



**Food Processing and
Packaging Machinery**

Statement

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Press conference

at drinktec 2017

Munich, September 11th, 2017

- Check against delivery! -

Good morning, Ladies and Gentlemen,
Now that Mr. Clemens has taken a look at the mechanical engineering sector as a whole, I shall now report on the specific areas relevant to drinktec – that is food and packaging machinery, including beverage technology.

Impeccable products, many taste and quality variants as well as different packaging types and sizes – this is what the consumer has come to expect from beverage suppliers and manufacturers of liquid food. Taste and quality are the responsibility of the supplier. The task of mechanical engineering is to make sure these features can be offered in bottles, cans or cartons at a reasonable price and without limitations.

The empowered consumer today demands more than just a faultless product. They want to know whether the production process is eco-friendly, sustainable and socially correct. If not, reactions may range from indignation to “shit storm”. Mechanical engineering will ensure technological perfection with individual solutions for each and every customer. At the same time, we often surprise our customers with new creative approaches for the entire process chain. In Germany, engineers, software experts and specialists are simply superb.

The innovation density and hundreds of detail improvements at drinktec are the best proof of this. As a VDMA representative, as well as the chair of the drinktec advisory board, the

range offered here makes me very optimistic for the fair and its results.

In addition to the technical advance in food processing and packaging machinery, it is the market itself which also carries us on to new horizons. We do not need to worry about a Kodak moment: We will not have to realize one day that our machines will be superfluous. Not only shall we always *need* to eat and drink, the activity itself also has its pleasurable social and communicative aspects.

The global trends for a steady market growth in the food and drinks sector have continued for years. Each year, the world population is increasing by a figure larger than that of the entire population of the Federal Republic of Germany. According to a United Nations estimate, there will be around 9.6 billion people living on earth by 2050 – instead of today's 7.2 billion. This organization also predicts that by 2050, two-thirds of the world's population will live in urban areas. Urban people are much more likely to choose packaged products than people living in rural areas. Despite there being setbacks every year, there is also good progress made in the fight against poverty at the same time. The growing middle class is consumption oriented, especially in the Asia / Pacific region.

This situation is mirrored by the dynamically growing world market for food processing and packaging machinery. In our

mechanical engineering sector, foreign trade rose to € 38 billion in 2016, an increase of 6 percent over the previous year. With 22 percent, Germany had the largest share of the worldwide exports right before Italy (21 percent). The USA and China followed at some distance. In some specific areas, German manufacturers even did a lot better. In 2016, for example, we sold around one-third of the world's exported beverage packaging machines and 54 percent of brewery machinery. Where the latter is concerned, Mexico once again was the recipient country with the most German imports, followed at some distance by the United States who came second. These are not fake news, you can tweet them, and I would be curious about the US reaction. However, it is fair to say that large projects often lead to statistical distortions. Generally speaking, the US is still the largest market for German food processing and packaging machinery.

The current figures indicate that we will continue to stay number one in the world market. After the first seven months of 2017, incoming orders already have risen by 5 percent compared to the previous year. For the full year 2017, we now expect a production output growth of about 4 percent for the entire sector of food processing and packaging machinery.

Over the last year, the production value of the roughly 600 companies belonging to our industry rose by 2.4 percent to 13.3 billion euros. Of the 34 branch industries of the German

mechanical engineering industry, we have therefore ranked fifth for years. Compared to the entire mechanical engineering sector, we have been able to increase our production in Germany significantly by 15 percent over the past five years. With us, the export rate is 84 percent on average, exports go to over 100 countries, some manufacturers of filling and packaging technology sell their products in 150 countries. Exports thus rose disproportionately by 4 percent to 8.3 billion euros in 2016. There are no very precise statistical data available about those deliveries solely made to the domestic and foreign drinktec target group - beverage suppliers and the liquid food industry. We estimate this value to be around 6 billion euros, though.

From an international point of view as well as for the German suppliers, Europe remains to be the most important sales region with roughly a 50 percent share. The EU countries alone account for 33 percent of German exports, followed by Asia with 22 and North America with 13 percent. Listed according to customer countries, the USA is in first place before France, China, the United Kingdom, Poland and Russia. Economic or other factors tend to change this order from year to year. Generally speaking, we expect individual countries in Asia, Latin America and Africa to gain in importance. Already in 2016, exports to the Republic of South Africa, Nigeria, Iran, India and Mexico had reached record highs.

In these countries – and also generally around the world – drinking beverages has increased. According to Euromonitor, consumers bought around 1.1 trillion litres of packaged beverages in 2016. Market researchers expect the annual growth rate to be just below 3 percent in the coming years. Euromonitor continues to report above-average growth in the regions of Africa / Middle East and Asia / Pacific, while sales in the saturated markets will only increase slightly. At the same time, the industrialized countries remain strong buyers. Competitive pressure forces the beverage industry to bring innovations and more individual products to the market, which in turn necessitates investments in the machine park.

Bottled water – sometimes the only drinking water available – already accounts for 30% of the beverage consumption. In the future, this share is expected to go on rising by some 5 percent per year for water alone. Carbonated soft drinks and alcoholic beverages are growing at between 1 and 2 percent. In the case of the latter, beer is still the favourite beverage with a share of 80 percent. Beer is liked the world over, and craft beers are also enjoying increasing popularity. Despite the lower output, the craft brewers have shown themselves to be both eager and challenging customers for the smaller systems. They are keen to experiment, creative and open to new taste experiences. For example, science has identified the taste-promoting effect of pressure conditions in the cabin for

the unexplainedly high consumption of tomato juice in airplanes. Recently, an airline has been serving a craft beer, whose taste components are expected to unfold at 35,000 feet!

It is due to water consumption that today one third of all beverage packaging is made of plastics, followed by glass, can and cardboard. While showing the same stability, PET bottles have become light weight and easy to recycle. The advertising slogan “indestructible” is, in fact, no longer true. As a first step, the bottle collecting machine at the shop will shred the bottle noisily. A recycling system ensures that new bottles can be blown out of the resulting PET flakes.

The IK Industrievereinigung Kunststoffverpackungen (German Association for Plastics Packagings and Films) alone determined a 98 percent recycling rate for PET disposable bottles and 93.5 percent for other PET bottles. According to IK studies, 80 percent of the used PET material is recycled in Germany, while the rest are mainly processed in neighbouring countries. I am a professed fan of a materials cycle and so these figures, of course, make me very happy.

Already since the 90s, we have been dealing with the complex issue of digitalization, which will change industry, society and politics alike. The buzzwords here are Industry 4.0, the Internet of Things or Big Data. For the bottling companies,

controllable and safe systems are developed that allow a continuous flow of information from machines and processes to man. The goal is self-organizing complex production processes that include the integration of relevant external data. Previously, beverage bottling companies knew the rule: either be fast – or produce individually. Through the digitization process, both requirements can now be met at once – down to lot size 1. This opens up completely new opportunities for the marketing of drinks.

With all this considered, German beverage technology both positions and distinguishes itself worldwide as a leading provider of intelligent operating and assistance systems – with which we are well ahead of the growing Asian competition.

This data recovery also supports the economical use of resources. Already in the recent past, energy and water consumption has been drastically reduced, but – if we look for sustainability – there is still a bit more possible. This will be demonstrated by the VDMA drinktec Symposium on Water Technology and Water Management. Also, industry 4.0 will be presented at the VDMA booth in Hall B3. Together with partners from the research institutions, projects will be shown that focus on individualization, communication and networking, artificial intelligence and self-learning systems.

I invite you all to take a good look around at the VDMA booth. It will be well worth your while. You might then perceive a simple bottle with different eyes. But it does not have to stop at merely looking. We have a specially brewed jubilee beer for you - "125 years VDMA" -, from a bottle with a specially designed label.

Thank you for your attention!

Now to Dr. Pfeifer, who I know shares my trade fair optimism.