BIOTECHNOLOGY

Market Overview

The German biotechnology sector has experienced tremendous growth in the past few years, catapulting it, in the year 2000, to the number one spot in Europe for all biotech companies. The number of biotech companies is increasing at an annual rate of about 25%, the number of biotech employees is increasing by about 45% and the turnover for these companies is increasing at an annual rate of about 35%.

Although many companies are small and just starting up, their growth has been spurred on by favourable financing conditions and a buoyant stock market. For example, in 2000, two German biotech companies used their reserves to acquire larger British and U.S. companies. The cross-border acquisitions, a first for Europe, surprised a number of analysts.

The largest clusters of biotech companies can be found in the Munich, Berlin, Heidelberg-Neckar and Cologne regions. Three quarters of the German biotechnology sector is associated with the pharmaceutical and medical industry. No other country in Europe has more genetically engineered medicines on the market than Germany, even though the majority of them are imported. This provides an excellent opportunity for Canadian biotech exports. German companies are especially strong in therapeutics and platform technologies.

The second largest subsector is the environmental sector, followed by food and agriculture biotech. Germany is an important player in the field of biological treatment of water and sewage using genetically altered bacteria. Germany leads in this sector with 26% of the international patent applications (For example, the United States has a 21% share.).

Public resistance to biotech products in Germany is primarily focussed on food and agricultural biotechnology and not on medical/pharmaceutical or environmental applications. There are efforts under way to produce agricultural biotech products that have direct advantages for the consumer and thus reverse public resistance. Canadian ag-biotech companies have been identified as potential partners in this effort.

Market Access

To increase market access in Germany, Canadian biotech companies could partner with suitable German companies. German companies are eligible to receive generous R&D grants from their government to develop new biotech products and processes. Hence, it would be well worth the effort for Canadian companies to source technology or to commercialize technology that is developed under these schemes. For example, in 1998, the German government funded biotech research (including molecular medicine) to the sum of DM1 billion. It should be noted that most of the biotech start-up companies in Germany are based on R&D (41%), followed by service/supplies (29%) and then production (20%).

In the recent past, a number of Canadian regions, companies and research institutes have entered into partnerships with their German counterparts in pharmaceutical, agricultural and environmental biotech sectors.