CIAA Survey of European Food and Beverage Manufacturers 2008:

Meeting the Changing Needs of European Consumers through Reformulation, Innovation and Labelling

1. **Research Objectives and Methodology**
2. Executive Summary
3. Product Reformulation and Innovation
4. Nutritional Labelling
5. Packaging Sizes
6. Conclusions

Research Objectives

SCOPE:

Monitor what the food and beverage industry in five of the largest EU markets is doing to:

- Reformulate current products and/or introduce new products with less saturated fat, salt or sugars
- Change labelling to provide consumers with more information about the nutritional content of its products (for example, Guideline Daily Amounts, or GDAs)
- Offer a greater range of choice in packaging sizes

The research samples the entire food and beverage industry in five key markets, including:

- packaged and non-packaged goods and produce
- all company sizes (from the largest multinationals to small family owned bakeries, greengrocers and butchers)
- own-label companies[1]
- CIAA member companies
- members of CIAA national food and drink federations
- other companies, not members of such federations

[1] *"Own –label companies" in this study are those that make products with their own brands on them.*

Research Objectives

OUTCOME:

The results of this research provide a proportionally representative snapshot of what food and beverage manufacturers in five key European markets are doing in terms of reformulation and innovation, labelling and packaging sizes

What the study is:

- The study is a representative snapshot of the behaviour in 2008 of the entire food and drinks industry in these five markets with regard to reformulation, labelling and packaging sizes

What the study is not:

- It is not a longitudinal study: it does not track the behaviour of the same companies over time

Methodology

- CIAA commissioned APCO Insight, an independent, international opinion research company to conduct a proportionally representative survey of the entire food and beverage industry to determine its current practices in these areas
- The pool from which the sample was drawn included all food and beverage companies from a variety of sectors in France, Italy, the Netherlands, Spain, and the UK. These markets were chosen as they include five of the top six EU markets in terms of food and drink industry sales
- APCO Insight conducted the survey with a random selection of companies drawn from this pool
- Fieldwork for the study was from 06 March 2009 thru 19 May 2009
- For illustrative purposes, this report occasionally presents the results of a similar survey conducted by APCO Insight for CIAA in 2008. That survey tracked food and beverage company behaviour over the four-year period of 2004 to 2007

Methodology

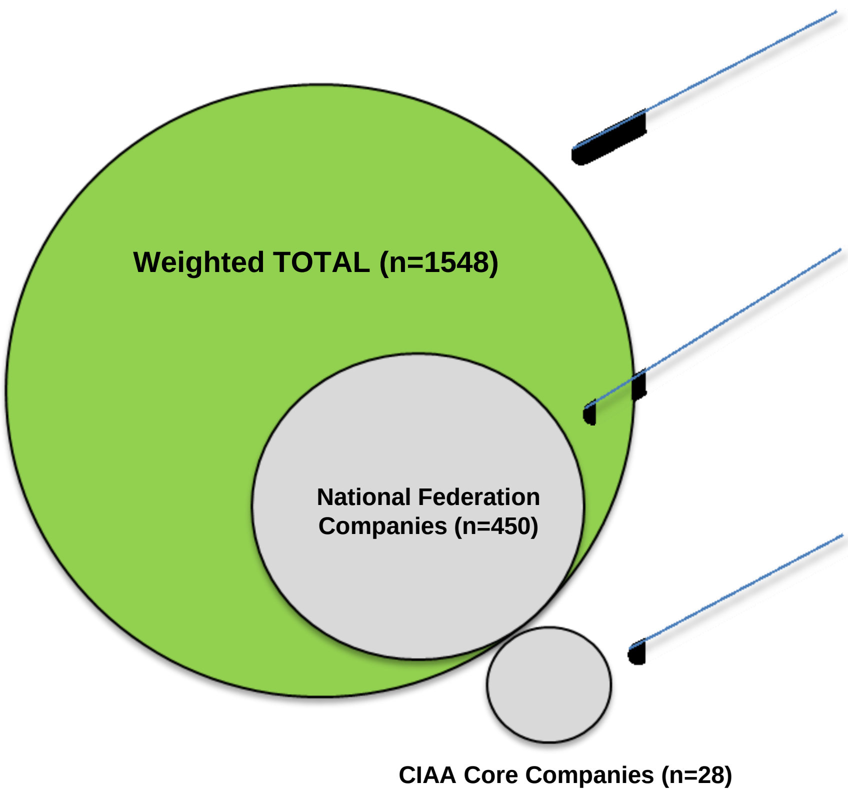
- The total sample size for the study is 1548 (weighted)*.
- Total sample sizes for each question are shown throughout the report. Sometimes, the totals shown in the graphs and tables do not add to 100% due to rounding
- The overall margins of error for the weighted data are:

Weighted		Country					Size of Company			
	Weighted TOTAL (n=1548)	Spain (n=286)	France (n=473)	Italy (n=404)	The NL (n=189)	The UK (n=196)	Large (n=84)	Medium (n=139)	Small (n=359)	Micro (n=958)
Overall margin of error (at the 95% confidence interval)	+/- 2.5%	+/- 5.8%	+/- 4.5%	+/- 4.9%	+/- 7.1%	+/- 7.0%	+/-10.7	+/- 8.3%	+/-5.2%	+/- 3.2%

**EXPLANATION OF WEIGHTING: As with most surveys, the achieved sample does not match exactly the desired sample based on the original sample pool proportions. Therefore, the final data set for this study was "weighted" back to match the original overall sample pool proportions. This weighting process ensures that the final data set is representative of the population of food and beverage industry across size of company and the five markets*

Methodology: Definitions

TOTAL, CIAA and National Federations



"Weighted TOTAL" includes all companies selected and interviewed randomly

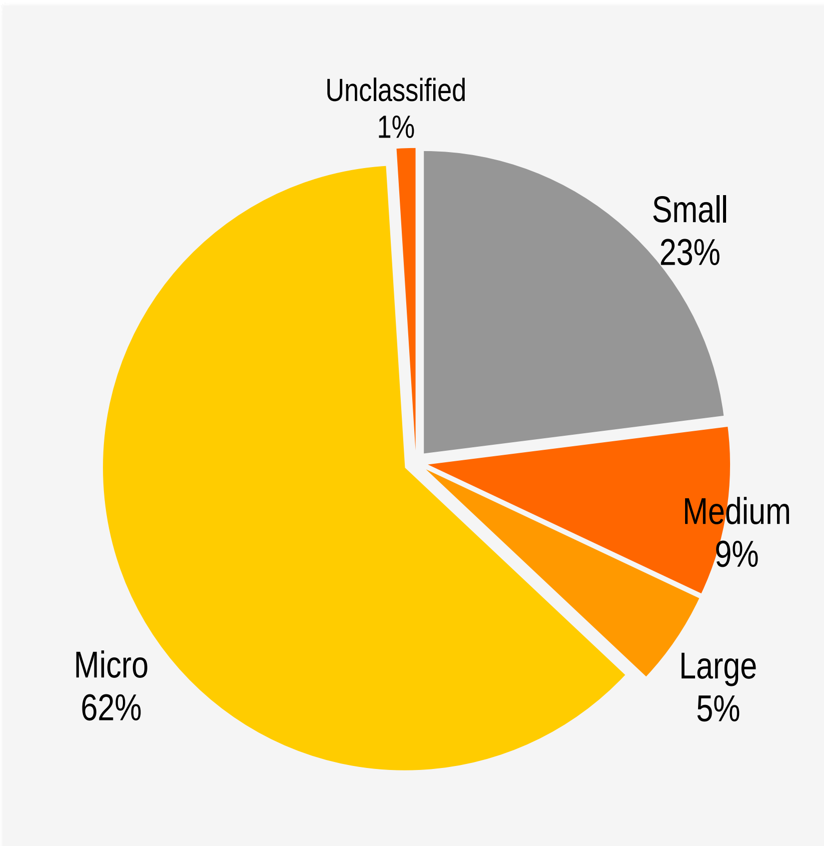
"National Federation Companies" includes National Federation companies who were selected and interviewed as part of the random sample (n=450)

"CIAA Core Companies" includes the large companies that are members of the CIAA in their own right (n=28). They were invited to take the survey directly, and thus were not randomly selected. For that reason, the results of the CIAA Core Companies are not included in the TOTAL sample

"CIAA and National Federation Companies" (n=478) referred to in the analysis includes the CIAA Core Companies (n=28) and National Federation companies (n=450)

Methodology: Definitions
Company Size – SME

Company Size: SME



Large (250 employees & more than €50m revenue)
Medium (under 250 employees & less than or equal to €50m revenue)
Small (under 50 employees & less than or equal to €10m revenue)
Micro (under 10 employees & less than or equal to €2m revenue)
Unclassified (employee and financial data not available)

Executive Summary

This study shows what the food and beverage industry in five key European markets did in one year (2008) in terms of reformulation, innovation, labelling and packaging sizes

- Reformulation and Innovation: 21% have reformulated or innovated their products to reduce fat, salt or sugars
- Labelling: 30% are increasing the amount and type of nutritional information presented to consumers, which will enable them to make more informed choices about their diets
- Packaging sizes: 25% increased the range of choice in packaging sizes
- CIAA Core Companies are especially likely to be engaging in these behaviours
- Change continues despite political and economic uncertainty, and the fact that for many of the companies surveyed, these changes are not possible because the products they produce are fresh and natural

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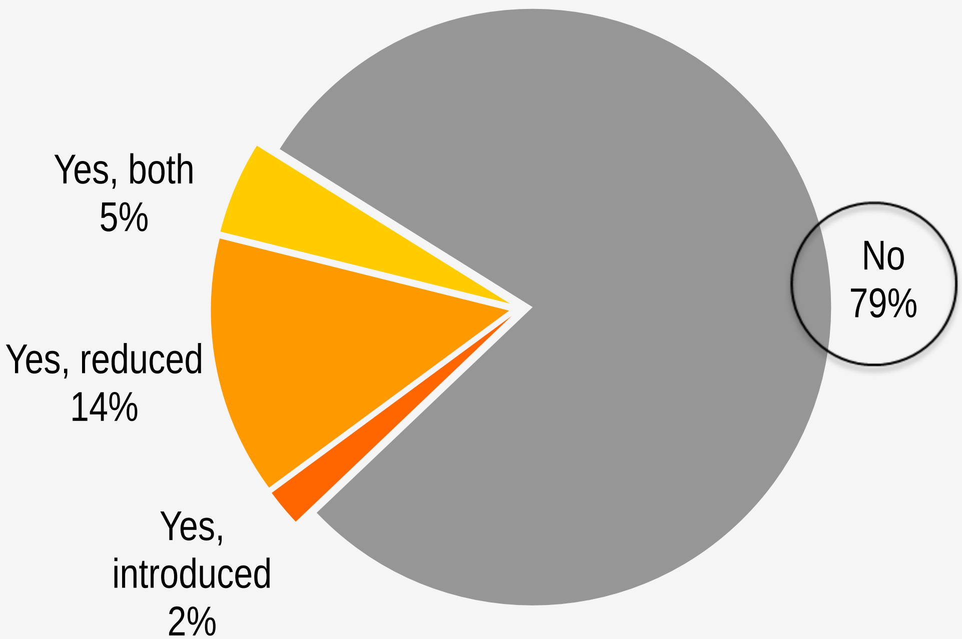
More than one in five companies say they reformulated or innovated in 2008 to reduce saturated fat, salt or sugars

Reduced amount of saturated fat, salt or sugar OR introduced new products with less saturated fat, salt or sugar?
(% who say . . .)

TOTAL "YES" = 21%



N=1548 (weighted)

Top Five Reasons for NOT Reformulating/Innovating*

- Products are fresh and/or natural and so could not be reformulated
- The recipe is traditional, successful or customers liked it as it is
- There is little, if any, of these ingredients in the products
- The recipe requires these ingredients
- They already engaged in these behaviours in years past

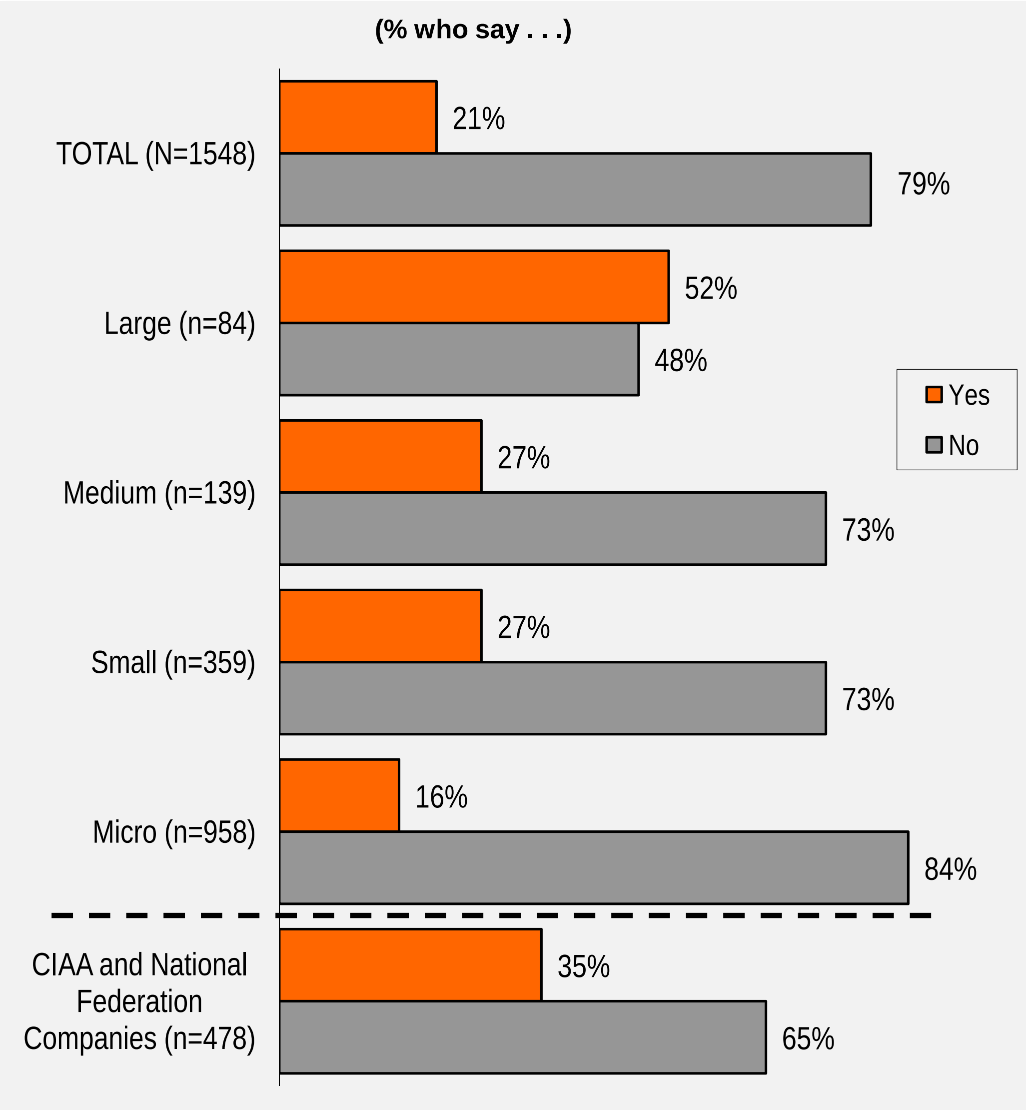
**We re-contacted approximately 12 percent of the 2009 respondents who said their company was not reformulating or innovating (n=143) and asked them the main reason why not.*

2nd Survey: What about in the past year, from January 2008 until December 31, 2008 – did your company reduce the amount of saturated fat, salt or sugars in any of your current products or introduce new products with less saturated fat, salt or sugars in the past year?

N.B. Total % may not equal 100 due to rounding

Reformulation and Innovation in 2008: SMEs

CIAA/National Federation Companies and Large Companies More Likely than others to be Reformulating/Innovating

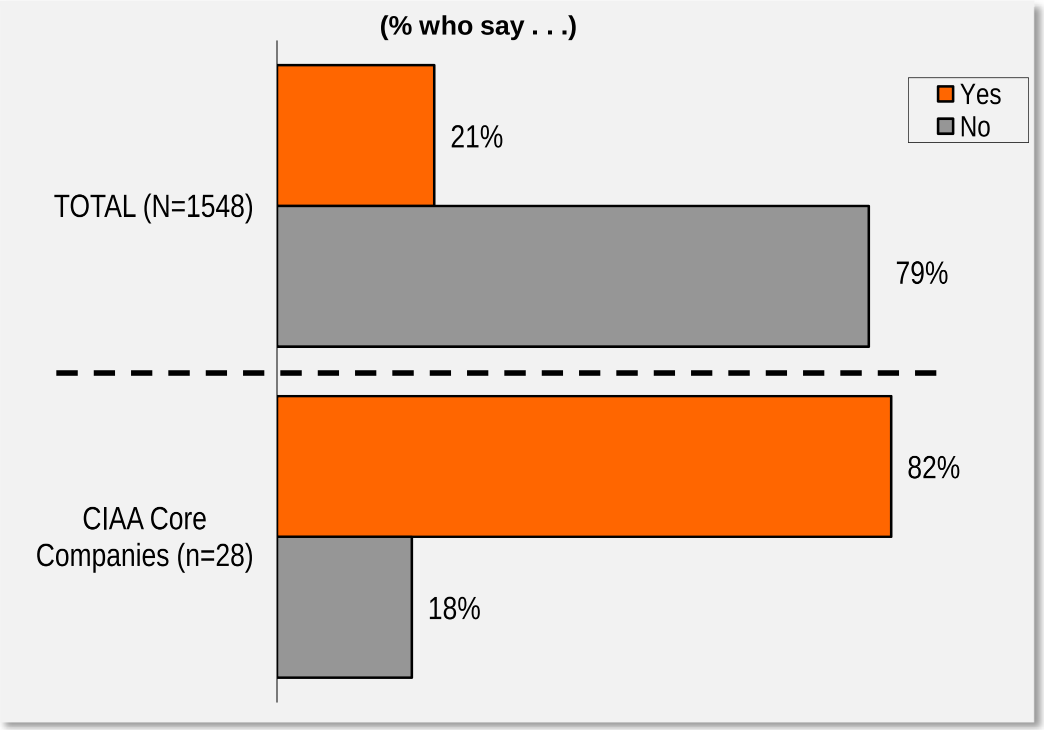


2nd Survey - What about in the past year, from January 2008 until December 31, 2008 – did your company reduce the amount of saturated fat, salt or sugars in any of your current products or introduce new products with less saturated fat, salt or sugars in the past year?

- CIAA and National Federation companies (35%) are more likely than the total sample (21%) to say they are reformulating or innovating their products
- Large companies (52%) are more likely than medium (27%), small (27%) or micro (16%) companies to say have been reformulating or innovating their products with less saturated fat, salt or sugars during this time period

Reformulation and Innovation in 2008:

CIAA Core Companies Most Likely to be Reformulating/Innovating

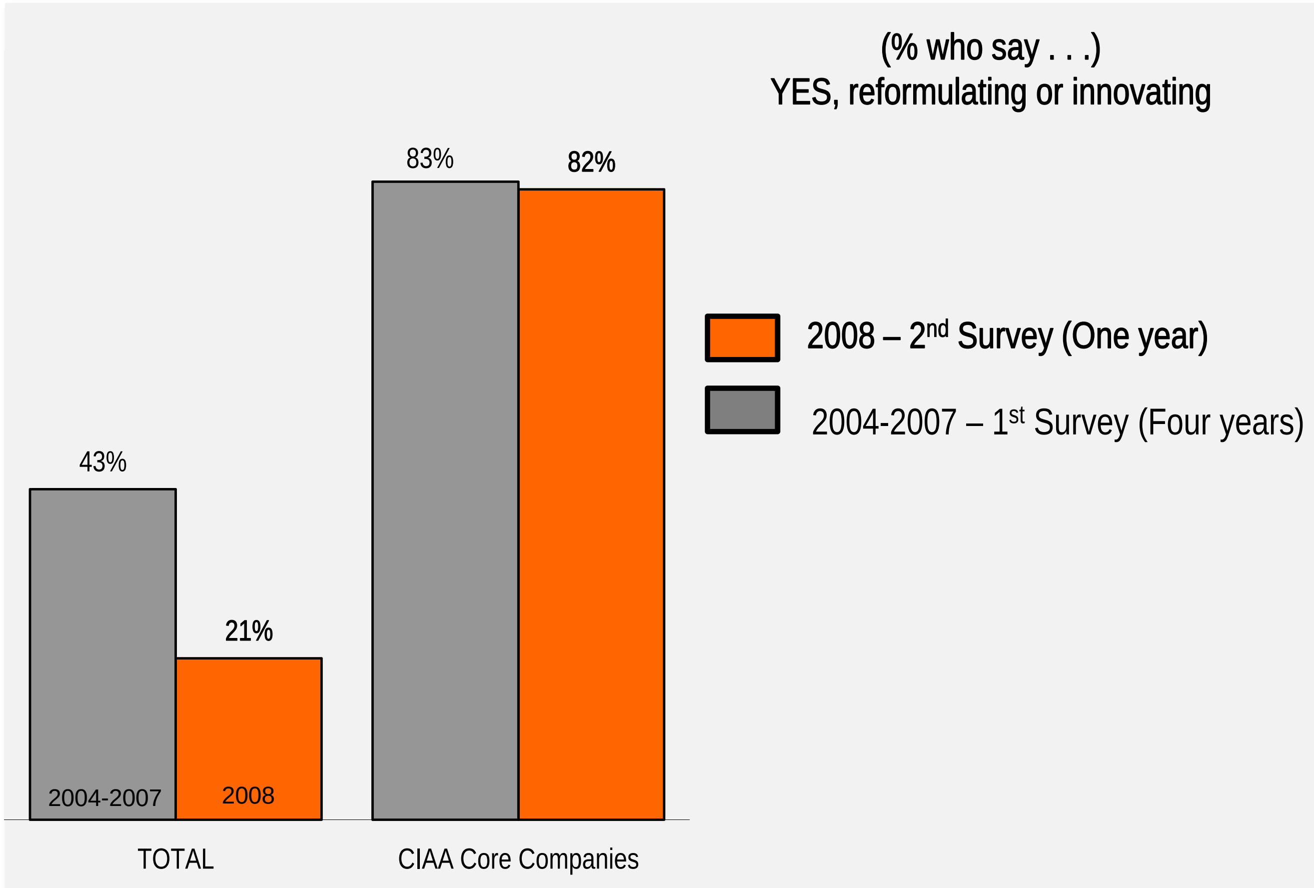


- CIAA Core companies (82%) are especially likely to say they are reformulating or innovating their products, including 64% who say they are both reformulating and innovating

2nd Survey - What about in the past year, from January 2008 until December 31, 2008 – did your company reduce the amount of saturated fat, salt or sugars in any of your current products or introduce new products with less saturated fat, salt or sugars in the past year?

Reformulation and Innovation:

Comparing 2004 – 2007 Figures with Those for 2008, Nearly all CIAA Core Companies Continue to Reformulate and Innovate



2009 Question – 2nd Survey: What about in the past year, from January 2008 until December 31, 2008 – did your company reduce the amount of saturated fat, salt or sugars in any of your current products or introduce new products with less saturated fat, salt or sugars in the past year?

2008 Question – 1st Survey: Since January 2004, has your company reduced the amount of saturated fat, salt or sugars in any of your current products or introduced new products with less saturated fat, salt or sugars?

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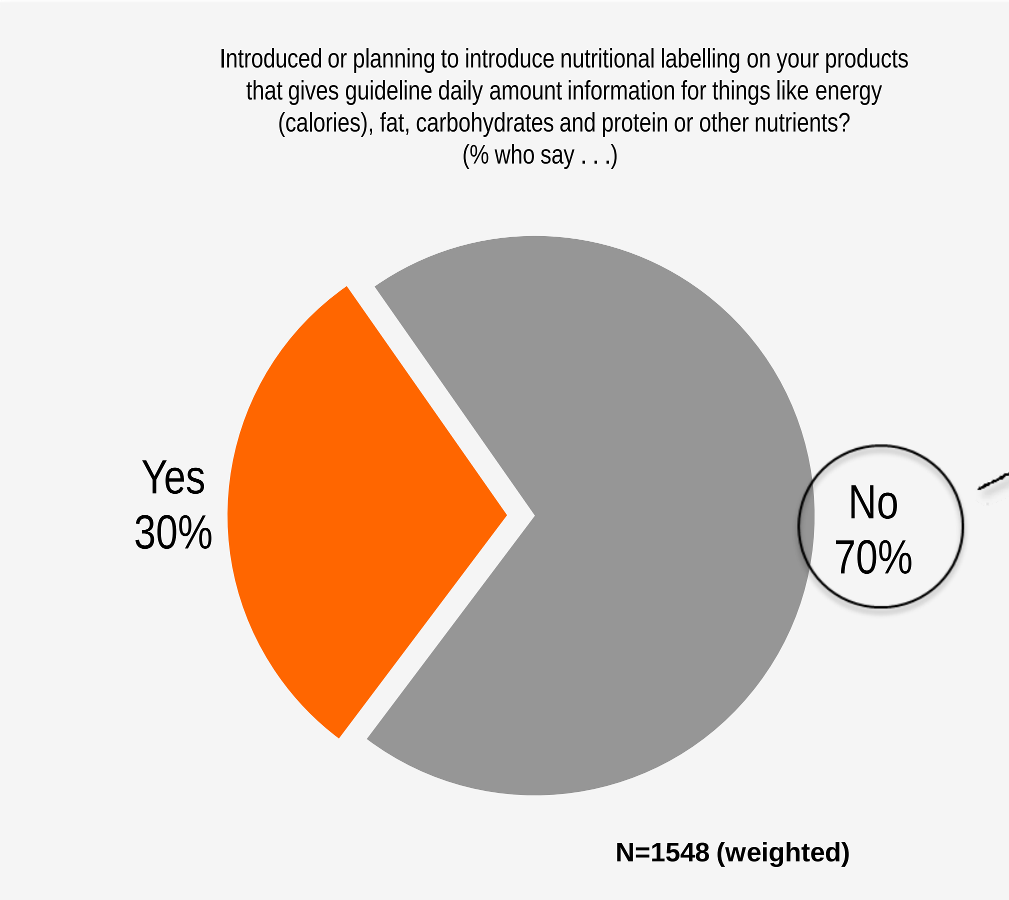
Three in Ten Companies say They Have Introduced or are Planning to Introduce GDA Nutritional Labelling on their Products



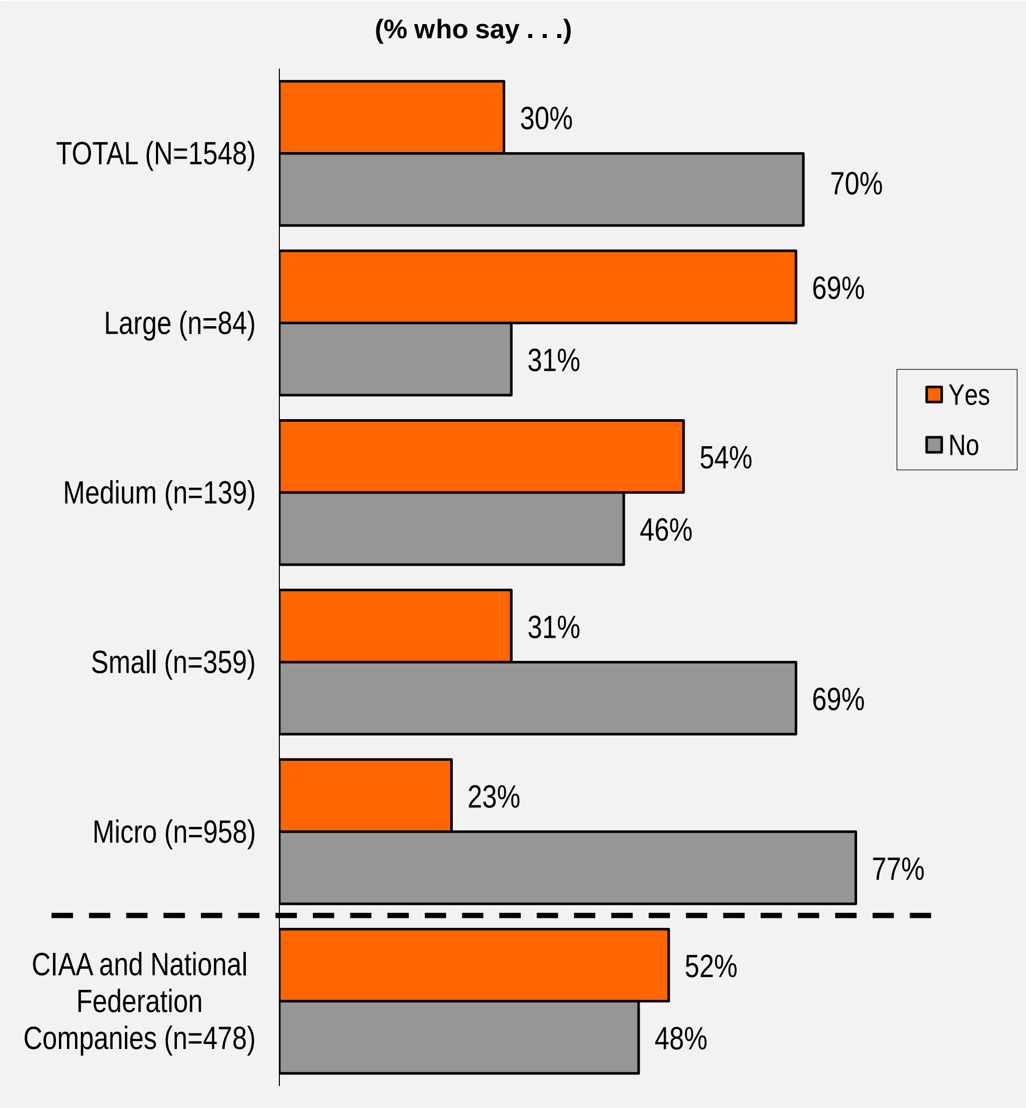
2nd Survey -- Has your company introduced or is it planning to introduce nutritional labelling on your products that gives guideline daily amount information for things like energy (calories), fat, carbohydrates and protein or other nutrients?

Top Five Reasons for NOT Labelling*

- The products are fresh and not packaged – so it isn't relevant
- They already introduced this type of labelling in years past
- Can't afford to introduce this type of labelling
- Still considering for the future/ in the process of changing
- There is no consumer demand or government requirement, to do it

** We re-contacted approximately 10 percent of the 2009 respondents who said their company had not introduced or was not planning to introduce nutritional labelling and asked, them the reasons why not*

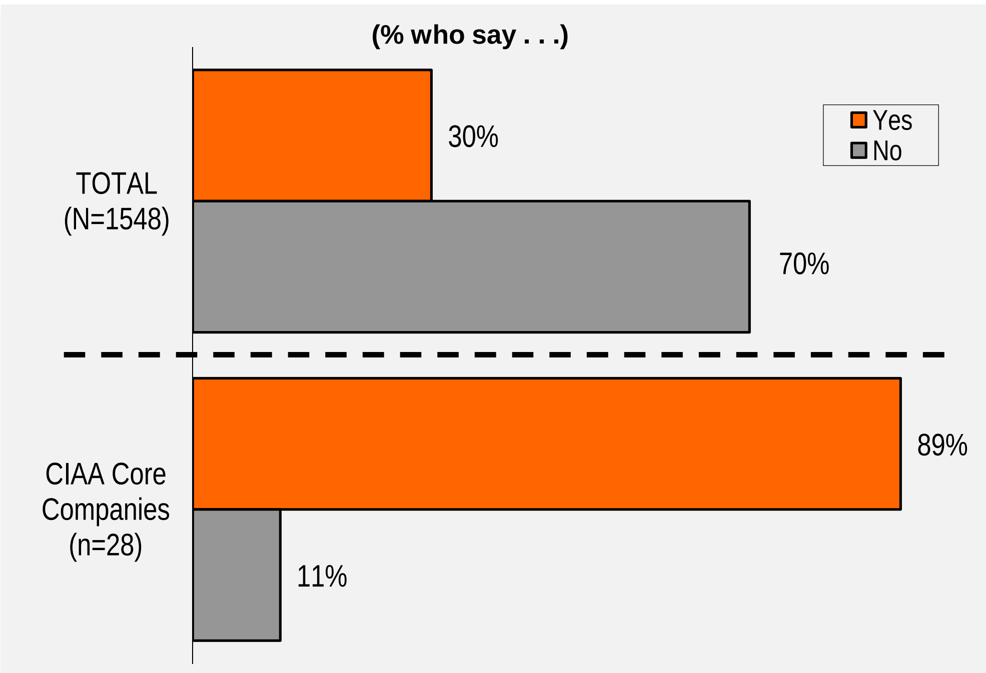
Large and Medium-Sized Companies and CIAA and Federation Companies are More Likely than Others to Introduce GDA Nutritional Labelling (SMEs)



2nd Survey: Has your company introduced or is it planning to introduce nutritional labelling on your products that gives guideline daily amount information for things like energy (calories), fat, carbohydrates and protein or other nutrients?

- Large companies (69%), Medium –sized companies and CIAA and Federation Companies (52%) are more likely than others to say they have introduced or are planning to introduce nutritional labelling on their products

CIAA Core Companies Most Likely to Introduce GDA Nutritional Labelling

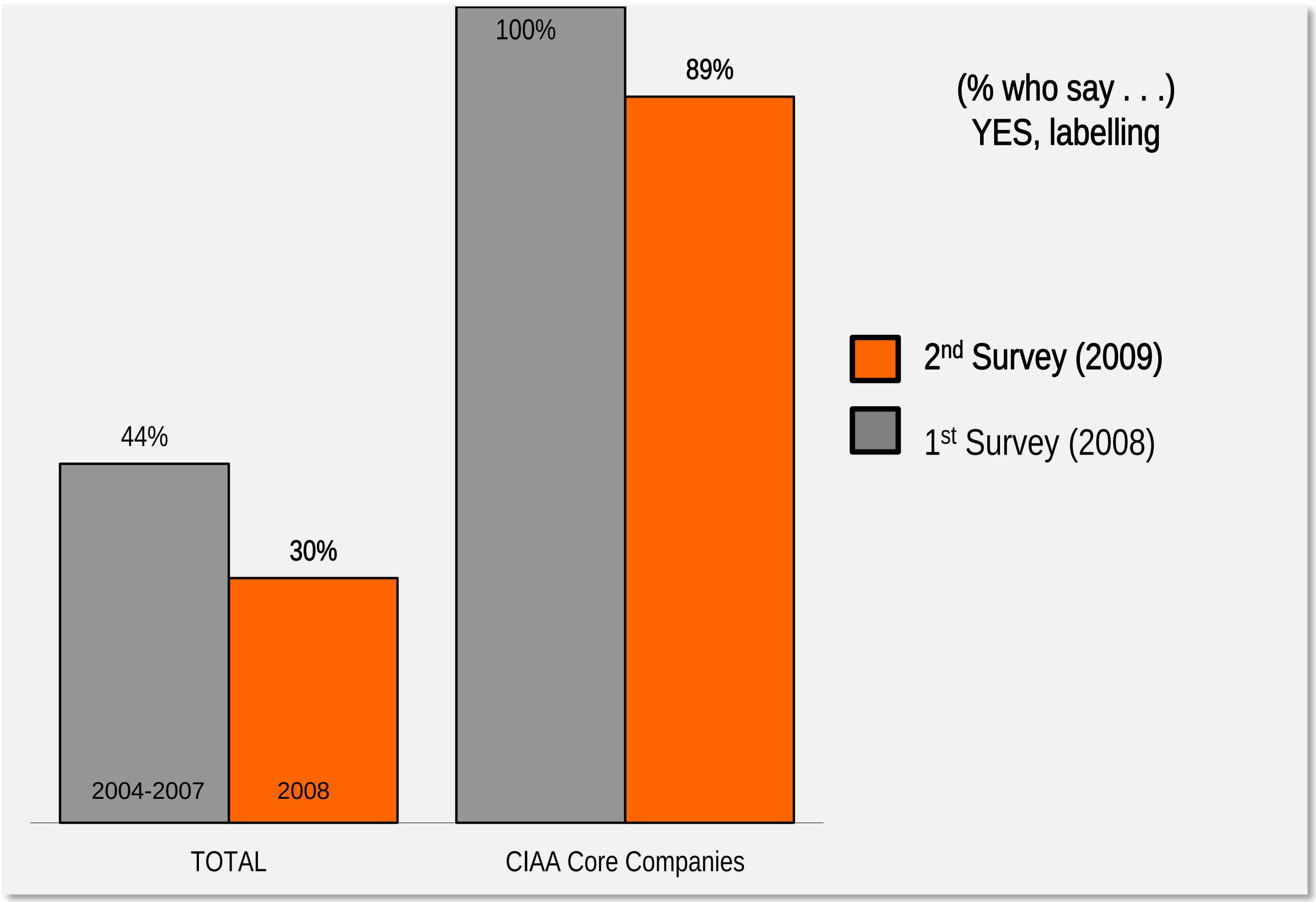


- CIAA Core Companies (89%) are especially likely to say they have introduced or are planning to introduce nutritional labelling on their products

2nd Survey - Has your company introduced or is it planning to introduce nutritional labelling on your products that gives guideline daily amount information for things like energy (calories), fat, carbohydrates and protein or other nutrients?

Labelling: Comparison Between Studies

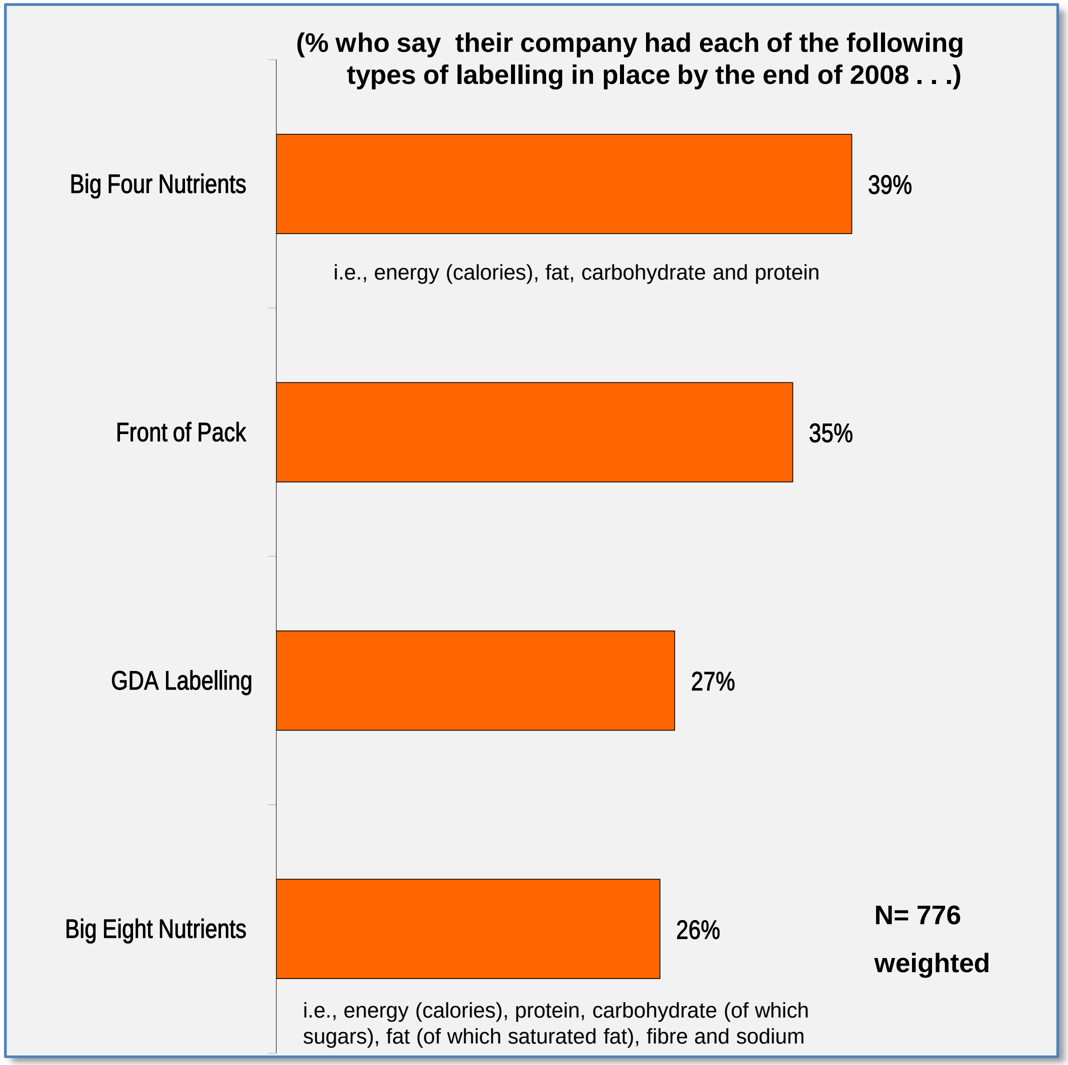
9 out of 10 CIAA Core Companies Say Introduced/Introducing GDA Nutritional Labels



2009 Question – 2nd Survey: Has your company introduced or is it planning to introduce nutritional labelling on your products that gives guideline daily amount information for things like energy (calories), fat, carbohydrates and protein or other nutrients?

2008 Question -1St Survey: And has your company recently introduced or is it planning to introduce nutritional labelling on your products that gives guideline daily amount information for things like energy (calories), fat, carbohydrates and protein or other nutrients?

Type of Labelling in Place in 2008: TOTAL



Please indicate whether your company had each of the following types of nutrient labelling by the end of 2008:

- Companies are most likely to say they had Big Four Nutrients labelling (39%) in place by the end of 2008, followed by Front of Pack (35%), GDA labelling (27%) and Big Eight Nutrients (26%)

N.B. Only companies that said they were engaged in reformulation, innovation or GDA labelling were asked this question. Those who said NO to both of these questions, were not asked the question.

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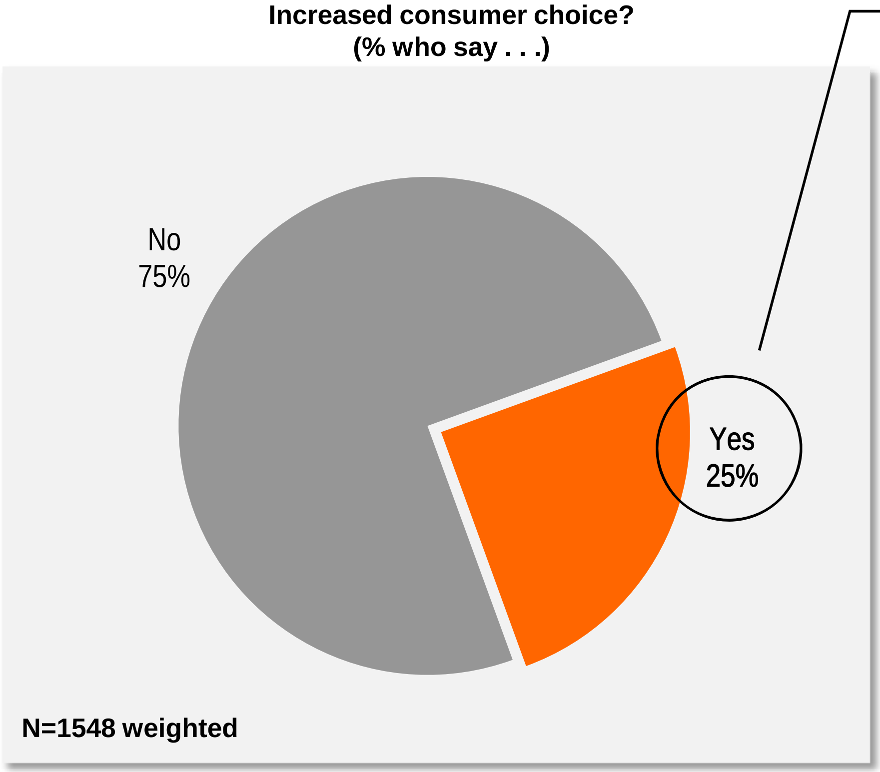
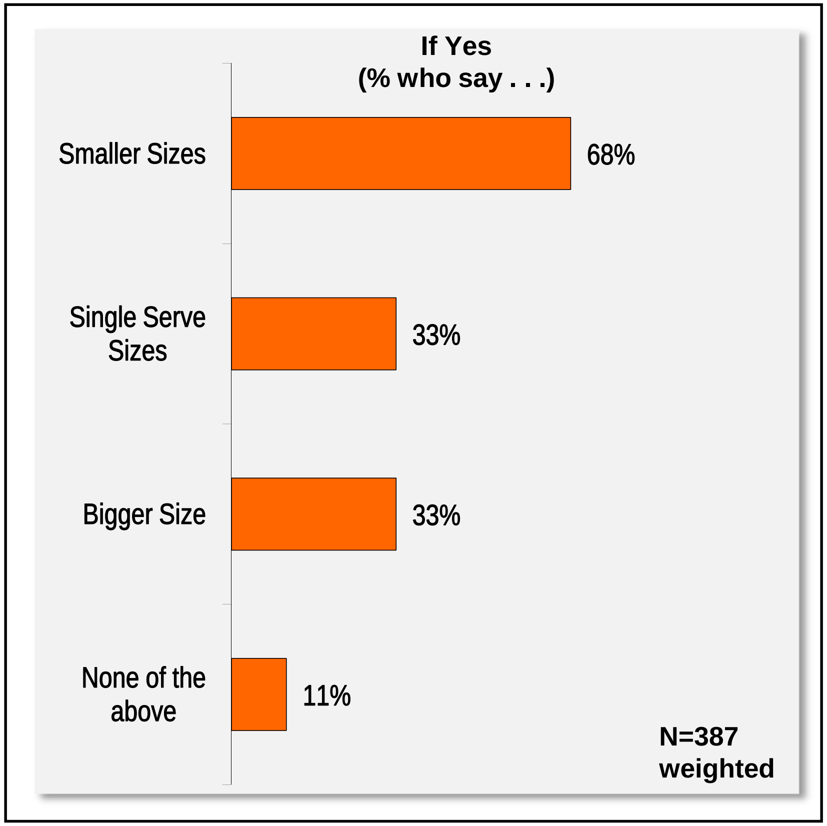
One in Four Companies have Increased the Range of Choice in Packaging Sizes in 2008

- A quarter (25%) of companies surveyed say they increased the range of choice in packaging sizes they offer to consumers in 2008
- Of those which say they have increased the range of choice in packaging sizes, almost 7 in 10 (68%) say they are more likely to offer smaller product sizes



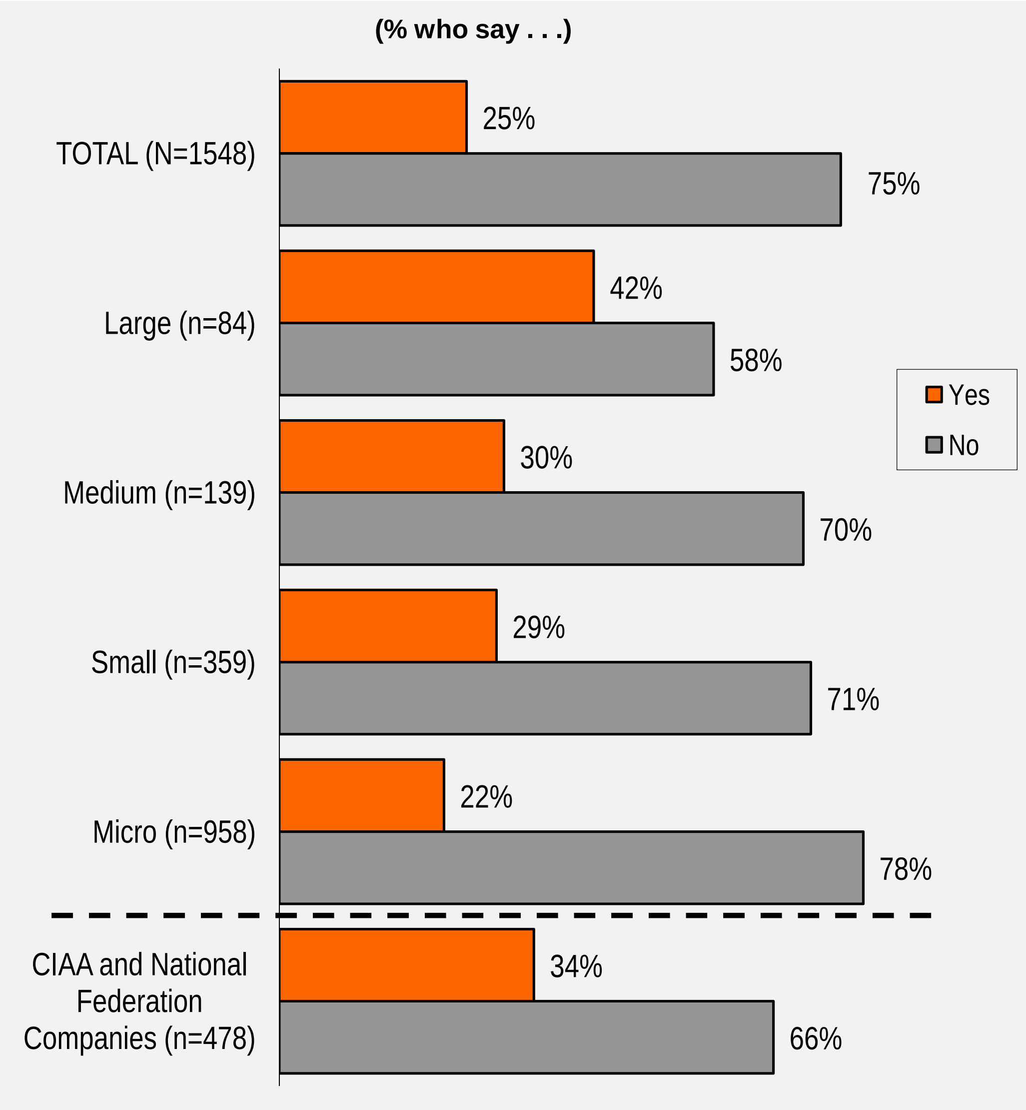
2nd Survey - Did you increase the range of choice in product and portion sizes offered to consumers from January through December 2008?



In which of the following ways has your company increased the range of choice in product and portion sizes offered to consumers? (multiple responses allowed)

Packaging Sizes in 2008:

CIAA and Federation Companies and Large Companies Particularly Likely to Increase the Range of Packaging Choices Offered to Consumers (SMEs)

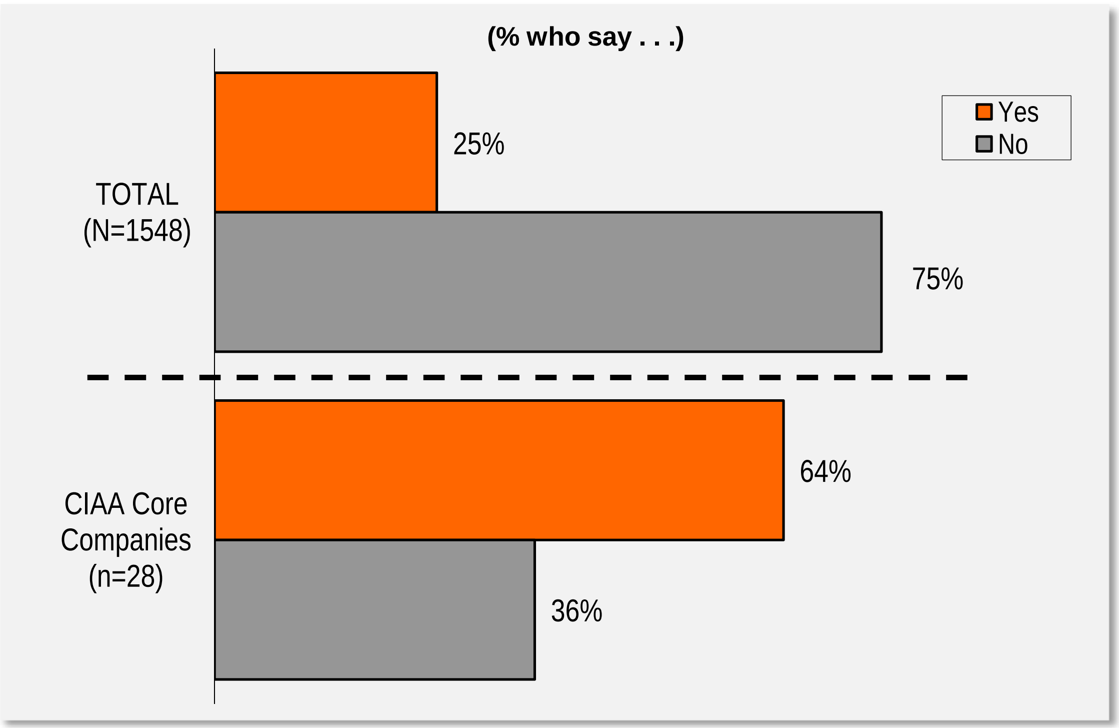


2nd Survey - And what about in the past year? Did you increase the range of choice in product and portion sizes offered to consumers from January through December 2008?

- Large companies (42%) and CIAA and Federation Companies (34%) are especially likely to say they have increased the range of choice in packaging sizes in 2008

Packaging Sizes in 2008:

CIAA Core Companies Most Likely to Increase Range of Packaging Choices



2nd Survey - And what about in the past year? Did you increase the range of choice in product and portion sizes offered to consumers from January through December 2008?

- CIAA Core Companies (64%), are more than two times as likely as others to say they have increased the range of choice in packaging sizes in 2008

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Conclusions

- **Innovation, reformulation, labelling and increased choice in packaging sizes continue in 2008 despite:**
  - ✓ Much already being achieved over the 2004-2007 period
  - ✓ Regulatory uncertainty leading some companies to "wait and see" what government will do in these areas
  - ✓ Economic uncertainty making these issues less of a priority for some companies
- **The study underestimates achievements on processed foods because for a large proportion of the companies surveyed, reformulation and innovation are not viable options:**
  - ✓ It is not relevant for companies selling fresh and/or natural products
  - ✓ Other companies (especially small family owned bakeries and butchers) do not reformulate their products to remove these ingredients because of traditional recipes, lack of customer demand or other reasons
- **All of these factors could have an impact on the rate and scope of change going forward and should be considered in the ongoing discussion about obesity, diet and health issues in Europe**

Conclusions

- **Positive change continues. The industry:**
  - ✓ Continues to reduce saturated fat, salt and sugars in many of its products
    - CIAA/National Federation Companies and Large companies are especially likely to be making reductions of these ingredients in their products
  - ✓ Is increasing the amount and type of information available to consumers, thereby enabling them to make more informed choices about their diets
    - CIAA/National Federation Companies and other Large companies are also leading the way on labelling, suggesting that most packaged food and beverage products offered to consumers could carry GDA nutrition labelling in the near future
- **These changes – greater choice and more information – suggest consumers increasingly are empowered with the tools to manage their and their family's diets**