SIMEI 2009
INFORMATIVE DOSSIER
ON THE BEER INDUSTRY

2008 World Production and Consumption

Again in 2008, despite the general financial and economic crisis the world beer markets managed to record an upward trend. According to the data published in the latest Barth Report, world consumption and production of beer in 2008 totalled 1.816 million hectolitres, showing a 1.6% increase on the previous year, lower though than average growth rates (approx. 3% per annum) of the recent past. Consumption did however slow down on some important markets, particularly in the last three months of the year. World consumption per head settled at 27 litres/per year.

The world consumption of beer recorded a better trend than other alcoholic drinks, in view of certain decisive advantages:
- beer is the least alcoholic drink and as such creates less “alarmism” with consumers and authorities
- beer is the alcoholic drink that has built an image that better identifies with young people, thanks to precise marketing policies carried forward by the large competitors in the industry;
-beer, in addition has better prices than other alcoholic drinks

WORLD PRODUCTION OF BEER (million hl)						
Continents	**2004**	**2005**	**2006**	**2007**	**2008**	**Per head 2008**
TOTAL EUROPE*	**528**	**544**	**569**	**592**	**586**	**72 l/year**
TOTAL AMERICA	**492**	**503**	**522**	**532**	**544**	**60 l/year**
ASIA	**440**	**466**	**508**	**557**	**572**	**14 l/year**
AFRICA	**71**	**74**	**79**	**85**	**92**	**10 l/year**
OCEANIA	**21**	**21**	**22**	**21**	**22**	**69 l/year**
Overall Total	**1.522**	**1.598**	**1.700**	**1.787**	**1.816**	**27 l/year**
**including Turkey –presse by Infobirra Beverfood on Barth Reports data*						

The great difference in consumption between the various geographical areas is explained not only by different socio-economic situations but above all by different cultural and eating traditions as well as different religious customs. Europe still led the way in terms of consumption but in 2008 experienced a reduction in terms of volume, partly because Eastern markets (especially Russia) that had led consumption over recent years in the old continent slowed down. In America, consumption remained stable in North America while Latin America, that had a lower consumption per head to begin with, recorded a more positive trend.

America’s consumption was however exceeded by the total consumption of Asia, the emerging continent that records steep increase rates, even though the consumption per head was still much lower that the world average. The growth in East Asian countries was formidable. Asia is in fact on track to become the largest consumer in the world. Africa remained marginal (just 10 litres consumption per head) which is mainly due to its poverty although a few areas were actually particularly lively, such as the old South African market and the surprising Nigerian market. Finally, Oceania recorded high consumption per head as in Europe but did not account for much in terms of total volume due to the small population.

The large national markets

The first six producer countries, although representing just over a third of the world population, absorbed over two thirds of the global production of beer. Ranking top of this list, as for the past few years, was China (410 million hl production in 2008). Despite its consumption per head of just 32 litres a year, thanks to its enormous population and a more lively growth rate, China has now overtaken the traditional leader, the United States market (today ranking second with an annual production of 232 million hl). Over the last 8 years, China has almost doubled its production and consumption while the USA has remained stable on consumption figures at the beginning of the century.

THE FIRST 10 NATIONAL BEER MARKETS						
Rank	**Nation**	**Population (Million inhabitants)**	**Beer production (million hl)**		**% Variations**	**Per head 2008**
			2000	**2008**		
1	CHINA	1.339	220	410	+76,5	32 litres/year
2	USA	302	233	232	-0.3	83 litres/year
3	URSS	141	55	114	+107,7	81 litres/year
4	BRAZIL	191	83	106	+29	57 litres/year
5	GERMANY	82	110	103	-8,3	111 litres/year
6	MEXICO	105	58	82	+42	60 litres/year
7	JAPAN	128	71	61	-13,9	52 litres/year
8	UNITED KINGDOM	60	55	50	-10,5	88 litres/year
9	POLOND	38	24	36	+48,3	93 litres/year
10	SPAIN	45	26	33	+26,5	84 litres/year
Top 10		2.431	935	1.227	+31,2	50 litres/year
Other markets		4.299	445	589	+32,4	14 litres/year
Total		**6.730**	**1.380**	**1.816**	**+31,6**	**27** litres/year
Processing Infobirra Beverfood based on Barth Reports data						

Traditionally the leading market in Europe for production and consumption was Germany yet it has been overtaken in recent years by Russia which has in the meantime become the third largest beer market in the world with a production of 114 million hectolitres (as opposed to just 55 in 2.000). Coming in as number four in the world charts is the Brazilian market that has also overtaken Germany with its production of 106 million hectolitres. Due to a negative trend, Germany has now slipped down into fifth place with 103 million hectolitres produced per annum. Other markets in decline in the top ten are Japan and the United Kingdom, while the large developing markets include Mexico and in Europe Poland and Spain.

The competitive picture: more concentration

The world production of beer is fairly up and down. Referring to industrial scale breweries the total number of breweries operating in the world is at least 4000, including 2000 in Europe alone. However, the competitive picture on an international level is characterised by an intense concentration process that has become stronger over the last ten years. According to the chart drawn up annually by “The Barth Report”, at the end of 2008 the first 10 beer producers accounted for over 63% of the total world production yet the first four alone accounted for 46% of the total. Current concentration figures are lower than in the soft drinks market but are much higher compared to the wine and spirits markets.

THE FIRST 10 BEER GROUPS IN THE WORLD			
Beer groups	**Nation**	**2008 Production (Million hl)**	%
AB-INBEV	Belgium	388	21,4
SABMILLER	United Kingdom	174	9,6
HEINEKEN	Holland	162	8,9
CARLSBERG	Denmark	109	6,0
C. R. Breweries	China	73	4,0
TSING TAO	China	54	3,0
G. MODELO	Mexico	52	2,8
MOLSON COORS	USA	51	2,8
YANJING	China	42	2,3
FEMSA	Mexico	41	2,3
Top 10		1.146	63,1
Other producers		670	36,9
World Total		**1.816**	**100,0**
(a) without Modelo –(b) without C.R.Breweries – Processing by infobirra Beverfood based on Barth Report data.			

Over the last two years the concentration process has become stronger thanks to a few big merger & acquisition operations including:
-the acquisition by Carlsberg and Heineken of the British group Scottish & Newcastle (beer production of 28 million hl, as well as 50% shares in the Russian colossal Baltika);
-the merger in the USA between the SABMiller and Molsom-Coors breweries (the second and third largest on the US market respectively);

- the acquisition of the American group Anheuser-Busch by the Belgian group Inbev, thereby setting up the new mega group AB-Inbev, with an annual production of approximately 400 hl.

In addition, recently two of the most important Japanese beverage groups (Suntory and Kirin) have discussed the possibility of a mega merger. In the meantime Kirin has already taken total control of the Australian group Lion Nathan and 43% of the San Miguel Brewery in the Philippines.

Here below is a brief outline of the main international beer groups based on the information processed periodically by Infobirra Beverfood and the beverage portal www.beverfood.com.

AB_INBEV: at the end of the 80s the Belgian group Stella Artois decided to create a large multinational beer group in the Belgian capital. Initially numerous Belgian brand names and historical breweries were absorbed and integrated to then look abroad. The big opportunity came in 1991 with the acquisition of the Canadian group Labatt. In the following years, the new group, that in the meantime had been called Interbrew, proceeded to make further important acquisitions throughout Europe, including the beer division of the Bass group and the Whitbread group in the UK, the German Beck’s and Diebels groups and the Bavarian group Spaten/Loewenbrau. In eastern Europe the Belgian group was very active taking over the SUN group (leading group in Ukraine and the second group in Russia). Thanks to other acquisitions the Belgian group now leads the way in Hungary, the Czech Republic, Rumania and Serbia. The operation, however, that brought the Belgian multinational to dominate the world beer tables was the integration with the South American group Ambev, after which the new Belgian-Brazilian conglomerate became known as InBev. And, finally in 2008, the mega acquisition of the American group Anheuser-Busch, which projected the company to a share of over 21% of the world total. In the meantime the new group, that had then changed its name to AB-Inbev, began to carry forward a disinvestment plan for income sources that were considered not strategic, including minority shares in the Chinese brewery Tzing Tao and the Labatt branch in the USA to pay off (partly) for the significant financial debt accumulated with the acquisition of Anheuser-Busch. the Belgian still holds, however, at least at the moment, 50% share capital of the Mexican Modelo although it is still run by the Mexican partners. At the end of the year 2008 the group recorded a turnover of 16 billion euro, yet with a net financial debt of almost 41 billion euro.

SABMILLER: the SAB (South Africa Brewery) group, starting from South Africa, its original market, rapidly extended its presence to many African states, starting to acquire holdings in other continents. But it only got the stripes of a large multinational beer group in 2002 with the acquisition of Miller, the second brewery in the US. The company further increased its presence on the American continent by taking over a few breweries in Central America and, above all, in Colombia (Bavaria) and Peru (Backus). The group strengthened its presence in Europe too where it had already taken over the historical Pilsner Urquel (leader in the Czech Republic). The group was also very active gaining important positions on other Eastern European markets such as Poland, Rumania, Hungary, Russia and Slovakia. In 2003 SABMiller took over the Italian Spa Birra Peroni, the second group on the National market. Recently the group has strengthened its position in Europe still further by winning over the Dutch group Grolsch, while in the USA it joined forces with Molsom Coors, thereby setting up the new Millercoors. The group is also working successfully in China through the China Resources Breweries-Snow (joint venture with the China Resources Enterprise) that is now the leader of the Chinese market. The head offices of the group are now based in the UK where approximately 40% of the share-holders are located. The group closed the 2008/2009 balance sheet with a turnover of over 25 billion USD, which includes a minor but significant part for non-alcoholic drinks (SABMiller is also one of the most consolidated bottling companies for Coca-Cola in Africa, as well as being co-partner of Amatil Coca-Cola Australia).

HEINEKEN: in 1968 the Dutch company acquired control of its rival Amstel on its home territory and in the 70s and 80s proceeded with the acquisition of numerous breweries in Italy, France, Spain, Greece, Ireland, and hence became the leader or co-leader on these markets. At the same time the group strengthened its exports to North America and other continents, and with the Heineken brand achieved international leadership in the premium beers segment. More recently the Dutch group has begun to expand on the more difficult German market where it has created a joint venture (BHI = Brau Holding International) with the Bavarian group Schörghuber. BHI now controls numerous and important German brands and breweries such as Paulaner, Kulmbacher, Furstenberg etc. Over the last five years the Dutch group has stepped up its efforts to acquire important positions in developing Eastern European markets. The most significant operation was the acquisition of the Austrian group Brau Union which not only led Heineken to take over the leadership in Austria but also enabled the group to accomplish prominent positions on other eastern European markets too (Hungary, Rumania…). Heineken is also the leader of the Polish market and is now the third largest name on the Russian market where it has recently taken over several regional breweries. It occupies important positions on other European markets too thanks to recent acquisitions of the breweries Krusovice and Drinks Union (Czech Republic), Eichhof (Switzerland), Rudic (Serbia), Rechitsa and Syabar (Bielorussia). Following the recent acquisition of the group Scottish & Newcastle, together with Carlsberg, the Dutch group inherited the business and the brand names S&N in the UK, Ireland, Belgium, Portugal, Finland and India, strengthening its third position on the international beer scene. In 2008 the Heineken group closed the balance sheet with over 14 billion euro.

CARLSBERG: After merging with its rival Tuborg in 1970, during the 80s and 90s the Danish group took over important breweries in Portugal, Switzerland, the UK and Turkey. In the year 2000 it made a significant move forward by merging with Orkla, the most important Scandinavian group in the beverages sector, thereby taking over the leadership of the Scandinavian beer markets. More recently it took control of the German Holsten, and hence became the leader of the northern regions of

Germany. As regards the eastern European markets, Carlsberg’s most significant investment was the joint venture with BBH (now controller on an equal footing along with the British group Scottish & Newcastle) that in turn controls Baltika, the largest beer group in Russia. Carlsberg has acquired leadership positions in Poland (ex Okocim), in Serbia and Croatia. With the very recent acquisition of Scottish & Newcastle, together with Heineken, the group consolidates its fourth position on the international scene and above all takes total control of the up and coming Baltika in Russia and the Kronenbourg brewery, leader on the French market. The group has recently disinvested from the Turkish market and the Israeli market. In 2008 it closed its balance sheet with a turnover of 59,9 billion Danish coronas, just over 8 billion Euros.

OTHER IMPORTANT GROUPS IN EUROPE: In addition to the large multinationals operating on a global scale in all continents, it is important to mention other groups that operate in smaller geographical areas but are very important in the countries where they operate. Limiting the analysis to Europe, the following groups should be noted.
In Turkey **EFES** is a large multi-beverage group that is the leading group in Turkey but also has breweries in various other eastern European countries such as Russia, Kazakistan and Serbia). The group’s total production of beer is estimated at 23 million hl.
The Irish **GUINNESS** (Diageo group) were the first breweries to market their products on an international scale and still today the name Guinness is linked to this historical Irish beer. Today Guinness exports its beer throughout the world although it only has factories in Ireland and Nigeria. Its 2008 production is estimated at 19 million hl.

On the German market, national leadership with 13 million hl sold is the **RADEBERGER** group (controlled by Oetker) that in recent years has agglomerated numerous regional producers with brands with great tradition behind them.
In Spain the market is led by the group **MAHOU-SAN MIGUEL** (over 12 million hl produced in 2008) that in 2006 took over the Alhambra breweries.
In Holland the group **BAVARIA HOLLAND** is the second most important group (approximately 5 million hl annual production) that recently took over the brewery of the same name in South Africa, while in Denmark the second most important group is **ROYAL UNIBREW** (over 6 million hl annual production), with production in Lithuania too and a large share of exports especially to Italy where it has been very successful with the Ceres brand.

Beer in Europe

Although it represents less than 12% of the world population, the continent of Europe absorbs approximately a third of the total production of beer. This is due to the fact that in most European countries beer is a typical drink consolidated in their cultural and food traditions while in the other continents beer is a more recent product. In 2008 beer production in Europe totalled 586 million hectolitres, 1% down on 2007. Since Europe’s net trade figures (exports-imports) stand at approximately 30 million hl per year, domestic consumption stands at approximately 556 million hl, corresponding to 70 litres/year. The largest share of exports outside Europe goes to North America where some important European brands (Heineken, Guinness, Beck’s, Stella Artois, and now Baltika too) have acquired significant positions.

The European leadership in terms of the production and consumption of beer has recently moved over from Germany to Russia that has more than doubled its volume over the last ten years. In 2008, however, due to the recession, the Russian market came to a standstill and production throughout the entire continent suffered with a reduction in volume figures compared to 2007. In general the more consolidated markets in western Europe show signs of collapsing while the future growth prospects concern the eastern markets. In terms of consumption per head there is a significant variation among the various markets, from 158 litres/year in the Czech Republic to 30-31 in Italy and France and 12 in Turkey. These variations are related to the various traditional habits in the various regions, the different food customs, the different financial situations as well as the different legislation that may encourage or curb the consumption of beer.

In general in the Mediterranean countries like Italy and France, consumption of beer is still below the European average, in view of a more marked orientation towards wine, especially on behalf of adults and at the most important meals. In Turkey, the low consumption per head is clearly related to the widespread Muslim religion which as is well known prohibits the consumption of alcohol. Consumption per head is higher in countries where there are centuries-old traditions of beer drinking (Germany, Flanders, UK and the countries of the former Hapsburg Empire) aided by a more suitable distribution and service industry (pubs, biergarten, brasserie, etc) and certain eating habits.

Many beer producers, especially in the German-speaking countries, have developed new drinks: the so-called “beer-mix” obtained from the combination of beer with soft drinks or juices with a limited alcohol content, generally like light beers. This phenomenon has developed above all in Germany where, in addition to the traditional “Radler” (beer +lemonade), there are new versions of beer&cola, beer&juices and even beer-energy. The consumption of beer-mixes in Germany that in 1998 was estimated at around 1% of total beer consumption, according to Deutscher Brauer-Bund has now reached 6% of consumption.

Certain European countries with a strong beer tradition have strong commitments in terms of exports. These include above all Holland, Belgium, Ireland and Denmark that manage to export half their entire National production in good years. Yet the country that exports more than any other is Germany with over 15 million hl/year. Vice versa the countries with the highest import figures are Italy (approximately one third of total domestic consumption), France and the United Kingdom.

THE MAIN BEER MARKETS IN EUROPE				
Nation	**Population** (Million inhabitants)	**2008** Production (Million hl)	**Consumption per head** (Litres/year)	**Main competitors**
RUSSIA	141,1	114	81	Baltika/Carlsberg, AB-Inbev, Heineken, Efes, SABMiller
GERMANY	82,3	103	111	Radeberger, AB-Inbev. Bitburger, Oettinger, BHI, Carlsberg
UNITED KINGDOM	60,1	50	88	Heineken, M.Coors, AB-Inbev, Carlsberg, Wells& Young
POLAND	38,1	36	93	Pivowarska/SABMiller, Heineken, Okocim/Carlsberg
SPAIN	44,8	33	84	Mahou-San Miguel, Heineken, Damm, Estrella Galicia, SABMiller
UCRAINE	46,4	32	62	SUN/Inbev, Obolon, Baltika/Carlsberg, Sarmat/SABMiller
HOLLAND	6,3	27	77	Heineken, Bavaria Holland, Grolsh/SABMiller, AB-Inbev
CZECH REPUBLIC	10,3	20	158	Plzensy-Prazdroj /SAB, Staropramen/Inbev, Heineken, Budvar
RUMANIA	21,5	21	92	SABMiller, Brau-Union/Heineken, AB-Inbev, Carlsberg, Micula
BELGIUM	10,6	18	86	AB_Inbev, Alkenmaes/Heineken, Duvel-Moortigat, Palm, Martens
FRANCE	61,6	14	31	Kronenbourg/Carlsberg, Heineken, AB-Inbev, Karlsberg, Meteor
ITALY	59,1	13	30	Heineken, Peroni/SABMiller, AB-Inbev, Carlsberg, Forst, Castello
TURKEY	73,8	10	12	Efes Beverage/Analolu Group, Central Bottling Company (Tuborg)
AUSTRIA	8,3	9	1O8	Brau-Union/Heineken, Stiegl, Ottakringer, Villacher, Fohrenbourg
PORTUGAL	10,6	8	61	Unicer/Carlsberg, Centralcer/Heineken
IRELAND	4,3	9	106	Guinness Diageo, Murphy/Heineken
DENMARK	5,4	8	81	Carlsberg, Royal Unibrew (Ceres), Harboes
HUNGARY	10,0	7	79	Brau-Uniuon/Heineken, Dreher/SABMiller, Borsodi/Inbev
Processing Infobirra Beverfood based on Barth Report and company reports				

Beer in Italy

The Assobirra estimates for 2008 are rather negative: consumption fell to 17,8 million hl with a 4% reduction compared to 2007 and so the consumption per head fell to 29,4 litres/year, the lowest in the last six years. However, according to Assobirra, Italy is no longer the nation with the lowest consumption per head in Europe, since France has lower consumption than Italy. Apart from the bad weather and the economic recession (that has hit above all consumption outside the home), Assobirra complains about the excessive taxation of products. Domestic production fell too in terms of volume but in a more limited way, thanks to the boom in exports. In 2008 Italy produced 13,3 million hl of beer, showing a 4% decrease on 2007. On the other hand, though, exports increased to 1,5 million hl showing a 41% increase while imports fell to 6 million hl (-2% on 2007).

The decrease in production and consumption are the obvious effect of a general economic crisis that became increasingly intense from the second half of 2008 and that, unfortunately, does not show signs of slowing down in 2009 either. The results from the first four months of the year show a 9% reduction in sales, with a negative high in February of 22%. The figures for spring and summer sales are more positive 2009 will hardly show an overall recovery in annual volumes. The Assobirra report continues emphasising the trend in consumption outside the summer season. In fact in 2008 in the four-month period May-August less than 46% of the total annual consumption of beer was drunk, against over 49% in 2006; at the same time, consumption in the first two months went up from 9.4% to 11.6% in the same three years.

Most beers consumed in Italy (over 51%) belong to the category of the so-called “standard/main-stream” beers, that is National lagers with an average alcohol content that are economical, average quality and meant for universal consumption. Yet the product categories that seem to be increasing the most are the “premium beers” and the so-called “specialities”; globally these beer categories now account for more than 43% of the total. The economical beers (in the first price bracket) account for only 3.5% of the total and the private labels are almost inexistent (1.1%) while the result for non-alcoholic drinks remains disappointing (less than 1%), despite numerous launches of new products in recent times. Home consumption of beer in Italy accounts for 55% of the total quantity, while consumption outside the home stands at 45 %. In terms of value however, consumption outside the home is more significant, since beer is sold at much higher prices in public places. In recent years there has been a slight, yet constant, improvement in favour of consumption outside the home that has come to a standstill in the recession. The Horeca distribution (over 200.000 public places) is strategic for the success of more distinctive beers and the consumption of draught beer.

The Italian market absorbs 66% of national products and a good 34% of imported beers. In reality Italy is the largest European importer in relation to total consumption. Moreover, at least another 3 million hl beer produced in Italy is of foreign brands produced with a license in Italy, such as Heineken, Henninger, Amstel, Fischer, Mc Farland, Tuborg, Carlsberg, Kronenbourg, Miller G. D., and others. Germany alone exports over 3.4 million hl of beer on the Italian market with a share of 58% of the total, that has been constantly increasing over recent years. Holland and Denmark come in second and third, but very far from Germany (0,7 and 0,5 million hl respectively). In terms of exports (1,5 million hectolitres in 2008) the main foreign markets for Italian beer are the United Kingdom and the nearby Albania and Malta, while outside Europe the highest exports are to the United States and South Africa, due partly to the international role that the SABMiller group is developing for the Italian brand Peroni Nastro Azzurro.

The Beer market in Italy					
Year	**Production** (.000 hl)	**Imports** (.000 hl)	**Exports** (.000 hl)	**Consumption** 000 hl)	**Per-head** Litres/year
1980	8.569	3.154	(217)	9.539	16,7
1990	12.153	2.420	(201)	14.372	25,1
1995	11.990	2.979	(439)	14.530	25,4
2000	12.575	4.142	(428)	16.289	28,1
2001	12.782	4.414	(502)	16.694	28,9
2002	12.592	4.437	(689)	16.340	28,2
2003	13.673	4.664	(884)	17.453	30,0
2004	13.170	4.873	(849)	17.194	29,6
2005	12.798	5.258	(716)	17.340	29,9
2006	12.818	5.814	(781)	17.851	30,3
2007	13.462	6.119	(1.068)	18.513	31,1
2008	13.273	5.996	(1.503)	17.766	29,4
Source: Processing Infobirra Beverfood on Assobirra data					

Competition in Italy

The Italian production system is predominantly composed of eight industrial breweries (excluding small crafts breweries) that run 15 factories, located in various regions in the north and south of Italy. The market leaders are the branches of the largest multinational breweries in the world: Heineken, SabMiller, AB-Inbev and Carlsberg, that together control over 65% of total volumes. Crafts breweries represent a separate segment that is developing. According to Infobirra Italia’s survey 2008/2009, this segment includes 270 production units spread throughout the different Italian regions, with an overall production of over 150.000 hl per year.

The leader of the Italian beer market is Heineken Italia with a share of 31%; in addition to its own National brands (first and foremost linea Moretti, Dreher and Ichnusa), the branch of the Dutch group produces and distributes some international brands belonging to the group too (Heineken, Amstel….) and Henninger; moreover, it imports and distributes numerous other premium beers and specialities belonging to the sister companies, as well as other companies. The group operates on the market through the Dibevit organisation too that is specialised in the distribution of specialty beers for the Horeca sales points.
In the same way Peroni (SABMiller group), in addition to its own National brands (first and foremost Peroni and Nastro Azzurro) produces and distributes Miller Genuine Draft (on behalf of the group) and Kronenbourg beer (on behalf of the ex Scottish & Newcastle, now part of the Carlsberg group); furthermore it imports and distributes Pilsner Urquel, the Belgian Palm, Hopf Weisse and the English Fuller.
A third of the beer consumed in Italy is imported from abroad and in this area it is the AB-Inbeve group that stands out that sells almost all the main international brands belonging to the group through the Italian branch. Today the Belgian group, with 1.3 million hl sold on the Italian market, comes third in the sales tables, with a share of over 7% in terms of volume and an even higher share in terms of value. The Beck’s brand is by far the most exported brand in Italy. Recently the same Budweiser was taken over by Inbev Italia too.
Carlsberg Italia – fourth in the producer tables – produces and distributes the beers of the Angelo Poretti brewery (including the new Splugen), the main brands belonging to the Carlsberg and Tuborg group, as well as distributing various other brands belonging to the group, the Tucher beers from Germany, Corona Extra and other brands belonging to the Mexican group Modelo and now the Belgian Grimbergen beers too.
In fifth position on the producers tables is the Forst-Menabrea group that has consolidated its share at around 4,4%. In addition to producing and distributing its own historical brands (the Forst and Menabrea lines), the group imports and distributes certain weizen specialities from Germany. Following the closure of factories belonging to the large groups new companies have been

set up over recent years including Birra Castello in Friuli that subsequently acquired the Pedavena brewery and appears to have overtaken the Forst group in terms of volume in last year’s balance sheet.

Second in the beer export tables is the Danish group Royal Unibrew, that operates with the controlled Ceres Italia that records a volume of approximately 500.000 hl, with the leadership in the double malt segment. Behind this group with approximately 450.000 hl of beer imported, is the Dutch group Bavaria (that operates with the controlled Bavaria Italia). The Dutch group has been able to penetrate the Italian market with an aggressive policy in the LOD channels. Then, with quantities varying between 50.000 and 220.000 hl/year, come the German groups Warsteiner (that sells the German brand Konig Ludwig and the English brand Thwaites in Italy), Radeberger/DAB, Paulaner, the Irish Diageo/Guinness, the Austrian group Brau Union and the Spanish San Miguel. THen come the other important German groups (Krombacher, Bitburger, Karlsberg, Kulmbacher), the Belgian John Martin’s and the new British Wells & Young’s.

BEER COMPANIES OPERATING IN ITALY	2006		2007		2008	
	.000 hl	%	.000 hl	%	.000 hl	%
Heineken Italia	**5.630**	**31,5**	**5.676**	**30,7**	**5.538**	**31,2**
Peroni SAB Miller	**3.822**	**21,4**	**3.946**	**21,3**	**3.381**	**20,7**
Inbev Italia	**1.272**	**7,1**	**1.330**	**7,2**	**1.290**	**7,3**
Carlsberg Italia	**1.172**	**6,6**	**1.160**	**6,3**	**1.088**	**6,1**
MULTINATIONALS	**11.896**	**66,6**	**12.112**	**65,5**	**11.597**	**65,3**
Forst + Menabrea	**743**	**4,2**	**766**	**4,1**	**771**	**4,4**
Castello +Pedavena	**668**	**3,7**	**715**	**3,9**	**826**	**4,6**
Others + Importers	**4,544**	**25,5**	**4,920**	**26,5**	**4.572**	**25,7**
TOTAL SALES ITALY	**17.851**	**100**	**18.513**	**100**	**17.766**	**100**
Source: processing Infobirra Beverfood on Assobirra data and company documents						

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INFORMATION DOSSIER
ON THE SECTOR OF PACKAGED WATERS

Worldwide output and consumption 2008

All over the world more than 560 billion litres of cold, non-alcoholic drinks are consumed (waters, soft drinks and juices). Packaged waters are steadily improving their incidence, thanks to a higher growth rate and now they have outpaced carbonated soft drinks that historically had the consumption leadership in the sector of non-alcoholic commercial drinks. Global Drinks (Zenith International) has estimated output and consumption for 2008 at 218 billion litres of packaged water worldwide. BMC (Beverage Marketing Corporation) provides a more prudent estimate: around 204 billion litres. However, both sources agree on the fact that consumption of packaged waters has developed at higher rates in comparison with the other non-alcoholic beverage categories. The world per capita consumption is now between 30 and 32 litres/year, but with strong differences among the various areas.

PACKAGED WATERS CONSUMPTION WORLDWIDE (billion litres/year)							
Continents	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**Variations 2008/03**
EUROPE	55.8	54.6	56.1	59.2	60.4	61.9	+11%
AMERICA	52.7	56.3	61.7	67.1	72.0	72.4	+37%
MIDDLE EAST	10.8	11.9	13.2	14.4	15.4	16.4	+52%
AUSTRALASIA	33.3	38.7	43.6	49.5	55.5	60.2	+81%
AFRICA	2.9	3.1	3.5	4.0	5.7	7.1	+145%
TOTAL	**155.5**	**164.6**	**178.1**	**194.2**	**209.0**	**218.0**	**+40%**
Processing Bevitalia Beverfood on data by Global Drinks (Zenith International)							

The highest per capita consumption of bottled water is registered in Europe and in America, with more than 80 litres/year (over 110 for Western Europe and over 100 in North America). Asia and Africa are instead reporting the lowest per capita consumption values, (15 and 6 litres/year respectively), but they show the most exploding growth rates and thus, it is exactly in these areas (hosting 89% of the world population) that the future competition balances of the worldwide market will be played. Between the two big blocks there is Middle East, which is now reaching per capita values in line with the European and North American ones and which is continuously growing at high rates: Arab Emirates, Lebanon and Saudi Arabia are now among the countries with the high per-capita consumption of packaged water worldwide.

In Europe and in North America – areas rich in natural springs - there is a prevalence of “spring waters” (mineral or spring waters that, being pure from the spring, need not to be treated), whereas, in the other geographical areas, there is a predominance of treated water, which is cleared by appropriate purification processes. In almost all geographical regions, the consumption of still waters is remarkably prevalent, except in some countries in Central-Eastern Europe and in Latin America, where sparkling waters are still prevalent, even if the consumption of still waters shows a stronger growth. Finally, it has to be noticed that, worldwide, the small sizes (bottles) are representing about two thirds of the total consumption. Big containers, water coolers with capacity of more than 10 litres, are covering over a third of the total, but with a strong prevalence in the markets of Latin America.

In the lower-income developing countries, the increase in the consumption of packaged waters is mainly related to a problematic quality situation of the common tap water. In such a case, packaged water (often simple, treated water) plays an essential role in terms of safety and quality guarantee. The consumption in Europe and North America is mainly connected with the growing awareness that water is healthy due to its primary function of purifying and re-hydrating, as well as for its intake of precious mineral substances necessary for the body. The development of new waters enriched with functional elements further strengthens such healthy function. In any case, water is the only drink that has no fats, no sugars and no alcohol and it is more and more becoming the primary component of a healthy diet for all ages and for all consumption situations.

The big national markets

On the basis of the figures by Beverage Marketing Corporation, the first ten most important national markets are absorbing more than 70% of the total consumption, whereas the first five are concentrating over 50% of the worldwide volumes. At the top of the world ranking, BMC has placed the US market (33 billion litres), followed by Mexico (25 billion), China (20 billion) and Brazil (14 billion litres). According to other sources, China should already have conquered the second position. The Italian market, which ranked third in 2003 for total consumption volumes worldwide, is now in the fifth-sixth position, with 11.5 billion litres in 2008, still keeping the leadership in Europe. For many years the Italian market maintained the world leadership in the per capita consumption of packaged waters, but now, according to BMC data, Italy has been surpassed by Mexico (234 litres/year), which, however, represents a mix of products, in which there is a prevalence of "treated" water in big containers. It is to be stressed that Italy and Mexico are among the big markets, where bottled water is sold at very low prices.

Right after Italy, there is another emerging market, Indonesia, the third most populated country in the world that has now achieved the Italian volumes. Two other large, national European markets are following: Germany and France. The latter seems to register some volume losses. Ranking ninth is another emerging market, Thailand, which stands out for remarkable per capita consumption values. Other emerging countries are highlighting a strong growth (for example, Turkey and India) that will soon reach the top 10 in the world ranking.

The delay in the per capita consumption of bottled water in most Asian and African countries is also the consequence of the delay in establishing and developing a specific, drinkable-water bottling industry in these countries. Actually, the big multinational beverage companies, penetrated in these countries, have firstly introduced other drink typologies and, not casually, still today, many of these countries are showing a higher consumption of carbonated soft drinks and/or beer than of packaged water.

THE FIRST 10 NATIONAL MARKETS OF PACKAGED WATER

Rank	COUNTRIES	POPULATION (Millions of inhabitants)	CONSUMPTION (Billions of litres)		VARIATIONS %	Per-capita 2008 (Litres/year)
			2003	2008		
1	**USA**	302	23.7	32.8	+6.7	109
2	**MEXICO**	105	16.5	24.6	+8.3	234
3	**CHINA**	1,339	9.6	19.7	+15.6	15
4	**BRAZIL**	191	10.6	14.3	+5.8	75
5	**ITALY**	59	11.1	11.5	+0.5	196
6	**INDONESIA**	238	6.9	11.0	+9.6	46
7	**GERMANY**	82	9.9	10.8	+1.7	132
8	**FRANCE**	62	8.9	8.4	-1.2	135
9	**THAILAND**	64	4.9	6.4	+5.5	100
10	**SPAIN**	45	5.1	4.9	-0.8	109
	Top 10	2,487	97.2	144.4	+6.3	58
	Other markets	4,243	50.6	58.8	+7.8	14
	Total	**6,730**	**147.8**	**204.2**	**+6.0**	**30**

Processing Bevitalia Beverfood on BMC figures

International competition framework

The big multinational beverage companies "discovered" packaged water very late, perhaps because, in the past, this product was considered of scarce industrial and economic value and less interesting as a marketing object. For example, Coca-Cola was established in Atlanta in 1886, but in more than a century it bottled all kinds of drinks, except water. Only in 1993 the American giant company launched its first brand of packaged water (Dasani Water Purified), following the success of the first packaged water (Aquafina), launched by its usual rival, Pepsico. The two European multinational companies Nestlè and Danone were more forward-looking, entering the sector of mineral waters in the end of the years '60, by the purchase of the French springs Vittel and Evian respectively.
Afterwards, these two big European companies carried out a strategy of international development, by acquiring many water companies and labels in all continents and achieving the world leadership. In the years '90, the two big beverage multinational companies, Pepsico and Coca-Cola, entered the sector too. Since then, also the two American groups started a resolute strategy of international development in the packaged water business, which enabled them to be among the four international market leaders. Nevertheless, these four big players represent only a third of the total worldwide market, in which today the national and regional producers are still prevalent and often express leadership positions at local level.

Hereafter a synthetic outlook is provided regarding the main manufacturing groups on the basis of the information records periodically processed by the Beverfood Bevitalia Yearbook and by the beverage portal www.beverfood.com

NESTLÉ WATERS is the Waters Division of Nestlé Group, holding the world leadership with around 25 billion litres sold worldwide and a turnover of 6 billion euro. Its quantity share in the market is 11-12%, whereas its value share covers about 19% of the total. The group operates with many bottling factories in 36 different countries all over the world, with 31,500

employees and over 64 different brands. The brands Nestlé in their different versions (the treated water Nestlé Pure Life, the spring water Nestlé Aquarel, with recent addition of the mineral water Nestlè Vera) now represent over 18.5% of the total sales of Nestlé Waters. In particular, Nestlé Pure Life has already become the most important brand of Nestlé Waters in terms of volumes. The force of the group lies in the possibility of relying on a large portfolio of historical, international brands of mineral water (21% of the total volumes), such as S. Pellegrino, Acqua Panna, Contrex, Perrier and Vittel, but also on a rich portfolio of regional brands, often leaders in their own origin countries. The group has leadership positions in Europe (n. 1 in France, Italy, Belgium, Hungary and Switzerland), in North America and Middle East, with relevant positions even in other important Asian, African and Latin-American markets. In Italy, NestléWaters controls San Pellegrino group, leader in the sector of mineral waters. In the year 2008, after many years of growth, the sector turnover registered a 1.6% decrease versus 2007. The sales drop reflects the continuous slowdown of consumption in the category of packaged waters, particularly in Western Europe and in North America. In the emerging markets sales have instead reported a two-figure upturn.

DANONE is the second world competitor in the sector of packaged waters with sales attaining 18 billion litres and a specific 2008 turnover of around 2.9 billion euro, with a quantity share of more than 8% and a value share of more than 9%. Danone also controls the first worldwide brand of packaged water (Aqua in Indonesia, which alone totals a volume of about 6 billion litres), the leading brand in Mexico (Bonafont) and two big prestigious brands having international spread, the French Evian and Volvic, ranking among the first 5 best sold brands worldwide. The group is the second competitor in the world market, with a marked leadership in Pacific Asia (in particular in China and Indonesia) and in Latin America (especially in Mexico, Brazil, Argentina and Peru). The group has the second position in the European continental market, with leadership positions in Spain (Fonte Vella, Lanjaron...), Poland (Zywiec), France (Evian, Vittel, Badoit…) and United Kingdom. Danone has recently disinvested from the joint venture Danone Eden Springs, leader in the segment of water coolers in Europe. The French group had also disinvested from the Italian market in 2005, by handing over its controlled company Italaquae (now Ferrarelle), but always maintaining Vitasnella water, now produced and sold by the new Ferrarelle.

THE COCA-COLA COMPANY is the biggest beverage company in the world with a 2008 turnover of about 32 billion USD and a sales volume of around 24 billion cases. In the years '90 the American multinational enterprise launched Dasani table water, which has soon become the second most important brand of bottled water in the US market, whereas in the Latin American market, the Atlanta group controls "Ciel" purified water, one of the most popular packaged water brands. In Europe the American group tried to launch Dasani brand onto the British market, but it had to withdraw the product hastily, due to quality problems. Afterwards, the company understood that in the European market it is fundamentally possible to compete in the field of mineral waters and from then on it carried out an intensive purchasing campaign of mineral water springs, often in co-operation with some of its bottling companies, (among which the very active Coca-Cola HBC of Athens) The main mineral water springs that are currently controlled (directly or by its own bottling companies) by the Coca-Cola group in Europe are: Fonti del Vulture in Italy, Apollinaris in Germany, Deep River Rock in Ireland, Chaudfontaine in Belgium, Valser in Switzerland, Fonte Romerquelle in Austria, Vlasinka in Serbia-Montenegro, Bankya in Bulgaria, Multivita in Poland, Dorna in Romania, Avra in Greece, Gotalka in Croatia, Turkuaz in Turkey and, more recently, the Danish brands Kildevaeld and Kurvand. Moreover, the group is active in several European markets with the brand Bonaqua (bottled table water). In 2007, in New York, it also acquired the brand Glaceau, leader in the USA, in the sector of added waters. At global level, today the American group is the third competitor, with a quantity market share of about 7%.

PEPSICO is the other big global competitor, holding a market share of about 4% in the sector of packaged waters worldwide. In the years '90 it successfully entered the sector of bottled waters, by launching the bottled water Aquafina that has now become the n. 1 in the USA. Rather than taking over other water producers in other countries, the development strategy of PepsiCo is manly centred on the expansion of its own brand Aquafina outside North America. This happened in several important markets in Latin America and Asia. In addition, directly or by its own bottling companies, Pepsico also controls other brands of packaged waters, such as Electropura (in Mexico), Aqua Minerale (in Russia) and Lautraki (in Greece). The American group has recently acquired a British brand of vitamin-added water.

OTHER IMPORTANT GROUPS IN EUROPE: there are different groups holding a leadership position in their own specific national markets and important roles in other local markets.
In France, the group **ALMA-NEPTUNE** is the third competitor on the French market, operating, though more marginally, even in other European countries (among which Italy) and in French-speaking Africa. The group has a well-structured portfolio of mineral and spring water brands (Cristaline, Vichy Cèlestins, Chateldon, St-Yorre, Courmayeur, Vernière, Thonon, Pierval, Rozana…) and covers a consolidated output of 3 billion litres/year. Previously, the Neptune chain was part of the Group Pierre Castel (one of the biggest French groups in the wine sector), but, in 2008, Castel's share passed over to the Japanese pharmaceuticals group, which also holds Crystal Geyser Water Company.
In Italy, we have to mention **SAN BENEDETTO** (Zoppas Group) which ranks second on the national market and also controls other bottling companies in Spain, France, Dominican Republic and Mexico, besides other joint ventures with Danone group in Poland and Hungary. The Italian group covers a global output of about 2.5 billion/litres.
In Germany, the group **HANSA-HEEMANN** stands out, operating by 5 factories in different states of the German Federal Republic and a total of 600 employees, producing its own brands (Hella, St. Michaelis) and many "trade brands".
Among the Spanish independent groups, the leader is **VICHY CATALAN,** third competitor on the Spanish market, where it operates with different brands (Vichy Catalan, Malavella, Font d'Or…).

SPADEL is the absolute leader in Benelux (waters from the spring SPA Monopole) and also controls Breacon Beacons in Great Britain and Wattwiller in France.

MAIN PRODUCING GROUPS IN THE SECTOR OF PACKAGED WATERS

Producing Groups	Head Office	Main Brands	Billions of litres
NESTLÉ WATERS	**Switzerland**	Nestlé Pure Life, Aquarel, Nestlè Vera, Perrier, Vittel, Contrex, Panna, S. Pellegrino, Levissima, Poland Spring, Fürst Bismark, Peñaclara, Santa Maria, S.Barbara, Erikli, …	**25**
DANONE	**France**	Aqua, Evian, Volvic, Badoit, Font Vella, Lanjaron, Zywiec, Hayet, Bonafont, Villa del Sur, Salus, Pureza Aga, Aqua D'Or, Naya, Robust, Vitasnella, Knjaz Milos, …	**18**
THE COCA-COLA COMPANY	**USA**	Da sani, Ciel, Bonaqua, Lilia, Apollinaris, Heppinger, Aura, Dorna, Joy, Romerquelle, Valser, Vlasinka, Turkuaz, Deep River Rock, Multivita, Bankia, Avra, Gotalka, …	**15**
PEPSICO	**USA**	Aquafina (in the USA and in the world) – Electropura (in Latin America) Aqua Minerale (in Russia), Lautraki (in Europe)	**9**
NEPTUNE (Otsuki Group)	**France**	Cristaline, Rozana, Courmayer, St. Yorre, Thonon, Vichy Celestins, Vernlère …	**3**
SAN BENEDETTO (Zoppas Group)	**Italy**	San Benedetto, Guizza, Acqua di Nepi, Primavera, Font Natura…	**2.5**

Processing by Bevitalia Beverfood according to companies and trade press figures

The European market

Packaged water consumption in Europe, in 2008, is estimated at around 62-63 billion litres, i.e. a little less than 30% of the total world consumption. After several years of growth in almost all markets, the year 2008 turned out to be problematic. Only some markets registered an upturn, but there was a slowdown-drop of consumption in several large markets of Western Europe (France, Spain, Italy, UK). Undoubtedly, consumption was penalized by the non-positive climatic season. However, strong differences are confirmed in the per capita consumption of the various national markets: from over 190 litres/year in Italy to 20-30 litres in the UK, Holland, Scandinavian countries and Russia.

MAIN EUROPEAN MARKETS OF PACKAGED WATER

Rank	COUNTRIES	TOTAL CONSUMPTION (Billions of litres)					Per capita 2008 (Litres/year)
		2004	2005	2006	2007	2008	
1	GERMANY (*)	10.2	10.6	11.1	11.2	11.4	**138**
2	ITALY (*)	10.7	11.0	11.4	11.6	11.5	**196**
3	FRANCE	8.1	7.9	7.8	7.5	7.1	**115**
5	SPAIN	5.4	5.7	6.0	6.1	6.0	**134**
6	RUSSIA	1.9	2.1	2.4	2.7	3.0	**21**
7	POLAND	1.8	1.9	2.1	2.4	2.5	**67**
8	UNITED KINGDOM	1.5	1.6	1.7	1.6	1.5	**24**
9	UKRAINE	0.9	0.9	1.1	1.2	1.4	**30**
10	BELGIUM	1.3	1.3	1.4	1.3	1.3	**124**
11	ROMANIA	1.0	1.0	1.0	1.4	1.4	**69**
12	GREECE	0.8	0.9	1.0	1.2	1.3	**115**
13	HUNGARY	0.6	0.7	0.9	1.0	1.0	**101**
14	PORTUGAL	0.9	1.0	1.0	1.0	0.9	**88**
15	SWITZERLAND (*)	0.9	0.9	0.9	0.9	0.9	**115**
16	CZECH REPUBLIC	0.9	0.9	0.9	0.9	0.9	**83**
17	AUSTRIA	0.7	0.7	0.7	0.8	0.8	**96**
18	BULGARIA	0.4	0.5	0.6	0.7	0.8	**95**
20	HOLLAND	0.3	0.3	0.3	0.4	0.4	**21**

Source: Canadean on http://www.unesda.org/htdocs/statistics.html - (*) Figures provided by National Manufacturers' Associations

First of all, the figure regarding the per capita consumption of packaged water is to be compared with the per capita consumption of other beverages. Therefore, for example, in the United Kingdom, little bottled water is consumed, but there is a high consumption of warm drinks (e.g. tea) and of many soft drinks, among which a large quantity of water-diluted-syrup and powder drinks and other *dilutables*. But the consumption of bottled water, and especially of mineral water, is also related to some cultural aspects and specific historical traditions: not casually high consumption of mineral water is registered in the countries having stronger "spa" tradition (Italy, France, Germany, Belgium, Switzerland, but also countries of the former Hasburg Empire). In addition, a certain influence on consumption is also bound up with the marketing policies carried out in the various markets. For example, the very cheap prices applied in Italy have undoubtedly encouraged an increase in the consumption of mineral water.

With regard to the mix of products, Europe is characterized by a strong predominance of mineral and spring waters, thanks to its richness in natural springs, whereas the consumption of "treated waters" represents less than 10% of the total volumes. Moreover, there is a prevalent consumption of still waters, except in Germany and in the Eastern countries, where, however, still waters are expanding at very rapid rates. In many European countries, added waters (flavoured or also enriched with functional ingredients, such as vitamins, oxygen, herbal extracts, etc.) are steadily developing. On the basis of Zenith International' analyses, the market of added waters (flavoured or also enriched with functional ingredients) in Western Europe is estimated at about 2 billion litres (4% of the total consumption in packaged waters). Germany alone represents 40% of this market, with very remarkable values also in the French, British and Austrian market. The industry is showing a particular interest in this new segment, in consideration of the possibility of achieving much more interesting unit prices and margins in comparison with simple water.

With regard to packaging, the PET containers are now dominating the market, with the exception of the German market, where still today glass bottles are prevailing (with a consolidated tradition of "returnable containers"), but, where, however, PET bottles are increasing very rapidly. The most widely sold bottles are those of 1, 1.5 and 2 litres for the family consumption, whereas the small sizes, especially the half litre, are prevailing for non-domestic consumption. The industry is making great efforts to more and more lighten the weight of bottles, with considerable saving of raw materials and reduction of supply chain logistics costs. Some manufacturers have already introduced the use of vegetal plastic bottles.

The market in Italy

The year 2008 marked a reversal in the consumption trend of packaged water in Italy. According to the annual analyses conducted by Bevitalia Yearbook of Beverfood, the global output of mineral and spring waters in Italy is estimated at 12.3 billion litres, thus registering a decrease of about 1% versus 2007. Exports (net of imports) amounted to about. 980 million litres and, thus, the inland consumption of mineral and spring waters is valued at 11.320 million litres, with a per capita consumption corresponding to 192 litres. In addition, a separate estimation regards the "treated" packaged waters and the other "waters destined for human consumption" without ministerial recognition, representing a production and consumption segment of around 200 million litres. Globally, the consumption of Italian packaged (mineral, spring and treated) waters amounts to about 11.5 billion litres with an overall per capita of about 196 litres/year. Undoubtedly, the problematic meteorological year has negatively affected consumption, but also the economic situation of general recession may have led to more prudent purchasing behaviours.

MINERAL AND SPRING WATERS OUTPUT AND CONSUMPTION IN ITALY

YEARS	OUTPUT		+ IMPORT – EXPORT		TOTAL CONSUMPTION		Per capita
	Mill. of litres	Var. %	Mill. of litres	Var. %	Mill. of litres	Var. %	Litres/year
1980	2,350	---	Nd	Nd	2,350	---	47
1990	6,100	+79.4	Nd	Nd	6,100	+79.4	110
2000	10,360	+6.3	-680	+38.8	9,680	+4.5	167
2001	10,750	3.8	-730	+7.4	10,020	+3.5	173
2002	11,150	+3.7	-1,060	+45.2	10,090	+0.7	174
2003	11,900	+7.6	-820	-22.6	11,080	+10.8	190
2004	11,400	-5.0	-770	-6.1	10,630	-5.0	183
2005	11,800	+3.5	-980	+27.2	10,820	+1.8	187
2006	12,200	+3.4	-1,030	+5.1	11,170	+3.2	191
2007	12,400	+1.6	-1,020	-1.0	11,380	+1.9	193
2008	12,300	-0.8	-980	-39	11,320	-0.5	192

Source: Estimates Bevtalia Beverfood in co-operation with Mineracqua, Manufacturers and Research Institutes
The above indicated figures do not include "treated" waters and the other waters " destined for human consumption" without ministerial recognition, representing a production and consumption segment of around 200 million litres

The most consumed categories of mineral waters are the light ones (low mineral-content or slightly mineralized waters) that globally represent about three quarters of the total consumption. These waters have a more universal destination, as they have a specific diuretic and exchange functionality without any particular contraindications for any category of consumers. The mineral waters with a higher salt content (mid-mineral waters and those rich in mineral salts) are appreciated by the consumers preferring a more marked taste and by those who consider this type of water as an integrating source of salts necessary for the body. The so-called added waters (with flavours and/or functional ingredients) are not yet been able to take off in the Italian market.

Within the single segments, different trends are emerging. Still waters (over 60% of consumption) keep on improving their incidence on the total. Among the sparkling waters, there is a slight recovery of naturally effervescent waters and a substantial stability of the slightly sparkling ones, whereas the traditional sparkling waters show difficulty signs. Sparkling waters are normally preferred in the Horeca field due to their higher digestive capacity and show a peak consumption in summer, owing to their refreshing effects. The per capita consumption is high in all Italian regions, with peaks exceeding 210 litres/year in some Northern regions; the gap with the Southern regions is becoming smaller, as, in the South, the per capita consumption has now reached more than 160 litres/year.

In Italian market of packaged waters, PET bottles in the large sizes are dominating (79%) for the family consumption (1.5 and 2 litres). In the last past years the consumption of single-serve packaging has considerably developed, particularly the half-litre size, which has now attained a quantity share of 6%, but with almost double values. Some manufacturers have also developed the Pet litre size, often destined for the Horeca channel as an alternative to glass bottles, which, however, remains the largely favourite packaging in this channel. Producers are aiming at making lighter and lighter Pet packaging to reduce plastics consumption and energy costs. Moreover, thanks to the initiative of Fonti di Vinadio, a natural plastic bio-bottle (i.e. of vegetal origin and not derived from petroleum) has been introduced in Italy, which also has the advantage to be compostable, i.e. completely self-biodegradable in a short time. For glass bottles, manufacturers are more and more discovering the opportunity to improve their positioning by the adoption of new prestigious, artistic designs.

The sales of packaged water are performed for 78% by the retail points and for 22% by the away-from-home sales and consumption. The modern retail channel, which plays a leading role with over 2/3 of the total sales, continues to reduce the shares of the traditional retail. The door-to-door sales remain common in many Italian areas, but, however, they lost popularity in comparison with the past, even if this is still an important sales channel for the families with aged people. In the "out-of-home", a growing importance is being gained by the (small-bottle) vending channel and the water distribution by refrigerated drinking fountains in offices.

Competition in Italy

In Italy, there are about 200 mineral and spring waters, but the market shows a certain concentration with the first four manufacturing groups (Sanpellegrino Nestlè Waters, San Benedetto, Uliveto/Rocchetta and Ferrarelle) taking up a little more than 54% of the total market and the first eight groups (the above ones, plus Fonti di Vinadio, Norda, Spumador and Gaudianello) that cover 72% of the total output. Other 7 large/mid-sized groups are following with over 200 million litres produced yearly: Fonti del Vulture (Coca-Cola Group), Lete/Prata, Sangemini, Santacroce, Pontevecchio, Industrie Togni and Sorgenti Emiliane. More often than in the past there are difficulty situations among the small local companies, with actual closing down of activities. In terms of brands, the situation is more unsystematic. No brand is able to reach a volume share exceeding 10%. The private labels of the large-scale retail trade are growing and today they attain a quantity share between 8 and 9% of the total retail sales. Only a dozen of brands have reached an actual territorial coverage in all Italian regions, with an overall volume share of 50% on the total market. The rest is split up among the over 300 regional and local brands.

The leader **SANPELLEGRINO (NESTLÉ WATERS GROUP)**, after transferring the spring of Tione in the region Umbria and Acqua Claudia in Rome, completed the take-over and the activation of the spring Santa Rosalia in Sicily, where it intends to attack the local market in a widespread way. It is to be stressed how the brand Nestlé Vera is gaining more relevance in the Group's strategies for the development of waters; even for the new Sicilian spring Santa Rosalia, the brand Nestlé Vera Santa Rosalia has been adopted. Besides Nestlè Vera (positioned in a more competitive price area), the group operates at national level with Levissima (positioned in the area of high-purity waters), San Bernardo (more characteristic for its lightness), in addition to the other historical brands S. Pellegrino and Panna that belong to the limited number of international brands of Nestlè Waters. The group also operates with the regional brands Pejo and Recoaro, but it disinvested from the sector of water coolers, where it had operated with the spring water Aquarel. Sanpellegrino is one of the few Italian groups that are working with excellence also in the foreign markets, where the brand S. Pellegrino has now become a standard-bearer of the Italian restaurants in the world. Among the famous Italian brands of mineral water, S. Pellegrino is the only one capable of selling more abroad than in Italy.

The group **SAN BENEDETTO** of the region Veneto (controlled by the family Zoppas) permanently ranks second in the Italian market with its low-mineral content waters San Benedetto (positioned in the mid-high range of the market) and Guizza (which is instead in the cheaper range). The group is oriented to consolidate its own leadership in the Northern-Eastern Italian area and to strengthen its position in the other parts of Italy, particularly in the Centre-South, where it intends to make the most

of its Latium springs (Acqua di Nepi) and Abruzzi springs (Primavera di Popoli and G.G. Valle Reale). In the last period the company was particularly active in the segment of small sizes, where it controls a quarter of the market value.

The group **CONGEDI INTERNATIONAL** is the third national competitor with a premium positioning for all its brands. The Roman company changed its advertising strategies, now carrying out a single campaign for the waters Uliveto and Rocchetta, both positioned as healthy waters, with the support of two special testimonials: Alessandro del Piero for the naturally effervescent water Uliveto ("it helps your digestion") and Cristina Chiabotto for the low-mineral content water Rocchetta ("live fit"), whereas the brand Rocchetta Brio Blu has a separate advertising based on liveliness. Congedi is steadily the top spender in the advertising of mineral waters in Italy, expressly to support the premium positioning of its brands.

After the transfer from the Group Danone to the Group Pontecorvo, **FERRARELLE** aimed at relaunching its main brand with a particular growing effort even on the foreign markets. Moreover, the group is working on making the most of its other brands of mineral water, first of all, Boario, having a health-conscious positioning.

The Piedmontese Group **FONTI DI VINADIO** (controlled by the family Bertone), is the real novelty-surprise of the last few years. It was able to have a two-figure growth trend, conquering leadership positions with the 1.5 litre bottle in the modern retail channel. Now it launched the new "bio-bottle" (organic-biodegradable bottle) that should also become its strength point for its entry into other European markets. The Piedmontese group has now gained the fifth position in the ranking of competitors and aims at conquering the fourth position in a short time.

The group **NORDA** (controlled by the family Pessina)**,** with springs in the regions Lombardy, Veneto and Emilia, holds the sixth position in the market. The company operates in the sector with different low-mineral content waters coming from mountain springs, converging on the umbrella brand Norda, but also with their own brands, besides producing some private labels for important groups of the organized large-scale retail trade. The group is also active in the field of water coolers with the water Imperiale.

Among the first Italian competitors in the sector of mineral waters, the **SPUMADOR GROUP** gathering the springs of the former Spumador-Verga and of the former Sancarlo Spinone, has a total output of about 500 million litres of mineral waters. Besides its own brands (S. Antonio, S. Francesco, S. Andrea, Sancarlo, etc.), the company also produces many private labels of the large-scale retail trade chain. Recently, the group has carried out the relaunching of the brand Valverde, with its positioning in the premium area and a new glass bottle made with prestigious and distinctive design.

Two important groups of Southern Italy are following: **MONTICCHIO GAUDIANELLO** in Basilicata and **SGAM-LETE** in Campania, with volumes between 350 and 450 million litres. Both groups have their strength point in the segment of naturally effervescent waters, respectively with the brands Gaudianello and Lete. However, both groups are expanding their presence also in other mineral water segments.

The most relevant fact on the Italian competition scenario, was the entry of the multinational **Coca-Cola** into the sector of mineral waters, with the take-over of Fonti del Vulture (former spring Traficante) in the region Basilicata. First of all, Coca-Cola renewed and strengthened production plants. Among the available brands, it chose Lilia to bring it to a national importance by a massive relaunching programme, which immediately implied an improvement of the share in the Horeca sector, where the multinational company has its own wide range of refrigerator showcases in the sales points. The group has also entered the segment of flavoured waters with the new brand Lilia Emotion.

MAIN MANUFACTURING GROUPS OF MINERAL AND SPRING WATERS IN ITALY				
Rank	MANUFACTURING GROUPS	MAIN BRANDS	OUTPUT Million of litres	Share %
1	**SANPELLEGRINO** Gr. Nestlé Waters	S. Pellegrino, Levissima, Nestlè Vera, Panna, S. Bernardo ...	2,800	22.7
2	**SAN BENEDETTO** Gruppo Zoppas	S. Benedetto, Guizza, Primavera, Nepi, Valle Reale…	2.200	17.9
3	**ROCCHETTA/ULIVETO** Gr. Cogedi	Uliveto, Rocchetta, Brio Blu	870	7.1
4	**FERRARELLE** Gruppo Pontecorvo	Ferrarelle, Boario, Vitasnella, Natia, Santagata...	800	6.5
5	**FONTI DI VINADIO** Gruppo Bertone	Sant'Anna di Vinadio e altre	750	6.1
6	**NORDA** Gruppo Pessina	Norda, Lynx, Alisea, Imperiale...	550	4.5
7	**SPUMADOR** L.B. Merchant Bank	S. Antonio, Valverde, S. Andrea, San Carlo Spinone…	500	4.1
8	**M. GAUDIANELLO** Efibanca	Gaudianello, Leggera, Festosa	450	3.7
		Top eight	8,920	72.6
		Other manufacturers	3,380	27.4
		TOTAL	12,300	100

Source: Bevitalia Beverfood

SIMEI 2009
INFORMATION DOSSIER
JUICES AND NECTARS SECTOR

Worldwide output and consumption in 2008

Pre-packaged juices and nectars were substantially created in the post-war period, within the agricultural world, in an attempt to differently allocate the surplus of fruit production that could not be absorbed by the market. Within non-alcoholic drinks, therefore, these beverages have a rather recent history and a fragmented productive scenario, initially characterized by many small-sized units of agricultural origin. In the past, juices and nectars were presented on the market more as "fruit preserves" than as drinks in a strict sense. Not casually, the first manufacturers were almost all companies coming from the preserves sector. Later on, the advent of the concentrates industry on one hand and of the long-life, aseptic packaging technology on the other hand, saw the entry of many milk producers into the sector, able to use their own UHT milk packaging plants also for juices. But it is exactly when juices and nectars were conquering a full legitimacy as beverages, - in competition with the other, non-alcoholic drinks -, that the big soft-drink competitors also entered the sector.

Juices and nectars, being "richer" drinks, are in the average more expensive than simple soft drinks and this fact, together with a lower promo-communication support (in comparison with the highly advertised carbonated drinks), implies a more reduced market size. According to the figures of Global Drinks (Zenith International), the 2008 output and consumption of juices and nectars worldwide is estimated at about 41 billion litres, corresponding to a per capita of little more than 6 litres/year. In the last few years, the sector has developed with average rates of around 3% yearly.

WORLDWIDE CONSUMPTION OF JUICES AND NECTARS (Billions of litres)							
Continents	2003	2004	2005	2006	2007	2008	Var. 2008/03
EUROPE	13.8	14.2	15.1	15.9	16.7	17.6	+27.5 %
AMERICA	13.0	13.2	13.1	13.0	13.0	12.9	-0.9 %
MIDDLE EAST	0.9	1.0	1.1	1.2	1.3	1.4	+55.5 %
AUSTRALASIA	5.6	5.9	6.1	6.4	6.8	7.3	+30.4 %
AFRICA	1.1	1.2	1.3	1.5	1.6	1.7	+54.5 %
WORLD TOTAL	34.4	35.5	36.7	38.0	39.4	40.9	+18.9 %

Processing by Bevitalia Beverfood on data by Global Drinks (Zenith International)

As everybody knows, juices are drinks with 100% fruit content, without added sugars, whereas nectars are drinks containing at least 25% fruit with addition of sugars. The whole juices represent the prevailing part of consumption (in the first position, orange and apple), whereas in many Eastern European countries, but also in Italy, nectars are more popular. However, the sector of nectars shows a better growth trend in comparison with that of whole juices. Within the segment of juices, in recent years, there has been a development of the so-called "fresh juices", obtained by immediate fruit squeezing or from frozen juices, without using concentrates. Organic juices and nectars have to be considered separately: their content is made up of fruit and sugars from organic cultivations. Nevertheless, at the moment, these juices are representing only a market niche, even if steadily growing.

More recently, other natural fruit-based drinks have developed, with a fruit content lower than 25% (juice drinks –natural juice drinks), which the international research institutes tend to consider separately, within the larger category of natural beverages. These fruit-based, natural drinks cover a worldwide consumption of around 15 billion litres, reaching a per capita of little more than 2 litres/year and they undoubtedly stole a share part covered by traditional juices and nectars with higher fruit content. All basic typologies of fruit drinks may also include several functional specialties (i.e. enriched with vitamins, salts, fibres, etc.), which are reporting a good consumption success in all main regional markets.

Another emerging segment is that of "smoothies" ("shakes"), centrifuged fruit-based drinks, with a particular consistency and softness, due to their content of fruit paste or purée, sometimes mixed with milk or yoghurt. These drinks now represent important shares in the sector of fruit-based drinks, in the North American markets and they had a good success also in several European national markets.

Territorial distribution of consumption

The geographical distribution of consumption highlights an evident separation between the richest and the poorest areas, with a clear correlation between disposable income and consumption. The rich geographical areas (North America and Western Europe), even if representing only 11% of the total population, are absorbing more than the half of the world consumption of juices and nectars, with per capita values considerably higher compared with the Third-World areas, which, however, have higher growing potential. The per capita consumption differentiation does not only depend on the different disposable income levels, but also on the specific consumption habits, to be verified in connection with the consumption of fresh fruit. To consume juices and nectars is, after all, a different way of consuming fruit.

Five large national markets are emerging worldwide, absorbing alone almost the half of the whole world consumption of juices and nectars:
1- USA: 8.4 billion litres, amounting to a per capita of 28 litres/year;
2- Russia: 3.4 billion litres, amounting to a per capita of 24 litres/year;
3- Germany: 3.1 billion litres, amounting to a per capita of 37 litres/year;
4- China: 2.2 billion litres, amounting to a per capita of about 2 litres/year;
5- Japan: 1.7 billion litres, amounting to a per capita of 13 litres/year.

The record in the per capita consumption of juices and nectars belongs to the Germans (over 37 litres/year juices & nectars), followed by the Canadians (34 litres/year). To be highlighted is the excellent level of the per capita consumption reached in Russia, in line with the per capita average of consumption in Western Europe. In Europe, besides Russia and Germany, other 7 national markets are standing out, with global consumption volumes exceeding 500 million litres/year. These first 9 national markets together represent over 4/5 of the total European consumption. In this ranking, Italy shows the lowest level of per capita consumption (15 litres).
In Eastern Europe, sales have a more positive trend in comparison with that of the Western European countries.

Germany, the historical consumption leader in Western Europe, is now starting to show a slightly decreasing trend, expressly owing to the growth of the new juice drinks with lower fruit content, among which the innovative solutions enriched with functional ingredients. The German industry of fruit drinks refers to a huge structure of 400 producing companies with 7,500 employees and a global turnover of 4 billion euro. Zenith International indicates a good success of fresh juices and of juices not derived from concentrates, particularly in some markets of Western Europe (Great Britain, France, Scandinavian countries …), whereas, in other markets, this new product category has not yet gained an appropriate space (e.g. Germany and Italy). Orange juice has maintained the pole position as the most widely consumed flavour. Multi-coupled cardboard containers (briks) are dominating the markets with about two thirds of the volume, but Pet bottles are rapidly growing.

MAIN EUROPEAN MARKETS OF JUICES & NECTARS							
Rank	COUNTRIES	TOTAL CONSUMPTION (Millions of litres)					Per capita (Litres/year)
		2004	2005	2006	2007	2008	
1	RUSSIA	2.0	2.3	2.7	3.1	3.4	24
2	GERMANY	3.4	3.3	3.3	3.2	3.1	37
3	FRANCE	1.5	1.5	1.5	1.6	1.6	26
4	UNITED KINGDOM	1.4	1.5	1.5	1.5	1.5	25
5	SPAIN	1.1	1.2	1.3	1.3	1.3	29
6	UKRAINE	0.4	0.5	0.6	0.9	1.1	24
7	ITALY	0.9	0.9	0.9	0.9	0.9	15
8	POLAND	0.8	0.8	0.8	0.8	0.8	21
9	HOLLAND	9.4	0.4	0.5	0.5	0.5	28

Processing by Beverfood on figures by Canadean/Unesda, Global Drinks and Associations

International competition framework

Today the field of juices and fruit-based drinks is still reporting a situation of large production fragmentation. However, the entry into the sector of the big non-alcoholic beverage manufacturers and the international development of some large groups of agro-industrial origin has brought about a certain concentration process even in this sector. Among the companies that have globally approached the market of juices, we find the two American multinational Coca-Cola and Pepsico, but with much lower overall shares, in comparison with those they have in the field of carbonated drinks. The two companies are taking up about 20% of the total world market.

THE COCA-COLA COMPANY is the biggest beverage company all over the world with a 2008 turnover of about 32 billion USD. The Group operates in more than 200 countries, with 400 brands. Its entry into the sector of fruit drinks dates back to 1960, when the Atlanta Company took over Minute Maid, leading brand in orange juices in the USA, then internationally developed for the whole sector of fruit-based beverages. In 1992 Coca-Cola expanded its presence in the field by launching Fruitopia. In addition, the Group carried out several take-overs in the sector, in various other countries in the world. In Europe, the most important operation has been the take-over of the Multon group in 2005, the second biggest producers of juices in the Russian market. The group has been purchased in co-operation with the European bottler, Coca-Cola HBC of Athens. Always in co-operation with the Greek bottler, the Coca-Cola Group completed the take-over of Fresh &Co in Serbia in 2006. It is to be mentioned that Coca-Cola HBC is the leader in the Greek juices market with Amita brand, which the Greek company now intends to extend onto other European markets (it has already arrived in Italy in 2008). During 2008 the Group - together with its own bottler, Coca-Cola FEMSA - also took over Jugos Del Valle, one of the main producers of juices in Latin America. In Great Britain, it took an important shareholding in Innocent Drinks, a well-known British manufacturer, specialized in the production of ecological juices smoothies. The American multinational company had also planned to take over the Huiyuan Group, leader in the sector of juices in China, but the Chinese authorities have blocked the operation in virtue of the antitrust law. Today, Coca-Cola is estimated to have achieved a market value share amounting to around 12% of the world market.

PEPSICO is world leader in the field of snacks and non-alcoholic drinks, with over 43 billion $ of total turnover in 2008, of which more than 1/3 from beverages. In this sector, it is the second biggest international group, operating on the various markets of non-alcoholic drinks, first of all in the segment of carbonated soft drinks, where, historically, it competed with the Coca-Cola Group. It legitimately entered the sector of fruit beverages in 1998 by the takeover of Tropicana, one of the most prestigious, international brands in the field of fresh and fruit juices, with a premium positioning of its products. Tropicana juices are present also in many European markets, where the brand has conquered the leadership in the segment of fresh juices (juices that are not obtained from concentrates). In Europe, Tropicana-Pepsico is also present with other associated brands of juices, such as Dole, Fruvita, Looza… In the last few years, the group has considerably strengthened its positions, thanks to important business takeovers in the sector. During 2005, the group completed the takeover of the German company Punica Getränke, important manufacturer of juices and fruit beverages that had previously belonged to Sunny Delight Beverages Co. In the USA, it took over Naked Juice, a Californian company specialized in the production of 100% fruit juices and of juice smoothies. During 2007 the multinational company also acquired Sandora, leading producer of juices, operating on the Ukraine market. But the most important operation has been the recent take-over of Lebedyansky, the sixth biggest worldwide and the biggest producer of juices in Russia, with a share estimated at around 30% of the Russian market. The Pepsico Group's value share is now covering over 8% of the world market of juices and fruit beverages.

OTHER LEADING GROUPS IN EUROPE

With over 900 million euro of net revenues and sales for about 1.1 billion litres, the German group **ECKES-GRANINI** is the leader in Europe in the sector of juices and fruit beverages, with a declared share of 12% on the European total. The group has 14 companies operating in the various markets. The national markets with the highest turnover are: Germany and France, followed by Spain and Finland. The main brands are: Granini (28% of the total sales), Hohes C (23% of the total volumes) and the French Joker (19%), besides Sió (Hungary), Marli (Finland), Yo e Susi (Austria). The Group is increasing its efforts to develop new consumption segments; this implies building up a stronger presence in the sector of refreshing fruit drinks.

The Emilian consortium **CONSERVE ITALIA** is the biggest Italian and European cooperative group operating in the sector of vegetal preserves and of fruit drinks. The group has been further strengthened by the take-over of the former Cirio. The total sales of the group are now exceeding one billion euro. The 14 factories of the Group are processing million tons of products altogether. The finished products are marketed for about 60% in Italy and for the remaining 40% in the other European countries (mainly in France, Spain, Germany and United Kingdom, where the group operates through some of its subsidiaries). The sales of juices and fruit-based drinks are covering over 50% of the revenues. The group is the first producer of juices and fruit drinks in Italy (where it is leader with Yoga, Derby and Valfrutta brands), as well as in Spain (where it stands out with the Juver brand).

In Austria, the main manufacturer of juices and fruit beverage is **RAUCH**, established in 1902 as a family enterprise in the field of cider production, then changed to apple juices production in 1932. Starting from the years '60, the company has experienced a strong acceleration in its growth thanks to the expansion of its productive base to all segments of fruit drinks and by its territorial expansion in other European countries. In 2008 the total sales of the group amounted to over 700 million euro, of which 50% obtained outside Austria. The other big Austrian manufacturer of fruit juices is **PFANNER** that achieved a specific turnover of 228 million euro in 2008.

In Spain, the group **LECHE PASCUAL**, with 100% family capital, is one of the most important conglomerate food companies operating in the Iberian Peninsula. Its activity concerns different sectors: packaged milk and milk by-products, fruit juices, mineral water and other soft drinks, breakfast cereals and pet-food, for a total turnover of more than 1.2 billion euro and sales of juices and fruit beverages for over 200 million litres. With regard to fruit-based drinks, it occupies a leadership position in Spain, but, during 2007, it started its expansion also outside the Spanish borders, by the take-over of the French company Cidou, specialized in the production of fruit juices.

In the Eastern European countries, important producing companies have been successful in the marketplace and some of them are becoming multinational groups. We mention the Polish group **MASPEX WADOWICE**, which has gained the leading position in the market of fruit juices and nectars in Poland, as well as in the Czech and Slovak Republics, besides conquering premium positions also in the markets of Hungary, Russia, Romania, Bulgaria and Ukraine. The group has a turnover of over 700 million USD and it operates in the sector of fruit drinks with Tymbark and Kubus brands. In Russia, as already said, the first two producing groups, Lebedyansky and Multon, are now under the control of Pepsico and Coca-Cola respectively.

Among the main European competitors, we have to mention some big manufacturers of juices and fruit drinks that have developed their own core business within the productions of private labels for the large-scale retail groups and chains. This segment is very large in Europe and now it absorbs about one fourth of the total European volumes. The European leading competitor in this field is the Anglo-German **GERVAIS-EMIG GROUP,** with production units in Great Britain, Germany and Poland, capable of ensuring supplies in 30 different European countries and with an overall production that should now exceed one billion litres/year. In this sector, other two big German manufacturers are also to be mentioned: **STUTE NAHRUNGSMITTELWERKE** and **RIHA-WESERGOLD** Group, with production units in Switzerland and Spain, too and an annual turnover of over 600 million euro. Finally, we have the Pan-European Group **REFRESCO**, recently established, but rapidly growing on different European markets. The group, based in Amsterdam, had a turnover of 1,250 million euro in 2008: juices and fruit drinks represent 45% of its sales.

Consumption in Italy

Natural, fruit-based drinks expressed a total consumption of around 890 million litres in 2008, slightly on the decrease versus 2007, with a per capita consumption of about 15 litres/year. The 100% juices, introduced since the years'80**,** represent 15% of the total consumption today, whereas, in almost all other countries of Western Europe, they are the most consumed product category. On this front, Italy shows a significant delay in comparison with the other European countries, owing to the fact that, on the Italian market, some key consumption opportunities have never enough developed, such as, for example, breakfast, which, instead, in the highly-consuming countries, represents the main consumption occasion during the day.

In the Italian market, beverages with medium fruit-content are dominating: fruit pulp nectars (destined for children's consumption between meals) represent about 40% of the total consumption of fruit drinks. But the most increased category has been that of the other natural, fruit-based beverages having a clearer structure and different fruit contents. Within this field we must also include the versions enriched with vitamins, salts and fibres and all other fruit-based beverages with particular recipes, intended to give a more functional content to the product. Fresh juices (fresh juices or obtained from frozen juices) have also been introduced into the Italian market, but they only represent a market niche (a little more than 10 million litres/year). During the last season, many proposals of smoothies and shakes have been launched: this type of products is likely to meet the approval of Italian consumers, especially of female consumers.

The Italian market of juices and fruit drinks is made up for 80% of domestic consumption and for 20% of "away-from-home" consumption. The modern retail points (hypermarkets, supermarkets, superettes, hard-discount supermarkets) are taking up about 2/3 of the total sales, whereas the traditional retail has a minor weight, but still important, even if decreasing. All the main groups of the large-scale retail trade have introduced private labels into their range long ago. The sales weight of the modern retail's private labels is now reaching 30% of the total volumes in the large-scale retail channel. The "away-from-home" consumption covers about one fifth of the total volumes, but almost 1/3 of the values, in consideration of the fact that on "away-from-home" channels, special single-portion products are sold at much higher euro/litre average prices. The "away-from-home" sales and consumption points refer to the various Horeca channels, but also to some less institutional sales points (such as permanent or seasonal refreshment booths, street traders, distribution points during exhibitions, events, etc.), besides the consumption points of the collective catering and the vending machines.

Until the end of the years '70 glass bottles were the only type of container, whereas today they cover only 21% of the total volumes. Glass containers are used mainly for single-dose juices, particularly the special 20/25-cl bottles destined for the Horeca channel. Surely there has been a development factor with the introduction of polythene-coated cardboard containers, initially used for milk and later on successfully introduced into the sector of fruit juices, too. Today polythene-coated cardboard represents 58% of the total volumes and it is used mostly for domestic consumption products, in the single-dose version (the 20-cl mini-briks, normally sold in multipack of 3 and 6 pieces, including straw), as well as in multi-dose version (brik of 0.50 and up to 2 litres). Over the time, polythene-coated cardboard containers have evolved: a cap has been applied to close again the container that is now proposed in more elegant and slender shapes. In the last period, the new Pet bottles in special versions (barrier and multi-layer Pet or with new, high-barrier polymers) started to become popular, ensuring a good protection to the product; this type of container has now exceeded 20% of the total volumes. Metal tins, which in the years '80 and '90 had a good diffusion in the Horeca channel, have now become a residual container, whereas some manufacturers also propose original cheerpack packaging.

ITALY: CONSUMPTION OF JUICES AND OTHER NATURAL, FRUIT-BASED DRINKS

Years	JUICES 100%		NECTARS + JUICE DRINKS		TOT. FRUIT-BASED DRINKS	
	Millions of litres	Per capita litres/year	Millions of litres	Per capita litres/year	Millions of litres	Per capita litres/year
2000	140	2.4	650	11.0	790	13.4
2001	130	2.2	680	11.5	810	13.7
2002	130	2.2	720	12.2	850	14.4
2003	150	2.5	740	12.4	890	15.0
2004	140	2.4	760	12.8	900	15.2
2005	130	2.2	750	12.6	880	14.8
2006	125	2.1	735	12.4	860	14.5
2007	135	2.3	765	12.9	900	15.2
2008	130	2.2	760	12.8	890	15.0

Processing by Bevitalia Beverfood on the basis of data by the companies and by the main research institutes

The competitive framework in Italy

In Italy, the Bevitalia Yearbook of Beverfood registered about fifty companies that manufacture and/or distribute juices and fruit drinks; some of them are very small, such as the producers of apple juices in Alto Adige or the farms specialized in the production of organic nectars. The Italian production is generated by few big manufacturers: Conserve Italia, Parmalat, Zuegg, La Doria, Fruttagel. A fourth of the sales are imported from abroad, mainly from Austria, where the three most important operators are coming from: Rauch, Pfanner and Pago. The market of juices and fruit-based natural drinks has been recently penetrated by some important manufacturers of soft drinks.

The sector leadership belongs to **CONSERVE ITALIA Group,** with an output volume share of around 33%. The Emilian group is operating in the field with a product offering based on three important brands: Yoga and Derby Blu (with which it operates in the retail, as well as in the Horeca channels) plus Valfrutta brand (operating with an integrated offering on retail and on food service). The Emilian consortium also produces private labels for the large-scale retail trade. The group is steadily working on the innovation of its own product range. In this connection, we have to mention the launching of "Yoga Primo Nettare", of the functional line Yoga AQ (enriched with antioxidants and healthy, vegetal extracts), of Derby Blue Fruit Froozer (juice- and tea-based mix drinks) and of Derby Blu Zero (50% fruit-based, sugarless drinks). More recently, the group has introduced some lines of smoothies/shakes with several brands into the market.

PARMALAT is operating in the sector with Santal brand, occupying the second position in the market. Its particular commitment towards health-conscious products has further increased by the launching of the line Jeunesse and of the new line "Santal 5 colori" inspired to the principle of "five colours a day", on which the main, worldwide programs of food education are based. The company shows to be active even in the Horeca channel, where it is proposing a line of juices in special 25-cc bottles (against the usual 20 proposed by the competitors) and it also entered the vending channel. In addition, at the beginning of the year, the Parma group launched its first line of smoothies.

In the first three positions is also **RAUCH ITALIA,** the Italian branch of the Austrian group with the same name, which was able to achieve a good success in the market, especially in the channels of modern distribution, thanks to its aggressive policy, proposing 1.5 and 2-litre maxi-briks with Bravo brand**,** now offered in 1-litre Pet bottles, too**.** The company also has a special line for the Horeca channels and a fruit drink line for children (Yippy). In this way the Austrian company has conquered a leadership position in the retail channel.

ZUEGG has now reached the size of an international group with production units in 3 different European countries, (Italy, France and Germany), and activities in three sectors (semi-finished fruit products for industry, jams and juices, nectars and fruit drinks). The company, with head office and factory in Verona, has a turnover of over 150 million euro, of which about the half is made up of juices and drinks. The product range of juices and fruit drinks is centred on the family brand "Skipper" that proposes all the main typologies of fruit beverages. Within the segment of nectars, the company has renewed its offering by launching the new line "Frullì Zuegg".

The group established by the integration of **LA DORIA** and **CONFRUIT** has reached the first positions in the Italian market of fruit drinks with a volume share of about 10%, for the most part achieved with the production activity for the private labels of the large-scale retail trade, but also with many other subcontract productions. In reality, the core business of the group is exactly the subcontract production of preserves and juices for Italian and European groups and chains.
Among the national manufacturers that are particularly active in the production of private labels, we also mention the cooperative group **FRUTTAGEL** and the company **QUARGENTAN** of Verona**.**

PAGO is the other big Austrian manufacturer that successfully entered the Horeca sector at the beginning of the years '90, with a high-quality positioning, attaining the leadership in the channel. Later on, it extended its presence into the retail channel. It has recently introduced the new Pet bottles, for the family consumption (75-cl bottle), as well as for the "on the go" consumption (single-serve, 33-cl bottle). The other big Austrian producer is **PFANNER** that entered the modern retail by an aggressive price policy playing on the offer of the two-litre brik. Now it is innovating its range proposing many new and original, fruit-based functional drinks.

Other foreign manufacturers that have conquered interesting spaces in the Italian market are: the Belgian **LOOZA** (exclusively operating only in the Horeca channel by the company Dibevit of the Heineken Group), the Slovenian **FRUCTAL** (distributed in Italy by Marzioli & Nanut), the Swiss **HERO.** Moreover, the **NATEX** group selects and imports various food & beverage specialties from abroad, among which also the juices Ocean Spray and some fruit beverages of the British group Britvic. In the segment of refrigerated juices, we have to mention the Sicilian **ORANFRIZER**, leader in this field, where we also find several operators belonging to the diary-milk sector.

The market of juices and of natural, fruit-based drinks has recently been penetrated by some groups traditionally operating in the soft drink field. Coca-Cola has tried, at first, to launch the Fruit Maid line, but then it had to fall back on the introduction of Amita brand, belonging to the Greek Coca-Cola. San Benedetto operates with Batik brand. Recently, there has been the entry of Tropicana (Pepsico), with a line of fresh juices, whereas the Spumador group has launched nectars with its own name and a line of functional fruit drinks with Sanattiva brand (Natura, Fibre, Fit).

MARKET SHARES OF JUICES AND FRUIT DRINKS - ITALY – 2008

PRODUCERS	MAIN BRANDS	*Millions of litres	Share %
CONSERVE ITALIA (Conerpo)	Yoga, Yoga AQ, Yoga Primo Nettare, Derby Blu ,Valfrutta, Jolly Colombani, Juices-Nectars and Fruit Drinks Private Labels	**290**	**33**
PARMALAT ITALIA (Bank control)	Santal, Santal Activ, Santal Premium, Santal Top, Santal Plus, Santal Tea, Jeunesse. Santal 5	**110**	**12**
RAUCH ITALIA (Rauch Austria Group)	Rauch Bravo, Happy Day, Yippy, (imported products)	**110**	**12**
LA DORIA (Fam. Ferraioli)	Juices-Nectars and Fruit Drinks Private Labels, Vivi G, La Doria	**100**	**11**
ZUEGG (Fam. Zuegg)	Skipper Frullì Zuegg	**80**	**9**
FRUTTAGEL (Coop romagnole)	Dai, Biofuttagel Private Labels	**50**	**6**
PFANNER ITALIA (Pfanner Austria Group)	Pfanner (imported products)	**40**	**5**
PAGO ITALIA (Brau Union Austria)	Pago	**30**	**3**
Other producers	Amida, Looza, Fructal, Hero, Natex, Oranfrizer, Tropicana, Batik, Sanattiva,..	**80**	**9**
	TOTAL	**890**	**100.0**

Source: Bevitalia Yearbook of Beverfood srl - (*) including subcontract production

SIMEI 2009
INFORMATION DOSSIER
NON-ALCOHOLIC DRINKS

Worldwide output and consumption in 2008

In the field of non-alcoholic drinks, the sector of soft drinks was the first to introduce and adopt industrial bottling processes. The production of packaged soft drinks was started towards the end of the XIX century with the first dark beverages (colas) in North America and with fizzy lemon drinks in Europe. All the beverages conceived at that time were carbonated soft drinks; in reality, besides creating a higher thirst-quenching effect, the presence of carbon dioxide represented an essential, characteristic recipe element to ensure a good preservation of the beverage over the time. Since then, the sector has rapidly developed, also thanks to the organizational and promotional support of the two historical American manufacturers: Coca-Cola and Pepsico. These two companies had the intuition and the determination to pursue an international expansion of their brands, eventually becoming the two biggest multinational beverage companies.

WORLDWIDE CONSUMPTION OF CARBONATED SOFT DRINKS (Billions of litres)							
CONTINENTS	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**VAR. 2008/03**
EUROPE	41.2	40.7	41.5	43.2	44.2	45.5	+10.4 %
AMERICA	103.9	106.2	107.8	108.8	108.7	108.1	+ 4.0 %
MIDDLE EAST	7.0	7.1	7.5	8.1	8.5	8.4	+20.0 %
AUSTRALASIA	28.5	30.0	31.6	33.4	35.1	36.3	+27.4 %
AFRICA	8.5	8.8	9.1	9.5	9.9	10.3	+21.2 %
TOTAL	**189.1**	**192.8**	**197.5**	**202.9**	**206.4**	**208.6**	**+10.3 %**
Processing by Bevitalia Beverfood on figures by Global Drinks (Zenith International)							

WORLDWIDE CONSUMPTION OF STILL DRINKS (Billions of litres)							
CONTINENTS	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**VAR. 2008/03**
EUROPE	8.6	9.2	10.0	10.9	11.6	12.2	+41.9 %
AMERICA	17.5	18.6	20.0	21.8	23.3	23.3	+33.1 %
MIDDLE EAST	1.1	1.2	1.3	1.4	1.5	1.6	+45.5 %
AUSTRALASIA	23.6	25.8	27.8	29.1	30.7	32.1	+36.0 %
AFRICA	0.6	0.6	0.7	0.8	0.9	0.9	+50.0 %
TOTAL	**51.4**	**55.4**	**59.8**	**64.0**	**68.0**	**70.1**	**+36.4 %**
Processing by Bevitalia Beverfood on figures by Global Drinks (Zenith International)							

According to the estimates of Global Drinks, the worldwide output and consumption of carbonated soft drinks in 2008 amounted to about 209 billion litres, corresponding to a per capita consumption of more than 31 litres/year. The American continent, even if representing only 14% of the whole world population, absorbs little more than the half of the total consumption of carbonated soft drinks, showing a per capita value of about 132 litres/year. Right after comes Europe with a consumption share of 22% over the world total and a per capita of 57 litres/year. The North American and Western European countries are registering the highest per capita consumption levels, but their markets have entered a maturity phase. The high consumption of carbonated sugar-sweetened soft drinks is more and more often indicated by nutritionists as one of the causes of children's obesity. Expressly in consideration of this fact, the main manufacturers have rapidly developed sugar-free drink versions with very low calory-content.

The international survey institutes agree on the fact that the development trend of carbonated drinks should go on positively only in the countries with emerging economy, (which start from lower per capita values), whereas in North America and in Western Europe they should remain stable or decrease. The attitude of many consumers towards a healthier diet leads them to prefer, rather than the traditional sweet carbonated drinks, other simpler, non-alcoholic drinks, such as bottled waters or the so-called functional drinks, with recipes aiming at preserving health and at favouring wellbeing. In any case, in the sector of sweet soft drinks, there is a strong shift of preference towards light soft drinks, i.e. without some ingredients considered "problematic", such as carbon dioxide and sugars.

The only segment within carbonated soft drinks that shows a clear growing trend, even in the economically developed countries, is that of "energy drinks", a new type of beverage. This has been capable of finding its own characterization with a particular acceptance by the young people target, finding more stimuli in these drinks (caffeine-based or with addition of other energizing ingredients) for a more lively physical and psychological performance. Today the global market of energy drinks is estimated at around 4 billion litres (they were half as much in 2003), with annual development rates of 14%.

For the manufacturers, the most interesting fact is that these beverages allow a much higher positioning and, thus, better contribution margins. North America is the largest market with 37% of the total world volume, followed by Pacific Asia with 30% of the volume and by Western Europe with 15%.

The category of (still) natural drinks started to develop in the years '70 making up three different consumption categories:

- Ice tea, then followed by ice coffee, (pre-packaged and ready-to-drink)
- Sport drinks
- Still fruit drinks

Today the sector of non-alcoholic, natural drinks is globally estimated at around 70 billion litres, of which almost 50% within Asian competence. A great success was achieved by the ready-to-drink ice teas and coffees in the countries of Pacific Asia. Sport drinks have instead been invented in the USA, in connection with the sport world and, in consideration of a specific and distinctive positioning, they have found a good acceptance also in many markets outside the United States, mainly among sports people or among people that feel close to the sport world. Finally, still fruit-based soft drinks are the result of a certain fruit mania that has developed since the years '80, especially in the most developed markets, and that brought about a search for innovative flavours and special mixes, so that these products appear like the "New Age" beverages. However, the diffusion of the single specific products is still non-homogeneous, with strong consumption in some countries and almost absence in other ones, also in connection with the specific national consumption habits.

The main markets

The consumption of soft drinks is now widespread in all continents and in all countries. We can say that, jointly with water, this type of beverages does not find any particular food exception in the dietary traditions of the different peoples and thus soft drinks tend to have a wider, well-structured diffusion in comparison with other beverages, which are more connected with national cultures and customs. However, even in this sector, it is possible to highlight some big markets that are absorbing the prevalent part of the world's consumption.

THE MAIN NATIONAL MARKETS IN THE SECTOR OF SOFT DRINKS – 2008							
NATIONAL MARKETS	**POPULATION** (Millions of inhabitants)	**CARBONATED DRINKS**		**BIBITE LISCE**		**TOTALE BIBITE**	
		Millions of litres	Per capita litres/year	Millions of litres	Per capita litres/year	Millions of litres	Per capita litres/year
USA	309	55,352	179	18,140	59	73,492	238
CHINA	1,330	16,668	12.5	13,872	10.4	30,540	23
MEXICO	109	18,289	169	2,283	20	20,572	189
BRAZIL	194	14,067	72.4	730	3.8	14,797	76
JAPAN	128	2,566	20.1	10,910	85.3	13,476	105
GERMANY	83	7,315	88.6	2,800	33.9	10,115	123
TOT. TOP 6	*2,153*	*114,257*	*53*	*48,736*	*23*	*16,.993*	*76*
WORLD TOTAL	**6,700**	**208,600**	**31**	**70,100**	**10**	**278,700**	**41**
Processing by Beverfood on data by Global Drinks (Zenith International)							

The national markets recording over 10 billion litres of annual consumption are only six: USA, China, Mexico, Brazil, Japan and Germany. Even if representing less than a third of the world's population, these markets globally take up almost 60% of the total consumption. The US people are the biggest worldwide consumers of soft drinks, beating all records for carbonated, as well as for still soft drinks: they have a per capita consumption of 238 litres/year of soft drinks, which is to be added to other 110 litres/year of packaged waters and 28 of juices and nectars, for a general total of 376 litres/year of cold non-alcoholic drinks. China ranks second, more owing to its large population than to its per capita consumption (only 23 litres/year, of which the half is made up of ice teas). However, China represents the most important emerging market, destined to reach the global figures of the US market, in consideration of a more marked growing trend.

Mexico is in the third position thanks to its high per capita consumption, second only to the US one. It is also registering a strong per capita consumption of packaged water. Brazil follows, though with low per capita values, in comparison with the other leading countries, but, however, with higher per capita consumption compared with the general average (76 litres /year). The Japanese market ranks fifth, especially thanks to its high consumption of still soft drinks (ice teas and coffees), the highest values in the world. The only European market in the top ranking is Germany, with a per capita consumption of 123 litres/year.

The market in Europe

The European continent is fragmented into many national states (at least 45) and however, the first 10 national markets are absorbing more than two thirds of the total consumption volumes. The strong difference in the per capita consumption among between one country and the other is, first of all, affected by the different situations of disposable income in the various regions. It must also be considered that Eastern Europe started to get closer to the Western consumption models only after the fall of the Communist regimes. Nevertheless, the best growth prospects regard the countries of Eastern Europe, which, in the past few years, have registered two-figure annual growing trends. The real surprise comes from the Czech Republic that conquered the European leadership in the per capita consumption of soft drinks (over 150 litres/year), in concomitance with the record in beer consumption (160 litres/year). On the contrary, the two countries of Western tradition, Italy and France, are showing a low per capita consumption of soft drinks (between 60 and 65 litres/year, against an average of more than 77 litres/year in Western Europe), also because the consumers of these countries are more attracted by mineral water. Germany, Belgium and Spain have a high consumption of soft drinks and, at the same time, a high consumption of mineral water.

In the Western European countries the volumes of carbonated soft drinks are maintained stable thanks to the strong progression of sugarless beverages (now almost close to 20% of the total volumes), whereas the sugar-based drinks start to lose volumes in different national markets. More than two thirds of the soft drinks consumption are concentrated on the two big flavour categories of colas and orangeades, whereas the remaining one third of consumption is divided into various flavours which, sometimes, in the single countries, can even become of relevant importance (fizzy lemon drinks, lemon-limes, lemonades, grapefruit drinks, chinottos, tropical drinks, non-alcoholic aperitifs, tonic waters, etc.). The only segment within carbonated soft drinks showing strong growth trends is that of energy drinks. According to the estimates of Zenith International, the sales of energy drinks in Western Europe have already exceeded 500 million litres with a retail value of almost 4 billion euro. The three main markets are United Kingdom, Germany and Spain, together representing 56% of the total volume in Western Europe.

Still soft drinks have rapidly developed in the Western European countries. A good success has been achieved by the natural fruit-based drinks almost in all markets, especially in those having already a good culture of fruit drinking. The consumption of the ("ready-to-drink") pre-packaged ice teas has now exceeded 3 billion litres with excellence peaks in Switzerland and Italy, but there is almost no consumption in the United Kingdom, where, clearly, the strong bond with the traditional warm tea psychologically holds back the Anglo-Saxon consumers. In the Eastern European countries this category of products still has a marginal weight. The consumption of ice coffee remains marginal both in Western and Eastern Europe. However, Coca-Cola, in joint venture with Illy Caffè, has recently come into action by launching a new product that should work as a trailblazer for this new market.

Finally, a different situation has been reported in the sectors of sport drinks (generally isotonic and hypotonic, mineral-salt added beverages), registering a good development, even if not homogeneous in the different countries. The per capita consumption in the European countries is now close to one billion litres.

THE MAIN EUROPEAN MARKETS OF NON-ALCOHOLIC SOFT DRINKS							
Rank	**Countries**	**TOTAL CONSUMPTON** (Billions of litres)					**PER CAPITA 2008** (Litres/year)
		2004	**2005**	**2006**	**2007**	**2008**	
1	**GERMANY**	8.8	9.4	9.7	10.0	10.1	**123**
2	**UNITED KINGDOM**	6.7	6.6	6.6	6.5	6.5	**107**
3	**SPAIN**	4.4	4.5	4.7	4.7	4.6	**106**
4	**ITALY**	3.6	3.7	3.8	3.8	3.8	**65**
5	**FRANCE**	3.4	3.4	3.6	3.6	3.7	**61**
6	**POLAND**	2.2	2.4	2.6	3.0	3.5	**92**
7	**HOLLAND**	1.5	1.7	1.7	1.7	1.8	**107**
8	**ROMANIA**	1.1	1.3	1.4	1.5	1.7	**79**
9	**CZECH REPUBLIC**	1.5	1.5	1.5	1.5	1.5	**151**
10	**BELGIM**	1.3	1.3	1.4	1.3	1.3	**122**
11	**UKRAINE**	0.7	0.8	0.9	1.0	1.2	**24**
12	**AUSTRIA**	0.9	0.9	1.0	1.0	1.0	**125**
Source: Processing on Canadean figures on http://www.unesda.org/htdocs/statistics.html and Associations							

The big international competitors

In the beverage world, the soft drinks sector is the one having the strongest global competition and the one registering the highest concentration levels. Two big groups, the American companies Coca-Cola and PepsiCo, are dominating the international scenario, always attaining the top two positions in almost all the most important national markets with an overall share generally exceeding 50% of the market and sometimes even achieving three quarters of the total.

Nevertheless, in the sector, many companies have been able to cut out their own roles at specialist or territorial level.
With regard to international, widespread diffusion, we have to mention the group Red Bull, however, carrying out a specialist approach (only energy drinks)

THE COCA-COLA COMPANY is the biggest beverage company all over the world with a turnover of about 32 billion USD and a sales volume of around 24 billion cases. The group, owner of the brands, does not usually bottle its own beverages directly (unless few exceptions). It makes concentrated syrups sold to various bottlers worldwide, in different geographical areas, where these bottling companies have a licence for producing, bottling and distributing. This organization scheme has undoubtedly fostered and accelerated the Company's international development, since the Atlanta group did not have to bear the costs of fixed investments in production and distribution, as it could rely on local partners. The core business of the group is represented by carbonated soft drinks dominated by Coca-Cola (or Coke, as it is called in the USA), whose creation dates back to 1884 by the Atlanta pharmacist John Stith Pemberton. Starting from the years '80, other recipe and flavour variants have been added to the original recipe, such as Diet Coke with low-calories sweeteners (introduced in the USA in 1982), the caffeine-free Coke and Cherry Coke (1985), Coke with lemon (2001), Vanilla Coke (2002), Coke with lime (2004), Zero Coke (2005) and, the new, coffee-based BlāK Coke, launched during 2006. During the last World War, the group took over the Fanta brand, launched in 1940 in Germany by the Coca-Cola bottler. The brand, launched as orangeade in the different countries all over the world, has become a real line of carbonated drinks with different fruit flavour variants. Sprite, the group's third most important brand of carbonated drinks, was launched in the USA in 1961. Since the years '90 the Atlanta group has started a diversification process that has been accelerated in the last few years. Its product portfolio of soft drinks has enriched with more and more new brands and products: the ice tea Nestea (joint-venture with Nestlé), the sport drinks Powerade and Aquarius, the natural fruit-based drinks Fruitopia. Among the most recent introductions, we have to mention Chaqwa and Far Coast (coffee and tea drinks) and the ice teas (green tea with "negative calories intake") and Gold Peak (new flavoured teas), the latter in partnership with Nestlè. Now, the Company is expecting great results from the new coffee-based beverages (produced in joint venture with Illy Caffè), which have been launched contemporaneously in several European countries, also entering the strategic Japanese market.

PEPSICO, with over 43 billion $ of total turnover in 2008 (more than 1/3 from beverages), is the third biggest group in the food & beverage worldwide, after Nestlè and Kraft Foods. In the beverage sector, it is the second biggest international group, operating on the various markets of non-alcoholic drinks, especially in the field of carbonated drinks, where it historically competed with the Coca-Cola Group. The main brand of its carbonated drinks is Pepsi Cola. With regard to cola drinks, this American group was the first to introduce the Diet variant (already in 1964), then followed by many other flavour variants, such as Pepsi Max and Pepsi One (other cola variants with sweeteners), caffeine-free Pepsi (Pepsi Boom), Wild Cherry Pepsi, Pepsi Lime, Pepsi Jazz and the more recent lemon-flavoured Pepsi Twist. With regard to the other carbonated drinks, the main brands of the group are: Mountain Dew (citrus-based carbonated drink in a green, characteristic bottle), the orangeade Mirinda and the lemon-lime Sierra Mist. On the international market, Pepsico also markets 7 Up, another historical lemon-lime brand that, with reference to the US market, is owned by Cadbury Schweppes. In 2001 PepsiCo acquired Gatorade becoming the world's n.1 in the sport drink segment. Moreover, it produces and distributes ice tea and ice coffee in joint-venture, with Lipton and Starbucks respectively. During 2009 it achieved an important take-over in Latin America, by conquering the group Amacoco, the biggest Brazilian producers of coconut water, a refreshing, healthy drink which is very popular in this country. To bottle its brands in the different countries, Pepsico often relies on third bottling companies. The most important bottler for Pepsi products (40% of the volumes) is Pepsi Bottling Group, operating in the USA, Canada, Russia, Poland, Greece, Turkey, and Spain. Moreover, Pepsico has production agreements in various countries with some important, national beverage companies (e.g. Ambev/Inbev in Brazil, Suntory in Japan, Britvic in UK, Uniroyal Brewers in Denmark, etc.).

RED BULL: the Austrian group is European and worldwide leader in energy drinks. It was established in 1984 by the Austrian Dietrich Mateschitz who wanted to market, in Europe, an energetic preparation that he had been to able to discover during his travels in Asia. The Orientals considered this product as a panacea against physical and intellectual weariness: it was largely used in all occasions where concentration, attention and physical endurance were sorely tried. Mateschitz was convinced of the potential of this product, very suitable for the Occidentals' work rhythm. Indeed, once the efficiency of this beverage was confirmed, Dietrich created the Red Bull energy drink. Today this beverage is marketed in 150 different countries all over the world. In 2008 the group (Red Bull Ges GmbH) sold over 4 billion tins worldwide, with a global turnover of more than 3.3 billion euro.

There are also some multinational companies that do not operate directly in the beverage sector, having joint ventures with other sector operators concerning some of their prestigious brands, to be used as reference brands for pre-packaged drinks. For example, this is the case of the ice teas Nestea (joint venture Nestlè/Coca-Cola), Lipton Ice Tea (joint venture Unilever/Pepsico), pre-packaged coffees and cappuccinos Starbuck's (joint venture between the American cafeterias chain Starbuck's and Pepsico), coffee and cappuccino Illy issimo (joint venture between Coca-cola and Illy).

OTHER LEADING GROUPS IN EUROPE. Besides the international competitors, within the soft drink sector, there are a great number of local competitors. Among these, some very dynamic enterprises have been able to conquer leadership positions in different national markets. Hereafter, we are mentioning only the most important ones operating in Europe.

In France, the historical rival of the American soft drinks has always been the national beverage Orangina, now belonging to the new **ORANGINA GROUP**, established at the beginning of 2006 due to the transfer of the Division European Beverages by the Group Cadbury Schweppes to the private funds and Lion Capital, which brought together the acquired activities into the new group. The group has a turnover of around one billion euro. The French market is the most relevant one for the group, absorbing half of its total turnover: here the group has the leadership in the segment of orangeades and other citrus soft drinks with the historical brand Orangina. Even in Spain, the group has a remarkable position, also thanks to the national brands Casera and Trina that were taken over in the past. During 2007 the group acquired Rosinka, one of the main manufacturers of non-alcoholic drinks on the Ukraine market.

In Great Britain, as an alternative to the giant Coca-Cola, we find the group **BRITVIC**, also manufacturing and distributing Pepsico soft drinks. The group produces about 1.5 billion litres of non-alcoholic drinks, occupying the second position in the British market. Besides Pepsico's brands, the group produces and distributes several of its own brands, such as Britvic, Robinson and Tango. Another leading competitor on the British market is **PRINCES**, operating in the sector of carbonated soft drinks with the brands Virgin Cola, Princes Finest and GeeBee, besides producing for the private labels of the large-scale retail chains

In Eastern Europe, in the sector of soft drinks and juices, the group **KOFOLA-HOOP** is standing out. It has recently been established following the merger of Hoop, third Polish soft drink manufacturer and Kofola, second non-alcoholic drink producer of the Czech-Slovak area, with interests also in the Hungarian market. Kofola also produces a cola with the same name, which, at the time of the cold war (where the American colas were not in the market), was the most sold cola in Czechoslovakia and today it is still very popular in this region.
In Romania, we have to mention the group **EUROPEAN DRINKS** (controlled by the family Micula), particularly active in the field of soft drinks, as well as in that of mineral waters, also active in the production of private labels that are having a roaring success in the main Eastern European markets.

The market in Italy

The Italian market can be estimated at around 3,850 million litres, corresponding to a per capita consumption of about 65 litres/year. The global value is valued at around 3.5 billion euro. Italy confirms the trends of Western Europe, with a situation of substantial stability for carbonated drinks and a dynamic growth for still drinks and for sport & energy drinks, even if, in the last two years, still drinks (substantially ice tea) show to be at a standstill.

In any case, carbonated drinks represent the historically more consolidated and predominant part of the market, with a global consumption slightly exceeding 3 billion litres and a per capita of 51 litres, largely lower than the European average. The most consumed flavour is cola, with almost 60% of the total, followed by orangeade (17%), lemon-lime and fizzy lemon (10%). Among typical Italian flavours, chinottos and aromatic fizzy soft drinks are to be mentioned, besides non-alcoholic aperitifs, also belonging to the Italian tradition. Also in Italy there is a growing interest towards sugar-free sodas. The consumption of light drinks should already have reached 7-8% of the total volumes of carbonated soft drinks.
The sector of still drinks has grown thanks to the exploit of ice tea (per capita of 11 litres/year), which represents the third most consumed beverage in Italy after cola and orangeade. On the market we can find normal fruit flavoured tea, green tea, detheinated ice tea and light ice tea. In the market there are also new types of still drinks, such as protein-based drinks, almond milk, ready-to-drink tisanes and other flavoured and functional drinks, such as Aquarius from Coca-Cola and the new Nestlè Fitness beverages. Moreover, the category of sport drinks had a good development (about 100 million litres), even if, in this phase, it is showing slowdown signs, whereas the segment of energy drinks is smaller, but it is developing very rapidly.

The market of non-alcoholic drinks is characterized by a considerable variety of containers: glass bottles, plastic bottles, multi-coupled cardboard packaging, tins, small plastic glasses, flexible-material bags, dispensing… Until the years '50, glass bottles were the only type of containers, whereas today they cover only 6% of the total volume of drinks, with a more marked presence in the Horeca channels and for some product typologies (e.g. non-alcoholic aperitifs). The dominating typology of containers (70% of the volumes) is that of Pet bottles, which, first of all, have been successful in the field of carbonated soft drinks and subsequently also for still drinks. Tins are prevalent in the segment of energy drinks and they represent an important share in the sales of carbonated drinks. For still drinks, small plastic glasses are gaining great importance. Finally, dispensing enjoys favour, especially in the segment of carbonated drinks with 7% of the volumes.

Consumption is made up for 74% of domestic consumption and for 26% of "away-from-home" consumption. The sales points of modern retail (hypermarkets, supermarkets, superettes, hard-discount points) are absorbing between 55 and 60% of the total sales, whereas the traditional retail has a minor weight, but still important, even if decreasing. The "away-from-home" consumption covers more than a fourth of the total volumes, but over 1/3 of the total values. The "away-from-home" sales and consumption points refer to the various Horeca channels, but also to some less institutional sales points (such as permanent or seasonal refreshment booths, street traders, distribution points during exhibitions, events, etc.), besides the consumption points of the collective catering and the vending machines. In the "away-from-home" consumption a strategic importance is held by some particular sales points, capable of promoting the specific positioning of some beverages: for example, sports places for sport drinks, motorway bars and restaurants and petrol stations for energy drinks, seaside refreshment booths for summer drinks, etc.

CONSUMPTION TREND OF NON-ALCOHOLIC DRINKS IN ITALY

DRINK CATEGORIES	CONSUMPTION (Millions of litres)						PER CAPITA (Litres/year)
	2003	2004	2005	2006	2007	2008	
Carbonated soft drinks	3,040	2,910	2,920	2,970	3,000	3,030	50.9
Energy & Sport drinks	110	100	110	120	130	140	2.4
Cold teas/coffees + other still drinks	640	620	670	700	680	680	11.4
TOTAL	**3,790**	**3,630**	**3,700**	**3,790**	**3,810**	**3,850**	**64.7**

Processing by Bevitalia Beverfood Yearbook on the basis of figures from Research Institutes and companies' data

Competition in Italy

In Italy, there are about a hundred manufacturers of soft drinks and juices, with co-presence of big multinational and national groups and many small and mid-sized producers. With regard to the soft drink sector, the first four positions are occupied by Coca Cola, Sanpellegrino, San Benedetto and Pepsico, which are globally taking up over three-quarters of the market

COCA-COLA is the market leader with an overall market share of over 40% on the total quantities, thanks to the dominating positions of its brands Coca-Cola, Fanta and Sprite respectively in the segments of colas, orangeades and limes. Now, the multinational company tends to operate "at 360 degrees" in the sector of non-alcoholic drinks, with significant presences also in the field of sport and energy drinks (Powerade and Burns), non-alcoholic aperitifs and tonic waters (Beverly and Kinley), ice tea and other still drinks (Nestea and Aquarius). In this phase, the company is very active even in the segment of sugarless beverages, where it launched Coca-Cola Zero and Fanta Zero. In the new year, in Italy, Coca-Cola has also started the launching of the new Illy issimo (pre-packaged, ice coffee and cappuccino).

In the second position, we find **SANPELLEGRINO** (Nestlé group), leader in mineral waters, but with leadership positions also in the following segments: chinottos (Chinò), ice tea (Nestlè Vera Beltè), orangeades (Sanpellegrino) and non-alcoholic aperitifs (Sanbitter). The company launched the new line of functional drinks with Nestlè Fitness brand, specifically destined for the female target.

In the third position, there is **SAN BENEDETTO**, operating in the sector with its own brands, as well as with the brands of the **ORANGINA-SCHWEPPES** group. The areas where the company is more active are: ice tea (San Benedetto Thé), sport drinks (Energade), carbonated soft drinks (brands Schweppes, San Benedetto, Guizza…) and natural, fruit-based beverages (Oasis and Batik).

PEPSICO BEVERAGES ITALIA, leader in the market of sport drinks with Gatorade brand, ranks fourth. The company has also the second position in the primary segment of colas and, in addition, it is present in the segments of orangeades (Slam), of limes (Seven Up) and of ice tea (Lipton Ice Tea).

In the following positions we find the **SPUMADOR** group, (leader in the sector of private labels, but also operating with its own product lines), the **CAMPARI GROUP** (with the soft drinks Lemonsoda, Oransoda, Pelmosoda and Tonicsoda and with the non-alcoholic aperitif Crodino, leader in its category), **FERRERO** (with Estathè, leader in the ice tea segment).
Other leading positions are expressed by **RED BULL** (unrivalled leader in energy drinks), **COGEDI** (Elisir di Rocchetta), **CEDRAL TASSONI** (with the historical citron-juice drink). We also have to mention some mid- and small-sized producers that have been able to conquer important shares at regional level, such as **FONTI PARADISO** in Triveneto, **ARNONE** in Campania, **TOMARCHIO** in Sicily.

MARKET SHARES OF NON-ALCOHOLIC DRINKS IN ITALY

PRODUCING GROUPS	MAIN BRANDS OF CARBONATED DRINKS	*MILL. OF LITRES	SHARE %
COCA-COLA (Tot. Bottlers)	Coca-Cola, Fanta, Sprite, Beverly, Nestea, Burns, Powerade. Aquarius, Illy issimo, …	**1,600**	**41.6**
SANPELLEGRINO (Nestlé Waters Group)	San Pellegrino, Belthè, Sanbitter, Chinò, Vera, Acqua Brillante, Gingerino, Fitness	**500**	**13.0**
SAN BENEDETTO (Included Schweppes)	San Benedetto, Guizza, Schweppes, Energade, Orangina, Canada Dry, ..	**400**	**10.4**
PEPSICO Int. Italia (Pepsico Group)	Pepsi Cola, Pepsi Maxi, Pepsi Boom, PepsiTwist, Seven Up, Slam, Lipton Ice Tea,..	**?**	**8.3**
SPUMADOR	Spumador, Sanattiva, Sancarlo Extra, Gustosoft, Snell-up - Pivate Labels and subcontract production	**300**	**7.8**
FERRERO (Ferrero Group)	Estathè	**110**	**2.9**
CAMPARI ITALIA (Campari Group)	Crodino, Tonicsoda, Oransoda, Lemonsoda, Pelmosoda	**100**	**2.6**
OTHER PRODUCERS Red Bull, Tassoni, Cogedi, Arnone, Tomarchio, Fava, Norda, Lockwoods….		**520**	**13,4**
	TOTALE	**3850**	**100**

(*)Including subcontract production - Source: Beverfood estimates on companies' data and on indexes by Research Institutes