

Against the Grain: Consumers Opt for Healthy Breads and Biscuits

By Yin Yeoh

Greater health consciousness has led to a shift in consumer preferences towards artisanal breads and healthier snacks.

Increased availability of healthier substitute foods has placed pressure on bread and biscuit manufacturers

Changing consumption habits, healthier lifestyle trends and competition from retailers' private-label brands, instore supermarket bakeries and other healthy snack food substitutes, such as fruit and nuts, have affected the Biscuit Manufacturing and Bread Production industries over the past five years. Shifting dietary habits and healthier lifestyle choices have adversely affected both industries over the period. Consumers are increasingly opting for healthy snacks, such as fruit and nuts, rather than biscuits and cookies, and shifting away from traditional packaged white loaves towards healthier options, such as artisanal, organic and gluten-free loaves, and sourdough and rye breads.

Greater competition and rising health consciousness have constrained the pace of expansion for both industries over the past five years. Overall, revenue for the Biscuit Manufacturing industry is expected to fall at an annualised 3.3% over the five years through 2018-19, to \$780.0 million. Major supermarkets, such as Coles, Woolworths and ALDI, have increasingly developed and marketed their private-label brands. Intensifying pressure from private-label products, which are typically sold at lower prices, has placed downward price pressure on biscuit products over the past five years. Similarly, revenue for the Bread Production industry is expected to decline at an

annualised 2.0% over the five years through 2018-19, to \$2.7 billion. In an attempt to directly compete with industrial bread manufacturers, Coles and Woolworths have increasingly baked their bread products instore. Together, Coles and Woolworths currently operate over 1,100 instore bakeries.

Intensified competition from supermarkets' instore bakeries and private labels, increased availability of healthier substitute foods, growing popularity of low-carbohydrate, high-fibre and high-protein diets, and volatile raw material input costs have posed significant threats for both industries over the past five years. Operators in the Bread Production industry have launched new product lines and focused on reducing operational costs to boost margins over the period. Some manufacturers have attempted to improve production efficiency by increasing automation. Similar to other food processing industries, biscuit manufacturers have increasingly outsourced production to countries with lower operation costs.

Despite operators' attempts to reduce operation costs and improve product efficiency, establishment and enterprise numbers in both industries have fallen over the past five years. These trends have been due to intense competition causing smaller players to exit the industries. These exits, combined with increased automation in

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production processes, have resulted in declining employment numbers for both industries over the period.

Revenue for the Bread Production industry is projected to grow over the next five years, on the back of rising health trends. Bread producers are anticipated to focus on producing higher-value fortified bread, alongside low-carb and other healthier bread offerings that are targeted at increasingly health-conscious consumers. However, revenue for the Biscuit Manufacturing industry is anticipated to decline, as consumers move away from biscuits and cookies, which are perceived to be unhealthy due to their high sugar and fat content, towards low-sugar, low-fat alternative snack foods, such as snack bars and fresh fruits.

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