



Agriculture and
Agri-Food Canada

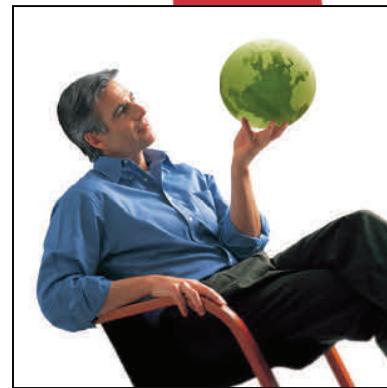
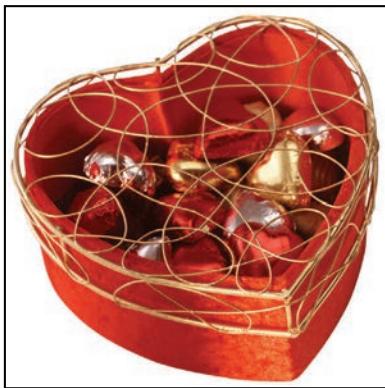
Agriculture et
Agroalimentaire Canada



**International
Markets
Bureau**

MARKET INDICATOR REPORT | DECEMBER 2012

Chocolate Confectionery in Ukraine





► MARKET SNAPSHOT

The Ukrainian retail market demonstrated solid growth over the last several years, with the chocolate confectionery sector one of the most active and fastest-developing markets. The country's chocolate confectionery market is estimated to reach a value of US\$1.9 billion or 200,000 tonnes within 2012.

Sales growth has been fuelled by growth in the overall economy, urbanization, and an increasingly organized retail market. Ukrainian consumers in urban areas are looking for more convenient stores with better prices, products and services. This has led to a dramatic increase in competition within the retail sector, as well as the introduction of new factors to address, such as product quality and innovation.

Market reforms and the opening of the Ukrainian market have also brought about a significant change in the assortment, appearance and quality of food products over the past seven or eight years. Among them are noticeable improvements in the packaging of food products.

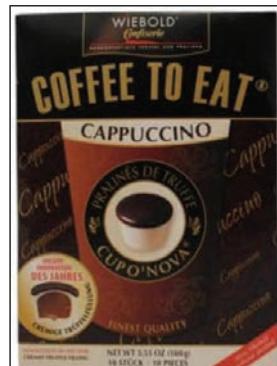
Many new confectionery products have been launched in Ukraine in recent years. Confectionery producers have been widening their assortments and introducing new innovations. All of these factors have worked together to boost confectionery consumption rates in Ukraine. According to Euromonitor, confectionery consumption will experience a 9-13% increase annually between 2012 and 2017.

In 2011, Ukraine's chocolate confectionery imports were mainly from Russia, Poland and Germany. However, the country is also a significant producer of such products, with over 600 plants involved in confectionery manufacturing. Many of these are major processing and packaging companies for other packaged food items.

Product quality is prioritized by Ukrainian importers, and many local confectionery companies have been working to modernize their manufacturing equipment in recent years, in order to satisfy the demands of both domestic consumers and export markets.

► INSIDE THIS ISSUE

<i>Market Snapshot</i>	2
<i>Global Overview</i>	3
<i>Retail Sales</i>	4
<i>Market Shares by Brand and Company</i>	6
<i>Distribution Channels</i>	8
<i>New Product Examples</i>	9
<i>Trade Data</i>	10



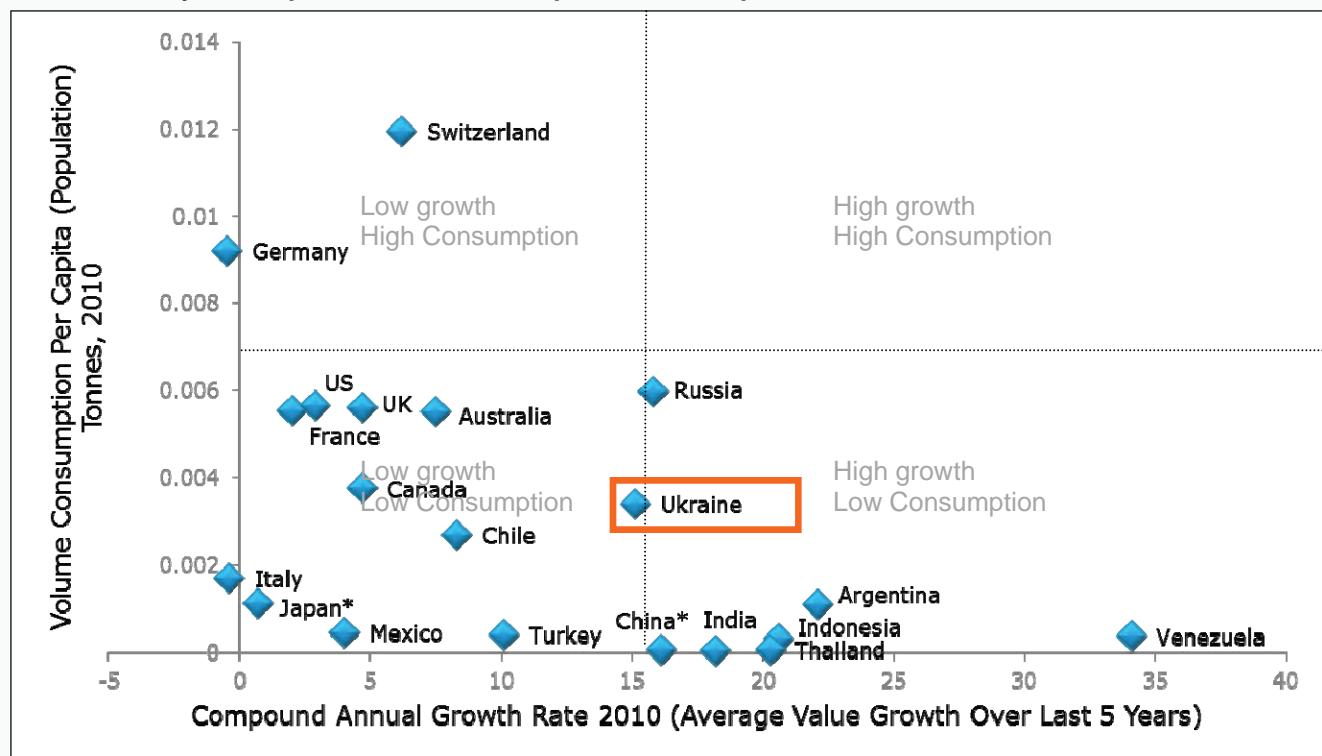
Source for all: Mintel, 2012.



► GLOBAL OVERVIEW

- ▶ There is a disparity across global markets in terms of chocolate confectionery sales, with slowing growth being recorded in established markets, while significant market increases are being experienced in nations with very low levels of consumption.
- ▶ As a whole, Latin American and Asian markets are experiencing a period of strong growth and represent areas of opportunity. In contrast, established European and North American markets have generally seen slowing sales growth since 2005.
- ▶ According to Mintel, the Ukrainian sweet and savoury snacks sector became the prime area of focus for a number of packaged food players during 2010 and 2011, due to the greater potential of sustained profitability compared to other impulse and indulgence type categories.
- ▶ Chocolate confectionery is expected to be among the most stable categories in terms of growth amongst impulse and indulgence products in Ukraine, during 2012 and beyond.
- ▶ Chocolate tablets benefit from a cultural preference in Ukraine, wherein many consumers eat chocolate confectionery as a companion to coffee or tea, and even alcoholic drinks .

**Global Market for Chocolate Confectionery Products
by Per Capita Volume Consumption and Compound Annual Growth Rates, 2012**



Source: Mintel, 2012.



► RETAIL SALES

- ▶ The Ukrainian chocolate confectionery sector has always been dynamic, due to Ukraine's young and growing population, and traditional habits of consumption. In 2011, retail sales of chocolate confectionery grew by 10% in value and 2% in volume to reach US\$1.7 billion and 193,800 tonnes, respectively.
- ▶ Chocolate confectionery in Ukraine, is expected to register a constant compound annual growth rate (CAGR) of 4% from 2011 to 2016.
- ▶ In Ukraine, chocolate consumption accounts for 7.5% of the total market for confectionery products. On an annual basis, Ukrainians consume 1.2 to 1.3 kg of chocolate per capita, which is four to six times lower than other European countries. This indicates that the Ukrainian market has growth potential through heightened consumption rates.
- ▶ Changing lifestyles and increasing health consciousness amongst consumers are notable trends affecting the chocolate confectionery sector in Ukraine. Consumers are demanding more innovative products and health-oriented variations.
- ▶ The unit price of chocolate confectionery products remains the most important factor in consumer demand for impulse and indulgence products. Ukrainian consumers remain extremely tentative with regard to unit prices in the chocolate category, causing some companies to attempt a more dynamic approach to pricing, adjusting their prices in response to fluctuating demand.
- ▶ Following grain and other commodity price increases, considerable price increases on cocoa and chocolate products can also be expected. The price of cocoa beans rose by 23% in 2009, although the rise in 2010 was more moderate. In 2011, the trend continued in spite of the fact that there were no evident issues with the import of cocoa beans from Côte d'Ivoire, the major supplier to Western markets.



Source: Mintel 2012.

Ukraine – Chocolate Confectionery Market Size – Historic/Forecast** Retail Value Sales
in US\$ millions**

Category	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Chocolate confectionery	927.6	1,229.3	1,274.1	1,488.8	1,675.6	1,896.1	2,135.9	2,353.9	2,563.8	2,803.8

Source: Euromonitor, 2012.

Ukraine – Chocolate Confectionery Market Size – Historic/Forecast** Retail Volume Sales
in '000 Tonnes**

Category	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Chocolate confectionery	173.2	202.1	192.2	189.4	193.8	201.4	209.9	217.9	224.2	230.9

Source: Euromonitor, 2012.



► RETAIL SALES (continued)

- ▶ According to Euromonitor, the best performances within chocolate confectionery over the 2012-2016 period are expected from seasonal chocolate and chocolate with toys, both of which are set to register a retail volume CAGR of 5%.
- ▶ Seasonal chocolate is considered a good and affordable gift alternative for New Year's, Christmas or any other holiday in Ukraine, especially during times of decreased disposable incomes. As a whole, chocolate is widely exchanged at holidays and celebrations.
- ▶ Chocolates with toys are perceived as premium products for children, and are often of artisanal origin. However, economy brands such as Kinder Surprise are also available.
- ▶ Chocolate-coated selflines/softlines** with various fillings such as flour, ground nuts, and sugar beet (a plant with a tuberous root that has a high concentration of sucrose), are widely consumed in Ukraine.

Ukraine – Historic Sales of Chocolate Confectionery by Sub-Category in US\$ millions*

Category	2006	2007	2008	2009	2010	2011
Bagged selflines/softlines**	226.0	301.1	394.7	428.4	558.1	566.1
Boxed assortments	232.4	287.1	398.0	380.6	439.5	496.6
Chocolate with toys	22.1	29.7	38.8	19.9	20.7	24.2
Countlines	190.1	245.8	304.7	327.4	377.8	432.4
Seasonal chocolate	37.2	46.4	47.1	50.2	58.8	71.4
Tablets	210.3	260.8	368.1	395.4	454.5	499.1
Other chocolate confectionery	9.6	11.2	16.5	17.1	20.3	23.4

Ukraine – Forecast Sales of Chocolate Confectionery by Sub-Category in US\$ millions*

Category	2012	2013	2014	2015	2016
Bagged selflines/softlines**	576.9	587.2	613.9	639.2	665.2
Boxed assortments	511.8	537.0	560.4	580.6	606.6
Chocolate with toys	25.6	27.4	29.6	31.3	33.3
Countlines	463.2	484.6	496.5	503.7	513.4
Seasonal chocolate	76.3	80.5	86.2	90.4	96.1
Tablets	517.6	546.4	578.8	605.9	637.5
Other chocolate confectionery	24.7	25.9	26.7	27.5	28.4

Ukraine – Sales of Chocolate Tablets by Type – % Retail Sales Breakdown

Type	2006	2007	2008	2009	2010	2011
Plain Dark	23.3	27.8	31.9	32.1	32.5	32.7
Plain Milk	37.7	37.8	38.2	39.0	39.1	39.3
Plain White	4.2	4.2	4.3	4.4	4.4	4.4
Filled	34.8	30.2	25.6	24.5	24.0	23.6

Source for all: Euromonitor, 2012.

*Ukrainian Hryvnya exchange rate: 1 UAH=US\$ 0.1722

**Selflines/softlines consist of many identical items within a single package, such as chocolate buttons.



► MARKET SHARES BY BRAND AND COMPANY

- ▶ The confectionery market is one of the most developed sectors of the Ukrainian food industry. Total production volume represents about 3% of gross domestic product (Goskomstat).
- ▶ In 2011, production in the Ukrainian chocolate confectionery market increased by 12.5% over the previous year. This increase was mainly achieved through increased demand for the economy chocolate segment. Euromonitor is forecasting that by the end of 2012, the production of confectionery products in Ukraine will have grown by another 13.2%.
- ▶ The Ukrainian chocolate market is highly concentrated. More than 65% of the market is shared among the top five companies: Roshen, Conti, AVK, Biscuit-Chocolate and Zhytomirsky Lasoschy. Small companies prefer to avoid competition with larger companies and instead, try to occupy niche markets.
- ▶ The leading chocolate confectionery distributors are divided among the following companies: Kraft Jacobs Sushard, Mars, Roshen, Svitoch, Malby, and KONTI. In total, these manufacturers account for more than 93% of chocolate production.
- ▶ These Ukrainian manufacturing companies are actively exporting products to 44 countries (about 40% of output) to maintain sales amidst a domestic market that is reaching saturation. The majority of these exports (94% in 2010) are destined for the Commonwealth of Independent States (a regional organization of former Soviet Republics developed as the successor to the USSR to coordinate trade and economic policies in its CIS member nations). Some Ukrainian companies are also opening production facilities abroad, generally in Russia.
- ▶ According to Euromonitor, the leading players in chocolate confectionery are in the process of modernizing their facilities to enhance production capacity and remain competitive. Roshen Kondyterska Korporatsia, for example, is in the process of building a new factory at Vinnytsya with a capacity of more than 240,000 confectionery units per year. The subsidiary of another large multinational corporation (Kraft Foods Ukraine ZAT) also built a big new plant in Trostyanets (Sumy region). Nevertheless, most Ukrainian producers in this sector still face tough competition from modern companies, due largely to outdated equipment that limits production capacity.
- ▶ Additionally, the category is witnessing competition between the smaller, less-modernized confectionery players and bakery producers. While there is some product overlap between the two (cookies, for example), bakery and confectionery manufacturers are differentiated by product range and capacity. Bakery manufacturers can produce up to 30 different products (on average), while confectionery players, even those with older infrastructure, can more easily produce hundreds of items (including different pack sizes of the same product).
- ▶ Private label penetration in chocolate confectionery remains low, and is even completely absent in some categories, such as chocolate tablets. This is due to the fact that well-known brands are strong and hold significant value.

Ukraine – Imports of Machinery for the Manufacture of Confectionery, Cocoa or Chocolate (HS:843820) in \$US

Partner Country	2009	2010	2011
World	13,963,620	13,916,599	17,563,856
Germany	10,974,367	10,838,535	10,882,897
Slovakia	404,506	84,905	3,093,655
The Netherlands	0	566,860	2,202,337
Switzerland	937,273	469,091	564,726

Source: Global Trade Atlas, 2012; State Customs Committee of Ukraine



► MARKET SHARES BY BRAND AND COMPANY (continued)

**Ukraine – Market Shares of Chocolate Confectionery
by Brand and Company**

Brand	Company	2007	2008	2009	2010
Korona	Kraft Foods Ukraine ZAT	7.37	9.48	9.67	9.41
Snickers	Mars OOO	5.32	5.27	5.56	5.54
Konti	Konti VO ZAT	4.74	4.87	5.32	5.19
AVK	AVK ZAT	4.3	4.46	4.59	4.71
Svitoch	Nestlé-Ukraine TOV	3.38	4.03	4.09	4.19
Shokoladny Baton	Roshen Kondyterska Korporatsia	2.82	2.70	3.22	3.21
Vechirniy Kyiv	Roshen Kondyterska Korporatsia	3.14	3.25	3.19	3.09
Milka	Kraft Foods Ukraine ZAT	1.86	2.59	2.93	2.87
Millennium	Rainford Shokoladna Fabryka TOV	2.17	2.56	2.24	2.18
Roshen	Roshen Kondyterska Korporatsia	1.59	1.73	1.76	1.82
Bounty	Mars OOO	1.39	1.47	1.72	1.72
Ukrayina	Kraft Foods Ukraine ZAT	1.52	1.43	1.52	1.62
M&M's	Mars Ukraine TOV	0.56	0.97	1.11	1.25
Twix	Mars OOO	1.06	1.10	1.23	1.23
Dominic	Poltava Konditer JSC	1.25	1.14	1.19	1.21
Bilochka	Roshen Kondyterska Korporatsia	0.83	0.81	0.97	1.09
Raffaello	Ferrero-Ukraine TOV	1.55	1.38	1.04	1.02
Zodiak	Roshen Kondyterska Korporatsia	1.07	1.08	1.04	0.99
Svitoch	Svitoch Firma AT	1.47	1.43	0.91	0.92
Monte-Kristo	Roshen Kondyterska Korporatsia	0.80	0.85	0.88	0.86
Romashka	AVK ZAT	0.64	0.67	0.70	0.77
Belissimo	Konti VO ZAT	0.63	0.66	0.68	0.75
Shtuchka	Roshen Kondyterska Korporatsia	0.84	0.92	0.78	0.74
Lux	Roshen Kondyterska Korporatsia	0.94	0.83	0.74	0.69
Zhytomyrski Lasoschi	Zhytomyrski Lasoschi KF ZAT	0.45	0.54	0.58	0.64
Mars	Mars OOO	0.58	0.68	0.65	0.63
Kinder	Ferrero-Ukraine TOV	0.59	0.69	0.63	0.62
Nirvana	Zhytomyrski Lasoschi KF ZAT	1.06	0.76	0.70	0.60
Nestlé Nuts	Nestlé-Ukraine TOV	0.66	0.55	0.57	0.58
KitKat	Nestlé-Ukraine TOV	0.56	0.53	0.56	0.55
Z Lubovyu	Zhytomyrski Lasoschi KF ZAT	1.01	0.98	0.76	-
Others	Others	43.86	39.59	38.46	39.32
Total	Total	100	100	100	100

Source: Euromonitor, 2012.

Note: Brand and company share information is not yet available for 2011.



DISTRIBUTION CHANNELS

- ▶ Historically, traditional grocery retailers dominated in Ukraine; however, the arrival of modern grocery retailers in the 1990s led to changes in shopping habits. Supermarkets, and then the hypermarkets that followed, appealed to consumers with wider assortments and more competitive prices due to the establishment of direct contracts with manufacturers.
- ▶ However, being restricted to cities, modern grocery retailers remain inaccessible for people living in towns and villages, where the option of buying food is largely limited to independent small grocers. As such, the Ukrainian modern retail sector is rather young and un-concentrated, with traditional trade still representing a significant share of the market.
- ▶ As retailer expansion progresses eastwards in Europe, Ukraine is becoming an increasingly attractive market for the retailers present in neighbouring countries. Ukraine's regions are still unsaturated and consumer incomes are steadily rising, which are both factors that bode well for expansion potential.
- ▶ Local Ukrainian players, such as Fozzy and Furshet, have significant strength in the market and are expanding aggressively.

Ukraine – Top Grocery Retailers in 2012, Forecast

Company	Number Of Outlets	Share (%) of Total Grocery Market*
Fozzy	432	5.64
ATB Market	630	5.37
Metro Group	41	1.21
Retail Group	59	1.92
Furshet	113	1.70
Total	1,275	15.84

Source: Planet Retail, 2012.

*Based on value sales



Ukraine – Sales of Chocolate Confectionery by Distribution Format % Share Based on Retail Value Sales

Format	2006	2007	2008	2009	2010	2011
Grocery Retailers	96.51	96.66	96.98	97.09	96.58	96.67
Supermarkets/Hypermarkets	59.04	59.64	59.97	61.09	61.69	62.14
Small Grocery Retailers	14.67	14.65	14.64	14.56	14.5	14.49
Convenience Stores	0.02	0.02	0.02	0.03	0.03	0.03
Independent Small Grocers	13.6	13.56	13.52	13.41	13.32	13.3
Forecourt Retailers (within gas stations)	1.05	1.07	1.09	1.12	1.15	1.16
Other Grocery Retailers	22.8	22.37	22.37	21.44	20.39	20.04
Non-Grocery Retailers	3.49	3.34	3.02	2.91	3.42	3.33
Other Non-Grocery Retailers	3.49	3.34	3.02	2.91	3.42	3.33

Source : Euromonitor, 2012

► NEW PRODUCT EXAMPLES



Klukva V Shokolade Cranberry in dark chocolate contains antioxidants, is rich in vitamin C, and is free from genetically modified organisms (GMOs). The product retails in a 140 g pack for US\$2.59.

Lyubimov Prestige Chocolate assortment is comprised of the following: white French truffles; luxury French truffles; petite French truffles; and a chocolate heart. This GMO-free product retails in a 185 g pack for US\$7.59. It was featured at the 2012 ISM Trade Fair in Cologne, Germany (the largest global confectionery products trade show).



Sladkaya Kollekciya Cocoa Coated Peanuts are free from GMOs. This product retails in a 150 g pack for US\$0.69.

Confiserie Heidel Sport Kids Chocolate Tablet is a GMO-free product that retails in a 100 g package with referee cards. Also available are the following variants: GMO-free Euro Chocolate Miniature Bars; and With Love High Quality Whole Milk Chocolate.



Source for all: Mintel, 2012.



► TRADE DATA

- Ukraine is a net exporter of chocolate confectionery products, with exports of over US\$639 million to the world in 2011, compared to US\$169.5 million in imports. Ukrainian chocolate confectionery products are exported to a wide range of countries, but the bulk are destined for Russia, Ukraine's traditional trading partner.

Ukraine – Imports from the World and Top Ten Partner Countries Commodity 1806: Chocolate and Other Food Preparations Containing Cocoa

Partner Country	US\$			% Share			% Change 2011/2010
	2009	2010	2011	2009	2010	2011	
World	80,897,877	120,030,797	169,427,321	100.00	100.00	100.00	41.15
Russia	50,186,657	79,158,074	100,968,209	62.04	65.95	59.59	27.55
Poland	12,010,801	21,337,801	23,181,717	14.85	17.78	13.68	8.64
Germany	6,492,677	5,002,327	8,796,773	8.03	4.17	5.19	75.85
Netherlands	1,556,563	1,668,762	8,012,326	1.92	1.39	4.73	380.14
Lithuania	3,361,210	293,039	8,000,019	4.15	0.24	4.72	2630.01
Italy	2,848,029	4,993,320	7,176,782	3.52	4.16	4.24	43.73
Belgium	735,119	1,858,327	3,727,663	0.91	1.55	2.20	100.59
France	1,280,477	1,622,649	2,461,764	1.58	1.35	1.45	51.71
Austria	194,483	858,247	1,601,345	0.24	0.72	0.95	86.58
Switzerland	337,986	916,008	1,533,746	0.42	0.76	0.91	67.44

Ukraine – Imports from the World Commodity 1806: Chocolate and Other Food Preparations Containing Cocoa

HS Code	Commodity Description	US\$			% Share		
		2009	2010	2011	2009	2010	2011
1806	Chocolate and other food products containing cocoa	80,897,877	120,030,797	169,427,321	100	100	100
180690	Cocoa preparations, not in bulk	36,744,633	57,510,074	76,588,229	45.42	47.91	45.2
180631	Chocolate and other cocoa reps, not bulk, filled	37,573,832	56,081,729	74,391,716	46.45	46.72	43.91
180610	Cocoa powder containing added sugar or other sweetening	3,119,237	61,000	7,795,926	3.86	0.05	4.6
180632	Chocolate and other cocoa preparation, not bulk, not filled	2,314,862	4,649,231	7,616,988	2.86	3.87	4.5
180620	Chocolate preparation, in blocks etc. over 2 Kg	1,140,825	1,728,764	3,034,462	1.41	1.44	1.79
180600	Cocoa (detail Unknown)	4,488	0	0	0.01	0	0

Source for both: Global Trade Atlas, 2012

The Government of Canada has prepared this report based on primary and secondary sources of information. Although every effort has been made to ensure that the information is accurate, Agriculture and Agri-Food Canada assumes no liability for any actions taken based on the information contained herein.

Chocolate Confectionery in Ukraine

© Her Majesty the Queen in Right of Canada,
represented by the Minister of Agriculture and Agri-Food Canada (2012).
ISSN 1920-6615
AAFC No. **11925E**

Photo Credits

All photographs reproduced in this publication are used by permission of the rights holders.

All images, unless otherwise noted, are copyright
Her Majesty the Queen in Right of Canada.

For additional copies of this publication or to request an alternate format,
please contact:

Agriculture and Agri-Food Canada
1341 Baseline Road, Tower 5, 4th floor
Ottawa, ON
Canada K1A 0C5
E-mail: infoservice@agr.gc.ca

Aussi disponible en français sous le titre :
Les confiseries chocolatées en Ukraine

Canada 