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Of the Natural Products Industry

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NPA East President's Letter:

The Year in Review

By Denise de la Montaigne



First, I would like to wish all of our natural products retailers a healthy and prosperous New Year from the NPA East Board of Directors. I would also like to take this time to thank

Andy Fox for his outstanding contribution to our association during his tenure as NPA East President. Under his leadership, our association made huge strides forward in membership recruitment and advocacy, as you'll read in this issue. He has left me with big shoes to fill, but it is my intention, with the help of our Board of Directors, to follow in his footsteps and continue to provide real value to every one of our members. What follows is a summary of some of our association's major accomplishments during 2008.

Advocacy

Our Advocacy Committee developed a three-tiered rating system for each piece of legislation brought to its attention. On a weekly basis, committee members, who cover all 12 states in our region, and Washington, DC, look for potential bills that could be harmful to our members. Once identified, the Committee will decide on the level of response, funds and resources to be allocated. By implementing this process, it is the Committee's goal to respond early and effectively to any threat to our industry.

Education

During the year, NPA East held its fourth Annual Education Day round table in Washington, DC, in conjunction with NPA's Annual Lobby Day. The topic was *Minding Your Business: Making Your Marketing, Staff, and Store Work as Hard as You*. Attendees gave the round table high marks and enjoyed a day of good fellowship and great information.

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de la Montaigne Elected President of NPA East

During the NPA East Annual Meeting in Boston, Denise de la Montaigne was unanimously elected President of NPA East by members who attended the event. de la Montaigne has been a member of the NPA East Board of Directors for more than seven years. Prior to this election, Denise served as NPA East's Secretary. She is also the owner of Better Thymes Natural Foods in Front Royal Virginia and a twenty-eight year veteran of our industry.

Food is Good The Economy, Politics, and the Natural Products Business Outlook for 2009

By Jay Jacobowitz



Natural products retailers have a lot to be thankful for in this time of economic crisis. Most independents carry no debt on their books, and gross profit margins remain strong. While natural retailers are beginning to report average growth of 4 percent for 2008, about half the rate of recent years, that is a lot better than the absolute Armageddon in other industries. Airlines, autos, banks, and of course anything to do with housing are all under severe stress, with bankruptcies, restructurings, and consolidation remaking these industries almost overnight.

Yet through it all most natural products retailers continue to operate, albeit at slightly lower levels, as normal. This proves a fundamental point about our industry: we are in the **food** business, and are largely protected

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EAST

Natural Products Expo East Attracts Record Attendance in its New Venue

Natural Products Expo East (www.expoeast.com) held October 15-18 at the Boston Convention & Exhibition Center; drew more than 26,000 industry attendees and featured more than 2,100 exhibits. The show's healthy attendance echoes the continued strength of natural and organic products nationally and in the northeast region in particular.

The 24th annual gathering of the East Coast's largest natural and organic products tradeshow and conference continued to be a launch-pad for new products, showcasing the natural, organic and healthy trends of tomorrow.

Convention Highlights

Sponsored by NPA East and New Hope Media, the Retailer-to-Retailer round tables were extremely well-received by conference attendees. Conducted in the Retail Resource Center on the convention

floor, attendees were treated to a healthy lunch and participated in equally healthy discussions on a specific topic of interest to natural products retailers.

The networking sessions were moderated by three NPA East Board members: President Denise de la Montaigne, owner, Better Thymes Natural Foods, Front Royal, Virginia; Sue F. Bennett, NPA East Board member and owner, For Goodness Sake Natural Foods, Leesburg, Virginia; and Treasurer Jay Jacobowitz, President of Retail Insights, Brattleboro, Vermont.

Other highlights included keynote speaker Frances Moore Lappé, author of the best seller *Diet for a Small Planet*, and the presentation of the Spirit of Organic Awards, honoring unsung heroes of the organic movement, which took place at the Organic Harvest Festival. Exemplifying the principles and spirit of organics, award recipients were: Anthony Rodale, former CEO of the Rodale

Institute and advocate for organic farmers; Kelly Shea, vice president of government and industry relations at WhiteWave Foods Co.; LaRhea Pepper, a fifth-generation farmer and executive director of Organic Exchange based in O'Donnell, Texas; and Kevin Brussel, president of Ag Organics and superintendent of the Organic Dairy Research Farm at the University of New Hampshire.

"Boston has proven to be a fantastic host city for this show and for our clients," said Erica Stone, show manager for Natural Products Expo East, produced by New Hope Natural Media, a division of Penton Media. "We were especially pleased to provide our exhibitors the opportunity to meet with new retailers in the northeast region, and we're looking to grow this audience even further in the coming years."

Next year's show will be held September 23-26, 2009 in Boston.

NPA East Retailer Spotlight

Ted Blanton, Owner of Health Trail, Newport News, VA

By Sue Bennett

Ted Blanton started out in our industry in 1986 managing Green Earth in Baltimore, then Natural Grocery and Naturally Yours. In 1999 he moved down to Health Trail and managed it for two years before purchasing the business from the original owner in 2001.

Implementing a number of changes that included expanding his product offerings, Ted enjoyed two years of continued growth and increased store recognition. When a large grocery chain and a number of vitamin stores moved into his market, growth predictably slowed. However, Ted's personal brand of customer service, something the chains couldn't match, ensured that he held onto his customer base.

Ted is passionate about supporting high standards for our industry. He set the bar high for his business, especially in customer service.

Ted expresses his personal philosophy like this: "It is an unusual time to be involved in this wonderful industry. In the last decade, we have seen some standards of quality established and have been embraced by a larger segment of the medical community. With more people becoming aware of the benefits of our products, competition has become extremely fierce. At the same time, savvy independent retailers who focus on quality and customer service will be able to differentiate themselves and carve out a niche for themselves, provided they maintain a strong sales program in today's stressed economy.

"Health Trail's strategy is to do business with as many small "mom and pop" manufacturers as possible, those who share our vision of providing quality products to our customers at a competitive price. We want our shelves to be stocked with the same products that customers have come to expect and trust, and we also try to offer as many new and exciting products as possible. With customers becoming more educated and demanding, we will need to be able to raise the bar in terms of promoting products of the highest quality. A good example of this is that we only carry Certified Organic Produce. Initially we experienced a drop in sales when the big chain competitors came into our area. However, by offering a level of quality and service unique to our store, we have enjoyed consistent growth in the last two years."

It is obvious from their own healthy lifestyles that Ted, along with his wife and family, believes strongly in what he sells. His passion for the natural food industry is always obvious to his customers and his employees.

All successful business operations can be reduced to three words: people, product, and profits. As Ted has shown, in the face of increased competition and customer demand for high quality, people have to always come first.

Sue Bennett is the owner of For Goodness Sake Natural Foods and a member of the NPA East Board of Directors.

2008 Advocacy Efforts

A number of notable successes

Overall, our association had a very successful year stopping or modifying some very adverse legislation before Congress. Working closely with our lobbyists in New York, we were successful in shutting down a number of potentially damaging bills set to go to Committee. One of the most insidious, the New York State Dietary Supplement Labeling Bill, would have required the re-labeling of every dietary supplement sold in New York State. The results would have been financially catastrophic to our manufacturers and suppliers, ultimately resulting in higher prices for the consumer. In addition, the labeling bill would have mandated that the NY label state "this product has not been tested by the Food and Drug Administration (FDA)," which would have cast a cloud of concern over product purity and

quality in the minds of so many of the consumers we interact with on a daily basis.

Fortunately, our New York Lobbyists, Hill & Gosdeck, worked with the Majority Leader's office right to the end of the session pushing to keep the bill from heading to the floor for a vote by the Senate. They were successful! The bill's sponsor then agreed to have the legislation sent back to Committee.

Personal visit results in positive outcome for NPA East membership

This latest positive outcome was, in large part, also due to the visit that our Executive Director Paul Kushner and Past President Andrew

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Food is Good

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from economic dislocations and changes in consumer spending habits because, at the end of the day, people still have to eat.

The Irony of Success

One of the ironies of our tremendous growth is that the newest shoppers—tens of millions of them—are just cherry-picking a few natural products each. Back in 1970, a few dedicated natural foodies could support an entire natural products store because they spent nearly their entire food budget at that store. Today, new natural shoppers are just dipping a toe in the organic waters; a bag of salad greens here, a half-gallon of milk there, and maybe occasionally some cage-free eggs or a piece of natural beef. Note that all of these items are now readily available at your local conventional supermarket.

So, when mom is on her way home from work and has 15 minutes to figure out what's for dinner, her natural inclination is to turn into the parking lot of her regular supermarket. She can satisfy her need to buy healthier foods for her family right there. She does not have the deep, core beliefs that drove the original natural foodies; this is about being practical and balanced, adding a few better-for-you foods to the family menu. There is no reason for her to make a special trip to your store.

How to Stay Relevant

To encourage these new "natural-lite" moms to shop with you, independents might think about how to communicate beyond advertising the same products that everyone else carries. Develop your own voice, your message that explains why your store exists, why it is different, and why it is better.

I believe this has something to do with why

you started your store. If you are like most independents, you started out wanting to help people be well. Maybe you need to dust off that original feeling, and rededicate yourself to it. This is a powerful message, particularly in today's crowded and confused health care market. Add to your wellness message the fact that you pay individual attention to each customer, and this becomes a compelling message. With limited advertising dollars, promoting your unique message is your best bang for the buck.

The 111th Congress

As I write this, Congressman Henry Waxman (D-Calif.) is the new chairman of the powerful Energy and Commerce committee. Waxman was around in 1994 when we passed DSHEA, the Dietary Supplement Health and Education Act, hated it then, and still does today. Senator Dick Durbin (D-Ill.), perhaps DSHEA's most outspoken critic, was Obama's Senate seat mate, and is now the second-ranking member. Expect Obama to listen with a friendly ear to Durbin's agenda.

There is a new Government Accountability Office report due in January or February, 2009, reviewing DSHEA, Good Manufacturing Practices, and the Adverse Event Reporting laws, and making recommendations. With some of the most powerful people in Congress sworn enemies of DSHEA, we will need to be on our toes in 2009. It would be good if you could plan to attend the Natural Products Association March 24, 2009, Lobby Day in Washington, D.C., to make sure your representatives know how safe, affordable, and effective natural products are.

The Long-Term Outlook

These days, I often get calls from the mainstream media asking me if the natural and organic movement is dying. I have to

smile. Having witnessed the peaceful food revolution of the last 30-plus years, I know that natural, organic, and now local products will continue their slow but inevitable march toward dominating the entire food business. It may take a couple more decades while the incumbent mainstream food manufacturers and retailers retool their business models, but the handwriting is on the wall. Bad ingredients are out, good ingredients are in. There's room at this giant table for independent retailers. JJ

Jay Jacobowitz is president and founder of Retail Insights®, a professional consulting service for natural products retailers established in 1998, and publisher of the Retail Insights Nutrition Newsletter, the largest subscription newsletter in the industry.

President's Message

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Membership

Launched in early January, NPA East's ongoing membership drive was very successful, producing a membership renewal rate of more than 65%. As impressive as this is, our goal is to double membership this year. We'll be calling on you to support our campaign and help us reach a new record number of members.

New initiatives for 2009

As I noted earlier, with the support of our membership and the NPA Board, I plan to build on the many successes we enjoyed this year and continue to set the bar high for providing value and support for all of our members in the East Region.

Please do not hesitate to contact me with any questions or concerns regarding your business and the natural products industry.

Board of Directors

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Denise de la Montaigne

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Jay Jacobowitz

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Good Foods Grocery,
Richmond, VA

Executive Director:

Paul Kushner

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Advocacy Efforts

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Fox made to Albany in early February meeting with our lobbyists. Along with our ultimate success putting the brakes on the dietary supplement labeling bill, another important measurable result was clearly our personal visit with Assemblyman Felix Ortiz, the New York Assembly sponsor for four additional supplements bills. Mr. Ortiz did not push any of his bills last session, and the Health and Consumer Protection committees did not forward them on to the Speaker's office for a floor vote.

PA Milk Labeling Law

Working closely with the Pennsylvania Association for Sustainable Agriculture (PASA), we prevented a bill in Pennsylvania that would have made it illegal to advertise on a label that milk and other milk-based products are produced without the use of synthetic hormones. Through the joint efforts of NPA East and PASA, Governor Rendell did not sign this bill into law. NPA East is proud of the role it played in derailing this proposed regulation and will continue to seek strategic partnerships that support the goals of our association and promote the interests of our members.

Frustration in New Jersey

Despite a comprehensive campaign to defeat the bill, including a number of discussions with the bill's sponsors, the New Jersey Dietician Licensure Bill was passed by the New Jersey Assembly in September. The bill is designed to empower licensed nutritionists and dieticians in New Jersey to be the "official voice" for all information regarding dietary supplements and health foods. Although the bill does not restrict natural foods retailers from talking to their customers about the benefits of supplements and health food products, it does

give the appearance of setting nutritionists and dieticians up as "authorities".

Thus far, the bill has not been funded by the New Jersey State Finance Committee, and we continue working to convince them to rescind their decision.

Summary

Overall, we believe that NPA East, your trade association, held its own against a barrage of proposed bills that could have done serious harm to our industry. Our Executive Director and dedicated volunteers were able to neutralize them or kill them outright. However, with 11 states and Washington, DC, to cover on virtually a daily basis, we can't do it alone. Even with help from our New York lobbyists, funded by our generous suppliers and retail members, we need your help. Please get involved. 2009 is shaping up to be a difficult and challenging year for our industry. For more information, please contact NPA East's Executive Director, Paul Kushner, at pkushner@comcast.net or 856-985-5446.

Save These Dates

12th Annual Natural Products

Day, March 24, 2009 in Washington, DC.

Join your colleagues for a day of advocacy, education, and celebration as you build the industry's base of support through personal meetings with members of Congress on Capital Hill.

For additional information, go to the NPA website at www.naturalproductsassoc.org

Natural Products Association's 72nd annual convention and trade show, Natural Marketplace 2009,

July 9-11, 2009, at the Sands Expo and Convention Center, Las Vegas, NV. For additional information, go to www.naturalmarketplaceshow.com



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