



# Overview of international organic market development and potential export markets for organic products of Ukraine



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In cooperation with



and



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## **Used abbreviations for countries**

EU	European Union
AT	Austria
BE	Belgium
DE	Germany
DK	Denmark
ES	Spain
FI	Finland
FR	France
GR	Greece
IE	Ireland
IT	Italy
LU	Luxemburg
NL	The Netherlands
PT	Portugal
SE	Sweden
UK	United Kingdom
CZ	Czech Republic
SI	Slovenia
EFTA	European Free Trade Association
CH	Switzerland
NO	Norway

## **Other abbreviations:**

FiBL: Forschungsinstitut für biologischen Landbau

sdc: Swiss Agency for Development and Cooperation

seco: State Secretariat for Economic Affairs, Switzerland

# 1 Project overview “Organic Certification Preparation Project Ukraine”

## Overall objective:

Main stakeholders for the development of organic agriculture in Ukraine are supported in their process of strategic orientation, networking, organisation and PR in order to create consolidated framework conditions which are necessary to further develop the sector and which may allow the State Secretariat for Economic Affairs, Switzerland, (seco) to assist the country in the setup of an organic certification agency and in its effort to establish a domestic market and export opportunities for organic products.

## Specific objectives:

- Ukraine has formulated a legal framework for organic agriculture and certification of organic products being in line with IFOAM-standards.
- Availability of the relevant market information on the potential on the domestic market and the export market from the viewpoint from Ukrainian producers.
- The relevant stakeholders of organic sector are integrated into the ongoing dialogue focussing on the common strategic orientation for the development of organic agriculture in Ukraine.

## International and national market study for Ukrainian organic products

The purpose of this study is to give an overview of the actual situation and potentials regarding the organic production in Ukraine and the market at national and international level. Two teams worked for this study: **DZI**, the Ukrainian National Research and Information Center for Monitoring International Commodity markets, and **FiBL**, the Research Institute of Organic Agriculture, together with **synergie**, consultants for strategy and brand.

## Objectives of the market study:

- Explore information about the current and potential organic supply,
- Explore information about market demand and potential consumer in Ukraine
- Explore information about the current situation on the main organic markets worldwide,
- Explore information about current and future trends with regard to the organic market,
- Explore information about the demand requirements of potential market partners within the Ukraine and at international level,

- Elaborate recommendations for the market development and public support.

### **Study composition:**

#### **Module Ukraine, DZI: National supply and demand for organic products**

- The current situation of organic production, the supply flexibility and potential for the next years,
- Processed organic products; interest of processing industry, future prospective,
- The trade structure, retail and other distribution channels for organic products,
- Demand in Ukraine for organic production; market research among Ukrainian consumers and market actors.

#### **Module Export Markets 1, FiBL: Market overview at international level**

- Development of organic supply and demand at global level for products groups (in general relevant for Ukraine),
- Identification of markets with oversupply and supply gaps. Identification of market potentials for Ukrainian producers,
- Identification of most relevant trends on the most relevant world markets for organic products.

#### **Module Export Markets 2, FiBL and synergies: Market analyse for specific products in promising markets**

- Detailed market analysis for selected Western European countries, (e.g. D, Fr, GB, S, CH, I)
- Detailed market analysis for selected neighbour countries of Ukraine, (e.g. Russia, Belorussia, Romania, Poland, Hungary)
- Detailed market analysis for selected emerging countries, like China, Hong Kong, Middle East.
- Proposal for a Ukraine strategy
- Workshop/Seminar in Ukraine for presentation of the results



## 2 Summary

### Production

At **worldwide** level in year 2003 66% of the world's organic land (total 24 mio ha) are concentrated in two continents: Australia and Latin America. In these regions extensive grazing land is widespread beside the whole game of plant production, from cereals to coffee, tea and other tropical products. In Northern America the organic farmland achieves 1,5 mio ha.

Europe has 23 % of the worldwide organic land (5,5 mio ha), these 5,5 mio ha correspond to almost 2% of agricultural land managed organically. Liechtenstein is with 26 % of agricultural area managed organically the leader followed by Austria with 11% and Switzerland with 10%.

In most countries the organically managed surface is still increasing. In the enlarged EU the area raised 4% from year 2002 to 2003, in the new countries of the EU (Poland, Estonia, Lithuania and Hungary) the growing rates of organic farm land is over 10%. Small declines have been observed in Denmark, The Netherlands, Italy and United Kingdom.

In the European Union and Switzerland the agrarian policy supports organic sector with different measures like direct payments for organically managed area, contribution for conversion, payments for environmental services and animal welfare, training and capacity building, research programs etc.

**Ukraine** was the granary of the former Soviet Union. Large surfaces of fertile black soils are favourable for organic farming. In Ukraine 230'000 ha are certified organic or in conversion in year 2003. This represents 0.58% of land area under organic management. 69 production units with an average size about 3'500 ha are certified. Wheat, barley, sunflower and corn are the most important crops on these farms. The organic production increased in the last years with the expectation to get access to export markets.

In Ukraine certified organic fruit and vegetable producers are missing. There is also nearly no animal husbandry farm certified. The potential for conversion of plant production units is high, because many farmers use few external inputs. For smaller farms, without access to export markets, the certification costs of international certifiers are unattainable.

Until now the agrarian policy doesn't support especially organic farming. The ministry of agriculture and the commission of the parliament for agriculture are in contact with the new organic farming association Biolan Ukraine and other stakeholders for the elaboration of a law for organic production.

There is advisory and training capacity for organic farming but this is still insufficient for the whole country.

### Market overview

**Europe and Northern America** are responsible for 97% of organic sales to consumers. There is a global harmonisation of market trends and buying behaviours. The organic consumer lives in urban centres, has a higher education which is transformed in higher income, is young and has children or is older with a healthy lifestyle. Important issues for this consumer are food and health (free of danger-

ous residues, GMO, inner quality, natural), food and trust (information, food safety, label, certification) and food and emotions (animal welfare, regional product). Important triggers for buying organic are children, allergies and healthy lifestyle. The barriers for not buying organic are the price, the availability and in general less importance given to nutrition.

Between the countries there are significant differences in the importance of the sales channels from direct marketing included weekly markets and box schemes, specialised organic food shops to general food shops (retailer shops, supermarkets, and discounter). General food shops are the most important sales channels over all and especially in countries with mature food markets like Austria, Denmark, France, Switzerland and United Kingdom. Germany with a well developed organic food market is an exception with only 35 % of sales in general food shops.

The organic market is in a growing phase in Northern America (15%-30%), Italy, The Netherlands, Norway, Sweden, Portugal and Finland. The rest of the European countries, the Ukrainian neighbours like Russia and the Baltic States, Asian countries like Korea and China and Middle East countries like Saudi Arabia are in the phase of emerging market.

The most important markets (in value and in decreasing order) are: USA, Germany, United Kingdom, France, Italy, Canada and Switzerland. In Switzerland the average consumer spends 104 Euro on organic products per annum, this is the highest amount.

The price premiums for organic food paid to the farmers in the EU countries in year 2000 vary tremendous between the countries and the products. For cereals the average was 102% and the highest average price premium for plant product was reported for potatoes with 257%. The price premiums for animal products paid in EU are in average lower (milk 22%, beef 34% pork 68%) than for plant products with exception of poultry with 182% and eggs with 167%.

In Europe there are supply and demand imbalances: oversupply in milk and beef and supply gaps in cereals. European organic fruit, vegetables and cereals can normally be sold as organic within Europe. Tropical, off season and exotic (ethnic) products are imported to Europe and Northern America.

In Europe the self sufficiency degree shows big variations from country to country and product to product. In cereals for example in year 2001 Belgium has 2% self sufficiency and Spain 316%, France an exporter of conventional cereals reports self sufficiency degree for organic of 35%. Even more important than the self sufficiency degrees are supply gaps (national production and imports are not sufficient). In the OMIaRD market research there were expected the following supply deficit for year 2003/04: For wheat and barley in Germany and Slovenia, for rye in Slovenia and Finland, for oilseed in Germany, Finland and Sweden, for leguminous fodder crops in Austria, Germany, Italy, The Netherlands and United Kingdom.

Access to the EU and Swiss market is possible when the products are certified according to EU-standard (EU-regulations 2092/91 and 1804/99) or Swiss organic ordinance. Depending on the market, other, mainly private, standards need to be fulfilled

In **Ukraine** the national market for organic products is in the initial phase with

some imported products like baby food, tea or coffee. The potential organic consumers are urban, younger professional women and young families with small children, from the new middle to upper class. At the moment they buy so called environmental clean products, with 20% to 100% price premium. These products are not certified; they are supposed to come from regions without relevant human made pollution and free of radioactivity.

The Ukrainian consumers are aware of important organic issues like health and dangers residues. Up to now “organic” is not protected by law.

Experts estimate that 5% to 10% of the Ukrainian products certified organic (mainly cereals and oilseeds) are sold as organic and exported to Western Europe.

### **Contacted traders and experts opinion**

In the investigated organic markets of Western Europe (D, Fr, UK, CH and It) imports from overseas or EU-countries are common. With view of Ukraine this is especially valid for oilseeds and grain for human and animal consumption. Generally, organic supply from Ukraine is considered possible (exception Fr). Key factors for successful exports are mentioned: well working business relations, reliability, continued availability at the contracted dates, quality (purgation, protein content, free of pest, etc.) and aggregation of the ordered volume (vessel load).

At the moment the Ukrainian image is rather negative; to overcome this situation it is suggested to work on the key factors mentioned above, to be present at fairs like Biofach and SANA, to establish direct contact with producers and to inform about the consequences of Chernobyl-Catastrophe on organic production.

EU countries in general prefer to import from other EU members due to reduced transport costs, equivalent standards, no tariff barriers and established long-term relations.

Eastern European countries such as Hungary, Russia and the Baltic states have strong interest in organic market. The production is export oriented, while the domestic market and awareness building is rather neglected. Low purchase power of the population limits at present the willingness to pay price premium for organic products.

In the Ukrainian neighbour Belarus organic production and organic market is more or less unknown.

At the moment Japan is the only Asian country with relevant domestic demand and a national processing industry for organic. Japan seems to be a complicated market. It is recommended to contact the Japan External Trade Organisation (JETRO). JETRO can organise a stand at Biofach Japan. The products need to fulfil JAS standard.

The Middle East is still in the early stage of organic movement. The demand for organic food is growing, but the domestic supply by the irrigated agriculture is limited. Therefore this region is supposed to be a valuable importer of organic food, especially grain.

**Table 1: Actual situation of organic value chain in Ukraine and proposal for strategic actions**

Chain links	Strengths	Weaknesses	Strategic actions
<b>Supply</b>		<ul style="list-style-type: none"> <li>No (?) example of Ukrainian supply chain (vertical integration) from production, processing, distribution at national market</li> </ul>	<ul style="list-style-type: none"> <li>Develop organic market initiatives for national market (pilot cases in the supply chain)</li> </ul>
▶ Production	<ul style="list-style-type: none"> <li>Fertile black soils</li> <li>230'000 ha certified</li> <li>grains and oilseeds</li> <li>big conversion potential</li> <li>Know how of organic plant production</li> <li>Lot of manpower in rural regions</li> </ul>	<ul style="list-style-type: none"> <li>Nearly no fruits, vegetables and animal products</li> <li>Quality management in production and post harvest</li> <li>Few technical production information</li> <li>Difficult access for farmers to credits (investment in animal husbandry, machinery, etc.) and market information</li> <li>Lack of producers organisation for market access (aggregation of products, empowerment)</li> </ul>	<ul style="list-style-type: none"> <li>Facilitate farmers access to information and training (production techniques, post harvest management, organic and quality standards, market information) and to investments</li> <li>Support of farmer based organisation for market access</li> <li>Organise group certification for small farmers with supply for national market</li> <li>Develop partnerships with processors, distributors and traders</li> </ul>
▶ Processing	<ul style="list-style-type: none"> <li>Production of environmental clean products</li> <li>Investments in food processing industry</li> </ul>	<ul style="list-style-type: none"> <li>Few or even no organic processing</li> <li>Few know how about organic food processing</li> </ul>	<ul style="list-style-type: none"> <li>Facilitate know how transfer concerning organic processing and standards (quality and organic)</li> <li>Support development of products (tests)</li> </ul>
▶ Distribution and trade	<ul style="list-style-type: none"> <li>Imported organic products in some supermarkets/specialised shops of big cities</li> <li>Export experience with organic cereals and oilseeds</li> </ul>	<ul style="list-style-type: none"> <li>Few organic products in the shells of few shops/ supermarkets</li> <li>Distance to export markets</li> <li>Administration procedures for exports</li> <li>Reliability, availability, quality</li> </ul>	<ul style="list-style-type: none"> <li>Support set up of farmer based direct marketing initiatives like stalls at markets for fresh products and delivery systems like-box schemes</li> <li>?????</li> </ul>
<b>Demand</b>			

▶ Domestic	<ul style="list-style-type: none"> <li>• Consumer health awareness related to contaminated food (Chernobil, pesticides)</li> <li>• Potential consumers in the cities, well educated, with children and middle to upper class</li> <li>• Growing economy and increasing urban population</li> <li>• Preference for national basic food (fresh products)</li> </ul>	<ul style="list-style-type: none"> <li>• Low purchasing power</li> <li>• Lack of information about organic agriculture and added value of organic food for consumers</li> <li>• Ukrainian guarantee system (label) is missing</li> </ul>	<ul style="list-style-type: none"> <li>• Develop a communication strategy for awareness creation (target group, main message for organic products, label). Clarify the positioning, especial in relation to environmental clean products</li> <li>• Public relation activities like media campaigns, press conferences and organic fairs</li> </ul>
▶ Export	<ul style="list-style-type: none"> <li>• Western European countries with supply gaps in cereals and oilseeds for human and animal consumption</li> </ul>	<ul style="list-style-type: none"> <li>• Competition for Ukraine from other Eastern European countries and Overseas</li> </ul>	<ul style="list-style-type: none"> <li>• Ukrainian participation at fairs like Biofach, Sana etc,</li> <li>• Information and contact events in Ukraine for interested importers/traders</li> </ul>
<b>Service provider/Network</b>	<ul style="list-style-type: none"> <li>• Set up of training and advisory capacity in projects (e.g Agricultural college in Illinzi)</li> <li>• Set up of organic organisation (e.g. BioLan Ukraina: association to promote organic sector)</li> <li>• Draft of label for Ukraine market</li> </ul>	<ul style="list-style-type: none"> <li>• International certifier too expensive for smaller or not export oriented producers</li> <li>• Few advisers for the whole country</li> <li>• Few specialised service providers for organic agriculture</li> <li>• Few contacts and exchanges among actors</li> </ul>	<ul style="list-style-type: none"> <li>• Set up of Ukrainian inspection and certification body</li> <li>• Support and set up of organic competence and advisory capacity</li> <li>• Set up of communication tools for the organic sector</li> <li>• Support for umbrella organisation/platform and development of services</li> <li>• Develop (farmer based?) structure for market information and coordination</li> </ul>
<b>Legal context</b>	<ul style="list-style-type: none"> <li>• Draft of law for organic agriculture</li> </ul>		<ul style="list-style-type: none"> <li>• Approve legal framework for development of organic sector</li> </ul>
<b>Governmental support</b>	<ul style="list-style-type: none"> <li>• Members of agricultural commission of the parliament interested in organic farming</li> <li>• High priority of agricultural sector in general</li> </ul>	<ul style="list-style-type: none"> <li>• No specific support/ measures for organic farming</li> <li>• Lack of know how about organic agriculture in ministries and administration</li> </ul>	<ul style="list-style-type: none"> <li>• Develop agrarian policy which includes organic</li> <li>• Open education system (agricultural colleges, universities) for organic agriculture</li> <li>• Support organic farming research</li> </ul>

### 3 Introduction

Experts do broadly agree that Ukraine has ideal conditions for organic agriculture. The country has amongst the most fertile soils on the globe. Large of its areas sparsely populated and allow extensive agriculture. However, still 25% of Ukraine's population are economically active in the agrarian sector, labour force costs are low. The Ukrainian Government and international organisations such as Worldbank do agree that the Ukrainian agriculture has got the potential to become again a leading player in the regional and global food markets. Within the on-going deep structural reform of the sector, organic agriculture has the important advantage to open opportunities for the socially, ecologically and economically sustainable development of rural areas and domestic farmers.

A few agrarian enterprises and farmers in several parts of the country are already engaged in organic production and some of them have managed to export certified produce. But the organisation of the organic sector is still much informal and at its beginning. Concerning legislation and legal framework, it has to be said that there is not yet a law on organic production and that the government has also not yet formulated a policy on the promotion of organic agriculture. This leads to the situation that there could be a problem with the abuse of the attributes "organic" and "ecological" and a nearly completing missing of a domestic organic market in the Ukraine.

The Swiss institution "Schweizerische Hochschule für Landwirtschaft – SHL Zollikofen" and the Technical High School (THA) for Agriculture Illinzi (Vinnitsa Oblast), does promote organic agriculture in the Ukraine since 2001. The promotion of organic agriculture is an element of the Swiss Agency for Development and Cooperation (SDC) mid-term Country Programme Ukraine 2002-2006. In early 2003, the Project "ECO-LAN Ukraina" has been launched, focussing on several activity-lines: Conversion of pilot farms, introduction of an educational curriculum for organic production in the THA-Illinzi, promotion of local marketing and support of export of organic produce and promotion of a national association of organic farmers.

In October 2003, the Swiss Cooperation Office Ukraine (Coof) organised a Seminar on the topic of "Certification of Organic Agriculture in Ukraine: Present State, Perspectives, Strategies for the Future". Ukrainian stakeholders showed strong interest in the seminar and possible follow-up perspectives. The seminar was coordinated with a mission of representatives of SECO and FiBL, investigating the feasibility of a project to set-up an organic certification agency in the Ukraine. This with the following recommendations:

Before the set-up of an organic certification body could start support should focus on 3 components:

- a. *Support to the Ukrainian government for the elaboration of the necessary legal framework.*
- b. *International and national market studies for organic produce from Ukraine in order to define the opportunities and threads in the national and international organic market from the viewpoint of farmers and food-processors in*

*the Ukraine.*

- c. *Further strengthening of the cooperation between the various stakeholders of organic agriculture in the Ukraine.*

The Swiss Co-operation Office in Kyiv contracted the market research company in the Ukraine (DZI) and an institute abroad (FiBL, Frick-CH; with subcontract synergie, Frankfurt-DE) to conduct market studies which allow to derive market potentials for Ukrainian organic products on the domestic and export market. The study is structured in several modules:

Module Ukraine: National supply and demand for organic products in Ukraine. (DZI)

Module Export 1: Market overview at international level, with focus on products interesting for Ukrainian exporters. (FiBL)

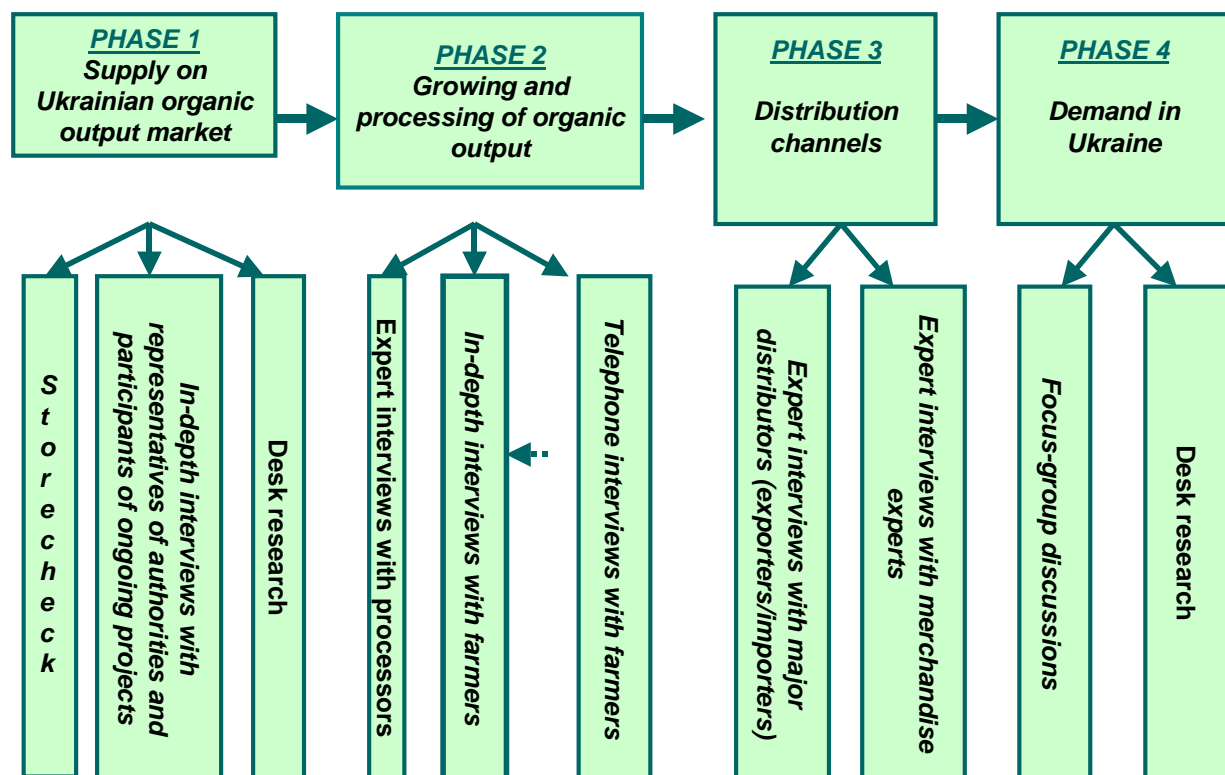
Module Export 2: Market analysis for specific products in promising markets. (FiBL/synergie)

## 4 Results

### 4.1 Module Ukraine: National supply and demand for organic products

The sources of the following information are different single studies realised by DZI in 2004. DZI studies focused all relevant national actor levels to establish organic farming in Ukraine:

- General / organic production and agricultural policy in Ukraine, first experiences with organic farming, available range of organic products.
- Growing and processing structure for organic products: readiness, opportunities and outlook.
- Export trade and domestic sales channels.
- Demand for organic food and consumer information Ukraine



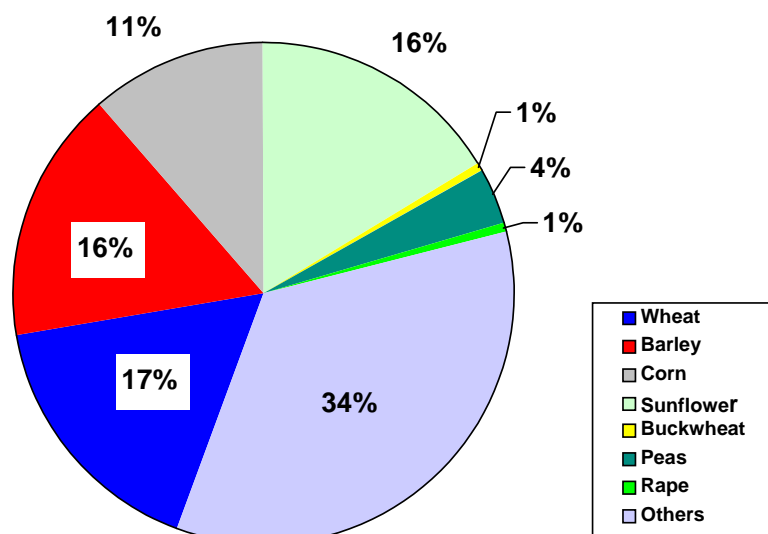
For more details please see also the separate publication “Ukrainian market of organic output” (DZI, 2004).

#### Production and Agricultural Policy

In 2004 there are 239'000 ha certified organic or in conversion to organic in Ukraine. 69 production units, farms are certified. The average farm cultivates about 3'500 ha. With the information from 49 certified organic farms certified by Control Union Ukraine (CUU) the production surface is used like follows:



Figure 1 Organic Planting structure by crops (2003, CUU)



Other cultivated crops are: Soya, Lucerne, Sudan grass, French grass, rye, oat, mustard seed, sugar beet, millet, sorghum.

The organic farms are concentrated in the South (Odessa and Khersan regions), in the western part of Ukraine (Chernovtsy, Ternopol and Lvov) and Poltava region. Often these farms have an international co-operation; they make part of projects to promote organic farming.

At the moment there are nearly no animal husbandry farms certified. The investment for conversion seems to be too high and without national market it is on the economic point of view not very interesting.

The potential for conversion of more farms seems to be high due to the fact that many farms use only few external inputs, but without access to organic market (sure sales channels) they want converse. The farmers expect also higher prices. In the environmental clean area the majority of farms are small (20 ha) to medium (100 ha) sized farms.

Experts estimates that only 5 to 10% of organic output was sold as organic, and it was all for export.

## Certification

At the moment there are several certification bodies active in Ukraine: SKAL International (The Netherlands) has build up Control Union Ukraine (CUU), Lacon (Germany), Biokontroll Hungaria, IMO (Switzerland), Bioinspecta (Switzerland), Maharishi Vedic Organic Institute (USA). CUU is the market leader with 66% of the certified land.

For smaller farms producing for the national market an international certification body would be too expensive.

Ukraine is the sixteenth largest producer of organic products worldwide. However just 5 to 10% are sold as an organic product.

There is nearly no organic animal husbandry in the Ukraine.

CUU as the market leader in certifying Ukrainian organic farms.

## Processing

The food industry is composed by more than 22'000 units and since the independence 20% of foreign investment was inverted in this sector. But even with this capital input a good part of Ukrainian food industry is old or inoperative and not up to date with the standards of Western European quality production. There is no organic food processing in Ukraine yet.

There is no organic food processing in Ukraine yet.

## Trade and sales channels, results of store checks

The current state of Ukrainian organic food market can be characterized as rudimentary to not exist. In store checks in 13 selected high quality supermarket outlets (international retail chains and national outlets) in the cities of Kyiv, Dnipropetrovs'k, Donetsk, Kharkov, Odessa and Lvov Hipp infant food in organic quality was the mostly identified organic product. Other present organic suppliers for Ukrainian supermarkets are:

- Infant food: Nestle (DE), Heinz (RU), Nutricia (RU)
- Canned Food: Ecoproduct (RU)
- Pasta: Makfa (RU)
- Tea/Coffee: Malango (FR)

On the other hand quiet well introduced on the market are not controlled and certified products which are called "from environmentally clean regions". The most widespread categories from this organic near product alternative are: Infant food, dairy products, juices/ drinks/ water, fats/ oils, canned food (vegetables and fruits), pasta, tea/ herb tea/ coffee followed by cereals/muesli. Contrary to experiences of other countries fresh fruits and vegetables are not important. The environmentally clean standard isn't well defined. There are selected regions without significant human caused pollutions and the products have to fulfill the quality standard of the food law.

There are less imported organic products on the Ukrainian market yet (baby food).

In Kyiv and Lvov the assortment of organic and environmentally clean products is presently the biggest. The following retail chains are at least engaged with organic and / or environmentally clean products (not absolute list): Arsen, BAM, Billa, La Furshet and Sil'po. But these product groups have no strategic priority. None of these companies have a dedicated product manager for organic/environmentally clean products nor they have a special department for this product lines yet.

Organic products are competed by not certified products from "environmentally clean regions."

Some enterprises have made experiences with export of organic products. The exported products are: sunflower, false flax seed, durum wheat, oleaginous, cereals and instant paps and soups. The countries of destination are The Netherlands, Germany, Switzerland, Canada, Greece, Israel, Moldova and Russia. In the future they would like to export also soybeans, oat and forage.

Few export activities to Europe and Canada are concentrated to cereals and oil seeds.

## Potential Ukrainian organic consumer

Potential organic consumer groups in the Ukraine can be described as follows:

- Highly educated middle age woman – she is free and independent, may have children, may be married, but these are not requirements.
- Family people with children – these are mostly young families with small children who take care about children's health.
- The organic consumer lives in the cities and makes part of the middle to upper social class.

Ukrainian consumers are generally interested but less informed about organic food and farming.

Even when the concept of organic production and organic food is quite unknown in when consumers get the information about organic products they state that they would buy such kind of products on health and quality reasons. However many of them see organic products as a synonym for environmentally clean production. Like in other countries the higher prices of organic products would be a main barrier to consume organic products. However products from “environmental clean regions” are sold 20 – 100% higher as not labelled products. Nevertheless higher prices would reduce the consumer segment which is able to buy high food prices on households with a relative high purchase power. The consumers also have some doubts if the organic products really leads to better quality standards and that they are really useful for good health. Certification is important but it is also said that certificates could be bought in Ukraine.

Organic food would fulfill the crucial consumer demand for safe and healthy food in Ukraine.

As mainly used information sources for healthy and risk free food are mentioned:

- Infant food 'HIPP': brochures with detailed description of the whole process of growing are distributed in maternity hospitals.
- Communication with foreign citizens.
- Lectures in medical institute.
- TV-reports.

In general the consumers would prefer domestic organic fresh food (like dairy products, fruits, vegetables), but for infant food they would prefer imports of well known international brands like HIPP and NESTLE. Tea and coffee in organic quality as not produced in the Ukraine are welcome to import as well.

Consumer campaigns needed to increase the awareness and recognition rate for organic food.

Results of the conducted focus group interviews with consumers suggest that the development of a national organic market would need much more information and awareness building campaigns in order to penetrate the concept of organic farming and processing more broadly.

## Political, economical and organisational context

Presently there is no specific support for organic farming from governmental side. In year 2004 steps toward a first draft of an organic law have been done. Up to know the term 'organic' isn't protected by law. There is also no procedure described for certification and accreditation of such a certification body.

Farmers need more know-how input, the existing advisory services and training opportunities for organic farming are still very limited. Information about the organic sector in the Ukraine is less concentrated and hardly available.

The organic sector in Ukraine just has started to establish first structures and networks.

End of 2002 the organic association named BioLan Ukraina was founded. The association consists on 36 members, producers, representatives of farmers unions, from training and advisory centres, research and administration and trade and processing. The main activities cover lobbying for governmental support, the elaboration of a national organic action plan, training and national / international exchange of information, market development and support for a national certification body.

Today many farms can't make the conversion to organic because they don't have the machinery for organic plant production and in animal husbandry they don't have budgets for needed investments. The access to credits is very difficult for small farmers.

## 4.2 Module Export Markets 1: Market Overview at International Level

The described market and consumer trends concerning organic food will mainly focus the world's two major organic markets Europe and USA. Many of the consumer trends and characteristics in these markets have an overall meaning also for countries with an emerging organic market like the Ukraine caused on the world-wide penetration of trends and buying behaviour. For many trends, value systems and consumer attitudes presently we observe a tendency of global harmonisation.

### 1. Overall trends

There are some overall trends in the daily life of the consumers emerging which strongly influence the observed purchase behaviour. Some of the trends support the consumption of organic food however few also hinder a faster market penetration of organic food.



Fig. 2 Overriding consumer trends all over Europe

## Mega-Trend: Healthy nutrition

The more consumers get responsible for paying medical aid by themselves and the older people become the more health care drives food consumption.

Consumers can choose between “natural” and “technical” produced health when buying food. “Natural health food” means production and processing of food as far as possible without artificial inputs and try to change the natural quality of the products as less as possible. On contrary “technical health food” uses all kinds of technological progress and artificial ingredients / supplements to steer the composition of health added components as much as possible. While in Europe mainly “natural food products”, like organic food, indicates an increasing consumption, in America both “natural” and “technical” health food indicates annual market growth rates of app. 20%. For many American consumers there is no contradiction between organic food and conventional functional food. They consider both product lines as adequate strategies for achieving health objectives.

Confusing risks behind the food production lead European consumers to search for highest safety standards. Therefore food safety for a certain group of conscious consumers drives more and more their buying decision.

“Natural” versus “Technical” Health Food: European consumers prefer “natural”!

“Natural” and “Technical” Health Food: American consumers love both!

## Mega-Trend: Price consciousness

To save money in daily consumption raised to one of the top themes for many European consumers. There are several reasons/factors which drive this trend:

- ⇒ Discounter factor (More and more discounter appear on the market and promote the cheapest price offers);
- ⇒ China factor (There are a lot of offers which are called: “all for 1 €”. Most of those offers come from China.);
- ⇒ “Ebay” factor (To buy a cheap new or used product via Internet/Ebay becomes more and more popular as leisure time activity.);
- ⇒ Special sales prices are offered all over the year. This lead to a changed price consciousness with regard to fair or cost covering prices.
- ⇒ Economic crisis in many European countries has led to more price consciousness in buying decisions. Post materialism often switches back to materialism oriented consumer behaviour.
- ⇒ In the consequence retailer are assessed from consumers by their price competence.

Post materialism often switches back to materialism oriented consumer behaviour.

## Mega-Trend: Trust

Caused by the complexity of daily life and information overflow trust becomes more and more important. In order to minimise the complexity trust building factors support low involvement buying decisions. That means not every product has to be studied and evaluated by consumers when they would trust a brand, a

label program, a retail chain or a shop owner. Trust can cover the following aspects:

- ⇒ Trust to buy the cheapest offer (Discounters win market shares);
- ⇒ Trust to buy high quality (Premium brands and products which are labelled by results of independent organisations);
- ⇒ Trust not to get cheated by label promises
- ⇒ Trust to buy safe products
- ⇒ Authentic sales and sales promotion as trust builders (e.g. farmers promote their products in retailer outlets;
- ⇒ Make consumer's able to check promises (declaration of farmer or producer group on product coverage).

Consumers don't like to waste time for evaluating thousand of products and retailer offers!

### **Mega-Trend: Emotional messages**

Matured markets, plenty of exchangeable assortments, an increasing number of failed private partnerships and the spirit of competition which consumer feel in their daily life have been led to a strong demand of emotional addresses in product marketing. Therefore many consumers prefer:

- ⇒ Brands which have a soul;
- ⇒ Brands which can tell a history;
- ⇒ Retailers which surprise customers by unusually offers;
- ⇒ To get member of slow food communities.

Consumers don't like anonymous products and product messages.

## 2. Consumer trends with regard to organic food

### Consumer characteristics and buying behaviour

When considering characteristics of consumers buying organic food, one needs to keep in mind the interplay of several factors. Structural factors, such as availability of products in the various market channels, price, quality and types of product offered, as well as factors relating to attitudes among various actors in the food system, including the values and preferences of consumers, are likely to exert influence simultaneously. Additionally the social environments (peer groups, like the own family, friends or colleagues) take a strong influence to the actual buying behaviour of consumers. In isolation, each of these factors might give a misleading picture.

Nevertheless, a summary of the key findings is given below. The presentation gives an overview about results of scientific projects as well as recent studies of commercial market research activities.

### Consumer characteristics in Europe

#### Who buys organic products?

There is a clear tendency to identify younger age groups (between 25 – 40 years and parallel older consumer groups (between 55 – 65 years) as the most typical consumers of organic food in Europe. Younger people often start to consider more seriously aspects of healthy and sustainable food consumption when they start to found a family. Then they start to seek information about nutrition aspects and consequently often organic food and organic meals seems for them a proper diet especially for their kids, but also partly for themselves. A certain group of older consumers prefers organic food on two reasons. Either they feel still as a part of the “Hippi movement” which occurred end of the sixties and prefer alternatively produced food or they have serious health problems which are based on a less healthy nutrition. Another fact recently was eliminated is that older people with “empty nests” gain more time and household budget after kids leaving the common household. Monetary as well as free time budget is spent often for seeking information about food and in a consequence to prefer premium food, like organic products.

Young families and older consumer groups prefer organic!

Higher level education like an university degree has a clear significant correlation to organic food consumption. Correlated to the education higher income households in tendency more often are organic buyers. However for many consumers organic consumption is a question of their personal attitude. Totally convinced consumers also buy organic products even when they would have a lower household budget or would be unemployed or students. These consumer group would rather prefer to save money in other consumption areas (like to make cheap holidays or to live in smaller flats with simple furniture or to renounce to maintain an own car, etc.) than to renounce on organic food.

Higher educated consumers more often buy organic products!



## Urban and rural areas

Further, there is a clear tendency to find significantly higher levels of demand in major cities than in smaller towns and rural areas. While consumers in cities have less contact to the agricultural praxis they often believe that conventional / industrial farming is much worse than actual farming methods. Often dramatic TV-pictures from negative cases of conventional agricultural production influence the attitude of the conventional agriculture without reflection and moreover make consumers often feel uncertain with regard to conventional food. Furthermore consumers in urban areas tend to be more conscious concerning health aspect in their nutrition. Consumers in rural areas with a quite close contact to the agriculture and farmers believe that also conventional agriculture is quite sustainable and produces healthy food. Furthermore a healthy nutrition or wellness motives behind consuming organic food often isn't such a lifestyle topic as in urban areas.

Organic consumption mainly is concentrated on urban regions!



Fig. 3 Specific characteristics of rural consumers with regard to organic food

## Regular, occasional and non-buyers of organic food

In the meanwhile organic food left the niche in supermarkets and improved its quality. At least as in quite matured organic markets, like Switzerland and Denmark, a large majority of the consumers are familiar with organic food and have bought it on a more or less regular basis. There is a “core-group” of regular organic food consumers in all countries (between 3 – 15% in Western European countries). These consumers account for a considerable portion of organic sales. For instance in the United Kingdom account just 23% of organic consumers for 84% of organic food sales. They may also differ from less regular consumers in their relative emphasis on various motivational factors, and in having more clearly defined and cogently pursued motives for buying organic food.

Core group of regular organic buyers account for majority of sold organic food sales!

Non-consumers of organic food often are less interested in food concerns at general!

Non-consumers of organic food typically centre on two aspects: lack of interest in food at general or lack of resources. Furthermore non-consumers of organic food seem to be less interested in health issues at general and they are not aware of ethical production standards.

Occasionally or non-consumers of organic food in tendency are often people who do not like to cook, or more critically, who are not able to cook themselves. They also can be described as people who do not aware of benefits of good food.

### **Preferences for distribution channels**

On the one hand, there is the mainstream to buy organic food in supermarkets. On the other hand, there are a variety of decentralised sales arrangements, like smaller natural food stores or direct selling activities of farmers. These usually involve a shorter distance between producer and consumer and are sometimes seen as part of a “local food movement”. Conventional, mainstream distribution accounts for the large majority of organic sales, but the locally based channels nevertheless represent a qualitatively different consumer alternative, and are also more widespread in some other countries.

Consumers use both for organic purchase – multiple retailers and local small distributors.

### **Regional differences in many countries**

There are large regional differences in some European countries concerning the preferences for organic food. For instance in Italy, where the bulk of consumption of organic food takes place in the North part or in Germany where in the Eastern former communist part of the reunified country organic products are sold quite rarely apart from big cities. In Switzerland in German speaking regions organic food is strongly preferred by consumers while in French speaking regions of Switzerland organic food just plays a minor role.

Consumer preferences for organic food differ region by region.

### **Middle and Eastern European consumers just start with their organic food experiences**

In the Middle and Eastern European countries, the development of organic production has focussed on and strongly favours export markets, while domestic consumption is very limited. Higher prices for organic food (partly exaggerated by successful exports), combined with relatively low purchasing power among consumers, make organic food an unrealistic option for the majority of consumers. Organic food is bought here in less specialty shops, in the supermarket of Western European multiple retailers, like Ahold, Carrefour or Metro, or directly from the farm.

In Middle and Eastern European countries multiple retailers mainly provide organic food.

### **What are the main motives to buy organic products?**

The issues which are referred by consumers with regard to organic food often relate to the main differences between conventional and organic practices, associated with the use of industrial technologies, artificial fertilizers and pesticides, as

opposed to less industrialised methods based on a balance between plant- and animal production. Pesticide use is of concern to many consumers. The worries here may relate to the environment as well as to possible health effects – i.e. either personal, short-term health or the health of future generations.

For many consumers, however, organic purchases exemplify a preference for cleaner, safer, more virtuous lifestyles, through which individuals are able to achieve improved health and happiness, at the same time as contributing responsibly and thoughtfully to community, economy and the natural environment. Organic quality reflects a particular philosophical attitude towards life, as well as aspirations for the future.

Several studies indicate that organic food is commonly perceived by the general public to be a healthy and environmentally friendly option. These two concerns can be interwoven in different ways. A typical rationale is that healthy soils, plants and animals are a basis for human health, and that therefore care and concern for any of these environmental factors will also cater for better human health. This also makes attempts to classify some motives as “altruistic” and others as “personal”, “hedonistic” or the like more complex.

Also, a number of specific issues seem to be connected, by consumers, with both the environment and human health. Examples are the use of GMOs and the use of pesticides. As already discussed above, these relate to several types of consumer concern, among them health and protection of the environment. Regarding the relative importance of the two issues there is an indication, that the most dedicated, “big-volume” consumers, who regularly buy organic food, put more emphasis on altruistic motives such as environmental concern though here the reservations mentioned above need to be borne in mind. In accordance with this view, it has been observed that health-related motivations seem to have become more central for the “newcomers” among the organic consumers who until recently bought conventional foods.

Against this, tentative observations in countries like Hungary, where the domestic market is very little developed, suggest that health concerns are dominant among the few pioneering consumers who are at present able to track down and pay for organic food. It is claimed that consumers of organic food in Central and Eastern European countries are mainly vegetarians and/or health food customers. One hypothesis is that, in this region, traditional eating patterns and what are considered “healthy diets” differ more dramatically than they do in Western countries, and that this might have a bearing on the perceptions of organic food and the association of organic food with “health food” and healthy diets. It is assumed that this association of organic food with health food and vegetarian food may be one reason why organic products of animal origin play a less important role in Central and Eastern European countries than in Western countries.

Many consumers have holistic concepts in mind when they consider the benefits of organic food.

Behind the health motive often stands demand for safe food.

Central and Eastern European organic buyers are typically vegetarians and/or health food customers

## **Results of “laddering interviews” in Europe to find out consumer motives, barriers and values behind organic food consumption**

Recently in selected Western-European countries so-called laddering interviews were carried out to generate motives and values behind organic consumption. The data from the interviews were transformed into a hierarchical structured value map which illustrates the motives and their structural links to each other beginning (from bottom up) with product attributes (e.g. as characteristics for organic food: fewer additives/chemicals and fewer pesticides/fertilisers), expected functional and psychological consequences of these attributes (e.g. for organic food consumption: healthy eating, avoiding health problems or improving own health) and underlying values (e.g. as values for organic food consumption: well-being, quality of life). The arrows between each motive indicate a cognitive link between them. The size of each arrow depicts the frequency of the identified links.

On the next pages the ladder maps are shown and describe which indicate the cognitive structure behind the health, animal welfare and environmental motives for buying organic food. The abbreviations under each attribute, consequence and value stand for European countries which typically showed these results.

### **Health concerns**

For many consumers, organic food is practically synonymous with a healthy, wholesome way of living, embodied in products which are nourishing, rich in vitamins, pesticide-free, free from chemicals, with no genetically modified organisms, etc. Health-related buying motives are generally connected to fruit and vegetables. Consumers seem to be quite sensitive to the ‘natural’, ‘unadulterated’ character of products, especially of ‘unrefined’ and ‘basic’ fresh produce. It is mentioned that it is of particular importance in the case of fruits and vegetables where you eat or use the skin, such as apples, carrots or lemons.

Analysis of the cognitive structure behind organic preferences or declining.

Health motive with particular importance in the case of fruits and vegetables.

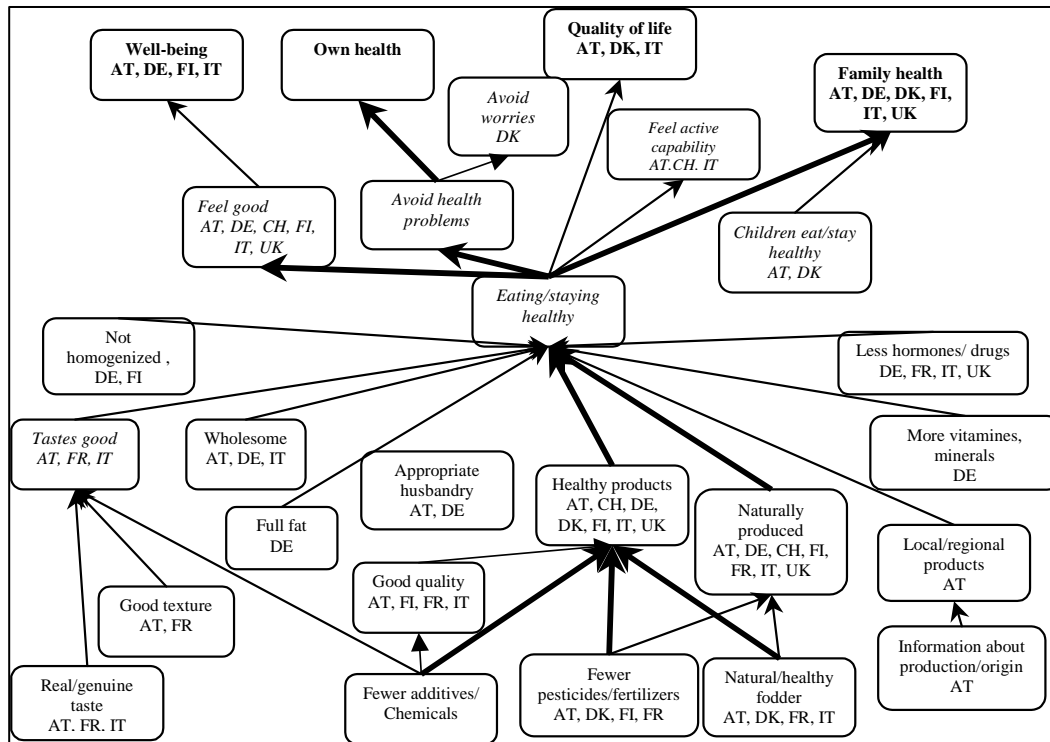


Fig. 4 Motives for buying organic food and their cognitive links with regard to health

An important buying motive is the feeling of responsibility for one’s children’s health particular importance in the case of fruits and vegetables (either as a necessity or as a sense of owing it to them), and this is occasionally even expanded and linked to a responsibility for imparting ethical awareness to them.

However, without this having been mentioned openly in any of the discussions, there are indications that consumers who turn their attention to organics out of a sense of responsibility for their children’s health – without becoming aware of the wider range of benefits of organic products – are more likely to return to former buying and eating habits as soon as the children start expressing their own wants.

An individual’s own health plays a predominant role in the decision to buy organic food in all European countries investigated. Eating and staying healthy, or good quality products, are central concepts linking attributes sought when buying organic products and the value of health. The emphasis on specific concepts differs according to product categories and from one country to another. The health issue is often connected with feeling active and good (“it gives more power; keeps me fit; I can make more out of the day; I do not get tired so quickly; I have more vitality”), which leads to more general values like well-being and quality of life. For families with children, family health also crops up as an important value to be achieved. Family health is expressed in terms like “I have a sense of responsibility towards my children; I do not want to give my children something bad; taking

Responsibility for one’s children’s as important value behind organic consumption

The health issue differs according to product categories.

care of the family; kids should have healthy nutrition; or, it is important that the children grow up healthy in the future”.

### Animal welfare concerns

In most European countries, animal welfare is an additional motive when buying dairy products and a strong motive when buying organic meat and meat products, but its importance varies, as do the attributes that are linked to appropriate husbandry. Regular organic consumers place importance on appropriate husbandry. The reason given is that people feel responsible for the kept animals and want to support animal welfare as they would otherwise have a bad conscience:

*“I don't like to be blamed for when animals have pain; it hurts me to see hens in cages; I have a bad feeling when consuming a product from animals that did not have a pleasant life”.*

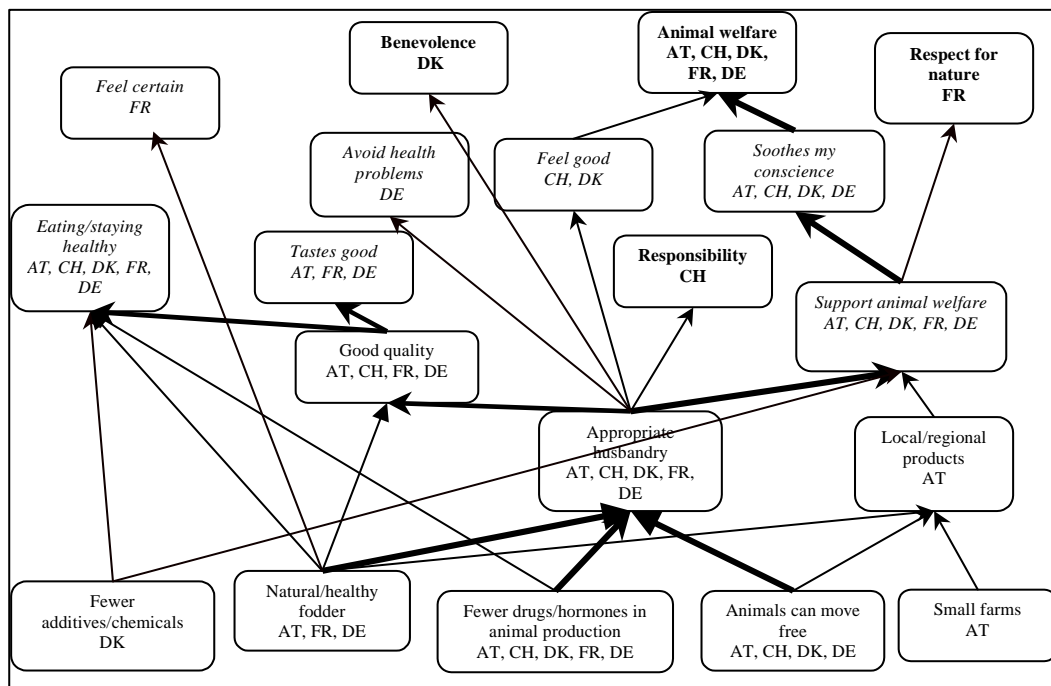


Fig. 5 Motives for buying organic food and their cognitive links with regard to animal welfare

Appropriate husbandry is where animals are given natural, healthy fodder (“no animal meal in the feedstuff; the fodder is natural; cows can still eat grass”), where fewer drugs/hormones are used (“no use of milk-promoting fodder additives; no antibiotics in the product”), and where animals have access to pasture or the possibility to move around freely.

Animal welfare most important aspect when buying organic beef or eggs!

## Environmental concerns

In the most countries worldwide environmental concerns are important buying motives for organic food, especially for the group of regular organic buyers and at least as an additional motive also for the group of occasional buyers. Consumers see the consumption of organic products as a means of contributing to a sustainable environment. The consumption of organic food is perceived as a part of a general emphasis on an environmentally benign way of life geared towards respect for nature and the earth's inhabitants. Despite the importance of this topic, people rarely give a more precise definition of how they see the environment as being protected by organic farming. Only the prohibition of pesticides and artificial fertiliser is often referred to. "...I am convinced that the more organic products we buy, the less the countryside will get polluted...".

Consumption of organic products as a mean of contributing to a sustainable environment.

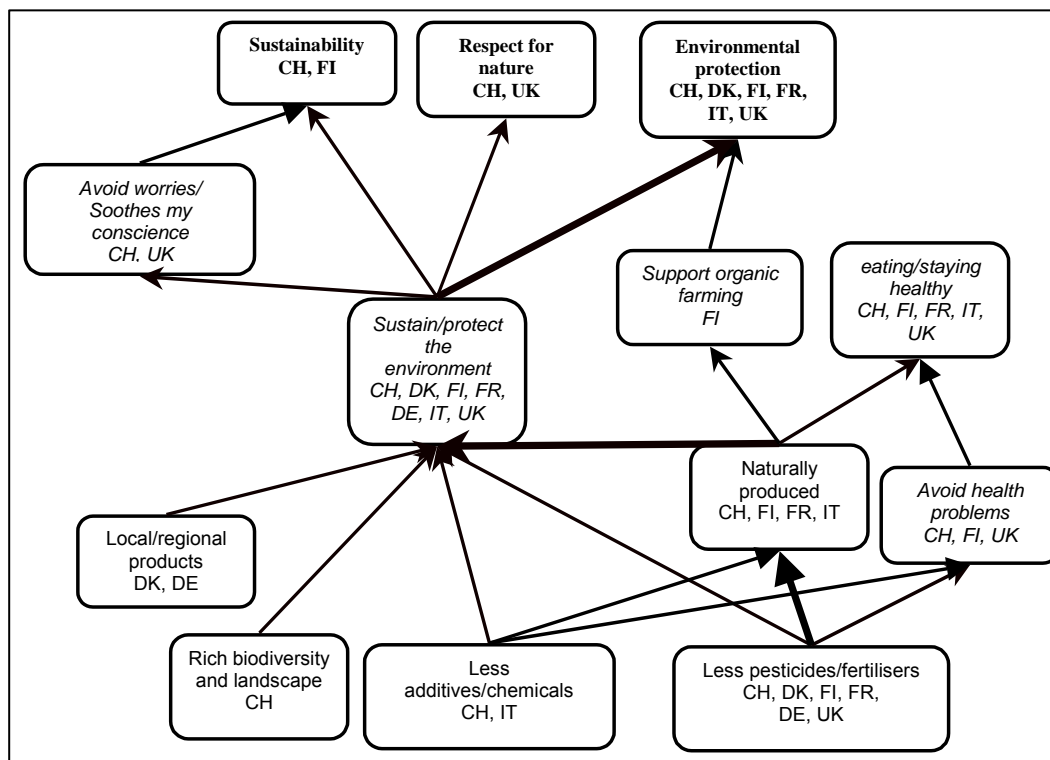


Fig. 6 Motives for buying organic food and their cognitive links with regard to environmental concerns

Also the conservation of soil but also the protection of drinking water comes some consumers in mind when they think about the benefits of organic farming methods.

It is also named that nature should be preserved because a healthy environment is seen as a prerequisite for a healthy life and future generations should also be able to benefit from it. Contributing to environmental protection and sustainability by buying organic products soothes consumers' consciences and makes them feel good. One way to contribute to environmental protection is seen in buying products that are naturally produced, which means little or no usage of pesticides and fertilisers, fewer additives/chemicals and natural/healthy fodder. Another way

Healthy environment is seen as a prerequisite for a healthy life for future generations.

to contribute is by buying local/regional and seasonal products. As a result, only short-distance transportation is necessary and resources will not be wasted.

## Food quality

Food quality is another concept of crucial importance in understanding consumer attitudes to organic food. This concept also needs to be opened up, and its specific contents must be investigated thoroughly in any given context. A number of definitions have been suggested and applied, some of them technical, others less so. Evaluations of the quality of a food product often focus on different levels of property. For example, a distinction might be made between a) directly visible properties (e.g. shape, colour, size), b) easily recognizable properties (fragrance, taste, consistency), and c) properties which are less easily detected in the purchasing situation (keeping quality, nutritional value).

A holistic approach to the measurement of food quality includes social, psychological, environmental and political dimensions. This means that quality may encompass all of the aspects and concerns mentioned already – and more. Following the desire of many organic buyers the Dutch wholesaler “Eosta” developed a holistic concept to evaluate quality for organic fruits and vegetables and communicate it to the consumers. Every company which delivers products to “Eosta” get evaluated by product quality criteria but also by social criteria (e.g. labour conditions) and environmental criteria (e.g. full or just part conversion of the farm to organic farming methods). The consumers find on each product of “Eosta” a code and can enter the code in the internet and find there the quality evaluation of the sold product. It is expected that systems like this or a retailer initiative which goes in a similar direction (EUREPGAP) will force the producers not only to produce organic, moreover to fulfil highest social, environmental and product quality criteria.

It is evident that expectations of product quality are as high for organic foods as they are for conventional foods. Organic farmers or processors believe that organic farming and processing methods does mean for any customer per se a premium quality which lead automatically to an additional willingness to pay for these products. More realistic views show that at least non-buyers and occasional buyers evaluate organic as premium quality just in the case, when other product and selling attributes also meet the highest existing standard.

Indeed in some cases the expectations even are higher for organic foods than for conventional ones, and there may be additional quality features where organic food is concerned. Thus several concepts referring to “inner” food qualities that are assumed to have importance for human health are used in connection with organic food. Methods of measuring the vitality of the food (picture-developing methods) and its structural energy have been developed and used in research on organic food quality. Concepts such as “vitality” are certainly important for some organic consumers. Such concepts may also seem to be in keeping with the more tacit understanding of food quality expressed in lay terms by some consumers.

Organic buyers see quality often from a holistic point of view.

Market penetration of holistic quality scoring systems.

Organic food doesn't mean automatically premium food in many consumers' point of view.

“Inner food” qualities of organic products are studied intensively.



Most of the studies reviewed refer mainly to the “eating quality” of organic food. The perceived better taste of organic food is raised in several studies. Other studies indicate that quality aspects relating to appearance (size, uniformity etc.) are not considered very important by consumers buying organic food. Nor are deviations from “trade standards” important. Some studies indicate a perception among consumers that organic food keeps less well. Comparative studies disclose variation in the aspects of food quality that consumers care about. In keeping with this, the review indicates that consumer attitudes to the quality of organic food vary between countries and in different contexts.

“Eating quality” most important for occasional organic buyers.

## Labelling

There is evidence in the literature that clear and simple labelling of organic food is important to consumers. At the same time, many consumers want more in-depth information about the food than a label normally allows. This seems to be a paradox. However, both wishes can be met through diversified information strategies. There are differences in countries regarding labelling practice: some have a single, common label, like Denmark or Switzerland, while others have several certifying bodies or organic farm associations, each with different labels e.g. Germany, Italy, UK, Hungary).

Less and distinctive label systems are required by the consumers.

There are also differences in the range of other kinds of quality label used in the different countries, and this may affect the way in which consumers perceive organic labels. On the one hand, it may be that consumers living in societies where many food labels are used acquire a kind of expertise and experience with labels. This may be positive so far as the comprehension of organic labels is concerned. On the other hand, a plurality of labels may cause confusion. According to some studies, many consumers feel they lack information and knowledge about food and the food system in general. This is likely to have a bearing on the way in which organic food is perceived and consumer reaction to information about various issues, as well as different kinds of information approaches. A higher level of basic knowledge about the food system is likely to enhance receptivity to the kind of information that guides choices between organic and conventional food.

Effective communication of food issues is an important challenge for the future. Although more information is potentially available to consumers about organic food than about food in general, the challenge remains important at all levels of the organic food chain.

## Trust in labels/sources of information

The relationship between perceptions of the food system and perceptions of a food product is an important issue. Consumers request for information about such matters as the origin of foods, methods of production and food processing, the distribution of profits, the distance the food has travelled, and packaging. Theories claim that the consumers of today’s post-modern societies are increasingly concerned about the origin of food and the way it is produced, and that new social movements are established around these issues. These movements chal-

Political correct consumption gets more importance due to globalisation.

lenge not only the established systems of production and distribution, but also the entire political structure. There is the consumer wish to support the domestic production in a stormy environment of global competition. Political attitudes with relation to a certain country often also influence the buying behaviour of imported products. Many European consumers decline for instance the current American policy and therefore also tend to reject American products (even when the products are organically grown). The Ukraine in Western European consumer's eyes stands for the country with the lowest wages all over Europe. Many people get angry when they consider that they could loose their jobs when their companies leave Western Europe to re-open the company in the Ukraine by the lower costs and prices. Also Western European farmers see the Ukrainian producers as the hardest competitors in cereal production and get angry. They believe, cheap Ukrainian grain products could substitute the domestic production in Western Europe. In this context for export of Ukrainian organic products to Western Europe the Ukrainian origin at least shouldn't be communicated actively. This also means that agricultural raw material probably will have better chances to be accepted in the European market than consumer goods. The role of the "political consumer", and of possible perceptions of food quality relating to this, also deserves more attention.

Partly trust, partly distrust in the national food industry and are influenced by the number of food scandals.

Ukraine: better chances with raw material than consumer goods

There are also cultural differences in the role of food in society and everyday life. Such differences in the framing of consumer choices are likely to have a bearing on several issues, among them consumer strategies for seeking information and consumer trust in various sources of information. They also have a bearing on issues such as performance and accountability, responsibility and power. There are reasons to believe that the degree of trust in governmental institutions and the food industry – as two important types of food systems actors – varies between different European countries. A comparative study found large differences in consumer trust/distrust in the food market compared with trust in public food control. Norwegian consumers placed their trust in the Food Control Authority to a much larger degree than consumers in England and Belgium. Norwegian, but also German consumers have a higher level of trust than consumers in England, Belgium or Germany. These facts are assumed to be related to the (then) recent dioxin scandal in Belgium and the "mad cow disease" outbreak in England.

Lack of trust in sources of information, especially the Government and the food industry, has been identified as a key barrier to purchasing animal-friendly products.

There are some indications in the literature that consumers relate differently to different food system actors (e.g. state food authorities and market actors). In the UK and Switzerland, the retail sector has played a dominant role as a "driver" of the developing organic market, including provision of consumer information. On the whole the government has had a less active role there than in some other countries (like Sweden and Denmark). In Denmark, the supermarkets have also had an active role, while governmental involvement has probably been more visible to consumers. In Italy, it seems that consumers have established systems of quality assurance based chiefly on personal relations with small scale market actors.

## Price as a barrier

The price issue has to be mentioned as the main barrier for a broader market penetration of organic food in Western Europe. The price of organic food is evaluated either too high in relation to the perceived benefits or the consumers' food budget is felt to be too low for a frequent organic consumption. In fact, perceived 'poor value for money' is the real, important buying barrier and not the absolute price. *"The whole transportation of organic products is completely environmentally unfriendly. Why is it called organic, actually? For what shall I actually pay up to 30% more?"*

This may confirm that price perception is subject to influence by various factors. Often, it is not the actual price that is relevant for general acceptance of organic food, but the price feeling evoked by the concrete buying situation: "There are days when I think, today it is worth buying a very special and expensive cheese; on other days, I look for the most reasonable price for cheese."

Occasional organic consumers state, If organic products were in a more affordable price class, they would be bought more often.

Major differences among product categories are not known. Generally, it seems clear that price perception must be seen in relation to the perceived good quality of conventional food. In most cases the argumentation follows the same line:

*"Organic products are too expensive, I can see no difference compared to good quality conventional food, and hence I am not willing to pay more".*

## Consumer characteristics in North-America

### Consumers in the USA

According to The Hartman Group, frequency of use of organic products has grown in North-America in the last years, with daily use growing from 8 percent of consumers in 2000 to 11 percent in 2003, weekly use growing from 9 percent to 16 percent of consumers, and monthly growing from 5 percent to 10 percent of consumers. Although those reporting occasional use dropping from 34 percent to 28 percent, those reporting never eating organic dropped from 45 percent to 34 percent.

Table 2: Frequency of organic food consumption in American households

Consumer groups with different buying frequency	2001	2003
Daily consumption of organic products	8%	11%
Once a week consumption of organic products	8%	16%
Once a month consumption of organic products	5%	10%
Seldom consumption of organic products	34%	28%
No consumption of organic products	45%	34%

Source: Hartmann group (<http://www.ota.com/organic/mt/consumer.html>)

The American heavy buyers were predominately female and under 30 years of age; half of them were earning under \$30.000. The American light buyers were demographically closer to the American population and half of them earned over \$50.000.

According to a study conducted in March 2001 by Roper Starch Worldwide for Walnut Acres, forty percent of Americans say organic foods will be a bigger part of their diet within one year. Eight of every ten adults realize that organic products must be grown without the use of added hormones, or synthetic pesticides, or fertilizers.

According to recent study, organic food buyers in North-America overall are 31% more concerned about pollution and the environment than the general population. Environmental factors have increased in importance among the general population (up 6% since 1999) and among all organic users (up 21%).

Over 40% of all organic buyers are between 36–55 years old. Organic food buyers are 25% more likely to have a bachelor's or post-graduate degree. Organic users and the general population are moving into closer relationship as organic products move into the mainstream consciousness.

The "Organic Lifestyle Shopper Study," conducted by the Hartman Group market research firm, reports that the top five motivators for organic food and beverage purchases are: health/nutrition, 66% (most organic users consider that organic products does contribute to their overall health, rather than associating organic products with any specific health benefit); taste, 38%; food safety, 30% (organic consumers are concerned about food safety); environment, 26%; and availability, 16%.

## Consumers in Canada

By using data obtained from Environics International Food Issues Monitor survey (conducted in October 2000) and the Canadian Healthfood Association survey (July 2000), an image of the Canadian organic consumer emerges. By examining these survey results and various other studies (i.e the US Hartman group study) and trade magazines, we have been able to supplement this picture and construct a profile of the Canadian organic consumer.

- ⇒ 18 percent of Canadians purchased organic food regularly (**regular buyers**),
- ⇒ 22 percent purchased organic food several times (**several times or light buyers**),
- ⇒ 31 percent purchased organic food once or twice,
- ⇒ 29 percent never purchased organic food.

The survey results show that a total of 71 percent (approximately 21.8 million) of Canadians have at least tried organic foods, whereas only 26 percent (approximately 8 million) have never purchased any organic food. Of special interest is the 40 percent (12 million inhabitants) who purchase organic foods at least several times.

Heavy (regular) buyers, the 18 percent who identified themselves as regular organic food purchasers, are fairly representative of the Canadian population with a few interesting demographic differences:

- ⇒ Sixty percent are female,
- ⇒ They are under-represented in the \$60.000 to 80.000 income range,
- ⇒ They are more likely to be from higher educated consumers with at least a bachelor degree (30 percent),
- ⇒ They are less likely in rural areas (Saskatchewan or Alberta),
- ⇒ They are slightly more likely to be in the 25-34 age group than in the over 55 age group.

There can be found a characteristics of a *classic organic consumer* as having “commitment to environmentally sound products as part of lifestyle”, as opposed to the *new organic consumer* whose has “commitment to products that relate to personal health” Given that environmentalism is a lifestyle choice with a philosophy that puts a low priority on money and materialism, they are more likely to have lower incomes by choice.

Also the family and marital status seem to influence the organic food consumption. While not that different from the general population, one third of the organic households have children – an interesting point to keep in mind for later.

## **Organic interested consumer types in North America**

Furthermore the Hartman Group segmented the population into six groups of which the following four can be defined as organically interested:

- ⇒ True Naturals
- ⇒ New Green Mainstream
- ⇒ Affluent Healers
- ⇒ Young Recyclers

### **True Naturals**

The True Naturals (roughly 7-11percent) hold the strongest views on environment. Consumers in this segment tend to act on their beliefs. They regularly purchase organic food and earth-friendly products and are willing to pay premium prices.

### **New Green Mainstream**

The New Green Mainstream consumers are concerned about the environment, in particular the impact of chemical fertilizers and pesticides. While they may have purchased organic foods in the past, this group has found barriers for further purchasing to be availability, price and other criteria. However, given the maturing of the industry (i.e. increased availability, selection, etc.), the new green mainstream consumer has likely grown since the survey was conducted.

### **Affluent Healers**

The last two segments are well named. Affluent healers are wealthy, older people interested mainly in their health — the nutritional aspect of organic food is more important to them than the environmental aspects.

### **Young Recyclers**

Young recyclers are young, single individuals who, although they claim to be environmentally sensitive, do not follow through unless it is very easy to do (e.g. recycling). With the exception of the True Naturals, these other segments of the population must meet their own core purchasing criteria before they purchase organic. These criteria include taste, convenience, price, nutrition, health and ease of preparation. The importance of some of these factors will be seen a little later. However, all things being equal, the environmental aspect of a product may be the tie-breaker in terms of purchasing.

## **Five Emerging Consumer Values**

Another study identified five emerging core consumer values:

1. Essences – returning to basics
2. Hearth – growing importance of family and home
3. Earth – environmental issues
4. Whole being – health means not only looking good, but also balance of body, mind and soul
5. Ethics – purchasing from socially responsible company

## **Three Main Triggers for Choosing Organic Foods**

Further research has found that there are three main triggers that convince people to choose organic foods:

- ⇒ children
- ⇒ specific food allergies
- ⇒ healthy lifestyles

Children are an important part of the equation in organics. They have a great deal of influence directly on the food purchases as time-pressed parents enlist their children in food shopping and preparation. Even if children do not shop solo, they apply their environmental and health awareness by changing items in the cart. Teenagers are already purchasing items with their own money. These future consumers are savvy about food, nutrition and health issues. Another factor related to choosing organics is that people worry more about what their children eat than what they themselves eat. Findings that "...children have heightened vulnerability to a variety of exposures as a consequence of their developmental, behavioural and physiological characteristics" have influenced parents' concerns about their children's diet. Seventeen percent of households have a member on a special diet. "Sixty percent of shoppers base their purchases on disease management or risk reduction". Today, it is estimated that one to two percent of adults and four to six percent of children have food allergies.

## **Other Influences on Choosing Organic Foods in North America**

Other influences include taste, texture, health, nutrition, genetically modified organisms (GMOs), food-borne illness and chemical exposure. Seventy-five percent of Canadians are strongly or somewhat concerned about GMOs in their nutrition.

### 3 Development of Organic Supply and Demand at Global Level

#### Development and State of Organic Agriculture Worldwide

Certified organic farming is practiced in approximately 100 countries of the world and the area under organic management is continually growing. Also for some countries, where no statistical material was available, it may be assumed that organic agriculture methods are practiced (even when there are no defined standards and certification behind).

According to a survey conducted by the Foundation Ecology and Farming in February 2004, more than 24 million hectares are managed organically world-wide. Currently, the major part of this area is located in Australia (about 10 million hectares), Argentina (almost 3 million hectares) and Italy (almost 1.2 million hectares). The percentages of land under organic management, however, are highest in Europe. Probably less than half of the global organic land area is dedicated to arable land, since in Australia and Argentina most of the organic land area is extensive grazing land. In these countries with a rather dry climate, large extensive livestock systems are very suitable which are thus very common. The world's largest certified organic property (994,000 ha) is located in Australia (FAO 2002).

Most organic areas in Australia and Argentina.

Highest percentages of land under organic management in Europe.

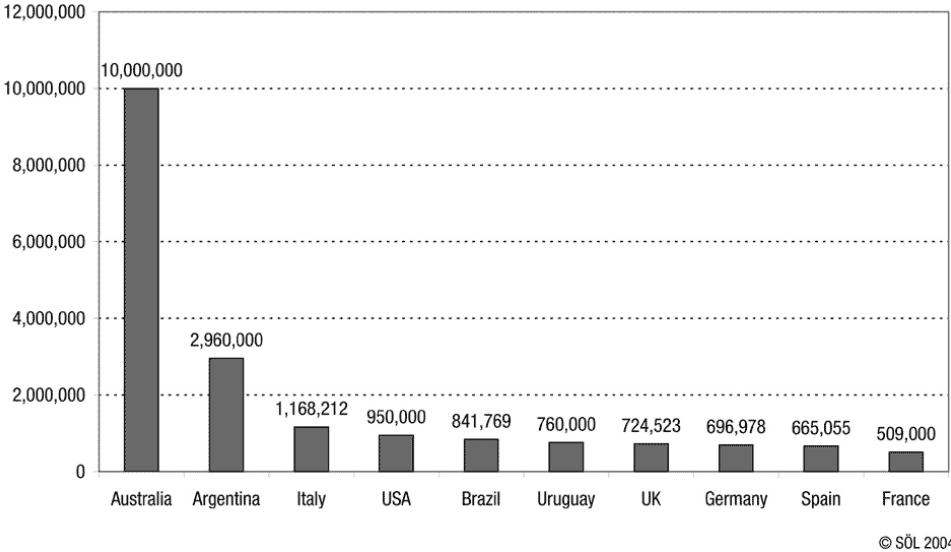


Fig. 7 Land area (hectares) under organic management

Australia/Oceania holds 42 percent of the world's organic land, followed by Latin America<sup>2</sup> (24.2 percent) and Europe (23 percent) (see Fig. 8).



In Australia/Oceania more than 10 million hectares and 2,000 farms are under organic management – this is the largest area in the world. In Australia approximately 10 million hectares are under organic management. Most of this is dedicated to extensive beef enterprises. The region’s growth in organic trade is heavily influenced by the increasing demand for organic food and fibre products in Europe, Asia (especially Japan) and Northern America.

Organic farming in Australia mainly driven by the demand in Asia, Europe and Northern America.

In many Latin American countries the area of organic land is now more than 100,000 hectares, and – starting from a low level – growth rates are extraordinary. The total organically managed area is more than 5.8 million hectares. The number of organic farms is almost 150,000.

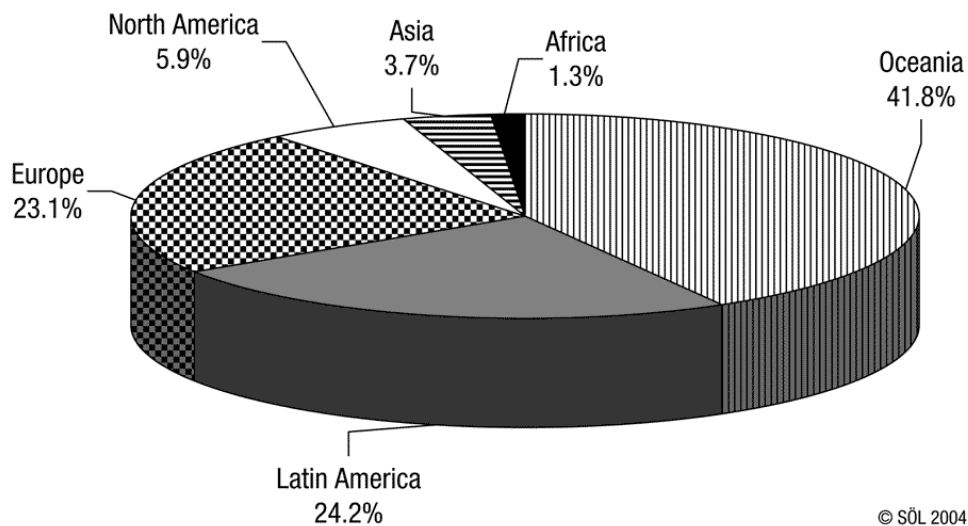


Fig. 8 Total area under organic management – share for each continent

In Europe more than 5.5 million hectares are under organic management, which corresponds to almost 2 percent of the total agricultural land. In some countries percentages have reached double-digit figures. More than 170,000 farms are run organically. The driving factor for the development in Europe is a growing market (mainly in Eastern Europe and the Mediterranean countries) as well as policy support for organic farming in the most European countries.

Organic farming in Europe mainly driven by the policy support.

In North America almost 1.5 million hectares are managed organically, representing approximately a 0.3 per cent share of the total agricultural area. Currently the number of farms is about 10,500. There are signs that with the U.S. national organic standards, which were fully implemented at the end of 2002, progress has been made for the organic sector and for consumers.

The total organic area in Asia is now about 880,000 hectares, corresponding to 0.07 percent of the agricultural area. The number of organic farms is more than

61,000. Interest in organic agriculture continues to grow even though unevenly throughout the region. There is a wide spectrum of sector development stages, from early pioneer status to highly developed markets (Japan).

In Africa with few exceptions (e. g. Egypt and South Africa) certified organic production is mostly geared to products destined for export beyond Africa's shores. The statistics indicate that with few exceptions certified organic farming is relatively under developed, even in comparison with other low-income continents. More than 320,000 hectares and 71,000 farms are now managed organically, representing about 0.04 percent of the agricultural land.

The data shown in Table 3 below include fully converted land as well as „in conversion“ land area.

Table 3 Land area under organic management in percent of total agricultural area (SÖL-Survey, 2004)

% of Agricultural Area		% of Agricultural Area		% of Agricultural Area	
Liechtenstein	26.40	Latvia	0.81	Morocco	0.14
Austria	11.60	Ecuador	0.74	Turkey	0.14
Switzerland	10.00	Ireland	0.70	Tanzania	0.14
Italy	8.00	Iceland	0.70	Zypern	0.12
Finland	7.00	Sri Lanka	0.65	Senegal	0.10
Denmark	6.65	Ukraine	0.58	Japan	0.10
Sweden	6.09	Peru	0.42	Cameroon	0.09
Czech Rep.	5.09	Papua New Guinea	0.41	Indonesia	0.09
UK	4.22	Dominican Rep.	0.40	Vietnam	0.08
Germany	4.10	Paraguay	0.38	Pakistan	0.08
Uruguay	4.00	Tunisia	0.36	Lebanon	0.07
Norway	3.13	Poland	0.36	Honduras	0.06
Costa Rica	3.11	New Zealand	0.33	Zambia	0.06
Estonia	3.00	Guatemala	0.33	China	0.06
Spain	2.28	El Salvador	0.31	Rep. of Korea	0.05
Portugal	2.20	Yugoslavia	0.30	South Africa	0.05
Slovakia	2.20	Suriname	0.28	Fiji	0.04
Australia	2.20	Romania	0.27	India	0.03
Netherlands	2.19	Jamaica	0.26	Thailand	0.02
Luxembourg	2.00	Lithuania	0.25	Philippines	0.02
Slovenia	1.91	Panama	0.24	Laos	0.01
France	1.70	Brazil	0.24	Malawi	0.01
Hungary	1.70	Colombia	0.24	Guyana	0.006
Argentina	1.70	USA	0.23	Croatia	0.004
Chile	1.50	Mexico	0.20	Benin	0.003
Belgium	1.45	Azerbaijan	0.20	Russia	0.003
Uganda	1.39	Egypt	0.19	Kenya	0.002
Belize	1.30	Ghana	0.16	Bulgarien	0.001
Canada	1.30	Cuba	0.16	Nepal	0.001
Bolivia	1.04	Mauritius	0.15	Syria	0.001
Israel	0.90	Nicaragua	0.14		
Greece	0.86				

For more information on the state of organic agriculture worldwide please refer to:

- [http://www.soel.de/inhalte/publikationen/s/s\\_74.pdf](http://www.soel.de/inhalte/publikationen/s/s_74.pdf)
- [http://www.unctad.org/en/docs//ditccom20032\\_en.pdf](http://www.unctad.org/en/docs//ditccom20032_en.pdf)

### Overview of the Global Market for Organic Food and Drink

The global market for organic food and drink was valued at USD 23 billion in 2002. Although production of organic crops is increasing across the globe, sales are concentrated in the most industrialized parts of the world. North America and Western Europe comprise the bulk of global revenues however consumer interest is growing in other regions.

Global organic market of \$ 23 billion in 2002. America and Europe the major markets.

Consumer demand is confined to the industrialized world (well developed countries) largely because of the relative high price of organic products. Many developing countries have large sections of their populations below the poverty line and this makes it difficult for domestic organic products to develop. Some African and Asian countries are seeing an increase in organic farmland because of farmers being attracted to the export benefits of organic production. In countries like China, Brazil, and South Africa rapid economic development is creating also a domestic market for organic food & drink at least in urban areas.

This section gives market size estimates for the major geographic regions. Market size and growth rates are based on research conducted by Organic Monitor (UK), the Nutrition Business Journal (USA), the European research project OMIaRD as well as industry estimates. Sales of organic food & drink refer to certified organic products whilst products that are not certified are excluded. All revenues are in US \$ or European € and fluctuations in exchange rate may distort market size data especially since the US dollar weakened considerably in the foreign exchange in 2003.

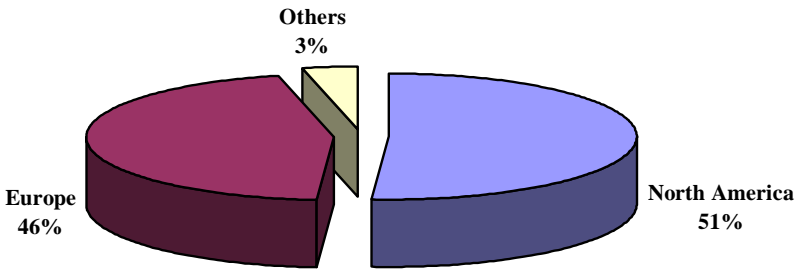


Fig. 9 Distribution of global food and drink revenues in 2002 (Source: Organic Monitor)

## The Organic Market in Western Europe

Clustering the Western European organic markets by the stage of organic market development indicates three different country groups which differ by their organic market development.

**Countries with established (mature) organic markets** are characterized by the important role of supermarkets as sales channels for organic products. In these countries, environmental protection and animal welfare are of high importance to consumers.

**In countries with growing organic markets**, specialized organic food shops and direct sales are important outlets for organic products; animal welfare seems to play a less important role in these countries.

**In countries with emerging markets**, the organic sector is still a small market niche, mainly serviced by organic farming pioneers, a small number of actors and a lack of organizational structure.

The following Table 4 shows the results of country clusters relating to the state of the national organic market which was made by more than 100 European experts for organic markets.

Table 4: Countries clustered by stage of organic market development

Mature market countries	Growth market countries	Emerging market countries
Austria	Finland	Belgium
Denmark	Italy	Greece
France	Netherlands	Ireland
Germany	Norway	Spain
Switzerland	Portugal	
United Kingdom	Sweden	

The Swiss market was valued at € 752 million in 2003 and it is the fifth largest in Europe. The Swiss expenditure rate on organic products is the highest in the world with the average Swiss consumer spending about € 104 on organic products per annum. The Danes are the second largest consumers of organic food & drink with an average spend of € 51 per annum. The expenditure rates on organic food & drink for selected European countries are shown in Fig. 10.

Swiss consumers with the highest per capita consumption of organic products worldwide.

Table 5: Organic Food & Farming in Selected European Countries in 2003

<b>Germany</b>	
Population (million)	82.4
Estimated organic retail sales	€ 3.1b
Organic and in-conversion land (ha)	734027
No. of organic holdings	16476
<b>UK</b>	
Population (million)	59.8
Estimated organic retail sales	€ 1.6b
Organic and in-conversion land (ha)	695619
No. of organic holdings	4017
<b>France</b>	
Population (million)	59.5
Estimated organic retail sales (02)	€ 1.6b
Organic and in-conversion land (ha)	550'000
No. of organic holdings	11377
<b>Italy</b>	
Population (million)	57.8
Estimated organic retail sales	€ 1.5b
Organic and in-conversion land (ha) <i>estimate</i>	1'150'000
No. of organic holdings	49000
<b>Switzerland</b>	
Population (million)	7.2
Estimated organic retail sales	€ 752m
Organic and in-conversion land (ha)	110'000
No. of organic holdings	6445
<b>Netherlands</b>	
Population (million)	16.0
Estimated organic retail sales	€ 395m
Organic and in-conversion land (ha)	41,865
No. of organic holdings	1522
<b>Denmark</b>	
Population (million)	5.3
Estimated organic retail sales (02)	€ 270m
Organic and in-conversion land (ha)	165'146
No. of organic holdings	3'510
<b>Austria</b>	
Population (million)	8.1
Estimated organic retail sales (02)	€ 323m
Organic and in-conversion land (ha)	326'703
No. of organic holdings	18760

Sources: Lampkin (2004); EC (2004), Richter (2004); Willer and Yussefi (2004); Yussefi, M et al. (2004) and own estimates

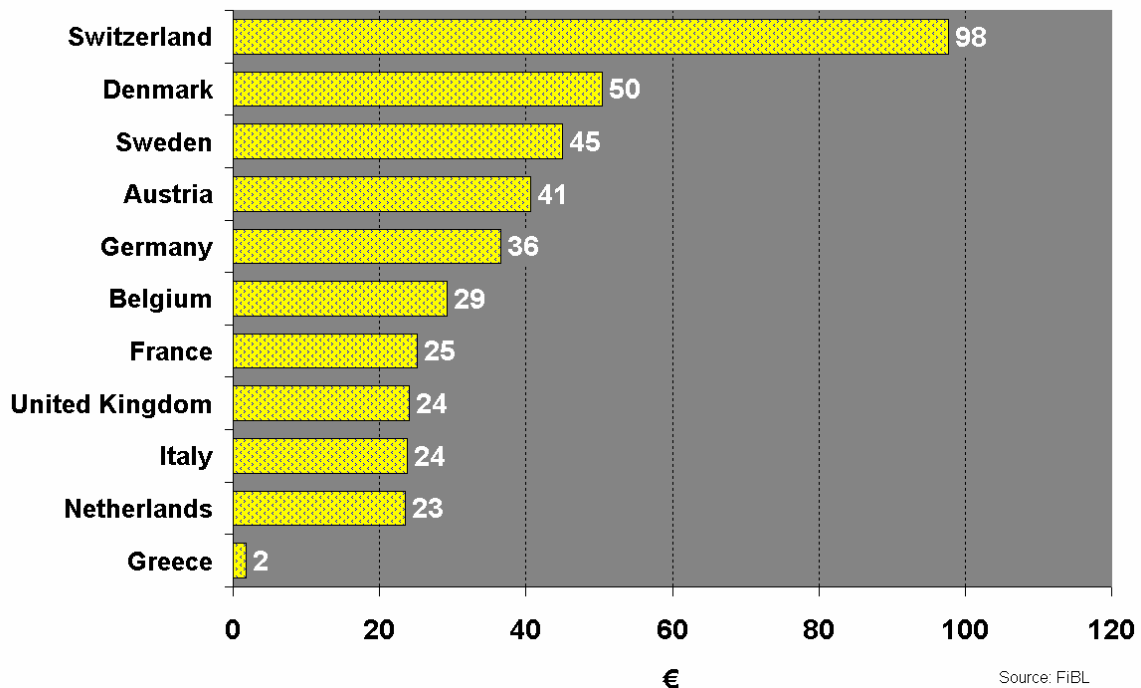


Fig. 10 Average Consumer Expenditure on Organic Produce in European Countries (2002) (Source: FiBL, 2004)

It is shown that there is much variation in the expenditure rate between European countries, ranging from € 2 (Spain) to € 98 (Switzerland) per capita. Countries like Switzerland, Denmark, Sweden and Austria have expenditure rates above € 40 per annum and if these are seen as aspirations for other European countries then there is much scope for further market growth. An increase in the average consumer expenditure to USD 40 would raise the organic food & drink market value to USD 15.4 billion in Western Europe.

Switzerland, Denmark, Sweden and Austria with highest per capita organic consumption in Europe

### Enlarged EU

Organic and in-conversion land area in the enlarged EU (25 countries) reached an estimated 5.7 million hectares (3.5% of Utilised Agricultural Area) on 160,100 holdings in 2003. Land area increased by 4 per cent compared with 2002, the number of farms by only 1 per cent. It appears as if existing producers converted more land, whereas the willingness of new producers to convert was affected by uncertainties over the outcome of the Common Agricultural Policy (CAP) reform and in the market.

Supply-demand imbalances have become a recent characteristic of the European organic food industry. A number of countries are showing oversupplies in sectors like organic meat & dairy whilst other sectors like organic cereals & grains continue to suffer from product shortages. A reason for this is that much of the early converts to organic agriculture were dairy & cattle farmers whilst the conversion rate for arable farmers has typically been low (higher efforts and production risks for arable farms than for dairy and extensive beef farms when convert to organic farming). This leads to a partial oversupply for beef and milk products. Due to the

Partly supply-demand imbalances. Over-supply for organic milk products and beef.

given limited demand these products can not completely sold as an organic product to an organic price. The organic oversupply has to be downgraded as conventional product and also is sold to market prices for conventional products.

In most European countries the organic area is still increasing.

A very different picture emerges for some individual countries: of the old EU member states, land area increased in Portugal, Greece, Austria, Spain, France and Germany, whereas it declined in Denmark, the Netherlands, Italy and the UK. Increases in land area of more than 10 per cent also occurred in some new EU member states, e.g. in Poland, Estonia, Lithuania and Hungary.

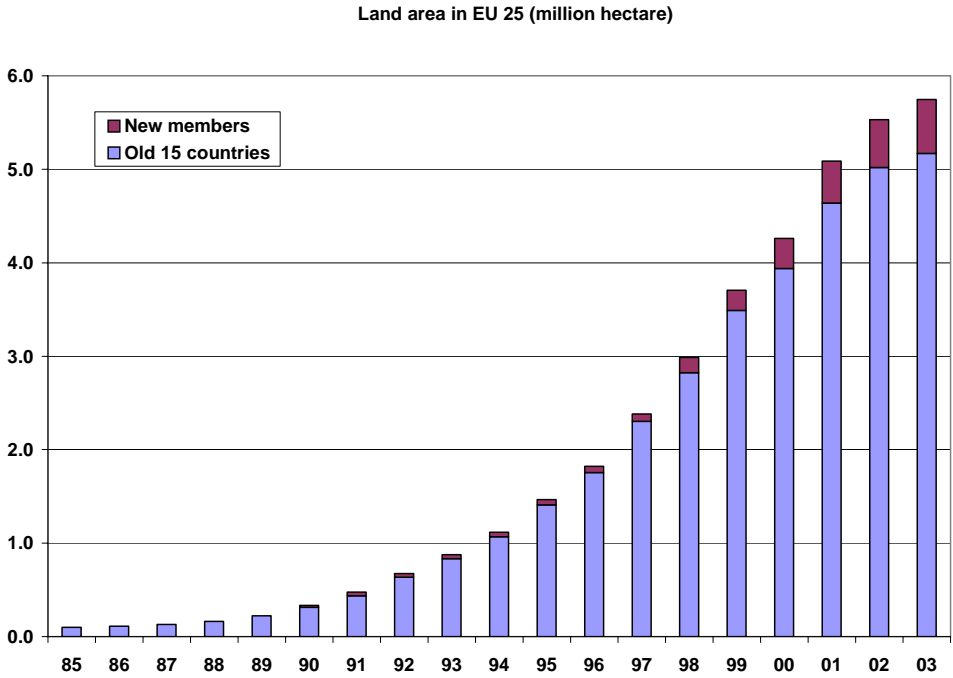


Fig. 11 Development of organic and in conversion land area in EU and new member states since 1985 (Source: Lampkin, 2004)

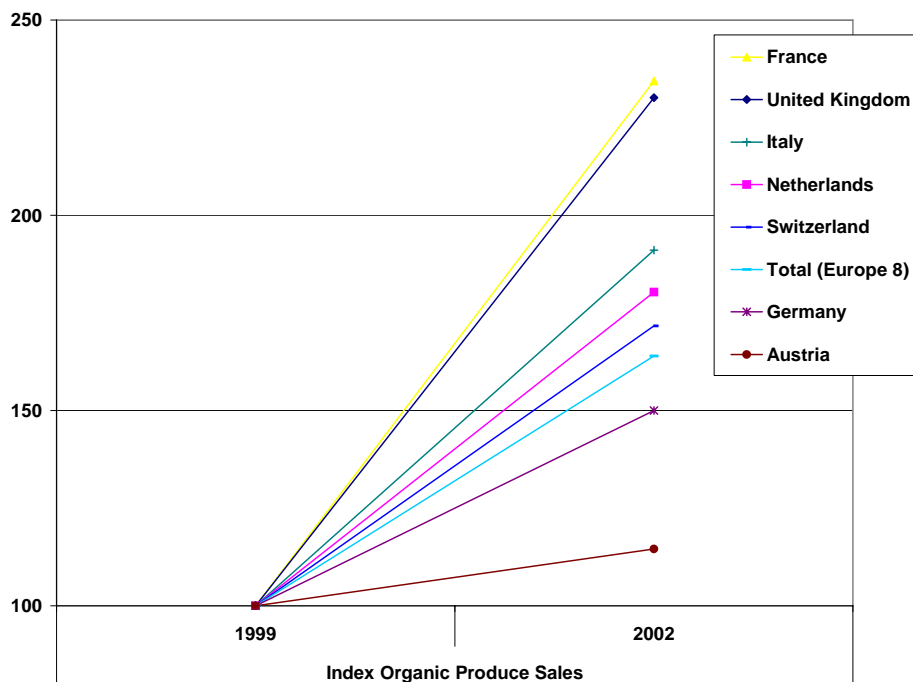


Fig. 12 Growth in European retail markets (1999-2002) (Source: Richter, 2004)

Also the organic produce sales developed with different growing rates in the last years country by country. While in countries like the United Kingdom or France enormous growing rates could be observed, in some countries like Austria the market consolidated after a phase of strong growth in the end of 90ies (see figure 12).

Throughout Europe, the development of consumption and production does not always go hand in hand (similar to the Ukraine, where presently 95% of the organic produce doesn't find an adequate demand) and, because of conversion periods for land and stock, production cannot respond instantly to changes in demand. Apart from some seasonal oversupply, the markets for cereals, fruit and vegetables are developed and most crops produced organically can be sold as such.

### Development in the most important European markets

**Germany** remains the leading market; one third of all purchases took place there. Land area and number of farms increased by 5.3 per cent compared with 2002. Policy support under the Green minister for consumer affairs continues in a special program of € 35 million to promote the penetration of organic products in the society for the years 2002 and 2003.

Supported activities include research, a central Internet platform and classroom campaigns. In the market popular brands were encouraged to develop organic items, and the national logo "Bio-Siegel" is continuously promoted in all media, now used on 20,800 products. This German governmental logo also can be used

The German government strongly pushes a broad market penetration of organic products.



for imported products when the standards of the EU regulations for organic farming are followed.

The retail market is estimated at € 3.1 billion, a small increase compared with 2003. The prospects for market development in 2004 are likely to be better, confirmed by sales increases of up to 20 per cent in specialist organic shops in the first two quarters. However, in the dairy market approximately one third is processed conventionally, and exports can no longer take up the surplus, because of the production increases and by “national campaigns” in France and the UK. Production and demand of organic vegetables increased, but so did competition from Dutch producers, targeting the German market for the same reason. Imports, especially from CEE countries, continue to put pressure on farmer premiums for cereals.

The share of sales of organic food sold through specialist organic (26 per cent), health food shops (9 per cent) and through direct marketing (18 per cent) remains high. The last two years have illustrated that sales in multiple retailers are vulnerable to food scandals. A growing number of dedicated supermarkets combine the commitment of a specialist organic shop with the convenience of a larger store. The potential of the catering sector is illustrated by the certification of the Swedish furniture house IKEA selling nearly half a million organic meals until December 2003. Also McDonalds purchases organic milk and beef, even if the latter is not sold labelled as organic beef.

France and the UK compete for the second place with a similar size of the retail market, but unlike in the UK the land area increased in **France** between 2002 and 2003. Funding for conversion program run out in August 2002 and was renewed early in 2004. Continuous organic management is not supported, but further funding was promised for processing, promotion and research. Retail sales were estimated at € 1.6 billion in 2003. The value of the retail market has grown by 5 to 7 per cent, despite organic fruit and vegetables having to compete with integrated produce, and the price cutting policies of some hypermarkets with reduced shelf space for organic. The national organic spring promotion this year focused on young people, and the city of Paris announced that afternoon snack in its nurseries will be organic, financed through an increases in the school meals budget.

The French government owns the most well known organic logo in the French market “ab” (agriculture biologique). On contrary to the German organic logo producers from the Ukraine are not able to use this label for their products. Only imports from the EU are allowed to bear this logo.

The **British** market for organic food & drink is the third largest in the world. Retail sales were estimated at € 1.6 billion in 2003 and market growth rates are slowing after years of growth between 20 and 40%. At the wholesale level, imports of indigenous products into the UK account for 40 per cent of market value. For cereals imports contribute 45 per cent by volume and 55 per cent by value, while

Also Ukrainian organic products can bear the German organic logo when EU organic standards are followed.

Germany with biggest organic market volume in Europe.

Multiple retailers and alternative organic and health food shops are main distribution channel for organic products in Germany.

In France strong market competition between organic and so called integrated production.

Recent campaign in the organic sector in UK: “Buy British”.

the fruit and vegetable category is 52 per cent reliant on imports by volume and 66 per cent reliant by value. Levels of imports remain relatively high, but reliance on foreign organic products has declined in all areas compared to previous years. This can be attributed to a number of factors:

- ⇒ Increased availability of UK organic products
- ⇒ Improved quality and consistency of supply from UK organic producers to meet the markets' needs
- ⇒ Government pressure through organic action plans to increase UK sourcing
- ⇒ Greater effort and investment from supermarkets to procure UK products where possible.

The most marked jump in the last years was in sales through farmers' markets, which more than doubled. This was due to three factors: an increase in the number of markets, an increase in average sales per market, and a greater proportion of organic food sold, on average, at each market.

Consolidation has been reported at the retail level with brands focussing more heavily on lines that have proven to be successful. However, supermarkets report continued investment in expanding their organic range and elevating organic sales. All supermarkets expressed increased effort to procure domestically produced organic food.

**Italy** has the largest organic land area and the fourth largest market. Land area and the number of producer are estimated to have fallen slightly, but in wine production conversion still continues. Retail sales were estimated at € 1.5 billion in 2003. It covers approximately 1.5 per cent of the total food sales. The product categories with strongest growth were milk, milk products and baby foods, whereas vegetables and fruit declined in line with conventional markets. Production of meat remains lower than demand, the shortfall made up by imports from Germany and Austria. Exports of fruit, some vegetables, wine and pasta cereals to other EU member states, a strong side of Italy's organic sector, have fallen by 20 per cent, but with financial support of the EU, the Italian organic farmers unions (such as AIAB) now want to promote sales to outside the EU.

Italy: strong export orientation but growing domestic market.

**Switzerland** as reported is the champion in terms of consumption; at average each person spends € 104 on organic products. Retail sales were estimated at € 752 million in 2003. Organic fresh food sales make up about 7.5 per cent of total retail sales. The market continues to grow, especially for meat products and in the Western French speaking cantons, but there are some oversupply problems, for example with apples and milk. The two competing retail chains Co-op and MIGROS follow different strategies in their organic assortments nowadays. While Co-op continuously broaden the number of organic lines, MIGROS starts to drop the number of organic items and pushes stronger conventional produced brands with regional character (e.g. Heidi as a premium brand for conventional milk products from Swiss mountain areas) or integrated production (e.g. bread

Swiss, regional and mountain origin products gain market shares in CH.

with a ladybird label or meat products from animal friendly but conventional production). With the expected entrance of the market of the German discounters ALDI and LIDL a national discussion started about the general high consumer price level of food in Switzerland. In this context the number of consumers decreases which are willing to pay an extraordinary high price for organic products. Parallel Swiss consumers tend back to domestic products and would prefer a conventional Swiss product rather than an imported organic product (patriot shopping).

Swiss consumers with increasing price consciousness.

The **Netherlands** is important despite of the relative small country size, because of its role as international trader for fruits and vegetables as well as cereals and feed stuff from CEE and other countries. The organic land area declined by 2 per cent, a reflection of policy change in 2002, when conversion support was suspended (maintenance support continues), in favour of a task force for organic market development. Retail sales were estimated at € 395 million in 2003. The retail market grew by 5 per cent; strongest growth occurred in natural and organic food shops (including specialist butchers, 41 per cent market share). There are a lot of organic shops and organic supermarkets which started in the last couple of years and improved the availability for organic food. An oversupply with pork was tackled through the setting up of a producers' association, which encouraged (and compensated for) reduction in organic production. Encouraged by the governmental task force the multiple retailer Plus replaced some vegetable lines entirely with organic products, offering the organic product to the same price as conventional.

The Netherlands – one of the biggest traders for organic products in Europe.

**Denmark** is one of the well-developed European markets that have shown a slight decline in the certified land area and number of farms in 2003, compared with the year before and since 2002 growth in the market has also been slow. Retail sales were estimated at € 270 million in 2003. The ministry has launched a campaign to raise awareness of the organic sector. The share of consumption for organic products is high in some markets, for example depending on the source 25 to 30 per cent of all milk sales are reported to be organic. ARLA, the leading Danish dairy company has reduced the amount of organic milk by 10 per cent by issuing fewer contracts to organic producers, but smaller organic dairies have been successful in increasing sales, both domestically and abroad. The new Danish government stopped targeted organic support but organic producers are the main beneficiaries of a new agri-environmental support scheme introduced instead.

Denmark with tendencies of oversupply and consequently export orientation.

**Austria** has a high share of organic land area (11 per cent). After a period of stagnation and decline until 2000, the increases in 2003 of 11 per cent (substantially higher than the EU average) illustrate that periods of growth can follow again after stagnation. The market volume for 2003 is estimated to be on app. € 320 Mio. Growth in the retail sector since 1999 has been moderate, for fresh products (milk and cheese, meat and potatoes) a decline of 5 to 10 per cent in

Austria – organic market growth keeps only via discounters.

2003 is estimated. Above all HOFER a discounter which permanently enlarges its organic assortment indicates stable growing sales figures with organic food. Approximately two third of organic sales are resulting from retailer distribution.

With continues increases **Spain** has taken second place in terms of organic land area (725,254 hectare on 17,028 holdings). Retail sales are valued at € 235 million in 2003. A co-ordinated campaign by ministry and multiple retailer chains want to grow the domestic market by 15 to 20 per cent.

Organic farming and markets in Spain and Portugal starts to grow.

To grow the market **Sweden's** leading certification body KRAV aims to simplify import procedure through direct co-operation with IFOAM accredited certifiers in other countries. Portugal launched its own action plan with a target for organic land area from current 3 to 7 per cent, and the number of organic producers to 1.5 per cent in the next four years.

In **Hungary** (2002) the organically cultivated area was 103,672 hectares, constituting approximately 0.7 per cent of the agricultural land. The number of farms was 1309, of which only 193 were small-scale farmers (Roszík et al. 2002). The size of the domestic market is estimated to be about € 10 - 15 million, and about half of domestic consumption is baby food made by a single company. Some European countries are allowed to certify organic products for export to Hungary. The suppliers here are mainly EU countries. Outside of the EU, only Switzerland, Slovakia and Poland export organic products to Hungary (Nemes, 2002). There is little marketing activity in Hungary, and the country has, in essence, no general, established processing infrastructure and market for organic products. This means that only products that have been pre-ordered, or at least requested, are produced (Frühwald, 2000). Export is targeted. Production does not aim to fulfil local market needs.

Hungary focuses on export of organic raw material and just imported processed organic food.

In the **Czech Republic** the organic production increase is drastically. End of 2003 6 % of the UAA were cultivated organically. Organic retail sales are estimated for 2003 to be on € 5.7 million. Annual growing rates differ between 15 – 20 %. For having a wide range of goods to offer in specialized organic shops and international multiple retailers, the Czech Republic is dependant on imports of processed organic food (because an own processing infrastructure for organic raw materials is mostly missing). About 50 % of the certified organic products are imported; mainly from Germany, Austria, Switzerland, and Slovakia. The major share (55 %) of organic products is marketed by multiple retailing chains (incl. hypermarkets like Delvita, Globus, Tesco). Specialized organic shops participate in the organic market with about 25 %, while direct selling has a share of about 20 % (ZMP, Agrarmaerkte in Mittel- und Osteuropa 2003).

Imports of processed organic food for a growing Czech market.

## Sales channels for organic food in Europe

General food shops have the advantage that consumers are able to buy most goods, which they need for their daily life at one single place. Consumers appreciate this form of one-stop-shopping in Europe more and more because they do not want to lose too much of their spare time by going to several different shops. The figures presented in this section provide a comprehensive description of sales channels for organic food in Europe, and are based on panel data or the estimates of market experts.

In Table 6 the turnover of the organic food market of nineteen analysed countries in 2001 has been segmented according to the different types of sales channels. The sales channel 'general food shops' includes those shops selling predominantly conventional food, but in addition often have a small range of organic products. In this survey we use the term 'general food shop' for small food retailer shops (under 400 square metres sales area), supermarkets (400-800 square metres sales area), hypermarkets (over 800 square metres sales area), as well as for discounters.

The sum in columns for each country total is 100 percent. As is evident in Table 6, the mix of sales channels used to sell organic products varied significantly between countries. Of all sales channels, general food shops were the most important sales channels for organic food. In thirteen of the nineteen surveyed countries general food shops were responsible for 50 or more percent of the total turnover with organic food, and in five of these countries even for 75 or more percent. These five countries were Sweden, the United Kingdom, Denmark, Finland and Switzerland.

In Austria general food shops also played an important role with 63 percent of the total turnover with organic products. The fact that Austria, Denmark, the United Kingdom and Switzerland each have at least one general food shop chain, with national coverage, promoting a large range of organic products (in excess of 400 organic products) is a large factor in explaining the importance of the general food shop as an organic sales channel in these countries (Richter et al. 2000).

Supermarkets and hypermarkets dominate as sales channel for organic products in Europe.

Table 6 Share of total organic food sales by sales channels in 2001 (in %)

Country	General food shops <sup>1</sup>	Bakers/ butchers	Organic food shops	Whole food shops	Direct sales of farmers <sup>2</sup>	Restaurants	Others
<b>EU</b>							
AT	63	3	13	1	13	7	-
BE	50	-	30	10	10	-	-
DE	35	7	27	9	17	2	3
DK	80	1	5	-	8	6	-
ES	10	1	19	61	5	2	2 <sup>3</sup>
FI	80	-	-	10	5	5	-
FR	55	2	30	-	10	3	-
GR	17	1	70	-	10	2	-
IE	60	16	14	-	8	-	2
IT	55	2	31	-	9	3	-
LU	50	3	40	3	3	1	-
NL	42	10	41	-	7	-	-
PT	20	-	30	20	30	-	-
SE	90	-	1	1	5	3	-
UK	82	-	8	2	8	-	-
CZ	55	-	25	-	20	-	-
SI	5	-	5	-	90	-	-
<b>EFTA</b>							
CH	75	2	9	8	6	-	-
NO	50	5	30	-	15	-	-

Source: OMIARD: Analysis of the organic market in Europe

In Germany and in the Netherlands, the fact that the general food shops do not play a significant role reflects the high importance of whole food shops and organic food shops in building up the organic food market. In these two countries the share of turnover is almost the same in general food shops and in organic food shops plus whole food shops. In Germany this is also a sign for the lack of co-operation amongst organic farmers. This co-operation, however, is necessary for consistent and reliable supply levels in sufficient volumes and quality.

Slovenia, Spain, Greece and Portugal were the countries with the lowest importance of general food shops. In these countries the development of the domestic organic market is still on a low level. In Greece and Spain, whole food shops played a dominant role for organic food sales. In Slovenia direct sales clearly play

In Germany and the Netherlands organic food shops play an important role as distributors for organic food.

<sup>1</sup> Small retailer shops (under 400 m<sup>2</sup>), supermarkets (400-800 m<sup>2</sup>), hypermarkets (over 800 m<sup>2</sup>) and discounters

<sup>2</sup> Including weekly markets and delivery services of farmers (for example box schemes)

<sup>3</sup> Consumer associations and co-operatives

the most important role with 90 percent share of the turnover with organic products. Low production and therewith sales volumes have not attracted any interest from organic or general food shops.

Organic sales in sales channels other than general food shops, organic food shops or direct sales were still rather marginal. Nevertheless, one of them seems to represent a large potential for organic sales in the future: restaurants and canteens. Especially canteens of schools, universities, kindergartens and hospitals are currently being discussed as a strong growing sales channel for organic food in many countries. In Austria, Denmark and Finland this sales channel accounts for five or more percent of the total organic food sales. In Denmark and Germany, the governments put lots of effort in financial support and consultancy for canteens willing to start using organic products. In Italy, canteens of kindergartens and schools have to sell organic products by law since 1999 (Ökomarkt Forum, 2003).

In restaurants and canteens there is a strong growth for organic meals in many European countries driven by public demand.

### **Price premiums for organic food**

The following section analyses farmer and consumer price premiums for organic products in different European countries. Knowledge about prices at different stages in the organic market, and farm gate and consumer prices is crucial in making the organic market more transparent than it is at the moment. Prices give signals to all market actors, showing the relationship between demand and supply for, and between, products and countries. Of further interest is the relationship between prices for conventional and organic products given that organic farming is connected with higher production costs, and therefore, requires higher prices for its products.

Only the price premiums in % are displayed in tables because they provide more interesting comparisons between countries than absolute prices. The significance of price premiums is much higher than absolute prices, which are influenced by VAT rates, the importance of different national sales channels, the competitive situation between the organic and conventional sectors, and the seasonal supply situation. These factors vary strongly between countries. The price premiums are shown as the additional charge of the organic price in percent above the conventional price.

### **Farmer price premiums**

The following figures in Table 7 and Table 8 indicate how much more farmers were paid for their organic products in comparison to conventional products in 2000. Prices were taken from sales to wholesalers or processors. Variations in price premiums can, for example, reflect differences in production conditions for the same product in different countries, different national support for the same product group, different market situations (surplus or deficit), or simply a lack of market transparency for actors in different countries.

In Table 7 figures on organic farmer price premiums for plant products are given for 2000. The EU average price premium for organic cereals was 102 percent. However, only two countries (Denmark and The Netherlands) nearly met the calculated average price premium. All other countries reported price premiums much below or above this average, varying from 30 percent in Greece up to 281 percent in Luxembourg. Huge differences existed even between neighbouring countries, for example, Denmark and Sweden, and Belgium and The Netherlands. The highest EU average of all surveyed products was 257 percent for potatoes. This figure was mainly influenced by the high German price premium of 300 percent, and the fact that 46 percent of all sales of organic potatoes within the EU were sold in Germany. The main reason for the high price premiums for organic potatoes in the year 2000 was the above average harvest of potatoes in that year. This led to extremely low conventional potato prices. Again Greece reported the lowest price premium with 40 percent.

Table 7 Organic farmer price premiums for plant products in 2000 (in %)

Nation	Cereals	Oilseeds	Potatoes	Wine
EU				
AT	170 <sup>1</sup> ▲	nd	280 <sup>2</sup>	nd
BE	150 ▲	nd	497 ▲	nd
DE	134 ▲	77	300	30
DK	105	124	84 ▼	nd
ES	53 ▼	nd	nd	30
FI	45 ▼	97	226	nd
FR	150 ▲	60	nd	nd
GR	30 ▼	nd	40 ▼	40
IE	75 ▼	nd	nd	nd
IT	70 ▼	nd	nd	20
LU	281 ▲	nd	124 ▼	nd
NL	110	nd	nd	nd
PT	133 ▲	nd	nd	nd
SE	79 ▼	92	67 ▼	nd
UK	177 ▲	nd	296	nd
<b>Weighted EU average</b>	<b>102</b>		<b>257</b>	
<b>Accession countries</b>				
CZ	54	30	Nd	nd
SL	30	nd	0	20
<b>EFTA</b>				
CH	57	nd	132	nd
NO	nd	nd	109	nd

▲ = more than 20% above the EU average

▼ = more than 20% below the EU average

Source: OMIaRD market analyses

Farmer price premiums for organic food differ tremendously based on national differences in support schemes, market constellations in the conventional and organic sector and the different market power of organic producer / producer initiatives.



The figures on farmer price premiums for animal products for 2000, see Table 8, illustrate that the price premiums were lower for most animal products compared to plant products. Exceptions were poultry, meat, and eggs. Regarding the individual product groups, the weighted EU average for milk was 22 percent. Germany and Finland recorded more than 20 percent lower price premiums than the EU average. Belgium, Luxembourg and the United Kingdom, countries with a low degree of self-sufficiency, had price premiums more than 20 percent above the EU average. For beef, the lowest price premium was recorded in Spain with 10 percent. This is no wonder if one takes into account that in Spain only 10 percent of organic beef was sold as organic, which enabled buyers a greater choice in deciding where to buy it.

Table 8 Organic farmer price premiums for animal product in 2000 (in %)

Nation	Milk	Beef	Sheep	Pork	Poultry	Eggs
<b>EU</b>						
AT	18	17 <sup>1</sup> ▼	20 ▼	50 ▼	200 <sup>1</sup>	100 <sup>1</sup> ▼
BE	32 ▲	34	232 ▲	94 ▲	nd	nd
DE	10 ▼	33	35	71	200	177
DK	19	12 ▼	25 ▼	66	370 ▲	250 ▲
ES	nd	10 ▼	2 ▼	nd	nd	180
FI	11 ▼	14 ▼	29 ▼	24 ▼	nd	121 ▼
FR	23	nd	52 ▲	91 ▲	nd	nd
GR	nd	nd	Nd	nd	70 ▼	45 ▼
IE	22	30	24 ▼	nd	nd	nd
IT	25	25 ▼	Nd	40 ▼	100 ▼	100 ▼
LU	29 ▲	57 ▲	Nd	nd	nd	40 ▼
NL	18	20 ▼	Nd	50 ▼	80 ▼	114 ▼
PT	nd	nd	Nd	nd	nd	nd
SE	18	22 ▼	39	67	171	65 ▼
UK	74 ▲	173 ▲	43	120 ▲	170	154
<b>Weighted EU average</b>	<b>22</b>	<b>34</b>	<b>41</b>	<b>68</b>	<b>182</b>	<b>167</b>
<b>Accession countries</b>						
CZ	nd	nd	Nd	nd	nd	nd
SL	0	20	10	10	nd	20
<b>EFTA</b>						
CH	20	10	43	54	108	100
NO	9	7	12	nd	nd	nd

▲ = more than 20% above the EU average

▼ = more than 20% below the EU average

Source: OMIaRD market analyses

The price premium for beef in the United Kingdom was extraordinary high at 173 percent, because of a very low degree of self-sufficiency of only 20 percent. The weighted average price premium for sheep was 41 percent. It is little surprise,

given that all three animal products with grassland as their production basis (for which there is no alternative), have much lower price premiums than the animal products of pork, poultry, and eggs. This is because the latter animal products are mainly based on fodder concentrates such as cereals and oilcakes which demand high price premiums (around 100 percent).

The EU averages for poultry and eggs were very high compared to other animal products, with 182 percent and 167 percent respectively. One reason for this is that the production costs are much higher than in conventional production systems. Another point is that there are supply deficits for these products in many countries leading to shortage prices. The highest price premium for poultry was recorded in Denmark with a remarkable 370 percent. Price premiums for eggs should be handled with care because it appears as if, in some cases, the reference basis for the conventional price was not the price for free range eggs but for eggs from laying batteries, which are much cheaper. The price difference between organic and conventional eggs may, therefore, be overstated.

### **Consumer price premiums**

As in most European countries, no regular recording of consumer price exists. Prices for this report were collected in 19 countries at different shops. Prices were collected in June and July 2001. To get a nation-wide average for consumer prices of organic food, at least ten shops were chosen in each country. The shops were selected from different regions to reflect possible price differences among the regions. As there are usually price differences between different types of shops, shops were also chosen according to the importance of sales channels in each country.

The following figures in Table 9 show the consumer price premium of organic products over conventional products. The conventional prices were collected at the same time as the organic prices and in comparable sales channels. In large supermarkets both the organic and conventional prices were collected for each product. The prices in specialised organic food shops were compared with prices in small conventional supermarkets. Prices of products sold by organic farmers directly to consumers were compared with direct sales prices from conventional farmers.

Consumer prices premiums for organic food mainly differ by the national distribution structure and the availability of products.

Table 9 Consumer price premiums for organic cereal products in 2001 (in %)

Nation	Whole wheat	Wheat flour	Muesli	Wheat bread
<b>EU</b>				
AT	nd	72	0 ▼	62
BE	85 ▲	61	97 ▲	37 ▼
DE	86 ▲	102 <sup>1</sup> ▲	95 ▲	33 ▼
DK	2 ▼	48 <sup>2</sup> ▼	154 ▲	47 <sup>2</sup> ▼
ES	nd	nd	nd	nd
FI	62 ▲	54 ▼	63	53
FR	7 ▼	50 ▼	19 ▼	33 ▼
GR	77 ▲	180 ▲	9 ▼	83 ▲
IE	nd	127 ▲	122 ▲	26 ▼
IT	9 ▼	82	39 ▼	98 ▲
LU	64 ▲	182 ▲	16 ▼	84 ▲
NL	58 ▲	nd	102 ▲	45 ▼
PT	nd	108 ▲	15 ▼	79 ▲
SE	nd	68	17 ▼	6 ▼
UK	118 ▲	33 ▼	43 ▼	60
<b>Weighted EU average</b>	<b>41</b>	<b>75</b>	<b>57</b>	<b>61</b>
<b>Accession countries</b>				
CZ	80	99	43	185
SL	30	30	nd	33
<b>EFTA</b>				
CH	65	115	46	80
NO	87	100	109	140

▲ = more than 20% above the EU average

▼ = more than 20% below the EU average

Source: OMIaRD market analyses

Table 10 gives an overview of the consumer price premiums for potatoes, four typical vegetable products, and two typical fruit products. The table illustrates that there was again a wide range of consumer price premiums for all listed products. Therefore, only a few countries met the weighted EU average price premium. It is very hard to identify general trends from this table. In two EU countries, Germany and the Netherlands, five of the seven listed products had relatively high price premiums for consumers. In both countries, organic and health food shops were the most important sales channels. Generally speaking, small shops usually have higher consumer prices than regular supermarkets. Conversely, Italy was the only EU country in which consumer price premiums for six of the seven listed vegetable and fruit products were below 20 percent. Italy is a main producer of vegetables and fruit. As was expected, consumer price premiums for organic vegetables and fruit were relatively low in the surveyed new EU member countries Czech Republic and Slovenia, mainly because of the lower income levels of consumers. The opposite was true for the two EFTA countries.

Table 10 Consumer price premiums for organic vegetables and fruit in 2001 (in %)

Nation	Potatoes	Tomatoes	Onions	Cucumbers <sup>1</sup>	Carrots	Apples	Oranges
<b>EU</b>							
AT	34 ▼	137 ▲	83	67	82 ▲	49	39 ▼
BE	105	57 ▼	50 ▼	47 ▼	65 ▲	107 ▲	nd
DE	143 <sup>2</sup> ▲	123 <sup>2</sup> ▲	59 <sup>2</sup> ▼	88 <sup>2</sup> ▲	30 <sup>2</sup> ▼	57 <sup>2</sup> ▲	125 ▲
DK	13 ▼	74 ▼	128 ▲	71	38 ▼	56 ▲	65
ES	nd	nd	nd	nd	nd	nd	nd
FI	99	76 ▼	207 ▲	17 ▼	160 ▲	71 ▲	144 ▲
FR	61 ▼	10 ▼	80	nd	64 ▲	57 ▲	78
GR	122 ▲	71 ▼	128 ▲	25 ▼	69 ▲	60 ▲	17 ▼
IE	11 ▼	35 ▼	176 ▲	nd	45	nd	89 ▲
IT	54 ▼	45 ▼	122 ▲	1 ▼	38 ▼	29 ▼	39 ▼
LU	64 ▼	85	64 ▼	202 ▲	119 ▲	111 ▲	47 ▼
NL	273 ▲	225 ▲	155 ▲	62	71 ▲	74 ▲	43 ▼
PT	124 ▲	88	175 ▲	168 ▲	145 ▲	21 ▼	nd
SE	71 ▼	35 ▼	148 ▲	43 ▼	87 ▲	37	11 ▼
UK	1 ▼	88	51 ▼	nd	38 ▼	63 ▲	58
<b>Weighted EU average</b>	<b>91</b>	<b>99</b>	<b>87</b>	<b>69</b>	<b>53</b>	<b>45</b>	<b>65</b>
<b>Accession countries</b>							
CZ	26	20	25	20	25	20	nd
SL	33	26	20	20	20	20	nd
<b>EFTA</b>							
CH	104	113	119	79	93	46	44
NO	39	81	111	82	84	10	128

▲ = more than 20% above the EU average

▼ = more than 20% below the EU average

Source: OMIaRD market analyses

Table 11 Consumer price premiums for organic milk products and eggs in 2001  
(in %)

Nation	Milk	Butter	Natural yoghurt	Fruit yoghurt	Cheese	Eggs
<b>EU</b>						
AT	27 ▼	15 ▼	46 ▼	11 ▼	15 ▼	23 ▼
BE	69 ▲	38 ▼	76	55 ▼	51	21 ▼
DE	56 <sup>1</sup> ▲	72 <sup>1</sup> ▲	176 <sup>1</sup> ▲	152 ▲	111 <sup>1</sup> ▲	53 <sup>1</sup>
DK	18 ▼	20 ▼	19 ▼	33 ▼	23 ▼	47
ES	nd	nd	nd	nd	nd	nd
FI	48 ▲	-	23 ▼	128 ▲	33 ▼	109 ▲
FR	35	74 ▲	91	61	82 ▲	45
GR	85 ▲	42	81	16 ▼	212 ▲	140 ▲
IE	18 ▼	89 ▲	9 ▼	42 ▼	24 ▼	39
IT	31	77 ▲	15 ▼	-2 ▼	47 ▼	50
LU	45	109 ▲	15 ▼	36 ▼	84 ▲	133 ▲
NL	33	60	38 ▼	127 ▲	41 ▼	94 ▲
PT	186 ▲	129 ▲	243 ▲	90	29 ▼	83 ▲
SE	22 ▼	30 ▼	10 ▼	26 ▼	43 ▼	59 ▲
UK	59 ▲	37 ▼	8 ▼	32 ▼	43 ▼	36 ▼
<b>Weighted EU average</b>	<b>37</b>	<b>51</b>	<b>83</b>	<b>75</b>	<b>61</b>	<b>48</b>
<b>Accession countries</b>						
CZ	13	12	nd	nd	43	3
SL	0	nd	nd	nd	5	40
<b>EFTA</b>						
CH	21	65	61	48	41	80
NO	36	191	62	235	27	40

▲ = more than 20% above the EU average

▼ = more than 20% below the EU average

Source: OMIaRD market analyses

Table 11 shows the consumer price premiums for six typical milk products and eggs in 2001. In Austria, Denmark and Sweden price premiums for milk and milk products were more than 20 percent lower than the EU average. These are typical milk production countries.

In Austria, Denmark, Sweden, and Switzerland, low price premiums for organic milk are used by supermarkets as a marketing strategy to increase organic sales. This is because many consumers know the price for liquid milk, as milk is a frequently bought product. A high price premium for milk would therefore act as a deterrent. A general trend from our 2000 data shows price premiums for liquid

milk and butter were lower in the EU than those for yoghurts and cheese. The higher price premiums for organic yoghurts and cheese seem to be accepted by consumers because they come in a large variety of products and package units, which makes it more difficult for consumers to compare prices with similar conventional items, and between shops. The consumer price premiums for eggs, listed in Table 11, were conspicuously high in some countries, for example, Finland, Greece and Luxembourg.

### **The European Organic Market after EU Enlargement**

Approximately 10 per cent of the land and 5 per cent of the holdings are located in the new member states that joined the EU on 1st May 2004. The enlargement brings some new market players and changed market constellations to the Western European organic sector. On the one hand, producers are afraid of increasing competition from imports of grain, fruit and fruit preparations from South-Eastern Europe through further conversion in the new member states. For example, the organic land area in Hungary grew by 10 percent in 2003; the Czech government launched an organic action plan in March 2004 aiming for increase land area from the current 6 to 10 per cent by 2010. On the other hand, domestic markets in the new member states could grow faster than local production and processing capacity, opening opportunities for imports. For example, the market in the Czech Republic has shortages in domestic supply of eggs, milk, milk products, fruit and vegetables. The market, valued at € 5.7million in 2003, grew by nearly 20 per cent. Processing activities are limited; a fact that the Czech Organic Action Plan also aims to address.

The market power which comes from the Middle and Eastern European countries with their strong export orientation makes many Western European farmers and farmer associations feeling inconvenient. There is a fear that product charges with very low prices could substitute the national organic production. However it has to be taken into account, that price advantages in offers only are one side for buying decisions for Western European processors, retailers and consumers. Another important point is the credibility of organic production and certification, the quality aspects and aspects of producer reliability. Concerning these points there seems to be the biggest lack between expectation of Western European importers and consumers on the one side and the offered supply from Middle and Eastern European countries on the other side.

Changes and challenges for organic supply from Middle and Eastern European countries in Western Europe.

Organic producers from the Ukraine first at all have to build up and communicate credibility on the target export markets.

## The Organic Market in Northern America

The North American market for organic products is reporting the highest growth worldwide. Consumer demand for organic products remains growing and the region is expected to account for most global revenues in the foreseeable future.

In the **USA** the United States Department of Agriculture (USDA) implemented the National Organic Program (NOP) in October 2002. The NOP only allows organic products that meet USDA regulations to be marketed as organic products in the American marketplace. This has given the industry a boost by making organic products more visible in the marketplace and raising consumer awareness. Organic products must meet national standards in order to obtain the official organic logo and this has strengthened consumer confidence in organic products. The NOP is also causing organic products to enter mainstream marketing channels with a number of American supermarkets now offering organic foods and beverages. Throughout the value chain, from the domestic or foreign farmer to the final consumer, the standards will increase the focus on organic products and help to regulate and promote the trade.

Imports to the US market have to meet the national organic standards of NOP.

With retail sales of organic food and beverages amounting to about \$ 12 billion in 2003, the United States is the world's largest market for this product group. Industry sources expect recent years' strong growth (20 per cent or more annually) to continue over the short to medium term. In 2002, organic produce sales even grew by 33% (New Hope Natural Media). According to some surveys, retail sales of organic food might reach \$ 20 billion in 2005.

Growing rates in demand of 15 – 30% annually in the US market.

According to USDA figures, total certified farmland increased from 935,000 acres in 1992 to 2,344,000 acres in 2001. The biggest increase took place in cropland, which reached about 1,305,000 acres in 2001, while pasture and rangeland amounted to about 1,040,000 acres. Vegetables were grown on 71,600 acres. Major crops were lettuce, tomatoes and carrots. Fruit was grown on 55,600 acres. Main crops included grapes, apples, citrus and tree nuts. However, a wide and varied range of fruit and vegetables are grown organically in the United States.

Fruits and vegetables are by far the most important organic items, accounting for over 40% of all organic food sales. Natural food stores are the principal retail outlets for organic fresh produce. Other important channels include conventional supermarkets and "direct-to-consumer" sales, e.g. farm-gate sales, farmers' markets and "community supported agriculture" subscription (CSA). While both the natural food stores and the conventional stores sell organic produce, they approach the sector differently. The natural food stores usually focus on organic produce and will offer conventional produce only when organics are not available. Most mainstream supermarkets, on the other hand, feature conventional produce and provide limited organic produce to complement their conventional range. However, some conventional supermarkets are also opening their own natural food departments.

Fruits and vegetables most demanded organic products in the US market.

Amongst the most important processed fruit and vegetable products are fruit juices and other fruit beverages, jams and marmalades, pasta sauces, frozen,

canned and dried fruit and vegetables. Organic fruit and vegetables are also used as ingredients in various prepared food categories, including baby food. For most processed fruit and vegetable products, natural food stores are probably still the principal outlet, though for some items like frozen vegetables, the conventional supermarkets are equally important.

Many products require high processing and convenience standards for the US market.

Foodservice (restaurants, canteens) is still extremely small in organic products, but some of the big companies are starting to realize that there is a huge business potential. Nowadays more and more consumers, including school feeding systems and student campus dining services demand organic food.

While most of the fresh organic market consists of domestic production, a considerable part of total requirements is imported. Organic fresh produce importers/distributors are responsible for importation, warehousing and distribution of the product. Processed fruit and vegetable products are mostly imported in bulk, e.g. fruit juices, concentrates and pulp/purée, by specialized importers who supply food and beverage manufacturers. There is also some import demand for retail-packed fruit and vegetable products.

Mainly organic fruits and vegetables and their processed products are imported.

Import demand for organic fresh produce includes tropical and other products that are not grown in the United States; off-season products that are grown domestically, but where there is unmet demand outside the US season; and in-season products, also grown domestically but for which there is a temporary or more permanent shortage because of strong and increasing demand.

With retail sales estimated at US\$ 850-1,000 million in 2003 **Canada** is ranked as the sixth largest market in the world for organic food and beverages. The market appears to be growing rapidly, probably by 20-25% annually. For some product groups, growth rates may be considerably higher.

Canada is the sixth largest organic market worldwide with steadily growing rates.

Canada is a major producer with a total certified organic production area of about 430,000 hectares, according to Agriculture and Agrifood Canada; the main crops are grains, oilseeds, dried legumes, fruit and vegetables and maple syrup. About 1.2% of all farmers and 5% of fruit and vegetable growers are organic.

For climatic reasons a large share of the organic food range cannot be grown in Canada and must be imported. Most imports come from the United States, probably at least 80-90% (most of which is packaged food). In the case of fresh produce imported from the United States, it must be noted that a considerable amount of this is first exported to the US from Latin America, in particular from Mexico. Major Canadian distributors also import some products direct from foreign suppliers other than the USA.

Organic imports mainly from the USA and Central America.

Distribution channels are characterized by the huge size of the country, i.e. regional distribution is commonplace. For example, the largest distributor of fresh produce has distribution centres in Vancouver, Toronto and Montreal. Each centre purchases fresh produce locally or in the region, whereas imports for the whole country tend to be handled centrally. It is significant that the big retail organizations, notably Loblaws, have introduced a range of organic fresh produce and other food products.



With the exemption of the province of Quebec (and to some extent British Columbia) there are no legal requirements for organic certification, although a voluntary national standard does exist. A committee is currently looking at ways and means to establish a mandatory national regulatory system. In the meantime, the Quebec standard (compulsory in Quebec) or other recognized certification (in other provinces) will be required by most importers and traders. It is important to note that all documentation and labelling must be in the two official languages, English and French.

All documentation and labelling must be in the two official languages, English and French.

Like in the USA, import items include tropical and other products that are not grown domestically, as well as off-season products and other items where there is a temporary or more permanent shortage. There is also a strong interest in items that are new to the market or fairly unknown. A major distributor, for example, is currently looking for baby vegetables (e.g. baby corn), Asian and Caribbean vegetables, ginger, etc. Thanks to a high degree of ethnic diversity in Canada, there is a strong demand for exotic produce and ethnic products.

## The Organic Market in Asia

The **Japanese** market for organic food & drink is the most important in the Asian region. This is perhaps not surprising considering Japan has the second largest economy in the world and it is the most affluent country in the Asian region. Sales of organic food & drink in Japan were estimated at about USD 350 million in 2002.

The Japanese Agricultural Standards (JAS) only allows organic foods that are certified by an accredited organization to be marketed as organic foods. This caused many former organic products to lose their organic status in 2001 and the actual market size shrunk as a result. The increase in revenues in the Japanese market is largely due to more JAS-certified organic products coming into the market.

Other important markets for organic products are in China, South Korea, Singapore, Hong Kong, and Taiwan. There is a small but strongly growing market for organic food & drink in these countries (caused by the growing consumer purchase power). Countries like Malaysia, Thailand, and India are expected to show growing markets for organic products as organic farmers in step up production in these countries.

It is important to understand for Ukrainian producers and exporters that a successful market entrance of Ukrainian organic products closely is bound with a cultural understanding and specific language skills. Most Asian markets therefore are not comparable with European or American markets.

## The Organic Market in Oceania

Although the Australian continent comprises almost a half of global organic farmland, the market represents a fraction of the global total. Sales of organic food & drink were estimated at about USD 200 million in 2002 with Australia comprising the bulk.

Cattle farmers use much of the organic farmland in Australia as pasturelands. The Australian organic food industry is export-oriented with significant quantities of primary products like organic fruit, vegetables and beef going to other countries. Sales of organic products within Australia are growing at about 15-20% per annum and consumer demand continues to strengthen.

The organic food industry in New Zealand is highly export-oriented. There are high volumes of organic kiwi fruit, apples and lamb exported to northern hemisphere countries (incl. Europe) and relatively low amounts are sold in the domestic market.

Australia: Important export country for organic food with a still small domestic market but strong growing rates.

### 3 Identification of markets with oversupply and supply gaps

The following tables indicate potentials for export activities for Ukrainian organic producers in Europe. For countries out of Europe unfortunately don't exist trade statistics and market data with regard to supply balance sheets. Table 12 illustrates the degree of self sufficiency for export relevant product groups by country. Amounts which are bigger than 100% indicate a national oversupply which leads to export pressure in a consequence. Amounts which are clearly smaller than 100% indicate import needs and therefore general potential for Ukrainian producers.

The last comprehensive data collection for Europe was conducted in 2001. Even when organic markets are able to change rapidly, the general import or export orientation of countries mostly are stable over many years.

Table 12 Degree of self-sufficiency for export relevant organic products in 2001 (in %)

Country	Cereals	Oilseeds	Olives for oil	Potatoes	Vegetables	Fruit (incl. Nuts)	Milk
<b>EU</b>							
AT	107	78	0	120	80	40	129
BE	2	Nd	0	56	116	50	84
DE	77	39	-	105	86	43	102
DK	57	Nd	0	105	102	10	111
ES	316	Nd	nd	100	345	440	100
FI	171	100	0	87	99	67	100
FR	35	Nd	nd	83	86	64	85
GR	62	Nd	nd	100	137	197	100
IE	51	0	0	61	79	53	63
IT	62	Nd	nd	113	114	177	90
LU	28	22	0	79	17	2	30
NL	17	0	0	100	190	27	125
PT	65	201	103	143	98	69	93
SE	103	Nd	0	100	72	21	100
UK	28	Nd	0	66	55	4	97
CZ	nd	Nd	0	100	119	108	nd
SI	100	100	100	100	100	100	100
<b>EFTA</b>							
CH	5	1	0	98	79	23	101
NO	19	0	0	71	47	13	94

Source: OMIaRD market analyses

**Switzerland** has a low import- and export rate, compared to its neighbours in the EU. Through strict standards for organic produce, which are hard to fulfil for non-Swiss producers and its high import restriction for Switzerland as an EFTA country, it can be seen as a closed market. However, very high prices for food and beverages make Switzerland attractive on the other hand. Standards development has to be watched closely, since the standards-policy of Bio Suisse, the dominating farmers association, is highly unpredictable. Switzerland imports about 20 % of the consumed vegetables and 75 % of the fruits (mainly tropical fruits), while the self-sufficiency for cereals and oilseeds are very low with five and one percent, respectively.

In **Austria** the situation is quite similar to the Swiss one, yet not as extreme. Prices are high and standards are strict. Currently most of the vegetable and fruit imports come from Germany and the Mediterranean. Imports are organized by the large retail chains and main wholesalers. The share of organic fruits and vegetables of the whole market is considerably high with about 3-4 %.

**Denmark's** own fruit production is mainly limited to black currants, resulting in a high import demand for fruits, especially for organic juices and frozen fruits (for processing to marmalade). Most of the imports are coming through the Netherlands into the country.

**France** is the second largest market for organic products in Europe. Organic producers face a hard competition with integrated producers. Nevertheless the demand for imports of fresh organic fruits and vegetables is growing.

**Germany's** organic market, which is the largest national market in the EU, is considerably dominated by fruits and vegetables. About 50 % of the demand is coming from abroad.

**Italy** is Europe's most important producer of vegetables and fruits. Thus, the potential as an export market is relatively low.

**Sweden** might be one of the most promising European markets for organic produce. Most of the organic products are sold in retail chains, while COOP already has an organic market share of about 7 %. The import potential is seen as remarkable, especially for tropical fruits and citrus fruits. Vegetable imports underlie seasonal variations. The import demand is highest from April until June, shortly before the national harvest starts. Huge growth is also predicted for the organic herbs market since Sweden has the highest per-capita-consumption of fresh herbs.

**The Netherlands** is the most important platform in the European market for organic fruits, vegetables, cereals and oil seeds trade. Many international food-producers process organic food for re-export. Also unprocessed food is re-exported.

In the **UK** the organic market is dominated by vegetables and fruits. The market for these products has the highest turnover and the highest growth rates. About 50 % of the imports are coming from Europe.

Table 13 illustrate product groups which explicitly are named by national market experts as organic products with supply deficits (inclusive regarding import capacities). Particularly the listed countries are designated for export activities of Ukrainian organic producers.

Table 13 Organic products for which the amount of national production plus imports were expected to be insufficient to meet consumer demand in the years 2003 and 2004

Product	Countries that mentioned a supply deficit
	EU countries
Cereals	SI
Wheat	DE, SI
Barley	DE, SI
Rye	FI, SI
Oats	
Oilseeds	DE, FI, SE
Olives for oil	
Potatoes	DE, SE, SI
Vegetables	DE, FI, IT, NL, PT, SE, SI
Fruit (incl. nuts)	DE, FI, NL, SE, UK, SI
Wine	SI
Milk	ES, FI, SI
Milk products	ES, FI, SI
Meat products	ES, FI, SE, SI
Beef (incl. veal)	ES, FI, SI
Sheep and goat meat	ES, PT, SI
Pork	AT, BE, DE, ES, FI, PT, SE, SI
Poultry	DE, PT, SE, SI
Eggs	ES, SE, UK, SI
Animal feed	FI, UK
Leguminous fodder crops (for example peas)	AT, DE, IT, NL, UK
Feed mixtures	ES, IT, NL, PT, UK
Seed	DE, FI, IE, IT, PT, UK
Others	FI <sup>4</sup> , CZ <sup>5</sup>

Source: OMIaRD market analyses

TP<sup>4</sup>PT Convenience food, pastry, ice cream, fish

<sup>5</sup> Convenience food

The following paragraphs reflect the specific market situation for the most export relevant product groups.

### **Cereals**

Most of the EU's organic cereals were imported from countries such as Australia, Canada, the United States, Argentina, Eastern Europe (Hungary, Romania, Ukraine and Kazakhstan) and China.

While Spain was able to meet its domestic consumption of organic cereals three-fold and Finland had a self-sufficiency of about 171 %, Italy and France had high export shares, too, but they had rather low degrees of self-sufficiency with 62 and 35 percent respectively.

In France, the low degree of self-sufficiency for organic cereals was contrary to the 191 percent for conventional cereals. The explanation is found in the low share of organic production measured by total production of 0.2 percent. The EU countries with the lowest degrees of self-sufficiency for organic cereals were Luxembourg, the Netherlands and the United Kingdom. In comparison to conventional levels of self-sufficiency, the United Kingdom fared the worst. It had 113 percent self-sufficiency in total cereals but only 28 percent in organic cereals. This reflects, for example, the situation that yields of organic cereals are always relatively low compared to conventional cereals in the United Kingdom, which necessitates large price premiums to convince farmers to convert.

### **Oil seeds**

For oilseeds the reported data are not sufficient to underpin a conclusion but the EU is supposedly a big net importer for oilseeds. Oilseeds were imported from Canada, the United States, Argentina, Paraguay, Hungary, Sudan, Burkina Faso and China.

The EU was a net exporter of organic olives for oil and organic wine in 2001 although the reported foreign trade figures are too incomplete to reinforce this assumption. However, the Mediterranean countries in the EU are the world's major suppliers of organic olive oil and organic wine. Markets, which were supplied with organic olive oil and organic wine, were, for example, the United States and Japan. Portugal was with 201 percent the only country with a degree of self-sufficiency of more than 100 percent, while the degree of self-sufficiency could only be calculated for eight countries, due to a common lack of data.

### **Dairy products**

The EU was a net exporter of organic milk. Organic milk products, especially in the form of cheese, were mainly exported to the United States.

In 2001, self-sufficiency levels for organic milk were particularly high. As could be anticipated, Austria, the Netherlands and Denmark had high self-sufficiency lev-

**Cereals:** Export potential for Ukrainian producers. However high export competition by countries like Hungary, Canada and Argentina by quality parameters and reliability.

**Oil seeds:** Export potential for Ukrainian producers concerning soy beans. However high export competition by countries like Hungary, Canada and Brazil by quality parameters.

els, reflecting their high levels of domestic production. All surveyed countries reported degrees of self-sufficiency for organic milk of above 80 percent with the exception of Luxembourg and Ireland with 30 and 63 percent respectively. It is significant that traditional importers, such as the United Kingdom, registered a reasonably respectable self-sufficiency figure of 97 percent. These were 17 percentage points more than in the year 2000. The fact that the EU is a net exporter of organic milk and milk products, especially cheeses, suggests that as internal EU markets increase their self-sufficiency, more emphasis will be placed on exports outside the EU.

In the meanwhile there is already an export direction from Western to Middle and Eastern European countries. For instance Swiss dairy producers export organic yoghurt to Hungary. Due to the focus of organic cereals and oil seeds production in Middle and Eastern Europe in most of these countries are supply deficits for organic dairy products.

### **Vegetables and fruits (incl. Nuts)**

Imports of organic vegetables and fruits came from all over the world, especially from New Zealand, Australia, the United States, Argentina, Brazil, Honduras, the Dominican Republic, Hungary, Turkey, Israel, Morocco, Egypt, Rwanda, Burundi, Zimbabwe and South Africa. Potato imports came from Israel, Egypt and Cyprus. The surveyed amounts for the EU's fruit imports show that the EU was a net importer for organic fruit. However, as the import and export sum for the EU do not differ that much, it is safe to say that the import amounts are strongly underestimated. In reality a much bigger amount of organic fruit is imported as, for example, bananas, pineapples and other tropical fruit, which cannot be produced within the EU countries. Larger quantities of organic fruit were also imported from countries in the Southern hemisphere to supply the EU with fresh apples, pears, strawberries, grapes etc. at those times when there is no harvesting season in Europe. The organic fruit imports originated from New Zealand, USA (California), Costa Rica, Argentina, Chile, Columbia, Dominican Republic, Brazil, Poland, Romania, Serbia, Moldova, Israel, Turkey, Tunisia, Morocco, Rwanda, Burundi, Ghana and South Africa.

For vegetables, all surveyed EU countries mentioned that around 90 to 100 percent of sales were sold as organic. Thus, for vegetables there exists a real EU-wide supply deficit. For organic potatoes Austria, Italy and Portugal had degrees of self-sufficiency clearly above 100 percent. Eight and seven countries respectively mentioned a supply deficit for organic vegetables and fruit in 2001 and 2002. One would suppose that mainly the Northern European countries recorded supply deficits for these products. However, for organic vegetables, three Southern European countries reported a shortfall. These countries were Greece, Italy and Portugal. Especially for Greece and Portugal, this is another indicator for the underdeveloped domestic organic markets in these countries.

Fruits were mentioned by several mainly Northern European countries as exhibiting a supply deficit. Interestingly, farmers in Southern European countries, especially in Spain and Italy, had problems selling fruit as organic. As mentioned

### **Dairy products:**

Export potential for Ukrainian producers only in Middle and Eastern European countries.

### **Vegetables and fruits:**

Only theoretical export potential for Ukrainian producers when big volume charges with highest quality standards could be offered to multiple retailers. It has to be considered that many Western European consumers would decline fruits and vegetables from the Ukraine per se as "Czernobyl-food".

above, this seems to be mainly a problem of collecting organic fruit in the producer countries and organising the trade links between Mediterranean countries and Northern European countries.

The estimated growth rates for organic demand for different product groups (done by 120 European organic market experts), show that highest rates are expected for convenience products followed by meat and fruit and vegetables (see figure 13). However, rates vary considerable between countries and appear largely to reflect the specific situation in each country.

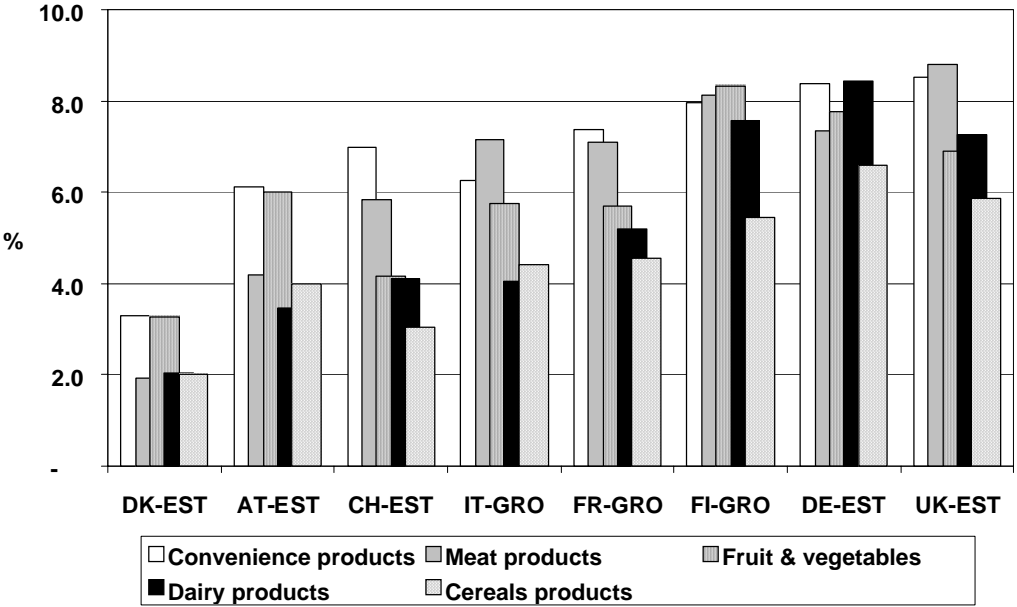


Fig. 13 Expected average growth rates over next five years for different products in Denmark, Austria, Switzerland, Italy, France, Finland, Germany and Great Britain (%)

Sources:

- ⇒ ZMP, Ökomarkt Forum, Nr.22-28.05.2004, page 16,
- ⇒ OMIaRD European market analyses, 2001
- ⇒ Sippo, 2004



## 4 Access for organic imports into the EU and Switzerland: Requirements and conditions

### General framework

The European Union (EU) has a Common Agricultural Policy (CAP), a common commercial policy and common import and customs regulations for imports from outside the EU. Organic products are subject to the same customs tariffs as conventional products. The Common Agricultural Policy applies quantitative restrictions and special charges for agricultural imports (depending on the product, the season and country of origin). These also apply to organic products. Importers must apply for an import license. The current World Trade Organization (WTO) reform negotiations are pushing forward towards liberalization of trade in agricultural products based on the resolutions of the GATT Uruguay Round. A key element in this is the commitment on the part of the industrialized countries to reduce customs tariffs and export subsidies by a further 13–24% by the year 2004. The aim of the WTO is to facilitate access for emerging economies and economies in transition to the markets of the industrialized countries.

Organic products are subject to the same customs tariffs as conventional products.

The Fifth WTO Ministerial Conference was held in Mexico in September 2003. The main task was to take stock of progress in negotiations and other work under the Doha Development Agenda. The Conference ended with the conclusion that despite considerable movement in consultations, members remained entrenched, particularly on the “Singapore” issues. It is most likely that the small developing countries will suffer most for the inability to come to an agreement on the different issues discussed. However, it was decided in December 2003 that the Doha Development Agenda should be discussed further in smaller meetings during the coming years.

### The EU Regulation on organic production

In the Member States of the EU, plant products are governed by Regulation No. 2092/91, which came into force in 1993, while products from organically managed livestock are governed by EU Regulation No. 1804/99, enacted in August 2000. These constitute an important step towards consumer protection. They protect producers from unfair competition and they protect consumers from pseudo-organic products. Plant and animal products, and processed agricultural goods imported into the EU, may only be labelled using terms such as “organic” in English and “biologisch” or “ökologisch” in German, etc., if they conform to the provisions of the EU Regulation. The EU Regulation on organic production – like the Swiss Organic Farming Ordinance – lays down minimum rules governing the production, processing and import of organic products, including inspection procedures, labelling and marketing, for the whole of Europe. In other words, the Regulation defines what constitutes an authentic, certified organic product. Each European country is responsible for enforcement and for its own monitoring and inspection system. Applications, supervision and sanctions are dealt with at regional level. At the same time, each country has a certain degree of freedom with

EU regulations protect producers from unfair competition and they protect consumers from pseudo-organic products.

regard to how it interprets the Regulation on organic production and how it implements the Regulation in its national context.

### **Importing goods into the EU**

The regulations on imports in the EU Regulation on organic production are of great significance for the international market in organic products. Article 11 of the EU Regulation governs market access for organic products in the countries of the EU. It stipulates that organic foods imported into the EU from third countries must have been produced, processed and certified in accordance with equivalent standards. The exporting country must give details of the standards and inspection procedures implemented and these are evaluated by the EU. In this respect, the requirements and conditions relating to access for organic products are comparable to those laid down in the Swiss Organic Farming Ordinance. Enforcement is the responsibility of the EU Member States, although in Germany it is in fact carried out at the level of the German federal states (Länder). At the present time there are two ways of authorizing imports into the EU:

Two ways of authorizing organic imports into the EU.

#### **Access via the list of third countries (in accordance with Art. 11, paragraphs 1–5)**

A country or certification body may apply to be added to the list of third countries (EU Third Countries List) via its diplomatic representatives in Brussels. In order to be added to this list, the country making the application must already have enacted organic farming legislation and a fully functional system of inspection and monitoring must be in place. In addition, it must provide an attestation of equivalence and other information on organic farming methods. The European Commission decides upon the application based on an assessment of the implemented system and the results of an evaluation visit conducted by EU experts to evaluate the implementation and functioning of the legislation in the respective country. To date only 8 countries have been included on the list: Argentina, Australia, Costa Rica, Czech Republic (before EU member), Hungary (before EU member), Israel, New Zealand and Switzerland. Goods imported from these countries need to be accompanied by a consignment-specific “Certificate of Inspection for Import of Products from Organic Production”.

#### **Access via import permit in accordance with Art. 11, paragraph 6**

All countries not included on the third countries list (i.e. the vast majority of imports into the EU) need this kind of import permit. As a rule, certification bodies operating at the international level will assist exporters and importers to put together all the information and evidence needed to accompany the application for an import permit. Requirements vary from one EU country to another, but the following are those that generally apply: Import permits are only issued to the importing company by the EU Member state authority into which the product is first imported. This company needs to sign an inspection contract with a Euro-

pean certification body that is approved in the EU. For imports from countries outside the EU and not listed on the third country list the importer applies for an import permit with the local competent authority. With the application he or the certification body he assigns to this task has to provide documentation to prove that the production and certification of the respective products is in consonance with the EU requirements. The competent authority may request additional information, e.g. the inspection reports or evidence that the certification body active in the third country is complying with ISO 65 (EN 45011). Products may not be released into the EU market until an import permit has been issued. Import permits are usually issued for a limited time period. Re-application is necessary when they run out. Each consignment needs to be accompanied by a "Certificate of Inspection for Import of Products from Organic Production". Within the EU all organic products may be freely traded. However, procedures relating to the issue of import permits are not the same in all EU countries. It is advisable to seek advice from the relevant authorities before trading commences.

### **Requirements relating to inspection bodies**

Since January 1988, all inspection bodies accredited in the EU must satisfy the requirements of the EN 45011 standards (these are identical to ISO Guide 65; both set out general standards for certification bodies), in order for suitable imports of organic goods to be approved by the European authorities. Because of the requirement of equivalency, this also applies to all inspection bodies in third countries from which certified products are imported into Europe. In other words, it also applies to local inspection bodies in emerging markets and markets in transition. There is a recommendation by the EU on options for going about this:

2. The inspection body is accredited by an accreditation body in accordance with EN 45011 standards. The accreditation body must be accepted by other accreditation bodies. This happens on the European level by signing the EA-MLA (Multilateral Agreement signed by members of the European cooperation for Accreditation). On the international level the respective organization would be IAF (International Accreditation Forum), the international association of accreditation bodies – however the IAF members are still negotiating the MLA on ISO 65 and for accreditation bodies outside of the EU there is so far no possibility to sign a MLA on ISO 65.
3. The inspection body has been approved by a competent authority in the third country in accordance with EN 45011 or ISO Guide 65.
4. The inspection body has been assessed by a qualified expert in accordance with EN 45011 or ISO Guide 65. A supervisory authority in the EU has confirmed the assessment.

Although these options are not officially passed by the EU the EU Member States are more or less following them. At the present time, confirmation of assessments carried out by experts under option 3 is only undertaken by German authorities. Confirmation by a German authority is, however, recognized in all of the EU countries. In Germany the view is taken first of all that in many third countries

option 2 does not exist and second, there are only very few accreditation organizations corresponding to option 1. A checklist is obtainable from the German interstate working group of organic control authorities (Länderarbeitsgemeinschaft zur Verordnung EWG 2092/01, LÖK) giving details of how an expert assessment in accordance with options 1, 2 and 3 should be carried out. The EU countries have not reached any agreement as to whether they should recognize IFOAM as an accreditation organization under option 1 or 3. The IFOAM accreditation program, run by the International Organic Accreditation Service (IOAS), has so far been recognized primarily in the Scandinavian countries. Also in Germany the competent authority accepts the IOAS reports under option 3. IOAS accreditation is not officially recognized by the EU authorities because IOAS is not a signatory or member of any of the organizations mentioned above (EA-MLA, IAFMLA). Obstacles for membership are the international character of IOAS whereas the accreditation bodies are usually focusing on the national level.

### **EU logo for organic products**

In February 2000 the European Commission introduced a logo for organic products that may be used throughout the EU by producers operating in accordance with the provisions of the EU Regulation on organic production. The logo may only be used on organic products where 95% of the ingredients are organic products that originate from the EU and that have been processed, packaged and labelled in the EU. According to a legal interpretation presented by the European Commission, the EU logo can now be used on imports from countries that are deemed to have an equivalent inspection system. These are the countries on the Third Country List. For imports to carry the EU-logo when they are accepted into the EU under Article 11. 6, the certification body must be supervised by the authorities in the country of inspection. Not many countries outside the EU and US or that are not on the EU third country list, have a system for supervision of inspection bodies. Use of the new symbol is voluntary and it may also be used in conjunction with national government or private logos for identifying organic products. So far only few companies, especially in Southern Europe, are using the EU logo and the market impact is low. The new logo is designed like those that were developed previously relating to protection of geographical indications and designations of origin (OJ L 224 of August 11, 1998) and to certificates of specific character (OJ L 275 of October 6, 1994) for agricultural products and foodstuffs. It contains twelve stars as the symbol of the EU and may be used in colour (blue and green) or black/white. The appropriate reference to organic production has been laid down for each language, but the logo may also be bilingual.

The EU logo for organic products only can be used from EU member states.



### **How the EU Regulation on organic production relates to other standards and laws**

Some countries in Europe had already formulated their own legislation on organic production or private standards and labelling schemes before the EU Regulation came into force, sometimes many years earlier. These quality marks, for example in Denmark, Austria, Sweden and Switzerland, are well trusted by consumers

and are one of the reasons for the current boom in the market for organic products in these countries. All national legal norms on organic production standards in the EU member states have been rendered void when the EU Regulation entered into force.

For more information on organic standards and regulations please refer to:

- [http://www.ifoam.org/index\\_10.html](http://www.ifoam.org/index_10.html)
- <http://www.ioas.org/>
- [http://europa.eu.int/pol/agr/index\\_en.htm](http://europa.eu.int/pol/agr/index_en.htm)
- <http://www.ams.usda.gov/nop/indexNet.htm>

## Conclusions

- ⇒ Although organic farmland continues to rise across the globe, most sales of organic food & drink are restricted to the industrialized world.
- ⇒ Northern America and Western Europe account for roughly 97 percent of global organic food sales. Other important markets are in Japan and Australia, where domestic organic markets are growing.
- ⇒ Two factors are adjudged to be responsible for consumer demand to be concentrated in the most affluent countries of the world:

The high product prices of organic products restrict by now demand to countries where consumers have high purchasing power. This is a factor why most sales are in countries where there is a sizeable middle-class of the population.

The second factor is education and more specifically awareness of organic products. As consumers become more educated and informed of food issues and different farming systems, they are more inclined to buy organic products whether it is because of factors like food safety, concern for the environment, or health reasons.

- ⇒ Mainly in Western European countries the organic market indicates first tendencies of market maturation. There are evidences of a slowing down, stagnation or decrease of organic sales in countries like Austria, Denmark, France or Switzerland. Above all Southern, Middle and Eastern European countries with small organic markets have started to grow tremendously over the last years. On contrary to Western Europe in Northern America the demand for organic food is still increasing on a level of 15 – 20% annual growth.
- ⇒ As production of organic crops increases across the globe, regional markets are also expected to develop in which organic farmers will produce organic products for consumers in their region. This is expected to stimulate sales of organic products in many developing countries, especially in countries like Brazil, China, India, and South Africa where economic development is increasing at a rapid rate and a more educated and affluent middle-class of consumers is developing. Similar tendencies are expected for the Ukraine when legal requirements for the market development are fulfilled (e.g. with regard to labelling and declaration of organic products).

For more information on global markets for organic produce please refer to:

- ⇒ [http://www.soel.de/inhalte/publikationen/s/s\\_74.pdf](http://www.soel.de/inhalte/publikationen/s/s_74.pdf)
- ⇒ [http://www.unctad.org/en/docs//ditcom20032\\_en.pdf](http://www.unctad.org/en/docs//ditcom20032_en.pdf)
- ⇒ [http://www.soel.de/oekolandbau/links\\_ww.html](http://www.soel.de/oekolandbau/links_ww.html)
- ⇒ <http://www.organic-europe.net/>
- ⇒ <http://www.organicmonitor.com/>

## 4.3 Export Module 2: Market analyse for specific products in promising markets, demand, supply and access

### West European countries

#### Germany

##### General Information on Germany and the Organic Market

Germany has a population of 82,5 million and generated a total GDP of USD 2,4 trillion in 2003. The organic food market is among the most dynamic sectors in the German food market, and offers significant opportunities for foreign exporters across various product segments. Germany also has one of the most developed markets for organic products and is the largest organic retail market in Europe. The country has about 13,700 farms cultivating 729,000 hectares of organic farmland (Statistisches Bundesamt, 2003). This represents the second largest area in Europe. Only Italy has more. With regard to the volume of agricultural production, Germany cultivates 181,600 hectares of organic grains, 10,500 hectares of oilseeds and 58,700 hectares of animal feed.

The political environment in Germany certainly plays an important part by supporting organic cultivation techniques. Based on EU organic rules, the government also introduced an official organic label in 2001 ensuring consumers that organic products are not genetically modified or irritated.

Germany has one of the most developed markets for organic products and is the largest organic retail market in Europe.

##### The Structure of the Organic Market

Regarding the infrastructure of the organic market, around 50% of organic farmers are organized in organic producers association, all of them with stricter rules than the EU regulations. Other farmers are structured in farmers' organisations that also work on the basis of EU guidelines. The most important of these certifiers are Bioland, Demeter, Naturland, Biopark, or GÄA.

Generally, Germany's food retail market is highly diversified, and extremely price competitive, with foreign and domestic suppliers competing for shelf space. Staples foods are commonly sold strictly based on price, while high-quality specialty foods are sold at premium prices. According to Biofach, the largest convention for the organic market in Europe, Germany has some 18.000 companies operating in the organic sector. In 2002, sales accounted for USD 4 billion, 31% of which are generated via organic food stores. Supermarkets as an alternative distribution channel with own organic store brands are growing fast but still only make 28 % of sales as opposed to their share in other European countries. Large chains with own organic brands include Tengelmann (Naturkind), Rewe (Fuellhorn), Metro (Gruenesland) and Edeka (Bio-Wertkost). Direct sales from producer to consumer account for around 16,4 %, the other percentage goes to bulk sales to restaurants and industrial kitchens. Concerning Germany's consumer behavior,

In 2002, sales of organic products accounted for USD 4 billion, 31% of which are generated via organic food stores. Supermarkets still only make 28 % of

the market for organic products is heavily influenced by the trend of “well-being” and a more healthy approach to life which is stronger than in other countries and growing steadily.

### **The Ukraine as a supplier of organic products**

More than half of German agricultural imports, as well as consumer-oriented products come from other EU-member countries, particularly the Netherlands, France and Italy. EU food law requirements and import restrictions restrict the range of products imported from non-EU member countries, including organic imports. So far, there have been only a very small number of companies trading with Ukraine.

#### ***Certification***

Concerning the import of Ukrainian organic commodities such as grain or oil-seeds, research shows that the products should be certified preferably above EU standard like private labels have a strong market position. Also company intern principles have to be met which, of course, vary from importer to importer. One company that processes animal feed, for instance, states that imported Ukrainian grains will have to be on the “positive-list” of the Dutch association Nutreco which is the largest producer of animal feed worldwide.

Certification preferably above EU standard is the most important prerequisite in order to enter the German market

#### ***Distribution system and proposals***

According to German importers a trading relationship would be build up on a long term basis, e.g. one-year-contracts, and prices would be geared to EU prices or below. What are crucial to importers are the availability of commodities and the reliability of supply throughout the contract period. The delivery of commodities such as grain is usually handled between the importer and a Ukrainian trader. Interviews show that this relationship has proven to be very difficult and unsatisfying due to differences concerning scheduled delivery dates. One importer said that he ordered a shipment for December and eventually, received it in May. The processing of order accounts by Ukrainian traders is described as catastrophically. This means that German importers wish for a German or English speaking contact person in Ukraine that is as reliable as the farmers themselves. Most interviewers visited Ukraine to get an impression of the business surrounding there. They reckon that it would probably be easier to deal with farmer directly than with traders as corruption seems to be a big issue. Due to this fact, Ukraine will have to foster the building up of stable and professional business relationships as the numbers of German companies willing to trade with Ukraine is still small and the existing image of Ukraine as an exporting country is not of great help.

What are crucial to importers are the availability of commodities and the reliability of supply throughout the contract.



### **Other issues**

So far, imported Ukrainian grains often showed a lack in purgation which is another key factor in trading with German importers or processors. Further, it was stated that the grains often did not show the necessary amount of protein (preferably 14%). Often, imported Ukrainian grains have been bought in order to mix them with domestic grains to get qualitative well-balanced cereals. As mentioned before, Ukrainian products face harsh competition from other EU countries and domestic commodities. Momentarily, this leads to the fact that Ukrainian products would only be interesting to import if domestic and EU supply is short. The most important steps for Ukrainian exporters in order to build up a relationship with a German importer are the supply on the agreed standard, a competitive price and the improved and reliable handling of orders by agents. What was annotated, as well, was the issue of advanced payment. German importers are generally not very fond of this; however, say that it is basically the only way to get the ordered commodities on time.

### **Quantity**

Companies who have imported grains from Ukraine usually dealt with an amount between 600 – 1200t per contract depending on the further process of the commodities. Commodification companies such as Naturland Süd-Ost handle larger quantities.

Importers and processors of organic grains and oilseeds are, for example:

#### **Reudnik – Biofutter**

Contact person: Arnold Heuven  
Am Weidengraben 10  
37213 Witzenhausen / Germany  
Telefon: +49 5542 - 910053 Fax: +49 5542 - 910765  
email: [arnold.heuven@reudink-biofutter.de](mailto:arnold.heuven@reudink-biofutter.de)

#### **Marktgeseellschaft der Naturland-Betriebe Süd- Ost**

Contact person: Tomás Sonntag  
Eichethof, D - 85411 Hohenkammer / Germany  
Tel: +49 8137 9318-75 Fax: +49 8137 9318-79  
email: [t.sonntag@naturland-markt.de](mailto:t.sonntag@naturland-markt.de) website: [www.naturland-markt.de](http://www.naturland-markt.de)

#### **Hopfsterei GmbH**

Kreittmayrstraße 5  
D - 80335 München  
email [info@hopfsterei.de](mailto:info@hopfsterei.de) website [www.hopfsterei.de](http://www.hopfsterei.de)

#### **Herzberger Bäckerei**

Contact person: Katrin Langer (Einkaufsleitung)  
Gerloser Weg 72 , 36039 Fulda  
Phone +49 661 -104307  
website: [www.herzberger-baeckerei.de](http://www.herzberger-baeckerei.de)

### **All Organic Trading GmbH**

Contact person: Hans-Martin Breisinger  
Heisingerstr. 12  
D - 87437 Kempten/Allgäu/ Germany  
Phone +49 831 5758 155  
email: hmb@organic-trading.de

### **Important addresses**

#### **IFOAM Head Office**

Charles-de-Gaulle-Str. 5  
53113 Bonn - Germany  
Tel: +49 (0) 228 926 50-10  
Fax: +49 (0) 228 926 50-99  
Email: headoffice@ifoam.org

#### **IOAS Inc.**

1181/2 1st Ave South, Ste 15  
Jamestown, N.D 58401 / USA  
Tel: +1 701 2524070 Fax: +1 701 2524124  
email: info@ioas.org website: www.ioas.org

The main certifiers in Germany can be of help for further contacts. Also the Bio-fach international trade fair is a good starting point when entering the German market.

### **Bioland - Verband für organisch-biologischen Landbau**

Director: Mr. Thomas Dosch  
Kaiserstraße 18, D - 55116 Mainz/Germany  
Phone: +49-6131-2 39 79 0 Fax: +49-6131-2 39 79 27  
email: oeffentlichkeitsarbeit@bioland.de website: <http://www.bioland.de>

### **Demeter-Bund**

Contact person: Dr. Peter Schaumberger  
Brandschneise 1, D - 64295 Darmstadt / Germany  
Tel: +49 6155 846910 Fax: +49 6155 846911  
email: Info@Demeter.de website: [www.demeter.de](http://www.demeter.de)

### **Biopark**

Contact person: Dr. Delia Micklich  
Karl-Liebknecht-Str. 26, D - 19395 Karow/ Germany  
Phone: +49-38738-70309 Fax: +49-38738-70024  
email: info@biopark.de website: [www.biopark.de](http://www.biopark.de)

### **Gäa - Vereinigung Ökologischer Landbau, Headquater**

Contact person: Mrs. Kornelie Blumenschein  
Am Beutlerpark 2, D - 01217 Dresden/ Germany  
Phone: +49-351-40 12 389 Fax: +49-351-40 155 19  
email: info@gaea.de website: [www.gaea.de](http://www.gaea.de)

**Naturland - Verband für naturgemäßen Landbau**, Headquater

Contact person: Mr. Firos Holterman ten Hove  
Kleinhadernerweg 1, D - 82166 Gräfelfing/Germany  
Phone: +49-89-89 80 82-0 Fax: +49-89-89 80 82 90  
email: [naturland@naturland.de](mailto:naturland@naturland.de) website: [www.naturland.de](http://www.naturland.de)

**Biofach International Trade Fair**

NürnbergMesse GmbH  
Messezentrum  
D - 90471 Nürnberg/ Germany  
Phone +49 (0) 9 11 86 06-0 Fax +49 (0) 9 11 86 06-82 28

Other organizations of interest for the processing and marketing of organic products in Germany are the Assoziation ökologischer Lebensmittel Hersteller and the BNN.

**Assoziation ökologischer Lebensmittel Hersteller**, Coordination

Contact person: Dr. Alexander Beck (Mr.)  
Zum Pilsterhof 7, D - 97789 Oberleichtersbach/ Germany  
Phone: +49 9741 4834 Fax: + 49 9741 932201  
email: [kontakt@aoel.org](mailto:kontakt@aoel.org) website: [www.aoel.org](http://www.aoel.org)

**BNN Herstellung und Handel e.V.**, Production and Trading

Contact person: Mrs. Elke Röder  
Ebertplatz 1, D - 50668 Köln/ Germany  
Phone 0221-139756-47 Fax: 0221-139756-40  
email: [BNN.Herstellung.Handel@n-bnn.de](mailto:BNN.Herstellung.Handel@n-bnn.de) website: [www.n-bnn.de](http://www.n-bnn.de)

## United Kingdom

### General Information on Great Britain and the Organic Market

The United Kingdom has a population of 59,2 billion (2003) and generates a total GDP of USD 1,8 trillion. Studies show that Britain has the fastest growing organic market with an average 31% increase over the last 5 years. Its retail sales value is estimated at USD 1,87 billion. Like in many other Western European countries, disasters such as mad cow disease, foot and mouth and the trend towards more healthy eating habits, have fostered the positive development of the market.

Britain has the fastest growing organic market with an average 31% increase over the last 5 years.

### The Structure of the Organic Market

Britain itself has drastically increased the size of organically cultivated farmland and today has over 726.000 hectares with an estimated 3,991 farmers (Soil Association, 2003). The development is supported by the Ministry of Agriculture Fisheries and Food which spends USD 12,9 million on organic farming. As for the organic market's infrastructure, the Soil Association Certification Ltd. remains the main producers association, leading nation-wide promotion and marketing campaigns as well as policy shaping and lobbying efforts. For ten years, this organization is accredited by IFAOM. For a list of importers and processors in Britain, please contact them directly.

Britain is one of the most urbanized countries in all of Europe. They have the longest working hours and thus, their eating habits have changed towards convenience food and "take-away". However, the public is greatly concerned with food safety, environmental, and social issues surrounding food production and consumption. As a result, the organic market in Britain has risen sharply pushing past the niche market and into the mainstream (Agri-Food Consumer Profile, 2004).

The British retail sector is mainly operated by few large supermarket chains. 70% are in the hand of Tesco, ASDA/Walmart, Sainsbury's, Waitrose and Safeway (Morrisons) which sell 79% of all organic products in Britain. In comparison, organic food stores only account for 11% (Hamm et al, 2002). 9% are generated via direct sales or food markets. These figures illustrate the importance of general food shops for the organic market. The other interesting thing is that supermarkets have started building up co-operations with agriculture at home and overseas. In the framework of this, Sainsbury's started a project in Grenada and St Lucia to convert fruit farms to organic production.

Few large supermarket chains sell 79% of all organic products in Britain.

### The Ukraine as a supplier of organic products

According to researchers, 75% of organic products sold in Britain in the year 2000 were imported from Germany, Sweden, France and Italy being the major suppliers. Today, the British government supports domestic production and the

processing of own agricultural grains. At present, organic imports account for approximately 50%. Yet, domestic demand is growing which creates great opportunities for importers. Major grain traders especially note a rising need for imported cereals for human consumption and cereals for animal feeds. However, EU member countries are the preferred importers due to reduced transport costs, equivalent standards and no tariff barriers (USDA, 2003). Also domestic supply has been rather sufficient the last years.

Organic imports account for 50% and domestic demand is growing

### ***Certification***

As mentioned before, Organic Trade Services provides information on the British organic market but acts also as an importer of oilseeds. Together with other companies in the organic oilseed and grain business, companies have so far imported on EU standards or SKAL certified commodities through agents in Belgium and The Netherlands. One of the main grain merchants, Norton Organic Grain, states that it always depends on the demand of its clients which standard, public or private, is preferred but as a minimum it is the standard of the EU regulation.

### ***Distribution system and proposals***

According to research, the supply from Ukraine has usually worked fine with sufficient availability of grains in good quality. However, in 2004 there have been shipment problems where, for instance, a vessel load was full of insects which can be referred to the long transportation way between Ukraine and Great Britain. In fact, this is a problem stated by many importers of (Ukrainian) grain or oilseeds. Due to the lack of infrastructure in Ukraine, it was said that the preferred way of trading is via continental traders mostly in The Netherlands to consolidate goods and get a better price. Accordingly, British importers do not yet have the confidence to deal with Ukrainian traders directly since they fear corruption and difficult working relationships. In contrast to other European countries, British importers appear willing to foster relationships with Ukraine or at least are prepared to increase the quantities of Ukrainian grains ordered from continental traders.

British importers fear corruption and difficult working relationships by direct relation to Ukrainian traders.

### ***Other issues***

Importers in Great Britain place emphasis on a competitive price that should be directed to prices of French or Italian commodities (EU prices). They all claim the transportation costs, which again is why many import via traders in Europe. In contrast to, for example, German importers, British merchants are not used to advanced payment and are not considering it an option in order for them to have some sort of insurance if the quality of the vessel load is insufficient

Saxon Agriculture Ltd. is a leading trading organization belonging to a holding called Bairds Malt Limited. Responsible for the import of organic grain is the above mentioned Norton Organic Grain. Together with Gleadell Agriculture they

form the largest importers for organic commodities in Great Britain and have already dealt with Ukraine.

### **Quantities**

As the biggest importers in Britain are grain merchants, they handle large quantities of commodities both from the Ukraine as well as from other EU countries. For each contract, they usually buy whole vessel loads with tens of thousand tones of grain or oilseeds. However, no specific data of how much the Ukrainian part accounts for could be stated. Demand of other imports always depends on the domestic supply which has been sufficient within the last two years.

### **Addresses**

#### **Soil Association Certification Ltd.**

Bristol House, 40-56 Victoria Street  
Bristol, BS1 6BY  
Great Britain  
Tel: +44 117 929 0661 Fax: +44 117 925 2504  
email: [info@soilassociation.org](mailto:info@soilassociation.org) website: [www.soilassociation.org](http://www.soilassociation.org)

Another organization that works on the basis of EU organic guidelines and IFOAM is Organic Farmers & Growers Ltd. (OF&G).

#### **Organic Farmers & Growers Ltd.**

Elim Centre,  
Lancaster Road  
Shrewsbury, Shropshire SY1 3LE/ UK  
Phone +44 1743 440512  
Fax: +44 1743 461441  
email: [info@organicfarmers.uk.com](mailto:info@organicfarmers.uk.com) website: [www.organicfarmers.uk.com](http://www.organicfarmers.uk.com)

Associations that are of interest concerning the marketing of organic products in Britain and who administrate directories of organic processors are:

#### **Organic Monitor**

Contact person: Mrs. Tina Gill  
79 Western Road, London, W5 5DT/ UK  
Phone +44 20 8567 9788 Fax: +44 20 8567 7164  
email: [press@organicmonitor.com](mailto:press@organicmonitor.com) website: [www.organicmonitor.com](http://www.organicmonitor.com)

#### **Organic Trade Services, UK**

Contact: Mr. Neil Butler  
Phone +44 7974 103109 Fax: +44 1775 822893  
email: [info@organicTS.com](mailto:info@organicTS.com) website: [www.organicTS.com](http://www.organicTS.com)

**Saxon Agriculture Ltd  
Norton Organic Grain**

Contact person: John Norton  
The Old, Forge, Church Road, East Walton, King's Lynn  
Norfolk PE32 1PP. United Kingdom  
Phone: +44 (0) 1787 210 899 Fax: +44 (0)1787 211 737  
Email: john.norton@nortonorganic.co.uk or Robin.brookes@nortonorganic.co.uk  
Website: www.moray-firth-maltings-plc.co.uk/saxon

**Shipton Mill**

Contact person: Mr. John Lister  
Long Newnton  
Tetbury, Gloucestershire, GL8 8RP/ United Kingdom  
Phone: +44 1666 – 505050 Fax +44 1666 – 504666

**Organic Trade Services, UK**

Contact: Mr. Neil Butler  
Phone +44 7974 103109 Fax: +44 1775 822893  
email: info@organicTS.com website: <http://www.organictts.com>

**Gleadell Agriculture Ltd**

Lindsey House  
Hemswell Cliff  
Gainsborough, DN21 5TH, Lincolnshire/ United Kingdom  
Phone: 01427 421225 Fax: 01427 421230  
**website:** [www.gleadell.co.uk](http://www.gleadell.co.uk)

# Italy

## General Information on Italy and the Organic Market

Italy is the 6th largest economy in the world (2003). It has a population of 57,8 billion people and a total GDP of USD 1.5 trillion (2003). The country is divided in a more industrialized north with many private businesses and an agricultural south. Italy is the largest producer of organic food in Western Europe and the third largest supplier in the world. Some 30% of organic food in Europe is Italian (Market Brief, Italy, 2002). It has devoted an area of 1,052,002 hectares to organic crops which are managed by 44,000 farms. In comparison, Europe as a whole cultivates 5,306,135 hectares of organic farmland. Studies show that the Italian organic food market is growing annually with a retail value of USD 1,95 billion. As a result, it represents a share of 1,5% of the total food market. Yet, the number of farmers has gone down as many businesses only converted to environmentally-friendly agriculture because of the government's subsidies ([www.organic-europe.net](http://www.organic-europe.net)).

Italy is the largest producer of organic food in Western Europe and the third largest supplier in the world.

## The Structure of the Organic Market

Currently most organic production is concentrated in southern Italy, especially in Sicily and Sardinia, while 80% of consumption takes place in the north. Main Crops include, for instance, fruits, vegetables, grapes and potatoes. Even though, Italy is the number one producer in Europe and exports between one third and a half of its organic production, it also mainly relies on imports of commodities for processing. Italian food processors are seeking specialized ingredients such as whole grain flours and organic cereal products (Market Brief, 2003).

Italian food processors are seeking specialized ingredients such as whole grain flours and organic cereal products

The countries food distribution system still lags behind those of other European countries expanding slowly. According to Hamm et al, 43% of organic products are sold in supermarkets and 39% in organic shops. Major supermarket chains are Coop Italia, Conad and Esselunga. Direct sales on markets account for 11%. Concerning their eating habits, Italians are fairly traditional which can also be related to the access to their own agricultural production. Yet, they are becoming more and more health conscious, especially in the north where there are more affluent consumers. This trend is supported by governments spending on promoting organic foods on TV and magazines.

## The Ukraine as a supplier of organic products

As mentioned earlier, Italian food processors are seeking specialized ingredients such as whole grain flours and organic cereal products which create opportunities also for Ukrainian exporters. At the same time Italy itself produces the biggest part of grains and cereals in the EU. To access the market it is advisable to visit the food fair SANA which takes place every September in Bologna.



## **Certification**

Today, there are many officially recognized inspection agencies operating in Italy. Their names can be found on Italian organic products. There is no common governmental label that indicates the organic origin.

One of the main organizations responsible for certification of organic food in Italy and some other countries including Turkey, Thailand and Vietnam is Bioagricert s.r.l.. The Consorzio per il Controllo dei Prodotti Biologici (CCPB) is another organization that certifies about 40% of all Italian organic products and has most processing companies under contract.

The Istituto per la Certificazione Etica e Ambientale (ICEA) certifies farmers not only in Italy but also farmers in Ukraine, Bosnia or Uruguay. Similarly, the Istituto Mediterraneo di Certificazione is a main player of Italian organic certifiers.

Importers or merchants import either according to SKAL or IFOAM accredited body. No clear tendency was notable. According to the few importers that would potentially be willing to import from other than EU countries, they do not have a favourite standard as long as it goes along with EU standard or Italian law.

Importers do not have a favourite standard as long as it goes along with EU standard or Italian law.

## **Distribution system and proposals**

Trading varies from commodity to commodity. Sometimes, importers prefer a direct contact at other times it is more profitable if the import functions via a trader in the specific country the commodities come from. As most importers trade with EU countries, the level of availability and reliability should be equivalent.

## **Other issues**

It was notable that most processors in Italy only use domestically produced grains. Importers that have existing ties to traders in other EU countries or have established long-term business relationships with farmers directly are very critical about starting business with countries outside the EU. Only some importers stated that they would probably be open for talks if the Ukrainian farmer/trader would be present at the trade fair Sana. In contrast to, for example, Britain, Italian importers seem reluctant concerning potential new business relationships. They even were not willing to give information on import quantities or prices. To contact importers or processors it is advisable to send a request by email or fax and to contact the various certification bodies.

Importers are very critical about starting business relationships with countries outside the EU. Italian processors use domestic grains.

## **Quantities**

As said, most companies were not willing to publish any data. Only two numbered imports with around 1000 tones per contract again depending on the commodity and domestic supply situation.

The biggest operators in the Italian organic market that also act as import/export companies and can be of help are, for example:

**Baule Volante S.p.A.**, Alimenti Biologici e Prodotti Naturali  
Via Enrico Mattei 48/11 h, I - 41038 Bologna  
Phone +39 051 6008411 Fax: +39 051 538869  
email: [baule@baulevolante.it](mailto:baule@baulevolante.it) website: [www.baulevolante.it](http://www.baulevolante.it)

**Bionatura srl.**  
Via Brigata G.A.P., 4  
I-61100 Pesaro  
Tel.: +39 07 21 28 36 401 Fax: +39 07 21 28 36 33  
email: [info@bionaturagroup.com](mailto:info@bionaturagroup.com) website: [www.bionaturagroup.com](http://www.bionaturagroup.com)

**Agricola Grains srl.**  
Via Mazzini, 84  
I -35023 Bagnoli di Spora Padova  
Tel. +39 0495310414 Fax +39 0495310411  
E-Mail: [samantha@agricolagrains.it](mailto:samantha@agricolagrains.it)

**Cominter S.a.s.**  
Viale Monza, 43/B  
I - 20125 Milano  
Tel: +39 02 2840392 Fax: +39 02 28040162

**Agribosco srl.**  
Loc. S. Anna, 1  
I – 06028 Sigillo (PG)  
Tel. +39 075 9177223  
email: [agribosco@agribosco.com](mailto:agribosco@agribosco.com)

**Tampieri S.p.A.**  
Via Granarolo, 102  
I – 48018 Faenza (RA)  
Tel. +39 0546 46034  
Email: [l.luzzi@tampieri.com](mailto:l.luzzi@tampieri.com)

#### **Certification bodies**

**Bioagricert s.r.l**  
Via dei Macabraccia n.8  
40033 Casalecchio di Reno BO  
Italy  
Phone +39 051 562 158  
Fax: +39 051 564 294  
email: [info@bioagricert.org](mailto:info@bioagricert.org) website: [www.bioagricert.org](http://www.bioagricert.org)

**CCPB**  
Via J. Barozzi 8  
40126 Bologna  
Italy  
Tel: +39 051 6089811 Fax: +39 051 254842  
email: [ccpb@ccpb.it](mailto:ccpb@ccpb.it) website: [www.ccpb.it](http://www.ccpb.it)

**ICEA**

Strada Maggiore, 29

40125 Bologna/ Italy

Phone +39 051 272986

email: [info@icea.info](mailto:info@icea.info)

Fax: +39 051 232 011

website: [www.icea.info](http://www.icea.info)

**Instituto Mediterraneo di Certificazione (IMC)**

Via Carlo Pisapane 32

60019 Senigallia

Ancona/ Italy

Phone +39 71 792 8725

email: [imcert@tim.it](mailto:imcert@tim.it)

Fax: +39 71 791 0043

website: [www.imcert.it](http://www.imcert.it)

**Fair**

**Sana, International Exhibition of Natural Nutrition, Health and Environment**

Via San Vittore 14, I - 20123 Milano

Tel: +39 0286451078 Fax: + 39 0286453506

email: [info@sana.it](mailto:info@sana.it)

website: [www.sana.it](http://www.sana.it)

## France

### **General information on France and the food market in year 2002 (Gain report 2003, FAO statistics)**

France is an important economic player in the world with the fifth largest economy. 61.4 million people have per capita annual income of 29'000 USD and live in 24.6 million households (2.5 persons per household), 78% live in urban area. Food industry is the largest sector with 32 percent of the total economy's added value. French food processing industry is number one in Europe and second in the world. At the global market of processed food products France has 10%. The most important consumer oriented agricultural food suppliers are Spain, Netherlands, Belgium, Germany and Italy. The imported product groups with decreasing economic importance are: fresh fruits (1'934 Mio USD), red meats, processed fruits and vegetables, snack food, dairy products and fresh vegetables (1'240 Mio USD).

The exported commodities, in order of decreasing quantity, are: wheat (13.7 Mio t), maize (8.4 Mio t), water (4.6 Mio t), barley (4.3 Mio t), refined sugar (2.7 Mio t) and rapeseed (1.6 Mio t)

The general food trend goes to better taste, higher quality, convenience and more health benefits. Ethnic products are popular among young people.

The general food trend goes to better taste, higher quality, convenience and more health benefits.

### **Organic market (Omiard vol 5; organic Europe; gain report 2001; Corinne Dillenseger 2004; Sippo 2004; world of organic agriculture 2004)**

Like for other countries the database for organic is not reflected in national statistics. The sources are mentioned for the whole chapter.

In France the organic surface increased from 90'000 ha in 1993 to 550'000 ha in 2003 what represents 1.7% of total agricultural area. More than 11'000 farms are certified organic.

The value of organic product sales reached 1.5 Mrd Euro in year 2002. Experts expect a yearly growth rate of 6 % in the period 2002 to 2007 with higher growth rate for convenience food and meat products, lower rates for fruit, vegetables and cereals.

Organic products have a share of 0.7% of total food sales.

The sales channels for organic products in year 2001 are the following: 55% retail chains, 30% special organic shops (Biocoop with 230 shops), 10% weekly market and direct sales, 2% bakeries and butchers, 3% restaurants and canteens. The evolution goes in direction of retail chains and special organic shops with losses in direct sales.

The evolution goes in direction of retail chains and special organic shops with losses in direct

The image of organic products (2003) by the population is in general very positive, organic stands for:

- 84% protection of environment

- 74% respect of animal welfare

Food safety and health are the most important buying motives for organic products, followed by nature conservation, taste, animal welfare and regional origin.

37% of consumers purchase regular organic products (17% once per week, 20 once per month). 57% of consumers said that they bought in 2003 one or more organic product. The arguments for not buying are to high prices and the availability in the shops.

The highest consumption volume have milk and milk products (2001) with 164'000 t followed by 146'000 t of vegetables, 70'000 t of fruit and 59'000 t of cereals.

The governmental owned label AB (agriculture biologique) is recognised by 41% of consumers and 66% of products are marked with this logo. In the AB standard is a rule concerning the origin of the products: they have to be produced in the European Union, with exception of tropical products like café, cacao, spices and tropical fruits.

In the country 4'860 traders and processors are certified, more than half of them are bakeries. 111 companies are cereals traders, 63 animal food producers, 102 mill companies, 49 oil industries.

France imports in 2001 48'000 t cereals for human consumption and 33'000 t for animal consumption. The degree of self sufficiency reaches only 35% in cereals. For oilseeds and pulses it wasn't possible to find consolidate figures.

### **The Ukraine as a supplier of organic products**

In the majority of the realised contacts it was stressed out that the use of the French logo AB forbids imports from the Ukraine for products which could be produced in the European Union. The interest to realise imports from Ukraine was not manifested. But like it is shown there are many actors in the organic chain in France.

The question of market potential for Ukraine raised threats of a competition to the local production and destruction of the work done during long years to promote organic production, processing and consumption in the country.

The well known AB label stands for products origin in the EU. Contacted firms aren't interested in organic products from Ukraine.

# Switzerland

## General Information on Switzerland and the Organic Market

Switzerland had in 2004 a population of 7.5 million and generated a GDP of 239.3 billions of US Dollars. Slightly less than forty per cent of the area of Switzerland is used for agricultural purposes, alpine pastures included. In 2003 there were 65'866 farms, 2.3% less than in the previous year. The average farm size was around 16 ha hectares with an average farm income of 50'800 Euro per year (considerable differences between the regions). Main agricultural products are milk, meat, apples and meat.

During the boom years between 1990 and 1999, the number of organic farms increased from 800 to 5,000. Three factors have driven this growth:

- the consumers' concern about healthy food
- the agri–environmental policy of the state, which supports organic farms with annual subsidies, and
- the appearance of organic foods in the two dominant supermarket chains, Coop and Migros.

## The Structure of the Organic Market

All organic farmers belong to the umbrella organisation Bio Suisse, which currently consists of 34 organisations containing 6'500 individual members. Biosuisse is the owner of the bud label. The Migros supermarket chain has introduced its own "Bio" label. The governmental regulation "Swiss Regulation on Organic Farming" was put into force in 1998 following the legislation in the European Union.

The "Swiss Regulation on Organic Farming" delegates the inspection of organic farms and processors to private organisations, but requires a certification and inspection scheme in compliance with EN 45011. The Swiss Accreditation Service (SAS) is responsible for the accreditation of inspection and certification bodies. Imports from EU countries or countries on the third country list of the Swiss regulation must be accompanied by a certificate from an inspection body from the respective country. An individual import licence is required for imports from other countries. The responsible authority is the Federal Office of Agriculture.

All organic farmers belong to the umbrella organisation Bio Suisse, which currently consists of 34 organisations containing 6,500 individual members.

## Food market

Currently, the organic market is not growing so fast as in the late nineties. In 2003, organic growth was about 7%. It reached 750 million Euro in 2003. Important distribution channels for Bio Suisse products are: all branches of the Coop Switzerland supermarket chain, small retailers and specialised natural food shops. Direct sales at local markets and on the farms play an important role as well. Products marketed with the Migros "Bio" label are distributed through the supermarket chain Migros.

Currently, the organic market is not growing so fast as in the late nineties.

## The Ukraine as a supplier of organic products (extended)

Due to the availability of a diploma thesis (Fankhauser 2004) about the chances for Ukrainian organic products in Switzerland, this chapter is enlarged with selected detail information:

- A Results of a telephone survey with 15 Swiss importers
- B Detailed investigation of existing Swiss organic demand for organic grains
- C Regulations/comments about organic imports by Bio Suisse
- D Analysis of strengths/weaknesses and opportunities/threats (SWOT) of Ukrainian organic products on Swiss markets

### A Telephone survey

#### General questions

As a conclusion it can be said, that the interviewed importers have an open, but critical position regarding Ukraine as an organic supplier. Some of them expect active information about the consequences of reactor catastrophe Chernobyl, because they are sceptical regarding consumers' reaction about organic products from Ukraine. Therefore, some of them would ask for a guarantee, that organic products are free of radiation. Some importers foresee problems in communication and mentality of Ukrainian producers (trustability, reliability, corruption). Most of the interview partners see in Ukraine an unexploited potential for organic production. Especially as Ukrainian products are expected to be rather low priced. Only one importer has already experience with a Ukrainian import (hard wheat); the organization of the transport was complicated and therefore expensive. The quality of the hard wheat was medium, but the colour was not satisfying.

Half of the Swiss importers expect in the future additional quality standards (i.e. Eurepgap) for imported organic products, especially higher social services for labourers. One third of the importers consider personal contact with producers as very important. In some cases, producers companies are even checked by the importers before they import for the first time. This is especially valid for vegetables, berries and dry fruits. For traders of cereals and oilseeds, personal contact to producers is less important.

All interviewed importers pointed out, that continued availability is one of the most important criteria for the selection of a supplier. Especially for the delivery of larger quantities, it is crucial, that producers can store their products by them selves in order to deliver the right amount in the right time. (Most importers are only traders, without own storing capacities.) If the traded volume is smaller, the importance of continued availability is declining.

Logistics and packing properties depend on client's desires. Goods are transported by train, ship or truck. Both Bio Suisse and Migros Bio don't allow transportation by plane. Exceptions need special permission.

Importers have an open, but critical position regarding Ukraine as an organic supplier.

For all importers availability is one of the most important criteria for the selection of a supplier.

Most importers trade with Bio Suisse and Migros Bio goods. Imported Migros Bio goods require EU standards, whereas Bio Suisse products need Bio Suisse standards. (Imported goods, which are sold in Coop, need Bio Suisse standard).

Adoptions to local situation are possible. One importer said that he would only buy products, which have been certified by a Swiss company, as he wouldn't trust in a Ukrainian certification body.

#### Results of survey according to product groups

##### Grains for food:

- Importers trade with wheat, hard-wheat, rye, oats, spelt, corn and millet.
- Origin of traded cereals: Germany, Austria, Italy, Hungary, Canada, USA, Argentina and Australia. The main reasons why importers are buying from these countries are permanent availability of the desired goods in the right amount and quality. Price was less important – as a result well working trade relations are not given up for small price advantages. As said one of the importers, organic trade is a business of personal relations and no anonymous stock market.
- Most of the importers ask for a sample sent for approving. After analysis only, larger amounts are ordered. Prices are paid according to quality, which correspond to usual quality standards.
- The increase of organic trade is predicted by the importers between slightly negative to +10%. Only one importer is expecting negative growth. Most of them expect a growth between 3 and 5% for the next 3 years in their company.
- Prices in Euro per 100 kg (free of all charges) in Basel including taxes (app.):

wheat:	53 – 60	hard wheat:	43 – 50
oats:	28 – 37	corn:	40 – 47
rye:	40	barley:	40 – 43
spelt:	60 – 67		

##### Comments:

Organic market is an interesting market and supposed to grow also in the future. Newcomers that want to supply Swiss markets have to make an effort for good relations with local importers. Licensed companies only can import Bio Suisse goods. Many of the importers (and the Bio Suisse) prefer goods from the nearer foreign countries, to those from overseas.



### Grains for forage:

- Yearly 8'000 – 10'000 tons of organic grains (wheat, oats, corn, triticum and barley) for forage are imported.
- Countries of origin are mainly Germany and Hungary.
- Prices in Euro per 100 kg (free of all charges) in Basel including taxes (app.):

Wheat:	40 – 43	Triticum:	40 – 43
Oats:	37 – 40	Corn:	47 – 50
Rye:	40 - 43	Barley:	40

### Comment:

Because of high taxes, grains for forage can be more expensive than cereals for human consumption.

### Oilseeds:

- Importers trade with sunflower seeds, colza and soya.
- Countries of origin are EU-countries, Romania, USA, China and Argentina.
- Traded volume is 3'000 tons.
- High pureness is the most important quality requirement. Oilseeds have to be cleaned before being delivered to Switzerland. The yield of oil is also important, increasingly high-oleic varieties are requested.
- Prices in Euro per 100 kg (free of all charges) in Basel including taxes (app.):

Sunflower seed:	110 – 120
Soya:	42 – 57
Colza:	(no information)

### Comments:

A large part of the organic oilseeds are imported, as organic sunflower cultivation in Switzerland is marginal and soya is imported by 100%. Organic colza is rarely cultivated in Switzerland, because of plant protection aspects.

### **Spices and herbs:**

- Three importers trade with spices and medicinal herbs.
- Origins of imports are Bulgaria, Romania, Albania, Hungary, Germany, Croatia, France, South-America, India, Sri Lanka and Egypt. The reasons why importers buy from these countries are the broad assortment and the long lasting relations to the producers and traders in these countries.
- One importer is trading with medicinal herbs. He remarked that in this sector organic certification is not so important, because production exigencies are very high anyway. One importer noted that for fair traded herbs and spices with Max Havelaar Label a good demand would exist.
- It could be rather difficult for newcomers to get in this market, because importers have built up tight relations with their suppliers. Some of the importers are even involved in own projects in the production countries. Quality and reliability in this sector are on the first range.

### **Berries:**

- Two importers are trading with berries (currants, cowberries, blackberries, strawberries, raspberries and blueberries).
- Countries of origin are Italy, France, Spain, Germany, Netherlands, Austria, Romania, Hungary, Yugoslavia and Bulgaria.
- Importers want the visual qualities of the organic berries to increase on the level of conventional berries.
- Organic standards of traded berries are Bio Suisse and EU-standards.

### **Dry fruits and nuts:**

- Countries of origin are Turkey, Morocco, Uganda, Togo, Cameroon, Italy and USA.
- Imported commodities are walnuts, hazelnuts, almonds, pine nuts, bananas, mangos, grapes, figs, dates and others.
- Importers expect a growth of 10% in this sector.
- Any additional labels or requirements in the social sphere are only expected, if Migros and Coop would ask for and pay the price premium.

## **B Swiss organic market for grains**

Organic grain demand is highly depending on imports (80%) and therefore especially interesting for Ukrainian supply. In 2003 37% more organic bread was sold, than in the year before. Today, every 10th bread in Switzerland is organic, sold mainly in shops of Migros and Coop. The demand for food and forage grain is still growing and Swiss supply is far away to cover it, although domestic production is growing, too.

Organic grain demand is highly depending on imports (80%) and therefore especially interesting for Ukrainian supply.

Most of the grains are imported from USA, Canada, Germany, Hungary and other East-European countries. Although prices for Swiss cereals are up to 26 Euro more expensive as imports, Swiss organic processors and traders agreed to buy first Swiss supply at fixed prices. This agreement has been worked out under the lead of Bio Suisse, which pursuits the aim of a 100% Swiss supply of organic cereals. It's highly questionable, if according to WTO rules this agreement with its protective character can be maintained in the future.

### **C Regulations/comments about organic imports by/with Bio Suisse label (extract)**

- Organic products can only be imported, if domestic supply is not existing or not enough.
- On yearly meetings, purchasers of organic goods, which are also produced in Switzerland, agree about the prices for foreign products. The lower the foreign organic products are, the more prices of domestic production are under pressure.
- Bio Suisse can withdraw import license of purchasers that don't trade according to agreements, in order to protect the domestic market.
- Bio Suisse has no right to withdraw production license of a certified producer.

The growing organic production in East-European countries is not considered as threat to their import practices. Bio Suisse is interested in replacing imports from overseas by European goods.

### **D Results of SWOT-analysis**

The goal of the analysis is a selection of Ukrainian product groups that seem to be especially interesting to export to Switzerland.

#### **Opportunities and strengths**

- Winter wheat, spring barley and sunflower are traditionally cultivated in Ukraine. Machinery and know-how for these crops are available and large surfaces allow economical production. Additionally, these crops can be relatively easy converted in organic, as curry-combs and hoeing implement are the only necessary extra machinery.
- Market for organic grains for bread in Switzerland is growing (10 – 20% every year) and large quantities of these goods are imported from far away. Today, the import rate for organic fodder grain is about 90%.

Grains for bread and fodder and sunflower seed are interesting organic crops for Swiss import markets.

- There are good chances for Ukraine as a newcomer in supplying Swiss organic grain market. The easy storage of these products would allow continued availability over the year, supposed that corresponding storing capacities could be organized in Ukraine.
- Ukraine is geographically much closer to Switzerland than actual suppliers like Canada, USA and Australia. Sunflower seeds are partly imported from China. Bio Suisse is enhancing short routes of transport.

**As a conclusion, grains for bread and fodder and sunflower seed are interesting organic crops for Swiss import markets.**

- For smaller farms that want to get specialized, there is a chance in producing herbs and spices, although in this niche a lot of efforts from farm managers in capacity building are needed. From the beginning, producers should be aimed to build up tight relations with Swiss importers.
- Low salaries in Ukraine are the main comparative advantage in the labour intensive production of spices and herbs.

Production of spices and herbs can be interesting for small- and medium-sized farms in Ukraine.

**As a conclusion, production of spices and herbs can be interesting for small- and medium-sized farms in Ukraine, if drying and conservation equipment is affordable.**

### **Weaknesses and threats**

- Ukraine has a bad image among some importers as well as probably among some Swiss consumers because of Chernobyl catastrophe. The importers expect an information campaign about the situation of radiation and probable dangers.
- Many of the importers ask for organic products according to Bio Suisse standards in order to deliver Coop, which represents 50% of the organic market in Switzerland. Bio Suisse standards require the conversion of the whole farms that could be rather difficult for large farms. Additionally, there is only a limited organic market and a great part of the organic products of the farm would be sold at conventional prices.
- Orchards for dry fruits or nuts are expensive to establish and have late returns of investments. This can be a draw-back for Ukrainian farms that are often not very liquid.
- The Swiss market for oilseeds like colza and soya is not growing enough. Additionally, these crops are not easy to cultivate organically and should only be produced on experienced farms.

Ukraine has a bad image among some importers because of Chernobyl catastrophe.

**As a conclusion, the production of dry fruits, nuts, soybean and colza is not recommendable in the nearer future.**

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(Useful link for retailer and processors addresses: [www.bionetz.ch](http://www.bionetz.ch))

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## East European countries

### Baltics: Estonia, Lithuania and Latvia

#### General Information on the Baltic States and the Organic Market

Estonia, Lithuania and Latvia have together a population of 7.2 million and generated a total GDP of 82 billion USD in 2003. Important agricultural products are cow milk, pig and cattle meat, potatoes and (fodder) grain. Main agricultural imports are cocoa beans, coffee, cotton, soya beans and prepared food stuff.

Organic farming is growing fast and has developed so far most in Estonia, the Baltic State with the smallest population (1.4 million). 46,000 ha of the farmed area is organic (2004), cultivated by 810 certified farms.

In 2002, Lithuania had about 8780 ha of land used for organic farming, which was worked by some 400 organic farmers. In Latvia, 550 organic farmers are cultivating 24,480 ha land.

In the Baltic States organic farming is growing fast.

#### The Structure of the Organic Market

In the Baltics, organic farmers are members of several producers associations, some of them according to EU regulations and some of them with stricter regulations. But still, there is a great need for education, training and research. In all three countries, national certification bodies are working, in Estonia and Latvia they are state regulated. Apart from meat, corn, buckwheat and vegetables, milk and honey are the main organically grown products of the Baltic States.

Since the accession to EU, organic baltic farmers are getting ecological payments from EU fund, but already in the late nineties, their national governments had started to support them. Additionally, organic legislations are regulating organic production.

#### Food market

The agricultural sector had historically been the dominant sector in all three economies, but its role is quickly shrinking. The three states are now net importers of food. The food-processing sector is represented mostly by local companies, many in need of investment capital to modernize their operations. Dairy farming, pig breeding, meat and fish processing, and cereal production are the priority sub-sectors in all three countries. Milk and fish production is able to satisfy domestic demands, while Latvia, in particular, must import meat to satisfy nearly half of total consumption. The grain sector tends to be inefficient due to lack of working capital and low yields. The Baltic States all struggle to supply their own food processing industries and supermarkets. Due in part to lagging technology and also farming scale limitations the Baltic's must import a sizable percentage of food ingredients, meats and other raw materials in order to maintain production levels in their processing facilities.

The agricultural sector had historically been the dominant sector in all three economies, but its role is quickly shrinking.

The marketing of organic production is rather poorly developed. Therefore, quite a lot of organic product is not sold as organic. Common marketing channels are direct selling to schools, kindergartens, hospitals and local shops. Nevertheless, consumers are more and more interested in buying organic products. Some organic shops have been opened recently. Large retail chains and supermarkets are gaining market share and a growing range of organic products can be found on their shelves, as there is a clear interest in organic foods among consumers. Although demand is clearly growing, high prices for mainly imported organic foodstuff is limiting consumption, as Baltic population's purchasing power is relatively low.

Large retail chains and supermarkets are gaining market share and a growing range of organic products can be found on their shelves.

### **The Ukraine as a supplier of organic products**

Baltic organic movement is still young. As in most eastern countries, national organic products are mainly sold directly on farm or local markets, often not as organic. Organic processing industry is not far developed yet and traders are mainly oriented to the export markets. Information access about trading and processing of organic products is difficult. Important actors in organic market are not present on common information or network data-bases or seem not be interested in providing information. Nevertheless, demand for Ukrainian organic products can be expected in the future, as Baltic organic demand is increasing and national supply will not be enough to cover it. One Lithuanian trader organization expects his traded organic volume to increase for hard wheat, wheat, barley, berries and herbs in the next 3 years of about 50% and is generally interested in Ukrainian products, if quality is according to EU standards and prices are competitive.

Demand for Ukrainian organic products can be expected in the future, as Baltic organic demand is increasing and national supply will not be enough to cover it.



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## Belarus

### General Information on Belarus and the organic market

Belarus is a landlocked country of 207 600 sq km, with Poland, Lithuania, Latvia, Russia and Ukraine as direct neighbours. The southern part of the country is contaminated by the fallout from 1986 nuclear reactor accident at Chernobyl in northern Ukraine. Slightly more than 10 Millions of people live in Belarus. GDP per capita in 2003 was estimated on \$ 6,100. Most important trade partners are Russia, Germany, Poland and France. Main agricultural products are grain, potatoes, vegetables, sugar beets, flax, beef and milk. Agriculture is still 100% regulated by the state, production structures are working as in Soviet Union time. High-input, inefficient production systems are common, as well as state subsidies, too. Traditional Belarusian food market is growing, but still Belarus is short of large private food courts and supermarket networks. Many of the retailers and trade organizations are state-run and import limitations are quite rigorous. Therefore, the variety of food products available in Belarus is not as big as in neighbouring countries. In exchange, traditional Belarusian products are poor of chemical ingredients as they are mainly processed according to Soviet standards.

At the moment, there are no significant organic farming associations and certifying organizations, nor any organic legislation active in Belarus. With Lukashenko, promoter of "market socialism" in all probability being the next Belarusian president, no privatization of agriculture is expected. Therefore it's highly supposable, that organic movement won't emerge so far, as the idea of organic production is hardly ever known by most consumers and there is no demand for organic products on the market at the moment.

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[www.strategis.ic.gc.ca](http://www.strategis.ic.gc.ca)

Agriculture is still 100% regulated by the state. High-input, inefficient production systems are common.

The idea of organic production is hardly known by most consumers and there is no demand for organic products.

## Hungary (competition analysis)

### General Information on Hungary and the Organic Market

Hungary is a landlocked country of 93,030 sq km. Direct neighbours are Austria, Croatia, Romania, Serbia and Montenegro, Slovakia, Slovenia and Ukraine. There are 10 Millions of people living in Hungary.

Hungary has made the transition from a centrally planned to a market economy, with a per capita income of \$13,900. Hungary continues to demonstrate strong economic growth and is member of the European Union since May 2004. Agricultural sector (~3% of GDP) produces mainly wheat, corn, sunflower seed, potatoes, sugar beets; pigs, cattle, poultry and dairy products. Main agricultural imports are there while cake of soy beans and processed foodstuff.

In 2003 about 1255 organic farms were cultivating 133,816 hectares, 40% of them were in converting phase. Medium farm size is 90 ha, with large variation between individual farms. About 95% or 15.4 Million Euro of organic production was exported in 1999, mainly to Germany, Austria and Switzerland.

Hungary has made the transition from a centrally planned to a market economy. It is member of the European Union since May 2004.

### Development of Organic Market Structure

Hungary is the first country of the Eastern Europe, that was active in organic farming and today it's the leader in organic export market.

A long time before the political revolution, organic movement started with the foundation of Biokultúra Klub in Budapest in 1983. Since 1995 the number of farms and proportion of organic land increased rapidly due to the improved export potential and to the fact that Biokultúra was accredited through the IFOAM- Accreditation programme. In the late nineties Hungary was included on the Third Country List under EU-regulation 2092/91, what made it easy to export into most European countries and Switzerland. Today, Hungarian government is supporting organic agriculture; there are payments according to surface, subsidies for marketing and conversion. Direct payments for surfaces have been increased this year due to the membership to EU.

Hungary is the first country of the Eastern Europe, that was active in organic farming and today it's the leader in organic export market.

Table 14: Hungarian organic institutions

<b>Institution</b>	<b>Description</b>
Biokultúra	Organic farmers organisation with own label.
Bioszaktanácsadó	Advisory body providing advice and assists farmers in making conversion plans and applying for subsidies.
Biokultúra infocentrum	Information centre for farmers and consumers established with EU funding.
HungarianÖkoGarancia	Certification body
Biokontroll	Certification body (certifying for Biokultúra label), certifies over 90% of organic production.

Source: organic-Europe

### **Food market in Hungary**

Organic products in Hungary are mainly marketed through "reform houses" (health food shops) and drug stores. There are approximately twenty-five conventional retailers and twelve natural food shops in Budapest that regularly sell organic products. Although working organic production institutions and marketing structures, interest of Hungarian consumers in organic food is not great. The main reason for the slow domestic market development, however, is the consumers' limited purchasing power. In Hungary the average price premium for organic products is around thirty to fifty per cent.

### **Hungary as the strongest competitor for Ukraine in organic export to Western countries**

Demand of Hungarian domestic market of Ukrainian organic products is not expected, because of low organic demand in general and an export rate of 95% of today organic production. Therefore, market chances for Ukrainian organic products have not been investigated in this study.

Hungary is probably the keenest competitor also in the future for Ukrainian organic exports to EU-countries. Hungary has not only good production capacities and considerable experience in organic farming, but also excellent trade connections to Germany, Austria and Switzerland. In addition to this, Hungarian organic farmers have their national organic labels, certification bodies, advisory services and farmers associations. Another important factor promoting Hungarian organic production is the governmental support, in form of providing subsidies and organic legislative.

So far, Ukraine's advantage to Hungary consists mainly of two factors, firstly excellent soils and growing conditions for export crops and secondly, cheaper production costs.

Hungary is probably the keenest competitor also in the future for Ukrainian organic exports to EU-countries.

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## Russian Federation

### General Information on Russian Federation and the Organic Market

Russian Federation is the largest country in the world in terms of area (17,075,200 sq km). About 144 Millions of people live in Russia. GDP per capita in 2003 was estimated on \$8,900 and inflation rate of consumer prices was 13.7%. Main agricultural products are grain, sugar beets, sunflower seed, vegetables, fruits, beef and milk. Main agricultural imports are white sugar and chicken meat.

Russia is a small but growing market for certified organic products. In 2002 were about 7000 ha or 15 farms certified, by the end of 2003 already 30 farms obtained organic certificate. For the future strongly growing tendencies are predicted by experts. In addition to this certified production, a large amount of non-certified farms are already for years cultivating their land without chemical fertilizers and plant protection, due to shortage of production budget.

Russia is a small but growing market for certified organic products. For the future strongly growing tendencies are predicted by experts.

### The Structure of the Organic Market

At the moment, there are several national inspection and certification companies working. During the last years the organic movement has build up considerable structures such as non-profit associations and trusts, which provide members with information, consultancy and marketing services. Some of these interest groups, together with department of agriculture, are now working out organic legislation on the base of International and European standards.

### Food market in Russia

Despite significant growth in the local production of food and beverage in Russia since the crisis of August 1998, imports still account for more than 40% of overall consumption and more than 50% in major cities. This figure can be expected to grow as the economy continues to recover and incomes to rise. The retail sector is strongly growing with new supermarket chains and distribution companies appearing.

Imports still account for more than 40% of overall consumption.

Russian consumers often state their preference for so-called "ecologically clean products". In Moscow, 2004 two organic retailers have opened organic shops with a large range of mainly imported organic food products from Western Europe and the South. Current organic products on the shelves of organic shops include: rice, noodles, tea, coffee, chocolate, food oils, fruits and dairy products. Some of these products can also be found in "green niches" in supermarkets. The origin of the offered organic products makes prices high and almost only affordable for wealthy consumers, who live mainly in the capital. But in the future, organic market players plan to target their assortment also on less wealthy income groups, by declining the prices. This will only be possible, if comparable certified organic products from Russia or other low pricing countries are available.

## The Ukraine as a supplier of organic products

Russian organic traders tend to focus on export market, because the domestic organic market is still marginal. Therefore, today they are not interested in Ukrainian products. Organic production sold on the domestic market, origins from smaller farms and is sold mainly locally, often without price premium.

There was no information found about organic imports, with the exception of high priced Western European foodstuff sold in organic shops of larger cities. An interview with an organic shop in Moscow revealed that in this sector Ukrainian organic products would probably have good chances to compete with Western European products, if they were certified according to EU-standards.

Russian organic traders tend to focus on export market, because the domestic organic market is still marginal.

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Activities: organic shop for products of Western Europe

Sources: Agrisophie, 2004. Activity report of non-profit organic partnership organisation, Russia. [www.cia.gov/cia/publications/factbook/geos/rs.html](http://www.cia.gov/cia/publications/factbook/geos/rs.html)  
[www.ekokonnnect.org](http://www.ekokonnnect.org)  
[www.english.pravda.ru](http://www.english.pravda.ru)  
[www.fao.org](http://www.fao.org)  
[www.fas.usda.gov](http://www.fas.usda.gov)  
[www.trade.uktradeinvest.gov.uk](http://www.trade.uktradeinvest.gov.uk)



## Asian Region (Japan, China, Korea)

### *Overview on the Asian organic market*

The amount of information that is available for the organic market in Asia cannot be compared with the information that is accessible for countries of the European Union. In general, all domestic organic markets in Asia are small but expected to grow drastically in the future (Kuhlmann, 2003). Yet, many Asian markets still struggle with high poverty, low consumer interest, and low awareness of organic products. Most countries like China, South Korea, Singapore, Hong Kong and Taiwan are just starting to build up a market for organic products, even though, some of them are already organic exporters. Malaysia, for instance, started to promote organic farming in 2003 and only recently introduced the Organic Farming Certification System.

In general, all domestic organic markets in Asia are small but expected to grow drastically in the future.

Japan is momentarily the only country that has established a legal basis for organic agriculture and is already successful in working with it. Together with the more affluent Asian countries, Hong Kong and Singapore, it momentarily builds the only market where demand for organic products is high. Certainly, also due to the fact that those countries if at all only cultivate a tiny area of organic farmland and thus, import most organic products.

The total organic market in Asia was valued USD 400 million in 2002 of which Japan has the largest share.

The total organic market in Asia was valued USD 400 million in 2002 of which Japan has the largest share. There are about 500.000 hectares of organic farmland, with China having the largest amount. In the future, the Asian region will be a major source of organic vegetables and fruit; however, apart from organic primary products there is little processing outside of Japan (Kuhlman, 2003).

For the purpose of this study, only those markets where sufficient and reliable information is available will be described in more detail.

## Emerging markets in Asia and Middle East

### Japan

#### General Information on Japan and the Organic Market

Japan has a population of 123 million and a GDP of USD 4,3 trillion (2003), the second largest economy in the world. It is the world's largest net importer of agriculture and food products. According to the BioFach Japan, the total volume of certified organic imports in 2002 was 158,000 tons. Still, the Japanese organic market is relatively young and not clearly separated from the natural food market.

#### The Structure of the Organic Market

Nevertheless, the Japanese government as one of the few Asian countries enacted a law for organic food. Consequently, the Japanese Ministry of Agriculture, Forestry, and Fishery (MAFF) has decided that all organic food production, marketing and imports into Japan must meet the Japanese Agricultural Standards (JAS). On their website, the ministry provides further information on JAS as well as issues such as labelling and export to Japan in general.

The Japanese government as one of the few Asian countries enacted a law for organic food.

#### Ministry of Agriculture, Forestry and Fisheries (MAFF)

1-2-1 Kasumigaseki

Chiyoda-ku, Tokyo 100-0013

Tel: 81(0)3-3502-8111

Website: [www.maff.go.jp](http://www.maff.go.jp)

MAFF's guide ([www.maff.go.jp/soshiki/syokuhin/hinshitu/organic/eng\\_yuki\\_how.pdf](http://www.maff.go.jp/soshiki/syokuhin/hinshitu/organic/eng_yuki_how.pdf))

With these new guidelines, many Japanese organic products have lost its "organic" status which, together with an increasing demand for health food, creates a great opportunity for foreign importers. It is to be noted here, that Japan only devotes about 5000 hectares to organic production. Due to this fact, Japan mainly acts as major importer when it comes to organic products and commodities. According to USDA, the US is the largest importer followed by China and Australia. The most important imports are firstly, soybeans, then vegetables followed by other organic products as well as grain. In the future, imports for organic forage crops will rise, as well. Interestingly, the Japanese government heavily subsidizes its agriculture and yet, domestic production is on the decline.

Japan mainly acts as major importer when it comes to organic products and commodities. Japan only devotes about 5000 hectares to organic production.

Imports into Japan are handled by specialized import companies, most of which also deal in conventional products. For Japan it is essential to connect with a well-established import firm or middleman, as this is basically one of the few ways to get access to the market. According to Biofach Japan, companies active in importing organic commodities are, for instance, Itochu Corporation ([www.itochu.co.jp](http://www.itochu.co.jp)), Mitsubishi Corporation ([www.mitsubishi.corp.com.jp](http://www.mitsubishi.corp.com.jp)), Mitsui & Co. ([www.mitsui.co.jp](http://www.mitsui.co.jp)), Sojitz Corporation ([www.sojitz.com](http://www.sojitz.com)) and the food wholesaler Asahi Foods. Two other contacts are described further down the report. The NBJ's organic food report states that organic products cannot be imported to Ja-

pan unless they are certified by a MAFF accredited certifier based in Japan. The most important organization which acts under the MAFF as well as IFOAM guidelines is the Japan Organic & Natural Foods Association (JONA) which is responsible for certifications both in Japan and China.

**Japan Organic & Natural Foods Association (JONA)**

Takegashi Bldg., 3-F, 3-5-3

Contact person: Kyobashi, Chuo-Ku

Tokyo 104-0031 / Japan

Tel: +81 3 3538 1651 Fax: +81 3 3538 1852

email: [inquiry@jona-japan.org](mailto:inquiry@jona-japan.org) website: [www.jona-japan.org](http://www.jona-japan.org)

Other certification bodies in Japan are:

**AFAS Certification Centre Co., Ltd. (AFAS)**

Phone: +81 3-3569-7370

Fax: +81 3-3569-7369

Email: [info@afasseq.com](mailto:info@afasseq.com)

**Association for Sustainable Agricultural Certification (ASAC), (NPO)**

Phone: +81 19-626-3870

Email: [axis-asac@k7.dion.ne.jp](mailto:axis-asac@k7.dion.ne.jp)

Regarding the import of organic products to Japan it is also worth contacting the Japan External Trade Organisation (JETRO). It provides importers, for example, with market information, information on JAS and consults in finding appropriate trading partners. The organization can also be a contact address for organizing a stand at the Biofach Japan. Biofach Japan is the counterpart of the BioFach World Organic Fair in Nuremberg, Germany. Experts of the Japanese organic market suggest that in order to get access to the market, this trade fair is a way to start.

**Japan External Trade Organisation (JETRO), Headquarter**

2-5, Toranomom 2-chome, Minato-ku

Tokyo 105-8466/ Japan

Phone: +81 3 3582551 Fax + 81 3 3587 0219

Website: [www.jetro.go.jp](http://www.jetro.go.jp)

**BioFach Japan**

Organisation Office in Japan

Contact person: Mr. Heinz Kuhlmann

Fukide Heights 305

4-1-11 Toranomom, Minato-ku, Tokyo 105-0001/ Japan

Phone: +81 3 5404 7351 Fax: +81 3 5404 7352

Email: [Heinz@inter.net](mailto:Heinz@inter.net) (English) or [abc@inter.net](mailto:abc@inter.net) (Japanese)

Website: [www.biofach-japan.com](http://www.biofach-japan.com) (click on Japanese flag)

A list of importers of organic commodities and products can be found on the BioFach Japan website ([www.biofach-japan.com](http://www.biofach-japan.com)). Other helpful contacts are:

### **Japan Grain Importers Association**

Mizuho Kaikan, 2-1-16 Nihonbashi  
Chuo-ku, Tokyo 103-0027/Japan  
Phone: 81 3-3274-0172 Fax: +81 3-3274-0177

### **National Federation of Foods Importers Association**

c/o Japan Fruit Produce Facilitation Association  
Suebiro Bldg. 6F, 1-12-16 Kanada Izumi-cho, Chiyoda-ku, Tokyo/Japan  
Phone: +81 3 5833 - 5141

Following is a list of companies that import organic grain:

#### **Muso Co., Ltd.**

3-7-22 Nishi-Tenman, Kita-ku, Osaka  
Tel: +81 06 6316-6011 Fax: +81 06 6316-6016  
Email: info@muso-intl.co.jp

#### **Sakurai Foods Co., Ltd.**

343 Takanosu Kamono-cho, Mino-Kamo-shi, Gifu  
Tel: +81 (0574) 54-2251 Fax: 0754-54-2253  
email: info@sakuraifoods.com

Even though, the organic market is still at an early stage, 80% of the Japanese population is willing to buy more organic products assuming that they are not more than 20% more expensive than conventional products. However, food is generally more expensive than in other countries due to the fact that Japan imports most of its goods. Yet, as especially urban Japanese place great emphasis on healthy and safe food, this again states great opportunities for new importers not only in the organic sector. For Japanese eating is an event for the eyes and they view food as an art, and a social custom.

Regarding the sales channels, it is interesting to see that most organic sales are generated through home delivery service companies (NBJ Organic Food Report, 2003). Other channels are commonly supermarkets and small retailers as well as food service industry companies. Japan's sales and distribution system is very complex and insufficient as there are still many small, family-run retail stores with too little shelf space. However, larger retail stores like JUSCO and Daiei are entering the market with a range of organic products. Even convenience store such as 7-Eleven and Lawson's are marketing organic products due to an increasing customer demand but also due to the influence of the MAFF.

For Japanese eating is an event for the eyes and they view food as an art, and a social custom.

Larger retail stores like JUSCO and Daiei are entering the market with a range of organic products.

### **The Ukraine as a supplier of organic products**

After introducing the JAS standard in Japan, the domestic market has shrunk but nevertheless there are opportunities for importers whose products are certified by a MAFF accredited certifier based in Japan. According to BiofachJapan, the market seems to be very interesting and profitable since there are many queries of international organic importers at the moment. Due to language barriers it was not possible to undertake thorough interviews with importers directly.

### ***Certification***

As mentioned earlier, products have to be certified on JAS standard which can be compared with the level of the IFOAM standard. However, it is compulsory that imported products have to have a JAS certification label obtained in Japan. Otherwise, they will be imported as commercial commodities.

### ***Distribution system and proposals***

The best way to enter the Japanese market is certainly to visit the Biofach Japan which has enjoyed great success in 2004. Due to language barriers (most information is not available in English), it is advisable to contact JETRO which often organize collective stands for potential international suppliers of organic commodities. Other than that, trading mostly works via agents.

Products have to be certified on JAS standard which can be compared with the level of the IFOAM standard.

## China (without Hong Kong)

### General Information on China and the Organic Market

With a population of 1,3 billion people of which 250 million are urbanized consumer, China states a boasting market. According to Canada Statistics, the country has strong demand for imported food and agricultural products, local authorities, however, state that due to legislative regulations imports are difficult. Yet, China is forecasted to become the world's largest market within 10 to 20 years. At the same time, there are concerns about the widening gap between more affluent consumers in urbanized areas and people living in rural China. Connected with the government one-child-policy, the population is aging fast and there will soon be the increased need for commodities such as rice, fruit, and vegetable.

According to researchers, China's output of organic products has increased drastically; however, no reliable numbers are available. In the last couple of years China has started to develop their own certification system for so-called "AA green food" which can be compared to organic food. The basic regulations and standards go along with IFOAM guidelines. There are some organizations that certify organic products in China accordingly. One of them is the Organic Food Development and Certification Centre of China (OFDC) which claims to hold an 80% share of the market and is a main force in developing certification standards. However, those standards are not yet made official and compulsory for Chinese processors and most likely for foreign importers.

China's output of organic products has increased drastically; however, no reliable figures are available. In the last couple of years China has started to develop their own certification system.

### Organic Food Development and Certification Centre of China (OFDC)

8 Jiang-Wang-Miao Street

Nanjing, 210042

Republic of China

Tel: +86 25 5425370

Fax: +86 25 5420606

email: ofdcsepa@public1.ptt.js.cn website: www.ofdc.org.cn

China's distribution system still lacks behind those of western countries. However, with the positive economic development at the moment, the country's retail system is maturing constantly. Main sales channels today are so-called hypermarket and supermarkets.

The situation for Ukrainian exporters is difficult to estimate. It was not possible to get access to organic importers directly. Therefore, contacting the OFDC is advisable.

## South Korea

### Overview on South Korea and the organic market

The South Korean market is yet another one that is still in an early stage. Momentarily, it accounts for only 0.2 % of its total food turnover. However, according to the ZMP Organic Market Forum, a growth rate of approximately 30% is expected. In 2003, there were some 2,000 certified organic farms in Korea and 30,000 rated as "environment-friendly". The main organic products grown in South Korea are rice and vegetables (OTE, 2004).

The South Korean market is still in an early stage. The main organic products grown in South Korea are rice and vegetables.

### The structure of the organic market

Organic products are mainly sold in department stores such as Hyundai, Lotte, Shinsegae and Samsung Plaza. But also in supermarket chains, wholesale markets and corner shops. A potential 10 % of the population would be expected to buy organic products if these were promoted more intensively which shows their concern about a healthy lifestyle. However, typical consumers are more affluent females who shop mostly in department stores.

### Ukraine as a supplier of organic products

Because consumer knowledge is still very low and the share of the organic market little, there have only been some importers to Korea. Even though, experts say that the market will grow for importers, they also state that it is difficult to enter the market because of strict certification laws which are supported by local farmers.

### Certification

In order to provide the correct certification to import grains or oilseeds, the National Agricultural Products Quality Management Service (NAQS) has to be contacted. It regulates Korea's national certification program and is responsible for certification, labelling and standards for fresh produce and grains. By 2006, the government will stop certifying and non-governmental organizations will continue.

There is controversy about which products need a certain Korean certification and which do not. It is also not clear if the certification standard can be compared with any of the common certification norms. Nevertheless, it can be said that for most imports a Korean accreditation is necessary in the framework of which Korea sends a representative to the specific country. The certification usually expires after one year. Bulk items that are imported for the purpose of further processing (i.e. food ingredients) do not need a certification. All other imports do in addition to a transition certificate.

There is controversy about which products need a certain Korean certification and which do not. It is also not clear if the certification standard can be compared with any of the common certification norms.

**National Agricultural Products Quality Management Service, Ministry of Agriculture**

Contact person: Lee Kwang-Ha  
Deputy Director Quality Management Division  
433-2 Anyang 6dong Anyang City, Gyeonggi-Do, KOREA  
Tel: 82-31-446-0126-7 Fax: 82-31-446-0903  
Email: kwangha@naqs.go.kr

**Agricultural Trade Office**

Contact person: Oh, Young Sook (Marketing Assistant)  
303, Leema Building 146-1, Susong-dong, Chongro-ku Seoul 110-140, Korea  
Tel: (82-2) 397-4237 Fax: (82-2) 720-7921  
Email: Youngsook.Oh@usda.gov website: www.atoseoul.com

***Distribution system and quantity***

The study shows that most transactions are done via agents. Importing US companies claim that due to the small market share of the organic market, no large quantities are imported. They also state that the import can experience delays because of strict controls. KOFA is one of the main importers and distributors in South Korea:

**KOFA Distribution Center/ Yuginongsan**

Contact person: Mr. Sung-Sil Rim  
4th Floor, Songwon Bldg, 72-3 Garak-Dong,  
Songpa-Gu  
Seoul, Republic of Korea (138-160)  
Tel: 82-2-406-4462 Fax: 82-2-403-4463  
Email: youfarm@chollian.net Webpage: www.organic.or.kr



## Middle East

Similarly to Asian regions, there is only limited information on the organic market itself and the main players in the Arab markets (importers or processors) that can be useful for Ukraine in order to import organic grains and oilseeds. From this it can be referred that the market for organic products is still at a very early stage. However, IFOAM decided late this year that they see enough potential in the Arab market to start building up an “Arab Countries Organic Network” under the global umbrella of IFOAM. According to IFOAM, this summit will be held in due course with the result of more accessible information.

The market for organic products in the Middle East is still at a very early stage.

## Saudi Arabia

Over the past decades Saudi Arabia has undergone tremendous changes economically and socially. With a population of 22,5 million and a GDP of USD 188,5 (2003) it has become a well-off nation. As a consequence, eating habits have changed and western-style supermarkets have established around the major cities.

However, research shows that there is almost no history of organic Farming in Saudi Arabia. It is just now, that the population is beginning to trust the definition of “organic” and starts buying such products.

The first agricultural company in the Middle East that started to foster environmentally-friendly cultivation is Watania Agriculture in Saudi Arabia which today is the biggest producers and processors of organic products (crops, vegetables, fruit) with three large projects in various regions of Saudi-Arabia. The company supplies a great part of the domestic organic market and is certified by Ecocert. Yet, research shows that due to limited irrigation systems, there is and will be a demand for imported organic products, especially grain.

It is just now, that the population is beginning to trust the definition of “organic” and starts buying such products.

### Al Watania Agriculture / Headquarters

Old Akaria Building,  
Office :#201, 2nd Floor  
Sitteen St, P.O.Box :51764  
Riyadh 11553/ Kingdom of Saudi Arabia.  
Tel +966-1-291 0177 Fax +966-1-472 7301  
E-mail [info@watania-agri.com](mailto:info@watania-agri.com) website: [wataniaa@shabakah.net.sa](http://wataniaa@shabakah.net.sa)

Food standards for organic imports are set by the Saudi Arabian Standards Organization (SASO), with product inspection done by Saudi Ministry of Commerce Laboratories at various ports of entry. Apparently, most companies place emphasis on an IFOAM certification as they themselves strive to have their export products accredited accordingly. For the purpose of importing organic grains and oilseeds from Ukraine it is advisable to contact the following coordinates for SASO and the Ministry of Commerce:

### **Saudi Arabian Standards Organisation (SASO)**

Imam Saud Bin Abdul Aziz Bin Mohammed Road (West End)

P.O. Box 3437, SA-Riyadh 11471

Tel: + 966-1-452-0000

Fax: + 966-1-452-0086

Website <http://www.saso.org.sa>

### **Quality Control and Inspection Department Ministry of Commerce**

Dr. Hamad Al-Awfy

Director General

Tel: + 966-1-401-3265

Fax: + 966-1-402-2539

### **Al Watania Agriculture / Headquarters**

Old Akaria Building,

Office :#201, 2nd Floor

Sitteen St, P.O.Box :51764

Riyadh 11553/ Kingdom of Saudi Arabia.

Tel +966-1-291 0177 Fax +966-1-472 7301

E-mail [info@watania-agri.com](mailto:info@watania-agri.com) website: [wataniaa@shabakah.net.sa](mailto:wataniaa@shabakah.net.sa)

### **Used References**

- ⇒ Statistisches Bundesamt, Website: [www.destatis.de](http://www.destatis.de)
- ⇒ Statistics Canada, Website:<http://atn-riae.agr.ca/info/europe-e.htm>
- ⇒ US Department of Agriculture's Information on organic agriculture, website: [www.ers.usda.gov/data/organic](http://www.ers.usda.gov/data/organic)
- ⇒ FAS online, website: [www.fas.usda.gov](http://www.fas.usda.gov)
- ⇒ Ulrich Hamm, Friederike Gronefeld und Darren Halpin (2002), *Analysis of the European Market for Organic Food*, Organic Marketing Initiatives and Rural Development 1. School of Management and Business, University of Wales, Aberystwyth, UK.
- ⇒ Stiftung Ökologie und Landbau SOEL, website: [www.soel.de/oekoland](http://www.soel.de/oekoland)
- ⇒ Oekolandbau, website: [www.oekolandbau.de](http://www.oekolandbau.de)
- ⇒ MAFF Ministry of Agriculture, Forestry and Fisheries of Japan, website:
  - [www.maff.go.jp/eindex.html](http://www.maff.go.jp/eindex.html)
- ⇒ JETRO, Japan External Trade Organization, website: [www.jetro.go.jp](http://www.jetro.go.jp)
- ⇒ IFOAM, International Federation of Organic Agriculture Movements, website: [www.ifoam.org](http://www.ifoam.org)
- ⇒ FAO, Food and Agriculture Organization of the United Nations, website: [www.fao.org](http://www.fao.org)
- ⇒ Organic Europe, website: [www.organic-europe.net](http://www.organic-europe.net)
- ⇒ World Resources Institute Earth Trends, website: <http://earthtrends.wri.org>
- ⇒ Interviews with certification bodies, importers and/or processors in the specific countries

## 5 Strategy Draft to support the Development of the Ukrainian Organic Sector

### Current situation, summary of the realised studies

The organic sector is increasing worldwide, with a growing consciousness of healthy food of the consumers. Anyhow, the development of the organic movement and the maturity of organic market structures are widely differing globally.

The organic markets of the investigated Western European countries (D, Fr, GB, CH and I) are most in mature stage, with well working organic legislation, governmental subsidies for ecological production, certification systems and middle (Italy) to high (i.e. Switzerland, Germany) consumer awareness of healthy and ecological food. As some of these countries have higher demand than domestic supply, imports from overseas or EU-countries are common. This is especially valid for oilseeds and grains for human and animal consumption but also large quantities of fruit and vegetables, tea and coffee are imported. Generally, organic supply from Ukraine is considered by experts as possible (with the exception of France), with the requirement of production standards according to EU regulations or private labels like Bio Suisse for Switzerland.

Eastern European countries, such as Hungary, Russia and the Baltics have strong interest in organic market as economical potential and a growing organic production. These countries are trying to promote organic production mainly for export, while the domestic market and awareness building is rather neglected. Low purchase power of the population limits at present the willingness to pay price premiums for organic food. Only in the Baltics, organic legislation exists; subsidies and protection for organic labelling are provided. Belarus, with its state controlled food production and market is far away from developing an organic sector.

In Asia, China's organic output is considerable already today (especially organic oilseeds), but nevertheless import is expected to grow respectably. Japan with its high standards in food qualities, own certification programmes and strong dependence on food imports is an interesting export market for all organic producers, which are ready to enter this rather complicated market with prime quality products. South Korea, having a small but growing organic production with the output of mainly rice and vegetables, is expected to be a considerable export country for organic in the nearer future.

The Middle East is still in the early stage of organic movement. The demand for organic food is growing, but the domestic supply by the irrigated agriculture is limited. Therefore, this region is supposed to be a valuable importer for organic food in the future, especially for organic grain. Imported organic products are required to be certified according to international organic standards.

The study pointed out, that theoretically, there are market chances for Ukrainian organic products, especially for grain and oilseeds, in many of the investigated

Organic supply from Ukraine is considered as possible with the requirement of production standards according to EU regulation or private standards

Eastern European countries are trying to promote organic production mainly for export, while the domestic market and awareness building is rather neglected.

Asia and the Middle East have growing markets for organic products. Imports are expected to grow in these countries.

countries. Key factors for a successful export are well working business relations between either importers in the respective countries or middlemen and Ukrainian producers/forwarders. At present, the rather negative image of Ukrainian trader (corruption, unreliability and carelessness) together with communication barriers seems to be a considerable repellent for probable purchasers to buy Ukrainian organic commodities. Additionally, some traders in Germany and Switzerland asked for an active information campaign about the consequences of Chernobyl-Catastrophe on organic production.

Key factors for a successful export are well working business relations and quality

## Vision

The organic movement in Ukraine within 5 years has taken off with a strong market growth relying both on domestic and export market.

Small and medium farms are supplying domestic market with fruits and vegetables, dairy products and cereals. Producers are organised for aggregation of product volumes, coordination of production and negotiation of selling conditions.

Large producers, with their larger production volumes are supplying the export market (beside the domestic demand) with certified organic grains and oilseeds. Most important export countries are Germany, Great Britain, The Netherlands (exportation to European countries), Italy, Switzerland, the Baltics and Japan. Russia and other Eastern European countries are supplied when their domestic demand has increased.

The production is according to Ukrainian standard which is equivalent to EU-standards (with some exceptions for national market supply, like group certification of small farms) or to the standards asked by the specific markets. Farms and processing industry are certified by a reliable Ukrainian certification body.

The consumers find and buy quiet a large basket of organic goods in supermarket chains, natural shops and at market stalls. Others prefer box schemes. They know the organic label and the added value of these products.

The Ukrainian government has worked out an organic legislation including a protection for the word organic on products. The governmental advisory service can advise the farmers for the conversion of the farms. The agrarian policy foresees supporting measures for organic farming for example in the frame of the agro environmental programme.

First students graduated in agricultural colleges enter the labour market and some of them continue specialisation in organic farming at University level. Research institutes build up a network for on farm research at organic farms and in general organic farming is a research topic.

Service provider offer specialised services for organic sector: training, advisory, product development, market information, promotion, certification etc.

All organic stakeholders are well connected with each other and associated in an umbrella organisation (i.e. BioLan). The organization is active in capacity build-

ing, dissemination of information and knowledge, lobbying at different level and is the owner of an organic label.

Producers are operating a market coordination agency, which is keeping best business relations to domestic and foreign trade partners. The representatives of the organic movement are present on all important (organic) exhibitions in order to promote organic farming and to find new markets.

Both, producers' association and market coordination agency, are active in communication work – for the domestic market mainly in awareness building about the principles and advantages of organic food among the consumers. For the export market, the upgrading of the Ukrainian reputation is achieved and well working business relations are kept. Foreign trade partners consider Ukrainian businessmen as reliable, trustful and careful suppliers of organic products.

## Recommendations for strategy building

In the tables below, recommendations for strategy building have been worked out, which aim to follow the vision. On the base of the prevailing situation of organic demand and supply (background), concrete proposals are listed.

Table 15 Market development strategies for the domestic market

<b>Market development strategies for the domestic market</b>	
<b>Target group: Consumer with highest organic potential in an emerging phase - Wealthy, conscious about health and food quality, urban, (family with young children) -</b>	
<b>Proposal</b>	<b>Background</b>
<b>Product</b>	
<ul style="list-style-type: none"> <li>• Develop products on the base of existing organic raw materials: Breakfast cereals, muesli, bread, hard-wheat pasta, and oils.</li> </ul>	<ul style="list-style-type: none"> <li>• Organic raw materials, grains and oil-seeds, are not sold as organic</li> <li>• Potential organic consumers are interested in these products</li> </ul>
<ul style="list-style-type: none"> <li>• Diversify organic products with fresh vegetables and fruits.</li> <li>• Process fruits and vegetables to juices, drinks, cans, frozen, baby food</li> <li>• Diversify the offer with organic dairy products (milk, fruit yoghurts), and eggs at medium term</li> </ul>	<ul style="list-style-type: none"> <li>• Experiences of other countries show the big interest of consumers in these product groups. Interviews with Ukrainian consumers show similar interests.</li> <li>• The conversion of animal husbandry needs quiet high investment in production infrastructure.</li> </ul>
<ul style="list-style-type: none"> <li>• Support of product development in organic marketing initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of specific know how and experiences in the country</li> </ul>
<ul style="list-style-type: none"> <li>• Motivate processing enterprises to use organic raw-materials, positioning with organic</li> <li>• Search cooperation with well introduced brands and processors of environmental clean products</li> </ul>	<ul style="list-style-type: none"> <li>• Ukrainian food processors expressed their interest in organic</li> <li>• Food industry catches 20% of foreign investment in Ukraine</li> </ul>
<b>Product quality/ Guarantee system</b>	
<ul style="list-style-type: none"> <li>• Develop product quality standards for organic products above average quality standards, premium products</li> <li>• Develop Ukrainian organic standard equivalent to EU regulation (or even higher), with some exceptions for domestic market supply e.g. for small farms group certification is allowed</li> <li>• Set up a national inspection and certification body as part of the organic movement. At the beginning recertification by international certifier</li> </ul>	<ul style="list-style-type: none"> <li>• Potential consumers are interested in quality.</li> <li>• Consumers associate EU standards with high quality,</li> <li>• Relevance of image building of organic products on emerging markets in a high price segment</li> <li>• Traceability of the products' origin is important (ecological clean regions)</li> <li>• Corruption and trust are important issues</li> </ul>

<b>Pricing</b>	
<ul style="list-style-type: none"> <li>• Analyse the whole value chain of every product and in base of the results develop a price strategy.</li> <li>• Price levels of environmentally clean products give an orientation.</li> <li>• Premium quality – premium price</li> </ul>	<ul style="list-style-type: none"> <li>• Logistic, processing and retailing costs are higher for organic food. Main reasons are smaller quantities and cost of separation.</li> <li>• Consumers are ready to pay premium prices for children nutrition, environmentally clean products (20%-100%) and international brands.</li> </ul>
<b>Product Placement</b>	
<ul style="list-style-type: none"> <li>• In health food shops, specialized groceries, baby food shops</li> <li>• Develop strategic cooperation with supermarket: Organic blocks in supermarkets in the major cities</li> </ul>	<ul style="list-style-type: none"> <li>• Existence of specialized shops of targeted consumer groups</li> <li>• Supermarkets show growing market share in the food sector</li> <li>• General consumer trend to spend less time for food purchasing</li> </ul>
<ul style="list-style-type: none"> <li>• Develop a common appearance of market stalls for fresh products on local and city markets. Start with tests of places and design of communication tools</li> </ul>	<ul style="list-style-type: none"> <li>• Traditional market place for fresh food</li> </ul>
<ul style="list-style-type: none"> <li>• Develop delivery schemes like box schemes for fresh products</li> </ul>	<ul style="list-style-type: none"> <li>• International experiences show success especially at the stage of emerging organic market</li> </ul>
<b>Promotion</b>	
<ul style="list-style-type: none"> <li>• Realise campaign about organic farming via all medias for awareness building about philosophy and principles of organic production / farms (distinction from not certified labels like “ecological clean region”)</li> </ul>	<ul style="list-style-type: none"> <li>• Consumers have nearly no knowledge about organic farming but healthy and risk free food (no residues) is an important issue</li> </ul>
<ul style="list-style-type: none"> <li>• Cooperation with producers of so called <i>environmentally clean products</i> (in case, that they are reliable) to use synergetic effects.</li> </ul>	<ul style="list-style-type: none"> <li>• Environmentally clean products are well known among consumers and could help in the emerging market phase to establish organic food. Could be a solution for products in conversion.</li> </ul>
<ul style="list-style-type: none"> <li>• Labelling with organic brand of organic standard owner</li> </ul>	<ul style="list-style-type: none"> <li>• Differentiation from conventional production</li> </ul>
<ul style="list-style-type: none"> <li>• Develop a strategic cooperation with an retailer</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
<ul style="list-style-type: none"> <li>• Market-coordination office organise the participation of organic sector at fairs, exhibitions and events</li> </ul>	<ul style="list-style-type: none"> <li>• Information lack</li> </ul>
<b>Institution and capacity building/networking</b>	
<ul style="list-style-type: none"> <li>• Develop a farmer based market information and coordination system</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of market transparency and market information</li> </ul>
<ul style="list-style-type: none"> <li>• Support of farmer based structures for product aggregation, post harvest man-</li> </ul>	<ul style="list-style-type: none"> <li>• Markets demand for bigger volumes, continuity of availability, standardised quality</li> </ul>

agement, market access and strengthening of negotiation power	
• Set up of service provider for marketing	•



Table 16 Market development strategies for export markets (I)

<b>Export market</b>	
<b>Potential export countries:</b> Germany, Italy, Great Britain, The Netherlands, the Baltic countries, Switzerland, Japan, (Russian Federation)	
Proposal	Background
Product range	
<ul style="list-style-type: none"> <li>• Continue with raw material like cereals and oilseeds and improve the quality for Western Europe</li> </ul>	<ul style="list-style-type: none"> <li>• Ukraine has just limited possibilities to export organic products ready to eat to Western European countries by image reasons (Chernobyl, European dumping wage country), European quality standard for processing and packing</li> </ul>
<ul style="list-style-type: none"> <li>• Expand to processed organic food for Middle and Eastern Europe</li> </ul>	<ul style="list-style-type: none"> <li>• Export potential in neighbour countries with increasing organic demand and less developed processing structure for organic food</li> </ul>
Product quality	
<ul style="list-style-type: none"> <li>• To reach high quality the quality management for production and post harvest need to be improved</li> <li>• Certified production according to EU-standards by IFOAM / ISO accredited certification body</li> </ul>	<ul style="list-style-type: none"> <li>• In many countries the organic supply actually is sufficient. Higher competitiveness only possible via quality advances (important for image building of Ukrainian organic producers)</li> <li>•</li> </ul>
Pricing	
<ul style="list-style-type: none"> <li>• Cost covering prices, not European dumping prices</li> </ul>	<ul style="list-style-type: none"> <li>• Ukraine has lower production costs</li> <li>• Foreign traders welcome or decline low prices for Ukrainian products (both)</li> <li>• For importer quality is more relevant as cheaper prices</li> </ul>

<b>Export market</b>	
<b>Potential export countries:</b> Germany, Italy, Great Britain, The Netherlands, Switzerland, the Baltic countries, Japan, (Russian Federation)	
<b>Proposal</b>	<b>Background</b>
<b>Distribution</b>	
<ul style="list-style-type: none"> <li>• Support for quality management and set up of traceability systems</li> <li>• Set up of infrastructure for collecting organic supply</li> </ul>	<ul style="list-style-type: none"> <li>• Assurance and traceability of quality is crucial</li> <li>• foreign traders and processors ask for continued supply on time</li> </ul>
<b>Promotion</b>	
<ul style="list-style-type: none"> <li>• Information campaign abroad about the consequences of Chernobyl on organic production</li> <li>• Market-coordination office organise presence on international trade fairs); invitation of foreign importers to visit Ukrainian farms, processors and traders</li> </ul>	<ul style="list-style-type: none"> <li>• Foreign traders (and consumers) are sceptical about food safety of Ukrainian products</li> <li>• Information about organic supply of Ukraine is weak, image of Ukrainian organic products is rather poor than excellent; networking is required</li> </ul>

Table 17 Supply development strategies for Ukrainian producers (I)

<b>Production side (farms and processors)</b>	
<b>Proposal</b>	<b>Background</b>
<b>Supply from small and medium farms</b>	
<ul style="list-style-type: none"> <li>• Service providers offer trainings and information about production and post harvest techniques, market information of vegetables, fruits, cereals (first step)</li> </ul>	<ul style="list-style-type: none"> <li>• Small and medium farms are dedicated to deliver mainly local and close city markets with fresh products ready to eat</li> </ul>
<ul style="list-style-type: none"> <li>• and in a second step for milk and dairy products, beef and egg (second step, because organic husbandry requires additional investments)</li> </ul>	<ul style="list-style-type: none"> <li>• Organic manure is important for organic farming</li> <li>• Diversification minimizes risk</li> <li>• Consumer demand</li> </ul>
<b>Supply from large farms and collectives</b>	
<ul style="list-style-type: none"> <li>• Service providers offer trainings and information for organic production and post harvest techniques, market information for cereals, oilseeds (especially dedicated for export)</li> </ul>	<ul style="list-style-type: none"> <li>• Large farms are able to deliver large quantities to satisfy importer requirements and provide own storing capacities</li> </ul>
<ul style="list-style-type: none"> <li>• and for fruits and dairy products (second step, because organic husbandry and orchards requires additional investments)</li> </ul>	<ul style="list-style-type: none"> <li>• High domestic demand and demand abroad in Middle and Eastern Europe</li> </ul>
<b>Quality management</b>	
<ul style="list-style-type: none"> <li>• Producers are involved in the set up of national organic standard</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
<ul style="list-style-type: none"> <li>• Certification of companies according to Ukrainian standard, EU-standards</li> </ul>	<ul style="list-style-type: none"> <li>• Building up trust in organic products from Ukraine is necessary</li> </ul>
<ul style="list-style-type: none"> <li>• Develop quality standard for organic products higher than average level</li> </ul>	<ul style="list-style-type: none"> <li>• High quality of products is needed</li> </ul>
<b>Logistics / Processing</b>	
<ul style="list-style-type: none"> <li>• Establish infrastructure for collection and stock of organic supply (mainly from smaller producers)</li> <li>• Know how transfer for processing units</li> </ul>	<ul style="list-style-type: none"> <li>• Traders and processors ask for regular supply of larger quantities in time</li> </ul>
<ul style="list-style-type: none"> <li>• Certified transport chain (also for export)</li> </ul>	<ul style="list-style-type: none"> <li>• Assurance of quality</li> </ul>

Table 18 Supply development strategies for Ukrainian producers (II)

<b>Production side (farms and processors)</b>	
<b>Proposal</b>	<b>Background</b>
<b>Organizations</b>	
<ul style="list-style-type: none"> <li>• Support of farmer based organisation for market access (internal control system, aggregation of products, co-ordination of production and negotiation of selling conditions)</li> </ul>	<ul style="list-style-type: none"> <li>• After the period of forced organisation farmers are not so interested in organisations</li> </ul>
<ul style="list-style-type: none"> <li>• Support set up of umbrella organisation for organic movement in Ukraine</li> </ul>	<ul style="list-style-type: none"> <li>• Few exchanges and co-operations</li> </ul>
<ul style="list-style-type: none"> <li>• Set up of a farmer based market information and coordination office</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of market information and co-ordination</li> </ul>
<b>Certification</b>	
<ul style="list-style-type: none"> <li>• Set up of national organic certification body</li> </ul>	<ul style="list-style-type: none"> <li>• Presently high certification fees of international certifier operating in the Ukraine</li> </ul>

**Comment:**

In the early stage of organic development certified farms can probably sell only a few of their organic products as organic. The rest will be marketed over conventional channels. Step by step, with increasing experience in organic production and growing domestic demand, the share of organic sold products will be enlarged. It is expected, that Ukrainian organic farms, especially smaller ones, have no smaller yields than conventional ones. Therefore, this unsatisfying marketing situation doesn't influence farmers' incomes negatively in any case.

## Annex

### Involved Teams of DZI, FiBL and synergie

#### A The Research Institute of Organic Agriculture (FiBL)

FiBL was constituted in 1973 and is one of the **worlds leading Organic farming research and technology transfer centres**. It concentrates on applied **agronomic, socio-economic and veterinary research** and the **dissemination of scientific findings to farmers, policy makers and other stakeholders** of the food supply chain.

Legally, FiBL is a **private non-profit organisation** (foundation). It is funded by the **Swiss Federal Office for Agriculture** and the **Swiss Federal Veterinary Office** – both constituting approximately 30 % of the basic funding - as well as by many project-related funds of public and private organisations and companies. FiBL has more than 100 scientific and technical staff and produced in excess of 110 publications over the last 5 years.

**Toralf Richter** has been working for FiBL Switzerland since 1999. He is in charge of market research questions with regard to organic products. He is responsible for regular international trend studies concerning the marketing of organic products via specialised food shops and the retail chains. Furthermore he conducts consumer surveys concerning the purchase of organic products. Besides he is involved in different European research and consulting within the organic sector.

**Monika Schneider** joined FiBL in April 2003 after several years as SDC expert in the national agricultural extension service in Madagascar and programme officer for Central America in the headquarter of Swiss Labour Assistance. In a part time job she inspects organic farms in Switzerland. In FiBL she is responsible for projects in Eastern Europe (e.g. build up of inspection and certification body in Romania) and Latin America (e.g. Market access for small and medium organic farmers).

#### B Synergie Consulting, consultants for strategy and brand

Since 1995, synergie is accompanying companies in the organic market concerning all issues of market, brand management and distribution. **Christoph Spahn** is founder and manager of synergie.

#### C Derzshzovnishinform (DZI)

DZI is the Ukrainian National Research and Information Center for Monitoring International Commodity markets. Having performed on the Ukrainian information market for over eight years, today DZI obtained a high reputation of the leading expert center in the field of foreign trade information and analytics. DZI staff comprises 60 highly qualified professionals. Our specialists use personal long-standing expert and marketing experience in their actual performance.

**Irina Cernova** is chief manager in the marketing department of DZI. She was in charge of the project management of module Ukraine as well as the preparation

of proposals / recommendations and the the analytical report of the Ukraine project modul.

**Juliya Pikovsksay** is head of the Marketing Research Department of DZI. **Marina Semenova** is the marketing department manager of DZI. She mainly was responsible for conducting and analyzing the focus group interviews with consumers.