

Fruit juices

Tropical Europeans

The European fruit juice and juice drinks market is one of the fastest-changing in the world. Tropical juices are ideal raw materials to use in new products.

BY ULRICH VON DER LINDEN

Citrus and pineapple juices are well accepted worldwide. However, while demand for tropical flavours (other than pineapple) remains relatively low, tropical fruit beverages are getting more and more popular, due to the rising demand for healthy products.

The European tropical fruit juices market is very heterogeneous and fragmented. It consists of many complex individual markets (sub-markets) and each of them in turn depends upon various factors.

These include size/volume, availability and continuity of supply during on-crop and

off crop times, pricing, consumers' disposable income, quality and the capability of adding value to existing and/or new products.

Unfortunately for those seeking detailed information and statistics, according to the Food and Agriculture Organisation (FAO), a database of tropical fruit is currently "unavailable for many countries, and coverage of the reporting countries suffers from a lack of uniformity."

With the exception of pineapple, which accounts for approximately 60% of the world trade in tropical juices, there are no reliable

statistics on world trade in tropical fruit juices, purées and concentrates. But, in spite of insufficient data, the market for tropical juices is, in my view, the most interesting and innovative juice market, moving constantly in a state of flux, changing its shape all the time and continuously re-inventing itself.

The main features that characterise the European tropical juice market are internationalisation, competition and consolidation, polarisation of consumer needs and innovation.

To a great extent, these characteristics are interdependent. For instance, a high degree of competition forces the companies to be constantly innovative and, in turn, innovations are triggering the process of "creative destruction". New products are emerging, others lose importance or vanish completely.

Globalisation

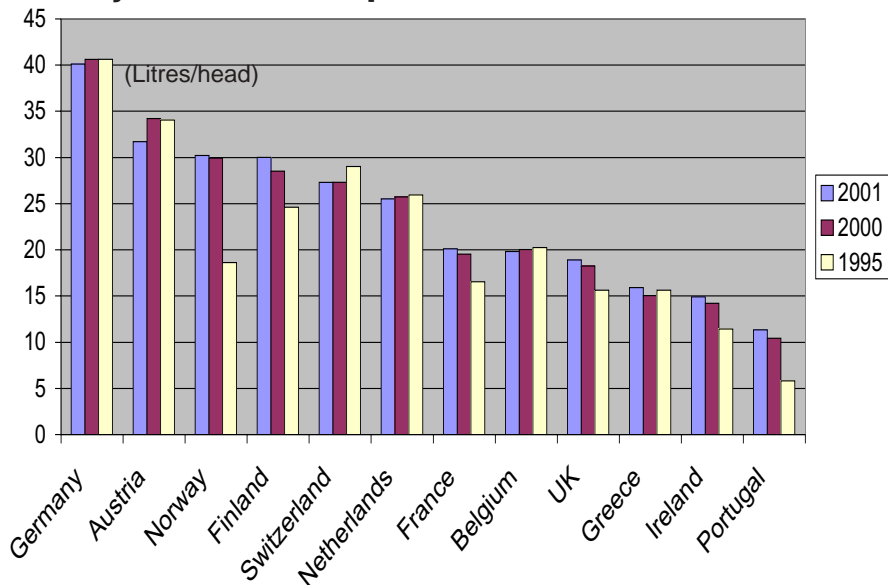
As the world is increasingly converting into a global village, more and more European tourists enjoy the "tropical lifestyle" – at least during their holidays – and take home their pleasant memories of the tropical cuisine, particularly the tasty and refreshing fruit and freshly squeezed juices.

Because of that, the modern European consumer is very open toward new ethnic and tropical fruits and juices.

Having analysed this consumer behaviour thoroughly, the retailers introduced eye-catching fresh fruit into the European market, attracting the interest of the European consumer and providing the exotics in easy recognisable packages, containing small amounts and with practical information about use, nutritional values, etc.

The market is also stimulated by a steady population growth of ethnic minority groups (e.g. Latin Americans in Spain, Indonesian in the Benelux and Indian and Pakistanis in

Fruit juice consumption in EU & FTA countries



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the UK), which have significantly augmented their income and purchasing power in recent years.

Consolidation

Traditionally, the European fruit juice industry has been classified as a nationally oriented industry. However, the supply side is increasingly becoming international too and many global players have emerged. Companies like PepsiCo (Tropicana), Coca Cola (Minute Maid), Del Monte, Procter & Gamble and Chiquita have entered the market, slowly gaining market share in Europe.

The largest suppliers in Europe are the ones having the potential to become pan-European market players, such as Eckes Granini, Gerber and Refresco.

The wave of cross-border consolidations started in 2000, when Refresco, a former subsidiary of the Dutch dairy Campina, merged with the German market player Krings. In 2001, Eckes Granini took over two French companies, Joker and Réa. Earlier that year, Gerber, the UK's largest juice manufacturer acquired Emig, Holsten's juice subsidiary.

In 2002, Eckes once more appeared on the scene and became a majority shareholder of Marli, Finland's leading supplier. The very same year, Refresco purchased French specialist Délifruits and German bottler Hardthof.

Yet, in spite of recent mergers and takeovers in Europe, the European fruit juice market is still very fragmented and Europe still lacks a cohesive pan-European fruit juice industry. None of the players has a dominant supply base in the majority of the six largest European consumer markets – Germany, France, UK, Italy, Spain and the Netherlands.

All over Europe you will find a number of companies who, deliberately, have not joined the consolidation battlefield and who definitely have the potential to grow. These could be described as 'the niche player' and 'the local hero'.

The sophisticated needs of the consumer created opportunities for a niche category. Within this segment you will find highly

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innovative companies, like Hero who are successfully defending their international position against much larger companies.

By using the attribute 'local hero', I would like to refer to national or local players, like Riedel in Holland and Becker's Bester in Germany who offer a wide range of high-quality branded products, which are being distributed via catering, juice wholesalers and retailers.

Consumer demand is increasingly becoming polarised between fulfilling basic needs on one hand and special needs on the other.

Basic needs are mainly covered by private labels of different retail formats which are predominant in the budget end of the market: for instance, the added-value retailer Marks & Spencer (UK), the French megamarkets (hypermarkets) Casino and Carrefour and the discounters Aldi and Lidl (Germany).

In this segment, basic demand is mostly fulfilled by standard ambient products and the key selling point is attractive pricing. Usually, customers are not loyal.

On the contrary, the bargain-hunters are 'grazing' the market, always looking for cheap offers.

However, these strong retailers have already entered the A-segment (premium), making their private label range more attractive for consumers, such as Marks & Spencer's functional food line and Aldi's range of not from concentrate (NFC) juices.

Thanks to this strategy they are able to improve margins and build up consumer confidence.

In this environment, characterised by the fierce competition for shelf space, premium A-brands are forced to create innovative formulae in order to defend their position in the retail market. Alternatively, they look at other possibilities to allocate their products in the market, for example in petrol stations, airport stores and wholesalers. The successful premium brands seldom confine to one single distribution channel, most of them are using a multi-channel approach to distribute their goods to various markets (retail, wholesale and catering). However, irrespective of their strategy, the essential selling points for the premium brands segment are; convenience, image, health and wellness, enjoyment

and a distinct flavour.

Provided that packaging and quality are appealing, the consumer will be loyal to his brand. Of course, price is still important but not decisive.

Innovation

Since the brands have to look at new ways to distinguish their products and avoid the 'multivitamin effect' – ie: many companies have a multivitamin juice or nectar in their portfolio but the customers are unable to tell the difference between product A and B – new tropical flavours have been developed and successfully introduced.

The following examples illustrate the great opportunities for innovation within the sector of tropical juices:

- Combining fruit juices with fruit pieces (like Hero's Fruit2day mango with peach pieces). Drinking combined with eating is a completely new sensation.

- Creating a new range of interesting dual flavours (Emig's guava/strawberry).

- Consumers want to taste their fruit. Motto: Keep it simple and recognisable.

- Multifruit NFC juice (Burkhardt Fruchtsäfte), a blend of different European and tropical juices and purées, all NFC. Just natural, no addition of water, aromas or any other kind of additives (particularly no beta-carotene).

- Fruit & tea preparations (e.g. Lipton's iced tea with mango flavour, which contains mango juice and aroma)

- Using functional fruit with a high natural content of e.g. vitamin C (Acerola, as in Eckes Granini's apple-acerola), vitamin E (Physalis, as in Döhler's marula-physalis compound).

- Enrichment with functional ingredients

EUROPEAN JUICE SUPPLIERS, RANKED BY TURNOVER

1	Gerber Foods
2	Eckes Granini
3	Refresco Holding
4	RIHA-Wesergold
5	Stute
6	Conserve Italia
7	The Coca Cola Company
8	Procter & Gamble
9	Riedel Drankenindustrie
10	Princes
11	Pepsi-Co
12	Hero
13	Chaudfontaine
14	Del Monte
15	JO Bolaget

Source: Rabobank International 2002

Fruit juices

e.g: fibres, calcium, vitamins and minerals (Pfanner's mango-passion fruit B+C+E)

- Tropical fruit combinations with soy milk or soy-based products (e.g. Döhler's concept "Drinks of the World" mango-soy-fruit drink)

- Use in smoothies. The most popular tastes in the UK are: banana 18%, strawberry 13%, raspberry 9%, mango 7% and pineapple 6%.

- Mixing tropical juices with floral/blossom extracts (rose, orange, lime) and/or herbal extracts (Bertram's lime drink with mint aroma).

- Mixing tropical juices with vegetable purées/juices (Wild's tomato-guava-lemon plus vitamin B, Wild's wellness drink; pineapple-coconut-aloe vera, Voelkel's wellness drink; guava-aloe vera)

- Using tropical juices as an ingredient for trendy alcohol-based drinks, as shooters, breezers, etc.

Demand for convenience

The main general consumption trends between 2005-2010 are expected to be;

greater demand for convenience, more diversity of choice and increasing health consciousness, growing demand for tropical juices with added benefits, high growth in private labels and increasing importance of quality management issues.

The demand for convenience, ie: getting high-quality beverages in a consumer-friendly packing with little effort, will surely increase in the years to come.

Today's consumers in western Europe live fast-paced lives, skipping breakfast and/or coming home late after a long day of work and a long commute. They are mostly conscious that serious health problems can at least in part be attributed to lifestyle and eating habits.

These unstructured eating/drinking habits will open up new market possibilities for products. Due to time pressure, the active and highly mobile consumer in Europe will increasingly find himself restricted to impulse purchases in petrol stations, fitness clubs, etc.

The wide range and the diverse use of tropical juices are already impressive, but the market needs to remain innovative in terms

of new fruits, fruit combinations, ingredients or added benefit, new colours, exciting packaging and also to be tuned into current issues, such as obesity.

The use of functional fruit and/or ingredients is also being regarded as a promising concept. Existing products will be re-designed and formulae will be adapted to fit the mega-trend of health and wellness.

In the field of functional drinks, an enormous growth potential is predicted due to the multitude of varieties and trend-setting innovations.

There is a clear potential for considerable growth in the nutraceutical drinks market with different ingredients targeted at specific (health) conditions such as stress, heart health, digestion, as well as at specific sectors of the population, such as women, children and the elderly.

Taking Europe's demographic structure (particularly in Germany) into consideration, there could be a bright future for new 'gerontology products', developed for natural, holistic medication of older people.

The growing age of our society has created a higher health consciousness. Here, tropical fruit juices with their natural functions can certainly make an important contribution to the state of health and act as preventive agents.

Beside medical applications, consumers are looking more and more for health-oriented products for their families. Vitamins, minerals and dietary fibres are still consumers' favourites.

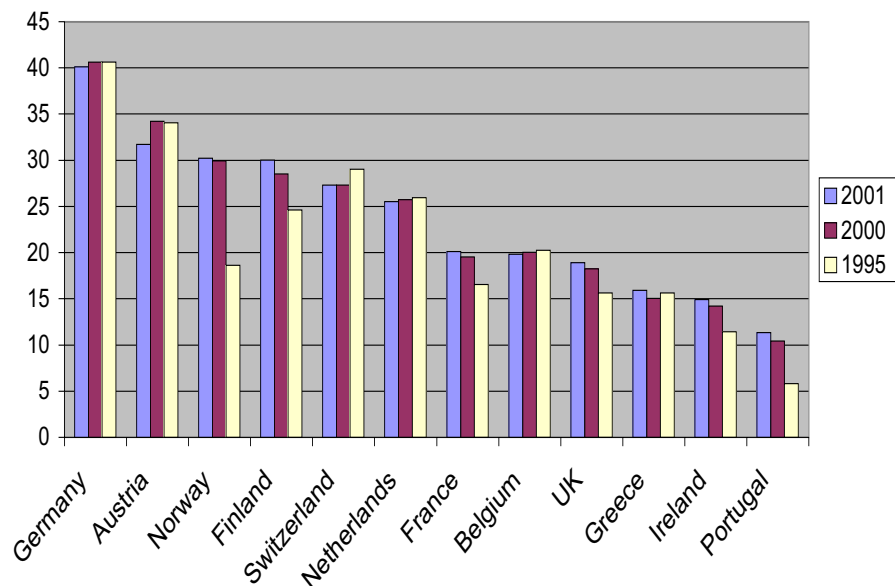
Innovative fruit combinations with tropical fruit juices, purées and/or concentrate, especially in the segment of dual flavours and still fruit juice drinks, will come to the fore.

Specific added benefits such as high content in vitamin B (*pouteria lucuma*), phosphorous (*borjoia patinoi*) and Omega 3 acids (*sacha inchi* from Peru), will be the best opportunity to meet the critical consumer needs.

Private label

Strong retailers, especially the discounters, will continue to penetrate in the premium segment of the market. Contrary to past trends, retailers are unlikely to simply imitate successful concepts of branded products. The contemporary discounter is pro-active and will be able to design his own products. Private labels will surely generate their own

Juice consumption in emerging European markets



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dynamics, altering existing market structures. Premium brands will have to find their niche in the highly competitive European juice market.

The market players will place great importance on internal and external audits, traceability from field to customer and extensive product information. The sceptical consumer demands full traceability from field to customer as well as thorough ingredient labelling.

On the one hand, processors and their agents will be increasingly confronted with questionnaires and quality assurance issues. On the other hand, they will use a good quality management system as a marketing tool towards their customers.

The guava juice market is a great example of an evolving sub-market. Its application in the fruit juice industry includes:

- Preparation of a 'single flavour' guava nectar, acidified with lime/lemon.
- Natural functional ingredient for a

'dual flavour' – nectar (guava/strawberry), offering an added benefit of high natural vitamin C content.

- In aqua plus drinks – a touch of guava and lime with vitamin B, calcium and magnesium.

- In wellness-drinks (guava/aloe vera)

- Minor ingredient for multivitamin nectars and nectars using a basis of apple/grape/pear juice concentrate.

- Very small ingredient for fruit drinks, squashes and ice teas.

Global raw materials

South Africa is a good source of guava juice which it supplies as frozen and aseptically packed purée and concentrate. However, with a EU import duty of 7.5%, South Africa has a disadvantage compared with Ecuador and Colombia, both of which have duty-free access to the EU.

Brazil's reddish variety, paluma, is becoming more and more popular in the EU. Processors work with different screen sizes

and produce both frozen and aseptic, purée and concentrate. Unfortunately, for both purée and concentrate, a heavy duty of 11% has been imposed by the EU, in spite of several protests from Brazilian processors.

Ecuador is mainly producing aseptically packed purées and concentrates. The freight disadvantage compared with South Africa can normally be offset with the zero duty advantage.

In Colombia, guava fruit is very popular and approximately 4 000 tonnes of aseptic and frozen guava purée are exported to the Caribbean, US and European market, although production of concentrate there is virtually zero.

Malaysia delivers an aseptic quality with a standard sieve of 0.5mm and a so-called super-smooth quality (0.25mm sieve). With a duty of 7.5%, supplies are usually more expensive than Ecuador.

Thailand is a rather small market player but the frozen product has its merits, especially the colour. Duty is 11%, the same as for Brazil.

The guava price trend (*Flüssiges Obst*) shows the historical prices cif Rotterdam, duty paid for pink guava purée 8/10 brix.

The market experienced its lows in November/December 2002, when South African suppliers had extremely competitive prices thanks to the weak rand.

Fruit prices were mainly fixed at the beginning of the season in April/May 2002 and at that time the average exchange rate (US\$/ZAR=10.63) helped the processors to exported purées below US\$470/tonne cif EU.

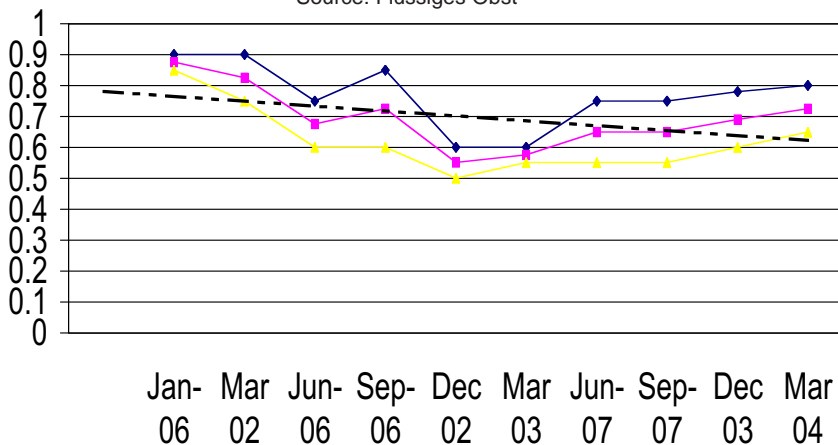
Since then, the US dollar has lost more than 30% against the rand. However, it increased more than 15% against the Brazilian real (BRL) and Colombian peso (COP) and it remained unchanged against the US\$-linked Ecuadorian sucre (ECS) and the Malaysian ringgit (MYR).

In order to compensate for currency and possible yield losses, South African suppliers had to increase their current prices to a level between US\$550-650/tonne cif Rotterdam, which equates to US\$630-740/tonne fca Holland duty paid (US\$40.00/tonne for terminal handling charges, in/out and one month of storage).

As a result, other producers are closely keeping track of the South African pricing. Although the linear trend is still moving downwards, prices have been as high as US\$1 000/tonne cif EU in 1997.

Guava purée prices 2002-2004, US\$/kg

Source: Flüssiges Obst



	Jan-06	Mar-02	Jun-06	Sep-06	Dec-02	Mar-03	Jun-07	Sep-07	Dec-03	Mar-04
High	0.9	0.9	0.75	0.85	0.6	0.6	0.75	0.75	0.78	0.8
Average	0.875	0.825	0.675	0.725	0.55	0.575	0.65	0.65	0.69	0.725
Low	0.85	0.75	0.6	0.6	0.5	0.55	0.55	0.55	0.6	0.65

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