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Manatū Aorere

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# Germany: food and beverage update

MARKET INTELLIGENCE REPORT

# Summary

*Prepared by: New Zealand Embassy Berlin, in consultation with NZTE Berlin*

Changes in tax, policy and social values are shifting consumer habits in the German food and beverages (F&B) market, with possible impacts on consumption of organic, vegetarian and meat products.

Key changes include:

- A value-added tax (VAT) on food and beverages served in restaurants will increase from 7% to 19% on 1 January 2024.
- The Federal Ministry of Food and Agriculture promotes organic and plant-based products.
- Key stakeholders have launched a private sector label for German food products.
- Leading retailers continue to promote plant-based products while growth slows.
- German consumers are more price-sensitive again due to high food price inflation.
- Plant-based products become mainstream but meat remains a valued part of the diet.

# Report

This report updates New Zealand export considerations to Germany in 2024 ahead of the anticipated entry into force of the European Union-New Zealand Free Trade Agreement. Domestic tax increases and shifts in food preferences could impact both new opportunities and costs in the German market for New Zealand exporters.

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## Government policies

Two developments since the [meat market update](#) from last August are worth noting:

- **VAT in restaurants up from 7 to 19%:** From 1 January 2024, value-added tax on food and beverages served in restaurants, cafés and catering facilities will return to the standard rate of 19%. This is up from the reduced rate of 7% which has been applied since 2020, initially as a concession during the pandemic and then in response to the energy crisis of 2022. Takeaway and delivered food will continue to be taxed at 7%. The hospitality sector lobbied vigorously against the increase, citing already high inflation and warning against insolvencies and a significant fall in turnover. The increase in VAT will make premium New Zealand products destined for restaurants such as meat and wine less affordable.
- **Promotion of `organic` food – 30% target for 2030:** The Federal Ministry of Food and Agriculture (BMEL) has launched an `[Organic Strategy 2030](#)`, which seeks to increase the production and consumption of (EU-certified) organic food to 30%. Future measures include an increased organic share in out-of-home catering, more communication, and improved conditions for farms wanting to shift to organic production. Critics say the targets are overly ambitious given limited demand for pricier products. Organic products currently represent 11% of German farmland and 6% of the total F&B market. While unlikely to impact directly on imports, this strategy may shift demand towards organic products.

BMEL is also discussing further measures including a nutrition strategy favouring a more plant-based diet, and restrictions on food advertising directed at children. It has [evaluated](#) legislation introduced in 2021 banning `unfair trading practices, concluding that it largely works as intended and has strengthened suppliers' bargaining with retailers.

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# Private sector initiatives

Retailers continue to respond to changing demand. Recent announcements include:

- New private label for German food: The leading retailers have committed to supporting a new “[Good food from German agriculture](#)” label jointly agreed between stakeholders along the food supply chain. The scheme will be rolled out from January 2024 and initially focus on unprocessed products, including beef and fruit and vegetables. Retailers plan to extend the scheme to further product groups, processed products and out-of-home consumption. Eligibility criteria requires that fruits and vegetables be grown and harvested, and animals be born, raised and slaughtered all in Germany. It’s unclear whether this new label will have a lasting impact on consumer choices.
- Promotion of plant-based alternatives to meat and dairy products: Leading discount chain [Lidl](#) has reduced prices for almost the entire range of its own vegan brand to align with comparable products of animal origin. Lidl also committed to increasing the percentage of plant versus animal sources from currently 11% to 20% by 2030, and from 6% to 90% for dairy products. New commitments by other German retailers have been less specific, although some have announced they will expand their product range. This trend could have an impact on the future listing and delisting of products, including imports.

Meanwhile, supermarkets have been downsizing their overall product range since last year.

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## Consumer trends

Food price inflation in Germany remains high but has decreased from 11% year-on-year in July to 5.5% in November. Overall consumer confidence is higher than a year ago but remains low. BMEL’s latest annual [nutrition report](#), based on a national survey, revealed that:

- Taste continues to matter most, to 99%, followed by the perceived healthiness of the product (91%) and ease of preparation (52%). Post COVID, cooking becomes less common again, with 45% cooking daily. This is down from 52% in 2021 but still up from 39% recorded just before the pandemic.
- 71% consume fruit and vegetables every day, 58% claim the same for dairy products, 26% for sweets. Reported daily meat consumption is down to 20%, compared with 34% in 2015. By contrast, 10% now eat alternative vegetarian or vegan products every day, up from 5% in 2020.
- At point of sale, taste and sustainability credentials remain important, but more consumers than previously look out for special offers (73% vs. 61% last year) and cheap products (57% vs. 47%). This is consistent with further evidence of a declining willingness to pay a premium.

Demand for plant-based alternatives to animal products remains a significant but slowing trend. A recent [survey](#) commissioned by the German Retail Association revealed that four in ten consider themselves to be flexitarians, 9% claim to be vegetarians and 3% vegans. Climate protection was the most common reason consumers gave for their food choices. Another [survey](#) found that plant-based alternatives mostly substitute meat products, followed by fresh milk and other dairy products. Those aged 18-29 also showed interest in substituting honey, eggs and fish.

Despite German animal farmers and meat processors feeling on the defensive, trends are shifting. The latest edition of a regular meat consumption [survey](#) suggested that “the image of meat is slowly recovering.” The share of respondents considering meat “an indispensable component of the diet” increased to 61% after four years of decline.

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