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Product Brief

Fruits

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Report Highlights:

Germany is one of the largest markets for fruit in Europe. The relative affluence of its population of 82.5 million people makes it an attractive outlet for exporters from many countries. This product brief highlights certain aspects of the German fruit market for U.S. exporters to utilize existing market opportunities and properly market their product in Germany.

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Section I. Market Overview

Germany, with its 82.5 million people (or 18 percent of the EU 25 population) and the largest economy in Europe, is a leading European market for foods and beverages. However, Germany's stagnant economy has affected retail sales, including sales of food products. Although food and beverage sales in Germany remain quite significant at 123.4 billion Euros (\$ 164 billion), retail sales growth has been sluggish from one year to another.

Germany is the 5th largest fruit producer in the EU-15 but it is an even bigger consumer, ranking first in fruit consumption. In recent years, German annual consumption of fruits amounted to 8.3 to 9.8 million MT, including frozen and canned fruits on a fresh weight basis. Germans tend to consume most of their fruit fresh. In 2003, 60,700 MT of frozen fruits and 599,100 MT of canned fruits were consumed in Germany, with the remainder either consumed fresh or used at home for baking. The top five favorite fruits consumed in Germany are apples, bananas, oranges, clementines/mandarines and peaches. However, Germans are also quite familiar with exotic fruits such as mangoes, passionfruit, and lychees.

Germany's position as the largest EU-15 consumer of fruits depends more on the size of its population rather than on high per capita consumption. On a per capita basis, fruit consumption in Germany is still far behind other EU countries. In addition, per capita consumption of fruits has been declining since 1999, aggravated by stiff competition from sweets and other snacks. However, efforts by the German government to improve the consumption of fresh fruits and vegetables, concerns about obesity, aging, and a greater overall interest by Germans in a healthier lifestyle should increase per capita consumption of fresh fruits and vegetables over the long run. The German fruit and vegetable industry and trade, aided by several health organizations, are heavily promoting the "5-a-day" campaign, which could help boost the otherwise stagnant German fruit consumption.

Other factors within the German socio-economic makeup, in particular its immigrant population, could favor an increase in per capita fruit consumption. Germany has a high number of immigrants¹ especially from Turkey and other Mediterranean countries, whose diet includes a higher percentage of fruits than the traditional German diet and who spend a higher percentage of their income on food. Unfortunately, these groups often have incomes that are below the average income of native Germans.

Advantages	Challenges
Germany's 82.5 million inhabitants make up the biggest market in Europe.	Germany is a very price sensitive market, and both, consumers and retailers are looking for top quality at a discount price.
Consumers in Germany have one of the highest income levels in the world.	German (EU) import tariffs on certain products are high. EU-15 and new EU member states benefit from preferential market access with no tariffs.
Germany has many well-established importers. The distribution system is well developed.	Retailers rarely import products into Germany on their own.
The U.S. has a good reputation for quality.	Retailers often charge high listing fees for products.
The strong Euro should help to make U.S. products more competitive in Germany.	It can be a challenge for U.S. companies to promote a particular brand, as private label

¹ In 2003, more than 7.3 million citizens of other countries lived in Germany.

	products are popular.
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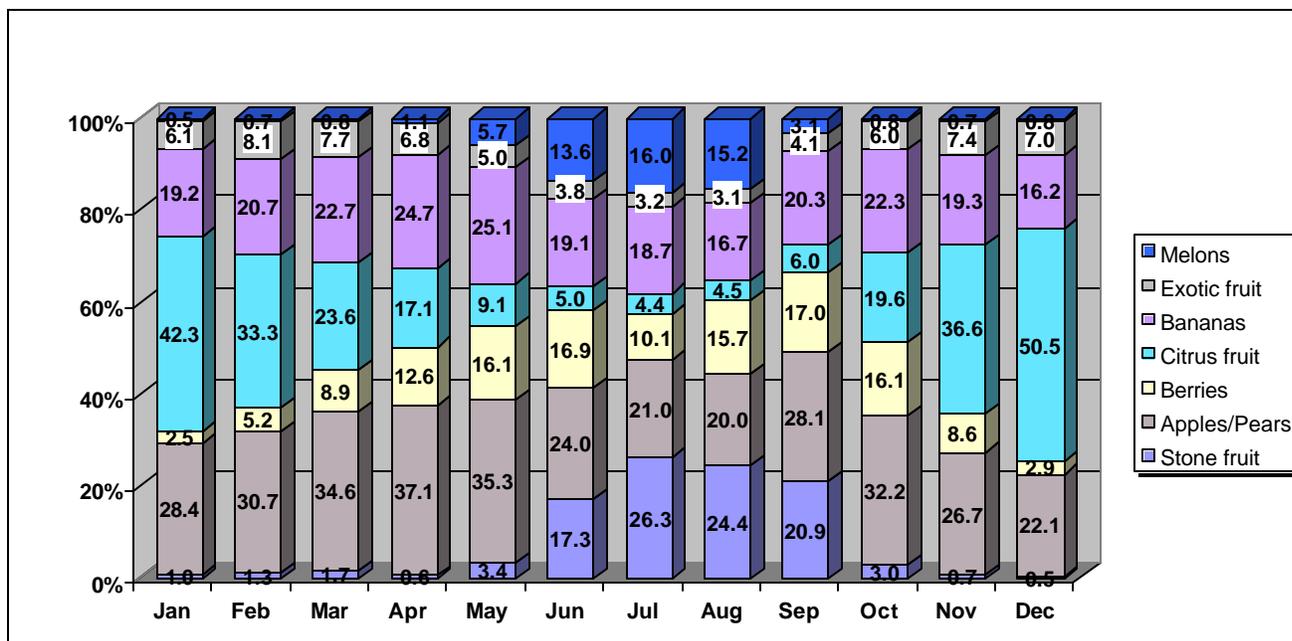
Section II. Market Sector Opportunities and Threats

Market entry strategy

German wholesale companies import most of the fruit on the German market and then distribute it to wholesale markets or deliver to retail chains. Small green grocers, including the popular Turkish green grocers, buy their produce from wholesale markets. Retail chains also very rarely import themselves. In 2003, the biggest wholesalers were: Cobana Fruchtring/Hamburg, Atlanta/Bremen, Edeka Fruchtkontor/Hamburg, Dole fresh fruit Europe/Hamburg, van Wylick/Duesseldorf, Duerbeck/Frankfurt, and Fruchthansa/ Cologne. We highly recommend to work with an importer, as these companies have a lot of experience with import certificates, labeling and other import requirements.

Germany is a very price sensitive market. Therefore exports to Germany will be difficult during the peak of the local season when prices are low and in some cases tariffs are high. However opportunities do exist off-season or at the beginning or end of season. German consumers were accustomed to buying according to what is in season and favor local production from their area. However, with people being more and more detached from agriculture and fading knowledge about the seasons, this tendency is eroding and some retail markets take pride in stocking produce year round. Thus, German consumers are able to find fresh produce year-round, albeit for higher prices during the off-season. Consequently, out of season strawberries or cherries can fetch high premiums, however, for small volumes only.

Chart 1: Distribution of Fruit Purchases by Fruit Type and Month



Source: Fruchthandel Directory 2005

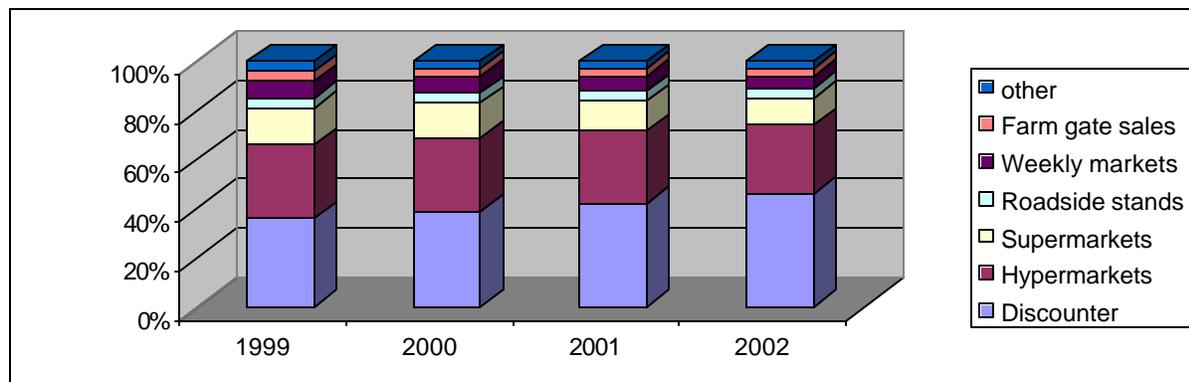
The U.S. has a good reputation for quality. In particular, products from California and Florida are well received as consumers associate these states with sunshine. For these states it

might be useful to stress the state of origin in addition to the U.S. origin. Other U.S. states are less well known and labeling those states will hardly bring any additional benefit over the U.S. origin.

Food safety and environmental concerns are major issues in Germany. The public reacts strongly to food scandals that involve high levels of pesticides or contaminants and stops buying products associated with such scandals. This can be an advantage for U.S. products as U.S. origin is associated with safe products. Many Germans attempt to protect the environment through their consumer choice. As a result, consumption of organic products is rising slowly but steadily in Germany. But also conventional products that convey a natural image are viewed positively. For example, these consumers prefer to buy fruits loose rather than prepackaged, partly to avoid excess packaging material. Some consumers even resist fruits labeled with a plastic PLU code sticker. However, the share of prepackaged fruits especially in the convenience and the discount segment is increasing.

The obvious trend among German consumers is a growing tendency to buy at no frill discount stores. From 1999 to 2002 discounters were able to increase their market share (on a volume basis) for fruits from 38 to 48 percent at the expense of all other retail forms. This is a sign of the extreme price sensitivity of German consumers prevalent in almost all areas but especially developed when it comes to food. As a result, supermarkets and hypermarkets both lost 3 percent market share from 1999 to 2002. In 2003, Aldi, with 19.9 percent of fresh fruit sales in Germany, had the largest percentage among German retailers. With 14.8 percent and 14.7 percent, respectively, the Edeka Group and Rewe Group had the second and third highest percentage of fresh fruit sales in Germany.

Chart 2 and Table 1: Percent of Fruit Purchases by Retail Type and Year



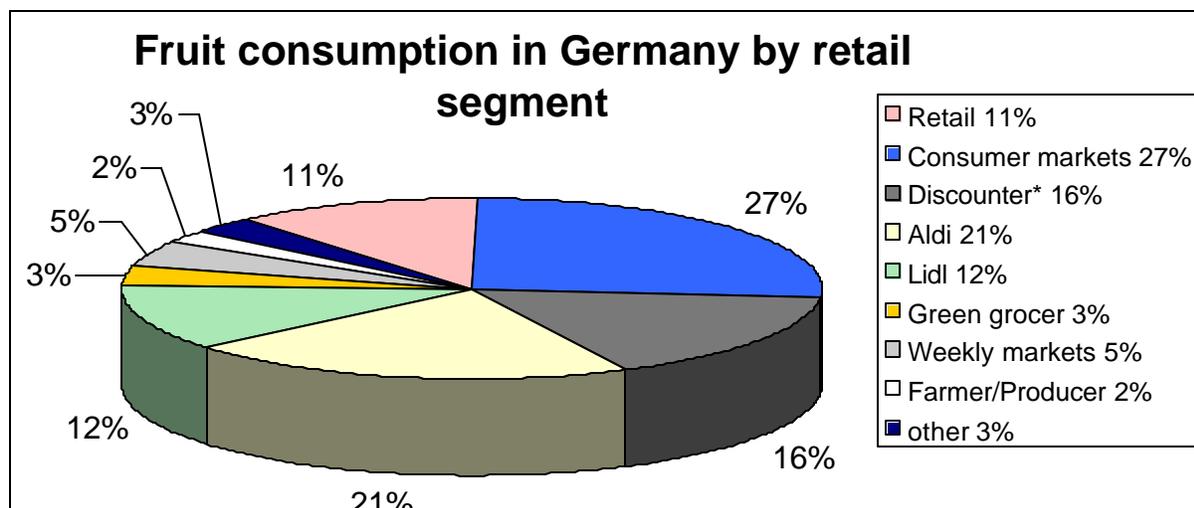
	1999	2000	2001	2002
Discounter	38	42	43	48
Hypermarkets	29	28	27	26
Supermarkets	14	13	12	11
Roadside stands and specialty stores	5	5	5	5
Farmers' markets	6	6	6	5
Farm gate sales	4	3	4	3
Other	5	3	3	2

Source: EHI based on BVL and GFK

Discounter = no frill stores with a limited selection of items, also characterized by generally lower prices than at traditional supermarkets

Hypermarkets = retail stores with more than 1,500 square meters or about 16,146 square feet
 Supermarkets = retail stores with less than 1,500 square meters.

Chart 3: Percent of Fruit Purchases by Retail Type in 2003



*excluding Aldi and Lidl
 Source: Fruchthandel Directory 2005

Imports

Although Germany produces a number of fresh fruits, self-sufficiency varies between 10 and 15 percent. The top five fruits produced in Germany are apples, strawberries, pears, cherries (sweet and sour), and plums. For climatic reasons Germany does not produce tropical fruits. Instead, these are imported from all over the world, along with other fruits.

The majority of imports, excluding bananas, originate in other EU countries, with Spain, Italy and France being the top EU suppliers. In 2003, Germany imported fresh fruits worth U.S.\$ 3.1 billion, thereof 2.2 billion from other EU-15 countries, 94 million from new member states (NMS), and 787 million from non-EU countries. Imports from the U.S. amounted to U.S.\$ 20 million. On a value basis, South Africa, New Zealand, and Argentina were the top non-EU suppliers in 2003, while the US ranked number eleven for non EU-25 and twenty in total. The top products supplied by the U.S. were grapefruits, pears, papayas, mangos, and grapes. See Table 2 for a list of German fruit imports.

Table 2: German imports of fresh fruits from the U.S. by value, volume and year

CN/HS Code	Product	2001		2002		2003		Jan/Aug 2004	
		MT	1000-\$	MT	1000-\$	MT	1000-\$	MT	1000-\$
0805 40 00	Grapefruit	20,592	12,298	19,838	12,477	18,103	15,226	12,558	10,418
0808 20 50	Fresh Pears	2,117	1,813	4,246	4,005	2,786	3,055	4,359	5,213
0807 20 00	Fresh Pawpaws 'Papayas'	287	1,270	204	832	181	751	77	326
0804 50 00	Mangoes/Mangosteens,	1,445	1,540	784	1,079	379	341	542	658
0806 10 10	Fresh Table Grapes	146	345	396	656	135	311	18	19
0808 10 90	Fresh Apples	263	206	132	126	162	167	363	374
0810 40 10	Fresh Cow/Fox/Mountain Cranberries	3	8	27	91	43	160	17	67
0809 20 95	Fresh Sweet Cherries	34	107	48	172	22	97	14	71
0810 90 95	Other Fruit, Fresh	0	0	32	69	18	32	8	14
0804 30 00	Pineapples	9	57	5	46	5	25	1	5
0810 40 50	Fresh Fruits 'Vac.Macrocarpum	32	102	11	43	2	21	1	5
0805 20 90	Other Citrus Hybrids	25	30	5	6	18	18	0	0
0804 40 00	Avocados	0	0	3	7	12	14	0	0
0805 20 10	Clementines	6	6	0	0	1	5	0	0
0805 10 30	Fresh Navels Etc	56	38	26	17	7	2	291	168
0803 00 19	Fresh Bananas	25	22	0	0	0	0	459	317
0810 40 30	Fresh Blue Bilberries 'Vac.Myrtillus'	0	0	2	2	0	0	3	10
0809 40 05	Fresh Plums	0	0	367	689	0	0	0	0

Source: German Federal Office of Statistics, Wiesbaden

Food safety

The number of food scandals that occurred in Europe in recent years involving various commodities - including fresh produce - have prompted the food industry to come up with various programs to ensure the safety of the traded food. For fruits and vegetables two main programs evolved in Germany - the *Q+S* and *EUREPGAP*. While *Q+S* is a 3-tier system that involves everyone who handles the product from producers to wholesalers and the retail chains, *EUREPGAP* mainly focuses on the producer level and is often supplemented by the *IFS* (International Food Standard) on the wholesaler level. A major component of both systems is the extensive documentation requirement for all stages of the production process.

Both systems are not restricted to German producers but also open to international producers. Also a combined certification for both *Q+S* and *EUREPGAP* at the same time is possible at the producer level.

Some German retail chains have voiced their preference for one or the other system: Rewe, Spar and Wal-Mart Germany favor *Q+S*, Metro focuses on *EUREPGAP* in conjunction with *IFS*, while Rewe and Tengelmann accept both systems.

Non certified produce is still accepted. However, U.S. exporters should monitor the issue closely because some European retailers are already requiring *EUREPGAP* certification.

For detailed information on both systems please view the following websites:

<http://www.q-s.info/en>
www.eurep.org

Packaging directive / "Green dot"

Because the German Packaging and Waste Avoidance Law established specific rules for packaging material the "Green Dot" (Der Gruene Punkt) system was developed. The "Green Dot" is a recycling symbol which is found on the packaging material of virtually all products retailed in Germany. While packaging material for products retailed in Germany is not legally required to carry the "Green Dot," it is almost impossible to market a product in Germany without it. Typically, the producer or the importer pays a licence fee to use the Green Dot, dependent on the type and amount of packaging, and provides the exporter with the information necessary.

For further information on the Green Dot packaging material disposal and recycling program you may wish to make direct contact with your potential German importer and/or with the following company:

Duales System Deutschland GmbH (DSD)
Frankfurter Strasse 720-726
D-51145 Koeln, Germany
Internet: www.gruener-punkt.de

Tel: (49-2203) 937-0
Fax: (49-2203) 937-190 or 495

Section III. Market Access

Tariffs:

Tariffs for fruits and vegetables very much depend on the season. During local (EU) peak season the tariffs tend to be higher than off-season. Tariff information can be accessed under the following hyperlink:

2004: http://europa.eu.int/eur-lex/en/archive/2003/l_28120031030en.html
pages 85 through 90 and 671 through 725

2005: <http://europa.eu.int/eur-lex/lex/JOhtml.do?uri=OJ:L:2004:327:SOM:EN:HTML>
pages 85 through 90 and 677 through 708

Certain fruits and vegetables² are subject to a special tariff system called "Entry Price System". In this system fruits and vegetables imported at or over an established entry price are charged an ad valorem duty only. Produce valued below the entry price are charged a tariff equivalent in addition to the ad valorem duty. The tariff equivalent is graduated for products valued between 92 and 100 percent of the entry price. The ad valorem duty and the full tariff equivalent are levied on imports valued at less than 92 percent of the entry price.

Labeling requirements

All fruits that are subject to the EU marketing standards^{3 4} have to be labeled with the nature of produce, the country of origin, standard/class, plus the variety if stated so in the standard.

² The following products are subject to the entry price system:

Tomatoes, cucumbers, gherkins, globe artichokes, courgettes, oranges, mandarins, clementines and similar citrus hybrids, lemons, grapes, apples, pears, quinces, apricots, cherries, peaches, nectarines, plums, sloes, and grape juice

³ Apples, apricots, pears, strawberries, melons, cherries, plums, peaches, nectarines, and grapes.

⁴ For information on marketing standards please consult the following website:

www.useu.be/agri/Fruit-Veg.html

If sold in packages the following additional information has to be stated on the label: name and address of packer, weight or number of items in the package, lot number, plus the size if stated so in the standard. We recommend to contact your importer about details of those requirements prior to shipping.

Phytosanitary requirements

Many fruits need a plant health certificate according to EU directive 2000/29/EC to enter the EU. For specific requirements contact your local APHIS office or consult the following website:

http://europa.eu.int/eur-lex/pri/en/oj/dat/2000/l_169/l_16920000710en00010112.pdf

Section IV. Post Contact and Further Information

For more information concerning market entry and a current importer list contact:

Embassy of the United States of America
Office of Agricultural Affairs
Clayallee 170
14195 Berlin
Germany
Tel: +49-30-8305-1150
Fax: +49-30-84311935
e-mail: agberlin@usda.gov

Trade fairs

In Germany, trade fairs play a key role in presenting new products to the trade or in finding additional buyers and importers. The major international trade fair for the fruit and vegetable trade is held each February in Berlin:

<p>Fruit Logistica Berlin, Germany (Interval: yearly)</p> <p>Target Market: Germany/EU/Central & Eastern Europe</p> <p>Good venue for exhibiting fresh and dried fruit, nuts and related products</p>	<p>February 10-12, 2005</p>	<p>U.S. Pavilion Organizer: B*FOR International Tel: (540) 373-9935 Fax: (540) 372-1414 http://www.fruitlogistica.de</p>
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For organic products there is a special trade fair held annually in Nuremberg

<p>Bio Fach Nuremberg, Germany (Interval: yearly)</p> <p>Target Market: Germany/Europe The leading European trade show for organic food and non-food products</p>	<p>February 24-27, 2005</p>	<p>U.S. Pavilion Organizer: B*FOR International Tel: (540) 373-9935 Fax: (540) 372-1411 http://www.biofach.de</p>
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Related GAIN reports:

Report Number	Date	Title
GM3025	08/15/2003	Fruit Tree Census
GM4010	3/5/2004	Agricultural Highlights from Fruit Logistica Trade Show 2004
GM4027	07/30/2004	FAIRS
GM4031	09/01/2004	Fresh Deciduous Fruit Annual
GM4041	10/22/2004	Exporter Guide
GM4044	11/15/2004	Retail Report
GM5001	12/06/2004	Fresh Deciduous Fruit Semi-Annual