How the Market Works

Under a 1957 protocol to the Treaty of Rome, Germany enjoyed duty free imports of non-ACP bananas up to a level effectively equal to annual consumption. This is no longer the case under the conditions of the new EC regulation whereby a 20% Common External Tariff (CET) is levied on all Dollar imports within the quota.

Because of strong promotion campaigns and reduced prices, there has been strong growth in banana consumption in Germany and, before unification, West Germany (FRG) had the highest per capita consumption of bananas of any EC country. This is despite stagnant population growth. The unified Germany is the most important banana market in the EC but it is very different from other major EC markets because it does not have traditional linkages with major ACP banana producers. Because of this, Germany sources its bananas from multinational plantation owners and banana traders such as United Brands (Chiquita), Castle and Cooke (Dole), Pacific Fruit Company (Bonita) and Del Monte. Most of this fruit comes from Latin America and is retailed at prices lower than most other EC markets. Several major importers supply the Austrian and Scandinavian markets, thus providing an important link into the Northern European and Scandinavian markets.

Germany is the most competitive banana market in the EC and is a market suitable for larger suppliers only. More than any other EC market, Germany is an extremely brand conscious market and banana promotion, at all levels of the trade, is actively pursed through posters, point of sale material, fruit labels and branded hooks to hang clusters on.

Several Caribbean banana producer groups have sufficiently large production to consider targeting the German market but the market is priced at a level which demands considerable efficiency throughout the production and supply chain in order to remain competitive and profitable. It is an expensive market in which to become established because of the need for strong promotion and rigorous quality control, but once established the market can be lucrative because of its size and wealth. An alternative strategy, at least whilst getting to know the market, would be to sell fruit to importers for retailing under an organisation of Commonwealth banana producers. However, this market will have to be accessed through large German importers and wholesalers such as those listed in the key contacts section.

The East German market is developing quickly, with ripening rooms and distribution networks in place.

Bananas are shipped to Hamburg, Bremerhaven as well as Antwerp, from where they are either taken over by large wholesaler or supermarket groups such as EDEKA, REWE, COBANA or GEDELFI, or trucked to ripeners and pre-packers who supply retailers. Major wholesalers supply supermarkets with pre-packed bananas priced and labelled with brands and other relevant information. The Atlanta/Scipio Group (1x1 and Chiquita brands) has always ripened their own fruit but most other importers are integrated with separate ripening firms. Most bananas are shipped and transported as cartons on standard pallets (1,200 mm x 1,000 mm).

Supermarkets retail more than 80% of bananas sold in western Germany and usually display branded fruit which is sometimes cello wrapped or vacuum packed with bar coded prices. Open air markets account for over 10% of banana retail sales and about 5% are sold through specialist fruit shops. Bananas are the cheapest major fruit in Germany, significantly cheaper than apples and pears for example, and are thus likely to remain in high demand.

In the last five years, major banana importers in Germany have cut prices and heavily promoted their brands in order to secure market share in preparation for the Single European Market. This has led to increased consumption but the prices paid for imports are generally not attractive for Commonwealth producers.

Market Requirements

Germany consists of the wealthy and discerning market in the west and the less wealthy eastern market which has only recently had access to a reasonable supply of bananas. The western market is very brand and quality conscious and prefers clusters of bananas with brand labels to bananas in hands.

- Most importers insist on top quality fruit packed in clusters of 4 to 5 bananas.

- Minimum finger length is 20 cm and most bananas sold are in the 23-26 cm finger length range.

Bananas smaller than this will generally not be accepted or, at best, will be sold as second quality on the discount market as specials. In East Germany, lower income levels and concern about regional balance of payments means that price competition is more important than brand or quality competition. However, in all German markets, quality must be above average and fruit should at least be labelled with a brand backed by promotional support.

Residue Levels

Western Germany has always been concerned with food purity and there are strict regulations regarding pesticide use and maximum residue levels (MRL) in food including bananas. The Plant Protection Law and the Food Law are the two basic instruments which govern chemicals used in agriculture. MRL tolerances are published in the Residue Tolerance Ordinance for Plant Protection Materials. Extracts from this relevant to bananas are included in Appendix 8. Bananas to be exported to Germany must comply with the MRL ordinance or they will be rejected at the port. The onus is normally on the grower and exporter to ensure that MRLs are not exceeded. Thiabendazole is one of the most important chemicals which causes problems for some growers in the German market.

Growers must develop a relationship with a strong importer by proving that reliable supplies of consistently high quality fruit can be provided at competitive prices.

In return, growers must demand effective brand promotion and strong support to retailers selling their product in the market. The cheaper alternative is to sell fruit to a major importer for inclusion in an existing brand. Although this provides access to the market, it is not a secure strategy and will be very dependent on maintaining a price advantage over competing fruit of the same quality.

Packaging for the Market

- An 18 kilogram telescopic, corrugated carton of stapled construction with single corrugated base and lid with a single corrugated base insert (fitting) is used by most producers exporting bananas to Germany. This carton size is preferred in the German market because of its handling efficiency, but presents problems for field packed fruit because of its weight.

- Proposed worker safety legislation may mean that a lighter banana carton weight will become mandatory, in which case a 12 kilogram carton will probably become standard, and this will present opportunities for Commonwealth producers who are generally used to using them and have a cost structure associated with such cartons. This is not yet certain and growers wishing to enter the German and northern European markets should plan to supply fruit in 18 kilogram cartons.

- At the moment only one major supplier to the market packs in 13 kilogram cartons and these have a price premium to account for extra handling and packaging disposal/recycling costs.

- Labelling statements in English are acceptable.

The German fruit trade is trying to standardise carton and pallet sizes to improve fruit handling efficiency throughout the marketing chain between the ship and the consumer, and this work is led by the ISB working group on Fruit and Vegetables or Eurofruit, whose address is included in the key market contacts.

- Maximum horizontal dimensions of 600 mm x 400 mm have been proposed to fit a standard 1,000 x 1,200 mm pallet and it is important that any exporters considering sending fruit to Germany should ensure that their cartons meet German requirements.

- Graphic design on cartons is less important in western Germany because of the dominance of supermarket sales of pre-packed bananas, but may be important in East Germany where open air markets and small shops dominate fresh fruit sales.

Promotion in the Market

The German market is very brand conscious and prefers bananas with brand labels. Brands with a reputation for consistent quality and backed with strong advertising and promotional activity normally attract a premium in the market. For example, the undisputed brand leader in Germany has a more than 20% price premium over its nearest competitor because of strong promotional activity at the wholesale and retail levels. Promotional material in the following forms is widely used:

- brand labels
- branded hooks for displaying clusters of fruit
- point of sale posters and decals are essential if fruit is to gain a secure place in the German banana market.

However, it is possible to supply fruit to importers with established brands and sell fruit under existing brands so long as fruit consistently meets that brand's quality standards.

Generic promotion in the market, promoting bananas as a fruit rather than specific brands, is undertaken by the recently formed Banana Information Group which represents most of the large banana importers in Germany. The work of this group has helped to increase banana consumption significantly.

Key Market Contacts

The enterprises included in this list, which is not exhaustive, are key traders in the German banana market. However, it should be noted that all exporters should carefully assess the capability of any company with whom they hope to trade, since the Commonwealth Secretariat takes no responsibility for the financial standing of these enterprises.

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GERMANY
BANANA IMPORTS FROM NON-EC SOURCES
'000 TONNES

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
COLOMBIA	59	116	80	120	116	115	129	210	249	271
COSTA RICA	119	126	110	125	147	152	214	351	341	254
ECUADOR	66	68	113	152	137	117	154	160	355	434
GUATEMALA	6	4	0.9	3	9	3	19	2	0.1	10
HONDURAS	41	67	91	58	79	78	69	63	65	102
NICARAGUA	0	0.02	11	11	14	14	10	32	38	17
PANAMA	168	167	181	181	191	224	268	351	297	281
TOTAL	459	548.02	586.9	650	693	703	863	1,169	1,345.1	1,369

Source: EC NIMEX

GERMANY
VALUE OF BANANA IMPORTS FROM NON-EC SOURCES
'000 ECU

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
COLOMBIA	30,391	63,511	44,401	63,962	60,099	50,410	-	102,532	124,199	116,538
COSTA RICA	57,205	64,960	61,250	59,544	71,323	68,162	84,216	148,046	165,021	111,252
ECUADOR	38,558	38,736	66,855	81,816	76,528	84,713	66,668	67,230	178,133	190,741
GUATEMALA	2,466	1,704	579	1,417	4,536	1,178	8,224	722	68	3,870
HONDURAS	23,165	38,578	55,744	29,824	44,786	41,039	33,505	33,320	35,595	44,057
NICARAGUA	0	13	5,928	8,530	6,903	6,047	4,101	13,707	18,499	7,707
PANAMA	94,531	98,145	108,524	102,492	112,263	120,859	126,900	196,477	161,129	124,742
TOTAL	246,316	305,647	343,281	347,585	376,438	372,408	323,614	562,034	682,644	598,907

Source: EC NIMEX

GERMANY
PRICES OF BANANAS IMPORTED FROM NON-EC SOURCES
ECU/TONNE

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
COLOMBIA	515	548	555	533	518	438	na	488	499	430
COSTA RICA	481	516	557	476	485	448	394	422	484	438
ECUADOR	584	570	592	538	559	724	433	420	502	439
GUATEMALA	411	426	643	472	504	393	433	361	680	387
HONDURAS	565	576	613	514	567	526	486	529	548	432
NICARAGUA	na	650	539	775	493	432	410	428	487	453
PANAMA	563	588	600	566	588	540	474	560	543	444

Source: EC NIMEX