



A GROWING MARKET

Formulation twists enhance pretzel offerings as healthy snack alternatives.

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THE BOTTOM LINE

- Ingredients for cleaner labels
- Sprouted grains for health
- The appeal of craft pretzels

The pretzel market continues to grow, with core offerings showing strength and strategic formulation twists bringing in some added diversity. Pretzels are often considered a healthier snack

alternative compared to some other salty snacks, so select better-for-you strategies resonate with shoppers. And while traditional pretzels continue to sell well, some flavor diversity can cultivate new levels of attention.

MARKET DATA

According to IRI, Chicago, dollar sales of pretzels increased 7.0 percent to \$1.3 billion, based on data for the 52 weeks ending

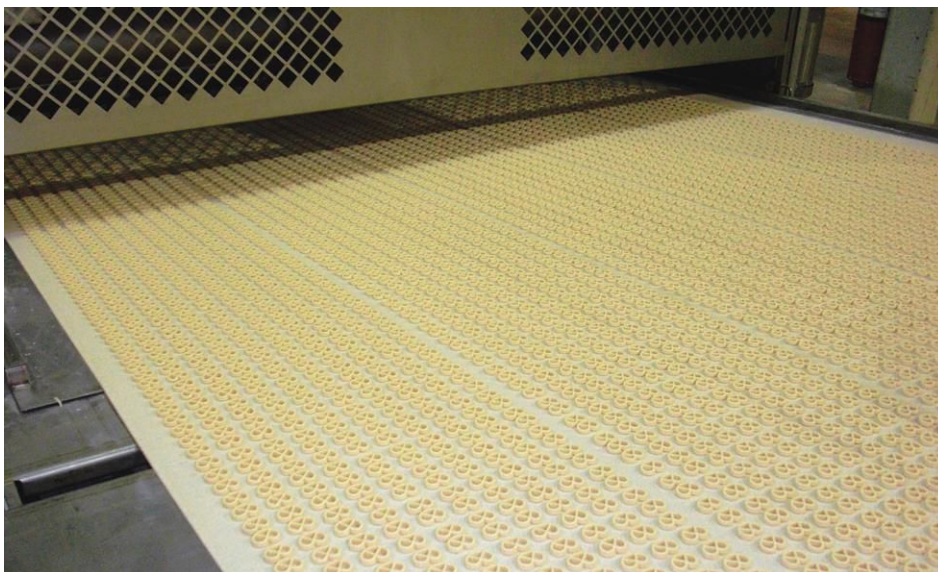


| courtesy of Malt Products Corp.

May 17, 2020. One of the key businesses in this segment is Snyder's-Lance, part of Campbell Snacks, which had \$480.8 million in sales, up 6.6 percent. Its leading pretzel brand, Snyder's of Hanover, racked up \$450.8 million in sales, a 7.2 percent increase.

Another top performer in this segment is Utz Quality Foods, which overall grew 10.3 percent to \$121.2 million. Its core Utz brand grew 9.5 percent to \$95.9 million, while its Utz Specials line grew 11.5 percent to \$18.4 million. Its Utz Select line also saw an increase, up 2.3 percent to \$3.9 million.

Unique Pretzel Bakery had another good year, with overall



| courtesy of Reading Bakery Systems

PRETZELS	Dollar Sales	Dollar Sales % Change Year Ago	Dollar Share	Unit Sales	Unit Sales % Change Year Ago
CATEGORY - SALTY SNACKS	\$26,650,177,305	6.9%		10,468,865,419	1.7%
PRETZELS	\$1,333,399,793	7.0%	100.00	486,602,532	0.2%
SNYDERS LANCE INC-PRETZELS	\$480,843,315	6.6%	36.06	163,332,084	4.8%
PRIVATE LABEL-PRETZELS	\$233,455,645	2.0%	17.51	114,397,718	-5.9%
FRITO LAY-PRETZELS	\$150,692,889	-4.0%	11.30	53,722,112	-10.0%
MARS INC-PRETZELS	\$126,032,481	-1.0%	9.45	58,477,212	-5.5%
UTZ QUALITY FOODS-PRETZELS	\$121,213,613	10.3%	9.09	33,055,212	8.5%
DOTS HOMESTYLE PRETZELS-PRETZELS	\$84,543,117	124.6%	6.34	15,680,944	131.2%
HERR FOODS INC-PRETZELS	\$20,852,777	-2.4%	1.56	6,953,906	-8.9%
UNIQUE PRETZEL BKR-PRETZELS	\$17,464,235	14.8%	1.31	5,649,357	5.8%
THE BACHMAN CO-PRETZELS	\$14,068,965	-5.2%	1.06	4,740,660	-7.5%
OLD DUTCH FOODS INC-PRETZELS	\$12,556,852	16.2%	0.94	4,792,365	8.8%

Source: IRI, Chicago, Total U.S. Multi-Outlet w/ C-Store (Supermarkets, Drugstores, Mass Market Retailers, Gas/C-Stores, Military Commissaries and Select Club & Dollar Retail Chains), Latest 52 Weeks Ending May 17, 2020.

growth of 14.8 percent to \$17.5 million. Its signature Unique Splits brand grew 18.0 percent to \$11.9 million.

One standout performer for the year is Dot's Homestyle Pretzels, which had a fourth consecutive year of dollar sales growth over 100 percent. For the current reporting period, the company saw its sales increase 124.6 percent to \$84.5 million.

The chocolate covered salted snack segment of "other snacks" grew 4.3 percent to \$310.1 million—a category that strongly features chocolate-covered pretzels. DeMet's Candy Co. is a leader in this market. Its Flipz line grew 2.8 percent to \$66.6 million for the year. The Hershey Co. also saw growth, up 5.3 percent to \$57.5 million. Its Hershey's brand chocolate-covered pretzels

business grew 11.3 percent for the year, garnering \$30.8 million in sales. Sarris Candies also had a good year in the segment, with its chocolate-covered pretzels up 14.4 percent to \$3.9 million.

LOOKING BACK

The pretzel market often moves slower than other salty snacks in adopting new flavors, according to Jeff Miller, Ph.D., associate professor, Department of Food Science and Human Nutrition, Colorado State University, Fort Collins, CO. "A lot of the crazier flavors we see in snack foods don't work as well with the surface texture and coarser salt of a pretzel. Stuffed pretzels haven't really moved much beyond peanut butter and cheese."

The pretzel consumer is a bit more conservative, so simple products really are the

key to success in this market segment, Miller adds. "A great balance between crunch and salt is what grabs pretzel consumers. Clean labels are very important—and will be for the foreseeable future. Pretzels are a great choice for this, because they don't use a lot of complicated ingredients to get their texture and flavor."

But some snack producers have seen traction in pretzels featuring a higher level of diversity.

Consumers are embracing a variety of savory and sweet flavors, as well as new textures and shapes, according to Betsy Morreale, vice president, salty snacks, Campbell Snacks, Norwalk, CT. "Our Snack Factory Pretzel Crisps keep consumers engaged."

In 2019, Snack Factory introduced a Pretzel Crisps Drizzlers line featuring indulgent flavors such as Milk Chocolate & Caramel and Dark Chocolate. The brand also expanded its line of gluten-free offerings with its Pretzel Crisps Gluten Free Everything flavor.

Another customer favorite from Campbell Snacks is its new Snyder's of Hanover Rounds



| courtesy of Campbell Snacks

pretzels in Sea Salt and Butter, bite-sized pretzels with a light and airy texture.

Unique Pretzel Bakery, Reading, PA, has experimented with some minor formulation tweaks, notes Justin Spannuth, vice president and chief operations officer. "New pretzel products have tended to be line extensions of current product types, mainly seasonings." And the segment is seeing increased competition from private label. "Most generic-style pretzel products, such as

sticks, minis, and thins, are seeing sales transition from branded to store brand because of price and retailers trying to sell more own-brand items."

Some specialized diets could find a friendly snacking option via some types of pretzels. Unique Pretzel Bakery offers a 100 percent Whole Grain Sprouted Wheat pretzel that is organic and has no added sugars. "Its digestibility and nutrient availability is better than any other pretzel on the market," says Spannuth. "In fact, it has twice the bio-accessible polyphenols of any other snack we had tested." This was a test Unique Pretzel Bakery contracted looking for the availability of antioxidants. "The digestibility has been proven through claims of many diabetic customers," he says.

Amy Targan, president, Malt Products Corp., Saddle Brook, NJ, has seen a significant amount of innovation in the pretzel sector, including different shapes and unique flavors, including profiles featuring sesame oil and sriracha hot sauce, and fusion flavors such as bagel and pretzel combos. "As with other bakery and snack products, we're also seeing a push for pantry friendliness, including 'no sugar added' and 'gluten-free' designations."

For clean-label appeal, Targan notes that Malt Products Corp. offers MaltRite liquid and dry



| courtesy of Unique Pretzel Bakery

PRETZELS	Dollar Sales	Dollar Sales % Change Year Ago	Dollar Share	Unit Sales	Unit Sales % Change Year Ago
CATEGORY - OTHER SNACKS	\$1,614,764,195	1.9%		439,400,606	-2.4%
CHOCOLATE COVERED SALTED SNACK	\$310,143,389	4.3%	100.00	100,462,409	0.5%
GENERAL MILLS INC-CHOCOLATE COVERED SALTED SNACK	\$71,422,102	2.2%	23.03	24,379,018	-0.2%
DEMETS CANDY CO-CHOCOLATE COVERED SALTED SNACK	\$66,644,851	2.8%	21.49	24,025,234	-2.8%
THE HERSHEY CO-CHOCOLATE COVERED SALTED SNACK	\$57,458,957	5.3%	18.53	18,497,546	4.9%
PRIVATE LABEL-CHOCOLATE COVERED SALTED SNACK	\$31,235,357	9.8%	10.07	10,381,701	4.9%
CLEARVIEW FOODS-CHOCOLATE COVERED SALTED SNACK	\$14,371,365	27.1%	4.63	3,738,503	21.0%
SNYDERS LANCE INC-CHOCOLATE COVERED SALTED SNACK	\$12,283,573	-14.7%	3.96	4,027,039	-15.8%
EDWARD MARC CHOCOLATIER-CHOCOLATE COVERED SALTED SNACK	\$5,218,408	-13.3%	1.68	1,802,458	-4.6%
UTZ QUALITY FOODS-CHOCOLATE COVERED SALTED SNACK	\$4,305,358	-7.0%	1.39	620,862	-7.3%
SARRIS CANDIES INC-CHOCOLATE COVERED SALTED SNACK	\$4,301,061	13.2%	1.39	677,337	-6.0%
FRITO LAY-CHOCOLATE COVERED SALTED SNACK	\$3,745,533	-0.3%	1.21	1,006,846	-0.3%

Source: IRI, Chicago, Total U.S. Multi-Outlet w/ C-Store (Supermarkets, Drugstores, Mass Market Retailers, Gas/C-Stores, Military Commissaries and Select Club & Dollar Retail Chains), Latest 52 Weeks Ending May 17, 2020.

malt extracts that can eliminate the need for GMO ingredients such as dextrose and others commonly used to enhance pretzel flavor, color, and shelf life.

LOOKING FORWARD

In the coming year, Miller sees an opportunity for more sweet pretzels, such as products featuring ingredients like caramel and sea salt, as well as some interesting dark chocolate combinations. He says pretzel thins will

continue to grow, because consumers see them as a healthy snack choice. "Demand for hot foods continues to grow, so more spicy pretzels will be seen on shelves. Gluten-free options will continue to grow, and pretzels for Paleo/keto diets offer an opportunity. Buttery pretzels, both hard and soft, may be an unexpected contender for growth among niche products."

Targan suggests that lingering effects of the COVID-19 pandemic will affect the way snacks

like pretzels are consumed. As consumers continue to adjust to new health and safety best practices, the on-the-go trend featuring single-serve packages that was already burgeoning pre-COVID will see an even greater uptick.

John Eshelman, director of pretzel and snack machinery sales, Reading Bakery Systems, Robesonia, PA, predicts that more sourdough pretzel products will be produced in traditional and non-traditional shapes. He also anticipates new marketing angles touting the marriage of craft beer and pretzels, with additional ingredients, such as malted barley and hops, added to formulas.

The ability of pretzel producers to handle a variety of ingredients in their baking systems, specifically whole-grain ingredients, will go a long way toward providing more-nutritious

snacks and cleaner labels, suggests Jeremy Bunch, director of research and development, logistics, Shepherd's Grain, Reardan, WA. "For example, salt is sprinkled on pretzels, but can they also sprinkle on healthy ingredients such as whole flax seed or whole millet seed? An additional challenge is sourcing ingredients from sustainable farmers who have implemented regenerative agricultural practices. The supply chains for these sustainable ingredients are difficult to manage on a large scale."

As more commoditized pretzel types continue to trend toward retailers' store brand lines, pretzel producers will need catalyze growth through innovations centered on high product quality, suggests Spannuth. "Whether process or ingredient type, quality will matter for branded products to succeed." **SF&WB**

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