



## [Through what channels can you get grains and pulses onto the European market?](#)

The grains and pulses sector consists of a varied group of processed and non-processed food, traditional and new products. These are sold in outlets ranging from bakeries to health shops. Supermarkets hold a dominant purchasing position, although niche products are often introduced by specialized retailers. For products that are not bulk commodities, the supply chain is less integrated. In this case the role of importers is significantly more important in sourcing and quality control.

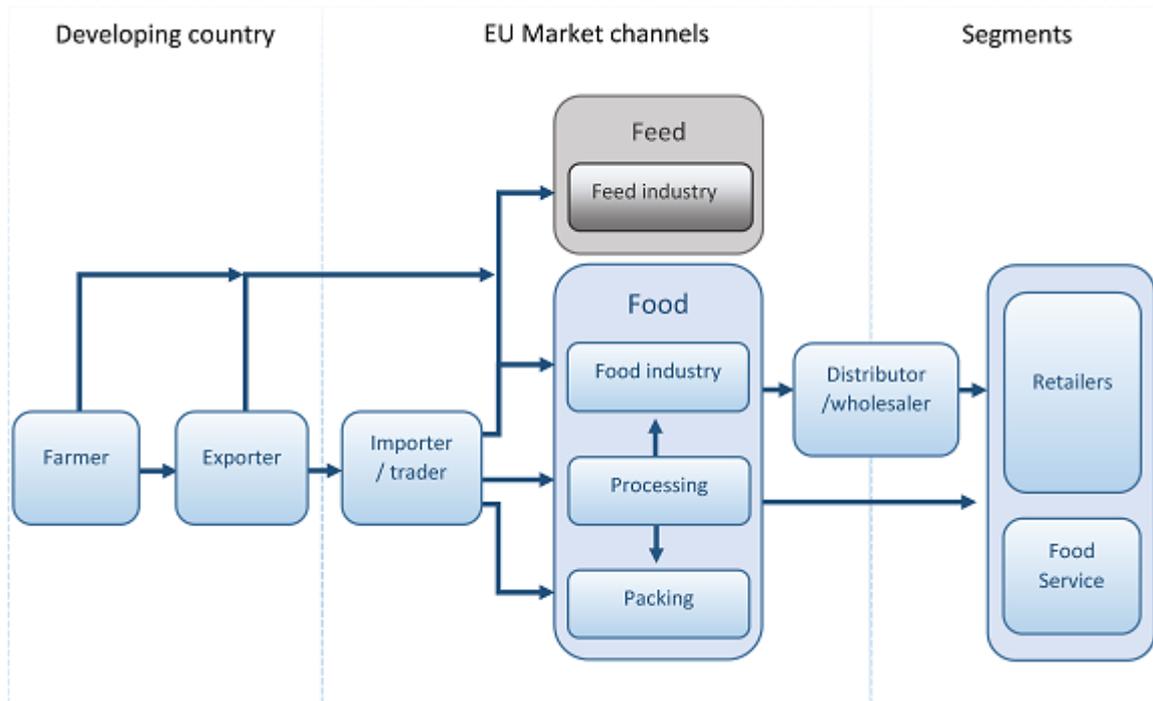
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## 1 . Trade structure for grains and pulses

Trade channels for grains and pulses are highly diverse, covering products ranging from non-processed to processed, from bulk to niche and from traditional to innovative. Some grains (e.g. wheat and corn) can be found as ingredients or additives (e.g. starch) in nearly every processed food product, and the animal-feed industry consumes an enormous quantity of these bulk products. For a description of each stakeholder in the supply chain, see the annex of this study. There is also a separate CBI market-intelligence resource for [trade channels and segments for oilseeds](#).

Figure 1: Market channels in Europe for grains and pulses (for an explanation of the boxes, see Annex 1)



## 2 . Which are the main trade channels for grains and pulses?

### Role of importers - Bulk vs niche

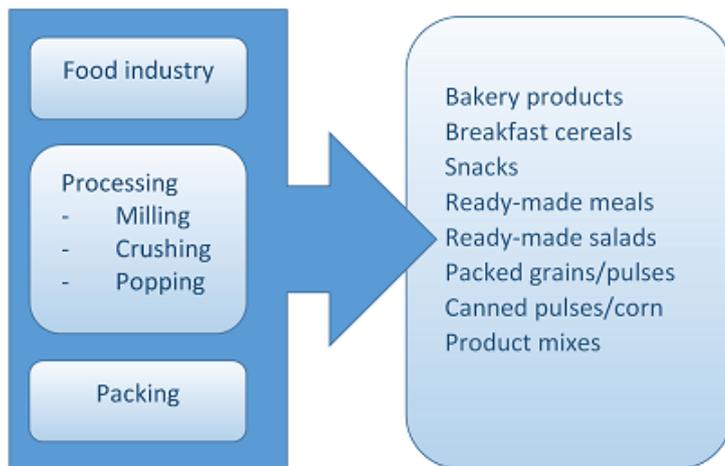
Bulk commodities (rice, corn, soybeans) are traded by large importers or directly sourced by multinational companies. In general, many of these commodity crops are supplied by large farmers under contracted production. Specialized importers play a much more important role in the trade of medium-scale and niche products (e.g. quinoa, chia, sesame, organic foods), especially when products are sourced from small farmers or cooperatives.

Niche products are more vulnerable to volatile changes in supply and demand. In addition, the companies in the trading channels for organic and gluten-free grains often differ from those used in conventional trade. Importers specializing in these types of products are experienced in managing high quality and reliable supply.

### Tip:

- Use the experience of importers in order to understand the European market and to ensure that your specific product corresponds to the demand and [requirements](#).

Figure 2: Segmentation of the food-industry channels for grains and pulses in Europe



## Product innovation

The European food market for grains and pulses is diversifying. New products, ingredients and mixes are being introduced into a growing market, and brand development is no longer an exclusive activity of large food enterprises. More and more small specialized products are emerging, particularly in the health and organic segments. Small brand owners usually outsource their production to external packers and service providers.

Added-value market channels exist at several different levels, from packing and basic processing (e.g. milling, crushing and popping) to full product development (e.g. ready-to-eat meals/salads, cereal bars).

The food industry demands highly reliable supply, continuity and excellent food safety –all of which are preconditions for product development. Although some level of basic processing can occur in the country of origin, the marketing of a consumer product or brand from a developing country can be very complicated. Import tariffs are higher, and experienced food marketers in Europe leave little room for foreign brands. Nevertheless, product innovation and differentiation can offer opportunities for smallholder farmers who can supply semi-processed or new types of grains and pulses that conform to industrial requirements.

### Tips:

- In order to supply the food industry, make sure that your supply volume and quality are constant and reliable.
- Investigate whether basic processing in your home country could be attractive and cost-effective for European buyers. Look into import tariffs via the [EU Export Helpdesk](#) and check the types of [competition](#).

## Supply-chain integration

Large retailers have developed a very strong influence on the entire supply chain, which is facilitated by vertical integration. This means that they control pricing, in addition to imposing strict quality requirements on their suppliers. A mature market for private-label products and recent price wars have placed additional pressure on suppliers.

Market channels are becoming more integrated in order to ensure transparency and compliance

with requirements, as well as to remain competitive. Supermarkets are investing in distribution, retail outlets, fulfilment centres and pick-up points, in addition to becoming multi-channel retailers.

Importers often have their own packing and basic processing facilities and expect full transparency from their suppliers. Close cooperation and joint ventures increase the reliability of high-quality supply chains. In recent years, traditional trading has typically been converted into sustainable sourcing.

### Tips:

- Maintain a high level of professionalism and communication. Supply contracts can provide financial security and help to establish long-term relationships, but they are only valuable if you live up to them.
- Implement a traceability system that allows you to become a transparent and serious supplier in the eyes of European importers.

## 3 . Which segments offer opportunities?

Figure 3: Segmentation of the retail and food-service markets for grains and pulses in Europe

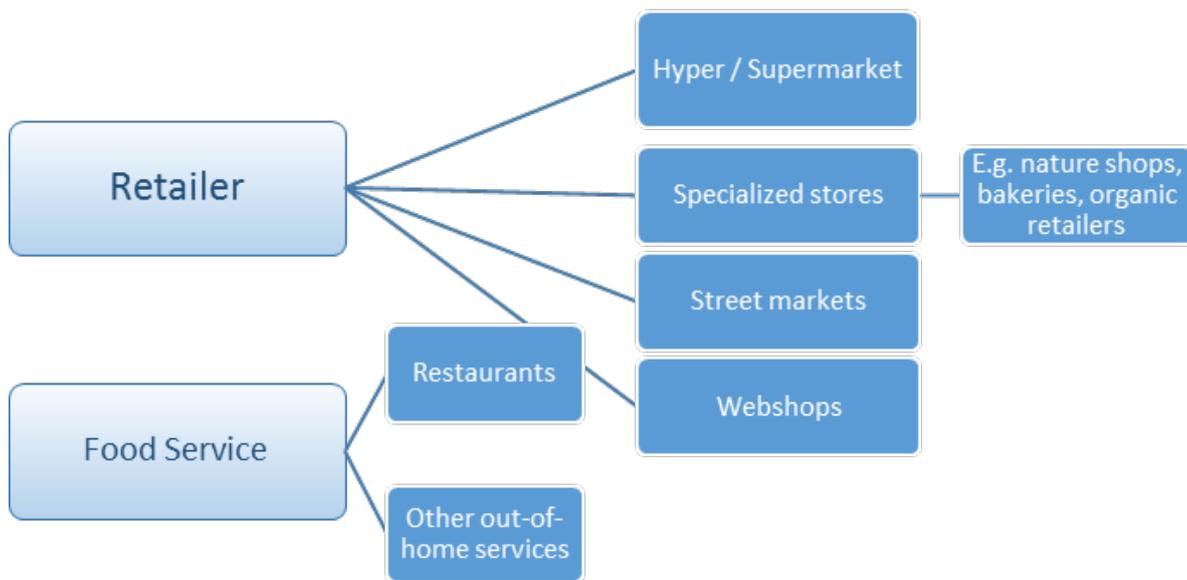
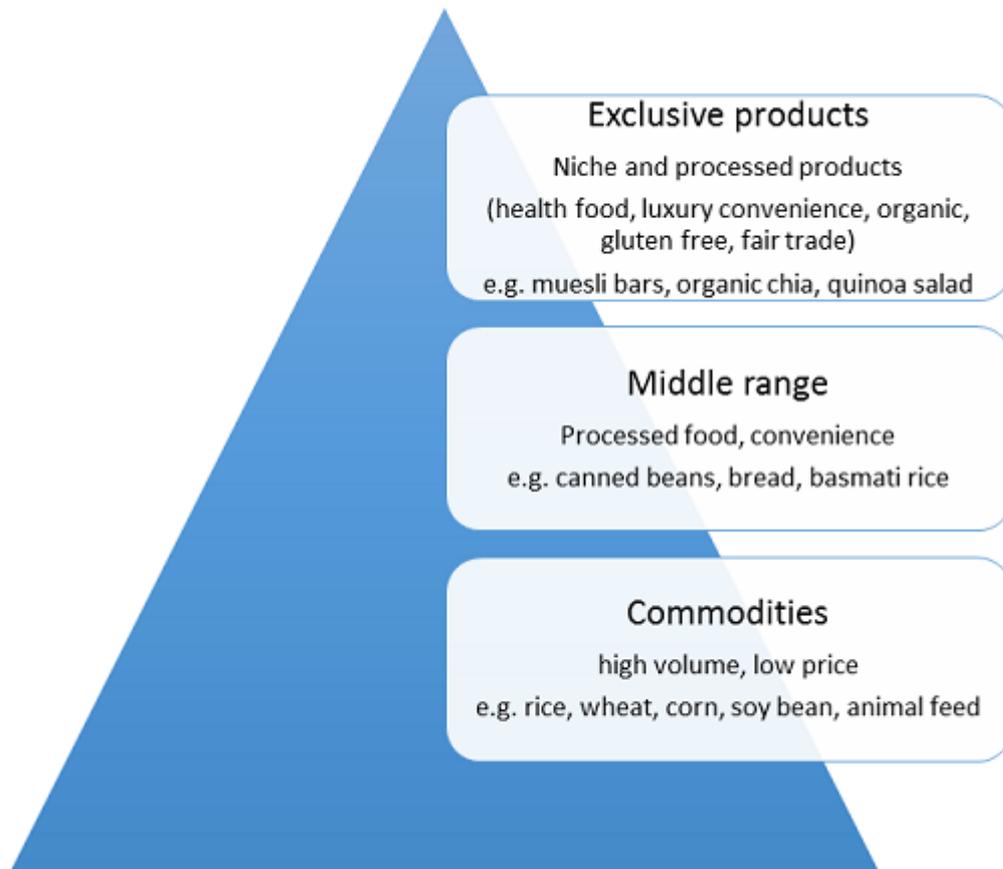


Figure 4: Characteristics of various segments for grains and pulses



### Dominance of supermarkets

Supermarkets have a large market share in the sale of grains and pulses, especially in North-Western Europe. Their centralized purchasing and convenience shopping have placed supermarkets and hypermarkets in a very strong position. At the same time, competition between supermarkets is fierce. A remarkable trend has emerged in which supermarkets are becoming further segmented into discounters and high-end grocery stores.

Traditional retailers (e.g. bakeries), which constitute an important segment for cereal grains and seeds, are facing increasing challenges from the large non-specialized retail outlets with industrial bakery contracts and in-store bakeries. For example, in the UK and the Netherlands, the industrial sector holds a [market share of around 80% in the bakery segment](#). In France and Germany, supermarket shares amount to 35-40% and, in Spain, 19%.

Although supplying directly or indirectly to large retail chains ensures significant market coverage, it can be quite demanding in terms of quality, price, volume and delivery obligations.

### Tips:

- In order to deal with the purchasing power of large retailers, prove yourself to be a very reliable supplier and be prepared to accept a lower price in return for a larger market share.
- Supermarkets are demanding customers. Take advantage of the knowledge of importers and work together with them to move your product into the larger retail channels.

### Specialized retail in health and nutrition

Europe has a growing number of specialized shops in health and nutritious food. These retail

concepts tend to be more progressive than conventional supermarkets are in adapting niche products. For example, nature shops, organic grocery stores and ethnic shops specialize in products that are organic or free of particular substances (e.g. gluten), in addition to food supplements and exotic products. These products are sold in both physical shops and online stores. Street-market vendors of nuts and dried fruit sometimes sell a variety of seeds as well.

Supermarkets follow the same health trends, and they are embracing organic, ethnic and allergen-free products as well. Some have special sections for ethnic foods or foods that are free of particular substances (e.g. gluten-free). Organic retail chains often demand that brands be sold exclusively in the organic segment, thereby avoiding competition from non-specialized supermarkets.

### Tips:

- If you export organic, ethnic or niche products, extend your focus to importers who supply specialized stores.
- Become familiar with various types of consumers and potential target groups in Europe. For example, visit specific trade fairs such as [SIAL](#), [Anuga](#) and [Biofach](#).

### Food service increases familiarity

Although the food-service segment for grains and pulses is smaller than the retail segment, restaurants and their chefs can help to promote new products. It is an interesting segment for making people familiar with the taste and usage of relatively unknown products. In this way, they reinforce the efforts of food specialists and media. Ambassadors of niche products could increase the overall demand for them, thereby benefitting the supply chain as a whole.

### Tip:

- Discuss strategies for influencing food specialists with your buyer or industry association, and use the food-service channel as a promotion tool.

### Creating added value

For bulk commodities and ingredients in common consumer products, price is a determining factor (e.g. bread, flour, canned corn, canned beans and consumer-packaged rice). Higher-end segments are frequently explored by food companies. The range of luxury processed food, exotic varieties and organic or social certified grains and pulses is expanding.

Some high-end food segments are small, but have higher margins. Specific growth has been observed for products with grains and pulses offering specific nutritional value or health benefits. To reach these segments, supply needs to be of a premium quality. Less esthetical or conformable qualities are more suitable for milling or other types of processing.

### Tips:

- Consider adding value to your products and targeting a higher segment by using organic, social or environmental certifications or supplying a premium product.

- Communicate the attractiveness of your product to customers, and learn to be responsive to the sales strategies of your buyers.

This survey was compiled for CBI by Michel Peperkamp | ICI Business in collaboration with CBI sector expert Freek Jan Koekoek.

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Annex 1: Information boxes for the trade structure (Figure 1)

#### Farmer

Farmers of grains and pulses exist in many sizes. Industrial-sized farmers offering bulk products (e.g. soybeans, corn) can have direct links to the larger European food industry, without using independent exporters or importers. Small and medium-sized farmers and farmers offering niche products are dependent upon local cooperatives or exporters.

#### Exporter

Exporters collect products from farmers and add value by financing, storing and, in some cases, basic processing (e.g. cleaning, drying, crushing, milling) and packaging for grains and pulses. Exporters have an important responsibility in product traceability and quality.

#### Importer/trader

For many grains and pulses, importers occupy a very important position in terms of providing market access and ensuring product quality and compliance. Importers usually have longstanding relationships with customers and excellent knowledge of quality requirements, logistics and the formal administrative processes. Their role is slowly shifting from traditional trading towards sustainable sourcing companies. Some importers specialize in organic or fair trade products, although they can also be very helpful in introducing novel grains or pulses.

#### Processor/packer

Grains are often processed before being packed or supplied to the food industry. Processing includes milling, popping (grains), crushing (oilseeds), among other processes. Basic processing is often integrated into the activities of the food-packing industry. Advantages of processing in Europe instead of at the place of origin can be either economic (e.g. lower import duties) or related to greater direct control on food safety or efficiency.

#### Food industry

The food industry is the most important driver of food innovation and brand development. Major brands require a constant supply of raw materials and an excellent food safety record, before launching a new product or ingredient. Bulk products can be directly sourced by these industries, but for niche products, they often depend on the expertise of importers.

#### Feed industry

The feed industry absorbs enormous quantities of raw material from the grains and pulses sector. The market channel for animal feed works with lower prices and quality standards than is the case in the food industry, although food safety requirements are very similar. Suppliers can profit from the feed trade when supplying high volumes or specific nutritious additives.

#### Distribution/wholesale

Distributors or wholesalers can maintain stock and supply flexible quantities to retailers and food-service companies. Supermarket chains usually have their own distribution centres, while other

retailers depend upon independent wholesalers.

## Retail

The retail segment consists primarily of non-specialized supermarkets and specialized retailers (including e-commerce and street markets). Supermarkets sell a large variety of processed and consumer-packed products. Examples of large supermarket chains include Rewe (Germany), Carrefour (France), Tesco (UK) and Ahold (Netherlands). Because of their purchasing power, these chains hold a highly dominant position throughout the entire supply chain, and they usually work with preferred suppliers or service providers that are responsible for importing, contracting and combining products from various countries. Their segment is especially strong, if not saturated, in North-Western Europe. The [Retail-index](#) provides a ranking of European supermarkets.

Specialized retailers include traditional shops (e.g. bakeries), as well as health shops, ethnic stores and organic grocery stores. Specialized retailers attempt to distinguish themselves from non-specialized supermarkets by selling unique products and providing additional product knowledge.

## Food service

Food service constitutes a smaller segment for grains and pulses, including out-of-home consumption (e.g. restaurants, catering, company cafeterias, hotels, schools, hospitals and care homes). Most of these businesses are supplied by wholesalers.