‘CASHING IN’ ON PASTA: GLOBAL OUTLOOK AND MARKET OPPORTUNITIES FOR 2013-2017

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ECONOMIC & GLOBAL DEMAND OUTLOOK
WESTERN EUROPE REVIEW
• KEY MARKET DATA
• CONSUMER TRENDS
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KEY TAKEAWAYS
Q&A
About Euromonitor International

• Global provider of Strategic Market Intelligence
• 11 Regional offices - 800+ analysts in 80 countries
• Cross-country comparable data and analysis
• Consumer focused industries, countries and consumers
• 5 - 10 year forecasts with matching trend analysis
• All retail channels covered
• Subscription services, reports and consulting
Living In Uncertain Times*

<table>
<thead>
<tr>
<th>Year</th>
<th>Global Real GDP Growth</th>
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<tr>
<td>2010</td>
<td>5.2%</td>
</tr>
<tr>
<td>2011</td>
<td>4.0%</td>
</tr>
<tr>
<td>2012</td>
<td>3.1%</td>
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*Global Real GDP Growth
Pasta: On the Footsteps of Packaged Good

Retail Volume Sales Packaged Food Versus Pasta
Global Level

Percentage growth (%)

Packaged Food  Pasta

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Western Europe in ‘Cold Growth Area’

Pasta Retail Value Versus Economic Growth by Region

Real GDP Growth (%)

Retail Value Growth (%)

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Stagnation Looms Ahead

Pasta in Western Europe. Retail Value Sales.


- **2007**: US$9.2 billion
- **2012**: US$9.9 billion
- **2017**: US$10 billion

- **Canned/Preserved Pasta**
- **Chilled/Fresh Pasta**
- **Dried Pasta**

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Fastest Growth Projected for Chilled/Fresh Pasta

Pasta in Western Europe. Retail Value Growth (%). 2012 -2017 Forecast.

Canned/Preserved Pasta  Chilled/Fresh Pasta  Dried Pasta

2012-17 Absolute  2012-17 %

Downward Price Pressure on Chilled/Fresh Pasta Offerings

Pasta in Western Europe. Unit Price Analysis.

<table>
<thead>
<tr>
<th></th>
<th>US$ per Kg</th>
<th>Percentage growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canned/Preserved</td>
<td>2.0</td>
<td>-4.0</td>
</tr>
<tr>
<td>Chilled/Fresh</td>
<td>6.0</td>
<td>21.0</td>
</tr>
<tr>
<td>Dried</td>
<td>1.5</td>
<td>10.0</td>
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</table>

Western European Consumer Behaviour in a Crisis

Need for Convenience

Pasta

Need to Keep Healthy

‘Big Night in’
Need for Convenience

Size matters…in Pasta
- Smaller outlets lose share …to everyone else
- Supermarkets and Hypermarkets stand up to discounters

Internet retailing still a niche but….
- Retailers making increasingly easy-to-use online shopping platforms

Pasta in Western Europe
Retail Value Growth by Outlet 2007-2012
Need for Health

Health is growth driver
- Healthy formats’ benefits pay off
- Manufacturers seize opportunity to create added value

Put your money where your health is
- Organic (+47%) and gluten-free (+43%) formats see significant growth between 2007-2012
- High fibre formats add US$84 million to market in five years

Retail Value Growth
HW Pasta Versus (Total) Pasta in Western Europe

Constant 2012 Prices/ Fixed 2012 Exchange Rates

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Big Night in

Let’s cook it at home
- Challenging economy underpins ‘home-cooking’ trend.

Italian cuisine gains in popularity
- ‘Free training’ through television programmes

Total Retail Value Sales through Restaurants in Western Europe

US$ billion

210 240 270 300

2008 2009 2010 2011 2012

Constant 2012 Prices/ Fixed 2012 Exchange Rates

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Six Rings to Bind them All…to Success

- Wide range of fillings: spices, truffles, spinach
- Taps into indulgence and health trends
- All natural ingredients
- Convenience: Cooked in a minute
- Customised package
- Freshness

Fact: 50% of 2012-2017 projected growth retail value growth in Chilled/Fresh Pasta coming from UK and Germany!
UK and Austria: Hot Markets

Top Ten Pasta Markets. Retail Value Growth (%) 2012.

Constant 2012 Prices/ Fixed 2012 Exchange Rates
Chilled Formats Account for a Fourth of Sales in UK

Pasta in UK. Retail Value Sales Breakdown 2012.

- Canned/Preserved Pasta: 54%
- Chilled/Fresh Pasta: 25%
- Dried Pasta: 21%

Retail Market Value: US$874 million
Dried Pasta to Show Strongest Performance

Pasta in UK
Retail Value Growth Projections: 2012-2017

Canned/Preserved Pasta: -5%
Chilled/Fresh Pasta: +20%
Dried Pasta: +39%

Absolute growth: Constant 2012 Prices/ Fixed 2012 Exchange Rates
Percentage growth: 

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United Kingdom: The ‘One’ for Dried Pasta

- Dried formats is the ‘real Italian style’
- Benefits from ‘television training’
- ‘Big night in’ occasions
- New shapes, even for children!
- Wholegrain and organic lines tap into health trend
- Price
- Dried pasta ‘European champion’

Fact: High-fibre pasta projected to add US$9 million to market between 2012-2017, to total US$34 million
Dried Formats Account for Two Thirds of Sales in Austria

Pasta in Austria. Retail Value Sales Breakdown 2012.

Retail Value Sales: US$186 million

69% Chilled/Fresh Pasta
31% Dried Pasta
Chilled Pasta Takes Fast Train…to the Future

Pasta in Austria
Retail Value Growth Projections: 2012-2017

Chilled/Fresh Pasta
Dried Pasta

Absolute growth  Percentage growth

+29%  +14.5%

Constant 2012 Prices/ Fixed 2012 Exchange Rates
Something for Everyone

Innovation targets ‘food intolerance’ consumer group

‘Nostalgia’ in packaging

Austrian brands dominate

Pasta for less than €1 per kg

Consumer Segmentation
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‘Dried Eastern Europe’

Pasta in Eastern Europe Retail Value Breakdown

- Dried Pasta: 99%
- Chilled/Fresh Pasta: 1%

Chilled/Fresh Pasta: -20, -15, -10, -5, 0, 5, 10, 15, 20
Dried Pasta: -20, -15, -10, -5, 0, 5, 10, 15, 20

Pasta in Eastern Europe Retail Value Growth 2007-2012

Constant 2012 Prices/ Fixed 2012 Exchange Rates
Steady Expansion Projected over 2012-2017 Period

Pasta in Eastern Europe. Retail Value Growth (%)

Percentage Growth


Constant 2012 Prices/ Fixed 2012 Exchange Rates
Two Thirds of the Market for Three Players

Small Manufacturers Dominate Competitive Landscape

Pasta Eastern Europe. Company Shares (%). Retail Value (2012)

- Smaller manufacturers: 63%
- Makfa OAO: 35%
- Pervaya Makaronnaya Kompania ZAO: 13%
- Soyuzpischeprom OOO: 4%
- Maspex Wadowice Grupa: 4%
- Baisad ZAO: 3%
- Si Group ZAO: 3%
- Private Label: 2%
Rice: The best Russian ‘Set-aside’

Pasta Versus Rice and Vegetables in Russia.
Retail Volume Growth (%)*

Pasta
Vegetables
Rice

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One Product for One Consumer at One Price

- Shift to mid-priced and premium products
- Largest swathe of consumers still highly sensitive to price
- Health trend opens path to premium pasta offerings
- QR encoding to achieve recognition

Consumer Segmentation
Russian Domestic Brands Cash in on Advertising and Innovation

Makfa OAO
Retail Value Share (%)

- 2009
- 2012

Si Group ZAO
Retail Value Share (%)

- 2009
- 2012
Drivers and Challenges for Pasta in Eastern Europe

- Health
- Quality
- Market Potential
- Price
- Availability
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Argentina, Brazil and Mexico are Largest Markets

Retail Value Pasta Sales in Latin America. Regional Breakdown by Country. 2012

- Argentina: 39%
- Brazil: 36%
- Mexico: 14%
- Other: 11%
Highest Potential Growth in Argentina

Pasta in Latin America.

- Brazil: Highest Potential Growth
- Mexico: Retail Value Sales (2012)

Constant 2012 Prices/ Fixed 2012 Exchange Rates
Latin America Pasta Consumers Add Their ‘Own Flavour’

- **Dried Pasta accounting for 90% of retail value (2012)**
- **‘Family reunions’ is key selling point**
- **Chilled/fresh Pasta offerings attract interest from local players**
- **Dried Pasta for soup used as a daily ‘cheap’ staple in meals**

‘Latin American’ flavour
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Key Takeaways

- **Western Europe**: Largest Potential in Premium formats
- **Eastern Europe**: Strike Balance between Quality and Price
- **Latin America**: ‘Perfect for Families’
- **All Markets**: Think of Health, Think of Profit
THANK YOU FOR LISTENING

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Want to know more? E-mail me or let’s talk in the break.