



North American Frozen Food Market

The U.S. frozen food market is expected to garner USD67.25bn by 2023, registering a CAGR of 4.7% during the forecast period 2018-2023, recent data from MarketsandMarkets has revealed. The research firm notes that the U.S. market for frozen food reached an estimated USD53.47bn in 2018.

North American Frozen Food Market Keen on Health & Convenience

In a similar vein, a report by the American Frozen Food Institute (AFFI) and the Food Marketing Institute (FMI) states that the frozen food category in the U.S. saw +2.6% dollar and +2.3% unit growth in 2018. Frozen food takes a large share for most retailers in the country, bringing nearly USD57bn annually.

THE FROZEN FOOD COMEBACK

In the U.S., good growth prospects are estimated in the frozen food category, as consumer perception of these products is gradually improving. Moreover, rising health concerns have compelled consumers to focus on healthy, low-salt, and gluten-free products, and frozen foods are increasingly seen as the optimum alternative to fresh. Manufacturers are now striving to develop low-salt and gluten-free food products in frozen form, to prolong their shelf life. The convenience of frozen food is a key factor contributing to the rising demand of these items among consumers. Producers are also launching different brands under various categories, to provide a wide variety of frozen food products on the market. Canada has been among the key markets for frozen food products in the recent past. The rapidly growing food

processing industry is the key driver for this market. Improvements in processing and packaging technologies have facilitated the demand for high-quality and innovative food products, such as frozen potatoes, soups, and other convenience food. Canada is one of the major exporters of frozen and preserved fruits and vegetables in the region. According to the research company, the market was valued at USD11.70bn in 2018 and is expected to reach USD15.19bn by 2023, growing at a CAGR of 5.3% for the forecast period (2018-2023).

TRENDS IN THE FROZEN ISLE

According to MarketsandMarkets, the most popular frozen products in North America are the following:

- **Muffins** – The introduction of frozen muffins, both in the baked and unbaked form, has been one of the recent innovations in the industry. Baked muffins are the finished product, ready for consumption once out of the freezer, while the unbaked ones are either available in the form of batter or dough.
- **Cupcakes** – With consumers stressing on ease of baking, some bakery product manufacturing companies have started focusing on ready-to-bake cupcake mixes. Increased concerns about healthy eating have led to the launch of gluten-free

11%

is the anticipated growth rate for the meat patties category in Canada (2017-2023).



cupcakes, that come with no added flavors, artificial colors, or preservatives. There is also a growing trend of producing custom and handcrafted cupcakes in the industry.

- **Frozen Cookies and Biscuits** – Numerous companies are focusing on producing refrigerated cookie doughs. Cookie dough dips are also becoming increasingly popular to be served alongside crackers and wafers. Interestingly, cookies now also come with a crème coating in the form of candy bars, while stuffed cookies are also becoming prevalent among consumers. The demand for healthy bakery items has led to the introduction of gluten-free cookies and products dedicated to the vegan population in the market.
- **Tarts and Puff pastries** - To cater to the convenience aspect of consumers, mini-sized dessert tarts and refrigerated puff pastry doughs are being introduced in this segment.

These preferences are driven by the rise of the snacking trend, as snacks are increasingly becoming part of North Americans meals. They are no longer a mid-morning or mid-afternoon pick-me-up indulgence, but the building blocks of meals. According to data, it appears consumers in the U.S. and Canada tend to favor sweet frozen snacks, although salty snacks are also in vogue. Frozen snacks could help make international flavors more approachable, according to Mintel. For consumers, these products are a low-risk purchase, as they offer a comfortable and familiar format. A large percentage of U.S. consumers eat branded frozen snacks, such as Hot Pockets, pizza rolls, and similar bite-size heat-and-eat snacks, which offer an opportunity to introduce what might otherwise be a niche concept to a mainstream audience. The opportunity is even more pronounced among younger consumers: three-quarters of 18-34 y.o. in the U.S. say they ate some type of frozen snack in the twelve months preceding March 2018. Recent research found that consumers



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67.25

bn USD is the estimated value of the U.S. frozen food market by 2023.

are more comfortable trying new flavors when they are present in foods that are similar to something they have tried before. While today's consumers are exposed to global flavors through travel, restaurants and the internet, when it comes to trying new cuisines, many individuals look for something they already understand, to help ground the experience.

This rising consumer interest in frozen snacks – salty and sweet – is backed up by private label launches, which, according to Mintel, outnumbered branded frozen snacks in 2016 and 2017. Own label snacks are more commonly innovating by blending familiar concepts with new flavors and cuisines. This strategy has paid off with private label frozen snacks recording 19% sales growth between 2017-2018. Furthermore, Mintel reveals that 85% of households with children acknowledge their offspring eat frozen snacks, which

signals the importance of maintaining appeal with the parent demographic. Tradition within the frozen snack category plays a role, as 29% of parents buy their kids the same frozen snacks they ate when they were children. Despite the familiarity of legacy brands, label reading is a clear priority for parents, and snacks that remove red flag ingredients, such as high fructose corn syrup, stand to win customers. Frozen snacks have a strong core audience, especially young men and parents. Yet as snacking becomes a more scattered and competitive category, frozen snacks will have to lean into their core selling points and occasion opportunities to not only maintain loyal consumers, but also hold on to fringe consumers like young women.

CONSUMER PREFERENCES ARE CONSTANTLY CHANGING

The U.S. economy is experiencing an increase in disposable income, which has





pushed up the demand for healthier options. Changing consumer preferences are playing a huge role in the rising demand for frozen food. The ever-dynamic consumer food market is currently leaning towards the consumption of food products that are healthy and convenient. This, in turn, has positively driven the growth in the industry, as the rising demand for healthier and innovative food options is leading to an increase in retail prices for these products. Interestingly, data has shown that, most of the consumers who have a higher willingness to spend, choose to spend on frozen food products. The growth of frozen food consumption is stable at this point in the U.S. market; however, companies are increasingly investing in producing innovative products around frozen foods, mainly healthful and flavorful options,

which is expected to drive sales for such products. The two key categories of frozen food growing at a faster rate are convenience food and fruits and vegetables, which, according to MarketsandMarkets, are poised to grow at a CAGR of 5.1% and 5.3% respectively, between 2018-2023. The best-selling frozen categories in the U.S. are convenience food, ready meals, and meat and seafood products, which are expected to reach USD19m and USD14m respectively, by 2023. According to the Food and Agriculture Organization (FAO), since the mid-1990s, imports, as well as exports, have been largely concentrated in fruits and vegetables. China, Guatemala, and Peru are among the major countries which export frozen vegetables and fruits to the U.S.

Frozen fruits and vegetables are gaining popularity among consumers, owing to the fast-paced lifestyle in the U.S. Consumers are looking for easy-to-prepare and hygienic fruit and vegetable



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25%

of the frozen food market in the U.S. is held by four major food companies.

products which would do away with the conventional problems associated with cleaning and chopping of fresh fruits, which reduces the overall cooking time. In Canada, the demand for snacks and other kinds of convenience foods among the young population is gradually increasing. The price of these products remains a determining factor, but the rising disposable income among the population has allowed these consumers to make the shift towards convenient, time-saving meals, ready-to-cook/eat, and other kinds of mini-meals. According to a report published by the United States Department of Agriculture (USDA) in 2018, the sales of frozen and chilled products were very high.

The data reveals that, meat patties are set to experience a growth rate of 11% (in volume) between 2017-2023. Natural, healthy frozen meat substitutes and frozen processed fruits and vegetables are poised to grow by 6.2% and 6.0% respectively.

The Canadian economy imports a large quantity of frozen potatoes, which find

use in the preparation of French fries, hash browns, and mashed potatoes, which are common, bite food items available in the country. Some of the other food products which are gaining popularity include frozen peas, broccoli, mango pulp, lychee, and cherries, among others. Similarly, the demand for bakery and confectionary products such as frozen dough, pizza crusts, cakes and pastries, pies and tarts, croissants, sponge cakes, muffins, and bagels is also high in the economy. Among all other bakery products, the demand for frozen cakes is higher.

Similarly to the U.S., frozen fruit, vegetables and convenience products represent the fastest growing categories in Canada as well. They are expected to grow at a CAGR of 5.7% and 5.5% during the period of 2016-2022.

MAJOR PLAYERS IN THE U.S. AND CANADIAN MARKETS

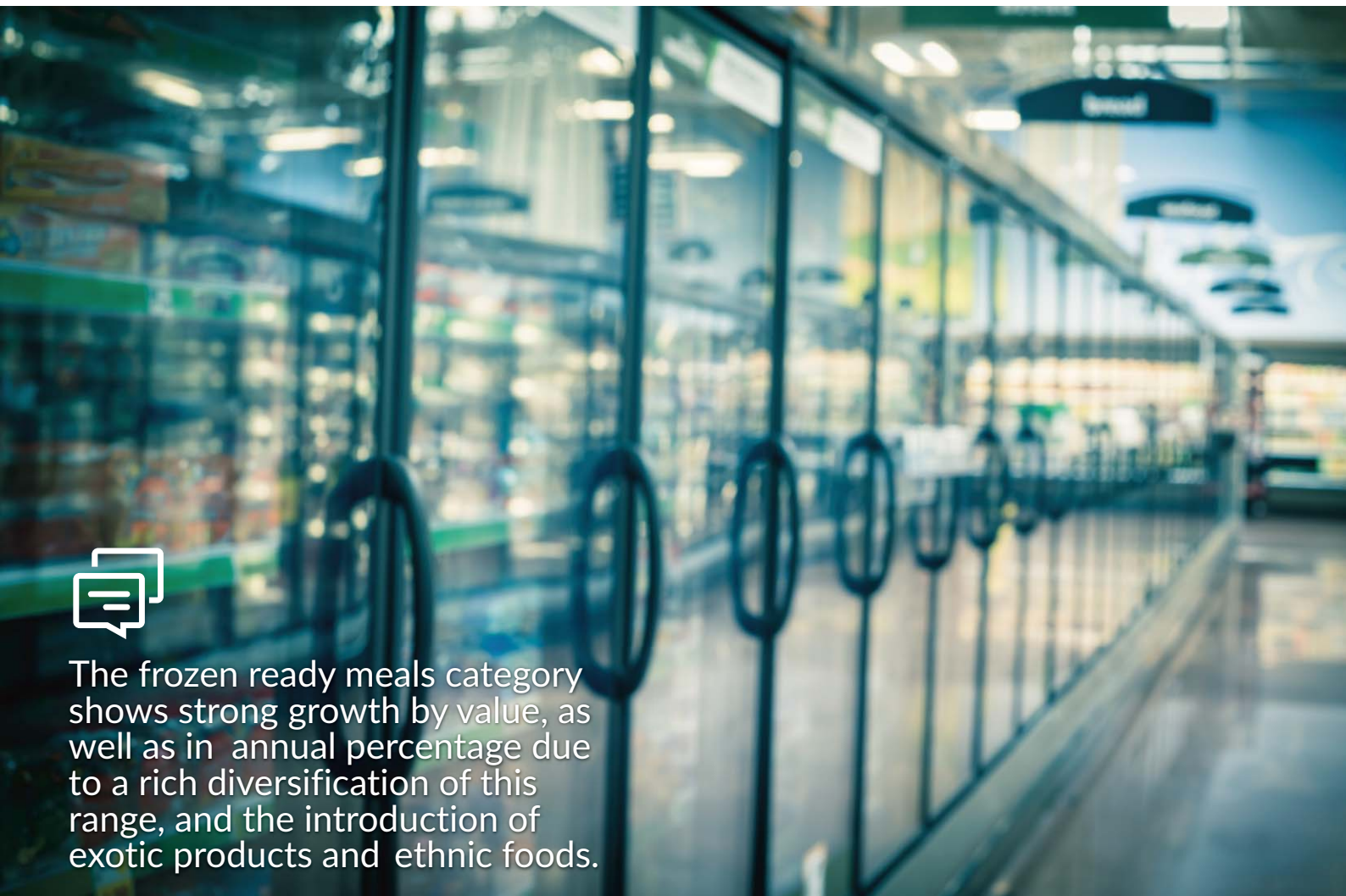
The key companies operating on the U.S. frozen foods market include General Mills (U.S.), Conagra Brands, Inc. (US),

Kellogg Company (U.S.), and Nestlé S.A (Switzerland). According to a report According to a Nestlé report dating from 2017, frozen food (including frozen pizza) makes up 14% of the company's revenue in the U.S.. The major players in the U.S. are offering innovative easy-to-cook frozen fruits and vegetables, which are garnished, spiced, and seasoned to suit the taste requirements of the consumers. These companies adopt strategies such as new product launches and acquisitions to expand their foothold in the frozen food market of the country. Case in point, Nestlé launched Wildspace, a range of healthy frozen meals in reusable and recyclable containers, in November 2018.



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Wildspace meals include six different varieties, such as the gochujang cauliflower with Brussel sprouts, quinoa, chickpeas, pickled onions, riced cauliflower, and cashews. Alternatively, Conagra has recently unveiled a line of frozen single-serve line of Power bowls, with grain-free options. The new convenient meals are packed with nutrient-dense ingredients and come in four flavors including Spicy Beef Teriyaki, Basil Pesto Chicken, Spicy Black Bean and Chicken, and Chicken Marinara. According to a report published by the Swedish Trade and Invest Council in 2018, the market for frozen foods is defined by a few major players and many small-medium sized manufacturers. Approximately 75% of the market revenue is accrued to the smaller and medium-sized companies with relatively smaller product portfolios.



The frozen ready meals category shows strong growth by value, as well as in annual percentage due to a rich diversification of this range, and the introduction of exotic products and ethnic foods.



15.19

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The remaining 25% of the market is held by four major food companies, which offer frozen products. Mergers and acquisitions alongside product launches are the most commonly used strategies, which the companies implement to expand their foothold on the market. Some of the major players in Canada catering to the growing demands of the consumers include McCain Foods, Nature's Touch, and B.C Frozen Foods. These firms have been focusing on both organic and expansion growth attempts to diversify their offerings in the area of frozen foods. For instance, McCain Foods acquired Sérya (Brazil), a food company which is active in the pre-formed potato specialty market, in March 2019. This acquisition would help the company to maintain its leadership on the potatoes and appetizers market. In another instance, Van Geloven (Netherlands), which was acquired by McCain Foods in 2016, took over Swinkels

Snackery & Bakery (Netherlands) to expand McCain's deep-fried cheese snacks and puff-pastry products. Similarly, in order to cater to the growing demand for frozen fruits in North America, Nature's Touch purchased the Abbotsford BC Family in order to enable a wider distribution network and connectivity with the local fruit and vegetable growers.

INNOVATION TO CONTINUE TO INFLUENCE GROWTH

The market for frozen foods in the U.S. and Canada is highly competitive, with many global and local players. The industry is largely driven by innovations, to meet the ever-changing tastes and preferences of consumers. Companies that wish to acquire a larger market share should be able to constantly come up with product innovations, to stay ahead of the curve and sustain their businesses. Some of the competitors are focused on launching seasonal flavors to increase brand loyalty. Considering today's consumers are increasingly becoming health-conscious, the latest innovations need to focus on quality without compromising taste. ●



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