

# Outlook of US Food Products Consumption & Export Trends





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Global & Regional Market Overview



Drivers, Constraints & Trends



Market Opportunities & Threats



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- World's leading governments, manufacturers, academic institutions, retailers, banks, and suppliers among our clients
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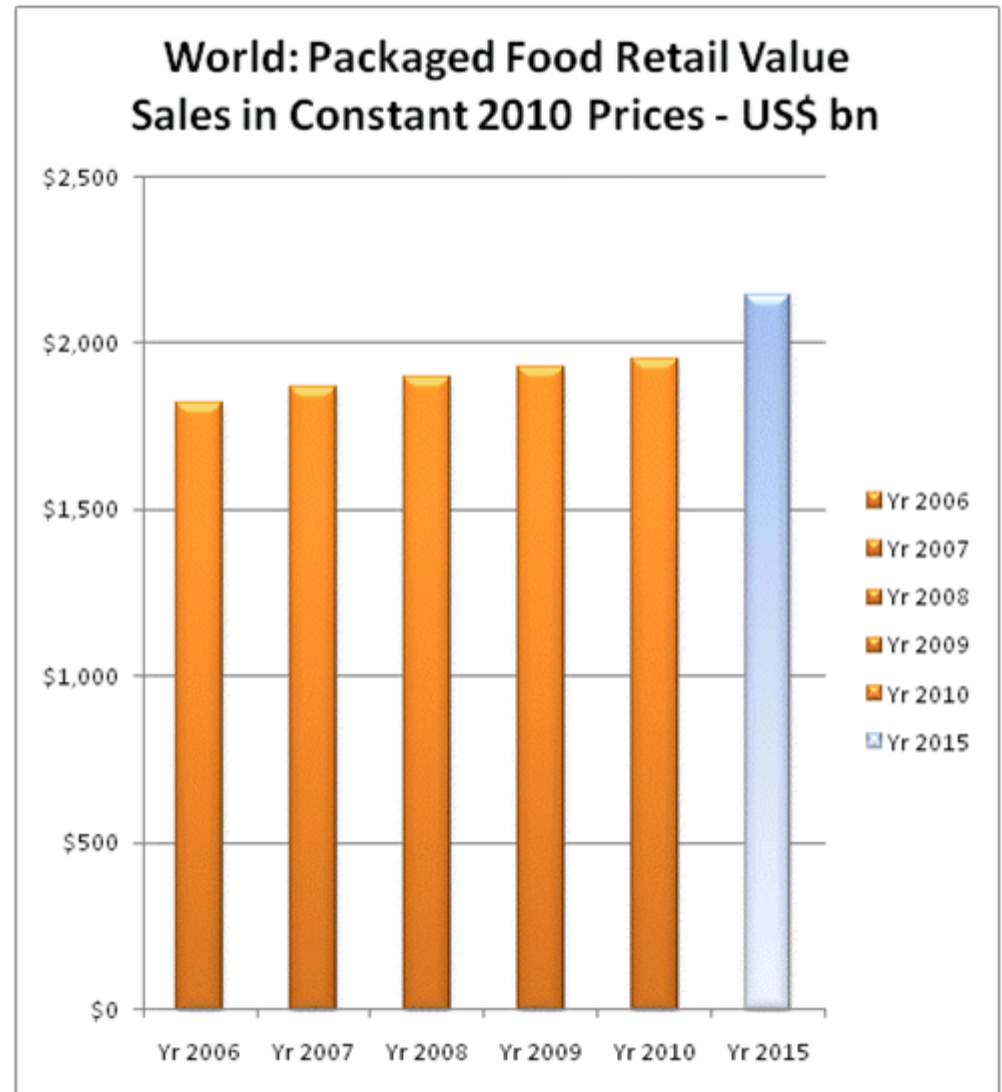
The good news...

*“People still have to eat, even in an economic downturn...”*

-- *Lee Linthicum, Global Packaged Food Manager, Euromonitor International April 2009*

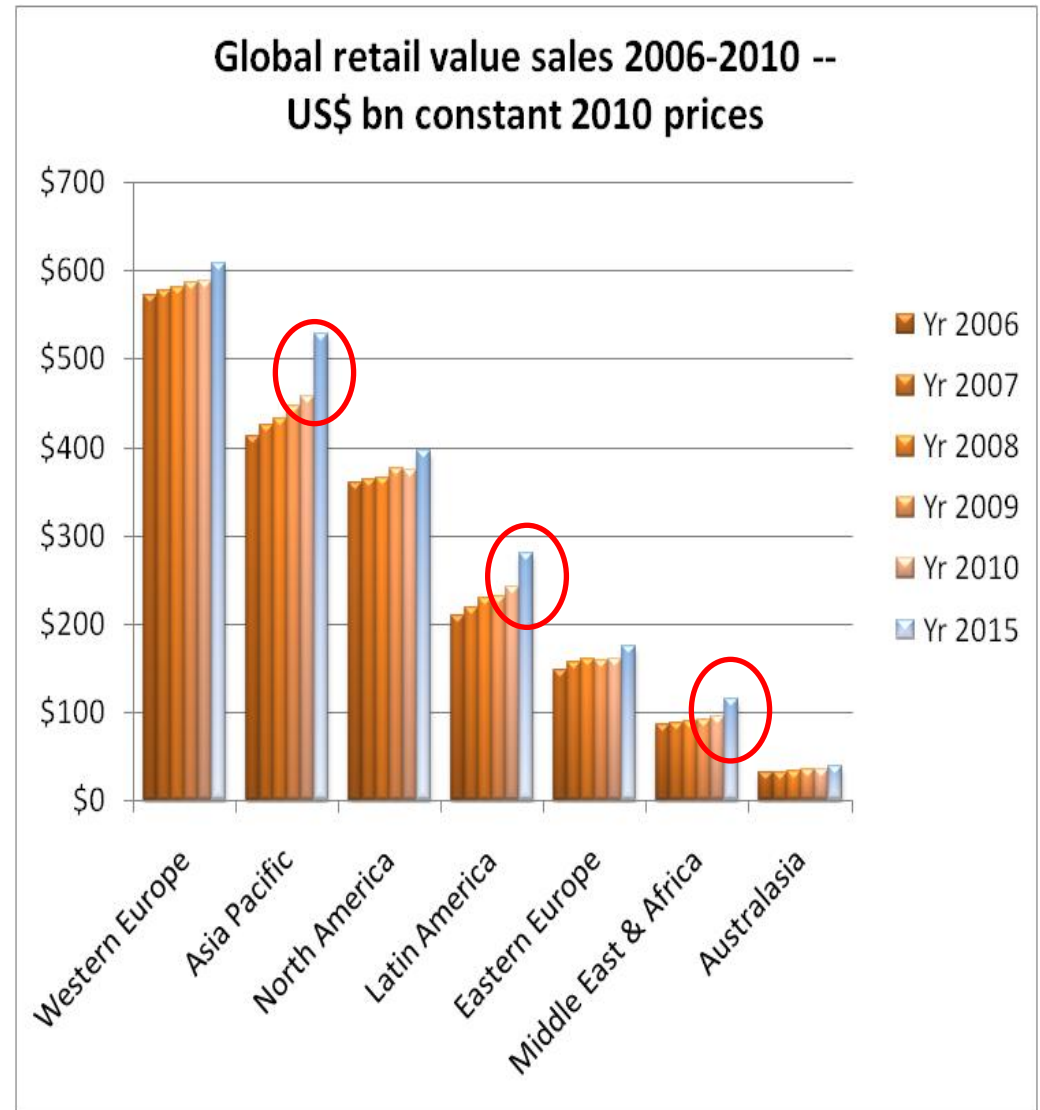
# Packaged Food: Global Retail Value Performance

- Global retail value sales are expected to top US\$1.95 trillion this year at present exchange rates
- Real growth of 7% since 2006, representing global increase of \$132 billion through 2010.
- Global value growth from 2010-2011 is expected to be 1.7%, weighed down heavily by the slow economic recovery and lagging growth in developed markets.
- However, retail value sales forecast to exceed \$2.14 trillion in 2015, an increase of nearly 10%.



# Regional value sales 2006 - 2015

- Western Europe, Asia Pacific and North America largest regional value sales
- Western Europe represents the largest with US\$588 bn in 2010 (estimate based on partial year).
- Consumption growth, particularly in developing markets, very important to US exports.
- Latin America leads with compounded annual growth rate of 3.7% from 2006-2010.





# Developing markets lead growth from 2006-2010

Market Sizes • Historic • Retail Value RSP • US\$ mn • Constant 2010 Prices • Fixed 2010 Exchange Rates • Period Growth

Key: Related Reports Related Comment Company Shares Brand Shares Distribution Products by Ingredient

		2006-10 % ▼	2006-10 CAGR % ▼	2006-10 Absolute ▼
<b>Packaged Food</b>				
	World	7.2	1.8	131,843.1
	Asia Pacific	10.8	2.6	44,488.0
	Latin America	15.7	3.7	32,827.1
	Western Europe	2.8	0.7	16,014.8
	North America	4.0	1.0	14,536.8
	Eastern Europe	8.2	2.0	12,084.1
	Middle East and Africa	9.6	2.3	8,300.3
	Australasia	11.3	2.7	3,592.1

[Category definitions](#) | [Calculation variables](#)

#### Sources:

1. Packaged Food: Euromonitor from trade sources/national statistics

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- Asia Pacific, Western Europe, and Latin America with largest value growth since 2006; North America trails most others in value growth.
- Asia Pacific & Latin American have combined for 58% of global value growth in constant terms since 2006; Asia Pacific's growth tripled that of North America.
- The same regions also showed the greatest growth in volume terms -- marking them as potential opportunity zones for US exports.

# Regional volume growth reveals AP & MEA importance

## Market Sizes • Historic • Total Volume (Tonnes) • '000 tonnes • Period Growth

Key: Related Reports Related Comment Company Shares Brand Shares Distribution

		2006-10 % ▼	2006-10 CAGR % ▼	2006-10 Absolute ▼
<b>Packaged Food</b>				
	World	9.2	2.2	59,474.6
	Asia Pacific	22.1	5.1	32,964.6
	Middle East and Africa	19.6	4.6	13,531.1
	Latin America	5.2	1.3	5,149.7
	Western Europe	3.0	0.7	4,525.9
	Eastern Europe	2.5	0.6	1,523.1
	North America	0.9	0.2	1,014.0
	Australasia	9.8	2.4	766.2

[Category definitions](#) | [Calculation variables](#)

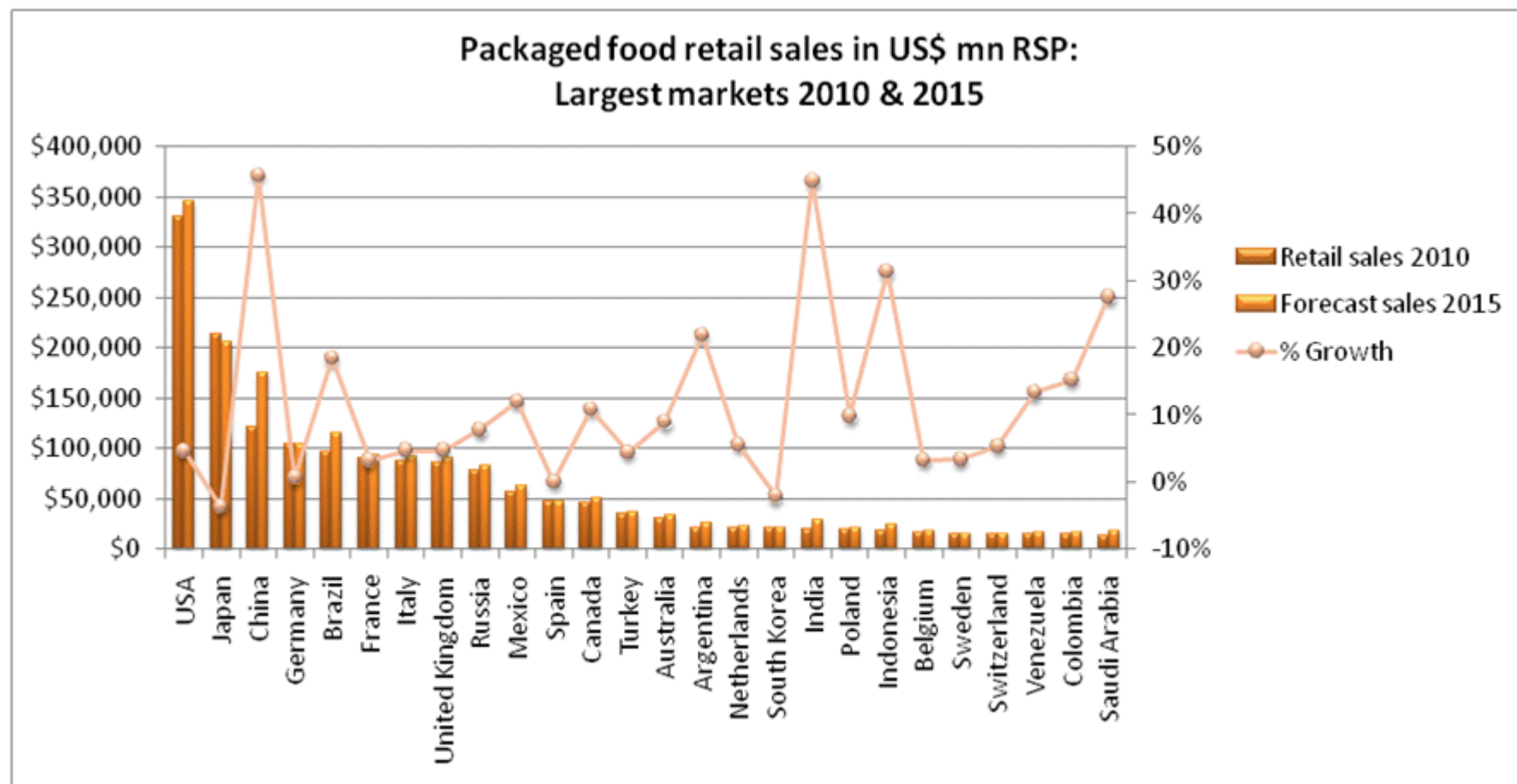
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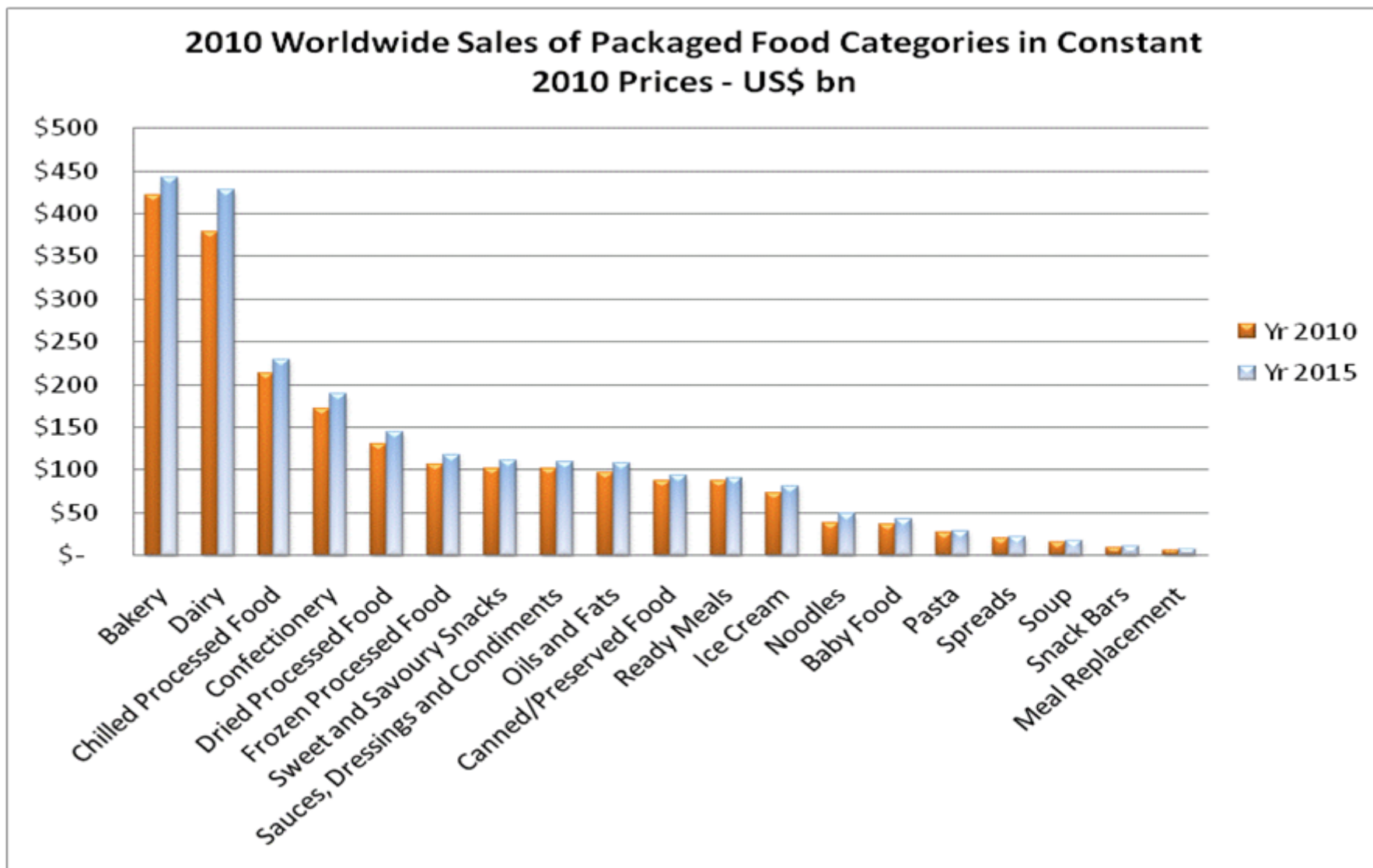
- Volume sales growth through 2010 to reach nearly 60 million tonnes.
- Developing markets represent 89% of volume growth globally.
- Asia Pacific and the Middle East & Africa combine for 78% of global volume growth, adding further support to exports targeting these markets.

# Targeting market growth

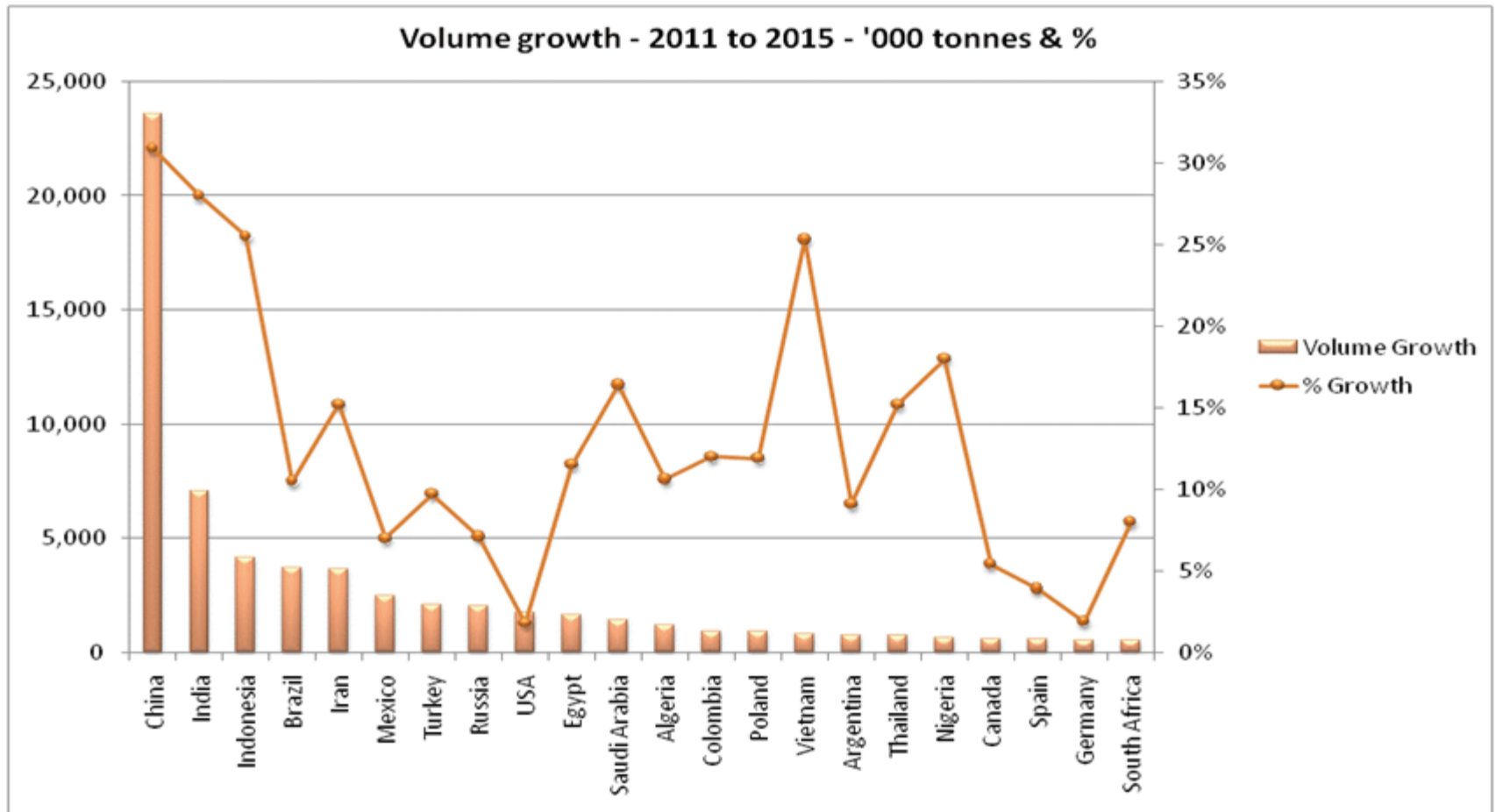


- Nearly all forecasted growth in consumer expenditure that is 10% or more is in Asia Pacific or Latin American markets, a major exception being Canada.
- Asia Pacific is the only region with globally leading markets that are expected to grow by more than 30% in consumer expenditure terms.

# Worldwide retail sales by packaged food category



# Globally, China leads in forecast volume growth



- Developing markets lead the way in volume growth in absolute terms.
- Highest percentage of volume growth found Asia Pacific markets.
- China is far and away the volume growth leader worldwide and may eclipse US in total volume consumption by 2015.



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Market Opportunities & Threats



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# Market drivers and constraints in 2010

## Summary 1 Drivers and Constraints Across FMCG Markets in 2010

Drivers	Constraints
<p><u>Global economic recovery is underway</u>, leading to a return to growth for many FMCG markets in 2010</p>	<p><u>Economic uncertainty persists</u> in many markets; there is a threat of a 'double dip' recession for some, and sovereign debt crises in others</p>
<p><u>Strong economic growth in China</u> and other emerging markets is driving global FMCG sales</p>	<p><u>Unemployment remains high</u>, making consumers cautious about overspending</p>
<p><u>New product development</u> – especially combining greener and healthier attributes with convenience – driving sales in developed markets</p>	<p>Many developed markets are <u>saturated</u>, and FMCGs still face severe price competition, despite innovation</p>
<p>The <u>premiumisation trend</u> that was in evidence across all markets before the recession <u>has begun to re-emerge</u></p>	<p>Shoppers have become more thrifty as a result of the credit crunch, and <u>frugal ways are expected to continue</u> into the future</p>
<p><u>Private label and discount retailers were winners</u> during the recession, and are set for further growth as consumers have become accustomed to lower prices</p>	<p>Supermarkets have fuelled FMCG growth in emerging markets but face <u>increased competition from discounters and mass merchandisers</u> in developed ones</p>
<p><u>Health remained a priority during the recession</u>, helping maintain sales of OTCs, functional foods and other health-related FMCGs</p>	<p>Safety issues such as product recalls and <u>food contamination scandals impacted negatively</u> on certain markets</p>
<p><u>Ageing populations led to higher spending on certain categories</u>, including vitamins and dietary supplements, anti-ageing creams and incontinence products</p>	<p><u>Ageing populations reduced demand for other categories</u>, such as baby-related products and feminine hygiene (although a mini baby boom in 2009 helped maintain sales in that year)</p>
<p><u>Intensification of the cocooning trend</u> during the recession benefited certain sectors, e.g. packaged food, alcohol, home care, home beauty treatments</p>	<p><u>Regulatory changes continued to undermine sales of certain packaged foods</u>, tobacco and other products</p>

Source: Euromonitor International

# Global packaged food trends coming out of economic downturn

**Health**

H&W remains biggest innovation driver across industry

**Segmentation**

Targeting key consumer segments with specific needs

**Exoticism**

Exotic/novel flavours to maintain consumer interest

**Premiumization**

Bling still matters. Differentiates/alternative to private label

**Trading down**

Credit crunch creates demand for 'value for money' brands



# Leading Health and Wellness Trends in 2008/2009



## Organic

- Face lift needed
- New premium



## Beneficial to health

- Heart
- Brain
- Liver/detox
- Immunity
- Digestive
- Bone



## Weight management

- Hunger control, satiety,
- Calorie burning
- Portion control
- High fibre
- Low GI



## Naturally healthy

- Eat and drink by colour
- Superfood
- Green and herbal teas
- Natural fortification: grass/flax fed cattle

# Product Segmentation Becomes More Nuanced

- Most packaged food offerings are segmented to some degree, but segmentation has become more nuanced in recent years.
- Companies are now attempting to market products that appeal to increasingly narrow demographic and/or socio-economic groupings.
- Products targeting women and children increasingly popular.
- Segmentation is an inherently risky strategy, as targeting a smaller market increases the chances of failure.
- The targeted group must be large enough to generate a sufficient ROI, but targeting too large a market risks diluting the product's appeal.

# Packaged Food Trends: Exoticism

## Ethnicity

- UK retailers such as ASDA and Tesco have been selling **Halal food** targeted at ethnic minorities since 2001. This trend is likely to expand further to the ready meal and indulgence sectors, further increasing product selection for consumers.



## Spicing up Ice Cream

- The introduction of **exotic flavors** increases product “differentiation” and is gathering momentum throughout the industry.
- In 2008 Magnum introduced **Mayan Mystica**, an impulse chocolate ice cream blended with cinnamon, nutmeg and honey.



# Premiumisation Continues Despite Downturn

## Gourmet crisps/chips

- Premium gourmet' chips/crisps target consumers willing to pay a premium for high quality ingredients and better flavor. **Lay's Gourmet** is available in all major supermarkets in Spain and Portugal. It is presented in a premium black package and uses high quality ingredients.



## Contrasting sensations in Ice Cream

- Increasing emphasis on new lines combining contrasting flavors is driving premiumization in ice cream. Mid 2008 saw the launch of a new "sweet and salty" Haagen-Dazs flavor in the US. **Haagen-Dazs Reserve Fleur de Sel Caramel** ice cream contains sea salt along with ice cream, caramel sauce and chocolate. It is the latest addition to the "super-premium" Haagen-Dazs Reserve range.



# But Value-For-Money also Increasingly Important

## Value for money

- 2008 and 2009 saw more value brands aiming to replicate premium products at affordable prices in both developed and developing markets.
- One example is Alaska Milk Corp's **Alaska Yoghurt Drink** in the Philippines. The new line is far more affordable than Nestle products and targets low and middle-income consumer groups.
- October 2008 saw the launch of **Danone Eco Pack** yoghurts in France. Targeting increasingly price conscious French consumers, each pack features 6 pots of yoghurt and is priced at €1. It is similar to other more expensive Danone lines, but is available in only 4 flavours and has no added colouring.



# Consumer concerns and expectations

- Importance of a good diet has increased functional food and foods with clearly stated health benefits.
- Growing demand for food that is “natural” and additive-free.
- Consumers want foods that are quick and easy to prepare or that can be eaten while on the move.
- Time-challenged consumers are shifting towards one-stop shopping in large retail outlets
- Consumers eager to experiment with new foods and flavors (novelty products)
- More interest in using “authentic” ingredients in cooking
- Premiumization and a concern with quality is a growing trend, especially in developed countries. Food aimed at children is a growing niche, both in retail and foodservice.



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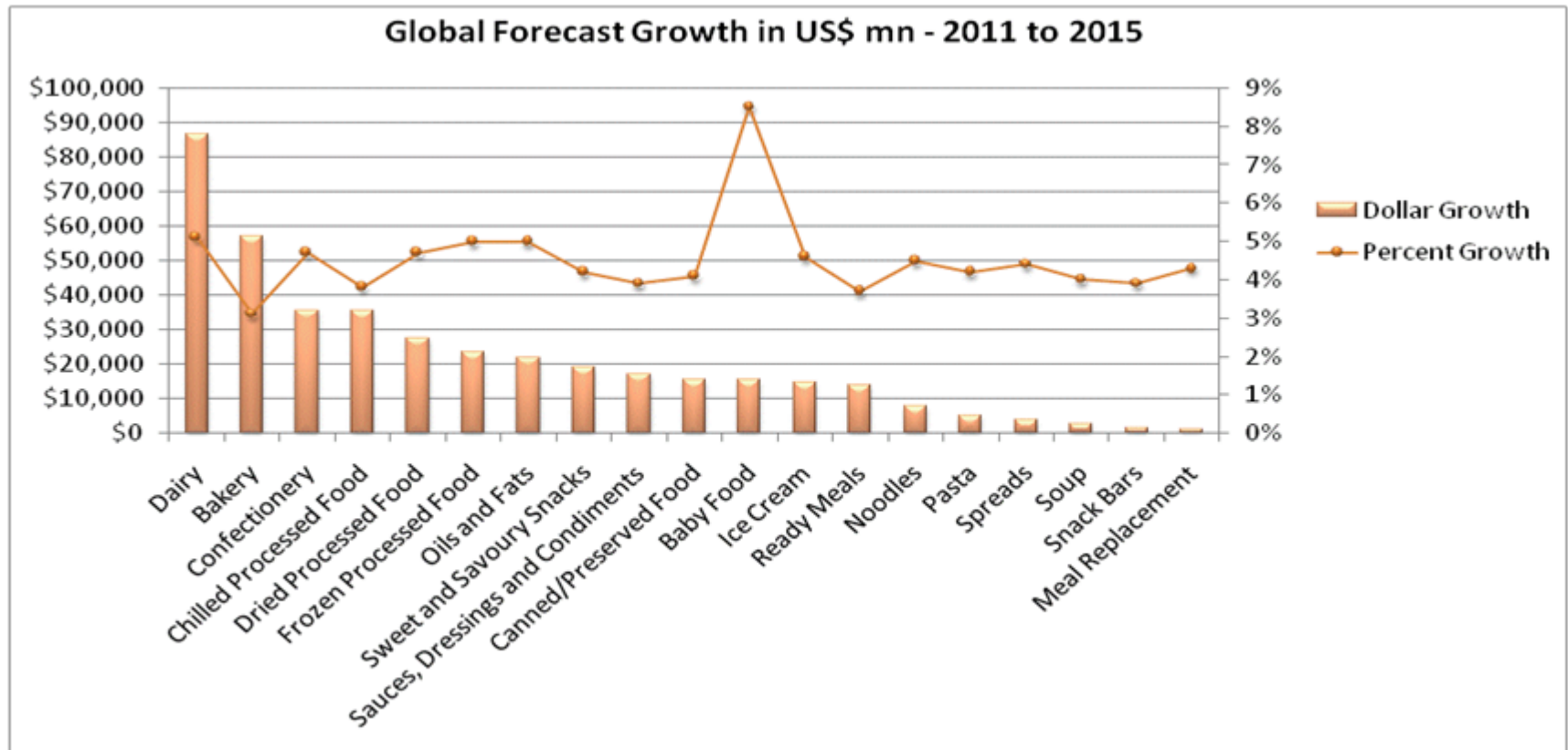
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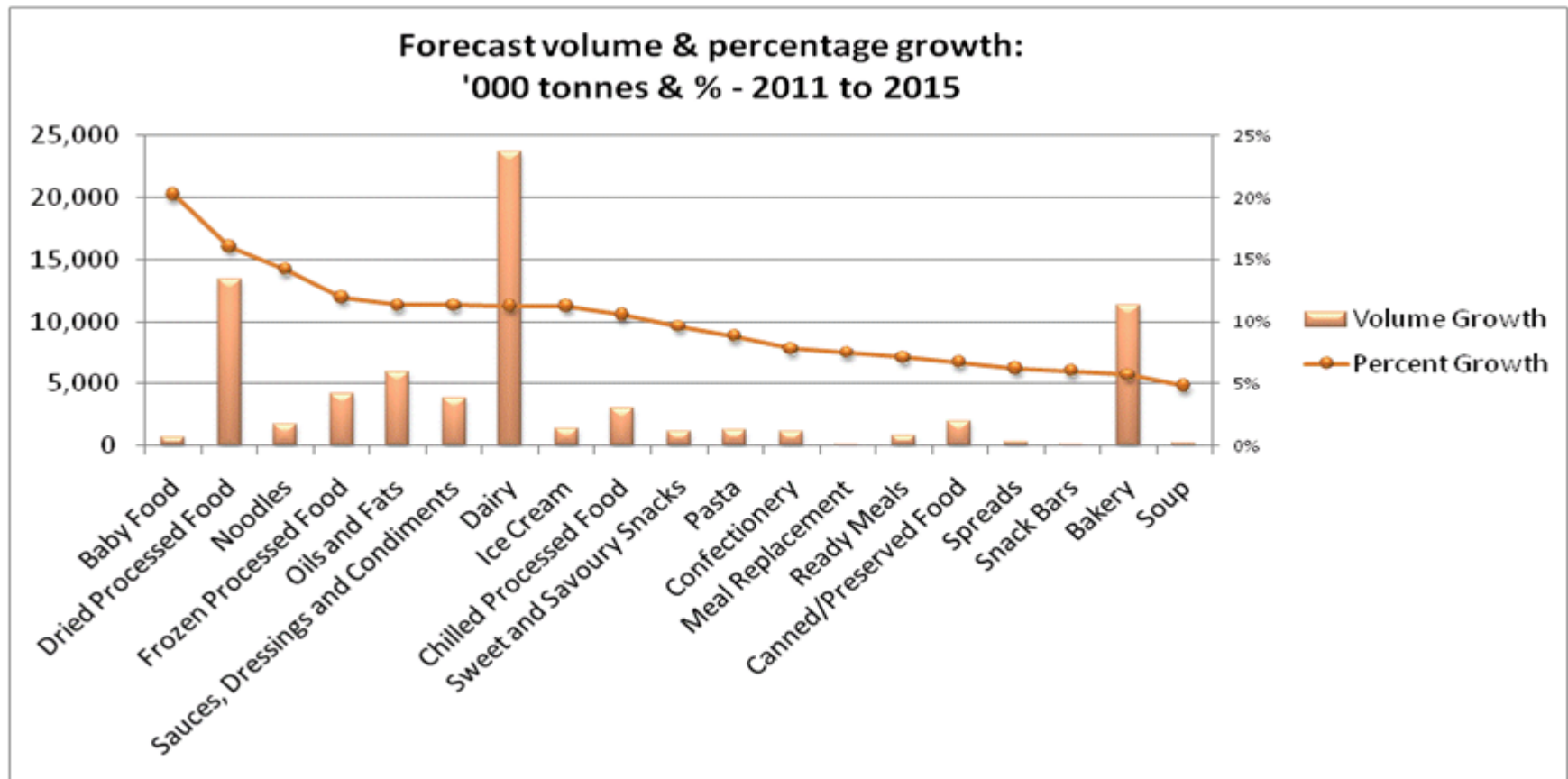
# Incomes, health, convenience and indulgence spur growth



- Largest global categories from 2010 expected to have greatest value growth through 2015.
- Growth affected by rising incomes, food safety concerns, convenience and indulgence
- Baby Food, Dairy, Frozen Processed Food, Oils and Fats, Confectionery, Dried Processed Food, Ice Cream and Noodles

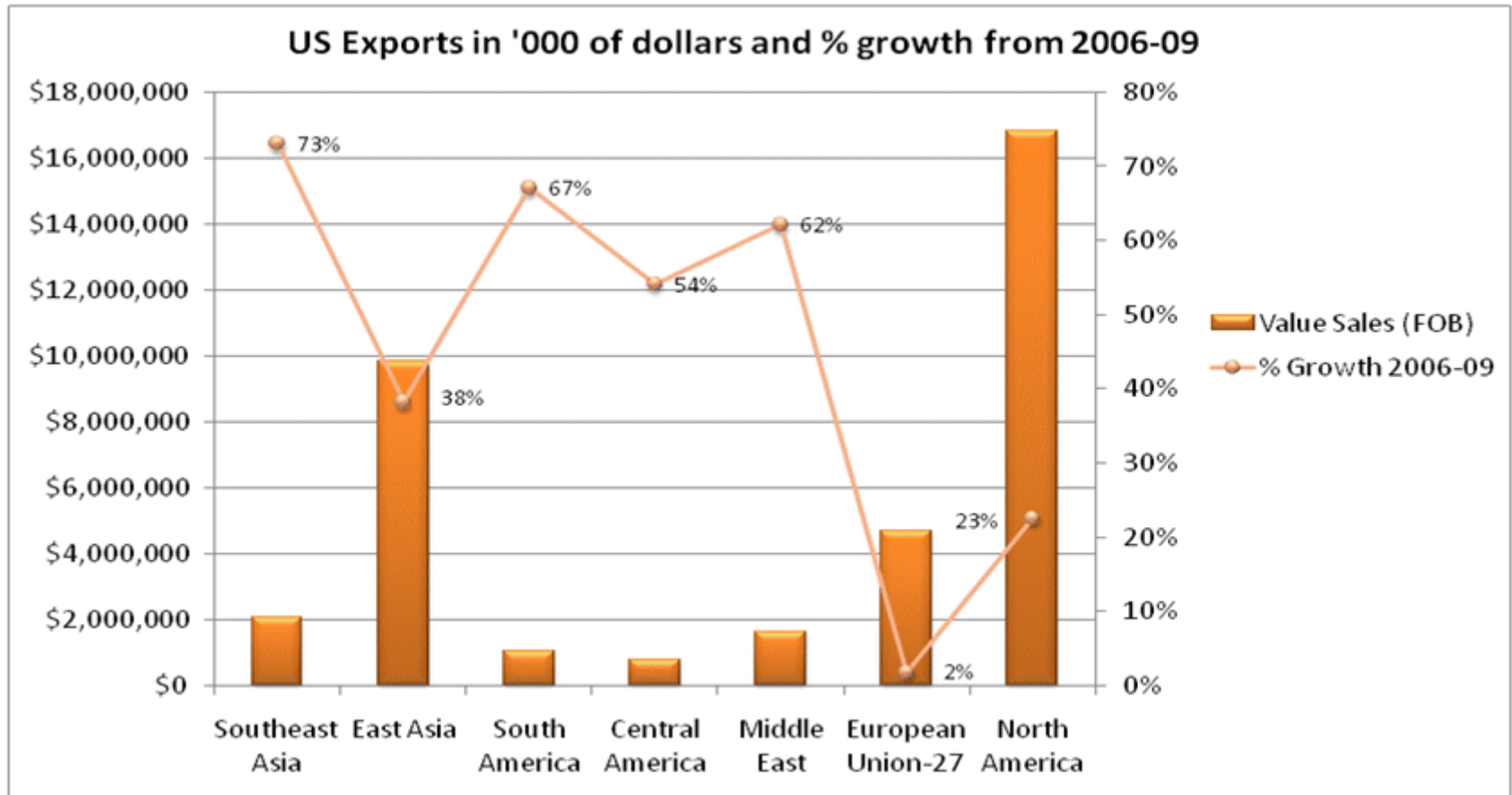


# Many categories showing substantial forecast volume growth



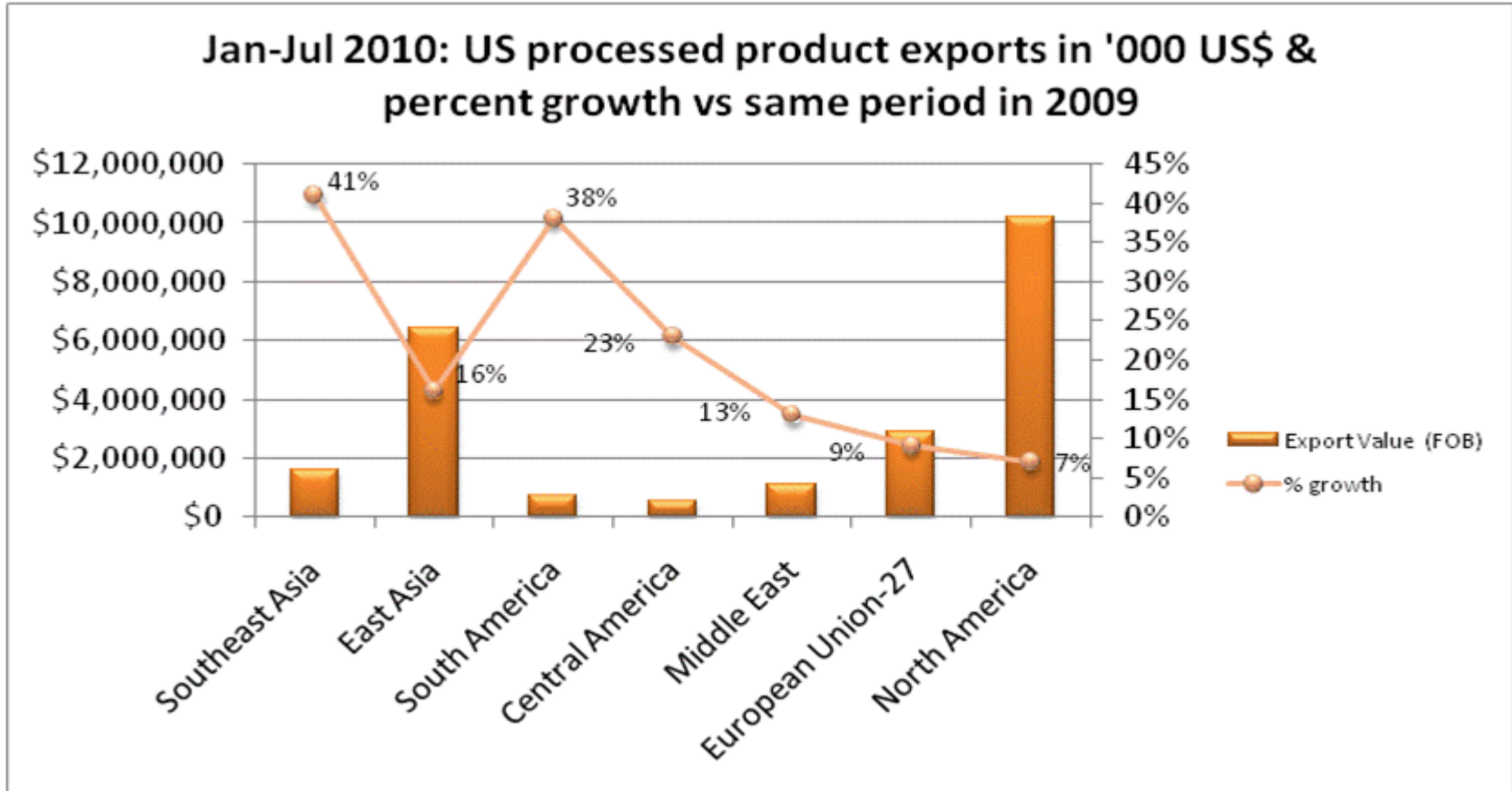
- Dairy, Bakery and Dried Processed foods will lead market in volume growth in absolute terms
- Baby food, Dried processed, Noodles, Frozen processed, Oils & fats will lead in percentage growth

# Processed food exports seeing substantial acceleration



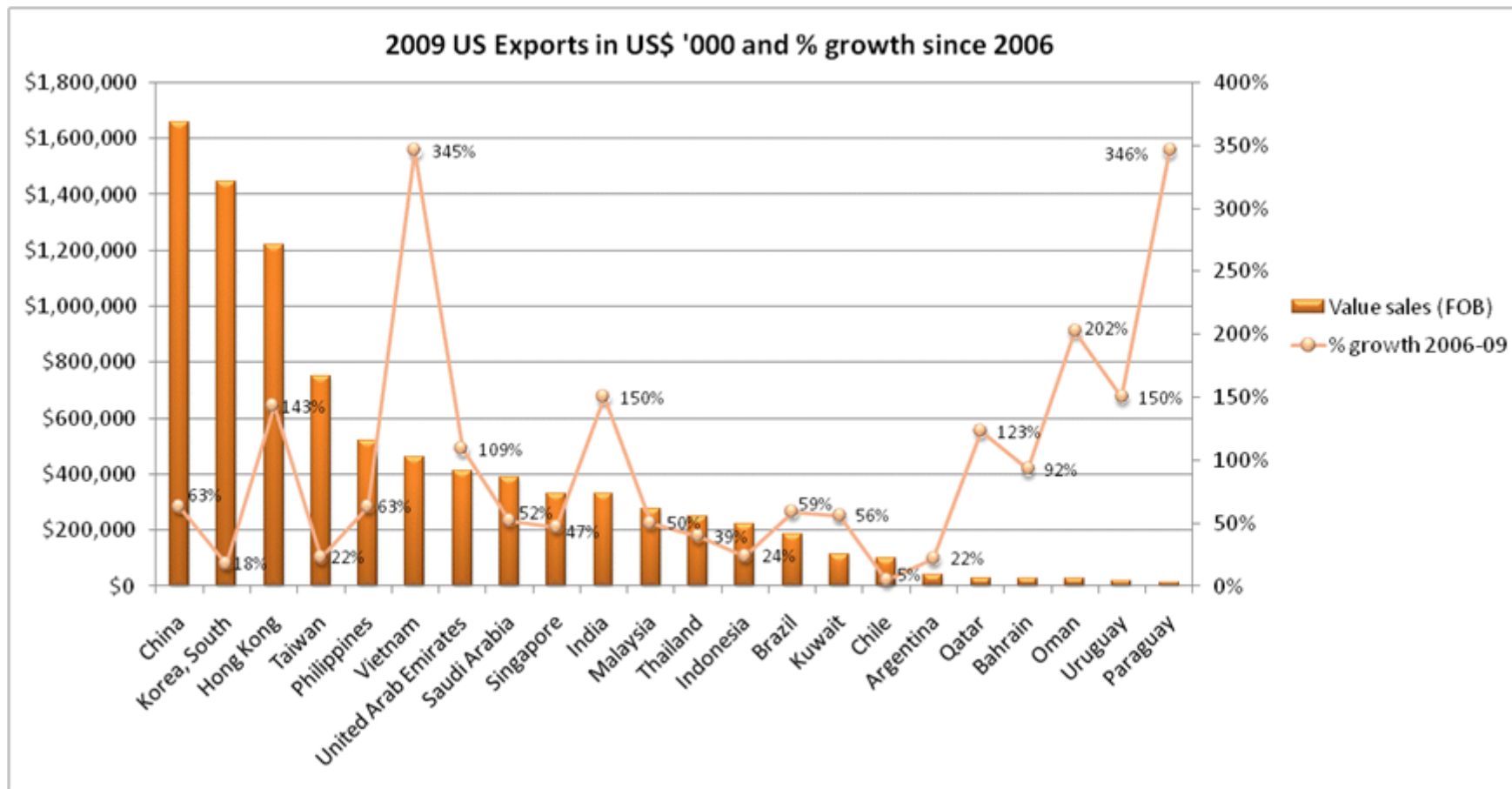
- US exports to SE Asia, East Asia, Middle East, South America and Central America grew by nearly 47%, or \$4.9 bn, and topped \$15.3 bn.
- Meanwhile, US exports to the EU of processed food products rose only 1.8% from 2006-09 after losing \$1 bn in value between 2008-09.

## Recent export data show developing markets still surging



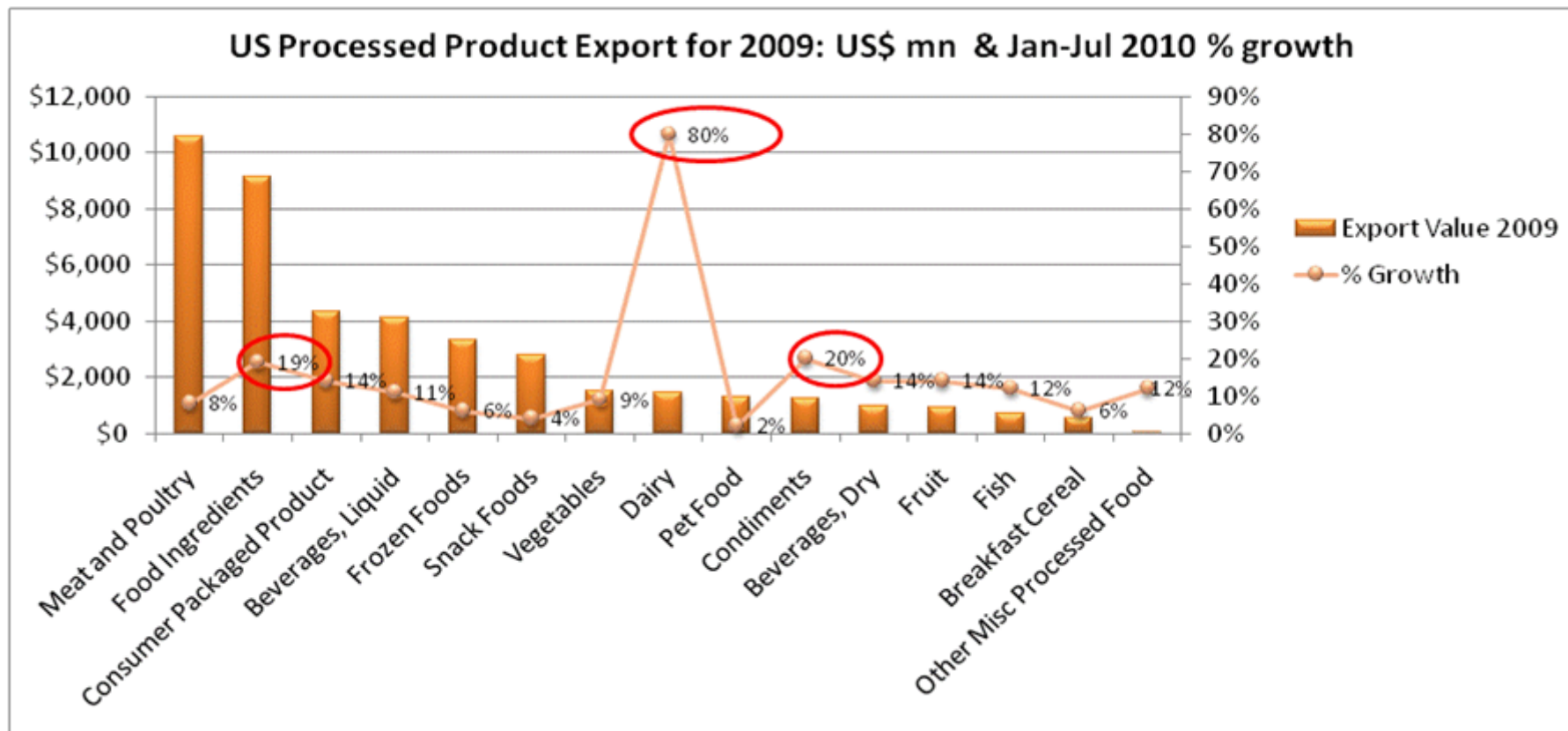
- Exports to Southeast Asia and East Asia combined for nearly \$8 billion in processed product exports from Jan-Jul this year.
- Growth of processed product exports to East Asia alone could exceed that of North America this year by \$400 million.

# US processed food exports seeing dynamic growth



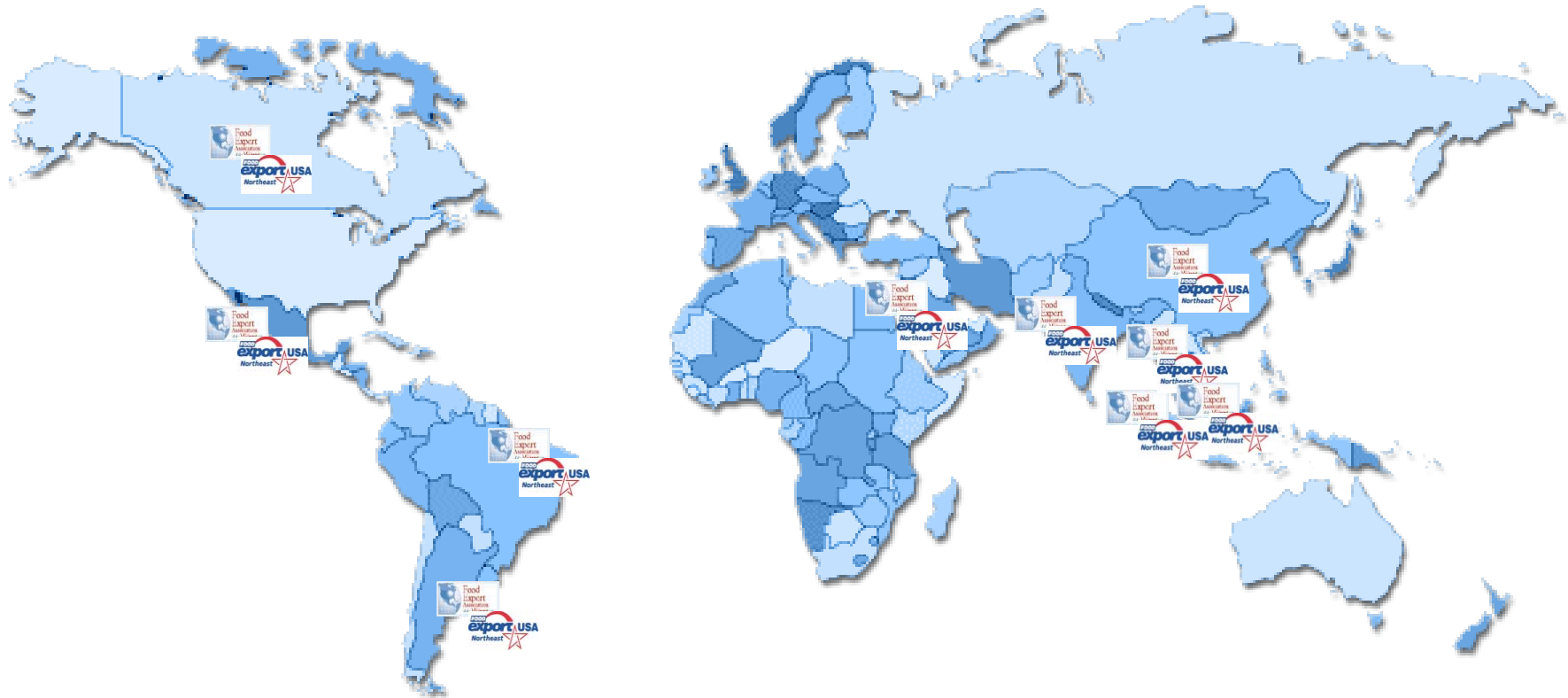
- Not only Asian markets, the Middle East is growing rapidly but overall from much smaller base
- Exports to markets above are up over 29% this year from Jan-Jul versus the same period in 2009 even in sluggish global economy.

# US Processed Product exports – all broad categories are up



- Processed product exports neared \$43 bn in 2009, representing almost 43% of ag exports.
- Latest statistics show that US processed product exports are running 13% higher than last year and is set to top \$48 bn in 2010.

# Food Export in critical markets to tap growth



- The top ten leading growth markets that Food Export targets represent billions in US package food exports.
- They also represent over 53% in global consumption growth in value terms of packaged food since 2006.
- From 2011 to 2015, these same markets are expected to be nearly 60% of global growth in value terms and 66% in volume.

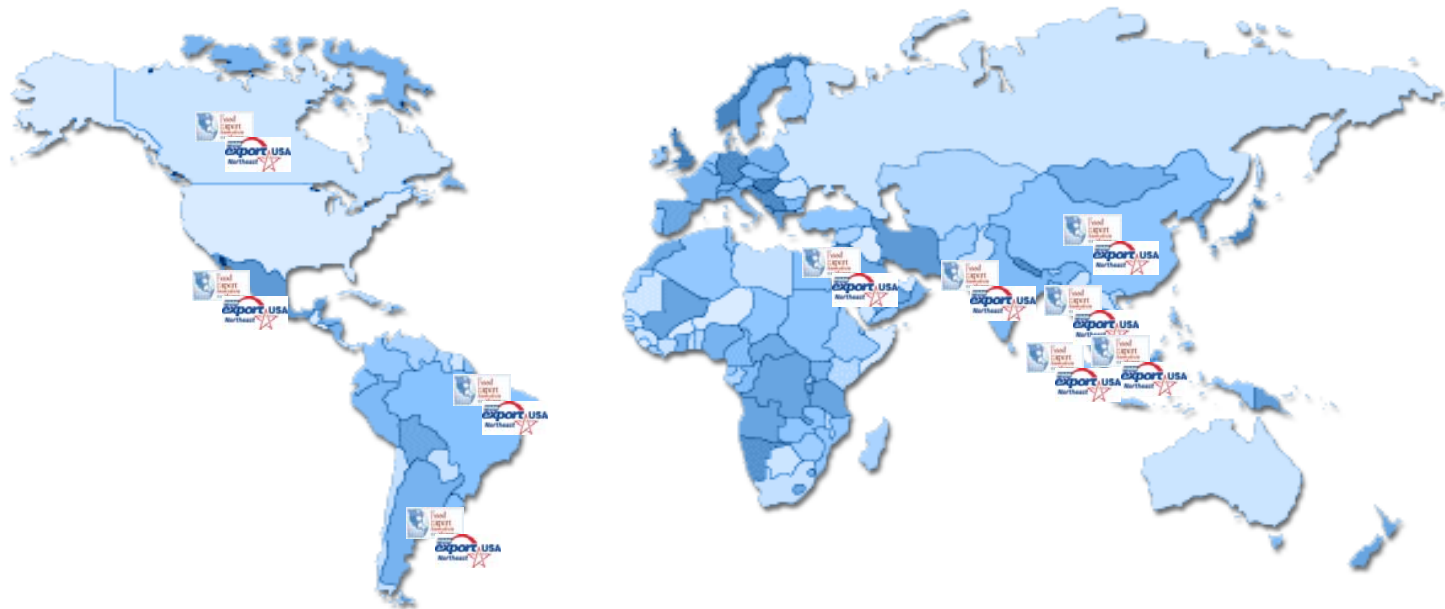
# Global packaged food sectors to watch

## Largest sectors

- Dairy products
- Bakery products
- Chilled processed food
- Confectionery
- Dried processed food

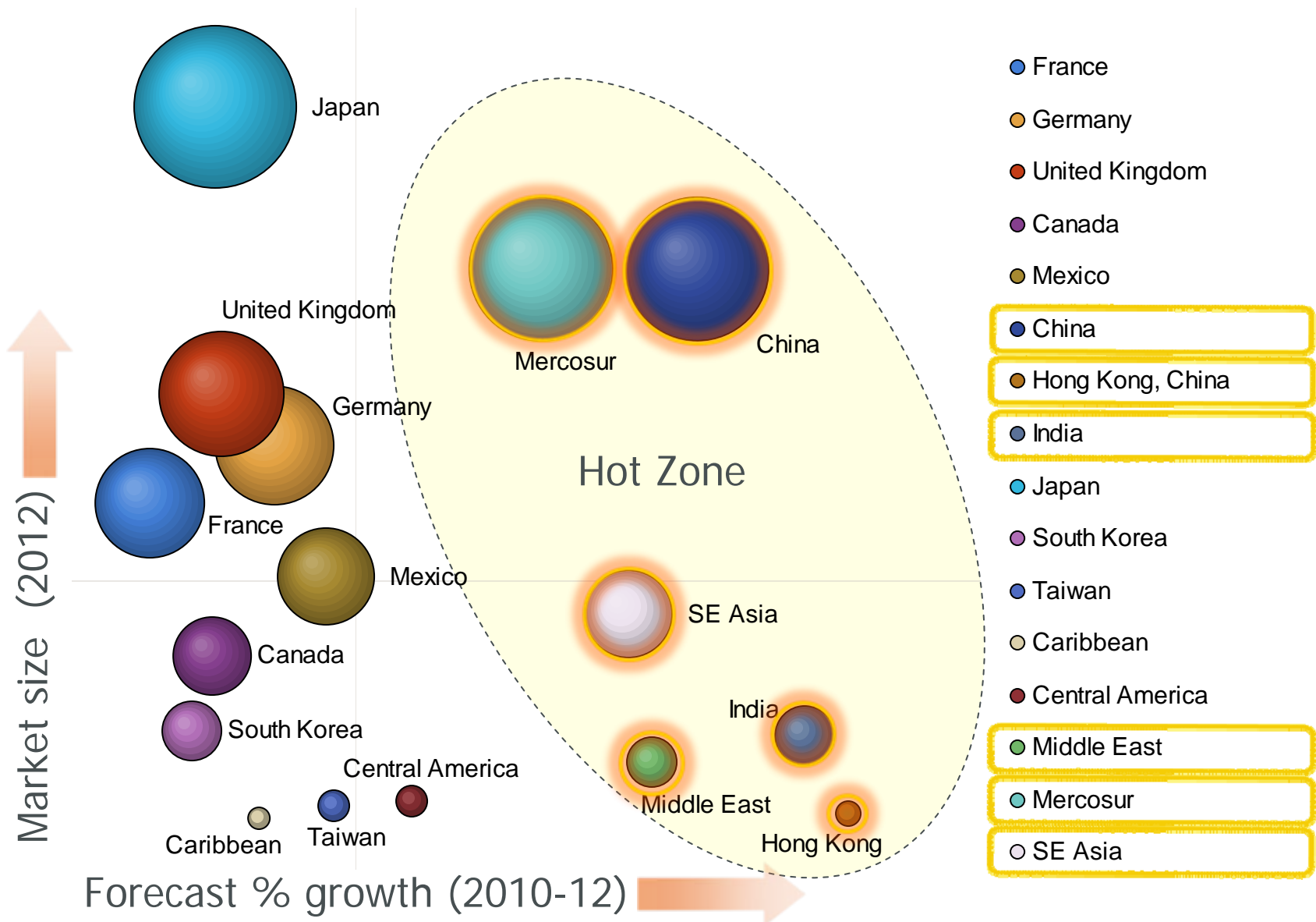
## Fastest growing

- Frozen processed
- Dried processed food
- Oils and fats
- Baby food
- Noodles



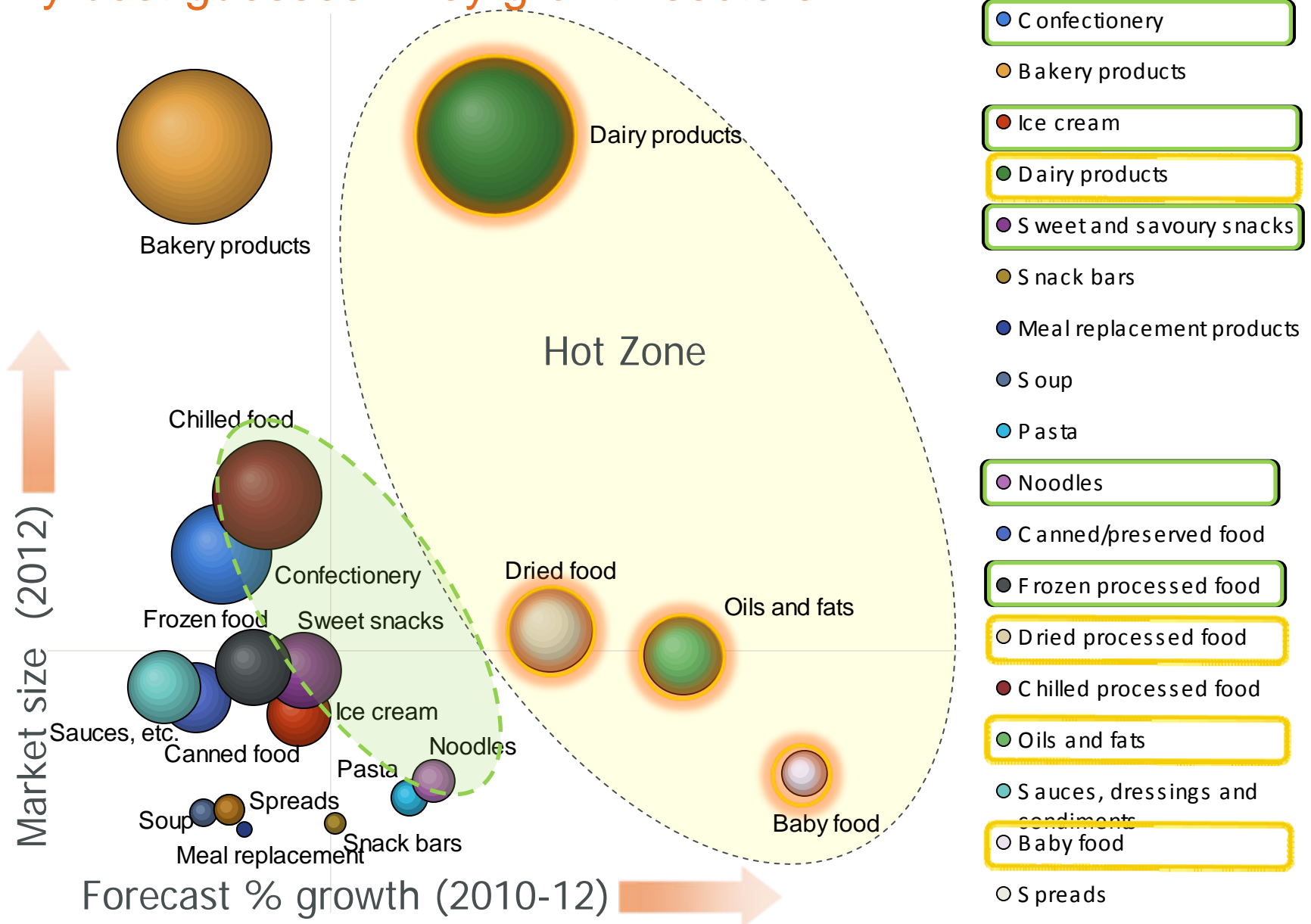


# Key Export Growth Markets

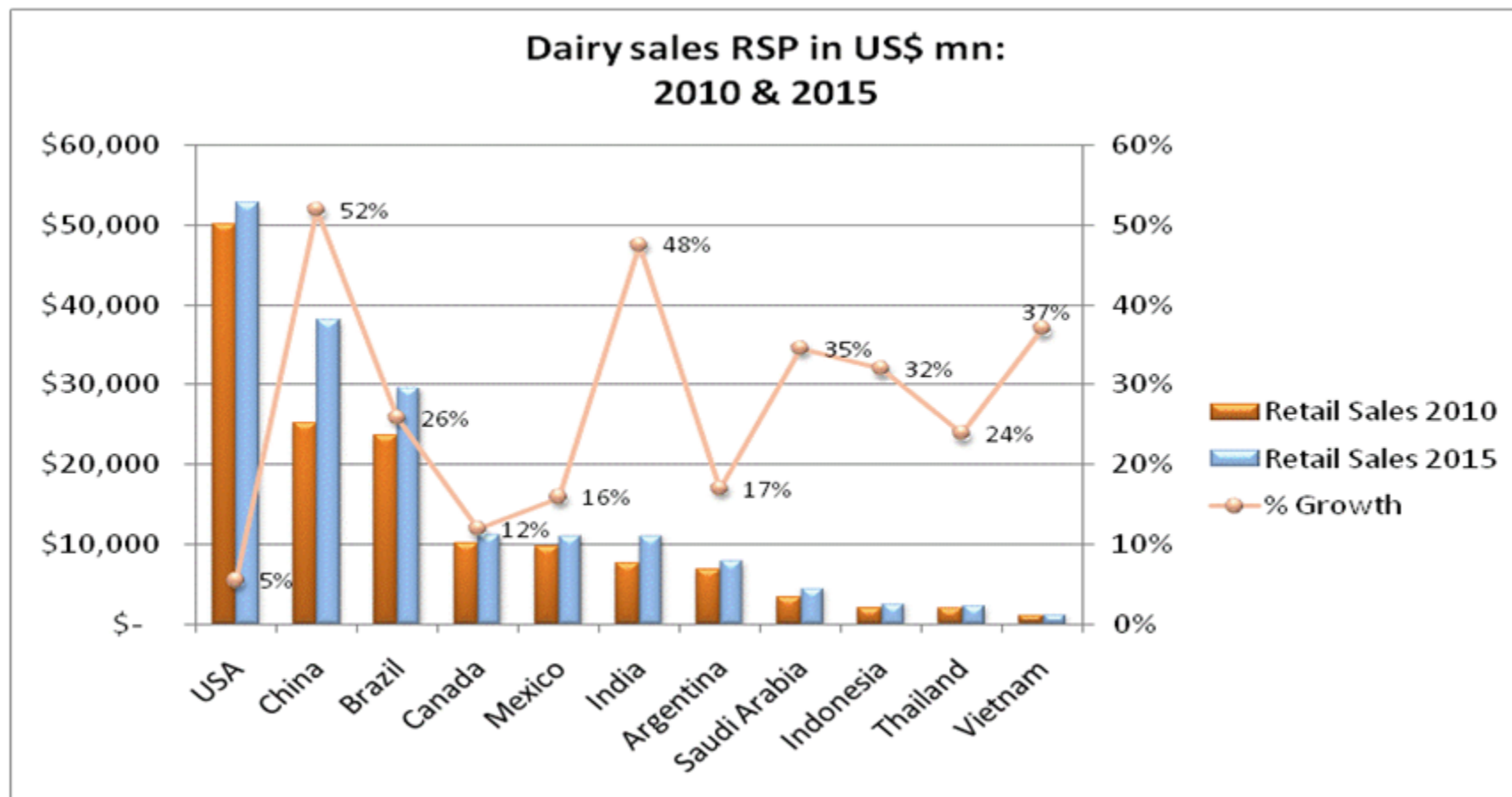




# My best guesses...key growth sectors

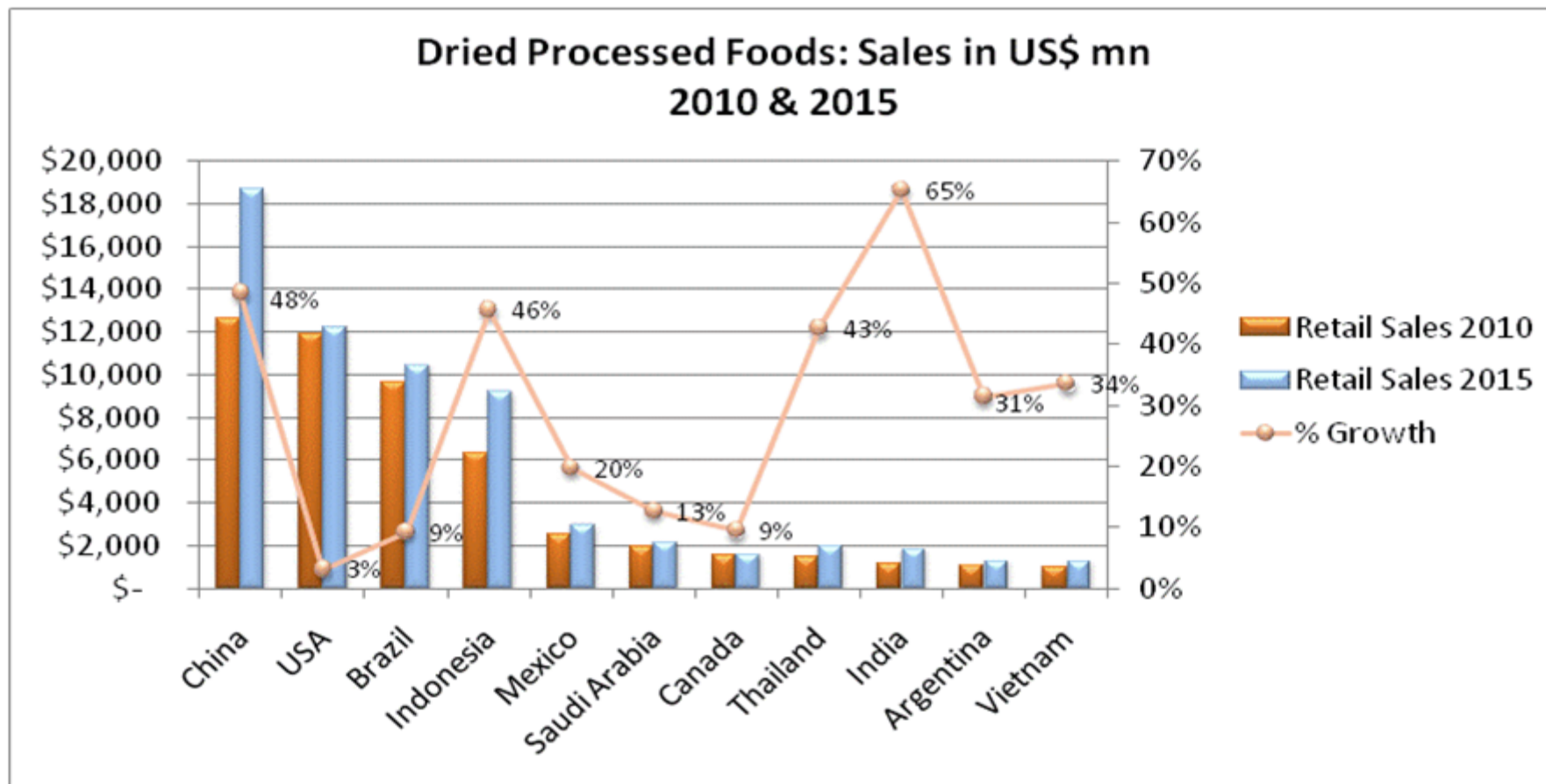


# Dairy retail sales in US & leading Food Export markets



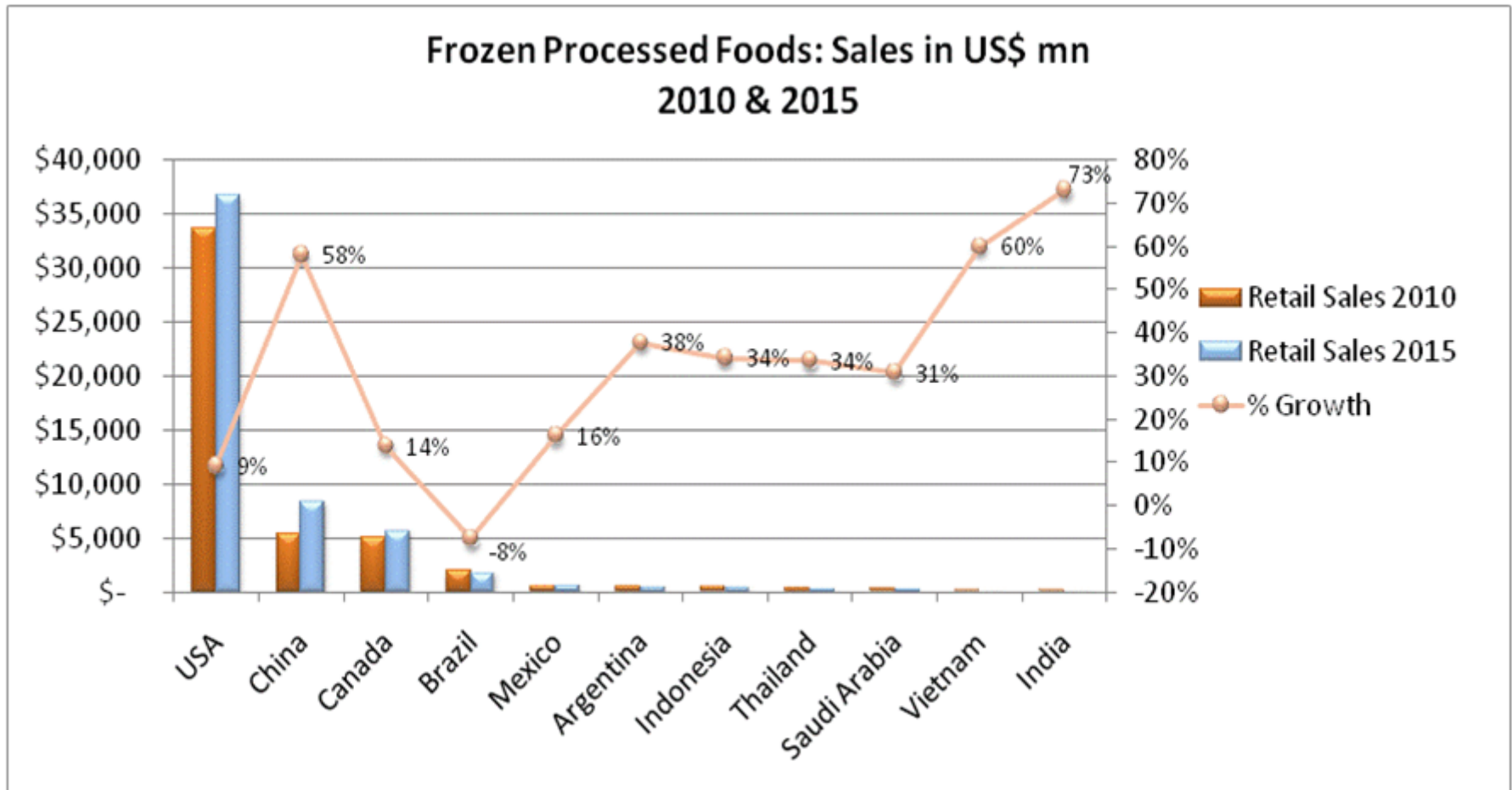
- Consumption of dairy advancing rapidly in Food Export markets
- China, India, Vietnam, Saudi Arabia and Indonesia with high growth rates

# Dried processed sales in US & leading Food Export markets



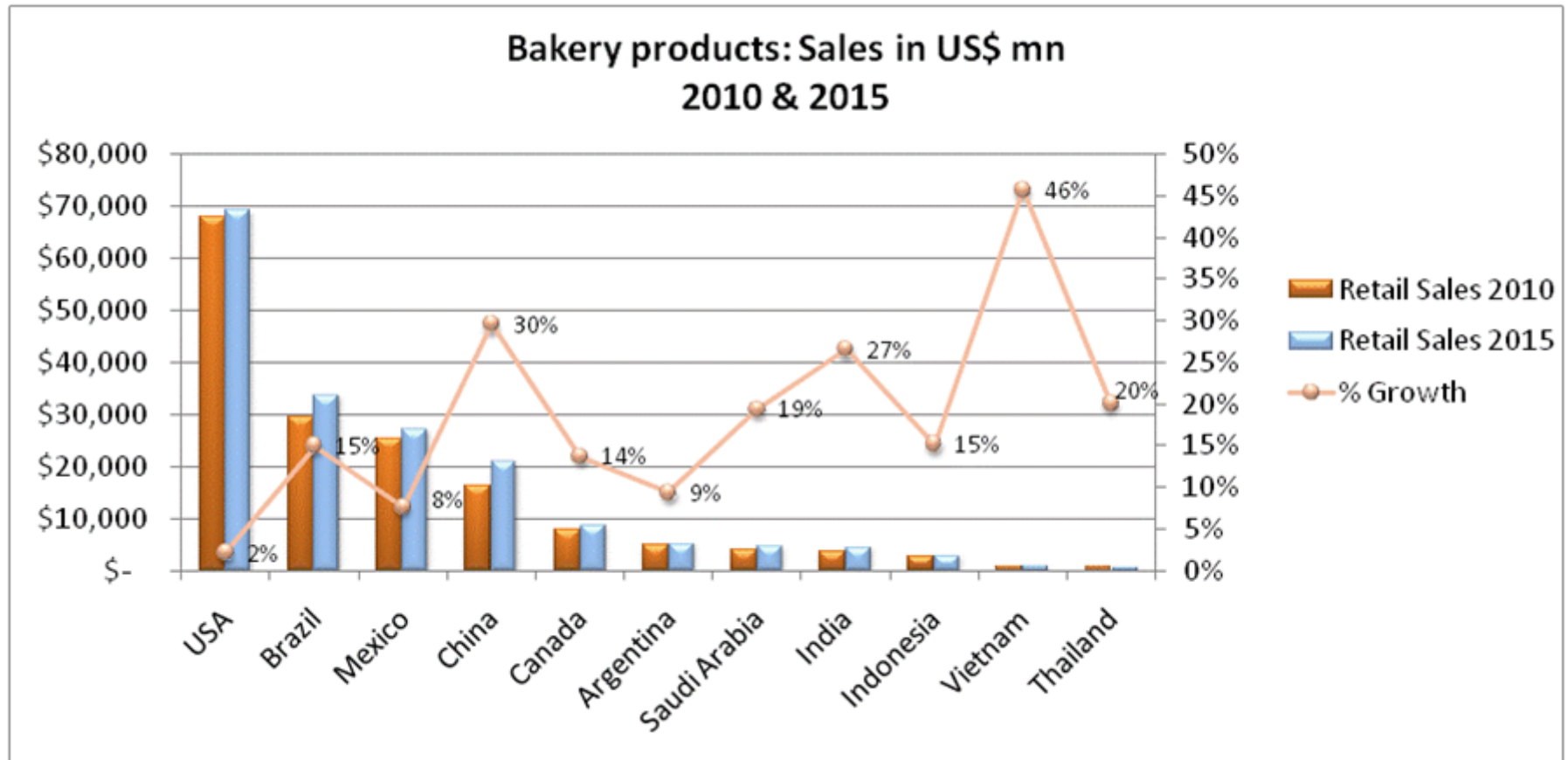
- China and Indonesia expecting major growth of 45%+ in value terms
- Nearby trade neighbors such as Canada and Mexico are growing in consumption terms as well by 9% and 20% respectively

# Frozen processed sales in US & leading Food Export market



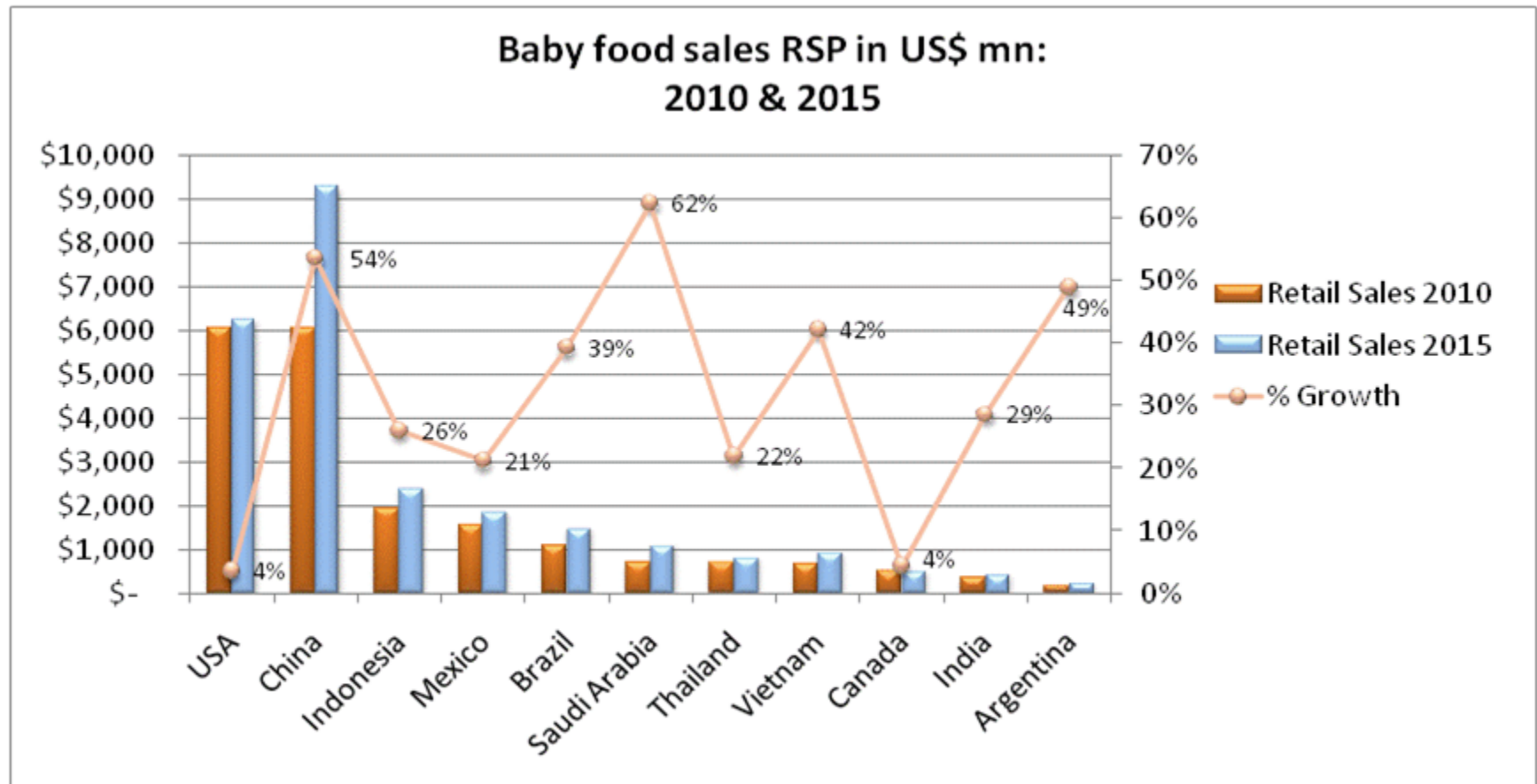
- Targets for frozen processed include China, Canada, and Mexico
- Growth rates in Asia Pacific affected by low levels of cold storage

# Bakery sales in US & leading Food Export markets



- Expected growth in Thailand, Vietnam, India and China from 20-46%
- Larger markets of Brazil and Mexico to see substantial gains but are supplied heavily by local production

# Baby food sales in US & leading Food Export markets



- Milk formula accounted for more than 65% of global baby food sales in 2009.
- In China especially, health concerns and convenience driving rapid baby food growth

# Export Sector Opportunities – Sector Trends

## Growth drivers

- Overall growth for dairy is derived largely from the rapid expansion of dairy markets in **China, India, and Mercosur**
- Dried foods are growing globally due to their appeal to **time-pressed consumers**. Value growth is also prominent in SE Asia and China due to the popularity of dried rice products
- **Urbanization** and a **shift from artisanal to packaged** oils and fats is driving the sector, especially in China
- Baby food is benefiting from **low-cost convenience and increasing population** of developing regions

## Constraints to growth

- Dairy sales continue to be limited by the **lack of established retail infrastructures** in less developed markets. UHT milk is popular in areas such as the Caribbean
- **Stagnation of dried processed foods** in mature markets such as Japan
- Growth for oils and fats is being undermined by **health and wellness** and obesity concerns, especially in Mexico where the government reinforces healthy food choices
- Sales in the most valuable/mature markets will be highly dependent on **birthrates**, leaving the majority of growth in smaller emerging markets



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- Contact your state department of agriculture's International Marketing group
- Reach out to Food Export
- Contact Euromonitor International
- Combined – award-winning data systems, knowledge, experience & answers

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