nbj Nutrition Business Journal®
STRATEGIC INFORMATION FOR THE NUTRITION INDUSTRY
Volume XX | No. 1 | JAN 2015 | **NBJ Awards** | newhope360.com/**nbj** | **$199**

The NBJ Awards

Highlighting the standout brands of a standout year

Here's a number: 7.4 billion. That's the dollar amount of the top 10 mergers and acquisitions in the nutrition industry in 2014. Just the top 10!

The momentum in this space is real and accelerating, driven not just by those big-money transactions but by companies proving that it's quite possible to do well by doing good—that the healthiest choice can also be the most delicious, that the environmentally sound approach can also be the cheapest, that ethics and business aren't mutually exclusive.

In this issue, we highlight companies that are leading the way in our industry. As in years past, NBJ accepted open nominations and went through several rounds of vetting to narrow things down, then held two rounds of in-depth sessions with our advisory board and NBJ staff to settle on the winners you see here. It's a lot of work, but we can't forget that these companies are run by people, and that our award "categories" are actually missions at the core of both personal and corporate identities.

When people dedicate themselves to launching or working for companies on the belief that they can do something good for the environment, an award for organic excellence has to be more than an afterthought. Same goes for awards like sustainability, efforts on behalf of the industry, philanthropy, and all the other accolades on the following pages. What these companies are doing matters deeply. These awards are just one of the ways we try to draw attention to that.

And, of course, they're an opportunity to dive into the trends that are shaping our industry—trends like the Omega-3 Coalition and its efforts to reshape consumer perceptions; or like the disruptive Silicon Valley mindset of plant-based upstart Hampton Creek; or those big-money mergers that signal the industry's growing stature.

This isn't to say that there aren't challenges, of course. The word "natural" continues to cause problems, and the promising clean-label movement is coming to grips with the myriad forces lined up against it. There are also the related issues of shady companies pushing bad science out alongside sound research, and misguided journalists failing to see the difference, which confuses consumers and drags down the good with the bad.

But if there weren't challenges, we wouldn't have reason to improve. What makes each of the companies on the following pages so special is that they have thrived in the face of adversity. In fact, our entire industry is a response to problems, be they health, environmental, or ethical.

Here's to fighting the good fight.

2014 NBJ Award Winners

EDUCATION
Manitoba
Omni Active (Runner Up)

EFFORTS ON BEHALF OF THE INDUSTRY
Omega-3 Coalition
POM Wonderful (Runner Up)

INNOVATION
Hampton Creek
Define Bottle (Runner Up)

INVESTMENT IN THE FUTURE
MetaBrand Capital
BI Nutraceuticals (Runner Up)

MANAGEMENT
Robert Craven/FoodState
Tom Tolworthy/TwinLab (Runner up)

GROWTH
Honest Company
Chromadex
Dang
Ortho Molecular (Runner Up)
Enjoy Life (Runner Up)
Cook Simple (Runner Up)

ORGANIC
Harmless Harvest
Organetics (Runner Up)

TRIPLE BOTTOM LINE
Teatulia
Kuli Kuli (Runner Up)

SUSTAINABILITY
Aker
Big Cricket Farms (Runner Up)

PHILANTHROPY
Whole Foods
NOW (Runner Up)

DEALS OF THE YEAR
ADM/WILD Flavors
Treehouse/Flagstone Foods
General Mills/Annie's
TPG/Chobani
Balchem/SensoryEffects
Hormel Foods/CytoSport
Kroger/Vitacost.com
CCMP/Jamieson Laboratories
Helen of Troy/Healthy Directions
Whitewave/So Delicious
Pharmavite/FoodState

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Education

Manitoba Harvest shows that hemp is safe—for consumers and farmers

by Lisa Polito

If the first step of a food company's business plan requires changing national law merely so that company can obtain its main ingredient, an enthusiasm for education had better be woven into the corporate DNA. Such was the case for Canada's Manitoba Harvest in the mid-1990s, when the company's founders set out to produce hemp foods at a time when agricultural hemp production was illegal. Persuading politicians to reform legislation required demonstrating not only that there's a difference between hemp and psychoactive cannabis strains but also that farmers were willing to grow the crop—which in turn meant educating farmers about the benefits of hemp farming.

All marketing has some educational elements, notes Manitoba CEO and co-founder Mike Fata. "But for us, it's pure education, because people are so confused about hemp," he says. Beyond the obvious challenge of overcoming hemp's association with its THC-laden cousin, the company also had to move consumers past the idea that hemp was good only for rough rope and hippie garb—that it was also a fantastic food source.

Did he succeed? In 17 years, he's gone from promoting a product he couldn't even legally make to selling cold-pressed hemp oil, raw shelled hemp seeds, and hemp protein powder. The company has increased sales by 500 percent over the past five years and now accounts for about 65 percent of the hemp foods market, according to company estimates.

In that time, Fata has learned a lot about educating the public, especially the truth in the marketing edict that if you try to tell people too many things, you end up telling them nothing. Rather than bombard consumers with hemp's myriad benefits—from nutrition to soil health to biofuel to multifunctional industrial fiber, Manitoba sticks to "delicious and healthy."

"Get the information into their head and the product into their mouth, and they'll become a customer."

Marijuana misconceptions aside, Fata thinks flavor may be the most misunderstood aspect of hemp foods, which is why Manitoba distributed more than 2 million single-serving samples in 2014 and plans to distribute 4 million in 2015. "Get the information into their head and the product into their mouth, and they'll become a customer," Fata says.

From the outset, educating industry was just as important as educating consumers. Because the hemp industry was non-existent in Canada, Fata and his co-founders had to learn and create every aspect of growing, harvesting, processing, and packaging a quality product. The EFA-rich attributes that make hemp so appealing also make it vulnerable to rancidity. "If the seed is cracked out in the farm, if it's not harvested or dried or stored correctly, it will crack and start the oxidation process," Fata says. So the company developed industry standards for food safety, product quality, and handling techniques. As a vertically integrated operation, Manitoba Harvest maintains traceability and quality control measures (an average of 34 tests) covering every step from field to retail shelf.

"They've led the way in terms of best practices, in terms of quality of their products," says Eric Steenstra, executive director of the Hemp Industries Association. In 2014, Manitoba Harvest sent its director of farm operations, Clarence Shwaluk, to participate in HIA's Colorado Industrial Hemp Farming Symposium, sharing the nearly two decades of farming knowledge with the budding industry in Colorado.

Steenstra notes how important Manitoba Harvest's consumer education efforts have also been the hemp industry at large. In addition to attending about 80 shows and events each year, plus conduction thousands of in-store demonstrations, Manitoba Harvest was a founding sponsor of Hemp History Week, a major educational event hosted by HIA and Vote Hemp. Ultimately, the company's success might have the greatest educational impact, as public perception shifts with every new mainstream store that stocks its products. As Steenstra explains: "It's a big deal seeing hemp sold in a CostCo."

RUNNER UP

OmniActive HEALTH TECHNOLOGIES

Lutein may not be a household word, but **OmniActive** wants to change that with its Lutein For Every Age education campaign. The company has set out to raise awareness how this carotenoid and its sidekick zeaxanthin can support vision health. Research indicates that these nutrients reduce the risk of diabetic retinopathy, cataracts, and age-related macular degeneration.

Efforts on Behalf of the Industry

The Omega 3 Coalition: Putting rivalries aside for the greater good

by Lisa Marshall

"Got Milk?"
"Beef: It's What's for Dinner!"
"Pork: The Other White meat."

Could the next marketing slogan to nestle its way deep into the collective consumer consciousness be…drumroll please…"Omega 3s: Always a Good Idea"?

Omega-3s
Always a good idea™

Members of the newly-formed Omega 3 Coalition say they're confident that both the slogan and the $6.5-million marketing campaign set to roll out around it in February will go a long way toward reversing a double-digit revenue slide for a sector used to double-digit gains.

"The Omega 3 industry has benefitted from years of generally positive media coverage, and that is starting to dry up," says Adam Ismail, executive director of the trade group, the Global Organization for EPA and DHA (GOED), which is coordinating the Coalition's efforts. "It has to be replaced with something."

The unlikely coalition bedfellows behind the effort—including roughly 30 rival ingredient suppliers and manufacturers in the highly competitive krill and fish oil markets—joined forces in February 2014, at a time when the Omega 3 landscape was looking particularly bleak. Since its peak in mid-2013, the market had lost $149 million in U.S. retail sales, according to the Nielsen Corporation. Things were getting worse, with each month's sales down 10-12 percent from the previous year. Some markets, including refined fish oils and Omega 3 concentrates, were down 25 to 30 percent. Even krill oil, which had been a hot seller—due largely to Schiff's aggressive media campaign promising better absorption and "no fishy smell or aftertaste"—had nosedived 37 percent from its peak.

By some estimates, 11 million people had left the Omega 3 category.

"All this came at a time when there had been some notable acquisitions in the industry and a lot of consolidation," Ismail says. "It was a shock. People were not moving into this space to have the growth disappear."

Enter Gertjan de Koning, VP for nutritional lipids for leading ingredient supplier DSM, who decided it was time to stop the bleeding. He reached out to GOED to serve as a neutral coordinating party, invited leading industry players to the table to hammer out a plan, and agreed to have DSM match their financial contributions dollar-for-dollar. By September, the Coalition had raised roughly $4.9 million and was launching a four-week pilot campaign in Charlotte, North Carolina, one of the worst performing cities in the nation in Omega 3 supplement sales. By the end of the four weeks, Charlotte was among the best. Now the Coalition is poised to roll out a similar campaign nationwide, modeled after the brand-transcending marketing blitzes that pulled milk, pork, beef, raisins, and other categories out of slumps.

Too much bad press, too little good

Exactly why the bottom fell out of the market remains a matter of debate. Some blame a spike in crude fish-oil prices, due to a few unusually poor fishing seasons, which translated to higher supplement prices. Many blame the media, which had a field day with a July 2013 study, published in the Journal of the National Cancer Institute. The researchers concluded that men with high blood concentrations of Omega 3 fatty acids had increased risk of prostate cancer and a higher incidence of a particularly aggressive form of the disease. To make matters worse, it came on the heels of three other studies published in top-tier journals, including "the Journal of the American Medical Association" and "BMJ," which questioned the cardiovascular benefits of fish oil supplements.

Soon cancer experts were on TV asserting that Omega 3s were dangerous and didn't work. GOED quickly countered that the prostate study was poorly designed and pointed out that countries with the highest Omega-3 intake levels actually tend to have lower rates of prostate cancer. But the damage was done.

"It was not a given at all that something like this would go smoothly."

"It was not a given at all that something like this would go smoothly," says de Koning, acknowledging the challenge of crafting a streamlined marketing campaign for an entire product category that makes all the distinct players happy. "We came to the realization that instead of fighting like cats and dogs, which competitors tend to do, we can work together. It has gone surprisingly well."

Still, to blame the slump on a few negative headlines would be to vastly oversimplify the problem, says Ismael, who points to surveys showing that only about 9 percent of consumers remember the prostate cancer study at all and that only about 3 percent of those who left the category did so due to safety concerns. The greater problem, he says, is that the media, tired of the "old news" story that Omega 3s are

good for you, has stopped writing about them altogether. (One GOED survey found that only about a million American consumers were exposed to positive media messages about the fats in 2013, versus 11 million in 2008).

"The biggest reason people are leaving the category is that they do not know what Omega 3s do," Ismail says. "People have forgotten about the category."

To remedy that, the coalition hired Baltimore-based GKV Communications, the firm credited with turning around the Recreational Vehicle industry in the early 2000s via the "Go RVing" campaign.

GKV's initial focus groups revealed that, despite dozens of health benefits attributed to Omega 3s, consumers associated them primarily with heart health. Since aligning with what consumers already knew would be the easiest starting point, the firm launched a campaign around the slogan "Omega 3s: Always a Good Idea for your heart," focusing on emotional trigger moments when people realize they need to take better care of their ticker—things like milestone birthdays and moments when people find themselves out of breath.

One magazine ad reads "Another birthday: Another reason to think about omega-3s" and refers patients to a new website, AlwaysOmega3s.com, for research and a wealth of other information. A TV ad shows an overweight middle-aged guy struggling to climb a flight of stairs as man coalition logo—a lightbulb crafted out of an O and a 3—appears and a voiceover proclaims, "When a flight of stairs gets your heart racing, you should start thinking about Omega 3s."

Such spots flooded the Charlotte airwaves in September, while billboard ads lined major roadways and in-store shelf-talkers decorated the aisles of mass merchandisers. The campaign also sponsored a booth at an American Heart Association 5k, handing out product samples from a variety of Omega 3 companies and reaching people who wouldn't ordinarily step foot in a natural products store.

After the four-week campaign, sales of Omega 3 supplements were up 5.8 percent in Charlotte, exceeding the campaign's goal of a 3-percent spike. As many as 61,000 new users came into the category.

But as the coalition prepares to roll out its national campaign, it faces a host of unique challenges that other "primary demand" campaigns—those that publicize a category rather than a brand—did not have to overcome.

Unlike the famous "Got Milk" campaign, which launched with a $23 million-per-year budget derived from a mandatory assessment from California's largest milk producers, the Omega 3 Coalition derives its funds from voluntary donations. (The more money a company chips in, the more say it has in the coalition's operations.) And the group is still $1 million short of its $6.5 million minimum goal.

"We are at a critical point right now," says GOED spokeswoman Ellen Schutt. "We need additional funds, and if we don't get them we will have to revamp our plan or push it out a few weeks or months."

Meanwhile, some marketing experts say that it could be far more complicated to turn the tide on Omega 3s than it was to, say, get more people excited about eating beef or drinking milk.

"The majority of consumers knew what milk was and knew why you would drink it," says Margaret Campbell, a professor of marketing with the Leeds School of Business at University of Colorado. "It was just a matter of getting them to keep it top of mind. What I would wonder, not as an expert on Omega 3s but as a communications expert, is whether what [the coalition] needs to communicate is more complicated than can be effectively done via a primary demand campaign."

DSM's de Koning says the coalition is aware of those challenges and is a work in progress, willing to change its ways where necessary. "We are building this plane while flying it and taking on passengers while we're in the air," he jokes.

But others in the industry are already watching intently. Talks are underway about the potential for a similar "Got Organic" campaign, and competitors in other areas of the supplement industry are also considering marketing collaborations.

"The reality is that many of us have never had to advertise much to sell our products, and that is starting to change," says Ismail. "Now we have to operate by the same rules that every other consumer products company operates by.

"I hope this can be a case study for the entire industry."

POM WONDERFUL

RUNNER UP

Pom Wonderful LLC is refusing to back down in its false advertising case against Coca-Cola, and that could embolden other companies with quality ingredients and good science to call out competitors riding their coattails with questionable products. POM filed suit in 2008 against Coca-Cola's Minute Maid brand, alleging that its "Pomegranate Blueberry" label (for a drink containing only 0.3 percent pomegranate juice) misleads consumers. Lower courts ruled against POM, arguing that it was up to the Food and Drug Administration, not competitors, to enforce labeling laws. But this summer, the Supreme Court unanimously overturned those conclusions, enabling the lawsuit to move forward.

Innovation

Hampton Creek's moonshot approach attracts astronomical backing

by John Bradley

There's a level of innovation that catches the interest of the food industry. Think: organic mac 'n' cheese, Greek yogurt, or gluten-free breads. And there's a very different level of innovation—some call it "disruption"—that catches the interest of Silicon Valley's billionaire investors. Think: Google, Facebook, or Uber.

Josh Tetrick, Hampton Creek

Then there's Hampton Creek, the San Francisco food startup that has caught the attention of all of the above. Its egg-free Just Mayo product needed less than a year to go from concept to Whole Foods Market's top-selling mayonnaise (and target of a panicked lawsuit, since dropped, from Unilever).

And the barely four-year-old company, which makes 100 percent plant-based foods, has closed $120 million in funding from the richest person in the world (Bill Gates), the richest person in Asia (Li Ka-shing), and tech luminaries like Salesforce founder Marc Benioff, Sun Microsystems founder Vinod Khosla, Yahoo co-founder Jerry Yang, and Facebook co-founder Eduardo Saverin.

All told, 12 billionaires have invested in this company that, for now, sells only egg-free mayonnaise, cookie dough, and cookies. But the appeal for these investors isn't what the Hampton Creek does but how it does it—the decidedly un-status-quo approach that earned the company NBJ's Innovation Award.

"We never wanted to approach this like a food company," says Hampton Creek co-founder and CEO Josh Tetrick. "We do happen to be making food. But we want more of a technology-driven approach, meaning disciplines that you wouldn't normally find in food—data, for example. Our head of data is a former head of data for Google Maps and YouTube. And that's a reason some of our biochemists are here. We have an approach to product development that you wouldn't find at Nestle."

That approach took Hampton Creek from not even having a consumer product in the fall of 2013 to ending 2014 with its debut product—the egg-free Just Mayo—in more than 15,000 stores and distribution in Asia and Europe.

Tetrick is a lawyer by training who, after graduating from law school in 2008, headed to sub-Saharan Africa to work as a social entrepreneur but returned to the U.S. frustrated with his inability to make much of a difference.

"Everything that we tried to do was very standard and conventional," he says. "There were small changes here and there, but no big changes. I was frustrated by the fact that our approaches were not at the scale of the problems. Kids were still on the streets when I left, and people were still really poor. I was looking for an opportunity to really unleash and solve a big problem."

Avegetarian since college, Tetrick started having discussions with childhood friend Joshua Balk, a policy director at the Human Society, about the ethics and impact of the food industry.

"The more we dug into it, the more we realized that 99 percent of what we eat around the world is bad for the body or the planet," Tetrick says. Though neither he nor Balk had a background in creating food products, they decided to launch a tech-first attempt at upending conventional food wisdom. The strength of their idea was enough to secure $500,000 in seed funding from Vinod Khosla to get them started.

Tetrick says the pair hired a small team and initially tried to be a "faster version of a Kraft or General Mills," looking at existing ingredients and seeing if there was something new to be done. "It took us about six months to realize there's no way we could ever do what we wanted to do by approaching it that way," he says.

So they settled on a multidisciplinary approach that would start by looking at plants and seeing if they could start creating their own ingredients.

"There are about 400,000 plant species around the world, and about 92 percent haven't been analyzed in depth," Tetrick says. The team would bring in plants, run experiments, and add the results to a database. As they started compiling more data, they began to see unexpected correlations between certain properties—like the molecular weight or solubility of a particular substance—and how that substance functioned as an ingredient.

> *"A lot of power comes from this idea of the better thing also being more affordable and tasting better. That's how you move the needle."*

"For example, when the molecular weight is between X and Y, there's a 90 percent probability of it making a better muffin," Tetrick says, "because the muffin rises.

"We realized there are all these hidden relationships in the data that were unexpected. So we built a data team to help us identify them. They've created these quan-

"We have a special opportunity to build something that has a much, much larger impact"

titative modeling techniques that help us screen a lot faster and a lot smarter."

From the start, the plan was to be an ingredient supplier, beginning with creating an egg substitute that Hampton Creek could sell to any manufacturer using eggs. Through its data crunching, the company had settled on the Canadian yellow pea as a solution. Where the ratio of energy input energy output for chicken eggs is about 39-to-1, Hampton Creek's pea-based egg substitute comes in at around 2-to-1. That makes it not only healthier and better for the environment but also cheaper, which lets the company compete not just on mission but also on price.

That caught the attention of a local San Francisco news station, whose March 2013 piece on Hampton Creek got featured by muckraking aggregation site the Drudge Report. And that's when things got weird. Tetrick says that as a result of the story, people starting calling Whole Foods asking if they carried Hampton Creek products—so many that a representative from the company called Tetrick to get to the bottom of it.

"He said, 'People keep saying that we're selling your product in retail, but I don't know anything about you,'" Tetrick recalls. "So I told him about Hampton Creek, and he said that if we had a product, we should send it for them to take a look. We decided on mayo and sent them samples, and they selected it for national distribution." At that point, a finished consumer product had been so far from the company's business plan that Hampton Creek didn't even have a label design for a jar.

That was November of 2013.

"We've since become the top-selling mayo in Whole Foods by a pretty wide margin," Tetrick says. "After that it was boom: Kroger, Safeway, Costco, Dollar Tree, Walmart, Compass Group, which is the largest food-service company in the world—all in just a few months last year."

One big factor in the rapid adoption is the fact that Just Mayo is cheaper than conventional mayonnaise brands. People shopping for health, vegetarian, or environmental concerns have good reason to choose it, but so do those shopping on price.

"We're not interested in being positioned as sort of a niche natural and organic product," Tetrick says. "I love that we're in that category, for a lot of reasons. But we're trying to figure out a way where we can be attractive to someone who shops at a Rainbow Grocery or Whole Foods and also to the Walmart mom. A lot of power comes from this idea of the better thing also being more affordable and tasting better. That's how you move the needle."

The plan now is to become a food giant—not another plant-based brand for the natural channel but a manufacturer on the scale of a General Mills or (ahem) Unilever that happens to be 100 percent plant based. To that end, Hampton Creek has expanded its data, biochemistry, and food-science teams, looking for new plants, new ingredients, and new products they can create from them. "We want to make better foods across the spectrum," Tetrick says, "whether that's mayo or cookies or scrambled eggs or pasta or doughnuts."

And with the company's deep financial backing, Tetrick and Balk can stick with their broader goal of building a lasting company rather than angling for a big-money buyout.

"We're trying for the moonshot, not the acquisition," says Tetrick. "We have a special opportunity to build something that has a much, much larger impact. My motivation is less about the money—though there's nothing wrong with that—than about how we increase the probability that we do a lot of good here. And I think that is more likely through being a permanent public company."

So how will Hampton Creek top its remarkable 2014 growth? In the Silicon Valley tradition of rapid, global-level scaling, the company's rallying cry for 2015 is to reach 100 million people. Tetrick says that will require getting through 100,000 doors (stores, restaurants, cafeterias, etc.), versus the 15,000 the company got through in 2014.

"What does it look like to get regular people to eat better food? How do you make it so that 99 percent of people are eating food that's good for them and the planet?" Tetrick asks.

"That question right there spurs all the innovation we do. That's the problem we're working on."

RUNNER UP

The nutrition industry can't reach young people? Carter Kostler would disagree. He founded **Define Bottle** when he was just 13. Spurred by a concern over type 2 diabetes, Kostler invented a drink bottle that makes it easier for people to choose healthy, naturally flavored water instead of soda. His multi-chambered bottle, which now comes in four varieties, lets users create fruit- or herb-infused water on the go. Now a seasoned 16 years old, Carter has topped $1.5 million in sales and has been named to the Clinton Foundation's youth advisory board, the Alliance for a Healthier Generation.

Organic

Harmless Harvest is just getting started

by Rick Polito

If a chain is only as strong as its weakest link, then a supply chain, as Justin Guilbert sees it, will always be at risk. So when he and partner Douglas Riboud founded Harmless Harvest coconut water in 2009, both wanted a company functioning as a single link, from tree to shelf, every step carefully and watched closely to ensure consistency with the values they swore to from the start. That meant no co-packers or brokers, and no farmers the pair hadn't met in person and walked the groves with.

And if they felt the only way to maintain their integrity was to put their plant in Thailand, where their coconuts are grown, so be it. By that time, Guilbert and Riboud were so committed to the Harmless Harvest mission that compromise would have been unthinkable.

Guilbert's previous job before Harmless Harvest had been in the marketing department at L'Oreal, whose mission, as he describes it, was "finding problems that didn't exist and offering products to solve those problems." Ridboud felt similarly frustrated in his previous career as a banker at Lazard Freres in New York City. Neither liked what Guilbert calls "the classic dichotomy" of working in corporations of questionable impact during the week and then spending weekends volunteering to atone for it.

So they quit and, in 2011 launched Harmless Harvest, a coconut water brand where simple organic sourcing wouldn't be enough. The company would have to be ethical and authentic at every point in the process, something that started with the farmers. The pair built long-term relationships that worked on both sides. They put their plant in the region where their coconuts are grown and created 150 jobs with wages and conditions that meet Fair for Life accreditation. Fair for Life was essential because part of the idea of Harmless Harvest was to move beyond simply "giving back."

"If you are giving back, you are taking away in the first place," Guilbert says. "How about giving them skin in the game from the start?"

"It didn't make a lot of sense to make a food that was very good but was very bad for the environment."

That didn't stop at the contract between the company and the farmer. Every farmer had to be certified Fair Trade within 12 months. Though some farmers balked, Guilbert says their partnership pays off for them in terms of stability. When demand catches up with supply, prices drop. Guilbert says that without a long-term contract to help them weather those dips, farmers will just switch to palm oil or mango or whatever the next fad crop might be.

Of course, organic was a requirement as well. "It didn't make a lot of sense to make a food that was very good but was very bad for the environment," Guilbert says.

Company values extend to the shelf. Harmless Harvest uses high-pressure pasteurization to keep coconut water tasting the way it does straight from the tree. In the end, that's the test that Harmless Harvest had to pass, says organic veteran and Stonyfield Farms founder Gary Hirshberg. "All you have to do is taste the difference between their coconut water and a bunch of pretenders and you will see for yourself that something very different is happening," says Hirshberg, who is also an investor in Harmless Harvest.

Next up for the company applying its values to Japan's shrinking organic tea market in hopes that new U.S. demand could be incentive to boost supply and keep more tea gardens organic. The new drink, Namacha, will bring a whole new set of challenges, but Guilbert and Riboud say they'll face them with the same set of values.

RUNNER UP

With supplements aligning closer and closer with food, the differentiator is becoming quality organics. Companies can't promote whole-food supplements without assuring consumers that those ingredients are of unquestionable quality. **Orgenetics** can produce plant-sourced letter vitamins including C that have long been synthetically produced. Minerals, also plant-sourced, round out multivitamins' fide whole food claim. Products also include medicinal plants from the Ayurvedic tradition. Every product carries organic certification and techniques like supercritical extraction build on that value proposition.

NBJ Investment in the Future

MetaBrand Capital bets big on the natural products industry

by John Bradley

Eric Schnell will see your triple bottom line and raise you a fourth. People, planet, profit, and purpose—that's the philosophy behind MetaBrand, the full-service food, beverage, and supplement consultancy he founded, whose new MetaBrand Capital arm takes our investment award this year.

Three-year-old MetaBrand is a roughly 30-person outfit aimed squarely at the natural and organic space. The firm works with both startup and established brands on everything from product development and formulations to ingredient sourcing, packaging, branding, and distribution. MetaBrand Capital, which the company describes as a "conscious capital" private-equity fund, was established last year to provide financial and infrastructural support to social-minded startups in the food, beverage, and supplement industries.

"This started purely out of demand we saw with brands we were incubating. They were frequently asking us for help raising capital," says Schnell, who is co-founder and former president of Steaz, former president of Long Life Tea, and an operating partner 6Pacific Capital, a private-equity fund where he oversees beverage investments. "It's not the easiest thing to be a social brand and raise money, because those companies are too small for traditional private equity. We felt we could play a role by both raising capital and giving them access to our team. What better way to be all-in for the long term in this industry, with brands that share our own passion?"

After committing almost the entirety of its initial $10 million fund to beverage company Runa Tea, MetaBrand Capital is now raising a $20 million "B" fund that it hopes to direct to about 10 or so promising companies, with investments of between $500,000 and $2 million.

And to ensure that MetaBrand Capital adheres to the "purpose" line of its quadruple-bottom-line mission, Schnell set it up as certified B Corp., a designation for for-profit companies that must also benefit society and the environment. "We're private equity that's also a B Corp.," Schnell says. "We're a fund, but we're acting like a brand, with all the certifications we're placing on ourselves to make sure we're a good corporate citizen. That's what I felt was missing in triple bottom line."

Schnell says these sorts of companies struggle with traditional private equity for several reasons. Many funds geared toward quick-scaling, five-years-to-IPO tech firms couldn't invest in mission-driven brands even if they wanted to.

Runa, a company that makes "clean energy" beverages out of an Amazonian leaf called guayasa. MetaBrand had partnered with Runa to help develop and market its products, which have the added benefit of giving Ecuadorian farmers a profitable alternative to cutting down the rainforest. Although the original plan for MetaBrand Capital's first $10 million fund was to invest in between five and 10 companies, because of his team's deep involvement with Runa, Schnell felt comfortable committing the entire fund to just this one company. In addition to the nearly $6 million equity stake, MetaBrand Capital will use the remaining $4 million to invest in supply chain and infrastructure around the Runa brand.

> *"What better way to be all-in for the long term in this industry, with brands that share our own passion?"*

"Most funds out there are still ones whose charters don't allow them to write checks under $5 million," says Schnell.

And individual angel investors who could come in with the smaller checks these early-stage companies need don't necessarily have the bandwidth of MetaBrand, nor the expertise in social enterprises and the health and wellness industries. "The thing with social enterprises is to do well by doing good," says MetaBrand PR spokesman Steve Hoffman. "We understand the 'good' part of that."

MetaBrand Capital's first investment, which came in 2014, was $5.75 million in

"So with Fund B, we're raising $20 million and going back to our original plan of investing smaller amounts in several companies. We're soliciting now, and it's open to other angels. That will give us even more new talent to support our brands."

And while MetaBrand will continue to be a source of deal flow, Schnell says the fund won't be limited to MetaBrand partners. "We'll be looking for brands that have been in the market for two years, long enough to have proven they fit in the marketplace," he says. "This fund will be for their first investment round outside of friends and family."

RUNNER UP

After 35 years in business, **BI Nutraceuticals** is still expanding on its leading role in quality sourcing and transparency. The company continues to invest in efforts like the Identilok botanical identification program, Protexx HP Green Steam sterilization, and its extensive worldwide vendor-surveillance program that includes random audits of traceability and random sampling to ensure compliance with specifications.

Management

Success is more than the bottom line for FoodState's Craven

by Carlotta Mast

Robert Craven, FoodState

Since 2011, Robert Craven has been the man behind the curtain at **FoodState,** the company that makes and markets the fast-growing whole food supplement brand **MegaFood** in the natural channel and the Innate Response brand in the practitioner channel. Yet, unlike some nutrition industry CEOs, Craven has never stayed behind the curtain, let alone a closed window-office door. Rather, he's made it his mission to get out amongst his employees, his customers, his suppliers, and even his competitors—all in an effort to create and disperse a strong company culture that values authenticity, passion, quality, productivity and improving people's lives.

The end results speak for themselves. Since Craven took the reins at Derry, New Hampshire-based FoodState, the company has more than doubled its sales and number of employees and built a new manufacturing facility and moved into new, more spacious office digs. Backed by private equity investors **2X Partners** and **Riverside Investments**, Craven and his team helped FoodState attract numerous new potential owners before finally being purchased by **Pharmavite**, a subsidiary of Otsuka Pharmaceutical Co., in December 2014.

These accomplishments alone make Craven worthy of winning NBJ's 2014 annual Management Achievement Award. And yet, these successes belie the real impact this CEO has had on his company and the broader nutrition industry, as we learned through discussions with FoodState employees, customers and investors. These conversations illuminated important lessons on what it means to be a conscious leader, on how to take care of your customers and your people while doubling your company's size, and on how to keep the folks backing you happy—all things we believe are ingredients for truly exceptional management achievement.

Culture, then brand

When Craven joined FoodState in 2011, his immediate priorities were internal. He brought in talent he knew would be needed to take the company to the next level, but he also focused on getting to know the people who had been with the company—all in an attempt to ensure he had the "right people in the right seats on the bus," says Stacey Gillespie, director of product marketing and a 12-year FoodState employee.

"He was committed to talking to everyone, from all the manufacturing employees to the exec team, to make sure they were in their right spot, doing work they enjoyed and functioning at their highest level," Gillespie says. "When you love what you do, you work better."

Craven supported this effort by arming employees with new technology such as iPhones to enable more efficient communication and by creating a weekly management training program called "Flight School" geared toward strengthening and developing the company's leadership.

Gillespie says the most impactful thing the new CEO did, however, was to institute FoodState's core values (see sidebar). But rather than create the core values on his own or with a small group, Craven engaged the entire organization in the process—and this, Gillespie says, "accelerated the company's growth by strengthening its culture."

"You hear employees at all levels talk about and contemplate our core values as they do their jobs and make decisions," Gillespie adds. "One of our core values is to 'do it right,' and we all take that very seriously."

The way Craven announced Pharmavite's purchase of FoodState at the end of 2014 is a prime example of how this CEO tries to operate by the company's core values.

Craven and others in the industry view the acquisition as a win-win for both companies for many reasons. The two supplement makers are well aligned in their mission of improving lives, and Pharmavite, which makes the longstanding Nature Made supplement brand, is a leader in the mass market channel and is said to have no intentions of moving MegaFood out of the natural channel. As a wholly owned subsidiary of Pharmavite, FoodState will be able to operate as usual under Craven's continued leadership.

> *"I'm ready to answer any question anybody may have about our new ownership."*

Still, for all of these positives, Craven knew many people, particularly some employees and retail customers, would have questions and concerns about the new ownership—and so, in a move that was pure Robert Craven, he worked double-time to open up lines of communication upon announcing the new ownership.

"People have a right to ask questions about what this acquisition might mean for a brand they love," Craven told newhope360 on the day the acquisition was announced. "I'm ready to answer any question anybody

THE VALUE OF VALUES

Talk to anyone who works closely for or with FoodState and at some point the company's core values will come up. The ideas expressed in these core values are certainly simple, but put into action, as they have been under Robert Craven's leadership, they become powerful human motivators that benefit not only the bottom line, but also an organization's employees, customers, vendors, investors and all stakeholders, as FoodState has learned.

As defined by all of its employees, FoodState's core values are: Be real, do it right, share the love, pursue your passion, think like an owner, enjoy the journey, value health and wellness.

may have about our new ownership." Craven backed up this statement by holding a company town hall for employees, hosting a live video chat during which he addressed any and all questions, and personally calling and reaching out on social media to many of FoodState's customers.

"Robert seized the moment and made sure we all knew that he and MegaFood are there for us and won't abandon us," says Cambridge Naturals Co-Owner Michael Kanter, who was one of those retailers Craven reached out to about the acquisition news. "This was refreshing because there have been other times when companies have sold and the CEOs and other executives were either indifferent or even almost hostile to communicate with the retailers who had supported them over the years. Robert took the opposite approach."

Building strong brands

Along with fortifying FoodState internally, Craven has been focused on strengthening the company's brands over the last four years—and this has had a significant impact on the business, says Andrew Whitman, managing partner of 2X Consumer Products Growth Partners, who is an investor in FoodState and close advisor to and Craven.

"Five years ago, the company had a great set of products, but it wasn't telling their story," Whitman says. "Robert and Jean [Lizotte, FoodState vice president of brand] spent a lot of time evolving how the brands stories are told." From these efforts came MegaFood's Road Less Traveled advertising campaign, which features real employees and retail customers, as well as the Seasonal Therapeutics line and education initiative that was created for Innate Response in partnership with Dr. Tieraona Low Dog, MD.

FoodState catapulted its brand storytelling to the next level in 2014 with the launch of the Transparency Project. Created to give customers and consumers a better understanding of how FoodState's products are made and what goes into them, the Transparency Project included a six-week live web series that gave viewers an unscripted view into the company's offices and manufacturing and production facilities and even into the fields where FoodState sources its organic ingredients.

Craven reinforces all of these initiatives with his own active social media activity, which rivals that of any nutrition industry exec. "He is a modern day marketing CEO and the company's biggest brand advocate," says Adam Ismail, executive director of the Global Organization for EPA and DHA Omega-3s and a member of the NBJ editorial advisory board. "Companies where the CEO plays that role are some of the best-performing companies out there."

Finding ways to support and create new opportunities for the broader supplement industry is another priority for Craven and one that demonstrates how his efforts are benefitting more than just FoodState.

In 2013, Craven helped found the Non-GMO Working Group, which brought together supplement manufacturers to work together with the Non-GMO Project to get more supplement products verified as non-GMO. "The Non-GMO Project has rigorous, high standards for obtaining their seal and much the supplement ingredient supply chain is not ready to support the cause," Craven says. "My hope is that by creating the Non-GMO Working Group we can create a more phased approach that allows our ingredient suppliers to catch up with the movement."

The Combat Mass Slippage campaign is another Craven-led effort aimed at providing education and other support to natural channel supplement retailers, which Craven argues are essential to the health of the entire industry because of the front line of education they provide consumers on supplements, nutrition and wellness.

"Robert is all about helping the retailers," Whitman says. "This is a genuine priority for him. He has proactive dialogues with not just his biggest customers but with tons of independents. It is a way for him to keep his ear to the ground but also a way to help his retailers help their consumers."

For Kanter, Craven's mission of helping natural retailers remain competitive in a rapidly changing retail environment is the "real deal" and one that makes him particularly worthy of NBJ's management achievement award. "Robert sees us all as partners in this work to improve people's lives," Kanter says. "That makes a difference for his business and for ours."State's core values are: Be real, do it right, share the love, pursue your passion, think like an owner, enjoy the journey, value health and wellness.

RUNNER UP

TWINLAB®

Twinlab pulled the corporate equivalent of a double backflip in 2014 with a "reverse merger" that began in January with financing for a $106 million management buyout and ended in September with a "reverse merger" that took Twinlab Consolidated Corporation public. CEO Tom Tolworthy engineered the deal to give the company the capital and stability long missing from Twinlab's business equation and the industry is watching closely to see where he takes it.

Growth

Honest Co, ChromaDex and Dang build sales in complicated market

by Rick Polito

Our industry had an interesting year in 2014, with lots of glass-half-full-or-empty trends helping some companies while hurting others. The economic recovery finally felt solid, and sales in the natural products industry were up a whopping 9.4 percent, but the supplement industry continued to face credibility issues that weigh down sales. Walmart and Target made major moves into organic, but that threatened to disrupt an industry built on established channels with natural specialty retailers. And tech money brought science into food as legacy companies worked to tell a story of transparency and straight-from-the-farm products.

Navigating an uncertain landscape has never been easy, but in an industry moving into the mainstream faster than ever, things can be even more complicated. So the companies honored with the NBJ Business Achievement Awards in the large-, medium- and small-growth categories deserve recognition for making the right product and marketing choices in a tricky landscape.

Large Company Growth

"Explosive" and "meteoric" seem insufficient superlatives to describe the growth of the a company built on diapers and baby wipes, with sales that reportedly popped from $50 million to $150 million in 2014. That would mark an incredible third year for any business, but Honest Co. says that success was built largely on four years of planning before the company even launched.

Of course, a bit of celebrity shine has helped, as well. The company was founded by movie star Jessica Alba, who got the idea for a toxin-free product line in 2008, when she had difficulty finding natural products following the birth of her daughter, Honor. Judging by the success of the Honest Co., it seems she had no such difficulty finding the right partners. Alba teamed with Brian Lee, whose startup resume includes Legalzoom.com, internet executive Sean Kane, and Christopher Gavigan of Healthy Child Healthy World, a non-profit focused on protecting children from toxic products.

An ambitious launch in early 2012 offered dozens of products, and the catalog now boasts everything from the ubiquitous plant-based diapers to an "aromatic soy calendar" and the Honest Crib. A retail presence that includes Whole Foods Market, Costco, and, as of June, Target, shows Honest built a high-profile brand. But it may be the online subscription model that has made the business work, accounting for 80 percent of sales.

Online customers sign up for monthly bundles that include a $39.95 health and wellness selection of whole food supplements or $79.95 for a month's worth of diapers and baby wipes. Diaper subscriptions are nothing new, but Honest Co. hits a surprisingly friendly price point. A similar quantity of similarly earth-friendly Seventh Generation diapers via Amazon subscription would cost $76.56, without the wipes.

Venture capitalists obviously like the model. Honest raised $70 million in August, with a valuation approaching $1 billion. An IPO is rumored to be in the works.

Alba's celebrity status obviously helps garner extensive media coverage for the company, while a philanthropic program that includes diaper and crib donations keeps the maternal glow bright. Honest benefits from a strong Facebook following, as well, with more than 1 million followers. But it's Alba's 7.8-million- strong Twitter followeing that gives her a social media channel where she can tweet product highlights to a hyper-targeted audience that advertisers would be hard tasked to match.

RUNNER UP (Large Company)

With a supplement industry wringing its hands over media and consumer skepticism, the high-touch space in the practitioner channel could be an opportunity to move consumers past the negative headlines. That approach helped **Ortho Molecular Products** grow in 2014, even in categories beset by challenges. The Clean 14 Program and LifeCORE shake mix, matched to the Mediterranean diet, position the products closer to food, an increasingly important link in the supplement industry, but Ortho President Aaron Bartz says more foundation products also helped Ortho sales grow 15 percent last year. Bartz says fish oil and multivitamin sales defied industry trends to perform well for the company, more evidence that the practitioner channel may have been the safest place to play in 2014.

Medium Company Growth

ChromaDex's founders established the company as a service for testing products from other manufacturers. That proved to be a solid strategy and remains so. More companies are seeing the need for even more testing as the clean label movement gains momentum. CAGR on testing comes in at 12 percent over the past six years. Still, testing means watching other companies innovate, and ChromaDex co-founder Frank Jaksch didn't want to remain on the sidelines. He saw in-house research and development as a growing opportunity.

And that has enormous value in an industry always on the lookout for the next blockbuster ingredient. "New meaning really new, not just putting some shoe polish on an old ingredient," Jaksch says. "Something that really never was in the market before."

Despite the growth, however, Jaksch looks back at 2014 as a hard year for supplements. The effects of the December 2013 "Stop Wasting Money on Vitamin and Mineral Supplements" editorial in the "Annals of Internal Medicine" clearly spilled into 2014, he says. The "Dr. Oz goes to Washington" debacle didn't help either. The impact, he says, was another signal that the industry needs to be more serious about quality, transparency, efficacy and science.

Jaksch has long been predicting a reckoning for supplements, particularly ingredient makers, and 2014 provided clear evidence that such a reckoning is coming, he says. He predicts that most of the pressure will come from a combination of regulators keeping a more watchful eye, retailers assuming a greater gatekeeper role, and consumers becoming more educated. "The rest is the industry on its own," he says.

ChromaDex launched its first branded ingredient in 2010. The company now has four on the market, with the strongest growth coming from Niagen, an anti-aging ingredient released in 2013. Jaksch says two new ingredients will hit market in 2015.

The ingredient side of the ChromaDex has caught up with the testing services and is ready to overtake it. "Next year I would expect that the ingredient business would be close to 75 percent," Jaksch says. The strong showing from ingredients, including a 160 percent spike in the third quarter over the year before, pushed ChromaDex to a blended 50 percent growth rate in 2014. Jaksch estimates total sales for 2014 in the $15 to $16 million range.

Jaksch says the company achieved that success, in party, by keeping a close eye on a graying population not satisfied with the established model of aging. "If there were a box that we looked to fit things into broadly, that box would be in the aging category," he says.

It helps that the Chromadex ingredients are not only new but based on new science, he adds, particularly action within the cell mitochondria. "Real science is starting to come out that can move the needle on aging," Jaksch says. That makes aging a new game.

"If there were a box that we looked to fit things into broadly, that box would be the aging category."

RUNNER UP (Medium Company)

Research from NBJ and NEXT Trend suggests that consumers are buying products as much for what they don't contain as for what they do. The "free from" trend that first found traction in the food-allergy category has found its way to a broader audience with gluten-free and Non-GMO verified foods. **Enjoy Life Foods** is perfectly positioned to capitalize on such trends with cookies, snacks, and cereals shoppers can eat without worries of peanuts, gluten, eggs, dairy, sulfites and more. That's not just potential. The company enjoyed 41 percent sales growth in 2014, closing a third year of 40-percent-plus growth and making "Inc." magazine's list of the 5,000 fastest-growing companies for the eight consecutive year.

Small Company Growth

Vincent Kitirattragarn attributes much of the success of his Dang toasted coconut chips to his mother's recipe, one shaped on the streets of Bangkok, where she grew up eating food from the Thai capital's ubiquitous street vendors.

"All these roll-outs happened in the last two months, and we've avoided any disasters."

He attributes the rest to a combination of a smart and very lean team and, perhaps most importantly, timing. "If we had waited another year, I think we would have been on the back end of movement toward coconut chips," Kitirattragarn says from his Oakland office.

Regardless of how it all came together, it did so—and in a big way. Dang Chips grew from $1.7 million in sales in 2013 to a projected $4.2 million in 2014.

Much of that came from a move into 600 Kroger stores, as Dang became a prime beneficiary of the chain's stated goal of owning natural and organic in mass grocery. Of course, hitting the shelves in 250 Target stores didn't hurt, either.

While the rapid uptick in distribution tested the young company, Kitirattragarn says his team met the challenge, especially impressive considering the fact that his team consists of three people. The chips are produced by a copacker, but everything else happens in the Oakland office on a bootstrap budget. Dang has no outside investors.

"All these roll-outs happened in the last two months, and we've avoided any disasters," he says. In fact, he says the sudden surge provided a great opportunity "to see how buttoned up you are."

Dang benefited in part from good timing. The boom in coconut water, Kitirattragarn says, helped give coconut chips an aura of health. "Earlier they may been seen as a faddy food," he says. Instead, coconut chips are the fastest-growing category of fruit and veggie chips, a segment that grew at 30 percent last year.

Knowing numbers like that became crucial, Kitirattragarn says. Young companies with new products can't approach chains like Target and Kroger without the statistical bona fides.

"We're using data to tell a sales story, he says. "It's a lot of late nights poring over minutia. But that's something that the big grocery stores really look at.

Kitirattragarn says two new flavors, to be introduced at Expo West, will stick to the best-selling savory category, bringing Dang to seven SKUs from just one in 2012. But the target remains overall growth, and for that, Kitirattragarn says he's looking to one retailer in particular. "Once you have a Costco region, you can really grab a ton of volume."

RUNNER UP (Small Company)

Keith Lauver wants competition. His **Cooksimple** boxed "meal starters" are a sort of healthy update to Hamburger Helper, and he's wary of being the only company sharing shelf space with that iconic brand. "The center of the store has become a bit of a ghetto," says Lauver, who left a career in tech to work for a natural beef company before founding Cooksimple. "We can't be the only one on the shelves in those shadows, or we're going to get robbed."

The shelves are brighter in the Whole Foods Markets that stock Cooksimple. Those stores helped the company hit $1.6 million in sales last year, up 60 percent over 2013. Lauver believes a bigger presence in conventional mass is the logical next step, but he still thinks demand will grow best with more competitors helping to legitimize the segment and get more consumers looking for healthy options. "We have to do better than Manwich for this country," he says.

Sustainability

Aker goes above and beyond for responsible krill harvesting

by Lisa Polito

Though krill has been commercially harvested since the 1960s, it was primarily used for animal feed until research pointed to krill oil as a particularly effective source of Omega-3s. Suddenly, krill—and the methods of harvesting it—caught the attention of the natural & organic industry and, as a result, conservationists worried about how krill harvests might affect whale populations.

AkerBioMarine™

For its tireless efforts to both educate the public about sustainable krill harvests and to work alongside various wildlife and marine conservation NGOs and scientific organizations to preserver, protect, and understand the delicate Antarctic krill fisheries, Aker BioMarine is this year's deserving winner of the NBJ Sustainability Award.

"This can be a model for others to look at and say, 'hey, this is how it can it be done,'" says Todd Norton, general manager at Aker. "This is how commercial interests and conservation interests can work together to truly make the fishery better globally."

Though krill harvests are now only about one-third to one-half what they were at their peak in the 1970s and '80s and account for less than 1 percent of the total biomass available, according to Aker, conservationists became concerned that harvests were depleting food sources for whales and other krill predators and having additional adverse impact through inadvertent by-catching of other species that could harm Antarctic ecosystems. The concerns grew so loud that in 2010, Whole Foods Markets stopped carrying krill products. Many retailers followed suit.

Fast forward to today, and WFM has dropped the krill ban, due largely to the efforts of Aker. Since about 2004, the company has invested in the development of by-catch-avoidance methods like its patent-pending Eco-Harvesting technology that incorporates special net and suction technologies that avoid by-catch. The company settled on by-catch as a primary area of concern after reaching out to the World Wildlife Fund for advice on fishing and sustainability.

In 2010, Aker received Marine Stewardship Council (MSC) certification for its harvesting methods. Still, as critics pointed out, there was room for improvement, especially in terms of filling gaps in scientific knowledge about Antarctic fisheries. To address this, Aker shares its fishing data with scientists, donates the use of its fleet and crews for scientific expeditions, and has volunteered for 100 percent independent observation of its vessels—double the required amount. Additionally, in an effort to increase funding for scientific research, Aker collaborated with the Pew Environment Group to establish the Antarctic Wildlife Fund. With $500,000 in seed money from Aker, the independent organization will spearhead new research in the Antarctic.

"I am very happy and enthusiastic about this," says Rodolfo Werner, a senior advisor with Pew's Global Penguin Conservation Campaign who was initially critical of Aker's MSC certification. "They are doing what they said they were going to be doing, and sometimes they are doing even a bit more."

That includes not just the establishment and maintenance of the Antarctic Wildlife Fund but also the co-founding of the Association of Responsible Krill Harvesting Companies (ARK), an industry group devoted to promoting research and best practices, in conjunction with the Conservation of Antarctic Marine Living Resources, an international organization that manages the krill fishery.

> *"They are doing what they said they were going to be doing, and sometimes they are doing even a bit more."*

These aren't just academic exercises. In 2014, Whole Foods Markets quietly loosened its krill ban. And on January 9 of this year, the Marine Stewardship Council announced in Oslo, Norway, that after an 18-month review, it had recertified Aker's Antarctic fishery for another five years.

"They've set the bar," says Geoff Bolan, MSC regional commercial director. "They're changing the trajectory of the fish oil fisheries. We're seeing salmon, tuna, hake, a whole range of oil products following the direction of what they've done."

RUNNER UP

Crickets have about the same protein density as beef but require far less water than cattle and deliver a bout a 2-to-1 feed-to-protein ratio, versus 25-to-1 for beef. But supply for the nascent insect-product industry in the U.S. has depended largely on bait farms converting parts of their operations over to raising food-grade crickets. **Big Cricket Farms** is the first 100 percent food-grade cricket operation, helping to expand the supply of this sustainable protein source.

Philanthropy

Whole Foods Market's 20 years of conscious capitalism

by Lisa Marshall

What do oysters in New York Harbor, school children in Longmont, Colorado, and maize farmers in Rwanda have in common? Each benefitted significantly in 2014 from a generous, uniquely structured giving strategy that has been part of Whole Foods Marlet's DNA since its infancy.

"Serving and supporting our local and global communities has been a core value for many years," says company co-CEO Walter Robb. "We are grateful to our customers for their support of our business, which helps to enable the many donations we make every day to food banks, shelters and a wide array of non-profit organizations in addition to the charitable work we do through our Whole Planet, Whole Kids, and Whole Cities foundations."

As far back as 1985, when the fledgling, Austin, Texas-based natural foods purveyor drafted its mission statement, it vowed to give 5 percent of after-tax profit to charity. Two decades later, as the company's revenues have shot past $14 billion, it has kept that philanthropic promise even in the face of criticism from some economists who suggested it was giving away too much money.

In addition to donating to community-based nonprofits around the country, the company also covered the operating expenses of its three independent spin-off nonprofits—the Whole Planet Foundation, Whole Cities Foundation, and Whole Kids Foundation—enabling each to use 100 percent of public donations for program support.

Key to the company's charitable giving is a focus on hyper-local causes. Rather than choosing beneficiaries at the corporate level, it enables each of its 400 stores (which collectively draw 7.7 million customers per week) to hold "5 percent days" several times a year, choosing a local cause to receive 5 percent of all proceeds from that day.

On November 19, the fundraiser enabled Colorado Friendship—a nonprofit that provides backpacks full of healthy food for low-income children to take home on the weekend—to raise $17,119 in one day via sales at four Colorado Whole Foods. "That allows us to take on about 75 more children for a full school year," says Liz Friedenson, the program's executive director. "We were very excited."

Across the country, a recent "5 percent day" between seven New York City stores enabled the nonprofit Billion Oyster Project to raise $68,000 to help restore the New York Harbor ecosystem via the planting of long-depleted oysters. The project is run by a marine-biology-focused high school called the New York Harbor School. The money will go to support the school's on-site oyster hatchery, pay staff, and fund boats and scuba gear for students to use to plant oysters on the ocean floor.

"It is a huge amount of money with very little work required on our part," says Samuel Janis, project manager. "As far as charitable donations go, it is a really sweet deal."

Whole Foods also lends a hand in global giving, with its Whole Planet Foundation facilitating $60 million in donor-funded grants for 116 microloan projects in 61 countries. More than 800,000 recipients, most of them female entrepreneurs supporting a family, received microloans for everything from poultry and pig farming to handicrafts businesses.

The company's leaders personally walk their philanthropic talk. In 2009, co-founder John Mackey made headlines when he donated his own pay, totaling $379,636, according to Inc.com, to the animal welfare nonprofit the Global Animal Partnership.

In 2005, Mackey famously took on Nobel Prize-winning economist Milton Friedman in an online debate (still posted on the Whole Foods' blog) about philanthropy. Friedman had long argued that the "one and only one" social responsibility of business is to "increase its profits" and that the job of a CEO is to "help shareholders make more money."

"I strongly disagree," Mackey said during the debate. "I'm a businessman and a free-market libertarian, but I believe that the enlightened corporation should try to create value for all of its constituencies," including customers, employees, suppliers, and the community. He went on to call on corporate America, which at the time was, as Mackey put it, "widely seen as selfish, greedy, and uncaring" to embrace the "new form of capitalism" Whole Foods had laid out.

A decade later, many have heeded that call. In Mackey's recent New York Times bestseller "Conscious Capitalism: Liberating The Heroic Spirit of Business," he tells the stories of numerous companies, including Southwest Airlines and Google, which have embraced a more socially conscious corporate philosophy.

For Whole Foods, the strategy appears to be working on many fronts. In the fourth quarter of 2014, sales were up 9 percent over the previous year, and the company returned $44 million to shareholders.

As Mackey has long suggested, doing the right thing can pay.

RUNNER UP

In 2014, it contributed a million dollars to charity, often focusing on small, bootstrap organizations able to demonstrate that donations go to direct aid, rather than marketing or salaries. Beneficiaries have included autistic adults in the United States, lepers in India, and flood victims in the Balkans. **NOW** has also been a key contributor of free supplements for undernourished children and pregnant women. And the company matches employees' charitable donations 100 percent.

Triple Bottom Line

Teatulia treats Bangladesh community as partner

by Rick Polito

Good intentions and business realities often collide in ways that leave both sides of that ledger in some shade of red. A sustainable supply chain can mean losing on the price point. Winning at scale can mean sawing off the lower rungs on a ladder every worker in the company could be climbing. Balancing ethics with economics becomes the truest test of what has come be known as the "triple bottom line," a rubric in which a company's social, environmental, and financial concerns share equal weight.

Teatulia®
ORGANIC SINGLE GARDEN TEAS

Such corporations and collectives don't just happen. They take hard work and commitment. That's why NBJ chose Teatulia for the first-ever Triple Bottom Line honor in the Business Achievement Awards.

Co-founder Kazi Anis Ahmed's family pieced together the beginnings of Teatulia's single-source Bangladeshi tea garden in 2000. That operation now spreads across 3,000 acres and helps Teatulia stand out in a crowded field of blended teas. It is also at the core of the company's social mission, existing as it does in a region left for desertification by concrete companies that had dug it up, and in a country known devastating poverty.

That's changing. In addition to the employment Teatulia's tea garden generates through cultivation, harvesting, and processing, the B-Corp certified company launched a cow-lending program that rents cows to women and allows them to pay off the cost with milk sales and keep the profits. Some women have been able to acquire several cows. One now employs her husband, who quit his job to work for her cow operation. Teatulia cofounder and CEO Linda Appel Lipsius says she sees "empowerment and pride" when she meets with the women. "They were talking about how they bought land with the proceeds of the cows and how they were sending their children to university," she says. "It was amazing."

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But the cows serve a business mission, as well: The organic tea garden needed organic fertilizer. Cows worked for both the community and the land where Teatulia's teas are grown.

The community receives additional benefits. Literacy classes give women tools to engage in commerce and maintain a better standard of living in the home. A school for young girls provides a link to more hopeful future and a center for community. Teatulia also allows works to grown organic produce on company land, which brings them additional income and keeps the earth green and well tended.

As for the business side of things, though Appel Lipsius claims Teatulia is "still little," she admits that year-over-year growth has tracked at 60 percent for the past five years. A 2014 debut in Target will undoubtedly help.

"It's been a good year," she admits.

Growth like that may be among the few cautions for the company, says Oogie's Snacks COO Darrin Foster, one of many mentors to the Teatulia team. Besides being "a sharp looking brand," standing out as a single-source tea on a shelf of multi-source blends is both a niche opportunity and a hurdle, he explains. "That's great as long as you own that niche and you're able to sustain the volume necessary to grow," Foster says. "I think that supply channel and just matching that up with the demand will be a challenge."

Appel Lipsius believes Teatulia can meet the demand as it expands, just as the company grows the tea garden itself, just as it builds the community that works those gardens, evolving together, she says, to the benefit of every spot in the ledger of the triple bottom line.

RUNNER UP

Like Harmlesss Harvest, **Kuli Kuli** is built from the farmer up. In this case, the farm can be the African wild land, where women in cooperatives gather nutrient-packed leaves of the moringa oleifera tree that eventually wind up in Kuli Kuli's superfood bars and powders. The system brings income to women trapped by poverty and fits precisely with the values founder Lisa Curtis learned in the Peace Corp. And in a post-JOBS Act success story that should inspire other would-be food entrepreneurs, Curtis got 100 percent of her startup capital through crowd-sourcing methods.

Deals of the Year

Global M&A reaches highest levels since 2007; nutrition industry M&A strongest ever

In 2014, M&A returned in a big way as a viable corporate growth strategy. The value of announced global M&A reached $3.5 trillion last year—an increase of approximately 47 percent—marking the strongest level of deal-making since 2007. While a large number of multi-billion-dollar strategic transactions dominated the news, several other key trends emerged, including companies using M&A to lower tax burdens (so-called "tax inversions"), heavy cross-border activity, a robust middle-market M&A landscape, and strong participation from both corporate acquirers and private equity.

A number of factors contributed to this increase, such as continued low interest rates and easy access to debt, strong corporate balance sheets flush with cash, an improving unemployment picture, increasing consumer confidence, and a robust capital markets environment. But these factors have largely been in place for a while now. So what changed? Confidence.

Specifically, it was the confidence derived from a number of years of strong financial performance and broadly improving economic conditions that signaled to management teams and boards of directors that things may have finally turned a corner and that the future outlook is positive. This boost in confidence has, in turn, enabled companies to once again embrace M&A as a viable growth strategy.

Backed by solid fundamentals, and with growth across most all levels of the industry expected to continue, the nutrition industry also experienced the highest levels of M&A activity in years. The Nutrition Business Journal's Top 10 Deals in 2014 accounted for approximately $7.4 billion in total transaction volume, indicating an average transaction size of more $740 million. That figure was somewhat skewed by ADM's $3 billion acquisition of WILD Flavors GmbH. But even excluding the ADM deal, average transaction size is still nearly $500 million. That signals a depth and breadth of M&A activity that the industry has rarely, if ever, experienced.

"We continue to see strong interest across all channels of distribution and up and down the supply chain, and strategic interest remains high," says William Hood, a managing director at Houlihan Lokey who advised on three of the top deals of the year in 2014 and who has been one of the most active M&A advisors in the industry. "What is different this year is that a number of companies that haven't participated in the past have now entered the market, such as Pharmavite, and interest from outside the industry continues to broaden, with companies such as Kroger and Helen of Troy making sizeable acquisitions of nutrition companies."

With those trends in mind, here are our top 10 deals of 2014.

ADM acquires WILD Flavors GmbH

On July 7, Archer-Daniels Midland Company ("ADM") announced its largest acquisition ever, the roughly $3 billion purchase of the Swiss ingredients company WILD Flavors GmbH, one the largest global suppliers of natural ingredients to the food and beverage industries. This transaction ranks as NBJ's top deal of 2014 not only because of size but also because of the transaction's significance in a number of key areas, all of which highlight a number of longer-term trends:

▸ **Diversification away from commodity product and price volatility**: One trend that surfaced long ago but has gained momentum over the past decade is the move of raw materials, minerals, and ingredients suppliers and processors away from the commodity volatility and pricing risk associated with their core commodity products and into lower volatility, higher-value-added products. The acquisition of WILD enables ADM—known primarily as one of the world's largest agricultural processors of products such as corn, soybeans, wheat, cocoa, rice and oilseeds—to make a significant move into the natural ingredients and flavors business, complementing its own specialty ingredients business by adding more than 3,000 customers and roughly $1.2 billion in revenues. The combined specialty ingredients businesses will provide customers with higher-value-added products and solutions that are often much less volatile than commodity-like products and is expected to generate sales of approximately $2.5 billion. That's far short of ADM's stated objective of $10 billion but still a bold move in the right direction.

▸ **Capturing a larger share of profit margin across the value chain**: Another prevalent trend over the past few years has been the migration of companies up the nutrition-industry value chain, not only in an effort to diversify away from the commodity volatility and risk, as noted above but also—and perhaps more importantly—to capture significantly more of the profit margin available to companies across the value chain. By providing higher-value-added products, manufactured/branded products, and complete solutions to customers, companies can often generate profit margins in the mid to high teens. That's significantly more than is typically generated by more commodity-based products, which often have profit margins in the single digits. The addition of WILD's broad portfolio of natural ingredients and flavors, as well as its strength in offering food and beverage companies complete flavor systems, will enable ADM to benefit from the higher profitability associated with these types of products and likely enhance the company's position with key customers through the offering of complete flavor solutions.

▸ **Extending into large, high-growth categories**: The increasing trend of consumers choosing healthier products and lifestyles has generated strong growth

Announce Date	Acquiror	Target	Transaction Value $M
Jul-14	ADM	WILD Flavors GmbH	3,000.0
Jun-14	Treehouse	Flagstone	860.0
Sep-14	General Mills	Annie's	820.0
Apr-14	TPG Capital	Chobani	750.0[1]
Mar-14	Balchem Corporation	SensoryEffects	567.0
June-14	Hormel	CytoSport (Muscle Milk)	450.0
Jul-14	Kroger	Vitacost.com	280.0
Jan-14	CCMP Capital / Stockton Road	Jamieson Laboratories	271.0
Mar-14	KIND Snacks	VMB Partners Minority Stake	220.0
Jun-14	Helen of Troy	Healthy Directions	195.0
Sep-14	WhiteWave	So Delicious Dairy Free	195.0
Dec-14	Pharmavite	FoodState (MegaFood)	195.0

(1) Second-lien loan with warants; converts into minority equity ownership position

within the broader nutrition industry and boosted the size of a number of categories, such as active/sports nutrition and healthy snacks. In order to participate in this category growth, companies have been forced to innovate and acquire. Those that don't see their competitive positions within the industry erode. ADM has embraced this challenge head on by acquiring a leader in natural flavor and ingredient, with strong offerings in natural and organic food products, functional foods, and beverages—categories that have been experiencing and are expected to continue to experience growth rates well above industry averages. The WILD acquisition thus positions ADM to benefit from these growth categories.

The WILD acquisition is in line with ADM's strategic goal to build a world-class specialty-ingredients business and follows the company's formation of its ADM Foods & Ingredients Wellness group in March of 2013, the addition to management of this group and the launch of several organic growth projects. Given the benefits of diversification, higher product and service margins and enhanced growth—and on such a large scale—it is easy to see why this deal tops the NBJ list in 2014.

Treehouse acquires Flagstone Foods

Private label has been a key growth area for many companies. Store brands like Safeway's O Organics, Costco's Kirkland Signature, Kroger's Simple Truth, and Whole Foods' 365 have continued to take share from the giant food companies, and other large retailers, seeing the significant profit potential in private label, have started to enter the category. Healthy snacks is another category experiencing double-digit growth over the past few years. So it came as no surprise when TreeHouse Foods, a leader in the private-label category and one of the most active consolidators in the food industry, announced in June the acquisition of Flagstone Foods for $860 million. The transaction is significant as it enabled TreeHouse to acquire the number-one company in the private label categories of trail mix and dried fruit, adding more than $700 million in revenues in private label and healthy snacks.

General Mills acquires Annie's

In a textbook case of a big food company purchasing one of the fastest-growing brands in natural and organic, General Mills announced in September its $820 million acquisition organic darling Annie's Inc. Likely one of the most visible transactions of the year—and an expensive one by any measure—the announcement put to rest months of speculation over who would be the ultimate buyer of one of the hottest brands to emerge in the past decade. Annie's, most well-known for its healthier version of boxed mac-and-cheese and organic salad dressings, had been on most large food companies radar screen. In 2012, however, the company completed an initial public offering and debuted as an independent public company, backed by robust sales growth, a strong competitive position, and a good pipeline of soon-to-be-launched innovation. Annie's brief stint as a public company was ultimately cut short by the General Mills' purchase, however, as the food giant added another key brand to its Small Planet Foods stable of organic brands, which includes Cascadian Farm, Muir Glen, LARABAR and Food Should Taste Good.

TPG invests in Chobani

Rumors have been circulating for quite some time about the potential timing of a Chobani IPO. And given the size of the company—well over $1 billion in annual sales—as well as the strength of the capital markets last year, one might have guessed that 2014 was the year for the maker of the top-selling Greek yogurt. But a 2014 IPO was not to be. On April 23, Chobani announced that it had secured $750 million in investment from TPG Capital, one of the premier private equity firms in the U.S. The new capital was secured to fund new product growth and to invest in the company's international distribution. It came in the form of a second-lien loan with warrants. Absent any missteps, the sizeable TPG investment will likely be enough capital to get Chobani to an IPO, if it so chooses.

Balchem Corporation acquires SensoryEffects

On March 31, Balchem Corporation announced the $567 million acquisition of Performance Chemicals & Ingredients Company, a privately held supplier of food- and beverage-ingredients systems under the SensoryEffects brand. The acquisition added $260 million in revenues, enabling Balchem to diversify away from chemicals, animal and plant nutrition, and industrial products and further into food and beverage, adding three key segments: flavor, cereal, and powder systems. It will also enable Balchem to benefit from selling fully customized solutions to customers.

Hormel Foods acquires CytoSport

Protein has been one of the hottest categories in recent years, as evidenced by a number of key M&A transactions, including Premier Nutrition, Chobani, Isopure, Wisconsin Specialty Protein, Solbar, Dymatize, Milk Specialties, PowerBar, and many others. What is interesting to note about the protein category is the strong strategic interest in these companies from a wide range of potential buyers. The traditional food and beverage companies are no longer the key purchasers of these assets. Participants from across the food and beverage industry are getting in on the protein feeding frenzy. The cereal-maker Post Holdings was one of the first to enter the category in a big way with purchases of Premier Nutrition, Dymatize, and PowerBar. In July, Hormel Foods also entered the fray, announcing the $450 million acquisition of CytoSport Holdings, the maker of the ready-to-drink protein beverage MuscleMilk. The acquisition was a bit offbeat for Hormel, who is best known for its namesake chili and products like Spam and Dinty Moore beef stew. But it expands the company's product offerings in protein and offers a strong entrée into a significant growth category.

Kroger acquires Vitacost.com

In perhaps one of the year's most interesting transactions, Kroger, known as a leader in conventional grocery, announced the $280 million acquisition of Vitacost.com, an online seller of vitamins, supplements, natural foods, and other health-related products. The deal was small for Kroger, which has annual revenues over $100 billion, but it is significant for the company as it provides the technology expertise and platform Kroger needed to compete with the likes of Amazon, FreshDirect, and other online home-delivery companies and platforms. It appears that Kroger made the decision to purchase an existing platform rather than start its own from scratch.

CCMP acquires Jamieson Laboratories

Following the 2013 landmark acquisition of Atrium Innovations by Permira, January 27 brought another significant Canadian transaction: the purchase of Canada's largest retail vitamins, minerals, and supplements (VMS) brand. After a 92-year history as a privately owned operation, Jamieson Laboratories Ltd. announced the sale of the company to CCMP Capital Advisors, a New York-based private equity firm, for $271 million.

Helen of Troy acquires Healthy Directions

On June 11, Helen of Troy Ltd. announced the $195 million of Healthy Directions. This marked the company's third acquisition in health and wellness over a four-year period but its first major foray into the vitamins, minerals, and supplements industry. The acquisition expands Helen of Troy's revenues by 10 percent and gives it a strong foothold in the attractive and growing direct-to-consumer VMS category.

Of particular note is that Healthy Directions gross profit margin in 2013 was a full 30 percent higher than that of Helen of Troy, likely one of the key attractions in the acquisition.

Whitewave acquires So Delicious

WhiteWave Foods Company, one of the top consolidators in the natural and organic industry, struck again on September 17 when it announced the acquisition of So Delicious Dairy Free for $195 million. So Delicious is a leader in non-dairy, 100 percent plant based, non-GMO foods and beverages and has been around for more than 25 years. This acquisition is a strong complement for WhiteWave's SILK and Alpro brands and will provide the company with an additional brand in plant-based offerings.

Pharmavite acquires FoodState

Pharmavite's acquisition of FoodState fell just outside of our top 10 but certainly deserves an honorable mention. The transaction is significant for a number of reasons. Among them, it marks the first time Pharmavite, one of the largest manufacturers of high-quality vitamins, minerals, and dietary supplements has entered the M&A market with a sizeable transaction—surprising given the company's leading industry position, the continued frothiness of the M&A market, and the fact that its parent, Otsuka Pharmaceutical Co. Ltd., likely has very deep pockets. Additionally, the transaction is significant in that brings increasing credibility to the natura/practitioner channel of distribution and is further proof of concept for whole foods as vitamins.

In acquiring FoodState, Pharmavite will add the MegaFood and Innate Response whole-food supplement brands to its portfolio. The company's Nature Made brand ranks as the number-one Pharmacist-recommended brand across eight key vitamin and supplement segments.

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OTHERS TO WATCH

In addition to the NBJ's Top Deals of 2014, there was a considerable amount of M&A and financing activity across the broader nutrition industry, making 2014 one of the strongest years ever. Post Holdings, Omega Protein and Snyder's-Lance continued their transformations toward healthier offerings with the acquisitions of PowerBar ($150 million), Bioriginal ($73 million) and Late July Organic Snacks (increased investment), respectively. Additionally, a number of key brands were acquired, including Rudi's Organic Bakery, which was bought by Hain Celestial for $61 million; Nature's Best, which was acquired by KeHe Distributors for an undisclosed amount; Van's Natural Foods, which was gobbled up by Hillshire Farms for $165 million; and Isopure Company, which was purchased by Glanbia for approximately $153 million.

Saving meat from itself

Q&A

with Patrick Martins, author of *The Carnivore's Manifesto*

A founder of Slow Food USA, Patrick Martins started Brooklyn-based Heritage Foods USA to provide high-quality, humanely raised meat. In the Carnivore's Manifesto, he and co-author Mike Edison explain how consumers can shift their shopping and eating habits to bring change to the meat industry. They should eat less of it, Martin says, and care more about where it came from.

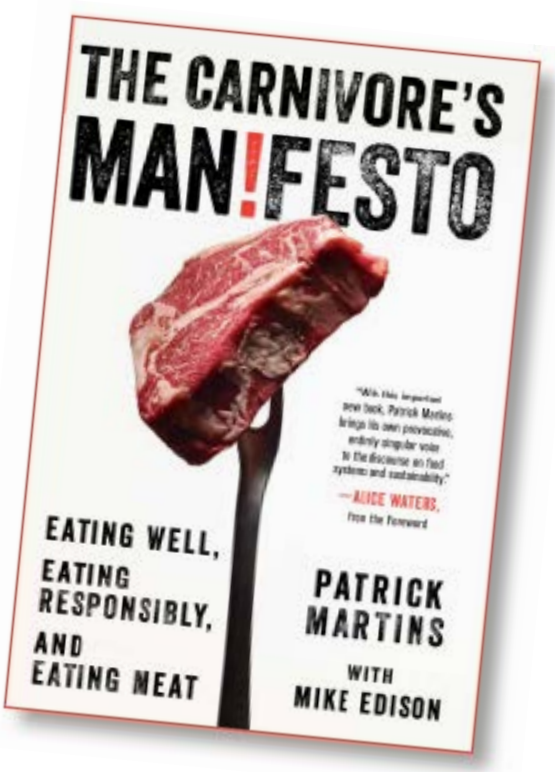
nbj: What can people who want to give up meat—or who already have—get from your book?
Martins: For the people who want to give up meat for whatever reason, health, environmental, that's fine. We're not trying to launch a campaign for people to eat meat or reconvert from vegetarianism or to start raising more animals. Our argument is that of the 12 billion livestock animals that are processed each year in the United States, 10 to 12 billion need to be treated better. Those animals are being asked to suffer and then die to feed us, and we're trying to make an argument for the steering of that ship towards a more humane system.

nbj: What about the people who say the resources required are too great for meat and that we should all be eating something else?
Martins: I think that's an academic question. Eating meat is just a reality, for millions of Americans especially. We let those people debate all they want. Meanwhile, we tried to draw up a roadmap for the majority of Americans who don't really have those types of discussions on a daily basis. Meat will continue to be eaten in this country. So we want a more humane system where those animals are given more space, where they're not given antibiotics, and where they come from sound genetics.

nbj: What should people look for when they're buying meat?
Martins: I think that a little bit of research is always necessary and worthwhile, especially when it comes to meats. I think where you buy it is probably the biggest thing—what restaurants you go to and what butchers you support. I do think labels matter. For me, raised on pasture is number one. Antibiotic free is number two. And the third is heritage genetics. One of the chapters in *Carnivore's Manifesto* is "Survival of the Fattest." Corporations push for fast growth, and they basically create what is an unnatural animal that suffers because of its fat genetics. Its cardiovascular, respiratory, and muscle systems can't keep up with its fast growth. It's up to the person to try to find that out, wherever they are, whether they're lucky and they live in a place like San Francisco, or whether they have access to a FedEx truck and then they can do mail order.

nbj: Give us an example of inhumane breeding.
Martins: All of Perdue's chickens, all of Smithfield's pigs, all of the big meat distributors. One of the things we say is, "Don't buy meat from a publicly traded company." We know that's a very hard rule to live by, and we don't expect anyone to convert 100 percent overnight. But it's about making the correct choices whenever possible.

nbj: Is the locavore movement doing anything for sustainability and humanely raise meat?
Martins: Yes, absolutely. People are critical of the locavore movement, and I think that is wrong. I think all good movements with their heart in the right place start somewhere and cannot be expected to have the answers to all questions early on. It's a very young movement, so it should be given a lot of the benefit of the doubt. Its greatest challenge is to arrive at the gastronomic heights of the best of the best, and that takes time. The instinct to want to support your local cheese maker is a good one, but then that cheese maker has to be producing the best of its kind. I also think that the locavore movement has to deliver and service consumers and wholesale accounts, just like Sysco. It can't hold itself to different standards than what people expect.



nbj: In that group, who is missing the mark?
Martins: Grass fed beef producers have that challenge. The concept is there and everyone agrees with it; now their challenge is for it to taste just as good as the steakhouse steak. And certain people are achieving that. They're starting to breed for that and figure out ways that are natural and grass-based that can lead to that kind of marbling and things like that. You have to be the best of the best. You can't be the best of the worst.

nbj: Do you see a tipping point when the mainstream would become more conscious of where they get their meat?
Martins: The tipping point is happening as we speak, thanks to chefs, food magazines, food television, and great restaurants popping up everywhere, and the rise of food trucks. I think that's all like a kind of whirlpool of energy. It makes sense that professionals—chefs—are the ones leading the way. It was chefs that started my business, Heritage Foods. Chefs were the great funders and supporters of Green Market here in New York. They're the ones driving it.

nbj: Should we be eating less meat then?
Martins: Yes. I absolutely think the meat should cost more and people should eat less of it. To argue differently is either to not care about the animals or to not care about the people who are eating the bad meat. A lot of people say, "Oh, well, how can a poor person be expected to pay $9 a pound for hamburger meat?" Why would you tell a poor person to eat an unhealthy hamburger? That's why less meat should be produced. It should be more expensive, and it should be healthier.

nbj: Are consumers misled about humane and sustainably raised meat?
Martins: Absolutely. I don't think we live in the day anymore where you can just blindly trust that something was raised the right way. You have to question. Go to a trusted butcher and they should be able to tell you all about the genetics. You find out by the breed name, whether there were antibiotics used, if it was pasture raised. Then you should always buy from that same place so that you help keep that farmer in business—not just on Christmas Eve with the roast, but throughout the year.

nbj: Does the new California egg law go far enough?
Martins: I think anything is a step in the right direction. Sometimes I think people who have their heart in the right direction end up infighting or wanting more. And sometimes it's important to slow down and appreciate that we live in a country where steps like this can be taken and the people have some power to make change. I think it's a great step. I wish all 50 states did what they did.

nbj: We have written about a slaughterhouse shortage for small farmers. What kind of change is needed?
Martins: More investors need to look at slaughterhouses and food hubs as worthwhile investments, and people need to see that work as honorable and interesting. I think as demand grows more people will see potential in that business plan.

nbj: Is the slow food movement making headway in mainstream America?
Martins: I think so. You almost don't have to define it. You don't have to write it in uppercase anymore. They get it. That's a huge achievement.

nbj: Do you see anything changing across the generations in attitude towards meat?
Martins: I think millennials eat a lot less meat. The days of the 28-ounce porterhouse chop are over. I have a bunch of young kids over and I'm like, "Everybody gets their own 18-ounce steak." They'll say, "What? I don't need that, dude. Just cut me off like a little piece of it." I do think that's a big change. I also see millennials being much more creative in the way they get a little bit of meat to feed more people. People are cooking Ethiopian food, and goat leg, and Argentinian molé so it also makes the meat that they eat a lot tastier and interesting.

nbj: Where do you see the meat-substitute category headed?
Martins: I say no good thing comes from doing the opposite of something else. The best approach for people who don't want to eat meat is to eat foods in the way that the great [vegetarian] cultures have done it. India, the Middle East, those are traditionally non-meat recipes, so for someone to say, "We created ham that tastes just like a ham but it's not," I say "Well, the chances of that tasting delicious are low. "
nbj: We are seeing companies that produce vegan and vegetarian products dropping those terms in favor of just saying "plant based." What do you think is going on?
Martins: I guess what happened is that they put a little too much energy into being against something as opposed to for something. I think the vegetarians learned that the best approach is not trying to get people to stop eating meat; it's about getting them to enjoy other things and to eat less meat, and to be concerned about humane animal raising. Those are good battles for the vegetarians. If a movement is vilifying the majority of the world, it's going to lead people to not even use the words "vegetarian" or "vegan." They were fighting for the right thing, but they weren't going about it in the right way.

nbj: What is your take on the edible insects movement?
Martins: It's very interesting. One of the most limitless food supplies in the world is anchovies that come out of the Antarctic. Of course the academics are like, "Wow, wouldn't it be great if China, or poor people, could eat these anchovies and enjoy them? It would be the cheapest and most abundant food source in the history of the world." I think the insect movement has that a little bit too. It's like, "If only..."

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