

COMMODITY UPDATES

COFFEE

Global coffee supplies will shift to a surplus in 2018-19 with top grower Brazil on track to harvest a record crop, but prices will rise modestly by the end of the year as countries restock inventories, a Reuters poll of 14 traders and analysts showed. Arabica futures were forecast to rise by 6.5 percent by the end of 2018, compared with the end of 2017, while Robusta is expected to climb by 4.8 percent. Spot Arabica coffee prices were forecast to end the first quarter of 2018 at \$1.25 per lb., down 1 percent from the end of 2017. They were pegged finishing the calendar year at \$1.344, up 6.5 percent from end-2017, with estimates ranging from \$1 to \$1.85. **“(The) market will focus on a large deficit in 2019-20 due to off-years and poor husbandry worldwide driven by low prices,”** one trader said, referring to the crop’s natural cycle to produce smaller amounts every second year.

Source: Reuters, World coffee supply seen moving to surplus on record Brazil crop: Reuters poll, COMMODITIES FEBRUARY 5, 2018

DAIRY

USDA dropped its 2018 milk production estimate, due to slower anticipated growth in the milk cow herd and continued slow gains in milk per cow, and reduced its 2018 price forecasts for all dairy product prices due to expected slower domestic demand as well as stiffer competition in world markets. However, USDA anticipates that **export demand for butter products will continue to grow and demand for skim milk powder will pick up**. Demand for U.S. milk protein concentrates, however, could weaken, likely due to Canada’s new Class 7 price. USDA cut its forecast for the 2018 All-Milk price by 85¢ to \$15.80 to \$16.60/cwt. on lower Class III and IV prices. The projected 2018 Class III price of \$14.25 to \$15.05 was reduced \$1.05, while the estimated Class IV price fell by 35¢ to \$13.55 to \$14.45.

World Agricultural Supply and Demand Estimates, USDA, January 2018

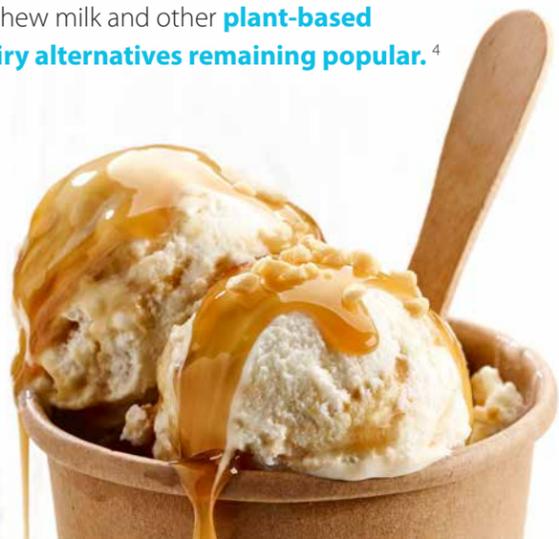
BEVERAGE TRENDS 2018 AND BEYOND



Self-fulfilling practices: Consumers are focusing on self-care and looking for **food and drinks that provide nutritional, physical or emotional benefits.**²

According to Mintel, millennials are interested in different profiles, ethnic infusions, and the inferred flavors that are imparted by using specific preparation techniques like the cold brewing process.³

Consumers' attitudes toward health-and-wellness products will continue to resonate in its flavors forecast. Among the flavor trends cited are Not Milking It, with indulgent flavors like salted caramel s'mores made from cashew milk and other **plant-based dairy alternatives remaining popular.**⁴



macro trends

Millennials hold huge buying power in today's market, and are expected to spend more than \$200 billion in 2017 alone.

Millennials are leading the escape from mass produced, over-processed and over-packaged foods and beverages with **a demand for real, less processed ingredients.** They want the preservatives and artificial ingredients out, and natural, nutrient-dense ingredients in. 69% of Millennials have changed what they buy in order to avoid artificial ingredients in foods and beverages.¹



¹Four Key Beverage Industry Trends for 2017 are Changing What Consumers Buy, Jan 02, 2017, PRNewswire

²Mintel announces 2018 food and drink trends, Beverage Industry, December 15, 2017, Amanda Del Buono

³2018 Flavor Trends for Food and Beverage, Jennifer Prince, Tue, 01/16/2018, <http://www.nutritionaloutlook.com>

⁴What beverage trends will resonate in 2018?, Beverage Industry, January 12, 2018 Barbara Harfmann

⁵(Merriam-Webster)



floral flavors

From adding whole flowers and petals into dishes to infusing botanical flavors into drinks and snacks, this top trend makes for a subtly sweet taste and fresh aromatics. Look for flowers used like herbs in things like lavender lattes and rose-flavored everything. Bright pink hibiscus teas are a hot (and iced) part of the trend.



On November 1, a team of KanPak and Arkansas City commissioners grabbed their shovels and dug into the thick Kansas dirt to celebrate the groundbreaking of a new facility in Arkansas City, Kansas. The new facility, which is being built a few miles away from the current warehouse, will be over 200,000-square-feet and will be owned and operated by KanPak. **"Because of the proximity to the current manufacturing facility, we're going to get significant savings manning it ourselves,"** said Larry McGill, President and Chief Executive Officer of KanPak.



adaptogens

Adaptogens are plant extracts that are held to increase the body's ability to resist the damaging effects of stress and promote or restore normal physiological functioning.⁵ They basically allow you to adapt to the various stresses and strains that life throws at you.

Interest in adaptogens like Ashwagandha, Rhodiola, Maca, and Holy Basil is on the rise among food and beverage formulators. A number of niche brands are gaining mainstream attention using adaptogens.



nitro cold brew tea

While cold brewing coffee has become prevalent in retail and foodservice channels, cold brewing of teas is on the rise. Tea demonstrates more of its delicate and subtle character with the cold-brewing process, and studies indicate that steeping tea for at least 12 hours has better extraction abilities than hot water brewing. And cold brew teas are tapping into the growing 'nitro' trend.

See any trends you would like to explore further? See how KanPak can guide you through the entire product development process.

Setting the Foundation: KanPak's Groundbreaking in Arkansas City, Kansas

"We won't have the distances to travel to store goods." It is expected to open in August 2018 and will incorporate sustainable technologies like LED lights with sensors and even potentially solar technology.

The creation of the facility will dramatically impact both Arkansas City and Kansas as a whole. **"One of the reasons we're building this for our Kansas operations is that there are not a lot of food grade warehouse spaces available in this part of the country,"** said McGill. **"For us, from an innovative standpoint, to have a dedicated food grade**

facility is unusual for this part of the U.S."

KanPak is also bringing new jobs to Arkansas City, with positions opening for warehouse associates like forklift operators. McGill is especially excited about the efficiencies this new development will provide to KanPak's operations. **"It will afford us to do our pre-weighing locally and allow us to continue to streamline things,"** said McGill. **"We're really happy about that. We also have a new bottle line coming in—space is going to help."**



4 Questions about Product Development

An Interview with KanPak's **Shivane Chaudhary**

1. TELL US ABOUT YOUR BACKGROUND.

After completing my Masters in food science in 2017 from Illinois Tech, Chicago, I joined KanPak LLC as a Product Development scientist. While growing up, food was a big part of my family culture. I was always curious about it and would experiment trying new ingredients, not just from a flavor standpoint but to find a reason why a certain molecule reacts with another in a particular way.

Being a foodie all my life and having a passion for science gave me a clear idea of what I wanted to pursue in my career. I have always been on the research side of the industry but with my undergrad in biotechnology and knowledge in food science, both helped in providing me with a better outlook of how a food product should be and that is how I landed in the product development area. Food science for me is like an art and provides various possibilities to offer to this world by making a good product.

2. WHAT ATTRACTED YOU TO KANPAK?

KanPak's R&D team has a wealth of knowledge and experience that lends itself to making customized shelf-stable products using aseptic technology. I am very fortunate to have this opportunity to work & learn from such a great team. I remember I was super excited during my interview because it was an amazing opportunity to pursue what I am most passionate about, product development. After interacting with Kevin Grow (Director, Product Development), I realized how much I could learn from a great mentor like him. He has been the driving force behind the product development team at KanPak, with a history of creating some of the most successful new products in the QSR and convenience spaces. On a more basic level, as a kid, I used to eat a lot of ice cream and chocolate, so this seemed like a dream job based on KanPak's product focus.

3. WHAT DO YOU THINK THE KEY CONSUMER TRENDS WILL BE THAT DRIVE KANPAK PRODUCT DEVELOPMENT IN 2018?

Consumer focus is more on clean label now. With millennials being more health conscious, the market is slowly shifting towards products made from more natural ingredients. Cold brew is another huge deal in the market. Millennials want to indulge in the true taste of coffee without the 'bite' and that is why many products in the market are becoming popular by adding cold brew coffee as a main ingredient. I believe tea is also growing rapidly. Just like cold brew and nitro boost coffee, there is a big customer base for tea with upcoming floral flavors and fruit fusion tea blends, and nitro teas are gaining popularity too. For example, Chai can be seen on many QSR's menus, not just because of its flavor but also because of its health benefits. I also believe that the combination of ethnic spices and milk is going to be the "NEW" thing.

4. WHAT'S THE BEST PART OF YOUR JOB?

As a food scientist I'm always curious to identify the new trends and try the new products out there in the market. Whenever I used to go to a store to get a shake or any drink I always wonder how I can make this product better. At KanPak I get a lot of opportunities to work with a wide range of products and discover new ways to make new products. Every day is a new day, I get to innovate, and it's always exciting because the food industry and market keeps on evolving. Besides lab work I get to explore the marketing, sales and engineering side of the products too. I'm learning every day, but I also think I'm helping to contribute to the team with new ideas and points-of-view.



Call or email today and find out how KanPak can help drive your beverage and dessert business and profitability!

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