

ALFA
LAW

Food in China

Jan Debruyne
MD, Alfa Laval China



CHINESE STOCK PLUNGE CONTINUES



FTSE A 63.75



CHINESE YUAN POSTS BIGGEST WEEKLY LOSS ON RECORD



FIGHTING CORRUPTION
China boosted anti-corruption campaign in 2013



INVESTORS ARE WORRIED ABOUT A DEEPENING SLOWDOWN IN CHINA



The China context

2002-2012	2012-2022
Investment driven	Consumption driven
CAPEX driven	OPEX driven
Middle class to 230 million	Middle class to 630 million
Urbanization from 39 to 53%	260 million people move to cities
Growth by megacities	Growth by mid-size cities
Elderly 9% of population	Elderly 14% of population
Environmental spend 1.3% of GDP	Environmental spend 2.2% of GDP
Shipbuilding share from 11 to 45%	Fleet share from 10 to 15%
Do thing cheaper & faster	Innovate and do things smarter
The world's factory	The world's market

The China context

2002-2012	2012-2022
Investment driven	Consumption driven
CAPEX driven	OPEX driven
Middle class to 230 million	Middle class to 630 million
Urbanization from 39 to 53%	260 million people move to cities
Growth by megacities	Growth by mid-size cities
Elderly 9% of population	Elderly 14% of population
Environmental spend 1.3% of GDP	Environmental spend 2.2% of GDP
Shipbuilding share from 11 to 45%	Fleet share from 10 to 15%
Do thing cheaper & faster	Innovate and do things smarter
The world's factory	The world's market

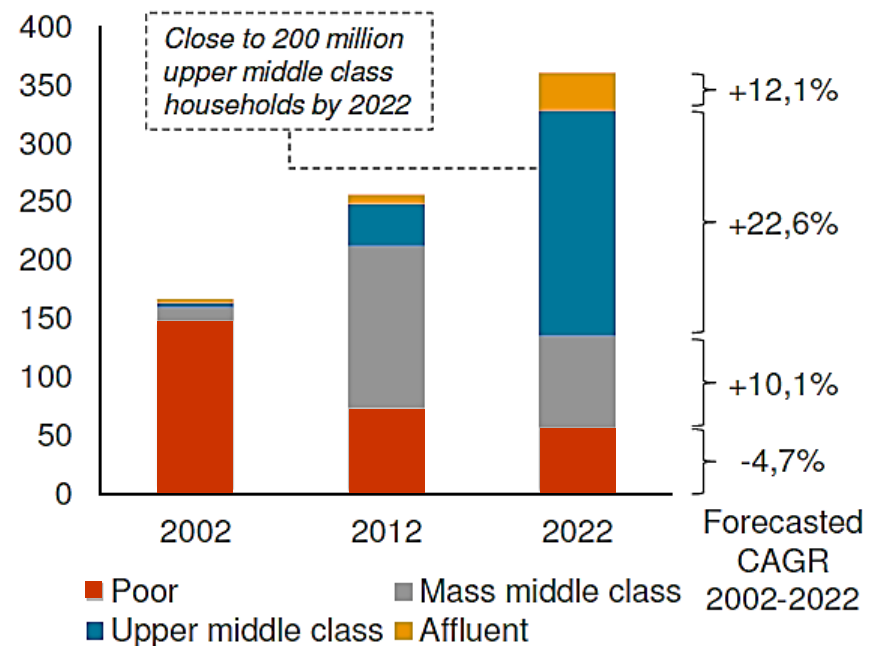
Six high-growth industries



Demographic change

- * Increase in incomes and middle class households
- > spending on consumables
- * More women in the workforce
- > increased demand for prepared baby food

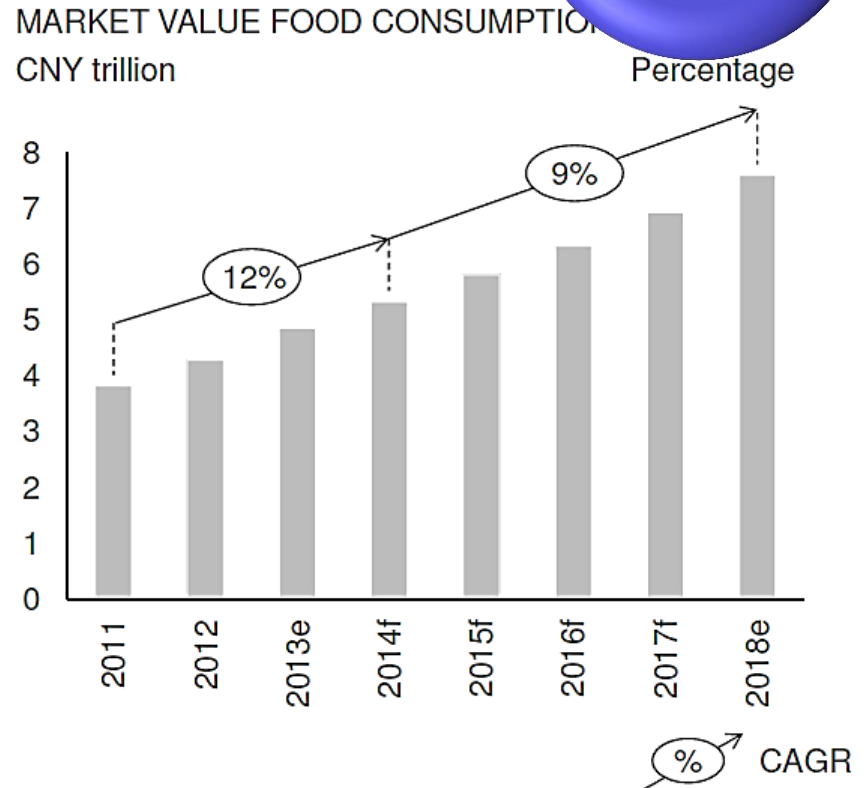
SHIFT IN HOUSEHOLD DEMOGRAPHICS* 2002-2022
Million households



China food market

Considered to grow more than China's GDP

Equipment
market of
~1B EUR



JUL 16, 2014 @ 10:46 PM 5,302 VIEWS

The 2008 Milk Scandal Revisited



Yanzhong Huang, CONTRIBUTOR

I write about China and global health.

[FOLLOW ON FORBES \(11\)](#)



Opinions expressed by Forbes Contributors are their own.

[FULL BIO](#) ▾

NEWS

China launches inquiry over claims brewers added Viagra to alcohol

03/08 11:35 CET



BUSINESS

Danone's New Boss Looks to Revive Fortunes in China

French dairy giant drops efforts to revive flagship infant formula unit in China after massive food scare



[ft.com](#) > [markets](#) > [equities](#) >

US Equities

Home World ▾ Companies ▾ Markets Global Economy ▾ Lex ▾
fastFT Alphaville FTfm ▾ Markets Data ▾ Trading Room ▾ Equities ▾ Currencies Capital Mkt

July 31, 2014 5:11 pm

Yum leads S&P 500 fast food sector lower

By Eric Platt in New York

[Share](#) ▾ [Author alerts](#) ▾ [Print](#) [Clip](#)

Fast-food chain shares were blunted on Thursday after one of the sector's largest

Industrial drivers

Food safety



**Hygienic
processes**

Higher efficiency



**Technology
shift**

'Premiumization'



**New
processes**

Investments in process equipment

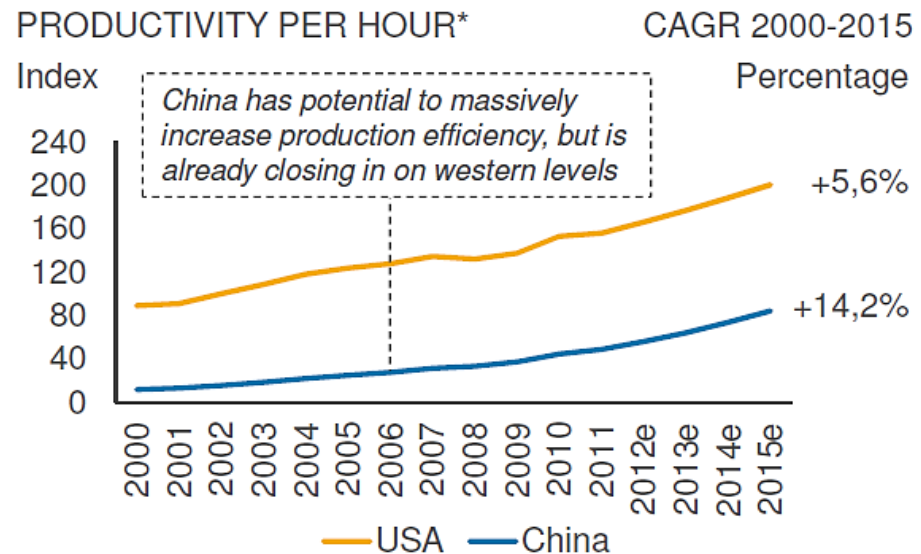
Higher efficiency

Tougher industry pressures:

- * Wage increase $\approx 12\%$ per year
- * Shutdowns of facilities with low productivity but high emissions

Drives the need for:

- * Modernized production to stay efficient and keep margins
- * Automation and upgrades in food processing systems



'Premiumization'

– new consumption trends

- * More healthy
- * Less sugar
- * "Premiumization"
- * Improved quality
- * Safe

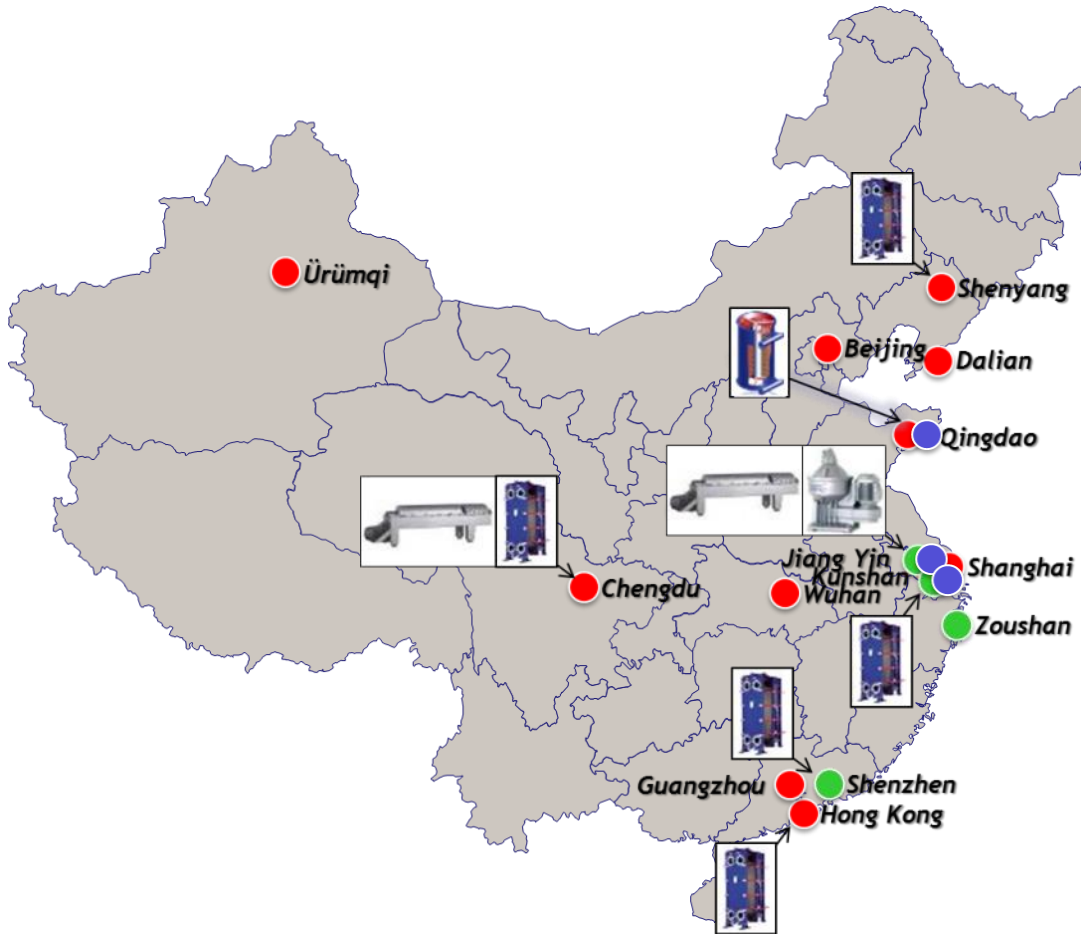


- * Protein beverages
- * Botanical beverages
- * Premium bottle water
- * Sugar-free RTD



- * Carbonated soft drinks
- * Bulk of ready to drink tea

Alfa Laval in China



- * 2 700 employees
- * 11 sales & service offices
- * 8 service centers
- * 230 authorized distributors
- * 4 factories
- * Product center Asia
- * Sanitary Asia hub
- * Engineering & Supply



Alfa Laval food in China

LTM OI September 2015



Vegetable oil



Food solutions



Proteins



Brewery

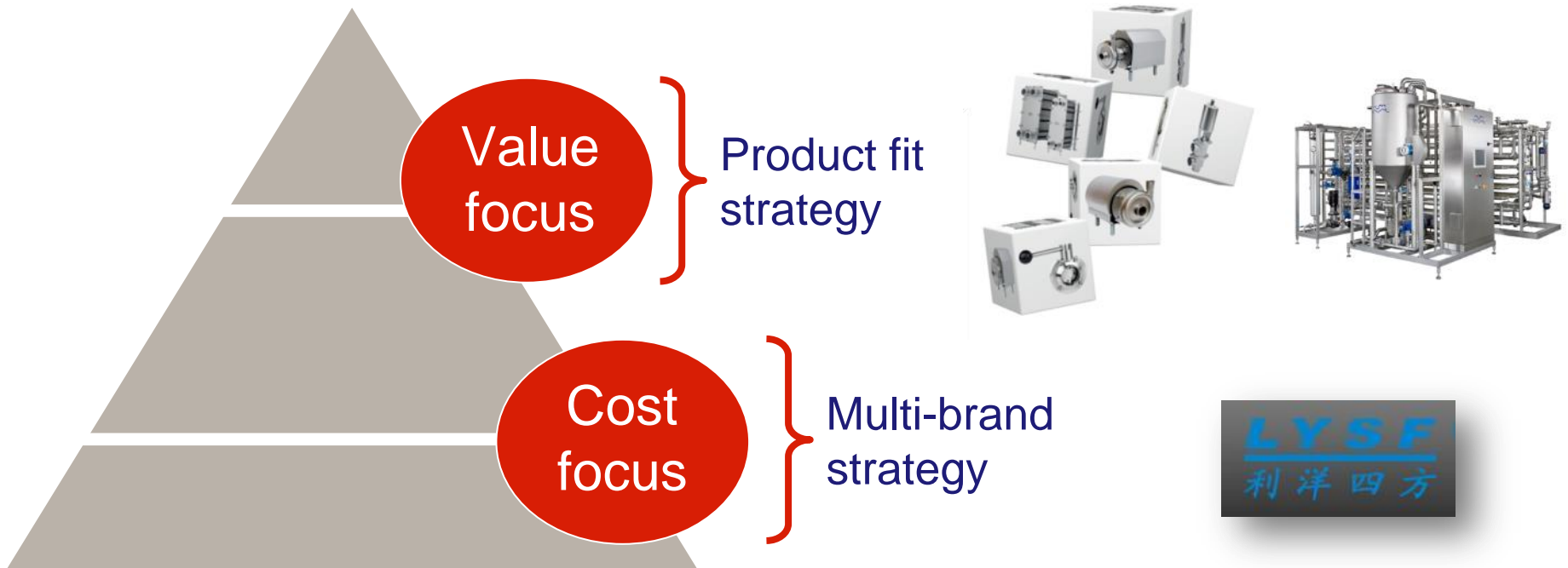


Dairy



Product strategy in China

for the Food market



Making plants safer

The Chinese dairy market – Yoghurt

- * In Yoghurt: lactose is broken down during production making it suitable to the Chinese consumer
- * New but strong segment driven by increased health awareness
- * Localized production, only Yakult and Danone among top players
- * Yoghurt is among first focused areas for tighter safety enforcement
- * Yoghurt market to grow >11% annually over next three years



Making plants safer

Providing hygienic solutions to the Chinese yoghurt market

- * Alfa Laval uses two ways to market – Preferred channel Tetra Pak and component distributors
- * Wide products range
- * Strong position to key players



Tradition versus innovation

The Chinese condiment market – Soya sauce

- * 7M tons of soya sauce per year
- * Increasing popularity of premium products (sophisticated taste)
- * Food safety concerns & push for efficiency - > from traditional processes to latest technologies
- * Soya sauce market to grow >15% annually over next three years



Tradition versus innovation

Providing efficient solutions to the Chinese soya sauce industry



- * Alfa Laval pioneered:
joint tests with leading producers
- * Today, Alfa Laval supplies:
high-speed separators, sterilizers,
evaporators, tank cleaning
equipment
- * Investments driven by
 - cost efficiency
 - higher product quality
 - higher hygienic standards

Tap the “taste of China”

The Chinese sugar confectionary market – Chocolate

- * China, 2nd largest market
- * Market dominated by foreign owned brands such as Dove and Ferrero Rocher
- * Premium chocolate sold in China is mainly used for gifts or ceremonial purposes
- * Chocolate market to expand to US\$4.3 billion by 2019 (from 2.7 in 2014)



Tap the “taste of China”

Providing hygienic products to the Chinese chocolate market



FERRERO

- * Ferrero Group
 - 3rd chocolate producer in the world
 - major player in the Chinese market
- * Investments are driven by cost efficiency, and easiness to clean hence more hygienic
- * Alfa Laval supplies food-processing equipment and cleaning solutions



Summary

- * Food grows above the country's GDP
- * Alfa Laval already has a strong position
- * Alfa Laval's core technologies and competencies have a good fit
- * We have a high degree of localization

ALFA
LAW