Volume VII Issue No. 22 • June 2021

EUROMONITOR DIGEST


Photo by Julia Volk from Pexels

Processed Fruits and Vegetables in Germany

Frozen and Shelf-stable Products See a Jump in Demand as Consumers Isolate

As a result of prevailing home seclusion due to the COVID-19 crisis, the processed fruit and vegetable category had seen a strong recovery of sales in volume and value terms in 2020, with consumers seeking simple and affordable products that can be easily used when cooking main dishes. The increased time spent at home had particularly stimulated and added demand for frozen fruit and frozen processed vegetables in 2020 as many consumers stocked frozen products during the lockdown in spring. Despite the expectation of a slowdown in the second half of 2020, a higher proportion of meals were eaten at home than in previous years is likely to sustain the growth's momentum.

Shelf-stable vegetables have also been experiencing a strong uplift demand following the onset of the COVID-19 crisis. Sales are particularly high for corn and green vegetables, especially in large cans of between 400g to 800g. The longevity of these products has been a very positive factor given the home isolation and the desire to reduce the number of shopping trips, even though shelf-stable vegetables have been in a persistent decline in recent years. The spike in demand during the first half of 2020 has generated some supply chain difficulties for some manufacturers which made them to ramp up production.

On-the-go Formats and Premiumization are Key Influences

Consumers' demand for healthy and convenient products to integrate into their everyday diet remains a major driver for sales of processed fruit and vegetables. Many products are seeking to tap into this demand by offering variants adapted to on-the-go consumption, especially in the form of shelf-stable fruit and vegetables available in pouches. While Germans have been out and about much less in 2020, busier lifestyles are likely to resume as movement restrictions ease.

The potential for premiumization is also expected to remain a significant growth driver for value sales in the forecast period. Manufacturers are predicted to increasingly focus on clean label ingredients and ingredient provenance as major differentiators in their positioning, especially for frozen fruit and vegetables. For example, more products will feature QR tracking codes on packaging that enable consumers to find information about the growers while, also, helping brands to promote the local provenance of their ingredients.

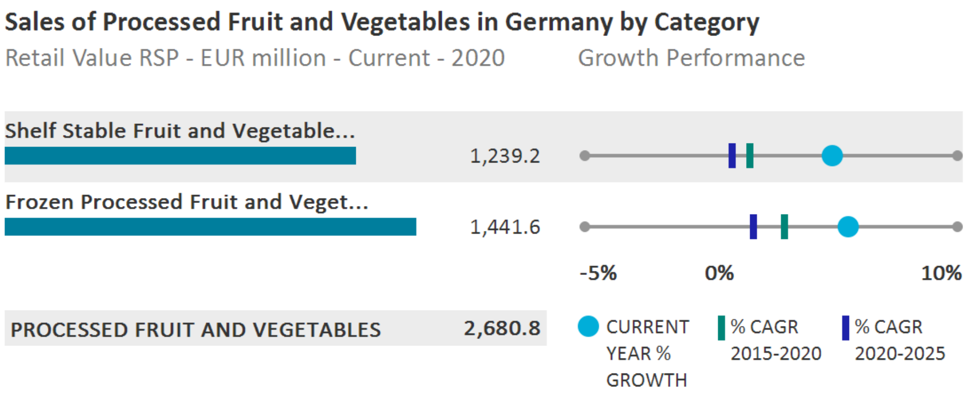
Highlights

- Home seclusion due to COVID-19 ramped up demand for processed fruit and vegetables in 2020.
- Consumers' demand for healthier and more convenient products for their everyday diet remained a major driver for sales of processed fruit and vegetables.
- The increased prevalence of working from home will remain significant which gives consumers more time to cook meals at home using processed vegetables, while reducing the consumption of products targeting on-the-go eating and through foodservice channels.
- The trend towards more sustainable packaging is expected to shape product innovations.

Retailers' Ranges Lead Sales Comfortably

Private label, led by Aldi and Rewe, dominates in processed fruit and vegetables, partly as a result of the major sales share of the category held by discounters as a distribution channel. To match their prices, supermarket and hypermarket chains such as Rewe, also give a prominent place to their private label ranges on the shelves, which puts pressure on branded products to achieve similarly low prices to remain competitive.

However, the rising emphasis on health as a result of the pandemic could see consumers to favor quality over price despite the diminishing purchasing power. This



DTI EXPORT MARKETING BUREAU PHILIPPINES

The Department of Trade and Industry - Export Marketing Bureau (DTI-EMB) is mandated to oversee the development, promotion, and monitoring of Philippine exports. The DTI-EMB provides the exporters the enabling environment to make them globally competitive.

Euromonitor Digest is an online publication of the DTI-EMB, which aims to provide insightful reports culled from Euromonitor International's Business Intelligence Research.

EXPORT MARKETING BUREAU
G/F and 2/F DTI International Bldg.
375 Sen. Gil Puyat Avenue
Makati City 1200, Philippines

Tel. No.: (632) 8465.3300
Fax No.: (632) 8899.0111

http://www.dti.gov.ph/exports/
http://tradelinephilippines.dti.gov.ph/

could also favor some branded options as consumers consider their diets and vitamin intake more carefully than ever.

The largest branded player, Iglo, performed steadily in 2020, helped by rising consumer demand for frozen processed vegetables since the outbreak of COVID-19, and by a focus on other high-protein pulses such as frozen chickpeas. Furthermore, the company was an early adopter of QR code tracking on its packaging for frozen vegetables which enabled the Iglo brand to capitalize on the local provenance of many ingredients.

RECOVERY AND OPPORTUNITIES

The Home-cooking Trend to Remain Relevant Beyond 2020, but Fresh Fruit and Vegetables will Limit Category Potential

The foodservice channel's gradual recovery has been underway since mid-May in Germany, and sales in 2021 will reflect the rebound. Given that consumers are now visiting the outlets again, and that many home supplies do not need replenishing for a while following the stockpiling, retail volume sales of processed fruit and vegetables are likely to show a slump in 2021. However, foodservice sales are predicted to remain under the level reached in 2019 (pre-pandemic) up to and including 2025.

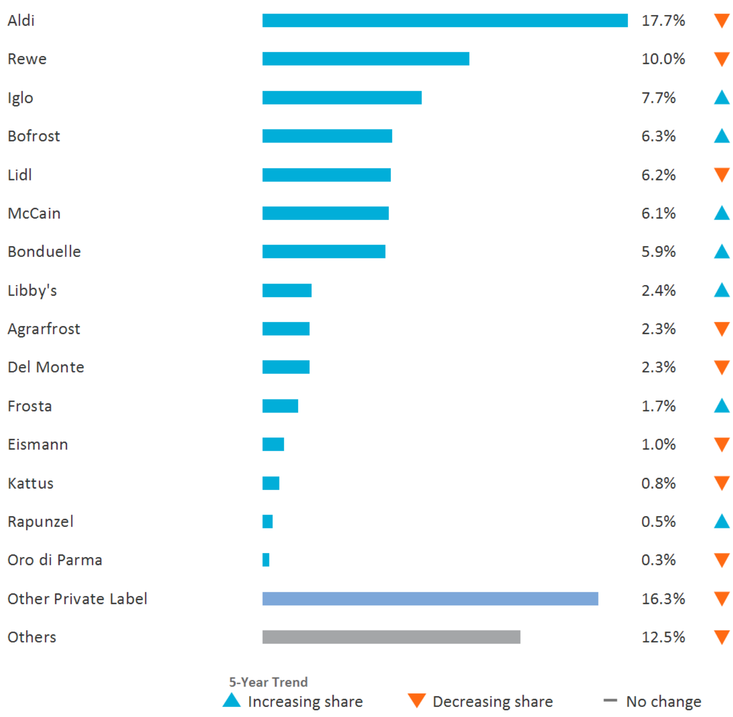
The increased prevalence of working from home is likely to remain significant over the forecast period, giving consumers more time to cook meals at home using processed vegetables, while reducing the consumption of products targeting on-the-go eating and through foodservice channels. Nevertheless, volume growth for processed fruit and vegetables will be sluggish when sales normalize in 2022. Strong competition from fresh produce is expected to continue undermining growth prospects for the category, as most consumers prefer fresh to processed products. As many fresh fruit and vegetables have become available almost year-round in modern grocery retailers, this is constraining sales of their processed equivalents. Shelf-stable fruits and vegetables are expected to be more vulnerable to the competition from fresh produce than frozen equivalents which are positioned as being closer to fresh produce in terms of recipes.

Premiumization and Innovative Ingredients Set to Feature Further

Price pressure is anticipated to continue impacting shelf-stable fruit and vegetables in the forecast period, especially as discounters represent by far the largest channel. Therefore, manufacturers are likely to continue focusing on a positioning based on natural ingredients and premium recipes. Notably, through organic ranges as illustrated by Bonduelle's shelf-stable vegetable assortment including sweet potatoes as well as organic vegetables.

Meanwhile, the trend towards more sustainable packaging is expected to shape product innovations in the forecast period. In 2020, Frosta launched the first paper-based packaging for frozen processed vegetables and has a longer-term goal to replace all plastic bags with paper-based

Brand Shares of Processed Fruit and Vegetables in Germany
% Share (LBN) - Retail Value RSP - 2020



alternatives. Innovations in terms of recipes could see the emergence of hemp as a naturally healthy and protein-rich ingredient. Schne-Frost Ernst Schnetkamp launched vegetable hemp sticks under the Avita brand in frozen processed vegetables in late 2019.

The Popularity of Frozen Potato Chips to Prevail

Frozen potato chips are predicted to continue to drive sales of frozen processed potatoes in the forecast period, with value sales likely to benefit from premiumization and extra home cooking as many consumers are predicted to stay at home more often. Frozen potato chips for oven baking remain widely popular among German consumers and are expected to see further gains, driven by premium variants such as organic options. This will help frozen processed potatoes to record the highest retail volume growth in the forecast period, although this rate will still be slight. ■