



**BALDOR SPECIALTY FOODS
2023 FOOD FORECAST**



For the food service industry, 2022 was a comeback year.

After nearly 24 months of COVID congesting the industry's potential, this year brought a refreshing change of pace. Restaurant reservations became so hard to get that people were paying for them; convention centers and hotels welcomed back travelers by the planeload; companies ushered employees back to workplaces, turning back on the lines at lunch spots and corporate cafeterias. The industry could hardly keep up with demand, with the BLS reporting 1.4M job openings in foodservice and accommodations, close to record highs. Even inflation at its highest levels in decades didn't seem to flatten the growth curve.

At Baldor Specialty Foods, we have a unique lens on these and other trends in the marketplace, with nearly 10,000 customers from Maine to Virginia, across restaurants, grocery stores, cafes, cafeterias, event spaces, and more. Over our 76-year history we've built a reputation for providing the highest quality foods, and our customer base includes 75% of the Michelin-starred restaurants in our region. We help the trend setters set the trends.

In 2023, we're focusing on sourcing products that are even better for the planet and for people, because our north star is to provide a sustainable food system without boundaries. It's what our customers want and it's what we want for our customers and our communities. "We are continuing to raise the bar in what we expect from our business partners," says Kenneth Bower, our Director of Merchandising for Produce. "That means sourcing healthy, safe, reliable produce from growers who share our same values: quality driven, socially responsible, and sustainable, while bettering the communities around them." And as Emily Murphy, Director of Merchandising for Specialty says, that means being future forward in our approach: "Sourcing better means identifying producers who are providing beyond our needs today, and whom we can grow with into the future."

Over the next several pages, you'll learn some of the trends we see ahead that connect to this commitment and to the demands of our industry.

TRENDS IN FOODS

Our product catalog includes more than 6,000 items, across produce, specialty, meat & poultry, dairy and fish. Our expert team of directors of merchandising—Kenneth Bower and Matt Rendine on Produce, Emily Murphy on Specialty and Dairy, and Kevin Lindgren on Meat and Protein—source our products based on quality and flavor, as well as the suppliers’ commitments to sustainability, and are available for comment on any of the below topics.

Know Your Farmer: Local produce, and well as source specification as to where and how products were grown, have been growing in importance to food service and end consumers, and we expect this trend to continue. “Supply chain issues as well as sustainability initiatives have increased the demand for more local and regional products,” says Bower. “I see domestic purchasing and sourcing gaining momentum as well as support for American farmers gaining importance.” Baldor has been ahead of this trend with already 25% of our products being transparently source specific and 13% sourced locally, and we offer our customers the chance to opt into our Baldor Local Pledge that will sub out any items in their cart for a local equivalent if within a 10% price margin. We also expect to see more of our customers wanting to tell the stories of the farmers and producers that make the food they’re buying; in retail, that could mean electronic point-of-sale merchandising—basically displays that offer shoppers a chance to meet the farmers.

Controlled-environment Agriculture: In the last year, we’ve seen ominous signs of how climate change can impact produce availability—for example, a first-ever month-long gap in Idaho potato supply due to high summer temperatures, and dry weather in Salinas contributing to the Impatiens Necrotic Spot Virus that devastated the yield on leafy greens. This, and the continued desire for local produce noted above, are contributing to major growth in “controlled-environment agriculture (CEA).” CEA refers to indoor growing in horizontal greenhouses (e.g. **Little Leaf Farms** in Massachusetts) or vertical stacks of crops (e.g. **Gotham Greens, Aerofarms, Heron Farms, Bowery Farms**). Either form reduces the volatility of nature by controlling the elements indoors and ensures more consistent local crops. The newer vertical farms utilize robotics and other technologies to grow hydroponically (grown in water vs. soil) or aeroponically (grown in air), with minimal human intervention. This kind of farming is also increasingly practiced in urban areas—cases in point include Gotham Greens’ Jamaica, Queens facility and Aerofarms’ HQ in Newark, NJ.

Focus on Soil Health: Another growing trend in growing is regenerative farming, which is farming and grazing practices that rebuild soil organic matter and restore soil biodiversity. “Soil health emerges as an important part of sustainable food production, as improved soil fertility improves crop nutrition, air quality, and human health,” says Emily Murphy, Director of Merchandising for Specialty and Dairy. Regenerative practitioners utilize tactics like crop rotation, cover crops, and

composting, and the idea is that more plant life removes more carbon dioxide from the air and puts it back into the soil where it can be utilized for good, doing double duty to improve the ecosystem. Among the brands we work with that practice regenerative farming are **Frog Hollow Farm** in California, which produces best-in-class stone fruits; **Origins**, a dairy farm in Colorado, Ohio, and Pennsylvania; **Little Sesame**, a D.C. restaurant that sells its popular hummus; and **Joyce Farms**, a heritage meat company based in North Carolina.

Avocado Everything: We're moving beyond avocado toast and into the avo-future. At the International Fresh Produce Association's Global Fresh Produce and Floral Show, we saw an increase in avocado-based items, including snacks and desserts. Avocados continue to be one of our top-selling produce items, and because of the increased uses for these green goddesses, we've recently brought in two types of avocado pulp, including **Wholly Avocado**, which saw sales growth of 130% last quarter.

Next-gen Not Milks: We've seen dairy alternatives grow by 54% in Q3 vs. prior year. And the non-milk milk trend continues to expand into different plant-based alternatives. Recent additions to our mix include pistachio milk by **Tâche** and sesame milk by **Hope and Sesame**, both of which are women-led.

Upcycled Ingredients: Consumers are more conscious of food waste than ever before—57% said they were concerned about it in a recent poll by the International Food Information Council—and that's translating to more food companies looking to be a solution vs. a problem. Upcycling means using foods that would have previously been considered scraps as ingredients. Baldor has participated in this circular economy for six years—our Fresh Cuts facility, which processes produce, has been zero waste since 2016, with 100,000 pounds per week of leftovers used for either human or animal consumption. But we're only just beginning to see traction on high-quality upcycled new foods. "There is good momentum in this area, but those who are acting with real purpose are looking to qualify minimum percentage standards," says Emily Murphy, our Director of Merchandising for Specialty. Among our favorites are **Spare Tonic**, which uses upcycled whey to make its probiotic sparkling drinks in delicious flavors like Blueberry & Ginger and Cucumber & Lime. We also like **Do Good Foods**, whose chickens each eat four pounds of otherwise wasted food and reducing three pounds of greenhouse gas.

Sustainable Packaging: Following along the trend about food waste, "consumers are concerned with the impact hard plastics and less sustainable packaging is having on the environment, which is leading to the need for biodegradable and compostable materials," says Bower. We like that **Cutler Cove**, which specializes in ethically raised salmon, is using recyclable packaging—as in the seafood industry plastics and Styrofoam remain an unfortunate standard. **Hope & Sesame's** packaging is



renewable and plant-based. We expect to see a lot more compostable options in the year ahead.

Plant-Forward: We've seen incredible growth (46% in Q3 YoY) in the “meat imitation” category of vegetarian alternatives like Beyond and Impossible--these are foods that eat like meat. “The newer category we're looking at is plant forward, which are heavy in veggies and have significantly less ingredients and typically fewer additives, protein and nutrient rich center of the plate options that are made with whole ingredients,” says Kevin Lindgren, our Director of Merchandising for proteins. For us that includes things like **Hari & Co veggie balls and burgers**, which come in flavors like chickpea, sweet potato and turmeric, and **Fable Plant-Based Meaty Pulled Mushrooms**, which has the texture of braised beef but tastes like mushrooms. In addition, as more people embrace a full or partially meat-free lifestyle, we're seeing more restaurants adding plant-based entrees, not to mention a rise in plant-based restaurants. Improvements in options and quality on vegan cheeses, butters, and more have made this easier. Because of demand, we've even asked our vendor **Dufour Pastry Kitchens** to create a **plant-based pie crust**.

Labor-Saving Foods: With the labor shortage in restaurants and retail showing no signs of abating, we're seeing significant customer interest in products that save prep work in kitchens. Sales in our **Fresh Cuts** division, which focuses on slicing, dicing, chopping more than 400 types of fruit and veg grew 34% YoY in Q3, with the highest sales in fruits, including cantaloupe, pineapple, honeydew and watermelon. In addition to prepped produce, we're seeing increased interest in portioned/fileted fish, such as those we're offering from **Cutler Cove** and our own **Pierless Fish**, ready to eat deli meats like those from **Maestri**, and even premade items like **Wholesome Crave soups** or our **Urban Roots salsas**, which have seen 300% increase YOY in the last quarter. This desire for quick food isn't just at food service: “Everyone is looking for labor-relief, so value added options are also being sought out by the home shopper at retail,” says Bower. In addition, we're also seeing “grab and go” items—like **Bowery Farms salad kits** and **Simply Good salad jars**—becoming of interest at retail, cafeterias and fast casual.

Breeding for Flavor: While producers are increasingly focused on sustainability, the best of the best are making sure that taste isn't lost in the process—in fact, some have made finding the exact right mouthfeel into their art and science. On its North Carolina regenerative farm, **Joyce Farms** raises chicken, cows and pigs from old-world heritage breeds that are slow growing and were chosen for their specific flavor, including their Poulet Rouge chicken and Gloucestershire Old Spot Pork. Another good example is **Row 7**, a seed company that got its start when Chef Dan Barber (Blue Hill at Stone Barns) tasked veggie breeder Michael Mazourek to develop the best tasting seed for butternut squash. Now Row 7 produces 16 seeds, and contracts with growers in our area to grow these palate-pleasing veggies, including badger-flame beets and honeycut squash. **Sunset Tomatoes** is another brand we love for its



focus on making sure that there's a difference between tomato and tom-ah-toh—in fact, their brands are aptly named Honey Bombs, Flavor Bombs and Sugar Bombs because they are bred to have a specific kind of pop.

Emerging Flavors & Global Heat: The pandemic amped up home cooks' creativity, with Instagram and TikTok inspiring younger people to try out global cuisines. That has resulted today in more adventurous eating and demand for bolder, more authentic global flavors—including Korean, South American, Indian and African. In fact, we've seen 52% growth in Q3 on Asian foods year over year. Sauces and toppings like **Mr. Bing Chili Crisp**, **Kitchen Garden Sriracha**, and **Monsoon Kitchen's** Indian curries have been very popular additions. In some of our markets, we're seeing growth in South American restaurants, representing countries like Colombia, Peru, El Salvador and Guatemala, which is driving interest in ingredients like aji amarillo, aji panca, banana leaves, even chapulines (Mexican Dried ants). It was also noteworthy that of the 18 new additions to the NYC Michelin list this year 3 were Korean, 5 Japanese, 1 Indian and 1 Asian-influenced.

Inclusive Drinks: More of our restaurant customers making their drinks menus inclusive to people who do not want to drink alcohol. High-end restaurants like Korean steakhouse Cote and Restaurant 53 are among the many that are making sophisticated mixed drinks without the liquor, and we're even seeing a trend toward nonalcoholic negronis. Customers using mixers like Avec and Fever Tree in these beverages, even using Hella bitters (less than 0.5% alcohol). In addition, we're seeing demand for Seedlip, which is the first nonalcoholic distilled spirit.

THE BALDOR HOT LIST

We've seen significant growth in the past few months in these specialty items:

ITEM	% GROWTH Q3	NOTES
Specialty Eggs	+576%	Cage-free, free-range, and pasture-raised
Persian Cucumbers	+240%	These baby cukes are nearly seedless and extra crisp, and have a mild, sweet flavor
CilieGINE Mozzarella	+139%	Tiny cherry-sized balls of mozzarella
Avocado Pulp	+130%	Just like regular avocado, but mashed
Little Gem Lettuce	+108%	Tastes sweet and crunchy, similar to romaine
Castelvetrano Olives	+108%	Large buttery fruity green Sicilian
Pureed Passionfruit	+100%	Frozen puree that's useful for desserts and drinks
Fingerling potatoes	+56%	Delicate, slightly sweet flavor and a creamy texture
Velvet Apricots	+50%	Sweet and subtly tart, a cross between a plum and an apricot
Micro Herbs	+44%	Vary in taste, ranging from neutral to spicy, slightly sour or even bitter



TRENDS ON RESTAURANT MENUS

Baldor works with more than 8,000 restaurants from Maine to Virginia, including 75% of the Michelin-starred restaurants in our regions. Our Director of Foodservice Sales Jon Hansburg can speak to the trends above as well as others specific to food service.

TRENDS ON THE GROCERY SHELVES

Baldor counts among its retail customers large grocers like Whole Foods and The Fresh Market and smaller specialty shops and chains like Eataly and DeCicco & Sons. Baldor's Senior Director of Retail Sales Wil Magistrelli, who has 24 years' experience in the food retail industry, is available for comment on the above trends, as well as others specific to grocery.

ABOUT BALDOR SPECIALTY FOODS

Baldor Specialty Foods is one of the largest importers and distributors of fresh produce and specialty foods in Northeast and Mid-Atlantic regions. With a focus on local, peak season and small farms, Baldor curates a selection of more than 6,000 items--including produce, meat, poultry, fish, dairy and specialty items--and manages more than 10,000 major restaurant, food service, retail and corporate accounts from Portland, ME to Richmond VA. Beginning as Balducci's fruit stand in Greenwich Village in 1946, Baldor maintains its original promise - curate and deliver the best and freshest foods in the world. With quality you can trust and service that delivers, Baldor seeks to provide great specialty foods and logistics that give their customers an edge. To learn more, go to www.baldorfood.com.

