Agriculture and Agri-Food Canada
Agriculture et Agroalimentaire Canada

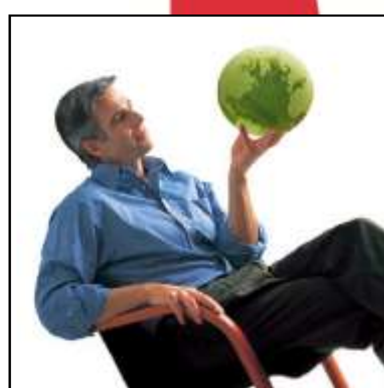
International
Markets
Bureau

MARKET INDICATOR REPORT | NOVEMBER 2012

Consumer Trends
Bread, Cakes and Pastries in Ukraine


Source: *Mintel 2012*


Source: *Mintel 2012*



Growing Forward

Canada

MARKET SNAPSHOT

Ukraine is one of the nations with a strong bread consuming culture in Central and Eastern Europe (CEE); the annual consumption of bakery products per capita was 116 kg in 2010, 86 kg of which was bread, although this share is declining (Ukrainian Baker's Association).

The decline in the volume of bread consumption in Ukraine can be attributed to the increasing consumption of bread substitutes, such as pizza, *varenyky* (perogies) and *pelmeni* (dumplings), in 2010.

Ukraine has rich wheat/grain and sugar resources, which are the main ingredients for making bread and flour confectionery products.

Consumer preferences are developing rapidly and Ukrainians are demanding new products with a higher added value. However, consumer preferences differ significantly among income and age groups.

Young consumers globally tend to experiment with new products, and this is also the case in Ukraine. Middle-aged and elderly consumers by contrast, are much more conservative in their taste preferences and often treat new products with caution.

The trend toward healthier food consumption is not yet evident in rural Ukraine, where consumers tend to pay little attention to the fat, sugar and protein content of food products. By contrast, in big cities, where consumers are wealthier and can afford more expensive products, these nutritional concerns are more evident.

The average, per capita income in Ukraine is still quite low and Ukrainians spend approximately 60% of their incomes on groceries. Meals prepared at home are preferred over dining out.

Women account for 49% of the total Ukrainian workforce (20.6 million people), which contributes to the increased demand for meals consumed away from home, as well as easy-to-cook and ready-to-eat products.

The purchasing power of Ukrainian consumers did not increase significantly in 2011, however, Ukrainians were more willing to spend, as the effects of the global financial crisis subsided. Nevertheless, consumers were more cautious when choosing products, prioritizing quality.

INSIDE THIS ISSUE

Ukraine, Baked Goods Market Sizes, Historic, by Category and Retail Value Sales in US$ millions, 2006-2011

Product	2006	2007	2008	2009	2010	2011
Bread	4,129.7	4,577.2	5,741.0	5,994.0	6,436.9	6,676.0
Bread substitutes	31.4	39.5	51.3	52.1	58.0	65.1
Packaged/industrial bread	98.3	131.2	184.3	194.8	227.7	258.5
Unpackaged/artisanal bread	4,000.0	4,406.5	5,505.4	5,747.1	6,151.2	6,352.4
Cakes	142.7	170.2	217.1	215.4	250.1	287.3
Packaged/industrial cakes	90.4	109.3	140.4	133.9	155.2	177.8
Unpackaged/artisanal cakes	52.2	60.9	76.7	81.5	94.9	109.6
Pastries	23.3	30.5	45.8	45.3	52.8	60.8
Packaged/industrial pastries	19.0	24.5	37.3	36.6	43.5	50.2
Unpackaged/artisanal pastries	4.3	6.0	8.5	8.7	9.3	10.6
Baked goods total	4,295.7	4,777.9	6,004.0	6,254.8	6,739.9	7,024.2

Source: *Euromonitor 2012.*

- In 2011, baked goods declined by 2% in retail volume, but grew by 8% in value.
- In 2011, bread substitutes continued to grow in both volume (1%) and sales (12%), while packaged/ industrial bread saw retail value increase (11%) but no growth in volume.
- Artisanal products continued to perform well in cakes (3% volume growth and 14% current value growth). Pastries saw volume growth of 3% and a 15% increase in value sales.

Ukraine, Baked Goods, Market Sizes Historic, by Category and Volume in Thousands of Tonnes, 2006-2011

Product	2006	2007	2008	2009	2010	2011
Bread	3,847.0	4,141.6	4,995.0	4,674.1	4,567.8	4,498.9
Bread substitutes	7.8	9.1	10.3	9.8	9.9	10.0
Packaged/industrial bread	347.4	443.0	596.7	608.1	660.0	680.3
Unpackaged/artisanal bread	3,491.8	3,689.5	4,388.0	4,056.2	3,897.9	3,808.6
Cakes	40.2	43.3	42.1	34.2	34.9	35.8
Packaged/industrial cakes	24.3	25.7	25.3	20.2	20.5	21.0
Unpackaged/artisanal cakes	15.9	17.6	16.8	14.0	14.3	14.8
Pastries	9.6	11.3	16.9	17.3	18.1	18.6
Packaged/industrial pastries	5.9	6.9	11.5	12.7	14.2	14.9
Unpackaged/artisanal pastries	3.7	4.4	5.4	4.6	4.0	3.7
Baked goods total	3,896.8	4,196.2	5,053.9	4,725.6	4,620.8	4,553.4

Source: *Euromonitor 2012.*

▶ RETAIL SALES (continued)

Ukraine, Baked Goods, Market Sizes, Forecast, by Category and Retail Value Sales, in US$ millions, 2012-2016

Product	2012	2013	2014	2015	2016
Bread	6,745.8	6,585.8	6,542.1	6,514.7	6,478.9
Bread substitutes	66.1	67.1	68.5	69.6	71.0
Packaged/industrial bread	266.2	277.5	293.0	310.8	334.0
Unpackaged/artisanal bread	6,413.5	6,241.1	6,180.6	6,134.2	6,073.8
Cakes	301.7	320.6	335.1	346.4	358.4
Packaged/industrial cakes	186.4	197.2	206.3	213.7	221.3
Unpackaged/artisanal cakes	115.4	123.3	128.8	132.7	137.1
Pastries	63.9	67.5	70.8	73.4	76.2
Packaged/industrial pastries	52.8	55.8	58.6	60.8	63.1
Unpackaged/artisanal pastries	11.1	11.7	12.2	12.6	13.0
Baked goods total	7,111.4	6,973.9	6,948.0	6,934.4	6,913.4

Source: *Euromonitor 2012.*

- Unit prices for bread, be it for packaged/industrial or unpackaged/artisanal, will remain fairly stable, as a result of state pricing regulations for such products in that came into effect in 2010.
- The investment in modern baking equipment, and the demand for cakes and pastries, will result in a wider assortment on offer. Production costs will rise gradually as a consequence.

Source: *Mintel 2012.*

Ukraine, Baked Goods, Market Sizes, Forecast, by Category and Volume in Thousands of Tonnes, 2012-2016

Product	2012	2013	2014	2015	2016
Bread	4,697.1	4,675.9	4,614.9	4,598.9	4,564.9
Bread substitutes	10.1	10.2	10.4	10.5	10.7
Packaged/industrial bread	704.1	730.6	763.9	805.3	861.7
Unpackaged/artisanal bread	3,982.9	3,935.1	3,840.7	3,783.0	3,692.6
Cakes	37.2	39.0	40.3	41.3	42.4
Packaged/industrial cakes	21.8	22.7	23.5	24.1	24.8
Unpackaged/artisanal cakes	15.4	16.3	16.8	17.2	17.6
Pastries	19.2	19.9	20.7	21.7	22.7
Packaged/industrial pastries	15.5	16.1	16.9	17.8	18.7
Unpackaged/artisanal pastries	3.7	3.8	3.8	3.9	4.0
Baked goods total	4,753.5	4,734.8	4,675.9	4,661.9	4,630.1

Source: *Euromonitor 2012.*

COMPETITIVE LANDSCAPE

- In Ukraine, food consumption trends vary substantially across regions and income brackets. In rural areas and poorer regions, mainly basic bakery goods are purchased. In bigger cities, where people with higher incomes live, the food consumption pattern is more similar to Western Europe. Urbanized Ukrainian consumers have a wide variety of high-quality products to choose from and the demand for premium goods is increasing.

- Breakfast cereals are the biggest competitor for bread and pastries in morning meals in urban areas. There were a number of reasons for the successful performance of the breakfast cereals sector, the first being the urban consumer's desire for a healthier lifestyle. The westernization of the Ukrainian diet and promotional activity have also helped to make breakfast cereals more popular among urbanized Ukrainians.

- There is some internal competition between types of bread, loaves and other formats, such as buns and baguettes; this competition is often based on health features.

- White bread is increasingly being replaced with rye and seeded varieties by consumers concerned about eating more healthily.

Ukraine, Packaged/Industrial Bread Sector, by Type, % Value Breakdown, 2006-2011

Product	2006	2007	2008	2009	2010	2011
Baguettes	2.32	2.33	2.34	2.35	2.35	2.36
Brown bread	12.1	12.1	12	12.1	11.9	11.86
Buns	5.78	5.68	5.5	5.42	5.18	4.86
Mixed wheat bread	8.36	8.58	8.85	9.2	9.3	9.39
Raisin bread	4.18	4.29	4.41	5.33	6.25	7.16
Rye bread	19.27	19.68	20.05	21.21	21.44	22.58
Wheat meal	2.98	2.99	3	3.01	3.03	3.06
White	38.16	37.3	36.34	34.39	33.87	32.05
Wholemeal bread	4.53	4.58	4.59	4.63	4.65	4.67
Others	2.32	2.47	2.92	2.36	2.03	2.01
Total	100	100	100	100	100	100

***Source:** Euromonitor 2012.*

- Products in the cakes, pastries and sweet goods category compete with many other sweet treats, such as biscuits, cookies, ice cream, various desserts and even confectionery, particularly chocolate bars.

- Ukrainian pastry and cake manufacturers, brands and retailers have continued to invest in occasion cakes, with seasonal occasions such as Easter and Christmas providing opportunities for slight variations to cake and pastry ranges.

MARKET SHARES BY BRAND AND COMPANY

Ukraine, Baked Goods, Brand Shares based on % Retail Sales Value

Brand	Company	2007	2008	2009	2010
Roshen	Roshen Kondyterska Korporatsia	0.59	0.62	0.59	0.67
Kyivkhlib	Kyivkhlib VAT DP	0.13	0.14	0.14	0.15
Korovay	Korovay VAT	0.15	0.14	0.13	0.14
Khlibprom	Khlibprom Concern VAT	0.1	0.11	0.11	0.12
Chudo-Pich	Chudo-Pich TOV	0.04	0.08	0.11	0.12
Formula Smaku	Formula Smaku GK	0.1	0.11	0.09	0.09
Artisanal	Artisanal	10.6	10.54	10.58	10.62
Others	Others	88.29	88.26	88.24	88.08

Source: *Euromonitor 2012.*

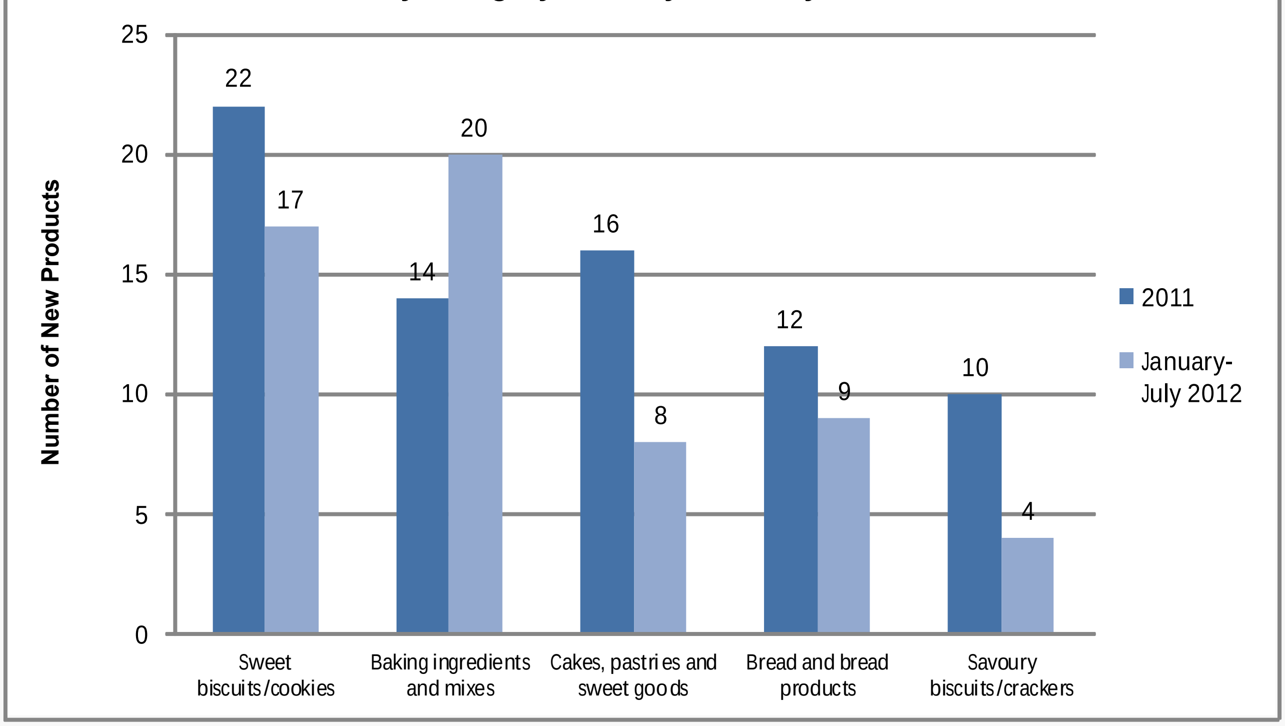
- Baked goods remained highly fragmented in 2010, with no one company claiming a share of more than 1%. The leading companies in this category were Roshen Kondyterska Korporatsia, with a 0.67% value share and Kyivkhlib VAT DP, with 0.15%. The artisanal products sub-category, which represents unpackaged products made by many producers, had the largest share, with 11%.

- In the pastry and cake sector, Roshen Kondyterska Korporatsia continued to lead packaged/industrial cakes in 2010, with a 29% share of value sales, followed by Kyivkhlib VAT DP, with 11%. 'Others' held a significant share of 27%, while there were a number of manufacturers with low shares of around 1% to 3%.

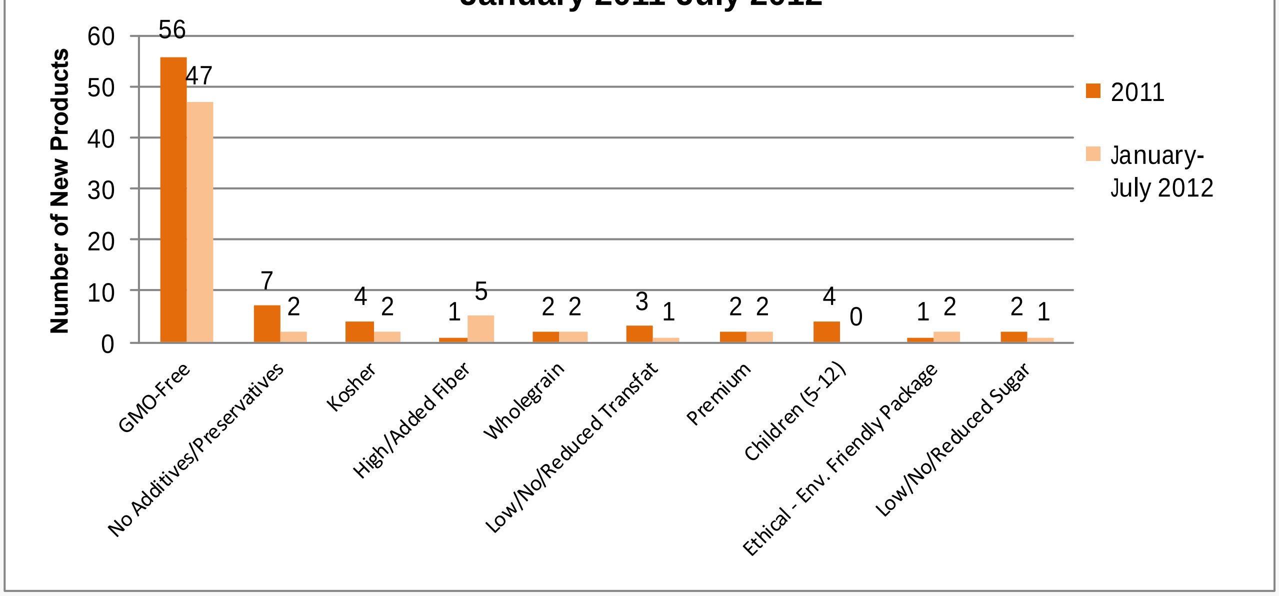
- According to Euromonitor, the baked goods category remained under the complete control of domestic producers/brands, as it was extremely difficult for foreign companies to compete in this market when taking into account the availability of raw materials, technology and production capacity, including labour, methodology and experience, within Ukraine. There were no international brands present in the marketplace at the time of writing this report.

- It is expected that unpackaged/artisanal bakery products will continue to see a decline in their share of the market. Aiming to diversify their businesses, players will focus on mergers and acquisitions involving small bakeries and outlet chains, as well as on the modernization of production facilities. This will allow producers to minimize the effects of fluctuations in raw material prices, while also enjoying other privileges of joint purchasing or sales.

- Furthermore, the inflation of grain prices will continue to squeeze profits in the baked goods industry, forcing brands to rely on innovation and creativity to sustain sales.



Ukraine, New Product Introductions in the Baked Goods Sector by Category, January 2011-July 2012



Ukraine New Products Introductions in Baked Goods by Claims January 2011-July 2012

Source for All: *Mintel 2012.*

NEW PRODUCT TRENDS (continued)

Healthy Attributes Used to Advertise Packaged Food

- During 2010 and 2011, increasing numbers of Ukrainian consumers became interested in leading healthy lifestyles. It took time for this trend to reach Ukraine, but there were many reasons for its eventual emergence, including Ukraine’s aging population and the rising cost of health care.
- The spread of the health and wellness trend is part of the ongoing Westernization of Ukraine. However, the influence of this trend has been mitigated by the low purchasing power of the majority of Ukrainian consumers, given that healthy packaged food is generally more expensive than regular packaged food.
- The following represents a small sample of packaged food products that were released in Ukraine in 2010-2011 under a number of health claims.

GMO-Free

Yarichiv - Cake


Vignor - Pizza

No Additives/Preservatives

Kraft - Cookies


Lasunya - Cake

High/Added Fibre


UkrEko Khlib - Toast

Bauli - Cookies

Premium

Bulochno-Kondyters'kyy Kombinat - Cake


Svizyiy Khlib - Pita

Source for All: *Mintel 2012.*

DISTRIBUTION CHANNELS

- The Ukrainian retail market is rather young and dispersed, with traditional bakeries still taking a significant share of the market.
- There is potential for retailer expansion, as Ukraine's regions are still unsaturated and consumer incomes are steadily rising.
- As retailer expansion progresses eastward in Europe, Ukraine is becoming an increasingly attractive market for the retailers present in neighbouring countries.
- Local Ukrainian players, such as Fozzy and Furshet, have significant strength and are expanding aggressively.
- There is good potential for rapid development of the discounter format in Ukraine.

Top 10 European Markets 2011 (Grocery)

Rank	Country	Grocery retail market in Euro billions
1	Russia	227.0
2	France	214.6
3	Germany	166.0
4	United Kingdom	164.6
5	Italy	129.4
6	Spain	96.0
7	Turkey	61.6
8	Switzerland	44.6
9	Poland	38.0
10	Netherlands	35.1
13	**Ukraine**	**25.5**

Source: *Planet Retail 2012.*

Top Grocery Retailers in Ukraine, 2012

Company	Number Of Outlets	Total Grocery Market Share %
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.*

- According to Planet Retail, given the low level of economic development when compared with Central and Western Europe, the Ukrainian food retail sector is strongly shaped by both independent outlets and open markets.
- Independent outlets source most of their merchandise from thousands of locally operating wholesale companies, while open markets are mainly dominated by farmers offering self-grown produce.

▶ DISTRIBUTION CHANNELS (continued)

Historically, traditional grocery retailers have dominated in Ukraine; however, the arrival of modern grocery retailers in the 1990s led to changes in consumer shopping habits. Supermarkets, and later, hypermarkets offered wider assortments and more competitive prices, due to the establishment of direct contracts with manufacturers. However, being restricted to cities, modern grocery retailers remained inaccessible for people living in towns and villages, where independent small grocers are the only place to buy food.

Ukraine, Sales of Baked Goods by Distribution Format, Based on % Market Share, 2006-2011

	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	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
Total	100	100	100	100	100	100

Source : *Euromonitor 2012.*

▶ NEW PRODUCT EXAMPLES

Metro Select Horeca have launched a frozen apple pie that is free of genetically modified organisms (GMOs), with Normandy cream. The product retails in a 950 g pack and sells for US$ 7.10. It is purchased by the foodservice industry.

Palazzo Bandinelli Gingerbread Panforte of Ancient Lviv contains nuts and candied fruit. The GMO-free product retails in a 280 g pack and sells for US$ 4.95.

▶ NEW PRODUCT EXAMPLES (continued)

Rosmen Breadsticks with Sesame contain no genetically modified ingredients or salt. The product is retailed in a 150 g pack. Also available are Breadsticks with Poppy Seeds, which are GMO-free and are retailed in a 40 g pack for US$ 0.99.

Schedrie Garlic Rye Crispbread is crispy and delicious. The GMO-free bread is made with bran, without added preservatives, dyes or artificial flavours. The bread contains natural vitamins and minerals, and retails in a 100 g pack for US$ 0.99.

Karavay Tistechka Korzynky (Pastry Baskets) are GMO-free. This product retails in a 400 g pack containing four units, and is shelved in the chilled section. It retails for US$ 1.99

Novus Pyrig Zdobnyy Yabluchnyy (Apple Pie) is GMO-free, and shelf stable. The product retails in a 500 g pack for US$ 1.99.

Metro Cvizha Vypichka Khlib Frantsuskyy (French Bread) is GMO-free. The product retails in a 420 g pack, and sells for US$ 0.60.

Source for All: *Mintel 2012.*

Consumer Trends: Bread, Cakes and Pastries in Ukraine

ISSN 1920-6615
AAFC No. **11939E**

Photo Credits

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 :
Tendances de consommation : Pain, gâteaux et pâtisseries en Ukraine

Canada