

# Germany: No growth for biscuits & Co

PASTRY MANUFACTURERS' IN GERMANY HAD A HARD TIME IN 2006 WITH DECREASING SALES AND INCREASING PRICES ++ author: Beate Olzem, Managing Director at BDSI (Association of the German Confectionery Industry), Bonn



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2006 was a tough year for pastry manufacturers' in Germany. They suffered a sharp decline in production and a reduction in exports, accompanied by considerable growth in prices for raw products accompanied by discussions on the content of coumarin in cinnamon and cinnamon pastries. This situation was aggravated by very high temperatures in June and July and the third part of 2006 being too warm. All this contributed to a decrease in consumer demand for baked goods, including pastry manufactured during the Christmas holidays.

According to the data provided by the Federal Statistical Department, the pastry production volumes in 2006 could have increased by 3.0% up to 731,512 tons as compared to 2005. However, product costs were characterized by an opposite trend which demonstrated a well-marked decline (-6.0%). They turned out to be 130 million less than the results of the previous year and constituted about 2.05 billion Euros. According to official figures, there should be a sharp separation between the growth of production volumes and the increase of product costs – this spread is not traceable within the industry.

A detailed review of separate product group development, according to preliminary official data is presented on production diagrams of pastry products. According to such diagrams, such diametrically opposite development of production volumes and product costs is due to the largest group in quantitative terms and in value terms, which includes “biscuits and similar cookies, sweet waffles, and cocoa or chocolate

glazed waffles”. Here we still experience a growth of 1.2%, but there is a two-digit decrease in product costs by 13.2%. All other product categories demonstrate growth of production volumes and costs as compared to the results of 2005/2006.

## Reduction in imports

As before, the foreign trade of pastry products in 2006 was characterized by active exchange of goods on the single European market. A considerable part of foreign trade is the so-called exchange of goods among companies reflecting manufacturing processes based on differentiation of labor at international companies, having many affiliates in the EU.

According to preliminary data provided by the Federal Statistical Department, imports of pastry products have reduced as compared to the previous year. In 2006, Germany imported 179,431 tons of pastry products for the total amount of 431 million Euros. As compared to the previous year, this corresponds to a decrease of 4.8% in import volumes and a decrease of 5.2% in product costs. Importers traditionally included EC partner countries. Their share constituted 91% of the total import volumes and 88% of the total import costs. As before, the major supplying countries included Belgium, the Netherlands, Poland, Austria, and France. While imports from the EC and the total import volumes were decreasing, there was again an increase in imports from third world countries. The major importers still include Switzerland and Turkey. ▶



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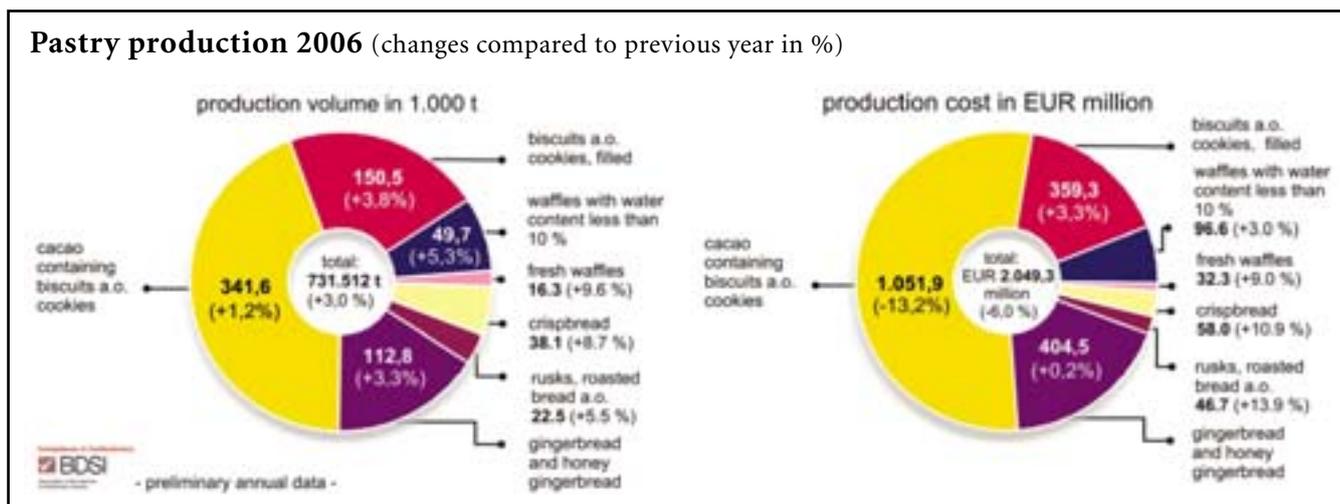
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## Pastry production 2006 (changes compared to previous year in %)



### Exports definitely demonstrate a negative trend

Some pastry products of German manufacturers' have been popular abroad, and therefore official data demonstrated an increase in pastry exports. In 2006, this trend ended – there was a two-digit decrease in pastry exports. The country exported 244,298 tons of pastry products for a total of 689 million Euros. This corresponds to a decrease in production volumes by 12.4% and costs by 10.7% as compared to the previous year. The export exchange of goods with EC partner countries is of great importance; about 85% of exported goods found their purchasers in France, Austria, Italy, and in the Netherlands.

While export to other EU countries and, therefore, total export volumes have decreased considerably, export to third world countries is growing. The major importing countries are the USA and Switzerland, followed by Russia and Canada.

### Internal offering and consumption in per capita terms

In 2006, according to the effected calculations based on the production and foreign trade data available, internal offering constituted 655,107 tons of pastry products with a cost of 1.78 billion Euros. Based on the population of Germany, which is 82.4 million people, we can determine an average consumption of pastry products in per capita terms which is at least 8.0 kg with a cost of 22 Euros.

### Data of the Market Research Institute

The research data of the Market Research Institute is given below in addition to official data. It reflects the actual market events and development of the pastry industry in 2006 better than the actual official data on the domestic market. According to the data provided by the Market Research Institute, manufacturing of pastry products has actually survived a hard year. Confectionery monitor, IRI, demonstrates last years decrease in sales volumes as compared to 2005, regarding the group of „pastry products except for waffle bars“, by 4.9% to 208,346 tons; the turnover decreased by 4.3% to 876 million Euros. In 2006, according to the provided statistics, sales volumes of dry baked goods consti-

tuted 538,762 tons; sales volumes decreased by 2.1%. The turnover of dry baked goods products' constituted 2.41 billion Euros.

In 2006, according to Nielsen's market data, the sales volumes of pastry products/waffles (including Aldi Shops and drugstores) constituted 259,100 tons, and the turnover was 1.16 billion Euros. As compared to 2005, this corresponds to a decrease in sales volumes of 3.0% and a decrease in turnover of 2.3%. While considering Nielsen's data we should take into account that statistics on pastry products / waffles does not include impulse goods.

### Considerable increase of major raw product costs

Manufacturers of pastry products have suffered over the last few months as a result of a considerable growth in the price of major raw products, as well as production costs, power generation costs, and logistics-related costs. For example, the price for wheat increased three fold in 2006. This of course influenced flour prices. The industry also confronted an increase in glucose prices by 30 – 40%. Prices for oils and fats, as well as packing materials are also rising. This endless cost pressure resulted in increased prices for pastry products.

### Outlook for the current year

This year a positive development is expected in the German pastry products' industry. Representatives of the industry hope that in 2007, amongst other things, the weather will be favorable so that high quality German pastry products will find their purchasers both at home and abroad. As for coumarin content in cinnamon and food products with cinnamon, manufacturers hope for a fast political decision on a European level which will contribute to the adoption of a new EC Resolution on flavors. It should encourage the manufacture of pastry containing cinnamon and autumn and winter seasonal products according to traditional recipes, without violating the consumer protection and health regulations. +++



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