Introduction to the Confectionery Industry

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Resident Course in Confectionery Technology

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National Confectioners Association
Agenda

- Introduction to candy types
- The candy industry
- The NCA goals and services
Introduction to candy types

• Raw materials: Sugar, corn syrup, starch
• Reactions: crystallization,
• Results:
  – Hard candy
  – Jellies & Gummies
  – Chewing gum
  – Tableted candy
  – Aerated confections
  – Nougat
Hard Candy

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Chewing and Bubble Gum
Chewing and Bubble Gum
Chewing and Bubble Gum
Tableting
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Jellies & Gummies
Jellies & Gummies
Jellies & Gummies

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Aerated Confections

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Aerated Confections

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Aerated Confections
Nougat

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Nougat
Nougat
Fondants & Creams
Fondants & Creams
Fondants & Creams
Panning

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Panning
Fudge and Caramel

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Fudge and Caramel
Chocolate and Compound Coatings
Chocolate and Compound Coatings
Long History of Candy Industry

- Van Houten 1828
- Whitman’s 1842
- Wrigley 1891
- Hershey 1894
- Tootsie Roll 1896
- Goelitz 1898
- Nestle 1900
- Brach 1904
- Ferrara Pan 1919
- Mars 1922
- Sather’s 1937
- Palmer 1948
Long History of Candy Products

- 1880: Wunderle - Candy Corn
- 1896: Debut of Tootsie Roll
- 1901: NECCO Wafers
- 1902: NECCO: Conversation Hearts
- 1906: Hershey Kisses
- 1912: Lifesavers
- 1913: Goo Goo Clusters
- 1920: Baby Ruth Bar
- 1921: Chuckles
- 1923: Mounds bar
- 1924: Milky Way Bar
- 1925: Bit O Honey/Milk Duds
- 1928: Reese’s Peanut butter Cups/Heath Bar
- 1929: Snickers
- 1932: Red Hots
- 1933: 3Musketeers Bar
- 1936: 5th Avenue Bar
- 1940: M&M’s Plain
- 1949: Junior Mints/Smarties
- 1954: Marshmallow Peeps
- 1960: Starburst/Lemonheads
- 1976: Jelly Belly
- 1978: Reese’s Pieces (ET-’82)
- 1980: American-made gummy
- 1993: Warheads
2008-2009 USA Economic Trends

- U.S. and world economies in recession
- Stock market declines 30%+
- Retail sales decline in second half of 2008
- Unemployment ends year over 7%
  - Up from 4.6% at year-end 2006
- Housing market bubble burst
- Unstable oil prices
- Year ends with historically low interest rates
- Difficult to borrow – credit crunch
- Consumer spending declines
- Commodity prices higher (cocoa, sugar, corn syrup)
## 2008 Confectionery Sales

Manufacturers $ sales grew 1% in 2008

<table>
<thead>
<tr>
<th>Category</th>
<th>Retail Sales</th>
<th>Manf. Sales</th>
<th>%</th>
<th>Lb. Sales</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>$28.0 Billion</td>
<td>$18.3 billion</td>
<td>+1.0%</td>
<td>6.9 Billion</td>
<td>-4.0%</td>
</tr>
<tr>
<td>Chocolate</td>
<td>$15.9 Billion</td>
<td>$10.3 billion</td>
<td>+2.9%</td>
<td>3.4 Billion</td>
<td>-1.9%</td>
</tr>
<tr>
<td>Non-Choc.</td>
<td>$8.6 Billion</td>
<td>$5.7 billion</td>
<td>+3.8%</td>
<td>2.9 Billion</td>
<td>-7.9%</td>
</tr>
<tr>
<td>Gum</td>
<td>$3.5 Billion</td>
<td>$2.2 billion</td>
<td>+4.1%</td>
<td>0.6 Billion</td>
<td>+0.1%</td>
</tr>
</tbody>
</table>

Total Dollar Share
Chocolate/Non-Chocolate/Gum

- Chocolate Candy: 58%
- Non-Chocolate Candy: 33%
- Gum: 9%

U.S. Department of Commerce Census Bureau 2008 MA 311D Report
International Consumption (2004)

Lbs of Chocolate/Yr

1. Switzerland 22
2. Norway 20
3. Belgium 20
4. Germany 20
5. Ireland 19
10. US 12
International Consumption (2004)

Lbs of Sugar Confectionery/Yr

1. Denmark  20
2. Finland    16
3. Netherlands 14
4. USA       13
5. Ireland  12
6. Germany  11
CONSUMPTION OF CANDY BY AGE GROUP

- Age 18-24: 17%
- Age 25-34: 22%
- Age 35-49: 23%
- Age 50+: 13%
- Age 12-17: 17%
- Age 8-11: 8%

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## 2008 Retail Channel Performance

*Based on 52 Week Sales – January - December 2008*

<table>
<thead>
<tr>
<th>Channel</th>
<th>2008 $ Sales</th>
<th>2008 % Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supermarkets</td>
<td>$4.7</td>
<td>+1.6%</td>
</tr>
<tr>
<td>Wal-Mart</td>
<td>$3.7</td>
<td>-0.1%</td>
</tr>
<tr>
<td>Mass X Wal-Mart</td>
<td>$1.4</td>
<td>+0.1%</td>
</tr>
<tr>
<td>Convenience Stores</td>
<td>$4.4</td>
<td>+4.3%</td>
</tr>
<tr>
<td>Drug Stores</td>
<td>$2.7</td>
<td>+3.7%</td>
</tr>
<tr>
<td>*Warehouse Clubs</td>
<td>$2.3</td>
<td>+3.0%</td>
</tr>
<tr>
<td>*Dollar Stores</td>
<td>$.9</td>
<td>+2.1%</td>
</tr>
<tr>
<td>Vending</td>
<td>$1.1</td>
<td>-1.5%</td>
</tr>
<tr>
<td>*Bulk</td>
<td>$1.4</td>
<td>-0.5%</td>
</tr>
</tbody>
</table>

* Indicates NCA estimate

- The confectionery retail market has grown across all trade channels but convenience stores, club stores, dollar stores and chain drug stores have outpaced the overall retail market.

*Source: NCA estimates based on input from Information Resources, Inc., NCA/CMA Monthly Shipment Reports and U.S. Department of Commerce. Sales Figures in billions*
2008-2009 USA Retail Trends

• Shopping trips declined
• Spending shift to value channels
• Increased coupon usage
• Confectionery seen as a recession proof category
• Organic sales decline
• 2008 Holiday retail sales declined
  • Other than gasoline purchases, retail sales declined 1.5% in December vs 2.4% growth in 2007

Credit crunch and lost investments impacting consumer spending
Trends - What's Hot for 2007/08

- Exotic Fusion Flavorings, Fortification
- High End and Gourmet Candy
  - Consumers want gourmet candy at value price
- Dark Chocolate – sales strong but slower (+12% in ’08 vs. +50% in ’07)
  - High Cocoa Content Chocolates
  - Exotic flavors for Chocolate: citrus, salt, spice
  - Single Origin Chocolates

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Trends - What's Hot for 2008/09

- Sugar Free Candies and Gums (+11%)
- Licorice (+9%)
- Gummy and Chewy Candies (+7%)
- Theater Box Candies
Why are gourmet chocolate sales growing?

1. Good news – antioxidants
2. They’re sexy
3. Commitment at retail

Everyday gourmet chocolate candy grew 28% in 2008!
What is NCA?

National Confectioners Association
Representing the Candy, Chocolate & Gum Industries since 1884

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National Confectioners Association

- Founded in 1884
- Located in Washington, DC area
- Over 600 members (domestic & int’l)
- Manufacturers
- Brokers
- Suppliers
Goals of NCA

• Represent the industry before government organizations
• Communicate balanced information about confectionery products
• Provide leadership and education in sales and marketing, operations and technical information
• Serve as the central source for market data
Questions?
THANK YOU