Trends in the European Organic Markets – What is hot, what is new?

Presentation at Biofach Nuremberg
17.02.2006

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Outline

- **T. Richter (FiBL):** The European organic market
- **S. Pfaff (FIS):** Conventional retailer market (DE, AT, CH)
- **T. Vaclavik (ORA):** Organic retailer market
- **G. Zimmermann (biovista):** Hot product groups (DE)
- **S. Garibay (FiBL):** European market for tropical organic products
- **Discussion**

T. Richter: The European organic market

- Market Data: Organic market Europe 2004
- Concerted Action EISFOM: How to implement EU wide retail data collection
- Product Snap Shot: European market for Fair Trade products
- Country Snap Shots: DE, CH, NL

Organic food market Europe 2004 – Figures and data quality issues -

Sources for methodological biases with regard to organic food sales data

- Most existing retailer panels **just cover a part of the total market**
- Some actors **refuse the delivery of data** in general
- **Products without barcode** can not be covered by retailer panels
- Partly **wholesaler survey data are published as retail data**
- Some countries **publish retail value data based on expert consultations** at various levels in the organic sector
- Some countries include to the national retail sales, **data from sales via restaurants and public services**
- Other countries **add export data to the retail sales**
- Other countries publish the **data from multiple retailer** sector as national data for the whole organic sector and
- In some countries, the data collection **methods change from one year to the next**
- In most countries there is **not a clear and transparent method** description of data collection and estimation available (In many European countries **organic farm or sector associations are source** for published data of organic retail sales values.

EISfOM – Policy Recommendations

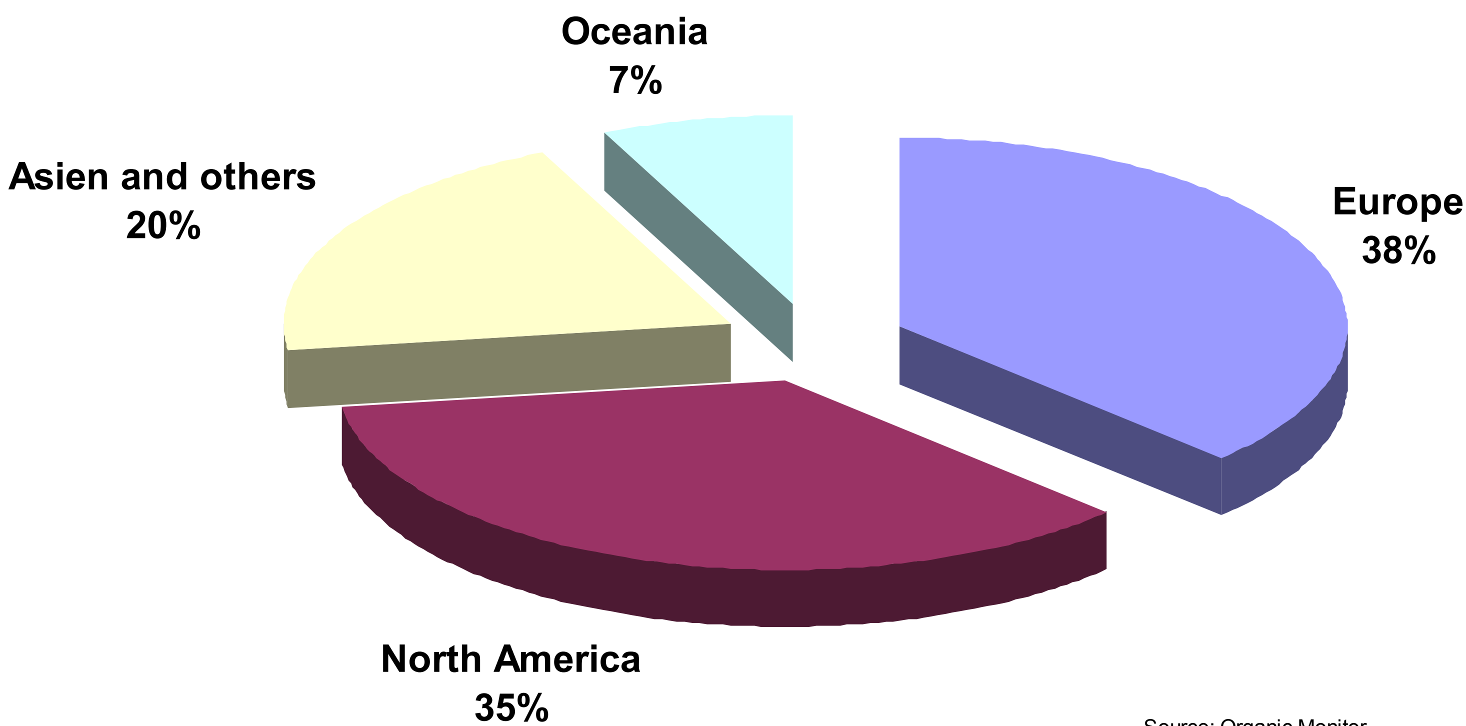
1. Definition of a European wide set of most relevant consumer and retail indicators for the organic market as part of the further development of the EU Organic Action Plan. The decision to make a standard set of quality proofed data available to the public should be agreed by all EU member states.

2. National published data which are based on private sector estimations shouldn’t be used as public figures without crosschecks from governmental (contracted) institutions (e.g. statistical offices, ministries of agriculture, experienced researchers, etc.) which have to prove the methodology, the data quality and plausibility.

3. Reported national consumption and retail data shouldn’t be compared on a transnational level without any central (European) output harmonization.

The European organic market in the global context

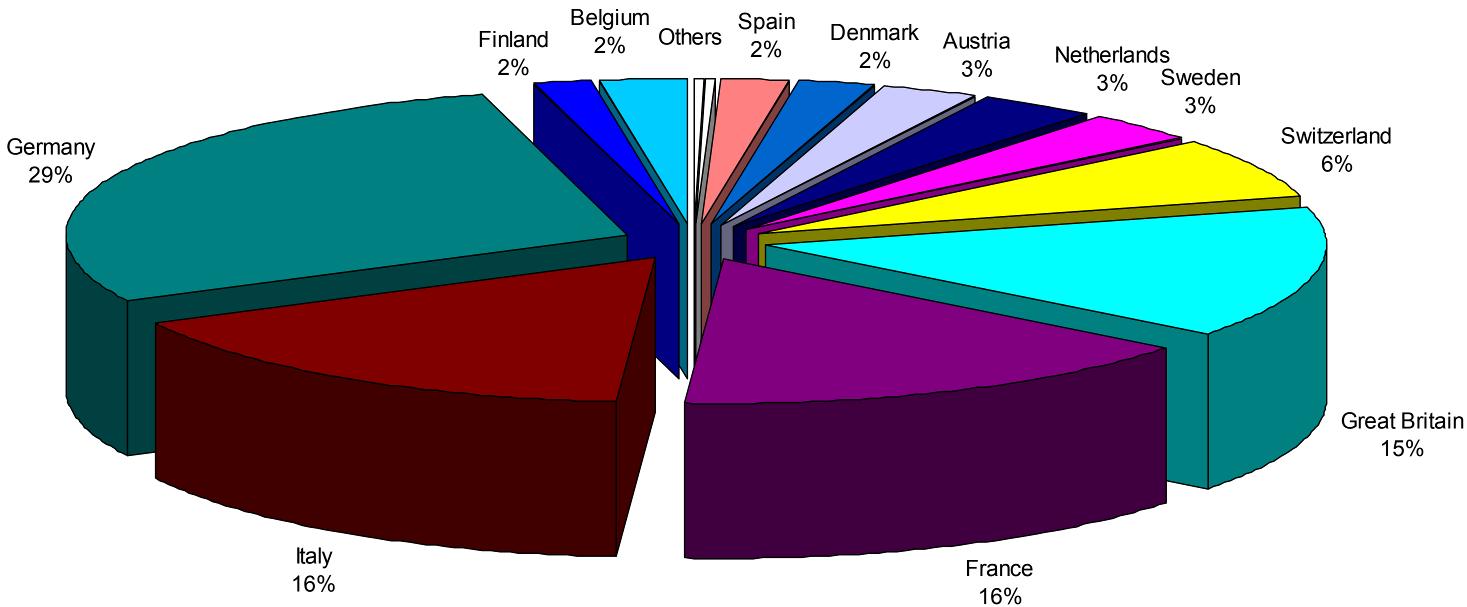
Composition of the organic market worldwide (2004)



Source: Organic Monitor

The structure of the European organic market (I)

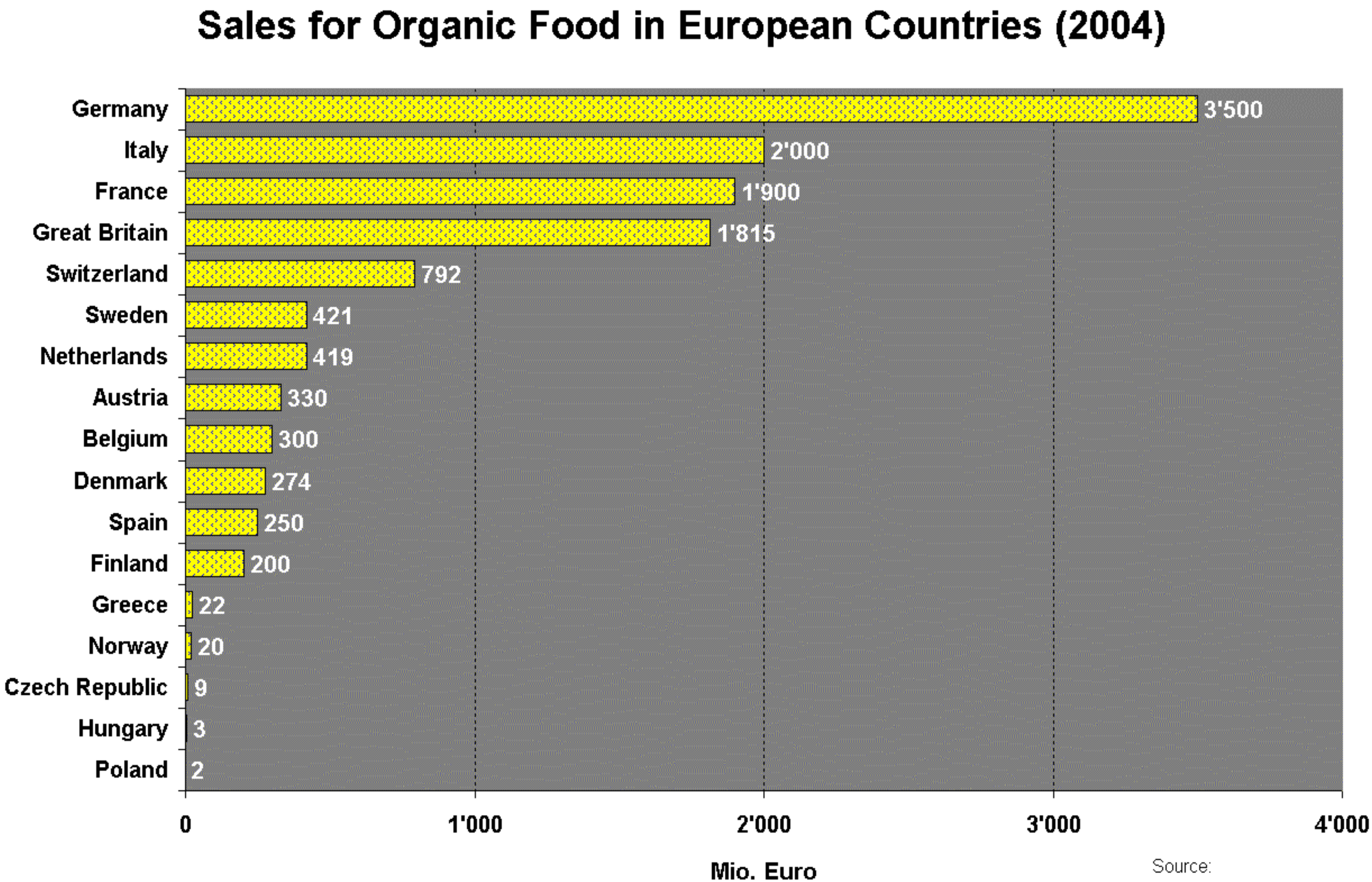
Total market volume: app. € 12.5 billion



Compositon of the European Organic Market 2004

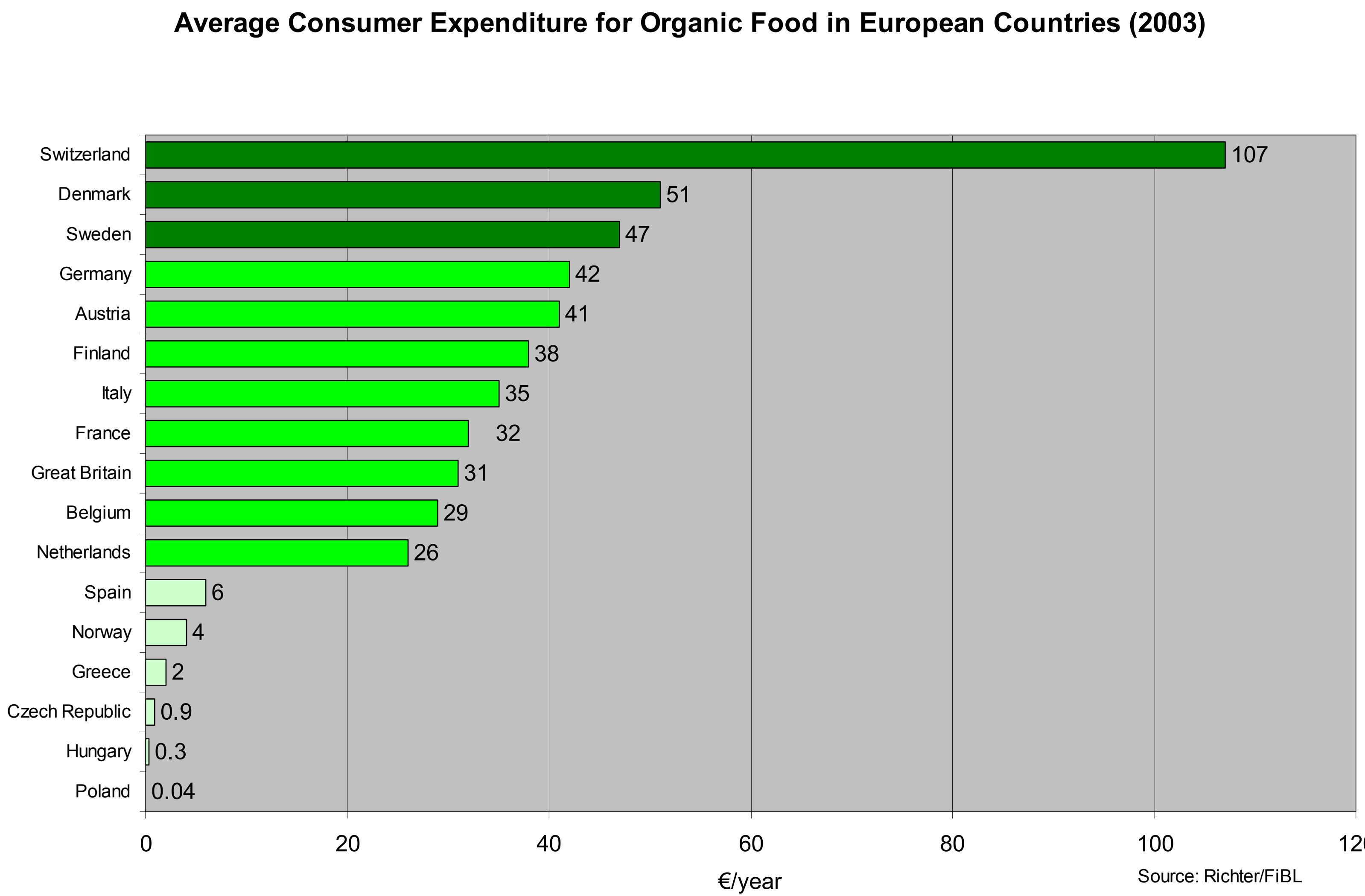
Source: FiBL

The structure of the European organic market (II)



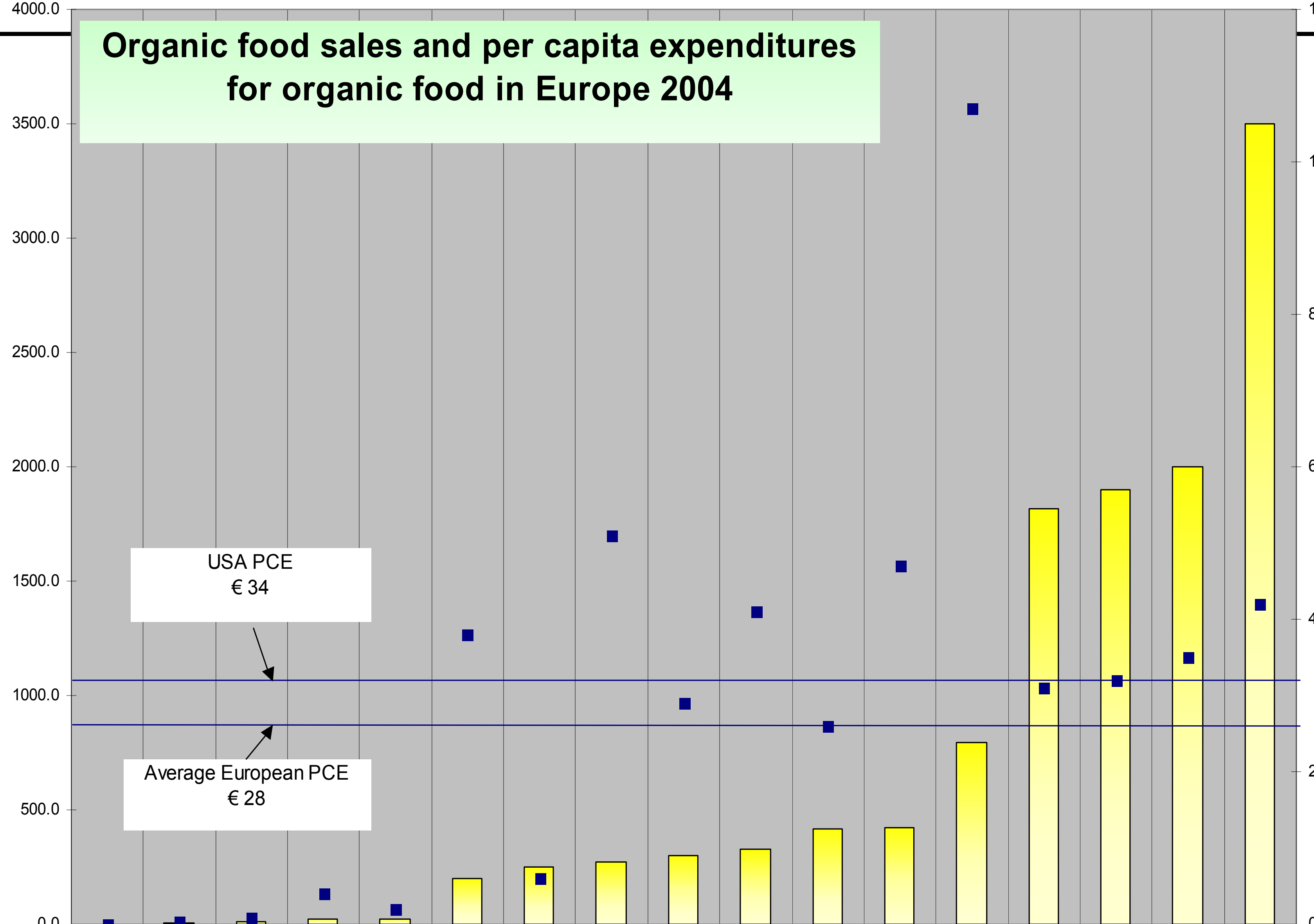
Source: FiBL

The structure of the European organic market (III) - Per Capita Expenditures (PCE) of organic food -



Source: FiBL

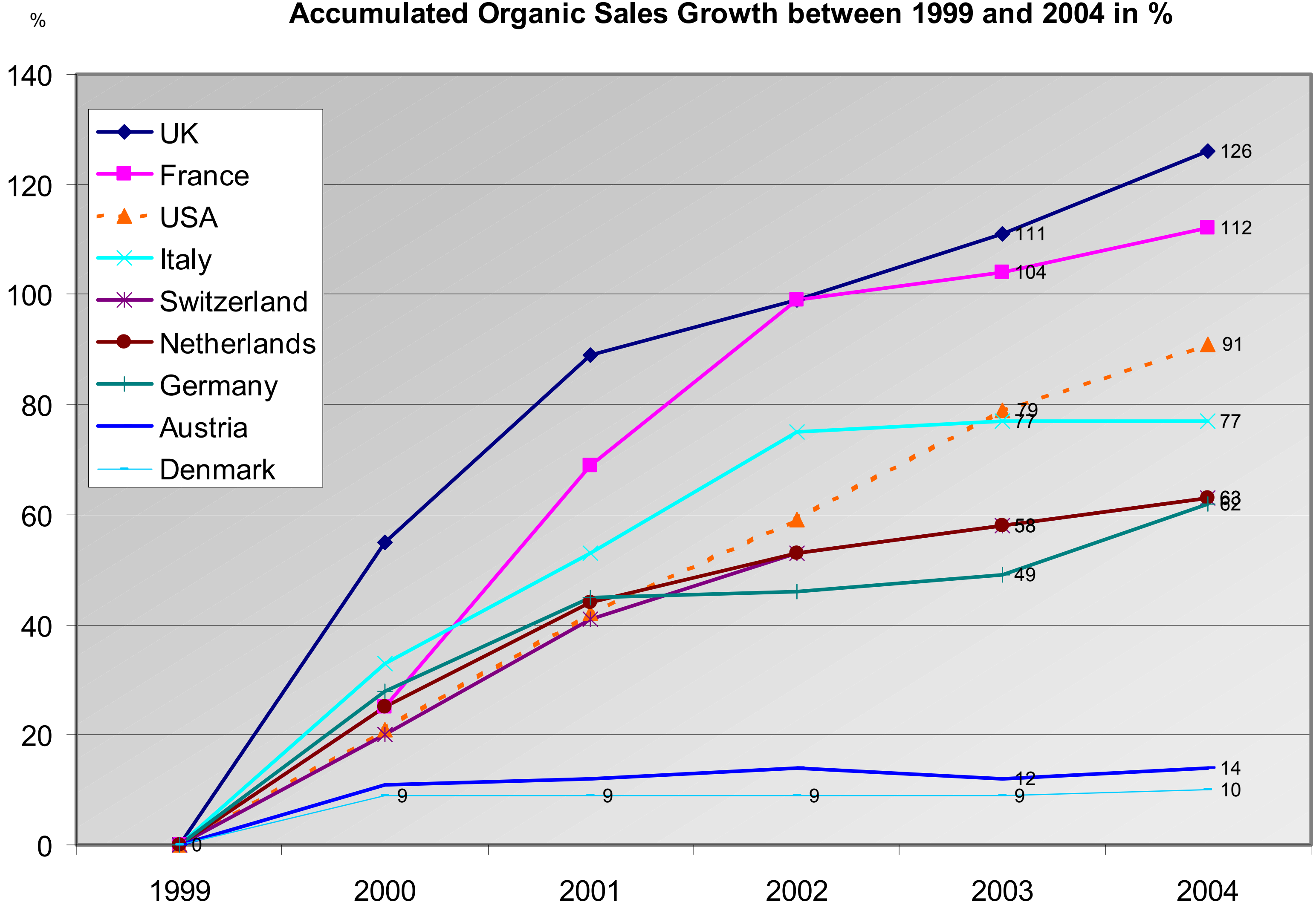
The structure of the European organic market (IV)



	Poland	Hungary	Czech Republic	Norway	Greece	Finland	Spain	Denmark	Belgium	Austria	Netherlands	Sweden	Switzerland	Great Britain	France	Italy	Germany
rganic food sales million. €	1.6	3.3	9.0	20.0	22.0	200.0	250.0	274.0	300.0	330.0	419.0	421.0	792.0	1815.0	1900.0	2000.0	3500.0

The structure of the European organic market (V)
- Booming and sleeping markets -

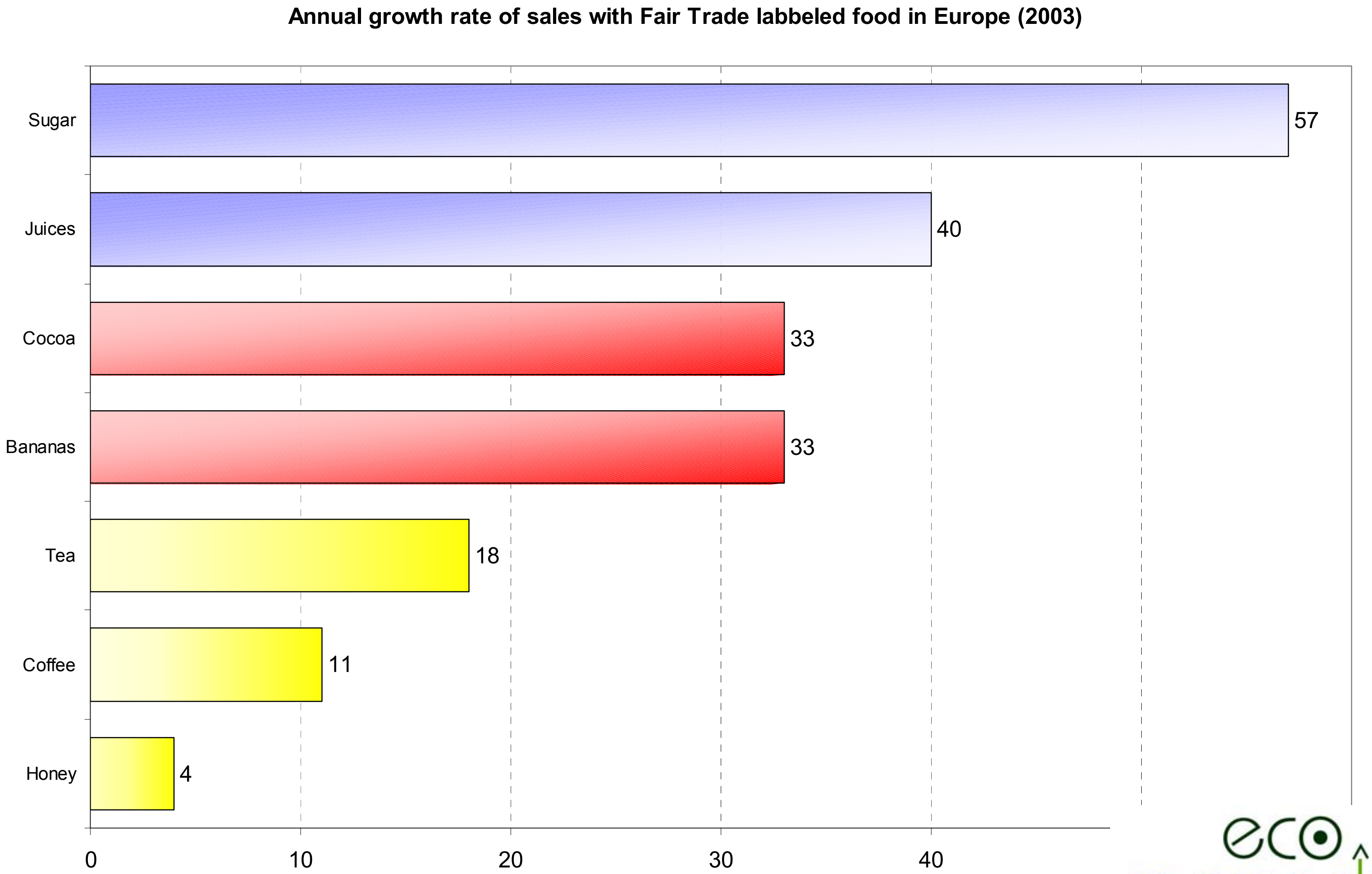
Accumulated Organic Sales Growth between 1999 and 2004 in %



Source: FiBL

Product Snap Shot:
European market for Fair Trade products

The booming market for Fairtrade products in Europe



Source: FiBL

Sales volumes of labelled Fairtrade products in European countries

Country	2002 (MT)	2003 (MT)	Growth in %	Market State
United Kingdom	15027.0	24211.8	62.1	Mature
Switzerland	18484.8	23336.4	26.2	
Netherlands	5400.4	5997.7	11.1	Growth
Germany	4295.0	4216.8	-1.8	
France	2240.6	4058.9	81.2	
Italy	659.6	3329.5	404.7	
Belgium	2039.8	3137.1	53.8	
Finland	2993.3	2684.3	-10.3	Emerging
Austria	2346.3	2537.4	8.1	
Denmark	1062.0	1404.0	32.2	
Sweden	941.4	1157.0	22.9	
Norway	432.0	673.7	56.0	
Ireland	61.0	488.8	701.3	
Luxembourg	288.7	278.5	-3.5	
	56272	**77512**	**37.75**	

Source: FLO 2004

Fairtrade & Organic in Switzerland – a beneficial merger

Product	Growth Fair Trade 2004/2003	Market share Fair Trade 2004	Organic market share Fair Trade 2004
Sugar	-4%	9%	92%
Cocoa	8%	1%	83%
Coffee	-3%	6%	56%
Tea	-4%	5%	40%
Rice	127%	6%	27%
Banana	68%	47%	19%
Iced tea	181%	0.3	17%
Mango	-2%	3%	10%
Honey	-10%	14%	2%
Pineapple	71%	15%	0%

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Country Snap Shots:
Germany, Switzerland, Netherlands

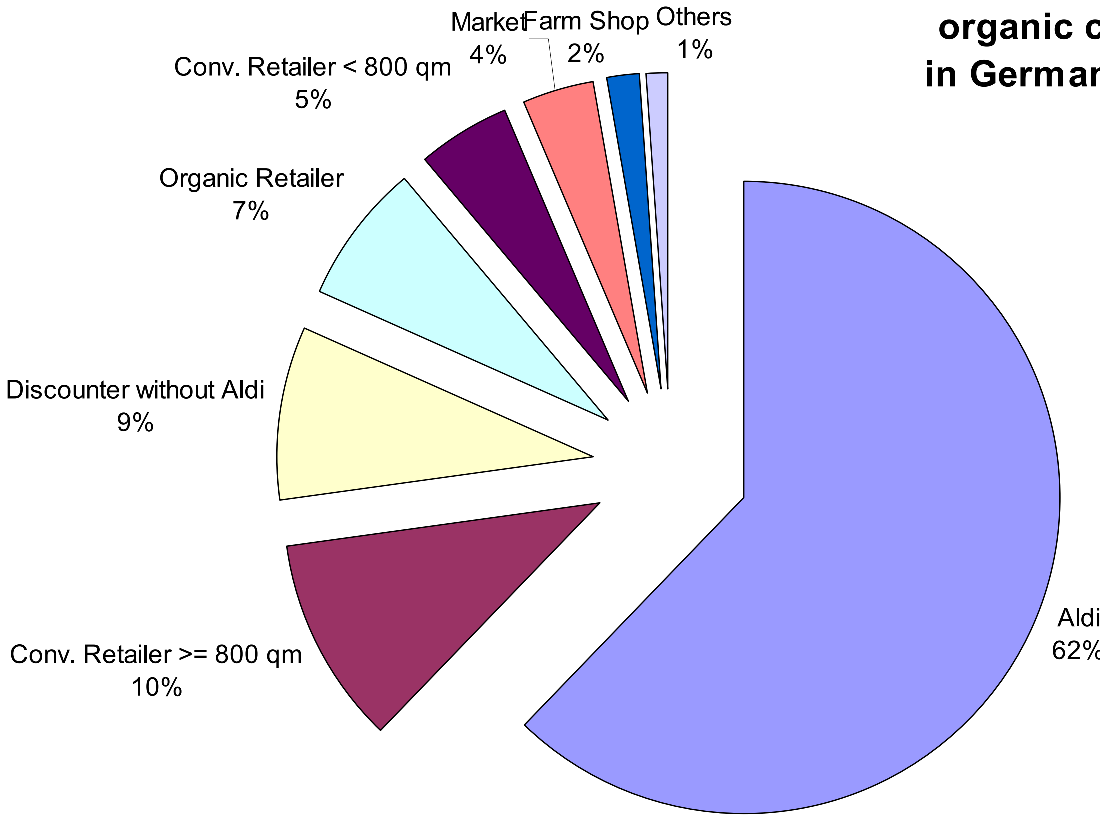
Country Snap Shots – Germany

Germany – Organic Market

- Growing organic market; nearly € 4.0 billion organic sales (2005)
- Market share organic products (OP) by value: 2.5% (2005)
- Market growth last years app. 15 %
- Booming Factor 1: Discounter (Aldi, Plus, Lidl, Norma, Penny, …)
- Booming Factor 2: Organic Supermarkets

Germany – Organic Market

Distribution structure of organic carrots in Germany 2005



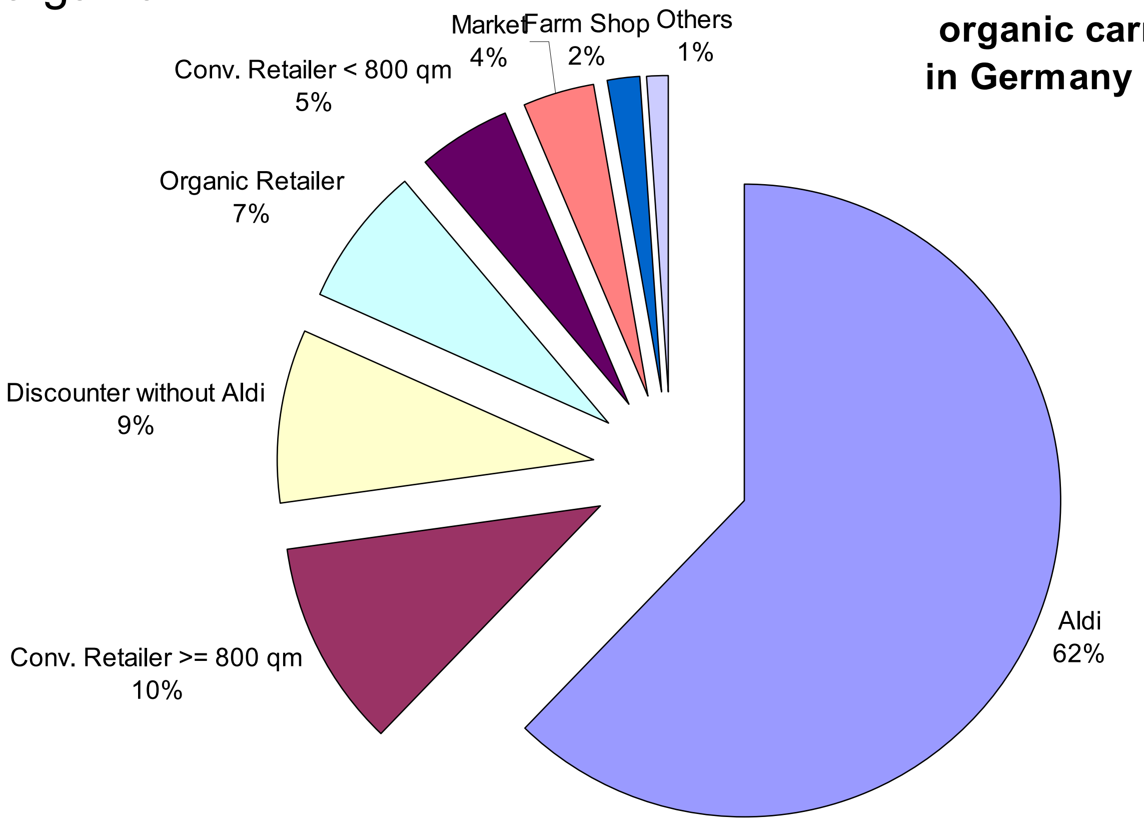
Source: ZMP/GfK_Haushaltspanel

Booming Factor 1: Discounter (Aldi, Plus, Lidl, Norma, Penny, …)

Germany – Organic Market - Discounters

Aldi dominates the organic market for carrots (also for potatoes)

Distribution structure of organic carrots in Germany 2005

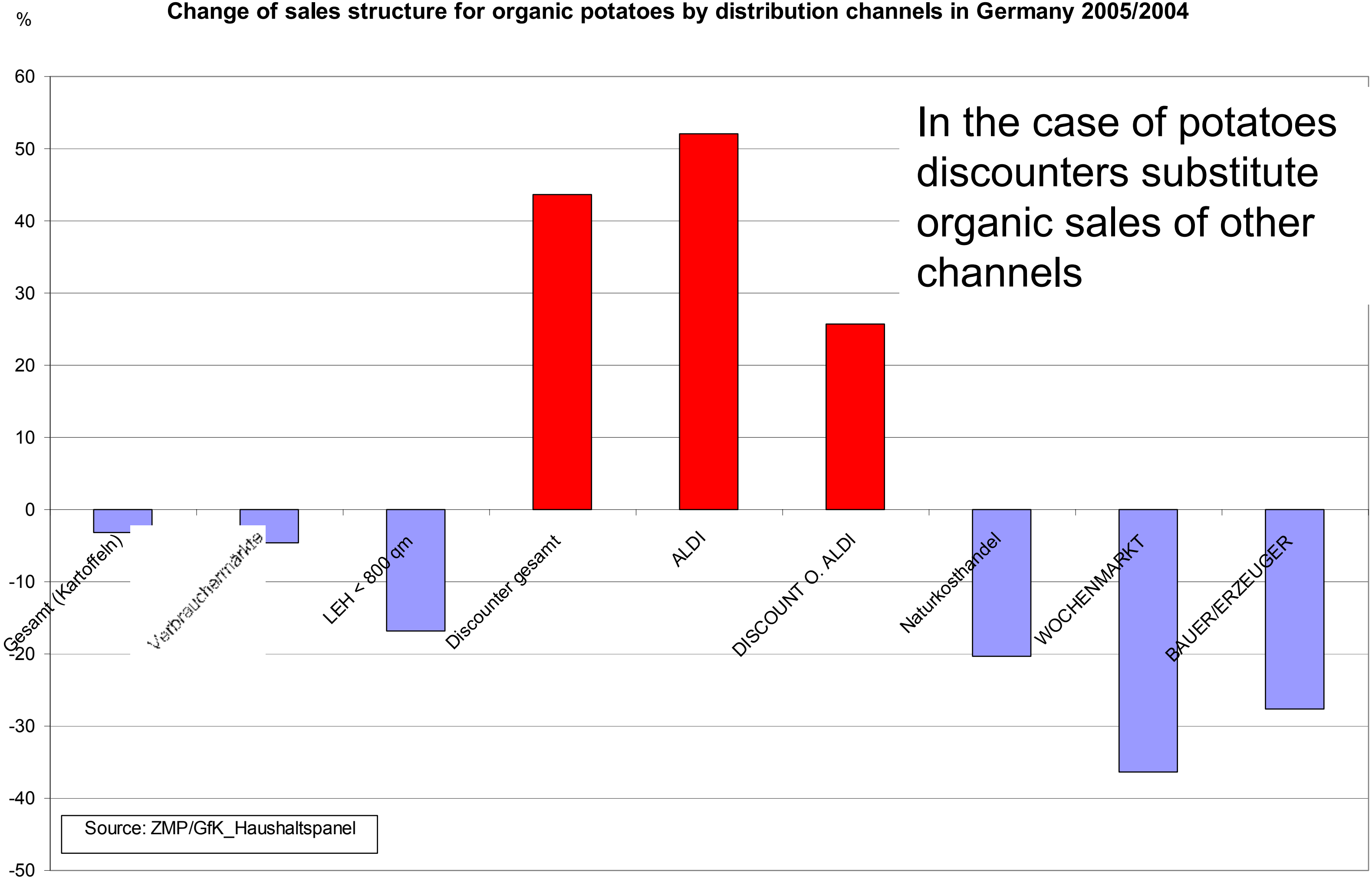


Source: ZMP/GfK_Haushaltspanel

Booming Factor 1: Discounter (Aldi, Plus, Lidl, Norma, Penny, …)

Germany – Organic Market - Discounters

Change of sales structure for organic potatoes by distribution channels in Germany 2005/2004



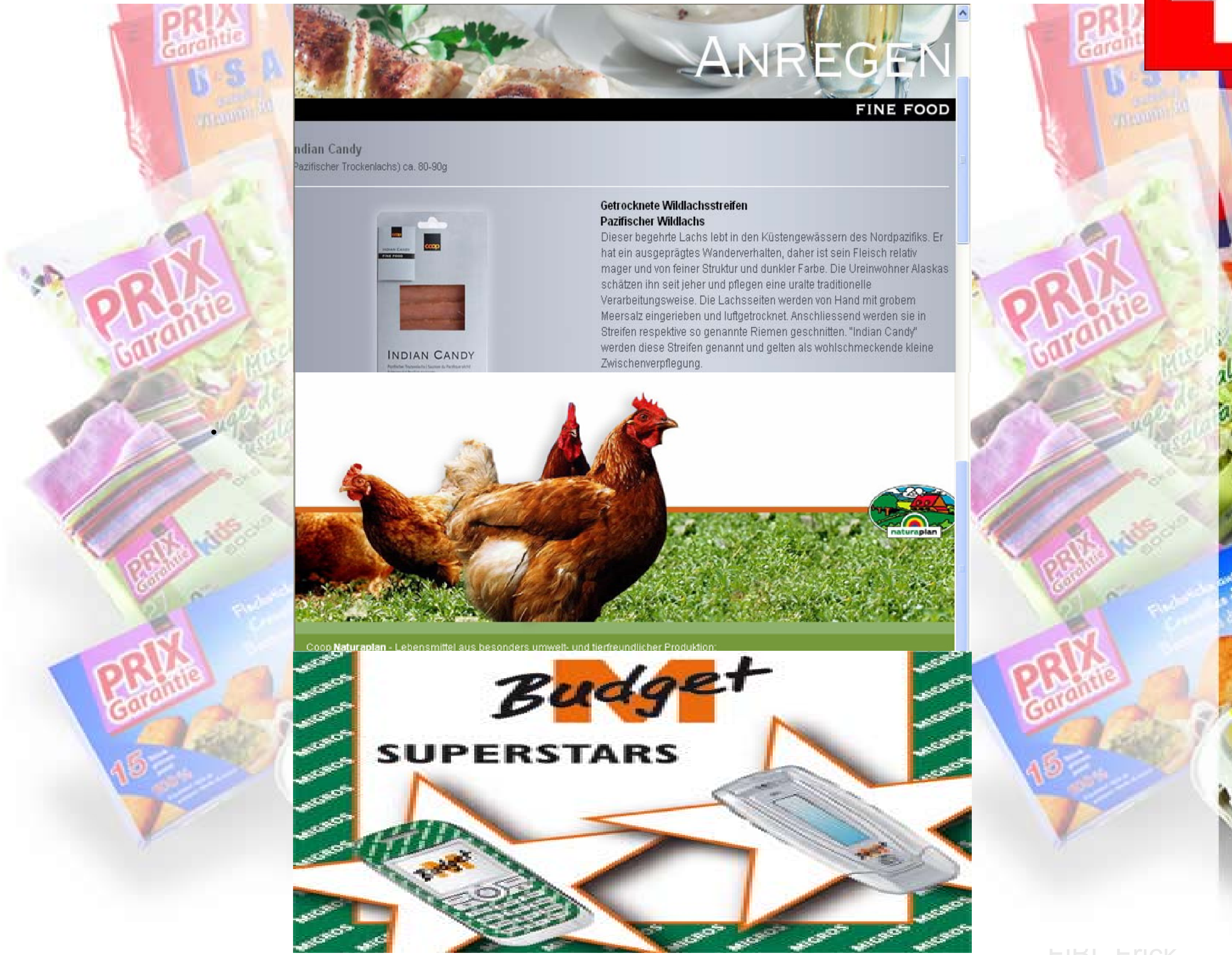
Booming Factor 1: Discounter (Aldi, Plus, Lidl, Norma, Penny, …)

Germany – Organic Market – Organic Supermarkets

- 300 organic supermarkets (200 – 1’700qm)
- In 2005: new 60 outlets & 28’000qm sales area
- Biggest chains:
  - *Alnatura*, 21 outlets, 11’000qm, sales of € 53 Mio., 26% growth
  - *Basic*, 14 outlets, 10’000qm, sales of € 54 Mio., 38% growth
- Conventional retail chain ‘Rewe’ with two organic supermarkets ‘Vierlinden’

Source: Kreuzer/Offeney - www.bio-markt.info

Country Snap Shot –Switzerland



Switzerland – Organic Market

- Furthermore European organic market leader with per capita consumption
- In 2005: Market stagnation in the conventional retailer market
  - Reason 1: strong emphasis on development of discount segments (Prix Garantie; M-Budget)
  - Reason 2: strong emphasis on conventional premium segments (Heidi; Fine-Food, Sélection)
  - Reason 3: Many consumers switch to cheaper alternatives of IP and products from animal friendly husbandry

Switzerland – Organic Market

Switzerland – Organic Market

Only organic retailers with growth tendencies

Country Snap Shots – Netherlands

Netherlands – Organic Market

- Organic market share 2005: 2%
- Market stagnation of the organic market (2005); Organic retailer sector grew by 6%, conv. retailer sector lost by 6% with organic food
- Strong (price dumping) competition in the conventional retailer sector

- **Trial:** in 10 Dutch cities all organic food is offered to reduced prices in conv. retailer outlets
  from April 2006 (4 months; supported by the Dutch ag. Ministry with € 1 Mio.
  Objective: identification of the actual willingness to pay of consumers for organic food.

Final Conclusions

- Different sales development of organic food in European countries
- Strong (price dumping) competition in the conventional retailer sector
- Price dumping in the conventional sector increases consumer awareness for cheaper quality products
- Discounter and organic retailer sector as well as Fair Trade products stimulate the organic market