EUROMONITOR INTERNATIONAL

FRESH FOOD 2015: NEW INSIGHTS AND SYSTEM REFRESHER

August 2016

EUROMONITOR INTERNATIONAL

NEW INSIGHTS

- Industry Overview

SYSTEM REFRESHER

- About Our Research



Key facts and figures in 2015

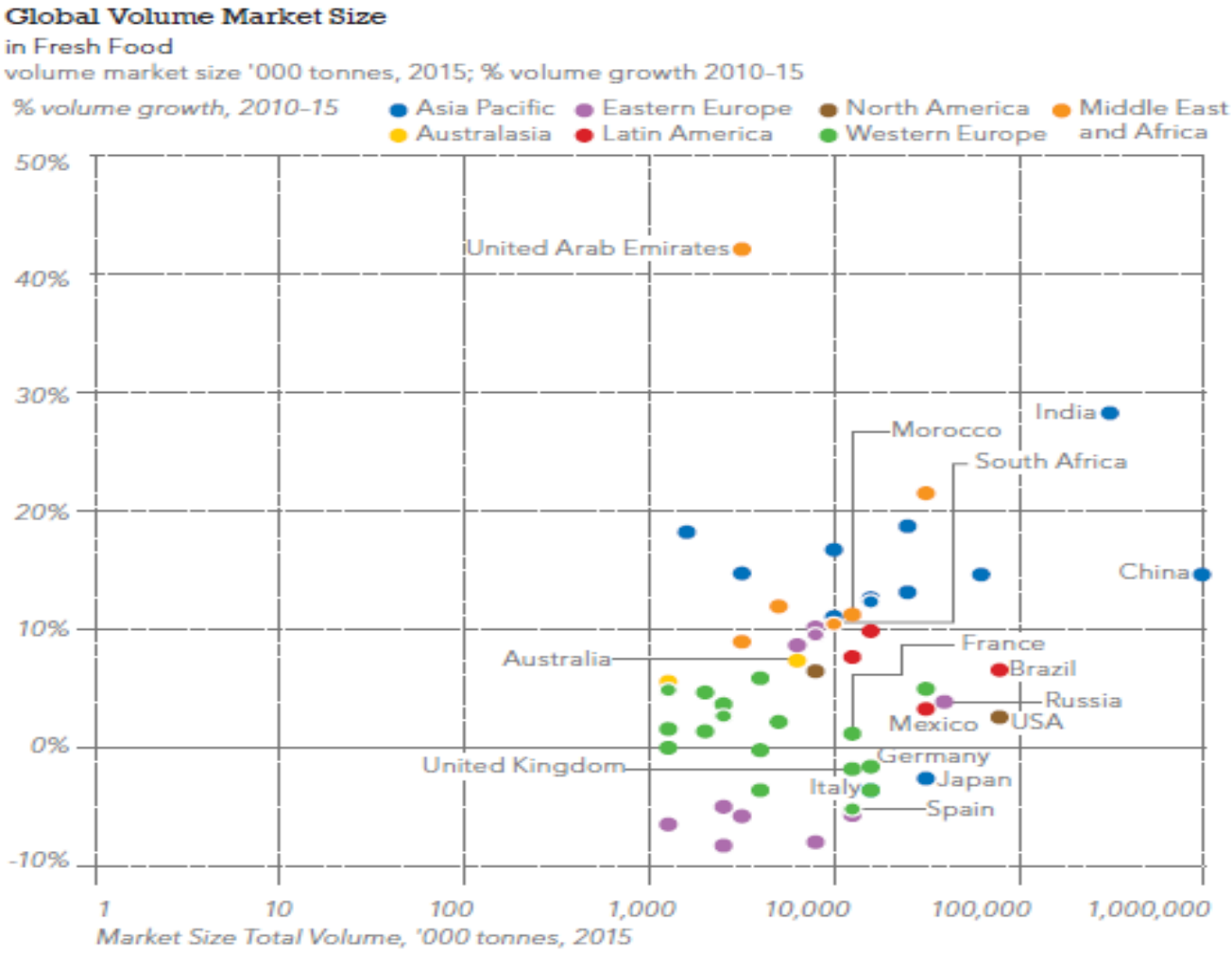


2% global volume growth in 2015, slightly down from 2014

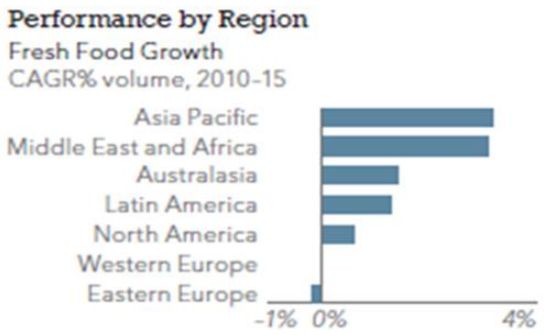
43.4 million tonnes absolute volume growth in 2015

China ranks first, accounting for 42% of global volume sales

Fresh food in 2015 at a glance



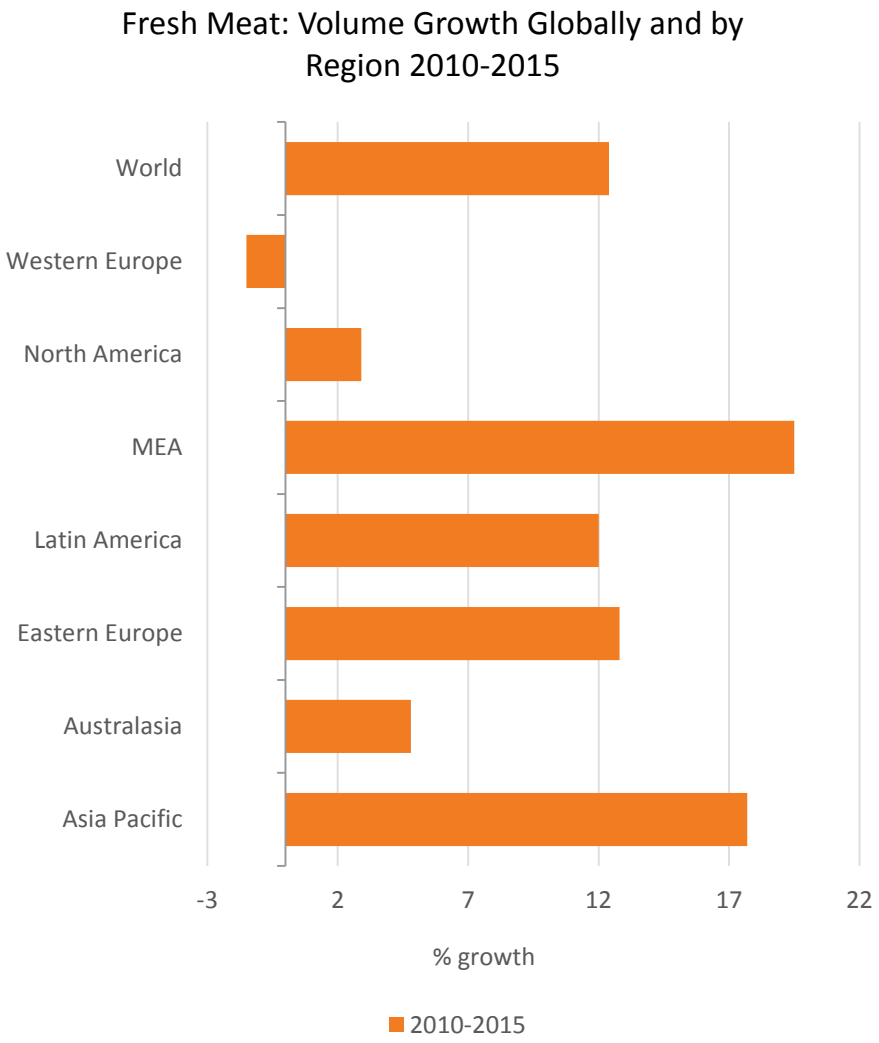
Growth driven by emerging markets





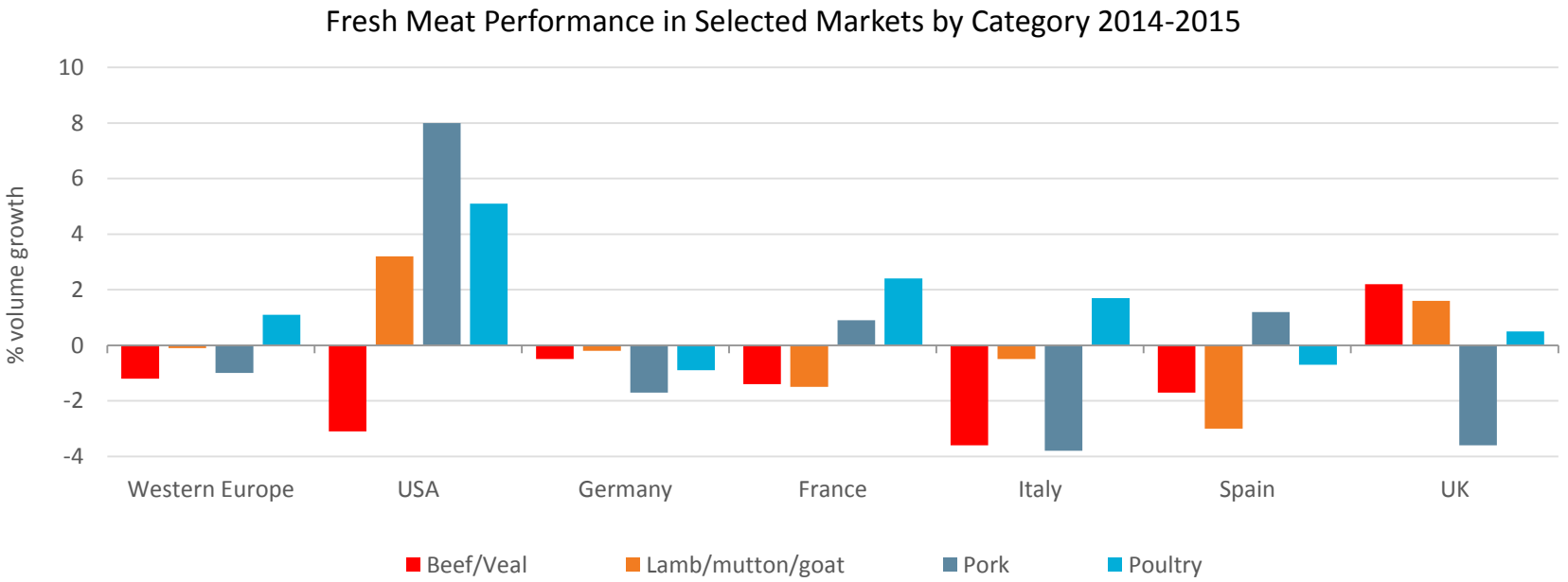
- The Middle East and Africa led regional growth with a near 4% volume increase in 2015. Growing disposable incomes and health awareness particularly boosted sales of fresh fruits, meat and eggs in the Middle East and Africa.
- Western Europe and North America remained sluggish, with volume growth under 1%, due to busy lifestyles, a high proportion of single-person households and stronger consumer preferences for the convenience and "added value" nature of packaged/processed food.
- Globally, pulses was the best performer in 2015, having increased by 7% in volume terms. They provide an affordable source of protein and are particularly important across developing and emerging markets. The success of pulses is largely attributed to 4% growth in India, where some 360 million vegetarians rely heavily on pulses for dietary protein. India alone accounted for 56% of global fresh pulse volume sales, totalling 51 million tonnes in 2015.
- Fish/seafood and eggs closely followed pulses with 3% overall volume growth each. These categories were particularly dynamic in the Middle East and Africa, Asia Pacific and Latin America, where consumers were increasingly able to improve their protein intake and afford more expensive fish and seafood in addition to the staple of eggs.

Meat continues to decline in Western Europe



- At the global level, overall meat consumption recorded 2% growth in volume terms in 2015, in line with positive performance over 2010-2015.
- Demand for meat has been driven by emerging markets, where increased prosperity and rising populations resulted in growing consumption of relatively expensive meat.
- The Middle East and Africa and Asia Pacific performed most dynamically, recording growth of 4% and 3%, respectively, in 2015 and were the only two regions where beef and veal recorded growth.
- At the same time, in Western Europe meat continued to decline, posting a 0.3% decrease in 2015.
- Improved performance of meat in North America in 2015 was due in large part to strong increases in pork sales in the US.

Beef and veal suffers the most in developed markets

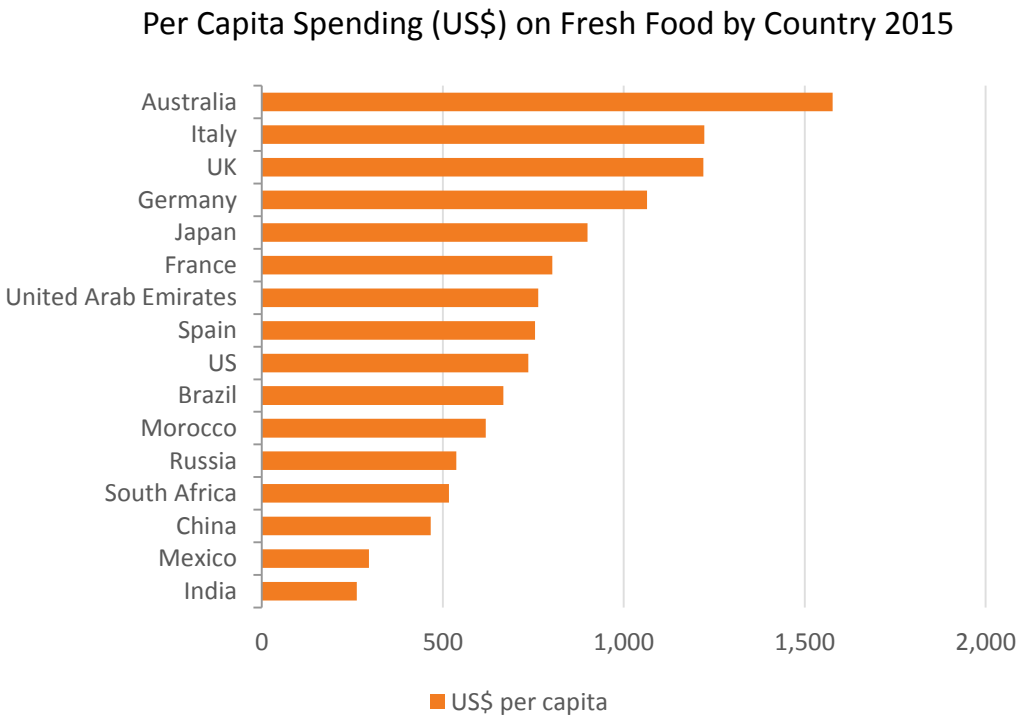


- In Western Europe, beef and veal continued to decline shrinking by a further 1% in 2015 amidst mounting health concerns linking red meat to cardiovascular disorders and colon cancer.
- In the US, beef and veal contracted by a further 3% as consumers switched to leaner types of meat - pork (8% growth) and poultry (5% growth).
- Because of the spread of flexitarian diets and substitution of red meat with leaner meats, fish/seafood and plant proteins, an average American reduced intake of beef and veal by nearly 4kg between 2010 and 2015 and an average Western European by 1kg.

Retail value spending is the highest in developed markets

- While China and India lead in retail value sales due to the sheer size of their fresh food markets in 2015, per capita spending in retail value terms remains quite low at US$467 and US$262, respectively.
- Retail value sales in developed markets of Australasia, Western Europe and North America are driven by value-added fresh products offering improved variety and exotic tastes, enhanced nutrition and additional health benefits, convenience in handling, storage and preparation and ethical credentials.

Top 10 Markets by Retail Value (US$ billion) 2015	
China	639.0
India	335.9
US	234.8
Brazil	135.8
Japan	114.2
Germany	86.1
UK	78.9
Russia	77.3
Italy	74.4
France	51.6



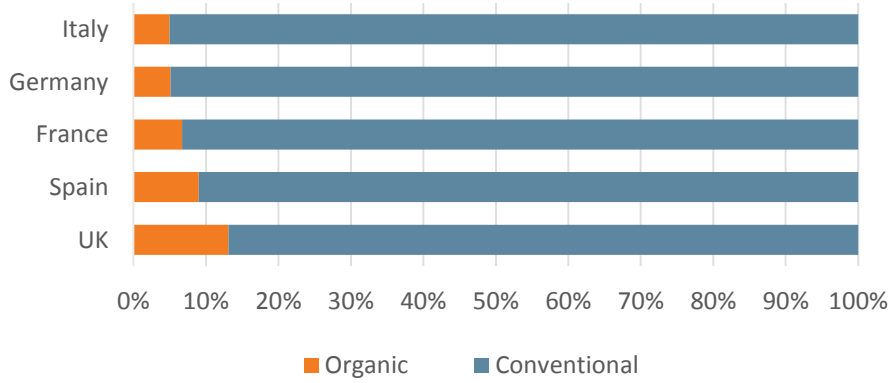
Organics enjoy growing demand across boarders

- Organic demand is the strongest in fresh fruits, vegetables and meat, primarily in the markets of Western Europe, North America and Australia. Here, consumers have higher disposable income to afford more expensive organics and appreciate benefits offered by produce with organic credentials. In the UK, for example, consumption of organic fruits increased by 2% in 2012-2015, while conventionally-grown fruit declined by 1%.
- Organics are also highly accessible and often combine other ethical credentials such as fair trade, locally produced or responsibly sourced. While higher costs of organic products remain an issue, both premium retailers and discounters continuously expand their organic offerings to cater to two main types of organic consumers. The former target wealthy consumers, willing to pay high prices for a mix of quality organic products, and the latter target less affluent, cost-sensitive middle-class consumers seeking organics at competitive prices. In Germany and the UK, hard discounters Aldi and Lidl carry extended assortments of fresh organic produce from fruits and vegetables, to starchy roots, pulses and meat and poultry at highly affordable prices.

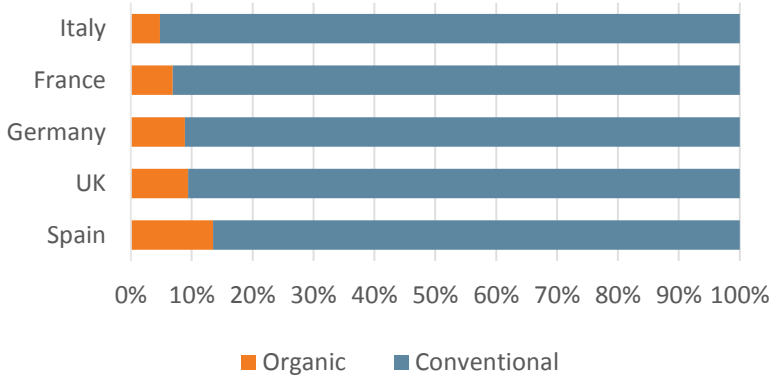




Organic vs Conventional Fruits in Selected Markets 2015



Organic vs Conventional Vegetables in Selected Markets 2015



Ethical values are high on consumers' agenda

- Increasing numbers of consumers place importance on clean, safe and healthy eating as well as on environmental and social issues. Those who tend to chose organic products over conventional, also prefer sustainably- and responsibly-sourced produce with a minimal carbon footprint.
- The origin of products often becomes their unique selling point. Consumers respond positively to products that can be traced back to the supplier, while growers, farmers and retailers explain methods of farming and farm-to-shelf logistics to cater to those seeking:
  - Locally-sourced produce
  - Naturally-grown and organic foods
  - Sustainably- and responsibly-sourced produce
  - Products with high animal welfare marks
  - Fair trade products

















Retailers and growers bring fresh food closer to consumer

- Both, food and non-food retailers, as well as farmers and growers continue to expand their fresh food proposition and cater to increasingly busy consumers by offering a number of services including the convenience of homeshopping and same day delivery, round-the-clock vending, farm-to-door delivery and tailored cook-from-scratch solutions.
- High-end food retailers such as Eataly and Whole Foods Market educate consumers about the benefits of fresh food and offer promotions, tastings and cooking experience classes and demonstrations.
- A number of premium retailers, such as Waitrose and Marks & Spencer in the UK, have introduced economy and value ranges of fresh produce that do not compromise on quality and compete with discounters while catering to consumers on a budget.







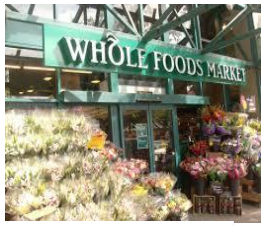


















Traditional channels maintains their importance

- Traditional fresh food retailers, such as independent small grocers, food specialists and open markets, maintain significant share of sales across many geographies. They are particularly strong in markets with low proliferation of modern retailers - supermarkets/hypermarkets, discounters and convenience stores. In India, for example, there were only 4,587 supermarkets in 2015 - a number close to that in the Netherlands - independent grocers (or kirana stores) contributed 81% of fresh food in 2015.
- The role of small grocers and specialists, such as butchers, fishmongers and greengrocers, remains important in developed markets where consumers value these channels over large-scale retailers for the superior variety, quality and freshness of produce on offer.

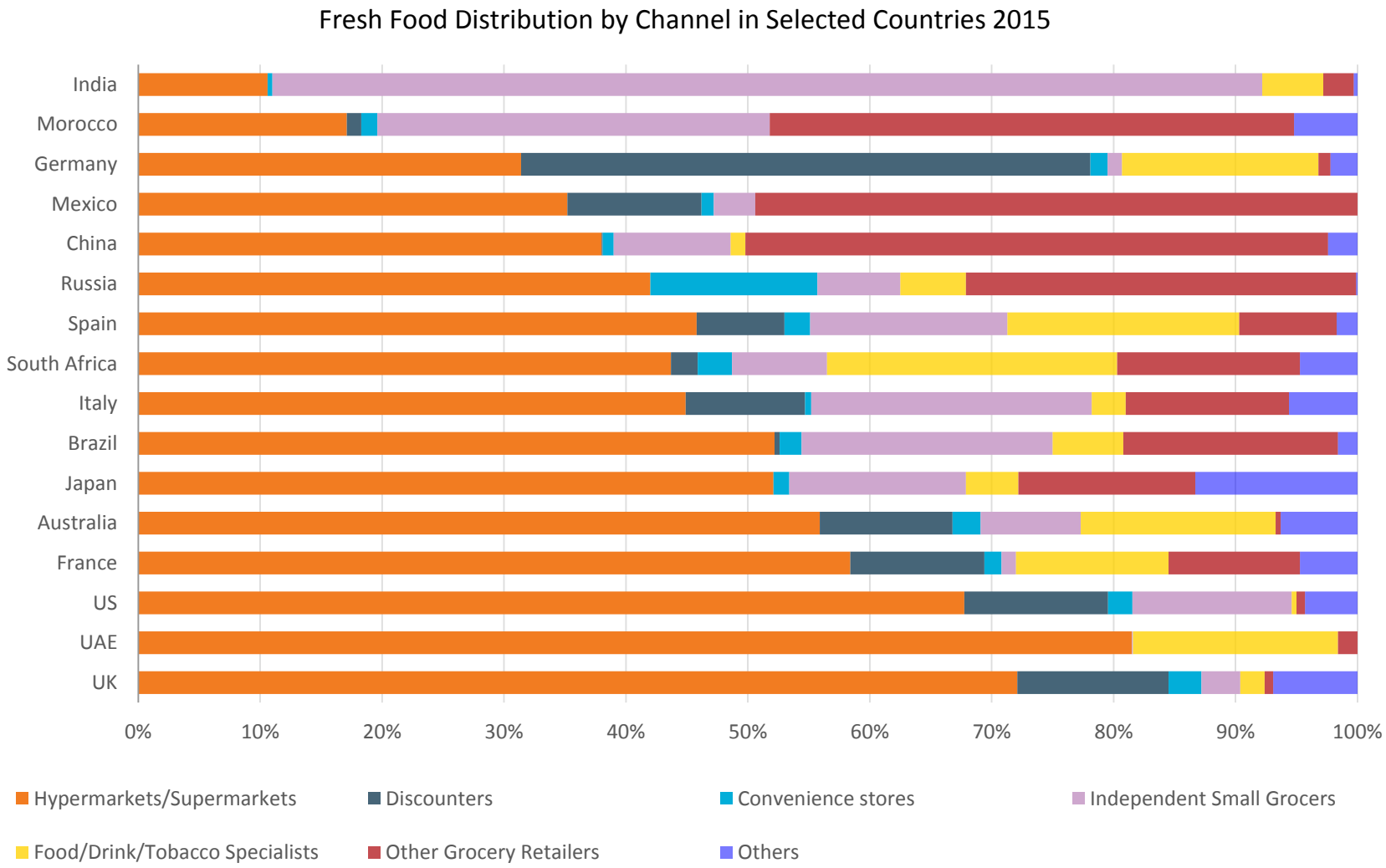






INDUSTRY OVERVIEW

Fresh Food Distribution in 2015: Core Markets



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About Euromonitor International

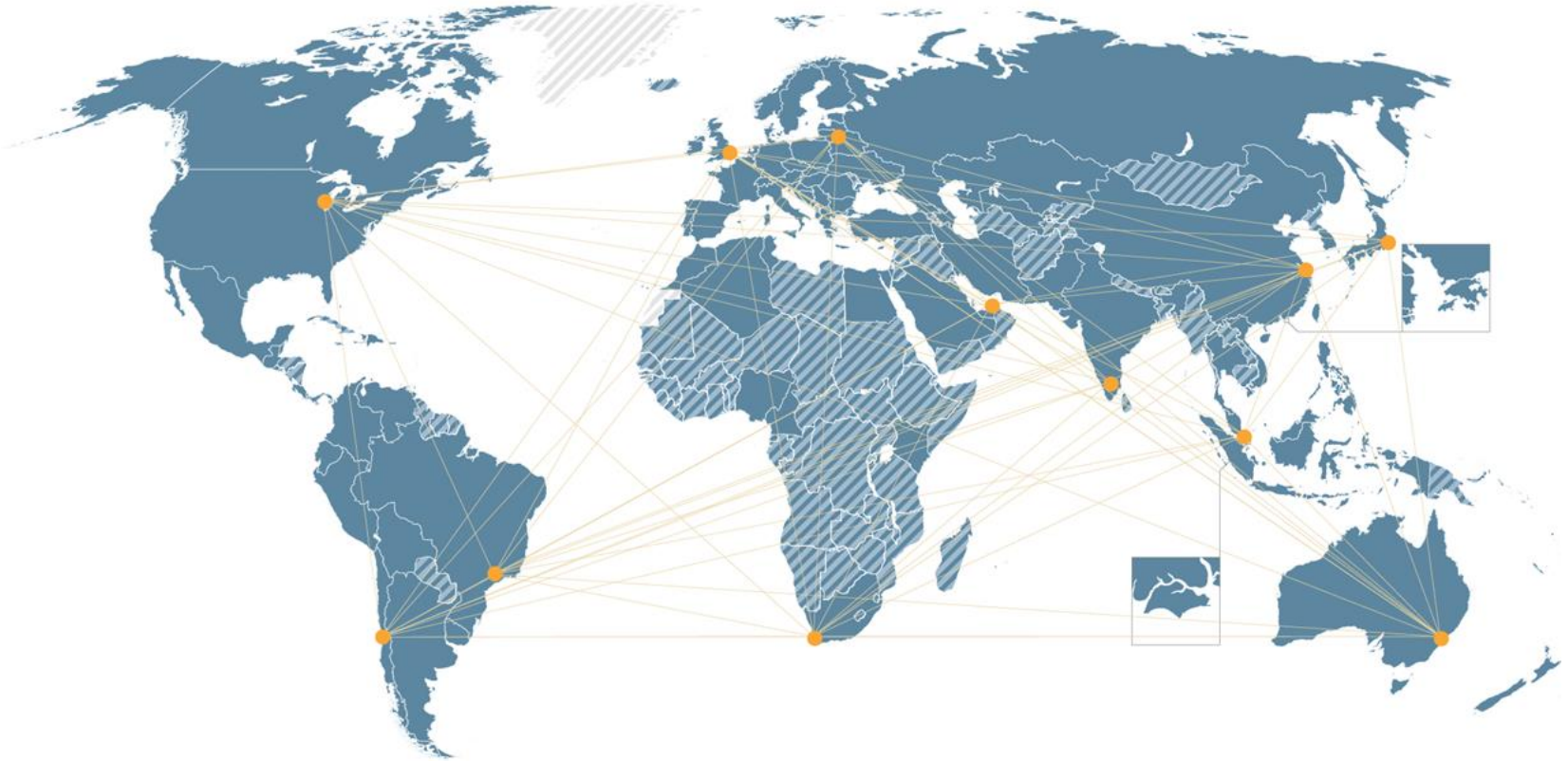


- Euromonitor International is a global market research company, providing strategic intelligence on industries, companies, economies and consumers around the world.
- Comprehensive international coverage and insight across consumer and B2B markets makes our research an essential resource.
- Clients in more than 106 countries rely on Euromonitor for actionable, unbiased insight supporting decisions on how, where and when to grow their business.
- Our independent view of the business environment, competitive landscape and drivers of industry growth helps validate strategic priorities, redirect assumptions and uncover new opportunities.

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12 OFFICE LOCATIONS
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80 COUNTRIES
in-depth analysis on consumer goods and service industries

+ 210 COUNTRIES
demographic, macro- and socio-economic data on consumers and economies

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Research expertise

Consumer Products

- Alcoholic Drinks
- Apparel
- Automotive
- Beauty and Personal Care
- Consumer Appliances
- Consumer Electronics
- Consumer Health
- Eyewear
- Fresh Food
- Health and Wellness
- Home and Garden
- Home Care
- Hot Drinks
- Luxury Goods
- Ethical Labels
- Nutrition
- Packaged Food
- Personal Accessories
- Pet Care
- Soft Drinks
- Tissue and Hygiene
- Tobacco
- Toys and Games

Services

- Consumer Finance
- Consumer Foodservice
- Institutional Channels
- Retailing
- Travel

Supply

- Ingredients
- Packaging

Economies

- Business Dynamics
- Cities
- Economy, Finance and Trade
- Industrial

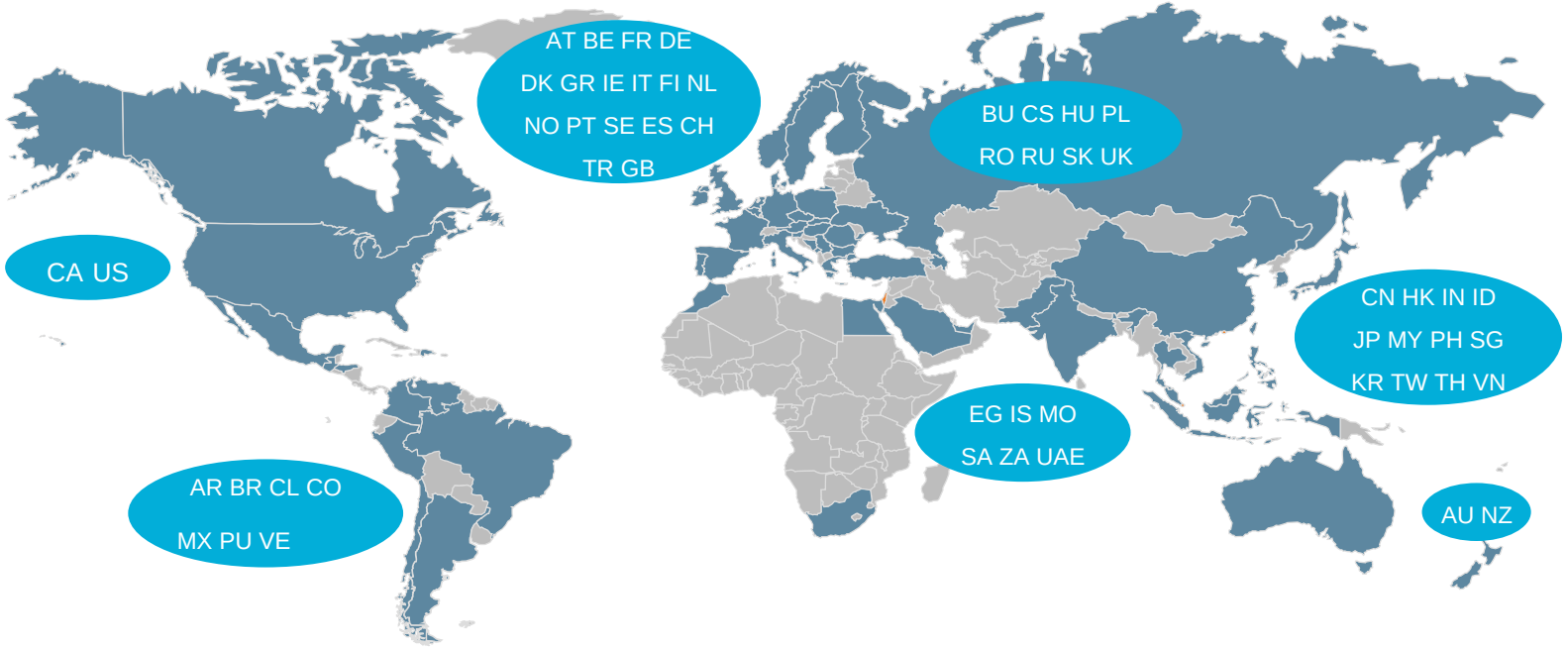
Consumers

- Digital Consumer
- Households
- Income and Expenditure
- Lifestyles
- Population

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ABOUT OUR RESEARCH

Our fresh food geographic coverage



Only 16 markets are researched with a full individual country research programme, with national-level desk research, trade interviews with statistical sources, associations and national players, and market analysis. These 16 are: Australia, Brazil, China, France, Germany, India, Italy, Japan, Mexico, Morocco, Russia, South Africa, Spain, the UK, the United Arab Emirates and the US.

For the additional 38 countries, market sizes are built centrally using secondary source information: estimates are calculated from apparent consumption and derived from production and trade statistics published by the UN Food and Agriculture Organisation (FAO) and local statistical and trade sources. These 38 countries are: Argentina, Austria, Belgium, Bulgaria, Canada, Chile, Colombia, the Czech Republic, Denmark, Egypt, Finland, Greece, Hong Kong, Hungary, Indonesia, Ireland, Israel, Malaysia, the Netherlands, New Zealand, Norway, Peru, the Philippines, Poland, Portugal, Romania, Saudi Arabia, Singapore, Slovakia, South Korea, Sweden, Switzerland, Taiwan, Thailand, Turkey, Ukraine, Venezuela and Vietnam. In addition, Euromonitor models market data for 156 countries.

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ABOUT OUR RESEARCH

Our fresh food category coverage

Fish and Seafood

- Crustaceans
- Fish
- Molluscs and Cephalopods

Meat

- Beef and Veal
- Lamb , Mutton and Goat
- Pork
- Poultry
- Other Meat

Eggs

Fruits

- Apples
- Banana
- Cherries
- Cranberries/Blueberries
- Grapefruit/Pomelo
- Grapes
- Kiwi Fruit
- Lemon and Limes
- Oranges, Tangerines and Mandarins
- Peaches/Nectarines
- Pears/Quinces
- Pineapple
- Plums/sloes
- Strawberries
- Other Fruits

Vegetables

- Onion
- Tomatoes
- Other Vegetables

Pulses

- Beans
- Peas
- Other Pulses

Starchy Roots

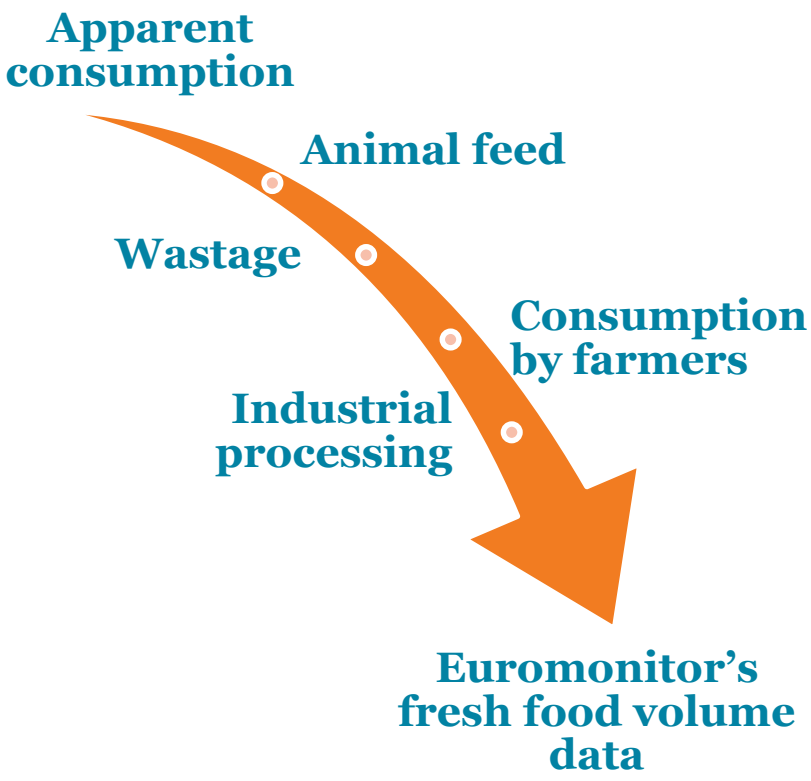
- Cassava
- Potatoes
- Sweet Potatoes
- Other Roots

Nuts

- Almonds
- Peanuts
- Pistachio
- Walnuts
- Other Nuts

Sugar and Sweeteners

Our fresh food data coverage

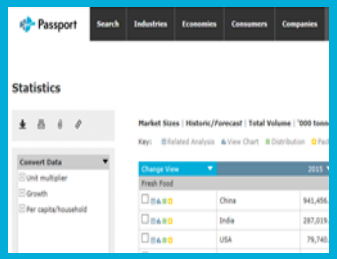


- Most statistical and trade sources report numbers that reflect apparent consumption:

  Apparent Consumption =

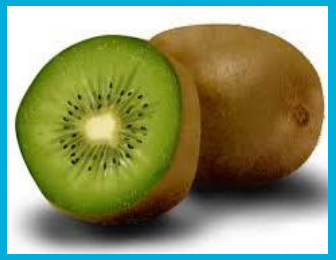
  Production + Imports – Exports
- Apparent consumption reveals the amount of fresh produce available in the market - not restricted to human consumption only.
- We start with apparent consumption indicators and exclude volumes of fresh produce used for industrial processing and manufacturing of processed/packaged, animal feed and pet food, as well as produce privately consumed by farmers and wastage.
- Euromonitor tracks total human consumption of fresh produce across all channels: retail, foodservice and institutional.

System update and improvements for 2016



Refreshed data content and analysis - all markets

- Full update of all data sets, including full-year update for 2014 volume sizes, 2015 year data (market assessment based on partial year data) and forecasts to 2020.
- New opinion articles on Passport.



New product coverage - all markets

NEW

- Added kiwi fruit to product coverage within Fruits.



Retail volume and retail value sales for each product - 16 core markets

NEW

- Published retail volume sales for each product within nine categories.
- Calculated retail value sales for each product on the basis of corresponding average unit price.

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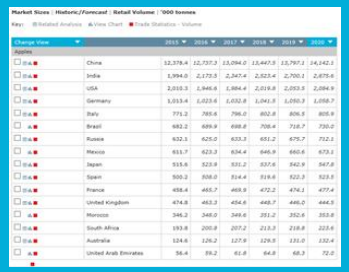
Our approach to calculating retail value sales



Price checks were carried out across a broad mix of modern and traditional grocery retailing channels from supermarkets and discounters to independent grocers and open markets.

Average retail unit prices were calculated for each product within nine researched categories. This was done on the basis of collected prices that reflected broad price range.

Prices for seasonal produce, such as fruits and vegetables, were annualised using monthly retail prices reported by national statistical and trade sources.



Retail sales in volume terms were estimated and introduced for each product.



Average retail unit prices were applied to newly researched retail volumes to calculate retail value sales for each product in 2015. Value indicators have been subsequently extrapolated to all years of historic and forecast periods, factoring in inflation.

Retail value sizes expressed in local currency were generated for the first time.
Values can also be viewed in US dollar, euro, UK pound, Japanese yen and Swiss franc in current and fixed exchange rates.

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