



CBI
Ministry of Foreign Affairs

CBI Competition:

Fresh Fruit and Vegetables in Europe

Introduction

The buyer power of European importers is high. For niche or premium products it is easier for suppliers to influence the buying process. This is thanks to the growing demand for tropical, exotic and off-season fruit and vegetables. These fruit and vegetables are not easily replaced by other products; however, strict buyer requirements as well as forward and backward integration of the supply chain will make it increasingly harder for new and small companies to enter the market.

Market entry: Which opportunities and barriers will I face when trying to enter the European market?

The European market for fresh fruit and vegetables is a very mature market that is well managed by legislation and certifications. Opportunities can be found in the accurate response to market needs, good compliance with buyer requirements and product differentiation.

European requirements are strict:

Rules are becoming stricter; supply chains are shorter. These developments increase the importance of having good suppliers. Suppliers can improve their competitive advantage by perfectly following or even surpassing the requirements of buyers and by working closely with their European counterparts. It also means that you can expect claims if your product is not in accordance with the agreed (minimum) requirements. Non-compliance with the minimum [requirements for fresh fruit and vegetables](#) is punished severely.

Tip:

- Find more information about legal and non-legal requirements on the European market at the [EU Export Helpdesk](#) or through the [ITC Market Access Map](#).

Buyers expect quality and certification:

Certification schemes are essential in the European market for fresh fruits and vegetables. Although different certificates are common in different European end-markets, they all want you to show quality and awareness of environmental or social aspects of your production. In order for importers to remain competitive, it is essential that they work with reliable suppliers. Buyers are generally not eager to replace well-established relationships that meet all of their requirements or that supply specific brands. Nevertheless, attractive pricing and differentiated products are always good arguments. Remember that reliability is a two-way street, and poor market conditions can bring out the worst in people.

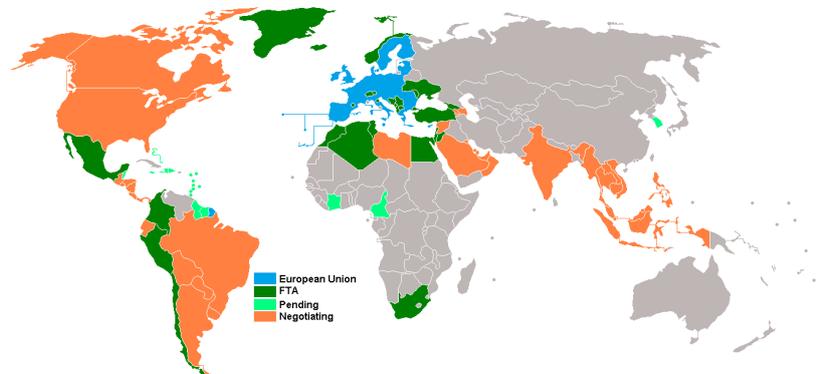
Tips:

- Know your buyer! Assume that buyers (new and experienced) always act in their own interest. Arrange a minimum price, stay alert and watch out for empty promises.
- Check out the different types of certification schemes on the ITC Standards Map.
- Find more information about [EU Buyer Requirements on the CBI Market Intelligence Platform](#).

EU Free Trade Agreements:

The European Union has identified the creation of business opportunities for EU exporters as a key priority, which is facilitated by Free Trade Agreements (FTAs). In return, partner countries can negotiate preferential tariffs for the export of fresh products to the EU. Important suppliers of fresh fruit and vegetables (for example Morocco, Egypt, Colombia, Peru and South Africa) have FTAs with the EU. Depending upon their content, such agreements can provide advantages in the trade of fresh products. For a complete overview of FTAs with the EU, see the [European Commission website](#).

Figure 1: Free trade agreements



Source: [Wikipedia](#)

Tip:

- Determine whether your country has a Free Trade Agreement with the EU and whether your product qualifies for a preferential tariff. Determine your (dis)advantages compared to direct competitors from other countries.

Russian embargo leads to price drops:

In August 2014, Russia announced an import ban on fruit and vegetables from the EU. Russia is an important destination for European exports. However, due to the embargo, fresh products meant for the Russian market now need to find another destination. The length of this ban is currently unknown. This has led to price drops for fresh fruit and vegetables produced in Europe and which, in turn, create additional competition for (higher priced) imports.

Grower's licence:

Having a licence or exclusive partnership with seed companies may lower the threat of new entrants temporarily. Access to the right plant material to meet quality and taste requirements is important; specifically for the larger commodity products. Breeder rights are strictly regulated in the EU.

Tips:

- Gather information on which varieties are in demand from European buyers and acquaint yourself with European regulations on plant breeders' rights through the [Community Plant Variety Office](#) (CPVO). It may be beneficial to have a licence to produce a more differentiated product.
- For more information about the changing consumer market see the [OECD report on this subject](#).

Product competition: What are substitute products?

This section describes the existence and competing power of substitutes for fresh fruits and vegetables. This may include candy bars and other snacks, fruit and vegetable juices, prepared or processed products or even vitamin pills.

Substitution by price variation:

Substitution within the fresh market based on price changes remains high (fresh mango replaced by apple, for instance). In this sense, price is a major factor that determines which fresh fruit is chosen. Nevertheless, consumers are mostly buying the same products again and again or looking for specific products to use in specific dishes. Under normal price conditions the threat of substitution is low.

Fresh snack alternatives:

The threat from substitutes outside the fresh fruits and vegetables segment may seem high, because of the extensive availability of sweets, crisps and other snacks. In reality – also thanks to government and private promotion campaigns – the threat of substitutes taking over market share from fresh produce is considered moderately low. In fact, fruit and vegetables are a healthy alternative to other less healthy meal components or snacks and, therefore, of interest in

countries with a high density of obese consumers. Freshly cut fruit and 'snack vegetables' are an upcoming market. Exporters can respond to this trend by supplying well-ripening and tasty fruit as well as small-size products that are ideal for individual consumers, such as small 'sunset' papayas, mini-watermelons, baby cucumbers and cherry tomatoes.

Tips:

- Visit retail outlets when visiting Europe to get a good impression of the types and varieties that appeal to consumers in your target country.
- Ask your buyer how you can cooperate in the effort of emphasizing the health benefits of fresh fruit and vegetables, which is a responsibility shared by the entire supply chain

Company competition: Who are my rivals?

The European market is a buyers' market, where many suppliers compete principally on price. Minimum requirements are complying with buyer requirements and keeping promises.

Position in the market:

High competition in large commodities:

The intensity of competition depends on the product, geographical market, sales channel and segment. Competition between suppliers of commodity products such as bananas and oranges is high, with a few large firms dominating the market. In general, for almost every product, there are many suppliers for buyers to choose from. Exporting to the European market principally involves competition on price, volume and adherence to strict rules and regulations. Setting your product apart from the rest by differentiating on added value, like quality, taste and sustainability, may decrease competition at least temporarily. For smaller niche markets in Europe (such as exotic products), competition can be less intense, since those products are not widely available or grown in Europe.

Tips:

- Do not to compete on price only, but on added value (organic, sustainability, healthy, ready to eat) and differentiated products; this will be even more important in the future.
- Partner or set up a joint venture with reliable European buyers, but also with producers from your own country in order to strengthen supply chain reliability. Without these joint ventures or partnerships, switching costs for EU buyers will be lower. Invest knowledge and know-how in long-term partnerships.
- Always communicate, good news or bad news. Open communication helps you build and maintain relationships in the competitive field.

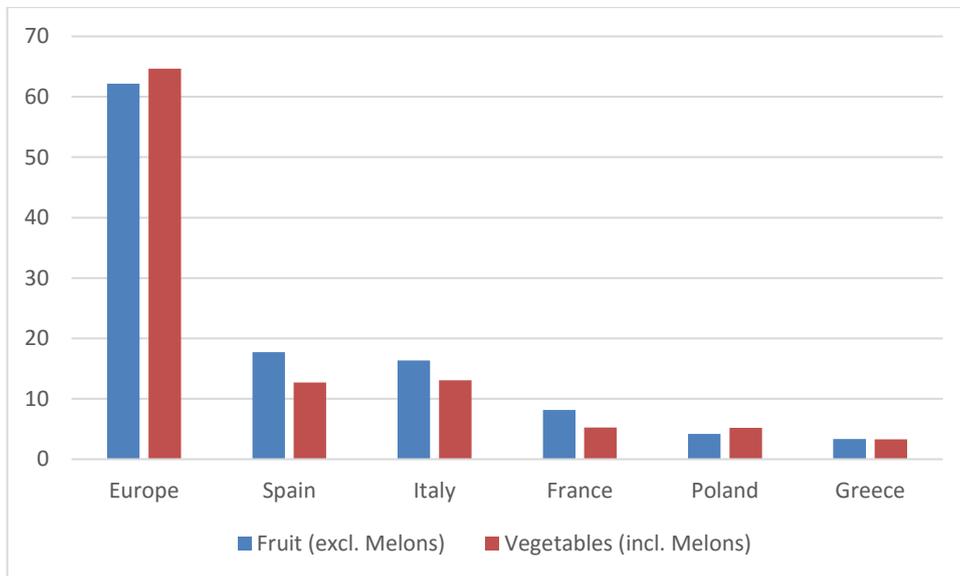
European suppliers are productive and well organised:

The European Union provides one of the largest markets for fresh fruit and vegetables, and suppliers can expect their products to be moved extensively across the continent. Over 80% of European fresh exports are destined for the internal market. For in-season fruit, southern Europe is a strong competitor for suppliers from developing countries. European competitors are well organised and have optimised their marketing tools, including social media and online presentation.

Tip:

- Familiarise yourself with the possibilities of using social media and other information technologies for promotion and customer relationships. Social media such as Facebook, Twitter and WhatsApp are widely used in Europe.

Figure 2: Production of fresh fruit and vegetables in the European Union, in million tonnes in 2013



Source: ITC Trademap

Southern Europe is an important production region

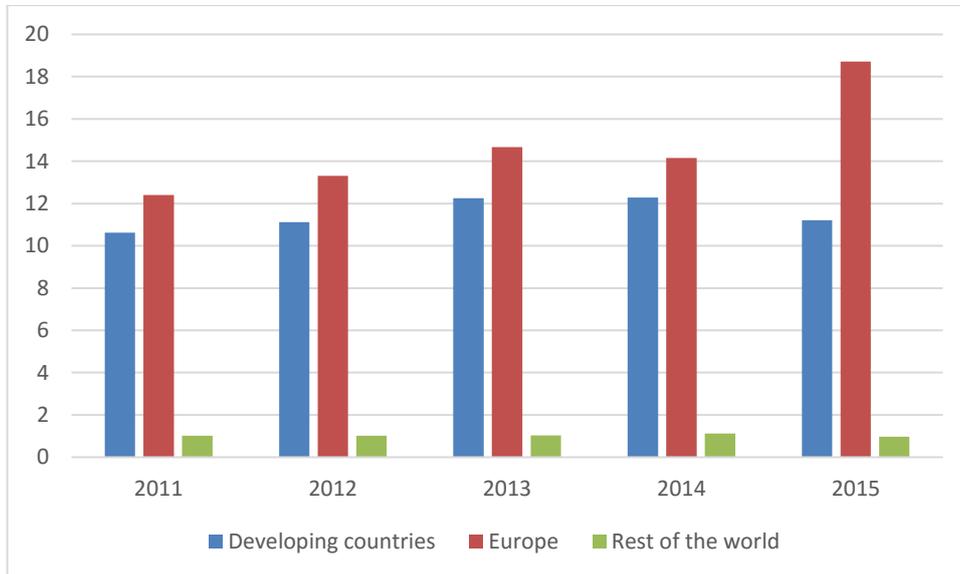
Based on latest data of 2013, Italy, Spain and France produce almost 68% of European fresh fruit (mainly grapes and citrus fruits), and 47% of fresh vegetables (excluding potatoes). The Netherlands is also a top EU producer of fresh vegetables, producing mainly tomatoes, cucumbers and sweet peppers from greenhouse horticulture. With an export value of almost 9.3 billion euros, Spain accounted for over 30% of Europe's fresh fruit exports in 2015. Supply from Eastern Europe is increasing as well, with the exception of exotic/tropical fruits. Their distribution channels are often better organised and faster than those in developing countries.

Note that according to the European Food Information Council ([EUFIC](#)), the highest consumption rates of fresh fruit and vegetables are also in the east and south of Europe. Italy and Spain are the countries with the highest consumption, and are also major producers of grapes, oranges and tomatoes. Therefore a large percentage of their 'consumption' is linked to local processing activities. Consumption in Eastern Europe is relatively high and offers potential for new products, which are competing more and more with local produce.

Climate and geography determine competitiveness

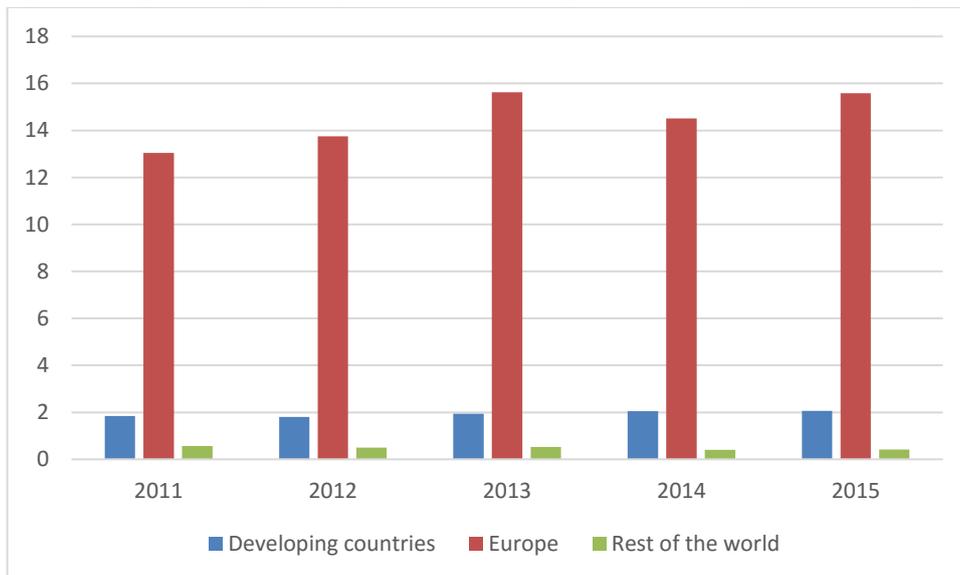
Opportunities and competition will vary depending on your product, but are also determined by geography and climate. The principal suppliers to the European market produce counter-seasonally or produce fruit that is difficult to grow in Europe.

Figure 3: Origin of European import value of fresh fruit in 2015 (in billion euros)



Source: ITC Trademap

Figure 4: Origin of European import value of fresh vegetables in 2015 (in billion euros)



Source: ITC Trademap

Declining import value from developing countries

In 2015, bananas represented about 30% of the total import value from developing countries, followed by grapes (11%), pineapples (6%), avocados (6%) and oranges (5%). Over the past five years (2011 to 2015), the import from South Africa (citrus, grapes), Turkey (grapes, citrus), Peru (avocado, mango, berries), Morocco (citrus, soft fruit) and Mexico (limes, avocado) has increased. Nevertheless, in 2015 there is a visible decline of the import value from developing countries, as can be seen in figure 3. One of the declining suppliers has been Costa Rica (banana, pineapple) due to climate and market conditions. The import of grapes and apples has been partly replaced by European production. Some of these changes are influenced by lower prices and shifting trade due to the Russian import embargo.

For vegetables import has been stable. Europe imports tomatoes, peppers, potatoes and unions from nearby countries such as Morocco, Turkey and Egypt. In terms of import value, Peru and Kenya are also significant suppliers of respectively asparagus and beans.

New suppliers and suppliers of non-traditional fruit and vegetables can best achieve success in specific niches for exotic and out-of-season fruit.

Climate conditions can be a decisive factor. Times of low supply in one region due to poor harvest, pests or climatic difficulties can result in a better market position and bargaining power for other production regions. Although impossible to predict, short-term opportunities and difficulties are typical in the fresh trade.

Tips:

- Plan your supply carefully. If you want to export a fruit or vegetable product which is already available in Europe, timing is important. Check the [production calendar](#) in Europe in order to determine potential demand for imported fresh products. Buyers try to offer their customers the same products year-round and need to fill the gap in their seasonal planning. Timing is crucial.
- Connect with EU buyers through, for example, [FrugiVenta](#). Contact European import agents and determine who is a serious, reliable partner and who has a great market to supply on a regular basis.

Position in the supply chain:

Strong buyer's position for supermarkets:

The buyer's position of European supermarket is strong and is expected to increase even more in the future. This is evident in the demanding requirements and strict conditions supermarkets set. If one does not adhere to these demands, supermarkets shift readily to other suppliers. The European market for fresh fruit and vegetables is mainly a buyers' market characterized by oversupply. Competition is based mainly on price, which makes price sensitivity high for EU buyers. This then translates into greater pressure on other players closer to producer level, such as EU-import agents and exporters.

Tips:

- European buyers prefer long-term partnerships, but only agree to such a commitment after forming a positive judgement of potential partners. Try to understand this way of working, and follow EU trends, and be a reliable (adhere to your agreements) and accessible (easy to contact) partner.
- Aim to become directly or indirectly part of a long-term buying programme with a European retailer, but only if your company is ready for that kind of commitment.
- For a rough indication of wholesale catalogue pricing, have a look at the website of [France Agrimer](#) or the [Fresh Fruit Portal](#).
- See CBI's [Market Channels & Segments](#) for more information on the role of the different players in the supply chain.

Supply-chain transparency:

Large retail organizations are increasing their requirements concerning food safety and sustainability. EU buyers will put pressure on exporters from developing markets to adhere to these requirements. Exporters are expected to increase supply chain transparency as a requirement by retailers and wholesalers. Responsibility for food safety is gradually being transferred to suppliers. In addition, consumers increasingly want to know the story behind the produce.

Tip:

- Increase your transparency by showing end-users where a product comes from, preferably at farmer level. Use 'storytelling' and be as open and honest as you can be.

Future competition and supplier power:

Private and public requirements (and regular food safety control) for entering the European food market are becoming more stringent in terms of sustainability and food safety. This means a further reduction of supplier power, since the supplier has to adhere to the rules or else he cannot export.

At the moment, competition still takes place at the price level but this will change in the future, especially for niche markets. Quality and sustainability will become more prominent values in the EU market, which can be seen as an opportunity for suppliers to provide European buyers with high quality products at an increased price. This will, however, take time. Eastern European suppliers are gaining market share and will become more serious competitors.

Tip:

- Anticipate future changes by becoming a leader in quality, sustainability and product originality. For example, add value by accentuating sustainability aspects, such as fair production, and a fair price to the farmer, and 'authenticity' aspects, such as naturalness and no additives.



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