

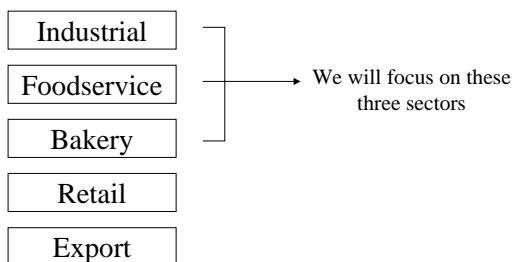
Trends in the Foodservice and Manufacturing Sector

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Agenda

- The oils and Fats market - segmentation
- Current Trends - Key Influencing factors
- Industrial Market Trends
- Foodservice Market Trends
- Influence of the consumer on Foodservice Trends
- Bakery
- The Future - A snapshot

The Market - Segmented



Current Trends

- Little 'hard' data available as per Retail market (I.e Nielsen Data)
- Need to observe and evaluate the following factors effecting Industrial and F/Service growth:
 - a) Consumer / sociological trends - Dinning out, health, attitudes to fast food, home cooking, Time poor etc
 - b) Economic Factors - Positive or Negative attitude to economic future and hence dinning out proportion
 - c) Regulatory Factors - Food Labeling and endorsements, increased knowledge of consumers
 - d) New Cuisine and Dinning experiences - Mexican, Japanese etc using less oils
 - e) Distributor power and influence

Industrial Market

- Overseas trends - Focus on moving away from Trans Fatty Acids and Hydrogenation
- Move away from animal fats: Dietary (Halal & Vegetarian) as well as consumer backlash re: saturated fats
- Increased usage in vegetable oils such as canola, cottonseed, soy and sunflower for processed food production
- Increase interest in uniquely Blended oil combinations to add value to products and achieve competitive edge through health claims and functionality improvements
- Looking for GMO free oils to add value to the end product

Foodservice Market

- Even more price sensitive, product becoming a generic ingredient in some cases
- Influx of cheap imported vegetable oils (over 40 brands in the National market), with a low barrier to entry
- Cottonseed oil volumes have stabilised creating a premium usage category vs blended vegetable oils and cheap imports, sunflower also maintaining premium pricing with low volumes
- Strengthening of centralised national distributors in Foodservice with a focus on price and support for 'house-brands' over branded products
- Important Point: Oil is a 'hidden ingredient' and hence is more influenced by cost savings opportunities

Foodservice Market

- Increased demand for All purpose vegetable oils for cooking and non frying usages (salads etc)
- Olive oil continues to be adopted as all purpose cooking medium (multi-usage)
- Introduction of niche oils - Grapeseed, avocado, rice bran and selected nut based oils with a culinary and health marketing platform
- Increased awareness of Non Allergenic oils I.e move away from peanut and soy oils (even though refining alleviates protein levels)

Influence of the consumer on Foodservice

- Macular Degeneration issue created unnecessary focus on vegetable oils (canola)..People asking for no margarine on sandwiches etc
- Customers more informed of Fatty Acid profile of oils through Diets and Lifestyle.
- Consumers think that eating healthier means eating less oils!
- Pressure from associations and groups against oilseed products I.e NHF, School buying groups, Hospitals and catering companies
- Foodservice patrons more informed about: allergies, health and additives, move away from fried products.
- Animal fat consumption on the decline which may assist growth of oilseed products

Bakery

- Products still dominated by Animal fats
- Influenced heavily by costs of ingredients and product functionality which to date has supported Tallow based products
- Labeling laws have created increased interest in this sector and may increase oilseed based products
- New Trends include low fat products and fats and oils with added value additives I.e omega 3.

The Future

- Healthier Oils - High Oleic sunflower oils, and value add oils with additives
- Trans Free oils will become more popular and eventually a standard in this market
- Stabilising of Foodservice volume with limited incremental growth in oilseed based products
- Increased exposure of imported oils with some of Australia's 'neighbours' being the largest producers of vegetable oils in the world
- Unique oilseed blends which are industry and customer specific

Industry Initiatives

- Increased *education* at all levels of the industry and market - Schools, consumers, retailers, distributors, organisations and manufacturers
- Increased *awareness* of the benefits of oilseed products in the Australian diet
- Increased *exposure* and *recognition* of the AOF in the same way the Dairy Corporation has achieved
- Increased *media campaigns* with industry 'influencers' and food media as per AOF initiative in Sep 04
- Proactive efforts to increase and promote usage of vegetable oils - culinary and health focussed

A message to leave you with...

Oils ain't Oils,

*Especially when they are
running Human Engines*

Health is the trend of the future

*Daniel Jenshel
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