Europe: Playing a Pivotal Role in Almonds’ Future
Europe: Playing a Pivotal Role in Almonds’ Future
1. WHY EUROPE MATTERS
   – Emily Fleischmann
     Vice President, Global Market Development (ABC)

2. EU TRENDS DRIVING ALMOND CONSUMPTION
   – Kath Martino
     Consultant, Europe (ABC)

3. ABC MARKETING PROGRAMS
   – Dariela Roffe-Rackind
     Director Europe & Global Public Relations (ABC)

4. TRADE & REGULATORY UPDATE
   – Julie Adams
     Vice President, Global Technical & Regulatory Affairs (ABC)
Maintaining a portfolio of markets has been key to Almond Board approach to Global Market Development—from two mindsets:

Emerging/Established/Exploratory

Geographical Dispersion

Middle class

Stable Politics

Home ownership

A car

Health and retirement security

Family vacations

A college education for the kids
CURRENT PROGRAMS

NORTH AMERICA
• Canada
• U.S.
• Mexico

EXPLORATORY MARKETS
• Brazil
• Chile
• Argentina

EUROPE
• UK
• France
• Germany
• Italy

ASIA
• China
• India
• S. Korea
• Japan
Investment in European Programs started 20+ years ago

Consumer Programs started as a Pan-Euro Approach from a strategy, positioning and creative

However, realized that the consumer dynamics warranted separate programs for consumer
OUR PRESENCE IN EUROPE IS PIVOTAL AT THIS TIME FOR CA ALMONDS.

While investment in Developing Markets such as INDIA and CHINA are critical to fuel demand growth

Developing market uncertainties:
• Name changes
• Tariffs
• Difficult Regulatory Environment

Europe
• Influence of the region
• Key market shifts that CA Almonds should be present for
EUROPEAN SHIPMENTS ARE LARGE

Western Europe:
573 Million

25% global almond shipments

EU4:
240 Million

11% global almond shipments

SOURCE: Position Report July 2018; NID ABC 2019
HISTORICALLY THE EUROPEAN MARKET HAS BEEN SUPPORTED BY TWO TRADITIONAL CATEGORIES.

Marzipan

Bakery

<table>
<thead>
<tr>
<th>Country</th>
<th>Almond Shipments (Lbs) Per Capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>1.3</td>
</tr>
<tr>
<td>France</td>
<td>0.9</td>
</tr>
<tr>
<td>Italy</td>
<td>0.9</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>0.3</td>
</tr>
<tr>
<td>United States</td>
<td>0.6</td>
</tr>
</tbody>
</table>

Per capita consumption in Europe led the Globe 20 years ago, supported by traditional consumption.
“Marzipan has a frumpy, slightly dowdy image”

-Marzipan 39%
-Bakery 13%
-Cereal 7%
-Ice Cream 5%
-Foodservice 4%
-All Others 5%
-Germany 2010 GMDA

“Usage in traditional bakery products are declining as consumer look towards healthier options.”

-Chocolate 17%
-Marzipan 16%
-Bakery 5%
-Cookies/Biscuits 3%
-Snack Nuts 54%
-Germany 2016 IRI*

-Janine Judetzki, Lemke (manufacturer)

-Euromonitor Europe November 2018
PER CAPITA CONSUMPTION HAS INCREASED WITH THE RISE OF SNACKING OFFSETTING DECLINES IN TRADITIONAL EATING

ALMOND SHIPMENTS (LBS) PER CAPITA

<table>
<thead>
<tr>
<th>Country</th>
<th>98/99</th>
<th>17/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>1.3</td>
<td>2.0</td>
</tr>
<tr>
<td>France</td>
<td>0.9</td>
<td>1.6</td>
</tr>
<tr>
<td>Italy</td>
<td>0.9</td>
<td>1.5</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>0.3</td>
<td>0.8</td>
</tr>
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</table>
**EUROPEANS AFFINITY FOR ALMONDS IS GROWING**

<table>
<thead>
<tr>
<th>FRANCE</th>
<th>UK</th>
<th>GERMANY</th>
<th>ITALY</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1 HEALTHIEST NUT</td>
<td>#1 HEALTHIEST NUT</td>
<td>#1 EATEN IN OTHER FOODS</td>
<td>#1 NUT FOR TOP OF MIND AWARENESS</td>
</tr>
<tr>
<td>#1 NUT EATEN AS A SNACK</td>
<td>#1 EATEN IN OTHER FOODS</td>
<td>#2 HEALTHIEST NUT</td>
<td>#1 NUT EATEN AS A SNACK</td>
</tr>
<tr>
<td>#1 NUT POSITIVE STORY RECALL</td>
<td>#1 NUT POSITIVE STORY RECALL</td>
<td>#2 NUT POSITIVE STORY RECALL</td>
<td>#2 NUT POSITIVE STORY RECALL</td>
</tr>
<tr>
<td>#1 AVERAGE CONSUMPTION</td>
<td>#1 BAKING ASSOCIATION</td>
<td>#1 BAKING ASSOCIATION</td>
<td>#1 HEALTHIEST NUT</td>
</tr>
<tr>
<td>#1 BAKING ASSOCIATION</td>
<td>#3 NUT EATEN AS A SNACK</td>
<td>#4 NUT EATEN AS A SNACK</td>
<td>#1 BAKING ASSOCIATIONS</td>
</tr>
</tbody>
</table>

While barriers in each of the market differ to some extent, they are similar in that consumers are all seeking healthier eating options, snacking more and know little about almonds.
Europe introduced nearly 2X more almond products than any other region. Almond introductions outpaced food introductions in this region.

Launches often start in the UK for Europe.

EUROPE IS A CENTER FOR GLOBAL INNOVATION
EUROPE LEADS THE WORLD IN ALL 5 CATEGORIES FOR ALMOND INTRODUCTIONS

- Bakery 47%
- Snacks 36%
- Cereal 40%
- Confectionery 57%
- Bars 37%

- 1st largest region for almond introductions
- 45% of global almond intros were in Europe
- 41% of European nut intros were almonds
EU3 SNACK MANUFACTURERS’ INFLUENCE STRETCH BEYOND BORDERS

LEADING CPG MANUFACTURERS
AND THE EUROPEAN GLOBAL CHOCOLATE MANUFACTURERS DRIVE IMPACT IN NORTH AMERICA AND ASIA

KEY CPG CHOCOLATE MANUFACTURERS

<table>
<thead>
<tr>
<th>TIER 1</th>
<th>TIER 2</th>
<th>TIER 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mondelez</td>
<td>Ferrero</td>
<td>Lindt</td>
</tr>
<tr>
<td>Nestle</td>
<td>Hershey’s</td>
<td>Lotte</td>
</tr>
<tr>
<td>Mars</td>
<td></td>
<td>Arcor</td>
</tr>
<tr>
<td>Barry Callebaut</td>
<td></td>
<td>Storck</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Meiji</td>
</tr>
</tbody>
</table>
ABC’S APPROACH TO EUROPE

PAN-EUROPE
Inspire & Educate food professionals

UK, France, Germany, Italy
Increase consumer demand
EU4 collectively is our second largest market.

Continued investment in Europe is critical to:

- Capitalize on the influence of the region
- Offset declines in traditional categories
EUROPE: FOOD TRENDS
VEGANISM GOES WILD
WORLD FIRST
MEAT-FREE BUTCHERS
MAKING VEGAN SNACKS AVAILABLE TO THE MASSES
LE “FAUX-MAGE”

VEGAN CHEESE BECOMES MAINSTREAM IN FRANCE
SUSTAINABILITY GOES LONG
LUSH NAKED STORES
LEADING THE WAY IN REDUCING PACKAGING
ALARA SCOTTISH OATS

Positively impacting climate change in a delicious and sustainable way
CARLSBERG

COMMITTED TO ZERO CARBON EMISSIONS ACROSS EUROPEAN BREWERIES BY 2030
THE CLEAN VIC
Sainsbury's No & Low Alcohol Pub

LONDON'S ONLY ALCOHOL-FREE PUB
NUTRIBEESE

CUSTOMISED, TASTY, HEALTHY
HOME-DELIVERY MEAL SERVICE
WHAT DOES ALL THIS MEAN FOR ALMONDS?
BUILDING LOVE AND FURTHER DEMAND WITH CONSUMERS IN EUROPE
DISCIPLINED MARKETING APPROACH

- Global Demand Analysis
- Opportunity Assessment
- Target Segmentation
- Message Deep Dives
Why France, Germany, United Kingdom, Italy?

• Addressable populations
• Largest food spenders
• New product introductions
• Heritage with almonds
• Availability of products
• Influencers

Opportunity Assessment
Focus within markets
Target Segmentation

IT: Healthy Influencers
- Actively seek out information about health and nutrition, they like to experiment with food.
- Often snack between meals. Plan snacks in advance.
- Take care of their appearance, looking youthful and fit is important.
- Follow a regular exercise regimen.

DE: DE-Lightful Snackers
- Regularly creates snacking occasions between meals
- Good food makes life worth living, and it should be exciting, tasty, and convenient
- Primarily to maintain weight and diet, but tension lives between good food and health goals

FR: “French Jane”
- Routine snacker between meals
- Enjoys cooking new dishes, likes to try new products, and invests in quality brands
- Conssciously pays attention to a healthy and balanced nutritional diet

UK: Health Seekers
- Trying to avoid foods with artificial additives and preservatives.
- Takes care of themselves physically.
- Will pay more for high quality foods.

IT: Health Seekers
- UK
  - 19.7 Million Adults
  - Age 25-54
  - 49% Males | 51% Females
  - 32% of Italians
- FR
  - 8.5 Million Women
  - Age 25-54
  - 67% of French Women 25+
- DE
  - 12.5 Million Adults
  - Men & Women
  - Age 25-54
  - 25% of UK Adults 18+
- IT
  - 19.7 Million Adults
  - Age 25-54
  - 49% Males | 51% Females
  - 32% of Italians
- FR
  - 8.5 Million Women
  - Age 25-54
  - 67% of French Women 25+
- DE
  - 9.72 Million Women
  - Age 25-54
  - 31% of German Women 25+
- FR
  - 8.5 Million Women
  - Age 25-54
  - 67% of French Women 25+
- DE
  - 9.72 Million Women
  - Age 25-54
  - 31% of German Women 25+
I AM SORRY
I LOVE YOU
I HATE YOU
I AM PREGNANT
IT’S A GIRL
JUST DO IT
DO YOU ALMOND?
A path to accelerate growth in the UK:

UK target audience was adapted from the US nearly 10 years ago. Overall attitudes toward health & snacking have evolved significantly, so in 2018 we re-evaluated our target.
DO YOU ALMOND?
WHAT’S NEXT (IN 3 WORDS)

UK: Do You Almond
France: Refresh Market Approach
Germany: Focus on Beauty
Italy: Piano. Piano. Piano
Europe: Inspire and Educate
EUROPE: SUCCEEDING IN A CHALLENGING TRADE ENVIRONMENT
China:
- 60% tariff on kernel/inshell U.S. almonds
- 20% tariff on preserved nuts (in cans)
- 40% tariff on processed or preserved

Japan:
- “Partial” FTA
- Import testing

E.U.:
- Brexit
- Import testing
- Pesticide MRLs

Turkey:
- 25% tariff on U.S. Almonds

India:
- 35 → 41 rupees/kg on inshell
- 100 → 120 rupees/kg on kernels
- Labeling
- Grades/standards

China:
- 60% tariff on kernel/inshell U.S. almonds
- 20% tariff on preserved nuts (in cans)
- 40% tariff on processed or preserved
AFLATOXIN: LINGERING CONCERN BEARS MONITORING

- Back to < 1% import control
- Spain, Italy still testing more
- Continuing engagement with USDA/FAS, Spanish authorities
- Reprocessing successful – a good option in right situation
WHAT WE ARE WATCHING

• Europe – 2\textsuperscript{nd} largest export region
• Consolidation of companies, production facilities
• Brexit – EU 27 + 1?
• Almond TRQ: What’s the split?
  – EU 27 85,958 MT (95.5%)
  – UK 4,042 MT (4.5%)
• EU Pre-Export Certification
  – \textit{Only U.S. commodity} recognized by EU
  – Less than 1% import inspection: \textit{will UK adopt?}
• Pesticides and Hazard Criteria. How will ag tools be impacted going forward?
BUT THERE IS GOOD NEWS

- Finding the common language
- Right focus on food safety, grower practices, environmental concerns
- Ensures acceptance at a customer and supplier level
- Tells our story using existing systems
- Demonstrates continuous improvement
- Leads to greater TRUST
BUILDING ON THE SUSTAINABILITY ADVANTAGE

Grower Self-Assessment

Reputation/Communication

Supply Chain Support
Join the Conversation!

Use #AlmondConf to share highlights from The Almond Conference
Thank you!