

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

## Summary

- Meat consumption in Germany continues to decline, with the exception of sheep meat or organic meat. Extended lockdowns over many months, with restaurants still closed, have led to a shift from out-of-home to home consumption of high-quality meat.
- Meanwhile, animal welfare remains in the spotlight. Related labelling and improvement schemes are getting traction, but in order to lift standards for the entire sector without jeopardising competitiveness, the Government is now looking at introducing a higher VAT or levy on animal products to fund the transformation of animal production more widely.

## Report

Despite a challenging year, New Zealand's meat exports to Germany remained reasonably stable in 2020, at least in value terms. By contrast, exports over the first quarter of this year were down markedly, due to strong demand in China whilst Germany remained essentially in lockdown for the entire period. This report is an update on the trends [reported](#) in February 2020.

### **German meat consumption continues to decline; lockdowns trigger a major shift to home consumption**

Annual meat consumption per capita in Germany has now dropped to its lowest level ever since this indicator was established in 1989. Preliminary figures suggest a decline in 2020 by 0.75 kg to 57.3 kg. This was mainly attributable to pork consumption, whereas consumption of sheep (and goat) meat seems to have slightly increased (this may at least in part be due to a shift to retail purchases, which tend to be reported more accurately than out-of-home consumption, see below). Demand for organic meat has increased strongly against the overall trend, up 50% year-on-year and taking the market share to 4.5%. Total spend on meat products also increased, with annual meat price inflation at 6%.

Due to two lockdowns over the year, including over Easter and Christmas, restaurants were closed over March-May and November-December, and have remained closed since the beginning of this year (including over another Easter). With much of our high-quality products usually targeting out-of-home consumption, this has been a tremendous challenge for importers, suddenly under pressure to almost fully redirect products to retail. Outdoor catering may finally be allowed to re-open again in the coming weeks, but market participants still find it hard to plan for the remainder of this year, given the uncertainty as to when restaurants can fully reopen and how consumers will respond.

### **Animal welfare labelling on unprocessed meat products is increasingly common**

Driven by retailers and civil society, animal welfare labelling continues to get traction, in various forms. Two years ago, the main retailers (representing a combined market share of 85%) established a joint private '[Housing System](#)' rating label for pre-packed, unprocessed meat. Covering pork, poultry and beef (but not sheep meat) the scheme groups most but not all products on the shelves into four levels (1 = legal minimum standards; 4 = pastoral/organic). New Zealand beef and dairy products could potentially qualify for Level 4, subject to dehorning practices. Animal welfare NGOs have observed and criticised that Levels 1 and 2 – i.e. products that merely reflect or hardly exceed minimum standards – are still dominating the market for now. Some retailers have now begun to delist Level 1 products.

Meanwhile, another scheme that was established six years ago has also been extending its reach. The '[Initiative Animal Welfare](#)' is a retailer-funded compensation mechanism for poultry and pork producers who exceed legal minimum standards. This specific programme meets Level 2 criteria under the aforementioned system and has a reported market share of 70% for poultry and 30% for pork. The scheme has been entering a new phase with the introduction of full traceability allowing participating farmers, retailers and now also restaurants to label and market specific products. Discussions are ongoing to also define and roll out criteria for the inclusion of beef products in the programme.

Last but not least, the Federal Government intends to introduce a new government-sponsored, three-level voluntary animal welfare labelling scheme (going beyond housing and equally covering slaughtering or transport), starting with pork and potentially to be followed by poultry, beef and dairy. It has also successfully drummed up support to get the European Commission to consider a (potentially mandatory) EU-wide scheme (see [here](#) for the current state of play).

### **Increased VAT or a new levy on animal products are on the cards**

In addition to such initiatives, as foreshadowed in last year's report, a group of experts from various stakeholders has proposed the transformation of the entire German animal production sector over the next 20 years. A multi-billion government funding scheme would compensate farms for additional investment and running costs mainly associated with more spacious and sophisticated stables, in order to meet higher than current legal minimum animal welfare standards. A feasibility study published in February suggested that the idea would be legally and financially possible, and an impact assessment released this month concluded that pursuing these plans would be better for the sector than inaction.

Potentially most relevant for meat exporters to Germany are the proposed mechanisms to generate the funding required to compensate (German) farmers. The most likely options are either an increase of VAT on animal products from the current (reduced) rate of 7% to the standard rate of 19%, or a new animal welfare levy (possibly at €0.40) imposed on each kilogram of animal product sold in the German market. Given our products range at the upper end of the price spectrum, a VAT increase would have a greater effect on prices than a volume-based levy. Citing other studies, the impact assessment suggests that a VAT increase of that magnitude could potentially reduce beef consumption by 6%. Importers concede that a VAT increase would not make it easier to market New Zealand produce but seem not overly worried at this stage, noting price fluctuations in that range albeit for other reasons are not new, and that New Zealand produce is chosen for its quality, not its price. If and when Germany eventually proceeds with all these plans remains to be seen, but the political momentum is there.

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