

FOOD MILES/SUSTAINABILITY MARKET INTELLIGENCE

August 2008 Quarterly Report

The growing importance of sustainability as a market driver in some of New Zealand's food and beverage (F&B) export markets has led the Ministry of Foreign Affairs and Trade, and New Zealand Trade and Enterprise to prepare a quarterly report for business people highlighting trends and issues in key markets.

Singapore

IN SUM:

- Major supermarkets have furthered their commitment to a 2006 initiative aimed at reducing the use of shopping bags by holding 'bring your own bag days' each Wednesday.
- Logos with the inscription 'air flown' are displayed on some meat products in Singapore's supermarkets.
- The market for organics is expected to grow by 33 percent by 2011, a much higher growth rate than the traditional market.
- The food and beverage sector is the focus of Singapore's Green Plan 2012 which includes specific targets for waste recycling and landfilling, as well as recovery of packaging materials.
- An inter-Ministerial Committee on Sustainable Development (IMCSD) was set up in February 2008 with the aim to develop Singapore's national framework for sustainable development. Resource efficiency and adoption of sustainable practices by both industry and individuals are target areas.

CONSUMER TRENDS

Consumer concern about global warming has been increasing steadily in Singapore, although there is no information if it had any impacts on consumers' purchasing habits.

A packaging survey conducted by Singaporean corporate social responsibility agency CSR Asia (at the end of 2007) showed that a large proportion of surveyed consumers are concerned about climate change (72 percent), and an even bigger number associate packaging with contributing to climate change (84 percent). However, a surprising finding was that Singaporean consumers overwhelmingly believe that the responsibility of handling packaging waste lies with manufacturers, with only 30 percent believing that consumers play a role in this.

Also, according to a global food packaging survey conducted by AC Nielsen in mid 2007, Singaporean consumers were generally aligned with the global findings that environmental friendliness was the least important purchasing factor compared with

price, product quality, convenience and location. Ninety-two percent of surveyed consumers considered good value for money as the key buying factor, and only 17 percent considered the store's environmentally friendliness policies. The same survey showed that 51 percent of surveyed consumers were willing to give up packaging for convenience, a slightly higher rate than the global figure of 48 percent.

The area where Singapore scores the highest compared to the global average is packaging for food preservation: 40 percent of Singaporeans were ready to give this up as opposed to the global average of 34 percent. This is in line with Singaporeans' health consciousness as measures to preserve food longer are often associated with lack of freshness and/or use of artificial additives in food.

Tapping the eagerness of consumers for fresh produce (independent of climate change concerns) has seen some meat products from Australia display product stickers 'air flown' to inform consumers about the products' freshness. This move may also be a result of the knowledge gained in the UK where Marks & Spencer consumers reacted positively to air logo stickers, assuming that air-shipped food is fresher.

The interest in organic produce continues to remain high with the latest market forecast predicting a 33 percent market growth by 2011. The increased consumer awareness on the health benefits of organic products is the main driver and is partly a result of the Government's focus on improving human health in Singapore.

PRIVATE SECTOR ACTIVITY

Although awareness about environmental issues - particularly climate change and the need to reduce emissions - is increasing, consumers in Singapore are not yet putting pressure on food manufacturers or the retail sector to improve their sustainability.

There seems to be incremental initiatives at private sector level to address their environmental footprint or the broader sustainability issues. Major supermarkets have recently furthered their commitment to a 2006 initiative aimed at reducing the use of shopping bags by holding 'bring your own bag day' from once a month to once a week. IKEA has introduced a charge on their plastic bags which has seen a reduction of 85 percent in their use. Carefour is also listing their reuseable bag initiative as an example of responsible trade and lifestyle of health and sustainability (LOHAS). All supermarkets offer organic products and this market niche is continuing to expand.

As growth opportunities in Singapore's well established market are rather limited, food manufacturers and retailers have to seek new ways to compete and maintain their market share. It is likely that healthy and sustainably-grown products will be seen by the sector as a way to differentiate and also an avenue for innovation. These are key imperatives for those competing in the market.

The practice of carbon footprinting is not widespread but recently there have been numerous initiatives and events that promote carbon trading and how Singaporean businesses can benefit. Consequently, the knowledge about carbon footprinting is increasing as well, and businesses may slowly start using it as a practice.

GOVERNMENT ACTIVITY

Green Plan 2012 is Singapore's government strategic framework for sustainability that lays out areas of action in sectors such as water, waste, air, climate change, as well as the delivery timeline. It is a 10-year plan (2002-2012) and is reviewed every three years.

The food and beverage sector is the focus of two interlinked issues: waste generation and packaging. Singapore Green Plan aims to deliver a 30 percent target for food recycling and zero waste to landfill by the end of 2012. To reduce packaging waste, the Singapore National Environment Agency signed the Packaging Agreement in 2007 with food and beverage companies. The agreement is modelled after New Zealand's Packaging Accord and takes a life cycle product approach. It is a voluntary initiative which sets collective recycling targets for the recovery of packaging materials by 2012. By joining the agreement, businesses are expected to develop and implement their own reduction plans. Fonterra Brands is one of the signatories of the agreement.

The Inter-Ministerial Committee on Sustainable Development (IMCSD) was set up at the start of 2008 with the aim to develop a national framework sustainable development that will assist Singapore in dealing with emerging domestic and global challenges, including climate change. Resource efficiency and adoption of sustainable practices by both industry and individuals are target areas.

In reaction to this, the Association of Small & Medium Enterprises (ASME) has suggested that "some kind of certification process" can be initiated so that consumers or product and service buyers have a choice between one that is environmentally certified and one that is not. Singapore already boasts a relatively high uptake of ISO 14000 environmental management system (more than three times the rate of uptake of New Zealand). The government provides financial incentives for small and medium size enterprises that aim to increase their capabilities by undertaking certification systems such as ISO 14000, Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), and Restriction of Hazardous Substances (RoHS).

At the beginning of 2008 the National Environment Agency (NEA) introduced the Mandatory Energy Labelling scheme for air-conditioners and refrigerators. The scheme is seen as a key tool for improving energy efficiency as well as informing consumers. Currently, there is no information available on whether the labelling schemes have had an impact on the buying habits of consumers. Even if such information would become available it would be hard to draw comparisons with labelling schemes (for instance carbon or nutritional labelling) for food products.

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