A Global Perspective on the Food Industry

Euromonitor International
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What is happening to food regulation?

Where is the food market going?

Is it possible to be healthy in a recession?

Will the cost of food increase?

What are the choices facing manufacturers?

Where are the opportunities for private Label?

Where are the opportunities for brands?

Q&A
What is happening to food regulation?
Heavy Regulation in EU Food and Drink Market

EU food & drinks market is heavily regulated

Regulatory environment in emerging markets is more flexible

Convergence expected in the medium term

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Stricter Food Regulation in Emerging Markets Could Open Door to International Manufacturers

- Stricter food regulation
- Market consolidation
- Competitive edge for international manufacturers
Where is the food market going?
Emerging Regions Will Lead Food Sales Growth

Packaged Food Sales by Region. Retail Value Growth (%)*

*Constant 2010 Prices – US$ Fixed 2010 Exchange Rate
Maturing Consumer Demand Slows Food Growth in Denmark

Packaged Food. Retail Volume Sales Growth by Sector (%)
Is it possible to be healthy in a recession?
Dairy is Largest Functional Food Sector

Bakery Products Lead Functional Growth in 2010

Functional/Fortified Food Sales
Retail Value Growth (%)* (2009-10). World Level.

*Constant 2009 Prices • Fixed 2009 US$ Exchange Rates
Sports Drinks is Largest Functional Sports Drinks Sector

Concentrates Lead Growth in 2010

Functional/Fortified Beverage Sales
Retail Value Growth (%)* (2009-10). World Level

*Constant 2009 Prices • Fixed 2009 US$ Exchange Rates
Organic Certification Still Matters

- Organic outperforms conventional formats
- Recovery is more rapid for organic food
- Consumers still willing to spend more for better quality

*US$ million at constant 2009 prices, fixed 2009 exchange rates
Will the cost of food increase?
Food Commodity Prices Picking UP

Commodity Food Price Index Monthly Prices: October 2009 – September 2010

Note: Commodity Food Price Index includes Cereal, Vegetable Oils, Meat, Seafood, Sugar, Bananas, and Oranges, 2005=100
Moderate Increase in Labour and Energy Costs Expected

**EU 27 Average Nominal Hourly Labour Cost Growth**

- **Source:** Eurostat

**Projected Crude Oil Consumption Projections**

- **Source:** International Energy Agency
What are the choices facing manufacturers?
Impact on Supply Chain

- Raw materials suppliers in stronger position to pass on higher costs
- Retail chains unlikely to fully take on price increases
- Pressure on manufacturers to adapt to new business environment
The Two-Pronged Strategy

Upper end of market
- Added value is king maker

Lower end of market
- Focus on price and value for money

Specialisation into high growth niches

Diverting a larger share of production to private label
Private Label Benefits for Suppliers

- Economies of scale
- Simplified logistics and supply chain
- No listing fees
- Sustainable Growth
- No direct advertising investment required
Private Label Benefits for Retailers

- 20-30% cost savings for retailers relative to brands
- Savings only partially passed on to consumers
- Higher control of shelf-space and delivery schedules
Where are the opportunities for Private Label?
Private Label is Highest in Meal Solutions

Global Private Label Retail Value Share by Category: 2009

% share

Confectionery
Bakery
Ice cream
Dairy
Snacks
Snack bars
Meal Replacement
Ready meals
Soup
Pasta
Noodles
Canned
Frozen
Dried
Chilled
Oils and fats
Sauces
Baby food
Spreads
Private Label in Developing Countries Still Minimal

- Western Europe, North America and Japan claim 93% of total private label retail value sales
- Private label negligible in fragmented emerging markets

Private Label Packaged Food Retail Value Sales by Region: 2009

- Japan: 58%
- Other Asia Pacific: 27%
- Australasia: 8%
- Eastern Europe: 2%
- Latin America: 2%
- MEA: 1%
- North America: 1%
- Western Europe: 1%
Key Trends in Private Label: Price

- Wal-Mart’s private label offerings are simply designed
- Lack the sophistication of brands and target price-conscious consumers
- Private label in US gained retail share across most sectors in 2009
Key Trends in Private Label: Added Value

- **Sainsbury’s Chocolate in UK**
- **Edeka Bio Feta in Germany**
- **El Corte Ingles Yoghurt in Spain**
- **Auchan Rice in France**
Private label taps into demand for health properties

‘Ethical’ private label is new emerging trend
Where are the opportunities for brands?
Brands Fighting Back in Developed Markets
And The Latest Innovation Highlights Are...
The Future of Food is Called Asia...


GDP Per Capita: 2009 vs 2014

- China
  - 2009: 3,697
  - 2014: 5,785

- India
  - 2009: 1,090
  - 2014: 1,528

- Indonesia
  - 2009: 2,345
  - 2014: 3,051

China, India, Indonesia

0 20 40 60 80 100 120 140
Million people

0 1,000 2,000 3,000 4,000 5,000 6,000
US$ per head

2009 2014
...And Brands Are Already There

- Middle-class consumers drive demand for brands
- Standards similar to developed markets in some food categories
Q&A

THANK YOU.
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