

Cheese market trends in Middle East & Turkey

October 11-12 , Bardolino Italy

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Content

- Intro to DuPont Nutrition & Health and Dairy marketing
- Cheese market dynamics – Middle East and Turkey
- Cheese trends – Saudi and Turkey:
 - Import dynamics
 - Categories – market size and growth
 - Trends and product positioning
 - Consumer insights
- Conclusions – opportunities going forward



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DuPont Nutrition & Health. It's What's Inside.

What we do

We use renewable raw materials to create food ingredients...



- Antimicrobials & Fermentates
- Antioxidants & Flavourants
- Cultures
- Diagnostics
- Emulsifiers
- Enzymes
- Functional Carbohydrates & Fibers
- Hydrocolloids
- Probiotics
- Soy Protein
- Tailored Ingredient Systems

...that food manufacturers use to create safe, nutritious and healthy products



Diagnostics and services help increase food safety and reduce food waste

DuPont Dairy Marketing support

Market trends

- **Trend presentations;** by dairy segments, country or region, customised topics, hot topics (eg sugar-free, natural etc)
- New **product launch overviews**
- **Customer meetings,** supported with **retail samples** from various countries



Consumer research

- **Consumer research** addressing key topics re. **market challenges** or potential to **penetrate new segments**
- Share the consumer research results with **customers individually** or at **customer seminars** and engage in further collaboration



Innovation

- **Customer Innovation Days** with **concept building** based on market needs and customer strategy
- Participate in **blue-sky brainstorming sessions** for product and brand development & positioning eg via our health ingredients

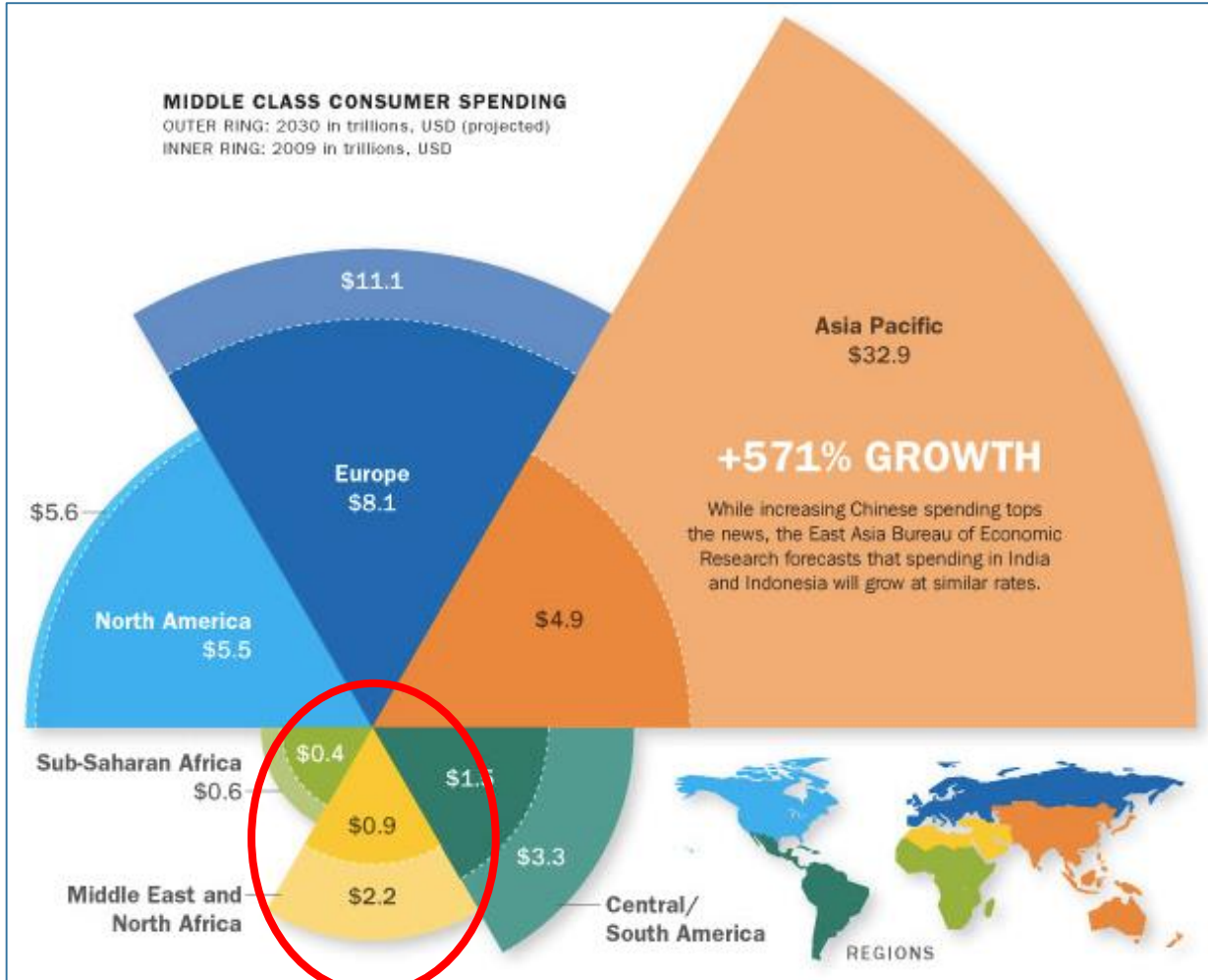


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A booming middle class and a young population in the Middle East and North Africa will be driving increased consumer spending



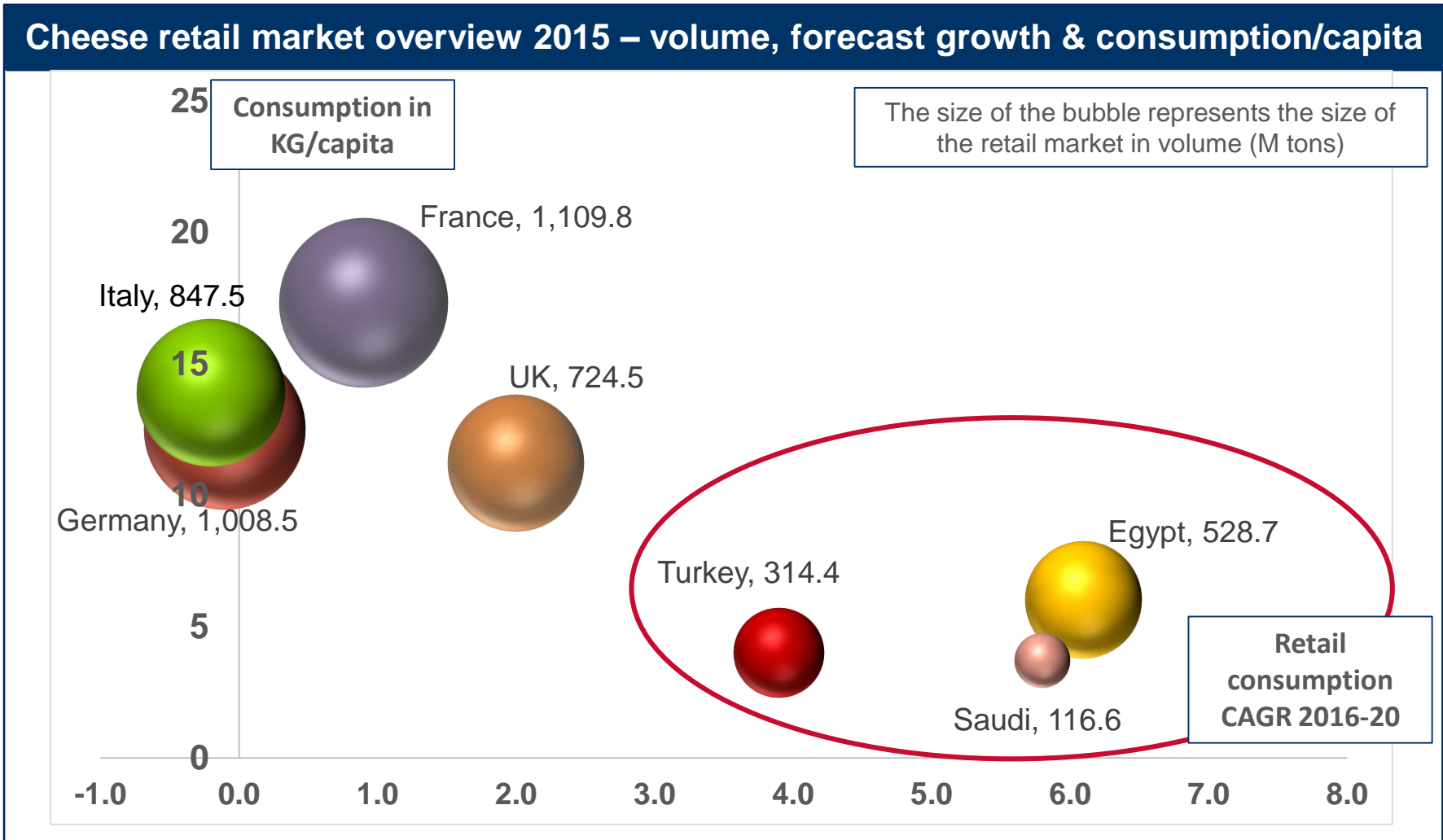
In the Arab countries' populations, young people are the fastest growing segment, some 60% of the population is under 25 years old, making this one of the most youthful regions in the world.

Source: youthpolicy.org (World Bank)



Source: www.arabianbusiness.com

The Middle East will drive future demand for cheese, increasingly switching from unpackaged to packaged cheese



Another driver for demand of cheese in the Middle East & Turkey is the expansion of quick service restaurants

- In Turkey, pizza food service sales increased at 16% CAGR from 2003-13, with similar growth expected in the next few years (although coming from a low base)*
- In Saudi, fast food is expected to remain one of the most dynamic channels within consumer foodservice with a forecast growth of 5% value CAGR 2016-20**



Source: www.designcontest.com



Source: www.pinoy-ofw.com/news/pizza-hut-saudi-arabia

Mergers and acquisitions are expected to increase further in the ME region in order to gain access to a fragmented distribution network

- Sales through **independent grocers** make up for **30% of cheese sales** in the Middle East & African region
 - E.g **65% of supermarkets in Saudi Arabia** are **small grocers**, making a simple distribution network impossible to set up
- Companies, like **Lactalis, Kraft, Groupe Bel, Arla, RFC & Danone** have already established themselves in the region, either through JVs, export or own local production



Source: www.gulfnews.com



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Import of food into the Middle East is an indispensable factor for the food industry in the region

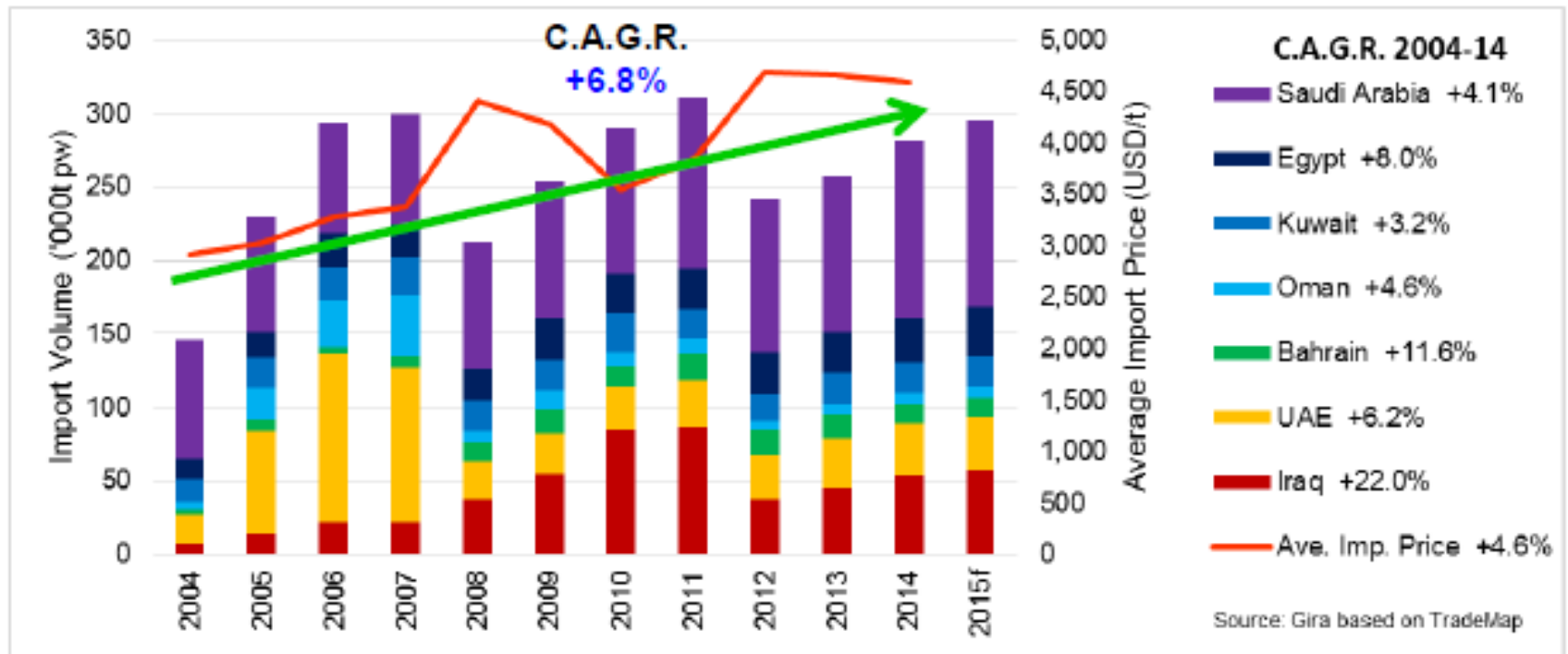
- The Middle East **imports roughly 90% of the food it consumes**. Within dairy, the region relies on **cheese and milk powder** as raw material for production or further processing (processed cheese).
- Middle East/North Africa, are becoming **regional manufacturing hubs**, exporting processed cheese to dozens of neighboring countries.
- **Saudi Arabia is the largest importer** of agricultural products among the six Gulf Cooperation Council (GCC) countries.
- **Saudi Arabia imports more than 70% of its dairy consumption** (2 MM tons in 2016 (Source: Euromonitor))



Source: www.foodexsaudi.com

Import of cheese into the Middle East and North Africa has increased overall the last 10 years, driven by increasing consumption

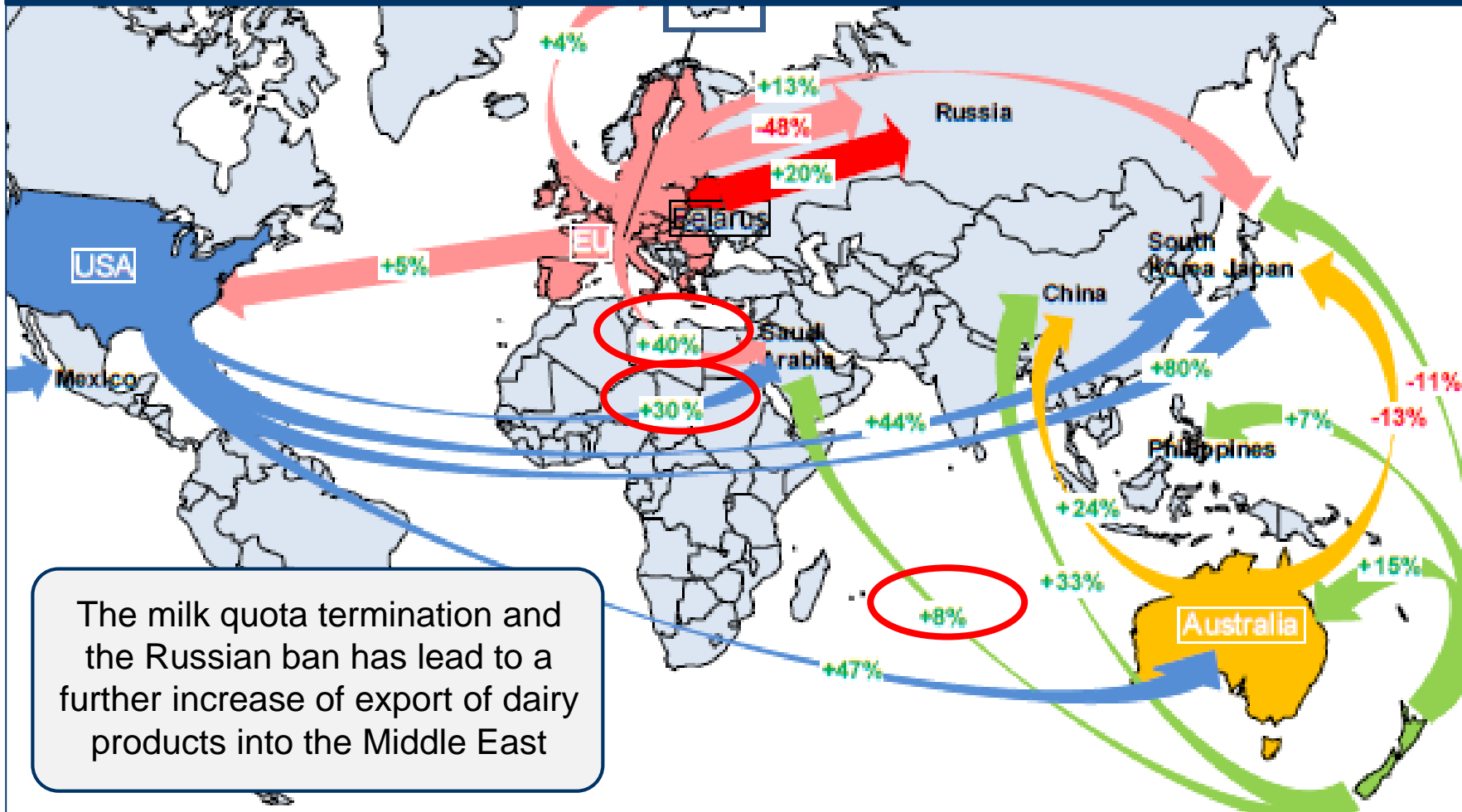
MENA(7) Cheese imports, 2004-15f



Imports 2015 was at 296.000 tons
Imports 2019 expected to increase with + 89.000 tons

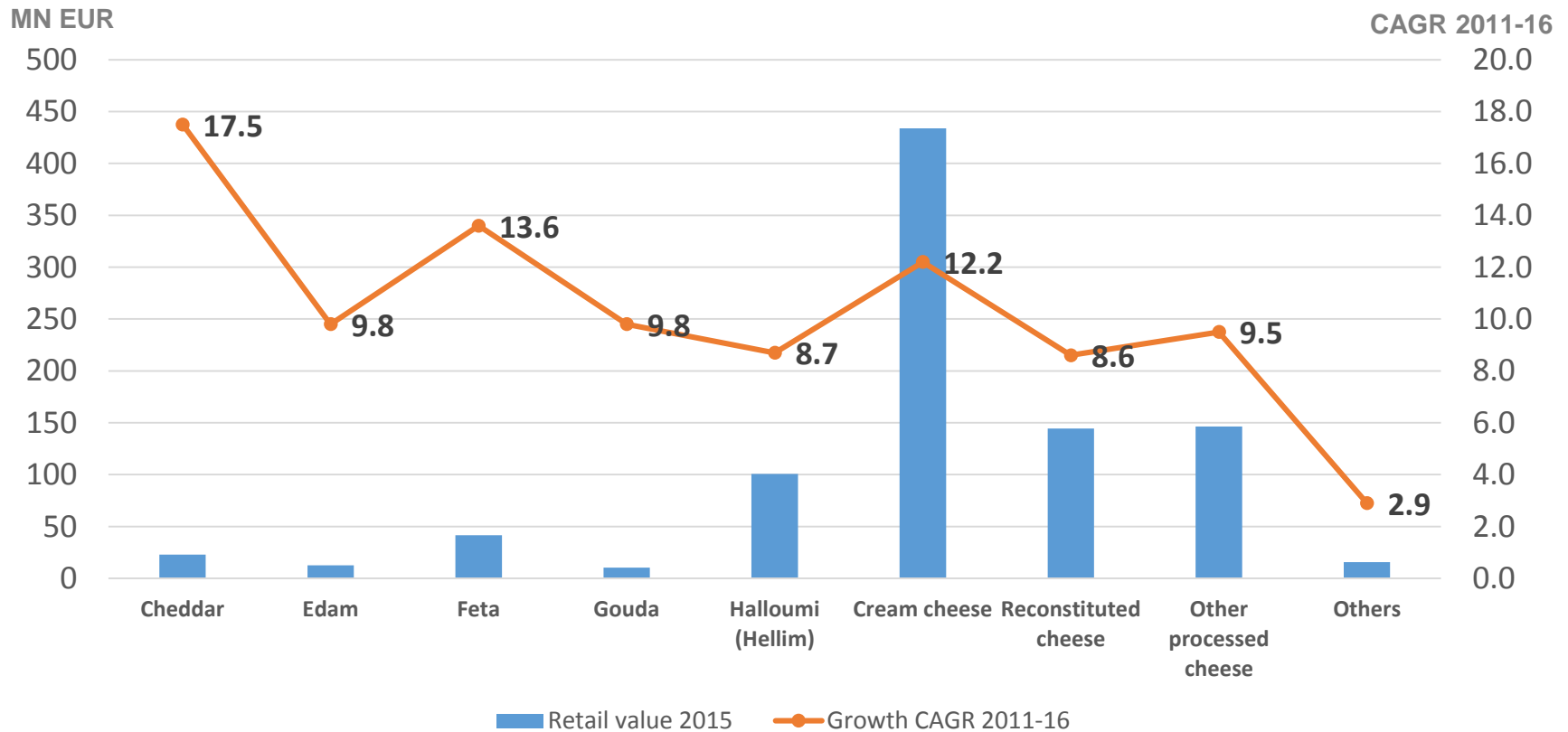
Saudi, being the biggest importer and hub for further trade, is receiving cheese from mainly New Zealand, US and the EU

Cheese - Top 5 export flows per exporter exceeding 10.000 tons. Development 2013/14 as indicated in %



Cream cheese represents 2/3 of total cheese in value and still with strong growth. Foreign types of cheese are still very small but growing.

Saudi – Cheese types, retail sales MN EUR 2016 and growth CAGR 2011-16



Source : Euromonitor 2016

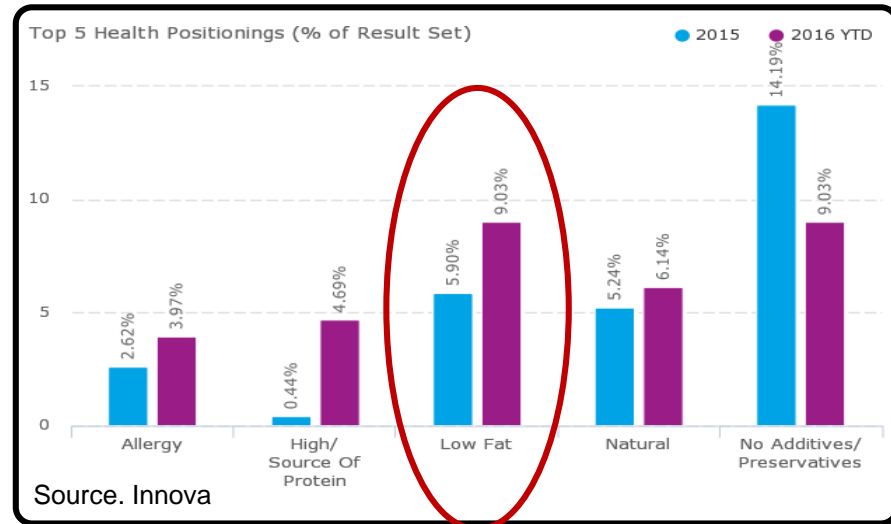
Cheese trends in Saudi: affordability, fast food and health awareness are main drivers

- Cheese is an important component of the Saudi diet (esp. cream cheese)
- Growing health and wellness governmental policies drive NPD with an improved nutritional profile especially on **low/reduced fat content** or **more natural**, however, this is still **niche** among consumers
- Ready meals and fast food, such as **pizzas**, are making way for opportunities for especially **analogue pizza cheese** due to **low cost**



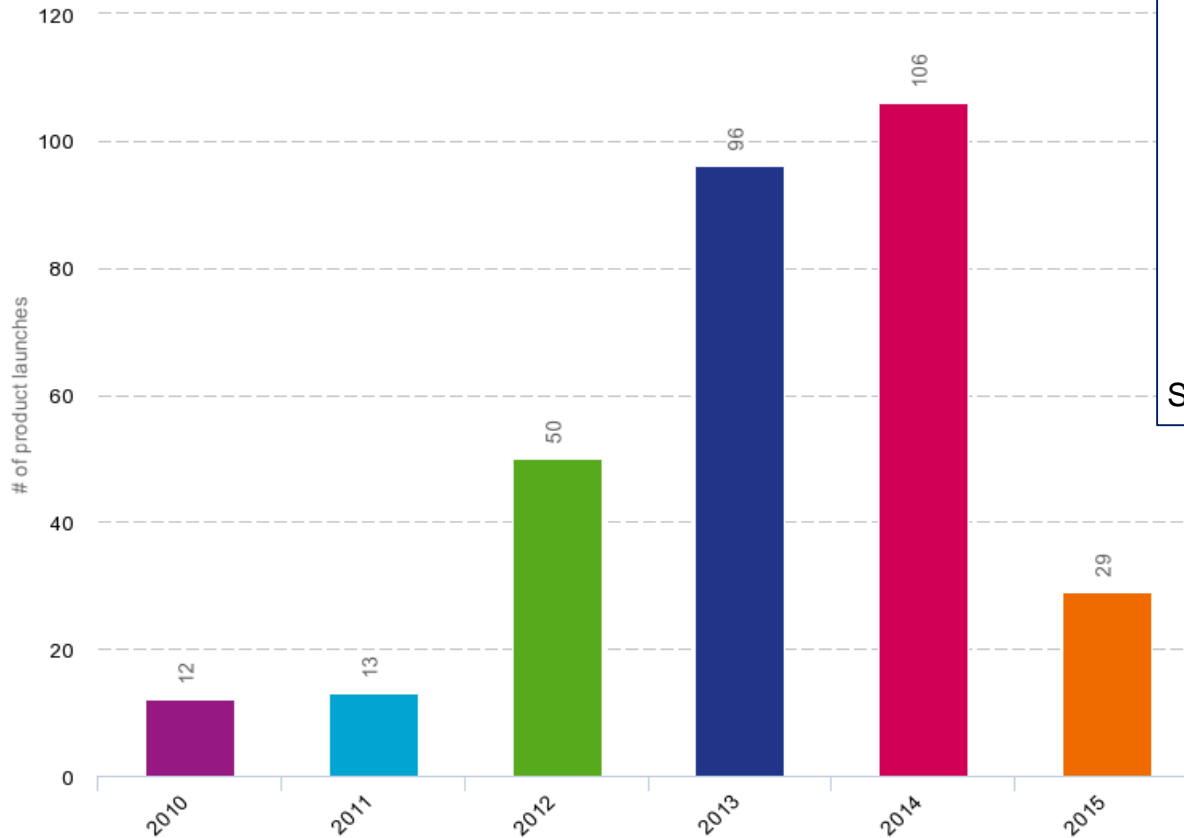
- Saudi's **economic situation** will be increasingly challenging due to **low oil prices** and an according rise in **domestic cost of goods**
- Consumers and importing food producers will look for **lower-priced products and discounts**.

Product launches in Middle East, 2015 & 2016, Positioning

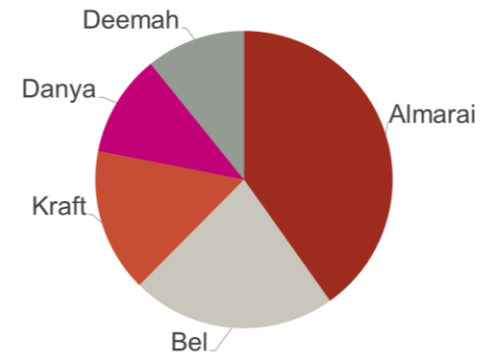


New product launches have increased drastically until 2014 with a big drop in 2015, possibly due to the economic situation

Saudi – Cheese product launches 2010-15



Top 5 players, company share - 2016



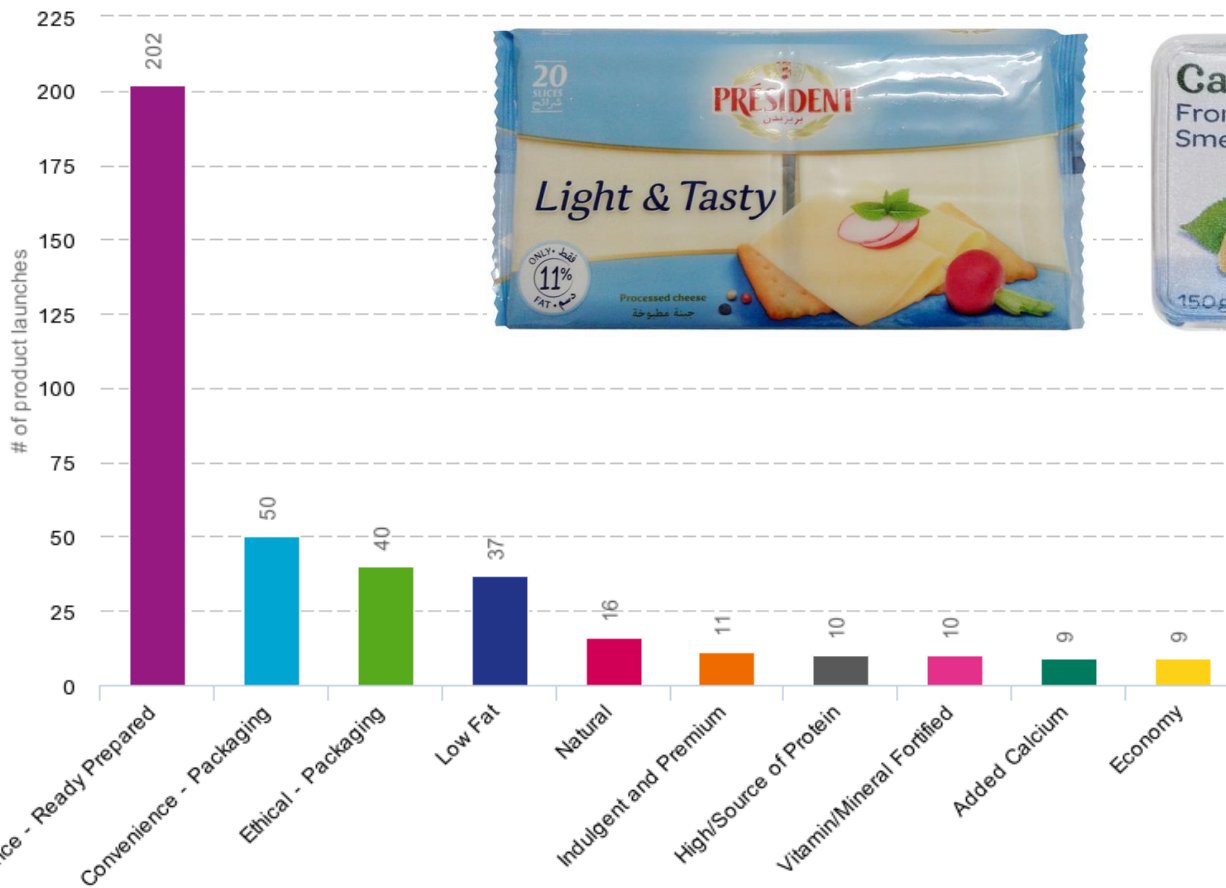
Source: Euromonitor 2016

Source: Innova 2015

Product Count: 306

Convenience is the main positioning, but also low fat and "natural" are slowly entering the scene, in line with increasing health awareness

Saudi – Cheese product launches 2010-15 – Top 10 positioning

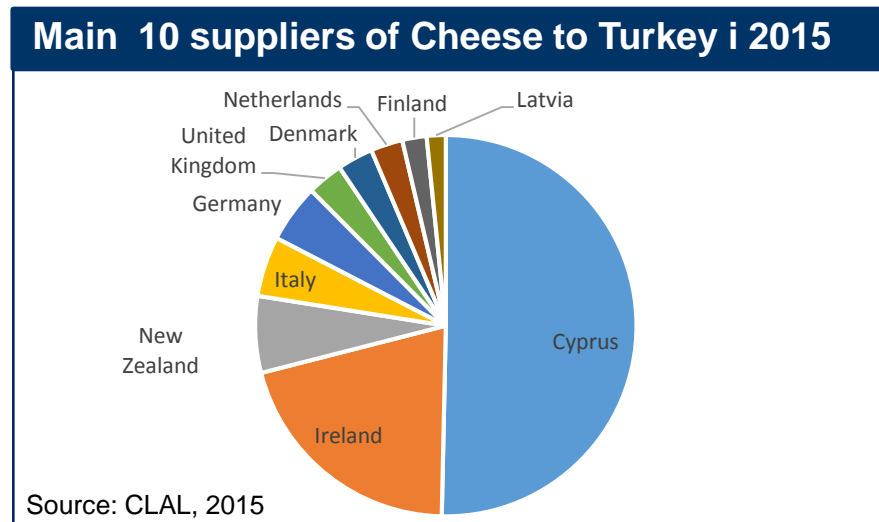
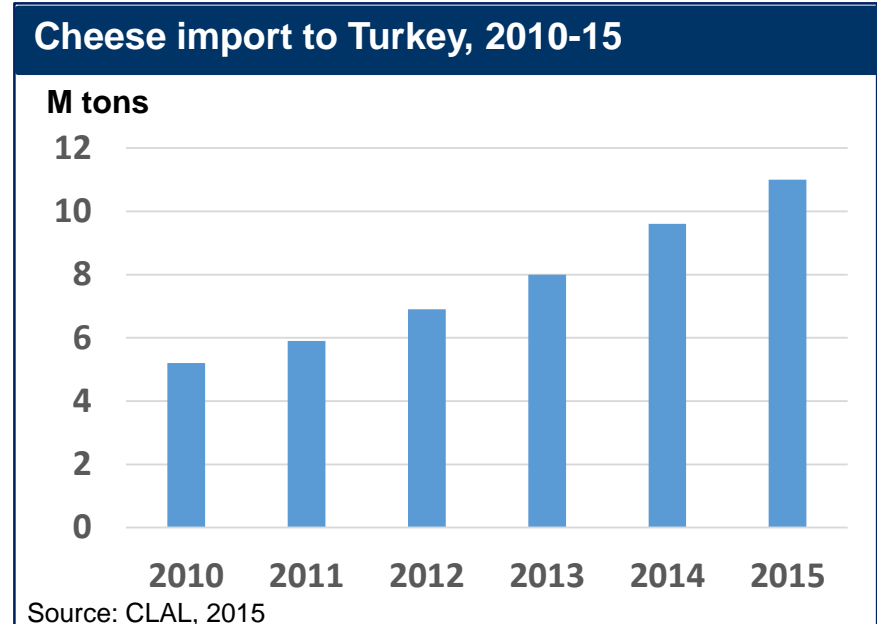
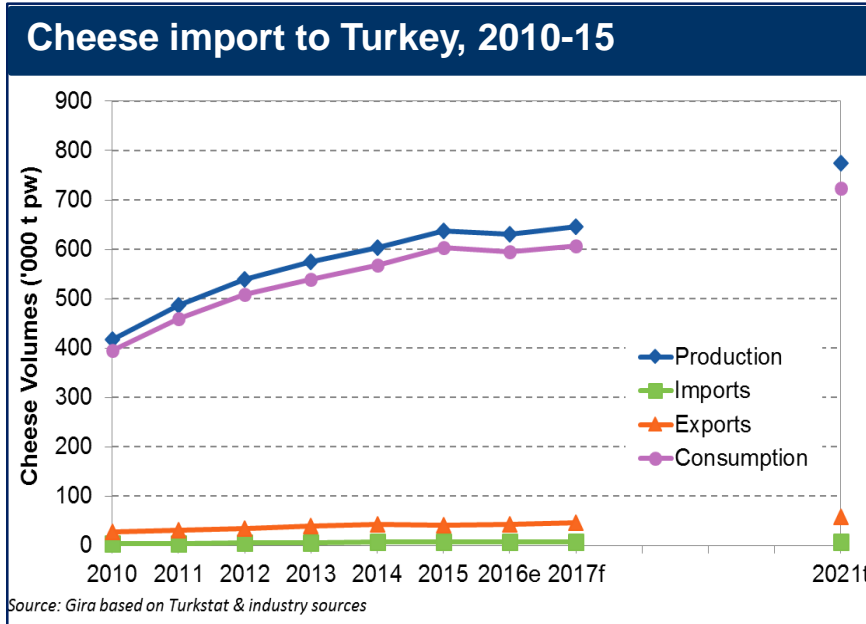


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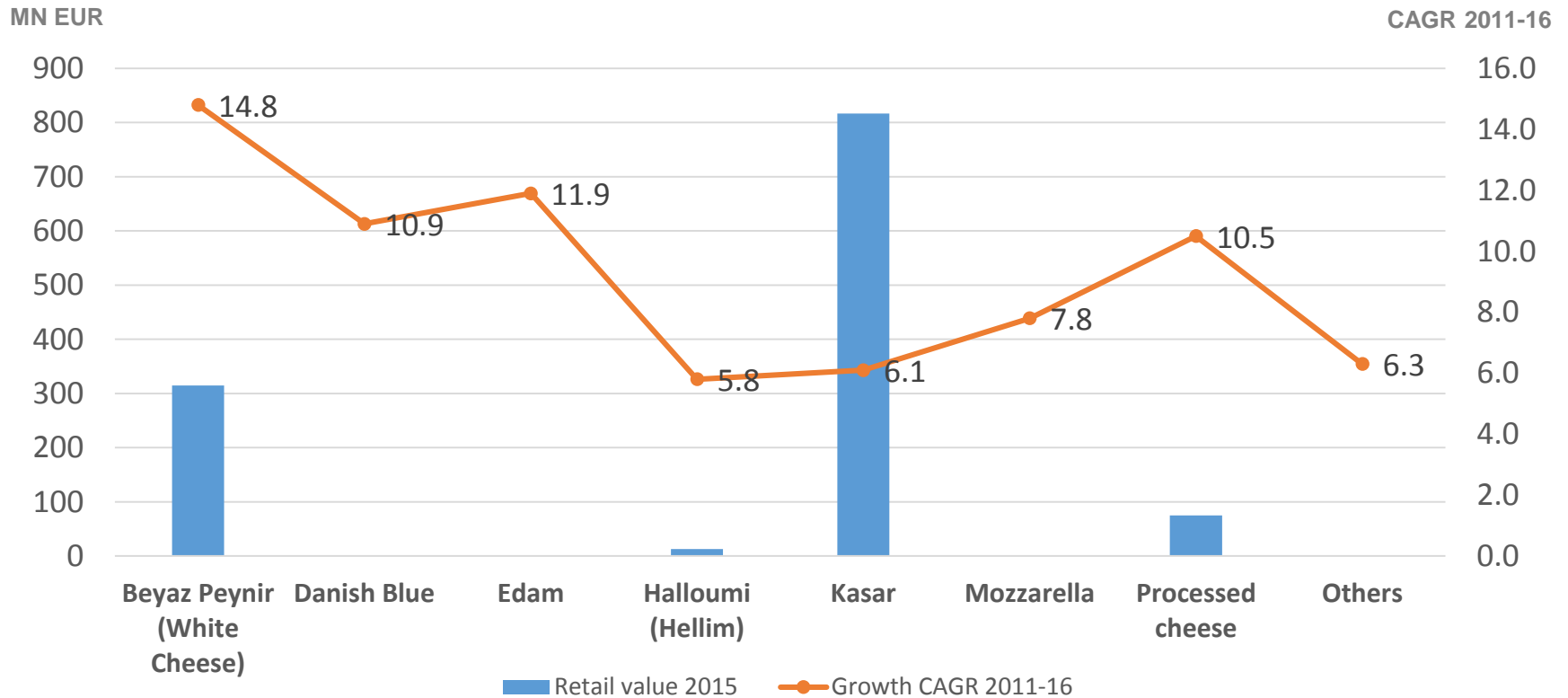


Import of cheese to Turkey is still small, but has doubled the last 5 years with Cyprus, Ireland, NZ and Italy as the main suppliers



Growth trend is seen mainly in white cheese. European cheese types and processed cheese still small in value but with promising growth

Turkey – Cheese types, retail sales 2016 (MN EUR) and growth CAGR 2011-16



Key cheese trends in Turkey: shift to retail cheese, private label and processed cheese driven by convenience

- **Volume growth up:** Shifting demand from unpackaged cheese to **packaged cheese** (especially within white cheese) due to **advertising and urbanization**
- **Value growth down:** due to an increase of **private label** and **discount** offers
- **Processed cheese** is a very dynamic segment due to a good fit with **convenience** and a **low salt** positioning
- Companies are expected to invest in **niche products**, such as **Edam, Emmental** and **spreadable processed cheese** for increased variety



Source: thewayofslowtravel.com

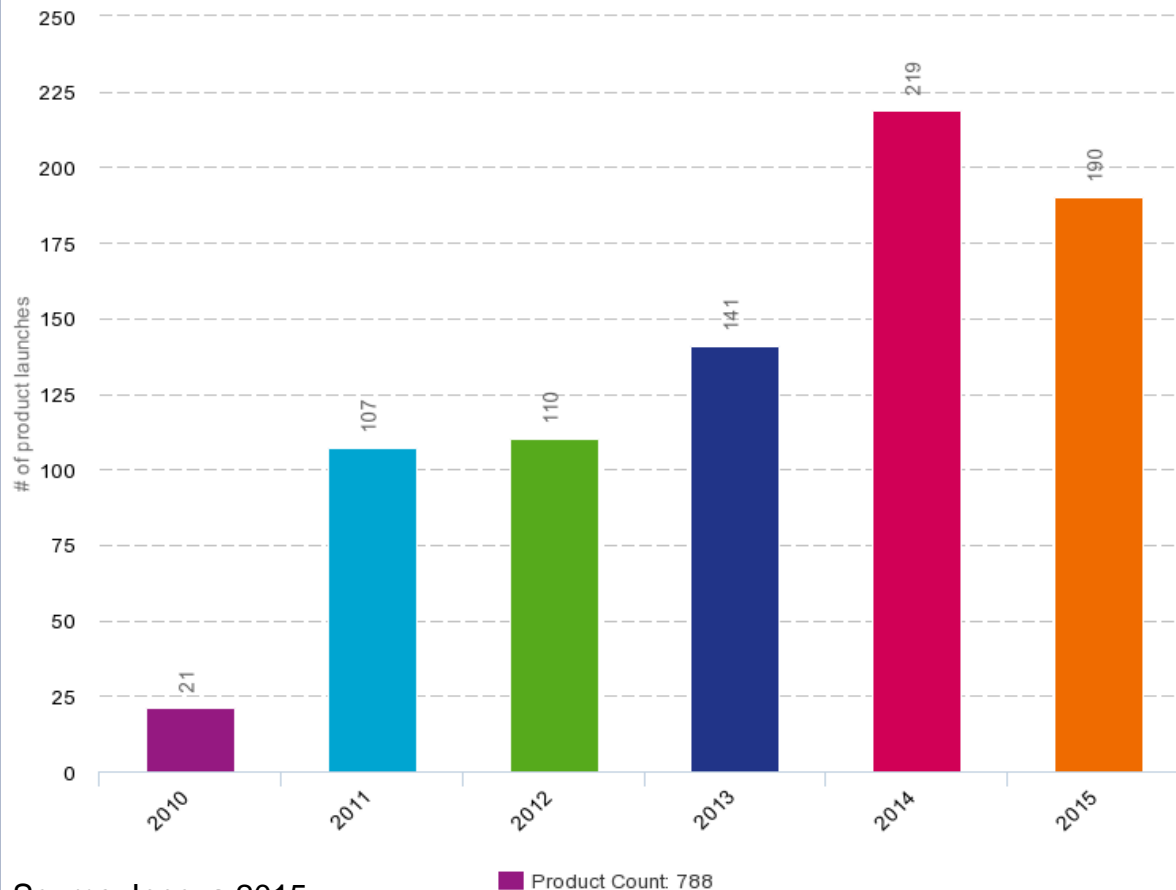


Source: turkpress.com

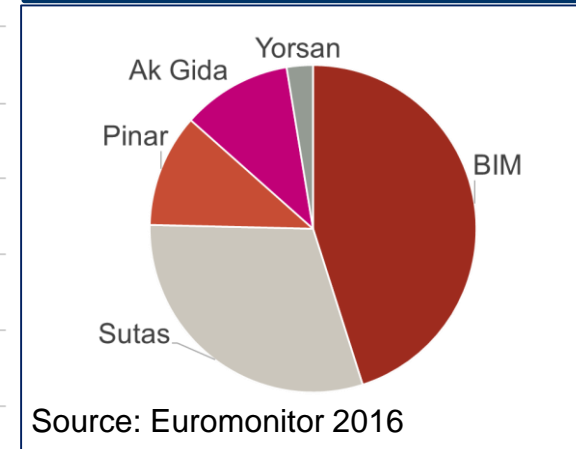


Switching consumers to packaged cheese requires a continuously increasing level of product launch activity

Turkey – Cheese product launches 2010-15



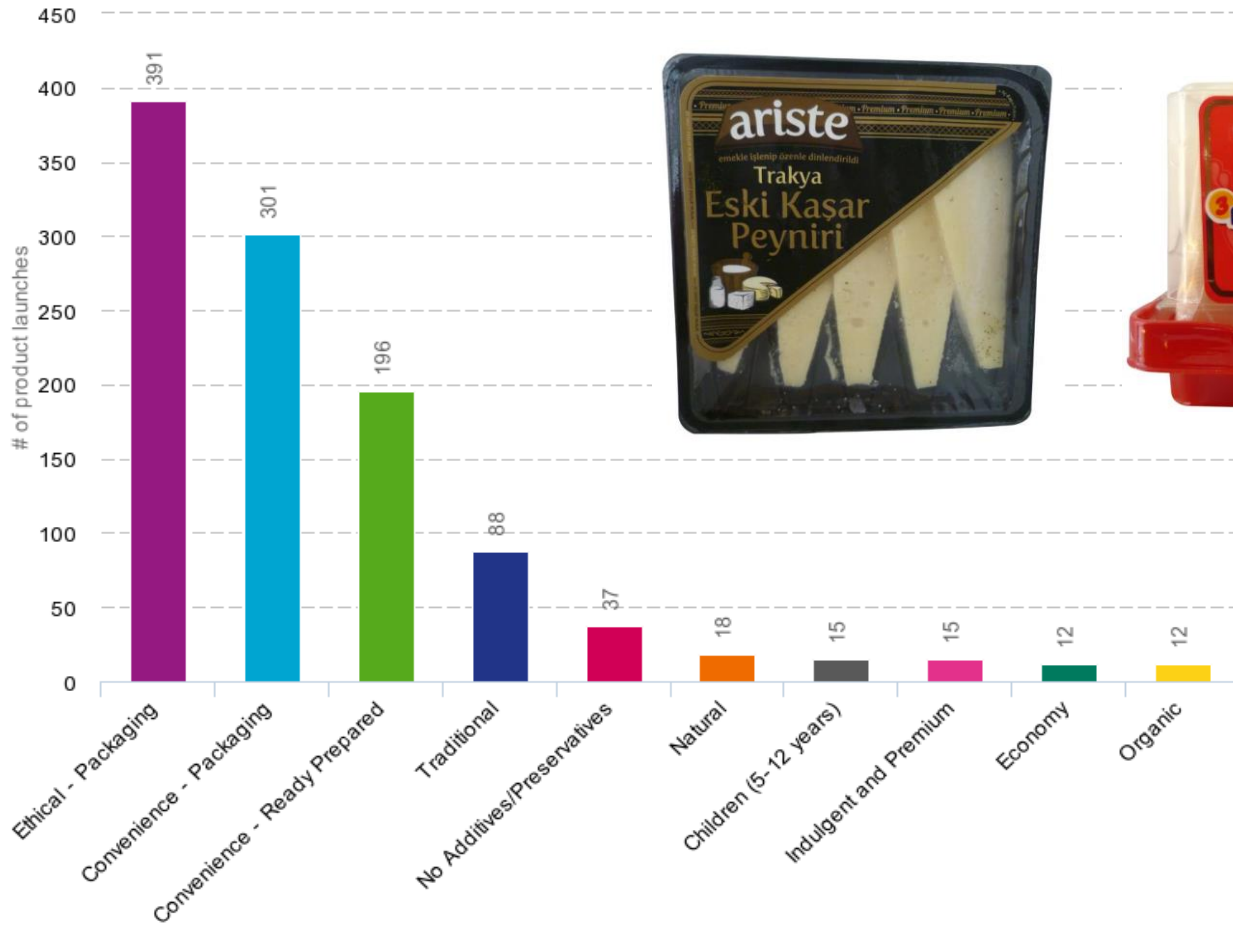
Top 5 players, company share - 2016



Source: Innova 2015

Convenience (packaging and ready prepared) is a key differentiator from unpackaged cheese

Turkey – Cheese product launches 2010-15 – Top 10 positioning



Source: Innova 2015

Q2 2016

**TURKEY CHEESE
CONSUMER RESEARCH**



Turkey cheese consumer research

Objectives



- To understand **general consumption habits, motivations & barriers to purchase cheese in Turkey.**
- To understand how **consumers perceive the “ideal cheese” / “natural” cheese**
- To understand whether there is consumer interest for **new cheese types**, and **how new products should be marketed** for successful penetration
- To understand consumers’ **brand perceptions and preferences**



To provide cheese producers with insights into understanding how to win in the market of cheese in Turkey (both existing and new categories)

Cheese is indispensable for traditional Turkish breakfast



- Cheese consumers cannot think of a breakfast table without cheese. Cheese is **essential to the traditional Turkish breakfast**.

Traditional

- Consumers believe the **customs and traditions** have shaped their palate and expectations about a breakfast. Breakfast can be made without olives and jams, which are also classic for Turkish breakfast, but without the cheese, the breakfast is incomplete.

Nutritious

- As it contains calcium, protein and vitamins, cheese is believed to be a very **nutritional** food, which helps people feel **energetic and healthy** during the day. It is considered essential for **bone development of children**. It is a basic nutritious food (**source of protein**) while dieting.

Satiating

- Cheese is believed to be a **satiating** food, which **keeps one full** for a long period after breakfast.

Tasty

- Cheese is not only healthy but it is also tasty. It gives **pleasure** to eat tasty cheese in the morning, makes the person content and happy during the day.

Economical

- Cheese, with its varieties to quite **convenient prices**, is an economical way to enrich the breakfast table

Turkish consumers are not familiar with European cheese types, except Italian Hard Cheese & Pasta Filata type

- The awareness of **Italian Hard Cheese & Pasta Filata** are higher compared to other import cheese types.
- Awareness of **cheddar** is very low. Cheddar is not bought for home use.
- **Edam, gouda** are almost never heard of.
- Consumers believe that Turkish cuisine has a wide range of cheese types and **imported cheese does not suit Turkish people's palate.**
- The **expensiveness** of these cheese types is also an important barrier for trial/ purchase.
- Consumers believe that these cheese types would have a **more suitable price, if they were produced locally.**
- **Italian hard cheese has a higher chance of entering the household,** as they are familiar with it from restaurants.



Consumer input: There are unmet needs in the category



- The unmet needs can be summarized under three headings: **Practicality, Diversity, Special to Kids**
- Consumers came up with some innovative ideas that target these unmet needs

Practicality

- **Cheese in tube** → Especially for out of home consumption. Easy to use, no mess, no hassle
- **Single portion** out of home consumption (to take to the office, to put in lunch box of kids) & to enrich the table with different types
- **Sliced cheese** → – practical and appealing to the eye with triangular shapes
- **Breakfast plate (with cheese & olives)** → to breakfast in office

Diversity

- **Multi-type packs** → To enrich the table with different types
- Good for testing new types which cannot be bought alone
- **Enriched with different tastes** →
 - Cheese with herbs (different herbs than usually found like dill)
 - Cheese with sesame
 - Cheese with spices

Special to kids

- **Fun** → colorful, different shapes
- **Appealing to their palate** → less salty, soft, with chocolate, cheese pieces covered with chocolate, cheese with fruit
- **Healthy & delicious** → cheese with spinach to be used on top of pasta

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Conclusions – opportunities going forward

- **Import of cheese into Middle East & Turkey will increase further** due to growing consumption and the growth of both retail and food service
- **Increasing expat communities** in the Middle East will also drive demand
- Growing trends:
 - **Affordability:** eg. analogue mozzarella for fast food and ready meals
 - **Convenience:** innovative packaging, processed cheese
 - **Health:** low salt, low fat, natural, organic
 - **Kids / Millenials:** innovation, new textures, fun packaging

Overall trends in the cheese industry in Middle East & Turkey



Thank you for your attention!



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