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Strong Food Service Growth

Report Categories:
Food Service - Hotel Restaurant Institutional

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Report Highlights:
The German food service sector is large, fragmented, and highly competitive. Foodservice sales continue to be led primarily by independent full service restaurants. International chains have a very strong position in the fast food segment. Total turnover for the German food service sector increased by 3.8% to €65.3 billion in 2011. This is the strongest growth this sector has seen in recent years.

General Information:

Germany

HRI Food Service Sector 2012

Section I. Market Summary

Germany's 82 million inhabitants make the food and beverage market the largest in Europe. Overall, Germany is a net importer in most major classes of food products but local production and firms are in many instances established and globally competitive. German consumers have high quality expectation for their food and beverage products but they are also very price sensitive.

Key Factor for Consumer Demand in Germany

- Declining population with a birth rate of 1.39 babies born per woman of childbearing age
- Ageing population
- Number of households is growing
- Households are becoming smaller
- There is a rise in number of working women
- Internationalization of consumer tastes e.g. Chinese, Indian, Italian, Thai, Mexican, American
- Reduction in formal mealtimes, leading to an increase in snacking
- Healthier eating habits
- Sustainability is the trend meeting consumer concerns about environment, obesity, safety of the food supply

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.

Total turnover for the German food service sector increased by 3.8% to €65.3 billion in 2011. This is the strongest growth this sector has seen in recent years. Growth came from higher expenditures whereas the frequency of out of home eating was stable. People were willing to pay more but the so-called ‘price-to-performance’ ratio is still seen as was one of the most important factors to success. Some key trends include the use of ‘sustainability’ as a marketing tool, regional produce, convenience, health and wellness, Asian cuisine and retail catering.

Annual Turnover in the German Hotel/Restaurant/Institutional Sector

Turnover in Billion Euro	2007	2008	2009	2010	2011
Hotels	5.7	5.9	5.6	5.8	5.9
Restaurants and Fast Food Outlets	38.8	38.2	36.1	35.5	36.9
Canteens and caterer	21.6	21.7	20.3	21.6	22.5
Total	66.1	65.8	62.0	62.9	65.3

Source: DEHOGA (Deutscher Hotel- und Gaststättenverband)

Sales of consumer foodservice continued to be led by full service restaurants, which are mainly independent. Compared with other countries, chains still have a low presence in Germany but they are becoming more popular. International chains have a very strong position in fast food. The biggest players in the German food service market are McDonalds, Burger King, LSG, Tank & Rast, and Nordsee.

Top 10 German Food Service Companies

				Turnover		
Rank	Company	Type	No. of outlets	Million EUR	Million USD	Growth rate vs. 2010
1	McDonalds	FF	1301	3195	4444.2	5.9
2	Burger King	FF	696	790	1098.9	5.3
3	LSG	VG	19	714	993.2	0.0
4	Tank & Rast	VG	393	597	830.4	0.8
5	Nordsee	FF	345	301	418.7	1.3
6	SSP	VG	284	185	257.3	0.5
7	Yum!	FF	139	177.6	247.0	13.2
8	Aral	VG	1076	175.1	243.6	0.7
9	Ikea	HG	46	175	243.4	0.0
10	Subway	FF	612	175	243.4	-12.5

Source: FoodService Europe, FF; Fast Food, Snacks, Home Delivery; VG: Transportation & trade show gastronomy; HG: Retail gastronomy

Top 5 Fast Food Restaurant Companies

		Turnover		
Company	No. of outlets	Million EUR	Million USD	Growth rate vs. 2010
McDonalds	1301	3195	4444.2	5.9
Burger King	696	790	1098.9	5.3
Nordsee	345	301	418.7	1.3
Yum!	139	177.6	247.0	13.2
Subway	612	175	243.4	-12.5

Source: FoodService Europe

Top 5 Travel Restaurant Companies

		Turnover		
Company	No. of outlets	Million EUR	Million USD	Growth rate vs. 2010

LSG	19	714	993.2	4.2
Tank & Rast	393	597	830.4	0.3
SSP	284	185	257.3	0.5
Aral	1076	175.1	243.6	1.1
DB Fernverkehr	542	113.4	157.7	0.9

Source: FoodService Europe

Top 4 Full Service Restaurant Companies

		Turnover		
Company	No. of outlets	Million EUR	Million USD	Growth rate vs. 2010
Block Group	45	125	173.9	9.6
Kuffler	36	102.5	142.6	4.5
Maredo	58	101.2	140.8	3.4
Gastro & Soul	31	60.4	84.0	13.7

Source: FoodService Europe

Top 4 Retail Restaurant Companies

		Turnover		
Company	No. of outlets	Million EUR	Million USD	Growth rate vs. 2010
Ikea	46	175	243.4	0.0
Karstadt	87	135	187.8	2.9
Metro	113	115	160.0	-11.5
Globus	40	57.5	80.0	8.5

Source: FoodService Europe

Top 5 Leisure Restaurant Companies

		Turnover		
Company	No. of outlets	Million EUR	Million USD	Growth rate vs. 2010
Enchilada	76	72	100.2	23.3
Europa-Park	49	68.5	95.3	5.4
Mitchells&Butlers	38	62.5	86.9	9.8
CMS	72	52.4	72.9	2.7
Extrablatt	52	50	69.6	4.2

Source: FoodService Europe

Institutional Foodservice

The largest German food service/catering companies are Compass, Aramark, Sodexo, Dussmann, and Klüh. Nearly half of total sale volume in this sector came from company restaurants. The strongest growth in 2011 was registered in new markets, such as event catering.

Developments in the individual sectors were as follows:

Company Restaurants

Top 5	2011 Sales in €millions	2011 Sales in $millions	% change to 2010
Compass	486.9	676.8	0.4
Aramark	309.0	429.5	6.6
Sodexo	124.9	173.6	9.9
Dussmann	89.0	123.7	2.3
Apetito	73.7	102.4	5.1
Total	1,452	2018	5.3

Source: gv-praxis

Hospitals

Top 5	2011 Sales in €millions	2011 Sales in $millions	% change to 2010
Sodexo	140.7	195.6	19.1
Klüh	108.0	150.1	1.9
Dussmann	60.0	83.4	3.4
Compass	50.2	69.8	6.8
Schubert	49.1	68.3	0.0
Total	641.6	891.8	4.8

Source: gv-praxis

Nursing/Retirement Homes

Top 5	2011 Sales in €millions	2011 Sales in $millions	% change to 2010
Dussmann	96.0	133.4	4.3
Apetito	80.2	111.5	20.8
Klüh	73.0	101.5	1.4
Victor’s	50.9	70.8	0.4
SV	26.0	36.1	4.0
Total	641.6	891.8	4.8

Source: gv-praxis

New Markets

Top 5	2011 Sales in €millions	2011 Sales in $millions	% change to 2010
Compass	133.0	184.87	12.9
Aramark	67.0	93.1	15.5
Dussmann	20.0	27.8	0.0
SV	7.5	10.4	-25.0
Ahr	5.2	7.2	-11.9
Total	248.4	345.3	11.3

Source: gv-praxis

Schools, Universities

Top 5	2011 Sales in €millions	2011 Sales in $millions	% change to 2010
Sodexo	78.5	109.1	1.3

Dussmann	25.0	34.75	4.2
Apetito	16.3	22.7	-2.4
Sander	5.8	8.1	16.0
SRH	5.6	7.8	21.7
Total	151.1	210.0	4.8

Source: gv-praxis

The foodservice sector in Germany is set for further growth. This is driven by the trend towards single households and an aging population. However, there may be long-term financial pressures on Germany's middle age and older populations that, coupled with a culture of price sensitivity, will favor low cost lower-cost foodservice models.

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 <u>and</u> 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
Germany has many, well established importers. Distribution system is well developed	Margins on food at HRI level are very thin
U.S. style is popular, especially among the younger generation	HRI companies 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 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	

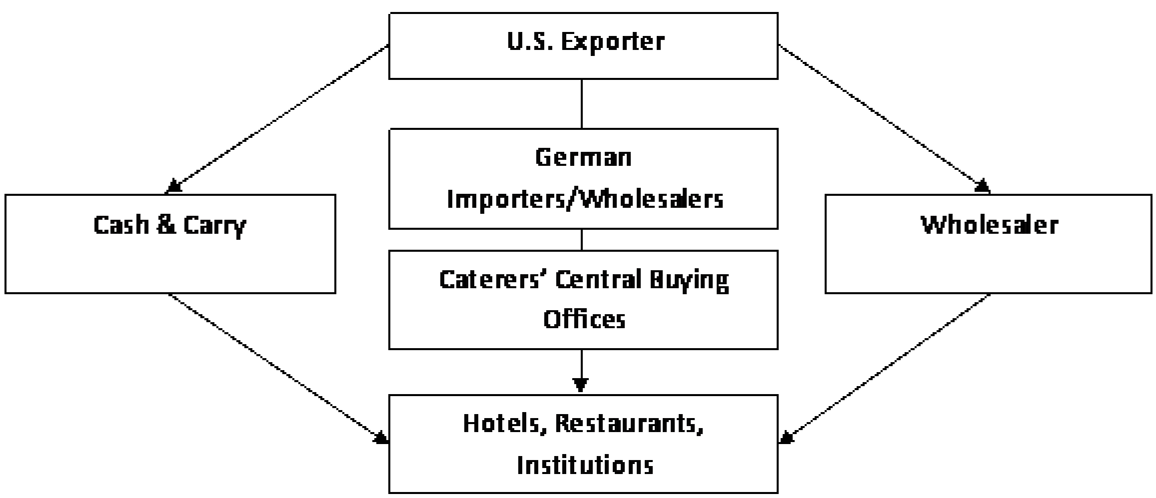
Section II. Road Map for Market Entry

The German market offers good opportunities for U.S. food exporters. U.S. suppliers 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) in Berlin offers guidelines on business practices and import regulations and can assist with contact information on German buyers.

Purchasing by Hotels, Restaurants, and Institutions is fragmented and competitive. Few of them import products directly and prefer to buy from distributors. In general, these are wholesalers have specialized in products or product groups and some are even experts in food products from a specific country of origin. These 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 major distribution channels for the German food service trade are Cash & Carry Wholesalers and Specialized Distributor/Wholesalers. Cash & Carry wholesalers operate large stores wwith food and non-food products. They sell to retailers, restaurants, and other food service operators. C&C stores offer a variety of products to competitive prices. They are not open to average consumers.

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 distributors organize in-house food shows once or twice a year where suppliers can connect with potential customers.



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, Internorga 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

Section III. Competition

Competition for U.S. exports

Product category Total Import in million US$, 2011	Main suppliers in percentage, 2011	Strengths of Key supply countries	Advantages and Disadvantages of Local Suppliers
PG 30 Breakfast Cereals 256	1. France 16.3 2. Netherlands 14.9 3. United Kingdom 12.5 16. U.S. 0.2	Distance, availability and regional products	Developed processed food industry
PG 31 Snack Foods 3,258	1. Netherlands 23.3 2. Belgium 22.3 3. Poland 8.3 4. U.S. 0.2	Distance, availability and regional products	Developed confectionary industry
HS 02: Meat 8,094	1. Netherlands 22.5 2. Belgium 13.7 3. Denmark 11.1 18. U.S. 0.8	Distance and availability	Focus on dairy production instead of beef production. Genetics need improvement
HS 03: Fish and Crustaceans 4,294	1. Poland 14.3 2. Denmark 12.5 3. China 12.2 6. U.S. 5.5	1,2: Distance and availaibility 3: Price/quality ratio	Tradition in seafood trading and processing, fish is popular
HS 04: Dairy Produce; Birds Eggs and Natural Honey 8,625	1. Netherlands 31.3 2. France 14.5 3. Austria 7.7 33. U.S. 0.1	Proximity	Great tradition of milk and milk based products
HS 07: Edible vegetables 6,444	1. Netherlands 38.1 2. Spain 20.3 3. Italy 9.0 19. U.S.	1: Proximity 2,3: Tradition, different climate/ supply/ taste/ varieties	Products not sufficiently available on local market

	0.3		
HS 08: Edible Fruits and Nuts 9,055	1. Spain 19.4 2. Netherlands 18.7 3. Italy 12.7 6. U.S. 4.8	1,3: Tradition, different climate/ supply/ taste/ varieties 2: Proximity	Products not sufficiently available on local market
HS 09: Coffee, Tea, Mate and Spices 6,401	1. Brazil 29.2 2. Vietnam 8.4 3. Peru 7.2 35. U.S. 0.2	Trading tradition	No domestic availability, Re-export
HS 16: Edible Preparations of Meat Fish, Crustaceans 2.966	1. Netherlands 15.4 2. Brazil 10.7 3. Poland 10.4 30. U.S. 0.2	1,3: Proximity 3: Price/quality ratio	Not sufficiently domestically available
HS 19: Preparation off Cereals, Flour, Starch or Milk 1,493	1. Italy 30.6 2. France 12.9 3. Netherlands 11.9 29. U.S. 0.1	Proximity and re-export	Not sufficiently domestically available
HS 20: Preparations of Vegetables, fruits, Nuts 5,689	1. Netherlands 22.1 2. Italy 12.8 3. Belgium 9.0 19. U.S. 0.6	Proximity	Not sufficiently domestically available
HS 21: Miscellaneous Edible Preparations 3,034	1. Netherlands 18.3 2. France 13.0 3. Italy 9.1	Proximity and re-export	Not sufficiently domestically available

	11. U.S. 1.6		
HS 22: Beverages, Spirits, Wine and Vinegar 8,679	1. Italy 20.7 2. France 20.5 3. Netherlands 11.3 8. U.S. 4.7	Excellent regional products	Not sufficiently domestically available

Source: www.gtis.com

Section IV Best Product Prospects

U.S. products with the best export opportunities in German market meet one or more of the following criteria:

- The basic product is not produced in Europe in sufficient quantities or the American quality is superior
- The product (usually fresh) is available on a counter seasonal basis
- The product is unique to the United States

Best Product Prospects

Product Category	Total German Imports 2011 in millions of U.S. $	German Imports from the U.S. in millions of U.S. $	U.S. Import Growth in 5 years (2007-2011)*	Market attractiveness for USA
Fish and Seafood Products	5,146	257	-1%	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	1,539	298	14%	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	3,902	98	42%	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)	861	1.6	-22%	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	3,295	33	11%	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. Nuts)	3,257	6.5	12%	German demand for healthy, organic, innovative, and exotic snacks continues to grow.
Red Meats Fresh/Chilled/Frozen	5,541	68	2439%	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; * Due to the global financial crisis most import volumes peaked in 2008. U.S. imports have recovered slowly. Some products like pet foods and fish still haven't reached pre-crisis levels.

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 promotants)
- 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

Participating or simply attending a trade show can be very cost-effective way to test the German market, to introduce a product, or to expand sales. Germany offers a wide variety of trade show venues for food and beverage products. U.S. Exporters who are looking to sell to the German Market should consider participating or visiting the following trade shows. The trade shows Internorga and *ANUGA* are of special interest as these are leading fairs for food service companies.

ANUGA (every two years) www.anuga.com	One of the leading global food fairs for the retail trade and the food service and catering market
ISM (International Sweets and Biscuit Show) www.ism-cologne.com	World's largest show for snacks and confectionery products
Fruit Logistica www.fruitlogistica.com	The World's Leading Trade Fair for the Fresh Fruit and Vegetable Business
Bio Fach www.biofach.com	Leading European tradeshow for organic food and non-food products
VeggieWorld www.veggieworld.de	Germany's leading tradeshow for vegetarian products
ProWein www.prowein.com	International trade show for wine and spirits
Internorga www.internorga.com	International tradeshow for the hotel, restaurant, catering, baking, and confectionery trades

More information about these and other German exhibitions and trade shows can be found under the following Internet address: www.auma-messen.de.

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

Foreign Agricultural Service Berlin	www.usda-mideurope.com
Foreign Agricultural Service Washington	http://www.fas.usda.gov
European Importer Directory	http://www.american-foods.org/

One tip of use to U.S. exporters is a 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 under:
http://www.ixpos.de/IXPOS/Navigation/EN/your-business-in-germany.html

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:

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