

BOUNDARY  
BEND  

---

LIMITED



*‘Australia’s premier olive company’*

**AOA Conference October 28<sup>th</sup> 2009**

*“Commercial market update and selling channels”*

**Nick Healey / Tim Smith**





# Overview of presentation

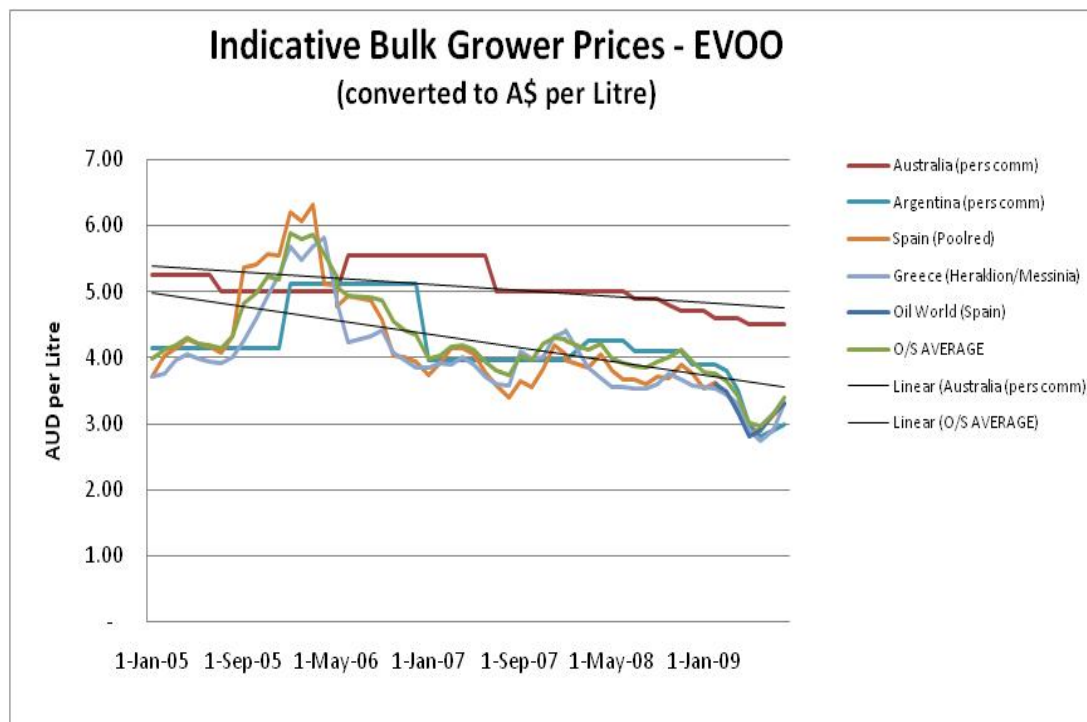
- Global market update
- Domestic market update
- Selling olive oil in commercial channels
  - Supermarkets
  - Foodservice
- Recent developments





# Global market update

- Global olive oil prices are recovering from 10-year lows
- Due to impact of the GFC on buyers and sellers
- 1.2m tonne Spanish crop projected





# Domestic market update

- Australia remains a net importer of olive oil and the largest consumer of olive oil per capita outside the Mediterranean, with 2009/10 consumption predicted by IOC to reach 45k tonnes
- Opportunity to supply domestic growing demand
- Australian EVOO is building a mainstream following
- The big boys (Coles, Woolworths, Aldi, Bidvest, PFD) are growing market share
- Marketplace pressure for own label / buyers own brands & therefore lower margins





# Olive oil imports - volume

PERIOD	QUANTITY
AVE 2001-2005	29,366 tonnes
FY 2006	32,606 tonnes
FY 2007	41,916 tonnes
FY 2008	31,888 tonnes
FY 2009	23,692 tonnes    Lowest year since 1996

The average of the previous four years is 35,526 tonnes reflecting growth in imports of 9% over the 2001-2005 period

**FY 2010**                      **11,102 tonnes    imported in first three months of FY10**

*It appears however that based on current data to September, FY2010 imports are heading for another bumper year. Low world prices and high A\$ are not helping us!*







# Olive oil imports - type

Extra Virgin represents just over 47% of total volume imported

Bulk oil represents only 14% of total volume

These figures reflect the growing position of EVOO as the oil of choice





# Exports

- Total exports for FY2009 totaled 4,919 tonnes, the majority of which was EVOO. Major export markets included USA, China, Italy and Spain
- July 2009 exports totaled 1,128, the highest month on record
- FY2010 exports are projected at >6,500 tonnes





# Market segmentation

Of the 45,000 tonnes Australia is predicted to consume in 2009/10, we estimate the following break-up

• Supermarkets	28,000 tonnes	62%
• Food Service/Industrial	12,000 tonnes	27%
• Route/Gourmet/Direct	5,000 tonnes	11%
<b>TOTAL</b>	<b>45,000 tonnes</b>	<b>100%</b>







# Current state of play

- Several major players with leading brands, some with international sales
- Many small/medium growers trying to establish a brand
- A large number of smaller operators with a few acres

## The challenge:

- relatively easy to grow olives
- relatively easy to make olive oil
- very difficult to sell profitably





# Selling your olive oil in the commercial market

- Supermarkets
- Foodservice





# Target - Supermarkets

- With a highly concentrated retail environment smaller producers can get “locked out” of the majors
- Nevertheless our market is blessed with a thriving independent sector that accounts for some 30% of the market
- Local retailers trading under banners such as IGA etc can prove to be a fertile segment for smaller producers to target
- Independent retailers appear to be more willing to experiment as they are more flexible with space and tend to want support the local producer
- This is particularly true of non-metropolitan retailers





# What are supermarkets selling?

- Retail Oil Sales-Type by Value

	2009	2008
EVOO	58.3%	55.7%
Extra Light/Pure	41.7%	44.3%

Growth in EVOO being driven by Australian brands gaining greater share of the category

- Australian share of EVOO sales by unit

In Woolworths stores, <2L

- First 11 weeks of FY2010      50.91%      (FY2009 41.4%)





# Supermarket competitive set







# Dealing with supermarkets

## The challenges (...some of...)

- Communication
- Entry costs
- Standing out in the competitive set
  - Ensuring a competitive sell with attractive retail margins
  - Creating pull through and implementing a comprehensive promotional plan
  - Achieving hurdle rates
- Maintaining supply
- Managing reviews
- Innovation with new lines





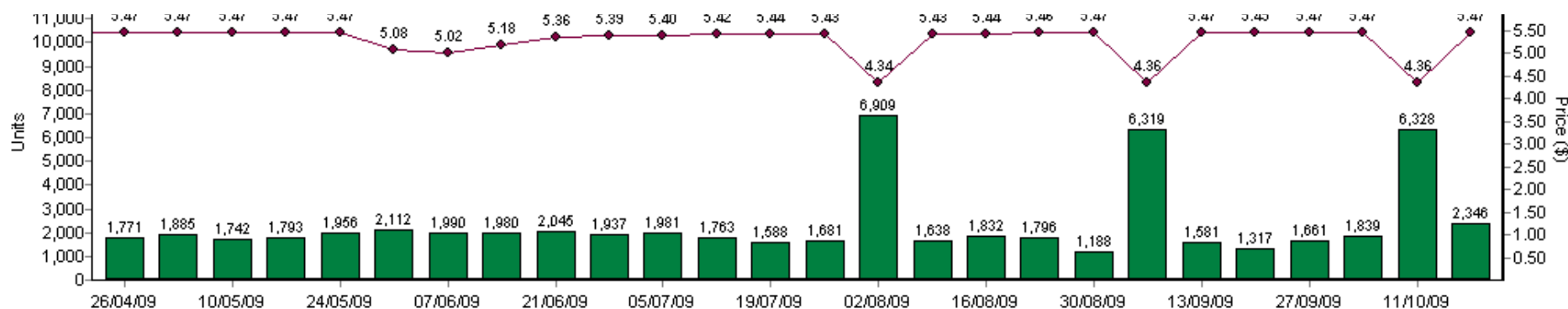
# Pricing-current sell per litre

Australian EVOO in major supermarkets are currently priced at a premium to major imported brands in retail pack sizes – however the gap is narrowing!

	Regular sell	Per Litre
<i>Brands</i>		
• Moro 500ml	\$7.79	\$15.58
• Bertolli 500ml	\$6.96	\$13.92
• Lupi 500ml	\$7.68	\$15.36
• Ollo 500ml	\$7.99	\$15.98
• Jingilli 500ml	\$7.99	\$15.98
• Red Island 500ml	\$8.50	\$17.00
• Cobram Estate 500ml	\$8.99	\$17.98
<i>Private label</i>		
• Homebrand 500ml-imported	\$5.13	\$10.26
• Woolworths Select 500ml – Australian	\$6.99	\$13.98



# Promotional Impact



Whilst retail pricing makes our efforts seem rewarding, the truth is that much of the volume is sold on deal or on promotion. The example above reflects that as much as 50% of all volume can be sold at a discount.

Remember it is the supplier that funds this discount!!!!!!



# Target - Foodservice

- Similar to retail, there is a high concentration of business in the hand of a few major players – Bidvest, PFD, etc
- The top 4 foodservice buying groups account for 80%+ of business
- Getting 'ranged' by a major buying group is challenging and even when ranged the sales function must be satisfied by the supplier
- Smaller, regionally focused distributors targeting the high end may be the best target



# Dealing with foodservice distributors

## The challenges (...some of...)

- Raising awareness
- Education of chefs about Aust EVOO quality
- Education of distributors about Aust EVOO quality
- Competitive pricing
- Buying groups
- Buying group mentality
- 'Box carrier's' versus 'Sales and marketing organisations'
- Generating 'pull-through'
- Fragmentation





# Recent developments and the implications





# Ramped up PR

- Since the last conference the AOA has been true to their promise to begin heavily marketing the COP and the benefits of Australian Extra Virgin Olive Oil
- A key development has been the growing acceptance by our retail partners and their moves (lead by Aldi) to begin to consider or adopt the COP for their own private label offers
- This initiative or undertaking should allow our oils to compete on a more level playing field





# Maintaining our integrity

- These developments however also serve as a “warning” to ensure we all abide by the code and continue to sell oil of the quality we are promoting
  - A failure of Australian brands to achieve the high standards we are promoting could result in a rapid loss of confidence in our products at a consumer level
- Imported oil will be around for a long time to come
  - Focusing on promoting the high quality of our products as opposed to targeting the opposition remains the best approach
- In the meantime we all need to stay true to the code compete to grow our share based on quality





# Thank you





# Contact Details

Tim Smith

Boundary Bend Marketing

Fax +61 3 9646 6083

Mobile +61 408 268 323

Email [timsmith@boundarybend.com](mailto:timsmith@boundarybend.com)

