Three Theses on the Future of Nutrition and the Food Trade

- Keynote Statement -

1. Food is becoming more and more an item of political interest.

In developed countries food, consumption and shopping reflect a certain outlook on life. In the past food was required to fill people's belly. Today it is supposed to keep people healthy and contribute to realizing various lifestyles. Furthermore, consumers want the production, processing and marketing of food to be socially acceptable and climate-friendly.

I would like to quote a few examples.

Reduction of sugar, salt and fat in convenience food

An excess of sugar, saturated fatty acids and salt increases the risk of overweight, obesity and diet-related chronic diseases. The treatment of such conditions is expensive, and as a result, health services face enormous challenges on a worldwide scale.

Therefore, the German Federal Government adopted a “Strategy for Innovation and Reduction of Sugar, Fat and Salt in Convenience Food" in December 2018. This Strategy focuses on the reduction of sugar, fat and salt in convenience food.

The German food trade welcomes this Strategy and supports it. The food trade has always offered a wide range of diverse products which are essential to a balanced diet. Among these there are many foodstuffs which already contain less sugar, salt or fat.

The trading companies are aware of the increasing social need for dealing with the issue of overweight in society. This is why they started to adapt the sugar, salt and fat content of their private label products several years ago.

Now the German food trade is intent on continuing to pursue this commitment alongside the craft-based food industry, the food industry and the German Federal Government within the framework of the National Strategy for Innovation and Reduction.

The focus is on the following products:

- Breakfast cereals for children
- Soft drinks containing sugar
- Dairy products for children
- Frozen pizza

Animal Welfare, Animal Welfare Label and Animal Husbandry Labelling

In February 2019 the German Federal Government presented key parameters for a **voluntary public animal welfare label**. These key parameters are based on a bill which was submitted to the EU Commission for notification. Now the bill will undergo all the stages of parliamentary practice. The public animal welfare label will be implemented in three grades which will be based on each other.

The German food trade is actively contributing to enhancing the wellbeing of livestock in many areas. The food trade's Initiative on Animal Welfare (Brancheninitiative Tierwohl, ITW) is clear evidence of that. Since the launch of the Initiative in 2015 the trading companies involved in it have been funding measures to upgrade the standards in pig and poultry husbandry. By the end of the current funding period (2020) the trading companies will have spent more than a total of 600 million Euros for this purpose.

The implementation of a cross-company standardized animal husbandry labelling system represents a further measure taken by the food trade. It is closely connected to the Initiative on Animal Welfare. This system informs consumers on available animal husbandry standards and on the housing conditions of the respective animals. The new labelling system comprises four categories:

1. Category 1 ("Indoor Housing") complies with legal requirements.
2. Meat labelled Category 2 ("Indoor Housing Plus") must derive from animals that were kept under enhanced housing conditions. For example, such animal housing must provide at least 10% more space in the indoor enclosures and additional materials for the animals to manipulate.
3. Category 3 ("Outdoor Climate"), among other things, ensures more space for the animals and access to fresh air.
4. Category 4 ("Premium“) grants even more space to the animals. They must have the opportunity to move outdoors. Organic meat falls under this category, too.

Reduction of Food Waste

The 2030 Agenda of the United Nations defined specific goals for all countries of the international community to commit themselves to sustainable development for the first time. The food trade companies clearly appreciate the goals set by this Agenda. I would like to put a gloss on Sustainable Development Goal 12.3. It stipulates that food waste must be reduced by 50% by the year 2030. This goal was taken up by the European Union. The **EU Circular Economy Package** stipulates that the member states must reach the UN goal with the help of national strategies. In February 2019 Germany presented a **National Strategy on the Reduction of Food Waste**.

The German food trade appreciates the Federal German Government's Strategy on the Reduction of Food Waste. The trading companies are involved in the implementation of the Strategy.

The German food trade scores a low amount of food loss and waste. Throughout all product groups it amounts to an average of 1.5 % of the net value of goods. For fresh produce groups the average amount of loss and waste is almost 3%.

This low rate is due to good product requirements planning. It is realized by demand-driven assortment compilation, close co-operation with suppliers, for example by sharing sales and projection data, and by improving projection accuracy.

Furthermore, the food trade initiates sales campaigns for products the shelf life of which is about to expire, and it co-operates with charitable institutions such as food banks in order to reduce the amount of food loss and waste.

2. Convenience food, out-of-home eating and sustainable products are becoming more and more important

Changing lifestyles have an impact on consumer habits and the meaning of individual meals. Whereas lunch at home was vital in the past, nowadays dinner tends to be the meeting point for family and friends. Furthermore, the time factor and deliberate consumption of certain foodstuffs is gaining increasing importance to many people. With its supply expertise the food trade seizes on these tendencies and co-creates important trends. Among these are convenience food, out-of-home eating and sustainable consumption.

Convenience food products are designed such that the producer adopts at least one processing step of their preparation. Fresh-cut products, chilled food, instant meals or nearly instant meals - convenience food products spare consumers a lot of work in the kitchen. Many products only need to be seasoned or heated. Some convenience food products like smoothies, sandwiches or ready-to-eat salads are even ready for immediate consumption. The manufacturers adapt to the current trends. Hence, there are more and more small packaging sizes or special offers such as vegan snacks. Shops in city centre locations provide a high percentage of convenience food products by offering takeaway services.

The food trade also provides more and more out-of-home eating services by integrating **catering programmes**. Many supermarkets offer various meals / products in front of the checkout counters for immediate consumption. However, catering services in the retail space are increasing, too. There are relatively new hybrid catering models like small restaurants integrated into the supermarket. They are aimed at enhancing the customers' shopping experience and increasing the quality and duration of their stay in the shop. Thus, supermarkets turn into social meeting points and places of communication.

Currently the German food trade is generating sales of more than 5 billion Euros per year from catering businesses (in front of checkout counters: 3 billion Euros, takeaway services (convenience food): 2 billion Euros, catering services in the retail space: 0.2 billion Euros). This amounts to 56 percent of the total turnover generated by catering businesses in the German retail trade.

Regional products are gaining increasing importance when it comes to the discussion about sustainable assortments. Market experts expect an annual sales volume of about 30 billion Euros. Thus, regional products would be the highest selling partial assortment. Trading companies support this trend by creating private label programmes for fruit and vegetables or for dairy products.

Meanwhile, the **organic food segment** is of significant importance to sales, too. Its market volume has been greatly increasing over the last years throughout all product groups. Today it amounts to a total of almost 10 billion Euros. The sales share of the German food trade in the national organic food market amounts to approximately 58 percent.

Currently, **Fair Trade** is generating annual sales of about 1.3 billion Euros in Germany. Compared to 2012, sales have doubled. This would not have been possible without extensive listings of diverse fair trade food products supplied by the German food trade. The best-selling products were tropical fruit, coffee and chocolate with a Fairtrade label from the trading companies' private brands as well as from competitors' brands.

3. Digitalisation is changing the food trade

Nowadays, customers walk into shops using their mobile phones as shopping assistants. With the help of their phones they gain information, compare prices, etc. The nature of shopping and the appearance of shops have visibly changed. The keyword “digitalisation” is often used in connection with the food trade when it comes to e-commerce of food. However, these issues are much more complex. In the past years the food trade business has made enormous technological progress. For example, consumers nowadays consider free Wi-Fi to be a perfectly normal equipment feature. More and more supermarkets are introducing electronic shelf labels. Traditional means of communication to enhance customer loyalty like leaflets or loyalty programmes are increasingly replaced by digital solutions. All this is boosted by the trend towards a cross-channel / omni-channel approach adopted by the trading companies.

E-commerce of food is rapidly growing in Germany (in 2017: + 17.5 %). Its overall market share, however, is low. In 2017 it amounted to 1.1 % (data provided by the German Retail Federation (Handelsverband Deutschland - HDE)). Compared to other countries, Germany has to deal with a number of external conditions with regard to e-commerce of food. We have a very dense and high-quality network of grocery shops. Furthermore, there are strong competition between the market players and low profit margins, along with a relatively strong focus of consumers on prices. Customers are less inclined to pay the higher cost of food shipments. Therefore, in Germany, compared to other countries, it is difficult to run an e-commerce business for a standard food assortment in a cost-effective way.