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**Report Name:** German Organic Market Takes a Dip

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**Report Highlights:**

Germany is the second largest organic market in the world. It holds good prospects for U.S. organic products, including tree nuts, fruits, vegetables, and processed food products. While market growth slowed this year due to high inflation and rising food prices, this is likely a temporary situation. This report contains information on the German organic market, including best prospects, and opportunities, including BioFach, the world's largest organic trade fair again taking place February 14-17, 2023.

## **1. Market Overview**

The German economy is the fourth largest in the world and accounted for one quarter of the European Union's GDP in 2021. Germany is also the United States' largest European trading partner and the sixth-largest market for U.S. exports. Its "social market" economy largely follows market principles, but with a considerable degree of government regulation and wide-ranging social welfare programs.

With a population of 84 million, Germany is the largest consumer market in the European Union. The significance of the German marketplace goes well beyond its borders. An enormous volume of trade in Germany is conducted at some of the world's largest trade shows. For food, Germany is home to some of the most important trade shows worldwide like ANUGA and BioFach, which are the world's largest food and beverage and organic trade fairs respectively. After being canceled or rescheduled due to the COVID-19 pandemic, these trade shows are returning in 2023. The volume of trade, number of consumers, and Germany's geographic location at the center of the European Union make it a cornerstone around which many U.S. firms seek to build their European and worldwide expansion strategies.

Germany weathered the COVID-19 pandemic's devastating economic effects better than most of its EU neighbors, thanks in large part to a large current account surplus, generous economic stimulus packages, and flexible short-term work schemes that kept unemployment relatively in check. An easing of pandemic restrictions and rebound of the services sector led to 2.8 percent real GDP growth in 2021, but the knock-on effects of the Russian invasion of Ukraine impacted the German economy substantially in 2022. Not just disruptions of trade but surging inflation driven by energy costs and food prices affected every consumer in 2022 and the outlook for 2023 is also not promising. These factors will also continue to impact the German organic market.

## **2. Greens Make Organic Farming the Role Model for Sustainable Agriculture**

Germany's three-party governing coalition of Social Democrats (SPD), the Green Party, and the Liberal Democrats (FDP) came into office in December 2021. The new government made it clear that fighting climate change and achieving the Paris climate goals is a top priority. Their coalition agreement asserts that climate protection secures freedom, justice, and sustainable prosperity. Thus, the so called "social market economy" in Germany needs to be re-established as a "socio-ecological market economy."

When it comes to trade, the new government wants to strengthen rules-based free trade based on fair social, ecological, and human rights standards. It advocates for a German and European trade policy against protectionism and unfair trade practices.

The parties agreed that making agriculture sustainable and fit for the future is one of their primary goals. The coalition agreement states that species extinction and biodiversity loss is another ecological crisis.

For this reason, the new government wants to limit the use of pesticides in general and one of the methods to do so is by increasing the share of organic farming. While, the EU has already set itself an organic target of 25% by 2030 in the Farm to Fork strategy, the German government has even more ambitious plans. It aims to increase the share of agricultural land under organic farming to 30% by 2030, the previous target was 20%.

The distribution of the ministries between the three governing parties resulted in the Greens taking the lead in agriculture and related issues. The party not just heads the Federal Ministry of Food and Agriculture but also the Ministry of Environment and the Ministry of Economy and Climate Protection. The Green Party has been calling for an agricultural turnaround for years, and the Green-led Ministry of Agriculture is currently pushing ahead with the restructuring of the agricultural industry. Organic farming is used as the role model for the transformation of food systems towards more sustainability. As Cem Özdemir, Federal Minister for Food and Agriculture, explains:

*“Organic farming provides answers to a lot of problems. It offers a complete system of sustainability – from production and processing to providing clear labelling for consumers. This is why, for us, it is a guiding vision for the future. In the coalition agreement, we enshrined the goal of having 30 % of agricultural land under organic farming. We would like organic farming to become a successful and exemplary model. We want to create good conditions for ongoing progress, for example by further upscaling support for research projects. In addition to this, we intend to work together with other ministries, such as Environment and Economic Affairs, to develop new support instruments. The Strategy for the Future of Organic Farming will constitute a key instrument in this regard and will be adapted and expanded to meet the new objectives.”*

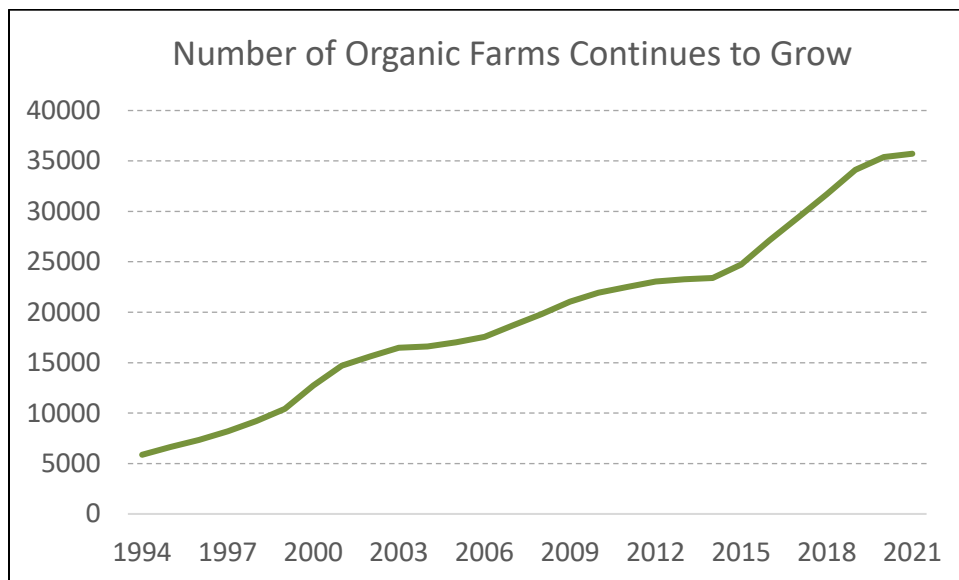
The most important instrument for reaching these goals is the Federal Scheme for Organic Farming and other Forms of Sustainable Agriculture (BÖLN). It was set up in 2002 to improve the general conditions for organic farming and other forms of sustainable agriculture in Germany and to pave the way for a well-balanced expansion of supply and demand. In 2021, the funds totaled € 33.38 million. The Ministry for Food and Agriculture published a brochure titled “Organic Farming in Germany” in February 2022. The brochure provides a wealth of background information and the English version can be downloaded [here](#).

Traditionally, organic agriculture has been a key component of the Green Party’s agenda. While some details of future agricultural policy remain unclear, organic agriculture has become the official role model for agriculture in Germany. This will likely not just increase production but also trigger demand. The organic market is set for further growth and to continue its success story.

### **3. Every seventh German farmer is now organic**

In 2021, there were nearly 36,000 organic farms in Germany cultivating over 4.3 million acres of land according to [BÖLW](#) – the German organic industry association. With booming sales of organic food,

farms and food companies seized the opportunity to go organic with growth rates being along the lines of previous years. In 2021, over 10% of Germany’s agricultural land was managed by organic farmers. One out of seven farmers in Germany are now organic and the number continues to grow. Farms of all kinds of agricultural production seized the opportunity to convert, with a focus on arable farming, oilseeds, vegetables, and viticulture. Despite high demand from customers, organic farmers are not expanding their herds and livestock farmers rarely convert to organic. There were almost the same number of organically raised cattle, hogs, and chickens on the farms as 2020.



Source: Federal Ministry of Food and Agriculture

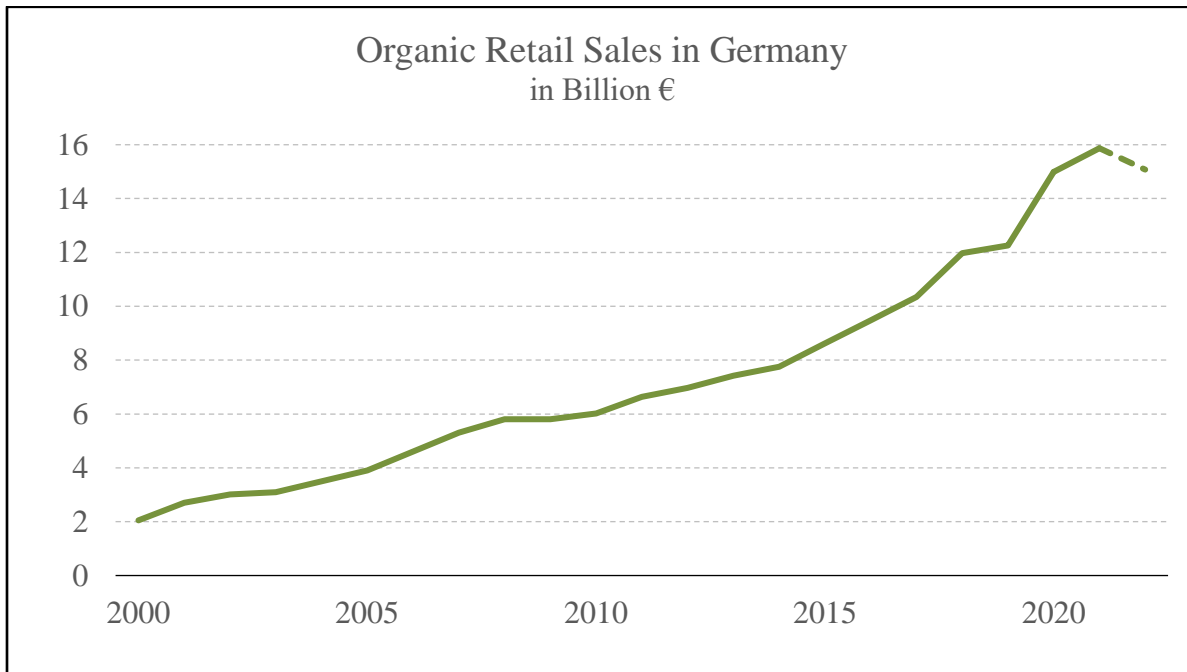
Though organic farming in Germany is growing, domestic production is unable to meet demand, resulting in higher import volumes (and values). In general, the German organic market offers good opportunities for suppliers who are creative in their choice of products and work with the organic community to tailor their production to meet demand from food producers and the retail trade.

#### 4. Organic Food Sales are down for the first time

Germany is the second largest organic food market in the world, after the United States. Sales of organic food products have risen for years and hit record sales of nearly €16 billion (USD \$18.85 billion) in 2021. At the same time, the organic share of the total food market increased to almost 7%. During the COVID-19 pandemic, German consumers purchased more organic products. This reflected a shift in consumer food purchases from the food service sector to the food retail sector because of government pandemic control measures that included the closure of restaurants, hotels, etcetera and increased working from home. These closures and shifts in work settings meant that consumers generally purchased more food retail items. As part of this trend, sales of organic products boomed in 2021. However, in 2022 inflation reversed the trend. Inflation reached two-digit numbers with increasing food

prices being one of the main drivers besides energy. Prices for food increased by 20.3% from October 2021 to October 2022.

However, the price of organic food did not increase as much as that of conventionally produced food. In general, conventional food is more dependent on global developments and conventional agricultural production is dependent on inputs like synthetic pesticides and artificial fertilizers, which became substantially more expensive in 2022. As a result, in some cases and some shops, organic food products cost less than the conventional product. Examples of this were milk, butter, pasta, fruit, and vegetables. As German consumers firmly believe that organic food is expensive and there was no special marketing campaign by the organic industry in 2022 to convince them otherwise, the industry was not able to translate this price differential into market gains. German consumers felt like they had to save money and changed shopping patterns to a certain extent. Additionally, consumers shifted spending habits back to purchasing food at restaurants as opposed to quality dining at home.



Source: FIBL Statistics, Agrarmarkt Informations-Gesellschaft (AMI), Bund Oekologische Lebensmittelwirtschaft (BÖLW), 2022\* FAS Berlin Estimate





There is no evidence for a fundamental shift away from organic food in 2022. Customers are more likely to buy organic at supermarkets and retailers than from specialist organic retailers. At these outlets, customers are purchasing less expensive private label organic products. This means that smaller specialized organic food retailers have been harder hit by the lower demand for organic food than conventional retailers or large organic retail chains. In total, this means that while the volume of organic



products sold in 2022 might end up being stable, the total value of sales of organic food will drop down for the first time ever. The level of organic food sales in 2022 is in line with pre-COVID-19 levels. The extraordinary circumstances led to exceptionally good years for organic food sales in 2020 and 2021. As a result, it is likely that 2022 will turn out to be a small dip as the organic market adjusts and returns to its usual more moderate growth rate.

## 5. Organic Food Retail Channels

Organic food sales in Germany are split between traditional food retail companies (e.g., grocery stores) and specialty organic food stores. The major driver of growth in organic food sales in recent years has been the expansion of specialty organic shops. Traditional food retail accounts for 60% of organic food sales in Germany, with the other 40% going to organic retail shops and specialty shops like bakeries, butchers, green grocers, open air markets, or direct sales from the farm. In contrast to the conventional food retail market, the organic food retail sector is not as consolidated, concentrated, or saturated. For more information about the food retail market in Germany and other characteristics, please see our annual report: [Retail Food Germany 2022](#).

It is estimated that there are over 2,400 organic food retail shops in Germany. The company “Denn’s” is the only truly nationwide store. It has by far the largest number of outlets. Other big organic food chains are regional or in larger cities only.

Company	Sales (in Million €)	Number of Outlets	Locations
Denn's 	1,047	500	Germany, Austria
Alnatura 	1,150	141	Mainly in Southern and Western Germany but also in Berlin, Bremen, Hannover, and Hamburg, Austria, and Switzerland
Bio Company 	240	63	Berlin, Potsdam, Dresden, and Hamburg
Basic 	143	25	Berlin, Rhine-Ruhr-region, Munich, Stuttgart, and Frankfurt

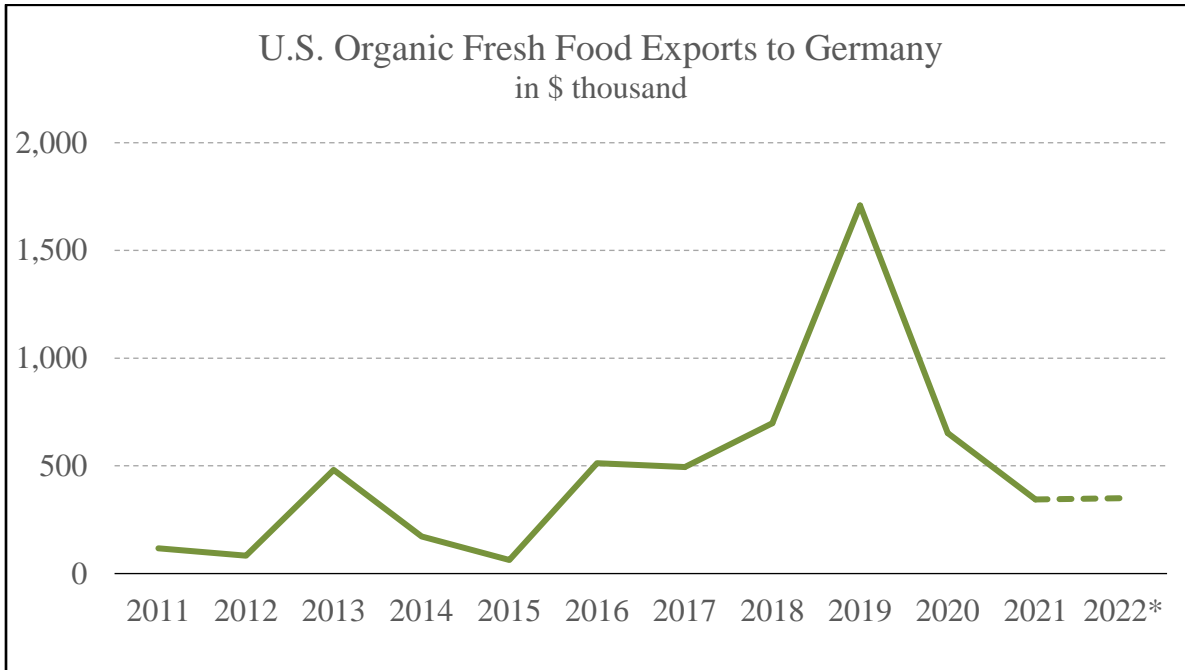
Ebl-Naturkost 	97	31	Nuremberg and Bamberg
SuperBioMarkt 	66	33	North-Rhine Westphalia and Osnabrueck

Sources: FAS Berlin, Lebensmittelzeitung and company websites

It remains to be seen what impact the dip in the organic market in 2022 will have on the market. Much depends on future developments and if the dip in 2022 turns out to be an anomaly after all the boom years. In general, the dip will likely increase concentration and consolidation. Traditional food retailers and larger organic chains might benefit to a certain extent and gain some market share while smaller specialized shops struggle and some of them might even go out of business.

## 6. U.S. Organic Exports to Germany are down

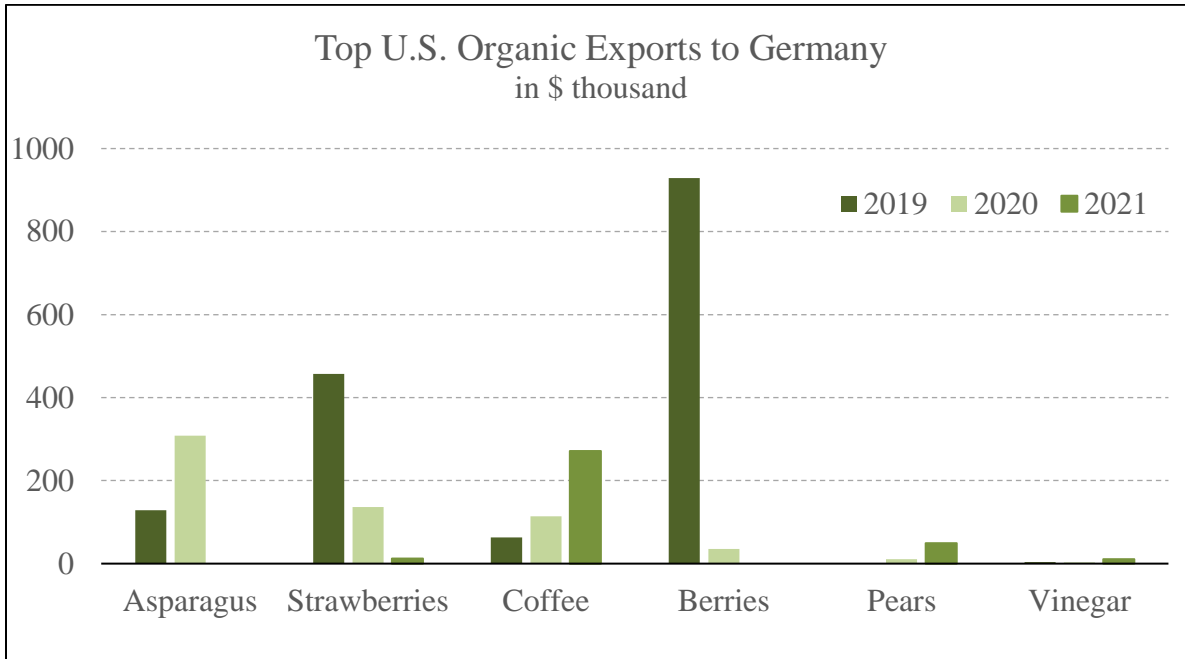
U.S. organic food exports to Germany that have Harmonized System (HS) codes peaked in 2019 at \$1.7 million. The COVID-19 pandemic curbed trade in these products, with exports of U.S. organic products dropping to \$0.3 million in 2021. Please note that the Harmonized System covers a limited number of organic commodities. Existing HS codes cover only a fraction of the United States' organic trade with Germany. Products covered by HS codes include fresh organic products like milk, fruits, and vegetables, but not popular processed products or organic nuts. Actual U.S. exports of organic products to the EU and Germany are likely multiple times higher than reported data shows. Despite this shortcoming, the HS system is a useful tool for tracking covered products and to see the export dynamics for those specific products.



Source: U.S. Census Bureau Trade Data (USDA’s Global Agricultural Trade System Online – GATS), 2022\* FAS Berlin Estimate

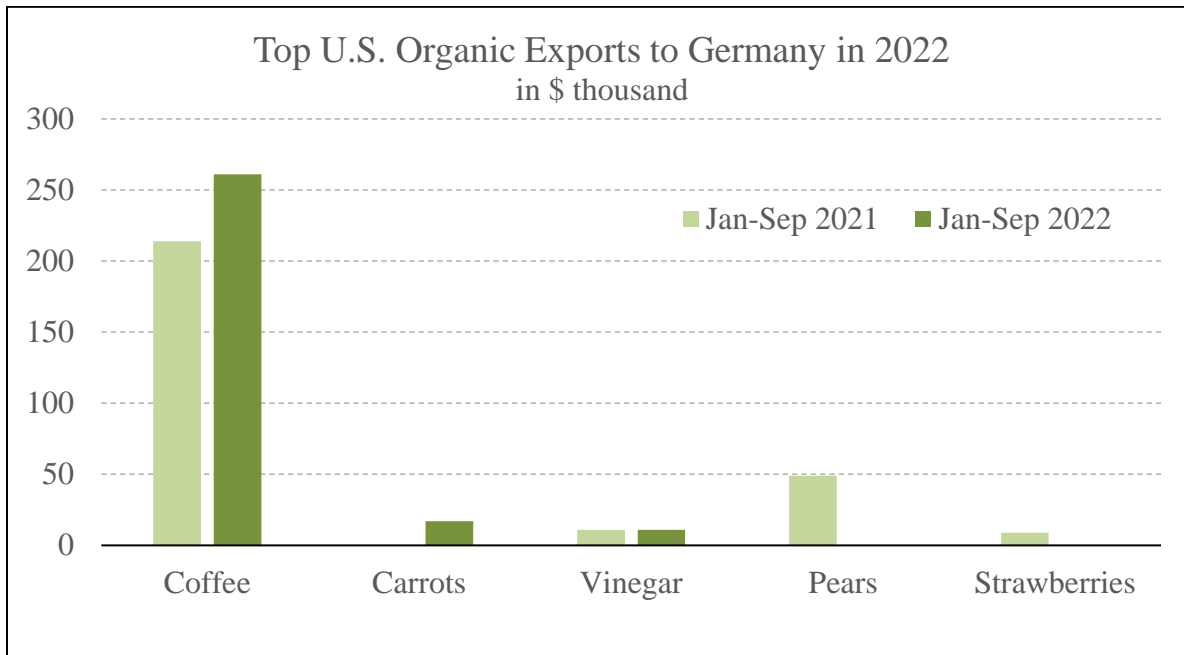
U.S. Census Bureau Trade Data shows very volatile U.S. organic food exports to Germany. The top export product changes every year, indicating that decisions are based on the current U.S. price and supply situation rather than long-term, established contracts between American and German companies. The steep decline in organic exports to Germany was heavily influenced by trade disruptions caused by the COVID-19 pandemic. Exports of all products besides coffee and pears declined.





Source: U.S. Census Bureau Trade Data (USDA’s Global Agricultural Trade System Online – GATS)

At the time of writing, available trade numbers (January-September 2022) show stable exports of U.S. organic products to Germany in 2022. However, coffee remained the most important export item while pear and strawberry exports were nonexistent. It is a similar story for milk, berries, beets, and other organic agricultural commodities. All commodities once recorded good sales in Germany but are currently without any trade volume.



Source: U.S. Census Bureau Trade Data (USDA’s Global Agricultural Trade System Online – GATS)

## 7. Road Map to the German Market

Germany is not only the largest market for organic products in Europe, but it is also the largest organic producer. Despite this, the country is increasingly dependent on imported organic products to meet demand. This includes organic products that are produced in Germany, but for which there is not enough supply, such as potatoes, fruits, vegetables, dairy products, and meat. With this demand, the German organic market offers good opportunities for U.S. organic exporters. However, there are several challenges that U.S. exporters must be aware of before exporting to Germany. To successfully introduce food products, knowledge of the market and personal contacts are essential. Any potential U.S. supplier should analyze German and EU food law, packaging and labeling requirements, business practices, trade-related laws, tariffs, potential importers, and the distribution system. The Foreign Agricultural Service (FAS) office in Berlin offers guidelines on business practices and import regulations. Please see <https://fas-europe.org/countries/germany/> for more information.

German food retailers’ purchasing habits are fragmented and competitive. Few German retailers import products directly from other countries, except for items that they purchase in large quantities. Most food retailers would rather buy from central buyers/distributors importing food and beverages. In general, these wholesalers are specialized in products or product groups, and some are even experts in food products from a specific country of origin. Thus, specialized importers have an in-depth knowledge of importing requirements, such as product certification, labeling and packaging. They also typically handle shipping, customs clearance, warehousing, and distribution of products within the country.

Participating in German food trade shows is a proven way to find the right distributor and facilitates direct contact with German food brokers, importers, and wholesalers. Trade shows like the BioFach show in Germany enjoy an exceptional reputation within the global organic food industry and its outreach is global. BioFach will take place again from February 14-17, 2023. For the latest BioFach updates, FAS Berlin recommends checking the show's website: <https://www.biofach.de/en>.

## **8. The EU-U.S. Organic Equivalence Cooperation Arrangement**

The EU and the United States signed the EU-U.S. Organic Equivalency Arrangement in 2012. Under the Arrangement, the EU recognizes the USDA National Organic Program (NOP) as equivalent to the EU Organic Program (under applicable EU regulations) and allows U.S. organic products to be marketed as “organic” in the EU using the EU organic logo. The Arrangement is limited to organic products of U.S. origin, either produced within the U.S. or where the final processing or packaging occurs within the United States. Since 2012, this partnership has streamlined trade between the two largest organic producers in the world. It provides organic farmers and businesses access to a \$100 billion and growing combined market. More information can be found here: <https://www.usda-eu.org/trade-with-the-eu/trade-agreements/us-eu-organic-arrangement/>

With the new Organic Regulation (more details in Section IV), the EU now requires trade agreements in place of equivalence arrangements. With these EU regulatory changes, the U.S.-EU equivalence arrangement will expire by January 1, 2027, five years after the entry into force of the new regulation. To avoid trade disruptions, all non-EU countries, including the United States, that are currently recognized as equivalent may revise the terms of their arrangement with the EU. The new version of the arrangement will aim to recognize that the non-EU country has a “system of production meeting the same objectives and principles by applying rules which ensure the same level of assurance of conformity as those of the Union.” Currently, Chile is the only country that has signed an [Agreement with the EU](#) on trade in organic products.

## **9. Organic Policy in the EU**

On January 1, 2022, the EU Regulation on Organic Production and Labeling of Organic Products: [Regulation \(EU\) 2018/848](#), entered into force. This Regulation outlines the objectives and principles of organic agriculture in the EU, fixes general production rules, and describes the EU's organic production standards, control system, and labeling requirements. This new Organics Regulation was supposed to enter into force on January 1, 2021. However, due to difficulties faced by the sector because of the COVID-19 outbreak, the EU decided to postpone the entry into force by one year. The new Organic Regulation introduces regulatory changes for both the production of organic products in the European Union and for imported organics.

## Scope

The scope of the organic rule is enlarged to cover a wider list of products than the previous legislation. New products include salt, cork, beeswax, maté, vine leaves, essential oils, and palm hearts. The full list can be found in Annex I of the Regulation. It also lists additional production rules for livestock farming for deer, rabbits, and poultry.

## Labeling

There are no significant changes to the labeling rules in the 2018 Regulation. The term “organic” and all its derivatives or diminutives such as “bio” and “eco” may be used only to label products that comply with EU organic production rules and if at least 95% of the ingredients of agricultural origin are organic. For products containing less than 95% organic ingredients, the term “organic” may be used only to indicate individual organic ingredients in the list of ingredients. When reference is made to the organic production method in the ingredients list, the total percentage of organic ingredients must be indicated. Products containing genetically modified organisms (GMOs) or produced with GMOs cannot be labeled as organic.



The use of the EU organic logo is mandatory on all pre-packaged organic products produced in the EU. Organic products imported from non-EU countries may carry the EU organic logo if they comply with EU production rules. When the EU organic logo appears on the label, the indication of the place of farming is required. This indication may be classified as ‘non-EU Agriculture,’ where the agricultural raw material has been farmed outside of the EU. However, ‘non-EU’ may be replaced or supplemented by the

name of a country, or by the name of a region if all the agricultural raw materials of which the product is composed have been farmed in that region.

In Germany, there is also the federal organic seal “Bio” which can be used in addition to the EU organic logo. In addition, there are private labels that set extended, sometimes stricter requirements beyond the requirements of the EU Organic Regulation. These include the standards of the organic farming associations Bioland, Demeter and Naturland.



## **Food production**

The 2018 Organic Regulation introduced stricter rules for the use of natural flavoring in organic food preparations. Under [Regulation 2018/848](#), only natural flavorings originating from the mentioned ingredients can be used in organic processing. For example, only ‘natural strawberry flavoring’ is allowed, which means that the flavoring must be at least 95% obtained from strawberries. In this case, strawberry extracts are allowed. Under the new Organic Regulation, flavorings are regarded as agricultural ingredients. This means that the maximum permissible amount of conventional flavorings in an organic product, together with all other non-organic ingredients, shall not exceed 5% of the total agricultural ingredients.

[Regulation 2018/848](#) also limits the use of additives and processing aids to produce food and feed. Only certain products and substances are authorized for use in the production of processed organic food and feed, alongside yeast. The list of products and substances that may be used in the production of organic processed products is listed in Part IV of Annex II of the Regulation.

## **EU Action Plan for the Development of Organic Production**

On March 25, 2021, the Commission published the [EU Action Plan for the Development of Organic Production](#). As part of Europe’s Farm to Fork Strategy, the aim of the Action Plan is to boost the production and consumption of organic products to reach a target of 25% of organic agricultural land in the EU by 2030. To do so, the Commission encourages Member States to develop national organic action plans as part of their [National Strategic Plans](#) under the Common Agricultural Policy. The Commission, however, does not require national targets for organic production. Success of the Action Plan will depend on implementation at the Member State level and how the EU Member States encourage increased production and promotion of organic products as well as consumer willingness to buy organic. For more information on the Action plan, please see the [GAIN Report EU Commission Unveils EU Organic Action Plan](#).

## **The EU Farm to Fork Strategy**

The European Commission announced the Farm to Fork Strategy to enhance food and agricultural sustainability by 2030 under the EU Green Deal. The Farm to Fork Strategy marks the beginning of a multi-step legislative development process that aims to fundamentally change the way EU agriculture operates and food is produced for, and provided to, EU consumers. The Farm to Fork Strategy will need to be converted into legislative proposals with the European Parliament and member states shaping and amending these proposals as part of the EU legislative process. Legislative negotiations between EU institutions typically take several years to complete. For more information on Farm to Fork, please see the GAIN report [Green Deal Strategies for the EU Agri-Food Sector Present a Politically Ambitious Policy Roadmap](#).

## 10. Post Contact and Further Information

Websites of potential interest to U.S. food and beverage exporters are listed below:

USDA/FAS/Berlin	<a href="http://www.fas-europe.org">www.fas-europe.org</a>
U.S. Mission to the European Union	<a href="http://www.usda-eu.org/">www.usda-eu.org/</a>
FAS Washington	<a href="http://www.fas.usda.gov">www.fas.usda.gov</a>
Organic Trade Association	<a href="http://www.ota.com">www.ota.com</a>

If you have questions or comments regarding this report, or need assistance exporting to Germany, please contact the U.S. Agricultural Affairs Office in Berlin at the following address:

Foreign Agricultural Service  
U.S. Department of Agriculture  
Embassy of United States of America  
Clayallee 170, 14195 Berlin Germany  
Tel: (49) (30) 8305 – 1150  
Email: [AgBerlin@usda.gov](mailto:AgBerlin@usda.gov)  
Home Page: [www.fas-europe.org](http://www.fas-europe.org)

Please view our home page for more information on exporting U.S. food and beverage products to Germany, including market and product “briefs” available on specific topics of interest to U.S. exporters. Importer listings are available from the Agricultural Affairs Office for use by U.S. exporters of U.S. food and beverage products.

### Attachments:

No Attachments.