



Federatie Voedingsindustrie
Fédération de l'Industrie Alimentaire

FOOD 2015

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A CATALYST FOR
SUSTAINABLE GROWTH IN
THE BELGIAN FOOD SECTOR



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INTRODUCTION BY THE CHAIRMEN

Globalisation, the economic crisis, volatile energy prices, a growing world population and a shortage of raw materials... These are just some of the crucial challenges facing businesses today. But it's precisely in this difficult and uncertain context that the food industry is affirming its importance for the Belgian economy.

Most Belgians are quite rightly proud of their delicious food. But what most of them don't know is that the food industry is one of the fastest growing sectors in the country. And most people are ignorant of the fact that its share of industrial employment has risen from 15% to 20% since 2000.

Unknown means unloved and disregarded in the political decision-making process.

So it's high time to step out of the shadows!

By presenting the FOOD 2015 growth strategy, business leaders in the food industry want to put an end to the defeatist attitudes about the crisis by sending a strong signal about their faith and belief in the opportunities for economic growth.

But that growth requires the courage of consistent, coherent policy choices. We hope to find this courage among our partners in the food chain and in the government, at all levels of authority. Only by working together with these partners will we be able to make the ambitious objectives of this growth strategy a reality.

Dirk Decoster,
outgoing FEVIA chairman



Bernard Deryckere,
new FEVIA chairman



Fabienne Bister,
FEVIA Wallonia chairwoman



Jan Vander Stichele,
FEVIA Flanders chairman



FEVIA'S ROLE AS A DRIVING FORCE IN THE BELGIAN FOOD SECTOR



FEVIA and its regional sister organisations have one goal: to contribute to a strong, competitive and sustainable food industry, on an economic, social and environmental level. To achieve this goal they work on the basis of an integrated vision, which acts as a driving force in the Belgian food industry.

- FEVIA's vision and strategy are determined by the members: involve
- FEVIA is a meeting place for its members to share experiences: network
- FEVIA gives advice to its members based on the strategy that has been determined: advise
- FEVIA links up European, national and regional policies: link
- FEVIA represents its members and defends their interests: defend
- FEVIA collaborates with other organisations to help implement the strategy: facilitate

To give direction to the policies relating to the selected strategic issues, FEVIA has published a series of strategic reports and action plans. These are essential tools for demonstrating the efforts of the companies in the relevant policy areas, developing the strategy for the sector and enabling it to continue to build on that strategy. So far, these reports and action plans have focused mainly on improving the situation of the sector in terms of environment and health.

→ FEVIA as driving force in the sustainable growth in the Belgian food sector



- The food industry's first environmental report was published in 1999, and the third report in 2007. Since then, FEVIA has been working with the competent authorities on the publication of periodic environmental analyses. One example is the full environmental analysis of the Flemish food industry, published in 2012.
- In 2005, FEVIA developed a strategy focused on the role of the food industry in relation to health. This vision is reflected in the food industry's nutrition report, which is updated annually. This autumn the seventh report will be published.
- In 2011, the food industry's first sustainability report was published, which encompassed full details of everything that would lead to a more sustainable food system. The next report is due in 2014.

The economic pillar, while being part of a fully-fledged sustainability policy, has until now been restricted to an annual food industry economic bulletin and a White book for growth with action plan in 2010 by the Flemish sister organisation, FEVIA Vlaanderen. A robust encompassing economic vision and strategy are still lacking. This new report will fill this gap.

1. OBJECTIVE OF THE PROJECT

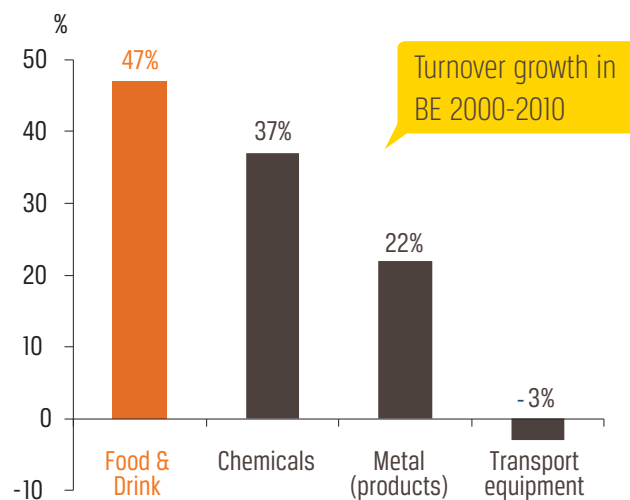
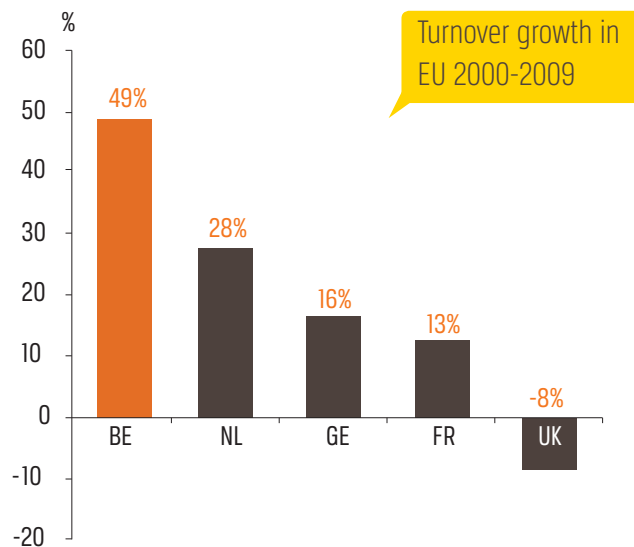
FEVIA, the Belgian food industry federation, has launched a project that lays the foundation for a new growth strategy. The project is not a 'study', but a movement with a more far-reaching ambition:

- the strategy was developed in close cooperation with a high-level group of CEOs and directors of branch associations of the food industry to ensure that the project has a broad platform from the outset onwards;
- the study process is not an end point, but the start of a mobilising process that offers the food industry further development pathways between now and 2015;
- the project has a two-fold aim: on the one hand, to create a sustainable growth agenda for the food companies and, on the other hand, to provide a complementary policy framework that supports this growth agenda.

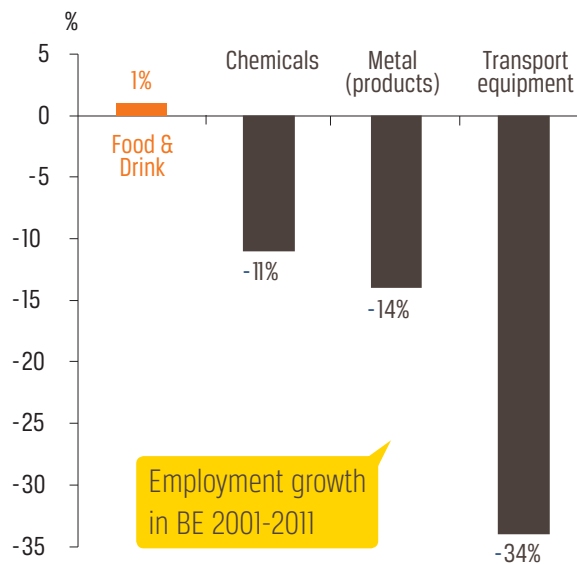
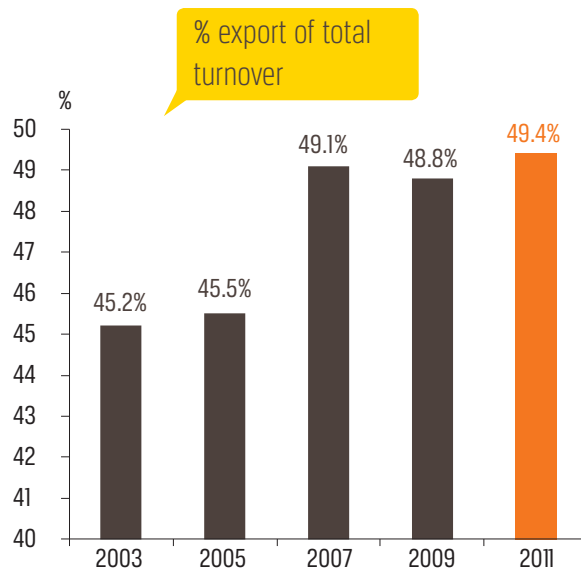
2. FACT FINDING

The Belgian food industry has outperformed the manufacturing industry average in terms of growth and has been growing faster than the food sectors in neighbouring countries.

→ Belgian Food & Drink sector shows strong growth compared to other countries and sectors



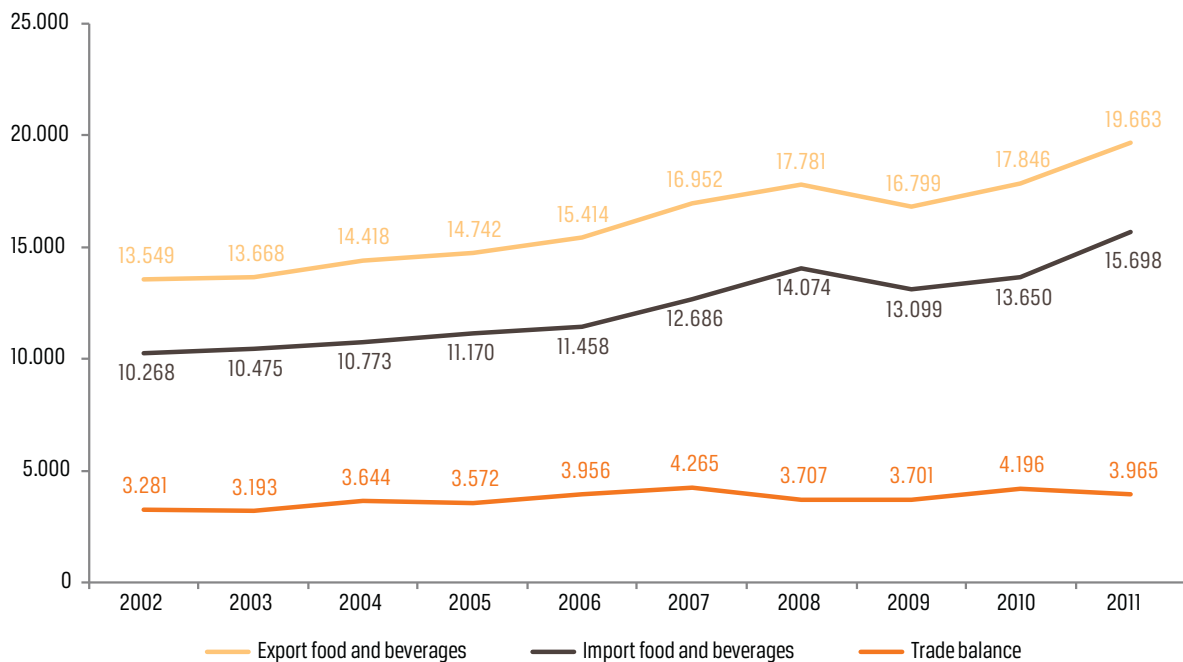
→ ... while exports rise (as a % of turnover) and jobs are protected...



Exports of Belgian food products grew from €13.7 billion in 2002 to €21.6 billion in 2011, representing an average growth rate of 5% per year. Employment in the food industry has stood firm in spite of a downward trend in employment in most other manufacturing industries. The food industry's share of employment in the manufacturing industry grew from 15% in 2001 to 20% in 2011. It provides jobs for 120,000 people, of whom 90,000 are employees, 15,000 are self-employed and 13,000 are temporary workers (FTE).

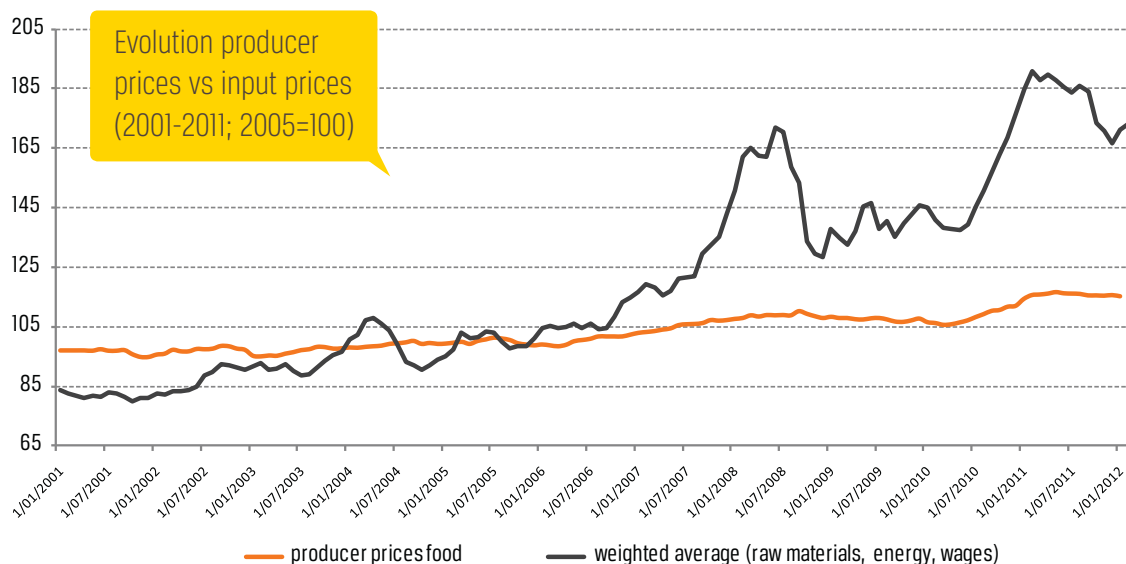


→ ... and generating a trade surplus of €4 billion



The Belgian food industry is an open industry which does not only source inputs locally but also imports goods and services from different parts of the world. In this open industry environment subsidiaries of multinational companies and domestic companies work side by side and process goods that are exported to a very diverse set of countries. Foreign owned companies represent about 40 % of all employment of the Belgian food industry. Together with domestic companies they develop the competitive advantages which Belgium offers for the food industry and generate a yearly trade surplus of € 4 billion.

→ But... margins are under pressure as input costs grow at a much faster rate than producer prices



Prices of raw materials have been very volatile and at the end of 2011 were twice as high as in 2005. But also other costs, e.g. energy and wages, have continued to rise. Input costs (raw materials, energy and wages) have increased at a much faster rate than producer or consumer prices. This trend is placing significant pressure on the food industry, because companies in the food industry seem to be unable to fully adjust output prices to changes in raw materials (input) prices or total input costs.



3. SWOT OF THE BELGIAN FOOD INDUSTRY

	Strengths	Description
S1	Good knowledge of quality products	Since consumers in the home market are demanding, thanks to our Burgundian food culture, Belgian food products are considered to be of high quality.
S2	Geographic location	The Belgian food industry is well located in a dense Western European market (major export countries) and at the centre of a logistics hub in the EU. This geographical location, close to major ports, roads and railways, facilitates exports to a large extent.
S3	Added value products	The Belgian food industry produces products with high added value, which is especially important for the strong Belgian position in export markets. Remember that the Belgian food industry export quota is only slightly below 50%.
	Weaknesses	Description
W1	Value of food sector is insufficiently known at government level	The value of the sector in terms of added value and job creation (also of low-skilled labour) is insufficiently publicised at governmental level. Although the food industry is one of the best performing industries, it is not recognised as such by most stakeholders. Unknown means unloved and neglected in the political decision-making process.
W2	Total cost of quality is high	The high level of quality and food safety measures makes the total cost of quality and thus the total cost of the product high. If the added value of products becomes too low in relation to the high cost of quality (especially for labour-intensive products), this could even become a threat in the future.
W3	Lack of big companies with decision centres in Belgium	The Belgian food industry has a relatively small share of big companies (eg in comparison with NL) with their decision centres in Belgium. This puts the Belgian food industry in a weak position when de- or relocation decisions have to be taken.



Opportunities		Description
01	Increasing world population and shift in purchasing power – high quality and value of Belgian food	Given the high quality and value of Belgian food products and the annual increase in the export rate, there is potential to increase exports even further. Although exports to neighbouring countries will remain very important, broadening the scope to include new markets (Eastern Europe, BRIC) could help to diversify the export portfolio. The world population is expected to rise to 8 billion in 2030 and 9 billion in 2050.
02	Civilisation diseases, healthy food and food safety	Significant knowledge has been developed by FASFC on the issue of food safety. This is a valuable asset that can be used for export promotion. (See Danish model where food quality monitoring institute is embedded in ministry of economic affairs and is involved in export promotion.)
03	Increased profitability of international brands	(International) brands are becoming more and more profitable. The Belgian food industry could do even more to improve international awareness.
Threats		Description
T1	High labour costs	Labour costs (fiscal and parafiscal) in Belgium are among the highest in the European Union, which erodes the competitive position of the Belgian food industry. Producers of products with low added value (such as private label) are particularly affected. It seems that recently the gap in labour costs between Belgium and neighbouring countries has been widening again.
T2	Scarcity of natural resources	Access to raw materials will become scarce in the future, especially for SMEs. Big multinational companies have higher purchasing power or can internalise raw material supplies more easily. However, if scarcity increases in the food industry, input prices will definitely continue to rise.
T3	Erosion of appreciation of quality	Emphasis on price reductions at the expense of quality could severely harm the image of Belgian food.

4. THE DIFFERENTIATING FACTOR - PASSION FOR FOOD

Of all the strengths cited, one appears to be critical to the success of the Belgian food industry: a passion for food shared by all actors in the food chain.

Belgians have a passion for food:

- The farmers are among the best in Europe
- The employees of the food companies are 'masters' of quality management
Quality management combines optimal efficiency in the production process with superior product quality and taste
- The retailers focus - more than abroad - on quality products being offered
- Belgian consumers recognise and appreciate the taste and quality of food



5. VISION AND STRATEGY - GOALS FOR THE FUTURE

We are proud of the Belgian food sector as the most robust and fastest growing industry in Belgium

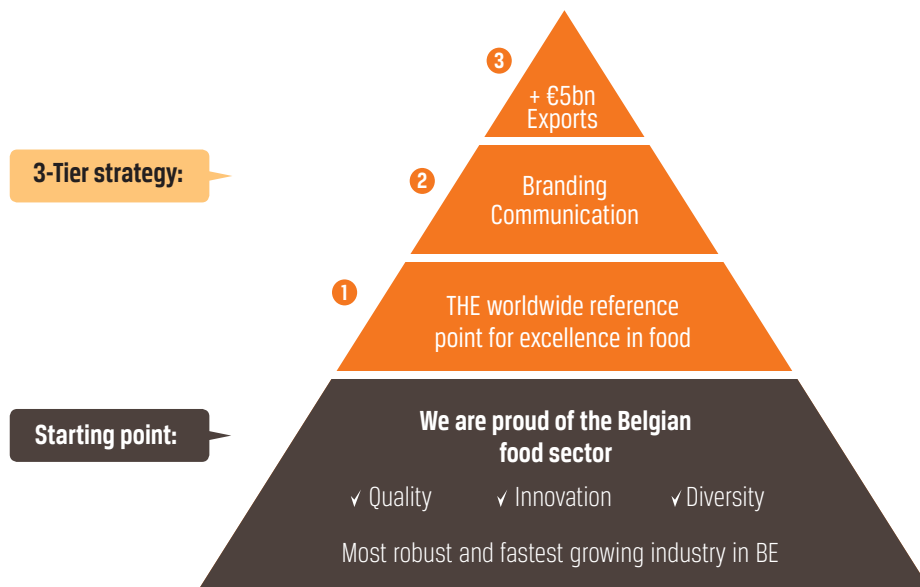
- as a diverse industry
- as a creator of added value
- as a stable employer (120,000 people, of whom 90,000 are direct employees, 15,000 are self-employed and 13,000 are temporary workers (FTE))
- as a producer of foods and drinks of outstanding quality

In a nutshell: "WYSIWYCEE" - **What You See Is What You Can Eat and Enjoy.**

This inspires us to set ambitious goals for the future in a 3-tier strategy:

- Belgium - the worldwide reference point for excellence in food
- Brand our pride in and passion for food
- Growth of food exports by €5 billion by 2015





1 Belgium – the worldwide reference point for excellence in food

Why?

Belgian consumers recognise and appreciate the taste and quality of food. They demand top quality from food producers and are therefore at the heart of the global success of the Belgian food sector.

Objective

Production of quality food is a key strength of the Belgian food sector.

This excellence in food is made possible through:

- the outstanding craftsmanship of its employees;
- their dedication to quality, safety and health; and
- their ability to develop products that satisfy the most demanding consumers.

These capacities should be recognised and further enhanced.

How?

Over the years, FEVIA, its partner organisations and the competent authorities have developed an increasing number of initiatives in close cooperation, which contribute to the excellence of the Belgian food sector at all levels. These efforts are being continued and further boosted:



	partner	branding	target audience	actions
Employees/ people	IPV-IFP, education, VDAB-FOREM-ACTIRIS and SYNTRA-IFAPME	food sector as a stable and attractive employer show pride of the people working in the food sector	stakeholders	focus on cooperation with partner organisations and competent authorities food@work projects in Wallonia and Flanders
			young people and schools	focus on influx of young people innovation competitions for school teams
			employees in the food sector	focus on the opportunities for continuous training
innovation	Wagralim, Flanders' Food, universities and colleges	ability of the food sector to develop products that satisfy the most demanding consumers	scientists and trade contacts	focus on marketing
Food safety	FASFC	outstanding safety management in the Belgian food sector	public opinion and trade contacts	focus on benchmarking of food safety management
health	federal government and communities	food sector as a responsible actor	federal authorities, communities and health professionals	focus on balanced food offer, consumer information and responsible marketing promotion of healthy lifestyles
environment	FEVIA and its members	minimal impact of food sector on the environment	public authorities and stakeholders	focus on resource efficiency and reducing food waste
sustainability	FEVIA and its members	food sector as transparent and open to dialogue and cooperation	stakeholders	preparation of the second food industry sustainability report due in 2014 cooperation within the food chain for a sustainable agro-food system
Food chain partners	FEVIA and its members	food industry as reliable partner	actors in the chain upstream and downstream	focus on the supply of quality raw materials
promotion	all parties concerned	promotion of Belgian excellence in food	public opinion	joint public/private actions

2 Brand our pride in and passion for food

Why?

Conveying our pride in and passion for our excellence in food, which stems from our roots, heritage and diversity, is a must for catalysing growth.

The food industry's growth strategy heavily depends upon its capacity to translate it into an engaging and dynamic message. Although we have some strong international brands (beer, chocolate, biscuits, etc...) Belgium, and consequently Belgian food products, do not have a powerful enough image in our export markets, and especially in emerging markets.

Objective

Develop a strong message and engaging branding which shows that Belgium is the worldwide reference point for excellence in food.

The image of the sector will only improve if all the companies, industry associations, government agencies and partner organisations support this 'pride' and 'passion' message, which will lead to additional growth.

How?

FEVIA has developed a communication concept with great potential which could boost the growth of the food sector in both local and external markets. But its impact is entirely dependent on the cooperation of all the relevant authorities and partners.

FEVIA therefore invites all interested parties to examine the possibilities of this concept, so that it can be optimised while respecting their specific needs and autonomy.

• Branding

Knowhow in Belgium about excellence in food
Branding through name, logo, baseline and brandography

• Public Relations

Belgian food industry is best kept secret
PR campaign targeted at FOOD stakeholders

• Public Affairs

Give food industry the place it deserves
Joint public/private actions

3 Growth of food exports by €5 billion by 2015

Why?

Due to saturation on the Belgian market, the sector depends on exports for growth. Higher exports could boost further growth in the Belgian food sector.

Objective

Growth of total turnover in the Belgian food industry from €44 billion in 2011 to €50 billion in 2015 through combined efforts in the local and external markets.

- Maintain positive growth rate in the local market despite the challenging economic context by raising sales from €22 billion in 2011 to €23 billion in 2015.
- Boost growth of food exports by €5 billion from €22 billion in 2011 to €27 billion in 2015. This requires export growth in 2012, 2013, 2014 and 2015 of 5% per year, which is the average growth rate achieved between 2002 and 2011. This growth will necessitate both an increase of the market share in existing export markets and the development of new growth markets.

These objectives are to be set against a background of an unstable and challenging economic environment in our local markets, in Europe and in the entire world.



How?

Development of an export strategy in consultation and cooperation with the members and external experts. These strategies will be translated into a series of periodic reports with specific actions and goals.

The same methods will be used as for the other fields: involve, advise, network, link, defend and facilitate.

Involve, advise and network with the members

- Establishment of clubs of export managers
- Information sessions on exports to foreign markets in cooperation with the competent authorities and experts
- Publication of guidelines on specific themes, countries and their markets in cooperation with specialised consultants and agencies
- Creating a manual and methodology for opening up new markets and export tools
- Encouraging participation in foreign missions
- Database and showcasing of Belgian food products
- Creation of a contact point for cooperation between the food industry and government organisations

Link, defend and facilitate with third parties

Regional authorities	Federal authorities	Business schools
Regional governments and administrations Improving logistics, opening up the ports	Federal government and administration Maintain competitiveness by controlling all input costs (salary costs, raw materials, energy, etc)	Training of export managers (in particular for SMEs)
FIT, AWEX, Brussels Invest and Export Developing expertise centres with information on foreign legislation Access to the network of local partners Access to market studies Jointly coordinated branding and communication concept Joint stands at fairs	FASFC Bilateral negotiations aimed at opening up foreign markets FPS Economy International trade negotiations Monitoring of export statistics by product group FPS Foreign Affairs Economic diplomacy Belgian food products at diplomatic receptions International trade negotiations FPS Finance Simplification of customs procedures	



6. CONCLUSION

Economic growth is an essential component of a sustainable industry. This report illustrates the strong performance of the Belgian food sector in this field and its capacity to build further on these assets for the future. However, successful growth depends largely on two important drivers, for which cooperation with all the competent public authorities is crucial: competitiveness and branding.

- **Competitiveness** requires innovative market strategies and control of all input and production costs (such as salary costs, raw materials, energy, administrative costs).
- **Branding** requires the use of coherent and coordinated messages by all government agencies responsible for export and promotion.

FEVIA has developed a communication concept with great potential which could boost the growth of the food sector in both local and external markets. But its impact is entirely dependent on the cooperation of all the relevant authorities and partners.

FEVIA therefore invites all interested parties to examine the possibilities of this concept, so that it can be optimised while respecting their specific needs and autonomy.



This Food 2015 strategy was developed with the support of the Vlerick Business School and IDEA Consult. Three brainstorming sessions were held between May and October 2012 with leaders of the Belgian food industry. One session was held with the directors of the branch associations.

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