Agriculture and Agri-Food Canada
Agriculture et Agroalimentaire Canada

Canada

International Markets Bureau

MARKET INDICATOR REPORT | JANUARY 2010

Consumer Trends

Baby Food in the EU27

Growing Forward

Canada

EXECUTIVE SUMMARY

In recent years, the larger of the EU27 countries have experienced noticeable growth in the baby food market.

Given the growing time pressures on parents, any products which offer timesaving features are likely to do well particularly in Western members of the EU. Recent statistics show that baby food sales steadily increased from 2003 to 2008, growing anywhere from one to eight percent in the top 5 markets, a trend that is expected to continue. The demand for convenience, variety and more nutritional baby food is expected to continue to drive increasing the consumption.

Increases in birth rates are also helping to boost baby food sales in most of the top EU markets, with a notable increase in milk formula purchases.

GROWING DEMAND

Sales of baby food are being characterized by the emergence of healthier more "natural" products in 2008 with consumer concerns over childhood obesity helping to drive sales. Expect to see the introduction of further healthy ingredients in prepared baby food with the frequent launch of new recipes using nutritional ingredients from various sectors such as cranberries and pulses. Adjustments to existing product lines with the preservation of vitamins and nutrients are also on the rise. Steps to dispense with added salt and sugar have been taken to satisfy consumer desires for more natural food products with healthier properties.

Innovation in the sector, backed by strong investment in R&D, is aiming to offer higher quality products that are healthier and easier to prepare. Milk formula manufacturers' attention is focusing on the development of a product that is more and more similar to breast milk in terms of nutritional components and key benefits.

Successful strategies in the EU27 therefore will revolve around adding value to existing products or the introduction of innovative "more healthy and natural" products.

Organic baby food is still considered a niche market across the board, capturing on average less than 10% of overall sales. The exception to this rule is in the United Kingdom, where 75% of all prepared baby food products are listed as organic, and Germany whose organic baby food sales are growing faster than in other EU countries.

INSIDE THIS ISSUE

"Canada is experiencing continued growth in export of prepared cereals, starch, flour and milk for infant use in the Netherlands."

DID YOU KNOW?

- In Italy, recent research has revealed that 75% of Italian mothers preferred prepared baby food to home-made as it is perceived as more convenient, nutritious, and safe.
- France was largest importer for two of the three subcategories of baby food in 2008.

CONSUMER TRENDS

▶Consumers' focus on natural and healthy food was the key trend which impacted the sector in 2008.

▶Convenient prepared foods garner much of the share within the baby food market and are steadily growing as new products are being introduced by manufacturers.

▶Consumers are looking for more selection in baby food targeted towards toddlers. The industry is responding by expanding products for babies over 12 months.

▶There has been growth in the supply of "up market" products, however value for money product claims do not always guarantee sales.

▶Demand is high for more nutritional information on the packaging and reduction in the salt, sugar and fat content currently present in baby food.

RETAIL TRENDS

▶Unit prices rose slightly in 2008. In some instances this growth was due to an increase in raw materials and distribution costs, as well as the increased popularity of premium and organic products. Average unit prices for the sector are also on the rise. Ranging from two to four percent.

▶Supermarkets/hypermarkets accounted for much of value sales in baby food for 2008. Pharmacies often ranked second. Interestingly, this channel benefits from its medical image, which reassures young parents regarding the quality of the products sold.

▶The baby food sector is often dominated by large, established manufacturers while private label offerings remain minimal.

▶Value growth is driven by the introduction of new products.

Market Sizes - Historic - Fixed 2008 Exchange Rates - Value at US$ mn

Geographies	2003	2004	2005	2006	2007	2008
Bulgaria	16.6	17.9	19.3	20.7	22.1	23.3
Czech Republic	54.2	58.4	65.7	76.4	88.6	100.4
Hungary	46.4	50.3	54.3	58.4	61.8	67
Poland	207.6	215.2	238	273.1	325	358.1
Romania	18.4	24.1	27.9	37.4	43.8	49.5
Slovakia	31.2	33	34.3	35.6	37	38.6
Austria	87.7	91.4	94.5	97.2	100.2	103.7
Belgium	141.4	148.3	151.8	157.7	164.4	170.4
Denmark	47.3	47.8	48.7	50.3	51.2	55.8
Finland	68.9	72.8	75.8	78.7	80.8	86.7
France	1349.6	1399.4	1479.4	1539.2	1614.7	1721.4
Germany	862.2	868.7	878.1	893.3	931.6	969.9
Greece	140.8	149	157.6	163.2	168.9	175.7
Ireland	58.7	63.9	69.2	75	81.9	88.8
Italy	1390.2	1415.4	1399.1	1403.6	1456.7	1516.3
Netherlands	195.5	200.2	199.1	198.1	198.4	199.2
Portugal	170.3	174.6	177.9	182.2	186.3	191.1
Spain	589.2	601.3	635.4	674.5	722.3	773.5
Sweden	118.7	125.6	132.1	141.9	152.2	162.1
United Kingdom	679.8	701.6	728.1	756.6	769.1	780

Source ©2009 Euromonitor International

BABY FORMULA

- Special baby milk is a growing sector, with many large players focusing on developing meal solutions for babies.
- Steady moderate growth is forecast for the milk formulas (and prepared baby food) sub-sectors from 2008 to 2013.
- Within baby milk formula, hypoallergenic products represents a small niche, although they are proving to be very dynamic.
- The toddler milk formula sub-sector registered the highest growth in 2008, up by as much as 9% in value terms.
- Innovation in the sector is likely to come from new formulas claiming to be closer to breast milk.
- Powder formula continued to dominate some EU markets sales of baby milk formula in 2008, accounting for as much as 73% of total value sales.

BABY FOOD

- Baby food sales are predicted to grow by a 5% in constant value terms over the 2010-2013 period.
- Toddler food and finger-food products for babies over 12 months are growing in popularity due to campaigns promoting the safety, high quality, convenience, and increased nutritional benefits afforded by these specialty products. It is predicted these will continue to be future sales drivers.
- There exists a marked absence of price sensitivity within baby food and no-to-little growth in sales of private label items.
- Consumers are becoming aware that under EU regulations pesticide levels are so low in baby food that standard items are virtually the same as organic varieties; in addition, non-organic food can be fortified with vitamins and minerals, which organic food cannot. Future strategies may take these factors into account, and an emphasis on healthy rather than organic recipes is likely to drive product development.

PREPARED BABY FOOD

- Prepared baby food is one of the best performers in 2008 with current value growth ranging from four to 8 percent in some markets.
- The prepared ready meals sub-sector has benefited from parents' desire to give their babies up-market, high quality food in the right quantities, and to provide their babies with a diversity of food types.
- The prepared food sub-sector experienced notable new launches, such as NaturNes, by Nestlé, and frozen products like Les Menus de Bébé, and by Le Monde de Maya.
- The trend is toward premium and budget baby food, with mid-priced brands continuing to lose share.
- Prepared baby food is the highest growth category and accounts for almost 50% value share of the baby food sector.

OTHER BABY FOOD

- An increase in the sales of liquid milk has increased and accounts for 10% of overall sales.
- Organic baby food is a slowly expanding sector, but still considered "niche" and can be limited by lack of distribution and interest by, consumers in this market.
- Hypoallergenic milk formula of soy-based products own 8% market share.
- The children's dessert sub-sector is predicted to grow in popularity.
- Other baby food is a growing sub-sector, with sales up in the market.
- Dried baby food sales are declining as a result of a down turn in consumption.

COMPETITION

▶The baby food sector is dominated by multinationals. Baby food is a very competitive environment and the leading companies are Nestlé, Danone, Heinze, and Kraft.

▶Blédina SA (owned by Danone SA) continued to lead baby food value sales in France in 2007, through its brands Blédina and Blédilait.

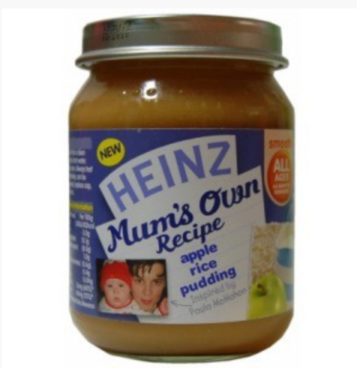
▶Small domestic companies such as Le Monde de Maya., Plasmon Dietetici Alimentari, and Hipp have captured certain sub-sectors in this market with some developing mainly niche products, like the company Vitagermine and its organic baby food Babybio.

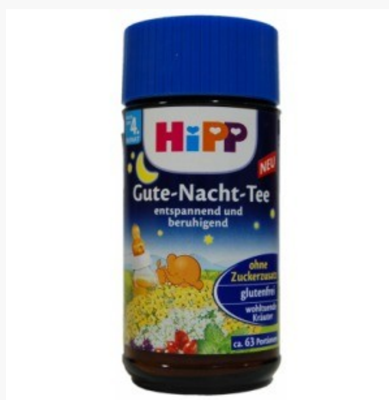
▶In the formula milk subsector, Cedilac SA improved its range Modilac in terms of formulation and packaging, giving it a more medicinal image.

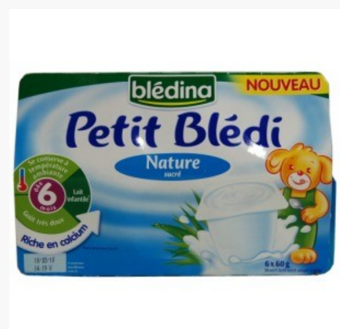
▶In the milk sub-sector, the company Nutricia France SA extended its highly popular Milupa range of follow-on milk and launched liquid milk destined for the toddler market.

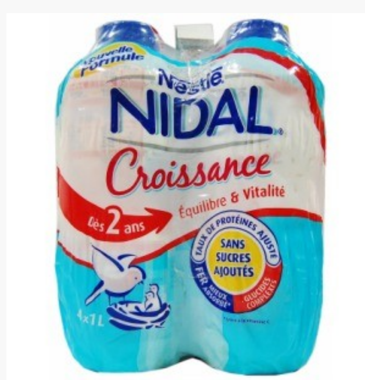
▶Numico is a strong player in infant milk, with its brands Nutricia and Milupa, Danone.

▶Dairy companies, like Puleva and Corporación Alimentaria Peñasanta have entered the sector offering innovative milk formula products.









BABY FOOD IN THE EU-27

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