USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Voluntary - Public

Date: 6/18/2019
GAIN Report Number: GM19022

Germany

Post: Berlin

Voluntary GMO- Free Labeling Program Generates 11 Billion Dollars

Report Categories:
Agriculture in the Economy
Biotechnology and Other New Production Technologies
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Report Highlights:
Although Germany does not require labeling of non-GMO food products and animal feed, the nation's voluntary "Ohne Gentechnik" (GMO-free) labeling program is gaining momentum. Sales of "Ohne Gentechnik" foods generated 11 billion dollars in sales in Germany in 2018. German consumers' increasing awareness of and preference for "Ohne Gentechnik"-labeled foods is also driving demand in the market for GMO-free animal feed, leading to marketing opportunities for growers and producers of non-GMO feed ingredients and additives, while eroding demand for U.S. exports of genetically engineered soy.

I. Germany's GMO-Free Labeling System

Since 2004, the EU has required on-label disclosure for foods and animal feed products that contain genetically modified (GMO) ingredients. However, there is no mandatory EU labeling requirement for non-GMO food products or for foods derived from animals fed GMO feed.

In 2008, Germany enacted its own legislation establishing a voluntary GMO-free labeling program. The law set standards for the voluntary labeling of non-GMO plant-based foods and for products derived from livestock fed with non-GMO feed. In 2010, the German Federal Ministry of Food and Agriculture delegated authority to administer the voluntary GMO-free labeling standard to the Verband Lebensmittel "Ohne Gentechnik" (Association for Food without Genetic Engineering), commonly known by its German acronym, VLOG.

VLOG is a non-profit company with the exclusive authority to license food manufacturers' and retailers' use of the standard "Ohne Gentechnik" (GMO-free) label and animal feed producers' use of the VLOG Geprüft (VLOG Approved) label. VLOG is a membership-based organization open to any consumer or business; however, most members are farmers, processors, retailers, marketers, food producers, and trade associations. A company does not have to obtain VLOG membership to secure a license to use the "Ohne Gentechnik" label on its products, but many licensees are also VLOG members. A five-member board of directors, typically consisting of food business leaders, grocery retailers, and representatives of German farm groups, leads the organization. VLOG has over 700 members and licensees that represent nearly every food and agribusiness product sector, from dairy, eggs, and vegetables to cereals, meats, and beverages.

The VLOG Geprüft seal (left) is used to identify GMO-free animal feed. The Ohne Gentechnik label (right) indicates a food product is GMO-free.

II. Continuing Market Growth for Certified "Ohne Gentechnik" (GMO-Free) Products

Sales of GMO-free foods in Germany, labeled as "Ohne Gentechnik" (without genetic engineering), are steadily rising. In 2018, 10 years after Germany passed legislation establishing the "Ohne Gentechnik" standard, German consumers spent $11 billion on foods bearing the "Ohne Gentechnik" label—a 41 percent increase from 2017. Milk and dairy products comprised the bulk of those sales (66 percent), with poultry and eggs making up 18 percent and 12 percent of "Ohne Gentechnik" sales, respectively. Germany's market for "Ohne Gentechnik" products is now almost as large as the country's organic food market, which was valued at more than $12 billion in 2018. VLOG projects that "Ohne Gentechnik" food sales will continue to grow in 2019, increasing by at least 11 percent.

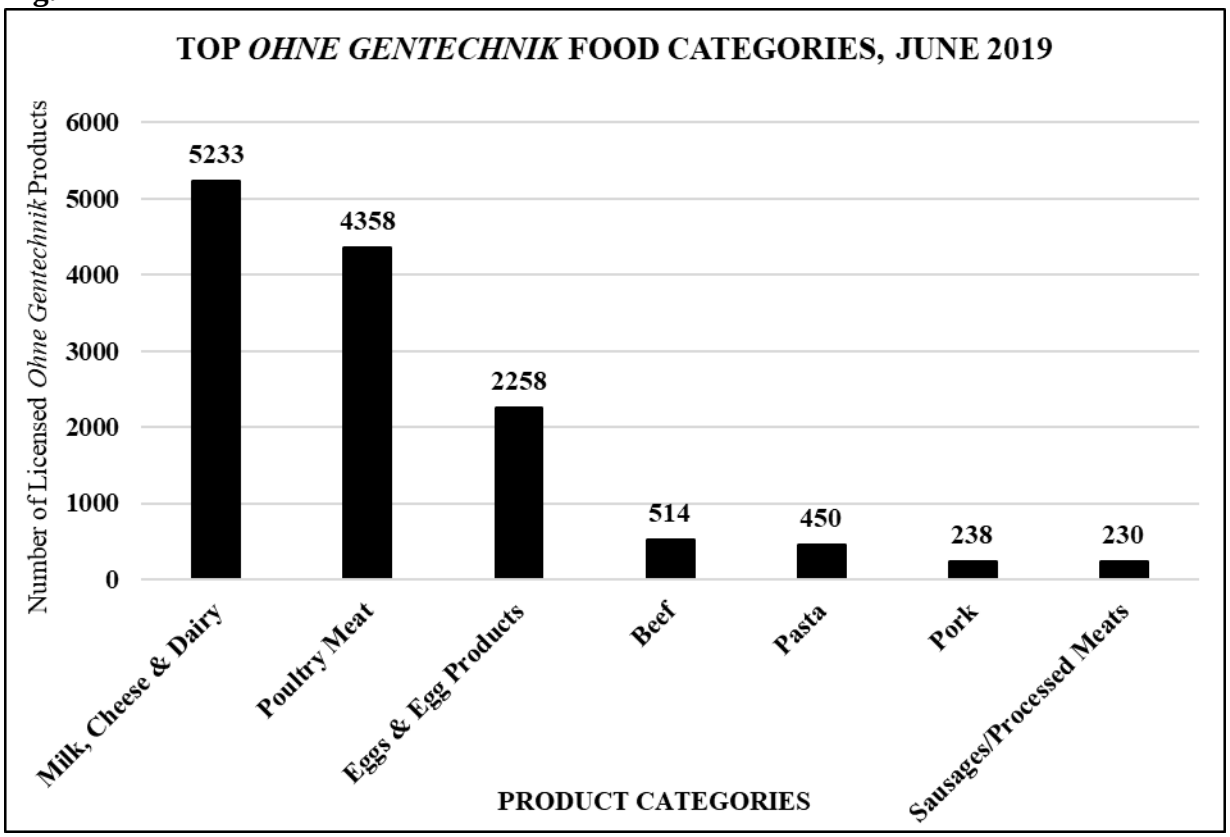
In response to this growth in demand, food retailers continue to expand the amount of shelf space devoted to "Ohne Gentechnik" products. The major German grocers—Edeka, Rewe, Schwarz Group (Lidl), and Aldi—have all adopted the "Ohne Gentechnik" label on many of their qualifying store brand products, particularly meat, dairy, eggs, and poultry. In early 2019, spurred by the growing popularity of the "Ohne Gentechnik" label, the Schwarz Group-owned grocery chain Kaufland began marketing a

line of "Ohne Gentechnik" pork products. Kaufland, which operates around 600 stores in Germany, currently offers at least 700 "Ohne Gentechnik" products and plans to expand those GMO-free offerings in the future.

The growing popularity of "Ohne Gentechnik" products reflects German consumers' food perceptions and preferences. In a study commissioned by Germany's Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, 93 percent of respondents said they wanted to know when their food came from animals fed genetically modified feed. Up to 63 percent of German consumers check food labels for GMO-free claims, which they cite as an important influence on their purchasing decisions. Of German consumers who purchase organic food, 58 percent claim to purchase organic products because they are GMO-free.

Market recognition for the "Ohne Gentechnik" label continues to rise, and consumers are increasingly seeking out the label as a source of information about genetic engineering in the food chain. In 2018, 33 percent of German consumers could identify the "Ohne Gentechnik" label. That brand recognition continues to grow as the number of certified "Ohne Gentechnik" products expands. There are more than 13,000 food products currently labeled as "Ohne Gentechnik", up from 8,000 products in 2018. (See Figure 1 below for a breakdown of the most popular "Ohne Gentechnik" food product categories.) Around 350 companies are current "Ohne Gentechnik" licensees, with product portfolios that feature foods bearing the "Ohne Gentechnik" seal.

Fig.1



Source: VLOG Online Product Database, 2019

III. Growth in Market for "VLOG Geprüft" Animal Feed

The expansion of the "Ohne Gentechnik" label in the retail food space has increased opportunities for suppliers of GMO-free animal feed. In 2017, VLOG had around 150 certified GMO-free feed suppliers, expanding to 300 suppliers in 2018. Currently, VLOG has more than 750 suppliers offering animal feed or animal feed additives certified under the VLOG Geprüft seal. This network of suppliers includes feed dealers and distributors throughout Europe—in Belgium, Croatia, the Czech Republic, Denmark, France, Germany, Greece, Hungary, Italy, Luxembourg, the Netherlands, and Poland.

Along with increased sales opportunities for growers of non-GMO corn and soy, the expansion of the "Ohne Gentechnik" program presents attractive possibilities for producers of non-GMO feed supplements and additives. For example, in 2019, VLOG issued a VLOG Geprüft seal to Dutch company Veramaris for its algal-based omega-3 fatty acids, produced at an algal oil biorefinery in Nebraska. As German livestock producers seek to capitalize on the growing "Ohne Gentechnik" market while retaining feed efficiency and nutritional quality, there will be demand for similar non-GMO innovations in the feed supplement and additive space.

The rapid increase in demand for GMO-free feed places U.S. soy exports in a vulnerable position. Soy is traditionally the top U.S. agricultural export to Germany, where the livestock industry is a major consumer of imported GE soybeans for animal feed. In 2018, Germany imported 3.6 million tons (MMT) of soybeans for crushing and 2.4 MMT of soybean meal. The large majority of soy imports come from GE soy varieties.

However, since 2010, soybean meal use has been trending downward. The dairy and poultry industries have replaced soybean meal in feed rations due to public pressure by retailers and anti-biotechnology NGOs. Currently, the pork industry is the only major livestock sector in Germany that still uses predominantly GE soybean meal in its feed rations.

IV. The "Ohne Gentechnik" (GMO-Free) and "VLOG Geprüft" (VLOG Approved) Seals — Requirements and Regulations

Before a company may begin marketing its products using the official "Ohne Gentechnik" seal for food or the "VLOG Geprüft" label for animal feed, it must obtain a license from VLOG. To acquire a license, a company must undergo an audit by a third-party certifier and be found in compliance with the GMO-free standards established under German law. VLOG has around 50 approved certifiers with auditing authority.

To qualify for the "Ohne Gentechnik" label, plant-based foods (e.g., cereals, canned vegetables, pastas) may not contain more than a 0.1 percent adventitious presence of GM material by weight. The "Ohne Gentechnik" standard also forbids the use of GM enzymes or additives in foods. In light of the 2018 European Court of Justice (ECJ) decision on new plant breeding technologies, gene-edited foods also fall under the EU's GMO regulations and require label disclosure.

Livestock-derived foods, like dairy products, meat, and eggs, must meet separate standards for "Ohne Gentechnik" certification. To qualify for an "Ohne Gentechnik" label, dairy, meat, and eggs must originate from animals fed GMO-free diets for at least part of the production cycle. The length of time

an animal is required to be on a GMO-free diet varies with the species. (See Table 1 below for the species-specific feeding requirements.)

Livestock-derived food products are considered "Ohne Gentechnik" if the animal's feed contained a 0.9 percent or less adventitious presence of GM material. To ensure supply chain traceability of non-GM feed, VLOG established the "VLOG Geprüft" (VLOG Approved) seal. As with the "Ohne Gentechnik" seal, a third party audit system is used to certify feed products as GMO-free.

Companies with products labeled as "VLOG Geprüft" and "Ohne Gentechnik" pay a licensing fee to VLOG, calculated based on the company's sales of VLOG-certified products.

Table 1.

ANIMAL SPECIES	GMO-FREE FEEDING PERIOD
Beef Cattle	12 months prior to slaughter, and in any case, at least three-quarters of the animal's life
Small Ruminants Consumed for Meat	Six months prior to slaughter
Pigs	Four months prior to slaughter
Milk-Producing Animals	Three months prior to milking, then continuously throughout the milking period
Poultry for Meat Production	10 weeks prior to slaughter
Poultry for Egg Production	Six weeks prior to collecting eggs, then continuously through the egg-laying period.

Source: VLOG Standard 19.01 – Part E: Agriculture; Compliance with the Minimum Feeding Conversion Period, 2019.