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Germany

Exporter Guide

Road map to the German Market

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Report Highlights:
Germany represents the biggest market in Europe for consumer-oriented foods and beverages. Changing lifestyles have fueled a sharp rise in the consumption of consumer-ready foods in Germany. Competition in the agriculture, food and beverage markets is fierce, from both domestic and imported products. German imports of these products are large, mostly from neighboring EU member countries. However, U.S.-style snack and processed foods are viewed favorably in Germany, particularly by the younger generation and German imports of U.S. products have tripled since the early 1990s.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report

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SECTION I. MARKET OVERVIEW

Macro Economic Situation

- Germany has the world's 3rd largest economy and is the largest market in the European Union.

- Since the early 1990's, stagnant domestic demand has been a drag on export-led growth. Demand growth has suffered from the German government's tight monetary policy, a product of the government's successful push to meet the Maastricht Accord's strict standards of public sector indebtedness. Domestic demand is beginning to pick up growing at 1.8 % in 1998 and 2.3 % in 1999. This rise in domestic demand, together with continued strong export growth, is expected to lead to annual GDP growth of between 2.5-3.0 % in 2000.

- Despite a slight recovery in recent months, the structure of the German economy and its labor market is expected to keep the unemployment rate around the post-war highs of more than 10 percent. In July 1998, more than four million Germans were unemployed, equivalent to over 10 percent of the domestic labor force.

- Eleven EU countries, including Germany, are in the process of introducing a common currency, the Euro. Since January 1, 1999, bank transactions (bank drafts, bank accounts, checks, credit cards) are conducted in Euros. In 2002, the Euro will replace the currencies of the eleven participating members. It is not certain when the other four EU countries (the UK, Greece, Denmark, Sweden) will adopt the Euro. Many German retail outlets are now pricing products in both DM and in Euros.

- Since the introduction of the Euro, the Euro/US$ exchange rate has fallen, with the rate currently around a 1 to 1 parity with the US$.

- The USD/DM (USD/Euro) exchange rate has a considerable impact on the competitiveness of U.S. agricultural products in the German market. A greater than 15 percent rise in the value of the U.S. dollar, versus the German mark, had a negative impact on U.S. exports to Germany in 1998/9.

- In recent years, consumers' food and beverage expenditures have grown at a relatively slow rate, due largely to a soft domestic economy, high unemployment, high health and social security costs, as well as a surcharge on income taxes to finance infrastructure and economic improvements in the eastern German states.

Key Demographic Trends

- The average German consumer can be characterized as relatively affluent and aging. Increases in the number of working women and the number of single-person households, as well as the large immigrant population, are other notable demographic characteristics.

- German consumers are amongst the most affluent in the world, with an average annual disposable income of nearly DM 30,000 (about $17,100). Annual per capita expenditures on food and beverages average about DM 5,100 ($3,000), or about 17 percent of all consumer expenditures.

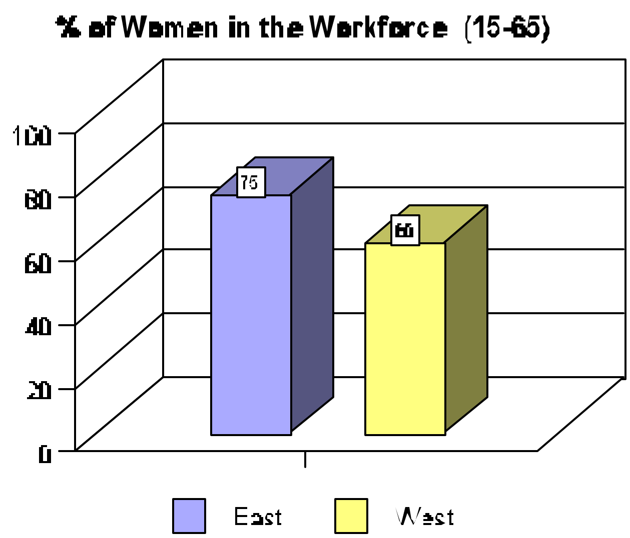
- Germany has one of the lowest birth rates in the world, which has resulted in a national population that has changed little in size in recent years. Population growth in Germany has been slightly positive during the 1990's, compared to the 1970's and 1980's when the population of the country actually declined.

- Low population growth rates have led to an older age of the average German inhabitant, with this trend expected to continue into the next century. Currently, of Germany's 82 million inhabitants, 27 million, or about one-third, are 50 years of age or older. Given current demographics, by the year 2030, every other German will be 50 years of age or older.

- More than decade after reunification, there are still distinct differences between the 66 million persons living in the western German states and the 16 million in the former East Germany. Average incomes in the eastern states are still markedly lower than in the west and the east's unemployment rate is sharply higher than in the west. After an initial craving for western and imported products, consumers in eastern Germany are returning to local food products with which they are more familiar. This trend is due to the price premiums charged for non-local products and by the relatively poor economic situation in the eastern states.

- Along with an aging population, a rising number of single-person households and of women in the workforce has also had a substantial impact on food consumption.
  - Currently about 13 million single-person households in Germany, about one-third of which are accounted for by persons under 40 years of age.
  - Single-person households have about 25 percent more disposable income than individuals in multi-person households.

- The growing number of working women has increasingly contributed to Germany's high average net household income. Percentage of working women in the 15-65 age group was 60 percent in the west and 75 percent in the east.



- The high share of single-person households and the rising number of working women has led to strong growth in the consumption of more convenient types of foods and beverages, such as frozen foods, snacks and prepared and other convenience foods. Over 96% of German households have a refrigerator and 58% have a microwave oven.

- The rising share of working women and single-person households has also resulted in less time available for preparing meals, which has increased the frequency of dining out. According to a recent market study, expenditures on dining out in Germany totaled DM 130 billion ($71 billion) in 1999, an increase of 7.5% over the previous year and 22.6% since 1991.

- A large immigrant population and German's penchant to travel abroad has also influenced domestic food consumption behavior.
  - < About 6 million foreigners live in Germany, the majority of whom have been in Germany more than 10 years. These foreign populations, with their special products and cuisines, have exerted considerable influence on the consumption patterns of the entire nation.
  - < As "world class" travelers, many Germans have been exposed to a variety of different cultures, which has also been translated into consumer preferences for certain foods.

- German consumers are adopting "healthier" eating habits and are increasing their purchases of natural and organically-produced items.
  - T Shift toward lower fat meats and dairy products
  - T Increase in consumption of fruits and vegetables.
  - T Increased interest in functional foods.
  - T Consumption of most alcoholic beverages is flat or declining
  - T Increased interest in fruit juices and lighter fruit-flavored beverages.

- Consumer concerns about the environment and the "wholesomeness" of the food supply has led many to look for alternative, organic product sources.

Consumer-Ready Food Market Overview

With the largest economy and population in Western Europe, Germany represents the biggest market for consumer-oriented foods and beverages. German consumers purchase over $200 billion in food and beverages annually, of which $137 billion is spent in the country's retail outlets. Changing lifestyles have fueled a sharp rise in the consumption of processed, snack and other consumer-ready foods in Germany. Competition in the agriculture, food and beverage markets is fierce, from both domestic and imported products. German imports of these products are large, mostly from neighboring EU member countries. However, U.S.-style snack and processed foods are viewed favorably in Germany, particularly by the younger generation and German imports of U.S. products have tripled since the early 1990s.

- Fierce Retail Competition - Relatively slow growth in overall food and beverage sales and fierce competition among retailers has encouraged buyouts and consolidation in the sector. As a result, a handful of giant retailing companies now dominate food and beverage sales in Germany and throughout Western Europe. However, competition in the market from domestic and imported products is fierce and significant funds are spent on promotion by governments, quasi-governmental organizations and companies.

- Tariff and Non-Tariff Barriers - Despite improving access as part of the Uruguay Round, many U.S. agricultural products still face tariff rate quotas and high tariffs entering the EU. Particularly high tariffs are assessed on EU imports from the United States of consumer-oriented products such as animal-based products, fruit and fruit-based products, and processed food products containing added sugar, flour starch or milk. Considerable controversy also in Germany (Europe) surrounding the use of bioengineering in the food sector, including whether certain of these products can be marketed in the EU and how they may (or may not) be labeled.

The domestic market for consumer-oriented food products shows diverging trends:

- low prices for basic food products and
- relatively high prices for premium and specialty items.

Staple foods are often sold by retailers at, or even below, cost. Meanwhile, the market for specialty foods (convenience, ethnic, snack foods, etc.), which usually command premium prices, is growing steadily.

The fastest growing component of Germany's agricultural imports from the United States is consumer-oriented products. In 1998, Germany's imports of U.S. consumer-oriented products is estimated at $560 million, down from the record $650 million imported in 1996. Consumer-oriented products now account for more than one-third of German imports of U.S. agricultural products, compared to about a one-quarter share in the earlier part of the decade.

Advantages	**Disadvantages**
Affluent Consumer	Retail concentration leading to fierce price competition
U.S. Products are in demand; U.S. is regarded as a trend-setter.	Strong dollar puts U.S. products at a disadvantage
Harmonization of food laws and import requirements in the EU facilitates distribution to other EU markets.	EU suppliers have advantage because of restrictions on certain U.S. products
Germans always on the lookout for innovative, new products.	

SECTION II. EXPORTER BUSINESS TIPS

Exporter Business Tips

- By law, the German importer has legal liability for imported products marketed in Germany and therefore has a strong interest in working with the foreign supplier to ensure that the product meets all import and marketing requirements. Finding the right partner is the key to success in the German market.

- All imported food products must comply with German/EU food law regulations with regard to ingredients, packaging and labeling, as well as with applicable veterinary or phytosanitary requirements. In Germany, no official agency is responsible for food label registration, review, clearance and approval. However, private food laboratories are available to provide these types of services.

- All food and beverage products imported into Germany for retail sale must:
  - be labeled in German,
  - use metric units of measure
  - list the ingredients and any additives,
  - contain a minimum shelf-life date
  - list the name and address of the manufacturer or importer.

  In addition, special labeling requirements exist for nutritive value and for vitamin-enriched and dietetic foods. Germany also identifies mandatory and non-mandatory standard container sizes for specific products.

- EU regulations maintain a positive list of allowable food additives. With the exception of a limited number of additives approved for general use, most additives, colorings and artificial sweeteners are approved only for specific purposes and foods. Irradiated foods are prohibited in Germany, although such imports are allowed in some other EU countries. Germany's irradiation prohibition is currently under discussion.

- Meat, poultry and seafood products (including game) from the United States can only be imported into Germany from plants approved by EU veterinarians.
  - X An EU-wide ban on growth-promoting hormones used for beef production has sharply reduced U.S. access to the EU beef market. Despite a favorable ruling by the World Trade Organization (WTO) the EU has yet to lift the ban. Due to recent changes in EU import regulations, U.S. poultry meat is currently not permitted entry into the EU. U.S. exports to Germany (EU) of fresh fruits and vegetables and unprocessed/raw nuts must be accompanied by a USDA phytosanitary certificate.

- Any product produced or legally imported into one EU-member country can -- in principle -- be distributed in all other EU-member countries, even though national food laws are not yet fully harmonized. Competition remains keen among European food processors and manufacturers, importers, distributors, and retailers as they seek to expand market share, especially in the more affluent EU food markets such as Germany.

*For additional information on Regulations see the Food and Agricultural Import Regulations & Standards (FAIRS) report on the FAS Home Page - http://www.fas.usda.gov .

C Germany is expected to continue to offer good opportunities for U.S. exporters of consumer-oriented agricultural products and other food items. However, the recent upturn in the value of the

USD versus the DM and continued strong competition from other foreign and domestic (German) competitors present a considerable challenge for significantly increasing the U.S. share of the market.

T With a growing interest in the "American Way of Life", an increasing number of retail food outlets, restaurants, and food service outlets are making "USA" or other U.S. state/region promotions a standard component of their promotional strategy. This trend is also reflected in the rising number of American-style restaurants, USA food sections in department stores and supermarkets, and special "USA Stores" and mail-order businesses.

T More U.S. and U.S.-style foods and beverages are being sold in Germany using a U.S. theme or a theme associated with the United States. Regional attributes like "Southwest", "California", "Florida" and "Texas" are synonyms for wide-open country, sunshine, freedom and leisure. German food manufacturers, the media and others frequently choose words like: "Manhattan", "California", and "Texicana", as well as motifs of the Stars and Stripes, the Statue of Liberty, the Golden Gate Bridge, Route 66, U.S. country sites, football players, etc. in advertising or otherwise promoting their products.

X Many of the products most closely associated with the United States and others just using a "U.S. theme", unfortunately, have little or no U.S. product ingredients. Typical U.S. brand-name products, such as soft drinks, breakfast cereals, ketchup, and cream cheese, are frequently produced in Europe, often with little-or-no U.S. product content.

X Because of transportation costs, duties and other costs associated with importing, many U.S. products sold in Germany become relatively high-priced specialty items and may only be sold in smaller quantities. This also pertains to products which are almost considered "staple" foods in the United States, such as pre-mixes, pancake syrup, etc. Once a U.S. processed food product is sold in large quantities, or meets a current trend in the market, production is often relocated to somewhere in the EU. For example, this substitution has increasingly occurred in the very popular Mexican or Tex/Mex segment.

T To many Germans, the image of U.S. cuisine is most closely associated with the American-style fast-food outlets. This image is changing. U.S. regional cuisines such as California, Southwest, Cajun, New England and others have garnered a considerable following among German consumers. In addition, Tex/Mex types of products are already well represented in the German market, with a Tex/Mex product segment an increasingly common occurrence in German supermarkets.

Germany is not a market to "dump" excess product or to look to "make a fast buck." U.S. suppliers of consumer-ready foods and beverages interested in developing a market for their products in Germany must be prepared to:

- offer a product that meets German/EU food law, packaging and labeling requirements;
- invest time and money to develop the market (e.g. provide samples to test the market),

- start with smaller shipments (pallets instead of container loads), and
- assist the German importer with sales promotion support, especially when such products are not well known to German consumers

Import and Distribution

- In Germany the import and distribution of food and beverage products, primarily from countries outside the EU, is usually handled by specialized importers. German retail organizations rarely import directly from countries outside the EU, except for items which they purchase in large quantities. These volume imports are often made through agents or brokers.

- Traditional importers normally specialize in products or product groups. Due to regular intensive contact with their customers, they usually have an in-depth knowledge of the requirements of individual retailers and of the market conditions in Germany. They source products; handle import (customs) formalities, logistics, supply maintenance and often even pricing and labeling. They also typically advise foreign exporters and insure that imported products meet food law, labeling, packaging (including "Green Dot" licenses and fees) and other market requirements.

- Importers can also arrange for consolidated shipments of products; for example, specialty foods to test the market in order to gain distribution. Importers normally distribute nation-wide, either through their own sales force or through a network of independent sales agents. Choosing the right partner and developing an appropriate marketing strategy is a key component in gaining access to and insuring success in the German food market.

- Direct sales to the central purchasing organizations of food retailers may be the most desirable system for a foreign supplier. Due to their wide range of distribution, central buyers are generally flooded with offers from competing suppliers. Purchasing organizations often have only a limited interest in working with new suppliers, unless particular advantages in quality, price or promotional support are offered.

- For U.S. suppliers, gaining a foothold in the German market and adequate distribution in the retail trade, while a challenge, can be very rewarding.
  - New products on the German market require some 12 to 18 months in order to test for market acceptance and potential.
  - Keen competition for shelf space coupled with among the lowest retail price margins in Europe require strong and defensible arguments for new-to-market products.
  - Listing (slotting) fees in the equivalent of several thousand dollars or more per product are not unusual and do not assure shelf space for long if a profitable turnover is not achieved. The exception may be a retailer's desire to maintain a competitive edge with a full-service assortment.

- Many German retailers have outlets and/or well developed distribution networks in other EU countries and, increasingly, in Eastern Europe. Germany often serves as an intermediate destination for imported product that is subsequently shipped to other neighboring countries, either in its original form or following repackaging and/or further processing.

Competition/Promotion

- Food promotions under a national banner have a solid founding within the trade and retail sectors and, when appropriately designed and stocked, can yield effective results for the exporter and the domestic sales partner. EU competition law prohibits individual EU-member countries from holding government-funded national promotions within other EU-member countries, and limits government funding for regional promotions to 50 percent of the total spent on these types of promotions. In-store promotions featuring an EU country, or part of a country, continue to be held under the sponsorship of political subdivisions or regions of individual EU-member countries.

- Third-country promotions for food products in Germany strongly focus on generic aspects. Examples of these types of promotions are: in-store promotions, special combined editorial and advertising sections in trade magazines and national exhibits at trade and consumer fairs. In department stores a country may be featured with a full line of food and non-food products as well as other economic segments, such as tourism.

- Well over half of Germany's agricultural imports, including consumer-oriented products, is sourced from other EU-member countries, principally France, the Netherlands and Italy. Germany's major consumer-oriented agricultural imports from other EU-member countries are: meat and products, dairy products, fresh and processed fruit and vegetables, wine, flowers and nursery products, and processed food.

- The CMA and other European countries with good distribution in Germany have increasingly combined generic and brand advertising, especially through the use of media advertising. Branded advertisements under the logo/seal of a country's promotion agency are considered especially effective to 1) announce a "Country Promotion" in a retail store, 2) announce a country's participation in a trade fair, or 3) as part of a country feature in a trade magazine.

- In addition to the United States, Germany also imports significant quantities of agricultural products from other non-EU countries. In 1998, Germany's agricultural imports from all non-EU member countries, excluding those from the United States, totaled $14 billion, down slightly from 1997, but up 14 percent from 1996. Primary suppliers are countries in Eastern Europe, the Mediterranean region, Latin America and the Caribbean, and South Africa. Germany's major consumer-oriented product imports from these countries include: fresh and processed fruit and vegetables, nuts and dried fruit, and meat and products.

- EU import restrictions and food law requirements effectively act to limit the range of products imported from third countries. Thus, large promotion campaigns typically concentrate on products not available in the EU, or products not available in sufficient quantity because of season or climate, for example, Chilean fresh fruits; New Zealand apples, pears and kiwifruit; New Zealand lamb and game meats; South African deciduous and citrus fruits; and tropical fruits, spices and coffee from countries throughout the world.

- The German food retail market is highly diversified and extremely price competitive, with domestic and foreign suppliers fiercely competing for shelf space. Staple foods are typically sold strictly on price, with extremely low margins. Retailers have increasingly sold such products as milk, sugar, and flour at bare minimum prices, while high-quality specialty foods command premium prices. The higher mark-ups on these high-quality specialty items sometimes allow the more basic products to be sold at extremely low margins or to be "subsidized."

- With rising interest in U.S.-style products and cuisines, the German retail trade is increasingly open to setting up special USA food sections in their outlets or to having USA product promotions. As a result, an increasing number of importers/distributors of processed foods are seeking U.S. products to round-out their line in order to offer an attractive product assortment to the German retail trade.

- During special promotions, original U.S. products may be featured which do not meet German food and labeling laws. However, any U.S. supplier seriously interested in marketing products in Germany must comply with German regulations. Also, marketing and promotional support is normally expected from a foreign (United States) supplier.

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

Food Retail

Germany is the largest retail food and beverage market in Europe. Germany's retailing sector can be characterized as very competitive, highly complex and intertwined, and currently undergoing considerable consolidation. Retail food sales have remained relatively flat since the early 1990's and competition among retailers is fierce. Margins are perhaps thinner than anywhere else in Europe, which together with a well developed distribution system, result in a very competitive retail sector. In addition to buying-out their German competitors, many of Germany's leading retailers are looking for sales growth outside the country.

- In 1998, Germany's food and beverage retailers registered annual sales (turnover) of DM 241 billion (equivalent to about $ 135 billion). Nominal growth in sales remains relatively flat, with food/beverage sales growing only about 2% annually over the 1993-98 period.

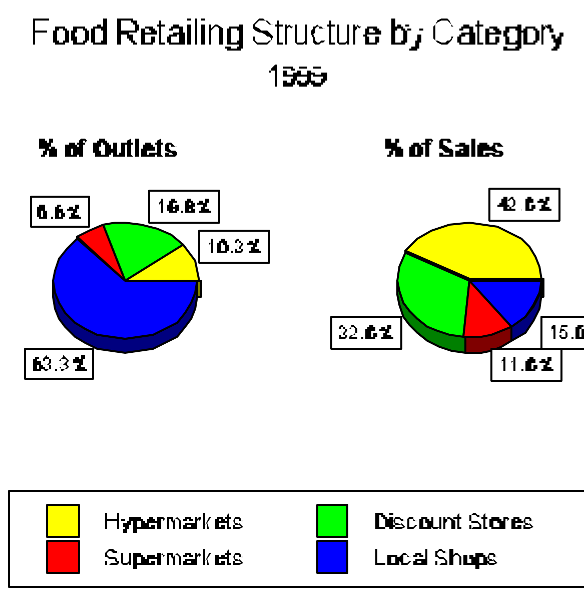
- Food and beverage retailing in Germany is increasingly dominated by a handful of large retailers. In 1998, the top five food and beverage retailers accounted for nearly two-thirds of national sales, while the top ten accounted for about 84%.

- With relatively flat domestic retail food sales, German retailers have sought to expand their sales -- and gain market share -- by buying-out their competitors and by focusing on markets outside of Germany. Germany's top retailers rank among the leading retailers in Western Europe, and are increasingly focusing on expanding in markets outside of Germany, particularly the lesser developed markets of Eastern Europe.

- Many of the major German retailers generate a significant portion of their total sales from non-German operations. Tengelmann and Aldi, for example, are two leaders in this regard, with, respectively, one-half and one-third of their total sales (food and non-food) generated outside of Germany. In addition to outlets in many of the major markets of Europe, these two companies also have stores in the United States (Tengelmann with A&P, and Aldi with Aldi.)

- Perhaps the mostly closely watched development in the German retailing sector has been the 1997 entrance of U.S. retailer Wal-Mart in the German market. Wal-Mart's entrance into Germany (Europe) began with the purchase of 21 hypermarket outlets previously owned by the Wertkauf Group. This acquisition was followed by Wal-Mart's late 1998 purchase of 74 hypermarket outlets from Spar AG. These purchases have given Wal-Mart a chain of outlets with annual sales of about *$2.89 billion* (93% increase) and have made Wal-Mart the 13th largest retailer in Germany..

- Major changes are occurring in how food and beverages are being sold in Germany. Small local shops and supermarkets, although still comprising the bulk of outlets, are increasingly being replaced by large hypermarkets and discount food stores. Hypermarkets and discounters now account for about 70 percent of all retail food and beverage sales, despite accounting for less than one-quarter of all the outlets.



Source: A.C. Nielsen plus estimate for Aldi

- Each of Germany's leading retail groups has a different business structure and purchasing and distribution system. Many of the leading retailers have multiple retail chains, often with various types of retail formats, i.e., large hypermarkets, discount and small neighborhood stores, or perhaps beverage and/or delicatessen outlets. The purchasing departments for the large retailers may also be divided by retail format and, sometimes, by region of the country.

- There has also been a steady, albeit slow, increase in the percentage of food and beverages marketed under private labels and store brands. About 21 percent of the volume of all food and non-food products sold in Germany at the retail level is reportedly comprised of private label items. This percentage is up from about 19 percent in 1990 and 14.5 percent in 1980. Frozen and prepared fruit, milk and frozen bread are among the products most likely to carry a private label.

- Branded food products promoted with a quality image generally generate higher margins. Despite these higher margins, the quantities of specialty products sold may be small and the turnover slow and, thus, these products may be listed by retail stores only to remain "supply" competitive.

- Convenience outlets -- small shops, often located at gasoline and train stations, highway rest stops, kiosks and bakeries -- are among the fast growing retail format in Germany. There are tens of thousands of these types of outlets in Germany, with the expectation that their sales will rise significantly, particularly as their sales surfaces are updated and enlarged and the variety of products offered is expanded. In addition to non-food items, the most popular items at these outlets include: fruit juice and fruit drinks, soft drinks, beer, wine, other beverages, confectionery products, snacks and convenience-type foods. Products sold in these outlets typically are priced 30-70 percent higher than in more conventional outlets.

- The following table presents estimates of the number outlets where these convenience-type shops are most commonly located.

Germany: Other Retail Outlets, by Location

Location of Outlets	no. of outlets
Gas station shops	17,630
Train station shops	4,700
at Kiosks	18,760
at Bakeries	46,000

- There are several large wholesalers that supply food and non-food products to these convenience outlets. The leading supplier is Lekkerland-Germany, which carries about 10,000 different items and services an estimated 70,000 customers. After buying out Tobaccoland, Lekkerland-Germany had total sales of DM 11 billion ($5.9 billion) in 1999. Spar Group and Tengelmann are two large retailers that compete with Lekkerland in supplying these convenience outlets in Germany. In addition to their German operations, Lekkerland's "Europa Holding" had 1997 sales of DM 4.4 billion from their operations in Belgium/Luxembourg, Denmark, Austria, the Czech Republic and Hungary.

- Home food delivery, mail-order and selling foods and beverages over the Internet are alternatives to the traditional German retailing sector. The value of food and beverages sold over the Internet is small, but a growing segment of the total, with a number of Germany's leading retailers, among others, involved in this new business.

- All of the above German retail outlets, and organizations like Lekkerland, normally source most if not all of their imported products from specialized importers. Most U.S. companies interested in exporting to Germany and in developing a position in the German market are advised to work with an importer(s) or with an agent/broker that services these sectors.

For more information on the retail market, please see the report entitled **Germany's Retail Food Sector 2000** on the FAS home page at http://www.fas.usda.gov

Hotel, Restaurant and Institutional (HRI)

The German food service sector is currently undergoing a period of major structural change, partly as a result of changing consumer behaviour, with increasing demand for ethnic foods, local specialities, variety, health foods, price and prestige. Albeit slowly, and at different rates across the country, Germany is heading towards the anytime, anywhere food service offer that prevails in the USA today. Over the next ten years, consumer expenditure on food service in Germany is expected to grow at 2.75% per annum (compared to only 1.25% for retail).

- In terms of turnover, in 1998 the German food service market was valued at c. DM160 billion. The market is, however, highly fragmented in terms of offering and can be split into a number of sub-sectors, notably:
    - *for profit*: hotels, full service restaurants, fast-food (QSR), in-store catering, business and industry in-house catering
    - *not-for-profit*: education, healthcare, and other (including the armed forces, welfare and prisons)

Sub-sector market summary (1998)

	Outlets	***Approx. turnover (million DM)***	***Description***
Hotels	33,000 - of which 3,000 owned by 128 hotel groups	24500	A wide variety of establishments ranging from full-board hotels to pensions
Restaurants	111,000 - within this total 22 companies operate 1,000 outlets each	35000	A wide variety of outlets from up-market to budget, offering traditional German menus to niche ethical cuisine
Fast food	54000	6000	Outlets range from franchised (generally US) concepts to individually owned pizza delivery services and snack bars
In-store catering	12 large groups with 700 outlets	7500	Restaurants normally situated in department stores found in most large German towns and cities
Business/industry	2,097,853 businesses in which 108,000 have more than 20 employees and 3,357 have more than 500 employees	18500	Establishments range from medium to large businesses
Healthcare	13,551 hospitals, clinics and nursing homes	29000	Catering makes provision for patients, staff and visitors
Education	43,118 - schools 9,300 - business schools 337- universities	3000	Outlets range from kindergartens through primary and secondary schools to large canteens within the university system

Source: Dehoga, Statistiches Bundesamt

- Food procurement (from domestic and imported sources alike) within the food service sector is centred on ingredients which form the basis for dishes prepared for sale within the food service industry. There is currently only limited evidence of highly processed meal solutions entering the German food service sector. The exception to the rule, however, is to be found within the so-called ***organised*** sector (restaurant and fast food chains, in particular) where operators are increasingly demanding a range of high spec. ready-prepared foods.

- Imports (from the US and other sources) into the food service sector closely mirror those into the retail sector, although food service still tends to be treated as the poor relation (i.e. the Number 2 market) to retail by many importers (and much product found in food service tends to be there by default through Cash &Carry). Principal US imports into Germany are rice, fruit and vegetables (processed and fresh) and nuts. These are reflected to some extent in food service, where the main American products found are packaged rice, nuts and canned fruits.

- The food service sector, too, will respond to the consumer need for flexibility. A growing number of operators will look to creatively offer food service anywhere, anytime - establishing outlets in high traffic areas such as train stations, shopping centres, and leisure outlets such as cinemas or sports centres.

- With a total turnover of approximately DM160 billion and estimated growth of 2.75% pa, the German food service sector potentially offers some significant opportunities for food processors. The sector is still, however, highly fragmented. As such, profitable opportunity realisation will not be without its problems

For more information on the HRI industry, please see the report entitled **Germany's Food Service Sector 2000** on the FAS home page at http://www.fas.usda.gov

Food Processing

- The food/beverage processing sector is the fourth largest German industry sector with over 5,000 companies and sales (turnover) of about DM 226 billion ($150 billion). Of this total, about one-fifth is accounted for by the alcoholic and non-alcoholic beverage segment. The next largest industry segments are: dairy, meat and sugar/sweets. The German food industry includes a handful of large companies, but is still dominated by middle-sized enterprises. Of the 5,000 companies in this sector, 4,800 are firms with less than 100 employees.

- In 1998, around 16 percent of total German food production, valued at about DM 35 billion, was exported. Seventy three percent of Germany's total exports are destined for other member-countries of the EU. For raw materials and ingredients, the food processing industry is very dependent on imports. The United States has traditionally been very competitive in supplying raw materials and ingredients for Germany's food processing industry.

- Multinational companies hold an important and increasing share of the German food processing industry. German food and beverage processors and manufacturers have large demands for agricultural ingredients. Many U.S. products are very competitive in the ingredient segment.

SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS

Despite the existence of a "single" EU market, consumer demand and the structure of the food and beverage market vary substantially between the individual member-countries of the EU, as well as between north, south, east, and west Germany. Generally, those U.S. products with the best export opportunities in the German market meet one or more of the following criteria:

- product is not grown/produced in the EU
- the basic product is not produced in the EU in sufficient quantities or quality

- a fresh product is not currently in season
- the product is specifically unique to the U.S. or to a region within the U.S.

Certain food and beverage product segments have grown more rapidly than others and have the potential to continue growing at above average rates. Among the fastest growing consumer-oriented product segments in Germany are: specialty and novelty foods, “ethnic” foods, convenience foods, snack foods, natural and organic foods, frozen foods, and lighter, more “healthy” foods. Reflecting the trend toward healthier diets, nutritional and functional foods, including nutritional supplements, are increasingly popular among German consumers. In the beverage segment, among the fastest growing product segments are: fresh-pressed fruit juices, ice tea, imported beer, “new world” wines, sport drinks, fruit-flavored waters and “new-age” beverages.

The following products from the United States have good potential for finding markets in Germany:

- **Specialty Items:** Specialty food items and products, particularly those with little or no competition from EU production, have good sales potential in Germany. These products include: delicatessen and snack foods, novelty products, prepared meals or food products germane to the United States, spices, dried vegetables, wild rice, health foods, nutritional and functional foods, and nutritional supplements.

- **Ethnic Foods:** One of the fastest growing segments of the German food trade is ethnic foods. European ethnic foods, for example Italian, Greek, and Spanish foods, have been popular in Germany for years. In recent years, Asian and Mexican or Tex/Mex foods have experienced increasing popularity due in part to German’s extensive international travel. These ethnic products have become so popular, and sold in sufficient quantities, that they are now being produced by the German/European food industry and adapted to local tastes. Such domestically produced products can often be sold at lower prices than imports, because of mark-ups on imported products due to transportation costs, import duties, etc. However, there are still opportunities in the German market for U.S. suppliers of Tex/Mex products, including salsa and corn chips, and other innovative “ethnic” products, particularly prepared and convenience items.

- **Organic Products:** The organic market in Germany is another market segment with good potential for U.S. exporters. Germany is the largest organic food market in Europe, with retail organic sales of about DM 3 billion ($1.7 billion), and with the market growing at nearly double-digit annual rates since 1990. Long available in smaller neighborhood health food stores, many German retailers of “conventional” products are devoting increased shelf space and in some cases entire stores to natural and organic products. Leading German retailers, including Rewe, Metro, and Tengelmann, are marketing their own lines of organic food. Good prospects exist for a wide range of organic products, either consumer-ready or as food ingredients. Particularly attractive are prospects for organic snacks and prepared and other convenience items.

- **Frozen Foods:** Frozen food is another of the fast growing segments in the German food trade (retail, HRI, and industrial.) According to the German Frozen Food Institute, German consumption of frozen food (excluding poultry and ice cream) totals about 1.6 million tons and is valued at about DM 12 billion ($6.7 billion). In 1998, the average German reportedly purchased about 23 kilograms of frozen food, compared to about 22 kilograms in 1997 and only 8 kilograms in 1980. Annual per-capita consumption of ice cream is between 7-8 kilograms. Despite considerable recent growth in this segment, German consumption of frozen food still lags considerably behind other European countries, particularly Denmark, the UK, Sweden, Norway and France.

- **Nuts:** Germany imports significant quantities of a wide assortment of tree nuts, as well as peanuts and sunflower-seed. In Germany, most tree nuts are used as ingredients by the food processing sector, e.g., ice cream, confectionery, breakfast cereals, baked goods, etc. Sunflower-seed is also used mostly as a food ingredient, particularly in a very popular sunflower-seed bread. Peanuts, pistachios and in-shell walnuts (during the Christmas period) are the most popular nuts for snacking.

  - Opportunities exist for increased snack use of these and other nuts, such as almonds.
  - Opportunities exist in expanding the use of tree nuts and sunflower-seed as ingredients in traditional and in new food products.

  The German market offers good opportunities for U.S. exporters of almonds, walnuts, hazelnuts, pecans, pistachios, as well as peanuts and confectionery quality sunflower-seed.

- **Dried Fruit:** Like nuts, Germany imports a significant quantity and a wide assortment of dried fruits. Dried fruit is mostly used as an ingredient by the food processing sector for use in breakfast cereals, baked goods, etc. Dried fruit is also popular as a snack, often in combination with nuts. The United States is Germany's largest supplier of dried prunes and one of the leading suppliers of raisins. Opportunities exist for expanding the use of these items as food ingredients and as snacks. There are also opportunities for U.S. suppliers of dates and other types of dried fruit.

- **Wine:** Although wine consumption in Germany is relatively flat, good prospects exist for "new world" wines, including those from the United States. Germany is the world's largest importer of wine, with imports accounting for about one-half of domestic consumption. German imports of U.S. wine are up sharply in recent years ($33 million in 1998 versus $26 million in '97 and up from $9 million in 1994.) Most U.S. wine is priced in the medium- to high-end of the market. U.S. wine generally competes head-to-head with "new world" imports from Chile, Argentina, South Africa and Australia.

- **Beer:** Germany's annual per capita beer consumption is among the highest in the world; however, per capita beer consumption is declining. Despite this negative trend, Germany imported beer valued at $155 million in 1998. Although U.S. beer represents only a fraction of these imports, it has experienced significant growth in recent years. German imports of U.S. beer totaled $3.1 million in 1998, up from only $300,000 in 1994. Good prospects exist for beer from the large U.S. breweries, as well as for the micro-brewed beer, particularly to supply a growing number of U.S.-style restaurants and bars.

- **Bourbon/Tennessee Whiskey:** Germans have developed quite a taste for Bourbon and

Tennessee Whiskey. In 1998, German imports of whiskey from the United States totaled $60 million. The top two sellers in the German market are Jim Beam and Jack Daniels, although the a wide range of brands are offered in the market.

- **Pet Food:** The German market for pet food and pet-related products is large, reflecting a large pet population and German's affinity for their pets -- particularly dogs, cats and birds. Retail sales of pet food and other pet-related products totaled DM 3.9 billion ($2.3 billion) in 1998. Over half of these sales were accounted for by wet cat and dog food. The German market for prepared pet food is dominated by several companies; however, U.S. pet food and ingredients used in producing pet food still face good prospects in the German market.

Limited or qualified market potential exist for U.S. exporters of the following product groups:

- **Dairy Products:** Opportunities in this sector are mostly limited to niche products, as the EU is a net exporter of dairy products. EU import tariffs typically increase the price for imported dairy products well beyond that of domestic product, which leaves only limited potential for specialty products at relatively high prices.

- **Meat and Poultry Products:** Limited opportunities exist for hormone-free, high quality beef; certain pork cuts, variety meats, processed turkey and specialty products, including game. Meat, including meat in any type of food product, must originate from plants certified and approved by EU authorities (or German authorities in the case of poultry) before it can be shipped to or sold in the German market.
  - **Currently, U.S. poultry is not allowed entry into the EU**

- **Fish and Seafood:** Farm-raised catfish and certain seafood products (salmon from Alaska, lobster, etc.) from the United States have enjoyed success in the German market in recent years. For catfish, increased consumer awareness of the product, wider availability, and a trend toward eating lighter foods, has contributed to rising sales.

- **Fresh Fruits and Vegetables:** Opportunities are greatest for products which are not grown in the EU, or are grown in only limited quantities. Potential also exists for fresh products that can be supplied when EU product is off-season, which may be a period of several weeks prior to or after the local crop is marketed. Green asparagus, grapefruit, pears and certain soft fruits and berries offer the best opportunities. There are also opportunities for U.S. exporters of organically-grown product.

- **Fruit Juices:** Germany has one of the highest rates of per capita juice consumption in the world. German imports of fruit juice are also large, averaging over $1 billion annually. The most popular juices are apple and orange, and these two items also account for most imports. The best opportunities for U.S. products in the German market are citrus (orange and grapefruit) and specialty (cranberry and prune) juices.

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

German Trade Shows for Consumer-Oriented Products

Participating or simply attending a trade show can be a very cost-effective way to test the German market, introduce a product or to expand sales. Germany offers a wide variety of trade show venues for food and beverage products. The following table provides details on major trade shows for food, beverages and other agricultural and related industries taking place in Germany.

Important German Trade Shows		
ANUGA 2001 Cologne, Germany,(Interval: 2 years) Information on ANUGA can be viewed at Target Market: Europe/International One of the leading international trade shows for food and beverages and the premier show of its kind held in Germany. Traditionally a large U.S. Pavilion at this show featuring about 150-200 U.S. companies and associations. USDA-endorsed show.	October 13-18	U.S. Pavilion Organizer: B*FOR International, Tel: (540) 373-9935 Fax: (540) 372-1414 http://www.koelnmesse.de/anuga
Fruit Logistica 2001 Berlin, Germany (Interval: yearly) Target Market: Germany/Central & Eastern Europe Good venue for exhibiting fresh and dried fruit, nuts and related products. The trade-only show is held in conjunction with the International Green Week .	January 18-20	U.S. Pavilion Organizer: B-For: Tel: (540) 372-3777 Fax: (540) 372-1411. http://www.fruitlogistica.de
ISM 2001 (International Sweets and Biscuit Show) Cologne, Germany (Interval: yearly) Target Market: Europe/International World's largest show for snacks and confectionery products.	Jan 28 - Feb 1	U.S. Pavilion Organizer: National Confectioners Association (NCA) Tel: (703) 790-5750 Fax: (703) 790-575 http://www.koelnmesse.de/ism
IPM 2001 (International Plant Show) Essen, German ,(Interval: yearly) Target Market: Germany/Europe European trade fair for the horticultural and nursery industry. The Southern Nurserymen and SUSTA participate jointly in the U.S. Pavilion at the show.	February 1-4	U.S. Pavilion Organizer: Essen fairground's U.S. office: Tel: (212) 356-0406 Fax: (212) 356-0404. http://www.messe-essen.de
Bio Fach 2001 Nuremberg, Germany (Interval: yearly) Target Market: Germany/Europe The leading European trade show for organic food and non-food products.	February 15-18	U.S. Pavilion Organizer: Nuremberg fairground's U.S. representative Tel: (978) 371-2203 Fax: (978) 371-7121 http://www.biofach.de

Important German Trade Shows		
Internorga 2001 Hamburg, Germany, (Interval: yearly) Target Market: Northern Germany Show for the hotel, restaurant, catering, baking and confectionery trades.	March 9-14	Show Organizer: Tel: (49-40) 35 69 0 Fax: (49-40) 36 69 21 80 http://www.hamburg-messe.de
ProWein 2001 Dusseldorf, Germany, (Interval: yearly) Target Market: Germany/Europe Leading German trade show for wine and other alcoholic beverages.	March 4-6	U.S. Pavilion Organizer: Ca. Wine Institute (Netherlands) Tel: (31-172) 47 15 71 Fax: (31-172) 475545 http://www.prowein.de
FISCH International & Seafood Europe 2002 Bremen, Germany (Interval: 2 years) Target Market: Germany and Eastern Europe Largest German trade show for fish and seafood.	March 14-17	Show Organizer: Bremen fair authorities, Tel: (49-421) 363 0540 Fax: (49-421) 363 05 41
Interzoo 2000 Nuernberg, Germany, (Interval: 2 years) Target Market: Germany/Europe Leading trade show for pet food and supplies.	May 4-7	U.S. Pavilion Organizer: Nuremberg fairground's U.S. representative, Tel: (978) 371-2203 Fax: (978) 371-7121 http://www.interzoo.com
InterCool 2000 Dusseldorf, Germany, (Interval: 2 years) Target Market: Germany/Europe Trade show for frozen foods, ice cream, and refrigeration technology. Held in conjunction with InterMeat and InterMopro.	September 21-24	Show Organizer: Tel: (49-211) 45 60 01 Fax: (49-211) 45 60 668
IBA 2000 (International Bakers Show) Munich, Germany, (Interval: 3 years) Target Market: Germany/Europe International show for bakery and confectionery trade.	September 29 - October 5	Show Organizer: Tel: (49-2224) 770 40 Fax: (49-2224) 77 04 40

Note: More information about these and other German exhibitions and trade shows can be found under the following Internet address: http://www.auma.de .

Additional Market Information

FAS Germany Reports.

FAS/Germany (the ATO-Hamburg and the FAS office in Bonn) have produced a number of Market/Product Briefs and other reports on various topics concerning the German market for agricultural and food products. The reports can be obtained from the FAS homepage at: http://www.fas.usda.gov or from the ATO Hamburg homepage.

Internet Home Pages

Internet home pages of potential interest to U.S. food and beverage exporters are listed below:

AUMA	www.auma.de
ATO-Hamburg	www.usembassy.de/atohamburg
FAS/Washington	www.fas.usda.gov

* AUMA page contains details on exhibitions and trade fairs taking place in Germany.

APPENDIX/ STATISTICS

A. KEY TRADE & DEMOGRAPHIC INFORMATION

Key Trade & Demographic Information	
Agricultural Imports (Million U.S. Dollars)/ U.S. Market Share (%)	$40,509/ 4%
Consumer-Ready Food Product Imports (Value)/U.S. Market Share(%)	$28,023/ 2%
Edible Fishery Imports	$2,441/ 2%
Population (million)/Annual Growth Rate	82/ 0.1%
Urban Population (Millions) /Growth Rate	27.3/0.6%
Number of Major Metropolitan Areas	115
Unemployment Rate	10.6%
Size of Middle Class (Millions)	
Per Capita Gross Domestic Product (U.S. Dollars)	$22,100
Per Capita Food Expenditures (U.S. Dollars)	$4,392
Percent of Female Population Employed	55.6
Exchange Rate (Average Annual for 1998)	U.S. $1 = DM 1.835

Table B. Consumer Food & Edible Fishery Product Imports

Germany Imports	Imports from the World			Imports from the U.S.			U.S Market Share		
	1996	1997	1998	1996	1997	1998	1996	1997	1998
		($ Millions)			($ Millions)			(percent)	
CONSUMER-ORIENTED AG. TOTAL	31,231	27,975	28,023	667	587	560	2	2	2
Snack Foods (Excl. Nuts)	1,480	1,443	1,493	5	6	6	0	0	0
Breakfast Cereals & Pancake Mix	74	95	108	1	1	1	2	1	1
Red Meats, Fresh/Chilled/Frozen	3,365	2,848	2,548	3	6	6	0	0	0
Red Meats, Prepared/Preserved	783	668	780	9	5	1	1	1	0
Poultry Meat	1,251	1,029	1,129	2	1	1	0	0	0
Dairy Products (Excl. Cheese)	1,286	1,269	1,319	1	1	2	0	0	0
Cheese	2,316	2,112	1,934	1	1	1	0	0	0
Eggs & Products	448	391	357	9	10	9	2	3	2
Fresh Fruit	4,231	3,650	3,537	31	23	25	1	1	1
Fresh Vegetables	3,068	2,593	2,694	2	2	2	0	0	0
Processed Fruit & Vegetables	3,101	2,758	2,798	99	84	89	3	3	3
Fruit & Vegetable Juices	971	839	778	10	11	10	1	1	1
Tree Nuts	960	1,021	780	330	265	234	34	26	30
Wine & Beer	2,027	1,962	2,094	23	28	37	1	1	2
Nursery Products & Cut Flowers	2,028	1,879	1,945	33	33	31	2	2	2
Pet Foods (Dog & Cat Food)	402	377	401	40	38	35	10	10	9
Other Consumer-Oriented Products	3,440	3,042	3,326	69	74	72	2	2	2
FISH & SEAFOOD PRODUCTS	2,370	2,182	2,441	26	25	47	1	1	2
Salmon	381	322	343	3	6	15	1	2	4
Surimi	58	51	49	10	6	6	17	13	12
Crustaceans	324	300	332	3	3	4	1	1	1
Groundfish & Flatfish	779	760	939	5	4	17	1	0	2
Molluscs	56	54	52	1	1	1	1	1	0
Other Fishery Products	772	695	727	5	6	6	1	1	1
AGRICULTURAL PRODUCTS TOTAL	44,355	40,732	40,509	2,022	1,786	1,753	5	4	4
AG, FISH & FORESTRY TOTAL	51,899	48,124	48,131	2,421	2,235	2,173	5	5	5

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

Table C. Top 15 Suppliers of Consumer Foods & Edible Fishery Products

Germany Imports

CONSUMER-ORIENTED AG TOTAL ($1,000)			
	1996	**1997**	**1998**
Netherlands	7,546,644	6,371,173	6,517,939
France	3,972,250	3,565,246	3,695,287
Italy	3,482,377	3,088,457	3,143,039
Spain	2,464,005	2,296,033	2,365,428
Belgium	2,193,365	1,827,881	1,772,629
Denmark	1,361,809	1,338,286	1,101,188
Ireland	1,050,601	894,297	908,434
Austria	474,949	495,026	621,492
United Kingdom	510,685	523,844	511,570
EU Sub-total	23,056,685	20,400,243	20,637,006
	74%	73%	74%
United States	667,392	587,333	559,596
	2.14%	2.10%	2.00%
Turkey	701,563	811,073	693,758
Poland	450,699	493,826	491,514
Switzerland	434,820	419,905	467,599
Brazil	494,824	399,051	441,867
Hungary	406,474	384,793	383,291
Other	5,018,568	4,479,513	4,348,576