

Surviving Globalization



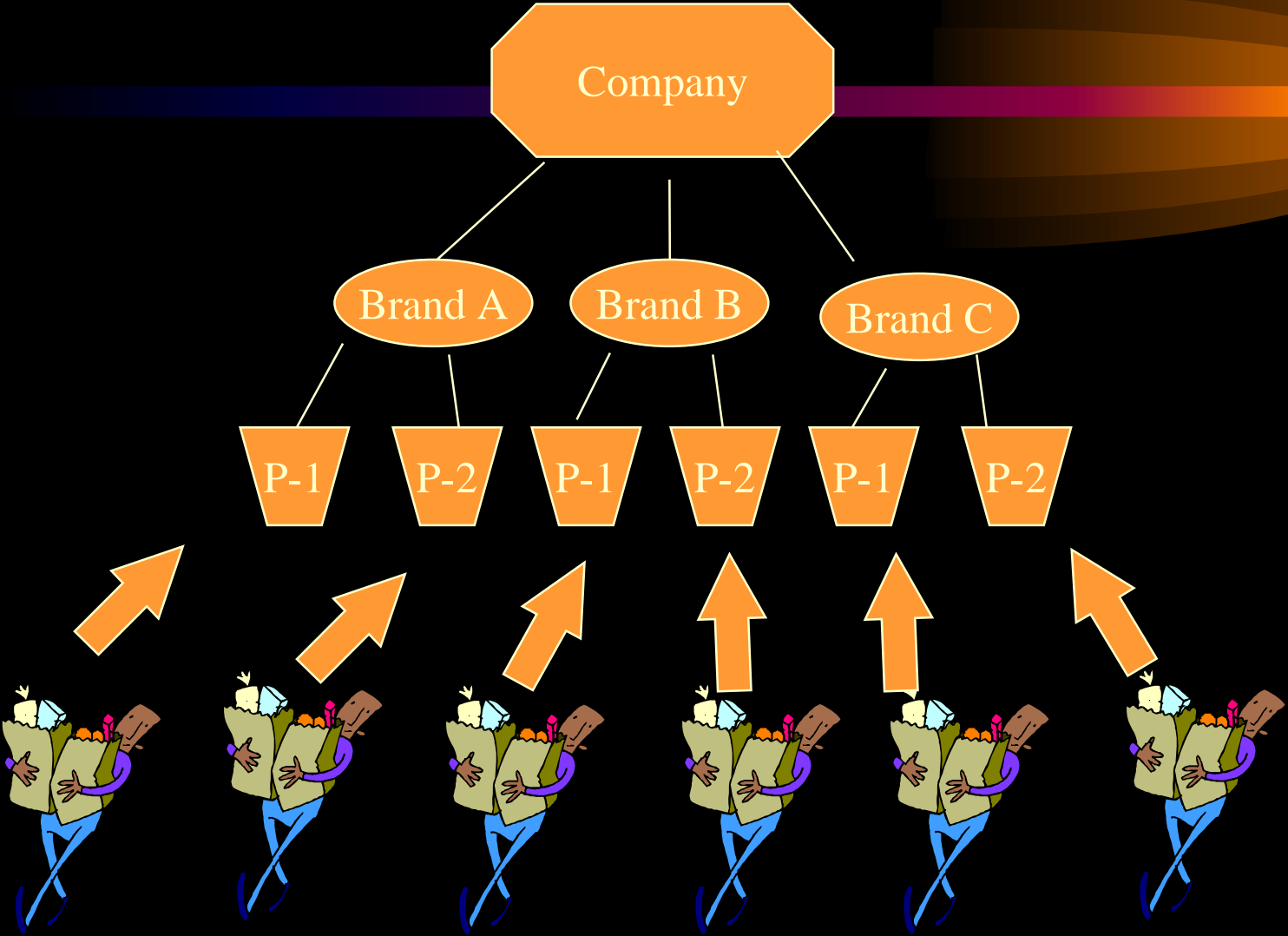
Canadian Farm Business
Management Council

Independence is a Myth

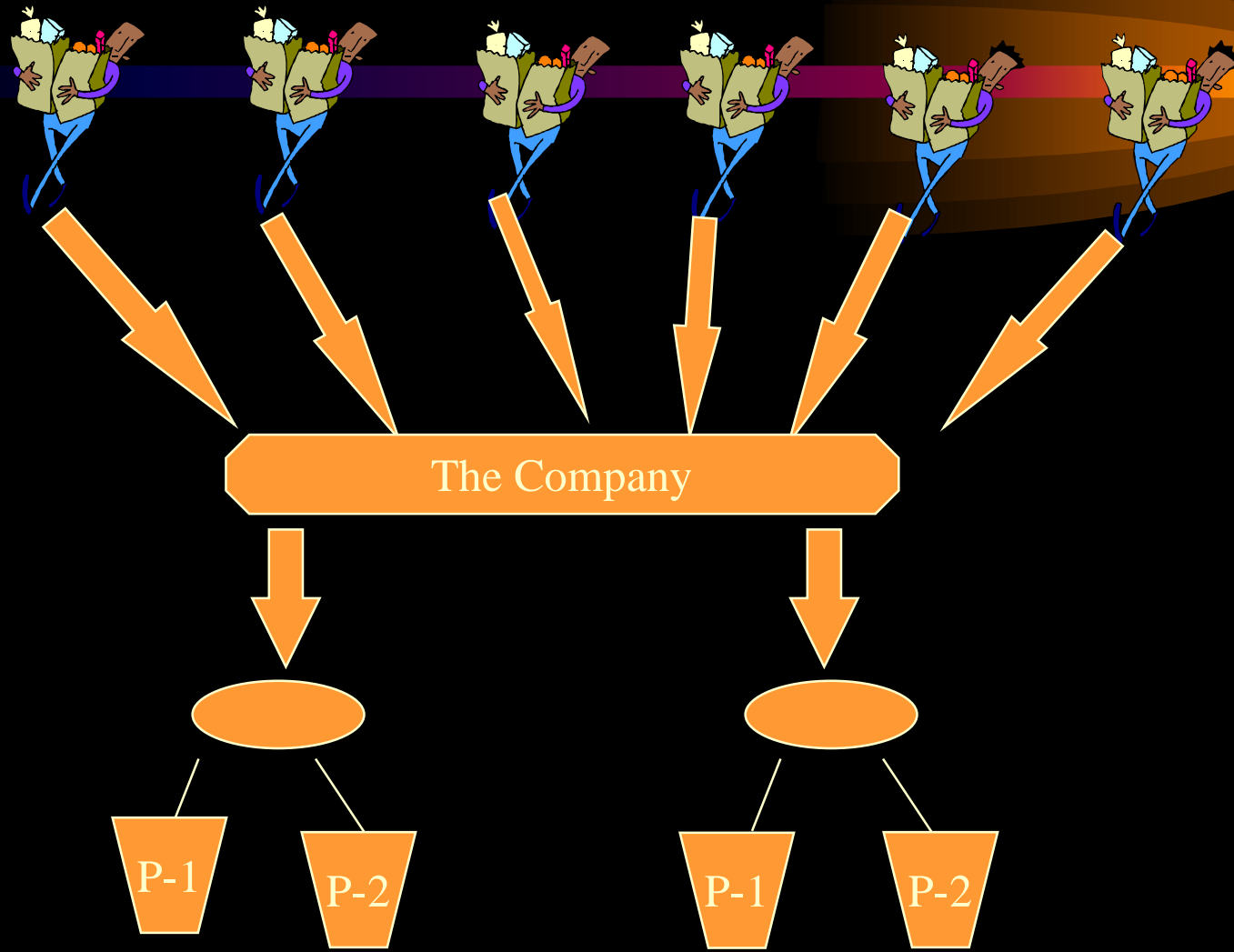
- Our individuality is intrinsically tied to the world around us. We live in an age of influence, action and reaction. We are all inter-dependent not independent.



Traditional CPG Push Strategy

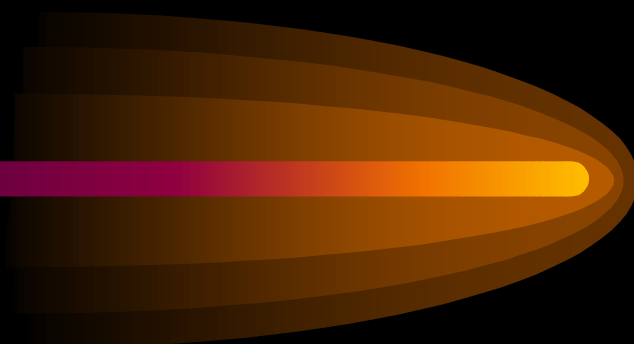


Today's Reality



Empowerment -Today's Consumer

- Diverse not homogeneous
- Knowledgeable
- Access to information
- Well traveled
- Social conscientious
- A need to be heard



*The Consolidating
Restaurant Industry*

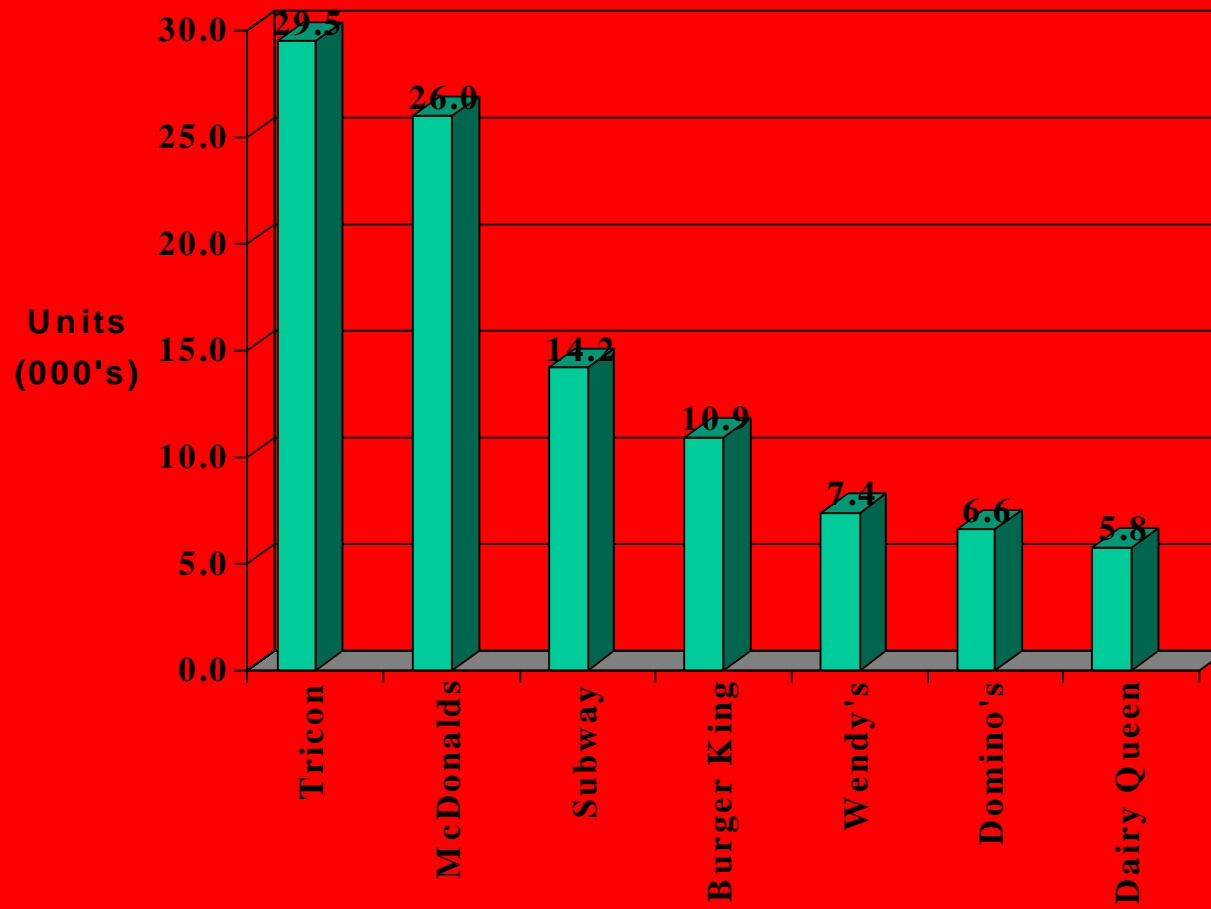


Top Ten Food Service Accounts

<u>United States- Sales</u>			<u>Canada-Sales</u>		
Rank	Chain	Latest Fiscal (\$Millions US)	Rank	Chain	Latest Fiscal (\$Millions CDN)
1	McDonald's Corp	\$20,258	1	McDonald's Corp	\$2,140
2	Tricon	\$14,500	2	TDL Group	\$1,900
3	Burger King	\$8,695	3	Cara Operations	\$1,610
4	Wendy's	\$5,813	4	Tricon	\$1,100
5	Aramark	\$4,136	5	Aramark	\$625
6	Subway	\$3,788	6	Subway	\$533
7	Domino's	\$2,647	7	Wendy's	\$433
8	Applebee's	\$2,625	8	Burger King	\$431
9	Arby's	\$2,410	9	A&W	\$388
10	Dairy Queen	\$2,225	10	Dairy Queen	\$312

Source: Foodservice & Hospitality Top 100, July 2001
 Nations Restaurant News, Top 100, June 25, 2001

World Wide Players



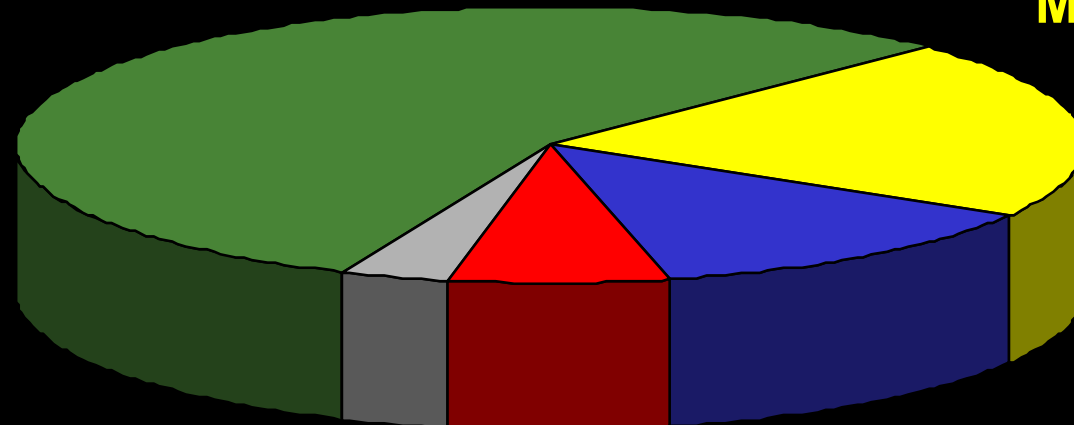
World Wide Share of QSR \$US

All Others

56%

McDonalds

21%



Wendy's

3%

Burger

King

7%

Tricon

13%

What Does This Mean?

- Product Standardization
- Global Purchasing Initiatives
- Diverting
- Growth With North American Partners

Retail Consolidation



Retail Globalization

- Will only be 5 to 8 global retailers according to CEO of Ahold (Cees Van Hoeven)
- Best positioned retailers are:
 - Metro AG
 - Carrefour
 - Wal-Mart
 - Ahold
- No traditional North American retailer positioned

Source: Financial Times, Rabobank, Roberta Cook

88 Retailers Have Operations in 403 Countries

Region of Destination

Region of Origin

	West Eur	East Eur	Asia	Lat Amr	Nor Amr	Afr	Mid East	NZ/ OC	Total
Europe	127	81	38	22	10	10	3	1	292
Asia	8	1	42	3	5		1	2	62
North America	1		8	14	4			2	28
Africa		1				12			13
Latin America				7					7
Middle East		1							1
Total	136	84	88	46	19	22	4	4	403

Source: A.C.. Nielsen, Norway, 1998

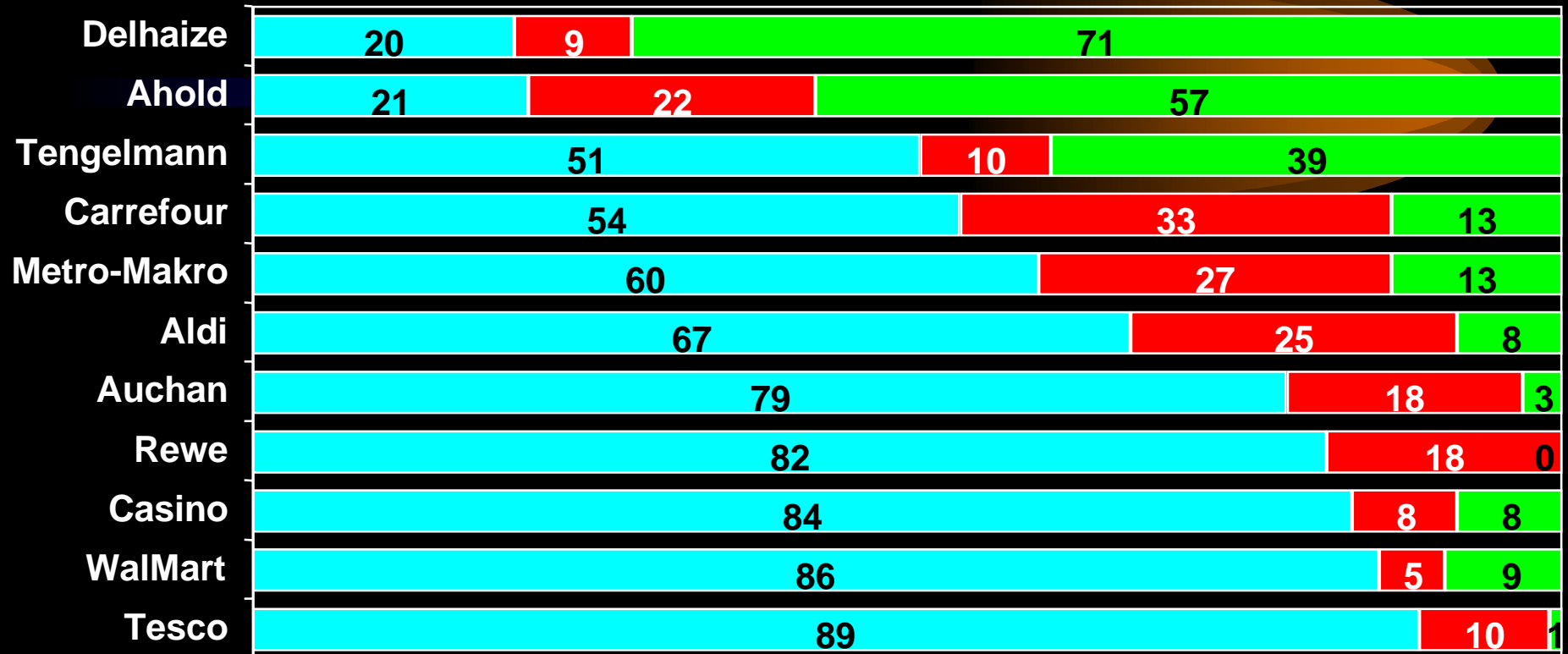
Top International Grocers

	Company	Country	Net Sales (US\$ Million)	Grocery Sales %		Company	Country	Net Sales US\$ Million)	Grocery Sales %
1	Wal-Mart	USA	\$191,329	40%	16	Jusco	Japan	\$25,637	49%
2	Carrefour	France	\$62,263	71%	17	Sainsbury	UK	\$24,604	90%
3	Ahold	Netherlands	\$50,424	91%	18	Edeka	Germany	\$23,707	85%
4	Kroger	USA	\$49,000	91%	19	Tengleman	Germany	\$23,479	65%
5	Metro	Germany	\$46,353	48%	20	Auchan	France	\$22,699	71%
6	Albertson's	USA	\$37,478	90%	21	Leclerc	France	\$20,181	52%
7	Kmart	USA	\$37,028	36%	22	IGA (Supervalu)	USA	\$20,000	75%
8	Tesco	UK	\$33,058	87%	23	Casino	France	\$18,306	75%
9	Safeway	USA	\$31,977	92%	24	Delhaize "Le Lion"	Belgium	\$17,459	93%
10	Rewe	Germany	\$31,898	73%	25	Mycal	Japan	\$16,133	27%
11	Costco	USA	\$31,621	41%	26	Lidl & Schwarz	Germany	\$15,834	83%
12	Aldi	Germany	\$29,791	84%	27	Coles Myer	Australia	\$14,034	57%
13	ITM	France	\$29,406	82%	28	Winn-Dixie	USA	\$13,698	98%
14	Ito-Yakado	Japan	\$29,055	46%	29	Marks & Spencer	UK	\$12,392	40%
15	Daiei	Japan	\$27,192	35%	30	Safeway	UK	\$12,379	93%

Source: M+M Planet Retail

Total Sales Home & Abroad

Leading international Retailers

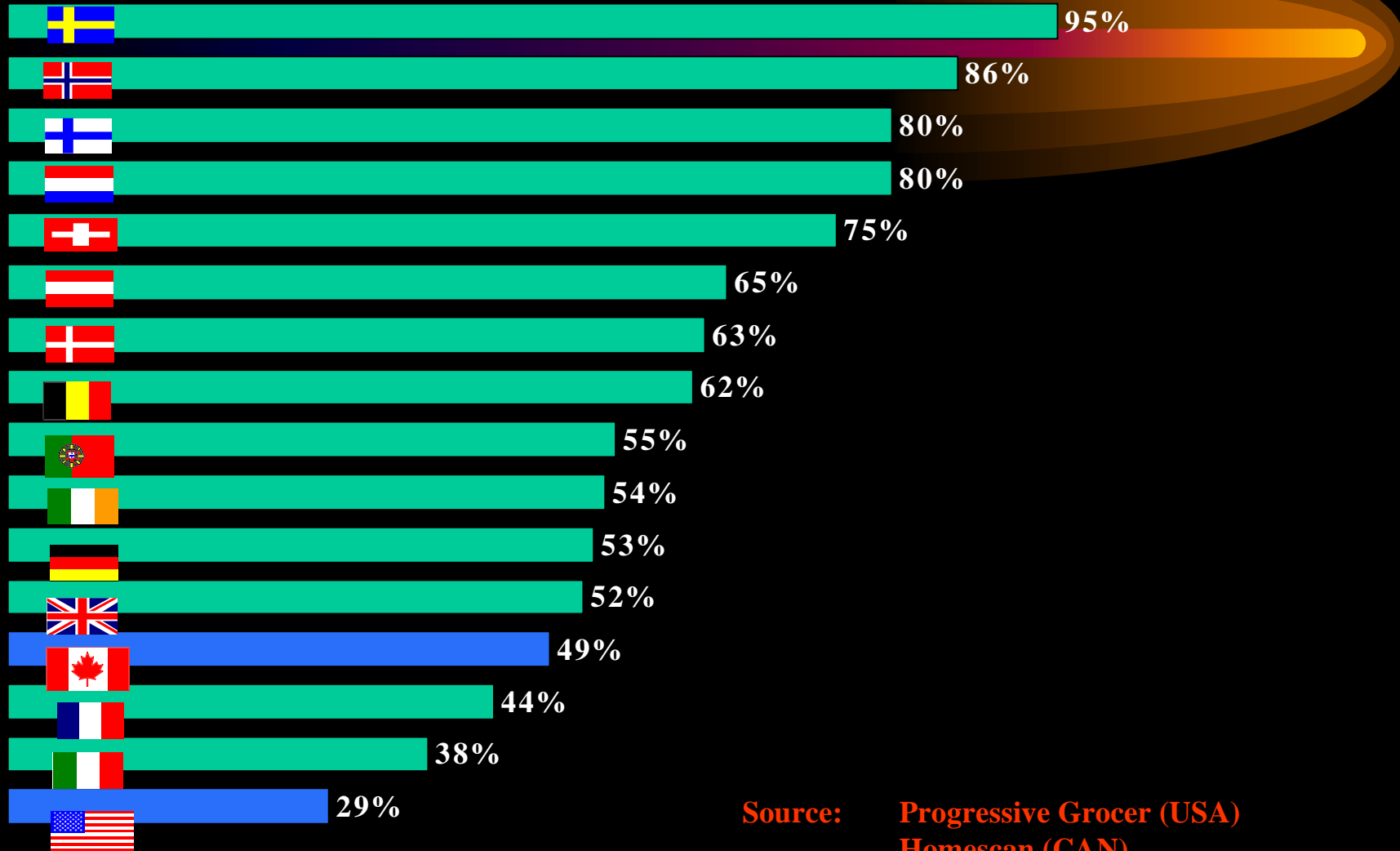


■ % sales from home country

■ % sales rest of home continent

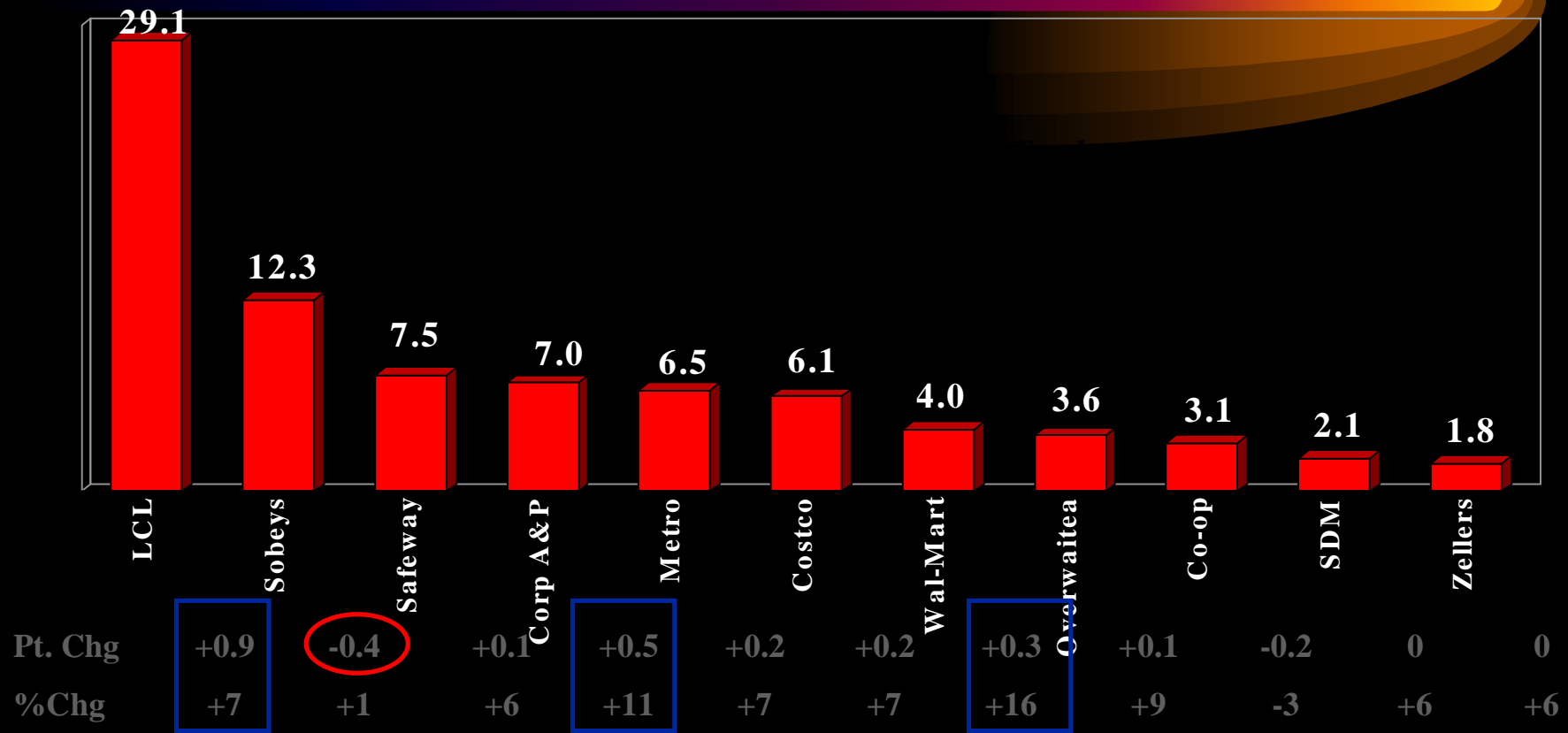
■ % sales outside home continent

By country top 3 retailers share of grocery sales...



Source: Progressive Grocer (USA)
Homescan (CAN)
M&M Europe

In Canada, 10 major retailers account for 80% of typical grocery product sales



Grocery Watch Comp 700 categories, 52 weeks to December 18, 2000

Top U.S./Canadian Food & Beverage Companies

Sales (\$US millions)					Sales (\$US millions)				
Company	2000/01	1999/00	% Chg.		Company	2000/01	1999/00	% Chg.	
1 Phillip Morris Co. Inc.	\$30,907	\$31,139	-0.70%	13	General Mills	\$6,700	\$6,246	7.30%	
2 ConAgra Foods Inc	\$25,386	\$24,594	3.20%	14	Dairy Farmers of America	\$6,700	\$7,600	-11.80%	
3 Cargill Inc.	\$21,875*	\$21,000*	4.20%	15	Campbell Soup Co.	\$6,267	\$6,424	-2.40%	
4 Coca Cola	\$20,458	\$19,805	3.30%	16	Smithfield Foods Inc.	\$5,151	\$3,775	36.50%	
5 PepsiCo. Inc	\$20,438	\$20,367	0.30%	17	Suiza Foods Corp	\$5,800	\$4,500	28.90%	
6 IBP Inc.	\$16,950	\$15,122	12.10%	18	Land O'Lakes Inc.	\$5,756	\$5,613	2.50%	
7 Mars Inc.	\$15,300*	\$15,000*	0.02%	19	McCain Foods Inc.	\$5,600*	\$3,858	45.20%	
8 Anheuser-Busch Co.	\$10,104	\$9,710	4.10%	20	Pillsbury Co.	\$5,560	\$5,480	1.50%	
9 Sara Lee Corp	\$10,818	\$10,618	1.90%	21	Seagram Co.	\$5,180	4812	6.20%	
10 H.J. Heinz Co	\$9,430	\$9,410	0.20%	22	Quaker Oats Co.	\$5,041	\$4,725	6.70%	
11 Tyson Foods	\$7,160	\$7,363	-2.80%	23	Dole Food Co	\$4,763	\$5,061	-5.90%	
12 Kellogg Co	\$6,955	\$6,984	-0.40%	24	Procter & Gamble	\$4,630	\$4,660	-0.60%	
				25	Flower Industries Inc.	\$4,380	\$4,236	3.40%	
* Prepared Foods estimate									

Source: Food Institute Report 08/27/01

U.S. Food Business Mergers & Acquisitions

	First Half		
	<u>2001</u>	<u>2000</u>	<u>1999</u>
Food Processing Firms	87	91	129
Bakers	4	6	11
Brewers	1	2	4
Confectioners	3	2	3
Diversified	34	41	57
Fruit & Vegetable	28	8	17
Meat	5	4	12
Poultry	3	6	5
Seafood	1	7	3
Snack Food	1	1	6
Wholesalers	22	25	31
Food Retailers	29	28	41

Source: Food Institute Report, September 2001

What Does This Mean?



- Consolidation
- Global Sourcing
- Structural Change for Suppliers
 - Joint Ventures and Alliances
 - Global Producers
 - Global shippers
 - Global Account Teams
- Continuing Private Label Growth

Partial Source: Rabobank International

2000/2001 Merger and Acquisitions

Mergers and Proposed Mergers	Dollar Value of Merger (Billions US\$)
Unilever acquired Bestfoods	\$24.0
Phillip Morris (Kraft) acquired Nabisco Holdings	\$19.0
PepsiCo to acquire Quaker Oats Company	\$12.4
General Mills Inc. acquired Pillsbury	\$10.5
Suiza Foods Corporation to acquire Dean Foods Company	\$10.0
Kellogg Company acquired Keebler Foods Company	\$4.4
ConAgra Inc. acquired International Home Foods Inc.	\$2.9
Unilever acquired Slim Fast	\$2.3
Cadbury Schweppes acquired Snapple Beverage	\$1.5

Source: Deloitte & Touche, Benchmarking For Success 2001

Primary Steps Needed



- Recognition of the Global Market Place
- Investment
- Co-operation
- Efficiencies
- Promotion

Recognition of Global Market Place



- Manufacturers need the following in order to compete in the global market place
 - Scale –global platforms are necessary
 - Access to markets
 - Regional protectionism is a deterrent to trade
 - Recognition that inputs are globally priced
- WTO needs to reduce Agricultural subsidies

Investment

- Manufacturing Agri Foods
 - Depreciation outstrips investment

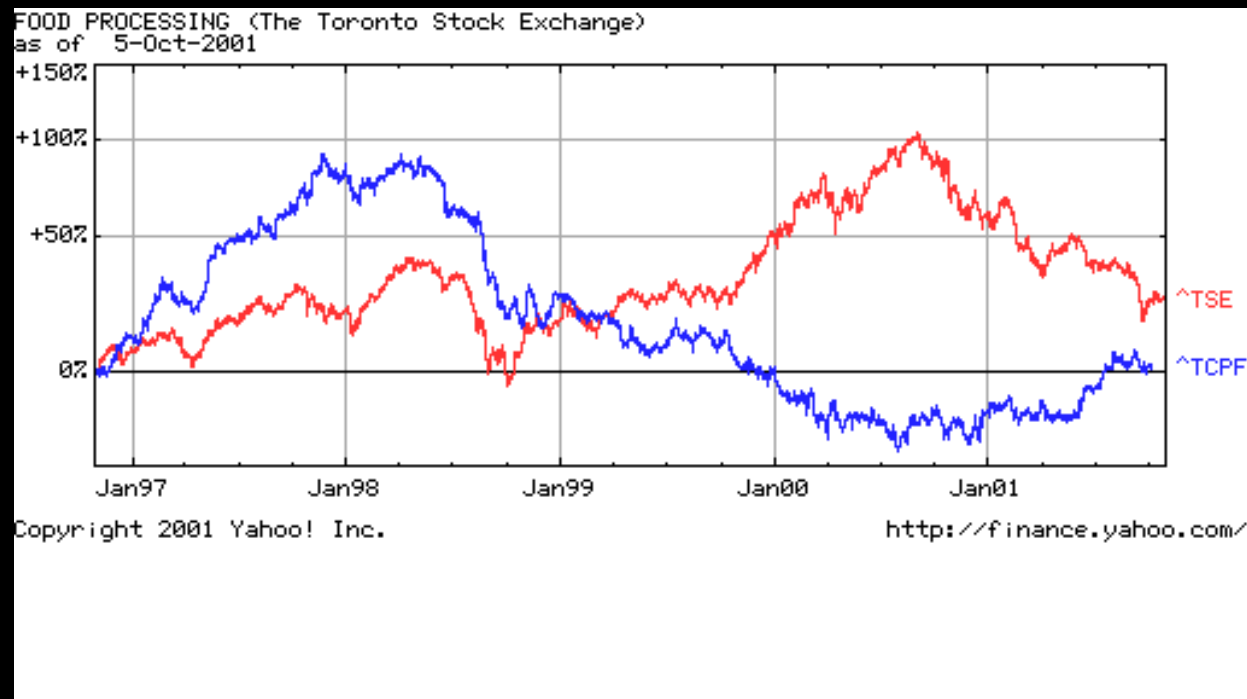
Net Fixed Assets to Equity Ratio

	1996	1997	1998	1999	2000
Canadian Processors	99.1%	92.5%	91.1%	96.8%	93.1%
U.S. Processors	102.7%	104.8%	98.0%	104.2%	104.7%

Source: Deloitte & Touche, Benchmarking For Success 2001

Investment

- Evaluations lag other industries



Evaluations at October 25th, 2001

Investment EBITDA/Sales

	1996	1997	1998	1999	2000
Canada Total	6.3%	6.7%	6.6%	7.7%	8.1%
U.S. Total	13.2%	14.0%	14.1%	14.0%	13.7%

Source: Deloitte & Touche, Benchmarking For Success 2001

Cooperation



- Must have communicate goals and objectives
- Fine tune raw material inputs to end consumer products
 - Potatoes -sizing
 - Maple Leaf Prime –Maple Leaf Pork
 - Ridley International

Efficiencies



- Supply Chain must be attacked
- Inputs again are “world costed”
- Multi-factory platforms require same cost inputs

Promotion



- No national strategy
- Very few regional efforts
- Canada has the world's safest food supply
- Need to brand Canada