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Germany

Exporter Guide

2014

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Report Highlights:
Germany has 82 million of the world's wealthiest consumers and is by far the biggest market in the European Union. The German market offers good opportunities for U.S. exporters of consumer-oriented agricultural products. In 2013, U.S. exports of consumer oriented products to Germany totaled US$ 1.0 billion. Largest segments were tree nuts, fish & seafood products, and wine & beer. This report provides U.S. food and agriculture exporters with background information and suggestions for entering the German market.

Post:
Berlin

Section I Market Overview

Macroeconomic Situation

Germany has 82 million of the world's wealthiest consumers and is by far the most populous and economically powerful of the European Union's 27 member-states. Germany's population continues to decline due to low birth rates and reduced immigration. It is estimated that 50 percent of its population will be older than 47 in 2025 and by 2060 the population will have decreased to about 65 million.

Germany is a broadly middle class society with a social welfare system that provides for universal medical care and unemployment compensation. The German economy has improved markedly in recent years. The economy took a serious hit during the economic crisis. Because of the country's strong export dependency, GDP declined by more than 5 per cent in 2009. However, the recovery in 2010/11 was equally strong (4% and 3.2% respectively), resulting in a V-shaped recovery as pre-crisis real GDP was reached again in the second quarter of 2011. Growth has slowed more recently, mainly due to uncertainty in the Eurozone. GDP grew by 0.7% in 2012. In 2013 there was an increase of 0.4% compared to the previous year, reaching a GDP per capita of USD 43,000. Consumer spending recovered in line with the economy. The average unemployment rate is about 5.0%.

In 2013, German imports of agricultural products (including forest products) totaled US$108 billion. The U.S. share of the German agricultural import market totaled nearly $2.4 billion consisting mostly of soybeans, tree nuts, seafood, vegetable oils, wine, and other consumer oriented products. Germany's main trading partners in the food sector are other EU countries followed by Brazil, China, and the United States. In total, Germany is a net importer of food and feed. In the past ten years, food imports have steadily increased, underlying the rising demand for foreign as well as exotic foods.

Section II Exporter Business Tips

The German market offers good opportunities for U.S. exporters of consumer-oriented agricultural products. U.S. suppliers of consumer-ready foods and beverages interested in developing a market for their products in Germany must be prepared to:

- Offer a product that meets German/EU food law, packaging, and labeling requirements
    - Pay particular attention to animal product health certificates, many of which are now filed using a new electronic system
    - Watch out for potential testing for unapproved biotech crops (e.g., there is a zero tolerance for some U.S. corn varieties)

- Invest time and money to develop the market, paying special attention to identify the right marketing channel for your product.
    - The FAS's Foreign Buyers List offers important information on numerous German buyers of food, fish, and seafood products and provides important information such as contact person, address, telephone, fax, and type of product imported: www.usda-mideurope.com

- Seriously consider participating in food trade shows. (A listing of upcoming shows may be found at: www.usda-mideurope.com)
- Explore marketing approaches that build on strong societal themes
- Highlighting your particular industry's 'sustainability'
- Consider including a certified organic item in your product line up

Market Access
If you are considering working through a distributor in another country (the Netherlands is common), you should be aware that food imports from other countries within the European Union fall under the "free movement of goods" principle. This means that products that are imported by other EU-countries may be brought into Germany even if they violate German food laws. If this is the case, importers must obtain a permit from the Federal Office for Consumer Protection and Food Safety (BVL) in order to sell the product in Germany.

To determine current tariffs and other measure applied to imports into Germany and the EU in general, please see the TARIC, the Online Customs Tariff Database.

There are a number of potential technical barriers to trade, thus exporters may want to consult with the USDA/FAS Food and Agricultural Import Regulations and Standards report on Germany. This report provides an overview of food laws in force in Germany that cover areas which are not yet harmonized and provides a link to more general EU import requirements.

Product Packaging
Exporting companies from the United States should be aware that product packaging is very important to German consumers since they are highly environmentally conscious. Manufacturers, importers, distributors, and retailers must make sure that their packaging materials for their food products comply with EU and German domestic regulations in terms of recycling and disposal. The German packaging law requires manufacturers to take care of the recycling or disposal of any packaging material they sell. The German industry set up a dual system of waste collection, which picks up household packaging in conjunction with the existing municipal waste-collection systems. There are several dual system companies licensed in Germany offering various waste disposal schemes. U.S. exporters are free to choose which dual system they join. However it is not mandatory to display any dual system membership seal on sales packaging.

Distribution Channels
The German food & beverage industry is highly fragmented and competitive. Few German retailers import products directly from other countries. Most food retailers rather buy from central buyers/distributors specialized in the import of food & beverages. In general, these wholesalers specialize in products or product groups; some are even experts in food products from a specific country of origin. These specialized importers have in-depth knowledge of all importing requirements such as the necessary product certificates, labeling and packaging, and also take care of the shipping, customs clearance, warehousing and distribution of the products within the country. It is advisable that U.S. exporters find a local representative in order to place and promote their products successfully within Germany.

Another successful way of finding the right distribution for products of U.S. food and beverages companies is to participate in the various food trade fairs taking place in Germany. Trade shows like ANUGA, Green Week, or the BioFach show in Germany enjoy an exceptional reputation among industry experts worldwide. Participating in any of these events facilitates the direct contact with German food brokers, importers, and wholesalers.

Germany is a potential market for those U.S. companies willing to invest the time and resources to cement contacts. New products on the German market may require up to 12 to 18 months of testing to obtain market acceptance.

Supporting Institutions
Currently, about 40 U.S. organizations operate USDA-funded marketing programs in Germany. Participants include California Wine Institute, Almond Board of California, Cranberry Marketing Association, American Soybean Association, Alaska Seafood Marketing Institute, California Walnut Commission, and U.S. Meat Export Federation.

Foreign companies looking for German food importers, wholesalers, or distributors can obtain reliable information from the Federation of German Food and Drink Industries (BVE), the Federal Association of the German Retail Grocery Trade (BVL) as well as at the different food market segments industry associations.

Section III Market Sector Structure and Trends

Food Retail
Germany's 82 million inhabitants make the food and beverage market the largest in Europe. According to Euromonitor International, based on data from Euromonitor, grocery retailing grew by 2% in current value terms to nearly $250 billion in 2013. Part of demand is met with domestic products; however, overall Germany is a net importer of all major categories of food products.

The German food market is heavily dependent on imports to meet its customer demands. Last year, Germany imported USD 59.6 billion of consumer-oriented agricultural products. By value, about one fourth came from the Netherlands. Italy (11%) and France (9%) are the following major suppliers. After Switzerland and Turkey, the U.S. is the third largest non EU-supplier of consumer-oriented agricultural products. In 2013, U.S. exports increased by 18.6% to $1,020 million. Main drivers for the increase were wine, almonds, pistachios, walnuts as well as dried prunes and grapes (including raisins). Other important products were tree nuts, food preparations, flour and dried onions.

Value of imports from Consumer Oriented and Fishery Products, past 5 years billion USD

	2009	**2010**	**2011**	**2012**	**2013**
Consumer Oriented Agric. Products	51.5	52.5	59.0	56.3	59.6
Imports from the U.S.	0.6	0.7	0.8	0.9	1.0
Fishery products	4.4	4.5	5.2	4.8	5.1
Imports from the U.S.	0.2	0.2	0.3	0.2	0.2

Source: www.gtis.com

Given the large size of the German market, the opportunities for business in the food sector are very attractive to U.S. exporters. Consolidation, market saturation, strong competition and low prices are key characteristics of the German retail food market. The German retail food sector is dominated by five large retailers, which according to the German cartel office claim more than 90 percent of the market. Germany has the highest share of discount in food retailing (37,9 %) worldwide. Aldi is the leading German discounter, followed by Lidl and Netto. However, in recent years, there has also been a trend in consumer preference toward smaller grocery formats, including convenience stores, small grocery retailers and independents.

Besides the dominance of the discount sector in food retail, there are some new trends based on new consuming patterns in the middle class and the overall change in demographics. Therefore, the increasing demand for wellness, convenience food, and organic products in the past years, represents a large potential for US-companies active in these market segments. An aging population is fueling the demand for health and wellness as well as functional food products to prevent or overcome conditions including diabetes, high blood pressure, and cholesterol. Two-thirds of all Germans see a direct link between nutrition and health. Therefore German consumers are willing to pay more for "sustainable," "locally sourced," "free range," "natural," "organic," "fair trade" and "carbon neutral" products.

For sustainability in particular, major retailers and producers are increasingly requiring private certification. Unilever, for example, has pledged to purchase 100% 'sustainable' products by 2020 and is already making strong progress toward that goal. For U.S. products, there is room to use high health, safety and environmental standards governing production as a competitive advantage but is it important that they 'have a story to tell' and are prepared to consider private sustainability certification.

The movement for organic food products has long since achieved mainstream status in Germany. More and more consumers are seeking to improve their sense of well-being, health, and even their performance levels, through the consumption of functional food products. An increasingly fast-paced society and the rising number of single households is driving demand for highly convenient foodstuffs including ready-to-eat meals, frozen foods, desserts, and baked goods. Other trends include sales of fair trade products, such as coffee and fruit juices.

For more information please see the FAS/USDA German Retail Foods report.

Selling direct
Direct sales to Germany's leading retail companies is very difficult; however, it can be a desirable product-entry approach for a U.S. supplier. Due to their wide range of distribution, central buyers are generally flooded with offers from competing suppliers and they are usually not interested in taking on added responsibility of importing products directly. This is especially the case for new-to-market products, which may not comply with German/EU import requirements, food laws, and packaging and labeling requirements. Retail buyers may only be interested in importing products directly if they are unique, possess some specific attribute, or offer significant advantages in terms of quality, price, or financial promotional support.
Each of Germany's leading retail groups has a different business structure, purchasing, and distribution system. Many of the leading retailers have multiple retail chains, often with various types of retail formats such as large hypermarkets, discount and small neighborhood stores, or perhaps beverage and/or delicatessen outlets. Large retailers' purchasing departments may also be divided by retail format and, sometimes, by region of the country.

New products on the German market may require up to 12 to 18 months of testing to gain market acceptance. Listing fees, equivalent to several thousand dollars or more per product are common and do not ensure shelf space if a profitable turnover is not achieved rather quickly. The exception may be a retailer's desire to maintain a competitive edge by keeping a full range of products.

Hotel, Restaurant, and Institutional Sector (HRI)
The German food service sector is large and highly fragmented, but can be divided into the commercial and institutional food service markets. The German commercial food service market includes hotels, restaurants, fast food and take-away outlets, bars, cafeterias, coffee shops, and similar channels. The institutional food service market is comprised of hospitals, universities, nursing homes, and cafeterias. Some key trends include sustainability, regional produce, convenience, health and wellness, Asian cuisine and retail catering.

Sales of consumer foodservice continued to be led by full service restaurants, who are dominated by independent restaurants. Compared with other countries, chains still have a very low presence but some are also becoming popular. International chains have a very strong position in fast food.

The biggest players in the German food service market are McDonalds, Burger King, LSG, Tank & Rast, and Nordsee.

Purchasing by Hotels, Restaurants, and Institutions is fragmented and competitive. Few of them import products directly from other countries, except for items that they purchase in large quantities. Most HRI's would rather buy from central buyers/distributors importing food and beverages. In general, these wholesalers have specialized in products or product groups and some are even experts in food products from a specific country of origin. Thus, specialized importers have an in-depth knowledge of importing requirements, such as product certification, labeling and packaging. They also typically handle shipping, customs clearance, warehousing and distribution of products within the country. The two mayor distribution channels for the German food service trade are Cash & Carry Wholesalers and Specialized Distributor/Wholesalers.

Cash & Carry wholesalers operate large stores with food and non-food products. They sell to retailers, restaurants, and other food service operators. C&C stores offer a variety of products to competitive prices. They are not open to the average consumer. Specialized Distributors to the food service sector have dry and cold storage facilities with refrigerated/frozen trucks for deliveries. They buy from processing companies, importers and occasionally, foreign exporters. To cover the entire German food service market, regional distributors have organized in groups, such as Intergast and Service Bund. Some of those distributors organize in-house food shows once or twice a year where their suppliers can demonstrate their products to potential customers. This is an excellent opportunity for U.S. suppliers of products ready to enter the German food service market.

Key Influences on Consumer Demands in Germany

- Declining population with a **birth rate of 1,39 babies** born per woman of childbearing age
- Ageing population
- Number of households growing
- Smaller households
- Rise in number of working women
- International consumer tastes e.g. Chinese, Indian, Italian, Thai, Mexican, American
- Reduction in formal meal occasions, leading to an increase in snacking
- Healthier eating habits
- Sustainability is the trend meeting consumer concerns about environment, obesity, safety of the food supply

Advantages and Challenges of the German Food Retail Market

Sector Strength & Market Opportunities	**Sector Weaknesses & Competitive Threats**
Germany is the biggest market in Europe with one of the highest income levels in the world	German consumers demand quality and low prices
Many German consumers are uninformed about the details of sustainability and there is yet room to define a U.S. sustainability message	No unified U.S. sustainability message in the German market.
Germany is among the largest food importing nations in the world	EU import regulation and tariffs. EU gives preferential access to products from EU countries
Opportunities for healthy food products not sufficiently available on the local European	Very competitive market with low growth in retail sales besides organic

market	
Equivalency agreement on Organics offers ample opportunities	Listing fees paid to retailers and money spend on creating brand awareness hamper the introduction of new U.S. brands
Germany has many, well established importers. Distribution system is well developed	Margins on food at retail level are very thin
U.S. style is popular, especially among the younger generation	Retailers rarely import products into Germany on their own
The size of the EU import quota for beef is rising to 48,200 tons and Germany is the largest EU market.	The quota only applies to beef from animals not treated with growth-promoting hormones'
Good reputation for U.S. food like dried fruits, seafood, wine.	
Large non-German population and German's inclination to travel abroad help fuel demand for foreign products	

Section IV Best High-Value Product Prospects

U.S. products with the best export opportunities in German market meet one or more of the following criteria:

- The basic product is not produced in Europe in sufficient quantities or the American quality is superior
- The product (usually fresh) is available on a counter seasonal basis
- The product is unique to the United States

The following products from the United States have good potential in Germany:

Product Category (in USD million)	**Total German Imports 2013**	**German Imports from the U.S.**	**U.S. Import Growth (2009-13)**	**Market attractiveness for USA**
Tree Nuts	2,100	575	124.6%	The United States is the biggest supplier of tree nuts to Germany. Most tree nuts are used as ingredients by the food processing sector. Almonds are the most important commodity within this category. Further products with good sales potential include pistachios, pecans and walnuts.
Fish and Seafood Products	5,064	171	-17.0%	The German market offers lucrative opportunities for fish and seafood products. Fish consumption is growing as consumers associate fishery products with a healthy diet. Best prospects for U.S. and seafood exports are salmon, shrimps, crabs, caviar substitutes, cuttle fish and

				squid, sea urchins catfish and scallops.
Wine and Beer	3,973	105	66.7%	Germany has a high share of domestic wine production. However, good prospects exist for “new world wines” including those from the U.S. The U.S. has also steadily increased its exports to Germany regarding beer made from malt.
Processed Fruits and Vegetables	5,685	92	12.2%	German imports are slowly increasing. Those products are mostly used as ingredients by the food processing sector for the production of pastries and cereals. Dried fruits and prepared nuts are also popular as a snack. Commodities with notable increasing sales are dried grapes (including raisins), dried prunes, dried onions and dried mushrooms & truffles.
Red Meats Fresh/Chilled/ Frozen	5,318	69	2364.3%	Good opportunities for U.S. high quality beef produced without growth hormones. The EU quota size and administration system have recently seen changes.
Snack Foods (excl. Nuts)	3,478	8	14.1%	German demand for healthy, organic, innovative, and exotic snacks continues to grow. U.S. import growth has expanded in this category predominately due to increasing imports of cocoa preparations and chocolate.
Pet Foods (Dog and Cat)	944	2	-22.6%	Sales of cat food have the biggest market share. U.S. exports are declining but potential exists for premium pet food.

Category A: Products Present in the Market That Have Good Sales Potential

- Tree nuts
- Wine
- Processed fruits and vegetables
- Fruit juices
- Snack foods
- Health food, organic food, sustainable food products
- Dried fruits

Category B: Products Not Present In Significant Quantities but Which Have Good Sales Potential

- High quality beef (produced without promotants)
- Cranberries and cranberry products

- Seafood and seafood products
- Game and exotic meat
- Innovative sauces, condiments and confectionary products
- Products featuring 'sustainable' or other social issue-based marketing theme

Category C: Products Not Present Because They Face Significant Barriers

- Poultry (non-tariff barrier)
- Processed food with GMO ingredients, bleached flour

Competition for U.S. exports

Product category Total Import in million US$, 2013	**Main suppliers in percentage, 2013**	**Strengths of Key supply countries**	**Advantages and Disadvantages of Local Suppliers**
PG 30 Breakfast Cereals 296	1.Belgium 16.7 2.France 15.4 3. Netherlands 13.4 18.U.S. 0.2	Distance, availability and regional products	Developed processed food industry
PG 31 Snack Foods (Excl. nuts) 3,487	1.Belgium 18.6 2. Netherlands 18.3 3. Poland 11.3 24. U.S. 0.2	Distance, availability and regional products	Developed confectionary industry
HS 02: Meat 2,385	1. Netherlands 24.5 2. Belgium 19.1 3. Denmark 17.2 21. U.S. 0.2	Distance and availability	Focus on dairy production instead of beef production. Genetics need improvement
HS 03: Fish and Crustaceans 4,120	1. Poland 18.9 2. Denmark 12.8 3. Netherlands 11.0 6. U.S. 4.0	1,2: Distance and availability 3: Price/quality ratio	Tradition in seafood trading and processing, fish is popular
HS 04: Dairy Produce; Birds Eggs and Natural Honey 8,876	1. Netherlands 32.2 2. France 13.0 3. Austria 7.6 39. U.S. 0.05	Proximity	Great tradition of milk and milk based products
HS 07: Edible vegetables 6,867	1. Netherlands 37.0 2. Spain 22.6 3. Italy 8.9 20. U.S. 0.2	1: Proximity 2,3: Tradition, different climate/ supply/ taste/ varieties	Products not sufficiently available on local market
HS 08: Edible Fruits and Nuts 10,088	1. Spain 21.5 2. Netherlands 18.9 3. Italy 12.4 5. U.S. 6.3	1,3: Tradition, different climate/ supply/ taste/ varieties 2: Proximity	Products not sufficiently available on local market
HS 09: Coffee, Tea, Mate and Spices	1. Brazil 20.9 2. Vietnam 12.0 3. Honduras 6.24	Trading tradition	Domestic availability is scarce, Re-export

4,750	37. U.S. 0.15		
HS 16: Edible Preparations of Meat Fish, Crustaceans 3,073	1. Netherlands 15.6 2. Austria 10.8 3. Italy 9.6 26. U.S. 0.6	1,3: Proximity 3: Price/quality ratio	Not sufficiently domestically available
HS 19: Preparation off Cereals, Flour, Starch or Milk 4,076	1. Italy 19.8 2. France 15.0 3. Netherlands 12.9 20. U.S. 0.2	Proximity and re-export	Not sufficiently domestically available
HS 20: Preparations of Vegetables, fruits, Nuts 5,521	1. Netherlands 23.5 2. Italy 13.4 3. Turkey 7.8 23. U.S. 0.4	Proximity	Not sufficiently domestically available
HS 21: Miscellaneous Edible Preparations 3,417	1. Netherlands 18.9 2. France 11.0 3. Switzerland 8.9 11. U.S. 1.6	Proximity and re-export	Not sufficiently domestically available
HS 22: Beverages, Spirits, Wine and Vinegar 8,713	1. Italy 19.9 2. France 19.3 3. Netherlands 8.5 7. U.S. 5.4	Excellent regional products	Not sufficiently domestically available

Source: www.gtis.com

Section V Key Contacts and Further Information

Participating or simply attending a trade show can be very cost-effective way to test the German market, to introduce a product, or to expand sales. Germany offers a wide variety of trade show venues for food and beverage products. Trade shows like ANUGA, Green Week or the BioFach show in Germany enjoy an exceptional reputation within the global food industry and these shows outreach is, in many cases, global. U.S. Exporters should consider participating or visiting the **following trade shows in 2015.**

Heimtextil January 14-17, 2015 http://heimtextil.messefrankfurt.com	World’s biggest trade fair for home and commercially used textiles.
IPM – International Plant Show January 27-30, 2015 http://www.ipm-essen.de/	European trade fair for the horticultural and nursery industry
ISM (International Sweets and Biscuit Show) February 1-4, 2015 www.ism-cologne.com	World’s largest show for snacks and confectionery products
Fruit Logistica February 4–6, 2014 www.fruitlogistica.com	The World's Leading Trade Fair for the Fresh Fruit and Vegetable Business
Bio Fach February 12 – 15, 2015 www.biofach.com	Leading European tradeshow for organic food and non-food products
Internorga March 13-18, 2015	International tradeshow for the hotel, restaurant, catering, baking, and confectionery trades

www.internorga.com	
Equitana (every two years) March 14 – 22, 2015 www.equitana.com	Leading European tradeshow for the equestrian market
ProWein **March 15 – 17, 2015** www.prowein.com	International trade show for wine and spirits
ANUGA (every two years) October 10 –14, 2015 www.anuga.com	One of the leading food fair for the retail trade and the food service and catering market
Interzoo (every two years) May 26-29, 2015 www.interzoo.com	Leading trade show for pet food and supplies

More information about these and other German exhibitions and trade shows can be found under the following Internet address: www.auma-messen.de.

Homepages of potential interest to the U.S. food and beverage exporters are listed below:

Foreign Agricultural Service Berlin	http://germany.usembassy.gov/fas
Foreign Agricultural Service Washington	www.fas.usda.gov
USDA/FAS/Berlin	www.usda-mideurope.com
U.S. Mission to the European Union	www.fas.usda.gov/posthome/useu/usda.html
European Importer Directory	http://www.american-foods.org/

One tip of use to U.S. exporters is the German business portal, which is maintained by the Ministry of Economics and Technology. Provided in English, it serves as a central contact platform that can steer inquiries into the right channel. More information about the food and beverage sector can be found under:
http://www.ixpos.de/IXPOS/Navigation/EN/Your-business-in-germany/Business-sectors/Consumer-goods/food-and-beverage.html

If you have questions or comments regarding this report, or need assistance exporting to Germany, please contact the U.S. Foreign Agricultural Service Office in Berlin at the following address:

Foreign Agricultural Service
U.S. Department of Agriculture
Embassy of United States of America
Clayallee 170
14191 Berlin

Tel: (49) (30) 8305 – 1150
Fax: (49) (30) 8305 – 1935
E-Mail: AgBerlin@fas.usda.gov
Homepage: www.usda-mideurope.com

Please view our Home Page for more information on exporting U.S. food and beverage products to Germany, including market and product "briefs" available on specific topics of interest to U.S. exporters.

Importer listings are available from the Agricultural Affairs Office for use by U.S. exporters of U.S.

food and beverage products.

Recent reports of interests to U.S. exporters interested in the German Market include:

Report Title	Report Number	Month Report was written
Pet Food Report	GM 13018	April 2013
FAIRS Report	GM 14001	January 2014
Organic Food Retail	GM 14006	January 2014
Biotech Report	GM 14017	April 2014
Food Retail Report	GM 14028	August 2014
Food Processing Ingredients Report	GM 14030	September 2014