Trends in the Cold Chain Industry: European Report

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Eurofrigo B.V./Nichirei Logistics Group Inc.

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Content

Trends:

- ✓Construction (Public & Private)
- ✓Consolidation/Growth
- ✓Labor
- ✓Business/Economy
- ✓Consumer Practice/Other
- ✓Transportation

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Construction Western & Northern Europe (1)

✓Mature market/overcapacity?

✓Limited PRW construction

* UK – Reed Boardall – 22.000 pallets
* Netherlands – BCS – 60.000 pallets
* Belgium – Coldstar expansion
* Belgium – Partner Logistics – 30.000 pallets

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Construction Western & Northern Europe (2)

✓ **Construction in private sector:**

- * Belgium – Ardo/IJsco – 100.000 pallets
- * Ireland – Cuisine de France – 40.000 pallets
- * UK – Lamb Weston – 30.000 pallets
- * France – McCain – 45.000 pallets (delayed)
- * Germany – Roncadin – 75.000 pallets

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Construction Western & Northern Europe (3)

- ✓ When scale allows, the private sector mostly constructs high bay automated warehouses
- ✓ Construction costs range from:

  * US$ 130 per sq.ft (traditional)

  to

  * US$ 178 per sq.ft. (automated)

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Construction Southern & Central Europe (1)

✓PRW construction:

* Greece – Psiloreitis – 45.000 m³
* Portugal – STEF – 53.000 m³
* Poland – Frigolanda – 45.000 m³
* Poland – Nichirei – 25.000 pallets
* Poland – Pago – 75.000 pallets
* Poland – Jago – 20.000 pallets
* Many projects in Central Europe

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Construction Southern & Central Europe (2)

✓Private sector:

* Greece – Unilever – 80.000 m³
* Greece – Vassilopoulos – 80.000 m³
* Spain – numerous projects, resulting in 1.360.000 m³ between 2008-2011

✓If there is no PRW construction, the private sector builds its own warehouses (!?)

Consolidation/Growth (1)

- ✓No mergers and no real consolidation after Eimskip acquired Innovate/Daalimpex
- ✓PRWs hardly operate across borders
- ✓Distribution chains in Spain built their own warehouses and thus take a share from PRWs

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Consolidation/Growth (2)

- ✓Initially, consolidation seemed bad for the industry; in the long term, price levels should improve.
- ✓In Germany there are only 3 distribution companies left that operate nationwide.
- ✓PRW market in Europe is very fragmented, with the exception of France.

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Labor (1)

- ✓More difficult to find workers from Eastern Europe, because wages have gone up in that region with 30-40%
- ✓Due to rising inflation, labour costs will increase.
- ✓Spain will have 10% unemployment in 2009; unemployment increasing in Ireland as well

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Labor (2)

✓Still shortage of non-skilled labor, for example picking

Strikes/road blocks by truckers and specific groups (fishermen) against rising fuel prices
Impact? Turning point?

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Business/Economy (1)

- ✓Since beginning 2007, business is good for most companies
- ✓Port cold storage booming – lower throughput / fuller stores
- ✓Occupancy rates range from good (80%) to very good (95%) in most countries

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Business/Economy (2)

- ✓Lower occupancy rates in Spain (growing capacity), Ireland (no intervention) and Greece (seasonality)

- ✓Increasing recession good for frozen food; more pressure on PRW prices

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Business/Economy (3)

- ✓Outlook next 6-12 months stable to good; might even improve in next 2-3 years

- ✓More full range storage expected: ambient, chilled and frozen

Consumer Practice/Other (1)

- ✓Information technology update/upgrade is a must; implemented by majority
- ✓Green is hot and marketing tool; PRWs becoming part of a green supply chain
- ✓More branded product in the market (Unilever/Nestlé/P&G); less volume for PRWs

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Consumer Practice/Other (2)

- ✓ Many companies look into alternative energy sources - difficult in some countries due to lack of subsidies; big differences in policy
- ✓ Stricter building codes (fire codes/sprinklers)
- ✓ Due to traceability, RF and IT integration becoming a must; RFID still in pilot phase

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Transportation (1)

- ✓ Business more from storage to distribution and cross docking
- ✓ Pressure due to congestion, fuel prices, and lack of drivers
- ✓ More toward ASN/SSCC type of information flow; reduce vehicle movements

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Transportation (2)

- ✓Rising costs of drivers; costs fridge drivers up 50% in 2007
- ✓More double-deck trailers
- ✓Spanish road transport in bad shape; overcapacity (20%)
- ✓More intermodal and short sea/inland shipping; rail transport often inadequate.

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Thank you!

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