Working with German Importers

Type of Export Company

German importers look to work with exporters who can supply significant volumes of quality produce reliably. Preferences are given to countries with good infrastructure and to exporters who can consistently abide by their commitment to reliability, quality and the timing of deliveries. Importers are most comfortable working with marketing boards as they can guarantee the necessary quantity, quality and reliability of supply.

Common complaints against exporters are that they:

- **often fail to pre-alert either the importer or the clearance agent of the arrival of produce. This is especially important with highly perishable produce like strawberries as prompt notification saves between three and five hours on clearance times.**
- **omit important paper work such as phyto-sanitary certificates or certificates of origin.**
- **ship produce that is over-ripe or is harvested too early.**
- **use weak packing which results in bruised produce and poor presentation.**
- **export produce that does not match either EC or German grading standards. Incorrect labelling is the single biggest complaint and cause of rejection by the Government Quality Officers.**

Few import companies issue their own written specifications for produce. Specifications are normally based on EC or OECD quality standards, and the specifications of the German Commercial Grades law coupled with the expertise of the buyers. In situations of short supply importers will accept lower quality produce.

Terms of Trade

There are a number of different types of buying agreements. The most frequent terms of purchase are:

Firm purchase (Festkauf):
A fixed FOB or C and F price is agreed between the seller and the buyer, which the seller will receive either by letter of credit or payment on receipt of the merchandise. The buyer pays for customs duties and all expenses incurred in his own country.

Conto a meta:
The supplier states his cost price (Einstandspreis) plus delivery costs and freight, to which the buyer will then add his own costs including customs duties etc and a sales commission. Once the produce has been sold, the profit or loss is shared equally between the two partners.

Consignment with guaranteed price (Consignation mit Garantiepreis):
The importer agrees to pay a guaranteed price to the exporter irrespective of the price the importer manages to realise. Where the net sales price (after deduction of customs duties, other costs and the sales commission) is higher than the guaranteed price, the exporter will also receive the difference. The guaranteed price is usually set to be below the net sales price and may not even cover the exporter's costs.

Consignment free (Consignation frei):
The exporter bears the whole risk and will only receive the net proceeds after the consignment has been sold and commission and costs deducted. Currently commission charges are around 8%, but when other costs such as storage, transport and handling are included the percentage deductions can be much higher (see Appendix 5) and are typically in the range of 20% for small volumes of low to medium priced produce to 12% for high priced products.

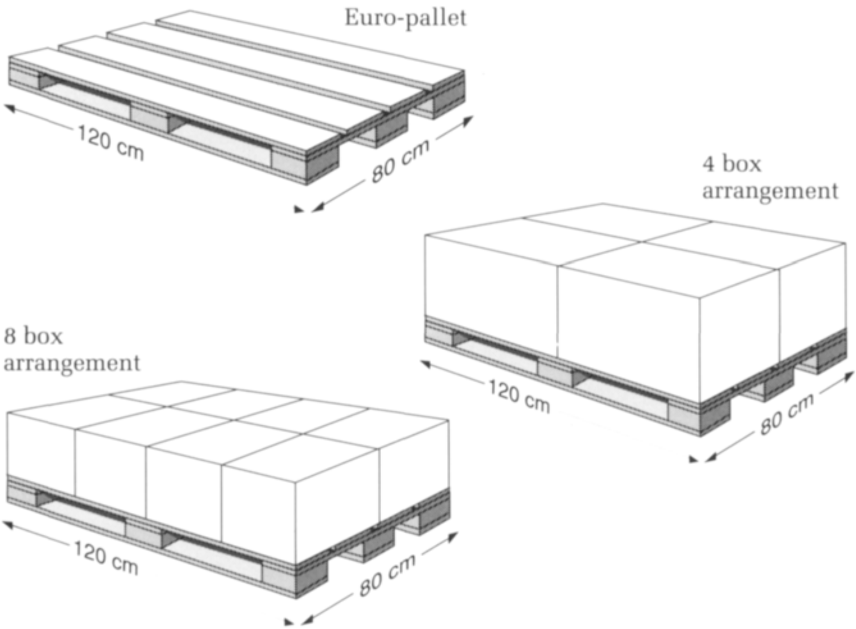
The majority of sales (i.e 80%) of exotic produce are made on a commission basis. Commission selling is, however, a high risk option for the exporter since the importer can make deductions for quality deficiencies and waste from perished produce. The exporter is strongly advised to obtain sufficient references about the reputation and solvency of his German partner before entering into commission sales. The exporter must also be aware that the market is prone to oversupply. Staggering figures of wastage are sometimes quoted by the trade. Suppliers are often forced to sell good quality produce at very low prices. Intense competition exists, not only between suppliers, but also between importers, wholesalers and retailers, putting further downward pressure on prices.

In the case of firm orders the quantities are specified in the contract but the price is fixed on arrival in Germany. Contracts of this nature are negotiated by the major importers including the big purchasing departments and organisations of the multiples.

Servicing the Market

Packaging

There is a definite move in the European, and particularly the German, market to boycott packaging which does not comply with the module measurements of: 20 x 30cm, 30 x 40 cm, 30 x 60 cm or 40 x 60 cms. Already many multiples and department stores have informed their importers that consignments will be returned at their expense if the packaging does not conform to these measurements, which have been chosen to conform to the Euro-pallet size of 80 cm x 120 cm. It is therefore strongly recommended that all exporters planning to supply the German market observe these requirements when planning packaging materials. The height of the packaging can vary. Packaging should also be strong, white, attractive and clean.



Future Planning

In the future, informed opinion suggests that quality, and particularly eating quality, will become important. The trend towards improved quality will continue. It is felt that commission sales will decline and that importers will increasingly enter into contractual relationships with exporters. The major supply gaps for individual products will close.

Trends in Produce Sales

For the mainstream big volume market, price is the most important consideration for consumers, followed by appearance and size. There is, however, a trend developing in some market sectors for higher priced and better quality fruit and vegetables. There is a debate in the industry about eating quality. In the past retailers may too often have purchased new exotic produce which did not sell quickly. By the time of sale the eating quality may have deteriorated and consumers, possibly trying a new produce for the first time, may have been disappointed. There is growing belief in the trade that the educated consumer will increasingly demand excellence of taste. Evidence of this belief can be seen in the campaign run by one retail group to sell fruit which is harvested ripe and marketed under the name 'Reife Ernte', meaning ripe harvest. Prices are higher than for grade 1 produce. Consumer response has been good. Airfreighted pineapples from Ghana have achieved success from being marketed in this manner.

Exotic fruit and vegetables are in greater demand in the winter months. During the summer months the German consumer will in general prefer traditional seasonal fruit such as berries, cherries, plums and peaches. The autumn garden supplies depress demand for exotics. Peak demands tend to occur just before the traditional holidays of Christmas, Whitsun and Easter.

A key factor is the extremely high level of wastage of exotic produce. Trade sources suggested that 65% of all exotic fruit imported is not consumed. This wastage takes place at all steps in the marketing chain and reflects the fact that a proportion of exotic produce is purchased as an interesting display product rather than for its eating qualities.

Promotion and Branding

The creation of a well recognised brand name is one of the best ways to achieve success. The exporter must be consistent and reliable in everything he does if the consumer is to build a loyalty to his produce and brandname. Once that brandname and reliability is established there will be a change in retailer purchasing habits.

Marketing boards can organise advertising and promotional campaigns and work with the importer and retailer on a cost sharing basis. The German market is particularly keen for developing countries to establish marketing boards to build up sales and create confidence. By and large developing countries have not so far recognised the benefits they will achieve from the establishment of their own marketing and promotional presence in countries in which their produce is sold.

Starting an Export Business to Germany

The potential exporter should identify from details set out in Appendix 3 a short list of possible specialised agents, importers, importer/wholesalers and, if appropriate, retail organisations who might be suitable marketing partners.

The exporter should then arrange appointments with these companies in Germany. Ideally he should arrive with produce samples. If that is not possible he should bring packaging samples and photographs of the proposed export products.

The exporter must be able to tell potential partners the volumes that can be supplied, crop seasonality, the varieties grown and 'break even' C & F prices. In addition the exporter must be able to discuss transport options in terms of price, reliability, regularity and volume. The exporter must ask the importer to specify the acceptable pesticide residue levels for the specific products. The German marketing companies will themselves look for positive evidence of the exporter's ability to export fresh produce successfully.

At the end of the market tour the exporter should select the most suitable and appropriate trading partners and send them samples of fresh produce. Depending on their reaction, enthusiasm and commitment the exporter should choose one or two potential trading partners with whom he should carry out a test marketing programme. Each partner will be able to determine the reliability and commitment of the other. The exporter will be able to establish the C & F and market prices his produce will obtain and the time it takes for his accounts to be settled.