Challenging factories to save water: Unilever

Unilever was the first major company to seek out a water stewardship programme, back in 1992 in its Benelux countries. It was a practice that was then rolled out internationally.

In 2006, Unilever set a challenging target of reducing water consumption by 30% at the end of 2010. Unilever identifies water as a material risk and takes water management seriously. As its mission is to ‘Create优质 products and share a better future’ with consumers, Unilever understands that informed consumers expect companies to address water-related concerns.

Unilever’s energy intensity, measured in energy consumption per dollar of revenue, is lower than the average of its industry peers.

To achieve its water target, Unilever has challenged its factories and distributors to save water. This has created pressure on the process industries that use water to clean and cool machinery. The past three years have seen a reduction in water use of 27%.

The water that evaporates during cooking was sent directly to the water treatment plant, but it is now used for cooling and to wash equipment. Project Medusa has achieved a reduction in total water consumption of 7.9% and a 14.7% reduction in the load per tonne of production.

Source: www.unilever.com

Adapting to emerging markets: Groupe Danone

Grameen Bank (Grameen Danone Foods Social Business Enterprise in Bangladesh) allows Danone to develop and distribute products in partnership with local NGOs, thus bringing daily healthy and nutritious food to low-income, nutritionally deprived populations. Grameen Danone will predominantly rely on solar energy and biogas energies for its operations as well as the use of innovative, environment friendly packaging solutions for its products. The initial focus will be the launch of an easily affordable dairy product, which has been specifically developed to fulfil the nutritional needs of children in Bangladesh by bringing them the benefits of milk and other micro-nutrients they lack.

Source: www.dbanone.com

Making healthier products: Nestlé

Nestlé is a trendsetter in product innovation. The company has also worked on lowering sugar quantities in products by 10% before 2012. These reduction programmes will continue as long as consumer preference and product safety (since salt is an important preservative) is sustained.

Source: www.nestle.com

Food TRENDS

- The food industry is made up of fresh (€295 billion) and processed (€1.2 trillion) products. Market sizes, as indicated by the value of retail sales, are much larger in high-income areas such as the European Union, the United States and Japan, however market growth has generally been faster among emerging markets.

- The food production industry is relatively concentrated with the top 4 players (Nestlé, Unilever, Kraft and Groupe Danone) accounting for more than 50% of the global market capitalisation of the top 30 global food companies.

- Health and nutrition are key drivers of sales growth in the food sector and offer significant pricing power and margin opportunity. Food products considered to be healthy include those which, for example, are organic, fortified with vitamins or minerals, contain reduced levels of sugar or fat, are high-fibre, soy-based or gluten/lactose-free.

FOOD PRODUCERS

Eurosif wishes to acknowledge the support and direction provided by the Food Sector Report Steering Committee:

Crédit Agricole Asset Management
SAM Group
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This sector report, created with the support of the European Commission, has been compiled by:

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May 2007

FOOD OVERVIEW

● European companies

Source: Dow Jones Global Index 6000, April 2007

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FOOD TRENDS

- Fast-paced lifestyles create an increase in demand from consumers for more timesaving and ready-to-eat food products.

- Higher income brackets tend to ask for healthier options or functional food which may cost more, whereas in lower income countries people are eating more affordable processed foods, which may contain high levels of fat and sugar. This contributes to the alarming growing levels of obesity worldwide.

- The EU estimates that obesity currently accounts for up to 7% of health care costs and is expected to rise. Governments are receiving pressure from international health organisations to bring this figure down, posing a challenge for the food industry, which is being asked to adapt to these changes.

- Food retailers are placing more and more pressure on food producers to be competitive. Supermarkets want to deal with as few suppliers as possible and are reducing products on their shelves to 3 or 4 leading brands, often alongside their own private label.

- Emerging markets are attractive for food producers due to an increase in population as well as increases in per capita food consumption. Changes in diet, made possible by income growth, are expected to double demand for meat by consumers in these emerging markets by the end of 2020. This increase in meat consumption however creates a tug of war on the demands for arable land to grow crops versus grazing land to feed livestock.

- The food industry is critically dependent on natural resources. Access to arable land, fertile soil and reliable water supplies is becoming more and more difficult due to unsustainables agricultural practices, the effects of climate change, deforestation, and competition between land for food versus land for biofuel.

- Additionally, the correlation between increasing consumer wealth and demand for meat is already putting constraints on water supplies, as the production of one kilogram of beef requires around 16,000 litres of water.

5. Functional food or nutritious food, is any fresh or processed food intended to be a health promoting or wellness-enhancing product beyond the basic nutritional function of supplying nutrients.
9. Compared to 1,000 litres of water needed to produce 1 kilograms of meat, Mother for Life – Water for Food, 2005.
Injury rates however vary among specific food manufacturing industries, ranging from a low of 1.8 per 100 workers in retail bakeries to 12.9 per 100 in animal slaughtering plants, the highest rate in food manufacturing.

Food processing jobs often consist of repetitive tasks that could severely hurt crop production, and thus gravely impact companies in the food sector.

Climate change is a potential threat to the food industry as it affects farming productivity. An increase in temperatures, drastic changes in precipitation patterns and an escalation of extreme weather (e.g. hurricanes) could severely hurt crop production, and thus gravely impact companies in the food sector.

Women hold an estimated 18% of low-skilled and low-paid jobs in the Food, drink and tobacco industries (2004 data for the UK), and there has been little, if any, improvement in their position in recent years. Women currently comprise one third of all workers, but earn about two thirds the wages of men in comparable jobs.

Farm work is one of the world’s most hazardous occupations and is often associated with violations of core ILO labour standards. For example, 70% of the world’s child workers are employed in agriculture. Over 90% of hired farm workers do not have their work place rights enforced by labour inspectors, and fewer than 10% of the world’s hired farm workers belong to unions.

The success of food processing companies is dependent on the loyalty of the consumer to each individual brand and product. In turn, loyalty relies on the consumer’s trust in quality and safety of products.

While the food industry follows many rigorous quality assurance procedures, market opportunities exist for companies that favour partnerships with suppliers, transporters, wholesalers and retailers, as well as new consumer and the catering industry, which are no less responsible for the preparation of safe meals.

Food traceability in the supply chain is becoming more and more important to consumers. Industry analysts calculate that in 2000, American companies spent $1.6 trillion on supply-related activities, including the movement, storage, and control of products across the supply chain. Supply chain management, traceability and good long-term relationships with suppliers are increasingly important areas of competition.

Manufacturers of food products face increased exposure to food safety and nutritional claims, so the threat of litigation is very real. The potential legal consequences and catastrophic losses, both directly on sales and indirectly on reputation, of making or distributing contaminated food products that might cause illness or death could be very costly to companies.

The rising trend towards using biofuel may divert crop cultivation away from food production creating competition between automobile owners and food consumers. This has already resulted in drastic increases in food costs, particularly for the world’s poorest people.
Adapting to emerging markets: Groupe Danone

While the United States, the European Union and Japan currently account for about two-thirds of global food sales, emerging markets and developing countries account for over three-fourths of total global food consumers. Groupe Danone is especially keen on expanding into emerging markets, and has adapted its products and strategy to do so. Their recent initiative launched in Bangladesh with Gramene Bank (Gramene Danone Foods Social Business Enterprise in Bangladesh) allows Danone to develop and distribute products in partnership with local NGOs, thus bringing daily healthy nutrition to low-income, nutritionally deprived populations. Gramene Danone will predominantly rely on solar energy and biogas energies for its operations as well as the use of innovative, environment friendly packaging solutions for its products. The initial focus will be the launch of an easily affordable dairy product, which has been specifically developed to fulfil the nutritional needs of children in Bangladesh by bringing them the benefits of milk and other micro-nutrients they lack.

Source: www.danone.com

Making healthier products: Nestlé

Nutrition is an integral part of Nestlé’s corporate strategy as evidenced by the commitment of Mr. Peter Brabeck-Letmathe, CEO of Nestlé: “Nestlé will evolve from a respected, trusted Food Company to a respected, trusted Nutrition, Health and Wellness Company.” Nestlé’s joint venture programme with General Mills (Cereal Partners Worldwide) is working to reduce levels of sugar and salt in cereals incrementally. Since 2004 the sugar in breakfast cereals has been reduced by 30%, Nestlé has reduced salt levels in overall products by 5,000 tonnes since 2002 and aims to bring the salt level down to 75% of the quantity in the original recipes by 2010. They are also working on lowering sugar quantities in products by 10% before 2012. These reduction programmes will continue as long as consumer preference and product safety (since salt is an important preservative) is sustained.

Source: www.nestle.com

Challenging factories to save water: Unilever

“Only take short showers and stop ironing your clothes or the lights will go out.” This was the message from the Brazilian government in 2001, urging its people to cut energy consumption by 20%. Brazil depends almost entirely on hydropower for their electricity and the lights had begun to flicker because of drought.

Unilever’s top management in Latin America were determined that the company would play its part to relieve the crisis. They issued this challenge to Unilever food factories in the region: cut your water use by a million cubic metres in two years,” which was about 16.5% of their water consumption in 2002. This challenge marked the beginning of Project Medusa. At the Goánia factory, water is used to wash and cook fresh tomatoes, clean equipment and cool machinery. In the past, the water that evaporated during cooking was sent directly to the water treatment plant, but it is now used for cooling and to wash equipment. Project Medusa has achieved a reduction in total water consumption of 7.9% and a 14.7% reduction in the load per tonne of production.

Source: www.unilever.com

FOOD OVERVIEW

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• Obesity (% of 18-64 year olds) increase in adults from 2005 to 2015

Source: www.unicef.org

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5. Functional food or real food? Is any fresh or processed food claimed to have a health-promoting advantage-potentially as far beyond the food label itself as baking soda.