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FOOD DISTRIBUTION GUY

BEYOND ORGANIC 2024

Though organic agriculture appeared in Canada in the 1950's, it was not until the 2000's that the organic food category began to expand. Organic sales continue to increase. In 2023, organic food sales in the US topped $63.8B. The top three categories:

1. Produce: Sales topped $20.5B, now account for 15% of total US fruit and vegetables.
2. Grocery: Sales peaked at $15.4B, representing a 4.1% growth.
3. Beverages: Sales were $9.4B, representing a 3.9% increase.[1]

Canadian organic food and beverage sales in 2022 were close to $8B dollars, with Canada having the 5th largest organic market in the world.[2]

This report summarizes The Hartman Group's study titled:

"Beyond Organic 2024"

SUMMARY

- 20% of the consumer base is labeled as the "**Core"** in the organic sector. They are the trendsetters, the early adopters of organic foods, and represent the most active purchaser. *(Please refer to Chart 1 – Appendix 1).*
- The Core consumers are quicker to connect personal benefits with the well being of people and the planet. The core consumers are the most active eaters of organic food. *(Please refer to Chart 2 – Appendix 1).*
- Fresh and Natural represent the top 2 food and beverage characteristics synonymous with safe and wholesome foods. *(Please refer to Chart 3 – Appendix 1).*
- As culture evolves, so does the meaning of organic as a symbol of natural foods. Today "Organic is a symbol of natural and better food amidst a complex food and beverage landscape", encompassing a wide range from traditional "on the farm" categories to candy, encompassing a large mainstream audience.
- Price continues to be the top barrier to buying more organic. Gen Z consumers are the least worried about the retail price for organic products, whereas Baby Boomers are the most concerned about the retail price. *(Please refer to Chart 4 – Appendix 1).*
- Three key areas of focus by consumers when discussing "Beyond Organic"
  1. Animal welfare: Living conditions and how they are slaughtered.
  2. Worker and Community Welfare: Farm worker welfare, local community welfare.
  3. Environmental Resilience: Soil health.

[1] U.S. Organic Marketplace Posts Record Sales in 2023, www.supermarketnews.com, May 2024
[2] A Call to Rev up the Organic Revolution, www.theglobeandmail.com, September 2023

REGENERATIVE AGRICULTURE

- "*Regenerative agriculture* is an evolution of conventional agriculture, reducing the use of water and other inputs, and preventing land degradation and deforestation. It protects and improves soil, biodiversity climate resilience, and water resources while making farming more productive and profitable".[3] It allows the land, the soil, water, nutrients, and natural assets to regenerate themselves as opposed to conventional approaches to farming that can deplete these natural resources. The three pillars of Regenerative Organic certification – soil health, animal welfare, and social fairness.

Agriculture Methods and Their Associations with Responsible Production

No Sustainability connection ------------------------ **DO NOTHING** -------------------------- Conventional Agriculture

Sustainability yesterday ------------------------------ **DO NO HARM** -------------------------- Organic Agriculture

Sustainability today ------------------------------------ **REPLENSIH** -------------------------- Regenerative Agriculture

- *Chart 5 – Appendix 1* outlines consumers' familiarity with innovative, new food approaches.

FOOD DISTRIBUTION GUY'S 3 THOUGHTS MOVING FORWARD

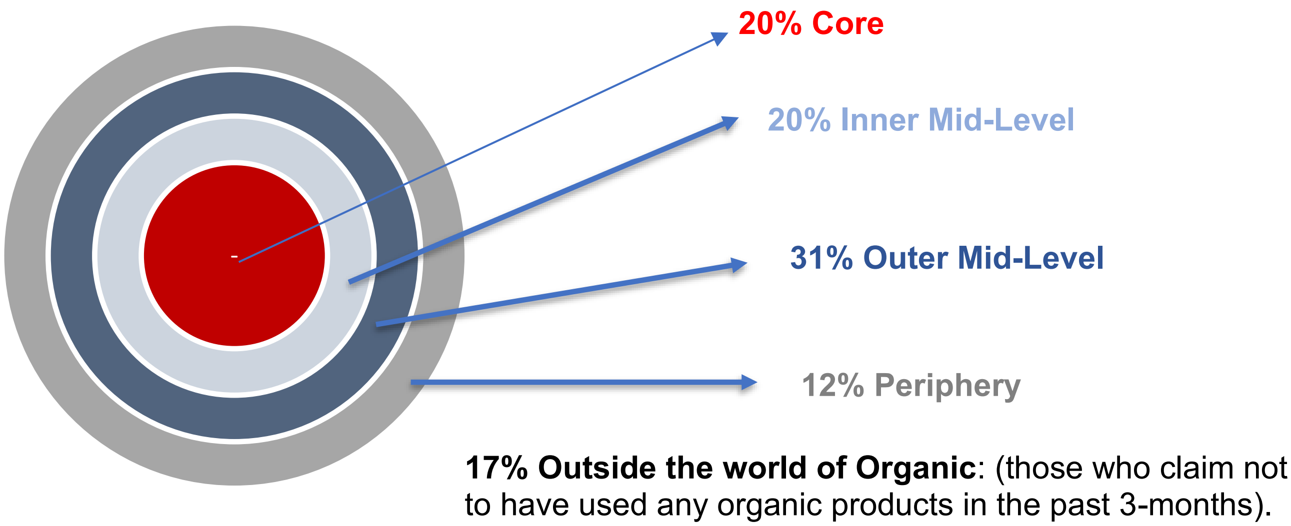
1. The **Core** consumer is the ideal organic buyer. Brand's must have a true understanding of where their consumer lies as part of The Hartman's Group "Organic Consumer Segmentation", and emphasize their key purchase drivers as part of their brand identity.
2. Retail price (62%) remains the number 1 barrier to purchasing more organic products. Brands must build trust with their consumers to stand out at their price point and to develop long-term equity.
3. Millennials and Gen Z make up 55% of Canada's population base,[4] and seek interest in new farming methods. Brands should become customized with them, and if they venture into one, take care to do so in a way that boosts standardization and awareness of the term.

[3] Regenerative Agriculture, www.synentagrouip.com
[4] Convenience Store News Canada, March / April 2024

APPENDIX 1

Chart 1

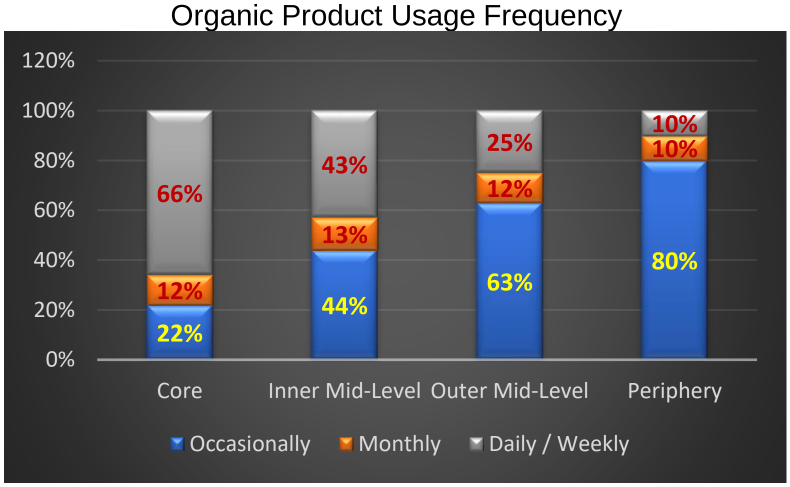
Organic Consumer Segmentation



Summary: The **Core** Influences the **Mid -Level**. The Opportunity is with Mid-Level consumers. Periphery consumers borrow cues from the Mid-Level but share some attributes with outsiders.

Chart 2

Organic Product Usage Frequency

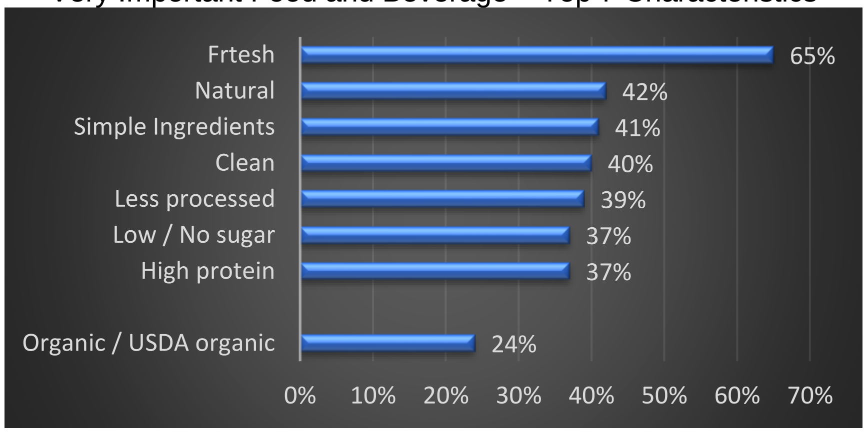


Top Purchase Criteria by Segment

(Based on Qualitative Analysis)

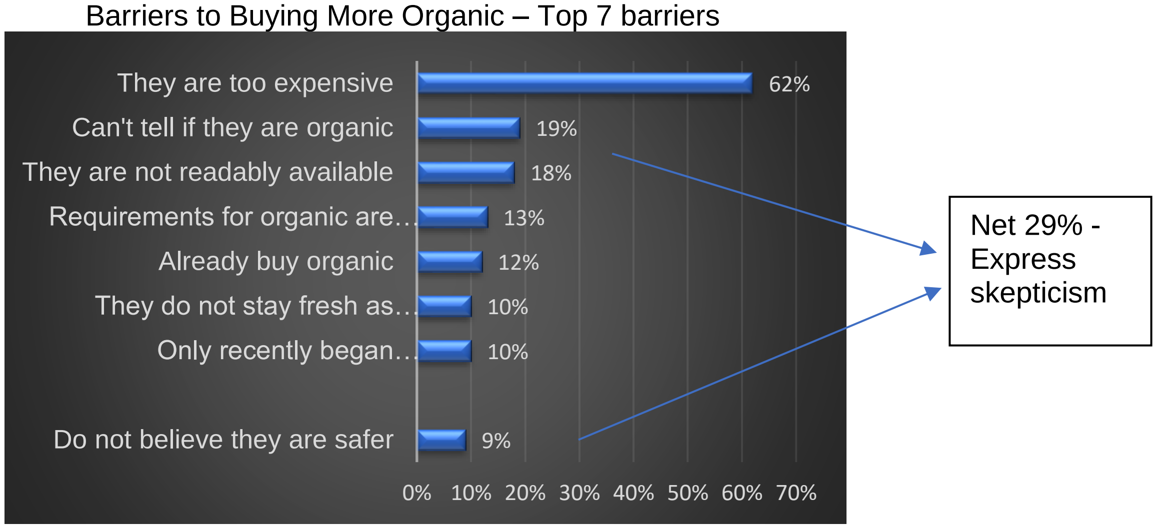
Core	Inner Mid-Level	Outer Mid-Level	Periphery
Holistic care for planet	Clean / Pure	Experience	Comparability
Clean / Pure	Transparency / verification	Safety	Convenience
Transparency / verification	Experience	Comparability	Familiarity
Experience	Safety	Convenience	Price

Chart 3
Very Important Food and Beverage – Top 7 Characteristics



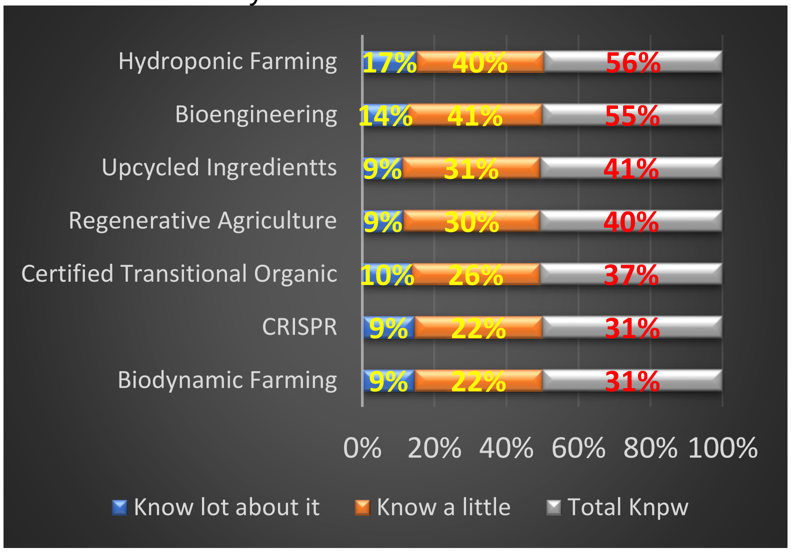
Note: Fresh characteristic has jumped 10 points in the last 2 years.
Simple ingredients characteristic has increased 8 points in the last 2 years.

Chart 4
Barriers to Buying More Organic – Top 7 barriers



Price barrier has increased 12 points the past year.
Gen Z consumers are the least worried consumer group about the cost of organic products.
Baby Boomers are the most worried consumer group about the cost of organic products
Skepticism limits organic purchasing among existing buyers.

Chart 5
Familiarity with Innovative Food Methods



DEFINITIONS

Hydroponic Farming: Growing plants using a water nutrient solution rather than soil.

Bioengineering: Food that contains genetic material that has been modified through certain laboratory techniques and for which the modification could not be obtained through conventional breeding or found in nature.

Upcycled Ingredients: Use of ingredients that are destined for landfill are utilized as an ingredient in other food applications.

Certified Transitional Organic: Farmed products using organic processes but is being grown on land that's in the process of converting from conventional to organic certification.

CRISPR: Gene editing technique that helps prevent diseases like HIV and cancer, make crops more hardy, and tackle the climate crisis.

Biodynamic Farming: Biodynamic farmers practice organic methods of production and share very similar certification standards. Both also share similar aims and ideals, but biodynamics has meta physical and spiritual roots that organic does not.

NOTES

CORE *organic consumers express deeper knowledge and interest in natural approaches.*

Millennials and Gen Z over index on most new food methods when it comes to an understanding about them.

The **Younger Generations** are **more engaged** with these alternative farm methods and wish to see a broader sense than the organic standard.

RICHARD BAKER

Food Distribution Guy,

I am the President and Founder of Food Distribution Guy. Our mandate is to ensure our principles' success is sustainable long-term in the Canadian grocery sector.

Food Distribution Guy's Value Proposition for Our Client's Success:

1. Fifteen + (15+) years of branding, marketing, and sales expertise in Canada's grocery sector.
2. Our "4" Keys to Success:
   a. What is your brand's unique point of difference?
   b. What value does your brand bring to the category?
   c. Is your brand's suggested retail competitively priced?
   d. How will the brand support its launch to increase consumer awareness?
3. We align and manage our principal's sales (broker, and / or distributor), marketing (if required), and logistic solutions which allow our principals to manage their day-to-day business.
4. We keep our principals up-dated on the "Pulse" of the: 1) Canadian grocery sector, 2) Canadian consumer, and 3) Their respective category.
5. We keep our clients abreast of the activities in the Canadian grocery sector for their top 3 competitors.

We understand the grocery landscape, and we will assist you in navigating through it. Your brand will receive the attention to detail it requires.

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