PASTA IN EUROPE: OPPORTUNITIES AND CHALLENGES FOR MANUFACTURERS

UNAFPA/SEMOLIERS AND IPO BOARD MEETING
23 MAY 2014 - LYON

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SENIOR ANALYST
About Euromonitor International

- Global provider of Strategic Market Intelligence
- 12 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
MARKET ENVIRONMENT
ADDING VALUE TO PASTA
LESSONS FROM BEYOND EUROPE
KEY TAKEAWAYS
MARKET ENVIRONMENT

2014 Expected to Be Turning Point in Real GDP Growth Globally

World: % Real GDP Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP Growth</th>
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<tr>
<td>2011</td>
<td>4.0%</td>
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<td>2012</td>
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<td>2013</td>
<td>3.0%</td>
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<td>2014</td>
<td>3.6%</td>
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Modest Recovery Expected in GDP Growth in Europe by 2019

% Year on Year Real GDP Growth by Region – 2009-2019

- Asia Pacific: 5.4% (2009), 2.9% (2014), 3.3% (2019)
- Australasia: -8% (2009), -6% (2014), -4% (2019)
- Eastern Europe: 2.4% (2009), 2.0% (2019)
- Latin America: 4.6% (2019)
- Middle East and Africa: 3.7% (2019)
- North America: 3.7% (2019)
- Western Europe: 4.6% (2019)
Pasta Volume Growth Remain Slower & Lower than Overall Food

World: Retail Volume Sales of Packaged Food Versus Pasta
2012-2014

% y-o-y growth

- Packaged Food
- Pasta

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MARKET ENVIRONMENT

Underwhelming Growth in Western Europe

Pasta: Retail Volume Sales Growth – Eastern and Western Europe – 2012-2014

% y-o-y growth

2011-12  2012-13  2013-14

Eastern Europe  Western Europe  World
Value Growth Outpace Volume in Global Pasta

**MARKET ENVIRONMENT**

Value Growth Outpace Volume in Global Pasta

**Global Pasta Market Size by Category – Value**

- **2010-2014**
- **US$ bn rsp**

<table>
<thead>
<tr>
<th>Year</th>
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- **5.8% CAGR**

**Global Pasta Market Size by Category – Volume**

- **2010-2014**
- **’000 tonnes**

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- **1.4% CAGR**
Europe Contributes Little to Global Pasta Value Growth up to 2018

2013 Global Pasta Retail Value: US$27.9 billion

2018 Global Pasta Retail Value: US$31.3 billion

Absolute Market Value Growth by Region – 2013-2018

-500 0 500 1,000 1,500 2,000 2,500 3,000 3,500 4,000

- Middle East and Africa
- Latin America
- North America
- Eastern Europe
- Australasia
- Western Europe
- Asia Pacific

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Only Two European Markets Ranks in Global Top 10

Pasta: Top 10 Markets’ Absolute Market Value Growth 2013-2018

- Brazil
- Argentina
- Germany
- Russia
- Mexico
- Egypt
- Canada
- Japan
- Venezuela
- Colombia

Absolute Market Value Growth - 2013-2018 (US$ mn rsp) | % CAGR 2013-2018
Top Growth Markets in Europe – 2013-2018

- Belarus: 3.9%
- Ukraine: 3.3%
- Serbia: 2.7%
- Austria: 3.7%
- Germany: 2.2%
- United Kingdom: 0.9%

% CAGR 2013-2018, retail value terms, 2013 fixed exchange rate, US$ million

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Still Dried Pasta Generates Most of European Growth

Top 10 European Pasta Markets’ Growth Prospect by Category
2013-2018

- Canned/Preserved Pasta
- Chilled/Fresh Pasta
- Dried Pasta
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Market Value Contraction in European Markets

Five European Markets’ Negative Growth Prospects 2013-2018

- Italy
  - Absolute Market Value Growth - 2013-2018 (US$ mn rsp)

- Spain
  - Absolute Market Value Growth - 2013-2018 (US$ mn rsp)

- Switzerland
  - Absolute Market Value Growth - 2013-2018 (US$ mn rsp)

- Romania
  - Absolute Market Value Growth - 2013-2018 (US$ mn rsp)

- France
  - Absolute Market Value Growth - 2013-2018 (US$ mn rsp)
Moderately Consolidated but Private Label Dominated Europe

Western Europe Pasta Competitive Landscape 2010-2013

Eastern Europe Pasta Competitive Landscape 2010-2013

Top 10 Companies  Private Label  Others

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STILL UNSTABLE MARKET ENVIRONMENT

ADDING VALUE TO PASTA

LESSONS FROM BEYOND EUROPE

KEY TAKEAWAYS
Pasta Opportunities in the Gloomy Economy

- Convenience
- “Big Night-In”
- Health Credentials
Time Scarcity Drives Need for Convenient Shopping

**Western Europe: Pasta Distribution Channel Breakdown – 2008/2013**

- **Supermarkets**
- **Hypermarkets**
- **Discounters**
- **Independent Small Grocers**

**Eastern Europe: Pasta Distribution Channel Breakdown – 2008/2013**

- **Supermarkets**
- **Hypermarkets**
- **Discounters**
- **Independent Small Grocers**
Pasta Meals: Convenient Cooking - Preparation

Pasta dish promotions

Cooking time promoted front of package

Single portion – on-the-go consumption
Premium Price of Healthy Pasta Offers Dynamic Growth – but on Small Scale

**Western Europe: Pasta Growth Performance by HW Category**

**2009-2013**

% y-o-y growth

- Gluten-Free Pasta
- NH High Fibre Pasta
- Organic Pasta
- Pasta

**Western Europe: Pasta Retail Value Sales by Category - 2013**

- Gluten-Free Pasta
- NH High Fibre Pasta
- Organic Pasta
- "Standard" Pasta

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Dried Pasta Eating into Share of Foodservice

Western Europe: Total Retail Value Sales through Full-Service Restaurants 2009-2014

% Italian Chilled Ready Meal – 2008-2013

- Challenging economy underpins home cooking trend
- Italian cuisine grows in popularity
Chilled Formats Thrive on Quality and Price in Germany

Natural ingredients
Variety of vegetable fillings
No preservatives

Variety of Retail Formats

Dried vs Chilled/Fresh Pasta Unit Prices through Supermarket vs Discounter - 2013
Dried pasta outperformed chilled/fresh formats in the UK

Dried formats are the “real Italian style”

Benefits from television cooking

New shapes, even for children

Wholegrain and organic lines tap into health trend

Price

“Big night in” occasions
Strongest Western European Growth for Pasta - the Austrian Way

- Austrian brands dominate
- Innovation targets food intolerance consumer group
- Pasta for less than €1 per kg
- Nostalgia in packaging
Increased Travel to Italy Inspires Eastern European Pasta Sales

Travelling to Italy is expected to increase significantly because of safety concerns in competitor markets like Egypt and Tunisia.

Italian-travelled consumers in Eastern Europe are more receptive to pasta offerings than the rest of the population.
Russia: Pasta Dynamically Growing Source of Carbohydrate

Pasta Versus Rice and Potato in Russia. Retail Volume Growth – 2009-2013

- Total Volume, 2013
- % CAGR 2009-2013
Consumers continue to be quite price sensitive and trade down to side dish staples during periods of economic duress.

Low, competitive price at independent groceries is necessary.
Europe: Producers Target Wider Consumer Range

The health conscious
- Wholemeal, free-from, organic, fortified

The price conscious
- Diverse distribution channel
- Pasta for less than €1 per kg

The time conscious
- Promote short cooking time/easy pasta recipes

The taste conscious
- Continuous expansion of premium fresh pasta offerings, e.g. lamb-filled wine flavoured chilled pasta
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KEY TAKEAWAYS
Middle East and Africa & Latin America Drive Global Growth

Absolute Market Value Growth by Region
– 2013/2018 - US$ mn rsp

- Latin America: 992.3
- Middle East and Africa: 1,825.1
- Europe: 482.5
- Others: 72.0

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Versatility and Adaptability the Key to Success

Latin America
Proven specially popular among less affluent consumers.

Mexico
Versatility is a key driver of sales in the Mexican market.

Middle East & Africa
Adaptable to a variety of traditional cuisine with sauces and fillings

Iran
Diversification of products on store shelves & withdrawal of bread subsidies
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KEY TAKEAWAYS
Winning Strategies in Europe

Western Europe: Largest Potential in Premium formats

Eastern Europe: Strike Balance between Quality and Price

Tailor and market offering to wide range of consumer segments

Retail Expansion is Key for Reaching New Consumers
THANK YOU FOR LISTENING

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