Organic in the supermarkets – global trends

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1. Organic market Europe 2002/03
2. 3 Phase model organic market development
3. Countries with matured organic markets
4. Countries with growing organic markets
5. Countries with emerging organic markets
6. Conclusions
Sales for Organic Food in European Countries (2003)

<table>
<thead>
<tr>
<th>Country</th>
<th>Sales (Mio. Euro)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>3'100</td>
</tr>
<tr>
<td>Great Britain</td>
<td>1'607</td>
</tr>
<tr>
<td>France</td>
<td>1'578</td>
</tr>
<tr>
<td>Italy</td>
<td>1'400</td>
</tr>
<tr>
<td>Switzerland</td>
<td>742</td>
</tr>
<tr>
<td>Sweden</td>
<td>420</td>
</tr>
<tr>
<td>Netherlands</td>
<td>395</td>
</tr>
<tr>
<td>Denmark</td>
<td>339</td>
</tr>
<tr>
<td>Austria</td>
<td>323</td>
</tr>
<tr>
<td>Belgium</td>
<td>300</td>
</tr>
<tr>
<td>Finland</td>
<td>212</td>
</tr>
<tr>
<td>Spain</td>
<td>144</td>
</tr>
<tr>
<td>Greece</td>
<td>21</td>
</tr>
<tr>
<td>Hungary</td>
<td>18</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>6</td>
</tr>
<tr>
<td>Sum Other European Countries</td>
<td>173</td>
</tr>
</tbody>
</table>

Source: FiBL Frick
Average Consumer Expenditure for Organic Food in European Countries (2003)

- Switzerland: €101/year
- Denmark: €50/year
- Sweden: €47/year
- Finland: €41/year
- Austria: €40/year
- Germany: €38/year
- Belgium: €29/year
- France: €26/year
- Great Britain: €27/year
- The Netherlands: €24/year
- Italy: €24/year
- Spain: €4/year
- Greece: €2/year
- Hungary: €2/year
- Czech Republic: €1/year

In €/year
<table>
<thead>
<tr>
<th>Matured Market</th>
<th>Growing Market</th>
<th>Emerging Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Austria</td>
<td>• Germany</td>
<td>• Australia</td>
</tr>
<tr>
<td>• Switzerland</td>
<td>• UK</td>
<td>• China</td>
</tr>
<tr>
<td>• The Netherlands</td>
<td>• USA</td>
<td>• Czech Republic</td>
</tr>
</tbody>
</table>

**Market Development:**

**Matured Market:**
- Growing rates up to 5% or lower
- Partly decreasing sales development

**Growing Market:**
- Growing rates 5 – 15%
- Steadily growth

**Emerging Market:**
- Rapid market growth starting from a low level
Countries with matured organic markets
Country Snap Shots – Organic Benchmark Switzerland

Lebens-Freude.

COOP
Country Snap Shots – Organic Benchmark Switzerland

Accumulated Organic Sales Growth between 1999 and 2003 in %
Country Snap Shots – Organic Benchmark Switzerland

Consumer Penetration Rate for Organic Products in Switzerland in %

- Brot
- Milch
- Rindfleisch
- Joghurt
- Früchte
- Gemüse
- Eier
- Butter

Year 2001
Year 2002
Year 2003
Switzerland – Organic Market

- Market growth 2004 app. 5%
- Expected market growth until 2010: 70%
- Main distribution channels: COOP, Migros (more than 80% of total Swiss organic sales)
- Carrefour with 100 organic items small player in Switzerland
- High percentage of regular org. buyers (app. 15%)
- High percentage of occasional org. buyers (app. 70%)
- Strong private organic label (“Knospe” / “Bud”)
- Strong retailer brand (“naturaplan” - COOP)
Switzerland – Organic Market Environment

- Aldi is coming soon
  - COOP and Migros extend discount product lines
  - Consumers become more price consciousness
  - Consumers state: “We got cheated with high prices over years.”
  - Consumers and media start to ask: “Why to pay more for organic?”

- COOP (7% market share in organic products)
  - Naturaplan 10 years anniversary pushed organic
  - New discount line ‘Prix Garantie’ increases consumer’s perception towards prices
  - Organic meat sales grew strongly

- Migros: (3% market share in organic products)
  - New conventional premium brand ‘Heidi’ for dairy products from mountain areas for many organic consumers more attractive than organic products
Case Study – Retailer: COOP Switzerland

Strong competition from the integrated farming sector
Country Snap Shots – The Netherlands
Country Snap Shots – The Netherlands

Accumulated Organic Sales Growth between 1999 and 2003 in %

%:
- 70
- 60
- 50
- 40
- 30
- 20
- 10
- 0

- 0
- 10
- 20
- 30
- 40
- 50
- 60
- 70

Netherlands
The Netherlands – Organic Market

- Market share organic products (OP) by value: 2.8% (2003)
- Market growth 2004 app. 5%
- Most growing product groups: sausages (+250%), pork (+35%), poultry (+22%), Vegetables (+11%)
- Main distribution channels: conventional retailer 45% and organic retailer 41%
- Number of organic products on Dutch retail chains on average 65 organic items
- Conventional retailer grew above average (+10%)
- Dutch organic action plan focus mainly on organic market stimulation by retailer support
Country Snap Shots – Austria
Country Snap Shots – Austria

Accumulated Organic Sales Growth between 1999 and 2003 in %

Austria
Organic Sales Shares (by Value) in % in the Austrian Retailer Market

Source: RollAMA / AMA Marketing
Austria – Organic Market

- Market share organic products (OP) by value: 3.0% (2003)
- Market growth 2004 app. 5%, nevertheless exist a supply pressure
- New organic umbrella association: BIO AUSTRIA
- Main distribution channels: Rewe, Spar, Hofer (app. 15% of total Austrian organic sales)


**Hofer**: Organic sales 14 Mio. € (sales more than quadruplicated between 2001 and 2003)

**Spar**: Organic sales 10 Mio. € (decline by 35% betw. 2001 and 2003)

- All three main actors have growing rates in the range of 5 – 20% in 2004
Austria – Organic Market

Communication activities to support 'PULL' - Effects in 2004
### How to stimulate Matured Organic Markets?

<table>
<thead>
<tr>
<th>Product related marketing</th>
<th>Branding</th>
<th>Unpremeditated buying activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Improve quality problems</td>
<td>• Exclusive brands for organic products in conv. retailer (e.g. regional product lines, speciality lines)</td>
<td>• Sales promotion activities</td>
</tr>
<tr>
<td>• Optimise product convenience (package, package size)</td>
<td>• Attractive manufacturer’s brand close to retailer’s organic trademarks</td>
<td>• Visual merchandising (Optimise placement, product presentation)</td>
</tr>
<tr>
<td>• Optimise premium character of product appearance</td>
<td>• Emotional customer messages (rational messages send no strong impulses for occasional buyers)</td>
<td>• Emotional consumer messages</td>
</tr>
<tr>
<td>• Optimise availability</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Stimulate occasional buyer of organic food**
Case Study Branding: Ei-Q

- New organic manufacturer brand for eggs with organic standards
- Position: ‘Away from the world of happy hen‘; Organic = modern; responsibility; traceability
- ‘Organic‘ logo not dominantly used as communication tool
Germany – New Organic Brands: Ei-Q

Store tests
Consumer prices in store test
(Packung 6 Eier)

- Testmarkt 1: 2.79 €
- Testmarkt 2: 2.89 €
- Testmarkt 3: 2.98 €
- Handelsmarke Bio: 1.99 €
Germany – New Organic Brands: Ei-Q

- Revenues higher than clear cheaper organic trademark
- Growth sold volume organic eggs: + 24%
- Growth yield organic eggs: + 64%
- Development market share organic eggs: 6.9% ⇒ 10.5%
- Estimated annual turnover / m²: 230.000 €
- Profit rate: 14%

Available at TEGUT, selected EDEKA and organic supermarkets
Countries with growing organic markets
Country Snap Shots – USA
Accumulated Organic Sales Growth between 1999 and 2003 in %
<table>
<thead>
<tr>
<th>Year</th>
<th>Organic Food ($Mil)</th>
<th>Organic Food Growth</th>
<th>Total Food Sales ($Mil)</th>
<th>Organic Penetration</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>$3,566</td>
<td>na</td>
<td>$443,724</td>
<td>0.8%</td>
</tr>
<tr>
<td>1998</td>
<td>$4,272</td>
<td>19.8%</td>
<td>$454,071</td>
<td>0.9%</td>
</tr>
<tr>
<td>1999</td>
<td>$5,043</td>
<td>18.1%</td>
<td>$474,678</td>
<td>1.1%</td>
</tr>
<tr>
<td>2000</td>
<td>$6,104</td>
<td>21.0%</td>
<td>$498,379</td>
<td>1.2%</td>
</tr>
<tr>
<td>2001</td>
<td>$7,359</td>
<td>20.6%</td>
<td>$521,831</td>
<td>1.4%</td>
</tr>
<tr>
<td>2002</td>
<td>$8,624</td>
<td>17.2%</td>
<td>$538,033</td>
<td>1.6%</td>
</tr>
<tr>
<td>2003</td>
<td>$10,381</td>
<td>20.4%</td>
<td>$554,830</td>
<td>1.9%</td>
</tr>
</tbody>
</table>

Source: NBJ, 2004
## USA – Organic Market – Hot Product Groups

<table>
<thead>
<tr>
<th>Major Categories</th>
<th>03 Sales</th>
<th>03 Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Organic Food</td>
<td>10,381</td>
<td>20.4%</td>
</tr>
<tr>
<td>Dairy</td>
<td>1,385</td>
<td>20.3%</td>
</tr>
<tr>
<td>Breads and Grains</td>
<td>966</td>
<td>22.9%</td>
</tr>
<tr>
<td>Beverages</td>
<td>1,581</td>
<td>19.3%</td>
</tr>
<tr>
<td>Snack Foods</td>
<td>484</td>
<td>29.6%</td>
</tr>
<tr>
<td>Packaged/Prepared Foods</td>
<td>1,326</td>
<td>16.0%</td>
</tr>
<tr>
<td>Condiments</td>
<td>229</td>
<td>23.5%</td>
</tr>
<tr>
<td>Fruit &amp; vegetables</td>
<td>4,336</td>
<td>19.9%</td>
</tr>
<tr>
<td>Meat, fish, poultry</td>
<td>75</td>
<td>77.8%</td>
</tr>
</tbody>
</table>

Source: NBJ, 2004
### USA – Organic Market – Market Penetration

<table>
<thead>
<tr>
<th>Organic Penetration Ranked</th>
<th>Total Food Sales 2003</th>
<th>Organic Food Sales 2003</th>
<th>Organic Food % 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairy alternatives</td>
<td>1,578</td>
<td>973</td>
<td>61.6%</td>
</tr>
<tr>
<td>Frozen Prepared Foods</td>
<td>7,794</td>
<td>509</td>
<td>6.5%</td>
</tr>
<tr>
<td>Produce</td>
<td>83,789</td>
<td>4,019</td>
<td>4.8%</td>
</tr>
<tr>
<td>Refrigerated Prepared Food</td>
<td>3,138</td>
<td>140</td>
<td>4.5%</td>
</tr>
<tr>
<td>Baby Food</td>
<td>4,507</td>
<td>175</td>
<td>3.9%</td>
</tr>
<tr>
<td>Frozen Fruits &amp; Vegetables</td>
<td>3,902</td>
<td>149</td>
<td>3.8%</td>
</tr>
<tr>
<td>Canned &amp; dry soup</td>
<td>4,598</td>
<td>165</td>
<td>3.6%</td>
</tr>
<tr>
<td>Dry breakfast foods</td>
<td>9,620</td>
<td>293</td>
<td>3.0%</td>
</tr>
<tr>
<td>Snacks &amp; bars</td>
<td>16,305</td>
<td>455</td>
<td>2.8%</td>
</tr>
<tr>
<td>Dairy</td>
<td>49,486</td>
<td>1,371</td>
<td>2.8%</td>
</tr>
<tr>
<td>All Food</td>
<td>554,775</td>
<td>10,381</td>
<td>1.9%</td>
</tr>
</tbody>
</table>

Source: NBJ, 2004
## USA – Organic Market – Sales Structure

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mass Market</td>
<td>26%</td>
<td>33%</td>
<td>44%</td>
<td>50%</td>
</tr>
<tr>
<td>Natural Food &amp; Health Food</td>
<td>65%</td>
<td>59%</td>
<td>48%</td>
<td>43%</td>
</tr>
<tr>
<td>Direct, farmers markets, bakeries, other</td>
<td>9%</td>
<td>8.9%</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>Mass Market</td>
<td>921</td>
<td>1,989</td>
<td>4,571</td>
<td>9,923</td>
</tr>
<tr>
<td>Natural Food &amp; Health Food</td>
<td>2,324</td>
<td>3,569</td>
<td>5,022</td>
<td>8,603</td>
</tr>
<tr>
<td>Direct, farmers markets, bakeries, other</td>
<td>316</td>
<td>541</td>
<td>786</td>
<td>1,304</td>
</tr>
<tr>
<td>Total Organic Foods Sales</td>
<td>3,561</td>
<td>6,100</td>
<td>10,380</td>
<td>19,830</td>
</tr>
</tbody>
</table>

Source: NBJ, 2004

FiBL Frick
USA – Organic Market Leader – Whole Foods

- Founded 1980
- $4 billion sales in 2004
- Stock index increased by 300% in 5 years
- 163 outlets
- App. 30 – 40% organic share of items in assortment
- Luxury product presentation
- Philosophy: feature foods that are free from artificial preservatives, colours, flavours, sweeteners, and hydrogenated fats.
- Nowadays starting activities in Europe
USA – Organic Market Leader – Whole Foods
USA – Organic Market Leader – Whole Foods
Country Snap Shots – Germany
Accumulated Organic Sales Growth between 1999 and 2003 in %

Germany
Germany – Organic Market

- Growing organic market; € 3.5 billion organic sales (2004)
- Market share organic products (OP) by value: 2.6% (2003)
- Market growth 2004 app. 10 %
- Expected market growth until 2010: 80% - 300%
- Main distribution channels: both conventional + organic retailer
- Main organic consumption in South part of Germany
- Organic consumption under represented in Eastern Germany
- 19% of organic consumers responsible for 54% of organic sales
Germany – Organic Market

<table>
<thead>
<tr>
<th>Year</th>
<th>Best brand</th>
<th>Second best brand</th>
<th>Premium-Brands incl. organic*</th>
<th>Other Brands</th>
<th>Trademarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>23,5</td>
<td>13,1</td>
<td>11,8</td>
<td>28,2</td>
<td>23,4</td>
</tr>
<tr>
<td>2000</td>
<td>23,2</td>
<td>13,0</td>
<td>11,7</td>
<td>27,3</td>
<td>24,8</td>
</tr>
<tr>
<td>2001</td>
<td>22,9</td>
<td>12,6</td>
<td>11,9</td>
<td>25,5</td>
<td>27,1</td>
</tr>
<tr>
<td>2002</td>
<td>21,8</td>
<td>12,0</td>
<td>11,8</td>
<td>23,6</td>
<td>30,8</td>
</tr>
<tr>
<td>2003</td>
<td>21,9</td>
<td>12,1</td>
<td>11,9</td>
<td>22,0</td>
<td>32,1</td>
</tr>
</tbody>
</table>

* Average Price >= Price Market Leader

Based on 75 Product Groups
Source: 12.000er GfK Haushaltspanel ConsumerScan; 15.000er ConsumerScan Confectionery; 20.000er ConsumerScan BHC
Germany – Retailer Product Competences

- **Conventional** Retailer Organic TOP 10 (Source ZMP/CMA)
  - Eggs, milk, potatoes, cheese, yoghurt, muesli, carrots, butter, baby food, bread

- **Organic** Retailer Organic TOP 10 (Source ZMP/CMA)
  - Bread, Cheese, yoghurt, sausages, milk, eggs, juices, potatoes, apples, pasta

- Main promising organic **mass products** for conventional retailers in Germany: Fruits / vegetables, meat & sausages

- Main promising organic **niche products** for conventional retailers in Germany: dairy and meat alternatives

FiBL Frick
Germany – Retailer Product Competences
Organic assortment as opposite strategy to discount get more importance again

Retailer learn how to handle premium lines, like organic

More and more organic retailer brands in conventional supermarkets

Strong growth for organic supermarkets (growing rate 2004: +16%)

Conventional retail chain ‘Rewe’ plans to start an own organic supermarket

Retailer trademarks get competition from new attractive organic brands (however high barriers for smaller companies by promotion costs for retailer to get ordered)
Country Snap Shots – United Kingdom
Country Snap Shots – United Kingdom

Accumulated Organic Sales Growth between 1999 and 2003 in %

- UK

FiBL Frick
UK – Organic Market

- Growing organic market; € 1.6 billion organic sales (2003/04)
- Market growth 2004 app. 10%
- Main distribution channels: conventional retailer (80% of total organic sales in UK)
- High percentage of org. buyers (77%)
- Increasing organic food basket per org. buyer
- Increasing price pressures
- Policy target: 70% domestic products (presently 56% products imported)
UK – Retailer development

- Sainsbury’s
  - Organic supermarket of the year 2004 (SA award)
  - Sells 65% of all organic food in UK
  - “Organic taste experience” road show

- Tesco
  - Strong organic growth through direct mailing to 250’000 organic customer households, furthermore by tasting and promotion campaigns

- Waitrose
  - Solid organic market (growth rates for wine, chicken, eggs)
Countries with Emerging Organic Markets
Czech Republic – Organic Market

- Emerging Organic Market; € 5.7 million organic sales (2003)
- Market share Organic Products by value: 1.1% (2003)
- Market growth 2003 app. 17%
- Main distribution channels: conventional retailer (50-60% of total organic sales in CZ)
- Organic market mostly grow in bigger cities like Ostrava, Brno, Prague
- National organic action plan since 2004 promotes domestic processing structures
- Organic demand for processed products and fruits/vegetables > supply
- Leading retailer which sell organic food: HYPERNOVA (AHOLD), REWE, CARREFOUR, DELVITA (DELHAIZE), GLOBUS, TESCO
Czech Republic – Organic Market

- Retailer with 50 – 200 organic items (mainly grocery, dairy and meat products)
- Organic grocery as block next to health food products
- Most organic products bear governmental organic logo
- In pioneer phase most retailer follow basic assortment strategy with organic products
- Deficits in PoS marketing (visual merchandising) in most markets
Country Snap Shots – China
Expected sales 2010: € 350 million
Market share Organic Products by value: 0.025% (2003)
Annual market growth: 50 – 100%
Share organic area: 0.06% (2003)
Main distribution channels: conventional retailer and direct selling
Organic market mostly grow in prospering cities like Shanghai, Beijing
Mostly sold organic products: Vegetables, fruits, rice, tea
Chinese government is encouraging the development of the organic industry
“Organic” mainly competing to “Green” Food (integrated approach)
Low quality of PoS marketing for organic products by now
Country Snap Shots – Australia
Organic market value: App. € 180 million
Organic market share < 1%
Annual growth: 10 – 29%
Organic sector characterised by absence of dedicated organic industry, a fragmented certification sector and very small retail sales of organic food
“clean and green” competes organic food
Main distribution channel: conventional and organic retailer
COLE and WOOLWORTH conv. retailer with organic assortments
The major food retailers have not yet made organic food to a central component of their PR strategies
Consumer price premiums very high (50 – 100%)
Sales arguments mainly related to pesticide / chemical / antibiotics free production
Conclusions

- In 2004 organic market growth in most observed countries
- Conventional retailer furthermore play dominant role as organic market driver
- Many countries with growing or emerging markets
- Also matured organic markets provide possibilities for market growth
- Organic and quality food as opposite trend to discount food