Consumer Goods

Confectionery & Snacks Industry

December 2018

Industry Profile

- Total market size is estimated to be over PKR 150bln in 2017
  - Market size of the biscuit industry -formal and informal - approximated PKR 60 billion in 2017
  - Market of candies, toffees and jellies (manufactured in the formal and informal sector) now stands at ~PKR 40-50bn
  - Pakistan savory snack market recorded a revenue of PKR 54 bln in 2017
- 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

Key Growth Drivers

Growth in the snacks industry will come from:

- increased consumption per capita
- increasing population

Key Statistics

- Pakistan is the sixth most populated country in the world with an estimated population of 208 million
- The average population growth is 1.9%
- Population in the Urban Sector has grown at an average of 1%
- Population in urban areas has increased from 39% in 2015 to 41% in 2017 of total population
- Per Capita Income has grown by 6.4% in FY17/18
- Approximately 40%- 50% of income is spent on food and beverage

Economic survey 2017-2018

Confectionary

Pakistan's Total Confectionary industry : ~PKR 45bln in 2017 from ~PKR 35bln in 2014
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 2017	Estimated Market Share 2018
Ismail Industries – Candyland	27%	38%
Hilal Confectionaries – Hilal	27%	28%
Volka Foods – Gigly	20%	-
Asian Foods – Mayfair	10%	-
Others	16%	-

Biscuits

Pakistan's Total Biscuits Industry : PKR ~60bln in 2017 from ~PKR 40bln in 2014

CAGR : Over 15% Growth in the Industry

BISCUIT MARKET KEY SEGMENTS:

Plain Biscuits
Inclusion Category
Sweet & Hard
Digestive
Cream Biscuits
Cookies

Player	Estimated Market Share (2017)	Estimated Market Share (2018)	Products/ Brands
English Biscuit Manufacturers	48%	43%	Peek Freans
Continental Biscuit	27%	19%	LU
Ismail Industries	10%	22%	Bisconi
Asian Foods	10%	-	Mayfair
Others	5%	-	-

Snack

Pakistan's chips industry : ~PKR 20bln in 2017
CAGR ~ 6%-9%

SNACKS MARKET KEY SEGMENTS:

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

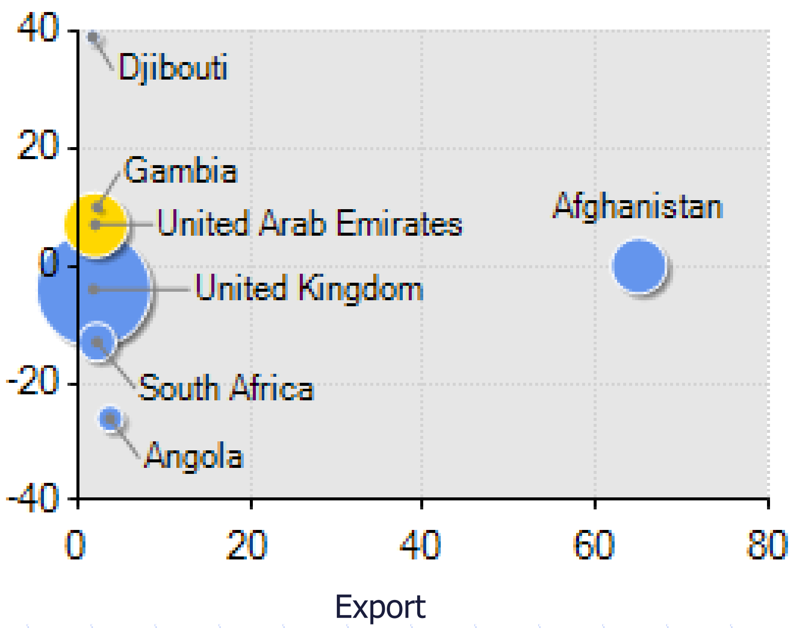
Players	Estimated Market Share	Brands
PepsiCo	80%	Lay's, Kurkure, Cheetos
Other Brands		Super Crisp, Kurlees, Oye Hoye, Slanty, Potatoe Sticks etc

Inputs

Prices of Major Input Materials

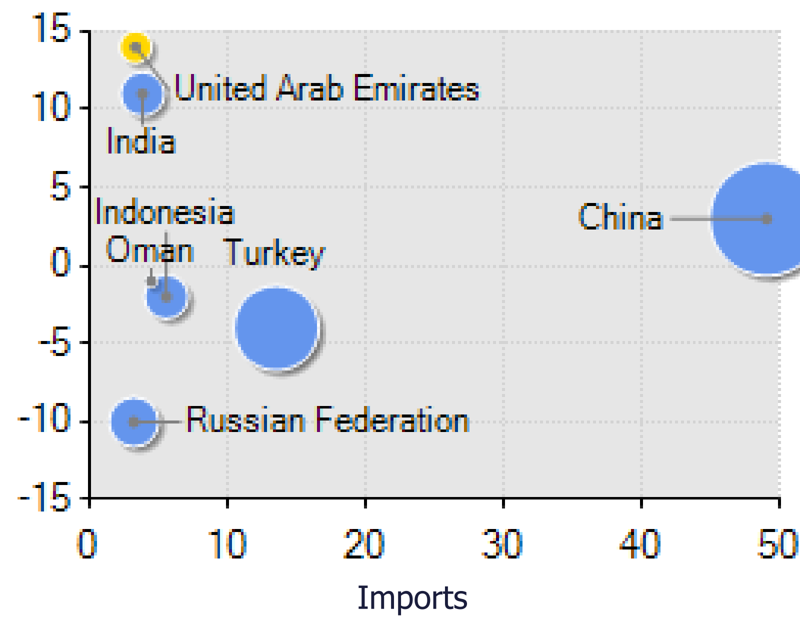
Major Inputs	2017	2018	%Change
Sugar	PKR 61,000 MT	PKR 55,000/Ton	-10%
Palm Oil	PKR 104,351/MT	PKR 103,014 / MT	-1%
Packing Material	PKR416/Tonn	PKR 436/Tonn	5%

Pakistan | Import vs Export



- Afghanistan has the major share in Pakistan's confectionary exports
- Concentration risk of confectionary sector is high
- Rest of the export market is dominated by African countries

- China has the major share in Pakistan's confectionary exports
- Quatum of imported products increases competition for the local players
- Other Importing countries include: Turkey, India, Russia



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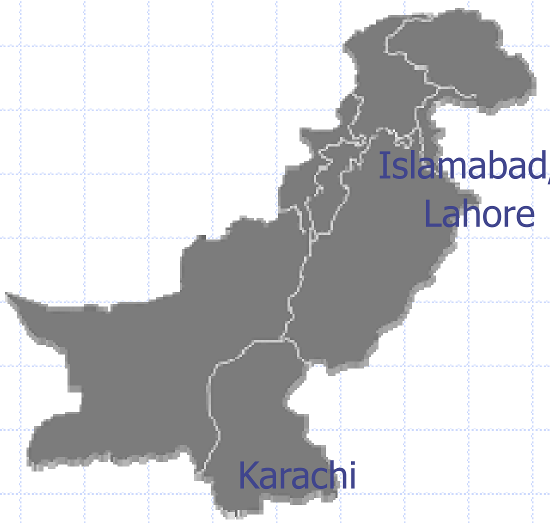
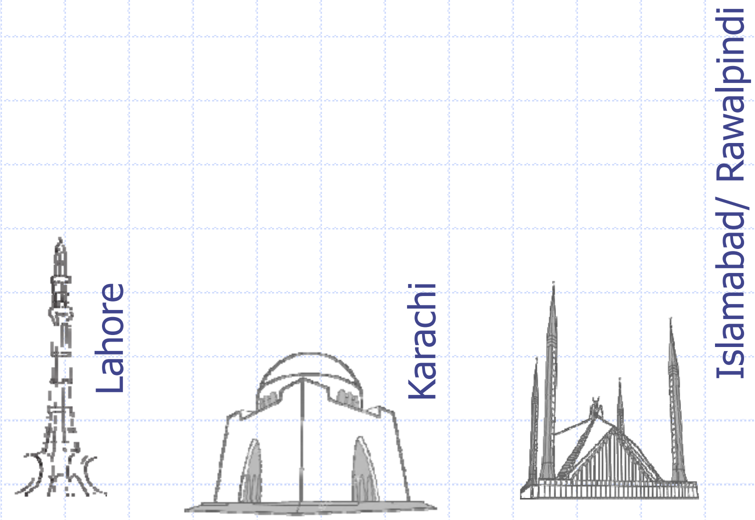
Confectionery Exporters | Industry Structure





	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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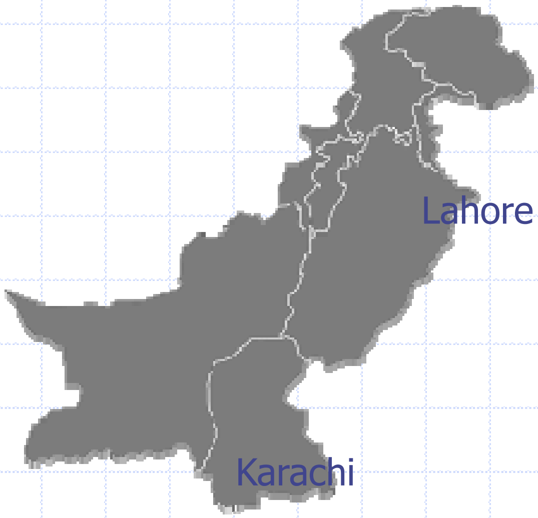
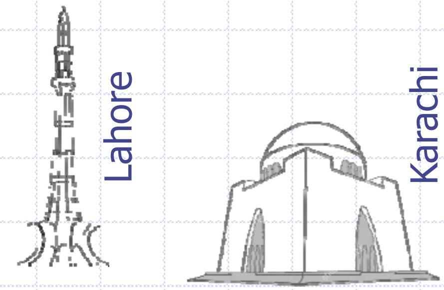
Confectionery Importers | Industry Structure





	Lahore	Karachi
Number of Players	15	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

		FY19	FY18	FY17
HS Code	**Description**	**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

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

Challenges

- Market is highly price sensitive
- Highly competitive industry dominated by few local players
- Growing health concerns among the public, as the products contain high amounts of sugar and salts
- Fluctuation in cost of raw materials
- Cost increase in imported raw materials due to devaluation of Pakistani Rupee
- Establishing distribution channels remains a challenge

Bibliography

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3 https://www.dawn.com/news/1309859/biscuits-candies-crisps-market-grows-to-rs130bn

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