



FACTSHEET FOOD INDUSTRY

Germany's food industry is the country's fourth largest economic sector, employing 551 000 people. It is characterized through small and medium sized companies and the sectors total sale volume was more than 164 billion euro in 2016. About 50% of the total surface is farmed land, of which 70% consist of cropland. With an export share of 29% Germany is exporting a rich diversity of products.

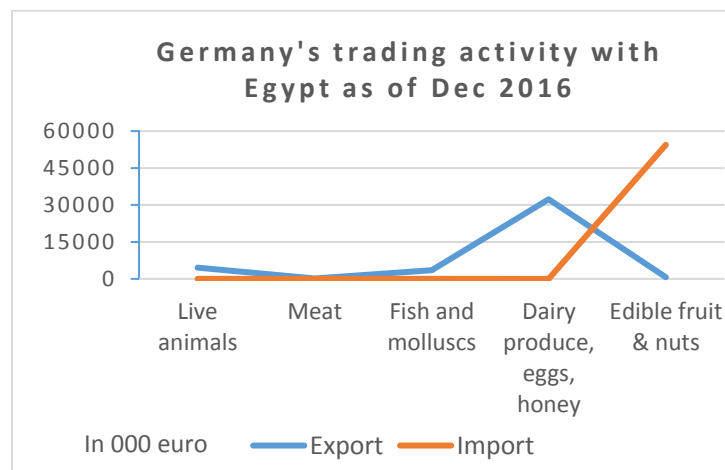
German Food Industry

The industry's most important sub-sectors are the meat industry, dairy industry, the confectionery and bakery industry, non- alcoholic and alcoholic beverages, fancy foods and the frozen food industry. Due to Germany's rich technological resources and its high capital stock agriculture is technology based and resource efficient. Therefore a high level of self-sufficiency could be achieved for some agricultural commodities.

Product	Self-sufficiency (2015/2016)
Eggs	71%
Dairy Products	101%
- Milk	120%
- Butter	104%
- Cheese	125%
- Whole Milk Powder	349%
- Skimmed Milk Powder	323%
Sugar	129%
Grain	116%
Chicken	112%
Beef and Veal	107%
Pork	120%
Fruits	25%
Vegetables	40%
Potatoes	143%

As seen in the table, Germany is a net exporter and in some segments, fresh milk in specifically, there is oversupply. The main reason behind this oversupply, is the EU subsidies given to the producer that motivates the production process.

On different note, and due to the climate, Germany relies on imports of fresh fruit and vegetables. 86% of total fruit imports and 98% of total vegetable imports are supplied from the EU. Only a small percentage of these imports is provided by developing countries. Below is graph that shows the trading activity between Germany and Egypt. It illustrates the high import activity of fruits and nuts from Egypt.



Although productivity is high, German food producers are exposed to a high degree of pricing pressure. As competition is fierce and German consumers are very price conscious it is not always possible to compensate higher prices for agricultural raw materials through an increase in consumer prices. The German food retail sale is characterized by few major companies - larger suppliers dominate the market. Discounters account for 44% of total sales volume in the food sector.



This percentage is high in comparison to other countries & symptomatic for price consciousness of German consumers.

German Consumers and Market

In 2015, German consumers spent 141 billion euro on food. This corresponds to an average monthly spending of 290 Euros per single household & 14% of monthly income per capita. In comparison to other European Countries this figure is very low.

Due to social change towards smaller households & more specific demand, German consumers are very heterogeneous. The market is therefore in permanent change.

Food category	Spending
Meat	23%
Bread	22%
Fruit, Vegetable	18%
Milk, Dairy Products, Eggs	15%
Sugar, confectionery	10%
Others	12%

Obstacles and Chances

Food exported to Germany is subject to EU regulations, as well as health and quality standards. Declining prices for vegetables and fruit decrease margins for exporters, although demand and trade volumes are rising. Finally, trends to buy regional products could diminish demand for products from overseas.

On the other hand, there are big business opportunities in Germany. Domestic production of fruits has been stable or even declining over the past years. Demand, however, increased significantly. Especially non-domestic products such as pineapples and mangos became more popular and demand is rising.

Germans become more conscious of food quality and are willing to pay higher prices. Particularly products which are considered healthy can generate higher margins. Some

consumers are also very attentive on labels and certificates which indicate that products were produced in consideration of environmental sustainability, adequate animal housing, fair trade or organic farming.

Organic Farming

Organic farming is a growing sub-sector in German agriculture and particularly here productivity is lower than in industrial farming because industrial methods cannot be used. Egypt's low unit labour costs could increase its competitiveness with German producers. In addition, higher margins from the export of organic products could compensate costs for investment and certificates. Therefore, the German market for organic products is holding big opportunities for foreign exporters.

On a final note, a growing percentage of the German population has migration background. Immigrants often tend to favour different diets than Germans and generate a higher demand for fruits, vegetables and foreign products. Especially Halal products could be a key product for export, as the German food industry just started to focus on this particular demand.

All information has been researched and compiled thoroughly. The publisher (and the writers) does not accept liability for accuracy and completeness of the content, as well as interim changes.

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