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ATO ACTIVITIES reports

Agricultural Export Opportunities Report, October 1998

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Report Highlights:

A number of major German trade shows will take place over the next 4-5 months. U.S. Pavilions have been organized at: Food Ingredients Europe, Fruit Logistica, International Plant Show, International Sweets and Biscuit Show and Bio Fach (organic) show. The ATO-Hamburg has recently completed the American Foods in Europe directory, which highlights 300 European companies importing/distributing more than 600 branded and generic U.S. food and beverage products in Europe.

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Germany: Agricultural Export Opportunities Report, October 1998

ATO-Hamburg

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I. KEY MARKET INFORMATION

Food/Beverage Market Developments:

The following are some recent developments in the German food and beverage market that may be of interest to U.S. exporters. Some of these developments also may have been included in previous versions of this report.

German Food and Agricultural Imports Down in 1997.

German imports of agricultural and food products in 1997 totaled \$38.6 billion (including EU intra-trade), down 13.7 percent from 1996, according to preliminary official German statistics. Imports from the United States in 1997 totaled \$1.56 billion, about 20 percent below the year-earlier figures.

In DM terms, Germany's total imports of agricultural and food products in 1997 were only about one-half percent lower than in 1996. Notably, Germany's imports from all non-EU and non-US destinations rose about 14 percent in DM terms in 1997. A 15.4 percent appreciation in the U.S. dollar relative to the German mark (DM) in 1997 likely contributed to slow German imports.

Germany: Assorted Ag and Food Imports from the U.S., 1995-97 (million U.S. dollars)

Category/Product	1995	1996	1997	% 97/96
Peanuts	\$23.9	\$27.1	\$18.3	-32.6%
Meat and products	\$6.2	\$13.9	\$11.8	-15.3%
Fresh fruit	\$38.6	\$40.7	\$28.4	-30.3%
— of which grapefruit	\$16.9	\$17.0	\$12.2	-28.3%
Prunes	\$31.7	\$30.3	\$30.0	-0.9%
Canned fruit/vegetables	\$35.3	\$26.6	\$19.0	-28.7%
Fruit and vegetable juices	\$20.7	\$10.2	\$11.4	11.1%

Category/Product	1995	1996	1997	% 97/96
Tree nuts	\$246.0	\$330.5	\$263.9	-20.1%
- of which almonds	\$200.0	\$284.1	\$220.7	-22.3%
- of which walnuts	\$34.3	\$34.8	\$25.4	-26.9%
- of which pistachios	\$3.4	\$3.4	\$10.1	200.5%
Beer	\$1.3	\$2.3	\$3.1	36.7%
Wine	\$14.8	\$22.1	\$25.7	16.2%
Pet food	\$17.9	\$36.4	\$42.7	17.2%
Fish and seafood	\$29.4	\$28.3	\$25.2	-11.2%

Source: Official German Import Statistics

Countdown to the Euro

The Euro becomes a legal currency beginning on January 1, 1999. On that date, the European Central Bank will establish irrevocable conversion rates between the Euro and the National currencies of the eleven participating countries — Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Spain and Portugal. This will allow bank transfers and credit card and checking account transactions denominated in Euros. From January 1, 1999 to December 31, 2001, Euro banknotes or coins will not be in circulation; national banknotes and currency will remain legal tender. The Euros will be introduced beginning January 1, 2002, while the affected national currencies will be phased-out over a six-month period.

Metro Continues to Purchase the Competition.

Metro AG, Germany's largest retailer, and the fourth largest food/beverage retailer, has announced the purchase of German food and non-food retailer Kriegbaum. Kriegbaum had total 1997 sales (turnover) of DM 3.0 billion (\$1.7 billion), of which about 60 percent was comprised of food, ranking it as the sixteenth or seventeenth largest retailer in Germany.

This purchase follows Metro AG's February 1998 purchase of Allkauf, Germany's ninth largest retailer and tenth largest food/beverage retailer, with total retail turnover of about DM 7.0 billion (\$4.0 billion), of which about one-half was from food/beverages.

Wal-Mart Rumored to be Interested in Aldi.

The German press reported in August that Wal-Mart may be considering purchasing the privately-held German company Aldi. Aldi ranks as Germany's fourth largest retailer, with 1997 sales of DM 34.5 billion (\$19.9 billion), and the third largest food retailer, after Rewe AG and Edeka/AVA, with sales of DM 29.3 billion. In addition to Germany, Aldi has operations in other European countries and in the United States.

Wal-Mart first entered the German (European) market in 1997 through the purchase of the German retailer Wertkauf Group. Wertkauf had yearly sales of about DM 2.5 billion (\$1.4 billion), of which about 40 percent was comprised of food.

Lekkerland and Tobaccoland to Merge.

Lekkerland and Tobaccoland announced in late August 1998 that they will combine most of their German operations effective January 1, 1999. Lekkerland and Tobaccoland are the leading suppliers for Germany's fast-growing "convenience" retailing sector -- retail outlets located at gas stations, train stations, bakeries, etc. In 1997, Lekkerland Germany and Tobaccoland's German wholesale operations had sales of about DM 4.5 billion (\$2.65 billion) each. Lekkerland handles about 10,000 different food and non-food items and services an estimated 70,000 customers, including 13,000 gas station shops, 12,000 kiosks, 9,000 beverage stores and 8,000 bakeries. Tobaccoland is a major supplier of tobacco products to these same types of customers. In addition to their German operations, Lekkerland's "Europa Holding" had 1997 sales of DM 4.4 billion (\$2.6 billion) from their operations in Belgium/Luxembourg, Denmark, Austria, the Czech Republic and Hungary.

Private Label Making Slow Inroads in Germany.

About 21 percent of all food and non-food products sold in Germany at the retail level is reportedly comprised of private label products. This percentage is up from about 19 percent in 1990 and 14.5 percent in 1980. However, total sales value of these products is currently more in the range of about 12 percent, given that the private label products are priced significantly lower than their branded competitors. Private label products are most common on the shelves of the discount retailers, particularly chains like Aldi. Frozen fruit, prepared fruit, milk, and frozen bread are among the products most likely to carry a private label.

Largest Organic Shopping Center in Europe to Open in Germany

Rommelmuehle, the first "organic" shopping center in Germany, recently opened its doors in the town of Bietigheim-Bissingen, about 30 km outside of Stuttgart. This one-of-a-kind attraction contains approximately 6,500 square meters of retail space, featuring a broad spectrum of organic, natural, and environmentally-friendly products under one roof, thus qualifying itself as the largest "organic" shopping center in Europe.

Rommelmuehle counts among its tenants a large natural foods supermarket and adjoining organic wine store; retailers featuring fashions, gifts, books, toys and home furnishings; also a natural home improvement store with building materials and information for environmentally-minded do-it-yourself projects. An organic micro-brewery and restaurant are also located on the premises.

The project organizers are targeting not only the traditional "green" customers, but upscale consumers interested in buying high-quality environmentally friendly products. They hope that the location, combined with the broad selection of natural products, will create a unique shopping experience that attracts loyal customers from throughout the region.

Growing Availability of Organic Food Products.

Globus Group, a major German food retailer, announced that they will begin carrying their own line of organic food and beverage products in 31 of their warehouse stores. The products, marketed under the name "Terra Pura", include fruit and vegetables, eggs, dairy products, bakery goods, among other products. Globus joins with a number of Germany's major retailers in dedicating shelf space to this fast-growing segment.

McDonald's Still Tops in Germany.

McDonald's Germany is still tops in the gastronomy sector in Germany. In 1997, McDonald's had total sales of DM 3.4 billion (\$1.96 billion), up from DM 3.2 billion a year earlier. McDonald's has a total of 850 outlets in Germany. Others in the top five include: LSG Lufthansa Service Holding AG (airline, airport and party services), Autobahn Tank & Rast (highway reststops), Mitropa (travel, convention and theme parks) and Dinea

Gastronomie (company cafeterias). The top 90 companies in Germany's gastronomy sector recorded 1997 sales (turnover) of about DM 13 billion (\$7.5 billion).

Opportunities in the Pet Food Market.

Pets are very popular in Germany, particularly cats and dogs. The German retail market for pet food is estimated at DM 3.9 billion (US\$2.2 billion) annually. The top products are wet cat and dog food, at \$810 million and \$397 million, respectively. Sales of dry dog and cat food are estimated at \$299 million and \$142 million, respectively. Other major pet food products are snacks/treats and bird and fish foods.

More than three-quarters of all pet food is sold in food and drug stores; pet stores, building supply stores and garden centers account for the remainder. Effem, an affiliate of Mars, is the market leader in most of the pet food product segments. Germany imports significant quantities of pet food, including an increasing amount from the United States (an estimated \$43 million in 1997). The German market offers good opportunities for U.S. pet food suppliers, both for prepared products and for supplying pet food ingredients.

Internet Usage Increasing in the German Food Industry.

Internet usage is lower in Germany than in other parts of Europe and in the United States. However, private and business usage is growing at a rapid pace. According to figures compiled in 1997, of Germany's small- and medium-sized German food companies, 34 percent have Internet access and 12 percent conduct Internet sales. Several German food retailers have also begun to offer on-line shopping.

Reports of Interest:**FAS German Market/Product Briefs.**

The ATO Hamburg, in conjunction with the FAS office in Bonn, Germany, has produced a series of Market/Product Briefs on various topics concerning the German market for agricultural and food products. Briefs have been prepared on the following topics:

- Food Law, Labeling, Packaging and Certification
- Gaining Access to the German Retail Food Market
- Floricultural Products Market
- Organic Market
- Beef and Beef Product Market
- German Food and Beverage Trade Publications
- Wine Market
- Beer Market
- German Food, Beverage and Agricultural Trade Fairs
- Retail Food Market
- Walnut Market
- Almond Market
- Fruit Juice Market

Copies of these Market/Product Briefs can be obtained from the U.S. Trade Assistance and Promotion Office (TAPO) at FAS in Washington, DC; phone (202) 720-7420; FAX (202) 690-4374.

FAS Market Information Report for Germany.

The ATO-Hamburg has completed the annual version of the:

-- “Market Information Report for Germany”

This report should be available at the TAPO office at FAS in Washington.

FAS Market Study on Germany’s Retail Food Sector.

FAS/Germany has produced a market study entitled:

-- “Accessing Germany’s Retail Food Sector: A Guide for U.S. Food and Beverage Suppliers.”

The study, completed in June 1998, should also be available at the TAPO office at FAS in Washington.

Promar International.

Promar International, a marketing and business consultancy, has prepared a number of studies on the European food and beverage market. Details on these studies can be obtained by contacting Produce Studies in the UK at: tel: (44) 1635 43363, fax: (44) 1635 43945, by e-mail: promar@produce-studies.com, or their Internet site: <http://www.produce-studies.com>

Agra Europe.

Agra Europe in London offers two food-related publications: “EuroFood, The Business Report for the Food Industry in Europe”, issued every two weeks, and “European and Packaging and Waste Law”, published every month. These are in addition to other publications by Agra Europe, including “Agra Europe” a weekly publication on European and international policy and trade developments for major agricultural commodities. Information on Agra Europe’s publication can be obtained from Agra Europe in their London office at: tel: (44) 1892 533813; fax: (44) 1892 544895; e-mail: 100637.3460@compuserve.com

Web Page Sites:

The following are some Home Pages of potential interest to U.S. exporters:

www.fas.usda.gov	FAS/Washington
www.usembassy.de/atohamburg	ATO-Hamburg
www.auma.de	AUMA - page contains details on exhibitions and trade fairs taking place in Germany

Check them out!

II. UPCOMING PROMOTIONAL ACTIVITIES/EVENTS

The following section presents trade shows and other promotional activities and events for food, beverages and other agricultural and related industries taking place in Germany. The Agricultural Trade Office (ATO) in Hamburg will update the details concerning these activities/events, and add new ones, as information becomes available. The ATO-Hamburg would appreciate receiving details on other promotional opportunities for U.S. food and beverage products that will be taking place in Germany. The ATO-Hamburg can be reached at (49-40) 414607-0, by FAX at (49-40) 414607-20, or by E-Mail at ATOHamburg@fas.usda.gov

Note: The promotional events listed are provided for informational purposes only. No endorsement should be implied unless specifically stated. Terms and conditions of participation are the responsibility of the activity organizer. Please contact the organizer directly for further information.

German Trade Shows (major food and agriculture):

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 list provides details on major trade shows for food, beverages and other agricultural and related industries taking place in Germany.

1998 Trade Shows

Food Ingredients-Europe 1998

Frankfurt, Germany, November 3-5, 1998 (Interval: yearly, venue rotates)

U.S. Pavilion Organizer: T&G Food Ingredient Services Inc. (Miller Freeman's N. American Agent), Tel: (847) 635-9960; Fax: (847) 635-6801.

Target Market: Europe/International

This is an excellent show for the food and beverage ingredient market. The ATO-Hamburg will staff an information booth in the Pavilion.

1999 Trade Shows

Fruit Logistica 1999

Berlin, Germany, January 21-23 (Interval: yearly)

U.S. Pavilion Organizer: Berlin fairground's U.S. office, Tel: (540) 372-3777; Fax: (540) 372-1414.

Target Market: Germany/Central & Eastern Europe

This is a good venue for exhibiting fresh and dried fruit, nuts and related products. The show is held in conjunction with the International Green Week (see below). The ATO-Hamburg will staff an information booth in the Pavilion.

International Green Week 1999

Berlin, Germany, January 22-31 (Interval: yearly)

Show Organizer: Berlin fair authorities, Tel: (49-30) 3038-0; Fax (49-30) 3038-2019.

Target Market: Germany/Europe

Large consumer show for food, beverages and other agricultural products. The show usually contains a U.S. Pavilion.

IPM 1999 (International Plant Show)

Essen, Germany, January 29-31 (Interval: yearly)

U.S. Pavilion Organizer: Essen fairground's U.S. office, Tel: (212) 356-0406; Fax: (212) 356-0404.

Target Market: Germany/Europe

European trade fair for the horticultural and nursery industry. The Southern Nurserymen and SUSTA have participated in the U.S. Pavilion at past shows. ATO-Hamburg staff will participate in the U.S. Pavilion.

ISM 1999 (International Sweets and Biscuit Show)

Cologne, Germany, January 31 - February 4 (Interval: yearly)

U.S. Pavilion Organizer: National Confectioners Association, Tel: (703) 790-5750; Fax: (703) 790-5752.

Target Market: Europe/International

World's largest show for snacks and confectionery products. NCA organizes the U.S. Pavilion at this "world-class" show. ATO-Hamburg will staff an information stand in the U.S. Pavilion.

Bio Fach 1999

Nuremberg, Germany, February 18-21 (Interval: yearly)

U.S. Pavilion Organizer: Nuremberg fairground's U.S. representative, Tel: (978) 371-2203; Fax: (978) 371-7121.

Target Market: Germany/Europe

Perhaps the leading European trade show for organic food and non-food products. The Organic Trade Association is participating in the U.S. Pavilion at this show. ATO-Hamburg plans to staff an information stand.

Prowein 1999

Dusseldorf, Germany, March 21-23 (Interval: yearly)

U.S. Pavilion Organizer: Wine Institute's office in the Netherlands, Tel: (31-172) 47 15 71; Fax: (31-172) 47 55 45.

Target Market: Germany/Europe

Leading German trade show for wine and other alcoholic beverages. ATO-Hamburg staff will attend the show.

ANUGA 1999

Cologne, Germany, October 9-14 (Interval: 2 years)

U.S. Pavilion Organizer: Cologne fairground's U.S. representative, Tel: (212) 974-8837; Fax: (212) 974-8838.

One of the leading international trade show for food and beverages.

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. There is traditionally a large U.S. Pavilion(s) at this show; about 150-200 U.S. companies and associations normally exhibit in the U.S. Pavilion(s). The ATO-Hamburg will attend and participate with an information stand.

Other Promotion/Activities:

Directory of American Foods in Europe.

The ATO-Hamburg, together with other FAS offices in Europe, has produced an updated version of the American Foods in Europe Directory (AFE), a Guide to European Importers of U.S. Food and Beverage Products. This 1998/99 edition of the AFE contains listings of about 300 European companies that import/distribute over 600 different U.S. food and beverage products in Europe. The new, hardcopy version of the Directory will be supplemented by an Internet version to be up-and-running by October. Take a look at the Internet version under <http://www.american-foods.org>

If you would like more details about the directory, or would like to receive a copy, please contact the ATO-Hamburg.

U.S. Organic/Natural Food Seminars/Showcases.

Several organic and natural food seminars and showcases are being planned for Germany in April of 1999. The seminars will focus on organic products, and the showcases on both organic and natural products.

Seminars/showcases may also be presented at the Bio Fach organic food show to be held in Nuremberg, Germany in February 1999. For further information contact Tim Larsen at the Colorado Department of Agriculture at, Tel: (303) 239-4114; Fax: (303) 239-4125. These events, together with similar events planned for the United Kingdom and the Netherlands, are being coordinated by WUSATA, MIATCO and SUSTA.