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Netherlands

Food Processing Ingredients

The Dutch Food Processing Ingredients Report

Approved By:

Susan Phillips

Prepared By:

Marcel Pinckaers

Report Highlights:

The Dutch food processing industry is valued at almost €65 (about \$69.8) billion and employs just over 135,000 people. The sector not only caters to consumers in the Netherlands but has clients in all neighboring countries and beyond. On the sourcing side, Dutch food companies not only depend on Dutch growers but also those abroad, including the United States. Almost a fifth of U.S. agricultural exports to the EU are imported by Dutch traders. It is a small country geographically but the food traders and processors are here.

SECTION I. MARKET SUMMARY

The food processing industry depends on a steady supply from primary producers on the one hand and on food distributors such as food retail and wholesalers on the other. Products used in the food processing industry range from low-value bulk commodities to high-value, highly specialized food ingredients.

The size of the food processing industry

In the Netherlands there are over 5,695 food processing companies ranging from large multinationals to a few small & medium sized companies. Approximately 135,000 people are employed in the food processing industry. Last year, the industry generated a turnover of over \$69.8 billion. Meat, dairy and fresh produce each comprise 25 percent of the market. The other subsectors contribute the remaining quarter of the turnover. The majority of the food processing companies are located close to the main port cities of Rotterdam and Amsterdam or in places close to the German consumer market of North Rhine-Westphalia (with almost 20 million consumers).

The value of food ingredients imported versus domestic inputs

EU-28 imports of U.S. agricultural and fish products totaled \$15.6 billion in 2015. Almost a fifth (\$2.8 billion) was imported by Dutch traders. It shows the importance of the Netherlands within the EU – U.S. trade in agricultural products.

The Netherlands is a small country geographically but the EU traders and food processors are here. Due to its large and sophisticated processing industries, the Netherlands increasingly depends on stable supplies of food ingredients from other EU member states and third countries, like the United States. Expertise, infrastructure, commerce and logistics are all advanced in the Netherlands.

Table 1: Imports of agricultural and fish products, The Netherlands, 2015 figures, million \$

Bulk Agricultural Products, total imports	9,689
Bulk Agricultural Products, imports from U.S.A.	893 (9%)
Intermediate Agricultural Products, total imports	13,720
Intermediate Agricultural Products, imports from U.S.A.	552 (4%)
Consumer-Oriented Agricultural Products, total imports	30,327
Consumer-Oriented Agricultural Products, imports from U.S.A.	1,231 (4%)
Fish and Seafood Products, total imports	3,062
Fish and Seafood Products, imports from U.S.A.	140 (5%)

Source: FAS The Hague

Key market drivers for food processing and consumption trends

Food processors are increasingly focused on sourcing ingredients and developing products that are sustainable and contribute to a healthier diet as these are major concerns for consumers. Food processors are working in various fields together with the government, food distributors, NGOs and farmers to make supply chains more sustainable. The supply chain starts with sourcing raw materials and that is why increasingly companies switch to sustainably produced palm oil, soy products, fish, fresh produce, coffee and cocoa. Sustainable food has become the most important growth markets. The turnover of sustainable food in 2015 totaled €3.0 billion (\$3.2 billion), up by 12 percent while the market share grew last year from 7 to 8 percent. Food processing companies are producing products that contain less salt, sugar and fat and smaller portion sizes. In addition to healthy and sustainable food products, consumers continue to buy products that are convenient, tasty and above all affordable.

Table 2: Advantages and Challenges

Advantages	Challenges
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(sector strengths and opportunities)	(sector weaknesses and threats)
Growing consumer demand for healthy and sustainable food products sparks increase in demand for food ingredients that contribute to a healthier lifestyle and certified sustainable food ingredients.	Several products cannot be exported to the EU since they are not EU-approved (selected meat and meat products, GMO derived ingredients , etc.).
The large and well developed food processing industry requires a wide range of ingredients, from low-value, unprocessed commodities to high-value, highly processed ingredients.	U.S. exporters face competition from other EU MS and countries such as Canada that have trade agreements which lower tariffs and non-tariff trade barriers and costs.
U.S. ingredients have a good reputation and image in the Dutch food processing industry.	Sustainability standards are increasingly becoming a requirement of the food industry.

Source: FAS The Hague

SECTION II. ROAD MAP FOR MARKET ENTRY

A. 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. It is important to gain a good understanding of who their clients and end-users could be. If there is a market, trade statistics can help to indicate whether the Dutch need to import this ingredient or whether it is locally available. If it needs to be imported, these statistics will show where the ingredient currently is coming from and whether imports have gone down or up. It is important to note that roughly half of all Dutch imports are re-exported, directly or after processing.

If there is a market for the ingredient, it helps to understand the supply chain and the role the various players have. Often the buyer of the ingredient is a specialized importer who supplies food processing companies but the importer can also be a food processor. Similar to the commodity groups in the United States, most sectors in the Netherlands also have their own traders or producers industry group. Most of these groups have the latest market information. In addition they often have annual reports available on their website which will help to better understand the challenges the industry is facing. FAS The Hague has contact with these Dutch industry groups and can provide you a Foreign Buyers List (FBL) for a specific sector.

Food ingredients from the United States in general have a good quality image. However after import duties and taxes the ingredient might not be price competitive compared to other suppliers. Also shipping costs and time out of the United States might be a disadvantage compared to other competitors. Besides competition on price, it is highly recommended to study the Dutch import requirements. FAS The Hague annually drafts the Import Regulations and Standards (FAIRS) report (GAIN Report: NL6003) which provides an overview of import regulation standards and required health and origin certificates.

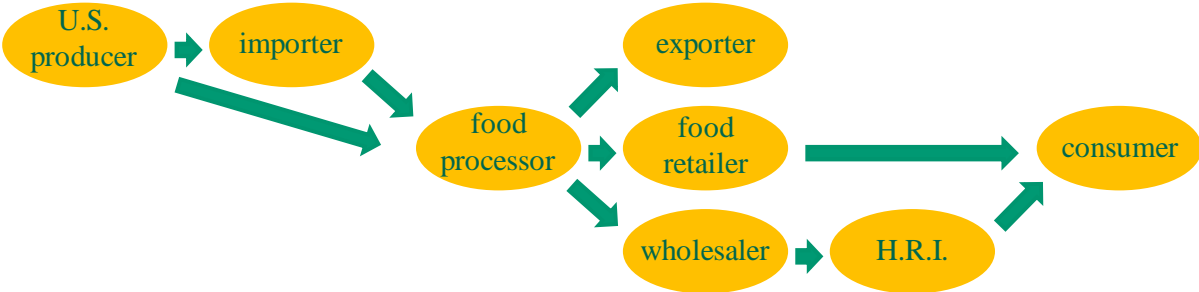
Once the U.S. exporter has this background information, there are several options on how to enter the market. They may consider exhibiting at a specialized food ingredient trade show in the United States. Dutch buyers regularly travel around the world to see new products, make new contacts and buy great products. Exporters should definitely consider visiting or even exhibiting at one of Europe's, and in some cases USDA Endorsed, trade shows. They can serve as a springboard into the market, helping companies to establish new trade contacts and gauge product interests. Dutch buyers visit these shows every year and often have an exhibitor stand as well. Dutch companies prefer to do business with mid-size companies rather than with larger corporations. FAS The Hague compiles a complete list of trade shows frequently visited by Dutch buyers of food ingredients. This list can be found in Appendix II of the Exporter Guide (GAIN Report – NL6027).

U.S. exporters can also contact their respective U.S. State Regional Trade Groups (SRTG), their commodity Cooperator Group and/or their State Department of Agriculture to obtain additional market entry support. The cooperators regularly organize (Reverse) Trade Missions which are often organized around trade shows or other events. These missions have proven to be an excellent platform for U.S. suppliers of food ingredients to meet and do business with foreign buyers.

B. MARKET STRUCTURE

The Dutch food processing industry is well developed and has access to any food ingredient imaginable. In order to be successful in the market, the U.S. food ingredient must have a competitive advantage on for instance price, quality, quantity, variety, size, (seasonal) availability, packaging, special certification (organic, sustainable), etc. Such products have good potential to fare well in the Netherlands although still facing competition from other (third country) suppliers.

Figure 1: Supply chain



Depending on the type of food ingredient, there are different supply chains in the Dutch market. The above supply chain applies to the majority of food ingredients. Food processors in the Netherlands source their ingredients from local producers or from specialized traders when the ingredients are locally not (sufficiently) available or not competitive. Not wanting to deal with price volatility, documentation and other import requirements, volume, etc. are reasons for food processors to buy food ingredients from specialized traders rather than sourcing directly. Only large and/or highly specialized food processors might opt to import ingredients directly from foreign suppliers.

C. COMPANY PROFILES

Table 3: An overview of the largest food processing companies in the Netherlands

	Company Name	Turnover, worldwide, \$ million	Product group
1	Unilever	22,795	Various
2	Heineken	21,255	Alcoholic beverages
3	FrieslandCampina	11,418	Dairy
4	VION Food Group	7,033	Meat and ingredients
5	Hoogwegt	2,908	Dairy
6	DSM	2,261	Ingredients
7	Cosun	2,216	Ingredients
8	Van Drie Group	1,924	Veal
9	Refresco Group	1,538	Nonalcoholic
10	Greenery	1,297	Fresh produce
11	Plukon	1,281	Meat
12	A-ware food group	1,100	Dairy
13	Interfood	1,027	Dairy
14	Vreugdenhil Dairy Foods	645	Dairy

15	DOC Kaas	638	Dairy
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Source: EVMI

The Dutch food processing industry has benefitted from EU expansion with over half of its total agricultural exports going to other EU Member States. Exports to markets outside the EU, like the United States and China, are slowly gaining importance.

D. SECTOR TRENDS

Please find below an overview of Attaché reports that help U.S. companies to better understand the Dutch market and learn what the latest consumer trends are.

- The Netherlands' Exporter Guide which contains a general overview of the macro-economic situation, discusses demographic trends, food trends, offers exporter business tips and shares overviews of the food retail and HRI sectors (GAIN Report – NL6027).
- The Food Service - Hotel Restaurant Institutional Report (GAIN Report – NL6014) gives an overview of the food service industry and its various sectors within the Netherlands. It provides an understanding of the key channels of distribution for foods and beverages destined for food service. It identifies the major players as well as giving contact information for all the main groups within the industry.
- The Retail Foods Report (GAIN Report – NL6037) gives an overview of the food retail market within the Netherlands.
- A complete selection of FAS reports can be viewed online at:
<http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>

Table 4: U.S. companies in the Dutch market

U.S. companies:	Product groups:
ADM	oilseeds, oils, fats, cocoa
Bruce Foods	tex-mex food products
Campbell Foods	soup
Cargill	grains, oilseeds, oils, fats, starch, poultry, sugar, cocoa, feed
Kraft	salad, convenience, coffee and confectionary products
Lamb Weston	potato
Master foods	confectionary products
PepsiCo	beverages, snacks, fats nuts, chips
Procter & Gamble	confectionery
Simplot	potato
Smithfield	meat products
Tyson	coffee, meat products

Source: FAS the Hague

SECTION III. COMPETITION

Table 5: Overall competitive situation for selected food ingredients in the Netherlands, in 2015

Product Category	Leading Countries of Origins [+ USA], in	Strengths of Key Supply Countries	Advantages and Disadvantages of local suppliers

	value		
Alaska Pollock Fillets, Frozen (HS030475) Total Imports: 69 million \$	[USA: 68%] China: 19%	The U.S. leads the supply of Alaska Pollack; Iceland, Norway and China are suppliers of cod; Iceland and China supply respectively coalfish and saltwater fish.	No or not enough local availability of price competitive fish fillets.
Cod, Frozen (HS030363) Total Imports: 174 million \$	Russia: 50% Norway: 33% [USA: 12%]	All suppliers offer good quality cod.	No or not enough local availability.
Soybeans (HS120190) Total Imports: 1,781 million \$	[USA: 41%] Brazil: 29% Uruguay: 15% Canada: 11% Argentina: 1%	South American origins are competitive throughout most of the year. U.S. bean production could be able to claim to be more sustainable.	The EU has only a minor production, which is insufficient to fulfill the domestic demand.
Peanuts, Shelled (HS120242) Total Imports: 453 million \$	Argentina: 63% [USA: 14%] Brazil: 6% China: 5%	Argentina continues to dominate the market and supplies good quality peanuts.	No local supply.
Sunflower Seeds (HS120600) Total Imports: 328 million \$	Romania: 38% Bulgaria: 33% Hungary: 13% [USA: 4%] Russia: 3%	Third country supply is price competitive at NW EU ports.	EU production of sunflower seed is limited.
Animal or Vegetable Fats, Oils & Their Fractions (HS151800) Total Imports: 440 million \$	Germany: 22% [USA: 15%] Belgium: 10% UK: 8%	EU demand for oils and fats is growing due to biofuels production. Crushing is increasingly conducted in the country of origin.	EU production of rapeseed and sunflower seed is limited.
Odoriferous Substances (HS330210) Total Imports: 300 million \$	Ireland: 37% [USA: 19%] Germany: 17% France: 14%	Odoriferous Substances are compounds (natural and synthetic) with odors used in the manufacture of various non-food and food products and are locally available.	EU suppliers don't have to pay import taxes and are closer to the market.

Peptones and Derivatives (HS350400) Total Imports: 165 million \$ 58 thousand MT	[USA: 28%] Belgium: 24% France: 18% Germany: 7%	Peptones are used by producers of food supplements and are locally available.	EU suppliers don't have to pay import taxes and are closer to the market.
Food Preparations (HS210690) Total Imports: 1,020 million \$	[USA: 18%] Germany: 17% UK: 15%	Due to proximity, neighboring countries are leading suppliers of flavored or colored sugar, isoglucose, lactose, and glucose and maltodextrine syrups.	The U.S. is a competitive supplier of some food preparations.
Almonds (HS080212) Total Imports: 216 million \$	[USA: 70%] Spain: 11%	Spain is an EU MS and located closer to the Netherlands than the U.S. The U.S. dominates the international almonds trade.	The food processing industry needs more almonds than Spain can supply. The production in the U.S. continues to grow and increasingly supplies Europe with high and consistent quality of almonds.
Pistachios (HS080251) Total Imports: 115 million \$	[USA: 84%] Iran: 10%	The U.S. dominates the international pistachios trade.	According to industry sources Iran has experienced problems with aflatoxin in the past.
Cranberries (HS200893) Total Imports: 90 million \$	[USA: 70%] Chile: 14% Canada: 9%	Main supplying countries of cranberries are the U.S., Chile and Canada. The market share of the first is 70 percent but declining at the expense of Chile.	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. The cranberry industry has been able to demonstrate the health advantages of drinking and eating cranberry products.

Source: Globe Trade Atlas

SECTION IV. BEST PRODUCT PROSPECTS

Food ingredients present in the market which have good sales potential

- Nuts (almonds, peanuts, pistachios, walnuts, hazelnuts and pecans)
- Highly processed ingredients (dextrins, peptones, enzymes, lecithins and protein concentrates)
- Fish fillets (frozen fillets of Alaska Pollack, cod and hake)
- (fresh and processed) fruit and vegetables (cranberries, sweet potatoes, grapefruit)

Food ingredients not present in significant quantities, but which have good sales potential

- Ingredients for the natural and healthy foods industry
- Bakery products
- Dairy products (whey, milk powder)

- Millet, spelt and meslin
- Pulses

Food ingredients not present because they face significant barriers

- Poultry
- GMO derived ingredients that are not EU approved

Category A: Products Present in the Market Which Have Good Sales Potential

Commodity / HS code	Imports, 2015	Imports from U.S., 2015 (U.S. market share)	2011 – 2015 Average annual import growth	Key Constraints Over Market Development	Market Attractiveness for USA
Almonds 080212	206	152 (74%)	18%	Some, albeit limited, competition from Spain.	Growing demand from food manufacturers, confectionary and snack industry. Benefit from healthy image almonds have among consumers.
Pistachios 080251	113	97 (86%)	8%	Some competition from Iran.	Growing demand from food manufacturers, confectionary and snack industry.
Tomato paste 200290	123	34 (28%)	25%	Competition from Italy, Spain and Portugal.	Strong demand from the food manufacturers.
Dried prunes 081320	23	13 (56%)	21%	A dried prune is a more expensive snack than for instance sweets or a savory snack. U.S. dried prunes face competition from Argentina and Chile.	Dried prunes benefit from a healthy image. They are also a healthy snack replacement for sweets. Growing demand from food manufacturers and snack industry.
Chickpeas 071320	4	0.2 (6%)	N.A.	The older and more traditional consumer is unfamiliar with humus or when to use chickpeas.	The younger and more traveled consumers simply love humus and use chickpeas in soups, salads, and meals.

SECTION V. POST CONTACT AND FURTHER INFORMATION

If you have questions or comments regarding this report, or need assistance exporting to the Benelux, please contact the U.S. Office of Agricultural Affairs in The Hague:

U.S. Department of Agriculture’s Foreign Agricultural Service

Embassy of the United States
Marcel Pinckaers
Lange Voorhout 102
2514 EJ The Hague, the Netherlands
Phone: +31 (0)70 3102 305
marcel.pinckaers@fas.usda.gov
www.fas.usda.gov