Which trends create opportunities or risks in the European processed fruit and vegetables market

Over the past year, the leading trends influencing the processed fruit and vegetables market in Europe involved sustainability, especially environmental issues such as waste reduction, changing consumer habits towards more personalised and healthier diets, food safety, transparency and convenience. Investing in more sustainable production and partnerships with European buyers to develop and promote healthy and sustainable products will increase opportunities for exporters from developing countries.

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1 . Recyclable packaging

Sustainable food packaging was a very strong trend in the processed fruit and vegetables industry in the past year. New packaging options using sustainable, renewable and recyclable raw materials emerge in Europe frequently nowadays. Recyclable packaging is also supported by the European Commission. European producers continue to reduce the use of bisphenol A (BPA) in the manufacture of packaging for food and beverages, as the EU develops draft regulations on BPA limits.

Demand for sustainable packaging is likely to increase in the short and long terms. The EU has announced the introduction of new legislation concerning plastic packaging, mandating Member States to collect 90% of their plastic throw-away bottles from 2029. Also, some single-use plastics will be banned already from 2021 and the use of other types will be restricted. Items on the banned list include oxo-degradable plastic and expanded polystyrene take-away food and drink containers. By 2030, all bottles in the EU must be made from at least 30% recycled materials.

Examples of new recyclable packaging in Europe whose presence is likely to grow include:

- materials containing polyethene from sugar cane that can be recycled into new plastic
- wood pulp and corn used for biodegradable packaging, such as the ones used by this UK producer of dried fruit snacks
- the innovative bioplastic introduced by Austrian fruit processor Agrana, which is starch-based and 100% home compostable without leaving microplastic residues.
- 100% recyclable bottles, launched by German company KHS

Tetra Pak has announced the launch of its connected packaging platform, which will use digital tools such as code reading to provide full information about the traceability of product throughout the supply chain. This information will transform milk and juice packaging into interactive information channels through the use of digitalisation. Tetra Pak claims that the connected packaging platform ‘will bring new benefits to food producers, retailers and shoppers’.

Apart from new materials, glass and aluminium packaging solutions will increasingly replace plastic packaging in Europe.

Sustainable packaging in business-to-business trade of processed fruit and vegetables means increased use of corrugated and millboard carton boxes, plywood boxes, jute bags, linen fabric bags and glass jars. The use of these materials opens opportunities for developing countries suppliers. On the other hand, they should reduce the use of polyethylene bags, plastic containers and foil bags. In many cases, suppliers can become more attractive to European buyers, while reducing packaging costs at the same time.

In bulk fruit juices, the switch to non-plastic materials will probably go slower. Plastic materials such as plastic drums and bags in a box made of polypropylene and polyester are still very convenient in transport and logistics. However, in the future, they might be increasingly replaced with steel drums and containers.

2 . Sustainability initiatives at production sites

European consumers are becoming more aware of sustainability, reassessing their purchases accordingly. This development is influencing the whole supply chain. According to The Global Sustainable Competitiveness Index, Europe is the most sustainable continent in the world, including 17 of the top-20 nations ranked by sustainable competitiveness. The UN’s Sustainable Development Goals, which ultimately put sustainability in the global business agenda, cover not only environmental but also social and ethical issues.

According to data collected by the International Trade Centre with 550 retailers in Europe, a large share of 85% report increased sales of sustainable products over the past five years and 92% expect increased sales in sustainable products. Among the companies surveyed, those in Germany and the Netherlands were the most committed to creating corporate sustainable sourcing commitments.

In the edible nuts sector, several large traders joined the Sustainable Nut Initiative, aimed at stimulating traceability and sustainability. Among many tools to reach this goal, the initiative provides a management information system called the 3S, which stands for sustainable supply system. The aim of the system is to stimulate productivity and quality, and to create traceability and transparency in the supply chain.

Joining the Sustainable Nut Initiative makes developing country suppliers more competitive in the European market. The initiative's risk assessment helps companies focus on the sustainability risks that are most urgent. Suppliers that care for farmers and for improving their livelihoods, according to initiatives like the Sustainable Nut Initiative, gain competitive advantages in European markets.

Another important initiative on sustainability in the processed fruit and vegetables sector is the Sustainable Juice Covenant (SJC). Formed by the leaders in the fruit juice industry, the covenant's goal is to make the global sourcing, production and trade of fruit- and vegetable-derived juices, purees and their concentrates 100% sustainable by 2030.

Companies also work together with the support of the European Fruit Juice Association (AIJN) to increase social and environmental standards at the farming and processing stages by rolling out sustainability certifications throughout the supply chain. The AIJN established the Juice CSR Platform to support, guide and inspire juice stakeholders to integrate CSR throughout the supply chain.

Tips:

- Provide specific information to final consumers about your sustainability approach. You can use the internet, social media and even product packaging to tell your story and promote the positive effects on the communities where production takes place. This will be especially important for younger consumers in Europe, who want to know the story behind the brands they buy.
- Use sustainable approaches not only to satisfy consumers but also to improve production efficiency and to cut costs. In the fruit industry, rather than thrown away, surplus produce can be repurposed and used in flavours or aromas, as well as natural animal feed or compost. In nuts production, shells and tree prunings can produce energy. In Argentina, for example, peanut husks are being used in the production of panels for architectural and design applications.
- If you are an edible nut producer, use the online 3S Platform to trace, analyse and improve nut supply. The system is currently operating in the cashew nuts supply chain but will soon be ready to operate in a range of different nut chains.
- Review corporate social responsibility (CSR) good practice examples on the Juice CSR Platform, which was co-initiated by the European Fruit Juice Association (AIJN) and Sociability and is endorsed and co-funded by the European Commission.
- Use ISO 26000 standards to improve your business' sustainability.

3 . Ethical sourcing

Europe's consumers increasingly look into the ethical sourcing and sustainability policies of the brands they buy. Increased awareness among European consumers about human and animal welfare issues connected to products has led to increased certification and ethical sourcing initiatives, including ensuring that farmers earn sufficient income. However, commonly accepted certification schemes often don’t guarantee this because it is not commonly agreed upon what a living income actually is.

Sustainability standards provide assurances to European buyers that suppliers are taking care of environmental conditions and improving the lives of farmers and local communities. For many European buyers, it is important that supply chains use no child labour, forced labour or other unjust working conditions. Obtaining ethical and sustainable certifications, suppliers also become more competitive and get access to niche markets. For example, in the United Kingdom alone, retail sales of fair-trade certified products are estimated at more than €2.2 billion.

Ethical certification has become a standard tool in developed markets for attesting measurement and assurance. This is because consumers know many common ethical labels, but also trust the non-governmental organisations (NGOs) behind them to ensure authenticity. The most recognised certificates and codes of conduct in Europe are UTZ Rainforest Alliance, Fairtrade, SMETA and BSCI. European companies, such as Tropical Whole Foods, often do more than buying products at fair-trade prices, they also frequently produce technical advice to suppliers, organise workshops and study visits, including on best agricultural practices.

Tips:

- Strictly follow the labour laws of your country, which is the bare minimum required. Many European buyers will ask for evidence beyond just complying with labour standards, including good working conditions, adequate salaries and promotion of gender equality. A good way to stand out to European buyers is to develop and follow your own code of conduct, in which you define your approach to environmental and social issues.
- Obtain sustainability certifications, such as organic, fair trade or BSCI, to become more competitive in the market and facilitate being selected as a supplier. You can start your own assessment using the self-assessment tools of the Sustainable Agriculture Initiative Platform, or the Sedex Members Ethical Trade Audit (SMETA). You can invite suppliers or farmers in your supply chain to use the same tools.
- Get familiar with social and ethical standards on the International Trade Centre’s Sustainability Map portal.

4 . Organic and free from pesticide products

The European market for organic food is the second-largest in the world, after the United States. It continues to grow strongly in sales volume in several segments, as consumers look for:

- natural foods that make them feel like they are contributing to a better world;
- food that contains less or no pesticide residues;
- food that is produced in a more sustainable way.

The number of processors and importers of organic food is growing faster than the number of producers, indicating that organic production cannot keep up with demand, which opens up new opportunities for exporters.

Sales of organic food in Europe are estimated at more than €32 billion and growing every year. The largest market for organic food in Europe is Germany, where per capita sales add up to €116 a year, almost double the EU average, which is €60. Sales of organic fruit and vegetables are also growing every year. For example, sales of organic dried fruits and vegetables increased by 9% in 2017 compared to 2016, while annual market growth for organic juices and smoothies has now reached double digits in Europe.

Although the organic food market provides opportunities for developing country suppliers, switching to organic production is not easy in many cases. For example, some fruit and vegetable varieties are highly sensitive to pests and illnesses and cannot be efficiently produced under specific climatic conditions, for example where humidity is high due to frequent rain. Because hydroponic agriculture is not automatically deemed organic under EU rules, obtaining organic certification is the best alternative for hydroponic produce. Seeking solutions to those production issues, some initiatives in Europe have established ‘free from pesticides’ certification schemes.

Free from pesticides initiatives allow for the controlled use of phytochemicals combined with biological control and natural stimulation. The goal of these initiatives is to support controlled production with total degradation of residues, leading to less environmental impact. Under these schemes, residue free means that any active ingredient is measured at under 0.01 ppm when analysed under European maximum residue levels regulation. One such new initiative is Zerya, which has 15 operators already holding a valid certificate plus another 34 in the conversion period. Consumer awareness and health concerns about pesticide use are on the rise, leading consumers to demand simple but accurate information regarding these issues.

Many European retailers have their own standards of minimum pesticide residues, as well as many other requirements for suppliers. Recent examples include the Danish operations of supermarket chains Coop, Aldi and Lidl, which request more stringent pesticide residues than legally required: Lidl requires 66% less residues, Coop 50% less and Aldi 20%–30% less than mandated by EU legislation. More European retailers are expected to increase their demands regarding pesticide residues. Suppliers that are able to reduce pesticide residues in their products will improve their chances of selling to European retailers.

5 . New sourcing origins and vertical integration

Fluctuations in the supplies of raw materials, which are likely to increase due to climate change, creates difficulties for European processors. Strong dependency on only a few source countries for materials used in the production of specific products compounds the sourcing problem. To ensure more stable supplies, European processors are looking for new sourcing origins and investing directly into agricultural production in developing countries.

Sourcing of frozen berry fruit, for example, has been expanding to new locations. Instability in berry prices concerns the industry, because berries are widely used as ingredients in jams, dairy products, smoothies and in the frozen and confectionery industries. European processors rely mostly on production from Poland and Serbia, but European buyers are increasingly buying from new entrants, such as Bosnia, Ukraine and Egypt.

Ukraine, for instance, has become a growing sourcing origin of several products, including walnuts, tomato products, dried fruit and berries. Tomato production in Ukraine has grown 16% annually since 2012, reaching 850 thousand tonnes. Some experts expect Ukraine will increase its tomato processing capacity further to one million tonnes in the next few years. Ukrainian tomato exports have found inroads into Poland, Germany, Belarus and Czech Republic.

A good example of vertical integration is a recent project funded by Danone in Mexico to help develop new areas for berry cultivation. The heart of the Mexican berry industry is the State of Michoacán, but Danone intends to diversify production by supporting new areas. The goal of the project is to expand the company’s sourcing opportunities, while supporting growers and ensuring fair payments for farmers.

Other recent examples of vertical integration of European sourcing activities include:

- Agrana’s opening of fruit preparation plants in China and Algeria.
- Italy’s Ferrero, the world’s largest hazelnut purchaser, started negotiating with growers in Azerbaijan and Georgia, as part of its plans to acquire a plantation in the Caucasus region. This in turn is a continuation of Ferrero’s production projects already launched in several countries in South America and southeast Europe.

- Swiss company Hylea has just opened a processing plant for Brazil nuts in Bolivia’s Pando department, in its first move to control its entire brazil nuts supply chain.

6 . Sugar consumption dropping

Sugar consumption in Europe has gone down in the last few years as consumers chose healthier, low-sugar diets and food processors reformulate their products with lower sugar content. In 2019, EU sugar consumption is projected to shrink to 18.5 million tonnes, which is 50 thousand tonnes less than 2018 and 100 thousand tonnes less than 2017. Consumption of sugar in Europe is forecast to continue to decline in the long term.

The global market of sugar-free foods is projected to grow 10% per year between 2017 and 2021. The negative effects of excessive sugar consumption on human health are an active area of scientific research and political action. Following publication of the World Health Organization’s guideline of sugars intake, several European countries are considering regulations or public health policy measures to reduce sugar consumption. In the United Kingdom, a levy on sugary drinks popularly known as the ‘sugar tax’ entered in effect in April 2018.

The concerns of European consumers over sugar are negatively affecting the fruit juice, jams and dried fruit industry. Healthcare professionals and consumers in Europe have been overwhelmed with information about the excessive levels of sugar in fruit juices in recent years. This scenario has resulted in a drop in fruit juice consumption at least until 2018. To help stimulate consumption of 100% fruit juices, the European Fruit Juice Association started a promotional campaign using verified scientific information about the health benefits of fruit juice consumption, called Fruit Juice Matters.

Concerns about excessive sugar intake have also negatively influenced sales of jams and marmalades in several European countries, leading to price increases in some cases and the introduction of smaller packaging in others. Due to the rising health concerns, sugar is being replaced with alternatives, such as artificial sweeteners, fructose and concentrated fruit juices. The amount of fruit in jams is also increasing up to 70%, while labels now display claims such as ‘less sugar, more fruit’.

Some consumers groups have also expressed concern about dried fruit being harmful to dental health, although there are no scientifically proven negative effect. To promote dried fruit consumption and try to tackle misconceptions around it, some of the leading companies in the sector created the Dried Fruit Alliance.

As low-carb and low-fat diets remain popular, consumers continuously look out for healthier, low-sugar and low-fat versions of convenient food options, such as jams, jellies and preserves. In some presentations, raspberries, blueberries and other fruits are mixed with other ingredients, such as spices, herbs, honey and chia seeds. In addition to providing low-sugar or sugar-free alternatives, some of these presentations tap into the niche of trendy or fashionable jams, jellies and preserves.

Replacing sugar with alternatives can open more opportunities for developing country suppliers of processed fruit and vegetables in the European market. Examples of sweeteners include birch-based xylitol and green stevia, as well as natural syrups, such as coconut syrup and maple syrup. Lucuma, prickly pear, date syrup and liquorice root are other natural sweeteners worth exploring. If product formulation requires the use of crystallised sugars, then white sugar can be replaced with coconut sugar or whole cane sugar.

Tip:

- Consider replacing added sugar in your products with other sweetening ingredients. An interesting alternative is using concentrated fruit juice as a natural sweetener in jams and dried fruit. Other possible sweetening agents include lucuma powder, mesquite, stevia, banana puree and tree syrups, such as maple, birch, agave, yacon and others.

7 . Natural and free-from products on the rise

The European market for products directed at food intolerances and allergies has experienced significant growth recently, driven largely by the dramatic rise in food allergies and sensitivities. Many processed fruit and vegetable products are naturally free from additives and allergens, but producers increasingly emphasise that anyway by adding claims on labels and packaging using the expressions sugar-free, diabetic, gluten-free, lactose-free, allergen-free, trans-fat free, preservative-free, pesticide-free and others.

This new trend is generally described as clean label, meaning foods whose labels carry claims that their ingredients are natural, familiar and easy for the consumer to recognise and understand. Product launches with clean label claims in Europe grew by 10% annually in the last five years. Sales of free-from products in the UK, for example, are expected to reach £673 million by 2020, a triple increase over a period of 10 years. In another example, the global market of lactose-free dairy products reached US$10.6 billion in 2017 and is expected to grow to approximately US$17.8 billion by 2027.

Natural forms of processing such as sun drying and fermentation are also gaining ground in the processed food industry, increasing sales of juices as ingredients. For example, the now popular kombucha beverage is increasingly sold with the addition of superfruit juices, such as cranberry and pomegranate. Other healthier approaches to processing include low-impact processing, such as high-pressure processing and new processing technology using low temperatures to preserve natural colours and flavours.

Labels connected to specific dietary regimes, such as the denominational halal and kosher for Islamic and Jewish populations, are also growing in the market. These certifications have become increasingly important, for example, for airlines and foodservice companies.

Suppliers from developing countries can leverage these trends by developing product formulations without preservatives and other additives. Products commonly produced by simple processing without additions, like frozen fruit or not-from concentrate juices, should be promoted as natural and free from.

Tips:

- Consider investing in technology to shorten production processes, simplify the supply chain, increase naturalness and perceived value. This includes, for example, using not-from-concentrate juices, high-pressure processing of juices and smoothies and pasteurising dried fruit without preservatives.
- Consider investing in natural ways of preservation, such as sun drying fruits and vegetables, drying fruits and nuts without preservatives or bleaching, preserving vegetable juices with natural acid and vegetables by natural fermentation.

8 . Increased consumer awareness about what they eat

Consumers are increasingly watching what they eat, trying to reduce fat, sodium and sugar intakes. As consumer become better informed about food, they want to see health and nutrition facts on the packaging of products they purchase. A recent survey by IRI International revealed that 70% of people across Europe are buying food with less salt, sugar, fat and calories. This is an increase of 41% in just three years. The fruit and vegetable industry in Europe is following this trend by launching innovative products and informing consumers about food characteristics on product labels.

European consumers have been getting better informed about nutritional value and food product composition for the last several years. Part of this process includes spending more time reading labels than before. In response to this trend, some food companies have started to place quick response tracking codes on their products for consumers. Some of these codes link to a corporate site, where consumers can obtain more information on laboratory tests and ingredient origin, for example.

Providing information on sourcing and ingredients through new digital packaging printing methods is on the rise. One example is the growing use of QR codes in the foodservice industry, helping consumers make purchase according to their lifestyle.

The growing attention to health and wellness among consumers is also strongly impacting the fast food offer in Europe. Many operators have started redefining products and offering healthier options. For example, many producers of wraps and burgers are now offering whole-grain bread and tortillas but also offering vegetarian and vegan choices in their menus.

An ongoing development is the Nutri-Score labelling scheme, which informs consumers about the nutritional quality of a product using a simplified letter and colour system. Each product is classified on a scale from A to E and green to red, according to its nutritional quality. The category to which a specific product belongs is then highlighted in the Nutri-Score logo with a magnified letter and colour on the product's packaging or label.

The industry is also adding functional ingredients to food products. In this regard, a popular trend in the fruit juice and drinks industry is the creation of drinks using antioxidants, phytonutrients, enzymes, probiotics, vitamins and minerals.

Source: Wikimedia Commons

Many processed fruit and vegetables are promoted as superfoods, including coconut water, edible nuts, dried tropical fruit, prunes and superfruit juices, among others. According to Dutch processor SVZ, superfruit juices is a wide category that covers berries, tropical fruits and coconuts as well as fruit and vegetable combinations, including carrot, red beet, green vegetables such as spinach and kale, as well as cucumber. Superfruit are also finding applications in the cosmetics industry.

Developing country suppliers can take advantage of this trend by promoting their products to importers and end consumers using online campaigns. Some examples of information that is relevant to consumers can be found on the websites of the Fruit Juice Matters campaign of the European Fruit Juice Association and the Nutfruit Power campaign of the International Nut and Dried Fruit Council.

Tip:

- Promote dried fruit and edible nuts using the resources from the International Nut and Dried Fruit Council.

9 . Vegetable alternatives to animal products in high demand

The numbers of European consumers refraining from eating meat and those adopting a vegetarian or vegan diet are growing. This includes the flexitarian diet, which comprises mostly plant-based foods but allows for some meat and other animal products in moderation. Mintel reports that the UK is the European leader in new vegan product launches. Around 16% of new food launches in the UK in 2018 were vegan, doubling from 8% in 2017. Germany follows in second place with 10% of new food launches being vegan.

Processed fruit and vegetable producers are also taking advantage of the vegan trend, reformulating and creating new products. For example, jackfruit and coconut are now frequently used as meat substitutes, so many companies are creating new products using these ingredients.

The growing consumer interest in vegan diets is helping to fuel demand for healthy snacks, such as nuts and nut products, including almond and cashew nut butters, as well as drinks, such as nut milks. The rationale behind it, is that consumers on vegan and vegetarian diets must still meet their protein needs and deal with lactose intolerance while not consuming animal protein.

However, many consumers switching to vegan and vegetarian diets still like the taste of meat, so food producers are introducing new plant-based products intended to look and taste like meat. Several companies recently joined a project at the Netherlands' Wageningen University to help develop a plant-based steak with similar taste, texture and appearance of beef. The researchers' proposed technique uses shear-cell technology to transform vegetable protein into a layered, fibrous texture closely matching a beef steak.

Tip:

- Take advantage of the opportunities in the growing demand for foods of non-animal origin. Edible nuts and nut milks, such as hazelnut, almond and coconut milk, can be promoted as healthy alternatives to animal protein. Implementing these strategies, however, may require investments in production technology.

10 . Convenience

There is growing demand in Europe for processed fruit and vegetables offered in smaller portions that are customised to individual diet needs. Vegetable manufacturers have also responded to this trend by introducing ready-to-cook frozen blends. Examples include ready-made frozen vegetables for pasta or frozen ready meals for microwave cooking.

A good example of the convenience trend is the growing demand for frozen fruit and frozen purees. Frozen fruits are convenient for consumers, who do not need to wash, peel and cut fruit. Mixtures of ready-made fruits for smoothies is an important trend in the frozen fruit category. Several brands and retailers have launched smoothie blend brands, such as REWE Bio Smoothies (Germany), Smoothie Rebels (Netherlands), Love Smoothies (UK), Farmersland (Germany) and Red Smoothie (Spain). Some of these smoothie products do not even require mixing in a blender or food processor but only the addition of water.

Another example of convenience products introduced in the processed fruit and vegetables industry includes small portions to satisfy targeted daily intake of specific nutrients, such as single snacking portions of dried fruit dubbed dried fruit shots and small portions of fortified fruit or vegetable drinks known as juice shots.

Dried fruit shots have recently been launched by the leading dried fruit company in the UK, Whitworths, while many companies produce juice shots, including Proviva (Sweden), Bumble Zest

(UK), Kloster Kitchen (Germany) and Organic Human (Denmark). Made from fruit juices, vegetables, herbs and functional ingredients, juice shots are promoted as superfood targeting specific health issues.

A specific trend connected to healthy snacking is growing presence of fruit, nut, cereal and protein bars. Some companies are producing fruit bars directly in developing countries, such as Switzerland's Fruit Group, which produces Purafruta fruit bars in Colombia, and HPW, which produces fruit bars from tropical fruits in Ghana.

Tips:

- Discuss with your buyers about the best formulations for frozen fruit mixtures that consumers can use to make homemade smoothies.
- Consider investing in value-added products, such as fruit bars and ready-to-eat fruit purees.
- Consider adding value to your range of dried fruit and juices. Consider also using the by-products of juices by extracting valuable ingredients, such as proteins and natural colourants. Examples of produce that provide natural colourants include black carrot, carrot, elderberry, plum, beetroot and sour cherry.

11 . Brexit

The exit process of the United Kingdom from the European Union and its economic consequences are still very unclear. If and when the United Kingdom leaves the European Union, with or without a new agreement with the EU, British importers are likely to search for new supply routes and more direct imports. The United Kingdom also intends to continue to provide market access and trade preferences for developing countries.

Tip:

- Check your export advantages in supplying to the United Kingdom as a non-European supplier on the GOV.UK website and stay up to date with the trade negotiation between the European Union and the United Kingdom.

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