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Food Service - Hotel Restaurant Institutional

2018

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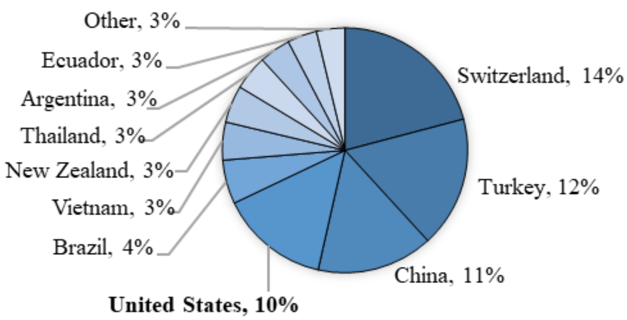
Report Highlights:
Germany has 83 million of the world's wealthiest consumers and is by far the biggest market in the European Union. The German market offers good opportunities for U.S. exporters of consumer-oriented agricultural products. In 2017, U.S. exports of agricultural products to Germany reached USD 2.6 billion. Largest segments were soybeans, tree nuts, Alaskan pollock, wine, beef, and other consumer-oriented products. This report provides U.S. food and agriculture exporters with an analysis of 2017 market trends in the Hotel, Restaurant and Institutions (HRI) Food Service Sector, along with guidelines for market entry for 2018 on.

Executive Summary

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. The macroeconomic situation and key data about the Germany economy can be found in the 2018 Exporter Guide.

German Agricultural Imports

Non-EU28 Consumer-Oriented Product Imports



In 2017, Germany imported consumer-oriented agricultural products worth USD 61 billion; the majority (84 percent) of these originated from other EU member states. The US exported USD 957 million worth of consumer-oriented products to Germany. When all agricultural and related products are included, the US becomes the biggest exporter outside the EU28, primarily due to soybeans.

Food Processing Industry

The 5,940 food processing companies employ about 570,000 people. The sector is dominated by small- and medium-sized companies; 95 percent of which have less than 250 employees. In 2016, the sector generated a turnover of roughly USD 190 billion; 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.

Food Service Industry

The German food service industry is made up of 222,365 businesses and is dominated by restaurants, snack bars, public housing, guest housing, and catering services. Turnover in the HRI Sector has increased steadily since 2009, reaching USD 100.62 million in 2017.

German Market Advantages and Disadvantages

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 and an expanding number of 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.

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I. MARKET SUMMARY

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. The food service market sales increased by 6.3% to €86 billion in 2017, continuing the upward trend of past years. The main reasons for growth are Germans' desire to consume more and Germany's status as a popular tourist destination. In general, people were willing to pay more, but the price-performance ratio was one of the most important factors as Germans are very price-sensitive. Some key trends include sustainability, regional produce, convenience, health and wellness, Asian cuisine, and retail catering.

Annual Turnover in the German Hotel/Restaurant/Institutional Sector

Turnover in Billion Euro	**2014**	**2015**	**2016**	**2017**	**% Growth (2014-2017)**
Hotels	26.0	27.1	29.0	30.5	7.9
Restaurants, Fast Food Outlets	40.7	42.1	43.6	46.6	6.7
Canteens and caterers	7.5	7.9	8.3	8.9	8.5
Total	**74.7**	**77.1**	**80.9**	**86.0**	**7.0**

Source: DEHOGA

Sales of consumer foodservice continue to be led by full-service restaurants, but all sectors grew in the last year. This is driven by the trend towards single households, a further decline in the rate of unemployment, and an aging population which fuels the demand for healthy and sustainable food. However, as there is also an increasing risk of old age poverty, low cost foodservice models are set to prevail.

Advantages and Challenges of the German Food Service 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	Strong price sensitivity; German consumers demand quality but 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
U.S. style is popular, especially among the younger generation; good reputation for U.S. food like dried fruits, seafood, wine	HRI companies rarely import products into Germany on their own, but rather utilize specialized wholesalers.
Germany is the largest EU market for U.S beef under the EU import quota for high quality beef.	The quota only applies to beef from animals not treated with growth-promoting hormones. Quota is increasingly utilized by third-party countries including Uruguay, Argentina, and Australia.
Large non-German population and German's inclination to travel abroad help fuel demand for foreign products	

II. ROAD MAP FOR MARKET ENTRY

a) Market Structure

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. 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 at 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.

b) Entry Strategy

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, 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.

Participating in German food trade shows is a proven and cost-effective way to find the right distributor and facilitate direct contact with German food brokers, importers, and wholesalers. Germany offers a wide variety of trade show venues for food and beverage products. Trade shows like ANUGA, Internorga, or BioFach enjoy an exceptional reputation within the global food industry, and these shows reach, in many cases, globally. U.S. Exporters who are looking to sell to the German Market should consider participating or visiting the following trade shows. (More information about these and other German exhibitions and trade shows can be found at http://www.auma.de/en/Seiten/Default.aspx.

Upcoming International Trade Shows in the HRI Sector in Germany

Chefs Culinar www.chefsculinar.com	**September 9-10, 2018**	Trade fair for wholesale food trade for restaurant, hotel and community catering

	Dusseldorf	
Gastro Tage West www.gastrotage-west.de/	**October 14-16, 2018** Essen	Trade fair for hotels and catering
HOGA Nuremberg http://www.hoga-messe.de/	**January 13-15, 2019** Nürnberg	Trade fair for hotels and catering
Nord Gastro & Hotel www.nordgastro-hotel.de	**February 11-12, 2019** Husum	Trade fair for hotels and catering
Internorga https://www.internorga.com/	**March 15-19, 2019** Hamburg	Intl. tradeshow for hotel, restaurant, catering, baking, and confectionery trades
Bar Convent www.barconvent.com	**June 11-12, 2019** Berlin	International trade show for bars and beverages
ANUGA (every two years) www.anuga.com	**October 5-9, 2019** Cologne	One of the leading food fairs for the retail trade, and the food service, and catering market

c) Distribution and Sub-Sector Profiles

Consumer foodservice sales are increasing across all sectors. Hotels were the second-biggest sector in food service in 2017, totaling EUR 30.5 billion. The top international chain hotels in Germany were AccorHotels, Best Western, Marriot International, Wyndham Hotel Group, and InterContinental Hotels Group.

Restaurants led the food service market in 2017 with EUR 46.6 billion in turnover. International chains have a very strong position in fast food; the biggest players in the German food service market in 2017 were McDonalds, Burger King, LSG, Autobahn, and Yum!.

Institutions were the smallest sector in food service in 2017, with a EUR 9 billion total. Like last year, in-house company restaurants made over half of total sale volume, followed by hospitals, retirement homes, new markets, and schools/universities. All institutions reflect the general growth trend of 2017. The majority of the institutional foodservice market is covered by caterers, of which the top five largest are Compass, Aramark, Sodexo, Klüh, and apetito.

III. BEST PRODUCT PROSPECTS

The following tables present products with good sales potential, good current sales, and products not available on the German market. The data for each come from the Global Trade Atlas.

a) Products present in the market that have good sales potential

Product Category	**Total German Imports 2017 [million USD]**	**Total German Imports from the U.S. [million USD]**	**U.S. Import Growth (2014-2017)**	**Market attractiveness for USA**

Soybeans	1,231	614	18%	The US is now the top exporter of soybeans to Germany!
Tree nuts	2,719	657	-6%	Almonds, walnuts, and pistachios
Sugars and confectionary	1,720	10	38%	Cane sugar, glucose, cane molasses
Hops	86	17	34%	Fresh or dried, ground or not ground, powdered or pellets, and vegetable saps / hop extracts
Sweet potatoes	41	2	206%	Consistent growth in the last five years
Pulses	120	9	181%	Lentils, beans
Fish and Seafood	4,235	191	-2%	Frozen Alaska Pollock, sockeye & pacific salmon, cod
Products of animal origin	1133	19	19%	Down for stuffing, Eggs, animal parts
Whiskey	521	89	-9%	Other alcohols, such as Rum and Liquors, are also imported in the $millions

b) Top consumer-oriented products imported from the world

Product	Total German Imports 2017 [million USD]	Total German Imports from the U.S. [million USD]	U.S. Import Growth (2014-2017)
Cheese	4,257	1	60%
Coffee, not roasted or decaf	2,937	6	64%
Wine	2,896	75	-25%
Tomatoes, fresh or chilled	1,471	0	-
Bread, Pastry, Cakes etc.	1,450	7	62%

c) **Products not present in significant quantities but which have good sales potential**

- High quality beef
- Cranberries and cranberry products
- Innovative sauces, condiments, and confectionary products
- Products featuring “sustainable” or other social issue-based marketing theme

d) **Products not present because they face significant barriers**

- Poultry (non-tariff barrier)

- Processed food with GMO ingredients

IV. COMPETITION

Trade within the EU28 block is significantly easier for Germany than outside it, so it comes as no surprise that the top three exporters of most products are almost always other European competitors to the United States. The US ranked fourteenth of all countries to export customer-oriented products to Germany in 2017, but when accounting for the single market EU28, the US was the 4th largest source for imported customer-oriented products,. Therefore, the biggest competition for German market share is with Switzerland, Turkey, China, whom all exported slightly more to Germany last year, and Brazil, Vietnam, and New Zealand, whom exported slightly less than the US.

Product category Total World Import, 2017	Main suppliers in percentage, 2016	Market for key supply countries	Strengths and challenges for American Suppliers
Consumer-oriented Agricultural Total Imports: $61 billion	1. Netherlands – 26.39% 2. Italy –10.23% 3. France – 8.72% 14. U.S. – 1.55%	Distance, availability and regional products	Within EU28 is often easier and less expensive, but demand often outweighs supply and local selection is often too small
Fish and Crustaceans Imports: $4 billion	1. Poland- 18.98% 2. Denmark – 15.10% 3. Netherlands – 12.92% 7. U.S. – 4.20%	There is a tradition throughout much of northern and eastern Europe in seafood trading and processing	The US is so high on the list because of Alaskan pollock, which is preferred in Germany for fish fillets
Fruits and Nuts Imports: $11 billion	1. Netherlands – 21.80% 2. Spain – 20.37% 3. Italy – 12.46% 5. U.S. – 6.30%	Products not sufficiently available on local market	Almonds, walnuts and pistachios come almost entirely from the US
Vegetables and Roots Imports: $6 billion	1. Netherlands – 36.28% 2. Spain – 26.40% 3. Italy – 8.39% 17. U.S. – 0.28%	Not sufficiently domestically available	Proximity, tradition, different climate/ supply/ taste/ varieties. The US supplies legumes, carrots, and potatoes among more.

Beverages, Spirits, and Vinegar Imports: $7 billion	1. Italy – 19.31% 2. France – 18.12% 3. Austria – 8.52% 8. U.S. – 4.24%	Not sufficiently domestically available	Demand for regional products, especially wine, water, and beer, is high. US supplies wine, whiskey, and rum.
Edible Preparations Imports: $3 billion	1. Netherlands – 20.25% 2. France – 10.46% 3. Belgium – 9.18% 14. U.S. – 1.59%	Not sufficiently domestically available	Demand for regional products, especially sauces and ice cream, is high.

V. KEY CONTACTS AND FURTHER INFORMATION

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

Foreign Agricultural Service Berlin Foreign Agricultural Service Washington USDA/FAS/Europe U.S. Mission to the European Union European Importer Directory	https://de.usembassy.gov/about-fas/ http://www.fas-usda.gov http://www.fas-europe.org http://www.usda-eu.org http://www.american-foods.org/

One tip for U.S. exporters is to access 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 here.

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:

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Please view our Country 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 Foreign Agricultural Service for use by U.S. exporters of U.S. food and beverage products.