

Rank and name

THE AUTHOR TRIED TO DETERMINE THE TURNOVERS OF THE LARGEST COMPANIES IN THE BAKING INDUSTRY. THE EFFORT WAS TO DIFFERENTIATE WHICH PARTS OF THE TURNOVER WERE ACTUALLY MADE THROUGH THE BAKED GOODS PRODUCTION

+ Whichever way you look at it, the comparison never quite adds up. The baking industry's origins, orientation and structure are too diverse for that. Some are classical industrial operations such as the Barilla Group, Warburtons or Kuchenmeister GmbH that really do only send their products to the end consumers via intermediaries such as the food retail or caterers. Others, such as the British chain store Greggs plc or the German trading subsidiaries K&U Bäckerei GmbH or Schäfer's Brot und Kuchen Spezialitäten GmbH, instead of showing their sales in the form of industrial selling prices, state the total achieved with end consumers in the market. Some businesses are subsidiaries of upstream suppliers, such as the bakeries in the Limagrain Holding Group or CSM's frozen product bakeries; others belong to the retail or restaurant chains such as Le Duff. In that case it's not always easy to determine the actual value of the baked goods production, because some invoice their goods deliveries to the parent companies at production costs, others at market prices. That depends on where they want to let the profits be generated and who is allowed to control them. For example, it is not even possible to make a 100 % comparison between the turnovers of the two industrial bakery subsidiaries of the trading groups Coop and Migros in Switzerland.

It makes me smile a little to think that association representatives explained to me in a deeply convinced tone just under ten years ago that baked goods markets were local markets, and thus there would never be a common European market for baked goods. This view was overtaken by reality long ago, and anyone who reads the descriptions of the individual firms will discover that quite a few of the companies mentioned here no longer now perceive even the frontiers of Europe as market boundaries. Frozen product bakers are the main ones for whom it makes no difference whether they dispatch a container within Europe or beyond it. But that's only part of the story. Quite a few are also extending their feelers as a producer even further, such as the Danish company Lantmännen Unibake A/S, who operate their own bakeries in Moscow and Florida among other places, or the Greek operator Chipita S.A., which is trying to gain a foothold through joint ventures in Saudi-Arabia, Mexico and Nigeria. Conversely the Mexican Grupo Bimbo, one of the world's biggest bakery groups, is setting foot on European soil again by using its "buy-back option" Bimbo Iberia. Alternatively,

Europe's biggest baker, Barilla, is currently attempting to say goodbye to luckless parts of its bakery empire by consolidating rather than expanding.

It is noticeable that the European baking industry can still be said to contain a respectable number of family businesses. They include names such as Warburtons in Great Britain, the Neuhauser Group in France and Harry-Brot in Germany, which can present an impressive success story. Alternatively, conglomerates such as Premier Foods (UK) or ABF (Associated British Foods plc) in Great Britain and Vivescia in France are stepping increasingly into the limelight, and financial investors such as Apax Partners L.P. (London) or Oaktree Capital Management L.P. (Los Angeles), Mercapital (Madrid) or even the Saudi-Arabian Olayan Financing Company also see opportunities to take a share of the earnings through the global structural change in the food industry in general and in the baked goods sector in particular.

When recording the individual companies, I have made efforts to base the figures on those parts of the turnover that are actually made through baked goods, insofar as that which was clearly distinguishable. In other respects the rule is that rank and name are smoke and mirrors. The extent to which companies are able to adapt to changing demand without losing authenticity is what decides their future viability and competitiveness.

1 Barilla Initiative S.r.l.

— Parma (Italy)

Barilla
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Barilla Holding S.p.a., Parma (Italy), owns 85 % of Barilla Initiative S.r.l.; the minority shareholder is Gafina BV., The Hague. Barilla Initiative S.r.l. in turn owns as a subholding two groups that entirely or partly produce baked goods: Lieken AG, Düsseldorf, Germany, and BARILLA G.e.R. FRA-TELLI Société par Actions à Actionnaire Unique (simplified limited company under French law [SAS] with a single sole shareholder), Parma, Italy, which owns among others the brands Mulino Bianco (biscuits/cookies, crackers, croissants, bread, grissini), Harrys France (toastbread, "sliced brioches", Viennese pastries, chocolate buns), Pavesi, Novara, Piemont Region (originally producing in 1937 "Biscottini di Novara" [Novara cookies], nowadays biscuits/cookies, zwieback and crackers) and Wasabröd AB, Stockholm, Sweden (Wasa crispbread). In 2011, the turnover of the entire Barilla Group was EUR 3,916m, which corresponds to a decrease of 2.8 % compared to the previous year. In 2011 both the volume of sales of the bakery division and the turnovers in France and Germany rose, whereas in Sweden (Wasa) turnover fell although the sales volume remained stable. However, the market share dropped in all three countries, according to the "Annual ▶

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Table 1: Europe's biggest bakeries

Company	Based in	Group sales	Sales of baking division in Europe	Comments
Barilla Holding S.P.A.	Italy	EUR 3.916bn	> 1,500	
Aryzta Europa (2012)	Switzerland	EUR 2.9bn	1,300	
Premier Foods plc	Great Britain	GBP 2bn (approx. EUR 2.31bn)	843	
Associated British Foods plc (Allied Bakeries)	Great Britain	GBP 12.3bn (approx. EUR 14.21bn)	800	
Lantmännen Unibake A/S	Denmark	SEK 36bn (approx. EUR 4.18bn)	780	
Harry-Brot GmbH	Germany		738	
Greggs plc	Great Britain	GBP 701m (approx. EUR 810m)	723	External sales of a stores chain
Fazer Group	Finland	EUR 1.575bn	700	
Neuhauser S.A.	France		655	Including LeCrobag
Vandemoortele N.V.	Belgium	EUR 1.273bn	650	Including Panavi
Vivescia (DéliFrance, Krabansky etc.)	France	EUR 4bn	600	
Warburtons Ltd	UK	GBP 495m (approx. EUR 572m)	594	
Pasquier S.A.	France		548	
Le Groupe NORAC	France		500	
Grupo Panrico	Spain		563	Artiach sales still included
Jowa AG	Switzerland	CHF 682m (approx. EUR 551m) + EUR 1.85m	553	
Chipita International S.A.	Greece		500	
Grupo Siro	Spain		489	
Group Holder	France		488	Including restaurant sales
La Lorraine Bakery Group	Belgium		480	Including restaurant sales
Bakkersland B.V.	Netherlands		450	
Bauli Group	Italy		412	
Vaasan Group	Finland		408	
Groupe Le Duff	France	Group EUR 1.2bn	400	Estimated contribution of baked goods to total sales
Sodebo	France		385	Including sales of convenience foods etc.
Europastry S.A.	Spain		370	-2010
Conditorei Coppenrath & Wiese GmbH & Co. KG	Germany		370	
CSM N.V.	Netherlands	EUR 3.1bn	350	
Continental Bakeries B.V.	Netherlands		345	
Pagen AB	Sweden		313	
Bimbo Iberia	Spain	MXN 133,7bn (approx. EUR 7.74bn)	296	
Limagrain Group	France	EUR 1.784bn	277	
Glockenbrot Bäckerei GmbH & Co.oHG	Germany	EUR 48.4bn	270	
K&U Bäckerei GmbH	Germany	EUR 7.1bn	268	
Finsbury Food Group	Great Britain	GBP 207m (approx. EUR 239m)	254	
Schäfer's Brot und Kuchen-Spezialitäten GmbH	Germany	EUR 6.92bn	253	
Kuchenmeister GmbH	Germany		240	
Grupo Dulcesol	Spain		235	
Grupo Berlys	Spain		220	Including restaurant sales
Coop Genossenschaft	Switzerland	CHF 260m (approx. EUR 210m)	210	
Maison Ménéssiez S.A.	France		200	

Report 2011” of Barilla Holding. Overall, Barilla’s bakery division lost around 3 % of its sales volume in 2011, although it achieved a turnover increase of 1 %. Lieken AG (including Zimmermann GmbH, Erkrath, and Scherpel Brot GmbH, Lünen, and various service providers of its own) lost 12 % of its turnover, not least due to the sale of Kamps Bakeries GmbH in August of the previous year, and finished 2011 with sales of EUR 756m. According to the “Barilla Report”, without the sale of Kamps, turnover would have remained at the previous year’s level, although the sales volume would still have decreased. The US-American website “Wasa-usa.com” estimates Wasa’s sales at 60,000 t of flatbread per year, and annual turnover as EUR 200m. According to estimates by French analysts, Harrys France achieved a turnover of EUR 550m in 2010. Up to this point alone, Barilla’s baked goods turnover totals EUR 1.5bn, which does not yet include the Italian companies Mulino Bianco and Pavesi. This means the Barilla Group is probably Europe’s biggest manufacturer of baked goods. However it will not stay that way: Guido Barilla announced last year that he wanted to sell Lieken AG.

2 Aryzta AG

– Zurich (Switzerland)



Of the approx. EUR 2.9bn turnover stated by Aryzta AG in the 2012 Annual Report as the turnover of its “global food business”, around 44 % is accounted for by Europe, which expressed in Euros corresponds to around EUR 1.3bn. North America accounts for 48 % and the rest of the world for 8 %. This frozen products baker supplies worldwide to fast food businesses, the catering trade, convenience shops and to the classical food retail under brands such as Hiestand, La Brea, Otis Sprunkmeyer, Fresh Start Bakeries and many others, with 45 % of goods belonging to the “bread and bread rolls” category and with 36 % being sweet fine baked goods and so-called “morning goods”, which is the international expression meaning baked goods such as muffins, pastries and other items, mostly filled, that are freshly baked in the morning and sold fresh. The remainder consists of savory filled baked goods and everything not counted in any other category. Aryzta AG, which is listed on the Zurich Stock Exchange, was formed in 2008 through the merger of the Hiestand Holding AG in Lupfigin the canton of Aargau, Switzerland, with the Irish IAWS Group plc (Irish Agricultural Wholesale Society), Dublin.

3 Premier Foods plc

– St. Albans (UK)



Of the Group’s total turnover of GBP 2bn (approx. EUR 2.31bn) in 2011, only EUR 711m was attributable to the bread business. However, this division includes not only the brands Hovis, Granary and Mother’s Pride with annual sales of GBP 372m (approx. EUR 430m), but also sales with private labels amounting to GBP 128.5m (EUR 148.4m) together with flour milling turnovers totalling GBP 210.8m (EUR 243.5m). If only the baked goods sales are considered, they add up to GBP 500.5m (EUR 578.1m). Alternatively, the cake brand Mr. Kipling, sales with wraps under the Shar-

wood’s brand, and the baked goods turnover in Ireland are included in the “Grocery” division. The total market for packed cakes and cake bars in the United Kingdom in 2011 was valued at GBP 1.15bn (approx. EUR 1.33bn). The market has actually been stagnating for some years, because consumers are increasingly turning to unpacked snack offers. Mr. Kipling’s cakes sales in 2010 were estimated to be around GBP 136m (EUR 157m). Even assuming that the brand itself has recorded stable sales since then, the second brands and private labels which the company also produces are not doing so. Added to that are further sales of snacks and children’s lunch boxes, bringing the total to, at most, GBP 200m (EUR 231m), with the result that an estimate of GBP 700m as the entire baked goods turnover of Premier Foods is probably somewhere close to reality. Converted into Euros that would be a baked goods turnover of about EUR 809m.

4 Associated British Foods plc

– London (UK)



The 2012 Annual Report of Associated British Foods (ABF) shows group sales as an impressive GBP 12.3bn (EUR 14.21bn). The group, which manufactures foods and raw materials and has a worldwide turnover of GBP 2.5bn (EUR 2.89bn) in textile retailing with the Primark brand, originally comes from the sugar industry, whose sales still contribute 22 % to the total turnover. The “Grocery” division accounts for 30 % and thus GBP 3,726m (EUR 4.306m) (previous year GBP 3,671m, equally about EUR 4.243m)). In addition to Twinings Tee and Ovomaltine, flatbreads and cereals under the Ryvita brand, Mazola and other oils, this also includes the bakery activities, which comprise Allied Bakeries in the UK and TipTop Bakeries in Australia.

ABF is also involved in the bakery raw materials business through the yeast manufacturer AB Mauri Ltd. (UK) and the shareholding in Uniferm GmbH & Co KG at Werne in the district of Unna (North Rhine-Westphalia).

Allied Bakeries, who sell their baked goods in Great Britain and Ireland, reached total sales in 2011 of around GBP 600m, equivalent to about EUR 693m. To this are then added the sales of crispbread, crackerbread and the various sorts of “Thins” (a kind of crispy flatbread strips) from Jordans & Ryvita. In 2011 they achieved sales of around GBP 125m (EUR 144m), of which less than half is attributable to Ryvita. This increases ABF’s total turnover with baked goods produced in Europe to around EUR 800m.

5 Lantmännen Unibake A/S

– Hvidovre (Denmark)



Hatting, Schulstad, Schulstad Royal Danish Pastry, Schulstad Bake Off, Pastridor, Paaskebrød, Korvbrødsbagaren, Skoga, Eurobake, Americana, Le Pain Chic, Classic Crumb Cake, Panefresco, Baco, Unibake – the list of brands of the Denmark-based Lantmännen Unibake bakery division of the Swedish Lantmännen Group is long and comprises thirty production sites in sixteen countries including Denmark, UK, Germany, Belgium, Poland, Russia, Hungary and a small factory in the USA. Lantmännen is only active in the fresh ►



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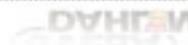
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baked goods market in Denmark and Poland, otherwise it concentrates on frozen goods. In much the same way as their Finnish colleagues have been doing for many years, Lantmännen has now discovered the Russian market for itself, and is recording triple-digit growth figures there. With their Scandinavian background, the Danes are increasingly marketing a combination of convenience and health for the “food to go” market. In 2011 the group’s sales of baked goods were EUR 780m, of which only a negligible proportion is accounted for by the US subsidiary in Saint Petersburg, Florida, especially since this partly markets goods imported from the European sister companies. Around 20 % of total turnover is accounted for by fresh baked goods, and 80 % by frozen products.

6 Harry-Brot GmbH

— Schenefeld (Germany)



This family business with a bread baking tradition stretching back to 1688 reported total sales in 2011 of EUR 738m, of which EUR 686m was attributable to the German market. Nowadays the business exports to almost all the countries around its German home market, in which the Schenefeld company serves mainly those in the north. The company has grown steadily by its own efforts for a number of years, and has done so equally continuously with double digit growth rates. Although Harry is familiar to German consumers primarily as a supplier of branded bread from the retail shelves, growth comes mainly from the frozen product range, which now contributes more than half of total sales. Frozen baked goods are manufactured in its own two industrial bakeries at Osterweddinge, south of Magdeburg and Troisdorf near Bonn. The Back-Factory subsidiary has had a presence as a bakery discounter for eleven years and now has more than 130 shops in Germany, and delivers additional retail sales of around EUR 80m, a considerable part of which is based on baked goods from its own frozen product factories. Another subsidiary is devoted to trade with its own and bought-in frozen products.

7 Greggs plc

— Newcastle upon Tyne (UK)



The fascinating thing about Greggs is its ability to change from a bakery chain store to a “food to go” specialist. The chain started in 1973 with a product range in which bread and bread rolls supplied more than half of turnover, to which were added around 35 % of sweet baked goods and around 10 % of savory baked goods. Today bread and bread rolls now make up only around 6.5 % of the group’s total sales, and savory snacks have increased to 27 %. The importance of the sweet items is around 14 %, and the real top sellers have now turned out to be sandwiches with a current turnover share of 27 % and beverages with a turnover share of just under 14 %. But that’s by no means all. The shops now offer soups and hot food (mostly sandwiches), products for home consumption that are sold in the branches or via the food retail, where Greggs makes use of its good name as a shipper. Greggs operates motorway service stations under the name Moto, supplies the British armed forces in Germany, and operates its own production unit for chutneys, sauces and soups.

Greggs has now divided its shops into three classes: around 1,200 shops belong to the “food to go” category, around 400 are run as traditional local “bakery shops”, and the first five coffee shops were opened last year under the Greggs moment label. Others are to follow. The speed with which Greggs opens new shops and closes unprofitable ones is also impressive. This is why the number that can be quoted is always only approximate. In 2012 there were around 1,600 shops. In the first six months of 2012 the net increase in shops was 33, but nevertheless sales grew by only 4.5 % to GBP 350m (EUR 404m). Without the increase in shops and the growing business with the food retail, the group would have had to accept a turnover loss of 2.3 %, due among other things to the torrential rainstorms in the second quarter of 2012, which left the branches in the main shopping streets with 7 % fewer visitors. Turnover in 2011 was GBP 701m (EUR 810m). If the 14 % of beverages and another percentage point for the new soup product range are subtracted from this, the baked goods turnover remaining for 2011 is just under GBP 600m (EUR 693m), which represents the external sales to end consumers, not the ex-factory prices as in the case of most of the other companies on the list.

8 Fazer Group

— Helsinki (Finland)



The Finnish Fazer Group is still a family business. Its turnover in 2011 was EUR 1.575bn of which 64 %, equal to EUR 1.0078bn, is attributable to the “Fazer bakeries and confectionery” division and the remainder originates from “Fazer Food Service”. The bakery activities are focused mainly in Scandinavia, Russia (as Hlebnyi Dom) and in the Baltic states. They account for around EUR 700m. That corresponds to an increase of around 10 % compared to the previous year. The main area of strong growth is the Russian market, which now contributes 25 % to the sales of the “Fazer bakeries and confectionery” division, although the presence of the Finns in baked goods is limited to the St. Petersburg region and the city of Moscow and its surroundings.

Fazer is also getting increasingly involved in the direct marketing of baked goods. In 2011 the group took over eight local bakeries or bakery shops and opened five new ones. Outstandingly important in this is a small bakery chain in Stockholm called Gateau, which was bought last year together with its 12 branches. However, the turnover of this “test operation”, which according to Fazer’s President Karsten Slotte offers popular, high-quality artisan bread, is only around EUR 10m. The test seems to be running successfully, because in late November last year Fazer opened a new bakery shop in the Ullanlinna district of the town of Helsinki, whose design is analogous to Gateau. The new sales outlet, which also provides six seats in addition to the sales area, will on 1st January 2013, like the shop previously opened in the Fazerila district of Vantaa near Helsinki, become part of the new “Fazer Cafés and Shops” business division. +++

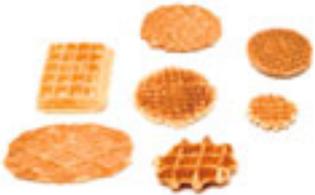
— Part 2 of this article will be continued in issue 2-2013 of *baking+biscuit international*.

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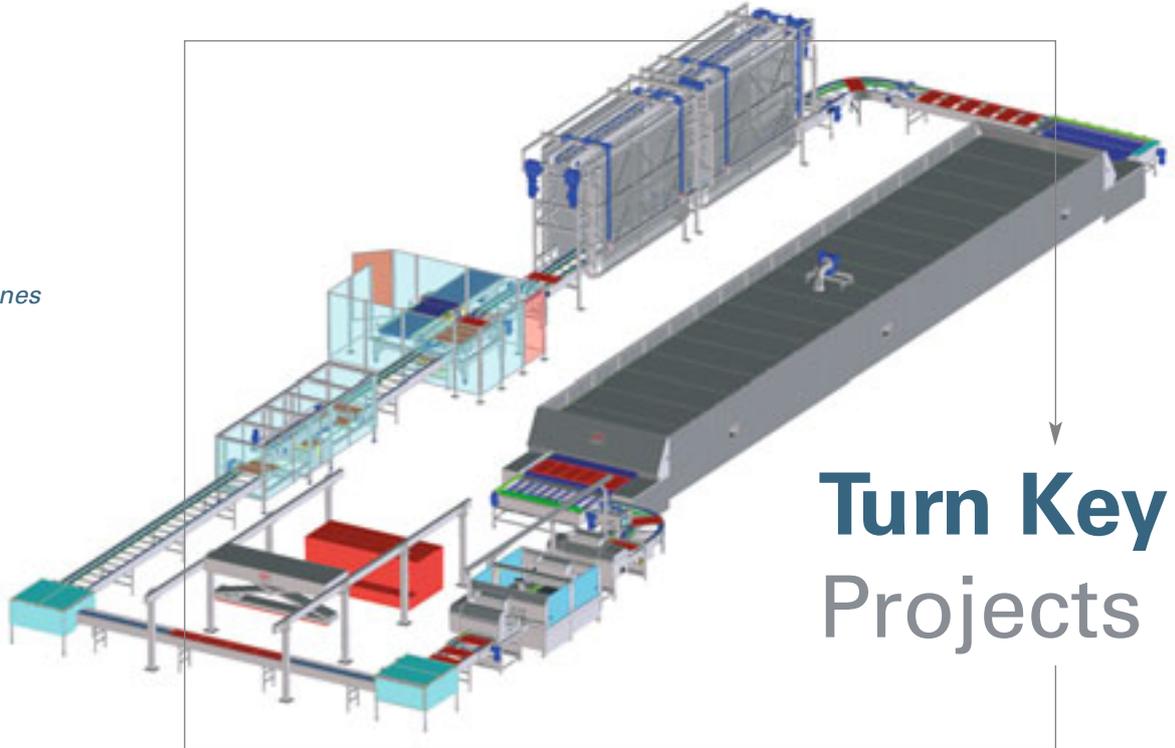
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