



Rabobank

## Talking Points: Alexa Says, "No"

### The Future of Food in 2030

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At Rabobank's recent Food & Agribusiness Summit in New York, we ran a session entitled, "Fast Forward to 2030," in which we looked at the trends that might reshape our industry in the next decade. Here are three of them:

1. **The End of Iconic Brands** – Will Big Food's neglect of the consumer spell disaster for their iconic brands?
2. **Connecting the Farm and Fork** – The consumer is proving to be a common headache for both producers and food companies. What can be done?
3. **Alexa says, "No"** – Will we outsource our diets to Alexa?

## Scene-Setting and Science Fiction

Before we look a decade into the future, let's start by trying to get some inspiration from the past. After all, to quote Maya Angelou, "If you don't know where you've come from, you don't know where you're going." If I were to pull out my imaginary 2010 yearbook of food trends, we would see that:

1. We were just beginning to get irritated by the gluten-free trend.
2. Macarons were the 'new cupcake'.
3. To the delight of the pork industry, we started putting bacon on everything, including chocolate and donuts.
4. Sustainability and the growing expectation that food should come with benefits and be 'better for you' became mainstream.
5. Sriracha was named "Ingredient of the Year" by Bon Appétit magazine.
6. The impact of an increasingly obese America weighed heavily on the food industry, and Michelle Obama launched her "Let's Move!" public health campaign.
7. And finally, the FDA started its approval process for genetically modified salmon, quickly dubbed "Frankenfish." Ten years on, the approval process continues.

From the viewpoint of 2010, it wouldn't be wrong to conclude that, like the lack of "Frankenfish" in your local Kroger, nothing much has changed. But when we stargaze into the future through the lens of science fiction, many things predicted have failed to come to pass and remain completely fantastical:

1. The Jetsons had us believe we would abandon food in favor of pills.
2. Star Trekkers boldly dined on [colorful yellow and blue fruit salads](#).
3. Blue food seems important in the future; Luke couldn't have become a Jedi knight without his [blue milk](#).
4. And who needs plant-based foods when the movie [Soylent Green](#) predicted we would all be eating snack bars made from humans by 2022. That's only a couple of years out – Clif Bar & Co., still has time....

But one sci-fi writer who got it right was William Gibson, who wrote, "The future is already here – it is just not evenly distributed." Taking this as my inspiration, here are three changes we are seeing today that will take hold in the future:

## 1) The End of Iconic Brands

The iconic brands from big food & beverage companies that many of us grew up with have been under pressure for years, increasingly made irrelevant by new brands that appeal to younger generations. These emerging brands tap into consumer demand for health and wellness, authenticity, a premium image, and convenience – and all backed up by a strong mission statement. Despite losing market share to these upstarts, too many Big Food companies still seem to be behind the curve, focusing on cost cutting or continuing to bury their heads in the sand in the hope that this is ‘all just a fad’ and we will eventually come back to eating cereals, canned soup, and the same cheap ingredients. It is this complacency and neglect of the consumer, whose trust they will continue to erode, coupled with the growth of the ecosystem that funds start-ups to make the changes consumers want, that will ultimately spell disaster for these iconic brands. And don’t think consumers in emerging markets will necessarily come to their rescue. They are creating their own local, high-quality brands, such as Three Squirrels and Luckin Coffee, suggesting that the days of following the trends and brands in the US may soon be over.

By 2030, we will see the end of mass consumption and of iconic brands. Everything will be targeted toward niche markets, greater personalization, and shorter product life cycles, as consumers seek out novelty. By 2030, we will have created the most demanding consumers ever, who expect endless choices for their countless eating and drinking occasions. There is always the new ‘New Thing’ to chase. If it isn’t new, it is boring and will not sell. In short, we will never see the likes of the iconic ‘one-size-fits-all’ brands, again.

I’ll hand over now to Steve Rannekleiv, Rabobank’s Global Beverage Strategist, to share some of his thoughts:

*Let me start by saying that I agree with Nick that many existing iconic brands are in trouble and that small emerging brands have absolutely played a disruptive role in the market. But I HATE to fully agree with Nick on anything, so I’m going to take a bit of a contrarian view – or maybe add a bit of nuance here – and say that I don’t think this is a ‘big brands’ vs. ‘small brands’ story. This is a story of brands – regardless of size – connecting with today’s consumer, whose preferences and values are rapidly evolving. So, in 2030, I think big brands will still play an important role in the market, and I see three key pieces of evidence that support this idea:*

*First, I’d point out that, while small brands have certainly been disrupting the market, not all consumers – and not even all Millennial consumers – are looking for craft, niche brands. The beer market is a great example. From 2010 to 2015, craft beer saw explosive growth rates every year, growing 12, 15, 18% year after year – really on fire. In the last three years though, consumption growth of craft has slowed, and it’s getting harder for a lot of craft players. A growing number are being forced to sell out or even close their doors. So even though small, innovative brands have connected with some emerging consumer values, not all consumers are alike, and it’s still a relatively limited subset of consumers that are engaging with these brands – in beer, craft only makes up 13% of the market.*

*Second, not all iconic brands are broken. It’s easy to point to the long list of iconic brands that are under pressure today – brands like Coca-Cola, Budweiser, Carlo Rossi – and declare the days of iconic brands are over. But think about Jack Daniel’s. The brand is over 100 years old. It’s the largest whiskey brand in the US, and it continues to grow. I think iconic brands that engage and connect with an evolving consumer can continue to thrive. The problem is that most iconic brands were built on messaging geared toward Baby Boomers and never really evolved.*

*Finally, I don’t think the days of iconic brands are over because I see the emergence of a whole new class of iconic brands – Tito’s Handmade Vodka, Michelob Ultra, Corona, Modelo, Meomi – brands that connect with today’s consumer and achieve scale. Unlike many of the*

*iconic brands of the past, these brands are built on messaging that is sophisticated, aspirational, and authentic... and they are killing it! I think there will be plenty of big brands in ten years, but the list will look different than it does today. And the new brands on the list will come from companies of all sizes.*

*To wrap up, there is hope for big brands in the future, but the industry is facing a serious wake-up call that it needs to better respond to evolving demand. As Nick mentioned, most companies know they need to get closer to the emerging consumer, but many are struggling to figure this out in practice. They really can't afford to wait anymore. They may not have their heads in the sand, as Nick said, but they are certainly dragging their feet. And brands that don't figure out a way to connect with the consumer will quickly be replaced by ones that do.*

## 2) Connecting the Farm and Fork

Importantly, it is not just large food companies that are struggling to understand the consumer. We hear from our clients at both ends of the supply chain of the growing disconnect between farm and fork, between producer and consumer. As we mentioned in our last note, farmers from around the world gathered at Rabobank's recent Global Farmers Master Class and shared with us their frustrations around the consumer, with one describing the widening gap between producer and consumer as "the greatest challenge." "For both farmers and food companies, the consumer is proving to be a common headache." "Arguably, it is worse for farmers, who have to add another layer of complexity to their already busy lives by having to find ways to understand the consumer better..." In effect, we are asking them to: "feed the world, preserve the land, stay competitive, be profitable, oh and keep the consumer happy too."

But perhaps "with common headaches come common goals" and a way forward. By 2030, let's optimistically imagine a world wherein farmers and food companies are bridging the gap with the consumer. There will be three drivers to this. First, food companies need farmers to achieve their goals. Let's be clear here. Companies are not just making ambitious commitments regarding plastics. They are also making commitments to food and agriculture. For example, Unilever will not get very far without assistance from farmers, if they are to meet their goal of halving their environmental footprint by 2030. Second, farmers will become increasingly tech savvy (in part incentivized by input companies), recognizing the importance of social media to storytelling and getting one's message and produce out directly to consumers. This will be especially important in improving consumers' knowledge about agriculture and its importance to the economy and society. Third, although it is often hard to see beyond the threat of the changing consumer and the opportunity costs of changing crops, let's not forget it is an opportunity also. Consumers are seeking more specific products, and farmers that find ways to tap into that demand will be able to improve their profitability and satisfy the consumer at the same time. In the same way that the gluten-free trend kicked open the door to a whole world of alternative grains, such as Colorado Quinoa™, so too will consumer demand for things like plant-based foods create new opportunities for farmers who grow pulses and other crops.

I'll let Christine McCracken, our Senior Animal Protein Analyst, comment on this:

*As a former Wall Street analyst, I find the idea of looking out to 2030 a bit daunting – that would be like 40 quarters, which is enough to make my head explode. I would like to pick up on the theme of technology. Technology will be an important driver of the future growth and profitability in the agricultural sector – as it always has been. Our producers and processors have always been at the leading edge of technology, spurred on by the threat of being left behind or becoming uncompetitive. I really don't see that changing.*

*What I do see changing is the focus of the technology and the pace of change. Historically, the industry concentrated its efforts on producing more with fewer inputs, but by 2030, the*

*focus of technology will shift to how the products are produced and, more specifically, on reducing the impact of production on the world around them. This shift will not only involve new technologies, whether that is genetics, sensors, or big data, but it could also force a shift toward regenerative production or even a move to cellular agriculture.*

*But by 2030, perhaps the most impactful technology – and we are already seeing signs of this – [will be] anything that reduces labor, specifically the [drudgery of] back-breaking work in the food & agricultural sector. The reality is that, with ongoing urban migration, the continual decline in the availability [of] workers, and even fewer entering the sector from the outside, the industry will need to find labor-saving tools to stay competitive. But let's not stop there. I believe technological advances could actually lead to a resurgence of interest in agriculture – a renaissance of sorts. We are already beginning to see hints of this with young people moving back to rural America, as they realize that living in the 'Big City' on an entry-level income and saving for a house or raising a family is a lot harder than they expected. In fact, for only the second time this century, we have seen an increase in the number of farmers under 35, based on census data. To sum up, by 2030, technological advancement won't just be about producing more with less, but it will also be about labor and how we attract new talent to the industry. The challenge for all of us is to lead the change and to Make Agriculture Great Again.*

### 3) Alexa Says, "No"

But let's consider the experiences of these challenging consumers. A colleague reminded me recently that, if diets worked, we would all be thin already. Yet, despite the growing use of wearable technology, such as trackers that count our calories and steps, personal nutrition companies that claim to have the perfect diets based on our DNA and other biomarkers, as well as countless fitness apps on our smartphones, the global prevalence of obesity continues to rise. Increasingly, the finger is being pointed at our diets. No income group is eating enough vegetables and whole grains, and about 70% of packaged foods are not aligned with a healthy diet. A recent OECD report put it bluntly: "Unhealthy diets and a lack of physical activity underpin the rise in being overweight."

By 2030, we will see that, after another decade of fad diets, failing willpower, and all-too-easy-to-ignore health & wellness apps on our iPhones, we will come full circle back to the motto of the 1933 Chicago World's Fair: "Science Finds, Industry Applies, Man [and Woman] Conforms." In 2030, we will have come to the inescapable conclusion that only by outsourcing all our food decisions and handing over control of our diets to Alexa and her sensors around the home will we reclaim our waistlines. (It may even be compulsory as part of our health insurance.) Out with all that exhausting willpower and good habit making. Alexa now knows what calories we've burned, what we've eaten, even what's in our refrigerators. Let's imagine how that might work:

**"Hi Alexa, order me my pizza please, I'm starving."**

*No Nick, I'm sorry, I cannot do that.*

**"Why not Alexa?"**

*Nick, I see you skipped your workout this morning, and so you haven't met your 10,000 steps today.*

*That pizza will put you at risk of being overweight.*

**"What can I eat then?"**

*Nick, I see you have lettuce and parmesan cheese in your fridge.*

*According to my database of recipes you like, I suggest you make yourself a Caesar salad.*

*A small one.*

### **“But Alexa, I don’t feel like salad”**

*Nick, the use-by date on your lettuce tells me it will expire in 4 hours.*

*According to the FAO, one-third of all food is wasted.*

*Besides, you haven’t eaten enough fiber this week.*

### **“But Alexa, I really don’t feel like salad”**

*Well, in that case Nick, the weather for today is 41 degrees Fahrenheit and overcast. I guess you better get outside for a run and burn some calories.*

Let’s close this section with a few words from our stellar Supply Chains Analyst, Xinnan Li:

*I think your dystopian view is probably a little too Orwellian for my taste, but your comment on how Alexa will know everything did make me think about advances in technology in the packaging industry. I believe that, by 2030, we will also have ‘smart packaging’ that reads the labels for us and talks to our wearables. It will be able to tell us what to buy according to pre-set personal preferences, such as the allergens we need to avoid or the nutritional information we are most interested in, like the protein or sugar content. But why stop there? It will also be able to tell us about a range of issues from farming practices to the overall environmental impact of the packaging. In short, it will help consumers look at packaging beyond just whether it can be recycled or not. And what does that mean for the industry? This level of transparency will change shoppers’ decision-making process and be an important differentiator for your brands and a driver for sales. In a world where Alexa knows the best, as Nick was saying, ‘smart packaging’ will help give Alexa everything that she wants to know.*

## **And Finally... the Big Surprises in 2019**

Let’s end with a reminder about Rabobank’s annual ‘We Didn’t See That Coming’ survey. As in previous years, I’d love to know:

### ***In the world of food, what surprised you the most over the last twelve months?***

As always, comments are welcome from anyone in the industry (in confidence). Everyone has a voice and opinion, and I’ve have been honored in the past by the number of respondents from small, emerging brands, to CEOs of large corporations, to everyone in-between. Please email me [here](#) or if you want to be totally anonymous, there is this [survey link](#).

# Imprint

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