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International Markets Bureau

MARKET INDICATOR REPORT | OCTOBER 2011

Frozen Processed Food
in Western Europe

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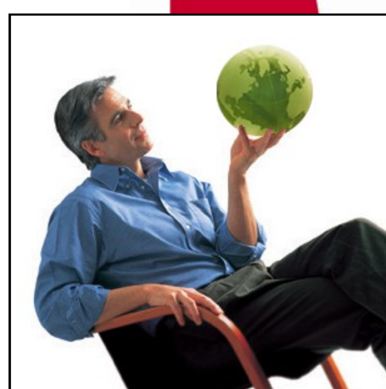


Growing Forward

Canada

MARKET SNAPSHOT

- Frozen processed foods continued to gain popularity in 2010 thanks to the products' easy and convenient preparation. Frozen processed foods are easier to prepare than fresh food and can be stored in the freezer for an extended period of time. Furthermore, frozen processed foods enjoy a very healthy image that appeals to today's health-conscious consumer.

- Although consumption levels for frozen foods remain high across Western Europe*, market growth has been rather limited in parts of the region over 2009 and 2010. Much of this is due to the strong competition the sector faces from chilled prepared foods, which are increasingly being perceived as offering superior taste and quality compared to their frozen equivalents. As a result, manufacturers of frozen foods have been forced to improve their offerings in order to attract consumers.

- Recent evidence suggests that most manufacturers have been successful, since growth in the frozen food market has returned in countries such as the United Kingdom (U.K.), France and Germany. This market has also benefited from the economic recession and its effect on spending, as consumers have become more price-conscious and are coming to appreciate the value that frozen foods can offer.

INSIDE THIS ISSUE

Source: *Shutterstock*

CONSUMER TRENDS

- Europe undoubtedly dominates the world's frozen food market. Customers' attitudes toward frozen foods have transformed significantly in Europe since the 1990s, driven by an improvement in living standards, and an increasing need for convenience.

- Not surprisingly, frozen ready-meals witnessed a rapid surge in demand, as consumers became more time-constrained. Frozen ready-meals witnessed dramatic growth in markets such as France, where consumers are more particular about quality and taste.

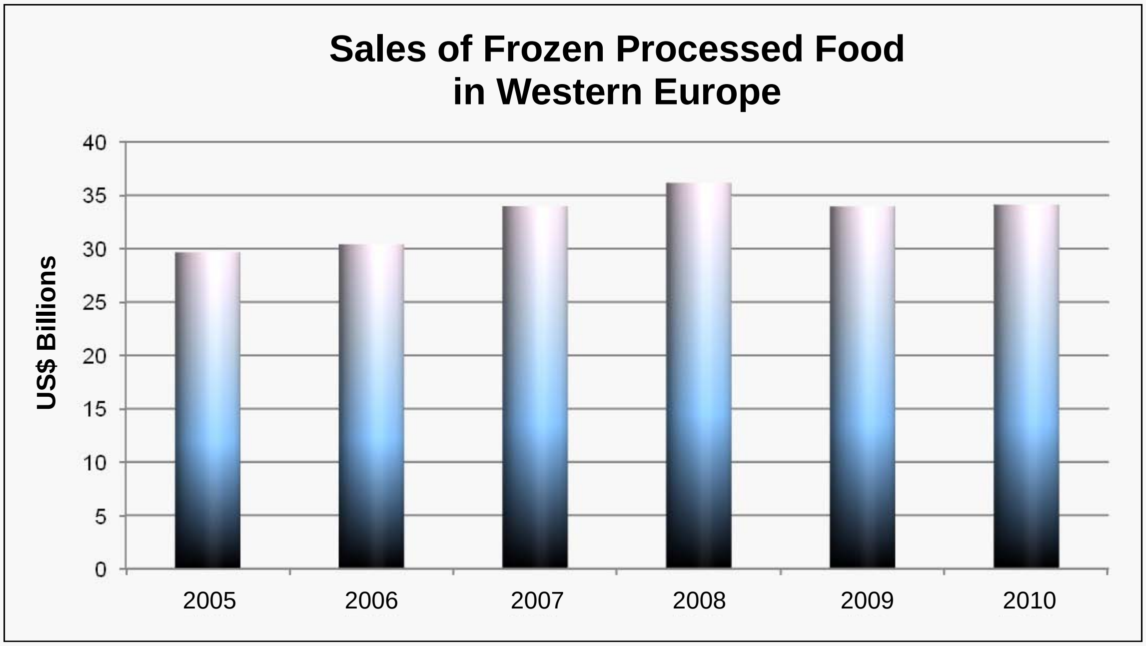
- The trend for frozen ready-meals has been growing over the years, primarily due to convenience.

- European consumers are cutting back on eating out. Meal solutions in grocery stores offer good approximations of their restaurant equivalents, and with a variety of combinations available, many consumers see these store-bought meals as an attractive economising option.

**Western Europe, for the purposes of this report, consists of: the United Kingdom, Turkey, Germany, France, Italy, Spain, Belgium, Portugal, the Netherlands, Greece, Sweden, Norway, Austria, Denmark, Switzerland, Ireland, and Finland.*

RETAIL SALES

- Frozen processed foods represents the aggregation of frozen processed red meat, processed poultry, processed fish/seafood, processed vegetables, meat substitutes, processed potatoes, bakery products, desserts, ready-meals, pizza, soup, noodles and other frozen food. Please note that all packaged products, including branded, private label as well as generic products are included.



Source: *Euromonitor International*

- According to Datamonitor, many manufacturers are attempting to boost the performance of their frozen food sales by developing products that incorporate key consumer trends, such as organics.
- Organic ingredients are now found in many products, as increased consumer interest in food ingredients and production processes continues to grow. This trend can be partly attributed to concerns about the healthiness of food.
- While “convenience” and “microwaveable” have been popular claims in the market, “health” and “natural/organic” are now being widely used to draw consumer attention. In fact, “health” and “organic” have emerged as the most popular claims in frozen processed food over the past couple of years.
- Ready-meal manufacturers continue to innovate, offering novel products for consumers seeking to try new things.
- Despite being small in size, children's meals is one of the fastest growing segments in the frozen processed food market.

Source: *Mintel*

RETAIL SALES (CONTINUED)

Sales of Frozen Processed Food in Western Europe by Country - Retail Value in US$ Millions

Country	2005	2006	2007	2008	2009	2010
Germany	7,750	7,985	8,243	8,517	8,648	8,788
United Kingdom	6,459	6,374	6,447	6,676	6,894	7,026
France	4,577	4,727	4,909	5,082	5,069	5,119
Italy	2,970	2,989	3,085	3,126	3,119	3,176
Spain	1,333	1,370	1,410	1,445	1,452	1,458
Sweden	1,166	1,185	1,211	1,266	1,292	1,317
Belgium	858	885	911	943	975	1,010
Netherlands	898	884	885	922	966	1,000
Norway	790	822	853	883	906	936
Denmark	773	783	797	829	853	863
Switzerland	662	669	683	712	727	743
Austria	606	631	643	660	688	717
Ireland	506	518	531	561	566	584
Finland	433	455	476	506	510	504
Greece	292	312	323	332	342	352
Portugal	267	277	287	305	311	322
Turkey	71	74	77	82	90	94

Source: *Euromonitor International*

- According to Mintel trend reports, frozen processed food continued to gain in popularity in Germany in 2010 thanks to the products' easy and convenient preparation. During the economic crisis, the 'cocooning' trend saw German consumers eat out less and prepare meals at home more often. Furthermore, frozen processed foods enjoy a very healthy image in Germany as products are frozen before losing important nutrients.

- According to Euromonitor, frozen processed food also saw a surge in popularity in the U.K. during 2010, as consumers felt pressure from the economic recession. Tighter budgets and less job security resulted in British consumers becoming more careful with their spending, forcing them to trade down from more expensive foodservice and packaged food categories, and opting for less expensive, frozen variations.

- Frozen processed food is considered a convenient food amongst French consumers, since frozen food can be easily preserved and cooked. Consumers see frozen food products as good value for their money, however, this category also suffers from some negative images in France. Consumers perceive that the nutritional content of frozen products is inferior to that of chilled or fresh foods, and believe that unnecessary amounts of fat, sugar or salt are often added to some frozen products.

- Italian consumption of frozen processed food is moving towards the levels of other European countries. However, the majority of consumers prefer fresh products, which are available throughout the year, particularly when it comes to meat and vegetables.

- Although Spanish consumers are renowned for their commitment to healthy food and the Mediterranean diet, American-style fast food (and associated frozen offerings) is very popular among children and teenagers in the country.

RETAIL SALES (CONTINUED)

- According to Euromonitor, growth in this sector can be largely attributed to an increasing number of products that feature "convenience-minded and value-added qualities," offering meal solutions for consumers. However, these products also typically bring a higher price.

Western Europe - Frozen Processed Food Market Sizes - US$ millions

Categories	2005	2006	2007	2008	2009	2010
Frozen Processed Food	29,661	30,413	33,981	36,176	33,967	34,132
Frozen Ready Meals	5,196	5,246	5,776	6,046	5,470	5,394
Frozen Processed Fish/Seafood	3,994	4,266	4,922	5,224	4,952	5,018
Frozen Pizza	3,809	3,929	4,381	4,814	4,678	4,801
Frozen Processed Vegetables	3,940	4,056	4,564	4,898	4,614	4,612
Frozen Processed Potatoes	2,993	3,106	3,531	3,686	3,405	3,396
Other Frozen Processed Food	2,261	2,326	2,596	2,826	2,705	2,717
Frozen Processed Poultry	2,277	2,140	2,246	2,282	2,099	2,097
Frozen Processed Red Meat	1,648	1,689	1,865	1,970	1,875	1,907
Frozen Desserts	1,608	1,663	1,869	2,013	1,898	1,906
Frozen Bakery	1,229	1,257	1,407	1,537	1,455	1,456
Frozen Soup	360	376	418	463	440	442
Frozen Meat Substitutes	345	360	408	416	376	387

Source: *Euromonitor International*

COMPANY AND BRAND SHARES

Brand Shares (by Global Brand Name) - Retail Sales Value - % Breakdown

Brand	Company name (GBO)	2005	2006	2007	2008	2009
Iglo	Iglo Bird's Eye Frozen Foods	-	4.3	4.3	4.5	4.5
Birds Eye	Iglo Bird's Eye Frozen Foods	-	3.3	3.2	3.2	3.3
Bofrost	Bofrost Dienstleistungs GmbH & Co KG	3.1	3.1	3.2	3.2	3.2
McCain	McCain Foods Ltd	3.0	3.0	3.1	3.0	3.0
Findus	Findus Sverige AB	2.8	2.8	2.8	2.8	2.8
Findus	Unilever Group	2.8	2.7	2.8	2.7	2.7
Coppenrath	Conditorei Coppenrath & Wiese	2.1	2.1	2.2	2.2	2.2
Dr Oetker	Oetker-Gruppe	1.3	1.6	1.7	1.7	1.8
Ristorante	Oetker-Gruppe	1.5	1.6	1.6	1.7	1.7
Wagner	Wagner Tiefkühlprodukte GmbH	1.5	1.6	1.6	1.6	1.6
Buitoni	Nestlé SA	1.2	1.2	1.2	1.2	1.3
Youngs	Youngs Bluecrest Seafood Ltd	0.9	0.9	0.9	1.0	1.1
Brossard	Saveurs de France-Brossard	0.8	0.8	0.8	0.8	0.8
Aunt Bessie	Jackson & Son Plc, Wm	0.7	0.7	0.7	0.7	0.7
Weight Watchers	Weight Watchers International Inc	0.7	0.6	0.7	0.7	0.7
Grandiosa	Orkla Group	0.6	0.7	0.7	0.6	0.6
Frosta	Frosta AG	0.6	0.6	0.6	0.6	0.6
Charal	Bigard SA, Groupe	-	-	-	0.5	0.6
Goodfellas	Northern Foods Plc	0.6	0.6	0.6	0.6	0.5
Pescanova	Pescanova SA, Grupo	0.5	0.5	0.5	0.5	0.5
Maggi	Nestlé SA	1.0	0.9	0.8	0.7	0.5
Private label	Private Label	34.1	34.7	35.2	35.7	36.2
Others	Others	19.7	19.3	18.8	18.0	17.5

Source: *Euromonitor International*

DISTRIBUTION CHANNELS

- Hypermarkets and superstores are among Western Europe's most predominant retail formats, thanks to the operations of well-established players such as Carrefour, Auchan, Tesco, Metro Group or Schwarz Group.
- As a result of the legal restrictions placed on both hypermarket openings and large-scale mergers, the convenience store format is increasingly utilized by mass market retailers.

Company	Description
Carrefour	A French-based operator of hypermarkets, supermarkets and discount stores.
Metro Group	A German-based company that largely relies on its cash and carry outlets (which target the hotel, restaurant and institutions sector), but also manages networks of hypermarkets and consumer electronics stores.
Tesco	A British market leader with several foreign operations outside Western Europe.
Schwarz Group	Owner of the fast-expanding Lidl and Kaufland chains.
Auchan	Another French multi-format specialist.
Edeka	A German market leader that has increasingly been focusing on its home market operations.

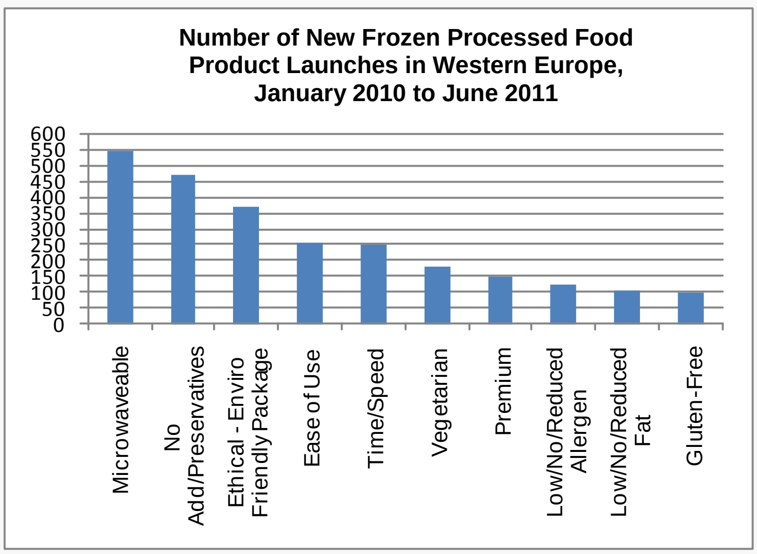
Source: *Planet Retail*

NEW PRODUCTS

Top 5 New Frozen Product Claims	Products
Microwaveable	545
No Additives/Preservatives	469
Ethical - Environmentally Friendly Package	370
Ease of Use	253
Time/Speed	247

Source: *Mintel*

- According to the Mintel Global New Products Database, the main advantage of frozen food is the convenience it offers, particularly as more and more Europeans have less time to prepare a meal. However, frozen foods do not have to come in the form of finished products. Many frozen foods are designed to be used as an ingredient within, or accompaniment to a dish.



Source: *Mintel*

Frozen Processed Food Sub-Category	New Products 2010-2011
Dairy Based Frozen Products	521
Pizzas	293
Prepared Meals	273
Fish Products	268
Vegetables	235
Other Frozen Desserts	178
Hors d'oeuvres/Canapes	151
Meat Products	137
Poultry Products	117
Potato Products	108
Total Sample	2884

Source: *Mintel*

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