

2x TREND WATCH

News, notes and nuggets from the desktop of:

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Normally held in San Francisco, over 14,000 attendees came together this past week to eat, drink and be merry at the **2008 Winter Fancy Food Show** at the San Diego Convention Center. When not reveling in the Gaslamp Quarter where restaurants, drinks and music abound, participants visited with 1,100 domestic exhibitors plus international booths from 32 countries for many-too-many bites and sips! Oh well, off to the gym to make up for it. Maybe twice today!

Merging in the Fast Lane? More prominent than ever before was the convergence of specialty and gourmet products, the bread & butter of the show, with organic and natural products. This was evident in a plethora of first time exhibitors in these high growth sectors. In addition, many companies applied benefits from one sector to products from another.

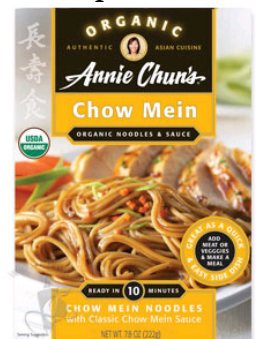
Historically, most specialty and gourmet products were all-natural. This is quite understandable when you look at the artisan heritage of many of these companies. After all, could you imagine a local specialty jam producer using FD&C red dye #3?

Would the gourmet beverage producer use high fructose corn syrup or artificial sweeteners? Of

course not! It would have never occurred to many of these companies.

Developing over several years, many classic specialty products companies have introduced delicious organic offerings and received great receptions. *Dave's Gourmet* and *Annie Chun's* are just two of the more prominent and longtime exhibitors now with organic offerings. I'd show you *Mom's Pasta Sauce* from *Fischer & Weiser* except I ate the picture too! Oops.

davesgourmet.com, anniechun.com, jelly.com



Conversely, the specialty/gourmet sectors have had a profound influence on organic/natural products. Ten or twenty years ago there was a perception, only partially deserved, that natural products did not taste as good as their conventional counterparts. Here we're not talking about pure "from the earth" items like milk, meat or produce – but rather "processed" items like organic breads, sauces and the like. Fortunately, over time, the specialty/gourmet impact on the natural/organic world has been quite tasty. The main result: rarely is there a tradeoff in quality between natural/organic products and their conventional counterparts. In the words of one natural foods industry veteran, "no more natural food poisoning." Hoorah!

**Some additional observations which showcase this convergence ...
while others are just neat ideas and great new products.**

Cheating on the Bar(becue) Exam. Thanks to the folks at Sweetwater Spice Company, we can cheat on our barbeque preparations and not get in trouble with the teacher. *BBQ BATH* brine concentrate adds more than the usual salt and sugar, including items like natural fruit juices and spices. A marinade and brine in one! Of course, "from the Republic of Texas" is prominently displayed on the front label! Sure as shootin', makes ya wanna cheat! Yummm. BBQbath.com



Mad Scientist at Work. In the labs of the small Rhön Brewery in Ostheim, Germany, master brewer Dieter Leipold set out to brew BIO certified (organic) soda. By contrast with most sodas which are a mix of sweeteners and flavors, *Bionade* is a fermented drink starting with traditional beer making ingredients but halting the process short of alcohol production via the use – of all things – an enzyme found in bee saliva! The result is a naturally delicious and flavorful four SKU line of wildly popular beverages due to invade American this summer. Look for it soon! bionade.com

Category Update. Previously, we've discussed the explosion of new-age organic baby food businesses, largely in the frozen case. Across the country, we've seen at least 17 brands, including two new ones seen for the first time in San Diego. *Dr. Susanna's World Baby Foods* brings forth flavors like Baby Borscht and Que Pasa Calabasa (meaning "what's up squash") in shelf stable jars. *Bella Baby* come to market this quarter in the freezer case serving portions of more mainstream flavors like Green Pea, Banana & Corn in small frozen pouches that are easy to open and use. No question, I'd enjoy these if I were a baby!! ☺

worldbabyfoods.com, bellababyfoods.com



Been Nibbled? Finally, couldn't imagine starting off the year discussing gourmet and specialty foods (and I don't mean deep-fried *Twinkies*) without recognizing some of the best-of-the-best. We've previously mentioned the outstanding efforts of *The Nibble* (the online magazine about specialty food), and they've outdone themselves again. Check out the thousands of winners reviewed by *The Nibble*, including their top picks for 2007: *Cypress Grove Chevre*, *Peeled Snacks* fruit & nut mixes (see also *2x TREND WATCH* – September 2005, available in the news section of www.2xManagement.com), *The Ojai Cook Gourmet* mayonnaises, *Pierre Marcolini* confitures (jam) and *Starr Ridge* bread sticks. See <http://www.thenibble.com/zine/archives/top-picks-2007.asp> for extraordinary commentary on these and other products.



TheNibble.com

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Hope these thoughts are helpful. If I can add perspective, please feel free to contact me at 312.337.9085 or asw@2xManagement.com. Notes from prior food shows, natural product shows, ethnic products shows and other consumer products industry shows are available in the news section of www.2xManagement.com.

As you can see on the following page, we're partnering with and providing growth capital to emerging consumer products businesses ... have ideas?

A handwritten signature in black ink that reads 'Andy'. The signature is written in a cursive, flowing style.



growth capital for emerging consumer products businesses

OVERVIEW

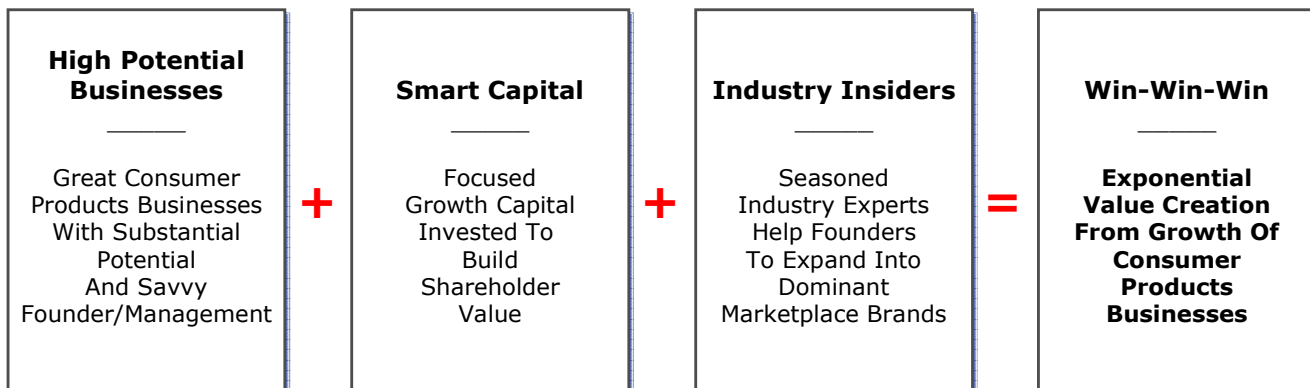
We partner with founders and management of emerging consumer products businesses capable of growing exponentially via an infusion of capital and management expertise. Focus areas include food, beverage, personal care, home care and pet care – particularly in the organic/natural, specialty/gourmet and ethnic sectors. Businesses are primarily within the \$1 million to \$15 million revenue range and meet the following criteria:

- ✓ Founders/management team seeking a partner, not just an investor
- ✓ Powerful consumer-driven positioning with exceptional product fulfillment
- ✓ Strong sense of “proven-ness” based on in-market performance
- ✓ Exponential growth potential to at least \$30+ million in revenue within 3 to 5 years
- ✓ Categories that immediately leverage our expertise
- ✓ Attractive go-to-market approach leading to sound long-term financial proposition

A minority ownership stake as part of a partnership is most common, but a majority interest or complete buyout is not atypical.

Representative of our activities, the 2x Consumer Products Growth Partners fund partnered with, and made a substantial minority investment in, *gDiapers* – the earth-friendly hybrid diaper that you can flush, compost or toss. For more information, visit the news section of www.2xManagement.com or www.gDiapers.com.

FORMULA FOR SUCCESS



VALUE-ADDED RESOURCES

We bring extensive consumer products industry experience in building established businesses, transforming under-performing entities and creating new ventures. Seasoned *Industry Insiders* add immediate value via their expertise, contacts and connections. We partner with founders and management as appropriate for the needs of the business, including sales, marketing, operations, finance, strategy, IT, R&D or others as required for success.

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