

A basketful of opportunities

IN THE CZECH AND SLOVAK REPUBLICS, JAROSLAV MICHAEL AND MARKO PAŘÍK HAVE BUILT UP A BAKERY AND MILLING EMPIRE THAT IS REGARDED AS THE LEADER IN THE REGION

++ figure 1



++ figure 1
Director Jan Jedlička heads the entire United Bakeries Group as its CEO

++ figure 2
Automatic raw materials weighing in the Prague factory

++ figure 3
A battery of heat-transfer oil multi-deck ovens with Kornfeil feeders takes care of special bread production in Prague

++ figure 4
Deep-fried doughnuts, popular both in the Czech Republic and in Slovakia

++ figure 2



++ figure 3



+ In addition to the traditional Czech brand “František Odkolek” and the umbrella brand “Delta”, which is omnipresent in both the Czech and Slovak republics, there have been new arrivals in the past few years, “Cerea” for health-oriented products, “Ben” for children’s products, “Bio”, and finally “Toast-tip” for preservative-free toast with a low salt content. However the circle of production facilities has been continually reduced. The 14 Delta and 8 Odkolek factories in the Czech Republic that were initially taken over have dwindled to 13 sites, each of which supplies fresh products within a radius of up to 100 km. Only the factories in Prague, Pardubice and Brno supply long-life baked goods such as gingerbread to partners nationwide. 12,000 t of baked goods are sent to customers every month, just over half of it to the central

warehouses of supermarket chains. The other half goes to independent trading partners, restaurateurs, caterers and canteens, and a small proportion to petrol stations. Another relatively new arrival in the group is its own chain of branches under the “Paneria” name, which currently supplies high-quality snacks and sweet baked goods to 32 predominantly urban locations.

More than two thirds of the products manufactured in the Czech factories are wheat-based, mainly the twisted Rohliky pastry, with more than 70 million leaving the plants every month. This puts Rohliky among the 10 products that account for 60% of sales.

Just over two thirds of the products leave the factories unpacked, but the proportion of packed products is increasing, mainly those from the new brand ranges such as Cerea, Ben or

++ figure 4



Please note:

In this and the past issue of baking+biscuit international we will deal with the baked goods market in the Czech Republic and the Republic of Slovakia. This issue presents the United Bakeries Group, which is the market leader in the Czech Republic with 13 bakeries and the second largest supplier in the Republic of Slovakia with three bakeries, and in Slovakia with three mills it is now among the dominant producers there as well. +++





++ figure 5
Substantial wholemeal bread under the "Cerea" brand, with clear information about the nutritional value on the label



++ figure 6
Toast varieties manufactured in the Prague works under the "Delta" brand

Toasttip, which appeal primarily to nutritionally aware consumers. On the one hand, according to Jan Jedlička, who heads the group as its CEO, a market for organic baked goods was not able to establish itself either in the Czech or Slovak republic. Jedlička says, "Initially there was a big 'Hello' for organic products, but the market is remaining static in the tenth of a percent region." On the other hand, according to director Jedlička, there is continuing brand loyalty in the classical bread market, which is why he has invested increasingly for three years in its packaging, brand image and advertising. For example the František Odkolek brand has been given a complete relaunch emphasizing the brand's history of more than 165 years as a guarantee of quality.

The history of United Bakeries in the Republic of Slovakia began with four Delta factories in Košice, Komárno, Hliník nad Hronom and Bratislava-Petržalka, which in 2006/2007 were combined under the management of Dr. Roman Husar with the purchase of three more plants in Žilina, Levice and Bratislava-Dúbravka to form a single business enterprise and renamed United Bakeries Slovakia. Today, production takes place in Žilina, Levice and Bratislava-Petržalka, supplying two thirds of the Slovak territory and thus 87% of consumers. The sparsely populated, economically weak south-east of

the country is the only part not reached. The plants have state-of-the-art equipment. Bratislava and Žilina represent a monthly production capacity of 1,500 t and Levice just over 1,000. The factories are currently not working at full capacity. Husar says, "It is mainly the hard discounters who have tried to drive prices down. We have said 'No' and are now using the time to gain IFS (International Food Standard) certification for the factories and to expand our service. The country's economic situation has improved in the meantime, and customers are increasingly demanding quality and proof of hygienic production methods. We have already made up with other customers, half of whom we lost with the hard discounters."

60% of his production still consists of standard products with low over-the-counter prices. Within the country, the average price of a wheat multigrain loaf is 1 EUR/kg. However, the proportion of special bread and cakes at United Bakeries is growing, as is the proportion of sliced and pre-packed goods. In addition Husar has started offering services and tailor-made logistics solutions to clients. Because there is at present a large increase both in raw materials and in energy costs, he expects a wave of mergers in the country, which will possibly also bring about a reduction in national over-capacities. His agenda does not include taking over ►

Republic of Slovakia

Member of the European Union
Area: 49,035 km²
Population: 5.45 million
Currency: Euro



Major cities

Bratislava: population 425,000
Košice: population 235,000
Prešov: population 91,767
Nitra: population 85,742
Žilina: population 85,268 +++

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++ figure 7

++ figure 7
A König plant looks after the manufacture of bread rolls in Žilina



++ figure 8

++ figure 8
The tunnel ovens in almost all the works originate from the Czech manufacturer J4. Here in Žilina, loaves of sandwich bread are being produced right now for the catering industry. Rohlíkys to make breadcrumbs are drying in the pans above the ovens

++ figures 9+10
Sweet croissants lightly sprinkled with poppy-seeds, just like sweet plaited butter loaves (figure 10), are popular traditional baked products to let you indulge in childhood memories

++ figure 11
Dr. Roman Husar, Director of the three Slovakian baking businesses of United Bakeries

++ bread (center)
Wheat-accented multi-grain breads are among the standard products of both countries (© United Bakeries)

more businesses to increase his current market share of just over 10%. Husar says, “The obstacles to such mergers are the different technical equipments in most of the operations. What counts now is not size and locations but quality and know-how. Slovakian consumers have very traditional dietary habits and are fed up with cut-price retail groups supplying low-quality meat, milk products and even bread. Now that incomes are increasing again, more and more people are turning back to small shops that they trust. That could be an opportunity for us as well.” Initial trials involve the company’s own personnel operating baking stations that bake-off chilled pre-baked dough on the spot. 12 stations are already in operation, seven are being made ready, and the countrywide roll-out is planned for next year. Although the number of baked goods manufacturers has halved since the introduction of the free-market economy, overcapacities of up to 30% still burden the baking industry in



the countries of Central Europe even after 20 years. Margins are under constant pressure. The supermarkets like using rohlíkys in particular as loss leaders, and sell them at prices for which they can hardly be manufactured. The out-of-home-market is only a limited alternative. Canteens and other communal catering establishments are recording a growing demand for baked goods, but the range of gastronomic snack products is simply too expensive for most young people, who are the main consumers in other countries.

That’s why the strategy of United Bakeries focuses on further modernisation of its production facilities, for which more than EUR 16m was made available just in the last three years. With annual sales of about EUR 130m, that’s more than 4%/year. According to Jedlička, there will be no further eastward expansion of the group’s area of operations in the foreseeable future. “There’s still enough left for us to do in the Czech and Slovak republics.” +++



++ figure 9



++ figure 10



++ figure 11



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