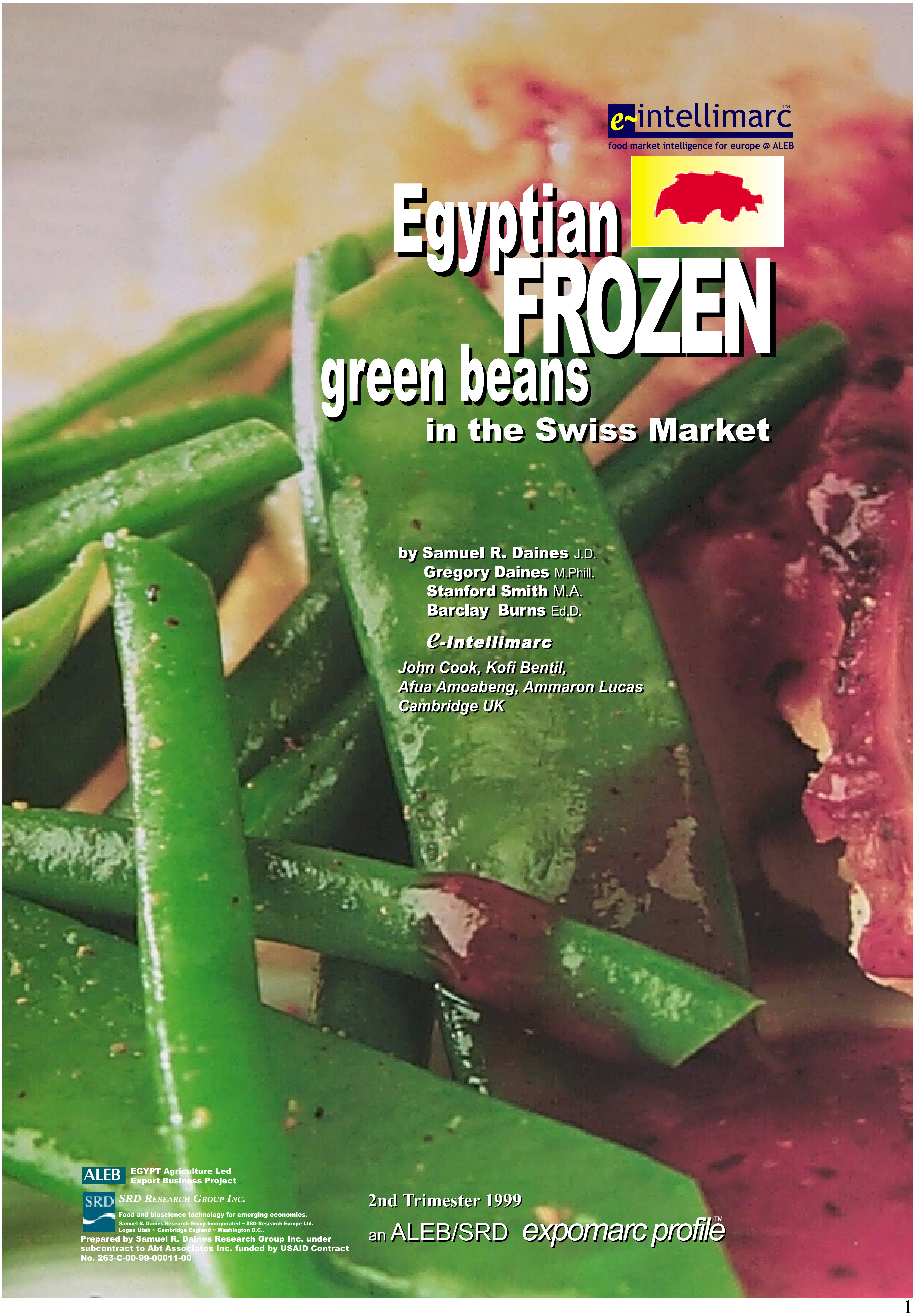

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Egyptian FROZEN green beans in the Swiss Market

by **Samuel R. Daines** J.D.
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ALEB EGYPT Agriculture Led Export Business Project

SRD Research Group Inc.
Food and bioscience technology for emerging economies.
Samuel R. Daines Research Group Incorporated ~ SRD Research Europe Ltd.
Logan Utah ~ Cambridge England ~ Washington D.C..

Prepared by Samuel R. Daines Research Group Inc. under subcontract to Abt Associates Inc. funded by USAID Contract No. 263-C-00-99-00011-00

2nd Trimester 1999

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1. Swiss Frozen Vegetable Processors, Distribution Channels and Estimated Purchase Contract Prices

Brokers/Wholesalers
USEGO A.G.
Fruchof A.G.
Kadi A.G.
Volg Konsumwaren A.G.
Scana Holding
Allombert & CIE

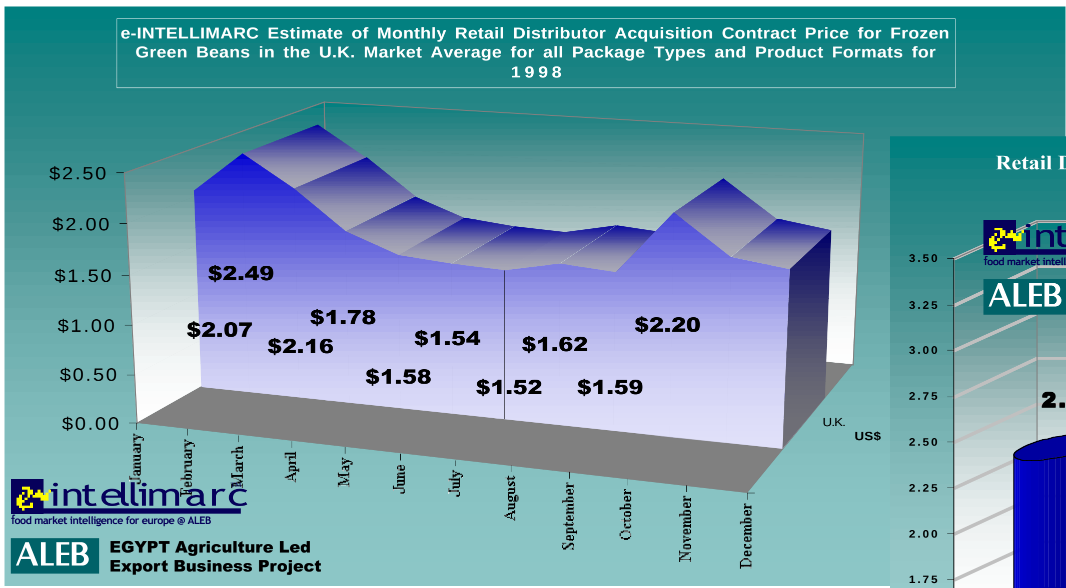
Major Processors
Bischofszell Konservenfabrik
Frigemo A. G.
Frisco Findus A.G.
Hero
CPC Gruppe Schweiz, Knoor A.G.

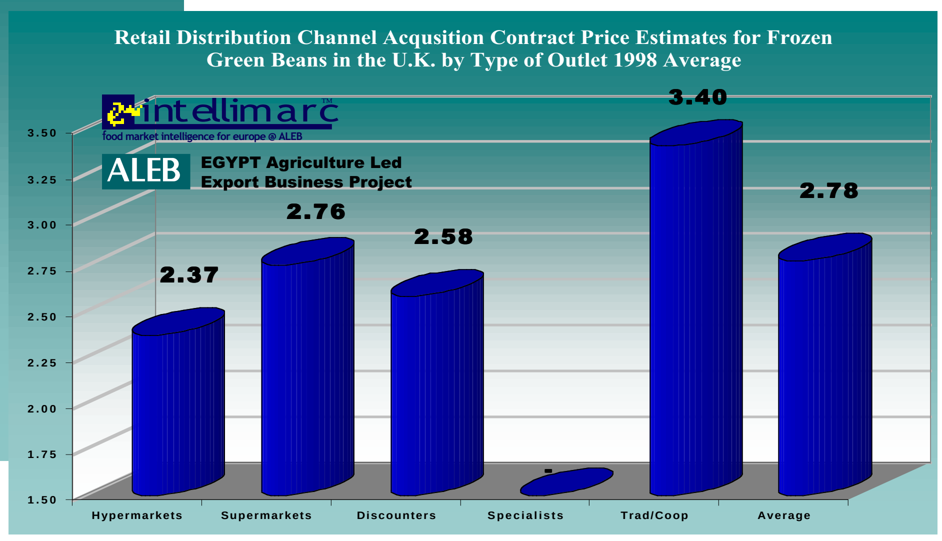
Traditional Grocers
Primo
Vis a Vis
Michel

Hyper/Supermarkets
Migros
Jumbo

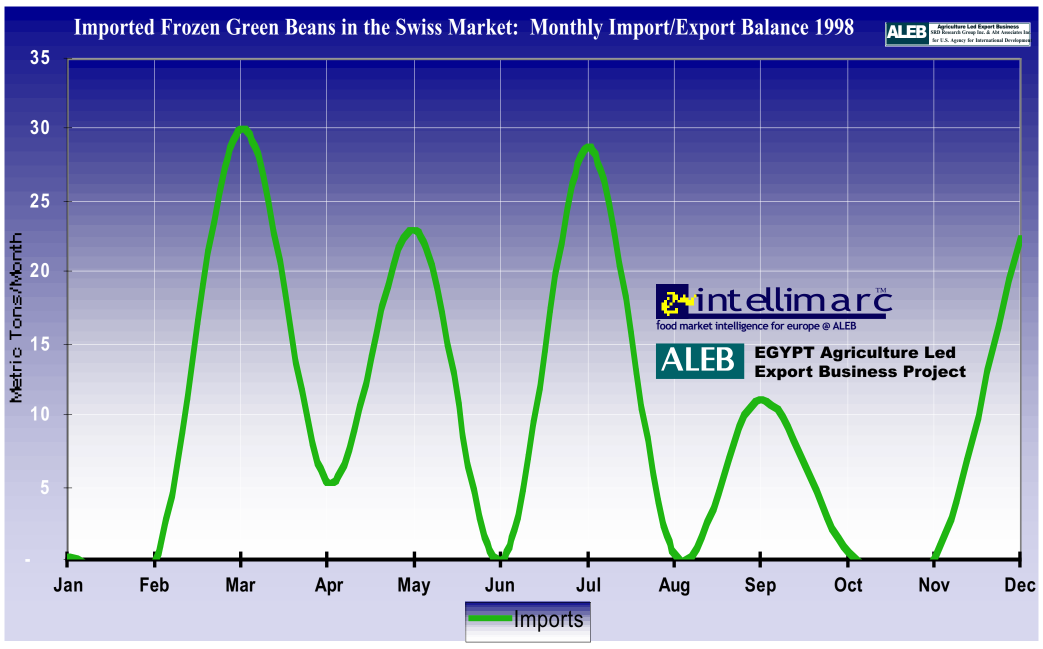
Midsize Supermarkets
Co-op
Konsum Verein Zurich
Bernag Ovag

Discounters
Denner
Pick Pay





2. Swiss Frozen Green Beans Import Markets



Monthly Imports, Exports and Balance for Frozen Green Beans in the Swiss Market 1998

Metric Tons/Month	Imports	Exports	Import/Export Balance
January	0	-	0
February	0	-	0
March	30	-	30
April	5	-	5
May	23	-	23
June	-	-	-
July	29	-	29
August	0	-	0
September	11	-	11
October	1	-	1
November	0	-	0
December	22	-	22
Total	122	-	122

3. Swiss Frozen Green Bean CIF Import Prices by Month

Switzerland CIF Import Prices for Frozen Green Beans 1998

US$/Kg. CIF		Minor Importers
January	$	1.52
February	$	2.05
March	$	0.65
April	$	1.15
May	$	0.91
June	$	0.85
July	$	0.83
August	$	0.96
September	$	0.91
October	$	1.69
November	$	0.52
December	$	1.12
Average	$	1.10

4. Distributor Focus Profile: MIGROS

a. Migros Worldwide Corporate Overview

Migros is a large and multinational corporation with over $8b in annual sales operating in over ten countries. Most of its expansion has been, and will likely continue to be, in a Northerly direction to its neighboring countries in Europe. Migros has however, made major investments in developing its stores in Turkey and other countries. What distinguishes Migros' corporate structure and strategy from most other major world supermarket chains, is the degree to which it is vertically integrated and the span in scale and type of its store formats. Migros not only integrates more closely than usual with its suppliers, it directly owns and operates many factories producing products for its stores. These are referred to as M-Industry, or Migros Industry partners.

b. Migros Market Share and Marketing Strategy

Migros is THE supermarket chain in Switzerland dominating the market with a 23.6% market share of food sales. This is a higher market share than any supermarket has in any other major developed country. In contrast, Tesco has 16% of the U.K. market. In addition to a dominating position in food marketing, Migros has a 9.3% share of non-food retail sales, giving it the same share (16%) in all retail marketing that Tesco has in food alone. Migros' marketing strategy inside Switzerland is so diverse as to escape simplification, but in a global sense, its marketing strategy is to expand internationally.

c. Migros Strengths, Weaknesses and Strategic Opportunities

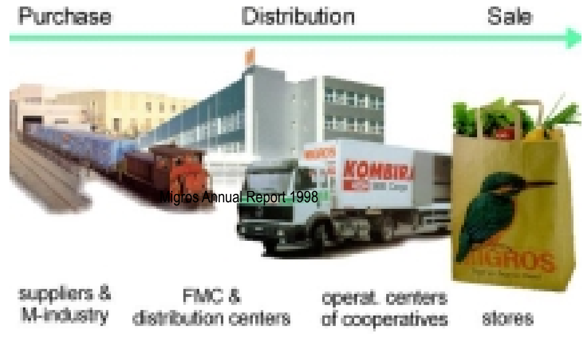
Migros' principal strength is its vertical depth, its principal weakness is its horizontal complexity, and its major strategic opportunity is to export its self-contained vertical ***M-Industry*** model. No other supermarkets SRD knows of have the kind of food processing know-how and experience that Migros has. This is a subtle strength conferring little if any real competitive advantage inside the well developed industrial world where the food processing industry offers multiple suppliers all with adequate technology and quality control. Thus, Migros has little advantage over Tesco in an emerging market such as the Czech Republic which has a well developed and quality oriented food processing sector. On the other hand, in countries like Turkey, where quality suppliers are relatively scarce, the Migros M-Industry model and the food processing know-how it has developed inside Migros, gives Migros a decided competitive edge.

Food consumption in Northern Europe is not growing, and some areas like the U.K. may be reaching the supermarket saturation point. Incomes are growing rapidly with consequent increases in food consumption in the European "periphery" and in emerging economies in Asia. Supermarkets from the developed North are all rightly seeing their major strategic opportunity in expansion into these areas.

Migros' principal weakness is the breadth of its horizontal spread and lack of product and store format focus. Almost every Migros store has a different physical layout and product offering. The range of products runs from service stations to clothing, and the variety of formats runs from the smallest village shop to full size hypermarkets. Some supermarkets, like the U.K. model, integrate service stations and clothing lines into their largest hypermarket operations, but they do so in a clearly segmented and modular fashion. For example, Sainsbury's service stations are located only on its existing store sites, Migros has service stations all over the place, many isolated from its stores in off-site locations. Every store seems to have a different stock and the range has so much variety that Migros has had to build a logistical system which treats each store as a new supply experience.

d. Migros Store Formats.

Migros has a total of 580 stores in a country of six million consumers, in contrast, Tesco has about that same number in a country of over



fifty five million. Five hundred and thirty nine of these stores are food stores, having the following SRD/e-Intellimarc classification formats:

Hyper-markets	30
Midsize Supermarkets	253
Small Format Supermarkets	216
Traditional Grocer Sized Shops	40

Only the small physical size of Switzerland, and the consequent high density of Migros stores, allows Migros to cope reasonably with the distribution complexity of this wide range in store formats.

e. Negotiation Experience Notes and Models for Developing Migros Strategic Alliances.

There is a very fortunate fit between the ALEB plan to assist Egyptian companies develop European strategic alliances and Migros' ***M-Industry*** model since it favors direct involvement and even investment in processing. The SRD team recognized this potential and held meetings in May 1999 with the major Migros food processing company, Bischofszell Konservenfabrik. They have indicated interest in pursuing an ALEB assisted strategic alliance for developing Egyptian supply of intermediate and final consumer products for the Migros system. This provides a unique opportunity for a vertically integrated food processing strategic alliance because the Migros vertically integrated structure is unique.

f. Migros Frozen Green Bean Product Line, Pricing and Brand Strategy.

i. Frozen Green Bean Product Line. Migros has three packages in its frozen green bean product line, a very attractively paper packaged organic half kilo, a half kilo and a full kilo whole bean plastic packages. They offer no sliced or cut bean formats, which is consistent with all other Swiss chains. One wonders if the Swiss consumer is really that limited in product preference. This may be syptomatic of Migros' logistical challenge, if every store stocks a different mix of products, then the range of product format options inside a single product like frozen beans may be a way of simplifying the problem.

ii. Migros Frozen Green Bean Brand Strategy. Migros brand strategy is simple, and in keeping with the vertically integrated structure, only Bischofszell product is on offer. This is quite different from a standard supermarket label, Migros owns and operates the plant where the brand is packed.

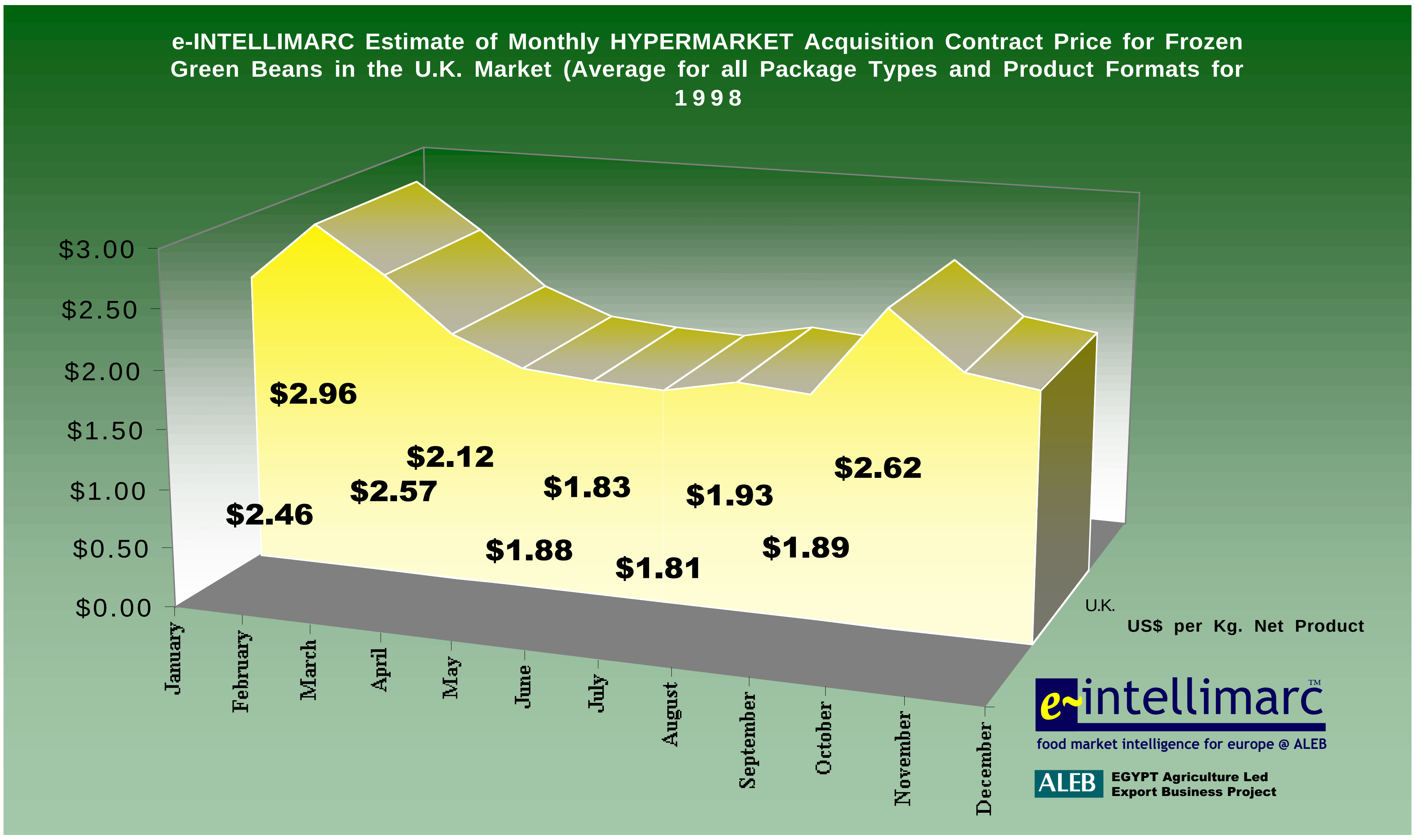
iii. Migros Frozen Green Bean Pricing. Migros frozen green beans are priced in the same general $3.00-4.50/kg. range as most stores in Europe, their organic offering at $4.18/kg. is priced below Co-op's organic offering which is at $4.58/kg. Migro's whole bean 1kg. pack is similarly priced below Co-op's at $3.33/kg. compared to $3.53.

g. Migros Frozen Green Bean Shelf Space Allocation

Migros devotes 41.3% of its shelfspace to its half kilo whole bean product, 55.6% to its one kilo pack, and only three percent to its organic offering, Co-op devotes one third of its shelf space to its organic product.

Migros central offices and distribution center in Zurich.

2



Product Type	Fine Green Beans	Fine Green Beans	Biologically grown Green Beans
Brand	Bischofszell	Bischofszell	Bischofszell
Package Type	Plastic	Plastic	Paper
Height cm	29.00	39.00	29.00
Width cm	21.50	21.50	21.50
Depth cm	4.00	4.00	4.00
SHELF SPACE	329,208.00	442,728.00	24,940.00
Price Local Currency	2.90	5.10	3.20
Price in USD	1.90	3.33	2.09
USD/Kilo Include Package	3.79	3.33	4.18
USD/Kilo (Net Product)	3.79	3.33	4.18
Gross Weight (Including Package)	500.00	1,000.00	500.00
Net Weight (Product Only)	500.00	1,000.00	500.00
Est. Aug 99 Retailer's Contract Prices			
US$/Package	1.19	2.10	1.32
US$/Kg. Net Product	2.39	2.10	2.64

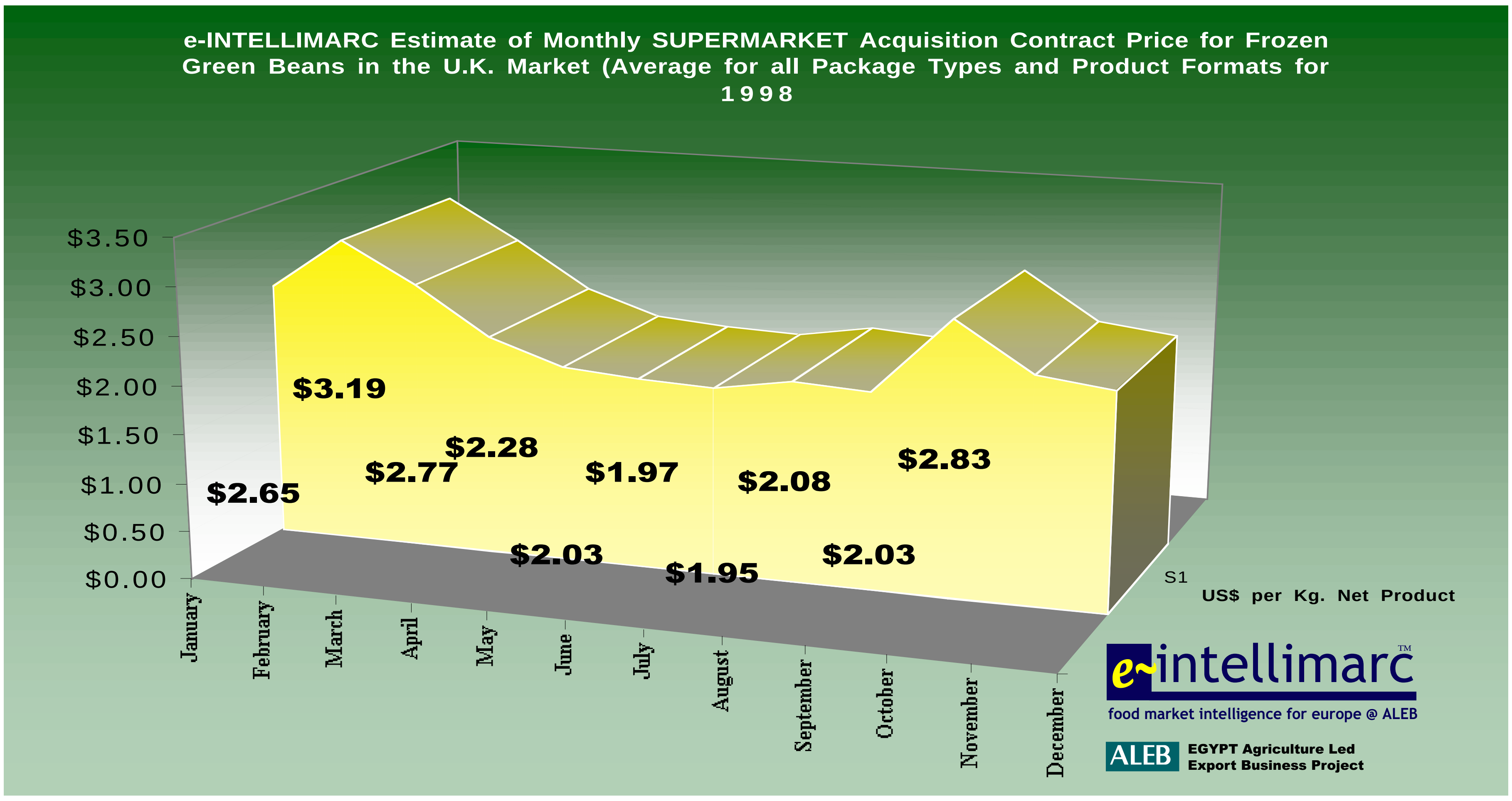
3

h. MIGROS: Packaging

i. MIGROS: Product Specifications by Package Type.

a. Medium Format Supermarket Distributors: Co-op

i. Estimated Acquisition Contract Prices by Month for all Package Types



ii. Co-op: Estimated Acquisition Prices & Shelf Space Allocation

Co-op Headquarters and distribution center in Zurich

Product Type	Biologicaly Grown Green Beans	Fine Green Beans
Brand	Gold Star	Gold Star
Package Type	Plastic	Plastic
Height cm	23.50	35.00
Width cm	20.50	23.50
Depth cm	4.00	4.00
SHELF SPACE	11,562.00	29,610.00
Price Local Currency	3.50	5.40
Price in USD	2.29	3.53
USD/Kilo Include Package	4.58	3.53
USD/Kilo (Net Product)	4.58	3.53
Gross Weight (Including Package)	500.00	1,000.00
Net Weight (Product Only)	500.00	1,000.00
Est. Aug 99 Retailer's Contract Prices		
US$/Package	1.56	2.40
US$/Kg. Net Product	3.11	2.40

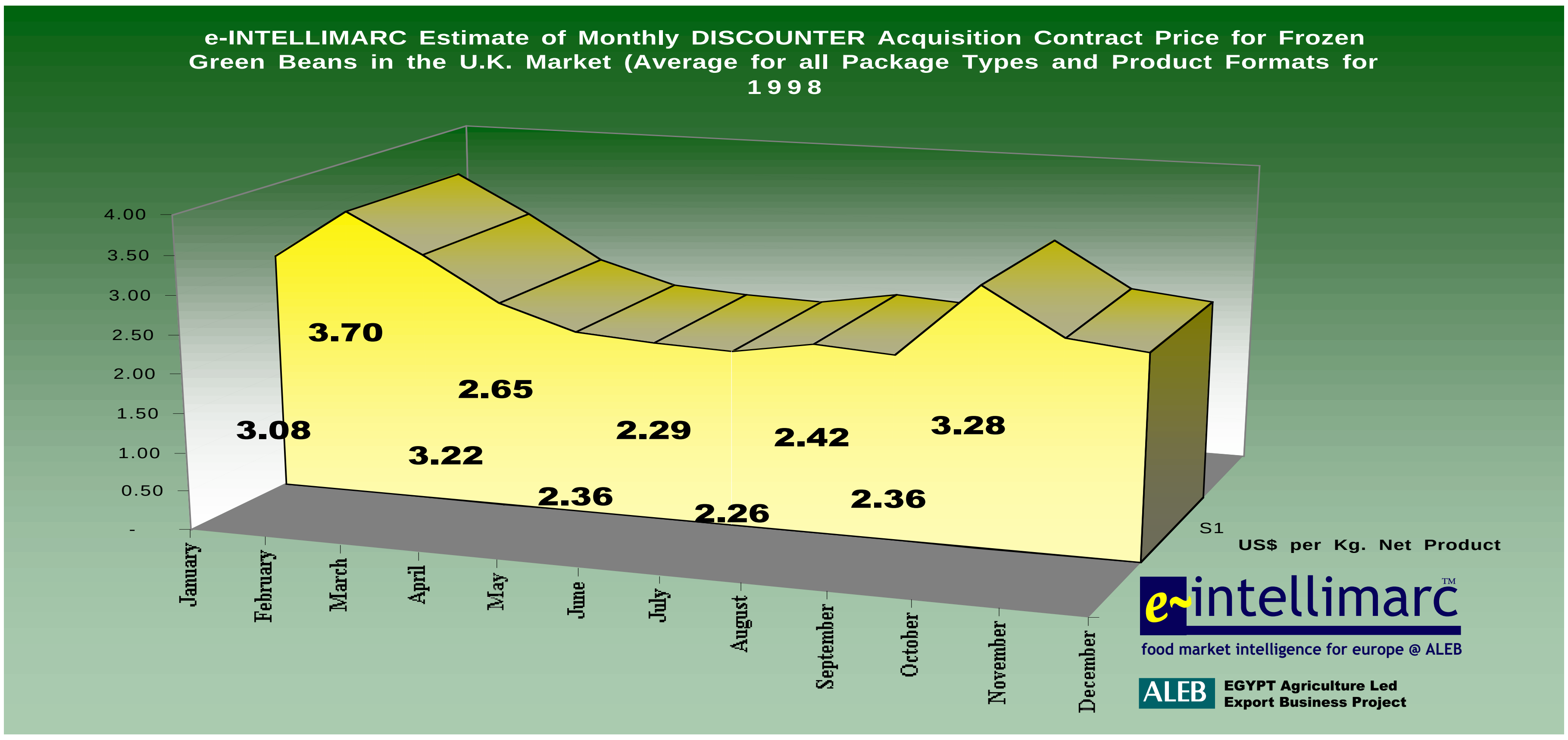
iii. Co-op: Packaging

iv. Co-op: Product Specifications by Package Type.

6

6. Discounter Store Distributors

i. Estimated Acquisition Contract Prices by Month for all Package Types

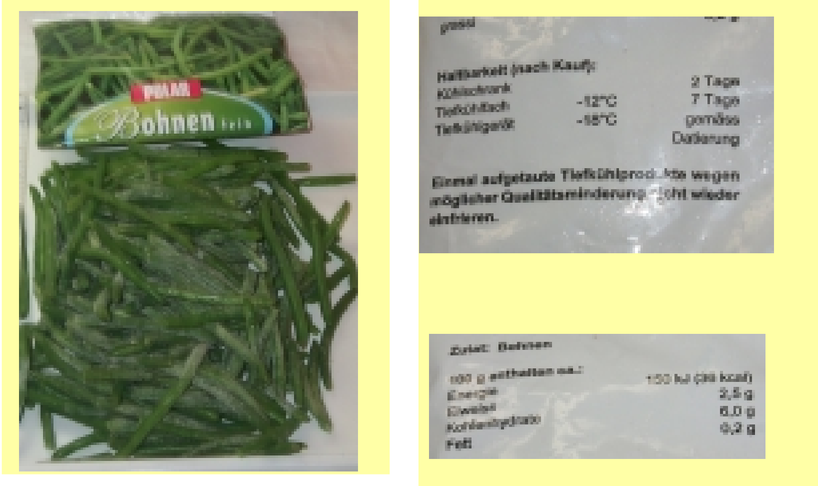


ii. DENNER: Estimated Acquisition Prices & Shelf Space Allocation

Product Type	Fine Green Beans
Brand	Polar
Package Type	Plastic
Height cm	29.00
Width cm	18.00
Depth cm	4.00
SHELF SPACE	2,088.00
Price Local Currency	2.60
Price in USD	1.70
USD/Kilo Include Package	3.40
USD/Kilo (Net Product)	3.40
Gross Weight (Including Package)	500.00
Net Weight (Product Only)	500.00
Est. Aug 99 Retailer's Contract Prices	
US$/Package	1.29
US$/Kg. Net Product	2.58

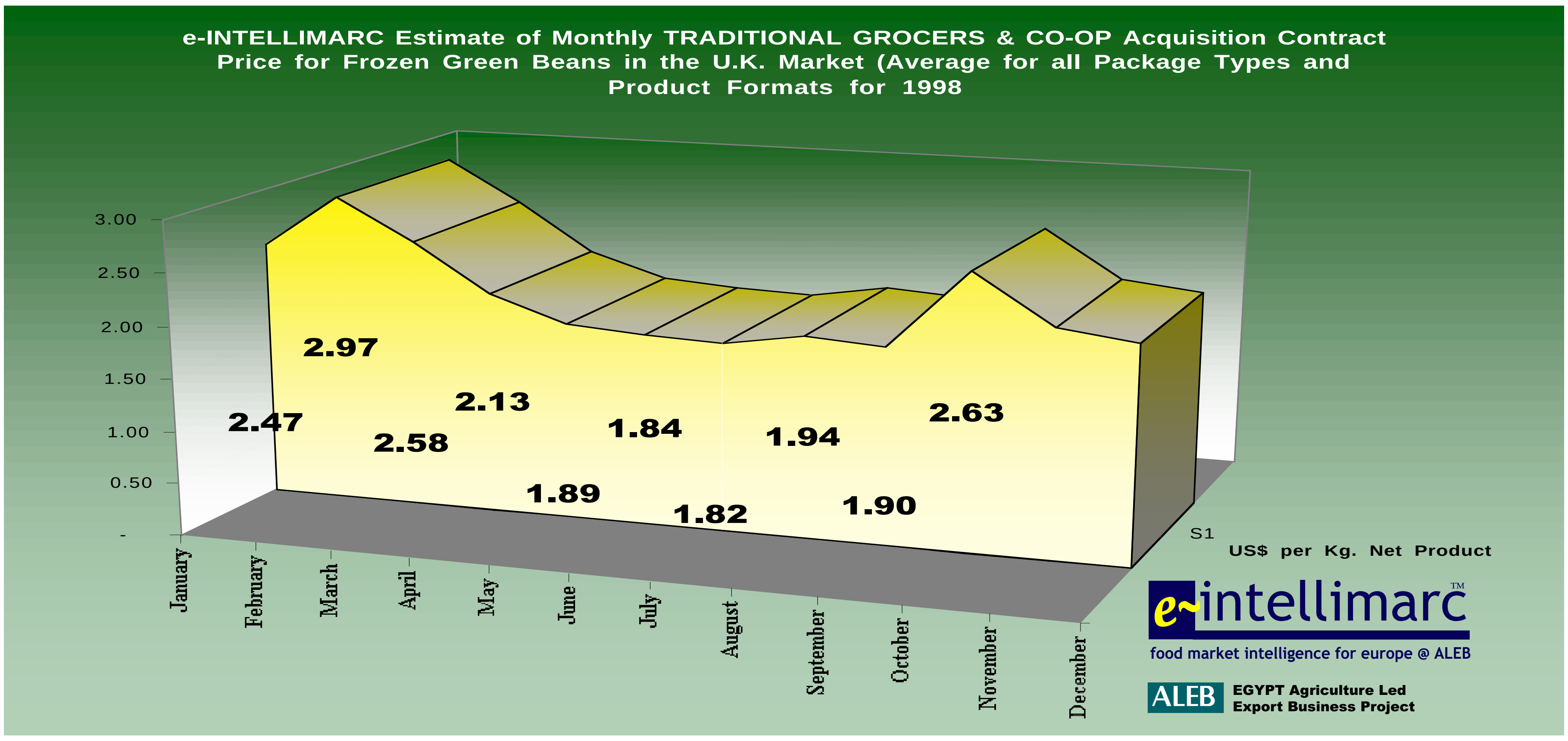
iii. DENNER: Packaging

iv. DENNER: Product Specifications by Package Type.



c. Traditional Grocer Distributors

i. Estimated Acquisition Contract Prices by Month for all Package Types

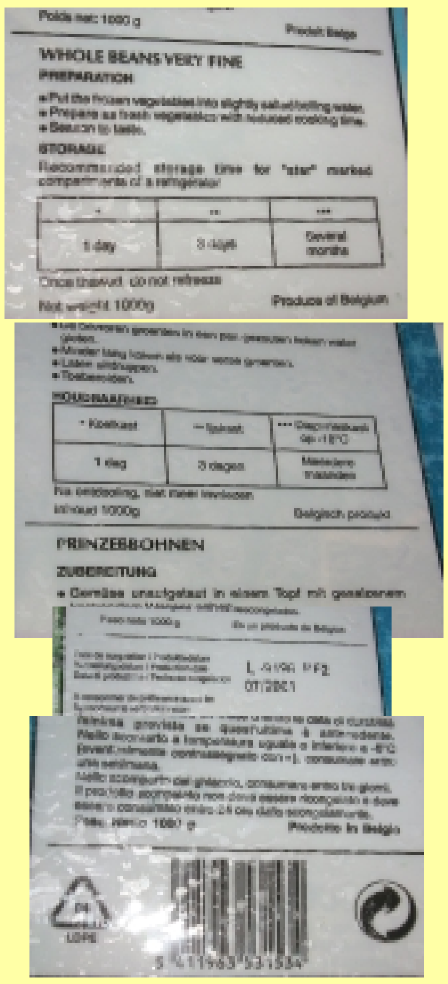


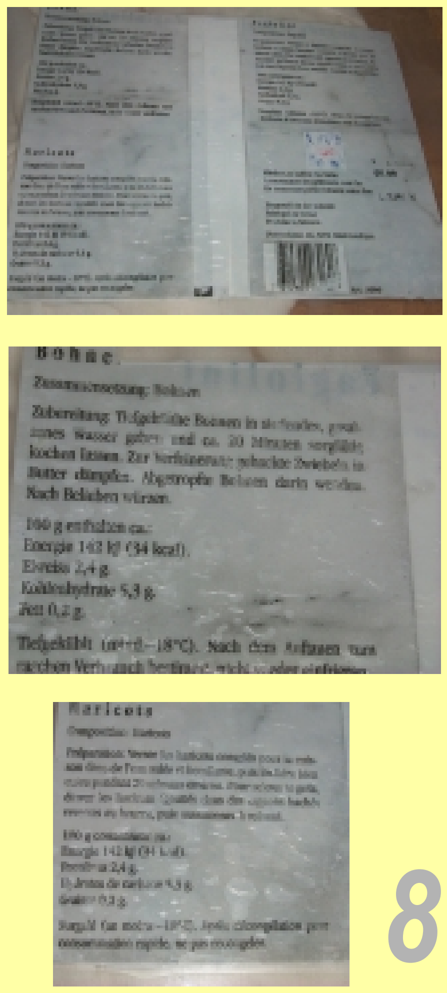
ii. Michel/Vis a Vis: Acquisition Prices & Shelf Space

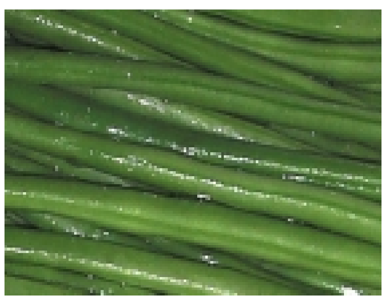
Product Type	Very Fine Green Beans
Brand	La Boiserie
Package Type	Plastic
Height cm	30.00
Width cm	23.00
Depth cm	3.00
SHELF SPACE	8,280.00
Price Local Currency	6.20
Price in USD	4.05
USD/Kilo Include Package	4.05
USD/Kilo (Net Product)	4.05
Gross Weight (Including Package)	1,000.00
Net Weight (Product Only)	1,000.00
Est. Aug 99 Retailer's Contract Prices	
US$/Package	3.40
US$/Kg. Net Product	3.40

iii. Michel/Vis a Vis: Packaging

iv. Michel/Vis a Vis: Product Specifications by Package Type.







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