"FOCUS ON THE ORGANIC"

THE MARKET SITUATION AND MARKET PROSPECTS – introduction to the discussions

1.7.2020 Crops Market Observation Group

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ORGANIC PRODUCTION & MARKETS - SUMMARY:

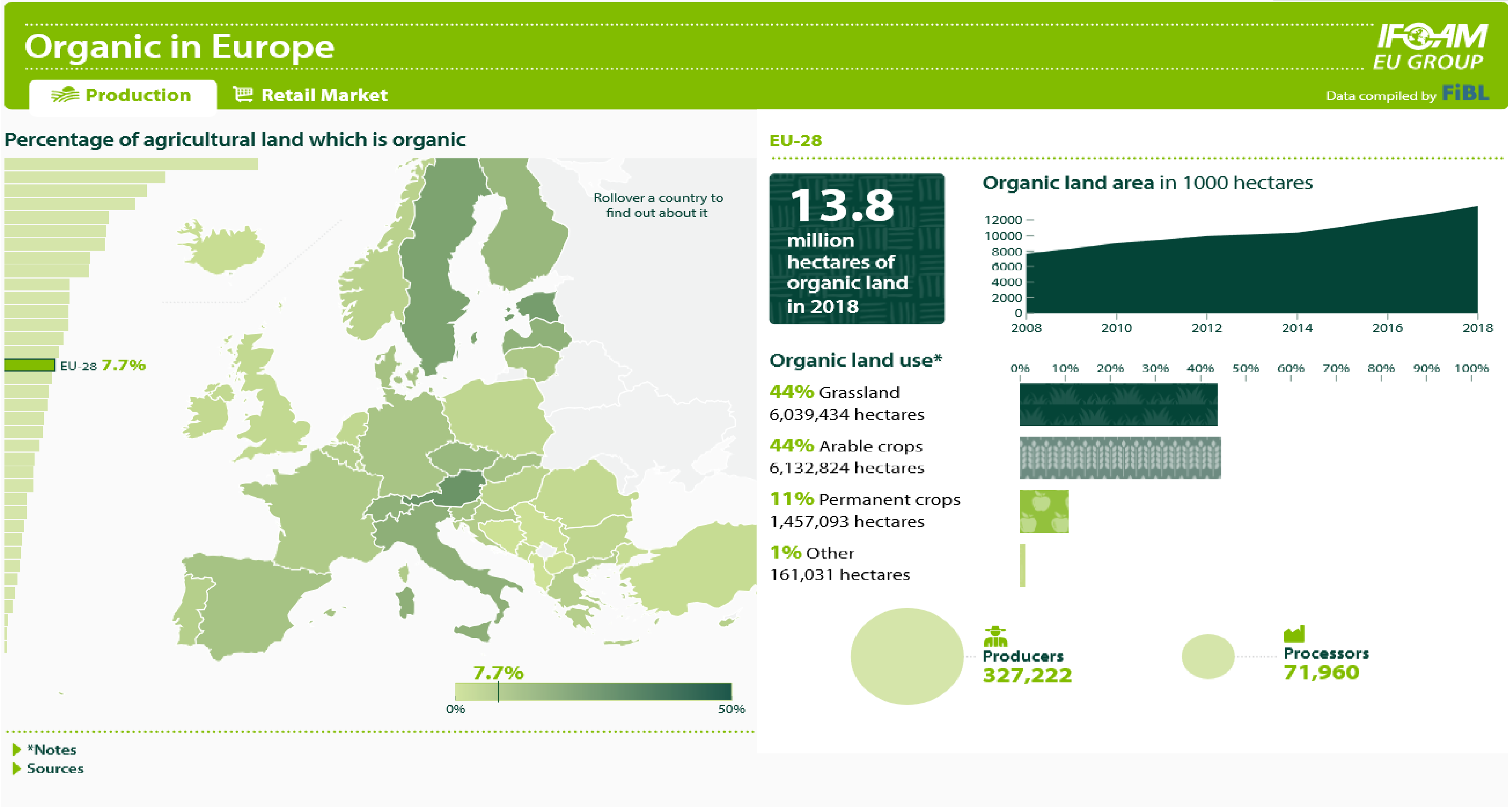
- Market & production grow steadily, but MSs in various phases
- Farmers younger & adapt innovative practices and techniques
- Market structure gives opportunities to alternative chains, but driven towards conventional large scale retailing
- The environmental awareness & food trends strengthen organic market production together with local food demand
- The draught of 2018 and the increasing consumption seem not increase total imports (exception: soya). Growth from EU production?
- The growth driven by consumer trust, regulative & policy measures
- Transparency Reg. of the markets => space for further discussion?

Organic agriculture : World key indicators 2018

Indicator	World	Top countries
Countries with organic activities[1]	2018: 186 countries	
Organic agricultural land	2018: 71.5 million hectares (1999: 11 million hectares)	Australia (35.7 million hectares) Argentina (3.6 million hectares) China (3.1 million hectares)
Organic share of total agricultural land	2018: 1.5 %	Liechtenstein (38.5 %) Samoa (34.5 %) Austria (24.7 %)
Wild collection and further non-agricultural areas	2018: 35.7 million hectares (1999: 4.1 million hectares)	Finland (11.3 million hectares) Zambia (3.2 million hectares) Tanzania (2.4 million hectares)
Producers	2018: 2.8 million producers (1999: 200'000 producers)	India (1'149'371) Uganda (210'352) Ethiopia (203'602)
Organic market[2]	2018: 96.7 billion euros (2000: 15.1 billion euros)	US (40.6 billion euros) Germany (10.9 billion euros) France (9.1 billion euros)
Per capita consumption	2018: 12.8 euros	Switzerland (312 euros) Denmark (312 euros) Sweden (231 euros)
Number of countries with organic regulations	2018: 103 countries	
Number of affiliates of IFOAM – Organics International	2018: 779 affiliates from 110 countries	Germany - 79 affiliates India - 55 affiliates China - 45 affiliates United States - 48 affiliates

Source: FiBL survey 2020, based on national data and data from certifiers

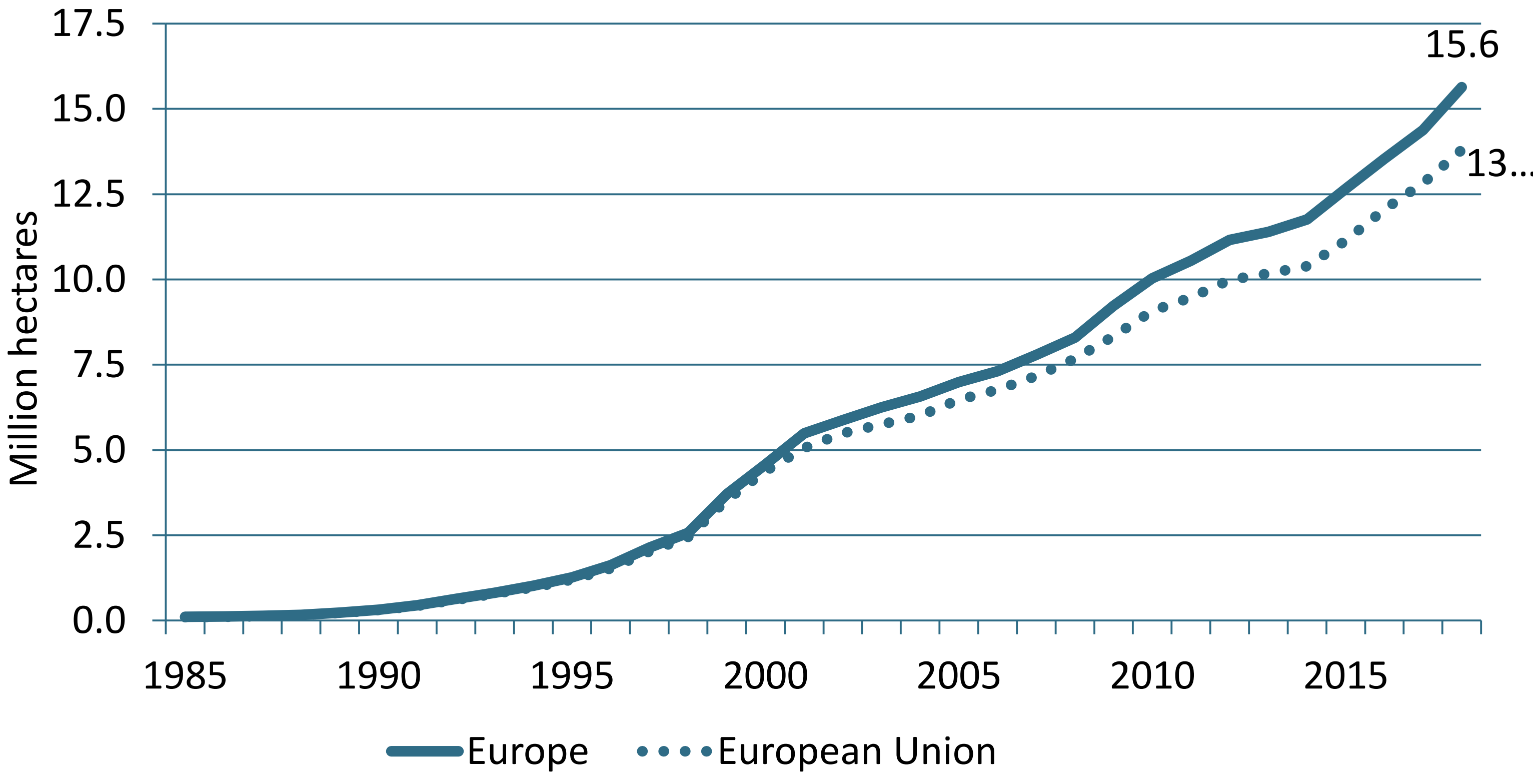
Organic agriculture in the EU in 2018



ORGANIC AGRICULTURE IN EU

- 13,8 million hectares of agricultural land are organic (15,6 ha including in conversion areas 2018)
- 1) Spain 2,2mio ha (9,6% 2018)
- 2) France 2mio ha (7,3% 2018)
- 3) Italy 2mio ha (15,8% 2018)
- 7.7% organic of total EU agricultural land (2018)
- Organic area increased 1 mio ha = 7.6% from 2017 to 2018
- More than 327,000 organic producers reported
- Organic retail sales reached 37.4 billion euros

Europe and European Union: Development of organic agricultural land 1985 to 2018

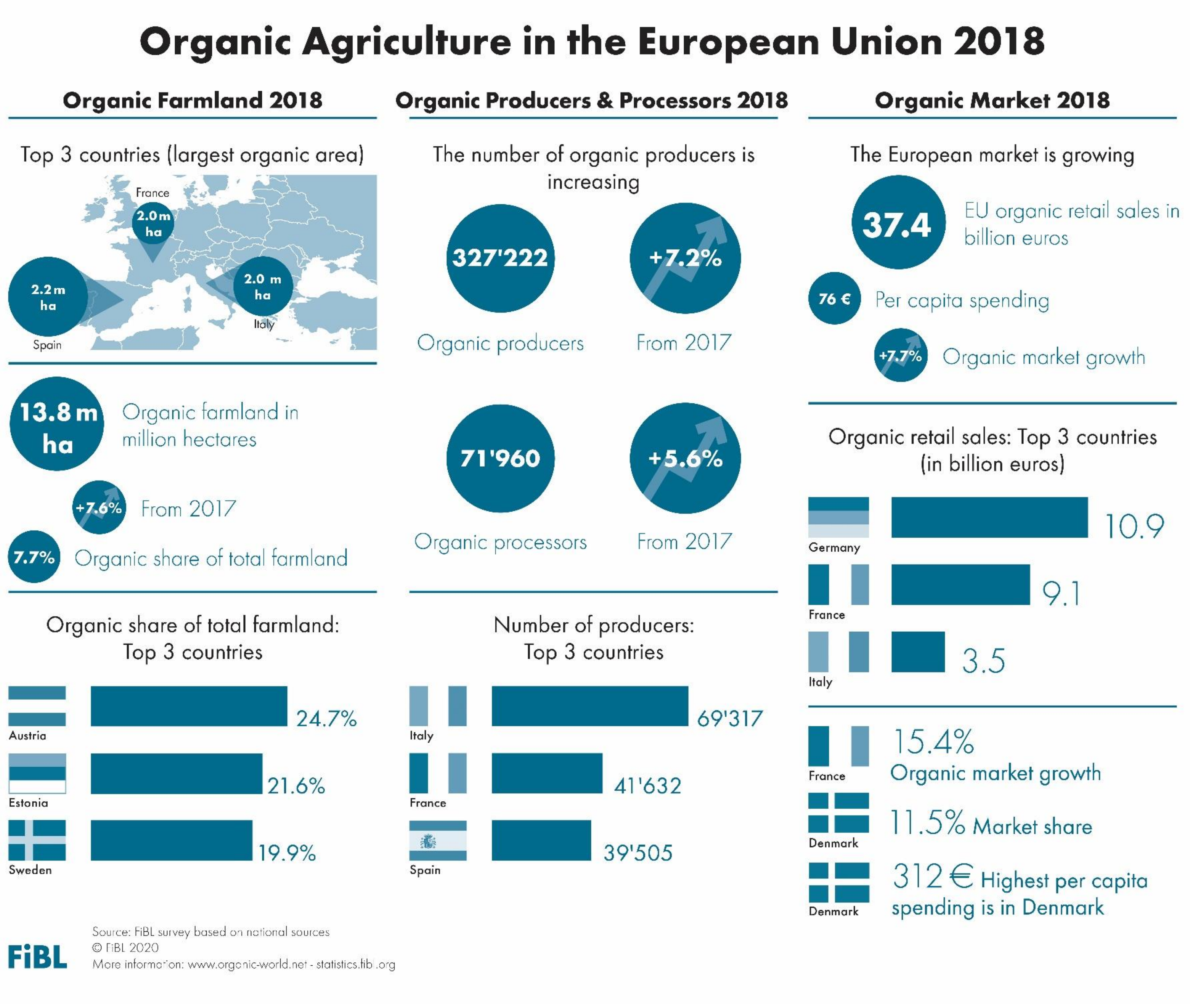


Source: Nic Lampkin, FiBL-AMI survey 2020, based on national data sources and Eurostat

IFOAM ORGANICS EUROPE

MARKET STRUCTURE

- Only growing sector in food retail / strong consumer trust
- Retail sales 37,4 billion Euros in EU (40.7 billion Euros in Europe)
- 2018 TOP 3 Processors: 1) Italy 29% 2) France 24% 3) Germany 23%
- 2018 TOP 3 Retail market: 1) Germany 29% 2) France 24% 3) Italy 9%
- 2018 TOP 3 Organic land 1) Spain 16% 2) France 14,7% 3) Italy 14,5%
- Imports 3.24 mio tn (2019) mostly food not growing in EU, but also cereals&feed



Organic Agriculture in the European Union 2018
Organic Farmland 2018
Top 3 countries (largest organic area)
France
2.0 m ha
2.2 m ha
Spain
2.0 m ha
Italy
13.8 m ha
Organic farmland in million hectares
+7.6%
From 2017
7.7%
Organic share of total farmland
Organic share of total farmland: Top 3 countries
Austria
24.7%
Estonia
21.6%
Sweden
19.9%
Organic Producers & Processors 2018
The number of organic producers is increasing
327'222
Organic producers
+7.2%
From 2017
71'960
Organic processors
+5.6%
From 2017
Number of producers: Top 3 countries
Italy
69'317
France
41'632
Spain
39'505
Organic Market 2018
The European market is growing
37.4
EU organic retail sales in billion euros
76 €
Per capita spending
+7.7%
Organic market growth
Organic retail sales: Top 3 countries (in billion euros)
Germany
10.9
France
9.1
Italy
3.5
France
15.4%
Organic market growth
Denmark
11.5% Market share
Denmark
312 € Highest per capita spending is in Denmark
Source: FiBL survey based on national sources
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More information: www.organic-world.net - statistics.fibl.org

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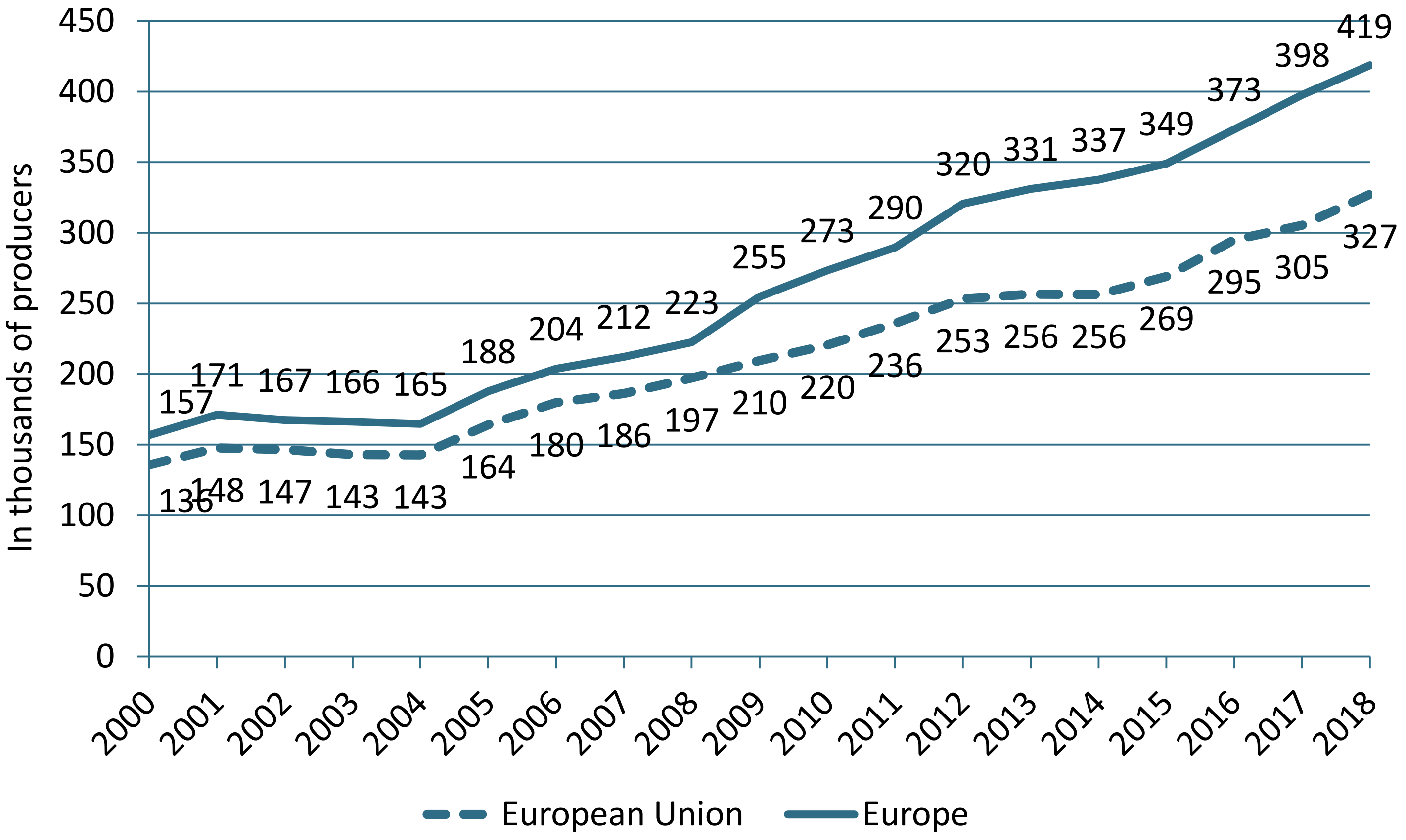
ORGANIC PRODUCTION DEVELOPMENTS

- New Organic EU-legislation into force 1.1.2021 (1.1.2022?)
- Stricter harmonized rules for the chain, from seed to market shelves
- Ensure consumer trust & transparency throughout the chain
- Seed & Plant Reproductive Material regulations tightening
- Might restrict the raw material flow first =>
- Investments to research, independent farm advisory services and co-operation throughout the chain will solve the issues
- F2F => 25% organic area by 2030 & Biodiversity strategies
- New Organic Action Plan needed to align the F2F

Europe and European Union: Development of organic producers 2000 to 2018



Source: FiBL-AMI surveys 2006-2020 based on national data sources and Eurostat

IFOAM ORGANICS EUROPE

PRODUCERS' CHARACTERISTICS

- New, innovative generation
- Dynamic farms in all sizes throughout EU
- Organic farmers increasingly well-educated & multiskilled
- Young farmers motivated by OF challenges & prospects
- Clear economic view, farm managerial skills & environmental target
- The productivity of the farms rising steadily
- Logical decision, better income & market position (F2F)

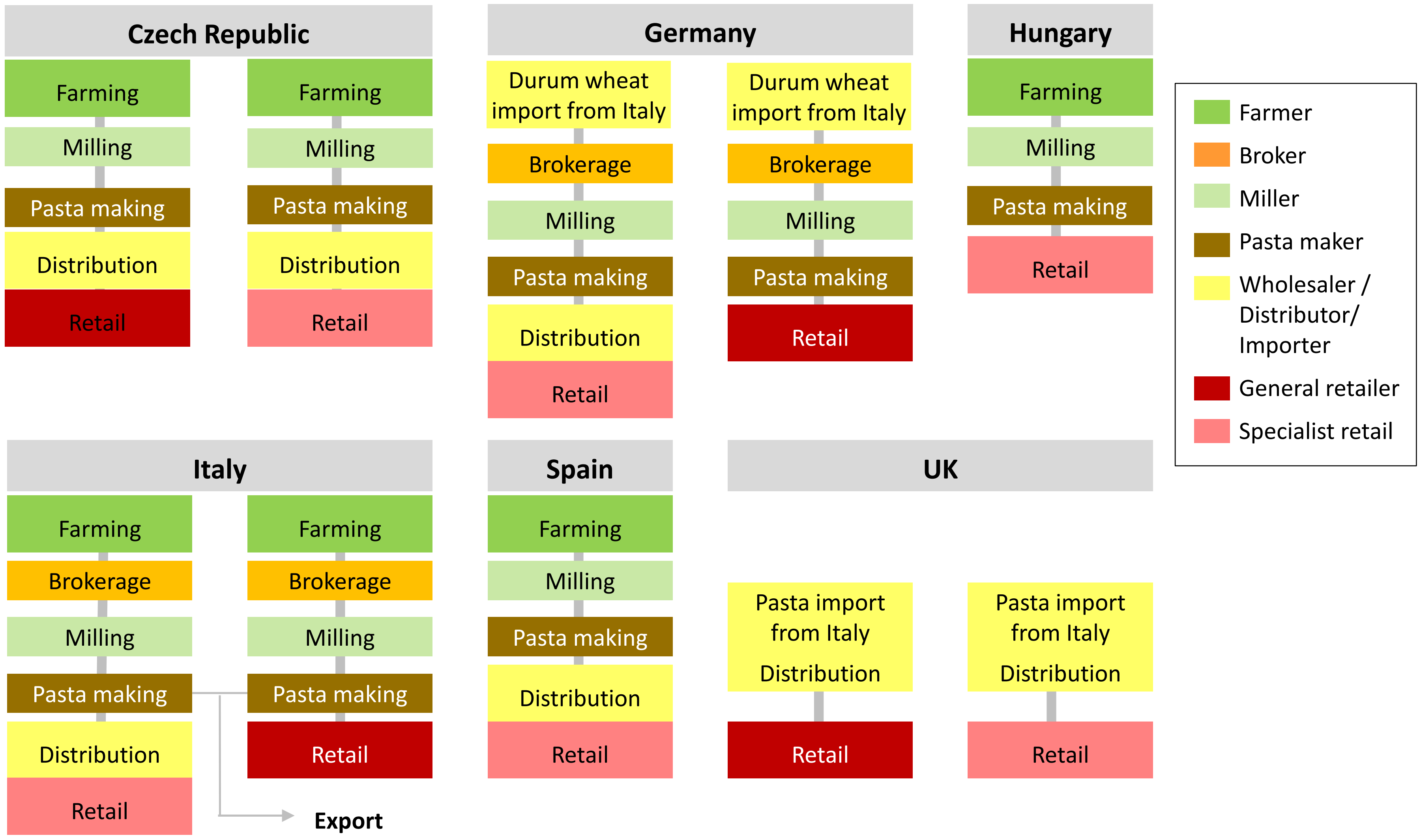
OBSERVATION ON MARKET STRUCTURE

- Market not yet mature, opportunities throughout the chain
- However farmers rarely set the prices for their produce, farm gate vs. retail prices do not correlate (F2F farmers position issue, again)
- Support for conversion time & costs (learning curve with techniques) lowers the barrier of entry & attracts farmers
- Differentiation organic and conventional => EU-certification
- Processing&Retail: Market easy to enter & consumers interest on healthy food increased profitability => big corporations entered through M&A (e.g. Wessanen), Retailers established Organic Private Labels
- Various sustainability claims compete with organic & confuse consumers

VALUE CHAINS

- The stage of development varies in MS
- Branding & processing are keys to larger consumer markets
- Pioneers with vision and mission now established brands (e.g.Rapunzel & Urtekram) & chains (e.g. Reformhaus & Alnatura)
- New premium brands & fair supply chains (e.g. Jymy – ice cream)
- Acquisitions of known mainstream brands (e.g. Pukka =>Unilever)
- Supermarket & Discounter chains´ own organic private labels

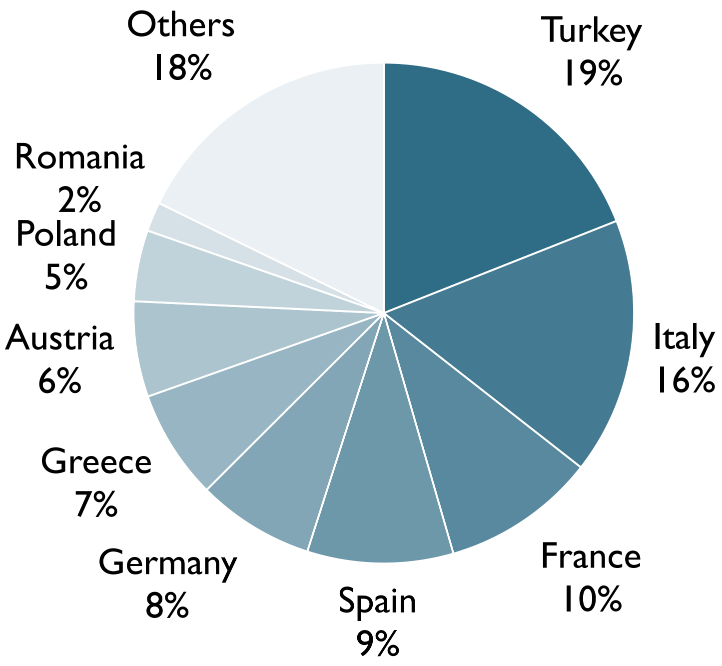
Organic value chains: Typical organic pasta supply chains in the case study countries



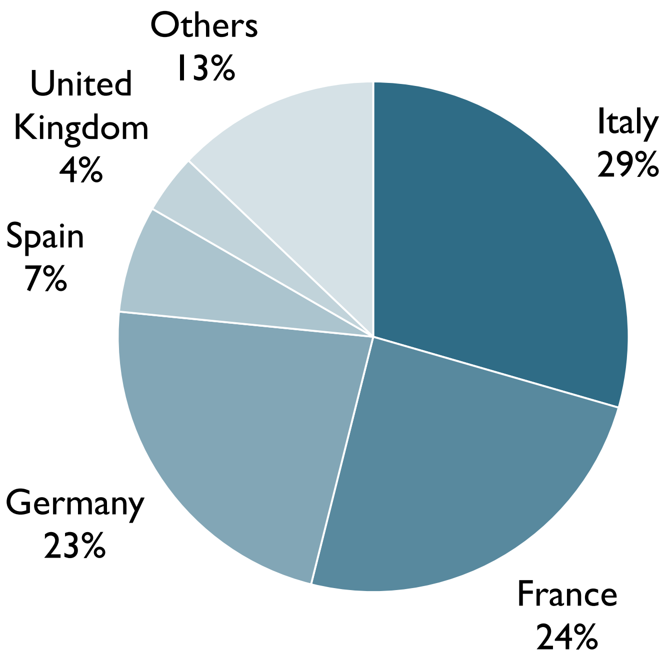
Source: Sanders et al. (2016), based on information from industry experts

Figure: Distribution of organic producers and processors in Europe 2018

Europe: Distribution of organic producers 2018
Source: FiBL-AMI survey 2020

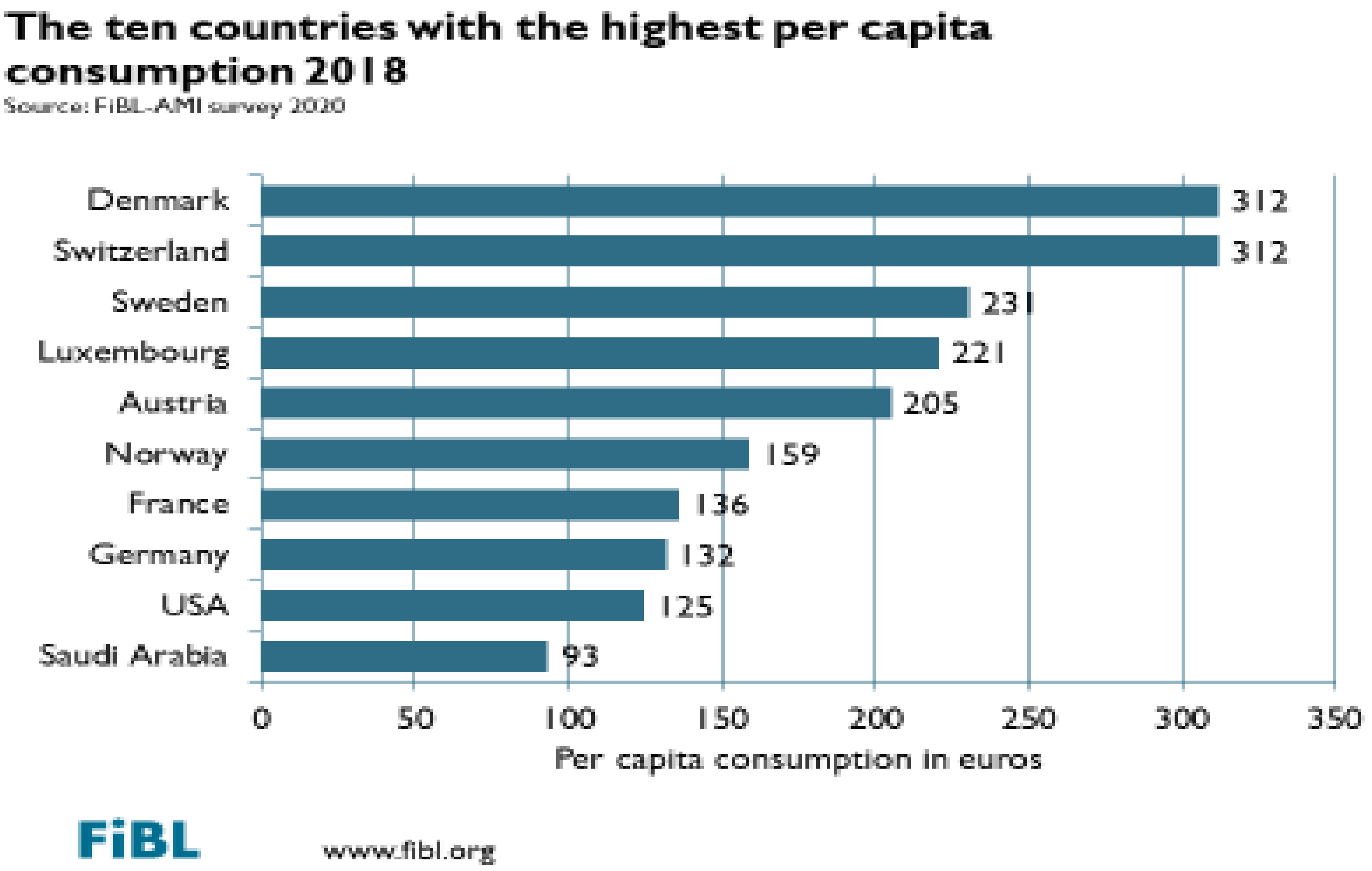


Europe: Distribution of organic processors 2018
Source: FiBL-AMI survey 2020



ROLE OF THE RETAIL SECTOR

- Short chains work in areas with higher population density
- Sales through netshops&logistics (further developed during Covid19)
- In Germany more than 50% organic sales generated in conventional supermarket chains in 2016 (according to EHI retail Institute)
- Retail logistics and shelves reach the general consumer, allowing organic for everyone
- Economies of scale to lower the production costs =>
- Contradiction with farmers´ market power? F2F aims farmers´ higher negotiation power & market position => lower prices gained with efficiency of the chain or through subsidies, not from farmers?

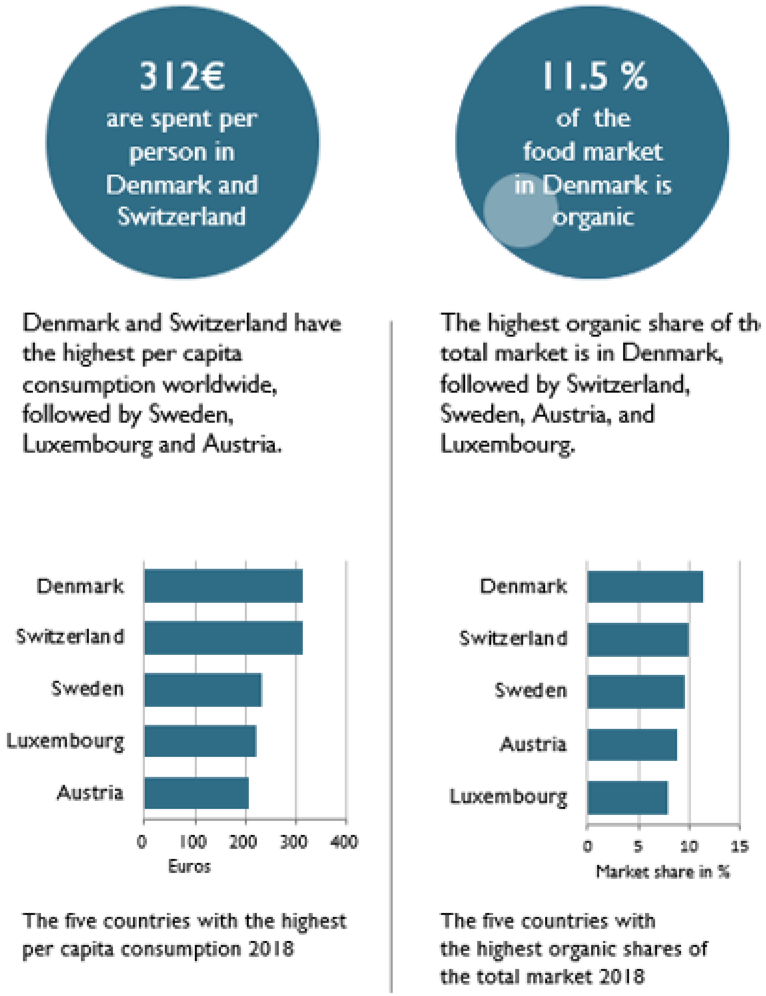


The ten countries with the highest per capita consumption 2018
Source: FiBL-AMI survey 2020
Denmark
Switzerland
Sweden
Luxembourg
Austria
Norway
France
Germany
USA
Saudi Arabia
312
312
231
221
205
159
136
132
125
93
0
50
100
150
200
250
300
350
Per capita consumption in euros
FiBL
www.fibl.org

CONSUMPTION TRENDS

- European consumer spent 50€ on organic food/2018 (EU: 76€). Doubled in the last decade. Danish and Swiss/312€ per capita/2018
- Sustainability, Accountability, Transparency in value chain match F2F
- BEUC (the European Consumer Organization) Report on 6/2020 =>
- **84% of consumers** feel that their **government is NOT doing enough** to encourage food sustainability at production and consumption levels
- The citizens demand disruption in food chain, but not willing or able to pay for it => EU-level expectations => CAP?
- Plant based rather than insects & cultured meat
- Climate Change => vegetarian, vegan diets
- Covid-19 => consumers increased buying organic products as safe choice

Consumption of organic products in 2018



- In 2018, the global market for certified organic food and drink reached 96.7 billion euros
- The highest annual per capita consumption was reported in Switzerland and Denmark (312 euros)
- Denmark, Switzerland, and Sweden have the highest share of organic food sales

Source: FiBL survey

IFOAM ORGANICS EUROPE

TRADE IN ORGANICS

Imports of organic animal feed

- Organic is sustainable by definition/regulative demand=>regional feed
- Cheap organic soya production in lower cost countries
- Areas where organic soya feasible e.g. in Northern Italy, also other interesting crops => support for protein crops would attract farmers
- Fair Trade value chain opportunities in developing countries e.g. Togolese organic soya crops 32% of imported soya beans 2019
- EU-alternatives in progress: e.g. sweet lupine, insects, pasture based farming on cattle, “foraging pigs”, fermentation process, lactic acid bacteria to animals for digestion etc.

TRADE IN ORGANICS statistics 2019

- EU organic food market grew BUT imports stable (2018 -2019)
- 2019 Importing EU- gateways: 1)Netherlands 32% 2)UK 13% 3)Germany 12%
- 2% of total EU imports Organic (of which 27% exotic nuts, fruit, mainly bananas)
- 45% (1,5mio tn) of org. imports in arable crop product categories & derivatives

➢ 25% (0,7mio tn) oilseeds, oilcakes&veg.oils (incl.357tn soya cakes/feed pig&poultry)

➢ 18% (0,5mio tn) cereals & flours of wheat&maize

- DECREASED IMPORT: cereals, rice and oilseeds (excl.soya)

➢ Wheat -16% (from 0,24tn =>0,2tn)

➢ Oilseeds (excl. soya beans) -17%

➢ Rice -67%

- INCREASED IMPORT in soya +6% (oilcakes, soya beans)
- Soya origins: **Togo** 32%, China 21,4%, India 16,3%, Ukraine 13%, Kazakhstan 5,6%

THE OBSTACLES
FOR THE FURTHER DEVELOPMENT OF THE SECTOR

- Policy has the key role to play to develop the whole organic supply chain through a push-pull approach (both land and consumption)
- Supporting organic farmers in all MSs ensures flow of raw materials for processors & products to the market (eco-schemes needed)
- Measures increase both production and demand (F2F/25% EU target)= Policy issue
- Public canteens needed to tow the consumption further, Green Public Procurement (GPP) needed, e.g. Denmark
- Different stage of development in value chains & processing in MSs
- Processors & retail chains produce food waste (re: F2F)

THE OPPORTUNITIES FOR THE FURTHER DEVELOPMENT

- All size and type of producers & variety of chains (from industry and various retail to short chains)
- Organic farming & businesses highly innovative & dynamic
- Global premium market with constant high growth
- EU regulation & logo ensures authenticity
- Processing & supply chain opportunities still to develop further
- ESG-requirements of institutional investors/transparency (ESG= Environmental, Social and Governance)
- EU-Support to developing countries, e.g. new soya-producers??
- Huge input sector innovation opportunities

IMPROVING MARKET TRANSPARENCY OF THE SECTOR?

Market Transparency Reg. (2019/1746), in force 1/2021

- Target: improve supply chain's overall functioning and economic efficiency, in particular for weaker operators who do not have readily access to private **price information**
- "Representative market prices" along the supply chain reported to MS
- Challenge for MS authorities to collect correct data along chain?
- Data needed also of costs => organic internalizes some external costs – organic seems expensive in comparison with conventional prices
- Sufficiency of the list organic products in Annex II in the long term? (e.g. cereals, oilseeds and protein crops, olive oil, milk)

ORGANIC STATISTICS & INFO sources

- EU: https://ec.europa.eu/info/news/organics-sector-rise-both-domestic-production-and-imports-see-large-increases-2019-mar-07_en
- EU: https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/farming/documents/market-brief-organic-imports-june2020_en.pdf
- FiBL: www.fibl.org ; www.organic-world.net
- IFOAM-EU: https://www.ifoam-eu.org/en/organic-europe (interactive map)
- BEUC http://www.beuc.eu Report on consumers´ attitudes 2020
- https://trade4devnews.enhancedif.org/en/impact-story/togo-seeing-soy-its-future
- Sanders J, Gambelli D, Lernoud J, Orsini S, Padel S, Stolze M, Willer H, Zanoli R (2016) Distribution of the added value of the organic food chain. [1] Thünen Institute of Farm Economics. Braunschweig. https://orgprints.org/31990/3/sanders-etal-2016-Distribution-of-the-added-value-EUCommission-FinalReport.pdf
- ECVC sector representants https://www.eurovia.org/
- IFOAM-EU sector experts Lèna Brisset & Eric Gall
- PhD Nic Lampkin, Thünen Institute/ http://niclampkin.eu
- Professor Petri Niemi, LUT University, petri.niemi@lut.fi
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THANK YOU

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