

SAUCES, DIPS AND CONDIMENTS IN SPAIN - ANALYSIS

Country Report | Nov 2022

KEY DATA FINDINGS

- Retail value sales rise by 13% in current terms in 2022 to EUR2.1 billion
- Dips is the best performing category in 2022, with retail value sales rising by 17% in current terms to EUR34 million
- Mercadona SA is the leading player in 2022, with a retail value share of 15%
- Retail sales are set to rise at a current value CAGR of 3% (2022 constant value CAGR of 1%) over the forecast period to EUR2.5 billion

2022 DEVELOPMENTS

Rising prices drive growth in retail constant value sales

Having surged in 2020 due to pandemic restrictions, retail volume sales of sauces, dips and condiments suffered something of a hangover in 2021 but demand remained well above its pre-pandemic level. Retail volume sales returned to growth in 2022—but only marginally. There was much stronger growth in retail constant value sales (2022 prices) due to growth in unit pricing. However, sauces, dips and condiments were less affected by inflation than many other types of packaged food in 2022.

Cooking ingredients and condiments (mainly tomato pastes and purées and herbs and spices), sauces (especially mayonnaise, recipe sauces and pasta sauces) and pickled products account for the bulk of sales in sauces, dips and condiments.

Spaniards still cook a lot at home, especially traditional rice dishes like paella, stews and soups, and bouillon, tomato pastes and purées and pasta sauces are often used to prepare these. Increased home cooking is being supported by the fact that working from home has remained a strong trend for office workers, even as COVID-19 restrictions have eased. As they are no longer commuting (or at least commuting less frequently than before the pandemic), they have more time to prepare meals.

Popular for social occasions, dips like hummus and guacamole continue to perform well

Dips remains a relatively small category in sauces, dressings and condiments, but it is one of the best performing. These products are often consumed on social occasions with friends and family. Nonetheless, the rate of growth in retail constant value sales slowed significantly during 2022, as inflationary pressure led local consumers to focus more on essential products in their grocery shopping.

In spite of this slowdown, dips like guacamole and hummus continue to grow in popularity. These are often consumed with crudité (raw vegetables, such as carrot, cucumber or red bell pepper), crisps or cereal sticks, alongside more traditional pickled products like olives.

Private labels are a strong presence in dips, with Mercadona SA and Centros Comerciales Carrefour SA among the leading players, accounting for just over a fifth of retail value sales between them. During the latter part of the review period, discounter Aldi launched Natural Tropic organic guacamole under the umbrella of its GutBio organic brand.

New launches in hummus are focusing on new flavours and natural ingredients that align with the product's healthy image. In 2021 La Piara launched its El Huerto de la Piara line, which includes three hummus recipes: the first is traditional (made from chickpeas), the second contains artichokes and black olives, and the third is comprised of aubergine with tahini. All are free of additives, gluten, and lactose, making them suitable for a wide range of consumers with varying dietary requirements. Meanwhile, Bonnysa launched premium brand Guacamole Chef in 2022. During the same year, Benfood Alimentaria, a producer of fresh sauces producer that is best known in foodservice, entered the retail arena with a range of chilled recipe sauces under the Bendita brand. Its offerings include pesto, alfredo, seafood, Bolognese, truffle, carbonara, mushroom, four cheese and meat sauces.

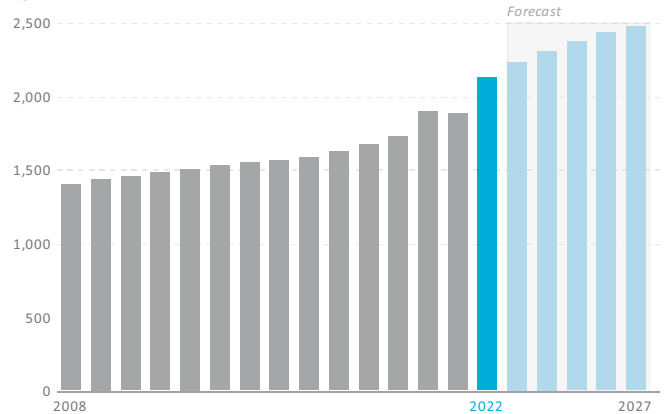
Brands are stronger in sauces, where Grupo Unilever España SA remained the leading player in 2022 with such brands as Hellmann's, Ligeresa and Knorr. Within table sauces, innovation is focused on creating healthier varieties as well as options suitable for those with dietary intolerances. For example, Bolton Cile Spain recently launched Prima Cerocol, a mayonnaise that contains Omega 3. Meanwhile, Choví launched its

Market Sizes

Sales of Sauces, Dips and Condiments

Retail Value RSP - EUR million - Current - 2008-2027

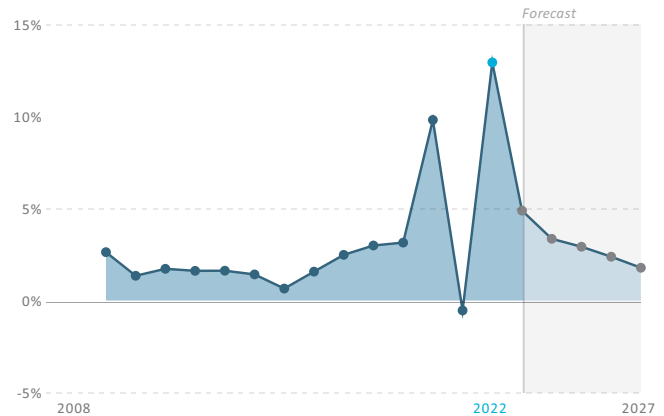
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Sales Performance of Sauces, Dips and Condiments

% Y-O-Y Retail Value RSP Growth 2008-2027

12.9%



Chovi Free range, which includes four products that are free from milk, eggs and fructose.

Despite the often-higher prices of branded products, more consumers appear to be valuing both the origin and manufacturing processes around these brands of sauces, with domestic products witnessing a clear preference. A good example of this is tomato-based cooking sauces (a favourite amongst consumers due to its wide range of uses in Spanish cuisine), where branded lines have a clear advantage over private label. Industrias Alimentarias de Navarra, for example, offers a wide range of these products and has been awarded an important environmental award for its sustainable development and preservation of the environment. Other brands are also innovating within this product type, with many choosing to create premium products. For example, Solís from Nestlé launched an artisanal recipe that contains olive oil, uses sustainably grown tomatoes, and is free from preservatives.

Influence of sustainability on packaging continues to grow

Sustainability is a growing trend in sauces, dressings and condiments, as manufacturers seek to attract younger consumers to their brands. In particular, glass is increasingly favoured over plastic when it comes to packaging. Meanwhile, Carnes y Vegetales has switched its Apis tomato purée to a Tetra Brik plant-based container. It is available in three different formats—200ml, 375ml and 500ml.

In 2022, Kraft Heinz, the leader in ketchup, collaborated with ASAJA (Agrarian Association of Young Farmers) to launch a campaign called “Ketchup but first tomato” to promote sustainable agriculture in Spain. As part of this initiative, it is sponsoring the Heinz Garden, 11 hectares dedicated to the sustainable cultivation of tomatoes, as well as training programs for farmers on sustainability.

PROSPECTS AND OPPORTUNITIES

Demand for more sophisticated sauces will grow

Retail constant value sales of sauces, dressings and condiments will continue to grow during the forecast period as a whole, albeit very weakly, with dips set to remain the top performer. Demand for more sophisticated flavour like truffle and gorgonzola sauces is likely to grow.

Chilled recipe sauces are expected to grow in popularity at the expense of shelf stable offerings, as the former are perceived as healthier and more natural. Private labels are likely to continue to grow in popularity, particularly during the early part of the forecast period, when inflationary pressure is likely to persist.

Products with ingredients that are perceived as healthy will have an advantage

With the health and wellness trend set to outlast the pandemic, products that are organic, free from preservatives or suitable for vegans will continue to gain ground. An ageing population will also play a role in this, with more local consumers seeking to limit their consumption of salt and sugar, for example.

As a result, both brands and private label will launch a wider array of healthier options. Examples include Heinz Zero Ketchup and Mercadona’s private label Hacendado Mayonnaise, which is relatively low in sugar. In 2022, Conca Organics launched 100% plant-based vegan sauces, which are free from such ingredients as honey, eggs, anchovies and milk. The range includes six sauces: Tartar, Caesar, sweet mustard, pesto rosso, mushrooms and Bolognese.

Some consumers will become more adventurous in their tastes

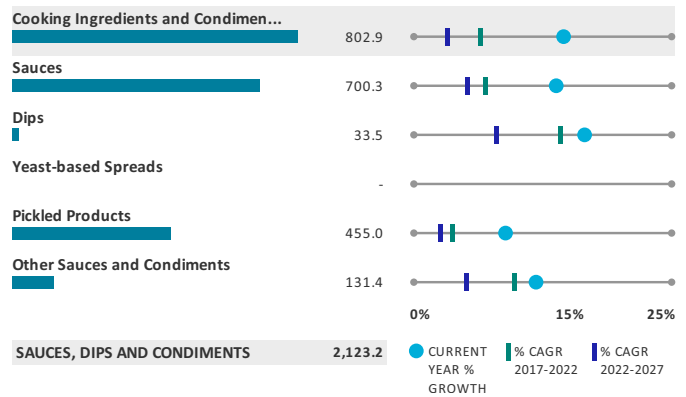
As well as healthier varieties, players are expected to introduce a growing number of exotic sauces, dressings and condiments during the forecast period. A growing interest in international cuisine, particularly from younger consumers, will support this trend. One of the most recent exotic launches was that of Unilever with its Hellmann’s tzatziki - a Greek sauce that contains yoghurt, cucumber, and mint. More varieties with unique tastes are likely to be introduced by the category’s major players.

Sauces, dressings and condiments had already seen innovations in gourmet and artisanal products prior to the pandemic, with companies aiming to provide higher-quality products. This was the case with Grupo Nestlé España with its Solís brand: sales of its fried tomato sauce were boosted due to its higher added value, which the company reinforced by promoting home-style recipes including olive oil, organic tomatoes, and other premium ingredients. Even so, premium innovation will likely be put on standby over the early forecast period, as many consumers have suffered due to inflation, leaving them unable to indulge in purchasing premium products. However, as the economy stabilises, companies will likely return to their normal investment pace in the search for healthier, added-value products that they can retail at higher prices. But during 2023, the focus for manufacturers will likely be basic and low-priced products.

In herbs and spices, more exotic products are set to grow in popularity, as local palates become more adventurous and sophisticated. For example, Just Spice, a producer of 100% natural spice mixes, offers unexpected combinations, sweet spices with no added sugar and a range of fancy toppings for breakfasts dishes like avocado toast, porridge

Sales of Sauces, Dips and Condiments by Category

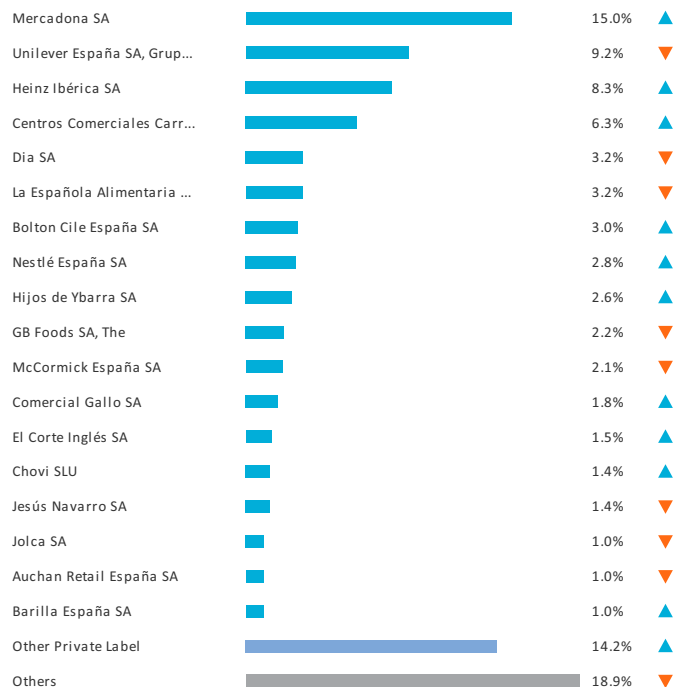
Retail Value RSP - EUR million - Current - 2022 Growth Performance



Competitive Landscape

Company Shares of Sauces, Dips and Condiments

% Share (NBO) - Retail Value RSP - 2022



and scrambled eggs, in addition to DIY kits for chocolate and gin.

In 2022, Delicias Agrucapers launched flavoured pickles to target young consumers. These are positioned as a healthy snack. Offerings include cola-flavoured onions, lemon-flavoured capers, cheese-flavoured onions and ham-flavoured garlic.

Brand Shares of Sauces, Dips and Condiments

% Share (LBN) - Retail Value RSP - 2022

