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BAY LEAF IN GERMANY

MARKET RESEARCH

EXPORT DEVELOPMENT ASSOCIATION

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

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

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 players such as Edeka Group, Rewe Group and METRO unite both retail and wholesale operations under

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

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%
5. Metro	13 142	-	4.8%

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

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 beverages are very common in these stores, as are products in reusable containers.		

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

	• 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 independent retailers, similar to Edeka Group, but it also operates in other business segments, such as

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
22 Rewe Group. Available at: www.rewe-group.com

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 (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 (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 (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.		

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	• 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 the convenience company	• 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 approximately 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 bay leaves

Trade channels for bay leaves in Germany covers both packaged and bulk products, but due to specifics of the German market it is recommended to trade specifically in bulk bay leaves, as most buyers prefer products that are processed, packaged, labelled and marketed locally, 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. But trade in bulk bay leaves, on the other hand, provides great opportunities, as there are many businesses which specialize in processing, packaging, labelling and marketing imported products due to high demand for local brands. Usually, sorting and cleaning of the leaves is done in the country of origin. However, it has to be taken into account that trade in bulk bay leaves Germany is very price-competitive, although less so for higher quality and organic produce.

When trading in bulk bay leaves, there are different customer groups to target in Germany, mainly processing industry, food service industry, food producers of meat products, ready meals, convenience and canned foods, and some of the major supermarket and discounter chains. Although it is possible to target these customer groups directly, it often can be more efficient to reach them via importers and wholesalers, which have good knowledge of the legal requirements and the local market, as well as offer a wider contact network. An especially attractive trade channel is specialized importers of herbs and spices which also are processors and marketers of their own branded products. For trade in packaged and branded bay leaves, the key target customer group are all types of retailers, which are also often more efficient to reach via third parties.

Table 11. Wholesale trade channels of bay leaves in Germany

	Category
Henry Lamotte FOOD	Importer/processor/wholesaler
	• Henry Lamotte FOOD (www.lamotte-food.de) is an importer, processor and wholesaler of canned foods, spices and herbs, oils and sauces, as well as dried fruit. The company supplies products to both food retailers and producers, as well as offers private label development services.
Jost Bauer	Importer/processor/marketer
	• Jost Bauer (www.jostbauer.de) is a direct importer, processor and marketer of herbs, spices and dried vegetables. The company sources its products worldwide, so it controls the whole supply chain and has its own warehouse. The bay leaves that the company imports are handselected, maximum of 7cm

	in length.
CARLA Gewuerzfabrik	Processor/marketer
	• CARLA Gewuerzfabrik (www.carlagewuerze.de) is a processor and marketer of herbs and spices, supplying products to meat and food processing industry, catering industry and bulk consumers, Cash & Carry resellers, as well as retailers by developing private labels.
AKO	Importer/processor/wholesaler
	• AKO (www.ako-spice.com) is an importer, processor and wholesale of regular herbs and spices, as well as of organic specialties. The company sources its products worldwide and ensures services throughout the complete supply chain.
Horst Prietzel	Importer/processor/marketer/wholesaler
	• Horst Prietzel (www.prietzel-bochum.de) is an importer, processor and wholesaler of preserved food, spices and herbs. The company both offers product in bulk, as well as its own branded products. The company supplies clients throughout Europe.

More contacts and information related to specialized wholesale trade of dried herbs and spices can be provided by the German national association of wholesale and foreign trade of fruit and vegetables, seeds, spices and related goods – Waren-Verein der Hamburger Börse.[34] It stands for the freedom of international trade and supports its members, most of which are suppliers from non-EU countries. The main goal of the association is to represent the interests of importers and wholesalers. It can support foreign suppliers not only by providing trade contacts, but also by giving detail information regarding import regulations, limits for contaminants, DGHM guidelines, UNECE standards, as well as pre-export checks. Another good source for trade contacts, especially for direct importers and processors of herbs, is the German Trade Association of the Spice Industry.[35]

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.[36] The growing income and accelerating economy has supported

34 Waren-Verein der Hamburger Börse. Home page. Available at: https://www.waren-verein.de
35 German Trade Association of the Spice Industry. Members. Available at: https://www.gewuerzindustrie.de/gewuerz-mitglieder
36 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

German consumer confidence level, which has steadily risen for the past 5 years, as revealed by the GfK Consumer Climate Indicator.[37]

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.[38] 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%.[39] 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.[40]

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. [41]

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[42]

	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

37 Trading Economy. Germany GfK Consumer Climate. Available at: https://tradingeconomics.com/germany/consumer-confidence
38 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
39 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
40 GFK (2017). Purchasing power Germany 2018. Available at: http://www.gfk.com/insights/press-release/purchasing-power-germany-2018/
41 Numbeo (2018). Cost of living. Rankings by country. Available at: https://www.numbeo.com/cost-of-living/rankings_by_country.jsp
42 Numbeo (2018). Cost of living. Available at: https://www.numbeo.com/cost-of-living/

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 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.[43]

3.2. Prices of bay leaves

In general, the prices for bay leaves are similar to those elsewhere in the EU, which average around €6 per kg for bulk importers and wholesalers and €220-500 per kg for end-market prices for consumers. Moreover, average prices have risen substantially over the past years. End-market prices of bay leaves for consumers are much higher than producer and import prices due to packaging, labelling, marketing and transportation costs, added margin and VAT, which in Germany for agricultural and food products is 7%. To a large extent, prices for bay leaves are also rather inelastic. However, in Germany, bay leaves for culinary purposes are used in small quantities, therefore consumers are not that price-sensitive for this product category as they are for others. Herbs in general are a minor ingredient that contributes little to the total cost of the food in which it is used.[44]

Most of the bay leaves offered in German stores shelves are dried, with fresh leaves only rarely available. The largest portion are available as whole leaves, but there are also other options, such as cut, crushed and grounded leaves. The price can vary a lot – starting from €1 to €25 and more per 100g, with the key factor being product volume and brand (Table 13). Other important factors impacting price of bay leaves include quality, product origin (EU vs. non-EU countries), processing type (whole, cut or grounded), packaging type, retailer, as well as if the product is certified as organic and/or fair trade. In Germany,

43 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/
44 Centre for the Promotion of Imports (2015). CBI Product Factsheet: Culinary dried herbs in Europe. Available at: https://www.cbi.eu/sites/default/files/market_information/researches/product-factsheet-europe-dried-herbs-2015_1.pdf

organic certification for bay leaves sold in retail is very common. However, organic and fair trade products have an additional price premium of 5% - 15%.

Table 13. Retail prices of bay leaves in Germany, 2018 (€)[45] [46] [47]

	EDEKA		Allyouneedfresh		Amazon Fresh	
	Per 100 g	Pack	Per 100 g	Pack	Per 100 g	Pack
Sonnentor, dried bay leaves, organic, 10 g	-	-	-	-	22.90	2.29
Lebensbaum, dried bay leaves, organic, 5 g	-	-	39.80	1.99	-	-
Ostmann, dried bay leaves, 5 g	39.80	1.99	-	-	-	-
Wiberg, dried bay leaves, 60 g	-	-	-	-	16.08	9.65
Wagner, dried bay leaves, 15 g	-	-	18.60	2.79	-	-
Guelcan, dried bay leaves, 35 g	-	-	-	-	5.69	1.99
Azafran, dried bay leaves, 100 g	-	-	-	-	7.50	7.50
Eder Gewuerze, grounded bay leaves, 1 kg	-	-	-	-	1.24	12.37
Eder Gewuerze, cut bay leaves, 1 kg	-	-	-	-	0.98	9.78
Hartkorn, dried bay leaves, 5 g	31.80	1.59	-	-	-	-

The key local brand names available in German stores are Ostmann, JArtkorn, Wagner, Sonnentor, Eder Gewuerze, Lebensbaum and others. Private labels of supermarkets and discounters are also popular, such as Lidl's Kania, due to being less expensive than brands. Most of the local brands import bay leaves from other countries and specialize in packaging, labelling and marketing for the domestic market.

4. Imports

4.1. Worldwide imports

4.1.1. Food and beverage imports

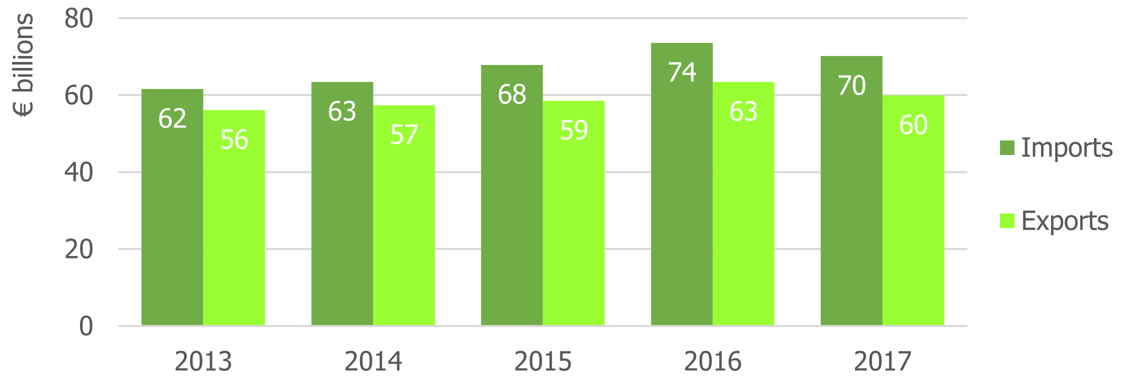
Germany, being the productive powerhouse it is, is well-known for as a net exporter. In 2017, Germany imported goods in value more than €953.8 billion and exported more than €1 205.5 billion, resulting in a positive trade balance of €251.7 billion.[48] Moreover, 2017 set new foreign trade records in 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. [49]

From 2013 to 2017, food and beverages import value in Germany has revealed a growth trend, increasing by 13.8% (Figure 1). 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

45 EDEKA online store. Available at: www.edeka24.de
46 Alltouneedfresh online store. Available at: www.allyouneedfresh.de
47 Amazon Fresh online store. Available at: https://www.amazon.de/b?ie=UTF8&node=6723195031
48 Eurostat database (2018). DS-018995 - EU Trade Since 1988 By SITC. Available at: http://epp.eurostat.ec.europa.eu
49 Eurostat database (2018). DS-018995 - EU Trade Since 1988 By SITC. Available at: http://epp.eurostat.ec.europa.eu

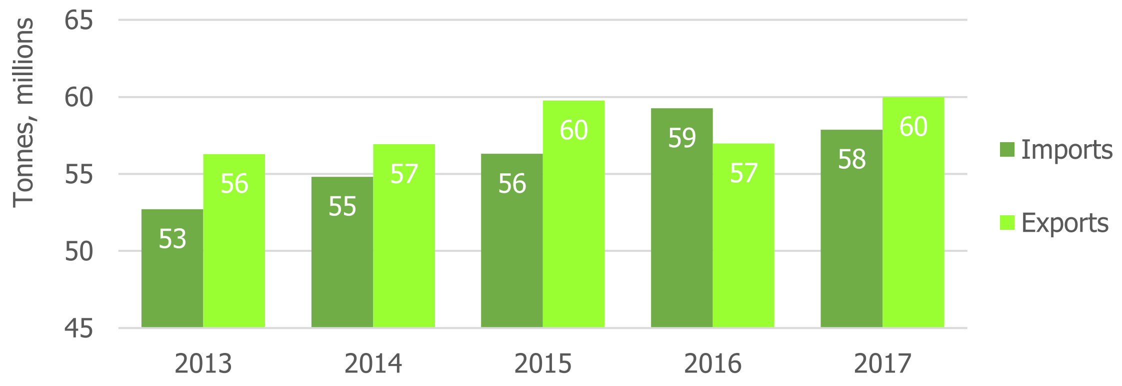
local producers which have several advantages over importers in the German market, and, secondly, consequences from stronger value of the euro which limits trade to countries outside Eurozone, i.e. expansion of German exporters and activities of foreign importers. Also, other factors have played a major role, such as fluctuating raw-material purchasing prices, especially of milk.

Figure 1. Food and beverages trade value dynamics in Germany, € billions[50]



When taking into account trade volume dynamics (Figure 2), 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 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 2. Food and beverages trade volume dynamics in Germany, million tonnes[51]



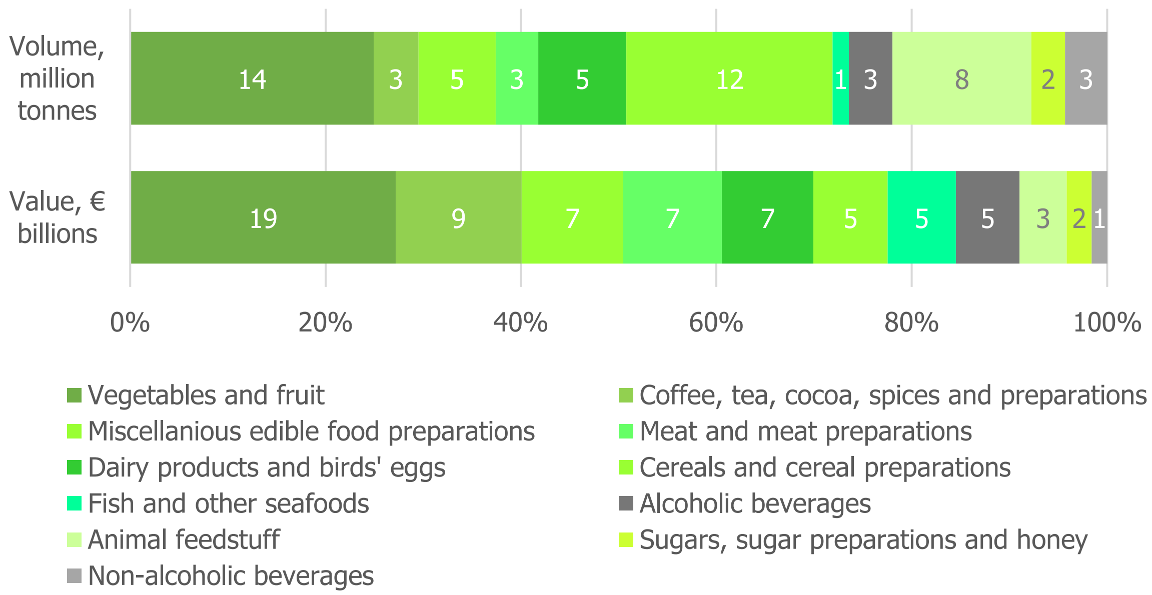
An in-depth look at the Germany's key import trade partners indicate that food and beverages are most commonly being imported from geographically nearby countries. In 2017, 80% of all food and beverages imports in terms of value in Germany originated from the EU, and just 20% - from the non-EU countries. 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

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

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.[52]

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 3). 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.

Figure 3. Breakdown of Germany's import of food and beverages in 2017[53]



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. [54]

4.1.2. Import of bay leaves

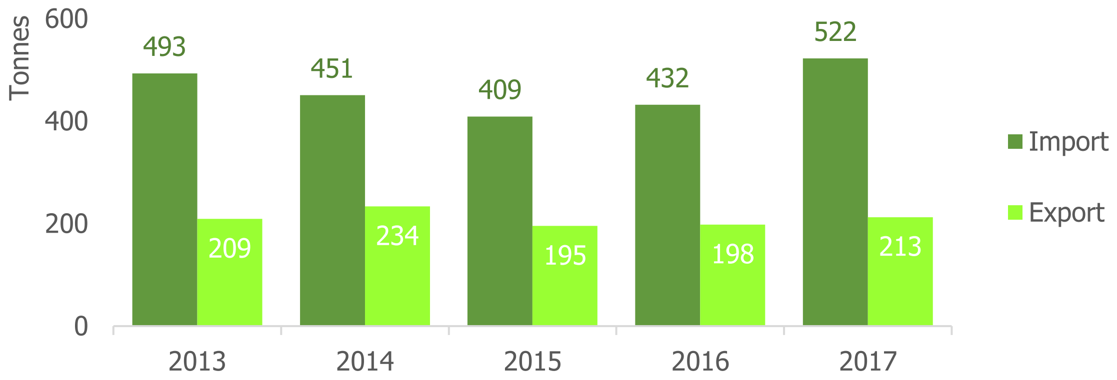
Germany does not have strong cultivation traditions in the production of bay leaves, and it also lacks suitable geo-climate, as bay trees are easier to cultivate in countries bordering the Mediterranean. However, bay leaves are a rather commonly used herb in Germany with domestic demand exceeding local cultivation capabilities, which is why Germany has become a net importer of bay leaves. In fact, in 2017, Germany was the 2nd largest importer and 3rd largest net importer of bay leaves in the EU after Poland and

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

the United Kingdom.[55] In 2017, Germany imported a total of 522 tonnes of bay leaves worth €2.9 million, equivalent to 4.4% of all Germany's imports of spices in terms of volume and 6.4% - in terms of value (Figure 4).

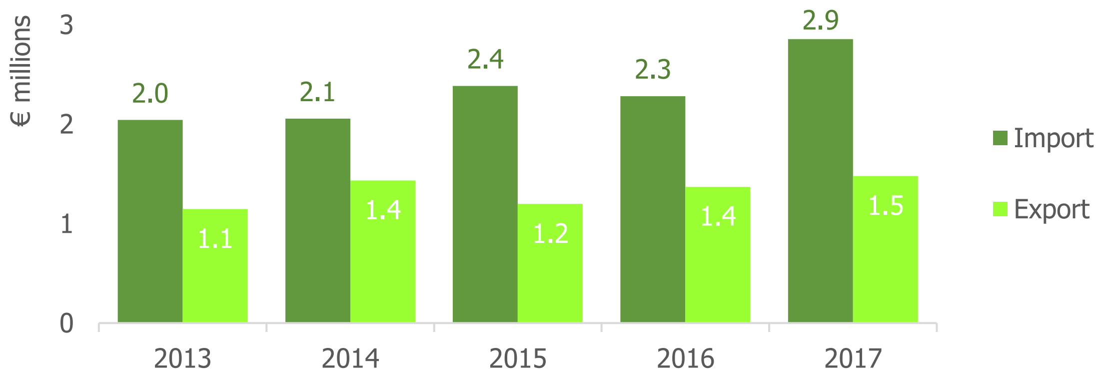
Reviewing Germany's trade volume dynamics of bay leaves in detail, it becomes evident that the negative trade gap has slightly increased over the past 5 years (Figure 4). Although there has been an import volume decline during the middle of the reviewed period, import bounced back by the end of the period. In 2017, Germany's total trade volume constituted 71% of imports and just 29% of exports.

Figure 4. Germany's trade volume dynamics of bay leaves, tonnes[56]



Germany's value dynamics of bay leaves, however, did not experience such a distinct drop during the period, and has shown stable growth with an increasing negative trade gap (Figure 5). In 2017, Germany's total trade value was made up 66% of imports and mere 34% of exports.

Figure 5. Germany's trade value dynamics of bay leaves, € millions[57]



Most of the imported bay leaves in Germany originate from the non-EU countries. In 2017, non-EU countries contributed to 76% of the total import volume and 46% of import value, while EU countries – 24% of import volume and 54% of value. [58] Although non-EU countries dominate imports of bay leaves in terms of volume, EU countries dominate imports in terms of value, as production from the EU more often has added value, such as organic and fair trade certifications.

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

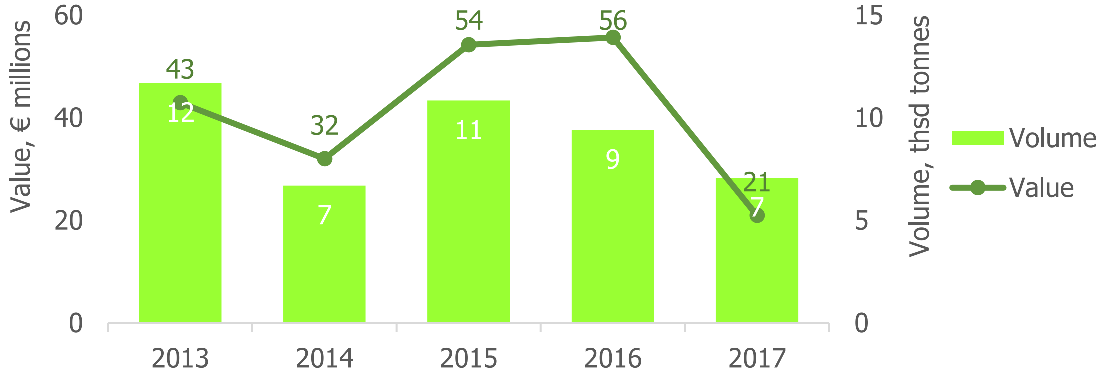
In 2017, the largest Germany's import partner countries for bay leaves were Turkey, which alone accounted for 75% of imports in terms of volume and 45% in terms of volume, followed by considerably less significant partners such as Romania, Lithuania, Poland and Austria. All of these 5 major import partners constituted 96% of Germany's total import volume and 95% of import value. Georgia's contribution to Germany's imports of bay leaves was 1.2% in terms of volume and 0.2% in terms or value.[59]

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.[60] 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 6).

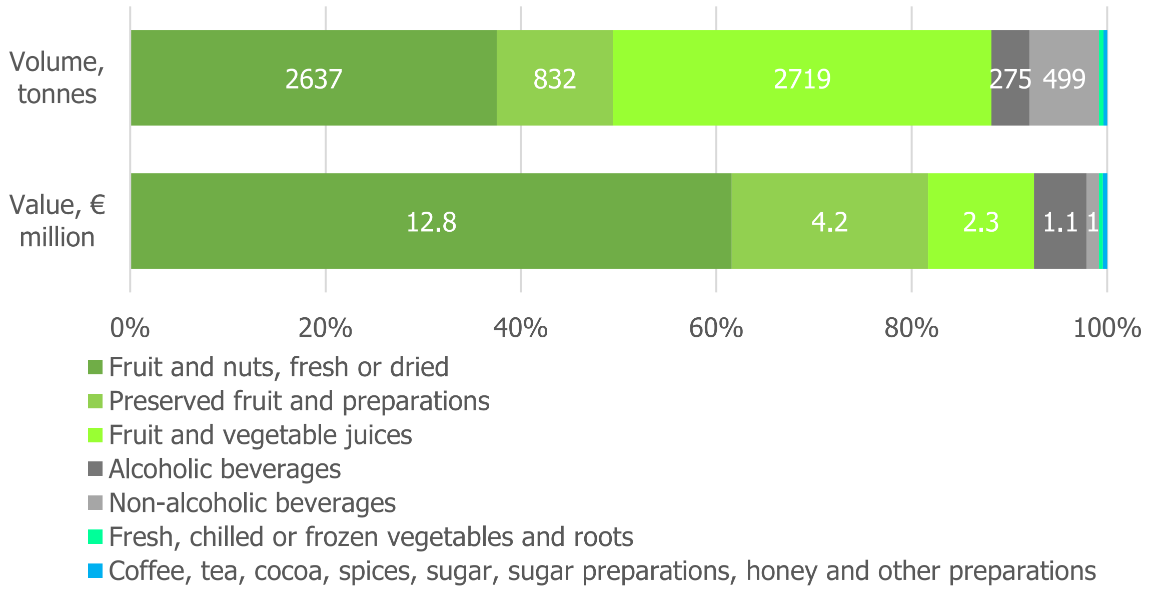
Figure 6. Germany's import dynamics of food and beverages from Georgia[61]



Most Germany's food and beverages imports from Georgia constitutes of fresh and processed fruit and vegetables (Figure 7). 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.

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

Figure 7. Breakdown of Germany's imports of food and beverages from Georgia in 2017[62]

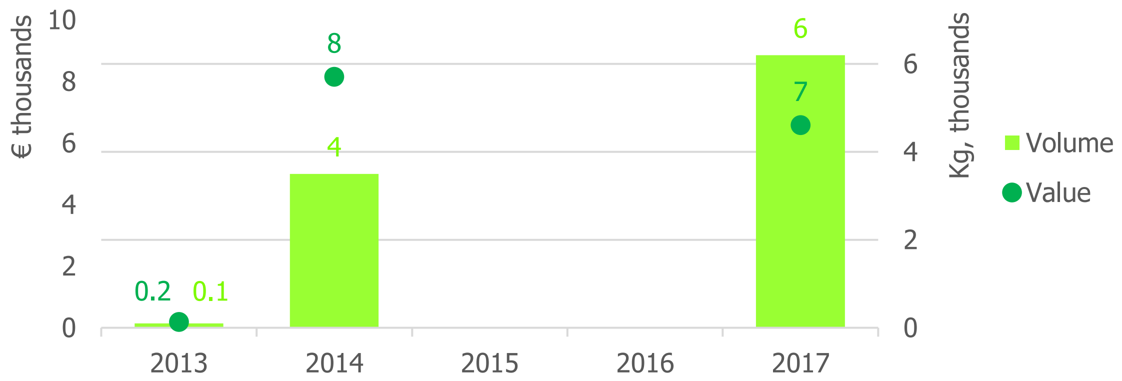


Although imports from Georgia have declined in the past few years, this product group presents good further growth opportunities, especially for fruits and nuts, as local production in Germany of these products is very limited. However, because fruits and vegetables is the most highly demanded import 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. Import of bay leaves

Georgia is among the largest producers and exporters of bay leaves for the EU market. In 2017, was the 7th largest exporter of bay leaves in the EU in terms of volume and the 13th in terms of value.[63] However, Georgia's exports of bay leaves to Germany are not that large and there are even years without any trade activity.

Figure 8. Germany's import dynamics of bay leaves from Georgia[64]



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

Within the past 5 years, Germany has imported bay leaves from Georgia only in 2013, 2014 and in 2017. In 2015 and 2016, there were little or no imports in Germany, or there is a lapse in the official trade data. Either way, during the reviewed period, imports of bay leaves from Georgia has increased, reaching a volume of 6.2 thousand kg and value of €6.6 thousand in 2017 (Figure 8).

When compared to imports in 2014, data reveals growth in terms of volume, but a slight decline in terms of value (Figure 8). This indicates that in 2017 the market competition has become tighter and thus import prices have fallen, or, alternatively, it points out on structural changes in imports from Georgia, e.g., the products imported in 2017 have a lesser added value or are unprocessed. Official trade data had no further breakdowns of the imports by product type, such as fresh or dried bay leaves.

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.[65] 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 previous decades, today these convenient formats are expected to provide just as healthy options as home-cooked meals.[66] [67]

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.[68] This is also reflected in popularity of non-traditional ethnic food service operators.

65 Germany Trade & Invest. Available at: http://www.gtai.de/GTAI/Navigation/EN/Invest/Industries/Consumer-industries/consumer-markets-retail.html
66 Euromonitor (2017). Packaged Food in Germany. Available at: http://www.euromonitor.com/packaged-food-in-germany/report
67 Euromonitor (2017). Consumer Lifestyles in Germany. Available at: http://www.euromonitor.com/consumer-lifestyles-in-germany/report
68 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

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.[69] Health-consciousness is the most significant factor for the changing German diet.

5.2. Consumption of bay leaves

Despite the reduction of daily home-cooking habits over the past years, Germans are increasingly apprising the importance of spices and herbs. In a 2017 survey, it was revealed that around 18% of German population use dried spices and herbs at least several times a week, 25% - several times a month, 18% - from time to time, and only 9% does not use dried spices and herbs. In comparison to a situation 5 years ago, German population which use dried spices and herbs at least several times a week or a month increased by approximately 3%.[70]

Herbs such as bay leaves have several uses, but in Germany they are mostly used as dried culinary herbs by consumers cooking at home or food-service industry, especially for dishes with red meats such as beef, veal and game, fish soups, as well as for marinated foods, pickled vegetables or even to make infused oil or vinegar. The consumption of bay leaves as a culinary herb is often promoted by its use in various recipes and cookbooks. However, in Germany, the consumption of bay leaves in natural medicine is also common, promoted by the media which from time to time mentions the health and wellness properties of this herb, suggesting to use it in other forms such as tea, milk and steam in order to relieve tension, tackle joint problems, infections or diabetes.[71] [72]

However, the changing lifestyles of Germans is a risk for the growth of demand for herbs, including bay leaves, as less consumers are opting to cook at home or do it rarely. Furthermore, even when Germans choose to cook at home, they more often prefer convenient prepared or semi-prepared foods to save time, which means that the use of bay leaves in cooking and canning at home might decline. Nevertheless, the upside of this market trend is that more Germans are eating out of home, thus boosting the use of bay

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69 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
70 Statista. The frequency use of dried spices and herbs from 2013 to 2017 by German population. Available at: https://de.statista.com/statistik/daten/studie/172375/umfrage/haeufigkeit-konsum-von-getrockneten-gewuerzen-und-kraeutern/
71 Ecowoman. The healing effect of bay leaves. Available at: https://www.ecowoman.de/34-gesundheit/5540-lorbeer-und-seine-wirkung-als-heilpflanze-lorbeerblaetter-gegen-diabetes
72 Zeitung. The versatile bay leaf. Available at: http://www.zeitung.de/gesundheit/alternativmedizin/naturheilkraeuter/lorbeer/

leaves in the food-service industry, and by choosing to buy convenience foods they are contributing to the use of bay leaves by food processors, such as in canned, pickled and marinated vegetables.

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. [73] 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.[74]

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. [75] 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 9).

Figure 9. 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

73 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
74 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
75 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

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. [76]

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.[77] [78]

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.[79] 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.[80]

Most of organic food sales in Germany are made by supermarkets – 57.5%, and natural food stores and markets – 30.1%.[81] 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.[82]

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.

76 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
77 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
78 Euromonitor (2017). Organic Packaged Food in Germany. Available at: http://www.euromonitor.com/organic-packaged-food-in-germany/report
79 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
80 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
81 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
82 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

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 10).

Figure 10. Symbols for organic food products - Euro Leaf, Demeter and Bio-Siegel

In Germany, organic certification is very popular for bay leaves sold in retail. Fair-trade and fair-wild certifications (for wild-collected leaves) are also common. Although Germany is among the leading producers of organic products, it has limited harvesting capabilities of both regular and organic bay leaves, so it is highly dependent on its imports. Market for organic and fair-trade certified dried herbs in Germany is growing, as consumers are paying more attention to the environmental and societal impact of agricultural/horticultural practices, which translates into a growing offering of organic herbs not only on the shelves of specialized retailers, but major German supermarkets and even discounters as well.

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 previous years.[83] 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

83 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

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.[84] 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.

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 would do.[85] 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.[86] 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.[87] 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.[88]

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

84 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
85 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
86 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
87 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
88 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

meals.[89] [90] 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%.[91]

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 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 .[92]

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.[93] [94] 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.[95]

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89 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
90 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
91 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
92 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
93 Euromonitor (2016). Grocery Retailers in Germany. Available at: http://www.euromonitor.com/grocery-retailers-in-germany/report
94 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
95 Germany Trade & Invest. Available at: http://www.gtai.de/GTAI/Navigation/EN/Invest/Industries/Consumer-industries/consumer-markets-retail.html

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.[96] 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 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)[97], 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).[98] 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

96 Lebensmittel-, Bedarfsgegenstände- und Futtermittelgesetzbuch
(Lebensmittel- und Futtermittelgesetzbuch - LFGB). Available at: https://www.gesetze-im-internet.de/lfgb/LFGB.pdf
97 Bundesanstalt für Landwirtschaft und Ernährung. Available at: www.ble.de
98 Bundeszollverwaltung. Available at: www.zoll.de

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. However, in such case, importers will need to obtain a special permit, issued by the Federal Office of Consumer Protection and Food Safety (BVL).[99]

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. [100]

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)[101], 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

99 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
100 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
101 Julius Kühn Institut - Bundesforschungsinstitut für Kulturpflanzen. Available at: www.jki.bund.de

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. [102]

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 consumer. In case of large packaging volumes (50-80 tonnes), responsible authorities must be warned and the waste must be recycled.[103]

6.2. Trade regulations of bay leaves

6.2.1. Import regulations

To export bay leaves to the EU countries, including Germany, EU requirements for product quality should be fulfilled. Product quality is a key factor for German buyers, therefore it is recommended to follow not only the minimum EU and national regulations, but to ensure that the product adheres to internationally recognized quality guidelines as well. At the EU level, one of such is the Quality Minima Document of the European Spice Association, which describes the quality minima for specific dried herbs and spices, including bay leaves, usually demanded by business buyers in the EU. The document includes recommended maximum levels for total ash, acid insoluble ash, moisture content, volatile oil etc. [104] At the international level, useful documents include International Organization of Spice Trade Associations standards, such as General Guidelines on Good Agricultural Practices for Spices and Culinary herbs[105], CODEX (Codex Alimentarius) standards, as well as ISO standards. 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 all EU countries official controls are regularly conducted to ensure that all products 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. The key corresponding legislation act regarding import controls of herbs and spices is the EC Regulation no. 669/2009 on the increased level of official controls on imports of certain feed and food of non-animal origin.[106] In general, there are 3 types of import controls –

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102 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
103 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
104 European Spice Association (2015). Quality Minima Document. Available at: https://www.esa-spices.org/download/esa-qmd-rev-5-september-2015-sc-update-as-per-esa-tc-27-10-15.pdf
105 International Organization of Spice Trade Associations. General Guidelines for Good Agricultural Practices on Spices & Culinary Herbs. Available at: https://www.esa-spices.org/download/iosta-gap-final.pdf
106 European Commission. Regulation no. 669/2009. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32009R0669&from=EN

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.

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). Importers also require exporters to show proof of origin and take traceability measures, as traceability is an important issue in the EU. 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.

6.2.2. Food safety and hygiene

Food safety and hygiene regulations 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.[107] [108] 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+. [109]

The main safety issue regarding herbs are excessive levels of pesticide residues. This is a widespread issue in the cultivation of herbs and needs to be properly addressed. Exporters of herbs must ensure strict compliance with maximum residue levels (MRLs) for pesticides which is a precondition 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 bay leaves, EU's MRL database can be used.[110] The 2015 amendment of EC pesticide Regulation no. 396/2005 has also introduced a new limit for anthraquinone, whose residues may sometimes be found in herbs as a result of artificial drying with fire.[111] However, the EU legislation has only set general pesticide residue limits for fresh herbs, which is why the

107 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
108 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
109 Centre for the Promotion of Imports. Exporting grains and pulses to Europe. Available at: https://www.cbi.eu/market-information/grains-pulses/
110 European Commission. EU Pesticides database. Available at: http://ec.europa.eu/food/plant/pesticides/eu-pesticides-database/public/?event=pesticide.residue.selection&language=EN
111 European Commission. Regulation no. 2015/1608 amending Annex IV to Regulation no. 396/2005. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2015.249.01.0014.01.ENG

European Spice Association has developed recommended dehydration limits for pesticides for dried herbs, set in its Quality Minima Document.[112] In addition to pesticide limits, exporters must make sure their products comply with the set maximum limits of contaminants and dioxins, as well as ensure there is no presence of salmonella.

Besides the EU and national regulations, German buyers would expect suppliers to conform to other international quality standards, such CODEX (Codex Alimentarius) standards, such as Code of hygienic practice for spices and dried aromatic plants CAC/RCP 42 – 1995.[113] Even though CODEX standards 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.

6.2.3. Labelling and packaging

Labelling of dried herbs 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[114]. As stated in the regulation, labelling of consumer packs cannot contain 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:

- The name of the product, and, if applicable, its treatment;
- Details of the manufacturer (name and address);
- Batch number;
- Date of manufacture;
- Product grade;
- Producing country;
- Harvest date (month-year);
- Net weight;
- Traceability information, such as bar, producer and/or packager code.

Furthermore, on the labelling of pre-packed herbs or mixtures, it is necessary to clearly indicate the presence of allergens, as herbs can contain extraneous material (e.g. gluten, mustard or sesame seeds, milk or nuts) that can cause allergic reactions. The labelling requirements regarding allergens are set in EC Regulation no.1169/2011.[115]

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

112 European Spice Association (2015). Quality Minima Document. Available at: https://www.esa-spices.org/download/esa-qmd-rev-5-september-2015-sc-update-as-per-esa-tc-27-10-15.pdf
113 FAO. Code of hygienic practice for spices and dried aromatic plants CAC/RCP 42 – 1995. Available at: http://www.fao.org/input/download/standards/27/CXP_042e_2014.pdf
114 European Commission. Regulation (EU) No 1169/2011. Available at: https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32011R1169
115 European Comission. EC Regulation no.1169/2011. Available at: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2011R1169:20111212:EN:PDF

CODEX STAN 1-1985[116] and Guidelines on the Nutrition Labelling CAC/GL 2-1985.[117] Additional recommended guidelines include ISO standard 6576:2004, which specifies requirements for whole and ground leaves of bay leaves for wholesale purposes and provides some general guidelines on the grading, handling and packaging of the product.[118]

The use of nutrition and health claims on labelling is regulated by EC Regulation no. 1924/2006.[119] Specific requirements apply to niche markets, such as organic or fair trade herbs. 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.

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. Bulk herbs that have not been crushed or grounded, are usually packaged in new, clean bags made of jute, cloth laminated with polyethylene of polypropylene or high-density polyethylene bags/pouches (Figure 11). Bulk herbs that have been crushed or grounded, are packaged in new, clean containers made of tin, glass or in pouches made of laminated, extruded, metallised, multilayer food grade plastic materials.[120]

Figure 11. Example of a typical bulk packaging of bay leaves in Germany (Eder Gewürze, whole dried bay leaves, 1 kg; Eder Gewürze, grounded bay leaves, 1 kg) [121] [122]

Most of the bay leaves packaged for retail are in 5 g to 50 g packs, however, larger volumes, such as 100 g and 1 kg packs, are also often available. Usually, bay leaves are packaged in either plastic or paper bags,

116 FAO. 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
117 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
118 International Organization for Standardization. ISO 6576:2004. Available at: https://www.iso.org/standard/39016.html?browse=tc
119 European Commission. Regulation (EU) No. 1924/2006. Available at: https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A02006R1924-20121129
120 Centre for the Promotion of Imports. CBI Product Factsheet: Culinary dried herbs in Europe. Available at: https://www.cbi.eu/market-information/grains-pulses/competition/
121 Amazon. Eder Gewürze, whole bay leaves. Available at: https://www.amazon.de/Eder-Gew%C3%BCrze-Lorbeerbl%C3%A4tter-1er-Pack/dp/B0052C1MTO
122 Amazon. Eder Gewürze, grounded bay leaves. Available at: https://www.amazon.de/Eder-Gew%C3%BCrze-Lorbeerbl%C3%A4tter-gemahlen-Pack/dp/B0052C1MVC/ref=sr_1_2?s=grocery&ie=UTF8&qid=1526516467&sr=1-2&keywords=Eder+Gew%C3%BCrze+-+Lorbeerbl%C3%A4tter+-

plastic jars or metal tins. Organic bay leaves more often are packaged in paper bags, while premium brands of bay leaves – in metal tins.

Figure 12. Example of a typical retail packaging of bay leaves (Ostmann, dried bay leaves, 5 g; Hestia, organic dried bay leaves, 50 g) [123] [124]

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.

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

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123 Amazon. Ostmann, whole dried bay leaves. Available at: https://www.amazon.de/Ostmann-812350-Lorbeerbl%C3%A4tter-5-g/dp/B006LJA34C/ref=sr_1_23?s=grocery&ie=UTF8&qid=1526516808&sr=1-23&keywords=lorbeerbl%C3%A4tter

124 Amazon. Hestia, organic bay leaves. Available at: https://www.amazon.de/Lorbeerbl%C3%A4tter-Geschenkidee-Aromatisches-Naturgew%C3%BCrz-Verschlie%C3%9Fbar/dp/B075HWY24Q/ref=sr_1_5?ie=UTF8&qid=1526515213&sr=8-5&keywords=lorbeerbl%C3%A4tter

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.

Bay leaves is one of the most attractive product category to import in Germany from foreign producers. Germany is one of the leading net importers of bay leaves in the EU, both in terms of volume and value, as it does not have the horticultural capabilities and geo-climate to ensure a sufficient supply of the domestic demand. Moreover, the negative trade gap of Germany has increased during the past 5 years, as consumers are increasingly appreciating the importance of bay leaves both for culinary and health remedy purposes. Furthermore, even though home-cooking as a daily habit is decreasing among Germans, demand for bay leaves are expected to maintain at the previous level or even slightly increase. This is due to the common use of bay leaves in food service industry, boosted by increased eating out-of-home, as well as in food processing industry, especially among producers of meat products, ready meals, convenience and canned foods.

Most of the imported bay leaves in Germany originate from the non-EU countries, although only in terms of import volume, while EU countries dominate trade in terms of import value, as production from the EU more often is certified as organic. Therefore, in order to ensure larger profit margins, producers from non-EU countries are also recommended to review opportunities to supply particularly organic bay leaves, as their market share in Germany is increasing. Turkey remains the leading import partner of Germany for bay leaves and a direct competitor for Georgian producers. Georgia’s contribution to Germany’s imports of bay leaves has been rather insignificant, but there should not be any significant obstacles in attempts to increase Georgia’s market share, as it is among the leading suppliers of bay leaves for the EU countries.

Due to specifics of the German market it is recommended for Georgian producers to trade specifically in bulk bay leaves, as most buyers prefer products that are processed, packaged, labelled and marketed locally. Also, trade and marketing of packaged branded products in Germany is complicated and highly competitive. But trade in bulk bay leaves, on the other hand, provides great opportunities, as there are many businesses which specialize in processing, packaging, labelling and marketing imported products due to high demand for local brands. The most efficient trade channels to reach the target customer groups, are importers and wholesalers, which have good knowledge of the legal requirements and the local market, as well as offer a wider contact network. An especially attractive trade channel is specialized importers of herbs and spices which also are processors and marketers of their own branded products.

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

Table 14. Key market entry models for Georgian producers of bay leaves

	Entry Model	**Advantages**	**Disadvantages**	**Suitability**
Bulk products	Indirect export via importers/ wholesalers	• Good accessibility • Local knowledge and contact network • Regional reach • Assistance with trade requirements • Many importers also act as processors/ marketers/ private label developers	• No unique selling point, must mainly compete with the price	High
Bulk products	Direct export to processors, producers and catering providers	• 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
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 good opportunities for supplying raw bay leaves 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	Medium to low
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	• 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	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

By comparing main advantages and disadvantages of each model for Georgian producers of bay leaves, it was determined that the most suitable models are indirect export models based on trade in bulk, particularly – indirect export via importers and wholesalers, especially importers who also are processors and marketers. For exporting and distributing general bay leaves, traditional trade partnerships are recommended, but for high quality, organic and fair trade specialties, specialized wholesalers should be contracted. There are also good prospects for trade in bulk as direct export to processors, producers and catering providers, although it might be rather difficult to establish such partnerships, and also then large quantities are to be purchased. All of the mentioned trade models have more advantages and present less barriers than others. 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 bay leaves is only recommended 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.