THE STATE OF THE SPECIALTY FOOD INDUSTRY 2013

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THE STATE OF THE SPECIALTY FOOD INDUSTRY 2013

BY RON TANNER

Specialty food is among the fastest growing industries in the U.S., with sales skyrocketing by 22.1 percent between 2010 and 2012. Last year, dollar volume for the industry grew an impressive 14.3 percent.

To pinpoint the data behind this boom, the Specialty Food Association and *Specialty Food Magazine* worked with Mintel International and SPINS to track sales of specialty food products through supermarkets, gourmet stores and natural food retailers, as well as to collect benchmarking facts and figures from the supply chain. Here are some of the highlights from 2013's State of the Specialty Food Industry:

- Total specialty food sales in 2012 topped $85.87 billion.
- Cheeses and Cheese Alternatives is the largest category, with $3.6 billion in 2012, followed by Yogurt and Kefir at $2.3 billion.
- The fastest-growing categories include Energy Bars and Gels, Shelf-Stable Functional Beverages, Frozen Fruits and Vegetables, Yogurt and Kefir, and Eggs.
- Only three of the 51 specialty food categories (excluding Other categories) declined between 2010 and 2012: Rice Cakes, Pudding and Shelf-Stable Desserts, and Refrigerated Pasta and Pizza Sauces.
- Segments that underperformed include Frozen Lunch and Dinner Entrees; Oils and Vinegars; Baking Mixes, Supplies and Flour; and Pickles, Peppers, Olives and Other Vegetables.
- Snacks had the most new product introductions, followed by Meat, Poultry and Egg Products.
- Natural food stores recorded the biggest sales increase among retail channels, at 28.2 percent, between 2010 and 2012.
- Gluten-free and convenient/easy-to-prepare were the characteristics most likely to be included in manufacturer development plans for 2013.
- Average annual sales for specialty food manufacturers is $1.71 million.
- Eighty-three percent of specialty food manufacturers recorded sales increases in 2012.
- Importers report that Mediterranean is the fastest-growing cuisine, followed by Latin, Italian and Vietnamese.
- The average specialty food store is slightly over 5,000 square feet, with 1,366 SKUs. Nearly 2,000 customers purchase each week.
- Ninety-five percent of specialty food stores carry all-natural products and 88 percent feature local, which is defined as being produced within 200 miles of the location.

ABOUT THE RESEARCH

The Specialty Food Association's State of the Specialty Food Industry is a joint research project prepared by Mintel International and SPINS. The research encompasses three years of sales data for 59 specialty food categories, pulled from SPINS' database of mainstream and natural food stores. In addition, Mintel surveyed specialty food manufacturers, importers, distributors, brokers and retailers to develop the statistics presented in this report.

Illustrations by Funnel Inc.

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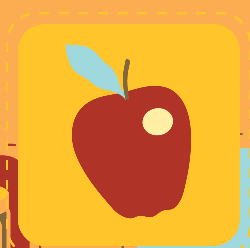
FOR DEFINITIONS and brand examples of specialty food segments researched for this report, visit specialtyfood.com/onlinehighlights/soidefinitions.



THE SIZE OF THE SPECIALTY FOOD INDUSTRY AT RETAIL AND FOODSERVICE

TOTAL U.S. SALES OF SPECIALTY FOODS

	2010 $ Million	2011 $ Million	2012 $ Million	% Share	% Change 2010–2012
Retail Channels	55,922	59,737	68,377	79.6	22.3
Foodservice	14,400	15,400	17,500	20.4	21.5
Total	**70,322**	**75,137**	**85,877**	**100.0**	**22.1**

Includes PLU, Trader Joe's and Whole Foods Market, but not Walmart

Source: Mintel/SPINS/Nielsen

Total U.S. sales of specialty foods exploded in 2012, increasing 14.3 percent from 2011, to nearly $86 billion. This more than doubled the 6.8 percent increase that was recorded in 2011. Mintel estimates the total U.S. market for specialty foods in foodservice channels reached $17.5 billion in 2012, or 20 percent of the total specialty food market.

TOTAL U.S. RETAIL DOLLAR SALES OF SPECIALTY FOODS

	Sales at Current Prices			Sales at Inflation-Adjusted Prices*		
	$ Million	% Change	Index	$ Million	% Change	Index
2010	55,922	–	100	57,434	–	100
2011	59,737	9.2	109	60,788	5.8	106
2012	68,377	14.5	125	68,377	12.5	119

Includes PLU, Trader Joe's and Whole Foods Market, but not Walmart

*Adjusted for inflation using the all items CPI

Source: Mintel/SPINS/Nielsen

Across retail outlets including mainstream, natural and specialty food stores, sales increased 22.3 percent during 2010–2012 (in current prices) for a value exceeding $68.3 billion in 2012. Mintel predicts that the specialty food market should continue to grow in 2013, by an estimated 15 percent.

SPECIALTY FOOD SALES BY RETAIL CHANNEL

	2010		2011		2012		Change %
	$ Million	% Share	$ Million	% Share	$ Million	% Share	2010–2012
Mainstream	23,292	72.4	25,504	72.5	29,397	72.9	26.2
Specialty Food Stores	6,205	19.3	6,772	19.3	7,503	18.6	20.9
Natural Food Stores	2,660	8.3	2,894	8.2	3,410	8.5	28.2
Total	**32,157**	**100.0**	**35,169**	**100.0**	**40,310**	**100.0**	**25.4**

Does not include sales through Trader Joe's, Walmart or Whole Foods Market

Does not include private-label sales or PLU items

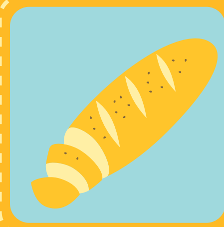
Data may not equal totals due to rounding

Source: Mintel/SPINS/Nielsen

Sales in all retail channels are accelerating, with natural food stores recording the biggest sales increase, at 28.2 percent, between 2010 and 2012. Specialty food stores account for 18.6 percent of sales, growing nearly 21 percent during the same time period to $7.5 billion. Nevertheless, the channel lost a few points of market share to natural and mainstream stores. The latter, primarily supermarkets, account for almost three-quarters of specialty food sales.

Editor's note: The market size for the specialty food industry has been calculated as follows: SPINS and the Nielsen Company provided three-year scanner sales data for food, drug and mass segments and natural supermarkets (excluding Trader Joe's, Walmart and Whole Foods Market) for sales in 59 segments. To reach the U.S. sales total, Mintel added estimated sales of products that were not collected by scanner data. This includes PLU sales through all channels, including specialty stores, as well as sales through Trader Joe's and Whole Foods Market, but not Walmart.

PREMIUM FOOD PRODUCT INTRODUCTIONS

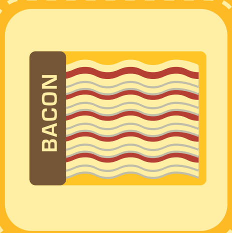


INTRODUCTIONS BY CATEGORY

Product Category	% Share 2010	2011	2012
Food (subtotal)	**73.7**	**70.7**	**71.1**
Snacks	7.5	9.6	13.5
Processed Fish, Meat and Egg Products	10.5	8.4	9.9
Bakery	10.0	9.1	9.5
Chocolate Confectionery	11.1	8.7	8.1
Meals and Meal Centers	5.2	7.6	6.5
Desserts and Ice Creams	6.9	5.3	5.8
Dairy	7.3	5.3	5.0
Side Dishes	3.6	3.7	3.0
Fruits and Vegetables	2.8	3.1	2.5
Sugar and Gum Confectionery	2.2	1.6	2.0
Sweet Spreads	2.2	1.7	1.5
Savory Spreads	1.1	2.0	1.4
Soups	0.3	1.5	0.8
Breakfast Cereals	1.5	1.3	0.7
Baby Foods	0.9	1.0	0.7
Sauces and Seasonings	0.4	0.6	0.2
Sweeteners and Sugars	0.2	0.2	0.0
Beverages (subtotal)	**26.3**	**29.3**	**28.9**
Alcoholic Beverages	11.9	11.8	13.3
Hot Beverages	8.2	7.2	7.8
Juice Drinks	3.1	4.9	4.1
Ready-to-Drink Coffees and Teas	1.6	1.0	1.0
Water	0.3	0.8	1.0
Carbonated Soft Drinks	0.7	0.7	0.5
Sports and Energy Drinks	0.0	0.6	0.1
Other Beverages	0.5	2.4	1.2
Total	**100.0**	**100.0**	**100.0**

Data may not equal totals due to rounding

Source: Mintel/GNPD



Mintel's Global New Products Database tracks premium product introductions. Approximately 70 percent of all introductions are food, with nearly 30 percent in beverages. Snack food introductions increased significantly in 2012, to 13.5 percent of all product introductions, a jump from its 7.5 percent share in 2010. Alcoholic beverages spiked to 13.3 percent, as entrepreneurs introduced more small-batch offerings.

PREMIUM FOOD PRODUCT INTRODUCTIONS

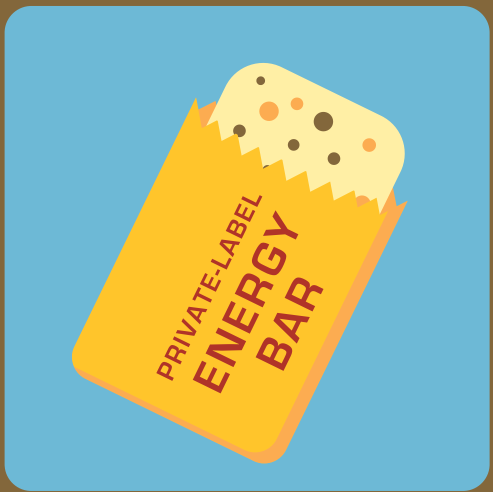
Product purity (e.g., kosher, all natural, no additives/preservatives) remains a top focus of premium food and beverage product launches. Claims with a strong tie to convenience (microwaveable, ease of use, convenient packaging, time/speed) also rank high. Health-related claims (allergen- and gluten-free) are showing a strong uptick over claims that take a clear diet stance (low/no/reduced fat, trans fat, sugar).

INTRODUCTIONS BY CLAIM

Product Category Claims	% of Introductions		
	2010	2011	2012
Kosher	30.7	31.8	32.3
Ethical—Environmentally Friendly Package	16.2	14.7	18.2
All Natural	17.5	18.6	17.5
No Additives/Preservatives	15.0	16.3	16.0
Low/No/Reduced Allergen	9.2	9.6	11.9
Gluten-Free	8.6	8.5	11.1
Ease of Use	9.1	7.4	9.7
Low/No/Reduced Trans Fat	5.9	8.3	8.0
Microwaveable	10.0	8.7	7.4
Convenient Packaging	11.7	6.8	6.9
Low/No/Reduced Fat	6.9	6.7	6.7
Organic	5.9	6.2	5.7
Time/Speed	5.1	3.8	3.8
Seasonal	3.6	3.2	3.6
Ethical—Environmentally Friendly Product	3.5	4.0	3.4
Low/No/Reduced Cholesterol	3.8	5.1	3.3
Low/No/Reduced Sugar	3.6	4.0	3.3
Whole Grain	3.2	3.9	2.9
Antioxidant	2.1	3.2	2.7
Total	**100.0**	**100.0**	**100.0**

Data does not equal totals because products may make more than one claim

Source: Mintel/GNPD



NAME BRAND vs. PRIVATE-LABEL PREMIUM PRODUCT LAUNCHES

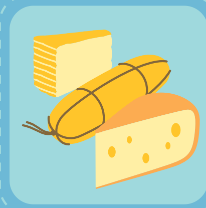
	2010 %	2011 %	2012 %
Name Brands	69.8	70.3	67.5
Private Label	30.2	29.7	32.5

Source: Mintel/GNPD

Private label showed its muscle by surging in 2012 to a 32.5 percent share of product launches, a level second only to the 2009 recession-driven peak of 36.2 percent. Private-label makers and marketers continue to play a substantial role in specialty food, especially in supermarkets.

SALES OF SPECIALTY FOODS AT RETAIL

Product Category	2010 $ Million	% Share	2012 $ Million	% Share	% Change 2010-2012
Cheeses and Cheese Alternatives	3,239	10.1	3,611	9.0	11.5
Yogurt and Kefir	1,139	3.5	2,269	5.6	99.1
Chips, Pretzels and Snacks	1,685	5.2	2,156	5.3	28.0
Coffees, Coffee Substitutes and Cocoa	1,357	4.2	2,138	5.3	57.6
Meat, Poultry and Seafood	1,782	5.5	2,036	5.1	14.3
Breads and Baked Goods	1,515	4.7	1,688	4.2	11.4
Energy Bars and Gels	441	1.4	1,686	4.2	282.3
Frozen Lunch and Dinner Entrees	1,077	3.4	1,629	4.0	51.2
Condiments, Dressings and Marinades	1,382	4.3	1,502	3.7	8.6
Frozen Desserts	969	3.0	1,166	2.9	20.3
Candy and Individual Snacks	1,021	3.2	1,145	2.8	12.2
Milk	863	2.7	973	2.4	12.8
Cookies and Snack Bars	795	2.5	885	2.2	11.3
Nuts, Seeds, Dried Fruit and Trail Mixes	600	1.9	823	2.0	37.1
Refrigerated Salsas and Dips	603	1.9	731	1.8	21.1
Teas	614	1.9	725	1.8	18.2
Pickles, Peppers, Olives and Other Vegetables	670	2.1	695	1.7	3.8
Baking Mixes, Supplies and Flour	633	2.0	692	1.7	9.3
Cold Cereals	592	1.8	683	1.7	15.5
Shelf-Stable Fruits and Vegetables	607	1.9	671	1.7	10.5
Oils and Vinegars	598	1.9	634	1.6	6.0
Refrigerated Juices and Functional Beverages	574	1.8	632	1.6	10.0
Crackers and Crispbreads	510	1.6	547	1.4	7.2
Shelf-Stable Juices	526	1.6	546	1.4	3.9
Water	456	1.4	545	1.4	19.4
Seasonings	492	1.5	534	1.3	8.6
Soups	474	1.5	531	1.3	12.1
Frozen Fruits and Vegetables	253	0.8	520	1.3	105.5
Shelf-Stable Pasta and Pizza Sauces	462	1.4	519	1.3	12.5
Ready-to-Drink Coffees and Teas	408	1.3	482	1.2	18.1
Carbonated Beverages	416	1.3	473	1.2	13.9
Shelf-Stable Pastas	420	1.3	455	1.1	8.3
Beans, Grains and Rice	377	1.2	414	1.0	9.9
Entrees and Mixes	379	1.2	405	1.0	6.9
Sweeteners	302	0.9	339	0.8	12.1
Shelf-Stable Meat, Poultry and Seafood	313	1.0	329	0.8	5.1
Refrigerated Condiments	274	0.9	317	0.8	15.5
Shelf-Stable Functional Beverages	84	0.3	288	0.7	244.0
Other Dairy and Alternatives	244	0.8	283	0.7	15.8
Eggs	148	0.5	281	0.7	89.4
Frozen Appetizers and Snacks	233	0.7	274	0.7	17.9
Shelf-Stable Salsas and Dips	245	0.8	271	0.7	10.8
Nut and Seed Butters	129	0.4	192	0.5	49.3
Conserves, Jams and Spreads	127	0.4	135	0.3	6.8
Puddings and Shelf-Stable Desserts	135	0.4	129	0.3	-4.5
Frozen Breakfast Foods	91	0.3	121	0.3	33.1
Hot Cereals	77	0.2	92	0.2	18.7
Refrigerated Pastas	42	0.1	51	0.1	20.6
Rice Cakes	20	0.1	16	0.0	-20.5
Refrigerated Pasta and Pizza Sauces	15	0.0	15	0.0	-4.4
Frozen Juices and Beverages	7	0.0	7	0.0	4.3
Other*	1,742	5.2	2,029	5.2	16.5
Total	**32,157**	**100.0**	**40,310**	**100.0**	**25.4**



Editor's Note: The total size of the U.S. specialty food market and the numbers presented here are different because this product category data does not include PLU items (such as prepared foods, meat, bread, pastries), private-label sales, or sales through Trader Joe's, Walmart or Whole Foods Market. Mintel estimates that total sales can be as much as 40 percent higher when PLU sales are included.

Does not include private-label sales, PLU items or sales through Trader Joe's, Walmart or Whole Foods Market. Data may not equal totals due to rounding.

*"Other" comprises eight additional segments that are less significant and not itemized. However, sales are included in the total.

Source: Mintel/SPINS/Nielsen

Sales of specialty foods at retail increased by 25.4 percent between 2010 and 2012. Cheeses and Cheese Alternatives, at $3.6 billion, remains the biggest category. Yogurt and Kefir continues to explode and has taken over the No. 2 spot, at $2.27 billion. Rounding out the top five categories are Chips, Pretzels and Snacks; Coffees, Coffee Substitutes and Cocoa; and Meat, Poultry and Seafood. Only three of the 51 categories shown (excluding Other categories) declined over the two-year period.

RETAIL SALES OF ALL FOODS

Product Category	2010 $ Million	Share %	2012 $ Million	Share %	Change 2010-2012
Meat, Poultry and Seafood	29,038	8.3	31,389	8.4	8.1
Breads and Baked Goods	21,425	6.1	22,306	5.9	4.1
Carbonated Beverages	20,427	5.8	20,546	5.5	0.6
Milk	18,836	5.4	20,521	5.5	8.9
Chips, Pretzels and Snacks	15,999	4.6	17,542	4.7	9.6
Candy and Individual Snacks	16,169	4.6	17,471	4.6	8.1
Cheeses and Cheese Alternatives	15,666	4.5	17,372	4.6	10.9
Frozen Lunch and Dinner Entrees	15,127	4.3	14,991	4.0	-0.9
Frozen Desserts	12,800	3.6	13,570	3.6	6.0
Cold Cereals	9,489	2.7	9,681	2.6	2.0
Shelf-Stable Juices	9,280	2.6	9,364	2.5	0.9
Condiments, Dressings and Marinades	8,745	2.5	9,149	2.4	4.6
Coffees, Coffee Substitutes and Cocoa	6,557	1.9	8,826	2.3	34.6
Water	7,538	2.1	8,453	2.2	12.1
Shelf-Stable Fruits and Vegetables	7,911	2.3	8,018	2.1	1.3
Entrees and Mixes	7,445	2.1	7,754	2.1	4.2
Cookies and Snack Bars	6,380	1.8	7,007	1.9	9.8
Yogurt and Kefir	5,850	1.7	6,938	1.8	18.6
Nuts, Seeds, Dried Fruit and Trail Mixes	5,937	1.7	6,829	1.8	15.0
Crackers and Crispbreads	6,004	1.7	6,705	1.8	11.7
Refrigerated Juices and Functional Beverages	5,904	1.7	6,218	1.7	5.3
Other Dairy and Alternatives	5,725	1.6	6,142	1.6	7.3
Soups	5,664	1.6	5,857	1.6	3.4
Shelf-Stable Functional Beverages	4,832	1.4	5,716	1.5	18.3
Frozen Fruits and Vegetables	5,037	1.4	5,358	1.4	6.4
Baking Mixes, Supplies and Flour	4,861	1.4	5,261	1.4	8.2
Shelf-Stable Meat, Poultry and Seafood	4,595	1.3	5,169	1.4	12.5
Eggs	4,407	1.3	5,136	1.4	16.5
Energy Bars and Gels	4,137	1.2	4,709	1.3	13.8
Oils and Vinegars	3,739	1.1	4,098	1.1	9.6
Sweeteners	3,628	1.0	3,819	1.0	5.2
Beans, Grains and Rice	3,325	0.9	3,514	0.9	5.7
Seasonings	2,860	0.8	3,176	0.8	11.1
Ready-to-Drink Coffees and Teas	2,742	0.8	3,132	0.8	14.2
Puddings and Shelf-Stable Desserts	2,877	0.8	2,916	0.8	1.4
Frozen Breakfast Foods	2,495	0.7	2,913	0.8	16.8
Pickles, Peppers, Olives and Other Vegetables	2,563	0.7	2,590	0.7	1.0
Nut and Seed Butters	1,670	0.5	2,412	0.6	44.4
Shelf-Stable Pastas	2,238	0.6	2,344	0.6	4.7
Shelf-Stable Pasta and Pizza Sauces	2,265	0.6	2,312	0.6	2.1
Frozen Appetizers and Snacks	1,792	0.5	1,955	0.5	9.1
Refrigerated Condiments	1,789	0.5	1,880	0.5	5.1
Teas	1,686	0.5	1,800	0.5	6.8
Shelf-Stable Salsas and Dips	1,585	0.5	1,679	0.4	5.9
Refrigerated Salsas and Dips	1,255	0.4	1,497	0.4	19.3
Conserves, Jams and Spreads	1,354	0.4	1,408	0.4	3.9
Hot Cereals	1,185	0.3	1,247	0.3	5.2
Frozen Juices and Beverages	496	0.1	455	0.1	-8.3
Refrigerated Pastas	248	0.1	256	0.1	3.0
Rice Cakes	278	0.1	232	0.1	-16.7
Refrigerated Pasta and Pizza Sauces	47	0.0	48	0.0	2.6
Other	17,423	3.2	19,512	3.8	12.0
Total	**351,325**	**100.0**	**379,193**	**100.0**	**7.9**

Source: Mintel/SPINS/Nielsen/Symphony IRI InfoScan® Reviews

SPECIALTY FOOD SHARE OF ALL FOOD SALES BY CATEGORY

Specialty Product Category	Share of All Sales %
Refrigerated Salsas and Dips	48.8
Teas	40.3
Energy Bars and Gels	35.8
Yogurt and Kefir	32.7
Refrigerated Pasta and Pizza Sauces	30.6
Pickles, Peppers, Olives and Other Vegetables	26.8
Coffees, Coffee Substitutes and Cocoa	24.2
Shelf-Stable Pasta and Pizza Sauces	22.4
Cheeses and Cheese Alternatives	20.8
Refrigerated Pastas	19.8
Shelf-Stable Pastas	19.4
Refrigerated Condiments	16.9
Seasonings	16.8
Condiments, Dressings and Marinades	16.4
Shelf-Stable Salsas and Dips	16.2
Oils and Vinegars	15.5
Ready-to-Drink Coffees and Teas	15.4
Frozen Appetizers and Snacks	14.0
Baking Mixes, Supplies and Flour	13.2
Cookies and Snack Bars	12.6
Chips, Pretzels and Snacks	12.3
Nuts, Seeds, Dried Fruit and Trail Mixes	12.1
Beans, Grains and Rice	11.8
Frozen Lunch and Dinner Entrees	10.9
Refrigerated Juices and Functional Beverages	10.2
Frozen Fruits and Vegetables	9.7
Conserves, Jams and Spreads	9.6
Soups	9.1
Sweeteners	8.9
Frozen Desserts	8.6
Shelf-Stable Fruits and Vegetables	8.4
Crackers and Crispbreads	8.2
Nut and Seed Butters	8.0
Breads and Baked Goods	7.6
Hot Cereals	7.3
Cold Cereals	7.1
Rice Cakes	6.8
Candy and Individual Snacks	6.6
Meat, Poultry and Seafood	6.5
Water	6.4
Shelf-Stable Meat, Poultry and Seafood	6.4
Shelf-Stable Juices	5.8
Eggs	5.5
Entrees and Mixes	5.2
Shelf-Stable Functional Beverages	5.0
Milk	4.7
Other Dairy and Alternatives	4.6
Puddings and Shelf-Stable Desserts	4.4
Frozen Breakfast Foods	4.1
Carbonated Beverages	2.3
Frozen Juices and Beverages	0.4
Other	10.4
TOTAL	**10.6**

Source: Mintel/SPINS/Nielsen/Symphony IRI InfoScan® Reviews

Total market is based on Symphony IRI InfoScan® Reviews; does not include private-label sales or PLU items. Data may not equal totals due to rounding. Does not include sales through Trader Joe's, Walmart or Whole Foods Market.

Sales of all foods at retail increased by 7.9 percent between 2010 and 2012. That's only about one-third the growth rate of specialty foods. Nuts and Seed Butters; Coffees, Coffee Substitutes and Cocoa; Refrigerated Salsas and Dips; and Yogurt and Kefir were the four categories with the strongest growth in mass market.

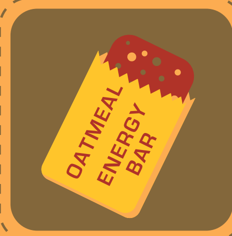
Specialty foods represent 10.6 percent of total U.S. food sales. However, some categories have significantly higher market share, including condiments and toppings (i.e., salsas, pickles, and dressings/marinades), beverages including tea and coffee (non-RTD), and pasta sauces (both refrigerated and shelf-stable).

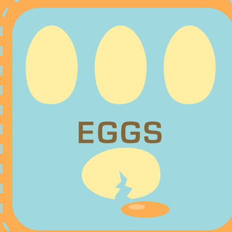
SALES GROWTH OR DECLINE BY PRODUCT CATEGORY

Product Category	Specialty Foods % Change 2010-2012	All Foods % Change 2010-2012	Variance (% point)
Energy Bars and Gels	282.3	13.8	268.4
Shelf-Stable Functional Beverages	244.0	18.3	225.7
Frozen Fruits and Vegetables	105.5	6.4	99.1
Yogurt and Kefir	99.1	18.6	80.5
Eggs	89.4	16.5	72.8
Frozen Lunch and Dinner Entrees	51.2	-0.9	52.1
Coffees, Coffee Substitutes and Cocoa	57.6	34.6	23.0
Nuts, Seeds, Dried Fruit and Trail Mixes	37.1	15.0	22.1
Chips, Pretzels and Snacks	28.0	9.6	18.3
Refrigerated Pastas	20.6	3.0	17.6
Frozen Breakfast Foods	33.1	16.8	16.3
Frozen Desserts	20.3	6.0	14.3
Hot Cereals	18.7	5.2	13.5
Cold Cereals	15.5	2.0	13.5
Carbonated Beverages	13.9	0.6	13.3
Frozen Juices and Beverages	4.3	-8.3	12.6
Teas	18.2	6.8	11.4
Refrigerated Condiments	15.5	5.1	10.5
Shelf-Stable Pasta and Pizza Sauces	12.5	2.1	10.4
Shelf-Stable Fruits and Vegetables	10.5	1.3	9.2
Frozen Appetizers and Snacks	17.9	9.1	8.8
Soups	12.1	3.4	8.7
Other Dairy and Alternatives	15.8	7.3	8.5
Breads and Baked Goods	11.4	4.1	7.3
Water	19.4	12.1	7.2
Sweeteners	12.1	5.2	6.9
Meat, Poultry and Seafood	14.3	8.1	6.2
Nut and Seed Butters	49.3	44.4	4.9
Shelf-Stable Salsas and Dips	10.8	5.9	4.8
Refrigerated Juices and Functional Beverages	10.0	5.3	4.7
Beans, Grains and Rice	9.9	5.7	4.2
Candy and Individual Snacks	12.2	8.1	4.1
Condiments, Dressings and Marinades	8.6	4.6	4.0
Ready-to-Drink Coffees and Teas	18.1	14.2	3.9
Milk	12.8	8.9	3.8
Shelf-Stable Pastas	8.3	4.7	3.6
Shelf-Stable Juices	3.9	0.9	3.0
Conserves, Jams and Spreads	6.8	3.9	2.9
Pickles, Peppers, Olives and Other Vegetables	3.8	1.0	2.8
Entrees and Mixes	6.9	4.2	2.8
Refrigerated Salsas and Dips	21.1	19.3	1.9
Cookies and Snack Bars	11.3	9.8	1.4
Baking Mixes, Supplies and Flour	9.3	8.2	1.1
Cheeses and Cheese Alternatives	11.5	10.9	0.6
Seasonings	8.6	11.1	-2.5
Oils and Vinegars	6.0	9.6	-3.7
Rice Cakes	-20.5	-16.7	-3.8
Crackers and Crispbreads	7.2	11.7	-4.5
Puddings and Shelf-Stable Desserts	-4.5	1.4	-5.8
Refrigerated Pasta and Pizza Sauces	-4.4	2.6	-7.0
Shelf-Stable Meat, Poultry and Seafood	5.1	12.5	-7.4
Other	16.5	12.0	4.5
Total	**25.4**	**7.9**	**17.5**

Total market is based on Symphony IRI InfoScan® Reviews; does not include private-label sales or PLU items or sales through Trader Joe's, Walmart or Whole Foods Market. Data may not equal totals due to rounding.

Source: Mintel/SPINS/Nielsen/ Symphony IRI InfoScan® Reviews





Overall, the specialty food market grew at more than three times the pace of all foods from 2010–2012 (25.4 percent versus 7.9 percent). Specialty Energy Bars and Gels and Shelf-Stable Functional Beverages experienced far more growth than their non-specialty counterparts. Perhaps not coincidentally, these two product segments share the same core consumer—those keenly interested in health, wellness and athletic performance. Of the 51 categories shown (excluding Other categories), 44 grew more (or declined less) in specialty than in mass market.

UNIT SALES OF SPECIALTY FOODS

Growth of the specialty food market was driven not only by price increases or inflation, but rather by unit sales increases. Unit sales jumped by 17.5 percent, driven by the success of Shelf-Stable Functional Beverages (up 130.8 percent) and Yogurt and Kefir (up 95.9 percent). Nut and Seed Butters and Frozen Juices and Beverages also performed well.

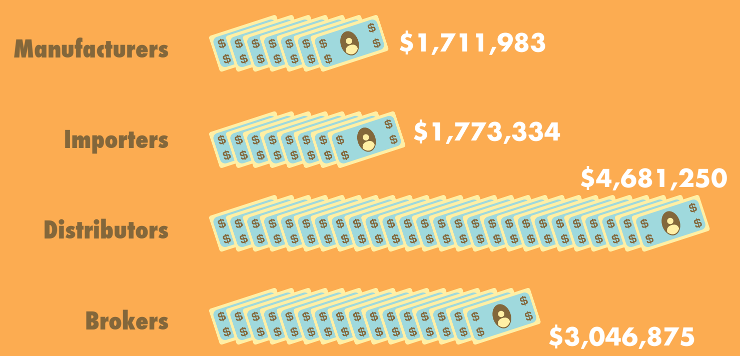
Product Category	2010 # Million	2011 # Million	2012 # Million	% Change 2010-2012
Yogurt and Kefir	684	1,053	1,340	95.9
Chips, Pretzels and Snacks	669	751	832	24.5
Cheeses and Cheese Alternatives	700	712	718	2.6
Breads and Baked Goods	577	621	638	10.4
Candy and Individual Snacks	511	530	551	7.8
Condiments, Dressings and Marinades	509	522	535	5.0
Meat, Poultry and Seafood	405	421	436	7.7
Shelf-Stable Fruits and Vegetables	404	417	421	4.1
Energy Bars and Gels	273	320	396	45.0
Cookies and Snack Bars	338	356	373	10.6
Coffees, Coffee Substitutes and Cocoa	223	259	314	40.4
Frozen Lunch and Dinner Entrees	278	289	292	4.9
Carbonated Beverages	277	275	288	3.7
Milk	257	283	287	11.7
Shelf-Stable Juices	297	293	286	-3.6
Frozen Desserts	274	278	278	1.6
Water	248	264	276	11.3
Pickles, Peppers, Olives and Other Vegetables	275	279	274	-0.7
Baking Mixes, Supplies and Flour	247	253	264	7.0
Nuts, Seeds, Dried Fruit and Trail Mixes	189	224	260	38.0
Shelf-Stable Pastas	235	244	253	7.8
Seasonings	235	240	244	4.2
Soups	208	222	228	9.9
Ready-to-Drink Coffees and Teas	174	193	223	28.1
Teas	193	205	215	11.5
Refrigerated Salsas and Dips	187	197	213	14.1
Refrigerated Juices and Functional Beverages	165	176	209	26.7
Crackers and Crispbreads	193	197	200	3.7
Cold Cereals	176	183	186	5.9
Shelf-Stable Pasta and Pizza Sauces	165	175	181	9.2
Entrees and Mixes	164	169	180	9.5
Shelf-Stable Meat, Poultry and Seafood	180	177	171	-5.2
Beans, Grains and Rice	135	141	143	5.6
Shelf-Stable Functional Beverages	59	87	136	130.8
Frozen Fruits and Vegetables	99	113	121	21.8
Oils and Vinegars	109	112	117	8.2
Shelf-Stable Salsas and Dips	89	93	97	8.9
Frozen Appetizers and Snacks	84	89	93	10.7
Refrigerated Condiments	79	84	86	9.0
Puddings and Shelf-Stable Desserts	93	90	86	-7.4
Other Dairy and Alternatives	68	72	76	12.3
Sweeteners	69	70	73	6.7
Eggs	45	50	57	25.6
Frozen Breakfast Foods	29	36	40	37.1
Conserves, Jams and Spreads	38	39	39	2.4
Nut and Seed Butters	25	31	38	52.6
Hot Cereals	20	22	24	17.5
Refrigerated Pastas	13	14	17	26.0
Rice Cakes	6	6	7	14.0
Refrigerated Pasta and Pizza Sauces	3	3	3	-1.5
Frozen Juices and Beverages	1	2	2	52.5
Other	543	617	719	32.4
Total	**11,517**	**12,549**	**13,536**	**17.5**

Does not include private-label sales, PLU items or sales through Trader Joe's, Walmart or Whole Foods Market
Data may not equal totals due to rounding

Source: Mintel/SPINS/Nielsen

THE SPECIALTY FOOD SUPPLY CHAIN

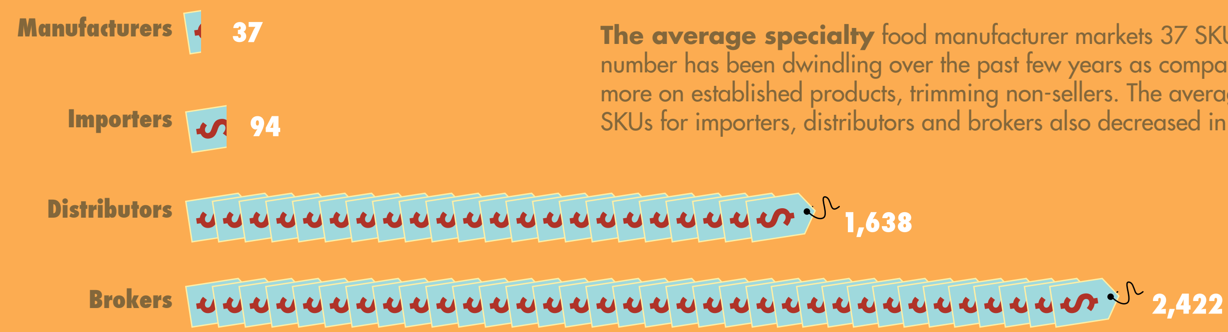
2012 MEAN ANNUAL SALES BY SUPPLIER TYPE



Source: Mintel

The wide range of sales figures serves to illustrate the breadth of specialty food supply entities, from small manufacturers with a handful of products to multimillion-dollar food brokers that represent thousands of items. The average annual sales of manufacturers come in at $1.71 million, with importers just slightly higher, at $1.77 million.

MEAN NUMBER OF SKUs BY SUPPLIER TYPE



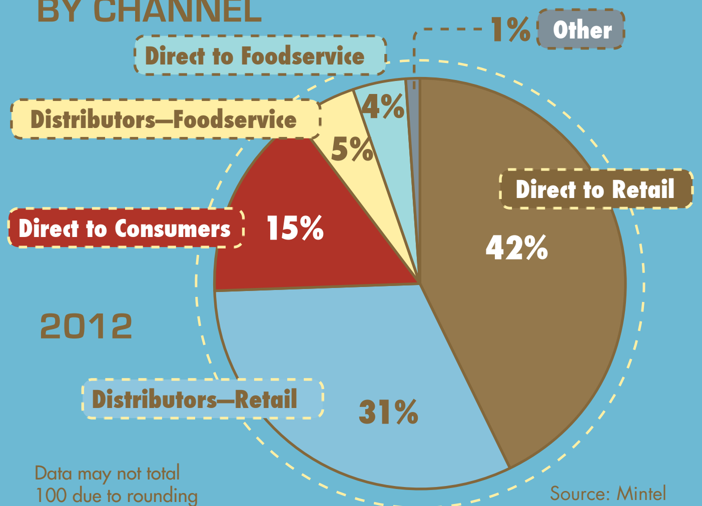
The average specialty food manufacturer markets 37 SKUs. This number has been dwindling over the past few years as companies focus more on established products, trimming non-sellers. The average number of SKUs for importers, distributors and brokers also decreased in 2012.

Source: Mintel

SPECIALTY FOOD MANUFACTURERS

Mean Annual Sales: $1,711,983
Mean Number of SKUs: 37

MANUFACTURER SALES BY CHANNEL



Data may not total 100 due to rounding

Source: Mintel

At 42 percent, direct sales to retail increased in 2012. This is primarily due to less-established manufacturers who do not sell through distributors. All sales to foodservice fell slightly in 2012, as foodservice operators create menu items using ingredients made/grown in house, such as specialty soda.

DOLLAR SALES CHANGE

	2010 %	2011 %	2012 %
Up 20% or more	36	41	45
Up 10 –19%	19	20	22
Up 1–9%	21	17	16
Unchanged	11	15	12
Down 1–9%	7	4	2
Down 10 –19%	3	2	1
Down 20% or more	2	2	2

Source: Mintel

In each of the past three years, Mintel asked manufacturers how the economic downturn affected their sales. Supporting the strong industry sales increases, there is a substantial jump in the percentage of manufacturers that say sales were up 10 percent or more in 2011 and again in 2012. More than two-thirds report sales leaps in excess of 10 percent in 2012. A mere 5 percent reported declining sales.

SPECIALTY FOOD MANUFACTURERS

FASTEST GROWING RETAIL CHANNEL FOR SPECIALTY FOODS

	% Indicating Fastest-Growing in 2012	% Indicating Slowest-Growing in 2012
Natural Supermarkets (e.g.,Whole Foods Market)	26	9
Conventional Supermarkets (e.g., Kroger, Safeway)	22	20
Specialty Food Stores	21	15
Online	12	14
Mass Merchandisers (e.g., Target, Walmart)	10	17
Foodservice (e.g., restaurants, cafes, school/office cafeterias)	4	20
Other	5	5

Source: Mintel

Manufacturers report that natural supermarkets are their fastest-growing channel. This supports point-of-sales data in the natural channel, which shows the strongest sales increases among channels during 2010–2012, up 28.2 percent compared to 25.4 percent across all channels. Conventional supermarkets and specialty food stores are also cited as fast-growing channels by 22 percent and 21 percent of manufacturers, respectively. Yet nearly as many indicate that growth in conventional supermarkets is on the decline. The growing importance of online sales is evident with 12 percent of manufacturers saying it's their fastest-growing channel.

NATURAL/ETHICAL SOURCING OF PRODUCTS

	Manufacture This Type of Product 2012 %	Estimated Average Sales 2012 %
All Natural	89	79
Sustainable	33	23
Eco-Friendly	30	21
Organic	24	10
Fair Trade	15	6

Multiple answers accepted

Source: Mintel

All-natural products lead the pack by far, in both production and estimated sales. A growing percentage of manufacturers are offering sustainable products, yet these products represent a decreasing percentage of sales, possibly reflecting a degree of apathy or distrust toward the claim of sustainability. Similarly, the percentage of sales derived from organic and fair trade products has dwindled since 2010.

SPECIALTY FOOD INNOVATION PLANS FOR 2013

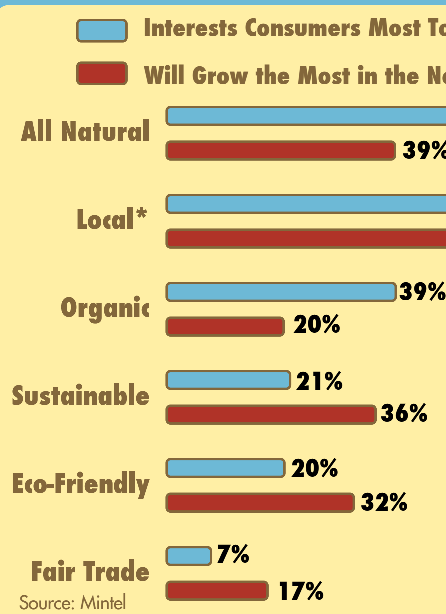
I plan to develop specialty food that is also...	%
Gluten-Free	38
Convenient/Easy to Prepare	37
Indulgent	34
Less Indulgent and More Healthful	34
Functional	28
Portable	20
Allergen-Free	19
Other	17

Multiple answers accepted

Source: Mintel

Gluten-free and convenient/easy-to-prepare offerings are the most likely to be included in development plans for 2013. Manufacturers are faced with the challenge of catering to both sides of the spectrum: health and indulgence. Thirty-four percent cite plans for indulgent innovations and an equal amount cite plans for less indulgent, more healthful innovations.

THE MANUFACTURER VIEWPOINT: INFLUENTIAL PRODUCT CLAIMS



Source: Mintel

*"Local" is defined as within 200 miles of operator

Multiple answers accepted

When manufacturers were asked about natural/ethical positioning, all natural and local ranked highest, in terms of both current consumer interest and growth over the next three years. Sixty percent of manufacturers believe that local claims will drive consumer interest in the coming years. Despite manufacturers reporting its current decreasing sales, more than one-third view sustainable products as an emerging area of interest in the coming years.

SPECIALTY FOOD IMPORTERS

Mean Annual Sales: $1,773,334
Mean Number of SKUs: 94

DOLLAR SALES CHANGE

	2010 %	2011 %	2012 %
Up 20% or more	28	25	27
Up 10–19%	24	19	33
Up 1–9%	20	6	33
Unchanged	4	38	–
Down 1–9%	12	6	–
Down 10–19%	12	6	7
Down 20% or more	0	6	–

Data may not total 100 due to rounding

Source: Mintel

The vast majority of specialty importers report sales were up in 2012, with 60 percent enjoying an increase of more than 10 percent. Only 7 percent report a drop in sales, versus 18 percent in 2011 and 24 percent in 2010.

FASTEST GROWING RETAIL CHANNEL FOR SPECIALTY FOODS

	% Indicating Fastest-Growing in 2012	% Indicating Slowest-Growing in 2012
Specialty Food Stores	27	–
Natural Supermarkets (e.g.,Whole Foods Market)	27	–
Online	27	7
Conventional Supermarkets (e.g., Kroger, Safeway)	7	47
Foodservice (e.g., restaurants, cafes, school/office cafeterias)	7	20
Mass Merchandisers (e.g., Target, Walmart)	7	20
Other	–	7

Data may not total 100 due to rounding

Source: Mintel

An equal number of importers report that natural supermarkets, specialty food stores and online retail were the fastest-growing channels in 2012. Nearly half of importers note that conventional supermarkets were the slowest-growing channel.

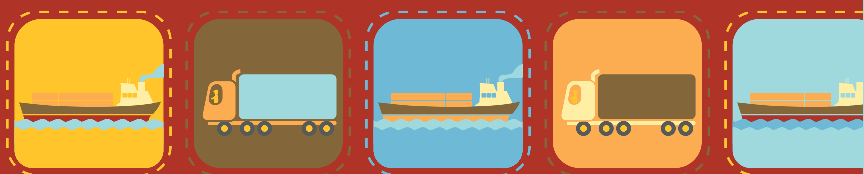
IMPORTER SALES BY CHANNEL

Share of Total Sales	2012 Avg %
Distributors—Retail	55
Direct to Retail	23
Distributors—Foodservice	10
Direct to Foodservice	9
Direct to Consumer	2

Data may not total 100 due to rounding

Source: Mintel

Retail and foodservice distributors, at 55 percent and 10 percent respectively, account for the majority of importer sales. Direct-to-retail sales remain a critical component of business, with 23 percent of total sales.



EMERGING CUISINES

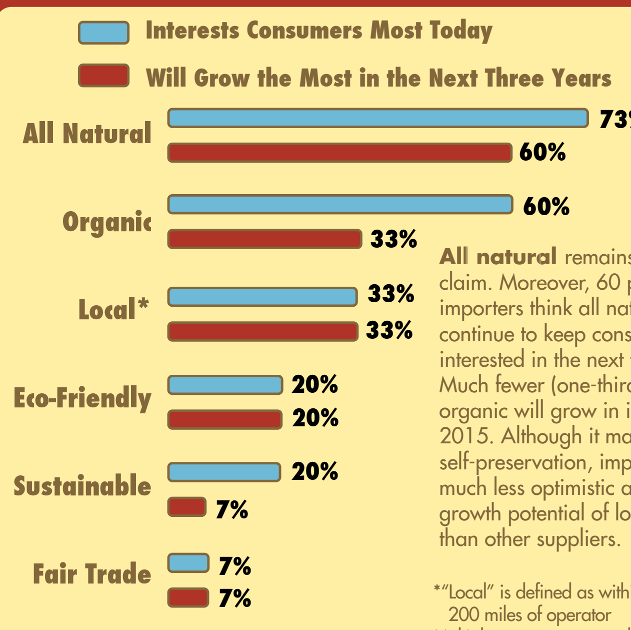
Region	% of Importers
Mediterranean	67
Latin, other than Mexican	33
Italian	27
Vietnamese	27
Spanish	27
Eastern European	20
Indian	20
Japanese	13
Thai	13
African	7
French	7
Caribbean	7
Mexican	7
Chinese	7
Russian	–
Other	20

Source: Mintel

Multiple answers accepted

Mediterranean cuisine leads by far, with more than two-thirds of importers saying it will be hot in the near future. More than one-quarter of importers perceive Latin, Italian, Vietnamese and Spanish as growing cuisines. Chinese and Mexican fared less well, probably because they are already integral to the American diet.

THE IMPORTER VIEWPOINT: INFLUENTIAL PRODUCT CLAIMS



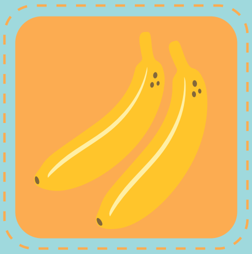
All natural remains the topmost claim. Moreover, 60 percent of importers think all natural will continue to keep consumers interested in the next three years. Much fewer (one-third) predict that organic will grow in influence by 2015. Although it may be self-preservation, importers are much less optimistic about the growth potential of local products than other suppliers.

*"Local" is defined as within 200 miles of operator
Multiple answers accepted

Source: Mintel

SPECIALTY FOOD DISTRIBUTORS

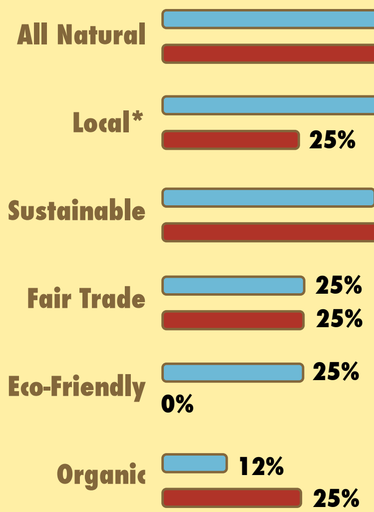
Mean Annual Sales: $4,681,250
Mean Number of SKUs: 1,638



THE DISTRIBUTOR VIEWPOINT: INFLUENTIAL PRODUCT CLAIMS

Interests Consumers Most Today

Will Grow the Most in the Next Three Years



Distributors report that all-natural offerings are hot now and expected to grow. Distributors are highly optimistic regarding sustainability claims. Half of distributors cite local claims as being of strong interest to consumers; none indicate that eco-friendly will be a compelling claim in the future.

*"Local" is defined as within 200 miles of operator
Multiple answers accepted

Source: Mintel

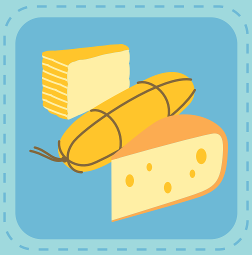
DISTRIBUTOR SALES BY CHANNEL

	Sales by %
Supermarkets	27
Foodservice/Restaurants	21
Specialty Food Stores	17
Natural Food Stores (e.g., Whole Foods Market)	14
Mass Merchandisers (e.g., Target, Walmart)	9
Delis	3
Gift Stores	2
Club Stores (e.g., Costco, Sam's Club)	2
Other	6

Data may not total 100 due to rounding

Source: Mintel

Not surprisingly, supermarkets represent 27 percent of distributor average sales. More than one-fifth of the distributors in this sample were also selling to foodservice. Specialty and natural food stores were an important part of their customer mix as well.



DOLLAR SALES CHANGE

	2011 %	2012 %
Up 20% or more	20	25
Up 10–19%	30	25
Up 1–9%	30	12
Unchanged	–	12
Down 1–9%	20	25
Down 10–19%	–	–
Down 20% or more	–	–

Data may not total 100 due to rounding

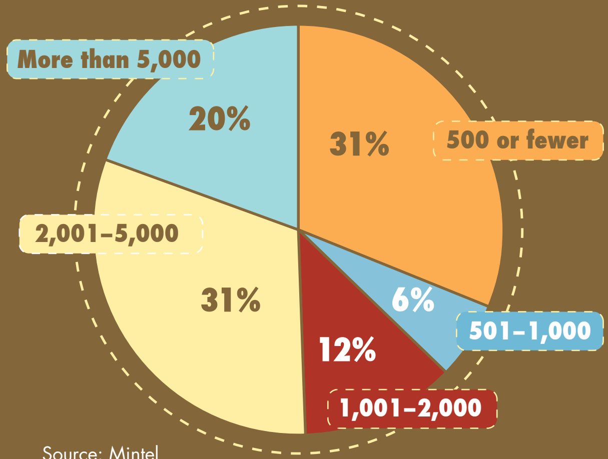
Source: Mintel

The vast majority of distributors (62 percent) indicate growth in 2012, with 50 percent citing an increase of 10 percent or more.

SPECIALTY FOOD BROKERS

Mean Annual Sales: $3,046,875
Mean Number of SKUs: 2,422

NUMBER OF SKUS CURRENTLY REPRESENTED



Source: Mintel
Data may not total 100 due to rounding

Demonstrating the breadth of brokers within the specialty food industry, 31 percent have a limited line of fewer than 500 SKUs, while half represent more than 2,000 products.

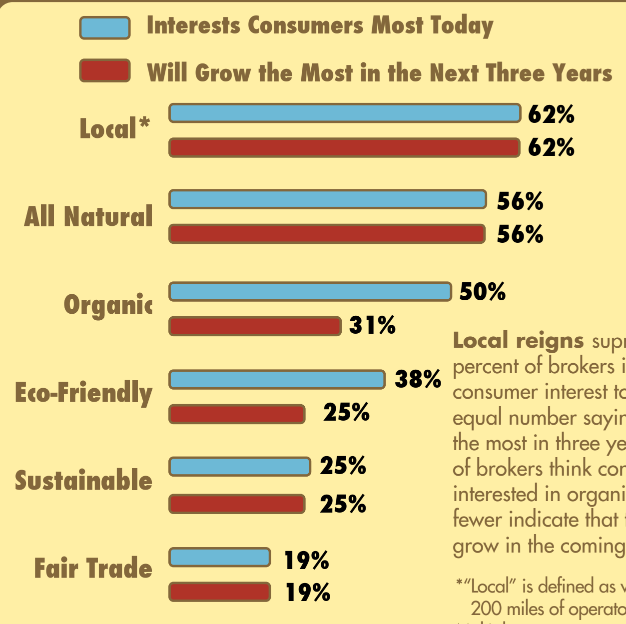
CHANNELS SERVICED AND FASTEST-GROWING CHANNELS

	Channels Serviced in 2012 %	Fastest-Growing Channels %
Natural Supermarkets (e.g.,Whole Foods Market)	19	38
Specialty Food Stores	19	12
Conventional Supermarkets (e.g., Kroger, Safeway)	12	12
Foodservice (e.g., restaurants, cafes, school/office cafeterias)	6	12
Online	6	6
Mass Merchandisers (e.g., Target, Walmart)	6	6
Other	31	12

Multiple answers accepted Source: Mintel

Specialty food stores and natural supermarkets are the channels most serviced by brokers. More brokers (38 percent) report natural stores over other channels as their fastest-growing. Foodservice offers opportunity as only 6 percent are servicing this channel, but twice as many cite it as the fastest-growing channel.

THE BROKER VIEWPOINT: INFLUENTIAL PRODUCT CLAIMS



Local reigns supreme, with 62 percent of brokers indicating high consumer interest today and an equal number saying it will grow the most in three years. While half of brokers think consumers are interested in organic claims today, fewer indicate that this interest will grow in the coming years.

*"Local" is defined as within 200 miles of operator
Multiple answers accepted

Source: Mintel

DOLLAR SALES CHANGE

	2011 %	2012 %
Up 20% or more	24	12
Up 10–19%	32	19
Up 1–9%	28	44
Unchanged	8	12
Down 1–9%	8	12
Down 10–19%	–	–
Down 20% or more	–	–

Data may not total 100 due to rounding Source: Mintel

Seventy-five percent of brokers note positive growth in 2012, though overall 2011 results were slightly better.

SPECIALTY FOOD STORE RETAIL OPERATING STATISTICS

Mean Annual Sales: $3,276,273
Mean Sales per Square Foot: $640.77

KEY STORE STATS

	2012 Avg.
Store Size (sq. ft.)	5,113
SKUs per Store	1,366
Transactions per Week	1,925
Transaction Size	$32.73
Value of Inventory	$156,187

Source: Mintel

The size of the average specialty food store is slightly over 5,000 square feet, with 1,366 SKUs. Nearly 2,000 customers purchase each week. Average transaction amount is $32.73, a 16.7 percent jump over 2011 figures.

DOLLAR SALES CHANGE

	2012 %
Up 20% or more	12
Up 10–19%	29
Up 1–9%	48
Unchanged	6
Down 1–9%	4
Down 10–19%	1
Down 20% or more	–

Source: Mintel

Nearly 90 percent of retailers had a sales increase in 2012, with 41 percent reporting a jump of more than 10 percent. Only one in 20 recorded a sales drop.

PURCHASING CHANNELS: DISTRIBUTOR OR DIRECT

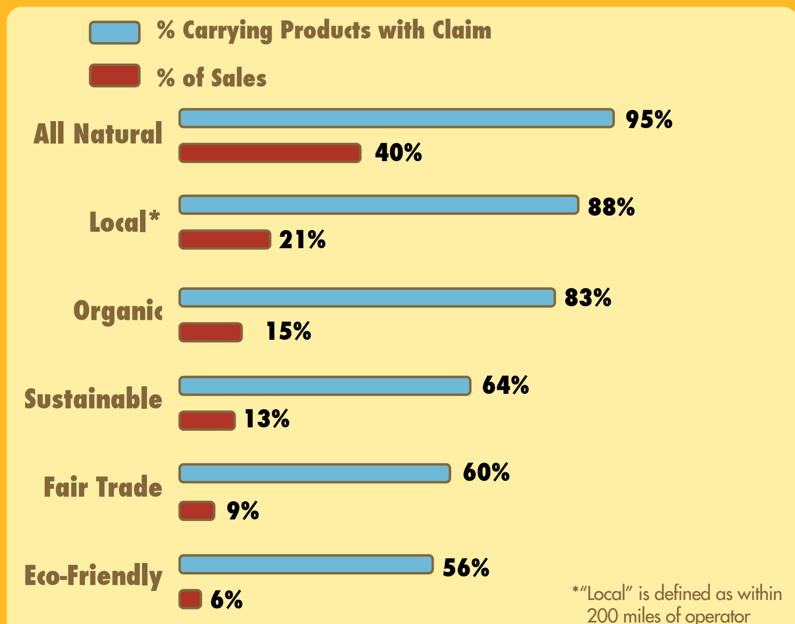
	2010 %	2011 %	2012 %
Direct from Suppliers	49	48	44
Distributors	49	45	53
Other	2	7	2

Data may not total 100 due to rounding

Source: Mintel

As retailers have streamlined processes and staff, slightly more than half of purchases now come through distributors. This reduces the amount of vendor orders and invoices/paperwork and helps achieve volume discounts.

CHARACTERISTICS OF PRODUCTS SOLD



Source: Mintel

*"Local" is defined as within 200 miles of operator
Multiple answers accepted

All natural and local are the leading characteristics of products sold, with nearly all retailers carrying products with these claims. Local products in particular have become the most viable ways for specialty retailers to market specialty foods that differentiate their stores, often without a hefty price tag. There has been increased attention toward sustainable and eco-friendly products over the past few years.

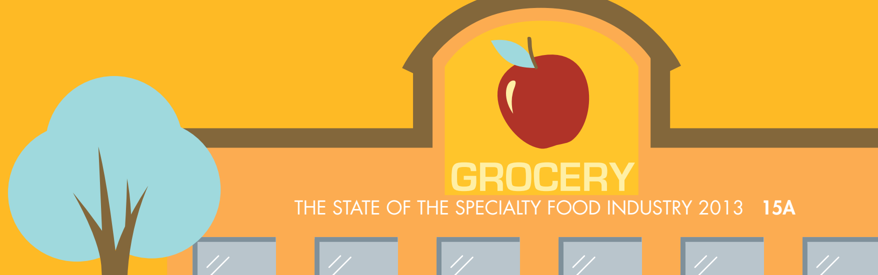
SOURCES FOR DISCOVERING NEW PRODUCTS

	% of Retailers
Fancy Food Shows	85
Customer recommendations	81
Trade magazines	81
Presentations at store (e.g., by brokers, distributors)	61
Other trade shows	31
Travel to the source (e.g., single-origin chocolate production facilities)	22
Other	20

Multiple answers accepted

Source: Mintel

Since the State of the Industry research began eight years ago, the largest share of respondents indicate that the Fancy Food Shows are the prime venue to discover new products. Customer recommendations and trade magazines also remain essential.



SPECIALTY FOOD RETAILERS

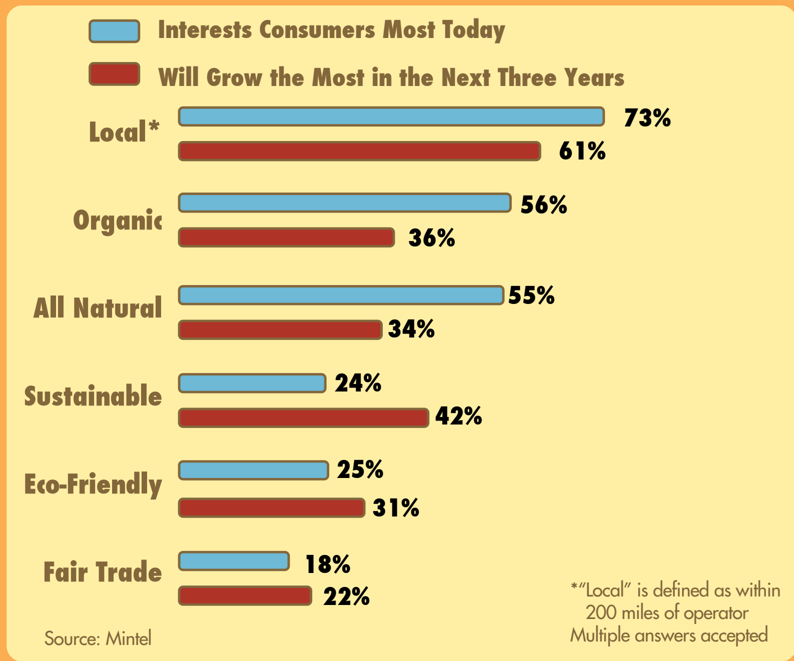
EMERGING CUISINES

Region	% of Retailers
Mediterranean	49
Latin, other than Mexican	28
Indian	24
Thai	22
Vietnamese	21
Mexican	20
Eastern European	18
Spanish	18
African	15
Italian	15
Caribbean	12
French	6
Japanese	5
Russian	3
Chinese	3

Multiple answers accepted Source: Mintel

While Latin topped the list in 2011, Mediterranean cuisine has retaken the top spot with 49 percent of specialty food retailers believing this type of cuisine will be popular in 2013. Indian, Thai and Vietnamese round out the top five.

THE RETAILER VIEWPOINT: INFLUENTIAL PRODUCT CLAIMS



Retailers are bullish on local products today and for the next three years, with a majority suggesting that the trend will continue to be on the upswing. Contrary to some supply-chain respondents, retailers are more optimistic about the future of products with sustainable claims.



As a service to Specialty Food Association members, Mintel/Specialty Food Association will be offering complimentary access to the entire 2013 State of the Specialty Food Industry research online. Access will be available beginning April 12 at specialtyfood.com.

The Specialty Food Association's webinars@work series will present
The State of the Specialty Food Industry 2013
Wednesday, April 10, 2013
2–3 pm EST
Please contact
llozada@specialtyfood.com

Ron Tanner is the Specialty Food Association's vice president, communications, education, government & industry relations.