

Soyfoods: The U.S. Market 2001

A SPINS/Soyatech Study
in Association with
Arthur D. Little

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Arthur D Little



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Soyfoods: The U.S. Market 2001

- The market for soyfoods in the U.S. has experienced tremendous growth over the past ten years as food processors and marketers have met consumer's demands for healthy, tasty and convenient food products.
- Once thought of as 'strange foods for strange people,' soyfoods have now successfully crossed over into mainstream outlets and are being produced and marketed by some of America's largest food companies such as Kraft, Kellogg, ConAgra, General Mills and Suiza Foods.
- The positive news related to the health benefits of soyfoods, along with a wave of new, better tasting products, has set the stage for continued industry developments. The FDA has further boosted soy's attractiveness by granting it a 'heart healthy' label for its cholesterol-lowering effects.
- *Soyfoods: The U.S. Market 2001* is the first major study of this dynamic food category being offered by the combined team of SPINS, the leading source of sales data for the health and wellness industry, and Soyatech, the world's leading source of information on the soybean industry, in association with Arthur D. Little.



Methodology and Data Sources

Data Period

- The data period for this report is 12 Months ending February 2001 (often referred to as Year 2000 sales in the report, for conciseness). Growth figures represent growth over the prior 12 months

Channels

- 'Natural Products Supermarkets' include A Size natural products stores (over \$2MM in annual sales) with over 65% of ACV (all commodity volume) from natural products. The data is sourced from SPINS' SPINSscan service. There are approximately 750 natural products supermarkets in the U.S. by SPINS estimates.
- 'Food/Drug/Mass' includes Mainstream Food Stores, Drug Stores, and Mass Merchandisers, and is sourced from ACNielsen ScanTrack: SPINS Natural Track. There are 62,500 retailers in this channel in the U.S, according to ACNielsen estimates.
- 'Other Natural Products Stores' includes B & C size natural products stores (less than \$2MM in annual sales). There are 3000 stores in this channel, according to SPINS estimates.
- 'Other' sales include Gourmet/Specialty, Asian Markets, Food Service, and all other manufacturer sales outside of the Natural and Mainstream Channels

Methodology

- Manufacturer sales are based on surveys and in-depth interviews conducted by Soyatech
- Manufacturer profiles are based on company interviews and research conducted by Soyatech and Arthur D. Little



U.S. Soyfoods - Current Market Situation

U.S. Soyfoods - Year 2000 Sales

By Est. Manufacturer & Retail Sales, Category Share & Growth

Category	Estimated Manufacturer Sales	Total Retail Sales for All Channels	Cur. Share of Soyfoods Market	Prev. Share of Soyfoods Market	Change in Share of	Overall category growth
Meal Replacements & Supp. Pwdrs.	\$370,447,521	\$740,895,042				5.4%
Energy Bars & Gels	\$277,657,253	\$555,314,506				36.9%
Soymilk Beverages	\$235,511,694	\$471,023,388				33.8%
Meat Alternatives - Soy-based						14.5%
Tofu						7.3%
Food Supplements						0.2%
Cheese & Cheese Alternatives						6.9%
Cold Cereals						0.8%
Frozen Desserts						4%
Condiments						3%
Frozen Entrees, Pizzas & Pastas						19.8%
Yogurt & Kefir					0.1	55.3%
Frozen Vegetables				0.2%	0.1	63.8%
Entrees & Mixes			0.3%	0.4%	-0.1	5.0%
Hot Cereals		\$5,373,262	0.2%	0.0%	0.2	4890.0%
TOTAL - TOP 15 CATEGORIES	\$1,342,473,964	\$2,684,947,927	96.9%	97.0%	-0.1	21.0%
TOTAL - ALL OTHER CATEGORIES	\$43,483,348	\$86,966,697	3.1%	3.0%	0.1	27.0%
TOTAL SOYFOODS	\$1,385,957,312	\$2,771,914,624	100.0%	100.0%		21.1%

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U.S. Soyfoods - Year 2000 Sales

Percent of Sales By Category

- Meal replacement drinks & supplement-based food market with a 27% share. Of the top 5, just 4 are soy-based. The category grew at market with a 2.3% increase in any year.
- Energy bars: 36.9% share, up by 2.3 percentage points in any year.
- Soymilk: 33.8% share, up by 0.5 percentage points in any year.
- Soy-based beverages: 14.1% share, up by 0.8 percentage points in any year.

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U.S. Soyfoods - Year 2000 Sales

Percent of Sales By Category, *continued*

- Sales of tofu grew by 7.3% to reach \$2.1 billion, slightly in share of the total soyfoods market at 8.7%
- Soybean oil sales grew by 1.1% to reach \$1.5 billion, and their share of the total soyfoods market remained at 11.3%
- Checkmate soyfoods continued to lead the soy-based vegetable oil category, with sales of \$1.1 billion, up 1.1% from 2000, and a share of 7.3% of the total soyfoods market
- Cold-pressed soybean oil sales grew by 1.1% to reach \$1.1 billion, up over 2% from 2000, and a share of 7.3% of the total soyfoods market
- Nondairy creamers led the soy-based creamer category, with sales of \$36.4 million, up 1.1% from 2000, and a share of 0.2% of the total soyfoods market
- Soy-based creamers led the soy-based creamer category, with sales of \$15.8 million, up 55.5% from 2000, and a share of 0.1% of the total soyfoods market
- Frozen vegetable soybeans jumped 63.8% to hit \$6.9 million

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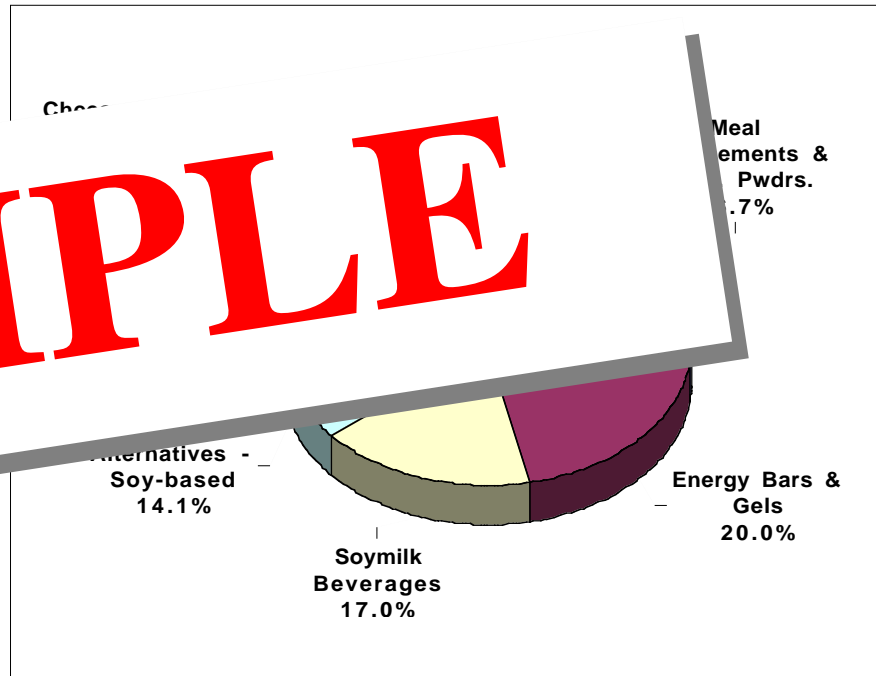
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U.S. Soyfoods - Year 2000 Sales

Percent of Sales By Major Product Categories

- Meal replacements and supplement powders lead the soy-based food category with 26.7%
- Energy bars and gels is a fast growing segment
- Soy-based alternatives moved up quickly to 14.1%
- Soy-based alternatives have grown to 1.9% of the market
- Cheese alternatives have grown to 2.7%
- Cheese alternatives have grown to 1.9% of the market



U.S. Soyfoods - Year 2000 Sales

By Category & Channel

Category	Natural Products Supermkt	% Increase	Other Natural Product Stores	% Increase	Food/ Drug/ Mass	% Increase	Other Channel and Unaccounted for	% Increase	Total for All Categories	% Increase
Meal Replacements & Supp. Pwdrs.	\$35,447,440	22.7%	\$327,956,441	9.2%	\$342,210,174	16.0%	\$15,000,000	n/a	\$2,684,947,927	5.4%
Energy Bars & Gels	\$55,679,012	41.5%	\$159,131,990	16.0%	\$15,000,000	16.0%	\$15,000,000	n/a	\$2,684,947,927	36.9%
Soymilk Beverages	\$74,990,988	18.7%	\$159,131,990	16.0%	\$15,000,000	16.0%	\$15,000,000	n/a	\$2,684,947,927	3.8%
Meat Alternatives - Soy-based	\$40,038,104	18.7%	\$159,131,990	16.0%	\$15,000,000	16.0%	\$15,000,000	n/a	\$2,684,947,927	4.5%
Tofu	\$15,000,000	18.7%	\$159,131,990	16.0%	\$15,000,000	16.0%	\$15,000,000	n/a	\$2,684,947,927	7.3%
Food Supplements	\$15,000,000	18.7%	\$159,131,990	16.0%	\$15,000,000	16.0%	\$15,000,000	n/a	\$2,684,947,927	2.2%
Cheese & Cheese Alternatives	\$15,000,000	18.7%	\$159,131,990	16.0%	\$15,000,000	16.0%	\$15,000,000	n/a	\$2,684,947,927	3.9%
Cold Cereals	\$15,000,000	18.7%	\$159,131,990	16.0%	\$15,000,000	16.0%	\$15,000,000	n/a	\$2,684,947,927	8%
Frozen Desserts	\$15,000,000	18.7%	\$159,131,990	16.0%	\$15,000,000	16.0%	\$15,000,000	n/a	\$2,684,947,927	1%
Condiments	\$15,000,000	18.7%	\$159,131,990	16.0%	\$15,000,000	16.0%	\$15,000,000	n/a	\$2,684,947,927	0%
Frozen Entrees, Pizzas & Con	\$15,000,000	18.7%	\$159,131,990	16.0%	\$15,000,000	16.0%	\$15,000,000	n/a	\$2,684,947,927	2%
Yogurt & Kefir	\$15,000,000	18.7%	\$159,131,990	16.0%	\$15,000,000	16.0%	\$15,000,000	n/a	\$2,684,947,927	0%
Frozen Vegetables	\$15,000,000	18.7%	\$159,131,990	16.0%	\$15,000,000	16.0%	\$15,000,000	n/a	\$2,684,947,927	0%
Entrees & Mixes	\$15,000,000	18.7%	\$159,131,990	16.0%	\$15,000,000	16.0%	\$15,000,000	n/a	\$2,684,947,927	0%
Hot Cereals	\$15,000,000	18.7%	\$159,131,990	16.0%	\$15,000,000	16.0%	\$15,000,000	n/a	\$2,684,947,927	0%
TOTAL - TOP 15 CATEGORIES	\$1,277,352,174	10.7%	\$1,277,352,174	10.7%	\$1,277,352,174	10.7%	\$325,092,220	13.0%	\$2,684,947,927	21.0%
TOTAL - ALL OTHER CATEGORIES	\$86,966,697	65.0%	\$86,966,697	65.0%	\$86,966,697	65.0%	*	n/a	\$86,966,697	27.0%
TOTAL SOYFOODS	\$1,364,318,871	10.7%	\$1,364,318,871	10.7%	\$1,364,318,871	10.7%	\$325,092,220	13.0%	\$2,771,914,624	21.1%



*SPINS does not track sales of condiments in the mainstream channel



Meat Alternatives - Overview & Sales



Meat Alternatives - Overview

- The meat alternatives category of products encompasses a wide array of foods such as soy and veggie-based substitutes for burgers, hot dogs, sausages, ground meats, deli slices, chicken and turkey
- These products are sold fresh and refrigerated, frozen, and in some cases, canned
- This category has a long history in the U.S. market, having been started in the early part of the 1900s by some of America's first health-food companies such as Kellogg, Post, and Worthington Foods
- During the late 1990s, this category grew at rates of over 40% per year as greatly improved products met an increased consumer demand for vegetable-protein based foods in convenient forms
- As of late, Kraft Foods, Kellogg, ConAgra, and The Hain Celestial Food Group have all made acquisitions of up and coming companies in this category
- Soy proteins are the major ingredient in the vast majority of meat alternatives on the market today

Meat Alternative Sales - Overall \$ Sales

Sales for Soy and Non-Soy Products

\$ Sales Rank	All Meat Alternatives	Estimated Manufacturer Sales	Year 2000 Total Sales for All Channels	Total \$ Soy-based Sales	% of \$ Sales for Soy-based	% of \$ Sales for Non-Soy-based	% of Category Sales
1	Frozen Meatless Burgers	\$102,858,029	\$205,716,058	\$130,000,000	63.2%	36.8%	43.4%
2	Frozen Meatless Breakfast Alternatives	\$37,680,005	\$75,360,010	\$48,000,000	63.7%	36.3%	15.9%
3	Frozen Meatless Poultry	\$26,035,000	\$52,070,000	\$33,000,000	63.4%	36.6%	11.0%
4	Refrigerated Meatless Dogs			\$15,000,000			5.8%
5	Frozen Meatless Desserts			\$10,000,000			5.5%
6	Refrigerated Meatless			\$8,000,000			4.7%
7	Frozen Meatless			\$6,000,000			3.5%
8	Refrigerated Meatless			\$4,000,000			2.6%
9	Refrigerated Temp			\$3,000,000			2.4%
10	Other Refrigerated			\$2,000,000			1.7%
11	Refrigerated Meatless			\$1,500,000			1.4%
12	Refrigerated Meatless			\$1,000,000			1.3%
13	Other Frozen Meat			\$500,000			0.9%
	Grand Total			\$1,410,401	82.3%	17.7%	100.0%

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Meat Alternative Sales - Overall \$ Sales

Sales for Soy and Non-Soy Products

- The total meat alternative category is the estimated value of \$1.1 billion, including sales for natural and processed soy products, and soy-based products.
- Soy-based products are sold frozen
- The largest category is frozen soy-based products with 43.4% of the sales, followed by breakfast alternatives such as meatless patties and sausages, with 15.9% of the sales

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Meat Alternative Sales - Overall \$ Sales

Sales for Soy and Non-Soy Products, *continued*

- Frozen poultry alternatives rank third with 11.0% of sales
- The fourth largest category is refrigerated products with 5.8% of sales, followed by...
- Other categories include...
- Total sales for meat alternatives are \$37.2 billion
- The market is growing, but there is a significant portion of non-soy products. The frozen meatless burger subcategory with 36.8% non-soy, although this portion of the market is slowly shrinking

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Company Profiles

Methodology:

- The information presented herein is based on a number of information and data sources including:
 - Direct company interviews
 - Annual reports
 - News articles
 - The company’s website on the Internet
 - Company press releases
- Although every effort has been made to present accurate information on the companies profiled, no guarantee as to its authenticity or accuracy is made or implied.

Companies Profiled:

– Boca Foods	140
– Clif Bar	141
– Eden Foods	142
– Ensure/Ross	143
– Galaxy Foods	144
– Gardenburger	145
– House Foods America	146
– Imagine Foods	147
– Lightlife Foods	148
– Slim Fast	149
– Tree of Life	150
– Vitasoy/Nasoya/Azumaya	151
– Westsoy	152
– White Wave	153
– Worthington Foods	154
– Yves Veggie Cuisine	155

Major Soy-based Products	Sales & Marketing Background
	<p>Business Focus</p> <ul style="list-style-type: none"> Manufacturer and distributor of frozen meat alternative products from soy and non-ingredients in burger, poultry, rib, sausage and crumble styles <p>Perceived Strategies</p> <ul style="list-style-type: none"> Expanding from its market leader position in grain and vegetable-based meat alternative patties into soy-based burgers and further expansion out of the burger category to cover other new meat alternatives such as poultry, breakfast meat and rib alternatives Expanding market position in club stores and foodservice categories <p>Other Information</p> <ul style="list-style-type: none"> In May 2001 Gardenburger was delisted from NASDAQ. New CEO was hired in January 2001. Eliminated almost all of its advertising in the Fall of 1999 and refocused on taste innovation. <p>Company Product Categories</p> <ul style="list-style-type: none"> Frozen meat alternatives, burger, poultry, breakfast meat and other. <p>Soy Products</p> <ul style="list-style-type: none"> Hamburger style patties in classic and sautéed onion. Flame grilled patties including hamburger and chicken. <p>Latest Introductions</p> <ul style="list-style-type: none"> In November 2000 introduced Gardenburger Chik'N Grill, a chicken meat substitute. Flame Grilled Hamburger was introduced In Spring of 1999. <p>Alliances/Acquisitions/Divestitures</p> <ul style="list-style-type: none"> Soy based burgers are available at a number of restaurant and foodservice outlets including Subways, Denny's, TGIF and others. <p>Proprietary/Patented Technologies</p> <ul style="list-style-type: none"> Flame grilled products are processed using their patented flame grilled technology. New production facility installed in 1999 reduced manpower requirements
<p>Key Facts - 2000</p> <ul style="list-style-type: none"> Address: Gardenburger, Inc. (Headquarters) 1411 SW Morrison St. Suite 400 Portland, OR 97205 PH: 530.205.1500, FAX: 503.205.1650 Internet Address: www.gardenburger.com Other Locations: manufacturing plant at Clearfield, UT, commissioned in 1999 Total US Sales: \$71.0M US Sales by Soy Product: Meat alternatives \$15 million (balance is non-soy meat alternatives) Total US Soyfood Sales: \$15 million # of Employees: 125 Public or Private and Date Founded: Public - 1985 Markets: US and Canada 	