GO TO MARKET REPORT: Germany

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Organic trade association — SINCE 1985

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Overview:

With food imports valued at $ 58.1 billion in 2011, Germany is heavily dependent on imported food. Within the European Union, the Netherlands provides about a quater of Germany's food imports, and France and Italy each had about 10 percent of the import market. Among non-EU countries, Switzerland and Turkey are the two leading food importers, followed by the United States. In general, Germany's population is one of the oldest in the world and continues to age.

The largest market for organic products in Europe, Germany spent $8.5 billion (6.5 billion euros) on organic products in 2011, and the number of retail store locations offering organic products increased 9 percent in 2012. Eggs, fruit and vegetables, potatoes, bread and milk products were the most commonly purchased organic products in 2011.

Commonly imported products

Non-organic: Germany purchased $824 million of consumer-oriented foods from the United States, led by:

- tree nuts
- wine
- food preparations
- beef.

Organic: Despite being Europe's largest producer of organic foods, Germany imports a wide range of products. According to the Research Institute of Organic Agriculture, in 2009/2010 Germany imported, depending on the product, 2 to 95 percent of organic products which could also have been produced in the country.

In 2009/2010, Germany imported:

- 48 percent of its organic carrots, the best-selling organic vegetable,
- 80 percent of its organic tomatoes,
- 90 percent of its organic peppers.
- 28 percent of organic potatoes, which were 4.7 percent of the market in 2010.
- 16 percent of organic milk overall, excluding cheese.
    - 26 percent of organic milk
    - approximately 25 percent of organic cheese, primarily from Denmark and Austria
    - very little organic yogurt and cream, as these are primarily produced domestically
- 15 percent of organic cereals
    - 21 percent of organic wheat
- 24 percent of protein crops (expected to increase).

Best selling organic fruits are

- bananas (100 percent imports.)
- apples (50 percent imports). (Domestic organic apple production is expanding, however, to approximately 9 percent of land devoted to apple production, so the proportion of imports may decline in coming years.)

Soy is challenging to grow in Germany, so soy makes up 76 percent of organic oil seed imports.

Sector Overviews

Food Retail: Key characteristics of the German retail are: consolidation, market saturation, strong competition and low prices. Discounters dominate the market. Many of the leading retailers have multiple retail chains, often with various types of retail formats such as large hypermarkets, discount and small neighborhood stores, or perhaps beverage and/or delicatessen outlets. Top five market leaders of the food retail sector overall:

- Edeka
- Schwarz
- Aldi
- Rewe
- Metro

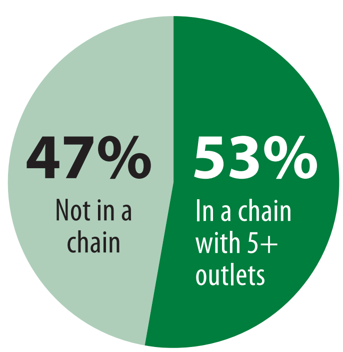
Food marketing trends include:

- Demand for convenience
- Sustainability
- Health
- Luxury
- Private label
- Innovative food products

In recent years, there has also been a trend in consumer preference toward smaller grocery formats, including convenience stores, small grocery retailers and independents. German shoppers generally expect high quality and low prices, resulting in thin margins at retail. Private label products represent about 40 percent of the market.

In the organic retail sector, retail space in organic supermarkets and specialists increased 9 percent from 2011 to 2012. According to Organic-Market.Info, there are 684 organic specialist stores and supermarkets of at least 200 square meters, excluding approximately 83 Vitalia health food stores. Approximately half (53%) of all organic supermarkets and organic specialist shops belong to a chain of at least five outlets. Of the 18 organic chains in Germany, 11 of them added at least one new location in 2012, resulting in 361 stores at the start of 2013.

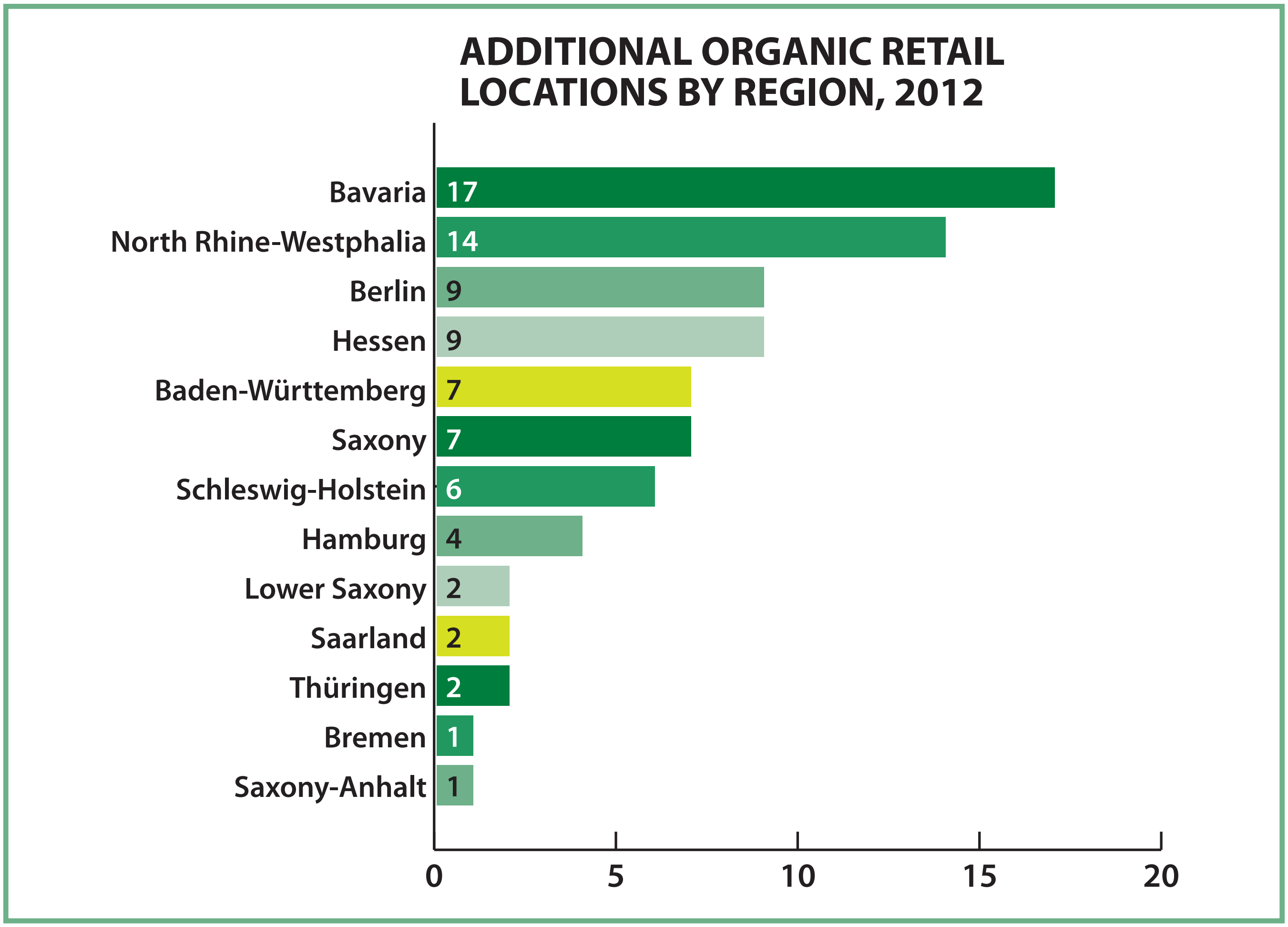
ORGANIC SUPERMARKETS AND SPECIALTY STORES IN 2012



Percent of stores in a chain

According to research by Organic-Market.info, the total retail area of the organic chains is 187,700 square meters, with the average store size at 520 square meters. Owner-managed organic supermarkets also added 24 new locations in 2012.

Regionally, Bavaria had the most new organic specialty shops and supermarkets, with 17, followed by 14 new openings in North Rhine-Westphalia, nine each in Berlin and Hessen; Baden-Württemberg and Saxony seven each; six in Schleswig-Holstein; four in Hamburg; two each in Lower Saxony, Saarland and Thüringen; and one each in Bremen and Saxony-Anhalt. States in the east of Germany are seeing more store openings than in the past.



Vitalia was the leading retailer in the health food sector in 2011, and offered four different types of stores: town-center shops with retail space of 80 to 120 square meters; outlets in railway stands and shopping centers; local food shops in residential areas; and larger specialty organic health food stores with up to 400 square meters. Vitalia stores stock a higher proportion of organic products than other health food stores. In 2010, approximately five percent of Vitalia annual sales are from fresh produce, which is supplied by Dennree to 60 percent of Vitalia stores, compared to 15 percent of sales from cosmetics and 11 percent of sales from dairy. Other key wholesalers to Vitalia include Claus-Pural and Menson.

GERMAN ORGANIC RETAILERS EXPAND IN 2012

Company	Total number of stores in Germany	New locations added in 2012	Average retail space (square meters)	Total retail area (square meters)	Annual turnover
Denn's Bio	107	28	505	53,984	
BioCompany	29	7		15,167	
Alnatura	72	6	575	41,391	SuperNaturMärkte €258m
Basic	25	1	730	18,483	
SuperBioMarkt	17	1		9260	
ebl	21			9130	
Tjaden's	5				
Average chains			495		
Overall average			450		

Source: organic-market.info

Food Processing: Private label products have been a staple at German discounters, and now German shoppers can find high quality, premium private label products that serve as alternative to established brands.

Other: Natural cosmetics are 6.5 percent of the cosmetics market in Germany. Growth has slowed to 2.5 percent in 2011, versus 11 percent growth the year before.

Distribution chain

Few German retailers import products directly from other countries, except for items that they purchase in large quantities. Most buy from central buyers/distributors. Wholesalers might specialize in certain types of products or products from a particular country. Large retailers' purchasing departments may also be divided by retail format and, sometimes, by region of the country. The USDA Foreign Agricultural Service Foreign Buyers list, as well as participating in trade shows can help with locating potential business partners.

Characteristics of Organic Product Users

The majority of Germans (54%) feel they know what organic food is. As household income and education goes up, so does the number of organic buyers. In 2011, 21 percent of Germans say they buy organic food often or exclusively, while 23 percent (down six percent from the previous year) never buy green products. More and more young people (55%) are choosing organic food at least occasionally, up 16% from the previous year.

The top considerations for choosing organic products are

- Freshness
- Quality
- Avoiding pesticide residues.

Germans take pride in their environmentalism, and that shows in their food purchases: 39 percent indicate that organic products' positive contribution to climate protection is a factor in choosing organic food. Meanwhile, specific reasons for choosing organic products have remained steady for several years:

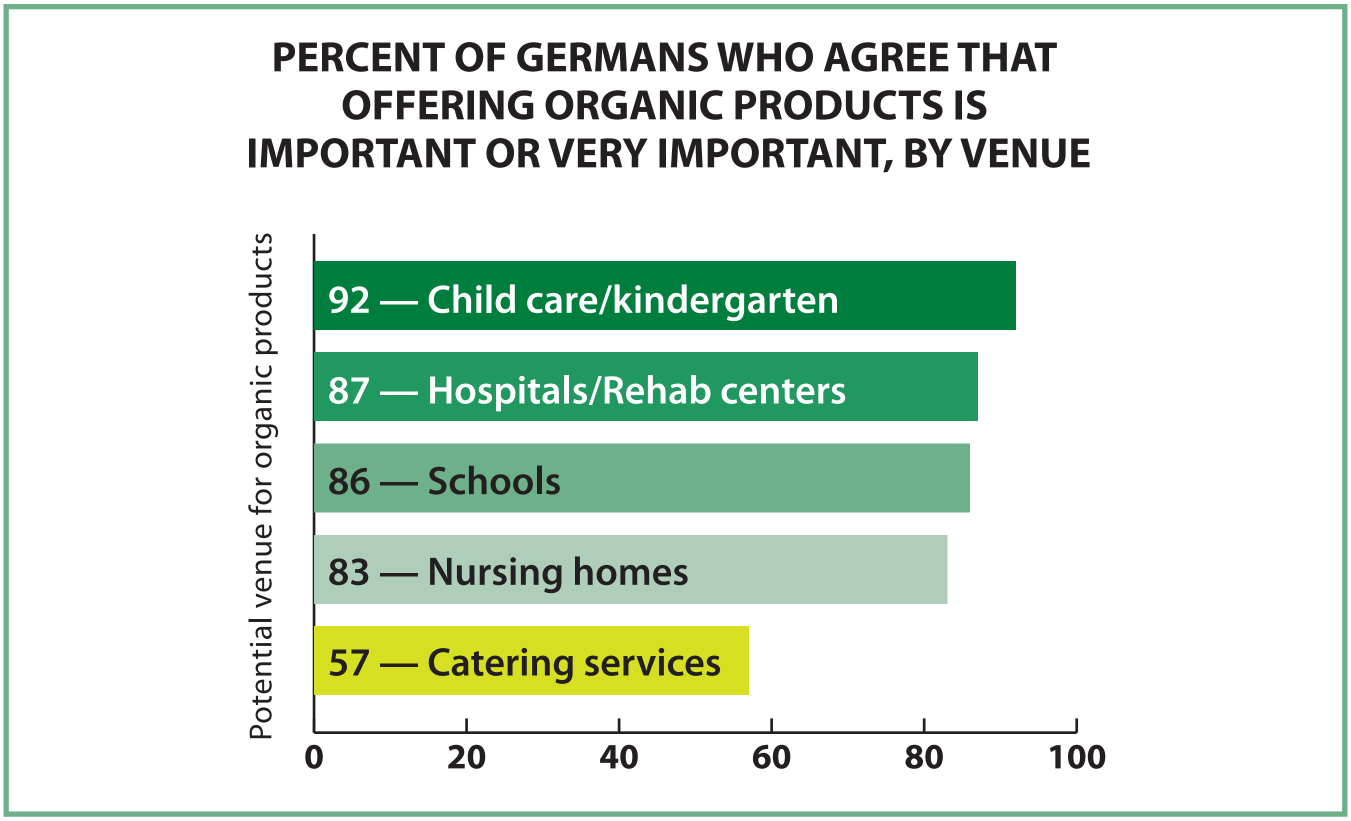
- animal welfare,
- support for regional farms/region of origin,
- low pollution.

More people are citing healthy child nutrition and nutrition during pregnancy as a reason to buy organic than in previous years. Including country of origin, state, or regional designation on packaging is important to 91% of Germans. Awareness of fair trade is higher in west Germany than east Germany.

Germans say they prefer to buy organic food at conventional supermarkets (84%), and discounters (63%). Also increasing in popularity are organic food shops. Farmers markets and buying direct were less popular among shoppers in 2011. Despite professing a preference for shopping for organic foods at conventional stores and discount stores, German shoppers have the lowest confidence that the products there meet organic farming criteria.

SHOPPING CHANNEL PREFERENCES

Germans seem to agree that offering organic food in child care centers and kindergartens is important or very important (92%, up 4% from the previous year), as well as in hospitals/rehabilitation centers (87%), schools (86%), and nursing homes (83%). Furthermore, 57 percent see the use of organic foods in catering services as important or very important.



For information about organic products, 60 percent of Germans rely on other organic product users, 54 percent rely on their own initiative or on a physician's recommendation. Meanwhile, 45 percent learn about organic foods from radio and television, 43 percent learn from organic shops and 40 percent learn from newspapers and magazines. One-third find out about organic food at conventional supermarkets and discount stores. Among the non-buyers, 54 percent would like additional information about organic foods. Overall, 71 percent feel they would buy more organic products if they had more information about them.

RECENT CHANGES IN THE ORGANIC MARKET

- The market for organic eggs grew 80 percent in 2010. Demand for other animal products, such as milk and pork, has also grown in recent years.
- There have been a few experiments in large-scale retail space of 800-1200 square meters, such as the Füllhorn store in Schwetzingen.
- Another innovation has been including a restaurant in the retail store as in the Vier Jahreszeiten (Four Seasons) in Cologne. That store prepares 400-500 meals per day in shops that offer about 5000 food items, including regional foods.
- More Germans are using organic products at least sometimes, although the percent of Germans who are buying organic food most frequently stayed the same in 2010 and 2011.

Resources

TO FIND POTENTIAL IMPORTERS/WHOLESALERS/DISTRIBUTORS IN GERMANY:

For a list of Foreign Buyers in Germany, contact USDA's Foreign Agricultural Service at: AgBerlin@fas.usda.gov.
Additional services for US exporters can be accessed via: http://www.usda-mideurope.com/germany.php

Organic-market.info
Offers a List of importers/exporters searchable by country
http://www.organic-market.info/web/Organic_Links/Importers-Exporters/166/4/0/0.html

TO FIND POTENTIAL EXPORT MANAGERS/TRADING COMPANIES IN THE UNITED STATES:

Visit http://www.usorganicproducts.com/ and http://www.theorganicpages.com/topo/index.html to search for organic businesses that may be able to assist US exporters.

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