

## Breaking News on Food Processing & Packaging - Europe

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### **Innovation as the key to EU food trade**

By Ahmed ElAmin

25/04/2007- **With their domestic markets remaining generally stagnant, EU processors are turning more and more to international trade as a means of keeping their bottom lines healthy.**

But while international export sales are continuing to grow, **the food industry as a whole is worried that the EU is losing its market share in a globalised world.**

One can blame the loss of market share on the use by countries of current trading barriers, subsidies, tariffs, food safety rules and other technical methods to protect their domestic industries.

But while governments are working on dismantling such barriers at the international level, the EU's food industry is also examining the internal problems that may be leading to the loss of competitiveness.

It's an introspective look at some of the self-imposed constraints that industry needs to fix if it is to be in a position to properly compete.

**One area consistently pinpointed by the Confederation of Food and Drink Industries (CIAA) as a competitive drawback is the relatively low amount of spend on research and development by EU processors.**

**Boosting research and development spending and translating such findings into innovative products would go a long way to helping hoist the EU back into a more competitive position.**

**Such innovation will be especially important once the EU's own trading barriers come tumbling down and foreign companies get greater access to the domestic markets.**

As CIAA president Jean Martin says, only by offering innovative products, such as pharma-like foods, can domestic companies meet the evolving demands of consumers.

*"We need an effective integration of strategies, focused trans-national concerted research into*

*nutritional foods, consumer science and food chain management,"* he said at a conference in Brussels, held earlier this month.

He called for increased public R&D funding for the industry, and for individual companies to boost their budgets to maintain their innovative edge.

**While overall spend on research and development is increasing, the EU food sector as a whole looks like a miser compared to other domestic industries and to global competitors.**

**Compared to other industries in the EU, the food industry spends the smallest amount on innovation. Only 1 per cent of total investments in the food industry are made into R&D, according to a CIAA study.**

In 2005, the top 15 food companies in the EU spent a total of €3bn on R&D compared to the automobile industry, which invested €58bn over the same period. A further survey of European, American and Japanese food companies showed that relative European food companies spend was below that of their counterparts.

**The CIAA study also showed that domestic R&D intensity, expressed as expenditure in the food and drink industry as a percentage of industry output, was, on average, 0.24 per cent.**

**This percentage is below the spending by the food and drink industries of its main competitors. The equivalent figures for the US is 0.35 per cent, Australia at 0.40 per cent and Japan tops out at 1.21 per cent.**

Furthermore innovation was concentrated in the bigger companies. Nestlé was the world's biggest R&D investor in 2005. Unilever ranks second, although its R&D figure includes all the company food and non-food activities.

**A full 48 per cent of EU food and drink companies said they are not planning to expand their R&D spendings. Another 4 per cent are considering closing down their R&D activities.**

The figures are particularly relevant as the EU market share of the global exports market is shrinking. It was 20 per cent in 2005, compared to 24 per cent in 1997, the CIAA stated.

Exports totalled €48 billion in 2005, a gain of 5.3 per cent compared to 2004, while imports added up to €43 billion, a gain of 5.5 per cent.

One push by the CIAA is to encourage the European Commission to encourage more funding for R&D projects initiated by its smaller members. Younger, smaller companies can have innovative ideas, but are generally constrained by their size and financial resources.

Another part of the solution is for industry to be more cooperative with each other in driving innovations. CIAA's Martin acknowledges getting competitive companies together to brainstorm might be a difficult proposition.

*"We need to figure out where we should spend the money,"* he said bluntly.

Such cooperation would include identifying the needs of the industry, determining an effective integration of strategies, focused training, and a coordinated alignment of research resources, he said.

*"What we need is higher R&D investment," he said. "We have to spend more and spend it better... We need to turn the outcome of research into something we can put on the shelves."*

He also called for more investment in "human capital", the workers, by providing adequate training and through promoting the development of food science related degrees.

On the regulatory field, food authorisations need to be speeded up. Food authorisations take three months in the US, two months in Australia and 31 months in the EU.

By the time a food gets approved in the EU, the technology and innovation has already moved on, he pointed out.

As an example he pointed to an assessment of a food safety technique using high pressure processing for fruit that took 2.5 years to gain approval in the EU.

*"The world moves fast," he said. "The technology changes."*

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