PROMOTING AN EU INDUSTRIAL POLICY FOR FOOD AND DRINK

Competitiveness Report 2013-2014

FOODDRINK EUROPE

About FoodDrinkEurope

FoodDrinkEurope represents Europe's food and drink industry, Europe's largest manufacturing sector in terms of turnover, employment and value added. FoodDrinkEurope works with European and international institutions, in order to contribute to the development of a legislative and economic framework addressing the competitiveness of industry, food quality and safety, consumer protection and respect for the environment. Europe's food manufacturing industry is a local industry, using 70% of agricultural raw materials produced in the EU, which helps generate jobs both up and downstream in rural and urban communities throughout the European Union.

FoodDrinkEurope's membership consists of 26 national federations, including 3 observers, 25 European sector associations and 17 major food and drink companies.

For more information on FoodDrinkEurope and its activities, please visit:

www.fooddrinkeurope.eu

The EU food and drink industry:
A pillar of the EU economy

Manufacturing in the EU

Turnover: €1,017 billion
Value added: €203 billion

The food and drink industry is the largest manufacturing sector in the EU in terms of turnover (14.9%) and value added (12.9%).

The industry is active in all Member States and is the largest manufacturing industry in several of them.

Eurostat 2011

Providing jobs

Employment: 4.25 million people

The food and drink industry is the leading employer in the EU manufacturing sector (15%).

The 4.25 million jobs are spread across all Member States and are mostly located in rural areas.

Eurostat 2011

Creating a network of SMEs

Number of SMEs: 285,000

SMEs account for:

49.3% of the food and drink sector turnover

63.4% of the food and drink sector employment

99.1% of the food and drink sector companies

Eurostat 2010

Contributing to an extensive supply chain

Turnover: €4 trillion

Value added: €800 billion

Employment: 32 million people

The food and drink industry is a key member of an extensive food supply chain[1], which generates 15% of total EU employment and 7% of the EU Gross Domestic Product (GDP).

Eurostat 2011

Exporting worldwide

Exports: €86.2 billion

Imports: €63.2 billion

In 2012, the EU positive trade balance for food and drink reached a record level of €23 billion.

Eurostat 2012

Leading world trade

EU market share of global exports: 16.1%

EU market share of global imports: 14%

The EU is the number one exporter and the number two importer of food and drink products worldwide.

UN Comtrade 2012

The EU food and drink industry maintains the characteristics of a stable, non-cyclical and robust manufacturing sector, in spite of the current economic downturn. It also generates the largest percentage of EU GDP, ahead of sectors such as engineering, automobile and chemicals.

(1) Including food and drink services

EU food and drink industry's worldwide competitiveness:

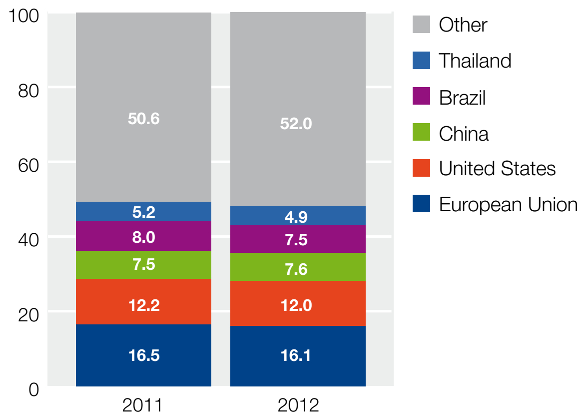
Striving to keep pace with international peers

Export market share

Following the trend of previous years and despite an overall increase in export value in 2012, the EU is not keeping pace with other global players competing for new market access opportunities.

The EU share of global food and drink trade has decreased again in 2012 (16.1%) compared to 2011 (16.5%). This development is in parallel with the decline in export market shares recorded for other mature economies. At the same time, a number of emerging economies have increased their global export market share.

Global comparison of food and drink sector export market shares (%)



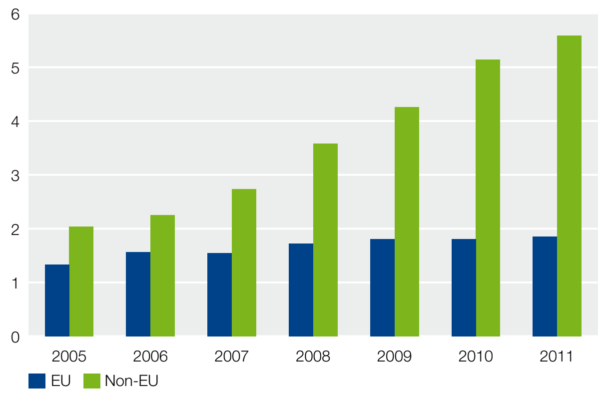
Source: UN Comtrade 2012

Private R&D investment

The 2012 JRC Scoreboard confirms trends observed in previous years, in particular the EU has sustained levels of private R&D investment but it still lags behind its international peers, the U.S. in particular.

Between 2005 and 2011, private R&D investment in the EU increased by 39% (€1.9 billion in 2011). While this is encouraging, average spending on private R&D elsewhere was €5.6 billion in 2011 (270% more than in 2005).

R&D investment by food and drink companies that are included in the world's top 1,000 companies, 2011 (€ billion)



Source: 2012 EU Industrial R&D Investment Scoreboard, JRC and DG RTD

Labour productivity

Labour productivity in the EU food industry increased by 3% in 2011 compared to 2008. However, the EU continues to lag behind international competitors like the U.S. and Switzerland.

Some of the reasons which lead to lower productivity in the EU are:

- Reduced investment in machinery and technologies as well as reduced investment in the recruitment of skilled workers compared to other international competitors; and,
- Large number of companies operating in the EU food sector with small scale operations.

Global comparison of labour productivity[1] for the food industry

	2008	2011	% change
Brazil	121	119	-2%
EU	231	237	3%
Japan	165	158[2]	-4%
Switzerland		415[3]	
U.S.	352	392	11%

Source: FoodDrinkEurope calculation, data available upon request

(1) Ratio of production value per person employed in $ 1,000 international PPPs
(2) 2009 data
(3) 2010 data

In the context of an EU industrial policy strategy:

Ensure the sustained growth of Europe's food and drink sector by enhancing the industry's innovation and export performances

Competitiveness tool box

Work towards a better functioning Single Market for food and drink

- Adopt smart regulation
- Remove barriers for food and drink products through effective implementation and enforcement of an internal market approach
- Develop integrated policies for climate and energy

Foster sustainable production and consumption

- Ensure security of supply of agricultural raw materials
- Support resource efficiency along the food supply chain
- Encourage sustainable consumption and empower consumer choice

Develop sustainable employment and labour productivity

- Close gaps between skills and jobs and invest in a skilled workforce
- Promote youth employment and manage an aging workforce
- Encourage life-long learning

Increase trade opportunities

- Conclude comprehensive multilateral and bilateral trade agreements
- Increase market access
- Develop an ambitious promotion policy

Support SMEs

- Reduce red tape
- Facilitate access to finance
- Promote the internationalisation of SMEs

Build a real Innovation Union

- Overcome regulatory bottlenecks
- Foster a science-based approach to regulation
- Target research priorities, commit to PPPs[1] and support food Knowledge and Innovation Communities (KICs)

Develop an ambitious and proactive policy for food and drink and establish a permanent High Level Forum to enforce this policy

(1) Public–private partnerships

An industrial policy tailored to increase the food and drink sector's competitiveness

The EU food and drink industry is a pillar of the EU economy...

- The biggest manufacturing sector in the EU both in terms of turnover and employment (4.25 million jobs directly);
- A non-cyclical and resilient pillar of the EU economy;
- Processing 70% of EU agricultural produce while providing safe, affordable and nutritious food to European consumers; and,
- The largest global exporter of food and drink products.

...in need of an EU industrial policy for food and drink...

Despite being a major contributor to Europe's economy, key competitiveness indicators show that Europe's food and drink sector is losing its competitive edge.

FoodDrinkEurope believes that an industrial policy for food and drink should focus on enhancing the sector's innovation and export performances, in particular by:

- Ensuring a well-functioning EU Single Market for food and drink through the removal of barriers to trade, effective enforcement, smart regulation and improved B2B relations;
- Fostering a transition towards more sustainable food systems and empowering consumer choice;
- Contributing to sustainable employment with a specific focus on skills so as to increase labour productivity;
- Promoting and supporting SMEs, in particular by improving access to finance;
- Delivering on a real European Innovation Union both by promoting a science-based approach to new technologies and by overcoming bottlenecks to bring new products to the market; and,
- Increasing and consistently facilitating trade opportunities.

...and of a permanent High Level Forum.

The food and drink sector therefore welcomes EU's efforts to promote industrial competitiveness and calls on the EU institutions to:

- Support an industrial policy which will enhance both the internal and the external competitiveness of Europe's food and drink companies;
- Develop an EU industrial policy that will help the food and drink industry tackle new challenges while facilitating both sustainable growth and employment; and,
- Acknowledge the need to tailor such a food and drink policy hand in hand with the sector through the establishment of a permanent High Level Forum for the competitiveness of the food supply chain.

Members

National Federations (26 including 3 observers)

- **Austria**: Fachverband der Nahrungsund Genussmittelindustrie (FIAA)
- **Belgium**: Fédération de l'Industrie Alimentaire/Federatie Voedingsindustrie (FEVIA)
- **Croatia**: Hrvatska Udruga Poslodavaca (HUP)
- **Czech Republic**: Potravinárská komora Ceské Republiky (PKCR)
- **Denmark**: DI Fødevarer (DI)
- **Estonia**: Eesti Toiduainetööstuse Liit (ETL)
- **Finland**: Elintarviketeollisuusliitto (ETL)
- **France**: Association Nationale des Industries Alimentaires (ANIA)
- **Germany**: Bund für Lebensmittelrecht und Lebensmittelkunde & Bundesvereinigung der Deutschen Ernährungsindustrie (BLL & BVE)
- **Greece**: Federation of Hellenic Food Industries (SEVT)
- **Hungary**: Élelmiszer-feldolgozók Országos Szövetsége (ÉFOSZ)
- **Ireland**: Food and Drink Industry Ireland (FDII)
- **Italy**: Federazione Italiana dell'Industria Alimentare (FEDERALIMENTARE)
- **Luxembourg**: Fédération des Industries Agro-Alimentaires Luxembourgeoises (FEDIL)
- **Netherlands**: Federatie Nederlandse Levensmiddelen Industrie (FNLI)
- **Poland**: Polska Federacja Producentów Zywnosci Zwiazek Pracodawców (PFPZ)
- **Portugal**: Federaçâo das Indústrias Portuguesas Agro-Alimentares (FIPA)
- **Romania**: Federatia Patronala din Industria Alimentara (ROMALIMENTA)
- **Slovakia**: Potravinárska Komora Slovenska & Slovenská Pol'nohospodárska a Potravinárska Komora (PKS & SPPK)
- **Slovenia**: Gospodarska zbornica Slovenije (GZS)
- **Spain**: Federación Española de Industrias de la Alimentación y Bebidas (FIAB)
- **Sweden**: LLivsmedelsföretagen (LI)
- **United Kingdom**: Food and Drink Federation (FDF)

- **Baltic** Food Union (observer)
- **Norway**: Mat og Drikke (NHO – observer)
- **Turkey**: Türkiye Gıda ve içecek Sanayii Dernekleri Federasyonu (TGDF – observer)

European Sectors (25)

- **AIJN**: European Fruit Juice Association
- **CAOBISCO**: Association of Chocolate, Biscuit and Confectionery Industries of the European Union
- **CEEREAL**: European Breakfast Cereal Association
- **CEFS**: European Committee of Sugar Manufacturers
- **CLITRAVI**: Liaison Centre for the Meat Processing Industry in the European Union
- **COFALEC**: Confederation of EU Yeast Producers
- **CULINARIA EUROPE**: Federation of Associations and Enterprises of Industrial Culinary Product Producers in Europe
- **ECF**: European Coffee Federation
- **EDA**: European Dairy Association
- **EFBW**: European Federation of Bottled Waters
- **EHIA & ETC**: European Herbal Infusions Association & European Tea Committee
- **ESA**: European Snacks Association
- **ESA**: European Spice Association
- **EUPPA**: European Potato Processors' Association
- **EUROGLACES**: European Ice Cream Association
- **FEDIAF**: European Pet Food Industry Federation
- **FEDIMA**: Federation of EU Manufacturers and Suppliers of Ingredients to the Bakery, Confectionery and Patisserie Industries
- **FEEDM**: European Federation of Honey Packers & Distributors
- **IMACE**: International Margarine Association of the Countries of Europe
- **PROFEL**: European Association of Fruit and Vegetable Processors
- **SNE**: Specialised Nutrition Europe
- **SpiritsEUROPE**
- **The Brewers of Europe**
- **UNAFPA**: Union of Organisations of Manufacturers of Pasta Products of the EU
- **UNESDA**: Union of European Soft Drinks Associations

Companies (17)

- AGROKOR
- CARGILL
- COCA-COLA
- DANONE
- FERRERO
- GENERAL MILLS
- HEINEKEN
- HEINZ
- KELLOGG
- MARS
- MONDELĒZ INTERNATIONAL
- NESTLÉ
- PEPSICO
- SÜDZUCKER
- TATE & LYLE
- ÜLKER
- UNILEVER

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