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
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

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 CO2)
- Fruit processing capacity (mt) approx. 800,000 = 57% of EU

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**

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

Multiple retailers

- Supermarkets / hypermarkets offer a broad assortment
  \( \rightarrow \text{one-stop shopping} \)

- Discounters / hard discounter with a narrow assortment
  \( \rightarrow \text{key selling point} = \text{attractive pricing, customers not very loyal} \)

- Neighbourhood stores are often small; some are part of a multiple retail organisation, some are independent
  \( \rightarrow \text{convenience} \)
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 \( \Rightarrow \) 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

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<tbody>
<tr>
<td>High</td>
<td>8,24</td>
<td>8,17</td>
<td>8,38</td>
<td>11,85</td>
</tr>
<tr>
<td>Low</td>
<td>6,68</td>
<td>7,41</td>
<td>7,15</td>
<td>8,22</td>
</tr>
<tr>
<td>Average</td>
<td>7,54</td>
<td>7,79</td>
<td>7,78</td>
<td>9,95</td>
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</tbody>
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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.
USD / CLP in 2008
Quarterly HiLoAve

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<tr>
<td>High</td>
<td>497,95</td>
<td>512,80</td>
<td>555,00</td>
<td>677,00</td>
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<tr>
<td>Low</td>
<td>430,40</td>
<td>433,30</td>
<td>487,80</td>
<td>548,50</td>
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<tr>
<td>Average</td>
<td>464,46</td>
<td>470,00</td>
<td>515,82</td>
<td>644,42</td>
</tr>
</tbody>
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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.

Juice Chile 2009
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

Chilean Juices / Concentrates sold in 2007
% of value FOB

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 competition, 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?”)

Juice Chile 2009
Outlook
Diversity of choice

Juice Chile 2009
THANK YOU!
GRACIAS!

Juice Chile 2009