Exporting grains and pulses to Europe.

Europe offers opportunities for exporters of grains and pulses. The information you find on this page can help you get grains and pulses on the European market.

- ## 1) What requirements should your product comply with?

If you want to get grains and pulses on the European market, you must comply with strict requirements. Requirements that are especially important are those related to food safety, use of pesticides and contaminants. Complying with additional requirements (for example having GLOBALG.A.P.) or niche quality standards (for example having fair trade or organic certification) can help you distinguish your company from your competitors.

1 . With which legal and non-legal requirements must your product comply?

When exporting grains and pulses to Europe, you must comply with the requirements listed below. Detailed information about European Union (EU) requirements can be found on the Export Helpdesk website. The obligatory requirements discussed in this section are as follows:

- Food safety in general (incl. traceability)
- Pesticides
- Contaminants (incl. mycotoxins)
- GMO
- Food control
- Labelling

Food safety: Traceability, hygiene and control

Food safety is a key issue in EU food legislation. The General Food Law is the legislative framework regulation for food safety in the EU. To guarantee food safety and to allow appropriate action in cases of unsafe food, food products must be traceable throughout the entire supply chain, and risks of contamination must be limited. One important aspect involved in controlling food-safety hazards is defining critical control points (HACCP) by implementing food-management principles. Another important aspect involves subjecting food products to official controls. Products that are not considered safe will be denied access to the EU. Products that are new in the European food market (e.g. those not widely consumed prior to 1997) are considered ‘novel foods’ and have specific legislation.

Tips:

- Read more about Food Safety and Risk Management on the website of the Food and Agriculture Organization (FAO).
- When introducing a novel product in the EU, consult with the EU food safety authorities to determine whether your product is actually considered a novel food. Novel food requires a special authorisation or notification.

Limited use of pesticides

The EU has set maximum residue levels (MRLs) for pesticides in and on food products. Strict compliance with MRLs and the prevention of microbial contamination are preconditions for entering the European market. Products containing illegal pesticides or excessive amounts of other residues will be withdrawn from the EU market. Note that the MRLs applied by buyers in several Members States are stricter than those specified in EU legislation.

Tips:

- Use the MRL database to identify the MRLs that are relevant for your products. After selecting a product or pesticide used, the database returns the list of the MRLs associated with them.
- Apply integrated pest management (IPM) to reduce the amount of pesticides. This agricultural pest-control strategy uses natural control practices. The fewer chemicals you use, the better your marketing position will be. The FAO website provides information about IPM.
- Check with your buyers to determine whether they require additional requirements relating to MRLs and pesticide use. Expect your product and product samples to be subjected to thorough testing. The laboratory tests in Europe may be more extensive than those in your own country.

Contaminants

Contaminants are substances that have not been intentionally added to food, but which may be present as a result of the various stages during production, packaging, transport or holding. To avoid negative impact on the quality of food and risks to human health, the EU has set limits for several contaminants. These limits include heavy metals and mycotoxins, which are natural by-products of mould and very common on grains and pulses cultivated in humid climates.

Tips:

- Find the legal limits of relevant contaminant levels in your product or product group in the annex of Regulation (EC) 1881/2006 (starting on page 20).
- Check the European Commission’s factsheet on food contaminants ‘Managing food contaminants: how the EU ensures that our food is safe’ and the FAO publication ‘Mycotoxin prevention and control in food grains
- Avoid product rejection due to mould (mycotoxins) or salmonella. Maintain excellent post-harvest and storage methods.

No GMOs

The European Union adopts a very cautious stance towards genetically modified organisms (GMOs). Only a few genetically modified grain varieties have been authorized for soybeans, rapeseed and maize, and they are used primarily in the animal feed sector. For human consumption, most food businesses choose not to sell GM food at all.

Tips:

- Sell only non-GMO products if your product is destined for human consumption. In general, genetically modified crops are not accepted.
- For additional information, consult the EU register on GMOsto determine which GMOs are allowed and the EU factsheetto review current legislation.

Control of food imported to the EU

To ensure food safety and avoid environmental damage, the EU has restricted the use of certain chemicals (MRLs) in several Regulations and Directives. Your products will be subjected to official controls, which are conducted in order to ensure that all food marketed in the EU is safe (i.e. in compliance with the requirements applicable to particular products). There are three types of checks:

- a) Documentary checks
- b) Identity checks
- c) Physical checks

In the event of repeated non-compliance of specific products originating from particular countries, the EU can decide to conduct more intensive controls or impose emergency measures. Although controls can be carried out at all stages of import and marketing in the EU, most take place at the points of entry into the EU.

For importers of food products, the traceability of a product is compulsory. To this end, importers in the EU require exporters to show proof of origin and take traceability measures.

Tips:

- Make sure that the accompanying documents (e.g. bill of lading) correspond exactly with the food products contained in the consignment, including the indicated volumes, number of pallets and boxes, and names of growers.
- Consult the EU control measures to determine whether there are any increased levels of control for your specific product.
- Read more about health control in the EU Export Helpdesk.

Labelling

Food placed on the EU market must conform to the following legislation with regard to food labelling:

- Generic name and, if applicable, its treatment;
- List of ingredients, including allergens;
- Net quantity;
- Date of minimum durability;
- Special conditions for keeping or use;

- Name and address of the manufacturer, packager or importer;
- Place of origin;
- Lot marking on pre-packaged foodstuffs.

Novel food and genetically modified foods require additional labelling (e.g. with regard to composition, nutritional value, intended use and materials that may have health implications and/or raise ethical concerns).

Tips:

- Make sure that all mandatory information is mentioned, in addition to considering other useful information (e.g. logos of importers or certificates). Read more about food labelling in the EU Export Helpdesk.
- When targeting several countries within the EU, labelling must be in the language of each country.
- Avoid making health or nutrition claims that are not supported by European legislation. Check first with the EU Register of Nutrition and Health claims.

Full overview of requirements for your grains and pulses

For a full list of requirements, please consult the EU Export Helpdesk. Specific product codes can be selected under Chapters 07.13 (Pulses), 10 (Cereal grains) and 12 (Seeds

General requirements on packaging and liability

Note that non-product-specific legislation on packaging and liabilityalso applies to all goods marketed in the EU.

2 . What additional requirements do buyers often have?

European buyers often have specific requirements, depending upon their sales channels and product segments. Common buyer requirements include the following:

Marketing standards

Each product has its own characteristics which are often documented as a marketing standard. The Codex Alimentarius provides standards for several grains and pulses, such as couscous, sorghum, rice and certain pulses. These standards cover characteristics such as moisture, purity, grain quality and appearance. Not all products are covered. However, this does not mean that buyers of such products operate without a standard.

Tip:

- Ask your (potential) buyer for technical data sheets. This will give you an indication of the product characteristics you have to supply.

Certification as guarantee

Given that food safety is a top priority in all EU food sectors, most buyers are likely to request additional guarantees in the form of certifications. For European food businesses it is a legal requirement to have a food safety management system based on the principles of HAZARD ANALYSIS AND CRITICAL CONTROL POINT (HACCP). Many EU buyers (e.g. traders, food processors, retailers) require the same from their foreign suppliers.

Food safety management systems and certifications that are recognized by the Global Food Safety Initiative (GFSI) are widely accepted throughout Europe. The following are the most significant certifications:

GLOBALG.A.P. – a pre-farm-gate standard covering the process from farm input to non-processed product

FSSC 22000 / ISO 22000 – International standard for food safety management. FSSC 22000 is based on ISO 22000 and targeted specifically at food manufacturers. These certifications include HACCP.

BRC Global Standard for Food Safety provides technical standards for food safety, consumer products, packaging, storing and distribution. It is a widely accepted standard in Europe.

IFS – Safety standard for food processors and packers

GMP+ – International standard for feed safety and responsibility throughout the supply chain for animal feed

Tips:

- Check the FAO Guidelines for the implementation of HACCP.
- Read more on the different Food Safety Management Systems and hygiene standards in the Standards Map, or consult the Global Food Safety Initiative (GFSI). The Standards Map contains a benchmark for relevant additional standards.
- Become familiar with A.P., as your preparation for EU market entry is likely to include GLOBALG.A.P. certification, especially when targeting supermarkets as the end market.
- Different market channels and EU regions may have different preferences for particular food safety management systems. Check with your buyers to determine which systems they prefer.

Social and environmental practices

Buyers in the EU are increasingly paying attention to their corporate responsibilities with regard to the social and environmental impact of their businesses. This has led a number of supermarket chains and large industrial players to develop their own Corporate Social Responsibility (CSR) and sourcing policies. In addition, many smaller buyers have incorporated social and sustainable practices into their business policies. This has implications for suppliers as well. Common requirements include signing a code of conduct for suppliers, in which you declare that you conduct your business in a responsible manner (e.g. you and your suppliers respect local environmental and labour laws and avoid corruption). Social compliance is supported by several important initiatives, including the following:

Business Social Compliance Initiative (BSCI)

The BSCI is a leading business-driven initiative for companies committed to improving working conditions in the global supply chain by adopting a common code of conduct. It is particularly prominent in Western mainland Europe. The initiative of BSCI is in the hands of European companies that share a common code of conduct, improving working conditions of supplying factories and farms.

Ethical Trading Initiative (ETI).

Originating in the UK, the ETI is an alliance of companies, trade unions and NGOs promoting respect for workers' rights around the globe.

Global Social Compliance Programme (GSCP)

The GSCP is a business-driven programme for the continuous improvement of working and environmental conditions in global supply chains.

Tips:

- Check the current performance of your company (e.g. by completing a self-assessment on the BSCI website). This will help you focus on specific improvement points.
- The implementation of new certification systems can be very time-consuming. Plan ahead and focus on the ones that are most relevant to your product and target market.

3 . What are the requirements for niche markets?

In addition to the official and common requirements, specific requirements apply to niche markets (e.g. for organic grains and pulses or fair trade products). These requirements can be particularly important for specific consumer groups or in the health-food segment.

Organic, a growing niche market

Consumers in the EU increasingly prefer food products that are produced and processed using natural and sustainable methods. Organic certification is often used for food products associated with health benefits. For example, the European market for quinoa has been developed entirely by organic trading companies.

In order to market organic products in the EU, you must use organic production methods, which are specified in EU legislation. You must have used these production methods for at least two years before you can market grains and pulses as organic. In addition, you (or your EU importer) must apply for import authorization from an EU organic control body. After being audited by an accredited certifier, you may affix the EU organic logo on your products, along with the logo of the standard holder. Examples include the Soil Association (especially relevant in the UK), Bio-Siegel (Germany), Agriculture Biologique (France) or BioSuisse (Switzerland). Although there are slight differences between these standards, they all comply with EU legislation concerning organic production and labelling.

Tips:

- Implementing organic production and becoming certified can be expensive. Assess the market potential for your organic product.
- Read about organic farming and guidelines in the EU.
- Find importers specialized in organics through such directories as the International directory of organic food wholesale & supply companies (Organic-bio) or the International Trade Centre (ITC).
- Participate in trade fairs for organic products to get in contact with companies specialised in organic products (e.g. Biofachin Germany).

Fair trade and environmental certification

Fair trade and sustainable certification is a niche requirement that can distinguish your product from the mass and attract the more conscious consumers. These certification labels are consumer-focussed and best applicable to products from smallholder farms. Well-known labels include Fair for Life, Rainforest Alliance and Fairtrade. Fairtrade International (FLO) introduced a new fair trade standard for cereals in 2016.

- # 2) What is the demand?

Cereals, seeds and pulses are generally major commodities that are widely cultivated and traded within the European Union (EU). The supply market for major staple foods is very locally oriented, with relatively stable levels of supply and demand. Opportunities for small and medium-sized suppliers from developing countries are best found in smaller-scale products, product differentiation (organic) and specific consumer trends (healthy, authentic, gluten-free). It is important to note, however, that smaller niche markets are accompanied by greater risk and volatility.

- # 3) Which trends offer opportunities?

European consumers are becoming more aware of health issues and are getting more interested in authentic and clean products. You as a supplier from a developing country can anticipate these trends by focusing on nutrition, organic products, veganism, food intolerances and 'ancient' grains. There are many opportunities for exporting new and higher value products to Europe, such as quinoa, amaranth, chia and freekeh. However, new products and niche markets are often accompanied by greater risk and volatility.

1 . Growing demand for high-value products

Most grains and pulses are large commodities. Many of them are produced in and around Europe. As small to medium-sized exporters from a developing country, you can find most opportunities in specific and lower volume products.

Promising cereal grains and pseudo-cereal grains

The European import market for cereals is valued at €18.6 billion. Although most cereals such as rye and oats are sourced predominantly within Europe, imports of specific cereals from developing countries are increasing. These are often cereals sold in niche markets, such as grains with a specific origin or healthy characteristic. See also the trend for health food below.

The following typical products from developing countries have caught the attention of European consumers:

- Look for niche markets or differentiation in type or quality. It will be too difficult to compete with large producers of commodities, where efficiency and economy of scale is key. Smaller high-value crops are more profitable.

The supply of niche cereals can vary, but certain products have become popular ingredients and continue growing in production, as can be seen in quinoa and buckwheat.

Tip:

- Look for niche markets or differentiation in type or quality. It will be too difficult to compete with large producers of commodities, where efficiency and economy of scale is key. Smaller high-value crops are more profitable.

Specialty rice varieties

The consumption of certain rice varieties is also gradually increasing on the European market. This is thanks to new cuisines, increasing interest in aromatic varieties and duty-free imports from India, Pakistan, Cambodia and Myanmar. Examples include:

- jasmine rice;
- basmati rice;
- glutinous rice;
- wild rice;
- black, brown and red rice.

Tip:

- Read our study about the European market for specialty rice.

Ancient grains

A recent trend in the specialty grains sector is a growing interest amongst consumers in ancient grains, referring to their ancient origin. European consumers often consider ancient grains healthier and superior to other grains. These grains usually have an additional advantage in nutritional value and sometimes gluten-free characteristics.

Many promising grains from developing countries mentioned above are considered ancient grains. Other popular varieties include:

- spelt;
- kamut (Khorasan);
- farro;
- oats.

These ancient grains are often used for product innovation, for example in cereal bars, new mixes and drinks. European companies use ancient grains in these products for their marketing value.

The growing interest of European consumers in ancient grains has paved the way for the introduction of new varieties, such as fonio and teff.

High-value seeds

Europe’s seed market is dominated by commodity seeds such as soybeans, rapeseeds and sunflower seeds. These seeds are mainly used for the processing industry and animal feed.

Some of the higher value seeds such as chia have growth potential, but are still relatively small. Chia imports totalled approximately 15,000 tonnes in 2015. Sesame seeds are more established, amounting to 168,000 tonnes in 2015. That is still a fraction compared to the main commodities such as soybeans.

For small and medium-sized companies from developing countries, high-value seeds are more interesting. The market value for most of these seeds is volatile, but consumers' interest in new products and product development often has a positive impact on future growth.

Higher value seeds include, for example:

- sesame;
- hemp;
- pumpkin;
- chia.

Tips:

- Try to develop your export for different products. Avoid dependence on one single product, especially when it is a relatively new product; the fluctuation in product value and demand is an unnecessary risk you take.
- Try to secure your profit through supplying contracts with your buyers. Production and prices of small varieties can be volatile, especially for niche products.
- Read our studies about the European market for sesame seeds.

Increasing value of pulses

The European market for pulses (especially that in Northern and Western Europe) is relatively small compared to other parts of the world. However, trade of pulses has grown faster than the supply. This has increased the value of these products.

Import volumes in Europe are relatively stable between 1.6 and 1.8 million tonnes, with an increasing value reaching 1.3 billion euros in 2015. This suggests higher prices in the sector of pulses. About 36% of the import value can be ascribed to developing countries.

The most common pulses in Europe are dried peas and dread beans *(Pisum sativum* and *Phaseolus vulgaris).*

France, Spain and the United Kingdom are the leading consuming countries. Italy, Spain and the United Kingdom are the largest importers of pulses from developing countries. Their imports consist mainly of kidney beans and white pea beans.

More than 70% of the total import value from developing countries consists of kidney beans, white pea beans and chickpeas. The most significant import growth from developing countries is seen in the smallest varieties, such as cowpeas and pigeon peas.

2016 is the International Year of Pulses [H2]

The growth of the European market for pulses has been hindered by insufficient product innovation and the fact that pulses often do not match modern consumer habits (with increasing attention to freshness and convenience). The promotion of pulses as a nutritious and healthy product will help increase consumption.

The United Nations Food and Agriculture Organization (FAO) has designated 2016 as the International Year of Pulses. The goal of the International Year of Pulses is to help develop worldwide consumption of pulses through increased publicity, the promotion of health benefits and product innovation.

In particular, varieties that are suitable for product development and product mixes are expected to increase. Examples include lentils (as they do not require soaking before cooking) and pulse flour used in pastas or snacks.

The increased attention to pulses can lead to opportunities for developing countries for main pulses such as:

- kidney beans (current European import 493,000 tonnes in 2015);
- chick peas (161,000 tonnes);
- lentils (249,000 tonnes).

It can also lead to opportunities for smaller varieties:

- cowpeas (11,000 tonnes);
- pigeon peas (2,500 tonnes);
- black-eyed peas.

Tip:

- Encourage farmers to rotate their crops. Good crop rotation and alternating the cultivation of grains and pulses will improve production and increase yields in the long term.

2 . Grains and pulses are diversifying

The introduction of new food ingredients and products suggests that interest in less traditional food is increasing. Grains and pulses that have proven their success are being further exploited in product development and innovation.

New varieties & mixes

The assortment of products on the European market is becoming more diverse. Newly introduced products such as quinoa, wild rice and bulgur are marketed in product mixes or as niche substitutes for regular commodities such as Indica rice.

Products in which grains and pulses are mixed also appear more often, as these complement each other well on a nutritional level. Examples are brown rice with lentils and quinoa with lentils. It is important to note, however, that niche products are not expected to replace main commodities, due to higher price and limited supply.

For exporters from developing countries, offering new products can be profitable. However, offering new products can also pose higher risks. Most of these niches are not yet part of a mature supply chain, therefore price fluctuations can be more radical.

Tip:

- Try to find interesting product combinations for export to Europe, which you are able to produce or offer from your country.

Ingredients and product innovation

The European market is constantly expanding with new food products and innovations. Spelt, quinoa, buckwheat, amaranth and chia are popular ingredients for new product introductions. Food brands use these ingredients as part of a marketing strategy.

Examples of products developed with specific grains and pulses include:

- breakfast cereal mixes;
- muesli bars;
- bread and crackers;
- baby food;
- fresh salads;
- drinks (soy milk, quinoa beer).

Several ingredients are also used in non-food products, for example quinoa and chia as ingredients in personal care products and cosmetics.

Product brands and added-value products are generally developed within Europe, with basic processing such as milling, crushing or popping sometimes taking place in countries of origin. Import taxes for processed products usually make it unattractive to perform anything more than basic processing in the country of origin.

When trading volumes of niche products go mainstream, large food companies tend to take over. This leaves less room for specialised importers and retailers to commercialise these products.

Tip:

- Read our study about competition on the European market for grains and pulses to find out more about your competitive position in comparison to larger food companies.

Sprouted grains

Sprouted grains (grains that are germinated) are upcoming in Europe. Sprouted grains fit the general health trend, thanks to their high level of proteins. Sprouted grains also make for a better assimilation of vitamins and minerals by the body.

After germination (sprouting), the grains are either further processed or dried. In Europe, sprouted grains are mostly used as flour in bakery products such as bread and snacks.

Tips:

- Look for grains or pulses that fit well with product developments in Europe.
- Importers and processors are regularly looking for new ingredients. Discuss with them the potential demand for specific products.
- Keep in mind that product innovations in Europe demand top-quality ingredients, great flavours and outstanding presentation. Make sure you are able to match these quality standards.
- Keep yourself updated about consumer trends and new ingredients through websites such as Organic Wellness News, Food Ingredients First, Food and Drink Europe, Food Navigator and Food Manufacture.

3 . Consumers are looking for authenticity

The appreciation in Europe for authentic products is increasing. These include ‘ancient grains’ as well as ethnic products such as:

- couscous;
- Bulgur;

- Japanese rice (for sushi).

Migrants have contributed to the increased attention to these products. Another factor that plays a role is the fact that European consumers travel more, and therefore more often come into contact with different cultures. Even though this trend is not new, it allows for authentic and ethnic products to be introduced on a regular basis.

4 . Attention to social aspects is increasing

European consumers are becoming increasingly interested in the stories behind the products they buy. Preference for socially engaged products is growing amongst consumers.

Consumers in Europe are willing to pay more for products with a story, and they reward such products with loyalty (buying the same products they feel attached to).

At the same time, European retailers put an emphasis on sustainable aspects in their stories, including Corporate Social Responsibility (CSR) and good agricultural practices. This demands a different approach from exporters and buyers. In addition to a well-organised and responsible supply chain, storytelling can be an added value. However, offering a good quality product is most important and trade is still determined by price.

A good example of showing a story is the initiative 'These are my pulses' of the Global Pulse Confederation.

Tips:

- Explain to your potential buyers what makes your product or company different. Focus on, for example: the origin of your product, your impact on the environment or the traceability systems that have been implemented.
- Demonstrate how your product is produced according to high ethical standards. Use storytelling and images on your website and social media to present your producers and their work.
- See our study about the requirements of European buyers of grains and pulses for more information about social and environmental certification schemes.

5 . Healthy eating habits

European consumers are becoming increasingly conscious of healthy eating habits and addressing dietary issues. This has led to trends such as superfoods, raw foods, vegan products, healthy snacks, functional foods and products that are free of specific allergens such as gluten.

Food journalists, online recipes, celebrities and social media have a considerable influence on new food trends and health ingredients. This influence turns ingredients into popular 'superfoods' by relating them to famous health gurus or the beauty of celebrities.

Healthy nutrition: fibres and protein

The increased awareness of healthy nutrition has translated into a market for new product ingredients with vegetable protein, dietary fibres and good fats.

Grains and pulses complement each other well, giving substance to the demand for both protein and fibres.

Seeds such as chia and linseed provide a good amount of essential omega-3 fatty acids that are not reproducible by the human body.

As an exporter of health-related or nutritious grains and pulses, you can benefit from the increasing health awareness in Europe.

Tip:

- Communicate the health benefits of your products, But avoid making health or nutrition claims that are not supported by European legislation. First check the EU Register of Nutrition and Health claims.

Flexitarians, vegetarians and vegans

The number of Europeans that are reducing their meat consumption is increasing significantly. Health, animal welfare and money are underlying motivations.

BioFach, one of the most important European trade fairs for organic and natural products, dedicated part of their February 2016 trade fair to experiencing the world of vegan. This shows the potential and possibilities for future product development.

Part-time vegetarians or 'flexitarians' are an interesting target group for vegetable protein sources such as soybeans and pulses.

The highest percentage of vegetarians, up to 10%, can be found in Germany, Italy, Austria, Sweden and the United Kingdom. Exact data is not available, but various studies suggest the number of vegetarians in these countries is gradually increasing.

Tip:

- Consider Germany, Italy or the United Kingdom if looking into the protein alternatives market.

Gluten-free

The market for gluten-free products is expected to increase in value by 5.5% annually over the next five years. The key drivers for people to buy gluten-free products are food intolerance, health and weight.

The most important segment for gluten-free products is the bakery segment, but there are also opportunities for gluten-free pasta and baby food. These products require grains such as buckwheat, millet, quinoa, amaranth, sorghum or teff.

The gluten-free industry in Europe is exceptionally strong in Italy and the United Kingdom.

Tips:

- Focus on cereals that meet the growing needs of specific consumer groups (e.g. nutrition, vegan or gluten-free) and market trends.
- Avoid cross-contamination of allergens. For example, a processing line for gluten-free ingredients should be strictly separated from any product containing gluten.

6 . Organic market continues to grow

European consumers' increasing attention to health issues, the environment and social responsibility are stimulating the rapid growth of the organic market.

The organic market in Europe grew by 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 Germanyand France, with increases of 10-11% in 2015. Organic consumption in Sweden even grew 40% in 2014 and 2015.

Although still considered a niche, the organic market is expected to grow over the coming years. Research company Technavio predicts a combined average growth rate of organic food and drinks of approximately 7% in Europe until the year 2020. For 2015 they identified the following top vendors in Europe: Tesco, Metro, Carrefour, Ahold and REWE group.

For some grains and pulses, the market share is significantly higher in the organic food segment. Quinoa for example, was first developed by mainly organic traders. For chia, the organic market share is believed to be up to 40%.

The organic market can be interesting for you as a small or medium-sized exporter from a developing country. In addition to the fact that the organic market is growing, consumers are willing to pay significantly more for organic products. At the same time, European buyers have difficulties finding good quality organic suppliers.

Tips:

- Make sure your organic products are clean and free of pesticides and chemical residues. Separate your organic production from other crops and avoid cross-contamination. When residues are too high, your product will be sold as conventional or re-routed to other markets. Non-compliance is timely and costly business and can affect the relationship with your buyer.
- For more information about European legislation related to organic products, see our study about buyer requirements for grains and pulses.
- Visit specialised trade fairs to get to know the organic market, such as BioFach in Germany. Also have a look at the organic database Organic-Bio.
- For statistics on organic agriculture and trade, consult the FiBL website Organic-World.

7 . Convenience in food

Europeans often lead a busy life. This increasingly makes them choose food that is easily accessible and easy to prepare.

The convenience trend could potentially increase the sales of several grains and pulses as ingredients.

In North-western Europe in particular, consumers are able to choose from a variety of ready-made meals, with all sorts of grains and pulses. Others prefer to buy healthy snacks or pre-packed salads with quinoa, lentils or bulgur.

A development tapping into the convenience trend is the growing online market. Many high-end dry foods that are associated with good health or ‘superfood’ can be purchased online. Examples of shops that tap into this online market include:

- Alnatura (Germany)
- RealFoods (UK)
- Puur&Fit (Netherlands)

Tip:

- Maintain open communication with your buyers. Learn about the end markets for your specific products. This will help you to understand developments in terms of convenience and adjust your marketing strategy accordingly.

4) What competition do you face?

The European Union (EU) has strict regulations, in which competition for various types of grains and pulses depends on where and how they are to be used. There is considerable variation in rivalry and supply power between large suppliers of commodities and exporters from developing countries working with products on a medium to large scale or those with a more exotic character. The potential for new specialty products and varieties is increasing, although competition should be countered by excellence in quality and product differentiation. This section explains the competition existing within the field of grains and pulses. For specific information on oilseeds, see CBI Competition for oilseeds.

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

The European market for bulk grains and pulses is quite mature and well structured by legislation and certifications. Competition is best challenged by offering an accurate response to market needs, good compliance with buyer requirements, product differentiation and niche products.

European requirements are an obstacle for new entrants

While rules are becoming stricter, supply chains become shorter and more transparent. These developments have increased the importance of good suppliers. Compliance with European quality and safety requirements and maximum residue limits for grains and pulses can be an obstacle for new external suppliers. At the same time, however, it can also allow suppliers to demonstrate their professionalism and differentiate their companies from competitors. New entrants often underestimate the rigorous quality control and extensive laboratory testing demanded by buyers, the level of EU border control and the risk of rejection.

Tips:

- For detailed information on contamination and pesticide usage, see also CBI buyer requirements.
- Learn from other suppliers, and identify common mistakes through the RASFF (Rapid Alert System for Food and Feed) Portal, which registers shipments that have been rejected.

Buyers have different profiles

While importers are always interested in serious suppliers, they are also a source for comparing products and prices. Buyers who have already established business relationships with suppliers who can assure them of steady quality and competitive prices have little reason to change suppliers.

The likelihood of changing suppliers depends upon the type of buyer. Some buyers are importers with typical trading profiles, buying and selling in response to trade opportunities. These trading companies shift between suppliers relatively easily, and they buy from suppliers in developing countries as well as from other European importers. Other buyers are sourcing companies, focusing more on the expertise of sourcing and demanding long-term commitment. Sourcing companies are well equipped to import exotic or new types of grains and pulses from developing countries, and they often plan local site visits.

With an increasing need for transparency and food safety, they will put more emphasis on the business relation with exporters.

Tips:

- Demonstrate that you are a reliable supplier in order to establish long-term trade relationships. Efficient communication and honouring agreements are essential to building trust.
- Evaluate whether a joint venture or exclusive partnership would be an option for you and your trusted buyers. Integrated cooperations can strengthen your position on the European market and decrease the risk of losing the connection to your buyer. They can also offer the opportunity to dedicate your company's efforts in the areas of sourcing and compliance instead of export marketing.

Specialization as a market-entry strategy

Trade in bulk grains and pulses is price competitive. If your product merely complies with obligatory standards, price is about the only area in which you can make it stand out from the crowd. Large suppliers often have the advantage of scale, as they are able to produce and export efficiently at the industrial level.

In order to compete with large bulk suppliers, small and medium exporters can realize advantages through specialization or adding value. Adding value to your product will not necessarily make it easier for you to enter the market. For example, food processing is very common in Europe, and processed products are likely to be subject to high tariffs or other trade barriers.

Many other options can be considered, however, including targeting specific buyer groups, combining local niche products and specializing in specific varieties, organic products or social certification.

Tip:

- Assess opportunities in your target market and try to differentiate. Visit trade fairs (e.g. SIAL, Anuga and Biofach), and discuss your ideas with European exhibitors.

2 . Product competition: What are substitute products?

This section describes the existence and competing power of substitutes for grains and pulses.

Risk of substitution depends upon application and market channel

At a trade level, niche products are more easily substituted or discontinued than are commodities (e.g. rice, corn) or food ingredients for the industry.

At the same time, smaller products can offer valuable alternatives or additions to major commodities, and they are therefore interesting options for small and medium exporters. Product substitution for grains and pulses depends upon consumer preferences, functionality and specific market channels.

- *Functional food* is a niche in which substitution is difficult, as consumers tend to buy specific products for specific reasons. Examples of functional food include gluten-free grains (e.g. teff, quinoa), omega3 products (e.g. chia, linseed) and protein sources (e.g. soybeans, pulses). Pulses can be used as a substitute for meat and, in the health-food segment, higher-value grains can become interesting alternatives for commodity grains.
- *Consumer choice* can easily be shifted between the many packaged grains and pulses available (e.g. pasta, quinoa, bulgur, kumut, couscous and various types of rice). Food brands are increasingly combining ingredients to offer attractive alternatives (e.g. brown rice with quinoa or spelt) or nutritious products (e.g. rice with lentils).
- *Food manufacturers* (for specific ingredients) cannot easily substitute ingredients, because they are part of specific formulas. If price or availability becomes a serious issue for a smaller-scale ingredient, it could eventually be substituted, or the product could be removed from the retail market. Although supplying your product to the food industry can provide stable demand for your product, the supply requirements are generally high.
- *The bakery industry* is an important channel for cereal grains and seeds, but is also very price competitive. Spelt, rye, quinoa and other special grains are minor substitutes for wheat in bakery products, although they can be easily replaced when prices rise. The same applies to seeds, including poppy, sesame, pumpkin, sunflower seeds, linseed and chia. As noted above, gluten-free products constitute an exception to the competitive bakery sector.

Tip:

- Make sure that you can guarantee a minimum level of availability, and be honest about your capacities as a supplier, especially when targeting the food industry or when working with relatively new products.

3 . Company competition: Who are my rivals?

The European market is a buyers' market, in which many suppliers compete and in which price is often the determining factor. Nevertheless, standards of quality and sustainability are becoming increasingly important as a way for suppliers to distinguish themselves from their competitors.

Supermarkets as dominant buyers

The purchasing power of European supermarkets is strong, especially in Western Europe, and it is expected to increase even further in the future. This is evident in the requirements and conditions that supermarkets set. It is easy for supermarkets to shift to other suppliers if their current suppliers do not adhere to these demands. Because competition for non-specialized products is based primarily on price, EU buyers can be characterized by a high level of price sensitivity. This subsequently translates into greater pressure on other actors closer to the producer level, including sourcing companies and exporters from developing countries.

Tips:

- Try to become part of long-term contracts with large retailers (either directly or with the help from an importer), but only if your company is ready for such commitments.
- For additional information on the role of the different players in the supply chain, see CBI Market Channels and Segments.

Strong suppliers in commodity market

In the commodity market for cereal grains and seeds (including oilseeds), supply is dominated by such multinationals as ADM, Bunge, Cargill, Glencore and Louis Dreyfus. These companies cover the food, feed and non-food industries, with offices throughout Europe, steady contracts and, in many cases, their own production. The supply power of local exporters is significantly lower. Buyers easily switch between suppliers without excessive costs, as production and trade are well organized. The market for pulses is less developed in Europe, and its demand does not reach the level achieved by grains. Pulses therefore offer more opportunities for independent and medium-sized exporters. In this market, exporters with less commoditized ingredients are able to exert much greater influence on their buyers. Many importers specialize in alternative grains, exotic seeds and healthy pulses, and they are dependent upon good relationships with their suppliers.

Tip:

- Avoid competition with multinational suppliers. Find potential trading partners on such online databases such as Europages, Kompass or ITC Trademap, and compare their product range to that offered by your company.

Supplier power is regional and product-specific

European trade in commodities is dominated by large suppliers. Most of their production is located in or nearby Europe. For example, in Turkey, major suppliers hold a very strong position in lentils and, in the Ukraine, they dominate the supply of sunflower seeds. Their regional bargaining power is much stronger than that of exporters from developing countries who offer the same products. This is quite different for climate-specific crops and exotic varieties that are traditionally associated with specific regions (e.g. sesame, quinoa, chia, teff and pigeon peas).

Demand for authentic and specialty products is increasing, and the level of competition in this area is more likely defined by quality and product variety.

Tips:

- Consult production figures on FAOSTAT and verify the potential competition from other producing countries.
- Stay abreast of new food trends in Europe by following Food Navigator or other news sites.

Future competition in specialty products

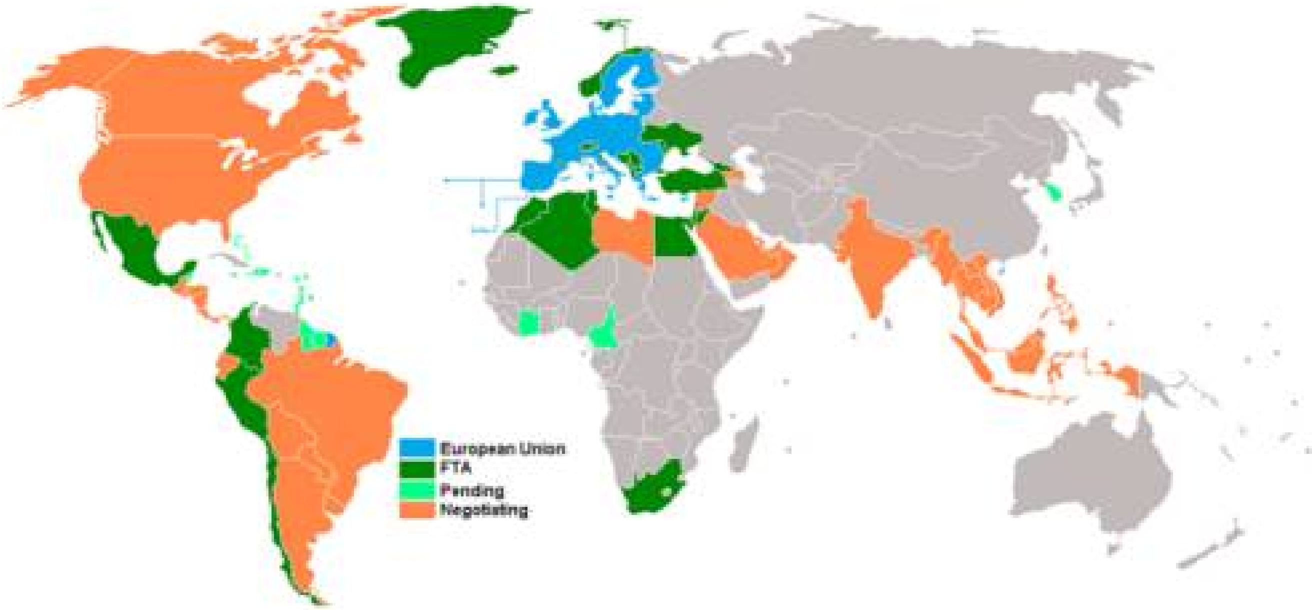
The European consumer market is changing. Along with increases in the demand for specialty products, quality and sustainability are becoming more prominent values. This offers an opportunity for exporters who maintain high standards and who are well prepared for this new mind-set. Competition will automatically increase along with developments in the demand for specific products. Nevertheless, exporters will have many options to distinguish themselves from their competitors in terms of quality and sustainability.

Tips:

- Anticipate future changes by becoming a forerunner in quality, sustainability and product originality. For example, add value by accentuating sustainability aspects, including fair production and fair prices to farmers.
- Use the Standards Map to identify certification standards that correspond well to the values of your company. Additional suggestions are available in CBI buyer requirements.

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 agricultural (or other) products to the EU. Important suppliers of grains and pulses (e.g. Turkey, Ukraine and Mexico) have FTAs with the EU. Depending upon their content, such agreements can provide potential advantages in the trade of grains and pulses. For a complete overview of FTAs with the EU, see the European Commission website.



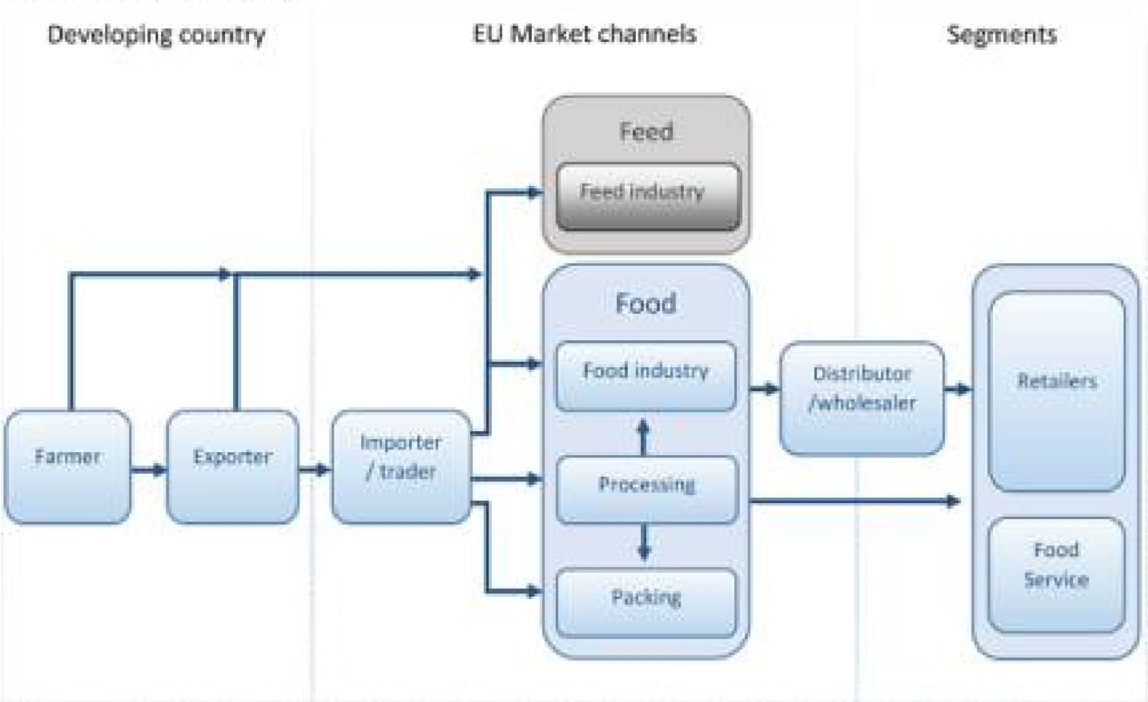
- ## 5) Through which channels can you get your product onto the European market?

The grains and pulses sector consists of a varied group of processed and non-processed food, traditional and new products. These are sold in outlets ranging from bakeries to health shops. Supermarkets hold a dominant purchasing position, although niche products are often introduced by specialized retailers. For products that are not bulk commodities, the supply chain is less integrated. In this case the role of importers is significantly more important in sourcing and quality control.

1 . Trade structure for grains and pulses

Trade channels for grains and pulses are highly diverse, covering products ranging from non-processed to processed, from bulk to niche and from traditional to innovative. Some grains (e.g. wheat and corn) can be found as ingredients or additives (e.g. starch) in nearly every processed food product, and the animal-feed industry consumes an enormous quantity of these bulk products. For a description of each stakeholder in the supply chain, see the annex of this study. There is also a separate CBI market-intelligence resource for trade channels and segments for oilseeds.

Figure 1: Market channels in Europe for grains and pulses (for an explanation of the boxes, see Annex 1)



2 . Which are the main trade channels for grains and pulses?

Role of importers - Bulk vs niche

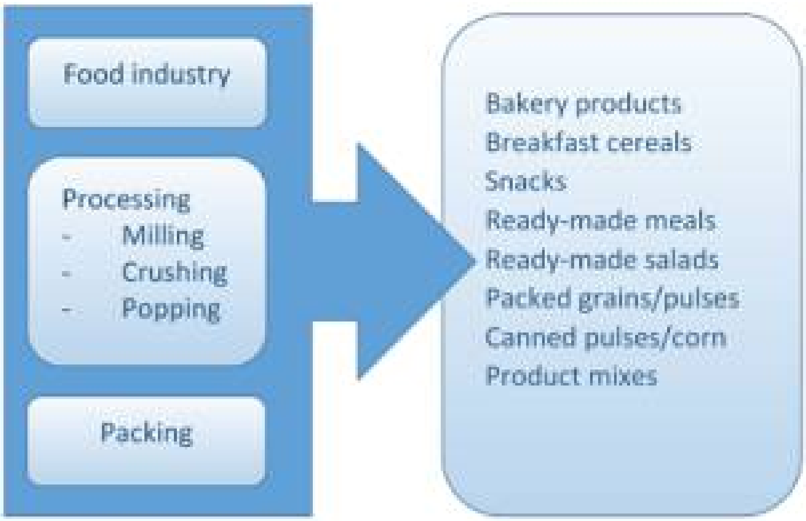
Bulk commodities (rice, corn, soybeans) are traded by large importers or directly sourced by multinational companies. In general, many of these commodity crops are supplied by large farmers under contracted production. Specialized importers play a much more important role in the trade of medium-scale and niche products (e.g. quinoa, chia, sesame, organic foods), especially when products are sourced from small farmers or cooperatives.

Niche products are more vulnerable to volatile changes in supply and demand. In addition, the companies in the trading channels for organic and gluten-free grains often differ from those used in conventional trade. Importers specializing in these types of products are experienced in managing high quality and reliable supply.

Tip:

- Use the experience of importers in order to understand the European market and to ensure that your specific product corresponds to the demand and requirements.

Figure 2: Segmentation of the food-industry channels for grains and pulses in Europe



Product innovation

The European food market for grains and pulses is diversifying. New products, ingredients and mixes are being introduced into a growing market, and brand development is no longer an exclusive activity of large food enterprises. More and more small specialized products are emerging, particularly in the health and organic segments. Small brand owners usually outsource their production to external packers and service providers.

Added-value market channels exist at several different levels, from packing and basic processing (e.g. milling, crushing and popping) to full product development (e.g. ready-to-eat meals/salads, cereal bars).

The food industry demands highly reliable supply, continuity and excellent food safety –all of which are preconditions for product development. Although some level of basic processing can occur in the country of origin, the marketing of a consumer product or brand from a developing country can be very complicated. Import tariffs are higher, and experienced food marketers in Europe leave little room for foreign brands. Nevertheless, product innovation and differentiation can offer opportunities for smallholder farmers who can supply semi-processed or new types of grains and pulses that conform to industrial requirements.

Tips:

- In order to supply the food industry, make sure that your supply volume and quality are constant and reliable.
- Investigate whether basic processing in your home country could be attractive and cost-effective for European buyers. Look into import tariffs via the EU Export Helpdesk and check the types of competition.

Supply-chain integration

Large retailers have developed a very strong influence on the entire supply chain, which is facilitated by vertical integration. This means that they control pricing, in addition to imposing strict quality requirements on their suppliers. A mature market for private-label products and recent price wars have placed additional pressure on suppliers.

Market channels are becoming more integrated in order to ensure transparency and compliance with requirements, as well as to remain competitive. Supermarkets are investing in distribution, retail outlets, fulfilment centres and pick-up points, in addition to becoming multi-channel retailers.

Importers often have their own packing and basic processing facilities and expect full transparency from their suppliers. Close cooperation and joint ventures increase the reliability of high-quality supply chains. In recent years, traditional trading has typically been converted into sustainable sourcing.

Tips:

- Maintain a high level of professionalism and communication. Supply contracts can provide financial security and help to establish long-term relationships, but they are only valuable if you live up to them.
- Implement a traceability system that allows you to become a transparent and serious supplier in the eyes of European importers.

3 . Which segments offer opportunities?

Figure 3: Segmentation of the retail and food-service markets for grains and pulses in Europe

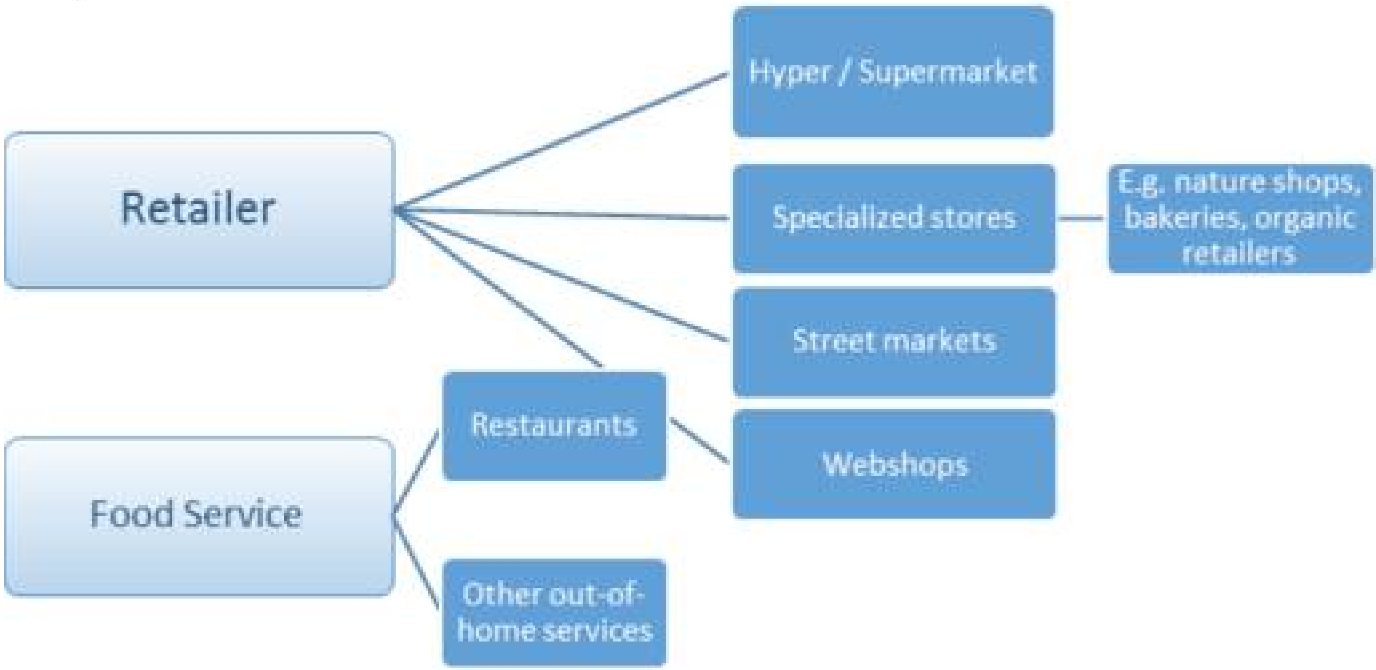
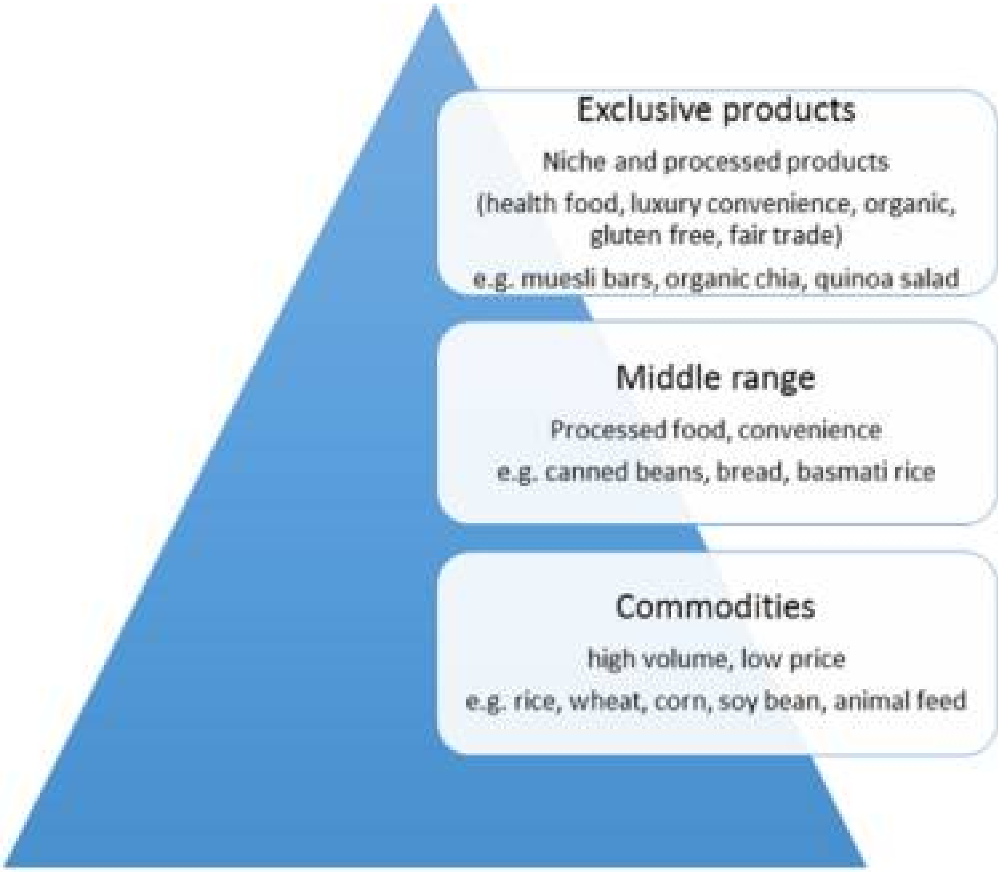


Figure 4: Characteristics of various segments for grains and pulses



Dominance of supermarkets

Supermarkets have a large market share in the sale of grains and pulses, especially in North-Western Europe. Their centralized purchasing and convenience shopping have placed supermarkets and hypermarkets in a very strong position. At the same time, competition between supermarkets is fierce. A remarkable trend has emerged in which supermarkets are becoming further segmented into discounters and high-end grocery stores.

Traditional retailers (e.g. bakeries), which constitute an important segment for cereal grains and seeds, are facing increasing challenges from the large non-specialized retail outlets with industrial bakery contracts and in-store bakeries. For example, in the UK and the Netherlands, the industrial sector holds a market share of around 80% in the bakery segment. In France and Germany, supermarket shares amount to 35-40% and, in Spain, 19%.

Although supplying directly or indirectly to large retail chains ensures significant market coverage, it can be quite demanding in terms of quality, price, volume and delivery obligations.

Tips:

- In order to deal with the purchasing power of large retailers, prove yourself to be a very reliable supplier and be prepared to accept a lower price in return for a larger market share.
- Supermarkets are demanding customers. Take advantage of the knowledge of importers and work together with them to move your product into the larger retail channels.

Specialized retail in health and nutrition

Europe has a growing number of specialized shops in health and nutritious food. These retail concepts tend to be more progressive than conventional supermarkets are in adapting niche products. For example, nature shops, organic grocery stores and ethnic shops specialize in products that are organic or free of particular substances (e.g. gluten), in addition to food supplements and exotic products. These products are sold in both physical shops and online stores. Street-market vendors of nuts and dried fruit sometimes sell a variety of seeds as well.

Supermarkets follow the same health trends, and they are embracing organic, ethnic and allergen-free products as well. Some have special sections for ethnic foods or foods that are free of particular substances (e.g. gluten-free). Organic retail chains often demand that brands be sold exclusively in the organic segment, thereby avoiding competition from non-specialized supermarkets.

Tips:

- If you export organic, ethnic or niche products, extend your focus to importers who supply specialized stores.
- Become familiar with various types of consumers and potential target groups in Europe. For example, visit specific trade fairs such as SIAL, Anuga and Biofach.

Food service increases familiarity

Although the food-service segment for grains and pulses is smaller than the retail segment, restaurants and their chefs can help to promote new products. It is an interesting segment for making people familiar with the taste and usage of relatively unknown products. In this way, they reinforce the efforts of food specialists and media. Ambassadors of niche products could increase the overall demand for them, thereby benefitting the supply chain as a whole.

Tip:

- Discuss strategies for influencing food specialists with your buyer or industry association, and use the food-service channel as a promotion tool.

Creating added value

For bulk commodities and ingredients in common consumer products, price is a determining factor (e.g. bread, flour, canned corn, canned beans and consumer-packaged rice). Higher-end segments are frequently explored by food companies. The range of luxury processed food, exotic varieties and organic or social certified grains and pulses is expanding.

Some high-end food segments are small, but have higher margins. Specific growth has been observed for products with grains and pulses offering specific nutritional value or health benefits. To reach these segments, supply needs to be of a premium quality. Less esthetical or conformable qualities are more suitable for milling or other types of processing.

Tips:

- Consider adding value to your products and targeting a higher segment by using organic, social or environmental certifications or supplying a premium product.

- Communicate the attractiveness of your product to customers, and learn to be responsive to the sales strategies of your buyers.

This survey was compiled for CBI by Michel Peperkamp | ICI Business in collaboration with CBI sector expert Freek Jan Koekoek.

Farmer

Farmers of grains and pulses exist in many sizes. Industrial-sized farmers offering bulk products (e.g. soybeans, corn) can have direct links to the larger European food industry, without using independent exporters or importers. Small and medium-sized farmers and farmers offering niche products are dependent upon local cooperatives or exporters.

Exporter

Exporters collect products from farmers and add value by financing, storing and, in some cases, basic processing (e.g. cleaning, drying, crushing, milling) and packaging for grains and pulses. Exporters have an important responsibility in product traceability and quality.

Importer/trader

For many grains and pulses, importers occupy a very important position in terms of providing market access and ensuring product quality and compliance. Importers usually have longstanding relationships with customers and excellent knowledge of quality requirements, logistics and the formal administrative processes. Their role is slowly shifting from traditional trading towards sustainable sourcing companies. Some importers specialize in organic or fair trade products, although they can also be very helpful in introducing novel grains or pulses.

Processor/packer

Grains are often processed before being packed or supplied to the food industry. Processing includes milling, popping (grains), crushing (oilseeds), among other processes. Basic processing is often integrated into the activities of the food-packing industry. Advantages of processing in Europe instead of at the place of origin can be either economic (e.g. lower import duties) or related to greater direct control on food safety or efficiency.

Food industry

The food industry is the most important driver of food innovation and brand development. Major brands require a constant supply of raw materials and an excellent food safety record, before launching a new product or ingredient. Bulk products can be directly sourced by these industries, but for niche products, they often depend on the expertise of importers.

Feed industry

The feed industry absorbs enormous quantities of raw material from the grains and pulses sector. The market channel for animal feed works with lower prices and quality standards than is the case in the food industry, although food safety requirements are very similar. Suppliers can profit from the feed trade when supplying high volumes or specific nutritious additives.

Distribution/wholesale

Distributors or wholesalers can maintain stock and supply flexible quantities to retailers and food-service companies. Supermarket chains usually have their own distribution centres, while other retailers depend upon independent wholesalers.

Retail

The retail segment consists primarily of non-specialized supermarkets and specialized retailers (including e-commerce and street markets). Supermarkets sell a large variety of processed and consumer-packed products. Examples of large supermarket chains include Rewe (Germany), Carrefour (France), Tesco (UK) and Ahold (Netherlands). Because of their purchasing power, these chains hold a highly dominant position throughout the entire supply chain, and they usually work with preferred suppliers or service providers that are responsible for importing, contracting and combining products from various countries. Their segment is especially strong, if not saturated, in North-Western Europe. The Retail-index provides a ranking of European supermarkets.

Specialized retailers include traditional shops (e.g. bakeries), as well as health shops, ethnic stores and organic grocery stores. Specialized retailers attempt to distinguish themselves from non-specialized supermarkets by selling unique products and providing additional product knowledge.

Food service

Food service constitutes a smaller segment for grains and pulses, including out-of-home consumption (e.g. restaurants, catering, company cafeterias, hotels, schools, hospitals and care homes). Most of these businesses are supplied by wholesalers.