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MARKET ACCESS SECRETARIAT
Global Analysis Report

Pathfinder

Bakery in the European Union

May 2016

EXECUTIVE SUMMARY

The bakery sector in the European Union (EU) is one of the most dynamic sectors in terms of innovation and quick response to consumer demand and trends. The baked goods in the EU is a mature sector, with a high penetration rate among European families.

With an aging population and the focus on health, EU consumers are looking for healthier alternatives such as fresh, artisanal, organic, ethnic and added-value baked goods. The traditional packaged baked goods category is facing strong competition from these products.

In addition, there are encouraging signs of a return to prosperity, increasing disposable incomes, higher living standards, and shifting lifestyles resulting from cultural changes and immigration, are providing a stimulus to bakery products in main European markets.

Consumers are becoming more health-conscious and curious, not just about new grains, but also bread with olives, nuts, apricots and other ingredients, which they are willing to try. Manufacturers have noticed the health trend and started to grasp the opportunity.

The EU is a political and economic partnership between 28 Member States. It has a combined population of almost 500 million and a collective Gross Domestic Product (GDP) larger than that of the United States. It is Canada's second largest trading partner with two-way bilateral trade in 2014 estimated at approximately C$96.5 billion. Canadian agri-food and seafood exports to the EU in 2014 were approximately C$3.8 billion.

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INTRODUCTION

Baked goods are popular in Europe, which have a long bakery tradition. Breads and biscuits are the most consumed products, but demand for other bakery items such as cakes, pastries, and cookies is also increasing. The demand for traditional bakery products has matured in main European markets, and bakery manufacturers are expanding and experimenting with innovations in products such as whole wheat breads, non-allergen, gluten-free products, and high fibre biscuits, to stimulate the growth.
The bakery goods industry in the EU provides for a vast consumer segment ranging from 2 to 99 years old of age, and it has developed the ability to be closely in tune to the shifting customer tastes and needs. For example, the indulgence products target primarily the adults according to Mintel, and the novelty brands aimed at children, especially in the biscuit and breakfast cereals sectors. Manufacturers are also expected to target the lucrative teen's market.

POSITIONING BAKERY PRODUCTS IN THE EUROPEAN UNION

Top 10 Bakery Companies in the European Union in 2014

Company	US$ Millions	Market Share%
Mondelez International Inc	4,233.7	2.8
Barilla Holding SpA	3,606.8	2.4
Kellogg Co	2,488.8	1.7
Yildiz Holding AS	2,419.0	1.6
Agrofert as	1,837.4	1.2
Warburtons Ltd	1,333.4	0.9
Associated British Foods Plc	1,278.7	0.9
Cereal Partners Worldwide SA	1,209.4	0.8
Premier Foods Plc	1,172.2	0.8
Harry-Brot GmbH	973.1	0.7
Artisanal	80,109.6	2.8
Private Label	19,649.3	2.4
Others	1,4001	1.7

Source: *Euromonitor International, 2015.*

Mintel notes that through the past decade, private label has established major gains in EU bakery, desserts and breakfast cereals market. The popularity of discount grocery retailers in main European markets has helped sales of both new and existing private label products.

Artisanal baked goods dominate top markets such as France and Italy. However, artisanal baked goods are less popular in other main markets such as the United Kingdom and Germany.

Top 10 EU Bakery Products Market Sizes Historic/Forecast
Retail Volume in '000 Tonnes and % Growth

Rank	Country	2009	2013	2014	2015F	2019F	CAGR* % 2009-19
1	Germany	6,367.2	6,092.1	6,097.0	*6,101.7*	*6,111.6*	-0.41
2	France	4,523.4	4,564.8	4,548.4	*4,522.7*	*4,513.0*	-0.02
3	Italy	4,524.0	4,218.3	4,181.4	*4,159.7*	*4,169.6*	-0.81
4	United Kingdom	3,965.5	3,891.9	3,892.7	*3,905.2*	*3,876.2*	-0.23
5	Spain	2,391.6	2,273.7	2,310.4	*2,344.3*	*2,412.1*	0.09
6	Poland	2,449.5	2,175.8	2,140.7	*2,110.3*	*2,053.8*	-1.75
7	Romania	1,907.8	1,843.4	1,848.4	*1,854.2*	*1,828.4*	-0.42
8	Netherlands	1,342.6	1,329.0	1,323.1	*1,313.8*	*1,288.8*	-0.41
9	Belgium	922.7	939.8	946.0	*949.6*	*956.0*	0.36
10	Czech Republic	829.5	825.2	828.6	*832.0*	*845.4*	0.19

Source: *Euromonitor International, 2015.* ***F****: Forecast.* ****CAGR****: Compound Annual Growth Rate*

According to the data of Baker's Federation who represent the bread and bakery products producers; the EU has a bread market worth nearly 32 million tonnes. The average per capita bread consumption amount in the EU is around 55 kg. However, the consumption differs from one country to the next; for example, while Germans consume 80kg of bread per year, the French consume 59kg per year, and the Britons consume less than 50 kg per year.

Top 10 EU Bakery Products Market Sizes Historic/Forecast Retail Value
in US$ Millions - Fixed 2014 Exchange Rates and % Growth

Rank	Country	2009	2013	2014	2015F	2019F	CAGR* % 2009-19
1	France	21,936.9	23,466.1	23,777.5	*23,718.0*	*23,428.6*	0.66
2	Germany	21,492.9	22,236.5	23,711.3	*22,819.0*	*23,100.9*	0.72
3	Italy	23,829.5	23,792.5	22,693.7	*23,406.2*	*22,555.1*	-0.55
4	United Kingdom	16,391.3	17,982.6	18,361.0	*18,487.4*	*19,177.0*	1.58
5	Spain	9,426.5	8,642.2	8,704.2	*8,673.7*	*8,286.4*	-1.28
6	Netherlands	4,884.2	5,259.5	5,343.5	*5,345.5*	*5,336.3*	0.89
7	Belgium	4,478.6	4,825.9	4,914.9	*4,923.6*	*4,972.9*	1.05
8	Austria	3,818.5	4,287.3	4,429.2	*4,470.4*	*4,588.0*	1.85
9	Poland	4,666.3	4,685.2	4,721.7	*4,655.5*	*4,574.0*	-0.20
10	Romania	2,476.2	3,496.4	3,443.0	*3,411.7*	*3,776.9*	4.31

Source: *Euromonitor International, 2015.* ***F****: Forecast* *** CAGR****: Compound Annual Growth Rate*

France was the EU's largest bakery products market in 2014, with retail sales of US$23.8 billion, a 1.3% increase from 2013. Germany was second with US$23.7 billion, followed by Italy with US$22.7 billion and the UK with US$18.4 billion.

According to Statistics Canada, Canada exported over US$2.9 billion worth of bakery products to the world in 2014. The proportion of these exports that went to the EU was roughly 1%. Approximately 95% of all Canadian bakery product exports were sent to the United States in 2014.

However, the EU imported around US$903.0 million worth of bread, pastries, sweet biscuits, waffles, wafers, pharmacy product casings, gingerbread, rusks, and other baked goods from countries outside of the EU in 2014. Canada's share of this market was U$37.3 million, or 4.1% in 2014.

European Union Top Bakery Products Suppliers, in US$ Millions and % Growth

Country	2009	2010	2011	2012	2013	2014	CAGR* % 2009-14
EU Total	649.63	704.18	792.04	776.14	856.36	902.92	6.81
Switzerland	169.93	164.95	175.87	167.61	170.88	162.37	-0.91
Turkey	94.69	98.84	111.14	106.68	122.83	141.75	8.40
United States	40.51	52.90	69.68	67.19	83.29	80.74	14.79
China	54.94	67.63	81.76	68.54	69.44	69.33	4.76
Thailand	36.72	40.79	43.04	49.25	59.40	53.88	7.97
Canada	20.18	19.87	18.71	22.09	28.97	37.33	13.09
Macedonia	13.36	16.07	19.18	19.66	25.08	29.85	17.44
Serbia	16.30	17.63	20.37	21.21	23.57	28.96	12.18
Vietnam	16.33	19.96	25.00	24.73	23.12	28.80	12.01
Indonesia	17.22	17.92	22.24	20.96	22.20	25.99	8.58

Source: *Global Trade Atlas, 2015.*
****Note:*** *For the purposes of this report, "bakery products" was defined using HS codes 1904 and 1905*

CONSUMER ATTITUDES AND ECONOMIC DRIVERS

European consumers have a growing hectic schedule; therefore, satisfying and portable snacks such as pocket sandwiches and wraps are rising in popularity. Also, persistent changes in workforce participation, as well as growing revenues, have led consumers to emphasize more on convenience according to Euromonitor briefing on European consumer attitude toward processed food. The growth of out-of-home consumption and increased demand on instant and nutritious products are the main reasons for the continuous increase in innovative bakery products.

Producers in Europe are diversifying their products, following consumers' increased self-awareness on nutrition, and trends such as "free from", "gluten free" and low sodium are having impact on the sector. Furthermore, the productions of different bread types by using ethnic ingredients also influence consumption of bakery products.

Specialty bakery products

Euromonitor noted in its briefing on the bakery sector in Europe, that most bakeries are featuring specialty breads, cakes and speciality pastries, recognizing that consumers will pay more for such products. Products such as vegetarian breads, certified halal or Kosher, and pastries are also increasingly becoming more important as customers demand alternative products. The healthy eating trend is becoming main stream; health experts promote extensively product such as high fibre breads or pastries as good for you products.

Artisanal

The handcrafted, artisanal breads can be a trade mark of a nation, from the French baguette to German rye bread; each country has its signature bakery products which are sold anywhere there is a baker. Several bakers' federations across Europe report that the white bleach flour used in baguettes and croissants is slowly abandoned to the benefit of flour made from stone-ground and ancient grains that many Europeans are embracing with the trend of healthy eating.

Other trends

The federations also report that organic, gluten-free foods and products catering to consumers with food allergies are in constant progression all over Europe. Whole grains, portion size and low-sodium options are popular as well. According to Euromonitor, most stores report increasing sales of gluten-free, and allergen free bread, pastries and cakes.

HEALTH CONSIDERATION

Bakery products in the EU are seeing rapid growth of the "gluten-free" category because of the escalating prevalence of health problems associated with diet and consumer interest in the foods for health and wellness reasons. According to the Mintel Global New Products Database (GNPD) there were 3,164 new baked goods products launched in the EU from January 2010 to December 2014. Of these, 598 (18.9%) were launched in the U.K. market, Germany was a close second with 549 products (17.4%) followed by Spain with 422 products (13.3%).

New Product Launches of Gluten-Free Bakery Product in the Top 10 Markets in the EU, 2010-2014

Country	2010	2011	2012	2013	2014	Total New Products	% of Total
UK	109	90	113	127	159	598	18.9
Germany	110	97	128	131	83	549	17.4
Spain	50	58	77	103	134	422	13.3
Italy	53	63	81	98	90	385	12.2
France	47	47	57	58	122	331	10.5
Finland	25	44	21	52	34	176	5.6
Czech Republic	3	5	11	36	52	107	3.4
Netherlands	15	12	4	13	61	105	3.3
Portugal	13	15	11	15	17	71	2.2
Denmark	7	8	6	14	31	66	2.1
Total	475	483	564	723	919	3,164	88.9

Source : *Mintel GNPD, 2015*

According to Mintel survey on "gluten free" diet, 75% of "gluten-free" consumers who do not have celiac disease or sensitivity to gluten consume these foods because they believe they are healthier; and 39% agree that gluten-free products are beneficial for everyone, not only those with a gluten allergy, intolerance, or sensitivity (Mintel Report, Gluten-free Foods September 2013).

Over a third of people who buy free-from products in the U.K. would like to see a wider range of "free-from" everyday essentials (e.g. bread), and an equal proportion would like to see a wider range of "free-from" on-the-go/snack items, suggesting opportunities for more products to tap into the free-from segment. (Mintel Report, Gluten-free Foods September 2013).

Price Point of Gluten-Free Bakery Product in the Top % Markets in the EU, 2010-2014

Price in US Dollars	U.K.	Germany	Spain	Italy	France
$4.00	1	14	2	1	2
$5.34	1	4	5	1	3
$3.34	2	9	2	4	0
$3.16	17	0	0	0	0
$4.96	0	6	2	5	2
$3.08	17	0	1	0	0
$3.85	11	1	0	1	1
$3.95	0	5	8	0	1
$2.67	1	9	2	2	0
$3.06	12	0	2	0	1
Total Sample	598	549	422	385	331

Source: *Mintel GNPD, 2015*

CONVENIENCE

As shown in the table below, globally and in Europe in particular, the demand for convenience food, i.e. food that has been commercially pre-prepared and requires minimum additional preparation by the consumer, is growing.

Several factors explain this growing demand. First, there is a generation effect on the demand of conveniences food: the younger the consumer, the higher the probability of consuming convenient food. Lack of time, is a concern for many young European consumers, consequently producers of bakery products offer a variety of products that can save time or create better efficiency in the kitchen which are proving to be popular.

Cooking from scratch and especially baking cakes from scratch is still popular in many European home kitchens, and particularly among the older generation, but overall the majority is indicating that a lack of time, skill and concerns over added cost put convenience high on people's priority lists (Mintel report, Cakes and Cake Bars, 2014).

The convenience claim is a very popular one, and from August 2014 to August 2015, there were 1,842 new products launches in the EU with convenience claim, with 657 baking ingredients and mixes products confirming the popularity or baking from scratch trend.

New Product Launches by Convenience Claim in the EU, August 2014 to August 2015

Sub-Category	2014	2015	% change 2014 - 2015	Total New Products
Baking ingredients and mixes	318	339	6.60	657
Bread and bread products	172	251	45.93	423
Cakes, pastries and sweet goods	123	237	92.68	360
Sweet biscuits/cookies	126	178	41.27	304
Savoury biscuits/crackers	44	54	22.73	98
Total	783	1,059	35.25	1,842

Source: *Mintel GNPD, 2015*

New ingredients appearing in the EU market for the first time tracked by GNPD within the last 12 month

Grand Marnier
Potassium Iodine
Canola Seed Oil
Rye Semolina
L-glutamic Acid
Kefir
Mango Powder
Blueberry Powder

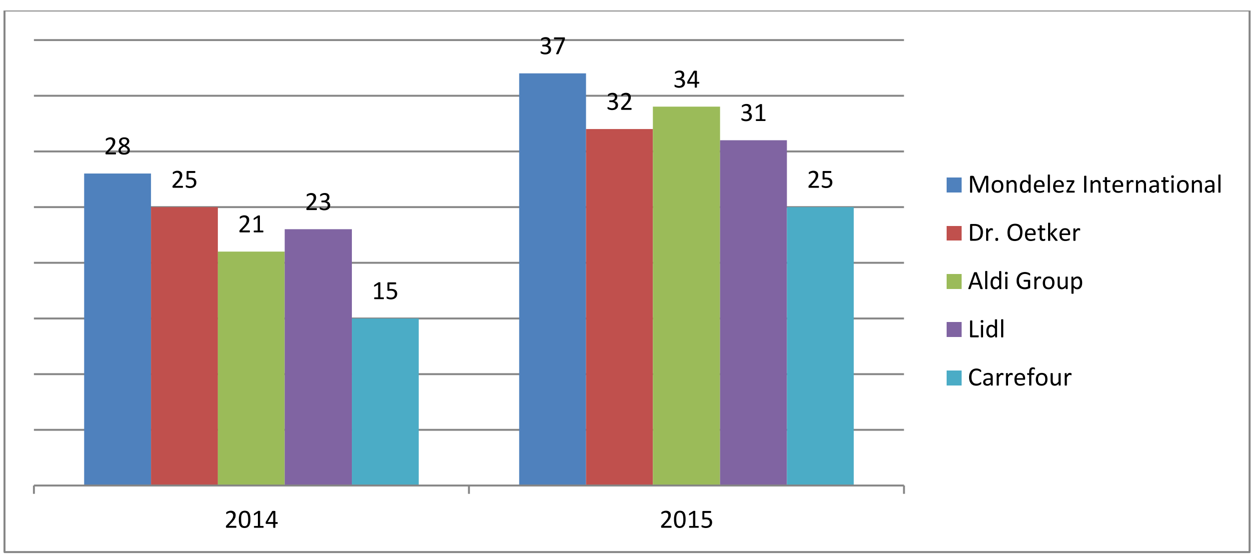
Top packaging types, for convenience bakery products materials and combinations from the last 2 years, and % change, 2014 vs. 2015

Top Packaging Types	
Flexible sachet	-12.9%
Carton	-11.1%
Top Packaging Materials	
Metallised Film	-2.6%
Plastic PP	-6.9%
Top Packaging Combinations	
Flexible, Plastic unspecified	0.0%
Flexible, Metallised Film	6.3%
Flexible, Plastic PP	29.4%

Fastest Growing Flavours, Number of New Product, Q3 2013 vs. Q3 2015

Favour	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015
Hazelnut	8	12	9	3	5	12	13	11	4
Chocolate (White)	7	4	0	3	5	2	4	8	4
Yogurt/Yoghurt	3	3	4	2	2	2	4	5	2
Cereal	1	2	1	1	0	3	4	3	1
Custard	0	3	0	1	1	2	1	4	0
Cheese (Gouda)	0	1	5	1	0	0	1	4	0

New Product Launches of Convenience Baked Goods Products in EU, From August 2014 to August 2015, by Company



Source for all: *Mintel GNPD, 2015*

TASTE AND AUTHENTICITY

Mintel GNPD indicates that, more than 90% of consumers think taste is the most important purchase driver for bread. The bakery products are associated with tradition in most European countries, due to their importance in the culinary culture. Traditional bakery products are thought to be the tastiest. This is why tradition and authenticity are very strong claim for the European bakery industry.

The authenticity claim is predominantly in European countries with a strong bread tradition. According to Mintel GNPD, there were 269 new products launches in the EU carrying the claim authentic, with 75 products introduced in France from 2010 to 2014 followed by the U.K. and Spain with 59 and 21 products, respectively, in the same period.

New Product Bakery Product Launches by Authenticity Claim in the EU

Country	2010	2011	2012	2013	2014	Total New Products
France	17	6	18	15	19	75
UK	8	12	17	12	10	59
Spain	3	2	6	3	7	21
Italy	0	0	2	4	14	20
Ireland	2	2	5	5	4	18
Germany	4	2	1	4	4	15
Greece	0	1	4	3	5	13
Netherlands	2	1	2	1	5	11
Switzerland	2	0	0	3	1	6
Belgium	0	0	0	3	2	5
Total	42	30	65	57	75	269

Source: *Mintel GNPD, 2015*

FRANCE BAKERY MARKET

The overall market for bakery products in France is expected to keep a modest pace averaging 1.5% growth to 2019. According to Euromonitor, the advantage of packaged products will continue to be the convenience trend, as these products have a longer shelf life and are available through various retailers.

Analysis by Euromonitor highlights that packaged/industrial bread manufacturers are expected to drive the market by offering better for you (BFY) products, but also ethnic bread (tortillas, naan, pita, challah, and burgers buns). The natural health and wellness product, such as organic variants, is another trend.

Historic Retail Value Sales of Bakery Products in France, in US$ Millions and Period Growth (%), Current Prices – Fixed 2014 Exchange Rates

Category	2010	2011	2012	2013	2014	2010-14 CAGR* %
Bakery	22,280.7	22,787.3	23,152.9	23,466.1	23,777.5	1.6
Baked Goods	18,463.3	18,843.4	19,098.2	19,338.2	19,581.8	1.5
Biscuits	2,899.8	2,998.2	3,109.6	3,192.4	3,267.4	3.0
Breakfast Cereals	917.6	945.7	945.1	935.5	928.3	0.3

Source: *Euromonitor International, 2015* ****CAGR:*** *Compound Annual Growth Rate.*

Forecast Retail Value Sales of Bakery Products in France, in US$ Millions and Period Growth (%), Current Prices – Fixed 2014 Exchange Rates

Category	2015	2016	2017	2018	2019	2015-19 CAGR* %
Bakery	24,076.3	24,415.3	24,781.2	25,169.9	25,564.2	1.5
Baked Goods	19,803.8	20,063.8	20,352.6	20,666.2	20,985.8	1.5
Biscuits	3,340.0	3,411.0	3,477.9	3,538.1	3,596.3	1.9
Breakfast Cereals	932.5	940.4	950.7	965.6	982.2	1.3

***CAGR:** *Compound Annual Growth Rate.*

Historic Retail Volume in Tonnes ('000) of Bakery Products Subsectors in France

Subsector	2010	2011	2012	2013	2014	2010-14 CAGR* %
Bakery	4,546.7	4,583.8	4,568.9	4,564.8	4,548.4	0.0
Baked Goods	4,081.3	4,114.3	4,098.7	4,091.2	4,072.7	-0.1
Biscuits	349.3	351.0	353.6	356.8	359.1	0.7
Breakfast Cereals	116.0	118.5	116.6	116.7	116.6	0.1

***CAGR:** *Compound Annual Growth Rate.*

Forecast Retail Volume in Tonnes ('000) of Bakery Products Subsectors in France

Subsector	2015	2016	2017	2018	2019	2015-19 CAGR* %
Bakery	4,522.7	4,503.0	4,496.0	4,500.7	4,513.0	-0.1
Baked Goods	4,044.3	4,021.9	4,011.9	4,014.0	4,023.9	-0.1
Biscuits	361.5	363.8	366.2	368.2	370.0	0.6
Breakfast Cereals	116.9	117.3	117.9	118.5	119.1	0.5

***Source for all:** Euromonitor International, 2015* ***CAGR:** *Compound Annual Growth Rate.*

According to the Mintel Global New Products Database (GNPD), from January 2010 to August 2015 there were 7,027 new bakery products launched in in France. In analyzing these bakery products, the sweet biscuits sub-category appeared with the most products with 2,415 that were launched during that period, followed by cakes, pastries and sweet good (1,886) and baking ingredients and mixes (1,202).

Further analysis shows that in 2015, 468 products have new packaging features, followed by 404 that were new varieties or range extensions. Furthermore, the top claim in 2015 is environmentally friendly packaging (34.5%), followed by organic (17.8%).

Top 5 New Bakery Product Launches in France by Sub-Category January 2010- August 2015

Sub-Category	New Product
Sweet biscuits/cookies	2,415
Cakes, pastries and sweet goods	1,886
Baking ingredients and mixes	1,202
Bread and bread products	1,071
Savoury biscuits/crackers	453

Top 5 New Bakery Products by Launch Type in France
January 2010- August 2015

Launch Type	2010	2011	2012	2013	2014	2015
New packaging	82	223	250	296	467	468
New variety/range extension	282	366	365	516	456	404
New product	437	302	318	355	412	328
Relaunch	0	16	48	107	115	156
New formulation	59	50	45	46	45	13

Top 5 Claims on New Product Launches in France
January 2010- August 2015

Claim	2010	2011	2012	2013	2014	2015
Ethical - environmentally friendly package	106	116	123	332	434	453
Organic	93	185	188	321	281	233
No additives/preservatives	171	175	163	205	275	210
Ethical - environmentally friendly product	14	48	40	137	190	138
Low/no/reduced allergen	45	54	59	69	134	103

Source for all: *Mintel GNPD, 2015*

Mintel GNPD analysis indicates that, after losing significant ground to hyper/supermarkets, traditional bakeries reacted by capitalizing on their image of quality and authenticity, with premium and naturally healthy flour of organic grains.

However, hyper/supermarkets are working towards improving the quality of their bakery products. Auchan, Carrefour and Intermaché are increasing their in-store bakery offering and are promoting products which focused on traditional values and flavour.

Branded vs Private Label New Product Launches of Bakery Products in France (%),
January 2010 to August 2015

	2010	2011	2012	2013	2014	2015
Branded	75.2	66.8	66.1	62.4	73.7	60.0
Private Label	24.8	33.2	33.9	37.6	26.3	40.0

New Product Launches of Bakery Products by Company in France (%),
January 2010 to August 2015, by Brand

Company	2010	2011	2012	2013	2014	2015
Carrefour - CMI	3.60	4.10	5.30	9.10	5.20	8.20
Intermarché	4.40	5.10	4.50	6.20	4.90	6.10
Auchan	2.10	2.80	3.50	1.80	1.10	5.40
Monoprix	3.50	5.50	3.40	2.00	3.20	2.60
Kraft Foods	0.47	8.00	7.10	1.30	0.20	0.00

New Product Example - August 2015

Famille Rochefort Farine available in spelt flour, buckwheat flour and rye flour; originates from Brittany and are made according to the traditional stone milled method. These untreated flour retails in a 1kg pack with an easy-to-follow recipe and the AB and EU Green Leaf logos.

They are priced from US$4.50 to US$6.50

Deseo Up In Box Biscuits Apéritifs avec Curcuma et Coriandre (Savoury Aperitif Biscuits with Turmeric and Coriander) are made with extra virgin olive oil. The product claims to be ideal for aperitifs, salads, soups and snacks. This product is also positioned as vegan as it does not contain any eggs.

Each pouch is 80g and retails for US$3.50.

***Source for all:** Mintel GNPD, 2015*

GERMANY BAKERY MARKET

The market for bakery products in Germany in considered a mature one, even if Germany has 82 million of the world's wealthiest consumers and is by far the most populous and economically powerful of the European Union's 28 member states.

According to Euromonitor, German consumers expect high quality food products. However they are very price-sensitive. Germans are devoted to their discounters and the country has, globally, the highest share of discounters in food retailing. Another trend is that German consumers take great pride in being green. Therefore, German consumers are willing to pay more for sustainable, locally sourced, natural, organic, fair trade, and carbon neutral products.

Historic Retail Value Sales of Bakery Products in Germany, in US$ Millions and Period Growth (%), Current Prices – Fixed 2014 Exchange Rates

Category	2010	2011	2012	2013	2014	2010-14 CAGR* %
Bakery	21,194.7	21,283.6	21,759.3	22,236.5	22,711.3	1.7
Baked Goods	18,283.7	18,361.9	18,771.3	19,165.0	19,570.2	1.7
Biscuits	1,977.7	1,999.3	2,071.5	2,145.8	2,209.1	2.8
Breakfast Cereals	933.3	922.4	916.5	925.7	932.1	0.0

***CAGR:** Compound Annual Growth Rate.*

Forecast Retail Value Sales of Bakery Products in Germany, in US$ Millions and Period Growth (%), Current Prices – Fixed 2014 Exchange Rates

Category	2015	2016	2017	2018	2019	2015-19 CAGR* %
Bakery	23,181.5	23,665.8	24,170.5	24,701.3	25,226.2	2.1
Baked Goods	19,970.5	20,384.2	20,816.5	21,273.1	21,726.7	2.1
Biscuits	2,270.8	2,331.4	2,391.5	2,451.2	2,506.6	2.5
Breakfast Cereals	940.2	950.1	962.5	977.0	992.9	1.4

***Source for both:** Euromonitor International, 2015* ****CAGR:** Compound Annual Growth Rate.*

Historic Retail Volume in Tonnes (‘000) of Bakery Product Subsectors in Germany

Subsector	2010	2011	2012	2013	2014	2010-14 CAGR* %
Bakery	6,196.8	6,057.9	6,078.0	6,092.1	6,097.0	-0.4
Baked Goods	5,661.9	5,525.6	5,546.2	5,555.6	5,555.3	-0.5
Biscuits	336.8	338.0	339.3	347.6	355.1	1.3
Breakfast Cereals	198.0	194.3	192.5	188.9	186.6	-1.5

****CAGR:** Compound Annual Growth Rate.*

Forecast Retail Volume in Tonnes (‘000) of Bakery Product Subsectors in Germany

Subsector	2015	2016	2017	2018	2019	2015-19 CAGR* %
Bakery	6,101.7	6,106.1	6,108.7	6,110.4	6,111.6	0.0
Baked Goods	5,555.5	5,555.8	5,555.0	5,553.7	5,552.4	0.0
Biscuits	361.1	366.0	370.0	373.3	375.7	1.0
Breakfast Cereals	185.1	184.2	183.7	183.4	183.5	-0.2

***Source for both:** Euromonitor International, 2015* ****CAGR:** Compound Annual Growth Rate.*

According to the Mintel Global New Products Database (GNPD), from January 2010 to August 2015 there were 7,634 new bakery products launched in Germany. In analyzing these bakery products, sweet biscuits/cookies sub-category had the most products with 2,621 that were launched during that period, followed by cakes, pastries and sweet good (1,506) and bread and bread products (1,473).

Further analysis shows that in 2015, 398 products were of the new variety or range extensions were launched followed by 341 new products and 169 have new packaging features. Furthermore, the top claims so far 2015 are Organic (3.0%), followed by no additives/preservatives (2.0%) and low/no/reduced allergen (1.7%).

Germany, Top 5 New Bakery Product Launches by Sub-Category
January 2010- August 2015

Sub-Category	New Product
Sweet biscuits/cookies	2,621
Cakes, pastries and sweet goods	1,506
Bread and bread products	1,473
Baking ingredients and mixes	1,460
Savoury biscuits/crackers	574
Total	7,634

Germany, Top 5 New Bakery Product by Launch Type
January 2010- August 2015

Launch Type	2010	2011	2012	2013	2014	2015
New variety/range extension	478	544	548	818	698	398
New product	524	385	407	590	438	341
New packaging	93	132	242	189	207	169
Relaunch	0	7	33	58	92	109
New formulation	13	20	20	33	27	21

Top 5 Claims on New Product Launches In Germany
January 2010- August 2015

Claim	2010	2011	2012	2013	2014	2015
Organic	236	210	265	321	215	227
No additives/preservatives	150	133	160	278	237	154
Low/no/reduced allergen	118	109	158	164	113	130
Seasonal	55	87	114	191	140	64
Gluten-free	99	89	117	130	83	109

Source for all: *Mintel GNPD, 2015*

German consumers are extremely health conscious, particularly the baby-boomers, who dominate the demographic distribution. They are one of the fittest and healthiest generations in German history and, as they age, they grow even more health conscious. Their healthy lifestyles drive the market for health-conscious foods, as such, organic, no additive/preservatives and low/no/reduced allergen which are the main new products bearing claims (Mintel, 2015).

Branded vs Private Label New products Launches of Bakery Product in Germany (%),
January 2010- August 2015

	2010	2011	2012	2013	2014	2015
Branded	10.15	9.54	10.06	12.64	11.00	9.16
Private Label	4.36	4.72	6.31	9.47	8.15	4.44

New Product Launches of Bakery Product by Company in Germany (%),
January 2010 to August 2015, by Brand

Company	2010	2011	2012	2013	2014	2015
Aldi	1.95	1.28	1.59	0.08	0.03	0.08
Lidl	0.39	0.38	0.59	1.94	0.94	0.54
Penny Markt	0.34	0.42	0.46	1.05	1.51	0.60
Aldi Nord	0.00	0.01	0.01	1.57	1.15	0.85
NORMA	0.10	0.31	0.71	0.83	0.54	0.25

Source for all: *Mintel GNPD, 2015*

New Product Example - August 2015

Dermaris Pizza-Brötchen mit Mozzarella und Kräuterbutter (Pizza rolls with mozzarella and herb butter), were relaunched with a new packaging design and a new formulation. The product claims to be free from flavour enhancers and preservatives.

The 250g pack retails for US$3.50

Edeka Brotzeit Mehrkornbrot Geschnitten (Multi Grain Bread Slices) has been reintroduced with new packaging.

This bread is made with rye sourdough, contains 13% sunflower seeds oil, linseeds and pumpkin seeds, and is sprinkled with oat flakes.

The product retails in a newly designed 450g pack for US$1.25

***Source for all:** Mintel GNPD, 2015*

UNITED KINGDOM BAKERY MARKET

In the United Kingdom (U.K), the baked goods status as a household staple is indisputable. Consumed by an overwhelming majority of Britain adult consumers in 2014, bread and baked goods are a fundamental part of the British diet. Toast is the nation's preferred breakfast; and a large number of Britons are making sandwiches at home and at least seven in ten adults use bread at lunch and breakfast (Mintel-*Bread and baked goods - U.K-2012*).

Retail value sales of bread and baked goods saw a CAGR of 2.6% between 2010 and 2014 and it is forecasted to grow by another CAGR of 3.0% between 2015 and 2019, according to Euromonitor projections. However, the stagnation of the volume sales, somewhat reflect a mature market

Historic Retail Value Sales of Bakery Products in the United Kingdom, in US$ Millions and Period Growth (%), Current Prices – Fixed 2014 Exchange Rates

Category	2010	2011	2012	2013	2014	2010-14 CAGR* %
Bakery	16,576.5	16,937.0	17,563.4	17,982.6	18,361.0	2.6
Baked Goods	10,285.3	10,331.1	10,522.3	10,696.6	10,882.1	1.4
Biscuits	3,471.9	3,670.6	3,975.4	4,145.5	4,295.3	5.5
Breakfast Cereals	2,819.2	2,935.3	3,065.7	3,140.6	3,183.6	3.1

***Source for both:** Euromonitor International, 2015* ****CAGR:** Compound Annual Growth Rate.*

Forecast Retail Value Sales of Bakery Products in the United Kingdom, in US$ Millions and Period Growth (%), Current Prices – Fixed 2014 Exchange Rates

Category	2015	2016	2017	2018	2019	2015-19 CAGR* %
Bakery	18,929.1	19,417.7	19,980.3	20,604.2	21,278.2	3.0
Baked Goods	11,175.3	11,412.7	11,686.0	11,982.4	12,293.8	2.4
Biscuits	4,481.2	4,658.3	4,853.6	5,059.4	5,281.2	4.2
Breakfast Cereals	3,272.6	3,346.7	3,440.7	3,562.3	3,703.2	3.1

***CAGR:** *Compound Annual Growth Rate.*

Historic Retail Volume in Tonnes ('000) of Bakery Product Subsectors in the United Kingdom

Subsector	2010	2011	2012	2013	2014	2010-14 CAGR* %
Bakery	3,933.3	3,891.4	3,886.1	3,891.9	3,892.7	-0.3
Baked Goods	2,862.4	2,805.8	2,786.2	2,768.1	2,745.5	-1.0
Biscuits	560.5	572.1	587.6	610.2	636.0	3.2
Breakfast Cereals	510.4	513.5	512.2	513.6	511.2	0.0

***CAGR:** *Compound Annual Growth Rate.*

Forecast Retail Volume in Tonnes ('000) of Bakery Product Subsectors in the United Kingdom

Subsector	2015	2016	2017	2018	2019	2015-19 CAGR* %
Bakery	3,905.2	3,896.2	3,892.0	3,886.0	3,876.2	-0.2
Baked Goods	2,730.6	2,703.4	2,680.8	2,657.5	2,632.7	-0.9
Biscuits	661.4	681.3	699.7	716.0	729.9	2.5
Breakfast Cereals	513.3	511.5	511.5	512.4	513.6	0.0

***Source for both:** Euromonitor International, 2015.* ***CAGR:** *Compound Annual Growth Rate.*

A closer look at the Mintel Global New Products Database (GNPD), from January 2010 to August 2015 there were 7,833 new bakery products launched in the U.K. In analyzing these bakery products, Cakes, Pastries and sweet goods sub-categories had the most product launches with 2,514, followed by sweet biscuits/cookies (1,986) and bread and bread products (1,483).

Further analysis shows that in 2015, 470 (6.0%) products are new varieties or range extensions, followed by 215 (2.7%) products are new product and 212 (2.7%) have new packaging features. Furthermore, the top claims in 2015 are vegetarian (9.2%), followed by ethical/environmentally friendly package (5.2%) and no additives/preservatives (3.4%).

United Kingdom, Top 5 New Bakery Product Launches by Sub-Category January 2010-2015

Sub-Category	New Product
Cakes, pastries and sweet goods	2514
Sweet biscuits/cookies	1986
Bread and bread products	1483
Baking ingredients and mixes	1311
Savoury biscuits/crackers	539

United Kingdom, Top 5 New Bakery Product Launches by Launch Type
January 2010-August 2015

Launch Type	2010	2011	2012	2013	2014	2015
New variety/range extension	547	601	674	761	574	470
New product	428	458	467	394	338	215
New packaging	150	195	291	197	222	212
New formulation	73	77	86	57	26	27
Relaunch	0	38	66	53	53	83

Top 5 Claims on New Product Launches in the United Kingdom
January 2010- August 2015

Claim	2010	2011	2012	2013	2014	2015
Vegetarian	708	733	823	972	817	722
Ethical - environmentally friendly package	286	297	354	496	411	410
No additives/preservatives	316	305	331	432	328	265
Low/no/reduced trans fat	136	130	167	167	156	136
Low/no/reduced allergen	141	110	113	149	177	135

The U.K Bakers Federation states that there are three principal sectors that make-up the U.K. baking industry. The larger baking companies produce around 80% of bread sold in the UK. In-store bakeries (ISBs) within supermarkets produce about 17% and the artisan bakers produce the rest 3%.

A Mintel bakery goods in the U.K. report (2014), notes that ISB bakeries have become a source of additional revenue and as such the major players in the food distribution have upgraded their stores to include fresh baked goods, often located close to the entrance of stores in order to entice consumers.

Branded vs Private Label New Product Launches of Bakery Products in United Kingdom (%),
January 2010- August 2015

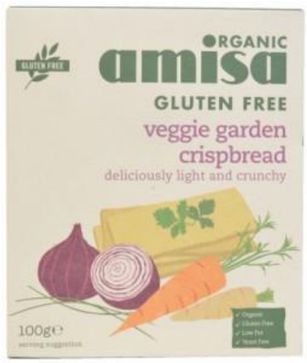
	2010	2011	2012	2013	2014	2015
Branded	54.51	47.70	47.47	49.73	60.02	53.62
Private Label	45.49	52.30	52.53	50.27	39.98	46.38

New Product Launches of Bakery Products by Company in United Kingdom (%),
January 2010 to August 2015, by Brand

Company	2010	2011	2012	2013	2014	2015
Tesco	1.63	1.60	2.06	1.38	0.86	1.17
Asda	0.87	1.63	1.58	1.19	1.09	1.03
Morrisons	0.87	1.63	1.58	1.19	1.09	1.03
Sainsbury's	0.65	1.49	2.30	1.14	0.47	0.59
Marks & Spencer	1.09	1.21	1.00	1.46	0.63	0.61

Source for all: *Mintel GNPD, 2015*

New Product Example- August 2015



Organic Gluten-Free Veggie Garden Crispbread is new to the range of products offered by Amisa.

This organic product claims to be deliciously light and crunchy, and contains corn and rice which are rich in dietary fibres and nutrients.

It is also low in fat, and gluten and yeast free. In addition, it is positioned as suitable for vegans. Containing only 24 calories per slice, and can be enjoyed with a savoury topping for breakfast, at lunch or as a healthy snack.

It retails in a 100g pack for US$2.70

The private label of the supermarket Asda "Chosen by You" chocolate cupcake kit contains a sachet of chocolate cake mix, frosting mix, chocolate flavoured sauce mix, and chocolate coated cereal balls.

The product claims to be free from hydrogenated colours, artificial flavours or hydrogenated fat. It is easy to bake, by just adding eggs, butter and water.

It is positioned to be suitable for vegetarians and retails in a partially recyclable 410g pack for US$3.20

Source for all: *Mintel GNPD, 2015*

CONCLUSION

Fresh bakery is well established the EU, supported by a strong tradition of local, independent bakeries. However, convenience and authenticity bakery products are seeing increases because of economic growth and a faster pace of life.

European shoppers are increasingly concerned about the health risks of sugar, and gluten, in particular in baked goods. As such, the sector is seeing something of a shift towards higher-end products where ingredients are claimed to be organic, natural, gluten-free and better for you.

FOR MORE INFORMATION

Tariffs and taxes

The European Union levies a common tariff on import products coming from non-EU countries such as Canada. Tariff rates can vary a lot depending on how a product is imported such as bulk, unprocessed or ready for consumption in retail packages. Along with import tariffs, some Union members have a value-added tax (VAT). Please check with The Canadian Trade Commissioner Service for up-to-date information on country specifics.

For more information on tariffs and taxes, visit the below websites:

- European Union Taxation and Customs Union
  http://ec.europa.eu/taxation_customs/dds2/taric/taric_consultation.jsp?Lang=en&redirectionDate=20100624.

- The Canadian Trade Commissioner Service
  http://www.tradecommissioner.gc.ca/eng/home.jsp?rd=f

Labelling

In the European Union, labelling requirements vary depending on the product and are complex and different from those in Canada. The label should include information regarding origin, identity, quality, composition and conservation of the product. The following links provide more information on labelling requirements for the EU.

- The Canadian Trade Commissioner Service
  http://www.tradecommissioner.gc.ca/eng/trade-offices.jsp

- Europa summaries of EU legislation
  http://europa.eu/youreurope/business/index_en.htm

Certifications

Products, coming from non-EU countries, require a certificate of origin. There are two types of certificates: non-preferential and preferential (Europa, 2013). For more information on the types of certificates and import documentation, please contact the Trade Commission of your country of interest.

- http://www.tradecommissioner.gc.ca/eng/home.jsp?rd=f

For additional intelligence on this and other markets, the complete library of Global Analysis reports can be found under *Statistics and Market Information* at the following link, arranged by sector and region of interest:

- ats-sea.agr.gc.ca

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RESOURCES

Euromonitor International, 2014. *Baked Goods in France*

Euromonitor International, 2014. *Baked Goods in Germany*

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Mintel Global New Products Database, August 2015.

Mintel Gluten-free Foods, 2013

Mintel Baked Goods in the U.K. 2014

United Kingdom Bakers Federation: http://www.bakersfederation.org.uk/the-bread-industry/about-the-bread-industry.html

Confédération Nationale de la Boulangerie-Pâtisserie Française: http://www.boulangerie.org/

Global Trade Atlas. July 2015

Pathfinder: Bakery in the European Union

Global Analysis Report

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