



## Market and Trade Data

# Germany's Food and Beverage Market Holds Potential for Targeted U.S. Export Efforts

*Christel E. Wagner*

Germany has the world's third largest economy after the U.S. and Japan, and is the leading market for food and beverages in the EU (European Union). In 2005, Germany's consumers spent approximately \$241 billion on food and beverages, or 15 percent of total national expenditures. Of this amount, about 19 percent was spent in restaurants, canteens, and other places where food and beverages were served. The remainder was spent in retail food and beverage outlets.

Germany's stagnant economy, however, has slowed retail sales, including sales of food products. In 2005 Germany imported \$721 million worth of U.S. consumer-oriented agricultural products, substantially more than the \$648 million a year earlier. The increase in imports was mainly in fish products, meat products, tree nuts, fresh fruits, and edible dry beans, which together accounted for approximately one-third of all U.S. agricultural exports to Germany.

The major competitors in the consumer-oriented products market are from EU countries, particularly the Netherlands, France, Italy, and Spain. The U.S. is the second largest non-EU supplier of consumer-oriented products to Germany, after Turkey.

### **Demographics Support Growing Food and Beverage Demand**

Germany is a large and affluent country, with 82.5 million inhabitants and one of the world's highest income levels.

**A Graying Population:** Germany has had one of the world's the lowest birth rates, currently only 1.4 babies per woman of childbearing age, and that has led to an older age structure. This trend, which has persisted for many years, is not expected to reverse in the foreseeable future. About 35.4 million of Germany's inhabitants, or more than 40 percent, are 45 years of age or older. Given current demographics, by the year 2030, every other person will be 50 years of age or older.

**Young Women, Young Workers:** A rising number of single-person households and women in the workforce have had a substantial impact on food consumption. There are about 14.4 million single persons heading households in Germany, about 40 percent of them under 45 years of age.

*Germany has the world's third-largest economy (after the United States and Japan), and the EU's largest food and beverage market.*

The growing number of working women has increasingly contributed to Germany's high average net household income. The proportion of working women in the 15-65 age group is 58.9 percent.

The high share of single-person households and the rising number of working women has led to strong growth in the consumption of more convenient foods and beverages, such as frozen items, snacks, and prepared foods. As people spend less time preparing meals, take-away foods and eating on the run have increased.

### **United Politically, Divided**

**Economically:** More than a decade after reunification, the income gap between the 67 million people living in the western German states and the 15 million in the former East Germany still exists. Average incomes in the eastern states are still markedly lower than in the west, and the unemployment rate in the east is more than twice as high that in the west.

**Foreigners and Foreign Travel:** A large immigrant population and the penchant by Germans to travel abroad have also influenced domestic food consumption behavior.

About 7.3 million foreigners live in Germany, the majority of whom have been there more than 10 years. These foreign populations, with their special products and cuisines, have exerted considerable influence on the consumption patterns of the entire nation.

As “world class” travelers, many Germans have been exposed to a large variety of different cultures, which has also translated into more diverse consumer food preferences.

**HRI Sector Growth Minimal**

The German hotel, restaurant, and institutional sector is large and highly fragmented. Total HRI sales amounted to \$51.4 billion in 2005, not even 1 percent more than in 2004. However, this is the first modest increase after several years of market decreases or stagnation because of the depressed economy. High unemployment and the uncertainty of the economic future induced consumers to increase savings and reduce expenditures, including by eating out less.

The traditional full-service gastronomy segment (restaurants, pubs, cafés) has not yet fully recovered from the economic downswing, whereas the bigger players, e.g., large catering organizations like Compass, Aramark, and Sodexo, actually achieved a small increase in revenue. This can be attributed largely to their ability to streamline expenses and reduce overhead costs. The outlook for the near future is gradually improving, albeit only marginally. Take-away foods and hand-held snacks, the least expensive options, are viewed as trends with the most potential in the near future, while fine dining and similar food service providers continue to feel the impact of an economy recovering only slowly.

**German HRI Market Is Highly Competitive and Fragmented**

German food service operators rarely import products directly from non-EU countries, because of the quantities needed, complex import procedures, language barriers, time differences, and the availability of specialized importers. Those importers bear the legal responsibility that the products they import are safe and meet all applicable German and EU food law requirements.

Local food and beverage products dominate the German food service market. However, U.S.-origin ingredients, such as nuts, dried fruits, and seafood, could be contained in locally produced foods. Most imports originate from other EU countries.

**U.S. Products Must Be Targeted**

Despite the existence of a “single” EU market, consumer demand and the structure of the food and beverage market vary substantially among the individual EU members, and the north, south, east, and west parts of Germany. Such varied markets create opportunities for products tailored to them.

Generally, U.S. products with the best opportunities in the German market meet one or more of the following criteria: the product is not produced in Europe; the product is not produced in Europe in sufficient quantities or quality; the fresh product is not in season; or the product is unique to the United States.

The following categories of U.S. products have good potential in Germany.

<b>Growth Prospects in Germany's HRI Sector</b>	
Industry sources estimate the growth opportunities in the German food service sector over the next 2-3 years as follows, based on a scale of 5 (excellent) to -5 (poor):	
<b>Take away</b>	2.60
<b>Coffee bars/shops</b>	2.18
<b>Gas station snacks</b>	2.03
<b>Home delivery</b>	1.83
<b>Event catering</b>	1.76
<b>Big events</b>	1.47
<b>Bakery/butcher/retail snacks</b>	1.44
<b>Leisure</b>	1.43
<b>Travel</b>	1.36
<b>Fast-food</b>	1.16
<b>Retail restaurants</b>	1.04
<b>Fine dining</b>	0.71
<b>Canteens</b>	0.29
<b>Full-service or à la carte restaurants</b>	-0.11
<b>Snacks</b>	-0.99

- **Specialty items**, such as delicatessen and snack foods, novelty products, items strongly identified with the United States, spices, dried vegetables, and wild rice, have excellent potential.
- **Ethnic foods**, for example Italian, Greek, and Spanish foods, have been popular in Germany for years. More recently, Asian and Mexican or Tex-Mex foods have experienced increasing popularity, due in part to Germans' extensive international travel. These ethnic products have become so popular, and sold in sufficient quantities, that they are now being produced by the German/European food industry and adapted to local tastes.

- **Nuts and seeds**, including a wide assortment of tree nuts, peanuts, and sunflower seeds are imported in significant quantities. Most tree nuts are used as ingredients by the food processing sector in ice cream, confectionery, breakfast cereals, and baked goods. Sunflower seeds are also used mostly as an ingredient, particularly in very popular sunflower seed bread and rolls. The German food service industry offers good opportunities for U.S. almonds, walnuts, hazelnuts, pecans, pistachios, peanuts, and confectionery-quality sunflower seeds.
- **Dried fruits** are also imported in significant quantities and varieties, and used mostly as ingredients in breakfast cereals and baked goods. But dried fruits are also popular snacks, often in combination with nuts.
- **Wines** are popular, and consumption has been growing in recent years. In particular, the demand for red wines is strong. Germany is the world's largest importer of wine, with imports accounting for about half of domestic consumption.
- **Fresh fruit and vegetable opportunities** are greatest for products which are not grown in Europe, or are grown in limited quantities. Potential also exists for fresh products that can be supplied when EU counterparts are out of season. Green asparagus, grapefruit, pears, certain soft fruits, and berries have the best opportunities.
- **Fruit juices** rate high in Germany, which has one of the world's highest rates of per capita juice consumption. Apple and orange juices are the most popular, and they also make up most imports. The best opportunities for U.S. products are citrus (orange and grapefruit) and specialty (cranberry and prune) juices.
- **Fish and seafood products** like Alaska pollock, Alaska salmon, and lobster have enjoyed success in the German market in recent years.
- **High-quality beef, game, and exotic meat products** have limited opportunities, provided they are

Germany's Market for Foods and Beverages for Domestic and Foreign Suppliers			
Product Category	Major Suppliers	Key Suppliers' Strengths	Local Suppliers' Advantages & Disadvantages
<b>Meat and Meat Products</b>  <b>Net imports: \$5.3 billion</b>	1. Netherlands: 17.5% 2. Belgium: 15.0%  United States: Minor supplier (0.1%)	Proximity to market No duties as EU members Less stringent veterinary requirements	High-class chefs prefer to buy from local suppliers, but high-quality beef and game are not available in sufficient quantities.
<b>Fish and Fish Products</b>  <b>Net imports: \$3.0 billion</b>	1. Denmark: 11.8% 2. Norway: 11.3%  United States: 5.7%	Proximity to market Aggressive marketing Highly competitive prices	Germany does not produce saltwater fish and seafood in sufficient quantities.
<b>Rice</b>  <b>Net imports: \$174.6 million</b>	1. Italy: 28.0% 2. Thailand: 13.8% 3. United States: 12.1%	Proximity to market No duties as EU-member (Italy)	Germany does not produce rice.
<b>Edible Dry Beans</b>  <b>Net imports: \$38.6 million</b>	1. Turkey: 23.8 % 2. Canada: 19.0 %  United States: 6.0	Aggressive marketing Established contacts to importers and distributors	German production of edible dry beans is negligible.
<b>Dried Fruits &amp; Nuts</b>  <b>Net imports: \$660.9 million</b>	1. United States: 55.4% 2. Spain: 17.0% 3. Turkey: 8.5%	Traditional, established contacts	Product is not grown locally (such as pistachios) or not in sufficient quantities (walnuts, hazelnuts, etc.).
<b>Wines, Including Sparkling Wines</b>  <b>Net imports: \$2.31 billion</b>	1. Italy: 33.7% 2. France: 29.3%  United States: 3.3%		Germany is a large wine producer, but also depends on imports.

hormone-free. Even though these products are normally very expensive, they find a market in German gourmet restaurants. All meat must originate from plants certified and approved by EU authorities before it can be shipped to or sold in Germany.

The two major distribution channels for the German food service trade are cash and carry wholesalers and specialized distributor/wholesalers that have dry and cold storage facilities and refrigerated trucks. 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 demonstrate their products to potential customers. This is an excellent opportunity for U.S. suppliers who are ready to enter the German food service market.

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