



## OUTLOOK

The way things are going, it looks as though economic recovery should continue in 2015, although it is widely accepted that the speed of recovery will vary in the different countries. It seems urgent for the improvements in macro and financial figures to be passed on to domestic economies. This is still pending even in the United States, which has the best evolution among the developed economies. However, oil prices of around 50 USD/barrel, resolute, accommodative monetary policies to boost investment in Europe and readjustment of exchange rates should revitalize the situation.

Prospects remain stable on the rice markets, with sliding prices at source for long-grain rice, following bumper crops in southern Asia at the end of 2014 thanks to a beneficial monsoon. It has yet to be seen how the evolution of the dollar will affect imports in that currency, but in principle this situation will make Spanish rice less competitive, especially the production of parboiled rice for export. In short- and medium-grain rice, prices are being squeezed by the low levels in the reservoirs in California and Australia, where these varieties

are traditionally grown. No substantial changes in production are expected in Texas.

### RICE BUSINESS

The outlook for consumption and demand of higher value added products such as instant and *Ready To Serve* (RTS) rice is favourable in the USA, although there is some concern over the unyielding strength of the dollar and what this could mean for exports of American rice. If the spread with other sources increases, there may be a huge internal supply and fierce competition to place it on the market, forcing prices down.

Despite the potential problems mentioned in the preceding paragraph, we anticipate slight growth in the volume of sales, underpinned by a larger outlay in marketing and increased promotion activity to offset a possible price war. Riviana invests in innovation, especially in instant aromatic rice varieties, ready to serve rice (Minute) and the new mixes of rice and beans, in RTS, instant and traditional formats.

At the Freeport (Texas) plant, work will focus on increasing productivity in order to compete with producers in Arkansas and Louisiana and counteract the increased cost due to the shortage of local rice, which makes it less competitive.

No major changes are expected in Europe and the other countries. Further improvements should be seen in some markets in northern Europe, where the effects of the restructuring carried out in 2013 and consolidation of the ingredients market should progressively become noticeable. The subsidiaries in south east Asia should maintain their good trend, geared at all times to contributing special varieties (basmati and aromatic) to the Group with good quality product and prices. Innovation is seen as the main value lever to offset the loss of volume in the more traditional categories, although we will strongly defend our traditional products over the year and promote their differential properties, rebalancing advertising and marketing. We hope to consolidate the growth of Brillante Sabroz and create a complete range of ready-to-serve rice products.

## **PASTA BUSINESS**

The strategy of this division has been marked by the hike in durum wheat prices. This requires complicated negotiation with distributors to pass this increased cost on in prices, something which proves increasingly more difficult owing to the growing concentration of distributors, as a result of which there are fewer players with greater bargaining power. Moreover, in markets with tough price competition (such as the United States) there is little margin for passing on higher commodity prices.

The US business will work on consolidating the gluten-free (multi-grain blend of rice, corn and quinoa in a range of products) and low-calorie categories and extending the launching of the Healthy Harvest ancient grains variety (wholemeal flour reformulated with other cereals having a high nutritional value), expanding its shelf presence to offset the decline of the traditional healthy products. Margins will not pick up yet, owing to the cost of launching, but the foundations will be laid for improving returns.

Olivieri continues leading the fresh pasta and sauces market in Canada. Over this year it plans to reposition itself on the sauces market and continue adapting its strategy to the Group's needs. We expect these changes to bear fruit as from 2016.

The strategy in Europe is to maintain profitability in spite of price rises. We plan to analyse the entire supply chain in the medium term to increase stability on a market that has recently become very volatile. The improvements in productivity and increased capacity to cope with the new launchings are in progress and the new fresh pasta plant should become fully operational during 2015.

Other commitments for this year include a search for new territories, exploring new forms of sale to reduce our reliance on intermediaries (e-commerce), the launching of new products such as fresh pasta snacks and entry into new countries.

We are firmly committed to developing the Garofalo brand. Apart from maintaining its markets, we believe that it should be a lever for the Group's growth in the premium pasta market and, as such, its distribution will be extended to countries considered to have a demand for this product or where it may complement the products already supplied.

