European Flour Millers

An overview of the European flour milling industry

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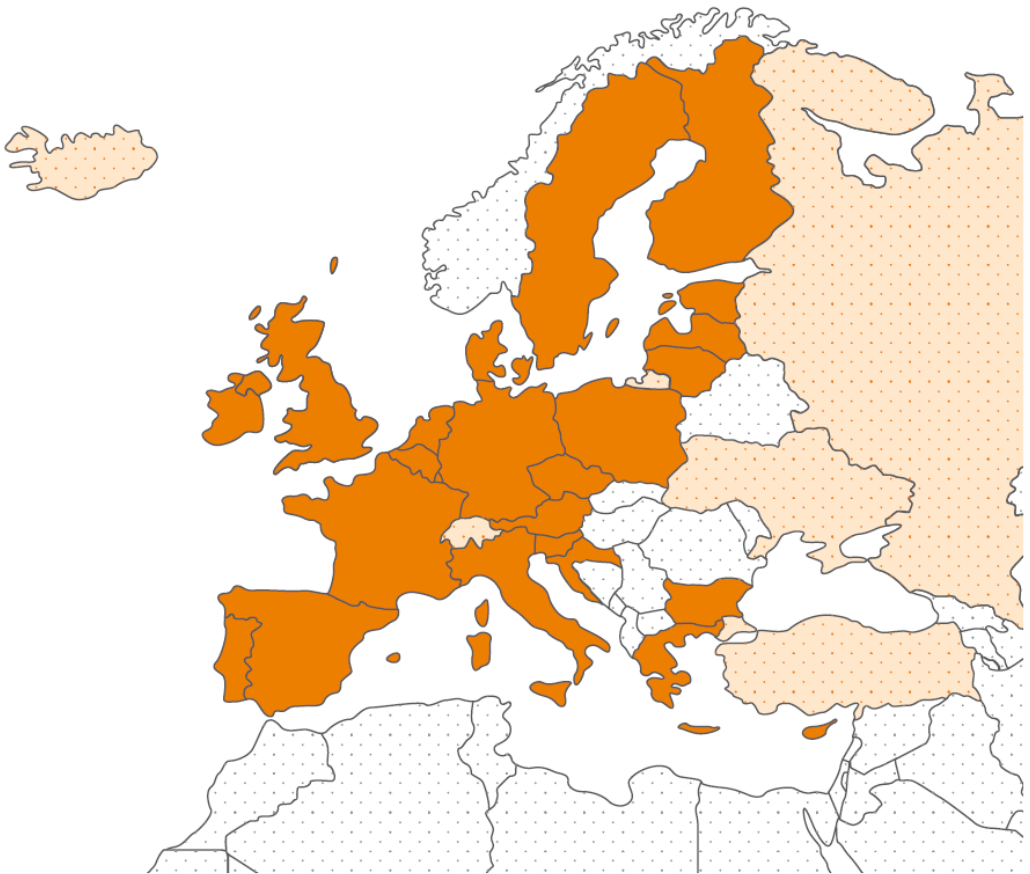
24 + 5 national member associations



The European flour millers on their internal market

A large variety of primary cereal products

45 000 employed people & 350 000 indirect EU farm jobs

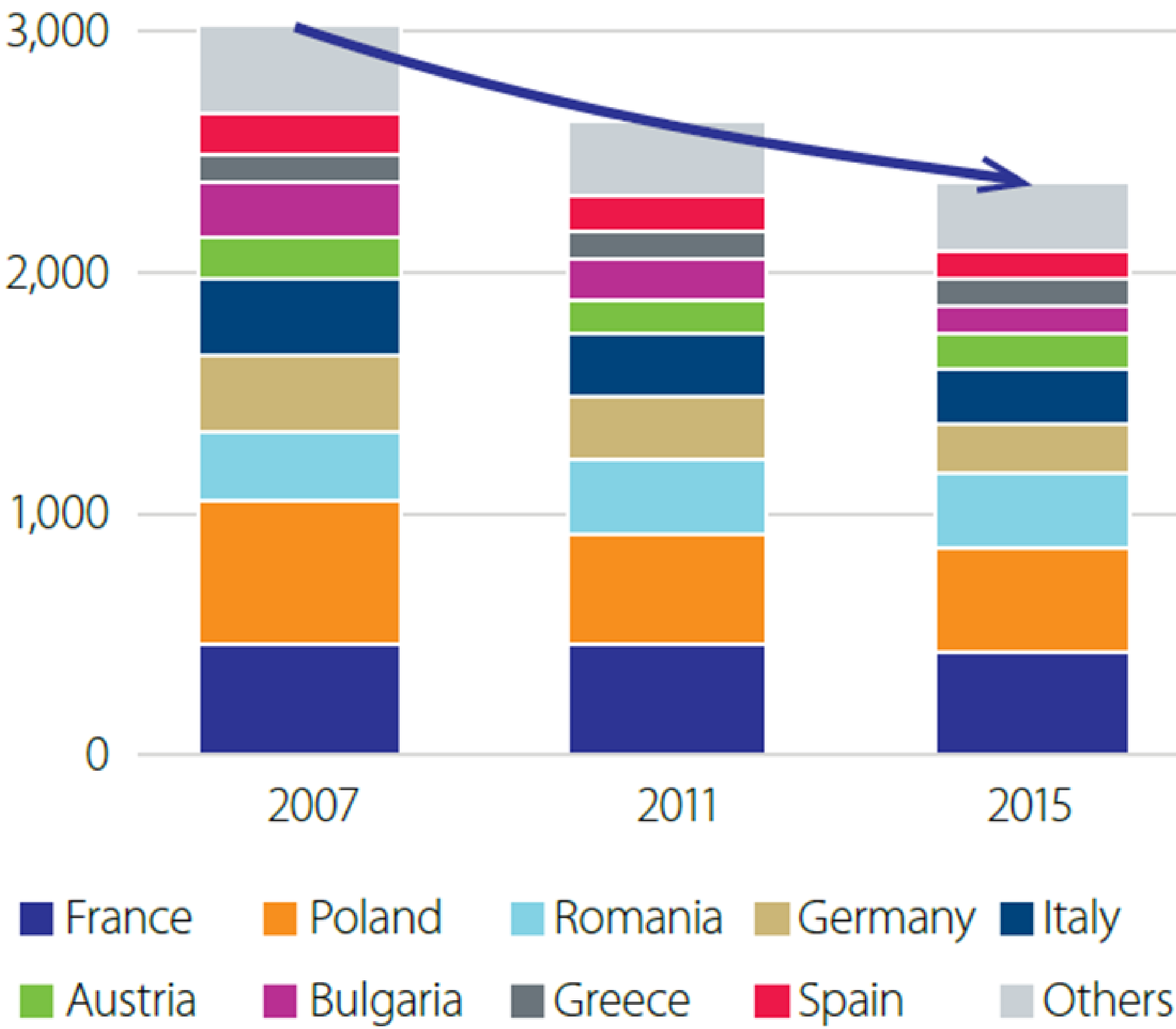
The sectors employs over 45 000 people and estimated 350 000 indirect labour at EU farm level due to its central position in the food chain (Source: *LEI-Wageningen UR* study)

The largest food user of domestic wheat, rye and oats

3 800 flour milling companies with a large majority of small and medium-sized mills

The industry has continued to consolidate. There were around 15 000 mills in Europe in 1960, whereas there are now some 3 800 milling companies.

Number of mills in the EU constantly decreasing



Source: European Flour Millers 2016

A long & progressive restructuring

Number of mills in key EU Member States (wheat & rye)				
	2016	**2010**	**2000**	**1990**
France	**416**	456	613	**1037**
Germany	**212**	271	361	**596**
Italy	**233**	259	550	**840**
Poland	**410**	480	850	**2 000** (estimated)
Romania	**300** + 800 rural mills	320 + rural mills	150 + 2 000 rural mills	-
Spain	**114**	140	231	**512**
Total EU-6	**2 409**	**2 689**	**3 093**	**+ 5 000**

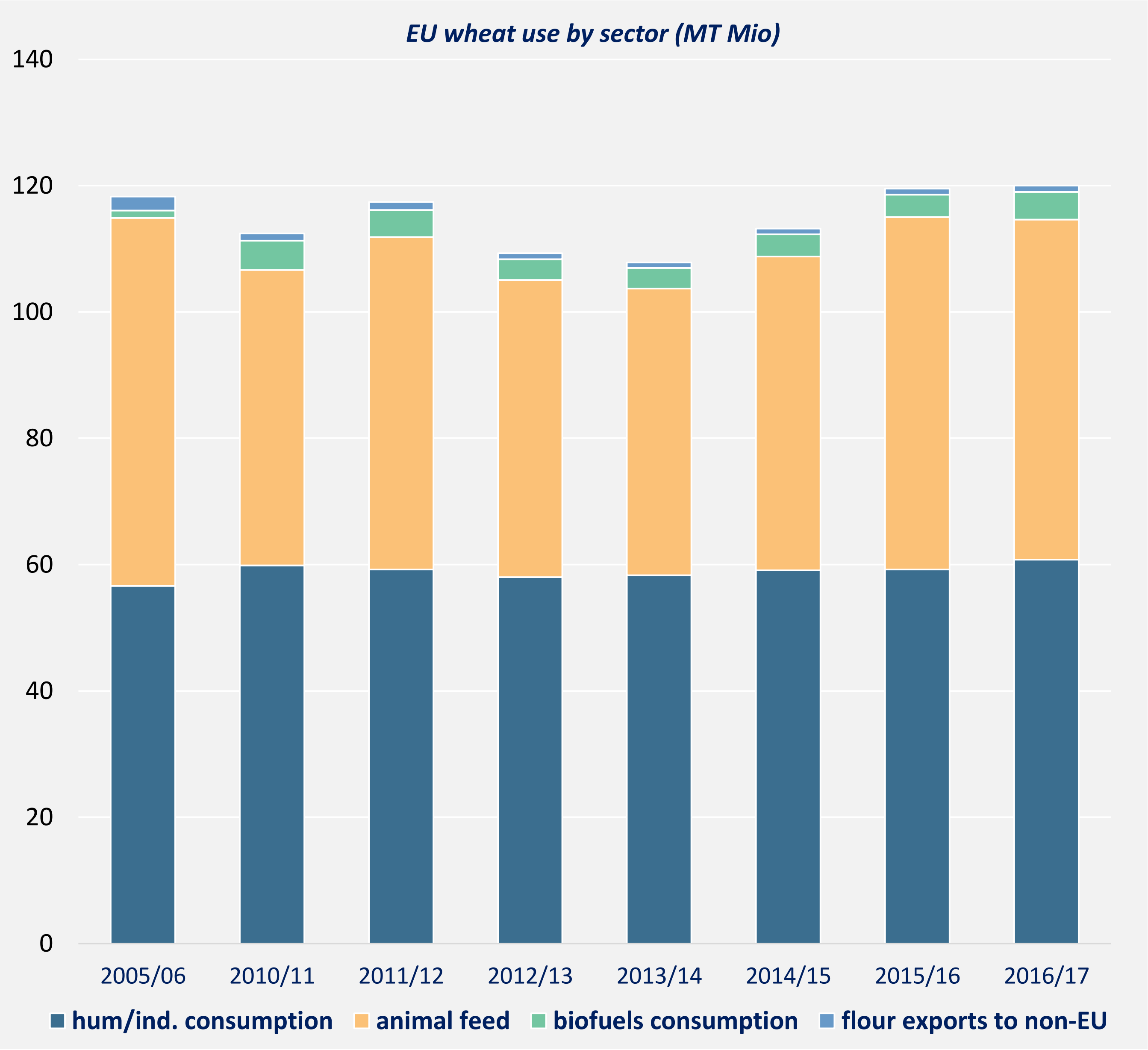
Source: European Flour Millers 2017

A stable flour production mostly for B2B purposes

Around 35 million tonnes of flours (some 600 different types)

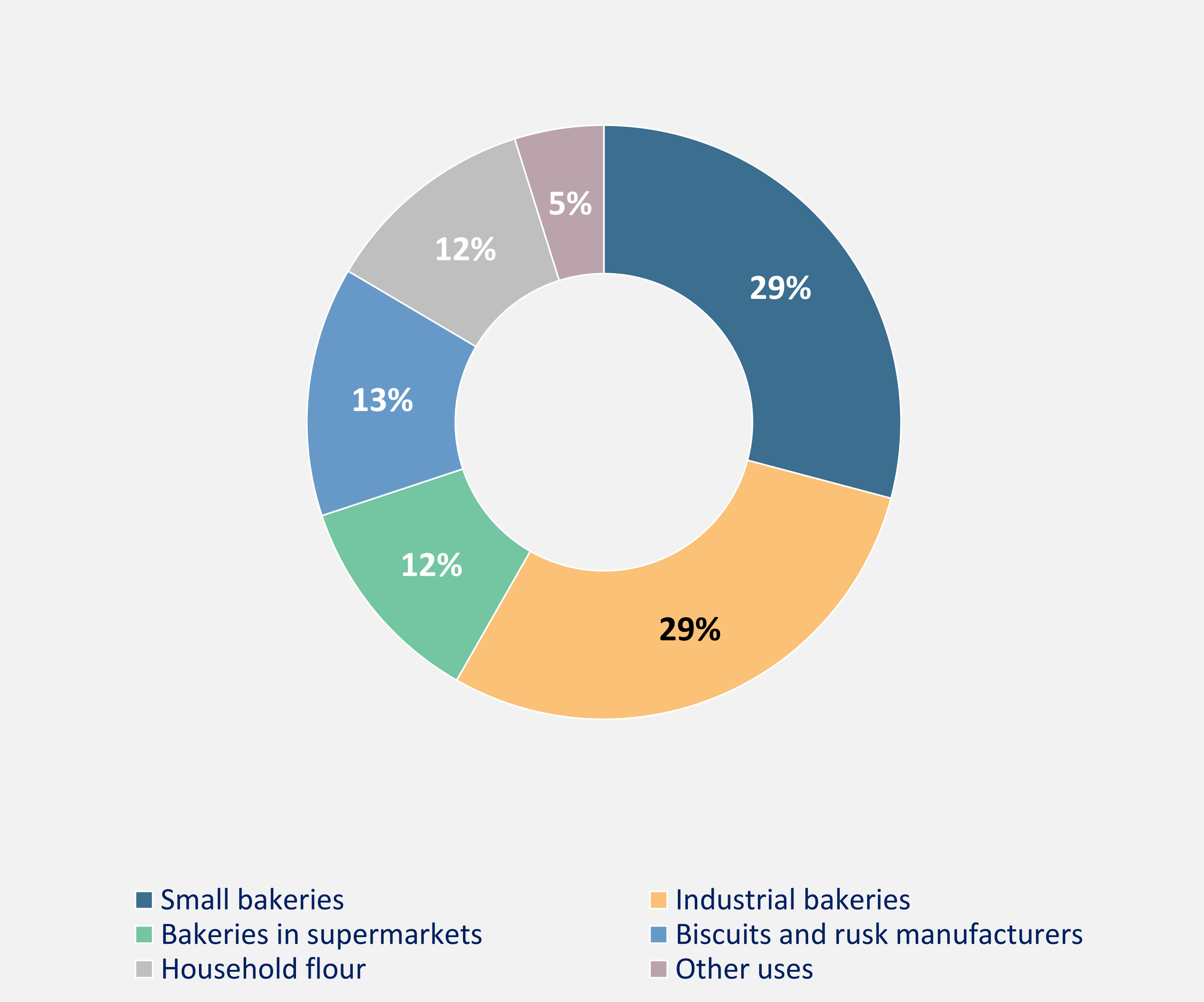
Millers blend different wheat qualities into a range of ‘grists’ that are then milled to produce some 35 million tonnes of flour. Most flour is designed to further (second) processing. Tailor-made high-tech flours are also found in confectionery products, soups and sauces, cream products & desserts.

European demand for flour has been relatively constant



Source: Stratégie Grains 2017

European flour destinations



Source: European Flour Millers 2016

Overcapacity is here to stay in Europe

65%

Average use of capacity

The largest food user of domestic wheat, rye and oats

Around 47 million tonnes of soft wheat, rye and oats processed in the EU each year

Most cereals that are milled in Europe are grown locally.
Milling is a continuous process and flour mills are operating 24 hours a day.
The flour millers must secure wheat supply in the required quality & quantity, as the process cannot be interrupted.

The largest food user of domestic wheat, rye and oats

Country	Processed quantities (2017)			Origin of supplies	
	Soft wheat	Rye	Oat	Domestic	Intra/Extra-EU
AT- Austria	624 185	114 073		80%	20%
BE - Belgium				Mostly FR, DE. Possibly US and Canada	
BG – Bulgaria	735 000			98%	2%
CZ - Czech Rep	1 250 000*	120 000		97%	3%
DE – Germany	7 724 163	783 099	448 000	100%	
DK – Denmark	360 000	90 000	35 000	DK (60%), SE (25%), DE (15%)	
EE – Estonia	59 000	18 000	3 000	88%	12%
EL – Greece	1 100 000			45%	55% mainly from intra-EU (FR, DE, UK) + Kazakh, FSU, Serbia
ES – Spain	3 900 000	75 000		50%	40% intra-EU (FR, DE, UK) 10% extra-EU (US, Can, Russia)
FI - Finland	220 000	100 000	105 000	93%	5% intra-EU 2% extra-EU
FR - France	5 249 214	15 801		In 2016, imported 718 586t from mostly DE	
HR – Croatia	500 000	7 000		95%	5%

* Estimates

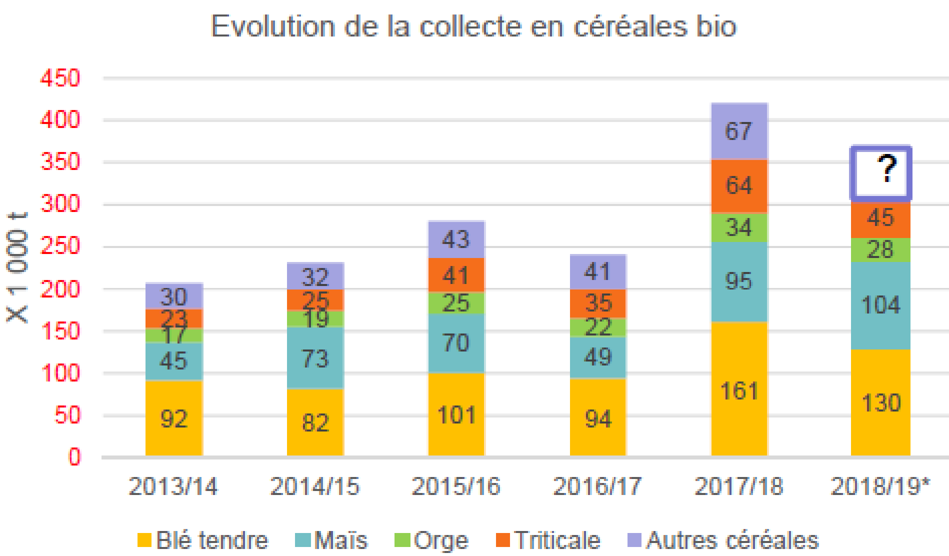
The largest food user of domestic wheat, rye and oats

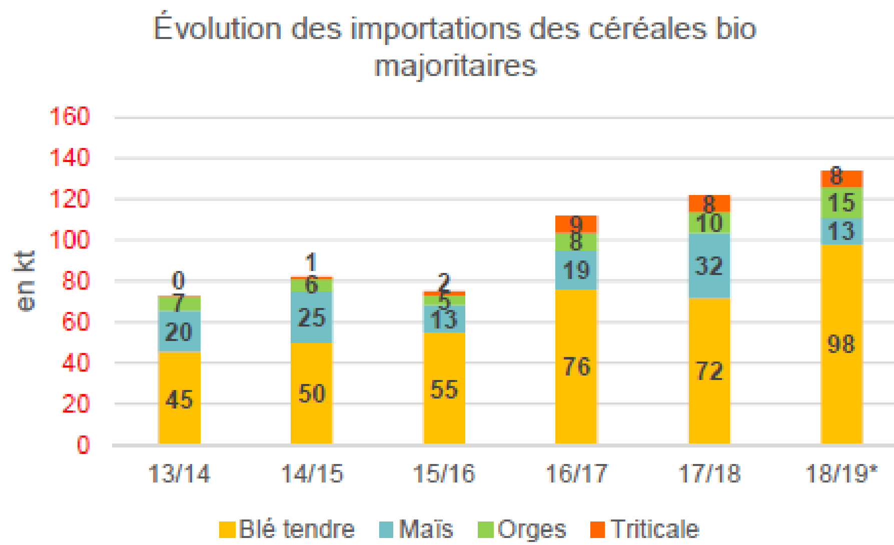
Country	*Processed quantities (2017)*			*Origin of supplies*	
	Soft wheat	**Rye**	**Oat**	**Domestic**	**Intra/Extra-EU**
HU – Hungary	1 145 000	4 700		100%	
IT - Italy	5 413 000			35%	65% of which: 75-80% intra-EU (F, DE, AU, HU) 20-25% extra-EU
LT- Lithuania	200 000			85-95%	5-15%
LU – Luxemb.	60 000			100% intra-EU (FR, BE, DE, LU)	
LV – Latvia					
NL – Netherl.	130 000	15 000		45-50%	50-55%
PL – Poland	4 200 000	900 000		98% wheat 100% rye	2% intra-EU
PT – Portugal	850 000			Local quantity & quality insufficient Mostly from intra-EU (FR, DE, UK, ES)	
RO – Romania	1 800 000	6 000		80%	20% (HU, BG, Ukraine)
SE – Sweden	500 000			Small quantities from extra-EU origins (Canada)	
SI – Slovenia	150 000			50%	50% intra-EU (mostly HU)
UK – United Kingdom	5 050 000	30 000		84%	7% intra-EU (FR, DE) 9% extra-EU (Canada, US)

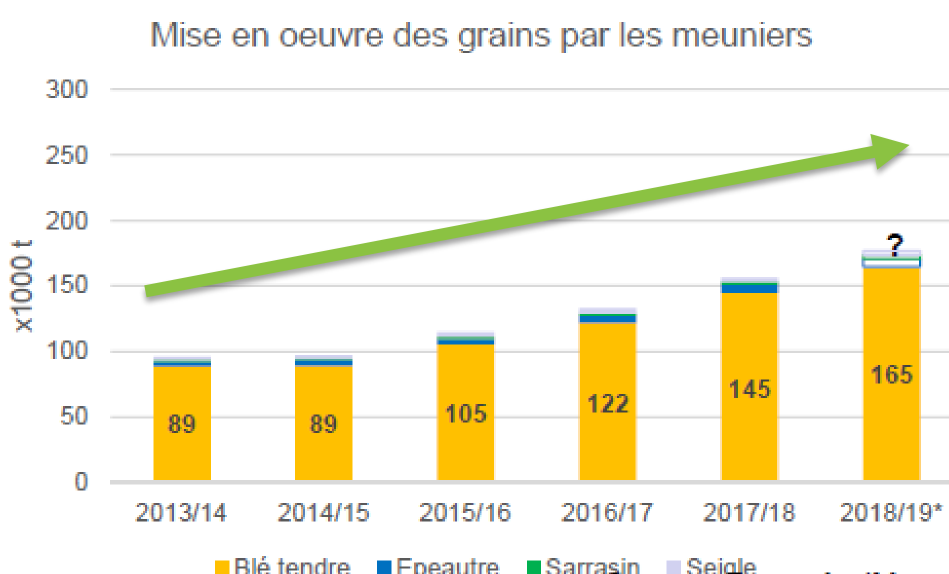
Evolution of organic wheat production per EU country (Eurostat)

	2012	2013	2014	2015	2016
Belgium	-	-	-	-	14 228
Bulgaria	-	2 366	3 014	3 452	3 264
Czech Rep	21 723	22 769	24 499	26 561	30 859
Germany	-	-	-	-	-
Estonia	6 077	4 542	6 856	11 180	8 969
Ireland	-	-	-	695	508
Greece	-	12 096	23 936	24 371	34 443
Spain	38 213	42 737	38 570	39 070	37 229
France	-	-	-	-	-
Croatia	-	7 426	4 493	11 664	19 459
Italy	426 164	-	211 955	277 636	-
Cyprus	-	707	98	225	86
Latvia	12 758	11 666	13 106	17 578	17 555
Lithuania	23 649	20 202	22 351	36 093	41 917
Luxembourg	767	991	-	1 325	701
Hungary	31 901	39 555	30 369	32 633	37 446
Malta	-	-	0	5	0
Netherlands	-	-	-	8 856	4 952
Poland	11 368	12 052	15 935	17 313	18 671
Romania	74 377	74 285	137 474	127 231	110 552
Slovenia	-	611	1 314	1 205	1 461
Slovakia	-	19 528	17 946	19 309	22 742
Finland	15 290	12 980	14 900	12 400	7 600
Sweden	77 500	72 700	101 800	109 200	108 300
UK	-	42 559	45 806	42 830	39 361

An increasing demand in organic wheat (the case of France)







Source : FranceAgriMer

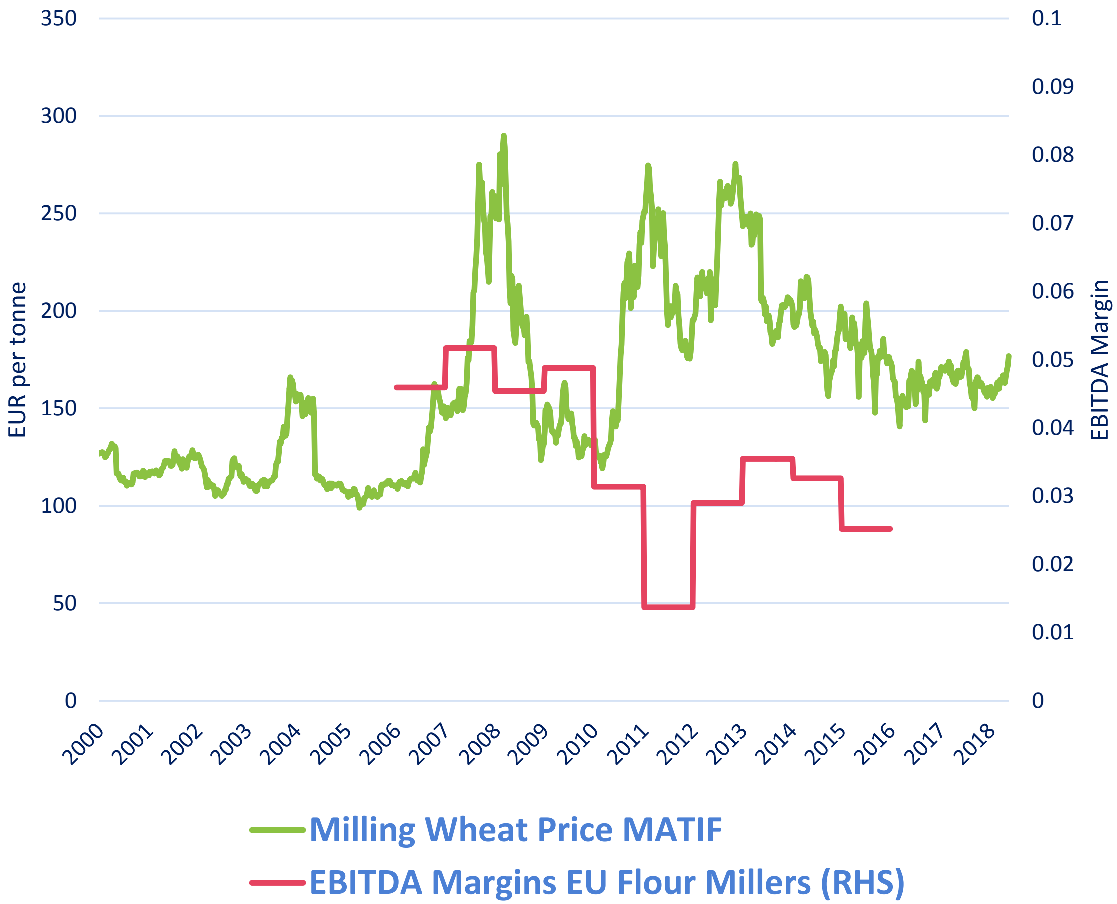
Wheat price extreme volatility is a challenge for millers

- **EBITDA margins of flour millers dropped from 5% (2006) to 1% (2011) and have slightly recovered in recent years**

- **Millers have not always been able to pass on wheat-price increases**

- **Low capacity utilisation is a key challenge that negatively impacts profitability, especially in Southern Europe**

Weighted average EBITDA margins of key European flour millers, 2000-2017*



*Sample consists of 29 companies, active in 13 EU countries

Source: Amadeus, Bloomberg, Rabobank 2017

Brexit & trade in the flour and bakery sectors

Wheat

- Trade fluctuates according to harvest volume & quality
- In 2015/16, UK exported **2 200 000 t** to EU-27, mainly NL, Spain and Portugal
- EU-27 exports to UK are normally around **0.6 m t**. Main origins are DE & FR (sometimes Scandinavia/Baltic States)

Flour

- UK exports around **220 000 t** per year to EU-27, mainly to Rep. of Ireland, with a value of **€95 million**. In addition, approx. **65 000t** of mixes & doughs valued at **€85 million**
- EU-27 shipments to UK approx. **75 000 t** per year, mainly from FR, DE & Poland, with a value of **€30 million**. In addition, approx. **100 000 t** of mixes & doughs, valued at **€140 million**

Bakery Products (NC code 1905)

- UK exports around **270 000 t** per year to the EU-27, half of which to the Rep. of Ireland, with a value of **€650m**
- EU-27 shipments to the UK approximately **840 000 t** per year, mainly from DE, FR, Republic of Ireland, BE and NL, with a value of **€1 920m**

Today's priority is:

The continuation of the current trade flows for flour & flour-based products without tariffs on both sides

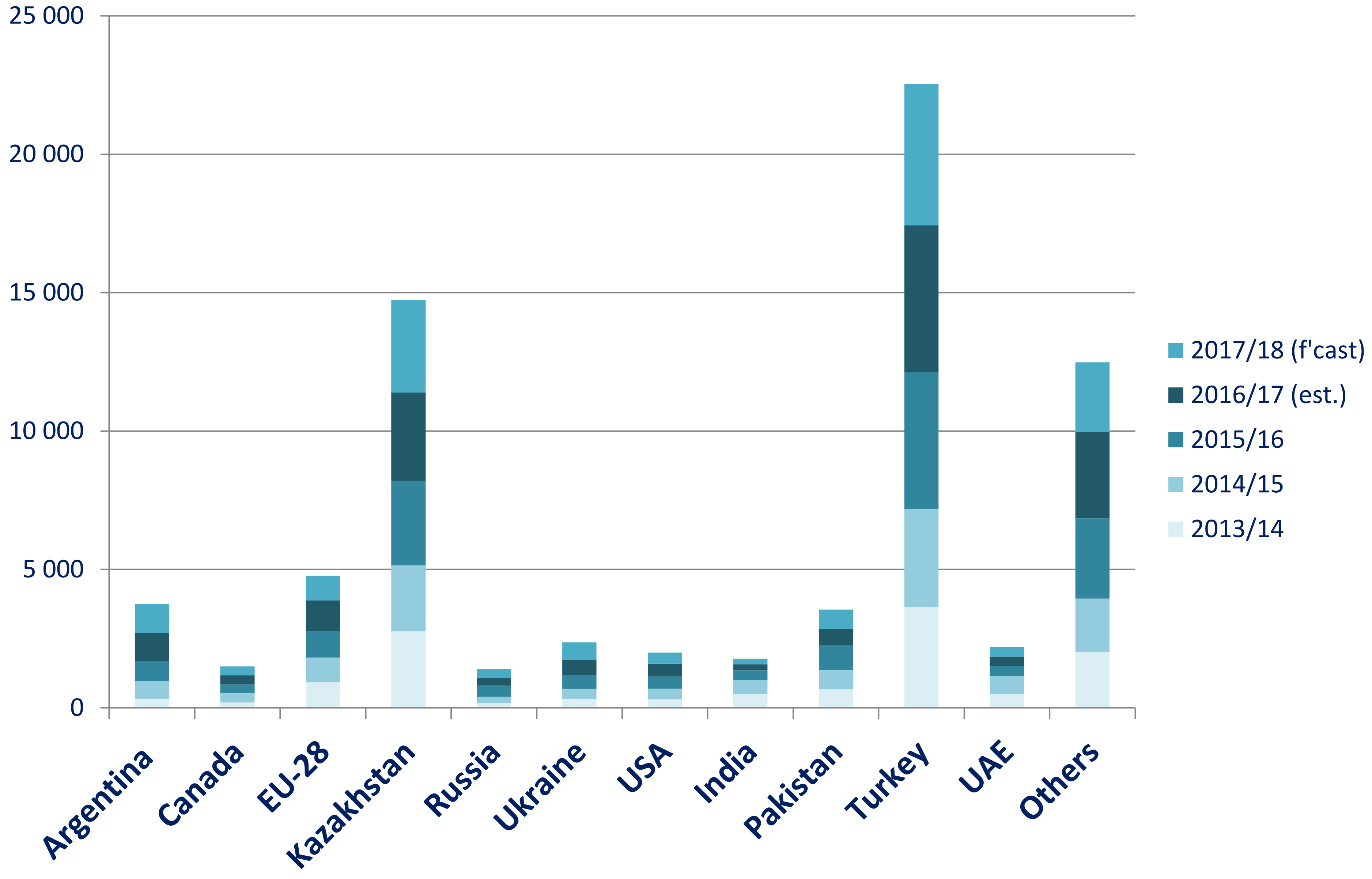
The European flour millers and the rest of the world

EU-US flour milling industry structures

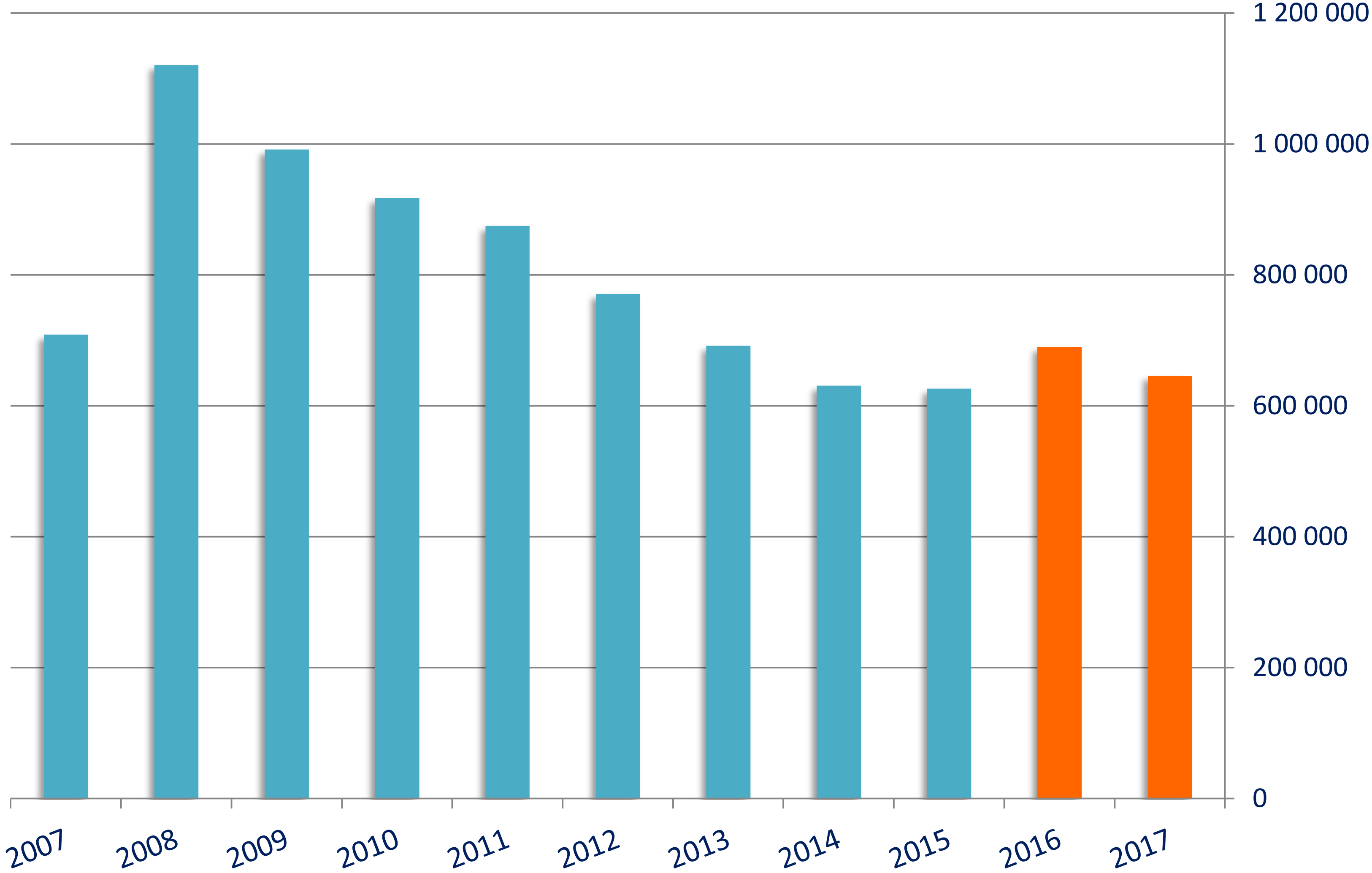
	US	EU
Number of mills	165	3 800
Total flour annual production	20 million t	35 million t
Average production per mill	120 000 t	9 200 t

Source: NAMA & European Flour Millers

World wheat flour exports in ‘000 t (IGC)



EU Wheat Flour Exports (Wheat eq.) in tonnes

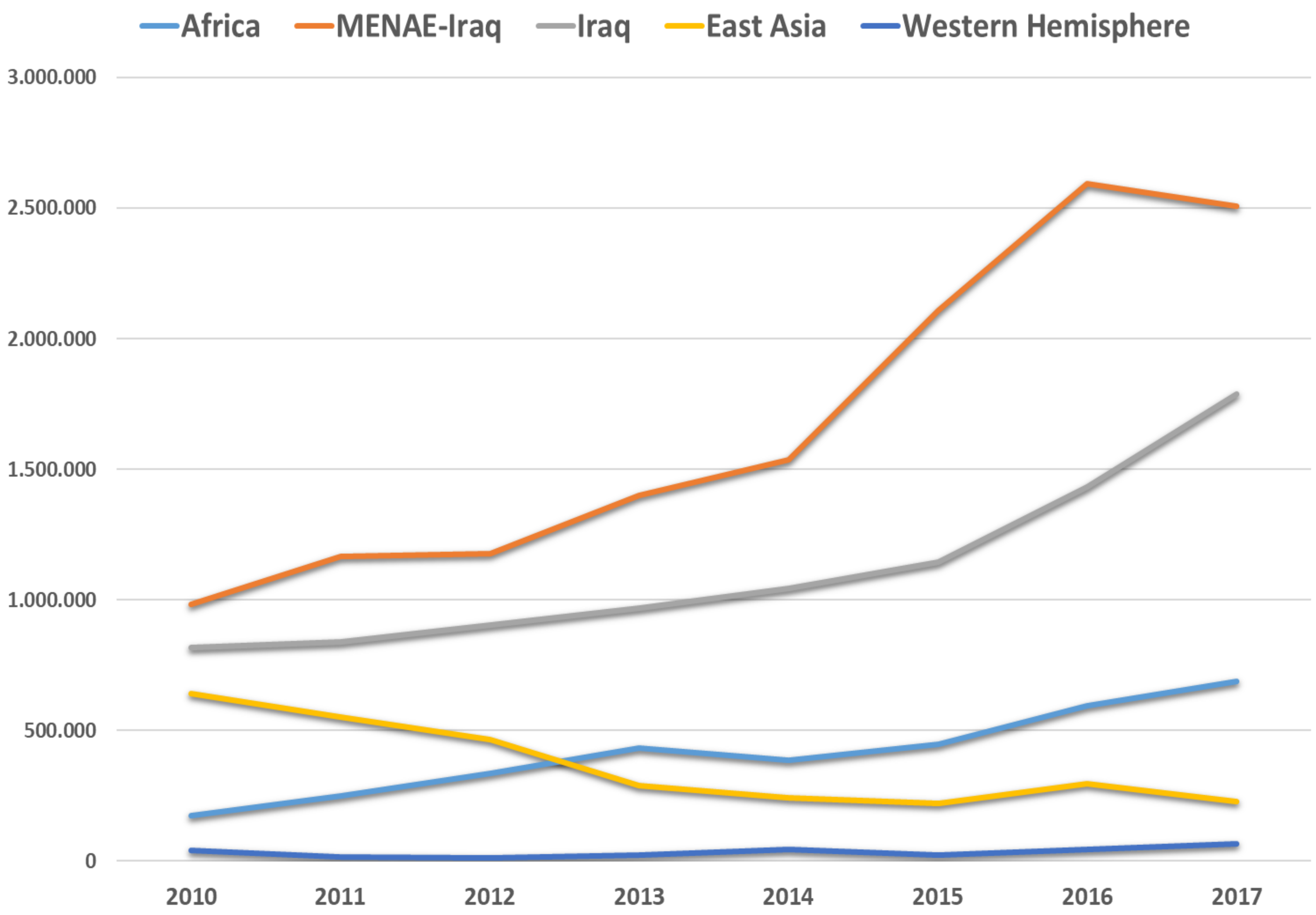


Source: Eurostat-Comext

Turkish flour exports

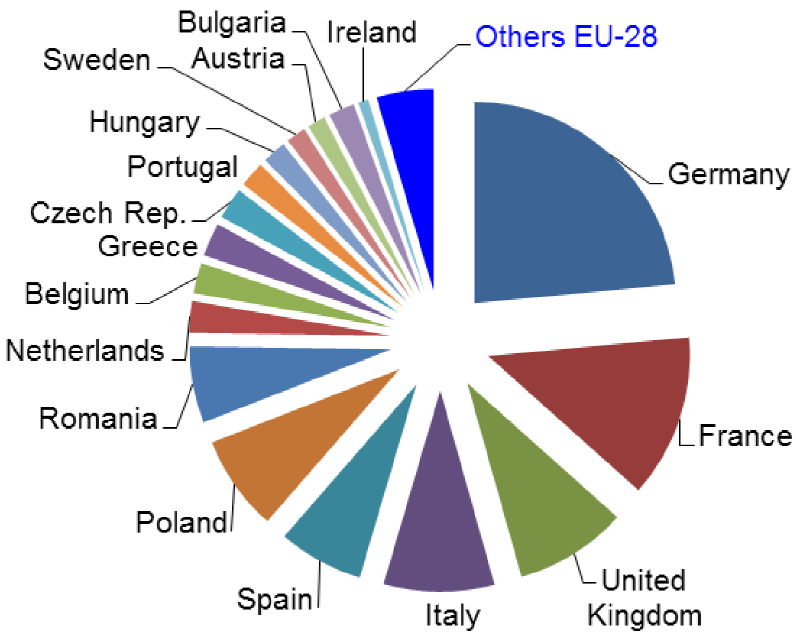
"With nearly a third of total trade in wheat flour today, the Turkey outgo would approach being the largest amount of flour ever exported by a single country in history" *WorldGrain*

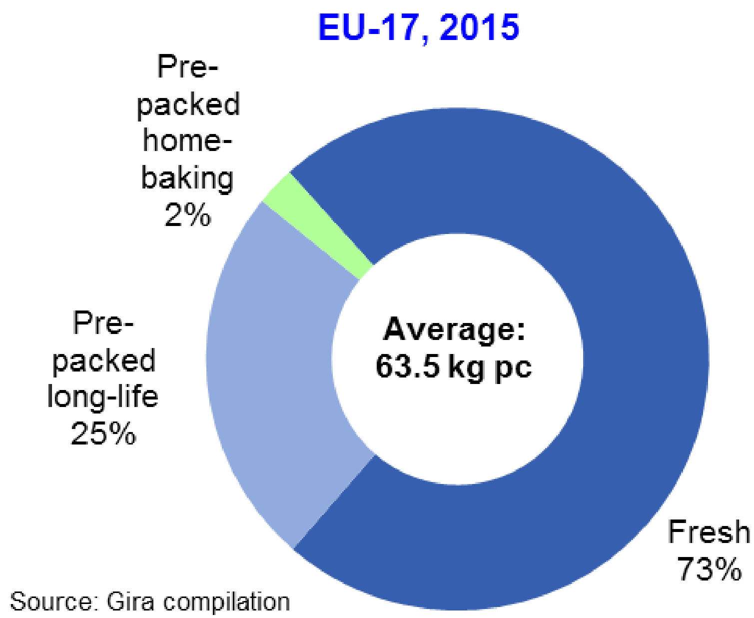
Turkey flour export trends



Most wheat flour is consumed as bread

Bread consumption trends in the EU





	Per capita volumes (kg baked weight)			CAGR	
	2004	2015	2019 (f)	2004-15	2015-19
EU-28	**66.4**	**62.3**	**61.7**	***-0.6%***	***-0.2%***
EU-17	**67.8**	**63.5**	**62.7**	***-0.6%***	***-0.3%***
Fresh	51.5	46.3	45.8	*-1.0%*	*-0.3%*
Prepacked long-life	15.3	15.5	15.2	*0.1%*	*-0.5%*
Prepacked home-baking	1.0	1.6	1.7	*4.5%*	*1.3%*

Source: Gira compilation

Trends

THINK·EAT·SAVE
REDUCE YOUR FOODPRINT

100% BLÉS FRANÇAIS

GLUTEN FREE GLUTEN FREE

100% GUARANTEE ALL NATURAL 100% GUARANTEE

Conclusion: European flour millers have entered a consolidation phase

Declining flour exports

Growth in developing countries, flat in developed world

Wheat price extreme volatility

Margin pressure

Declining bread consumption

On-going consolidation

Opportunities in niches?