EU food and drink industry

Ensuring competitiveness -
The way forward

Dr. Wolfgang Heer – CIAA Vice-President

General Assembly of FEFAC
Hamburg, June 11, 2010

CIAA at a glance

CIAA

26 National Federations	29 Sector Federations	22 Major Companies
e.g. • FIAA (Austria) • BVE/BLL (Germany) • PFPZ (Poland) • FDII (Ireland) • ANIA (France) • …	e.g. • The Brewers of Europe • ECF (Coffee) • EDA (Dairy) • CLITRAVI (Meat) • ESA (Snacks) • …	e.g. • Coca-Cola • Danone • Unilever • Nestlé • Südzucker • …

The EU-27 food and drink industry: Key facts and figures

Turnover
€ 965 billion
(+3.2% compared to 2007)
Largest manufacturing sector in the EU (12.9%), ahead of the automobile and chemical industries

Employment
4.4 million people
(+0.8% compared to 2007)
Leading employer in the EU (13.5%), ahead of the fabricated metal, machinery & equipment industries

SMEs[1]
48.7% of food and drink turnover
63.0% of food and drink employment

External trade
Exports € 58.2 billion
(+6.4% compared to 2007)
Imports € 57.1 billion
(+8.4% compared to 2007)
Trade balance € 1.1 billion
Net exporter of food and drink products

Number of companies
310,000[3]
Fragmented industry

Value added (% of EU GDP)
2%
Stable

Consumption (% of household expenditure)
13%
Slight increase

EU market share of global export market
17.5% (24.6% in 1998)
Shrinking share of EU exports in global markets

R&D (% of food and drink output)
0.37%[2]
Insufficient R&D expenditure

(1) 2006 data
(2) EU-15 figure in 2006
(3) 2007 data

CIAA

What determines the competitiveness of the European food and drink industry?

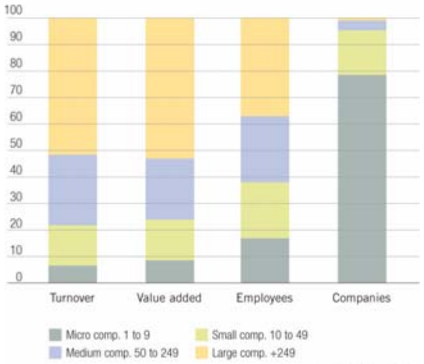
1) Qualification of workforce
2) R&D and Innovation
3) Production growth
4) Concentration in the retail sector
5) Access to international trade
6) Competitive supplies of raw material
7) Regulatory environment

Competitiveness

CIAA

(1) Qualification of workforce in an industry dominated by SMEs

Turnover, value added, employees and number of companies by size-class in the food and drink industry (%)



Source: Eurostat, SBS size-class, 2006

Labour productivity by size-class in the food and drink industry

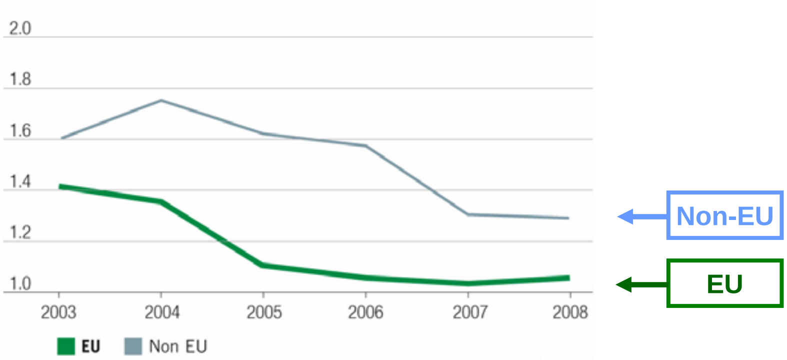
	Labour productivity (€ 1000)
> Micro companies	21
> Small companies	29
> Medium companies	38
SMEs	**31**
Large companies	61

Source: Eurostat, SBS size-class, 2006

CIAA

(2) R&D and innovation

R&D intensity in EU and non-EU food and drink companies (%)



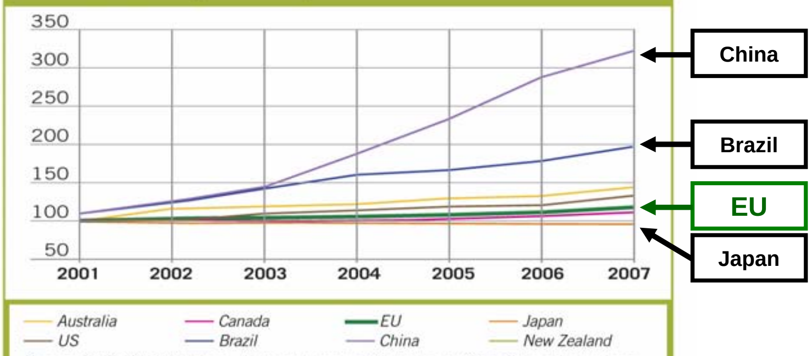
2003 - 2005: top 700 EU and non-EU companies
2006 - 2008: top 1000 EU and non-EU companies
The term "EU company" refers to companies whose ultimate parent has its registered office in a Member State of the EU. Likewise, the term "non-EU company" is applied when the ultimate parent company is located outside the EU.

Source: The 2009 EU Industrial R&D Investment Scoreboard, European Commission, DG RTD and JRC

CIAA

(3) Production growth

Fig. 1 - Evolution of production value in various food and drink industries (2001 = 100)

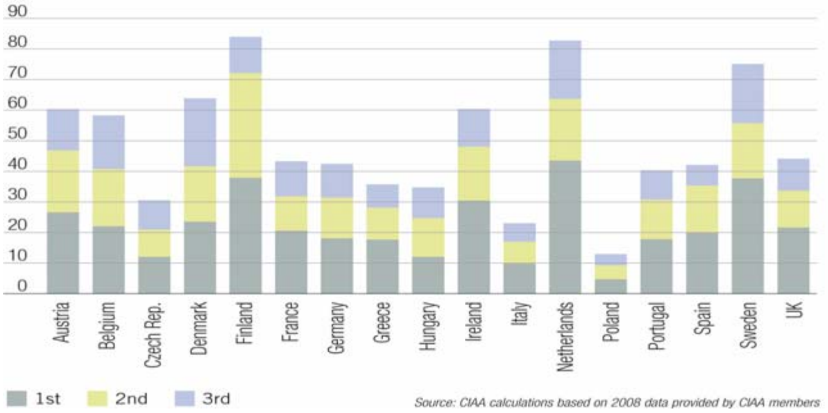


Source: OECD STAN Database, National Bureau of Statistics of China, Canada's business and consumer site, AFFA, Japanese Ministry of Economy, Trade and Industry, New Zealand's Economic Development Agency, U.S. Department of Commerce.

CIAA

(4) Concentration in the retail sector

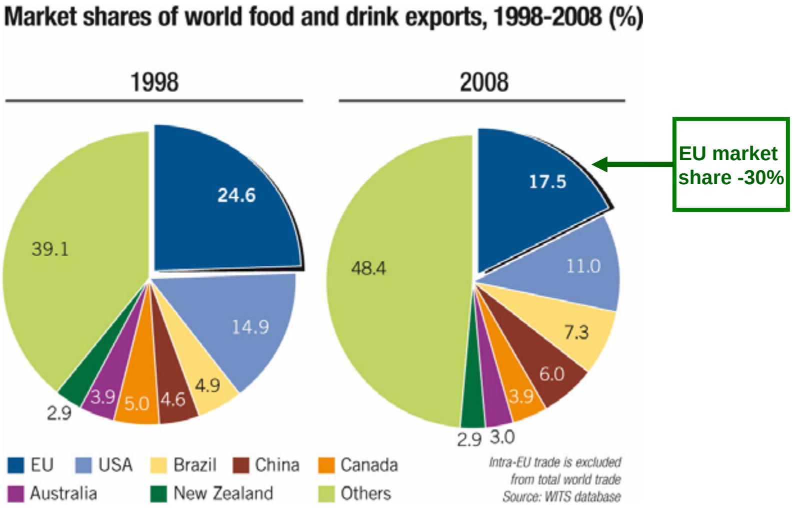
Current market share of the three largest retailers in various Member States



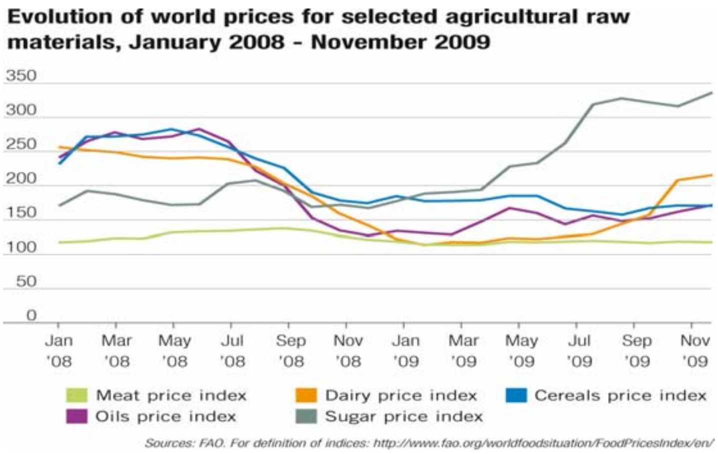
Source: CIAA calculations based on 2008 data provided by CIAA members

CIAA

(5) Access to international trade



(6) Competitive supply of raw material



(7) Regulatory environment

Competitiveness

CIAA

Commission response to the challenges of the food and drink industries

Competitiveness

2009 - Final 30 recommendations of the High Level Group on Competitiveness of the agro-food industry of the European Union

Food supply chain functioning

2009 - Communication of the European Commission "A better functioning food supply chain in Europe"

CIAA

Confédération des industries agro-alimentaires de l'UE
Confederation of the food and drink industries of the EU

30 Recommendations of the High Level Group (HLG)

1) Holistic approach for the agro-food industry
2) Support of ambitious development of the CAP
3) Supply of raw materials at competitive prices
4) Sustainable industrial policy
5) Energy efficiency of the agro-food industry
6) Comprehensive impact assessments
7) Harmonised EU food legislation
8) Efficient authorisation procedures
9) European incident management system
10) Better support for SME's
11) Better access to finance
12) Better access to funding research programs
13) Better access of SME's to global markets
14) Improve integration of SMEs in the food chain
15) Ensure functioning of the food chain
16) Study of the effect of private labels
17) Increase attractiveness of the food industry
18) Establish social dialogue in the food industry
19) Encourage use of ICTs
20) Promote clarity of information to consumers
21) Enhance research and innovation efforts
22) Better use of existing R&D instruments
23) Support development of new food technologies
24) Reaching a WTO balanced agreement
25) Bilateral trade negotiations
26) Better promote international trade standards
27) Enhance respect of intellectual property rights
28) Define better position in global markets
29) Simplify customs formalities
30) Sector-specific approach for rules of origin