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ASPECTS REGARDING THE ORGANIC FOOD MARKET IN SEVERAL EUROPEAN COUNTRIES

ASPECTE PRIVIND PIAȚA PRODUSELOR ALIMENTARE ORGANICE ÎN CÂTEVA ȚĂRI EUROPENE

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The global organic market is increasing constantly, organic sales reaching over USD 5 billion per year. Organic Monitor estimates that international sales amounted to about USD 38.6 billion in 2006, more than the double of USD 18 billion in 2000. The organic demand is concentrated in North America and Europe, these two regions comprising 97% of the global revenues. The European organic food and beverage market is the largest and most complex in the world, evaluated at USD 20 billion in 2006. Many European countries offer grants to organic farms to support organic production. This production-oriented strategy will have guaranteed success if the market structures and the marketing channels will be able to face the rapidly increasing demand and if the sellers adapt their products, sales channels and prices to the consumers' demand.

Key words: market, demand, consumers, food products, increase

Introduction

Although organic food industry in Europe has made constant progress in the past decade, it was only in the 1990's that it penetrated the retail market. This progress has come as a result of a series of factors and events on the market: food scandals that made consumers turn to natural alternatives, leading supermarkets that sell organic products, uniform certification standards implemented in Europe and governmental support for the producers who convert to organic production. These factors, besides aspects like industry development and industrial associations trademarks, are the main stimuli of market development.

Organic market development involves establishing the type of organic product information that needs to be provided to the consumer, what these organic products represent and what organic method was applied for their production. Improving the knowledge on organic agriculture means providing better information not only to the consumer, but also to other interested factors in the production chain. Before supplying information, statistics must be developed and united. The information received from inspection organisms on different standards and requirements establish what is organic and what is not. Standard comparison is important for transparency reasons, especially concerning the intracommunity trade.

Global sales of organic food and drinks amounted to USD 23 billion in 2002, USD 28 billion in 2004 and about USD 38.6 billion in 2006. Although organic agriculture is now practised worldwide, the organic demand is still the highest in Europe and North America. The two regions have problems with the reduced supply, because the production does not reach the level of the demand, so massive imports from other regions are required. (figure 1)

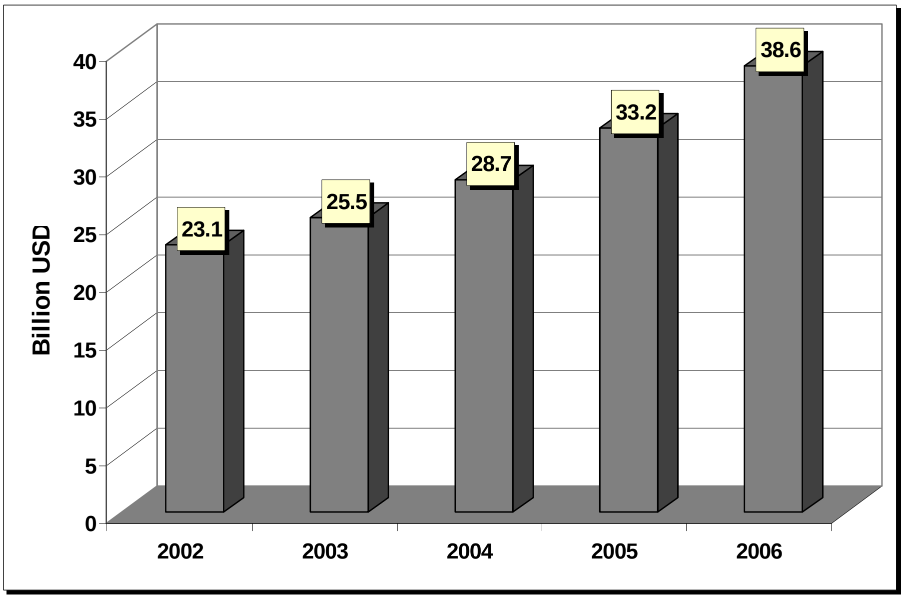

Figure 1. Global sales of organic food and drinks

The global organic crop production does not keep with the demand, many sectors reporting a supply deficit. The North-American market has been coping with this deficit for several years. Europe and Asia are also affected. For instance, the supply deficit in the organic dairy sector made a British supermarket sell transition organic milk and an American yoghurt producer import from New Zealand. Other organic sectors with supply deficit are fruit and vegetable, meat products, drinks and ingredients.

Europe has the largest and most complex market of organic food and drinks in the world, evaluated at USD 20 billion in 2006. The organic sales are concentrated in Western Europe, the German and the British market developing the fastest in the continent. Countries like Germany, the UH, France and Italy comprise over 75% of the regional revenues, while Denmark, Sweden and the Netherlands have a high demand, although their markets are much smaller because of the very small number of consumers.

In North America, organic food and drink sales are growing permanently. The retail sales were estimated at USD 17.3 billion in 2006. The United States has the largest organic market in the world, estimated at USD 16 billion. The Asian market is also making progress both in the organic production and the organic sales; in 2006, the retail sales reached USD 780 de million. Australia is a major organic foods producer; the Australian organic market has less than de 1% of the global sales, estimated at about USD 340 million. The organic production and sales are also increasing in other regions, such as ca Latin America and Africa.

Materials and Methods

Organic food market is no longer a niche market. On the larger markets, substantial turnover rates are accomplished from organic sales. The organic market is growing constantly especially in industrialised countries. As there are no official trade statistics, it is impossible to build up the complete image of the international organic trade, the total trade, the revenues this trade or the product categories bring. On most markets, the organic sector is part of the total trade, as the organic goods are sold to the consumers via the main market and store networks and specialised stores, like organic or natural stores, weekly markets or farm shops. There are very few data about the organic market in Europe.

Results and Discussions

In Europe, the organic share varies from 4.5% of the total food sales in Switzerland and Denmark to 3% in Germany and approximately 2.5% in Great Britain. In most European countries, the organic market increased considerably between 2005 and 2006, the increase rate exceeding 20% in Great Britain, 18% in Germany, 10% in Austria and 9% in the Netherlands. The rate was expected to keep growing in 2007. The total retail sales in Europe was estimated at about 14.3 billion euros. Figure 2 shows the value of the organic product market in several countries.

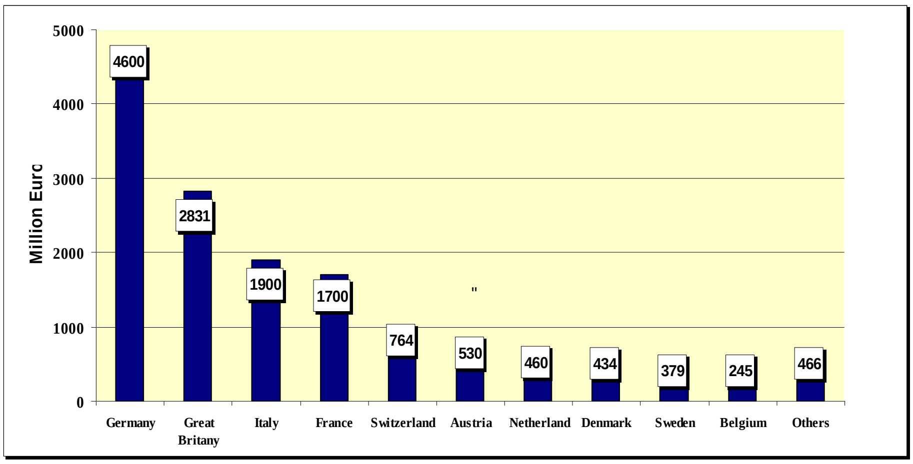

Figure 2 Organic product market in Europe (2006)

Germany is still the largest organic market in Europe. Organic sales increased with 11% in 2004-2005, reaching 3.9 billion euros, and in 2006, the retail sales increased with 18% and were estimated at 4.6 billion euros, which was about 2.7% of the total food market. This did not include the organic consumption in canteens and catering firms. For certain products, especially the fresh ones, the increase exceeded the average: buttered milk (70%), frozen vegetables (60%), yoghurt (50%), butter, pasta, fruit juice, milk and other foods. Supermarkets specialised in organic products have also generated a 25% increase, while the traditional organic stores lost market shares.

In Italy, the organic sales reached 2,650 million euros in 2006. The retail stores sold organic products estimated at 1,700 million euros, the catering firms sales reached 200 million euros and their organic exports 750 million euros. In the specialised stores, the sales grew by 10%, in the conventional ones by 7.5%, and in supermarkets only by 2%. In 2005-2006, organic exports increased with 25.8%; 146% in Great Britain, 46% in Germany, 24% in France and 16% in Switzerland. In 2006, in various retail stores, sales of organic oil, sugar, coffee and tea, brad and substitutes, biscuits, candies and snacks increased, while sales of non-alcoholic drinks, dairy products, fruit and vegetables (both fresh and processed), rice and pasta, baby food and eggs decreased.

Organic sales in Great Britain were worth an estimated 2.83 billion euros (1,937 billion pounds). Organic baby food sales grew by 7%, while the conventional baby food sales decreased by 2%. Globally, retail organic sales represent 2.5% of the total food market. In diverse retail stores, organic sales were 4.7% for all dairy products, 4.2% for fresh products and 3% for meat.

The French organic market was worth 1,7 billion euros in 2006 and it keeps growing. The number of consumers who buy organic regularly is an indicator of the development on the French market. The Bio Agency investigations in 2007 showed that 75% of the regular organic buyers buy from various retail stores, 34% from weekly markets, 30% from specialised stores, 22% from delicatessen stores and 23% from farms.

In 2006, in Denmark, the value of the organic market grew by 18%, the organic sales through diverse stores were estimated at 78,7 million euros and the exported goods at 37 million euros. Retail organic sales through supermarkets and sectors represented about 4.5% of the total food market (excluding food stores, farm stores and fruit and vegetable markets). Danish consumers spend 84 euros per capita, being situated on the third place in point of amount spent on organic goods, after Switzerland and Liechtenstein.

In the Netherlands, organic sales in 2006 grew by 9% compared with 2005 and were worth 460 million euros. Organic fresh dairy products (except for cheese and butter) had the highest share (3.8%), and were valued at 77 million euros; they were followed by fresh fruit and vegetables – 82.8%). Organic fruit and vegetable sales increased from 140.2 million euros to 149.5 million euros. Organic meat sales total 57.6 million euros, while organic bread sales reach 29 million euros.

In 2006, in Austria, retail organic sales were worth 530 million euros, indicating a 10% growth compared with 2005. The various retail stores account for 65% of the ales, followed by specialised stores (14%), canteens and catering firms (6%) and direct sales (5%). Exports reached 60 million euros. Retail organic sales are now worth 5.4% of the total food market.

In Belgium, organic sales reached 245 million euros in 2006, 33% more than 2005. More than 60% of this value was obtained through traditional supermarkets and 31% of the organic products were sold through specialised stores. The market share was 7% for eggs, 4% for rice, 3% for vegetables, 2.3% for bread, 1.6% fro fruit and 1% for potatoes.

The Swiss organic market valued 764 million euros in 2006. Swiss consumers spend on average 102 euros for organic products, the largest sum per capita in the world. Organic products measure 4.5% of the total food market. In Spain, the total organic profit was worth 350 million euros in 2006, most of the products being exported. The value of the Swedish organic sales was estimated at 379 million euros in 2006 or 2-3% of the total food sales. In Finland, organic retail sales were about 57 million euros, with an approximate 0.8 share of the total food market. The value of the retail organic sales in Norway is estimated at la 64,5 million euros, with a 0.78% share of the total food market. The highest shares were those of the baby food (almost 10%), eggs (1.96%), milk and dairy products (1/67%) bread and cereal-based products (1.32%).

In the Czech Republic, in 2006, retail organic sales were worth 26.8 million euros, 49% higher than in 2005, and a 0.35% market share of the total food market. However, a 1% growth is estimated by 2010. Despite the growing number of organic farms, retail demand cannot be met totally by the domestic production, of which a large part exported. At present, international conventional retail chains like Tesco or Billa/Rewe, sell 57% of the organic products. Croatia set its main goal to extend the organic area to 10% of the total farmland by 2010.

In Slovakia, most of the organic products are exported in Austria, Hungary and the Czech Republic. There aren't any domestic processing units and the organic demand is small. The share of organic products was 0.1% in 2004. The domestic market lacks fresh products (dairy products, fruits and vegetables). Sixty percent of the domestic sales are made by natural stores, 30% by conventional retailers and 10% by farmers. In Slovenia there are about 20 organic stores, most of them in Ljubljana, the capital of the country. Besides the specialised stores, organic products are sold more and more in about 300 supermarkets. Organic products (from Alnatura in Germany) are also sold in the 'dm' pharmacy chain.

In Ukraine, only the crop farms are completely organic. The first organic farms with live animal production are still in the conversion stage. The most important organic products are cereals (wheat, barley, maize, oats, buckwheat and millet), oil seeds, essential oils (lavender, rose, rosemary) and vegetable grains or seeds (soy beans, pea, lentil, chick pea). The Ukrainian farms started to process organic raw material in 2006. There is no domestic organic market in Ukraine (about 4 million euros organic sales in 2005). The 2005 and 2006 market studies indicate that some consumers would buy organic products.

In 2006, in Romania, the organically managed area covered 107,582 hectares. Once Romania has adhered to the European Union in 2007, this area is expected to expand permanently. The domestic market is small and a large amount of organic goods are exported; for example, 95% of the organic honey is exported in Germany, Switzerland, the Netherlands and Italy.

Conclusions

Global sales of organic foods and drinks are growing at a high pace, reaching USD 38.6 billion in 2006. Organic Monitor expects them to amount to USD 40 billion in 2007. Although organic production is now obtained worldwide, supply is still concentrated in Europe and North America. The production of the developing countries grows much faster than in industrial states. Organic demand characterises mostly rich countries. The consumers with the highest incomes spend most on organic goods. Indeed, six of the G7 countries comprise 84% of the global revenue. The disparity between the organic production and consumption places industry on a precarious position. A temporary decrease of the demand in Europe and/or North America would have a strong impact on the global organic production. Industry could lose consumer trust when export markets are closed, leading to oversupply and reduced food prices.

Organic producers in regions like Asia, Africa and Latin America are advised to rely less on exports and develop domestic market for their products. On doing so, they will reduce the risk for the organic food production. The consumers will also benefit from access to regionally produced organic foods. Such initiatives ensure the continuous development of the organic food industry.

The analysis of the European organic market has shown that generally markets have very high growth rates. Most market researchers in Europe are positive that in the next years the organic demand will keep increasing. Many European countries offer grants to organic farms to support organic production. This production-oriented strategy will have guaranteed success if the market structures and the marketing channels will be able to face the rapidly increasing demand and if the sellers adapt their products, sales channels and prices to the consumers' demand. The communication strategies between the market sellers constitute a crucial aspect for the durable marker growth and the understanding of the total demand potential.

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