Map of the Unified Germany

The Nature of the Market

To an exporter the German market appears highly attractive. It is the second largest market in the world and imports approximately 40% of its produce requirements. The consumers are amongst the most wealthy in Europe. Since the reunification of East and West Germany the country has the largest population of any EC member. It is, however, one of the most competitive markets in the world and is regularly oversupplied, particularly with tropical produce.

The market is highly decentralised, with no single city or market dominating. There are some differences in emphasis between the markets depending on their access to different transport links. For example, Frankfurt is well located for airfreighted produce transported by national airlines, particularly Lufthansa. Dusseldorf and Cologne are better serviced by charter flights as landing costs are lower. Seafreighted produce enters Germany through Bremen, Hamburg, Antwerp and Rotterdam. Munich is the first market for produce trucked from Southern Europe.

It is not easy to break into the German market, and it is certainly not a market for one-off shipments, for disposing of surplus supplies, or for second-rate produce. It is a buyer's market. The traders are highly organised. The technical regulations and procedures are strict and complicated. It is therefore highly advisable for foreign suppliers to seek long term business relationships with technically qualified German partners.

Reunification and Demand

The reunification of Germany has increased the population by 17 million, or by 25%, and will have an influence on demand. The East German market, particularly in the short and medium term, will retain even more conservative attitudes to exotic fruit and vegetables. These new populations will create an increased demand for major tropical and sub-tropical fruits such as citrus, bananas, kiwi fruit and pineapples. The East German market is expected to be particularly appreciative of off-season supplies of traditional produce such as strawberries, peaches and asparagus. East German consumers have rapidly upgraded their quality expectations to be in line with those of the rest of Germany. They are price conscious consumers and will cease purchasing a product if its price rises too steeply. The old East German government trading organisations are in terminal decline. In the short to medium term these new markets can only be accessed through major West German import organisations which are currently forming joint ventures with new private sector produce marketing companies. In the longer term, perhaps in two to four years, enterprising exporters should try to form direct contacts with successful East German marketing companies.

Tropical and Off-Season Fruit and Vegetables

For its size Germany is a relatively small market for tropical fruit and especially for tropical vegetables. The country has no history of large scale colonialism in the tropics. Its immigrant population is mainly from the Mediterranean and there is little influence of ethnic cooking on German eating habits. In addition, the official import statistics on tropical fruit, although comparatively small, are nevertheless thought to overstate the size of the German market as they do not reflect the high levels of waste and unsold produce. To some extent the country's lack of appreciation of tropical produce is counterbalanced by the promotional campaigns of organisations such as GTZ's Protrade and by the influence of foreign travel. Exotic fruit markets have been created, for example, for both pineapples and kiwi fruit. In both cases large volumes of seafreighted product are available throughout the year at reasonable prices. The German consumer is concerned about taste, convenience, presentation, value for money and the health characteristics of new products.

The trade will often divide exotic produce into 'first generation' and 'second generation' products. 'First generation' exotics have become mainstream products, available all the year round and often sold by supermarkets at highly competitive prices. 'Second generation' are lower volume, niche products often with limited availability. Examples are set out below.

First Generation	Second Generation
Avocados	Lychees
Mangoes	Passionfruit
Melons	Mangosteen
Pineapples	Persimmon

Germany is a massive market for fruit, especially temperate and Mediterranean fruit. These products are well understood by the consumer. Opportunities exist for a large scale trade in traditional and mainstream fruits outside the main supply season. For example, the annual sales volume of peaches and nectarines is ten times greater than the sale of pineapple but these sales are almost wholely concentrated in a four-month period.

Eating habits play an important role in vegetable marketing. There is no tradition of serving a choice of vegetables with a meal. Normally the one vegetable is prepared with a sauce. Exotic vegetables are hardly used in Germany. Sales of produce like okra, chillies and ginger are insignificant. Newer vegetables such as capsicums, courgettes and aubergines have mainly been introduced as a result of the eating preferences of foreign guestworkers from Italy, Yugoslavia and Turkey. Most of these products can be supplied all the year round under protected cropping in Europe.

The best opportunities for exporters are to supply the higher priced, labour intensive and perishable vegetables, such as asparagus and green beans, outside the main season.

Produce Retailing

Since the early 1960s very notable changes have occurred in food retailing. Many general food retailers have set up their own fresh produce departments in direct competition with traditional greengrocers. At the same time there has been a trend away from counter service towards self service in fresh produce departments. The extent of the changes is clearly illustrated by the figures below:

Retail Trade	1966	1978	1989
Self-service department stores	61	1,210	1,624
Counter-service retailers	91,242	9,298	7,021
Supermarkets	1,300	4,778	7,682
Food retailers in total	153,999	77,703	61,088

Counter-Service Retailers are generally independent greengrocers or delicatessens who purchase their produce primarily in wholesale markets. After a serious decline in their number over the last two decades there has been a re-emergence of counter-service retailers who have specifically set out to offer high quality produce.

Independent Buying Groups and Co-operatives consist of small retail outlets or voluntary co-operatives of independent shops which are supplied from a central buying organisation.

Supermarkets and Discount Stores usually offer a wide range of products, such as cosmetics and household goods in addition to food. They are primarily self service, and fresh fruit and vegetables are either offered pre-packed or for customers to make their own selection from bulk display. Discount stores are similarly organised, but with a smaller range of fresh fruit and vegetables, often sold at low prices.

Department Stores nowadays have excellent food departments which offer both counter service and pre-packed produce. Many of the fresh produce departments have moved up-market and compete with the high quality specialist retailers and delicatessens mentioned above.

Weekly Markets account for 30% of all fresh fruit and vegetable purchases by consumers. However, few stalls sell exotic produce, although the larger volume and traditional exotic fruits may be found in the weekly markets of big cities such as Munich, Hamburg and Dusseldorf. Weekly markets are popular with all income groups. According to recent studies, many consumers would prefer to buy from a market than from a shop. Many of the department stores have tried to re-create the ambience and visual appearance of a market in their fresh produce departments. Market stall holders purchase produce both from local growers and wholesale markets.

The following seven retail chains control more than half the German market.

KARSTADT	5.0%
COOP	6.0%
ASKO	6.0%
LEIBBRAND	6.5%
TENGELMANN	7.0%
METRO	10%
ALDI	10%

Other important companies are Rewe, Spar, Hertie, Edeka, Kaufhof and Allkauf.

Marketing Channels

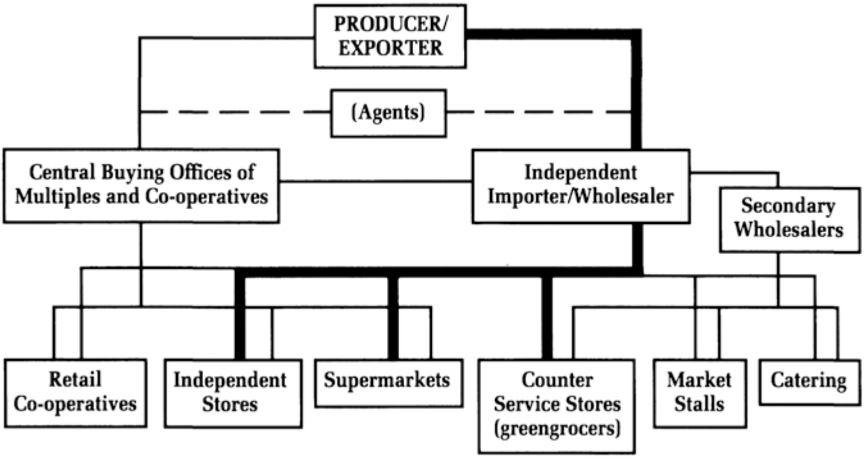
The structure of the fresh produce trade in Germany can be conveniently divided into two segments:

- independent import and wholesale trade
- import through central purchasing organisations

In Germany approximately 75 to 80% of produce is channelled through independent importers and importer/wholesalers. Around 80% of this throughput (equivalent to around 60% of all imports) is controlled by 10 to 12 big import organisations. Their market share of exotics is believed to be even higher. They are usually represented on all the major markets.

The wholesale markets have a central distributing function. Distribution from the wholesale market is either by collection or delivery service. In recent years the import and wholesale trade has taken on a number of additional functions such as packaging produce into food containers for the retail trade and delivery services to customers.

The following diagram provides a schematic view of the major ways in which imported exotic produce reaches the market.



Importers, particularly the big importers, maintain direct contact with their foreign suppliers. They will make regular visits abroad to discuss product choice, quality, quantity, delivery time, form of packaging, transport and customs as well as other legal requirements. Prices are not agreed in advance but are determined by the balance of supply and demand at the time of delivery. Most big importers will place firm orders for quantities and delivery times but will determine price on arrival of the produce into Germany.

Importers usually have their headquarters including purchasing, trading and administration departments, warehouses, ripening and cooling rooms, packaging facilities and stalls within the geographical location of the wholesale markets. Sales are carried out by telephone for large quantities and across the market floor for smaller quantities. Some importers specialise in exotic produce and exceptionally high quality fruit and vegetables.

Agents act as intermediaries between exporters and importers but they do not trade in products on their own account. They maintain contacts with foreign suppliers and procure the merchandise for their customers, who may be wholesalers as well as retailers. If an exporter decides to use agents he would be advised only to use those who specialise in fresh produce and to select different agents in different parts of the country. Agency trading is mostly done by telephone, fax or telex.

Discount stores, retailer co-operatives and multiple stores all have **central buying organisations**. They directly import large volume items such as citrus and deciduous fruit but buy smaller volume produce through the big import organisations.

Where to Send It

The choice of market contact for the exporter depends to a large extent on the volumes and quality to be exported and whether the exporter is looking for a long term commitment from a buyer.

The small exporter of exotic produce is best advised to work through a specialist importer or agent who concentrates on selling to high quality greengrocers and the fresh produce sections of department stores. In the first instance the exporter should concentrate on building up his business with one specialist importer in one geographic region. Subsequently the exporter can develop sales by working through similar importer companies in different markets. Small importers, however, are likely to be less secure financially than the major importers and may not be able to access the supermarkets and multiple stores. The catering trade uses very small volumes of exotic produce and therefore direct exports are not recommended.

A medium scale exporter may consider doing business with one of the big importer companies. These large scale importers provide opportunities to access the supermarket trade. They may be prepared to offer buying contracts but only after the exporter has proven himself reliable and if he has a product which the markets demands. Importers can offer contracts for specific volumes with prices to be agreed on a weekly basis. Buyers are more likely to consider contractual terms for products where there have been problems of quality and quantity. However, if the shipments are not up to standard, or the exporter's price is considered too high, the importer is likely to discontinue business. The market is very competitive.

Well organised and large export companies who can assure steady supplies of high quality and well packaged produce may consider working directly with the central buying organisations of one of the retail chains. Even if retailers have an existing relationship with an importer they are keen to identify new suppliers themselves, and to communicate their requirements direct to producers. However, programmed volumes and shipping dates must be rigorously adhered to, and the exporter may not have an accurate idea of what returns will be made until the produce has been marketed.

Whichever way the produce is traded the onus is on the exporter to identify a buyer and convince him his produce is worth buying. It is not an easy market, since competition for the available demand is very strong. Nevertheless, the major buyers are always keen to identify reliable new suppliers, particularly to cover seasonal gaps in demand. If they think their standards can be met, buyers are willing to work with exporters or even growers. The exporter who finds the right buyer will have the best possible help in the initial market entry.