



# Trade convention blows into Asia

MORE THAN 3,000 high level trade visitors from 54 countries worldwide took part at ASIA FRUIT LOGISTICA in Bangkok in September, demonstrating that the time is just right for a trade fair in Asia focused on fresh fruit and vegetables.

"These visitor numbers are very pleasing and they reflect the dynamics of today's fresh fruit and vegetable business in Asia," said Gérald Lamusse, managing director of Global Produce Events GmbH, which organised ASIA FRUIT LOGISTICA. Two-thirds of visitors (63.8 per cent) came from Asia, with four out of every five visitors (85.1 per cent) having a key purchasing or procurement role in their companies or organisations, according to a visitor survey. The three-day event ran alongside the Asiafruit Congress, Asia's leading fresh produce business conference, and took place from 5-7 September 2007 at the Queen Sirikit National Convention Centre in Bangkok, Thailand.

ASIA FRUIT LOGISTICA, which was officially opened by Thailand's Minister of Agriculture and Cooperatives, attracted 116 exhibitors from 24 countries, including national pavilions from Thailand, Japan, Taiwan, South Korea, Argentina, South Africa and France as well as companies and organisations from major supplying countries such as China, Australia, New Zealand, Italy, the Netherlands and the USA. Exhibition space at this first event totalled some 3,200m<sup>2</sup>. The majority of trade visitors who attended ASIA FRUIT LOGISTICA came from Asia, the world's fastest growing market for fresh produce. Europe (12.7 per cent), Australia and New Zealand (9.5 per cent) and North America (5.9 per cent) were also very well represented, with trade visitors also coming to the three-day trade fair from Africa (3.1 per cent), the Middle East (2.5 per cent) and South

America (2.5 per cent). More than 90 per cent of trade visitors expressed a positive overall impression of ASIA FRUIT LOGISTICA, according to a visitor survey.

ASIA FRUIT LOGISTICA took place together with the Asiafruit Congress, which celebrated its 10th anniversary. Some 650 delegates from 54 countries worldwide attended the three-day conference and they were addressed by speakers and expert panellists from companies and organisations from all over the world. This year's Asiafruit Congress included presentations from organisations such as TNS, Accenture and Rabobank International and featured expert speakers from major fresh produce businesses in the region. The conference included an Asian Retail Panel made up of Asia's leading supermarket groups, such as Tesco, Wellcome, Metro, Siam Makro, Central Food Retail and Reliance.

"The convention-style concept with the congress in the mornings and the exhibition in the afternoon is clearly the right format for the Asian trade, the signs for next year's event are very positive and we are confident that the Asian produce trade will make ASIA FRUIT LOGISTICA and Asiafruit Congress its very own annual meeting point," concluded Mr Lamusse.

ASIA FRUIT LOGISTICA and the Asiafruit Congress takes place on 10-12 September 2008 at the Hong Kong Convention and Exhibition Centre in Hong Kong, China. ■





**John Hey, Amanda Saunders and Jeff Long** report on the key issues on the agenda at this year's Asiafruit Congress and bring some of the big stories from the floor of ASIA FRUIT LOGISTICA, Asia's new annual trade fair for fresh produce, which took place at Bangkok's Queen Sirikit National Convention Centre on 5-7 September. For all the stories, turn over...



# CONSUMER DAY

## Asia's low-income consumers become new focus

**Retailers and manufacturers are seeking to expand their product portfolio to suit Asian markets with a lower income. That was one of the key messages from David Fell of TNS Worldpanel who presented delegates with an overview of Asia's burgeoning consumer markets.**

The shift in focus onto low-income groups is driven by their faster growth and the majority of their income being spent on food, particularly in countries such as India, China and Indonesia.

Food companies are developing low-cost branded staple foods such as 'healthy biscuits' targeted at low-income earners, he said.

"Another growing trend is health and fitness, and 'what is healthy?' has become a central question," he told delegates. "Retailers are providing competition for the fruit and vegetable industry by creating diet foods for the



David Fell of TNS Worldpanel

growing class of women with a lot more time and money to spend on pampering themselves."

Closely linked to this trend is the shift in Asia from affiliation to

individualism. "Traditional marketing always sold products in the context of 'buy this and be a good mother' but there has been a shift to the sentiment 'I am important and I deserve it'," he said.

Urbanisation is driving the growth of Asia's consumer markets, with China alone adding 20m urban consumers each year. "Asia is a set of lonely consumers in the affluent countries and poor large families in others," he said.

As Asia gets richer, it is also getting older. By 2050 there will be 450m people over the age of 60 in China, which will bring a unique set of challenges as well as opportunities, Mr Fell pointed out.

Asia's overall population is predicted to rise by 52 per cent or 1.7bn people by 2050 and India's population should exceed China's by 2030, Mr Fell said. ■

## Will the Japanese consumer still pay a premium?

**ZESPRI and Goldspan offered diverging perspectives on the Japanese consumer in the second session – Quality, Price and Convenience – which saw three major brand marketers address how they manage one of these core issues for their consumers in Asia.**

Quality is everything in the Japanese consumer market, which has driven production standards for New Zealand kiwifruit marketer Zespri, said general manager of Asia Yu-Jan Chen.

"Japanese consumers are very discerning – they can tell even a 2 per cent difference in brix levels, and they will pay a premium for quality," he told delegates. "Japan is the most important market for Zespri. The whole New Zealand industry understands and supports Japan's market demands."

Mr Chen explained how Zespri has rigorously developed its products, packaging, standards and systems to achieve the right quality for the Japanese market. Consistent quality



Zespri's GM of Asia Yu-Jan Chen

has been the bedrock of marketing success, with Zespri's sales more than doubling over the last 10 years in Japan, he noted. "The challenge facing the industry is how to reconcile quality and productivity, since the two rarely get on," he said.

While Japanese consumers are still known to pay staggeringly high prices for melons and other fruits, they have become far more price sensitive in general since the economic bubble burst, said Scott Cummings of Goldspan, which has marketed the Outspan brand of South African citrus in Japan for eight years. "They still expect the best quality, but aren't prepared to pay the prices they used to, so much so that they may no longer be able to get the product they want to in the future," he said.

Amid these price pressures and the fluctuating fortunes of the Japanese citrus market, Goldspan has developed retail programmes and actively promoted its product to consumers. "We don't have the good fortune of being a board or monopoly, so we've targeted the gatekeepers who manage the shelf space and launched several innovative promotions on a shoestring budget," he said. ■

### David Fell, TNS Worldpanel

"Retailers are looking at ways to turn the 5bn low-income individuals in Asia into 5bn consumers."

### Jan Doldersum, Rijk Zwaan

"There is an increased interest in Western-type products among Asian consumers and lettuce is an example. Salanova is a new range of fresh, easy-to-prepare lettuce that will give a new impulse to the lettuce market, especially in Asia."

### Scott Cummings, Goldspan

"Japanese consumers still expect the best quality, but they aren't prepared to pay the prices they used to."

# RETAIL DAY

## Freshness is key for Asian shoppers

**'What constitutes freshness for the Asian consumer?' That was one of the key questions asked at the Asiafruit Congress Retail Day by Evelyn Lee of global management consultancy firm Accenture, as she discussed the results of The Fresh Imperative report.**

Freshness, whether it be real or perceived, must be delivered by the retailer in the Asian market if the modern trade is to shift the focus away from wet markets as the preferred fresh produce shopping destination, according to The Fresh Imperative, a study conducted in 2005 by Accenture for the Coca-Cola Retailing Research Council Asia.

Some 90 per cent of the consumers surveyed considered freshness of the product as the key selection criteria for product and store, said Ms Lee.

The criteria nominated for freshness included the look and feel of the product,

with consumers seeing products free of plastic packaging or even a little grit on vegetables as signs of "direct from farm" appearance.

Environmental signals in the fresh food areas such as store traffic and cleanliness as well as replenishment levels during opening hours were also seen as indicators of freshness and product quality. Refrigerated displays meanwhile had a low correlation in the consumer's mind to freshness.

"The traditional retail vendor was perceived as providing a stronger performance in the key freshness selection criteria," she explained. One of the questions raised in the report was how modern retailers could compete with the traditional marketer's level of staff competency, where advice on purchases from the vendor is considered very important by Asian consumers.

Modern retail sales are forecast to



Evelyn Lee, Accenture

increase by 50 per cent in Asia over the next five years, which is underpinned by 50 per cent of survey participants nominating modern retail as their preferred place to shop for fruits, said Ms Lee. ■

## Tesco maps out opportunities for direct supply

**Global supermarket group Tesco gave delegates an overview of what it takes to supply a leading international retailer with fresh produce in the 21st century on the Retail Day.**

Johnathan Sutton, Tesco's category technical manager for Thailand and Malaysia, briefed delegates on its growth from origins in 1919 as a small UK grocer to become the world's third largest retailer, operating 3,500 stores in 15 countries serving 20m customers.

"Today, Tesco sources its foods from virtually every country in the world," he said. "Our global fresh produce business is worth approximately US\$7bn annually with procurement from 150 countries, on over 50,000 farms and we're supplying more than 2,000 products."

According to Mr Sutton, there is no mystery about the Tesco formula for growth in the 21st Century. "Our strategy is a simple one," said Mr Sutton. "We have our core business in the UK with four supermarket formats and one non-food format. Our international divisions operate both local and multi-format stores similar to the UK. It's our goal to be as big in non-food as we are in foods."

Mr Sutton said that Tesco began aggressively expanding its retail presence beyond the UK by expanding to



Jonathan Sutton, Tesco Thailand and Malaysia

Hungary in 1994. Within three years, the company made its debut in Poland, the Czech Republic, Slovakia and Ireland. In 1998, Tesco chose Thailand to launch its Asian expansion, subsequently opening divisions in South Korea, Malaysia, Japan, Turkey and China.

According to Mr Sutton, Tesco's guiding corporate principle is to "create value for its customers" in order to "earn their lifetime loyalty". Integral to realising that goal was Tesco's development of fresh produce standards, which have become

embodied in its 'Nature's Choice' programme. In order to become a fresh produce supplier to Tesco, a prospective company must be certified and adhere to a set of stringent standards, including environmentally friendly growing methods and socially responsible management practices.

"No one has to do business with us," said Mr Sutton. "But if you do, Tesco requires that suppliers have full management control over their products and processes. It's our belief that producers have an obligation to run their businesses with a benefit to society."

When it comes to supplying Tesco, "size is really not important", Mr Sutton said. "Our fresh produce suppliers range from small growers doing on-farm packing to massive operations with 60,000ft<sup>2</sup> warehouses." This claim was subsequently challenged by conference moderator Chris White, who pointed out that scale appeared to be key to achieving the efficiencies required by major retailers. ■

## Asian retailers raise stakes in direct sourcing

The Retail Day brought together a panel of senior executives from six of Asia's major supermarket chains to discuss key issues for the region's fast-growing food retail business and field questions from the floor. The panel included David Bound of Wellcome (Hong Kong); Johnathan Sutton of Tesco (Thailand and Malaysia); Stéphane Maurin of Metro Cash & Carry (Vietnam); Noel Shield of Central Food Retail (Thailand); SD Saravanan of Reliance Retail (India); and Sakda Bhukdee of Siam Makro (Thailand).

The panel was immediately asked about their respective plans for direct produce procurement over the short term. Mr Sutton responded that Tesco had set a goal of sourcing 25 per cent of its produce directly from growers within the next two to five years, while Mr Bound said Wellcome "was trying to go as far back into the supply chain" as was practical. Mr Maurin added that Metro Vietnam has now "shifted to 80 per cent sourcing of local produce" and had a similar target for international sourcing in the longer term.

On the question of whether the global



The retail panel, mid-discussion

scars concerning Chinese foods had impacted on demand for Chinese fruit and vegetables, Mr Shield of Central Food Retail Co said he had seen no decline in sales and that barring any incidents, he expected Chinese produce to remain "a driving force" within South East Asia for the future.

Asia is known as "a land of brands", but one delegate wondered whether

Asian retailers will replace private produce brands with their own in-house labels in the future. "I still believe brands are going to be important," said Mr Shield. "Retailers' brands will grow in strength across the region, but for the next 10 years there will be opportunities for private brands."

"Are Asian retailers willing to help share in the cost of programmes that promote socially responsible management practices as well as food safety by paying more for the produce they buy?" asked another delegate. Mr Shield responded by saying that price had never been the first consideration for his operations. "We look for a combination of quality, service and price. Market standards must remain paramount in all transactions" he said.

With respect to difficulties less developed countries might have in complying with EurepGAP or GMP standards, Mr Maurin said that Metro Vietnam was working to develop programmes at the store level to accommodate a variety of sources, while assuring that food safety standards were not compromised. ■

## Central Food Hall hosts retail tour

Delegates took part in an organised visit to one of Central Food Retail's two upmarket Central Food Halls in Bangkok on the Retail Day. They were given a guided tour by president of produce Noel Shield, who has been contracted by the Central Food Retail Group to develop its fresh produce supply sourcing and increase opportunities across its retail operations. The store, which is on the seventh floor of the sprawling Central World Plaza shopping mall, was awarded 'best grocery store in Asia' and 'world's third-best retailer' last year by UK food publication *The Grocer*. "Our flagship Central Food Halls bring together the very best foods from East and West and place us at the cutting edge of food retailing in Thailand," said Mr Shield. "They've been well received here by consumers who want choice and premium quality." ■



**Evelyn Lee, Accenture**

"Fresh food is at the heart of the Asian market. Freshness, real or perceived, is the over-riding factor in determining where Asians shop."



**Johnathan Sutton, Tesco  
Thailand & Malaysia**

"Food safety, worker welfare and the environment are the three big issues for the future."



**SD Saravanan, Reliance Retail**

"We have set up over 100 collection centres across India, each one served by 200-300 growers, so that we can source our fruit and vegetables directly. We aim to establish a further 200 centres."



**Noel Shield, Central Food Retail**

"A lot of people think Asia is behind in retailing, but in Thailand we have some of the most advanced stores in the world, particularly the upmarket outlets."



**Stéphane Maurin, Metro Cash & Carry Vietnam**

"It's not only a question of price for our consumers in Vietnam when it comes to buying fresh produce."



# TRADE DAY

## Food safety scares short-term issue for Brand China

**Recent food safety scares are a short-term setback in a long-term growth trajectory for Brand China, according to Patrick Vizzone of Rabobank International, who presented the results of a survey by Asiafruit Magazine of the Asian fresh produce business.**

While survey respondents, which comprised a focus group covering the key sectors of the Asian fresh produce business, flagged food safety as a sticking point for China's exporters, Mr Vizzone underlined their adaptability in overcoming such issues. "Historically, we have seen China's produce exports to Japan drop off following food safety scares,

but suppliers quickly regroup and regulate and the volumes build up again," he said.

Nevertheless, food safety is a number one issue for Chinese consumers, Mr Vizzone noted, and exporters need to be more active in addressing the issue of corporate social responsibility.

"China is having a huge impact on Asia's fresh produce trade and it will only get stronger," was a standout comment from the survey. A low-cost strategy has underpinned its incursion into Asia's fresh produce markets, but respondents were evenly split on the question of whether China is now stuck in a commodity trap or



Patrick Vizzone, Rabobank

making a shift into value-adding, Mr Vizzone noted.

Interestingly, Rabobank's analysis revealed that China's fruit exports slipped by 1.5 per cent in volume terms to 3.7m tonnes last year, but rose 21.7 per cent when considered on a value basis.

While there was a

consensus among the survey panel that China will remain a large net exporter in the future, Mr Vizzone pointed out that it's not all one-way traffic. Major opportunities exist for imported fruits in China, but differentiation of the product offer is key. "It's a big mistake to consider China as a market for second grade fruit," was a telling comment from the survey.

A recent Rabobank study showed that China's high-income consumers eat 45 per cent more produce than low-income groups but that increase involves a 134 per cent hike in fruit consumption and only a 19 per cent rise in vegetable consumption. ■

## Changing mindsets key to overcoming Asia's supply chain challenge

**Changing the mindset of the key people in the Asian fresh produce supply chain is the major challenge for companies seeking to apply solutions to the problems currently facing the industry. That was the standout message from the final session: 'Case studies from the Asian fresh produce supply chain.'**

As Siebe van Wyk of Fresh Studio Innovations Asia noted, many Asian producing-countries face challenges with rapid expansion of growing areas, multiple smallholders, lack of market information and price wars. The parties in the supply chain are typically focused on their own competitiveness rather than that of the overall chain.

Fresh Studio is focused on shifting Asia's produce trade from this traditional product chain scenario to a "value chain" where traders, farmers and retailers form a strategic alliance that focuses on the competitiveness of the overall chain.



Siebe van Wyk, Fresh Studio Innovations Asia

Mr van Wyk illustrated the company's efforts through various case studies, most notably one working with avocado growers in Vietnam's Dak Lak Province. This project involved developing local market demand for avocados, introducing an avocado quality label and improving the very basic local production, post-harvest,

packing and transport systems. The key challenge was engaging the supply chain participants to cooperate in the project, and to take a risk. "Every member of the chain had to stick his neck out. Rather than shaking his tree to harvest fruit, the farmer had to cut the fruit properly, which costs more; the provincial wholesaler had to invest in proper trays instead of keeping fruit in 100kg baskets with no ventilation; the retailer Metro took the risk of buying fruit at higher prices without knowing whether the consumer would pay the premium," he said. "Finding the partners was not easy – we spoke to 60 wholesalers. Only two agreed to work with us and one of them pulled out when it came to buying the trays."

However, the successful results of the trial have paved the way for a much bigger campaign next year, Mr van Wyk noted, underlining the crucial importance of building trust. "Showing is believing," he said. ■

**Patrick Vizzone, Rabobank International**  
"I think food safety is the number one issue for Chinese consumers domestically."

**Denis Cadwallader, SGS**  
"For the Asian farmer, a resistance to change and to complying with new market requirements often stems from a fear of the unknown."

**Chris Catto-Smith, Coolcargo**  
"When it comes to supply chain solutions, the first thing the parties in the chain want to know is will it cost me less?"

## What the trade said...

Asiafruit Magazine polled visitors and exhibitors on what they thought of ASIA FRUIT LOGISTICA and Asiafruit Congress

### VISITORS



**Noel Shield, Central Food Retail Co, Thailand**

"This event is just going to just going to get bigger and bigger."



**SD Saravanan, Reliance Retail, India**

"We have found ASIA FRUIT LOGISTICA and Asiafruit Congress to be excellent. The networking is particularly good, with lots of people here from all over the world. It's a good start for the trade fair this year and I am sure it will grow very quickly."

**Roland Wong, WT Vision, Singapore**

"The show is very good, with strong displays and a wide representation from the international produce trade. It's certainly a good place to network."

**Scott Owens, Paramount Citrus, US**

"We've been able to meet with Japanese customers here in Bangkok, which has saved us at least four days of travel time."



**Salimul Haque Essa, Tasho Enterprises, Bangladesh**

"It's been a very good show with a lot of very good people."

**Michael Leong, Seasonal Produce, Singapore**

"It's very convenient to meet so many different people in the same place. There is a lot of exchange of ideas and opinions."

### EXHIBITORS

**Jeff Correa, Pear Bureau Northwest, US**

Even though ASIA FRUIT LOGISTICA is new, in my opinion it's already the third most valuable fresh produce trade show in the world – behind only Fruit Logistica and the PMA. When you combine it with the Asiafruit Congress, it's even more relevant for us as we get a lot out of the presentations."



**Calvin Oh, Hwaseong Grape Association, Korea**

"At ASIA FRUIT LOGISTICA I've met so many different buyers from so many different countries. At other food shows in Asia, 90 per cent of the buyers are not interested in fresh produce. Here everyone is."



**Dawn Gray, Enza, New Zealand**

"We're very pleased with the show – we expected fewer visitors after the first day, but it's been very busy again today [day two]. So much so that we haven't had time to go around and see the other stands."

**Elaine Alexander, South African Table Grape Industry (SATI), South Africa**

"We have received a huge amount of interest from buyers. Almost all of our 1,000 brochures have gone in this first day of the exhibition."

**Kelvin Bezuidenhout, Zespri, New Zealand**

"The format of ASIA FRUIT LOGISTICA and Asiafruit Congress works well as there is a balance of presentations at the conference in the morning and time to network at the exhibition in the afternoon. Both the conference and exhibition are very well organised."

**Cristian Mori, Sorma, Italy**

"I've got more good contacts in one day at this exhibition than I have at any other exhibition in a very long time."



**Amir Hautemann, Fruitmasters, The Netherlands**

"Asia needs a show like ASIA FRUIT LOGISTICA."