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U.S. Organic Food Exporters Set to Double Sales to EU

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Agricultural Situation

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Report Highlights:

The boom on the organic food market in the European Union (EU) continues. U.S. organic exports to the EU are set to double and hit record levels for 2018, though limited organic-specific harmonized system (HS) codes cover only a niche of the market. There are good prospects for U.S. organic 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 EU market, as well as policy and trade situation regarding U.S. organic exports.

General Information:

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

On 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 2017, the EU market for organic products increased by 15 percent reaching \$39.7 billion. Germany and France are the largest organic markets in the EU, considerably larger than the third-largest market, the United Kingdom; together Germany and France represent over half of the EU-28 organic market. The growing demand for organics in the EU, combined with the arrangement 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 Harmonized System (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 reached record levels of \$12 million in 2017. For 2018, U.S. organic sales to the EU are set to double. However, the actual total of U.S. exports of organic products to the EU is likely much 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 Nuremberg Germany, February 13-16, 2019. As an 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.

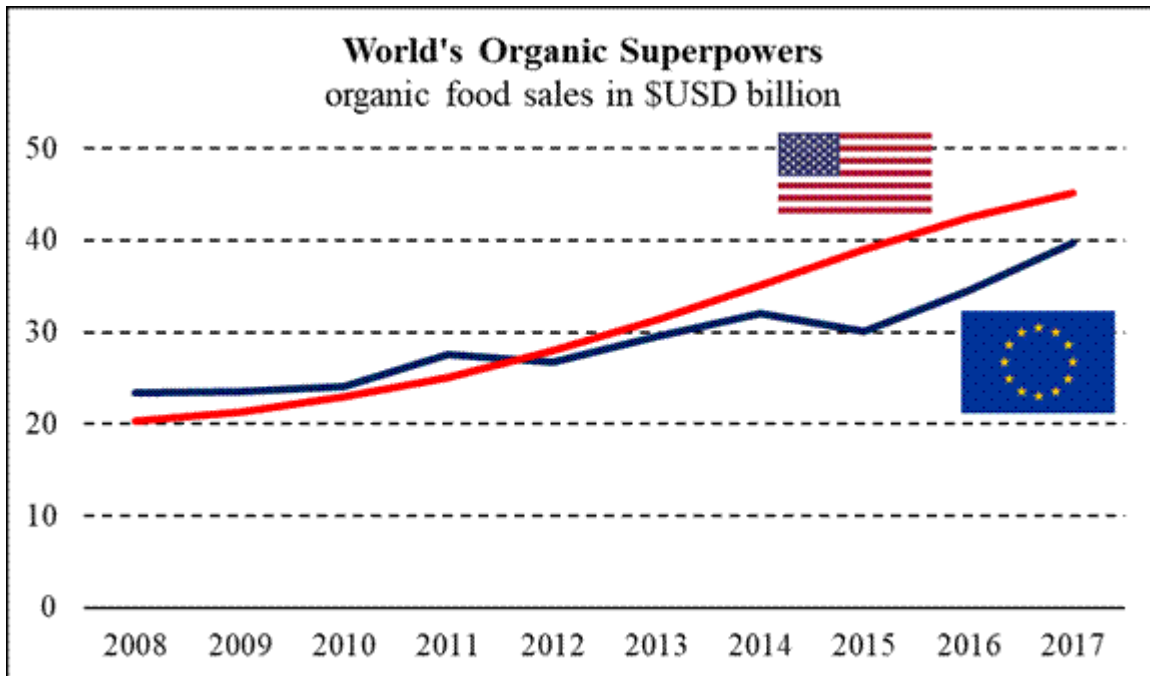
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Section I. The EU Organic Agricultural Market and Production

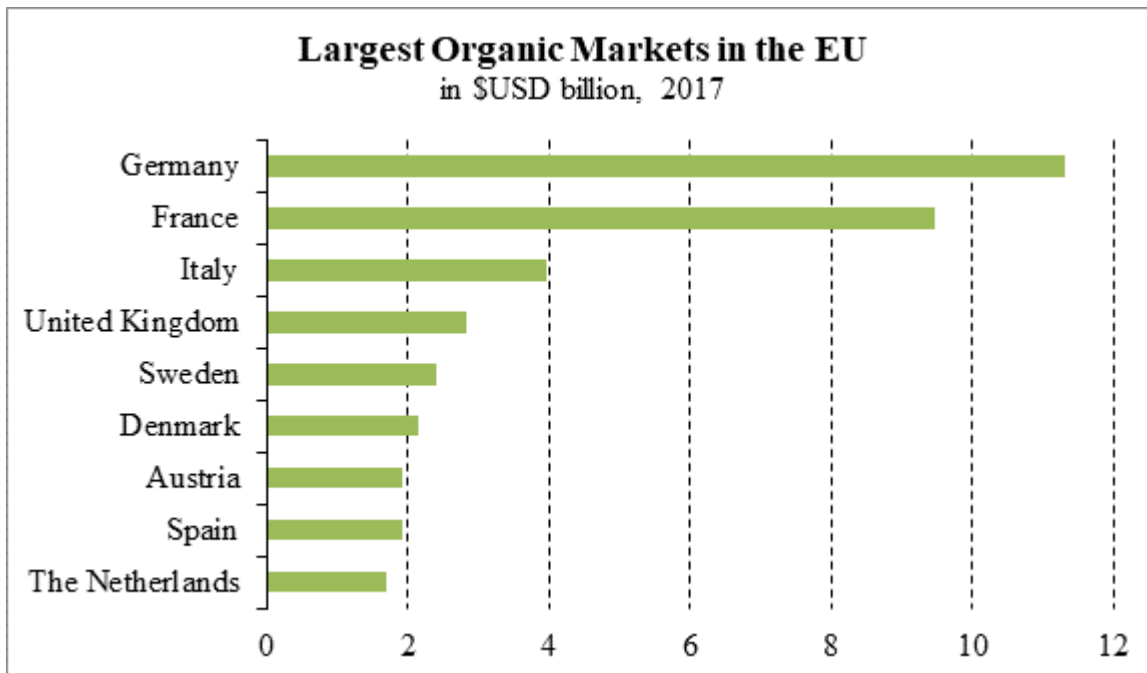
By Leif Erik Rehder

The United States and the European Union are the two world's two largest organic markets. Both have shown dynamic growth rates the last couple of years with the United States overtaking the EU as the leading global organic food market in 2012. According to the Organic Trade Association the United States hit record sales of \$45.3 billion in 2017. FAS offices in the EU-28 estimate that the EU market totaled \$39.7 billion in 2017, with a 15 percent increase as compared to the previous year. This means that over the last 10 years, the organic food market in the EU has more than doubled.



Source: Organic Trade Association, USDA/FAS Posts in EU-28, FiBL and Agricultural Market Information Company (AMI). For more information on the U.S. organic market please check: <http://www.ota.com/index.html>.

Most leading organic markets in the EU demonstrated growth in 2017 with the United Kingdom and Spain stagnating. The largest market continue to be Germany and France, representing over half of the EU-28 organic market.



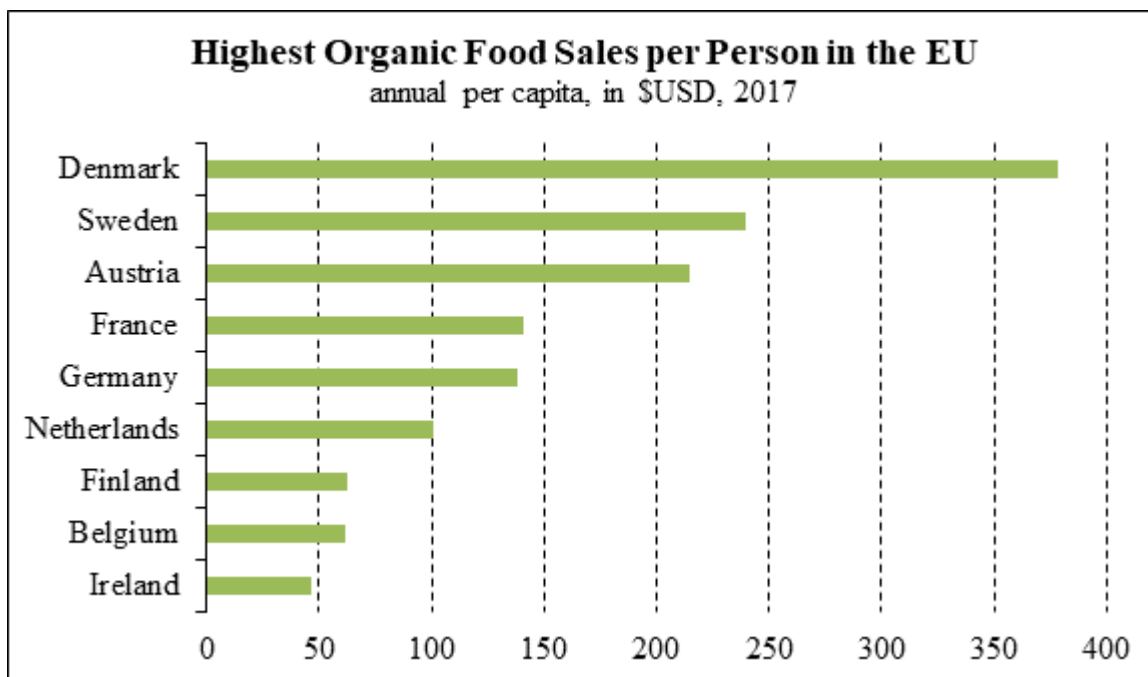
Source: USDA/FAS Posts in EU-28

An important driver behind the growing organic market in the EU is the predominance of large full-service supermarket chains. These chains have placed organic products on the shelves next to conventional products, resulting in a greater availability of organic products for a larger audience.

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 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, is accounted in Denmark, Luxembourg, Austria, Sweden and Germany in 2017. At the same time there is a dozen Members States, mainly in Eastern Europe, with sales of less than \$10 per person.



Source: USDA/FAS Posts in EU-28

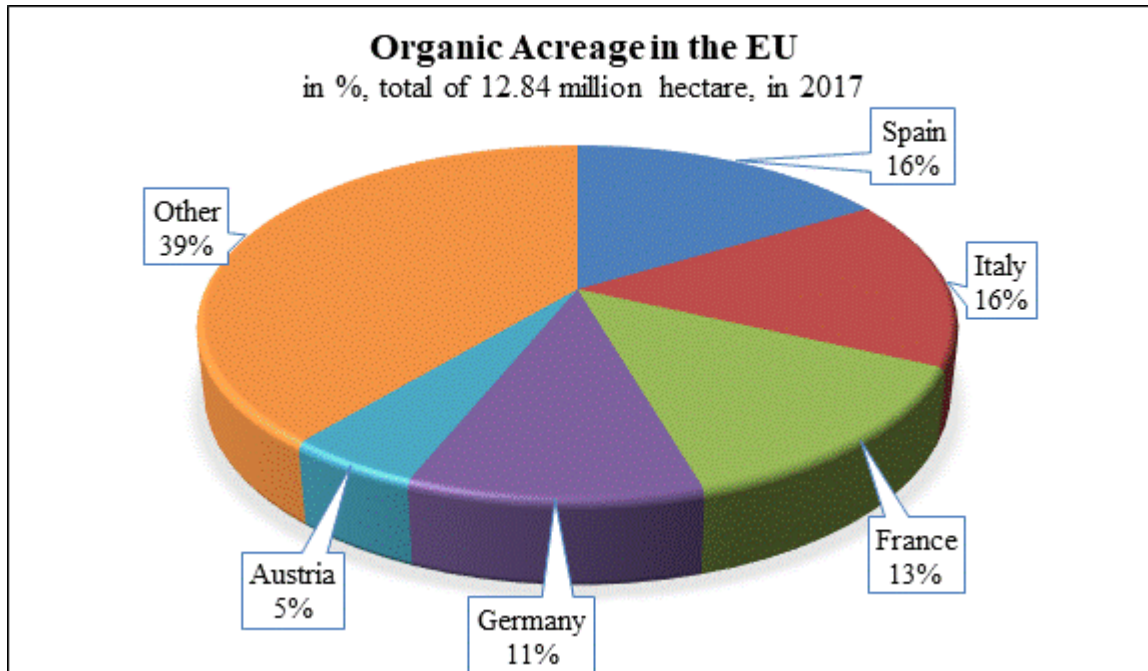
Consumers of organic products in Europe can roughly be divided into two groups. The first group, the so-called 'regular buyers', is a rather small, committed group that has been buying organic products for decades. Although this group is small, they are responsible for almost half of the EU's organic sales.

Regular buyers tend to buy at organic specialty shops or farmers' markets and price is not an important purchasing decision factor.

The second and much larger group represents a different demographic. Double-income households with no children, older consumers (aged 50-75), and new-trend seekers fall into this group. They buy organic products for various reasons, including healthy lifestyle, food safety concerns, animal welfare, sustainability, quality and perceived taste, as well as innovative packaging. This so-called 'light buyers' group buy 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. Latest estimates from FAS offices in the region show that in 2017, roughly 13 million hectares were under organic agricultural management.



Source: USDA/FAS Posts in EU-28

About forty-five percent of the organic land in the EU is used for permanent organic grassland, with Spain, Germany, and the UK comprising the largest areas. Another forty percent of the organic area is used for arable crops. The largest arable crop groups are green fodder and cereal production with the largest areas 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 Estonia, Sweden, Latvia, Italy, and Finland.

Section II. Exports of U.S. Organic Food

By Leif Erik Rehder

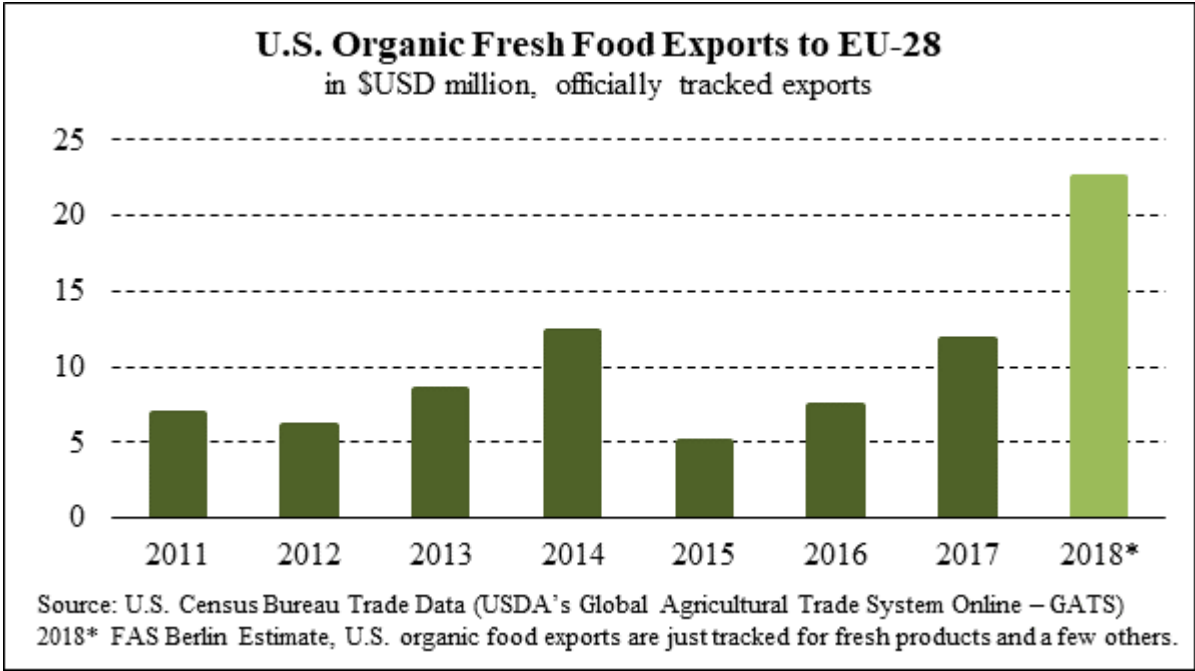
U.S. organic food exports were officially valued at \$565.8 million globally in 2017. Canada and Mexico were by far the largest markets followed by Taiwan, South Korea, Japan and the European Union. Please note that tracking of organic food exports has just started. HS is a standardized international system to classify globally-traded products. And, these HS codes cover only a fraction of

existing organic trade, mostly organic fresh products like milk, fruits, and vegetables, and not processed products or organic nuts. Actual U.S. exports of organic products globally are much higher.

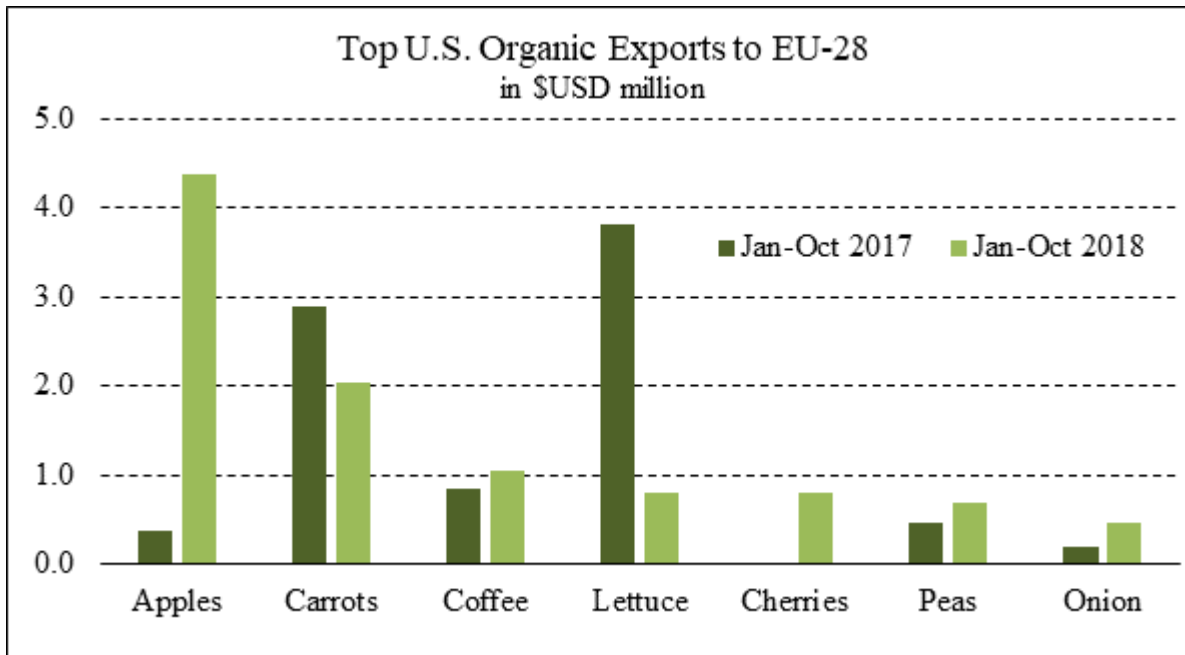
Please see Annex I for further information and HS tariff codes on organic products.

U.S. Organic Exports set to hit record levels

U.S. organic exports to the EU covered by HS codes reached close to \$12 million in 2017. Between January and October 2018 (latest available statistics), exports of selected organic products almost doubled compared to the same time last year. Total exports of selected organic products are set to hit record levels in 2018. FAS Berlin estimates that officially-tracked U.S. organic food exports will reach about \$22 million in 2018.



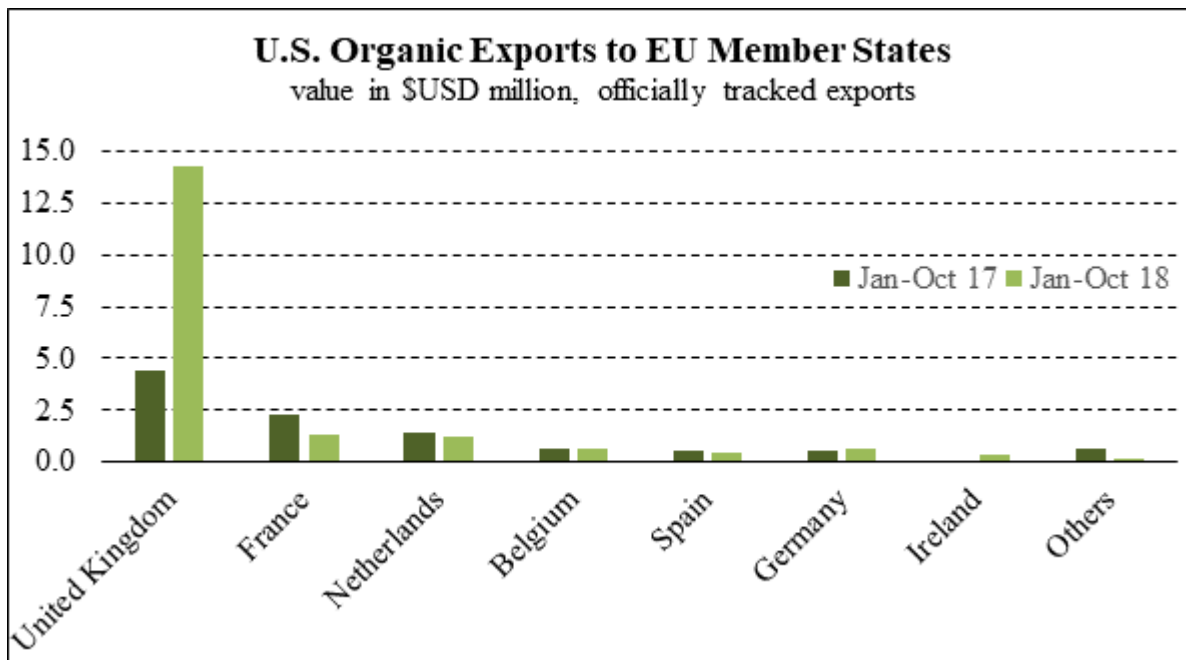
In the first ten months of 2018, top U.S. organic products exported to the EU were apples, carrots, coffee, and lettuce. It was a very good year for organic apple exports which increased tenfold while organic lettuce exports totaled only a fifth of the value in 2017. Cherries are another success story for U.S. organic exports to the EU-28 in 2018, with exports growing to \$0.8 million. The U.S. top export product changes every year, signifying the fluctuation of the price and supply situation in the United States as well as a fluctuating demand in EU-28. In general, this is also more characteristic for the fresh food market than for processed food.



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

United Kingdom remains most important importer

By far the most important EU importer of U.S. organic fresh produce is the United Kingdom. By October of 2018, almost three quarters (by value) of all U.S. selected organic exports destined for the EU went to the United Kingdom. Other important EU countries for U.S. produce are France, the Netherlands, Belgium, Spain, Germany and Ireland. These countries account for 99 percent of U.S. organic imports during January through October 2018. 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 transshipment is far from clear. Especially since the United Kingdom is by far the most importer.



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

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 markets. Since 2012, this partnership has streamlined trade between the two largest organic producers in the world, and provides organic farmers and businesses access to an \$85 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 product organic, 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 use the following 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. Trade Opportunities for U.S. exporters on the EU organic market

By Leif Erik Rehder

The growing market for organic products in the EU combined with the U.S.-EU arrangement has 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 UK 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 limited local availability.
- **Pulses**, especially beans and lentils, are increasingly becoming popular in north-western 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 year round growing demand for fresh, dried, sweetened cranberries. There is also growing demand for 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. Consumers are more increasingly looking for healthy snacks (cereal/nut bars), organic confectionary products, maple sugar and syrup and organic beverages.

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:

- [Austria](#)
- [Bulgaria](#)
- [Croatia](#)
- [Czech Republic](#)
- [Germany](#)
- [Italy](#)
- [Poland](#)
- [Romania](#)
- [Sweden](#)

- [The Netherlands](#)
- [Turkey](#)
- [United Kingdom](#)

Section V. New EU Organic Regulation could affect the U.S.-EU Organic Equivalence Arrangement

By Antonella Rossetti

On May, 30, 2018 a new EU Regulation for the organic sector was published in the EU Official Journal. Effective January, 1, 2021, the main modifications of the current EU organic legislation are:

- 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
- an enlarged scope of products covered, including organic salt, cork, beeswax, maté, vine leaves, and palm hearts. There are additional production rules for some animal products.

In the next two years, the Commission will adopt several delegated and implementing regulations to define some technical aspects of the new regulation.

The biggest impact for the United States organic sector is that the EU will require trade agreements in place of the current framework, equivalence arrangements. With these EU regulatory changes, the U.S.-EU equivalence arrangement would expire by January, 1, 2026, five years after the entry into force of the new regulation.

VI. 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. More information about BioFach can be found at www.biofach.de.

There are 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. (www.fas-europe.org/countries/)

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 many in the food processing industry. (www.fruitlogistica.com/)

Finally, trade shows like ANUGA or SIAL attract mainly buyers of specialty and retail-ready products and are therefore best suited for exporters of U.S. organic processed products like confectionary products, snacks, and baby food. More detailed information about the 2019 USDA-endorsed shows in Europe can be found at www.fas-europe.org

VII. Post Contact and Further Information

Internet home pages of potential interest to U.S. food and beverage exporters are listed below:

FAS/Washington www.fas.usda.gov

USDA/FAS/Europe www.fas-europe.org

U.S. Mission to the European Union www.fas.usda.gov/posthome/useu/usda.html

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

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Home Page: www.fas-europe.org

Annex

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 system. In 2018, just organic vinegar and substitutes were added to the list. Regardless, the HS system provides a useful tool for tracking covered products and to see the export dynamics for those specific products.

Commodity Code	Aggregate Name	Start Date
701900070	Organic Potatoes Fr/Ch Xsd Oth	1/1/2011
702000015	Organic Cherry Tomato Fr/Ch	1/1/2011
702000025	Organic Roma Plum Tomato Fr/Ch	1/1/2011
702000035	Organic Tomato Other Fr/Ch	1/1/2011
703100010	Organic Onion Sets Fr/Ch	1/1/2011
704100010	Organic Cauliflower Fr/Ch	1/1/2011
704904025	Organic Broccoli Fr/Ch	1/1/2011
705110010	Organic Head Lettuce Fr/Ch	1/1/2011
709400010	Organic Celery Fr/Ch	1/1/2011
709600010	Organic Peppers Fr/Ch	1/1/2011
709700010	Organic Spinach Fr/Ch	1/1/2011
805100045	Organic Oranges Fr/Dr	1/1/2011
805502010	Organic Lemons Fr/Dr	1/1/2011
806100010	Organic Grapes Fresh	1/1/2011
808100010	Organic Apples Fresh	1/1/2011
810100010	Organic Strawberries Fresh	1/1/2011
810400026	Organic Cult Blueberries Fresh	1/1/2011
901210010	Organic Coffee Roast Not Decaf	1/1/2011
2103204010	Organic Tomato Sauce Ex Ketchp	1/1/2011
704902010	Organic Cabbage Fr/Ch	1/1/2012
707000010	Organic Cucumbers Fr/Ch	1/1/2012
805400010	Organic Grapefruit Fresh	1/1/2012
808300010	Organic Pears Fresh	1/1/2012
809290010	Organic Cherries Fresh	1/1/2012
705190020	Organic Lettuce Not Head Fr/Ch	1/1/2015
705190030	Organic Lettuce Not Head Fr/Ch	1/1/2015
705190040	Organic Lettuce Not Head Fr/Ch	1/1/2015
706103020	Organic Carrots Fr/Ch	1/1/2015
706103030	Organic Carrots Fr/Ch	1/1/2015
706903100	Organic Beet Fr/Ch	1/1/2015
708101000	Organic Peas Fr/Ch	1/1/2015
709202000	Organic Asparagus Fr/Ch	1/1/2015
805505010	Organic Limes Fr/Dr	1/1/2015
807111000	Organic Watermelon Fresh	1/1/2015
809301000	Organic Peach/Nectarin Fresh	1/1/2015
810202000	Organic Berries Fresh	1/1/2015
401201000	Organic Milk	7/1/2016

2005100010	Organic Vegetables Prep/NT FZ	7/1/2017
2007100010	Organic Fruit Prep	7/1/2017
2209000010	Organic Vinegar and Substitutes	1/1/2018

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".