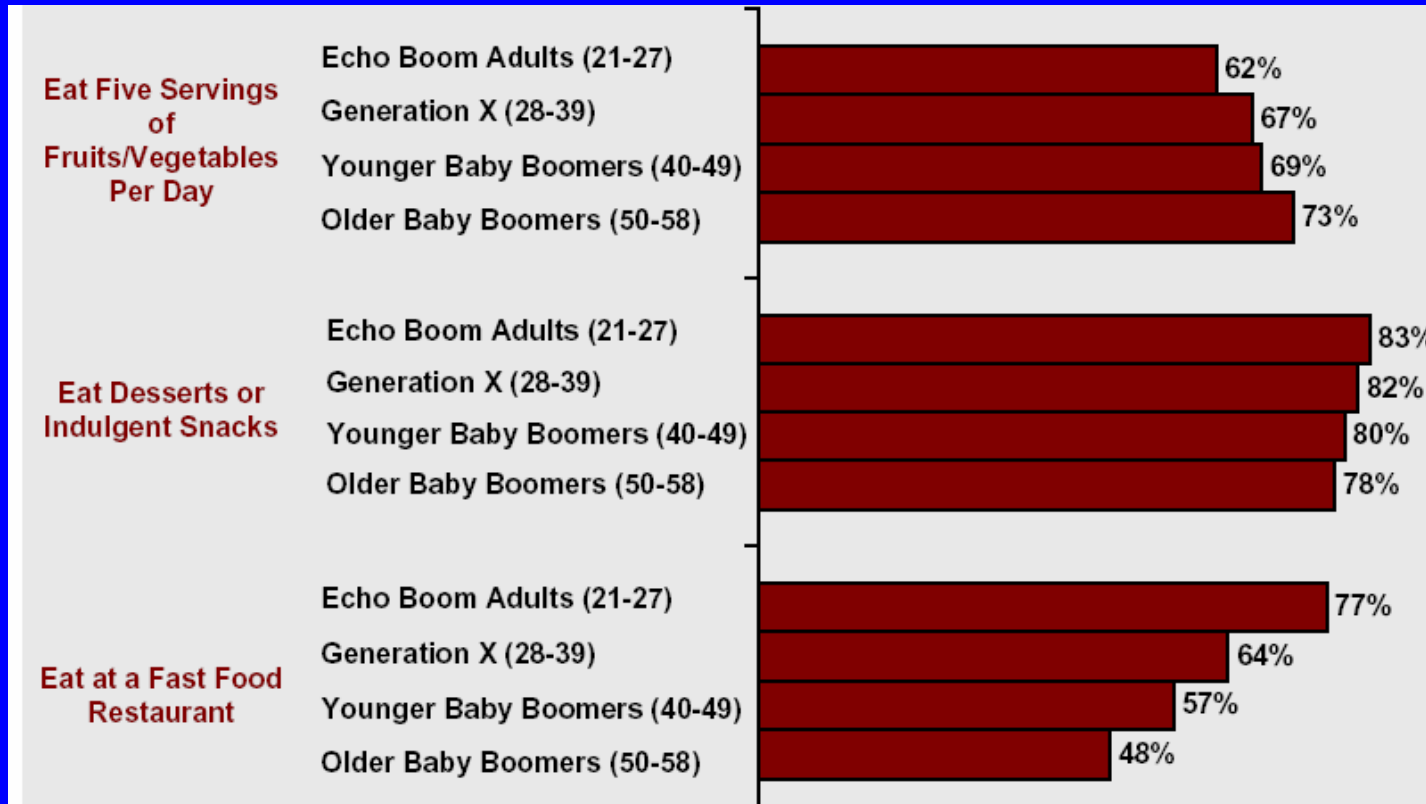
**New Uses Oils**  
**Dipping Breads, Veggies etc  
& Drizzling Hot Oils on  
Fries, Meats, Salads,  
Appetizers**

# \$ Sales Top 10 Indulgence Categories

52 Weeks Ending May 15, 2005 vs Prior Year



# Snacks and Desserts Strong Appeal



Information Resources, Inc. 8/ 2005