SWEET BAKERY INGREDIENTS/BLENDS
EUROPEAN UNION - 27
2007 – 2015

INTRODUCTION

Producers of fine bakery wares require a wide range of specialised ingredients or blends to meet the ever broadening demands of their consumers. Meanwhile pressures to simplify processes at the baker's premises have offered new opportunities to these ingredient suppliers, and yet enabled bakers to keep a tight leash on costs. In particular, some ingredient groups have evolved significantly in the recent years, with an increasing involvement in the end products by offering complex mixes and concentrates to the various levels within the industry.

Following its two very successful studies on bakery mix/improver markets – the latest covering EU-25 and USA – Giract, the international ingredients and technologies specialist, has published a study to identify the market size, shape and opportunities for sweet ingredients/blends used in the bakery sector with an in-depth understanding based on interviews with key producers and a wide variety of user companies in the major EU markets. Clients of our Bakery Intermediate studies include ABF, Alleggra, Aromatic, Cargill, CSM, Grands Moulins de Paris, Kerry, Lallemand, Lesaffre, Limagrain, Novozymes, Unifine, Zeelandia.

OBJECTIVES

- A review of current and potential products, their specifications, applications
- An identification of the current market size (volume, value) and weighted average prices by category, by country, and forecasts of volumes for 2015
- An appreciation of "why" and "why not" concerning the key products based on interviews with producers and retailers/food service users across these EU countries
- Estimates of market shares for the "top three" producers in each category and each country

PRODUCTS

7 main groups covering a total of 15 categories, being:

Starch based: – custard creams – other starch based	**Creams**: – dairy – non-dairy	**Flour based**: – sponge mix – cake mix – yeast dough mix
Fillings: – fruit based – nut based – other (e.g. curd, bavarois)	**Coatings**: – icings – fondants – others (e.g. hazelnut, chocolate)	**Glazes, Jellies** **Decoration materials**

MARKETS

Major EU markets: Germany, France, UK, Italy, Spain, Benelux
Overview of the developing markets in Eastern Europe
EU27 market estimates

TIMESCALE

2007 – 2011 – 2015

PROGRAMME

Following an initial review of Giract's extensive in-house data, the key element of the study will be interviews with major players (producers, blenders and users) to derive real understanding of the market forces (drivers and trends).

GIRACT COMPETENCE

Recent relevant work includes: Multi-client studies: bakery mixes/improvers, emulsifiers, a series of reports since 1981 on wheat gluten supply/demand. Diverse work on bakery mixes, confectioner's cream, enzymes, insoluble and soluble fibres, emulsifiers, etc.

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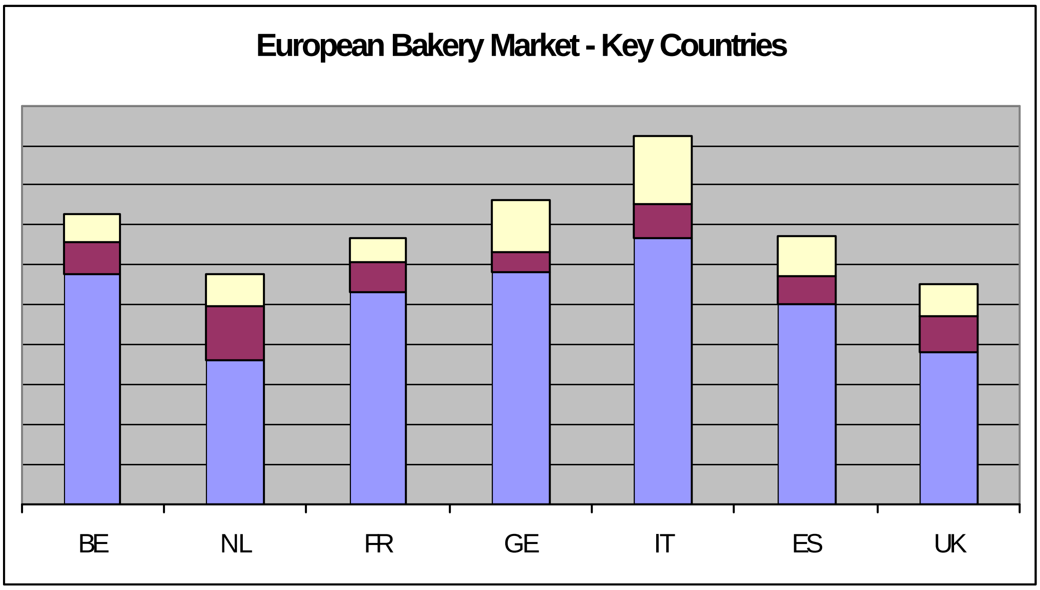
1. EXECUTIVE SUMMARY

1.1. EUROPEAN BAKERY MARKET

The bakery industry is a very traditional industry and both bread and sweet bakery products vary considerably across Europe. The products and the art of production are particular to the country or even to the region of a particular country.

The chart below shows how the size of the sweet bakery sector compared to the bread and biscuit industry. The size of the sectors are expressed in # per capita of population and show that the sweet bakery industry is typically only #% of the size of the # industry.

#y- axis and key edited out in graph below



The 7 countries listed above are large and developed countries and the consumption of bakery products in these countries represents about 75% of the total EU27 consumption.

The milling industry is contracting across Europe with more consolidation, with larger millers investing in larger production units. In a number of markets, millers are vertically integrated downwards to baking.

The baking industry in general is fragmented with a sizeable part of both bread and sweet bakery activity still in the artisanal sector.

Industrial baking is gaining market share from artisanal production steadily every year. The development is driven by the low cost of the industrial production units and the development of industrial frozen dough that can be baked within a high street store to give high quality products competing directly with artisanal units with similar quality and lower price.

In the UK, the artisanal industry has all but disappeared whereas in Poland 80-90% of total bakery production remains artisanal.

The industries have developed from traditional roots in the local countries culture and so the industrial players have all grown up as producers for a single country. Even in 2007 this remains the case for the majority of companies and is a stark comparison to most of the processed food industry. Barilla is perhaps the only significant player producing in Germany, Italy, France and Benelux.

1.2. INTERMEDIATES USED IN SWEET BAKERY 2007

1.2.1. FLOUR-BASED MIXES

1.2.1.1 CURRENT MARKET SIZE

Market for flour-based mixes, UK, 2007 ***#numbers edited out in tables***

	Artisanal			Industrial			Total		
	Market Volume	Market Value	Price	Market Volume	Market Value	Price	Market Volume	Market Value	Price
	2007 kt	mio EUR	EUR/kg	2007 kt	mio EUR	EUR/kg	2007 k t	mio EUR	EUR/kg
Sponge Mix									
Cake Mix									
Yeast Dough Mix									
Total									

Use of mixes in bakery products

	Target bakery products		
	Laminated	Chemically raised	Yeast leavened
Sponge Mix			
Cake Mix			
Yeast Dough Mix			
Total			

In the UK, the industrial flour-based mix volumes are significantly larger than in the artisanal sector. Although prices vary widely, it is estimated that artisanal bakers pay prices that are 15-20% higher than industrial bakers.

This reflects the size of the industrial sector.

1.2.1.2 *KEY SUPPLIER MARKET SHARE*

Sponge Mix Suppliers - Artisanal

	Market Share	Degree of Consolidation	Degree of Geographic Coverage	Supplier Type
Macphie				
Puratos				
Bakels				
Others				
Total				

Sponge Mix Suppliers - Industrial

	Market Share	Degree of Consolidation	Degree of Geographic Coverage	Supplier Type
Bakels				
Macphie				
Cereform				
others				
Total				

1.2.1.3 *CURRENT AND POTENTIAL PRODUCTS*

Macphie offers a wide variety of products including, for example, muffin mixes, American style cake mix, traditional sponge mix (mac-a-cake), genoese mix, doughnuts and choux pastry mix.

The Macphie Sensations range are cake mixes containing fruit-based pieces which form pockets of fruitiness when baked. Fruit has been heavily marketed in the UK as healthy, hence this new product direction could fit both taste and health perception criteria.

Bakels offers both complete mixes and concentrated additive mixes. For example, the complete sponge mix is an add-water-only mix available in traditional and chocolate varieties. The Madeira cake mix requires the addition of water and vegetable oil. In doughnuts, an American style yeast doughnut complete mix is offered with addition of water and yeast as well as a cake doughnut concentrate to which the baker adds flour and water.

Cereform is the only supplier to offer soy flour-based mixes to the market. However, although the products are GM-free and traceable to the farm, the soy flour market is still stagnant.

The industry is strongly oriented to industrial size production and, as such, the trend has been away from mix products where only water is added to concentrated mixes. These are higher value products with low volume.

1.2.1.4 *VOLUME FORECAST*

Forecast volume of flour-based mixes – Artisanal kt

	2007	2011 forecast	2015 forecast
Sponge Mix			
Cake Mix			
Yeast Dough Mix			
Total			

Forecast volume of flour-based mixes – Industrial kt

	2007	2011 forecast	2015 forecast
Sponge Mix			
Cake Mix			
Yeast Dough Mix			
Total			

Recapitulation forecast volume of flour-based mixes kt

	2007	2011 forecast	2015 forecast
Sponge Mix			
Cake Mix			
Yeast Dough Mix			
Total			

Artisanal volumes are continuing to fall as the industrial players take over with superior sales channel strengths and lower costs. Supermarkets in the UK, with in-store bakeries delivering good quality in a convenient location, are changing the shape of the industry. Small high street artisanal shops cannot compete and are disappearing.

Industrial producers have a cost advantage over small artisanal players due to their size and efficiency. This could be more important now as the prices of raw materials have soared, much of which would need to be passed on to consumers.

Although the total end product markets are expected to grow by #% over the period it is also anticipated that the large industrial players will take a larger share of the market. These players will continue to produce from scratch hence reducing the potential for mix growth.

1.2.2. COUNTRY STYLE FOODS

sample end-user information

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Background

Country Style has 12 ultra-modern production lines manufacturing large volumes of part-baked breads, patisserie, doughnuts and desserts. All products are automatically packed and then quick-frozen for maximum convenience and freshness. The company specialises in quick-frozen pastry and morning goods for retailers and food service own brands. However, the company does carry a number of brands, some of which are under licence. Country Style produces Fleur de Lys thaw and serve frozen patisserie for bakers and food service outlets, and are the licensees behind the UK Sara Lee brand.
Site locations are in Leeds, Grimsby, Stockton, Peterlee and Flint.

Relevant end products

The company produces a wide range of bakery products - patisseries, Danish pastry, butter croissants, speciality breads, bagels and desserts. Ball doughnuts are also produced although there is limited end product market growth. Mini doughnuts are not produced as they tend to have a too high fat content.

Current Use/Non-Use of Intermediates

Flour Based mixes

Use of these mixes depends on the product and the company has the ability to change from scratch production to other products where concentrates and premixes are added.

Doughnuts are one of the largest products (production capacity is 40 000 doughnuts per hour) and are made with 2 types of mixes:

- Yeast-raised, made with flour, sugar, eggs, raising agent and a concentrate
- Cake type, made with a premix.

Creams

Fresh cream is used in most of the products. As 99% of the products are quick frozen, there are no real shelf life problems.

There are some small applications where non creams are used for food service.

Fruit Fillings

All fruit fillings are purchased, usually from Bakels and Puratos. For doughnuts, a bake stable fruit preparation is incorporated. No nut fillings are purchased.

Decoration

Some IQF fruit is purchased for decoration.

Changes in Formulations

Much innovation is done in house and very little with the supplier. Ingredient companies have not been strong contributors to innovation in the past.