



Agri-Food Past, Present & Future Report

Netherlands

August 2005



Canada

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Overview

In trade circles, the Netherlands is considered the major gateway to Europe. It is estimated that half of all goods entering the EU do so through the ports of Rotterdam and Amsterdam, as well as, the Amsterdam Schipol Airport. The Dutch trade sector alone employs 27% of the population. With plans to expand the Rotterdam Port in 2010, the level of importance and functionality served by this point of access can only increase.

It is estimated that nearly 40% of all Dutch exports are imported commodities that are then promptly exported with little or no processing in the interim; illustrating that the Netherlands is an active and dynamic trade hub. The Netherlands is a country with a variety of experienced importers and sales agents and a modern infrastructure system which facilitates trade for the Netherlands, and the entire European Union (EU)

The Netherlands is a modern industrialized nation with approximately 16.3 million residents. The Western part of the country, also called the Randstad, is the country's most densely populated region of and contains the key markets of as Utrecht, Amsterdam, The Hague and Rotterdam. Being a country with few natural resources, the Netherlands quickly created wealth and economic significance through extensive and ongoing industry and infrastructure development and their enduring reputation as active international traders. The Netherlands was one of the NATO founders and is an active participant within the EU.

Canada - Netherlands Relations

Canada and the Netherlands enjoy a strong camaraderie that has spanned well over 60 years. This healthy relationship is built upon strong political, investment, trade, and cultural ties; it is further solidified by the fact that both countries are active members in the United Nations (UN), World Trade Organization (WTO), Interpol and NATO.

Canada has consistently held a positive trade balance with the Netherlands; Canadian exports to the Netherlands are typically primary and semi-fabricated materials. More recently, manufactured products have become an important component of Canadian exports destined for the Netherlands.

The Netherlands foreign direct investment in Canada now stands at over \$12 billion, making them Canada's fourth largest investor behind the US, France and the UK. Another indication of strong ties and interests shared between the two countries are the numerous active multinational companies from the Netherlands in Canada; likewise, more than 80 Canadian companies are currently operating in the Netherlands.

| Canada-Netherlands Bilateral Trade (2004) | |
|--|------------------------|
| Netherlands Total Trade | US\$677 billion |
| Exports | US\$358 billion |
| Imports | US\$319 billion |
| Trade balance | US\$39 billion |
| Canada- Netherlands Trade | \$3.07 billion |
| Exports | \$1.54 billion |
| Imports | \$1.53 billion |
| Trade balance | \$10 million |
| Canada- Netherlands Ag Trade | \$401 million |
| Exports | \$94 million |
| Imports | \$307 million |
| Trade balance | (\$213 million) |

- Bilateral trade between Canada and the Netherlands has grown consistently over the past five years. Total trade amounted to approximately \$3.3 billion in 2003, and grew to \$3.4 billion in 2004.
- Top Canadian exports to the Netherlands are ores, mineral fuel, and machinery.
- Top imports from the Netherlands are machinery, pharmaceutical products, and mineral fuels.

Agricultural Trade

Canada has traditionally held an agri-food trade deficit with the Netherlands. The Netherlands is Canada's 11th largest agri-food supplier. Canada's agri-food imports from The Netherlands have steadily increased over the past years; they were valued at \$298 million in 2003 and grew to a value of \$306 million by 2004. Canada's top agri-food import from the Netherlands has consistently been beer, a product which usually accounts for at least one quarter of all agri-food imports.

Canada's agricultural exports to the Netherlands increased by 25% between 2002 and 2003, but dropped by approximately 8% between 2003 and 2004 to a value of \$94 million. This drop was largely due to a decrease in oilseed and grain exports that fell from nearly \$65 million in 2003 to only \$56 million in 2004; likewise, commodities such as dairy products, tobacco, essential oils and caseins combined represented nearly \$8.6 million in 2003 exports but only \$1.7 million in 2004 exports. Despite this apparent fluctuation in 2004 exports, 2005-May export totals displayed a rebound in many of these categories; wheat exports alone already surpassed 2004 year end totals by nearly \$1.5 million.

| Canada's Top 5 Agricultural Exports to Netherlands (2004) | |
|--|----------------|
| Soya beans | \$24.2 million |
| Fruits and edible nuts | \$10.7 million |
| Wheat, non durum | \$10.6 million |
| Linseed | \$6.7 million |
| Wheat, durum | \$4.6 million |

- Total Netherlands/Canada agricultural trade was valued at over \$400 million in 2004, and represented approximately 6% of total trade between the two countries.
- Soya beans have traditionally been Canada's top agri-food export to the Netherlands. Between 2003 and 2004 the value of soya bean

- exports dropped by almost 50%, decreasing from \$44 million to \$24 million.
- Despite this decrease, other Canadian exports have seen significant expansion in this market over the past three years, such as, fruits and edible nuts, wheat, linseed and corn.

- 2004 Canadian bulk exports to The Netherlands totaled \$53 million or 57% of all Canadian agri-food exports. In the same year intermediate exports totaled \$12 million 13% and consumer oriented exports totaled \$29 million or 31% of total agri-food exports.

Complete Statistical Trade Summary available at:

http://ats.agr.gc.ca/stats/netherlands_e.pdf

Economy

The Netherlands economy is ranked as the 4th most competitive in the world and the country's GDP currently ranks 16th in the world. The Netherlands has a strong and outward looking economy, one that has adapted to the small size of their domestic market by becoming a key player in the world market. Dutch economic policy characteristically focuses on environmentally sustainable economic expansion and development.

The Netherlands's major industries include shipping, fishing, banking, agriculture, and horticulture. The Netherlands economy is sustained by the country's sophisticated infrastructure system, strategic location, international trade focus, as well as its established and vital world wide distribution network. The Netherlands economy is closely tied to the EU, and they are the largest contributors to the EU budget in relation to their overall GDP.

Despite the positive economic impacts tied to an open and globally significant economy, there are negative implications when weak economic performance occurs on a global scale; their open economy exposes them to all global economic fluctuations.

The economically satisfying 90's led the way to a cyclical downturn in the early-to-mid 2000's, as the Netherlands and much of Europe faced an increase in the general level of prices and the consequences of a faltering US economy. These implications impaired the Netherlands' prominent rank in worldwide competitiveness; and although their economy is characteristically strong, it has been slightly stagnant over the past few years as an increase in unemployment and a decrease in consumer confidence accompanied this economic decline. This resulted in slow internal demand within Europe and the Netherlands. These shocks, along with shocks to their domestic political system in 2002, caused a typically optimistic economy to develop a somewhat unenthusiastic short-to-medium term outlook. Regardless, the Netherlands will most certainly rebound as their reputation for long term fiscal planning will carry them beyond this point.

| Gross Domestic Product (2004) | |
|--------------------------------------|----------------------------|
| GDP | US\$580 billion |
| GDP/capita (purchasing power parity) | \$30,132 |
| GDP growth | 1.5% (2004) 1.2% (2005) |

Current

- Though investment has slowed, the economy has made a humble recovery with GDP growth of 1.5% in 2004, up from 2003 growth of only 0.8%.
- Slower economic growth has been attributed to a lack of consumer confidence and a decrease in purchasing power.

Forecast:

- Over the short term the economy is projected to remain slow. But with their reputation for long term fiscal planning, trade surplus and prominent position within the EU trade infrastructure system, it is expected that the Netherlands will overcome their current economic situation, therefore restoring consumer confidence.
- The Netherlands GDP is expected to grow slowly, 1.2% in 2005 and then pick up to 2% in 2006 as private consumption and investment improve.
- Inflation is expected to decrease to 1.1% by the end of 2006. The decreasing inflation rate will increase the purchasing power of consumers and could help revive consumer confidence and purchasing power.
- Export growth is necessary for the Netherlands's economy to grow out of its current state. The country seems to be encouraging the necessary expansions to this requirement with major port expansion planned.

Consumer Market

The Netherlands consumer base is drawn from a population of 16.3 million. While this is a relatively small consumer base the market does enjoy the benefits of being very concentrated and compact. The area of population that is most dense is the capital of Amsterdam with over 10% of the population, followed by the Hague and Rotterdam.

Like most countries, the Netherlands is experiencing a change in its demographic profile; the population is aging, the number of single person homes and dual income households are increasing, in addition there is an increase in overall ethnic diversity within the country.

Consumers are becoming increasingly sensitive when it comes to price; this sensitivity paired with an increase in consumer awareness and product interest in consumer products means great attention is paid during the buying process. Regardless of these recent observations, Dutch consumers are characteristically conservative; value has always been something of great importance to them. What has changed is that the concept of value is now something that is not just measured by money, but also by time savings.

- In 2004 The Netherlands annual expenditure on food was €1,536 per capita and is expected to increase to €1,683 per capita by 2008.
- Many Dutch consumers prefer total quality products, products that are healthy, tasty and feature social and environmental benefits. With all these considerations in mind, price remains the most important but not always the exclusive consideration when purchasing food.
- Dutch consumers tend to avoid impulse buying, but they are still considered "early adopters" meaning they willing to try new products or concepts on the market.
- The Dutch are becoming increasingly health conscious, which presents an excellent opportunity for Canadian exporters of health food. They also enjoy fresh food, especially fish.
- Many Dutch consumers prefer to purchase fish and meat at local fishmongers or butchers as these are seen as healthier venues offering prime products.
- Convenience foods are increasing in popularity as more families are becoming dual earning; likewise, as single person households begin to comprise a more

- significant percentage of the consumer market, convenience foods in appropriate serving sizes are gaining popularity.
- 50% of the food consumed by the Dutch is prepared outside of the household.
 - Large grocery stores formats capture $\frac{3}{4}$ of the total food retail market.
 - Discount supermarkets and wholesale outlets are a popular destination for consumers; popular based on their ability to offer time saving and efficient settings in which to shop.
 - Foreign food and health and nutrition stores are finding ways to appeal to niche markets based on their ability to target specific consumer needs, these formats are anticipated to experience growth in the next few years.
 - Best prospects within this market include wines, seafood and nuts and snack foods.
 - Wines are in great demand and competition will come from already popular Australian and South African wines.
 - With a definite consumer trend towards healthier food and recent issues with disease in the meat industry, premium seafood products have three main qualities Dutch consumers are looking for: healthy, low fat, and carries a good image.
 - Nuts, though mainly consumed as snacks, are also in high demand as they are used in the food processing industry.

Competitors

Canada's main competition in the agri-food exporting market to the Netherlands comes from the Netherlands' neighboring EU countries. The countries of the EU act as one single market and therefore trade within EU boundaries where there are no tariffs applied to goods. EU internally traded goods are therefore offered at cheaper prices to Dutch consumers.

Nearly 80% of the Netherlands' exportable goods are destined for other EU nations. The Netherlands have formed especially strong trading bonds with Germany which represents 25% of their export market, the UK at 11%, France at 10% and Italy at 6% – as well as with the non EU, United States at 5%.

On the import side of Netherlands trade, EU dominance is less evident. Only 50% of total imports are from EU member states. Germany still remains the most important partner as they represent nearly 18% of Netherlands imports, Belgium and the UK account for approximately 8%, while French goods represent 6% of their imports. Non EU import contributions come from the US, which represents 9% of the import market and China and Japan account for approximately 5% each.

Free trade agreements also exist between the EU and the European Economic Area (EEA), which includes Norway, Iceland, Liechtenstein and Switzerland. Under these agreements most industrial products and certain processed agricultural products are exempt from import duties if sold within this trading block.

The EU also grants preferential tariffs to roughly 100 developing countries, mainly Africa and the Middle East and roughly 40 overseas territories under the EU's Generalized System of Preferences (GSP). A system of providing certificates of origin has been established to ensure that goods are not diverted through GSP countries to take advantage of lower tariff rates.

Access Issues

The Netherlands economy is supported by trade, and to keep trade levels high they have made significant efforts to reduce trade barriers. The Netherlands adhere to EU tariffs which are based on the international Harmonized System of product classification.

The EU has strict regulations when it comes to the importation of meat and live animals. Currently they have banned the importation of beef from animals treated with growth hormones. All beef, pork and horse meat imported into the EU for human consumption must come from slaughter houses, cutting plants or cold storages that have approved by the EU. In regards to live animals, all livestock and poultry require negative laboratory test results for various diseases and veterinary inspections.

- The EU has not yet approved products from Genetically Modified Organisms.
- Duty rates on manufactured goods are generally between 5 – 8%.
- Excise taxes are levied on soft drinks, wine, beers, spirits, tobacco, sugar and petroleum products.
- Value added taxes (VAT) are also levied on certain goods, and range from 6-18%.
- This market is often considered a perfect starting point when it comes to gaining access and exposure to the entire European market.
- Despite being a small country with the EU, the Netherlands is an individual market with individual demands that need to be addressed; exporting success hinges on the ability to do so.
- It is highly advisable to take advantage of Canadian representation within the Netherlands, and contact the Agriculture, Food and Beverages Trade Commissioner, visit <http://www.infoexport.gc.ca> or refer to the contact information included at the end of this report.

Agriculture Sector & Policies

The highly mechanized agricultural sector within the Netherlands provides jobs for approximately 4% of the labour force; more importantly the efficient agricultural sector provides large surpluses for the food-processing industry and for exports – two pivotal components of the overall economy. The Netherlands' agricultural sector incorporates the production of commodities such as cereals, roots and tubers, sugars, oilseeds, fruit, vegetables, beans and pulses, spices, coffee, tea and cocoa. Greenhouse production of flowers, plants and vegetables alone accounts for nearly 28% of total agri-food sales/exports. The Netherlands is the third largest exporter of agricultural products in the world, behind the US and France and the largest exporter of food and drink products in the entire EU. Agri-food production for both domestic consumption and international trade is a vital component of the economy.

The Common Agricultural Policy (CAP) is the cornerstone of the economic integration of the EU and a policy that guides the agri-food sector in the Netherlands. It guarantees the security of food supplies at stable and reasonable prices, the modernization of agricultural structures and a fair standard of living for farmers. The EU has established a system of common prices, production and marketing aids, storage arrangements, mechanisms for import controls, export restitutions and specialization of production. This common approach to all European agricultural

markets is based on the principles of market unity, community preference, and joint financial responsibility.

In recent years, it has been strongly suggested that the CAP is in need of an overhaul. The production and price guarantees of the CAP encouraged surpluses in areas like cereals, beef and milk. At the same time, technology has made it possible for Dutch farmers to significantly increase their yields. Continuous reform of the CAP has helped EU countries bring production under control in cereals and beef, and to manage milk output through a quota system.

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