

GERMANY The Biotechnology Market

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The German biotechnology industry is the second-largest in Europe, following the United Kingdom, and is doubling in size every 18 months. By 2005, the market is expected to reach a value of \$12 billion — doubling its estimated value in 2000 — and accommodate as many as 700 “core” biotech companies.

Market Overview

Government support and strong research institutions are key factors in the rapid growth of Germany’s biotech industry. Germany currently has 1,300 biotech companies active in the market (600 are considered “core” biotech). Of these, 75% work in the biopharmaceutical industry while the remainder focus on agricultural and environmental applications.

Biotechnology continues to be an emerging sector in Germany with few products as yet ready for commercialization. To date, the industry has not experienced the wide-scale mergers and acquisitions

typically seen in more mature biotech sectors.

The strength of the German biotech industry, however, is research. Corporate research and development expenditure in the pharmaceutical sector alone was \$4.25 billion in 2000. The country has a strong research and academic community, including a highly skilled and educated workforce. As is characteristic of the industry worldwide, Germany’s biotech industry has developed in clusters, built around centres of research excellence.

Government Support

The German government is a strong supporter of biotechnology and funds various research institutions across the country. Federal financing for biotechnology is approximately \$1.1 billion spread over five years to 2005. The federal programs cover all areas of gene research and biotechnology, with an emphasis on health care and environmental research. All levels of government support biotechnology through direct funding, investment incentives or the creation of research centres.



Biotech Sectors

Biopharmaceuticals are the most significant sector of the German biotech market. As a whole, the pharmaceutical industry in Germany was valued at \$57 billion in 2001. Approximately 45% of all pharmaceutical companies are

small- to medium-sized enterprises, and up to 40 multinational firms are active in this sector. In 1999, Germany had 50 genetically engineered pharmaceuticals available, six of which originated from German production. These biopharmaceuticals represented \$1.6 billion in sales. In addition, nearly 30% of the \$582 million German diagnostics market consists of products based on biotech processes.

The German biomedical sector has proven research strength, but must focus more on product development to compete with other industries. To meet the need for larger product pipelines, companies are working to develop non-patent genetic drugs and are beginning to seek partnerships and alliances.

Opportunities

Although competition is stiff, there are strong opportunities for Canadian exporters of biomedical products. Competition focusses primarily on price, but also on product quality and value-added services provided by the company. Canadian firms should address these issues in their marketing strategies.

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There are significant opportunities for strategic alliances between Canadian and German firms. Few products have reached the commercialization stage, presenting opportunities for technology licensing and mergers. Small German firms are also seeking larger partners to provide funding to take products into the trial phase and finally, commercialization.

See Potential?

To learn more about this market, read *The Biotechnology Market in Germany*, prepared by the Market Research Centre of the Trade Commissioner Service. This report and hundreds of others are available on-line at www.infoexport.gc.ca

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