



**ISM - International Sweets and Biscuits
Fair 2020**

Federal Association of the German
Confectionery Industry

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**Stable development of the sweets industry in 2019 –
widespread increasing costs for important raw materials are burdening
revenues**

Good morning, ladies and gentlemen,

In my capacity as Chairman of the Federal Association of the German Confectionery Industry (BDSI) and as Chairman of the International Sweets and Biscuits Fair Task Force, I am pleased to welcome you in the run-up to the 50th International Sweets and Biscuits Fair.

I would like to talk to you today about the current state of the sweets industry. For this purpose, I'm drawing on official data from the German Federal Statistical Office, as well as on production and export estimates compiled by the BDSI for the whole of 2019. The results of the relevant market research institutes have also been incorporated into our assessment.

Our association, the BDSI, looks back on a **generally stable 2019** for the industry with its "pleasure-bringing" products.

Kompetenz in Süßwaren seit 1877

The **production volume** was slightly above the level of the previous year (+1.2%), while **turnover** increased by 2.3%. However, the statistical data situation distorts the view of the considerably tenuous business situation in the industry. This is because, tough competitive pressure on the national market, insecurities in the important export business, an increasing lack of specialists and considerably increased costs for raw materials are currently posing enormous challenges to the more than 200 German manufacturers of sweets and snacks.

Widespread, dramatically increasing costs for the raw materials used in the sweets industry

Particularly the high costs of important agricultural raw materials are placing a strain on the profit situation of many manufacturers of German sweets and snacks.

The price for **cocoa** was especially high in 2019. Following a volatile increase in the last quarter of 2019, buyers at the London futures exchange have not paid more for cocoa since 2016. The price increase is exacerbated by an agreement between Ghana and the Ivory Coast: the countries, which together produce more than 60 % of cocoa worldwide, have founded a cartel (a "cocoa" OPEC) and are demanding a price surcharge to the amount of 400 US dollars per ton as of 2020, the so-called Living Income Differential (LID).

The prices for **gelatine** also rose dramatically in the second half of 2019. African swine fever has drastically reduced the pig stock, especially in China, so that there is also a shortage of gelatine, which is manufactured from the connective tissue of animals, on the global market.

Considerable price increases were particularly evident in the 4th quarter of 2019 due to the increased international demand for **skimmed milk powder**, **hazelnuts** and **almonds**. The food price index of the FAO (Food and Agriculture Organization of the United Nations) also registered clear price increases for **sugar** and **vegetable fats** in December 2019.

Outlook for 2020

great challenges posed by Brexit and US punitive tariffs

The insecurity in the export business with the United Kingdom due to the imminent **Brexit**, which still holds many open practical questions, is currently the primary cause of concern for the industry. The United Kingdom is an important export market for sweets. Approx. 5 % of German production of sweets, with a value of around 800 million Euro, is exported to the United Kingdom.

Another challenge is posed by the **US punitive tariffs** of 25 % for sweetened biscuits and waffle products exported from Germany to the United States. These punitive tariffs pose an extreme danger to the work of many years of German manufacturers of fine baked goods in the USA. Family-owned companies must here pay for the mistakes of a subsidy policy in contravention of WTO rules in large scale industry. The industry is therefore pushing and hoping for quick agreement in the negotiations between the European Commission and the US government in order to avert both the widening of the punitive tariffs and the establishing of punitive tariffs on important raw materials like almonds and nuts on the part of the EU.

I would now like to move on to another key theme that intensely concerns our industry - the **lack of specialists**.

The sweets industry is a significant and stable employer in all regions of Germany, especially in rural areas, and makes an important contribution to prosperity and employment. In spite of the overall good economic situation, the profit situation in the companies has nonetheless been tense for years. Central challenges include the recruiting of specialists, especially in production, but also in the work fields of controlling and sales. The search for seasonal workers is also becoming increasingly difficult.

Economic development of the German sweets industry in 2019

According to BDSI estimates, the **production** of sweets and snacks manufactured in Germany experienced slight growth in 2019 at around 3.7 million tons (+1.2 %). In terms of value, production developed positively with around 12.5 billion Euro (+2.3 %).

In terms of volume, the **domestic supply** (= production + import - export) was determined to be just under 2.6 million tons (0.9%) in 2019, while the domestic sales volume was estimated at 8.5 billion Euro (+2.3%).

The **export business** for sweets and snacks also developed positively in 2019 despite many uncertainties in global trade. Overall, an estimated 2.2 million tons of sweets and snacks were exported. This represents growth of +1.7% in comparison with the previous year. The export turnover rose by +3.0% in 2019 to approximately 8.5 billion Euro.

The quality of "made in Germany" sweets continues to be valued very highly abroad. With an **export share volume of over 50%**, more than every second ton of German sweets is destined for export. Around 80% of all sweets exports go to European Union member states, but exports to third countries have been increasing for years.

Employment figures: the German sweets industry remained stable in 2019, employing around 50,000 employees, which makes it the fourth largest sector in the food industry.

Delicious products for the small pleasures of everyday life - the 2020 innovations

The sweets industry is one of the particularly innovative industries and will this year once again present a wide variety of new products at ISM, the International Sweets & Biscuits Fair, in Cologne. These include products with vegetable proteins, natural ingredients like nuts, oats, sesame, ginger or dried berries. Also in trend are sweets and snacks for **consuming on the go**, often offered in resealable or individually portioned packages.

Custom-made products for individual consumer needs remain important on the sweets market. These also include sugar-free/sugar-reduced, fat-free or

fat/salt-reduced sweets and snacks, as well as organic quality products or those made from sustainably grown raw materials. As such, consumers already enjoy a very broad offering of a wide range of products, so that they can design their diets according to their individual wishes.

The German sweets industry is showing strong commitment to sustainability

The use of sustainably produced ingredients in sweets and snacks has been intensively promoted by the German sweets industry for many years.

Around 90 % of the **palm oil** used in the German sweets industry is already certified as sustainable today. The German sweets industry is thus assuming a leading role.

We are especially committed when it comes to **cocoa**, the most important raw material for chocolate. The BDSI increased its sustainability goals in 2018 and recommends that its members increase the share of certified, sustainably grown cocoa in the sweets sold in Germany to 75% in 2025.

Certification is thereby an important component in the development of a sustainable cocoa sector. In 2018, the **share of certified and sustainable cocoa reached 62%**. With the first survey of the BDSI for the year 2011, this share amounted to only approx. 3 %. The sweets industry is thus on a very good course.

Development of the individual product groups

As we do not have too much time, I will not go into detail regarding the economic trends within the individual product groups – chocolates, sweets and confectionery, pastry and snacks. However, you can find detailed information on this topic, both in the BDSI press information and in our graphics.

Source: Federal Association of the German Confectionery Industry