




the
state
of the

specialty food industry

 2024-2025 edition

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The Specialty Food Industry at a Glance

Specialty food sales across retail, foodservice, and ecommerce grew 6.5 percent to a whopping \$206.8 billion in 2023, show the findings of SFA's State of the Specialty Food Industry research.

Part of the record-high sales can be attributed to food price inflation. While dollar sales in retail grocery (including grocery tracked sales, PLU, and Whole Foods/Trader Joe's) rose 5.4 percent, unit sales in the channel fell 1.9 percent, marking the second consecutive annual decline in unit sales in the channel. Specialty foods got a lift, however, in the foodservice channel with sales in the specialty segment climbing 11.3 percent.

Delivery and ecommerce also continue to be a highly competitive part of the industry. Although consumers traded down from delivery to less expensive click-and-collect, specialty ecommerce reached 8.2 percent share of total sales, up from 6.5 percent in 2020. Ecommerce sales in 2023 were up 6.6 percent compared to 15.2 percent the prior year.

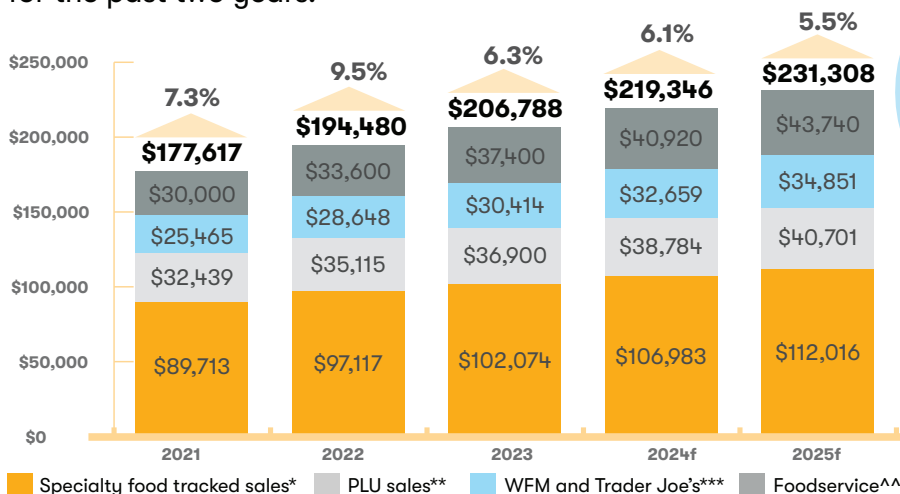
The Size of the Specialty Food Market

In addition to measuring the specialty retail sales market, the research includes estimated sales for other key segments including specialty foodservice; specialty perishables (random weight, non-UPC'd items sold in a supermarket's bakery, cheese, deli, meat, and seafood sections, but excluding fresh produce and private labels); and specialty ecommerce (both items sold through brick-and-mortar retailers for delivery or pick-up and "pure-play" e-tailers like Amazon, Thrive Market, and Hive Brands).

Total growth in specialty has been steady from the pandemic years through to today, despite fluctuations in the foodservice market. Foodservice has now recovered and led the total market for the past two years.

The report forecasts that the much smaller foodservice trade will lead specialty sales at the expense of grocery retail over the next two years. Specialty perishables have lost a small amount of market share since 2021 and are expected to perform near the overall market in 2024 and 2025.

The report's estimates for Whole Foods and Trader Joe's shows this group bottomed in 2021 and has gained share in the industry since then. Trader Joe's has been steadily performing at or above the industry the whole time, while Whole Foods has pulled out of a multi-year slump. Expect this duo to gain a modest amount of share in 2024 and 2025.



Specialty Food and Beverage Sales

Across All Key Segments

2021-2025 (Millions)

*Includes Conventional and Natural and Specialty stores, while including an estimate for other smaller specialty retailers not part of the SPINS retail sample. Also includes an estimate for ecommerce sales through these outlets.

**Includes random weight, non-UPC'd specialty items sold in a supermarket's bakery, cheese, deli, meat, and seafood sections (but excludes fresh produce and any private labels).

***Sales estimates from WFM and Trader Joe's (including all food and beverages and private label, but excluding perishables and non-food) estimated by the SFA.

^^Foodservice channel estimated by the SFA
Source: SPINS/SFA

The Size of the Specialty Food Market at Retail

In 2023, tracked sales of specialty retail (brick-and-mortar stores) rose to another record high of \$102.1 billion. Growth in the last two years has largely been driven by conventional retailers and grocers.

However, folding in our estimates for natural powerhouses Whole Foods and Trader Joe's presents a more complete picture.

The **Conventional** channel includes conventional grocery, drug, mass merchandisers, club, dollar, and military outlets.

With \$87.3 billion in specialty sales in 2023, and 15% growth during 2021-2023, the sprawling channel accounted for

67%

of all specialty retail sales.



The **Natural/Specialty** channel includes grocery stores, co-ops, independents, and large regional chains.

Often these retailers derive

40%

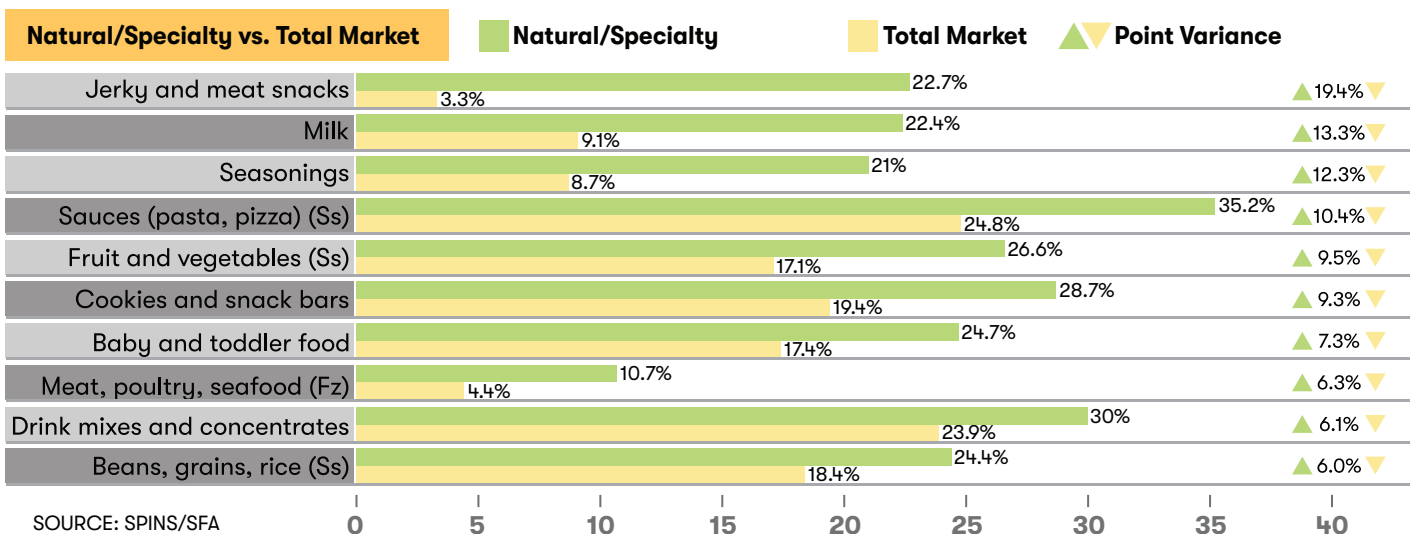
or more of their total sales from specialty products.

Natural & Specialty retailers have struggled to grow sales since 2020, growing about half as fast as conventional.

These stores generated \$13.4 billion and accounted for **13%** of sales in 2023.

Now, add in combined natural/specialty sales for Whole Foods and Trader Joe's of **\$30.4 billion**, and shares becomes **33%**, holding steady since 2021, vs. conventional's **67%**.

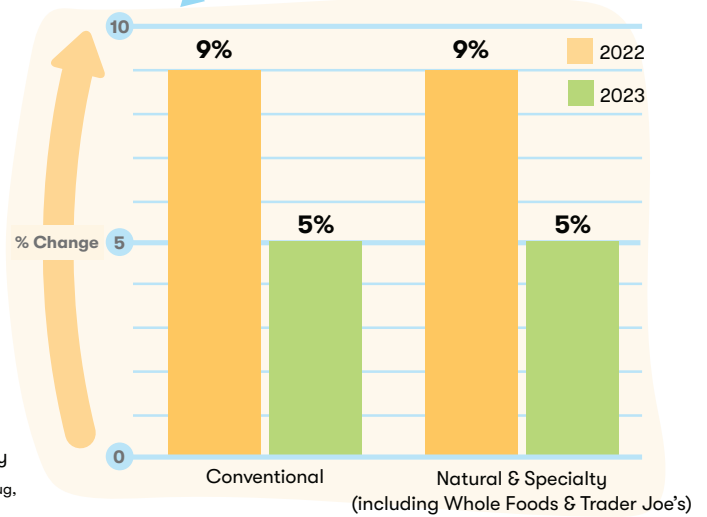
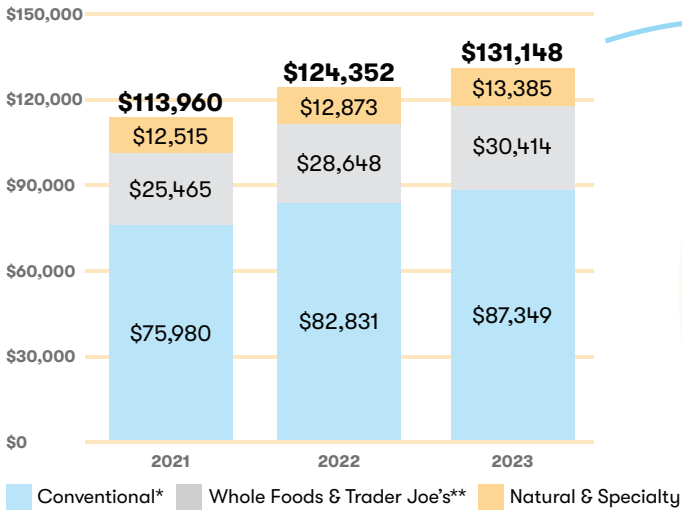
In 2022, out of 63 food and beverage categories, there were just three categories in which the natural/specialty products performed better than total products in those categories. In 2023, there are 26 positive comparisons, the top 10 of which are shown. Prior to the pandemic, natural/specialty always had a significant majority of positive cases, so these categories' performances may indicate a return to normal.



Specialty Food and Beverage



Retail Channel (Millions)



* Conventional is representative of the following channels: Total U.S. Grocery, Mass, Total U.S. Drug, Total Walmart, Dollar, Military, and Club
 ** Whole Foods & Trader Joe's

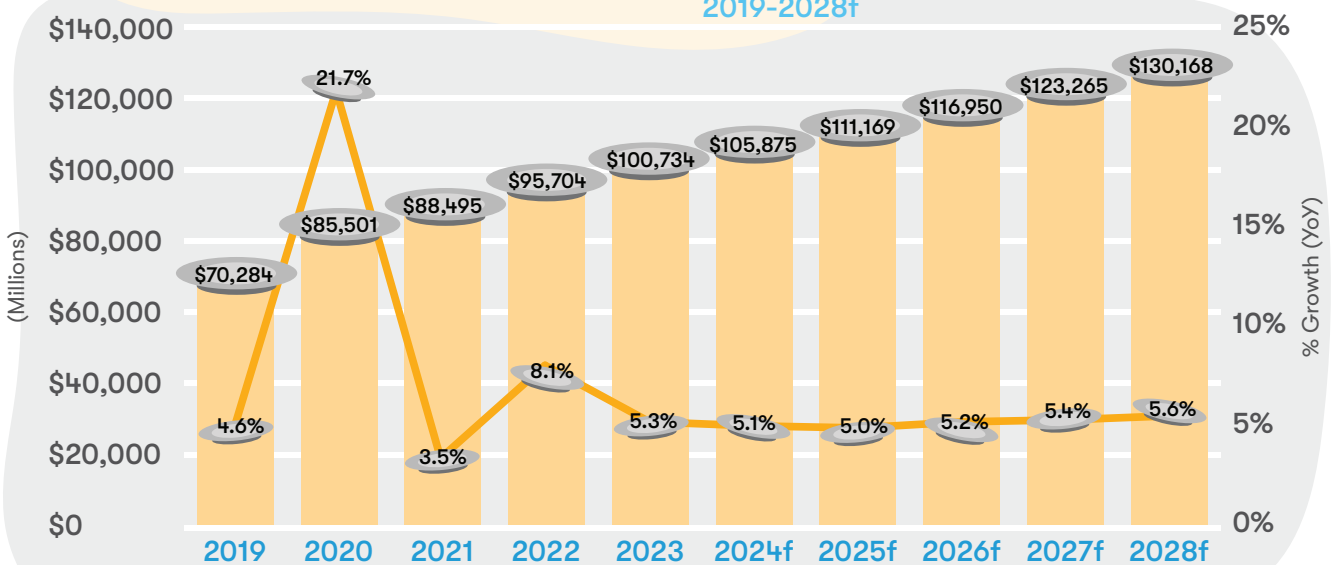
Barring another pandemic-like event, we expect the market to move back toward profitability and more predictable growth. As a result, future bumps in the road, even a possible recession, will not be as disruptive as if they had happened prior to 2020.

Expect grocery retail sales growth to be around 5 to 5.6 percent annually, and total market sales growth at 5.7 to 6.3 percent. The highest growth should come from Whole Foods, Trader Joe's, and foodservice. Grocery retail sales will outpace total grocery by one to two percentage points annually from 2024-2028, even while trailing Whole Foods, Trader Joe's, and foodservice by about half a percent annually.

Retail Sales of Specialty Food and Beverages with Forecast 2019-2028f



● Total specialty market sales
 ● Total specialty market growth (YoY)



Does not include retailers' private label sales, specialty food perishables (PLU or random-weight specialty items sold in a supermarket's bakery, cheese, deli, meat, and seafood sections); sales through WFM or Trader Joe's; pure-play ecommerce (DTC); or foodservice channels.
 SOURCE: SPINS/SFA

What Is Selling Now - Dollar Sales

The Top 10 food categories, ranked by 2023 dollar sales, make up nearly half of all specialty sales.

Judging by the biggest performers, Americans are driven by snacks and treats. The two halves of treats are snacks and indulgences, and at least half of the top 10 fit into one or both of those definitions: Chips, pretzels, snacks; Cheese and plant-based cheese; the snacks portion of Entrées, snacks & sides; Chocolate and other confectionery; and Ice cream & novelties.

The other leaders are household staples, including Bread and baked goods; Coffee and hot cocoa (non-RTD); Meat, poultry, seafood (refrigerated); and water.

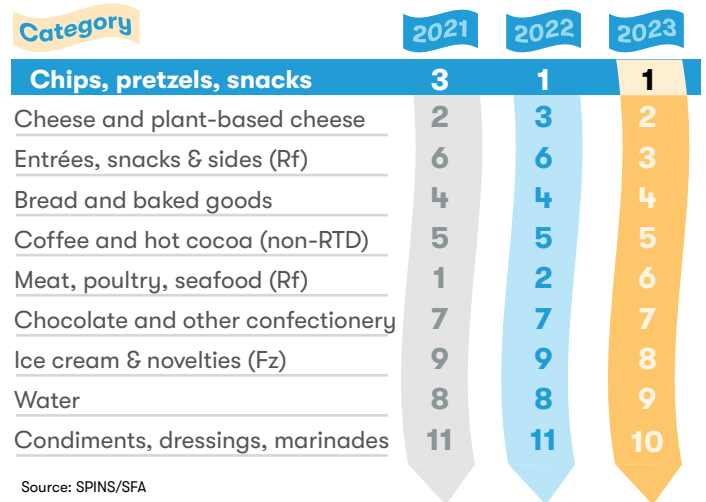
Notable movement came from the two refrigerated categories on the list. These were the results of category realignments that Circana/SPINS executed. Meat, poultry, seafood (Rf, Fz) was split into two parts and the frozen version is #23 on the top categories list. Similarly, Entrées, snacks & sides (Rf) gained refrigerated snack cups, dips, a few meat items, pizza, and pasta, causing it to jump from #6 to #3.

When it comes to the 10 fastest-growing sizeable subcategories for 2023, which includes items whose sales exceeded \$500 million annually, shelf stable flour leads the list. Many items in the ingredient group which includes cooking-at-home essentials had a strong 2022 and 2023, even without the quarantine-driven home cooking surge. In addition, flours had strong unit growth (not shown).

All the subcategories in the Chips, pretzels & snacks category are expanding with the largest, Tortilla & corn chips, leading all the rest in both 2023 and 2021-2023, to the point that total sales are now higher than dairy. Tortilla chips had strong unit growth, popcorn slight unit growth, with chips and pretzels having small declines.

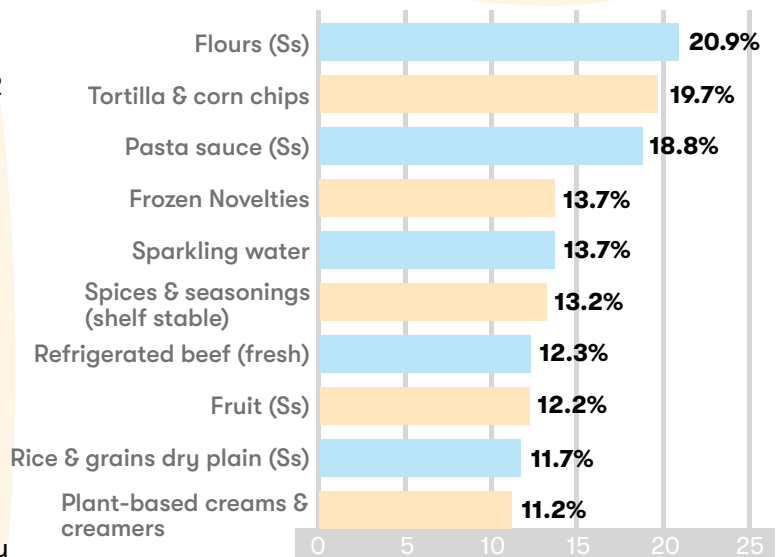
Plant-based cream & creamers is by far the strongest plant-based subcategory in specialty food. The plant-based version performed stronger than dairy in 2021-2023, to the point that total sales are now higher than dairy.

Top 10 Specialty Food Categories by 2023 Dollar Sales



Source: SPINS/SFA

Top 10 Fastest Growing Sizable Subcategories* in 2023



*This list includes only the top 10 fastest-growing subcategories with at least \$500 million in sales in 2023. Does not include retailers' private label sales, specialty food perishables (PLU or random-weight specialty items sold in a supermarket's bakery, cheese, deli, meat, and seafood sections) or sales through online or foodservice channels.

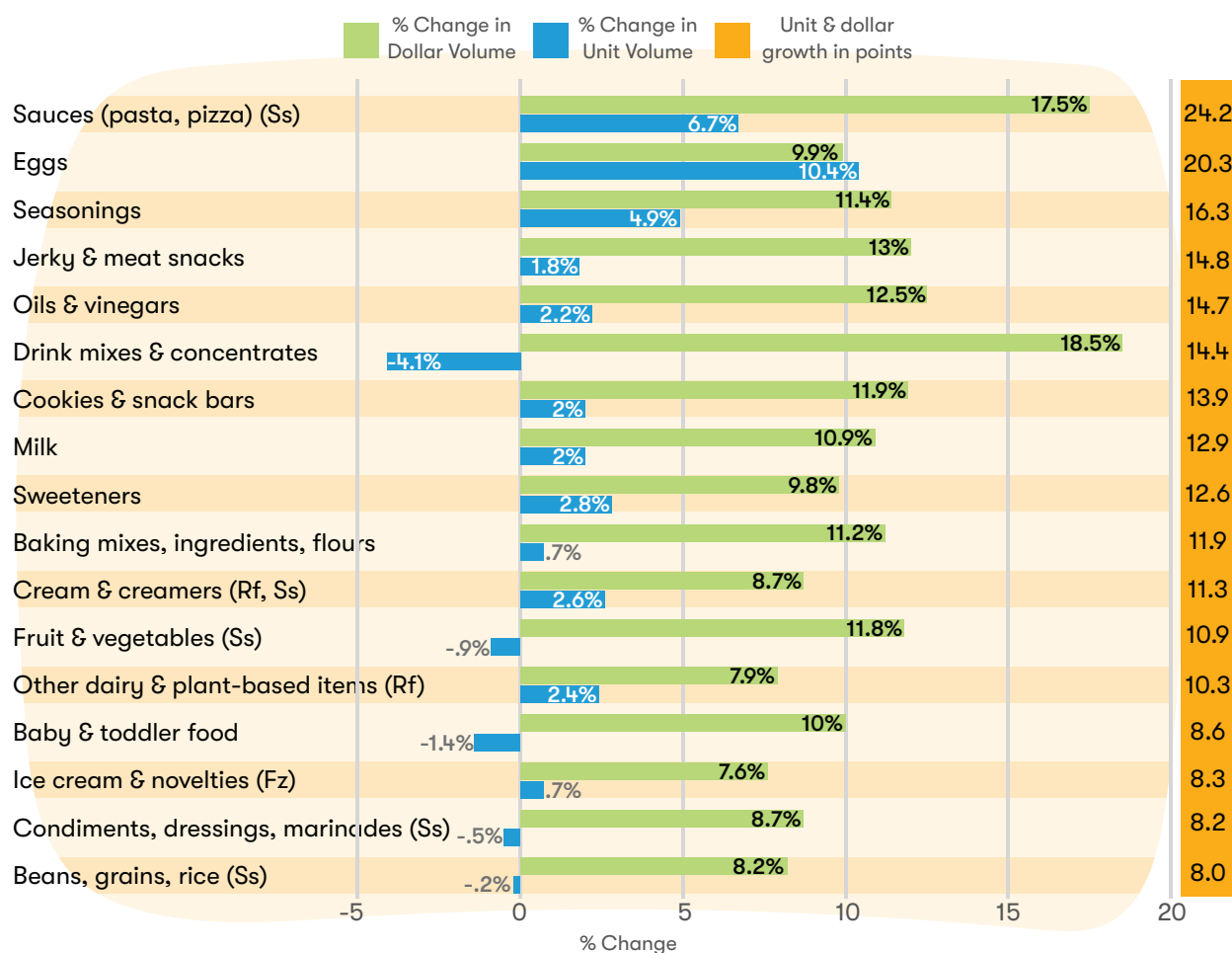
What is Selling Now - Unit and Dollar Sales Combined

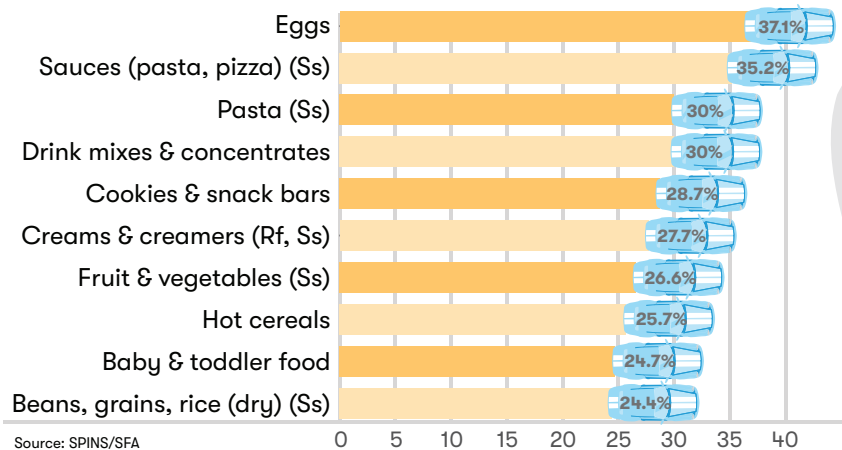
Inflation has caused changes in consumer purchasing including trade-down and trade-out behavior. Yet, 17 specialty categories fared very well on a combined basis of dollars and units. Eggs had by far the biggest rebound year, with nearly equal 10 percent growth in sales and units. This follows the disastrous 2022, in which sales rose 23 percent but units fell 22 percent. A full year of issues due to bird flu have worked their way through the market, though egg facility closures in 2023 from the largest producer, Tyson, and the recent outbreak suggest that there could be more turbulence ahead.

A basket of cooking-at-home staples stands out. These are pasta sauces, seasonings, oil & vinegar, baking mixes, other dairy and plant-based items, and beans/grains/rice. In a year when total volume was down 1.9 percent, it is impressive that the first four on this list had sales above 10 percent and positive volume growth. We do not expect such strong outperformance to continue—more likely that growth will be well below 10 percent and units will trend toward the average forecast at 1.4 percent in 2024.

Jerky and meat snacks has ridden the protein wave better than almost any category, with explosive growth from 2013 to 2017, and only one bad year since then (2020). It is still a small category (\$491 million in 2023) but performed very well the last three years, given that the protein comes with a relatively high cost per ounce. Flavor, format, and packaging development, as well as being the epitome of convenience, has served this category well.

Leading Specialty Food & Beverage Categories by Combined Unit & Dollar Growth





Top 10 Fastest-Growing Categories 2021-2023

The top fastest-growing categories since 2021 tie into the themes of cooking-at-home and shelf-stability

Source: SPINS/SFA

What is Selling Now Specialty Food Segment Highlights

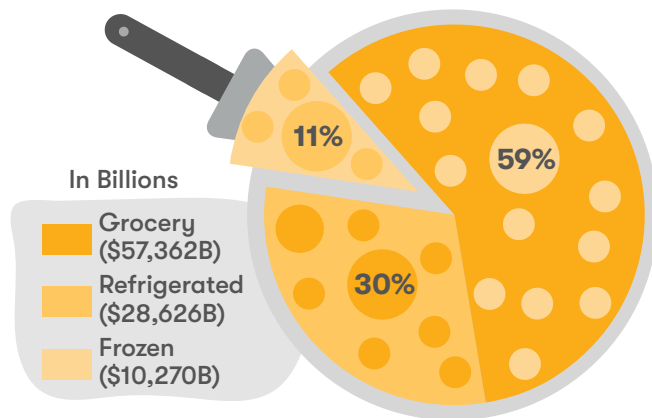
Center Store, Refrigerated, and Frozen

The specialty food market is composed of 63 food and beverage categories across the three primary “departments”: Center-store grocery, the largest of the three with 59 percent of all sales; refrigerated with 30 percent share of the retail market; and frozen with 11 percent of sales.

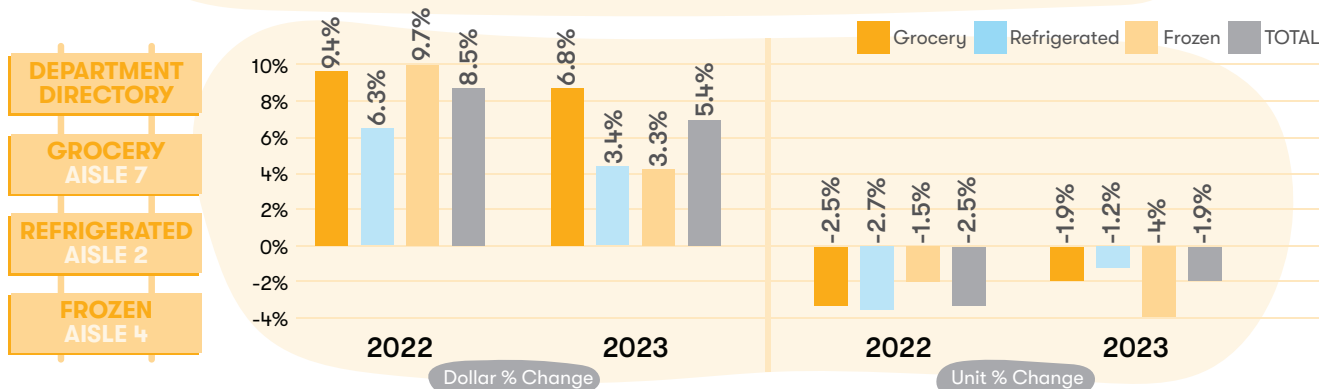
Starting in 2022 and continuing through 2023, big categories that are shelf stable indulgences and staples outperformed the other departments. These include chips, bread, chocolate, cookies, beans, pasta sauce, and soup.

Refrigerated categories that stayed strong were limited to “other dairy and plant-based items,” creams & creamers, and RTD tea & coffee. However, refrigerated meat, salsas, plant-based milk, and entrées, snacks & sides all produced less growth.

Frozen departments were led by ice cream & novelties, but former fast-growers frozen entrées & pizza, meat, and appetizers fell behind the growth curve.



Sales (Dollar vs. Unit) of Specialty Food and Beverage By Retail Departments



Does not include retailers' private label sales, specialty food perishables (PLU or random-weight specialty items sold in a supermarket's bakery, cheese, deli, meat, and seafood sections), or sales through online or foodservice channels.

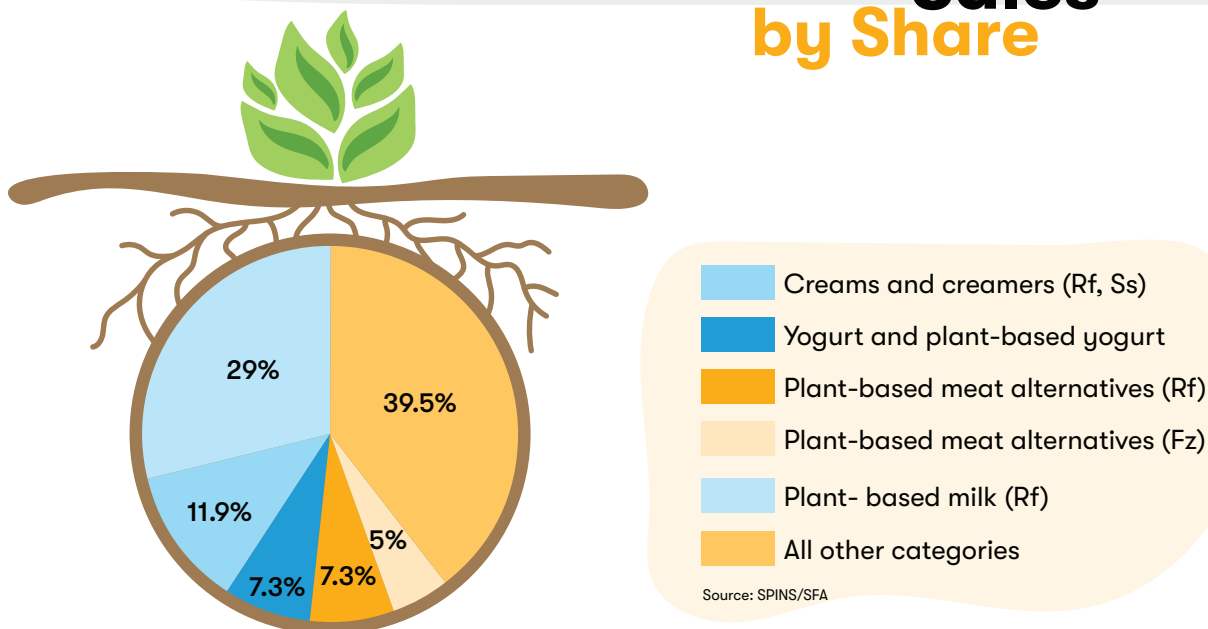
Plant-Based

Plant-based milk (Rf), the leading plant-based category by far, dropped from 37 percent share in 2022 to 29 percent share in 2023. This doesn't indicate a move away from plant-based, given that dairy milk sales also fell in 2023 (-2.7 percent). Plant-based Cream and creamers (Rf, Ss) took some of that share by rising from 10 percent to 12 percent, making it easily the best-performing top 10 category. Plant-based Cream and creamers also outsold dairy creamers by a slight margin.

Other plant-based shares didn't change a lot, except "All other" rose from 34 percent to almost 40 percent. This includes Wellness bars and gels, Juices (Rf), Other dairy and plant-based items (Rf), which were rising, as well as Entrées & pizza (Fz), and Ice cream & novelties (Fz), which declined in sales.

Sales of plant-based meat alternatives (Rf) continued to drop since the high in 2020, with sales falling from \$528 million to \$277 million in three years. Beyond Meat announced a major reformulation to bolster its nutritional credentials, with 60 percent less saturated fat, 20 percent less sodium, more protein, and new plant-based ingredients red lentil and faba bean protein. This might entice some plant-based eaters, but otherwise some of the small, new brands mentioned above will need to gain traction to launch the category higher.

Specialty Plant-Based Sales by Share



About the Research

Specialty Food Association's State of the Specialty Food Industry report encompasses the three most recent calendar years of sales data from SPINS and includes figures for 63 specialty food categories, pulled from the SPINS database of conventional and natural/specialty food stores. The report also estimates online specialty food sales. Market researcher David Lockwood worked with SFA to analyze the data and forecast the 35 specialty food categories through 2028. Video interviews with members of the supply chain, including retailers, foodservice operators, specialty food makers, brokers, and distributors complete the report.

The full State of the Specialty Food Industry + 10 Year Category Tracking Forecasts may be accessed by SFA members for free or purchased by non-members at learning.specialtyfood.com.