Presentation on the organic market situation

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CDG Organic

24.10.2023

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european farmers european agri-cooperatives

Nordic-Baltic region

- **SE**
  - The first six months of 2023 show a steady decrease in consumption of organic products, however not as steep as before. The commercial value or organic decreased with 1.8% during Q1 2023, compared to the same period in 2022.
  - The inflation has led to 16% higher commercial value the last year, but there is a decrease in the volumes and the higher commercial value depends on the overall higher food prices. The forecast for 2023 is a decrease with 13% in the volume produced, based on the increase in land that is converted to conventional from organic. Indeed, the share of organic was 7.9% in 2016, but 5.4% in 2023
  - There are political aims for organic production, but the eagerness is not so strong.
  - The consumption of organic cheese has increased thanks to the new Arla product as well as organic eggs. On the other hand, the volumes are decrease in F&V (-17%) and other dairy products (-15,1%).
  - The organic acreage decreased in 2022 for the third year in a row. The forecast is that the acreage will decrease with 7% compared to 2019, this is equivalent to 44 000 hectares.

- **DK**
  - 2023: Biggest decline for products where the price difference to conventional is greatest – most clearly for meat, fish, poultry but also eggs and liquid milk. Organic loses its footing in household where the food budget makes up a large part of the amount available.
  - Milk production down by 3% in the first half of 2023 and forecasted further decline due to desired reduction at Arla.
  - Expectation of 10-20% decrease in the number of fattening pigs in 2023 due to continued pressure on the market/demand in Europe
  - Egg-production was down by 15% in the first haft of 2023. A continued decline is expected due to market adjustments and forecasted significant decline in the number of broilers.

Nordic-Baltic region

- **FI**
  - Organic production: noticeable increase in organic egg production, from 5.3 M kg (6.8% of total) in 2021 to 6.3 M kg (8.3% of total) in 2022. The organic beef production remained stable at 4.0% of the total beef production in both 2021 and 2022, amounting to 3.5 M kg in 2021 and a slight dip to 3.4 M kg in 2022. The organic milk production remained stable at 80.9 M litres (3.7% of total) in 2021 to 80.7 M litres (3.8% of total) in 2022. This was up from 26.8 M litres (1.2% of total) in 2007.
  - Producer prices:

    - Organic meat vs Conventional Meat (Eur/kg): organic beef priced higher than conventional in 2022 by 0.30 EUR/kg, marking an approximately 7.8% premium for the organic one.

    - Organic Eggs vs. Conventional Eggs (EUR/kg): organic eggs are considerably more expensive than conventional eggs in 2022, with a price difference of 1.21 EUR/kg, representing a significant premium of approx. 89%
  - Most Finnish farms feel that their financial situation has declined compared to a normal year, suggesting challenges have negatively impacted their financial situation.

Northern region

- **IE**
  - Over 4000 organic farmers in Ireland, most farmers are concentrated in the southwest and mid-west of the country and 200,000 ha farmed organically in Ireland, representing 4% of utilisable agriculture area.
  - The target set out in the Programme for Government is to achieve a rate of 7.5% of the total land area farmed organically by 2027 while the revised target set in the Climate Action plan is to achieve 10% organic land area by 2030.
  - The consumption of organic produce has remained stable with little growth since the cost of living and inflation has increased over the past 12 months.
  - Most of the new entrants in Ireland have been in the beef and lamb side and our markets as domestic markets are quite saturated. There is considerable leakage from organic beef and lamb to conventional markets.
  - Prices have remained stable with some small increased seen at retail level for vegetables this year.

Mediterranean region

FR

- After experiencing sustained growth for over 15 years, the organic food market saw a pronounced slowdown in 2022 with an estimated market value decrease of 583 million.
- Shift in trend can be partly explained by changes in purchasing and consumption habits driven by inflation.
- In terms of distribution channels, large-scale retail remains a driving force, being the primary place where French consumers purchase organic products but sales continue to fall in 2023 (-8,6% over the 1st half of the year) after already falling sharply in 2022.
- Collective catering could be a new outlet, but this is not the case and the organic food part is not increasing. These falling volumes are causing a major crisis for cooperatives and farmers, who have large stocks and very low prices. As a result many are thinking of giving up organic.
- Government announcements to support producers in difficulty (€60m) and to increase communication budgets (€5m / year) will not be enough to reverse the trend.

Mediterranean region

- **IT**
  - 2,350 million ha of certified organic areas (18.7 %) in 2022. The increase in organic cultivated hectares was 111% (over 1.2 million hectares) with reference to the year 2010. Over the last three years, the average recorded increase in organic areas was +5.6% and similarly concerns the number of total organic operators (+4.8%).
  - Prices: continued market instability in 2022 is and general upward trend, driven by the performance of conventional products. Moreover, as already observed for 2021 for most crops, the price differential recognised to the organic farmer compared to the conventional product continues to decrease in 2022, with a tendency to re-establish the difference during 2023.
  - Finally, on the consumption front, domestic spending, although recovering on a disappointing 2021, does not fully meet expectations, growing at a lower rate than the overall agri-food industry and the inflation rate.
  - In practice, farmers are working under conditions of absolute uncertainty.

Western/Central Europe

- DE
  - The organic market is recovering to a stable level. Forecasted 2023 German organic turnover at the level of 2021. Organic market share of conventional discount retailers still growing.
  - For what concerns fresh organic products, during the period Jan 23-Sept, sales volume at consumer level grew by +2,4% but with slightly smaller amounts. Harvest 2023: surplus of organic feed grain while price for food grain are increasing.
- HU
  - In 2022 there were around 6000 organic producers. Production increasing since 2005. Share of organic agricultural land is increasing (+11% vs 2021)
  - 2022: for organic animal husbandry, bovines decreased y-to-y as well as goat, while swine, sheeps and poultry increased.
- BU
  - In 2022 organic market still expanding (est. +3.2% y-to-y).
  - High food inflation began affecting higher-end organic product sales and forcing more marketing efforts to sustain them. Demand growth is expected to continue in 2023, however, at a slower rate due to economic challenges and stagnated/reduced disposable income.
  - National organic sector kept shrinking in 2021 and 2022 with further decline in land under organic production and the number of operators. End of 2021: organic land area decreased by 26 percent compared to 2020 and accounted for only 1.7 percent of Bulgaria's total agricultural area.

Western/Central Europe

- **BE – Wallonia**
  - The organic market, usually stable in its growth, has become unpredictable and fluctuating since 2020. Several producers, processors, cooperatives, wholesalers and organic sales outlets are experiencing cash flow problems.
  - A number of organic producers have stopped or switched back to conventional production in recent months, which could lead to a reduction in the number of organic producers by 31 December 2023 (compared with 2022).
  - Supply is still greater than (or equal to) demand in most sectors. New outlets are becoming rare.
  - Organic sales are better in specialised shops and short distribution channels than last year but seem to be more limited in supermarkets.
  - Organic eggs: the signs are once again positive, with sustained market demand, rising egg prices and a continued fall in feed prices.
  - The price of organic milk is falling: in July 2023, the average price of organic milk in Belgium was €48.9/100 litres, a fall of €1/100L compared with the price in June 2023. The price is €10/100l higher than conventional milk. Prices vary widely between dairies, with differences of up to almost 40% from the lowest price.
  - Organic broiler chicken: A major problem has arisen in recent months on farms, with the appearance of a retrovirus with high viral pressure.

Western/Central Europe

- **AT**
  - In general, the organic market and prices for organic was quite stable. At the end of the pandemic and at the beginning of 2023, we first noticed a stagnation in organic sales, notably due to inflation and declining purchasing power and the outbreak of war in Ukraine.
  - In the Q1 of 2023, organic sales in food retail increased by 5.8% compared to Q1 of 2022, while the quantity of sold organic products decreased by 5.6% compared to the same period. The growing trend regarding prices continued, while the decreasing trend regarding the quantity of sold commodities which had started in Q1 of 2021 continued.
  - The monetary share of organic products in food retail thus remained constant at a level of 11.5%, while until Q1 of 2022 this share had been constantly increasing for 10 years. As for product groups, the organic share (based on sales) increased in fruits, fresh vegetables, potatoes and eggs, while the monetary share of sold milk products and meat decreased.
  - The area of organically farmed land and notably the number of organic farmers is decreasing further.

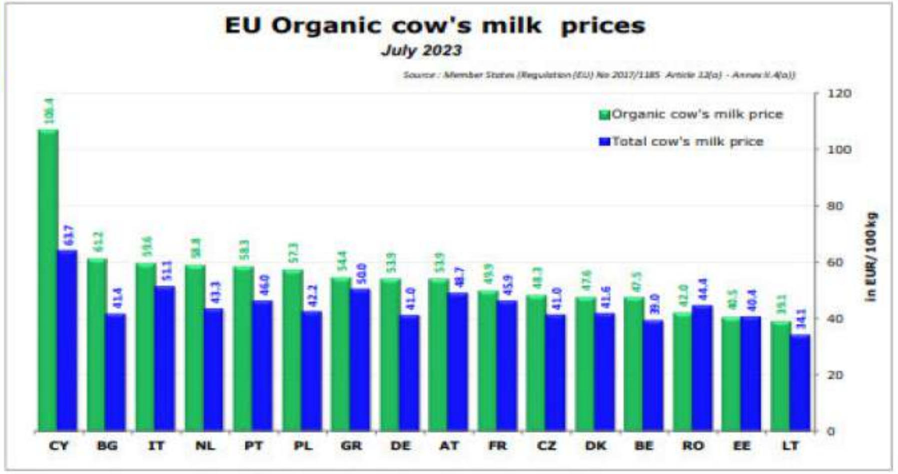
Non-EU members: UK

- **UK**
  - Organic land decreased by 32% since 2008.
  - For livestock, 2022 showed a slight increase in the number of organically reared livestock. Sheep reared organically increased by 1.5% to 734 thousand animals and accounted for 2.2% of the total UK flock. Pigs reared organically increased by 9.2% to 35 thousand animals and accounted for 0.7% of the total UK pig herd. Organically reared cattle numbers increased by 1.0% to 299 thousand animals and accounted for 3.1% of the total UK herd.
  - In 2022, there were 5.5 thousand producers and processors registered with the organic certification bodies in the UK, a decrease of 4.1% from 2021.
  - For milk: In July, the price of organic milk was £1.14 per litre, compared to 84p for conventional. Organic milk lost 15.3% of volumes compared to only 3.3% for conventional cow's milk. Organic milk production has been falling. Deliveries in May 2023 (245,000 litres per day) were 17% lower than in May 2022. This main reductions have been in the domestic market, but pledges of key service operators such as McDonalds to use organic milk have kept up the demand.



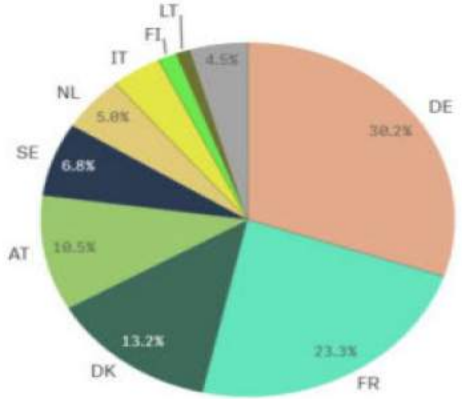

EU Organic milk market

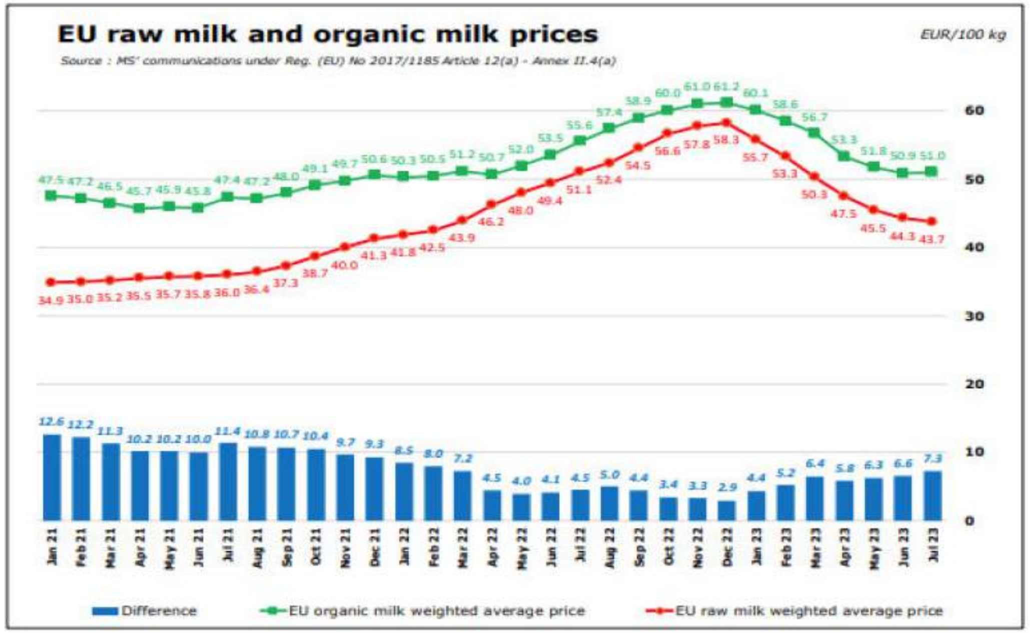
EU organic raw milk production & prices



Organic cow's milk deliveries in July 2023

For years: 2023 > Months: 07 > All Member States > Organic raw cow's milk delivered to dairies > Thousand tonnes





July 2023:
3.9% of total raw milk collected was organic *(based on notifications from 22 MS)*

Market Situation: Milk and Milk Products

European Commission

Conclusions - Challenges of 2023

- Consequences of high inflation and geopolitical pressures on consumers and producers

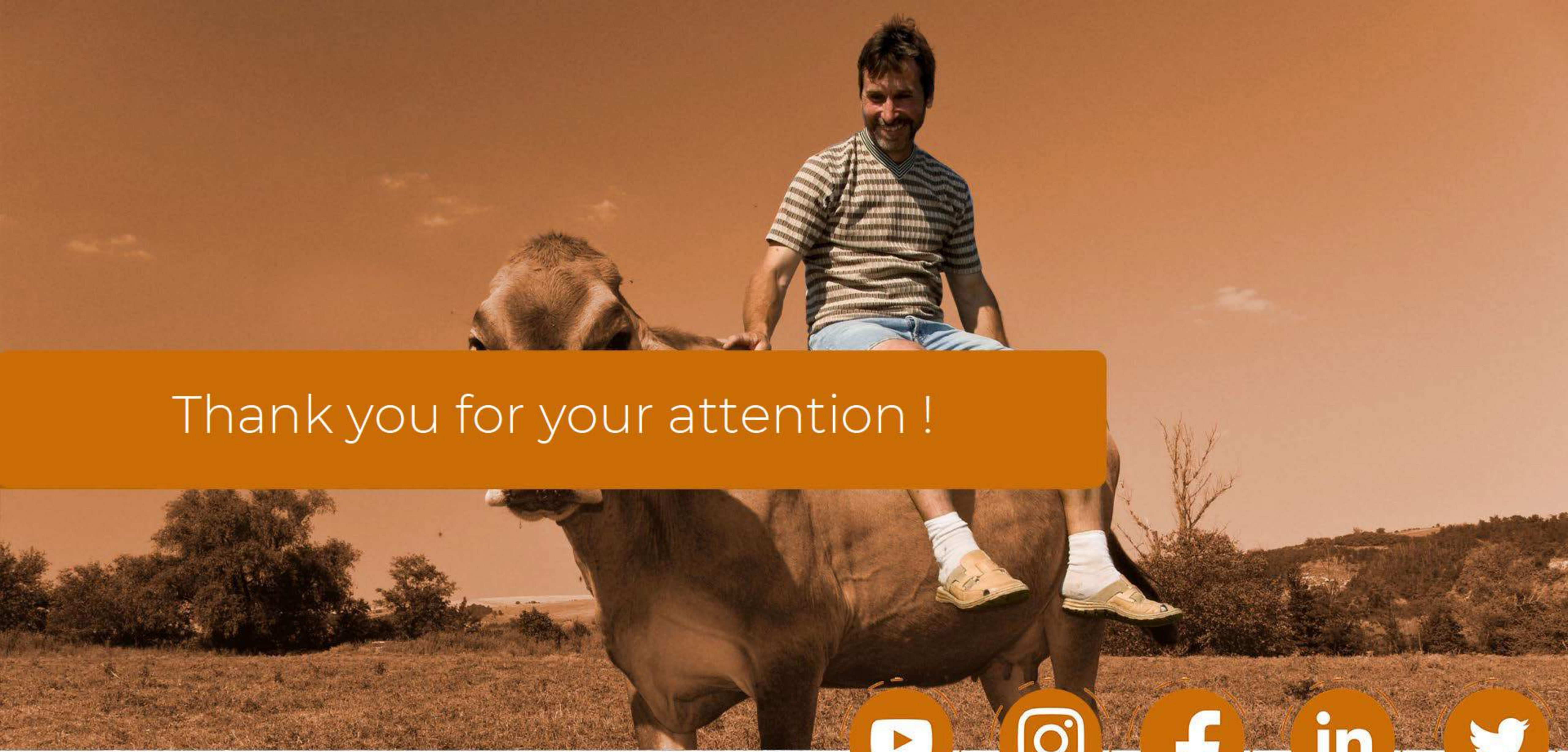
loss of purchasing power by consumers, contraction of sales at retailer level

- Narrowing the difference between organic and conventional prices→ organic farmers moving back to conventional

Some MSs experiencing further decreases in organic acreage and number of farmers

Conclusions – Requests

- Set up a European organic market observatory
- Set up a dedicated promotion policy for organic products
- Commission's views on how to react to this situation



Thank you for your attention !

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