

Novelty & Nutrition

PROMISE

By Doug Burn

Sweet Success

The past 12 months haven't been particularly sweet for confectionery makers. That's unfortunate as the previous three years were excellent with exports surging and plenty of domestic innovation to drive all the categories from breath freshening gums and bagged candies to boxed chocolate and energy bars. In 2004, however, a rising Canadian dollar caused confectionery exports to drop for the first time since 1999. That is significant as exports now account for over half of sector shipments.

Within the domestic market the only significant growth was in the family-size bar category and mini-mints, the former driven by retailers' private label bars and the latter by new product launches. Conversely, a lack of innovation in the sugar confectionery category left sales flat. While unit volume for gum sales declined slightly, the value of sales rose, indicating a consumer willingness to absorb recent price increases. Cadbury Adams notes that sales of its Trident, Dentyne and Bubbas power brands rose 11 per cent during 2004.

Nutritious Portable Foods (NPF) had a remarkably good year. While sales for granola, cereal, diet and energy bars plus fruit snacks had enjoyed year over year growth of close to 10 per cent since 1999, in the 52 weeks ended March 19 they jumped 13 per cent. While NPF is not considered confectionery, the latest products increasingly resemble candy

bars, jubes and jellies and are often consumed in lieu of confectionery as between meal treats. The distinctions are further blurred as confectionery makers launch low-carb, sugar-reduced and portion-controlled line extensions of their established brands to satisfy the small but growing niche of diet-conscious candy consumers.

From Lookin' Good to Living Longer

The spectacular growth in the Atkins and South Beach inspired low-carb diets may have plateaued in the last 12 months but as the media frenzy subsided consumers no longer thought of dieting as an exclusively vain pursuit of a youthful physique. Public campaigns to combat childhood obesity drove home the message that excessive consumption of fats and carbohydrates could cause type 2 diabetes, hypertension and asthma. Food manufacturers reinforced these concerns by promoting the trans fat free, no added sugar and low-carb features of their new products. Now, eating healthy is more a matter of living longer than simply looking good.

The change was most apparent in the sharp rise in sales of diet bars as energy bar sales dropped. Sinen Uner, brand manager for Slim-Fast at Toronto-based Unilever Canada, says the trend from energy to diet aid bars extends beyond North America and is driven by consumers seeking a better



balance in their diet, “not just on reducing carbohydrates but also on calories, fat and sugars.” Last summer Slim-Fast launched its CarbZone line to complement its high protein, snack, breakfast and meal bars.

Trace Hanlon notes that consumers are not likely to abandon the energy bars but will consume them more sparingly. Hanlon, marketing manager for Mississauga, Ont.-based Atkins Nutritionals Inc. (Canada), explains, “Consumers may buy two PowerBars for those days they work out and Atkins bars for the other five days. Retailers understand this and shelve the energy and diet aid bars together and sometimes the granola and cereal bars and fruit snacks as well.” He also notes that the major drug chains have launched their own private label diet aid bars driving up category sales and their market share at the expense of the other market channels.

Fruit snacks have a different but similarly motivated consumer demographic – mothers of school age children. Successful products must be loved by kids for their taste and novelty while being sufficiently nutritious to win over the primary shopper. Margaret Lucas says Dare’s RealFruit Minis pass both tests with flying colours. Lucas, senior brand manager for Kitchener, Ont.-based Dare Foods Limited, attributes the success of the jube-like snacks to their great taste and the “no artificial colours or flavours, fat/trans fat

Photo: Courtesy of Danisco USA Inc.

Allergen Management

Protect your customer. Protect your product.

- Prevent recalls & demonstrate due diligence
- Highlight your commitment to your customers through allergen program certification

GFTC: Your Allergen Management Experts

- Allergen management systems: Design, implementation, validation, certification
- Credible third-party allergen auditing
- Integrated services, technical depth, experience

Upcoming Allergen Training

- Developing your Allergen Management Program October 24-25, 2015 at GFTC
- Also: In-plant allergen training, tailored to your needs & schedule. Call us for more info!

IT'S ALL AT GFTC

Product Development
Shelf Life
Packaging
Plant Scale
Regulatory Issues
Nutrition Labeling
Public Claims
On Site Training
Food Safety
Food Safety
HACCP
Conveying
Certification
Auditing



Contact: Kathryn Cooper or Jennifer McCreary today and start experiencing GFTC's integrated advantage

Guelph Food Technology Centre

Tel: 519-820-1246 Fax: 519-826-1281 gftc@gftmex.com www.gftmex.com

Westfalia Separator Model HSE 500 with HyVOL Protein-Plus System



Westfalia Separator

Fat Additional Profits with the Protein-Plus System

Higher protein recovery from the raw milk. A clear "plus" for our environment. **PRO**, the Protein-Plus System innovation achieves measurable progress in milk separation technology. The result is significant cost reduction and increased profits from your entire separation process.

For new investments the decision is in favour of the new separator generation HyVOL **PRO** with the Protein-Plus System. For optimization of separators already in operation, simple retrofitting with **PRO** the Protein-Plus System.

To learn how **PRO** the Protein-Plus System can improve your bottom line, visit our web site at www.wes.com or contact us at 905-319-3900.

GEA Westfalia Separator Canada, Inc.

Leading Technologies. Individual Solutions
625 Harrington Court • Burlington • Ontario L7N 2P2
Tel: (905) 219-2900 • Fax: (905) 219-2902
www.wes.com • E-mail: gea-canada@wes.com

A company of mg technologies group

free, peanut free, made with a variety of real fruit purees and juices" message on the package. Sales have exceeded expectations since the line was launched out west and beginning this January, Lucas took the brand national.

Granola and cereal bars have enjoyed a health halo since General Mills launched the granola bar category 30 years ago with its Nature Valley line. As the TV commercials emphasize, the bars are a good substitute for a bowl of cereal or a handful of trail mix or granola. With the rapid growth in sales, manufacturers are developing line extensions with chocolate, caramel and other ingredients more appealing to confectionery consumers.

General Mills has been sampling a new granola bar that is getting a great reception from retailers. The Nature Valley Sweet & Salty Chewy Nut Bars have sodium, sugar and fat levels comparable to the diet bars plus high fibre content thanks to their incorporation of 100 per cent whole grains. Doug McGillivray, vice-president, marketing for Mississauga, Ont.-based General Mills Canada, says the product should do particularly well in gas and convenience store channels as consumers seek healthier on-the-go snack solutions. McGillivray plans a "blockbuster launch" when he begins shipping in June.

Chocolate bar makers are not about to forsake consumers seeking pure indulgence but they are offering choices for those seeking healthier options. Toronto-based Cadbury Adams Canada Inc., for example, recently launched Canada's first portion-controlled chocolate bars – Cadbury Thins in Dairy Milk and Premium Dark – that neatly fit into over-the-belt displays at checkout counters alongside gums and mints. The Thins are sized to deliver just 100 calories. The company also launched Cadbury Delight with 80 per cent less sugar than regular Dairy Milk bars.

The last 12 months have seen a multitude of line extensions, many as



limited editions, which add new flavours and ingredients to established brands. In January, for example, Toronto-based Nestlé Canada launched Kit Kat Chunky in Caramel and Peanut Butter, the latter, being Nestlé's first entry in the \$200 million peanut butter category. Ken Shaver, vice-president of confectionery marketing, says the line has won listings with all his

major customers and sales are going extremely well. At the same time Nestlé's Smarties bar (launched 18 months ago) added a peanut butter version.

In the midst of this growing proliferation of brands and line extensions Cadbury Adams is converting all of its packaging to purple. Martin Parent, director, category and customer planning, explains, "With less than 10



Canadian Shipments, Imports, Exports. Domestic Market and Balance of Trade in Confectionery 1999 to 2004

	1999	2003	CAGR (1) 2003 v 1999 Per cent	Change 2004 v 2003 Per cent
	Millions			
Shipments	\$2,334	\$2,700*	+ 4%	N/A
Imports	\$820	\$1,119	+ 8%	+ 3%
Exports	\$853	\$1,705	+ 19%	- 3%
Domestic Market	\$2,301	\$2,260*	+ 1%	N/A
Balance of Trade	+ \$ 33	+ \$587	+ 105%	- 15%
Export Share	36 %	58 %	N/A	N/A
Import Share	36 %	38 %	N/A	N/A

* Estimated from 1998 to 2002 Period

CAGR (1): Compounded Annual Growth Rate

Source: Statistics Canada, North American Industrial Classification System (NAICS)

Canadian Retail Sales of Confectionery and Nutritious Portable Foods: By Category and Market Channel

Category	Market Channels	Sales (Millions)	Value Change	Volume Change	Grocery Share
Single Bars	A	\$382	+ 2%	- 1%	20 %
Multi Bars	A	\$64	+ 7%	+ 8%	61 %
Family Bars	A	\$81	+ 17%	+ 10%	38 %
TOTAL EXPANDED CHOCOLATE BAR MARKET*					
Boxed Chocolate	A	\$253	+ 4%	+ 5%	28 %
Sugar Confectionery	A	\$393	+ 1%	+ 3%	26 %
Hard Rolled Candy	A	\$35	- 11%	- 8%	16 %
Cough Drops	A	\$82	- 1%	- 7%	21 %
Portable Breath Fresheners	A	\$81	+ 3%	+ 4%	18 %
Mini Mints	A	\$46	+ 16%	+ 16%	82 %
Gum	A	\$382	+ 8%	- 3%	27 %
TOTAL CONFECTIONERY**					
		\$2,108	+ 5%	N/A	29 %
Energy & Nutrition Bars	B	\$31	- 16%	- 29%	61 %
Diet Aid Bars	C	\$57	+ 18%	+ 44%	33 %
Granola Bars	C	\$236	+ 14%	+ 14%	77 %
Cereal Bars	C	\$118	+ 19%	+ 22%	74 %
Fruit Snacks	C	\$128	+ 12%	+ 9%	71 %
TOTAL NUTRITIOUS PORTABLE FOODS					
		\$570	+ 13%	N/A	70 %

Source: ACNielsen MarketTrack 52 Weeks to March 19, 2005

* Includes Easter Confectionery

** Totals for Confectionery and NPS are calculated by the author, not ACNielsen

Channels A: National (excluding Newfoundland) Drug, Grocery Banner, Remaining Grocery, Variety, Mass Merchandisers, General Merchandise, Warehouse/Club, Toys R Us, Gas

Channels B: National (excluding Newfoundland) Drug, Grocery Banner, General Merchandise, Warehouse/Club

Channels C: National (excluding Newfoundland) Drug, Grocery Banner, General Merchandise, Mass Merchandisers, Warehouse/Club

UNIQUE HEALTH & WELLNESS SOLUTIONS:

Natural Extracts
Natural Flavours
Natural Cheese & Dairy Concentrates
Essential Oils
(Citrus & Spice)
Citrus Addbacks & Ingredients
Advanced Beverage Technology



UNIQUE FLAVOURS & INGREDIENTS FOR:

Ice Cream, Frozen Yogurt, Sherbet, Sorbet & Novelties



UNIQUE ENCAPSULATION SYSTEMS:

Flavorburst[®], Granuseal[™], Ultraseal[™], Permaseal[®] & Bakestay[™]



NATURAL SPICE REPLACERS

E-Z Resins[®]
Spice-N-Easy[®]
HVP's, AYE's & Food Bases
Snack Seasoning Systems
Savory & Culinary Solutions

2400 Markham Blvd, East
Mississauga, Ontario L4W 5G9
Phone: 905 282-9808
Fax: 905 282-9972

Givaudan

seconds for consumers to make a decision, we're trying to make it easier for them to find what they're looking for by eliminating the guess work. All new and existing Cadbury chocolate bars will be sporting new purple packaging with a prominent Cadbury logo, creating a unique and distinct brand block in-store, so consumers quickly identify the

purple with Cadbury.”

The confectionery category, due to its dependence on impulse purchases, thrives on attention-drawing innovations so 2005 is shaping up to be a sweet year for the sector.

Doug Burn is a Toronto-based freelance writer.



AL-System PLH216
& PLS115

Maximum versatility for Natural, Collagen & Cellulose Casing with ONE system.

Advantages

- Simple cleaning and thus exemplary hygiene
- New opportunities for innovative products
- The handtmann AL-system is the only system on the market where you change the length of your product by recalling a Program and not changing Linking CHAINS.

Technical Data

- Exact lengths, upward of 40m
- Exact weights
- Gentle linking
- Uniform product results
- Short change-over times
- Wide application ranges with all casing types, caliber 13 to 30mm



Handtmann Canada Limited, 654 Colby Drive, Wexford, On N2Y 2A2, Tel: 519-725-3666, Fax: 519-746-0803, e-mail: sales@handtmann.ca, www.handtmann.ca

FOLLOW THE ACQUISITION

In early 2004 Ganong Bros. of St. Stephens, N.B., sealed a deal with Archibald Candy of Chicago to supply a broad range of confectionery items to its Laura Secord stores across Canada and six months later Archibald sold Laura Secord to Gordon Brothers Group, a Boston-based investment firm.

In March 2004, Beta Brands Limited (2002 sales of \$71 million), a London-based manufacturer of Breath Savers, Beech-Nut and McCormicks brand jellies, jubes, panned chocolates and hard candies was acquired by Sun Capital Partners, a Florida-based investment firm and two months later Beta Brands closed its Hamilton plant to consolidate production at its London plant.

In August, Concord, Ont.-based Concord Confections Inc. (estimated 2003 sales of \$100 million), makers of Double Bubble and other non-chocolate candy, was acquired by Chicago-based Tootsie Roll Industries (2004 revenues of US\$420 million) for US\$197 million.

In November, Chicago-based Wm. Wrigley Jr., the world's number one maker of chewing and bubble gum (2004 sales of US\$3.7 billion), entered into an agreement to pay US\$1.48 billion to acquire the Life Savers, Crème Savers, Altoids and other confectionery assets of Kraft Foods.

Also in November, Hershey, Penn.-based Hershey Company (formerly Hershey Foods) with US\$4.4 billion in 2004 sales paid US\$112 million to acquire Irvine, Calif.-based Mauna Loa Macadamia Nut Corp. for US\$112 million (2004 sales US\$80 Million).

In March (2005) Cadbury Adams Canada Inc. (formerly Cadbury Trebor Allan Inc.) completed the full integration of the Canadian operations of Adams Brands. U.K.-based Cadbury Schweppes PLC (parent of Cadbury Adams Canada) acquired gum and mint maker Adams Brands from pharmaceutical giant Pfizer Inc. for US\$4.2 billion in 2003.