

INDUSTRY OVERVIEW

# The Food & Beverage Industry in Germany

ISSUE 2019/2020



## Germany: Europe's Food & Beverage Market Leader

*"We are confident that our investment in our new location in Germany will prove to be a value-adding one because of Germany's attractiveness as a production location and the optimal logistics for serving international markets."*

Mehmet Er

Managing Director | Tadim Deutschland GmbH

---

### 82 m

consumers help make Germany the largest retail market for food and beverages in Europe

---

---

### EUR 180 bn

production value demonstrate the sector's significance for the German economy

---

---

### EUR 243 bn

in retail sales due to a growing population with higher average income

---

---

### EUR 78.4 bn

in food service sales demonstrate the growing significance of this distribution channel

---

---

### 1/3

of all processed foods manufactured in Germany are exported

---

---

### EUR 1.7 bn

innovation spending by German food and beverage companies in 2017

---

For many, German cuisine still conjures up images more hearty than haute. Yet, the reality is, that the German national diet is far more diverse than prevailing clichés would lead to believe. Europe's largest food and beverage market offers much more for consumers and producers alike.

National and international companies, operating in almost every subsegment of the German food and beverage market, make more than 170 thousand different food products available to German customers. Highly receptive to new cultural influences and culinary trends, the German food and beverage market offers business opportunities on all fronts.

Germany's food industry is not only driven by a commitment to deliver the very best, but also by a desire to actively respond to changing consumer wants and needs. Increasing health awareness, an aging population, and the resulting demand for health and wellness products have helped a number of previously niche market actors to become significant industry players.

Germany stands at the forefront of food and beverage market development as it rises to meet the international challenge of increased demand for safe and healthy foodstuffs.

# Germany's Food & Beverage Industry in Numbers

**Germany's industry numbers speak for themselves and for a secure and successful investment in the country.**

## Europe's Largest Market

Total food retailing revenue grew significantly, reaching EUR 243 billion in 2017. Other important distribution channels include food service sales (EUR 78.4 billion) and exports of processed foods (EUR 60.1 billion).

## Major Industry Sectors

Germany's food and beverage industry is the fourth-largest industry sector in Germany – generating production value of EUR 179.6 billion in 2017 and having a promising outlook for 2018 and beyond. The industry is best characterized by its small and medium-sized enterprise sector of more than 6,000 companies employing a workforce of almost 600,000. The largest industry segments by production value are meat and sausage products (24 percent), dairy products (15 percent), baked goods (10 percent), and confectionery (8 percent).

## Food Service

The German food service market is already the second most important distribution channel within the German food industry. An ever-growing share of consumers enjoy eating out-of-home in restaurants, cafes and snack bars. In 2017, food service sales grew by 3.4 percent and reached EUR 78.4 billion. All major market segments within the top 100 companies – including quick service (5.6 percent increase) and full service (8.6 percent increase) – profited from the positive market environment. Casual food service concepts such as "Mediterranean" and "Asian" style as well as "better burger" concepts also enjoy growing popularity.

## International Trade

Today, Germany is both the third-largest exporter and importer of agricultural and food products worldwide. In 2016, imports of agricultural and food products grew by 3.5 percent to EUR 77.1 billion. In the same period, exports reached EUR 67.9 billion, making Germany a net importer of agricultural and food and beverage products and therewith the most important European market for foreign producers. Exports of processed foods and agricultural commodities generated EUR 60.1



Source: BVE, BMEL 2018

billion in sales in 2017. One third of all processed foods manufactured in Germany are exported (79 percent to other EU member states), underpinning Germany's strong location factors in terms of price and quality.

## Recent Investment Projects

Significant investments in the industry include, for example, the EUR 11 million expansion of Turkish nut specialist Tadm's Emsdetten location in North Rhine-Westphalia. In addition, Vienna-based milling company Good Mills plans to invest up to EUR 70 million in a new milling facility in Krefeld, creating one of Europe's most modern mills up to 2020.

## Market Outlook

Considering the positive market data for the first half of 2018, industry analysts expect a positive market development for 2018 and beyond. Consumers show a growing demand for value and quality enriched products including organic, fair trade and health & wellness foods. More and more consumers recognize the positive effects of balanced nutrition to their overall health and wellbeing. The domestic food and beverage sector has profited from the strong German economy and low unemployment. In addition, regionally sourced or produced foods and growing international demand for food made in Germany will drive market growth.

# Market Segmentation

## Baked Goods

### Market

Fueled by annual per household bread and bakery product consumption of 58.9 kg in 2017, Germany is the European leader in the production of bread and rolls. Industrial bakery production generated sales of more than EUR 17 billion in the same year. From a growing base, artisanal bakeries create value of a further EUR 14.5 billion. Food retail sales in the bread and baked goods area exceeded EUR 2.5 billion, major segments include sliced bread and toast. The German biscuit market had a market value of EUR 2.1 billion in 2017, with chocolate cookies the largest subsegment (43 percent), followed by cream-filled cookies (30 percent).

### Competitive Landscape

Although the overall number of companies operating in the German baked goods industry has been decreasing for years due to an ongoing consolidation trend, the industry remains home to a wealth of market actors, being made up of SMEs and leading multinational players alike. Industrial bakery production has, in the meantime, exceeded artisanal production as a result of the nationwide introduction of bake-off station and in-store baking for example. Discounters are continuously expanding their market share and account for more than half of the bakery sales in food retailing today.

### Opportunities

In-store bakeries and discount bakery chains are expected to continue to grow and offer manufacturers of premixes and dough sales opportunities. Further trends include wholegrain products, premium pastries, international delicacies, and healthy snacks. Growth potential also rests on products such as Mediterranean and gluten-free products as well as the expansion of convenience and ready-to-eat baked goods including sandwiches, wraps and bagels.

## Dairy Products

### Market

Germany is Europe's largest dairy producer. With a milk production volume of 31.3 million tons in 2017, the country ranks fourth globally. A total production value of around EUR 27 billion and some 39,000 workers at around 150 German dairy processors help make the German dairy industry the country's second-largest food and beverage sector. The milk, cheese, and fresh dairy products produced by the German dairy industry make a major contribution to the well-being of German consumers, underpinning the sector's important role in the promotion of a healthy lifestyle.

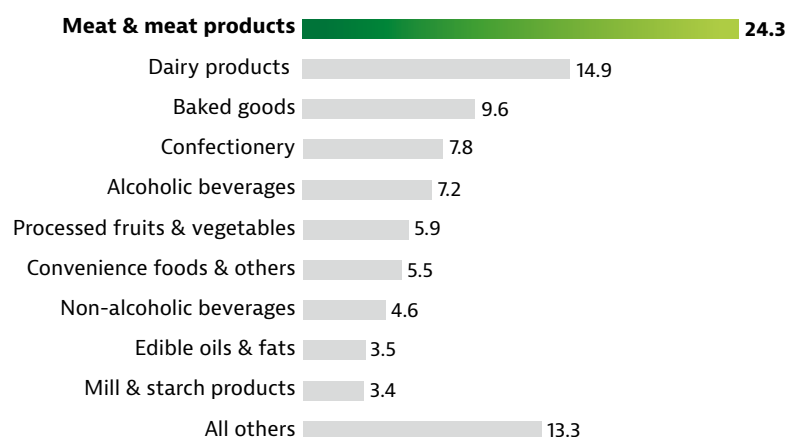
### Competitive Landscape

The German dairy industry has witnessed a steady consolidation trend towards larger and more efficient producers since 2010. During this period, the number of processors has slightly increased. In value terms, exactly 50 percent of all sales in the German dairy industry are generated with private label products (58 percent in terms of volume).

### Opportunities

The dairy industry is one of Germany's most innovative food and beverage industry sectors. The health & wellness trend also provides excellent growth opportunities for producers with a focus on natural ingredients such as calcium and reduced-fat yogurt and dessert formulas. Sales of natural yogurts have grown by 50 percent since 2011 to reach EUR 6 billion in 2017. Sales of yoghurts containing additives declined by 30 percent in the same period. Product variations such as Greek-style yogurt are also experiencing growing popularity in Germany. Around 3.5 million consumers buy lactose-free dairy products on a regular base.

**Food and Beverage Industry by Segment 2017**  
in percent



Source: BVE Annual Report 2018



## Confectionery and Snacks

### Market

High innovation levels and low barriers to new product market entry have helped create a EUR 11.9 billion confectionery and snack production market in 2017. The leading segments in terms of market value are cocoa and chocolate products (EUR 5.4 billion), fine pastries (EUR 2.1 billion), and sugar confectionery (EUR 1.6 billion). Average annual confectionery per capita consumption exceeded 30 kg (equivalent to EUR 97).

### Competitive Landscape

Although 15 companies in the industry can be regarded as large enterprises, more than 200 small and medium-sized players are well established with their products making the industry fairly fragmented. The broad palette of brands available is such that consumer power is not the determining factor in this market. Germany's attractive and competitive location factors are underpinned by an above average export rate of more than 60 percent (equivalent to EUR 8 billion), making Germany the world's confectionery export champion.

### Opportunities

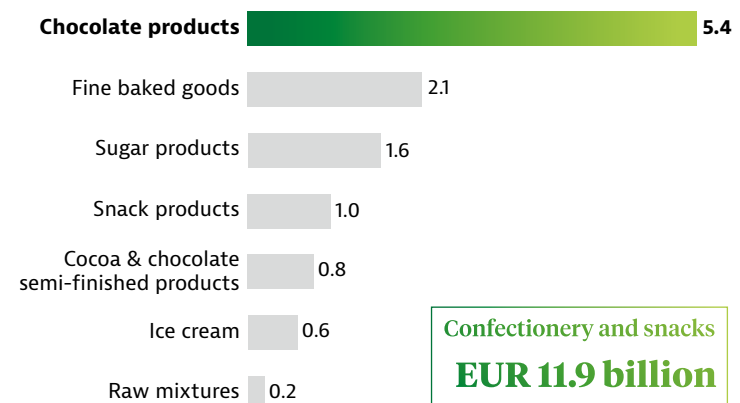
International confectionery producers increased their exports to Germany by volume to reach EUR 5.3 billion in terms of value in 2017. Growth segments include fine pastries and savory snacks. Business opportunities are powered by an ongoing health and wellness trend, which has led to increased demand for fat-free, low-sugar, and sugar-free confectionery.

## Beverages

### Market

Germany is Europe's largest market for soft drinks and alcoholic beverages. With an annual per capita consumption level of 162 liters, coffee remains the country's most popular drink. Overall sales remained stable in 2017, with classic and espresso/café crema whole beans recording double-digit growth levels of 12 percent respectively. In 2017, average per capita consumption of mineral water and soft drinks reached 148 liters and 116 liters respectively. In the same year, non-alcoholic beverages accounted for EUR 6.7 billion in terms of production value, whereby mineral waters (EUR 2.4 billion) and soda drinks including cola variations (EUR 2.7 billion) were among the most important categories. Segments with above average growth included vitamin or mineral enriched and energy drinks as well as carbonated fruit juices.

## Confectionery and Snack Production by Value 2017 in EUR billion



Source: BDSI 2018

Although domestic beer consumption has been in decline for years, a per capita consumption of 101 liters is still high. Consumption of wine (20.6 liters) sparkling wine (3.7 liters), and spirits (5.4 liters) have remained stable over the last decade. In total, private households spent EUR 23.6 billion on alcoholic beverages in 2017.

### Competitive Landscape

Although a number of major international players are present in the German soft drinks market, the industry is highly differentiated. Like the German soft drinks industry, the alcoholic drinks market is diversified, with the top three companies generating only around one third of total sales. This makes the German alcoholic beverage market an attractive business proposition – particularly for niche and value-added products.

### Opportunities

Following the health and convenience megatrend, the industry offers opportunities in segments and niche segments such as functional drinks, smoothies, enhanced waters, and organic beverages in particular. Companies new to the market also have the chance to record smaller scale successes by stressing health benefits or unique production methods. Current growth categories in the alcoholic beverages sector include craft beer variations such as pale ale, wheat or lager beer and alcohol-free beers. Changes in consumer preferences have also led to a higher consumption of organic wines, beers, and spirits.

## MARKET OPPORTUNITIES

### Meat and Sausage Products

#### Market

The meat and sausage products industry is the largest segment in Germany's food industry. In 2017, it reached a production value of more than EUR 43 billion. The major segments in terms of volume include pork (61 percent), chicken (17 percent), and beef (13 percent). With a total meat consumption of 60 kg per capita in 2017, including over 36 kg of pork and more than 12 kg of poultry, Germany is one of the largest markets in Europe.

#### Competitive Landscape

The German meat processing industry is characterized by an ongoing consolidation trend. The top three industry players account for around 60 percent of all pig slaughtering. As overall competition in Germany can be regarded as strong, companies are prompt to develop new products and explore export markets (total exports exceeded EUR 11 billion in 2017). Some retailers follow a backward integration strategy and operate their own slaughterhouses, putting additional pressure on processors.

#### Opportunities

The sector remains attractive thanks to traditional nutrition habits and the introduction of product variations including convenience foods and snacks. The overall production of organically produced meat and sausage products has been growing for years. The ongoing trend towards vegetarian and vegan foods has prompted some meat processors to also introduce meat-free product variations including vegetarian/vegan sausages and cold cuts. The manufacture of meat products in accordance with halal requirements is also becoming more important.

### Fruit and Vegetables

#### Market

Retail sales of fresh fruit and vegetable products in Germany grew by almost five percent to reach EUR 14.7 billion in 2017. Overall sales of fresh fruit thereby grew by six percent and sales of fresh vegetables grew by three percent. Prices were influenced by higher wholesale prices, but also by a volume growth of two percent. Production value of processed fruits, vegetables and potatoes in Germany reached EUR 7.2 billion in 2016. Exports are growing and amounted to EUR 1.3 billion, underpinning the demand for German grown and processed products in this category.

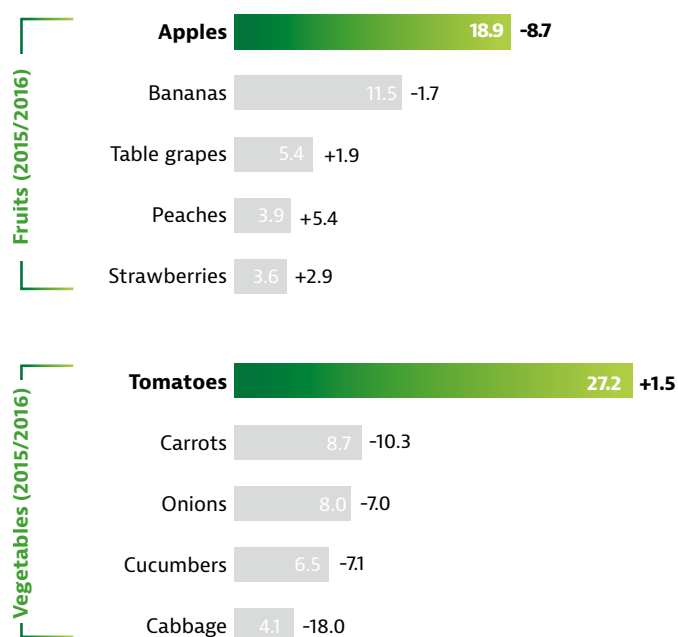
#### Competitive Landscape

The German fruit and vegetable processing industry can still be regarded as fragmented and is dominated by medium-sized companies. The overall industry and employment situation is positive and includes a growing number of companies and employees. Nevertheless, some companies are slowly entering a consolidation phase in order to release synergy effects. Discounters in particular have benefited from growing sales of fresh fruits and vegetables. In marked contrast, specific hypermarkets lost market share.

#### Opportunities

With fresh fruit imports of more than EUR 5 billion, Germany is a significant net importer. Germany's fresh fruit and vegetable consumption is considerably behind that of other European countries. Current consumer trends include convenience products including pre-packed fruit and vegetable salads as well as trade-up developments within the segment (e.g. growing sales of seedless grapes and fair trade products). Rising market prices and an growing demand for new fruits and vegetables offer new entrants ample opportunities to position themselves in the market.

**Fruit and Vegetable Consumption in Germany by Volume 2015/2016**  
per capita in kg, change versus previous year in percent



Source: Statista 2018

## Health & Wellness Drive Demand

Recent consumer trends in the German food and beverage market have been influenced by a number of far-reaching changes in society. An aging population is fueling demand for health and wellness as well as functional food products to prevent or overcome conditions including diabetes, high blood pressure, and cholesterol. Germans are becoming more sophisticated and demanding in terms of variety and quality of food products.

An increasingly fast-paced society and the rising number of single households is driving demand for highly convenient foodstuffs including ready-to-eat meals, desserts, and baked goods. Fair trade products, such as coffee and cocoa, also enjoy growing popularity. Sales grew by 15 percent in 2017 alone – reaching EUR 1.33 billion. Ethnic foods, beauty foods, “free from” foods (e.g. lactose and gluten-free products), and regionally grown foods are further trends currently finding favor with Germany’s increasingly discerning consumer base.

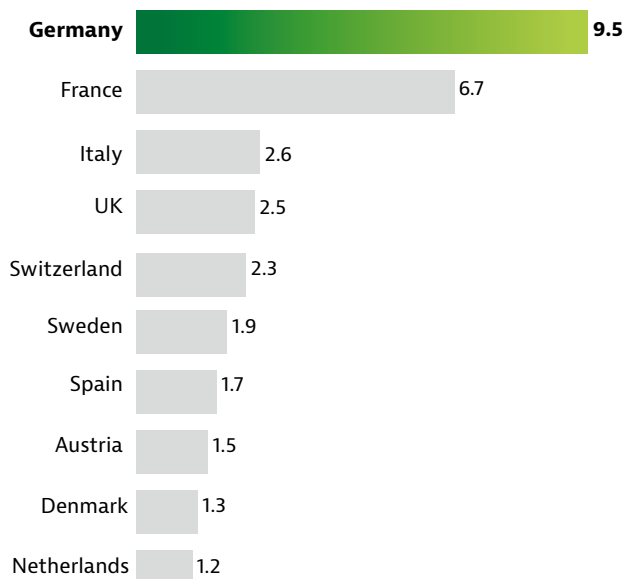
### Organic Foods

Organic food sales increased by more than six percent in 2017 to exceed the EUR 10 billion mark. Germany is a frontrunner in the production and consumption of organic food products and the largest market in Europe. Per capita sales of EUR 116 are almost twice as high as the EU-28 average of EUR 60.

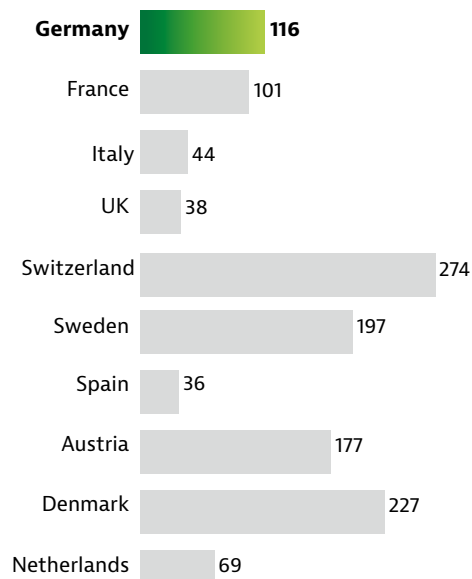
Although some of this growth can be explained by increased prices, most segments experienced real and significant volume growth. The strongest growth in sales was in the dairy and dairy products, meat, and dried produce segments. In terms of volume, the dry assortment – including grains, cereals and nutritional supplements – rose in particular, reflecting growing health awareness amongst the consumer base. Other growth segments include cooking oil, meat sausages and fruits and vegetables. The rising demand for organic foodstuffs in the commercial catering sector is further driving the market.

### European Organic Foods Sales and Consumption by Country 2015/2016

#### Domestic market sales in EUR billion



#### Per capita consumption in EUR



## MARKET TRENDS

Some 3,500 shops operate in Germany selling solely organic-produced products, of which 500 can be considered organic supermarkets. The introduction of the EU-wide organic food label eased the import and trade of organic foods in Germany and other EU member states. Today, all German supermarkets and discounters sell organic foods. As well as branded products, most supermarkets and discounter chains have successfully introduced own organic label brands.

### Health & Well-Being

Around three quarters of all Germans see a direct link between nutrition and physical fitness and health. More and more people in Germany even regard food as a way to overcome general health concerns (such as obesity, diabetes, and celiac disease) as well as improve their sense of well-being, and even their performance levels.

For 41 percent of all Germans aged 60 and older, healthy nutrition is key. This number increases to 54 percent among people aged 70 years and older. German customers are increasingly sensitive to conscious shopping as well as healthy and sustainable nutrition.

Popular products include functional foods, whereby highly nutritious components like probiotics, fiber, and vitamins are added to make the eating experience more beneficial in terms of positive health effects and taste. Major segments in Germany include probiotic yogurts, yogurt drinks, and beverages such as vitamin-enhanced waters. In addition, "free from" products experience growing popularity: Sales of lactose-free products grew between 2013 and 2017 by a CAGR of six percent and reached sales of EUR 211 million in 2017. Gluten-free products grew by almost 30 percent in 2017 alone and reached sales of EUR 174 million.

A reduction or complete abstinence from meat consumption can, to a certain extent, be seen as a way to improve health and strengthen sustainable nutrition. Nationwide sales of vegetarian food alternatives grew by almost 60 percent between 2015 and to 2017 to reach EUR 819 million.

### Frozen and Convenience Foods

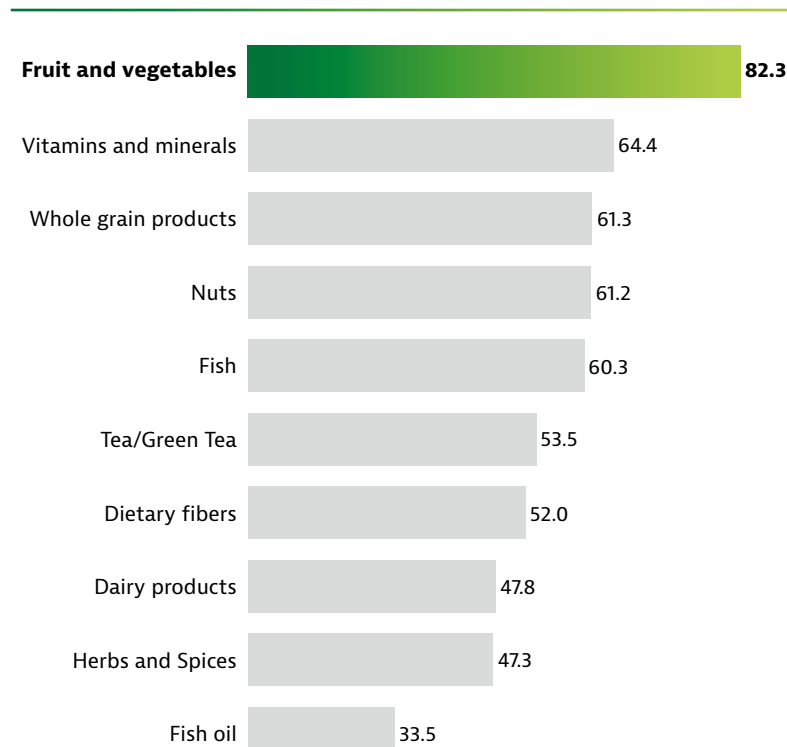
The rising number of single households, as well as an increasingly mobile society, are changing food and beverage consumption patterns in favor of the convenience food industry. This applies for both, private consumption and the catering industry.

Germany already has the largest frozen food market in Europe, with total sales of EUR 14.3 billion in 2017 (EUR 7.8 billion from food retail and EUR 6.5 billion from the catering sector). The largest retail segments in terms of volume are bakery products (23 percent), frozen vegetables (14 percent), and ready meals (12 percent). Current growth segments in the retail sector include frozen fruits (+14 percent) as well as bakery products (+5 percent) and snacks (+5 percent). Per capita consumption of frozen food reached 46.3 kg. In the catering sector, growing demand for frozen pizza (+15 percent), meat (+6 percent), and snacks (+5.8 percent) was observed. The growing demand for vegetarian and vegan products is expected to fire the frozen food market in the future.

Between 2013 and 2017, the German convenience food market grew by around four percent per annum to reach EUR 5.6 billion in 2017. According to forecasts, a market volume of EUR 6.3 billion will be achieved in 2021. The average revenue per capita amounted to EUR 67 in 2017. Growth markets within the convenience sector are soups and ready-made meals. Organic convenience products also promise growth.

### Which food products or ingredients are beneficial for your health?

increase in percent



Source: Statista 2018



# Innovative Excellence

## Strong R&D Landscape

The German food and beverage industry as well as public and private institutes alike continuously conduct R&D activities to develop new products, enhance nutrition, and improve general food safety. Research and development and innovation spending in the German food and beverage industry is projected to reach EUR 1.7 billion in 2018, a plus of six percent over 2017. Seventeen percent of all companies active in the industry are expected to introduce new products or product variations or invest in machinery and equipment to improve processes and increase efficiency. New or “me-too” products will create over five percent of total revenues. Process innovations will account for a sales increase of over EUR 3 billion.

## Industrie 4.0

The ongoing digitization of the food industry allows manufacturers to continuously improve the quality of products and processes as well as enhance planning accuracy, traceability of products and customer communication. Research and development in Industrie 4.0 and Internet of Things applications and networks will be a focal point over the next years and will have sustainable effects on processes and products. Real time quality checks, all-over product identification and traceability as well as improved energy efficiency are of specific interest for manufacturers and consumers.

## Research Facilities and Institutes

The non-profit Research Association of the German Food Industry (FEI) supports research projects in all fields of food science, food technology, and nutritional science. The main focus of the FEI's activities are the coordination and promotion of industrial collective research projects initiated by the Federal Ministry for Economic Affairs and Energy. Germany's federal and regional institutes support R&D activities with almost EUR 800 million every year. The federal states of Bavaria, Lower Saxony, and Brandenburg have the highest R&D spending on public food science in Germany.

Germany's strong food industry R&D landscape is supported by world-renowned public institutes such as the Julius-Kühn-Institut (Federal Research Centre for Cultivated Plants), the Max-Rubner-Institut (Federal Research Institute of Nutrition and Food), and several institutions of the Leibniz Association. Main research areas include nutrition science, food technology, plant and animal production, and aquaculture.

## Overview of R&D Projects in Food Technology

Sector	Institutes	Ongoing projects	Finished projects	All projects
Food processing	308	144	694	838
Food chemistry	136	61	353	414
Food microbiology	109	53	265	318

## Overview of R&D Projects in Nutritional Science

Physiology of nutrition	117	24	278	302
Nutritional behavior	97	32	154	186
Toxicology	87	85	413	498
Home economics	21	0	24	24

Source: BLE 2018

## Market Location Advantage

The German food retail and food service market was worth around EUR 320.9 billion in 2017, making Germany the European leader. Important contributory factors include a growing population with increasing purchasing power, a strong agricultural sector, high productivity, and state-of-the-art infrastructure. These help make Germany the ideal point of entry into both German and European markets.

### Retail Landscape

The total German food retail market grew significantly in 2017, reaching EUR 242.5 billion, the German retail landscape can be described as consolidated and mature. In total, the top four German retailers (Edeka, Schwarz Group, Rewe Group, and Aldi Group) have a market share of 60 percent. As the leading chains including Edeka, Schwarz Group, and Rewe Group operate under more than one distribution channel (e.g. supermarkets and discounters), manufacturers new to the market still have multiple options for marketing and launching products in Germany. In 2017, the overall market share of discounters remained stable at around 43 percent. Conventional supermarkets fight competition by continuously enlarging the product portfolio including the introduction of premium private labels, value-added services and innovative shop layouts.

### Online Food Sales

Food retailers and specialty grocers are launching and expanding online offerings as more and more people do their grocery shopping online. In 2017, already 16 percent of all Germans purchased food and beverage products online. Overall sales grew by 21.3 percent and reached EUR 1.13 billion in 2017. For 2018, it is expected that around 40 percent of all German will buy groceries online. Most popular categories include confectionery and snacks, canned foods, pasta, rice and beverages. Germany's online grocery market may still be relatively small, but is growing fast as interest among shoppers soars. By 2021, a market size of around EUR 2 billion is expected. International actors can relatively easily enter the scene as the overall market is growing and barriers to entry for cooperation with national fulfilment and logistics providers for example are moderate.

### Private Consumption

An all-time high employment level, combined with rising wages and low interest rates have contributed to create a domestic consumer market that is prosperous and vibrant. Per capita disposable income reached around EUR 22,700 in 2017. Of this sum, almost EUR 21,000 was allocated for total private consumption – more than ever before and significantly higher than the EU average of EUR 16,700. As has been the case in recent years, 12.1 percent of this sum was spent on food and drinks.

### Top 10 Food Retailers in Germany in 2017

Company	Distribution Channel	Type	Gross Sales 2017 in EUR billion	Number of Stores
Edeka	Edeka, E-Neukauf, etc	Supermarket	29,4	6200
Schwarz Group	Lidl	Discounter	23,5	3219
Rewe Group	Rewe, Rewe City	Supermarket	23,3	4280
Aldi	Aldi Süd	Discounter	17,0	1890
Schwarz Group	Kaufland	Hypermarket	15,5	660
Edeka	Netto Markendiscount	Discounter	14,4	4218
Aldi	Aldi Nord	Discounter	13,5	2250
Metro	Real	Hypermarket	8,4	282
Rewe Group	Penny	Discounter	8,2	2160
dm	dm	Drugstore	7,8	1892
<b>Total Top 10</b>			<b>160,8</b>	<b>27051</b>

Source: Lebensmittelzeitung 2018

In total, Germans spent EUR 197 billion on food and beverages in 2017, an increase of 3.6 percent over 2016. The largest and most free-spending consumer group is the 50+ “best agers” segment. Only 10 percent of available disposable income is currently being saved.

### Local Sourcing

Germany’s abundant farmland offers countless opportunities for local sourcing and underpins Germany’s attractiveness as a production location. In 2017, around 270,000 companies cultivated around 16.7 million hectares of land. Around 70 percent of the total available farmland is used for farming. The number of organic certified farms grew by eight percent in 2017, amounting to almost ten percent of the total. As a result, more than eight percent of all agricultural farmland is used for organic farming.

### Reliable Logistics Infrastructure

Providing a regular supply of food to a population of more than 82 million people makes significant demands of the food logistics sector: customer deliveries must be fast, secure, and on time. A high-performance road infrastructure is an essential requirement for customer-oriented delivery of food. Germany’s infrastructure excellence is confirmed by a number of recent studies: The 2016 Logistics Performance Index of the World Bank ranked Germany first out of 160 countries. Accumulated in this score for Germany are high marks for the quality of roads and air transport, excellent railroads and port infrastructure, as well as its information infrastructure. The study further points out that Germany was also the best performer over the period 2007–2016.

### Trade

With total import and export values of around EUR 77.1 billion and EUR 67.9 billion respectively, Germany was a net importer of processed foods and agricultural commodities in 2016. A quarter of all raw materials are sourced outside Germany, as local production is not sufficient or possible. The continuously rising export share of processed food and beverage products underpins Germany’s competitive location factors and its excellent geographical position to serve not only national but also international markets. Germany’s main trading partners of processed food products are other EU countries, above all the Netherlands, France, and Italy. Exports to non-EU countries increased by more than six percent and are likely to become more important in the future.

The biggest non-EU buyers include China, USA and Switzerland. Altogether, exports reached 33.5 percent of the total production value.

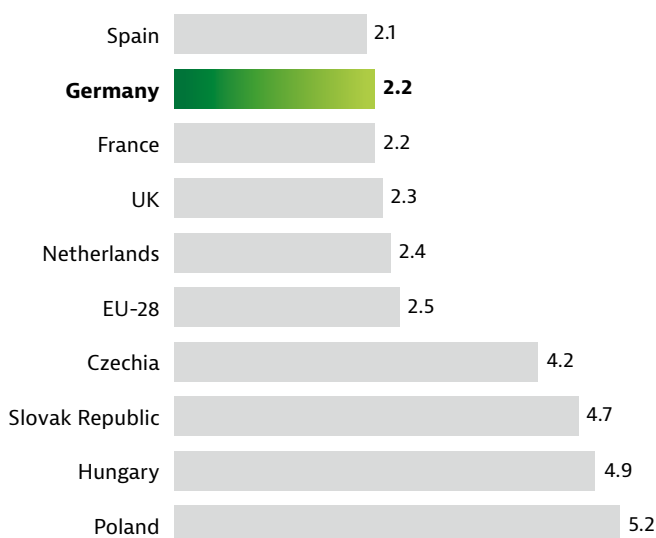
### Competitive Labor Costs

High productivity rates and steady wage levels make Germany an attractive investment location. Since 2007, wages have risen in most European countries (EU-28), with the growth rate averaging 2.5 percent. While some countries experienced a rise of close to or more than five percent, Germany recorded one of the lowest labor cost growth rates within the EU at just 2.2 percent. Flexible working practices such as fixed-term contracts, shift systems, and 24/7 operating permits contribute to enhance Germany’s international competitiveness.

### Internationally Competitive Tax Conditions

Germany offers one of the most competitive tax systems of the big industrialized countries. For corporations the average overall tax burden is just below 30 percent. Significantly lower rates are available in certain German municipalities – up to eight percentage points less. The overall corporate tax burden can therefore be as low as 22.83 percent. Moreover, Germany provides an extensive network of double taxation agreements (DTA) ensuring that double taxation is ruled out, e.g. when dividends are transferred from a German subsidiary company to the foreign parent company.

### Labor Cost Growth in Business Economy 2006-2015 annual average growth in percent



Source: Eurostat 2016

# Financing & Incentives in Germany



Please visit  
our website for  
more incentives  
information:  
[www.gtai.com/  
incentives](http://www.gtai.com/incentives)

**Incentives programs in Germany are available through different public funding instruments and for different funding purposes. The individual funding requirements may, for example, result from investment projects, research and development activities, personnel recruitment, working capital needs or other specific purposes. The different incentives instruments including grants, loans and guarantees are generally available for all funding purposes and can ordinarily be combined; thus matching the different business activity needs at different development stages of the company.**

## Investment Project Financing by Private Equity

Technologically innovative start-ups in particular have to rely solely on financing through equity such as venture capital (VC). In Germany, appropriate VC partners can be found through the *Bundesverband Deutscher Kapitalbeteiligungsgesellschaften e.V.* (BVK – “German Private Equity and Venture Capital Association”). Special conferences and events like the *Deutsches Eigenkapitalforum* (“German Equity Forum”) provide another opportunity for young enterprises to come into direct contact with potential VC partners. Public institutions such as development banks (publicly owned and organized banks which exist at the national and state level) and public VC companies may also offer partnership programs at this development stage.

## Investment Project Financing by Bank Loans

Debt financing is a central financing resource and the classic supplement to equity financing in Germany. It is available to companies with a continuous cash flow. Loans can be provided to finance long-term investments, working capital and operational costs (R&D, personnel) and for bridging temporary financial gaps. Besides offers from commercial banks, investors can access publicly subsidized loan programs in Germany. These programs usually offer loans at attractive interest rates in combination with repayment-free start-up years, particularly for small and medium-sized companies. These loans are provided by the federal development bank KfW and also by regional development banks.

## Investment and R&D Incentives

When it comes to setting up production and service facilities, investors can count on a number of different public funding programs. These programs complement investment project financing. Most important are cash incentives provided in the form of non-repayable grants applicable to co-finance investment-related expenditures such as new buildings, equipment and machinery. R&D project funding is made available through a number of different incentives programs targeted at reducing the operating costs of R&D projects. Programs operate at the regional, national, and European level and are wholly independent from investment incentives. At the national level, all R&D project funding has been concentrated in the High-Tech-Strategy to push the development of cutting-edge technologies. Substantial annual funding budgets are available for diverse R&D projects.

## Labor-related Incentives

After the location-based investment has been initiated or realized, companies can receive further subsidies for building up a workforce or the implementation of R&D projects. Labor-related incentives play a significant role in reducing the operational costs incurred by new businesses. The range of programs offered can be classified into three main groups: programs focusing on recruitment support, training support, and wage subsidies respectively. Labor-related incentives play a significant role in reducing the operational costs incurred by new businesses.

## Incentives in Germany

Funding purposes				
Investments	Working Capital	Research & Development	Specific Purposes	Personnel
Financing supported by any of the following public funding instruments (combinations of instruments usually possible)				
Public funding instruments				
Grants	Loans	Guarantees	Equity Capital	Mezzanine Capital

## Best Practice Example: Tadim Germany

**The Turkish nut specialist Tadim set up a major presence in Emsdetten in the German state of North Rhine-Westphalia, having received support from Germany Trade & Invest, the state's economic development agency, NRW. INVEST, and the city of Emsdetten's ServiceCenter Wirtschaft.**

### Company Information

Tadim, the leading packaged-nut brand in Turkey, was established in Istanbul in 1971. Prior to its German investment, Tadim only had nut, dried fruit and cereal bar production facilities in Gebze, Istanbul. The company buys raw materials directly from the producer, processes them using state-of-the-art production machinery, and delivers as fresh as possible to consumers in Turkey and around the world.

### Location Factors

Following strong demand for Tadim's products in western Europe, the company consequently decided in 2013 to establish a second production location also covering sales functions in one of its key markets: Germany. Critical location factors were the proximity to retailers and customers in Germany as well as neighboring western countries; an optimal logistics infrastructure; and a vibrant local business community including the availability of qualified staff.

### Project Information

Tadim found all of their location requirements fulfilled at an existing building in the City of Emsdetten, located near the Dutch boarder in the federal state of North Rhine-Westphalia. The investment sums up to around EUR 10 million through to 2017, with 30 new jobs created immediately and up to 110 in total until 2017. Core activities in Germany include the production and packaging of nuts and nut mixes for Germany, Europe and North America.

In 2017, Tadim announced plans to invest another EUR 11 million in a local business park in order to build a 10,000 square meter production hall to grow its German and European business even further. One objective is to see the company's products included in the product ranges of the major supermarket chains. To this end, Tadim intends to expand further through additional construction phases in the future.

### Germany Trade & Invest Support

Germany Trade & Invest, as well as the regional and local economic development agencies (NRW. INVEST and the city of Emsdetten's ServiceCenter Wirtschaft), supported Tadim with information on potential investment locations and specific site offers including the organization of site visits. These services were also complemented by substantial tax and legal, rent and labor costs company formation, and other relevant information services and contacts.

*"Tadim has made a significant move by investing in Germany. We hope to expand our market position in Europe as well as just in Germany and we are already processing and distributing to neighboring countries."*

Mehmet Er, Managing Director | Tadim Deutschland GmbH

### Tadim Investment Project Time Line

Jan. 2013	First contact with Germany Trade & Invest
Feb. 2013	First meeting in Germany and general discussion
End 2013	Final decision taken to invest in Germany
Early 2014	Site selection supported by GTAI and individual federal states
Mar. 2014	Site visits in North Rhine-Westphalia
May 2014	Final decision to select Emsdetten as preferred location
July 2015	Tadim receives NRW.Invest Award for its investment project
Sep. 2017	Tadim purchases new site in Emsdetten to invest a further EUR 11 million



## Germany Trade & Invest Helps You

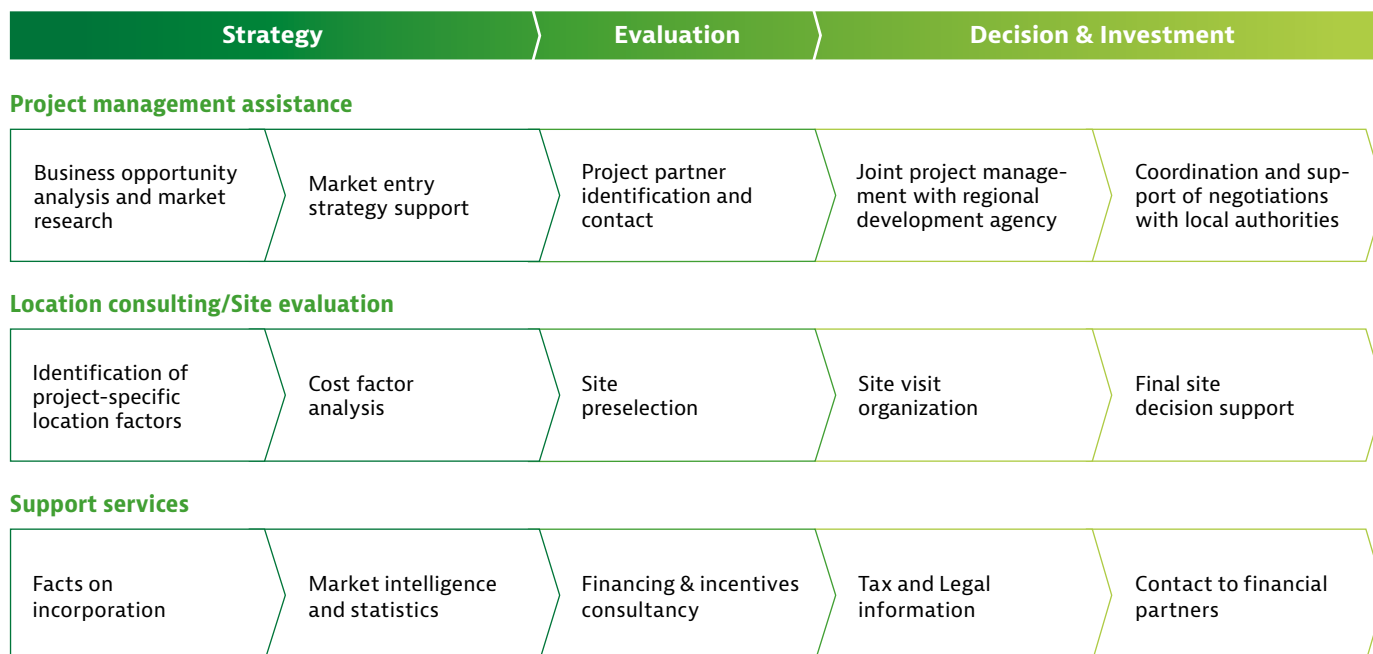
Germany Trade & Invest's (GTAI) teams of industry experts will assist you in setting up your operations in Germany. We support your project management activities from the earliest stages of your expansion strategy.

We provide you with all of the industry information you need – covering everything from key markets and related supply and application sectors to the R&D landscape. Foreign companies profit from our rich experience in identifying the business locations which best meet their specific investment criteria. We help turn your requirements into concrete investment site proposals; providing consulting services to ensure you make the right location decision. We coordinate site visits, meetings with potential partners, universities, and other institutes active in the industry.

Our team of consultants is at hand to provide you with the relevant background information on Germany's tax and legal system, industry regulations, and the domestic labor market. Germany Trade & Invest's experts help you create the appropriate financial package for your investment and put you in contact with suitable financial partners. Our incentives specialists provide you with detailed information about available incentives, support you with the application process, and arrange contacts with local economic development corporations.

All of our investor-related services are treated with the utmost confidentiality and provided free of charge.

### Our support services for your investment project



## CONTACT

# Investor Consulting



Daniel Lindel is the senior manager responsible for the food & beverage industry in Germany Trade & Invest's Digital & Service Industries team within the agency's Investor Consulting division. He is an acknowledged industry expert with a decade of experience and a proven track record in helping international companies set up their business operations in Germany.

For questions on how to establish your business or service center in Germany, please contact Daniel Lindel at **[daniel.lindel@gtai.com](mailto:daniel.lindel@gtai.com)**

For more information about the food & beverage industry in Germany, please visit our website **[www.gtai.com/food](http://www.gtai.com/food)**

Contact us at our headquarters in Berlin:  
Germany Trade & Invest  
Friedrichstraße 60  
10117 Berlin  
Germany  
T +49 30 200 099-555  
F +49 30 200 099-999

# Imprint

## Publisher

Germany Trade and Invest  
Gesellschaft für Außenwirtschaft  
und Standortmarketing mbH  
Friedrichstraße 60  
10117 Berlin  
Germany

## Executive Board

Dr. Jürgen Friedrich, Chairman/CEO  
Dr. Robert Hermann, CEO

## Editor

William MacDougall, GTAI

## Layout

Danielle Röbbenack, GTAI

## Print

Kern GmbH, 66450 Bexbach  
[www.kerndruck.de](http://www.kerndruck.de)

## Picture Credits

Cover: iStockphoto/Eric Gevaert  
Page 15: Germany Trade & Invest

## Notes

All rights reserved ©Germany Trade & Invest,  
October 2018

Reproduction, in whole or in part, only permissible with express prior authorization. All market data provided is based on the most current market information available at the time of publication. Germany Trade & Invest accepts no liability for the actuality, accuracy, or completeness of the information provided.

## Order Number

20881

Supported by:



Federal Ministry  
for Economic Affairs  
and Energy

on the basis of a decision  
by the German Bundestag



### About Us

Germany Trade & Invest (GTAI) is the economic development agency of the Federal Republic of Germany. The company helps create and secure extra employment opportunities, strengthening Germany as a business location. With more than 50 offices in Germany and abroad and its network of partners throughout the world, GTAI supports German companies setting up in foreign markets, promotes Germany as a business location and assists foreign companies setting up in Germany. All investment services and related publications are free of charge.

### Germany Trade & Invest Headquarters

Friedrichstraße 60  
10117 Berlin  
Germany  
T +49 30 200 099-0  
F +49 30 200 099-111  
invest@gtai.com  
www.gtai.com

### Germany Trade & Invest Bonn Office

Villemombler Straße 76  
53123 Bonn  
Germany  
T +49 228 249 93-0  
F +49 228 249 93-212  
info@gtai.de  
www.gtai.de