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Germany

Retail Foods

2013

Approved By:
Paul Spencer
Prepared By:
Johannes Böhme\Leif Erik Rehder

Report Highlights:
Germany is by far the biggest market in the European Union with good prospects for U.S. food products like tree nuts, wine, processed fruits and vegetables, fruit juices and others. The food retail market is fairly consolidated with discounters dominating the market. Food marketing trends in Germany show an increase in private labels and an increase in demand for organic, convenience, health, sustainable, wellness, and certain luxury products. The EU-U.S. Organic Equivalence arrangement has created new export opportunities for some U.S. companies.

Post:
Berlin

Executive Summary:

Section I. Market Summary

Germany has 82 million of the world's wealthiest consumers and it is by far the biggest market for food and beverages in the European Union. According to Euromonitor International, grocery retailing reached sales of €186.7 billion in 2012 ($247.8 billion). Part of demand is met with domestic products; however, overall Germany is a net importer of all major categories of food products.

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

	2008	2009	2010	2011	2012
Consumer Oriented Products	57.2	51.5	52.5	59.0	55.5
Imports from the U.S.	0.6	0.6	0.6	0.8	0.9
Fishery products	4.5	4.4	4.5	5.2	4.8
Imports from the U.S.	0.3	0.2	0.2	0.3	0.2

Source: www.gtis.com

The German food market is heavily dependent on imports to meet consumer demands. Last year, Germany imported USD 55.5 billion of consumer-oriented products. By value about one fourth came from the Netherlands, and France and Italy each had about 10 percent of the import market. After Switzerland and Turkey, the U.S. is the third largest non EU-supplier of consumer-oriented products. In 2012, U.S. exports increased by 4% to $860 million. The drivers for the increase were almonds, beef, and cranberries. Other important products groups include wine and food preparations.

Current situation

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 (4.2% and 3.0% respectively), resulting in a V-shaped recovery and 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. The government forecasts annual growth of 0.4 percent in 2013. Consumer spending recovered in line with the economy and is expected to continue growing. However, continued fiscal consolidation and Germany's dependence on exports could slow the pace of growth in consumer expenditures on food.

Consumer Expenditures Germany in Euro Per Capita – Value at Current Prices

Consumer Expenditures	**2008**	**2009**	**2010**	**2011**	**2012**
Consumer Expenditures	15,989	16,040	16,508	17,215	17,714.8
Consumer Expenditures on food and non-alcoholic beverages	1,815	1,788	1,817	1,911	1,930.8
Consumer Expenditures on alcoholic beverages and tobacco	515	517	519	527	536.1

Source: Euromonitor

Consolidation, market saturation, strong competition and low prices are key characteristics of the German retail food market. The sector is dominated by five large retail companies. The major chains face slim margins due to fierce competition in the sector. However, in recent years, there has also been a trend in consumer preferences toward smaller grocery formats, including convenience stores, small grocery retailers and independents.

Biggest German Food Retail Companies

Source: Euromonitor International

Number of retail outlets in Germany

Type of Outlet	**2007**	**2010**	**2012**
Supermarkets/Hypermarkets	17.052	16.631	16,666
Independent Food Stores	22.671	21.812	20,657
Convenience Stores	15256	15.484	15,654
Discounters	14.525	14.797	15.779

Source: Euromonitor International

In terms of sales, discounters are well established and dominate food retailing in Germany. After years of growth, the challenge faced by discounters is that growth cannot only be created by opening new stores. In economically difficult times, consumers are attracted their low prices. However, supermarkets performed also well in recent years since they distinguish themselves and will continue to do so from other grocery channels by offering high-quality products located close to city centers. Sales in Hypermarkets stagnated due to competition by discounters. In response, Hypermarkets expanded their own private label products and try to profit from the ongoing trend towards one-stop-shopping.

Due to the sheer number of stores, the importance of independents is relatively high. With their combination of packaged, branded products and local, fresh products, independent food stores perform well, although their numbers are declining.

Convenience stores are taking advantage of the trend toward convenient products and slowly increased their sales after the crisis. An ongoing development within this channel is a decrease in independent stores but an increase in chain stores. Traditional open markets are increasingly taking advantage of the popularity of locally produced fresh foods. Weekly markets can be found in nearly all German cities, though they play only a minor role in terms of sales.

Sales in Grocery Retailing by Category in €billion

Type of Outlet	**2008**	**2009**	**2010**	**2011**	**2012**
Discounters	61.3	61.3	62.7	63.5	63.9
Supermarkets	47.4	44.9	46.3	48.1	48.4
Hypermarkets	34.1	33.6	33.6	32.8	33.1
Traditional Grocery Retailers	31.9	31.7	31.7	32.0	32.2
Convenience Stores*	9.4	9.2	9.2	9.2	9.2

Source: Euromonitor International, FAS, * Convenience Stores include kiosks, gas stations, small grocery shops, etc. with following characteristics extended opening hours, selling area of less than 400sq meters, and Take-away food.

Wide Range of Private Label Products

In Germany, the market share for private label products has steadily increased to 40 percent in recent years. First focused on price, private label food products were part of the success of the discounters in the beginning. However, that has changed since nowadays there is not only price competitive standard private label products, but also more expensive high quality premium products Consumers are discovering the high value for money that private label brands are offering and how they can be an actual alternative to established brands. Private label market share is expected to increase further, driven by the increase profitability it is giving to retailers. Private label leaders are supermarket chains like Edeka and Rewe. Discounters have played less of a role in the development of private label sales.

Trends in food retailing

Basic expectations for German consumers are for high quality food products. However they are very pricesensitive. Germans are devoted to their discounters and the country has, globally, the highest share of discounters in food retailing. This is one reason why margins at the retail level are so thin. A key factor in the future will be that Germany has one of the world's oldest populations. Food retail in Germany will therefore face significant challenges due to changes in the demographic structure and consumer lifestyles. Demand for convenience, health, and wellness, as well as luxury products, will remain a consumer trend impacting food retailing into the future. Another trend is that German consumers take great pride in being green. 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.

Please see GAIN report "**Using 'Sustainability' to Market U.S. Foods In Europe**" for more information.

Organic Food Retailing

After the U.S., the German organic food market is the 2nd biggest market of the world. Sales of organic food in Germany have steeply increased over the last couple of years and peaked in 2012 with organic food sales reaching over €7 billion. Traditional food retail accounts for one half of the organic food sales, and the other half goes to organic retail shops and specialty shops like bakeries, butchers, fruit & vegetable stores, open markets or direct sales from the farm. In contrast to the conventional food retail market, the organic food retail scene is not consolidated, concentrated or saturated. It is estimated that there are over 2,400 organic food retail shops in Germany. But just the company "Denn's", as the biggest organic food retailer, is truly nationwide. The other big organic food chains are just regional or in some cities.

In February 2012, the European Union and the United States announced an important new arrangement to expanded market access, reduce duplicative requirements, and lower certification costs for the trade in organic. Growing demand in Germany, supported by the arrangement, is creating new export opportunities for U.S. companies in the following market segments: tree nuts, fresh fruit, specialty grains, dried fruit, vegetables and processed food products.

Please see GAIN report "The EU-U.S. Organic Equivalence Cooperation" for more information.

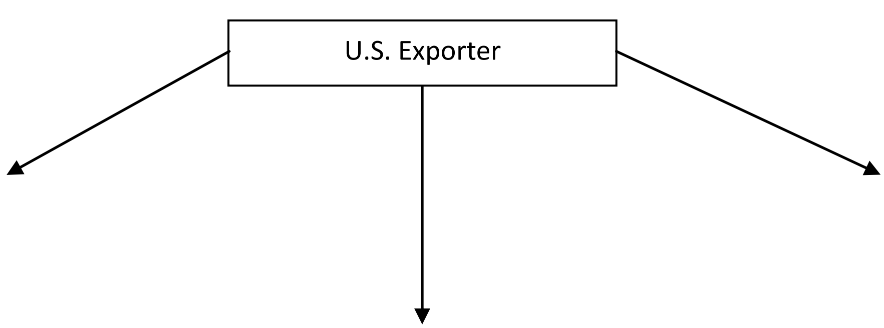
Advantages and Challenges of the German Food Retail Market

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 market	Very competitive market with low growth in retail sales
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 II. Road Map for Market Entry

The German market offers good opportunities for U.S. exporters of consumer-oriented agricultural products. However there are a number of challenges U.S. exporters must meet before exporting to the German market. Success in introducing food products depends mainly on knowledge of the market and personal contact. The U.S. supplier should analyze German/EU food law, packaging and labeling requirements, business practices and trade-related laws and tariffs, potential importers and the distribution system. The Office of Agricultural Affairs (OAA) offers guidelines on business practices and import regulations. The FAS's Foreign Buyers List gives important information on German buyers of food, fish, and seafood products.

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.



Participating in German food trade shows is a proven way to find the right distributor and facilitates the direct contact with German food brokers, importers, and wholesalers. 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. For a current listing of German food trade shows, please see: www.usda-mideurope.com

Selling direct

Direct sales to Germany's leading retail companies are 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 gaining 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.

Profiles of Leading Retail Companies

Retailer Name and Outlet Type	Food Sales (€Mil/2012)	No. of Outlets	Locations

Edeka-Group • Edeka (Supermarkets) • Netto (Discounter)	 32,710 11,738	 7,717 4,160	 nationwide nationwide
Rewe-Group • Rewe (Supermarkets) • Penny (Discounter)	 16,643 6,701	 1,802 2,266	 nationwide nationwide
Metro-Group • Real (Hypermarkets) • Metro (Cash & Carry)	 6,703 4,315	 331 123	 nationwide nationwide
Schwarz-Group • Lidl (Discounter) • Kaufland (Hypermarkets)	 13,284 10,800	 3,375 625	 nationwide nationwide
Aldi-Group • Aldi Süd (Discounter) • Aldi Nord (Discounter)	 11,829 9,102	 1,810 2,515	 Southern Germany Northern Germany
Lekkerland (Wholesaler)	8,182	19	nationwide
Tengelmann-Group • Kaisers (Supermarket)	 2,052	 710	 nationwide

Source: Euromonitor, Lebensmittelzeitung

Profiles of Top 5 Organic Retail Companies

Company	Sales (€Mil/2012)	Number of Outlets	Locations
Denn's	535	114	nationwide
Alnatura	516	80	Mainly in Southern and Western Germany but also in Berlin, Bremen, Hannover, and Hamburg.
Basic	111	25	Berlin, Rhine-Ruhr Area, Munich, Stuttgart, Frankfurt.
BioCompany	81	33	Strong in Berlin, and Potsdam but also in Dresden and Hamburg.
SuperBioMarkt	36	18	North-Rhine Westphalia and Osnabrück

Source: FAS Berlin

Section III. Competition

Germany is increasingly dependent on supplies of bulk and intermediate products (like seafood, fruit juices, swine, fresh produce, nuts, etc) from other EU member states and third countries. Germany also depends especially on Southern Hemisphere countries for year-round supplies of fresh fruit and vegetables. Another reason why importers and food distributors turn to foreign markets is the search for unique products. U.S. beef, fruits, nuts, sweet potatoes, and a full range of specialty food products have gained popularity over the years.

Competition for U.S. exports

Product category Total Import in million US$, 2012	Main suppliers in percentage, 2012	Strengths of Key supply countries	Advantages and Disadvantages of Local Suppliers
PG 30 Breakfast Cereals	1. France 17.0	Distance, availability	Developed processed food

265	2. Belgium 15.4 3. Netherlands 14.6 16. U.S. 0.2	and regional products	industry
PG 31 Snack Foods 3,180	1. Belgium 22,5 2. Netherlands 17.7 3. Switzerland 8.3 22. U.S. 0.22	Distance, availability and regional products	Developed confectionary industry
HS 02: Meat 8,520	1. Netherlands 20.0 2. Belgium 12.8 3. Denmark 11.75 18. U.S. 0.9	Distance and availability	Focus on dairy production instead of beef production. Genetics need improvement
HS 03: Fish and Crustaceans 4,748	1. Poland 16.0 2. Netherlands 11.3 3. Denmark 11.3 6. U.S. 5.0	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 6,765	1. Netherlands 26.4 2. France 16.6 3. Austria 8.7 24. U.S. 0.2	Proximity	Great tradition of milk and milk based products
HS 07: Edible vegetables 6,187	1. Netherlands 38.6 2. Spain 20.6 3. Italy 8.8 16. U.S. 0.3	1: Proximity 2,3: Tradition, different climate/ supply/ taste/ varieties	Products not sufficiently available on local market
HS 08: Edible Fruits and Nuts 8,597	1. Spain 19.8 2. Netherlands 18.4	1,3: Tradition, different climate/ supply/ taste/ varieties 2: Proximity	Products not sufficiently available on local market

	3. Italy 12.8 6. U.S. 5.5		
HS 09: Coffee, Tea, Mate and Spices 5.735	1. Brazil 23.0 2. Vietnam 12.3 3. Honduras 8.6 38. U.S. 0.12	Trading tradition	No domestic availability, Re-export
HS 16: Edible Preparations of Meat Fish, Crustaceans 3,079	1. Netherlands 14.0 2. Poland 11.5 3. Austria 10.2 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 3,531	1. Italy 20.7 2. France 14.6 3. Netherlands 12.0 25. U.S. 0.23	Proximity and re-export	Not sufficiently domestically available
HS 20: Preparations of Vegetables, fruits, Nuts 5,520	1. Netherlands 23.2 2. Italy 14.0 3. Turkey 8.7 20. U.S. 0.46	Proximity	Not sufficiently domestically available
HS 21: Miscellaneous Edible Preparations 3,159	1. Netherlands 17.6 2. France 11.2 3. Italy 8.9 12. U.S. 1.5	Proximity and re-export	Not sufficiently domestically available
HS 22: Beverages, Spirits, Wine and Vinegar	1. France 19.2 2. Italy	Excellent regional products	Not sufficiently domestically available

8,550	19.0 3. Netherlands 11.0 8. U.S. 4.9		

Source: www.gtis.com

Section IV. Best Product Prospects

Product Category	Total German Imports 2012 in millions of U.S. $	German Imports from the U.S. in millions of U.S. $	U.S. Import Growth in 5 years (2010-2012)	Market attractiveness for USA
Fish and Seafood Products	4,748	237	+10%	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, (lobster), shrimps, crabs, caviar substitutes, catfish and scallops
Tree Nuts	1,708	416	+40%	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 hazelnuts, pistachios, pecans and walnuts.
Wine and Beer	3,705	94	+8%	Germany has a high share of domestic wine production. However, good prospects exists for “new world wines” including those from the U.S.
Pet Foods (Dog and Cat)	817	1.6	-11%	Sales of cat food have the biggest market share. U.S. exports are declining but potential exists for premium pet food.
Processed Fruits and Vegetables	5,439	83	+5%	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.
Snack Foods (Excl.	3,179	6.8	+13%	German demand for healthy, organic,

Nuts)				innovative, and exotic snacks continues to grow.
Red Meats Fresh/Chilled/Frozen	5,248	76	+145%	Good opportunities for U.S. high quality beef produced without growth promotants. The EU quota size and administration system have recently see changes.

www.gtis.com;

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 promotions)
- 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

Section V. Post Contact and Further Information

Internet home pages of potential interest to U.S. food and beverage exporters are listed below:

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

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

Foreign Agricultural Service

U.S. Department of Agriculture
Embassy of United States of America
Clayallee 170
14195 Berlin, Germany
Tel: (49) (30) 8305 – 1150
Email: AgBerlin@fas.usda.gov
Home Page: 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
FAIRS Report	GM 13005	February 2013
Exporter Guide	GM 13019	May 2013
Biotech Report	GM 13026	June 2013

Attachment I
KEY GERMAN CONTACTS FOR THE FOOD RETAIL TRADE
Note: While it is impractical to provide a complete list, this partial list is for your information only with the understanding that no discrimination is intended and no guarantee of reliability implied.

Aldi Einkauf GmbH & Co. oHG - Sued
Burgstrasse 37
45476 Muelheim/Ruhr, Germany
Fax: (0049) 1803 252722 Homepage: www.aldisued.de

Aldi Einkauf GmbH & Co. oHG - Nord
Eckenbergstrasse 16
45307 Essen, Germany
Fax: (49-201) 859 33 19 Homepage: www.aldi-essen.de

EDEKA Zentrale AG & Co. KG
New-York-Ring 6

22297 Hamburg, Germany
Tel: (49-40) 63 770
Fax: (49-40) 63 77 22 31 Homepage: www.edeka.de

EHI Retail Institute e.V.
Spichernstrasse 55
50672 Koeln, Germany
Tel: (49-221) 57 99 30
Fax: (49-221) 57 99 345 Homepage: www.ehi.org
Organization representing the retail sectors; German counterpart of FMI.

Globus SB Warenhaus Geschaeftsfuehrungs-GmbH
Leipziger Strasse 8
66606 St. Wendel, Germany
Tel: (49-6851) 90 90
Fax: (49-6851) 90 96 00 Homepage: www.globus.de

KaDeWe Kaufhaus des Westens
Tauentzienstrasse 21-24
10789 Berlin, Germany
Tel: (49-30) 212 10
Fax: (49-30) 211 01 90 Homepage: www.kadewe.de
KaDeWe is the flagship of the Karstadt department store chain. It is comparable to Harrods in London and claims to have the biggest food & delicatessen department in Europe.

Lekkerland GmbH & Co. KG
Europaallee 57
50226 Frechen, Germany
Tel: (49-2234) 182 10
Fax: (49-2234) 182 14 45 Homepage: www.lekkerland.de

Lidl Stiftung & Co. KG
Einkauf International
Stiftsbergstrasse 1
74167 Neckarsulm, Germany
Tel: (49-7132) 94-2000 Homepage: www.lidl.com

Markant Handels und Service GmbH
ZHG Ware

Hanns-Martin-Schleyer-Strasse 2
77656 Offenburg, Germany
Tel: (49-781) 61 60
Fax: (49-781) 616166 Homepage: www.markant.com

MGB METRO Group Buying GmbH
Schlueterstrasse 1
40235 Duesseldorf, Germany
Tel: (49-211) 68860
Fax: (49-211) 6886-2000 Homepage: www.metrogroup.de

REWE-Zentral AG
Foreign Trade Dept. - HWA -
Domstrasse 20
50668 Koeln, Germany
Tel: (49-221) 1490
Fax: (49-221) 149 93 71 Homepage: www.rewe-group.com

Tengelmann Warenhandelsgesellschaft
Unternehmenszentrale
Wissollstrasse 5-43
45478 Muelheim/Ruhr, Germany
Tel: (49-208) 580 60
Fax: (49-208) 5806-6401 Homepage: www.tengelmann.de