DUTCH FRUITING VEGETABLE GROWERS PREPARE THEMSELVES FOR FUTURE DEMANDS OF FOREIGN RETAILERS

British Retailers In Particular Expect Co-operation In The Supply Chain

Within the British food-retail trade, buyers of potatoes, fruit and vegetables (PFV) require that these meet high quality standards. In Germany, the emphasis was always more on quality for the lowest possible price until now. The competition that Dutch growers experience on the British market is mainly from British growers and Spanish growers. Owing to a competitive cost price and efficient logistics, The Netherlands as yet occupies an excellent market position on the nearby German market. Italy and Morocco are not serious competitors on the British and German markets compared to the fruiting vegetables from The Netherlands.

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Germany And United Kingdom The Most Important Export Destinations

In 2000, The Netherlands exported approx. 465 million kg tomatoes, 250 million kg sweet peppers and 300 million kg cucumbers. Germany is the most important export destination for Dutch fruiting vegetables and the British market takes second place. The market share of Dutch tomatoes is 40% in Germany, that of sweet peppers 34% and that of cucumbers 51%. In the United Kingdom, the market share of Dutch tomatoes is 25%, that of peppers 67% and that of cucumbers 28%.

Scope of the German and British market for fruiting vegetables; market share Dutch product in both countries (1999)

	Germany	*United Kingdom*
Population	82 million	59 million

	Spending on fruiting vegetables	*Market share** *Dutch product*	*Spending on fruiting vegetables*	*Market share** *Dutch product*
- Tomatoes	NLG 1.480 million (51%)	40%	NLG 1.250 million (60%)	25%
- Sweet Peppersas	NLG 800 million (28%)	34%	NLG 450 million (21%)	67%
- Cucumbers	NLG 620 million (21%)	51%	NLG 400 million (19%)	28%
Total	*NLG 2.900 million (100%)*		NLG 2.100 million (100%)	

*market share (based on volume) = import from The Netherlands / (total import + domestic production)

In Germany, the market for tomatoes and sweet peppers is expected to grow by approx. 2% in the next five years. In the UK, the demand for tomatoes will increase by 4%, while the demand for sweet peppers may increase by as much as 20%. The demand for cucumbers will decrease by 1% in both the UK and Germany.

British Food Retail Sets The Tone With Added Value

Supermarkets anticipate the wants and needs of consumers and can often function as a pioneer when new product varieties are introduced. Double-income families, single households and senior citizens are important target groups in both the United Kingdom and Germany. Consumers in the United Kingdom in particular are very interested in convenience food, health food and new varieties of products. In the course of time, people have become less and less apt to eating at home and at a certain time and more inclined to ‘grazing’ at any time of the day. In addition, consumers consider dining out or buying ready-to-eat meals or parts of meals as good alternatives for preparing a complete meal themselves. In Germany, consumers pay a lot of attention to the prices in the supermarket. One can observe on all points that supermarket chains in the United Kingdom are strongly focussed on supplying the customer with as much added value as possible. In Germany, on the other hand, dis

	Germany	***United Kingdom***
Market share Top-10 food retailers	84%	60%
Largest food retailers:	Edeka/AVA, Rewe, Aldi en Metro	Tesco, Sainsbury, Asda
Most important shop formulas	• discount markets with limited shop floor space • ‘Verbrauchermarkten’ (1500 m^2 or more)	large-scale, somewhat luxurious supermarkets
Investment level	relatively low	relatively high
Opening hours shop	traditionally limited	shops open in the evenings as well
Dominant competition strategy	price competition	added value-competition

A few characteristic features of the food-retail sector in Germany and the United Kingdom

Therefore, they sooner offer possibilities for introducing new products and types of packaging on the German market. On average, supermarkets in the United Kingdom are open during more hours compared to Germany. British supermarkets offer a lot of convenience goods, ready-to-eat salads and they also carry organic products in their assortment. Furthermore, these supermarkets may offer vegetables that have already been washed and cut, and ‘value packs’ (various products for a meal in one package). The PFV department is clearly the frontpiece of British supermarkets. The assortment of PFV generally consists of a greater number of varieties compared to the German supermarkets, where the assortment is generally narrow and ‘basic’.

British supermarkets allow for product innovations within the PFV-assortment. Examples include tomatoes offered in various flavours.

Which Competitive Countries Do Dutch Growers Have Reason To Fear?

If we consider the amount and quality of the fruiting vegetables produced, then Spain is the country that The Netherlands should take seriously in terms of competition. British growers are only a competitor on their own domestic market.

The competitiveness of production

Homogeneity shop formulas	many different shop formulas; sometimes less recognisable formulas	clearly recognisable shop formulas
Role of PFV in total assortment	relatively little attention paid to the PFV assortment	much attention is paid to an appealing presentation PFV (approx.15% sales floor)
Attention paid to organic products	relatively little	relatively a lot (a maximum of 5% of the PFV-sales)
Nature of the PFV-assortment	- discount markets: pre-packaged - 'consumer markets' and super- markets: also sell unpacked products	emphasis on pre-packaged large number of varieties and types of packaging.

countries is determined by 1. the country's ability to adapt to new market requirements, 2. the strength of the distribution chain (the extent of co-operation within the distribution chain, among other things), 3. the degree of efficiency (price-performance ratio) and 4. the strategic potential (the ability to remain competitive in the long term as well). Regarding these four aspects, Dutch experts award the Dutch fruiting vegetable growers the highest score compared to the competitive countries. British supermarket chains, on the other hand, are much more positive towards what the Spanish growers (organisations) have to offer. The British appreciate the innovating ability of the Spanish growers, as well as the short lines between the buyers and the Spanish producers. Germany speaks well of what the Dutch growers have to offer. The Germans appreciate the flexibility the extensive know-how and the efficiency (cost price). The co-operation wit

The German market has so far been served hand and foot where it concerns quality at a low price. Unlike the United Kingdom, Germany scarcely produces any fruiting vegetables of its own. While The Netherlands is an additional supplier for the English retailers, the country is the most important supplier for the German market during the growing season, allowing The Netherlands to acquire the position of preferred supplier in this cost-conscious market. In the future, one will be able to observe the need for growers who have specialised themselves in their regular retail-buyers in Germany as well. Being able to meet the specific needs of buyers more adequately – quality, packaging and reliable logistics – is also important for the product traceability (food safety!).

PFV-assortment in key words	low prices, no frills and 'basic'	convenience, health, grazing, special
Use of PFV-cooling equipment	limited	frequent

Spain is an important competitor of the Dutch fruiting vegetable growers on the British market. It is important that the Dutch growers develop a more permanent relationship with the British supermarkets by supplying these throughout the year.

The export of tomatoes, sweet peppers and cucumbers from Spain has seen a sharp increase in the 90s. In the five years to come, this increase will continue to a somewhat lesser degree: between 3% for cucumbers and 8% for tomatoes and sweet peppers. The export of tomatoes from Italy has strongly increased in the course of the 90s, which is especially due to the success of the truss tomato. Italy's export of tomatoes appears to have stabilised and no further increase is expected in the years to come. The production area for tomatoes and cucumbers is decreasing in the United Kingdom, as many small enterprises have ceased to exist. Not surprisingly, one may expect a decrease in the production of between 5 and 10% up until 2005. The sweet pepper production, the extent of which is as yet quite modest, is expected to become more important.

In the United Kingdom, the larger production enterprises in particular are already focussed on supplying one or a few of the large supermarket chains. In terms of cost price, the British are no match for both Southern Europe as well as The Netherlands, whereas the quality of their products is not distinguishably better either. The market risk of niche products is often too high. Which is why the significance of the market focus strategy can be expected to increase even more. Product innovation is a strong point of the Italians by tradition (e.g. truss tomato). This will most likely remain the case. The cost price strategy will probably become less important for Italy: particularly due to the higher labour costs. The Italian export is not very efficiently organised at present, but this is expected to change under the influence of the European supermarkets.

Spain has acquired a strong competitive position in the past ten years on the basis of the low cost price strategy. Some Spanish co-operations are meanwhile capable of adequately meeting the high demands of European supermarkets. Not only with high-quality products, but especially with a high level of service. The years to come will see an increasing number of these companies operating on the basis of a market focus strategy. This is due to the increasing demand for such an approach on the one hand, and because competitors from Morocco or Turkey, for example, can supply the same at lower costs, therefore undercutting Spain and forcing it to abandon the cost price strategy.

Choosing a Competitive Strategy: Price, Quality, Chains And Niche Markets

Being an entrepreneur means making decisions. When making decisions, it is wise to follow a strategy of one's own. The following strategies may help in determining a strategy to suit your company.

1. *Cost price strategy*. Growers who follow this strategy produce and market products of an acceptable quality at low costs.

2. *Quality strategy*. Growers who follow this strategy produce and market products of a high quality at an acceptable price.

3. *Chain strategy, or market focus strategy*. Growers who follow this strategy try to meet the requirements of their buyers as best they can. The participation in a closely organised chain is a prerequisite in this respect.

4. *Niche strategy*. Growers with this strategy focus on a special part of the chain and try to serve small, special market segments, or niches, with innovating products.

Dutch growers of tomatoes, sweet peppers and cucumbers enjoy a strong competitive position on the European market. In order to maintain this position in the years to come, it is important that entrepreneurs opt for a favourable strategy, one that suits their own company. One option that holds perspectives appears to be the strategy of being of optimal service to a limited number of large buyers. A decision in favour of a strategy of this kind does entail having to give up part of one's freedom in making decisions concerning the production and sales. In exchange, the entrepreneur will be given guarantees regarding the sales and the prices and can participate in a strategic co-operation with possibilities for growth.

The shift towards the chain strategy is the strongest in the UK. Due to the strong position of the discount markets, the cost-price strategy remains very important in Germany. But a shift to the chain strategy can be expected in Germany as well, in response to problems with BSE, for example.

Because the standard of living has increased, there will be an increasing demand for higher quality products for example, while the price becomes less important. Another development is the increasing demand for food that is guaranteed safe. Supermarkets will only be able to meet this demand if they are certain of the origin of the products. This can be more easily organised if a chain strategy is followed in realising the production.

Strategic options for individual Dutch Grower-Entrepreneurs

There still remains a considerable market for fruiting vegetables at an acceptable (low) price. The (German) discount markets in particular will continue to demand this type of product. Some of the Dutch growers will be in an excellent position to supply these products. Particularly the larger companies, which are able to make the most of the economies of scale of their company with a good labour organisation. By increasing production and saving on energy and labour in particular, they control the cost price. The relatively short lines to the market and the efficiently organised logistics ultimately result in a competitive chain cost price.

British retailers have initiated the market focus strategy. On the British market, Dutch growers meet with competition from the local production and from a few Spanish co-operations in the spring and autumn. All the same, expectations are that there will still be enough room for products from The Netherlands. The growers who wish to operate in accordance with this strategy adapt their production planning to the wants and needs of the buyer. An important aspect of this is that they offer products of a constant quality all year round. This can be realised with assimilation lighting or production abroad. The daily production activities and sales activities are directed from the chain. The quality of the product and the production process must come up to the needs of the buyer; Eurep-Gap norms are standard in this respect. Comparatively speaking, the cost price is less important with close chain relationships and made-to-measure added value. It is essential that one is associated with an

The grower who opts to operate in an integrated chain must be flexible and extremely customer-oriented. His freedom of decision concerning production and sales decreases. In exchange, he will be given guarantees regarding the sales and the price. And perhaps at least as important: he will be part of a strategic co-operation, with a clear growth potential for the future.

In short, the Dutch growers will have to stay alert if they are to continue to adequately respond to the current demands of their international buyers in the future.