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Retail Foods

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Report Highlights:
Germany is by far the biggest market for food and beverages in the European Union. The food retail sector is saturated, highly consolidated, and competitive. There is good sales potential on the German market for U.S. exporters of nuts, fish and seafood products, dried fruits, sweet potatoes, bakery products, organic products, and pulses.

Post:
Berlin

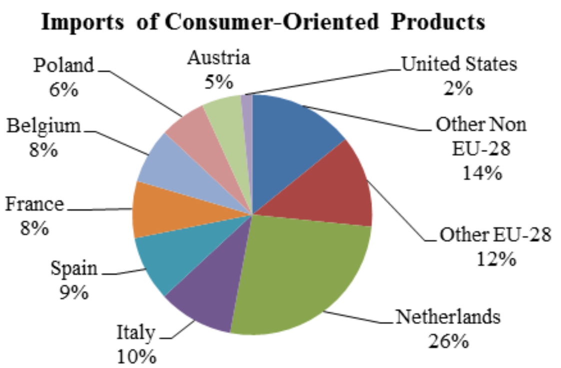
Market Fact Sheet: Germany

Executive Summary

With nearly 83 million of the world's wealthiest consumers, Germany is by far the biggest market for food and beverages in the European Union. In 2017, Germany's nominal GDP reached U.S. dollar (USD) 3.7 trillion, positioning the country as the 4th largest economy in the world. Germany is a major producer of food and agricultural products and a leading player in the global marketplace. Germany is also the third largest importer of agricultural products after the United States and China. In 2017, imports reached USD103 billion, an increase of 2.6 percent compared to 2016. While 77 percent of these imports originated from other EU member states, the United States was the largest supplier outside the bloc. Imports of agricultural products from the United States totaled USD 2.6 billion in 2017. The macroeconomic situation and key data about the German economy can be found in the 2017 Exporter Guide.

Imports of Consumer-Oriented Products

In 2017, Germany imported consumer-oriented agricultural products worth USD 61 billion; the majority (84 percent) of these originated from other EU member states.



Food Processing Industry

The 5,940 food processing companies employ about 570,000 people. The sector is dominated by small and medium size companies; 95 percent of which have less than 250 employees. In 2016[1], the sector generated a turnover of roughly USD 190 billion[2]; accounting for 5.4 percent of the German GDP.

Food Retail Industry

The sector is saturated, highly consolidated and competitive. The top five retail groups together account for over 70 percent of the revenues. Small neighborhood continue to face strong competition from modern grocery retailers. Online food sales show some dynamic but it is still a niche market. While Germans are very price sensitive in general, many wealthy consumers are looking for premium quality products and willing to pay a higher price.

1 Latest available data

2 Exchange rate:
2016: 1 USD = 0.9034 Euro
2017: 1 USD = 0.8852 Euro

Quick Facts CY 2017

Imports of Consumer-Oriented Products *(USD million)*
USD 60,898

List of Top 10 Growth Products in Host Country

1) Pistachios	2) Sweet Potatoes
3) Salmon	4) Lentils
5) Vermouth	6) Peptones & derivatives
7) Peppermint oil	8) Hop cones
9) Citrus oil	10) Vinegar & substitutes

Food Industry by Channels (USD billion) 2016

Food Industry Output	189.6
Food Exports	51.9
Food Imports	57.3
Retail	216.4
Food Service	83.9

Food Industry Gross Sales (USD Billion) 2016
Food Industry Revenues
- Food (Domestic market) USD 127.1

Top 10 Host Country Retailers

1) Edeka/Penny	**6) Amazon**
2) Rewe/Netto	**7) Lekkerland**
3) Schwarz (Lidl/ Kaufland)	**8) dm**
4) Aldi North/South	**9) Rossmann**
5) Metro C+C/Real	**10) Globus**

GDP/Population
Population *(millions)*: 82.5
GDP *(billions USD)*: 3,687
GDP per capita *(USD)*: 44,645

Sources: GTA, BVE, BVLH, Destatis

Strenghts/Weaknesses/Opportunities/Challenges

Strengths	**Weaknesses**
Germany is the biggest market in Europe with one of the highest income levels in the world.	U.S. exporters face competition from tariff-free products from other EU member states and FTA partners.
Opportunities	**Threats**
A large, well developed food processing industry requiring a wide range of ingredients, from low-value, unprocessed foods to high-value, highly-processed ingredients.	Non-tariff barriers such as phytosanitary restrictions and traceability requirements can make exporting to Germany complicated.

Data and Information Sources:
Global Trade Atlas (GTA), German Office of Statistics (destatis), German Food Industry Association (BVE), German Food Retail Association (BVLH)

Contact:
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I. Market Summary

Germany has nearly 83 million of the world's wealthiest consumer. This makes Germany the second largest importer and third largest exporter of consumer oriented agricultural products worldwide, and by far the most important European market for foreign producers. Overall Germany is a net importer of all major categories of food products. Grocery retailing reached an estimated USD 230 billion in 2017, imports of agricultural products increased by 2.6 percent to USD 103 billion. Imports of consumer-oriented agricultural products totaled USD 61 billion in 2017.

The retail market's key characteristics are consolidation, market saturation, strong competition, and low prices. Germany is an attractive and cost-efficient location in the center of the European Union (EU). While many consumers are very price sensitive, the market also provides many wealthy consumers who follow value-for-money concepts. These are looking for premium quality products and willing to pay a higher price. Germany still has some of the lowest food prices in Europe; German citizens spend less than 11 % of their income on food and beverages. Low food prices result from high competition between discounters and the grocery retail sale segment.

Key market drivers and consumption trends

- Fair trade and organic products have become more important on the German grocery market. Germany is the second largest organic market in the world (behind the US) and presents good prospects for exporters of organic products.
- Ageing population and increased health consciousness of consumers is fueling the demand for health and wellness products, as well as functional food products.
- Increasingly high-paced society and the rising number of single households are driving the demand for convenient ready-to-eat meals, desserts, and baking mixes.
- Ethnic foods, beauty and super foods, clean label foods, "free from" products (e.g. gluten or lactose free), and locally grown are further trends that attract more and more German consumers.
- Increasing share of consumers who view their purchasing decision as a political or life-style statement (no GMO, only free-range eggs, vegetarian or vegan diet).
- Consumers increasingly require traceability and information about production methods.
- Germany remains a price-focused market, but share of consumers who are willing to pay for quality increases.

Please see our German country page at www.fas-europe.org with more information and reports.

Table 1: Advantages and Challenges

Advantages	Challenges
Germany is the biggest market in Europe with one of the highest income levels in the world.	German consumers demand quality and low prices.
The demand for sustainable food ingredients and sustainable foods is growing.	Private sector sustainability standards can act as barrier to trade.
Germany is among the largest food importing nations in the world.	U.S. exporters face competition from tariff-free products from other EU member states.
Germany is centrally located in Europe with excellent transportation channels. Food processors are well situated to export products to other EU countries.	Listing fees paid to retailers limit the introduction of new U.S. brands.
A large, well developed food processing industry requiring a	Non-tariff barriers such as phytosanitary

wide range of ingredients, from low-value, unprocessed foods to high-value, highly-processed ingredients.	restrictions and traceability requirements can make exporting to Germany complicated.
The United States has a reputation as a reliable supplier of food inputs in terms of availability, delivery, and quality.	Some products of modern biotechnology are prohibited as they are not approved in the EU.

Source: FAS Berlin

II. Road Map for Market Entry

U.S. companies seeking to export goods to Germany are advised to do thorough research for a good understanding of the market. FAS GAIN Reports are a good source for country specific information: http://gain.fas.usda.gov. Contact the USDA Foreign Agricultural Service (FAS) Office in Berlin for clarification on specific questions; for example, for information on veterinary and phytosanitary certificates. Contact information is provided at the end of this report.

Once U.S. companies have acquired this background information, they may consider attending or visiting one of Europe's USDA endorsed trade shows and other trade shows in Europe like the ANUGA show. They serve as a springboard into the market, helping companies to establish new trade contacts and gauge product interests. Germany hosts many of the largest trade shows in the world. Therefore, it is an excellent location for U.S. exporters to promote their products to get in contact with potential business partners, buyers, and to conduct product introductions.

Table 2: Major Food Related Trade Shows in Germany

Trade Show	Description	Location
Interzoo (every two years) May 8-11, 2018, www.interzoo.com	Leading trade show for pet food and supplies	Nuremberg
Bar Convent October 8-10, 2018, www.barconvent.com/	International trade show for bars and beverages	Berlin
ISM (International Sweets and Biscuit Show) January 27-30, 2019, www.ism-cologne.com	World's largest show for snacks and confectionery products	Cologne
FRUIT LOGISTICA February 6-8, 2019, www.fruitlogistica.com	World's leading trade fair for the fresh fruit and vegetable business	Berlin
BIOFACH February 13-16, 2019, www.biofach.com	Leading European tradeshow for organic food and non-food products	Nuremberg
Internorga March 15-19, 3019, www.internorga.com	International tradeshow for hotel, restaurant, catering, baking, and confectionery trades	Hamburg
ProWein March 17-19, 2019, www.prowein.com	International trade show for wine and spirits	Dusseldorf
ANUGA (every two years) October 5-9, 2019, www.anuga.com	Leading food fair for retail trade, food service, and catering market	Cologne

U.S. exporters can also contact their respective U.S. State Regional Trade Groups (SRTG), their Commodity Cooperator Group, and their state Department of Agriculture to obtain additional support.

State Regional Trade Groups (SRTG) are non-profit trade development organizations that help U.S. food producers and processors to enter overseas markets. They are funded by USDA/FAS and the private industry. They carry out promotional activities to increase exports of U.S. high-value food and agricultural products. For more information, contact the state regional trade group responsible for your state: https://www.fas.usda.gov/state-regional-trade-groups

The **U.S. Agricultural Export Development Council** is composed of U.S. commodity trade associations and other organizations, in addition to the SRTGs, with an interest in promoting U.S. agricultural exports. For an overview and additional information on the various Commodity Groups, you can go to www.usaedc.org. The Commodity Cooperator Groups regularly organize (reverse) trade missions, often organized around trade shows or other events. They also are excellent platforms for U.S. suppliers of food ingredients to meet with foreign buyers.

Import Procedure

Importers represent the first link in the domestic sales chain and are consequently responsible for the compliance of imported products with national and EU regulations. The European Commission has published the following guidance document which refers to key Community law requirements: "Guidance document – Key questions related to import requirements and the new rules on food hygiene and official food controls".

The responsibility for enforcing food law provisions in Germany lies with the federal states (Laender). Whether a specific product complies with the legal requirements is be evaluated by considering the actual product in its entirety, taking into account its origin, import certificate, composition, intended purpose, and presentation. Please contact FAS Berlin for clarification on questions concerning the interpretation and application of import provisions in individual cases.

Purchasing by German food retailers is fragmented and competitive. Few German retailers import products directly from other countries, except for items that they purchase in large quantities. Most food retailers 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.

Market Structure

Consolidation, market saturation, strong competition, and low prices are key characteristics of the German retail food market. The top five grocers amount to over 70 percent of the total market. The German market is largely dominated by domestic players. This is particularly true for hypermarkets, supermarkets, and discounters. German consumers are very particular about what they like and what they do not like in their grocery retailers, and grocery retailers can count on a strong base of loyal customers. The failure of Walmart to establish itself in Germany over a decade ago is the example for how hard it is for international players to successfully enter the German market.

Profiles of Top Food Retailers in Germany

Retailer Name and Outlet Type	**Food Sales ($million/2017)**	**No. of Outlets (2017)**	**Locations**
Edeka-Group • Edeka (Supermarkets) • Netto (Discounter)	63,140	6.596 4,218	nationwide nationwide
Schwarz-Group • Lidl (Discounter) • Kaufland (Hypermarkets)	44,988	3,219 660	nationwide nationwide
Rewe-Group • Rewe (Supermarkets) • Penny (Discounter)	43,503	4,987 2,160	nationwide nationwide
Aldi-Group • Aldi Süd (Discounter) • Aldi Nord (Discounter)	34,399	1,890 2,250	Southern Germany Northern Germany
Metro-Group • Real (Hypermarkets) • Metro (Cash & Carry)	14,845	282 104	nationwide nationwide
Amazon (Online)	13,814		nationwide
Lekkerland (Wholesaler)	10,509		nationwide
dm (retail chain specialized on cosmetics, healthcare items, household products and health food, similar to RiteAid or CVS)	8,875	1,892	nationwide

Source: Lebensmittelzeitung

Large grocery retailers in Germany are mainly driven by competition between each other. They are very well-established and compete mainly on price, outlet networks, and consumer trust, which amongst others require them to maintain their standards in terms of quality. Many retailers also try to differentiate themselves through services which add value to their original value proposition. These can, for example, take the form of home delivery, offering special qualified advice, or complementary online services. There has been a trend in consumer preference toward smaller grocery formats, including convenience stores, small grocery retailers, and independents. This also includes adapting to changing needs by focusing on the importance of proximity and online retail.

Discounter and supermarkets dominate food retail sales in Germany. Growth of discounters is slowing down because of market saturation and the continuing trend towards shopping at supermarkets in convenient city locations. As urbanization is growing and consumers' lifestyles are changing, more and more people seek convenience when doing their grocery shopping. To counter this, discounters are attempting to adapt and expand in hopes of differentiation. Additionally, discounters are focusing more on quality and choice than price with new concepts and the introduction of more premium and processed foods. Supermarkets benefit from the convenience trend as smaller outlets in convenient city and residential locations continue to increase in popularity. Hence, the urban consumer of today is looking to save time, without having to drive to a hypermarket or a discounter, but still demands high-quality products and a wide product range. In 2017, value sales in supermarkets showed best performance among all retail channels. This underlines the growing trend towards small, quick but high-quality grocery shopping in the cities.

The trend towards smaller grocery formats has hampered growth of hypermarket sales. But, hypermarkets are still popular amongst many consumers in Germany, particularly in more rural or suburban areas due to their convenience and attractive prices. Many consumers still like to do a grocery shopping trip once a week at a hypermarket, as they are able to find everything they seek. Independent small grocers continue to face strong competition from modern retailers. More and more supermarkets, convenience stores, and small discounters are opening in city locations. But, there are also trends to support independent small grocers since they offer some special products, such as international cuisine/ingredients. Those with a focus on Turkish or Arabic/Asian products are the strongest.

Online grocery shopping is still a niche market in Germany. But, it really picked up when Amazon Fresh started in two major German cities in 2017. Since then, the German market is developing more dynamically. Major retail chains rapidly extended their delivery areas due to sophisticated fresh food logistics and a wider range of products available. But, online offers have to compete with strong, modern store-based concepts and a saturated market of decentralized supermarkets and hypermarkets.

III. Competition

The main competitors for U.S. suppliers include domestic producers as well as producers in other EU member states such as the Netherlands, Italy, Spain, France, Austria, and Belgium. However, for dried fruits and nuts the main competitors are Turkey (hazelnuts and raisins), Chile (dried prunes), South Africa (raisins), and Canada (cranberries). The U.S. industry's advantages include a good reputation for consistent quality and stable supply. The main advantages of competitors are proximity and price.

Overall Competitive Situation for Consumer-Oriented Products (2017)

Product category Total German Import	**Main suppliers in percentage**	**Strengths of Key supply countries**	**Advantages and Disadvantages of Local Suppliers**
Tree Nuts	1. **USA – 20%**	USA is the leading supplier of	Domestic production is

(HS 0801 +0802 +200819) MT: 438,731 USD 3.2 billion	2. Turkey – 18% 3. Netherlands - 11%	almonds, walnuts, and pistachios. Turkey has the lead in hazelnuts. Netherlands is a large re-exporter of cashew nuts	minimal. Germany is a leading producer of marzipan
Fish & Seafood (HS 03 + HS 16) MT: 930,139 USD 5.4 billion	1. Poland – 18% 2. Denmark – 14% 3. Netherlands - 13% **7. USA – 3.9%**	Proximity and availability; USA is the second largest supplier of Alaska Pollock fillets	Tradition in seafood trading and processing, fish is popular
Wine & Beer (HS 2203 &2204) Liters 2.2 billion USD 3.4 billion	1. Italy – 29% 2. France – 23% 3. Spain – 13% **7. U.S. – 2.4%**	1-3) Proximity, reputation, climatic conditions for wine growing	Wine only grows in southern part of country. Insufficient domestic supply
Food Preparations (HS 2106) MT: 276,336 USD: 1.6 billion	1. Netherlands – 22% 2. France – 13% 3. Switzerland - 9% **11. USA –2%**	1-3) Proximity and availability	Strong domestic food industry.
Peanuts (HS 1202) MT: 127,180 USD 208 million	1. Netherlands – 60% **2. USA – 11%** 3. Belgium – 10%	1+3) Volumes consist of re-exported peanuts from Argentina, USA, China	No local availability, high demand from well-established snack food industry
Dried Prunes (HS 0813 20) MT: 13,000 USD 49 million	**1. USA – 44%** 2. Chile - 25% 3. Netherlands – 14%	1) Good reputation for quality, California origin adds value 2) Product pricing, zero duty access through EU-Chile FTA	No local availability
Raisins (HS 0806 20) MT 75,927 USD 142 million	1. Turkey – 39% 2. South Africa - 17% **3. USA – 14%**	1) Pricing	No local availability
Meat (HS 02) MT: 2.4 million USD: 7.6 billion	1. Netherlands – 27% 2. Belgium - 12% 3. Poland –	1-3) Proximity and availability. U.S. imports consist of hormone-free beef under Hilton beef quota	Focus on pork rather than beef production.

	11% **22. U.S. - 0.2%**		
Sauces and Preparations (HS 2103) MT: 84,375 USD: 599 million	1. Italy – 24% 2. Netherlands – 22% 3. Switzerland - 8% **9. USA –3%**	1-3) Proximity and availability USA is well known supplier of BBQ sauces	Strong domestic food industry.
Snack Foods excl. nuts HS 1904 MT: 424,075 USD: 1.5 billion	1. Netherlands – 18% 2. Poland – 17% 3. Belgium - 12% **24. USA – 0.3%**	1-3) Proximity and availability 1)Volumes also consist of re-exports from China, Thailand, USA	Tradition in snack food production. Germany is one of the global market leaders in snack foods.

Source: Global Trade Atlas, Products ranked according to value of U.S. products

IV. Best Product Prospects

Products in the market that have good sales potential

- Nuts: Almonds, hazelnuts, pecans, pistachios, walnuts
- Fish and Seafood: Salmon, surimi, roe and urchin, misc. fish products
- Dried and Processed Fruit: Raisins, prunes, cranberries, sour cherries, wild berries
- Fruit juices: Cranberry, grapefruit, prune
- Essential oils (peppermint oil)
- Beef and Game: Hormone-free beef, bison meat, exotic meat and processed meat products
- Organic products

Products not present in significant quantities, but which have good sales potential

- Bakery products
- Pulses

Products not present because they face significant boundaries

- Food additives not approved by the European Commission
- Red meat and meat products with hormones
- Most poultry and eggs
- Biotech-derived products that are not approved in the EU

V. Key Contacts and Further Information

If you have questions or comments regarding this report, or need assistance exporting to Germany, please contact the Foreign Agricultural Service in Berlin. Importer listings are available from the Foreign Agricultural Service for use by U.S. exporters of U.S. food and beverage products.

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