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საქართველოს ფერმერთა ასოციაცია

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GARLIC IN GERMANY

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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

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

Exports, € bln	1 194	1 204	1 279
Imports, € bln	949	955	1 035
Net trade balance, € bln	+245	+249	+244

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

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

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

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

1.2. Private spending

Another key factor supporting the Germany economy, is the high level of domestic spending. German households are not only among the wealthiest in the EU28 region, but also have the largest spending, with the total private consumption expenditure summing up to €1 578 billion in 2016 (Table 4). Of that, €156 billion are spent on food and non-alcoholic beverages, which is also the largest expenditure on this category in the region. However, because in Germany the prices for products in this category are relatively low to the general income level, this equals only to 10.6% of the total household expenditure, which is one of the lowest shares among EU28 states. This is also largely due to increasing trend to eat out-of-home. A single-person household in Germany spends

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

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).

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

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

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 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]

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
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

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%
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]

<table>
<tr><th></th><th>Sales, € mln</th><th>Share of sales, %</th><th>Number of stores</th></tr>
<tr><td>Full-range and convenience stores</td><td>38 282</td><td>68.5%</td><td>6 596</td></tr>
<tr><td></td><td colspan="3">• 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</td></tr>
</table>

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

	m² up to 5 000 m². 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 m². • 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. • 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.

20 Schwarz Gruppe. Available at: www.schwarz-gruppe.net

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 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		

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

	stores – 2 500 m² to 4 000 m², and the REWE hypermarkets – up to 8 000 m². • 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 m² to 2 500 m². • 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 m² to 1 300 m².		
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 m² to 800 m².		
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.		

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.

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

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 across 6 European countries.		
Bartels-Langness	2 778	15 000	Full-range
Bartels-Langness	• 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

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

	• 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

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

	Sales, € mln	Employees	Category
Intergast	2 700	-	Full-range

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
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

	• 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 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 garlic

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

When trading in bulk garlic, there are different customer groups to target in Germany, mainly processing industry, food service industry, food producers/processors 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. The most suitable trade channel for foreign producers of garlic are specialized importers of either garlic alone or of similar product categories, such as onions, vegetables, herbs and spices. Importers which also are processors and marketers of their own branded products or offer private-label development for the major retailers, are an especially attractive trade channel. For trade in packaged and branded garlic products, 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 garlic 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, garlic and onions, oils and sauces, as well as dried fruit and vegetables. 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, including garlic. The company sources its products worldwide, so it controls the whole supply chain and has its own warehouse.
Jersa	Importer/wholesaler

-	• Jersa (www.jersa.com) is an importer and wholesaler of fresh garlic and onions. Most products are supplied form company's own production facilities in Spain, but the company also offers to import from France, Argentina, Egypt, China, Chile and Mexico.
Fritz Hofbeck	Importer/exporter/packer/wholesaler
	• Fritz Hofbeck (www.hofbeck-verpackungen.de) is an importer, exporter, packer and wholesaler of fresh potatoes, onions, garlic and fruits. The company not only trades, but also offers to wash, calibrate, sort, weigh and pack any produce in all packaging types and sizes.
Horst Prietzel	Importer/processor/marketer/wholesaler
	• Horst Prietzel (www.prietzel-bochum.de) is an importer, processor and wholesaler of preserved food, spices and herbs, including dried garlic as granules. 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 garlic 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. The association can be an especially good information source for producers of preserved garlic or dried garlic in the form of spices.

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.[35] The growing income and

34 Waren-Verein der Hamburger Börse. Home page. Available at: https://www.waren-verein.de
35 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

accelerating economy has supported German consumer confidence level, which has steadily risen for the past 5 years, as revealed by the GfK Consumer Climate Indicator.[36]

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.[37] 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%.[38] 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.[39]

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. [40]

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[41]

	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

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

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

Overall, German consumers are very price-conscious and are often unwilling to purchase products that have higher prices. This is mostly result of the highly competitive market situation, as well as the expansion of the major discount retailers, like Lidl and Aldi. However, German consumers are also aware of 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.[42]

3.2. Prices of garlic

In general, the prices for fresh garlic in Germany are similar to those elsewhere in the EU, which average around €0.5 – €1.5 per 100 g in end-market prices for consumers, but are much lower for bulk importers and wholesalers. End-market prices of garlic 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 fresh garlic are also rather inelastic, which is typical for many imported herb-like vegetables and herbs. However, in Germany, fresh garlic is used for culinary purposes in limited quantities, as it has a strong taste, so consumers are not that price-sensitive for this product category as they are for others. Herbs and herb-like vegetables in general are a minor ingredient that contributes little to the total cost of the food in which it is used.[43]

Although most of the garlic offered in German stores shelves are available either as fresh, unbranded and unpacked garlic, there is also an offering of garlic in other forms, such as pickled

42 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/
43 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

and preserved garlic, or as garlic paste in oil, or in the form of dried, granulated or powdered spice. In finer retailers, less common products are available, such as fresh garlic sprouts and smoked garlic. The price for processed garlic varies according to the product type, processing level, volume and brand. Other important factors impacting price of garlic include quality, packaging type, retailer, as well as if the product is certified as organic and/or fair trade. On average, prices for pickled and preserved garlic are from €0.8 to €2 and more per 100g, for garlic paste in oil – from €6 to €10 per 100g, and for dried, granulated or powdered garlic – from €1 to €8 and more per 100g (Table 13). Organic certification for garlic sold in German stores is not that common as for other products, but such products are available. However, organic and fair trade products have an additional price premium of 10% - 50%.

Table 13. Retail prices of garlic in Germany, 2018 (€)[44] [45] [46]

	REWE		Allyouneedfresh		Amazon Fresh	
	Per 100 g	Pack	Per 100 g	Pack	Per 100 g	Pack
Unbranded, fresh garlic, 2nd class, 150 g	0.66	0.99	-	-	-	-
REWE, fresh garlic, organic, 2nd class, 150 g	0.99	1.49	-	-	-	-
Unbranded, fresh garlic, 2nd class, 1 piece, 60 g	1.28	0.77	-	-	-	-
REWE's Ja!, granulated garlic, spice, 70 g	0.99	0.69	-	-	-	-
Lacroix, milerb garlic paste in oil, 50 g	-	-	7.62	3.81	-	-
REWE, pickled sicilian garlic, 180 g	0.88	1.59	-	-	-	-
Maitre Marcel, garlic paste in oil, 50 g	-	-	8.38	4.19		
Ostmann, granulated garlic, spice, 60 g	-	-	5.32	3.19	3.32	1.99
Amazon's Tegut, granulated garlic, spice, 55 g	-	-	-	-	3.62	1.99
Fuchs, granulated garlic, spice, 80 g	-	-	5.49	4.39	-	-

Fresh garlic in German retail trade are most often unbranded or packed under the private labels of supermarkets and discounters. Private labels are also the most common type of branding for processed garlic, such as EDEKA, REWE's Ja, Amazon's Tegut and others, which are popular due to being less expensive than regular and premium brands. The key local brand names for processed garlic products in German stores are Ostmann, Fuchs and Wagner, with foreign brands such as France's Maitre Marcel, Lacroix and other also available. However, most of the local brands in Germany do not produce garlic locally, but rather import the produce from other countries and specialize in packaging, labelling and marketing for the domestic market.

44 REWE online store. Available at: http://shop.rewe.de
45 Alltouneedfresh online store. Available at: www.allyouneedfresh.de
46 Amazon Fresh online store. Available at: https://www.amazon.de/b?ie=UTF8&node=6723195031

4. Imports

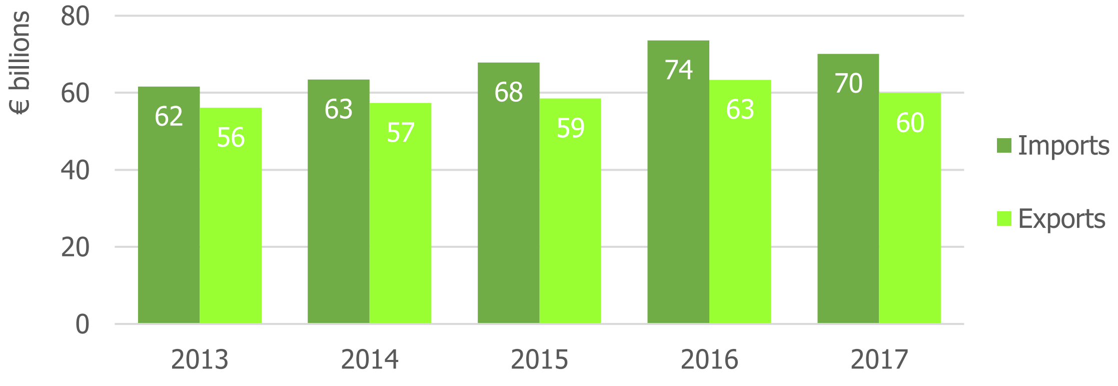
4.1. Worldwide imports

4.1.1. Food and beverage imports

Germany, being the productive powerhouse it is, is well-known for as a net exporter. In 2017, Germany imported goods in value more than €953.8 billion and exported more than €1 205.5 billion, resulting in a positive trade balance of €251.7 billion.[47] 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. [48]

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 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[49]

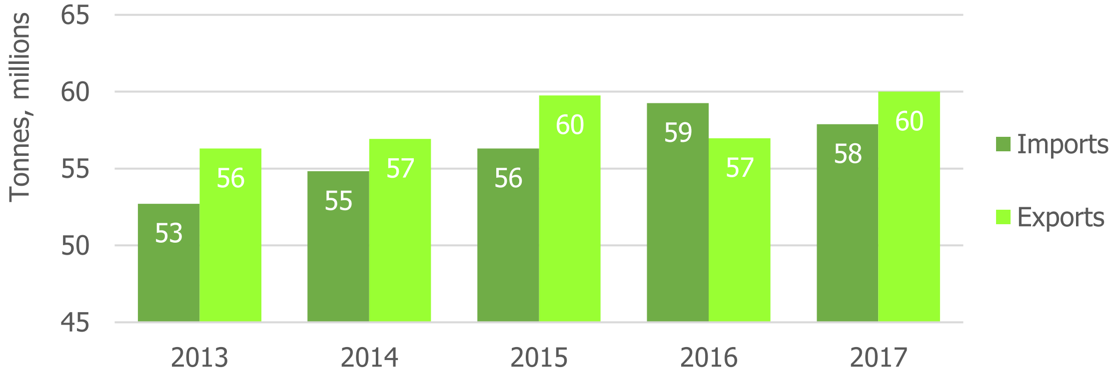


When taking into account trade volume dynamics (Figure 2), it is revealed that Germany's export volume of food and beverages slightly decreased in 2016, most likely due to Russia's trade

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

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[50]

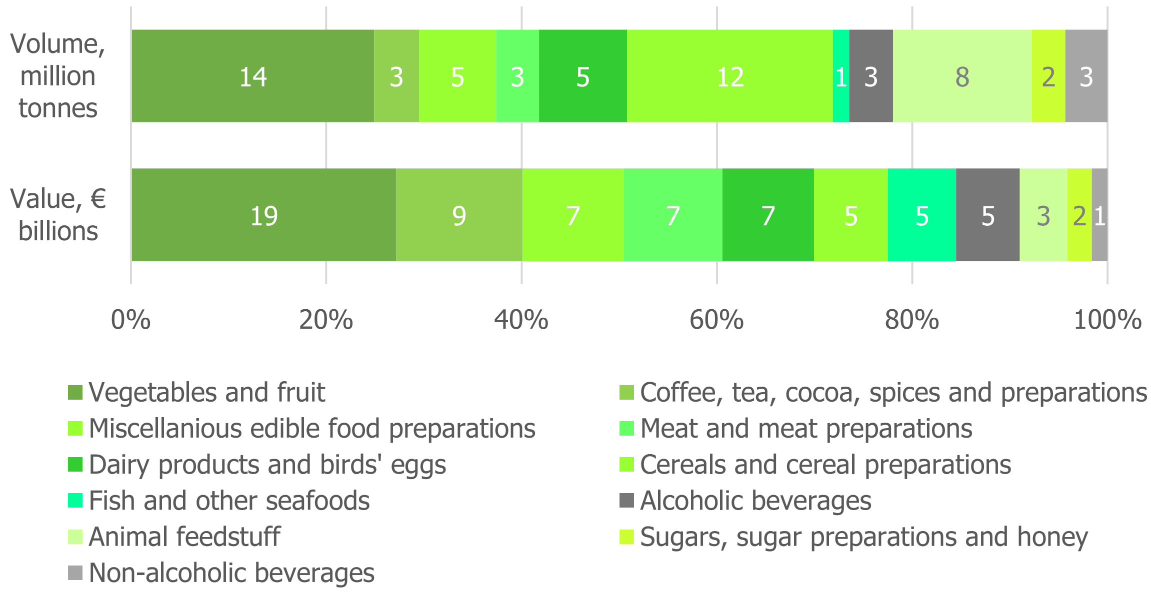


An in-depth look at the Germany’s key import trade partners indicate that food and beverages are most commonly being imported from geographically nearby countries. In 2017, 80% of all food and beverages imports in terms of value in Germany originated from the EU, and just 20% - from the non-EU countries. In terms of quantity, the origin of 86% of imports is the EU and just 14% - non-EU countries. This indicates that the preference for imports from the further non-EU countries is for less bulky items, but with a higher value. The largest trade partners for Germany’s food and beverages imports in 2017 were Netherlands, Italy, France, Spain, Poland and even Czech Republic, when import volumes are also taken into account. These countries account for slightly more than half of all food and beverages imports in Germany, both in terms of value and volume.[51]

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.

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

Figure 3. Breakdown of Germany's import of food and beverages in 2017[52]



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. [53]

4.1.2. Import of garlic

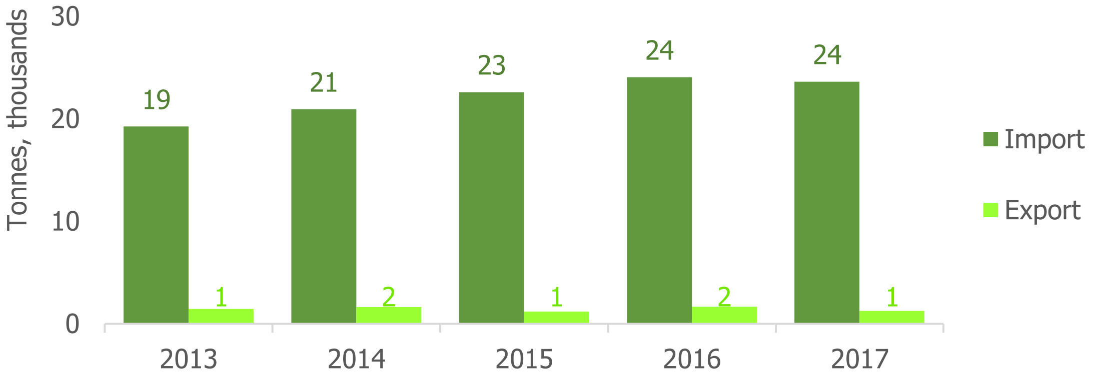
In 2017, Germany was the 4th largest importer of fresh and chilled garlic in terms of volume in the EU, after the Netherlands, France and Italy, and the 2nd largest in terms of value, right behind the Netherlands. However, in terms of net imports, Germany leads the EU region, having both the largest net import volume and value.[54] The large net imports can largely be explained by both high domestic demand and lacking cultivation traditions in the production of garlic. Until recently, the only available garlic in Germany was imported with very insignificant amounts of local production, however, in the last few years, local production activity has mobilized and industry experts believe that local production of fresh garlic in the country will boom in the nearest mid-term.[55]

Germany's growing domestic demand for fresh garlic has been well reflected as a considerable import increase over the last 5 years. In 2017, Germany imported a total of 24 thousand tonnes of fresh and chilled garlic worth €73 million (Figure 4 and Figure 5). Of the total garlic trade activity, Germany's imports of garlic constituted 95%, while exports – just 5%. Moreover, when looking at Germany's trade volume dynamics of garlic in detail, it becomes evident that the negative trade gap

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
55 Neue Oz. Garlic from all over the world conquers German fields. Available at: https://www.noz.de/deutschland-welt/gut-zu-wissen/artikel/926231/knoblauch-aus-aller-welt-erobert-deutsche-aecker#gallery&0&0&926231

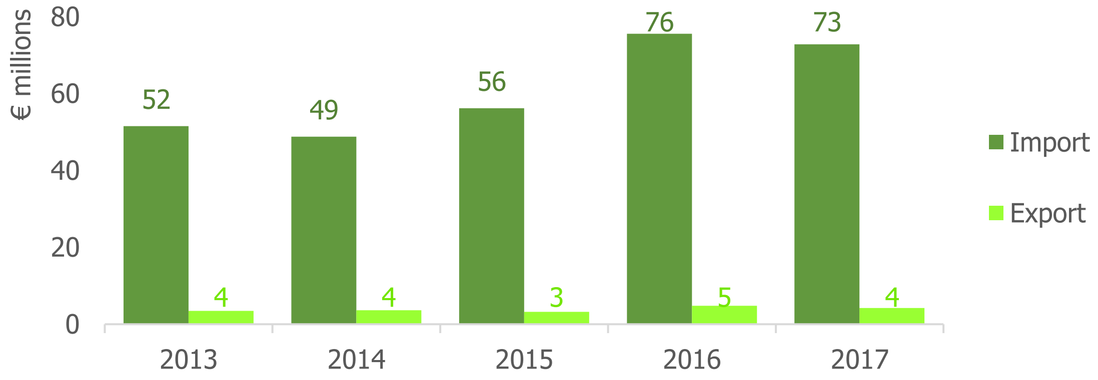
has significantly increased over the past 5 years (Figure 4). Overall, garlic imports within the reviewed period have grown by 23%, but exports have decreased by 12%.

Figure 4. Germany's trade volume dynamics of garlic, thousand tonnes[56]



Reviewing Germany's trade value dynamics of garlic, the trade gap becomes even more evident (Figure 5). Over the past 5 years, the high market demand and harvesting costs pushed prices up, which has been one of the factors for import and export value growth. In 2017, Germany's import value of garlic had increased by 41%, but export value also had risen by 20%.

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



An overwhelming majority of the imported fresh and chilled garlic in Germany originates from the EU countries. In 2017, EU countries contributed to 96% of the total import volume and 97% of import value, while non-EU countries – just 3% of import volume and 4% of value. Moreover, while garlic supplied from EU countries has increased by 25% over the last 5 years in terms of import volume, garlic originating from non-EU countries has declined by 15%. However, import values for both regions have increased during the reviewed period, although more so for EU countries.[58]

In 2017, Spain was the leading Germany's import partner country for fresh garlic, which alone accounted for 47% of imports in terms of volume and 43% in terms of volume, followed by less significant partners such as the Netherlands, Italy, France and China. All of these 5 major import partners constituted 98% of Germany's total import volume and value. There is no information on

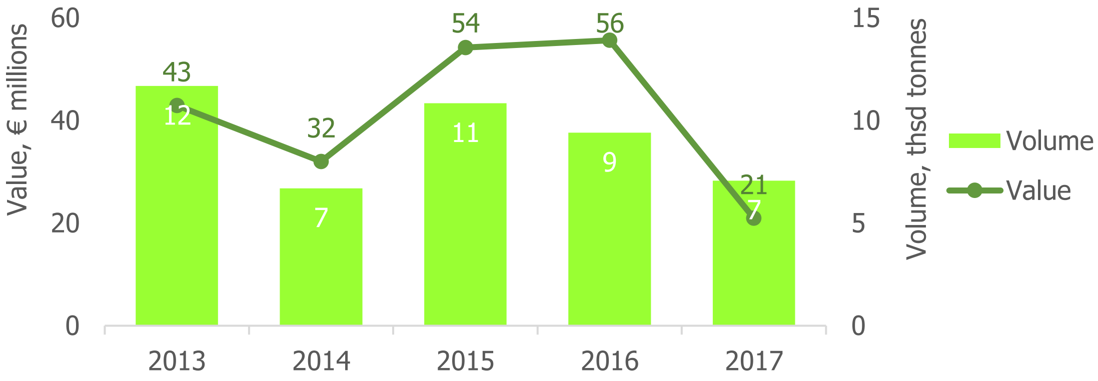
56 Eurostat database (2018). DS-018995 - EU Trade Since 1988 By SITC. Available at: http://epp.eurostat.ec.europa.eu
57 Eurostat database (2018). DS-018995 - EU Trade Since 1988 By SITC. Available at: http://epp.eurostat.ec.europa.eu
58 Eurostat database (2018). DS-018995 - EU Trade Since 1988 By SITC.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

Georgia's contribution to Germany's imports of garlic, as there is no such data for the reviewed period.[59]

4.2. Imports from Georgia

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).

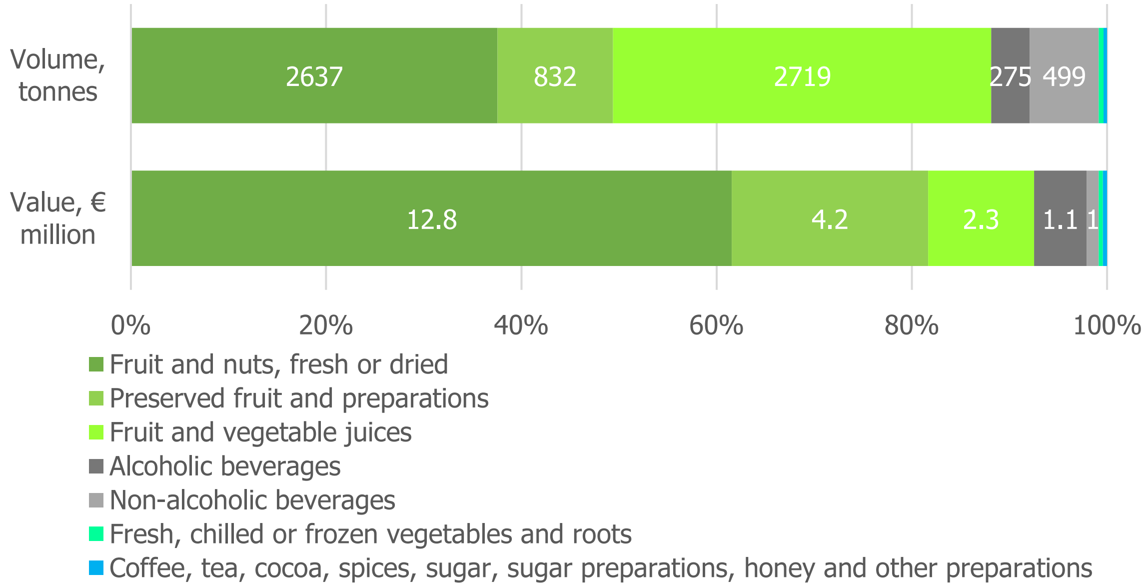
Figure 6. Germany's import dynamics of food and beverages from Georgia[61]



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.

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

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

capita purchasing power.[63] 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.[64] [65]

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

Traditional German breakfast includes bread, toast or rolls with either marmalade and honey, or eggs, cold meats, such as ham and salami, and various cheeses, and a strong cup of tea or coffee. However, with today's busy lifestyles Germans are more often eating cereals rather than a heavy meal. Mid-day meals are usually consumed away from home, and they are becoming lighter, sometimes consisting only of snacks. The main meal or Germans nowadays is dinner rather than lunch, usually eaten at home. While traditional German dinner consists of whole grain bread, deli meats and sausages and cheese, today’s eating habits have shifted towards warm dinner meals, with pork, beef, poultry and a variety of vegetables being the favourite main dishes. But the major influence from other culture cuisines and openness to new foods, have resulted in a greater consumption of seafood, like fresh herring, mackerel, salmon, sardines, trout, salmon, bream and carp. Noodles and dumplings in all forms are also very common - especially in the south. As a dessert, Germans consume their traditional cakes and pastries, accompanied by a hot cup of coffee or tea. Nevertheless, desserts and sweets are being consumed significantly less often.[67] Health-consciousness is the most significant factor for the changing German diet.

5.2. Consumption of garlic

Despite the reduction of daily home-cooking habits over the past years, Germans are increasingly apprising the importance of herbs and herb-like vegetables, such as onions and garlic. It is widely used in the German local cuisine, despite the lack of local production, and category growth is also boosted by an increasing recent interest in Mediterranean and Asian cuisines. The domestic consumption of fresh garlic has increased in Germany over the past few years, particularly on the

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

account of the healthiness trend. Garlic is perceived to be an especially healthy herb-like vegetable with medicinal characteristics, particularly because of its antibacterial effect, immune-boosting properties and ability to dilate the blood vessels and reduce blood pressure. Because of this, garlic is very favoured among people aged over 50, which also is the largest consumer group in the country with the highest purchasing power.[68] [69]

In Germany, garlic is used across all seasons – mostly for culinary purposes, but as a dietary supplement with medicinal properties, too. Germans tend to use garlic as herb or spice, e.g. in small amounts, when cooking at home or by food processing and food service industries, especially for convenience foods, fine foods, as well as ready-meals. However, Germans still do not use garlic as much as their foreign counterparts – with an average annual consumption around 200 g per household, Germans are using garlic around 2 times less than other countries. Therefore, it is likely that consumption has increased particularly because of the food processing and food service industries, which is confirmed by industry experts. [70] Furthermore, as less consumers are opting to cook at home or do it rarely, but are more often opting to eat out-of-home, the consumption of garlic in the food processing and food service industries might increase in the mid-term and become especially attractive for foreign producers and importers of garlic.

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. [71] 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.[72]

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,

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68 Deutschland Funknova. Knoblauch erfolgreicher stinker. Available at: https://www.deutschlandfunknova.de/beitrag/knoblauch-erfolgreicher-stinker
69 Deutsche Welle. Knoblauch: Gesund aber oft geschmuggelt. Available at: http://www.dw.com/de/knoblauch-gesund-aber-oft-geschmuggelt/a-5517278
70 Deutsche Welle. Knoblauch: Gesund aber oft geschmuggelt. Available at: http://www.dw.com/de/knoblauch-gesund-aber-oft-geschmuggelt/a-5517278
71 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
72 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

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. [73] 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 8).

Figure 8. V-Label symbols for vegetarian and vegan products

It is highly advisable to obtain the rights to use this symbol, as it will improve the product visibility, especially for lesser-known foreign brands. The most promising vegetarian and vegan products to offer in the German market are meat substitute products, alternative milk products, as well as breakfast dishes (muesli, corn flakes, various curds, etc.) and non-gluten products. [74]

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.[75] [76]

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

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

organic food categories such as vegetable oils, poultry, potatoes, fruits and vegetables.[77] 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.[78]

Most of organic food sales in Germany are made by supermarkets – 57.5%, and natural food stores and markets – 30.1%.[79] 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.[80]

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

Another factor playing a significant role for German consumers is labelling, as producers must conform to rigorous standards in order to obtain the right to use certain organic recognition symbols. The most popular and widely trusted symbols are the Bio-Siegel logo, regulated by the German government, Demeter logo of the largest biodynamic agriculture certification organization Demeter International, as well as the EU’s organic logo Euro Leaf, which is mandatory for all organic pre-packaged food produced within the EU in order to make organic products easily identifiable by the consumers (Figure 9).

Figure 9. Symbols for organic food products - Euro Leaf, Demeter and Bio-Siegel

77 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

78 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

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 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

In Germany, organic certification is often available for garlic and garlic products sold in retail, however, in this product category, it is not as common as in others due to an overwhelming share of imports. Fair-trade certification for garlic is even less common. However, the market for organic and fair-trade certified herbs and herb-like vegetables in Germany is growing, as consumers are paying more attention to the environmental and societal impact of agricultural/horticultural practices, therefore foreign producers and importers which are able to offer organic garlic varieties will have a better opportunity to stand out among other competitors. The risk for specializing in supplying organic garlic is that in the last years German producers have exhibited an increased activity and are looking for ways to rapidly expand their operations due to high market demand, and most of them are likely to specialize in organic varieties.

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

The health and wellness trend within the category also has promoted growth of both demand and supply of new superfood products, such as supergrains, dried superfruits and superseeds. According to market research company Mintel, Germany is the 2nd most innovative market for new superfood launches, following the lead of the US. In 2017, 9% of global food and drink launches carrying a superfood claim occurred in Germany, up from a 6% share in 2016.[82] 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.

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81 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

82 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

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.[83] 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.[84] 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.[85] 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.[86]

As German consumers are responding positively to expanding share of private-labels not only in discounters but in supermarkets as well, and appreciate their perceived value-for-money, more novelties are becoming to appear in store shelves, such as expensive high quality premium products. The fastest growing private-label categories are organic, ethical, premium, free-from, vegetarian, vegan, and ready meals.[87] [88] 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.

The high prevalence of private-labels is especially relevant for garlic, as most of it sold in German stores is marketed under the own brands of major supermarket and discounter chains, as well as

83 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
84 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
85 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
86 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
87 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
88 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

Cash & Carry bulk grocers. Because nearly all of garlic, both fresh and processed, is imported from foreign countries, private-label development is offered by most specialized garlic importers, as Germans tend to avoid foreign brands, preferring domestically processed, packed and marketed produce.

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%.[89]

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 .[90]

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.[91] [92] 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

89 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
90 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
91 Euromonitor (2016). Grocery Retailers in Germany. Available at: http://www.euromonitor.com/grocery-retailers-in-germany/report
92 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

levels and high demands, especially among Millennials and Gen Z-ers, for whom switching brands and retailers is easy when not satisfied.[93]

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.[94] 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)[95], 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.

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93 Germany Trade & Invest. Available at: http://www.gtai.de/GTAI/Navigation/EN/Invest/Industries/Consumer-industries/consumer-markets-retail.html
94 Lebensmittel-, Bedarfsgegenstände- und Futtermittelgesetzbuch
(Lebensmittel- und Futtermittelgesetzbuch - LFGB). Available at: https://www.gesetze-im-internet.de/lfgb/LFGB.pdf
95 Bundesanstalt für Landwirtschaft und Ernährung. Available at: www.ble.de

The competent customs administration authority in Germany for all products imported from countries outside the EU is the Customs and Excise Board (Bundeszollverwaltung).[96] The documentary basis for customs declarations is the single administrative document, which is used within the framework of trade with third countries and for the movement of non-EU goods within the EU. The document may be presented both by the importer or its representative either by physically lodging it at the designated Customs office or via submitting it electronically on the Customs and Excise Board website.

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

6.1.2. Food safety and hygiene

Germany has an excellent reputation for its high level of food safety, as well as high standards of hygiene, as EU countries can impose stricter national requirements in addition to the EU standards. The German Food, Commodities and Feed Act provides that operators across the whole food production and trade chain, including producers, importers, distributors and retailers, are all responsible for products they place on the market. However, even if products do not comply with the national requirements, they can be imported to ensure free movement of goods, as long as they are legal in another EU member state. However, in such case, importers will need to obtain a special permit, issued by the Federal Office of Consumer Protection and Food Safety (BVL).[97]

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. [98]

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 -

96 Bundeszollverwaltung. Available at: www.zoll.de
97 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
98 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

Bundesforschungsinstitut für Kulturpflanzen)[99], overseen by the Federal Ministry of Food and Agriculture.

6.1.3. Labelling and packaging

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

The specific requirements for Germany is that the contents of the labelling must be in German language, and there are also specific provisions for different types of products. Particular emphasis is also on the provision of proper and well visible food information to consumers, such as all food ingredients, allergens, precise nutritional value and instructions for use. Traceability of food products is also of utmost importance. For example, the country of origin must always be listed on food labels and all intermediaries, such as suppliers and distributors, must be included as well. [100]

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.[101]

6.2. Trade regulations of garlic

6.2.1. Import regulations

To export garlic 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 dried garlic products. The document includes recommended maximum levels for total ash, acid insoluble ash, moisture content, volatile oil etc.

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

[102] 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[103], 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. In general, there are 3 types of import controls – documentary checks, identity checks and physical checks. In the event of repeated violations, more intensive controls can be set or emergency measures imposed for certain exporters.

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. Moreover, new buyers will often require samples, which should be representative of the product delivered.

Bootleg garlic is a particular issue in the EU, sparked by an influx of cheap garlic from countries such as China, aiming to avoid the high tariff rates. In order to avoid this, sometimes garlic gets smuggled or a different country of origin is often indicated. Because of this, a particular attention will be allocated to garlic importers from third countries in the customs.[104] EU Regulation No.341/2007 provides general information regarding tariff quotas and the system of import licenses and certificates of origin for garlic imported from third countries.[105] Although Georgia has signed an Association Agreement with the EU, replacing GSP+ area with a free-trade area and thus exempting exports from duties, garlic is an exception. For garlic, a duty-free tariff-rate quota has been established by including it in the so-called annual duty free tariff-rate quota. This means that

102 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
103 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
104 Deutsche Welle. Knoblauch: Gesund aber oft geschmuggelt. Available at: http://www.dw.com/de/knoblauch-gesund-aber-oft-geschmuggelt/a-5517278
105 European Commission. EU Regulation No. 341/2007 opening and providing for the administration of tariff quotas and introducing a system of import licences and certificates of origin for garlic and certain other agricultural products imported from third countries. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02007R0341-20161106

custom taxes will have to be paid only in cases when more than 220 tonnes of garlic is exported from Georgia per year.[106]

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 garlic are excessive levels of pesticide residues and bleaching the produce with chlorine or with a mixture of sulphur and wood ash. This is a widespread issue, especially for products from third countries, and needs to be properly addressed. Exporters of garlic 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 garlic, EU's MRL database can be used.[110] However, the EU legislation has only set general pesticide residue limits for fresh garlic, which is why the European Spice Association has developed recommended dehydration limits for pesticides for dried herbs, set in its Quality Minima Document.[111] 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, ISO standards, such as ISO 5560:1997 for dehydrated garlic, ISO 6663:1983 for garlic held in cold storage, as well

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106 Agenda.ge. No custom tariffs, result from Georgia-EU free trade. Available at: http://agenda.ge/article/876/eng
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 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

as UNECE standards, such as UNECE Standard FFV-18 concerning the marketing and commercial quality control of garlic.[112] Even though CODEX and UNECE standards are not legally binding, they are highly recommended for all suppliers who want to access the German market.

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[113]. 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.

It is also suggested to take into account the recommendations of CODEX Alimentarius for labelling of packs for consumers or for catering purposes, specifically, Guidelines on the Labelling of Pre-packaged Foods CODEX STAN 1-1985[114] and Guidelines on the Nutrition Labelling CAC/GL 2-1985.[115] Furthermore, on the labelling of pre-packed, processed garlic, it is necessary to clearly indicate the presence of allergens, as processed products can contain extraneous material that can cause allergic reactions. The labelling requirements regarding allergens are set in EC Regulation no.1169/2011.[116]

The use of nutrition and health claims on labelling is regulated by EC Regulation no. 1924/2006.[117] Specific requirements apply to niche markets, such as organic or fair trade garlic. In order to trade organic products in the EU and Germany, the producer must use the organic production methods,

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112 UNECE (2016). UNECE Standard FFV-18 concerning the marketing and commercial quality control of garlic. Available at: https://www.unece.org/fileadmin/DAM/trade/agr/standard/fresh/FFV-Std/English/18Garlic_2016_E.pdf
113 European Commission. Regulation (EU) No 1169/2011. Available at: https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32011R1169
114 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
115 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
116 European Comission. EC Regulation no.1169/2011. Available at: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2011R1169:20111212:EN:PDF
117 European Commission. Regulation (EU) No. 1924/2006. Available at: https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A02006R1924-20121129

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. Fresh, whole bulk garlic is usually packaged in either carton boxes or mesh bags from 5 kg to 20 kg, while processed bulk garlic for industrial and HoReCa use is packaged in either plastic or paper bags, plastic buckets or jars from 500 g to 2 kg (Figure 10).

Figure 10. Example of a typical bulk packaging of garlic in Germany (Fuchs, dried, granulated garlic for industrial use in a paper bag, 1 kg[118]; Metro, fresh, chopped garlic for HoReCa industry in a plastic bucket, 450 g[119]; Metro, fresh, prepped garlic cloves in a plastic jar, 1kg[120]; fresh garlic in a carton box, 10 kg[121])

Most of the fresh garlic for retail are either offered in bulk, unpackaged or packaged in transparent mesh bags weighing 100 g to 500 g (Figure 11). Processed garlic for retail, however, is offered in various types of packaging. Pickled and preserved garlic, as well as garlic paste, are usually available in 150 g to 300 g glass jars, and dried, granulated or powdered garlic as spice – in 20 g to 200 g plastic or paper bags, or 30 g to 200 g plastic jars.

118 Metro. Fuchs, granulated garlic. Available at: https://www.metro.de/cat/de/products/product/903565001001/Fuchs-Knoblauch-granuliert-1-kg-Beutel;jsessionid=FD62177AE4B1398F0B7A786A2F9ED6D6.mcc1shopp20

119 Metro. Metro, chopped garlic for HoReCa industry. Available at: https://www.metro.de/cat/de/products/product/117163001001/Horeca-Select-Knoblauch-gehackt-450-g-Becher

120 Metro. Metro, prepped garlic cloves. Available at: https://www.metro.de/cat/de/products/product/117198001001/Horeca-Select-Knoblauchzehen-k%C3%BCchenfertig,-eingelegt-1-kg-Becher

121 Jinxiang International Trade. White garlic in carton. Available at: http://de.fr-freshgqrlic.com/garlic/fresh-garlic/normal-white-garlic-in-carton.html

Figure 11. Example of a typical retail packaging of garlic (Penny's Recht B!O, fresh, organic garlic in a mesh bag[122]; Ostmann, dried, granulated garlic in a plastic jar, 50 g[123]; Fuchs, dried, granulated garlic in a paper bag, 80 g[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.

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122 Wogibtwas. Penny, Recht B!O, fresh garlic. Available at: https://www.wogibtswas.at/echt-bo-knoblauch-angebot-339883
123 Edeka. Ostmann, granulated garlic. Available at: https://www.edeka24.de/Lebensmittel/Gewuerze-Kraeuter-Bruehen/Ostmann-Knoblauch-granuliert.html
124 Allyouneedfresh. Fuchs, granulated garlic. Available at: https://de.allyouneed.com/de/fuchs-knoblauch-granuliert/p15012121/

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

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

Garlic is one of the most attractive product categories to import in Germany, as Germany itself produces very small volumes of garlic, even though in the last few years the activity of local producers has picked up the pace due to high market demand. Nevertheless, Germany is among the largest importers of fresh and chilled garlic in the EU, but the single largest net importer, as it has a massive trade gap in this category. Furthermore, Germany's domestic demand for fresh garlic has grown considerably over the past few years, and so has garlic imports. Demand has been boosted both by the healthiness trend, as garlic is perceived to have many medicinal properties, as well as by the increasing recent interest in Mediterranean and Asian cuisines. However, Germans still do not use garlic as much as their foreign counterparts.

However, an overwhelming majority of the imported fresh garlic in Germany originates from EU countries, such as Spain, the Netherlands and Italy. Germany's import of garlic from EU countries account for around 96-97% of its total garlic imports. This is the key reason why foreign producers and importers from non-EU countries should focus their efforts into importing either high quality, fresh, organic garlic in order to differentiate from competitors, or, better yet, processed garlic – either in a preserved or dried form. Although premium garlic varieties are also an interesting segment, these products are also more likely to be imported from EU countries. In general, import of dried, granulated or pulverized garlic has the best prospects for non-EU producers.

The most suitable target customers for foreign importers of garlic are the major German discounter and supermarket chains due to the high prevalence of private-labels for both fresh and processed garlic, as well as food service and food production/processing companies, especially those specializing in convenience foods, fine foods, as well as ready-meals. It can be projected that in the mid-term, the consumption of garlic in food service, production and processing industries could increase due to changing German lifestyles and opting for healthy convenience foods and eating out-of-home.

Due to specifics of the German market it is recommended for Georgian producers to trade specifically in bulk garlic, preferably dried, granulated or pulverized, as most buyers of fresh garlic prefer produce form the EU, and want the ability to pack label and marketed the products locally for a higher market success rate. In addition, trade and marketing of packaged branded products in Germany is complicated and highly competitive. For trade in bulk garlic, 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 are specialized importers of garlic, onions, 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 garlic 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 garlic

	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	• 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	• Must ensure fulfilment of specific purchase requirements • Must mainly compete with the price • Specific purchase requirements	High
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 garlic 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

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 the main advantages and disadvantages of each model for Georgian producers of garlic, it was determined that the most suitable models are indirect export models based on trade in bulk, particularly – indirect export via specialized importers and wholesalers, especially importers who also are processors and marketers. There are also good prospects for trade in bulk as direct export to processors, producers and catering providers, although it might be more difficult to establish such partnerships. 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 garlic 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.

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