



Global Food, Beverage & Tobacco

Industry Profile

Reference Code: 0199-2059
Publication date: April 2006

www.datamonitor.com

Datamonitor USA

245 Fifth Avenue
4th Floor
New York, NY 10016
USA

t: +1 212 686 7400
f: +1 212 686 2626
e: usinfo@datamonitor.com

Datamonitor Europe

Charles House
108-110 Finchley Road
London NW3 5JJ
United Kingdom

t: +44 20 7675 7000
f: +44 20 7675 7500
e: eurinfo@datamonitor.com

Datamonitor Germany

Kastor & Pollux
Platz der Einheit 1
60327 Frankfurt
Deutschland

t: +49 69 9754 4517
f: +49 69 9754 4900
e: deinfo@datamonitor.com

Datamonitor Asia Pacific

Room 2413-18, 24/F
Shui On Centre
6-8 Harbour Road
Hong Kong

t: +852 2520 1177
f: +852 2520 1165
e: hkinfo@datamonitor.com

ABOUT DATAMONITOR

ABOUT DATAMONITOR

Datamonitor is a leading business information company specializing in industry analysis.

Through its proprietary databases and wealth of expertise, Datamonitor provides clients with unbiased expert analysis and in depth forecasts for six industry sectors: Healthcare, Technology, Automotive, Energy, Consumer Markets, and Financial Services.

The company also advises clients on the impact that new technology and eCommerce will have on their businesses. Datamonitor maintains its headquarters in London, and regional offices in New York, Frankfurt, and Hong Kong. The company serves the world's largest 5000 companies.

Datamonitor's premium reports are based on primary research with industry panels and consumers. We gather information on market segmentation, market growth and pricing, competitors and products. Our experts then interpret this data to produce detailed forecasts and actionable recommendations, helping you create new business opportunities and ideas.

Our series of company, industry and country profiles complements our premium products, providing top-level information on 10,000 companies, 2,500 industries and 50 countries. While they do not contain the highly detailed breakdowns found in premium reports, profiles give you the most important qualitative and quantitative summary information you need - including predictions and forecasts.

All Rights Reserved.

No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of the publisher, Datamonitor plc.

The facts of this report are believed to be correct at the time of publication but cannot be guaranteed. Please note that the findings, conclusions and recommendations that Datamonitor delivers will be based on information gathered in good faith from both primary and secondary sources, whose accuracy we are not always in a position to guarantee. As such Datamonitor can accept no liability whatever for actions taken based on any information that may subsequently prove to be incorrect.

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Market Value

The global food, beverage and tobacco industry group grew by 3.1% in 2005 to reach a value of \$4,140.3 billion.

Market Value Forecast

In 2010, the global food, beverage and tobacco industry group is forecast to have a value of \$4,805.5 billion, an increase of 16.1% since 2005.

Market Segmentation I

Revenues from the sale of food products dominate the food, beverage and tobacco industry group, generating 63.6% of the global market value.

Market Segmentation II

Europe is the most significant region, accounting for 39% of the global industry group value.

Market Share

The global food, beverage and tobacco industry group's leading company is Altria Group, which generated 1.5% of the market value in 2005.

TABLE OF CONTENTS

EXECUTIVE SUMMARY	3
CHAPTER 1 Market Overview	7
1.1 Market Definition	7
1.2 Research Highlights	7
1.3 Market Analysis	8
CHAPTER 2 Market Value	9
CHAPTER 3 Market Segmentation I	10
CHAPTER 4 Market Segmentation II	11
CHAPTER 5 Market Share	12
CHAPTER 6 Competitive Landscape	13
CHAPTER 7 Leading Companies	15
7.1 Altria Group, Inc.	15
7.2 British American Tobacco plc	15
7.3 Japan Tobacco Inc.	15
7.4 PepsiCo, Inc.	16
7.5 The Coca-Cola Company	16
7.6 Archer Daniels Midland Company	16
CHAPTER 8 Market Forecasts	17
8.1 Market Value Forecast	17

CONTENTS



CHAPTER 9	Further Reading	18
9.1	Sources	18
9.2	Related Datamonitor Research	18

LIST OF TABLES

Table 1:	Global Food, Beverage & Tobacco Industry Group Value: \$ billion, 2001-2005.	9
Table 2:	Global Food, Beverage & Tobacco Industry Group Segmentation I: % Share, by Value, 2005.....	10
Table 3:	Global Food, Beverage & Tobacco Industry Group Segmentation II: % Share, by Value, 2005.....	11
Table 4:	Global Food, Beverage & Tobacco Industry Group Share: % Share, by Value, 2005.....	12
Table 5:	Global Food, Beverage & Tobacco Industry Group Value Forecast: \$ billion, 2005-2010.....	17

CHAPTER 1 MARKET OVERVIEW

1.1 Market Definition

The global food, beverage and tobacco industry group is valued as the total revenues generated through the sale of food products, beverages and tobacco. Values are calculated using retail selling prices, including all applicable taxes and levies.

Any currency conversions are calculated using constant 2005 annual average exchange rates.

1.2 Research Highlights

The global food, beverage and tobacco industry group generated total revenues of \$4,140.3 billion in 2005, this representing a compound annual growth rate (CAGR) of 2.9% for the five-year period spanning 2001-2005.

Health has become a key factor influencing consumption trends in the tobacco, and carbonated and alcoholic drinks markets. Companies are introducing "healthier" alternatives to combat this.

By monitoring demand within a particular global region, companies have been able to minimize transportation, thus mitigating their exposure to the rising costs associated with spiraling crude oil prices.

1.3 Market Analysis

Over the last few years, the global food, beverage and tobacco industry group has exhibited modest growth, with growth particularly low in the tobacco and beverage markets. The industry group consists of the total revenues generated through the sale of food products, beverages and tobacco.

The global food, beverage and tobacco industry group generated total revenues of \$4,140.3 billion in 2005, this representing a compound annual growth rate (CAGR) of 2.9% for the five-year period spanning 2001-2005. Food and beverages are non-cyclical goods, staples for which per capita demand is likely to be fairly independent of income level.

However, the increasing global population will drive demand up, while rising income levels in many economies allow increased spending on added-value processed, packaged, and luxury items in this category. The global consumption volumes of tobacco are steadily falling, as the health risks become more widely understood, although in some countries, such as India, volume growth remains positive.

The leading revenue source for the global food, beverage and tobacco industry group is the sale of food products, which generated total revenues of \$2,634.3 billion in 2005, equivalent to 63.6% of the overall industry value. In comparison, beverage sales accounted for \$1,035.4 billion in 2005, which represents 25% of the industry value.

Europe holds the largest share of the global market, generating \$1,614.9 billion, (39% of the global total), followed by Asia-Pacific and the US with 31.1% and 20.9%, respectively. The reasons for Europe's dominance are likely to include its large population, income levels high enough for almost everyone to be able to afford food and drink, and the virtual absence of subsistence farming, which means that the vast majority of the population are consumers in the food and beverage markets.

Looking forward, the global food, beverage and tobacco industry group is expected to accelerate from its current value growth position. With an anticipated CAGR of 3% over the 2005-2010 period, the industry is expected to reach a value of \$4,805.5 billion by the end of 2010. The drivers operating during the last five years are set to persist for the next five.

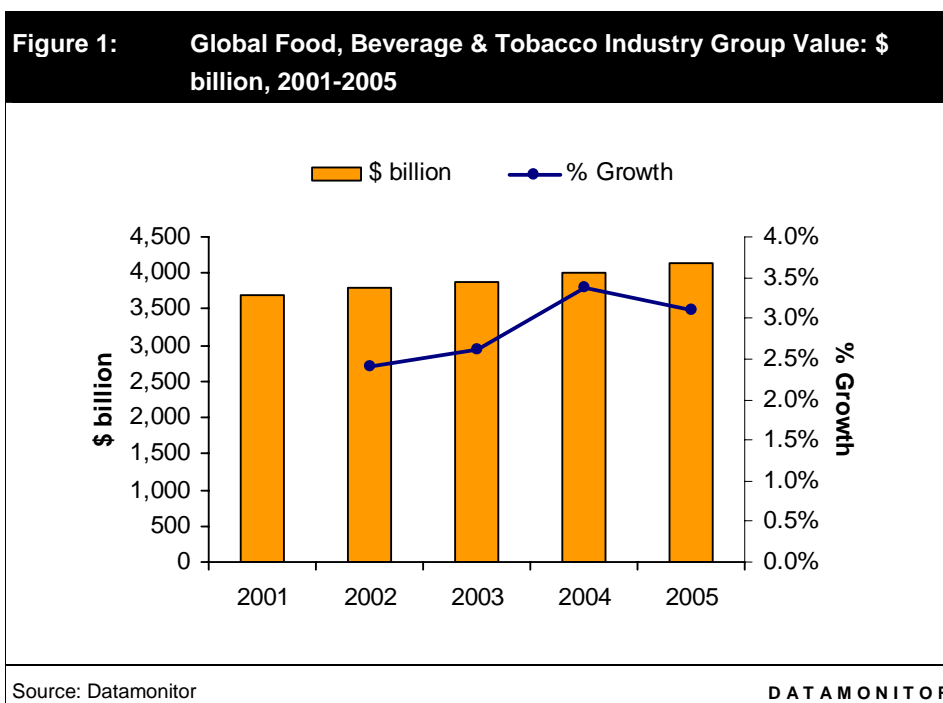
CHAPTER 2 MARKET VALUE

The global food, beverage and tobacco industry group grew by 3.1% in 2005 to reach a value of \$4,140.3 billion.

The compound annual growth rate of the industry group in the period 2001-2005 was 2.9%.

Table 1: Global Food, Beverage & Tobacco Industry Group Value: \$ billion, 2001-2005		
Year	\$ billion	% Growth
2001	3,697.0	
2002	3,786.1	2.40%
2003	3,885.4	2.60%
2004	4,016.3	3.40%
2005	4,140.3	3.10%
CAGR, 2001-2005:		2.9%

Source: Datamonitor DATAMONITOR



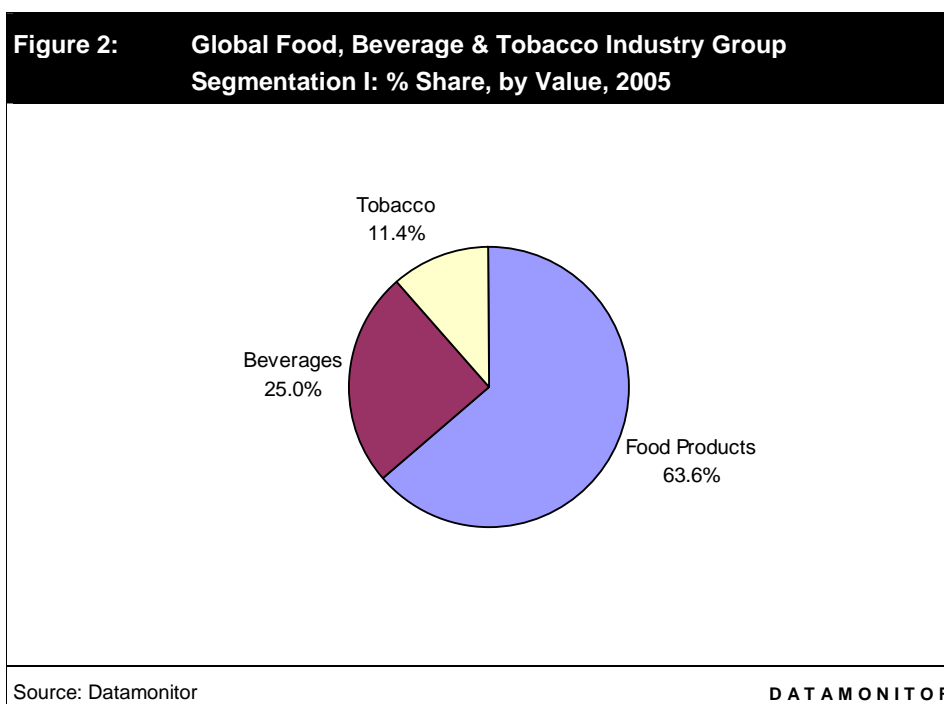
CHAPTER 3 MARKET SEGMENTATION I

Revenues from the sale of food products dominate the food, beverage and tobacco industry group, generating 63.6% of the global market value.

Beverage sales accounted for a further 25% of industry group value.

Table 2: Global Food, Beverage & Tobacco Industry Group Segmentation I: % Share, by Value, 2005	
Category	% Share
Food Products	63.60%
Beverages	25.00%
Tobacco	11.40%
Total	100.0%

Source: Datamonitor DATAMONITOR



CHAPTER 4 MARKET SEGMENTATION II

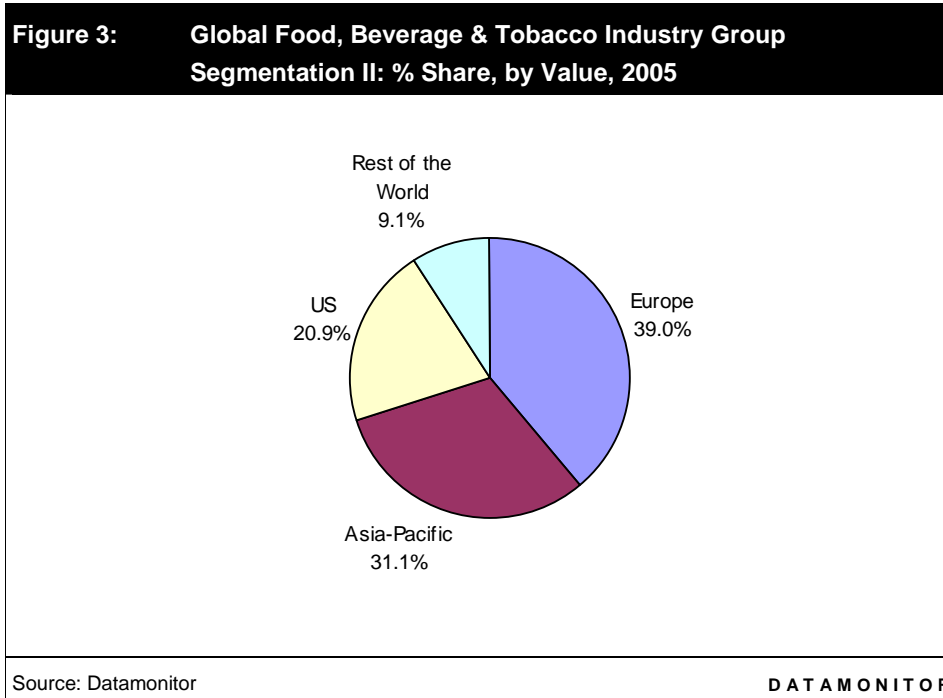
Europe is the most significant region, accounting for 39% of the global industry group value.

Asia-Pacific generated a further 31.1% of global revenues in 2005.

Table 3: Global Food, Beverage & Tobacco Industry Group Segmentation II: % Share, by Value, 2005

Geography	% Share
Europe	39.00%
Asia-Pacific	31.10%
US	20.90%
Rest of the World	9.10%
Total	100.0%

Source: Datamonitor DATAMONITOR



CHAPTER 5 MARKET SHARE

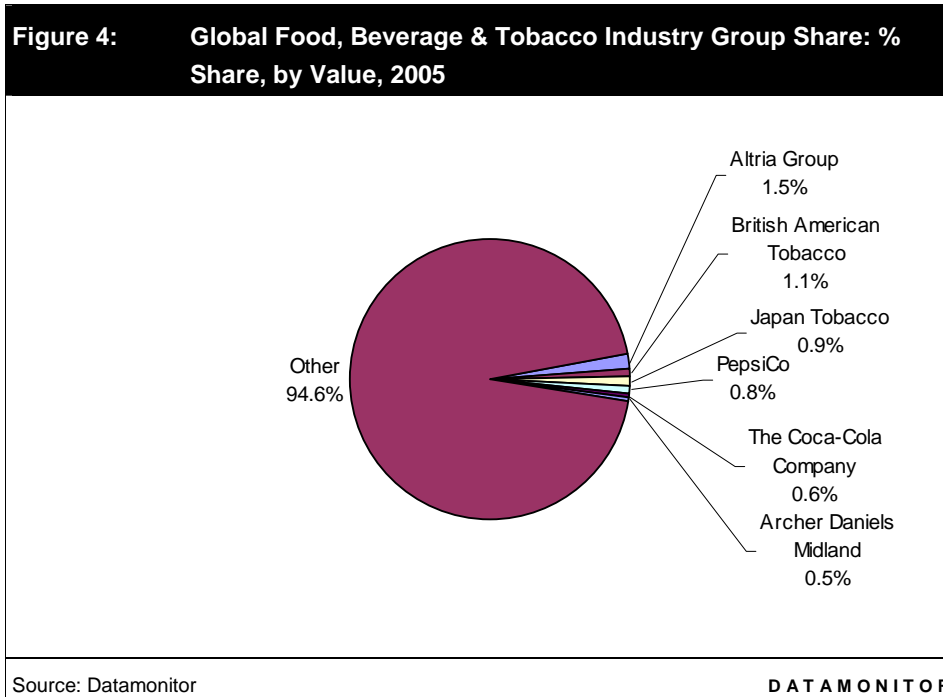
The global food, beverage and tobacco industry group's leading company is Altria Group, which generated 1.5% of the market value in 2005.

British American Tobacco accounted for a further 1.1%.

Table 4: Global Food, Beverage & Tobacco Industry Group Share: % Share, by Value, 2005

Company	% Share
Altria Group	1.50%
British American Tobacco	1.10%
Japan Tobacco	0.90%
PepsiCo	0.80%
The Coca-Cola Company	0.60%
Archer Daniels Midland	0.50%
Other	94.60%
Total	100.0%

Source: Datamonitor DATAMONITOR



CHAPTER 6 COMPETITIVE LANDSCAPE

This industry group has vast revenues globally, and it is unsurprising that no company has a particularly large share. The top five players generate less than 5% of the global value. However, it is notable that the top three companies are tobacco firms, and the next are Coca-Cola and PepsiCo, with their range of strong brands. The food market is clearly more fragmented.

Increasing consumer and regulatory awareness of health problems arising from obesity and inactive lifestyles represent a serious risk to the carbonated drinks sector whilst presenting a growth opportunity for companies producing water and juices. Consumers in Europe and North America, in particular, are recognizing the existence of obesity as a complex and serious public health problem and as health problems affect an increasing proportion of the population, industry legislation and public backlash could combine to damage future growth within the industry group.

Health has also become a key factor influencing consumption trends in the alcoholic drinks markets. Most of the major players have responded to this by introducing new or modified products that promote healthy benefits. Significant product enhancements in recent years include organic and “lite” beers. The use of the word “organic” is regulated in most markets, and seemingly offers the consumer more confidence that the product they are buying fits their own personal description of a “natural product”. The recent boom in the number of organic and low-carb or lite products available on the market have helped offset a decline in the beer market, where the increasing popularity of wine is eroding sales.

Early in 2004, most of the major developed countries signed up to an international tobacco treaty, designed by the World Health Organization to reduce smoking-related diseases. The treaty forces manufacturers to ensure health warnings cover at least 30% of every pack and enforce the protection of non-smokers from smoke in work and public places. This is expected to lead to future reductions in tobacco consumption.

To combat this, over the last decade, the industry has invested millions of dollars into the research of reduced-harm products, designed to reduce the health risks associated with smoking. This includes cigarettes with reduced nicotine, toxins and smoke output, such as Vector Group’s Quest and Reynolds’ Eclipse. The successful development of these products is expected to secure the long-term future of the market, by weakening the health risk arguments of anti-smoking campaigners. However, the key to any success will be the ability of players to use these products to deter smokers from quitting the habit.

Ingredients aren't the only inputs for this industry; the price of packaging is also important to company margins. Recent years have seen high demand from China and the US cause large price increases for many raw materials, particularly metal and plastics, prices further augmented by spiraling crude oil prices. While these high prices are unsustainable in the long term, they will continue to detract from companies' margins in the near term.

The spiraling cost of crude oil is also degrading margins within the industry in terms of transportation and energy costs. Since all the major players in the food, beverage and tobacco industry group source ingredients and sell their products all over the world, these current high oil prices are significantly increasing transportation costs by way of inflated petroleum prices. Companies have begun to combat such problems by driving efficiency within their regional distribution networks. By monitoring demand within a particular global region, companies have been able to minimize transportation, thus mitigating their exposure to these rising costs.

CHAPTER 7 LEADING COMPANIES

7.1 Altria Group, Inc.

Altria Group is a holding company whose principal subsidiaries, Philip Morris USA, Philip Morris International, Kraft Foods and Philip Morris Capital Corporation are engaged in the manufacture and sale of various consumer products. The company is the largest consumer packaged goods company in the world.

Altria posted 2005 revenues of \$68.9 billion, and increase of 7.7% on 2004. In the same period, net income rose by 10.8% to \$10.4 billion.

7.2 British American Tobacco plc

BAT is an international cigarette and OTP manufacturer with manufacturing and processing operations in about 64 countries.

The company recorded revenues of £31,811 million during the fiscal year ended December 2004, the most recent for which details are available, an increase of 31.7% over 2003. The increase was primarily attributable to strong performances in Europe, Africa and the Middle East. The operating profit of the company during fiscal 2004 was £1794 million, an increase of 1.0% over fiscal 2003. The net profit was £1224 million during fiscal year 2004, an increase of 55.3% over 2003.

7.3 Japan Tobacco Inc.

Japan Tobacco (JT) engages in tobacco manufacturing and distribution. The company is also engaged in the business fields of pharmaceuticals, foods, agribusiness, real estate, and engineering. The company has three main business divisions: Tobacco, Food and Pharmaceuticals.

For the year ended March 2005, the company reported revenues of \$44.15 billion, up 0.9% from 2004's \$43.78 billion. Net loss was \$72 million in 2004, compared to a profit of \$592.5 million in 2005.

7.4 PepsiCo, Inc.

PepsiCo is a leading, global snack and beverage company. The company manufactures, markets and sells a variety of salty, convenient, sweet and grain-based snacks, carbonated and non-carbonated beverages and foods. It is the second-largest manufacturer of carbonated soft-drinks in the world.

PepsiCo reported fiscal 2005 revenues of \$32.6 billion, an increase of 11.3% on 2004. Net income fell by 3.2% to \$4.1 billion in the same year.

7.5 The Coca-Cola Company

The Coca-Cola Company focuses on the non-alcoholic beverage market, producing a range of drinks around the world, many of which are tailored to specific local tastes. It is active in over 200 countries.

The company reported revenues of \$23.1 billion in 2005, up 5.2% on the previous year. Net income grew by 0.5% to reach \$4.9 billion in the same fiscal year.

7.6 Archer Daniels Midland Company

Archer Daniels Midland (ADM) is chiefly engaged in the procurement, transportation, storage, processing and merchandising of agricultural products. The company processes oilseeds, such as soybeans, cottonseed, sunflower seeds, canola, and peanuts. It also buys, stores, cleans and transports agricultural commodities and resells these commodities as feed ingredients. ADM has over 700 processing plants, origination facilities and sales offices in 60 countries.

The company recorded revenues of \$35,943.8 million during the fiscal year ended June 2005, a decrease of 0.6% from 2004. This was primarily due to slow growth in soybean business. The net profit was \$1044.4 million during fiscal year 2005, an increase of 111.1% over 2004.

CHAPTER 8 MARKET FORECASTS

8.1 Market Value Forecast

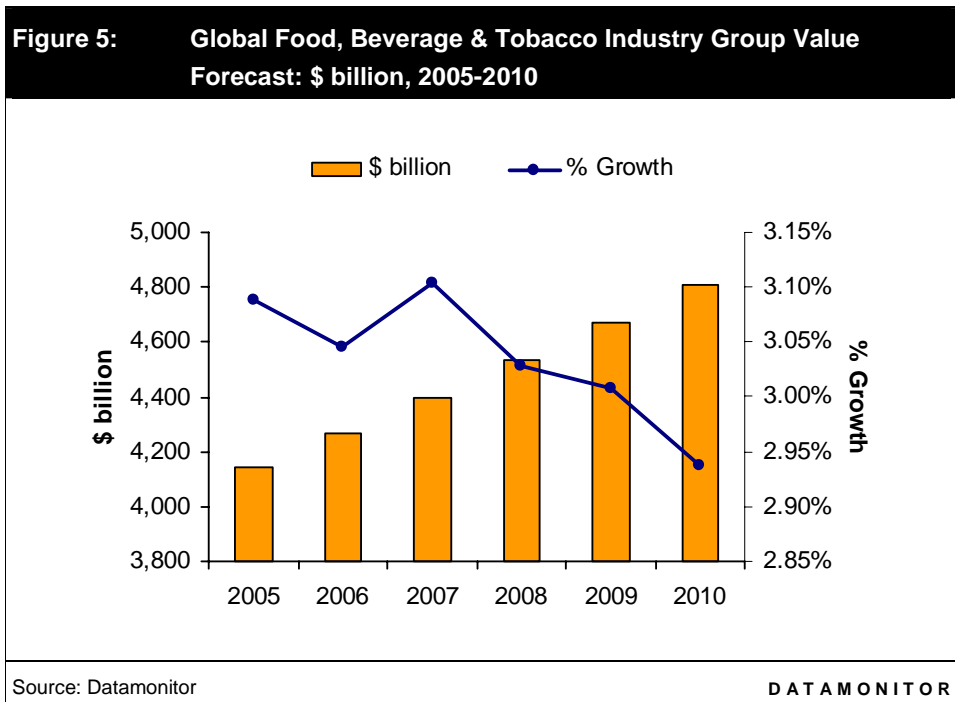
In 2010, the global food, beverage and tobacco industry group is forecast to have a value of \$4,805.5 billion, an increase of 16.1% since 2005.

The compound annual growth rate of the industry group in the period 2005-2010 is predicted to be 3%.

Table 5: Global Food, Beverage & Tobacco Industry Group Value Forecast: \$ billion, 2005-2010

Year	\$ billion	% Growth
2005	4,140.3	3.10%
2006	4,266.4	3.00%
2007	4,398.8	3.10%
2008	4,532.0	3.00%
2009	4,668.3	3.00%
2010	4,805.5	2.90%
CAGR, 2005-2010:		3.0%

Source: Datamonitor DATAMONITOR



CHAPTER 9 FURTHER READING

9.1 Sources

This report is based on a combination of primary Datamonitor research, including online, face-to-face and telephone interviews with consumer and industry players, and secondary research using various sources (including trade associations, news providers and others).

Industry Associations

The Food Institute

One Broadway, Elmood Park, NJ 07407, USA

Tel: 1 201 791 5570

Fax: 1 201 791 5222

<http://www.foodinstitute.com>

9.2 Related Datamonitor Research

Datamonitor Industry Profiles

Global Food Distributors (\$200)

Global Food Retail (\$200)

Global Hypermarkets & Super Centers (\$200)

Global Food & Staples Retail (\$200)

Global Brewers (\$200)

Global Distillers & Vintners (\$200)

Global Soft Drinks (\$200)

Global Beverages (\$200)

Global Tobacco (\$200)

Global Food Products (\$200)

Global Packaged Foods & Meats (\$200)