"Future prospects in OA in Europe and the world, with respect to product diversification and markets"

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Some months ago..

A famous British magazine attacked some of the most recent market trends:

- **Direct marketing**
- **Fair trade**
- **Organic farming**

Market data

• Market size (2005)	US$ 33 billion
• Growth (2005/2004)	+ 16%
• Growth (2005/2002)	+ 43%
• Europe %	52% (D, UK, F, I) +15% on 2004
• USA & Canada %	45% (+16%)

The Giants of Food Retail (2002)

no.	Company	Total sales (Bln USD)	Grocery (%)	Grocery (Bln USD)	Abroad	
					Countries no.	Turnover %
1	Wal-Mart (USA)	244,5	34	83,1	12	16
2	Carrefour (F)	64,8	70	45,4	31	49
3	Ahold (NL)	59,3	84	49,8	27	85
4	Kroger (USA)	51,8	84	43,5	1	
5	Metro (D)	48,6	50	24,3	28	46
6	Target (USA)	43,9	17	7,5	1	
7	Tesco (UK)	39,5	72	28,4	11	18
8	CostCo (USA)	38,0	61	23,2	7	16
9	Albertsons (USA)	35,6	84	29,9	1	
10	Rewe (D)	35,3	74	26,1	12	23
11	Aldi (D)	33,7	85	28,6	12	38
12	JC Penny (USA)	32,3	17	5,5	3	1
13	Safeway (USA)	32,1	89	28,6	3	10
14	ITM Intermarchè (F)	31,6	77	24,3	8	29
15	Kmart (USA)	30,8	10	3,1	1	
16	Walgreens (USA)	28,7	41	11,8	1	
17	Ito-Yokado (Japan)	27,2	71	19,3	12	41
18	Edeka (D)	27,1	85	23,0	6	8
19	Auchan (F)	26,0	57	14,8	15	40
20	Sainsbury (D)	26,0	73	19,0	2	17
	Top 30	1.164,0				
	Others	2.320,0				
	Total World	3.884,0				

Source: www.planetretail.net

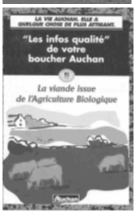
Market data 2

- **Asia %** **2% (Japan) +10-15% on 2004**
- **Oceania %** **1% (Australia) (+15%)**
- **Other Countries ………**

Market segments

- **Fresh fruits and veggies: 40% of sales, annual growth about 8%**
- **Dairy products, cereals, convenience food, baby foods: 60% of sales, growth 36%**
- **Wine? Beer? Oils? Meats?**

Several market channels



- Health shops
- Specialized organic shops (→franchising)
- Food boutiques
- Supermarkets and hypermarkets
- Hard discount
- Organic supermarkets
- Traditional old style shops
- Farm shops, farmers' markets, CSA schemes, Box schemes, mail catalogues, e-shopping
- Restaurants, cafés, canteens, resorts
- Public procurement

Organic Market Share

Country	2001	2005		
	National Market Share (%)	National Market Share (%)	Organic Sales (%) via Conventional Retail	Organic Market Leader
Germany	2,1	3,0	55	Tegut
Switzerland	3,7	4,5	80	COOP
United Kingdom	0,9	1,3	76	Waitrose
Austria	2,4	3,0	65	Billa
Italy	0,7	1,6	39	Esselunga
France	0,7			
Sweden	1,7			
The Netherlands	1,2	1,8	43	Albert Heijn
Denmark°	3,5		85	
Europe°	1	1-3		
USA°		2-2,5	50	
Canada°		0,9-1		
Argentina°			80	
Costarica°			35	
Japan°		<5		

Sources: For 2001 Hamm and Gronefeld 2004, for 2005 Richter 2007 and ° Garibay 2007

Europeans and food risks perception

Area	Risks	EU25	Italy
Risks linked with the production process	Residues of pesticides	63	86
	Residues of hormones	62	85
	GMO	58	76
	Preserving products, artificial colors	57	76
	Dangerous products during processing	49	64
Risks linked with pathologies and contaminations	Viruses (AI)	62	83
	Bacterial contaminations	61	73
	Dioxine, mercury	59	79
	Mad cow disease	53	70
Risks linked with consumption and other	Hygiene products outdoor	62	77
	Animal welfare	55	74
	Allergies	43	59
	Hygiene products indoor	32	46

Source: Eurobarometer 238

Motivations to buy organic products

Country	Primary motives	Secondary motives	Tertiary motives
Austria	Own health	Responability for children	Regional development
Switzerland	Health	Better or good taste	Environment, animal welfare, farmers' income
Germany	Own and children's health	Support of shops and farmers	Taste
Denmark	Lifestyle, environmenatl protection	Own health	Support to an ideal world
Finland	Environmental protection	Health (pure foods, no residues)	Animal welfare
France	Healthy nutrition	Better or good taste	Respect for living world
Italy	Health (safety)	Better or good taste	
United Kingdom	Own health (no chemicals)	Local farming and fair trade	Environment

Source: Schmidt, Sanders and Midmore, 2004.

Motivations to buy organic products

Italy

Motivation	Respondents (%)
Less chemicals	46,0
Better health	40,0
Animal welfare	37,0
Higher quality	22,0
Support the environment	15,0
Support OF	11,0
Taste	9,0
Food scandals	9,0
No special reason	9,0
Special offers	1,8

Source: Garibay, 2007

Motivations	Strong Consumers	Occasional Consumers
For my own health and for my family	100,0	94,9
Organic foods have no dangerous residues	100,0	94,5
I want to eat in a more conscious way	98,1	87,9
Organic foods are healthier	96,2	93,3
Organic foods pollute less	71,2	65,7
Better taste	51,9	50,0
For my children	49,0	52,3
Organic foods are more nutritious	34,6	33,7
I want to feel well with other people	25,0	27,3
Organic foods look better	7,7	10,3

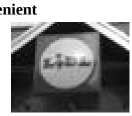
Source: Zanoli, 2004

Switzerland

Typology of European Consumers

- **Selfish**
- **Ecologist**
- **Socially conscious**
- **Vegetarian, macrobiotic, anthroposophy**

The selfish consumers buy organic foods to protect their health and that of their family. They do not care about climate change, fate of farmers, loss of biodiversity, survival of small shops, child labor, or other issues; are not interested to know where the food comes from → they buy frozen organic pizza, ready to eat meals, at supermarket and hypermarkets; they like private labels because price is convenient



Typology of European Consumers 2

The ecologist consumers buy organic foods to protect the environment. At home as well as in far away countries.

After all, organic wheat from Australia helps the environment as well as the organic wheat grown just out of my town.

Anyhow, they could be aware of the "food miles" problem and be slightly oriented to locally produced foods.

The socially aware consumers buy organic foods to support a given group of endangered producers, to protect rural life → small producers at home, indios in Latin America, women in Asia, small producers in Palestine, social cooperatives in Italy (people with handicaps, young farmers using land confiscated from mafia bosses, etc..).

With my purchase I help these people who are less lucky than myself and who are struggling in this difficult world

Typology of European Consumers 3

The vegetarian consumers, as well as the followers of different philosophies as anthroposophy, or the animalists buy organic / biodynamic foods and textiles and beauty products, because this is part of their beliefs. They do not care about who produced or where their food comes from.

Willingness in Italy to pay a premium price

Premium price	2000	2004
Nothing	15%	28%
Less than 5%	26%	24%
6-20%	44%	37%
Over 20%	15%	11%

Source: Lunati 2005

The WTP is decreasing

Some recent development

- 1991: supermarkets share 7%
- 2003: supermarkets share > 50%

- United Kingdom: Specialized shops, direct markets, supermarkets (Whole Foods from USA is coming..)
- France, Italy: Supermarkets, organic shops, public procurement, direct marketing,
- Austria: supermarkets, organic shops

Some European recent development

- Germany: 250 organic supermarkets, discounters, conventional trade;
- Switzerland: Organic supermarkets, supermarkets

Some European recent development

- Most chains (super and discount) have now their organic private label, which does not valorize the origin of the product: who did it? Where does it come from?
- Processors collect ingredients from all over the world, prepare the product and label it with the name of any chain
- The buyers of processors and supermarkets want quantity → organic commodities
- Pressure on prices, quantities, quality, delivery, etc. is growing

All supermarkets try to be greener !!

OA and diversification at farm level

- **Broadening: Producers have to a) expand the number of agricultural activities performed at farm level; b) develop other activities, such as tourism, restaurant, guided tours, horse riding, cooking courses, farm schools for urban kids, etc..)**

Deepening: through valorization at farm level, producers add value to their products and get a better income (processed foods, direct sale at farm, direct sale at market, mail catalogue, e-market)

OA and diversification, off farm

- **Producers must organize into platforms, consortium, cooperatives, associations, etc. to aggregate and manage the supply**
- **Better links with small and medium size food and textile companies**
- **Restaurants offering organic menu**
- **Tourism**

Organic, local and fair??

- **Organic commodities (undifferentiated products sold in bulk) will have decreasing prices → organize, compete or close..**
- **Also differentiated products (packaged and labeled as OF, GI, or GI+OF, or fair trade) will suffer because of the competition, but at least they can compete.**

FAIR TRADE
CERTIFIED®

FAIR TRADE IN EU25

- **660 million € (it was 260 in 2001)**
- **597 million are labelled in 14 Countries**
- **2,854 Worldshops (120 million)**
- **56,700 Supermarkets**
- **19,300 Others**
- **100,000 volunteers**
- **200 Fair Trade importing organizations**

A major political decision: where to concentrate the actions

- **On highly productive, very intensive agricultural areas, generally irrigated, sometimes heavily polluted: the intervention has clear environmental effects, and leads to a reduction of pollution and pollution related problems, but conversion could be very difficult, lower yields might be experienced, some crops should be abandoned; incomes could worsen, unless income subsidies and proper marketing are foreseen;**
- **On less favored areas, generally rain fed, mainly with traditional practices and low input conventional systems: the intervention has minimal environmental effects, but conversion could be quite easy, yields do not decrease and in some cases employment and total farm output even increase. Proper marketing raises incomes.**

An institutional approach:

a) **Private profit oriented operators: individual farmers, processors, traders, certification bodies, experts and consultants, publishing houses, etc.. They should be allowed and supported to do most production, processing, trading and service activities.**

b) **Non Governmental Organizations and Organic NGOs: major role in lobbying, advice and training, public awareness raising, project formulation, fund raising, promotion and marketing,**

c) **Local authorities can support OA with local markets, local procurement, technical advice, Agenda 21 projects, Rural Development projects.**

d) **National Authorities can support with national and international markets, national legislation, market information systems, education, research and extension, public procurement, etc. (and less support to conventional farming).**

Policies and instruments: the demand side

- **Awareness raising programs for medical doctors, nutritionists, and the general public should be implemented, as to inform about links between health, nutrition, environment, agriculture, etc.**
- **Training for some categories could be organized, as to provide more information and skills (food shop owners and/or employees, nutritionists at canteens, etc.)**
- **Public procurement could be favoured, introducing organic ingredients into the meals served by public institutions (kindergartens, schools, universities, hospitals, house for the elderly, etc.);**

Policies and instruments: other market actions

- **Promotion activities could be supported and organized in selected foreign markets, also through the participation in international fairs**
- **Market transparency should be favoured: data about farms, areas, productions, trade (import and export), prices should be made available as soon as possible → Market information system (MIS)**
- **Direct marketing and networking could be favoured, through local markets and national fairs**
- **A national logo could be established, as to facilitate consumers' choices**
- **Regional marketing should link organic products with Geographical Indication (GI) as to have GI products, organically grown.**
- **Links with Fair Trade should be promoted**

Thanks for attention

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