CBI Competition:

Edible Nuts and dried fruit in Europe
Introduction

Nuts and dried fruits are a favourable alternative to unhealthy snacking and to the consumption of meat, and they are more in keeping with a healthy lifestyle. However, competition in this market is increasing. Furthermore, retail requirements will put more pressure on the processing industry and, ultimately, on exporters from developing countries. Also, entry barriers are increasing with stricter food-safety requirements and because of a 'sustainability shift' in industry. However, in the long term, the bargaining power of exporters and their suppliers in developing countries is likely to increase as a result of the increasing scarcity of resources and the growth of new markets.

Market entry

More information on European buyer requirements is provided in the CBI EU Buyer Requirements for this sector as well as ITC’s Market Access Map.

- **EU health authorities are permanently increasing requirements.** Increased requirements are often difficult for exporters from developing countries to follow. The main requirements for market entry are as follows:
  - Food-safety compliance, with a focus on the traceability chain;
  - Stimulating sustainable production and consumption (ecolabels, green public procurement);
  - Enhancing transparency within the chain;
  - Eliminating limitations for shaping one common European market; and
  - Increasing the competitive position of the sector.

- **Improved control of mycotoxin and other contaminant levels in nuts and dried fruit.** Aflatoxin and ochratoxin A are the most common contaminants in dried fruits and vegetables. In response to the frequent occurrence of products with increased aflatoxin content, the EU has imposed special procedures for imports from third countries. As of August 2014, special conditions have been applied to imports of dried fruits and nuts from Turkey, as well as to imports of almonds from the USA, through the issuing of health certificates. In addition to mycotoxins, other contaminants are in focus for dried fruits and nuts, including methyl bromide and polycyclic aromatic hydrocarbons.

- **European importers are increasingly working with preferred suppliers.** Intensifying competition and retail requirements and price increases due to scarcity of raw materials force importers to search for partnerships to secure their supply. For example, sustainable exporters from developing countries are increasingly preferred. Switching costs are largely determined by the type of contract (and intensity of cooperation) that is concluded.

Tips:

- **Introduce Hazard Analysis and Critical Control Points (HACCP) systems into your daily practice.** Even if HACCP systems are not required in your country, you must comply with the EU food-safety regulations. It is recommended to go even further by certifying your production according to internationally recognised standards (e.g. ISO 22000, IFS or BRC), preferably investing in the certificates that are most likely to be accepted by the target market.

- **Inspect your products regularly for contaminants before exporting.** Take care to verify with the EU importer that the laboratory used for sampling your products has been accredited and recognised by the EU authorities and buyers. In addition, ensure that the official inspections in your country include verification of compliance with hygiene requirements at least equivalent to the EU regulations.

- **Monitor mycotoxin levels regularly.** In order to prevent the occurrence of mycotoxins, implement Good Agricultural Practices at the primary production level, and ensure proper storage and drying practices at all stages, including with regard to the export procedure.

- **Investigate who the major buyers are and try to arrange long term contracts with them for a constant supply of edible nuts or dried fruits.** If your company is new to the EU market, and if your country is not well recognised as a supplier of a certain product, it is recommended to use the services of trading agents.

- **Certain (sustainable) standard/certification systems can help you enter the EU market.** Improve your competitiveness by becoming CSR-certified, especially if your product is intended for re-packing and reaching retail buyers. Negotiate with your target buyers to jointly finance a CSR scheme for long-term cooperation.

Product competition

- **Potato chips continue to dominate the snack industry in the EU.** The availability of raw materials and inexpensive production in Europe has not decreased the share of potato chips in the snack market segment as a whole. The market for extruded snacks is also large, relative to dried fruit and edible nuts. According to a recent
Position in the market:

**Company competition**

- **The EU market for DFV and edible nuts is concentrated.** Over 60% of all imports of dried fruit and vegetables is represented by only four countries: Germany, the UK, France and the Netherlands. There are several well-established players (importers, agents and food manufacturers) in those countries, dominated by the Netherlands, which is the leading EU import hub for American and Asian countries.

- **Despite wide differences between the leading competing countries across product categories, most of product subgroups are highly concentrated in the supplying countries.** In the edible nuts category, the strongest competitors are exporters from the USA (almonds and, to a lesser extent, walnuts), Turkey (hazelnuts) and Spain (almonds). In the dried fruit category, the strongest competitors are exporters from Turkey (dried grapes and dried apricots), China (dried vegetables and mushrooms) and the USA (dried grapes, prunes and cranberries). High competition is present in other product/country combinations as well, including China (walnuts and pine nuts), Vietnam (Brazil nuts), Argentina (prunes), Chile (prunes and dried grapes) and the Philippines (desiccated coconuts).

- **The tariff rates applied differ, and some countries benefit from preferential agreements.** The following are several examples: walnuts, for which a tariff of 4% applies for China, as compared to 0% for other major suppliers; hazelnuts (3.2% for the USA, 3% for Turkey and 0% for Chile and the other major suppliers); dried grapes (0% for Turkey and Chile, and 2.4% for the USA and Iran); and dried apricots (0% for Turkey and Afghanistan, but 2.10% for Tajikistan and other GSP countries). In some other cases (e.g. desiccated coconuts) there is no difference between the tariffs applied to different countries.

- **Competition on price will increase over the coming years** since processors will be either looking for cheaper ingredients for processed composite products (bulk), or will be focussing more on consumers' demands for luxury nuts, and/or nuts and dried fruit with added value (innovativeness in packaging and products, organic, sustainability)

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1 Snack Attack - **Nielsen Global Survey**, 2014

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**Tips:**

- **Use the healthy food trend as a unique selling point.** Dried fruits and edible nuts should be promoted as healthy snacks in your offer, on your websites and through social networks. Numerous scientific studies have outlined the beneficial effects of dried fruits and nuts on the human body and health. Consider using these studies in the marketing of your products. In contrast, the savoury snack industry (e.g. chips, pretzels and crackers) should be much more innovative in order to lower the oil/fat content or to decrease occurrence of acrylamide in their products. Even dried fruits have some advantages over fresh fruit (e.g. higher content of fibre or phenols).

- **See whether you can offer your good quality products at a lower price.** Since the costs of production in Europe are rising, consider the possibility of making use of cheaper processing facilities at additional stages of production.

- **Examine the trends for your substitute products, and whether they are declining in sales or increasing and if so, why?**

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**Nielsen study,** European consumers rank nuts and seeds in the ninth place as snacks between main meals. Fresh fruit, chocolate, cheese, yogurt, vegetables, cookies, bread and chips have higher rankings. Nevertheless, the demand for healthy snacks (including dried fruit and edible nuts) is continuing to increase.

- **Price retail competition.** In the end-consumer segment, private-label sectors are winning over branded products. Consumers are searching for less expensive products, but some packers have adopted ‘dual-tracking’ strategies, operating in both the private-label and branded segments. In addition, many retailers offer opportunities for buying unpacked dried fruits and nuts.

- **Fresh fruit is a strong competitor to dried fruit.** Dried fruit is usually consumed as a sweet snack between the main meals. The consumption of fresh fruits and vegetables is increasing, and habits of consuming several different portions during the day are supported by various national campaigns in many EU countries.

- **Nuts are often used in snacks, biscuits, chocolates and bakery products.** Currently the market trend is ‘health’; this means that consumers will look for alternatives to such ‘unhealthy’ products as biscuits and snacks. Unprocessed nuts are often seen as healthy, so this (niche) market certainly has growth potential. If we look at products comprising nuts, recent studies have shown that they are perceived to be healthier because they include nuts. This applies to items such as muesli bars, for example.

- **In addition, nuts are a good substitute for meat** and the current trend is to lower meat consumption. This trend comes from concerns about public health. A great deal of meat (protein) is eaten within the EU, specifically in the North-Western countries. In order to lower this consumption, edible nuts are offered as a substitute.
• **The category of dried fruits and edible nuts is characterised by increasing demand and limited supply for the majority of products.** This market situation was caused by a poor harvest in major producing countries, as the market for many products is concentrated. Another reason has to do with increased demand from BRIC countries. **Competition in terms of quality will be high.** Nuts and dried fruits grown in tropical areas of the world are interesting for the European market. This also means that competition on quality between countries can increase since they will shift their focus to the European market and adopt European production and quality norms. **Competition on organic products is intensifying.** Products certified as organic in the USA and the European Union may be sold as organic across their borders without additional certification requirements. This should facilitate the trade of organic products between the EU and USA. This implies that there will be more competition in relation to organic products in the EU market from USA suppliers as they will be able to enter the market on the basis of this agreement.

**Tips:**
- **Be prepared to compete on price and quality for bulk products.** Given the influence of major suppliers on the whole world market, offers from other developing countries can be attractive, possibly filling current gaps on the market.
- **Add value with substantiated health claims.** The superfruit category is a new category, in which competition is not as fierce as it is for mainstream products. Exporters from developing countries can use this opportunity to offer quality superfruits, even if they are new to the market.
- **Compare your offer to those of the largest European suppliers for specific products.** Find out why certain products are imported from specific countries.
- **Developing countries that have preferential trade agreements with the European Union can benefit from price differences relative to other suppliers for which the applied tariff is greater than 0%.**
- **Identify new markets in which edible nuts and dried fruit can be processed or sold separately.**
- **Efficiency can be improved in terms of transport and distribution in Developing Countries countries.** This will give a competitive advantage in your country, but will also make you more competitive on price.
- **Show a willingness to invest in your relationship with your European buyer.** This can strengthen your position in comparison with other Developing Countries suppliers and in the EU market.
- **Are you up to the challenge of providing your European buyer with year-round edible nuts and dried fruit?** This means having good, reliable relations or contracts with your suppliers.

**Position in the supply chain:**

More information on market channels and segments of edible nuts and dried fruits is provided in the CBI Market channels and segments for this sector.

**Buyer power**

- **Retail requirements are increasing.** The requirements set by European retail are already high and are set to increase. Particular attention is being paid to traceability and sustainable and responsible sourcing. Retail supplying companies, including European processing industry, must provide detailed information about their sourcing. This means that developing countries exporters must (more effectively) register where their products come from. Labelling information is becoming more important as it provides consumers with information about the product. These requirements become stricter and this affects the whole chain.
- **The European processing industry increasingly depends on dedicated suppliers.** The processing industry is always looking for ways to lower the costs of supply and processing. This means that there is a search for partnerships, joint ventures and even partly backward integration, in order to be sure to have a constant quality and supply which is needed for the end products.
- **There will be increased demand for sustainable food ingredients.** This implies that items that are produced under good labour conditions or products that are organically produced or have a low CO₂ footprint could gain in value. This is in line with the sustainability strategies which are being introduced by (large) companies. Their messages to the outside world inform the consumer and others that they are acting responsibly. This means that they also expect this from their suppliers and even their supplier’s subcontractors.
- **Role of importers.** Importers as intermediaries are increasingly ‘getting stuck’ between increased power from supermarkets and the processing industry, on the one hand, and also the increasing power of developing countries exporters and their suppliers, on the other hand.
Supplier power (including power of Developing Countries exporters):

- **Due to scarcity of raw materials prices are going up.** In the nuts and dried fruit industry, this is a clear trend. Prices are going up by about 6%. As a consequence, in this sector the shift from ‘preferred supplier’ (the importer decides) to ‘preferred buyer’ (the exporter decides) started several years ago. In order to secure the supply chain, importers should become preferred buyers. This strengthens the position of Developing Countries exporters as well as their suppliers.

- **Distribution channels within a developing country will become more important.** This implies that efficiency measures can be implemented by Developing Countries exporters within their own distribution channels to warrant reliable supply.

- **European eating patterns may change; this increases suppliers’ bargaining power.** The influence of different cultures (more ‘ethnic’ restaurants) means that new dishes are eaten, some of which, e.g. Asian cuisine, will contain nuts. This part of the market will expand, but will probably not become mainstream. It could, however, impact on nut consumption as consumers may try the dishes at home too. This will result in higher demand and an improved position for Developing Countries exporters.

- **Demand from emerging economies put Europe under pressure.** People in the world are becoming richer (i.e., development of a middle class in the BRIC and Next Eleven countries), which leads to more demand for products that are imported from developing countries. Higher demand from countries outside Europe results in price increases in Europe. Emerging markets offer good opportunities for Developing Countries exporters and strengthen their position in the long run.

Tips:

- Cooperate with other exporters in your country; combine forces to export to the EU market.
- Try to partner with local importers; have the right equipment for processing and meet the different requirements of the EU buyers.
- Partnerships, joint ventures, and long-term contracts are all options for attaining a better position within the European market. This also applies to your own country and direct competitors.
- Be a reliable and professional partner within your partnership or joint venture. Be aware that buyers are very selective about whom they work with; professionalism is a must.

- Developing Countries suppliers might consider bundling supply as the European processors want to ensure continuity of supply. Notice that the European processing industry has some very strong players.
- Different eating patterns and dishes in different countries. Not all European countries are the same; try to find out what kinds of nuts are eaten where and how. This will determine your position in that specific market.
- Look at worldwide demand to strengthen your position within the chain. Demand from emerging economies is putting pressure on the availability of ingredients in Europe for food manufacturers. This could strengthen your position.
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