CBI Competition:

Juices and concentrates, jams and fruit preparations, canned and frozen fruit and vegetables in Europe
Introduction

Competition is fierce on the European market, and you will need a clear strategy in order to enter it successfully. Compete on price, offer unique, differentiated products or provide better service. Moreover, the threat of substitute products (e.g. fresh fruits and vegetables, flavoured waters, nectars, soft drinks and sweet spreads) is also high.

The first step towards being competitive on the European market should be to implement a food-safety system. Investment in new processing technologies that will guarantee high-quality products and preserve all functional ingredients can be a subsequent step to success in competing with substitute products.

Market entry

- Due to complex challenges in today’s food supply chain, almost all of the largest food retailers are requesting some food-safety certification scheme. There are currently more than 200 different certification schemes for the fruit and vegetable sector in the European Union. The most preferred and most widely recognised certification schemes for this sector are BRC, FSSC 22000, IFS and SGF.
- Corporate social responsibility (CSR) is slowly being integrated into product-quality requirements. Long-term forecasts predict that suppliers with certification for food safety and CSR will become dominant on the market, as importers will not have much time to find new suppliers or money to invest in their codes of practice. This will make companies that have already been certified more easily selected as suppliers. This could lead to more business with a smaller number of suppliers.
- **More knowledge of the fruit and vegetable processing technologies will be required.** Fruit and vegetable processors require from their ingredient suppliers the ability to deliver very different specifications of products in a short time. The number and variety of fruit and vegetable products available to the consumer have increased substantially in recent years. This has been achieved by new heating (e.g. UHT, microwave, ohmic) and freezing (e.g. cryogenic) techniques combined with new packaging materials and technologies (e.g. aseptic).

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.

Tips:

- **Introduce a Hazard Analysis of Critical Control Point (HACCP) system into your daily practice.** Even if in your country HACCP is not an obligation you must be in compliance with the EU food safety regulations. It is highly recommended to go a step further and certify your production with the latest versions of internationally recognised standards, such as FSSC 22000 (Version 3.2), BRC (Version 7) or IFS. It would be very beneficial to invest in a certificate that is commonly requested by importers in your target market.
- **Do regular contaminants checking of products before exporting.** Carefully check with the EU importer that the laboratory for sampling of your products is accredited and recognised by the EU authorities and buyers. Also ensure that official controls in your country include verification of compliance with hygiene requirements at least equivalent to the EU regulations.
- **Consider investing in CSR certification schemes,** especially if your product is aimed for re-packing and reaching the retail buyers. You can negotiate with your target buyers to mutually finance a CSR scheme for long-term cooperation. For more information on the European market see the CBI EU Buyer Requirements.

Product competition

- **Major substitute products for frozen and canned fruits and vegetables are fresh fruits and vegetables.** Although consumption of fresh fruit and vegetables has not increased significantly in recent years, the EU authorities are supporting consumption through different initiatives such as availability of fresh fruit and vegetables at schools and working places. Similar initiatives are not present in the official EU organisations but they exist in processed fruit and vegetables (PFV) producers associations.
- **Major substitute products for fruit and vegetable juices are soft drinks including mineral water.** Fruit juice consumption has decreased in the EU but on the other hand there is increased consumption of flavoured waters, energy drinks, coconut water and cider. Beverage producers market soft drinks as low sugar products, products with functional supplements or products that increase daily intake of liquid necessary for hydration and maintenance of good health.
• **Major substitute products for jams and marmalades are sweet spreads such as honey or chocolate based spreads.** According to market forecasts the sweet spreads market will continue to increase in the following years. Chocolate spreads are increasingly popular in Western Europe with highest projected sales in Belgium, Germany, Italy, Spain and the UK. Chocolate spreads are not as popular in the Scandinavian countries, Portugal and Ireland. Honey is seeing good growth potential, particularly in Belgium, France, Ireland, Norway, Portugal, Switzerland and Turkey but lower projected retail sales in the Netherlands, Greece, Denmark and Finland. Sweet spreads competitors market their products as containing no additives, vegetarian, organic, with low allergen contents, gluten free and with environmentally friendly packaging.

• **Local produce is on the rise.** A more serious threat is posed by (processed) fruits and vegetables which can be produced in Europe itself. Processors prefer to buy locally, because of reduced transport costs and reduced carbon footprint. This complies with the growing sustainability market, where value is added to the product. Instead of competition on price, the product is positioned as ‘good for people and planet’.

• **Cheaper alternatives.** Within the specific categories of PFV products there is high price competition. There is a number of cheaper product such as nectars instead of 100% fruit juices, homogenous marmalades without visible pieces of fruit, fruit preparations and jams with decreased amount of fruit and cheaper continental fruit in frozen and canned products as alternatives to superfruit or exotic fruit products.

Tips:

• **Investigate marketing strategies of substitute products.** See what the trends are for your substitute products. Are they declining in sales or increasing and if so, why? Learn from producer organisations and advertise the special characteristics of your products. For example, quick frozen fruit and vegetables are marketed as having more nutrients than fresh fruit and vegetables, canned as more convenient to use, juices as a source of natural energy and healthier hydration than soft soda drinks and 100% fruit jams as healthier than chocolate spreads.

• Add value to your products by marketing actively from a known origin as a specialisation.

### Company competition

#### Position in the supply chain

**Buyer power**

- The retail (supermarkets) will put more pressure on the price asked by Developing Country exporters through direct or indirect sourcing. This is because the retail market is characteristically focussed on price and volume sales in their own market. In addition, for industrial buyers of PFV (i.e., food manufacturers), supply is mainly in bulk. This will put pressure on Developing Country exporters to offer the cheapest possible prices.

- Supply chains are shortening. For example, in the fruit juice industry there is a trend towards backward integration in the supply chain. More and more European processing companies and manufacturers seek control of their sourcing, and try to accomplish this, for example, by buying plants in the countries of origin. A similar trend is also present in the fruit preparations industry.

- Requirements of retailers and food manufacturers are increasing. There is an increasing demand from retail to show the consumer where their product comes from. ‘The farmer should have a face.’ Exporters from developing countries are slowly subjected to increasing pressure to know where their products come from, up to the farming level. An adequate registration system is needed for this level of transparency.

- There will be more demand for sustainable food ingredients. This implies that there is added value for products that are produced under good labour conditions, where fair wages are paid; that are organically produced; or that have a low CO₂ footprint. These requirements are communicated to the European consumer and, therefore, also need to be true. As a consequence, sustainable exporters are increasingly preferred.

- Buyers show increasing interest for contract growing and processing. Sometimes, the volatility of prices and volumes is extremely high due to scarcity. To eliminate this volatility in prices and volumes and to gain more control on traceability, buyers prefer reliable partners or even joint ventures. This is a long term trend that affects the position of the Developing Countries exporter. A Developing Country exporter can think about his position and role within the chain and see where he can be of additional value.

Additional information on the market channels and segments for PFV is provided in the CBI document on Market channels and segments for this sector.
Supplier power

- **The bargaining power of suppliers (i.e. farmers) relative to exporters from developing countries is slowly increasing.** Access to information is becoming easier for farmers, due to modern communication tools (e.g. cell phones and computers). Prices for many raw materials have been in an upward trend for almost a decade, but in the last few years this trend has been reversed. The current crisis in larger developing countries (e.g. Brazil and Russia) has exerted further pressure on prices for raw materials. In general, the cyclical nature of raw-material markets will continue, and markets will change from being dominated by buyers to being dominated by sellers. In the long term, it is expected that sometimes products will not be sufficiently available. New land for production is sought-after and the farmers gain more power.

- **Demand from emerging economies puts Europe under pressure.** People in the world are becoming richer (e.g. 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 global demand is resulting in price increases. In 2016, Brazil continues to face severe recession, partly due to the decreased demand from China and the lower prices for raw materials. China is also experiencing weaker growth, and both imports and exports have been decreasing. Nevertheless, emerging markets offer good opportunities for exporters from developing countries in the medium term.

Tip:

- **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.

Position in the market

- Imports of processed fruits and vegetables in the European Union continue to increase, with imports from developing countries growing at a faster rate than general imports. Nevertheless, developed countries are also increasing their exports to the European Union, led by the United States, which has significantly increased its exports of preserved tomatoes and preserved cranberries (Figure 1).
The largest importers of processed fruits and vegetables in Europe are Germany, France and the UK (Figure 2). In all three countries, imports from developing countries increased more rapidly than general imports. Nevertheless, the highest import values were observed in product segments that are rarely imported from developing countries (e.g. preserved tomatoes, frozen potatoes and frozen vegetables).

Considering internal European competition, in the vegetables segment the highest supply comes from Belgian companies and in the frozen fruit segment the highest supply is from Poland (mainly frozen berry fruit). In the canned fruit and vegetables segment the biggest competitors for Developing Countries exporters are Italy (preserved tomatoes) and Spain (vegetable mixtures, artichokes, olives). In the fruit juices segment the highest competition comes from Brazil (orange juice), the USA (cranberry juice), Turkey (apple juice) and Thailand (pineapple juice). In the jams and fruit preparations segment the main competitors outside the EU are from Turkey (nut purees), Mexico (homogenous preparations), Serbia (plum jams and purees) and South Africa (peach purees).
Figure 3: Leading external suppliers of processed fruits and vegetables to Europe (2015), in € thousand

Source: ITC Trademap

Tips:
- Be aware of the main supplying countries suppliers. Use the internet to explore their portfolios and selling strategies in order to cope with the competition.
- Compare your offer with the offer from the major external European suppliers. Find out why specific products are sourced in high quantities from certain countries.
- A great deal of efficiency can be gained in transport and distribution in Developing Countries. Efficiency savings can be realised by Developing Countries exporters by achieving control over their distribution channels. This will give you a competitive advantage in your country and make you more competitive on price.
- Show willingness to invest in your relationship with your European buyer. This can strengthen your position in comparison with other Developing Country suppliers and in the EU market.
This survey was compiled for CBI

Disclaimer CBI market information tools: http://www.cbi.eu/disclaimer

July 2016