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Agricultural Export Opportunities Report December 1998

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Report Highlights:

U.S.-based Wal-Mart has announced further acquisitions in Germany's retailing sector, with the purchase of 74 Inter-Spar hypermarket outlets. U.S. Pavilions have been organized at the following trade shows being held in Germany: Fruit Logistica (1/99), Int'l Plant Show (1/99), Int'l Sweets and Biscuit Show (1/99), and Bio Fach (2/99). The ATO-Hamburg's American Foods in Europe Directory is now on-line: <http://www.american-foods.org> FAS/Germany has recently completed a study on the German retail food sector.

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ATO-Hamburg

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I. KEY MARKET INFORMATION

Food/Beverage Market Developments:

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.

Major Retailers, Wal-Mart and Metro, Continue in the News.

Wal-Mart has made further purchases of retail outlets in Germany, with the announcement that as of January 1, 1999 they will acquire 74 Inter-Spar hypermarkets from the retailer Spar Handels AG. This purchase is in addition to Wal-Mart's year-earlier purchase of the 21-store chain of hypermarkets owned by Wertkauf GmbH.

Wal-Mart is now estimated to be the 5th largest operator of hypermarkets in Germany, with annual sales (turnover) of about DM 5.5 billion (DM 3B from Spar and the remainder from Wertkauf). Wal-Mart's purchase of Wertkauf gave the U.S. retailer its first outlets in Germany. Intermarche, the French retailer, owns the majority of Spar Handels AG through its Intercontessa holding. Spar Handels AG will continue to focus on their wholesale operations serving its retail outlets, retail outlets using Eurospar own-label products, and discount markets.

Wal-Mart's actions in the German market are being closely watched by Germany's other retailers, particularly those competing in the hypermarket segment. Market analysts expect that Wal-Mart will make further purchases in Europe, with Promodes SA mentioned as a possible candidate.

Metro AG, Germany's largest retailer and the fourth largest food/beverage retailer (and reportedly the world's second largest retailer after Wal-Mart), announced in November 1998 the sale of a number of their smaller German retail outlets. This sale follows Metro's recent purchase of German food and non-food retailer Kriegbaum. Kriegbaum, which mostly operated hypermarkets, 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. In February 1998, Metro AG purchased 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.

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.

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. In 1997, Germany reportedly had about 6.2 million Internet users, of which about 10.5 percent purchased goods or services on-line. According to projections, about one-quarter of all Germans using the Internet will be shopping on-line by the year 2000.

Reports of Interest:

FAS German Market/Product Briefs and other 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 following is a list of some of these reports that may be of interest to U.S. exporters:

- Seafood Annual Report (11/98, GM8066)
- Canned Sweet Corn Report (10/98, GM8077)
- Food and Agricultural Import Regulations (7/98, GM8048)
- Floricultural Products Market (4/98, GM8022)

- Organic Market (4/98, GM8020)
- Beef Market (9/98, GM8063)
- German Food and Beverage Trade Publications (4/98, GM8025)
- Wine Market
- Beer Market (4/98, GM8028)
- German Food, Beverage and Agricultural Trade Fairs (4/98, GM8021)
- Retail Food Market (4/98, GM8019 and GM8024)
- Walnut Market (9/98, GM8319)
- Almond Market (5/98, GM8029)
- Fruit Juice Market (9/98, GM8316)
- Market for Pet Supplies (2/98, GM8007)
- Honey Annual Report (8/98, GM8056)
- Asparagus Annual Report (5/98, GM8031)
- Market Information Report for Germany (8/98, GM8314)
- Prior, monthly copies of this report (Agricultural Export Opportunities Report)

Copies of these reports 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 or can be found on the FAS homepage at: <http://www.fas.usda.gov>

FAS Market Study on Germany's Retail Food Sector.

Germany is the largest market in Europe for food and beverages. German consumers purchase over \$200 billion in food and beverages annually, of which two-thirds, or \$135 billion, is spent in the country's retail outlets. Demographic trends and changes in consumer preferences continue to impact product demand and greatly influence how products are marketed. Relatively slow growth in 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. Supplies of domestically produced and imported products compete heavily for access to the country's supermarket shelves.

Interested in finding out more about this 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, can be obtained from the TAPO office at FAS in Washington, DC.

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 Internet 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 - details on German exhibitions & trade shows

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.

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.

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. This is a USDA-endorsed show.

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. This is a USDA-endorsed show.

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 in the U.S. Pavilion.

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: B*FOR International, Tel: (540) 373-9935; Fax: (540) 372-1414. Information on ANUGA can be viewed at <http://www.koelnmesse.de/anuga>

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). This is a USDA-endorsed show.

Other Promotion/Activities:

Directory of American Foods in Europe 1998/99.

The ATO-Hamburg, together with other FAS offices in Europe, has produced a new 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 300 European companies that import/distribute over 600 different U.S. food and beverage products in Europe. The new, hardcopy version of the Directory is being supplemented by an Internet version. Although the final bugs are still being worked out, take a look at the on-line 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 (February & April 1999).

An organic and natural food trade mission is being planned for the UK, the Netherlands and Germany February 12-23, 1999. These events will include a seminar for buyers, product showcase and a reception. The mission will culminate in Nuremberg, Germany for the Bio Fach 1999 organic trade show (February 18-21). The mission will be followed by two separate seminars/showcases to be held in Germany in April 1999. These events are being organized by MIATCO and WUSATA, in cooperation with SUSTA and EUSAFEC. For information on these events contact:

- MIATCO (Midwest): DeAnn Bauer, Tel: (651) 297-8841 or Kirsten Brooks, Tel: (651) 297-4283
- WUSATA (West): Tim Larsen (303) 239-4114
- SUSTA (Southeast): Emily Felt, Tel: (919) 733-7912 (ext 276)

Companies interested in having their own booth in the USA Pavilion at the Bio Fach trade show can contact the Pavilion organizer (Concord Group) at Tel: (978) 371-2203; Fax: (978) 371-7121.