

Europe and the EU: IRS contribution for the 2003 Organic Food and Farming Report

Susanne Padel and Santiago Olmos, IRS

Organic and in-conversion land area in the EU-15 has grown in 2002 to approximately 5.1 m hectares and 3.6 per cent of utilisable agricultural area on 165,500 holdings. In this period land area grew by an estimated 10 per cent with increases in the number of farms at 6 per cent. The EU Commission has recognised the importance of organic farming in encouraging more environmentally farming methods has taken further steps to improve policy support. A consultation for the development of an EU Action Plan for organic farming took place during 2002 and the publication of further steps is expected at the end of 2003. These developments were in some way driven by a high profile policy conference organised by the Danish Government in May 2001. Other EU policy developments are likely to include the facilitation of sales, closer targeting of organic farming to Environmentally Sensitive Areas, measures to encourage the exchange of technical information and the traceability and authenticity of organic food. Some small changes have also come into force in the EU Regulation 2092/91: the Annex III on inspection regimes was updated in December 2001, and other Annexes were amended including some minor changes to the list of approved pesticides.

Include Figure 1: Development of organic and in conversion land area in EU since 1985

Include Figure 2: Distribution of land area in the EU in 2002

The value of retail sales in **European market** (EU, EFTA and CEE countries) is estimated to be in the range of £6 billion ¹-about as big as in the US (£ 6.6 billion) and less than half of all sales worldwide (£13.3 billion). Well established markets (which are some times characterised by lower growth rates) are found in Denmark, Germany, Austria, Switzerland and the UK. The least developed markets are in Greece, Ireland, Portugal and many of the new member states. There is higher demand for organic products in urban areas compared with rural regions and in most countries with well established markets (apart from Germany) a high proportion of sales go through multiple retailers. Markets for cereals, dairy products and fruit & vegetables are often better developed than meat and convenience products.

The development of demand and consumption does not always go hand in hand with domestic organic production. In most EU countries crops produced organically can largely be sold as organic, apart from seasonal problems with potatoes and vegetables in some countries. The EU is a net importer of organic cereals, oilseeds, potatoes and vegetables and net exporter of organic olives and organic wine. In contrast, the proportion of organic milk sold as organic is as low as 30% in Denmark, 56% in Austria illustrating that organic milk producer in the UK were not the only ones to

¹ Minou Youssefi and Helga Willer (Eds.) The World of Organic Agriculture Statistics and Future Prospects, 2003 published by IFOAM (www.ifoam.org)

experience marketing problems in 2001 and 2002². Marketing problems are also experienced by organic beef producers, only in very few countries: France and the Netherlands can sell all beef as organic. Conversely, most pork, poultry and eggs find an organic market. The EU as a whole is a net importer of beef, sheep and goat meat, but exports milk and milk products especially cheese. Marketing problems for animal products are not just a result of a lack of demand, but also because of seasonality issues, the availability of processors and price. Furthermore, statistics on markets in European countries remain very limited and without them producers, processors and retailers find it difficult to identify areas of growing demand and oversupply. Given that organic production with its long conversion periods cannot respond instantly to any such changes, imbalances in some markets are likely to continue.

Insert table 1

Germany remains the leading retail market for organic products in Europe. Growth in land area continued, but increases are less spectacular than in 2001. In support of the Action Plan from 2001 (with a national target of 20% conversion by 2011) an applied research programme, including an organic information internet site, and a law on organic food were introduced last year. The national logo (Bio Siegel) is now found on 17,000 organic products, which is likely to improve consumer recognition. However, the 'Nitrofen' food scandal, whereby some organic feeds were contaminated with this pesticide, has tested the consumers' loyalty in buying organic products especially poultry in multiple retailers although with less effect on direct sales. The share of sales of organic food being sold through specialist organic and health food shops remain higher than in most other European countries but is decreasing gradually. The retail sales are approximately 1.7 per cent of total food sales, growth rates have been moderate compared with 2001. Growth is expected to continue at a range of 5-10 per cent, largely as a result of new multiples stocking organic lines including one discount retail chain. Consumption rate by volume was high for beef (4.7 per cent) including sales to MacDonal's (though not labelled as organic) and cereals which now stands at 3.8 per cent. Exports of organic beef and milk to Britain and France have decreased, largely as a result of the growing commitment to domestic organic production in both countries.

The second largest market and the largest land area is in **Italy** which had a slight decline in certified land area in the last twelve months and now stands at nearly 9 per cent of utilisable agricultural area. In several provinces running out of funding for conversion aid. A new law on organic production is planned which might contain elements of an Italian Action plan. Both demand for export and for the domestic market is continuing to grow, particularly for fruit and vegetables thanks to some price-cutting policies of supermarkets and the increased use of organic foods in Italian schools. The retail market was estimated to be approximately 1.0 per cent of total food sales in 2002 with high domestic consumption for fruit namely 3.5 percent. Future growth of the retail market is expected to be in the range of 4 to 8 per cent per annum.

France is a country with a large market but also an important producer of organic food. The organic land area increased by 20% in 2002 and lead by a marked increase

² Hamm, U. F Groenefeld and D. Halpin (2002): *Analysis of the European Market for Organic Food*. Organic Marketing Initiatives and Rural Development Vol 1, University of Wales Aberystwyth.

in the number of bovine animals. Some problems with availability of funds for conversion grants experienced in 2001 caused some friction among the different groups of organic producers. Subsequent to the 2001 general elections the previous rural development plan was scrapped, ending the conversion support package, a new plan is expected to be published in the summer of 2002 with a revised organic support strategy to be announced. The retail market is estimated to be more than 1 per cent of total food sales and growth has been significant (20% compared with 2001) although this did not meet the expectations of some of the multiple retailers. There was, however, a decrease in the number of certified processors and the market growth is expected to slow down (5 to 10 per cent). The impact of a new agricultural law regulating "*agriculture raisonnée*" a method similar to integrated production systems may have impacts on the organic sector but this remains to be seen.

The organic market also continues to develop well in **Switzerland**. A growth rate of 20 per cent compared to 2001 is remarkable and is expected to continue at range of 5 to 15 per cent. Retail sales in 2002 were estimated to be approximately 3.2 per cent of total retail sales.

Austria remains one of the countries with very high land area. After a period of stagnation and even decline in the organic land area, more than 500 mainly arable farms covering 18,000 hectares converted during the last autumn. Currently nearly 9 per cent total of UAA (utilisable land area) is farmed organically. The market estimated at approximately 2 per cent of total food sales has also continued to grow in the areas of export, catering and in direct sales and is expected to grow between 5 to 10 per cent per annum.

Denmark has a very high market share of some organic products, 18 per cent by volume for milk and dairy products, 13 per cent for eggs and 9 per cent for vegetables. However, the dairy market in 2002 was characterised by stagnation. Future growth in the retail sector is expected to be moderate at around 2 to 5 per cent per annum. Denmark's successful development of the organic sector was underpinned by a market oriented policy support. The state administered national logo (Statskontrolleret Økologisk) is recognised by nearly 90 per cent of consumers. Similar to the UK in Denmark an 80 per cent share of organic products sold in general food stores but Danish organic producers are now aiming to diversify.

The retail market in the **Netherlands** has also shown substantial growth and has now overtaken the Danish in terms of retail sales value. Growth in the land area was strong with 42,610 new hectares in 2002 or a 12 % increase. However, the number of producers grew by only 1%. The Eco label is among those with highest consumer recognition in Europe and high organic consumption with approx 5% by volume was found for milk and milk products in 2001. The Dutch market also acts as an entry point for some of the new EU members and also many non-European exporters of organic foods.

Due to increases of 37 per cent in 2002 **Spain** is now with 665,055 ha and 16,521 producers the fourth largest country in terms of organic and in-conversion land area and overtook France. The leading regions are the Western and Southern provinces *Extremadura* and *Andalucía* and *Castilla La Mancha* in the Centre. Favourable climatic conditions make Spain a competitive supplier of olives, wine, citrus fruit and

dried fruit. Extensification and increasing farmer awareness are seen as generating opportunities for the largely export oriented organic sector in Spain. The retail market is estimated to have a value of £119 million. In **Finland** the land area increased by a further 12 per cent so that now 7 per cent of UAA is farmed organically, the retail sales market is only slowly developing, but the consumer recognition for the label (Sun) is very high.

Key features of the UK organic food industry compared to others in the EU:

- After Germany the UK has now the second largest market in terms of retail sales values estimated to be in the range of £930 million. As in other countries with better established markets growth rates have slowed down, but remain higher than in countries showing stagnation or even decline in some sectors. Future growth is expected to be between 5 and 10 per cent.
- The organically farmed area is with 724,523 ha-the second largest in Europe, after Italy, but after a period of above average growth this has slowed down to 7 percent in between 2001 and 2002.
- Together with Denmark, France and the Netherlands the UK is among the countries with most import-dependent markets in Europe.
- The UK has the second highest share of organic food sales through supermarkets and lowest shares of sales through specialist organic shops.
- The support for converting producer in the UK and the proposed rates for maintenance payments in England and Wales remain relatively low compared with other EU countries, but Action plans in England and Wales have focussed policy support.

Feature on new members joining the EU in 2004

After a decade of tough reforms and detailed negotiations, the Copenhagen European Council of December 2002 agreed that-subject to ratification of the treaties-the following countries can join the EU on 1 May 2004: Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Agriculture in general

Agriculture is of varying importance in these accession countries. In Hungary agriculture is considered to be an important part of the economy, whereas in the Czech Republic and in Slovenia most farmland is in less favoured area and agriculture is of lower importance. In the negotiations on joining the EU it was agreed that direct aid will be phased in over 10 years and new member states will receive a rural development package specifically adapted to their requirements which includes agri-environmental measures and support for organic farming. Most countries have implemented changes to tenure of formerly co-operative and state owned farms, but vary in farm structure. For example, agriculture in Hungary is dominated by large now privately owned farms, whereas in Poland where private land ownership continued also under communist rule an average farm size of under 10 hectare is likely to be too small to sustain a family income under the incoming agricultural regime of the EU.

Organic farming development

In several countries now joining the EU **the organic farming movements** started in the late 80s or early 90s supported through partnerships with NGO's, IFOAM and organic farming organisations in Western European countries. The certification bodies *Ekoagros* in Lithuania, *KEZ o.p.s* in the Czech Republic are IFOAM accredited, *Biokontroll Hungaria Kht* has also applied. The biggest contributors to the organic land in all 10 new member states-estimated at 0.5 million ha at the end of 2002 are:

- the Czech Republic (235,136 ha, and approx. 5 per cent of total land area),
- Hungary (114,0329 ha, 1.8 per cent of land area),
- Slovakia (estimate of 59,000 ha), and
- Poland (53,515 ha).

As part of preparations to join the EU the new members brought their standards into line with the EU regulation. For example, Poland passed a national law defining "organic farming" in 2001; the Hungarian Government established a certification system in line with the EU regulation and Hungary was recognised as a "third" country according the EU Regulation as early as 1996, the Czech Republic achieved this status in 2000. Several of the new candidate countries have already introduced organic support programmes, others will follow.

Include Figure 3: Organic and in-conversion land area in the new-member state in 2002-estimate

Markets and marketing of organic products

A common problem in many Central and Eastern European countries is domestic markets are only slowly starting to develop and that consumer interest in organic products is low. Direct marketing; organic farmers' markets, health food and organic shops are the main outlets, but increasingly organic products are also sold in multiple retailers. The Czech organic market with less than 0.1 per cent of total consumption being organic appears the most advanced among the new EU members, with a common logo and sales in supermarkets and health food shops and imports of some processed organic lines. A considerable proportion of organic production particularly grain is destined for export. In Hungary, for example, where one of the main reasons for state support for organic farming is its export potential, about 95 per cent of the organic products (mainly wheat, sunflower and pumpkin seed, corn, pulses) are exported to Europe and the US. The uptake of further policy support for converting and organic producers-introduced as part of EU rural development package for the accession countries-could be considerable. Many farmers use less intensive methods in conventional production and reductions of profit following conversion to organic agriculture are therefore likely to be low. If domestic markets do not develop further, this could increase the amounts of exports considerably and- compared with Western Europe-organic suppliers in CEE countries with lower operating costs could be able to provide organic products at relatively low prices.

Sources: Organic-Europe.net; Yusefi and Willer, 2003 and various EU documents on candidate countries, Organic TS newsletters Yusefi et al., 2003; Hamm et al., 2002 and own data

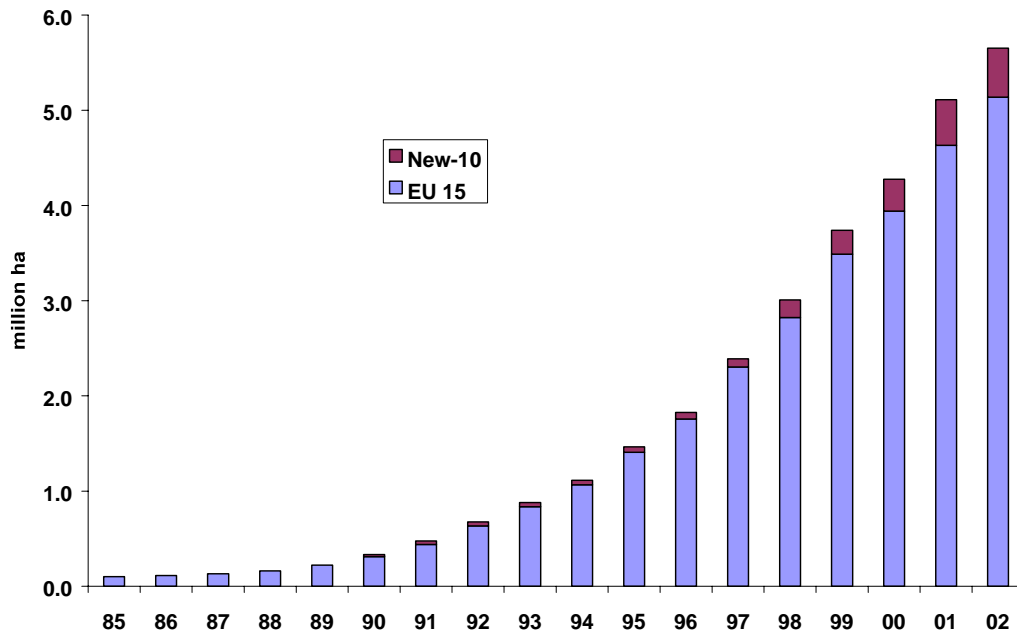
Table 1: Organic Food & Farming in Selected European Countries in 2002

Germany	2002
Population (million)	82.2
Estimated organic retail sales	£ 1.6 b
Organic and in-conversion land (ha)	696,978
No. of organic holdings	15,626
UK	2002
Population (million)	59.8
Estimated organic retail sales	£930 m
Organic and in-conversion land (ha)	724,523
No. of organic holdings	4057
Italy	2002
Population (million)	57.8
Estimated organic retail sales	£750m
Organic and in-conversion land (ha)	1,168,212
No. of organic holdings	49,489
France	2002
Population (million)	59.5
Estimated organic retail sales	£720 m
Organic and in-conversion land (ha)	517,965
No. of organic holdings	11,288
Denmark	2002
Population (million)	5.3
Estimated organic retail sales	£210 m
Organic and in-conversion land (ha)	178,360
No. of organic holdings	3,714
Austria	2002
Population (million)	8.1
Estimated organic retail sales	£210 m
Organic and in-conversion land (ha)	296,154
No. of organic holdings	18,576
Switzerland	2002
Population (million)	7.2
Estimated organic retail sales	£450 m
Organic and in-conversion land (ha)	107,000
No. of organic holdings	6,466

Sources: Lampkin 2003 Eurodata, Yusefi and Willer (2003), Population data from Eurostat

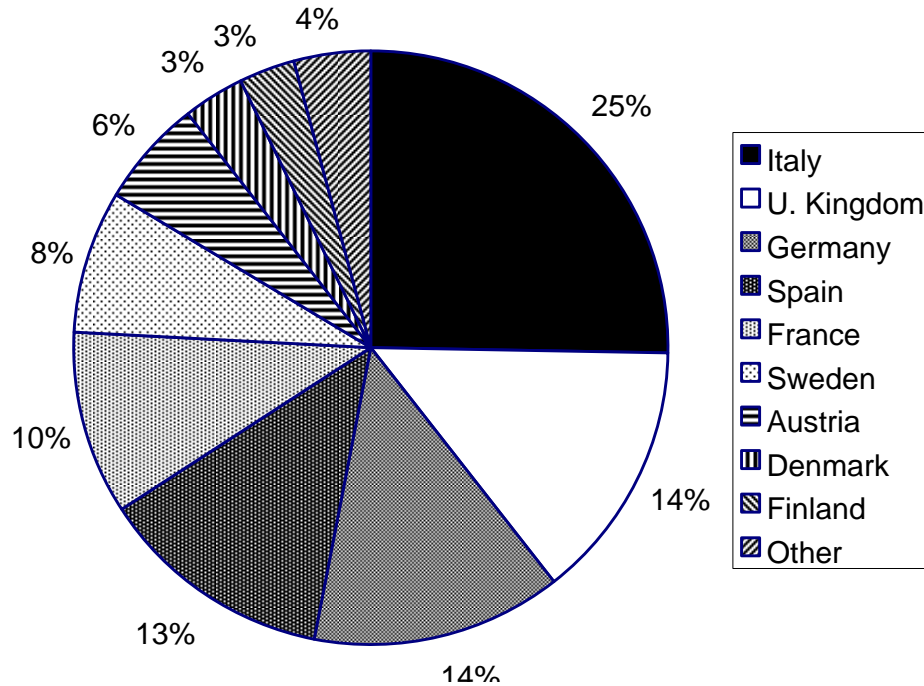
Figure 1: Development of organic and in conversion land area in EU and new member states since 1985

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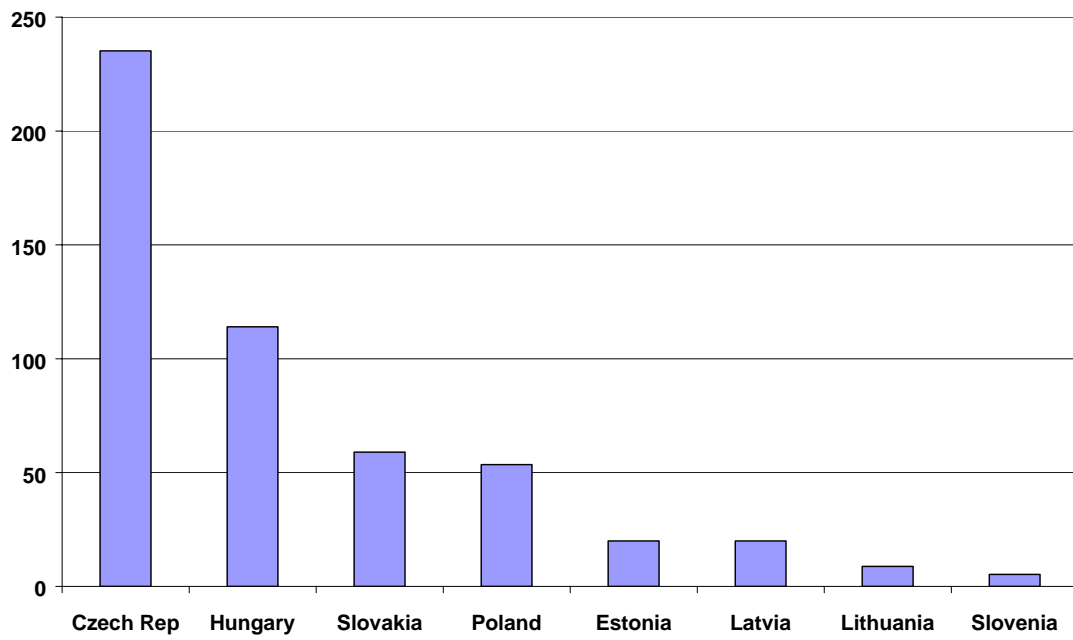
Source: Lampkin 2003 Eurodata

Figure 2: Distribution of land area in the EU in 2002



Source: Lampkin 2003 Eurodata

Figure3: Organic and in conversion land area in new member states (1000 ha)



Source: Lampkin 2003 Eurodata