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Georgian Farmers' Association

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CEREALS IN GERMANY

MARKET RESEARCH

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Shrosha str. 8/10 | Tbilisi, 0179, Georgia
Team@eda.org.ge
www.eda.org.ge

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1. Overview of the market

1.1. Economy

With a growing population of 82.7 million consumers and an economy measured at €3 263 billion at current prices in 2017, Germany is by far the largest and wealthiest of the European Union's 28 member states (EU28). [1] [2] Germany's population constitutes 16% of the total EU28 population and its economy amounts to 21% of that of the EU28. Moreover, Germany's economy has seen stable recovery for the past years and in 2017, the economy expanded by 2.2%, which marks the largest annual growth since 2011 (Table 1). Current growth of Germany's economy is boosted by rising exports, record high employment rates and real wage increments, strong domestic consumption, increasing investments, as well as booming construction sector.

Table 1. Key economic development indicators[3]

	2015	2016	2017
GDP at current prices, € bln	3 044	3 144	3 263
GDP per capita at current prices, €	37 260	39 745	38 183
GDP growth rate, %	1.7%	1.9%	2.2%
Inflation rate, %	0.3%	0.5%	1.8%
Unemployment rate, %	4.3%	3.9%	3.7%

One of the main Germany's strengths lies in its production capabilities, quality standards and international competitiveness, with German manufacturers creating 28% of the total EU28 manufacturing turnover. Also, thanks to its geographical location and world-class transport infrastructure, Germany has easy access for trade in the whole EU28 region. All of these factors are translating to major export volumes and positive foreign trade balance. In 2017, Germany exported goods in value of €1 279 billion, of which food and feed category totalled to 4% of all exports. At the same time, Germany imported goods in value of €1 035 billion, of which food and feed category accounted for 5% of all imports. [4]

Table 2. Key foreign trade indicators[5]

	2015	2016	2017
Exports, € bln	1 194	1 204	1 279
Imports, € bln	949	955	1 035

1 Eurostat (2017), Population on 1 January by age and sex. Available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=demo_pjan&lang=en
2 Eurostat (2017), GDP and main components (output, expenditure and income). Available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nama_10_gdp&lang=en
3 Germany Trade & Invest (2018). Economic Overview Germany. Available at: https://www.gtai.de/GTAI/Content/EN/Invest/_SharedDocs/Downloads/GTAI/Brochures/Germany/economic-overview-germany-market-productivity-innovation-en.pdf?v=9
4 Germany Trade & Invest (2018). Economic Overview Germany. Available at: https://www.gtai.de/GTAI/Content/EN/Invest/_SharedDocs/Downloads/GTAI/Brochures/Germany/economic-overview-germany-market-productivity-innovation-en.pdf?v=9
5 Germany Trade & Invest (2018). Economic Overview Germany. Available at: https://www.gtai.de/GTAI/Content/EN/Invest/_SharedDocs/Downloads/GTAI/Brochures/Germany/economic-overview-germany-market-productivity-innovation-en.pdf?v=9

Net trade balance, € bln	+245	+249	+244

Germany's food and beverage industry is one of the backbones of country's economy and is the 3rd largest industry in the country. Germany is also the largest food and beverage producer in the EU28 in terms of turnover. In 2016, the industry accounted for a turnover of €171.3 billion, of which 32.9% of all production was exported in 2016, leaving the rest two thirds for domestic market. In 2016, Germany's food and beverage industry recorded a growth of 1.6% due to expanding exports, altering the retraction trend of previous years (Table 3). Growth trend is also reflected in an increasing number of companies and employees working in the industry.

The largest industry branches are the meat and meat processing industry, making up 24% of the total turnover, the confectionary and bakery industry – 18%, the milk industry – 13%, the production of alcoholic beverages – 8%, as well as the processed and canned fruit and vegetables industry – 6%.[6] Leading domestic companies include such names as Dr. Oetker, Tchibo, DMK Deutsches Milchkontor, Sudzucker, Muller Group, while among the strongest international companies are Coca-Cola, Nestle, Vion Food Group and Mondelez International.

Table 3. Key food and beverage industry indicators[7] [8]

	2014	2015	2016
Total turnover, € bln	172.2	168.6	171.3
Annual turnover growth, %	-1.7%	-2.1%	+1.6%
Number of companies	5 828	5 812	5 940
Number of employees	559 776	569 162	580 030
Change in prices of food and drinks, %	+0.9%	+0.3%	+0.5%

1.2. Private spending

Another key factor supporting the Germany economy, is the high level of domestic spending. German households are not only among the wealthiest in the EU28 region, but also have the largest spending, with the total private consumption expenditure summing up to €1 578 billion in 2016 (Table 4). Of that, €156 billion are spent on food and non-alcoholic beverages, which is also the largest expenditure on this category in the region. However, because in Germany the prices for products in this category are relatively low to the general income level, this equals only to 10.6% of the total household expenditure, which is one of the lowest shares among EU28 states. This is also largely due to increasing trend to eat out-of-home. A single-person household in Germany spends on average €159 per month on food and beverage purchases, while a 4-person household – on average €500 per month.[9] Nevertheless, prices of consumer goods and services have been increasingly growing in Germany, and especially in 2017, when inflation rose up to 1.8% (Table 4).

6 BVE (2017). The German food and drink industries. Available at: https://www.bve-online.de/download/facts-figures-2017
7 BVE (2017). The German food and drink industries. Available at: https://www.bve-online.de/download/facts-figures-2017
8 BVE (2016). The German food and drink industries. Available at: https://www.bve-online.de/download/facts-figures-2016
9 BVE (2017). The German food and drink industries. Available at: https://www.bve-online.de/download/facts-figures-2017

Table 4. Key household expenditure indicators[10]

	2014	2015	2016
Total expenditure at current prices, € bln	1 503	1 539	1 578
Expenditure on food and non-alcoholic beverages, € bln	156	163	167
Expenditure on food and non-alcoholic beverages, % of total	10.4%	10.6%	10.6%

75% percent of Germans live in a single or two-person household, totalling around 30 million households. One of the particularly attractive consumer groups in Germany are consumers aged 50+, as they are the largest group holding more than 50% of per capita purchasing power. This consumer group in general is healthier, more active, more demanding and quality conscious than previous generations at the same age.[11] Also, this consumer group is the fastest growing due to population ageing trend.

Although affluent, German consumers are increasingly attentive to the concept of value-for money, with the typical consumer having an equally open attitude to discount retailers as to established brand names across different product categories. Low brand loyalty levels are also a result of high demands. Due to the strong e-commerce industry, especially popular among Millennials and Gen Z-ers, individuals tend to browse around online before making a purchase offline and switch both brands and retailers easily when not satisfied.[12] This has resulted in an extremely fierce competition among food and beverage brands, as German consumers have an access to more than 170 000 products in the market.[13]

Overall, German customers have become savvier than ever before, are buying less and rather rarely, but hold high demands for quality and exude a strong preference for health and wellness, as well as organic and fair trade products.

2. Sales channels

Only few German retailers import products directly from other countries, therefore finding a wide range of suitable distribution partners is the basic foundation of success. Most German food retailers prefer to buy from central buyers and wholesalers which specialize in the import of food and beverages, as they have in-depth knowledge of all importing requirements and also take care of the shipping, customs clearance, warehousing and distribution of the products within the country. [14]

However, the largest supermarket chains will sometimes contract foreign supplier directly and appoint an importing company of their choice to bring the products into Germany. It has to be acknowledged that the line between retail and wholesale trade nowadays is not as clear as it used to be. The major market

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10 Germany Trade & Invest (2018). Economic Overview Germany. Available at: https://www.gtai.de/GTAI/Content/EN/Invest/_SharedDocs/Downloads/GTAI/Brochures/Germany/economic-overview-germany-market-productivity-innovation-en.pdf?v=9
11 Germany Trade & Invest. Available at: http://www.gtai.de/GTAI/Navigation/EN/Invest/Industries/Consumer-industries/consumer-markets-retail.html
12 Germany Trade & Invest. Available at: http://www.gtai.de/GTAI/Navigation/EN/Invest/Industries/Consumer-industries/consumer-markets-retail.html
13 BVE. Verbraucher. Available at: https://www.bve-online.de/themen/verbraucher
14 IXPOS. Food and Beverage. Distribution channels. Available at: https://www.ixpos.de/IXPOS/Navigation/EN/Your-business-in-germany/Business-sectors/Consumer-goods/food-and-beverage,t=distribution-channels-,did=263472.html

players such as Edeka Group, Rewe Group and METRO unite both retail and wholesale operations under their roof, and manage their own logistics as well. And some major retailers, such as Lidl and Aldi, even somewhat have eradicated the need for traditional wholesale operations. Thus, both retail and wholesale channels should be utilized.

Another option is to move goods through wholesale market centres which are located throughout Germany, however, their specialty is sale of fresh products for smaller retailers, street market vendors and food service operators.

To successfully move the product through either of these channels in the German market, it is not only the quality and the price that matters, but brand recognition as well. Thus it is advisable for importers to find a local partner or establish a representative branch in order to place and promote their products. To build recognition, online presence is a key factor well. Additionally, it is highly recommended for importers to visit or participate various food trade shows, as it allows for direct contact with food retailers, importers and wholesalers. The most popular trade shows in Germany are ANUGA for all foods and beverages, BioFach for organic food, and INTERNORGA for the food service sector.

2.1. Retail trade

The German food retail sector is very competitive and highly concentrated, as it is dominated by just a few large retailers, mostly of local origin. The most common type of food retailers in Germany are modern grocery retailers, which account for most of food sales volume and are growing in sales value, while sales among traditional grocery retailers are declining.[15] In 2016, supermarkets were the best performing sales channel in Germany due to being the quickest to adapt to shifting eating habits. Discounters also continued to grow, but suffered from ongoing wars within the category (Lidl vs. Aldi). Hypermarkets, in contrast, stagnated, as this channel has not been able to rapidly follow the changing consumer demands.[16]

In 2017, the Top 30 largest grocery retailers in Germany with a combined market share of 90% achieved total gross sales of €247 billion. Moreover, half of the market share was claimed by the Top 3 leading grocery retailers, namely, Edeka, Schwarz Group and Rewe Group, which hold around 48.8% of the market (Table 5).

Table 5. Top 10 grocery retailers by gross sales in 2017[17]

	Sales, € mln	Sales growth, %	Market share, %
1. Edeka Group	55 896	+4.1%	20.3%
2. Schwarz Group	39 827	+4.4%	14.5%
3. Rewe Group	38 512	+7.6%	14.0%
4. Aldi	30 453	+7.6%	11.1%

15 Euromonitor (2017), Grocery Retail in Germany. Available at: http://www.euromonitor.com/grocery-retailers-in-germany/report
16 Food Export Association (2017). Germany Country Profile. Available at: https://www.foodexport.org/get-started/country-market-profiles/europe/germany-country-profile
17 Lebensmittel Zeitung. Top 30 Lebensmittelhandel Deutschland 2018. Available at: http://www.lebensmittelzeitung.net/handel/Ranking-Top-30-Lebensmittelhandel-Deutschland-2018-134606

5. Metro	13 142	-	4.8%
6. Amazon	12 229	+17.6%	4.4%
7. Lekkerland	9 304	+2.0%	3.4%
8. DM	7 857	+4.8%	2.9%
9. Rossman	6 400	+4.6%	2.3%
10. Globus	5 116	+1.7%	1.9%

Edeka Group[18] is Germany's leading group of grocery retailers with an annual turnover of €55.9 billion in 2017 and an estimated market share of 20.3%. The Group consists of several cooperatives of independent supermarkets with a total of 13 646 stores operating under the umbrella brand Edeka. Edeka Group's retail operations can be broadly divided into 3 store format categories:

- Full-range and convenience stores;
- Branded and regional discounter stores;
- Other store formats.

Table 6. Edeka Group's store formats and key indicators in 2017[19]

	Sales, € mln	Share of sales, %	Number of stores
Full-range and convenience stores	38 282	68.5%	6 596
	• EDEKA (www.edeka.de) has several store sub-formats. EDEKA Center is a hypermarket format with an extensive range of groceries, specialised departments and non-food articles. Sales area usually is at least 2 500 m^2 up to 5 000 m^2. EDEKA Neukauf is a privately or centrally managed store format with a sales area of between 800m² and 2000m². EDEKA Aktiv Markt is mostly a privately run supermarket format, usually located in outlying neighbourhoods and villages. This store format typically has a sales area of between 400 and 800 m^2. • Nah & Gut is a compact store format, mostly found in smaller municipalities. Sales area of this store format is up to 400m². • Marktkauf (www.marktkauf.de) is a modern regional store format offering a comprehensive range of groceries as well as a range of non-food articles. • SPAR Express (www.spar-express.de) is EDEKA's convenience store format for service stations, airports, railway stations and in high-traffic locations.		
Discounters	15 850	28.3%	4 878
	• Netto Marken-Discount (www.netto-online.de) is a modern branded discounter format with a select range of brands and private labels. Regional products and		

18 Edeka Group. Available at: www.edeka-verbund.de
19 Lebensmittel Zeitung. Top 30 Lebensmittelhandel Deutschland 2018. Available at: http://www.lebensmittelzeitung.net/handel/Ranking-Top-30-Lebensmittelhandel-Deutschland-2018-134606

	beverages are very common in these stores, as are products in reusable containers. • Independent regional discounters represent just a small fraction of EDEKA's retail operations, yet they are vital for covering the further parts of the country.		
Other store formats	1 764	3.2%	2 172
	• C&C Großmarkt (www.edeka-food-service.de) is the most popular and widespread of EDEKA's B2B store formats, offering a wide range of food and non-food articles for retailers, HoReCa industry representatives and individual entrepreneurs.		

Schwarz Group[20] is the second largest grocery retailer in Germany with an annual turnover of €39.8 billion in 2017 and an estimated market share of 14.5%. Privately-owned Schwarz Group has expanded across 27 countries with over 10 000 stores, but in Germany its count reaches 3 879 stores. Schwarz Group's retail operations are covered under 2 store brands:

- Discount supermarket chain Lidl;
- Hypermarket chain Kaufland.

Table 7. Schwarz Group's store formats and key indicators in 2017[21]

	Sales, € mln	Share of sales, %	Number of stores
Discount supermarkets	24 330	61.1%	3 219
	• Lidl (www.lidl.de) stores are unconventional discounters, as they use design, assortment and merchandising to achieve the feel of modern supermarkets. Besides standard supermarket format, Lidl also has introduced a convenience store format known as Lidl Express. Lidl strategy is based mainly on selling own private-label brands and limiting the product range.		
Hypermarkets	15 497	38.9%	660
	• Kaufland (www.kaufland.de) is positioned as a modern hypermarket chain with a lower price strategy, and yet an extensive product range of food and non-food goods in spacious stores. Kaufland prioritises fresh food assortment and own private-label brands.		

Rewe Group[22] is the third largest grocery retailer in Germany with an annual turnover of €38.5 billion in 2017 and an estimated market share of 14.0%. Rewe Group is a cooperative that consists of a network of

20 Schwarz Gruppe. Available at: www.schwarz-gruppe.net
21 Lebensmittel Zeitung. Top 30 Lebensmittelhandel Deutschland 2018. Available at: http://www.lebensmittelzeitung.net/handel/Ranking-Top-30-Lebensmittelhandel-Deutschland-2018-134606

independent retailers, similar to Edeka Group, but it also operates in other business segments, such as tourism. Group's retail operations spans 19 countries with nearly 15 000 food and non-food stores. Of those, 7 532 stores, including independent partner stores, are located in Germany. Rewe Group's retail operations can be distinguished in 3 broad store formats:

- Full-range and convenience stores;
- Discounter stores Penny;
- Other store formats.

Table 8. Rewe Group's store formats and key indicators in 2017[23]

	Sales, € mln	Share of sales, %	Number of stores
Full-range and convenience stores	27 630	71.7%	4 987
REWE REWE TO GO nahkauf	• REWE (www.rewe.de) stands for attractive supermarkets with a wide variety of high quality foods and an emphasis on fresh foods. Regular REWE stores have a sales area of 1 000 m^2 to 2 500 m^2, the smaller REWE CITY stores – 300 m^2 to 1 000 m^2, the larger REWE CENTER stores – 2 500 m^2 to 4 000 m^2, and the REWE hypermarkets – up to 8 000 m^2. • REWE To Go (www.togo.rewe.de) convenience store format offers a large variety of ready-to-eat fresh products, snacks and bakeries in compact stores with a sales are of 1 000 m^2 to 2 500 m^2. • Nahkauf (www.nahkauf.de) is the smaller grocery retail chain located in small towns and in the outskirts of cities, with stores un by independent retailers. This store format has a typical sales area of 300 m^2 to 1 300 m^2.		
Discounter stores	8 170	21.2%	2 160
PENNY.	• PENNY (www.penny.de) is a discounter store chain offering high-quality branded and own private-label products, as well as a wide range of fresh products. PENNY stores usually has a sales area of 500 m^2 to 800 m^2.		
Other store formats	2 712	7.4%	385
TEMMA ALLES ISST NATÜRLICH toom getränkemarkt	• TEMMA (www.temma.de), an organic store chain with a range of both regional and international brands, ceased to operate in 2018, as sales performance of stores had not met the set expectations. • Toom Getränkemarkt (www.toom-getraenkemarkt.de) is a beverage specialty store chain with a wide assortment of various types of beverages at a good value for money.		

22 Rewe Group. Available at: www.rewe-group.com
23 Lebensmittel Zeitung. Top 30 Lebensmittelhandel Deutschland 2018. Available at: http://www.lebensmittelzeitung.net/handel/Ranking-Top-30-Lebensmittelhandel-Deutschland-2018-134606

2.2. Wholesale and food service trade

2.2.1. Wholesale trade

German food and beverages wholesale sector consists of many small and medium sized operators. There were 14.4 thousand food, beverages and tobacco wholesale operators with 257.7 thousand employees and a total turnover of €191.2 billion in 2015.[24] However, the sector is largely based on a few major central buyers and importers, as most food retailers try to centralize their purchasing activities. Clients also prefer the wider product range, lower price levels and in-depth knowledge on importing requirements that larger players can offer. This is also why many regional wholesalers in Germany have organized in groups, such as Intergast and Service Bund. Another advantage of the larger operators is that they organize in-house food shows 1-2 times a year where their suppliers can demonstrate their products to potential customers.

Cash & Carry is among the most important wholesale channels in Germany, besides food service trade operators, as they usually offer food delivery services as well. Cash & Carry wholesale is especially popular among independent retailers, and are also appreciated by price-conscious self-employed consumers as these outlets are able to offer good value for money. Cash & Carry wholesalers in Germany usually purchase either directly from processing companies, importers and, sometimes, from foreign exporters.

Table 9. Top general food wholesalers and key indicators[25] [26] [27]

	Sales, € mln	Employees	Category
Metro	4 715	15 000	Cash & Carry
	• METRO (www.metro.de) is one of the world's leading wholesale trade and food service chains, based in Germany. METRO operations spans 25 countries, managing 760 Cash & Carry stores. METRO stores offer a broad range of assortment consisting of up to 20 000 food items and up to 30 000 non-food articles. In Germany, METRO also operates premium foods distributor RUNGIS Express, offers food service through METRO Delivery Service, and manages a hypermarket chain REAL.		
Lekkerland	7 737	2 693	Convenience foods
	• Lekkerland (www.lekkerland.de) is among the leading food and beverges wholesalers in Germany. The product range of Lekkerland includes mostly convenience foods, such as tobacco goods, drinks, confectionery, snacks, bistro goods and prepaid products. Lekkerland supplies around 90 000 filling-station shops, kiosks, tobacco goods stores, specialist drinks markets, food stores, bakeries, fast-food chains, canteens and other convenience stores		

24 Federal Statistical Office of Germany – DESTATIS. Enterprises, persons employed, turnover and other business and economic figures in trade. Available at: https://www-genesis.destatis.de

25 Lebensmittel Zeitung. Top 30 Lebensmittelhandel Deutschland 2018. Available at: http://www.lebensmittelzeitung.net/handel/Ranking-Top-30-Lebensmittelhandel-Deutschland-2018-134606

26 Lekkerland. Lekkerland Deutschland GmbH & Co. KG. Available at: http://www.lekkerland.com/le/en/company/countries/detail_page_2/detail_3142.html

27 MWTRO GROUP. METRO Handelslexikon 2015/2016. Available at: http://www.metro-handelslexikon.de/assets/download/METRO_Handelslexikon-2015-16.pdf

	across 6 European countries.			
Bartels-Langness	2 778	15 000	Full-range	
	• Bartels-Langness (www.bela.de) is a trade group with its core business being the wholesale of food and non-food products, with over 30 locations across Germany. In adittion, the company also operates 85 department stores offering a wide range of fresh products and quality brands.			
Selgros	1 710	14 000	Cash&Carry	
	• Selgros (www.selgros.de) is a major Cash&Carry operator, owned by Transgourmet, a wholly owned subsidiary of Coop. Selgros offers around 50 000 food and non-food products in 41 locations in Germany with saleas areas up to 11 000m^2. The company also has operations in Poland, Russia and Romania in additional 46 locations.			
C&C Großmarkt	1 402	5 000	Cash&Carry	
	• C&C Großmarkt (www.edeka-food-service.de) is part of the leading grocery retail chain, EDEKA Group. It is Group's B2B store format for retailers, HoReCa industry representatives and individual entrepreneurs, offering a wide range of 40 000 food and non-food articles across 116 locations in Germany. Bulk deliveries are ensured through regional and national delivery service EDEKA Food Service.			

2.2.2. Food service wholesale trade

The German food service sector is large and highly fragmented. It had 183 thousand enterprises with 1.6 million employees and a total turnover of €55 billion in 2015. When taking into account the accommodation sector, the total turnover of both sectors increases up to €83.6 billion.[28] When divided by the type of food service operators, two broad markets can be distinguished - the commercial and institutional food service markets. The commercial food service market is constituted of hotels, restaurants, fast food and take-away outlets, bars and cafeterias, and the institutional food service market is comprised of hospitals, universities, nursing homes, and similar institutions.

Similarly to retailers, food service operators also prefer to centralize their purchasing activities and buy from central buyers or major importers, as larger wholesalers offer more advantages. Only few of the large food service operators import products directly from other countries, mostly the leading players, such as McDonalds, Burger King, LSG, Tank & Rast, Nordsee, Yum! Restaurants and others.c

28 Federal Statistical Office of Germany – DESTATIS. Enterprises, persons employed, turnover and other business and economic figures in trade. Available at: https://www-genesis.destatis.de

Table 10. Top food service wholesalers and key indicators[29] [30] [31] [32] [33]

	Sales, € mln	Employees	Category
Intergast	2 700	-	Full-range
	• Intergast (www.intergast.de) is food wholesale cooperation which consists of 39 independent food service wholesalers. Intergast has around 86 delivery points and 53 Cash & Carry stores across country. The company serves around 40 000 customers, mostly large businesses from both commercial and institutional catering markets.		
Edeka Food Service	1 402	5 000	Full-range
	• Edeka Food Service (www.edeka-food-service.de) is the wholesale delivery business of the leading grocery retail chain in Germany, EDEKA Group. EDEKA wholesale is organized by 7 regional companies across 38 logistics centers nationwide. EDEKA Food Service ensures regional and national bulk delivery services for major consumers, mainly HoReCa clients, while closely related EDEKA's C&C Großmarkt B2B store chain serves medium to small consumers, mostly independent retailers.		
Transgourmet	1 300	3 700	Full-range
	• Transgourmet (www.transgourmet.de), a subsidiary of Coop, is one of the largest food service wholesalers in Germany, servicing around 35 000 major customers from both commercial and institutional catering markers. Transgourmet also owns fresh food service wholesalers Rewe-Foodservice and FrischeParadies, and manages one of the leading Cash&Carry operators in the country – Selgros.		
Service-Bund	1 005	3 400	Full-range
	• Service-Bund (www.servicebund-national.de) is a group of 30 medium-sized regional wholesalers who distribute a wide range of food-assortment to approzimately 80 000 customers in Germany. The assortment of Service-Bund consists of around 41 000 products, including 1 000 private-label products. There are 38 Service-Bund locations across Germany.		
Chefs Culinar	360	-	Full-range
	• Chefs Culinar (www.chefsculinar.de) is a food service wholesaler to commercial and institutional food operators in Germany and other European countries. Chefs Culinar assortment includes around 25 000 food and non-food		

29 Service Bund. The Food Service Company. Available at: https://www.servicebund-national.de/service-links/english.html
30 EDEKA. Der Großhandel bei EDEKA. Available at: http://www.edeka-verbund.de/Unternehmen/de/edeka_verbund/grosshandel/einleitung_grosshandel/einleitung.jsp
31 Lebensmittel Zeitung. Top 30 Lebensmittelhandel Deutschland 2018. Available at: http://www.lebensmittelzeitung.net/handel/Ranking-Top-30-Lebensmittelhandel-Deutschland-2018-134606
32 Transgourmet. Company profile. Available at: http://www.transgourmet.de/web/unternehmen/unternehmensprofil.xhtml
33 Fruchtportal. Die top 30 des lebensmittelhandels nach gesamtumsatz 2016. Available at: https://www.fruchtportal.de/media/files/Pdf%20diversen%202017/Nielsen%20Tradedimensions_2016_Ergebnisse_PM%20Diagramme.pdf

	products, located in 23 warehouses around the country. In addition, the company also assists customers with implementation and maintenance of kitchen and supply equipment, and offers other supportive services.

2.2.3. Wholesale trade of cereals

Trade channels for cereals are highly diverse, as it is necessary to cover a varied categories ranging from packaged to bulk, non-processed to processed, traditional to niche, an deliver those to different customer groups, including the animal-feed industry, milling and processing industry, bakery industry, food service industry, as well as retail industry. In Germany, most of the cereal import trade accounts for unprocessed bulk cereals. Although some level of basic processing can occur in producer's country, most buyers prefer products that are processed in the EU, both for economic and food safety reasons. Also, trade and marketing of packaged branded products in Germany is complicated, subjected to tariffs, and highly competitive with Germans preferring local brands. Nevertheless, differentiated products with added value, such as semi-processed new types or exotic varieties, authentic specialties, or with organic and fair trade certification, can provide some niche opportunities, especially when targeting specific buyer groups.

Trade in bulk cereals in Germany is also very competitive, but more based on price. If the product merely complies with obligatory standards, price is largely the only factor influencing competitiveness. Bulk cereals are mostly either supplied by large farmers under contracted production or traded by large importers or directly sourced by multinational companies in the German commodity exchange market, dominated by Bunge, Cargill, Glencore and Louis Dreyfus. In many cases, these companies offer not only steady trade contracts, but their own production as well. Commodity exchange markets are oftentimes preferred due to their convenience, high level of organization and equal market conditions guaranteed by the German state authorities. In the trade of medium-scale and niche products, such as organic cereals, more important part is played by specialized importers. [34]

For products that are not bulk commodities, the supply chain is less integrated. In this case the role of importers is significantly more important in sourcing and quality control. Most buyers usually prefer to work with long-time partners that are responsible for importing, contracting and combining products from various countries, as they have good knowledge of quality requirements, logistics and the formal administrative processes. With import and trade regulations becoming stricter, the importance of good suppliers is rising. In Germany, the role of importers is becoming larger in providing additional services, such as basic processing, and sometimes packaging and labelling as well, especially for private-labels and smaller brands.[35]

34 Centre for the Promotion of Imports. Grains and Pulses. Competition. Available at: https://www.cbi.eu/market-information/grains-pulses/competition/
35 Centre for the Promotion of Imports. Grains and Pulses. Channels and segments. Available at: https://www.cbi.eu/market-information/grains-pulses/channels-segments/

In Germany, a large market share of purchasing cereals is also held by supermarkets because of their purchasing power, although specialized retailers are more significant channels for niche products. Although supplying directly or indirectly to large retail chains ensures significant market coverage, it is more suitable for packaged branded products, and can very demanding in terms of quality, price, volume and delivery obligations. For bulk cereals, it is suggested to organize the trade via importers, wholesalers and commodity exchange markets.

Table 11. Wholesale trade channels of cereals and cereal products in Germany

	Category
Hamburger Boerse	Commodity exchange market
	• Hamburger Boerse (www.hamburger-boerse.de) is the largest grain commodity exchange market in Germany, conducting its activities mostly in the Port of Hamburg. Hamburger Boerse serves as a platform for initiating and brokering commercial and service transactions for grains, oilseeds, feed, pulses, seeds and related items.
Hagekiel	Wholesaler
	• Hagekiel (www.hagekiel.de) is one of the largest agricultural trade companies in Germany, specializing in the trade of bulk cereals, seeds, fertilizers and other agricultural products. Company's clients are mostly smaller trading companies, grain and oil mills, as well as compound feed, bioenergy and starch industry companies.
	Importer/exporter/wholesaler
GUSTAV KINDT	• Gustav Kindt (www.gustav-kindt.com) is an agricultural commodity trader, specializing in import, export and wholesale of cereals both for consumption as food and feed. Besides Germany, the company also has operations in Poland, the Czech Republic, Slovak and Austria.
Davert	Importer/processor/wholesaler
	• Davert (www.davert.de) is an importer, processor, marketer and wholesaler of organic cereal, rice and legume products. In addition to developing branded products, the company also trades in raw materials and ingredients for bakeries, industry, canteen kitchens and communal catering.
P. Kruecken	Wholesaler
	• P. Kruecken (www.kruecken.de) is a wholesaler of raw agricultural materials, specializing in trade of organic cereals for consumption both as food and feed, as well as of oilseeds. Among cereals for consumption as food, the company trades in durum wheat and spelt, rye, oats, malting barley, rice, corn and buckwheat.

Eco Terra	Importer/processor/wholesaler
ecoterra	• Eco Terra (www.eco-terra.de) is an importer, processor and wholesaler of organic cereals, nuts and dried fruits. The company imports products in bulk, then processes and sells them for food producers and wholesalers (for example, as flour, crunchy breakfast flakes, muesli etc.). For retailers, the company offers full service range for the development of private labels – from idea to processing, packaging and labelling.

Additional support in providing trade contacts can be ensured by the national Association of the German external trade in grains, animal feed, oilseeds and pulses (Verein der Getreidehändler der Hamburger Börse e.V.), whose key role is to promote the interests of wholesalers and foreign trade operators in the industry. [36]

3. Food price levels

3.1. General food prices

Germany, having one of the largest economies in Europe, is wealthy both in terms of GDP and the average personal income. This, in turn, brings down the relative costs of living for Germans, which, generally, are in line with the EU28. In 2016, the average monthly household net income in Germany was €3 314, increasing by 3.0% since previous year.[37] The growing income and accelerating economy has supported German consumer confidence level, which has steadily risen for the past 5 years, as revealed by the GfK Consumer Climate Indicator.[38]

As a result, German households have been increasing their expenditure accordingly. In 2016, the average monthly household expenditure was €2 480, growing by 3.7%. Of that, expenditure on food, beverages and tobacco constituted 13.8% or €342.[39] Expenditure growth is likely to continue, as prices of consumer goods and services have been rapidly growing due to expanding economy. In 2017, inflation rose up to 1.8% with food prices increasing by 3%.[40] Moreover, even steeper price hikes are expected to be recorded in 2018. But, at the same time, consumer purchasing power is also projected to increase as a result of rising wages.[41]

36 Verein der Getreidehändler der Hamburger Börse e.V. Home. Available at: www.vdg-ev.de
37 Federal Statistical Office of Germany – DESTATIS.
Income, Revenue and Expenditure of Private Households (time comparison). Available at:
https://www.destatis.de/DE/ZahlenFakten/GesellschaftStaat/EinkommenKonsumLebensbedingungen/EinkommenEinnahmenAusgaben/Tabellen/Deutschland.html
38 Trading Economy. Germany GfK Consumer Climate. Available at: https://tradingeconomics.com/germany/consumer-confidence
39 Federal Statistical Office of Germany – DESTATIS. Private consumption expenditure (living expenses). Available at:
https://www.destatis.de/DE/ZahlenFakten/GesellschaftStaat/EinkommenKonsumLebensbedingungen/Konsumausgaben/Tabellen/PrivateKonsumausgaben_D.html
40 Handelsblatt. Schätzung bestätigt – Preise zogen 2017 um 1,8 Prozent an. Available at: http://www.handelsblatt.com/finanzen/geldpolitik/inflation-in-deutschland-schaetzung-bestaetigt-preise-zogen-2017-um-1-8-prozent-an/20850604.html
41 GFK (2017). Purchasing power Germany 2018. Available at: http://www.gfk.com/insights/press-release/purchasing-power-germany-2018/

When compared to Georgia, overall cost of living in Germany is till considerably higher. Numbeo Cost of Living Index reveals that in 2018, the Index for Germany was 74.4, while for Georgia – 29.7. Similarly, Groceries Index and Restaurant Index for Germany was 58.9 and 71.2, but for Georgia – just 24.6 and 29.2. At the same time, due to higher wages, national purchasing power in Germany is several times higher, allowing German consumers to buy more than Georgian consumers. Accordingly, Local Purchasing Power Index for Germany was 125, but for Georgia – mere 35.6. [42]

Average food prices in Germany are significantly higher than in Georgia for practically all food products, except most beverages, such as water, domestic beer, milk and wine (Table 12). This is despite the fact that in Georgia, foods and agricultural products are a subject to the standard VAT rate of 18%, while in Germany there is a reduced VAT rate of 7% for most such products (in contrast to the standard VAT rate of 19%). However, when compared to the EU28, average food prices in Germany are even slightly lower, especially for beverages and processed products, largely due to reduced VAT advantage. There are, nevertheless, exceptions – fresh fruits and vegetables in Germany are more expensive.

Table 12. Average food prices in Germany, compared to Georgia and the EU28 in 2018[43]

	Germany	Georgia	EU28
Water, 1.5l	0.32	0.34	0.73
Domestic beer, 0.5l	0.69	0.71	1.18
Milk, 1l	0.71	1.03	0.90
Onion, 1kg	0.85	0.39	0.92
Lettuce, 1 head	0.99	0.39	1.00
Potatoes, 1kg	1.04	0.35	0.92
White bread loaf, 500g	1.14	0.30	1.15
Imported beer, 0.33l	1.18	1.05	1.49
Bananas, 1kg	1.63	1.2	1.49
Eggs, pack of 12	1.70	1.16	2.14
Rice, white, 1kg	1.79	0.79	1.47
Apples, 1kg	2.05	0.85	1.59
Oranges, 1kg	2.31	1.00	1.62
Tomatoes, 1kg	2.73	0.82	1.91
Imported Beer, 0.33l	3.00	1.35	3.11
Bottle of Wine, mid-range	4.00	3.72	5.86
Chicken Breasts, Boneless, 1kg	6.64	3.14	6.99
Local Cheese, 1kg	7.43	3.21	8.24
Beef Round, 1kg	11.15	4.89	11.19

Overall, German consumers are very price-conscious and are often unwilling to purchase products that have higher prices. This is mostly result of the highly competitive market situation, as well as the expansion of the major discount retailers, like Lidl and Aldi. However, German consumers are also aware of

42 Numbeo (2018). Cost of living. Rankings by country. Available at: https://www.numbeo.com/cost-of-living/rankings_by_country.jsp
43 Numbeo (2018). Cost of living. Available at: https://www.numbeo.com/cost-of-living/

the aggressive agricultural practices that are utilized in order to produce such cheap foods, and thus are more often turning towards ecologically-produced products, as well as sustainable and ethical agricultural practices, although often it means that they will have to pay a higher price.[44]

3.2. Prices of cereals

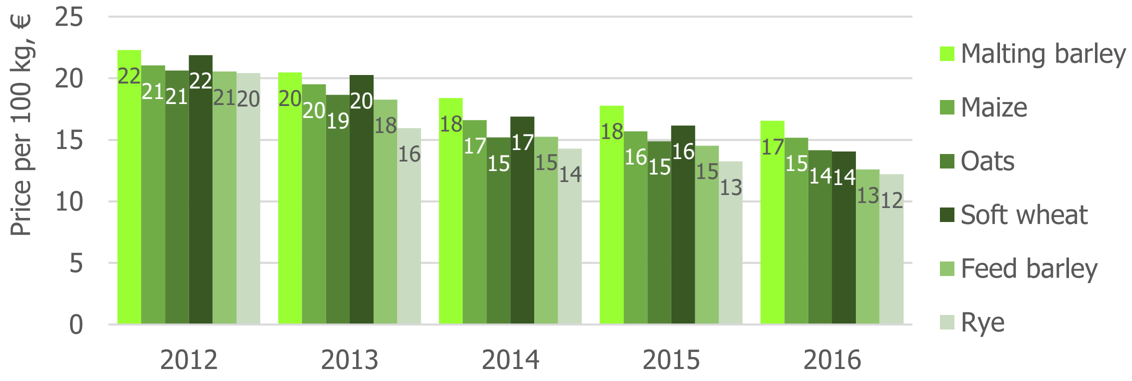
Cereals and cereal products can be divided into 3 price segments:

- Segment with the lowest prices is that of bulk cereals, such as wheat, rice, corn and animal feed, as these products have little to no added value. For this segment, price is the key factor determining purchasing decisions. Prices in bulk commodity exchanges in Germany are based on a guaranteed minimum price - the intervention price set at the EU level. In Germany, the intervention agency is the Federal Agency for Agriculture and Food (Bundesanstalt für Landwirtschaft und Ernährung, BLE), which guarantees producers the purchase of their products at this price.[45]
- Segment with middle-range prices are that of processed cereal products, such as flour, bread, breakfast cereals and snack bars, as prices are increased by the additional costs of processing, packing and labelling. For this segment, purchasing decisions depend equally on the price and added value.
- Segment with the highest prices is that of niche and exclusive cereal products, such as organic, fair trade and gluten-free specialties, as production of these products usually is associated with extra costs and fulfilment of specific requirements. For this segment, purchasing decisions depend on the added value, quality, brand, aesthetics and price.

Overall, the average annual selling prices of bulk cereals in Germany are in line with the average levels of the EU. Reviewing price levels over the past 5 years, the data reveals that prices have consistently been decreasing due to ample global supplies and heightened competition (Figure 1). Rye, feed barley and soft wheat have registered the largest price drop over the 5 year period, declining by 36-40%, but the drop was slightly less steep for malting barley, maize and oats, which declined by 26-31%. In 2016, malting barley had the highest average annual selling price – €16.5 per 100 kg, followed by maize – €15.2, oats – €14.2, soft wheat – €14.1, feed barley – €12.6 and rye – €12.2.

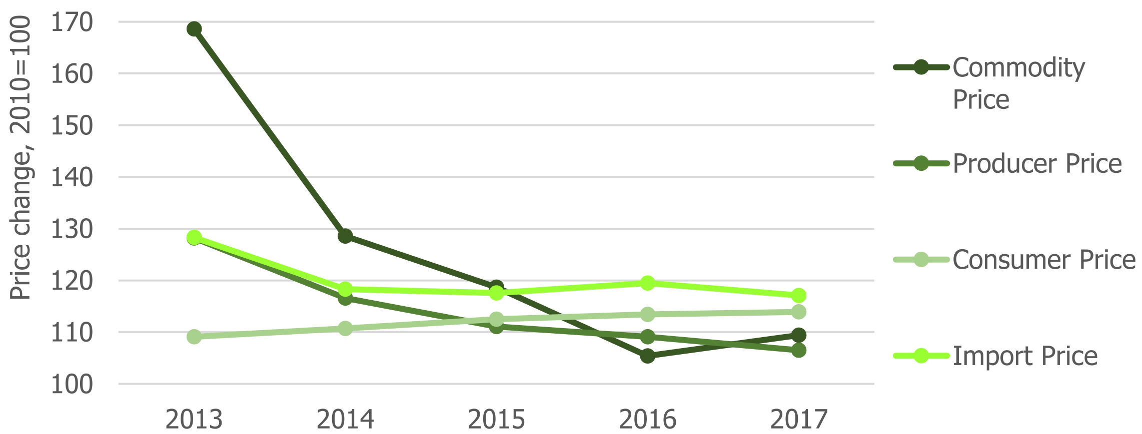
44 Ama Lorenz (2017). Germany's cheap food prices come at a cost, study finds. Available at: https://www.euractiv.com/section/agriculture-food/news/sr-wed-study-germanys-cheap-food-prices-come-at-a-cost/
45 Central Customs Authority of Germany (ZOLL). Imports of cereals and processed cereal products. Available at: http://www.zoll.de/DE/Fachthemen/Marktordnungen/Einfuhr-Ausfuhr-landwirtschaftliche-Erzeugnisse/Einfuhr-Getreide/einfuhr-getreide.html

Figure 1. Average annual selling price levels of bulk cereals in Germany, € (in absolute prices)[46]



However, at price developments across the different stages of the food production chain, it becomes visible that the severe decline in agricultural commodity prices of cereals over the past 5 years has not made a significant impact on price levels further down the food production chain (Figure 2). Producer prices and import prices have reduced, but just slightly, while consumer (retail) prices of the end-product have increased.

Figure 2. Price index dynamics of cereals and cereal products in Germany, 2010=100[47]



In retail, prices of packed cereals and cereal products vary considerably more than in bulk wholesale, as products can vastly differ, depending on the product category and processing level. Also, additional pricing factors come into force, such as the brand, packaging type and volume, additional certifications (e.g. organic and/or fair trade), etc. Also, retail price is higher due to VAT, but in Germany VAT for agricultural and food products is reduced to 7%, which is considerably lower than in other EU countries.

There is a wide variety of cereals and cereal products sold in German supermarkets and specialty stores with a price of around €1-3 per kg for simple unprocessed grains and regular cornflakes, €4-15 per kg for semi-processed grains, breakfast cereals and muesli with various additives, and €15 and more per kg for premium products (Table 13). The key factors accounting for different retail prices are the cereal variety,

46 Eurostat database. Selling prices of crop products (absolute prices) - annual price, [apri_ap_crpouta]. Available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=apri_ap_crpouta&lang=en
47 Eurostat database. Food price monitoring tool [prc_fsc_idx]. Available at: http://ec.europa.eu/eurostat/product?code=prc_fsc_idx&mode=view

processing type, brand, packaging type and volume, as well as if the product is certified as organic and/or fair trade. Organic and fair trade products have an additional price premium of 5% - 15%.

Table 13. Retail prices of cereals and cereal products in Germany, 2018 (€)[48 49 50]

	EDEKA		Allyouneedfresh		Amazon Fresh	
	Per kg	Pack	Per kg	Pack	Per kg	Pack
Dr. Oetker, muesli, Vitalis Crunchy Plus, with nuts, 450 g	7.53	3.39	6.64	2.99	7.84	3.53
Rose Garden, oatmeal porridge with raspberry taste, 500 g	-	-	9.98	4.99	14.18	7.09
Rapunzel, muesli with chocolate, 1000 g	-	-	-	-	11.68	7.98
P. Jentschura, multi-grain porridge with seeds, organic, 1000 g	-	-	-	-	17.50	21.49
Alvito, buckwheat and millet porridge with dried fruits, 400 g	-	-	-	-	16.83	6.73
Koelln, cornflakes, 500 g	2.78	1.39	2.58	1.29	-	-
Seitenbacher, spelt flakes, 375g	7.87	2.99	-	-	8.66	3.29
Kellogg's, muesli with chocolate, 500 g	6.58	3.29	5.98	2.99	-	-
Weetabix, whole wheat and buckwheat cereals, 430 g	8.12	3.49	7.65	3.29	8.12	3.49
Davert, fine grain millet, 500 g	-	-	5.98	2.99	5.96	2.98
Rapunzel, buckwheat, organic, gluten-free, 500 g	-	-	-	-	6.98	3.28
Alnatura, rye, organic, 1000 g	1.49	1.49	-	-	-	-
Alnatura, wheat bran, organic, 250 g	3.96	0.99	-	-	-	-
Werz, whole-grain puffed buckwheat, gluten-free, 80g	-	-	32.40	2.59	-	-
Rose Garden, oatmeal porridge with multi-fruit taste, 500 g	-	-	9.18	4.59	-	-
Alvito, buckwheat and millet flakes, gluten-free, 1000 g	-	-	-	-	13.26	13.26
Koelln, instant oatmeal flakes, 250 g	-	-	5.96	1.49	7.24	1.81
Koelln, muesli with chocolate, 2000 g	-	-	4.00	7.99	3.00	5.99
3Bears, whole-grain oatmeals, vegan, 400 g	10.73	4.29	-	-	9.98	3.99
Werz, whole-grain brown millet, organic, 500 g	-	-	-	-	8.58	4.29

The most common type of cereals in Germany are breakfast cereals, such as cornflakes, traditional and amaranth muesli, oats and oat flakes, as well as organic cereal varieties. The key local brand names are Rapunzel, Seitenbacher, Bauckhof, Koelln, Dr. Oetker, Barnhouse, Alnatura, Weetabix, and others. Private labels of supermarkets such as EDEKA and REWE, as well as discounters like Lidl and Aldi are also popular due to being less expensive than brands. Among imported brands, the most popular are large international brands, such as Kellogs and Nestle.

48 EDEKA online store. Available at: www.edeka24.de
49 Alltouneedfresh online store. Available at: www.allyouneedfresh.de
50 Amazon Fresh online store. Available at: https://www.amazon.de/b?ie=UTF8&node=6723195031

4. Imports

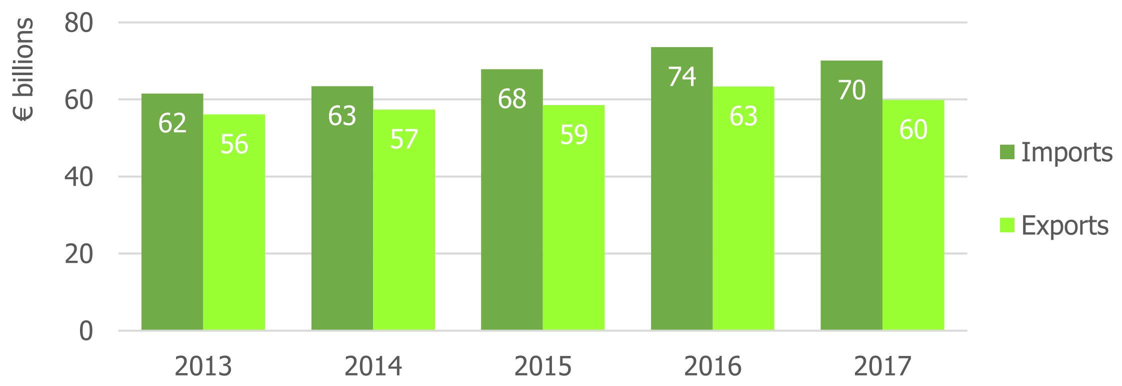
4.1. Worldwide imports

4.1.1. Food and beverage imports

Germany, being the productive powerhouse it is, is well-known for as a net exporter. In 2017, Germany imported goods in value more than €953.8 billion and exported more than €1 205.5 billion, resulting in a positive trade balance of €251.7 billion.[51] Moreover, 2017 set new foreign trade records in terms of total trade value increase. However, the great trade performance mostly stems from Germany's exports of machinery, automotive vehicles and parts, as well as chemical and metal products, with food and beverages contributing just a small fraction of export value – 5%. As Germany cannot meet the local demand for food and beverages at full-scale, it has become a net importer of this category which constitutes 7.4% of all import value. The import value surplus gap of food and beverages has been steadily growing steadily for the past 5 years, and has grown from 9.7% in 2013 to 17.1% in 2017. [52]

From 2013 to 2017, food and beverages import value in Germany has revealed a growth trend, increasing by 13.8% (Figure 3). However, 2017 marked the first year in a row of many when import value in the category declined, but so did export value as well. This is mainly a result of, firstly, growing capabilities of local producers which have several advantages over importers in the German market, and, secondly, consequences from stronger value of the euro which limits trade to countries outside Eurozone, i.e. expansion of German exporters and activities of foreign importers. Also, other factors have played a major role, such as fluctuating raw-material purchasing prices, especially of milk.

Figure 3. Food and beverages trade value dynamics in Germany, € billions[53]

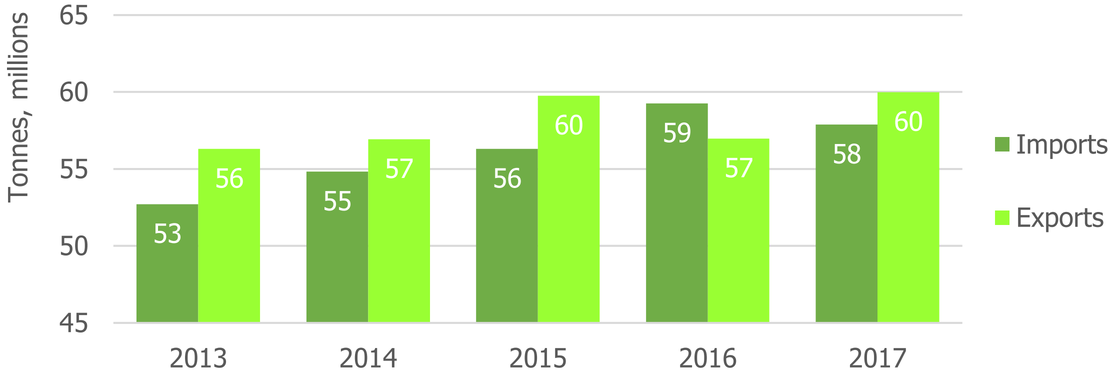


When taking into account trade volume dynamics (Figure 4), it is revealed that Germany's export volume of food and beverages slightly decreased in 2016, most likely due to Russia's trade embargo extension, but

51 Eurostat database (2018). DS-018995 - EU Trade Since 1988 By SITC. Available at: http://epp.eurostat.ec.europa.eu
52 Eurostat database (2018). DS-018995 - EU Trade Since 1988 By SITC. Available at: http://epp.eurostat.ec.europa.eu
53 Eurostat database (2018). DS-018995 - EU Trade Since 1988 By SITC. Available at: http://epp.eurostat.ec.europa.eu

snapped back quickly in 2017 by retargeting exports to other countries. Import volume declined only in 2017, which also is a result of reasons mentioned above.

Figure 4. Food and beverages trade volume dynamics in Germany, million tonnes[54]



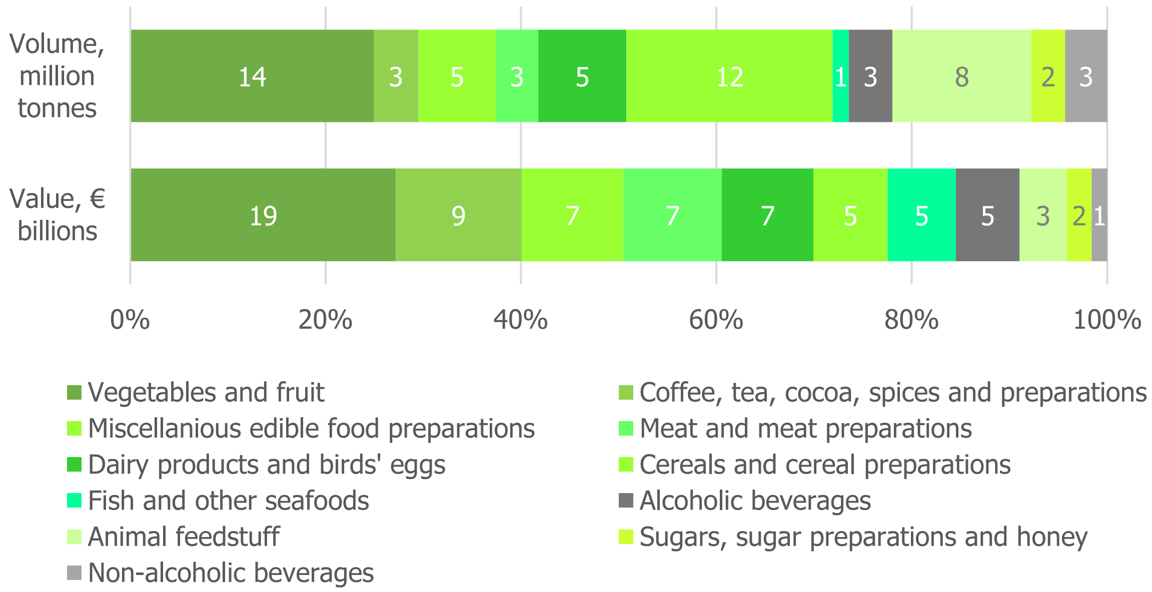
An in-depth look at the Germany's key import trade partners indicate that food and beverages are most commonly being imported from geographically nearby countries. In 2017, 80% of all food and beverages imports in terms of value in Germany originated from the EU, and just 20% - from the non-EU countries. In terms of quantity, the origin of 86% of imports is the EU and just 14% - non-EU countries. This indicates that the preference for imports from the further non-EU countries is for less bulky items, but with a higher value. The largest trade partners for Germany's food and beverages imports in 2017 were Netherlands, Italy, France, Spain, Poland and even Czech Republic, when import volumes are also taken into account. These countries account for slightly more than half of all food and beverages imports in Germany, both in terms of value and volume.[55]

In 2017, the most imported product groups in Germany within the food and beverages category in terms of value were vegetables and fruit, making up 27.2% of all imports, coffee, tea, cocoa and spices – 12.9%, as well as miscellaneous food preparations – 10.4% (Figure 5). In terms of volume, the most imported product groups were also vegetables and fruit, constituting 24.9% of all imports, but also cereals and cereal preparations – 21.1%, and animal feedstuff – 14.2%. However, for geographically distant non-EU importers, less bulky product groups would be more suitable.

The largest import volume surplus in Germany are for product groups such as fruits and vegetables, coffee, tea, cocoa, spices, as well as nuts, which accordingly are the most attractive for foreign importers. Import value surplus also show a high demand for fish, seafood and alcoholic beverages. Olive oil, as well as honey, are also favoured import product groups in Germany. [56]

54 Eurostat database (2018). DS-018995 - EU Trade Since 1988 By SITC. Available at: http://epp.eurostat.ec.europa.eu
55 Eurostat database (2018). DS-018995 - EU Trade Since 1988 By SITC. Available at: http://epp.eurostat.ec.europa.eu
56 Eurostat database (2018). DS-018995 - EU Trade Since 1988 By SITC. Available at: http://epp.eurostat.ec.europa.eu

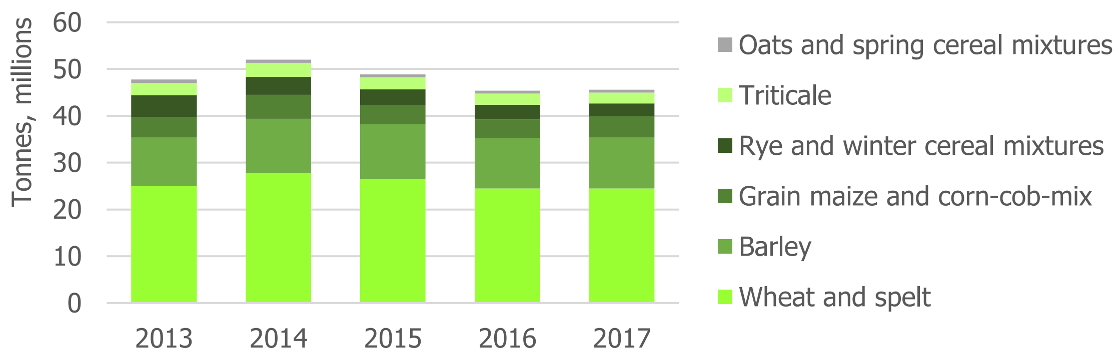
Figure 5. Breakdown of Germany's import of food and beverages in 2017[57]



4.1.2. Cereal imports

Agricultural industry has traditionally played a major role in economies of EU countries, including Germany. Germany is among the top producers of cereals in the EU with 45.6 million tonnes of harvested production in 2017, even though its production volumes have declined by 4.6% over the last 5 years (Figure 6). Most Germany's cereal production is made up by wheat and spelt – 54%, followed by barley – 24%, grain maize and corn-cob-mix– 10%. Germany is also one of the top producers of organic cereals in the world, harvesting approximately 6% of the world's organic cereals.[58]

Figure 6. Harvested production of cereals in Germany, million tonnes[59]

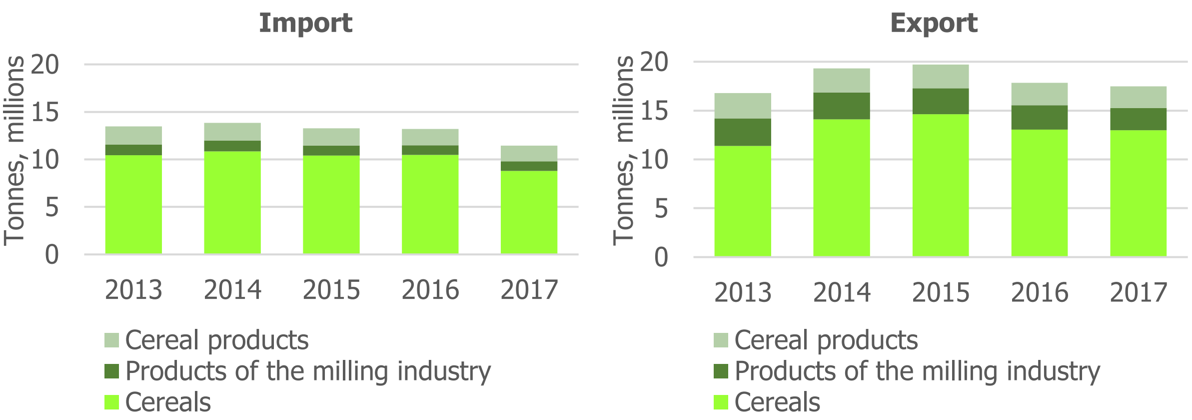


Germany's vast agricultural production also makes it a net exporter of cereals, cereal products and products of the milling industry in terms of volume. Even though, in terms of volume, Germany's production of cereals have declined by 4.6% over the past 5 years, its exports have increased by 14%, but imports – decreased by 15.7% (Figure 7). This might indicate on a slight reduction in domestic

57 Eurostat database (2018). DS-018995 - EU Trade Since 1988 By SITC. Available at: http://epp.eurostat.ec.europa.eu
58 Agri Benchmark. Global Organic Cereal Production. Available at: https://literatur.thuenen.de/digbib_extern/dn058649.pdf
59 Eurostat database. Crop production in national humidity [apro_cpnh1]. Available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=apro_cpnh1&lang=en

consumption, but it also shows structural changes in Germany's exports – country's exports of cereals were maintained and even increased by reducing exports of cereal products and products of the milling industry.

Figure 7. Trade volume dynamics of cereals and cereal products in Germany, million tonnes [60]



However, in terms of value, Germany is a net exporter only of cereal products and products of the milling industry, but net importer of cereals, with the trade balance gap becoming especially wide in 2016 and 2017. Over the past 5 years, Germany's export value of cereals declined by 32%, despite increasing export volumes, but import value of cereals decreased by just 4.9% (Figure 8). Both export and import value of processed cereals, such as cereal products and products of the milling industry, increased.

The situation can be explained with the fact that over the past 5 years, the agricultural commodity price of cereals have severely dropped and thus trade in cereals is not as profitable anymore. However, trade in processed cereals, such as cereal products and products of the milling industry, keeps recording value growth, as the commodity price drop did not have a significant impact on products with added value and consumer (retail) prices for end-products.

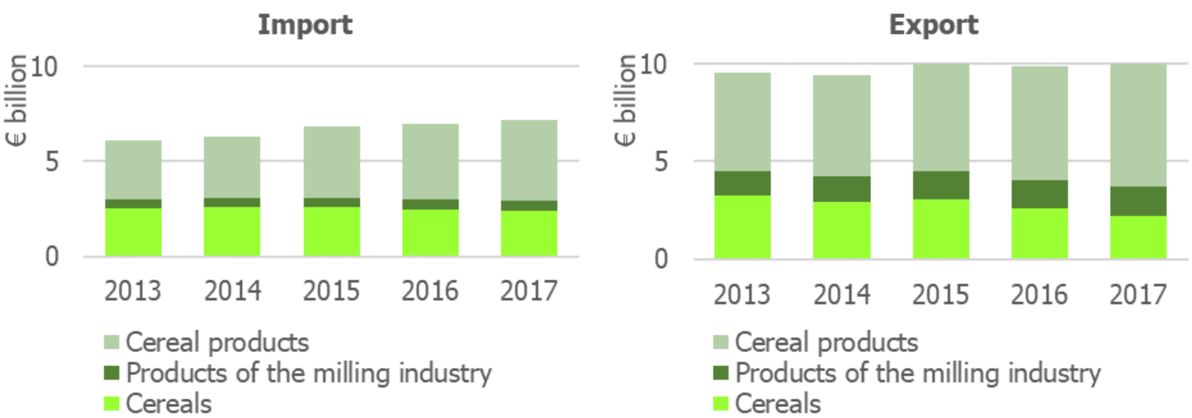


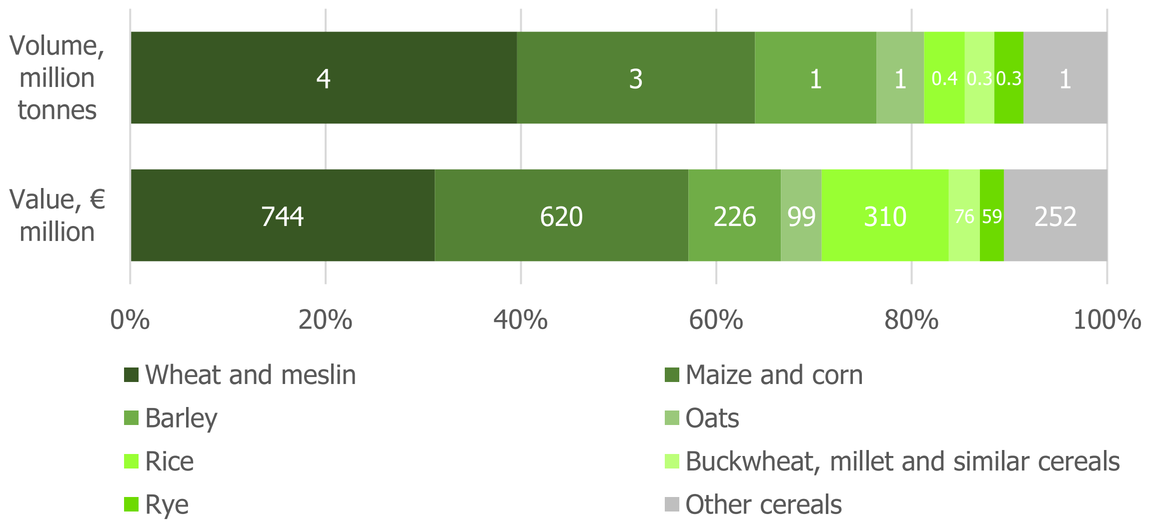
Figure 8. Trade value dynamics of cereals and cereal products in Germany, € billion [61]

60 Eurostat database. DS-045409 - EU Trade Since 1988 by HS2, 4, 6 and CN8. Available at: http://epp.eurostat.ec.europa.eu
61 Eurostat database (2018). DS-045409 - EU Trade Since 1988 by HS2, 4, 6 and CN8. Available at: http://epp.eurostat.ec.europa.eu

Of the imported cereals, most of the imports in Germany originate from the EU countries due to traditionally large role of agricultural industry in the region. In 2017, EU countries contributed to 95% of cereal import volume and 93% of import value, while non-EU countries – just 5% of import volume and 7% of import value. The higher value of cereal imports from non-EU countries reveals that from outside of the EU, higher valued cereal varieties are being imported, which are not available from EU countries. Similarly, of the imported cereal products and milling industry products, most of the imports in Germany also come from the EU countries, both in terms of volume and value. In 2017, EU countries contributed to 93% of import volume and value of cereal products, and 98% of import volume and 94% of value of milling industry products.[62]

Cereal imports in Germany are mostly constituted of wheat and muslin, maize and corn, barley and oats (Figure 9). In 2017, wheat and muslin contributed 40% to Germany's total cereal imports in terms of volume, and 31% - in terms of value. Maize and corn contributed 24% in terms of volume, and 26% - in terms of value, barley – 12% in terms of volume and 9% in terms of value, and oats – 5% in terms of volume and 4% in terms of value. However, Germany is a net exporter of wheat and meslin, as well as barley, which it produces in ample quantitates, but it is a net importer of maize and corn, oats, rice, buckwheat, rye and grain sorghum. Accordingly, the latter cereal categories have the best prospects for foreign importers.

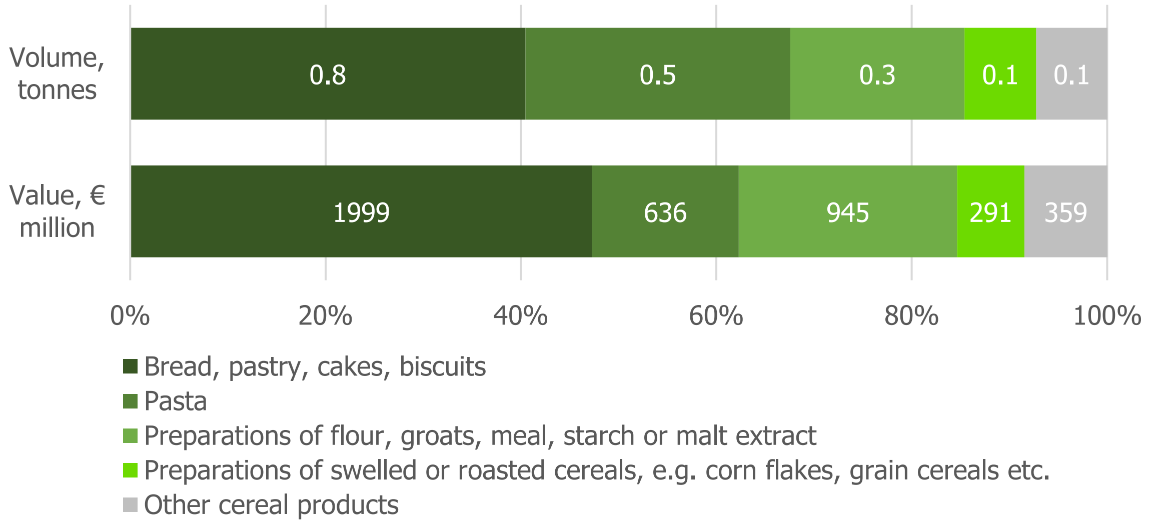
Figure 9. Breakdown of Germany's imports of cereals in 2017[63]



Cereal product imports in Germany are mostly made up of bakery products, such as bread, pastry, cakes, biscuits, as well as pasta, and other preparations of flour, groats, and starch or malt extract (Figure 10). However, Germany has a strong bakery industry on its own, and it is a net exporter of most cereal products. The only category of cereal products with net imports is pasta, which presents good opportunities for foreign importers.

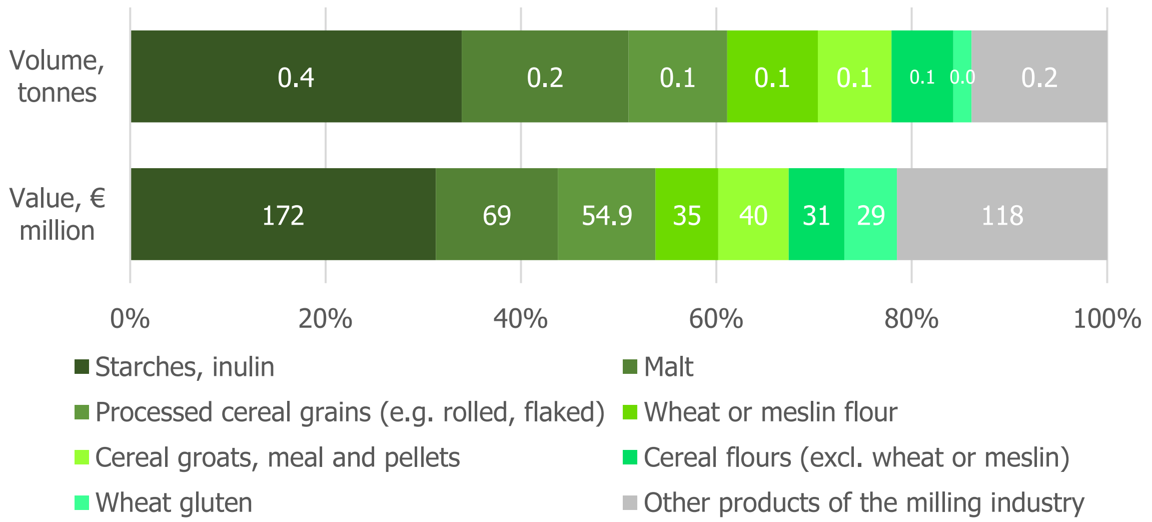
62 Eurostat database (2018). DS-045409 - EU Trade Since 1988 by HS2, 4, 6 and CN8. Available at: http://epp.eurostat.ec.europa.eu
63 Eurostat database (2018). DS-018995 - EU Trade Since 1988 By SITC. Available at: http://epp.eurostat.ec.europa.eu

Figure 10. Breakdown of Germany's imports of cereal products in 2017[64]



Milling industry product imports in Germany are mainly comprised of starches and inulin, malt, processed cereal grains, wheat and meslin flour, and cereal grouts, meal and pellets (Figure 11). But due to Germany's large milling and processing industry, it is a net exporter of most milling industry products. Germany is a net importer only of cereal groats, meal and pellets – mostly for animal feed and industrial use.

Figure 11. Breakdown of Germany's imports of milling industry products in 2017[65]



To sum up, although Germany is a strong worldwide player in agricultural commodity markets and is overall a net exporter of cereals, cereal products and products of milling industry, it still cannot provide all the necessary production for its large domestic demand. Therefore, certain categories with a negative trade balance present attractive import opportunities for foreign producers. More specifically, among cereals the most attractive import categories are maize and corn, oats, rice, buckwheat and rye; among cereal products – pasta; and among products of milling industry – cereal groats, meal and pellets for feed

64 Eurostat database (2018). DS-018995 - EU Trade Since 1988 By SITC. Available at: http://epp.eurostat.ec.europa.eu
65 Eurostat database (2018). DS-018995 - EU Trade Since 1988 By SITC. Available at: http://epp.eurostat.ec.europa.eu

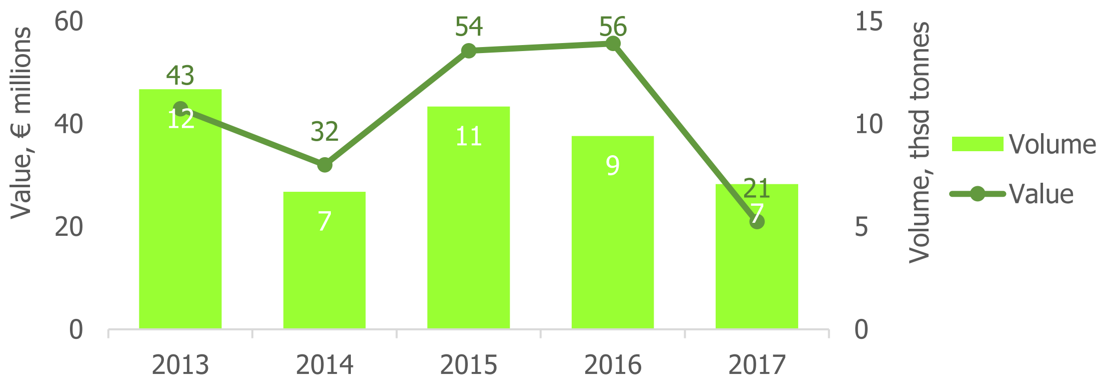
and industrial consumption. Nevertheless, it has to be noted that an overriding portion of cereal imports in Germany are imported from EU countries, thus non-EU countries would have a difficult time competing. Instead, foreign importers should focus on imports of cereals which are difficult to supply in the surrounding geo-climate, such as maize, long-grain/husked/brown rice, quinoa, or culture-specific cereal products, such as pasta or biscuits.

4.2. Imports from Georgia

4.2.1. Food and beverage imports

In 2017, Germany's food and beverages imports from Georgia accounted just for 0.03% in terms of value with €21 million and 0.01% in terms of volume with 7.1 thousand tonnes.[66] Over the past 5 years, import value and volume has fluctuated, and since 2016 is revealing a significant decline, which from the most part has resulted from smaller import volumes of fresh or dried fruit and nuts, as from lower import prices of preserved fruit and fruit preparations (Figure 12).

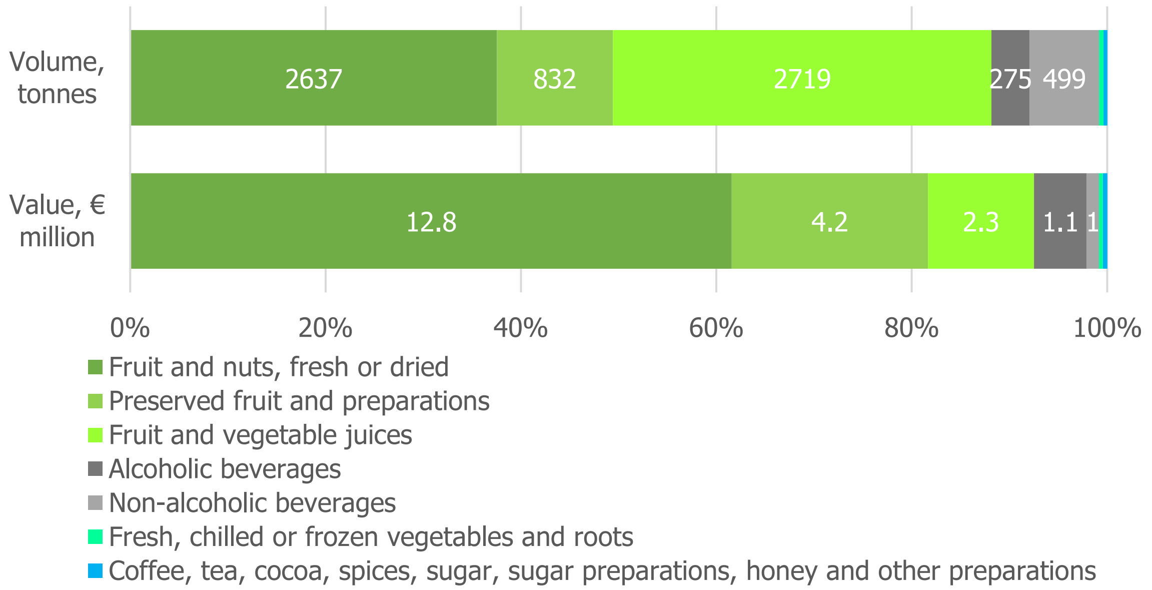
Figure 12. Germany's import dynamics of food and beverages from Georgia[67]



Most Germany's food and beverages imports from Georgia constitutes of fresh and processed fruit and vegetables (Figure 13). In 2017, fruits and vegetables represented 93% of all Germany's food imports from Georgia in terms of value and 88.7% in terms of volume. Fresh or dried fruits and nuts made up 61% of import value, but just 37.3% of import volume, preserved fruit and fruit preparations – 19.9% of import value and mere 11.8% of import volume, fruit and vegetable juices – 10.8% of import value, but 38.5% of import volume.

66 Eurostat database (2018). DS-018995 - EU Trade Since 1988 By SITC. Available at: http://epp.eurostat.ec.europa.eu
67 Eurostat database (2018). DS-018995 - EU Trade Since 1988 By SITC. Available at: http://epp.eurostat.ec.europa.eu

Figure 13. Breakdown of Germany's imports of food and beverages from Georgia in 2017[68]



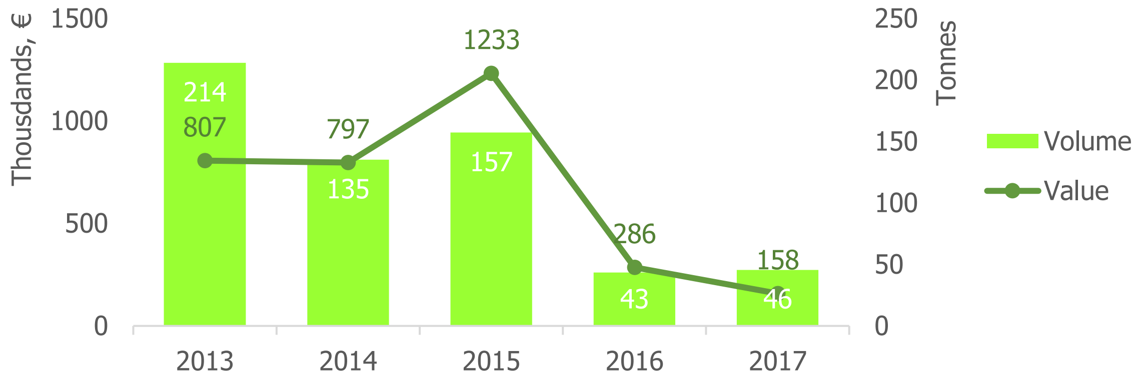
Although imports from Georgia have declined in the past few years, this product group presents good further growth opportunities, especially for fruits and nuts, as local production in Germany of these products is very limited. However, because fruits and vegetables is the most highly demanded import product group in Germany with high import share from non-EU countries, the largest threat is the Germany's closest trade partners specializing in such imports, i.e. Italy, France and Spain which have lower logistics costs and other advantages characteristic for countries which are part of the EU.

4.2.2. Cereal imports

Over the past 5 years, Germany has imported little to no cereals and cereal products from Georgia, therefore there are no import data available for these categories. However, Germany has imported milling industry products, although in relatively small volumes. In 2017, Germany's imports of milling industry products from Georgia constituted 46 tonnes in terms of volume and accounted for €158 thousand in terms of value, representing just 0.004% of country's total import volume and 0.01% of import value in this category (Figure 12). Germany's import volume and value from Georgia have declined by nearly 80% since 2013, when its import volume of milling industry products constituted 0.02% of total import volume and 0.06% of value. [69]

68 Eurostat database (2018). DS-018995 - EU Trade Since 1988 By SITC. Available at: http://epp.eurostat.ec.europa.eu
69 Eurostat database (2018). DS-018995 - EU Trade Since 1988 By SITC. Available at: http://epp.eurostat.ec.europa.eu

Figure 14. Germany's import dynamics of milling industry products from Georgia[70]



Most Germany's food and beverages imports from Georgia constitutes of flour, meal and powder of tapioca and various leguminous vegetables and roots with high starch content. Despite Georgia's lack of previous success in competing in other categories, there are certain categories where foreign producers have good prospects in Germany due to insufficient local supply, as mentioned before – maize and corn, oats, rice, buckwheat and rye, pasta, as well as cereal groats, meal and pellets for feed and industrial consumption. However, producers must be able to compete with competitors from mostly EU countries, which means both in terms of price and high quality. Alternatively, the production must have an added value – e.g. organic certifications, difficult to produce in the surrounding geo-climate or be a culture-specific product.

5. Consumption and market trends

5.1. Consumption and eating habits

For German consumers, two of the key factors leading their purchasing decisions are quality and price. The steep market competitiveness and widespread availability of grocery discounters has led to high consumer demands and an increasing attentiveness to the concept of value for money. At the same time, part of consumers are also becoming more aware on the environmental and societal costs of producing cheap foods, and are turning towards organic and fair trade products, even though they are higher priced. Consciousness of health, wellness and sustainability also has resulted in a growing consumption of fresh and locally grown produce, for which consumers are ready to pay extra.

Consumption is also being influenced by the ageing population in the country. In Germany, consumers aged 50+ is the largest and the fastest growing target group holding over 50% of per capita purchasing power.[71] However, old stereotypes regarding this age group do not apply anymore, as today these consumers are more active as ever before, and, with the high mobility of younger generations, home-cooked meals are becoming replaced by eating foods on-the-go (such as street foods or snacks) and embracing food services either in the form of eating out or ordering food deliveries at home. In contrast to

70 Eurostat database (2018). DS-018995 - EU Trade Since 1988 By SITC. Available at: http://epp.eurostat.ec.europa.eu
71 Germany Trade & Invest. Available at: http://www.gtai.de/GTAI/Navigation/EN/Invest/Industries/Consumer-industries/consumer-markets-retail.html

previous decades, today these convenient formats are expected to provide just as healthy options as home-cooked meals.[72] [73]

German eating habits are similar to those in other European countries. However, the 7 million foreigners who live in Germany have changed eating habits of the locals and have introduced nearly every cuisine - Asian and Mediterranean, Turkish and African, Thai, Chinese, Indian and Vietnamese, Greek, Italian, Spanish and Moroccan.[74] This is also reflected in popularity of non-traditional ethnic food service operators.

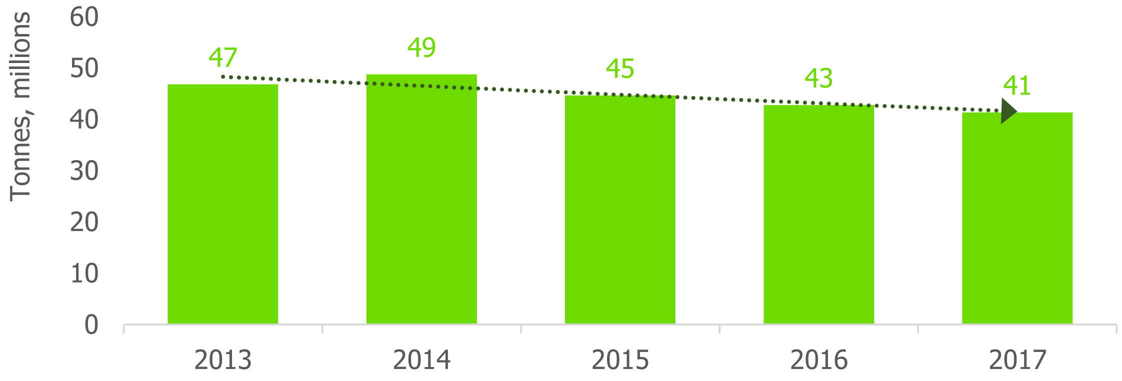
Traditional German breakfast includes bread, toast or rolls with either marmalade and honey, or eggs, cold meats, such as ham and salami, and various cheeses, and a strong cup of tea or coffee. However, with today's busy lifestyles Germans are more often eating cereals rather than a heavy meal. Mid-day meals are usually consumed away from home, and they are becoming lighter, sometimes consisting only of snacks. The main meal or Germans nowadays is dinner rather than lunch, usually eaten at home. While traditional German dinner consists of whole grain bread, deli meats and sausages and cheese, today's eating habits have shifted towards warm dinner meals, with pork, beef, poultry and a variety of vegetables being the favourite main dishes. But the major influence from other culture cuisines and openness to new foods, have resulted in a greater consumption of seafood, like fresh herring, mackerel, salmon, sardines, trout, salmon, bream and carp. Noodles and dumplings in all forms are also very common - especially in the south. As a dessert, Germans consume their traditional cakes and pastries, accompanied by a hot cup of coffee or tea. Nevertheless, desserts and sweets are being consumed significantly less often.[75] Health-consciousness is the most significant factor for the changing German diet.

5.2. Consumption of cereals

Germany is among the largest consumers of cereals in the EU. However, over the past 5 years, domestic consumption data has revealed a reduction by 12%, totalling to 41.4 million tonnes of consumed cereals for food, feed and industrial purposes in 2017 (Figure 15). Most of Germany's consumption can be attributed to cereal consumption as animal feed – approximately 60%, followed by food – 18%, energy source – 9%, industry – 8% and seed – 2%.[76] In general, Germany is self-sufficient in supplying its own domestic demand, except certain categories (see Chapter 4.1.2.).

72 Euromonitor (2017). Packaged Food in Germany. Available at: http://www.euromonitor.com/packaged-food-in-germany/report
73 Euromonitor (2017). Consumer Lifestyles in Germany. Available at: http://www.euromonitor.com/consumer-lifestyles-in-germany/report
74 Federal Ministry of Education and Research. Living in Germany. Food and drink. Available at: https://www.research-in-germany.org/en/discover-germany/food-and-drink/breakfast-lunch-and-dinner.html
75 Federal Ministry of Education and Research. Living in Germany. Food and drink. Available at: https://www.research-in-germany.org/en/discover-germany/food-and-drink/breakfast-lunch-and-dinner.html
76 Bavarian Ministry of Food, Agriculture and Forestry (2016). Agrarmärkte 2016. Available at: https://www.lfl.bayern.de/mam/cms07/iem/dateien/02_getreide__by_.pdf

Figure 15. Germany's domestic consumption dynamics of cereals, incl. for food, feed and industrial purposes[77]



In terms of cereals consumed for food purposes, the most consumed cereal categories in Germany are wheat and spelt, barley, grain maize and corn, oats and rice. Wheat is a traditional German staple food used in a variety of processed products, such as bread, baked goods and pasta, barley is used mainly as flour, maize and corn is used mainly as breakfast cereals or as a food ingredient in the form of starch or syrup, oats are consumed mostly as porridge or muesli, and rice is a staple food used in many dishes. In Germany, cereals are more often used as processed products or ingredients rather than in their unprocessed form (e.g. for cooking), thus Germany's milling and processing industry is a particularly attractive as a target market. In a national survey carried out in 2017, it was revealed that only around 10% of Germans consume cereals for cooking daily, mostly in the form of rice, pasta or other cereal products, such as bulgur or millet grains.[78]

While healthy options of such food staples as pasta, noodles and rice are recording sales growth in Germany[79], the general consumption of cereals in their unprocessed form (e.g. for cooking) is declining due to the changing eating habits of Germans. It is becoming more common for Germans to skip meals at home and instead opt to stop by foodservice outlets or cafeterias, or snack on-the-go. At the same time, the busy lifestyles promote the consumption of convenient products like breakfast cereals, muesli bars or pastries and easy to cook meals like pasta. However, the growth of these categories is limited due to the sheer maturity and saturation of the category. Also it has to deal with a shrinking target group, since these products are more popular amongst younger people, which account for a declining share of the German population. The only areas with good potential for value growth, are products following the health and wellness trend, such as naturally healthy high-fibre products with reduced sugar and fat, gluten-free products, as well as organic products and premium international delicacies.[80] [81] [82]

77 Domestic consumption was calculated from trade data available in the Eurostat database. DS-045409 (http://epp.eurostat.ec.europa.eu) and from production data available in the Eurostat database APRO_CPNH1 (http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=apro_cpnh1&lang=en)
78 Forsa (2017). Representative population survey: German eating habits. Available at: https://www.bmel.de/SharedDocs/Downloads/Ernaehrung/Forsa_Ern%C3%A4hrungsreport2018.pdf?__blob=publicationFile
79 Euromonitor (2017). Rice, pasta and noodles in Germany. Available at: http://www.euromonitor.com/rice-pasta-and-noodles-in-germany/repor
80 Euromonitor (2014). Bakery in Germany. Available at: http://www.euromonitor.com/bakery-in-germany/report
81 Euromonitor (2017). Breakfast cereals in Germany. Available at: http://www.euromonitor.com/breakfast-cereals-in-germany/report
82 Germany Trade and Invest (2016). The food & Beverage Industry in Germany. Available at: https://www.gtai.de/GTAI/Content/EN/Invest/_SharedDocs/Downloads/GTAI/Industry-overviews/industry-overview-food-beverage-industry-en.pdf?v=7

An unchanging staple in the German diet, however, is bread and other baked goods. Consumption of bread remains particularly high, with the most popular products being sliced bread and toast, as well as artisanal bread. Most of bread consumption can be attributed to private-label products. Bread in Germany is consumed in various forms and places – as an easy meal at home, convenient snack on the go or an addition to savoury meal out-of-home, so its popularity is not expected to diminish in the nearest future. In fact, ready-to-eat baked goods category is expected to record growth. However, as Germany is embracing the health and wellness trend, more consumers are opting out of white bread in the favour of whole-wheat, multi-grain and even gluten-free breads with seeds and other additives, which present the best growth opportunities. Other, although less common alternatives favorited by the health-conscious consumers include breads of oat flour and chickpea flour. [83]

5.3. Key market trends

5.3.1. Vegetarian and vegan foods

The vegetarian and vegan sectors is one of the fastest growing in the German market. As many as 7% of German adults consider themselves to be vegetarian, while 5% count themselves as vegan. These diet choices are particularly common among younger generations, 16-24 year olds. [84] However, vegetarian and vegan sectors are growing also because of the general trend towards natural, unprocessed and wholesome products. Many German consumers opt for vegetarian and vegan products due to perceived superior healthiness and a lesser amount of additives, as well as impact on the animal wellbeing and environment.[85]

These popular diet choices are also being supported by vegan-only grocery retailers, such as Veganz, Dr. Pogo and Vallagares, as well as by food producers, which are actively working on new product development. In 2016, Germany was the leading country in the world for new vegan product launches, with 18% of all global vegan product launches occurring in Germany. Moreover, among all food and beverage launches in Germany in 2016, 13% had vegan claims and 7% had vegetarian claims, marking a massive growth in sector activity during the past 5 years. [86] Following the trend, grocery retailers have rapidly adapted and developed their own private-label vegetarian and vegan products.

The rapidly growing sector in Germany has been strengthened by adopting strict labelling rules for vegetarian and vegan products in 2016, even before this was done by the EU. As a result, products can be only labelled as vegetarian and vegan products if they conform to legal definitions for the terms. Also, only conforming products can be marked with the V-Label, the international symbol for vegan and vegetarian products (Figure 16).

83 Euromonitor (2014). Bakery in Germany. Available at: http://www.euromonitor.com/bakery-in-germany/report
84 Mintel (2017). Germany hosted the highest number of vegan launches worldwide in 2016. Available at: http://www.mintel.com/press-centre/food-and-drink/germany-hosted-the-highest-number-of-vegan-launches-worldwide-in-2016
85 USDA Foreign Agricultural Service (2017). Vegan Market is Cooking in Germany. Available at: https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Vegan%20Market%20is%20Cooking%20in%20Germany_Berlin_Germany_8-16-2017.pdf
86 Mintel (2017). Germany hosted the highest number of vegan launches worldwide in 2016. Available at: http://www.mintel.com/press-centre/food-and-drink/germany-hosted-the-highest-number-of-vegan-launches-worldwide-in-2016

Figure 16. V-Label symbols for vegetarian and vegan products

It is highly advisable to obtain the rights to use this symbol, as it will improve the product visibility, especially for lesser-known foreign brands. The most promising vegetarian and vegan products to offer in the German market are meat substitute products, alternative milk products, as well as breakfast dishes (muesli, corn flakes, various curds, etc.) and non-gluten products. [87]

5.3.2. Organic foods

The movement for organic foods has long since achieved mainstream status in Germany due to high consumer health-consciousness, especially among younger generation aged 16-24 years. In 2016, the average annual expenditure on organic foods per capita rose to €97, which is nearly 2 times the average expenditure in the EU28 - €47.[88] [89]

Today, Germany is the 2nd largest organic food market after the United States with retail sales of €9.48 billion in 2016. For the past 5 years, the organic food market in Germany has been recording an average annual growth of 8%. As a result, organic share of the total food retail sales has grown form 3.4% in 2010 to 5.1% in 2016. Although part of the sales growth can be attributed to rise in prices, most product categories also recorded sales volume increase. This was most explicit for organic food categories such as vegetable oils, poultry, potatoes, fruits and vegetables.[90] Organic trend is also quite prominent within food categories like dried fruits, nuts and seeds. Projections for the largest growth in the next years point out to categories such as organic instant meals, dairy products, confectionary and non-alcoholic beverages.[91]

Most of organic food sales in Germany are made by supermarkets – 57.5%, and natural food stores and markets – 30.1%.[92] As the demand for organic foods exceeds the local production capabilities, most organic products in Germany are imported. With the limited choice, most consumers do not pay particular attention to the origin country of the product. In 2016, the most imported organic categories in 2016 were soy beans, field peas, carrots, butter, grain maize and apples.[93]

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87 USDA Foreign Agricultural Service (2017). Vegan Market is Cooking in Germany. Available at: https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Vegan%20Market%20is%20Cooking%20in%20Germany_Berlin_Germany_8-16-2017.pdf
88 Germany Trade and Invest (2016). The food & Beverage Industry in Germany. Available at: https://www.gtai.de/GTAI/Content/EN/Invest/_SharedDocs/Downloads/GTAI/Industry-overviews/industry-overview-food-beverage-industry-en.pdf?v=7
89 Euromonitor (2017). Organic Packaged Food in Germany. Available at: http://www.euromonitor.com/organic-packaged-food-in-germany/report
90 Agricultural Market Information Company (2017). The organic market in Germany - highlights 2016. Available at: http://orgprints.org/31200/7/schaack-2017-organic-market-germany-biofach2017.pdf
91 Germany Trade and Invest (2016). The food & Beverage Industry in Germany. Available at: https://www.gtai.de/GTAI/Content/EN/Invest/_SharedDocs/Downloads/GTAI/Industry-overviews/industry-overview-food-beverage-industry-en.pdf?v=7
92 Agricultural Market Information Company (2017). The organic market in Germany - highlights 2016. Available at: http://orgprints.org/31200/7/schaack-2017-organic-market-germany-biofach2017.pdf
93 Agricultural Market Information Company (2017). The organic market in Germany - highlights 2016. Available at: http://orgprints.org/31200/7/schaack-2017-organic-market-germany-biofach2017.pdf

Nearly all German supermarket chains are intensifying their activities to increase the variety of organic products in their assortment, as there is a still strong dominance of just a few major organic producers, such as Hipp and Alnatura Produktions. This is a counter move to expansion of organic-only retail chains, with the key players being Alnatura, Denn's, BioCompany and Basic. Some supermarket chains, like Edeka and Rewe, are even creating their own organic (as well as vegetarian and vegan) private-labels to retain customers. And, as supermarket private-labels tend to be lower priced than international imported brands, they have a significant advantage, as the key factors in organic food purchases for German consumers are price and value-for-money.

Another factor playing a significant role for German consumers is labelling, as producers must conform to rigorous standards in order to obtain the right to use certain organic recognition symbols. The most popular and widely trusted symbols are the Bio-Siegel logo, regulated by the German government, Demeter logo of the largest biodynamic agriculture certification organization Demeter International, as well as the EU's organic logo Euro Leaf, which is mandatory for all organic pre-packaged food produced within the EU in order to make organic products easily identifiable by the consumers (Figure 17).

Figure 17. Symbols for organic food products - Euro Leaf, Demeter and Bio-Siegel

In Germany, organic certification, especially Bio-Siegel label, is particularly common for cereals and cereal products. Germany is among the leading consumers and producers of organic cereals in the world, producing approximately 6% of the world's organic cereals.[94] However, its domestic demand for organic cereals is higher than its harvesting capabilities, therefore around a quarter of all organic cereals consumed in Germany is imported.[95] In 2015, the largest sales value of organic cereals and cereal products in Germany was for baked goods, which made up 23% of all organic packaged food in the country, followed by significantly less common organic products such as breakfast cereals, rice, pasta and noodles, snack bars and biscuits.[96]

5.3.3. Healthy snacks and convenience foods

The busy lifestyles of modern German consumers is one of the key factors for growth of portable snack foods which offer both nutrition and convenience, including fruit snacks, snack bars, packs of dried fruits and nuts, and healthy biscuits. In 2017, retail current value sales increased by 3%, following the trend of

94 Agri Benchmark. Global Organic Cereal Production. Available at: https://literatur.thuenen.de/digbib_extern/dn058649.pdf
95 Agricultural market information company. The organic market in Germany – highlights 2016. Available at: http://orgprints.org/31200/7/schaack-2017-organic-market-germany-biofach2017.pdf
96 Agriculture and Agri-Food Canada (2016). Organic Packaged Food Trends
In Germany. Available at: http://www.agr.gc.ca/resources/prod/Internet-Internet/MISB-DGSIM/ATS-SEA/PDF/6804-eng.pdf

previous years.[97] Producers also boost category's growth by continuing to innovate with healthier products, more portable or mini-sized packaging and different flavours. Consumers, too, are looking more closely at nutritional value and aim to choose products with the lowest sugar and fat content. Similarly, healthy convenience foods, such as cereals and yogurt supplemented with dried fruits, nuts and seeds, are slowly becoming more common than less healthy convenience foods. Although products in this category are generally more expensive, expansion of the economy and high levels of consumer confidence allowed the category to bloom. Moreover, this trend goes hand-in-hand with the boosted consumption of organic foods, as the targeted consumer groups often overlap, thus producers tend to combine claims on both product healthiness and its organic certifications.

The health and wellness trend within the category also has promoted growth of both demand and supply of new superfood products, such as supergrains, dried superfruits and superseeds. According to market research company Mintel, Germany is the 2nd most innovative market for new superfood launches, following the lead of the US. In 2017, 9% of global food and drink launches carrying a superfood claim occurred in Germany, up from a 6% share in 2016.[98] It has been projected that growth in this category will expand beyond the initial focus on popular ingredients such as chia, amaranth and quinoa, with the growing use of other lesser known superfood ingredients. Dried superfruits, such as cranberries, goji berries, blueberries and mulberries, also are growing in popularity due to being easily consumed as their own as a snack on-the-go.

Healthy snack and convenience foods is a particularly strong trend in the category of cereals and cereal products. Growth is expected in healthy snacks such as naturally healthy high-fibre breakfast cereals and instant flakes, muesli and snack bars with reduced sugar and fat, as well as gluten-free and organic alternatives.[99] [100] High-carb, refined convenience and semi-convenience foods, such as pasta, noodles and rice are also increasingly being replaced by healthier options, such as whole-grain, quinoa and spelt pasta, buckwheat noodles, and brown, wild and sprouted rice.

Overall, healthy snacks and convenience foods continued to be led by major private-labels of discounters Lidl and Aldi, as well as supermarket grocery chains EDEKA and REWE. Private-labels in Germany benefit from strong brand recognition, similar to that of traditional brands, as well as consumer appreciation of products with a good value-for-money.

5.3.4. Private labels

One of the growth factors of German grocery retail sales is the increased focus on private-label products. Half of German consumers believe that buying private-label products is something that savvy shoppers

97 Euromonitor (2017). Sweet biscuits, snack bars and fruit snacks in Germany. Available at: http://www.euromonitor.com/sweet-biscuits-snack-bars-and-fruit-snacks-in-germany/report
98 Minel. Germany is now the world's second most innovative market for superfood launches. Available at: http://www.mintel.com/press-centre/food-and-drink/germany-is-now-the-worlds-second-most-innovative-market-for-superfood-launches
99 Euromonitor (2014). Bakery in Germany. Available at: http://www.euromonitor.com/bakery-in-germany/report
100 Euromonitor (2017). Breakfast cereals in Germany. Available at: http://www.euromonitor.com/breakfast-cereals-in-germany/report

would do.[101] Germany has one of the highest shares of private-label sales in Europe, due to the strong presence of major discounter chains Lidl and Aldi, as well as increasing own private-label development across largest supermarket chains, such as Rewe Group and EDEKA Group.

German supermarkets have borrowed the success model from the leading discounters and managed to build higher-value private-label ranges over recent years, which are cheaper than branded products but, at the same time, are perceived as having a better value-for-money than discounter private-labels. The number of new private-label product launches has grown exponentially for the past 5 years.[102] According to market research company Nielsen, private-label share of food products in Germany reached 36% in 2016, showing an increase by 1% point in 2014. Higher shares were reached only in the UK and Spain.[103] Private label share of organic food products is estimated to be slightly lower, at 29%, revealing a high growth potential due to massive demand and high imports.[104]

As German consumers are responding positively to expanding share of private-labels not only in discounters but in supermarkets as well, and appreciate their perceived value-for-money, more novelties are becoming to appear in store shelves, such as expensive high quality premium products. The fastest growing private-label categories are organic, ethical, premium, free-from, vegetarian, vegan, and ready meals.[105] [106] However, as private labels begin to focus less on price and more on brand and added value, there is a risk that private labels will lose their cost edge.

5.3.5. Online shopping

The strong presence of discounters, which traditionally do not have online stores and the high density of smaller grocers are the main factors that has lagged the development of grocery online shopping in Germany. In 2017, grocery online sales in Germany accounted only for 1.7% of the total grocery sales. In contrast, the share in the UK was 7.5% and in France – 5.6%.[107]

Although online shopping still accounts for a low share of the total grocery retail sales in Germany, considerably less than in other European countries, it is continuing to increase its share due to obvious time-saving benefits and convenience factor. It has been estimated that in 2017, around 15% of German

101 Yumda. Europe at the forefront of private label premiumisation. Available at: http://www.yumda.com/en/news/1154722/europe-at-the-forefront-of-private-label-premiumisation.html
102 Agriculture and Agri-Food Canada (2016). Private Label Trends - Packaged Food in Germany. Available at: http://www.agr.gc.ca/eng/industry-markets-and-trade/international-agri-food-market-intelligence/europe/market-intelligence/private-label-trends-packaged-food-in-germany/?id=1463150219477
103 Nielsen. Rise and Rise Again of Private Label. Available at: http://www.nielsen.com/content/dam/nielsenglobal/ru/docs/2018.02%20-%20Global%20-%20The%20Rise%20and%20Rise%20Again%20of%20Private%20Label.pdf
104 Euromonitor (2015). Private label in Western Europe: Developments and future prospects.
Available at: https://www.wabel.com/sites/default/files/market_data/Euromonitor_Grocery%20SUMMIT.pdf
105 Agriculture and Agri-Food Canada (2016). Private Label Trends - Packaged Food in Germany. Available at: http://www.agr.gc.ca/eng/industry-markets-and-trade/international-agri-food-market-intelligence/europe/market-intelligence/private-label-trends-packaged-food-in-germany/?id=1463150219477
106 IGD (2017). German grocery market to grow 10.5% to 2021. Available at: https://www.igd.com/about-us/media/press-releases/press-release/t/igd-german-grocery-market-to-grow-105-to-2021/i/17008
107 Kantar World Panel (2017). E-commerce grocery market has grown 30%. Available at: https://www.kantarworldpanel.com/global/News/E-commerce-grocery-market-has-grown-30#download

consumers purchased more than half of their groceries online and this proportion is due to increase in 2018, as 20% of consumers are planning to do so in the next 12 months .[108]

The change in German shopping habits started to take off after the expansion of Amazon grocery operations in the market, most notably the entrance of Amazon Pantry in 2015, and Amazon Fresh online supermarket in 2017. Online sales of groceries are also growing due to retail chains Rewe and Edeka expanding their online operations, as well as a few start-ups. Growth has been recorded in all food and beverages categories, but most explicitly - for products such as specialty foods, non-alcoholic beverages and alcoholic beverages.[109] [110] Specialty products are particularly often purchases online, as they are not readily available in the nearest stores. This explains the popularity of online specialty stores, such as Gourmondo.

Grocery retailers are taking notice regarding their online presence also due to the ROPO effect or the concept of "researching online, purchasing offline." In Germany, it is becoming increasingly popular to research products online and compare prices of different brands, and afterwards going to stationary retail store where they can receive the best value-for-money. Alternatively, consumers can engage in ROPO activities even on the retail spot via smartphones. According to Deloitte survey, 38% of frequent online shoppers in Germany reported researching products online prior to visiting a store, with another 25% of frequent shoppers having researched online while in store. This research concept, also referred to as "multichannel retailing", has resulted in low brand loyalty levels and high demands, especially among Millennials and Gen Z-ers, for whom switching brands and retailers is easy when not satisfied.[111]

6. Food trade regulations

6.1. General food trade regulations

Germany's food and beverages laws and regulations are based on EU regulations and directives, such as the General food law and food safety regulation no. 178/2002, Food hygiene regulation no. 852/2004, General requirements for all food contact materials no. 1935/2004, Regulation on contaminants and traces no. 315/93/EEC, Regulation for organic food and farming no. 834/2007 and others. The main responsibility of regulations regarding imports and trade of food in Germany lie in domain of the Federal Ministry of Food and Agriculture, supported by the Federal Office of Consumer Protection and Food Safety.

The key legal foundation regulating food production, import and trade in Germany is the German Food, Commodities and Feed Act.[112] The Act covers all stages of the food value chain, and applies to food, beverage, feed and cosmetics goods with the main aim to regulate actions of manufacturers, dealers and

108 PwC. Vier von zehn Deutschen wollen Lebensmittel online bestellen. Available at: www.pwc.de/de/handel-und-konsumguter/vier-von-zehn-deutschen-wollen-lebensmittel-online-bestellen.html
109 Euromonitor (2016). Grocery Retailers in Germany. Available at: http://www.euromonitor.com/grocery-retailers-in-germany/report
110 USDA Foreign Agricultural Service (2017). Retail Foods – Germany. Available at: https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Berlin_Germany_8-7-2017.pdf
111 Germany Trade & Invest. Available at: http://www.gtai.de/GTAI/Navigation/EN/Invest/Industries/Consumer-industries/consumer-markets-retail.html
112 Lebensmittel-, Bedarfsgegenstände- und Futtermittelgesetzbuch (Lebensmittel- und Futtermittelgesetzbuch - LFGB). Available at: https://www.gesetze-im-internet.de/lfgb/LFGB.pdf

distributors by ensuring traceability throughout the production and processing stages, as well as guaranteeing safety and quality of the goods. The Act consists of ordinances on topics such as hygienic and veterinary requirements, labelling, packaging, as well as numerous rules for special product groups.

6.1.1. Import regulations

The strict food and feed legislation applies to all foods and feeding stuffs, both originating from within and outside of the EU. For most agricultural products, such as grains, milk, meat, olive oil, fruits and vegetables, wine, sugar, as well as food supplements, imported into Germany from a country outside of the EU, the admissibility of products largely depends on a conformity certificate or a disclaimer, as well as of an agricultural certificate of origin. The importer must be able to present a valid conformity certificate from either the Federal Agency for Agriculture and Food (Bundesanstalt für Landwirtschaft und Ernährung - BLE)[113], which is the main authority for imports of agricultural products, or from a recognised inspection service in a third country. If none of the mentioned certificates are present, the Federal Agency of Agriculture and Food is able to issue a disclaimer in some cases.

The competent customs administration authority in Germany for all products imported from countries outside the EU is the Customs and Excise Board (Bundeszollverwaltung).[114] The documentary basis for customs declarations is the single administrative document, which is used within the framework of trade with third countries and for the movement of non-EU goods within the EU. The document may be presented both by the importer or its representative either by physically lodging it at the designated Customs office or via submitting it electronically on the Customs and Excise Board website.

There are no additional import duties for agricultural imports from Georgia, as since July 1st of 2016, a preferential trade regime between Georgia and the EU came into force - the Deep and Comprehensive Free Trade Area (DCFTA), based on the principles of the World Trade Organisation. Since then, the new trade regime has removed all import duties on goods, as well as allowed Georgian companies to set up a subsidiary or a branch office in the EU on a non-discriminatory basis and enjoy the same benefits as domestic companies do.

6.1.2. Food safety and hygiene

Germany has an excellent reputation for its high level of food safety, as well as high standards of hygiene, as EU countries can impose stricter national requirements in addition to the EU standards. The German Food, Commodities and Feed Act provides that operators across the whole food production and trade chain, including producers, importers, distributors and retailers, are all responsible for products they place on the market. However, even if products do not comply with the national requirements, they can be imported to ensure free movement of goods, as long as they are legal in another EU member state.

113 Bundesanstalt für Landwirtschaft und Ernährung. Available at: www.ble.de
114 Bundeszollverwaltung. Available at: www.zoll.de

However, in such case, importers will need to obtain a special permit, issued by the Federal Office of Consumer Protection and Food Safety (BVL).[115]

Generally, food vendors do not need a special permission, except for sales of novel and dietetic foods, which are subject to general authorization requirements. However, even if all the requirements have been taken into account, customs authorities can sometimes initiate an additional investigation of imported food products, especially if a national or European institution has given an alert. In such cases, an official laboratory report proving the product's safety is usually requested. [116]

Most food hygiene standards have been harmonized across the EU, including phytosanitary standards in order to avoid diseases and pests. For plants, fresh fruits and vegetables, as well as raw and unprocessed nuts, a phytosanitary certificate is also required. The competent authority for phytosanitary inspections is the Julius Kuhn Institutute (Julius Kühn Institut - Bundesforschungsinstitut für Kulturpflanzen)[117], overseen by the Federal Ministry of Food and Agriculture.

6.1.3. Labelling and packaging

Companies exporting products to Germany also must take into account the the EU marketing standards, especially those regarding health claims, as well as labelling and packaging requirements which emphasize consumer safety and environmental friendliness. Products that already are in conformity with any standards adopted by the United Nations Economic Commission for Europe (UNECE), are considered as conforming to the general marketing standard in the EU, regarding such criteria as quality, size, labelling, packaging and presentation. The compliance with food marketing standards in Germany is controlled by the Federal Agency for Agriculture and Food.

The specific requirements for Germany is that the contents of the labelling must be in German language, and there are also specific provisions for different types of products. Particular emphasis is also on the provision of proper and well visible food information to consumers, such as all food ingredients, allergens, precise nutritional value and instructions for use. Traceability of food products is also of utmost importance. For example, the country of origin must always be listed on food labels and all intermediaries, such as suppliers and distributors, must be included as well. [118]

In addition, German mentality for environmental-friendliness is reflected in requirements for product packaging as well. Importers, distributors and retailers must make sure that their food packaging materials comply with the EU's and Germany's regulations in terms of recycling and waste disposal. All transport, secondary and commercial packaging, must be collected including all additional packs that reach the

115 IXPOS, The German Business Portal. Food and beverage. Market access. Available at: https://www.ixpos.de/IXPOS/Navigation/EN/Your-business-in-germany/Business-sectors/Consumer-goods/food-and-beverage,t=market-access-,did=263444.html
116 IXPOS, The German Business Portal. Import regulations. Available at: http://www.ixpos.de/IXPOS/Navigation/EN/Your-business-in-germany/Market-entry/import-regulations,did=271212.html
117 Julius Kühn Institut - Bundesforschungsinstitut für Kulturpflanzen. Available at: www.jki.bund.de
118 IXPOS, The German Business Portal. Food and beverage. Market access. Available at: https://www.ixpos.de/IXPOS/Navigation/EN/Your-business-in-germany/Business-sectors/Consumer-goods/food-and-beverage,t=market-access-,did=263444.html

consumer. In case of large packaging volumes (50-80 tonnes), responsible authorities must be warned and the waste must be recycled.[119]

6.2. Trade regulations of cereals

6.2.1. Import regulations

When exporting cereals to the EU countries, including Germany, fulfilment of EU requirements for product quality are of the highest importance. Strict official controls are regularly conducted to ensure that all food entering the market are safe and comply with the set EU requirements. Controls can be carried out at all stages of import and marketing, but most take place at the points of entry into the EU. Products that are not considered safe will be denied access to the market. In general, there are 3 types of controls – documentary checks, identity checks and physical checks. In the event of repeated violations, more intensive controls can be set or emergency measures imposed for certain exporters.[120]

For importers of cereals for human consumption, the traceability of a product is compulsory, therefore importers in the EU require exporters to show proof of origin and take traceability measures. Also, to ensure food safety and avoid environmental damage, the EU has restricted the use of certain chemicals by setting maximum residue levels for pesticides and contaminants (see Chapter 6.2.2.).

Buyers in Germany are not only rigorous in terms of expected quality standards, but also demand straightforward and transparent information on their potential partners and products they import. This includes clear and elaborate documentation, including product specifications (quality specifications, price indication, packaging), production capacity (turnover, number of employees), processing capabilities (certificates, quality management), as well as company structure (history, mission, vision and activities). Additional documentation, such as health certificates, should be provided for customs. The documentation should correspond exactly with the food products contained in the consignment, including the indicated volumes, number of pallets and boxes, and names of growers. Moreover, new buyers will often require samples, which should be representative of the product delivered.

Also, a common requirement from German buyers include signing a code of conduct for suppliers, in which the exporter declares that it conducts business in a responsible manner. In addition, German buyers would expect suppliers to conform to other international quality standards, such CODEX (Codex Alimentarius) standards. Even though they are not legally binding, they are highly recommended for all suppliers who want to access the German market. The CODEX standards contribute to the safety and quality products, as well as fairness of international food trade.

119 Deutscher Industrie- und Handelskammertag. Overview of the German Packaging Ordinance. Available at: http://www.ixpos.de/IXPOS/Content/EN/Your-business-in-germany/_SharedDocs/Downloads/overview-of-the-german-packaging-ordinance-2014.pdf?v=5
120 Centre for the Promotion of Imports. Exporting grains and pulses to Europe. Available at: https://www.cbi.eu/market-information/grains-pulses/

6.2.2. Food safety and hygiene

Food safety and hygiene regulations for cereals and its products in Germany comply with the general EU legislation for food products, such as EC Regulation no. 178/2002 on the general principles and requirements of food law, and procedures on food safety, as well as EC Regulation no. 852/2004 on hygiene of foodstuffs.[121] [122] To guarantee food safety and to allow appropriate action in cases of unsafe food, food products must be traceable throughout the entire supply chain, and risks of contamination must be limited. One important aspect involved in controlling food-safety hazards is defining critical control points (HACCP) by implementing food-management principles. For exporting to Germany, it is recommended to have a certification of HACCP, although it is not a legal requirement. HACCP is one of the most commonly used certificates in Germany, providing the company with a risk management tool for food safety risks. Other food safety management systems and certifications which are widely accepted include GLOBAL G.A.P., FSSC 22000, BRC, Global Standard for Food Safety, IFS and GMP+. [123]

In addition, exporters of cereals must ensure strict compliance with maximum residue levels (MRLs) for pesticides and the prevention of microbial contamination are preconditions for entering the German market. Products containing illegal pesticides or excessive amounts of other residues will be withdrawn from the market. To identify the MRLs relevant for specific categories of cereals, EU's MRL database can be used.[124] However, for some categories, MRLs applied by buyers in Germany can be stricter than those specified in EU. Also, exporters must make sure their products comply with the set maximum limits of contaminants, including heavy metals and mycotoxins, which are natural by-products of mold and very common in cereals cultivated in humid climates. The maximum levels of relevant contaminant levels for specific categories of cereals can be found in the Annex of EC Regulation no.1881/2006.[125]

It is not advised to export genetically modified varieties of cereals to the EU countries for human consumption, as only a few such varieties have been authorized, such as maize, but for use in the animal feed sector only. For human consumption, most food businesses in the EU choose not to sell genetically modified food at all. [126]

6.2.3. Labelling and packaging

Labelling of cereals and its products sold in Germany must comply with the rules and regulations applying in the EU market, as laid out in European Commission (EC) Regulation no. 1169/2011 on the provision of food information to consumers[127]. As stated in the regulation, labelling of consumer packs cannot contain

121 The European Parliament and the Council of the European Union. Regulation (EC) No. 178/2002 On the general principles and requirements of food law. Available at: https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32002R0178
122 The European Parliament and the Council of the European Union. Regulation (EC) No. 852/2004 On the hygiene of foodstuffs. Available at: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2004:139:0001:0054:en:PDF
123 Centre for the Promotion of Imports. Exporting grains and pulses to Europe. Available at: https://www.cbi.eu/market-information/grains-pulses/
124 European Commission. EU Pesticides database. Available at: http://ec.europa.eu/food/plant/pesticides/eu-pesticides-database/public/?event=pesticide.residue.selection&language=EN
125 European Commission. Regulation (EU) No 1881/2006 setting maximum levels for certain contaminants in foodstuffs. Available at: https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32006R1881
126 Centre for the Promotion of Imports. Exporting grains and pulses to Europe. Available at: https://www.cbi.eu/market-information/grains-pulses/
127 European Commission. Regulation (EU) No 1169/2011. Available at: https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32011R1169

any toxic ink or glue. In Germany, it is required that the contents of the labelling must be in German language. The key information that must be included on the product labelling is as follows:

- Generic name and, if applicable, its treatment;
- List of ingredients, including allergens;
- Net quantity;
- Date of minimum durability;
- Special conditions for keeping or use;
- Name and address of the manufacturer, packager or importer;
- Place of origin;
- Lot marking on pre-packaged foodstuffs.

The use of nutrition and health claims on labeling is regulated by EC Regulation no. 1924/2006.[128] Specific requirements apply to niche markets, such as organic or fair trade cereals. These requirements can be particularly important for specific consumer groups or in the health-food segment. In order to trade organic products in the EU and Germany, the producer must use the organic production methods, specified in EU legislation, for at least 2 years before marketing products as organic. In addition, an import authorization from an EU organic control body must be acquired. Only after being audited by an accredited certifier, the organic logo on products can be affixed. [129]

It is also suggested to take into account the recommendations of CODEX Alimentarius for labelling of packs for consumers or for catering purposes, specifically, Guidelines on the Labelling of Pre-packaged Foods CODEX STAN 1-1985[130] and Guidelines on the Nutrition Labelling CAC/GL 2-1985.[131] The CODEX also provides marketing standards specific for several cereals, such as maize (corn), sorghum and rice. [132] [133] [134] These standards cover characteristics such as moisture, purity, grain quality and appearance.

Regarding packs or other type of packaging, bulk packaging is required to contain product of the same commercial type and are ought to have a uniform net weight. For bulk cereals, strong paper sacks or bags of natural woven material with a capacity of 25 kg or 50 kg are often used, but these may be replaced by polypropylene bags (Figure 18). Shipping containers usually have the capacity of 16-20 tonnes. Containers should be clean and the cargo must be protected from moisture, pests and cross-contamination, especially in the case of organic products.[135]

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128 European Commission. Regulation (EU) No. 1924/2006. Available at: https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A02006R1924-20121129
129 Centre for the Promotion of Imports. Exporting grains and pulses to Europe. Available at: https://www.cbi.eu/market-information/grains-pulses/
130FAO. General Standard for the Labelling of Pre-packaged Foods. CODEX STAN 1-1985. Available at: www.fao.org/input/download/standards/32/CXS_001e.pdf
131 FAO, WHO. CODEX Guidelines on Nutrition Labelling CAC/GL 2-1985. Available at: http://www.fao.org/fao-who-codexalimentarius/sh-proxy/es/?lnk=1&url=https%253A%252F%252Fworkspace.fao.org%252Fsites%252Fcodex%252FStandards%252FCAC%2BGL%2B2-1985%252FCXG_002e.pdf
132 FAO. Codex Standard 153-1985. Standard for maize (corn). Available at: http://www.fao.org/input/download/standards/51/CXS_153e.pdf.
133 FAO. Codex Standard 172-1989. Standard for sorghum grains. Available at: http://www.fao.org/input/download/standards/57/CXS_172e.pdf.
134 FAO. Codex Standard 198-1995. Standard for rice. Available at: http://www.fao.org/input/download/standards/61/CXS_198e.pdf.
135 Centre for the Promotion of Imports (2015). CBI Product Factsheet:
Amaranth grains in Europe. Available at: https://www.cbi.eu/sites/default/files/market_information/researches/product-factsheet-europe-amarath-grains-pulses-2015.pdf

Figure 18. Example of a typical bulk cereal packaging in Germany (Davert, organic buckwheat groats in a paper-based bag, 25 kg)[136]

Cereal products for retail are most commonly packaged in standard cardboard boxes or plastic bags in volumes ranging from 350 g to 550 g and over. Organic cereal products more often are packaged in paper-based bags, which is in line with their general environmentally-friendly positioning (

Figure 21).

Figure 19. Example of a typical cereal packaging in Germany (Barnhouse, cornflakes in a cardboard box, 375 g) [137]

136 Newstart Center. BIO buckwheat groats, 25kg, DAVERT. Available at: https://www.newstartcenter.biz/Naturkost/Getreide-Getreideprodukte/Getreideprodukte-Grossgebinde/Buchweizengruetze-BIO-25-kg-von-DAVERT.html
137 Amazon. Barnhouse, cornflakes. Available at: https://www.amazon.de/Barnhouse-Cornflakes-5er-Pack-Karton/dp/B003XU214C/ref=sr_1_1?s=grocery&ie=UTF8&qid=1526452441&sr=1-1&keywords=cornflakes&refinements=p_89%3AAlnatura%7CBarnhouse

Figure 20. Example of a typical cereal packaging in Germany (Rapunzel, muesli with chocolate in a plastic bag, 1000g) [138]

Figure 21. Example of a typical organic cereal packaging in Germany (3Bears, organic oatmeal porridge with cinnamon and apple taste in paper-based bag, 400 g)[139]

EC regulations require that all types of packaging must ensure a proper protection of the product. Materials used inside of the package must be of good quality and clean of foreign matter to avoid causing any damage. Any material used inside the package should be new, waterproof and harmless to human health. Packaging should ensure adequate protection against humidity during storage and transport of the product.

7. Conclusions and recommendations

With the expansion of German economy, high consumer confidence levels and increased household spending, for foreign importers it is now as attractive market as ever. Although local food production is increasing and competition among importers is tightening, the astounding number and diversity of German consumers means that with proper knowledge of the local market and regional differences, nearly every business can find their niche.

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138 Amazon. Rapunzel, muesli. Available at: https://www.amazon.de/Rapunzel-Mond-Sterne-M%C3%BCsli-1000/dp/B003W4DDFK/ref=sr_1_2_sspa?s=grocery&ie=UTF8&qid=1526452961&sr=1-2-spons&keywords=rapunzel+m%C3%BCsli&psc=1&smid=A2KYD28536HAGG

139 Amazon. 3Bears, Cinnamon Apple Porridge Oatmeal. Available at: https://www.amazon.de/3Bears-Zimtiger-Apfel-Porridge-Hafermahlzeit/dp/B077SVN2D1/ref=sr_1_8?s=grocery&ie=UTF8&qid=1526451489&sr=1-8&keywords=3bears

However, consumers are becoming increasingly savvy and are using all information channels to find products with the best value-for-money. With all consumer groups in Germany being price-conscious, discounters such as Lidl and Aldi have become direct competitors to supermarkets like EDEKA and REWE, and private-label share in grocery retail is among the highest in Europe. At the same time, German consumers also demand high quality, as well as healthy and environmentally friendly products. With the key consumption trends being organic and fair trade products, vegetarian and vegan foods, healthy snacks and convenience foods, the German market is driven by new product developments and numerous launches each year.

The high consumer demands also are reflected onto supply purchasing process. Competition is increasing among producers and retailers, and a major price pressure is put on trade operators across all product supply chain. Also, all products, especially when supplied from non-EU countries, are a subject to strict quality requirements. Although Germany in general complies with the common EU regulations, German businesses often have additional demands to ensure superb quality, which a necessity in such a competitive market. Also, country-specific requirements such as product labelling in German, packaging and disposal fees, and rules regarding disposal and recycling of packaging must be taken into account.

Besides regulations, German businesses also are rather traditional and prefer to cooperate with long-time partners, which is why successful representation and recognition of the supplier and its products is of major importance. Online presence and local trade show visits are a must when trying to establish new trade connections in Germany.

There are many product categories which provide attractive opportunities for foreign importers, as Germany represents one of the largest consumer markets in the EU. However, Germany also has a strong agricultural production and processing industry, especially of cereals, cereal products and products of the milling industry. In general, Germany is a self-sufficient producer and net exporter in all of these categories, both in terms of volume and value, but there are some exceptions. Germany is not able to cover its domestic demand for all of the products, so certain sub-categories have high net imports. More specifically, the most attractive import categories among cereals are maize and corn, oats, rice, buckwheat and rye; among cereal products – pasta; and among products of milling industry – cereal groats, meal and pellets for feed and industrial consumption. The best growth prospects are in the German market are for organic whole-grain cereals, taking into account the increasing consumption of organic and healthy products, like breakfast cereals, instant porridges, muesli, snack bars, baked goods, as well as convenience and semi-convenience foods, such as healthy and pasta.

Nevertheless, it has to be noted that most of cereal imports in Germany come from EU countries, thus non-EU countries would have a difficult time competing. It is especially true for Georgia, which has had little to no exports to Germany within cereal category, except flour, meal and powder of tapioca and various leguminous vegetables and roots with high starch content. Germans outside of EU expect to imports of cereals which are difficult to supply in the geo-climate surrounding Germany, such as maize, long-grain/husked/brown rice, quinoa, or culture-specific cereal products, such as pasta or biscuits.

Alternatively, the production should be based on having an added value, such as organic and fair-trade certifications, or health and wellness features. Also, to successfully compete in the German market, producers should be highly prepared to be able to compete with other foreign producers, both in terms of price and quality.

Most of the cereal import trade in Germany accounts for unprocessed bulk cereals for the animal-feed industry, milling and processing industry, bakery industry, as well as food service industry. Although some level of basic processing can occur in producer’s country, most buyers prefer products that are processed in the EU, both for economic and food safety reasons. Trade in bulk cereals in Germany is based on the price as the key purchasing factor. The main trade channels for bulk cereals are commodity exchange markets, large importers/processers, multinational trading and sourcing companies, general wholesalers and large milling/processing companies. In the trade of medium-scale and niche products, more important part is played by specialized importers and the leading supermarket chains.

Taking into account the specifics of the German market, several key entry models for Georgian cereal producers have been distinguished according to the volume and type of imported product, such as direct export to producers and retailers, and indirect export via commodity exchange markets, importers and wholesalers.

Table 14. Key market entry models for Georgia's cereal producers

	Entry Model	**Advantages**	**Disadvantages**	**Suitability**
Bulk products	Indirect export via importers/ wholesalers	• Good accessibility for foreign importers • Local knowledge and contact network • Regional reach • Assistance with marketing and promotion • Assistance with trade requirements • Many importers also act as processors	• No unique selling point, must mainly compete with the price	High
Bulk products	Indirect export via commodity exchange markets	• High level of convenience and organization • A wide network of trade contacts • Direct relationship with buyers • Equal market opportunities ensured by governmental institutions	• No unique selling point, must mainly compete with the price	High
Bulk products	Direct export to processors and producers	• Ability to compete with lower prices due to cutting out middlemen • Full control over the supply process • An in-depth knowledge of the client needs	• Difficult to establish connections • Must ensure fulfilment of specific purchase requirements • No unique selling point, must mainly compete with the price • Specific purchase requirements	Medium

Branded products	Indirect export via importers/ wholesalers	• Good accessibility for foreign importers • Local knowledge and contact network • Regional reach • Assistance with marketing and promotion • Assistance with trade requirements	• Need to have a strong brand to compete • Consumers prefer local brands • Packaging and marketing related costs	Medium to low
Branded products	Direct export to retailers	• Unique selling point, if there is a strong brand • Ability to compete with lower prices due to cutting out middlemen • Full control over the supply process • An in-depth knowledge of the client needs	• Difficult to establish connections • Must have good knowledge of German consumers and trade requirements • Need to have a strong brand to compete • Consumers prefer local brands • Packaging and marketing related costs • Specific purchase and delivery requirements	Low
Bulk products	Direct export to retailers	• Ability to compete with lower prices due to cutting out middlemen • In case of offering the lowest price, there are food opportunities for supplying raw products for private-label development • An in-depth knowledge of the client needs	• Difficult to establish connections • Must have good knowledge of German consumers and trade requirements • Must compete mainly with the price • Specific purchase and delivery requirements	Low

By comparing main advantages and disadvantages of each model for Georgian cereal producers of both branded and bulk products, the most suitable models are indirect export models based on trade in bulk cereals, particularly – indirect export via importers and wholesalers, as well as via commodity exchange markets. For exporting and distributing general types of cereals, traditional trade partnerships are recommended, but for organic, fair trade and premium specialties, specialized wholesalers should be contracted. There are also good prospects for trade in bulk cereals as direct export to producers and processors. All of the mentioned trade models have more advantages and present less barriers. Also, in these models there are no additional costs associated with marketing and the competition is based more on the price. Export of packed and branded cereals could be an option for those producers who are ready for long-term commitment to German market and are willing to heavily invest into marketing.

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ABOUT EDA:

EDA was founded in 2012 with the mission to help Georgian enterprises grow and diversify their exports through advocacy, advisory and promotion. EDA is a member-driven association uniting up to 100 Georgian export-oriented producers and service providers. EDA offers Georgian exporters building capacity, develop an export marketing plan, provide export management service, select target export market and break down the barriers to trade. Most of EDA members are in production sectors, but EDA also affiliates tourism industry representatives. We offer permanently updated product/market briefs for exporters and Inspire Georgian companies to engage in exporting to expand their business horizons and grow internationally. Our key expertise is identification and execution of market entry strategies.

ABOUT GATEWAY & PARTNERS:

Gateway & Partners, formerly GatewayBaltic, was established in 2004 and is specialized in developing local exporters internationally. The mission is to boost customers' export sales by introducing them into new markets and discovering vital market information. Throughout the years Gateway & Partners has carried out projects for more than 1000 customers across various industries. Clients are individual local exporters, trade promotion agencies and clusters. Gateway & Partners works in any market where their clients wish to grow, as close as the Nordics and Europe and as far as Mexico and China.

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