



"FIRST THEY IGNORE YOU, THEN THEY LAUGH AT YOU, THEN THEY FIGHT YOU, THEN YOU WIN."
— MAHATMA GANDHI

“MAKE AMERICA HEALTHY AGAIN” WHAT THIS COULD MEAN AND HOW TO PREPARE

IN THE SPOTLIGHT

December 17, 2024

The “Make America Healthy Again” (MAHA) platform and message played a meaningful role in the recent Presidential election. The scope of this agenda is far reaching, seeking to change food, beverages, personal care products, pharmaceuticals, supplements, pollution and their respective regulation and government programs. The polarizing leaders of this movement and their talking points have become the feedstock for spirited debate across traditional media, social media, in boardrooms, at local diners and at kitchen tables across the country. The skeptics believe that legacy institutions are too entrenched and incentives too weak to change government policy. The optimists see progress coming as part of wider sweeping changes in government. Only time can accurately predict how this will play out and the long-term implications for the health and wellness industry. What is certain is that the increased awareness around the effects of diet and exercise on health is a very good thing. For decades the health and wellness industry has been screaming this message only to fall on deaf ears. Regardless of the policy outcomes, an important inflection point is upon us which presents unique, possibly once in a generation, opportunities.

Food and personal care products have been the center point of the health and wellness industry since inception. Starting with the hippies of the 1960’s, “Natural” and “Health Foods” were known by certain groups of consumers to be food and personal care products without preservatives, chemicals, artificial ingredients and made with minimal processing. As we showcased earlier this year, Whole Foods was an early adopter that institutionalized what the local mom and pop “health food store” was already doing. In September, Wellvest wrote:

“The company was serious about quality standards and social responsibility, Whole Foods had a list of over 100 unacceptable ingredients, which brands were strictly prohibited from using. This included artificial sweeteners (like aspartame), hydrogenated fats, high-fructose corn syrup, artificial preservatives (like BHA, BHT), artificial colors, and flavors.”

“MAHA” NARRATIVE RAISING AWARENESS

HEALTH AND WELLNESS IN THE SPOTLIGHT ONCE AGAIN

Interestingly, this health and quality mandate was driven by founder John Mackey's personal vision for his company. The success of Whole Foods was predicated on consumers' acceptance and demand for these types of products. More recently, in August 2007, Interstate Bakeries announced it would soon end production of Wonder Bread in the Southern California market. The company stated at that time "This was due to a decline in sales, as Southern Californians in particular were partial to whole-grain breads and 'premium' loaves."

While the Whole Foods and Wonder Bread stories reflect a market driver change, many governments around the globe have taken a proactive approach to enabling broader acceptance of healthy food and personal care products. The comparison between American and European regulations highlights significant differences in approach and impact on public health. The U.S. allows approximately 3,000 food additives, synthetic ingredients, and chemicals, many of which are restricted or banned in the EU, which permits around 400 additives after rigorous safety assessments. The EU adopts the precautionary principle, requiring substances to be proven safe before use, while the U.S. operates on a more reactive model, assuming safety (Generally Regarded as Safe, GRAS) until harm is demonstrated. These regulatory differences influence diet quality, with Americans consuming more processed and additive-rich foods compared to Europeans, who emphasize fresh, minimally processed options.

IMPLICATIONS

The Make America Healthy Again narrative is what the health and wellness sector was founded on; healthy diet and lifestyle is the precursor to overall wellbeing. To the extent government policies can incentivize and enable wider adoption by the general population is a net positive for society. Regardless of policy, the attention from the election and subsequent policy debates will continue to raise consciousness and influence individuals' purchasing and consumption behavior.

As we experienced during COVID, shifts in consumer habits can be sudden and extreme. Just as the demand for "immunity" support spiked, it's fair to assume that the MAHA dialogue will increase demand for healthy food be it, organic, clean label, all natural, non-GMO, and color free. Wellvest believes that retailers who embrace the "Wellness thru Food" movement by stocking a range of products, priced competitively and marketed to those customers who haven't participated in the healthier side of food will see an increase in sales. In fact, since the election Wall Street has already bid up the stocks of many companies firmly entrenched in the health and wellness sector. In the month of November, Sprouts Farmers Market (SFM) was up 20.4%, Natural Grocers (NGVC) Increased by a whopping 71.8%, natural food distributor, United Natural Foods (UNFI) gained 22.1% and Zevia (ZVIA) had an impressive 74.4% gain.

COMING CHANGES COULD BE MODEST OR MASSIVE

WALL STREET IS ALREADY HANDICAPPING THE WINNERS AND LOSERS

It's prudent at this juncture to consider the implications to the health and wellness industry if many of the material aspects of the MAHA agenda become official. Imagine a scenario where the approved food additives are similar to Europe, say a reduction from 3,000 down to 400. A world where food and beverage labels come with warning "STOP" symbols on the front of unhealthy food, like what is found in Mexico, Chile and Peru today. A world where government food programs such as Supplemental Nutrition Assistance Program (SNAP), Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), and the National School Lunch Program (NSLP) operate under a mandate to only provide food considered healthy; more fresh fruits and vegetables, clean ingredient foods and beverages without additives and sugar.

Under this scenario the food and beverage industry would look radically different. The losers would most certainly be "Big Food"; Nestlé, PepsiCo, The Coca-Cola Company, Mondelez International and their peers will all suffer under this scenario because their brands and product portfolios are dominated by many unhealthy products. The large ingredient suppliers would also experience significant pressure; including companies such as Cargill, Conagra, and ADM. Wall Street has taken notice, as many of these companies saw their stocks drop immediately following the election. The flip side is that several of the smaller, lesser-known brands and companies will step in to fill the void. Simply Good Foods, Treehouse Foods, Oatly, Zevia, and Vital Farms could be big beneficiaries along with a host of other privately held brands.

Should even a small portion of the above hypothetical come to fruition the market could witness a renaissance in mergers and acquisitions (M&A). The trends driven by consumers nearly a decade ago that pushed M&A and to a lesser extent, IPOs at the time, would come back exponentially stronger due to immense regulatory pressures. As Big Food and their suppliers' legacy franchises rapidly disintegrate, they would have no choice but to transform via acquisitions. Depending on the speed of regulatory changes, which could be as quick as the next year or two, a frenzy of deal making could erupt.

Coil the Spring – be prepared

The Pandemic was a stark and tragic reminder that the world can change literally overnight. Handicapping the timing and scope of the coming MAHA agenda is a fool's errand but preparing for probable scenarios is not. The narrative has put a spotlight on health and wellness and has already had an impact as witnessed in the extreme movement of individual company stock prices. The wake-up call from the Pandemic is once again ringing in consumers' ears, ultimately affecting their purchasing choices. Brands in the health and wellness sector are well positioned to take advantage of this dynamic. Staying on message, doubling down on marketing and customer experience will ensure brands stay top of mind with consumers. As 2025 unfolds, brands, investors and market participants need to be ready to act, invest and possibly pivot to quickly adapt. For investors, now is the time to choose where to invest, which themes to play and which companies offer the best opportunity for above market returns. While we strongly believe that

profitability is critically important to success, certain instances warrant investing for high growth to capture market share in times of upheaval – this may very well be one of those instances.

The health and wellness sector is arguably one of the most advantageously positioned sectors to take advantage of these coming changes regardless of their size and scope. Now is the time for companies and their investors to plan for rapid and deliberate scale up in the event of major disruptions in the food and beverage industry. At worst, this is a valuable thought exercise to determine “the art of the possible”; at best, it’s a playbook that can be put into immediate action when the time is right. The next six months will be dramatic, with the potential for once-in-a-generation opportunities for those ready to take advantage. As always, we will keep you posted.

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