

2x TREND WATCH

Notes and nibbles from the desktop of:

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Natural Products *ExpoEast*, held September 15–18, 2005 in Washington D.C., proved to be a considerably smaller version of its larger sister show in Anaheim. Several exhibitors further consolidated booths following mergers over the last few years (e.g. Hain-Celestial's personal care businesses) while others reduced their booth size. However, despite the noticeably smaller number of attendees, many exhibitors communicated that their prescheduled meetings with retailers big and small were more productive than ever before.

Thankfully, there was no mega-trend like low-carb diets and the hundreds of me-too products that followed. Instead, I observed continued A+ initiatives in terms of new products and category management initiatives from industry leaders like White Wave (*Silk, Horizon*), *Amy's Kitchens*, Kraft (*Boca, Balance, Back to Nature*), *Stonyfield Farms*, *Seventh Generation*, and *Avalon Organics*.

However, from mostly small companies with a notable exception or two – we're seeing an emergence of products addressing two important consumer needs: (1) snacking and (2) fruit as a healthy component in our diets. This is coming to life as ...

Fruits. And Fruit & Nut Combinations. (Not talking about some of us nuts in the industry!)

Fruit Leather. *Stretch Island Fruit Leather* continues to develop products and merchandising units to make their fruit snacks develop wings. Available in both all-natural and 100% organic varieties, these fruit products are more wholesome (in perception and reality) and more adult/all-family than kid-oriented fruit snacks. Shelf stable, easy to carry with you, and tasty – this is certainly a good way to get your fruit. Or at least a good snack!



Fruit Bars. For those more interested in a bar format, try GFA Brands' *Earth Balance*. More known for their Smart Balance "buttery spreads", I think they're onto something with their 100% pure fruit bars (my favorite is Apple Raspberry). A different take with some delicious non-fruit inclusions (and certainly broader distribution) is *CLIF Nectar*. Each *Nectar* bar has 2 servings of fruit and 5 or fewer ingredients, all of which are 100% organic. Try first the Cranberry Apricot & Almond or the Cinnamon Pecan flavors. For those looking for something a bit more indulgent like a fruit cobbler bar, try *Betty Lou's Jumbo Fruit Bar*. Yummm.



Dried Fruits. In addition to *Just Tomatoes* (makers of *Just Mango*, *Just Peaches*, etc.) and Blackbird Foods' *Fruit Crunchies* which were not present at *ExpoEast*, *Sensible Foods* crunch dried® snacks seem to be making tracks in the marketplace (with great new packaging graphics). Each 0.75 oz pouch is equivalent to ½ cup of fresh fruit and one of your 5 daily requirements for fruits and vegetables.



Fruit Pieces. Well – fruit and nut pieces covered in good stuff. And, popable pieces to boot! *Goody2Chevs* (great name!!) are bite-sized squares blended from fruit and almonds then covered with creamy chocolate, butterscotch, or yogurt coatings.

Peeled Fruit. We've all had dehydrated or dried fruit. And, it's OK when we're camping or as part of trail mix, but *Peeled Snacks* has something interesting on their hands. Combining moist fruits like apples, apricots, figs and peaches with nuts like almonds and walnuts. *Peeled Fruit* thinks fruit should be moist and nuts should be crunchy (and not the other way around). So, instead of solving the moisture migration problem with preservatives or additives, they pack the nuts in a small pouch within the larger bag. End result: pure and delicious taste!



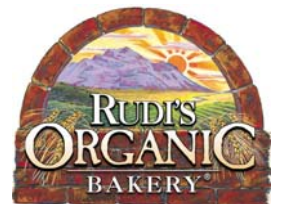
Fruit. Fruit. Fruit. *Tropicana FruitWise* is an idea whose time has come. Almost 10 years ago (and ahead of their time), Tropicana introduced a *FruitWise* fruit smoothie product largely using a juice base. Now, as part of a larger cross-category initiative, the fruit strips, bars and beverages truly deliver on consumer needs with each item have 1-2 servings of fruit as well as 100% of RDA of Vitamin C. Made from 99% or higher real fruit, fruit puree and fruit juice, *Tropicana FruitWise* looks headed for success.

Other Noteworthy Tidbits ...



- Before you think I've gone completely nuts, *Blue Diamond* has evolved an idea previously showcased into something that I think has real potential via new packaging graphics and dramatically improved retail shelf utilization (6 SKUs fitting in less space than four SKUs used to require). All-natural *Nut-Thins* are distinctive with Country Ranch Almond Nut Thins ... and quite good too.

- *Rudi's Organic*, the most recently completed investment and marquee brand in the portfolio, joins *Vermont Bread Company* and *The Baker* in the natural and organic bread roll-up known as Charter Baking. Kudos to the *Rudi's* team that led the business from a financially troubled, low-share brand to a successful, leading share position in the category. A model for all to learn from.



- Ethnic foods continue to boom both from pure-play ethnic food companies and ever increasing introductions (many very, very tasty ones) from bigger brands like *Hain*, *Fantastic Foods*, etc.



- Look for more products containing whole grains differentiated by an easy to spot set of icons (somewhat like the USDA organic seal as the gold standard of the different levels of “organic-ness”).
 - Shockingly, there were many more brands of water introduced. Just what we need?!?! An interesting twist, though, was *Trinity Organic* – flavored waters made from natural spring water with a touch of organic essences.
- *CocoaVia* is a specially formulated line of snacks designed to provide real chocolate pleasure and proven heart health benefits. *CocoaVia* has concentrated amounts of cocoa flavanols, which are naturally occurring antioxidants like those found in red wine and green tea. Preliminary studies suggest that flavanols in cocoa and certain chocolates may have a beneficial effect on cardiovascular health. My heart’s a flutter (in a good way) from these yummy snacks!
- Last, but certainly not least, *Kettle* has brought to the forefront *Kettle Bakes* – whole slices of Russet potatoes, seasoned with all the great flavors we expect from *Kettle* ... just baked!



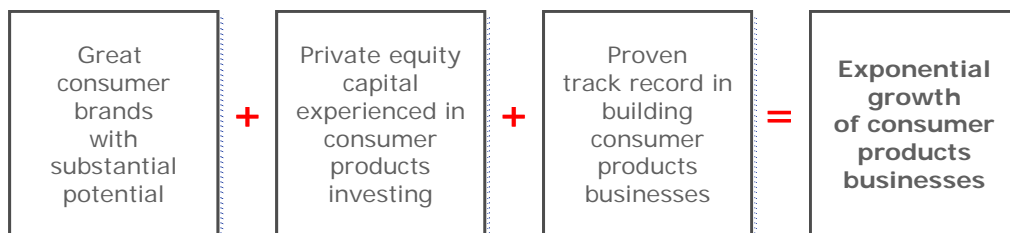
Hope these thoughts are helpful. If I can add perspective, please feel free to contact me at 312.337.9085 or asw@2xManagement.com. Notes from prior food shows, natural product shows, ethnic products shows, and other consumer products industry shows are available under the News section at www.2xManagement.com.

A handwritten signature in cursive script that reads "Andy".

Overview

2x Management invests in consumer products businesses capable of growing exponentially via infusion of capital and management expertise. 2x Management brings proven leadership in building consumer products businesses.

Formula for Success



Investment Profile

Branded consumer products businesses with \$20–200 million in revenue. Focus areas include food and beverage, organic/natural and ethnic products, pet care, and other non-durable branded consumer products.

Management Resources

2x Management brings extensive consumer products industry experience in building established businesses, transforming under-performing businesses, and creating new businesses. Seasoned consumer products leader is ready to help companies realize full potential. 2x Management can provide functional support or management team members depending on the needs of the business, including Operations, Finance, Marketing, Sales or others as appropriate (e.g. Strategy, IT, R&D).

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