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Heat Bites Into Sales of Summer Sweets

By Yulia Shmidt

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Sales of sugary goods have fallen at least twice as hard as usual this summer, as the abnormal heat causes consumers to stay away from sweets, retailers and producers said.

Sales of sugary goods fell 30 percent to 40 percent this summer in stores owned by X5 Retail Group, which includes the Pyatyorochka, Perekryostok and Karusel brands, compared with a typical summer decline of 15 percent, an X5 spokesman said.

"In our stores, the decline was smaller than on the broader market because we have installed good cooling equipment, allowing us to preserve sweets. Smaller retail locations didn't have the conditions to work with such products," he said.

The decline was most pronounced this summer in sales of fresh cakes, candy bars and chocolates, while demand for pastries such as pryaniki, cookies and sukhariki declined less, the X5 spokesman said.

On average, retailers ordered 40 percent fewer sweets in July and August, which they

attributed to a corresponding fall in the market, said Tatyana Ilina, director of Russkiye Produkty Torg's department of chain sales.

Companies also cut their purchases because of a lack of equipment for storing and transporting the products, she said. Not all stores even have air conditioners, and only large retail chains have cooled delivery trucks, she said.

The commercial director of a large retail chain, who asked not to be identified, said his company stopped buying candy in July.

"Demand collapsed, and far from every store has air conditioners installed. In this situation, the only reason to buy these goods would be so that you could throw them away later," he said.

Producers are also complaining about the dwindling demand for sweets this summer.

Chocolate sales fell 20 percent this summer compared with the same period last year, said Natalya Kalyuzhnaya, director of marketing at Ritter Sport Chocolate. This year, the drop exceeded the typical seasonal decline, spokespeople for Kraft Foods Rus and Nestle said.

Nestle was able to partially compensate for the fall because of increased demand for ice cream, a spokesman said. For example, sales of Extreme ice-cream cones in X5, Real and Aliye Parusa stores doubled from last year, while sales of Bon Paris popsicles in CityStore locations rose tenfold, he said.

After demand fell, retail chains ran marketing campaigns offering discounts of up to 40 percent on certain confectionery products, said Ilina, of Russkiye Produkty Torg. The discount comes from producers lowering their factory prices and retailers cutting down their markup, she said.

Despite the changing weather, retailers are not increasing their orders yet. It remains unclear how demand for sweets will grow, Ilina said.

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