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# Trends in food supply and demand and their consequences – basic analyses

Summary



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## SUMMARY

The »basic analyses« present the results from the first phase of the TA project »Trends in food supply and demand and their consequences«. The goal is to offer a well-organised general overview of the topic of food. The analysis adopts a range of perspectives, in line with the complexity of the topic. For this purpose a large volume of information was compiled and analysed to identify interrelationships, and – as far as possible – future developments.

A wide variety of aspects of food supply and demand and trends in these are analysed in detail. The study covers both the different food product groups and the different origins and forms of processing of food. The latter deals with convenience products, functional food, novel food, genetically-modified food, exotic products, organic food and regional food. A common feature of these is that they are expected to grow more or less rapidly in importance. The contexts for consumption and supply and different consumer groups are also studied. There are numerous factors affecting supply and demand, and this study discusses economic, social and cultural, technical, legal and political developments.

Another major complex of issues explored is change processes in the food chain. The focus here is on economic structural changes in the food trade and food manufacturing industries. Besides economic trends, scientific and technical developments are also explored.

Despite the large number of individual developments, certain general trends are apparent.

First, there is the increasing differentiation. This applies to consumer attitudes and desires. Consumer demand for food breaks down into an increasing number of groups, and demand is also becoming more differentiated at the level of the individual consumer. On the supply side, the food market is becoming increasingly segmented. This applies to both forms of production and product characteristics. In a saturated food market, innovation is essential for securing or expanding market shares. This results in an accompanying reduction in product life cycles. However, classic food retailing (supermarkets, discounters) limits growth in product diversity through its limited product range. This effect is weakened by growing differentiation in food marketing channels. Examples are direct marketing, farmers markets, regional supply systems, sales through filling stations, delivery services and e-commerce.



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Another trend is increased polarisation. Among consumers, there is an identifiable split in demand between high-end products and cheap offers, partly as a function of income. The middle market segment is accordingly losing market share. This represents a problem particularly for food industry SMEs. With discounters on one side and experience marketing and specialist retailers on the other side, a similar trend is emerging in food retailing.

Finally, certain developments suggest growing convergence. By this, we mean that despite the growing diversity of the food supply, differences are blurring. One contributing factor, for example, is the increasingly scientific nature of food production, and the rising number of stages in processing. Another factor is the growing convenience orientation at product, service and retailing level. The increasing demands of general food, environmental and animal protection regulations are also having a levelling influence. This is making it difficult for consumers to identify and evaluate differences in quality.

Other key findings are:

- > In the past, there have been substantial changes in food groups and industries. For the future, demand is likely to decline (further) for meat, sugar and alcoholic beverages and grow (further) for fruit, vegetables and cereal products.
- > With regard to nutrition goals, the development of food consumption is seen as overall positive, but also with negative elements. There will probably continue to be substantial health problems in future from overeating or faulty diet (too much, too fatty, too sweet).
- > Product categories which run »across« the food groups will become increasingly important. Consumer attitudes towards and expectations of these are very different, and the magnitude of possible growth in demand is uncertain. The new product categories represent an increasingly diverse food supply, and could lead to substantial changes in the structure of the food supply.
- > Convenience is becoming more and more important for products and retailing. Activities (e.g. food preparation) are increasingly being outsourced from private households.
- > There is still unexploited market potential in ecological and regional foods.
- > A continuing trend towards concentration can be expected among companies in food production and retailing.
- > Food production is also becoming increasingly scientific in nature. This is resulting in a greater displacement of experience in food production and processing and in nutrition.

Finally, the following important issues and challenges for the future can be identified:

- > What concepts for nutrition and food can best have a positive effect on health?
- > How can food security be ensured and the supply of consumer information be improved?
- > How can the competitive strength and innovative capability of the German food industry be enhanced?
- > How can growing demand for high-quality food be achieved without excluding low-income groups?
- > How can the environmental pollution along the food chain be further reduced, and specifically, how can the volume of transport associated with the food supply be reduced?
- > How can food legislation be simplified while at the same time achieving a high level of preventive health protection?
- > How can consumer, food and sustainability policy be further developed and better coordinated?



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