E U R O M O N I T O R
I N T E R N A T I O N A L

Making sense of global markets

Future Competitiveness of CEEC Packaged Food & Beverage Manufacturers

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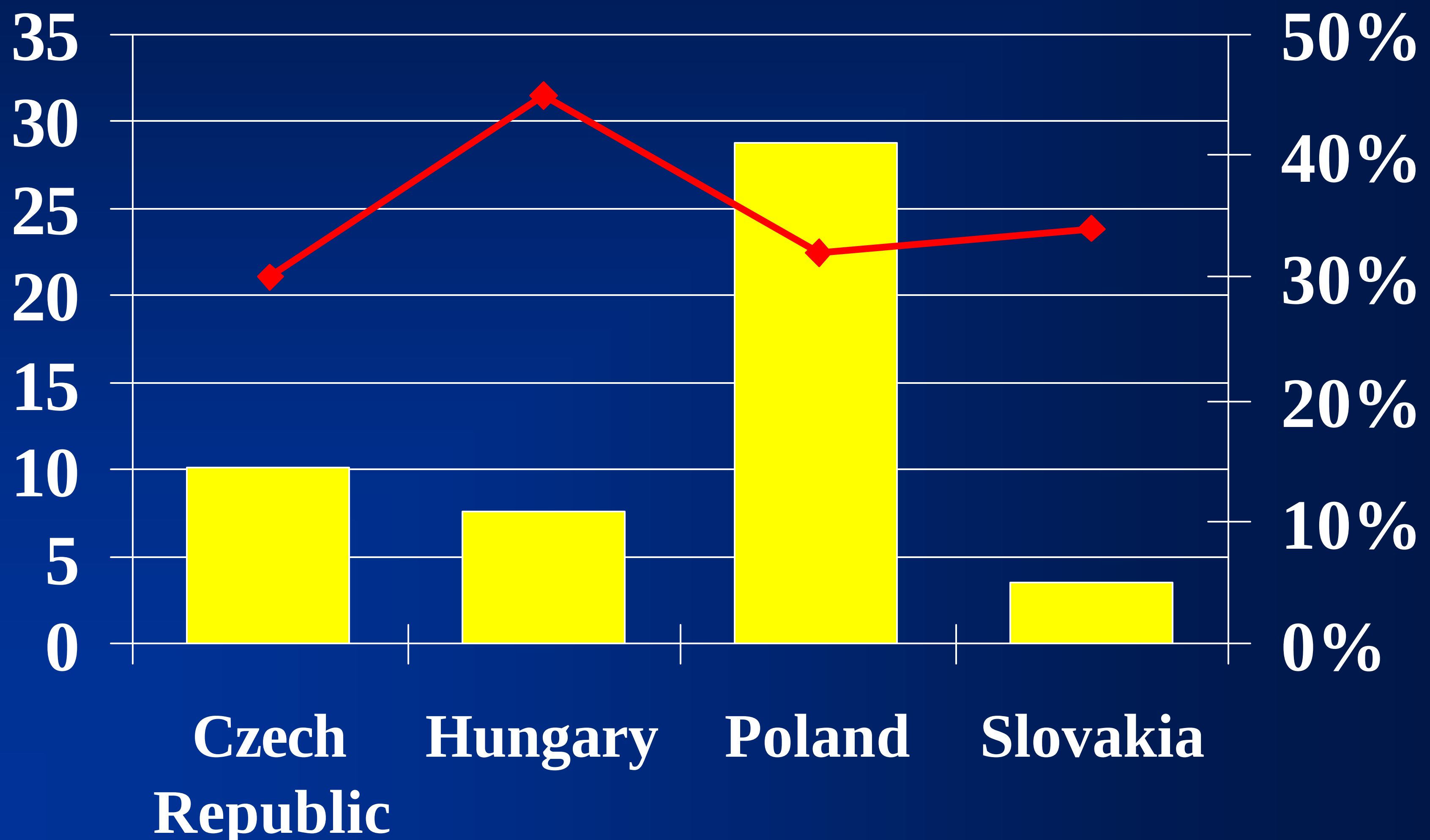
Presentation Outline

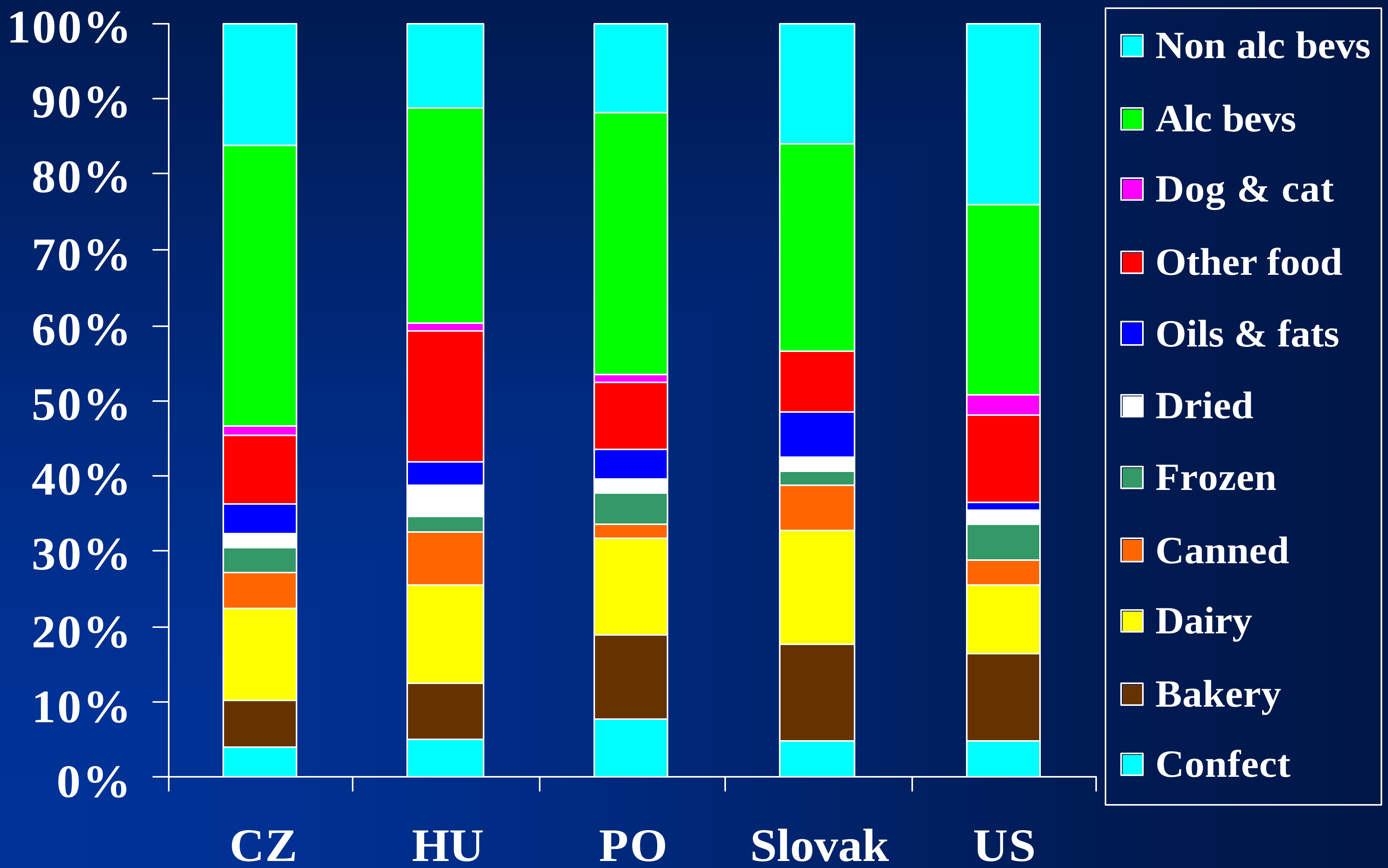
- **Packaged food & beverages market values**
  - **Food and beverages by sector**
  - **Star product performers**
  - **Growth drivers**
  - **Key companies**
- **Foreign direct investment (FDI)**
- **Export trends**
- **Future global export competitor?**
- **Conclusion**

Note: data excludes fresh and frozen meat cuts, fish, fruit & veg, sugar, salt, flour. Data includes petfood, alcoholic and soft beverages, and covers retail food & bev sales, plus on-premise bev sales)

Packaged Food & Beverages Sizes 2002 US$ billion (growth at current local currency, 98/02)



Packaged Food & Beverages by Sector 2002



Star Product Performers (10%+ CAGR 1998/2002)

Czech Rep:

- canned, frozen and dried ready meals
- spreads (honey, choc)
- sauces & dressings (esp salad, pasta, mayonnaise, vinaigrette, dried sauces)
- bot water, energy & sports drinks

Slovakia:

- dairy (milk, cream, cheese, yoghurt, chilled desserts)
- energy bars
- dried ready meals & pasta, RTD tea
- sauces & dressings (esp. salad dressings, mayonnaise, pasta, ketchup)

Poland:

- baby, spreads (nut, choc, jam)
- chilled (fish/seafood, pasta, ready meals, pizza, meat)
- confectionery (choc, sugar, gum)
- ice cream, snack bars
- energy & sports drinks, RTD tea

Hungary:

- bot water, sports drinks
- frozen (poultry, ready meals, pizza, fish/seafood)
- ice cream, instant noodles
- dried ready meals, sav snacks
- sauces & dressings (pasta, wet, fermented, salad dressing)
- chilled (pasta, seafood, meat)

Growth Drivers

- Average monthly income (97/01 constant growth, local curr)

  Czech US$364 (+5%) & Hungary US$364 (+19%)

  Poland US$418 (+16%), Slovakia US$315 (+16%)

  US comparison $2,154 (+20%)

- Numbers of women earners growing - primarily in service sector

- Smaller households - Poland and Slovakia 1-2 person households up by 10% and 14% respectively in 1997/2000.

  US comparison 1-2 persons households up 6% and accounts for 59% of all households vs Poland 47% and Slovakia 57%

- Declining birth rates in all four countries, ageing populations a longer term trend

- Entry of major retailers, more variety and brands available, increased advertising and innovation

- BUT….demand tempered by high unemployment rates from the fallout of rationalising industrial and agricultural sectors.

Top Packaged Food Companies 2001

Czech Republic
- Nestlé
- Hamé
- Danone
- Unilever
- Jihoceske Mlekarny

Hungary
- Pick Szeged Szalámigyár és Húsüzem Rt
- Unilever
- Friesland Coberco
- Parmalat
- Nestlé

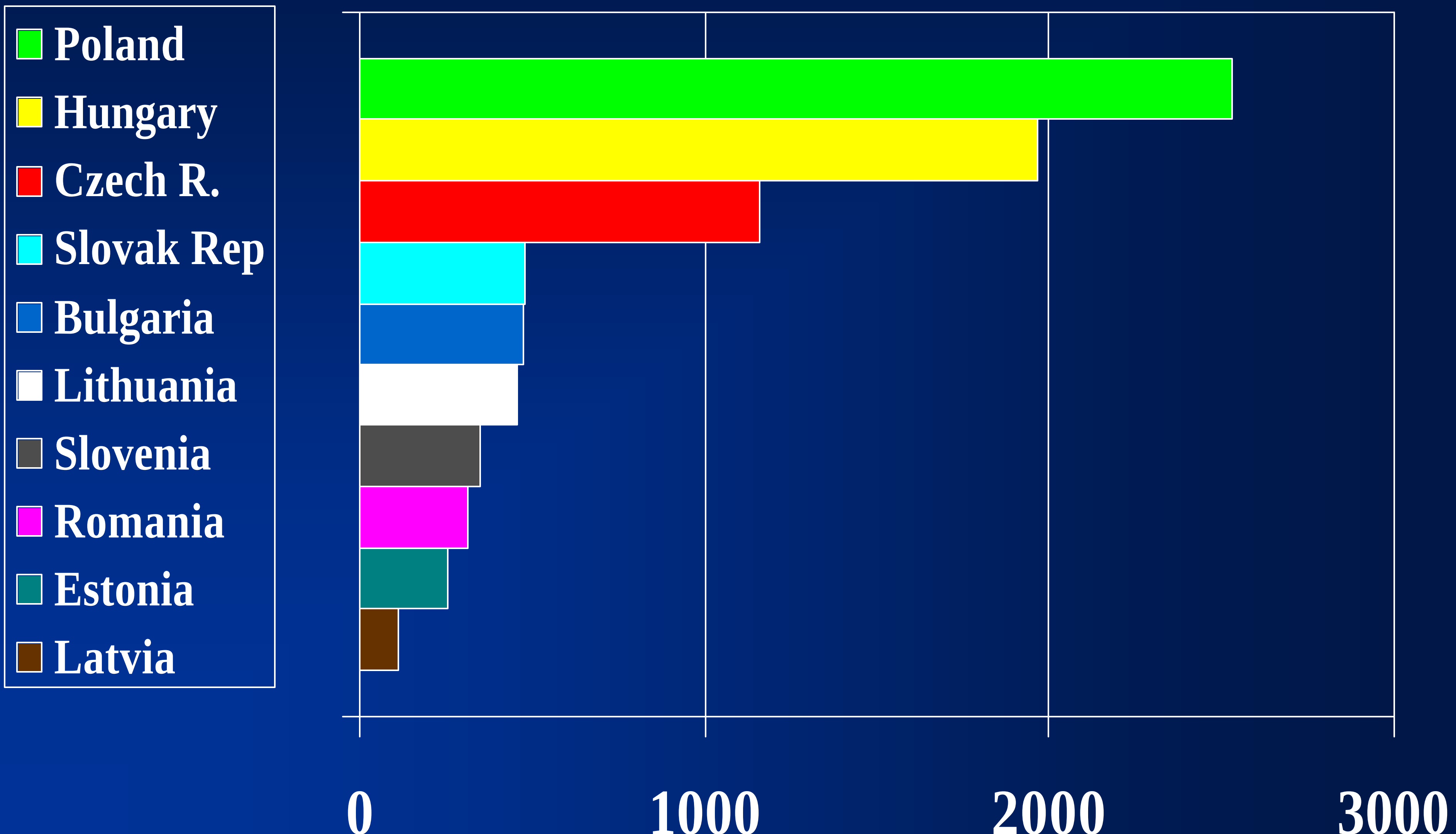
Slovakia
- Nöm AG
- Henkel
- Nestlé
- Philip Morris/Kraft
- Hamé

Poland
- Unilever
- Danone
- Nestlé
- Cadbury Schweppes
- Hochland Reich, Summer & Co

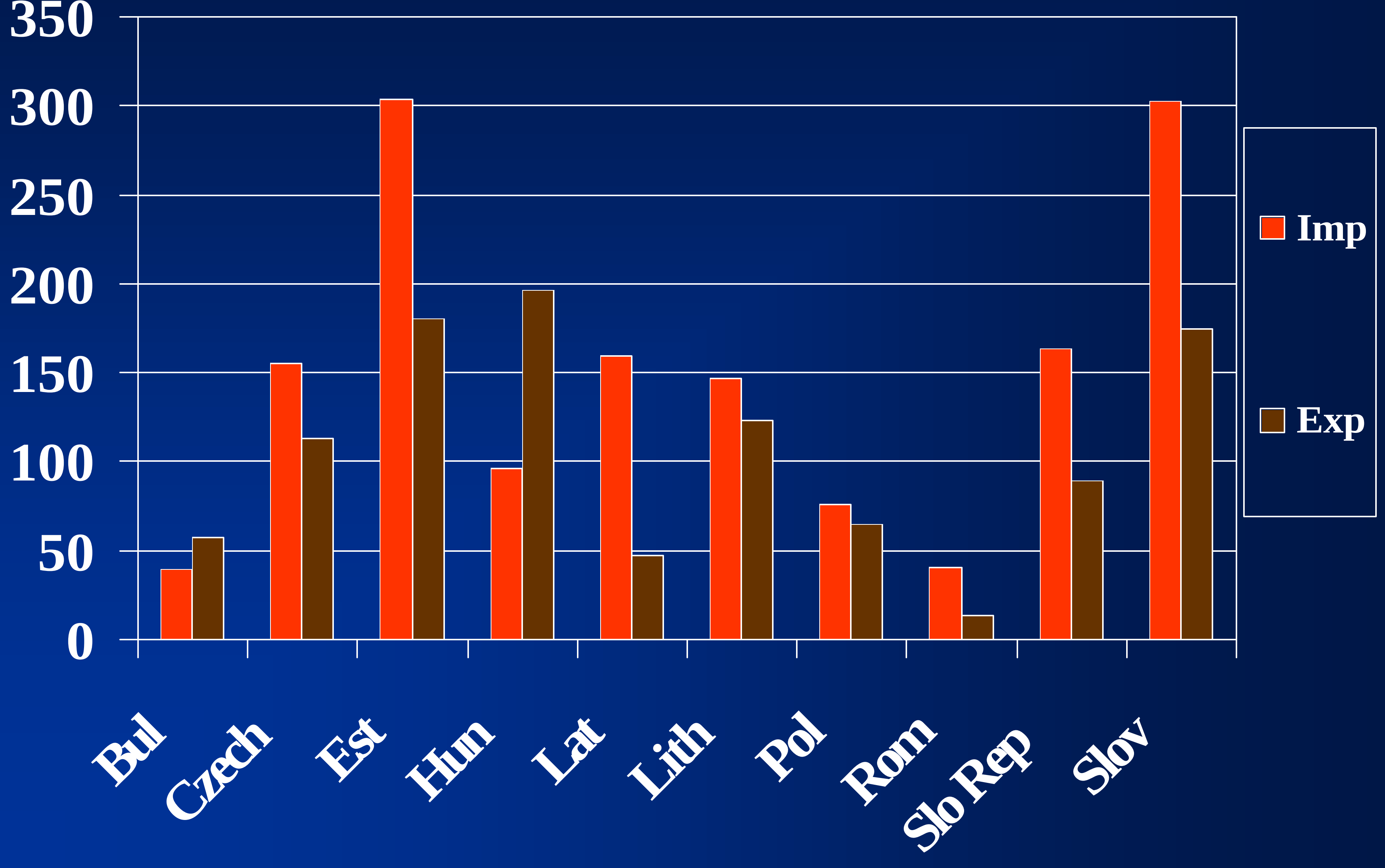
Largest Foreign Investors in Food & Bev Sector 2000

Investor	Host country	Origin	Approx equity & loans $ million	Activities
Coca-Cola Hellenic Bottling Co	Poland	US/Greece	500	Soft drinks
Nestle	Poland	Switzerland	348	Food processing
Coca-Cola	Hungary	US and other	300	Soft drinks
PepsiCo	Hungary	US	160	Soft drinks
Feruzzi	Hungary	Italy	160	Food
Unilever	Czech Rep	Netherlands/UK	100	Various
Sara Lee/ Douwe Egberts	Hungary	US	100	Food processing
Unilever	Hungary	Netherlands/UK	100	Food

Food Exports Totalled US$8,092 Million in 2000



Food Imports & Exports Per Capita US$ 2000



Future Global Competitor?

Potential to become global competitors is limited….

Future FDI is for two key reasons:

- **Continued restructuring, training and improving product quality**
- **Growing domestic markets and competing for market share as competition stiffens**

Export potential….

- **Yes but geographic and economic limitations**

- **Opportunities to export to ex-Soviet countries, particularly Russia…but potential limited because of greater self sufficiency in these countries too**

Products for export

Potential for niche, high-value products:

- beer, potable spirits (eg vodka), wine
- apple juice, frozen fruit eg cherry, raspberries
- honey, jellies & preserves
- sugar and chocolate confectionery
- processed fruit & veg eg sweet corn, tomato
- processed meat eg salami, sausages, goose liver
- processed fish
- cheese

Conclusion

- Domestic markets for packaged food and beverages expected to grew well in the future and key to multinational interest in the region

- Further FDI used for plant modernisation and driving demand within region…..not to create an export powerhouse

- FDI also attracted by proximity to Russia, other CIS and Balkans which offer some future growth potential

- Exports will largely be confined to EU, but trade with former trading partners to continue and likely to expand

- Room for exports of niche, select products globally

Q&A

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