Through what channels can you get processed fruit and vegetables on the European market?

The European processed fruit and vegetables market includes specialised importers, processors, packers and retailers. In most cases, the specialised importer is still the preferred channel for market entry. However, the trend of short supply chains provides opportunities for exporters to add more value to their product range. As processors increasingly source directly from the ingredients’ country of origin, private label suppliers also search for packing possibilities in developing countries.

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1. Which market segments to target?

This analysis examines two main ways of segmentation in the processed fruit and vegetables market:

- Product usage segmentation
- Price segmentation

Regarding product usage, two broad segments for processed fruit and vegetables are the food manufacturing industry and retail distributors. The food manufacturing industry uses imported processed fruits and vegetables and edible nuts as ingredients, while the retail segment uses imported products as final. For example, frozen fruit can be used as ingredient in the jam industry, but it can also be sold in retail packaging for final consumers. Most products of the processed fruit and vegetables industry imported into Europe are used in the food manufacturing segment.

The biggest opportunities for producers of fruit juices, purees, fruit preparations and frozen fruit and vegetables are in the food manufacturing industry. For producers of dried fruit, edible nuts and canned fruit and vegetables, most opportunities lie in the retail segment.

2. Product usage segments for processed fruit and vegetables and edible nuts within the food manufacturing industry

Figure 1: European market segments for processed fruit and vegetables in the food industry
Source: Globally Cool

Beverages industry

The beverages industry is the main consumer of fruit and vegetables juices and purees. Two main sub-segments of this large sector are beverage ingredient producers and bottling companies. The two principal targets for developing country suppliers in these sub-segments are producers of fruit juice and soft drinks. The beverage industry sources imports directly from juice and puree manufacturers in producing countries or by specialised European traders.

Fruit juice ingredient companies usually purchase frozen fruit for further processing, while bottling and blending companies purchase mostly concentrated fruit juices and fruit purees. Many fruit juice ingredient companies have invested in production in developing countries to ensure stable supply of raw materials. This development can open opportunities to local farmers, but it also poses a challenge for local processors, which need to compete with large international companies. The best opportunities in the beverages industry segment lie in the supply of exotic types of fruit juices and purees, and the not from concentrate juices.

Fruit juice consumption in Europe is declining but there is a growing market for soft drinks that use
fruit juices and purees as ingredients.

The preferred flavour in the European markets is orange, followed by flavour mixes that include apple, peach and pineapple.

An important segment developing fast in Europe is smoothies, where growth is expected to continue. The smoothies segment includes innovative and new companies that are using frozen fruit and fruit purees as their main ingredients, thus providing an opportunity for developing country suppliers.

Examples of companies from this segment are Döhler, Agrana, Cobel, SVZ, Friesland Campina, Refresco, Louis Dreyfus, Eckes-Granini, Coca Cola and PepsiCo.

Tips:

- Try to source and offer the most preferred fruit and vegetable varieties for the beverages industry, as variety strongly influences the taste of products and can give you a competitive advantage. For example, in mango purees the variety Alphonso is the international benchmark, while Totapuri is also widely used.

- Start to sustainably source raw materials for fruit juices and purees as soon as possible. Under the coordination of the European Fruit Juice Association and the Sustainable Trade Initiative (IDH), the leading European beverage companies signed a global agreement targeting 100% verified sustainable sourcing by 2030.

- Check your sustainability practices on the Juice CSR Platform.

- Look for opportunities in the fruit juices segment by offering products that have a growing demand such as superfruit juices, not from concentrate (NFC) juices, frozen berries and exotic vegetable juices and purees.

Jams and spreads industry

The jams industry imports frozen fruit and various fruit preparations such as aseptically cooked fruit purees to further prepare them into jams, marmalades and other spreads. This is a relatively smaller segment in Europe comparing to other segments.

Due to the high sugar levels in jams, consumption in Europe is decreasing slightly in volume, which has forced some of the jams and marmalades producers to increase prices of retail packed brands.

As in the other industries, there is continuous demand for sugar-free products also in jams and marmalades. In such products alternative sweeteners may be used, such as apple juice concentrate and stevia, which are perceived as more natural. Companies in this segment often also supply to other industries such as the ice cream or bakery industry.

The most popular flavours of jams and marmalades in Europe include strawberry, raspberry, blackberry, apricot, cherry and orange. Consumption of black currant jams has also been increasing in the last few years.

Examples of companies in this segment include Zentis, Hero Group, Andros and Hartley’s.

Tip:

- Invest in aseptic, high-pressure equipment which can ensure production of good quality ingredients with stable colour.
Dairy and ice cream industry

The dairy industry is a large consumer of different fruit preparations. Different fruit (and sometimes vegetable) preparations such as stirred, layered, swirl or side compartment are used in yogurts, dairy desserts, curds, milk drinks, soya-based products and cream products. The most popular fruits used in milk-based drinks are different types of berries such as strawberries, raspberries, blackberries and blueberries. Other popular fruits include peach, cherry and tropical fruits such as mango, papaya and passion fruit.

The ice cream industry uses mainly frozen fruit but also fruit preparations such as standard and semi-infused fruit pieces, fruit chunks, etc. used on top, and in ice cream applications. The ice cream industry across Europe comprises some 100 companies operating in the various member states. Europe’s ice cream market continues to display relatively limited volume growth, reflecting the maturity of the market.

Europe’s dairy and ice cream industry does not source ingredients directly from exporters in developing countries. European processing companies instead supply specially made fruit preparations to the dairy and ice cream industry in Europe. These processing companies specialise in the production of fruit preparations using frozen fruit and fruit purees sourced directly from importers. These preparation are then used as ingredients for the production of final products in Europe’s dairy and ice cream industry.

In addition to fruit preparations, the ice cream industry also uses edible nuts as toppings. The most popular ice cream nut toppings in Europe are hazelnuts, almonds and pistachios.

Finding the right applications for the dairy industry depends a lot on the taste of the final consumers in the target market. It requires therefore a lot of mutual investment in the research and development process with dairy companies.

Examples of companies from this segment include Unilever (Magnum brand), Milcobel (Ysco brand) and Nestle. Examples of companies that supply to this segment include Agrana, Grunewald International, Valio, Fuerst Day Lawson and Friesland Campina.

Bakery industry

The bakery industry in Europe is very large: at €98 billion in annual revenue, it is the fifth largest sub-sector of the European food industry. The bakery industry is an important user of dried fruit, nuts, frozen fruit and fruit preparations. Most bakeries are supplied by specialised European ingredient suppliers. Some larger companies in the bakery industry, however, directly import dried fruit and edible nuts themselves. Imports of frozen fruit and fruit preparations from suppliers in developing countries is less common.

The most used dried products from the sector in the European bakery industry are dried grapes, hazelnuts, almonds and walnuts. Producers of cakes and frozen bakery products use frozen fruit, fruit fillings and fruit purees. A recent trend in the bakery industry is the increased demand for preparations with lower content of fruit due to effort to produce cheaper products.

Examples large users of processed fruit in the European bakery industry include the French Brioche Pasquier and Dutch Zeelandia. Examples of bakery industry suppliers include Zuegg, Loragro and Mondi Condex.

Tips:

- Invest in modern technology and strong connections with companies from dairy, bakery or ice cream sector to try to become a preferred supplier to these segments. Consider first exporting ingredients to companies in Europe which have already established a position as ‘fruit preparation’ suppliers, before targeting the dairy, bakery and ice cream segments directly.
Offer processors in this segment your ideas about new tastes and product compositions, as buyers are constantly looking for innovative solutions to be in line with consumer trends. Exploring exotic flavours may help generate ideas, for example, from pineapple, soursop, cherimoya, guanabana, guava, kiwi, lychee, mango, passion fruit, etc.

### Breakfast cereal industry

Revenues in the breakfast cereals segment in Europe totalled approximately €9.5 billion in 2017. This market is expected to grow 2.6% annually until 2021. The more than 75 companies in the European breakfast cereal industry use different types of nuts and dried fruits to produce biscuits, cereals and muesli. The United Kingdom, Germany and France are the main European markets for breakfast cereals.

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.

### Snack industry

Europe accounts for a quarter of global sales of savoury snacks and it is the biggest snack consuming region after North America. The United Kingdom is the largest market for salty snacks in Europe with a market share of approximately 30%. Growth in the consumption of edible nuts and seeds as snacks has been particularly strong in the United Kingdom and Northern European countries.

The European snack industry is a preferred segment for edible nuts suppliers from developing countries. Peanuts have the largest share of snack nuts in the European market. Nuts are becoming increasingly popular amongst consumers in Europe, the cashew nut consumption in particular growing significantly. Factors driving the growing popular interest in nuts include new research on their health attributes, greater availability of various nut types, as well as technological advances allowing for new coatings, flavours and packaging formats.

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

Examples of companies from the packing and snack segment include Intersnack, Atrimex, Farmer’s Snack and 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
The chocolate industry is the largest industrial user of edible nuts such as hazelnuts, pistachios, and almonds, as well as nut pastes.

The confectionary industry is increasing the use of freeze-dried fruit in different forms such as powders, whole pieces, segments and slices. Due to a possible rise in cocoa prices, chocolate producers are also looking for ingredients such as nuts, which can help reduce the amount of cocoa used in final products. In addition to nuts and freeze-dried fruit, the confectionary industry is also important for fruit fillings.

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.

Examples of companies from this segment are Nestle, Ferrero and August Storck.

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 five 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 flip side, demand for canned soups has been decreasing due to the large size of cans and the difficulty of opening them, as well as due to health concerns with the addition of preservatives.

The ready meals and soup industry offers the biggest opportunities for exporters of dehydrated vegetables in developing countries.

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, consider offering a supply solution package of mixed items in one shipment.

Other segments in the food industry
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. Such segments include nut oils and butters, nut milk and pet food industries, the latter including bird feed.

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

### Price segmentation
Due to the large variety of products in the processed fruit and vegetable sector, it is not easy to make a precise price as different products reach different price levels. Generally, higher prices are reached in the following cases:

- Fruit and vegetable varieties with higher brix levels;
- ‘Superfruits’ and ‘exotic’ types of fruit and vegetables;
- Retail or foodservice packed products;
- Dried fruit with a naturally high water content, which require more raw materials and energy in the drying process. Some examples of fruit with high water content include berry fruits, mushrooms and mango;
- Edible nuts with a lower production volume per hectare, such as pine nuts or macadamia nuts;
- Naturally dried fruit without preservatives or sugar infusion;
- Organic or ethically and sustainably sourced certified products;
- Larger sizes of nuts or dried fruit;
- Freezedried products;
- Processed products such as those cut in small shapes, coated with chocolate, in syrup, etc.

Figure 2: Indication of price ranges and market segments

Source: Globally Cool
3. Market Channels for processed fruit and vegetables on the European markets

Source: Globally Cool

Growers and processors in developing countries

At the growers’ level, Good Agricultural Practices are becoming more important and requested by all participants in the food supply chain, especially in the aspects of food safety where traceability is the main issue. GlobalGap, a common standard in fresh fruit and vegetables, is also becoming more important in this sector of processed fruit and vegetables.

Depending on the product, growers in a specific country can work together and also act as a processor. In most cases, however, processors are separate from growers. A notable exception is in the production of sun-dried products, where growers produce naturally dried products which are further processed in industrial facilities.

Besides food safety, corporate social responsibility (CSR) standards are gradually becoming more important, but they are not widely demanded yet. More often, CSR is part of supplier audit schemes.

After harvesting, fruit and vegetables are processed in developing countries with different methods, such as deep freezing, concentrating, preserving, canning, cooking, drying, pitting, rehydration, etc. Fruit and vegetable preparation processing technology in particular is developing fast to meet tailor-made requests from the European processing industry. This includes specification according to fruit size, cut and variety, stabilisation systems, different flavour combinations, sugar reduction and vitamins/minerals enrichments.

High pressure processing (HPP) will be the most important food processing technology for the European industry in the next ten years. Other important technology trends are cold plasma, PEF (pulsed electric field), microwave pasteurisation/sterilisation and UV processing, according to recent research by Campden BRI.
**Tips:**

- Ensure that a traceability system is implemented in your company. Cooperate closely with growers and invest in their good agricultural practices. A practical tip is to use marked packaging for every individual producer, so you can trace collected products to the individual growers.

- Try to comply with new CSR requirements to stay in the market for a longer period of time and obtain a preferred supplier status.

- Be informed about the latest technology developments and invest in equipment that will enable you to reach different European market segments. Follow the market trends for better conservation of nutritional values of processed fruit and vegetables products.

- Consider investing in processing equipment that will make it possible to reach different market segments and enable production of products with different brix levels, shapes, sheling, pitting, calibration and processing according to different industry specifications.

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**Importers**

The role of importers as intermediate traders of the PFV sector is weakening. The market is moving from importer-traders, which do not add any processing, to importer-packers-processors, which not only trade but also pack, blend, mix, coat and brand products.

Processing companies are more willing to purchase directly from developing countries suppliers to cut costs and to establish long-term relationships. Canned produce, for example, is increasingly sold directly to multiple retailers, thus bypassing traders.

Importers and wholesalers are further specialising in specific roles. Some now exclusively deal with ingredients aimed at the processing industry while others supply to retail chains. Generally, channels for dried fruit and edible nuts are different from other products, so importers have also been specialising in different groups of products.

Importers often implement additional processing before selling added value products on the European market. In the frozen industry segment, importers usually implement basic cleaning of products and sometimes pack products or mix them before selling. But in other industries, products can be processed in more advanced ways, including for example blending in the juice industry or creating custom made preparations for jams, yogurt or the bakery industry.

Contracting channels and channels of physical movement of goods can be different. So for instance, bulk juice suppliers can supply to the retail segment directly and have direct contract with a retail chain, but they would use blending and bottling companies as subcontractors.

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.
Packers (bottlers, canners)

Packers import products in bulk, repack them with or without processing and sell them to final consumer segments, mostly retail. The frozen fruit and vegetables sector sources individually quick frozen (IQF) products and re-packs them under private labels or own brands. The bottling industry sometimes uses cold-pressed juices but usually reconstitutes concentrated juices by adding water.

Packers are the most important channel in quantity of traded dried fruit, vegetables and edible nuts. More than 50% of those products are repacked in Europe into smaller packs for the retail and food service sector. Packers increasingly work under private label brands for retailers. In many cases, however, wholesalers also have packing facilities, but this is more common for suppliers to the food-service segment than for retail.

The canning industry usually does not repack products, rather directly supplying to the retail or food service sector. There are some exceptions in the packing of canned tomato products or olives in brine, which can be imported in bulk form and repacked in Europe for the retail chain.

Although many packing companies are supplied by wholesalers, the importer and packer are often the same company and use processed fruit and vegetables as ingredients for final products.

Packers face increasing pressure to use only recyclable packaging and to reduce CO2 emissions. Big packaging suppliers, such as Tetra Pak, have launched action plans to ensure sustainability in the whole supply chain.

The biggest opportunities for private label packing in the country of origin lie in the packing of dried and frozen fruit, because European suppliers are searching for opportunities to reduce packing costs within Europe. Juices are commonly not packed in retail bottles in the country of origin due to the high cost of packaging and transporting, as well as the high water content.

Tips:

- Invest in good harvesting practices and post-harvest product handling as it ensures a large proportion of IQF fruit and vegetables, which is used by packing companies. IQF products reach better prices on the market than crumbled products.
- Consider packing dried fruits and nuts for European suppliers of private label brands. If your packing costs are lower than in Europe, that can be a potential advantage over European packers. Keep in mind that you first need to fulfil the high food safety and sustainable requirements of European retailers.
- Invest in processing equipment and packaging equipment if you aim to deliver products to packers which use their own brands or private labels. In processing you should be able to produce products with a minimum content of fruit pits and with different humidity levels.

Food manufacturers

Food manufacturing segment is explained in more detail in the previous chapter.

The European food and drink industry is the largest European industry in terms of employment. It is very competitive and globally connected as a major importer and exporter of food and agricultural products. To further increase its competitiveness, the European Commission is addressing a number of challenges such as sub-optimal business-to-business relationships, a lack of transparency in the food supply chain, a lack of attractiveness for skilled workers, and a lack of market integration across Europe.

The food manufacturing industry uses the largest share of processed fruit and vegetables as
ingredients on the European market.

A distinction should be made between final product manufacturers and intermediate product manufacturers, who supply to another industry. Fruit preparations, for example, constitute a specific intermediate industry supplying to the bakery, dairy and ice cream industries. For examples of businesses in this intermediate industry, see CSM and Zuegg.

A general trend for all food manufacturers is the increasing pressure from retailers to supply CSR certified products.

An important development in the food manufacturing industry is vertical integration. European processors are investing in production facilities, sourcing directly from farmers and even growing nuts in their own orchards in developing countries. One recent example is the investment in hazelnut production in several developing countries by the producer of chocolate spreads Ferrero Hazelnut Company.

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.

Tips:

- Try to develop products according to the demand of the European food manufacturing industry. You will increase your competitiveness if you are able to formulate products in cooperation with specific consumer groups.

- In many cases, the segments in which you operate also defines the channel. For example, importers and packers dealing in organic products are different than companies dealing with conventional products.

- 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 product specifications from the different industries. On the other hand, be careful that such a move does not damage your relationship with existing buyers, since you may end up serving the same customers.

4. End consumer channels for processed fruit and vegetables

Retail channel

Generally, exported processed fruit and vegetables rarely reach the retail channel directly. However, this varies per subsector. For example, canned fruit is usually produced directly for the final consumers while in the juices subsector, that is rarely the case as water content and packaging increase transportation costs.

Leading food retail companies in Europe differ per country. The companies holding the largest European market share are: Schwarz Gruppe (Germany, Lidl and Kaufland brands), Carrefour (France), Tesco (United Kingdom), Aldi (Germany), Edeka (Germany), E.Leclerc (France), Metro Group (Germany), REWE Group (Germany), Ahold Delhaize (the Netherlands, Belgium), Auchan Retail (France) and Intermarché (France).

Besides big retail chains, specialised stores (health food stores, fresh juice stores, greengroceries or convenience stores) are important segments for processed fruit and vegetable products.

The retail segment increasingly demands CSR, certified and healthy trend products (functional, organic and natural PFV).
A recent development in retail is the polarisation of the sector into discounters and high-level segments. Consolidation, market saturation, strong competition and low prices are key characteristics of the European retail food market.

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.

Food service channel
The food service channel (hotels, restaurants and catering) is usually supplied by specialised importers (wholesalers). Canned fruit and vegetables are commonly packed especially for the food service sector as whole, in halves, slices, cubes and cocktails by developing country processors. Also, frozen fruit, vegetable and jam wholesalers supply the food services sector by using larger non-branded packaging.

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

Some fruit juice producing companies are only specialised suppliers to the food service sector, such as the Austrian Pago brand which is now part of Eckes-Granini group.

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.

Tip:
- Consider investment in packaging equipment if your aim is to become a supplier of the 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 decline in market share compared to retail chains, they are still the preferred buying option for some European consumers who believe that street market 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. However, most processed fruits and vegetables are not imported through online platforms, but through direct contact established between suppliers and buyers.

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