



Asia Power Global Flour Market



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**Quick read**

- The global flour market was predicted to grow to \$255 billion by 2020
- A demand for gluten free products has disrupted sales, especially in developed markets
- Rising populations in Asia has seen an increase in flour mills and flour demand
- The development of the flour milling industry in the Middle East and Africa has seen expansion of the global flour market and downstream products such as bakery and confectionery
- Greater economies of scale has helped to decrease flour prices and increased demand
- Wheat is the most widely produced cereal in the world with a diversified market application
- The recommended strategy to increase flour industry market penetration is for companies to develop and launch new products
- New product development is accounting for 38% of the overall market growth

Introduction

The global flour market was valued at an estimated US\$199 billion in 2015 and is predicted to grow by over 4% CAGR to US\$255 billion by 2020. However, not all geographies and segments are experiencing such exponential growth.

Global Flour Industry Growth Dynamics

The global market for flour continues to grow with a forecasted value of US\$255 billion by 2020. However, changing consumption dynamics such as increased demand for gluten-free food products has disrupted more developed markets and impacted negatively on sales of conventional flour products. This has resulted in a reduction of 2% -30% in developed consumer markets such as the UK, France, Germany, and Russia. Other parts of the world have registered little or no growth in demand - see figure 1 on the following page.

However, there is one region of the world which has bucked this trend and that is Asia, with several large-scale flour mills increasing capacity to meet growing demand on the back of rising populations across the region.

Also, initiatives such as the leading flour miller in China introducing cup noodles, has caused a noticeable positive shift in demand and has been a catalyst for increasing flour imports into the country.

Increasing Capacity

Moreover, the development of the flour milling industry in the high growth developing regions of the world such as Asia Pacific, the Middle East and Africa are significantly contributing to the growth and expansion of the global market for flour and downstream products, such as bakery and confectionery.

Expanding populations along with decreasing flour prices, which is being driven by increased milling capacity from the development of new mills, are helping to fuel market demand. This has also resulted in greater economies of scale and process and utilisation efficiencies.

These developments are also impacting on the wider wheat and flour downstream markets, with an exponential rise in the expansion and openings of

new industrial and retail bakery outlets across the region.

Alternative Uses for Wheat & Flour

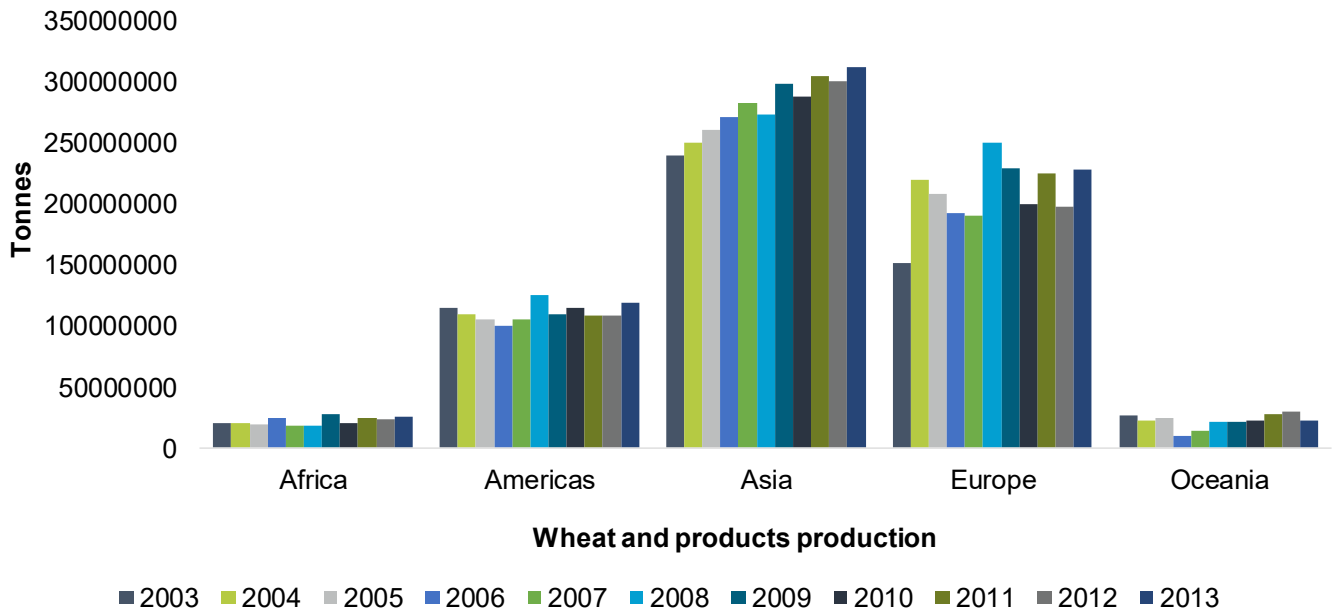
Wheat is the most widely produced cereal in the world with a diversified market application, mostly focused on the human food chain.

Flour's most conventional use is as an ingredient in the making of bread, bakery items, and corn-based coating for fried food and fast food. In quick-serve-restaurants, the consumption of flour is high, as they serve food items such as donuts, burgers, cakes, and fried meat products. Demand for wheat and flour products will be further bolstered with the rising demand for bakery and fast food in high growth emerging and developing markets.

The bread and bakery market segment are expected to continue to dominate the global landscape for



Figure 1: Global Wheat & Wheat Products Production



Source: Farrelly & Mitchell Analysis

wheat and flour until 2020, accounting for approximately 40% of the overall market value. In addition, the non-food application segment is anticipated to expand at a CAGR higher than any other segment during the forecasted period.

Innovation to Drive Future Growth

The recommended strategy to increase flour industry market penetration is for companies to develop and launch new products. For example, the evolution of the value-added processed bakery industry in the Netherlands, Italy, Germany and France among others is estimated to drive future growth in the region, which is experiencing a decline in conventional sales of wheat-based products.

New product development is accounting for 38% of the overall market growth. Also, bread and bakery products, noodles and pasta, animal/pet feed, wafers, crackers and biscuits and non-food applications such as bioplastics, biomaterials, glue are gaining increased traction across the world. This is driving-up milling capacities through expansion of existing facilities and new operations. Other corporate strategies such as acquisitions, strategic partnerships and joint ventures are helping key players to remain competitive and develop more diverse and innovative product development pipelines.

Conclusion

The global flour market was predicted to grow to \$255 billion by 2020 . A demand for gluten free products has disrupted sales, especially in developed markets. However rising populations in Asia has seen an increase in flour mills and flour demand. The development of the flour milling industry in the Middle East and Africa has seen expansion of the global flour market and downstream products such as bakery and confectionery. Greater economies of scale has helped to decrease flour prices and increased demand. New product development is accounting for 38% of the overall market growth.



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