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The market of processed tomatoes in the USA

USA 2017

GruppoBPC International

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1. OVERVIEW OF THE US MARKET OF PROCESSED TOMATOES

The tomato is an established popular fruit in the U.S. and in high demand for its many varying product styles and flavors for consumers, ranging from canned tomatoes that are peeled by different methods, diced, whole, stewed, tomato pastes, sauces, and ketchup, including some spiced. In 2015, the tomato was the second most consumed vegetable behind the potato. For the same year, the consumption was **20.6 to 56.2 pounds per capita** for fresh market and processed tomatoes. However, the canned tomato products are distinctly different from the fresh market tomatoes and makes up **20% of the total tomato market**.

The processed tomato industry is primarily canned tomato pastes.
The market has continued to grow exponentially since 1960 for processed tomato products and has continued to produce higher yields almost every year, with a few exceptions in the past few years of production and has seen a **$27.4 per ton increase** from 2000-2009 according to the USDA Economic Research Service.

The market is leaded by a few brands, such as **Heinz, Hunts, Del Monte** and their generic counterparts and a USDA organic brand, **Muir Glen**. The ketchup sector of processed tomatoes is dominated also by Heinz, Hunts, and Frenches, with a variety of different flavors and products, from Organic, to processed, NO high fructose corn syrup, and spicy ketchup. These products are used in food processing, fast food establishments, restaurants, and households. According to IMARC Group, the global tomato processing market reached a volume of around **34 Million Tons in 2016**. A number of factors are currently driving the growth of this market. These include changing food habits, rising incomes, urbanization, emerging markets, growing consumption of fast foods.
According to the August 26, 2016 California Processing Tomato Report, NASS, USDA, California tomato processors anticipated contracting a total of **12.8 million short tons in 2016**—a **11% decrease** from the amount locally produced under contract from 2015. Estimated contract acreage of 258,000 is **13 % below** last year’s contracted acreage. The decline in domestic 2016 processing tomato crop is partly attributed to limited water supplies brought by the on-going California’s drought, higher disease and pest pressures, and possibly high stocks resulting from last year’s record-large crop and the strong U.S. dollar.

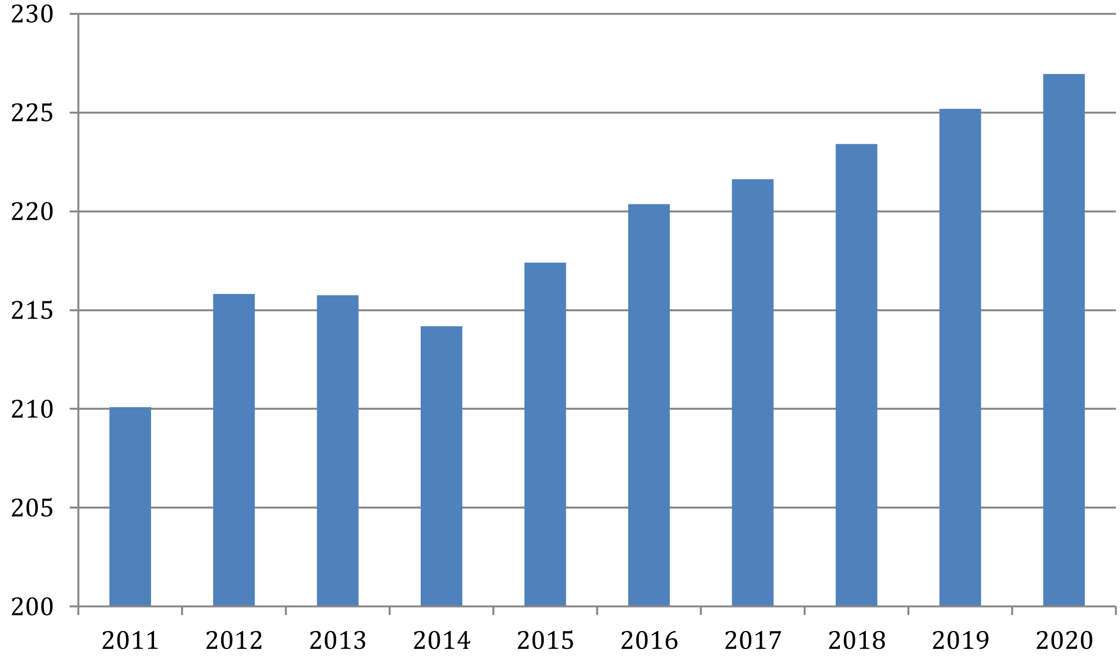
However, greenhouse growing has allowed tomato production in colder temperate areas that normally wouldn’t have production and has increased processed tomato yields.

Sauces, dressings and condiments is projected to record strong growth over the next years, with retail volume sales steadily **growing by 5%** and retail value **growing by 8%** over 2016-2021. Consumers are increasingly interested in bold flavors and gourmet cooking, however the category also faces strong competition from foodservice establishments and especially snack foods, something to which some products within the category, such as dips, are adapting well. Millennials are leading the “snackification” of US food as they snack regularly, often in place of traditional meals.

Consumer awareness of health and wellness and the trend toward natural health products are key drivers in new product development for sauces and seasonings. Products with natural, organic, and vegetable/bean ingredients are increasingly popular, as well as those with no additives or preservatives. Kosher claims are also growing, along with allergen-reduced products.

Increasingly ethnically diverse population, and consumer tastes for ethnic and spicy flavors present an opportunity for new culturally authentic products as consumers look for flavorful food experiences. **Premium product growth** is also expected as consumer preference for high-quality ingredients and artisanal products increases. The growing Hispanic consumer population in the U.S. presents a promising market for authentic, culturally inspired flavors, such as sofrito (which is a blend of garlic, onion, bell pepper and tomato), or cumin and oregano.

Foods that offer high-protein content and portability have seen explosive growth, and products, such as Greek yoghurt, snack bars and dips, continue to reshape the market. As the earning and spending power of millennials grow in the future, this trend towards snacking is likely to continue, limiting some of the potential for future growth from more traditional sauces, dressings and condiments, but providing strong opportunity for products that can adapt well to these snacking trends.



Tab. 1 - ***US population uses for tomato sauce from 2011-2016***

This statistic shows the usage of tomato sauce in the United States from 2011 to 2016 and a forecast thereof until 2020. The data has been calculated by Statista based on the U.S. Census data and Simmons National Consumer Survey (NHCS). According to this statistic, 210.09 million Americans used tomato sauce in 2011. This figure was projected **to increase to 226.96 million in 2020**.

2. THE MARKET OF PROCESSED TOMATOES IN ITALY

Italy is one of the largest tomato producers of fresh tomatoes. According to the Syngemta figures, in Italy 7,800 hectares are devoted to the production of tomatoes, of which the largest part (accounting for 5,700 hectares) has grown in the South. There are different types of tomatoes grown in Italy: Truss tomatoes, that make the largest category at almost 52%, Cuore di bue at 10%, Marmande 3.5%, Beefsteak tomatoes 3% and other minor varieties.

The Italian processed tomato industry is worth approximately 3.2 billion euros. Italy is the leading exporter of tomato products in terms of value, followed by China with less than half of the value and the US, and it is the second in terms of volume. Italian tomato sauce export has been increasing since 2000. The main export markets are the European Union, accounting for around 60%, followed by the US, Japan and Australia.. In fact almost 60% of the tomato sauces produced in Italy is destined to foreign countries. The export routes for processed tomato products have always followed the migratory flows of Italians, together with the diffusion of Italian catering abroad and the export of other products, such as pasta and pizza, which are perfectly combined with tomato.

3. THE MARKET OF KETCHUP AND TOMATO SAUCES IN USA

The tomato ketchup market is primarily driven by the growing demand for **fast food world**. North America is in fact the prime market for fast food. The convenience of fast food means the burgeoning middle class is likely to remain a key consumer demographic for the fast food industry in the coming years, leading to strong growth prospects for the global tomato ketchup market.

Ketchup is a staple with traditional fast food items, but the agreeable flavor of tomato ketchup has also boosted its use with local fast food items in emerging regions. As a result, leading producers of tomato ketchup have been able to successfully create **regional variants of their products** based on the cultural preferences and compatibility with the local cuisines

While tomato ketchup is primarily used in commercially sold fast food, a significant part of the total demand for tomato ketchup comes from families. As tomato ketchup is a versatile condiment and works with a wide range of flavors, the demand for tomato ketchup from the residential sector is growing rapidly.

By country, the U.S. emerged dominant in the global condiment sauces market followed by Japan. Furthermore, the U.S. is expected to remain dominant through the course of the forecast period. The demand for condiment sauces in the country is driven by the busy lifestyle of consumers living therein and their growing dependence of fast food. Furthermore, the demand from the condiments sauces is high among consumers who prefer cooking traditional and authentic multi-cuisines at home.

Despite maintaining high retail values and remaining the two largest table sauces in terms of retail volume, ketchup and mayonnaise, these categories, which have traditionally been staples within the US, continued to experience flat or declining growth in 2016. Slightly smaller, yet similarly popular historically, products such as mustard and salad dressings, also experienced persistently flat or declining retail growth in 2016. The declining sales of these traditional staples occurred alongside rapid growth for products exhibiting ethnic and spicy qualities. Herbs and spices, soy sauces and chili sauces all achieved strong growth in 2016, experiencing retail **value growth rates of 7%, 5% and 6%**, respectively. This reflects a shifting preference among Americans, particularly younger generations, toward healthier and more flavorful products and a growing desire to incorporate into their diets dishes and ingredients from a wider variety of cultures. Attempting to adjust to these shifting consumer preferences, some manufacturers of traditionally popular condiments have attempted to incorporate spicy and ethnic qualities into their products

Suppliers

The largest supplier is **the U.S. itself**, growing in many states but mainly Florida and California. The U.S. also produces **33% of the world tomatoes**. The 2nd largest supplier of tomatoes for the market is **Mexico**. More than 66% of vegetables come across the border thanks to the NAFTA treaty. However, with the current administration has created tension between the U.S. and Mexico and has threatened to pull out of NAFTA. If this does occur, the market will change in the U.S.

4. SALES CHANNELS

As for sales channels for canned tomatoes in the U.S., currently **retail grocery stores, hypermarkets and supermarkets** are the most preferred distribution channels for the leading brands offering condiment sauces. The segment is expected to maintain its lead in the global condiment sauces market, followed by cash and carries, dollar stores, and warehouse clubs.

The presence of canned tomato and ketchup sales are high in **food service and restaurants industry** through larger commercial suppliers, like SYSCO.

5. EXHIBITIONS

FNCE – Food and Nutrition Conference and Expo

Chicago
October 21st- 24th 2017

WINTER Fancy Food

San Francisco
January 21st-23rd 2018

SmartFood Expo – Healthy Food Business
Chicago
June 25th – 27th 2018

SUMMER Fancy Food
New York
June 30th – July 2nd 2018

6. OPPORTUNITIES

There is significant market opportunity in the US for quality international suppliers of canned tomato products, although some key factors have to be taken into account in setting up a correct market development strategy:

- Products have multiple varieties to choose from and product will need to be able to compete with different variations (i.e., tomato with spices, etc.)
- According the market entry positioning, different sales channels can be approached: recommended high-end grocery retailers, Whole Foods and Central Market for example, whose upper-class consumers can afford imported quality food, unless the new entrant is able to endorse aggressive pricing for major retailers such as Target, Walmart, and Trader Joes.
- The market entry strategy for any international brand requires patience and efforts due to lack of product familiarity with the new brand and most American consumers stick to products they know (this factor turns to be a positive factor while the product successfully starts its distribution acquiring a first audience).

GruppoBPC International is the ideal partner for the development of your company and your products in the US market, knowing the market and operating directly through our local team. Thanks to an organizational structure, a working methodology and proven effectiveness, we are able to create business opportunities with all of the above sales channels, in order to start successful business relationships.

We offer you:

EXPORT - full support to successfully enter a new market, identifying and developing winning strategies to sell your products in the targeted market and to prepare your company for subsequent business expansion.

EXHIBITION - complete assistance in visiting the main fairs of the industry, organizing one-on-one meetings to know the main players of the market.

Do not hesitate to contact us for further information

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7. SOURCES

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8. CREDITS

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