Gluten-free:
Long-term trend or short-term fad

SPINS

Presented by Bobbi Leahy

Today's presentation:

- Celiac disease and GS/GI statistics
- Labeling and certification
- Market drivers
- Market, segment, and channel performance
- Product innovation
- Recap of what is helping and hurting the market

Methodology

Basis for today's presentation: *Gluten-free Food, January 2012* report

Consumer survey

- Conducted online, Oct. 13-20, 2011
- 3,000 adults 18+, proportionally-balanced to adult U.S. population
- 299 adults (10%) were identified as gluten-free food users

Mintel's Global New Products Database (GNPD)

- Captures global new product launches
- Includes claims and positioning (Kosher, gluten-free)
- GF data period: January 2007 – December 2011

Sales data

- SPINS-based; FDMx and natural/specialty markets scan data (excluding Walmart, Whole Foods, Trader Joe's, store brands, PLU)
- Calendar years 2009-11, with Mintel forecast through 2013
- Includes inherently GF

Celiac and gluten intolerance are on the rise

Why A Rise in Incidence?

Over consumption of wheat

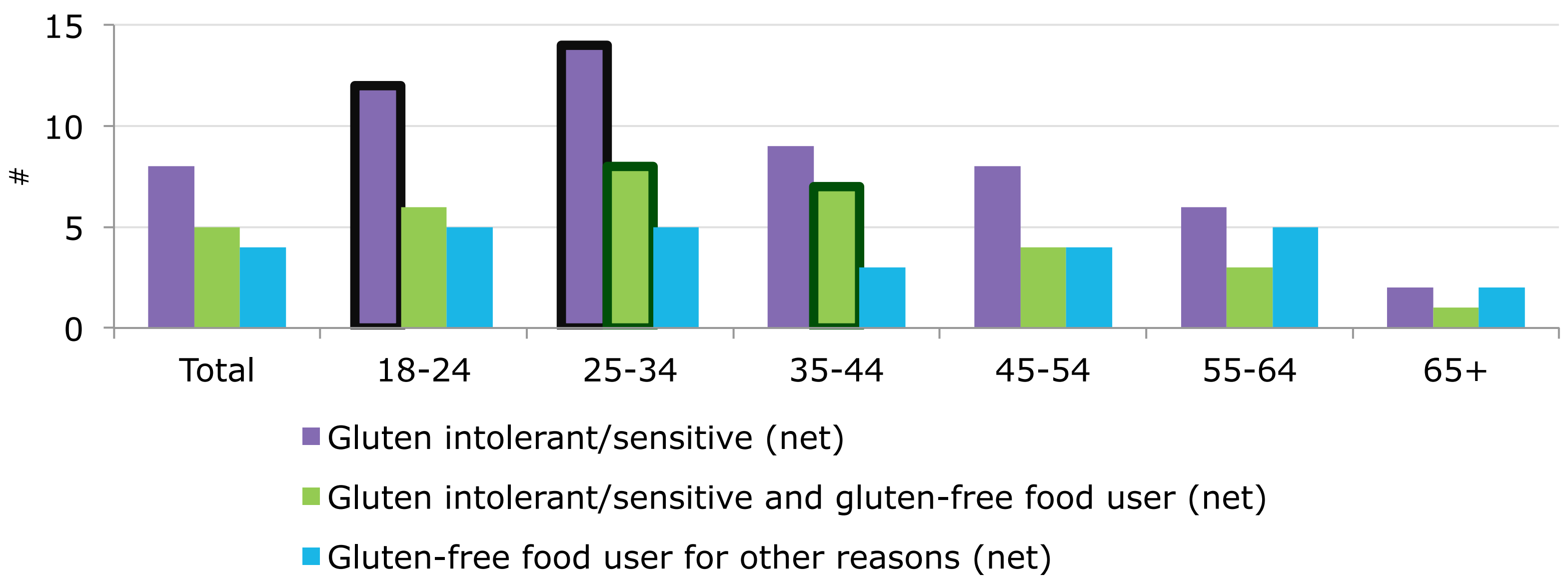
The wheat of today is not your grandmothers wheat

And young adults are most aware, meaning longer lifespan for trend

Fully 8% of respondents say they are gluten intolerant/sensitive, lending additional evidence to the notion of widespread under-diagnosis of the ailment.

Respondents aged 25-44 are more likely than other respondents to say they are gluten intolerant/sensitive and to be gluten-free food users.

Health and gluten-free food usage, by age, October 2011



Base: 3,000 internet users aged 18+
Source: Mintel

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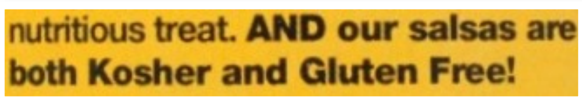
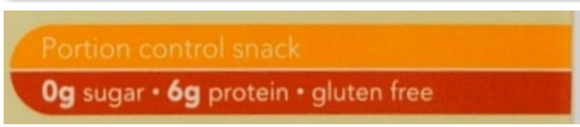
Label confusion now, but certification may help

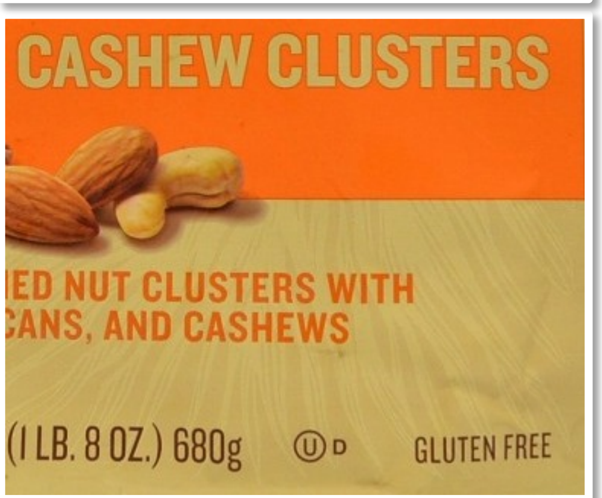
Product label claims for gluten vary, confuse consumers

Gluten-free labeling varies tremendously and is akin to early organic label claims (i.e., all over the map)

"Gluten-free" with no other mentions of certifiers, etc. is common among brands.







Some labels are confusing and have consumers wondering if there is a risk of cross contamination.

49%

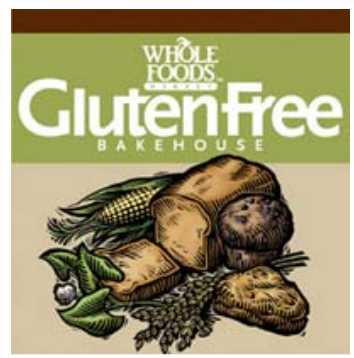
say a gluten-free claim clearly marked on FOP influences purchase decision

Product label claims for gluten vary, confuse consumers

Dedicated facility claims help.

Others have certified some ingredients (fair trade), but not gluten, but also claim to make products in dedicated GF facility.

Retailers and manufacturers are occasionally utilizing this claim.



35%
say a "dedicated facility" claim influences purchase decision

Ultimately, a lack of third-party certification is common on labels from some of the biggest food brands down to smaller natural brands.

Current regulatory environment

No current FDA regulation or enforcement of gluten-free labeling

January 2007 - FDA proposed 20 ppm.

Most manufacturers who label foods "gluten-free" are following the FDA's recommendation.

International Gluten Standards

Europe
In 2008 the standard was reduced from 200 ppm to 20 ppm,
21-100ppm for low gluten

New Zealand & Australia
No detectable gluten allowed
<3ppm

Canada
20 ppm

Brand websites serve a variety of functions

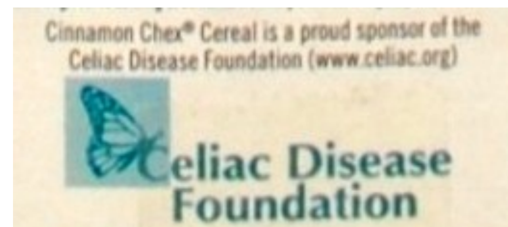
Hain directs consumers to its dedicated GF website:

In addition, for example, its Garden of Eatin' brand website provides an FAQ page to speak to gluten concerns.

…while also providing logos for consumers to look for and a GF guarantee.

General Mills has created a multi-tiered approach:

Its Gluten Free Chex cereal aren't certified as such (at least this isn't specified on labels), but GMI does sponsor the Celiac Disease Foundation.



In May 2011, the company launched Glutenfreely.com; selling 400+ GF products from its own roster of brands, and others as well.

Social media key to making GI/GS/celiacs feel like they aren't alone

Brand recognition

Rudi's

2K followers

Gluten Free Works!

22K followers

Individuals

GlutenFreeville

46K "likes"

Organizations

Celiac Central

14K "likes"

Facebook and Twitter are primary sources for consumers to learn, follow, nab recipes, and add content.

Brand recognition

Udi's

613K "likes"

GlutenFreely (GMI)

106K "likes"

Individuals

Elizabeth Hasselback

241K followers

Diana J Herrington *22K followers*

Data points are based on review conducted February 2012
Source: Mintel

Apps now readily available…and sometimes free

Available on the App Store

Available in Android Market

So Simple Gluten Free Recipes:
75 GF recipes, created by Gluten Free Classes. $2.99

Is That Gluten Free?:
large database of brands, products, and ingredients. $7.99

Find Me Gluten Free:
restaurant directory, reviews. "Share photos, ratings, and reviews with other gluten-free diners." FREE

Gluten Free Certification in the US

Certified GF™ Gluten-Free

Gluten Free Certification Organization: Certification requires that the product contains less than **10 ppm** gluten.

THIS PRODUCT IS CERTIFIED GLUTEN FREE

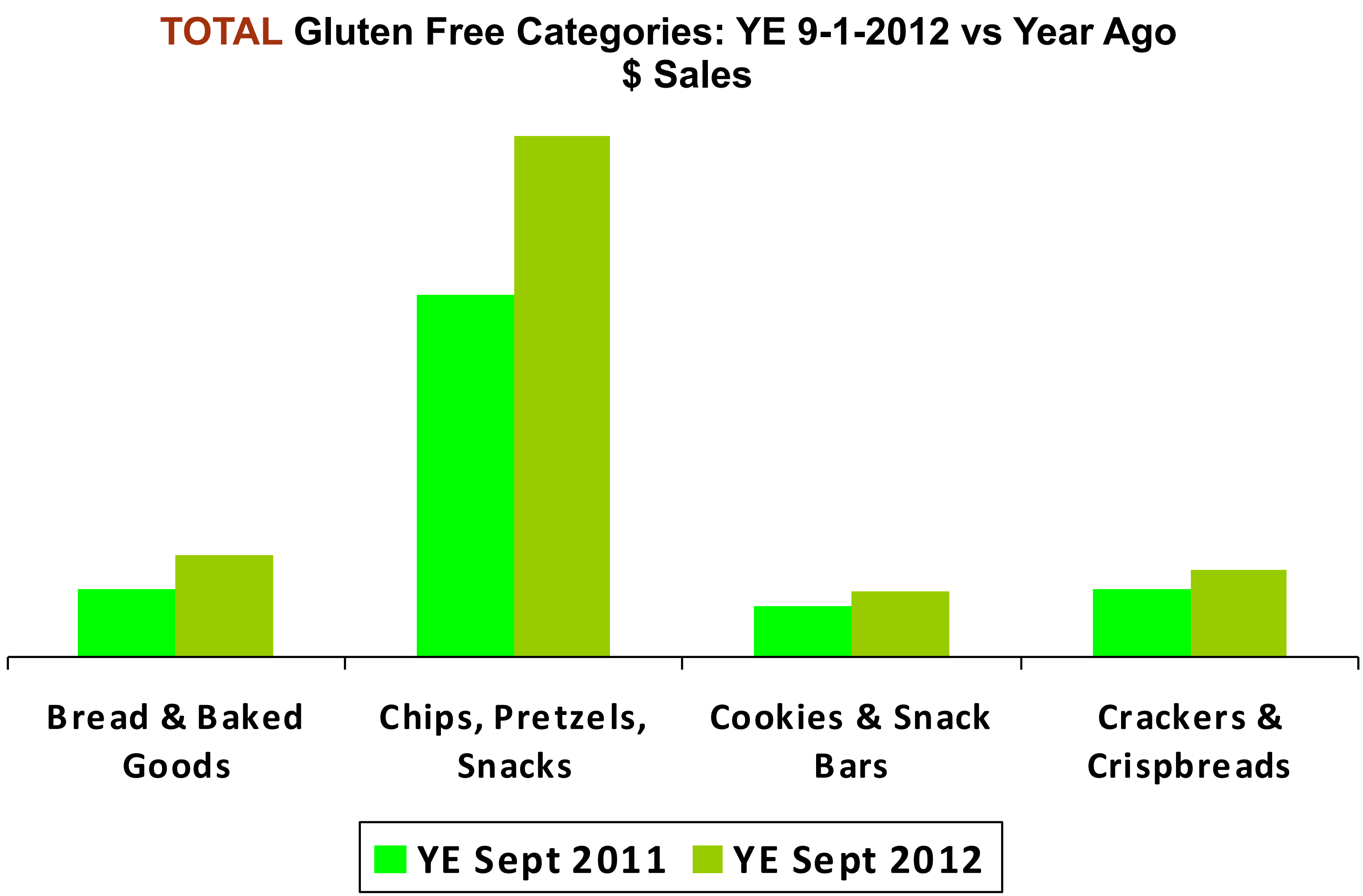
Quality Assurance International (QAI)/**National Foundation of Celiac Awareness**, introduced its "Certified Gluten-Free" label in June 2011. Certification tests to insure that the product **10 ppm** gluten or less.

Celiac Sprue Association (CSA) tests for gluten in conjunction with the Univ. of Nebraska, and has a lower limit of quantification of **5 ppm**.

Celiac Sprue Association®

15% say third-party gluten-free claims, certification logos, etc. influence purchase decision

Total GF labeled and/or certified



SPINSscan Natural (excludes Whole foods), SPINSscan Food/Drug/Mass +AOC (includes Wal-mart)
52 weeks ending 9/1/2012 and YA

"Average Joe" and "Jody" can tell which products are GF

Purpose

To gauge reactions of a variety of participants when introduced to GF foods and to find out whether they could tell the difference between a gluten-free food and its traditional counterpart.

Categories tested:

- Bread
- Pretzels
- Cookies
- Chips

Salty snacks have the greatest acceptance and appeal. Bread and cookies are less acceptable currently. Inconsistencies may hurt the sector's growth.

Price disparity will certainly slow usage, especially among GS's…

.32 oz.

Snyder's of Hanover Gluten-Free Pretzel Sticks, 10-oz $3.19

.55 oz.

Glutino Gluten Free Pretzel Twists, 14.1-oz, $7.79

.15 oz.

Urge Premium Pretzel Sticks, 12-oz, $1.79

26% say GF products are too expensive to buy as often as they'd like to

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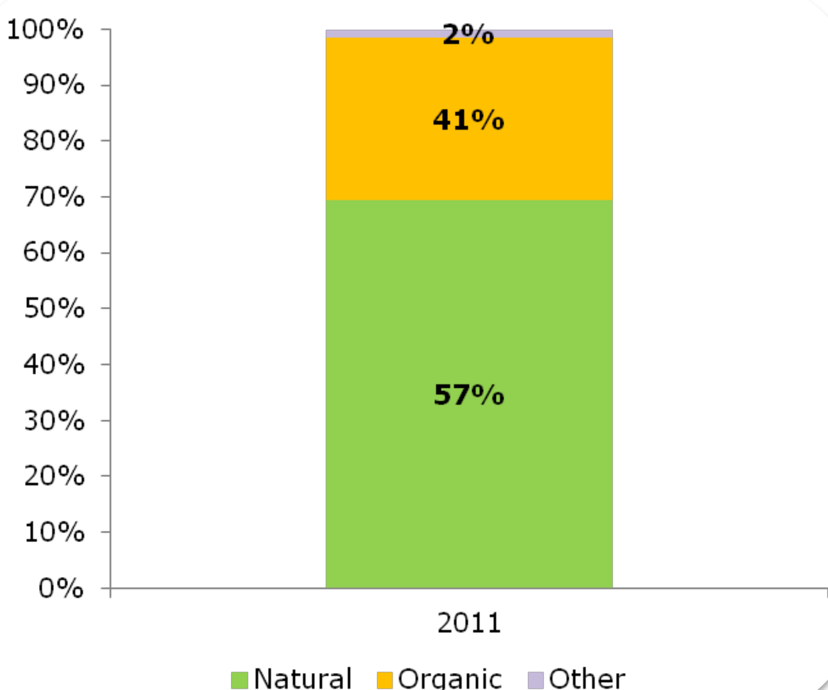
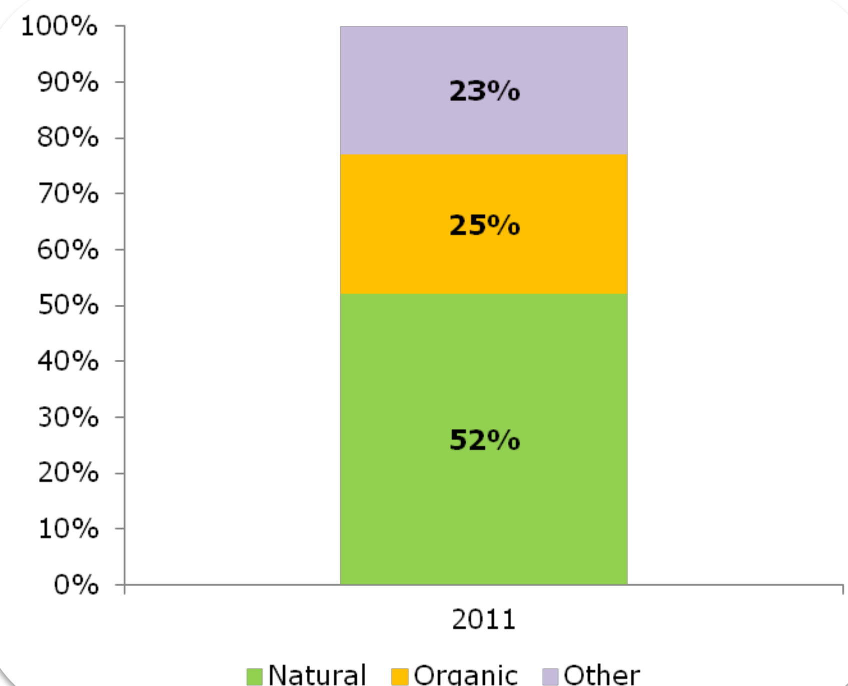
Natural & Organic Consumer

Gluten Free food and beverage products, in general tend to fit a natural lifestyle

SPINS Natural Supermarkets
Labeled GF Food & Beverage $ Sales



SPINS Specialty Gourmet Supermarkets
Labeled GF Food & Beverage $ Sales



***Organic includes products with at least 70% organic content.**

SPINSscan Natural, SPINSscan Specialty Gourmet
52 weeks ending 12/24/11

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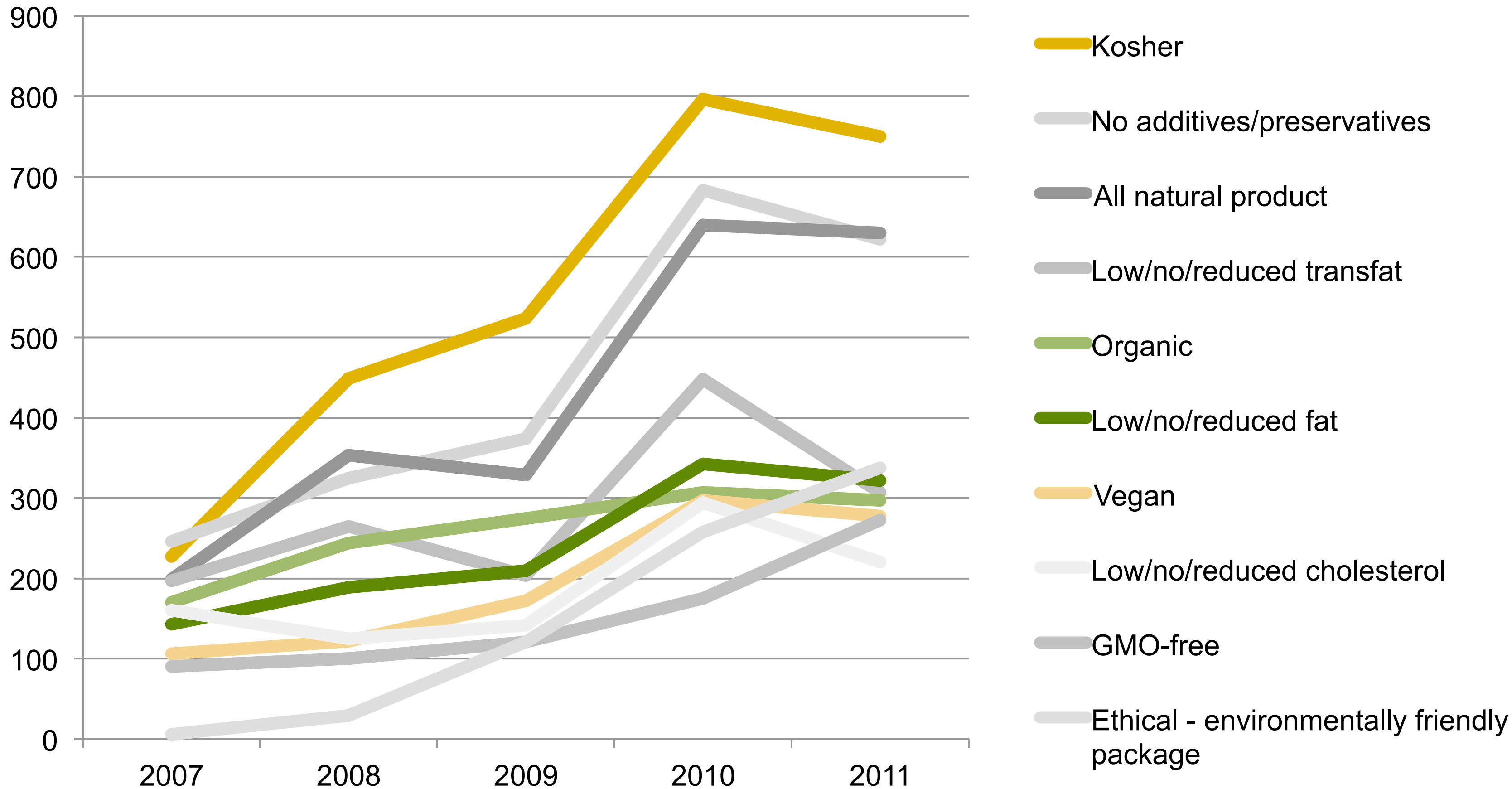
GF cross-over with natural, organic is strongly evident

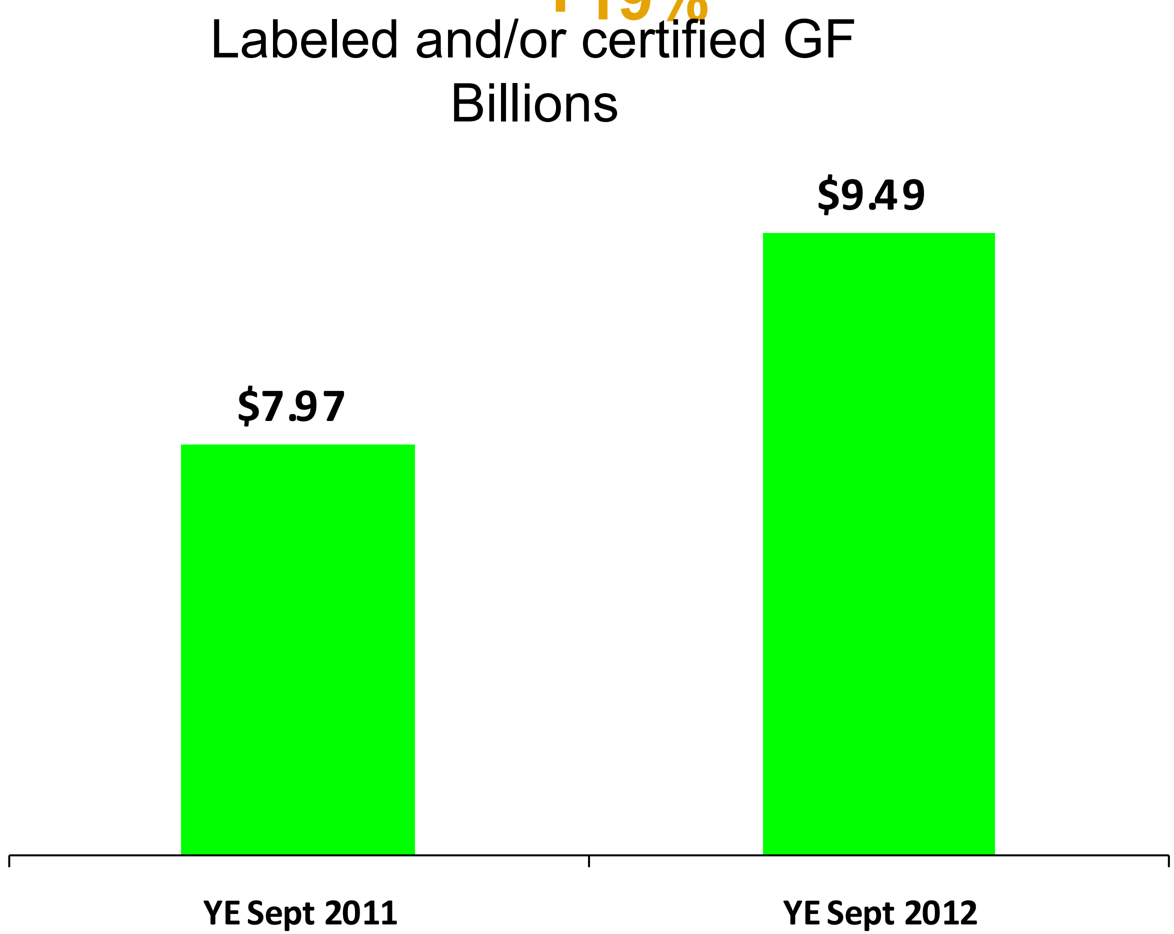
U.S. gluten-free product launches, by top 10 claims, 2007-11



Source: Mintel's GNPD

Sales are on continual upward swing; market not yet mature

Sales of Gluten Free products continues to grow: +19%



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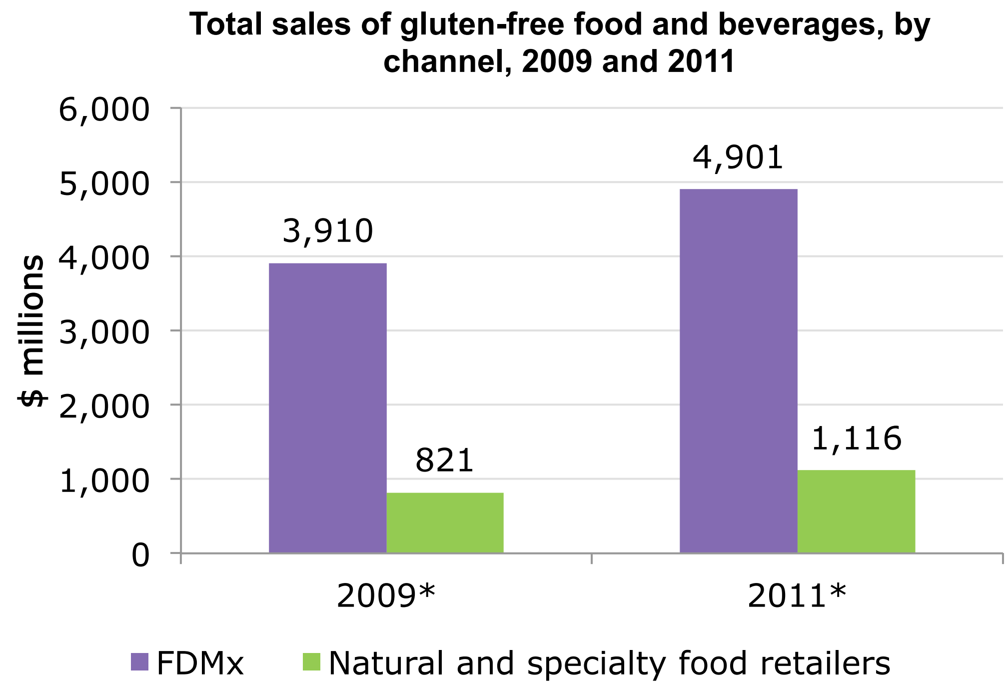
52 weeks ending 9/1/2012 and YA

Strong channel performance belies unmet consumer need

The FDMx channel was responsible for more than 80% of segment sales during 2009-11.

FDMx's market share slightly declined (1.2%), while natural food and specialty retailers slightly increased their market share from 2009-11



46% say they wish there were more GF items to pick from in stores

* 52 weeks ending Oct. 31, 2009 and Oct. 29, 2011
Sales in FDMx, natural, and specialty markets only
Source: Mintel/SPINS/Nielsen

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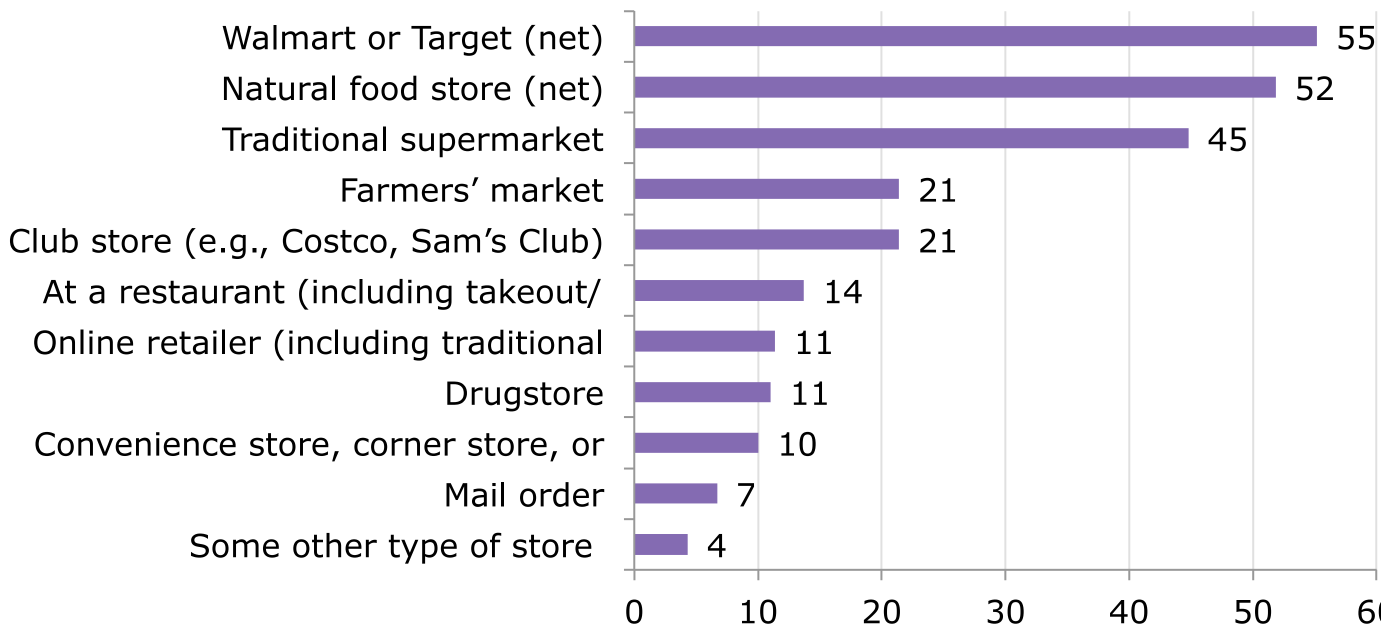
Channel surfing is commonplace

Mass merchandisers, along with natural and conventional supermarkets are the primary places where GF consumers buy these types of products.

Younger adults (18-44s) are more likely than older GF consumers to buy from a greater variety of stores, perhaps motivated by best price/best selection.

Outlets where consumers buy gluten-free food product, October 2011



Base: 299 internet users aged 18+ who eat gluten-free food
Source: Mintel

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Leading company/brand performance

Segment leaders

Chips: Pirate Brands, $58mm, up 23%
Cold cereal: General Mills, $132mm, up 37%
Fz Entrées: Amy's Kitchen, $105mm, up 18%
Bread: Udi's Gluten Free Foods, $47mm, **up 247%**

Emerging players

Chips: Popchips, $46mm, **up 106%**
Cold cereal: Nature's Path, $22mm, up 13%
Fz Entrées: John Soules Foods, $11mm, up 40%
Bread: Food for Life, $12mm, up 10%

* 52 weeks ending Oct. 29, 2011
Sales in FDMx, natural, and specialty markets only
Source: Mintel/SPINS/Nielsen

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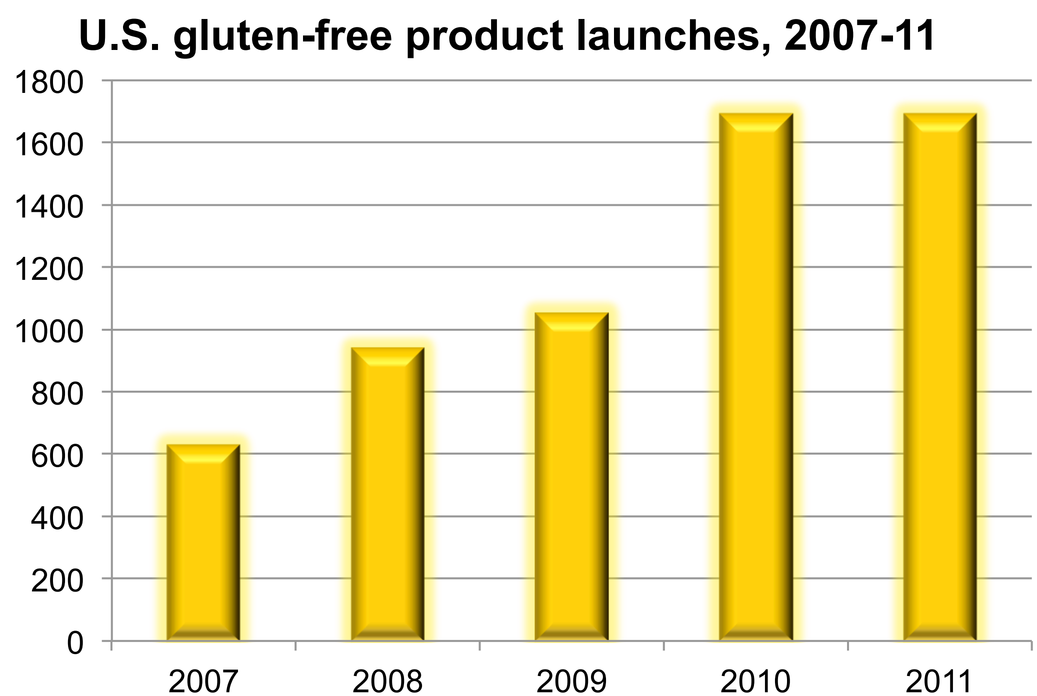
Product innovation on upswing since 2010, and expanding beyond food

New GF innovations expanded dramatically in recent years

The total number of innovations with GF claims jumped from roughly 600 in 2007 to more than 1,600 in 2011. Much of this shift has come from larger manufacturers now labeling inherently GF items (e.g., tomato sauce) with these claims.



Source: Mintel's GNPD

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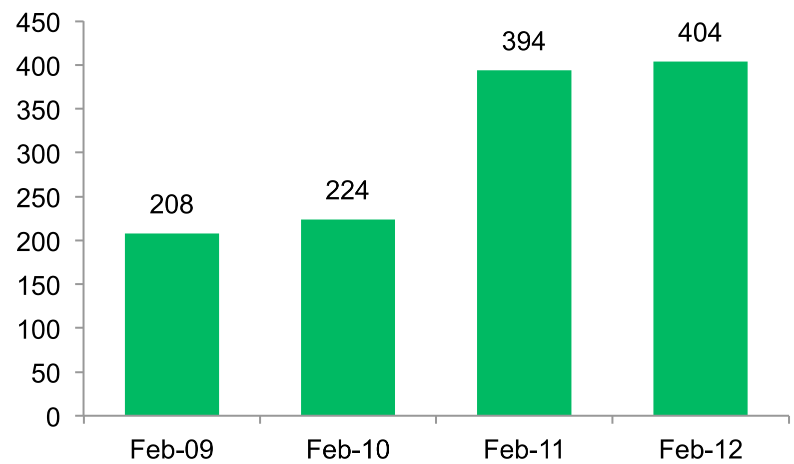
New gluten free items continue to launch in record numbers

Number of New 'Labeled Gluten Free' Products Entering the Market as Captured by SPINS

2009-2011

February 2009-2012

All-time high!



Source: SPINS Product Library across channels

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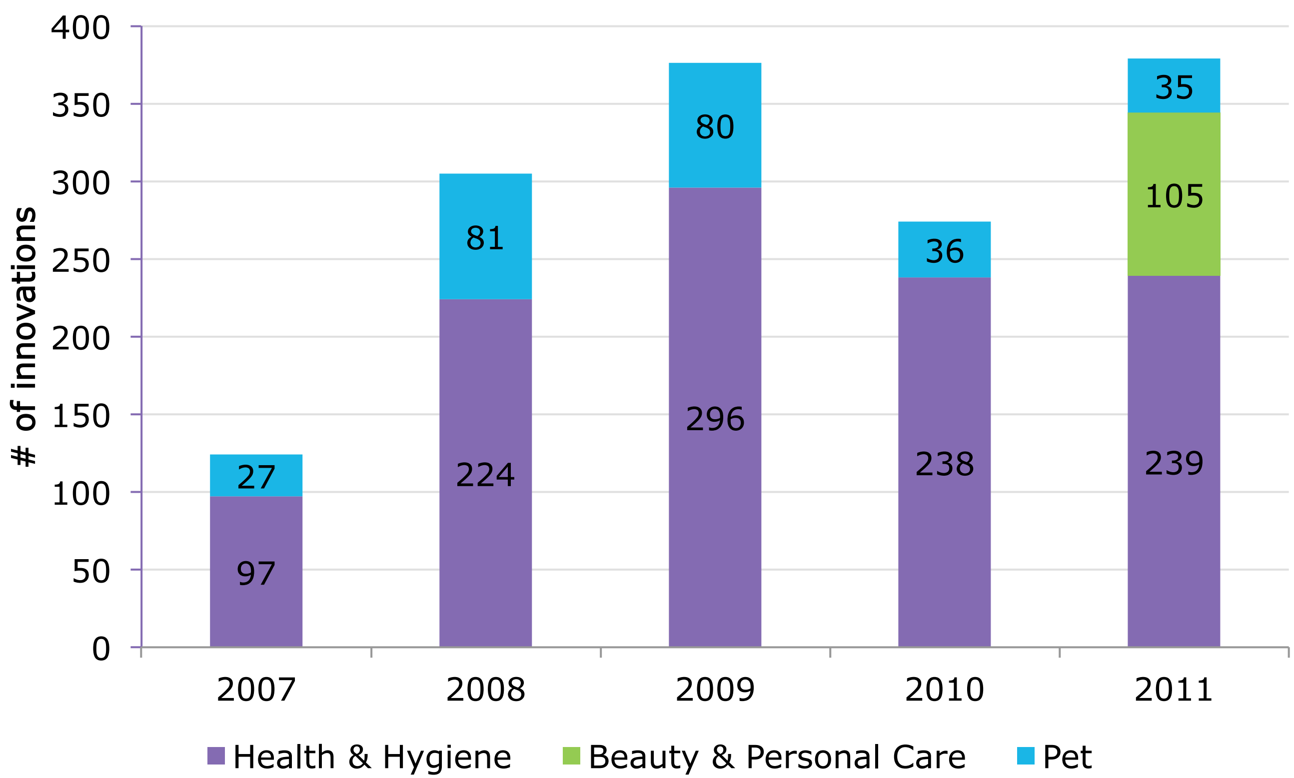
Non-food sector also exploding

Consumers can now find a variety of pet and health products that are GF. Beauty care offerings are relatively new but make great sense considering absorption.

U.S. gluten-free product launches (non-food), 2007-11



Source: Mintel's GNPD

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Gluten Free Opportunity: Whole Grain/ Ancient Grain

YES there are Gluten Free Whole Grains!

Certified Whole Grain GF products grew 24% last year!

GLUTEN

Wheat (varieties Spelt, Emmer, Farro, Kamut, Durum, forms such as Bulgur, cracked wheat and wheat berries)

Barley

Rye

Oats (including oatmeal) [may be GF]

Triticale (a rye-wheat hybrid)

Ancient Grains: Einkorn, Freekeh

GLUTEN-FREE

"Whole grains are an important part of eating a nutritionally balanced diet and the Whole Grains Council is encouraged to see so many of our members striving to include whole grains in gluten-free products for the consumer."

-Karen Mansur , Program Manager
Oldways / Whole Grains Council

Amaranth

Buckwheat

Corn (including cornmeal and popcorn)

Millet

Rice (including brown and colored)

Sorghum (a.k.a milo)

Wild Rice

Ancient Grains: Quinoa, Teff, Amaranth

SPINSscan Natural (excludes Whole foods), SPINSscan Food/Drug/Mass +AOC (includes Wal-mart)
52 weeks ending 9/1/2012 and YA

Looking ahead & opportunities

What's helping the market

- Celiac/GS/GI audience is growing
- Certification may lead to more consistency and consumer confidence
- Sales are expected to continue on growth path
- Innovations have spiked since 2010, including menu items
- Piggybacking on natural/organic sector's success

What’s hurting the GF market

- Gluten sensitivity not widely understood/hard to diagnose
- Price disparity between GF and “regular” items
- Taste/texture/appearance inconsistencies between products and between categories
- Lack of widespread availability in mainstream market (retailers still in “wait and see” mode)
- Inconsistent label/signage in retail

THANK YOU

Bobbi Leahy, SPINS LLC