The Market Structure and Outlook for Juice Imports into Europe

- European Fruit Juice Industry

→ *Taking a glance at the structure of the German Industry*

- Market Segmentation – Budget and Premium
- Distribution Channels with focus on retail
- Outlook - Challenges and Opportunities

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EU Fruit Juice Industry
Facts and Figures

- Fruit juice producers approx. 650
- Employees approx. 21.600
- Turnover (billion EUR) 8,9
- Industrial production (billion litres) 11,7
  (fruit juices / fruit nectars / fruit juice drinks without CO2)
- Fruit processing capacity (tons) approx. 1.400.000

Source: Verband der Deutschen Fruchtsaft-Industrie, Survey „Market Conditions“ (2007)

European Fruit Juice Industry
Market Player

- Global Player → Coca Cola (MinuteMaid), PepsiCo (Tropicana), Procter & Gamble
- Pan-European Player → Eckes-Granini, Gerber Emig, Pfanner, Rauch, Refresco
- Regional Player → becker´s bester, Jacoby, Maspex
- Niche Player → Hero/Schwartau, Innocent, Caraibos

European Fruit Juice Industry
West Europe

- Germany, United Kingdom and France accounted for 61% of total volume
- NFC juice volume rose by 9.4% in response to growing consumer interest in health, wellbeing and natural products
- Chilled juices strengthened their presence with double-digit growth in Germany, Italy, Spain and Portugal
- Industry consolidation continued with the main market players strengthening their positions

Source: Zenith International West Europe Fruit Juice / East Europe Fruit Juice (2007)

European Fruit Juice Industry
East Europe

- Russia, Poland and Ukraine were the leading markets
- NFC juice segment saw a volume rise of 34.4% vs. 2006
- Chilled juices built presence in local markets, mainly in Poland, Bulgaria and Estonia
- Global players *(Coca Cola , PepsiCo)* and regional power-houses *(Maspex, Hortex)* extended their footprints
- Internationally active supermarkets *(Tesco, Carrefour)* have increased their shelf space as well as discounter *(Aldi, Lidl)*

Source: Zenith International West Europe Fruit Juice / East Europe Fruit Juice (2007)

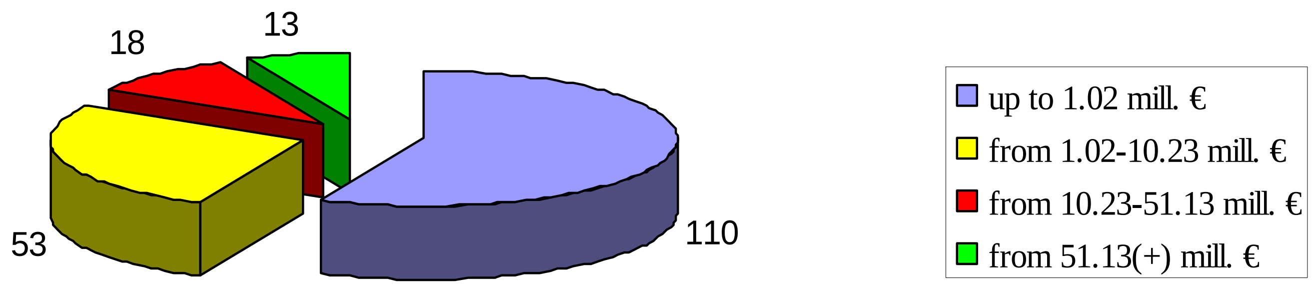
German Fruit Juice Industry
Facts and Figures

- Fruit juice producers 411 = *63% of EU total*
- Employees approx. 7.000 = *32% of EU total*
- Turnover (billion EUR) 3,877 = *44 % of EU total*
- Industrial production (bill. litres) 4,04 = *35 % of EU total*

  (fruit juices / fruit nectars / fruit juice drinks without CO_2)
- Fruit processing capacity (mt) approx. 800.000 = *57 % of EU*

Source: Verband der Deutschen Fruchtsaft-Industrie, Facts and Figures (2007)

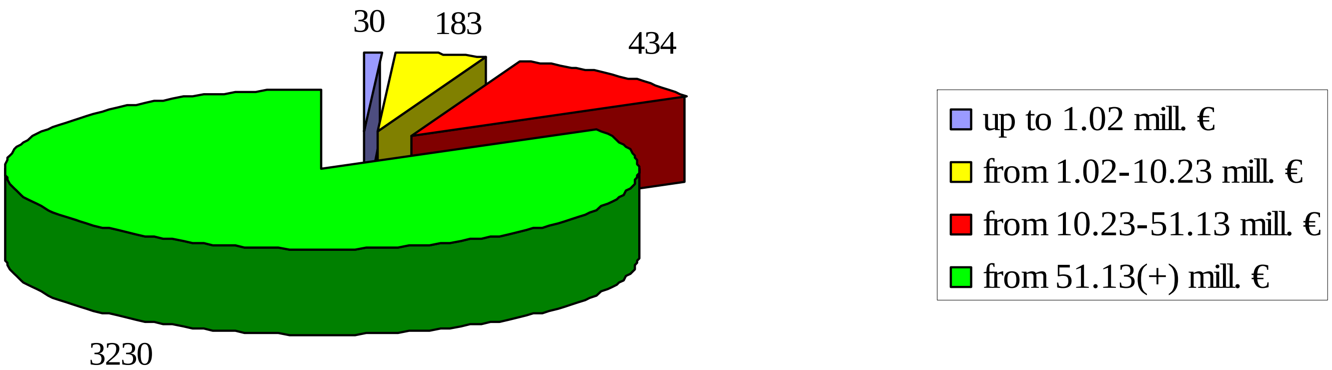
German Fruit Juice Industry 2007
Number of companies



Source: Verband der Deutschen Fruchtsaft-Industrie, 2007
Members of VdF as of 1st Jan 2008

Not included are (a) 197 small members being organised in regional associations , (b) 20 companies which are not member of VdF

German Fruit Juice Industry 2007
Turnover in million EUR



Source: Verband der Deutschen Fruchtsaft-Industrie, 2007

German Fruit Juice Industry
Summary

- 110 very small firms have a total turnover of 30 mill. EUR
- Aggregated sales of 53 small companies sum up to 183 mill. EUR
- 18 medium sized processors represent 434 mill. EUR
- Cumulative sales of the 13 largest companies amount to 3.230 mill. EUR

→ *German fruit juice industry is both highly fragmented (411 companies) and highly consolidated as the top 30 companies account for more than 85% of the total industry´s turnover*

Market segmentation

- Different retail formats and structure
- Budget and premium market – private label vs. brand
- Consumer behaviour and demand
- Private labels´ *„crowding out“* strategy

Market Segmentation
Different retail formats and structure

(1) Added-value retailer Marks & Spencer (UK)

(2) French “*hypermarchés*“ Auchan, Carrefour, Cora, Leclerc

(3) Multi-format retailer Tesco and Sainsbury (UK)

(4) Discounters Aldi and Lidl (Germany)

(5) Co-operatives Edeka (Germany), Coop (CH), Migros (CH)

(6) Neighbourhood stores

Market Segmentation
Budget and premium markets

- Consumer demand is polarised between fulfilling basic needs on one hand and specific needs on the other
- Basic needs are mainly covered by private labels, being predominant at the budget end of the market
- Brands are forced to create innovative recipes, finding their niche in a highly competitive market, often setting trends
- Consumer shows a dualistic behaviour: on the one hand a bargain hunter and on the other a trend follower

Market Segmentation
Crowding Out Strategy

- Retailers have already entered the premium market, making
  their private label range more attractive for consumers
  → *Marks & Spencer´s functional food line*
  → *Aldi´s range of NFC juices*
- Thanks to this strategy, which I call *"crowding out",* they can
  (1) improve margins and
  (2) build up consumer confidence

Distribution Channels

Overview

Agents -act as intermediaries, either representing buyer (processing industry) or seller (exporters) -no ownership of goods	Importers -take care of import formalities -buy on their own account -sell to processing industry, manufacturers and retail	Processing industry -process finished / semi- finished good -buy from agents or importers -sell to manufacturers
Manufacturers of end products -buy from agents, importers and processing industry	Retail and catering /food service -buys from importers and manufacturers	Packers -sorting and packing in customized retail packs

Distribution Channels
Retail Trade

Multiple retailers

- Supermarkets / hypermarkets offer a broad assortment

→ *one-stop shopping*

- Discounters / hard discounters with a narrow assortment

→ *key selling point = attractive pricing, customers not very loyal*

- Neighbourhood stores are often small ; some are part of a multiple retail organisation, some are independent

→ *convenience*

Distribution Channels
Food Service / Catering

- Hotels, restaurants, recreation parks, airlines

  → *using fruit purée/juice preparations, smoothies, NFC purées and juices ; dispenser machines*
- Institutional outlets such as hospitals, schools, elderly homes and meal delivery services

  → *smoothies*; *NFC purées and juices, often fortified with calcium, etc.*

Outlook

Challenges and opportunities

„Those who rise to the challenge today, will ultimately have the best opportunities tomorrow“

(Unknown but true ☺)

Outlook
Challenges

Multiple challenges due to awkward economic conditions

- Mistrust among companies, banks, insurers
- Tighter credit conditions , delayed payments
- Global falling sales → switch from juice to nectar
- Availability of product, crop imponderables

Outlook

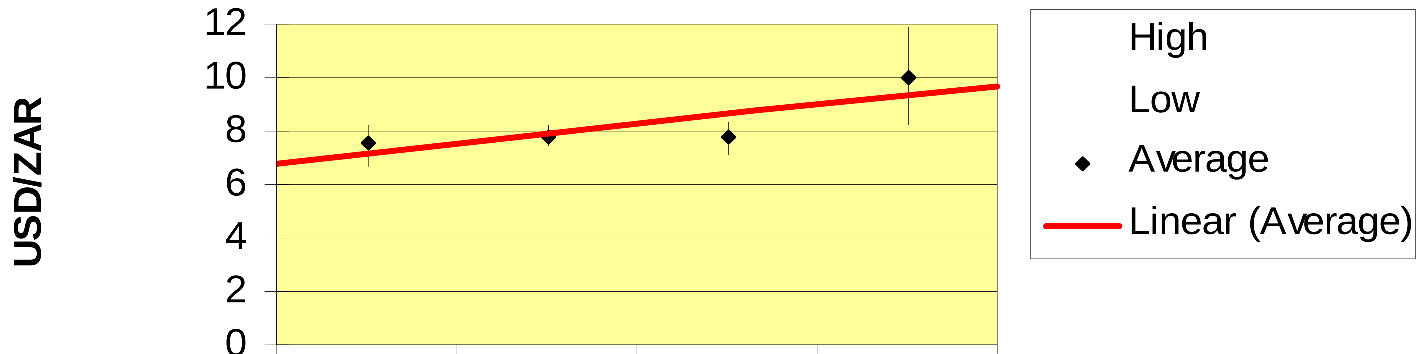
Opportunities and Key Trends

- Currency-driven (exchange) factors could continue to benefit the exports

  → *USD has appreciated vs. local currencies in South Africa and Chile*
- Reduction and in many cases removal of all tariff and non-tariff barriers → *Opportunities in EU-Chile agricultural trade*
- Health, convenience, value for money , responsible production methods, innovation and diversity of choice → *continue to be the key trends in the fruit juice industry*

USD / ZAR in 2008

Quarterly HiLoAve



	I /2008	II / 2008	III / 2008	IV / 2008
High	8,24	8,17	8,38	11,85
Low	6,68	7,41	7,15	8,22
◆ Average	7,54	7,79	7,78	9,95

Source: www.oanda.com ; High / low are the highest resp. lowest BID prices for the given time period;
Average is average of all ASK prices for the given time period

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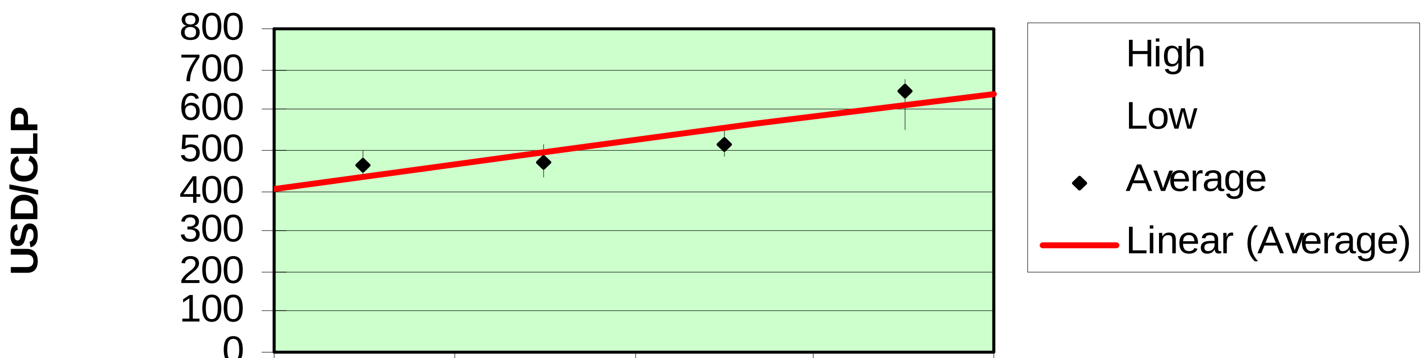
USD / CLP in 2008

Quarterly HiLoAve



	I /2008	II / 2008	III / 2008	IV / 2008
High	497,95	512,80	555,00	677,00
Low	430,40	433,30	487,80	548,50
◆ Average	464,46	470,00	515,82	644,42

Source: www.oanda.com ; High / low are the highest resp. lowest BID prices for the given time period; Average is average of all ASK prices for the given time period

Outlook

Opportunities - Currency factors

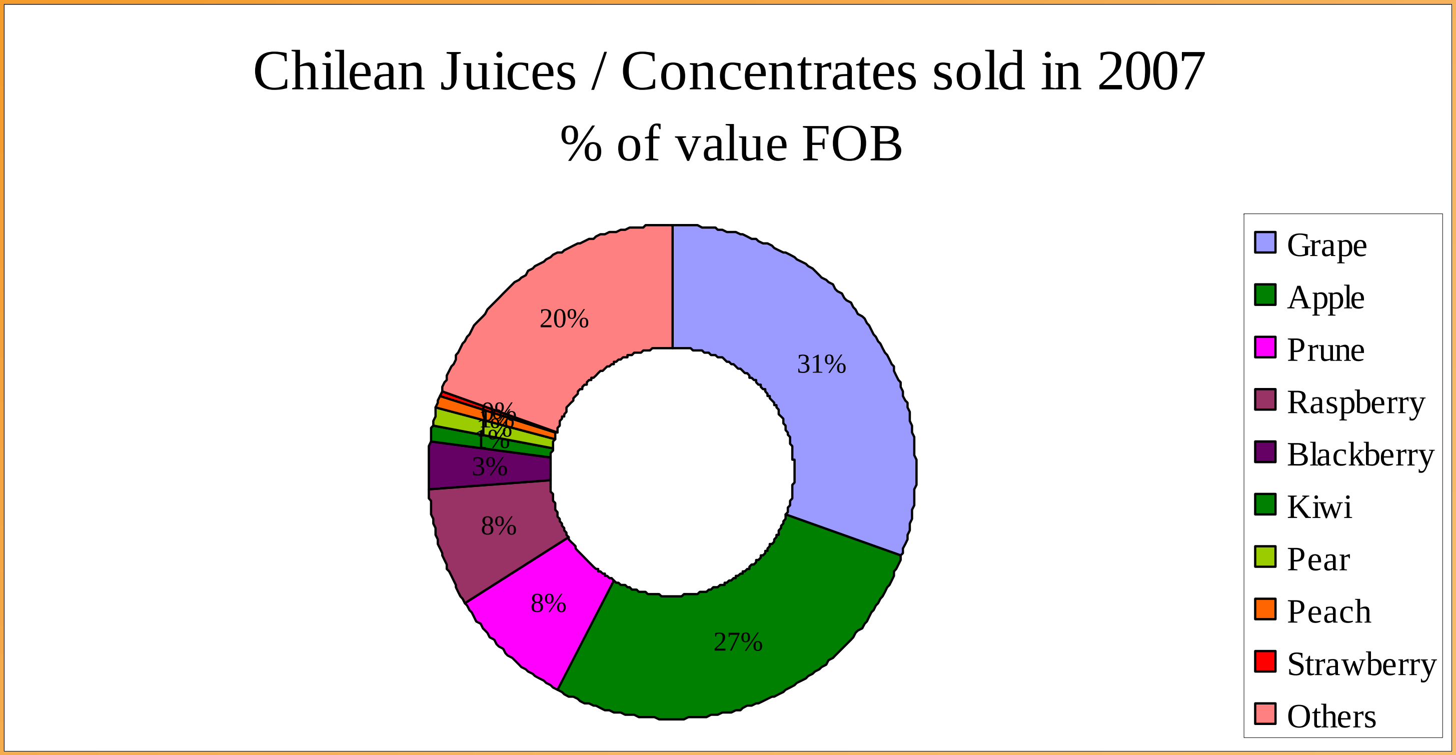
- In 2008, USD / CLP moved broadly between 430.40 and 677.00, representing a volatility of 57,3% (Max. vs. Min.)

  → *volatility of USD/ZAR was even more pronounced with an impressive 77,4%*
- Depreciation of CLP accelerated in IV / 2008, when USD reached a level of 677.00 resp. an average ASK price of 644.42 → *in South Africa same phenomenon in IV / 2008*
- Max. volatility in IV/2008 was 23,43% , highest in 2008

  → *volatility of USD/ZAR topped this value with an incredible 44,16%*

Outlook

Opportunities in EU-Chile Trade



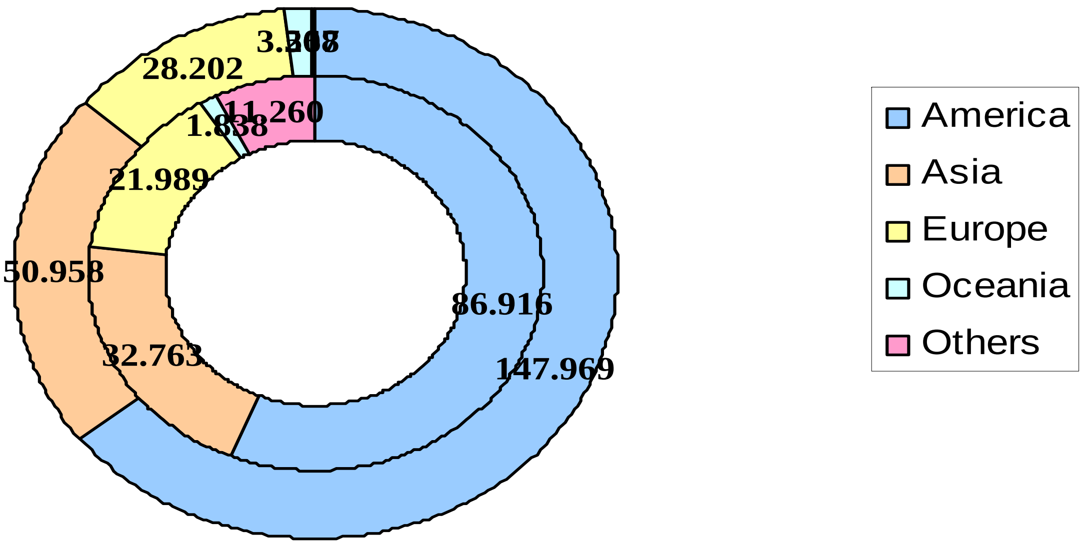
Source: Chilealimentos (2007)

Outlook

Opportunities in EU-Chile Trade

Chilean Fruit Juice/Puree Exports

2007-2008 (in USD 1´000)



Source: Chilealimentos (2009), Mario Briceño

Outlook - Key Trends

Health consciousness

- Juice has increasingly been promoted on a health platform
  → *"5 a day campaign", www.fruitsandveggiesmorematters.org*
- This promotion has rejuvenated the concept that food and beverages play a significant role in human health
- Although this concept is not new, it is highly effective as a marketing tool and created a higher health consciousness
- Health trend also creates opportunities for new fruit juices containing new fruit varieties or concepts → *health benefits via functional fruit (see my article: "Functional fruits – a neglected potential?")*

Outlook - Key Trends
Convenience

- Demand for convenient products, i.e. high-quality beverages in a consumer-friendly packing is increasing
- Changing lifestyles and unstructured eating /drinking habits

  → *impulse purchases due to time pressure , refreshment on the go*
- Fresh ingredients are replaced by convenience products, which require less time to prepare or are “ready-to-drink”

Outlook - Key Trends
Value for money

- Fierce competion , tough fight over market share
- Price as most important weapon in this battle
- Discounters force the up-market retailers to adjust their prices
- Share of discount stores within EU varies widely; very high in Germany (approx. 45% as an estimate), lower in Southern Europe; increasing number in Eastern Europe

Outlook – Key Trends
Responsible production methods

- People are concerned about safety and traceability of food, increasing interest in organic food → *www.bio.de*
- Growing consumers´ social awareness of production methods and income distribution in developing countries has led to an increased demand for Fairtrade and Rainforest Alliance certified products → *www.fairtrade.net*; *www.rainforestalliance.com*
- Sustainability is another buzzword, used for agriculture in general but also for specific items, such as packaging (carton made from sustainable forests) → *www.carbonfootprint.com*

Outlook – Key Trends

Innovation

- Fruit juices have started to lose their identity; they seem to look the same and taste the same → *"multivitamin effect"*
- Simple re-packing does not qualify as an innovation
- Too many copycats and *"me-too products"*
- The consumer expects from a real innovation that the product

  - has an identity, attributed to a unique taste and flavour

  - convenient, easy to handle and quickly available

  - ideally is 100% natural, without any artificial ingredients

  - offers an additional [functional / nutritional] benefit

(see my article"Principles of product innovation-what does the consumer expect ?")

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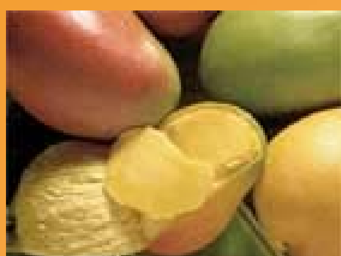
Outlook

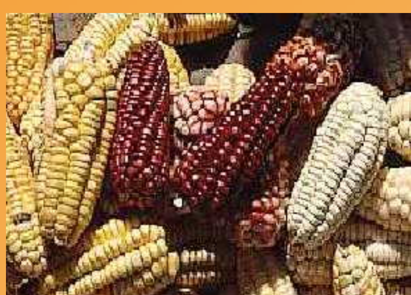
Diversity of choice

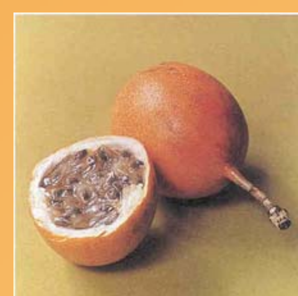
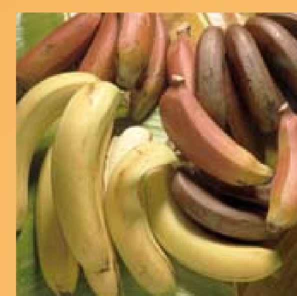










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THANK YOU !
GRACIAS !

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