

Summary

- While the EU-level umbrella group for retailers is supportive of the idea of free, rules based trade, including in relation to agricultural goods, there's a mixed attitude among the EU's five biggest retailers, with some promoting their commitment to supporting local producers.
- Consumer demand for buy-local is also mixed. Market research suggests increased consumer demand for locally sourced food in Germany and the UK. In France, there is strong consumer loyalty to domestic producers whose products are associated with quality.
- However European consumers are also influenced by value, perceiving imported goods as being more affordable, and there continues to be demand for imported products of premium quality, produced by well-known global names.
- In Europe and the UK, household spending dropped in the first quarter of 2020 in response to COVID 19 but is now forecast to rebound.

Report

Attitudes to Imported Food amongst European Retailers

A useful resource on attitudes to imported food amongst European Retailers is Eurostat's [Eurobarometer 2019](#). There are links to country specific factsheets from the survey [here](#).

- Buy local campaigns do not appear to be part of the marketing and sales strategies for Lidl or Aldi, the two largest food retailers in the EU. Both retailers compete on price, rather than other characteristics like quality or organic characteristics.
- French retailer Carrefour does seem to have a [commitment](#) to source products locally in the EU. In 2018, it indicated that 70.7% of Carrefour branded products were sourced from national suppliers.
- UK based retailer Tesco, which is the fourth largest retailer across the EU, launched a [campaign](#) in the UK this year with a view to shorten food miles and support local producers.
- Delhaize, the fifth largest retailer in the EU, does not have a clear preference for local sourcing. It [emphasises](#) value, innovation and quality.

Spain

Economic Outlook

The Economist Intelligence Unit (EIU) expects real GDP to contract by 12.6% this year. A stringent lockdown, the deteriorating labour market (particularly exposed to the impacts of COVID-19 due to structural issues including an over-reliance on temporary contracts) and Spain's reliance on tourism is forecast to make for a deep recession and a protracted recovery. EIU do not expect real GDP to return to pre-crisis (2019) levels before 2023.

The sharp contraction in the first quarter of 2020 was driven by an unprecedented drop in private consumption and investment. The latest data shows that real retail sales collapsed by close to 14% in the second quarter (April-June) and exports of goods declined by 22% in the two months to May.

Private consumption is projected to contract 12.6% in 2020, rebounding by 6.2% in 2021 as private consumption rebounds and businesses resume some investment activity.

Consumer perspective

Consumer prices fell into deflationary territory in April-June 2020, and EIU expect prices to fall by 0.1% this year, reflecting a substantial collapse in global oil prices since 2019 and subdued domestic demand resulting from the COVID-19 shock.

Generally speaking, Spanish consumers have less disposable income than other North European markets.

A McKinsey survey of Spanish consumers found that since COVID-19 44% of respondents are reducing their spending across most categories except groceries, household supplies and entertainment at home. Almost half (45%) were becoming more mindful of where they spent.

Perceptions of New Zealand

There's a good level of awareness of New Zealand, and New Zealand products are highly regarded in Spain for their quality and the New Zealand brand: i.e. a beautiful, safe, healthy and environmentally friendly country. As with other markets, this is largely underpinned by the success of the All Blacks, the America's Cup, and Lord of the Rings.

There has been extensive, very positive media coverage in Spain about how New Zealand has faced the COVID-19 pandemic, which has contributed to reinforcing the country's reputation.

Strength of 'Buy Local' Sentiment

The Spanish government is encouraging Spanish supermarket chains to prioritise Spanish products and ensure greater visibility of local produce, particularly goods affected by the closure of the hospitality sector such as Iberian pork products and certain seafoods.

Spanish poultry farmers are concerned about cheaper foreign imports, and are asking the government for funding and stricter import measures to assist them. Spain is the second largest poultry producer in the EU.

There have been some recent ([May 2020](#), [May 2020](#), [May 2019](#)) articles and opinion pieces criticising the import of onions into Spain from distant countries like New Zealand, while local farmers apparently cannot sell their product. However, New Zealand is a trusted supplier of products to the EU. New Zealand and the EU are already strong partners across a wide range of areas – giving us a solid base on which we can build sustainable two-way trade.

A [2019 Spanish study](#) found that over 60% of participants saw Spanish origin of food products as an essential factor in their purchasing decisions. However, price, product quality and environmental and social aspects all ranked higher than domestic origin.

Channels for Fresh Produce

According to [Euromonitor](#) the Spanish fresh food sector is forecast to grow by around 4%, higher growth than the pre-Covid-19 forecasts predicted. The growth for fresh produce has been higher than the growth for fast moving consumer goods (FMCG) in general.

Changes to consumer behaviour

Sales figures and market studies continue to show a clear preference of consumers for agricultural produce with longer shelf lives, including potatoes, onions, garlic, tomatoes, clementines, bananas, apples, pears and oranges – while commodities such as mango, pineapple or papaya are beginning to see a slowdown in sales.

A 2019 study conducted by Spain's consumer body OCU found that 73% of Spaniards make buying decisions based on ethical or sustainability reasons, and initiatives such as plastic-free packaging are also gaining traction in Spain.

France

Economic Outlook

The French Government forecasts the economy will contract by 10% in 2020, with predictions that GDP will not return to 2019 levels until 2022. Recovery speed will depend on COVID-19 case numbers in France.

New Zealand exports to France have registered a 14.6% increase in the year to July 2020. This is primarily driven by a surge of respiratory equipment (NZ\$74 million, +63.7%), almost on par with meat (NZ\$75 million, +8.8%) as New Zealand's number one export to France over this period.

Consumer perspective

France has an average per capita purchasing power of €20,306, 38% higher than the average of 42 European countries according to a 2019 [GFK study](#).

EIU forecast average annual inflation of 0.7% this year (down from 1.3% in 2019), with inflation strengthening gradually from 2021 as economic activity recovers. EIU predict an annual average inflation rate of 1.7% in 2021- 2024.

Perceptions of New Zealand

New Zealand's profile in France continues to be boosted by the All Blacks, the America's Cup and Lord of the Rings, coupled with increasing numbers of young French people travelling here. New Zealand has a reputation as an unspoiled safe haven.

Although perceptions of New Zealand are generally very positive, exporters need a strong unique selling proposition and a compelling story about what makes their product different, unique and desirable.

Strength of 'Buy Local' Sentiment

Although foreign products are widespread in supermarkets and other channels, French consumers retain a sense of loyalty to their home-grown producers and manufacturers, generally considering this to be a guarantee of quality. The COVID-19 pandemic has likely reinforced this trend, with a premium put on supply chain resilience and supporting the local economy. [Mintel market studies](#) indicate that during the lockdown period, 27% of people in France did more of their shopping at local retailers. However, price will continue to be a major factor, especially given the challenging economic outlook. Other factors can also help offset origin, such as health or environmental claims.

[Mintel market studies](#) show that prior to the COVID-19 pandemic, 40% of French people bought organic food to support local agriculture.

The French do not generally seek foreign brands but they're largely seen as more affordable and French consumers will happily choose imported products that are known to be of premium quality – and pay accordingly. Examples include New Zealand's premium beef and lamb, Zespri gold kiwifruit, Ora King Salmon and Antipodes skincare.

Channels for fresh produce

Retail sales of food products were up by 0.8% in value in 2019, but down by 1.4% in volume. Supermarket sales were the most impacted, while smaller, urban grocery stores and specialised fruit and vegetable shops benefiting from changing consumer behaviours. 63.3% of food and beverages were sold in supermarkets (down 2.2 percentage points since 2014), and 19.1% in specialised stores (up by 0.8 percentage points), although that number is higher for specialised fruit and vegetable stores (26%). According to another study from Nielsen, online sales of food and beverage products rose during lockdown to over 10% from just 6% in 2019, with an expected total of 8% in 2020.

Changes to consumer behaviour

Household income only dropped by 2% in Q2 2020, much less than the 14% drop in economic activity. While household consumption declined by 11% over the June 2020 quarter, food and beverage purchases held their ground better than other sectors with the closure of the hospitality sector over the lockdown. Household consumption is now strongly rebounding, with retail sales volumes exceeding pre-crisis levels in July, as consumers began spending the savings they had built up over lockdown. But spending recovery is vulnerable to ongoing consumer caution, with over 44% of French consumers [surveyed by McKinsey](#) reporting that they are spending more carefully and delaying purchases they would otherwise make. French consumers are joining the global movement towards sustainability. There is a growing focus on organics, fair trade, building sustainable local food networks, and environmental-waste and plastic reduction. France also has an ageing population with a strong interest in health and related products for these consumers. [34%](#) of French people consume functional foods and beverages known to be beneficial for the immune system.

Germany

Economic Outlook

The Economist Intelligence Unit (EIU) predicts a 5.9% drop in real GDP in 2020, similar in size to the contraction faced following the Global Financial Crisis. Germany is predicted to recover faster than other European countries, partly because its lockdown was shorter than others. EIU predicts the economy to return to pre-COVID-19 levels by 2022.

Consumer perspective

Consumer prices rose in 2019 by 1.3%. EIU expect this trend to continue through 2020 by 0.8% and 2021 by 1.3%.

Consumers are generally cautious and will continue to be in the wake of further unemployment, business closures and partial lockdowns. The effects will be particularly prevalent in the services sector.

The [German market post COVID-19 report](#) published by New Zealand's Embassy in Berlin in June 2020 provides additional background.

United Kingdom

Economic Outlook

Official statistics indicate that the UK's GDP contracted by almost a fifth in Q2 2020, falling 21.5% compared with Q2 2019.

The OECD predicts that the UK's economy will contract by 11.5% in 2020, one of the deeper national recessions predicted by the organisation.

Perceptions of New Zealand

UK consumers' perception of New Zealand is shifting from the historic focus on our open, natural and beautiful landscapes, towards appreciation of our progressiveness and ingenuity. New Zealand is increasingly viewed by UK consumers as an "authentic" country that they know and trust, including based on positive dealings with our people. We are considered to value our environment and protect it. UK consumers also consider that we take our time to focus on quality of what we produce.

New Zealand's agriculture commands healthy respect in the UK and in the main is associated with the success of the dairy and sheep sectors lifting productivity in recent decades. There is a natural opportunity in the pastoral sectors of UK agriculture for New Zealand agritech businesses to position a product or service to UK farming operations.

Strength of 'Buy Local' Sentiment

In response to the pandemic, the UK is seeing a shift towards consumers expressing a desire to buy locally sourced food (increasing the 'Buy British' sentiment), particularly in the farming sector. This trend is being seen elsewhere in Europe and globally, as there has been an increase in consumer expectations around trust.

Changes to consumer behaviour

In March the UK retail sector (Tesco, Sainsburys, Asda, and Waitrose) reported a £2.06 billion increase in grocery value sales compared to 2019.

The stockpiling of F&B which began in early March is now levelling off in the market, and some brands saw negative growth in April as consumers worked through their stockpiled groceries.

Meal kits have seen unprecedented demand. HelloFresh UK are expecting annual turnover to grow by 55%, and saw numbers grow by 66% during the first quarter. Alcohol sales are also increasing in market, up 27% year-on-year, which is expected to soften the effect of closed pubs and restaurants.

Other areas that are seeing a significant increase in demand in the UK include fresh lamb, beer, sausages and baking products – whereas the demand for high-quality seafood has all but disappeared.

Moves towards a "European Green Deal"

Initiatives to cut greenhouse gas emissions may influence the behaviour of retailers in Europe and the UK.

On 16 September European Commission President Ursula von der Leyen delivered her first [State of the Union](#) speech.

The headline announcement from the speech was confirmation that the European Commission would push for a **revised 2030 target of cutting greenhouse gas emissions by at least 55 percent**. President von der Leyen called the target 'ambitious, achievable, and beneficial for Europe', as a Commission-led impact assessment showed that economies and industries would be able to manage the transition.

President von der Leyen further pledged that 37% of the EU's 'NextGeneration' recovery plan of €750 billion would be spent on the "European Green Deal" objectives, and that 30% of the funding would be raised through green bonds. Attention now turns to other dates in the European political calendar, including the special European Council at the end of the month.

Euro Commerce's statement on the Green Deal from last year [here](#) .

Related reporting

New Zealand-EU Trade Report for the year ending June 2020 (link to: <https://www.mfat.govt.nz/en/trade/mfat-market-reports/market-reports-europe/new-zealand-eu-trade-report-for-the-year-ending-june-2020-24-september-2020/>)

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