



With its superb quality products the German food industry is a standard bearer in the international marketplace.

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■ The German Food Industry

An Ever Increasing Worldwide Presence with Quality Foodstuffs

German quality foodstuffs are not just traditional and innovative but above all safe, trustworthy, diverse and tailored to the needs of the customer. State-of-the-art production methods and a challenging market environment ensure competitive prices in the international marketplace. The German food industry offers over 170,000 different products in an ever increasing number of markets worldwide and is a popular trade partner. As a result of the increasing internationalisation of the industry Germany is now the third largest ex- and importer of foodstuffs in the global market.

With a 560,000-strong workforce employed by around 5,800 companies and revenues of more than EUR 172 billion

in 2014, it is Germany's third-largest branch of industry. The sector ensures wealth and employment throughout the country. The German food industry also leads the way in Europe and sets the bar high in the international arena. The sector is dominated by SMEs, with 88 percent of companies employing fewer than 250 people and reporting annual sales of less than EUR 50 million. However, global players in food production also hail from Germany or are established in the country, though the ten largest companies only account for around 11-12 percent of sector sales.

The German industry's product range is of a higher quality, safer, more diverse and of better value than ever before, with customers now able to choose from over 170,000 products. In addition, the country's food producers provide over 180,000 restau-

rants and catering spots with tasty products to dine or takeaway. Virtually all product segments are covered in Germany, which excels in the production of meat and meat products, milk and dairy products, confectionery, alcoholic drinks and fruit and vegetable products.

At the Heart of the Food Supply Chain

The food industry, its companies and employees are a key link between rural and urban areas. The sector processes some 80 percent of domestic agricultural products, thereby guaranteeing security of supply with high quality foodstuffs. As center of the food supply chain the industry therefore provides a wide range of opportunities for over 5 million employees and more than 255,000 trainees in the German food industry.

Foodstuff producers work in tandem with their longstanding partners in the agricultural, craft, trade and catering sectors. Together the approximately 730,000 companies in the German food sector obtained gross value added of EUR 168 billion in 2013, 7 percent of the German total. The value of exports stood at around EUR 67 billion.



Food manufacturers endeavour to tailor their product offerings to demand.

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The German Foodstuff Leads the Way Globally

With 80 million inhabitants, Germany is Europe's largest foodstuff market. Fierce competition, growing consumer expectations and stringent regulations are making it one of the most sophisticated in the world. The German consumer expects not only supreme taste and the highest safety levels at the best price but also sustainable practices, a strong regional offer and a diversity of supply in keeping with demand. The way society has developed and the associated loss of stable structures in everyday life have resulted in changes in consumers' eating habits. When, where, what and with whom people eat is constantly changing and the consumer is mobile, flexible and constantly networked. Furthermore, over the last 15 years the number of one-person households in Germany has risen by at least 21 percent.

This means foodstuffs must not only be of the highest quality but also adapted to individual nutrition- and lifestyles. As a result, quality is now an even more important purchase consideration than the price. Food producers must rise to the challenge of satisfying consumers' individual needs with their products. However, the various trends and niche markets also offer companies outstanding potential for added value as long as they are in a position to react quickly enough to market demand. This means product innovations are coming to market in ever shorter cycles. Every year some 40,000 new products are reaching the shelves and new market segments are constantly emerging. These include functional, vegetarian, vegan, gluten-free, lactose-free, light and convenience food while products with special production characteristics - such as regional, sustainable, fair trade and organic - are always available. The product portfolio is becoming even more specialised and diverse. The food industry offers tailored all-round products for the individual that are available at any time and in every price segment.

Higher expectations of products and producers, rising production costs, intense competitive pressure, the strong focus on food retail and growing internationalisation are key drivers of competition in the foodstuff market and intensify the pressure on companies to create value. The scientific use of machines, the highest level of technological progress and qualified personnel help to raise food safety and quality levels, increase diversity and innovation and, naturally, make prices competitive. Targeted processing methods, internal and external quality management, systematic controls and the strict regulation of products and production make Germany a global market leader in modern foodstuff production. Over the last 20 years the industry's efficiency and performance have improved by at least 20 per-

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Centuries of brewing tradition, outstanding quality and huge variety - beer from Germany is also exceptionally popular abroad.

cent, with producers striving daily to rise to the market's challenges: German foodstuffs are not only competitively priced but are also of a higher quality, safer and more diverse than ever before. Trustworthiness and customer orientation are of pivotal importance - the customer will only buy products that satisfy their demands.

Exports Are the Most Important Growth Driver

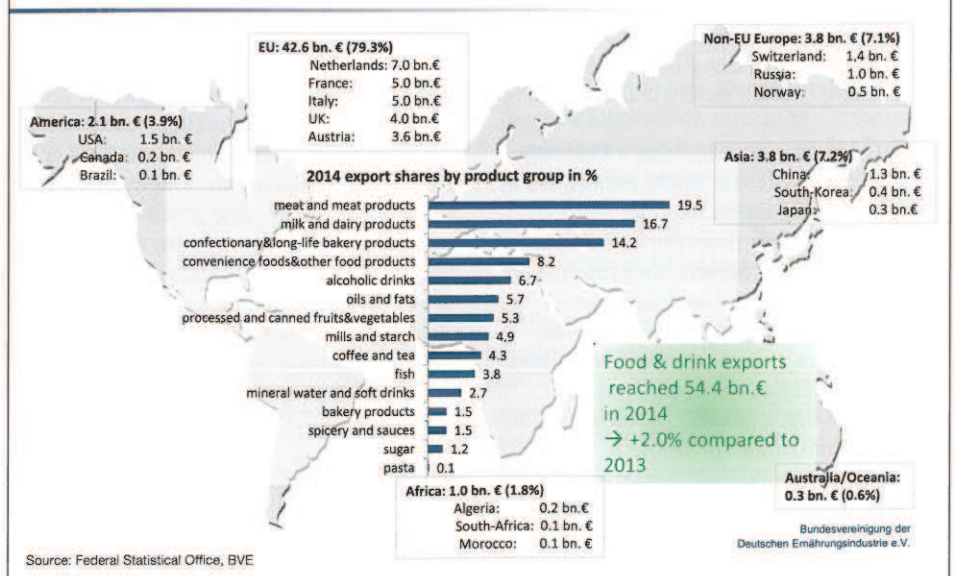
The German food industry successfully holds its ground in a difficult business environment: rising production costs, high competitive pressure and an intensive market concentration in the food retail trade increasingly weigh on the earnings position of food manufacturers. While the sector sales on the German market only increase based on price, the food manufacturers are show-

ing quantitative growth outside the country. The export business has developed over the past 15 years into the most important growth driver for the sector.

Tapping into new export markets provides foodstuff producers with additional revenues, increases stability and creates employment. The sector's export ratio currently stands at 33 percent. In 2014 food and beverage exports totalled a record EUR 56.3 billion.

International demand for competitively-priced quality "Made in Germany" foodstuffs is rising constantly. The product palette ranges from traditional German specialities to the latest innovations, with especially strong demand for meat and dairy products and confectionery. The increasing focus on exports underlines the attractive opportunities for growth overseas.

Exports of the German food & drink industries 2014





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Naturally cultivated organic products are to the taste of many customers.

Foodstuff producers are selling their products in ever more international markets. Three quarters of German foodstuff producers have more than five different international markets while one fifth have over 25. In the last five years the number of international markets has risen markedly. The sector's growing export success is attributable not just to the high quality, safety and competitiveness of German foodstuffs but also to its exceptional customer focus. Around 80 percent of German foodstuff exporters tailor their products to the preferences of their international customers or even develop entirely new products exclusively for export.

Growth opportunities for German foodstuff producers are primarily in markets where purchasing power is high and consumption strong. Although 79 percent of German foodstuff exports are destined for other EU countries, the sluggish economy and weak consumer sentiment in Europe, the increasing level of competition mean markets outside the EU, in Asia and America for example, are becoming more and more attractive. In 2014 the value of foodstuff exports outside the EU stood at EUR 11.2 billion, up 2.2 percent compared with 2013. However, increasing trade barriers, greater competition, legal insecurity and uncertainties with regard to trade partners and currency rates are hampering the acquisition of market share in strategically crucial markets.

Global Competition Is Becoming a Challenge

Germany has become firmly established as the world's third largest importer and exporter of foodstuffs. However, an ever increasing number of players are vying for market share, with a tenfold increase in global foodstuff trade reported in the last ten years alone. Competition in foreign trade has risen sharply and is dampening the prospects of export growth in fast saturating markets in particular.

Holding firm amid ever fiercer international competition will be a test of the mettle of small and medium-sized foodstuff producers in particular. More than a quarter

of jobs at over a third of foodstuff producers are dependent on exports, while almost fifty percent of companies have become significantly more dependent on exports in the last five years.

New markets must be tapped into, reliable political conditions achieved, trade obstacles overcome and the export focus of SMEs has to be increased if the market shares of German foodstuff producers are to be cemented and increased. With this goal in mind, the food industry is actively pushing for a common commitment to a liberalised trade policy and improved market access for German companies.

Sustainability as a Competitive Advantage

The companies that make up the German food industry are aware of their responsibilities as the importance of sustainable practices grows and are stepping up their economic, ecological and social commitment in order to safeguard the life quality of future generations. For foodstuff producers sustainable business practices are essential in today's production and sales environment for economic reasons alone. Without a healthy environment, a society with purchasing power and healthy consumers it will not be possible to make profits in the long term.

The German food industry is driving the establishment of sustainable foodstuff production, which also secures competitive advantages in the international arena. Its activities and initiatives are wide-ranging and often very industry- and productspecific. Sustainable behaviour extends from supply chain and raw material management through energy efficiency and waste prevention in production to a common social commitment to the customer. Companies of all sizes have already achieved a great deal of success.

Strong Partners of International Value Added Chains

International trade is inevitable for sustained global growth. It is clear that interna-

tionalisation turns the German food industry into a strong player on the global market and secures the connection to its trade partners. The German food industry is firmly embedded in international trade not just via the export of foodstuffs but also through the import of agricultural raw materials. A quarter of raw materials is bought outside the country within and beyond the borders of Europe because they are not available in sufficient quantities or cannot be grown in Germany. In light of the scarcity of resources and supply fluctuations amid burgeoning demand, securing raw material availability and sustainable raw material management are particular challenges for companies.

Beyond the exchange of goods, investments and knowledge transfer connect the sectors closely together in the international division of labour. Apart from the global demographic and economic change, the greatest challenge is to secure the world's food supply. Higher productivity at the producer level and improved access to food can mainly be achieved by increasing responsible investment in the agricultural and food industries. The German food and drink industry makes an important contribution in this regard. Sustainable and future-orientated solutions are sought in close cooperation with the political sphere, business, science and society. The Global Forum for Food and Agriculture (GFFA) has established itself here as an international discussion platform.

For questions regarding the German food industry and as an option for contacts, the Federation of German Food and Drink Industries (BVE) would gladly be your first contact partner. The BVE is the premier association of the German food industry and represents the interests of its members with regard to economics, politics and publicity.

■ www.bve-online.de

Trade Fairs as International Marketing Platform

As leading international trade fair for the food and drink industry, retail and catering sector the Anuga will take place from October 10-14, 2015 in Cologne. It is one of the most important platforms to communicate the key trends in the branch at the national and international level. With about 6,800 companies out of 187 countries and more than 155,000 trade and business professionals from 180 different nations in 2013 the Anuga is an international business networking event at the highest stage.

Another excellent chance to get to know the German food and drink industry is the International Green Week (IGW), taking place from January 16-25, 2015 in Berlin. More than 400,000 visitors and 1,650 exhibitors make the IGW the world's largest consumer fair and international exhibition for the food, agricultural and horticultural industries. Food, drink and tobacco manufacturers from throughout the world use the IGW in the form of federal state displays and product markets as a sales and test market, and to consolidate their image.