

MARCH 2023

Not Just Granola: Exploring the Growth of the Natural Foods Industry

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The natural and organic products industry has endured a handful of stereotypes over the years, labeled as a fad for the “crunchy” type. But with [industry sales](#) expected to exceed \$300 billion this year—double the number from just a decade ago—the sector is throwing off the “granola” image once and for all.

In fact, natural foods are now officially part of the mainstream, achieving much of their growth through conventional grocery outlets, both online and offline, rather than being limited to smaller health food stores as in years past. This growth is of particular note in light of inflation as well as geo-political factors like the Russia-Ukraine war—which represents a profound impact on the global supply chain—and the ongoing impact of the pandemic.

Underlying this growth is the massive shift in consumer values and expectations—particularly as they relate to sustainability and health and wellness. We explore these two areas in greater detail below.

Sustainability Is the Foundation of Natural Foods

Climate-conscious customers are changing the face of the entire CPG market, but the natural foods industry has a leg up—its historic roots are planted both in the counter-cultural, environmentally-conscious cuisine of [“hippie food”](#) as well as in the [organic food movement](#) that first sparked in the mid-20th century.

The food itself, of course, is front and center in the sustainability conversation. But today’s consumers are increasingly invested in buying products not just for cleaner ingredients but also for the environmental mission behind those ingredients. There is a greater demand for commitments to regenerative agriculture, biodiversity, and sustainable sourcing—not to mention ubiquitous calls to “shop local” and turn to plant-based or macrobiotic (i.e. seasonal) diets. Finally, there’s a growing trend in upcycled food—products made from ingredients that have often been considered leftover waste in the process of manufacturing other more prominent food products—think rinds and pulp.

It’s not just the consumable part of the product that is in the limelight. The quest to be carbon-neutral and attain zero waste is front-and-center. As a result, there is increasing buzz around leveraging renewable energy, achieving carbon-neutral processing, and turning to sustainable packaging.

Underlying this push for sustainability is a renewed focus on transparency. Consumers are

catching on to the way many brands greenwash their products, including labels that announce, “made from real ingredients” or “eco-friendly packaging.” Too many food manufacturers use marketing tactics rooted in generic words like “natural,” “local,” and “clean” to hide their wastefulness and negative environmental impact. For those that are truly committed to sustainability, there are certifications and third-party audits that can help support their authenticity. Disclosing company goals, metrics, ingredient lists, and initiatives will also go far in establishing customer trust.

For food brands, it will be critical to better understand and nurture their relationships with local growers and communities while simultaneously shining the spotlight on their internal processing and supply chain practices. The natural foods sector may have a natural advantage, but companies aren’t immune to criticism and backlash if they fall short of expectations.

The Bio-Individuality of Health and Wellness

Where ingredients are sourced and how products are manufactured and packaged is only half of the food journey. The health impact of foods and supplements is equally important for today’s consumers, as is highlighted in the increasingly popular phrase, “food is medicine.”

Of particular interest in today’s health landscape is the growing body of research regarding the microbiome and the myriad ways it touches all aspects of health. One look at grocery store shelves reveals many brands putting gut health front and center, with new and improved products boasting pre-, pro-, and postbiotics, as well as a renewed focus on fermentation and fiber. Low- or no-sugar products are also tapping into this same line of thinking, helping customers harness the power of a healthier microbiome.

A related trend is food products that support immunity—a topic that has risen to the top of mind in the wake of the pandemic. Beverages, in particular, have seen a [massive boost in sales](#) in the last couple of years, with tea and juices bolstering that growth. Beverage innovation has also been impacted by the popularity in the ketogenic diet. Other specialty diets driving new products are plant-based and raw diets, as well as an increase in demand for non-alcoholic alternatives and ingredients such as collagen, ginger, and ancient grains.

Finally, there is also a growing awareness that health and wellness is not a one-size-fits-all approach. While the 1980s and ‘90s welcomed the ubiquitous message of low-fat *everything*, today’s health and nutrition market increasingly leans towards bio-individuality. Though weight management continues to be a strong message, the food industry—and in particular

the natural food sector—is also responding to growing focus on mental health, immune support, disease prevention, digestive health, and stress control. In other words, it’s a more holistic approach that speaks to each individual’s unique needs and values.

Leading the Natural Foods Industry Through Unparalleled Growth

Sales in natural foods are expected to surpass \$360B by 2031, as the sector continues to pave its way into mainstream food manufacturing. Leaders in this space will need to assess their appetite for risk and investment while simultaneously zeroing in on their core values and purpose as an organization. Brands will need to stay closely in-tune with consumer inclinations, reinforcing their commitments to sustainability and health with transparency and integrity.