Through what channels can you get edible nuts and dried fruit on the European market?

The specialised importer is the preferred channel for market entry in the sector of edible nuts and dried fruit. Many importers are also packers and in addition conduct trading and wholesale activities. Generally, more dried fruit is being repacked for the retail industry and more nuts end up in the food manufacturing industry. However, quantities in channels are different for specific products.

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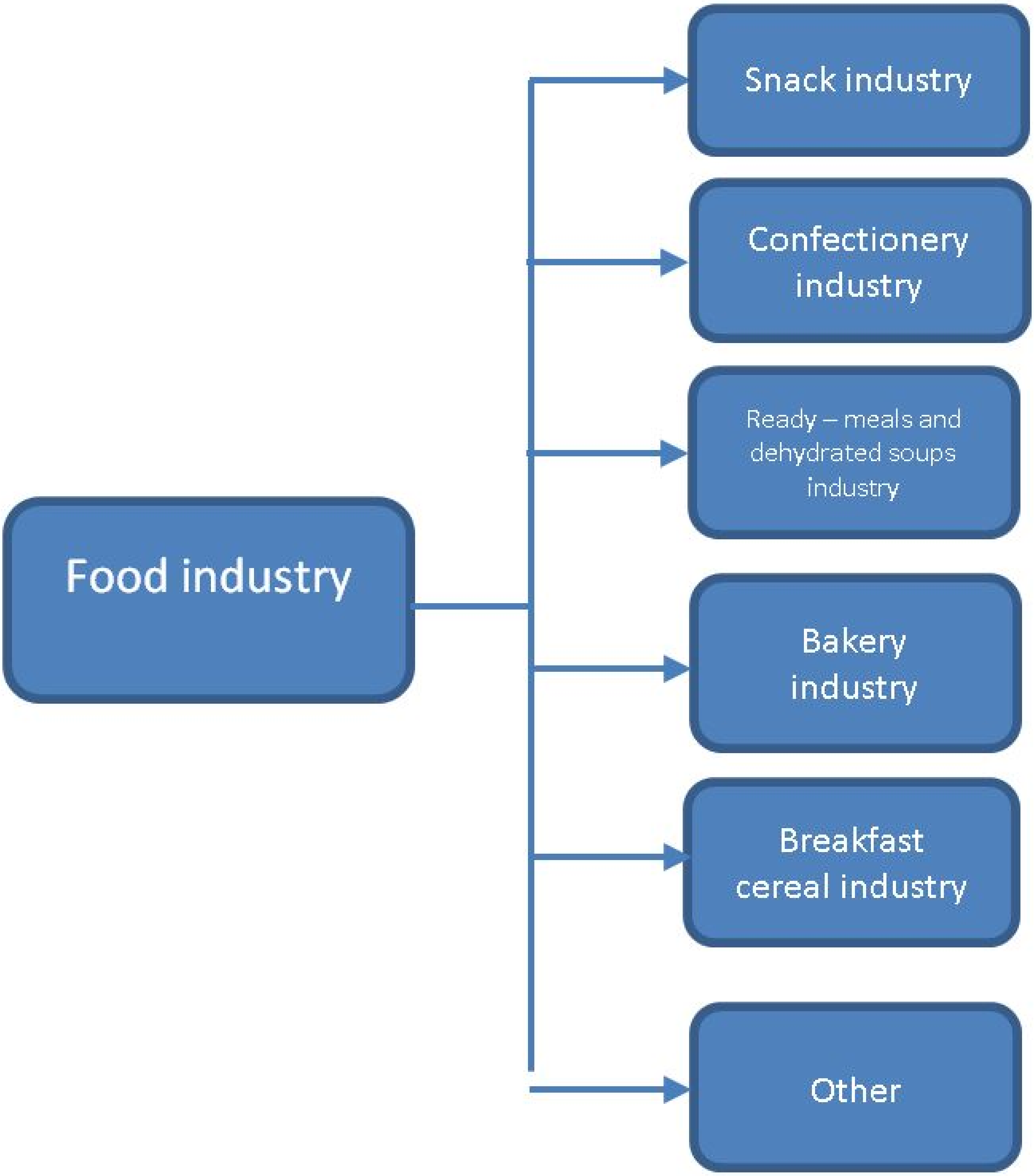
1 . Which market segments to target?

This document distinguishes two main ways of segmentation of the edible nuts and dried fruit market:

- Food manufacturing industry segmentation
- Price segmentation

Figure 1: Segments in the food manufacturing industry



2 . Market segments for edible nuts and dried fruit in the food manufacturing industry

The food manufacturing industry uses edible nuts and dried fruit as ingredients. Imported products are processed further but the level of processing differs. For example the snack industry can process imported nuts or dried fruit by roasting or coating, but it can also use the same products as finished and just repack them into retail packaging.

Snack industry

In 2016 the retail value of the savoury snacks market in Western Europe amounted to around €23 billion. This segment consists of branded products and private label products, which are mainly sold through retail outlets and the food service sector. Peanuts have the largest share of snack nuts on the market.

The United Kingdom is the largest market for salty snacks in Europe with a market share of approximately 30%. The increase in the consumption of edible nuts and seeds as snacks was particularly strong in the United Kingdom and Northern European countries.

According to Innova Market Insights, snack nuts and seeds like trail mixes accounted for over 30% of snack launches in 2016, up from 27% five years earlier. Factors driving that growth include new research on nuts' health attributes, greater availability of various nut types, and technological advances allowing for new coatings, flavors, and packaging formats.

Alternative production techniques such as popping or baking without the use of oils are increasingly being explored as a result of the health trend.

In November 2016, almonds were reported to be the number one in new product introductions across Europe. There is also a rising demand for dried fruit snack bars.

Examples of companies from the packing and snack segment include Intersnack, Atrimex, Seeberger.

Tip:

- Try to offer natural products as much as possible, as dried fruit and nuts in Europe are marketed as healthy snacks. Preservative free or sugar free products can give you an advantage if you are targeting the snacking segment.

Confectionery industry

In particular the chocolate industry is the largest industrial user of edible nuts (like hazelnuts, pistachios, and almonds). With the exception of Germany and Italy, chocolate is the only confectionery type that has shown growth over 2002-2016.

This segment focuses on the 'health aspect' of edible nuts and dried fruit, which are increasingly perceived as healthy. Examples of companies from this segment are Nestle, Ferrero and August Storck.

The confectionary industry is increasing the use of freeze dried fruit in different forms such as: powders, whole pieces, segments and slices. Also due to a possible increase in cocoa prices chocolate producers are looking for ingredients such as nuts that can decrease the amount in cocoa used in final products.

Chocolate-coated nuts and dried fruit are popular sweets in Europe. Confectionary industry buyers are increasingly asking for UTZ certification from developing country suppliers of chocolate-coated products.

Tip:

- Consider investing in chocolate coating equipment to meet the needs of European importers, as they import chocolate-coated nuts and dried fruit more frequently.

Ready meals and soup industry

The European soup market is expected to grow at a rate of 3.3% in the next 5 years, to reach €8.6 billion by 2022. The consumption of dried soups is estimated to grow significantly in the next several years in Europe, as people are more interested in having quick and healthy meals due to busy lifestyles. On the other hand the demand for canned soups has been decreasing due to their big size, difficulty in opening and health concerns because of the addition of preservatives.

The ready meals and soup industry offers the highest opportunities for the developing country exporters of dehydrated vegetables.

Examples of companies from this segment are Unilever (Knorr brand), Campbell soup, Collusi Group (Liebig brand) and Nestle (Maggi brand).

Germany, the United Kingdom and France account for over 60% of the total European market of dehydrated soups. Furthermore, Spain holds 13% market share.

Tip:

- Consider the possibility of mixing different freeze-dried vegetables for buyers in the dehydrated soups segment. If you want to focus on the ready meals or dehydrated soups market segments in Europe, you can offer your customer a supply solution package of mixed items in one shipment.

Breakfast cereal industry

Revenue in the "Breakfast Cereals" segment in Europe amounts to around €9.5 billion in 2017. The market is expected to grow annually by 2.6 % until 2021. The breakfast cereal industry uses different types of nuts and dried fruits for the production of biscuits, cereals and muesli. The sector includes more than 75 companies. The United Kingdom, Germany and France are the main markets for breakfast cereals with respective market shares of 50%, 20% and 10%.

The cereal and energy bar consumption is increasing, as they can be eaten without liquid (such as milk or yogurt) anywhere (such as on the street) and anytime (usually between meals). Examples of companies from this segment are Kellogg's, Nestlé and Brüggen.

Tip:

- If you would like to explore possibilities for the supply of the breakfast cereals segment, consider investing in cutting equipment, especially if you are dealing with dried fruit. This is because customers from this segment require dried fruit cut in small cubes or other forms.

Bakery industry

The bakery industry in Europe is very big: with €98 billion in annual revenue, it is the fifth sub-sector of the European food industry. The bakery industry is an important user of dried fruit and nuts. The majority of bakeries are supplied by specialised European ingredient suppliers. However some larger bakery industry companies import ingredients directly.

The most used products from the sector in the European bakery industry are dried grapes, hazelnuts, almonds and walnuts. N

Tip:

- You should look for big industrial bakeries, as they are more likely to import ingredients directly than artisan bakers.

Other food industries

There are plenty of opportunities in other smaller but still important market segments for developing country exporters of dried fruit and vegetables and edible nuts. Those segments include the ice cream, nut oils and butters, nut milk and pet food (including bird feed) industries.

Tip:

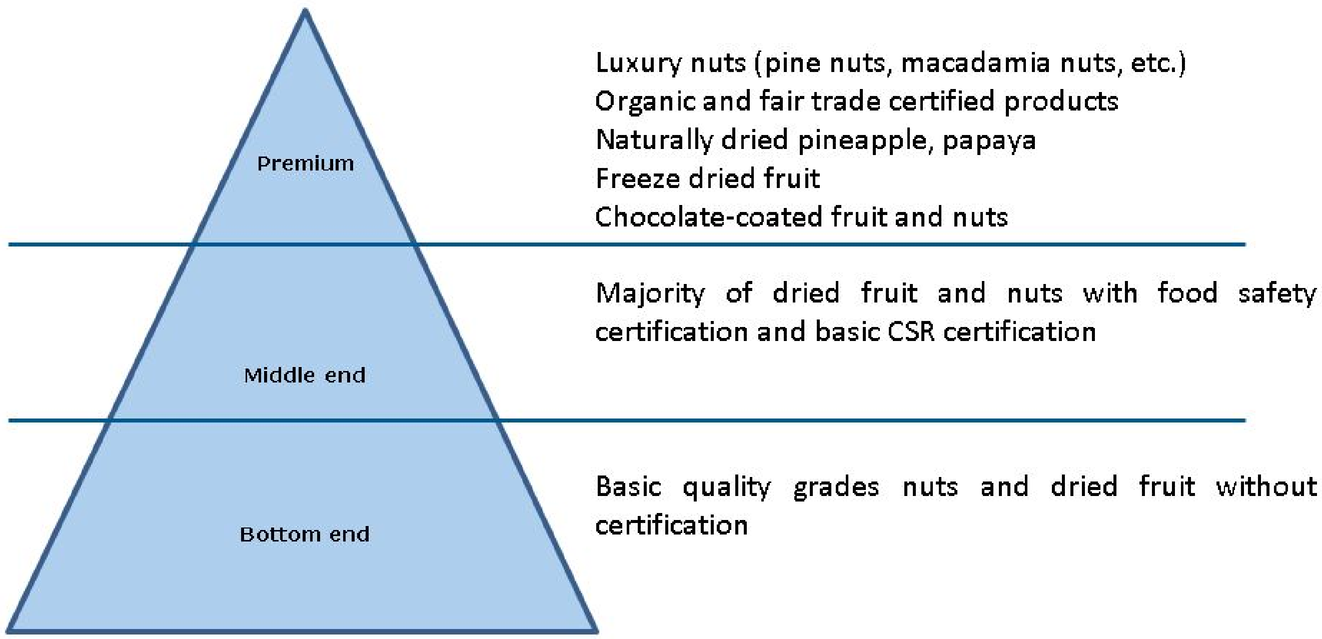
- Target specialised online retailers directly if you produce ‘superfood’ products. Sometimes, those suppliers import directly from developing countries.

3 . Price segmentation

Due to the large variety of different products in this sector, it is not easy to make a real price segmentation according to the type of nuts or dried fruit, as every individual product can be produced in a number of different forms and reaches different price levels. Generally, higher prices are reached in the following cases:

- Fruit with a naturally high water content (requiring more raw materials and energy in the drying process). Some examples of fruit with high water content are berry fruits, mushrooms and mango.
- Edible nuts with a lower production volume per ha
- Naturally dried fruit without preservatives or sugar infusion
- Larger size grades
- Organic or Corporate Social Responsibility (CSR) certified products
- Freeze-dried products
- Additionally processed products (like cut in small shapes, coated with chocolate, in syrup etc.)

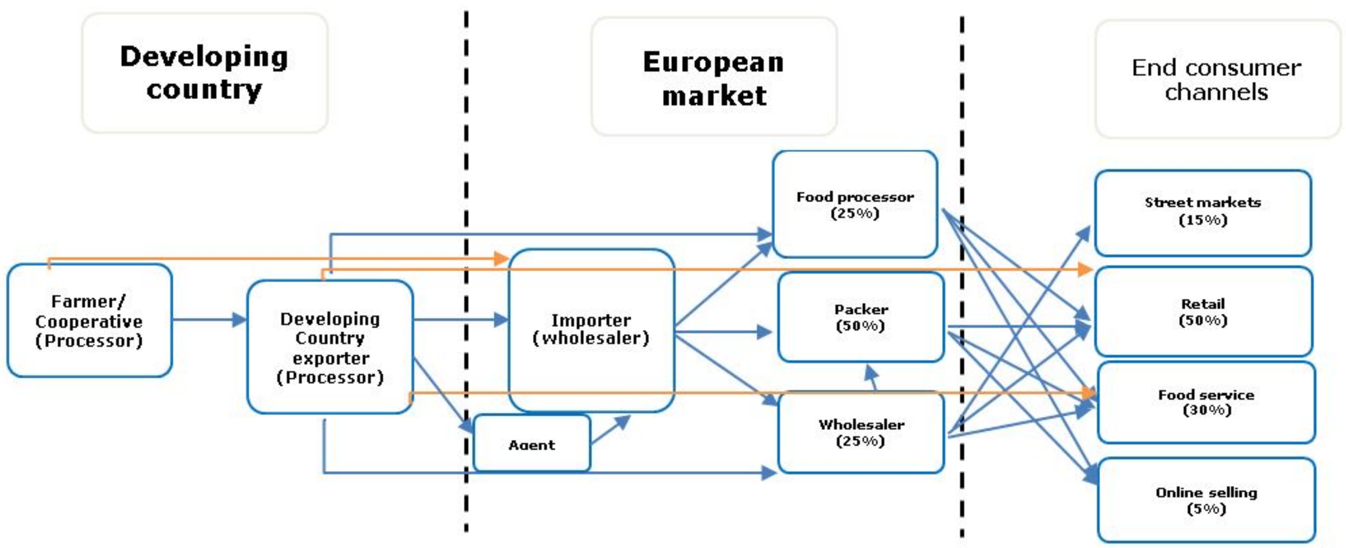
Figure 2: Segments according to the price ranges



> ## Tips:
> - Be aware that some higher price segments are very small and only offer opportunities for a limited number of suppliers.
> - In many cases, the segments that you are operating in also defines the channel. For example importers and packers dealing in organic products are different from companies dealing in conventional products.

4 . Market Channels

Figure 3: European market channels for dried fruit and edible nuts



Growers and processors in Developing Countries

Depending on the product, (country) growers can work together and act as a processor. However, in the majority of the cases, processors are separate from growers. The exception is the production of sun-dried products, where growers produce naturally dried products that are further processed in the industrial facilities.

A major trend in the processing industry of the edible nuts and dried fruit and vegetables is the investment in new drying and processing technologies. This trend continues as a move away from sun-drying processes, to improve food safety and quality control over the production process.

Freeze-drying (lyophilisation) becomes a more frequent demand from the breakfast cereal and confectionary industry, although it is more expensive than traditional drying with hot air. Berry fruit, which is traditionally processed by freezing, is now increasingly freeze-dried.

Processors also invest more in cutting, cracking, pitting and rehydration equipment to meet demands from different end segments. Exporters from developing countries are also often asked to further process basic products (for example by coating in chocolate or as a salty or savoury snack) rather than to export ingredients only.

Tip:

- Consider investing in processing equipment that will make it possible to reach different market segments and enable production of products with different shapes and sizes, roasted, shelled, pitted, calibrated and dried to specific amounts of humidity. If you want to supply the food manufacturing industry directly, make sure you have cutting equipment that can customise different cuts according to industry needs.

Importers

There is a move here from importer-traders, who do not add any processing, to importer-packers-processors, who not only pack, but also blend, mix, coat, and brand the products.

There is also further specialisation of the importers (wholesalers) and some of them exclusively deal with dried fruit and vegetables and edible nuts as food ingredients.

One of the newer, but still small developing trends for some importers, is the broadening of the product range with powdered superfruit products. However importers of dehydrated superfruit in powdered form usually belong to a slightly different supply chain of traders of organic products and food supplements.

The position of the importer and food manufacturers are put under pressure by retail. The higher requirements from the retail industry determine the supply chain dynamics from the top down the chain. Pressure is translated into lower prices, but also added value aspects such as “sustainable,” “locally sourced,” “free range,” “natural,” “organic,” “fair trade” and “carbon neutral” products.

Transparency in the supply chain is needed. To achieve this, many importers develop their own codes of conducts and build long-lasting relationships with preferred Developing Country suppliers.

Tip:

- Try to build good long-term relationships with specialised importers. For this, you could start with trial volumes and lower prices. This will help you to be better positioned and gain the status of a partner company. Depending on your company portfolio, you can be a preferred supplier of products in trends such as dried superfruit, tropical dehydrated fruit or organic products or an industry supplier.

Food processors

Food manufacturers use dried fruits, vegetables and edible nuts as ingredients. The bakery and confectionary industry uses nuts and dried fruit, the ready meals industry and the soup industry use dried vegetables, the breakfast cereal industry uses dried fruit and nuts and the pet food industry uses dried vegetables and nuts.

Big food processing companies more often import directly from developing countries, however this trend only applies to the most used products (such as peanuts or raisins). This trend is still not applicable to 'exotic' ingredients as these are imported in small quantities.

One of the strong developments in the food manufacturing industry is vertical integration. European processors are investing in production facilities, source directly from the farmers and even grow nuts in their own orchards in developing countries. One of the recent examples is the investment in hazelnut production in several developing countries by the [Ferrero Hazelnut Company].

Increasing demands for food safety and sustainability also motivate vertical integration, which allows more control of these aspects. Vertical integration may come as a subsidiary, joint venture or a long-term cooperation between exporter and importer.

Tip:

- Consider using the opportunity to sell directly to food manufacturers. European processors want to ensure the continuity of supply, but to sell directly you should be ready to customise your offer according to particular product specifications from the different industries. On the other hand, be careful that such a move does not damage your relation with existing buyers, since you may end up serving the same customers.

Packers

Packers are the most important channel in terms of quantity of traded dried fruit, vegetables and edible nuts, as more than 50% of products is re-packed in Europe into smaller packs for the retail and food service sector. Packers increasingly pack under private label brands for retailers. However in many cases, wholesalers also have packing facilities but this is more usual for supply to the food-service segment than for retail.

Many packers import directly as well, thus threatening the existence of the stand-alone importers. Actually, 'packers' also perform other processing and marketing functions such as blending, mixing, coating and branding of the products, and have thus earned a strong position as product category specialists.

Tips:

- Invest in food safety certification and in processing equipment if your aim is to deliver products to packers that pack under their own brands or under private labels. In processing you should be able to produce products with a minimum content of fruit pits and with different humidity levels.
- Consider packing dried fruit and nuts for European suppliers of private label brands. If your packing costs are lower than in Europe it can be a potential advantage over European packers. However keep in mind that firstly you need to fulfil high food safety and sustainable requirements by European retailers.

5 . End consumer channels for dried fruit and edible nuts

Retail channel

Around 50% of dried fruit and edible nuts are sold in the retail channel. Next to supermarkets, many countries have specialised outlets for dried fruit and edible nuts, such as stalls at public and street markets and speciality stores.

Retailers rarely buy directly from developing country exporters. However, there are some cases where developing country exporters (processors) pack directly for private label or even own label brands. A recent development is the polarisation of the retail sector into discounters and high-level segments. Consolidation, market saturation, strong competition and low prices are key characteristics of the European retail food market.

Leading food retail companies in Europe differ per country. The companies that are holding the largest market shares are: Schwartz Gruppe (Lidl and Kaufland brands), Carrefour, Tesco, Aldi, Edeca, Leclerk, Metro Group, Rewe Group, Auchan and Intermarché.

Besides big retail chains, specialised stores (health food stores, greengroceries or convenience stores) are important segments for dried fruit, vegetables and edible nuts and many wholesalers in Europe target this segment.

Tips:

- Understand the pressure by retailers for sustainable products and make yourself more competitive by investing in different certification schemes such as CSR related, organic or food safety. Food safety certification is the minimum requirement if you want to reach the retail segment. For more information see our study about Buyer requirements for processed fruit and vegetables.
- Try to make direct contact with owners of ethnic food shops or specialised health food shops, as they import directly more often than big retail chains. Especially if you produce more 'exotic' and 'superfruit' products, you will have a greater chance at exporting directly to European retailers.

The food service channel

World cuisines, healthy food and food enjoyment are the major driving forces in the food service channel in Europe. The fastest growing business types are likely to be new (healthier) fast food, street food, pop up restaurants, international cuisines, coffee shops and sandwich bars.

The food service segment often requires specific packaging, which is different from bulk or retail packaging (for example from 1 to 5 kg) packs instead 10 kg and above packaging.

Tip:

- Consider investment in smaller packaging equipment if your aim is to become a supplier of food service industry.

The street markets channel

Around 15% of edible nuts and dried fruit are still sold on street markets in Europe. Street markets are more popular in Southern and Eastern Europe than in Western European countries. Although street markets are facing a decrease in market share compared to retail chains, they are still the preferred buying option for some European consumers who believe their products are fresher and sourced directly from farmers.

Tips:

- Street markets are supplied by specialised wholesalers (see Figure 3), so you should search for them.
- Do not be tricked by the perception of lower requirements for street markets. The same food safety requirements for the retail market also apply to street markets.

Online selling

Internet grocery shopping is growing at a fast rate across Europe. According to IGD Shopper Vista, the fastest growing online grocery markets are in the United Kingdom, France, Germany and the Netherlands. Almost all retail chains in Europe offer possibilities for online shopping.

The trend of online shopping is noticeable in niche markets for special, organic, functional and ethnic foods.