

Food

The food and beverage industry maintained its momentum from the previous year into 2007. Despite lower prices (with the exception of dairy products) and the adverse trend in raw materials costs, many companies again reported higher sales, although earnings were not able to keep pace entirely. The Swiss food market is regarded as saturated, and given the demographic trend toward low population growth, no great new potential is expected. Effective growth is based primarily on demand from overseas.

Long-term pressure on prices

Price pressure from the buyer side can be explained by two factors. First, buying power has increased significantly in the aftermath of various retail mergers, and is likely to keep rising. The takeover of Denner by Migros as well as the acquisition of Carrefour markets by Coop last year represented important steps in this direction. The impact that the market entry of German retailers Aldi and Lidl will have on the buying power of Swiss food retailers still remains to be seen.

The second reason for the pressure on prices goes back to the gradual opening of the Swiss market, which is exposing domestic producers to competition from their European rivals. This trend toward liberalization has not yet run its course. With the introduction of the Cassis de Dijon principle, many companies fear that their products will be undercut by cheap imports. It also remains to be seen whether the Swiss Parliament will acquiesce to the demands of the food industry and only agree to a mutual application of the Cassis de Dijon principle which applies in both directions and would reduce trade barriers for Swiss products abroad. However, it seems doubtful that the EU would accept an arrangement of this kind.

Areas of new potential

On the other hand, the opening up of markets also has numerous advantages. China is widely vaunted as a market of the future, though sales of Swiss food products have been relatively modest there to date. However, the potential is considerable, and the food industry has welcomed exploratory steps toward a free trade agreement with China. One reservation that remains is the question of how much pressure this would put on Swiss agricultural products. Growth potential is also seen for "medical nutrition". Collaboration with the pharmaceuticals industry should work particularly well for Switzerland when it comes to playing a leading role in this market, which is growing worldwide.

Milk is refreshing again

Comparing the performance of the various sub-sectors, last year's excellent results for the confectionery and chocolate industry stand out especially. 2007 was also a very good year for the milk processing industry. Prices rose on the back of high demand for dairy products, which also benefited Swiss producers. Even higher prices are expected for the current year, with a very optimistic assessment of the earnings situation. The picture was less rosy for companies in the baked goods industry and meat processing, according to our survey. In fact, meat processors had to content themselves with lower sales and earnings than the year before. ■

