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RE: Spreadable Refrigerated Condiments Market Research for Atlantic Sea Farms (ASF)

Summary: The US refrigerated condiments (RC) industry is generating approximately \$2.7B in revenue with a 12% CAGR.ⁱ This is broadly defined by innumerable sauces, dips, spreads with a variety of uses and applications. Within this, there is a plant-based RC segment that is small but growing rapidly, currently generating \$28M revenue with a 52% CAGR, projected to grow \$342M by 2026.ⁱⁱ Millennial participation and healthy-eating trends will drive growth in the market, and brands that are able to leverage popular spicy combinations, new flavors, and healthy options will capture much of that growth.

Condiments Market Overview: The condiment market encompasses many different varieties and flavors and is relatively fragmented with some notable exceptions. For example, Sabra is responsible for 66% of refrigerated flavored spread volume in the US, with private labels coming in 2nd with 16%.ⁱⁱⁱ Many new sub-categories are increasing in popularity with hummus, Greek yogurt dips, and plant-based options attracting millennial consumers. While salsa is still among the most powerful, it is growing at 6% as opposed to other dips growing at 26%.^{iv} 29% of consumers tend to buy dips and spreads on impulse while also being twice as likely to buy hybrid offerings like salsa-hummus.^v Consumer preferences for fresh foods are driving refrigerated dip sales, while consumer preferences for plant-based options are seeing tremendous growth near 90% but are still a relatively small portion of the market.^{vi}

Strengths, Opportunities, Targets: US consumers choose fermented sauces that are sweeter while also prioritizing appearance, and color.^{vii} US consumers also considered hot, spicy, saltiness, new, and easy-to eat as reasons for liking these sauces.^{viii} US consumers disliked sauces that were too hot and spicy or too thick, however, this dislike was attenuated in sauces that were sweet.^{ix} For ASF, this suggests that US consumers are quite liberal in the fermented dipping sauce flavors they enjoy, and like them even more when they are sweet rather than sour, while avoiding sauces that flirt with spicy extremes. Developing sauces and spreads that fit this category is key to creating a successful product.

Fermented products' performance in the market has also been encouraging with US consumers associating it with gut health, energy levels, and even weight management.^x More specifically in the sauce/spread category, the Korean fermented red pepper past called gochujang saw a 200% increase in menu references between the years 2015-2019, fish sauce increased by 54%, and even fermented references in desserts increased by 100%.^{xi} An open question with gochujang and fish sauce is the extent to which the average consumer even knows that these sauces are fermented/what that process actually entails. But pairing an offering with some fermented Asian flavors is already what ASF is doing with kimchi, so a natural extension into similar Asian-inspired offerings is reasonable and would be supported by the market.

In terms of incenting trial, 37% of consumers were more likely to try a sauce that they had previously been exposed to in a restaurant. Leveraging restaurant partnerships to prominently display ASF’s involvement in a particular dish could be a technique to get more people to seek out the item in retail settings. This type of advertising is perhaps analogous to the effect of foodie influencers, given the COVID impact on restaurants.

Weaknesses and Threats: The extent to which US consumers are generally moving away from food that is high in fat/sugar/sodium will impact spreads and dips that are high in those ingredients. Healthier options can demand a price premium though, so it is important for an ASF product to differentiate its health aspects very clearly while avoiding some of the ingredient pitfalls that could damage perception. The rise of other healthier condiment options will increase competition in this premium space and decrease this relative price premium over time. COVID’s impact on the restaurant industry is something ASF is already dealing with by building out their retail presence, however, consumers may be less liberal in experimentation with a new ingredient like kelp off the shelf, so resources should be invested in high profile flavors like popular/trending hot sauces or ethnic spice combos.

Conclusion: The RC industry is sprawling and diverse, but there are sectors of significant growth and opportunity, like the plant-based/Asian/ethnic spices category.^{xii} The extreme growth in the plant-based category is unsustainable in the long term and will eventually flatten out, but there is an opportunity to develop significant market share, build brand awareness, and increase partnerships with key retailers and restaurants. Especially since this is a new ingredient for most consumers, finding opportunities for co-promotions with more traditional and popular offerings like hummus, or partnering with local/regional bread/chip producers could introduce more people to the product.

Exhibits:

Exhibit 1: Refrigerated condiments revenue projections^{xiii}

Spreads/Dips		Industry								
	Notes	t	0	1	2	3	4	5	6	
		year	2020	2021	2022	2023	2024	2025	2026	
Revenue	using 12% CAGR	\$B	\$ 2.70	\$ 3.03	\$ 3.41	\$ 3.82	\$ 4.29	\$ 4.82	\$ 5.42	
		Plant -based								
		year	2020	2021	2022	2023	2024	2025	2026	
Revenue	using 52% CAGR	\$M	28.1	42.6	64.6	98.0	148.6	225.4	341.8	

Exhibit 2: Spreadable refrigerated condiments (with hummus)^{xiv}

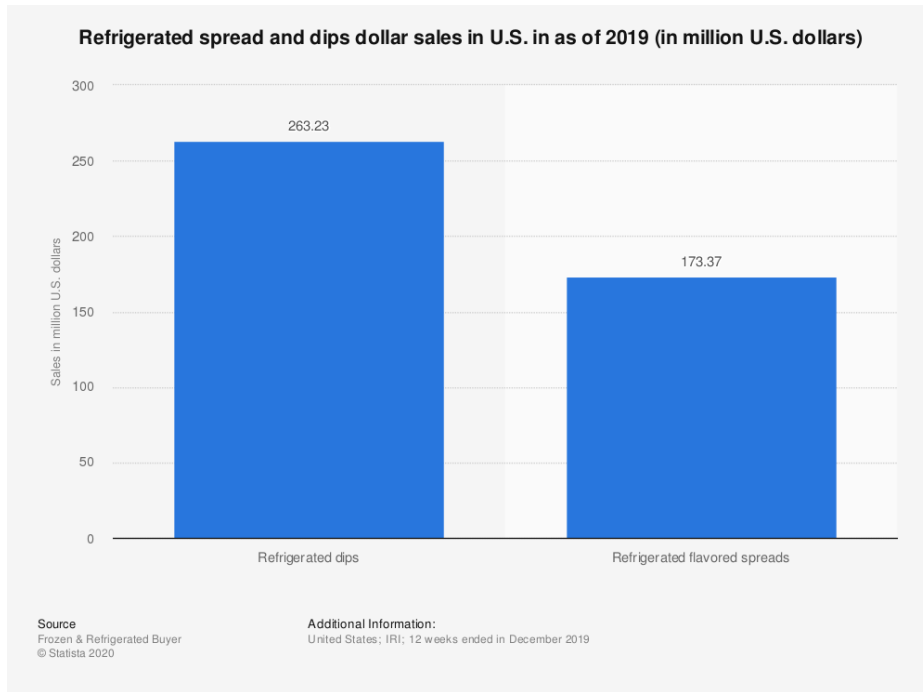


Exhibit 3: Spreadable refrigerated condiments disaggregated^{xv}

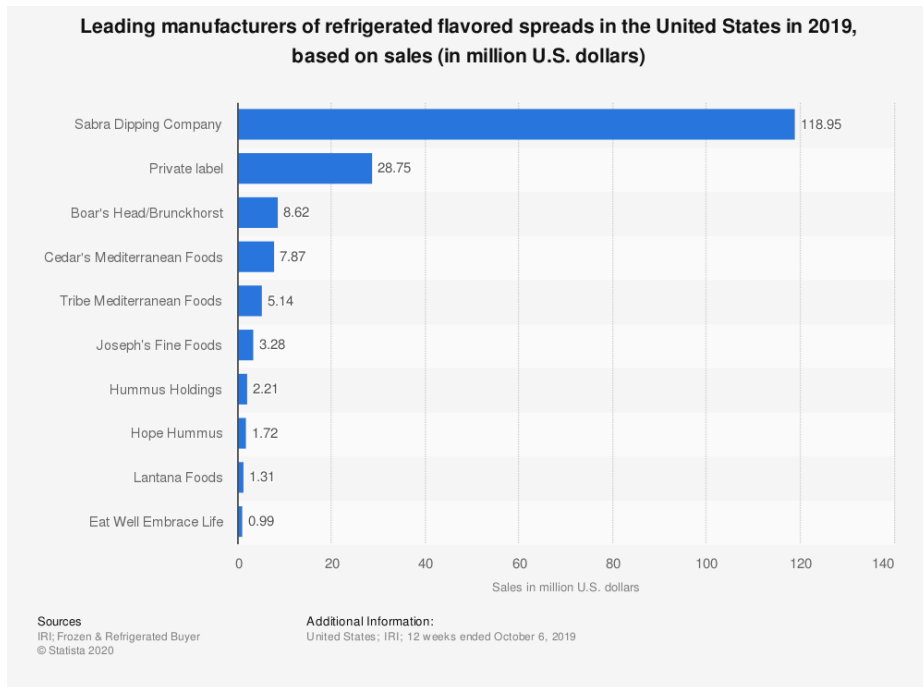
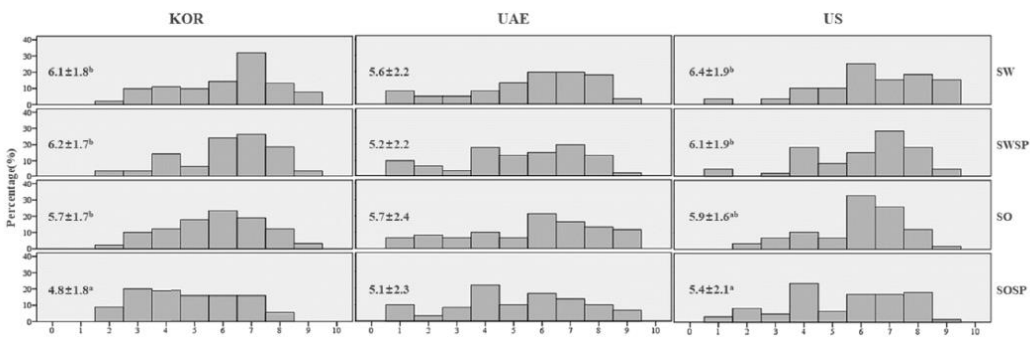


Exhibit 4: Fermented flavor preferences^{xvi}



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ⁱ Winsightgrocerybusiness, refrigeratedfrozenfood, dukefoods, IBISworld, analysis

ⁱⁱ Analysis, winsightgrocerybusiness

ⁱⁱⁱ Statista

^{iv} Refrigeratedfrozenfood.com

^v Refrigeratedfrozenfood.com

^{vi} Winsightgrocerybusiness.com

^{vii} Kim et al, 2020, 10, 8

^{viii} Kim et al, 2020, 10

^{ix} Kim et al, 2020, 10

^x IFT.org

^{xi} IFT.org

^{xii} IBISWorld

^{xiii} Analysis

^{xiv} Statista

^{xv} Statista

^{xvi} Kim et al. 2020