

**Bakery ingredients and
intermediates
Chocolate ingredients
Cakes and pastry ingredients
S.Korea**

Market Insight

June 2016

GIRACT

Giract - Introduction

- ❖ Active since 1970 (Gira) and 1989 (Giract) in market research and consultancy
 - ❖ Additives/ingredients for Food & Drink Industry
 - ❖ Fine Chemicals/Pharmaceuticals and Intermediates
 - ❖ Associated Technologies from biotech to packaging, process, medical engineering, waste recycling...
- ❖ Nutrition and Health focus for research, consultancy and strategy planning
- ❖ New focus into developing markets – Asia, Eastern Europe, Latin America, Middle East and Africa



Selected Global Clients



Scope

- **Geographic:** South Korea
- **Ingredients:**
 - Improvers: flour correctors/improvers (which often contain emulsifiers, enzymes, preservatives, etc.). May contain flour
 - Pre-mixes: ready-to-use mixes with part (typically 50–80%) flour addition
 - Mixes: ready-to-use complete mixes
 - Sourdough: ready-to use starters and mixes
 - Margarine: vegetable fats for use baked-goods
 - Enzymes: bakery enzymes such as alpha-amylase, glucose oxidase or lipase
 - Emulsifiers: dough strengtheners and dough softeners
 - Patisserie ingredients – Cake gels, Fine patisserie mixes, Cake mixes, Custard cream mixes, Cake improvers, RTU fillings – cream, RTU fillings – fruit, Flavouring products, Non dairy creams, Egg wash alternatives, Glazes, Icings & fudges, Nut pastes, pralinés & marzipan
 - Chocolate ingredients – RTU fillings choco & nuts, Compound chocolate, Real Belgian chocolate, Real Non-Belgian chocolate, Nuts
- **Demand Sectors**
 - Bread: Volume and flat breads falling under soft and crusty categories
 - Morning and fried goods: Viennoiserie and fried goods

(Both bread and morning/fried goods also to include semi-finished forms)

 - Frozen goods: Frozen dough (2 types – prefermented frozen, unfermented frozen) and baked frozen (2 types – Fully baked frozen, par baked frozen)

Bakery sector – South Korea

S.Korea is interesting because of the keen competitiveness of the bakery companies here which are also expanding globally

Revenue = ~USD 3.4 bio in 2015

Imports some products but largely single ingredients or mixes

CAGR was 3.5% (2010–2015). Forecast to 2020 is ~3.0%

The manufacturer base can be classified as consolidated and vertically integrated in the industrial sector

Frozen penetration @28% of finished product volume is expected to increase to about 35% by 2020



Bakery ingredients market – South Korea

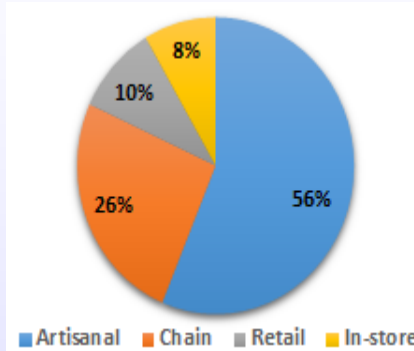
Criteria	Measure
Volume (tons)	##
Forecast Volume to 2020 (tons)	##
CAGR 2015–2020 (%)	2.3
Price range (USD/kg)	1.0 – 100.0 (highly variable)
Competitor base	Consolidated
Key competitors	Novozymes, Kerry, DSM, Lotte, CJ, Ottogi, Samyang, DKSH, Ilshin Wells, Rikenvita, Puratos, CSM, IREKS
Customer base	Fragmented
Key customers	SPC, CJ, Lotte

Key theme - Vertical integration

There are 4 “flour to product” companies. The remaining companies/categories offer plenty of opportunities



Group	Bakery	Number of outlets
Lotte	Bonespe	97
E-mart	Shinsegae SVN	144
Shinsegae	Shinsegae SVN	9
homeplus	Artisee	130
Others		463



Group	Retail mix
Samyang Genex Corp.	Q.One
CJ	Beksul
Daehan	Gompyo
Daesang Corporation	Chung Jung Won
Morinaga & Co Ltd.	Morinaga
Ottogi Co, Ltd.	Ottogi



Import their main ingredients and make their own mixes and dough
Opportunities exist for specialty products which have low volume

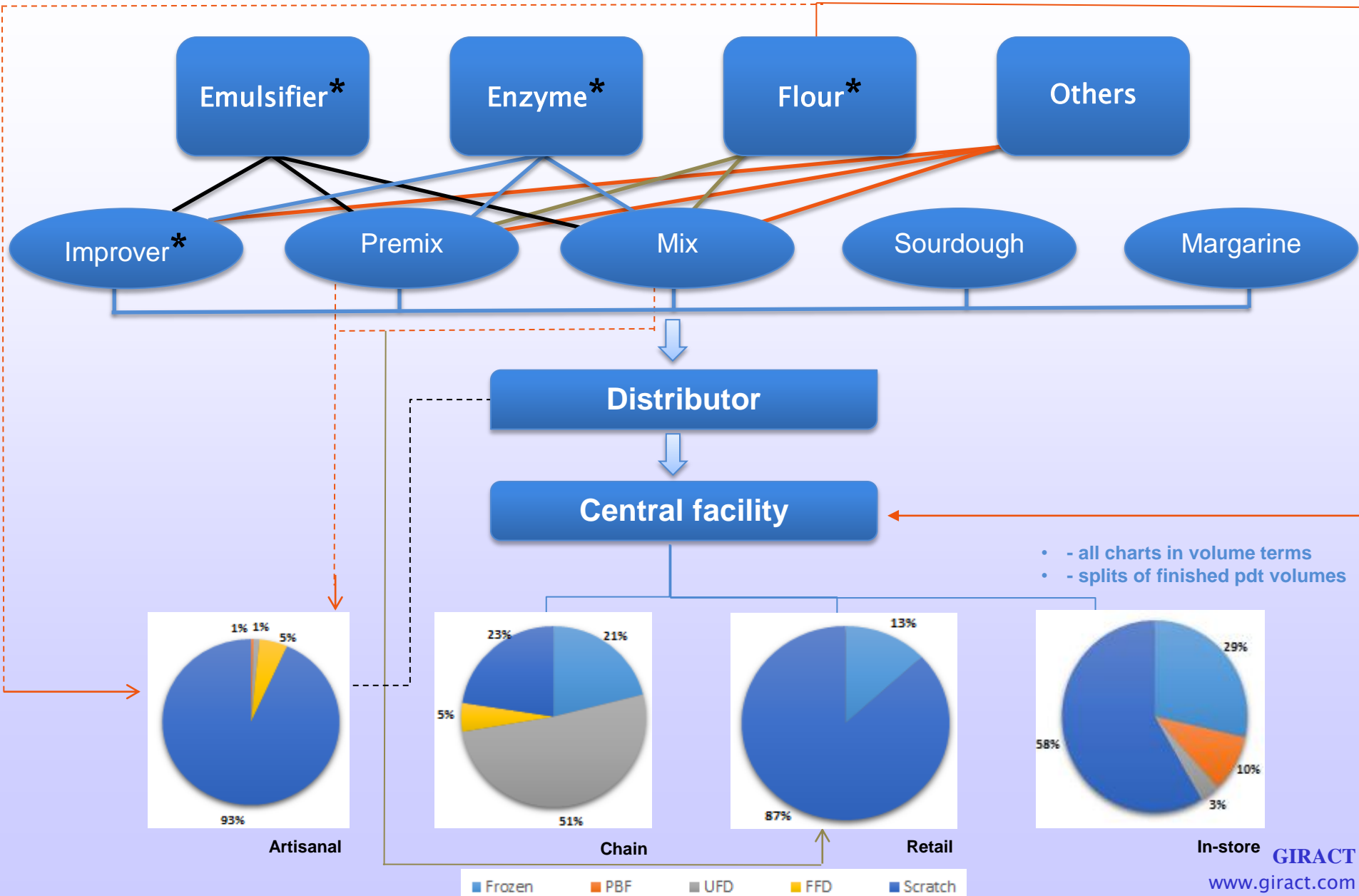
Rising labor costs increase scope for penetration of solutions
Small chains could be prime targets for solutions

Almost similar to corporate baking methodologies – smaller scale of customers allows for ease of penetration

RTU mixes riding on popularity of home cooking
Retail packaged baked goods riding on convenience

* - artisanal includes catering

Key theme - Ingredient Supply Chain



Opportunities & success factors

Niches

- Catering sector, Small artisanal chains, Ingredients for specialty products offer scope for differentiation and penetration

This leads on to the next success factor, wherein positioning in a niche requires greater customer support in terms of NPD and troubleshooting activities

Technical support

- Large corporations also require support in NPD activities especially when it comes to customizing western products to South Korean consumers' organoleptic demands

Smaller companies will require even more convincing arguments in terms of cost and organoleptic properties since they do not have scale to work with but have greater consumer intimacy

Frozen chain

- Ingredient solutions catering to frozen products have a good penetration till date. Dynamics of the bakery market point to this status continuing till 2020.

Unfortunately cannot be extrapolated to the big chains' global ambitions since their supply chains seem to vary across geographies and unified supply chain is not yet visible

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