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Germany

Food Processing Ingredients

Germany: Food Processing Ingredients 2018

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Report Highlights:
The German food industry represents the third-largest processing industry in Germany. In 2016, Germany produced an estimated USD190 billion of processed food and drinks. When meeting EU standards, the following products have good sales potential on the German market: nuts, fish and seafood products, highly processed ingredients, dried fruits, sweet potatoes, bakery products, organic products, and pulses.

Post:
Berlin

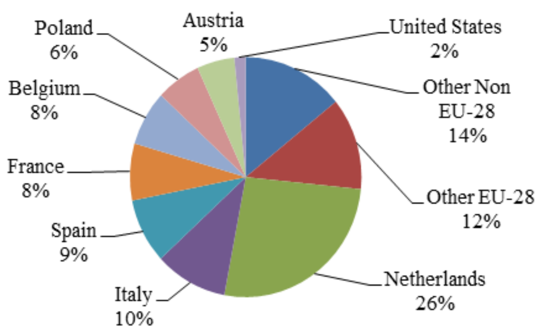
Market Fact Sheet: Germany

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 Germany 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. The largest subsectors by value were meat, dairy, bakery, confectionary and ice cream, and alcoholic beverages; accounting for 24, 13, 10, and 8 percent, respectively.

Food Retail Industry

German food retail sales reached USD 216.4 billion in 2016. The sector is saturated and highly consolidated. The top five retail groups together account for 72 percent of the revenues. That said, small neighborhood and convenience store are seeing a revival. Online food sales are still a niche market.

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[1]

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[1]
Food Industry Revenues
- Food (Domestic market) USD 127.1

Top 10 Host Country Retailers

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

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

Sources: GTA, BVE, Destatis,

Strengths/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)

Contact:
FAS Berlin, Germany
AgBerlin@fas.usda.gov

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

I. Market Summary

Germany is 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. 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 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 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 (for more information, please see the GAIN report: Opportunities for U.S. Organics in German Market).
- 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 the share of consumers who are willing to pay for quality increases.

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 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.
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

Entry Strategy
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/Lists/Advanced%20Search/AllItems.aspx. Contact the USDA Foreign Agricultural Service (FAS) Office in Berlin for clarification on specific questions; for example, for information on veterinary and phyto-sanitary 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 Health Ingredients show and the Food Ingredients 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, https://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	One of the leading food fairs for the retail trade, and the food service, and catering market	Cologne

Source: FAS Berlin

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/programs/market-access-program-map/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

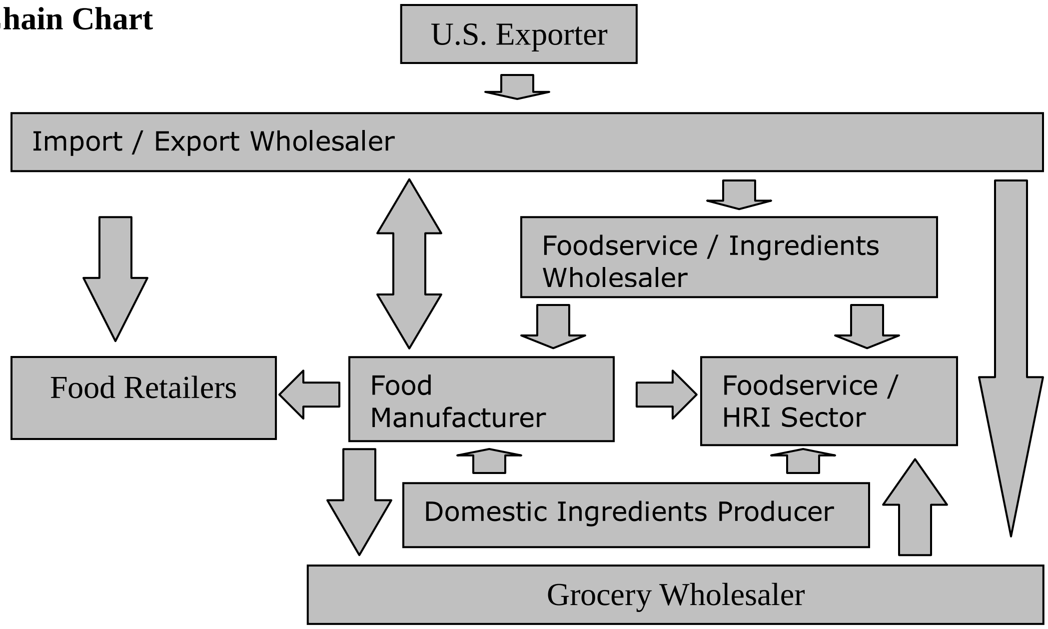
Importers represent the first link in the domestic sales chain and are consequently responsible for the compliance of imported products with national and EU regulations. The European Commission has published the following guidance document which refers to key Community law requirements: "Guidance document – 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.

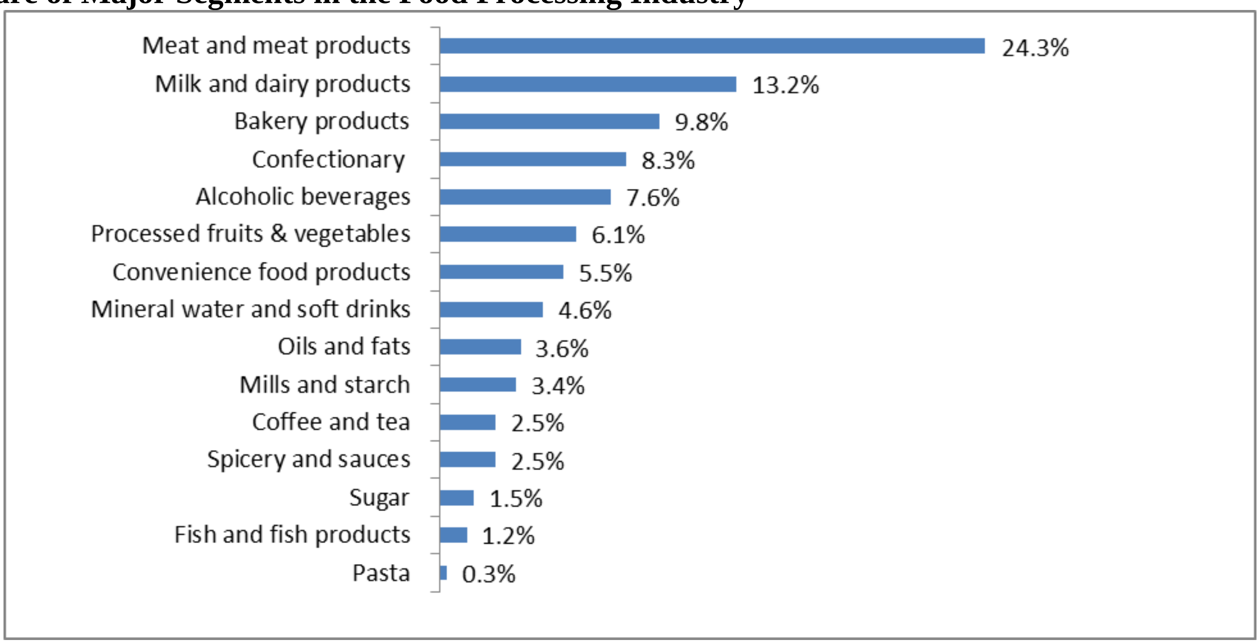
Market Structure

Germany's food processing industry is well developed and has access to various food ingredients. Generally, German food processors source their ingredients from local producers or local importers. Only large processors import ingredients directly from foreign suppliers. A good importer will be your partner in promoting your product to his or her customers.

Supply Chain Chart



Share of Major Segments in the Food Processing Industry



Source: German Association of Food and Drink Industry, BVE https://www.bve-online.de/download/facts-figures-2017, page 4

Company Profiles

A list of the largest food processing companies in Germany can be found on page 7 and 8 of the German Food Processing Ingredients Report 2017.

Sector Trends

- The food product portfolio is becoming more specialized and complex.
- The share of convenience and ready-to-eat products as well as smaller packaging sizes is increasing.
- The food industry is adjusting to the increasing demand for organic products; 25 percent of new product introductions on the German market in 2017 were organic.
- Food labeling with special seals is very common in Germany and has a large impact on the industry. Various regional, organic, sustainability, and animal welfare labels are introduced or being discussed in Germany. Most companies have a sustainability strategy that demonstrates sustainability in the entire chain from cultivation all the way through to food processing.

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. A detailed table with competitive advantages and disadvantage is listed as an attachment to this report.

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
- Highly processed ingredients (dextrins, peptones, enzymes, lecithin and protein concentrates)
- Dried and Processed Fruit: Raisins, prunes, cranberries, sour cherries, wild berries
- Fruit juice concentrates: 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

- Ingredients for the natural and healthy foods industry
- 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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FAS Germany publishes numerous market and commodity reports available through the Global Agricultural Information Network (GAIN) at:
https://www.fas.usda.gov/data/search?f[0]=field_countries%3A39&f[1]=field_countries%3A390

Attachment: Overall Competitive Situation for Selected Food Ingredients (2017)

Product category Total German Import	Main suppliers in percentage	Strengths of Key supply countries	Advantages and Disadvantages of Local Suppliers
Tree Nuts (HS 0801 +0802 +200819) MT: 438,731 USD 3.2 billion	1. **USA – 20%** 2. Turkey – 18% 3. Netherlands - 11%	USA is the leading supplier of almonds, walnuts, and pistachios. Turkey has the lead in hazelnuts. Netherlands is a large re-exporter of cashew nuts	Domestic production is 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
Enzymes (HS 350790) USD 350 million	1. Denmark – 32% 2. Finland – 21% 3. Netherlands – 11.6% **4. USA – 11.6%**		
Odoriferous substances (HS 3302010) USD 763 million	1. Ireland – 56% 2. Switzerland - 16% 3. France – 7 % **5. USA – 3%**	Odoriferous substances are used in the food and drink industry to influence the smell	
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
Peptones & Derivatives (HS 35 04 00) USD 206 million	1. Netherlands – 15% 2. New Zealand – 14% 3. Ireland – 11% **6. USA – 10%**	Peptones are protein components and are used in the production of food supplements	
HS 02: Meat MT: 2.4 million USD: 7.6 billion	1. Netherlands – 27% 2. Belgium - 12% 3. Poland – 11% **22. U.S. - 0.2%**	1-3) Proximity and availability. U.S. imports consist of hormone-free beef under Hilton beef quota	Focus on pork rather than beef production.

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