



Market Pointers from **MIDNIGHT CROQUET**

Business Information

MarketPointers

Asian Biscuit Market

A *MarketPointer* from
Midnight **Croquet**

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Contents

Midnight Croquet Ltd

Unit A6
Dunkeswell Airport
Honiton,
Devon
EX14 4LE
UK

Tel: +44 1404 891528

Fax: +44 1404 891717

www.the-list.co.uk

Authors

Sumeet Chander

Rahul Bhatia

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Overview

Although the market for biscuits in Asia is huge, per capita consumption remains relatively low. Developed markets of Western Europe, North America and Australasia have per capita consumption of around 6.5 –7.5 Kg as against less than 1 Kg for the Asian market (refer to Table 1).

Furthermore, in most of the Asian countries the biscuit market is fragmented with large numbers of local smaller players cornering a huge market share, e.g., In India 60% of the total biscuit market is catered for by the unorganised sector.

Asia, with its population of over 2 bn, has experienced a sharp growth of 29.3% CAGR (Compounded annual growth rate) from 1994 to 1998 in per capita consumption. Its high growth rate, coupled with a fragmented market, presents a big growth opportunity for biscuit manufacturers in the Asian market.

Table 1: Biscuits Per Capita Consumption By Region 1994-1998

REGIONS	1994	1995	1996	1997	1998	% GROWTH 1994/1998
Australasia	7.36	7.3	7.24	7.19	7.28	-1.0%
Western Europe	6.56	6.58	6.63	6.66	6.69	1.9%
North America	6.24	6.29	6.33	6.39	6.44	3.3%
Latin America	2.96	3.12	3.36	3.47	3.68	24.4%
Eastern Europe	1.72	1.8	1.87	1.93	2.03	17.6%
Asia Pacific	0.68	0.73	0.78	0.83	0.88	29.3%
Africa and the Middle East	0.35	0.35	0.35	0.35	0.35	1.4%

Source: Euromonitor

Asia has two of the world's biggest biscuit markets, China and India.

China

- In 1998 Chinese biscuit market was 8.778bn Yuan and the apparent market demand was 0.9217mn ton, an increase of 12% over 1994.
- In terms of the regions, the output from Guangdong was the largest followed by Shandong, Henan, Fujian, Hubei, Jiangsui, Shanghai, Hebei and Zhejiang.
- In October 1999, the top three biscuit brands were Dannone, Keebler and Kangyuan, which totally had a market share of 37.13%.
- Based on sales, the market share of domestic enterprises accounts for 54%, while that for enterprises invested by foreigner/businessmen from Hong Kong, Macao and Taiwan is 45.4%, and the imported ones account for 0.6%.
- In 2005, the output of biscuits is expected to be 1.1mn tons and the domestic demand to be 1.05mn tons.

Source: China: Biscuit/Cookie Industry Report, April 2000

India

- In 1998 Indian biscuit market was 1.1mn ton with the organized sector accounting for 0.44mn whereas the unorganised sector accounted for the balance of 0.66mn tons.
- In the overall biscuit market, Britannia and Parle are the two major players with 15% and 10% market shares respectively.
- By 2005, the biscuit output is expected to increase to 2.5mn tons.

Source: <http://www.indiainfoline.com/sect/fbak/ch06.html>



Summaries of Published Reports

Information on the overall biscuit industry is available mainly in the paid reports. This section covers the important paid reports and their details as specified by them.

The 2000-2005 World Outlook for Biscuits

Report Details: ReportIcon Group International, Inc. - 4/19/2001 - 110 Pages

Link: <http://www.marketresearch.com>, ID: ICN577093

Description

This report covers the world outlook for biscuits across 235 countries. For each year reported, the estimates are given for the country in question, the average estimate for other countries in that region, and the average estimate for all countries in the world. These comparative benchmarks allow the reader to quickly gauge a country vis-à-vis these averages. The units used in this report are: '000 tonnes

The Global Market For Bakery Products

Report Details: Euromonitor – February 2002

Link: https://www.euromonitor.com/results_industry.asp?icode=PK&subicode=bakery%20products

Description

This is a comprehensive report on the global bakery market providing the latest available data, covering most of the product categories and world markets. Apart from this, *Euromonitor has several other region specific reports on the following Asian markets: Singapore, Hong Kong, India, Indonesia, Japan, Malaysia, Philippines, Saudi Arabia and Vietnam.*

Bakery Products In Asia-Pacific

Report Details: Euromonitor - November 2001 – 22 Chapters

Link: https://www.euromonitor.com/results_industry.asp?icode=PK&subicode=bakery%20products

Description

Healthy Growth in 2000

The bakery products market in Asia-Pacific showed healthy growth in volume sales in 2000, indicating partial recovery from the currency crisis. However, the comparatively slow performance of more developed national markets, notably Japan, offset dynamic growth in a number of developing markets, such as China and Vietnam. China represents the largest market in Asia-Pacific in volume terms, with sales underpinned by its vast population. Japan remained the most valuable national market in the region, led by domestic players. Vietnam experienced the most dynamic value growth in 2000, developing rapidly from a low base and driven by expansion in local production.

Baked Goods Continue to Dominate the Market

Baked goods remained the largest sector, in both volume and value terms. Despite typically low profit margins, baked goods saw burgeoning value growth in 2000, with sales driven by busier lifestyles, especially among urban consumers throughout the region. The consistent popularity of artisanal products across national markets means that brand loyalty is not yet a key decisive factor in choosing baked goods. Instead, price and product freshness remain consumer priorities.

Japan is the most valuable baked goods market, although maturity of demand forced manufacturers to launch more added value products, such as functional bread and biscuits, to sustain value growth. The popularity of miniaturisation such as bite size



biscuits illustrates how Japanese manufacturers have pushed hard to achieve high profit margin under the strain of price competition.

The largest Japanese bakery manufacturer – Yamazaki Baking – continued to lead the region in 2000. Japanese manufacturers took the lion's share of regional value, largely underpinned by their dominant position in their domestic market, the most valuable in the region. However, the market leader Yamazaki saw its regional share drop marginally in 2000, mainly due to increasing competition from multinationals such as Philip Morris. Compared with their Japanese counterparts across the region, multinationals were more aggressive in the biscuits sector. Multinationals placed concerted effort in brand building, supported by sustained promotional activities. As a result, multinationals increased share in a number of national markets. In addition, Philip Morris' acquisition of Nabisco, in 2000, marked an important M&A event in the biscuits industry and this helped the company push up its regional market position.

Multiple Grocers Grow in Popularity

Sales of bakery products through multiple grocers grew rapidly in most national markets over the review period, mainly due to an increase in the number of such outlets. In 2000, multiple grocers accounted for the highest share of value sales in Indonesia, Malaysia and Singapore. However, independent food stores are still a popular retail format in Asia-Pacific, particularly in developing countries such as India. Convenience stores also remain an important outlet for impulse purchases of bakery products, such as biscuits, in a number of countries, including Hong Kong, the Philippines and Japan.

Dynamic Growth Expected From Developing Markets

Forecast market growth is prone to substantial regional variation, due to mixed levels of market development in different countries. Underdeveloped, but fast growing, national markets such as China, Vietnam, the Philippines and Indonesia are expected to see further dynamic growth in sales, hastened by anticipated economic recovery. In contrast, developed markets such as Taiwan and Japan are likely to see only modest growth over the forecast period, with further volume growth restricted by maturity of demand. As in 2000, value growth in such developed markets will be contingent on the sustained launch of added value products.

The Baked Foods Market In China

Report Details: Access Asia - 2/1/2001 - 118 Pages

Link: <http://www.marketresearch.com>, ID: ACS406890

Description

This Access Asia report on the baked foods market in China deals with developments in the sector as it emerges. The report deals with both foreign companies, local initiatives and market demand for baked products. Also included is complimentary data on the total market for food and the effect of changing consumer tastes. The report covers morning goods, biscuits, bread, crackers, cakes, pastries and steamed buns.

Due to its rapid growth in value, the baked goods market has risen in significance to the overall food market, rising from 0.9% in 1994, to 1.4% by 1999 and continued to grow in 2000.

The previous insignificance of baked foods in the Chinese diet is attributed to Chinese consumer mainly not having become used to eating western foods until relatively recently.

One of the main reasons that baked goods had not been more significant, is that more biscuits, breads and cakes are now made locally, and so supply the market



with a wider range of affordable goods. The rise in demand for western-style foods, especially western-style snacks, has meant that more consumers are now used to eating baked foods, especially for breakfast or as a midday snack.

Morning goods such as baked cereals and pastries are now becoming a major food group, and are the most significant part of the baked goods market. Many urban and rural Chinese have taken up eating breakfast cereals, finding them now more attractive and convenient to eat than more traditional early morning foods. However, there is still a long way to go before the majority of Chinese will eat western-style breakfasts, and the habit of eating such foods still remains largely centred around the main urban centres.

Baked Foods in China: A Market Analysis 2002

Report Details: Access Asia, 2002/03

Link: http://www.the-infoshop.com/study/ae9896_baked_food_toc.html

Description

China is changing rapidly and so are its tastes. As a consumer society emerges, so new products are appearing with increasing regularity.

Baked foods are among them. Rising average annual incomes, greater ownership of fridges and freezers, increased exposure to western and international cuisines and a greater array of goods in the supermarket are all combining to increase sales of baked foods in China.

Historically, baked goods have been restricted to certain kinds of bread. Cakes and pastries were only introduced with the coming of western influences during the eighteenth, nineteenth and twentieth centuries. Biscuits are also a relatively new introduction, but have already become a regular part of the Chinese diet.

The arrival of the fast-food chains, western-style supermarkets, greater awareness of baked foods and the emergence of a generation both willing and able to try new products has meant that the market for baked foods has made great strides in China.

China Biscuit Market -- 2001

Report Details: Asian Information Resources, Ltd. - 6/1/2001 - 89 Pages

Link: <http://www.marketresearch.com>, ID: AIR634983

Description

China's biscuit market is a traditional market with steady growth. By 2000, China had over 4,000 biscuit factories and over 5,000 relevant production lines at or above the county level. The output of biscuit products is swelling at an annual rate of 10-15%; the scale of biscuit production is forecast to reach 1.70 million tons in 2005.

Research shows that biscuits from other countries and from the Taiwan region hold a monopoly over China's high and medium-grade biscuit market while domestic biscuits occupy a major proportion in the low-grade biscuit market. The introduction of numerous advanced biscuit production lines from abroad since 1985 and the boom of joint ventures have enormously boosted China's biscuit production capacity. Furthermore, compared with the annual consumption per capita of 25-35 kilograms of biscuits in developed countries and 12-18 kilograms in medium-developed countries, China's annual biscuit consumption per capita of merely one kilogram suggests that there is a great potential in this market. Therefore, during the negotiations between the EU and China on the latter's entry into the WTO, Holland, Belgium, Italy, and other leading biscuit producers proposed a reduction in China's biscuit tariff from the current 25% to 10%. Obviously, foreign businessmen have already discerned the opportunities in China's biscuit market and are prepared to enter this market.



The report offers a detailed analysis of the market, production scale, imports and exports, major brands and their market shares in China's biscuit industry. Meanwhile, it thoroughly studies competition in the market and development trend of the industry. The report is, therefore, the best alternative for finding out the latest market data and materials.

China: Biscuit/Cookie Industry Report

Report Details: Friedl Business Information and Partners – April 2000 – Pg 50-60

Link: <http://www.friedl.net.com/0021-011.html>

Description

The market size for China's Biscuit Market in 1998 was 8.778billion Yuan, and the apparent market demand was 0.9217million ton, increased 12% over 1994.

Based on the sales, the market share for domestic enterprises (excluding enterprises invested by foreigner and businessmen from Hongkong, Macao and Taiwan) accounts for 54%, while that for enterprises invested by foreigner-/businessmen from Hongkong, Macao and Taiwan is 45.4%, and the imported ones accounts for 0.6%.

In October 1999, the brands for biscuits that ranked at first three places are: Danone, Keebler and Kangyuan, which totally have a market share of 37.13%.

- The prices expected by more than ten thousand people from Shanghai are as: for 5 Yuan/500g, it accounts for 40%, while for 10Yuan/500g, it accounts for 42%.

In 1998, there were more than 1000 biscuit enterprises. Among them, 257 are state-owned and non-state-owned ones each with a sales incoming of more than 5million Yuan. The employees for the industry are 56 thousand people, the total capital is 9.309 billion Yuan, the annual sales is 8.778 billion Yuan. The total profit is 0.367 billion Yuan, the due VAT is 0.388 billion Yuan.

In 1998, the output of biscuits of various types was 0.95million tons, increasing 13.6% over 1994.

The ratio of sweet biscuits to salt ones was changed from 75:25 in 1994 to 68:32 in 1998.

In view of regions, the output from Guangdong was the largest, followed by Shandong, Henan, Fujian, Hubei, Jiangsu, Shanghai, Hebei and Zhejiang. The output of biscuits from these 9 provinces accounts for 86% for the whole country.

As for ownership, 93 are state-owned enterprises, 48 are collective ones, and 56 are enterprises invested by foreigners and businessmen from Hongkong, Macao and Taiwan. The sales from enterprises invested by foreigners/businessmen from Hongkong, Macao and Taiwan are the largest, accounting for 45.6%, 32.5% for collective enterprises, and only 4.4% for state-owned enterprises.

The centralization for production in biscuit enterprises is improved. There are 32 large/middle biscuit enterprises, whose sales account for 31.1%; and it has 225 small biscuit enterprises, whose sales account for 68.9%.

The overall economical efficiency of the biscuit industry is better than that for the industry of cakes, convenience food, sugar and candied fruit.

In 1998, the total export of biscuit was 46.977million dollar, increasing 36.4% over 1995. The biscuits were mainly exported to Hongkong, Japan, USA, Russia and the Philippines.



The amount of imported biscuits was the highest in 1993, and it dropped gradually after that. In 1998, it picked up slightly. In 1998, the imported amount is 6million dollar, decreasing 37.4% over 1995. The imported biscuits were mainly from Hongkong, Malaysia, Korea and USA.

At present, the biscuit consumption level for Chinese is low. In future, as the social economy develops, the living standard rises, the people will demand more biscuits. It is predicted that in 2005, the output of biscuit will be up to 1.10million tons, and the domestic demand will be up to 1.05million tons. The ratio of sweet biscuits to salt ones will be adjusted further. To develop new biscuits with double functions as pastries and fallowness, and expand international markets with every effort are issues that should be concerned by the biscuit industry in future.

Now that China has joined the WTO, as the cross duty drops, the prices of imported biscuits will be dropped greatly, plus that most people like to taste new food, so it is possible that the imported biscuits will expand their market share in China.



Companies Operating In Asia

Some of the leading players operating in Asia are:

Asia Market

Danone Group (http://www.danonegroup.com/inter/index_inter.html) has presence in China, India, Malaysia, Singapore, Indonesia, Hong Kong, Japan, Pakistan and Saudi Arabia

Kelloggs (<http://www.kelloggs.com>)

Cadbury Schweppes

(http://www.cadburyschweppes.com/company_information/at_a_glance/group_structure/asia_pacific.html)

China

- Keebler (<http://www.keebler.com>)
- Kagyuan
- Guangxi Liuzhou Cookies
- Jiangmen Biscuits
- Jiangmen Huasheng Biscuits Company Ltd.
- Zhanjiang Huahe Biscuits Industry Company Ltd.

India

- Britannia
- Parle (<http://www.parleproducts.com>)
- Bakemans (www.bakemans.com)
- Smith Kline Consumer

Associations In Asia

The associations of biscuit manufacturers are:

China

China Association of Bakery & Confectionery Industry (<http://www.china-bakery.com.cn>)

India

Federation of Biscuit Manufacturers of India (<http://www.bakeryindia.com/fbmi.htm>)



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