CBI Market Channels and Segments:

Fresh Fruit and Vegetables in Europe
Introduction

The European retail market for fresh fruit and vegetables is dominated by the supermarkets. About 60-90% of produce is sold through supermarkets, depending on the product and country. Supermarkets are demanding customers, generally with more than minimal requirements on quality and efficient consumer response, and importers are the key to supplying them. Some large supermarkets have special service providers who – together with importers and local producers – attend to the smooth delivery and sourcing of good quality products. Niche products are often traded by specialised traders. It is important to differentiate and select importers that fit your supply.

Figure 1: Market channels EU and EFTA market for fresh fruit and vegetables (explanation of the boxes: see annex 1)

Importers are the main key to the European market

Importance of importers/distributors:

Most fresh produce from developing countries is traded via importers. Importers supplying large retail formulas are changing towards a lean and mean organization. Without their own facilities (which are rented only when necessary), importers are developing towards an intermediary role between producers and retailers. Smaller importers are searching more and more for niche channels, for example by specialising only in exotics.

Increasing role of service providers:

Europe counts with many importers, but the market is consolidating. Supermarkets are increasingly organising integrated supply chains with a limited number of preferred suppliers or service providers. This enhances responsiveness and safeguards product quality and promotional planning. Larger importing wholesalers will also often act as service providers to the supermarkets, investing in added value services such as ripening, packaging and mixing.

The Netherlands is an important gateway to the European market:

A great deal of produce is imported through the Netherlands (via the port of Rotterdam) only to be exported to other European markets such as Germany and the UK. The strongest point for Rotterdam is the fast track record on groupage services (combining several small shipments into a single container). Belgium and the UK are also major importers of fresh fruit and vegetables from developing countries. The importance of supply chain logistics (planning & cold chain) in terms of the quality of the final product must not be underestimated.

Investments in infrastructure:

New investments are being made in ports and container services as well as reefer services in places such as Rotterdam in the Netherlands. Intermodal transport services (using multiple modes of transportation) and connections are being extended and developed. This will further strengthen the position of the Netherlands and Belgium as trade hubs. Another European initiative is to improve the Fresh Food Corridor (using intermodal containers or vehicles on multiple modes of
transportation) from the Middle East through the Mediterranean to Northern Europe. This will contribute to a more efficient supply from countries such as Egypt and Israel.

**Major destinations include Germany, the UK, Belgium and France:**

In 2015, European countries exported €20.9 billion worth of fresh fruit and €16.1 billion worth of fresh vegetables (including intra-EU trade). Over 90% of EU exports go to other European countries. Spain is the largest exporter, with exports consisting predominantly of its own production, while the Netherlands and Belgium are major trade hubs thanks to their logistical positioning.

Germany, the UK and France are the largest final destinations, accounting for around 45% of EU export value in 2015. Another 10% of EU export value is redistributed (or consumed) by the trade hubs of Belgium and the Netherlands. Eastern Europe has growth potential: well-known tropical fruits such as pineapples and lemons and limes are finding their way through Western European ports to new, upcoming markets in Eastern Europe.

**Figure 2: Imported volume share of fresh fruit in Europe in 2015**

![Figure 2: Imported volume share of fresh fruit in Europe in 2015](source: ITC Trademap)

**Figure 3: Imported volume share of fresh vegetables in Europe in 2015**

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The Netherlands and Belgium are typical trade hubs to northern Europe, where standards are strictly respected. Imported fresh products that do not pass these high standards are rerouted to other markets, such as Rungis in France where fruit and vegetables are traded on the spot (France is a typical end market). When fresh produce has quality issues, often a claim will follow, which is a common way to renegotiate.

Outside the EU, fresh fruit and vegetables are mainly exported to Belarus, Switzerland, Norway and previously also to Russia. As a result of international politics, Russia has banned European fruits and vegetables. How long this ban will last is currently unknown.

Differences in European market channels

The European market can roughly be segmented into three geographical areas with different patterns of consumption and buying behaviour.

Consumers in north-western Europe have the highest average purchasing power. The market has the highest demand for tropical and exotic fruit and off-season vegetables. Northwest European consumers buy most of their shopping in supermarkets. Specialist fruit and vegetables stores are slightly more expensive than supermarkets, but carry a more diverse range of products. The role of supermarkets is set to further expand. In this segment, almost all of the produce sold is class I (highest quality).

In southern Europe, fruits and vegetables make up a higher share of the diet. Consumers have a stronger preference for taste and local traditional produce, although local supply is not sufficient to meet the total year-round demand. The supermarket channel is gaining importance in these regions as well.

In Eastern Europe, product quality requirements are somewhat lower (class I and class II) than in north-western Europe; supermarket market share is also lower but expanding. In the long run, market growth in Eastern Europe, including higher quality and sustainable produce, is expected to be substantial. With the increase in customer quality demands comes also the increase in the importance of a quality supply chain.

Good logistics is essential in your trade channel

Post-harvest treatment and logistics are crucial:

Many companies and agents are active in the supply channel. Products are usually sorted, washed, packed and sometimes minimally processed (cut or sliced) and repacked before entering the retail channel. Packers operate at different stages of the supply chain to wash and re-pack products from wholesale into retail packages. Throughout the supply chain cleaning and decontamination of equipment, containers, pallets, crates and vehicles is of the utmost importance. Exporters must meet the demands with regard to logistics and special attention should be paid to timely delivery, cooling, hygiene and correct documentation.

Sea or airfreight depends on the type of product and distance:

Common fruits such as bananas and citrus and other more durable produce is usually shipped by sea, while more exotic and premium priced fruits and vegetables are flown by airfreight. As sea transport is less expensive and more environmentally friendly, technological developments in sea transport (storage, conditioned containers and ripening) are being explored to reduce the dependency on airfreight.

Tips:

- Visit fresh markets and retail outlets in different target countries in Europe to understand the local dynamics and preferences of each market.

Tips:

- Choose your distribution channel carefully according to local taste preferences, quality and market structure. Take into account that your buyer has to deal with strict compliance to large retail chains and expects the same from you.
- Contact FrugiVenta to get more information about potential Dutch importers with European distribution. You can also find importers at Trade Fairs such as Fruit Logistica in Berlin.
Efficient consumer response:

Most retailers and their suppliers operate Efficient Consumer Response (ECR) systems to adjust flexibly and rapidly to changing demand. Timely delivery, flexibility of supply and adherence to all logistical requirements to guarantee product quality is crucial. Exporters and growers must be able to meet the logistical requirements of the supply chain. To ensure product quality and ECR, most supply chains are strictly organised under the direction of the importer/wholesaler or service provider in adherence to the retailer’s demands. It reflects the important trend towards vertical integration.

Tips:
- As cleaning and decontamination of (transport) equipment is crucial, implement and actively operate quality and hygiene procedures. Use guidelines such as can be found in the European guidance document on the hygiene of foodstuffs.
- Ensure good logistical treatment of your produce and check for the best ways to maintain product quality.
- Inform yourself about ECR when supplying to supermarkets and be prepared to integrate your processes with those in your trade channel.

Supermarkets dominate sales of fruits and vegetables

The European market is divided in different sales channels, with supermarkets being the most important sales channel for consumers and online concepts as a new development in fresh produce. The annex explains more about the different actors in the trade structure and segmentation.

Figure 4: Importer/wholesaler segmentation of the fresh fruit and vegetable sector

Dominance of supermarkets:

The supermarkets have market shares of between 60 and 90 percent in the retail sales of vegetables and fruits, depending on the country. The market share of supermarkets tends to be higher in Northwest Europe than in Southern Europe. Traditional fresh fruit and vegetable stores and street markets have seen their market shares decrease to about 10% in most countries. The dominance of the major supermarkets and centralised buying has increased supermarkets’ power within the market and product requirements throughout Europe. This makes trade more difficult for exporters from developing countries as product requirements increase. Supermarkets can generally choose from many suppliers especially for undifferentiated products.

The largest European food retailers are the Schwarz Group (including Lidl), Tesco, Carrefour, Metro Group, Auchan, Rewe Group, Edeka, Leclerc, ITM (Intermarché) and Sainsbury’s. These concerns usually manage several different supermarket brands.
Simultaneously, although traditional fruit and vegetable stores are losing market share, some are servicing a specific market for niche products: exotic or ethnic products and specialised organic shops are still expanding. This may be an opportunity for exporters that supply differentiated products in smaller volumes.

**Retail moving away from the grey middle:**

The mainstream or middle segment is losing market share. Lots of retail bankruptcies have occurred and a similar development is visible in the food market. Both discount supermarkets and luxury or specialised stores have been on the rise. If price is not the driver, then consumer experience is crucial. Top-end supermarkets such as Marqt (Dutch) and Grand Frais (French) are just as successful as discounters Lidl and Aldi (German). This new environment has also created room for new food shopping and leisure retail concepts such as food courts (for example the Rotterdam Market Hall).

Opportunities can be created by finding and establishing relations with the right buyers: experienced buyers that invest in technical development and product innovation, import companies that are financially sound, etc. But in a market where the grey middle is lacking, it will become even more important to hook up with buyers that are the right match for the type of product and supplier. The decision to differentiate is as important for you as for your European counterpart.

**Home delivery and e-commerce:**

Another part of the new form of food shopping takes place online, which addresses the need for convenience. Large investments in concepts such as HelloFresh, Gousto and other home delivery programmes are boosting online purchases of fresh food. Many supermarket chains are also promoting their home delivery services. Moreover, the potential power of online retailers such as Amazon could change market channels indefinitely, with significant consequences for traditional shops.

**Tips:**

- In order to deal with the purchasing power of large retailers, prove yourself to be a reliable and good supplier.
- Set your product apart from competitive products by differentiating and be responsive to your customer’s sales strategy.
- Supermarkets may prove to be demanding customers: take advantage of the knowledge of importers/wholesalers.
- Consult the overview of retailers on the website of FreshPlaza.
- If you export organic, ethnic or niche products, extend your focus to importers that supply specialized stores.

**Segment quality and quantity requirements**

All EU imports of fresh fruit and vegetables have to adhere to minimum requirements on product quality and food safety. Additionally, supermarkets – specifically in north-western and southern Europe – demand almost exclusively class I produce. The quality requirements for Eastern Europe may be lower in some discount supermarkets and street markets. Most supermarkets demand consumer packaging for imported produce, including the retailer label. Country of origin labelling is also required. Consumer pack sizes are usually quite small (for example avocados are packed in ones or twos, green beans in 200g portions). Food service is a better segment for larger sizes.
Supermarkets demand much larger quantities than specialised stores and street vendors. The latter are however generally supplied by domestic wholesale. When supplying supermarkets, exporters must be able to deliver large quantities of uniform product quality. To become a regular supplier to the large retail chains, timely delivery and cooperation with special promotions, as well as flexibility with regard to seasonal or growing demand are vital. Supplying through an importing wholesaler is generally the only way to achieve this status. The importer/wholesaler can plan and redistribute supplies from several exporters to meet customer demands.

**Tips:**
- Choose the appropriate segment that coincides with your products’ quality and your supply volumes.
- Apply good practices and get certified related to food safety and logistics. For specific buyer requirements, see: [CBI Buyer Requirements](#).
- Build trust with customers, for example by focusing on product uniformity and timely delivery which are highly valued.
- For general information on wholesale prices, consult [Pricewatch](#) on FreshPlaza or [FreshFruitPortal](#).
Annex 1: Information boxes for the trade structure (figure 1)

Importers/wholesalers:

The importing wholesale companies buy produce from abroad and resell to domestic retailers, or re-export to other countries. They take care of the necessary administrative formalities and often provide services such as (re-)packaging, ripening, transportation and logistics. These importing wholesalers provide your best access to the European markets, as they have an extended network of customers, varying from retail buying centres, domestic wholesalers to food service companies. Importers usually have longstanding relationships with customers and excellent knowledge of quality requirements, logistics and the formal administrative processes. Some wholesalers use agents to facilitate transactions.

Sorting/washing/packing:

Post-harvest treatments include sorting, grading, cleaning or washing, cutting or slicing, ripening, and packaging and labelling. The treatments depend heavily on the type of produce and the supply chain requirements. Usually, but not always, sorting and cleaning of fruit and vegetables is done in the country of origin, as well as packing in wholesale containers (boxes or crates). For some produce, such as avocados, mango and papayas ripening is done in the destination country.

Re-packing:

After importing into the EU or EFTA market, some produce needs to be repacked in retail size packaging. Wholesalers and specialised companies perform this task if required by the wholesalers.

Hyper- / Supermarkets:

European supermarkets are divided into the large supermarket chains such as Carrefour, Rewe and Ahold, and smaller independent stores. The larger supermarkets have by far the largest market shares and operate their own (sometimes combined) buying centres and distribution centres. Although supermarkets may be involved in sourcing their fresh produce, they usually rely on the services of importing wholesalers and service providers. Supermarket service providers are wholesalers and logistics service providers who take care of much of the sourcing and distribution process on behalf of the supermarket. They cooperate with importers and are responsible for importing, contracting and combining products from different countries. Directly dealing with supermarkets requires a high degree of business professionalism as well as access to logistics service providers and your own importing experience and facilities. Usually exporters from developing markets access the supermarket channels through European importers.

Specialised shops:

Specialised fruit and vegetable shops exist throughout the European market, although their market share has decreased to about 10 per cent. Most of them are family-owned, small independent shops that sell fresh fruit and vegetables as well as some related food items. They buy primarily from local wholesalers.

Street markets:

Most European cities have regular (sometimes daily) fruit and vegetable markets. Traders rent stalls and sell fresh produce that they usually source from local wholesalers or producers. The street markets have a decreasing market share of only a few per cent in most countries.

Food service:

The food service channel includes restaurant, hotels, business catering and hospitals. These organizations usually procure fresh fruit and vegetables from local wholesalers. The food service channel has an estimated market share of about 10-15% for fruit and about 20% for vegetables.

E-commerce / Online concepts:

E-commerce is growing in Europe, especially in Northern European markets, where online shopping has become an integral part of society. Supermarkets are experimenting with home delivery of fresh products, and new independent concepts are emerging (for example food boxes with recipes). Examples include Hello Fresh and Gousto.