

REPORT

Market Research on Bakery Machinery in China

May 2023

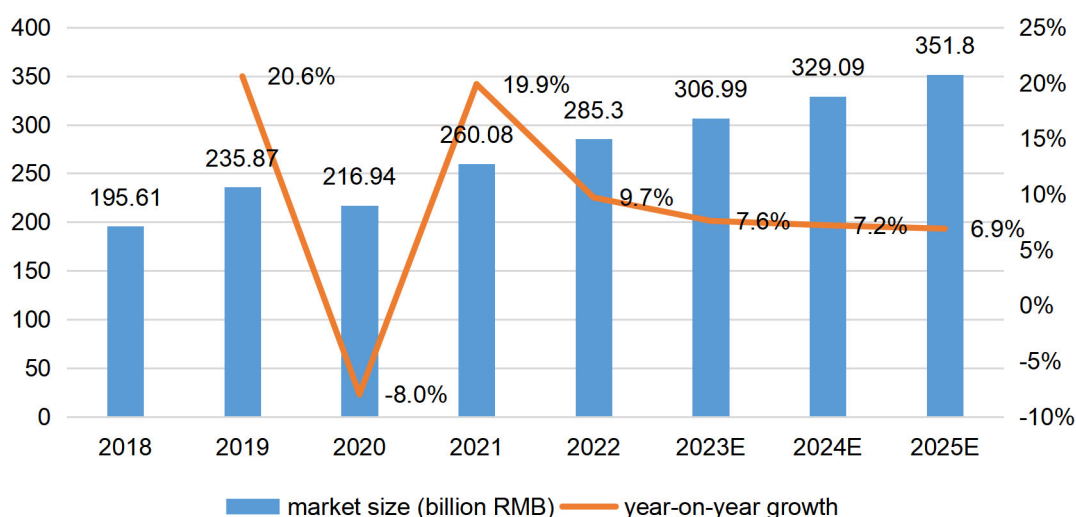


Executive Summary

Increasing demand for high-quality bakery machinery

There is an increasing demand for advanced and efficient bakery machinery, led by the growing Chinese bakery industry. In 2022, the industry's market size reached **285.3 billion RMB**, a year-on-year (YoY) increase of 9.7%¹. This growth is expected to continue, with a projected market size of 351.8 billion RMB in 2025. As China's bakery market continues to expand, bakery machinery demand also grows from bakeries, restaurants, and centralized baking factories.

Figure 1-2 Market size and forecast of China's bakery industry, 2018-2025



Source: iiMedia Research¹

From 2017 to 2021, China's bakery machinery market grew from 3.1 to 4.1 billion RMB, with a compound annual growth rate (CAGR) of approximately 7.5%. Although there was a fluctuation during 2020-2022 due to COVID-19, the market size is expected to return to steady growth, with demand rebounding after the lifting of epidemic control measures in December 2022. Data shows that the size of China's bakery machinery market is estimated to reach 6.0 billion RMB by 2026, with a five-year CAGR of 7.9%.

Significant opportunities exist for Italian bakery machinery businesses as a result of the rising penetration of bakery machinery in stores, increased investment on centralized baking factories, and a growing emphasis on enhanced functionality and techniques.

The penetration rate of bakery machinery in bakery stores is anticipated to grow from

¹ 2023 China Bakery Industry Report: Current Situation and Trends: <https://www.iimedia.cn/c400/91410.html>

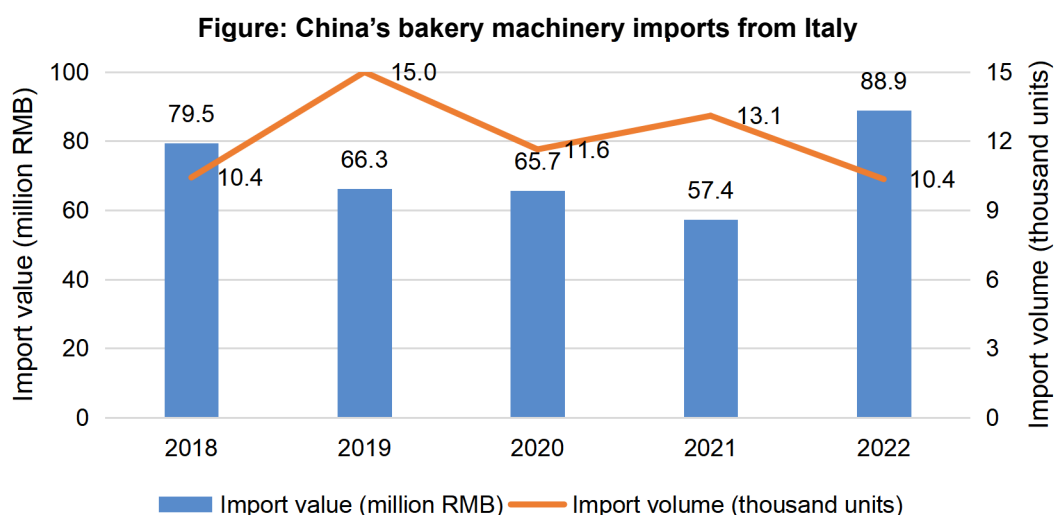
60% in 2021 to 80% in 2026. Among all demand for bakery machinery, the demand for digitalized, intelligent, and automated bakery machinery has been increasing yearly, as these types of equipment can help improve production efficiency and reduce operating costs.

Centralized baking factories are investing more in machinery to meet rising packaged bakery product demand, especially from e-commerce. The e-commerce channel has experienced remarkable growth, with sales of bakery products surging from 11.1 billion RMB in 2017 to 29.6 billion RMB in 2021. To keep pace with this growth, baking factories require advanced machinery and skilled personnel.

In the context of consumption upgrades, consumers tend to prefer premium bakery products with more diversity, better taste and healthier ingredients. To keep up with these changing consumer preferences, bakery businesses need to invest in high-level baking skills and enhanced functionality and technology of bakery machinery. The use of advanced machinery and equipment can help increase the efficiency of the baking process, while also improving the quality and consistency of the final products.

Italy as a top import origin for bakery machinery in China

Italy has become the **third-largest** import origin for bakery machinery in China, with import values increasing by 54.8% YoY in 2022. From 2018 to 2022, the total import value of Italian bakery machinery was 357.9 million RMB, accounting for 6.7% of the overall value of imported bakery machinery in China.



Source: GACC²

Notes: The import data is based on the following five HS codes under the category of general trade, which might not fully cover all types of bakery machinery. The import data serves as a reference.

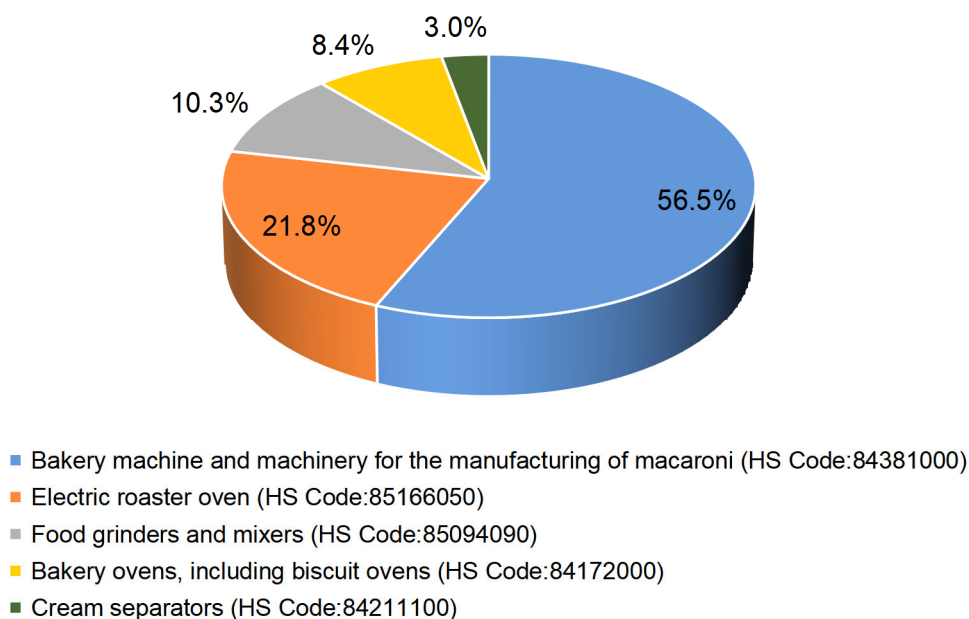
² Import data of bakery machinery collected from General Administration of Customs of the People's Republic of China: <http://stats.customs.gov.cn/>

Bakery machine and machinery for the manufacturing of macaroni (HS Code:84381000)
Electric roaster oven (HS Code:85166050)
Food grinders and mixers (HS Code:85094090)
Bakery ovens, including biscuit ovens (HS Code:84172000)
Cream separators (HS Code:84211100)

Initially, from 2018 to 2021, the import value of bakery machinery from Italy showed a downward trend, falling from 79.5 million RMB in 2018 to 57.4 million RMB in 2021, with a drop in rank from sixth to seventh. However, in 2022, China's bakery machinery imports from Italy surged by 54.8% YoY to 88.9 million RMB, accounting for 9.6% of total imports and propelling Italy to third place.

Over the 5-year period from 2018 to 2022, the combined import value of Bakery machinery and machinery for the manufacturing of macaroni (**HS Code: 84381000**) amounted to 202.4 million RMB, representing the **highest** proportion of 56.5% in the total value of imported Italian bakery machinery. The second highest category is Electric roaster oven (HS Code: 85166050), with a total value of 78.2 million RMB and a proportion of 21.8%. Additionally, Italy is one of the few sources for China's imports of Cream separators (HS Code: 84211100).

Figure: Proportion of different categories in import value from Italy



Source: GACC³

Average unit import price increased noticeably for Bakery machine and machinery for the manufacturing of macaroni (HS Code: 84381000) and Bakery ovens, including biscuit ovens (HS Code:84172000).

³ Import data of bakery machinery collected from General Administration of Customs of the People's Republic of China: <http://stats.customs.gov.cn/>

These figures demonstrate the potential for Italian bakery machinery enterprises to further expand their market share in China.

Most Italian bakery machinery imports enjoy most-favored-nation duty rates as Italy is a WTO member. For instance, the most-favored-nation duty rate for Electric roaster ovens (HS Code:85166050) is 7%, which is applied to the CIF value of the imported goods. It is worth noting that Food grinders and mixers (HS Code:85094090) have a temporary duty rate of 5%, which prevailed over most-favored-nation rates.

Given rising import values, shares, and prices, Italy has become a major source of bakery machinery for China. Italian bakery machinery companies have significant growth potential in China, especially given the lower tariffs on most imports from Italy. With a recovery and further expansion, Italy can strengthen its position as a top import origin for bakery machinery in the large and fast-growing Chinese market.

Optimal competitive landscape and evolving market trends

The Chinese bakery machinery market has a unique competitive landscape with a relatively **low market concentration** and a significant number of small- and medium-sized players. The top five competitors holding a combined share of approximately 23.7%, with Sinmag Equipment from Taiwan, China ranking first with a share of 11.9%. Zierby Machinery is a local enterprise in China. Sun Mate Machinery is from Taiwan, China, while Kolb and SANKO Machinery are from Switzerland and Japan, respectively. These companies have established subsidiaries in Chinese mainland to conduct machinery R&D, manufacturing and sales.

Among small businesses, the lack of independent research and development (R&D) as well as the standardization in production processes has impacted the industry's overall technological advancement. But for new Italian entrants, this market presents more opportunities to capture the market share. High-quality product is one of the stepping stones. To remain competitive, Italian bakery machinery enterprises need to stay agile and adapt to the evolving market trends, such as improved automation, enhanced product intelligence, energy efficiency, and environmental protection.

In the context of "Industry 4.0", cutting-edge technologies such as automated material control systems, positioning and welding robots, and material handling robots will bring a new era of automation and digitalization to China's bakery machinery industry. Enterprises place great emphasis on constructing fully automated integrated production lines to achieve digital production and reduce the involvement of production line operators. This can effectively help manufacturers improve their management precision, enhance production efficiency, reduce personnel costs, and minimize material waste.

With the maturity and wide application of technologies such as the internet of things and cloud computing, China's bakery machinery industry is undergoing an intelligence revolution. In the future, bakery machinery will transform towards **greater intelligence**, with advancements in intelligent control systems, automated production processes, data-driven operation management, and intelligent after-sales service. The application of these technologies will enhance the efficiency, accuracy, and reliability of bakery machinery, making it capable of meeting the personalized needs of different customers.

In response to the advocacy of green and low-carbon development in the industrial sector, China's bakery machinery industry will move towards energy conservation, consumption reduction, and environmental protection. For instance, using more renewable materials in production processes to replace traditional plastic materials can significantly reduce environmental pollution. Moreover, optimizing ovens' heat transfer efficiency through energy linkage systems and thermal energy recovery devices can lower energy consumption during the baking process. In addition, using water-based paint instead of oil-based paint on equipment surfaces can reduce VOC emissions and significantly decrease air pollution. These measures reflect the industry's commitment to promoting sustainable development.

Suggestions regarding marketing and business models

To achieve success in the Chinese market, Italian bakery machinery enterprises should prioritize **improving customer service, developing localized after-sale services, and building a strong brand reputation.**

With clients' purchasing behaviors being more mature, price is not the sole factor while choosing the bakery equipment suppliers. Downstream enterprises now focus more on customer services, including that whether the suppliers can provide continuous technical guidance/training and prompt on-site maintenance as the user will have to afford quite a few losses once the equipment suffers breakdown. Thus, offering excellent customer service can effectively reduce operational costs for clients.

Italian bakery machinery enterprises should consider setting up nationwide after-sales service teams in China to promote customer service capacity and create a competitive edge. If distributors or agents take charge of all sales and customer service issues in China, equipment manufacturers should carefully evaluate their services capabilities before granting authorization.

Brand reputation is crucial for Italian enterprises to succeed in China's bakery machinery market, which is dominated by international players. To build a strong brand reputation, companies should focus on offering premium quality products and excellent service.

Besides, enterprises can increase brand exposure in China by sponsorship of some significant events and participation in industrial exhibition.

There are different business models that can help Italian bakery machinery enterprises achieve customer service and brand reputation, including operating through branch offices or factories in China, or utilizing authorized agents or distributors.

Branch offices enable enterprises to efficiently respond to the market dynamics, offer prompt customer services, strengthen distribution channel, and localize market campaign, which are very significant for the business growth. For example, Ali Group, the world-renowned foodservice equipment enterprise based in Italy, have set up Ali Food Service Equipment (Shanghai) Co., Ltd. to manage the distribution of cooking equipment and oven in China.

Apart from branch offices, some big companies also set up factories in China. For instance, Middleby has manufacturing bases in Qingdao and Zhuhai; Sun Mate has factories in Zhuhai and Jiangsu. This strategy can well reduce the production and transportation costs.

However, establishing branch offices or factories requires substantial financial and human resource investments, which may not be feasible for all companies. In this case, some enterprises may delegate a general distributor or agent for all sales issues in China. This is also a more commonplace and suitable way for small and medium size enterprises and new players.



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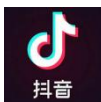
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