

FACTSHEET FOOD INDUSTRY

Germany's food industry is the country's fourth largest economic sector, employing over 638,000 people in 2022. Moreover, it is the leading one in Europe. It is characterized by small and medium-sized companies and the sector's annual turnover represents a total of €186 billion. About 50% of the total surface is farmed land, of which the majority consists of cropland. Around a third of total German agricultural production, worth 91.4 billion euros was exported.

German Food Industry

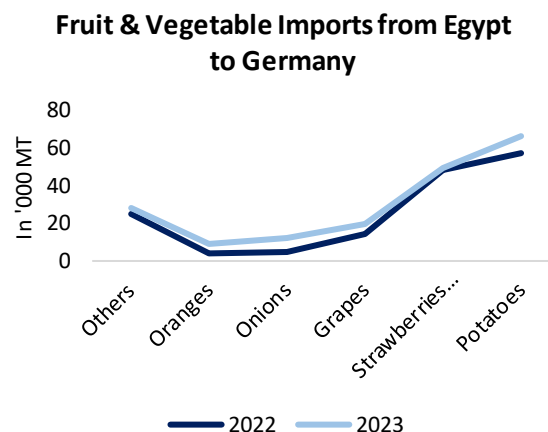
The industry's most important sub-sectors are the meat industry, dairy industry, confectionery and bakery industry, non-alcoholic and alcoholic beverages, fancy foods, and the frozen food industry. Due to Germany's rich technological resources and its high capital stock agriculture is technology-based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

Product	Self-sufficiency in % in 2022
Potatoes	147
Sugar	135
Meat	124
Milk	108
Wheat	107
Eggs	76
Honey	43
Vegetables	36
Fruits	23

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

On a different note, and due to the climate, Germany relies on imports of fresh fruit and vegetables. In 2021, the purchased volume of fresh fruit and vegetables was 7.7 million tonnes. Less than a quarter of the demand for fruit can be met from domestic cultivation. Thus, around 71% of total fruit and vegetable imports are supplied from the EU, mainly from Spain and Italy. The most important imported fruit by far is bananas with 1.28 million tonnes in 2022, followed by apples, oranges, and watermelons. Only a small percentage of these imports is provided by developing countries. In 2022, 5.4 million tonnes more fruit were imported than exported. It is noteworthy that edible fruits, nuts, citrus fruit peel, and melons represented the second largest value with a significant figure of €127.97 million for imports from Egypt to Germany in 2023.

Below is a graph that shows the trading activity in terms of Egyptian imports to Germany. It illustrates the high import activity of fruits and vegetables from Egypt in 2022 and 2023.



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 nearly 38% of total sales volume in the food sector.

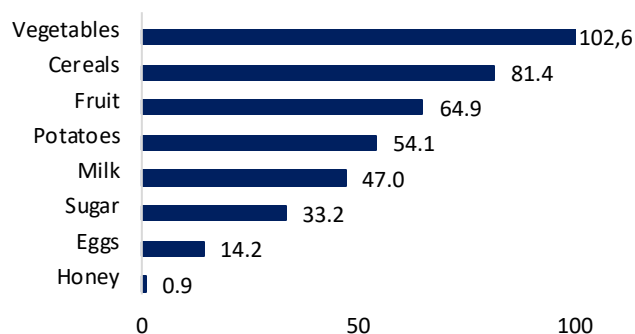
This percentage is high in comparison to other countries & symptomatic for the price consciousness of German consumers.

German Consumers and Market

In 2023, German consumers spent around 203 billion euros on food. This corresponds to an average monthly spending of 417 Euros per single household and roughly 15% 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.

Per-capita Consumption in Germany in kg



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 have become more popular, and demand is rising.

Germans become more conscious of food quality and are willing to pay higher prices. Particularly products that are considered healthy can generate higher margins. Some consumers are also very attentive to labels and certificates that indicate that products were produced in consideration of environmental sustainability, adequate animal housing, fair trade, or organic farming.

Organic Farming

There is an increasing interest in organic products in Germany. Every second German occasionally buys organic food, more than a third even frequently or exclusively. The turnover from organic food in Germany totaled 15.3 million euros in 2022.

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 labor costs could increase its competitiveness with German producers. In addition, higher margins from the export of organic products could compensate for 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 a migration background. Immigrants often tend to favor 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.

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