AIBI Bread Market Report 2012

July 2013

Association Internationale de la Boulangerie Industrielle - AISBL
International Association of Plant Bakers AISBL

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Content:

About AIBI

The International Association of Plant Bakers was founded in Paris in 1956 and has its seat in Brussels since January 2011. At present, 15 national member organisations are affiliated to AIBI including Norway and Russia. Turkey is an associative member of AIBI. AIBI represents 2054 of plant baker companies and more than 421.000 employees.

The markets for bread and pastry products have become more integrated over the years and the AIBI must take this development into account. AIBI holds contacts to key Members of the European Parliament and the European Commission services. The association's presence in Brussels also facilitates the collaboration with other chain partner associations located here.

AIBI’s key task is to represent its members' interests, especially vis-à-vis European and international institutions (EU Commission, European Council and European Parliament).

The AIBI's member information service includes the distribution of internal circulars (Information for members) on key issues for the plant bakery sector and the AIBI "BBB" Brussels Bread Bulletin is a “one-page” information service summarizing key regulatory developments at EU level.

AIBI has delivered positions on Acrylamide, Palm-oil and Food Waste and is seeking to enhance the visibility and communication actions of the plant bakery sector in the future.

Why bread market information is of great relevance for the bakeries industry?

The AIBI market on bread contains information on production and consumption of bread, production structure and market share and working conditions in industrial bakeries. This includes an overview about common market trends and developments. All statistics are collected from AIBI national members associations. The AIBI bread report is addressed to AIBI member organisations and key contact points at the level of the European Institutions and EU value chain partners.

Production and Consumption of Bread 2012

Country (16)	Total production in tons	Total production increase/decrease	Consumption of Bread ~kg/head/year	Consumption increase/decrease
Belgium	620.000	decreasing	58 kg	decreasing
Bulgaria	698.000	-1%	95 kg	-1 %
Cyprus*	53.550	n/a	74 kg	n/a
Denmark	126.102	- 10%	45 kg	stable
Finland	210.000	stable	42 kg	stable
France	3,100.000	stable	57 kg	stable
Germany	6,400.000	stable	56 kg	stable
Greece*	865.000	+4%	68 kg	+2,5%
Italy	3,000.000	-2%	52 kg	+1,3 %
The Netherlands	522.009?	-1%	63,4 kg	-1 %
Norway	203 000	-1%	40,4 kg	-4 %
Russian Federation	6 891.724	-1,8%	57,5 kg	n/a
Slovenia	85.728	+2,7%	42 kg	stable
Spain	1 650.000?	+ 1,2%	35,93 kg	-1,2 %
Turkey	9,200.000	- 2%	120 kg	-2%
United Kingdom	1,439.915	-0,05%	32,29 kg	-2,05%
Total	**35,065.028**		938,52 kg	
Ø	2,191.564		**58,6 kg**	

The Bread production is **relatively stable** in a number of countries (e.g. Finland, France and Germany, Greece, and Italy), but in most countries the bread production is slightly decreasing. The bread consumption pattern differs widely in European countries. The highest consumption level is recorded in Turkey with an average of app. 120 kg per head and the lowest consumption is in UK with app. 32 kg. On average the European consumer eats **58 kg bread/head** based on the statistics from these 16 countries, which can be stated as **stable in 2012** with a tendency of a **slight decrease of bread consumption** in Europe. Most countries with an average consumption of more than 50 kg bread/head can be considered as bread-eating countries, referring to bread as a key staple food.

Conclusion: It is important to analyse the reasons for the decline in consumer preferences for bread in order to reverse this trend by launching successful targeted bread promotions initiatives at national level.

*The data from Cyprus are 2008 statistics

Production Structure and Market Share 2012

Country (16)	Number of industrial bakeries	Number of craft bakeries	Market share of industrial bakeries	Market share of craft bakers
Belgium	60	3.100	52%	48 %
Bulgaria	39	816	**87%**	10%
Cyprus*	217		Not applicable	
Denmark	6	n/a	44%	n/a
Finland	17	640	75%	25%
France	220	30.000	35%	55%
Germany	50	11.000	40%	45%
Greece	22	8.000	3,5%	93,5%
Italy	190	25.000	15%	85 %
The Netherlands	67	2000	78%	16%
Norway	7	400	36%	64%*
Russia	700	11.000	69%	31%
Slovenia	289	190	55%	45%
Spain	40 (frozen dough)	13.000	19 %	47%
Turkey	300	15.000	12 %	88%
United Kingdom	47	n/a	80%	n/a
Total	**2054**	120.363		
Average ǿ	128	7522	**44%**	**37%**

*Retailers own production in Norway

Conclusion: The production structure in Europe is very different.

Bulgaria, the Netherlands and UK show the highest percentage of market share of industrial bakeries and are followed by Finland and Russia. In Turkey the market share of plant bakers is growing. The market share of craft bakers in southern Europe countries (Greece, Turkey and Italy) is very high, but their relative market share also decreasing on average .

Both industrial and craft bakers have lost market shares in Europe (44% industrial/37%craft bakers) to the retailers own production which represents in some countries up to 20% of the market share. This share is expected to increase further.

In total following the data 2012, **2054 plant bakery sites** are recorded in Europe (including Russia).

Working conditions and employees in Plant Bakeries 2012

Country (16)	Basic working time (hours) per week	Average wage of a worker in Euro/hour	Number of employees
Belgium	38	14	3800
Bulgaria	40	2,52	7000
Cyprus*	n/a	7,05	n/a
Denmark	37	35	550
Finland	40	13,50	4000
France	37	12	35000
Germany	42	15,65	35000
Greece	40	n/a	1500
Italy	36	25	n/a
The Netherlands	32	15,37	5000
Norway	37,5	21,20	n/a
Russia	40	2,60	300.000
Slovenia	40	7	3746
Spain	40	9,63	5000
Turkey*	50	2,15	4500
United Kingdom	42	12,44	16.200
Europe average	**39,4**	**12,19**	421.846

*Data from 2010

Conclusion:

The average working time in plant bakeries are **39 hours** per week. The wages of the working hours differs widely in Europe and in average the workers are paid 12,19,-Euro per hour.

Referring to the figures, there are more than **421.000 employees** working in plant bakeries in Europe.

Present Situation and Trends in 2012/2013

Main trends for 2013/2014

Bakery Market developments
- High raw material costs combined volatile prices
- Tendency of low margins and increasing business risks
- High competition between producers
- Continued high retailer price pressure combined with unfair trading practices
- Increasing Bake off/frozen dough products – new selling concepts in retailers

Product innovation and development
- Consumer awareness of healthy lifestyle and clean label
- Food losses discussion – "every crumb counts" initiative by FDE
- Whole grain, fibre, omega-3, cholesterol lowering, salt and fat
- Health claims discussion – value added products

Consumer behaviour/bread consumption
- Decrease of bread consumption
- Paradox of consumers, who want convenience, natural, healthy and indulgent food
- Out of home consumption growing
- Less time on home food preparation
- Bread consumption under pressure due to breakfast alternative and fast food options

Bread – consumers turning to the simple, standard & low-cost items
- But expected shift again towards special/healthy bread
- Bread increasingly eaten as a sandwich
- On-going importance of low-cost standard daily bread
- As well as "artisan" and rustic/old-fashioned recipes
  (Source GIRA 2013)

Viennoiserie & patisserie – a treat and not a need
- Still dominated by croissants and traditional patisseries
- Success of donuts and muffins, mini-bites for take-home or take-away
- Market will be driven by demand for food-on-the-go
- BUT increasing competition from alternative savoury snacks
  (Source GIRA 2013)

Main consumption drivers for bread:
- Natural qualities of bread
- Low price of bread: a staple product
- Search for snack and food-on-the-go
- Looking for meal solutions
- "Free-from" products, clean label, healthier ingredients
  (Source GIRA 2013)

Brakes on consumption growth:
- Effect of the economic downturn on indulgence
- Increasing health concern (for sweet products)
- Return to home-baking
  (Source GIRA 2013)

Some emerging trends:

- Buying "local"
- "Artisan" old-fashioned looking
- Avoiding waste

(Source GIRA 2013)

Reports from the Countries:

Belgium

There is high price competition in retail and high price pressure on the producers. That means that the margins are becoming smaller.

The consumer has strong interest in authentic, natural, convenient and indulgent food. In Belgium the discussion around the nutritional benefits around bread is on-going.

The Bake-off of bread in retailers (ALDI, LIDL and Colruyt) is increasing in order to improve consumer perception of “freshness” in the store. There is increased price competition at retail level, with important price decreases to the consumer and with price pressure on the producers.

Republic of Bulgaria

The situation in the bread sector is difficult due to high prices of energy and flour and the relatively low cost of bread. In 2012 NILANA – one of the biggest bread producers in Bulgaria – bankrupted.

In the largest retail outlets – hypermarkets – bake off of frozen/prebaked products are prepared.

In 2010/2011 the bread prices increased caused by the higher cost for flour. The bread prices kept stable the last 12 months and till the end of June 2012 there no changes in the bread prices occurred.

Denmark

The problem of price pressure and lower margins in Denmark because of high and overcapacities in the European Baking industry and parts of the production went to retailers own production (private label). The focus in the bakeries is on capacity utilisation.

The total bread consumption in Denmark has stabilised after a couple of years with declining consumption and bread price increases. Customers put great pressure on prices with the consequences that private label products increase on the market. The plant bakeries focus on volume and extreme capacity utilisation which results in low prices and low margins. The high and volatile flour prices are not helpful in raising the margin.

Finland

There is a lot of discussion about health aspects of food/bread with discussion on fibre and whole grains. At the same time of the public discussion focused on carbohydrates. In general the bakery sector faces the reality of tough competition with tough price pressure. The increasing costs are very difficult to pass on the consumer.

France

The price variations and market volatility of raw materials pose difficulties in production. The relationship with retailers is not easy as there are big delays in price negotiations. As a consequence the financial situation in companies is very tight and degrading.

The consumer behaviours in bread consumption are changing, with more snacking and less bread eating.

Germany

The frozen bakery market is a strong growth and very dynamic market in the bakery sector.

Market share of deep-frozen bakery wares is growing and retailers widen their own bakery capacities. There are three retailers with own baking capacities (EDEKA, REWE, LIDL). LIDL is planning a new production plant in Germany and EDEKA is now running 2.500 own bakery outlets with different brands.

Greece

It is the 5th year of recession and in total a minus of 25 per cent since 2008. Bread is a defensive industry and industrial bakers have actually increased market share through retailers. The bakery part in hard discounts is expanding. Chain bakeries are increasing and offering an extensive variety of both low priced and premium products. For craft bakers the situation becomes more and more difficult and they are losing market shares.

Smaller and medium sized companies are quite active in bake-off products, as this market was liberalised in 2012/2013 after restrictive legislation since 2007. Bake off is the market segment where the most growth comes from.

Flour and most raw materials cost are rising. Combined with more expensive energy, more sales of lower priced products and increased pressure from retailers, this leads to lower margins.

Through the recession of the economy, consumers have considerably less disposable income. These issues are combined with big increases of the cost of all raw materials (especially flour) and energy, however the industry cannot increase sales prices due to the recession and fear of loss of market share (not due to competition, but consumer behaviour).

The market share of hard discount and private label products is increasing. The market share of chain bakeries, although very small at present, shows signs of increasing activities too.

Italy

The main discussions are going around healthy products and low cost products. The soft industrial bread and crisp industrial bread are going well in the market.

The current economic situation in Italy is not favourable. In Italy the decrease of bread consumption is on-going and a trend to low cost products is recognized. Further trends are healthy bread products, small and flavour products and "German" style bread with seeds and whole grain flour".

The Netherlands

The present economic situation for industrial bakeries is poor. On the one hand the costs for wheat and other ingredients are rising. The same situation can be seen in the labour market. Wages have risen in 2012 with more than 1,29% (CAO) and taxes have risen as well. On the other hand there is a huge competition in the supermarkets. This competition leads to lower prices. And lower turnover for the industrial bakers. Furthermore the supermarket asks for lower costs to the bakers. And bakers are open to that because of "turnover hunger". So this leads to lower margins.

The present market is under pressure of recession and lack of consumer expenditure due to the uncertain situation in total Europe. The main savings by consumers are in "out of home" food consumption.

Due to high and heavy competition between retailers, bread prices have not increased significantly. Due to take-overs in retail market shares of individual bread suppliers have changed substantially. Consumers are more and more confronted with health aspects in food such as salt and fat. Bread is the only sector in the Netherlands that initiated a law on maximum content of salt for craft and industrial bakeries. The Health Grain Project is in execution and is expected to be launched at the end of this year in campaigns directed to consumers.

Industry and craft bakers agreed upon new working conditions to be effected mid this year leading to increase in wages slightly above 1,5 % over the next 12 months.

Russia

The main trend was the increasing of the cost for flour in line with European market trend up to the end of the 2012 (more than 450 Euro per ton and more). Now the costs are decreasing slightly. The economic situation became worse and some bakery plants were closed. There is a strong price pressure of the chain supermarkets and by regional administrations and antitrust bodies too.

Slovenia

The Slovenian bread production is decreasing and at the same time the prices of raw materials are going up. The import of bread and bread products from other countries is increasing.

Spain

The financial and economic crisis is the main issue on-going in 2012. The unemployment rate in Spain was over 26 per cent in the last quarter of 2012.

There are strong implications from significant discounting in the fresh bakery segment. However there are developments of "other retails" outlets for example petrol stations and convenience stores. At the same time the development of premium artisanal boutiques for bakery (granier – le pain quotidien etc.) started. There was a price war on bread with decreases of 20 cent per bread.

Turkey

A lot of actions in Turkey went on: Reduction of salt content in bread, increase in extraction (ash content or yield) of bread flour used in traditional white Turkish bread and promotion of consumption of whole wheat and variety breads.

"Don't waste your bread" was a public communication campaign promoted by the office of prime minister.

Next to traditional bread, more variety bread, whole grain and multigrain breads are becoming more and more popular in Turkey.

United Kingdom:

The trends of freshness, health and dietary issues continue. The business environment stays challenging and will continue like this;

The 3,5 billion pound bakery market in UK forecast to continue to grow to 4,3 billion pound by 2016. Sliced/wrapped bread is 80 % of the market and freshness is the no 1 issue when buying. Further trends are health/lifestyle and dietary issues. The challenging business environment of the last years is likely to continue for some time.

Bread continues to be an exciting area of activity and innovation.

Questionnaire 2012

In total 16 national association /countries participated in this questionnaire in the time period April to June 2013. AIBI thanks all participants for their great support!

The responses came from the 16 national associations: Belgium, Bulgaria, Cyprus, Denmark, Finland, France, Germany, Greece, Italy, The Netherlands, Russia, Slovenia, Spain, Turkey and United Kingdom.

If there are further questions, please contact us at:

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A I B I Q U E S T I O N N A I R E for 2012

The European Bread Market

Year 2012

1. COUNTRY: .... **DATE**: ....

2. PRODUCTION AND CONSUMPTION OF BREAD (Bread= bread and rolls)

2.1. Total production of bread in **tons** (craft sector included):	.....................................tons
2.2. Increase/decrease of the production compared with previous year:	**+** ....% / **-** ....%
2.3. Consumption of bread (kg/head/year):	.... kg
2.4. Increase/decrease of the bread consumption compared with previous year:	**+**.......... %/ **-** ....%

3. PRODUCTION STRUCTURE AND MARKET SHARE

3.1. Number of industrial bakeries (line production):	
3.2. Number of craft bakeries:	
3.3 Number of employees	
3.4. Estimate of market share	Plant bakeries (= supplier of retailers): .... % Chain bakeries (= own production, sales via own shops): ....% Single bakeries (up to 3 outlets):.........%

4. PRESENT SITUATION AND NEW TRENDS

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....

....

5. WORKING CONDITIONS IN INDUSTRIAL BAKERIES

7.1. Average effective working time per week: …......................................hour/week

7.2. Average wage of a craft worker per hour: ....EUR