



Gulfood Global Trends Conference 2010

February 21st, 2010

Dubai, UAE



How Can Regional Food & Drink Companies Best Insulate Themselves From Future Volatility?

Practical Pricing - '08s Price Spike, '09s Demand Slump

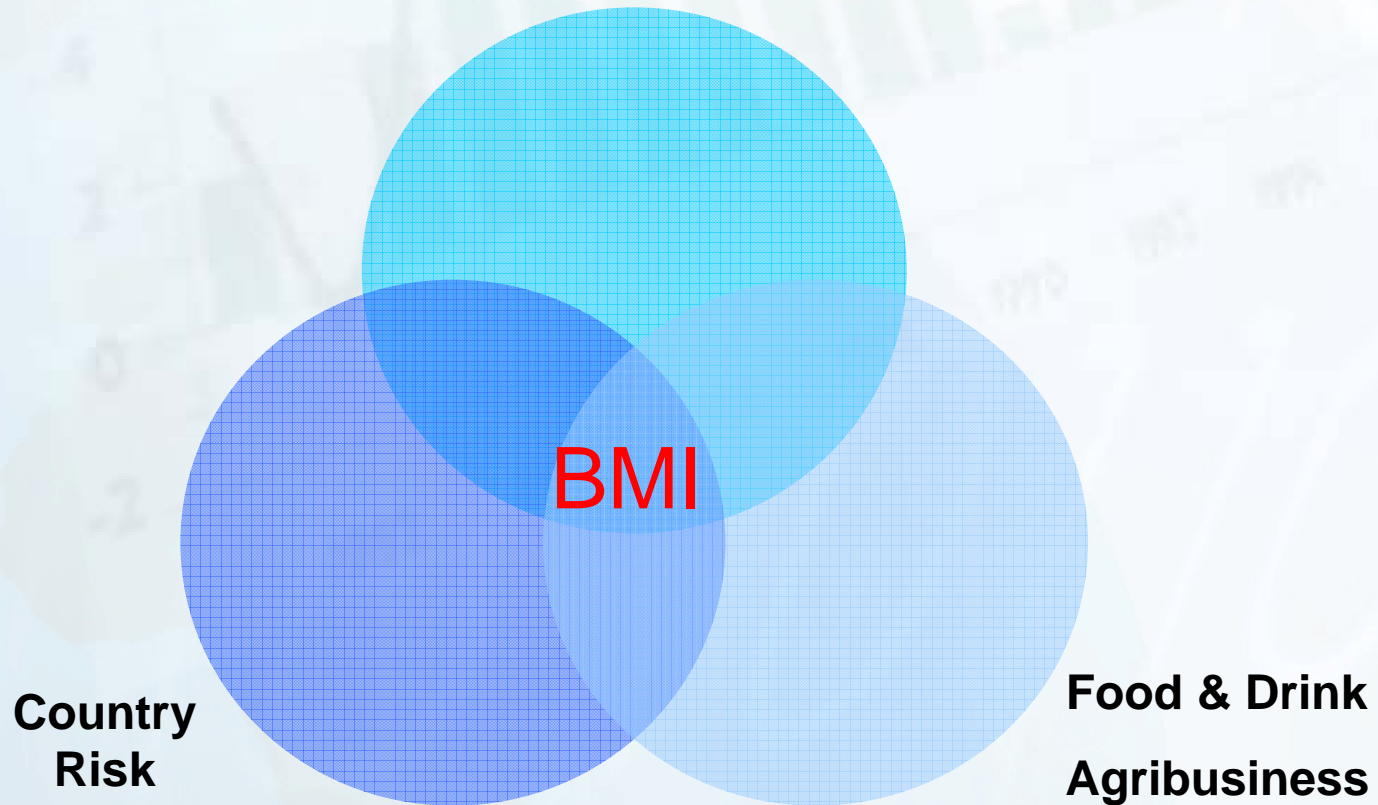
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Food and Drink Analyst

Business Monitor International

Our Positioning

News, data and forecast provider



What do we cover?

22 Industry Verticals including:

Agribusiness

Infrastructure

Oil & Gas

Petrochemicals

Food & Drink

Power

Telecoms

Tourism

Country Risk

Economic risk

Political risk

Business Environment risk

Financial market risk

Commodities

Softs

Grains

Aluminium

Copper

Gold

Oil

Base metals

Precious metals

Global Economy: Why Volatility Is Not Over...

EM Leads The Way...

	2008	2009e	2010f	2011f	To 2019
World	2.1	-1.8	2.9	3.2	3.4
Developed States	0.4	-3.4	1.6	1.9	2.3
Emerging Markets	5.3	1.0	4.9	5.1	5.3
Emerging Europe	4.3	-5.6	2.9	4.2	4.8
Emerging Asia	6.6	5.1	7.0	6.4	6.4
Latin America	4.1	-2.3	2.1	3.3	3.4
Middle East & North Africa	5.6	1.3	3.5	4.1	4.1
Sub-Saharan Africa	5.8	1.5	4.5	5.5	5.8



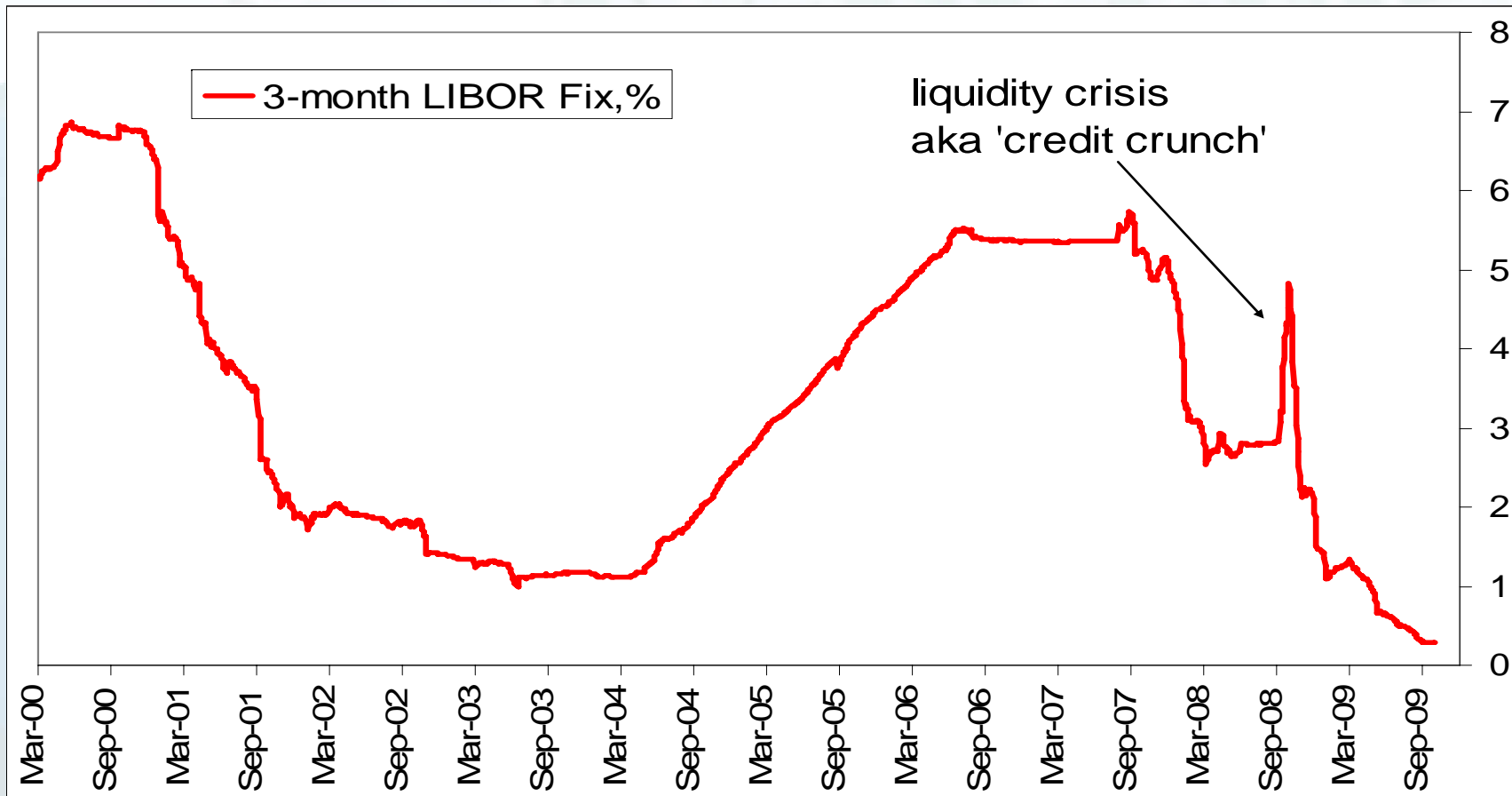
Source: Business Monitor International



Global Outlook: Developed States

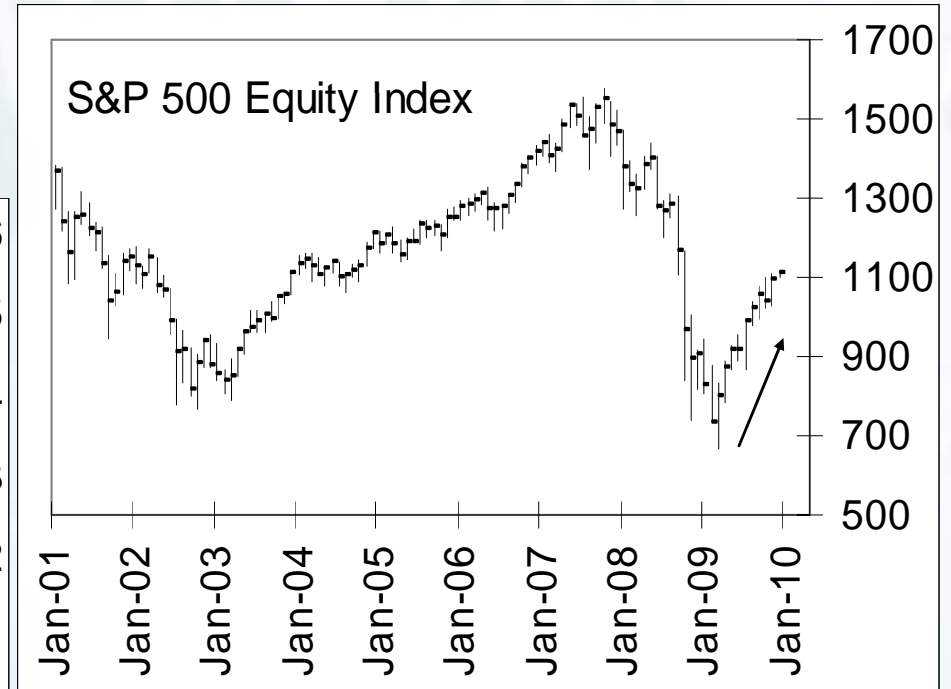
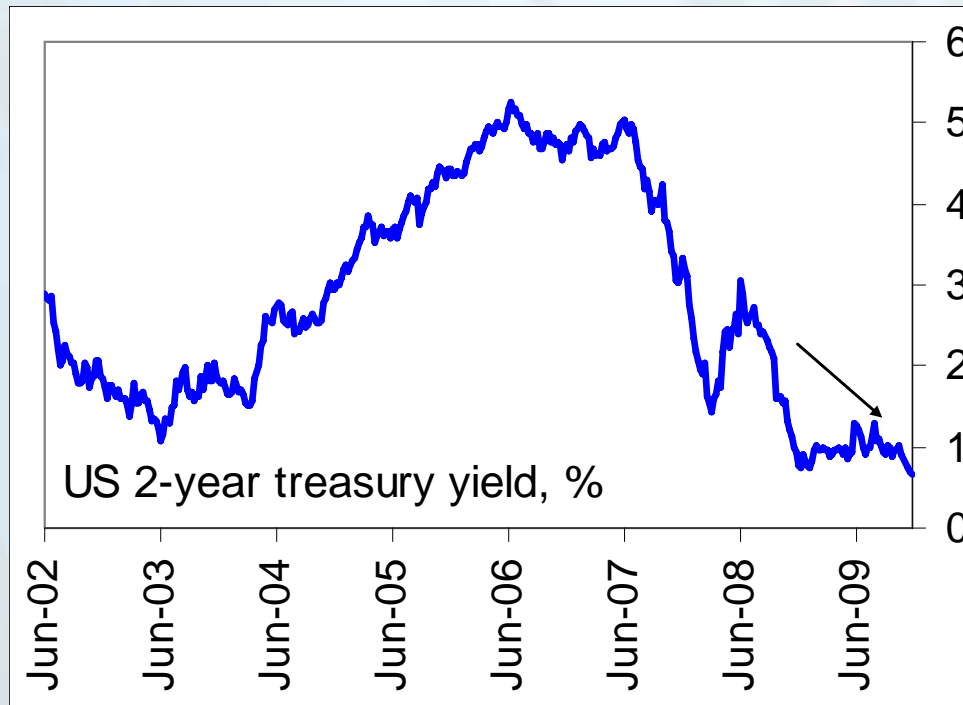
- Big US bounce in 2010, but rooted in base effects and inventory re-stocking
- Deflation over inflation
- Protracted monetary easing
- Double-Dip Risks – China bubble
- US Dollar Rebound against euro

Federal Reserve Restores Liquidity...



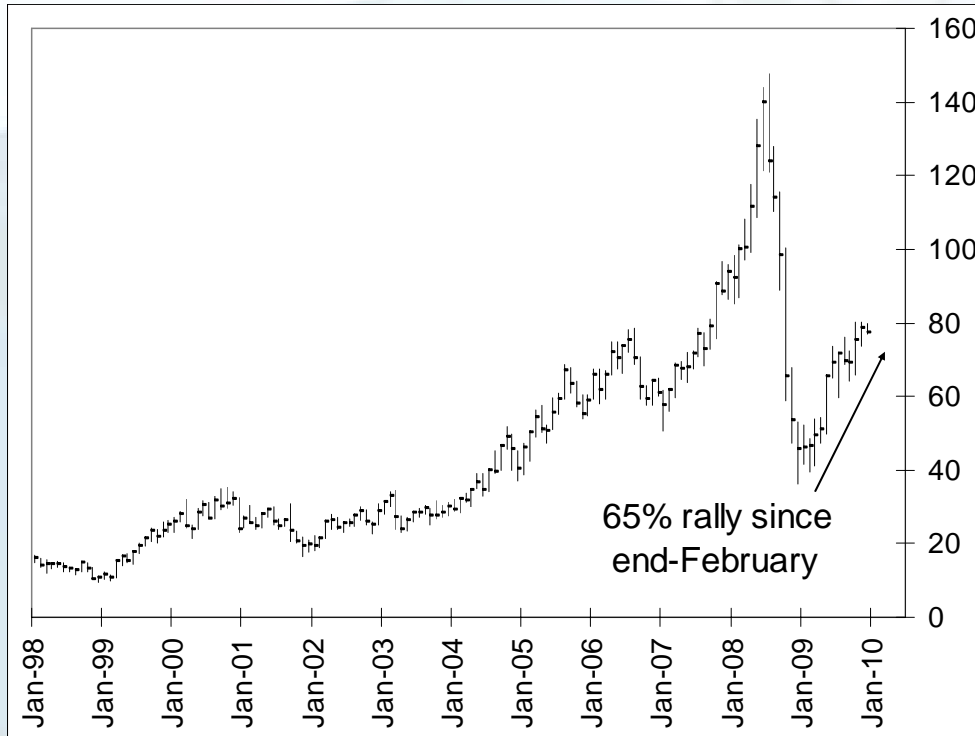
Stocks And Bonds Are Benefiting...

Yields falling...

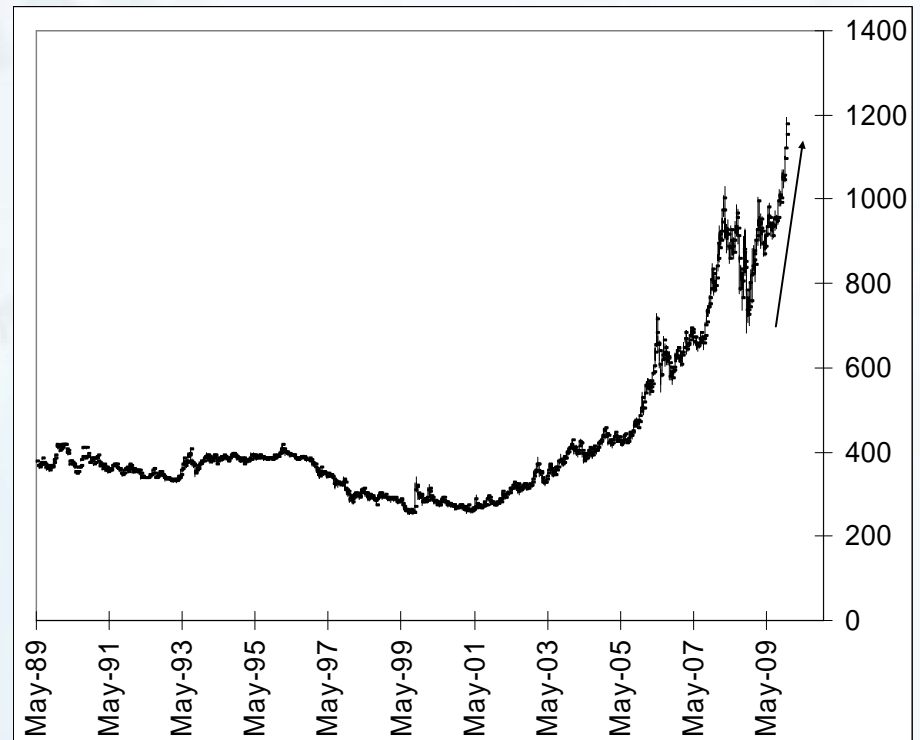


...and stocks are rising.

And Commodities Too...

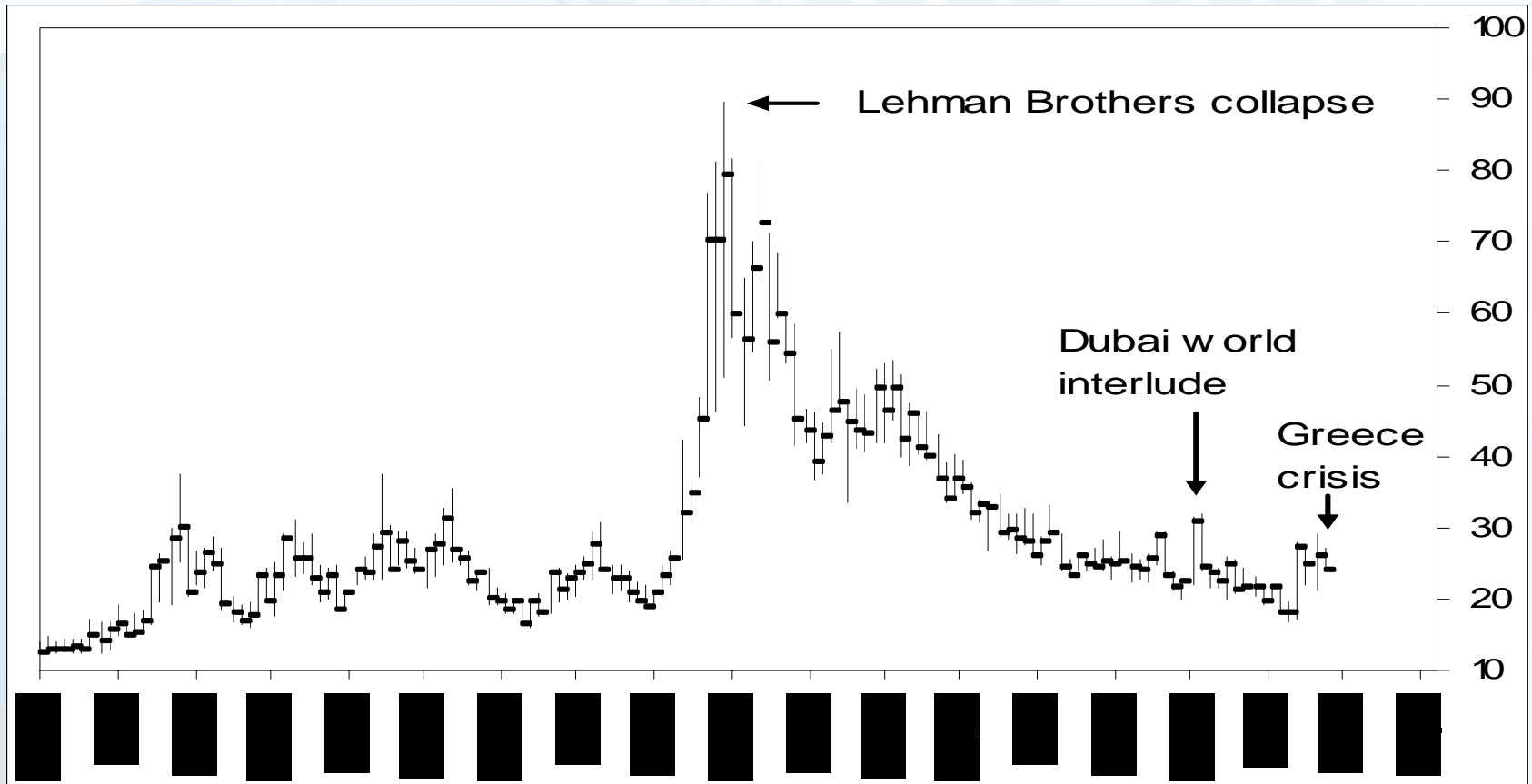


Gold, US\$/oz

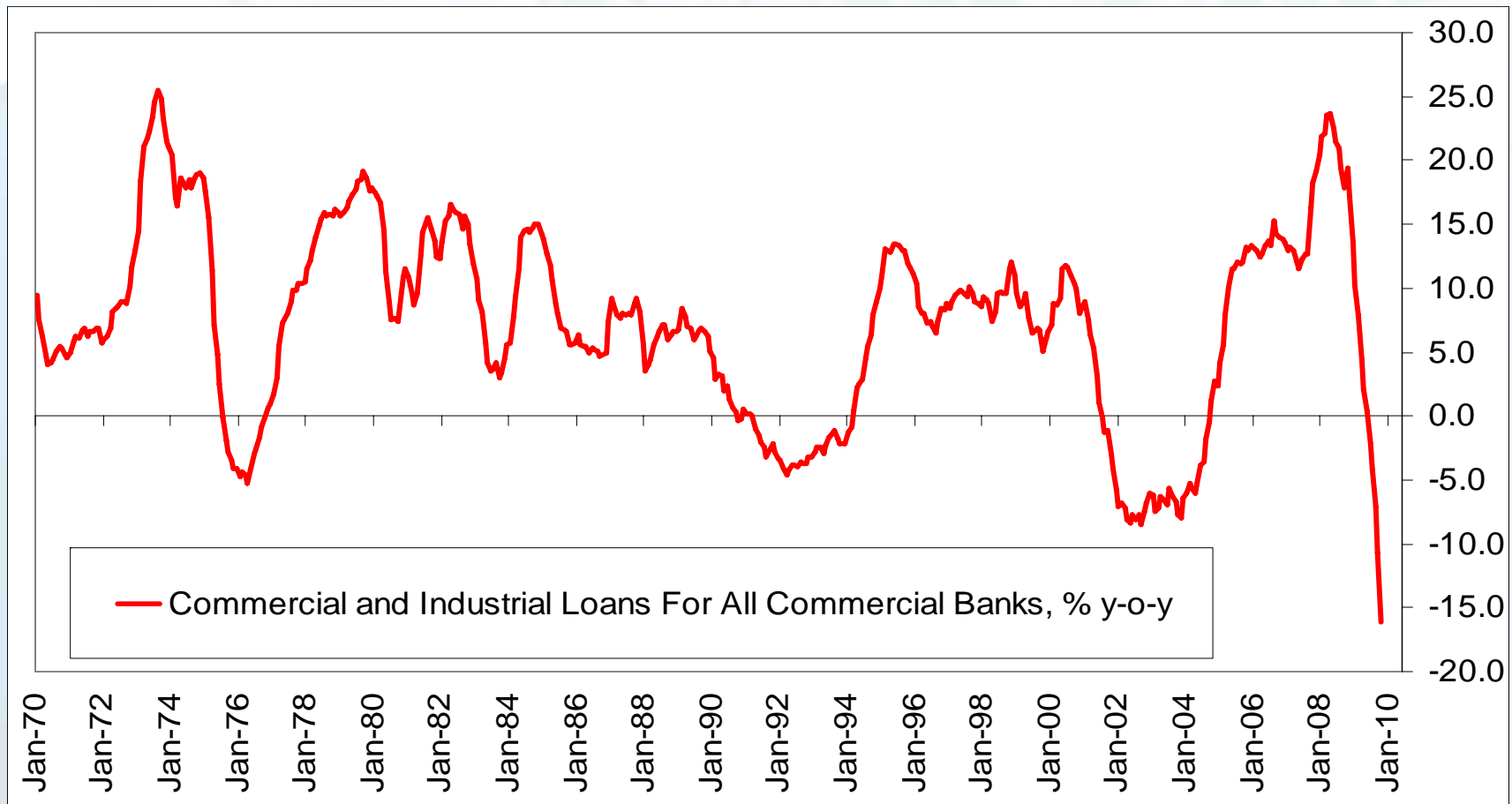


Brent Crude, US\$/bbl

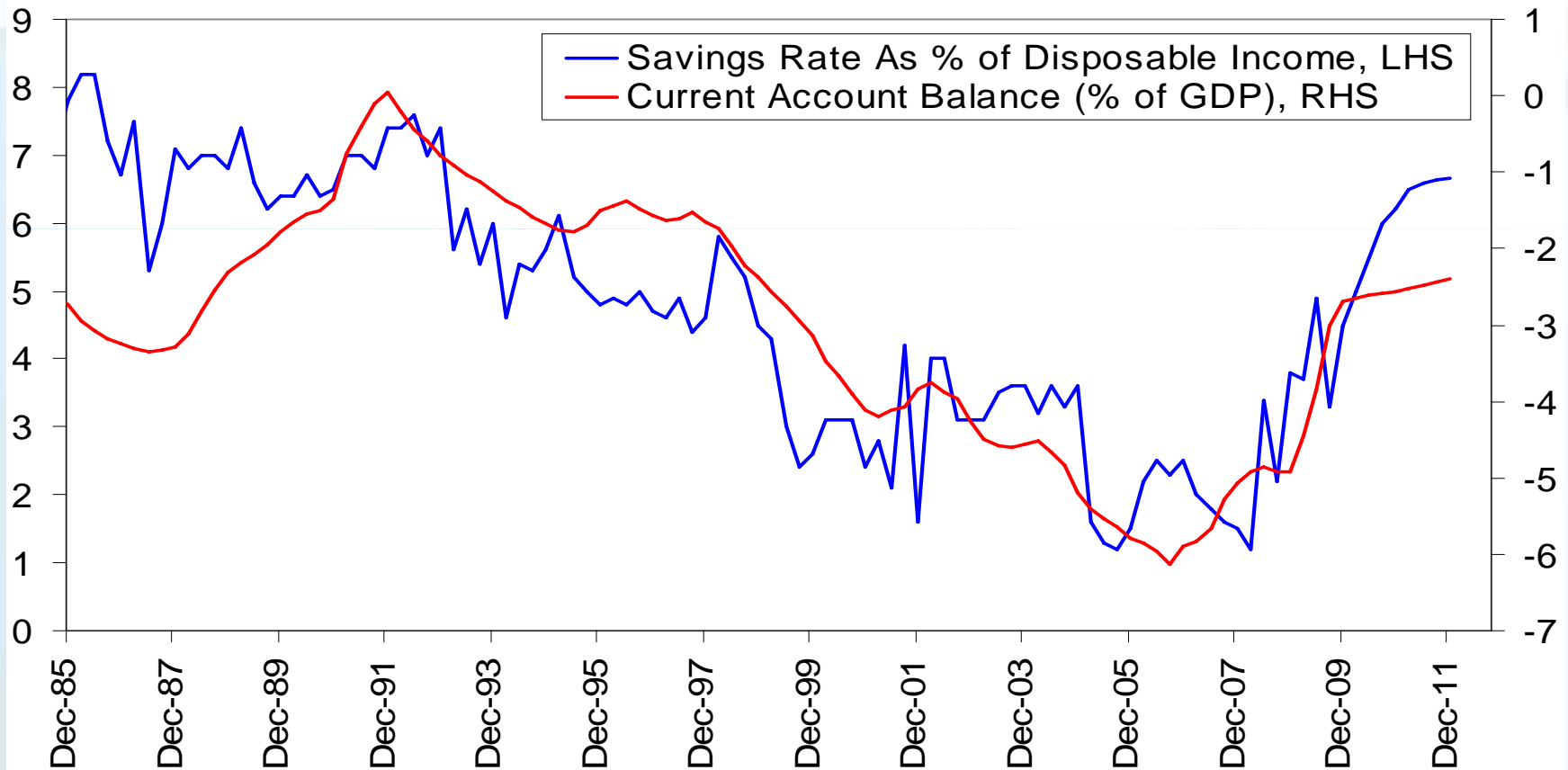
Volatility Is Down... Sort Of



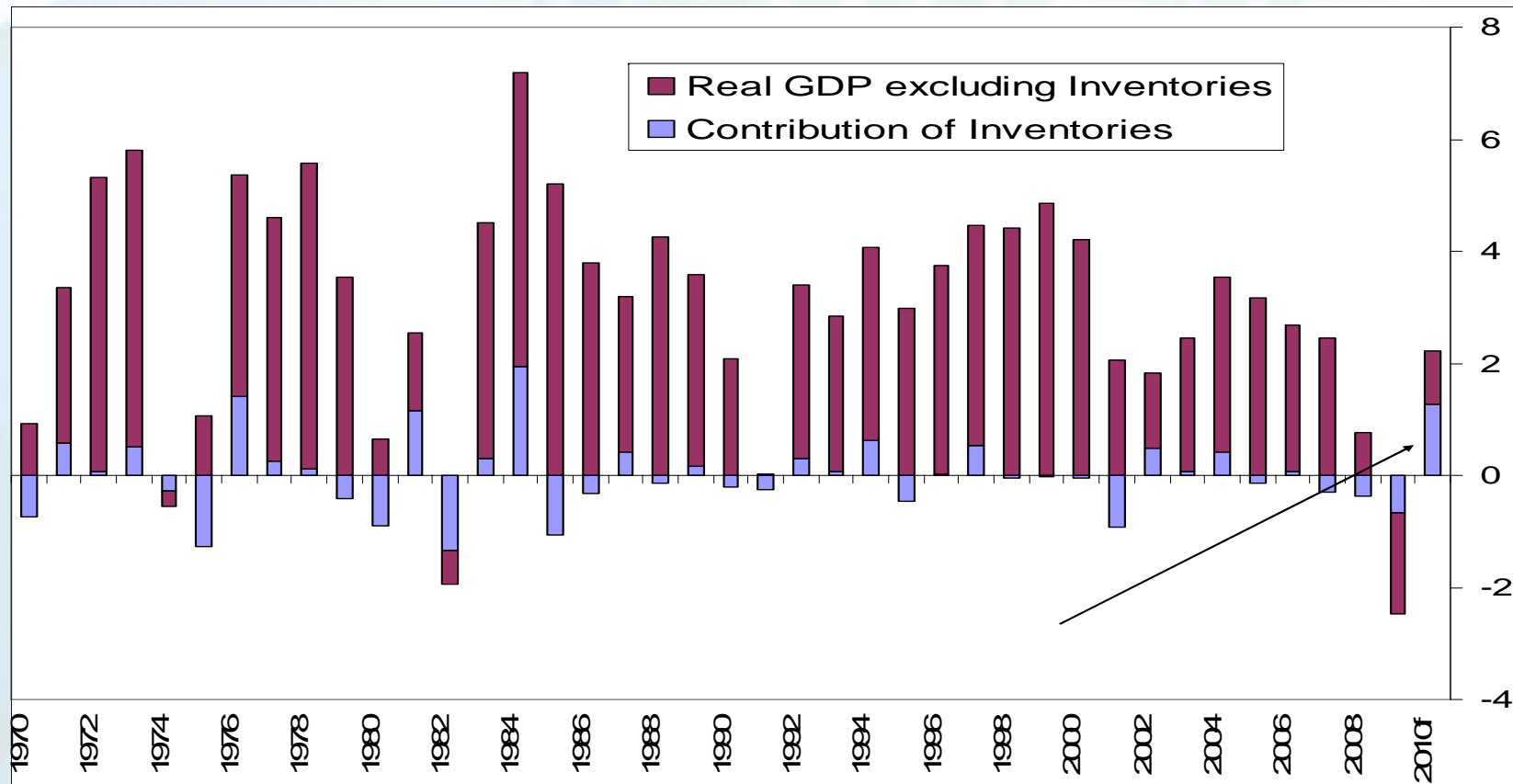
...But Bank Lending Is Too



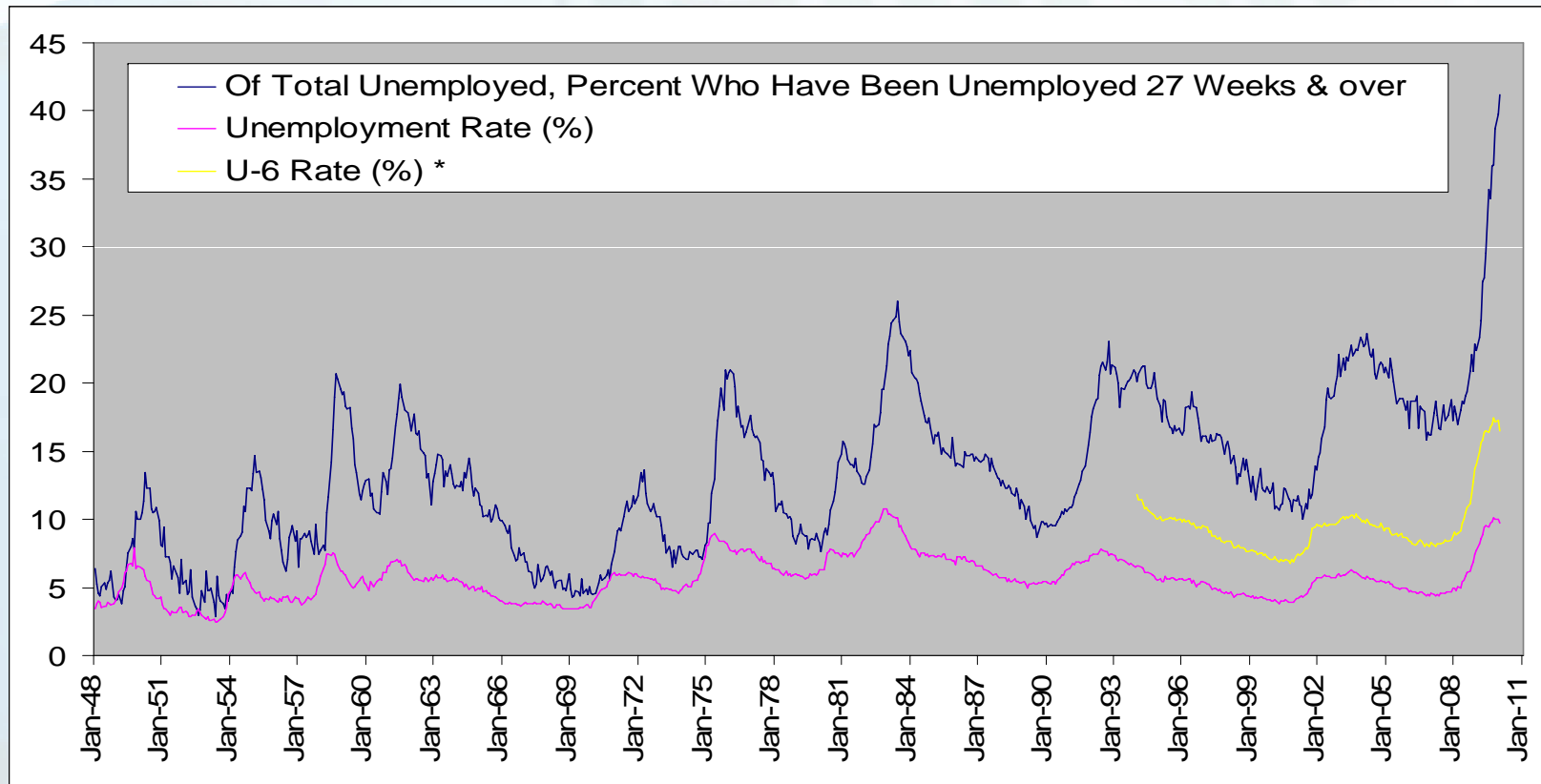
Suppressed US Demand Reflected in Current Account, Savings Rate



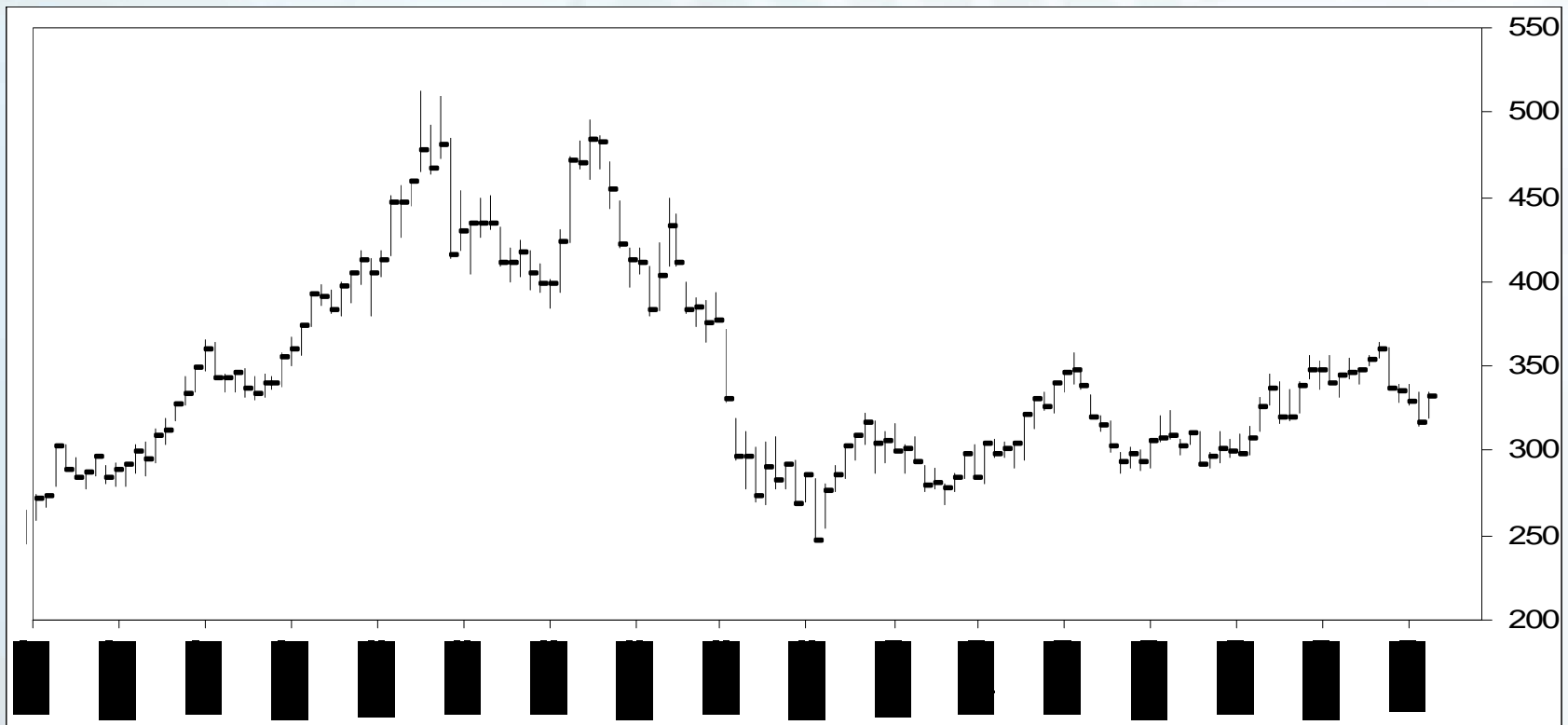
Inventory Re-Stocking: >50% Contribution To Headline Growth



US Unemployment Rate (%)



Goldman Sachs Agricultural Index



Commodities – Core Scenario

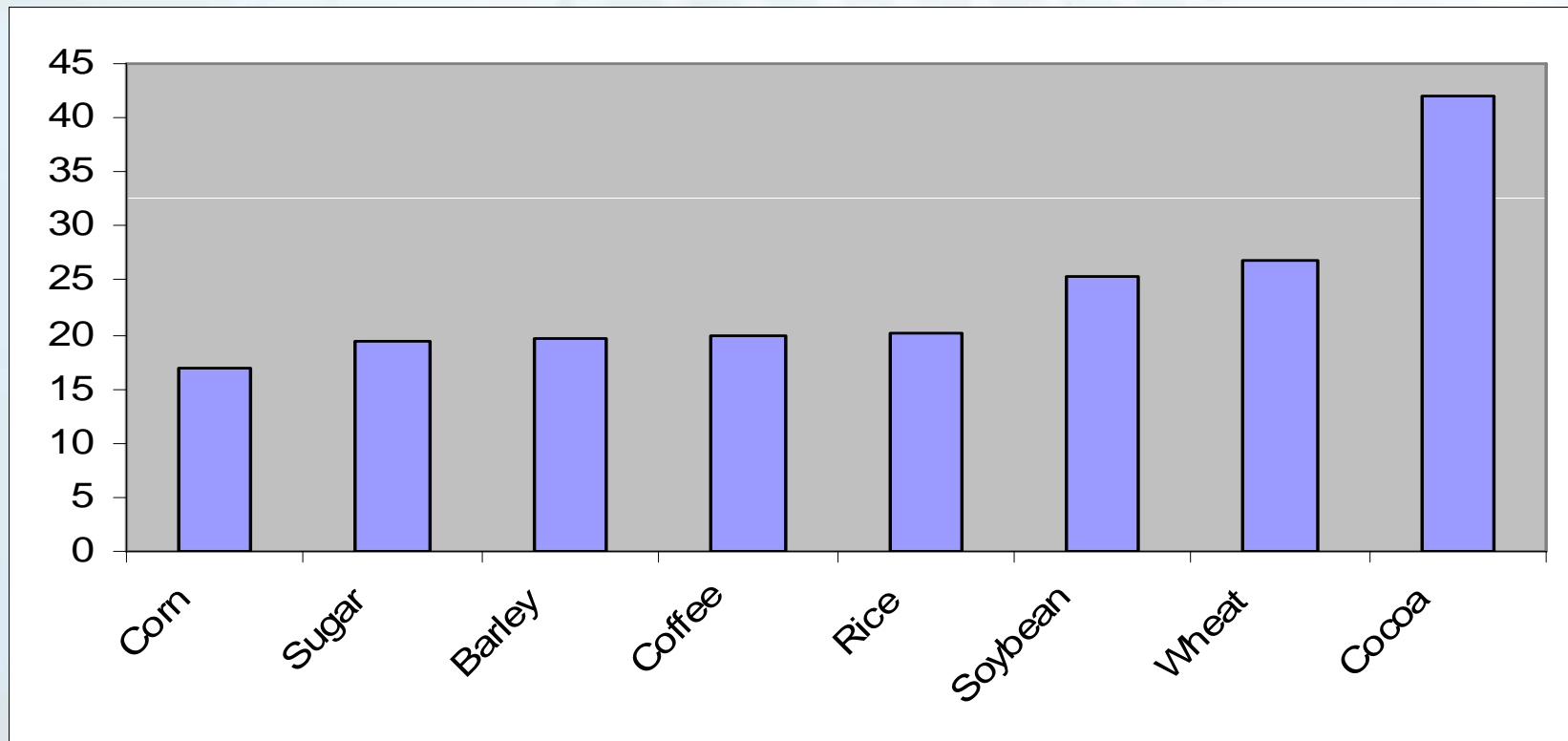
	2007	2008	2009	2010	2011
Cocoa GBP/tonne, ave	978	1426	1869	1950	1800
Coffee (Arabica), US\$/lb, ave	117	132	132	150	145
Milk, US\$/cwt, ave	18	17	11	16	17
Sugar #11, US\$/lb, ave	10	12	19	23	19
Barley, CAD/tonne, ave	185	210	146	180	190
Corn, US\$/bushel, ave	373	527	403	450	470
Rice, US\$/cwt, ave	14	15	14	16	16
Soybean US\$/bushel, ave	863	1233	968	1100	1150
Wheat, US\$/bushel, ave	638	795	582	520	575



Short-Term Risks To Price Outlook

- Bad Weather
- Government Policy (Restricted Export Quotas)
- Ethanol Use in Gasoline (Corn)
- Upsurge in Chinese demand (Corn)

2010 Stocks-To-Use Ratio (%)



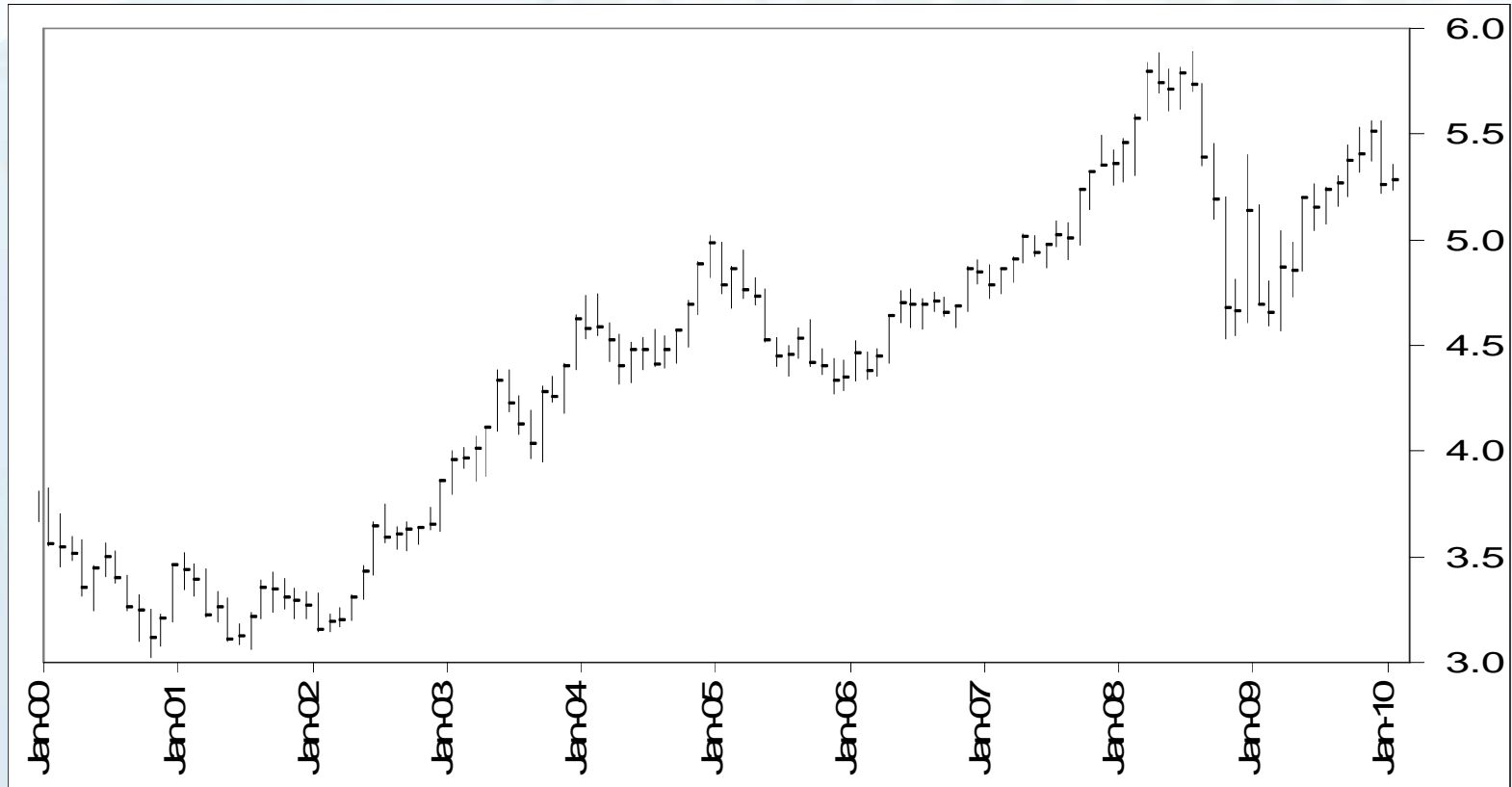
Key FX Views

- Resilient US\$ Against Majors
- But Weaker Against EM FX
- GCC Pegs To Remain, Union 2014?
- EGP Appreciation
- MAD, TND – Weakening Against US\$, GCC

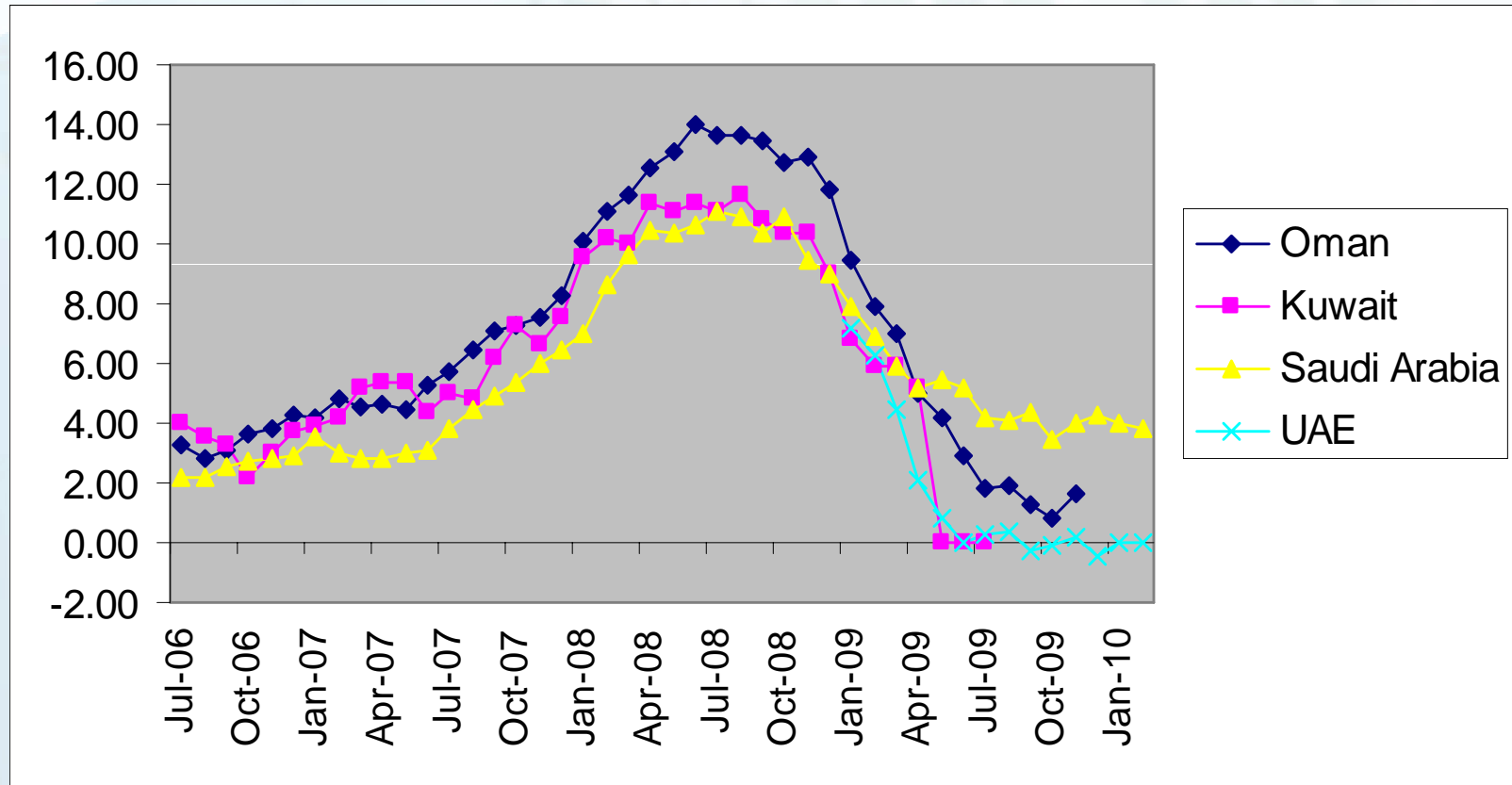
BMI Core Currency Views

	2007	2008	2009	2010f	2011f	2012f	2013f	2014f
US\$/EUR	1.46	1.47	1.40	1.40	1.37	1.34	1.27	1.26
JPY/US\$	117.75	103.34	95.00	102.00	110.00	110.00	110.00	110.00
CNY/US\$	7.60	6.95	6.84	6.72	6.45	6.20	6.00	5.80

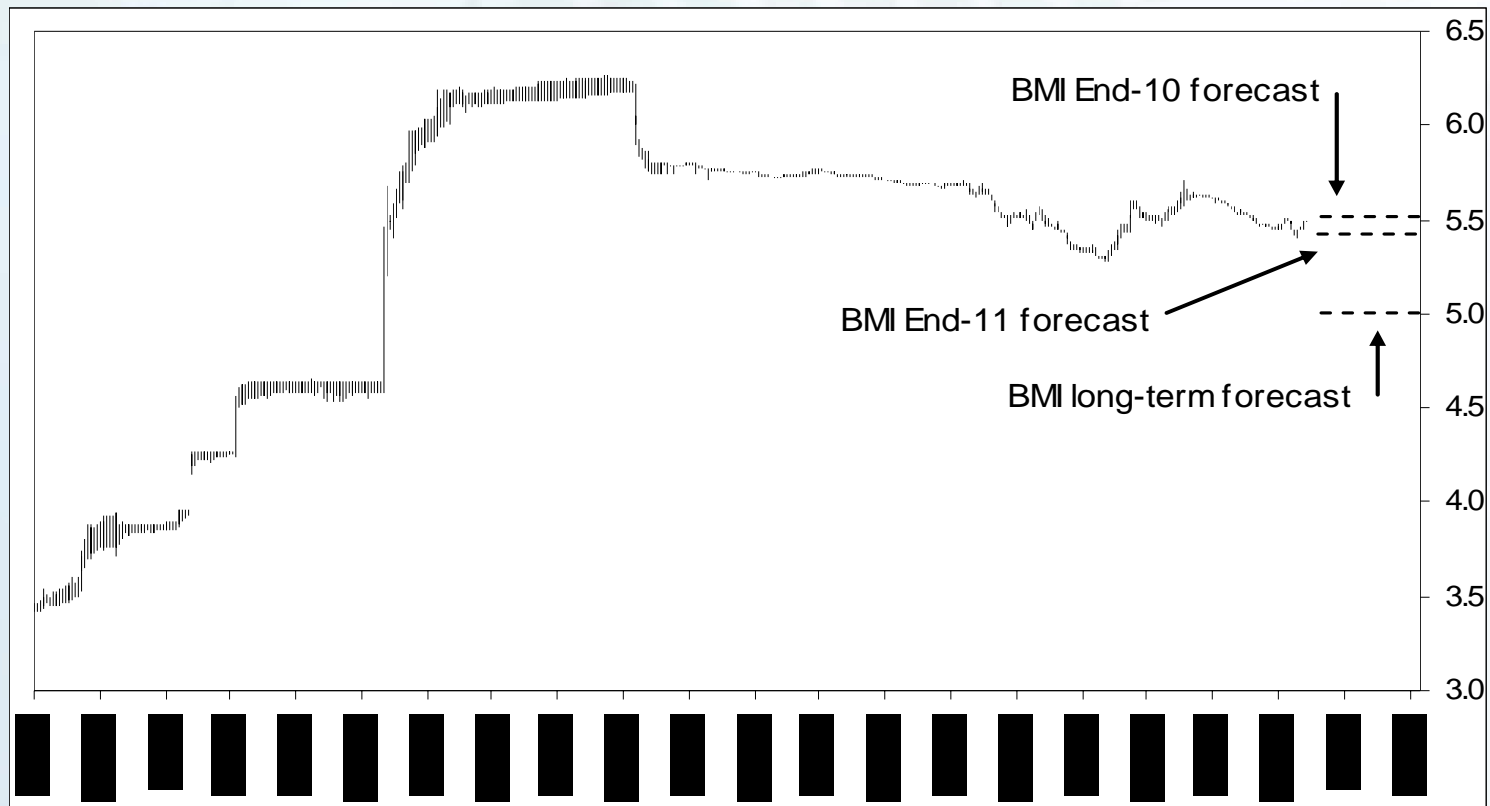
UAE Dirham Against the Euro (AED/EUR)



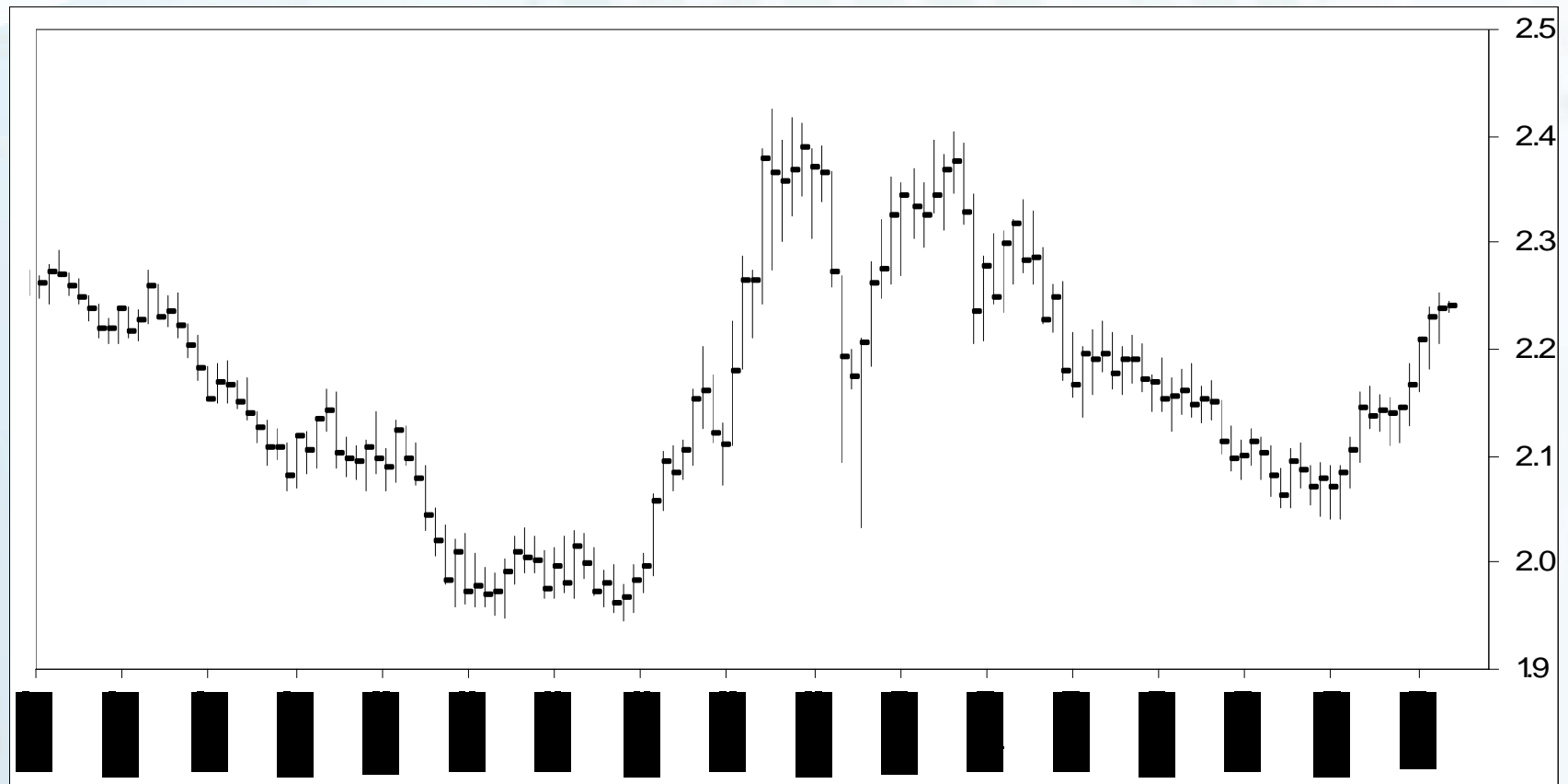
GCC CPI (% change, y-o-y)



Exchange Rate – EGP/US\$



Exchange Rate – MAD/AED



...So What Does this
Mean For Pricing?

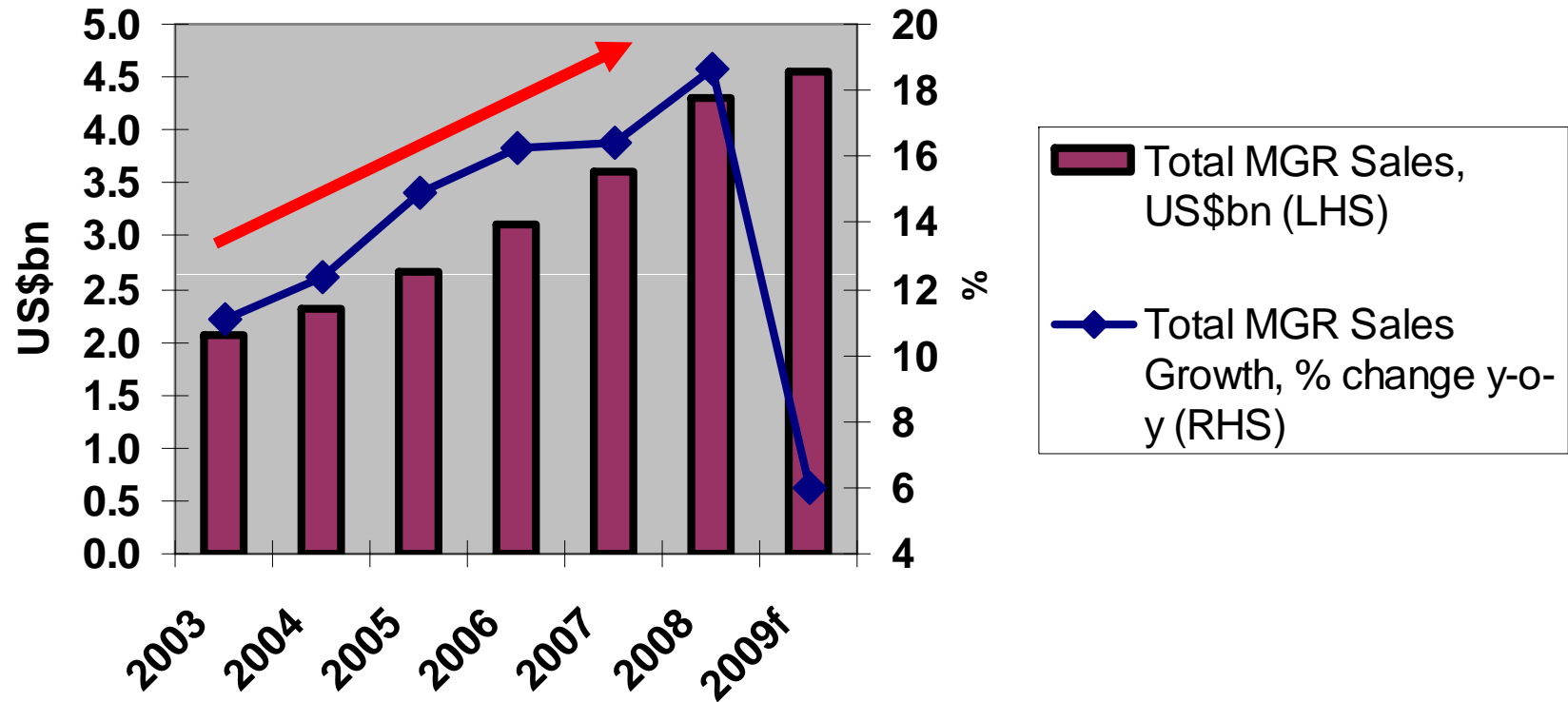
Premiumisation To 2009

Main Growth Drivers?

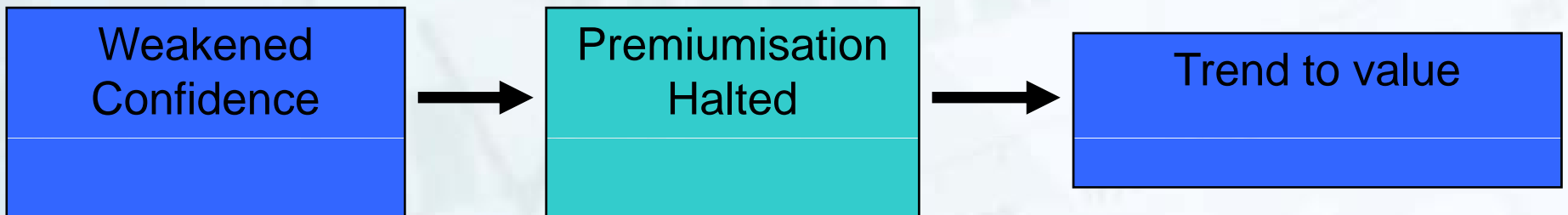
- Macroeconomic
- Investment into F&D
- MGR development
- Tastes and preferences



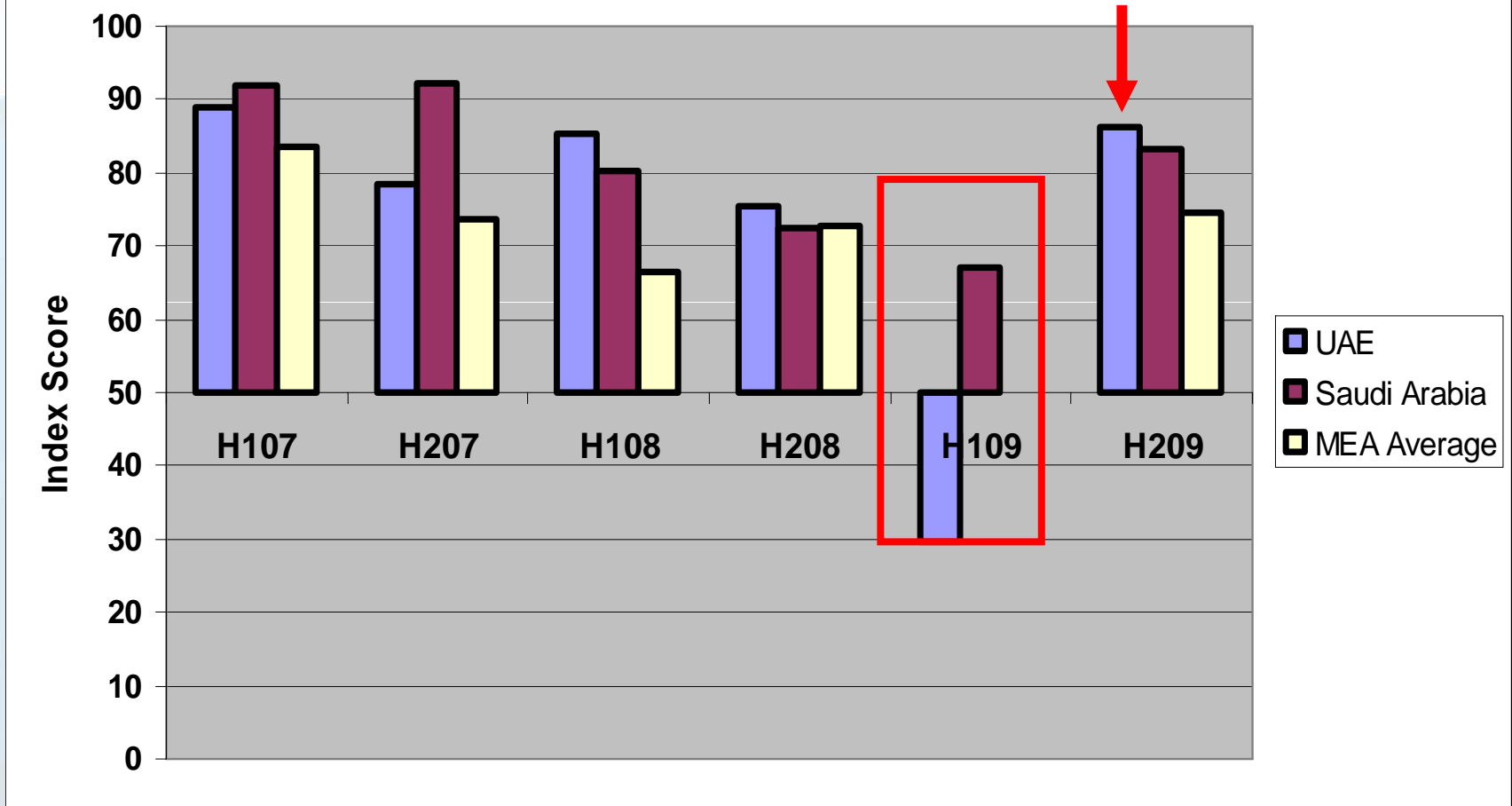
UAE Historical MGR Sales



What Happened In 2009?

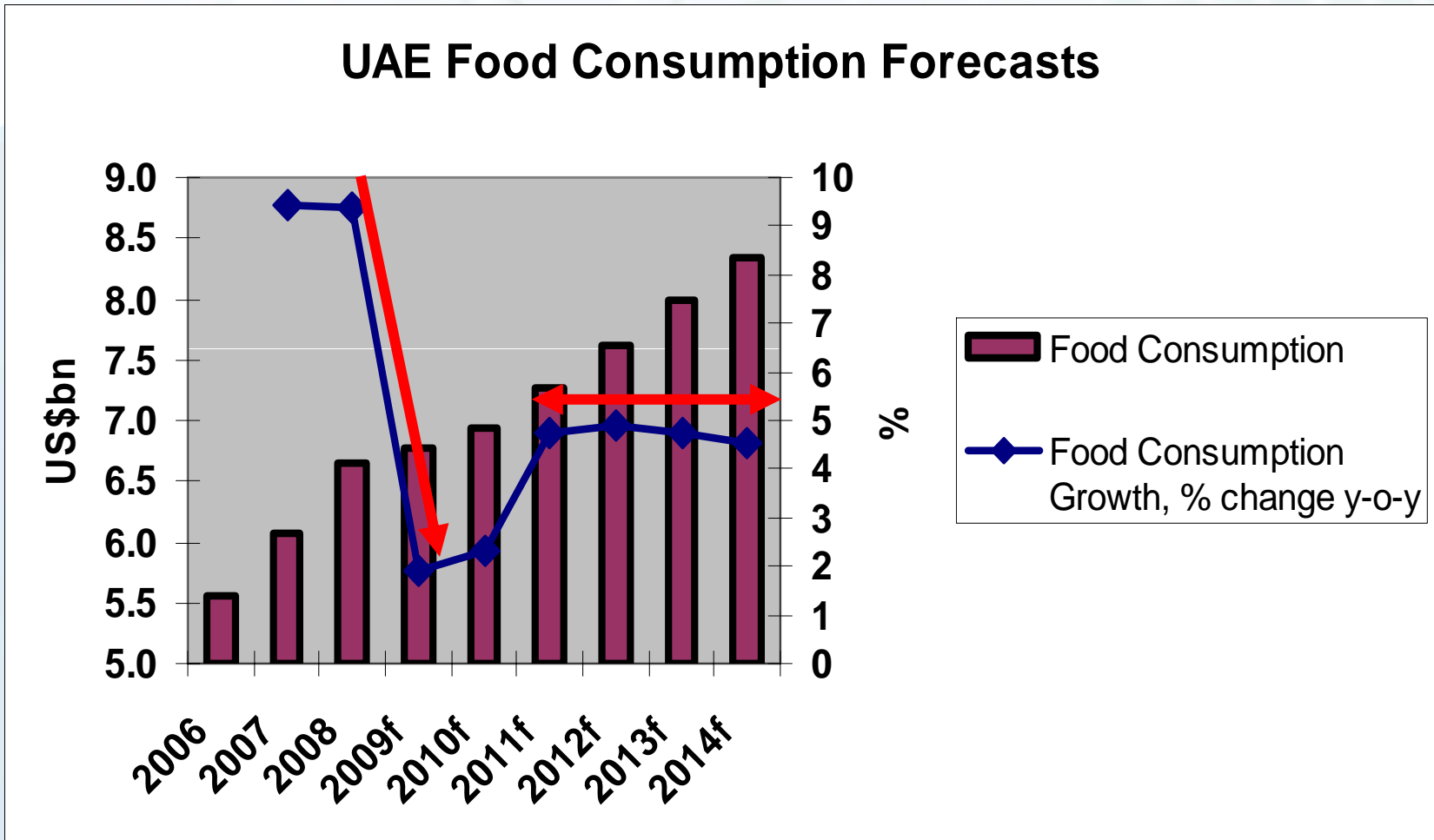


MasterCard Worldwide Index Of Consumer Confidence



Tough In 2009

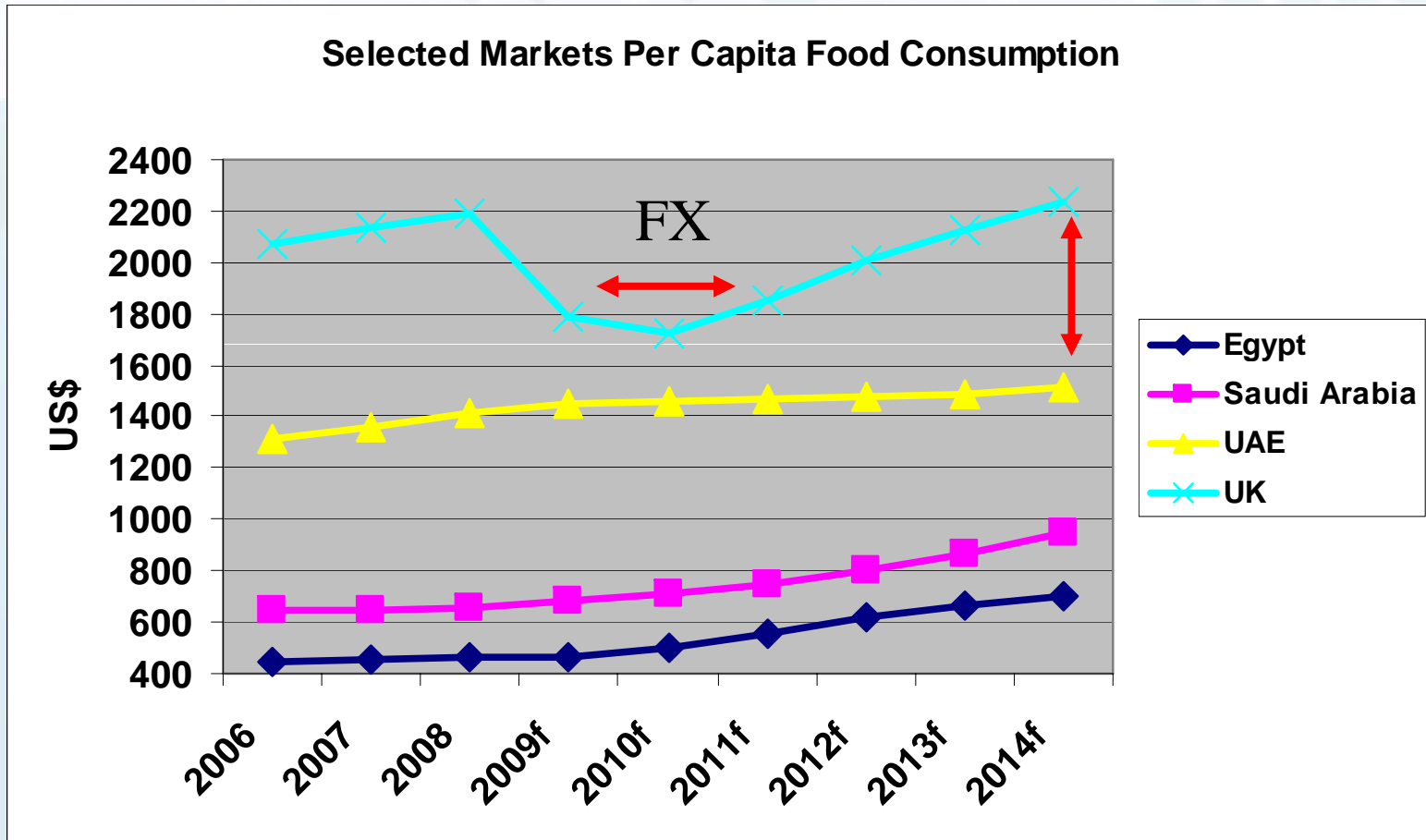
UAE Food Consumption Forecasts

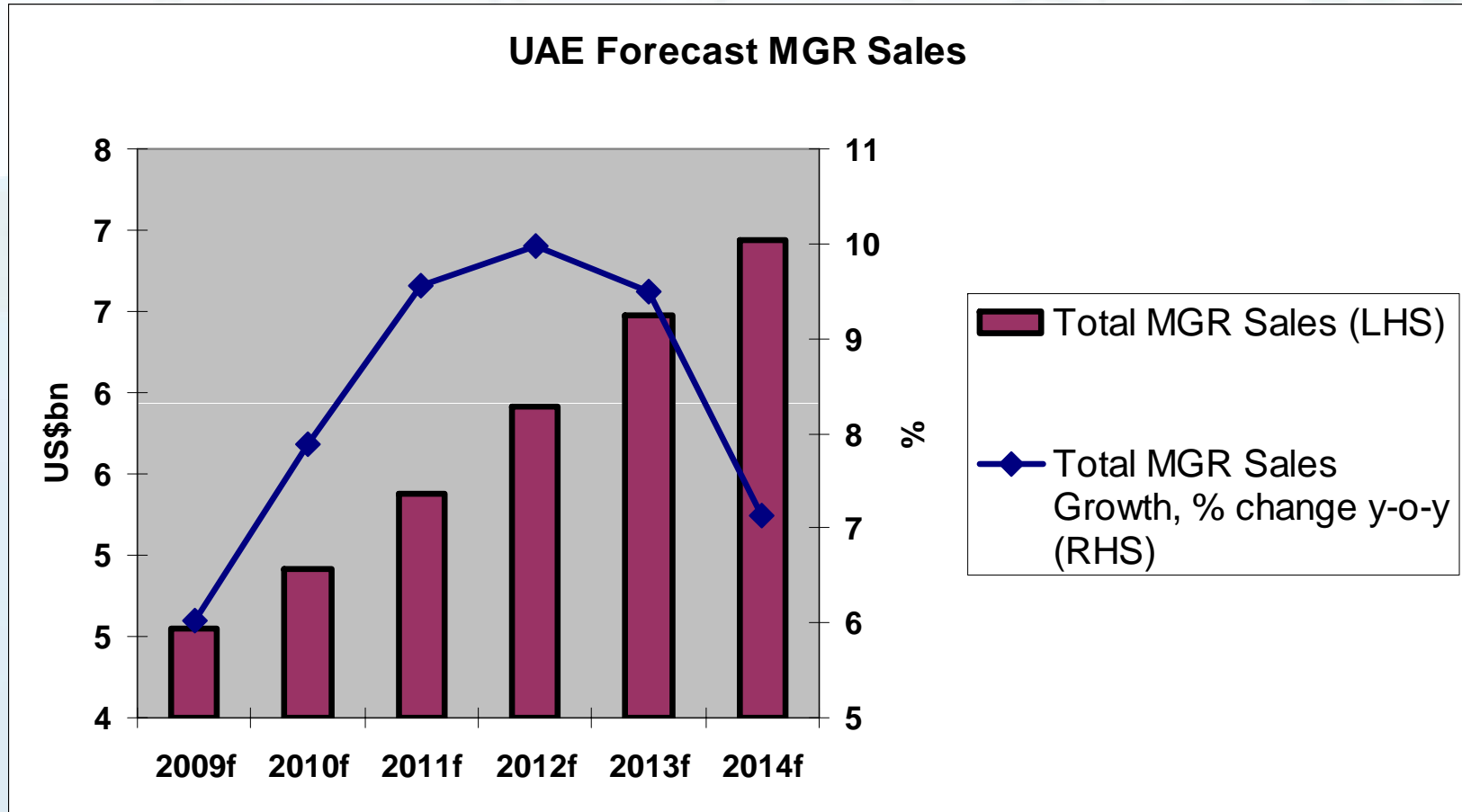


Premiumisation In 2010?

- Consumer uncertainty
 - Dubai still weak
- Input cost uncertainty
- Not the time to launch high value products

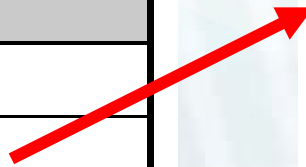
Beyond 2010: Still A Way To Go...





Concluding With BMI Core F&D Views

BMI's Core Views For The Food & Drink Industry
Short Term
Premiumisation will be put on hold
Discount grocery retailers will continue to gain market share
Firms with large debts will concentrate on paying these down at the expense of investment
Tension between retailers and producers will increase



BMI's Core Views For The Food & Drink Industry
Long Term
Raw ingredient prices will continue to rise as demand-side pressures increase and supply shocks persist
Emerging markets will drive sector growth
Multinationals will seek to globalise their brands
Demand for convenience in retail and food will continue to grow
Government legislation will play an increasing role in marginalising unhealthy food and drink
Consolidation will accelerate as producers seek greater efficiencies
Functional foods will be the highest growth sector in developed markets
Brand builders will continue to leave sectors under threat from private labels
Investment in innovation will increase as producers seek competitive differentiation





Thank You