

CIES World Food Business Summit 2005

Highlights Day 1

CIES Chairman calls for collaboration in “tough times”

Opening the CIES World Food Business Summit 2005, **Claude Hauser**, Chairman of CIES - The Food Business Forum and Chairman of the Board of Directors of Swiss group Migros, argued that retailers and suppliers need to work together to define the new value-added for consumers. These are tough times, he noted, in terms of competition and consumer confidence. Globalisation and competition have opened up new challenges, he said, particularly for manufacturers. He thanked all delegates for contributing directly or indirectly to the Summit, which is the annual forum for the leaders of the industry, he said. In terms of attendance, he noted that the 870 participants represented 45 countries, with retailers accounting for 30% of the audience.

Bernard Kouchner asks for industry support in hunger relief

Dr Bernard Kouchner, co-founder of Médecins du Monde and Médecins Sans Frontières, and former UN Special Representative in Kosovo, called on food companies to join action to address the current famine emergency in Niger. He invited companies to provide industry specialists to participate in crisis relief over a three- to six-month period. While acknowledging that assistance is not the long-term solution for developing countries, he insisted that food is essential along with medicine in order to treat hunger. He encouraged delegates to follow the example of pharmaceutical companies, which are now contributing to the fight against AIDS in developing countries. Addressing the theme of the session, “A shifting centre of gravity”, he argued that while certain indicators like GDP and demographics are shifting, Africa remains “a shadow” over globalisation. We are living in an unacceptable world, he said, in which 30,000 children die every day from preventable diseases.

French entrepreneur leads China’s salad revolution

Xavier Naville, CEO of Creative Food, shared the story of the company he founded in 2000 as the first and only producer and distributor of fresh-cut vegetables in China’s retail market. The company operates four factories across the country that supply retail and foodservice outlets, including 1,500 KFC restaurants. So why sell salads to the Chinese? Xavier Naville pointed out three key trends:

- *Convenience*: China’s middle class wants convenience.
- *Safety*: the Chinese are concerned about health issues, particularly in the light of the SARS and chicken flu outbreaks.
- *Fresh*: the Chinese will leapfrog to fresh products without going through the steps of canned and frozen products.

In terms of lessons learned, Creative Food had to shift from being initially geared for export to refocus on the growing domestic market. Other lessons were: “China is not cheap” (low labour costs are offset by costs from red tape and industrial fragmentation); financing for small firms does not exist (a big problem during the dot-com crash); and the government is a key player in every sector (so regular communication with it is crucial). In a fragmented farm sector, controlling the quality and consistency of supply is the biggest challenge for Creative Food. It has addressed this issue by taking a practical approach, using equipment that is designed and built locally. While other producers are focused on exporting, Creative Food positions itself as the partner of choice for retail in China. The fresh-cut vegetable market is still in its infancy in China (with 0.0.1% of total produce sales), but the market is growing: the company’s sales have increased fivefold over the past two years.

Wine & spirits group describes “miracle” of post-Communist Hungary

Peter Zwack, Chairman of Zwack Unicum Co. Ltd, described how his family’s business has contributed to the “16-year miracle” in Hungary since the fall of Communism. Hungary has had a very difficult history, much of it under foreign occupation. Peter Zwack’s family lost everything in 1948 when their factory and homes were confiscated by the Communists. The family had been the owners of the leading distillery in Central Europe since 1840, producing over 220 liqueurs and brandies, as well as Hungary’s national drink, Unicum. The young Peter Zwack fled with his family to the United States, where he began 40 years of exile. The family retained control of the business, turning down takeover offers and winning its litigation against the Hungarian state for the return of the family trademarks. Peter Zwack later moved to Italy, where he resumed production of the original Unicum and developed an interest in wine.

The family returned to Hungary in 1988 after receiving overtures about a joint venture from the now Communist-run factory in Hungary. They returned to a grey world of restricted liberties and economic deprivation. In 1989, they decided to enter into a joint venture with the state, becoming the first leading Hungarian industrialists to return home. The venture was signed the day before the visit of President Bush to Hungary, the first by an American President to a Soviet-bloc country. Things started to change and, soon after, the Berlin Wall came down. In 1990, the first democratic Hungarian government was faced with the unprecedented challenge of turning a monolithic society into a free-market economy. Peter Zwack himself served as ambassador to the United States and then as a member of parliament.

Hungarians have proved quick learners: over the past 15 years €7 billion in foreign capital has been invested in Hungary, over 50% of the total for all ex-Soviet-bloc countries. Out of the world’s 50 largest multinationals, 39 have at least some part of their operations in Hungary. Foreign firms were attracted to Hungary because the country always insisted on paying back its debts, and because it was seen as a platform for Central and Eastern Europe. As part of a successful privatisation programme, Peter

Zwack re-purchased the Zwack Company from the Hungarian state. The company has since gone public, with the family retaining a majority stake alongside Diageo and small shareholders. It largely dominates the Hungarian wine and spirit market with almost 40% market share. Thanks to an efficient, socially-oriented human resources policy, the company was able to scale down 13 factories to two with modern technology. Above all, Peter Zwack uses positive thinking, as summed up by the saying on his door, “The future is now”.