

Structural change in the German baking industry

IN THE SPRING OF 2013 THE FEDERAL STATISTICS OFFICE IN GERMANY PUBLISHED THE TURNOVER STATISTICS FOR THE YEAR BEFORE LAST. FOR THE BAKING INDUSTRY THAT MEANS ONE THIRD FEWER COMPANIES, 15 % MORE SALES AND A PRICE INCREASE RATE OF 21.5 %

+ The baking industry in Germany has lost nearly one third (32.01 %) of its businesses since the start of the new millennium, corresponding to a decrease of 6,498 companies. However, the industry's total turnover has not suffered; it rose from EUR 15.7bn in 2000 to EUR 18.1bn in 2011, which corresponds to an increase of 15.3 % (a reminder from bbi 4, page 22 ff.: the artisan baking industry in Switzerland has lost almost a quarter (23.3 %) of its independent businesses in the past eight years). The price increase rate for consumer prices for foodstuffs in this period of time in

Germany was 21.5 %, so consequently the resulting real loss of turnover for the baked goods manufacturers was 6.5 %.

The turnover statistics do not calculate out the price increase rate, and consequently the figures in the table and the following text are nominal values. However, there were losses even on a nominal basis, and these occurred exclusively in the two lower turnover classes, whereby it is necessary to take into account on the one hand the fact that a small proportion presumably succeeded in moving up into one of the higher

turnover classes during these twelve years, and on the other that presumably a few new companies emerged in these turnover classes through company split-ups. However, that makes rather little difference to the final conclusion: it is mainly the small and very small companies that have disappeared from the market.

++ table 1: VAT statistics 2000–2011: Manufacture of baked products – number of companies by turnover size classes

| | up to EUR 1m | EUR 1m to 10m | EUR 10m to 50m | EUR 50m to 250m | EUR 250m and more | total (per annum) |
|------|-----------------|------------------|-------------------|--------------------|----------------------|----------------------|
| 2000 | 18,092 | 2,077 | 112 | 13 | 3 | 20,297 |
| 2001 | 17,109 | 2,122 | 110 | 18 | 4 | 19,363 |
| 2002 | 16,525 | 2,051 | 111 | 17 | 3 | 18,707 |
| 2003 | 16,065 | 1,945 | 112 | 20 | 3 | 18,145 |
| 2004 | 15,667 | 1,896 | 120 | 21 | 3 | 17,707 |
| 2005 | 15,204 | 1,878 | 136 | 20 | 3 | 17,241 |
| 2006 | 14,666 | 1,887 | 149 | 21 | 3 | 16,726 |
| 2007 | 14,076 | 1,913 | 163 | 24 | 3 | 16,179 |
| 2008 | 13,511 | 1,977 | 176 | 26 | 3 | 15,693 |
| 2009 | 12,249 | 1,925 | 180 | 24 | 4 | 14,382 |
| 2010 | 11,938 | 1,926 | 193 | 29 | 5 | 14,091 |
| 2011 | 11,568 | 1,989 | 207 | 30 | 5 | 13,799 |

source: Destatis

++ table 2: Average turnovers in the baking industry by turnover size classes

| size class by annual sales | average sales (in million EUR) | | change | number of companies | | change |
|-------------------------------|-----------------------------------|-------|---------|------------------------|------|----------|
| | 2000 | 2011 | | 2000 | 2011 | |
| more than EUR 250m | 550.0 | 506.0 | -8.0 % | 3 | 5 | +66.6 % |
| EUR 50m to 250m | 143.2 | 90.7 | -36.3 % | 13 | 30 | +131.0 % |
| EUR 10m to 50m | 20.7 | 19.5 | -5.8 % | 112 | 207 | +85.0 % |

source: Destatis

The smallest one third of companies are the losers

The turnover class up to an annual turnover of EUR 1m, i.e. 6,524 companies or nearly 36 % of its members lost more than the industry overall. In parallel, the turnover of the remaining companies in this size class shrank by 33.1 %. If the price increase rate is included in the calculation, the turnover in 2011 compared to 2000 would now be worth only EUR 2,669.5bn and the turnover loss of this group would be as high as 47.5 %. The next largest turnover class of companies with annual sales of between EUR 1m and 10m also shrank by 88 companies since the turn of the millennium, although that is less than 5 %. In spite of the slight loss of companies, this size class still put 4.2 % more turnover into the scales in 2011 compared to 2000. However, if the price in-

crease rate is stripped out of the calculation, its turnover in real terms also fell by 18.2%. The loss of a total of 6,612 companies in the lower two company size classes is statistically contrasted with a total of 114 companies that succeeded in jumping above the EUR 10m turnover boundary or that climbed even higher. Here again the rule is: 114 is the final balance, in the twelve years there were also bigger companies that disappeared from the market and were replaced by new entrants. The number of companies with an annual turnover of EUR 50m to 250m more than doubled, and the group with annual turnovers of EUR 10m to 50m also grew by an impressive 85%. On the other hand the growth of 66% among the very big companies above the EUR 250m mark was almost moderate.

Market shares up, average turnovers down

In 2000 the three major companies held a market share of 9.6% whereas in 2011 the five companies in this turnover class achieved a total of 15.2%, i.e. purely arithmetically an even smaller market share per company than twelve years ago, but now there are actually five big ones, and their average sales in 2011 were just short of EUR 550m, whereas in 2000 the three big companies achieved an average turnover of EUR 506m. In the next smaller turnover size ►

A word about statistics

In addition to overall statistics, the German Federal Statistics Office (Destatis), Wiesbaden, Germany, has also published detailed figures for companies in the economic sector "Manufacture of Baked Goods", whereby for the sake of completeness it must be said that there is another economic sector "Manufacture of Dough Goods and Baked Goods" and an economic sector "Manufacture of Long Shelf Life Baked Goods".

However, classical bakeries belong to the category "Manufacture of Baked Goods" presented here. To enable the operating figures to be classified, it should also be mentioned that some of the bigger companies that appear to the outside world to be a single unit have not in any sense combined their entire commercial activities into a single corporate unit. Among the chain stores, it is more the rule than the exception nowadays that the operational business is carried out in a GmbH (limited liability company) and the real estate or other assets are bundled in a joint-stock company. In some cases it goes to such an extent that every individual branch and every individual production facility has its own operating company responsible for it. There are taxation and legal reasons for this, and in some instances there is also certainly a kind of works council paranoia lying behind it. The statistics record sales as real values, i.e. without taking the rate of price increases into account. +++

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++ table 3: VAT statistics for 2000–2011: sales (in million EUR) and market shares by turnover size classes

| | | up to EUR 1m | EUR 1m to 10m | EUR 10m to 50m | EUR 50m to 250m | EUR 250m and more | total (per annum) |
|-------------|--------------|-----------------|------------------|-------------------|--------------------|----------------------|----------------------|
| 2000 | sales | 5,084.10 | 4,949.10 | 2,320.90 | 1,862.10 | 1,516.70 | 15,732.90 |
| | market share | 32.3% | 31.5% | 14.8% | 11.8% | 9.6% | 100.0% |
| 2001 | sales | 4,847.40 | 5,078.40 | 2,096.70 | 1,497.30 | 1,933.60 | 15,453.40 |
| | market share | 31.4% | 32.8% | 13.6% | 9.7% | 12.5% | 100.0% |
| 2002 | sales | 4,615.10 | 4,975.80 | 2,147.30 | 1,468.50 | 1,789.80 | 14,996.50 |
| | market share | 30.8% | 33.2% | 14.3% | 9.8% | 11.9% | 100.0% |
| 2003 | sales | 4,417.60 | 4,762.50 | 2,142.60 | 1,868.20 | 1,948.40 | 15,139.30 |
| | market share | 29.2% | 31.5% | 14.1% | 12.3% | 12.9% | 100.0% |
| 2004 | sales | 4,273.90 | 4,689.80 | 2,235.60 | 1,985.00 | 2,015.80 | 15,200.10 |
| | market share | 28.1% | 30.8% | 14.7% | 13.1% | 13.3% | 100.0% |
| 2005 | sales | 4,133.20 | 4,662.40 | 2,584.70 | 1,858.30 | 2,653.60 | 15,892.20 |
| | market share | 26.1% | 29.3% | 16.3% | 11.6% | 16.7% | 100.0% |
| 2006 | sales | 3,981.80 | 4,694.10 | 2,843.80 | 1,941.30 | 2,051.20 | 15,512.20 |
| | market share | 25.7% | 30.3% | 18.3% | 12.5% | 13.2% | 100.0% |
| 2007 | sales | 3,892.76 | 4,816.53 | 3,126.91 | 2,155.87 | 2,185.42 | 16,177.49 |
| | market share | 24.1% | 29.8% | 19.3% | 13.3% | 13.5% | 100.0% |
| 2008 | sales | 3,799.80 | 4,971.30 | 3,386.40 | 2,412.00 | 2,345.10 | 16,914.00 |
| | market share | 22.5% | 29.4% | 20.0% | 14.2% | 13.9% | 100.0% |
| 2009 | sales | 3,508.60 | 4,914.90 | 3,643.10 | 2,346.40 | 2,575.40 | 16,988.40 |
| | market share | 20.7% | 28.9% | 21.4% | 13.8% | 15.2% | 100.0% |
| 2010 | sales | 3,445.40 | 4,951.60 | 3,791.80 | 2,687.00 | 2,519.80 | 17,395.60 |
| | market share | 19.8% | 28.5% | 21.8% | 15.4% | 14.5% | 100.0% |
| 2011 | sales | 3,400.70 | 5,157.11 | 4,041.75 | 2,721.52 | 2,749.09 | 18,070.17 |
| | market share | 18.8% | 28.5% | 22.4% | 15.1% | 15.2% | 100.0% |

source: Destatis

class with annual sales of EUR 50m to 250m, 13 companies shared a market share of 11.8% in 2000 and achieved an average turnover of EUR 143.2m and an average market share of 0.9%. Eleven years later, 30 companies share a market share of 15.1% and a sales volume of EUR 2.7bn. This means that in 2011 each company in this size class achieved an average market share of 0.5% and average sales that were now only EUR 90.7m. Considering the turnover size class from EUR 10m to 50m, a similar picture emerges here. In 2000 the 112 companies shared a turnover of EUR 2.3bn and a market share of 14.8%, which corresponds to average sales of EUR 20.7m and a market share of 0.13% for each company. In 2011 this category comprised 207 companies, a market share of 22.4% and sales of just over EUR 1bn, i.e. an average market share of 0.11% and a turnover of EUR 19.5m.

Thus the increase in the operating figures in all three turnover size classes that grew ensured a drop in average turnovers, albeit to different extents. Among the major companies the average turnover fell by 8%, whereas the category of companies with sales of EUR 50m to 250m showed the biggest losses. Average turnover fell by 36.3%. The size class of companies with annual turnovers of EUR 10m to 50m recorded the smallest average turnover loss of 5.8%. This is explicable by the fact that companies tend to grow upwards from below, and consequently the turnover size class is enlarged by companies that have just jumped over the hurdle. This is noticeable to a correspondingly greater extent when there is a bigger migration into the group, as can be seen in the size class of EUR 50m to 250m. Only eight companies in this group have annual turnovers of more than EUR 100m, whereas 22 remain below this mark. +++



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