



ORGANIC IN EUROPE

PROSPECTS AND
DEVELOPMENTS
2016

EDITOR AND PUBLISHER:



IFOAM EU Group
Rue du Commerce 124, BE - 1000 Brussels, Belgium
Phone: +32 2280 1223 - Fax: +32 2735 7381
info@ifoam-eu.org
www.ifoam-eu.org

EDITORS: Stephen Meredith and Helga Willer

PRODUCTION SUPPORT: Eva Berckmans

STATISTICAL DATA COLLECTION, DRAFTING AND EDITING: FiBL Projekte GmbH, Marche Polytechnic University

LANGUAGE EDITING: Ben Tannahill

SPECIAL THANKS FOR THEIR CONTRIBUTIONS TO: Matthias Stolze, Raffaele Zanolì, Julia Lenroud and Diana Schaack

DESIGN AND LAYOUT: fuel.bvba/sprl – www.fueldesign.be

The opinions expressed by the authors are their own and do not necessarily reflect the opinion of IFOAM EU. While all efforts were taken to ensure the accuracy of the publication's content and to collect statistics and reports from all countries, errors and omissions cannot be entirely ruled out. Corrections and additional content concerning organic production and market trends should be sent in writing to helga.willer@fibl.org. Should revisions or additional content be necessary they will be published at: www.ifoam-eu.org and www.organic-europe.net

DOWNLOAD THIS BOOK FROM THE IFOAM EU WEBSITE: www.ifoam-eu.org

© 2016. IFOAM EU and FiBL

ISBN: 978-3-03736-313-3

PARTNERS:



UNIVERSITÀ
POLITECNICA
DELLE MARCHE



SUPPORTERS:



wessanen



This publication is printed on CyclusOffset,
a 100% recycled chlorine-free paper type.

IFOAM EU, FiBL, Marche Polytechnic University
and Naturland



ORGANIC IN EUROPE

PROSPECTS AND
DEVELOPMENTS
2016



01

ORGANIC IN EUROPE: EXPANDING BEYOND A NICHE

Matthias Stolze,¹ Raffaele Zanoli²
and Stephen Meredith³

DYNAMIC MARKET GROWTH – BUT IS ORGANIC REACHING ITS FULL POTENTIAL?

Over the last three decades, organic food and farming has continued to grow year-on-year across Europe. Since the mid-1980s, in the European Union (EU) alone the total area of farmland under organic production has increased steadily to 10.3 million hectares (as of 2014). This has been accompanied by buoyant market growth over the last ten years, with the total value of the EU organic retail market doubling from €11.1 billion in 2005 to €24 billion in 2014. Further details about the latest European production and market trends for 2014 can be found in chapter 2.⁴

Such advances reflect the vibrant and innovative nature of organic food and farming in response to the expectations of policymakers and the demands of EU consumers for high-quality food production that supports the environment, animal welfare and the development of rural areas. More recently, the organic movement has been working towards an organic vision for fairer, more environmentally conscious and healthier food and farming systems by 2030. This vision envisages 50% of Europe's agricultural land being managed according to the organic principles of health, ecology, fairness and care.⁵ Yet, despite unprecedented growth, a significant imbalance continues to exist between the current supply of organic produce and the growing demand for organic food.

Based on current market growth, the increase in organic production over the last number of decades, and the vision that the EU organic movement has set itself, the organic sector still has huge potential to be a flagship for smart, sustainable and inclusive development. However, if the sector does not succeed in closing the gap between organic demand and supply, Europe may miss the chance to capitalise on the organic sector's sustainable growth and investment potential. In this respect, both policymakers and the organic sector can play an important role in supporting the progressive development of organic food and farming in Europe.

WHERE DOES ORGANIC FOOD AND FARMING IN EUROPE STAND NOW?

Organic food markets are developing at different rates in each country

The growth of the organic market varies between EU Member States. Indeed, while retail sales in 2014 increased by double digits in Sweden (45%) and France (10%), in countries such as Belgium (3.8%) and the UK (4%) organic retail growth rates were below average. Similarly, there are huge differences in per capita consumption of organic food between Member States, with Luxembourg and Denmark leading and Slovakia and Bulgaria at the lower end. Despite these differences, EU consumers have been increasing their average spend on organic food considerably and the organic food market is an important growth area in the EU grocery retail market.

Current trends in the EU organic market

- **Dynamic retail market:** the EU market for organic products is growing constantly and increased in 2014 by 7.4%. This is exceptional given an average annual growth rate (2006-2012) in grocery retail markets of around 2% to 3%⁶
 - **Consumers spending more on organic food:** between 2005 and 2014, per capita organic produce consumption increased by 110% from €22.4 to €47.4. In the same period, household consumption of food and non-alcoholic beverages remained almost constant, increasing only by 13%⁷
 - **Consumer demand for high-quality produce:** certain organic product groups achieve above average market shares
 - Organic eggs have a market share of 11-22% in Austria, Belgium, Finland, France, Germany and the Netherlands
 - Dairy products hold a market share of between 5 and 10% in Austria, Germany and the Netherlands. Milk alone can reach even higher shares - 15.7% in Austria
 - Fruit and vegetables now represent around one fifth of many national organic markets, for example in Italy, Ireland, France, Germany, and Sweden
-

Organic market potential not yet fully exploited

Recent research focused on consumers in the United States and Western Europe suggests that women, foodies and younger people are more likely to be interested in organic products.⁸ At the same time, while nearly all consumers are aware of organic produce, communication can still be improved. For instance, only about half of consumers understand the difference between organic and non-organic produce or the specific organic production conditions required under 'organic' labels. In the United States, for example, 92% of consumers believe that organic products taste just as good as conventional products, while in Western Europe the expectation of improved taste appears to be one of the main reasons to purchase organic food. These expectations are also held by professional chefs.⁹

Dynamic market growth, but EU organic production lags behind

How does market growth in the EU compare with the development of organically-managed land? In 2014, 10.3 million hectares were managed organically, which corresponds to 5.7% of the total utilised agricultural area in the EU. But annual growth of organically managed land slowed down to 1.1% in 2014. Even though the number of organic producers has increased by almost 60% over the last 10 years, there was not much growth in 2014 in different countries and a slight drop of 0.2% across the EU as a whole. In some organic pioneer countries such as Austria, Denmark, Germany, and the UK the organically managed land area and the number of organic farms is stagnating or even decreasing. One could argue that these slower growth rates and decreases indicate the consolidation of organic farmland area development. However, positive growth is bucking this trend in other Member States. For example in countries such as Belgium, France, Italy, Portugal, Spain, Bulgaria, Croatia and Slovakia, the organic land area increased in 2014 by more than 5% compared to 2013. For some of these countries such as Portugal, Spain, and Bulgaria this growth has come with an increase in the number of organic farms.

In contrast to the development of organic farms across the EU, the number of organic processors increased considerably in 2014, with around 8,000 more organic processors than in 2013. Therefore while organic food is a huge business opportunity for farmers, importers, retailers and processors the dynamic growth of the organic market has resulted in more and more importers and retailers stepping into organic businesses or expanding engagement with organic food. However, organic production is not moving at the same speed. As organic production in the EU lags behind the growth of the organic market, there is a severe risk that the growing demand will be met by imports and that EU farmers may not benefit.

WHAT ARE THE OBSTACLES FOR FURTHER DEVELOPMENT OF ORGANICS?

There are several obstacles that may hinder both farmers and food businesses from capitalising on the growing demand for organic produce in terms of income generation and job creation.

Member States give differing priority to organic farming

Organic farming support through area payments (Measure 11 - conversion and maintenance) under the new Rural Development Programmes (RDPs) varies considerably across the Member States.¹⁰ Indeed, the most recent figures for the EU expenditure on organic farming maintenance and conversion payments range from 0.2% in Malta to 13.2% in Denmark of total EU spending for RDPs, with limited scope for expanding the organic farmland area (see figure below). The Netherlands provide no targeted measures for organic farming under their new RDP.

The total contribution from the European Agricultural Fund for Rural Development (EAFRD), for 2014 – 2020 to organic farming payments amounts to €6.286 billion or 6.4% of the total EAFRD (€98.958 billion). Thus, the EU share of the rural development spending contribution for organic farming is about the size of the 2014 organic farming area which amounted to 5.7% of the EU's total farmland area. As to the relevance that each Member States gives to organic farming area support compared to its total organic farmland area, there is no common pattern across the different Member States. Countries like Belgium, Bulgaria, Cyprus, Denmark, Germany or Greece, for example, seem to give a higher relevance to organic farming support under the new RDPs than countries like Estonia, Finland, Portugal, Slovenia, Slovakia and the UK. Differences in payment rates also exist between Member States due to factors such as payment differentiations by land-use type, different economic assumptions and different cost and income foregone components in payment calculations. Thus the extent to which Member States give priority to organic farming and the corresponding budget allocations and constraints can determine the payment rates and the policy environment for the development of organic farming.

Whether the organic sector develops proactively or not depends not only on organic area payments, but is also the result of different public support measures, including maintenance and conversion support, marketing support, and training and education.¹¹ Not all national or regional organic farming support is based on a clear strategy for organic sector development. For instance, the use of national and regional Organic Action Plans as a mechanism for achieving a more integrated and balanced approach to organic policy-making is used with varying degrees of effectiveness in different European countries and at EU level.¹²

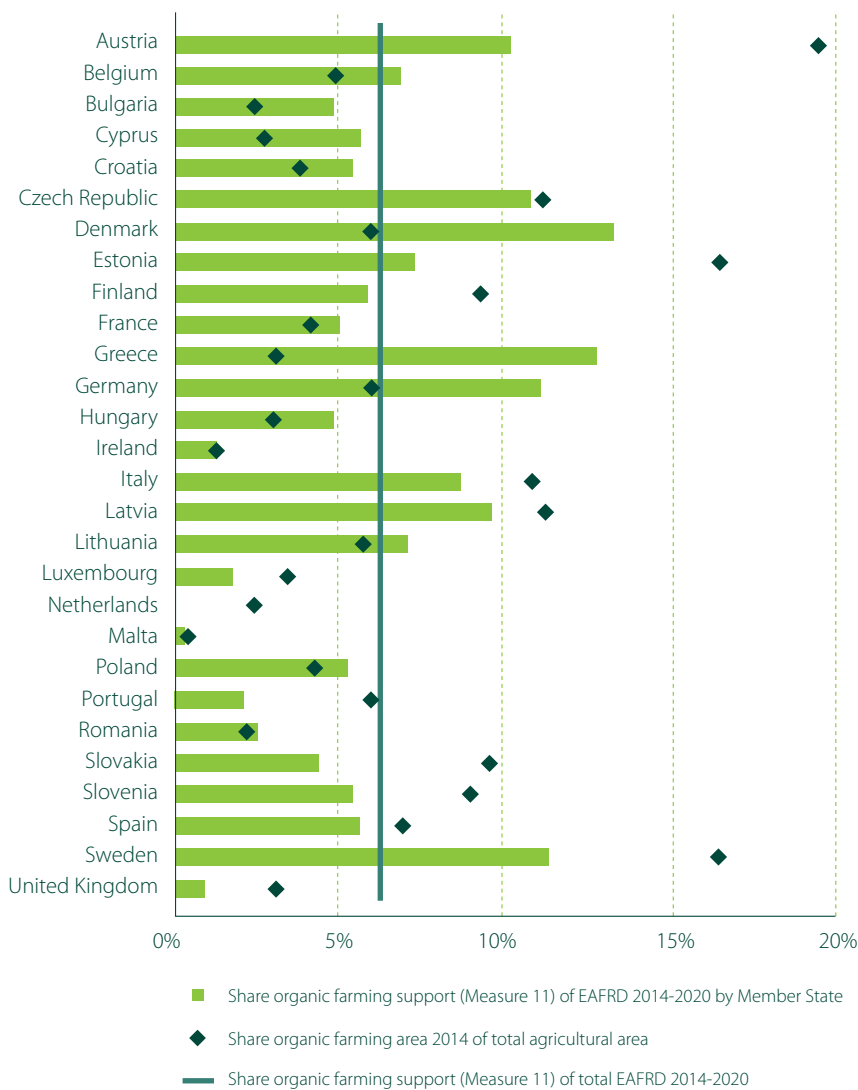


Figure: EAFRD contribution to Measure 11 under CAP 2014-2020 compared to the total organic farmland in 2014 by Member State

Source: DG Agriculture and Rural Development 2016, and own calculations based on Willer et al. 2016

Inefficiencies in organic supply chains

Supply chains suffer from gaps between supply and demand, logistic failures and/or other inefficiencies that do not allow supply and demand to be matched. Most studies on organic supply chains report a number of issues concerning their structure and performance:

- high operating costs
- lack of alignment between supply and demand
- poor reliability of supply
- lack of collaboration among chain members
- different values and motivation among different actors in the chain
- lack of information flow

Currently, there is a large knowledge gap on these issues, and the value chain and the value delivery network in the organic food system often lack transparency in the eyes of both the supply-chain members and the end consumer. While organic supply has shown to be remarkably adaptive to changing demands so far, in the future the organic supply chain will need to adapt itself to rapidly evolving demographics and consumer preferences and to an increasingly complex and global business environment. Improved traceability and assurance systems are needed to keep up with this increasing global complexity. Together with fairer and shorter supply chains, these systems are essential in upholding the integrity of the organic supply chain while maintaining and developing consumer trust. There is some evidence that while organic companies have a collaborative attitude, there is still room for improvement.¹³

Organic farming has mainly developed at the level of primary production

This fact is reflected in organic research, innovation and sector regulation. While consumer expectations are often expressed in terms of final processed products, overall organic processing is less developed and regulated than primary production. Therefore investments in careful processing techniques, sustainable and reusable packaging as well as improved understanding of quality and safety issues in organic supply chains, in combination with regulation, are of paramount importance for creating new value for current and prospective consumers. The minimisation of food mileage and climate change impacts also pose challenges relevant to organic supply chains, and call for a streamlining of the logistics of organic produce networks.

Poor market transparency results in insufficient information to inform future investments

A positive environment for organic sector development requires not only reliable policy support for farmers and food businesses, but also a reliable information system. Despite the efforts of private organic sector institutions and in spite of the fact that EU organic farming legislation requires the collection of relevant statistical information as a tool for market operators and policy makers, organic market data is not nearly as detailed and reliable as general agricultural and food industry statistics. This is the case even in countries with relatively well-developed organic markets.

Indeed, organic market data in most countries is very basic and data on domestic market, international trade, and consumer prices or production volumes does not exist in most EU countries. Incomplete breakdowns by crop or product make data of little use for businesses. What makes things even worse is that there is no harmonised way of aggregating this data.¹⁴ Finally, there is also a lack of information on the economic performance of organic farms in the EU. For instance Bulgaria, Malta and Romania do not include any organic farms in the EU Farm Accountancy Data Network (FADN). For around half of Member States the coverage of organic farms in FADN is poor and small sample sizes do not allow for robust conclusions on the competitiveness of organic farms. Consequently, there is a lack of transparency in the organic market, which means it does not attract investments.

CONSIDERING THE SOLUTIONS FOR MOVING ORGANICS FORWARD

How can we overcome these obstacles so that the entire agriculture and food sector can make more use of the dynamics of organic market growth? Both policymakers and the organic sector itself have an important role to play in addressing obstacles that can hinder farmers and businesses from investing in the further development of organic food and farming.

For policymakers there are several areas where the current policy environment could be improved:

- **Member States should pursue a clear organic sector strategy.** Organic food and farming support should be designed to address relevant bottlenecks to further development. As there is no one-size-fits-all solution, support that takes account of both supply and demand and is tailored to national and regional contexts is required. Furthermore, organic policy design should consider that there might be conflicts and synergies between organic farming support and other support measures, and should outline a consistent approach

- **Shorter organic supply chains that provide environmental and social benefits could be better supported.** As a result national and regional RDPs need to place greater emphasis on local food markets (farmers' markets) and supply chain management (supply chain special projects). This helps to achieve greater balance between local, regional and international provision of organic products
- **Improved statistical processes are required to increase the accuracy of organic market data collection.** In order to avoid choking off the recent dynamic organic market growth, reliable market and economic data – especially beyond the farm gate – are required. The EU should strengthen the institutional framework for the collection, analysis and dissemination of organic market data. Robust and reliable information on the competitiveness and the economic performance of organic farms in the EU is essential. Therefore, the EU FADN should include economic data from each Member State on organic farms using a sample size that allows for sound analysis and informed decision-making.

The organic sector can do more in its own right to support organic food and farming development in the EU. Many relevant aspects have already been identified by the EU organic movement in its Organic Vision for Europe. These include:

- **Recalling the transformative nature of organic food and farming** as a key to the further success of organic agriculture. This requires taking stock of what organic has become and how it can proactively face up to the new political, environmental and socio-economic challenges facing the agro-food sector
- **Ensuring that the value chain is strongly linked to the organic principle of fairness** based on cooperation amongst all organic actors from farmers, workers, and processors to distributors, traders and consumers. Such developments must remain transformative and collaborative ensuring a balanced approach to local, regional, and international sustainable development, rather than simply conforming or adjusting to existing agro-food systems
- **Implementing a paradigm shift in education and learning** to scale up the rich body of expertise and know-how that has already been generated by the organic community over the last decades
- **Recognising the need to address the key challenges facing the organic sector.** Improvements in modern agro-food systems and knowledge transfer developments must be backed up by further private and public investment in agro-ecological research and innovation.

A supportive policy environment and private sector investment based on organic principles, can together help to further stimulate the development of a dynamic and innovative organic food and farming sector into the future. In so doing, policymakers and the organic sector could unlock the potential of organic food and farming by positively harnessing the growing organic market in Europe and expanding the sector beyond its niche.