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Information-based Services to Grow Your Natural Products Business.

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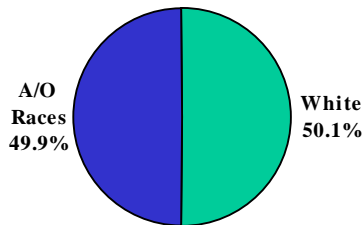
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Bi-Monthly Newsletter

Volume 5, April 2004

Retailer News

The Changing Face of the Consumer



The nation's Asian and Hispanic populations will roughly triple in size by mid-century.

Minority groups overall will be nearly equal in number with whites by 2050, the Census Bureau says. Whites, now about 69% of the population, would comprise 50.1% of U.S. residents by 2050, bureau projections show. Immigration will continue to play a key role in the shifting demographic trends. *Specialty Food*, 3/18/04



Natural Food for the Masses?

The owner of the Better Health chain sees households with incomes less than \$70,000 a year as a prime market for organic foods, vitamins and supplements.

The companies goal? To bring natural foods to the masses. Natural food shoppers tend to have higher incomes, but prices on whole foods and other similar items are coming down and more people are discovering the benefits of these products, said Tracy Taylor of the National Nutritional Food Association.

"Everyone predicts the industry is maturing and growth is going to stop," Taylor said. "But we continue to see growth, particularly with the focus on eating better. People are looking to make healthier choices and the industry is responding by making these foods available."

Detroit News, 3/24/04

Self-checkout gains acceptance among shoppers, retailers

More than 50% of Americans report having tried self-checkout lanes in grocery and other retail stores, and the technology is probably here to stay, analysts say. The do-it-yourself checkouts save retailers money and can help shorten lines at staffed checkout stations, but labor unions worry they may eventually replace real people. *GMA Smart Brief*, 3/14/04



RFID Technology

RFID isn't new technology, but it's making news around the United States as key mega retailers like Wal-Mart are requiring their top 100 manufacturers to have their products outfitted with RFID tags by 2005.

Radio Frequency Identification tags rely on a small device that transmits information about an item, which relays the signal to a networked database.

A good example of current RFID tags is the E-Zpass, which is merely the first wave of an RFID transformation of life as we know it. Before long almost everything you come in contact with, from a best-selling novel to a bag of chocolate chips, will come embedded with a tiny chip capable of identifying itself to any receivers that happen to pass by. Think of it as a talking bar code.

The trouble with talking bar codes is that they don't keep secrets. Some critics and consumer privacy groups see these chips as a disturbing new tool for corporate and government snoops—or thieves—who will be able to track us more precisely through the objects we buy and cart around.

If Wal-Mart's history is a lesson, consumers are going to have to confront RFID issues sooner rather than later. It appears Wal-Mart has a little history in this area. After all, back in 1984 Wal-Mart embraced another little-known but promising new inventory-management tool. You may have heard of it. It's called the bar code.

Excerpts from article in Discover Magazine, March 2004

Additional Scanners in Grocery Stores?

Grocery chains are testing technology they say will save shoppers time while also recording information that will allow them to more narrowly direct in-store marketing efforts. Hand-held scanners that shoppers can use to ring up their groceries while they shop will also be able to pinpoint their exact location in a store, allowing the store to beam messages to a companion computer about specials on items in that aisle. **Piggly Wiggly** stores are testing pay-by-fingerprint technology that eliminates cash and credit card transactions. *GMA Smart Brief*, 3/31/04

Manufacturer News

Nestle hopes "phood" development leads to higher profits

Nestle and other food companies are looking to the intersection of pharmaceuticals and food, known in the industry as "phood," to spur profits in the coming years. While similar offerings may not have performed well in the past, new science allows for much more sophisticated products, such as chocolate cake that helps you feel full faster, and water that helps protect women from osteoporosis. *GMA Smart Brief, 3/18/04*

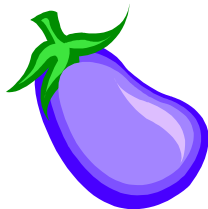


Buzz, Buzz, Buzz

Recent research at the University of California in Davis has shown that eating honey may increase the level of antioxidants in your body.

In a recent study, researchers found that people that consumed honey on a daily basis, and found lower levels of oxidants in the body.

The jury is still out on whether or not you should go to the supermarket and purchase those cute honey bears en masse, and additional research needs to be done to determine if all honey is created equal. *Health Day, 4/6/04*



Eat more Eggplant!

The list of foods with an antioxidant kick just keeps on growing. Scientists in the US this week hail the phenolic virtues of the humble aubergine.

According to new research released from the US, it would appear that aubergines contain high levels of the antioxidant compound chlorogenic acid, one of the most powerful antioxidants produced in plant tissues.

The scientists studied seven aubergine cultivars grown commercially in the United States, and a diverse collection of exotic and wild aubergines from other countries. *Food Navigator.com, 01/2004*



FDA Report: Closer Scrutiny on Dietary Supplements is Warranted

A new report released from the Institute of Medicine makes the recommendation that the FDA should require supplement makers and distributors to turn over all information they have on a new product's safety — favorable or not — before marketing it.

A panel of experts argued that the FDA did not need direct evidence of human harm to ban a supplement. The recommendation will add new fuel to a long-running debate over the regulation of dietary supplements — the minerals, herbs, vitamins and other naturally occurring substances that people take to supplement their diets, lose weight or enhance athletic performance.

Yesterday's report by the Institute of Medicine details how the FDA can use animal studies, laboratory tests and other scientific sources to evaluate a supplement's safety. Unlike drug makers, supplement providers aren't required to demonstrate a product's safety through human testing. *Seattle Times, 4/2/04*

Soy may help fight baldness, cancer

Men who eat tofu and other soy products could save themselves from both baldness and prostate cancer, Colorado State University researchers say.

In a new report, they say they found that a byproduct of soy can stop the male hormone dihydrotestosterone, or DHT, from promoting prostate-cancer growth.

DHT also is a major cause of male-pattern baldness, so by handcuffing the hormone, soy also could help men keep their hair.

Soy contains plant compounds that can be converted into a hormone-like molecule, equol. The researchers found that equol is a natural, powerful blocker of DHT. *Sacramento Bee, 4/6/04*

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Content Development Corner

From the desk of Matt Levine (mlevine@spins.com), SPINS Content Development Coordinator

S'more Than Fluff

Decided that you cant afford gold earrings but still looking for that special Mother's Day that Mom would never buy for herself? If so, how about some marshmallows made in France. Created by the people at L'Atelier des Douceurs in Lyon, France, a .65 ounce assorted bag with flavors including apricot, vanilla and raspberry is available for \$15.00 from Formaggio Kitchen. These should make your s'mores as pricey as Truffled Brie en Croute so be sure they don't fall off the stick into the campfire. According to Formaggio Kitchen, supplies are limited. Memo to France: less brie and more marshmallows, please!

A Hundred Low Carb Bottles of Beer on the Wall

Next time you decide that happy hour is making your waistline a little TOO happy and look for a low carb beer, don't be surprised if the claims on the bottle seems more timid than the boastful ads featured during last years football season.

Recent interim rules issued by the US Alcohol and Tobacco Tax and Trade Bureau banned even limited health claims in advertising, and said it intended to police such claims aggressively. Under the ruling, beverages must have below 7 grams of carbohydrates per serving to qualify to be called "low carb."

Tazo Teams up with Kraft

Tazo Tea, a subsidiary of Starbucks Corporation, and Kraft Foods, announced a licensing agreement to accelerate Tazo's entrance in mainstream grocery stores. The new partnership provides Kraft with the addition of another premium natural brand to its lineup while offering Tazo the Kraft's expertise in managing shelf sets in mainstream supermarkets.

Honest Tea Gains Full Line Organic Certification

Bethesda, Maryland based Honest Tea, announced that it has received USDA organic certification for its entire line of tea bags and ready to drink teas.

Seth Goldman, co-founder and 'Tea-EO' noted the company worked diligently with while suppliers in India, China, South Africa and Central America in making the change to an all organic line. Furthermore, the process required Honest Tea to recreate product formulations swapping organic for non-organic ingredients which Honest Tea claims created better tasting products.

New Item Introductions

Organic Gets Hotter

Growing up in suburbs of Connecticut in the 1970's, we occasionally dined at the one Mexican restaurant. It was located twenty-five miles away. We considered it exotic. And organic foods, well they were about as common as three headed unicorns. Today, Mexican food has become as American as Apple Pie, salsa has become the country's number one selling condiment and organic foods are crowding the shelves of both natural supermarkets and mainstream stores as well.

So, its no surprise that folks at Muir Glen, deciding that some like it hot, are extending their line of salsas to include a new 'Hot' line.

For more information on Muir Glen, a division of Small Planet Foods, a unit of food giant General Mills, visit their web site
<http://www.smallplanetfoods.com>.

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SPINS New Employees

SPINS has a number of new faces!



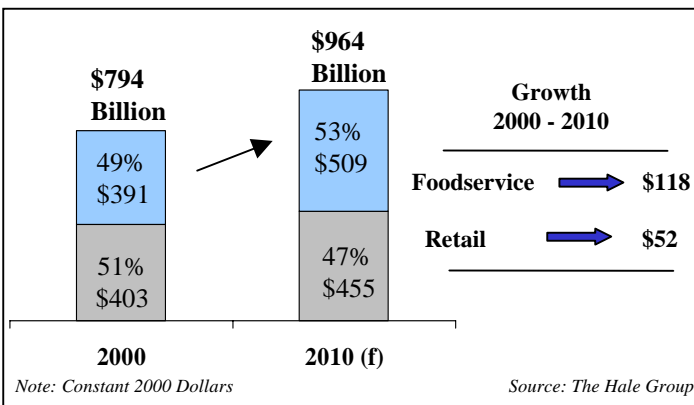
- **Chris Chufo** (center) joined SPINS in September 2003, where she started out in the Content Development group focusing on product coding, etc. Chris has recently moved over to the Consulting Services team as a Dedicated Analyst for Vitamins and Supplements clients. Prior to coming to SPINS, Chris spent 9 years working with Whole Foods, and a year with Elephant Pharmacy.
- **Todd Howard** (left) started in our IT group in January 2004. Prior to joining SPINS, Todd worked as a Systems Administrator for a San Francisco based consulting firm specializing in systems integration. Todd will be largely be dedicated to supporting the SPINS Local Area Network and core internal technical services.
- **Rachel Rosenkrantz** (right) came to SPINS Content Development group from Ask Jeeves, where she served as a project manager for 4 years. Rachel will be working on product coding, and product research.
- **John Lowell**, another new Content Development team member will be coming back to SPINS, and we couldn't be more excited! John was working at SPINS in March of 2001, and while jogging over lunch, was hit by a car. After many years of rehabilitation, and what doctor's have termed a miracle recovery, John will be coming back to SPINS focusing on product coding, etc.

Business Development Corner

SPINS Food Service Report

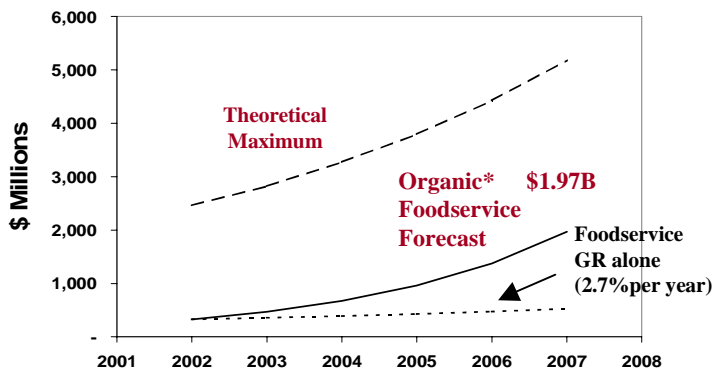
- SPINS partnered with the Hale Group to report on the status of Organic growth in the Food Service industry.
- Analysis findings show that Foodservice will surpass retail food sales in the year 2010, with estimated growth of \$118B dollars.

Foodservice will surpass retail in 2010



- Forecasted estimates show that Organic growth in the Foodservice industry could reach upwards of \$1.97 billion.

Organic Manufacturer Shipments*



Please call Amy Jacobsen at 415.957.4410 for more information on the Foodservice report.

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Meet Alison Tirone Southwest Regional Sales Manager



- Allison came to SPINS in June of 2003, and is the Southwest Regional Sales Manager for SPINS.
- Prior to starting at SPINS, Allison worked in the retail industry, most recently with a technology company and as an Account Executive for Calvin Klein.
- Her interest in the Natural/Organic goes far beyond her devotion to SPINS. She is a spinning instructor as well as a marathon runner and the natural and organic lifestyle is a natural part of her healthy lifestyle.
- Allison is excited to be a part of this industry, "I love working with a diverse group of clients. Being part of an industry that is dynamic, and that I personally believe in is very important to me."

SPINS News

SPINS has created a program that supports our communities through various opportunities. Some of our recent contributions were in support of the following organizations.

- Collette Falsey leukemia fund (January)
- Organic Trade Association (February)
- Quan Yin Healing Arts Center (March)
- Leukemia & Lymphoma society (April)

NASFT, Mintel, and SPINS team up to identify, segment, and forecast the **Specialty and Gourmet Industry!**

With more sophisticated eating habits, a multicultural population influencing food choices, and growing availability of Specialty Foods through a wide array of channels, the opportunities in Specialty and Gourmet are delectable.

The NASFT *State of the Specialty Food Industry* is a joint research project prepared by Mintel International Group and SPINS. The research encompasses three years of sales data (2001-2003) for 36 specialty food segments, pulled from the SPINS database of mainstream and natural food stores. In addition, Mintel surveyed 448 specialty food manufacturers, imports, distributors and brokers, plus 349 specialty food retailers to develop the statistics presented in this report.

Here are some of the highlights:

- Sales of specialty foods increased 20.4% between 2001 and 2003 to \$22.8 billion
- 12.5% of specialty food distributor sales are to restaurants and other foodservice establishments
- Supermarkets represent 67% of specialty food retail sales

*The report will be published May 5th.
Cost is \$4,000 (discount available for current NASFT members).
To order, contact Amy Jacobsen*