Food Products

Confectionery & Snacks Industry

December 2019

Industry Profile

- Total market size is estimated to be over PKR 130bln in 2019
  - Market size of the biscuit industry -formal and informal - approximated ~PKR 75billion in 2019
  - Market of candies, toffees and jellies (manufactured in the formal and informal sector) now stands at ~PKR 40bln
  - Market of chips industry now stands at ~PKR 15 - 20bln
- 65% of the overall national volume is sold in the urban centers whereas 35% in the rural markets.
- Domestic brands dominate more than 80% market share
- Oligopoly structure: Majority market share in Domestic Brands Local Player is concentrated in few players

Source: Industry players & Own Estimates

Key Growth Drivers

- Higher hygiene awareness
- Increased consumption per capita
- Increasing population
- Changing consumption patterns due to urbanization
- Higher proportion of young population in overall population

Key Statistics

- Pakistan is the fifth most populated country in the world with an estimated population of 212.82 million.
- The average population growth is 2.4%.
- Population in the Urban Sector has grown at an average of 1%.
- Per Capita Income has shrunk by 8.76% in FY18/19.
- Approximately 37% of income is spent on food and beverage by every household.

Source: Economic survey 2018-2019, Household Integrated Economic Survey 2015-2016

Confectionery

Pakistan's Total Confectionary industry : ~PKR 40bln in 2019

CAGR : Appx 8%-10%

CONFECTIONERY MARKET KEY SEGMENTS:

Hard-Boiled Sweets
Caramels & Toffees
Gums & Jellies
Mints
Chocolates
Cakes & Cup Cakes
Others
(Marshmallows, Lollipops, etc)

Major Player	Estimated Market Share 2018	Estimated Market Share 2019
Ismail Industries Limited	38%	38%
Mondelez - International	26%	26%
Hilal Confectionaries	28%	21%
Others	8%	15%

Source: Industry Players & Own estimates

Biscuits

Pakistan's Total Biscuits Industry : PKR ~75bln in 2019

CAGR : Over 15%

BISCUIT MARKET KEY SEGMENTS:

- Plain Biscuits
- Inclusion Category
- Sweet & Hard
- Digestive
- Cream Biscuits
- Cookies

Source: Industry Players & Own estimates

Snack

Pakistan's chips industry : ~PKR 15 - 20bln in 2019 CAGR ~8-10%

SNACKS MARKET KEY SEGMENTS:

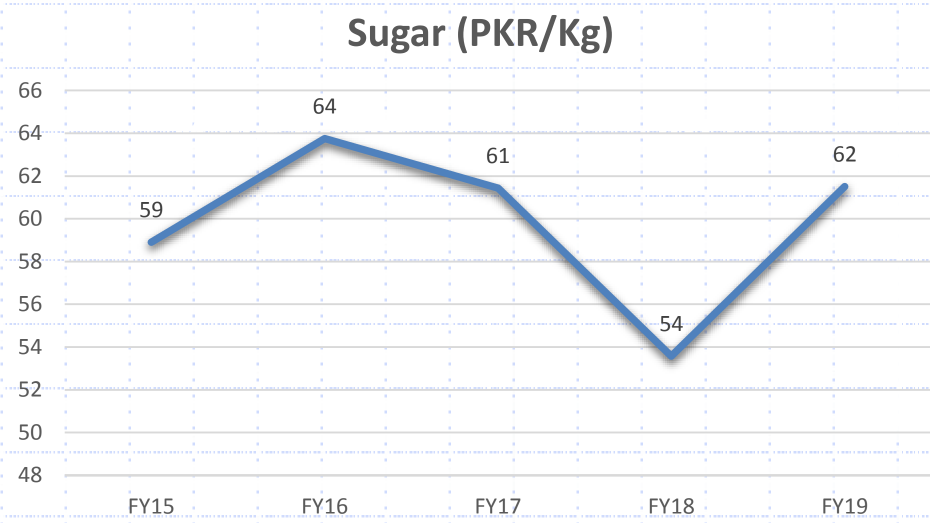
- Crisps and Chips
- Extruded Snacks
- Nuts and Seeds
- Popcorn
- Other Product Types

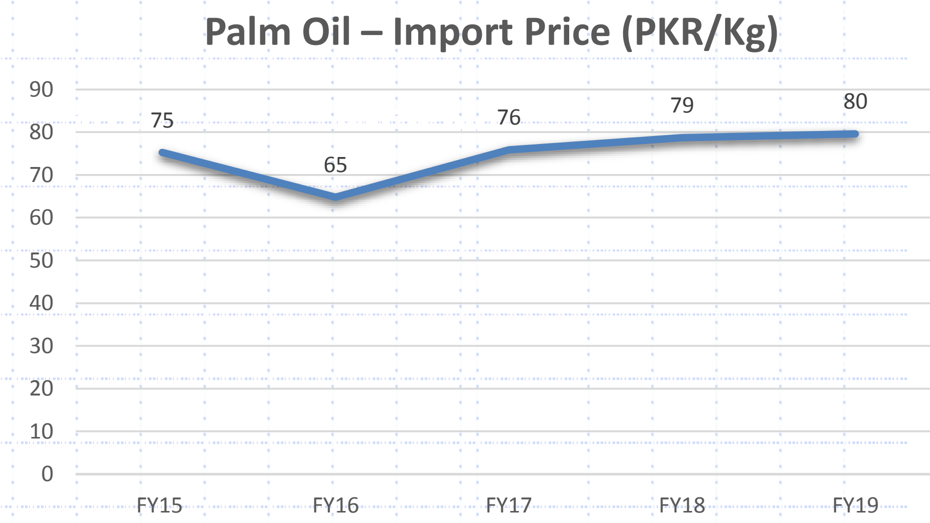
Players	Estimated Market Share	Brands
Pepsi Co.	80%	Lays, Kurkure, Cheetos
Other Brands	20%	Super Crisp, Kurleez, Chillz, Potato Sticks, Slanty, Oye Hoye

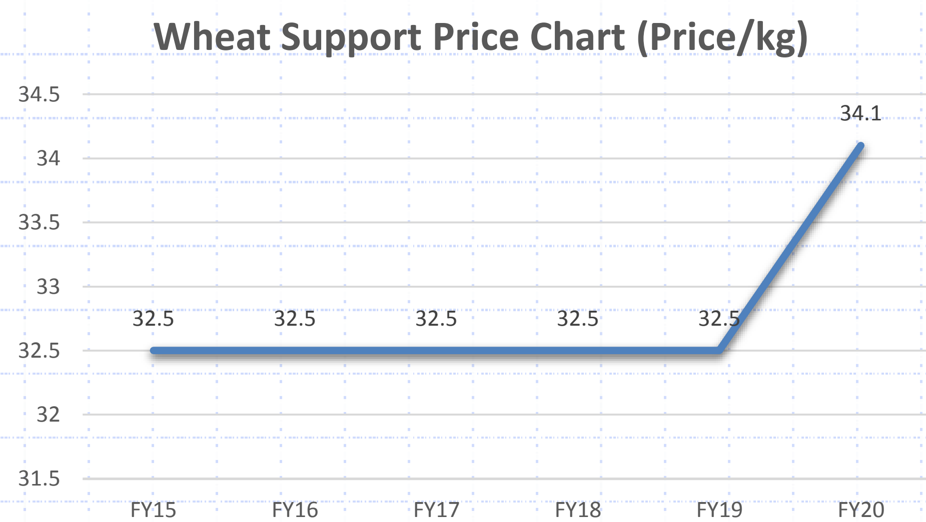
Source: Own Estimates

Inputs

Price Trend of Major Input Materials:

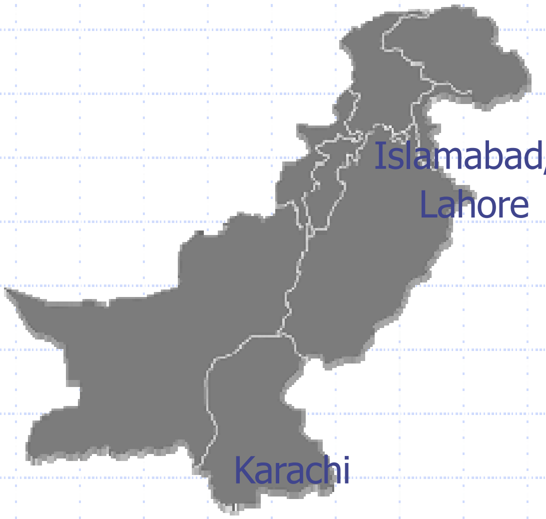


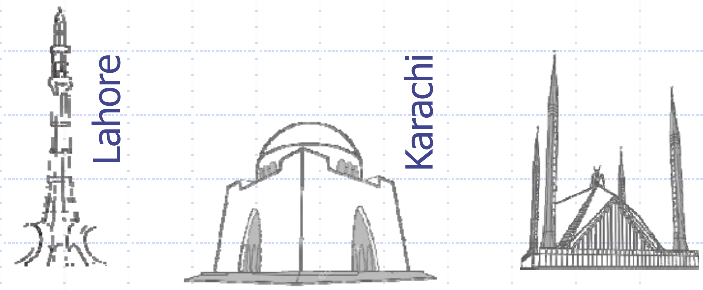




Source: Pakistan Sugar Mills Association, Businessinsider.com Pakistan Bureau of Statistics

Confectionery Exporters | Industry Structure





	Lahore	Karachi	ICT & Rawalpindi
Number of Players	8	14	2
Average Size of the company (No. of employees)	104	187	210
Largest company (No. of employees)	300	600	300
Smallest company (No. of employees)	10	25	120
Average Product Range	4	4	3
Maximum Product Range	6	6	4
Minimum Product Range	2	1	1

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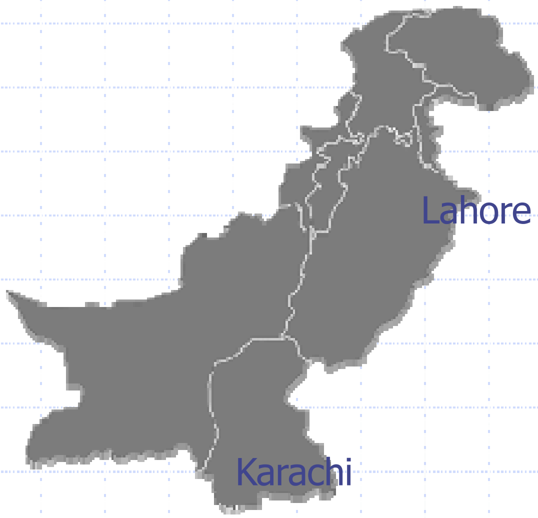
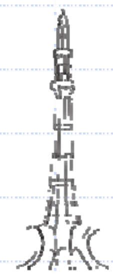
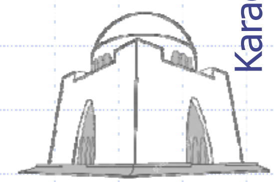
Confectionery Importers | Industry Structure







	Lahore	Karachi
Number of Players	16	18
Average Size of the company (No. of employees)	82	189
Largest company (No. of employees)	300	600
Smallest company (No. of employees)	15	16
Average Product Range	4	4
Maximum Product Range	6	6
Minimum Product Range	1	1

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Pakistan | Custom Duty Structure

HS Code	Description	FY20	FY19	FY18
		Custom Duty - in %terms		
	Sugar confectionery (including white chocolate), not containing cocoa.			
1704.1000.	Chewing gum, whether or not sugar- coated	20	20	20
1704.9010.	White chocolate	20	20	20
1704.9090.	Other	20	20	20
	Chocolate and other food preparations containing cocoa.			
1806.1000.	- Cocoa powder, containing added sugar or other sweetening matter	20	20	20
1806.2010.	Chocolate preparation	20	20	20
1806.2020.	Chocolate crumbs in packing of 25kg or more in powder, granules or briquettes.	11	11	11
	Sweet biscuits; waffles and wafers			
1905.3100.	Sweet biscuits	20	20	20
1905.3200.	Waffles and wafers	20	20	20

Source: Federal Board of Revenue

Opportunities

- Pakistan has a large retail base, a young population, with a growing pattern of confectionary and snacks consumption
- Growing number of large retail chains in the major cities having higher concentration of middle and upper-income class- allowing better margins
- Growth in the urban middle class and increase in personal disposable income in tier 1 cities have improved consumption pattern
- Imported goods are higher priced and have low brand awareness
- Increased hygiene awareness leading to higher demand for products from organized sector
- Recent devaluation of Pak rupee made unregistered imports from neighboring countries unviable, providing opportunity for local players to fill vacuum.

Challenges

- Highly price sensitive market
- Highly competitive industry dominated by few local players
- Growing health concerns among the public, as the products contain high amounts of sugar and salts
- Rising cost of local raw materials
- Cost escalations of imported raw materials due to Pak. Rupee devaluation
- Establishing distribution channels in remote areas remains a challenge
- Presence of unorganized market and fake product copies remains a challenge for the organized sector
- Recent imposition of CNIC condition for unregistered distributors has stressed the supply chain as most of the distributors are unregistered

1 https://www.trademap.org/Index.aspx
2 Economic Survey 2018-2019
3 https://www.dawn.com/news/1309859/biscuits-candies-crisps-market-grows-to-rs130bn
4 Pakistan Sugar Mills Association
5 https://markets.businessinsider.com/commodities/palm-oil-price
6 https://www.indexmundi.com/commodities/?commodity=palm-oil&months=60&currency=pkr
7 Household Integrated Economic Survey 2015-2016
8 http://www.pbs.gov.pk/

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