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International Markets Bureau

MARKET INDICATOR REPORT | NOVEMBER 2012

Consumer Trends

Breads, Cakes and Pastries in the United Kingdom

Growing Forward

Canada

MARKET SNAPSHOT

Eaten by an overwhelming majority (96.7%) of British adults in 2011, bread and baked goods are a fundamental part of the British diet. Retail sales of bread and baked goods climbed in 2011 to US$9.5 billion. Toast is the nation's preferred breakfast item, more people are making sandwiches at home, and at least seven in ten adults use bread at lunch and breakfast.

At the same time, this mature market faces challenges. Competition from rival categories, such as breakfast cereals and fast-food sandwich chains, is an ever-present threat.

The population of Britons over 65 years of age is expected to increase between 2011 and 2016. Consumers in this age group are heavy users of baked goods and are particularly engaged users of alternative bread products (such as pita, naan, tortillas, etc.), which bodes well for the market in the years ahead.

The economic outlook in the United Kingdom (U.K.) is fairly stagnant, but there are some things on which cash-strapped British consumers are reluctant to compromise. One of these is the quality of bread and bakery products. In fact, when choosing bread, British consumers tend to consider the type of bread, the healthiness of the product and the brand; they are less likely to attach importance to price, according to a Mintel survey.

The "free-from" bakery segment (e.g. gluten-free, fat-free, etc.) is flourishing, although it remains a niche segment. This expansion could open up the bread market to a new segment of consumers.

British consumers are eating homemade sandwiches. This money-saving behaviour should increase the demand for pre-packed, sliced bread, as well as wraps and pita-style breads.

INSIDE THIS ISSUE

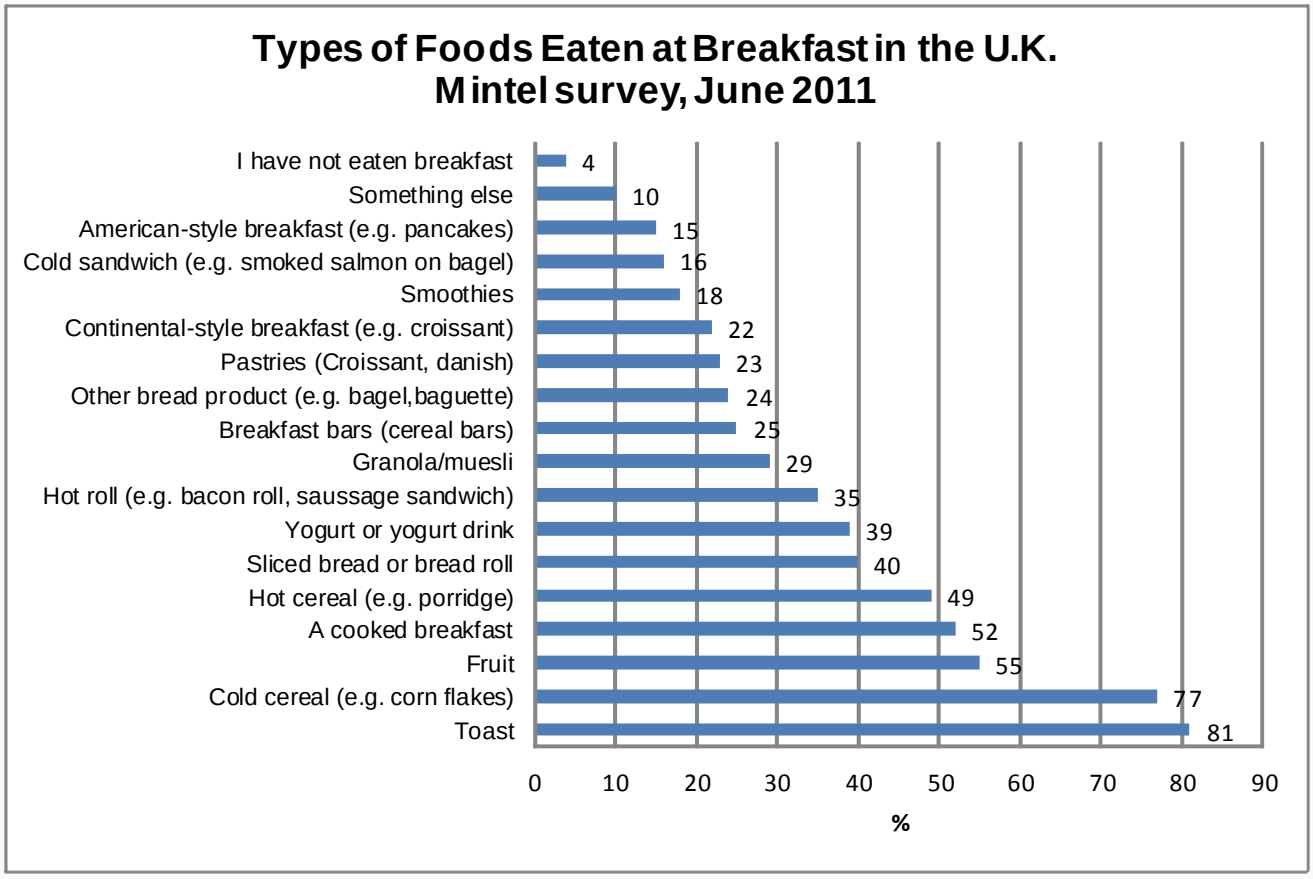
RETAIL SALES

U.K. Baked Goods, Market Sizes, Historic/Forecast
Retail Value Sales in US$ millions

Category	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Bread	5,040.1	5,356.8	5,393.0	5,415.2	5,511.4	5,536.4	5,588.6	5,666.2	5,771.7	5,908.7
Bread substitutes	82.3	86.6	90.1	94.7	99.3	102.2	104.5	106.6	108.6	110.3
Packaged/industrial bread	3,871.6	4,181.3	4,212.1	4,207.2	4,263.2	4,277.7	4,316.5	4,384.6	4,480.3	4,603.3
Unpackaged/artisanal bread	1,086.2	1,088.8	1,090.8	1,113.2	1,148.9	1,156.5	1,167.5	1,175.0	1,182.7	1,195.2
Cakes	2,922.0	2,990.7	3,012.8	2,991.3	2,959.3	2,879.2	2,817.7	2,774.9	2,758.5	2,740.4
Packaged/industrial cakes	1,877.8	1,936.0	1,945.7	1,901.0	1,841.6	1,741.6	1,656.6	1,589.7	1,539.0	1,494.8
Unpackaged/artisanal cakes	1,044.2	1,054.6	1,067.1	1,090.3	1,117.7	1,137.6	1,161.1	1,185.2	1,219.5	1,245.5
Pastries	855.6	900.0	926.8	952.1	978.7	993.9	1,010.8	1,029.3	1,052.9	1,079.1
Packaged/industrial pastries	717.5	755.8	778.6	799.6	822.4	836.4	852.8	871.3	894.9	922.5
Unpackaged/artisanal pastries	138.1	144.2	148.2	152.5	156.3	157.6	158.0	158.1	158.0	156.7
Total Baked Goods	8,817.7	9,247.4	9,332.6	9,358.6	9,449.4	9,409.5	9,417.0	9,470.4	9,583.1	9,728.2

Source: *Euromonitor, 2012.* ***Note:*** *British Pound exchange rate: US$ 1.61409*

- The baked goods category saw a 1% value growth in 2011 over 2010. The retailing industry in the U.K. is highly consolidated and the supermarket/hypermarket channel holds substantial bargaining power, according to Euromonitor. This power is exercised when dealing with manufacturers, to continue to provide the lowest price possible for consumers, despite increases in commodity prices.
- Although it dominates the bakery sector, packed industrial bread recorded fairly flat (+0.1%) sales growth from 2010 to 2011, partly reflecting consumers switching to alternative bakery goods. Within the sector, though, health-positioned loaves, such as dietary and half and half breads (breads that combine the characteristics of both white and whole wheat flours), enjoyed strong growth, according to Mintel (Healthy Eating -U.K., December 2011).
- Sales growth in the bread substitute and speciality bread sector, which includes pita, naan, and wraps, has outperformed that of the overall bread and baked goods market, with 9.5% growth. It is likely that the current consumer enthusiasm for ethnic foods, demonstrated by the expansion of restaurant chains such as Chilango's and Chipotle, has boosted the profile of wraps.
- The cakes category declined by 1% in value terms in 2011, to US$ 2.95 billion. The category has seen a decline because the traditional afternoon coffee or tea with cake does not appeal to younger consumers, who have a wide range of other snacking options.
- Furthermore, there has been a decline in cake consumption due to heightened interest in healthy eating. These trends are reflected in the growing importance of single-portion formats in packaged / industrial cakes. French pastries, such as *brioche* and *pain au chocolat*, are gaining popularity, with many supermarkets/hypermarkets having a strong private label presence among these types of pastries.



Source: *Mintel, 2012.*

- Although the overall cost of living is falling, food prices continue to rise. In the U.K., the average family is now estimated to be spending an extra US$ 460.00 a year on the weekly food basket. From January to December, 2011, food prices rose by 6.5%, the biggest increase in more than two years. Meat was 7.2% more expensive than the previous year, bread and cereals were up 8.5% and soft drinks and mineral water were up 10.6% (Daily Mail, July 13, 2011).

- Prices of baked goods were pushed up by higher wheat costs, as well as the costs of other raw materials, like butter and dried fruit. The increased incidence of snacking on-the-go has seen retailers stock a wider range of loose baked goods (Mintel's January 2011 U.K. Bread and Baked Goods report).

- According to a report by market research firm Gira, entitled *The Bake-Off Bakery Markets in the European Union 2009-2014*, fresh products will drive market growth until 2014, after years of decline. Similarly, the many years of decline in bread consumption will come to a stop. The fresh bread market is expected to become increasingly polarized, with both premium and everyday bread growing (British Baker, June 22, 2011).

Source: *Shutterstock*

COMPETITIVE LANDSCAPE (continued)

Strong internal competition within bread segment

Source : *Mintel 2012.*

- There is some internal competition between types of bread, loaves and other formats, such as rolls, bagels etc., often on health claims. Consumers concerned with eating more healthily are choosing brown and seeded varieties over white bread.

- Whole grain bread is naturally much higher than white bread in fibre, vitamins B6 and E, magnesium, zinc, folic acid and chromium, as it contains all three parts of the wheat grain.

- As outlined in the AAFC report, *Sweet Spreads in the United Kingdom*, bread retains its traditional role as a breakfast staple, competing with many different types of food to claim top place at the breakfast table. Toast is consumed by 81% of adults and tops the list of breakfast foods. However, cold breakfast cereals follow close behind, being eaten by 77% of consumers.

- Bread is also eaten in sandwiches, an area where it competes with ready-made sandwiches. While sandwiches compete with other foods in the lunch time market, they maintain the top position as the most popular lunchtime food, eaten by three in four adults who eat lunch on weekdays (76%), with soup and salad the closest competitors, eaten by 38% and 29%, respectively, as found in Mintel's *Sandwiches and Lunchtime Foods* report.

Strong competition for cakes and pastries

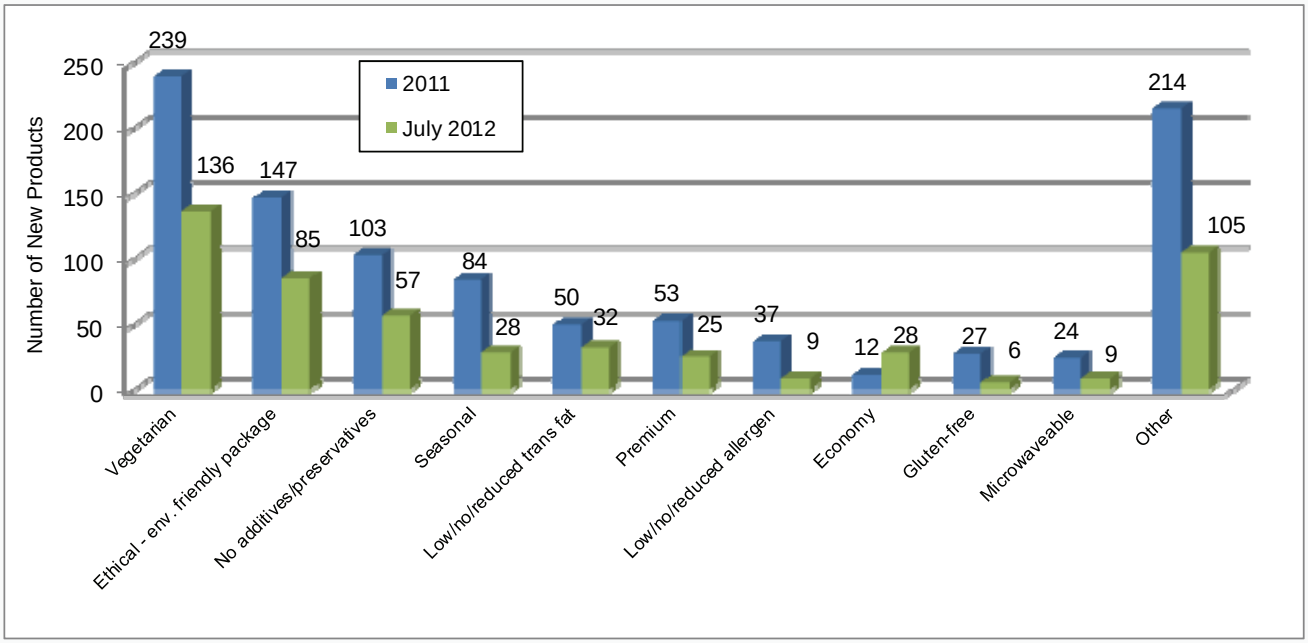
Source : *Mintel 2012.*

- The cakes, pastries and sweet goods market in the U.K. competes with many other sweet treats, such as biscuits/cookies, ice cream, various desserts and even confectionery, particularly chocolate bars.

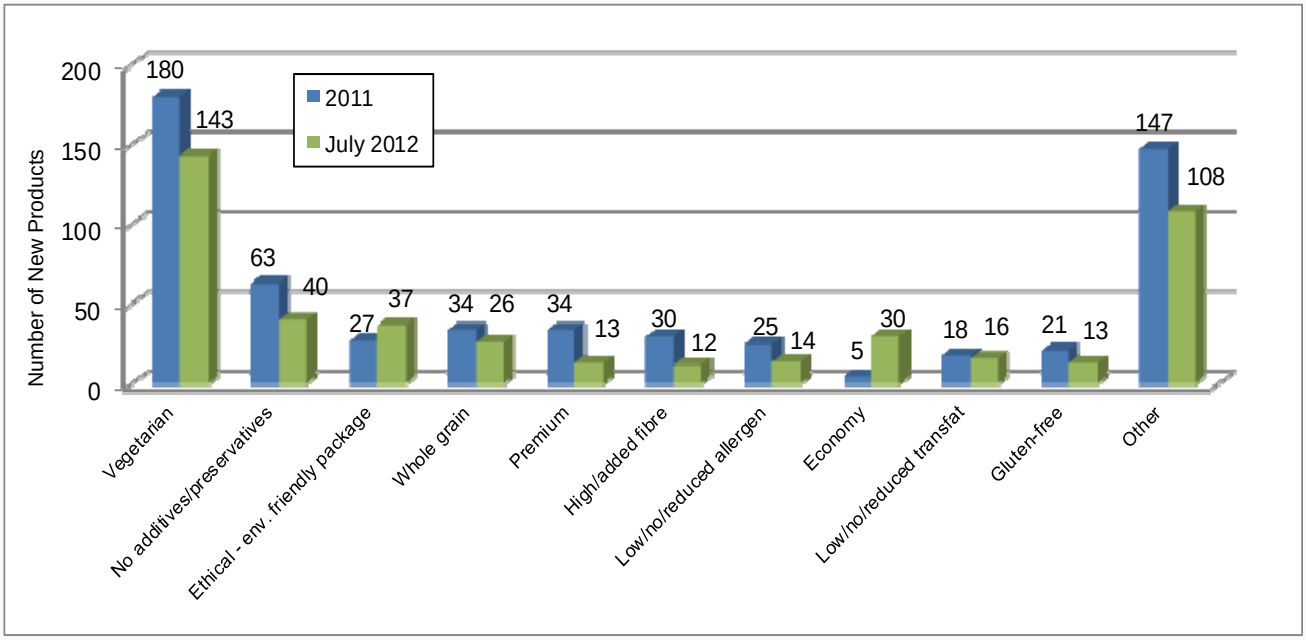
- Cakes, pastries and sweet goods do not generally require much preparation (compared to dessert mixes, for example) nor do they need to be kept frozen (like ice cream), which make them quite convenient.

- Convenience/portability is an important feature in this category, with snack bars, chocolate bars and other hand-held snacks often seen as more suitable for lunchboxes or eating on-the-move, compared to some other products in cakes, pastries and sweet goods.

U.K. New Product Introductions, Cakes, Pastries and Sweet Goods by claim, January 2011-July 2012



U.K. New Product Introductions, Bread and Bread Products by claim, January 2011-July 2012



Source for both: *Mintel, 2012.*

NEW PRODUCT TRENDS (continued)

- The bakery goods industry has increased the availability of a variety of healthy breads, pastries and cakes, such as high fibre multi-seed loaves, gluten-free ranges and low-fat flat breads.
- Improving product naturalness is a major trend in food, therefore it is not surprising to find no additives/preservatives among the top claims for new product launches, as well as "organic," which is a very important claim in the British market, closely followed by low/no/reduced trans fat.
- Focusing on the freshness of cakes and the use of more natural ingredients helped to encourage consumption and mitigate concerns over the ingredients used in shelf stable or long-life products.
- Demand for healthier options has seen the launch of products with added health benefits, such as multigrain, multi-seed, high fibre and whole grain options.
- Health is generally a more important consideration with regard to bread and bread products, as cakes, pastries and sweet goods tend to be viewed as an indulgent treat.

No Additives/Preservatives		All Natural	
			
Tesco Garlic bread	**Aldi** Apple pie	**Mt. Vikos** Olive Oil toasts	**Pearl River Pastry** Carrot muffins

Source for all: *Mintel 2012.*

▶ NEW PRODUCT TRENDS (continued)

Organic

HKS Marketing
Organic Matzos

Le Ster
Milk Chocolate Chip Cakes

Low/no/reduced allergen / gluten free

Gerblé
Soft Bread

Edward & Sons Trading
Gluten-Free Sugar Cones

Low/no/reduced cholesterol

Gardenia Foods
Bread

Pandurata Alimentos
Toast

Low/no/reduced trans fat

Lewis Bakery
Buns

Vicenzi Biscotti
Cream pastry

Source for all: *Mintel 2012.*

NEW PRODUCT TRENDS (continued)

- Many busy British consumers are concerned with not having the time to cook, so products that can save time or create better efficiency in the kitchen are popular.

Time/speed

Punjab Milk Foods
Soft dumplings

Pick 'n Pay
Roti bread

Microwaveable

McCain Foods
Gauffres

Anat's Bakery
Pita bread

- Some consumers lack the skills and knowledge to cook from scratch, so products offering simple solutions have strong appeal.

Ease of use

COTO
Buns

Marks and Spencer
Buns

High added fibre

Barilla Wasa
Toast

Barilla Wasa
Brownies

Source for all: *Mintel 2012.*

MARKET SHARE BY COMPANY AND BRAND

United Kingdom Baked Goods, Market Share by Company and Brand, Based on % Retail Sales Value

Company	Brand	2007	2008	2009	2010
Warburtons	Warburtons Ltd.	11.4	12.3	13.2	13
Hovis	Premier Foods Group Ltd.	9.96	10.3	9.84	9.53
Kingsmill	Allied Bakeries Ltd.	6.19	7.42	7.51	7.6
Tesco	Tesco Plc	6.92	6.95	6.78	6.71
Sainsbury	J Sainsbury Plc	5.14	5.18	5.04	4.99
Asda	Asda Group Ltd.	3.76	3.84	3.7	3.64
Other Private Label	Other Private Label	3.38	3.45	3.28	3.18
Morrisons	Wm Morrison Supermarkets Plc	2.91	2.95	2.88	2.84
Mr Kipling	Premier Foods Group Ltd.	2.31	2.52	2.43	2.25
Marks & Spencer	Marks & Spencer Plc	1.73	1.75	1.72	1.82
Braces	Braces Bakery Ltd.	0.7	0.75	0.82	0.81
Roberts	Frank Roberts & Sons Ltd.	0.76	0.81	0.89	0.76
Lyons Cakes	Premier Foods Group Ltd.	0.71	0.69	0.73	0.7
Cadbury's Mini Rolls	Premier Foods Group Ltd.	0.76	0.68	0.68	0.66
Weight Watchers	Warburtons Ltd.	0.54	0.67	0.54	0.49
Mothers Pride	Premier Foods Group Ltd.	0.55	0.57	0.55	0.48
Weight Watchers	Anthony Alan Foods Ltd.	0.42	0.44	0.5	0.46
Lightbody	Lightbody Celebration Cakes Ltd.	0.49	0.49	0.45	0.46
Allinson	Allied Bakeries Ltd.	0.53	0.5	0.45	0.41
Ryvita	Jordans & Ryvita Co Ltd.,	-	-	0.37	0.38
Soreen Malt Loaf	Soreen Ltd.	0.2	0.27	0.29	0.31
Fabulous Bakin' Boys	Fabulous Bakin' Boys Ltd.	0.25	0.27	0.33	0.28
Go Ahead!	United Biscuits (U.K.) Ltd.	0.18	0.19	0.2	0.28
Bürgen	Allied Bakeries Ltd.	0.26	0.27	0.24	0.24
Nimble	Premier Foods Group Ltd.	0.29	0.29	0.26	0.21
Artisanal	Artisanal	25	24.1	24	24.5
Others	Others	13.5	11.3	11.6	12.2

Source: *Euromonitor, 2012.* ***Note*** *no data available for 2011.*

- The baked goods category is expected to see constant value sales grow at a Compound Annual Growth Rate (CAGR) of 1% between 2012 and 2016, according to Euromonitor. Growth will be driven by dynamism in product areas such as all natural, no additive/no preservative etc., reflecting increasingly divergent consumer attitudes to health when it comes to baked goods.

- Time starved consumers are becoming increasingly concerned about their health, favoring both convenience and whole grain in their bakery products; these trends are boosting sales of bread, cake and pastries. Furthermore consumers' experimentation with new types of cuisine and breads will maintain interest levels in wraps and other ethnic speciality bread.

- Baked goods that cater to consumers with food intolerances are also an area for development that is increasingly attracting retailers and manufacturers. The "free from" range is important, with strong growth prospects, particularly among certain key groups such as celiac disease sufferers in the U.K.

DISTRIBUTION CHANNELS

- The top four grocers in Britain – Tesco, Sainsbury, Walmart (Asda) and Morrisons – are used by 83% of British adults for their main food shopping. Reflecting their dominance in the wider food market, these grocery retailers also capture the majority of spending on bread and baked goods.

- Supermarkets/hypermarkets not only have the shelf space to stock a wider range of bakery goods, but they also have the unit space to accommodate in-store bakeries.

- Competitive pricing, a wide variety of brands and products, as well as a commitment to price promotions characterize these retailers and make them attractive to consumers.

United Kingdom Sales of Baked Goods by Distribution Format
Based on % Market Shares, 2007-2011

Distribution Format	2007	2008	2009	2010	2011
Store-based retailing	97.8	97.5	97.3	97.2	97.0
Grocery retailers	97.8	97.5	97.3	97.2	97.0
Supermarkets/hypermarkets	76.1	76.8	76.9	77.0	77.3
Discounters	1.7	2.1	2.3	2.4	2.1
Small grocery retailers	11.5	13	12.9	12.7	12.7
Convenience stores	5	6.6	7	7.1	7.2
Independent small grocers	4.5	4.1	3.6	3.3	3.2
Forecourt retailers	2	2.2	2.3	2.3	2.3
Other grocery retailers	8.5	5.6	5.1	5	4.9
Non-store retailing	2.2	2.5	2.7	2.8	2.9
Internet retailing	2.2	2.5	2.7	2.8	2.9

Source: *Euromonitor, 2012.*

Top Grocery Retailers in the United Kingdom, 2012

Company	Number of	Total Grocery
Tesco	3,174	17.88%
Sainsbury	1,073	9.81%
Morrisons	523	9.54%
Walmart	561	8.75%
Co-operative Group	3,630	4.12%

Source: *Planet Retail, 2012.*

- According to a 2011 Food Retailing report from Mintel, the U.K. shopping landscape is becoming increasingly homogenized, as the top four grocery chains, Tesco, Sainsbury, Walmart (Asda) and Morrisons, expand their store numbers.

NEW PRODUCT EXAMPLES

- Below is a small sampling of some of the new bread, cake and pastry products launched in the United Kingdom from January to July, 2012.

Sharwood's naan bread is now available with a new, improved recipe. It is hand-formed and flame-baked in a clay-lined oven for an authentic Indian flavour. This product is suitable for vegetarians, and retails in a package containing two units for $US3.18.

Hovis Premium White Rolls are now available with a new recipe. The rolls are made with the finest ingredients, such as 100% British wheat, and are flour-dusted. The vegetarian product is free from artificial preservatives and flavourings, and retails in a pack of four for $US1.10.

Waitrose Chocolate & Hazelnut Filled Crêpes are French crêpes with a rich and nutty chocolate and hazelnut filling. This vegetarian product can be heated in the microwave and retails in package with four crêpes, priced at US$3.56.

Rowntree's Jelly Tots Funsize Yummy Yoghurt Flavour Cupcakes are available in a newly designed pack, containing nine sponge cakes topped with a yogurt flavour fondant icing decorated with a fruit- flavoured jelly sweet. This ready-to-eat product contains no artificial colours or flavours and sells for US$1.69.

Asda Chosen By You Lemon Daisy Cupcake is described as a moist, golden sponge swirled with lemon buttercream and topped with an edible daisy. This vegetarian product is free from artificial colours, flavours and hydrogenated fat, and retails in a recyclable pack containing one unit. Also available in the same range are the following varieties: Strawberry Glitter Cupcake; Carrot Cupcake; and Maple & Walnut Cupcake. This product is priced at US$1.28.

TRADE DATA

- The U.K. imported around US$2 billion worth of bread, pastries, sweet biscuits, waffles, wafers, pharmacy product casings, gingerbread, rusks, and other baked goods from the world in 2011. Canada's share of this market was US$13.1 million, or 0.6%, and ranked 15th among suppliers to the U.K.

United Kingdom Import Statistics
Commodity 1905: Pastry, Cakes, Biscuits and Other Bakers' Wares, Whether or Not Containing Cocoa; Communion Wafers, Empty Cachets For Pharmaceutical Use Sealing Wafers, Rice Paper and Similar Products

Partner Country	US$			% Share		
	2009	2010	2011	2009	2010	2011
World	1,937,496,340	1,831,578,983	1,977,551,505	100.00	100.00	100.00
Germany	411,055,989	411,429,948	411,362,552	21.22	22.46	20.80
France	328,326,632	278,707,437	343,331,124	16.95	15.22	17.36
Belgium	276,952,358	268,550,022	250,929,139	14.29	14.66	12.69
Netherlands	193,070,790	204,915,732	234,089,458	9.96	11.19	11.84
Ireland	281,125,532	216,680,691	227,906,975	14.51	11.83	11.52
Italy	89,614,379	89,963,953	108,723,787	4.63	4.91	5.50
Spain	86,325,359	79,589,332	100,449,892	4.46	4.35	5.08
Poland	41,342,078	48,999,829	52,416,768	2.13	2.68	2.65
Denmark	60,672,517	52,079,595	42,298,207	3.13	2.84	2.14
United States	14,916,225	13,682,771	18,851,791	0.77	0.75	0.95

- The U.K. imported around US$676.2 million worth of food products for use in bakery product preparation from the world in 2011. Canada's share of this market was US$2.8 million, or 0.42%, and ranked 16th among suppliers to the U.K.

United Kingdom Import Statistics
Commodity 1901: Malt Extract; Food Preparations of Flour < 40% Cocoa ; Food Preparations < 5% Cocoa Etc. Pharmaceutical Use Sealing Wafers, Rice Paper and Similar Products

Partner Country	US$			% Share		
	2009	2010	2011	2009	2010	2011
World	528,580,305	542,397,219	676,261,455	100.00	100.00	100.00
Ireland	221,395,474	251,588,979	312,005,616	41.88	46.38	46.14
Belgium	13,334,738	20,258,478	89,300,546	2.52	3.73	13.21
France	62,898,243	80,634,851	74,243,290	11.90	14.87	10.98
Germany	74,101,614	66,011,967	72,773,810	14.02	12.17	10.76
Netherlands	58,002,599	38,523,056	30,450,969	10.97	7.10	4.50
United States	28,147,431	22,911,388	23,969,362	5.33	4.22	3.54
Spain	9,995,673	11,092,844	13,990,452	1.89	2.05	2.07
Italy	4,876,914	5,279,866	6,709,516	0.92	0.97	0.99
Switzerland	7,411,258	6,207,400	6,658,106	1.40	1.14	0.98

Source for both: *Global Trade Atlas, 2012.*

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