CBI MARKET SURVEY

The Natural Stone and Stone Products Market in Germany

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Report summary
This CBI market survey discusses the following highlights for the natural stone market in Germany:
- The consumption of all product groups has gone down between 2002 and 2004 resulting in a 32% decrease of total volume. Following these developments, the total volume of production went down with 34%.
- The value of imports has dropped with 14% between 2002 and 2005. Only the product group Funeral and Other Art has seen a small increase.
- The market share of developing countries has grown between 2002 and 2005 from 28% to 42%. Developing countries are especially important as suppliers of finished products. China (27%), India (9%), Brazil (2%) and Turkey (2%) are Germany's most important suppliers.

This survey provides exporters of natural stone with sector-specific market information related to gaining access to Germany. By focusing on a specific country, this survey provides additional information, complementary to the more general information and data provided in the CBI market survey 'The Natural Stone and Stone Products Market in the EU', which covers the EU market in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from http://www.cbi.eu/marketinfo

Note: In the chapters about consumption and production, we refer to 3 product groups:
- Blocks and Slabs
- Landscape design
- Monumental and Funeral

The last group (Monumental and Funeral) is an aggregate of 2 sub products groups that will be addressed separately in the Import/ Export section: Flooring and Cladding and Funeral and other arts. For more explanation about the product group segmentation, please refer to the Appendix A in the CBI survey 'The Natural Stone and Stone Products Market in the EU'.

1 Market description: consumption and production

Consumption and industrial demand

- In 2004, the German consumption of natural stone represented 7,005 thousand tonnes, of which 6,859 thousand tonnes of finished products representing € 751 million.
- Germany is one of the bigger EU consumers of natural stone ranking third with 9% of the total EU consumption in quantity. Italy and Spain are the biggest with respectively consuming 48% and 16% of the EU total. Other middle sized consuming countries are: Greece (7%), the UK (3%) and France (3%).
- All product groups have decreased substantially between 2002 and 2004 (see Table1.1).
- The volume of Blocks and Slabs and Landscape design decreased by 73% and 42% respectively. The volume of consumption of the biggest product group Monumental and Funeral, dropped by 28%. The value however dropped with 11%, confirming the earlier remarks that Germany is consuming less volume at a higher price.
- As a whole, the market for finished stone products has declined between the years 2002 and 2004. With a decrease of 30% the volume has dropped more than the value (-12%): because of increased outsourcing of production work to lower wages countries, the added value of imported finished stone products has gone up.

Table 1.1 German consumption split into product categories 2002 - 2004, value in € million; volume in 1,000 tonnes

	2002		2003		2004	
Product group	**Volume**	**Value**	**Volume**	**Value**	**Volume**	**Value**
Blocks and Slabs	535	-	423	-	146	-
Landscape design	1,122	95	1,000	88	659	71
Monumental and Funeral	8,660	763	8,265	734	6,200	680

Source: Eurostat (2006)

- Although Germany recently increased its VAT with 3% (now at 19%), the German economy has grown more than forecasted in the first months of 2007. For 2007 a total growth of 2.5% is expected which will continue in 2008.[1] Furthermore the German building sector, the largest consumer of natural stone, is starting to show signs of recovery after a decade of recession.[2] These developments will probably have a positive impact on the consumption of the natural stone or at least slow down the decrease of the consumption.

Market segmentation

The German market can be divided into the following segments of users of natural stone:

- building industry: using natural stone in a wide variety of applications for interior design as well as exterior coverings. The building industry is by far the biggest consumer of natural stone in Germany.
- natural stone processing industry: processes blocks and slabs of natural stone into finished products to supply to the market segments below. This industry plays an important role in the German market.
- funeral industry: is a large retail sector that sells funerary art like tombstones, gravestones and urns to the consumer. Natural stone for funeral art is very common in Germany and therefore the industry is a large consumer.
- Other retail (consumer market): include garden centres and interior design sector.

Unfortunately it is not possible to give accurate market share figures of the individual segments as exact figures are missing.

Consumption trends

- New extraction technologies and the large supply of natural stone have made the average prices drop. Therefore in Germany natural stone is becoming a more affordable and sustainable alternative for products like wooden floors and floor carpets. This development has an effect on the consumption of products like tiles for flooring and cladding.
- The population of Germany is slowly ageing. A long-term result will be an increase in the demand for funerary art (i.e. tombstones and urns). Moreover, the ageing part of the population is substantially wealthy, something that can have an influence on the consumption of natural stone in one form or another (interior design, art or gardens).
- The most popular colours for tiles and other decorative stone products are brown tones in addition to cream and beige. Furthermore, for these products there is an increasing demand for bigger sized products (e.g. bigger tiles).

Production

- In 2004, the German production of natural stone represented 5,688 thousand tonnes, of which 5,673 thousand tonnes of finished products with a total of € 395 million (note: no value data for Blocks and Slabs).

[1] Source: European Commission
[2] Source: Financial Times

- Germany is a fairly big producer in the EU accounting for 8% of the total volume. Other important producing countries are: Italy (55%), Spain (20%), Greece (8%) and France (3%). In terms of value, Germany produced 5% of the total EU production of **finished** products.
- The production of Blocks and Slabs has dropped dramatically with 95% between 2002 and 2004.
- The volume of produced finished stone dropped more than twice as much as value with 31%. Landscape design and Monumental and Funeral have decreased in volume, with 59 and 31% respectively. In terms of value however the decrease was 44% and 13%.
- One explanation for this is that German producers are focussing on niche markets and therefore are adding more value to their products.

Table 1.2 German production split into different product categories 2002 – 2004; value in € million; volume in 1,000 tonnes

	2002		2003		2004	
Product group	**Volume**	**Value**	**Volume**	**Value**	**Volume**	**Value**
Blocks and Slabs	275	n.a.	61	n.a.	15	n.a.
Landscape design	246	18	115	13	102	10
Monumental and Funeral	8,071	444	7,662	429	5,571	385

Source: Eurostat (2006)

- The natural stone processing industry still plays an important role in Germany and is often an important link between importer and the retail market. However, Germany is having trouble maintaining its market position as one of the bigger EU producers. This is due to the increasing competition from foreign suppliers. Germany now imports almost all of its raw natural stone from abroad as well as a large amount of finished stone products. However, in 2005 German production did see a small increase of 0.8% compared to 2004.[3]
- Listed below are some interesting players on the German market active in the production of natural stone:
  - Grasyma Steinbruch: extracts blue granite in the North of Bavaria, Germany which can be used for all kinds of applications: http://www.b-i-werbung.de/kunden/grasyma/bruchbereich.html
  - Ernst Naturstein: produces exclusive stone products for interior design: http://www.naturstein-ernst.de/
  - Granit4you: stone processor using exclusively granite for various products for interior design: http://www.granit4you.de/

Developments

- One of the trends in the field of production is the increased outsourcing of natural stone processing to countries with lower wages. Funerary art especially mainly comes from countries China and India now.
- The natural processing industry in Germany is increasingly working with slates of natural stone that are calibrated in a way that they are ready to be processed by the computer numerical control (CNC) machines. CNC does numerically directed interpolation of a cutting tool in the work envelope of a machine.

Opportunities and threats

+ The prospects for the natural stone market in Germany are looking better than they have been in recent years.
+ Germany has a long tradition with natural stone and therefore quality standards in Germany are high. Suppliers of high quality stone will therefore be able to find market openings easier.

[3] Source: Eurostat 2007

+ Global warming and the environment in general are popular topics at the moment in Germany. Efficient and environmentally sound extraction will not only reduce costs but also be a good marketing tool for creating a competitive advantage.
- Because of the many competing suppliers the average price of natural stone is decreasing.
- Although the German stone industry is changing due to foreign competition, it still holds a stable position in the market. This makes it harder for suppliers from developing countries, who not only have to compete with other foreign suppliers, but also with a industry that has a long history and tradition.

Note that the above mentioned opportunities and threats do not necessarily apply to your situation. Therefore, please use the developments and trends discussed in the previous chapters to make your own analyses. Let that determine whether the above mentioned opportunities and threats apply to your situation. For an example of such an analysis, please refer to chapter 7 of the CBI market survey 'The Natural Stone and Stone Products Market in the EU'.

Useful sources

- Nature Stone network: http://www.naturstein-netz.de/
- Federal Guild Federation of Stone Cutter, Stone and Wood Sculptor Handicrafts: http://www.biv-steinmetz.de/
- German Natural Stone and Stonecutters Association: http://www.zdnw.de

2 Trade channels for market entry

Trade channels

- Wholesaler/importers: buy their natural stone directly from supplying countries. The market is dominated by a few large companies:
  - Rossittis: http://www.rossittis.de
  - HABU importer: http://www.habu.de
- Natural stone processing industry: processors that buy from wholesalers/importers, quarry their own stones or, depending on the size of the company, buy directly from supplying countries. After processing these companies mainly supply to retailers and consumers.
  - Meures Natural Stone: http://www.meures.de/
  - Westerwald-Trachyt: http://www.trachyt.de
- Retailers: buy from wholesaler/importers and natural processing industry; however large retailers are also known to buy from supplying countries directly.
  - Meylahn Nature Stone: http://www.meylahn-naturstein.de
  - Jona Stone (online-shop): http://www.natursteine-shop.de
- Other: major companies (e.g. building) or governmental organisations buying directly from supplying countries for large building projects.
  - Federal German Building Agency: http://www.bbr.bund.de/EN/Home/homepage__node.html?__nnn=true
  - Hochtief: http://www.hochtief.com

Trends in trade channels

- In recent years more importers have become active on the German market because of it is becoming easier to import stone from foreign countries.
- Although the natural processing industry in Germany is still very important, Germany is importing more finished products instead of processing raw material locally. Because of the increasing number of suppliers of natural stone, this development is expected to continue in the future.

Price structure

Throughout the various trade channels, different prices and margins apply. The different prices per trade channel in the EU are almost identical in the different EU Member States. Therefore, please refer to chapter 3 of the CBI survey 'The Natural Stone and Stone Products Market in the EU' for an overview of prices and margins.

Selecting a suitable trading partner

- Wholesalers/importers and other importing parties in Germany usually deal with agents in the supplying country. These agents find producers and compare the quality and prices of the product keeping in mind what is requested by the importers in Germany. Therefore, producers will have to get in contact with the agents in their own country in order to access the German market.
- It is of course also possible to establish a direct relationship with importers in Germany. These are usually the bigger importing parties with long-term plans and able to afford the extra costs of a direct relation (e.g. travel costs, translators). In some cases they are interested in investing in more efficient extraction technologies in developing countries making it profitable for both parties.
- Listed below are websites where you can find possible trading partners:
  - Stonetrade (have to be a paying member in order to search for trading partners) http://www.natursteinnet.de/stonetrade/index.htm
  - Building company link site (gives information about the building sector and includes links to building companies): http://www.baulinks.de/index.htm

3 Trade: imports and exports

Imports

Total imports

- Germany imported about € 491 million worth of natural stone in 2005. This comes down to approximately 2 million tonnes of natural stone.
- Germany is the second largest EU importer accounting for 15% of the total value of EU imports. Italy is the biggest with 17%. Other important EU importers are the United Kingdom (14%), France (12%) and Spain (9%). Eastern and Northern European countries are generally lower on the list. For example, Lithuania only accounts for 0.3% and Sweden 0.7%.

Table 3.1 German imports between 2002 – 2005; value in € million, volume in 1,000 tonnes

2002		2003		2004		2005		Value '05/'02
Volume	Value	Volume	Value	Volume	Value	Volume	Value	
2,141	570	2,311	534	1,774	473	1,785	491	-14%

Source: Eurostat (2006)

- Despite the fact that between 2002 and 2004 imports have dropped, there is a slight increase noticeable in 2005.
- Between 2002 and 2005 the average value of imported stone has dropped. However looking more closely it becomes clear that the price of blocks and slabs has gone slightly up and that of finished products has dropped marginally.

- It can be concluded that the drop in the consumed value of finished stone products (-12%) had almost as much impact on German production (-15%) than it had on its imports (-14%). In contrast, the drop in consumption of intermediates products (-72%) in terms of volume has influenced German production (-95%) more than its imports (-18%).
- 55% of the total value of German imports originates in EU countries. This comes down to more than € 270 million with a volume of over 905 thousand tonnes. The most important intra-EU suppliers in value are: Italy (27%), Spain (13%) and The Netherlands (5 %). Intra-EU imports have gone up over the years 2002-2005 with 3%.
- Within German import in 2005, more than € 205 million (42%) originated in developing countries with a volume exceeding 843 thousand tonnes (47%). The overall market share of developing countries has grown from 28% to 42% over the period from 2002 to 2005. It is expected that in a few years developing countries will be the biggest supplier to Germany.
- Please find below a table with the most important developing countries supplying to Germany:

Table 3.2 Most important developing countries supplying Germany in 2005

Developing country	Value (in € million)	% of total German imports	Value '05/'02
China	132	27	+13%
India	44	9	+1%
Brazil	9	2	+0.5%
Turkey	8	2	-1%
Pakistan	2	0.4	-0.3%

Source: Eurostat (2006)

Imports by product group

- Please find below a table with imports of natural stone divided into different product groups:

Table 3.3 Imports by and leading suppliers to Germany 2001 - 2005, share in % of value

Product group	2002 € mln	2003 € mln	2004 € mln	2005 € mln	Leading suppliers in 2005 Share in %	Share (%)
Total natural stone:						
Intra EU	381	354	276	270	Italy (27%), Spain (13%), the Netherlands (5%), Poland (2%), Portugal (2%)	**55%**
Extra EU	31	25	24	17	Norway (1%), Switzerland (1%), Israel (0.2%), Bulgaria (0.2%), Romania (0.2%)	**4%**
DC*	158	152	173	204	China (27%), India (9%), Brazil (2%), Turkey (2%), Pakistan (0.4%), South Africa (0.2%), Vietnam (0.2%), Croatia (0.2%), Egypt (0.2%), Indonesia (0.1%)	**42%**
Funeral and other art:						
Intra EU	178	162	132	132	Italy (38%), the Netherlands (4%), Spain (2%), Austria (2%), Belgium (1%)	**50%**
Extra EU	6	6	6	5	Switzerland (1%), Bulgaria (0.1%), Taiwan (0.1%), Romania (0.1%), Israel (0.1%)	**2%**
DC*	79	83	103	127	China (31%), India (13%), Turkey (1%), Brazil (1%), Pakistan (1%), India (0.2%), Egypt (0.2%), Vietnam (0.2%), Iran (0.1%), South Africa	**48%**

					(0.1%)	
Flooring and Cladding:						
Intra EU	123	112	87	79	Spain (52%), Italy (16%), Austria (1%), the Netherlands (1%), Belgium (1%)	**75%**
Extra EU	6	3	5	5	Switzerland (1%), Norway (1%), Israel (1%), Romania (0.5%), Bulgaria (0.3%)	**5%**
DC*	14	13	20	21	China (12%), Brazil (4%), India (2%), Turkey (1%), Syria (0.4%), Egypt (0.2%), Croatia (0.1%), Vietnam (0.1%), South Korea (0.1%), Indonesia (0.1%)	**20%**
Blocks and Slabs:						
Intra EU	42	39	32	30	Italy (20%), the Netherlands (10%), France (7%), Poland (6%), Portugal (4%)	**60%**
Extra EU	19	16	13	8	Norway (11%), Switzerland (3%), Bulgaria (0.5%), Australia (0.4%), USA (0.3%)	**15%**
DC*	27	13	14	13	India (8%), China (7%), Brazil (3%), Turkey (2%), South Africa (2%), Croatia (1%), Zimbabwe (0.2%), Philippines (0.2%), Vietnam (0.1%), Iran (0.1%)	**25%**
Landscape design:						
Intra EU	49	45	25	28	the Netherlands (10%), Italy (8%), Portugal (6%), Croatia (6%), Poland (4%)	**3%**
Extra EU	0.5	0.2	0.2	0.4	Switzerland (0.3%), Bulgaria (0.2%), Romania (0.01%), Hong Kong (0.01%), Israel (0.001%)	**1%**
DC*	39	43	38	43	China (47%), India (7%), Turkey (3%), Brazil (2%), Vietnam (1%), Croatia (0.2%), Argentina (0.2%), Egypt (0.1%), Ukraine (0.02%)	**60%**

Source: Eurostat (2006)
*Developing Countries

- The total imports value of the product groups Blocks and Slabs, Landscape Design and Flooring and Cladding have decreased between the years 2002 and 2005. Only the product group Funeral and Other Art has seen a slight increase.
- The most important product imported in the product group Intermediate Products in 2005 was siliceous blocks and slabs (€ 40 million). Finished Products mainly comprises siliceous funeral art (€ 212 million), setts, curbstones and flagstones (€ 72 million) and slate monumental building stones (59 million).
- Blocks and Slabs is the only product group of which the market share of developing countries has dropped.

Exports

- The total value as well as the total volume of German exports has grown between the years 2002-2005 (see table 3.3). Remarkable is however that volume (60%) has increased considerably more than value (13%). In other words, Germany is exporting more quantity but at a lower price.
- Germany is the sixth largest exporter in the EU accounting for 3% of the total value of EU exports. The EU market knows just two large exporters namely Italy (46%) and Spain (24%). Other medium sized exporters are Portugal (6%) and Belgium (5%). The

country closest to Germany in terms of export figures is France with 3.2%. The new EU Member States[4] hardly make an impact with only Poland and the Czech Republic accounting for 1% each of the total EU exports.

Table 3.4 German export of natural stone 2002 – 2005; value in € million; volume in 1,000 tonnes

2002		2003		2004		2005		Value
Volume	**Value**	**Volume**	**Value**	**Volume**	**Value**	**Volume**	**Value**	**'05/'02**
416	100	460	96	457	104	664	113	+13%

Source: Eurostat (2006)

Opportunities and threats

\+ The positive economical developments in the coming years will have a positive impact on the import of natural stone.
\+ Developing countries are becoming more important suppliers to Germany. Having a secure position in the German market, developing countries can make long-term plans and invest in business relationships, logistics and implement measures to improve efficiency.
\- The price of imported finished stone products is dropping.

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Useful sources

- EU Expanding Exports Helpdesk:
  http://export-help.cec.eu.int/ ➔ go to: trade statistics
- Eurostat – official statistical office of the EU:
  http://epp.eurostat.cec.eu.int ➔ go to 'themes' on the left side of the home page ➔ go to 'external trade' ➔ go to 'data – full view' ➔ go to 'external trade - detailed data
- Nature Stone Association:
  http://www.natursteinverband.de

4 Prices developments

- In general the average unit price level of natural stone and natural stone products has been falling due to an expanding supply fuelled by technical progress at the international level. In contrast to global developments the average price of imported natural stone in Germany seems to have stabilised in recent years. This is a healthy sign that might be explained by the fact that German buyers emphasise more on quality than on price.
- Find listed below some websites for price information:
  - Allstone Nature Stone Trade:
    http://www.allstone.de ➔ go to sorten und preizen
  - Nature stone agent:
    http://www.naturstein-agentur.de/
  - Stone source:
    http://www.stonesource.com/

[4] The ten new Member States are: Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia. Bulgaria and Romania have not yet been included in this market survey because they just entered the EU in 2007 and are therefore considered to be Extra-EU countries.

5 Market access requirements

As a manufacturer in a developing country preparing to access Germany, you should be aware of the market access requirements of your trading partners and the German government. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns. You need to comply with EU legislation and have to be aware of the additional non-legislative requirements that your trading partners in the EU might request.

For information on legislative and non-legislative requirements, go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select natural stone products and Germany in the category search, click on the search button and click on market access requirements.

Additional information on packaging can be found at the website of ITC on export packaging: http://www.intracen.org/ep/packaging/packit.htm

Information on tariffs and quota can be found at http://export-help.cec.eu.int/

Information on eco-labelling and packaging legislation is included in the CBI market information database.

6 Doing business

General information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) can be found in CBI's export manuals 'Export Planner' and 'Your image builder'. Furthermore cultural awareness is a critical skill in securing success as an exporter. Information on cultural differences in the EU can be found in chapter 3 of CBI's export manual 'Exporting to the EU'. These manuals can be downloaded from http://www.cbi.eu/marketinfo - go to search publications.

Advertising

As mentioned before importing parties in Germany usually deal with agents in the supplying country. Establishing a relation with the agent is therefore the first step to gaining access to the German market.
The agents promote the products of their clientele at trade shows. Producer can also participate in these trade shows, however often indirectly through the agent. The most important trade show in Germany is the Stone Tec Expo. Displaying products at Belgian and Dutch trade shows might also help to establish a relation with players in the German market.

Service

In a market where competition is fierce and margins are small, it is becoming increasingly important to be a reliable partner. Delivering according to agreements and effective communication are crucial for your trading partner and necessary for developing a long-term business relationship.

Useful sources

- Stone Tec Nature Stone Expo: http://www.stone-tec.com
- Nature Stone magazine: http://www.s-stein.com/
- Nature Stone magazine: http://www.natursteinonline.com

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