

# Thailand Food & Beverage Industry Outlook 2011

A Special Publication of:



Manufacturing Trends P.2



Food and Beverage Trends P.6



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## Agro-Industry Outlook

Jaruwan Prommachot

The data collection of overall export of Thailand in the 11-month period (Jan-Nov) of 2010 by the Information & Communication Technology Center, Office of Permanent Secretary Ministry of Commerce, in cooperation with Thai Customs Department indicated that the overall export value of Thailand was 5,661,023.94 million baht or 20.12 percent increase while the overall export value of the agro-industry and agriculture was 998,407.37 million baht or 11.72 percent increase. Exports of the agriculture sector (cultivation, livestock, and fishery) was 610,409.74 million baht, an increase of 22.11 percent. The cultivation sector had export value of 474,216.23 million baht, a 27.68 percent rise of which rice accounted for 147,869.89 million baht, a 5.73 percent increase. As for the export of the agro-industry, the export value was 387,997.63 million baht or 10.33 percent increase, which was divided into canned and

processed seafood with export value of 118,607.34 million baht, a 2.67-percent increase, consisting of canned seafood with export value of 56,568.28 million baht, a decline of 0.26 percent. The canned seafood can be divided into canned tuna with export value of 47,590.76 million baht or 0.16 percent decrease and canned sardine with export value of 2,791.74 million baht or 10.23 increase.

For processed seafood, the export value was 62,039.07 million baht or 5.51 increase, which can be divided into sub-groups such as processed shrimp with export value of 39,250.52 million baht or 2.67 percent increase, processed squid with export value of 582.39 million baht or 26.47 percent increase, processed crab with export value of 694.57 million baht, down 0.85 percent, and processed fish with export value of 19,361.25 million baht, up 9.82 percent.

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#### Foodstuff Industry

- Grain and flour: wheat, corn, peas, rice,...
- Starch.
- Spices: pepper, coriander, cloves, curcuma,...
- Fruit powder and dried vegetable.
- Milk powder, lactose, caseins, caseinates,...
- Sugar, cacao, biscuit,...
- Geeling agents, seaweed, guar,...
- ...etc.



#### อุตสาหกรรมอาหาร

- เมล็ดพืชและแป้ง : ข้าวสาลี, ข้าวโพด, ถั่ว, ข้าว, ...
- แป้ง
- เครื่องเทศ : พริกไทย, ผักชี, กานพลู, ขมิ้น, ...
- ผักและผลไม้อบแห้ง
- นมผง, แลคโตส, เคซีน, เคซีนเนต, ...
- น้ำตาล, ผงโกโก้, ขนมอบกรอบ, ...
- เจลลี่, สาหร่าย, ถั่วต่างๆ, ...
- ...อื่นๆ





# Manufacturing Trends

Chalida Worasin

The global warming problem in conjunction with the trend of earth conservation by consumer worldwide to turn to the importance and attention to the details of a product or products that they choose to use or consume whether they can help conserve the environment has resulted in the brand owners and manufacturers of food and beverage products worldwide to focus and drive environmental policy to become one of the main policies of the company along with business policies to drive the organization.

In recent years, many manufacturers of food and beverage products in Thailand have begun to be aware of the development of manufacturing process and have adjusted many systems in the factory to reduce the release of waste to the atmosphere. This year, we will see many factories because not only it will help reduce global warming, in terms of marketing their products will be well represented as earth conservation products, which will attract consumers.

Carbon footprint or carbon reduction label is one of the policies that Thai food and beverage manufacturers gives special attention since the first pilot program “carbon footprint” in Thailand in mid-2009 led by the Thailand Greenhouse Gas Management Organization (Public Organization) or TGO and the National Metal and Materials Technology Center (MTEC) with the purpose of having companies in all industrial sectors to become aware of manufacturing management and reduce greenhouse gas emissions. In the first phase of the pilot project, with 25 participating companies, each company would send products to be analyzed for the carbon footprint value throughout the product life cycle, which SIG Combibloc, the main leader of the project, has chosen several leading companies such as Coca-Cola, TIPCO, CP Intertrade, Thai Airways, Betagro, etc.

Betagro Group, one of the major food industry operators in Thailand, is one of the companies that focus on environmental policy. **Nopporn Vayuchote**, Executive Vice President of Betagro Group, said that consumers are interested in the subject of global warming while the production of Betagro produces biogas. Therefore, the company uses biogas as renewable energy and encourage farmers to use biogas such as using biogas in large farm for power generation or in small farm for household uses.

The use of carbon footprint label in each country in the EU is likely to increase because in 2012 some countries in the EU will enforce the use of carbon footprint label on products. Therefore, Betagro has studied the details to be ready. Currently, the company has initial cooperation with the National Metal and Materials Technology Center (MTEC) and the Ministry of Science and Technology. Next year, Betagro will start carbon footprint labeling of chicken and animal feed products and then expand to other

products. Betagro will be ready for the regulations about carbon footprint by 2012.

Charoen Pokphand Foods Public Company Limited or CPF has a policy for subsidiaries to conserve energy and environment, and give back to the society and community. Therefore, the company has a framework for activities for the society called Corporate Social Responsibility (CSR). **Nopphadon Sirijongdee**, Senior Vice President of Food Processing Poultry Business, Charoen Pokphand Foods Public



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**Nopphadon Sirijongdee**  
Senior Vice President of Food Processing Poultry Business  
Charoen Pokphand Foods Public Company Limited



**Supachai Aungsupakorn**  
Senior Vice President of Food Processing and Integration Business  
Charoen Pokphand Foods Public Company Limited



**Chai Euapirathchai**  
Factory Manager  
Industrial Enterprises Co., Ltd.

Company Limited (CPF), said, “CP’s plants have a concept of Green Factory, in which we create the surrounding in the plants to be like a resort so it’s pleasant to live, shady, and no carbon dioxide emission. Our policy is to reduce losses and conserve the energy. All of our employees will be trained to take care of the environment. We have created our own carbon footprint which is equivalent to European standards. Our products have carbon footprint label on the packaging which can be export to foreign countries.”

“A new project that we will do is ‘Water Footprint,’ which will have a water test system. It will test how much water you use and how much lower you use. Previously, chicken factory had old system and used Water Seal. After chicken feathers are removed, the chicken temperature must be reduced to lower than 4°C by using cold water and ice. Chicken will have temperature under 4°C, which will use enormous amount of water. Per chicken, we use 2.5 liters of water. In one day we send out several hundred thousand chickens so the amount of water used is enormous. Therefore, in order to reduce water use, we have brought in a new technology at Korat called, ‘Air Seal.’ It’s a blowing system and will save a lot of water. The water footprint will be trial at Korat and Saraburi plants. We also have a policy to increase the use of alternative energy such as biodiesel, obtained by using fried oil in the industrial to produce biodiesel. In addition, we also invested in Cogeneration in the second phase which will help reduce pollution and costs.”

**Supachai Aungsupakorn**, Senior Vice President of Food Processing and Integration Business, Charoen Pokphand Foods Public Company Limited (CPF) said that chicken processing and food processing plants in Minburi (CPF Food Products Company Limited Minburi) was the first cooked chicken factory of the company, established in 1978. The company adopted an energy conservation, environmental protection and social payback policy by emphasizing the coexistence of the community and the factory and the reduction of greenhouse gas emission. The factory began close-type lagoon wastewater treatment which can completely solve the problem of smell under investment budget of 24.5 million baht, divided into 19.2 million baht for construction cost of the system and 5.3 million baht for gas usage system. The system helps reduce power consumption and is a sustainable management. The use of biogas helps the factory to reduce the use of fuel oil by 3,660 liters per year or reduce greenhouse gas by 1,500 tons per year, an equivalent of planting 15,000 trees per year or reforestation of 88 rai per year.

CPF will focus on continually environmental development and innovation. This year, the company has a hot water production from integrated solar system project, which uses both solar energy and biogas energy. In this project, under the budget of 7.8 million baht CPF and the Ministry of Energy help reduce fuel use by 1.6 million baht per year and reduce greenhouse has by 280 tons of carbon dioxide per year or equivalent planting 280 trees per year.

In addition, CPF has prepared to extend the energy conservation, environmental protection and society redemption policy to carbon footprint labeling of products. Currently, there is one product, which is chicken teriyaki, that has carbon footprint label. At the same time, the company expect that in early 2011 there will be 4 more products that have carbon footprint label.

**Archawat Chareonsilp**, Senior Corporate Affairs Manager, Coca-Cola Thailand said, “The Coca-Cola system announced in 2009 a multi-year commitment to integrate ‘sustainability’ into all aspects of its business and make a positive difference in Thailand. That commitment is collectively referred to as our ‘Live Positively’ commitment. Our commitment to sustainability embraces our activities in the marketplace, in the workplace, in the communities where we operate, and in the environment. With regards to the environment, in particular, we are well on our way to achieving our globally mandated goal of safely returning to communities and to nature the amount of water equivalent to what we use in all of our beverages and their production by 2020. We are also aiming to reduce the use of PET packaging materials in Thailand by 15% that will eliminate the use of over 8,700 tons of PET, within 2012. Another commitment that we have made, and our fulfilling, is to reduce our energy consumption we use for the production of each liter of beverage. With regards to bioplastics, while we have looked at bioplastics as an option to reduce our impact on the environment, we have already decided that we will be recycling 95% of solid waste from our production processes within 2012. In line with that commitment, our system partner, Thai Namthip Ltd., recently announced that it would set up one of the world’s first bottling lines capable of filling super-lightweight bottles. These super-lightweight bottles will allow us to reduce by more than 20% the amount of plastic we use in our packaging.”

**Chai Euapirathchai**, Factory Manager, Industrial Enterprises Co., Ltd., the manufacturer and distributor of the vegetable oil products, brand Tip and Tip Wise said, “The company has an environmental policy as well. In the past, some areas of the factory have been changed to green areas. We are also trying to bring treated water to re-use. This year, we pay particular attention to petroleum fuel. We will increase the use of solid fuels such as corncobs or sawdust instead of petroleum fuel. Our target is to 100 percent replace petroleum fuel with solid fuel within 2 years from the current ratio of solid fuel and fuel at 20/80. If we can do this then not only we will reduce our manufacturing cost by 50 percent, we will also help reduce waste emission to the atmosphere by 30 percent.

SIG Combibloc and Tetra Pak, the carton manufacturer of popular milk and juice packaging also have an environmental project as well. The two companies jointly established a club under the name “Beverage Carton Group” to promote the separation of beverage boxes from other trashes and send to be recycled by Fiber Pattana Co., Ltd. to produce paper pulp and Green board, etc. Plastic and foil can also be used to produce recycled materials. For raw material for producing box which is paper pulp from woods, the two companies choose woods from managed forest or planted forest only. The woods must be certified by the Forest Stewardship Council (FSC) with the FSC stamp on all cartons. Green Spot Co., Ltd., the manufacturer and distributor of the products, brand Vitamilk, V-Soy and Green Spot, has used raw material from managed forest. Therefore, packaging of Vitamilk will have a symbol of FSC. Chanit Suwanparin, General Manager-Marketing of Green Spot Co., Ltd. said, “Our manufacturing facility focuses on environmental protection and some of our products will continue using box made from paper pulp from planted forest.”

**Source:** Food Beverage Marketing Magazine.



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# Food and Beverage Trends

Chakrit Tubsungnearn



In an academic forum, “The Future of Food 2010 Insightful Business Trends on The Food & Beverage Industry,” at the end of last year, co-organized by Business & Manufacturing Network Media Company and Asia FOOD BEVERAGE Thailand magazine, there were three main topics: Business Trends, Safety & Security, and Innovation. The forum attracted interest from many executives, businessmen, entrepreneurs, scholars, and employees from factories and companies in the food and beverage industry of Thailand and foreign countries such as executives from CPF, Betagro, Tetra Pak, FoSTAT, DSM, Avery Dennison, Tate&Lyle, Uni-President, CP-MEJI, etc.

One of the topics of the forum that received special attention, especially from people in the marketing business, was “Business Trends.” During three days of the forum, many top speakers both Thai and foreign including high level executives, entrepreneurs, and scholars provided knowledge and shared experiences with attendees in the topic “Food and Beverage Trends for 2011.” In summary, products in the food and beverage category this year must consider consumers and market trends in the following 5 groups, if they want to succeed in the market:

The first group is health products. Products in this groups focus on properties to respond to health conscious trend that is growing steadily. Therefore, food and beverages that are low fat or anti oxidants

and do not generate cholesterol or organic food and beverages will become highly popular with consumers and there will be more of these products in the market.

The second group is beauty product. These products are the result of the combination of functional and emotional benefits. Even though there has not been any proof that one will be pretty or handsome by eating or drinking these products, products in this groups still have a bright future this year. This is because consumers nowadays focus of handsomeness and beauty. Therefore, products that communicate with consumers that if they eat it then they will look good, pretty, and have glowing skin or products with anti-aging property will do very well in the market not only for customers who are female of all ages but also working-age male customers.

The third group is products that are easy to buy and eat. Products in this group are products that correspond to lifestyle of consumers today which is easy and convenience. Therefore, the food and beverage products that will be successful must be easy to buy, they are sold in all channels both traditional and modern trade. They must be easy to eat like the ready-to-eat, ready-to-drink, or ready-to-cook products. Packaging must also be easy to open. This year we will probably see more products in this category in the market both from the original and new players.

The fourth group is product that care about the environment. Since the earth conservation trend is a trend that consumers worldwide, not only just Thai customers, pay attention to, the policy of most product manufacturers therefore involves environmental protection. This applies to food and beverage products as well. Manufacturers will pay more attention to raw materials and materials that do not damage the environment and will improve and develop manufacturing process to reduce pollution released to the atmosphere. Many products marketed this year will also have CSR project from the company to propel it. The products should also claim a property that is environmentally friendly to please the society and reach consumers who care about the earth. Especially on the packaging, there will be many logos such as the logos of carbon footprint, carbon reduction, water footprint, and Forest Stewardship Council, etc.

The fifth group is senior citizen. This is a group with high purchasing power. They are elderly couples without children or if they have, they do not have to take care of children anymore. Therefore, they can fully spend to buy happiness and want to consume products with high quality and useful. Products in this group are premium products with high price attracting special group which is a niche market.

**Adisak Ruckariyapong**, Managing Director of Sapanan General Food Co., Ltd., the manufacturer and



**Adisak Ruckariyapong**  
Managing Director  
Sapanan General Food Co., Ltd.

**Chanit Suwanparin**  
General Manager-Marketing  
Green Spot Co., Ltd.

**Prasit Boondoungprasert**  
President  
CP-MEJI Co., Ltd.

**David Lau Chi Wai**  
Vice President & Chairman  
Food Ingredient and Ready-to-Eat Processors Group

**Kraiser Tohtubtiang**  
Marketing Director  
Kuang Pei San Food Products Public Co., Ltd.

brand builder of the products, brand Sappe and Mogu Mogu, one of the speakers in the forum said about trend of beverage products in Thai market in 2011 that health and beauty beverage products are products with an increasing trend because consumers today, whether youth, working, or senior, all have concerns and pay attention to health care and beauty. Therefore, consumers will choose to consume beverages that are good for health and make them look good. However, these products must have selling channel that can reach vast customers for the convenience of buying.

**Chanit Suwanparin**, General Manager-Marketing of Green Spot Co., Ltd., the manufacturer and distributor of the products, brand Vitamilk, V-Soy and Green Spot said, "This year the beverage business industry of Thailand will grow at 2 digits. However, it depends on products in each category. Products in the "functional drink" category will grow dramatically because people want to be pretty, handsome, and slender as well as products in the category "healthy drink." As for the outlook of the dairy market, the overall market should grow around 8-10 percent. The soy market should grow around 6-8 percent and there will be more competition because there are new brands, there have been several new soy and milk power brands. As for the Green Spot Company, the company will focus on marketing communication to reinforce the Vitamilk brand as a market leader."

**Prasit Boondoungprasert**, President of CP-MEIJII Co., Ltd., viewed that if the politic is stable, there is nothing changes, everything will continue well. In the past, even though the politic is not stable, the overall of the beverage business was still growing. This is because Thai businessmen have expertise and can always adapt. Therefore, an overview of the

beverage business this year, it will continue to grow. For the dairy market, it will also grow and all players in the market will have many new market activities because in previous year many players had high profit. Because of better market, the turnover was also good. As for CP-MEIJII, the company plans to launch new products. There will be an addition of raw materials that will provide benefits from drinking both the dairy and yogurt products. In addition, the company will focus on marketing campaign to increase consumer knowledge about the benefits gained from drinking pasteurized milk.

**Archawat Chareonsilp**, Senior Corporate Affairs Manager of Coca-Cola Thailand, said, "Coca-Cola is confident in the future of the Thai economy and we believe in the considerable potential of the Thai market. Coca-Cola enjoys a strong partnership over many years with its local Thai bottlers and knows that the key to further success in this market lies in understanding and best serving the rapidly evolving needs of Thai consumers, customers and the communities in which we operate. The size of the overall Thai soft drinks market is around 40,000 million baht. For Coca-Cola, Thailand is one of the Coca-Cola system's Top 20 markets in the world. However, there are still lots of room to grow. Last year, the Thai soft drinks market was showing around 10% growth. We are seeing particularly strong growth in the ready-to-drink juice category which is registering growth of over 20%. Coca-Cola's ready-to-drink portfolio has been enjoying growth that is significantly ahead of the category's growth, driven by its Minute Maid brand of ready-to-drink juices, which have proven particularly popular with the Thai consumer."

For the trend of food products, **David Lau Chi Wai**, Vice President & Chairman of Food Ingredient and Ready-to-Eat Processors Group said that the current technology for the production of frozen food products in Thailand has developed greatly including quality and taste. The behavior of consumers that favor ready-to-cook or ready-to-eat food also contributes to this. It can be noticed that there are many more cooling containers in supermarket or hypermarket than before, providing products from many brands both Thai and foreign. In addition, there are many channels to buy these products both modern trade such as convenience store and store that can be the channel for the owner of the product to sell. This year, there should be more products in the ready-to-eat category in the market.

**Kraiserm Tohtubtiang**, Marketing Director of Kuang Pei San Food Products Public Co., Ltd., manufacturer of canned fish product Smiling Fish said that the behavior of today customers has a trend of taking more ready-to-eat food product. Major manufacturers turn attention to develop products in this category. Therefore, this year the market is likely to grow continuously but will not be at a high number because in Thailand consumer can find food easily and the price is not expensive compared to ready-to-eat products in the market. Therefore, the growth will be slow but there will be many new product launched, especially from the major player in the market. The company also plans to develop products in the ready-to-eat category as well but will focus more on the foreign market. If the products succeed in the global market then marketing domestically should not be difficult.

Source: Food Beverage Marketing Magazine

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# Food Export Trends

Sitthiporn Chompurat

Although the overview of the global economy in the past year was in the recovery period, it did not affect the export of agriculture and food products of Thailand much. In the period of January-November 2010 the export value of agriculture and food products of Thailand grow 11 percent compared to the same period in prior year with the value was 9.9 hundred billion baht. For the situation of 2011, it is expected that the export value of agriculture and food products of Thailand should continue to grow due to the demand of ASEAN countries and ASEAN+6 countries such as Japan, China, South Korea, India, Australia, and New Zealand and major market like the United States, which the economy should return to normal.

The EU market is another major market for Thai agriculture and food products. However, Thai agriculture and food products often faces the problem of the products fail to pass safety standards. Therefore, if Thai products want to penetrate into the EU market, Thai manufacturers must produce products that meet the strict standards of the EU. **Dr. Sakchai Sriboonsue**, Secretary-General of National Bureau of Agricultural Commodity and Food Standards (ACFS), said that, "In the past, some Thai products have been refused entry into the EU market because they have not fulfilled the conditions of the EU Foods Regulation. If the Thai exporters had had a better understanding about the Regulation, they would have been able to comply with it. Therefore it is imperative for Thai exporters to be aware of."

However, it would be premature to say that there is no opportunity for Thai products. **Mr. Antonio Berenguer**, Head of Trade and Economic Section of the EU Delegation said, "Many Food and Beverage products failed to enter the EU market in the past due to the high standards of the EU's food safety rules. Now our door is open wide, our ability to cope with the EU's food safety rules will not only enhance competitiveness of Thai exports, but will help improve local food safety"

In addition to the obstacle from the strict standards of the EU, another obstacles for Thai products in 2011 is the volatility of the economic environment, especially the continue appreciation of the baht in contrast with the US dollar. Of course, it will directly affects Thai food manufacturers because the main income is from the United States.

**Panisuan Jamnarnwej**, President of Thai Frozen Foods Association commented that the food manufacturers do not fear if the baht will be stronger but want stability. More importantly, the baht at the beginning of the year and at the end of the year should not be more than 2 percent different. In 2010 it was 8 percent different. For frozen food manufacturer, purchasing order will come in February but the US dollar will come in July which is 4-5 months apart but purchasing shrimps in Thailand, buyer must pay immediately and if there is fluctuation, the manufacturer will not make profit.

For the giant food manufacturing businesses of Thailand like Betagro, they will be less affected because they have high ratio of import. **Nopporn Vayuchote**, Executive Vice President - Group



**Visit Limprana**  
Chairman  
Food Processing Industry Club/The Federation of Thai Industries



**Panisuan Jamnarnwej**  
President  
Thai Frozen Foods Association



**Paiboon Ponsuwanna**  
Chairman  
Thai Shippers' Association

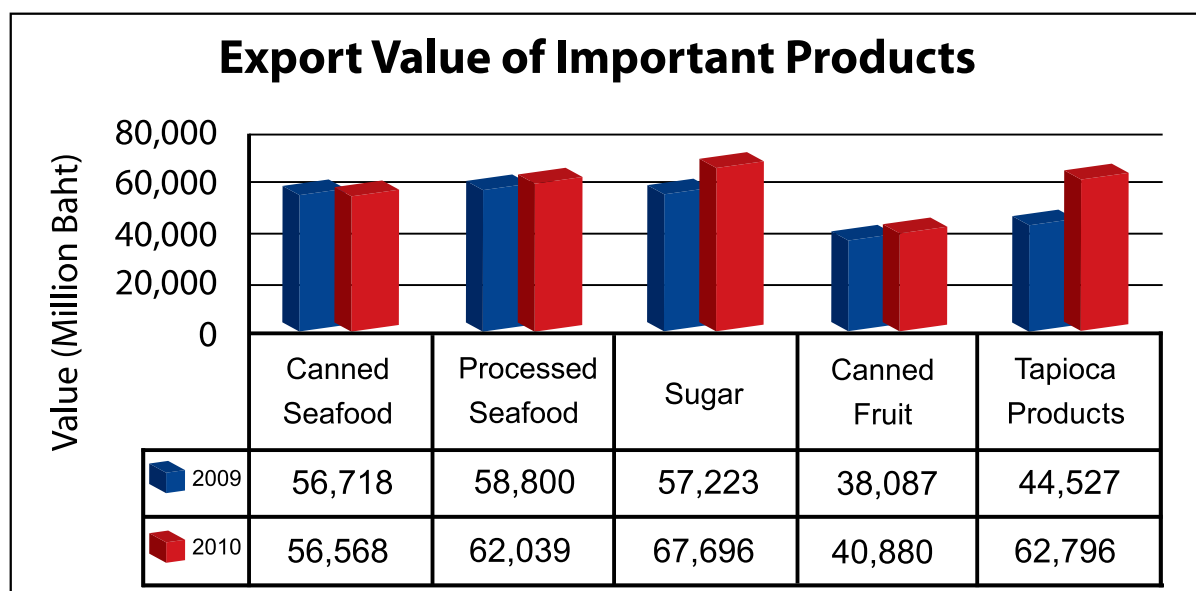


**Nopporn Vayuchote**  
Executive Vice President - Group Business Development  
Betagro Group

Business Development, Betagro Group, said, "The disappearance of 3-4 baht per 1 US dollar may not affect us much because in our manufacturing factors, we have import in a high ratio, especially soybean meal which is almost totally imported from South America including vitamin from Europe. Of course, our revenue will decrease but the our costs also decrease as well. Overall, there is not much impact. For the development of products to be successful in the global market, Thai manufacturer should

focus on the development of products by increasing value such as development of raw material to be processed food, ready-to-eat food or ready-to-cook food because in addition to gaining higher price, it can solve the problems of some countries not accepting fresh meat from Thailand such as fresh chicken and pork products."

**Panisuan** suggested ideas of food development, especially seafood, that what's important in product manufacturing is to follow the demand of consumers.



Source: Department of Export Promotion, Ministry of Commerce

For example, shrimp is usually sold 40 shrimps per pound but by looking at the eating method of customer which is eating in cocktail style or one shrimp per bite, we can sell smaller size of shrimp at 70 shrimps per pound, which apparently we were able to sell many more and receive better profit because the product meets the demand of the customer better. This idea not only is suitable for shrimp products or seafood but also for all food or can be applied for any product.

**Visit Limprana**, Chairman of Food Processing Industry Club, The Federation of Thai Industries, said about the development of food and beverage industry for competing in the global market that Thai manufacturers should bring innovation and new technologies to help in the manufacturing process. In addition, they should have consultant for both the product and marketing. For the growth of export,

Visit believed that in 2011 export will grow at least 10 percent even though Thai manufacturers will face many obstacles, especially the economy of the destination and the problem of the appreciation of the bath. Producing new product is not making product that one wants to produce and let customer chooses, but one will need to look at the demand of the customer thoroughly and produce the product and service to best respond to the demand of that product. Products that are unique and well accepted by consumers domestically and internationally are health beverage. Thailand has strength and knowledge to product health beverage from raw materials that are herbs specifically for Thai such as drinks from lemon grass, bael fruit, pandanus leaf, butterfly pea, and other Thai fruits such as longan, mangosteen. If the products have good taste and good marketing, they could succeed in the international market.

**Paiboon Ponsuwanna**, Chairman of Thai Shippers' Association, commented that food products from Thailand still have a bright future in the global market and have the competing ability for at least 3-5 years, especially processed products such as ready to cook food, or ready to eat food. Five years ago, food products in basic form accounted for 75 percent of export of the 700,000-million baht value but now almost half of the export is processed products and are likely to grow. If Thailand wants to be the leader of the global food industry, Thai manufacturers must be aware of many important factors such as quality that must meet the demand of customers in terms of cleanliness and safety, regulations of destination countries, and sufficient raw materials.

**Source:** Asia FOOD BEVERAGE Thailand Magazine.

## Consumer Trend in the Global Market

Mintel, a global market research firm concluded the trend of global food and beverage market in 2011 which manufacturer of food for export must consider before introducing the products to the global market, especially value-added product.

*Ingredients that do not look good in the view of consumers:* Ingredients that consumers are trying to avoid or reject such as sodium (from salt) and trans fatty acids, which plays important role on the label of products in several recent years. In 2011, in addition to these ingredients, consumers want products that use low amount of sugar and fructose corn syrup or do not use at all. Consumers want to use alternative sweeteners such as Stevia. Manufacturers must communicate or indicate "alternative sweetener" or "low quantity sugar" on the label.

*The meaning of "natural":* The word "natural" is widely used in food and beverage products in all categories but the meaning is still ambiguous. From now on, there will be clear definition and regulation and consumers want true benefits from being natural.

*"Sustainability" is still important:* Products that produced in the sustainable method will be important and will be develop continuously. There will be packaging that use less material and show more responsibility to

the environment. They must also be unique. In addition, using water in the production process will be very attractive in 2011.

*Products are more difficult to classify:* Consumers will want products in the type of "hybrid." Classification may not easily be done like before but the product will become "solution" that respond to the demand of consumers, which is it can function more than one thing such as consumers may drink beverage to gain benefit as snack or eating snack to replace main meal.

*Retro-products:* Since last year, many major brands have brought their old products to the market again and used retro-style advertising. Continuing from the trend of retro last year, many companies return to simple market. Consumers want original product formula and packaging and advertisement in the old age, no matter what era they grew up from.

In addition, Innova Market Insight expected that functional food will become claims that are widely used in 2011, especially in Europe because there are mixtures of functions that have been approved as a claim on the label (health claim) from Food Safety Authority (EFSA). Since 2008 there are twice as many products in this category.

**Source:** Mintel, Innova Market Insight

# Ingredient Trends

Sitthiporn Chompurat

At present, consumers in many countries choose to buy food and beverages with ingredients that make them feel they are healthy, especially natural ingredients, while synthetic ingredients will be under suspicion. A report by Business Insight suggested that the demand of health food is both an opportunity for growth and a challenge for manufacturers.

A report by Nutraingredients suggested that ingredients that would be the top trend in 2010 are fruit, weight management, naturally healthy and convenient, premium, antioxidant, and immunity while Business Insight reported that "natural claim" was used the most in food and beverage products at a ratio of 9.24 percent in 2008 and 10.03 percent in 2009 and "natural ingredient" will be a key ingredient of soft drink products.

International Food Technologists (IFT) reported trends in food manufacturer and marketer that since 2010 ingredients that have been popular in the weight management group are fibers, low-glycemic sweeteners, and conjugated linoleic acid (CLA). In addition, products that should do well include

products that affect metabolism, satiety benefits, body toning and fat-burning.

The trend of products in the weight management group is no long simply weight "loss" but more of weight "management" with ingredients that will help consumers prolong satiety so they will consume less food.

Natural ingredients that will be popular are superfruits, phytochemicals, carotenoids and resveratrol while natural sweetener that is prominent such as Stevia will still be hotter than other sweeteners.

In addition, free-from foods will be more popular and enter the second generation. In the initial period, consumers demanded additive- and preservative free foods but now the market has entered the trend of lactose- and gluten-free foods.

With the strict regulations of the European Food Safety Authority (EFSA), many health claims by food and ingredient manufacturers do not get approved. When there are limited upstream products, it's a challenge for food and beverage manufacturers to use

these ingredients to create their products to dominate other competitors in the market. Food manufacturers must develop by using science as fundamental to create the right ingredient that has good taste, good bioavailability and regulation compliance.

**Chanit Suwanparin**, General Manager-Marketing of Green Spot Co., Ltd., the manufacturer and distributor of the products, brand Vitamilk, V-Soy and Green Spot said, "We introduced beverage products that can be meal-replacer. Our latest product is in multigrain category that emphasizes benefits of 5 grains, and we reiterate its health benefits through advertisements. Our ingredient suppliers such as DSM Nutritional Products (Rovithai) help us choose appropriate ingredients for our products. They sometimes suggest us to use something new that can benefit customers. Working with good partners who always provide good information is good for us."

**Wichai Iamsaengchan**, Head of Marketing, F&N Dairies (Thailand) Ltd. informed that, "Our product concept is "pure enjoyment. pure goodness". The phrase 'pure goodness' means health benefits, so we have underlined product functions and wellness conforming to current healthy trend. This means that only raw materials and ingredients with solid evidences can be used in these products, and suppliers of which have to meet our stringent criteria".

**Sources:** Nutraingredients, Business Insight, International Food Technologists and Asia FOOD BEVERAGE Thailand Magazine.



From Page 1

Considering the economic trend of 2011, several organizations such as the Thai Chamber of Commerce, the Department of Industrial Promotion, Ministry of Industry, and the Ministry of Finance viewed that the Thai economy will continue to be affected from the global economy which has ongoing problems in the big markets like the United States and Europe and will continue to cause uncertainty in global trade and investment.

In addition, there is still a problem in foreign exchange and capital movements with severe fluctuations as evidence by the flow of funds to invest in the stock exchange in 2010, through which the funds were quickly in and out, especially funds aiming for profit speculation and asset price manipulation in Thailand. Therefore, investment at this time requires special care and must be closely monitored. At the same time, Thailand must focus on building strong relationships with countries in Asia, Australia, and New Zealand because these countries are greatly important for trade and investment of Thailand as evidence by the economic recovery of Thailand in 2010 which resulted from trade and investment with these countries through the economic cooperation agreements signed with ASEAN.

At the same time, there are important factors that could have good and bad effect on the Thai economy in 2011. First, problem solving and management in the industrial sector especially the labor problem which is very scarce, in the range of hundred of thousand short, because it is a big and important issue. Second, administration in the public and private sectors under the political changes. If there is no violence like in the past the Thai economy will grow around 4-5 percent even though it will be less than last year's growth of about 7-8 percent, which in the opinion of the government such as the Office of the National Economic and Social Development Board (NESDB), the Bank of Thailand (BOT), and the Fiscal Policy Office (FPO) the Thai economy is returning to the normal growth level or the level based on the

country's economic potential because in the last 2-3 years Thailand has faced with global financial crisis and political problems in the country causing the loss of opportunities for growth.

Third, the ability to drive the Thai economy to new projects by aiming to become industry with quality and efficiency and adding agriculture sectors that are food and renewable energy. In addition, service sector that is suitable for Thai economy such as transportation and communication should be increased. In 2010, the government approved a budget of 170,000 million baht to the State Railway of Thailand to improve the rail system to international standards to support future transportation.

Fourth, the private consumption is expected to continue to grow because of high confidence in domestic consumption coupled with increasing price of agricultural products such as Para rubber, cassava and sugarcane, resulting in higher income for farmers and increasing spending and private consumption. The tourism sector will also be growing. The National Economic and Social Development Board (NESDB) estimated that there will be around 15.5 million foreign visitors, an increase from last year which was 14.8 million people, which will stimulate spending in the country.

For the trend of the Thai food industry, three organizations including the Board of Trade of Thailand, the Federation of Thai Industries and the National Food Institute estimated the trend of agricultural and food business that the food industry will grow at 2.5 percent. However, compare to the previous year the growth is lower in terms of export value which was as high as 810,000 million baht. The factor that will help the industry to grow is the demand of food products in the global market which has a trend to increase because major food producing countries have been damaged by natural disasters.

The export in the first half of the year is expected to decrease because the appreciation of the baht, the shortages of raw materials and higher costs according

to the price of agricultural product and oil. In the second half, the export will have higher rate because it is expected that the global economy, especially the United States, is likely to improve because of measures to stimulate the economy, which will result in weaker baht.

Products that are expected to have increasing exports (quantitatively) are canned tuna, frozen fish, canned fish, fresh and processed fruits, sugar, palm oil, seasoning, and animal feed. Products that are expected to have decreasing exports (quantitatively) are shrimp, fresh and processed vegetable and cassava products because of raw materials shortage while products that are expected to have similar exports to the previous year (quantitatively) are rice, chicken, and squid.

There are 3 problems that are of high concern in 2011 of the Thai food industry. First, the trend of the appreciation of the baht caused by the depreciation of the US dollar. This is the issue of highest concern because the interest rates of countries in Asia and the United States become higher. Second, increasing price of agricultural products. The natural disasters in the past year caused the production of agricultural crops to be behind the demand. These crops are sugarcane, cassava, palm oil, coconut, vegetable, fruit, etc. Oil price and minimum wage also contribute to the problems, resulting in higher cost of production. Third, an increase of minimum wage of 8-17 baht compared to 3-5 baht in the previous year. At present, the food industry has costs of wage about 100,000 million baht or 6.6 percent of the overall production structure. In 2011, private entrepreneur will have to bear this high burden, resulting in higher cost of production. Consequently, the price of some products will become higher. However, for controlled products, the entrepreneur will be in a servitude situation.

**Source:** Department of Export Promotion, Ministry of Commerce, Food Beverage Marketing Magazine.

# Distribution Trends

Sitthiporn Chompurat



In the present global market filled with competition, selling and distribution system and logistic have played important roles in creating advantage in the competition. Many large companies are willing to invest to establish an internal unit or subsidiary to specifically take care of this issue but some companies choose to use specialty companies to take care of the issue. The future distributor that will be successful in the food service and beverage business must have what qualification, we have answers from two Thai prominent executives.

**Lerssak Boonsongsup**, Group Director of Supply Chain Management, Minor Foods Group, said that for selling and distribution system in the food service business, the most important is food safety. Therefore, the selling and distribution system is more complex and more difficult than other businesses because all steps have effect on food safety. If the managing system is not good then it will affect the quality of raw material. Therefore, one thing that food service manufacturer must be aware of is the efficiency of distribution system.

The qualifications of distributor that Minor Food Group wants are: 1. Has knowledge and know food management because at the end food is complex in terms of food safety because it has short shelf life. 2. Know the supply chain system well because products in the vegetable and fruits group involve daily transportation. 3. Must have suitable organizational culture and compatibility because Minor Food Group wants more of a business partner than a contractor. 4. Has partner and network throughout the country. 5. Must have global network and know sourcing. Know the source of raw material and regulations. Know free trade area because they all affect costs which at present Minor Foods Group views that there is no distributor that meets the demand.

“If it’s a distributor in the past then it’s just a trader that buy products and sell or was logistics provider that serviced warehouse management or transportation service but the model that Minor Foods Group wants and thinks should be a trend for future food service distributor is distributor that has the ability to blend trader and logistics provider. That is you must know about food, know raw material source, have good management and transportation, and understand world market, global sourcing, free trade area, and regulation. All of these are the image that I want to happen. At present we have work with one business partner. This partner will work for us throughout the supply chain management which will enable Minor Foods Group to focus more on food service which is our core business. We expect that this year we can proceed to the third phase that we planned,” Lerssak said.

Dairy products manufacturer such as F&N Dairies think that their supply chain system must develop as well but may have different minor details. **Wichai Iamsaengchan**, Head of Marketing, F&N Dairies (Thailand) Ltd., said, “The factory of F&N at Rojana Industrial Park, Ayutthaya is probably the leading canned liquid milk factory of dairies industry in the world. Therefore, distribution is very important. We have 15 exclusive distributors and will increase to 19 in the near future. Each exclusive distributor has its own distribution center in each region and distributor must have stability, specialty and well knowledge of its area. “Our DC in Rojana is a center to distribute products throughout the country to our direct customers by our own sales forces and exclusive distributors”

“The factory of F&N is at Rojana Industrial Park and another one is in Pak Chong, Nakhon Ratchasima. The main factory is in Rojana. We invested almost 3 billion baht and just started the operation in 2010. The design and location selection of Rojana factory used the idea of the advantage of supply chain management such as the location is not far from raw material sources, has convenient transportation for domestic and export businesses, and is close to DC of major customer such as Tesco Lotus. In addition, F&N also chose DC only 200 meters away and use supplier for producing can that has factory nearby and send the can directly to the production line.” Wichai added, “At present all manufacturers view that logistics and supply chain system help decrease costs. Therefore, companies have policy to increase efficiency both in the use of technology and use of supplier or business partner with specialty.”

**Source:** Food Beverage Marketing Magazine



**Lerssak Boonsongsup**  
Group Director of Supply Chain Management  
Minor Foods Group



**Wichai Iamsaengchan**  
Head of Marketing  
F&N Dairies (Thailand) Co., Ltd.



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Rovithai Limited.HNH Department  
17/1 Floor, Maleenont Tower, 3199 Rama IV Road.,  
Klongton, Klongtoey, Bangkok 10110  
Tel: 0 2264 9880 Fax: 0 2264 9899  
E-mail: Thailand.dnp@dsm.com

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