Organic Trade Association: First Step Market Tracker Service

A custom report compiled by Euromonitor International for OTA

Organic Trade Association
March 2020

www.euromonitor.com

WESTERN EUROPE*

** Andorra, Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Gibraltar, Greece, Iceland, Ireland, Italy, Lichtenstien, Luxembourg, Malta, Monaco, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey and the United Kingdom.*

1. QUALITATIVE ANALYSIS

1.1 QUICK FACTS

- Organic packaged food and beverages in Western Europe have witnessed significant growth over the historical period 2014-2019, growing from a total market size of US$13.1 bn in 2014 to US$18.5 bn in 2019, registering an absolute increase of 41%.
- The majority of sales for organic products in Western Europe are from organic packaged food, representing 83.6% of total organic packaged food and beverage value sales within Western Europe in 2019.
- Over the forecast period 2019-2024, organic beverages are expected to lead growth, with a forecast value CAGR of 5.9% as opposed to 4.5% for organic packaged food.

1.2 MARKET TRENDS

- Organic products are commonplace in several markets in Western Europe, with regions such as France, UK and Germany ranking in the top 5 global markets in terms of market size, while Denmark is the global leader in terms of per capita consumption of organic products.
- Demand for organic products is driven by the growing importance of food safety and health and wellness, as consumers perceive organic products to be better for health compared to non-organic variants. Another key driver of organic product demand is the growth in consumer disposable income, allowing them to purchase organic products, which are generally expensive compared to non-organic alternatives. However, the rapid rise in the number of private-label organic offerings by retailers such as Lidl and Aldi at lower prices than name brands has helped offer organic products of high quality at more affordable prices, thus, improving volume sales.

1.3 COMPETITIVE LANDSCAPE

- Competition in organic products across Western Europe is high, with the leading player in Western Europe, Hipp GmbH & Co Vertrieb KG, registering a value share of 2.8% in 2019. The company's success is partly due to the performance of its baby food category, as the majority of its product range of baby food is organic. The company enjoys a particularly strong presence in prepared, dried and other baby food, while also holding a significant share of organic formula milk sales in Germany, the largest organic market by size in Western Europe. Furthermore, the company is catering to the health and wellness needs of consumers through launches of reduced sugar and sugar-free alternatives of baby food, which is expected to help further boost its share in the organic products market.
- The significant share of organic dairy products in organic packaged food and organic products overall has helped dairy player Arla Foods Amba retain one of the leading positions in organic packaged food and beverages within Western Europe. One of the significant sources of the companies' success is its sales of organic dairy products in Denmark, in addition to substantial growth in the Netherlands, where it led the organic milk category in 2019.

- Global packaged food and beverage player Nestlé has a low position in Western Europe with a value share of 0.5%. However, the brand is taking significant measures to improve share by appealing to consumer interests in several categories, such as RTD tea with the launch of an organic variant of Nestea in 2019. The player is also keen on the growing baby food market in France, with a product range consisting of roughly 60 offerings including Les P'tit Goutes (flavoured milk) and Naturnes (shelf-stable baby food ready meals) after remaining absent from organic baby food for many years.

1.4 PROSPECTS AND GROWTH OPPORTUNITY

- Organic baby food is one of the fastest-growing categories in Western Europe, with a forecast value CAGR of 4.5% for the period 2019-2024, reaching a market size of US$1.8 bn by 2024. Growth in the category is mainly driven by increasingly time-pressed parents wanting to provide the most nutritious option for their children. The lack of time has helped primarily drive demand for prepared baby food, which is the largest segment of organic baby food, contributing about 56.0% of value sales of organic baby food in 2019.
- The rising coffee culture combined with the demand for healthy consumption has helped drive demand for organic coffee products in Western Europe, especially in markets such as Sweden and Germany. This growing importance for coffee is expected to continue, with organic coffee anticipated to register a forecast value CAGR of 6.3% and reach a market size of approx. US$1.1 bn by 2024.
- Organic products in Western Europe are particularly popular among young consumers, with millennials driving sales in markets such as the Netherlands. With the rising disposable income and the willingness to pay premium prices for higher quality products, younger consumers are expected to remain a key segment for organic products in Western Europe. Younger consumers are also less averse to trying new products and are more enthusiastic about sustainable and organic products compared to older generations. Furthermore, younger consumers are likely to gain more influence as their purchasing power rises, making them a target segment for manufacturers of organic products.

1.5 GENERAL HEALTH AND WELLNESS TRENDS

- With the ageing population of several countries becoming a significant concern, demand for health and wellness products is expected to remain strong as consumers move towards fortified/functional products that are aimed at improving health. Organic products are expected to continue to perform well; however, there is an emerging market for functional products as the increasing influence of premiumization is driving manufacturers to promote their products through explicit health benefit. One example can be seen in the launch of the Messmer fortified/functional tea, which provides several added vitamins and minerals such as vitamin C, vitamin D and magnesium-based, providing an avenue of differentiation for the brand.
- With the sugar tax increasing in Germany, France, the UK, and others, there is a growing demand for reduced and low/no sugar beverages as the ever-increasing media coverage on the detrimental effects of sugar consumption have led to

increased consumer awareness on the harmful impact of sugar. This rising demand for low sugar products has also led to the launch of reduced and zero sugar variants of beverages by major global manufacturers such as Coca-Cola, Red Bull and Nestle' in an attempt to retain consumer share by providing an alternative for health-conscious consumers.

1.6 GENERAL ECONOMIC AND DEMOGRAPHIC LANDSCAPE

Economy:

- The economy of Western Europe grew slightly in 2019 with real GDP recording a year-on-year increase of 3.3%. However, it is expected to weaken in 2020. Domestic demand is expected to deteriorate, while debt is soaring; thus, the combined GDP is expected to grow by 1.3% in 2020.
- Private final consumption grew by 1.0% in 2019, with a growth of 1.4% expected in 2020.

Population demographics:

- The population of Western Europe is ageing at a faster pace compared to the rest of the world. This is concerning as an ageing population increases consumption while production becomes increasingly challenging to manage. The proportion of the population over the age of 65 years has increased from 17.3% in 2014 to 18.4% in 2019. The rapid ageing of the population is also one of the drivers of higher expenditure on medical services.
- The birth rate in 2019 was recorded at 10.5 per thousand, registering a continuous decline since 2014. While the birth rate is still higher than the death rate, the gap between the two is closing.

Income & expenditure:

- Tightening pressure on nominal wage growth led to reduced disposable incomes, causing a decline in private final consumption.
- Disposable income witnessed a significant decline in the historical period 2014-2019, registering a decline of approx. US$700 bn. This decline was partly due to the Spanish recession as well as the slowdown in economic growth in France, in addition to the economic downturn as a result of the Brexit. The outlook in the forecast period looks positive, with a forecast CAGR of 2.8% for the period 2019-2024.

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	142,331.1	147,628.6	154,018.4	160,910.3	165,512.6	170,137.0	174,805.0	4.2%	2.8%
Organic packaged food and beverages consumption	USD million	15,042.2	16,239.8	17,370.2	18,588.7	19,605.0	20,590.8	21,554.5	7.3%	4.9%
Organic packaged food consumption	USD million	12,783.1	13,733.8	14,599.3	15,550.3	16,342.6	17,117.2	17,888.7	10.4%	6.0%
Organic beverages consumption	USD million	2,259.1	2,506.0	2,770.9	3,038.4	3,262.4	3,473.6	3,665.8	6.7%	4.6%
Organic packaged food and beverages consumption as a % of total health & wellness products consumption	%	10.6%	11.0%	11.3%	11.6%	11.8%	12.1%	12.3%	-	-

2.2 ECONOMIC AND DEMOGRAPHIC DATA

[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.

Data type	Unit	2016	2017	2018	2019	2020	2021	2022
Total population	million	498.0	500.6	502.9	505.4	507.6	509.6	511.3
% Middle and upper class of total population	%	-	-	-	-	-	-	-
% Population aged 65+	%	17.8%	18.0%	18.2%	18.4%	18.7%	19.0%	19.3%
% Population aged 0-14	%	17.0%	16.9%	16.9%	16.8%	16.7%	16.6%	16.5%
% Population with higher education degrees	%	23.5	23.8	24.2	24.4	24.7	24.9	25.1
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	33,577.9	34,727.1	35,899.3	36,908.8	36,656.2	37,188.0	37,652.7
Consumer expenditure per capita (US$)	USD per capita	18,123.8	18,699.9	19,257.2	19,718.8	19,846.4	20,019.7	20,231.3
Consumer expenditure per capita on food and non-alcoholic beverages (US$)	USD per capita	2,146.7	2,204.7	2,267.5	2,329.5	2,371.2	2,408.4	2,424.7

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	Istanbul (Turkey)	16.3
Top cities by population (2019)	2	London (UK)	12.1
Top cities by population (2019)	3	Paris (France)	11.7
Top cities by population (2019)	4	Madrid (Spain)	6.8
Top cities by population (2019)	5	Ankara (Turkey)	5.6

2.3.2 TOP 5 GROCERY RETAILERS BY SALES

Data category	Rank	City/retailer
Top grocery retailers by sales (2019)	1	Schwarz Beteiligungs GmbH
Top grocery retailers by sales (2019)	2	Aldi Group
Top grocery retailers by sales (2019)	3	Carrefour SA
Top grocery retailers by sales (2019)	4	Rewe Group
Top grocery retailers by sales (2019)	5	Edeka Zentrale AG & Co KG

2.4 UNITED STATES DEPARTMENT OF AGRICULTURE GLOBAL AGRICULTURAL TRADE SYSTEM DATA

2.4.1 TOP 5 EXPORT COMMODITIES TO WESTERN EUROPE

Year	Country	Rank of Product/Commodity	Product/Commodity	Export Value (US$)
2019	Western Europe	1	Organic Vinegar and Substitutes	2,282,657
2019	Western Europe	2	Organic Coffee Roast Not Decaf	1,864,548
2019	Western Europe	3	Organic Berries Fresh	1,707,033
2019	Western Europe	4	Organic Asparagus Fr/Ch	1,336,816
2019	Western Europe	5	Organic Grapes Fresh	1,060,143
2019	**Western Europe[2]**	**Total**	**Total Organics***	**11,960,616**
2018	Western Europe	1	Organic Vinegar and Substitutes	7,264,223
2018	Western Europe	2	Organic Apples Fresh	4,408,451
2018	Western Europe	3	Organic Carrots Fr/Ch	2,172,978
2018	Western Europe	4	Organic Coffee Roast Not Decaf	1,478,130
2018	Western Europe	5	Organic Berries Fresh	1,003,085
2018	**Western Europe[2]**	**Total**	**Total Organics***	**21,043,547**
2017	Western Europe	1	Organic Lettuce Not Head Fr/Ch	3,886,870
2017	Western Europe	2	Organic Carrots Fr/Ch	3,332,026

2017	Western Europe	3	Organic Coffee Roast Not Decaf	1,182,200
2017	Western Europe	4	Organic Berries Fresh	886,577
2017	Western Europe	5	Organic Apples Fresh	761,209
2017	**Western Europe[2]**	**Total**	**Total Organics***	**13,014,397**
2016	Western Europe	1	Organic Carrots Fr/Ch	2,261,744
2016	Western Europe	2	Organic Apples Fresh	1,762,333
2016	Western Europe	3	Organic Coffee Roast Not Decaf	854,385
2016	Western Europe	4	Organic Onion Sets Fr/Ch	760,736
2016	Western Europe	5	Organic Strawberries Fresh	506,495
2016	**Western Europe[2]**	**Total**	**Total Organics***	**7,601,549**

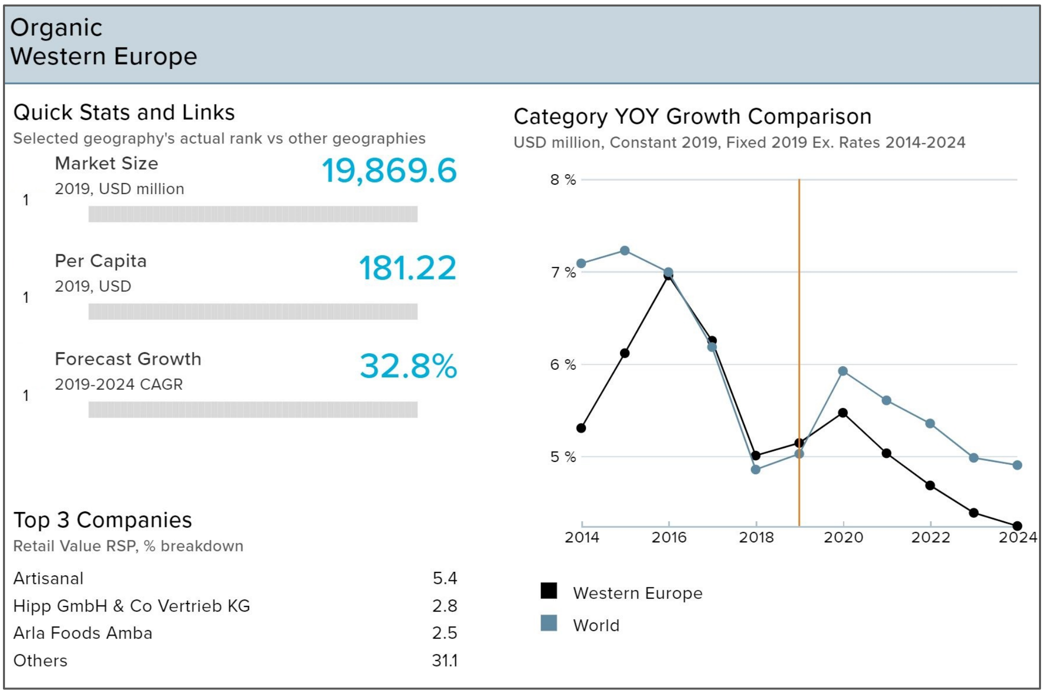
Note : Total organics is the sum of all exports in a particular year

2

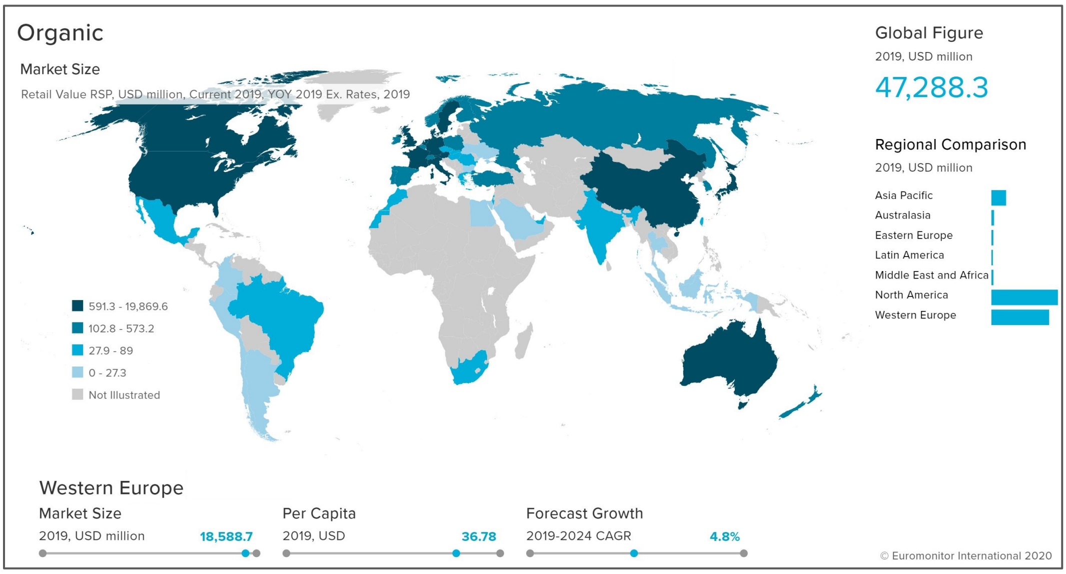
[2] Western Europe refers to the region comprising the following countries : Andorra, Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Gibraltar, Greece, Iceland, Ireland, Italy, Lichtenstien, Luxembourg, Malta, Monaco, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey and the United Kingdom.
As per the GATS data query – Exports to Andorra and Monaco are included under the cumulative value for France and exports to Lichtenstein are included under the cumulative value for Switzerland.

3. STATIC IMAGES

3.1 ORGANICS DASHBOARD FROM PASSPORT



- Organic products in Western Europe are led by Artisanal brands, with a value share of 5.4% in 2019, followed by Hipp GmbH & Co Vertrieb KG with a share of 2.8% and Arla Foods Amba with a share of 2.5%.



- Organic products in Western Europe have a market size of US$18.5 bn in 2019, contributing roughly 40.0% of global demand. Demand for organic products is expected to continue to increase, albeit at a slow pace, with organic products having a forecast value CAGR of 4.8% for the period 2019-2024, reaching a total value of US$23.4 bn by 2024.

4. 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.