2022 Country Market Profile: Netherlands

Euromonitor reports that driven by improving domestic and external demand, the Dutch economy bounced back in 2021 after a pandemic-induced contraction a year before. Although the possibility of new infection waves, persisting supply bottlenecks and high inflationary pressure pose downside risks, robust private consumption and strong exports are expected to support economic growth in the Netherlands. Public finance is also set to improve, on the back of decreasing pandemic support measures and growing government revenue.

- Following real growth of 4.3% in 2021, the Netherlands' economy is expected to expand at an average annual real rate of 1.3% over the medium term.
- The unemployment rate is expected to fall reaching 2.9% in 2022 - below the pre-pandemic level and less than half Western Europe's average of 7.4%.
- Inflation in the Netherlands is forecast to increase to 3% in 2022 from 2.5% in 2021.
- As Dutch exports increased by 23.2% during 2021, the country remained a net exporter.
- Foreign direct investment (FDI) inflows into the Netherlands became negative in 2020, due to high equity divestments and decreasing conduit FDI flows.
- Public debt in the Netherlands rose to 57.1% of GDP in 2021 from 52.5% in 2020, yet remained well below the regional average of 92.9%.

The Dutch economy depends crucially on foreign trade. Rotterdam is Europe's largest port, handling more than twice as much cargo as its nearest European rival, Antwerp. The port's industrial and distribution activities generate annual added value equivalent to around 10% of Dutch gross domestic product (GDP). There are also a large number of coastal and international vessels providing cargo services and important ship servicing facilities.

Growth in productivity is improving but lags behind that of many European Union member states. The workforce will contract in the medium term as a result of population ageing, making improvements in labor productivity even more important. Larger fiscal surpluses will be needed to offset expected increases in population-related spending.

In 2022, the Dutch population totaled 17.4 million (CIA World Factbook Est.), and is forecast to continue to grow annually by over 100,000 people until 2030. Roughly a quarter of the population in 2030 will be 65 years and older (it was 19.8% in 2022). Not only is this group of consumers growing, but they are also expected to be more affluent, more active, and more experimental with food than ever before.

USDA's Foreign Agricultural Service, FAS, Office of Agricultural Affairs or "OAA", located in The Hague reports 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, Schiphol Airport, the confluence of two major European rivers, and an excellent road and railway infrastructure. It is the EU's largest importing country and continues to be the second largest exporter of agricultural products in the world, after the United States. These exports include products produced in the Netherlands as well as imported products that are re-exported, often after further processing and adding value.

Market Opportunities and Key Issues in the Dutch Food Market

Market Opportunities

- Local traders and food processors prefer to work with U.S. suppliers because they are professional and deliver products with a consistent quality. U.S. companies also have a great variety of products to offer
- Growing demand for food products with a special claim, certification, and sustainable production methods. U.S. farmers have a good story to tell about sustainability, their supply chain (farm to table), and their State/regional heritage (provenance)
- Growing demand for new products, innovative food concepts, and international cuisine. U.S. products are innovative, often trend setting, and known for their strong brands
- The Netherlands is the most important gateway for U.S. products to the EU
- Growing demand for functional, fresh, and food products that contribute to a healthier lifestyle

Key Issues

- Growing demand for single-portion packaged food products. U.S. companies tend to manufacture packaged food in larger packages
- The Dutch are price-conscious consumers. Transatlantic transportation is costly. Products from the U.S. are subject to import tariffs. Suppliers from other EU Member States have a competitive advantage on tariffs and non-tariff trade barriers, transportation costs, and transportation time
- U.S. beef from hormone-treated cattle, poultry, live bivalve mollusks, and products containing GMO derived ingredients that are not EU approved cannot be exported to the Netherlands
- The EU has several Free Trade Agreements that may advantage other 3rd country competitors, including Canada and Mexico
- Fierce competition on price, quality, uniqueness, and innovation

The Netherlands is the largest market for U.S. exports of consumer ready food products in all of Europe and the 8th largest export market in the world. U.S. exports of consumer ready food products totaled US$1.4 billion in 2021, growth of 16% from that of the prior year. The Netherlands are the largest U.S. processed food export market in Europe and the 7th largest overall, totaling just over US$1.1 billion, tremendous growth of 25% and an all-time record high. Top processed U.S. food products exported to the Netherlands in 2021 included:

- Food Preparations & Ingredients
- Fats & Oils
- Alcoholic Beverages

- Prepared/Preserved Seafood
- Canned, Dried & Frozen Fruit
- Non-Alcoholic Beverages
- Processed Vegetables & Pulses

Retail Sector:

Euromonitor reports that the packaged food retail sales value will reach US$22.3 billion in 2022. That represented a growth of 15.6% or over US$3 billion since 2018. They also predict growth of 19.5% by 2026, amounting to nearly US$4.3 billion since 2022 for a total packaged food value of nearly US$26.7 billion. High growth categories in the forecast include:

- Ready meals
- Processed fruit and vegetables
- Savory Snacks
- Baked goods
- Cheese
- Edible Oils
- Dairy (Ex. Cheese)

FAS Netherlands reports that the Dutch retail sector profited from the closure of many hotel, restaurant, institutional (HRI) - Foodservice outlets during the pandemic. The industry's turnover for 2020 is forecasted at US$50 billion, up 9% from 2019. High-end supermarkets continue to gain in popularity as consumers demand service, variety, and fresh and convenient products.

The Dutch retail sector is fairly consolidated, with the two largest food retailers controlling nearly 60% of the market. Consumers in the Netherlands are increasingly looking for sustainable products, products that are healthy, and convenience products. They are expected to continue to buy more plant based foods and private label brands as well. Because of the coronavirus pandemic, consumers have treated themselves through the buying of comfort foods as a form of compensation. The market share for shopping online also grew last year. Online shopping is expected to remain popular, and consumers are expected to continue to utilize home delivery services for their groceries. Finally, food retailers are expected to continue to invest in innovative foodservice concepts at their supermarkets in order to attract customers

There are approximately 4,300 food retail outlets in the Netherlands accounting for nearly 300,000 jobs. Roughly 80% of all food retail outlets are full-service supermarkets, operating on floor space between 500 and 1,500 square meters and located downtown in cities or residential areas. Retailers with full-service supermarkets have responded to the consumer preference to have these supermarkets close to their homes. The remaining 20% includes: predominantly 'on the go' or convenience stores including SPAR City, Jumbo City, COOP Vandaag, and AH To Go, located near office buildings, train/metro stations, and high traffic areas in city centers; some wholesalers; and just a few superstores like Albert Heijn XL and Jumbo Foodmarkt, all conveniently located in shopping malls or industrial parks.

The top two food retailers in the Netherlands, Albert Heijn and Jumbo, had a combined market share of 56.5% in 2020. The market share held by German discounters, Aldi and Lidl, combined at almost 16.2%. Independent food retail stores are increasingly leaving the market due to shrinking margins, growing competition from online sales, and on-going consolidation.

Several retailers in the Dutch market have developed two private labels; one focusing on price and the other on enhanced quality. Consumers are discovering the good value-for money that private label brands are offering and that they can be an economical alternative for branded products. Private labels appear to fare well both in years of recession and in more prosperous times. The profitability of private label products has fueled retailers' interest to offer more (e.g. gluten-free, healthy, and organic) and move into new areas for private labels, such as bakery and cosmetics.

Euromonitor reports that Dutch supermarkets that offer more premium products and provide additional services, such as a deli counter, cooked meals or liquor store, continue to perform well. This was boosted by the COVID-19 lockdown in the first quarter of 2021, when consumers were, again, spending a lot more time at home. In addition, in spite of the pandemic, the economy is performing well, unemployment is low and consumers managed to increase their savings in 2020, meaning that disposable incomes have been high in 2021. This has meant that consumers have had a little extra to spend on premium products, with little incentive to go out of their way to save money.

Supermarkets are expected to see continued growth in the number of outlets, mostly in the form of smaller outlets, compared to the average selling space in other countries. Generally, the supermarket chains want to locate their new stores very close to the customer, so that there is almost always a supermarket within walking or cycling distance. For example, Jumbo has opened new stores with a smaller selling space in high footfall locations in residential areas, including in Amsterdam and The Hague. Jumbo has also been completely renovating some existing stores to better match the current needs of its customers. Almost all Jumbo stores also now house a meter-long Hema shelf stocked with popular items from the well-known department store.

While Jumbo has been consistently increasing its value sales share in recent years, the same can also be said of leading supermarket player Albert Heijn, which operates the largest number of outlets across the country. The company benefits from strong recognition of its Albert Heijn brand and years of leadership in grocery retailing. One challenge for the company has been to counter the damaging perception among Dutch consumers that Albert Heijn is expensive, and the company has therefore sought to expand its private label range, in particular through its budget private label range. Albert Heijn has also begun to trial self-scanning checkouts in some of its supermarkets, after its successful experience with this payment model in its convenience stores

Although the bigger chains are expected to continue expanding, there is likely to be continued consolidation in the supermarkets channel. Large chains are more flexible in terms of opening and closing outlets as a reaction to new market conditions, eg smaller outlets near stations closing due to reduced footfall, whereas larger outlets in residential areas are opening up. However, this dynamism in the channel is seeing small independent supermarkets go out of business. In addition, Jumbo and Albert Heijn are also acquiring many of the smaller chains, eg Albert Heijn will acquire almost half of the DEEN chain's stores, with Vomar and Dekamarkt taking over the rest.

Best Product Prospects:

FAS Netherlands reports that the following sectors offer opportunities for new sales: healthy food snacks, tree nuts, so-called super fruits, pulses, food products with a special certification (organic, sustainable, free-from claim, etc.), and innovative products with a story to tell.

Foodservice Sector:

FAS Netherlands that the Dutch foodservice industry's turnover for 2020 is forecasted at almost US$9.9 billion, down by over one-third compared to 2019. The steep decrease is due to the measures taken to prevent the spread of COVID-19. For much of 2020 and into 2021, bars, cafés, and restaurants, had to temporarily close their doors, while delivery and take-out remained.

Some of the HRI industry's lost sales went to home delivery and takeaway, which grew rapidly. Limited-service restaurants (i.e., fast food outlets) suffered less than full-service restaurants in 2020, partly due to their existing home delivery and takeaway infrastructure. Meanwhile, bars and cafés were hit the hardest -- even when they were allowed to open -- as curfews often meant they were not able to operate during their busiest times. With continued mitigation of the coronavirus, Dutch foodservice sales picked up in 2021 and continue their recovery into 2022.

Millennials and Generation Z (consumers groups that eat out more and are more open to exciting new food concepts), as well as foreign tourists, are seen as important contributors to increasing sales in 2022. The personnel shortage, that was already a challenge for the HRI industry before COVID-19, continues to challenge the HRI sector and will temper foodservice sales in 2021 and possibly 2022.

Unlike the retail sector, the Dutch foodservice industry is fragmented and has many independent players. This is especially the case for cafés/bars, restaurants, cafeterias, and street stalls/kiosks. Most fast food and delivery outlets, however, are consolidated and often part of an (international) chain. Well-known examples of international foodservice chains active in the Netherlands include: McDonalds, Domino's Pizza, KFC, Burger King, Subway, and New York Pizza.

Chains from the United States are popular in the Netherlands because of their efficiency and consistency, but also because the meals are affordable. They continue to be successful because they have been able to respond to changing consumer demands and now, for instance, offer vegetarian and healthy food products. More U.S. chains recently opened outlets in the Netherlands, including Dunkin' Donuts (coffee and donuts), Five Guys (burgers and fries), and Taco Bell (tacos, burritos, and quesadillas).

Best Product Prospects:

FAS Netherlands reports that U.S. products present in the market which have good sales potential include Nuts: almonds, peanuts, pistachios, walnuts, hazelnuts, pecans; Seafood: salmon cod, halibut, scallops, lobster; Fresh Fruit and Vegetables: sweet potatoes, cranberries; Sauces and Condiments; Snack Foods; California wines, Craft beer;

Food Processing Sector:

FAS Netherlands reports that over 7,340 food companies in the Netherlands generated net sales of US$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 companies that traditionally sell to hotel, restaurant, institutional (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.

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% for some raw materials, while energy costs increased by as much as 85%. Packaging materials, such as paper and plastic, were 6% and 12%, 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.

Trade Data Monitor reports that the Netherlands imported US$2.3 billion of agricultural products from Ukraine in 2021, with sunflower oil/seed (US$707 million), low erucic acid rapeseed or canola seed (US$408 million), and rapeseed/canola oil (US$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.

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% of exports), the U.K. is now the largest market outside the EU for the Dutch industry, followed by China and the United States.

The Dutch food processing industry is mature, well organized and has access to any food ingredient imaginable. In order to be successful on the Dutch market, U.S. food ingredients must have a competitive advantage, for instance on price, quality, volume, variety, size, seasonal availability, packaging and special certification (organic, sustainable), etc.

Best Product Prospects:

FAS Netherlands reports that food ingredients present in the market which have good sales potential in this sector include 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 produce (cranberries, sweet potatoes, grapefruit, asparagus, etc.)