Organic Trade Association
Web-based Market Intelligence Tool

WESTERN EUROPE

A custom report compiled by Euromonitor International for

Organic Trade Association

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EUROMONITOR INTERNATIONAL

+1 312-922-1115
www.euromonitor.com

1. QUALITATIVE ANALYSIS

1.1 QUICK FACTS

- Organic packaged food and beverages consumption in Europe is expected to see a **3.2% CAGR** and **$1,422.2mn absolute value growth** over the forecast period (2015–2018).
- Organic foods have been available in Europe for some time now, and the organic label alone is no longer enough to convince Europeans to purchase products. Consumers are looking for locally sourced organic food that is low in sugar, fat, and salt.
- The emergence of private-label organic food and beverages will increase competition and put downward pressure on unit prices in coming years.

1.2 MARKET TRENDS

- As the market matured, organic packaged food posted slower growth rates in 2014 compared with the historic period average.
- Organic foods have been available in Europe for some time, and an organic label alone is no longer enough to entice consumers to purchase products. Europeans now seek out locally sourced organic food that is low in sugar, fat, and salt.
- Within organic beverages, demand for organic coffee, soft drinks, and fruit and vegetable juices is driving sales growth.

1.3 COMPETITIVE LANDSCAPE

- There is growing competition from low-cost organic products, especially those sold under private labels at leading grocery retailers.
- High-end products and brands are increasingly challenged by economy equivalents that seem to offer a similar standard of quality and are often promoted using the same marketing techniques as leading brands.
- Organic packaged food tends to carry a premium in terms of positioning and retail price. To maintain this premium positioning, manufacturers have to add value by offering locally sourced ingredients, more certifications such as Protected Designation of Origin, or ethically or socially responsible sourcing methods.
- Players with a range of organic packaged food products could benefit from their global brand awareness to win shelf space in the key modern grocery retailers, therefore generating good turnover.
- Reflecting the growing impact of private label in organic packaged food, retailers are providing more shelf space to such products and expanding across different product categories at lower price points than leading brands. This trend is being led by Germany where discounter Lidl's organic range, offered under the name Biotrend, has become established as a reliable brand

that consumers can trust. Along with Lidl, discounters are increasing their share of organic packaged food sales in most countries in Europe.

1.4 PROSPECTS AND GROWTH OPPORTUNITY

- Organic packaged food and beverages are expected to see slow growth over the forecast period, and unit prices are expected to fall as cheaper private-label products become more common across the continent and competition intensifies.
- Over the forecast period the European market could see an increase in the number of products that advertise themselves as pesticide-free, locally sourced, and/or GMO-free rather than organic.
- Demand is likely to remain high due to European consumers' increasing health consciousness and focus on food production methods. However, a saturation point will likely be reached where consumers no longer see the value in buying organic packaged food if the product is already locally produced, for example.

1.5 GENERAL HEALTH & WELLNESS TRENDS

- The aging population is concerned about general health and wellbeing. Most consumers feel that organic products are better for them, and, thus, older consumers are willing to make an investment in more expensive organic products as a preventative health measure.
- Concerns about increasing obesity rates across the continent, particularly in Southern European countries such as Spain and Italy, are driving people towards health and wellness products. These customers are not only looking to cut down on fatty foods, they are looking for products that are nutritious and provide vitamins and minerals that are needed to maintain overall health.
- Better-for-you packaged food and naturally healthy packaged food are becoming more popular overall. Consumers could be attracted to the attributes of these categories and could disregard the organic aspect.

1.6 GENERAL ECONOMIC & DEMOGRAPHIC LANDSCAPE

Economy:

- Europe continues to have fairly slow GDP growth rates compared with other regions of the world. This is due to the fact that most European countries are wealthy, mature markets with stagnant population growth. High levels of government and private debt, and misguided government policies also hamper GDP growth.
- European countries will see inflation levels stay at very low rates. There is some risk of deflationary pressures due to low prices and weak economic growth. Investors and consumers are still very guarded, particularly in regions with high unemployment rates such as Spain.

Population demographics:

- Many fertility rates in the EU have been consistently below replacement levels, while advances in medicine are increasing lifespans and raising the old-age dependency ratio (percentage of persons older than 65 years per persons aged 15–64).
- While population growth in developing countries is mainly driven by higher fertility, nearly 75% of the EU's population growth can be attributed to immigration.
- The EU population is expected to grow to 521 million by 2035, then decline gradually thereafter. Natural growth is expected to cease in 2015 when deaths are predicted to outnumber births; thus, net migration will be the only contributor to further population growth.

Income & expenditure:

- In the wake of the 2008–2009 global economic crisis and subsequent austerity initiatives, income inequality has risen across Europe, dampening income and consumer spending growth.
- Although this economic environment has increased competition for established brands, it has also created opportunities for businesses that can offer private-label value products, as consumer preferences have been shifting towards budget goods and spending on non-discretionary items has decreased.
- In addition to income inequality within countries, there are also significant differences in income levels from one country to another. For example, in 2014 per capita disposable income was only US$4,292 in Bulgaria but was US$34,202 in Austria.
- Over 2009–2014, total consumer expenditure in Europe increased by an average annual rate of 1.3% in real terms, less than half the average annual growth rate in 2000–2007.
- With a greater number of households falling out of the middle class into lower income brackets, purchasing power will be depressed with adverse impacts on consumer expenditure across many sectors

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2. DATA

2.1 ORGANIC PACKAGED FOOD & BEVERAGE DATA

Data type	2012	2013	2014	2015	2016	2017	2018	CAGR (12-15)	CAGR (15-18)
Health & wellness products consumption	144,360.1	147,538.8	150,680.2	154,368.7	156,646.0	158,838.8	161,048.2	2.3%	1.4%
Organic packaged food and beverages consumption	12,116.4	12,766.6	13,557.2	14,262.4	14,796.4	15,259.2	15,684.6	5.6%	3.2%
Organic packaged food consumption	10,529.6	11,109.7	11,808.8	12,430.8	12,903.0	13,311.0	13,684.8	5.7%	3.3%
Organic beverages consumption	1,586.8	1,656.9	1,748.4	1,831.6	1,893.3	1,948.2	1,999.8	4.9%	3.0%
Organic packaged food and beverages consumption as a % of total health & wellness products consumption	8.4%	8.7%	9.0%	9.2%	9.4%	9.6%	9.7%	-	-

2.2 ECONOMIC & DEMOGRAPHIC DATA

Data type	2012	2013	2014	2015	2016	2017	2018
Total population	486.6	489.0	492.2	494.4	496.5	498.4	500.3
% Middle and upper class of total population	38.0%	37.9%	37.8%	37.8%	37.7%	37.7%	37.7%
% Population aged 65+	16.7%	17.0%	17.3%	17.6%	17.9%	18.1%	18.4%
% Population aged 0-14	17.3%	17.2%	17.1%	17.0%	16.9%	16.8%	16.8%
% Population with higher education degrees	21.1%	21.4%	21.6%	21.9%	22.2%	22.4%	22.7%
Average number of children per household	0.5	0.5	0.5	0.5	0.5	0.5	0.5
GDP per capita	31,911.2	32,383.0	33,029.9	33,909.3	34,428.1	34,966.9	35,495.4
Consumer expenditure per capita (US$)	17,810.8	18,037.7	18,314.7	18,727.6	19,028.7	19,330.1	19,614.8
Consumer expenditure per capita on food and non-alcoholic beverages (US$)	2,147.9	2,200.2	2,213.3	2,263.8	2,296.5	2,325.8	2,350.1

2.3 RETAILER & CITY DATA

Data category	Rank	City/retailer	Population (mns)
Top cities by population (2015)	1	London (UK)	16.4
Top cities by population (2015)	2	Istanbul (Tur.)	14.7
Top cities by population (2015)	3	Paris (Fra.)	12.1
Top cities by population (2015)	4	Madrid (Spa.)	6.4
Top cities by population (2015)	5	Barcelona (Spa.)	5.5
Top grocery retailers by sales (2015)	1	Lidl	-
Top grocery retailers by sales (2015)	2	Aldi	-
Top grocery retailers by sales (2015)	3	Tesco Extra	-
Top grocery retailers by sales (2015)	4	Carrefour	-
Top grocery retailers by sales (2015)	5	Edeka	-

2.4 USDA GATS DATA

3. STATIC IMAGES

3.1 ORGANICS DASHBOARD FROM PASSPORT

4. DEFINITIONS

Term	Definition
Organic packaged foods	Health and wellness is the aggregation of organic packaged food and beverages, fortified/functional packaged food and beverages, naturally healthy packaged food and beverages, better for you packaged food and beverages and food intolerance products.
Organic packaged foods and beverages	This category includes packaged food & beverages that are certified organic by an approved certification body. Organic production is based on: • A system of farming that maintains and replenishes soil fertility without the use of toxic and persistent pesticides and fertilizers. • Organic food & beverages are minimally processed without artificial ingredients, preservatives or irradiation. • The use of GMOs (Genetically Modified Organism) is prohibited. “Certified Organic” means the item has been grown according to strict uniform standards that are verified by independent state or private organizations. • Depending on the country, such products are called ‘organic’, ‘biological’ or ‘ecological’: For organic products to be included under Euromonitor definitions, the organic aspect needs to form part of positioning/marketing of the product. This is an aggregation of organic baby food, bakery, confectionery, dairy, ice cream, oils and fats, ready meals, rice, sauces, dressings and condiments, snack bars, soups, spreads, sweet and savory snacks and other organic food. Note that fresh food products or individual ingredients are not included in this definition.
Compound annual growth rate (CAGR)	The compound annual growth rate (CAGR) is the average annual growth rate over a specified period of time. For instance, the CAGR consumption of from 2015 – 2018 will be the average growth rates across these four years.
USDA GATS data clarification	

