



Marketing Environment 2015

Trends & Outlook in the Nutritional Marketplace



*the***WrightGroup**[™]

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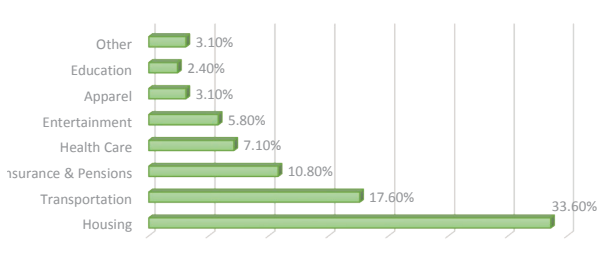
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ECONOMY

GDP GROWTH WAS ESTIMATED TO BE ~ +2.7% IN 2014 AND IS EXPECTED TO HIT 2.5% IN 2015. THE FIRST Q WAS ADVERSELY AFFECTED BY THE WEST COAST DOCK STRIKE, LOWER ENERGY PRICES, THE STRONG DOLLAR AND OTHER FACTORS, COMING IN AT -0.7% DECLINE. THE MARCH TRADE DEFICIT BALLOONED 43.1% TO \$51.37B AS EXPORTS LAGGED AND IMPORTS SURGED, THE LARGEST GAP IN ALMOST 20 YEARS.

- Global growth may approach 3.7%, about one third of this coming from China.
- The U.S. now represents 16.5% of the world economy based on purchase power parity; China is second at 15.8%. On a per capita basis, the U.S. is 4.5X this amount.
- The average American household spends only 12.9% of income on food, 7.8% for food consumed at home. Other consumer spending:



- The pace of change in the U.S economy is amazing. About 70% of the 2015 Fortune 1000 companies were not on the list in 2003. It is said the key to successful forecasting is to forecast constantly!
- Unemployment increased slightly to 5.5% in May as less discouraged job seekers entered the workforce. It may hit 4.9-5.1% by year-end. We now have more U.S. workers on disability than in manufacturing jobs!
- This tightening in labor markets lends support for calls to increase minimum wages to \$10-15/hr. which could have two potential effects; a return to higher inflation and/or a sharp increase in consumer spending and increased economic growth.
- The job market has shifted to more temporary workers (~2.5% of the work force) and part-time workers, driven in large part by continuing economic uncertainty and the cost of employee health care.
- U.S. household net worth is at \$82.9 TR, the highest level ever due in large part to some recovery in home values as well as over 30% increases in the equity markets in 2013-4 which are continuing so far this year.
- Median household income was at \$55,417 in 2014, up 3.3% from 2013.
- U.S. government debt is at ~\$18.4 TR. This is slightly more than 100% of GDP. Japan, China, Greece and Italy are even worse at 220%, 200%, 170% and 130% respectively.

- The Dow Jones hit a record high of 18,288 and the S&P 500 crossed 2,100 for the first time. The tech-heavy NASDAQ hit an all-time high of 5,042 in May.
- Consumer spending remains weak despite the estimated \$1,100 per family annual windfall from falling gasoline and heating oil prices. People are saving more and Millennials in particular are strapped for cash due to student loan balances approaching \$1.2 TR, well in excess of credit card debt. They are also starting to form their own households, however, which will drive the housing and durable goods markets for years to come.
- Americans spend \$1.4TR on food, 40% outside the home. Sales of affordable indulgences, like nutrition bars, actually rise during recessions.
- The ISM Purchasing Manager's Index was 52.8 in May. Any number over 50 denotes expansion, but this is pretty marginal. Still, it represents the 29th straight month of index growth.
- Student loan debt, at \$1.2TR is up 361% since 2003 and well in excess of credit card debt (\$659B, down 4.2%). Millennials own the bulk of this debt, which limits their current consumption patterns.
- Despite QE 3, inflation remains tame at ~2.0% in the U.S. Capacity utilization is running at 79% which leaves plenty of slack in the system.
- The dollar has strengthened significantly in the past year, up 29% and 14% respectively against the Euro and Yen. It will weigh on GDP growth somewhat due to increasing export prices, but on balance will be good for the U.S economy.
- Meat prices are up and corn prices have declined ~55% from \$8/bu in 2012 to ~\$3.60/bu in June 2015 due to a record harvest and less corn going to ethanol due to the decline in oil prices. These better feeding margins have put demand pressure on certain vitamins, amino acids and other nutrients. Animal feed represents the largest share of demand for most nutrients.
- Chinese GDP growth will slow to 6.8% in 2015 according to the IMF, the lowest rate in 25 years, and now has higher inflation risk due to \$4.0 TR in foreign reserves. The Chinese economy grew at an average of 10% annually for 33 years prior to this year. No other country has ever accomplished this.

“Global Growth May Approach 3.7%, About One Third Of This Coming From China.”



- The Chinese yuan hit a recent high of 6.04/\$ but has since settled closer to 6.20/\$. Chinese exports have been hurt as a result, and has added to price pressures on vitamins and other nutraceutical ingredients.
- Chinese wages have increased 6-fold since 1997, about 10 times more than in the U.S. China is not so cheap as a manufacturing base anymore in comparison to India and other Asian and African countries. We are also seeing more labor unrest there.
- China is also getting more environmentally aware as it matures, which has caused some supply disruptions due to plant shutdowns. Folic acid and biotin have been most adversely affected, but any chemical plant is subject to government action to limit effluents.
- China is also moving up-market by offering branded products (Lenovo, Haier, and Alibaba) in some product categories, which will enable higher prices and profits in the years ahead.
- The U.S. Fed Funds rate target remains at 0.0-0.25 % and may stay low through 2015. The current yield on the 10-Year Treasury note is around 1.96% but lending for mortgages and consumer spending remains sluggish.
- Corporations are reluctant to commit capital investment dollars or hire full time workers as long as so much uncertainty hangs over the economy. The gridlock in Congress does not help.
- The Fed has tapered its QE debt load in the face of a slowly improving economy but remains committed to growth and increasingly employment. The new Fed chief, Janet Yellen, seems to be a dove in this respect similar to her most recent predecessors.
- Europe remains a big question mark with very high unemployment and very slow GDP growth. Germany remains the main engine of European growth, with current interest rates negative at -0.02%.
- Gold price is at ~\$1,186 and is relatively stable in the face of economic and international political uncertainty in Eastern Europe as Vladimir Putin tries to put the old Soviet Union back together starting with Crimea and Eastern Ukraine.
- Crude oil prices had fallen precipitously to below \$45/bbl and have since stabilized at ~\$61/bbl. They may be headed further downward in the medium term, however.
- The U.S. produced more oil in 2013 than it imported for the first time since 1988 and has become the largest global producer in 2015. OPEC would like to see frackers exit the market, so they have not cut back on supplies.
- The question of wealth distribution has been in the news and could become an explosive political issue in the upcoming election. The top 1% of households now controls 35% of U.S. wealth, more than the bottom 90% combined. The top 5% of earners drive 38% of domestic consumption, up from 28% in 2005. It is hard to generate much true economic growth this way with so many consumers under financial constraints.
- Recent moves to increase the minimum wage has significant support and may be the key to resurrecting consumer spending which is 70% of U.S. GDP. Henry Ford doubled his workers' wages in the 1920's so that they could afford to buy the cars they were building. It turned out to be a brilliant move.
- The 85 richest people on Earth have a net worth equal to the poorest half of the total world population of 7.26 B people. This is not sustainable.

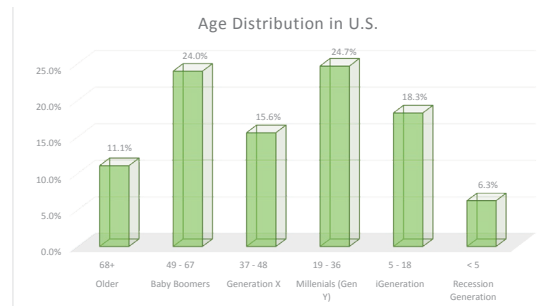
DEMOGRAPHICS / PSYCHOGRAPHICS

THE U.N. PROJECTS GLOBAL POPULATION TO BE 9.1 B IN 2050. AS ARABLE LAND AND WATER RESOURCES BECOME HARDER TO FIND, IT WILL BE NECESSARY TO CONSIDER GMO CROPS AND OTHER

TECHNOLOGICAL SOLUTIONS. FAO IS PREDICTING A 70% INCREASE IN FOOD DEMAND BY 2050.

- It is believed by some experts that the first person to live to 150 years old may be alive today. This aging phenomenon and the growth of the very old population will continue to be a major driver of the health care and nutrition meta-industries. Quality of life will remain a major issue.
- There will be 139MM babies born in 2015, about half in Asia. Global consumer spending is set to increase by 3%, the number of global households will exceed 2 B for the first time ever and the average global age will be 30, also for the first time.
- 64% of Americans own smartphones, 85% in the 18-29 age group. They replace other devices and make mobile ads and social networks more important in marketing.
- The average 48 year old has held 11.7 jobs so far in their careers.
- The sheer volume of health related information available on the internet is making health claims less necessary than in the past.
- Consumers have become more bi-polar in their preferences:
 - Real sugar vs. artificial sweeteners.
 - Organic, non-GMO, fair trade, gluten-free vs. low price, high salt, high fat, etc.
 - Taste, convenience, shelf life and portability remain important.
- By 2025, 45% of the U.S. population will be over 50 years of age and will own over 65% of aggregate household wealth.

- The current age distribution in the U.S.:



- The ethnic makeup continues to change dramatically with implications for many of the markets we serve. Net population growth between 2010 and 2050 is projected to be:

Caucasian (non-Hispanic)	1%
African American	56%
Asian	142%
Hispanic	167%
<hr/>	
Overall	42%

- Biology has been delinked from chronology. The over-85 population is the fastest growing segment of the U.S. population and they do not behave as you might expect, which has major implications for the food, beverage, supplement and cosmeceutical industries. They are brand loyal, have high disposable incomes, are more concerned about health than the average person, more likely to live alone and try to avoid drugs wherever possible. It is a dream segment for our industry.
- Hispanics, in particular, are seen to be a major opportunity for supplement marketers. They are the fastest growing ethnic group in the U.S. and tend to have larger families.

“64% of Americans own smartphones, 85% in the 18-29 age group...”





MILLENNIALS

MILLENNIALS, BORN 1978-1995 AND AGED 20-37 IN 2015, ARE

76 MM STRONG (25% OF U.S. POPULATION), SLIGHTLY LARGER THAN THE BABY BOOMERS, WHO HAVE STARTED TO DIE OFF. THE LARGEST U.S. POPULATION GROUP IS 25 YEAR OLDS, AT 4.7 MM. 26 AND 24 ARE SECOND AND THIRD RESPECTIVELY.

- They continue to suffer from high unemployment and huge college debt, which now exceeds total credit card debt at \$1.2 TR. Moving back with Mom and Dad has contributed to a societal trend called “extended adolescence” or less kindly, “permachildren”.
- More conscious of “green” products, locally produced foods, artisanal products, organics and fair trade and are willing to pay a premium for it.
- They deeply distrust Big Food, Big Pharma and Big Everything Else.
- Their purchasing behavior is somewhat bipolar. They are very brand loyal to brands sharing their values, but are also prone to use mass merchandisers and try private labels as well in some categories. They tend to trade up for certain categories and down for others, whereas Baby Boomers and other older generations are more brand-loyal.
- According to IRI, Millennials accounted for 89% of the growth in snack foods in 2014. They increasingly view snacks as mini-meals and consume an average of 3.05 per day, twice the rate of Baby Boomers. They are willing to pay more for quality and 70% demand more healthy snacks.
- Their dollar share of consumer packaged goods sales are slated to increase from 17% in 2014 to 29% by 2020, according to IRI.
- Millennials are very hard to reach via traditional media. Online, social and mobile technologies are their native languages, unlike the Boomers and even Gen Xers. They must be reached and better yet, engaged, in new and innovative ways. Conversation, honesty, transparency and story-telling, not persuasion per se. The creation of a “sense of community” around a company, product or service has become much more important in targeting.
- It is said that this Millennial generation is the U.S.’s “ace in the hole” in terms of economic support for retired Baby Boomers. Neither Japan nor Europe has this demographic bulge to count on for their aging populations. The U.S. will also be increasingly open to immigration if Washington is smart!

“Online, social & mobile technologies are their native languages, unlike the Boomers and even Gen Xers. They must be reached and better yet, engaged, in new and innovative ways.”



HEALTHCARE

U.S. HEALTH CARE EXPENDITURES IN 2015 ARE ESTIMATED TO BE

~\$3.2 TR, WHICH IS ~19% OF GDP. THE GOVERNMENT PAYS FOR MORE THAN HALF. THIS IS ~ \$101,471 PER SECOND. FROST & SULLIVAN PROJECTS GLOBAL EXPENDITURES OF \$10.8 TR BY 2020, UP 77% FROM 2010.

- The rate of growth has declined to 1% annually, in line with other developed nations, but we spend ~\$10,000 per capita vs. \$3,796 in Canada. Something has to give!
- The vast majority of all healthcare dollars go to treating longer term chronic illnesses, which will certainly increase as the population ages. Only 3% is spent on disease prevention.
- The silver lining for the nutrition industry is the fact that high deductibles/co-pays, higher generic drug costs, higher insurance premiums and greater uncertainty under the Affordable Care Act will encourage consumers to focus more on health maintenance.
- Prevention and prediction offer the best hope for cost control. Still, FDA, FTC, States Attorneys General and other government regulators such as EFSA in Europe remain negative and even antagonistic about the roles of functional foods and dietary supplements in the diet, even where science is compelling if not conclusive. It really should be a consumer freedom of choice issue.
- Chronic diseases of aging start in middle age or even earlier. The rise of diabetes and hypertension in pre-teens is alarming. These conditions are long duration and slow progression and become very expensive over time.
- The fact is that the U.S. healthcare system is very good at treating acute medical conditions, but pretty weak in dealing with chronic conditions, prevention and prediction. The hidden plus in this crisis is the fact that we are creating more proactive healthcare consumers which will benefit the dietary supplement and functional food/ beverage industries longer term.

**“HIGH DEDUCTIBLES,
HIGHER INSURANCE
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HEALTHIER HABITS”**



FUNCTIONAL FOODS

DESPITE 80% PRODUCT FAILURE RATES. CHANNELS ARE BECOMING MORE MAINSTREAM.

ACCORDING TO NBJ, U.S. SALES GREW 7% TO \$47 B IN 2013. WE ANTICIPATE SIMILAR GROWTH IN 2014 TO ~\$50 B. BEVERAGES ARE 63% OF THIS TOTAL. THIS SECTOR IS NOW 37% LARGER THAN DIETARY SUPPLEMENTS. THE CATEGORY CONTINUES TO GROW ON BALANCE

- Globally, the functional food/beverage market is expected to hit \$180-207 B by 2017. Some analysts put this figure at \$270 B in 2014, depending on what is counted as “functional”. It is now about 5-7% of the overall food industry.
 - The infant formula industry is now ~\$40B globally with China at \$15.5B vs. \$5.0B in the U.S.
 - Functional foods average 25% profit margins, much better than conventional foods. They are also growing faster as health messages resonate with their target consumers. It is felt that 25-34 year olds will be the main drivers of this market for the next few years.
 - The use of the word “natural” has become a P.R. and regulatory minefield. Also, just because something is natural does not necessarily make it healthy. Organic, non-GMO and gluten-free remain major topics among functional food consumers.
 - Non-GMO, in particular, has become a more serious concern in the U.S. where consumers are getting more focused on “clean” labels, food safety considerations, supply chain transparency, carbon footprint and simple ingredient listings.
 - Sales of organic foods hit \$39.1B in 2014, up 11.3%. GMI’s repositioning of Cheerios, and Post’s Grape Nuts have not gone so well and the product may actually be perceived as less nutritious because of the GMO vitamins taken out to justify the non-GMO label claim.
 - Choices will have to be made between non-GMO and organic positioning and nutritional completeness. Many vitamins and nutrients are made by fermentation or extraction processes from GMO crops such as soy include amino acids, ascorbic acid, riboflavin, B-12, Q-10, beta-carotene, lycopene, natural vitamin E.
 - The gluten-free market is expected to reach \$15 B in 2015 and seems to be a trend with staying power, although some products claiming to be gluten-free do not naturally pose a risk of containing it. Counting these questionable products,
- Nielsen puts the market at \$24B according to a recent WSJ article. Think “gluten-free” drinking water! Some analysts are predicting growth of 60% by 2018.
- The “real” gluten-free market may be closer to \$9B. It is an easy health claim to make in a regulatory environment where claims are becoming more difficult. It is believed that celiacs only represent 7% of the consumption of gluten-free foods.
 - Vegetarians, in particular, are consuming protein-based sports nutrition products as they seek to optimize nutrition. Many Millennials consume energy drinks and protein bars at breakfast rather than coffee, tea or breakfast cereals.



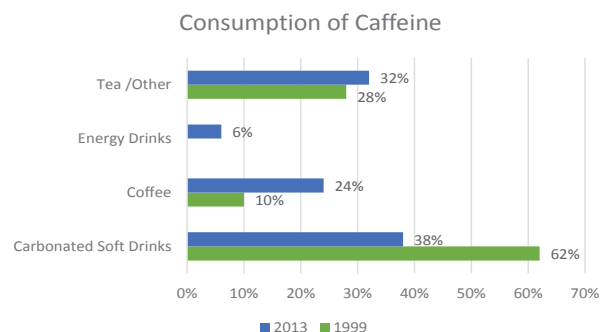
“Globally, the functional food/beverage market is expected to hit \$180-207 billion by 2017.”

FUNCTIONAL BEVERAGES

CARBONATED SOFT DRINKS CONTINUE TO LOSE SHARE TO JUST ABOUT EVERY OTHER FORM OF BEVERAGE AND COULD DECLINE BY 15-20% OVERALL BY 2020. DIET DRINKS ARE ESPECIALLY VULNERABLE. COKE AND PEPSI ARE MOST VULNERABLE TO THIS AND

INNOVATION HAS BECOME A STRATEGIC PRIORITY MORE THAN EVER. STILL, OVERALL SOFT DRINK SALES GREW 3.3% IN 2014 TO \$867.4B AND THE TWO GIANTS CONTROL MOST OF IT.

- Coke has filed a patent for a micro-organism, propionibacterium freudenreichii CH-15460, able to naturally ferment B12, vitamin K, biotin and folate in situ.
- U.S functional beverage sales were \$25.2B in 2013 and may reach \$38.5B by 2017. Line extensions by the major players makes it increasingly difficult to find niches of sufficient size. White space is becoming a scarce commodity.
- Calming and relaxing beverages will probably grow in our over-caffeinated, stressed society. Could be some white space here.
- Heart health, gut health and cognitive health are thought to be the largest condition-specific markets for functional beverages. All are tied to chronic diseases of aging.
- The sports drink market has fragmented into various need states such as muscle building, strength & endurance, hydration, lean definition and recovery. This is classic market behavior as industry segments mature and growth slows. Sports nutrition products overall have migrated out of the gym and into the mainstream. They are not just for elite athletes anymore. 36% of U.S. adults consume sports drinks.
- The \$13.5B energy drinks market has grown 60% since 2008 and is expected to be \$21.5 B by 2017. Monster, Red Bull, Dr. Pepper/Snapple and Rockstar represent 87% of sales.
- The energy shot market actually declined slightly in 2014 from \$1.65 B to \$1.5 B. Five Hour Energy is estimated to be about 90% of this. Water-enhancers, such as MiO, on the other hand, continue to grow.
- About 60% of energy drink consumers are concerned about safety, particularly in adolescents. Non-caffeine sources of energy such as l-carnitine, d-ribose, taurine, APC, several B-vitamins, ginseng and other botanicals are growing significantly.
- Protein has become a major trend even in non-dairy-based beverages. A company, Protein 2O, has introduced a protein enhanced water. 63% of consumers in a recent Mintel survey look for protein content on labels.
- Plant waters from coconut, maple and birch trees have become an emerging category and may hit \$2B in sales by 2025. They benefit from being healthy, naturally sweet and sustainable. They can be positioned as having no added sugar as beverages come under increasing fire as a major cause of obesity. Other new “water” products are from cactus, artichoke, rose, bamboo and turmeric.
- Caffeine has become controversial, but U.S consumption overall has not changed. There have been big shifts, however, according to the Centers for Disease Control:



- Beverages are a good system for functional ingredients since flavoring/sweetening systems can often mask unpleasant tastes from functional ingredients. This becomes more important as beverage systems become more complex. Value-added ingredients work better since they are not subject to cooking or mechanical stress as in food production. Consumers are also more likely to try new ingredients in beverages than they are in foods.



NUTRITION BARS & HEALTHY SNACKS

NUTRITIONAL BARS ARE NOW A \$6.6B CATEGORY GROWING AT 6.4%. SNACK AND CEREAL BARS ACCOUNT FOR \$3.3B, WITH NUTRITIONAL/HEALTH BARS AT \$2.2B. SPECIALTY AND CONDITION-SPECIFIC BARS ARE \$1.1B

- They are the perfect food concept for Millennials and Boomers alike, being tasty, nutritionally dense, omnipresent in channels, value-priced, portion controlled, transportable, etc. They also are compatible with all “day-parts”, unlike other snacks.
- With the worldwide snack market at \$335 B, there is a lot of upside potential for bars. In marketing snacks, guilt reduction is a key objective. Nutritionally complete products would seem to have a big advantage here. Mars and Hershey’s have launched new initiatives in this regard, focusing on the inherently healthy nature of cocoa flavanols. Mars has named a new Chief Health & Wellness Officer.
- In many cases, bars have become not just between meal snacks, but meal replacements. Nielsen reports that 45% of consumers see bars this way, at least occasionally. As formal sit-down dining becomes less the norm, products such as bars, shakes, yogurt, jerky, etc. takes its place.
- Breakfast is extremely important as a consumption occasion, but nutrition bars have the advantage of serving any “day-part” unlike some foods and snacks.
- In 2014, it is estimated that 97% of new product introductions in this category had a health and wellness positioning. Even Snickers is trying to do this.
- New growth has been seen in savory products with higher protein content and exotic spice blends. Jerky is also being positioned as high protein alternatives to snack bars.
- There is an emerging segment in alternative nutritional delivery formats for Boomers with “pill fatigue” as they age and begin to take more medications. Bars could be a big factor in this segment along with gummies, chews, shots and similar food-like product forms.
- There is dramatic convergence occurring in the pharmaceutical, cosmeceuticals, dietary supplement, food and beverage segments. Where does one industry end and the other begin? It is really becoming one big meta-industry.
- Post Foods acquired Power Bar and Musashi brands from Nestle. Added to Dymatize, Premier Nutrition and Joint Juice, it will be the core of their Active Nutrition Group with revenues of \$550 MM.
- Convenience and health is a powerful dual positioning for both Baby Boomers and Millennials:
 - Boomers look for condition specificity and tend to be more conservative on flavors.
 - Millennials look for wholesomeness and not necessarily specific ingredients.
- As this category develops and matures, market segmentation becomes more important. Potential bases or combinations are:
 - Gender
 - Condition specificity (e.g. diabetes, heart health)
 - Non-GMO, organic
 - Fair trade
 - Fortified, nutritionally dense
 - Natural, clean label
 - Consumption occasion
 - Gluten-free
 - Sugar-free
 - High protein
 - Energy enhancing
 - Recovery promoting
 - Age
- In summary, meal replacement, pill replacement and protein supplementation are three big areas of opportunity for bars.
- Weight loss and satiety are also very promising.

“Nutritional snack bars are now a \$6B category growing at 6.4%”



SUPPLEMENT INDUSTRY

WE ESTIMATE THE DIETARY SUPPLEMENT INDUSTRY GREW 5% IN 2014 TO ~\$37 B, DOWN FROM THE 7% PACE OF RECENT YEARS. FISH OIL SALES ARE MAINLY RESPONSIBLE FOR THIS SLOWER GROWTH.

- Severe winter weather and new exotic viruses like MERS, Ebola, MRSA, etc. have focused attention on immunity. Probiotics is now a \$31B business at retail, counting the food and beverage industries which account for 90% of usage.
- Fish oil sales stalled in 2014, partly because of El Nino hitting the Peruvian anchovy industry hard. It is said trees do not grow to the sky. Still, it has become a \$35B business at retail counting foods and beverages.
- Probiotics and vitamin D were once again standouts in 2014, driven by a constant flood of positive science and media attention. These increases in consumption have been accomplished without using FDA-approved health claims.
- It is estimated that 68% of the U.S. adult population takes supplements. Consumers 55 and up are higher at 75%. These numbers have been consistent for three years. About 75% of users take a multivitamin. Younger consumers are showing a tendency toward more food and beverage-like products and novel dosage forms, but 62% of Millennials and 66% of Gen-Xers take supplements.
- Supplement usage also continues to skew toward more education, higher income, and female.
- The dynamics driving the supplement industry have rarely been as strong as they are today from an economic and demographic standpoint. The regulatory environment is problematic, however, 21 years since the passage of DSHEA. Industry growth over the next several years will largely be a function of regulatory pressure. As healthcare costs spiral out of control, it is hard to believe that governments will remain so negative toward products that focus on prevention issues, which is the only real hope of controlling costs longer term.
- There is an unfortunate tendency to classify fly-by-night counterfeit drug operations spiking sports products as supplement manufacturers by an ill-informed media and regulatory infrastructure.

- When prevailing opinions are positive, negatives are seen as newsworthy. The media has been swinging negative lately but it seems to have less impact than in the past. Consumers feel confident in what they are consuming and tend to distrust “experts” who are largely out of sync with these opinions.

CRN reports in a recent survey that the main rationales for consumers taking supplements are as follows:

- **General health & wellness** 54%
- **Fill nutrient gaps** 29%
- **Bone health** 25%
- **Immune health** 25%
- **Healthy aging** 24%
- **Energy** 22%
- **Heart health** 22%
- **Joint health** 17%
- **Reduce serious illness risk** 17%

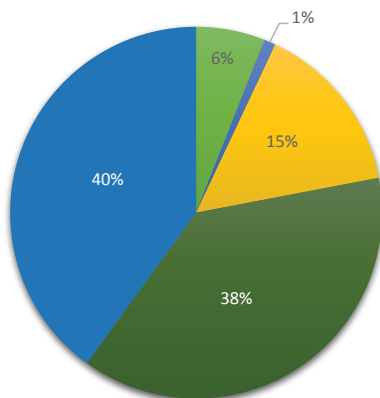


COSMECEUTICALS

COSMECEUTICALS OR "BEAUTY FROM WITHIN" SUPPLEMENTS ARE INGESTED RATHER COSMETICS THAT ARE APPLIED TOPICALLY.

- NBJ estimates the overall "Nutri-Beauty" market to be \$18.4B growing at 8% per year. It's components are:
- NBJ puts the ingestibles market at \$1.2 B in 2013, up 9.4% from the previous year. \$730MM is supplements for hair, skin and nails and \$360 are considered anti-aging supplements.
- Expect growth to \$1.4B by 2015 in the U.S., but Japan is larger by comparison at ~\$1.7B which represents 11.3% of their dietary supplement market vs. 4% in the U.S.
- Overall global demand will be \$8.5B by 2015, according to Freedonia study. Two-thirds is skin care.
- Main products are antioxidants, vitamin E, panthenol, collagen, coenzyme Q-10, alpha lipoic acid and hyaluronic acid salts.
- Main market factors are L'Oreal, NuSkin, and Swisse Wellness.
- Air pollution and other concerns are driving demand in China and Japan especially.

"Nutri-Beauty" Market



- Supplements
- Functional Ingredients
- National Organic Personal Care
- Food/ Beverage
- HBCs with functional ingredients



ANIMAL FEED MARKETS

CARBONATED SOFT DRINKS CONTINUE TO LOSE SHARE TO JUST ABOUT EVERY OTHER FORM OF BEVERAGE AND COULD DECLINE BY 15-20% OVERALL BY 2020. DIET DRINKS ARE ESPECIALLY VULNERABLE.

- Competition for corn as a biofuel has lessened as fracking becomes more productive and widespread.
- As a result, feed prices have come down as the prices of corn and soy have declined in recent months, opening up “feeding margins” for producers of hogs, poultry, fish and beef.
- Worldwide meat production is expected to grow 1.1% to 312 million MT, with poultry at 43% of the total.
- On the aquaculture front, FAO predicts that 62% of fish will come from farms by 2030. It is still the major protein source in Asian diets. China will represent 38% of total fish consumption by 2030. Asia overall will be 70%.
- The global aquaculture market will be \$195B by 2019 up from \$135B in 2012.
- This resurgence in feed demand has begun to cause pricing increases and supply constraints for nutrients even in the human application markets. More than 70% of vitamins, by volume, go into feed applications. In the cases of Vitamin A, B2, biotin and a few others, it is even higher.

PET PRODUCTS

PET FOOD SALES HIT \$39B IN 2013 WITH THE HIGHEST GROWTH OF 13% IN NATURAL/ORGANIC PRODUCTS

- The biggest players are Mars, Nestle, Del Monte, Colgate (Hills Science) and P&G (Iams) with a combined market share of 75%.
- The pet products market overall was \$53-65B depending on what is being measured, but the trend toward humanization of pets continues unabated. There are even gluten-free pet foods on the market and clean label, sustainability and non-GMO are similar in importance to human foods.
- The melamine contamination issue has sensitized consumers to safety and quality questions and has made consumers less price sensitive which benefits the higher end players.
- NBJ puts the pet supplement market at \$4B+ in 2013, with growth of 10%. Joint health supplements represent 43% of the total.
- Supplements and functional treats are each about half of this total.
- We are happy to report that there are a number of bottled drinking waters for pets and a Japanese company, B&H Lives, who recently launched Nyan Nyan Nouveau, a wine for cats! Our furry friends have come a long way!



About The Wright Group

During the past 50 years, advances in technology and nutrition science have revolutionized the way products are developed and the methods in which they are manufactured. Despite these countless advances, one constant has remained the same, our commitment to delivering only the highest quality products in the industry.

Headquartered in Crowley, Louisiana USA, The Wright Group is an industry leader in the development of custom nutrient premixes, the microencapsulation of vitamins, minerals and omega-3, as well as, a complete line of direct compressible granulations.

One of The Wright Group's specialties is the hands-on development, formulation and manufacturing of custom nutritional blends or premixes. Our custom SuperBlend® premixes begin as a series of nutritional delivery targets intended to enrich a variety of product applications; including breakfast cereals, functional foods, dairy and non-dairy-based meal replacement beverages, nutrition bars, sports nutrition products, infant formulas and daily multivitamin supplements.

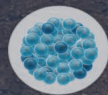
The Wright Group's value-added coating technology delivers superior performance and stability of essential nutrients for a

wide range of multi-functional ingredients. In addition to its innovative design, all SuperCoat® nutrients are rigorously tested throughout the entire production process, and are quality checked to ensure purity, potency and performance.

SuperTab® direct compression granulations combine the physical performance requirements sought by formulators with cost effective solutions sought by product managers. SuperTab® granulations deliver essential nutrients in uniform, free-flowing, granular powders ideal for high speed tableting processes.

Wright operates out of GFSI and FSSC22000 certified facilities. All of The Wright Group's nutrient solutions are thoroughly tested by our in-house laboratory to insure potency and performance, and a Certificate of Analysis accompanies all orders. In addition, a variety of testing options, including microbial analysis, are available.

The Wright Group combines quality, innovation service and value to make sure your product is the best it can be.



SUPERCOAT
Microencapsulated Nutrients



FUELING
YOUR
PRODUCTS
ENHANCING
YOUR
BOTTOMLINE

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