Market Analysis Report: Nuts Industry in Germany

October 2022

This market research was conducted by OCO Global within the Business Lead Generation Project for Agricultural Commodities implemented by **the USAID Agriculture Program** in cooperation with **Enterprise Georgia** and **Rural Development Agency**

USAID
FROM THE AMERICAN PEOPLE
The USAID Agriculture Program
USAID-ის სოფლის მეურნეობის პროგრამა

ENTERPRISE GEORGIA

სოფლის განვითარების სააგენტო

Contents

GERMANY : Market Overview

Germany Key Facts

16 Federal States
Bavaria, North Rhine-Westphalia, Baden-Württemberg, Thuringia, Hesse, Berlin & Hamburg amongst others

Currency
Euro (EUR)

Population
82.9 million

Capital
Berlin

Language
German is the primary language across the country.
In general, Germans are experienced in conducting international business and have English language skills.

The world's 4th largest economy & largest national economy in Europe

The German Economy Snapshot

Germany is the **largest economy in Europe**. It constitutes 21% of European GDP and is home to **82m consumers** (16% of the EU population)

The German economy is widely considered the **stabilizing force** within the EU – and particularly within the eurozone.

The economic strength is driven by **highly innovative SMEs**, the renowned *Mittelstand* that constitutes 99.5% of all companies (hidden champions).

GERMANY : Food Industry Overview

The German Food & Drink Industry is Europe’s leader

600,000 employees

6,000 businesses

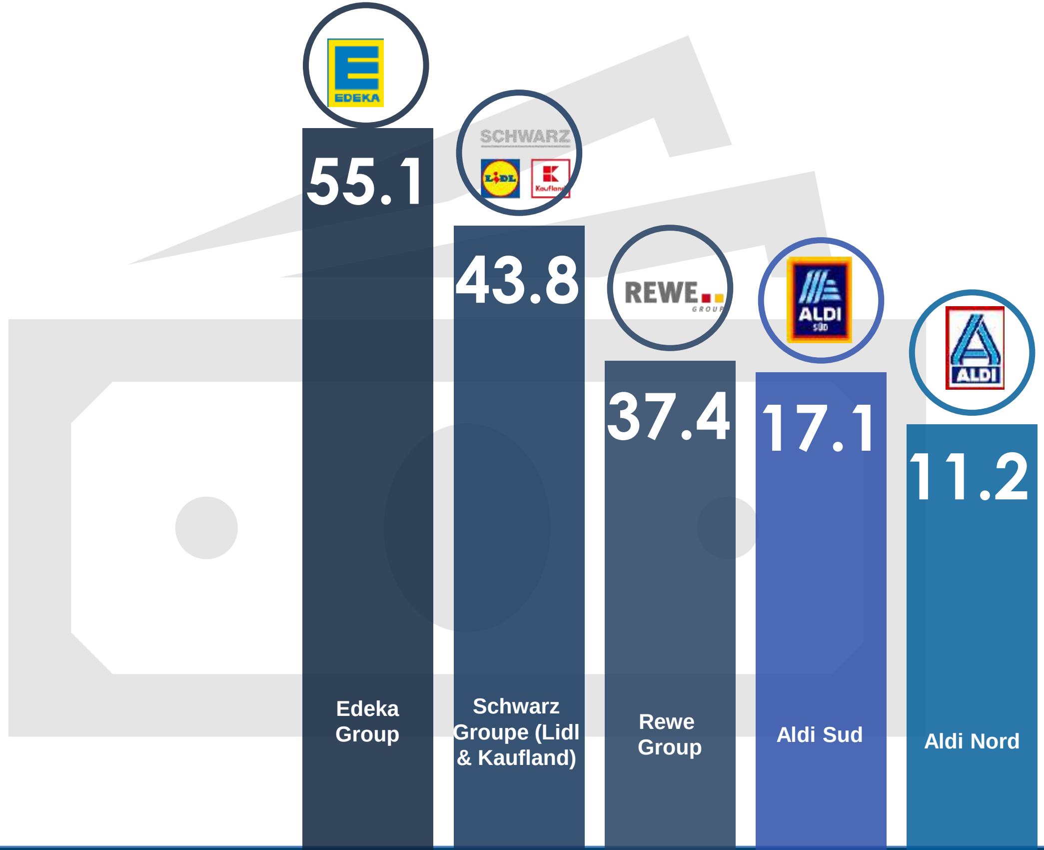
82 m consumers help make Germany the largest retail market for food and beverages in Europe

Germany is both the **third-largest exporter and importer of agricultural and food products** worldwide.

EUR 243 bn in retail sales due to a growing population with higher average income

EUR 180 bn production value demonstrate the sector's significance for the German economy

Germany's Leading Grocery Retailers



Leading Retailer in Germany by Net Sales in billion euros (2021)

In 2021, the leading grocery retailer by net sales in Germany was Edeka, with 55.1 billion euros, followed by Schwarz Group with 43.8 billion euros.

By 2026, Net sales of Edeka is forecast to reach 62.1 billion in 2026, Schwarz Group is projected to reach 52.2 billion, Rewe 39.6 billion, Aldi Sud 20.5 billion and Aldi Nord 12.4 billion.

Convenience and health are driving the trends for European consumers as they look to meet the demand for healthier lifestyles whilst becoming increasingly time-conscious

Convenience is Key

Consumers in Europe are increasingly time poor, as longer working hours and an always-on culture have become commonplace. This has driven a constantly evolving demand for convenience and 'food-on the-go.' Consumers now prefer to do either standalone daily shops, or using them to top up a bigger weekly shop.

Convenient, Yet Healthy

Healthy snacking has been fuelled in part by the rise of bloggers and social media influencers who focus on diet, nutrition and wellbeing. Consumers now expect more from their snacks, requiring them to provide a range of health benefits, from increasing energy and strength to promoting regular sleep patterns. They also pay close attention to the ingredients and nutritional facts.

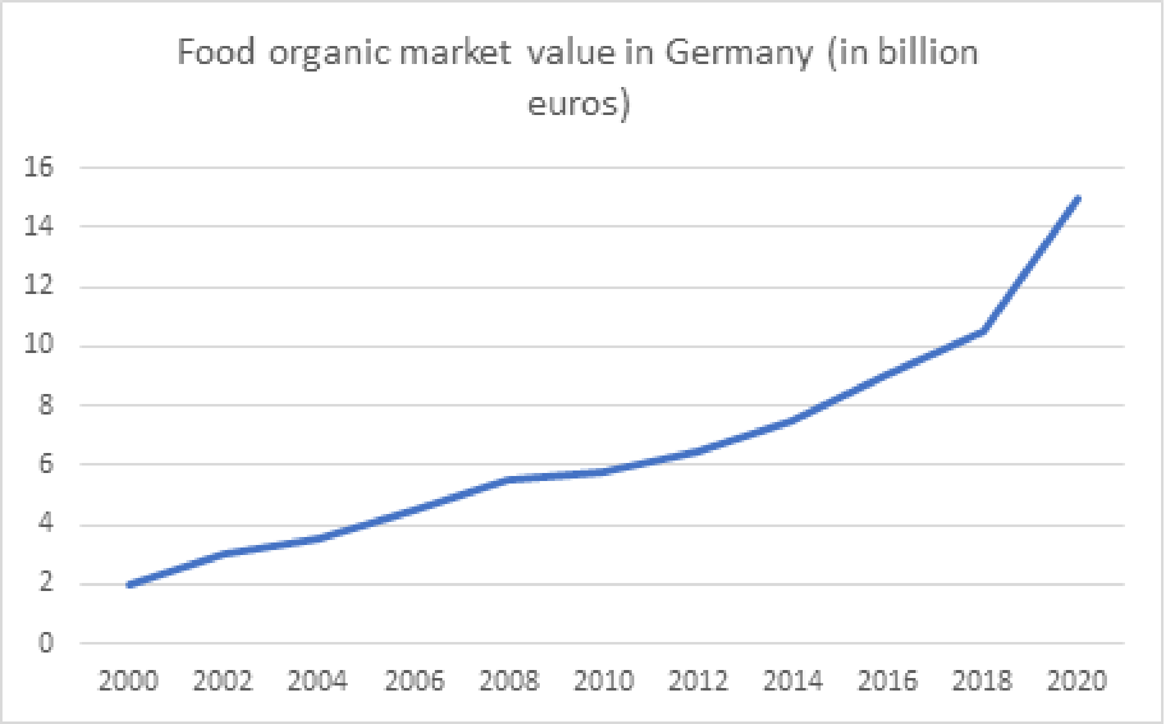
Improving Quality Alternatives

Consumers are increasingly adjusting their diet because of allergies and intolerances European consumers believe that gluten-free tastes better. Not only are allergies driving the need for a wider variety of diet adjustments, but even those who don't need it are influenced to.

Clean Labelling

Consumers more than ever want food brands and retailers to be honest and transparent about what is in their food and drink, and where it comes from. Clean labelling encourages producers to highlight certain key information in labelling and packaging. Whether good or bad, displaying nutritional facts, origin of produce and sustainability impact to build trust with consumers.

A shift towards health, bio, and organic in German supermarkets



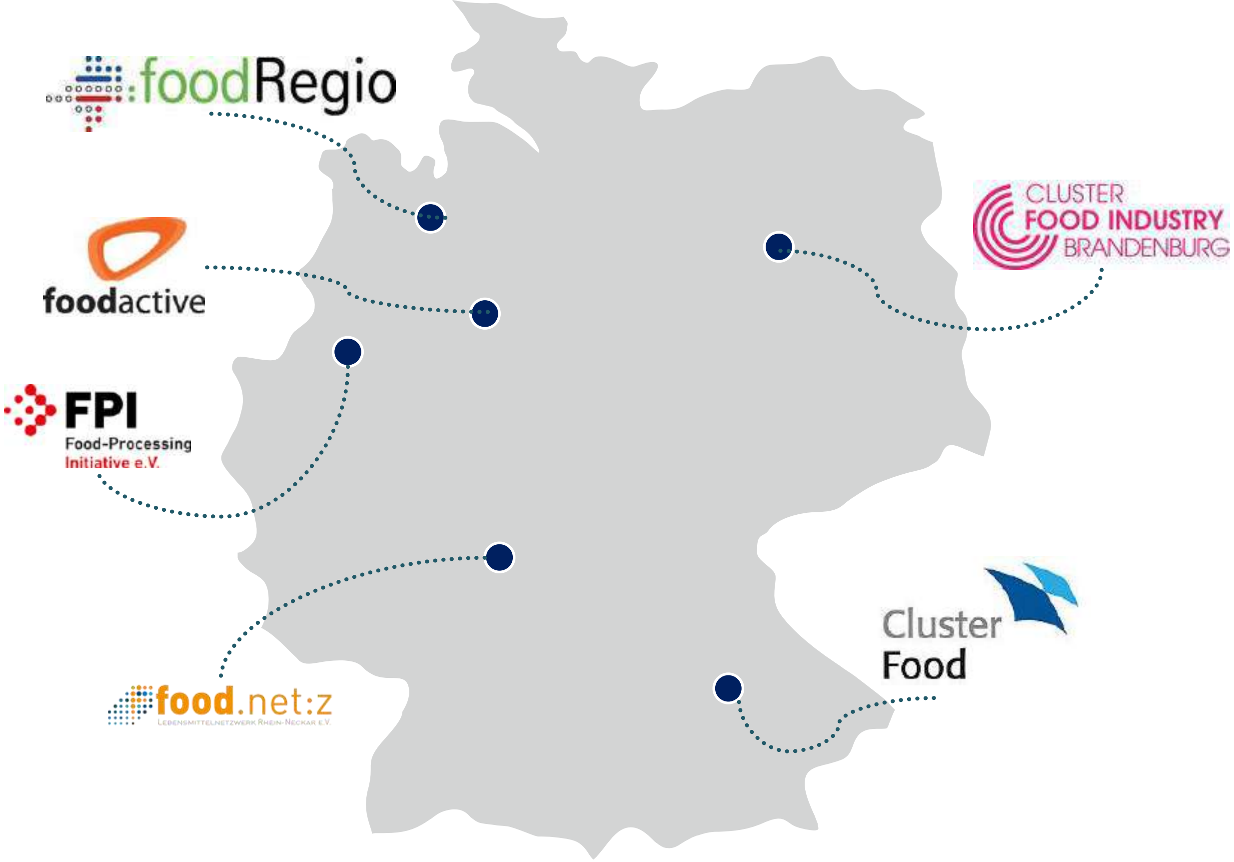
Source: Agence bio

Organic food products already represent a mainstream, well-established trend in Germany.

In 2020, the German organic market accounted for € 14,99 billion (6.4% share of the food market), which represents a market growth of 22.3% (AMI).

It positions Germany as the first European country in the organic sector.

Food Clusters Germany



Relevant Trade Shows in Germany

Name	Date	Location	Info
Internationale Grüne Woche (IGW)	20 - 29. January 2023	Berlin	World's largest exhibition for the Food Industry, Agriculture and Horticulture
Fruit Logistica	08– 10 February 2023	Berlin	Fair of fresh fruit and vegetables: trade, storage, packaging, distribution, marketing, purchasing, organic products
BIOFACH	14 - 17 February 2023	Nuremberg	World´s Leading Trade Fair for Organic Food
Anuga	07. - 11. October 2023	Cologne	World's leading food fair for the retail trade and the food service and catering market

GERMANY : Nuts Industry

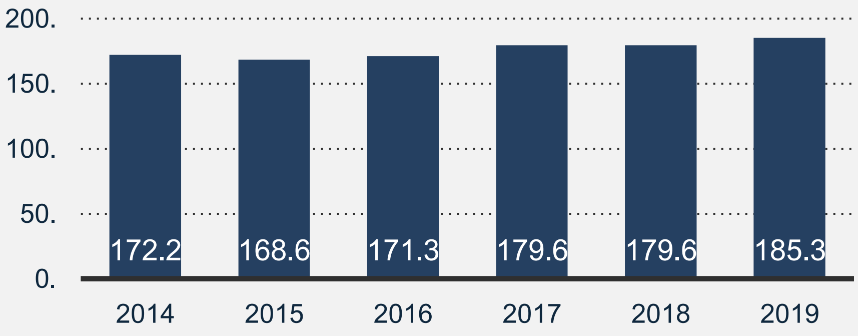
Market Size and Growth

Market Overview

- In Germany the food industry is the fourth largest industrial sector with more than 6,000 companies – 90 percent of companies in the industry are small and medium-sized.
- The most important import goods include milk and dairy products, meat and fish, and processed fruit and vegetables.
- Defying the weak overall economic trend, the food industry again proved its capabilities in 2019, increasing its sales by 3.2 percent to 185.3 billion euros.
- With around 170,000 products, the range of food on offer is higher quality, safer and more varied than ever before. And the demands of consumers are constantly increasing.

YoY % of Growth	+5.1%
Demographics	over 600,000 employees
Import/export stats	33% export quota
Growth forecast	n/a

Revenue in the German food industry from 2014 to 2019
Revenue in billion €



Source: BVE e.V. (Link), Statista 2020

Germany had a total import value of €722m in 2020, while exports in the segment totaled €599m. This shows Germany is import heavy and shows potential for international companies.

€171

Billion EUR

2022 European Market Value

3.9%

Percent

Projected Annual European Market Growth

The market in Europe is expected to grow annually by 3.9%, this is largely down to the imports from Germany, The United Kingdom, France and The Netherlands. Another reason for growth is the increased popularity of products such as Almonds, Brazil Nuts and Hazelnuts.

Countries in Europe with the highest growth rate in the segment are Romania (17%), Bulgaria (15%), Luxembourg (14%), Poland (12%) and The Netherlands. There is opportunity in targeting these markets along with the Germany due to the increased popularity of the products and the lack of availability of these products.

The most popular nut products in the European market are Shelled Almonds (23%), shelled cashews (12%) and shelled hazelnuts (12%). There is a positive outlook due to these being the focus point of Georgia.

European Landscape

The largest market for edible nuts in Europe by percentage of imports is Germany, with 20% of the total European imports in the segment. Exports of European nuts totaled €4.5bn in 2017 with Germany, The Netherlands and Italy being the main exporters. This shows that Europe is import reliant in this segment showing the need for international suppliers.

Consumption of Nuts in Germany

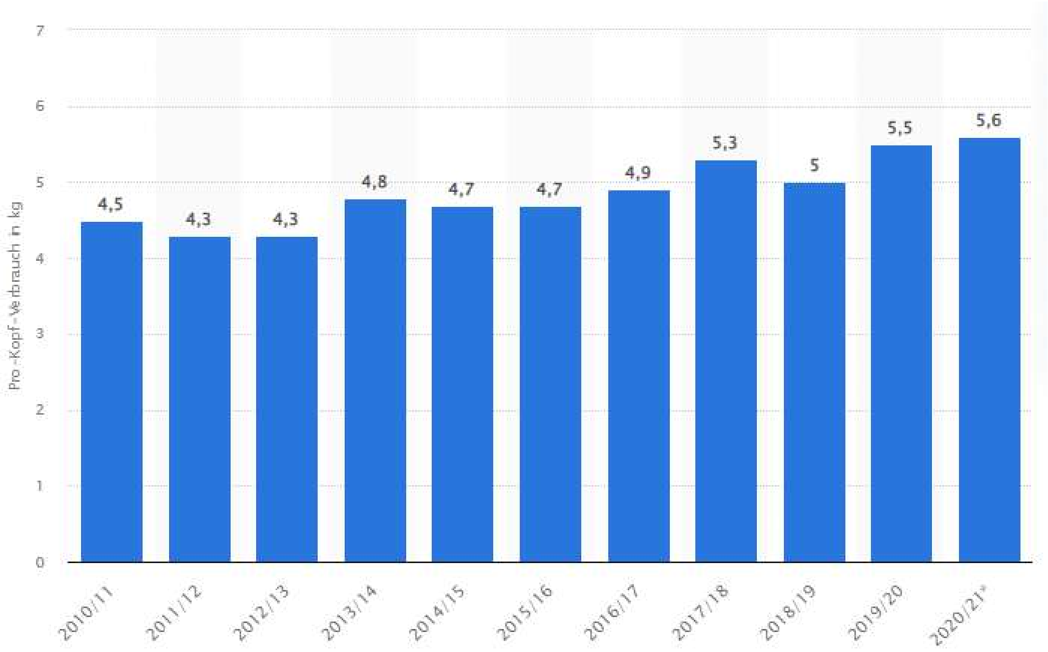
- Germany does not produce significant amounts of dried nuts, but it has the **3rd** largest overall consumption worldwide.
- Nuts are consumed as **snacks** and are considered **vital ingredients** in traditional recipes, including cereals, marzipan, bakery items and chocolates.
- Additionally, a sizable population of immigrants and ethnic groups from Mediterranean nations reside in Germany. Their diets tend to be richer in dried fruits and nuts than the typical German diet.

Consumption of Nuts in Germany

Nuts consumption in Germany has been increasing **by more than one kilogram** per capita in the last 10 years. In 2020 individuals consumed on average **1 kilogram of almonds**, **800 grams hazelnuts** and **500 grams walnuts**.

The increased awareness of German consumers towards eating healthier food and healthy snacking drives this development trend. Since nuts includes a lot of important fibres, nutritions and vitamins, they are regarded as an important “health supplement“.

Nuts consumption per capita in Germany between 2010 and 2021

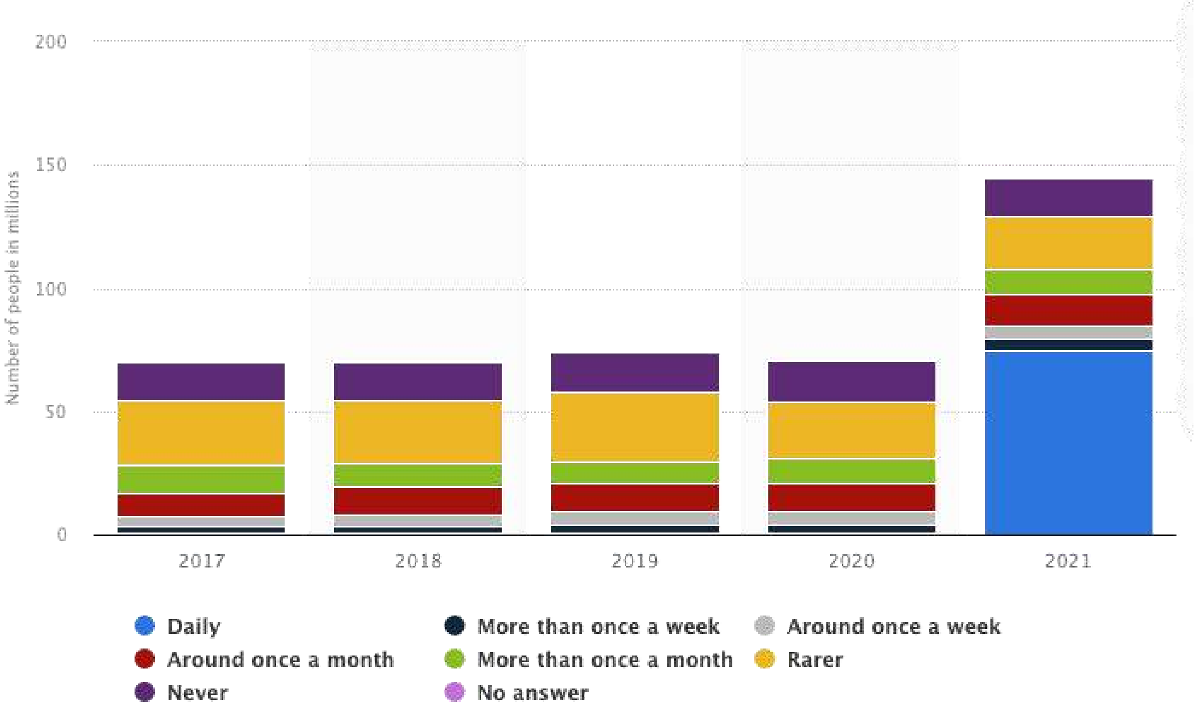


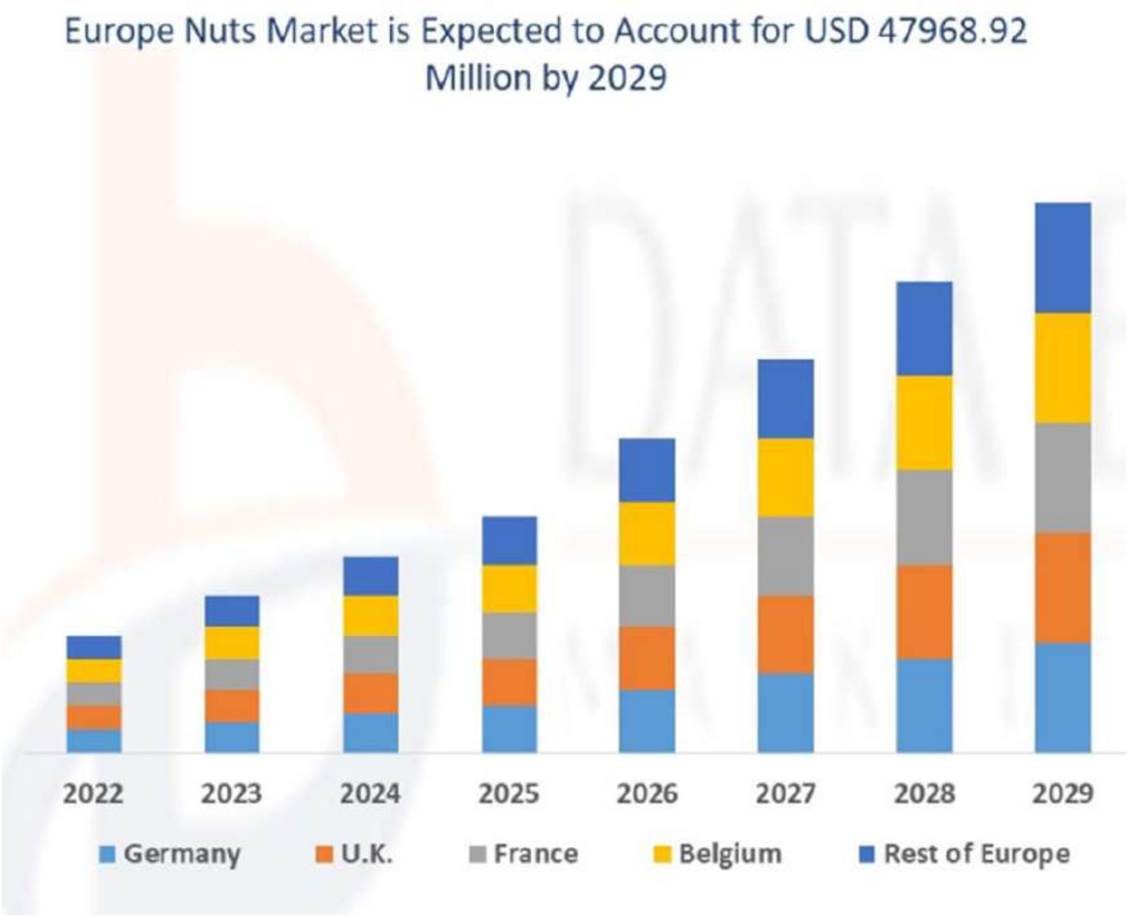
Source: Statista

Consumption Trends

The average volume per person in the Nuts segment is expected to amount to **2.4kg in 2022**.

The graph shows the frequency of nut consumption in Germany from 2017 to 2021. As shown, the number of people that consume nuts relatively frequently has increased, such as around once a week from 3.87 million people in 2013 to 5.65 million people in 2021.





- There are several factors that are influencing the growth in the German and wider European market. Growing vegan trends, paleo diets and a rise in healthy eating habits are important factors to this – with younger consumers preferring organic and natural products.

- Opportunity in Germany and Europe lies in favorable rules and regulations, a rise in demand for plant products and an increase in research and development activities creating opportunities for new entrants to the market. Furthermore, technological advancements and modernization of production techniques creating opportunities for manufacturers.

Continous Growth for the German Nuts Industry

- Germany ranks at the top in the world in the number of imported almonds, hazelnuts and walnuts.
- **Almonds:** Imports: Rank 4 (93765 tons in 2019); Consumption: Rank 4 (75192 tons in 2019)
- **Hazelnuts:** Imports: Rank 4 (93765 tons in 2019); Consumption: Rank 2 (91921 tons in 2019)
- **Walnuts:** Imports: Rank 1 (41451 tons in 2019); Consumption: Rank 2 (27882 tons in 2019)
- Source: INC
- The market for nuts and processed nuts products has not been affected by COVID-19. This due to the fact, that people’s awareness for healthier food has increased. Intake of more dietary fibers, proteins, vitamins, and more essential minerals.

Source: Statistisches Bundesamt

Uniquely German

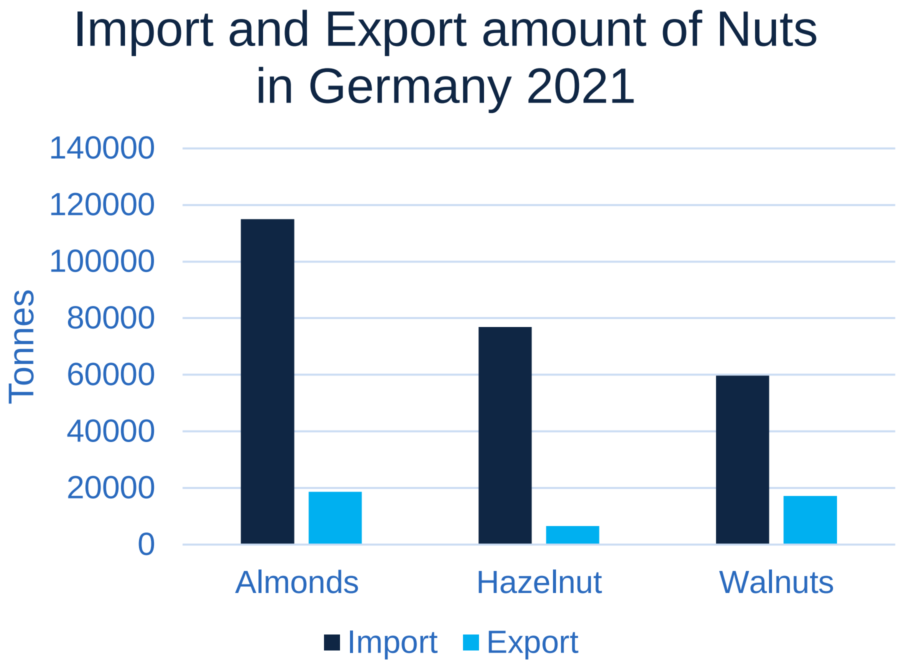
In Germany, nuts are considered vital ingredients in numerous traditional recipes, including cereals, marzipan, bakery items, and chocolates.

Another important market segment for nuts in Germany is ethnic specialty stores or organic stores. Due to nuts being a healthy alternative to chips and candy, they are commonly sold in health or bio stores in Germany. The growing immigration from Turkey, the Mediterranean, and the Middle East has changed the diet of people living in Germany, allowing for the increase in specialty supermarkets. Much of the diaspora from these regions shop here, however products such as nuts, fruits and vegetables, and meat are especially popular in these stores.

Import and Export Nuts

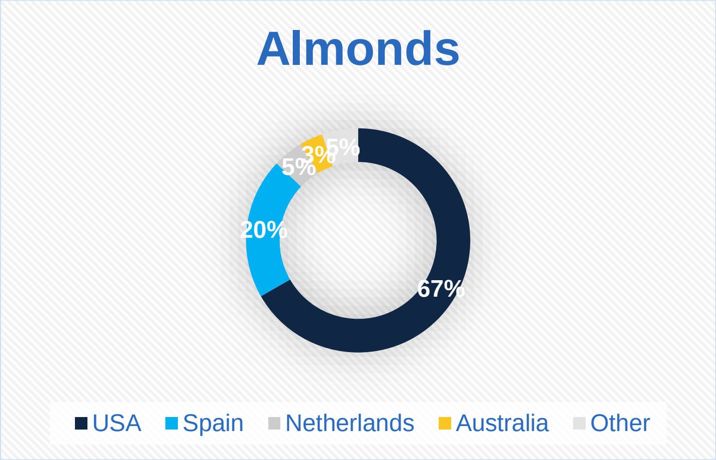
- The German Nuts Market is highly reliant on Imports.
- Gap between import and export is increasing significantly in the last years
- Gap between import and export of almonds **(+34%)**, hazelnuts **(+22%)** and walnuts **(+75%)** have been increasing in the past 10 years. As shown in the table below, there have been strong increases on the imports of Nuts between 2011 – 2021:

Changes in Import to Germany between 2011 and 2021 in tonnes			
Category	**2011**	**2021**	**Percentage Change**
Almonds	10266	18702,3	**+ 39,91%**
Hazelnut	4818,9	6567,8	**+ 23,02%**
Walnuts	4881,6	17190,6	**+ 104,98%**

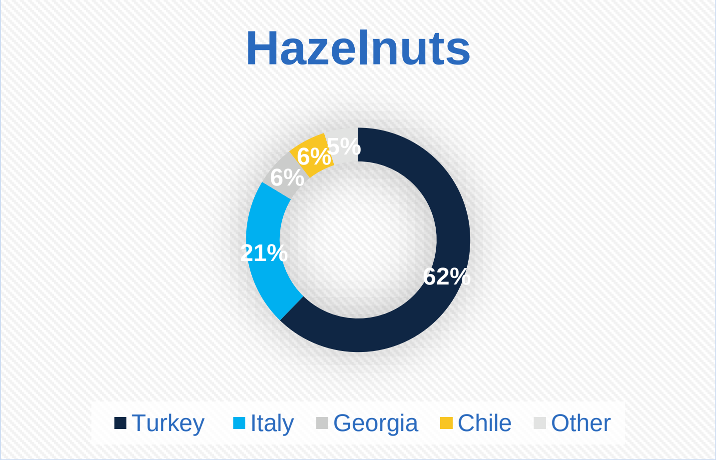


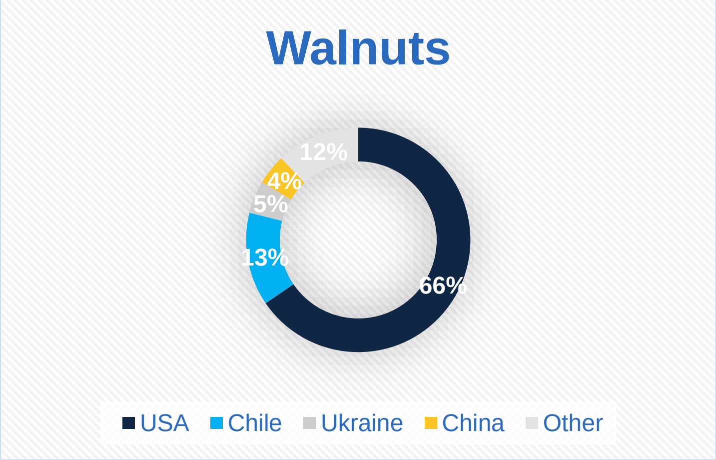
Source: Statistisches Bundesamt

Main Import Countries in 2021



- USA dominates the import of almonds and walnuts, followed by Spain Netherlands and Australia
- Turkey is champinoning import of hazelnuts, followed by Italy, Georgia and Chile





Source: Statistisches Bundesamt

Consumer Behaviour: Purchasing

Where German consumers buy snacks (including nuts)

The top places where Germans shop for their snacks:

16%	65%	22%	32%
Gas station	**Supermarket or wholesale market**	**Bakery**	**Mall/ Shopping Centre**

Factors that influence purchase decisions:

- **81%** of German consumers say that **taste** is either important or very important when purchasing snacks. Followed by natural ingredients (51%) low price (45%) brand values (38%) environmental impact (37%) and locally produced (37%)
- **51%** of respondents say that it's important to have a selection of healthy snack products. Likewise, natural ingredients are a major deciding factor in purchases, as most consumers feel that their snacks should be free of artificial ingredients.

German consumers **gather information online** – many consumers often head to snack brands' websites or other online platforms to learn more about the ingredients of the snacks they buy. This is particularly true amongst young adults aged 18-35 with 22% stating they visit a snack brand's website.

Consumer Behaviour: Brand Choice

Reasons for switching brands

German consumers are less loyal to specific brands, creating **opportunities for new entrants**. It was found that:

- **Only 10%** say it's very important to be brand loyal. In addition, 58% of consumers simply say they like to try new snacks.
- The majority of respondents indicated that they tried new snack brands during the final quarter of 2021.
- Other reasons for trying new products include **current offers, caloric content, and the inclusion of natural ingredients**.
- There is an **openness to try new products** in the German nut and snacking industry with the demand for healthy and sustainable snacks having a real impact on customer loyalty.

Market Buying Patterns

Walnuts

- German walnut consumption has been increasing. Germany has its own walnut production, but more than half the market is supplied by imports with **Germany the world's leading importer.**
- There is some seasonality, **particularly for the Christmas period**, but **demand is consistent** throughout the year.
- As both a leading importer and exporter, Germany represents an important market.

Almonds

- Almonds are the leading imported edible tree nuts in the European market with **Germany a key importer.**
- Almond consumption in Europe **peaks in winter months.**
- The winter almond consumption peak relates to the Christmas and New Year holidays in European countries.

Hazelnuts

- Germany is among the largest buyers of hazelnut kernels.
- There has been increased demand for **hazelnut-based foods and beverages**, and rising popularity of vegan snacks among millennials.
- It is also widely used in food industry especially in chocolate, praline, and pastries.
- Again, hazelnuts are popular around **Christmas** but experience consistent demand throughout the year.

Economic, Social, Technological & Environmental factors

Social and health market drivers: Across Europe, a combination of increasing time-pressures, a faster pace of life, and a need for convenience is driving consumer demand for snack products that are ‘wholesome and deliver sustainable energy’. In addition, increasing **health consciousness** has led to consumers trading their sweets and biscuits for healthier snack products. Thus, nuts have a market opportunity to fulfill these needs. Linked to this health trend is the importance of product quality and product safety, with certification high on consumers and buyers agenda. Naturalness is also key area of interest. New product nut launches marketed as “organic”, “natural” “additive-/preservative-free” featured strongly, while “fibre”, “protein” and “low sodium” claims are also popular.

Technological market drivers: Innovation will continue to be crucial for manufacturers in order to stay ahead of the competition. The industry is innovating with new flavours, new textures and new packages. Further, online food shopping is continuing to grow, in conjunction with the importance of social media in communicating new products, ideas for recipes and flavour combinations.

Economic market drivers: Germany is a very price sensitive market, and both consumers and retailers are looking for top quality at a discount price. Cost and value for money is a significant driver of consumption in German and often trumps other drivers and consumer values.

Environmental Factors: German consumers are particularly environmentally conscious in terms of recycling and disposal of packaging.

Market Restraints

- Germany is a very price sensitive market, and both consumers and retailers are looking for **top quality at a discount price.**
- The potential source of allergens and product recalls challenges the growth of the industry.
- Locally or nationally sourced products are often associated with perceived higher quality. The demand for local European foods could acts as a market restraint.

German Business Culture

Need for Security

Risk averse

Analysis/ Perfection

Task orientation

Formality

Respect

Directness

- German business people are **experienced** in conducting international business
- German business culture is marked by **organisation, planning and perfectionism**
- Evident characteristic of **uncertainty avoidance** across the German business culture
- **Management** style especially in family-owned SME’s (99.5% of all German companies) has a reputation for being **risk-averse**
- Germany has a culture that likes **task-orientation, forward-thinking** and is very **process-driven** and **detailed**, with each aspect of a project being examined in great detail

The German Business Culture- Communication

- Germany is one of the so-called "**low-context**" cultures. All details are transmitted **explicitly**
- **Written business** communication, both to **back up decisions** and to **maintain a record** of decisions and discussions
- German business people prefer **contracts and written agreements** of all types
- Germans are **reserved and direct** at the same time – very straightforward without “window dressing”
- It may ease business decisions with German business partners if one can **reduce the perceived risk** and uncertainty for them in embracing these points

The German Business Culture - Influencing

- German business executives might **not easily recognise** and respond to **verbal subtleties**
(indirect hints, messages ‘between the lines’)

- **Concentrating** much more **on the actual business**, and less on formalities and rituals
(e.g. gift-giving)

- Business relations are **very formal**, and they reflect German values of **order, privacy and punctuality**

- Follow the established **protocol** and respect the **formality** of communication style

- Germans **do not need a personal relationship** to do business; work and personal lives are rigidly divided

The German Business Culture - Negotiating

- A **strict vertical hierarchy** is established & respected
- Decision-making is held **at the top**
- Meetings without an **agenda** are a rare event
- Serve a German business partners' **central idea**, aiming their preparation toward a comprehensive/governing **concept**
- During negotiations, the German businessman likes to go over **all the details** → need for preparation
- It is highly unusual to get into an oral contract. German business people prefer all the terms & agreements **written and signed into a legal format**.

There are a number of regulations to be aware of when seeking to export to the European Union

The European Union, through its various institutions, such as the European Parliament and Commission, typically drafts and implement minimum standards regulation on behalf of all member states in an attempt to alleviate trade frictions.

However, it is important to recognize that **each country** is free to draft **more stringent legislation**, should they wish to do so.

Generally speaking, **there are several forms of regulatory barriers** that companies need to be aware of, when exporting food related produce into Europe, this includes:

- **Packaging and labelling legislation**
- **Mandatory regulations**
- **Tariffs and other related barriers**
- **Other additional, non-mandatory certifications**

However, we would encourage prospective exporters to look at the relevant regulatory bodies and legislation at a national level, in order to ensure compliance.

When exporting to the EU, Georgian exporters must conform to EU Food labelling and packaging requirements

Labeling Requirements

Nuts and other related products that are being exported to the EU must conform to their food labeling requirements.

This including various aspects, such as:

- ✧font-size **standards,** and **language**
- ✧identification of **genetically modified ingredients** and relevant **nutrition information.**

Moreover, labels must not be misleading and display, at a minimum:

- ✧**Country of origin** and manufacturers information
- ✧**Specification**s and **description**
- ✧Weight, volume, quantity or other **dimensions**
- ✧**Ingredients** and nutritional composition
- ✧Relevant hazard **warnings**, such as allergen information
- ✧Best before, use by and sell by **dates**
- ✧Cooking and storage **instructions**
- ✧Indication of **substitute ingredient** for 'Imitation' foods
- ✧Indication of **defrosted or preserved** products.

Packaging Requirements

Georgian companies that are exporting foodstuffs to the EU must make sure that packaging complies with EU requirements for **food contact materials.**

EU regulation requires that materials and articles intended to come into contact with foodstuffs (e.g. packaging materials etc.) must be **safe** and must be manufactured so that they are both **recyclable** and **do not transfer their constituents to food**. They must also **appropriately protect the integrity of the foodstuffs themselves** from **contamination** from outside sources and from **potential damage** during transportation or handling.

With respect to Nuts, it is particularly important to appropriately label any potential allergen information. This pertains to various types of Tree Nuts, including **Almonds**, **hazelnuts, walnuts, Brazil nuts, cashews, pecans, pistachios** and **macadamia nuts**, as well as **Peanuts**. This information must be highlighted and emphasised in some way and is **usually in bold on the packaging**. For more information on Packaging and Labelling regulation in the EU, please see here and here.

There are some Tariff Barriers applied to nuts imports to the EU

As previously mentioned, the **European Union** determines **general legislation** on **behalf of all of its members**, which includes Germany.

A key element of the **EUs International Trade Regulation is protectionism**. This is where the **Bloc imposes tariffs** and other related **trade restrictions** on foreign importers in an attempt to protect domestic industries.

The **tariffs** themselves typically take the form of **ad valorem tariffs**, however **specific nominal tariffs** and other import controls, such as **quotas, licences and documentation** can also come into effect.

With respect to **importing various edible nuts**, such as **walnuts**, the **EU does impose a 4% tariff or duty**, which is **applicable for "third countries"**. However, as **Georgia** falls within **The Deep and Comprehensible Free Trade Area (DCFTA) with** the European Union, it actually receives **preferential tariff treatment**, hence there are currently **no tariff barriers** in place pertaining to the **trade of edible nuts** between **the EU and Georgia.**

For more information on tariff lines, please see here.

There are a number of additional non-tariff barriers namely regulations that are in place, that must be considered...

Food Safety

The **General Food Law Regulation** (EC No178/2002) sets out the **overarching** and coherent **framework** pertaining to **general food hygiene and safety** in the EU. The legislation covers a wide variety of topics, from **minimum standards** to **maximum levels** of **substances** that can be used in food. This is **regulated and enforced** in conjunction by the European Food Safety Authority.

Health Certificates

Health Certificates are **not normally applicable** when it comes to **importing nuts** into the EU. However, they **may come into effect** when certain **types of nuts from a number of countries** are categorised as "**higher risk products**" and hence subject to **Emergency Control Procedures**. This mainly applies to "third countries", for example the imports of **peanuts** from **Brazil, China or India.**

Traceability and Responsibility

Food Traceability is **regulated** somewhat under the EUs **General Food Law**, however, as it becomes **more important,** it is almost now treated separately. The **laws themselves mandate traceability and transparency throughout the entire supply chain**, and in the case of nuts, it stipulates that, producers **must be capable of a product withdrawal or recall** should any health issues arise.

Phytosanitary requirements

EU import requirements with respect to **Photosanitary certification** of Plants and other Foods of Plant Origin, **including edible Nuts**, are laid out in the **Directive 2000/29/EC**. However, the **regulation mainly applies to third countries**, and certificates are **not legally required** in most instances for **tree nuts**, unless they are being **re-exported outside the EU**.

In addition to the mandatory regulations imposed by the EU, there are some voluntary accreditations that suppliers may wish to obtain…

EU-Eco Labels

The EU Eco-Label is a **voluntary label** that **demonstrates environmental excellence**. The label itself can be **affixed to goods**, and **guaranteeing and conveying to consumers** that the producer has had **a low environmental impact**. In order to obtain this, producers must meet h**igh environmental standards throughout the supply chain**, from farming, to harvesting, through to processing and distribution.

Certified Organic

Organic Certification is another **voluntary logo** that producers can obtain in order to **signal to prospective consumers** that their goods are **all natural** and that they **have maintained very high standards,** from production, through to processing, transportation and storage. These labels typically **command a price premium**, and in some instances, **buyers are now expecting suppliers** to **have such accreditations**.

Other Accreditations

There is a wide range of **other voluntary accreditations** that suppliers can obtain, for example, the IFS, FSSC 22000, BRC and the IFOAM Standard.
These **internationally recognised certifications** are routinely used by various producers in an effort to **gain a competitive advantage**. However, as they are **becoming more commonplace**, newer, more stringent accreditations are **routinely being developed**.

As Georgia is not a member of the European Union, certain documentation must accompany all products passing through customs into the bloc, including…

Commercial Invoice

Contains the basic information on the transaction and is always required for customs clearance.

Customs Value Declaration

Must be presented if the value of the imported goods exceeds 20,000EUR

Freight Documents

Depending on the means of transport used the following documents may be required:

- ✧ Bill of Lading
- ✧ FIATA Bill of Lading
- ✧ Road Waybill (CMR)
- ✧ Air Waybill (AWB)
- ✧ Rail Waybill (CIM)
- ✧ ATA Carnet
- ✧ TIR Carnet

Freight insurance

Insurance invoice is required for customs clearance only when the relevant data do not appear in the commercial invoice indicating the premium paid to insure the merchandise.

Packing List

Provides information on the imported items and the packaging details of each shipment. This may also include all relevant information or documentation on certifications, where appropriate.

Customs Import Declaration (SAD)

All goods imported into the EU must be declared to the customs authorities of the respective Member State using the SAD system. Declaration must be drawn up in one of the official languages of the EU and must be acceptable to the customs authorities of the Member State where the formalities are carried out.

Contents

- The growing healthy snacking trend in Germany doesn't only offer increased demand in nuts, but also in snacks containing nuts – such as snack bars, milk, muesli, nut spread/butter, crackers, etc…
- Growing immigration into Germany from the Mediterranean region has changed diet trends in Germany, resulting in higher consumption of nuts.
- Flexitarian, Vegan, and Plant Based alternatives are growing in Germany, creating more demand for nuts as an everyday staple.
- During the wintertime, increased demand for nuts is seen in Germany due to the large consumption of Christmas cookies and bakery products containing nuts.





Routes to Market

There are typically 3 routes to grow in the German market:

1	**Direct Export** →	Retailers, Foodservice etc. →	End User
2	**Indirect Export** →	Distributors, Wholesalers & Importers →	End User
3	**Physical Presence** →	Business Set up, JVs, Business partnership →	End User

In order to enter the German market , building brand recognition in-market by targeting distributors/ wholesalers and end-users (retailers/ supermarkets) is recommended. Gaining access to the end user buyer can be difficult as access is often built on relationships. Thus, utilizing good distributor/ importer networks may help break down these barriers and create a steppingstone for growth.

Direct Export

Direct to End User

The direct to end-user (e.g. retail/ supermarket) route to market is one where sales are driven entirely in the domestic market directly to key buyers in target retailers. This route does allow for greater control of sales and marketing/ branding activity, as it does not rely on a third-party partner to represent the company.

However, in order to build effective brand awareness, attendance at trade shows and undertaking frequent missions would be recommended.

PROS	CONS
• Absolute control over sales and marketing activities (depending on retailer approval) • Greater margin as no commission or fees to third parties (but still margins to retailers)	• Gaining access to retailers/ supermarkets can be difficult without a solid referral from wholesale partner. • No in-market presence so harder to respond to changing trends. • Required to build own network and (potentially) organise own warehousing • Learning curve to understand new culture • Travel and time costs for senior staff to build brand awareness

End Users by Type

Multiple Retailers

Major, discount and conventional retailers are the basic community grocery stores or supermarkets offering a range of food items. These maintain low profit margins, relying on large sales volume to earn a profit.

Specialty Retailers

These retailers specialise in specific offerings for specific target consumer. For example, an organic food shop that provides solely organic food for its customers. This type of retailer also extends to cover farm shops, food halls and high end retailers.

Convenience Retailers

In the past 5 years, support for local and independent shops have rapidly grown through the globe, starting in Europe. These shops are small, local and possess a strong loyal customer base. They are more likely to be found in smaller towns and cities, although they are still active and present in bigger cities and areas.

Online Retailers

Hitting the market over the past decade, brick and mortar stores started to have their own online stores. Other than that, there are online only Retailers. These stores have shown high demand especially since the global pandemic.

Food service

Germany is one of the EU's top foodservice markets. In 2019, (pre pandemic) German foodservice sales increased by 3.1% to US$99.5 billion, with all three major market segments– hotel, restaurant and catering/institutional– enjoying increased sales.

Examples of end users in the German Market

Multiple Retailers	**Specialist** Retailers	**Online** Retailers	**Foodservice** Companies

Indirect Export

Via Distributor or Importer

This route to market offers many benefits for initial market entry. This route essentially allows in-market representation without the costs or risk associated with Investment. A key potential benefit of partners is the ability to support customers on the ground in their own time zones, resulting in greater customer satisfaction. However, it does come with its challenges such as exclusivity agreements and the reliance on a third party to offer continuity on branding and sales and marketing. Importers and distributors also usually have good knowledge of the European market and they monitor the conditions in nut producing countries. Many importers are also packers and, in addition, engage in trading and wholesale activities. The challenge for exporters is to establishing long-term relationships with well-known importers, as they usually already work with selected suppliers. Well known importers perform regular audits and visits to producing countries. As a new contact, very often you would need to offer the same quality but possibly better prices than your competitors, at the start of the relationship.

PROS	CONS
▪ Can provide access to new markets/ customers and key buyers in retailers/ supermarkets ▪ Cover multiple target industries ▪ Complementary product lines offer greater opportunities for system or bundling strategies ▪ Can advise on changing trends on products and packaging ▪ Potential warehousing partner to reduce lead time to retailer ▪ Partner on the ground proactively selling products ▪ Country cultural alignment	• Commission fees • Less control of sales and marketing/ branding activities than direct sales

Examples of potential partners in the German market

Lekkerland is among the leading food and beverages wholesalers in Germany. Lekkerland supplies mostly convenience foods, such as drinks, confectionery, snacks, nuts 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.
www.lekkerland.de

Atrimex is a German wholesaler specialising in dried fruits and nuts, including organic specialties. The company sources their products internationally, connecting quality suppliers with top buyers in Germany. Atrimex also provides support in processing and logistical co-ordination.
www.atrimex.com

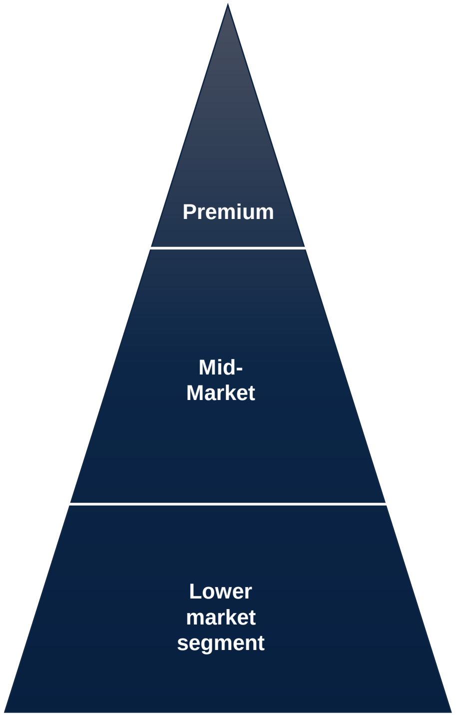
Founded in 1907, Zieler & Co have experience in import, export and wholesale trade of dried fruits, nuts, seeds, syrups, chocolates, pulses and cereals.
https://en.zieler.de

Product Price Points

Price still remains a barrier to consumption

- Germany, having one of the largest economies in Europe, is wealthy both in terms of GDP and the average personal income.
- Average food prices in Germany are significantly higher than in Georgia for practically all food products. However, many Germans are still concerned with price and value for money.
- As previously mentioned when asked what was the most important factor when choosing to buy snacks low price was important to 45% of participants.

Pricing by Market Segment



INDICATION OF PRICE RANGES AND MARKET SEGMENTS

Before setting a price, you will need to determine who your target customer is for example, there will be major price differences between those in lower market segment vs. the premium market as explained below:

Premium: Premium quality and additional standards from processing to consumer packaging.
Main sales channel: Specialist retail

Mainstream retail: Good quality and standard retail requirements
Main sales channel: General Retailers/ Supermarket

Bulk product for the food industry:
Average to good quality for use as food ingredient
Main sales channel: Foodservice

Pricing - Nuts

- Within most German supermarkets Nuts are segmented close to the fresh fruit in stores – occupying both top and bottom shelves. This alludes to a popularity in the segment due to the large area designated for the product.

- Separate Nut products are grouped together - with Walnuts (Both shelled and unshelled) being placed beside each other for example. This is interesting because it allows consumers to see all available options for that segment, potentially providing more opportunity for new entrants.

Pricing - Nuts

Almonds

Price - €9.99

Size - 500g

Walnuts

Price - €5.69

Size - 500g

Hazelnuts

Price - €5.39

Size - 200g

- The Nuts segment in Germany is dominated by Seeberger products, although other products are stocked.
- Nuts come in a variety of pack size which includes mainly 200g or 500g packs.
- Organic products start at a more premium price, with organic walnuts being 15% more expensive per KG.

Example Pricing Almonds (Retail)

Retailer: Amazon Fresh Germany

Brand: Amazon

Product: Amazon Almonds roasted & salted, 150g

Price: €1.85 (€12.33 / kg)

Retailer: REWE

Brand: REWE Organic

Product: Organic Almond, 200g

Price: €2.99 (€14.95 / kg)

Retailer: Aldi Nord

Brand: Trader Joes

Product: California Almonds

Price: €1.99 200g €9.95 per kg

Example Pricing Walnuts (Retail)

Retailer: Alnatura

Brand: Altanura

Product: Organic Walnut Kernels, 150g

Price: €2.69 (17.93 per kg)

Retailer: REWE

Brand: REWE Organic

Product: Organic Walnut, 200g

Price: €3.39 (€16.95 / kg)

Retailer: REWE

Brand: Farmers Snack

Product: Walnut Kernels, 120g

Price: €3.99 (€33.25 / kg)

Example Pricing Hazelnuts (Retail)

Retailer: Violey

Brand: Dennree

Product: Organic Hazelnut Kernels, 200g

Price: €3.73 (18.65 per kg)

Retailer: Aldi Nord

Brand: Trader Joes

Product: Natural Hazelnut Kernels, 200g

Price: €2.29 (11.45 per kg)

Retailer: REWE

Brand: Seeburger

Product: XL hazelnut kernels 200g

Price: €5.39 (26.95 per kg)

The Pricing Roadmap

Raw Material

In pricing a product (local or abroad) we first use the cost of manufacturing the product

Transport

This includes the transportation of goods to fulfilment centres and shipment to consumer

Certification

You will need to add the costs of aquiring the certification to the price

Modification

This includes any costs spent to modify products for the market

Taxes & Duties

These include tariffs, customs fees, currency fluctuation, transaction costs (including shipping), and sales tax.

Packaging

Costs needed for changing packaging to fit local consumers

Margin

Intended profit margin is then added to the total pricing

Final price is then compared to competitors pricing and adjusted accordingly

Georgian exporters have a number of options to transport goods from Georgia to Germany

The best transport mode will depend on a number of factors including **cost-effectiveness** of transportation, **availability** and **frequency** of transportation mode**, type of product**, **shelf life** and well as the **customers demand** and requested **timeline for delivery**.

Many exporters have used multiple transportation modes to deliver their good to a market. **Multimodal** combines the best features of all modes and multiple uses.

Air
The major cargo airport in Germany is Frankfurt/Main airport who saw the largest amount of cargo transported in 2021, at around 2.27 million tons. Followed by Leipzig/Halle and then Cologne/Bonn airport.

It is the **costliest** transport method available and is not ideal for transporting in bulk.

Sea
Key Ports Germany include Hamburg, Duisburg and the port of Bremerhaven.

Less expensive than air and plays a major role, with specialized vessels such as **refrigerated cargo**.Typically the **slowest** method of transportation.

Road
This route is highly **flexible**, **low cost**, and is best for bulk and finished goods. However, there are size and weight restrictions and can affected by **weather, road conditions and traffic.**

Rail

This route has **limited flexibility.** This is the **best for bulk and finished goods.** Rail can carry **larger volumes** over greater distances.

Import Competitors

Almonds (USA)	SOUTH VALLEY FARMS	BLUE DIAMOND GROWERS
Hazelnuts (Turkey)	ARSLANTÜRK	Durak HAZELNUTS
Walnuts (USA)	DIAMOND OF CALIFORNIA	Agriland

Competitor Profile

Blue Diamond

Blue Diamond Growers is the **largest almond processor** in the world. They are a cooperative of more than 3,000 family-owned growers across California.

Blue Diamond serves both **retail and foodservice** industries.

Blue Diamond have an **extensive product range** including:

- **Snack Almonds:** In 22 flavour varieties
- **Almond Breeze**: Almond milk, blends and yoghurts
- **Nut thins:** Gluten free almond nut snacking crackers in 9 flavours
- **Cooking & Baking:** Almond flour & baking mixes (vegan, paleo, and Non-GMO project verified)

Website: bluediamond.com

Key Selling Points:

- Strong, internationally known brand
- Serve customers in more than 80 countries including Germany
- Extensive Product Range
- Tailored products to suit all dietary needs i.e. gluten free, kosher etc.
- Non-GMO certified

Competitor Profile

Durak Hazelnuts

Supply all calibres and types of Hazelnuts including:

- **Processed Hazelnuts:** roasted whole, diced hazelnut kernels, hazenut paste, organic and UTZ certified hazelnuts
- **Raw Hazelnut Kernels:** raw kernels and organic hazelnuts

Durak also offer packaging options for the hazelnuts.

- Annual production capacity is **80.000 tons** and the storage capacity is 50.000 tons
- The company supplies **global producers**, including the world’s major chocolate brands.

Website: http://www.durakfindik.com.tr/en/index.html

Key Selling Points:

- Experience in-market - exporting to Germany since 1969
- ISO accredited
- Organic & UTZ certifications as well as a range of others including BRC & CERES
- Strong customer base

Competitor Profile

Diamond of California

- Diamond of California offers a **wide range of nuts** including shelled and in-shell **walnuts**, pecans, **almonds**, nut pie crusts, **black walnuts**, macadamias, pine nuts, Brazil nuts, **hazelnuts**, roasted/glazed nut toppings and nut and fruit blends.
- The company have been focusing on convenience and wellness stating 'Cultural shifts have played a role in the company's evolution. A newfound focus on **convenience and wellness** has compelled an array of new product offerings, like snacking walnuts, pie crusts, and nut coatings.'

Website: https://www.diamondnuts.com/

Key Selling Points:

- Long established company with operations since 1912
- Diverse product range that includes a wide range of nut varieties
- Non-GMO and OU Kosher certified
- Array of product offerings
- Focus on convenience and wellness

Domestic Competitors

Within the German nuts industry brands like Seeberger and Farmer's snack dominate the snacking aisles.

Seeberger

- Wide **range of products** including nut kernels, nut mixes and refined nuts
- Walnuts are sourced from Chile; Hazelnuts are sourced from Italy and Almonds are sourced from California and Australia.
- Serve food wholesale and retail trade
- Export to over **65 countries**
- Organic certifications

FARMER'S SNACK®

- Active in the production and distribution of dried fruits and nuts
- Vegan, organic and IFS **accredited**
- Exporting to **30 different Countries**
- Walnuts are sources form Chile and Almonds are sourced from Spain

Key Selling Points:

- Strong brand recognition in-market
- Local brands
- Wide array of products
- Strong customer base
- Organic, IFS and other certifications