

# From supermarkets to high end bakeries

THE BAKED GOODS MARKET IN THE UNITED STATES IS MUCH LARGER AND MORE DIVERSIFIED THAN MANY FOREIGNERS CAN POSSIBLY IMAGINE – A TRAVELOGUE BY EDITOR-IN-CHIEF HILDEGARD M. KEIL



**+** The population of the United States of America will climb to 306 million by the end of 2009. This is a gigantic market which, depending on which list one consults, ranks first or second place in the world due to the gross national product of 14.2 trillion USD. The roots of the inhabitants, with a population made up of more than 100 different ethnic groups, are predominately of cultures where baked goods are consumed.

## Market figures

Any attempt to enumerate the size of the American baked goods market is a matter of definition. According to the official North American Industry Classification System, the turnover of the bread and bakery products manufacturing industry, in 2008, was about 40bn USD. The Swiss Basellandschaftliche Kantonbank published the figure of 53bn USD for the total American bakery market last August in a report on Aryzta AG. About 9bn USD of this accounts for value added products, the market segment where Aryzta and its subsidiaries La Brea and Otis Sprunkmeyer are active. According to the Kantonbank, the IAWS estimates the market growth in the premium convenience baked goods' segment in the US to be 4% whereas the growth in the market served by both US subsidiaries has been estimated to reach 5% (freshly baked sweet products) and 8% (artisan bread, freshly baked).

Sosland, a leading publication company for the American bakery market estimates the annual sales volume for North America including snack food, frozen pizza, bakery mixes and more to yield about 77bn USD. The annual Bakery Production & Marketing Redbook by Sosland which is based on the research of the Information Resources Inc. (IRI), Chicago, provides food retail sales figures for the individual product segments. IRI gathers its data from reports supplied by supermarket companies, although Wal-Mart does not participate. Added to this, all sales from the artisan and the food service

sectors are missing. According to IRI, the combined sales volumes of the Top 10 suppliers for fresh bread in the 52 weeks prior to May 17, 2009, was nationwide 6.6bn USD, including private label products with 1.8bn USD. This is almost three times the sales volume of the largest US bread bakery Sara Lee which generates with its own label products (653m USD). For buns and rolls, the sales volume of the 10 largest suppliers was 2.3bn USD with 850m USD in the private label segment within the same time period. Fresh cakes and fresh pies are also very strong in the private label segment with more than half of the sales volume. However, private labels in the fresh bagels sector are weak with only 13.08% and even weaker for frozen baked goods.

The baked goods manufacturers are predominantly industrial bakeries. Just one quarter of the total baked goods sales is achieved by companies with a maximum of 100 employees (see Bread & Bakery Products Manufacturing Industry by sizes).

The bread shelves at the food retailers still dominate. Here, a wide range of different types of sliced bread, produced mainly in one of the ten largest bakery groups in the country, are offered. Three quarters of American households make no more than two food shopping trips per week. Many visit only one supermarket. In this case, comparing prices is only possible via advertising. However, advertising for bread products is rather limited. Consequently, the prices differ hugely even if the supermarkets are located close to each other. Club Stores are often the cheapest markets. They are a special type of discount store where the buyer has to become a member first and where the products are offered in larger units. One example is two bread loaves in one pack which is only marginally more expensive than the single pack offered in other markets. If the supermarkets also houses in-store bakeries, they predominantly process frozen products or premixes. According to the Progressive Grocer's 2009 Bakery

**Top 10 fresh bread suppliers**

- 1) Private labels
- 2) Sara Lee bakery
- 3) George Weston
- 4) Flowers Foods
- 5) Interstate Brands
- 6) Bimbo Bakeries
- 7) Pepperidge Farm
- 8) Strohmann
- 9) La Brea
- 10) U.S. Bakeries

\* George Weston (no 3) and Strohmann (no 8) belong to Bimbo Bakeries (no 6).

**Top 10 fresh bun & rolls suppliers**

- 1) Private labels
- 2) Sara Lee Bakery
- 3) George Weston
- 4) Martins
- 5) Flowers Foods
- 6) Bimbo Bakeries
- 7) Interstate Brands
- 8) Kings Hawaiian
- 9) Pepperidge Farm
- 10) Perfection

\* Interstate Brands (no 7), the Interstate Bakeries Corp with its famous brands Brands Wonder Bread, Hostess Twinkies and Dolly Madison Cakes has just recovered from insolvency.



++ figure 1

Appetizing – calorie statement on menus

Operations Review, only 8.9% produce their baked goods from scratch. The same study reports that the growth in the baked goods segment experienced by 56.3% of all supermarkets queried is due to the financial crisis and the resulting trend of eating at home. This does not only include all principal meals but also snack foods which are prepared as sandwiches at home and taken out.

Besides this trend, called budget management, the American consumers are interested in product properties that are associated with health, wellness and physical fitness. Functional ingredients which promise added value are much more prevalent than in European supermarkets. For sweet products, health and indulgence are often paired for example in a combination of dessert, ice cream or cookie and dietary fiber, vitamins or other nutrients. Last December, the Houston Chronicle pinpointed the trend towards “comfort food” claiming that consumers prefer food that reminds them of their childhood which was a time less frightening than the current economic crisis.

However, it is alarming that 34% of consumers feel they should restrict their bread consumption for better health – an after effect of the low carb and no carb trends.

Baked goods manufacturers, mainly located in the metropolitan areas on the East and West Coasts, supply their own bakery cafes with traditional premium products (more so on the West Coast) and the food service from the restaurant to the sandwich shop (more on the West Coast) and they do not fear calories or carbohydrates but rather the stranglehold of a tight budget. The decreasing out-of-home consumption also hits companies who provide top quality based on differentiated recipes, several pre-ferments, long dough rest and manual dough make-up and who do not have to fear the comparison with the leading bakery experts in the Old World.

The beneficiary of the consumer trend to watch their dollars spent on food might be the frozen baked goods industry which is still in its infancy. It supplies the frozen counters and bake-off stations at the food retailers as well as fast food outlets and increasingly also food service companies offering products beyond burgers. The number of large frozen

baked goods producers is still comprehensible but increasingly multinationals such as Aryzta, Fresh Start Bakeries (FSB) and Lantmännen are discovering the market and are offering whatever the multi-ethnic markets demand: baked goods ranging from Mexican tortillas and Arabic flat bread to hamburgers and hot dog buns, European baguettes, ciabatta and rolls. +++

ADVERTISEMENT