



Growth slowed in the snack category in part because of a lukewarm economic outlook and changing tastes, according to the Snack Food Association's assessment of the 2010 snack industry.

Economic Woes, Tastes Influence Snack Sales

SALES IN THE OVERALL snack category slowed in 2010 compared with the significant growth it had seen in the past two years, according to the Snack Food Association's (SFA) annual State of the Industry report. This was in large part caused by the unstable economy, which brought with it a slight decrease in volume sales.

While snack dollar sales increased an average of one percent, volume sales decreased 0.6 percent, according to the SFA. The report also found 42 percent of consumers are spending less on snacks, while 25 percent are cutting impulse snack purchases all together. Thirty percent say they try to make snacks last longer and are snacking less frequently.

Ultimately, consumers are deciding where to buy their snacks based on convenient location (56 percent), lowest everyday price (53 percent), best selection of products (43 percent), their ability to get in and out quickly (40 percent), selection of private label (29 percent) and one-stop shopping (27 percent).

Snack Sales By Segment

With decreasing sales volumes and increasing commodity costs, suppliers are at risk of losing sales by raising prices, according to the SFA.

Although 44 percent of consumers surveyed report their brand decisions are "very strongly" influenced by price, 27 percent want their favorite brands at a reasonable regular price, up seven percent since 2009. The report also revealed that 32 percent will purchase any brand if the price is right.

Despite this, several major suppliers plan to increase prices five percent or more in 2011 to cover overhead expenses and meet margins, the report says.

Benefiting from the recovery of brands, Frito-Lay North America, Inc.'s Ruffles, Lay's and Wavy Lay's accounted for nearly 44 percent of total dollar sales in the potato chip segment last year. Overall, potato chips saw an increase in dollar sales of 3.8 percent for the year, once again making them the number one selling

salty snack in the U.S.

Sales reached \$3.6 billion in 2010 and unit volume increased five percent, according to SFA data.

However, crackers and cookies led the overall snack market, each with dollar sales of some \$4.1 billion.

Crackers outperformed cookies with a 1.4 percent increase in dollar sales and 0.9 percent increase in volume sales, while cookies saw no year-to-year growth.

The segment with the largest growth was meat snacks, which had \$343 million in total sales for the year, a 10.5 percent increase. Volume sales increased an impressive 13.4 percent. The segment showed the ability to return from flat sales in 2009 and is expected to continue to see annual growth through 2015, according to the report.

Pretzels saw modest growth in terms of both dollar and volume sales at 2.1 percent and two percent, respectively.

Making the largest headway in the category was Frito-Lay's Rold Gold brand, which saw dollar sales jump some 10 percent and volume sales increase 15.5 percent.

Also seeing modest gains in 2010 was the segment known as "Other Salted Snacks," which includes pellet-type snacks, baked crisps and salted snack mixes such as General Mills, Inc.'s Gardetto's brand. The segment's dollar sales were up 0.9 percent and volume sales grew 1.3 percent.

The SFA says the sector has significant room for growth as suppliers are increasingly introducing snacks that don't fit into other segments.

Leading the Other Salted Snacks segment was Frito-Lay with four of the top five brands, which accounted for nearly 53 percent of dollar sales in the segment.

Another big winner for Frito-Lay in 2010 was its Baken-Ets pork rind brand, which saw dollar and volume sales increases of 11.6 and 19.8 percent, respectively.

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While c-stores remain the main distribution outlet for meat snacks, grocery is also becoming a more popular retailer for the segment, as sales increased by double digits in supermarkets during 2010.

Snack Food Association

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Pork rinds have been highlighted by the SFA as one of the fastest growing segments in the salty snack industry, with sales up in both c-store and grocery in 2010.

In 2011, it is expected pork rinds will see overall growth of five percent, which the association attributes in part to the increasing Hispanic population, the segment's number one consumer group.

Conversely, tortilla chips and corn snacks saw a decline in both dollar and volume sales. Tortilla dollar sales dropped 1.3 percent, while overall volume declined 4.3 percent.

Similarly, corn snacks saw a 0.8 percent decrease in dollar sales and a 6.7 percent decrease in volume sales.

The overall decline in corn snacks sales, according to the SFA, is largely the result of dollar and volume sales declines for three of Frito-Lay's Fritos brands.

Scoops saw reductions in dollar sales of 4.3 percent and volume sales were down 6.3 percent, while Flavor Twists experienced a dollar sales decline of 3.1 percent, while volume dipped 11.4 percent.

Fritos Singles saw the brand's largest declines with dollar sales down some 23 percent and volume sales off 25.2 percent, according to the SFA.

Both cheese snacks and ready-to-eat popcorn sales were down in 2010 as well.

The SFA reports cheese snacks were coming off a strong 2009 in terms of sales, spurred by heavy marketing by segment leader Frito-Lay's Cheetos brand, resulting in year-on-year sales momentum that was difficult for the industry to maintain.

In 2010, ready-to-eat popcorn sales totaled \$292 million, a 1.4 percent decline compared with the year prior, while the sector's volume saw a 0.1 percent increase.

However, some suppliers saw big gains in 2010, among them was Dale and Thomas Popcorn, which had impressive 28.5 and 31.7 percent increases in dollar and volume sales, respectively.

Nuts, seeds and corn nuts saw growth in dollar and volume sales of more than five percent. The segment reached some \$2 billion in sales for 2010, with snack nuts contributing a majority of sales to the total.

This segment benefited greatly from the current better-for-you snack trend, as consumers perceive nuts and seeds as a healthier alternative to other salted snacks, the SFA reports.

Better-For-You Snacks Make Headway

Functional and better-for-you snack trends are making progress in the category as 60 percent of surveyed consumers said they are trying to eat foods that help prevent health problems and/or manage existing health conditions, while an additional 24 percent are seeking snacks that offer benefits beyond basic nutrition.

For example, pretzel suppliers introduced organic and whole grain varieties, as well as portion control pack sizes, taking advantage of shoppers' desire for better-for-you snacks.

Consumers not only want healthier snacking options, but more than half want retailers and suppliers to clearly identify healthier products on-pack. In addition, consumers' interest in organic and all-natural products increased eight and seven percent, respectively, according to the association's findings.

Looking ahead, the SFA expects tortilla chips to see a boon in 2011, as the segment is poised to take advantage of a number of trends in the food industry, namely gluten-free and better-for-you. The sector is also expected to get a push from the introduction of new flavors, the SFA says.

Other salted snacks are also in a position to take advantage of current better-for-you food trends as suppliers increasingly produce chips and pellet-type items made from whole grains, rice and popcorn. **CST**

The Snack Food Association State of the Industry report was developed by SymphonyIRI Group, Inc. The report's data on sales performance is based on InfoScan Reviews, Marketinsight and Health & Wellness Advantage studies. The shopping behavior data was developed by the research group's Consumer Network, and consumer attitude information was gained from the 2011 Consumer Snacking Study.