Organic Trade Association: First Step Market Tracker Service

A custom report compiled by Euromonitor International for OTA

Organic Trade Association
March 2022

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WESTERN EUROPE*

** Andorra, Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Gibraltar, Greece, Iceland, Ireland, Italy, Liechtenstein, 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 witnessed notable growth over recent years, with sales rising from US$16 billion in 2016 to US$23.6 billion in 2021, registering an increase of 48% over that period.
- The majority of sales for organic products in Western Europe are from organic packaged food, representing 83% of total organic packaged food and beverage value sales within Western Europe in 2021.
- Over the forecast period 2021-2026, organic beverages are expected to lead growth, with a forecast value CAGR of 7% versus 4% for organic packaged food.

1.2 MARKET TRENDS

- The overarching trends towards healthy nutrition and sustainability are the main drivers of growth in organic across Western Europe. Organic foods are viewed as a less harmful alternative to conventional products because they are GMO-free and they have lower pesticide and antibiotic exposure. Additionally, organic certifications serve as a seal of quality, transparency, and confidence. Many consumers also seek organic food for environmental concerns and animal welfare reasons.
- A focus on sustainability is now going hand-in-hand with organic concepts. For example, the German company Aldi focuses on its commitment to sustainable packaging and the use of advance technologies in order to minimize the impact of its business on the environment. In 2020, Aldi in Spain reduced the use of plastic by 375 tonnes (in 2019, the figure was 1,100 tonnes due to the activation of important measures to achieve drastic reductions of plastic in the assortment).
- From 2022 onwards, it is expected that out-of-home mobility will gradually recover from the impact of the Covid-19 restrictions as consumers return to their pre-pandemic habits. Sales of organic snacks will benefit, not only for being ideal for on-the-go consumption, but also for being perceived as healthier and cleaner options than non-organic equivalents. For this reason, sales of organic snacks will see robust growth throughout the forecast period.

1.3 COMPETITIVE LANDSCAPE

- Private label in organic is especially strong in Western Europe, where it accounts for a third of the overall category. Private label with organic certification is lowering the premium that consumers expect to pay for organic products, which could lower the attractive margins. Carrefour offers a chocolate tablet with 74% cocoa under its Carrefour BIO brand with organic certification for as low as US$1.20 per 100 grams.
- In order to increase value sales, dairy companies are improving their organic offerings by making their organic product ranges more sustainable on a number of different levels (e.g. packaging, origin of raw materials, fair trade). Examples include the Les Deux Vaches brand from Les Prés Rient Bio SASU, which is an organic

yoghurt that uses fair trade milk, as well as Nestlé France SA's Yaos Greek organic yoghurt.

- Edible Oils Limited, provider of Flora and Mazola oils, launched the new brand U:Me, including an organic rapeseed oil to be used for roasting and frying. With more meals cooked at home, consumers have increased their awareness of the products they use, and they have been willing to increase their education around some of their staple products. For this reason, U:Me has developed tailored oils which help consumers use the right type of oil for the right cooking occasion.

1.4 PROSPECTS AND GROWTH OPPORTUNITY

- Countries with a mature organic trend such as France, Germany and the UK show attractive market sizes, but do not promise strong future growth. The share of consumers stating they look for an organic claim is around 20%. Organic claims have been around for several years in these countries and compete with more recent trends.
- Organic beverages still have room to grow in Western Europe. Driven by coffee and tea, organic hot drinks grew in value by almost US$1 billion from 2016-2021, reaching a total of US$2.15 billion. The category is expected to grow at a forecast CAGR of 7% over the next five years.
- Turkey stands out in Western Europe with a high forecast CAGR (13.3%) coming from a low base. A growing middle class and improving education are factors in favour while a growing share of discounters could be an inhibitor.
- The Farm to Fork strategy of the European Union aims to increase organic farmland to 25% by 2030. Currently, organic farmland is estimated to be just under 10% which means strong annual growth and high investment is needed to meet the target. This is expected to positively influence demand for organic products through information campaigns as well as lower prices due to increased competition.

1.5 GENERAL HEALTH AND WELLNESS TRENDS

- During Covid-19, consumers have sought foods with functional benefits that help support general health and the immune system. Preventative health has become top of mind for consumers, and they are turning to functional food that helps them to become energised, focused, or relaxed, lifts their mood or facilitates sleep.
- The leading player in functional foods, Danone, focuses on fortified yoghurt. This category has benefited from rising interest in gut health and immune system support. Fortified baby food is also on the rise, which has attracted Danone and Nestlé.
- The UK government has implemented new regulations for products high in fat, sugar, and salt from 2022 onwards. Major retailers will be limited in promotions and favourable layouts in shops, both physical and online. The European Commission announced plans for a mandatory labelling scheme implementing a front-of-pack nutritional stamp.

1.6 GENERAL ECONOMIC AND DEMOGRAPHIC LANDSCAPE

Economy:

- Following a notable rebound of 6.2% in 2021, Western Europe real GDP growth will register 2.9% in 2022, before settling in the range of 1.5-2.0% through 2030.
- France and Italy were among the most dynamic Western European economies in 2021 as GDP growth exceeded 6%, while Germany witnessed a lower-than-expected growth of 2.9% amid a struggling industrial sector.
- Many industrial sectors, such as automotive and electrical equipment manufacturing, remained negatively impacted throughout 2020-21 amid global supply chains disruptions, resulting in a paradoxical situation—industrial production decreased, but new orders reached record highs.

Population demographics:

- The post-World War II baby boom of Western Europe is resulting in an aging population. The proportion of the population over the age of 65 years has increased from 18.2% in 2016 to 18.9% in 2021. Along with the aging population, younger generations are getting married later in life and having less children. These factors have the birth and death rates in the region forecast to break even with each other by 2025.
- The urban population continues to grow as young adults seek more white-collar opportunities in major cities. In the period of 2018-2025, the urban population is forecasted to grow two full percentage points to 80% of the total.

Income & expenditure:

- Growth was mainly driven by private consumption, especially in the services sector, which saw reassuring growth in the second and third quarters of 2021 as a result of the relaxing of Covid-19–related mobility restrictions. This promising trend, however, came to a halt with the emergence of Omicron in the fourth quarter, which brought with it a fresh cycle of restrictions and voluntary social distancing on the part of consumers.
- The surge in inflation in 2021 came as a surprise to many economies and businesses all over the world. In Western Europe, prices started rising from the middle of last year, and in December, the inflation rate stood above 5%. This means that inflation will likely shape the macroeconomic agenda in 2022. After decades of low inflation and deflationary risks in recent years, the region now faces rapid and unexpected price increases.

2. DATA

2.1 ORGANIC PACKAGED FOOD AND BEVERAGE DATA

Data type	Unit	2018	2019	2020	2021	2022	2023	2024	2025	CAGR (18-21)	CAGR (22-25)
Health & wellness products consumption[1]	USD million	161,098.6	167,257.9	178,680.9	185,074.3	188,838.3	193,192.0	197,997.6	203,220.0	3.5%	1.9%
Organic packaged food and beverages consumption	USD million	18,510.2	19,888.2	22,262.5	23,629.0	24,701.2	25,870.5	27,041.6	28,265.6	6.3%	3.4%
Organic packaged food consumption	USD million	15,519.4	16,568.0	18,473.9	19,538.3	20,333.7	21,185.5	22,020.9	22,906.6	5.9%	3.0%
Organic beverages consumption	USD million	2,990.7	3,320.2	3,788.6	4,090.7	4,367.6	4,685.0	5,020.6	5,359.0	8.1%	5.2%
Organic packaged food and beverages consumption as a % of total health & wellness products consumption	%	11.5%	11.9%	12.5%	12.8%	13.1%	13.4%	13.7%	13.9%	-	-

2.2 ECONOMIC AND DEMOGRAPHIC DATA

Data type	Unit	2018	2019	2020	2021	2022	2023	2024	2025
Total population	million	502.5	505.1	507.7	508.4	509.1	510.1	511.0	511.8
% Middle and upper class of total population	%	-	-	-	-	-	-	-	
% Population aged 65+	%	18.2%	18.4%	18.7%	18.9%	19.2%	19.5%	19.8%	20.2%

[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	%	16.9%	16.8%	16.7%	16.6%	16.4%	16.2%	16.0%	15.8%
% Population with higher education degrees	%	24.2	24.4	24.7	24.9	25.1	25.3	25.5	25.6
Average number of children per household	children	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.4
GDP per capita	USD per capita	37,852.9	38,966.0	37,228.3	40,409.4	43,540.5	45,990.3	48,160.1	50,049.3
Consumer expenditure per capita (US$)	USD per capita	20,269.5	20,728.0	19,241.5	20,566.1	22,396.7	23,660.7	24,715.4	25,684.6
Consumer expenditure per capita on food and non-alcoholic beverages (US$)	USD per capita	2,351.1	2,416.3	2,562.9	2,623.2	2,786.0	2,922.7	3,054.3	3,184.8

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 (2021)	1	Istanbul (Turkey)	16.8
Top cities by population (2021)	2	London (UK)	12.3
Top cities by population (2021)	3	Paris (France)	11.8
Top cities by population (2021)	4	Madrid (Spain)	6.9
Top cities by population (2021)	5	Ankara (Turkey)	5.7

2.3.2 TOP 5 GROCERY RETAILERS BY SALES

Data category	Rank	City/retailer
Top grocery retailers by sales (2021)	1	Schwarz Beteiligungs GmbH
Top grocery retailers by sales (2021)	2	Aldi Group
Top grocery retailers by sales (2021)	3	Carrefour SA
Top grocery retailers by sales (2021)	4	Edeka Zentrale AG & Co KG
Top grocery retailers by sales (2021)	5	Rewe Group

2.4 UNITED STATES DEPARTMENT OF AGRICULTURE GLOBAL AGRICULTURAL TRADE SYSTEM DATA

2.4.1 TOP 5 EXPORT COMMODITIES TO WESTERN EUROPE

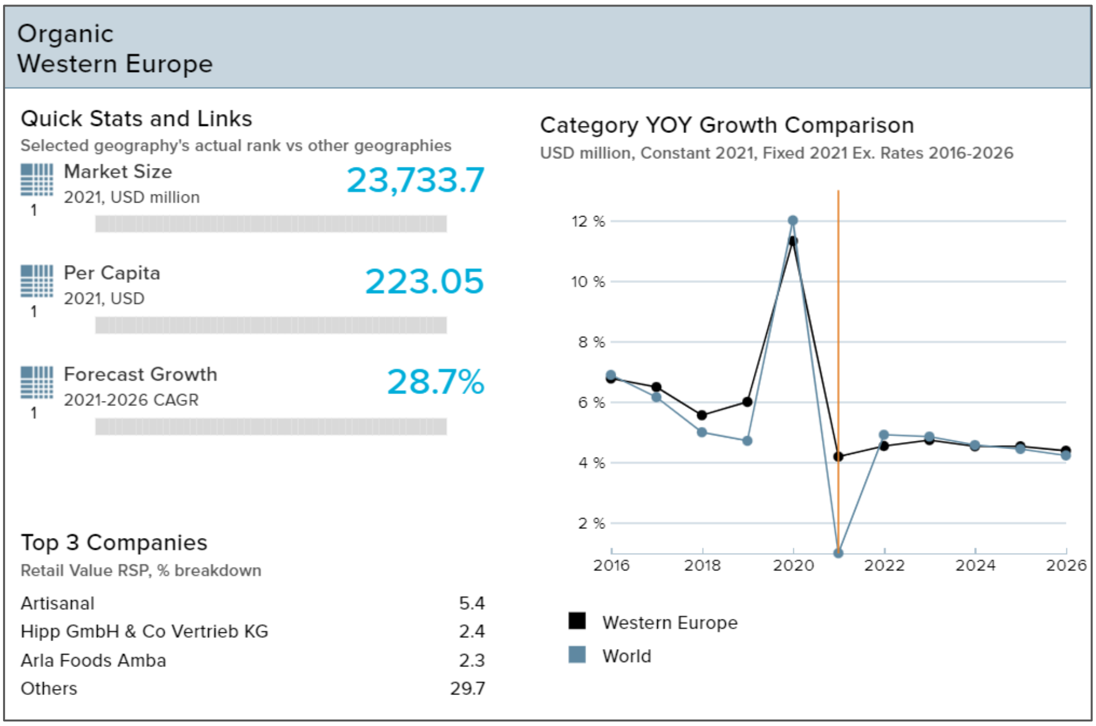
Year	Country	Rank of Product/Commodity	Product/Commodity	Export Value (US$)
2021	Western Europe	1	Organic Vinegar and Substitutes	3,218,587
2021	Western Europe	2	Organic Coffee Roast Not Decaf	1,148,282
2021	Western Europe	3	Organic Apples Fresh	1,119,791
2021	Western Europe	4	Organic Peas Fr/Ch	839,621
2021	Western Europe	5	Organic Asparagus Fr/Ch	670,723
2021	**Western Europe[2]**	**Total**	**Total Organics***	**7,997,501**
2020	Western Europe	1	Organic Vinegar and Substitutes	4,525,371
2020	Western Europe	2	Organic Strawberries Fresh	1,711,429
2020	Western Europe	3	Organic Apples Fresh	1,521,960
2020	Western Europe	4	Organic Asparagus Fr/Ch	1,269,627
2020	Western Europe	5	Organic Berries Fresh	1,097,397
2020	**Western Europe[2]**	**Total**	**Total Organics***	**12,775,728**
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**

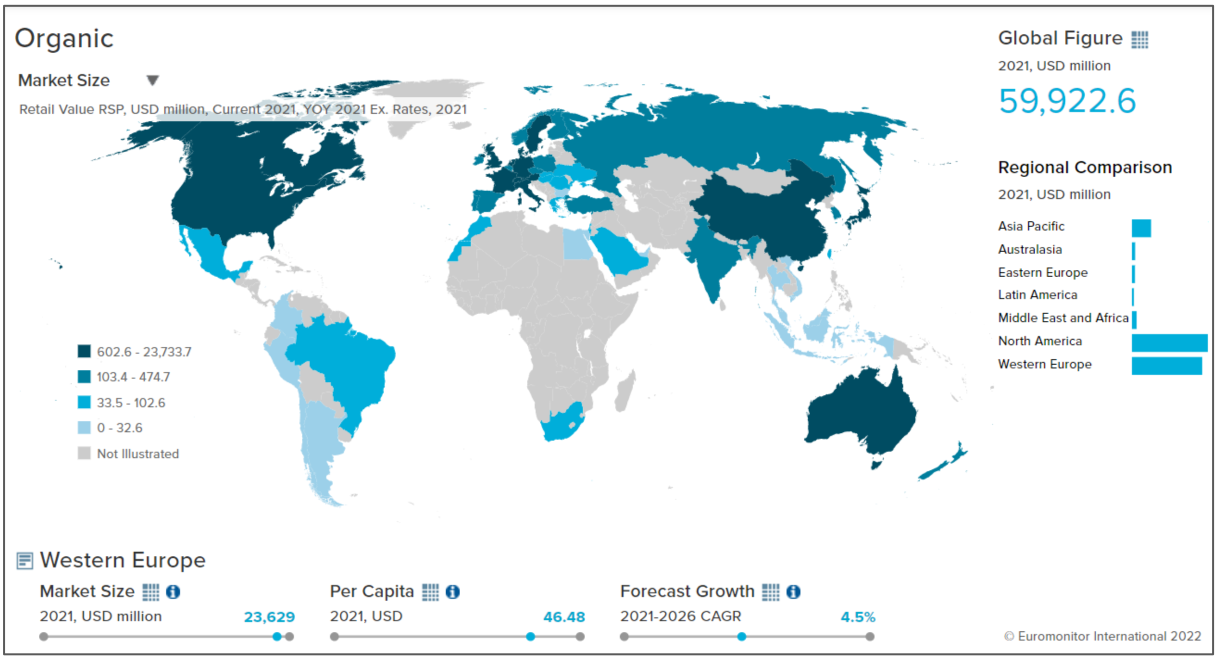
Note : Total organics is the sum of all exports in a particular year

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 2021, followed by Hipp GmbH & Co Vertrieb KG with a share of 2.4% and Arla Foods Amba with a share of 2.3%.



- Organic products in Western Europe registered a market size of US$23.6 bn in 2021, contributing roughly 40% of global demand. Demand for organic products is expected to continue to increase at a fairly solid pace, with the segment having a forecast value CAGR of 4.5% for the period 2021-2026.

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 2018 – 2021 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 2018-2021 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.