

## Market Assessment

In 2025, the market for U.S. exports of food products to Europe will remain both an opportunity and formidable challenge. For European Union (EU) member states, the continued harmonization of external tariffs, common agricultural policies (CAP), and food regulations offer economy of scale for compliance on one hand, while creating higher barriers to trade on the other. The United Kingdom (U.K.), now years into “Brexit,” is adapting its policies but remains in harmony with the EU on many agricultural issues and has some of its own disputes with the U.S. It is a mature, highly competitive, expensive, and sophisticated bloc of individual markets.

Food Export’s strategies will continue to view Europe as a whole in the strategic plan; however, this assessment focuses on the highest potential markets for activities and success with consumer-ready and processed food exports from the U.S. There remains good potential for U.S. exports of high value food products (HVP) in many of the European countries, both in diverse market segments and various industrial sectors, which also rate highly for attention and action. Market assessments covered within include Belgium, Germany, Italy, the Netherlands, Poland, Spain, and the U.K.

Focus Economics reports that the European economy should expand anemically this year: A projected recovery in most countries’ industrial sectors, the disbursement of EU funds and softer inflation will sustain activity, but this will be offset in large part by the lagged effects of interest rate hikes. Potential turbulence in the banking and financial sectors, coupled with high public debt levels, poses a risk.

Euromonitor International, a market research provider, reports that economic headwinds include the “Global Stagflation” scenario which occurs if the wars in Ukraine and the Middle East produce worse-than-expected global spillovers, particularly in terms of rising energy prices. This would reignite inflation in the Eurozone and thereby keep interest rates higher for longer. A recession would ensue with real gross domestic product (GDP) in the bloc declining by 0.6% in 2024. Moreover, the China slowdown scenario in which rapid deterioration of its ailing property sector causes domestic and global spillovers highlights an additional alternative outcome that would significantly weaken foreign demand for the Eurozone, thereby weakening one of the key pillars of its fragile recovery and leading to lower real gross domestic product (GDP) growth than in 2023 at 0.5% in 2024. Currently the GDP forecast growth for the EU in 2024 is 1%.

Due to the number of countries in the EU + U.K. region, it is also a major importer of U.S. processed foods, ranking fourth as a region and totaling US\$4.2 billion in 2023, a decrease of 2% from 2022. That equates to a loss of US\$135 million, which goes against the U.S. trade deficit in food and agricultural products.

Top U.S. exports of processed food products to EU-27 + U.K. in 2023 included:

- Alcoholic Beverages - up 5%.
- Food Preparations and Ingredients – down 10%.
- Prepared/Preserved Seafood – up 10%.

- Processed Vegetables and Pulses – up 9%.
- Non-alcoholic Beverages – up 2%.
- Fats and Oils – down 34%.
- Canned, Dried and Frozen Fruit – down 20%.
- Snack Foods – up 15%.

According to Euromonitor, retail sales in the packaged food market in Western Europe had been estimated at US\$728.4 billion in 2023. That represents a growth of 30.6% and US\$170.8 million since 2019. That makes them the second largest region in the world for packaged food, following Asia Pacific. By the year 2028, retail sales in the packaged food market in Western Europe are expected to reach US\$941.7 billion, a growth of 22.5% or US\$172.7 million from 2024.

High growth categories in the forecast include:

- Edible Oils
- Rice, Pasta, and Noodles
- Sweet Spreads
- Savory Snacks
- Meals and Soups
- Ready Meals
- Cheese
- Baked Goods