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Germany

Fresh Deciduous Fruit

Prospects for the German Apple Market

2007

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Report Highlights:
For CY 2007, German commercial apple production is forecast at 952,000 MT, which is almost identical with the previous year's harvest. Non-commercial apple production is forecast at 750,000 MT, 25 percent below last year's crop. Better export opportunities for German producers resulting from lower production in new EU member states are expected to drive up apples prices in Germany. This could increase the attractiveness of the German market to U.S. exporters.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Berlin [GM1]
[GM]

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Executive Summary

The German commercial apple production for CY 2007 is projected at 952,000 MT, which is only marginally more than in the previous year. The EU-27 apple production is projected at 8.6 million MT a decrease of 13 percent compared with 2006. While EU 15 production is up 3 percent, new member states[1] (NMS) production is down 46 percent. Much of the NMS production is traditionally destined for processing. The decrease in production will push up prices for processing apples all over the EU. This will also help table apples prices because it presents an incentive to sell table apples of lower quality as processing apples rather than putting them on the table apple market where they could create pressure on the market.

The price for table apples is expected to increase, especially after house garden production has been consumed and garden owners return as customers in October/November. This could open export opportunities for the U.S. However, the higher prices could also put a damper German apple consumption.

Production

Commercial Production

Germany is the fourth largest apple producer in the EU, after Poland, Italy, and France. As of mid-August, the German Market and Price reporting Agency projects German commercial apple production for CY[2] 2007 at 952,000 MT[3]. This is only marginally more than the 948,000 MT of 2006.

The crop for CY 2006 was revised downwards to 948,000 MT from the previous estimate of 955,000 MT. The production potential is estimated at 1 million MT.

The EU-27 apple production is projected at 8.6 million MT a decrease of 13 percent compared with 2006 for (details see table1). This decrease is largely the result of frost damage in Poland and Hungary (for details on Poland please refer to PL7038[4] and PL7040[5]). As a result of the drastic decline in NMS production, the production share of the EU-15 has further increased to 80 percent compared to 66 percent in normal years.

Much of the NMS production is traditionally destined for processing. The decrease in production will push up prices for processing apples all over the EU. Traditionally, apple juice and concentrated apple juice (CAJ) produced in northern EU member states from local apples is comparatively high in acidity. While Germany and other EU member states import significant amounts of CAJ from China, locally produced apple juice and CAJ is needed to balance the sweeter Chinese CAJ and produce apple juice that appeals to the northern European consumer taste.

The higher prices for processing apples will also help table apples prices because it presents an incentive to sell table apples of lower quality as processing apples rather than putting them on the table apple market where they could create pressure on the market.

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[1] New EU member states include Bulgaria, Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Romania, Slovakia, Slovenia, and Poland.
[2] CY = Calendar year
[3] MT = Metric ton = 1000 kg
[4] http://www.fas.usda.gov/gainfiles/200707/146291669.pdf
[5] http://www.fas.usda.gov/gainfiles/200707/146291690.pdf

Table 1: Commercial Apple Production in the EU-15 and New Member States (NMS) by Country and Year in 1,000 MT

Country	2000	2003	2004	2005r	2006r	2007f	Change in %
Italy	2,206	2,153	2,032	2,071	1,991	2,083	5
France	2,260	1,728	1,708	1,769	1,584	1,613	2
Germany	1,131	818	945	925	948	952	0
Spain	683	704	553	701	547	570	4
Netherlands	500	405	435	380	347	391	13
Belgium	500	319	356	317	358	348	- 3
Greece	288	165	282	265	267	266	0
UK	195	156	163	192	174	202	16
Portugal	206	287	277	252	247	197	- 20
Austria 1)	161	152	163	173	161	194	20
Denmark	31	25	26	26	27	26	- 4
Sub-total EU-15	**8,162**	**6,914**	**6,940**	**7,069**	**6,607**	**6,842**	4
Poland 2)	2,000	2,428	2,522	2,200	2,250	1,200	- 47
Hungary	695	550	668	467	480	203	- 58
Czech Republic	195	152	164	138	159	106	- 33
Bulgaria	92	58	58	71	65	60	- 8
Slovenia	59	62	60	58	50	60	20
Lithuania 2)	100	97	34	130	100	40	- 60
Latvia 2)	35	36	7	38	32	25	- 22
Estonia 2)	19	5	2	11	10	18	80
Slovakia	27	34	31	36	31	10	- 68
Sub-total NMS	**3,225**	**3,423**	**3,546**	**3,149**	**3,177**	**1,721**	- 46
Total EU-27	**11,326**	**10,337**	**10,486**	**10,221**	**9,828**	**8,563**	- 13

r = revised , f = Forecast, Note: Discrepancies in total due to rounding.
1 = Steiermark/Styria
2 = including non-commercial production
Source: German Central Market and Price Reporting Agency (ZMP), based on Eurofel-database and own calculations

Table 2: Commercial Apple Production in Germany by Variety and Year in 1,000 MT

Variety	2000	2003	2004	2005r	2006r	2007f	Change in Percent
Elstar	156	126	178	159	175	186	6%
Jonagold	210	152	163	146	135	145	7%
Jonagored	96	90	100	122	133	138	4%
Golden Delicious	77	63	63	59	53	56	6%
Gala	29	39	46	54	52	56	8%
Boskoop	87	38	51	52	51	50	-2%
Braeburn	17	20	38	38	41	50	22%
Idared	70	52	61	51	53	48	-9%
Gloster	81	47	42	37	34	31	-9%
Cox Orange	57	30	28	26	26	23	-12%
Other *	251	161	175	181	195	169	-13%
Total	1,131	818	945	925	948	952	0%

r = Revised, f = Forecast.
* Includes Pinova, Shampion, Topaz, Gravensteiner, James Grieve, Glockenapfel, Ingrid Marie, and other varieties.
Source: German Central Market and Price Reporting Agency (ZMP)

Non-commercial Production

German authorities stopped issuing official figures for non-commercial production (private gardens and meadows) in 1992. However, industry estimates CY 2007 non-commercial production at approximately 750,000 MT down from 1 million MT in CY 2006. Non-commercial production tends to alternate between good and poor crop years. The reason is that during the fruit growing season, the trees are already developing the buds for next year's apple blossom and crop. In good years, the trees use most of the assimilates for fruit growth and have less available for bud development. Commercial orchards alternate or vary much less from year to year because good farming practices, such as thinning, are used to ensure a more even production.

Non-commercial production includes apples grown in house gardens and production in meadows. Typically, non-commercial production is used for fresh consumption, must and spirits production, baking (cakes, tarts) or preserved foods (canned, dried, and cooked). Approximately 50 percent of this production is grown in house gardens and is consumed by private households; 40 percent is comprised of must apples used in apple juice production; and the remaining 10 percent is processed into spirits. These percentages may vary depending on the price for must apples. Higher must apple prices generally result in a higher proportion of fruit entering juice production, lower prices generally result in less fruit going into processing.

Non-commercial production is usually not sold on the table apple market and thus does not directly influence table apple prices. However, in regions with significant non-commercial production, consumers who grow apples in their back yard will first consume their own production before they buy table apples from commercial production.

Fruit Quality

Hail damage in 2007, is reportedly higher than in 2006. As a result, the percentage of commercially grown apples being processed may increase in MY 2007/08.

The warm weather in April/May resulted in earlier blossoming. In turn, harvest started about two weeks earlier than in average years.

Consumption

Apples are by far the most popular fresh fruit in Germany, followed by bananas and oranges. Pears rank number six in popularity with German consumers (see table 3). However, ZMP reports that average household consumption of apples in the first six months of 2007 dropped by 1 kg to 11.3 kg compared to the same period in 2006. ZMP attributes this decrease to the higher consumer prices for apples. While the average price for 1 kg of apples amounted to 1.21 Euro/kg in the period of January through June of 2006, in the first half year of 2007 it had climbed to 1.30 Euro per kg, according to ZMP.

Table 3: Per Capita Consumption of Commercially Grown Fresh Fruit in Germany in kg per person per year

	2000/01	2001/02	2002/03	2003/04 r	2004/05 p
Apples (market)	19.1	17.5	17.7	18.0	17.2
Bananas	12.1	11.1	11.1	11.0	10.4
Oranges	7.0	6.0	6.5	7.0	6.8
Easy Peelers	4.2	3.6	4.2	3.7	4.3
Grapes	4.0	3.8	3.4	3.6	3.5
Pears	2.6	2.3	2.6	2.4	2.6
Strawberries	2.4	2.7	2.3	2.2	2.4
Lemons	1.6	1.7	1.6	1.6	1.5
Cherries	1.4	1.2	1.0	1.2	1.3
Plums	1.1	1.0	1.0	1.1	1.2
Grapefruits	0.9	0.8	0.7	0.6	0.7
Other	29.5	28.3	28.0	28.7	28.4
Total Fresh Fruit	66.8	62.5	62.4	63.1	62.5

Source: ZMP Bilanz Obst 2006, table 13
r = revised
p= preliminary
Note: Includes domestically processed fruits from commercial production.

Trade

Trade data is not available yet for the full marketing year. Therefore, trade matrices and PSDs will be provides in a separate report at a later date.

Industry expects better export opportunities for German table apples in MY 2007/08 in Russia and the Balkan countries as they hope to fill the void left by lower exports from Poland resulting from the poor crop in Poland.

The expected higher prices combined with a favorable U.S.$/Euro exchange rate could make Germany a more attractive destination for U.S. apples exporters than in previous years.

Stocks

The latest available commercial stock figures refer to the situation at producers' organizations at the end of June. Stocks were approximately 50 percent above the previous season. Reportedly, stocks were sold out by the end of July.

Table 4: Apple stocks in Germany on June 30 in MT by year and variety

Variety	2003/04	2004/05	2005/06	2006/07
Jonagored	714	13,025	2,771	6,314
Jonagold	1,130	12,594	4,260	5,294
Golden Delicious	75	3,419	1,270	1,446
Total	2,309	33,433	10,266	15,427

Source: German Central Market and Price Reporting Agency (ZMP)

Import tariffs

Germany is part of the EU and thus applies the harmonized EU import regulations. Apples and pears 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.

The tariff levels are published in EU regulation 1549/2006. For details please refer to:

http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l_301/l_30120061031en00010880.pdf

Apples and pears see pages 86/87 and 689 through 694,
CAJ see page 158.

Marketing

Prospects for MY 2007/08 are good for a number of reasons:

- Domestic apples from the previous harvest are sold out, which ensures a smooth transition to the new marketing season.
- High prices for processing apples will attract table apples of lower quality into this sector and thus take pressure from the table apple market.
- Lower production in NMS opens export opportunities for German producers.
- Non-commercial production (including house gardens) is lower than in the previous year.

It is expected that this situation will lead to higher apples prices as well as higher imports. However, the expected higher apple prices could negatively affect fresh apple consumption.

For detailed information about the German fruit retail market please see our product brief on fruit (GM5002). This report includes information on market distribution of fruit sales by retail segment, labeling requirements, phytosanitary requirements, and tariffs.

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:

Fruit Logistica Berlin, Germany (Interval: yearly) Target Market: Germany/EU/Central & Eastern Europe Good venue for exhibiting fresh and dried fruit, nuts and related products	Next Fair: February 07-09, 2008	U.S. Pavilion Organizer: B*FOR International Tel: (540) 373-9935 Fax: (540) 372-1414 http://www.fruitlogistica.de

For organic products there is a special trade fair held annually in Nuremberg

Bio Fach Nuremberg, Germany (Interval: yearly) Target Market: Germany/Europe The leading European trade show for organic food and non-food products	Next Fair: February 21-24, 2008	U.S. Pavilion Organizer: B*FOR International Tel: (540) 373-9935 Fax: (540) 372-1411 http://www.biofach.de

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 three tier system that involves everyone who handles the produce 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 wholesalers level. A major component of both systems is the extensive documentation requirement for all stages of the production process.

Both systems are open to international producers provided that they comply with the system and obtain a certification. Also a simultaneous certification for Q+S and EUREPGAP is possible at the producer level.

The implementation of both systems is progressing but non certified produce is still accepted. However, U.S. exporters should monitor the issue closely.

For detailed information on both systems please view the following websites:
http://www.q-s.info/en
www.eurep.org

Related reports:

GM3011	3/17/2003	EU support for the fruit and vegetable sector in Germany
GM3025	8/15/2003	German Fruit Tree Census
GM5002	01/07/2005	Product Brief Fresh Fruits
GM7001	19/12/2006	Semi-Annual