CBI Trends:

Fresh Fruit and Vegetables in Europe
**Introduction**

The main trends offering opportunities for exporters of fresh fruit and vegetables are the increased popularity of healthy natural products, organically produced products and convenience food, as well as the increased importance of corporate social responsibility (CSR). More integrated CSR programmes and certification programmes are introduced with increased sharing of information along the total supply chain. Meanwhile, product innovations will improve customer experience and taste. These developments require further specialisation and integration of actors within the supply chain.

**Increase in local supply of fresh products**

The total European trade of fresh fruit and vegetables is increasing gradually year by year. Local fruit and vegetables have enjoyed stronger promotion in 2015. European consumers receive well the seasonal fresh products that are locally produced. This trend is reinforced by the limited access of European products to the Russian market (see information on the Russian embargo below). Consequently the import from developing countries decreased in 2015.

**Figure 1: European import value of fresh fruit and vegetables, in billion euros**

![Graph showing European import value of fresh fruit and vegetables, in billion euros.](source: ITC Trademap)

**Market diversification: new, healthy, tasty and easy**

**Healthy living:**

Health has always been a selling point for fresh fruit and vegetables. In the coming years, the importance of communication on the health benefits of these products will increase.

Especially in North-Western Europe, products with specific healthful characteristics (superfoods), including berries (blueberry, acai, cranberry, physalis), pomegranates and papaya, have become more popular. The continuation of this development has been confirmed by the fact that leading retailers have started to embrace these products. Despite their growing popularity, however, health foods remain specific to relatively wealthy consumer groups and specialised import companies.

**Popularity of pure and organic continues:**

A significant group of European consumers are increasingly seeking pure and natural products. This is a principal reason for them to buy organically produced fruit and vegetables.

The organic market in Europe grew 7.4% in 2014. The market share for organic food in Europe varies between 2% and 8%, with Denmark, Switzerland, Austria and Sweden as leading countries. In terms of market size, the total retail sales of organic products are highest in Germany and France, with increases of 10-11% in 2015. Organic consumption in Sweden even boomed up to 40% in 2014 and 2015.
Although still considered a niche, the organic market is expected to grow over the next years. Research company Technavio predicts organic food and drinks will grow by a combined yearly average of approximately 7% in Europe until the year 2020. For 2015 they have identified the following top vendors in Europe: Tesco, Metro, Carrefour, Ahold and the REWE group.

Figure 2: Retail sales of organic products in billions of euros

Organic fruit and vegetables are associated with health and better taste. Often, demand for organic exceeds supply, making it easier to find buyers and better margins. On the other hand, it can be challenging for exporters in tropical climates to comply with organic standards in Europe. New legislation on organic agriculture is supposed to be implemented in Europe in mid-2017 (see also Buyer Requirements). Although the objective is to simplify the old organic legislation, it is a concern that exporters and producers from “developing countries with completely different meteorological, environmental and structural conditions comply with the rules made for European conditions” (IFOAM).

Tips:
- When focusing on organic fruit and vegetables, find specific market partners that are well integrated in this segment and have knowledge on the European legislation.
- Look on Organic-world.net for detailed statistics on organic production and sales in Europe.

Specialties and consumer experience:

In addition to the increasing scale of retail sales in the European Union (EU) and the corresponding larger volumes, the market for special niche products is growing. Niche products and new varieties will continue to emerge, providing unique taste and triggering consumer indulgence, particularly within the high-end market.

The market for fresh fruit and vegetables has traditionally been driven by price, but today’s market has become more dynamic. Retail discounters are claiming increasingly greater market shares, while consumers are complementing their price-shopping behaviour with a preference for exotic or special quality fruit and vegetables. Fresh products such as avocados, mangoes and sweet potatoes have shown strong import growth of 10% to 20% in Europe between 2014 and 2015, while other more common products such as oranges and tomatoes have seen little fluctuation.

In addition to consumers’ preference for exotic and special quality fruit and vegetables, taste and experience are playing an increasingly important role. Consumers are willing to pay premium prices for products that have consistently good taste. Branding and story-telling are necessary tools to support the marketing of exceptional taste.

Demanding and changing consumer habits motivate suppliers to diversify and innovate. To make innovation possible, exporters from developing countries have to be able supply a constant quality.

Tips:
- Make sure that you use excellent seasonal planning and logistics. Poor quality and immature fruit will hurt consumption and also your reputation.
- Use the superlative taste of your product as a marketing tool, on packaging, or through magazines or the internet. Be familiar with taste preferences per country or region.
Convenient food:

Lifestyles are becoming more fast-paced and interest in easy and convenient foods is increasing. Especially in North-Western Europe, retailers are responding to this trend with freshly cut fruit, snack vegetables, seedless fruit, easy peelers, prolonged shelf life, individually sized products (for example mini-papayas, mini-watermelons), ready-to-eat products and e-commerce. Although demand for convenience products in other parts of Europe is still low, it is on the increase.

Specific trends with growth potential include ready-to-eat and ripened fruit. An underlying development is the improvement of ripening processes for fruits such as mango, avocado and papaya in the importing country. This improves taste and lowers costs as pre-ripened fruit does not have to be flown in from exporting countries. Fruits can often be picked in an unripe condition and shipped to the importing countries instead of being picked ripe.

E-commerce facilitates fresh products on demand, thus further strengthening the convenience trend. Examples are HelloFresh, Guosto and home delivery services offered by supermarket chains.

Tip:
- Use the right seeds or varieties, as well as seasonal planning and meet all logistic requirements to acquire a good position in the supply of convenience fruit and vegetables. For example, supply mature fruit that can ripen in a conditioned environment before it reaches the consumer.

Good conduct determines success

Food safety as a precondition:

Food safety continues to be very important. Within the North Western European market, product requirements are already higher than the official EU requirements. Food safety regulations, placing strong emphasis on food safety, will be implemented in new EU member states as well.

Strict compliance with Maximum Residue Levels (MRLs) and prevention of microbiological contamination are a precondition when entering the EU market. Tracking and tracing is also becoming more important, as well as certification schemes such as GLOBALG.A.P. and British Retail Consortium (BRC) global standards. GLOBALG.A.P. has become a minimum standard for most European supermarkets, especially in the northwest European market. Growers and exporters are advised to pay specific attention to cleaning and decontaminating equipment, containers and transport vehicles. Strict compliance with food safety regulations is a challenge for every producer and exporter. At the same time, if applied well, it can improve your competitive position.

Tips:
- Work together with importers on tracking and tracing systems. Gain an advantage by demonstrating good conduct and consistent compliance with food safety standards.
- Certify and organise your production before exporting to the EU. Be professional – your supply chain is only as strong as the weakest link.
- Be up to date with MRLs and food safety requirements. Check the Buyer Requirements.

CSR is becoming mainstream:

Corporate Social Responsibility (CSR) and sustainability continue to gain importance. Consumers are more concerned about the origin of products and how they are made. They demand more sustainable (socially and environmentally responsible) foods from retailers.

Proof of social conduct includes IDH sustainable trade, Business Social Compliance Initiative (BSCI), Ethical Trading Initiative (ETI), Global Social Compliance Programme (GSCP), Fair for Life, Fair Trade and other similar ethical certifications. CSR is well integrated in North Western European business. In the long term, CSR is expected to increase in importance in Southern and Eastern Europe as well. Certification relates to good agricultural practices including working conditions and production methods.

In addition, a trend towards local-for-local consumption and an increasing emphasis on the reduction of greenhouse gas emissions during production and transportation has been observed. In the near future, water management can be considered an important theme as well. For suppliers from developing countries, CSR usually poses a larger obstacle than it does for European producers.
Specialization and integration

Specializing role for importers:

As a result of increasing competition, the role for importers and wholesalers is changing. They become more specialised and are looking to establish a unique market position.

Wholesalers that supply large retail formulas now prefer to work with a lean and mean middle man, who works with large producers and in large quantities. They handle the European logistics without having their own facilities. If plant space is needed they will hire it temporarily. As a result, smaller importers search more and more for niche channels, for example by specialising only in exotics or a specific product type.

Tips:

- Define your strategy and choose an appropriate marketing channel based on the strengths of your company, preferably before closing any contracts.
- Find a large importer/distributor if you focus on bulk production. Work with specialist importers if you supply smaller quantities of special products.

Vertical integration:

Specialisation is often accompanied by vertical integration. Supply lines are becoming shorter and more efficient. Contact between farmers, traders and retailers is becoming closer. Recent experiences have also yielded examples of integration with a negative impact. For some, investments in warehousing and logistics have had significant financial consequences when the economic crisis occurred in 2008. Nevertheless, the key to future development resides in integration for purposes of specialisation. Control throughout the entire value chain is essential in order to build expertise in specific products and to comply with the strict delivery terms of large retailers.

Tip:

- Profit from the experience of your buyers and business partners. In some cases, joint ventures with European companies could improve your market position in the EU.

Tips:

- Invest in CSR practices and certification to maintain your position in the European market in the future and increase the value of your product. Make your product supply chain transparent by using a website and QR-codes. These can give insights to consumers about the product, the people and the plantation.
- Read about the various social compliance programmes and certificates (for example BSCI, ETI, Fair for Life, GSCP and Fair Trade).
Cultural, economic and political influences in trading

Eastern Europe is emerging:

Currently the market for tropical fruit and exotics in the Eastern EU is still relatively small. However, demand in Eastern and central parts of the EU, such as Romania and Poland, is expected to grow in the coming years. Romania increased its imports of tropical fruit (pineapples, mangoes, avocados, mangoes, guavas, dates, figs) from 4 thousand tonnes in 2011 to 13 thousand tonnes in 2015. Poland imported 37 thousand tonnes tropical fruit in 2015, over 50% more than in 2011.

Consumers in Eastern Europe are very price-conscious and exotic and tropical fruits are relatively new for most consumers. A good way to enter this market is through importers in Western Europe that are extending their business to Central and Eastern Europe.

Tip:
- Invest in your European contacts and look for possibilities to extend exports to upcoming European countries. Visit trade fairs such as Fruit Logistica or invite importers and retailers for company visits.

Russia banned EU fruit and vegetables:

In August 2014, Russia announced an import ban on fruit and vegetables from the EU. A year later, Russia also closed its borders to Turkish food exports. The Russian import embargo has had consequences for both the internal EU market and European exports.

The market for a significant quantity of fresh products from the EU disappeared, and prices have dropped accordingly. The low prices of local fruit and vegetables (such as pears, apples, tomatoes and cucumbers) have contributed to changing trade flows. European export to Russia has been decimated. In 2015, the European import value of fresh fruit from outside Europe decreased as well. For the supply of for example grapes and apples, Europe depended much more on local production. Because of a devaluation of the Russian Rouble, Russia has not been able to fully explore direct relations with suppliers from developing countries. It is unclear when the embargo will be lifted.

Tip:
- Follow the developments and the EU responses of the Russian import ban on the EU website. Updates on the situation can be found on news sites such as FreshPlaza.

EU markets highly regulated:

Individual member countries of the EU maintain strict control over the fresh food market. Political decisions are likely to influence market opportunities for suppliers from developing countries. Examples of how Europe is regulated can be found in agricultural subsidies, the EU’s response to phytosanitary issues and the prohibition of genetically modified products:

- a) In extreme situations (such as the Russian embargo), the EU can decide to compensate local farmers for their losses.
- b) Detection of diseases or pests may result in the rejection of trade or ultimately lead to import bans. For example, last year Citrus Black Spot disease in South Africa caused concern with European control agencies.
- c) Genetically modified fruit and vegetables are currently not permitted to enter the market. It is expected that GM fruits and vegetables will continue to be banned from the EU for many years.

Regulations in the individual countries may differ slightly from EU regulations, although generally market access requirements are very similar.

Tips:
- Keep up to date with European rules and regulations concerning food safety, genetic modification and phytosanitary controls (for example via www.efsa.europa.eu).
- Be aware of the importance of plant health and the good quality of the border checks which may cause rejection into the European market or ultimately wider import bans.
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