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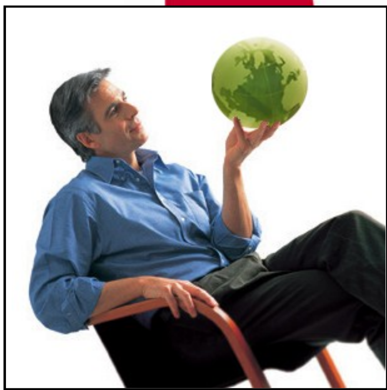
International Markets Bureau

MARKET INDICATOR REPORT | FEBRUARY 2012

Bakery Products
in the United States





Growing Forward

Canada

MARKET TRENDS

- Canada is a large exporter of bakery products to the United States (U.S.). Key exports include dough mixes, biscuits, pastries/cakes/desserts, breads, waffles, cookies, gingerbread, puddings, pies, and cereals.
- The market for bakery products in the U.S. grew by 7.6% from 2005 to 2010, while the market for frozen bakery grew by 9.1%, and frozen desserts (not including ice cream) by 18.3%. Frozen desserts are expected to remain the fastest growing category from 2011 to 2016.
- Bakery products can be broken down into three sub-categories: baked goods, biscuits, and breakfast cereals. Breads are the largest segment in the baked goods sub-category, followed by pastries and cakes. Unpackaged artisanal pastries and cakes currently sell more than packaged pastries and cakes, however, packaged bread sells more than unpackaged bread.
- Many successful new bakery products being introduced into the U.S. market feature health claims or claims of higher quality. Many companies are introducing products with lower amounts of high-fructose corn syrup and sodium but higher amounts of fibre, and are using whole wheat more often. In fact, whole wheat bread outsold white bread in 2010.
- Savoury biscuit volume sales are expected to grow from 2011 to 2016, however, volume sales of sweet biscuits, especially cookies, are expected to decline over the same time period. This can be attributed to the maturity of the sweet biscuit category, and the growing health and wellness trend among consumers.
- Frozen bakery and frozen dessert products are expected to decline in volume sales from 2011 to 2016. However, both categories are expected to increase in sales value during the same time period.

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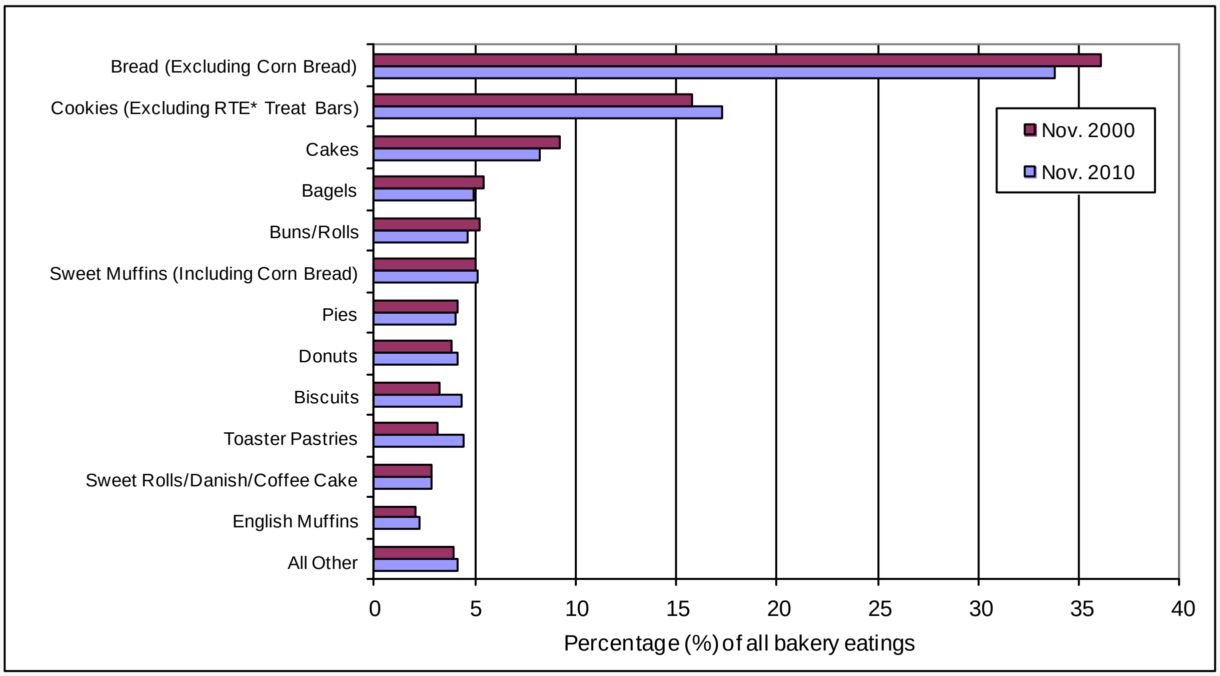
CONSUMPTION DEMOGRAPHICS

- According to the NPD Group's National Eating Trends database (2011)[1], the consumption of bakery products has decreased by almost 9% over the past ten years. In the U.S., bakery products are consumed, on average, 230 times per year or 9 times in a two-week period.

- In the year ending November 2010, bread accounted for 33.8% of all bakery product eating occurrences by U.S. consumers, down from 36.1% in 2000. Eating shares for other bread-type products (bagels, rolls/buns) also dropped, while shares for biscuits and English muffins increased. Eating shares for many sweet bakery products either grew or remained stable, led by cookies (17.3% of eatings in 2010).

Consumption Breakdown of Bakery Products in the United States
November 2000 versus November 2010



Source: *NPD, 2011.* ****RTE*** *= ready to eat.*

Core Consumer Markets (at least 20% above average consumption rate)

- Low income singles
- Single and married active seniors
- Older homemakers[2]
- Households without children
- Consumers that are employed part-time or not employed/retired
- Consumers with a high-school education or lower
- Black and Hispanic ethnic groups
- Residents of the East South Central states (Kentucky, Tennessee, Mississippi and Alabama)

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[1]*Unless otherwise stated, all of the statistics on this page were derived from the NPD Group's National Eating Trends database, updated to November 2010, and reflect the consumption of products at home, or products carried away from home. These figures do not reflect purchases of food products made through foodservice establishments, or the consumption thereof. NPD monitors the eating habits and attitudes of American consumers by surveying 5000 individuals reporting on 14-day's continuous consumption of all meals and snacks.*
[2]*Defined by NPD as the head of the household or the primary food shopper, which is typically the female.*

CONSUMPTION DEMOGRAPHICS (continued)

Underdeveloped Markets
(at least 20% below average consumption rate)

- Dual-income couples without children
- Working households and single-parent households
- Younger homemakers (aged less than 34 years)
- Households where the homemaker works full-time
- Households where the homemaker has some college education
- Asian or other non-black/Hispanic ethnic groups
- Residents of the Mountain[3] and Pacific[4] states

Consumption Locale

- Most bakery product eatings occur during a meal (79.4%), while 20.6% are eaten as a snack.
- The majority of bakery product eatings take place in the morning (46.9%), followed by the evening (34.3%) and the afternoon (18.2%).
- Many bakery items are primarily eaten as breakfast items. For example, of all toaster pastry eatings, 86.3% were reported to occur in the morning. Morning consumption was also reported for 77.7% of total sweet rolls/danishes/coffee cake eatings, 69.7% of donut eatings, 53% of quick bread eatings, 54.6% of bread eatings, 51% of biscuits eatings, 86.6% of bagel eatings, 91.6% of English muffin eatings and 72.5% of sweet muffin eatings.
- Bakery items that were more likely to be eaten in the evening include: buns/rolls (evening eatings comprised 66.9% of total product eatings), corn bread/muffins (72.5%), brownies (49.7%), cakes (32.7%), pies (62.7%) and turnovers/pastries/crisps (40.1%).
- Regarding in-home consumption, 27.5% of bakery product eatings are considered to be the main dish (especially bagels and English muffins), 30.8% are considered a side dish (rolls/buns, bread, muffins), and 12.5% are reported as a dessert (cakes, pies, turnovers). Cookies are most often considered to be a snack item.

Consumption Calendar

- On a daily basis, the highest number of bakery eatings are reported on Sundays.
- Eatings are almost equally divided among the seasons, although seasonal shifts can be observed for some products. For example, eatings of cookies and pies are highest in the fall and winter (September to February), while eatings of brownies and cakes are highest in the spring and summer (March to August).

[3] *Montana, Idaho, Wyoming, Nevada, Utah, Colorado, Arizona and New Mexico.*
[4] *Washington, Oregon, Hawaii, Alaska and California.*

RETAIL SALES

- In 2010, bakery product sales, including frozen bakery and desserts, reached a value of US$137.2 billion in the U.S.

- In the table below, the baked goods category represents the market for breads, rolls, pastries and cakes. Frozen bakery products include morning goods, pizza crusts, pastry shells, and frozen breads. Frozen desserts include frozen cakes, pies, and tarts, but excludes ice cream desserts.

Market Sizes of Bakery Products in the United States
Retail Value in US$ millions – Current Prices

Categories	2005	2006	2007	2008	2009	2010
Bakery Products	62,523.6	63,347.2	64,050.9	65,613.0	66,840.2	67,250.3
Baked Goods	42,182.6	42,962.1	43,627.7	44,659.7	45,553.2	46,024.2
Biscuits	10,861.6	10,956.1	10,880.4	11,012.2	11,243.3	11,319.1
Breakfast Cereals	9,479.4	9,429.0	9,542.9	9,941.1	10,043.7	9,907.0
Frozen Bakery	1,553.7	1,581.5	1,617.7	1,651.6	1,689.0	1,695.1
Frozen Desserts	844.4	890.5	968.1	1,022.3	1,034.4	998.7
Total	**127,445.3**	**129,166.4**	**130,687.7**	**133,899.9**	**136,403.8**	**137,194.4**

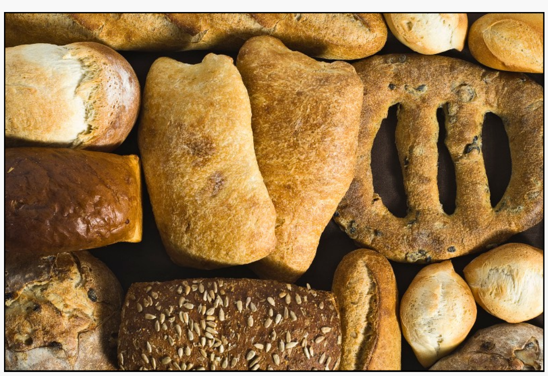
Source: *Euromonitor, 2011.*

- The market for bakery products and desserts is expected to reach US$128.5 billion by 2011, and over US$145.9 billion by 2016.

Market Sizes of Bakery Products in the United States
Forecast Retail Value in US$ millions – Current Prices

Categories	2011	2012	2013	2014	2015	2016
Bakery Products	68,275.4	69,851.8	71,410.6	73,313.9	75,292.9	77,198.9
Baked Goods	46,781.9	47,843.3	48,881.5	50,235.5	51,658.4	53,028.0
Biscuits	11,472.5	11,738.9	11,975.1	12,264.6	12,574.3	12,888.3
Breakfast Cereals	10,021.0	10,269.6	10,554.0	10,813.8	11,060.1	11,282.6
Frozen Bakery	1,676.5	1,697.6	1,717.3	1,733.0	1,764.2	1,789.6
Frozen Desserts	988.4	1,006.8	1,034.5	1,059.1	1,089.9	1,121.0
Total	**128,507.5**	**131,418.2**	**135,085.9**	**141,022.2**	**143,811.0**	**145,948.3**

Source: *Euromonitor, 2011.*



HEALTH AND WELLNESS BAKERY PRODUCTS

- In 2010, the health and wellness bakery products market represented approximately 28.7%of the total bakery products market, or nearly US$19.3 billion (not including frozen bakery and desserts).

- Breakfast cereals are the most popular health and wellness market for bakery products in the U.S. These products consist mostly of high-fibre breakfast cereals, as well as sugar-free, organic, and reduced-fat breakfast cereals.

Market Sizes of Health and Wellness (HW) Bakery Products in the United States
Retail Value in US$ millions – Current Prices

Categories	2005	2006	2007	2008	2009	2010
Total HW Bakery Products	**16,070.1**	**16,404.6**	**17,097.1**	**18,126.2**	**18,617.8**	**19,283.7**
HW Breakfast Cereals	9,479.4	9,429.0	9,542.9	9,941.1	10,067.4	10,229.3
HW Bread	3,278.1	3,675.3	4,161.8	4,638.9	4,876.1	5,303.0
HW Biscuits	1,922.2	2,060.3	2,210.7	2,326.3	2,378.9	2,433.2
HW Cakes	215.5	225.4	232.2	244.6	238.4	231.7

Source: *Euromonitor, 2011.* ***Note:*** *Data does not include frozen bakery and desserts.*

BRAND AND COMPANY SHARES

- In 2010, artisanal producers held 33.5% of the bakery products market in the United States, while private label producers held 13.0%.

- According to Euromonitor, Kraft Foods held 42.0% of the biscuits market in 2010, followed by 22.6% for Kellogg Co. Kellogg Co. also held 32.8% of the breakfast cereals market in 2010, followed by General Mills with 27.6%. Sara Lee held 18.9% of the frozen desserts segment, followed by Campbell Soup Co with 7.1%.

Top Brand Shares (by Global Brand Name) of Bakery Products in the United States
Retail Value % Breakdown

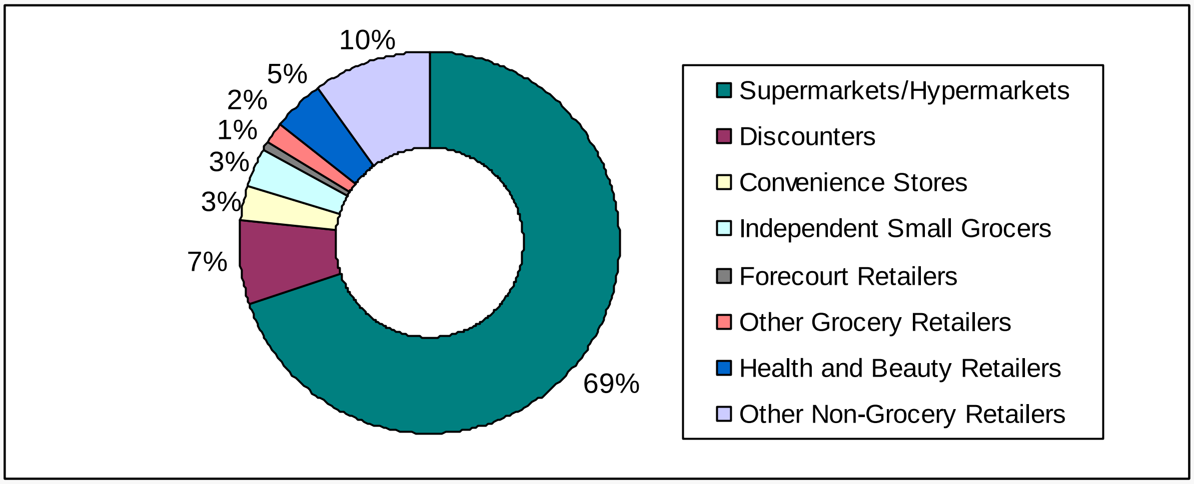
Companies	2006	2007	2008	2009	2010
Artisanal	33.7	34.0	33.6	33.1	33.5
Private Label	10.8	11.3	12.2	12.8	13.0
Kellogg Co	9.5	9.4	9.7	9.9	9.8
Kraft Foods Inc	9.6	9.2	7.3	7.2	7.1
Grupo Bimbo SAB de CV	1.1	1.1	1.1	4.8	4.8
General Mills Inc	3.7	3.8	3.9	3.9	4.1
Campbell Soup Co	2.2	2.3	2.3	2.3	2.4
PepsiCo Inc	2.3	2.3	2.3	2.1	2.1
Flowers Foods Inc	1.6	1.7	2.0	2.0	2.0
Ralcorp Holdings Inc	0.0	0.0	1.9	1.8	1.7
Sara Lee Corp	1.7	1.8	1.8	1.7	1.6
Malt-O-Meal Co	0.5	0.4	0.4	0.4	0.4
Nestlé SA	0.2	0.2	0.1	0.1	0.2
B & G Foods Inc	-	0.1	0.1	0.1	0.1

Source: *Euromonitor, 2011.* ***Note:*** *Brand shares do not include frozen bakery and desserts.*

DISTRIBUTION CHANNELS

- In 2010, 69.0% of all baked good sales in the U.S. took place through supermarkets or hypermarkets.

Retail Value Sales of Baked Goods in the United States
% Share in 2010



Source: *Euromonitor, 2011.* ***Note:*** *Does not include frozen bakery, frozen desserts, biscuits ,or breakfast cereals.*

- A total of 72.4% of biscuits were sold in the supermarket/hypermarket channel in 2010, while 12.8% of sales occurred in non-grocery retailers, and 5.4% occurred in discounters. Most breakfast cereals (75.0%) were sold in hypermarket/supermarket channels in the U.S. in 2010. A total of 11.6% were sold in non-grocery retailers, and 6.4% were sold in discounters.

NEW PRODUCTS

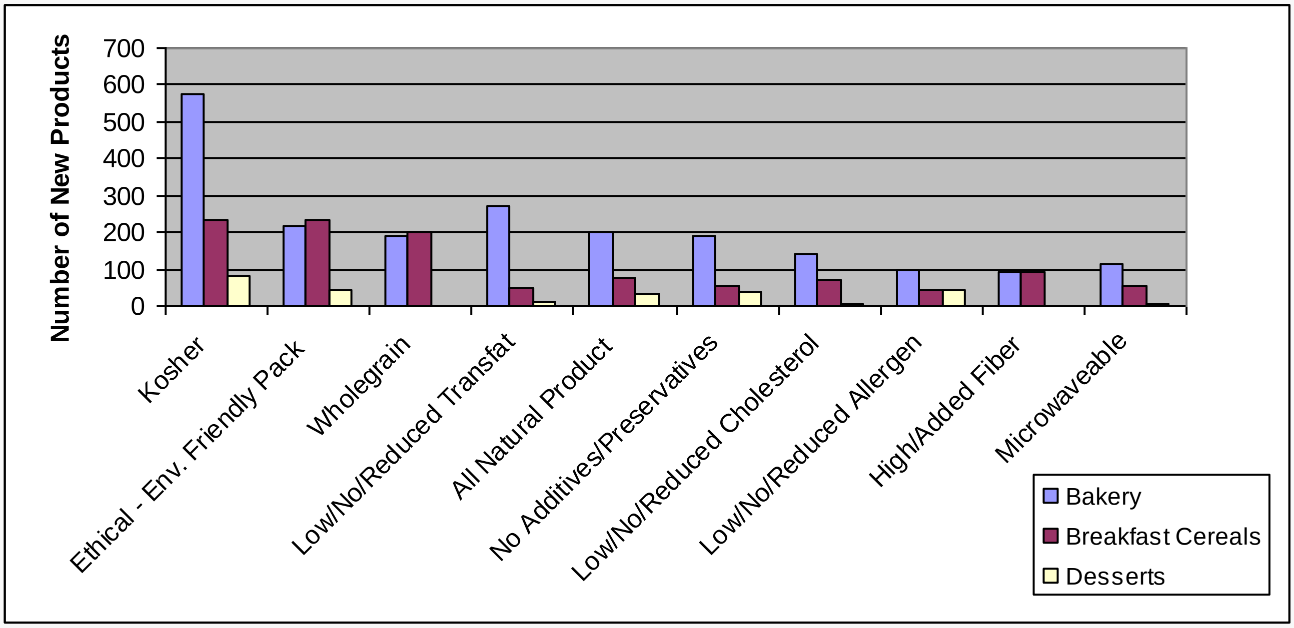
- According to Mintel, 2,247 new bakery, cereal, and dessert products entered the U.S. market between January 2011 and November 15, 2011.

- When broken down into sub-categories, sweet biscuits and cookies contributed 24% of all bakery, dessert, and cereal launches in the United States. A total of 19% of the new products were in the bread and bread products sub-category, 17% were in the cakes, pastries and sweet goods sub-category, and 16% were in the cold cereals sub-category. The rest of the new product releases fell under the following sub-categories: hot cereals, other frozen desserts, savoury biscuits/crackers, shelf-stable desserts, and chilled desserts.

Source: *Shutterstock.*

NEW PRODUCTS (continued)

New Bakery, Dessert and Breakfast Cereal Product Introductions in the United States, January 2011 to November 15, 2011 – By Claims

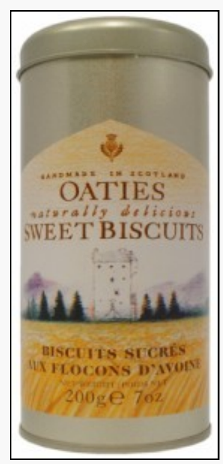


Source: *Mintel GNPD, 2011.*

- The following are some examples of new bakery products that entered the U.S. market within the past year, from the Mintel Global New Products Database.

Petite Cheesecake Sampler
Company: Aldi
Brand: Belmont (private label)
Price: US$5.99
Store: Aldi

Sweet Biscuits
Company: Shortbread House of Edinburgh
Price: US$12.95
Store: Williams Sonoma



Mini Pastries
Company: T.G Foods
Brand: The Bakery Baron
Price: US$6.98
Store: Sam's Club

Pure Butter Shortbread Scottie Dogs
Company: Walkers
Price: US$3.19
Store: Cost Plus World Market

TRADE DATA

- The U.S. imported around US$2.7 billion worth of bread, pastries, sweet biscuits, waffles, wafers, pharmacy product casings, gingerbread, rusks, and other baked goods from around the world in 2010. Canada's share of this market was US$1.3 billion, or 48%.
- The U.S. imported around US$492.3 million worth of food products for use in bakery product preparation from around the world in 2010. Canada's share of this market was US$347.3 million, or 70.6%.
- According to Statistics Canada, Canada exported over C$1.8 billion worth of bakery products to the world in 2010, approximately 94% of which were sent to the U.S.

U.S. 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	U.S. Dollars			% Share		
	2008	2009	2010	2008	2009	2010
World	**2,441,562,184**	**2,432,484,732**	**2,719,649,050**	**100.00**	**100.00**	**100.00**
Canada	1,162,242,644	1,158,423,834	1,306,708,506	47.60	47.62	48.05
Mexico	390,772,702	438,168,530	505,287,521	16.01	18.01	18.58
Italy	91,713,791	94,310,108	100,739,316	3.76	3.88	3.70
Germany	97,161,770	83,691,028	89,668,431	3.98	3.44	3.30
China	50,233,527	42,062,431	52,123,197	2.06	1.73	1.92
India	36,396,759	35,092,163	48,075,435	1.49	1.44	1.77
France	43,583,905	39,886,059	47,414,334	1.79	1.64	1.74
United Kingdom	47,787,635	43,488,215	45,563,019	1.96	1.79	1.68
Japan	41,581,529	42,461,100	44,668,869	1.70	1.75	1.64
Israel	34,377,855	42,817,094	37,926,164	1.41	1.76	1.39

Source: *Global Trade Atlas, 2011.*

U.S. 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	U.S. Dollars			% Share		
	2008	2009	2010	2008	2009	2010
World	478,686,747	441,491,066	492,288,666	100.00	100.00	100.00
Canada	354,141,335	326,043,066	347,332,717	73.98	73.85	70.55
Mexico	34,505,683	26,461,030	30,322,254	7.21	5.99	6.16
Belgium	2,564,833	2,403,316	10,072,908	0.54	0.54	2.05
China	9,816,850	9,282,789	10,040,409	2.05	2.10	2.04
Ireland	298,146	160,238	8,896,366	0.06	0.04	1.81
Denmark	10,348,177	7,883,432	8,769,658	2.16	1.79	1.78
Thailand	8,397,867	9,679,173	8,636,143	1.75	2.19	1.75
Korea South	3,463,103	5,333,633	7,192,707	0.72	1.21	1.46
Japan	6,039,199	5,999,641	6,845,384	1.26	1.36	1.39
United Kingdom	4,543,189	4,749,093	5,439,222	0.95	1.08	1.10

Source: *Global Trade Atlas, 2011.*

Bakery Products in the United States

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