AIBI Bread Market Report 2011

August 2012

ASSOCIATION INTERNATIONALE DE LA BOULANGERIE INDUSTRIELLE - AISBL
INTERNATIONAL ASSOCIATION OF PLANT BAKERS AISBL

GRAND PLACE 10 – B-1000 BRUXELLES
TEL.: +0032-2-361 1900 • INTERNET: WWW.AIBI.EU • EMAIL: INFO@AIBI.EU

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, 16 national member organisations are affiliated to AIBI including Norway, Russia and Turkey, representing over 2100 of plant bakers.

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.

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.

Production and Consumption of Bread 2011

Country (16)	Total production in tons	Total production increase/decrease	Consumption of Bread ~kg/head/year	Consumption increase/decrease
Belgium	640.000	stable	60 kg	stable
Bulgaria	705.000	-1 %	96 kg	-1 %
Cyprus*	53.550	+4,4 %	74 kg	+ 2,8%
Denmark	140.020	- 5 %	45 kg	stable
Finland	210.000	- 2 %	42 kg	-2 %
France	3,050.000	stable	57 kg	stable
Germany	6,400.000	stable	57 kg	stable
Greece*	800.000	stable	65 kg	stable
Italy	3,000.000	-2%	52 kg	-2 %
The Netherlands	969.293	+0,8 %	58 kg	+0,5%
Norway	204 000	-1 %	42,6 kg	-1 %
Russian Federation	7,000.000	-1 %	56 kg	-1 %
Slovenia	83.466	+2,2 %	42 kg	+7,7 %
Spain	5,683.940	+ 5 %	45 kg	-1,3 %
Turkey	11,500.000	- 2 %	124 kg	-2%
United Kingdom	1,448.310	-0,06%	31,97 kg	-3,35%
Total	41,887.579	-1,7%	949,57 kg	-2,65%
Ø	2,617.974		59,3 kg	

The Bread production is **relatively stable** in a number of countries (e.g. Belgium, Bulgaria, Greece, and Italy), but in most countries the bread production is decreasing.

The bread consumption pattern differs widely in European countries. The highest consumption level is recorded in Turkey with an average of app. 124 kg per head and the lowest consumption is in UK with app. 32 kg. On average the European consumer eats **app. 59 kg bread/head** based on the statistics from these 16 countries. It can be stated that there is an **overall decrease of bread consumption** in Europe of app. 2,7 %. 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 in finding solutions in launching successful targeted bread promotions initiatives at national level.

*The data from Cyprus are 2008 statistics and from Greece 2010 statistics

Production Structure and Market Share 2011

Country (16)	Number of industrial bakeries	Number of craft bakeries	Market share of industrial bakeries	Market share of craft bakers
Belgium	60	3.400	52%	48 %
Bulgaria	40	820	**87%**	13%
Cyprus*		217	Not applicable	
Denmark	7	n/a	45%	n/a
Finland	15-20	640	75%	25%
France	220	30.000	35%	65%
Germany	45	11.200	40%	60%
Greece*	5-15	8.000	3,5%	96,5%
Italy	180-200	25.000	15%	85 %
The Netherlands	75	1400	81%	19%
Norway	7	400	64%	34%
Russian Federation	769	11.000	70%	30
Slovenia	285	190	55%	45%
Spain	45 (frozen dough)	13.000	40 %	60%
Turkey	300	30.000	14 %	86%
United Kingdom	47	n/a	80%	n/a
Total	**2135**	135.267		
Average ǿ	133	8485	50%	50%

*Data out of 2008/2010

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 Russia and Finland. In Turkey the market share of plant bakers is growing. The number of craft bakers is in some countries, mostly in southern Europe countries (France, Italy and Turkey) is very high, but there numbers are also decreasing.

Industrial and craft bakers have an even market share of 50 % in Europe (16 countries).

In total following the data 2011, **2100 plant bakery sites are recorded in Europe (including Russia)**.

Wheat flour prices 2011

Country (14)	Wheat flour price Euro/ton	Prices changes	Outlook	
Belgium	305	-15 %	volatile	
Bulgaria	340	3%	stable	
Denmark	185	19%	stable	
France	390	stable	increase	
Germany	300	+50%	stable	
Greece	300	+50%	stable	
Italy	340	increase	increase	-
The Netherlands	210	-5%	stable/increase	
Norway	650	7%	increase	
Russian Federation	230	-10%	stable	
Slovenia	300	25%	increase	
Spain	300	22,4%	stable	-
Turkey	383	+ 1 %	stable	
United Kingdom	300-469 (384)	0	stable	
Average price	**330**		Most estimate price will increase	

Conclusion:

The average wheat flour price in Europe (14 countries) has substantially increased since 2010. The average cost of one ton of wheat flour in 2011 was around **330 Euro**.

It is difficult to pass on the increased raw material prices to the retailers/consumers. Current production forecasts by DG AGRI and IGC indicate that global cereal prices will remain high in the new marketing year and beyond. See further information at:

- International Grains Council: www.IGC.int
- EU Joint Research center : http://mars.jrc.ec.europa.eu/
- Latest Bulletins and publications: http://mars.jrc.ec.europa.eu/mars/Bulletins-Publications

Average Consumer Price of Bread 2011

Country (15)	White basic bread (non-sliced) Premium	White basic bread discount	prepacked bread Premium	prepacked bread discount
Belgium	2,43	1,87	2,31	0,87
Bulgaria	**0,68**	0,60	0,73	0,64
Denmark	n/a	n/a	2,81	2,20
Finland	**3,50-6,50**	2,00 -3,00	3,00-6,00	2,00-3,00
France	1,20	0,60	4,60	1,86
Germany	3,50	2,00	2,65	1,80
Greece*	0,90	0,60	3,80-4,70	2,20-2,40
Italy	2,00-4,00	1,00	2,50	1,20
The Netherlands	2,10	0,98	2,85	1,59
Norway	2,60	1,00	3,40	n/a
Russian Federation	1,05	0,75	1,10	0,78
Slovenia	1,50-2,50	0,80	n/a	0,80
Spain	3,60	1,80	3,69	1,84
Turkey	1,41	0,80	1,87	1,82
United Kingdom	n/a	n/a	1,64	0,57
Average	2,26	1,17	2,77	1,48

*Data from 2010

Conclusion:

The Consumer price of bread varies widely in the European Union, which indicates that the costs of living are still very different in the European countries.

The highest bread prices for white basic bread are in Finland with 6,50 Euro/kg followed by Italy with 4,00 Euro/kg. Bread is relatively cheap in Greece and Bulgaria with under 1,00 Euro/kg. The average price of a white bread is **2,26,- Euro/kg** bread (average of 13 countries) – remaining at a stable in comparison with data of 2010 (2,30,- Euro)

The average price of pre-packed premium bread is **2,77,- Euro/kg bread** (average of14 countries in Europe).

Working Conditions in Plant Bakeries 2011

Country (16)	Basic working time (hours) per week	Average wage of a worker in Euro/hour	
Belgium	38	13,34	
Bulgaria	40	2,55	
Cyprus*	n/a	7,05	
Denmark	37	n/a	
Finland	40	13,50	
France	37	11,80	
Germany	42	15,30	
Greece*	44 (40)	n/a	
Italy	36	25	
The Netherlands	38	13,90	
Norway	37,5	19,80	
Russia	40	2,50	
Slovenia	40	6,50	
Spain	40	9,63	
Turkey*	48	2,24	
United Kingdom	42	12,44	
Europe average	**39,9**	**11,07**	

*Data from 2010

Conclusion:

The average working time in plant bakeries are nearly 40 hours per week. The wages of the working hours differs widely in Europe and in average the workers are paid 11,07,- Euro per hour.

Present Situation and Trends in 2011/2012

What are the main trends?

Market developments

- High raw material costs and price increase – but no margin for plant bakeries
- Continued high retailer price pressure
- Prebake Bake off – new selling concepts in retailers
- Frozen dough

Product innovation and development

- Healthy discussion and lifestyle
- Whole grain, fiber, omega 3, cholesterol lowering, salt and fat
- Health claims discussion – value added products
- Bake off is growing

Consumer behavior/bread consumption

- Decrease of bread consumption
- Consumers want convenience
- Out of home consumption growing
- Less time on home food preparation
- Bread consumption under pressure due to breakfast alternative and fast food options

Reports from the Countries:

Belgium

The selling of basic bread increases due to the economic crisis but at the same time the selling of premium bread and patisserie products decreases. Wages and raw material prices increase including fruits, cream, butter, sugar and eggs.

The Bake-off of bread in retailers (Aldi, Lidl, 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

In 2010/2011 the bread prices increased caused by the higher flour prices. The average price of the flour was 340 Euro/ton 1 April 2011. 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 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 fiber and whole grains. But at the same time a lot of public discussion about carbohydrates.
In general the bakery sector faces the reality of tough competition with tough price pressure is reality. The increasing costs are very difficult to pass on the consumer prices.
In Finland small bakeries have increased their market share.

France

The Wheat flour market is relative stable but most challenges came from shortages and high prices of other raw materials (sugar, eggs, chocolate) especially for pastries makers. There is a negative impact on financial results due to inflation increase and high raw material prices (in particular wheat flour and butter). In this context the strong increase of transport costs due to the oil price inflation.

It is very difficult to transfer those cost increases to the customers, especially in the retail sector. Negotiations with retailers are still very difficult, as they are facing themselves the same difficulties.
The general consumption level is very weak due to the poor economical context.

Greece

Today the market poses many threats. The recession of the economy and consumers have considerably less disposable income. These issues are combined with big increases of the price 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 behavior).

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.

Germany

The issues of organic food and the increasing out of home consumption are important market trends.

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

Italy

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

The Netherlands

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

High competition level and high price pressure on bread from chain supermarkets and regional authorities. The investments are insufficient and the production of bread decreases.

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 crisis is the main issue in 2011/2012. 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.

Turkey

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

United Kingdom:

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 and exciting area of activity and innovation.

Questionnaire 2011

In total 16 national association /countries participated in this questionnaire in the time period April 2012 to June 2012. AIBI thanks all participants for their great support!

The responses from the 16 national associations (Belgium, Bulgaria, Cyprus, Denmark, Finland, France, Germany, Greece, Italy, The Netherlands, Slovenia, Spain, Turkey and United Kingdom) can be found on the AIBI extranet:

http://members.aibi-online.org/aibi-mitgliederservice/aibi-archiv/

You can receive the responses on request in paper version, please contact us at:

Association Internationale de la Boulangerie Industrielle AISBL
International Association of Plant Bakers AISBL
Grand Place 10 – B-1000 Bruxelles
Tel.: +0032-2-361 1900 • Internet: www.aibi.eu • Email: info@aibi.eu

A I B I Q U E S T I O N N A I R E for 2011

The European Bread Market

Year 2011

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. Estimate of market shares	Plant bakeries (= supplier of retailers): .... % Chain bakeries (= own production, sales via own shops): ....% Single bakeries (up to 3 outlets):..........%

4. WHEAT FLOUR PRICES

4.1. Price per ton, 1st September 2011 in EUR: ....EUR/ton

4.2. Price changes, compared with previous year in %: .... %

4.3. Outlook September 2012:

Wheat flour prices: increase ❐ stable ❐ decrease ❐

5. AVERAGE CONSUMER PRICES OF BREAD (PER KG)

	2011 **Premium**	**Discount**
5.1. White basic bread (non-sliced)	EUR	EUR ....
5.2. Prepacked bread	EUR	EUR ....

5.3. Price increase / decrease 31 December 2010 compared with 1 January 2010, in %:

.... %

6. PRESENT SITUATION AND NEW TRENDS

....

....

....

7. 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