Global Market for Organic Food & Drink

by

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Agenda

I. Introduction
II. Global Market Overview & Developments
III. Future Outlook & Openings
Business Services

i. Research Publications

ii. Research & Consulting

iii. Seminars, Workshops

iv. Sustainable Cosmetics / Foods Summits
   (Europe, North America, Asia-Pacific, Latin America)

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Research Publications

» North American Market for Organic Food & Drink
» Asian Market for Organic Food & Drink
» European Market for Organic Food & Drink
» European Market for Natural & Organic Cosmetics
» Global Market for Natural & Organic Cosmetics
» Strategic Insights: Potential of Fair Trade Ingredients & Cosmetics
Organic Agriculture

Global Situation, 2011
1.6m organic farms in 160 countries
37.0 million hectares of organic farmland

Leading Regions
Oceania  12.14 m hectares
Europe   10.00 m hectares
Latin America  8.39 m hectares
Asia     2.78 m hectares
North America  2.65 m hectares

Source: World of Organic Agriculture 2012
(FiBL, IFOAM)
Global Market

- Market Size (2010)  US $59.1 billion
- Market Growth  8% (YOOY)
- Leading Regions  Europe, North America
- Leading Markets  USA, Germany, France, UK
Market Growth Rates

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues (US$ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>17.9</td>
</tr>
<tr>
<td>2003</td>
<td>25.5</td>
</tr>
<tr>
<td>2006</td>
<td>40.2</td>
</tr>
<tr>
<td>2010</td>
<td>59.1</td>
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</tbody>
</table>
Revenue Breakdown

North America, 49%

Europe, 47%

Others, 4%

North America, 49%

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REGIONAL MARKET
OVERVIEW
European Market

Market Size: US $28 billion
Market Share: 2%
Largest Markets: Germany, France, Italy, UK
Latest Developments:
- Growth rates slowing
- Prices stable

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Product Categories

Ranking

1. Organic fruit & vegetables
2. Organic dairy
3. Organic meats
4. Organic beverages
5. Other organic products

Fresh and healthy products are most popular
EU Consumer Expenditure

- Germany
- UK
- France
- Italy
- Switzerland
- Austria
- Denmark
- Sweden
- TOTAL

USD per capita
Supply Trends

- Lowering producer interest
- Supply-demand imbalances
- Re-emergence of food inflation
- Growing emphasis on localism
- Leading companies developing global supply chains
  
  Product prices stabilising after rises
Distribution Trends

- Retailers integrating supply networks
- Organic retailers opened by conventional supermarkets
- Vertical integration
- Consolidation (mergers & acquisitions)

Rationalisation of supply chains

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Rationalisation of Supply Chains

Why?
Guaranteeing supply of raw material / produce
Get closer to consumers by developing channels
Diversifying business risk
Competitive Trends

- Slowing market growth rates
- Growing competition for shelf-space
- Rising power of retailer private labels
- Emergence of mega organic brands
- Entry of large food companies
  - M&A route
  - Organic product launches
Mergers & acquisitions

- Wessanen purchases Clipper Teas (UK)
- Alpro acquired by Dean Foods (Belgium)
- Lactalis buys Rachel’s Organic (UK)
- Hero purchases Organix (UK)
- Waitrose buys Duchy Originals (UK)
- Monoprix acquires Naturalia (France)
- Lea Nature buys Ekibio, Vitamont… (France)
- Ecor Buys NaturaSi, Baule Volante (Italy)

Consolidation occurring
Business Openings

- Debt crisis stunting market growth rates
- Country markets: EU single market, but heterogeneous region
  e.g. north-south divide
- Product types: organic processed foods or ingredients?
- Partners: what importers?
- Finished products: what channels?

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Take individual country approach

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Sales Channels

- Supermarkets: 57%
- Specialist retailers: 26%
- Other: 12%
- CFS: 5%
North America

Market Size: US $28.6 billion
Market Share: 3%
Largest Market: United States
Latest Developments:
- Healthy growth continuing
- Prices rising
- Growing undersupply
Product Categories

- Fruit & vegetables: 39%
- Dairy products: 14%
- Beverages: 13%
- Meat products: 2%
- Others: 32%
Product Trends

- Low producer interest
- Agricultural land issues: competing crops, GMOs
- Drought leading to food inflation
- Undersupply affecting many sectors
- High level of imports across categories
- Leading companies looking at international sources

Highly susceptible to imports
Distribution & Competitive Trends

- Vertical integration
- Organic retailers opened by conventional supermarkets
- Mergers & acquisitions
- Rationalisation of supply chains
- Large companies at every level of supply chain

Market highly concentrated
Market Concentration

Ingredients – SunOpta
Producers – Organic Valley, Whitewave Foods, Earthbound Farms, General Mills, etc.
Wholesale – UNFI, Kehe Distributors
Retail – Whole Foods, Trader Joe’s
Rise of the Private Labels

say hello to
O Organics™

Delicious and affordable organic options for your family. You’ll find over 300 organic items throughout the store, each USDA-certified organic to ensure wholesome goodness.
Sales Channels

- Mainstream Retailers: 56%
- Specialist Retailers: 38%
- Others: 6%
Business Openings

- Healthy market growth rates continuing
- USA largest market in the world now open to EU!
- Product types: all types!
- Partners: importers and / or brokers?
- Sales channels: brands or private labels?

Ample openings!
Asia

Market Size  US $1.1 billion
Market Share  < 1%
Largest Markets  Japan, South Korea
Latest Developments  No. of standards increasing; yet...
                      No harmonisation yet
                      High level of imports
Asian Market Traits

Two-tier Market
- Producer countries: China, India, Thailand…
- Consumer countries: Japan, Singapore, Taiwan…

Standards & Labelling
- Absence of mandatory standards
- Proliferation in private & national standards
- Possibility of a regional standard (but no harmonisation yet!)
- Fraudulent organic claims and mislabelling
Consumer nightmare over unauthorised organic labelling in China

China Daily | Wed Aug 15 2012

Many supermarkets use unauthorised certificates on their vegetables as they are discouraged by the high cost of certification.

China, August 15, 2012

Some supermarkets and suppliers in Beijing are ignoring a new national standard that aims to rein in the chaotic organic food industry.

According to the new standard, organic products produced after July 1 must bear the mark of an accredited certification organisation and a unique, 12-digit identification number. No such mark was found in the vegetables examined. 

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Future Outlook

Global economy projected to expand by 3.5% in 2012 (IMF)

1. Europe – sluggish market growth rates because of economic crisis
2. North America – healthy market growth rates continuing
3. Asia – healthy growth continuing, but many challenges!
4. Other Regions – ‘local markets’ for organic foods developing
5. Supply levels – growing imbalances with demand
6. Product prices – rising because of food inflation
Future Outlook

> Demand concentrated where consumers have purchasing power
> Supply-demand imbalances to remain a feature
> Differences to remain between producer and consumer countries
> Standards remain an impediment to international trade of organic products
Recommendations

1. Target markets – EU, NA most lucrative but also most sophisticated
2. Product categories – primary products vs. finished goods?
3. Standards: mandatory in EU, NA but other regions?
4. Trade issues – rise in non-tariff barriers
5. Growing convergence of organic and sustainability…
Future Outlook: Product Marketing

Companies are going beyond ‘organic’ as consumers become more sophisticated and market matures.
Organic Plus Strategies

Pioneers / Successful companies are going beyond organic and undertaking sustainability initiatives…

Sustainable values: Fair trade & ethical sourcing, carbon neutral, local sourcing, promoting biodiversity, ecological packaging, energy usage…
Organic Plus Strategies

Integration of organic and fair trade values…

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Organic Plus Strategies

Products marketed with ecological packaging…
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Products marketed on other sustainability values…
Organic Plus Strategies

Products can also be marketed on health attributes…
Traditional Hierarchy

- Consumers
- Retailers
- Growers & Producers
- Standards

Degree of influence & control

Low

High
New Hierarchy

- Consumers
- Retailers
- Growers & Producers
- Standards

Degree of influence & control

High

Low

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Standards Evolution

Organic standards are responding to market changes by integrating fair trade, CSR, sustainability…

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Thank You

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