



## GERMANY

### Synopsis

Germany is the world's fifth largest economy and Alberta's fourth most important agri-food market in the EU after Belgium, purchasing over C\$28 million from the province in 2007. Germany remains Alberta's second largest market for Mustard Seed and the fifth largest market for Crude Canola/Mustard Seed Oil.<sup>1</sup>

Germany is dependent on food imports, and is the one of the world's largest food importers. German consumers are price sensitive but will pay more for quality products produced within tight specifications.

### Market Overview

The German economy is the world's fifth largest with a GDP (PPP) of US\$2.81 trillion (2007 est.). On a per capita basis the country's GDP is comparable to that of Canada (\$34,200 for Germany vs. \$38,400 for Canada in 2007).<sup>2</sup>

Following a period of economic stagnation between 2001 and 2005, the German economy posted growth of 2.8% in 2006, 2.5% in 2007, and is expected to grow 1.9% in 2008.<sup>3</sup> For most of the forecast period, domestic demand is expected to make a stronger contribution to growth than in recent years as investment and private consumption recover.

Germany is a politically stable democracy. And despite rising tensions on numerous issues, the coalition between the Christian Democratic Union/Christian Social Union (CDU/CSU) and the Social Democratic Party (SPD), formed in November 2005, is expected to survive its parliamentary term, which ends in September 2009. The government has an overwhelming majority in both the Bundestag (the lower house of parliament) and the Bundesrat (the upper house). Trade patterns between Germany, Canada and Alberta should remain stable.

The German Population: 82,369,548 (July 2008 est.)  
0-14 years: 13.8% (male 5,826,066/female 5,524,568)  
15-64 years: 66.2% (male 27,763,917/female 26,739,934)  
65 years and over: 20% (male 6,892,743/female 9,622,320) (2008 est.)<sup>4</sup>

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<sup>1</sup> CIA, World Factbook

<sup>2</sup> Idem 1

<sup>3</sup> The Economist Intelligence Unit, Germany country report

<sup>4</sup> Idem 1

Germany's average life expectancy is one of the highest in the world at 79.1 years, with a median age of 43.4 years. Due to low birth rates, the population is aging rapidly, with 20% of the population over the age of 65.<sup>5</sup> By 2030, it is expected that half the population will be 50 years or older. Germany's population is expected to decline considerably over the next several decades unless there is a significant increase in both immigration and births.

43.51 million residents make up the country's labor force, with 64% of workers in the service sector, and approximately 45% of women employed outside the home.<sup>6</sup> Germany's unemployment rate stood at 8.4% in 2007.<sup>7</sup>

The average daily caloric intake in Germany is 2,400 calories, somewhat higher than in North America. More than 75% of men and 59% of women are classified as overweight, and leading to increasing demand for health and wellness products, as well as agri-food goods that are low in salt, sugar, and fat.<sup>8</sup>

15 percent of household income is spent on food, with food purchases accounting for the second largest category of spending in German households. In 2006, German households spent €126.4 billion on retail food purchases (excl alcohol, tobacco and non-alcoholic drinks). Germans spent €1,534.87 per person in 2006<sup>9</sup>

Germany and Canada are both members of the WTO. As a member of the European Union, Germany conforms to all EU directives, regulations and obligations.

Although Germany is not a closed market, regulations exist in Germany and the EU which limit market access for specific Canadian agricultural exports. The ongoing harmonization of EU import regulations, as well as the implementation of the Uruguay Round commitments under the World Trade Organization (WTO), may result in the elimination of those regulations that are inconsistent with the WTO, as well as the conversion of quotas, variable levies and restrictive licensing to tariffs, which are to be reduced over time. Products which are subject to restrictive regulations include enriched flour, genetic material, beef, "exotic meats" such as alligator and buffalo, pet food and certain fruits and vegetables. These products are subject to EU quality norms and must be inspected at the point of entry.<sup>10</sup>

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<sup>5</sup> Idem 1

<sup>6</sup> CIA, World Factbook

<sup>7</sup> Idem 6

<sup>8</sup> BBC News, Germany Launches Obesity Campaign, May, 2007

<sup>9</sup> Mintel, Germany, Food Retailing 2007

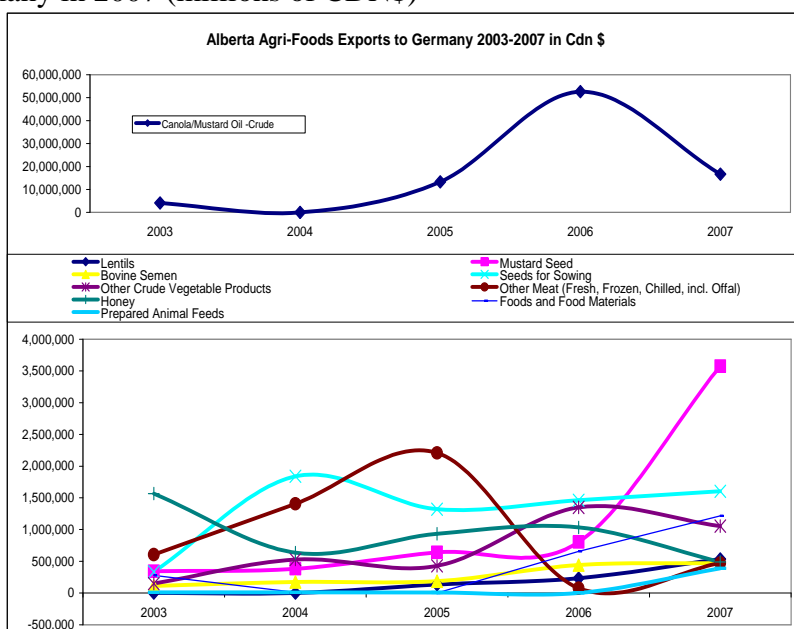
<sup>10</sup> USDA, Germany Food and Agricultural Import Regulations and Standards Annual, 2007

## Agriculture and Food Trade Overview

Alberta's agri-food exports to Germany were valued at over \$28.2 million in 2007 and accounted for over 15% of Canada's total agri-food exports to that country. Germany is Alberta's fourth largest export market for agri-food products in the EU. In 2007, the province's top agri-food exports to Germany were crude canola/mustard oil (\$16.6 million), mustard seed (\$3.5 million), seeds for sowing (\$1.6 million), foods and food materials (\$1.2 million) and other crude vegetable products (\$1 million).<sup>11</sup>

Alberta's Top agri-food exports to Germany in 2007 (millions of CDN\$)

| Alberta's Top Exports to Germany in 2007 | Value in Millions |
|--|-------------------|
| 1-Crude Canola/Mustard Oil               | 16.6              |
| 2- Mustard Seed                          | 3.5               |
| 3-Seeds for Sowing                       | 1.6               |
| 4- Foods and Food Materials              | 1.2               |
| 5-Other Crude Vegetable Products         | 1                 |
| 6- Lentils                               | 0.53              |
| 7- Honey                                 | 0.48              |
| 8- Other Meat                            | 0.47              |
| 9-Bovine Semen                           | 0.47              |
| 10- Prepared Animal Feeds                | 0.38              |



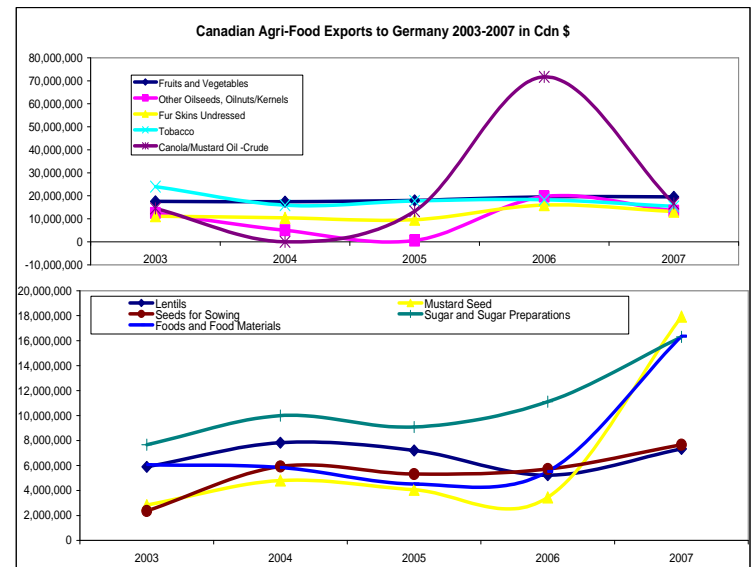
Canada's agri-food exports to Germany totaled \$186.8 million in 2007 making it the country's fifth largest export market in the EU. Canada's exports share some similarities with Alberta's. Fruits and vegetables exports are the country's largest (\$19.5 million) followed by mustard seed (\$17.9 million), crude canola/mustard oil (\$16.6 million), foods and food materials (\$16.3 million), and sugar and sugar preparations (\$16.3 million).<sup>12</sup>

<sup>11</sup> Alberta Government, Agri-food trade On-line

<sup>12</sup> Idem 11

## Canada's Top agri-food exports to Germany in 2007 (millions of CDN\$)

| Canada's Top Exports to Germany in 2007 | Value in Millions |
|---|-------------------|
| 1- Fruits and Vegetables                | 19.5              |
| 2- Mustard Seed                         | 17.9              |
| 3- Crude Canola/Mustard Oil             | 16.6              |
| 4- Foods and Food Materials             | 16.3              |
| 5- Sugar and Sugar Preparations         | 16.3              |
| 6- Tobacco                              | 15.4              |
| 7- Other Oilseeds, Oilnuts/Kernels      | 13.5              |
| 8- Fur Skins Undressed                  | 13                |
| 9- Seeds for Sowing                     | 7.6               |
| 10- Lentils                             | 7.3               |



Germany is dependent on food imports, and is one of the world's largest food importers. The Netherlands, France, and Italy are Germany's largest import markets. Over 70% of Germany's agricultural imports come from within the EU.<sup>13</sup>

## Market Sector Structure and Trends

Consumers often purchase food on a weekly basis and many will search more than one outlet for higher quality products. Nearly 30% of food expenditure is at discount retail outlets, while other retail formats including supermarkets, super centers, kiosks, gas stations and convenience stores account for another 30%. Discount retail outlet sales are growing most rapidly.<sup>14</sup>

The German market is driven by consumers' interest in purchasing safe, high quality food. The demand is also driven by German interest in a healthier lifestyle and consumers often look for alternatives to conventional diets, therapies and treatments. As Germans lead ever busier lives, there is a growing trend towards convenience foods and healthy snack foods. The average German consumer is affluent, highly-educated, well-traveled and mobile. They reach for fruits, vegetables, juices, bottled waters and foods with perceived health benefits. The German organics market, valued at US\$5.2 billion in 2007<sup>15</sup>, is the largest in Europe and although largely satisfied by domestic production, growth in that sector suggests opportunities for Canadian exporters who obtain the necessary certification.

<sup>13</sup> The Economist Online, Germany Economic Data

<sup>14</sup> Euromonitor, Germany, Consumer Lifestyles

<sup>15</sup> Mintel Germany Food Retailing report, 2006

The German hotel, restaurant and institutional sector amounted to \$51.4 billion in 2005 and has not fully recovered from the economic downswing in the 2001-2005 period. Take-away foods and hand-held snacks, along with products in single serving portions and resealing packages are considered to be trends with the most potential in the near future, while fine dining and similar food service providers continue to feel the impact of a slowly recovering economy.<sup>16</sup>

## **Exporter Business Tips**

Since differences in language, customs and business practices pose challenges for entering the German market, the preferred route is generally to find a German partner, who knows the market and understands local requirements and expectations. Also, German buyers generally prefer to purchase through an intermediary, making direct sales to the end-user a rare practice.

Germany is a member of the World Trade Organization (WTO), and as such, all regulations and restrictions governing this body, as they relate to imports and exports, apply to Germany.

As a member of the European Union, Germany follows all EU directives, regulations and obligations as required for membership. Therefore, for further clarification on the overarching laws applying to food importation please refer to the European Commissions' (EC) website.

The German Food Law has over 230 different ordinances, which cover food labeling, packaging, dietetic foods, as well as various hygiene and veterinary requirements and special product group regulations. The German Food Law is complicated, lengthy, and subject to interpretation. German law enforcement agencies hold the German importer responsible for any violations of the Food Law, which is a punishable offence. Ultimately, correct importation, labeling and marketing of food products is the sole responsibility of the German importer.<sup>17</sup>

## **Market Opportunities**

Trends suggest export opportunities in a number of areas, including:

*Specialty Items:* such as delicatessen and snack foods, novelty products, items strongly identified with Canada, maple syrup, spices, dried vegetables and wild rice have excellent potential.

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<sup>16</sup> US FAS, Germany's Food and Beverage Market Holds Potential for Targeted U.S. Export Efforts, Market and Trade Data, October, 2006

<sup>17</sup> USDA, Germany Food and Agricultural Import Regulations and Standards Annual report, 2006

*Ethnic Foods:* for example Italian, Greek and Spanish foods have been popular in Germany for many years. More recently, Asian and Mexican or Tex-Mex foods have experienced increasing popularity, due in part to German's extensive international travel. These ethnic products have become very popular and 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 Canadian canary seeds, canola 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. However, dried fruits also make popular snacks, often in combination with nuts.

*Fruit Juices:* Germany has one of the world's highest rates of per capita juice consumption. Apple and orange juices are the most popular juices, with steady increased in demand for specialty juices.

*High-Quality Beef:* Opportunities exist for beef, game and exotic meat products provided they are hormone-free and originate from plants certified and approved by EU authorities.<sup>18</sup>

## **Contact for Albertans**

For additional information, please contact Damian Coneghan.

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<sup>18</sup> US FAS, Germany's Food and Beverage Market Holds Potential for Targeted U.S. Export Efforts, Market and Trade Data, October, 2006.

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