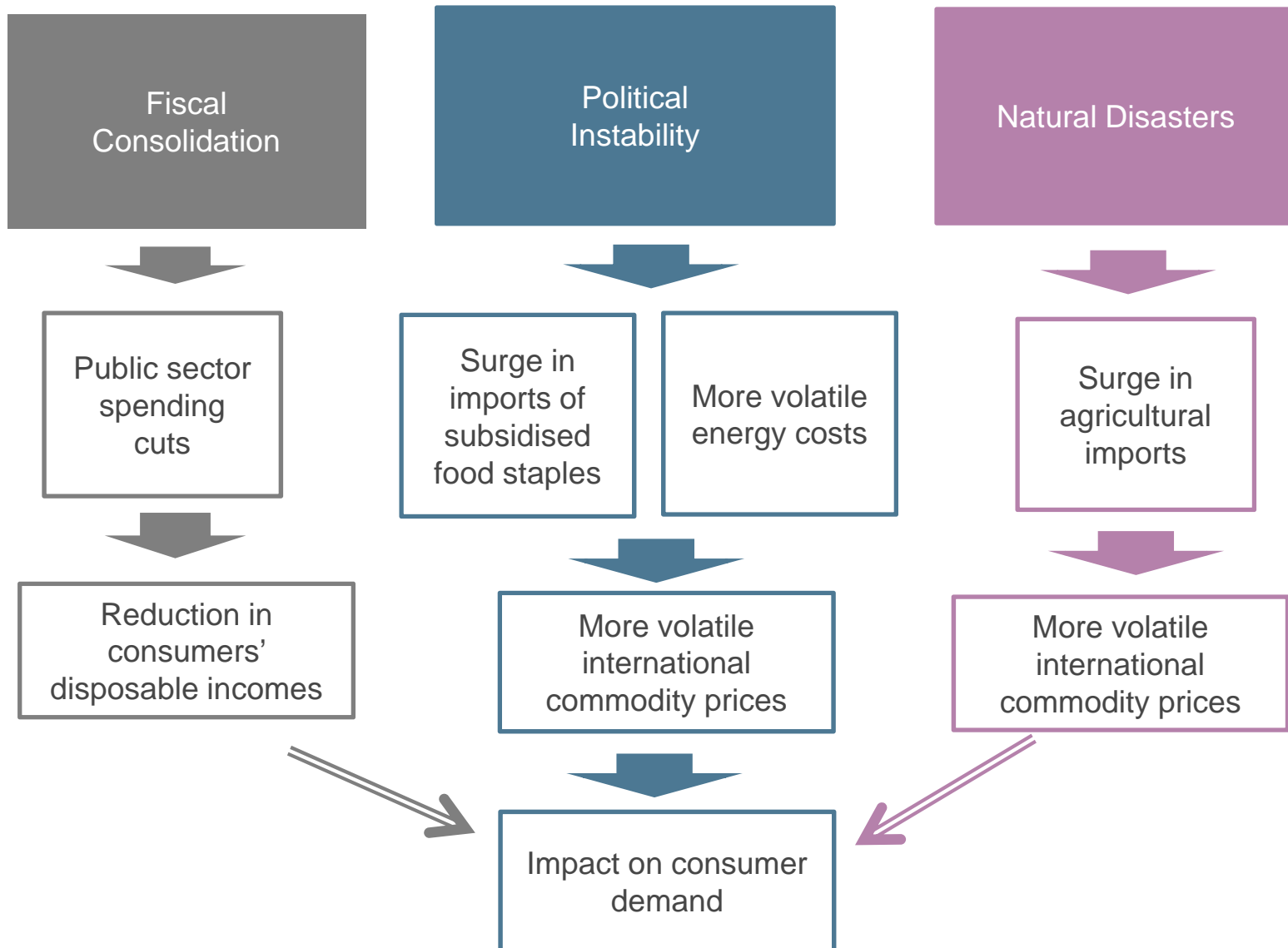


External variables impacting consumer behaviour



Fiscal consolidation: Impact on US packaged food demand

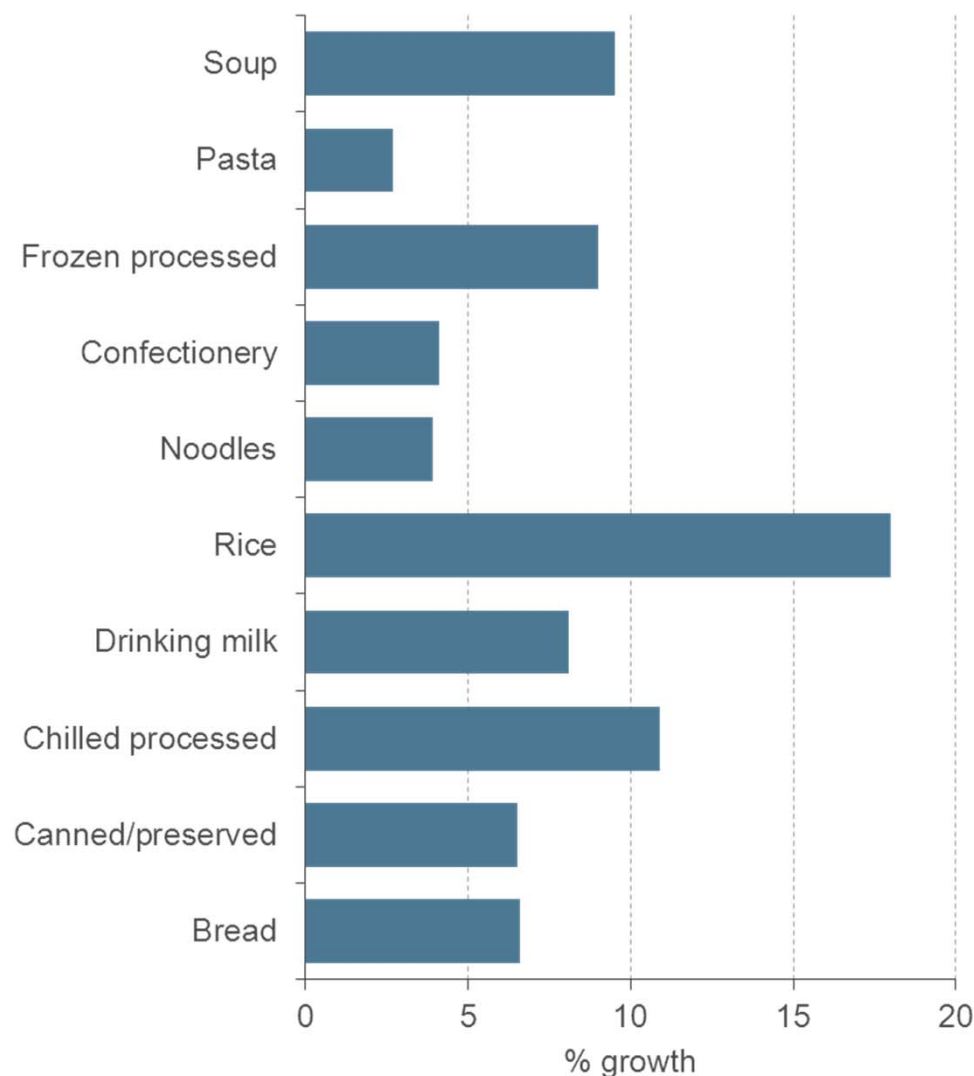
Impact of US Fiscal Consolidation on Previous US Packaged Food Retail Volume Growth Prospects 2010-2015



Impact of higher interest rates on Chinese packaged food

- Crucially, lower industrial output stemming from an interest rate rise could have a significant effect on cities, which have attracted large quantities of unskilled labourers from rural areas. A slowdown in urban migration could in turn slow the continued transition from fresh to processed/packaged food, especially for lower priced packaged food offerings purchased by less affluent consumers.
- Middle-class consumers – and their existing food consumption habits – should be less impacted, as they are already well established in urban areas, hold skilled jobs and are less impacted by fluctuations in the cost of credit.
- Regardless of class, higher interest rates could further bolster Chinese consumers' already high savings rates, further constraining domestic consumption levels and making China's economy more dependent on exports.
- Specific product categories that could be affected by a slowdown in industrial output include bread, rice, noodles, canned/preserved food and frozen processed food. Noodles, rice and bread buns have a very low unit price and are thus very popular among lower income consumers. As such, retail volumes remain very sensitive to migratory flows of unskilled labour from the countryside to cities.

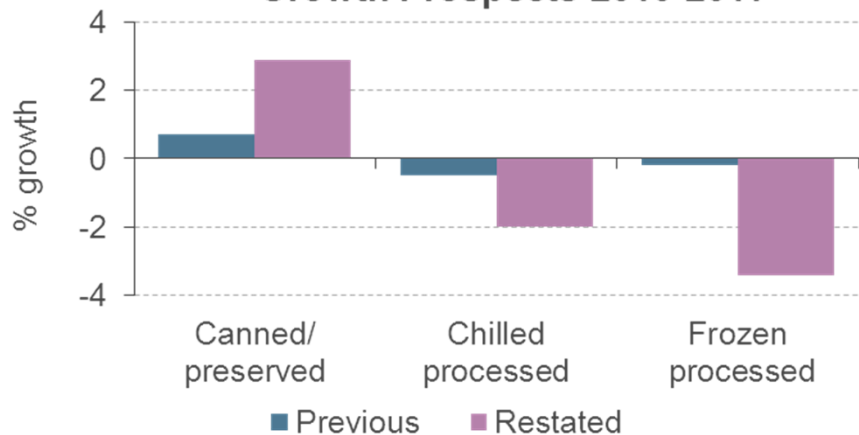
Previous Chinese Retail Volume Growth Forecast 2011/2012



Fukushima crisis impacts canned, chilled and frozen food

- Power shortages have remained a significant issue, given the continued problems at the Fukushima nuclear power plant. Japan's government is trying to reduce overall national power consumption by 15% during 2011, which continues to impact the overall supply chain for packaged food specifically.
- Power shortages are also impacting consumers' ability to store perishable food items at home, especially frozen and chilled processed food and fresh dairy products. Sales of chilled and frozen processed food are being negatively affected by the power supply problems. Conversely, ambient products with a longer shelf-life – especially dried processed and canned/preserved food – are seeing strong retail sales growth in 2011.
- The impact of power shortages will not be limited to 2011, as the Fukushima crisis is also affecting long-term national energy policy and may even threaten the nation's nuclear power industry. Power cuts could continue through to summer 2012, with some local analysts predicting significant energy disruptions through to the end of 2012.
- All this uncertainty is impacting all packaged food categories to varying degrees. While local food producers cannot afford to disrupt production too much, if the government decrees a power cut then there is nothing they can do.
- As such, significant disruptions to Japan's overall food supply chain are to be expected over the short term at least. In turn, this is prompting some local manufacturers to change their scope, as they must adapt or face going out of business. For example, some companies are quickly moving from chilled to UHT/ambient formats.

**Previous vs Restated Retail Volume
Growth Prospects 2010-2011**



**Previous vs Restated Retail Volume
Growth Prospects 2010-2011**

