CBI Channels and Segments:

Edible Nuts and Dried Fruit in Europe
**Introduction**

Specialised importers constitute the preferred channel for market entry in this sector. Many importers are also packers, and conduct trade and wholesale activities as well. After they have been imported, products arrive in various segments of the market. In some cases, exporters from developing countries can also supply to those segments directly without the importer as an intermediary. However, this does not happen frequently.

In general, more dried fruit is being repacked for the retail industry and more nuts are being designated for the food-manufacturing industry. Nevertheless, quantities within channels differ by product.

**Market segments**

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**

**Market segments 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, although they can also regard the same products as finished, and simply repack them into retail packaging.

**Snack industry**

- In 2014, the retail value of the European market for savoury snacks amounted to around €14 billion, with nearly 1,850,000 tonnes of savoury snack products being purchased. 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.
- With consumers appearing to mistrust long lists of ingredients, the future for savoury snacks is likely to change, as fewer ingredients will be processed and more natural flavours and colours will be used. Nuts, meat snacks and popcorn are benefiting the most from this trend, due to the fact that they are perceived as naturally healthier, naturally low in fat or naturally high in protein.
- Alternative production techniques (e.g. popping or baking) are increasingly being explored in response to the health trend.
New developments in the snack segment include the introduction of new textures (e.g. crunchy, blanched, sliced), flavours (more sweet and savoury combinations) and ethnic flavours (e.g. Korean kimchi or Japanese wasabi). According to market experts the demand for ‘on-the-go’ snacks, including fruit and nut bars and mail-order snacks (e.g. ‘graze boxes’ in the UK), will continue to grow. Modern European consumers are looking for ways to spend less time buying and preparing food, while simultaneously striving to have a healthy diet.

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

Confectionery industry

In particular the chocolate industry is the largest industrial user of edible nuts (e.g. hazelnuts, pistachio, and almonds). 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 confectionery industry is increasing the use of freeze-dried fruit in a variety of forms, including powders, whole pieces, segments and slices.

Chocolate-coated nuts and dried fruit are popular sweets in Europe. Buyers in the confectionery industry are increasingly requesting developing-country suppliers of chocolate-coated products to obtain UTZ certification.

Ready meals and soup industry

Ready meals and dehydrated soups industries are the largest industrial consumers of dried vegetables. The European market for ready meals is expected to reach a value of more than €40 billion by the end of 2016. Ready pizzas are one of the most important subcategories of the segment. Examples of companies from the segment include Dr. August Oetker, Premier Foods and Greencore. 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 meals due to busy lifestyles.

The soup market in Europe is expected to reach a value of €5780 million by the end of 2020. The increasing demand for healthy and affordable food, changing demographics and similar factors are expected to boost the soup market in Europe. Examples of companies from this segment are Unilever (Knorr brand), Campbell soup, Collusi Group (Liebig brand) and Nestle (Maggi brand).

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

Breakfast-cereal industry

Breakfast cereals industry uses different types of nuts and dried fruits for production of biscuits, cereals and muesli. The breakfast cereal industry in Europe is worth approximately €6 billion. The sector includes more than 75 companies. The UK, Germany and France are the main markets for breakfast cereals with respectively 50%, 20% and 10% shares of the market.

The consumption of cereal and energy bars is increasing, as these items can be eaten without liquid (e.g. milk or yoghurt) anywhere (e.g. on the street) and any time (usually between meals). Examples of companies from this segment are Kellogs, Nestle and Brucqen.
Bakery industry

- The bakery industry in Europe is very large: with annual revenues amounting to €98.4 billion, it is the fifth-largest sub-sector in the European food industry. The bakery industry is the most important user of dried fruit and nuts. The majority of bakeries are supplied by specialised European ingredient suppliers. However, some larger companies within the bakery industry import ingredients directly.
- The most commonly used products from the sector in the European bakery industry are dried grapes, hazelnuts, almonds and walnuts.

Tip:
- You should look for large 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 ice-cream industry, nut oils and butters industry, nut milk industry and pet food industry (including bird feed industry).

Tip:
- Target specialised online retailers directly if you are producing ‘superfood’ products. In some cases, these suppliers import directly from developing countries.

Price segmentation

Due to the large variety of products in this sector, it is not easy to make any accurate price segmentation according to the type of nuts or dried fruit, as each individual product can be produced in a number of different forms, thereby reaching a variety of price levels. In general, the following variants bring higher prices:
- Fruit with naturally high water content (in which more raw materials and energy are used in the drying process)
- Edible nuts with lower production volume per ha
- Naturally dried fruit without preservatives or sugar infusion
- Larger size grades
- Organic or CSR certified products
- Freeze-dried products
- Products with additional processing (e.g. cut into small shapes, coated with chocolate, packed in syrup)
Figure 2: Segments according to the price ranges

- **Premium**: Luxury nuts (e.g., pine nuts, macadamia nuts), Organic and fair-trade certified products, Naturally dried pineapple, papaya, Freeze-dried fruit, Chocolate-coated fruits and nuts.
- **Middle end**: Most dried fruits and nuts with food-safety certification and basic CSR certification.
- **Bottom end**: Basic-quality grades nuts and dried fruit without certification.
- **Low price**: Develop.

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

**Market Channels**

Figure 3: EU and EFTA market channels for dried fruits and edible nuts (2016)
Growers and processors in developing countries

- Depending upon the product, growers in specific countries can collaborate and act as single processors. In most the cases, however, processors are separate from growers. One exception is the production of sun-dried products, in which growers produce naturally dried products that are processed further in the industrial facilities.
- One major trend in the processing industry for edible nuts and dried fruits and vegetables involves investments in new drying and processing technologies. This trend continues as a move away from sun-drying processes in order to have better food safety and quality control over the production process. The demand for freeze-drying (lyophilisation) is becoming more frequent in the breakfast cereals and confectionary industry. Berry fruit, which has traditionally been processed by freezing, is now increasingly being freeze-dried.
- Processors also invest more in cutting, cracking, pitting and rehydration equipment in order to meet the demands of different end segments. Exporters from developing countries are also increasingly being asked to provide further processing for basic products (e.g. by coating them in chocolate or preparing them as salty or savoury snacks) rather than exporting ingredients only.

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

Importers

- The role of general food importers as intermediaries is becoming less significant. Importers of specialised dried fruits and nuts are the preferred channel within the retail and food-service industries. 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. Some wholesalers have introduced superfood as a new marketing segment into their specialisation.
- One of the newer, but still small developing trend for some importers involves broadening the range of products to include powdered superfruit products. However, importers of dehydrated ‘superfruit’ in powdered form usually belong to a slightly different supply chain, which consists 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 to 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 therefore needed. For this reason, many importers are developing their own codes of conduct and are building long-term relationships with preferred suppliers from developing countries.

Tip:
- Try to build good long-term relationships with specialised importers. To this end, you could start by offering 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 industry supplier.

Food processors

- Food manufacturers use dried fruits, vegetables and edible nuts as ingredients. The bakery and confectionery industries use nuts and dried fruits; the ready-meals industry and the soup industry uses dried vegetables; the breakfast-cereal industry uses dried fruits and nuts; and the pet-food industry uses dried vegetables and nuts. Large food-processing companies are more likely to import directly from developing countries, although this trend applies only to the most commonly used products (e.g. peanuts or raisins). The trend does not yet apply to ‘exotic’ ingredients, which tend to be imported in small quantities.

Tip:
- Consider using the opportunity to directly sell to food manufacturers. The European processing industry processors want to ensure the continuity of supply but in order to directly sell 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 fruits, vegetables and edible nuts, as more than 50% of all products are re-packed in Europe into smaller packs for the retail and food service sector. Packers increasingly pack under private labels brands for retailers. Many wholesalers also have packing facilities, however, but this is more common for suppliers to the food-service segment than it is for retail suppliers. Many packers import directly as well, thus threatening the existence of the stand-alone importers.

Tip:
- 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 a variety of humidity levels.

End-consumer channels for dried fruits and edible nuts

Retail channel

- Around 50% of all dried fruits and edible nuts are sold within the retail channel. In addition to supermarkets, many countries have specialised outlets for dried fruits and edible nuts (e.g. stalls at public and street markets and specialty 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 EU retail food market.
- The leading retail food companies in Europe differ by country. The companies that hold the largest market shares are as follows: Schwartz Gruppe (Lidl and Kaufland brands), Carrefour, Tesco, Aldi, Edeka, Leclerk, Metro Group, Rewe Group, Auchan and Intermarché.
- In addition to the major retail chains, specialised stores (health-food stores, green grocers, convenience stores) are important segments for dried fruits, 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 Corporate social responsibility (CSR), organic or food safety. Food-safety certification is a minimum requirement for reaching the retail segment. For more information see our study about Buyer requirement for processed fruits and vegetables.
- Try to establish direct contact with owners of ethnic food shops or specialised health-food shops, as they are more likely than major retail chains to import directly. This will increase your chances of exporting directly to the EU, especially if you produce more ‘exotic’ and ‘superfruit’ products.

The food-service channel

- World cuisines, healthy food and indulgence are the major driving forces within 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 differs from bulk or retail packaging (e.g. from packs of 1 kg to 5 kg).

Tip:
- Consider investing in smaller packaging equipment if you aim to supply the food-service industry.

The street-market channel

- Around 15% of all edible nuts and dried fruits continue to be sold on street markets in Europe. Street markets are more popular in Southern and Eastern Europe than they are in Western European countries. Although the market share of street markets is decreasing relative to retail chains, they continue to be the preferred buying option for some European consumers, who believe that products sold on such markets are fresher and sourced directly from farmers.
Tips:
- Street markets are supplied by specialised wholesalers (see Figure 3). It would therefore be wise to search for such suppliers.
- Do not be fooled by the perception that street markets have lower requirements. The same food-safety requirements that apply within the retail market are applicable to street markets as well.

Online sales [H2]
- Internet grocery shopping is growing rapidly across Europe. According to IGD Shopper Vista, the fastest-growing online grocery markets are in the UK, France, Germany and the Netherlands. Almost all retail chains in Europe offer possibilities for online shopping.
- The trend towards online shopping is noticeable in the niche markets for special, organic, functional and ethnic foods.

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