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Report Name: Food Processing Ingredients

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Report Highlights:

The turnover of the Dutch food processing industry for 2021 is forecast at \$88 billion. Food companies that traditionally sell to HRI-foodservice outlets saw sales drop by roughly one-third due to the global pandemic. The beverage sector suffered a lot from the closure of clubs, bars, and restaurants. Last year was also the start of a significant increase in various cost components, ranging from agricultural raw materials to packaging materials, transport (containers), and energy. Additional challenges include the situation in Ukraine which has contributed to some supply chain disruptions and price increases for some raw materials. Product replacement and reformulation might be possible, where necessary, but requires testing and product label adjustments. Other challenges include trade with the United Kingdom becoming more complicated due to Brexit and the imminent introduction of a deposit levy on cans.

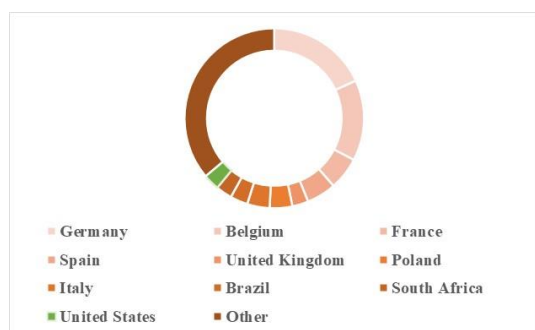
Market Fact Sheet: The Netherlands

Executive Summary:

Although the Netherlands is a small country geographically, it is the gateway for U.S. products into the European Union (EU). It is also the largest importing country within the EU and continues to be the second largest exporter of agricultural products in the world.

Imports of Consumer-Oriented Products:

Products from other EU Member States lead Dutch imports of consumer-oriented products. In 2021, the United States was the tenth largest supplier of these products to the Netherlands, with imports valued at almost \$1.5 billion.



Source: Trade Data Monitor

Food Processing Industry:

Over 7,340 food companies in the Netherlands generated net sales of \$88 billion in 2021. The industry has been a steady supplier of jobs and the number of food companies continues to grow due to the growing number of small food companies (with less than 10 employees).

Food Retail Industry:

The Dutch retail sector is rather consolidated, employing over 300,000 people and operating over 4,300 stores. This industry profited from the closure of many HRI-Foodservice outlets. The industry's turnover for 2021 is forecasted at \$53.1 billion (€45.1 billion). High-end supermarkets gained in popularity as consumers demanded service, variety, and fresh and convenient products. Interest in shopping for groceries on-line continues to grow (6.7 percent in 2020).

Foodservice – HRI Industry:

After a decline of 37 percent in 2020, due to measures taken by the government to prevent the spread of the COVID-19 virus, the Dutch foodservice industry's turnover for 2021 is forecasted to rebound to almost \$13.9 billion (up by 37 percent). For much of 2020 and 2021, public venues, including bars, cafés, and restaurants, had to temporarily close their doors (with takeout and delivery keeping some restaurants afloat).

Quick Facts CY2021

Imports of Consumer-Oriented Products, total:
\$50.6 billion

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

- | | |
|----------------------|------------------|
| 1. Cocoa beans | 6. Bananas |
| 2. Food preparations | 7. Baked goods |
| 3. Fats and oils | 8. Ethyl alcohol |
| 4. Wines | 9. Berries |
| 5. Avocados | 10. Coffee |

Food Industry by Channels 2021, in \$ billion:

Consumer-Oriented Products Imports	\$50.6
Consumer-Oriented Products Exports	\$94.6
Agricultural & Related Products Imports	\$103.3
Agricultural & Related Products Exports	\$140.9
Food Industry	\$88.0
Food Retail	\$53.1
Food Service	\$13.9

Top 10 Food Retailers in the Netherlands, Market Share:

1. Albert Heijn	35.9%	6. Dirk/Deka	5.1%
2. Jumbo	21.8%	7. Coop	3.9%
3. Lidl	10.7%	8. Hoogvliet	2.0%
4. Plus	6.5%	9. Deen	1.5%
5. Aldi	5.8%	10. SPAR	1.2%

GDP/Population:

Population: 17.5 million
GDP: \$812 billion
GDP per capita: \$46,411

Strengths/Weaknesses/Opportunities/Challenges

Strengths:

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

Opportunities:

Dutch food processors enjoy working with U.S. suppliers. There is a growing demand for food products with a special claim and sustainable production method.

Weakness:

Shipping time & costs, import tariffs, limited access to containers make U.S. products more expensive. Some products suffer from a negative perception among consumers due to misinformation.

Threats:

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

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

SECTION I. MARKET 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 (\$103.3 billion in 2021) include products produced in the Netherlands as well as imported products that are re-exported, often after further processing and adding value.

Overall Business Climate

The fundamental strengths of the Dutch economy continue to be its stable political climate, highly developed financial sector, strategic location, a well-educated and productive labor force, and high-quality physical and communications infrastructure. According to the latest economic outlook of the Netherlands Bureau for Economic Policy Analysis (CPB), the most important economic consequence, for the Netherlands, as a direct result of the crisis in the Ukraine, is even higher energy prices. The additional increase in energy prices comes on top of an already high inflation rate. In its Central Economic Plan (CEP) published on March 9, 2022, the CPB projects an inflation rate of 5.2 percent for 2022. Additional information about rising energy prices, purchasing power, and unemployment can be found on the website of the CPB, <https://www.cpb.nl/en/forecasts>.

COVID-19

The turnover of the Dutch food processing industry for 2021 is forecasted at \$88 billion (or €75 billion). The past two years have been challenging for Dutch food manufacturers. In its annual “Food Industry Monitor,” the Federation of Dutch Food and Grocery Industry (FNLI) (the umbrella organization for food manufacturers) reported that several industry players have been negatively affected by the COVID-19 outbreak and the social distancing measures imposed by the Government. Companies that rely on sales to the HRI-Foodservice sector have had a very difficult time as they saw sales drop by roughly one-third. Additionally, the beverage industry suffered a lot from the closure of this sector as well as food companies that traditionally deliver to gyms, swimming pools, and other sports and leisure businesses. Food manufacturers that predominantly sell to food retailers saw sales increase as consumers spent more money in supermarkets and indulged themselves by buying more luxurious products during the pandemic.

Price Increase

In the latter part of 2021, a new challenge presented itself for the food industry as they were confronted with a large increase in various cost components, ranging from agricultural raw materials to packaging materials, transport (container), and energy. Prices increased by as much as 40 percent for some raw materials, while energy costs increased by as much as 85 percent. Packaging materials, such as paper and plastic, were six and 12 percent, respectively, more expensive than pre-COVID-19 levels, and buyers of food ingredients were confronted with rising prices for sea freight. The above-referenced factors explain why various food manufacturers have had to implement price increases for their products.

Impact of the Ukraine Crisis

Trade Data Monitor reports that the Netherlands imported \$2.3 billion of agricultural products from Ukraine in 2021, with sunflower oil/seed (\$707 million), low erucic acid rapeseed or canola seed (\$408 million), and rapeseed/canola oil (\$84 million) leading the trade. For food manufacturers, the Ukraine is the leading supplier of sunflower oil. Many companies use sunflower oil in a wide range of products including baked products, baby food, and ready-to-eat meals, due to its unique taste and functional properties. At the same time, end-users are also direct buyers of bottled sunflower oil in the Netherlands.

With the exception of sunflower oil, FNLI has stressed that there are currently no serious shortages of raw materials for food products in Europe and there are no indications to assume that empty shelves will arise in the short term (NOTE: as of the date of this report, sunflower oil has recently become harder to come by in the Netherlands due to consumer hoarding). The impact of this hoarding is hopefully limited to the short term. If necessary, however, alternate supplies (e.g., other vegetable oils) are available for food manufacturers in the world market. Product replacement and reformulation for food producers might be possible but requires testing and product label adjustments, costing both time and money. FNLI has asked the Ministry of Health, Welfare, and Sport to support a pragmatic approach to product labeling (e.g., not requiring immediate label replacements) if companies choose to reformulate products.

Nutri-Score

In order to make it easier for consumers to make healthier food choices, the Dutch Ministry of Health, Welfare and Sport announced that the Nutri-Score would become the new voluntary front-of-pack nutrition label of choice in the Netherlands. The label's introduction, however, has faced delays as criticism has arisen. Some Dutch scientists have argued that Nutri-Score ratings do not always align with national dietary guidelines, that the label can be misleading, and that it can undermine consumer trust. To address the criticism, a scientific committee was set up by the Netherlands and seven European countries (that were using or implementing Nutri-Score). The Committee's mandate is to research possibilities for improving Nutri-Score's alignment with national dietary guidelines. While this work continues, several Dutch food producers and supermarket chains, led by Albert Heijn, have already started voluntarily using Nutri-Score on their own initiative. Additional background information, including how the Nutri-Score rating is calculated, can be found in the report [Nutri-Score Labeling Takes Hold in the Netherlands](#).

Brexit and Deposit Levy on Cans

Brexit has had an impact on Dutch food manufacturers that sell to British clients and has made trade with the United Kingdom (U.K.) more complicated. As of January 1, 2022, British importers have to pre-notify when goods are arriving from the Netherlands, followed by submitting a complete import declaration. Although the EU is the largest market for Dutch consumer-oriented products (Accounting for 67 percent of exports), the U.K. is now the largest market outside the EU for the Dutch industry, followed by China and the United States.

Last year, the Dutch government elected to impose a deposit levy on cans as of January 1, 2023. Producers and importers see the responsibility they have in collecting and recycling packaging of products that they have placed on the market not only as a legal, but, above all, social responsibility. Recently, producers, along with the supermarket chains and the [Packaging Waste Fund](#), have entered into discussions about setting up a collection system.

Please refer to the [2021 Dutch Food Processing Ingredients Report](#) for additional data and issues, including increased sustainable food production practices, reducing food waste, and a more socially responsible purchasing policies that are still relevant to food manufacturers. are highlighted.

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, deliver food ingredients with a consistent high quality, and have a wide product range.	U.S. beef from hormone-treated cattle, poultry, 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 method. U.S. farmers tell a good story about their heritage, sustainability, and supply chain.	The EU has several Free Trade Agreements (FTAs) that may advantage other 3rd country competitors, including Canada and Mexico.
The Netherlands is the most important gateway for U.S. products to the European Union (EU) as the buyers and food processing companies are often located there.	Transatlantic transportation is costly, takes time, required use of containers. U.S. products are subject to import tariffs and non-tariff trade barriers.

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 demand for their product. Conducting focused research can be helpful. It is important to investigate whether the ingredient is already available -- locally or regionally. Trade statistics can help determine whether Dutch food processing companies need to import this ingredient, how much is imported, and who the competing supplying countries are. It will be helpful to gain a good understanding of who the buyers and end-users of these ingredients are before entering the market. If the product is new-to-market, then it is recommended U.S. exporters reach out to Dutch buyers 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, virtual or in-person. These are excellent venues to make contact with local buyers, to conduct product introductions, and to gauge potential buyer interest. A detailed overview of European trade shows and their product focus can be found online at: <https://fas-europe.org/events/>. While food retailers and processors visit trade shows, it is the specialized trader that is responsible for sourcing U.S. ingredients, used by Dutch food processing companies. Participation in (virtual) Trade Missions organized by the U.S. industry groups has also proven to be an effective way to meet local buyers.

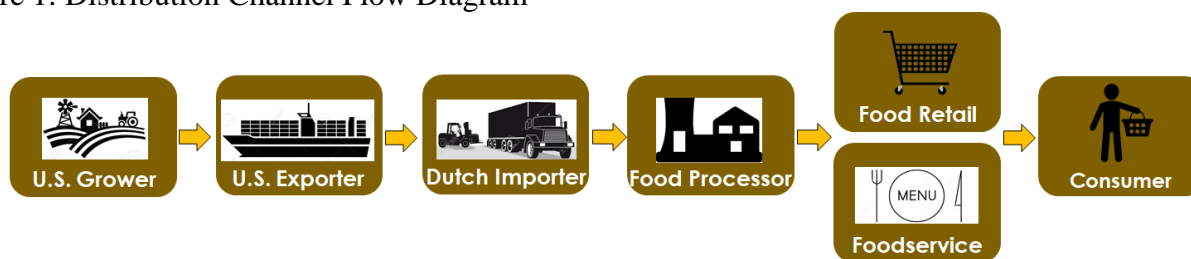
Import Procedure

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 the EU. On this basis, the Dutch Food Safety Authority, known as the NVWA, performs checks on live animals, foodstuffs, and plant products. Depending on the product, exporters can expect the following type of checks: documentary check, identity check, and, in some cases, 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 December 13, 2021, and on the U.S. Mission to the EU's website at: <https://www.usda-eu.org/trade-with-the-eu/eu-import-rules/>.

Market Structure

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

Figure 1: Distribution Channel Flow Diagram



Sector Trends

The Dutch population is greying, increasingly lives in urban areas (cities) in smaller households, that are more ethnically diverse. This has led to demand for more convenience, more variety, and smaller packaging. There is also a growing demand for organic and sustainable products, and a growing interest in healthy and nutritious food products. Healthier, including plant-based, diets are moving into the mainstream. Moreover, there is a growing number of vegans and vegetarians in the country, while many other consumers also follow healthier lifestyles and flexitarian diets. More detailed information about current trends can be found in the GAIN Report the [Netherlands' Exporter Guide](#), dated December 06, 2021.

Company Profiles

The table below provides an overview of some of the largest Food Companies in the Netherlands. All companies supply both the food retail as well as the HRI-foodservice industry. The presented turnover figures are for 2021, unless otherwise indicated.

Table 2. Largest Food Companies in the Netherlands

Company Name	Website	Turnover, USD million	Product Group	End Use Channel
AB Inbev	Ab-inbev.com	54,304	Beer	All
Arla Foods	Arla.com	13,176	Dairy	All
Coca Cola	Cocacolanederland.nl	38,700	Soft drinks	All
Cono Kaasmakers	Cono.nl	**293	Cheese	All
Danone	Danone.com	28,588	Dairy	All
Dr. Oetker Nederland	Oetker-group.com	**8,588	Baking and Pizza	All
Grolsch	Koninklijkegrolsch.nl	*400	Beer	All
Heineken	Heineken.com	25,765	Beer	All
Jacob Douwe Egberts	Jacobdouweegberts.com	8,235	Coffee	All
Kraft Heinz	Kraftheinzcompany.com	25,030	Beverages, dairy, and convenience, snacks	All
Mars	Mars.nl	37,000	Confectionary and sauces	All
Nestlé	Nestle.com	93,000	Coffee, pet food, chocolate, and dairy	All
Pepsico	Pepsico.nl	70,000	Soft drinks	All
Royal Cosun	Cosun.com	2,691	Ingredients	All
Royal FrieslandCampina	Frieslandcampina.com	13,529	Dairy	All
The Greenery	Thegreenery.com	** 1,212	Fresh produce	All
Unilever Nederland	Unilever.com	61,650	Specialty foods	All
Upfield	Upfield.com	*** 3,529	Spreads	All
Van Drie Group	Vandriegroup.nl	** 2,824	Veal	All
Vion Food	Vionfoodgroup.com	** 5,765	Meat	All
Zwanenberg Food Group	Zwanenberg.nl	** 706	Meat	All

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

* Estimates, ** 2020 figures, *** 2019 figures

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 discussed.

Table 3: Overall Competitive Situation for Select Food Ingredients in the Netherlands, 2021

Product Category	Leading Countries of Origins, and USA, in Percentage	Strengths of Key Supply Countries	Advantages and Disadvantages of local suppliers
Food Preparations (HS210690) Total Imports: \$2,226 million	Germany: 17% USA: 17% Belgium: 14% U.K.: 7% France: 7%	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: \$1,999 million	Indonesia: 14% Malaysia: 12% Germany: 11% China: 10% U.K.: 7% Belgium: 5% USA: 2%	EU demand for oils and fats is growing due to advanced biofuels production.	EU availability of animal and waste fats is limited.
Peanuts (HS120242) Total Imports: \$476 million	Argentina: 67% China: 8% Brazil: 7% USA: 5%	Argentina continues to dominate the market.	No local supply.
Sunflower Seeds (HS120600) Total Imports: \$430 million	Romania: 35% Bulgaria: 14% France: 8% Russia: 5% Hungary: 4% Slovakia: 2% USA: 0%	Third country supply is price competitive at EU ports. The United States can compete on quality of seeds.	EU production of sunflower seed is limited.
Sunflower seed oil (HS1512) Total Imports: \$1,028 million	Ukraine: 71% Germany: 8% Belgium: 7% Hungary: 3%	Competitive supply of EU suppliers.	Ukrainian supply of predominantly oil is limited.
Odoriferous Substances (HS330210) Total Imports: \$561 million	Ireland: 36% USA: 18% Germany: 18% U.K.: 8% 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	USA: 20% Belgium: 17%	Peptones are used by producers of food	U.S. suppliers are often at a price disadvantage

(HS350400) Total Imports: \$484 million	Germany: 13% France: 10% New Zealand: 9%	supplements and are locally available.	compared to EU suppliers, mainly due to time, shipping costs, and taxes.
Almonds (HS080212) Total Imports: \$242 million	USA: 71% Spain: 13% Australia: 7%	Spain is an EU MS and located closer to the Netherlands than the U.S.; however, the U.S. still dominates international almonds trade.	The food processing industry needs more almonds than Spain can supply.
Cod (HS030363) Total Imports: \$159 million	Russia: 51% Norway: 37% Greenland: 4% Faroe Islands: 3% Denmark: 1% USA: 1 %	All foreign suppliers offer good quality cod.	No availability or not enough local availability. Strong demand for producing breaded deep fried white fish products.
Cranberries (HS200893) Total Imports: \$107 million	USA: 44% Canada: 32% Chile: 16%	Main supplier of cranberries is the U.S., followed by Canada and Chile.	No local availability. The use of cranberries continues to grow and they are now used in all kinds of food and drink products.
Pistachios (HS080251) Total Imports: \$49 million	USA: 83% Germany: 16% Turkey: 1%	The U.S. dominates the international pistachios trade.	There are no local suppliers. Germany re- exports pistachios.
Alaska Pollack Fillets (HS030475) Total Imports: \$101 million	USA: 57% China: 16% Russia: 14% Belgium: 7% Germany: 2%	The U.S. leads the supply of Alaska Pollack; Norway and Russia are the main suppliers of cod which is a more expensive substitute for Alaska Pollack.	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 derivatives, 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, etc.)

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

- Food ingredients with special certification
- Pulses

Products Not Present Because They Face Significant Barriers

- Poultry
- (Products containing) GMO derived ingredients that are not EU approved

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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