

Mastering the crisis

WITH ITS FIRST EUROPEAN BAKERY CONFERENCE, DUTCH RABOBANK ORGANIZED A TOP LEVEL EVENT IN HOUSE WHICH GIVES HOPE FOR CONTINUATION



++ Sipko Schat
Member of the Executive Board
of Rabobank



++ Hubert François
CEO NutriXo



++ Guus Overdijking
3i Europe



++ Hasib Gençer
Chairman of the Board of Unmas A.S.

+ Dutch Rabobank, a specialist in doing business with and investing into the agricultural and food markets, invited about 200 representatives from the European baking industry and their suppliers to the bank's event center in Utrecht, the Netherlands. What a rare honor to see so many CEOs and Vice-CEOs of this industry in one place. The who's who of the European baking industry was present. In cooperation with the French market research firm GIRA, Rabobank offered a well selected and stimulating program which still left room for networking.

Contrary to the President of the European Central Bank the day before, Sipko Schat, a member of the executive board of the Rabobank and host of the event did not raise hopes for a quick end to the crisis. The extent of the worst effects – unemployment and decline in demand – is not yet completely visible, he said. Furthermore, it must be clear that the people that have to master this crisis in the industry and in politics have never experienced anything similar before. The most pressing tasks for the near future should be the considerate closeness to customers, suppliers and house banks and the respective training of their own employees, recommended Schat. He expects an improvement at earliest in 2010 which will be first visible probably in Asia and the US.

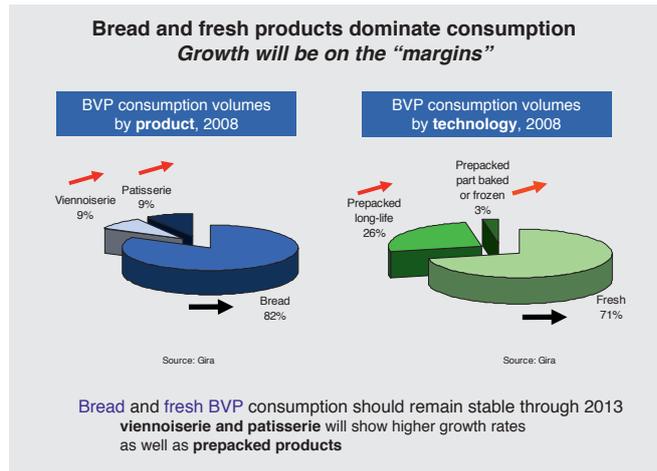
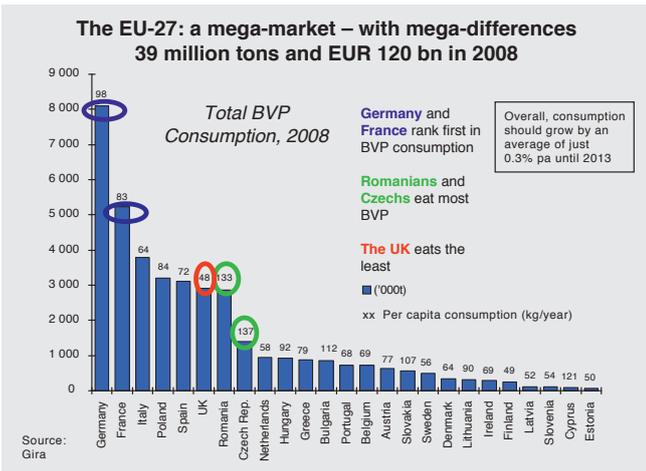
The necessity for alert observation was also the central theme of the lecture held by Hubert François, CEO of the NutriXo Group to which the largest milling groups in France (amongst others Grand Moulin de Paris) and also frozen baked goods producers such as Delifrance, Krabansky or Le Pain Crustillant belong. According to François, even though the current crop forecasts for the global wheat market do not indicate a serious shortage, the volatility will not disappear immediately. In his opinion, the development on the other grain markets (corn) will influence the wheat prices

because of the exchangeability of raw materials for the production of bio fuel as well as a result of the price for crude oil which is connected to wheat via the logistics sector and the ethanol markets. Descriptive charts and calculations underlined the explanations of the grain expert about the quick effects possibly triggered by wrong decisions in the procurement of flour or grain. His recommendation, "Upon accepting an order, buy flour or at least the option on that and make sure that your miller also buys grain, otherwise if your miller has to file bankruptcy because he has made the wrong decisions, you will also have a problem." However, when including these precautionary measures in the price, the increases will be in the range of 2% which must then be enforced.

The way that companies from the different stages of the value chain handle the current situation and which concepts they develop for the future were the topics presented in lectures by Hasib Gençer, Chairman of the Board of Unmas A.S., Turkey, ("Growth in emerging countries"), Jan Kloosterman, Vice President Industry Solution of Dutch CSM ("The benefits of an integrated business model") and Erik Nielsen, Vice President of Swedish Lantmännen-Unibake ("Seeking growth in a slowing economy – key developments in the frozen bakery market"), while Xavier Garçon, Category Manager Bakery Products described the procurement and marketing model of the French retail group, Monoprix.

Guus Overdijking of the private equity company explained the requirements and conditions companies must accept when applying for expansion capital and what chances they have on the private equity market.

At the start of the event, the organizers Anne Fremaux, Bakery Director of Gira, and Ben Davies, Senior Banker at Rabobank, provided comprehensive figures on the European



market for baked goods which was a good basis for discussion. Gira estimates the 2008 market for bread, Viennese products (fine bakery wares) and patisserie except biscuits and cereals in the Europe of 27 to reach a volume of 39m tons or 120bn Euros, respectively. The total market growth until 2013 is predicted to be only 0.3% annually with fresh products remaining ▶

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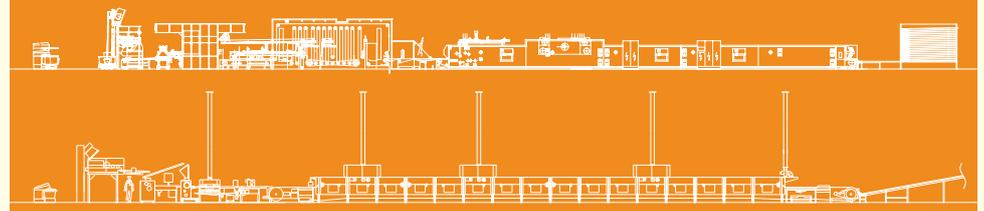


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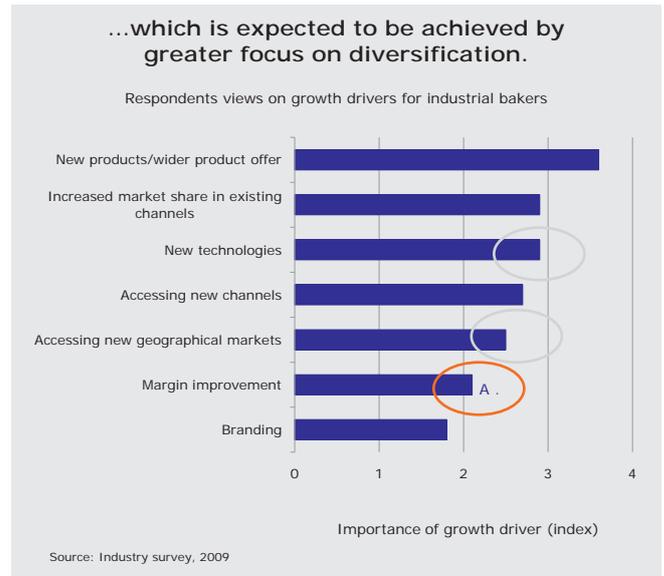
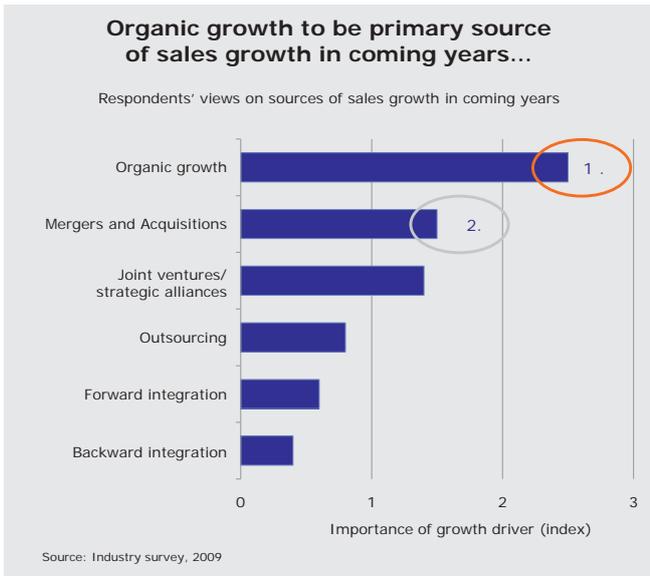
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According to Gira, the top 12 companies on the European market for frozen baked goods are:

- + Aryzta, Switzerland
- + Vandemoortele, Belgium
- + Nutrixa, France
- + Lantmännen, Sweden
- + Europastry, Spain
- + CSM-Group, The Netherlands
- + Neuhauser Group, France
- + Sammontana, Italy
- + Premier Foods, UK
- + Van Herpe Food/Vanelor, Belgium
- + Vaasan & Vaasan, Finland
- + Grupo Berlys, Spain



stable. Growth is expected to be generated mainly in the sectors of frozen baked goods and pre-packed bake-off goods for the households.

Fremaux predicted significant losses for the artisan bakers. If they fail to offer quality, tradition or convenience, they will have a hard time in the market. The consolidation amongst the industrial producers will still continue and the frozen baked goods segment must also be prepared for the fact that over capacity will be pushed onto the market.

Ben Davies emphasized the increasing significance of organic growth for the bakeries and he demanded a focus on product and customer diversification and efficiency of processing chains.

In his opinion, the industrial structures within the baking industry are increasingly subject to consolidation resulting in a pan-European presence of companies and simultaneous consideration of regional market conditions and consumer

requirements. The trade as a sales channel will, in the future, be even more governed by strong discounters and the growth rates in the fast service markets will predominantly be generated in the fast food segment.

All industry insiders, frequently interviewed by Rabobank for a survey, lately expressed their expectation that, in the future, profits will grow more slowly than sales. Only the food retail trade expects a growth in sales of up to 5% while the baking industry expects no less than 3% and the millers only 2%.

The companies and managers queried did not consider the volatile raw material prices as the most important risk factor for future development but rather the price battles amongst the existing suppliers, new suppliers, new legislation and weak economic growth.

Davies listed health, eating pleasure and convenience as the most important trends in product development in the different baked goods product ranges. +++

