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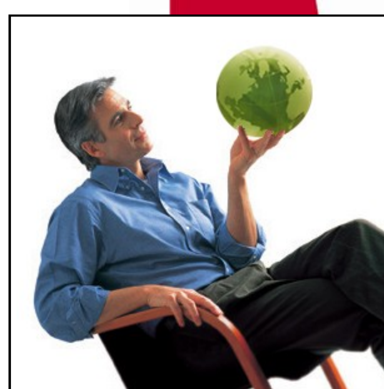
International Markets Bureau

MARKET INDICATOR REPORT | MARCH 2012

Sweet Spreads
in the United States





Growing Forward

Canada

MARKET SNAPSHOT

- The American sweet spreads market was valued at US$2.7 billion in 2010, and is expected to reach US$3.3 billion by 2015.
- This market is a relatively stable one, recording steady value growth even through the global economic recession. This may be attributable to the use of sweet spreads (jams and chocolate spreads, for example) as affordable comfort foods.
- "Green" or ethical claims and convenience are important selling points for sweet spreads in the United States (U.S.). However, health credentials are becoming increasingly prominent as sales drivers.
- Products with high fruit content, antibacterial honey and vegetarian spreads have all posted significant sales growth, and are expected to continue doing so. While sales of peanut butter are positive, growth for this commodity has slowed.
- Natural and organic sweet spreads are part of the larger natural and organic food movement, which has evolved from a niche category to a significant market in the last decade.
- The consumption of sweet spreads is still largely reliant on bread consumption (many spreads are primarily used as an accompaniment to bread at breakfast time). However, with the maturity of the bread market in the U.S., suppliers need to encourage new, creative uses of spread products to bolster sales growth.

INSIDE THIS ISSUE

Source: *Shutterstock.*

RETAIL MARKET

- The primary factor driving purchases of sweet spreads remains the treat aspect, which has proven largely recession-proof. More specifically, consumer interest in nostalgic spreads has only strengthened following the recession, as they seek familiar and comforting products.
- However, healthy eating trends have encouraged some consumers to reduce their consumption of sweet spreads. In response, new product development has focused on developing products with functional attributes and low/no/reduced sugar. Sales of jams with high fruit content and no added sugar have been boosted by such health considerations.
- Honey sales also benefit from the product's health credentials. New Zealand's Manuka honey, for example, boasts antiviral and antibacterial properties. However, this somewhat-medicinal image could also pose challenges. If honey is mostly perceived as a product used to prevent or treat illnesses, rather than a product to consume out of enjoyment, sales growth may be affected in the long term.
- Peanut butter suffers from its status as a potential allergen, but other nut spreads (almond butter, for example) can gain ground as a result. However, concerns about the fat content of all nut-based spreads do remain, which may boost the consumption of seed-based spreads (such as Tahini/sesame and sunflower seed), as they have generally accepted health claims. Manufacturers of nut-based spreads will have to promote their products' positive health attributes to ensure consumer confidence.
- Natural/organic sweet spreads have also become more prominent as a result of health concerns, and benefit from the growth in the American organic market as a whole. Even in times of unfavourable economic conditions, the majority of consumers that prefer organic products will not change their shopping habits, or refrain from purchasing organic goods.
- Ethical issues also have an increasing influence on new product development in the sweet spreads market. Environmentally-friendly packaging has been a primary focus, but fair-trade ranges are emerging, as is the use of ingredients from sustainable agriculture.
- Most of these spreads can be easily found in mainstream supermarkets, and are no longer limited to health food stores.
- With many spreads consumed for breakfast, any shift in consumers' breakfast habits can affect sales. Due to increasingly busy schedules, many consumers are choosing to skip breakfast altogether, while others prefer the convenience of grab-and-go options like cereal bars.
- Manufacturers will have to introduce new spreads with heath attributes as well as varying taste profiles, to excite consumers and gain share in the American market. However, traditional tastes remain important: grape jelly has remained the most popular flavour for jams and preserves from 2006 to 2011, followed by strawberry, raspberry and orange (in descending order) which have also maintained a consistent rank over the same time period.

Source: *Mintel 2011.*

Source: *Mintel 2011.*

RETAIL MARKET (continued)

Spreads in the United States – Market Sizes – Retail Sales Value in US$ Millions								
Categories	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Spreads	2,500.1	2,627.9	2,724.2	2,823.9	2,932.9	3,043.0	3,167.2	3,291.4
Nut-based Spreads	1,280.6	1,321.5	1,390.0	1,443.5	1,495.0	1,546.7	1,605.2	1,665.6
Jams and Preserves	894.1	939.0	941.3	961.6	992.7	1,021.5	1,050.9	1,079.1
Honey	303.5	342.0	365.2	389.6	414.1	441.7	475.9	509.7
Chocolate Spreads	21.9	25.3	27.7	29.3	31.1	33.0	35.1	36.9

Source: *Euromonitor 2011.*

Health and Wellness (HW) Spreads in the United States – Market Sizes Retail Sales Value in US$ Millions								
Categories	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
HW Spreads	628.4	678.4	715.7	753.1	788.5	827.0	867.5	905.3
HW Honey	303.5	342.0	369.0	390.2	409.2	429.6	454.9	478.3
NH* Honey	299.8	338.3	365.2	386.3	405.1	425.4	450.5	473.7
Other HW Spreads	324.9	336.3	346.7	362.9	379.3	397.4	412.6	427.1
Organic Spreads	136.8	144.7	151.3	160.1	169.6	180.2	189.6	199.1
Other Organic Non-Honey Spreads	133.1	141.0	147.5	156.2	165.5	176.0	185.2	194.6
Reduced Sugar Spreads	104.3	105.9	108.5	113.6	118.3	123.2	127.5	131.2
Reduced Fat Spreads	83.7	85.5	86.3	88.5	90.6	93.2	94.7	95.8
Diabetic Spreads	3.8	4.0	4.3	4.6	4.8	5.0	5.2	5.5
Organic Honey	3.6	3.7	3.8	3.9	4.1	4.3	4.4	4.5

Source: *Euromonitor 2011.* ****NH*** *= naturally healthy.* ***Note:*** *Not all categories are shown.*

MARKET SEGMENTATION

The following are some results of a consumer survey from Mintel (2011):

- The majority of American consumers who use fruit jams, jellies and marmalades use them at breakfast time (77%).
- Use of such products at other occasions throughout the day could be expanded through new product positioning. For example, sweet spreads could be used as a sugar replacement or flavour enhancer when baking at home.
- One-person households are less likely to use sweet spreads than are larger households. The share of one-person households that reported consuming sweet spreads was 7% lower than households of two to five members.
- Amongst those surveyed, 91% of all households reported consuming peanut butter, and 92% reported consuming jams, jellies and preserves.
- Usage of sweet spreads is lower among Asians and Hispanics, presenting an opportunity to expand sales amongst racial/ethnic minorities through products that appeal to cuisines of different cultures.
- Asians and Hispanics show a lower incidence of usage than do other racial/ethnic groups. This offers an opportunity to expand sales within this growing demographic, but with 77% and 80% usage respectively, these markets are already near saturation.

American Usage Occasions for Sweet Spreads, July 2010

	Breakfast	Lunch	Dinner	Dessert	Snack	Baking Purposes
Honey (of 1,094 respondents)	63%	21%	21%	25%	35%	33%
Fruit Jams and Jellies (of 1,333 respondents)	77%	35%	15%	21%	41%	17%
Peanut Butter (of 1,515 respondents)	33%	65%	19%	16%	66%	23%
Other Nut or Seed Butter (of 224 respondents)	34%	34%	23%	33%	42%	29%

Source: *Mintel, 2011.*

COMPANY AND BRAND SHARES

Company Shares (by Global Brand Owner) Retail Sales Value % Breakdown					
Companies	**2006**	**2007**	**2008**	**2009**	**2010**
JM Smucker Co., The	37.2	39.8	39.2	39.1	38.6
Unilever Group	9.2	9.9	8.8	9.1	8.6
ConAgra Foods Inc.	7.3	3.1	6.4	5.5	5.2
Sioux Honey Association	3.2	3.2	3.2	3.4	3.6
National Grape Co-operative Association Inc.	4.2	4.2	3.9	3.9	3.5
B & G Foods Inc.	1.9	1.9	1.8	1.6	1.7
Ferrero Group	0.7	0.7	0.8	0.8	0.9
Hershey Co., The	0.9	0.8	0.7	0.7	0.6
Private Label	21.5	21.3	20.8	21.6	21.3
Others	13.8	15.0	14.2	14.3	16.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: *Euromonitor 2011.*

Brand Shares (by Umbrella Brand Name) Retail Sales Value % Breakdown						
Brand	**Company Name**	**2006**	**2007**	**2008**	**2009**	**2010**
Jif	JM Smucker Co., The	16.6	18.5	18.2	18.2	18.2
Smucker's	JM Smucker Co., The	18.0	18.8	18.0	17.9	17.6
Skippy	Unilever Group	9.2	9.9	8.8	9.1	8.6
Peter Pan	ConAgra Foods Inc	6.6	2.4	6.4	5.5	5.2
Sue Bee	Sioux Honey Assoc.	3.2	3.2	3.2	3.4	3.6
Welch's	National Grape Co-operative Inc.	3.7	3.7	3.5	3.4	3.1
Polaner	B & G Foods Inc.	1.9	1.9	1.8	1.6	1.7
Nutella	Ferrero Group	0.7	0.7	0.8	0.8	0.9
Reese's	Hershey Co., The	0.9	0.8	0.7	0.7	0.6
Knott's Berry Farm	JM Smucker Co., The	-	-	0.7	0.6	0.5
Bama	National Grape Co-operative Inc.	0.5	0.5	0.5	0.4	0.4
Goober	JM Smucker Co., The	0.5	0.5	0.4	0.4	0.4
Laura Scudder's	JM Smucker Co., The	0.2	0.2	0.2	0.2	0.2
Knott's Berry Farm	ConAgra Foods Inc.	0.7	0.7	-	-	-
Private label	Private Label	21.5	21.3	20.8	21.6	21.3
Others	Others	15.7	16.9	16.1	16.1	17.7
Total	**Total**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: *Euromonitor 2011.*

DISTRIBUTION CHANNELS

- American consumers have embraced shopping at mass merchandisers for grocery purchases. Retailers such as Target are really pushing into this arena with expanded selections of grocery products and new, larger fresh food sections.

- Supermarkets are working to engage shoppers and become part of the meal planning process. Many offer cooking classes and recipes, as well as suggestions for food pairings and alternative ways to use traditional products such as peanut butter, jams, jellies and preserves. Such initiatives distinguish the supermarket shopping experience from larger, mass merchandisers.

- Most of the grocery retailers in the U.S. are hypermarkets, larger supermarkets or superstores. Walmart held around 25% of the hypermarket/superstore category in 2010, followed by Kroger (19.5%), Costco (16.3%), Safeway (16%) and SuperValu (14.5%).

- In terms of the grocery market as a whole, the same retailers account for the top five. Walmart accounted for 8.3% of the total grocery retail market in 2010, followed by Kroger (3.9%), Costco (2%), Safeway (1.7%) and SuperValu (1.7%), as shown in the table below.

Top Grocery Retailers in the United States, 2010			
Company	**Number Of Outlets**	**Grocery Banner Sales (US$)**	**Grocery Market Share %**
Walmart	4,358	137,108,123,570	8.27
Kroger	3,256	64,060,858,669	3.86
Costco	412	32,482,263,400	1.96
Safeway (U.S.)	1,496	28,459,039,248	1.72
SuperValu	2,450	28,203,357,664	1.70
Total	**11,972**	**290,313,642,551**	**17.50**

Source: *Planet Retail, 2011.*

- There are a number of wholesale/retail groups that play an important role in the American grocery market, particularly on a regional basis, including Spartan Stores, McLane, C&S Wholesale Grocers, Wakefern Food Corporation, Associated Wholesale Grocers, Nash Finch and Unified Western Grocers.

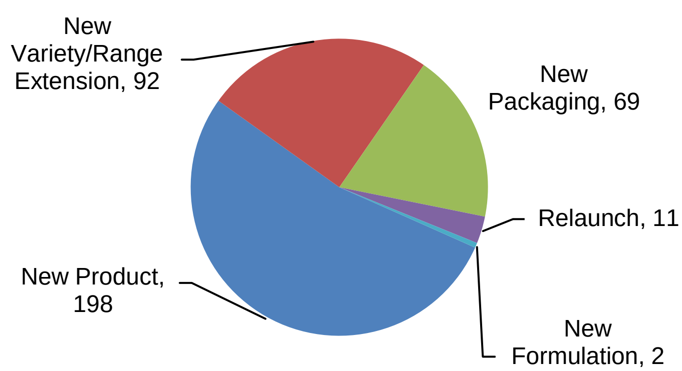
- American retailers are working to develop segmented own-brand ranges that target different ends of the market. Most retailers have a two-tiered private label strategy (a standard line and a premium line), while some are working to achieve a three-tier product range, which includes an economy segment. Kroger, for example, has developed private label products under its Value, Kroger and Private Selection lines.

- The fairly recent introduction of specialist food categories within private label ranges (for example, organic varieties and product lines aimed at children), has instilled a heightened level of trust and confidence among consumers. This put private label brands in a very strong position, especially following the affects of the economic recession in 2008/2009. In 2010, private label sales were estimated at 24% of unit sales in supermarkets, on average.

NEW PRODUCT LAUNCHES

- A total of 372 new sweet spread products entered the U.S. market between January and November 2011.
- Of the total number of new products, a whopping majority (367) were shelf stable, while the remainder were chilled/refrigerated.
- Increasing attention is being given to new products that claim to use natural flavours, and products that are free from additives and preservatives.
- New product development activities saw the launch of many fruit-based sugar-free products, which help to address consumer concerns over product naturalness and healthiness.

Number of New Spread Product Launches in the U.S., January - November 2011



Source: *Mintel, 2011.*

New Spread Product Launches in the United States by Claim, January-November 2011	
Claims	**Variants**
Kosher	146
Organic	66
All Natural Product	54
No Additives/Preservatives	45
Low/No/Reduced Allergen	41
Gluten-Free	37
Ethical - Environmentally Friendly Package	24
Premium	22
Low/No/Reduced Trans-fat	21
Low/No/Reduced Sugar	19
Total Sample	**372**

New Spread Product Launches in the United States by Subcategory, January-November 2011	
Claims	**Variants**
Confiture and Fruit Spreads	119
Nut Spreads	104
Syrups	65
Honey	60
Chocolate Spreads	13
Caramel & Cream Spreads	11
Total Sample	**372**

Source: *Mintel, 2011.*

Source: *Mintel, 2011.*
Note: *The total number of variants is higher than the total sample because each new product may have more than one claim.*

NEW PRODUCT EXAMPLES

- The following are some examples of new sweet spread products introduced to the American market in 2011 from the Mintel Global New Products Database. Each of these products feature some of the top claims mentioned on page 8.

Bourbon Barrel Foods Bourbon Vanilla Sorghum has been repackaged and now retails in an 8 fl oz can. This pure cane sorghum is said to be a unique spin on “Kentucky's maple syrup” and claims to be rich in antioxidants. This product retails for US$12.95.

Schnucks Apple Jelly has been repackaged, and this kosher certified kosher product is now available in a 12 oz jar that retails for US$1.99.

Honeyville Cranberry Orange Whipped Wildflower Honey retails in an 11.5 oz jar for US$4.75. Eggnog and Vanilla Bean varieties are also available.

Hillside Orchard Farms’ Five Pepper Strawberry Jelly is a sweet and spicy spread said to be made with ingredients grown in Northeast Georgia. The product retails in a 5 oz jar for US$2.95.

Honey New Zealand’s Premium Honey Infusionz range combines pure New Zealand Active 6+ Manuka honey with fruit from around the world. Honey Infusionz are available in Blueberry, Strawberry, Apricot, Raspberry, Spiced Apple, Kiwifruit, Cinnamon, and Blackcurrant varieties, and claim to be a great source of energy. These products retail for US$11.99.

Naturally Raw Honey by Wee Bee Honey is kosher certified, estate grown, and claims to be produced without the use of pesticides in the apiaries. This product is rich in vitamins, minerals, enzymes and antioxidants, and is said to improve poor digestion, oral health, sore throats, coughs, allergies, burns, wounds, scars and rashes. This product retails for US$7.99.

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