



# ***Responding to Market Challenges: Consumer, Customer, Regulation and Supply***

**Future Foods for Future Health Conference  
24<sup>th</sup> July, 2007**





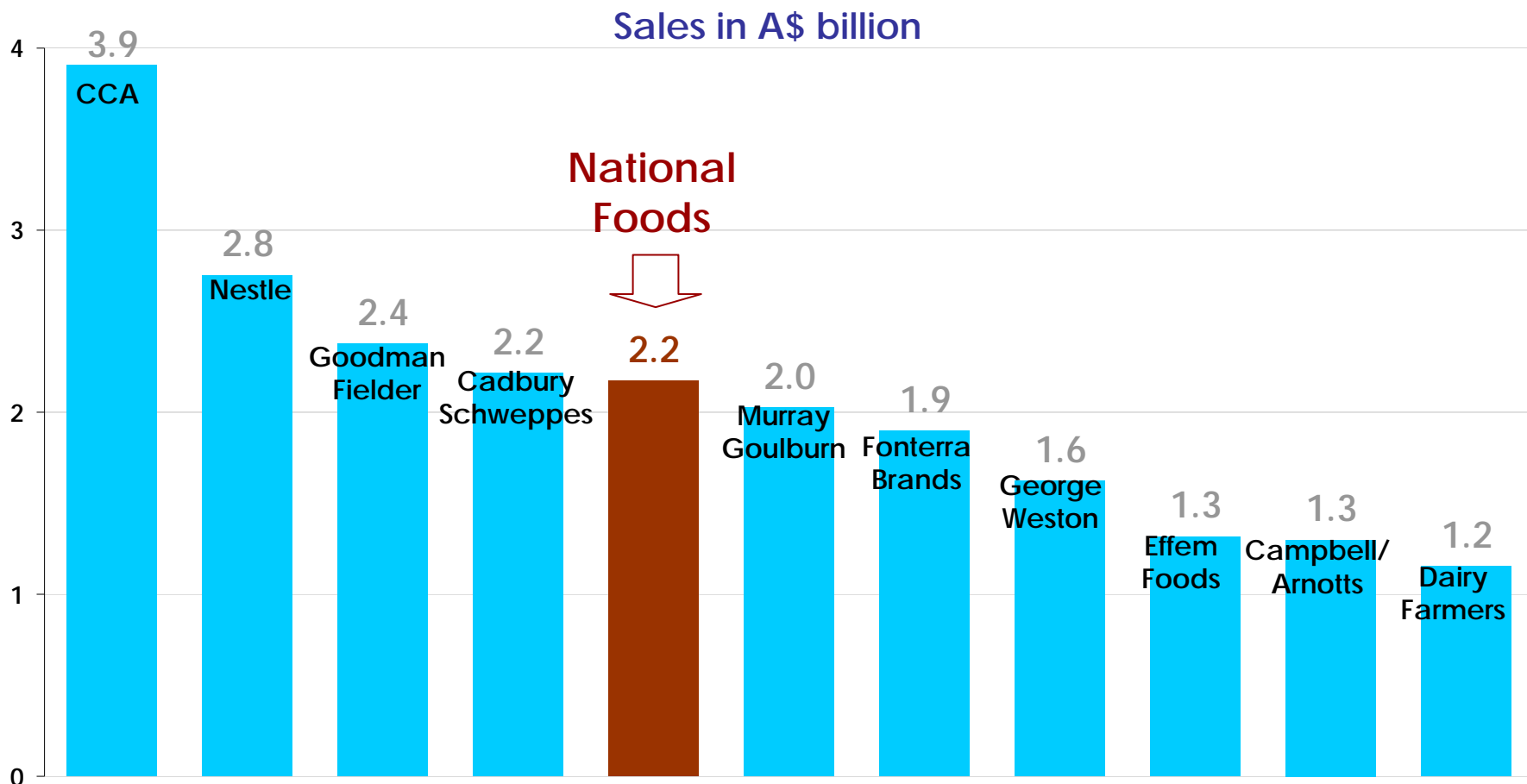
# Topic's

- **National Foods Limited**
  - Background
- **The Nutrition Opportunities**
  - Consumer Health Concerns
  - Health Food Trends
  - Product Nutrition
- **Sustainability of Supply**
- **Future Challenges**





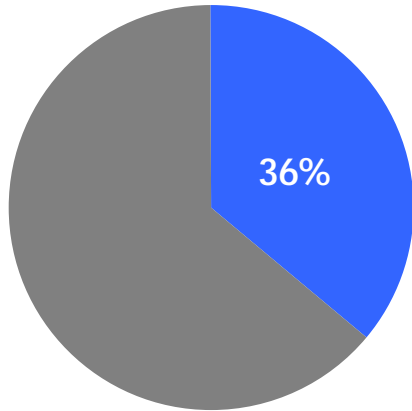
# Biggest food & beverage companies in Australia



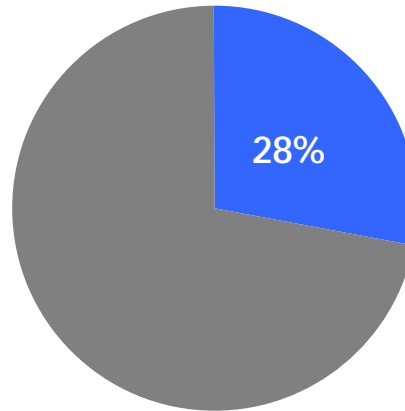


# Market Leader

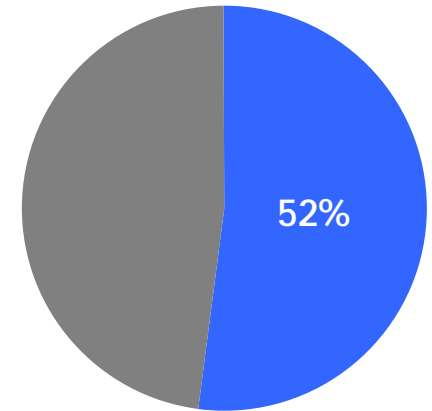
#1 in Milk



#1 in Yogurt



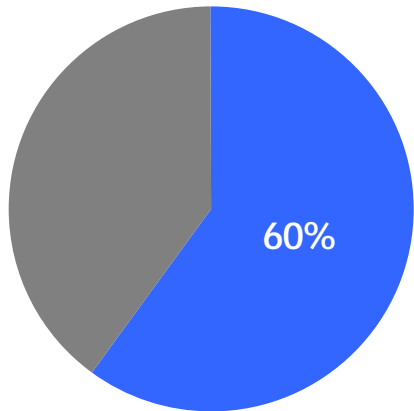
#1 in Dairy Desserts



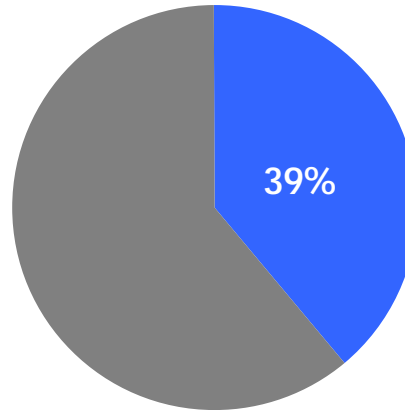


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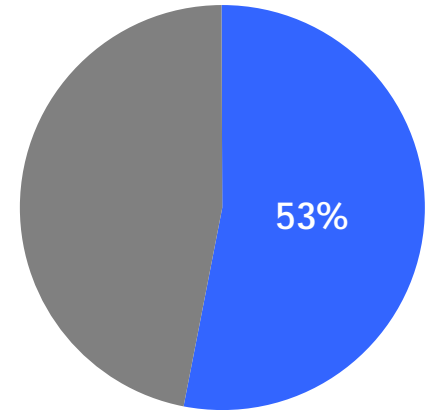
#1 in Chilled Juice



#1 in Ambient Juice



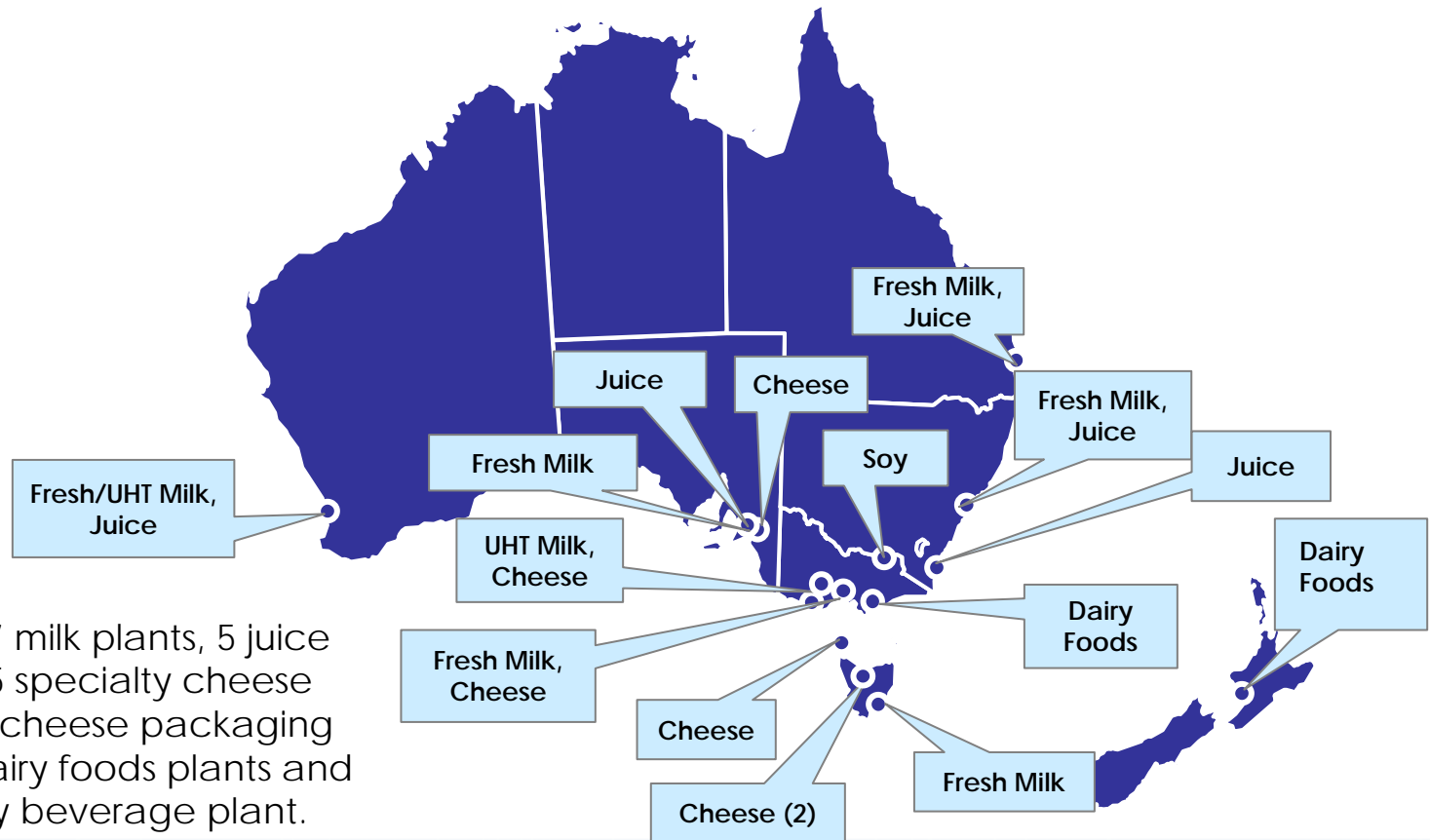
#1 in Specialty Cheese





# Manufacturing

The only truly **national** milk and juice company in Australia, with **19 plants** across the country and **4 plants overseas** (New Zealand, Indonesia and Malaysia), employing over **4,000 people**



NFL has 7 milk plants, 5 juice plants, 5 specialty cheese plants, a cheese packaging plant, 2 dairy foods plants and a JV soy beverage plant.





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# Consumer Health Concerns

## AUSTRALIA

- Obesity & chronic disease
- Ageing
- Mood & minds
- Child nutrition

## GLOBALLY

- Obesity & chronic disease
- Ageing
- Mood & minds
- Food and the environment







# Food and the environment

## Sustainability

- recycling
- renewable

→ Dietary Guidelines and recommendations

Where did the omega-3 come from?



## Local & organic

- food miles
- GM

Melbourne Community Farmers' Markets



## Agriculture & food

- indigenous solutions?



FAO promotes **organic** agriculture for the environment, ecology, health & productivity (Source: FAO 2007)

# Health Food Trends

## AUSTRALIA

- Kids & infants
- Healthy snacking
- Fibre
- Functionally enhanced

## GLOBALLY

- Kids & infants
- Healthy snacking
- Pre & probiotics
- Self preservation
  - Mind & body
- Functionally enhanced



# Kids & infants

## AUSTRALIA

More fruit....



## GLOBALLY

- UK Baby food market ↑ 28% pa despite ↓ birth rates
- ~ 50% UK baby food = organic



50% of US kids recognise health as important in choosing food

Results → December 2007





# Healthy snacking

AUSTRALIA

## Snacking

- 1/3 daily energy
- 10 snack occasions/ wk
- In all Australian lunchboxes

GLOBALLY

Naturally healthy ingredients



Un-super-size-me



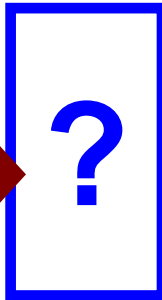




# Fibre → Pre & probiotics

IN AUSTRALIA....

AND GLOBALLY....



keep you healthy on the inside

high fibre white bread

smoothie with prebiotic

β- glucan to lower cholesterol

UK: prebiotic fibre for kids' digestive health

## Opportunities...

- Feed your good bugs
- Calcium absorption
- Immune system

Juices & drinks

bloating

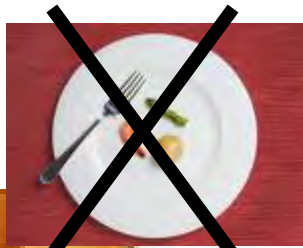




# Self preservation: mind & body

AUSTRALIA

GLOBALLY



Weight



Youthful appearance



Mind - cognition & relaxation





# Functionally Enhanced

- scientifically substantiated
- new ingredients
- targeting health conditions

GLOBALLY

AUSTRALIA

Heart Disease



OSTEOPOROSIS

ARTHRITIS

DIABETES

CANCER



# Milk Nutrition

- ✓ **Nutrient dense – over 10 essential nutrients**
  - ✓ Calcium plus.....
  - ✓ Protein
  - ✓ Vitamin B2, B12, D, A
  - ✓ Zinc, Iodine, Phosphorus
- ✓ **Bone health**
- ✓ **Dental health**
- ✓ **Weight management**
- ✓ **Heart health**
- ✓ **Low Glycaemic Index**
- ✓ **Enjoy through the lifecycle (infant → elderly)**







# Yogurt = Milk and more!

## Yogurt is alive with culture's:

- Improves intestinal micro flora
- Shortens duration of diarrhoea (children)
- Helps prevent antibiotics-associated diarrhoea
- Alleviate symptoms of lactose intolerance
- Enhances immune function
- Reduces Constipation
- Add Texture and flavour





# What's up with Juice!

## One serve (200mL) of orange juice

- 320 kJ of energy
- 8.5g carbohydrates
- 80mg Vitamin C (200% Recommended Dietary Intake)

## Other nutrients

- Folate
- Potassium
- Antioxidants such as polyphenols/ flavonoids
- Some dietary fibre





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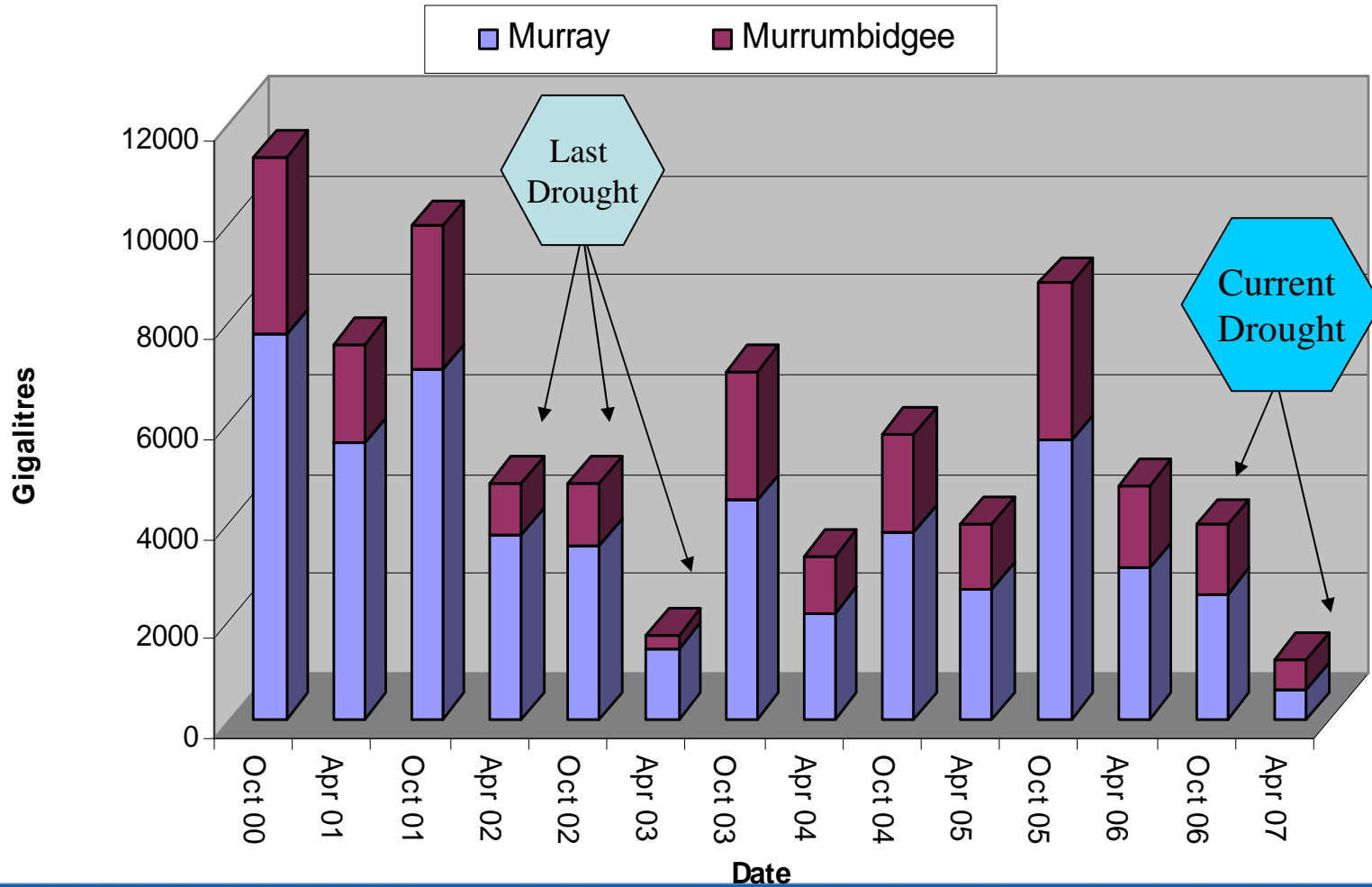
# The Supply Challenge

- **Australia's Milk supply at less than 9 billion litres – 10% reduction**
  - Drought, Water Allocations, Feed costs, Alternative Land Use, Succession Planning & Farm Profitability
- **Constrained Australian Supply & Strong World GDP driving;**
  - Commodity Pricing at record levels in US\$ & A\$ levels – namely Skim Milk Powder, Cheese to follow!
  - Competitive Market – Co-op prices rise at 33-40% levels.



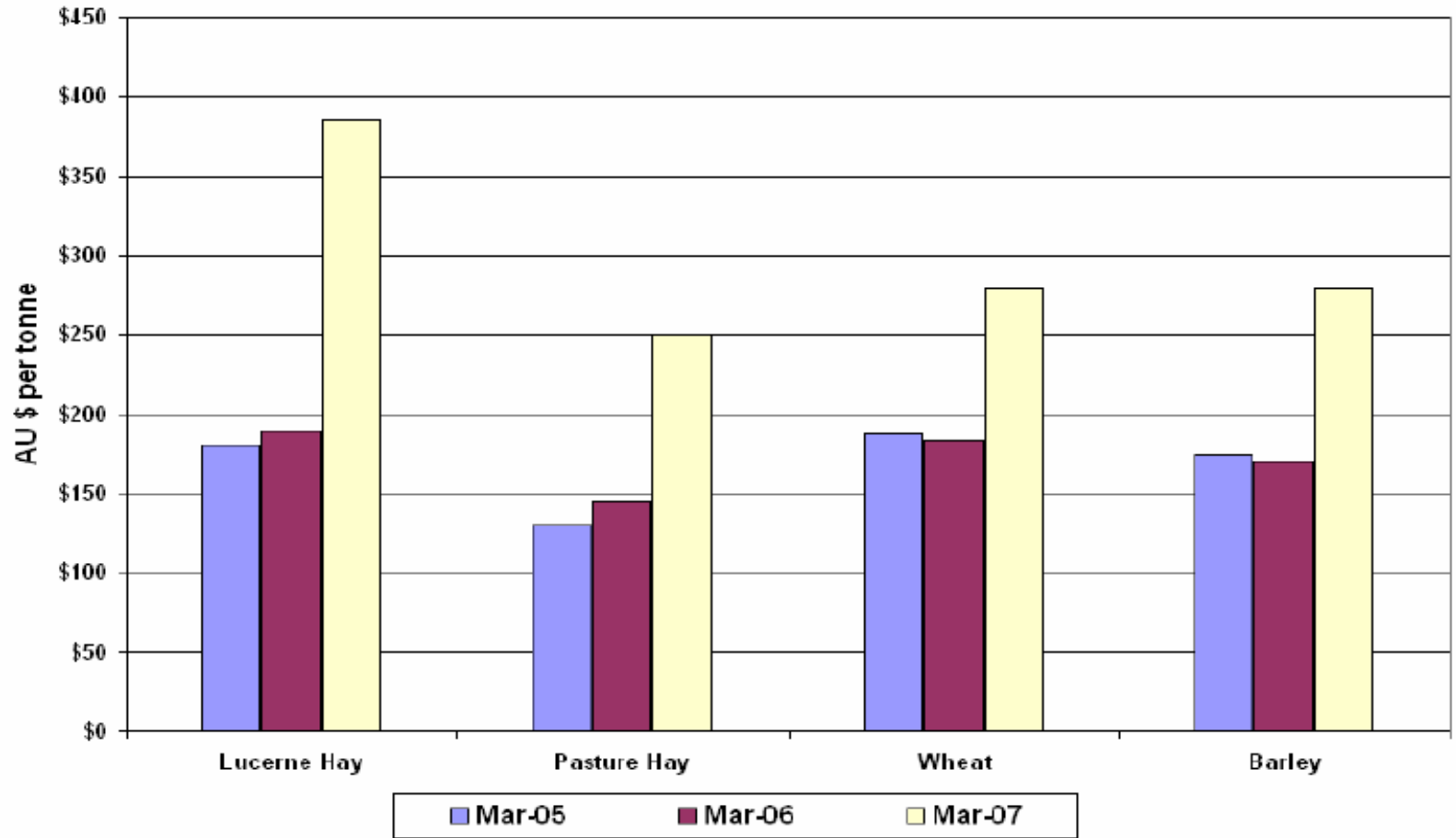
# Water: The Provider!

## Combined Storage





# Feed Inputs effecting Cost & Quality of Production

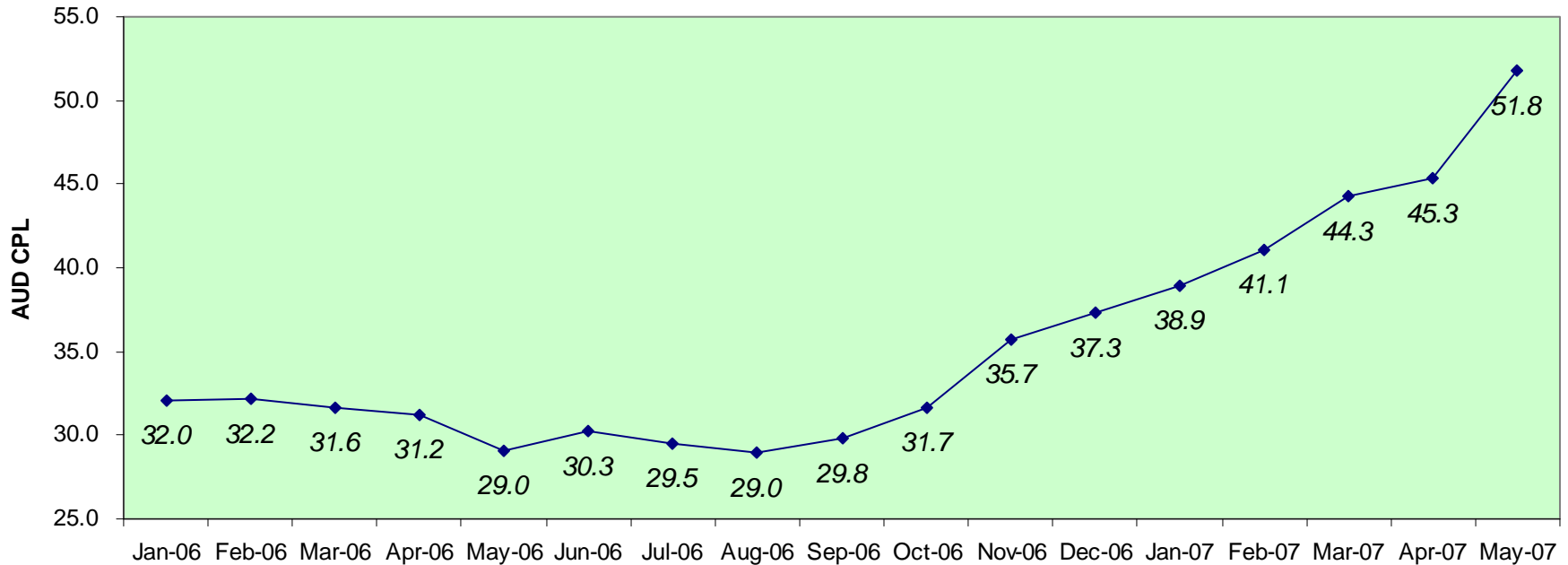


Source Dairy Australia



# Milk Returns

Dairy Commodity Returns - CPL



## Returns rising for farmers:

- 06/07 year farm prices contracted Mar / Apr 06
- 07/08 year farm prices now being contracted



# Dairy Commodities

\$A / MT	2007 Original Forecast	2007 H2 Revision	2008 Estimates	Spot Quotes
Skim Milk Powder	3,200	5,200	5,500	6,000
Skim Milk Concentrate	3,200	5,100	5,500	5,800
Cream	3,050	3,800	3,800	4,200







# Key Issues Summarised

- **Security of Supply**

- Jockeying for supply across Australia
- Volume decrease in Australia is equivalent to NFL annual raw milk purchases – 1 billion litres

- **Milk Pricing Movements**

- Market movement potential very strong over next 12 – 24 months
  - 12 months – 25%-30% (Assumes 40cpl mkt)
  - 24 months – 50%-60% (Assumes 46-50 cpl mkt)





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# Future Challenges

- **Ability to reduce costs limited**
  - Global market demand likely to remain for foreseeable future
  - Ongoing issues re water supply
  - Consumer perception of GM feed negative
  - Oil costs likely to remain high long term (if not increase)
- **The cost of good basic nutrition will increase**
  - Sustainability of supply
  - Cost of basic food ingredients & packaging
- **Some risk on key health issues**
  - Osteoporosis, Obesity, Heart health
- **Convincing consumers to pay more to improve health difficult**
  - Consumers looking for clear health benefits
  - Ability to fortify foods restricted
  - Nutritional claims in ANZ difficult vs. Global markets





# Thankyou

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