Agriculture and Agri-Food Canada Agriculture et Agroalimentaire Canada

Agri-Food
Past, Present & Future Report

Germany

July 2006

Canada

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Canada

Germany

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Overview

Germany is one of the top five economies in the world and the largest in Europe. Together with France, Germany has a substantial impact on the economic performance of the entire European Union (EU). Unfortunately, Germany's recent economic performance has been far from stellar with deficit issues and high unemployment affecting consumer confidence and overall growth.

Despite domestic performance German multinationals have increased their influence abroad. Germany is the world's largest exporter, and is known for its technologically advanced industries, mainly in the area of manufacturing.

Germany is a market of roughly 85 million, largely affluent consumers. The country is dependant on the importation of food, and while EU partners are the most obvious source, there are always opportunities for safe innovative products to supply the large processing sector or general consumers.

An issue of continuing concern is the economic disparity between old East and West Germany. Industrial inequalities between the Eastern and Western regions abound. Per capita income, disposable income, employment rates and opportunities favor the west heavily. In general, the west tends to be more economically and industrially rounded than its eastern counterpart. Unfortunately, the high costs associated with reunification continue to contribute the country's sluggish economic growth.

Canada - Germany Relations

Canada and Germany share excellent bilateral relations with few barriers to trade, reflected in the high level of trade. Germany is Canada's sixth largest trading partner. In 2005, bilateral trade between the two countries amounted to $13.5 billion with Germany retaining a positive trade balance of $7.1 billion.

In the past decade, bilateral trade between Germany and Canada has risen significantly. Canadian imports from Germany rose from $3.83 billion in 1990 to over $10.3 billion in 2005, while Canadian exports to Germany rose from $2.2 billion in 1990 to $3.2 in 2005 in value growth.

Canada is an attractive business investment location for German multinationals. In 2005, there as over $9.4 billion in German Foreign Direct Investment in Canada, up from $6.8 billion in 2002.

In May 2005, Canada signed a letter of intent with Germany to build even stronger trade and investment initiatives through best practices, visits, missions, workshops and investment studies. Both countries are joint members of the North American Treaty Organization (NATO), the United Nations (UN), the Group of 8 (G8) and the Organization for Economic Development and Co-Operation (OECD).

Canada-Germany Bilateral Trade (2005)	
Germany Total Trade	**$816.5 billion**
Exports	$435.8 billion
Imports	$380.7 billion
Trade balance	$55.1 billion
Canada- Germany Trade	**$13.5 billion**
Exports	$3.2 billion
Imports	$10.3 billion
Trade balance	($7.1 billion)
Canada- Germany Ag Trade	**$396.5 million**
Exports	$141.8 million
Imports	$254.7 million
Trade balance	($112.9 million)

- Germany is Canada's 6^{th} largest trading partner.
- Bilateral trade between Canada and Germany reached $13.6 billion in 2005.
- In 2005, top Canadian exports to Germany included: nuclear reactors boilers, machinery and parts (18%); ores, slag and ash (14%); mineral fuel, oil, bitumin and mineral wax (8%); electric machinery, equipment and parts (7.5%); wood pulp, paper and paperboard (7%).
- In 2005, top German exports to Canada included: nuclear reactors boilers, machinery and parts (28%); vehicles and parts (25.5%); electric machinery, equipment and parts (6%); pharmaceutical products (5.8%); optic, photo, medic or surgical instruments (5.5%).
- Germany typically maintains a positive trade balance in bilateral trade.

Agricultural Trade

Germany's 82 million people have created the leading market for food and beverages in the European Union. Despite a renewed agrarian focus in the last five years the country continues to be the largest food importer in the world. The European Union is Germany's largest agricultural trading partner with over 70% of food imports coming from other EU countries where trade barriers do not exist, and proximity is at a premium. Germany's largest EU agricultural trading partners include the Netherlands, France and Italy. Convenience foods and processed goods are primarily sourced from EU partners. German agricultural trade has fully embraced the advantages of proximity and the benefits of matching regulations provided by EU membership.

Agricultural trade between Canada and Germany has traditionally been very stable. Over the past four years, Germany has ranked as Canada's fourth largest export market in the EU and fifth largest source of imports. In 2005, bilateral agricultural trade reached $396.5 million with Canada importing $254.7 million in German agricultural goods, and Germany importing $141.8 million in Canadian agricultural goods. Germany typically retains a positive trade balance in bilateral agricultural trade.

Due to busy lifestyles and a desire to eat more healthy foods, convenience and organic foods are becoming increasingly popular. Germany's organic food industry is the largest in Europe; however, the domestic market serves the majority of the demand. Convenience foods, on the whole are imported from other EU countries, however a market for Americanized convenience foods and fast foods is developing, particularly within the younger demographic.

Germany is considered a "mature market" because of its advanced development. Therefore, exporters are encouraged to seek out established importers with unique and originally labeled products, as these products have the most success in the consumer market. Goods such as maple syrup products, pet foods, fruit and vegetable juice, fruit and edible nuts as well as organic products, among others will have the most appeal to German importers and consumers.

The organic food market is a promising market for Canadian exporters. Germany holds the largest organic food market in the EU, and it is growing significantly. The organic food market is relatively new, and consumers have yet to establish brand loyalty. Although the majority of the domestic organic food market satisfies consumer demand, anticipated growth in this sector is good news for Canadian organic food exporters.

Canada's Top 5 Agricultural Exports to Germany (2005)	
Tobacco	$17.2 million
Fruit & edible nuts	$17 million
Canola oil	$13.3 million
Eggs	$9.6 million
Maple sugar & syrup	$8.9 million

- Top agricultural exports to Germany from Canada in 2005 included tobacco valued at $17.2 million and accounted for 12% of agricultural exports, fruit and edible nuts valued at $17 million with 12% of agricultural exports and canola oil valued at $13.3 million and 9.3% of agricultural exports.

Complete statistical summary available:
http://www.ats.agr.gc.ca/stats/germany_e.pdf

- A very positive sign for Canada is that consumer and intermediate level products dominate exports to Germany.
- Consumer exports to Germany totaled $57 million in 2005 and included: fruits and edible nuts ($17 million), eggs ($9.7 million), maple sugar and syrup (8.9 million), dog or cat food for retail sale ($2.6 million), and boneless bovine cuts, fresh or chilled ($2.4 million).
- Consumer-ready foods are proving to be a promising market for Canadian agricultural exporters. Due to changing lifestyles, convenience foods are being consumed like never before and as such, sales and demand is increasing, especially for "Americanized" convenience foods among the younger demographic. Convenience food consumption in this demographic has doubled since the early 1990s.
- Intermediate exports to Germany totaled $56.4 million in 2005 and included: canola oil ($13.3 million), dried and shelled lentils ($7.2 million) and various furskins and hides ($12.5 million).
- Bulk exports to Germany totaled $28.4 million in 2005 and included: tobacco ($17.1 million), mustard seed ($4.1 million), durum wheat ($4 million), canary seed ($770,000), and linseed ($690,000).
- Top agricultural imports to Canada from Germany in 2005 included: casein glues valued at $55.8 million and 21.9% of agricultural imports, malt beer valued at $24.7 million and 9.7% of agricultural imports, chocolate and other food preparations valued at $21.4 million and 8.4% of agricultural imports.
- Bulk imports from Germany totaled $5.3 million and included: cotton waste ($3.4 million), coffee ($1.26 million) and wool tops and other combed wool ($210 thousand).
- Intermediate imports totaled $94.4 million and included: casein glues ($55.8 million), pectic substances ($6.6 million), gelatin and gelatin derivatives ($4.6

million), horses, asses and hinnies for slaughter ($4.4 million), animal feed preparations ($3.3 million).

- Consumer imports totaled $155 million and included: malt beer ($24.6 million), chocolate and other preparations ($21.2 million), grape wines ($16.7 million), communion wafers ($15.5 million) and sugar confectionery, including white chocolate ($11.6 million).

Economy

Germany is one of the world's top five largest economies, and in 2005 it was the world's largest exporter. Despite its international stature, Germany has struggled with difficult economic trends since the early 1990s. The manufacturing and services sectors make up almost 100% of Germany's economy, with agriculture only accounting for 1.1% of the overall German economy. Germany is seen as technologically powerful, and manufactures some of the most well respected products in the world. Major industries include: iron, steel, coal, cement, chemicals, machinery and vehicles.

Germany's GDP growth rate for 2005 was still below 1% at 0.9%. Forecasts call for a 1.8% economic growth in 2006, but any hopes of further improvement have been tempered with the knowledge that the already fragile consumer market will be facing a new 3% Value Added Tax (VAT) in 2007. This has forced a reassessment of earlier forecasts and growth rates for 2007 which are now expected to decrease to 1.2%. Even with near stagnant growth, Germany's economy still accounts for 21% of the EU's GDP and one third of the Eurozone's GDP. Additionally, Germany has one of the lowest inflation rates of all EU members.

Despite the countries international and regional status as a world leading economy, domestically Germany is struggling with high unemployment rates, high deficits and regional disparities. German reunification, while a decade past is still a contributing factor of the sluggish German economy. Reunification was an enormous expense for the country as a whole, and the economic effects are still being seen today.

Despite holding one of the world's highest standards of living, Germany faces high unemployment levels. Currently, the unemployment rate stands at 11.6%. As well, Germany has breeched the 3% budget deficit limit set by the EU's Stability and Growth Pact. In 2006, the budget deficit is expected to rise even further to 3.3%. Despite the negative impact on consumer confidence, the planned 3% VAT increase in 2007 will decrease the budget deficit.

Other economic reforms such as raising the retirement age to 67 as well as various tax and health system reforms are expected to decrease this deficit even further. With the rapidly aging population and consistently high unemployment rates, questions about the sustainability of the country's social system in the long term are rightfully posed.

Gross Domestic Product (2005)	
GDP	US$2.8 trillion
GDP growth	1.8%(2006) 1.2%(2007e)
GDP/ capita	US$34,400

Current
- Germany's GDP stands at US$2.8 trillion; more than twice that of Canada.
- German GDP per capita and Canada's GDP per capita are comparable at US$34,000.
- Germany currently faces a high unemployment rate of 11.6%, although living conditions are quite high.
- Recently, the countries low inflation rates have been sighted for helping bolster low consumer confidence.

Forecast:
- German GDP is expected to grow 1.8% in 2006 and 1.2% in 2007.
- A significant increase in the Value Added Tax (VAT) in 2007 is expected to negatively effect economic growth in 2007.
- Germany's economic recovery from reunification will continue.

Consumer Market

Germany's 82 million people have created the leading market for food and beverages in the European Union. Despite a renewed agrarian focus in the last five years, the country continues to be the largest food importer in the world.

Demographic and lifestyle similarities can be drawn nationwide; however, there is a significant difference in income between residents in the former German Democratic Republic in the east and the old Federal Republic of Germany in the west. Top markets in the West include Hamburg, Munich, and Cologne, while top markets in the East include Berlin, Leipzig and Dresden.

Germany is considered a "mature market" because of its advanced development. Therefore, exporters are encouraged to seek out established importers with unique and originally labeled products, as these products have the most success in the consumer market. Goods such as maple syrup products, pet foods, fruit and vegetable juice, fruit and edible nuts as well as organic products, among others will have the most appeal to German importers and consumers.

Eating and spending habits are shifting towards convenience meals and modest "supermarket" spending. Rather than eating a large breakfast, more and more Germans are eating on their way to work. Busier lifestyles are not permitting a large sit-down morning meal. In fact, even sales of breakfast cereals and jam/marmalade have been on the decline. Busy work days do not lend themselves to the preparation of evening meals; as a result, prepared foods are often consumed for this meal and cooking is left for the weekend or seen as a hobby.

Despite a trend towards eating outside of the home, German consumers have not moved en mass towards restaurant meals. Many Germans continue to be price conscious and will buy their convenience foods from large supermarkets or fast food outlets rather than what they deem to be more expensive restaurants and cafes.

Most convenience foods are imported from other EU countries, but a growing percent of the population are displaying a preference for American-style convenience foods. Americanized convenience and fast foods are typically consumed by the younger demographic, while children spend considerable portions of their pocket money on Americanized convenience foods.

Despite a shift towards convenience foods, German food expenditures are some of the lowest rates in the EU. Food and beverage expenditure accounts for approximately 15% of a consumer's income, and each month, German households spend between 300 and 325 euros on food and beverages.

Increasing health awareness is changing the German diet as a whole. Rising obesity rates, food safety scandals as well as busier lifestyles are shifting consumer consumption away from beef towards more pork and poultry products. These meats are seen as healthier and more "modern". Also, vegetables are highly valued by Germans for their healthy properties and as such, the consumption of vegetables is on the rise.

Germans tend to be very nationalistic when it comes to purchase decisions, particularly when it comes to food. This is mainly a result of quality and safety concerns, but also to support national production. This is especially true for organic foods, which are not just viewed as safer and healthier, but also as a means of supporting domestic farmers. Germany's organic food industry is the largest in Europe. However, the domestic market serves the majority of the demand; however, anticipated growth in this sector could be good news for Canadian organic food exporters.

Demographics:

- Germany's population is growing at less than 1% annually.
- The median age is 42 years. Almost 45% of the population is 45 years or older. By 2030, it is expected that half of the population will be 50 years or older.
- Germany's population includes 7 million landed immigrants.
- More favourable employment conditions in West Germany have given residents in this area of the country greater buying power.
- Almost 60% of women in West Germany are in the workforce, while in East Germany it is close to 75% of women.
- Approximately 15 million people reside in East Germany.
- Almost half of single person households are made up of people under 45 years of age.

General Consumer Trends

- Young and affluent German consumers are generally more experimental than their older counterparts. These consumers are more willing to try new types of food products.

- The beverage sector is an area where German consumers are experimenting with new and different types of products, specifically with fruit juices, which are desired for their nutritious properties.
- Germans are looking for healthy, tasty, and nutritious products that have been safely grown and processed. A more recent trend has consumers looking for assurance that the production of their food has not caused significant environmental harm.
- Knowing their food is nutritional is important to consumers, although they are more concerned about food safety and contamination.
- Significant emphasis has been put on consuming organic products. Germany is the largest organic market in Europe; however, this market is satisfied almost entirely by domestic production.
- German consumers are turning towards easy to prepare foods, but are unwilling to sacrifice taste and quality for convenience.
- More frequently, Germans are replacing home cooked meals with snacks and foods that can be consumed on the go. It is not uncommon for one or two meals a day to be missed and replaced by snack type foods.
- Nearly 30% of food expenditure is at discount retail outlets, while other retail formats including supermarkets, super centres, kiosks, gas stations and convenience stores account for another 30%. Discount retail outlet sales are growing most rapidly.

Organic Production

- Germans consume more organic foods than anywhere else in Europe.
- In 2003, the organic food market reached US$5.1 billion.
- Growth in this market is expected to continue to lead Europe.

Competitors

- Canada's main competitor in the German food market are Germany's EU partners. Over 70% of food imports come from other EU countries where trade barriers do not exist, and proximity is at a premium.
- Germany's largest EU agricultural trading partners include the Netherlands, France and Italy.
- The United States is not a significant competitor, as Germans view Canadian food as being safer, which is a major concern in regards to the food supply.
- The German food market is extremely price-competitive, and exporters must identify a competitive price point for their product.
- Germans can be quite nationalistic in food purchases, particularly with foods associated with small farming (ie. fruit, vegetables and meats), and as such will buy domestic products to support local farmers and rural communities.

Access Issues

Germany is a member of the European Union, and as such, tariffs and trade barriers fall in line with EU policy. External trade agreements are generally negotiated with Canada through the EU. Bilateral trade is based on the 1976 Agreement on Commercial and Economic Corporation. Canadians wishing to export goods to Germany are encouraged to contact the Canadian Embassy in Germany for detailed information on German markets as well as EU trade policies.

The Trade Division of the Canadian Embassy in Berlin is an excellent source of information for Canadians wishing to do business with German importers. They provide six core services: market prospect, key contacts search, visit information, local company information, face-to-face briefing, and trouble shooting, and treat all requests as confidential. They can be contacted at: www.dfait-maeci.gc.ca/canada-europa/germany/embassy09-en.asp.

Canadian exporters are also encouraged to register with the **Virtual Trade Commissioner Service**, to gain easy access to Canada's embassies and posts abroad. Canadian exporters are also encouraged to use the services of Export Development Canada (EDC) and the Department of Foreign Affairs, both of which offer trade information and financial and risk management services to Canadian exporters.

- Canada and Germany are both members of the Canada-European Trade and Investment Enhancement Agreement (TIEA). This agreement is set between the member countries of the European Union and Canada to allow imports and exports flow with few irritants.
- Germany is a member of the EU, World Trade Organization (WTO), the OECD the Organization for Security and Co-operation in Europe (OSCE) and NATO, so all restrictions governing these organizations/alliances apply to Germany in terms of imports and exports.
- Import duties into EU countries are subject to the respective import tariff plus a Value Added Tax (VAT) which varies according to individual EU countries. Currently, the VAT for Germany is 7% on agricultural products, but will increase in 2007.
- Animal products coming into the EU must be from pre-approved establishments. These items include, but are not limited to: seafood, meat, and dairy products.
- Certain foodstuffs, colourings, animal products, plants, seed grains and alcohol are prohibited from entering EU countries. Contacting the German importer prior to shipment for confirmation that the product is acceptable for import is advisable.
- The Canada-Germany Double Taxation agreement was signed in 2001 and is helping to promote investment in both directions.
- Trade fairs play a crucial role in marketing products to German importers.

Business Travel Tips

- The official language of Germany is German.
- Germany’s legal infrastructure does not pose any obstacles to Canadian travelers and most Canadian visitors do not experience any problems traveling to and from Germany.
- Germany’s currency is the Euro (EUR).
- A Canadian passport that is valid for the duration of your stay is required.
- Business visas are not required for a visit of less than 90 days. For stays longer than 90 days, travelers are expected to visit their local German consulate to fill out appropriate paperwork in advance of travel.
- Germany is densely populated, particularly in the industrial centres, and business travelers are encouraged to allow plenty of travel time to ensure a prompt arrival.

Agriculture Sector & Policies

Agricultural production accounts for 1.1% of German industrial production. However, roughly 1 million Germans are employed either full time or part time in agriculture. Currently, Germany's agricultural sector is governed by the Common Agricultural Policy (CAP), in which farmers receive payments that are coupled with the type of crops they grow. Reforms of the CAP are being implemented which will see the decoupling of the payment scheme by 2007. This will increase the flexibility farmers have in their operations, making them more market oriented in their practices.

Germany's agricultural yields are diverse and include milk, pork, beef, grains, tubers, fruits, vegetables and wine. Despite a varied national crop base the size of the sector necessitates significant food imports. The goal of German national food policies is to provide a healthy food supply at reasonable prices, which is proving successful in a low percentage of food spending by the German population.

Healthy and safe foods are a major priority for the German government, and policies and legal provisions are constantly being updated to match scientific development. Environmentally friendly agricultural practices are also being highly encouraged in Germany. Agriculture is seen as beneficial for the climate and natural resources as well as providing attractive employment options in rural areas. Important measures are being implemented to decrease the number of fertilizers and pesticides/herbicides in agricultural production. These developing practices have proven especially profitable in the organic foods sector. Germany has the largest organic food market in Europe.

General

- Agriculture makes up 1.1% of industry in Germany and employs 1 million Germans.
- Healthy and safe foods at reasonable prices are top priority for the German Government.
- Environmentally friendly farming practices are being encouraged and come with government subsidization.

Contact Information

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National Federation of German Wholesale and Foreign Trade Association

P.O. Box 13 49, D-53003 Bonn
Kaiser-Friedrich-Straße 13, D-53113 Bonn
Phone: 49-2-28-2600-40
Fax: 49-2-28-6004-05

Federal Export Office

P.O. Box 51 71, D-65726 Eschborn
Frankfurter Straße 29-31, D-65670 Eschborn
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Fax: 49-61-96-9422-60

Darmstadt - Chamber of Industry and Commerce

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