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Report Name: Food Processing Ingredients

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Report Highlights:

The Dutch food processing sector generated net sales of \$91.6 billion in 2019, driven by local demand as well as growing demand from other European markets. Increased attention to product reformulation and growing food awareness of more sustainable production procedures will continue to further shape the Dutch food processing industry in the years to come. Other consumer preferences continue to be affordability, convenience, and taste. Dutch food companies are always on the lookout for new food ingredients. Exporters from the United States compete directly with suppliers from European Union (EU) countries.

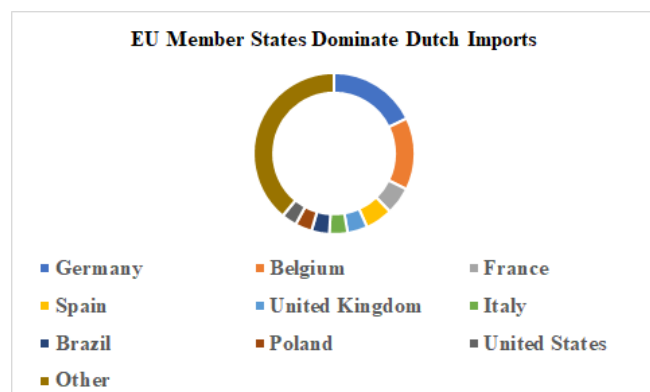
Market Fact Sheet: The Netherlands

Executive Summary:

Although the Netherlands is a small country geographically, it is the gateway for U.S. products into the European Union (EU) due to the presence of the Port of Rotterdam, Amsterdam Schiphol Airport, the confluence of two major European rivers, and an excellent road and railway infrastructure. It is the largest importing country within the EU and continues to be the second largest exporter of agricultural products in the world, after the United States and before Germany. These exports include products produced in the Netherlands as well as imported products that are re-exported, often after further processing and adding value.

Imports of Consumer-Oriented Products:

Products from other EU Member States lead Dutch imports of consumer-oriented products. In 2019, the United States was the tenth largest supplier of these products to the Netherlands, with imports valued at almost \$1.3 billion.



Source: Trade Data Monitor

Food Processing Industry:

Over 6,500 food companies in the Netherlands generated net sales of \$91.6 billion in 2019, up 3.5 percent compared to 2018. The meat, dairy, and fresh produce subsectors each accounted for roughly a quarter of the food processing industry's turnover.

Food Retail Industry:

The Dutch retail sector is rather consolidated, employing over 300,000 people and operating 4,300 stores. The net sales of the Dutch food retail industry are estimated at \$46 billion in 2019. High-end supermarkets are gaining popularity as consumers are demanding service, variety, and fresh and convenient products.

Foodservice – HRI Industry:

The net sales of the Dutch foodservice market are valued at \$24 billion. While sales in all subcategories were up, sales in the delivery subcategory, especially for hot meals, saw a double-digit growth of 13 percent. In addition, Dutch consumers are seeking out food products that are healthy, unique, and tasty.

Quick Facts CY2019

Imports of Consumer-Oriented Products, total:
\$41.7 billion

List of Top 10 Growth Products in the Netherlands (imported from the World):

- | | |
|-------------------------|--------------------------|
| 1. Cocoa | 6. Avocados |
| 2. Food preparations | 7. Prepared chicken meat |
| 3. Bread, pastry, cakes | 8. Malt extract |
| 4. Bananas | 9. Beer |
| 5. Cheese | 10. Enzymes |

Food Industry by Channels 2019:

Consumer-Oriented Products Imports	\$41.7 billion
Consumer-Oriented Products Exports	\$77.9 billion
Agricultural & Related Products Imports	\$80.7 billion
Agricultural & Related Products Exports	\$112.4 billion
Food Industry	\$91.6 billion
Food Retail	\$46.0 billion
Food Service	\$24.0 billion

Top 10 Food Retailers in the Netherlands, Market Share:

1. Albert Heijn	34.7%	6. Dirk/Deka	5.5%
2. Jumbo	19.1%	7. Coop	3.2%
3. Lidl	10.9%	8. Deen	2.1%
4. Aldi	6.8%	9. Hoogvliet	2.1%
5. Plus	6.4%	10. SPAR	1.2%

GDP/Population:

Population: 17.3 million
GDP: \$808 billion
GDP per capita: \$46,705

Strengths/Weaknesses/Opportunities/Challenges

Strengths:

U.S. producers are professional, offer great variety, and deliver products with a consistent quality. U.S. farmers have a good story to tell about sustainability, farm to table supply chains, and their State/regional heritage.

Weakness:

Shipping time & costs, import tariffs, and EU labeling regulations make U.S. products more expensive. Some U.S. food products suffer from a negative perception among Dutch consumers due to misinformation and an image issue.

Opportunities:

Dutch traders and food processors like to work with U.S. suppliers. There is a growing demand for food products with a special claim and sustainable production method.

Threats:

There is fierce competition on price, quality, uniqueness, and innovation from other EU member states and from third countries that have negotiated lower tariff rates, such as Canada and Mexico.

*Data and Information Sources: Trade Data Monitor, industry experts, company websites
Contact: FAS The Hague, agthe Hague@fas.usda.gov*

SECTION I. MARKET SUMMARY

Overall Business Climate

Fundamental strengths of the Dutch economy continue to be the Netherlands' stable political climate, highly developed financial sector, strategic location, a well-educated and productive labor force, and high-quality physical and communications infrastructure.

The Netherlands Bureau for Economic Policy Analysis (CPB), recently adjusted the economic outlook for the Netherlands due to the COVID-19 pandemic. CPB used four scenarios to outline the possible economic impact of the coronavirus in 2020 and 2021. The scenarios used different starting points with respect to the duration of the physical contact restrictions and the severity of the economic impact. All scenarios resulted in a recession, with GDP declining by between 1.2 percent and 7.7 percent in 2020. In its mildest scenario, the economy will rebound as early as in the third quarter of 2020, whereas in its gravest scenario, problems will expand to also include the financial sector as the situation abroad continues to worsen. This last scenario also projects GDP to decrease by 2.7 percent in 2021. Under three of the four scenarios, the economic downturn will be more severe than in the 2008–2009 financial crisis. Additional information can be found on the website of the CPB at: <https://www.cpb.nl/en/corona-crisis-scenarios>.

Prior to the COVID-19 outbreak, the Dutch food processing industry was performing well. Since 2014, its net sales grew on average by three percent per year, and its net sales in 2019 are estimated at \$91,6 billion, or €82.4 billion. The industry has been a steady supplier of jobs in the Netherlands. In 2018, roughly 144,000 people worked for a food company, and this number is expected to have grown to 148,000 in 2019 due to increased employment at small food companies (start-ups). According to the Central Bureau of Statistics (CBS), there were 6,525 food companies in the Netherlands last year, up five percent compared to 2018. The increase is the result of the growing number of small food companies (with less than 10 employees) which swelled from 3,535 in 2011 to 5,265 last year.

Dutch food companies also operate internationally. In 2019, Dutch exports of consumer oriented products totaled \$77.9 billion, while imports were valued at \$41.7 billion. The Dutch export surplus declined slightly to \$36.2 billion, down by \$0.3 billion compared to 2018. The leading export markets were Germany, Belgium, France, Spain, and the United Kingdom, accounting for nearly 50 percent of Dutch food exports. However, it remains unclear, at present, what the impact of the United Kingdom leaving the EU will be with regard to its importance as a Dutch export market. The other European markets account for nearly a quarter of Dutch exports.

Increased attention to product reformulation and growing awareness of more sustainable food production procedures (in particular energy efficiency and CO₂ reduction) will continue to shape the Dutch food processing industry in the years to come. Food manufacturers are increasingly experiencing pressure from society to invest in facilitating healthier choices for consumers. The challenge is to combine healthier nutrition with other consumer needs such as affordability, convenience, and taste. Through innovation and product reformulation, food companies are working on the nutritional impact of food products. They are also working on reducing the salt content, saturated fats, and portion sizes to make it easier for consumers to adhere to a responsible diet. On the product label, consumers can find information on the composition of the product, presence of allergens, quantity of the product, shelf life, and storage conditions. Out of the three voluntary nutrition labeling schemes, the Dutch government

plans to endorse the Nutri-Score scheme as of mid-2021. This scheme includes a color coded designation from A (best nutritional quality) to E (poorest nutritional quality). Several Dutch retailers and food companies have already voiced their support for a voluntary nutrition-labeling scheme. For example, Dutch food company HAK introduced the Nutri-score on its packaged food products last year, see GAIN report number NL9024 Dutch Food Company Adds Nutri-score to Packaged Products, dated September 06, 2019, which can be downloaded at <https://gain.fas.usda.gov/#/>.

More and more Dutch food companies are also looking at what can be done better in their factories (e.g., reducing energy and conserving water). Increasingly, they are also spending resources on having a more socially responsible purchasing policy in place for their raw materials. As a result, many have switched to sustainable alternatives for palm oil, soy, meat, fish, coffee, or cocoa. Also, food waste, in part caused by production failures and planning errors, has gained more attention over the past few years. Food companies are endeavoring to minimize food waste, not only from a business perspective, but also from an ethical and sustainability perspective. In the Netherlands, the Dutch government has announced this it is striving to [reduce food waste](#) by 50 percent by the year 2030. Together with the food industry and food distributors, the Dutch Ministry of Agriculture is also discussing the use of ‘best before’ labels on food products. Many products which have a ‘best before’ date on the label are still edible after that ‘best before’ date. Nevertheless, these products are often times thrown away out of consumer safety concerns.

Ecologically, ethically, and socially responsible production and purchasing of raw materials are an integral part of making the Dutch food industry more sustainable. Companies are increasingly delving deeper into their supply chain, working together with first, second, and third suppliers to ensure sustainability throughout the supply chain. This is not easy, especially for smaller companies and in complex international supply chains. To give a boost to the transition to International Corporate Social Responsibility (ICSR), the Dutch Food Industry (known as Federatie Nederlandse Levensmiddelen Industrie or FNLI) signed on to the [ICSR Agreement Foodstuffs](#), together with other food industry groups, NGOs, and the Government. Together, the parties are working to limit, for example, the risks of human rights violations and environmental damage, and working towards making the production chain more sustainable.

Table 1. Advantages and Challenges

Advantages – Sector Strengths and Market Opportunities	Challenges – Sector Weaknesses and Threats
Dutch food processing companies have had positive experiences working with U.S. suppliers because they are professional and deliver food ingredients with a consistent high quality. U.S. companies also have a great variety of products to offer.	U.S. beef from hormone-treated cattle, poultry, live bivalve mollusks, and products containing genetically engineered-derived ingredients that are not EU approved cannot be exported to the Netherlands.
Growing demand for ingredients with a special claim and sustainable production methods. U.S. farmers have a good story to tell about sustainability and their supply chain.	The EU has several Free Trade Agreements that may advantage other 3rd country competitors, including Canada and Mexico.
The Netherlands is the most important	Transatlantic transportation is costly and takes

gateway for U.S. products to the European Union; the buyers and food processing companies are here.	time. Products from the United States are subject to import tariffs. Suppliers from other EU member states have a competitive advantage with regard to tariffs and non-tariff trade barriers, transportation costs, and transportation time.
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Source: FAS/The Hague

SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

The first step for U.S. companies that would like to start exporting food ingredients to the Netherlands is to determine whether there is a potential market for their product and if the product is already available locally or in the region. It is important to gain a good understanding of where and who the buyers and end-users are. Trade statistics can help to indicate whether Dutch companies need to import this ingredient, how much is imported, and who the competing supplying countries are. If the product is new to the market, and currently not being imported, then it is recommended you reach out to Dutch traders or distributors for their input. Either way, FAS/The Hague can help you find the right path for your product.

When the results of research have been analyzed, U.S. companies should consider visiting and/or exhibiting at U.S. and foreign trade shows. These are excellent venues to make contact with local buyers, to conduct product introductions and to gauge buyers' interest. A detailed overview of European trade shows and their product focus can be found on <https://fas-europe.org/countries/netherlands/>. Participation in Trade Missions organized by the U.S. industry groups has also proven to be a very effective way to meet local buyers.

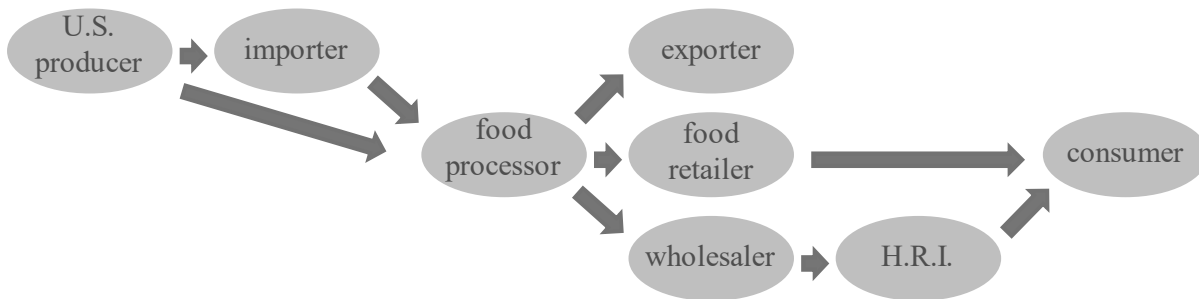
Import Procedure

Animal and plant products are brought into the Netherlands from countries all over the world. To prevent the introduction of animal diseases or pests, and to protect the market from public health risks, the European Commission has established detailed regulations for imports from countries outside of the EU. On this basis, the Dutch Food Safety Authority, the NVWA, performs checks on live animals, foodstuffs, and plant products. Depending on the product, exporters can expect the following type of checks: a documentary check, identity check, and, in some cases, a physical check. More detailed information on the import procedure as well as on the process in the event the NVWA decides to detain a shipment can be found in the GAIN Report the Dutch FAIRS Annual Country Report, dated March 9, 2020.

Market Structure

The Dutch food processing industry is mature, well organized, and has access to most food ingredients. Dutch food companies prefer to purchase food ingredients from specialized traders rather than sourcing directly from a foreign supplier. Only large and/or highly specialized food companies might opt to import ingredients directly from foreign suppliers, including those from the United States. Below is a diagram representing the supply chain for most food ingredients.

Figure 1: Distribution Channel Flow Diagram



Sector Trends

The Dutch population is greying and consumers are increasingly more ethnically diverse and often live in smaller households. This has led to demand for more convenience, a greater variety of foods, and smaller packaging. The main trends include a growing demand for organic and sustainable products, and a growing interest in healthy and nutritious food products. More detailed information about current trends can be found in the GAIN Report the Netherlands Exporter Guide, dated December 16, 2019.

Company Profiles

The table below provides an overview of some of the largest Food Companies in the Netherlands.

Table 2: The Largest Food Companies in the Netherlands, in Alphabetical Order, 2017 Figures, Global Sales

Company Name	Website	Turnover, USD million	Product Group	End Use Channel
AB Inbev	Ab-inbev.com	66,353	Beer	retail and foodservice
Arla Foods	Arla.com	12,471	Dairy	retail and foodservice
Campofrio	Campofriofoodgroup.com	* 2,284	Meat	retail and foodservice
Coca Cola	Cocacolanederland.nl	** 6,353	Soft drinks	retail and foodservice
Cono Kaasmakers	Cono.nl	* 242	Cheese	retail and foodservice
Danone	Danone.com	29,059	Dairy	retail and foodservice
Dr. Oetker Nederland	Oetker-group.com	13,652	Dairy and drinks	retail and foodservice
Grolsch Bierbrouwerij Nederland	Koninklijkegrolsch.nl	412	Beer	retail and foodservice
Heineken	Heineken.com	25,765	Beer	retail and foodservice
H.J. Heinz	Vandriegrup.com	2,388	Veal	retail and foodservice
Jacob Douwe Egberts	Jacobdouweegberts.com	6,824	Coffee	retail and foodservice

KraftHeinz	Kraftheinzcompany.com	26,232	Beverages, cheese, convenience, dairy, and snacks.	retail and foodservice
Mars	Mars.nl	37,000	Confectionary and sauces	retail and foodservice
Nestlé Nederland	Nestle.com	89,800	Coffee, pet food, chocolate, and dairy	retail and foodservice
Pepsico Nederland	Pepsico.nl	65,000	Soft drinks	retail and foodservice
Royal Cosun	Cosun.com	2,471	Ingredients	food processing
Royal FrieslandCampina	Frieslandcampina.com	14,247	Dairy	retail and foodservice
The Greenery	Thegreenery.com	1,294	Fresh produce	retail and foodservice
Unilever Nederland	Unilever.com	63,294	Specialty foods	retail and foodservice
Upfield	Upfield.com	3,000	Spreads	retail and foodservice
Vion Food	Vionfoodgroup.com	6,000	Meat	food processing, retail, and foodservice
Zwanenberg Food Group	Zwanenberg.nl	470	Meat	retail and foodservice

Source: FAS/The Hague, industry experts, company websites

* 2016 figures

** Turnover Europe

SECTION III. COMPETITION

The table below summarizes the competitive situation U.S. suppliers face in the Dutch food processing sector in terms of regionally produced goods and imports and their respective market shares. The strengths of supplying countries and also the advantages and disadvantages of local suppliers are briefly discussed.

Table 3: Overall Competitive Situation for Selected Food Ingredients in the Netherlands, 2019

Product Category	Leading Countries of Origins, and USA, in Percentage	Strengths of Key Supply Countries	Advantages and Disadvantages of local suppliers
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Food Preparations (HS210690) Total Imports: \$1,648 million	Germany: 21% USA: 15% Belgium: 14% U.K.: 12%	Due to proximity, neighboring countries are leading suppliers of flavored or colored sugar, isoglucose, lactose, and glucose and maltodextrine syrups.	Food preparations are produced and used throughout the EU.
Animal or Vegetable Fats, Oils & Their Fractions (HS151800) Total Imports: \$1,104 million	China: 16% Germany: 14% Indonesia: 13% Belgium: 9% USA: 7%	EU demand for oils and fats is growing due to biofuels production.	EU availability of animal fats and production of rapeseed and sunflower seed is limited.
Peanuts (HS120242) Total Imports: \$479 million	Argentina: 56% USA: 16% China: 7% Brazil: 6%	Argentina continues to dominate the market and supplies good quality peanuts.	No local supply.
Sunflower Seeds (HS120600) Total Imports: \$355 million	Romania: 37% USA: 21% Bulgaria: 19% Russia: 5%	Third country supply is price competitive at EU ports.	EU production of sunflower seed is limited.
Odoriferous Substances (HS330210) Total Imports: \$439 million	Ireland: 38% USA: 21% Germany: 19% Belgium: 5%	Odoriferous Substances are compounds (natural and synthetic) with odors used in the manufacture of various non-food and food products and are locally available.	U.S. suppliers are often at a price disadvantage compared to EU suppliers mainly due to time, shipping costs and taxes.
Peptones and Derivatives (HS350400) Total Imports: \$364 million	Belgium: 22% USA: 22% Germany: 16% France: 12%	Peptones are used by producers of food supplements and are locally available.	U.S. suppliers are often at a price disadvantage compared to EU suppliers mainly due to time, shipping costs and taxes.
Almonds (HS080212) Total Imports: \$265 million	USA: 71% Spain: 14%	Spain is an EU MS and located closer to the Netherlands than the U.S.; however, the U.S. still dominates the international almonds trade.	The food processing industry needs more almonds than Spain can supply.
Cod (HS030363)	Norway: 56% Russia: 32%	All foreign suppliers offer good quality cod.	No availability or not enough local availability.

Total Imports: \$190 million	Greenland: 5% Faroe Islands: 3% U.K.: 2% USA: 1%		Strong demand for producing breaded deep fried white fish products.
Cranberries (HS200893) Total Imports: \$110 million	USA: 65% Canada: 18% Chile: 8%	Main supplier of cranberries is the U.S. followed by Canada and Chile.	No local availability. The use of cranberries continues to grow. They are no longer just used in sauces but also in all kinds of food and drink products.
Pistachios (HS080251) Total Imports: \$66 million	USA: 89% Germany: 10% South Africa: 1%	The U.S. dominates the international pistachios trade.	There are no local suppliers.
Alaska Pollock Fillets (HS030475) Total Imports: \$93 million	USA: 67% China: 22% Belgium: 5% Russia: 3%	The U.S. leads the supply of Alaska Pollack; Iceland, Norway, and China are the main suppliers of the more expensive substitute cod.	No availability or not enough local availability of price competitive fish fillets.

Source: Trade Data Monitor

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

This section identifies the best product prospects for the food ingredients market.

Products Present in the Market Which Have Good Sales Potential

Food ingredients (food preparations and protein concentrates, essential oils, odoriferous substances, peptones and derivates, and enzymes)

Fish fillets (frozen fillets of Alaska Pollack, cod, and hake)

Nuts (almonds, peanuts, pistachios, walnuts, hazelnuts, and pecans)

Fresh and processed fruit and vegetables (cranberries, sweet potatoes, grapefruit, asparagus, and mangoes)

Products Not Present in the Markets, But Which Have Good Sales Potential

Food ingredients with special certification

Cider and non-alcoholic beer

Pulses

Products Not Present Because They Face Significant Barriers

Poultry and beef

(products containing) GMO derived ingredients that are not EU approved

Shell fish

Composite products

GAIN Report the Netherlands Exporter Guide, dated December 16, 2019, has more detailed information on food ingredients which have good sales potential.

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

The key contact for the Dutch food processing industry is the Federation of the Dutch Grocery and Food Industry (FNLI)

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