Euromonitor Consulting

Organic Trade Association: First Step Market Tracker Service

A custom report compiled by Euromonitor International for OTA

Organic Trade Association
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SCANDANAVIAN COUNTRIES*

**Denmark, Sweden, Finland, Iceland and Norway.*

1. QUALITATIVE ANALYSIS

1.1 QUICK FACTS

- Organic packaged food and beverages in the Scandinavian countries recorded 7.2% in 2019, reaching a total market size of US$2.5 bn in 2019.
- Growth in organic packaged food was primarily led by organic ice cream, baby food and ready meals in 2019, with organic ice cream leading in Sweden as well as Norway, recording a value increase of 18% and 72.0% respectively.
- Among organic beverages, organic nectars were highly popular, registering the highest growth in 2019 in Sweden and Finland, with a current value increase of 23.0% and 80.0% respectively.

1.2 MARKET TRENDS

- Organic products have become mainstream in most Scandinavian countries, particularly Denmark and Sweden as organic beverages are witnessing an entry into the maturity stage in these markets. Furthermore, in Finland, the importance of ethical labels is driving sales of organic products, leading to manufacturers focusing on offering a story behind the origin and the manufacturing process, in an attempt to appeal to the sustainable, local and fair trade consumer needs.
- Increasingly, health-conscious consumers are evolving to be the primary base for organic products. In countries such as Sweden and Norway, there is a growing demand for more natural products that can offer health benefits, with the demand increasing particularly in categories such as baby food, where the time-pressed parents are looking for the optimum offering to provide the best nutrition possible for their children, thus, boosting demand for organic baby food and increasing awareness on the benefits of organic products.

1.3 COMPETITIVE LANDSCAPE

- Private label products from retail giant ICA group witnessed a strong performance in Scandinavia in 2019. The company's success is partly attributed to the demand from budget consumers, increasingly preferring organic products in packaged food segments such as the I Love eco range, one of the popular organic brands. The company performed well in Sweden, with ICA Sverige AB recording a value share of 12.2%.
- Baby food is one of the most significant categories in terms of sales and growth in Scandinavian countries. The favorable position of global baby food player Nestle' in countries such as Norway and Finland is helping boost its share and strengthen its position against major organic players such as Hipp and Ella's Kitchen. With a rising demand for baby food, the company is expected to continue to leverage its high brand awareness and its resources to increase adoption of its organic products within these countries over the forecast period 2019-2024.
- With the exception of Sweden, private label brands are gaining share over branded players in several organic categories such as organic coffee, organic tea and in almost every segment of organic packaged food. In Sweden, the product quality for

private label offerings does not seem to meet the standards of Swedish consumers, as they can afford higher quality branded products. However, in countries such as Denmark and Finland, the growing popularity of Coop through its Änglamark kaffe range, which helps cater to the need for organic, high-quality coffee at affordable prices, has helped push the retailer to register a value share of about 6.5% within the Scandinavian countries in 2019. This share is likely to witness a further increase during the forecast period 2019-2024.

1.4 PROSPECTS AND GROWTH OPPORTUNITY

- With the number of working parents in Scandinavia set to increase; organic baby food is expected to register an increase in demand over the forecast period 2019-2024, with a forecast value CAGR of 4.1 to 7.0% within the Scandinavian countries. Growth is driven by an increasing number of product launches and the rising need for high quality and nutritious food. Overall, there is strong potential for baby food to be one of the key organic categories over the coming years.
- As more consumers are becoming increasingly concerned about the origin of their products, domestic organic players within the Scandinavian countries are using the origin of production as a promotional factor to better position their brand. One example of this is from Arla in Finland, where Arla's organic milk can be traced back to the Tika Farm. The player's marketing includes a YouTube advertisement featuring the product's benefits due to its production values and the fact that it is manufactured locally, and is conscious of the need for good animal welfare practices.
- Considering the recent increase in product popularity, organic nectars have been witnessing a steady rise. The category is set to benefit from the upcoming product launches from players such as Coca-Cola in Sweden and Eckes – Granini in Finland. The potential for organic nectars in these countries is high, with a forecast CAGR of 12.7% and 12.5% respectively for the period 2019-2024.
- One of the most popular organic categories is organic coffee, which is recording strong growth and significant sales within countries such as Sweden and Norway, while also registering an impressive performance within other Scandinavian countries. Overall, the category is gaining immense popularity and is expected to continue to record a strong performance over the forecast period 2019-2024, with a forecast value CAGR of about 9.0%.

1.5 GENERAL HEALTH AND WELLNESS TRENDS

- Consumers in Scandinavia are increasingly focusing on their health, demanding more products without additives or with low levels of sugar. The recent increase of awareness on the damage of sugar on health has plummeted sales for sugary carbonates and juices while demand for better for you and fortified/functional products is seeing an increase. On the other hand, within categories such as energy drinks and cola based carbonates, the demand for health and wellness beverages is witnessing a rise.
- Within health and wellness packaged food, free from products witnessed a sharp rise in demand, driven by consumers shifting to plant-based diets where meat and dairy products are replaced with plant-based alternatives. With the number of

vegetarians and vegans expected to continue to increase, the category is expected to continue to show a strong performance over the forecast period 2019-2024.

1.6 GENERAL ECONOMIC AND DEMOGRAPHIC LANDSCAPE

Economy:

- The economy of Scandinavia is neutral overall with the progress for Norway and Sweden balanced out by the slowdown in Finland and Denmark. Economic activity is highly volatile on the back of weak domestic and global demand deterring business investments and employment.
- Among all Scandinavian countries, Norway is expected to show the highest real GDP growth of 2.0% in 2020, followed by Iceland and then Denmark with a GDP increase of 1.5%. Finland is the weakest with expected real GDP growth of 0.5% in 2020. Iceland's economy is set for a rebound, with a partial recovery in tourism projected to drive near-term growth. Real GDP growth will increase to 1.6% in 2020 and will average around 1.9% per year through 2026.
- Private final consumption witnessed the highest growth in Norway in 2019, recording an increase of 1.6%, with the highest forecast growth expected in Denmark, with an expected growth of 1.7% in 2020.

Population demographics:

- The population of Scandinavia totalled 27.2 million in 2019, an increase of about 3.1 million since 2000.
- The median age was the highest in Finland, recorded at 42.8 years in 2019, followed by Denmark at 41.9 years. The lowest median age was recorded within Norway, reaching 39.7 years in 2019.
- The Scandinavian population is witnessing a significant ageing process, with the proportion of the population over the age of 65 years increasing from 15.4% in 2000 to 19.6% in 2019. By 2030, the indicator is expected to reach about 22.2%.

Income & expenditure:

- With the exception of Sweden, all Scandinavian countries have a relatively low savings ratio, falling well below the regional average. Sweden is the only country with a double-digit savings ratio of 11.0% of disposable income in 2019 while savings in Norway, Denmark and Finland were 1.2%,4.6% and 7.3% respectively. This is expected to increase to 11.2% in 2020.
- Per capita consumer expenditure was the highest in Norway, calculated at US$30,387 in 2019. The indicator is expected to rise by 0.5% in 2020. For the period 2020-2030, consumer expenditure in Norway is expected to record a cumulative increase of 17.3%. However, Sweden will record the highest cumulative increase of 19.1% for the same period, averaging 1.8% annually. Medical services are expected to record the majority of consumer spending over the forecast period 2019-2024 within Sweden and Finland while Denmark is set to spend the most on education and Norway, on housing.

- Disposable income per capita was the highest in Norway in 2019, recorded at US$32,454. For the period 2020-2030, total disposable income in Norway is expected to increase by a cumulative value of 22.5%, averaging 2.0% annually. The lowest cumulative increase for the period 2020-2030 is expected to be in Denmark, with total disposable income growing at an annual average of 1.4% to record a cumulative growth of 14.5% in real terms.

2. DATA

2.1 ORGANIC PACKAGED FOOD AND BEVERAGE DATA

Data type	Unit	2016	2017	2018	2019	2020	2021	2022	CAGR (16-19)	CAGR (20-22)
Health & wellness products consumption[1]	USD million	14,607.6	15,413.9	16,446.3	17,376.9	18,018.8	18,627.6	19,186.3	6.0%	3.2%
Organic packaged food and beverages consumption	USD million	1,938.0	2,149.6	2,332.6	2,502.0	2,632.5	2,748.7	2,861.4	8.9%	4.3%
Organic packaged food consumption	USD million	1,638.8	1,787.1	1,912.0	2,027.6	2,107.5	2,179.8	2,251.2	7.4%	3.4%
Organic beverages consumption	USD million	299.2	362.4	420.5	474.4	524.9	568.9	610.0	16.6%	7.8%
Organic packaged food and beverages consumption as a % of total health & wellness products consumption	%	13.3%	13.9%	14.2%	14.4%	14.6%	14.8%	14.9%	-	-

2.2 ECONOMIC AND DEMOGRAPHIC DATA

Data type	Unit	2016	2017	2018	2019	2020	2021	2022
Total population	million	26.6	26.8	27.0	27.2	27.4	27.6	27.7
% Middle and upper class of total population	%	-	-	-	-	-	-	-
% Population aged 65+	%	19.0%	19.2%	19.4%	19.6%	19.9%	20.1%	20.4%

[1] Health and Wellness Definition: 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.
The above definition and more can be referenced from the definitions table at the end of the report.

% Population aged 0-14	%	17.2%	17.2%	17.2%	17.1%	17.0%	16.9%	16.8%
% Population with higher education degrees	%	-	-	-	-	-	-	-
Average number of children per household	children	0.5	0.5	0.5	0.5	0.5	0.5	0.5
GDP per capita	USD per capita	52,603.8	54,521.9	56,723.7	57,857.6	53,882.4	56,096.1	57,753.6
Consumer expenditure per capita (US$)	USD per capita	23,668.7	24,240.9	24,969.7	25,563.6	23,890.0	24,917.3	25,435.5
Consumer expenditure per capita on food and non-alcoholic beverages (US$)	USD per capita	2,805.6	2,836.7	2,910.2	2,971.0	2,860.4	3,000.9	3,049.7

2.3 RETAILER AND CITY DATA

2.3.1 TOP 5 CITIES BY POPULATION

Data category	Rank	City/retailer	Population (millions)
Top cities by population (2019)	1	Stockholm (Swe.)	2.3
Top cities by population (2019)	2	Copenhagen (Den.)	2.1
Top cities by population (2019)	3	Helsinki (Fin.)	1.4
Top cities by population (2019)	4	Oslo (Nor.)	1.3
Top cities by population (2019)	5	Gothenburg (Swe.)	1.0

2.3.2 TOP 5 GROCERY RETAILERS BY SALES

Data category	Rank	City/retailer
Top grocery retailers by sales (2019)	1	ICA Supermarket
Top grocery retailers by sales (2019)	2	Rema 1000
Top grocery retailers by sales (2019)	3	Kiwi
Top grocery retailers by sales (2019)	4	ICA Maxi
Top grocery retailers by sales (2019)	5	S-Market

2.4 UNITED STATES DEPARTMENT OF AGRICULTURE GLOBAL AGRICULTURAL TRADE SYSTEM DATA

2.4.1 TOP 5 EXPORT COMMODITIES TO SCANDANAVIAN COUNTRIES

Year	Country	Rank of Product/Commodity	Product/Commodity	Export Value (US$)
2019	Scandinavia	1	Organic Berries Fresh	89,142
2019	Scandanavia	2	Organic Peas Fr/Ch	70,499
2019	Scandanavia	3	Organic Coffee Roast Not Decaf	42,682
2019	Scandanavia	4	Organic Vinegar and Substitutes	35,959
2019	Scandanavia	5	Organic Grapes Fresh	16,590
2019	**Scandanavia**	**Total**	**Total Organics***	**265,507**
2018	Scandanavia	1	Organic Berries Fresh	470,341
2018	Scandanavia	2	Organic Tomato Sauce Ex Ketchp	100,754
2018	Scandanavia	3	Organic Peas Fr/Ch	63,510
2018	Scandanavia	4	Organic Carrots Fr/Ch	27,930
2018	Scandanavia	5	Organic Apples Fresh	24,000
2018	**Scandanavia**	**Total**	**Total Organics***	**704,643**
2017	Scandanavia	1	Organic Berries Fresh	447,784
2017	Scandanavia	2	Organic Tomato Sauce Ex Ketchp	102,365
2017	Scandanavia	3	Organic Apples Fresh	88,000
2017	Scandanavia	4	Organic Peas Fr/Ch	72,175
2017	Scandanavia	5	Organic Lettuce Not Head Fr/Ch	69,762
2017	**Scandanavia**	**Total**	**Total Organics***	**814,240**
2016	Scandanavia	1	Organic Coffee Roast Not Decaf	51,243
2016	Scandanavia	2	Organic Peas Fr/Ch	21,977

2016	Scandanavia	3	Organic Grapefruit Fresh	16,380
2016	Scandanavia	4	Organic Tomato Sauce Ex Ketchp	5,377
2016	Scandanavia	5	Organic Strawberries Fresh	4,080
2016	**Scandanavia**	**Total**	**Total Organics***	**104,492**

Note : Total organics is the sum of all exports to a country within a year

[2]

[2] Scandanavia refers to the region comprising the following countries: Denmark, Sweden, Finland, Iceland and Norway

3. DEFINITIONS

Term	Definition
Health and Wellness	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 2016 – 2019 will be the average growth rates across these three years.
USDA GATS data clarification	The data presented in table 2.4 represents the dollar values of the top 5 organic commodities as well as of the total organic exports of the trade partner for the period 2016-2019 as per the United States Department of Agriculture's Global Agricultural Trade System, a database consisting of international agricultural, fish, forest and textile products trade statistics dating from the inception of the Harmonized coding system in 1989 to present.