

Sustainability Podcast

“Making Food Healthier”

Transcript, 27 June, 2025

Mike Disabato ([00:00](#)):

What's up everyone? And welcome to sustainability Now, where we cover how the environment, our society and corporate governance effects and are affected by our economy. I'm your host Mike Disto, and this week we discuss how the world's making itself healthier. Again. Thanks as always for joining us. Stay tuned. There's a movement in the US called Make America Healthy again. It's spearheaded by Robert F. Kennedy Jr. The Secretary of Health and Human Services. And with Maha, as it's often called, Kennedy has put junk food at the center of the political conversation in America, speaking about ultra process and artificial foods and their established links to chronic diseases and all that. And now, regardless of your politics, the discussion can be a serious one and one that is coinciding with a larger push globally by consumers to eat healthier foods, to reassess how their foods are being grown and what foods should be affordable versus others.

([01:00](#)):

Historically, there has been movements against sugary sodas, fast food, and harmful additives. And as my guest and colleague today, Cole Martin, who covers the food industry for us, told me there is another movement now that has coalesced around one common enemy, ultra processed foods, a hard to define, but easy to attack food group that has globally, not just in America, but globally, united politicians, parents, and most importantly for us, the consumers of the food companies we cover and thus the companies themselves. And note, while the discussion around ultra processed foods is in vogue right now, the conversation is part of a larger change in food choices by consumers that we and Cole are seeing spurred by those health concerns in a political movement. Sure, but also by social media and weight loss drugs and microplastics. There's a lot to unpack here and unpack it. We shall because a result of those conversations will likely lead to changes in some players in the food industry with new winners emerging in an industry that is quite entrenched and forgive me, pretty old. So I asked Cole what all this might mean for the food industry. What does this mean for our social pillar where we look at opportunities in nutrition and health to assess which companies are likely to meet market demand for products with improved nutritional or health profiles. Basically, what does this all mean and here's what he had to say.

Cole Martin ([02:24](#)):

So I think we've got a growing understanding now of the effect of, for example, ultra processed foods on health outcomes like obesity, cardiovascular issues, certain cancers and disruptions to the gut microbiome. I think why this matters now, especially for food companies is we've seen in the past that countries have put in place sugar taxes, unsweetened beverages. It's worked pretty well in some places, maybe a bit less well in other places. But one of the things that's caused companies to do is think about how to reformulate their products to, for example, avoid the sugar taxes depending on the country that they're in. And where this kind of redo redos to food companies is, the WHO as part of the UN recently has come out and said they've basically taken a very harsh position on these ultra processed foods and they're in the process of developing guidelines to inform policymakers about what to do about 'em

using, for example, the NOVA classification system and designing a set of ideas that policymakers can use to potentially tax these products. And what that means ultimately is that we might be in the realm pretty soon of taxes on certain types of processed food products and that may force companies to think about reformulations or where product categories they want to expand into.

Mike Disabato (03:53):

The UK is a good example of where these sugar taxes prompted meaningful change in terms of sugar content, but also requiring a heavy lift from companies to comply with them. In 2018, the UK started taxing drinks with a certain amount of sugar per a hundred milliliters. And according to Oxford academic, the companies responded by cutting average sugar content and soft drinks by around 30% to avoid the tax. The same thing happened throughout the US where sugar taxes were in place. Seattle, for example, saw a massive drop in both the sugar content and the amount of sugary beverages sold after it imposed its tax in 2018 as well. But sugar is kind of an easy metric for companies to assess and regulate what is or is not. Ultra processed foods though is more complicated because the definition of what is an ultra processed food group, for example, is much fuzzier than you might think.

(04:45):

When you think of ultra processed foods, you may think about Oreos or gummy bears or potato chips, but canned kidney beans also fit the bill in some cases. So if the WHO is developing a consumption guideline for ultra processed foods, which may include labels and the like, and these guidelines get pushed into law in places like America where the MAHA movement has made serious traction in getting certain food additives banned. It got the FDA to ban the artificial color red three from products in January of 2025, then investors of the food industry may benefit by looking at what companies are most exposed to these possible changes and trying to understand who is best prepared to shift their product line if both the vibes change, yes, but also if regulations come to bite,

Cole Martin (05:35):

I mean there's lots of different, the food industry is quite diverse. There are companies and sort of things like fresh meat products. There are snack manufacturers, there are companies that focus on more health food type products. There are beverage companies. Lots of different companies could potentially be caught up with this depending on what type of food products get potential, what type of food products would be taxed, how much the tax would be, whether that tax ultimately causes consumers to change preferences, there could be lots of different effects depending on where you are within the supply chain and what your product portfolio is.

Mike Disabato (06:15):

So what could the industry do? Because mind you, this is not only about the possibility of regulation from the UN or in America. This isn't only about an ultra processed food tax, it's much broader than that. It's about paying attention to a shifting consumer preference. If a grassroots movement pushes healthier food and then everyone on social media starts to rail on unhealthy, eating a company without a plan that offers these products can get caught with a stale offering and deal with loss of market share in a legacy market that doesn't do well in shifting priorities. That includes ultra processed foods, of course, but it can also include aspects of the food industry supply chain, like the pesticides, its farmers use, and a growing preference for organic foods that a food company can't just quickly adapt to without a plant. So what is the solution here for the savvy investor? What can they look to as a signal that would indicate the possibility that a company might be on the right side of this issue?

Cole Martin (07:14):

One thing that we like to think about is does a company have a strategy to capitalize on a changing industry landscape? What sort of innovation capacity do they have? Do they have in-house innovation capacity? Do they have to outsource to third parties? This is something that a company can decide to do one way or the other. Do these companies have, for example, strategies or plans to reduce the portion size of their products to reduce, for example, the use of artificial ingredients to reduce the sugar content, the salt content, the fat content, et cetera, et cetera, all of these things. These are all things that we look at as part of our ESG ratings model. And one thing that I've observed with various companies is there's quite a variation. Some companies have quite a significant in-house in innovation capacity. They have lots of dedicated, for example, food scientists.

(08:09):

They spend a lot of their RMD on these things. And some companies have less of a focus on this and think about the food industry in general. This is not necessarily a super high growth industry. It's an industry where generally speaking, you get two to 3% volume growth a year, two to 3% pricing increases and maybe capture a little bit of market share. And that's kind of it. This is a very old industry with a lot of very old companies and there isn't necessarily from, there are relatively high barriers to entry, I guess, if you will. So it's going to be very important for companies in my view to be agile enough to be able to think about these sort of significant changes and factor that into their offerings.

Mike Disabato (08:53):

And to that point, let's look at some of the companies that we cover. We cover around 380 companies where we check what sort of strategy they have around how healthy their food is, and let's narrow that list down to the around 200 packaged food and meat companies that are in our coverage. And so let's look at if they have programs to reduce artificial ingredients, for example, in their products. Because one of the staples of ultra processed foods are these artificial ingredients, and it's an ingredient that is facing some pretty fierce consumer backlash with bans globally proposed and enacted bans in the US and consumer concern around, for example, the types of dyes used in food and all that. And anyway, if we look at what percentage of those 200 companies have made it part of their core business to reduce artificial ingredients in their products, you see that only 31 companies meet this bill that's around 15% of the industry and only four of them are actually reducing artificial ingredients in their entire product suite. Not a very high number. Whether or not that low number should be concerning to investors is it this trend toward healthier eating is a fad or if it has some serious staying power?

Cole Martin (10:07):

So food trends come and go, right? In the past we've had keto diets, low fat diets, intermittent fasting, Atkins, et cetera, et cetera. But I think you can have food fads or food blips if you will, that occur within a broader overall trend, which in my view right now is a possible rethinking about our overall relationship with health nutrition. And I think there are two significant factors driving this. First of all is the impact of the weight loss drugs that we've seen come to market in the last few years. Now obviously the overall impact of those drugs and the effectiveness of those drugs is probably still a little bit unclear, but there's no doubt that they've become very popular and are much more widely used than even in the recent past. I think the second thing driving this is the growth of the explosion, I guess, if you will, of online influencers.

(11:02):

Not just overall, but particularly in the health and wellness space. I think it's interesting that Gen Z, for example, have been much more interested in their food choices than previous generations. They drink less alcohol than previous generations. And there have been studies that come out which have said that Gen Z consumers actually have a less positive relationship with food, which I find interesting. And I think part of that is because they're so worried about being healthy that they are willing to sacrifice the

enjoyment of eating with, making sure that their food choices are healthier. But I wonder if as it develops over time that we come to some sort of happy medium where you can care about your health and care about being healthy while still having an enjoyable eating experience or drinking experience. And if not enjoying the actual experience, getting secondary benefits from what you're consuming.

(12:03):

So for example, one category that's done pretty well is functional beverages. So these are beverages that not maybe may not just be healthier, but offer improvements in things like moods or energy or even skin quality and things like that. And other categories that's done pretty well are high protein snacks. Those have been outperforming other food categories in terms of sales growth. So it may be the case that as these wellness trends kind of develop and continue certain food categories like this that offer both a good eating experience, but also secondary benefits may be the categories that end up outperforming and the companies that focus on those maybe in a better position to capitalize.

Mike Disabato (12:50):

This problem is pretty entrenched though, especially in the US today. Three quarters of all packaged foods contain added sugar. And if we continue on our current trajectory, half of the world's population will be overweight or obese within 15 years and an estimated one and every six Americans will be diabetic according to data for the Center for Disease Control. But that trajectory can shift with change in pals, which are often based on cultural norms and food we have most available to us. And that availability issue is a big one and one that we did not touch on. There's a reason people buy on healthy foods. There's the taste, sure, but there's also an affordability issue. If a bag of apples costs more than a hamburger and you're struggling to make ends meet and you need calories to survive, you're going to take the hamburger full stop.

(13:36):

Regulation cannot just be on the tax end. If we truly want to have a discussion around health outcomes across the world, it needs to also be a discussion of what types of foods are available, what types of foods we subsidize and why. But unfortunately, that's a discussion for another person on another podcast. For us, what we have to assess is the company side. And if consumer trends move in a significant enough way, buoyed by regulation trying to curb unhealthy eating, we could see a change in what sort of foods are offered by what sort of companies. And those that are preparing now for the shift may be better suited to take advantage of it as it works to gain traction. And that's it for the week. I wanted to thank Cole for talking to me about the news with a sustainability twist. I wanted to thank you so much for listening. If you like what you heard, don't forget to rate and review us and subscribe if you would like to hear myself or Bentley each week. Thanks again and talk to you soon.

Speaker 3 (14:51):

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