



Frozen Food Heats Up All Over Europe

The frozen food category is set for future growth and, with current economic trends, its position is stronger than it has ever been. The market value for frozen food is estimated to be largely concentrated in Europe, followed by North America and Asia Pacific.

Europe Remains Core Global Market for Frozen Food



Europe acquired the largest share of the global frozen food market in 2017, according to research company MarketsandMarkets

which also revealed that the European frozen food market was valued at USD68.95bn in 2017 and is projected to grow at a CAGR of 4.3% from 2018. Additionally, the British Frozen Food Federation (BFFF) noted that after a tremendous year of performance in 2018, the frozen food industry in the UK is now worth USD11.13bn and growing 4% year-on-year, making it the fastest growing retail food category at 3.6% ahead of ambient (3.2%) and chilled (2.1%). The expansion is set to continue, with combined retail and foodservice frozen food sales expected to exceed USD12.95bn by 2025. The largest markets for frozen food are in Europe and Germany is leading the way.

GERMANY RECORDS GROWTH IN BOTH RETAIL AND FOODSERVICE

The frozen food market continues to grow in Germany, one of the top consumer countries in this segment in the world. This predilection is no longer about acceptance or convenience, but a primary choice for the shopping cart in each household. Especially in the out-of-home market, the industry has grown by

more than 30% in the last 10 years and has shown an excellent performance. Frozen food is and will remain on the road to success in the restaurant business. Frozen food sales continue to grow in retail as well. Over the past 10 years, frozen food in Germany has grown by almost 7.5% in the retail sector. The top three product categories make up close to two-thirds of the total market at 62%. These include frozen ready meals (21.7%), frozen fish (20.5%) and frozen meat (19.7%). The other products that also take a fragment of market share are frozen pastry, frozen fruit, frozen vegetables, frozen potato, ice cream, frozen soup and frozen pizza. According to recent data by the German Frozen Food Institute (dti), the country has a 46.4kg average yearly per capita consumption of frozen food. In 2018, Germans preferred frozen pastry/bakery products (11kg per capita consumption). This was followed by vegetables (6.2kg), ready meals (5.7kg) and meat (5.5kg). Other categories like frozen pizza (4.2kg), fish (3.7kg) and snacks (3.3kg) were also included in the top.

It would seem that consumers in Germany are to some degree following trends in the U.S. In both countries, consumers show a high appetite for rich meals,

Annual per capita consumption of frozen food products in Germany!**



*Source: IFF Sales-Statistics 2018; Deutsches Tiefkühlinstitut e. V., Reichardtstr. 46, 10117 Berlin, Tel.: +49 (0) 30 280 93 42-0, info@tiefkuhlinstitut.de
 **Comprises the product groups side dishes and dairy products/desserts.
www.tiefkuhlinstitut.de



easy-to-prepare and with little effort. Part of American consumers like to take frozen items from the freezer and place it directly in the microwave oven, quickly and conveniently. And it seems that their German counterparts are not far behind in following the same tendency. Shoppers, all over Europe, increasingly perceive the advantages of using frozen foods as part of their meals. These products are seen as more secure in quality and sourcing and are also considered as good value for money. New processing techniques such as rapid freezing better preserve the freshness and taste of frozen products. Food, if quickly frozen after harvest, retains and preserves most nutrients, an undoubted asset of these innovative products. In parallel, the quality of packaging has improved continuously, ensuring producer-to-consumer quality consistency. According to researchers from Food for Thought, forecast growth in the category from 2017 through 2020 shows a slight



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overall increase of 0.99% annually in Germany, with a low 0.6% for frozen meat and a high for frozen pizza and frozen fish of 1.2% each.

The top 10 players account for just over half of the entire frozen food market in Germany and include Nomad (Iglo), which leads the total market with a 15.7% share, well ahead of second-runner Frosta at 7.8%, with the tenth player, Sprehe, already reduced to a modest 1.75% share. This can be translated by the fact that the other half of the market is a very dynamic and fragmented market, with small businesses encouraged to play in it and grow. Nomad secures its leading role through new assortments, free-from products, and other innovations. The company already has a large product portfolio aimed at vegan consumers, as well as at people with lactose or gluten allergies. The company ensures a constant improvement of their popular classic assortment of frozen vegetables and frozen fish dishes.

Looking at preferred dishes, the potato is one of the key ingredients. This is impacting the local market and the top frozen potato supplier in the country is a local one, Agrarfrost, which knows and responds to German preferences for potato products. The company offers products made from the potatoes harvested in Germany, and supports agricultural development through their own farms.

SCANDINAVIA PREFERS ICE CREAM AND FROZEN PASTRY

Out of all Scandinavian countries (Norway, Denmark, Sweden, Finland) Sweden leads in frozen food expenditure per capita. Beside the slightly higher prices of frozen foods in Sweden, this positioning owes much to the increased interest in high quality ingredients. The inclusion of organic vegetables or meat, gluten-free, low-fat in the category has contributed to the increasing consumer interest in frozen food in the country. Sweden is also the leading market by value in Scandinavia

8.282

m USD will be the estimated value of the Italian frozen food market by 2023.

with USD3.48bn in 2017.

The top three categories taking the largest market size in Scandinavia are ice cream, frozen meat and frozen pastry/bakery. Together they account for a little over 50% of the Scandinavian frozen food market with 20%, 19% and 15% market share respectively.

In terms of average annual growth by value in current prices in Scandinavia between 2012-2017, the leading categories were ice cream (USD31.47m), followed by frozen pastry (USD24.73m), and frozen ready meals (USD19.11m). Real percentual growth in constant prices ranges between 2.8% and 3.3%. In contrast, in average annual real percentual growth terms, leading categories were frozen pizza (3.76%), frozen soup (3.63%) and frozen fish (3.43%).

Ice cream has benefitted from evolving consumer habits. New healthy trends support the consumption of ice cream with lower sugar or lower fat content, or with healthy sweeteners such as stevia.

Of course, the traditional ice cream assortment is stable and backs up the positive dynamics of this category. Additionally, frozen pastry is supported by traditional Scandinavian desserts and various snacks baked in the home. The evolution of the frozen ready meals market is particularly interesting. The category shows strong growth by value, as well as in annual percentage growth due to a rich diversification of this product, and the introduction of exotic products and ethnic foods. It is now much easier to have a “chef style” menu at home, or an interesting Asian dish for dinner with friends. Convenience – less time spent in the kitchen – doubled with guaranteed results for a stylish dinner, are compelling arguments. The influence of the new social media channels is quite important on nutrition habits, according to specialists, as consumers are also paying more attention to visual aspects, the look and impact of a meals presented. Frozen





ready meals are an adequate answer to satisfy these new lifestyle aspirations. Over the years, for example, organic or ‘free-from’ products in frozen ready meals have become a permanent presence in the frozen food assortment. The leading holding company by market share value is Lion Capital (Findus) with an 11.0% share, followed by Lantmännen (6.6%) and Orkla (6.4%). This unique strategic company compilation is drawn from FFT's online database, which compiles the data for 105 holding companies having 242 country & product market reports in frozen foods in Scandinavia. The outlook for the Scandinavian frozen food market for at least the next five years is promising. Frozen foods are more than simply a convenience food option, but also a way to discover more specialties such as exotic meals, sea food or elaborate, even luxury, recipes. Consumers are moreover encouraged to eat frozen food also by the gradual and stable growth of own label, which also



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translates into affordable prices and a wide assortment. Meanwhile, retailers are interested in growing this category of products with a longer shelf life and with a stable variety in terms of flavors and/or of composition during the year.

FRANCE IS INFLUENCED BY ETHNIC CUISINE

France has one of the largest and most mature markets for frozen foods in Western Europe. The sector continues to face strong competition from chilled foods, although future sales should benefit from the continued growth in demand for convenient meal options from time-pressed consumers.

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However, the frozen sector trails behind its chilled competitor by some margin – many French consumers are attracted to the perception of freshness and convenience offered by chilled pizza. French consumers are also displaying a greater appetite for ready meals and dishes, especially those inspired by foreign cuisines. In recent years, cuisines such as Italian, Indian, Chinese and Japanese have all made headway, driven in most instances by their growing popularity within the foodservice industry. In 2017, Ajinomoto launched new frozen Japanese foods to capitalize on this trend.

France is one of Europe's leading exporters of frozen vegetables, while household penetration stands at 85%. Per capita consumption of frozen vegetables is stable at around 8kg, which equates to an overall market worth 535,000 tons. Single-variety vegetables account for almost two-thirds (65%) of the market, ahead of mixed vegetables (27%). Demand for frozen vegetables across Europe has been on the rise in recent years. Data from MarketsandMarkets reveals that vegetables accounted for about 90.6% share in the global frozen fruit and vegetables segment in 2017.



9.77

bn USD is the value of the frozen food industry - BFFF

Frozen vegetables have an advantage over frozen fruits, as most vegetables except leafy green vegetables such as spinach do not require thawing. This saves time, as the previously cooked vegetables can be directly eaten a few minutes after taking them out of the freezer. Major frozen vegetables include broccoli, legumes, spinach, sweet, corn, peas, beans, mixed vegetables and others. Peas and spinach hold a larger share in the global frozen vegetables market. Going back to France, at less than 6 liters, per capita consumption of ice cream in the country is lower than some of its Western European neighbors. Consumption amounts to 375 m liters, with retail channels accounting for 70% of the market. Although vanilla remains the most popular flavor, French consumers are displaying a growing appetite for a range of different tastes, with recent new product activity

featuring varieties such as coconut and peanut butter. Growth areas at present include snacking and mini-sized formats, as well as lactose-free ice cream. France is home to several pan-European operators within the frozen foods industry, examples of which include Nomad Foods, Dr. Oetker, Unilever, Aviko and Ardo. Most have a manufacturing presence within France, although products are often tailored towards local recipes and tastes. Within sectors such as frozen poultry and frozen vegetables, some European leaders have their headquarters within the country. One of the leading suppliers of frozen poultry products in France is LDC Group. The company, whose latest turnover is worth USD4.34bn, operates 77 production sites in France and Poland. Within the latest financial year, its French-based poultry operations accounted for almost 61% of overall sales, ahead of convenience products (around 16%) and exported poultry (around 10%). Its poultry divisions focus on chicken, turkey, ducks and guinea fowl. LDC owns brands such as Label Rouge, which is used for poultry meat sourced from regions such as Brittany and Normandy, as well as Le Gauloise. This includes breaded poultry products (e.g. chicken nuggets and cordon bleu portions), as well as escallops (e.g. chicken and turkey portions). Other brands within LDC's portfolio include Maitre Coq, whose range incorporates chicken and turkey cuts, chicken nuggets, chicken ribs, chicken fillets and cordon bleu portions. In revenue terms, France represents the fourth largest market for pan-European operator Nomad Foods. The company accounts for up to 10% of the total frozen foods market in France, although it has set itself the goal of increasing this to 15% by 2020. Nomad now uses the Findus brand within the French market, having replaced Iglo in 2016. Besides Findus, Nomad also owns the Croustibat brand, which primarily

competes within the children's product sector – Croustibat accounts for 10% of Nomad's sales in France, with Findus making up the remainder. Its revenue in France amounted to USD191m in 2017, whilst sales for the Findus brand increased by 7%. The Findus brand competes in sectors such as frozen fish, poultry products, vegetables, snacks, pizza and potato products. Recent NPD data has included the launch of battered fish and chips and extra crispy breaded cod, which is reminiscent of the takeaway foods associated with British fish and chip shops. Other recent additions to the Findus range

included seafood-based ready meals, such as Pacific Pink Salmon. In recent years, the Croustibat range has been extended beyond frozen fish fingers to include nuggets and mini churros. European market leader Dr. Oetker of Germany holds a strong position within the French frozen pizza category. Most of its products appear under the Ristorante brand, in varieties such as Piccola mini-pizzas and traditional thin and crispy pizzas.

Bonduelle represents a leading supplier of frozen vegetables, not just in France but also further afield in Europe. The company accounts for 18% of the frozen vegetables sector in its domestic market, although sales of its frozen products declined by 4.1% to USD699m in the year ending June 2018. During this time, total revenue rose by more than 21% to USD3.11bn, of which the European zone



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3.44

bn USD
was
Sweden's
market by
value in
2018.

accounted for USD1.45bn, or around 47%. The company's sales were recently boosted by the acquisition of Ready Pac Foods, a US-based producer of single-serve salad bowls, as well as Del Monte's fruit and vegetable processing business in Canada. This was formerly owned by Conagra Brands.

ITALY RECORDS SLOWER GROWTH

Italian consumers have realized the advantages of frozen food products in resolving some of the critical issues accompanying a modern day hectic lifestyle, notes Persistence Market Research. Besides benefits such as value for money (attractive price points owing to stiff market competition), focus on health (increasing vegan and organic food products – more on that later), and convenience (ready-to-cook and eat meals), frozen food also facilitates waste reduction (green and eco-friendly packaging formats) – thereby tipping the scales in favor of frozen vegetables, meat, and fish for day-to-day consumption. No wonder then that revenue sales of frozen food in Italy recorded an increase of 1.2% in the year ending February 2018, with volume sales also on a significant high graph.

A typical Italian consumer is prudent about the choice of food that essentially falls in line with the current lifestyle. Factors such as a fast-paced lifestyle and a rapidly increasing number of women in the workforce are pushing the demand for ready-to-eat frozen food across Italy. A projected 1.4% growth in GDP in 2018 (0.3% growth registered in the first three months of 2018) is indicative of a substantial increase in consumer spending, especially on products such as convenience and ready-to-eat food. The proliferating number of single households is also expected to boost the consumption of frozen food across Italy

in the coming years. Alternate data available from MarketsandMarkets suggests that Italy is expected to reach a value of USD8.282m by 2023, recording the highest CAGR of 5.0% during the forecast period.

Per capita consumption of frozen food in Italy is slowly peaking, with frozen pizza being the most preferred category. Consumption trends point to a growing preference for frozen over chilled – and longevity of shelf life enabled by innovation in frozen food storage techniques is dictating this preference. Producers of frozen food are incorporating premium quality ingredients and modern technologies to preserve the original quality and taste as well as nutritional properties of the food products, while also increasing shelf life. Nitrogen immersion freezing – a technique that utilizes cryogenic freezing – is being used to store and export ready-to-eat foods such as salads and risotto.

Current trends in the consumption of frozen food indicate a shift towards plant-based products and the popularity of vegan and organic food is on the rise. The first eight months of 2017 recorded increased sales of frozen vegetables in Italy through the retail channel by about 4.1% – largely attributed to the growing trend towards vegetarian food. Few other trends anticipated to drive the frozen food sector in Italy include the thrust on non-GMO, frozen organic, gluten free, and non-dairy frozen food in both the vegetables and fruits category. Moreover, traditional Italian food is slowly making inroads into global cuisines, with an increasing demand being witnessed for regional delicacies and authentic Italian cuisine incorporating 'ancient' food ingredients. There is stiff competition in Italy's frozen food sector, especially in the frozen pizza category. Pizza is a global multi-billion-dollar business and Italian companies are focusing on using ingredients symbolic of the Italian tradition in their products.



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Companies such as Roncadin, Italpizza, Valpizza, Food Italia, and Buitoni are investing heavily in R&D for new production techniques and are using locally sourced ingredients – the idea is to present brands that are solely focused on products made in Italy. Acquisitions are also defining the Italian frozen food landscape with companies moving in for collaborations with distributors of food products in other countries of the European Union (EU). As a case in point, leading Italian dairy company Granarolo recently completed the acquisition of UK based Midland Food Group, a top distributor of food products in Britain. Midland is also engaged in the distribution of frozen food and beverage products, canned vegetables and fruits, rice, condiments, and pasta. This acquisition will provide Granarolo access to a larger consumer pool across the EU.

FROZEN FOOD TO CONTINUE ITS BOOM

Due to technological advances and ability to react quickly to consumer trends, the frozen food industry has a strong advantage in that it is able to provide consumers with trend-setting dishes they are seeing on menus, in the form of high-quality versions at home. This level of innovation and product choice are key factors in improving the perceptions around frozen food and increasing consumer curiosity around the product offering that is available in the frozen food aisle. In turn, this increases consumer confidence when branching out into new product categories within frozen food, maximizing the number of meal occasions that frozen is a part of, which contributes to the main goal of consumers heading to the freezer as often as they use their fridge.

This article is based on a compilation of data from Food For Thought, analyst Jonathan Thomas, The German Frozen Food Institute, NPD and Persistence Market Research.



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