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EU Organic Boom Brings Opportunities for U.S. Exporters

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Agricultural Situation

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Report Highlights:

The organic food market in the European Union (EU) is booming. U.S. organic exports to the UE may have reached record levels in 2017, though limited organic-specific harmonized system (HS) codes makes data speculative. Still, good prospects exist for U.S. organic products such as sweet potatoes, fresh produce, dried fruit and nuts, specialty grains, and processed products as well as premium products. USDA endorsed EU trade shows like BioFach, the world's largest organic trade fair, provide an excellent gateway for U.S. companies for establishing contact with business partners. This report provides an overview of the policy and trade situation in EU member states, regarding U.S. organic exports.

General Information:

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Disclaimer: This report presents the views of the authors and does not reflect the official views of the U.S. Department of Agriculture (USDA). The data are not official USDA data.

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Summary

Beginning June 1, 2012, the US/European Union (EU) organic arrangement went into effect, meaning that organic food and agricultural products certified in the United States or EU could be labeled and sold as organic in either market, streamlining trade between the world's two largest organic markets. Still, all products traded under the partnership must be shipped with an organic import certificate. In 2016, the EU market for organic products went up by 15 percent reaching $35 billion. Germany and France are the largest organic markets in the EU, considerably larger than the third-largest market, the UK; together Germany and France represent over half of the EU-28 organic market. The growing demand for organics in the EU in combination with the partnership creates trade opportunities for U.S. exporters. The EU offers market potential for U.S. organic sweet potatoes, fresh produce, dried fruit and nuts, specialty grains, and processed products. U.S. exporters will compete primarily on quality and price but there are also good opportunities for innovative and premium products.

Without question, U.S. companies are profiting from the long term growth of the EU organic market. Unfortunately, official trade data covers just a fraction of traded organic products as organic-specific HS codes are limited and exist for only specific commodities. Existing HS codes include mostly organic fresh products like milk, fruits, and vegetables but not processed products or organic nuts, for example. Total tracked U.S. organic exports to the EU may have reached record levels of over $14 million in 2016, and even higher in 2017. But, the actual total U.S. exports of organic products to the EU are likely multiple times higher.

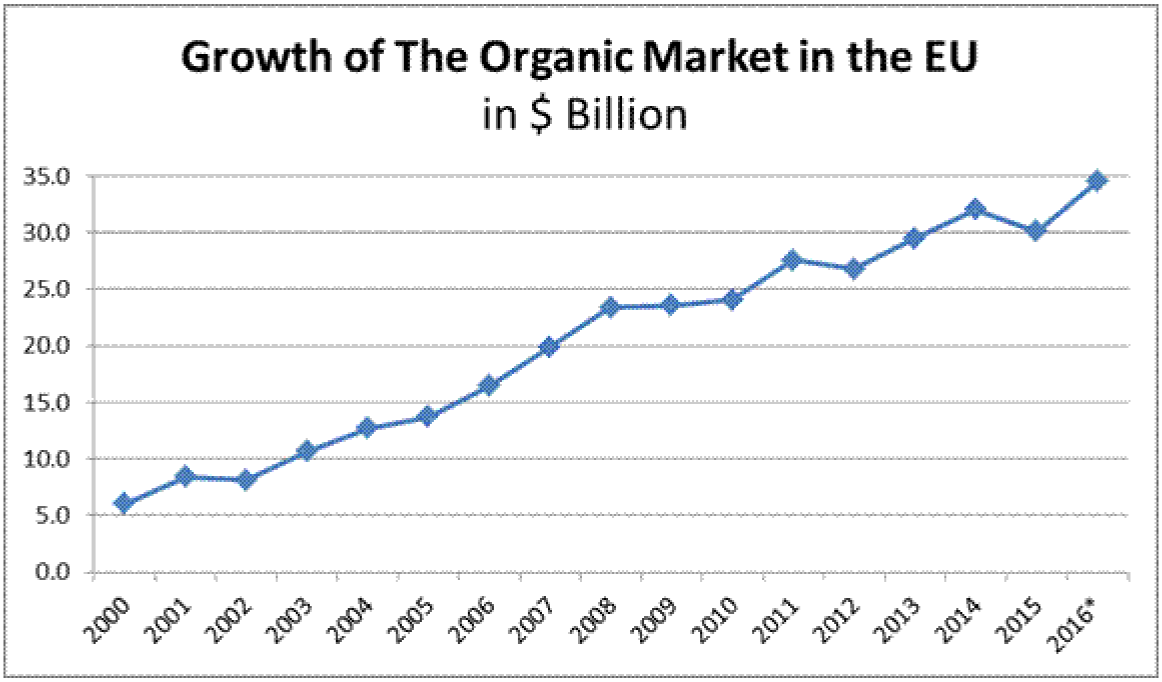
BioFach, the world's largest organic trade show, offers a unique opportunity for both new-to-market players as well as established companies to meet new contacts, gather trade leads, and learn about the global organic market. BioFach 2018 will be held in Nuremburg Germany, February 14-17, 2018. As a USDA-endorsed show, the Foreign Agricultural Service Office of Agricultural Affairs (OAA), Berlin will be present at the show and available to assist with any questions.

Content

Section I. The EU organic agricultural market and production

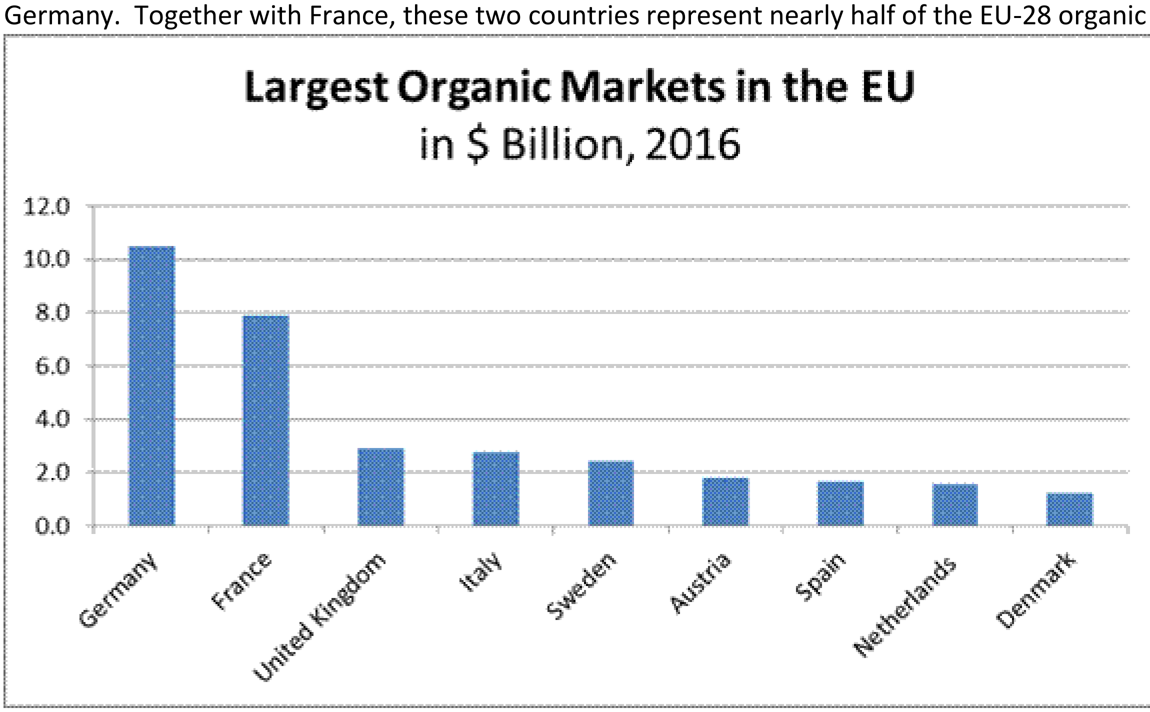
By Leif Erik Rehder

The US is the largest market for organic food worldwide with $43 billion or €39 billion in 2016. The EU comes in second and its market totaled $35 billion, or €31 billion, with a 15 percent increase as compared to the previous year. Over the last 10 years, the organic food market in the European Union has more than doubled.



Source: 2016* FAS estimate, USDA/FAS, FiBL and Agricultural Market Information Company (AMI)

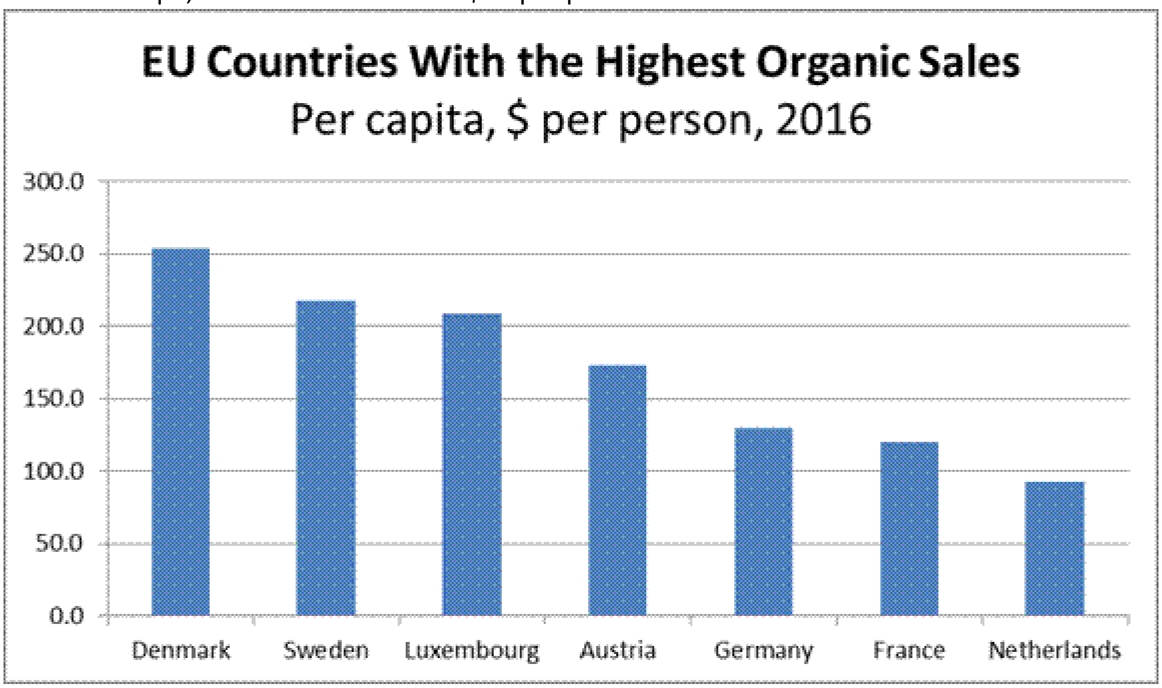
All leading organic markets in the EU demonstrated growth in 2016. The largest market by far continues to be Germany. Together with France, these two countries represent nearly half of the EU-28 organic market.



Source: USDA/FAS, FiBL and Agricultural Market Information Company (AMI) (do again)

An important driver behind the growing organic market throughout the EU is the predominance of large full service supermarket chains. These chains have embraced organic products and placed them on the shelves next to conventional products. This has resulted in a greater availability of organic products for a larger audience. On the other hand, specialty organic stores also play an important role as they become more professional, operate in more shop space, and offer a wider assortment of organic products than regular full service supermarkets. The distribution of organic products differs considerably between member states. In Denmark, Austria ,and the UK, full service supermarkets nowadays dominate the distribution of organic products. In Italy, the Netherlands, France, Belgium, and Germany the share of full service supermarkets and organic specialty shops is more evenly divided.

The highest sales per person of organic food and drinks, $100 or more per year, were reached in Denmark, Luxembourg, Austria, Sweden and Germany. At the same time there are a dozen Members States, mainly in Eastern Europe, with sales of less than $10 per person.

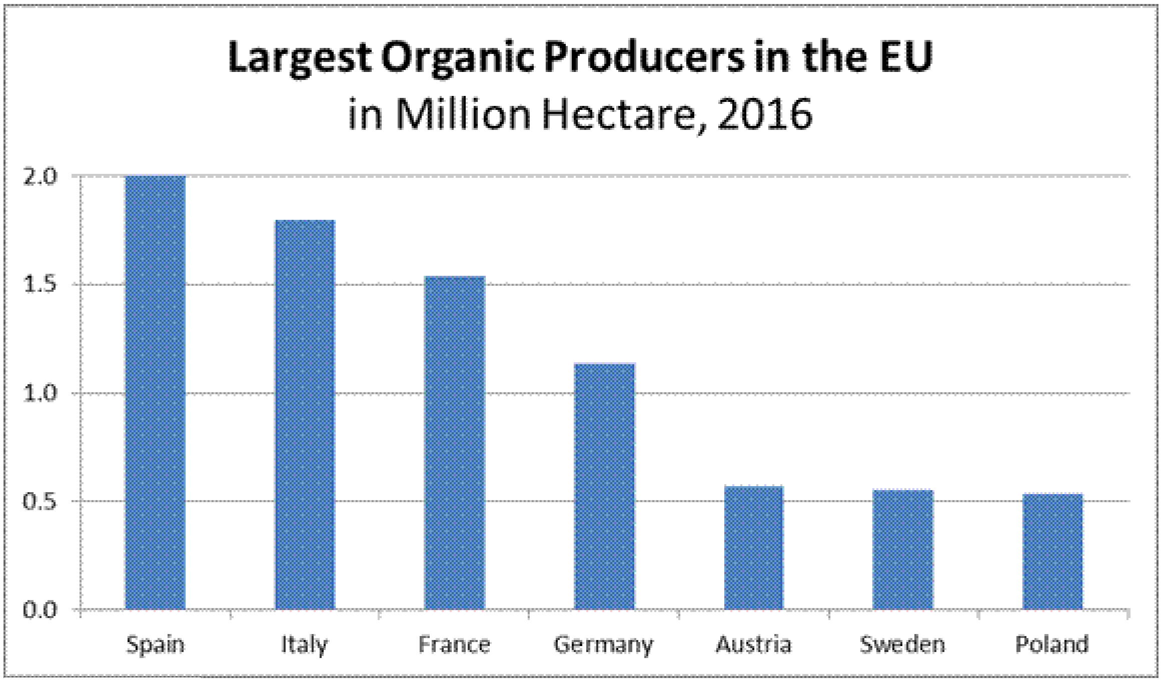


Source: USDA/FAS, FiBL and Agricultural Market Information Company (AMI)

Consumers of organic products in Europe can roughly be divided in two groups. The first group, the so-called ‘regular buyers’, is a rather small, committed group that has been buying organic products for decades. This group includes environmentalists, nature lovers, and socially conscious people. Although this group is small, they are responsible for almost half of EU’s organic sales. Regular buyers tend to buy at organic specialty shops or farmers’ markets. For them price is not an important purchasing decision factor.

The second and much bigger group is quite different. Double-income-no-kids households, older consumers (aged 50-75) and new-trends seekers will fall in this group. They buy organic products for various reasons, including healthy lifestyle, food safety concerns, animal welfare, sustainability, quality and perceived taste , innovative packaging. This so-called ‘light buyers’ group buys organic products at full service supermarkets and also in specialty shops. Due to its size and diversity, it is this group that the organic industry will focus on to generate further growth in the near future.

The growing demand for organic products has led to an increase in organic production. The organic agricultural land in the EU-28 has more than doubled in the past decade. The largest areas are in Spain, Italy, France, and Germany and together account for over half of the EU-28 organic area. Data from FiBL (the Research Institute of Organic Agriculture), based on Eurostat and national data, show that in 2016, roughly 12 million hectares, or 6.7 percent of the total EU-28 agricultural land, were under organic agricultural management. Since 2012, the area devoted to organic farming has grown by almost two million hectares.



Source: Eurostat

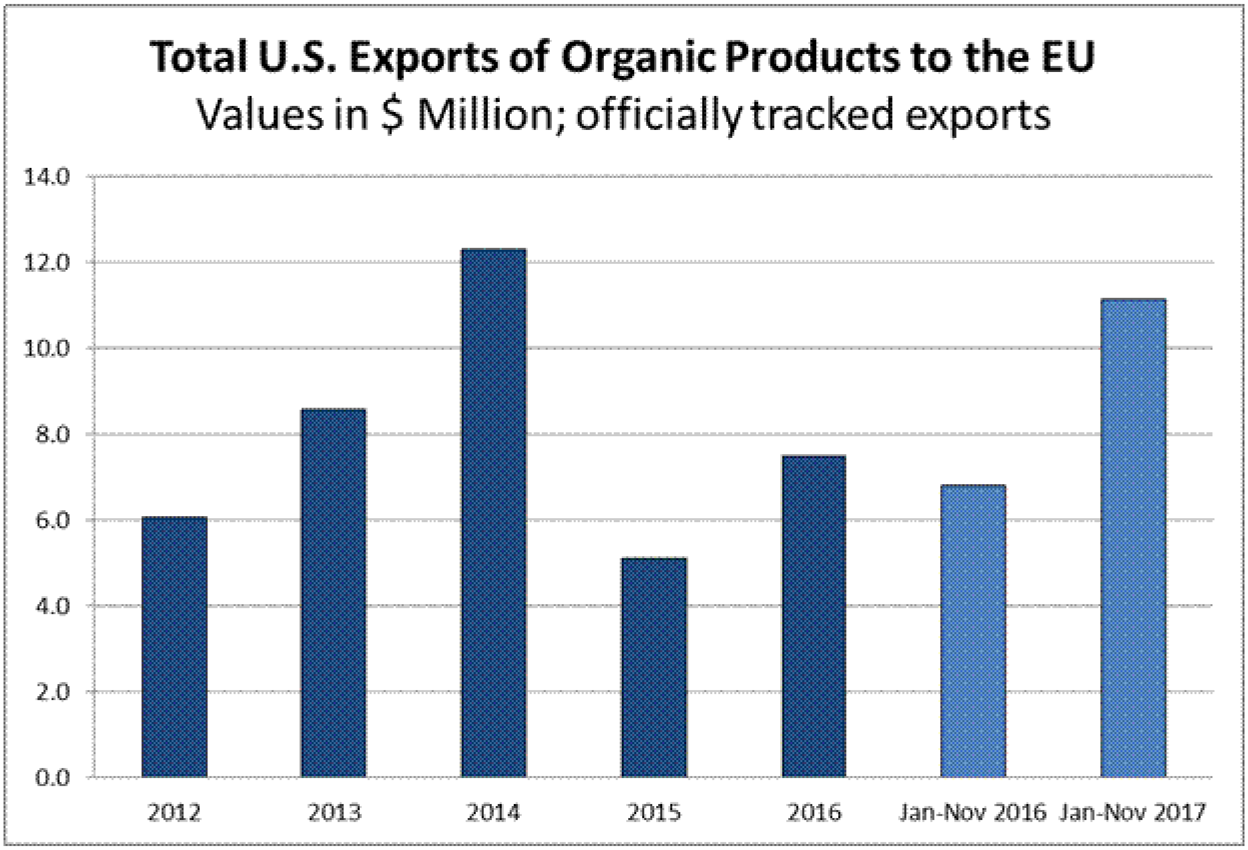
The data also shows that about forty-five percent of this organic land is used for permanent grassland. Spain, Germany, and the UK have the largest areas of permanent organic grassland. Another forty percent of the organic area is used for arable crops. The largest arable crop groups are green fodder and cereal production. The largest areas are to be found in Italy, Spain and France. Finally over ten percent is being used to grow permanent crops of which two-third is in Spain, Italy and France. Most of this land is used for the production of olives, grapes and nuts. The part of agricultural land farmed organically differs widely between EU member states. The highest share of crop area dedicated to organic farming was registered in Austria, followed by Sweden, Estonia, Italy, and the Czech Republic.

Section II. Trade in organic products between the U.S. and the EU

By Roswitha Krautgartner

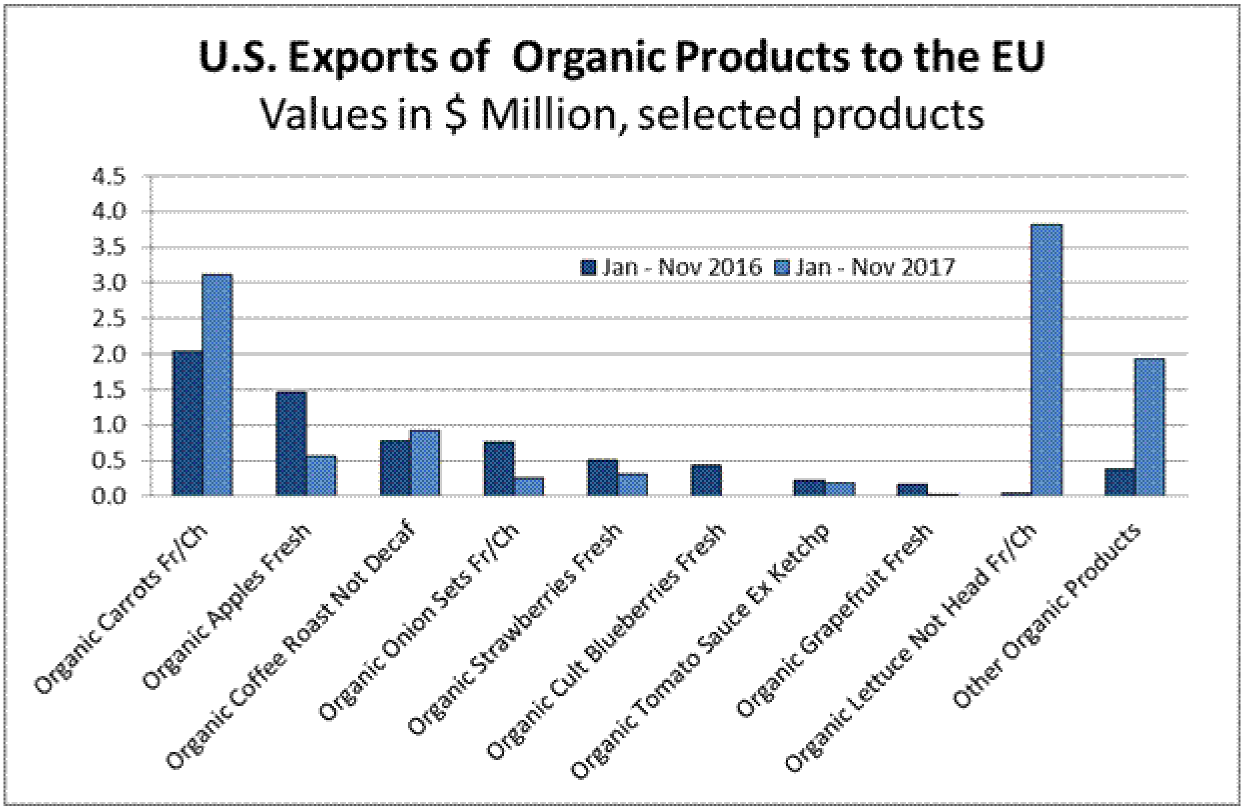
Those U.S. organic exports to the EU covered by HS codes reached $7.5 million in 2016 after a significant decline in 2015. Between January and November 2017 (latest available statistics), exports of selected organic products almost reached the record levels of CY 2014. Total exports of selected organic products in the first eleven months of 2017 were 64 percent higher than in the same period in the previous year.
Please note that the HS codes cover only a fraction of existing organic trade with the EU, mostly organic fresh products like milk, fruits and vegetables and not processed products or organic nuts. Actual U.S. exports of

organic products to the EU are likely multiple times higher. The first selected organic HS codes were introduced in 2011 and have failed to keep up with the ever-expanding list of organic products available on the global market; thus, there is a gap between actual trade and the data associated with HS organic codes. Less than four dozen organic products have their own classification coding; everything else is categorized as conventional in this Harmonized System. Regardless, the HS system provides a useful tool for tracking covered products and to see the export dynamics for those specific products.



Source: U.S. Census Bureau Trade Data (USDA's Global Agricultural Trade System Online – GATS)

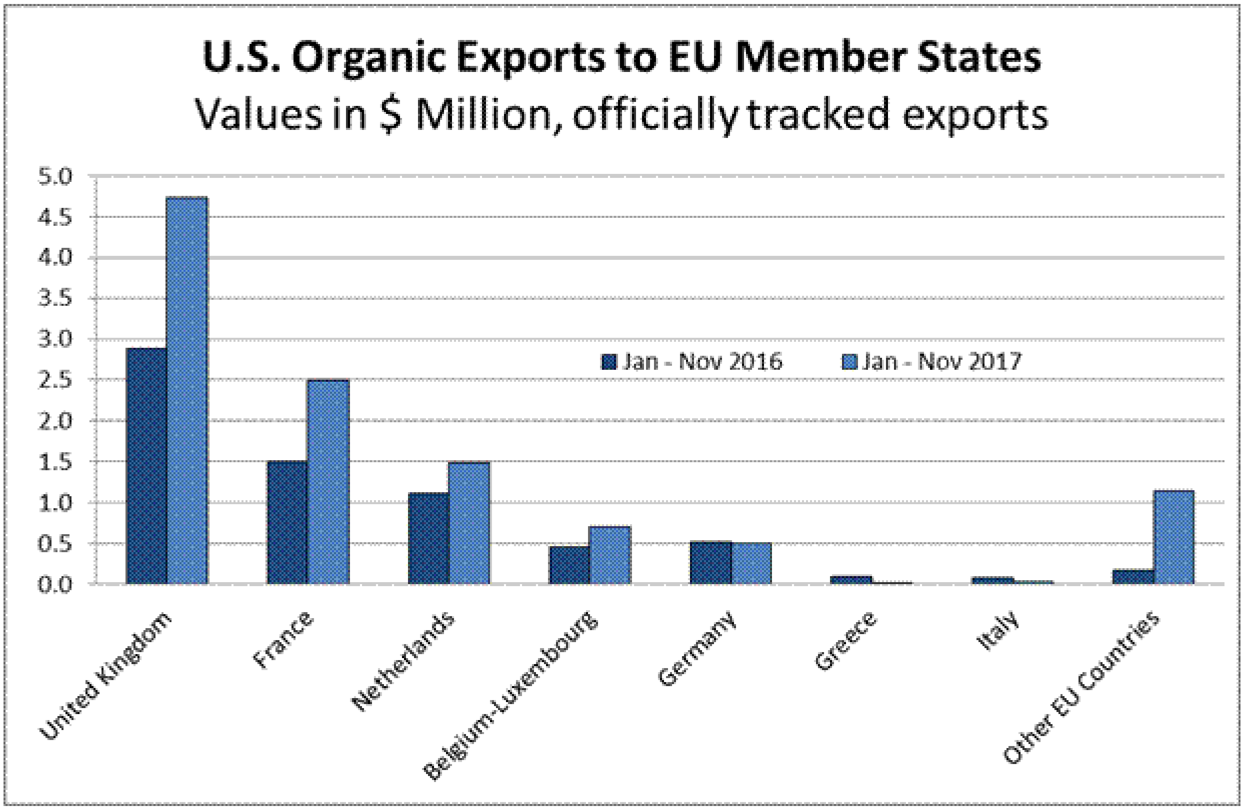
In the first eleven months of 2017, most important selected organic products exported to the EU were lettuce, carrots, coffee, and apples. In that period, organic lettuce exports grew from almost non-existent to $3.8 million. Carrots were the second highest value organic commodity, at $3.1 million.



Source: U.S. Census Bureau Trade Data (USDA's Global Agricultural Trade System Online – GATS)

Major EU-28 Importers of U.S. Organic Products

Except for 2015, the most important EU port of entry for U.S. organics is by far the United Kingdom. Within the first eleven months of 2017, almost 43 percent (by value) of all U.S. selected organic exports went to the United Kingdom. Other important import countries for U.S. organics are France, the Netherlands, Belgium, and Germany. These five countries imported 89 percent of selected U.S. organic products during January through November 2017. Major EU importers act as distributors and transship organic products to other EU Member States. As with many other agricultural issues, the question of Brexit's impact on this trade and transshipments is far from clear.



Source: U.S. Census Bureau Trade Data (USDA's Global Agricultural Trade System Online – GATS)

Source Notes:
United States' export and import statistics on the above mentioned organic products can be obtained through the USDA's Global Agricultural Trade System Online (GATS): http://www.fas.usda.gov/gats/default.aspx by running a standard query and selecting "Organics-Selected" under "Product Groups".
Please see Annex I for HS tariff codes on organic products.

Section III. The EU-U.S. Organic Equivalence Cooperation Arrangement
by Leif Erik Rehder

The United States has an organic equivalence arrangement with the EU. This means that as long as the terms of the arrangement are met, organic operations certified to the USDA organic or EU organic standards may be labeled and sold as organic in both countries. Since 2012, this partnership has streamlined trade between the two largest organic producers in the world, and provides organic farmers and businesses access to a nearly USD $80 billion growing combined market.

All organic products traded under the partnership must be shipped with an organic import certificate. This document lists the production location, identifies the organization that certified the organic product, verifies that prohibited substances and methods were not used, certifies that the terms of the partnership were met, and allows traded products to be tracked.

Both parties are committed to ensuring that all traded organic products meet the terms of the partnership, retaining their organic integrity from farm to market. The European Commission's Directorate General for Agriculture and Rural Development and the USDA National Organic Program—which oversees all U.S. organic products—both have key oversight roles. This arrangement only covers products exported from and certified in the United States or the EU.

Please follow link for more information on the arrangement including requirements, certifying agents and the import certificate: https://www.ams.usda.gov/services/organic-certification/international-trade/European%20Union

Section IV. New EU Organic Regulation Might Affect the U.S.-EU Organic Equivalence Arrangement
by Jennifer Lappin and Leif Erik Rehder

In June 2017, the European Commission, Council, and Parliament reached an agreement on a new regulation for the organic sector. Formal approval is expected in early 2018. The main modifications of the current EU organic legislation are likely to be:

- organic trade will ultimately be regulated by trade agreements;
- auditing controls on EU organic operators would be partially risk-based and, for most cases, would be reduced to every other year;
- EU MS exemptions/derogations from the EU-wide regulations will be slowly phased out;
- demarcated beds for EU organic production will be allowed only for Northern MS and for a limited time
- enlarged scope of products covered to include organic salt, cork, beeswax, maté, vine leaves, and palm hearts and creates additional production rules for some animal products..

The biggest likely impact for the United States organic sector is that the EU will require trade agreements in place of the current framework, equivalence arrangements. With the proposed EU regulatory changes, this equivalence arrangement would expire by January, 1, 2026, five years after the entry into force of the new regulation. Sources at the Commission have indicated that U.S.-EU arrangement is already quite harmonized and thus the conversion to an organic trade agreement could be straightforward.

The Parliament and the Council of the EU have yet to finalize the technical version of the new organic regulations that these two parties and the European Commission agreed to in June 2017. Government stakeholders, public policy pundits, and non-governmental organizations active in this sector do not foresee substantial changes to the draft regulations passed in June 2017. New regulations are expected to be finalized early this year.

For more information please see New EU Organic Regulations for Early 2018.

New EU trade tracking system for organic sector

There are several new policy developments in the EU organic sector. In October 2017, the EU fully launched a new application of its agricultural trade tracking, "Trade Control & Expert System – TRACES," for the organic sector. As mentioned, challenges exist in accurately tracking organic trade due to limited HS organic codes. The EU is one of the largest producers, exporters and importers of organic products, but for aforementioned reasons, capturing detailed organic product trade flows to and within the EU has been quite difficult. The TRACES system will allow for a better understanding of demand and consumption of organic products in this important market. The European Commission expects to have statistical data on organic trade flows at the end of this year.
For further information on the TRACES requirements see the USDA GAIN report: Electronic Certificate of

[Inspection Required for EU Organics Trade]

Section V. Trade opportunities for U.S. exporters on the EU organic market
By Leif Erik Rehder

The growing market for organic products in the EU in combination with the U.S.-EU partnership created more trade opportunities for U.S. exporters. Generally speaking, U.S. commodities and ingredients will compete mostly on price and quality, however, finding niches for innovative and premium packaged products is also possible. There is a strong preference for local and regional foods over the imported. So, U.S. exports that may be most successful for those commodities where there is no local/regional alternative. There are opportunities for U.S. exporters in the following market:

- The market for **sweet potatoes** is growing. EU demand for potato varieties is high. The United States is the best year round supplier of sweet potatoes at competitive prices.
- In especially the U.K. and Netherlands, there is a market for **fresh vegetables** like carrots, onions, broccoli and lettuce.
- **Processed vegetables** are in demand in the Nordic region due to its limited local availability.
- **Pulses**, especially beans and lentils, are increasingly becoming popular in NW Europe because of a growing demand for healthy food products. Local supply is not meeting the demand.
- Especially in those countries with no local availability, there is demand for a great variety of **fresh fruit** from the United States. There is seasonal (October through March) demand for apples and pears in North-Western and Mid Europe. Demand in the same region is also strong for U.S. citrus (grapefruit and tangelos). There is a year round demand for fresh, dried, sweetened cranberries and this demand continues to grow. This also includes other fruits such as grapes, strawberries, and cherries.
- Driven by the (healthy) snack and bakery industry there is a strong growing demand for **tree nuts** from the United States, especially for hazelnuts, almonds, walnuts, and pistachios.
- Growing consumer awareness and therefore demand for **specialty grains** is also increasing. Interest from the baking industry adds to this demand. Additionally, there is high interest from the baking industry.
- Demand for U.S. **organic processed products** is especially high in the UK, Germany and the Nordic region. The consumer is more and more looking for healthy snacks (cereal/nut bars), organic confectionary products, maple sugar and syrup and organic beverages.

Section VI. Single Country Information
by the group of FAS analysts in the European Union

Austria
Austria prides itself on its organic farming, production, consumer demand, legislation etc. Austria has the highest percentage of agricultural land under organic management in Europe (after the small country of Liechtenstein). In 2016, 19.1 percent of all Austrian farms were certified organic with production encompassing approximately 572,000 hectares, or 21.9 percent of the total agricultural area. The estimate for 2017 is an increase of 1,500 organic farms and 36,000 hectares. The most important organic crops are winter soft wheat, grass-clover ley, rye, and corn. Increasing acreage is reported for durum wheat, emmer wheat, buckwheat and lentils.

Not only organic production is on a high level in Austria; consumption is also high. Per capita expenditures of organic sales in Austria rank number six in the world (Source: Research Institute of Organic Agriculture - FiBL). Organic food products have developed from a niche market to having a significant market share. Frequency and quantity of organic purchases per Austrian household are constantly rising. Between 2014 and 2016, organic sales increased by 23 percent, totaling at $2 billion (€1.6 billion). It is estimated that almost nine percent of all food retail sales are organic.

Belgium

The market share for organic products in Belgium continues to grow year after year but reaching just three percent in 2016. This has more than doubled since 2008 when it was 1.5 percent. Meat substitution products (24.6 percent), eggs (14 percent) and fresh fruit and vegetables (4.3 and 6.6 percent) have the highest market share. Traditional supermarkets remain the largest distribution channel for organic products (41.5 percent), followed by organic supermarkets/health stores (31 percent) and hard discount supermarkets (9.4 percent). With regards to land cultivated following organic principles, in 2016, 5.2 percent of Belgian holdings were producing organics, an increase of 9.1 percent since 2015

Bulgaria

Organic farming in Bulgaria is experiencing dynamic development, largely because of generous EU funding, rising consumer incomes, and demand for organic products. Organic farmers accounted for seven percent of all farmers in 2016, up from six percent in 2015. The area under organic farming increased sharply by 37 percent, most of which were organic pastures and orchards, followed by grain crops. Organic area accounts for 3.2 percent of total utilized agricultural area. Area under essential oil plants such as roses, lavender, medicinal plants and herbs/spices achieved 46 percent annual growth due to favorable export demand. Despite the strong development, organic yields, harvested area and production remain low. Due to underdeveloped processing capacities, over 90 percent of organic farm products are export-oriented, while specialist retailers rely on imported packaged organic foods and beverages.

In 2016 and 2017, organic products penetrated more categories and consumer demand has grown. In 2016, organic packaged food sales increased by seven percent reaching €16 million. Baby foods continue to be the best selling organic category, however, sales of chilled processed meat, seafood and reduced fat milk had shown a double digit annual growth. Despite growing demand, limited purchasing power remains a challenge and often shifts consumers towards more affordable alternatives to certified organic products (e.g. 'natural', 'free from *xyz*', etc.).

Czech Republic

According to the Czech Ministry of Agriculture, there were 4,243 organic farms in the Czech Republic (CR) in 2016, farming altogether on 506,070 hectares, which is 12.03 percent of total agricultural land. In the last decade, the area dedicated to organic farming in the CR nearly doubled. Organic farming in the Czech Republic develops especially in areas with a higher emphasis on nature conservation, or with poorer conditions for agricultural production. Nearly 90 percent of organic farming land is in the so called "less-favorable areas". According to the Agricultural Ministry Organic Farming Yearbook, in 2016 organic farmers in the Czech Republic managed almost 42 percent of permanent grassland, over 2 percent of arable land and over 8 percent of permanent crops. Animals under organic management reached 407,000 head. Organic meat production in 2015 reached 6,752 MT out of which 90 percent is beef. Sales of organic beef have increased, and nearly one third of the production is exported. Organic cows' milk production in 2016 reached nearly 33 million liters, which is one percent of total milk production in CR.

Finland

Approximately ten percent of all the fields in Finland are organically cultivated. The government aims at bringing this number up to 20 percent by 2020. In addition, there are 13 million hectares of certified organic wild food collecting areas, where the most important organic products are bilberry, lingonberry, wild herbs and mushrooms. Finland's long light season during the summer creates good growing conditions. On the contrary, its cold winters create hard conditions for pests and weeds. Pesticides are therefore not needed as much as elsewhere in Europe.

According to the Finnish organic industry organization Proluomo, the organic consumer market in Finland was valued at $315 million in 2016, an increase by 14 percent compared to the previous year. Industry sources have reported that the organic market in Finland is expected to reach $462 million in 2020. Although growing, per capita spending ($58 per year) is still much lower compared to the other Nordic countries Denmark and Sweden. The market share of organic products is two percent (Denmark ten percent, Sweden seven percent).

By value, the most popular organic product group is fruit and vegetables, followed by organic milk and eggs. Within the product groups, organic eggs hold the biggest market share, accounting for over 15 percent of Finland's total egg sales.

According to Proluomo, more and more Finns buy organic products regularly. Half of the Finnish consumers claim to buy organic products weekly or monthly. The most frequent buyers are found in the cities. Motivators for Finns to buy organic are purity of the products, good taste, health, wholesomeness and because products are more ecological. There is a strong preference for Finnish products.
Half of the consumers also expect that their consumption of organic products will increase in the near future. Having a wider selection of products and lower prices would help stimulate consumption. Growth also encourages food companies to develop new organic products, which again creates growth in the organic market. Last year showed strong growth in sales for nearly all product groups.
Finnish people buy organic products most commonly from grocery stores. Consumers, who buy the most organic products, also buy them from specialty shops like Ruohonjuuri or directly from the farms. Due to the equivalency arrangement on organics between the United States and the EU it has become easier and cheaper for U.S. companies to export organic products to Finland.

France
The growing success of organic food products in France could lead to increased imports if farmers do not increase their acreage and yields faster to meet this growing demand. In 2016, France imported more than half of the fruits, beverages, and organic groceries it consumed, more than a quarter of vegetables and less than ten percent of dairy products. On the other hand, France was self-sufficient in organic eggs, as in organic wine, where imports accounted for only one percent of consumption. Latest data say that France is currently the world's third largest organic market, with sales growing by almost 13 percent to €8 billion in 2017. It is behind the United States and Germany but ahead of China and Canada. With 6.5 percent of organic agricultural land in France, compared to eight percent on average in Europe, the margin for progress is significant.

Germany
The German organic food market is the biggest market in the EU. Sales of organic food in Germany have steeply increased over recent years, peaking in 2016 (with 2017 date incomplete at time of publishing) with organic food sales reaching nearly €9.5 billion (USD $10.5 billion). That represents over a third of the total organic food sales in the European Union and nearly four percent of the total food sales in Germany. Since 2000, sales of organic food in Germany have more than tripled. Domestic production is unable to meet demand leading to higher import volumes (and values). Germany is increasingly dependent on organic imports not just for products that aren't grown domestically but also for potatoes, fruit and vegetables, dairy products, meat, and others. With this demand, the German organic market offers good opportunities for U.S. organic exporters,

especially for U.S. companies shipping sweet potatoes, tree nuts, fruits and vegetables, pulses, and processed food products. Generally speaking, U.S. commodities and ingredients will compete primarily on quality and price but there is also demand for innovative and premium packaged products.

Greece

The Greek Organic Food and Drinks Sector is valued at approximately €60 million; of which organic packaged food is €43 million; organic fresh fruits and vegetables sold in bulk is approximately €15 million; and organic beverages €500,000. In 2016, the turnover for the organic food sector decreased five percent, while beverages decreased nine percent due to the difficult economic conditions that continued to pose the greatest barrier to the development of the sector. According to the Greek Ministry of Rural Development and Food the number of organic farmers and organic food processors reduced 2.9 percent and 6.7 percent respectively, while the traders of organic food in Greece have increased 64 percent.

Hungary

Despite the fact that significant increase in demand and expansion in the organic food market have not been realized in recent years in Hungary, the number of farmers in organic crop production was doubled (to more than 3,000) and the area of organic farmland increased by 53 percent (to 198,471 ha) in 2016 compared to the previous year. The main reason for that was the availability of the total fund of EUR 204 million (HUF 63 billion) to support organic farming in the framework of Hungary's Rural Development Program (partly financed from the EU's multiannual budget for the period 2014-2020). It indicates well how the sector depends on EU co-financed supports. In Hungary, slight growth was observed in consumption of organic products. According to a Nielsen survey, 54% of Hungarian respondents consume organic food. Increasing health consciousness and price sensitivity are still among their decisive criteria. Health and environmental aspects often have priority in buyers' purchase decisions in the import-dominated organic market.

Ireland

Ireland makes one of the smallest contributions to EU organic farming area, with just 1.6 percent of land (73,000 hectares) certified in 2015. This represents an increase of 53 percent over 2010. However, support for Irish farmers to convert to organic is time-limited when each tranche of funding is released. A 5-year scheme announced in 2015 has closed with currently no funding available for new farmers or farmers looking to convert. Other smaller capital investment grants are available but offer little incentive.
Organic packaged food sales in Ireland grew by four percent in value terms to reach €118 million in 2016 (Euromonitor). Dairy products (€57 million) and baby food (€21 million) are the main sectors within the Irish organic market. The market is expected to have grown three percent in 2017 and to reach a projected sales level of €136 million per year by 2021. Although demand for organic food is predicted to rise, products must also deliver on provenance, quality, health, ethics and sustainability to achieve success.

Italy

Italy's organic farming sector is booming, with a 20 percent farmland increase in 2016 according to Italian Minister of Agriculture Maurizio Martina. In 2016, Italy increased organic farmland to 1.8 million hectares compared to 1.5 million in 2015. Italian organic association Assobio estimates that the Italian organic market sector is valued at approximately €2.5 billion, with more than 72,154 organic producers. According to SINAB, the Italian National Organic Information Service, organic ag production in Italy is approximately 12 percent of total. Organic food purchases in Italy are growing with over 13 million Italians purchasing organic food at least once a week. Italian consumers are willing to pay extra for better quality food and therefore are choosing organic. The main driving factors behind this growth have been product expansion and increasing demand for premium, high-priced products, as well as changing consumer habits towards food. Consumers in Italy have started focusing more on healthy food, prioritizing quality over quantity, and preferring to buy less but more premium and natural food.

Netherlands
In the Netherlands almost 60 thousand hectares (or 3.4 percent of total land)are used by organic farmers, half of which is permanent grassland and the other half predominantly organic vegetables, grains, and potato production. It is expected that the acreage of farmland in the Netherlands will continue to grow due to growing demand for organic products. The Dutch Organic Industry Association Bionext believes that especially more dairy, arable, poultry and pig farmers will convert to organic production coming years.
The Dutch organic industry is largely driven by demand for organic products in other West European countries, and in particular Germany. Total Dutch exports of organic products are valued at €1.2 billion of which 80 percent are destined for Germany. This number includes organic products produced in the Netherlands such as potatoes, vegetables, eggs, cheese and meat but also imports. Dutch traders focus on price when sourcing organic commodities and ingredients. Given its strong local demand, U.S. organic commodities and ingredients are often not the most price competitive. The best opportunities for U.S. exporters on the Dutch market can therefore be found in innovative and premium products.

In 2016, U.S. exports to the Netherlands of organic products which are covered by HS codes totaled almost $1.2 billion making it the third largest export market in the EU after the UK and France. U.S. exports during the first eleven months of 2017 compared to the same period in 2016 are up by 35 percent, driven by growing exports of carrots, followed by lettuce and some broccoli.

The market for organics grew in 2016 to €1.4 billion. The following segments demonstrated the highest growth rates: dry goods, breads, and pastries. The market share for organics grew from 2.9 percent to 3.3 percent in 2016 and the highest market shares can be found in eggs followed by dairy and fresh produce. Food retailers dominate organic sales (€735 million), followed by organic stores [€336], out-of-home/foodservice [€250 million), on-farm sales and farmers markets [€35 million] and finally on-line sales of organic products [€20 million].

Poland
The Polish organic food market presents opportunity for further intensive development. In recent years, the market for such products has increased by several percent each year. The increase in organically farmed area was spectacular between 2004 and 2014, beginning with 84,000 Ha and reaching 658,000 Ha. Organic food's share in the whole Polish food market is estimated at only 0.4 percent, much lower than the EU average. Nevertheless this is the fastest developing and one of the most promising food market sectors in Poland. The Polish Ministry of Agriculture and Rural Development forecasts that the value of organic food market in Poland exceeds PLN 1 billion (U.S. $ 0.25 billion). According to Euromonitor forecast organic packaged food sale is expected to increase by 27 percent in the period 2015-2020. The level of development of the organic food processing industry is still insufficient in Poland, regarding the full agricultural potential and consumers' demand. Increasing ecological awareness of Polish society and growing interest in organic products, as a consequence creates demand for organic local and imported food. Some selected groups of U.S. products are present on the shelves of Polish shops. They are well recognized and valued by organic customers.

Slovakia
According to Ekotrend, Union of Organic Farming, there were 500 organic farms registered in Slovakia at the end of December 2017. Area dedicated to organic farming in Slovakia reached 197,000 HA, which is 9 percent of agricultural land in Slovakia. According to Euromonitor, organic packaged food recorded 4 percent retail value growth in 2016 to reach EUR 20.6 million.

Slovenia
Compared to 2015, in 2016 the number of organic farms increased by 9 percent to 2,933 and the land under organic management grew 12 percent. More organic beef and poultry meat as well as milk was produced in 2016.

Spain
Spain is the largest producer of organic produces in the EU, with 2,018,802 hectares certified under the "bio" label. This accounts for 16.9 percent of the total EU organic area. The top products are: cereals (45.43 percent), dry pulses and protein crops (7.99 percent), green crops intended for animal feed (5.07 percent), fresh vegetables and strawberries (3.61 percent), other industrial crops (3.47 percent). Of total organic production, 83 percent has a vegetable origin and 17 percent comes from animal origin. Half of the Spain's organic production is for the export market, mainly in bulk.

One of the challenges of the Spanish market is the low per capita expenditure on organic products ($25/year/person), much lower than in other European markets. For the average Spanish consumer, organic packaged food has a premium in terms of retail price and positioning, mostly due to the price difference between organic and conventional products. This, along with limited availability, has discouraged many consumers from purchasing these products.

The consciousness of consumers with regards to health and sustainability, together with the consolidation of the economic recovery, are expected to benefit sales of organic packaged food and beverages in Spain. It is expected that an increasing number of outlets specialized in organic packaged food and organic products will open, bringing organic products closer to the general public. But the most important factor is that major retailers are gradually increasing their space for organic foods and beverages. This trend is expected to contribute to the expansion of the category in the coming years to the mainstream consumers.

As internal consumption does not reflect the production this situation creates opportunities for U.S. exporters, particularly in the processed products sector. According to Euromonitor, in the medium term, some categories that expect a significant growth in sales are: organic baby food, organic frozen meat, seafood, fruit and vegetable, organic ice cream, organic sweet biscuits, snack bars and fruit snacks, and organic savory snacks. On the beverage side, sales are expected to grow more importantly in: organic fruit/herbal tea, organic fruit/vegetable juice and organic 100% juice.

Sweden
Sweden has one of the highest consumption of organic products in the world. Nine percent of all food and beverages sold in Sweden are organic, which is, together with Denmark the highest percentage in the world. Swedish organic industry association, KRAV, recently announced that organic sales for 2016 are expected to value almost $2.4 billion. The reason for the increase is due to the growing health awareness among the Swedes. There is also an increase in availability of organic products and new product development. In order to keep up with the growing demand, the Swedish government released an ambitious plan to double the area under organic cultivation by 2020. You will find organic products at any supermarket in Sweden. There are no special organic sections; rather organic products are placed alongside their conventional counterparts. In addition there are two Paradiset stores in Stockholm, an upscale supermarket selling only organic products.

United Kingdom
In 2016, the United Kingdom had a total area of 508 thousand hectares of land farmed organically (i.e. the fully converted area and area under conversion), down from 521 thousand hectares in 2015. Since 2008 when the area of land farmed organically peaked, the organically farmed area has declined by 32 percent. The organically

farmed area represents 2.9 percent of the total farmed area on agricultural holdings in the United Kingdom. Permanent pasture accounts for the biggest share of the organic area (66 percent) followed by temporary pasture (18 percent) and cereals (7.6 percent). In 2016, there were 6,363 producers and processors registered with the organic certification bodies in the United Kingdom, an increase from 6,056 in 2015. The number of producers has declined by 35 percent since 2007, mirroring the decline in the land area farmed organically. The number of processors has increased for the third year running and now stands at almost 2,800.

The UK organic market is now in its fifth consecutive year of growth and (according to The Soil Association) is worth EUR 2.4 billion. UK sales of organic food increased by two percent in 2016. Organic represents around 1.5 percent of the total UK food and drink market. Top categories include: baby food, dairy, confectionery; and to a much lesser extent: ready meals, bread, sauces, and soup.

UK organic market growth in the last eighteen months has been driven by increased sales in independent retailers (6.3 percent), home delivery (10.5 percent), and foodservice outlets (19.1 percent). Supermarket chain organic sales have also grown but at a lesser pace (6.1 percent). The proportion of organic products sold through supermarket chains has fallen from 80 percent a decade ago to currently 70 percent.
In the UK, the success of organic sales is intrinsically linked to the qualities and values of a particular brand. In many cases, the fact that the product is organic does not solely sell the product. Organic is usually mixed with other marketing messages indicating quality, ethics, and a certain set of values to appeal to British consumers on many levels at once. The import of organic ingredients for manufacture in the UK is a preferred route to market, since British consumers express a preference for locally produced and processed organic products. That said, U.S. commodities and ingredients will compete mostly on price, finding niches for innovative and premium packaged products is also possible.

Single Country Reports
There are country reports on the organic market in EU Member States. They can be downloaded from the FAS website and contain country specific market information:

- Poland
- Romania
- Austria
- Germany
- Sweden
- Czech Republic
- Bulgaria
- Croatia
- Italy
- The Netherlands
- United Kingdom

VII. Market development
by Leif Erik Rehder

The Organic Trade Association (OTA) has a wealth of information and experience in helping U.S. companies in their endeavors expanding business overseas. Information about the OTA and how they can help the U.S. organic industry can be found on http://www.ota.com/index.html.
In addition to the OTA, there are various other cooperators that can be of assistance in promoting your organic commodities in the EU. An overview of U.S. commodity cooperators can be found at

http://www.fas.usda.gov/pcd/PartnersSearch.aspx. Be aware however that not all U.S. cooperators have programs for the EU.

Trade shows are excellent venues for U.S. exporters to make contact with potential business partners, to conduct product introductions and to gauge buyers' interest. BioFach is the largest international trade show for specifically organic products in the world. BioFach is USDA endorsed which means that the show organizer works with the OTA and FAS to create a U.S. pavilion. More information about BioFach can be found at www.biofach.de.

There also numerous regional organic shows throughout Europe. For example, Bio Beurs is the leading organic event in the Netherlands where mostly Dutch suppliers exhibit their latest food products and technologies. If you are interested in one of the regional shows, please contact the responsible FAS office for more information.

Fruit Logistica is a regional (European) trade show that also attracts buyers of organic fresh produce, nuts and dried fruits. This show is also USDA endorsed and has an excellent U.S. pavilion. U.S. exporters of organic food ingredients should consider exhibiting or visiting the Health Ingredients, Food Ingredients or Vitafoods trade show. These shows attract decision makers from the food processing industry.
Finally, fairs like ANUGA or SIAL attract mainly buyers of specialty and retail-ready products and therefore very suitable for exporters of U.S. organic processed products like confectionary products, snacks and baby food.
More detailed information about the USDA endorsed shows in Europe this year can be found at www.fas-europe.org

VIII. Post Contact and Further Information
Internet home pages of potential interest to U.S. food and beverage exporters are listed below:
USDA/FAS/Europe www.fas-europe.org
U.S. Mission to the European Union www.fas.usda.gov/posthome/useu/usda.html
FAS/Washington www.fas.usda.gov

If you have questions or comments regarding this report, please contact the U.S. Agricultural Affairs Office in Berlin at the following address:

Foreign Agricultural Service
U.S. Department of Agriculture
Embassy of United States of America
Clayallee 170
14195 Berlin
Germany Tel: (49) (30) 8305 – 1150
Email: AgBerlin@state.gov
Home Page: www.fas-europe.org

Annex I Current list of organic export HS codes including the date of introduction

Export HS Code	Date of Introduction	Selected Organic Product
0401201000	201607	Organic Milk
0701900070	201101	Organic Potatoes Fr/Ch Xsd Oth
0702000015	201101	Organic Cherry Tomato Fr/Ch

0702000025	201101	Organic Roma Plum Tomato Fr/Ch
0702000035	201101	Organic Tomato Other Fr/Ch
0703100010	201101	Organic Onion Sets Fr/Ch
0704100010	201101	Organic Cauliflower Fr/Ch
0704902010	201201	Organic Cabbage Fr/Ch
0704904025	201101	Organic Broccoli Fr/Ch
0705110010	201101	Organic Head Lettuce Fr/Ch
0705190010	201101	Organic Lettuce Not Head Fr/Ch
0705190020	201501	Organic Lettuce Not Head Fr/Ch
0705190030	201501	Organic Lettuce Not Head Fr/Ch
0705190040	201501	Organic Lettuce Not Head Fr/Ch
0706103010	201101	Organic Carrots Fr/Ch
0706103020	201501	Organic Carrots Fr/Ch
0706103030	201501	Organic Carrots Fr/Ch
0706903100	201501	Organic Beet Fr/Ch
0707000010	201201	Organic Cucumbers Fr/Ch
0708101000	201501	Organic Peas Fr/Ch
0709202000	201501	Organic Asparagus Fr/Ch
0709400010	201101	Organic Celery Fr/Ch
0709600010	201101	Organic Peppers Fr/Ch
0709700010	201101	Organic Spinach Fr/Ch
0805100045	201101	Organic Oranges Fr/Dr
0805400010	201201	Organic Grapefruit Fresh
0805502010	201101	Organic Lemons Fr/Dr
0805505010	201501	Organic Limes Fr/Dr
0806100010	201101	Organic Grapes Fresh
0807111000	201501	Organic Watermelon Fresh
0808100010	201101	Organic Apples Fresh
0808200010	201101	Organic Pears/Quince Fresh
0808300010	201201	Organic Pears Fresh
0809200010	201101	Organic Cherries Fresh
0809290010	201201	Organic Cherries Fresh
0809301000	201501	Organic Peach/Nectarin Fresh
0810100010	201101	Organic Strawberries Fresh
0810202000	201501	Organic Berries Fresh
0810400026	201101	Organic Cult Blueberries Fresh
0901210010	201101	Organic Coffee Roast Not Decaf
2005100010	201707	Organic Vegetables Prep/NT FZ
2007100010	201707	Organic Fruit Prep
2103204010	201101	Organic Tomato Sauce Ex Ketchp