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## **Market Brief - Product**

### **Germany : Snapshot of the Retail Food Sector**

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Hamburg [GM2], GM

## Germany: Snapshot of the Retail Food Sector

**Summary:** German consumers spend about \$200 billion annually on food and beverages. Of this total, about two-thirds, or \$135 billion, is accounted for by the retail food sector. Germany's retail food sector is increasingly dominated by a handful of giant retail organizations. Most German food and beverage retailers source their products from within Germany or from other EU-member countries. However, there are good opportunities in the German market for other suppliers, such as the United States. Most consumer-ready U.S. food and beverage products for sale on retail shelves are handled by German importers.

### **Germany is the largest food market in Europe.**

German consumers spend about DM 350 billion (about US\$200 billion) yearly on food and beverages or about 17 percent of total expenditures. About two-thirds of Germany's consumer food and beverage expenditures are through the organized retail food trade. Most of the remaining expenditures on food and beverage are accounted for by sales in local outdoor markets and "on-premise" consumption, mostly at restaurants, cafeterias and canteens.

### **Retail food sales are dominated by a few large retailers.**

Germany's organized retail food trade registers annual food and beverage sales of about DM 240 billion (\$135 billion), with these sales experiencing relatively little growth since the beginning of the 1990's. Germany's retail food and beverage market is increasingly dominated by a small number of large (German) retailers. In fact, ten retailers now account for over 80 percent of total German retail sales (turnover) on food and beverages, up from about 56 percent in 1990.

### **Germany's Top Ten Food Retailers, 1997**

(with their respective share of total food retail sales)

1)	Edeka/AVA Group	15.7%	6)	SPAR Group	7.0%
2)	Rewe Group	15.6%	7)	Lidl & Schwarz Group	6.7%
3)	Aldi Group	12.3%	8)	Schlecker	2.3%
4)	Metro AG	10.1%	9)	Dohle Group	1.7%
5)	Tengelmann Group	8.0%	10)	Allkauf Group	1.6%

Source: M+M EUROdata; DM converted at DM 1.735 per USD.

Germany's food and beverage retailing sector is highly competitive, complex and intertwined and undergoing considerable consolidation. Competition among retailers is fierce, and margins are perhaps thinner than anywhere else in Europe. Each of the leading retail groups has a different business structure as well as 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.

Products from Germany and other European Union (EU) countries dominate food retailers' shelves. Products from non-EU countries are often subject to high EU import duties and must

comply with strict German/EU food law, packaging, labeling and certification requirements. Therefore, most German retailers prefer not to import products from outside of the EU, but instead seek to source these products directly from a local or European importer and distributor. However, some retailers are willing to import directly if volume and/or profit potential is sufficient.

The German retailing sector is undergoing considerable consolidation. An example in this regard was the early 1998 purchase of the Allkauf Group by Metro AG. Allkauf was Germany's tenth largest food retailer, while Metro AG ranks as the fourth largest.

### **Hypermarkets and discount outlets dominate sales.**

Germany's organized retail food trade consists of about 77,000 outlets (not including convenience outlets). Most of these outlets are small local shops and neighborhood supermarkets. However, these more traditional types of stores are increasingly being replaced by large hypermarkets and discount food stores. Hypermarkets and the discounters, although accounting for less than 25 percent of all outlets, account for 70 percent of the retail food and beverage sales of the organized food trade.

### **Germany's Retail Food Sector, 1996**

(by type of outlet)

Category of Outlet	# of outlets	% of outlets	% of sales
Hypermarkets	6,400	8%	42%
Discount Stores	11,700	15%	28%
Supermarkets	5,000	7%	12%
Local Shops	54,000	70%	18%

Source: A.C. Nielsen, plus estimate for Aldi.

### **Globalization of food retailing.**

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

U.S. retailers have not established a major presence in the German (European) retail food and beverage market. However, Wal-Mart entered the market in 1997 through the purchase of a German company, Wertkauf, which owned a chain of 21 food/non-food outlets in Germany. Wertkauf had an annual sales of about DM 2.5 billion (\$1.5 billion).

### **More information.**

If you should have questions about the German market for agricultural products or want to learn more about exporting U.S. agricultural products to Germany, contact any of the following

Foreign Agricultural Service (FAS) offices:

<b>U.S. Agricultural Trade Office</b> , Hamburg, Germany .... for assistance on marketing U.S. agricultural products in Germany, e.g., contacts, trade shows and marketing reports	Tel: (49-40) 41 4607 - 0 Fax: (49-40) 41 4607 - 20 E-Mail: ATOHamburg@fas.usda.gov <a href="http://www.usembassy.de/atohamburg">www.usembassy.de/atohamburg</a>
<b>Office of Agricultural Affairs</b> , Bonn, Germany .... for assistance with tariffs and info on German food and beverage law	Tel: (49-228) 339-2133 Fax: (49-228) 334-697 E-Mail: AgBonn@fas.usda.gov
<b>Ag Export Services Division</b> , Washington, DC .... first-stop for basic export info and assistance on exporting U.S. agricultural products	Tel: (202) 690-1182 Fax: (202) 690-4374
Or, visit FAS "on line" at:	<b><a href="http://www.fas.usda.gov">www.fas.usda.gov</a></b>

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