

CATEGORY REPORT

AFFORDABLE

NUTRITION (15%)



Packaged, industrially produced foods and beverages constitute an ever-increasing proportion of consumers' diets, globally. Many of these products tend to have high saturated fat, sugar, or salt content and be highly- or ultra-processed; all factors associated with adverse health outcomes.^{XII}

In low- and middle-income countries (LMICs),^{XIII} such outcomes include rapidly increasing rates of malnutrition, including overweight and obesity; while micronutrient deficiencies remain an unsolved concern.^{XIV}

To improve their diet quality, lower income consumers must have access to nutritious products at affordable prices. Food tends to represent the largest share of expenditures in lower income households, meaning they typically spend a disproportionate amount of their budget on food.^{XV} In 2022, 2.8 billion people were unable to afford a healthy diet,^{XVI} with COVID, the war in Ukraine, and rising energy and commodity prices exacerbating this further; for example, by triggering price increases of up to 30% for staple foods.^{XVII} This inflation particularly affects households in LMICs, where 52.6% are unable to afford a healthy diet, relative to 21.5% in upper-middle-income countries and 6.3% in high-income countries.^{XVIII}

WHAT DOES GOOD PRACTICE IN AFFORDABLE NUTRITION LOOK LIKE?

The company has a global affordable nutrition strategy which:

- **APPLIES SPECIFICALLY TO PRODUCTS THAT MEET A DEFINITION OF 'HEALTHY' according to an internationally recognised/government-endorsed nutrient profiling model (NPM).**
- **INCLUDES A CLEAR APPROACH FOR DEFINING/ DETERMINING WHETHER THE PRICE OF A PRODUCT IS 'AFFORDABLE', ideally linked to a formal classification of 'lower-income consumers' it reaches.**
- **QUANTITATIVELY TRACKS AND REPORTS PUBLICLY on its progress in all markets, and sets specific and timebound targets to drive performance.**
- **MEASURES THE AVERAGE PRICING OF ITS 'HEALTHIER' PRODUCTS relative to its general portfolio per market, and improves the price differential between them.**



This category assesses whether companies have developed strategies or approaches to ensure that a growing part of their 'healthier' product portfolios are made affordable to lower-income consumers through commercial channels (i.e., an 'affordability strategy'). The scope, robustness, and transparency of these approaches are also evaluated.

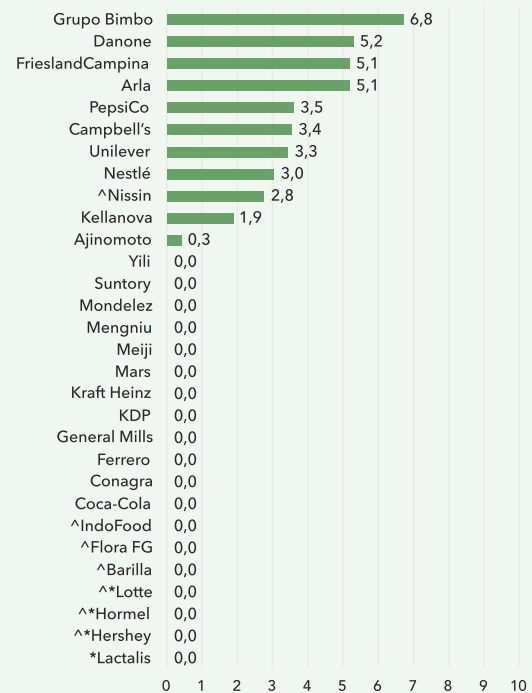
MAIN FINDINGS

The majority of the 30 companies assessed did not share evidence of having any form of an affordability strategy specifically for 'healthier' products through commercial channels. Nine companies shared evidence of having some form of intentional strategy to affordably price at least part of their 'healthier' portfolios specifically for lower income consumers, as shown in Table C.1. Of these, the majority primarily focus on consumers in LMICs.

In most cases, few details about these strategies could be found on the companies' public domains. Lower scores in this category are also a result of companies using definitions of 'healthier' that are not government endorsed, companies applying their strategies to a limited range of products and/or markets, and limitations in the quality of evidence of implementation.

There are currently no internationally recommended best practices or standard definitions and metrics with regards to food and beverage manufacturers' role in delivering 'affordable nutrition' through their commercial operations. As such, companies' approaches to this topic are mostly exploratory in nature, potentially leading to limited inclination to report comprehensively.

COMPANY SCORES ON AFFORDABLE NUTRITION /10



* Did not provide information to ATNi
 ^ Not assessed in 2021

ONLY NINE COMPANIES HAVE SOME FORM OF STRATEGY TO PRICE 'HEALTHIER' PRODUCTS AFFORDABLY FOR LOWER INCOME CONSUMERS.



TABLE C.1.
**FEATURES OF COMPANIES' AFFORDABLE NUTRITION STRATEGIES
 TARGETING LOWER INCOME CONSUMERS**

Company name	NPM used to define 'healthier'	Product scope/reach	Market-focus	Defining 'Affordable'
Danone	HSR 3.5*	Broad range; unclear per market	LMICs & high-income countries (HICs)	Price benchmarking
Grupo Bimbo	HSR 3.5*	Mostly whole wheat breads; Several products per market	LMICs & HICs	Price benchmarking, household penetration
Arla	Own (equivalent to HSR 3.5*)	1 powdered milk product per market; 90 m consumers reached	Bangladesh & Nigeria (LMICs)	Price benchmarking
Friesland Campina	Own (specific to affordable nutrition)	Broad range per market; (9.6% of company sales across LMICs)	LMICs	Qualitative research
Kellanova	Own	Noodles, oats, and ready-to-eat cereal; unclear per market	LMICs	Price benchmarking, % household food budget
Nestlé	Own	Broad range; unclear per market	LMICs	Managerial discretion
Nissin	Own	Specific noodle/ready meal products	Japan (HIC) only	Price per calorie threshold
PepsiCo	Own (specific to affordable nutrition)	Maize, oats, dry vegetables and legumes, and bread products	Mexico & South Africa (LMICs)	% household food budget
Unilever	Own	Broad range; majority of sales	LMICs	Qualitative research

Defining 'healthier' and portfolio scope: Of the nine companies with an affordable nutrition strategy, Arla, Danone, and Grupo Bimbo use the Health Star Rating (HSR) – a government-endorsed nutrient profiling model (NPM) – as the basis for defining 'healthier' in their affordability strategies. Danone's affordability strategy is applied across its whole portfolio, which the company calculates to be 89% 'healthier' (by volume) according to HSR, and confidentially shared evidence of the percentage that meet its 'affordable' definition. Grupo Bimbo shared evidence of a range of HSR-compliant products being priced according to the company's definition of 'affordable' per market, while Arla demonstrated that its 'affordable' products are above HSR 3.5 stars.

The other six companies each use their own company-developed NPMs, of which FrieslandCampina and PepsiCo have developed specific criteria for the purposes of affordable nutrition. As shown in Table 1, the extent of application of companies' affordable nutrition strategies varies significantly per company and per market.

Definitions of 'affordable' and 'lower income':

Successfully meeting the needs of lower income consumers relies heavily on products being priced appropriately, so those with limited incomes can purchase them regularly. Despite the absence of a clear international best practice in this regard, companies should have a clear definition of the 'lower income consumer' they are trying to reach and have processes in place to determine what is 'affordable' to these groups.

To define lower income groups, companies shared evidence of either using daily income thresholds, often in relation to a relative poverty line – as defined by the World Bank or national institutions – or socioeconomic classification systems, such as the Living Standards Measure, India's SEC (Socio Economic Classification) system, or other local governmental data to define lower income groups.

There was variation among companies in how 'affordability' is defined, as shown in Table 1. Three companies determine affordability through price

benchmarking; i.e., as a relative price to the market or portfolio average. Meanwhile, two base their affordability definitions on qualitative research into what lower income consumers consider to be 'affordable' price points in their respective markets. Nissin uses daily food expenditure estimates and recommended calorie intake to approximate the average price per calorie for a 'lower income' individual in Japan, and ensures some of its 'healthy' products are priced within or close to this threshold. PepsiCo's and Kellanova's approaches are based on estimates of lower income household expenditures on specific food categories within specific markets.

Arla, PepsiCo, and Nestlé are the only companies to publicly disclose information about their definitions of 'affordability' and/or lower income populations. Data from other companies was shared directly with ATNi.

Affordable nutrition targets: Five of the nine companies have some type of forward-looking target in place to drive progress on their affordable nutrition strategies. These targets vary in form and include: increasing the share of affordable nutritious products in their lower-income markets (FrieslandCampina); increasing the number of consumers/households reached with affordable nutritious products (Arla, Grupo Bimbo, and PepsiCo); and expanding the scale of last-mile distribution programmes (Unilever).

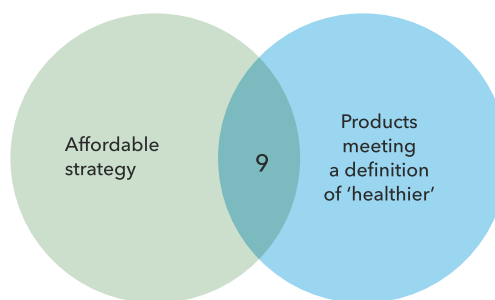
Of these, only Arla and FrieslandCampina's targets are specific, measurable, and time-bound. FrieslandCampina, Grupo Bimbo, and PepsiCo apply their targets globally, and only Arla, FrieslandCampina, and PepsiCo publicly disclose their targets.

Tracking and reporting on progress: Four companies (Arla, FrieslandCampina, Nestlé, and PepsiCo) shared quantitative evidence of outcome level progress on their affordability strategies across multiple markets, mostly in terms of increased sales volumes from products classified as 'affordable nutrition' and/or an increase in market penetration among lower income consumers. Of these, Arla, FrieslandCampina, and Nestlé publicly report on their progress.

The other companies did not report on their progress and primarily provided evidence to ATNi regarding the number of 'affordable nutrition' products launched or their lowering the price of specific products.

FIGURE C.1.

9 OUT OF 30 COMPANIES HAVE A STRATEGY TO EXPAND SALES OF PRODUCTS MEETING THEIR DEFINITION OF 'AFFORDABLE NUTRITION'



Relative affordability: While making affordable 'healthy' products available is an important step, this positive impact can easily be offset if the company continues to offer a range of unhealthy products at more affordable prices. Companies should examine the relative pricing of their 'healthy' products versus their general portfolio, and take steps to improve this price differential.

Four companies (Campbell's, Danone, Grupo Bimbo, and Nissin) have taken steps to measure the relative affordability of their 'healthier' portfolio vs their general portfolio in at least one market. Grupo Bimbo demonstrated the most comprehensive assessment (although this is not publicly reported), tracking the relative affordability of its 'healthier' products against other products in the same category, those of its competitors, and the market average price, per market. They also assess the changes in these price differentials over time.

Campbell's has calculated the average per serving price of all its products that meet the company's own 'healthier' criteria ('Nutrition Focused Foods') and compared this to the average price of its overall portfolio, publicly reporting the results. However, comparisons at the overall portfolio level could mask differences at the category level, where some product categories might be more affordable by nature.

Other companies, such as Ajinomoto, Danone, and Nissin, shared evidence of comparable products or brands that are 'healthier' versus unhealthy for multiple markets. However, this is not publicly reported and, given the specific nature of the evidence, it is not clear how representative these examples are across the companies' portfolios.

KEY RECOMMENDATIONS FOR THE SECTOR

In the absence of clear international guidance on this topic, 30% of the companies assessed have taken steps to ensure that at least part of their 'healthier' portfolio is 'affordable' (by some definition) to lower-income consumers, especially in LMICs. These nine companies have significant scope to improve upon the robustness of their approaches, and other companies are encouraged to follow their example.

Therefore, all companies are encouraged to:

1 Evaluate

- Calculate the percentage of their portfolios that meet a clear definition of 'affordable nutrition'; i.e., products classified as both:
 - 'Healthier', according to an internationally recognised NPM;
 - 'Affordable', as determined by a formal process – ideally one that is market-specific and linked to a definition of 'lower income consumer' the company is aiming to reach.
- Measure the relative affordability of their 'healthier' products (according to an internationally recognised NPM), vis-à-vis their overall portfolio, on a category-by-category basis.

2 Transform

- Set specific, measurable, and time-bound targets to grow sales of their 'affordable nutrition' products and outline concrete plans for how they intend to achieve these targets.
- Develop policies and processes to improve the relative affordability of their 'healthier' products, vis-à-vis their overall portfolio.

3 Disclose

- Report on the proportion of their portfolios that meet their definition of 'affordable nutrition', as well as on progress against targets and the relative affordability of their 'healthier' products against their overall portfolio.

THERE IS A LACK OF CLEAR INTERNATIONAL GUIDANCE REGARDING MEASURING THE 'AFFORDABILITY' OF HEALTHY PACKAGED FOODS

NOTES AND REFERENCES

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