

# *The EU Market in Perspective*

## **General Market Overview**

The European Union (EU) has a consumer market in excess of 500 million people with an increasing demand for specialty-prepared and pre-packaged convenience goods. The EU is an International organization comprised of 27 European member countries. The EU began as a regional economic agreement in the early 1950's and has evolved into a supranational organization encompassing the greater part of Europe today.

The EU was formally created in November 1993 with the ratification of the Maastricht Treaty. The treaty was designed to enhance both political and economic integration in Europe. This was done by creating a single currency (Euro €), a unified foreign and security policy, common citizenship rights, and cooperation in the areas of immigration and judicial affairs.

The main decision-making body within the European Community is the Council of the European Union, consisting of ministerial representatives from all of the member nations. The composition of this council changes frequently as countries send different representatives depending on the issue being debated. All European legislation requires the approval of this council. Under the rules of the newly-adopted Lisbon Treaty, signed to enhance the efficiency and democratic legitimacy of the Union and to improve the coherency of its actions, the EU elected its first permanent European Council President.

The EU continues to advance and develop its internal market. Both the capital market reforms and the establishment of the Euro as the single currency have assisted the EU in this goal. The creation of a single market is a great achievement for the EU. This market aims to reduce barriers and simplify existing rules, enabling everyone in the EU to make the most of the opportunities that arise from having direct access to 27 countries and a consumer market in excess of 500 million people.

The EU contains five of the 10 largest economies in the world (Germany, France, Italy, United Kingdom (UK), Spain), and approximately 30% of the world's GDP. However, with the five largest economies of the EU accounting for close to 75% of the total GDP, there are substantial economic differences that exist between individual member states.

The EU has gradually expanded to become the world's largest multi-nation trading bloc. Since January 1, 2007, the EU comprises 27 member states with approximately 500 million consumers. The EU member states are: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom. Iceland, Croatia, the Former Yugoslav Republic of Macedonia and Turkey are candidates to join the EU.

With the EU constituting approximately 7% of the world's population, comprising 27 member nations and a wide range of ethnicities and consumer tastes, it is evidently one of the most diverse markets. The consumption of member nations differs due to a variety of varying circumstances. However, as the EU strives for a single market economy and a basic standard of living between citizens of all member nations, consumption patterns across EU member states appear to be converging. Factors contributing to this convergence include stabilizing household incomes, demographic changes, and trends toward nutritional foods. From the perspective of traditional household consumption, the EU undoubtedly leads amongst developed nations. The majority of populations live in, or near, urban centers and almost all people are exposed daily to traditional channels of consumption. As such, the average "consumer" spans beyond the immediate urban areas and into rural communities. In many of the EU 27 countries, the quality of living allows people the comfort of accessing traditional channels of consumption wherever they are, representing a potentially large market for Caribbean specialty food manufacturers. Characteristics of the market could be described as having a demanding and concentrated retail sector, a high level and sophisticated food service sector and a highly food safety conscious market.

### ***Market Trends***

The EU's food market is made up of about 310,000 companies, and 4.8 million employees (European Commission, 2011). However, despite the large number of companies, most are small in scale and few are able to compete on the global market (European Commission, 2011). In fact, 99% of all enterprises in the EU food sector are small and medium-sized enterprises (SMEs) (European Commission, 2011). On a whole, the EU food industry sector is one of the largest and most important manufacturing sectors in Europe (European Commission, 2011). It is the second largest (after metal) in the manufacturing industry, with 14.5% of total manufacturing turnover (€917bn for the EU-27) (European Commission, 2011).

Food consumption in the EU is dominated by fresh foods and produce. However, the EU market has seen an increase in demand for specialty, prepared and pre-packaged convenience goods such as ready-to-eat meals, frozen foods, desserts and baked goods (Germany Trade & Invest, 2010). Due to fast paced lifestyles, snack food is one of the fastest growing sectors. As an example, snack bars, snack mixes and energy bars continue to be a driving force in the snack market in Europe and growth is believed to have occurred in 2010. Snack bars have integrated well with the emerging trend for organic, fortified, and functional products.

Furthermore, on account of an ageing EU population, there has been growing demand for health and wellness products to prevent or combat conditions such as diabetes, hypertension and cholesterol (Germany Trade & Invest, 2010). Fair trade products such as coffee and fruit juices have also seen increasing demand (Germany Trade & Invest, 2010). Beauty foods and lactose and gluten free products have also been growing exponentially in markets such as Germany (Germany Trade & Invest, 2010).

In terms of herbs and spices, leading EU importers are Germany, The Netherlands, the UK, France and Spain (Centre for the Promotion of Imports from Developing Countries, 2009). Pepper is the largest product group imported, followed by paprika, mixtures, spice seeds and nutmeg, mace and cardamom (Centre for the Promotion of Imports from Developing Countries, 2009). Given that the EU is not a major producer of spices, it is considered to be a net importer of spices and herbs. There is also a growing demand for organic spices and herbs in the EU as the health food sector continues to grow and consumers focus more on healthy food and natural flavours as substitutes for sugar, salt and artificial products (Centre for the Promotion of Imports from Developing Countries , 2009).

As it relates to bakery products, EU consumers are becoming increasingly aware of the need for healthier alternatives to traditional baked goods (Agriculture and Agri-Food Canada, 2010). They are demanding higher quality products with the more affluent western EU markets fueling sales in specialty products (Agriculture and Agri-Food Canada, 2010). Developments in the pastries category are likely to be focused on indulgent products with high quality ingredients. Innovative bread products are also expected to be successful in the 2010 to 2013 forecast period (Agriculture and Agri-Food Canada, 2010).

Furthermore, commercial cakes and pastries are the highest growth sub-sectors in France and Spain (Agriculture and Agri-Food Canada, 2010). Healthier types of bread such as whole grain varieties are also continuing to gain traction in the EU market. In terms of biscuits, the United Kingdom has one of the strongest sales volumes in the EU. Biscuit volume sales are also increasing in France, Italy and Spain (Agriculture and Agri-Food Canada, 2010).

Generally, food and drink expenditures amongst consumers in Western Europe, in particular the newer member nations of the EU, tend to be more than most of the original EU 15. Sophistication is the most common trend for innovation in Europe and the search for new flavours is also becoming a major trend (Confederation of the Food and Drink Industries of the EU, 2010). In 2009, European households spent on average 13.1% of their expenditure on food and non-alcoholic beverages (Confederation of the Food and Drink Industries of the EU, 2010). More information on food and drink trends in the EU can be found on Food Drink Europe's website:  
<http://www.fooddrinkeurope.eu/>