

THE EUROPEAN MARKET FOR ORGANIC FRUITS AND VEGETABLES FROM THAILAND



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Report providing an overview of EU market trends, as well as market potential and distribution in the German, British and Dutch markets for organic products in general - describes main EU regulatory and non-regulatory requirements of relevance for Thai exporters of organic fruit and vegetables; presents an overview of the EU market for selected product groups representing main opportunities for export of organic products from Thailand, i.e. tropical fruit, fresh and processed, as well as vegetables; includes a list of sector related web resources, as well as a list of selected importers and traders in the countries under review.

Descriptors: **Tropical fruit, Fruit, Vegetables, Cotton, Coffee, Rice, Textiles, Fishery products, Organic Products, Organic Food, European Union, Labelling, Food standards, Thailand, Fair Trade.**

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Photo

Organic rice paddy and papaya in foreground, Thailand (Courtesy of Vitton R. Panyakul)

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Executive Summary

The EU market for organic products is growing. Particularly high growth rates are observed in Germany and the United Kingdom. In most European countries highest growth is seen in the fruit and vegetables, as well as the meat and dairy product categories.

In the short and medium term, demand is foreseen to strengthen and growth is expected to continue. The growth is primarily driven by increasing availability and assortment of organic products through the broadening of sales channels, especially the opening of many new so-called organic supermarkets as well as increasing assortment of organic products in conventional supermarkets. Prices are under pressure with increasing involvement of supermarkets and import. Importers are broadening their supply base and showing interest in new potential suppliers and products.

The organic fruit market is expected to show the biggest growth, with interest in organic tropical fruits expected to be the biggest impetus for the overall growth of the fruit segment. Consumers are interested in health, convenience and new products. Trade in fair trade products are showing high growth rates.

In both Germany and the United Kingdom, growth in demand is outstripping in-country production, leaving room for increased import. Price pressure challenges the financial viability of local production. However, initiatives to strengthen local supplies are taken.

Conventional retailers are now in both Germany and the United Kingdom the largest distribution channel for organic products.

Requirements for EU market entry are increasing. The most important regulatory requirements, which must be complied with in order to enter the market, are the regulation on organic production and trade, as well as the general food regulations. General food regulations are being harmonized in the EU and focus on food safety and quality is increasing. Most important quality standards are HACCP, which exporters in third countries also have to comply with, ISO 9000 and EUREP-GAP. The latter is relevant for primary producers and is widely believed to become very important in the future, even for organic products. Certifications are competitive advantages. Small scale farmers are advised to already now start working with comprehensive International Control Systems, including compliance with EUREP-GAP and the principles of HACCP and ISO 22000 – the latter covering both ISO 9000 and HACCP.

The EU regulations on organic production and trade are presently under revision and the process is not finalized as yet. It is proposed that aquaculture be included in the new regulation, and that the EU logo will become accessible also for imported products. The import regime on approval of export countries will continue, while the regime with issuance of imports will cease. Instead it is proposed that the EU Commission establishes a list of certification bodies, which are approved for carrying out certification against the EU regulations or equivalent standards. Any certification body complying with the requirements in the EU regulations on organic production and trade may be approved. Detailed procedures are to be laid down. It is recommended that Thailand officially applies to be recognized by the EU Commission and adopted onto the so-called third country list.

The market for tropical fruit, including pineapple and mango, is growing. So are the quality requirements. Fruit and vegetables must comply with at least same quality requirements as for non-organic food. Considering fresh tropical fruit, Thailand is at a disadvantage because of its distance from the EU market, but detailed and fruit specific feasibility and competitive analysis would be required in order to make final conclusions as to competitiveness. From a

market perspective there are opportunities, but the price quality ratio is the determining factor. Some interest has been shown in exotic tropical fruit, but the market is very small. A strategy is to get more volume through broader product range, another to develop a long-term partnership with a specialized importer, who can assist in product and market development.

As the market is interested in convenience as well as new products, there is an opportunity for Thai specialties in for instance Thai ready-meals. Importers specializing in such products could be interesting partners for the development of products and markets.

Processed tropical fruit is believed to be the product group representing the most opportunities for Thailand. Demand is increasing, for direct consumption as well as for use in the food industry. Areas where Thailand already has ample experience and superior expertise are good grounds for starting product and export development. Opportunities are believed to exist in tropical fruit canned or in glass, and supermarkets expressed interest, for instance combined with a Thai brand. Some conventional supermarkets would be interested in running a campaign in order to test consumer interest. This could be developed in co-operation with an importer supplying supermarkets. Other opportunities might exist in diced frozen tropical fruit for the food industry, as well as sugared dried fruit, including coconut.

For fresh vegetables, including asparagus and baby corn, most opportunities were believed to be in the United Kingdom, with high growth, increasing imports and supermarkets playing an important role in distribution.

Market opportunities are also believed to exist for shrimps and cotton. However, identification of concrete opportunities for Thailand in these sectors requires detailed feasibility studies.

In general, it would be a great advantage for Thailand making products, expertise, exporters known to the (potential) buyers in the EU market as the market is growing and importers are looking for additional and new suppliers. A common marketing effort among exporters of organic products and readily available information on products on offer, expertise and ideas, would be an advantage. A strategy for the entrance of the EU market should be formulated, differentiated according to distribution channel and products. Production development is best done in co-operation with an importer in long-term partnership.

1 Introduction

Thailand has always been a major exporter of tropical fruit and vegetables to European markets and is recognised as a source of reliable and quality products. However, during the past five years, the value of exports has decreased.

Organic produce still represents a relatively small niche market, with limited penetration on the export markets. The Thai organic sector is at a fairly early stage in its development, concentrating mainly on production of rice and fresh vegetables.

The most recent data indicate there are approximately 13,900 ha certified organic farmland in Thailand, or 0.066% of total farmland. The Thai Government has reiterated its policy of support for organic farming, announcing in a Cabinet resolution on 4 January 2005 its goal to transform Thailand's agriculture and to increase the importance of organic production systems.

With the overall aim of developing a National Strategy for organic agriculture in Thailand and thus facilitate the development of organic agriculture and trade with a special focus on access to EU markets, this report aims at identifying main opportunities and constraints for Thai organic products. It is written as part of the project *Strengthening the Export Capacity of Thailand's Organic Agriculture*. The project is executed by the International Trade Centre (UNCTAD/WTO) (ITC) in close co-operation with the National Innovation Agency, Ministry of Science & Technology, in Thailand.

The report provides an overview of EU market trends, as well as market potential and distribution in the German, British and Dutch markets. Main EU regulatory and non-regulatory requirements of relevance for Thai exporters are described. An overview of the EU market is presented for those product groups, which are believed to representing main opportunities for export of organic products from Thailand, *i.e.* tropical fruit, fresh and processed, as well as vegetables. These chapters form the background for identification of main opportunities and constraints for the development of export trade in organic products from Thailand to the EU.

The report serves as a background document for and input into the formulation of a National Strategy for organic agriculture in Thailand.

Data has been collected from literature, primarily studies and press releases freely available at the internet, as well as personal interviews with several traders and resource persons active in the organic sector in the EU. Data was collected during May, June and July 2006.

The study may also be of assistance to the following target audiences in Thailand:

- Exporters, producers and processors interested in export of organic products to the EU
- Organic associations and export promotion offices, including certification bodies
- Government agencies relevant for the development of the organic sector in Thailand
- Potential donor agencies interested in supporting the development of the organic sector in Thailand, especially the export organic products from Thailand to the EU

2 Overview of the Organic Market in the EU

2.1 Trends

Since the beginning of the 1990's, organic farming has developed rapidly in the EU. In 2004, more than 5.8 million hectares were under organic management¹. Additionally, organic aquaculture is expanding rapidly in many countries. While organic farming continues to expand, in particular in the new EU member states, growth has recently slowed down. The production of organic fruit and vegetables is also increasing in Europe.

As official trade statistics for organic products are generally lacking, market size and trends are based on retail trade estimates at individual EU member country level.

In 2004, the EU market is estimated at EUR 11.6 billion, representing a growth of about 5% during 2004². High growth rates are observed in especially Germany and the United Kingdom. In most European countries highest growth is seen in the fruit and vegetables, as well as the meat and dairy product categories. The individual national organic markets are at different stages of development, with the most developed organic markets in Austria and Denmark.

In the short and medium term, demand is foreseen to strengthen and growth is expected to continue. The growth is primarily driven by increasing availability and assortment of organic products through the broadening of sales channels. Many conventional supermarkets are increasing their assortment of organic products, and many new supermarkets with organic products only are opening, especially in Germany. Prices are under pressure. Demand from the food service and catering sector is increasing, as well as the number of home delivery schemes. Direct marketing is increasing as regionally produced fresh produce is growing in popularity.

While the importance of individual marketing channels differs among EU member states, growth and market shares are believed to be higher where supermarkets are the main distribution channel. In general, an attractive and diverse offer in fresh organic fruits and vegetables plays an important role for retailers. Mainly the specialty retail sector (including the organic supermarkets) tries to offer a larger and fresher assortment of organic fruit and vegetables. In this context, specialty retailers often give priority to regional fruit and vegetables.

Several European governments are stimulating domestic production aiming at decreasing import dependence. However, with organic food sales increasing faster than production, undersupply could once again become a feature of the European market.

The European market is dominated by fruit and vegetables, with vegetables accounting for the highest proportion of sales. Germany and the United Kingdom represent more than half of all fruit and vegetable sales in Europe, while purchases of organic fruit and vegetables are also high in the Scandinavian and Alpine countries. The organic fruit market is expected to show the biggest growth, with interest in organic tropical fruits, such as bananas, expected to be the biggest impetus for the overall growth of the fruit segment³.

¹ Source: Willer, Helga & Minou Yussefi, (2006): *The World of Organic Agriculture. Statistics and Emerging Trends 2006*. IFOAM, Germany, and FiBL, Switzerland. Page 26

² Source: Willer, Helga & Minou Yussefi, (2006): *The World of Organic Agriculture. Statistics and Emerging Trends 2006*. IFOAM, Germany, and FiBL, Switzerland. Page 69

³ Source: <http://www.packwire.com/news/ng.asp?n=61874-organic>

Time saving products are important to many European consumers, hence demand for convenient food products like pre-packed salads, frozen vegetables etc. are increasing.

Consumers are also interested in improving health and well-being, which is a driver towards preferences for all things natural and organic, including non-food products. Organic non-food products, like for instance clothing and textiles, cosmetics and personal health care products, are gaining market shares. High growth potential is borne by the crossover trend between health and convenience. There is a growing involvement of conventional food industries in the organic sector, fostering new product development, focusing on convenience and mixed products. The trend is towards more processed products, less basic foodstuffs. Consumers are also seeking out experiences from products and interest in experimenting with new products is increasing.

An important driver for potential high growth could be more evidence shown to the fact that organic food is relatively more healthy, than food produced using artificial fertilizers and pesticides, as seen recently in the UK market for organic milk.

Younger consumers are constantly acquiring greater autonomous spending power and developing brand awareness and loyalty at a younger age. Increasing individualism seems to be reflected in the fact that consumers increasingly seek brands and products which match their attitudes. Increasingly processors, wholesalers and retailers introduce their own organic brands.

Meeting basic requirements of the EU regulations on organic production and food safety is a precondition for export to the EU. Also, products must be at least the same quality as conventional products. Increasing involvement of large players and mainstreaming of the trade in organic products, as well as increasing number of suppliers in certain product segments, is increasing pressure on prices. While product quality requirements are also increasing, the price quality ratio is increasingly important for buying decisions.

Competitive factors like demonstration of quality consciousness, especially through certifications, the nature and level of services attached to a product, full traceability, packaging and presentation, novelty, image and branding are becoming increasingly important for realizing trade opportunities. Regarding packaging, interest in renewable raw materials like corn or sugar cane is increasing, and several supermarkets are testing different biodegradable packaging.

Markets are increasingly interested in the story behind the product, with information about the farmers and how the products are produced becoming important marketing tools.

Fair trade is becoming increasingly important, for food as well as non-food products. Fair Trade sales in Europe have been growing on average 20% per year since 2000, with annual net retail value of Fair Trade products sold in Europe exceeding EUR 660 million. Fair Trade products are found in 55,000 supermarkets in Europe. In Switzerland, 47% of all bananas and 9% of the sugar sold are Fair Trade labeled. In the UK, Fair Trade labeled tea has gained a market share of 5% and Fair Trade ground coffee a share of 20%⁴. There is a trend for organic and fair trade to come together.

Internet sources on market information are listed in Annex I.

⁴ Source: www.fairtrade.net accessed on 23 July 2006

2.2 *Import*

Official trade statistics for organic products are generally lacking, in particular data on imports and exports, and import channels. However, import continues to play an important role in the EU organic market, and as markets and distribution channels are developing, its role is increasing. It is especially off-season organic fresh produce and tropical fruit, which is imported into the EU. Imports represented 22% of total sales volume in 2004 with organic fruit comprising the majority⁵.

Figure 1: Leading EU importers of food products (conventional and organic) and share of total EU imports in terms of value. 2004

Rice ? France (21%), UK (21%), Germany (13%), Belgium (10%)

Coconut oil ? Germany (36%), The Netherlands (24%), Belgium (8%), UK (7%)

Edible nuts : ? Germany (24%), The Netherlands (14%), Spain (12%), Italy (10%)

Spices & herbs ? Germany (22%), The Netherlands (12%), France (11%), UK (11%)

Dried fruit ? UK (23%), Germany (22%), France (13%), The Netherlands (8%)

Fruit juice/concentrate ? Germany (20%), The Netherlands (17%), France (14%), UK (12%)

Honey ? Germany (41%), UK (13%), France (10%), Italy (8%)

Source: CBI (2005): EU Market Survey: Organic Food Products. Available at www.cbi.nl

Importers specializing in organic products are an important distribution channel for developing country exporters. They know the market and the detailed market requirements and can distribute further within the EU. Several such importers prefer to establish long term trade relationships with exporters and producers in developing countries, and may engage in developing production and export of organic products from selected producer groups. However, as price pressure and demand is increasing, importers are increasingly looking for additional suppliers in order to be able to secure supplies and at most competitive prices.

2.3 *Germany*

2.3.1 **Market size and growth**

Germany is the largest market in Europe and the second largest in the world. The organic share of the total food market is estimated at 3% in 2005⁶. However, the share varies within different product groups, and depending on whether based on volumes or turnover - as illustrated in the figure below.

⁵ Source: <http://www.organicmonitor.com/100142.htm>

⁶ Source: www.oekolandbau.de (accessed on 19 July 2006)

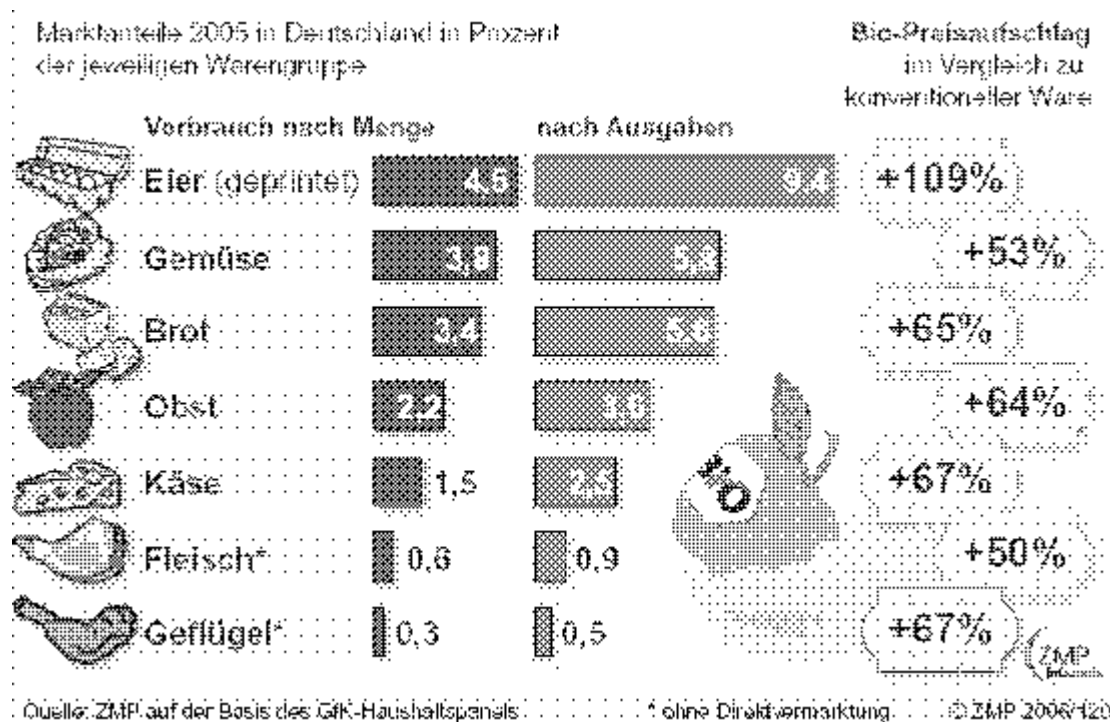


Figure 2: Market share of organic products within the following product groups: eggs, vegetables, bread, fruit, cheese, meat, poultry. The red bars indicate market share by volume, the green bars market share by turnover. Percentages in the far right side indicate price premiums. 2005

Source: www.oekolandbau.de (accessed on 19 July 2006)

In 2005, sales of organic products increased by 14% to EUR 4 billion, representing around one third of EU sales of organic products⁷. Increasing sales of organic products occurred within almost all product groups, but especially fruit and vegetables. Fresh fruit sales increased by 42% and sales of fresh vegetables increased by 31%. Carrot sales alone increased by 50%⁸.

The growth is driven by opening of more and larger, new supermarkets specializing in organic products. In 2005, 60 new such supermarkets opened. Also traditional discount supermarket chains are broadening their assortment of organic products, as well as health food shops. Especially ranges of fresh produce have been broadened. There is also a growing demand for organic food in the catering sector. The importance of convenience products (ready and semi-ready) and deep-frozen goods is growing. It should also be mentioned that the non-food sectors are experiencing high growth, e.g. natural personal health care products and organic textiles and clothing.

The demand is growing faster than in-country production and conversion. During 2005, in-country supplies have not been able to cover the increasing demand. This has given room for more imports. Competition is increasing and prices are under pressure. As the organic market

⁷ Source: BÖLW (2006): *Die Ökologische Lebensmittelwirtschaft in Deutschland: Zahlen, Daten, Fakten*. (Un-official translation: The Organic Food Business in Germany: Figures, Data and Facts). Available at <http://www.oekolandbau.de/haendler/marktinformationen/biomarkt-deutschland/>

⁸ Source: Royal Danish Embassy, Berlin (2006): *Oekologirapport Tyskland*. Un-official translation: Organic Report Germany

in terms of volume is still relatively small, it fluctuates more easily and is more susceptible to situations of over-supply and bottlenecks.

Development of the organic sector is being promoted by the German government. The German label for organic products, “Bio-Siegel”, is an important element in the development of the market. The label may be used on German as well as imported products. Increasingly, regional origin is being used in the marketing of organic products, and some regions have added an indication of origin to the national logo. As an example a combined label for the region Baden-Wuerttemberg is shown in the figure below.



Figure 3: The German label for organic products combined with an indication of regional origin

The growth is expected to continue in the coming years, with an estimated growth rate at around 10% annually⁹.

Fair trade is increasing in importance. For instance, in June 2006, the German discounter Lidl launched its brand “Fairglobe”, which includes fair trade organic products like instant coffee, honey, dark and brown cane sugar and orange juice.

2.3.2 Import

Germany is by far the largest importer in Europe and it imports a wide assortment of organic products. A few years back, imports accounted for an estimated 38% of the value of raw materials for the German organic market, equivalent to about EUR 156 million, or about 10% of total sales at retail level¹⁰.

Fruits and vegetables (fresh and processed) are the largest import item, with a share of 30% in terms of turnover of all imported organic goods in 2004. Increasingly, the position of German fruit and vegetable producers is under pressure from foreign, especially The Netherlands, imports. The main supplying countries of organic fruit and vegetables to Germany are Italy, Spain and France¹⁰.

Beginning of the century almost half (45%) of all organic fruits and vegetables sold in Germany were imported¹¹.

Biotropic is the market leader. It specializes in organic tropical fruit. The company sells across Western Europe, having sales offices in Germany, the Netherlands and Italy. Lehmann Natur and T-Port are also important traders in Germany. T-Port focuses on conventional fruit and moved into the organic sector in 2000. The French importer Pronatura re-exports most of

⁹ Source: BLE (2005): *The Organic market in Germany. Overview and information on market access*. Available at www.oekolandbau.de

¹⁰ Source: CBI (2005): *EU Market Survey: Organic Food Products*. Available at www.cbi.nl

¹¹ Source: UNCTAD (2003): *Organic Fruit and Vegetables from the Tropics. Market, Certification and Production Information for Producers and International Trading Companies*, p. 227

its organic mango imports to the United Kingdom and Germany. Savid plays an important role in banana and mango¹².

Other importers include Lehmann Natur, Naturkost Weber, Naturkost Schramm. Conventional fruit traders have increasingly started working in the organic sector, including Atlanta Group.

Companies like Rapunzel Naturkost, Davert Mühle, Care Naturkost are important importers of dried fruit, as well as Naturkost Übelhör.

In the fruit juices sector Voelkel and Beutelsbacher are major actors.

Processed fruit is imported by, amongst others, Ernst Rickert Trockenfrucht Import and Naturkost Ernst Weber. Pripa Exotic Frucktimport imports fresh, dried and otherwise processed fruit, primarily from Sri Lanka.

A list of selected importers are presented in Annex II, section I.1.

2.3.3 Distribution

Conventional retailers have become the largest distribution channel for organic products in Germany, in 2004 covering 36% of the market in terms of value. However, as shown in the figure below, health food shops and direct marketing still play an important role in sales of organic products.

Table 1: Organic product sales development between 1997 and 2004

Sales channel	Sales (billion €) (1997)	In % (1997)	Sales (billion €) (2004)	In % (1997)
Conventional retailers	0.41	28	1.28	36
Organic shops	0.46	31	0.90	26
Health food shops	0.15	10	0.27	8
Direct selling	0.28	19	0.56	16
Butchers/bakeries	0.07	5	0.24	7
Other	0.11	7	0.25	7
Total	1.48	100	3.50	100

Table 1: Organic product sales development between 1997 and 2004 by distribution channel in Germany.
Source: G. Richter, University of Erfurt, 1999-2005

Source: Richter, Toralf (2005): *The Organic market in Germany. Overview and information on market access*. "Geschäftsstelle Bundesprogramm Oekologischer Landbau in der Bundesanstalt fuer Landwirtschaft und Ernährung" (BLE).

Available at www.oekolandbau.de/fileadmin/redaktion/bestellformular/pdf/031105.pdf

Nearly every supermarket or discounter in Germany now offers at least a basic organic range of 20 - 50 items. They also offer a wide range of fresh products. Several chains have developed their own private brands of organic products.

¹² Source: Organic Monitor (2005): *The European Market for Organic Fruit and Vegetables*

About 3,000 specialized organic stores sell organic products in Germany. Primary products for these stores are fruits, vegetables, cheese and other fresh products, but also a wide range of grocery products.

2.4 United Kingdom

2.4.1 Market size and growth

The United Kingdom is one of the largest retail markets for organic products in Europe, with sales valued at almost EUR 2.3 billion in 2005. The UK market is experiencing very high growth rates: annual growth in 2005 is estimated at 30%, while the annual growth for all UK food and drink sales was around 3%¹³.

Organic fruit and vegetables remain the largest sector of the market, with sales valued at EUR 642 million in 2005, and over half of consumers opting for these products¹⁴.

Although organic products currently account for only 1 per cent of total food and drink sales, increased consumer interest in healthy eating, locally sourced produce, concern for the environment and food safety have all contributed to the surge in sales. The numbers and range of people buying organic food have risen, with 65% of consumers buying organic food, including people in the most disadvantaged social groups¹⁵.

Interest in convenience food is increasing. The retail market for prepared organic foods was worth EUR 245-290 million in 2005¹⁶.

Also, demand for organic beauty and personal health care products is increasing.

One forecast says that over the next five years, UK's organic food and drinks market will increase by 72 per cent¹⁷.

While demand is increasing, the last two years certified organic land area has decreased. Prices are under pressure, and the income situation among British organic farmers is strained. Local supplies are often insufficient to keep up with the increasing demand for some organic goods, resulting on a growing dependence on imported goods.

British consumers are especially concerned with animal welfare, non-GMO and fair trade. The latter is becoming increasingly important, for instance, the food and clothing retailer Marks & Spencer is converting all its coffee and tea to Fair Trade, and including cotton in its range of Fair Trade products¹⁸.

2.4.2 Import

The UK market is the most import-dependent market in Europe. The British government is aiming at 70% of the consumption in 2010 be covered through UK supply. At present the self-sufficiency rate is around 45% only¹⁹. As measures towards improving British organic production have been adopted, it is expected that conversion will increase in the coming

¹³ Source: Soil Association Press Release 7 July 2006

¹⁴ Source: www.mintel.com news issued 22.12.2005

¹⁵ Source: Soil Association Press Release 7 July 2006

¹⁶ Source: Soil Association (2006): *Organic Market Report 2006*

¹⁷ Source: www.mintel.com accessed on 12 August 2005

¹⁸ Source: www.fairtrade.net accessed on 23 July 2006

¹⁹ Source: www.oekolandbau.de accessed on 2 June 2006

years. During 2005, in-conversion land area increased for the first time in 4 years to 87,020ha²⁰.

Almost all categories continue to offer the potential for import substitution. The import dependence for processed organic food and fruit and vegetables remains especially high²¹.

Table 2: Share of import in organic retail sales, 2003-2004

	Share in retail sales (%)
baby food	80 %
bread and baked products	70 %
beverages, including alcohol	90 %
meat and fish	25 %
- beef	17 %
- chicken	5 %
dairy and eggs	5 %
fruit, vegetables and salad crops	76 %
- carrots	6 %
- apples	76 %
other (cereals, sauces, ready meals, snacks and whole foods)	70 %

Source: CBI (2005): *EU Market Survey: Organic Food Products*. Available at www.cbi.nl
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Half of the imports of organic foods came from other EU countries. Major non-EU suppliers was the USA, Egypt, Israel, Argentina and, increasingly South Africa and Central America.

Recently, the import share has increased. In 2004, import contribution increased by 1% to the volume of organic food and beverages consumed in the UK²².

While some supermarkets are responding positively to the request for use of locally produced food, others are increasing their reliance on imports. In 2005, approximately 66% of the organic primary produce sold in multiple retailers was sourced in the UK, representing an increase of 13% from 2004²³.

The table below shows estimated import of fruit and vegetables in 2000.

Table 3: Import of selected fruit and vegetables and estimated import quantities (tons). 2000

²⁰ Source: Soil Association (2006): *Organic Market Report 2006*

²¹ Source: CBI (2005): *EU Market Survey: Organic Food Products*. Available at www.cbi.nl

²² Source: <http://www.foodnavigator.com/news/ng.asp?id=64144-organic-food-pork>

²³ Source: Soil Association, press release 7 July 2006

Product	Quantity (in tons)	Product	Quantity (in tons)
VEGETABLES		FRUIT	
Potatoes	30.000-40.000	Bananas	20.000
Carrots	5.000-6.000	Pineapple (incl. dried)	1.000-1.200
Onions	6.000-7.000	Guavas & Mangoes	800-1.000
Legumes	1.800-2.000	Oranges	13.000-13.500
Beans	1.400-1.500	Clementines	3.500-3.800
Asparagus	80-100	Satsumas	1.500-2.000
Courgettes	920-1.000	Mandarins	500-550
Cassava	40-45	Tangerines	100-120
Sweet potatoes	300-320	Lemons	2.800-2.900
		Limes	450-470
		Paw paw/papayas	150-200
		Strawberries	860-900
		Raspberries, blackberries, blueberries	50-60
TOTAL vegetables	45.540-57.965	TOTAL fruit	44.710-46.700

Source: UNCTAD (2003): *Organic Fruit and Vegetables from the Tropics. Market, Certification and Production Information for Producers and International Trading Companies*, p. 232. Original source: ITC, CTA (2001): *World Markets for Organic Fruit and Vegetables. Opportunities for developing countries in the production and export of organic horticultural products*.

In 2004-05, the average UK self-sufficiency for all organic vegetables was 64 per cent or 97,600 tons sourced from the UK. This had increased from 60 per cent in 2003-04. The percentage of total supply (tonnage) that was UK sourced for broad crop categories is illustrated in the figure below.

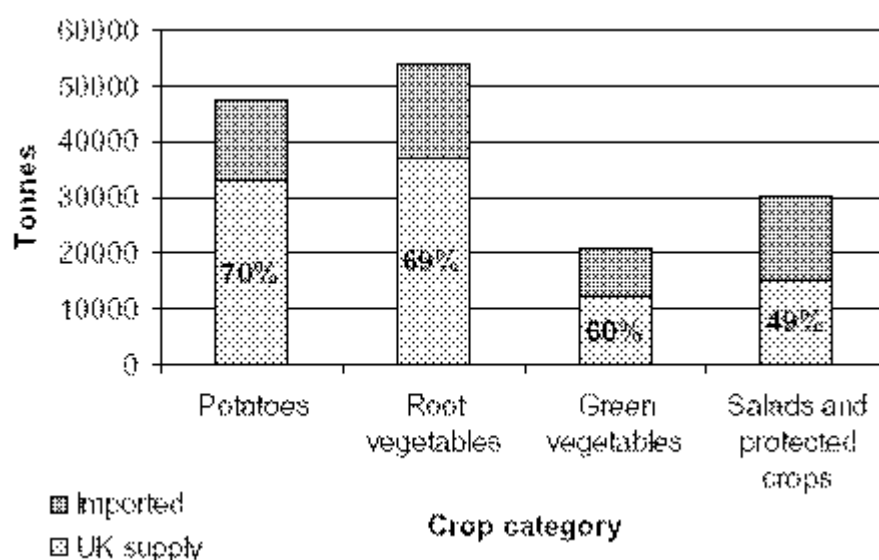


Figure 4: UK supply and imports for different crop categories by tonnage (2004-05)

Source: HDRA (2006): *The UK Organic Vegetables Market (2004-05 Season)*. Available at www.hdra.org.uk

Detailed figures for sweet corn, including baby corn, as well as the category “other green vegetables”, including asparagus, are shown in the table below.

Table 4: Total organic market and import of sweet corn and other green vegetables, including asparagus (tons). 2002-3 – 2004-5

	Total organic market			Import		
	2002-3	2003-4	2004-5	2002-3	2003-4	2004-5
Sweet corn	445	442	566	311	277	204
Other green vegetables, including asparagus	1200	1279	1840	491	596	778

Source: Own calculations based on figures in Annex 1 in HDRA (2006): *The UK Organic Vegetables Market (2004-05 Season)*, available at www.hdra.org.uk

Each route to the market has a different sourcing strategy in order to meet the requirements of their customer base. Pre-packers source almost half of their supplies by volume from outside the UK, processors more than half, whereas wholesalers source 23% from outside the UK.

Organic Farm Foods is a major importer and pre-packer of organic fruit. It has projects all over the world, China, South Africa, Egypt, Latin America and the United States. Organic Farm Foods combines the organic and fair trade certification. In terms of volume, Organic Farm Foods is the second largest supplier of organic fruit in Europe²⁴. Another big importer is Max Multiples, and British and Brazilians. There is a trend towards more companies importing directly. Organic Marketing Company imports fresh fruit and vegetables. Wealmoor is an important importer of organic vegetables, including asparagus and baby corn, as well as fruit.

Pronatura is a leading importer of fresh fruit in France. Pronatura re-exports most of its organic mango imports to the United Kingdom and Germany.

Tropical Wholefoods (which merged with FM Foods), Community Foods, Hider Food Imports are importers of dried fruit. Other processed fruit products are imported by Tree of Life-Whole Earth Foods.

A list of selected importers are presented in Annex II, section I.2.

2.4.3 Distribution

According to the Soil Association²⁵, supermarkets took the lion's share of sales of organic produce making up EUR 1.7 billion of the EUR 2.3 billion total sales in 2005 – a 31 per cent increase on last year. Despite the dominance of the supermarkets, sales through independent shops, farm shops, farmers' markets and box schemes also increased by 32 per cent since 2004. Consumer research carried out in early 2006 showed that 52 per cent of organic consumers would prefer to shop at smaller, local suppliers.

²⁴ Source: Organic Monitor (2005): *The European Market for Organic Fruit and Vegetables*

²⁵ Source: Soil Association Press Release 7 July 2006. Available at www.soilassociation.org

Increasingly, producers of vegetables organize themselves in co-operatives in order to improve marketing, prices and bargaining power.

2.5 *The Netherlands*

2.5.1 **Market size and growth**

The Dutch market for organic products is growing, but it does not demonstrate high growth rates as in the German and UK markets. The turnover of organic products is valued at EUR 467 in 2005, representing an increase of 1.4% from 2004. The market share of organic fruit and vegetables fell from 5.1% to 4.8% in 2005. In 2004, the organic food market represented 1.8% of the turnover in the total food market, with market shares of important product groups like fruit and vegetables, milk and milk products, meat and bread reaching 3%²⁶.

In 2004, about 39% of sales of organic food products are potatoes, vegetables and fruit²⁷.

The growth rate of the organic sector is generally declining and prices are under pressure. The highest growth rate is seen in the organic food service sector, which increased by 22% from 2004 to 2005²⁸.

Reasons for slow market growth seem to be large differences in prices on organic products in comparison with non-organic products, combined with a relatively low product range in supermarkets.

Various initiatives are being implemented in order to stimulate growth of the organic sector in the Netherlands, aiming at 5% market share in 2007. For example, a task force has been established with the aim of improving demand, for instance through marketing campaigns. Organic production is also stimulated.

2.5.2 **Import**

The Netherlands imports and re-exports large quantities of organic products and is among the three biggest importing countries in Europe. Most trade is in fresh fruit and vegetables and bulk products, *e.g.* grains, cereals, dried fruit and nuts, spices and herbs, coffee, tea and cocoa. Imports have increased substantially. In 2004, import of fruit and vegetables grew by 20-30%²⁹. The table below shows estimated import of various fruit and vegetables in 2000, including countries of origin.

Table 5: Net imports of organic fruit and vegetables, 2000

²⁶ Source: www.oekolandbau.de Accessed on 19 July 2006

²⁷ Source: CBI (2005): *EU Market Survey: Organic Food Products*. Available at www.cbi.nl

²⁸ Source: Royal Danish Embassy, The Netherlands. Personal communication with commercial attaché Charlotte van Kouwen-Klausen

²⁹ Source: www.oekolandbau.de. Accessed on 19 July 2006

Product	Quantity (in tons)	Countries of origin
VEGETABLES		
Asparagus	less than 100	Argentina
Celery	less than 300	Argentina
Ginger	less than 100	Brazil, Honduras, Dominican Republic
Onions	700-1,000	Argentina
Peanutless	750-1,000	Spain, Israel
FRUIT		
Apples	2,500-3,500	Chile, Argentina, Brazil
Avocados	less than 500	Mexico, Spain, Israel, South Africa
Bananas	750-1,000	Dominican Republic, Colombia, Ecuador, Peru
Citrus fruit	1,500-2,500	Italy, Spain, South Africa, Argentina, Israel, Australia
Grapes	less than 100	Argentina, Chile
Kiwi	2,500-3,500	New Zealand, Italy
Mango	less than 500	Burkina Faso, Guinea, Dominican Republic, Mexico, Israel, Brazil
Figs	1,500-2,500	USA, Argentina

Source: UNCTAD (2003): *Organic Fruit and Vegetables from the Tropics. Market, Certification and Production Information for Producers and International Trading Companies*, p. 230. Original source: ITC, CTA (2001): *World Markets for Organic Fruit and Vegetables. Opportunities for developing countries in the production and export of organic horticultural products*.

Imports from non-European countries have become more important. Most imports are delivered in bulk for packing and/or processing in The Netherlands or other European countries. Germany and the UK are the two major destinations, but most major European markets obtain part of their import requirements from Dutch companies.

AgroFair is a leading importer and supplier of organic and fair-trade tropical fruit in Europe. Odin Holland has a wide range of fruit that is produced according to biodynamic production methods.

The Organic Trade Company Holland B.V., operating under the name OTC-Holland, is importing and exporting organic fresh fruit, such as bananas, mangos and other tropical fruit. OTC Holland is a merger between Trabana, then a daughter company of Tradin Organic Agriculture B.V., and Tellus Produce.

EOSTA is a major European produce import/exporter, often working together with Organic Farm Foods in the UK. Together, they are ranked second in organic mango imports³⁰. Zann imports organic fruit and vegetables.

Tradin, Natudis, DO-IT, Doens and Rhumveld Winter & Konijn are important importers of dried fruit. Major importers of conventional dried fruits also trade organic dried fruits.

Horizon Natuurvoeding BV is an importer of dried fruit and nuts, oil seeds, etc. It is member of the Good Food Foundation.

³⁰ Source: Organic Monitor (2005): *The European Market for Organic Fruit and Vegetables*

Natudis is active in fruit juices, jams, sauces, dressing and chutneys, Tradin in fruit concentrates and powder as food ingredients.

A list of selected importers are presented in Annex II, section I.3.

2.5.3 Distribution

In The Netherlands too, supermarkets represent an important distribution channel. The largest supermarket chain, Albert Heijns, plays a significant role, having introduced its own brand for organic products in 1998. However, the number and range of organic food products in the supermarkets in The Netherlands is small compared to the UK and Germany.

In 2004, supermarket sales of organic food accounted for 46.3% of total organic sales (up from 19% five years ago), whereas health food and specialty shops, incl. organic butchers and bakeries, etc. accounted for 40.8%³¹. While Dutch supermarkets have increased their organic product range, the range is still relatively limited, thus representing an important distribution potential.

The food service sector is relatively small but representing the highest growth rate.

³¹ Source: CBI (2005): *EU Market Survey: Organic Food Products*. Available at www.cbi.nl

3 Market Requirements

3.1 Regulatory market access requirements

Market access and quality requirements may be legislative or non-legislative. Legislative requirements must be complied with in order for a product to be placed on the EU market.

In order to facilitate trade, the EU is in the process of harmonizing regulations. Harmonized regulations are adopted at EU level and applicable in all EU member states as opposed to member states each having individual sets of regulations (un-harmonized regulations).

The most important regulations regarding market access and quality requirements of organic food products are the EU regulations on labeling of organic products, and the EU general food regulations. Regulations on labeling of organic food are harmonized, whereas the general food laws in the EU are not yet fully harmonized. Specific member state legislation must be met in those cases where the EU harmonization process is not yet completed.

3.1.1 Regulations on organic labelling

The marketing of organic products in the EU is regulated by the EU regulation 2092/21. Details of the content of the regulation is available at the ITC home page <http://www.intracen.org/dbms/Organics/Index.asp>

On 21 December 2005, the European Commission adopted a proposal for a new regulation on labelling of organic products³². The proposal incorporates conclusions of the European Action Plan for Organic Food and Farming. It intends to make EU regulations on production of and trade in organic products more transparent and simple and to allow a certain amount of flexibility that takes account of regional differences in climate and conditions.

As the proposal created much debate among EU member states and stakeholders, a revised proposal was prepared. At the time of writing (July 2006) this latest proposal is still being discussed. The proposal will go through the normal consultative procedures before adoption by the EU Council.

Therefore, the final outcome of the revision process is not known.

It is proposed that the new regulation will apply from 1 January 2009. However, the time frame for its adoption cannot be foreseen as long as the proposal is still being debated and revised.

Some of the issues which are under revision and which may be relevant for export countries are the scope of the regulation, labeling and import regimes.

Aquaculture production rules are to be included in the new regulation. If not included in the present revision, regulations or private standards applicable in member states will apply until aquaculture production rules are adopted. Non-food processed agricultural products such as cosmetics and textiles are outside the scope.

It is proposed that references to the organic production method on the list of ingredients if between 70 and 95% of the agricultural ingredients are organic, will no longer be allowed.

³² The proposal is available at http://ec.europa.eu/agriculture/qual/organic/index_en.htm

The current provision requiring a minimum 95% of the agricultural products to be organic should be maintained. However, this is still under debate.

The EU logo should continue to be available on all products that comply with the regulation on organic production and trade. The logo would also be available for imported products. It is not foreseen that use of the logo will become mandatory. It is proposed that in those cases where the product does not bear the EU logo, to make the use of the text **EU ORGANIC** on labels compulsory for products produced within the EU.

In order to address the issue of private or national labels dominating in individual markets and thereby hampering EU internal trade, the EU Commission proposes not to allow claims that particular standards are superior to the EU regulation on organic production and trade. The EU Commission also proposes access to private labels if products are produced according to equivalent standards, meaning that private bodies and public authorities alike would be obliged to grant certification or the right to use their logo to any producers certified by another body that has certified to equivalent standards. This issue of common EU labeling and less importance of private and national standards is still under debate in the EU Council.

With regard to import from so-called third countries, it is proposed that the current system of 'EU list of third countries' will be maintained. The regime on issuance of import permits will cease. Additionally, it is proposed that third country certification bodies may be recognized directly by the EU Commission for carrying out certification of products to be exported to the EU. The EU Commission will establish a list of approved certification bodies, and ensure supervision of the recognized certification bodies.

The equivalency assessments for the purpose of import will be based on either the Codex Alimentarius standard or on the EU regulations on organic production and trade.

It is foreseen that third parties will carry out the evaluation of certification bodies, on which grounds the EU Commission will decide whether a certification body may be adopted onto the EU list of approved third country certification bodies. It remains to be seen who will carry out supervision of approved certification bodies, and if official EN 45011 accreditation will be required.

It is likely that additional requirements will be established for approval of EU based certification bodies' operations in third countries for export to the EU.

Detailed regulations as to how to get on the list will have to be formulated. As the Thai private certification body ACT is already co-operating with KRAV and approved by the Swedish competent authority, no particular problems are foreseen as to approval of ACT.

The possibility of issuing import permits runs out on 31 December 2006. The new import scheme should thus apply as from 1 January 2007. However, this will leave little time for its implementation, in particular as regards the recognition of control bodies competent to carry out control in those countries which are not on the list of recognised third countries. It is therefore foreseen that the possibility for EU member states to continue to grant import authorisations for individual products will be extended until the measures necessary for the functioning of the new import scheme have been put in place.

Opposed to the existing regulations, the proposed revised regulation does not contain detailed lists of inputs, which are allowed in organic products. It is envisaged that such rules will be laid down on the basis of the revised regulation. The EU Commission has prepared a document, which illustrates implementing rules to be laid down under the revised regulation, available at <http://register.consilium.europa.eu/pdf/en/06/st10/st10679.en06.pdf>

Detailed overview of the revision process is available at the IFOAM homepage <http://www.ifoam.org>

3.1.2 EU general food regulations

In order to improve food safety, EU legislation is increasingly addressing supply chain management, transparency and traceability.

The harmonised food laws in the EU consist of legislation, which may be referred to as horizontal, as well as legislation, which can be referred to as vertical. Horizontal legislation covers all food, including issues like labeling, hygiene and additives. Vertical legislation pertains to specific products, such as fruit juices, fruit jams and novel food. In cases, where the EU food regulations are not yet completed, specific member state legislation has to be complied with.

The General Food Law, EU regulation 178/2002, constitutes the framework of EU food law. The General Food Law establishes that all food marketed in the EU must be safe and further lays down requirements on transparency in the food chain. These principles form the horizontal framework, on which other food legislation in the EU is based.

Certain basic food law requirements applying to all food are laid down in the General Food Law, in particular that food imported into the EU must comply or be equivalent with the relevant requirements of EU food law.

In EU law, the requirements and introduction procedures for importing food of non-animal origin, food of animal origin and composite products are different. The relevant requirements with regard to the hygiene of food of non-animal origin include an obligation of food business operators in third countries to monitor the food safety of products and processes under their responsibility, respect hygiene provisions for primary and after primary production, implement procedures based on HACCP principles, and register establishment. Thus, the requirements for compliance with HACCP principles are extended to third country exporters.

Under relevant requirements of EU food law, a number of additional rules apply. These include in particular requirements concerning contaminants, maximum residue levels for pesticides, the use of food additives, materials and articles in contact with foodstuffs, food irradiation, novel foods and radioactivity.

Product specific requirements also exist concerning quick frozen foodstuffs, foodstuffs for particular nutritional purposes, and genetically modified organisms (GMOs).

It is the responsibility of the importer to ensure compliance with the relevant food law requirements. Food of non-animal origin may be submitted to controls in accordance with a control plan drawn up in the light of potential risks. Such controls must take place in accordance with national law in the different Member States. This may be at the point of entry, the point of release for free circulation, the importer's premises, retail outlets etc. Apart from food hygiene, these import controls may also cover other food safety issues such as: additives, materials in contact with food, contaminants etc.

Generally, food of non-animal origin can enter the EU without certification by the competent authorities of the third country of dispatch, and is not subjected to a pre-notification procedure on arrival. However, on the basis of known or emerging risks, food of non-animal origin and composite products may be subject to an increased level of official controls upon introduction into the EU and need to be presented at a designated point for checks. As of beginning of

2006 this may under certain circumstances apply to for instance peanuts, chilli, chilli products and palm oil.

With regard to food of non-animal origin, it is in many cases sufficient that exporters in third countries are known to and accepted as suppliers by EU food importers. However, for consignments containing plants or plant products, the exporter must obtain a phyto-sanitary certificate issued by the National Plant Protection Organisation of the exporting country. This will normally involve registration. The plants and plant products are subjected to compulsory plant health, identity and documentary checks with a view to ensuring compliance with the EU's general and specific import requirements, before being released for circulation within the EU. Such checks could take place at specified entry points situated at the outer border of the EU or in the case of identity and plant health checks also at places of destination inside the EU when meeting special conditions.

Fruits and vegetables exported to the EU must also meet import requirements relating to size, grade, quality and maturity. A certificate based on an inspection must be issued to indicate compliance with standards.

In general, the customs services of the importing country are responsible for the final approval and authorization for the importing of all products. Customs services review documentation for the shipment against requirements and will not release goods from the port of entry until all requirements are met. They are also responsible for the collection of import duties. If a product is held back, customs will be able to inform the receiver as to the reason why.

Fruit and vegetables have to comply with the EU marketing standards for quality and labelling. Products which do not comply with these standards cannot enter the market. The UN standards apply in the case of a product, which is not covered by the EU quality standards.

Besides EU legislation, importers of fresh fruit and vegetables have their own quality standards.

The requirements for appearance of organic products are the same as for conventional ones. A normal procedure is that the importers of fresh products specify grade and quality standards for imported vegetables, which must be met as a part of the terms of the trade transaction.

Additional information on EU food regulations is available at http://europa.eu.int/comm/food/index_en.htm

EU import duties and quota applicable for different products and countries of origin do not differentiate between organic and non-organic quality.

3.2 *Non-regulatory market requirements*

The food sector faces increasing demands for quality, safety and transparency. Implementation of food safety and quality management systems, and consequent certification, is of increasing importance for export development. Demonstrating effective food safety and quality management systems may be preconditions for buyers being interested in a product, and may offer a competitive advantage in the EU market. The same applies to standards for environment and social accountability.

ISO 9000 and 14000 are well known and widely implemented standards series for quality and environmental management systems respectively. They are not specific to the food sector,

though many importers regard ISO 9000 or ISO 14000 certification as an important competitive advantage.

An overview of food management standards, which are specifically relevant for food safety and quality, is presented in annex III.

The EUREP-GAP standards are growing in importance, and they are foreseen to become increasingly important in the coming years, even for organic products. EUREP-GAP standards are a set of Good Agricultural Practices developed by some major European retailers. The complete set of EUREP-GAP protocols is intended to be used as a harmonised set of standards for Good Agricultural Practice, which forms the basis of EUREP retailer procurement requirements. The standards are specifically targeted at overseas producers. EUREP-GAP schemes include fresh fruit and vegetables, coffee and aquaculture. More information on EUREP-GAP is available at www.eurep.org

Operators, who comply with the EUREP-GAP standards, may be certified directly against the standards by a EUREP-GAP approved certification body. Alternatively, operators may be recognized as complying with equivalent requirements using the EUREP-GAP benchmarking procedure. The latter could be relevant for many small scale producer groups operating internal control systems and supplying to the EU market.

Governments, individual companies and groupings in the food sector may have their own standards for auditing their suppliers, generating risks of cost and complication for suppliers finding themselves obliged to conform to several standards. For certification bodies operating in the organic sector, it means that in order for them to remain competitive they must be able to offer an increasing range of certifications to their customers. Consequently, more accreditations are needed.

In order to increase harmonization of international standards for safety and quality within the food sector, ISO 22000:2005 has recently been developed. It provides a framework of internationally harmonised requirements relating to food safety. It incorporates the principles of HACCP, and covers the requirements of key standards developed by various global food retailer syndicates. It is compatible with the ISO 9001:2000 quality management system standard.

As food safety is a joint responsibility of all actors in the food chain, ISO 22000 is designed to allow all types of organizations within the food chain to implement a food safety management system. These range from feed producers, primary food producers, food manufacturers, transport and storage operators and subcontractors to retail and food service outlets – as well as related organizations such as producers of equipment, packaging material, additives and ingredients. Food safety management systems that conform to ISO 22000 can be certified – which answers the growing demand in the food sector for the certification of suppliers – although the standard can be implemented without certification of conformity. ISO 22000:2005 is the first in a family of standards that will include several documents.

In partnership with the International Trade Centre (UNCTAD/WTO), the International Organisation for Standardisation (ISO) is preparing an easy-to-use check-list for small businesses and developing countries, entitled “ISO 22000: *Are you ready?*”

Additionally there is a wide range of private organic label standards, mostly owned by farmers associations. Depending on the country of marketing, a private organic label may be very important because consumers primarily trust that label. Examples of important private organic labels include those of Naturland (Germany), Soil Association (UK) and KRAV (Sweden).

3.2.1 Collection of wild plants

Trade in products collected in the wild is increasing. Not only within the food industry, but also in the personal health care and medicinal herb sectors. Certified organic products originating from wild areas may gain improved market access and/or merit a price premium.

The EU regulation on organic products contains requirements of harvesting from the wild. It is an important aspect of the regulatory requirements that a traceability system be implemented, allowing tracing back a product to its collection area.

As the EU regulations on sustainable collection are general, some manuals have been prepared on collection from the wild. For example, manuals prepared by the certification IMO are available at http://www.imo.ch/imo_services_wildcollection_en,29025,998.html

3.2.2 Textiles

The production of natural fibers, like for instance cotton, silk and wool, can be certified organic against the EU regulation on organic production and trade or private organic standards. However, the processing of organic fibers, such as spinning, weaving, dyeing and manufacturing, is not included in the EU regulation on organic production and trade. Instead, the processing may be certified against the Global Organic Textile Standard, processing guidelines of the International Association Natural Textile Industry (IVN) or other requirements implemented by textile associations or individual companies.

3.2.3 Fair Trade

Fair Trade certification requirements differ greatly from organic requirements, although there are initiatives towards streamlining the two. Fair trade focuses on the social benefits for workers or small scale farmers involved in trade, and less on production and environmental aspects of products. Exporters must work closely together with producers and maintain transparency.

Fair Trade certification is available for specific, mainly agricultural, products, such as for instance coffee and tea. New products include roses, wine and basmati rice.

4 The EU Market for Thai products

The Harmonised Commodity Description System (HS) classifies about 5,000 commodity groups; each identified by a 6-digit code. The system is used by most countries for their customs tariffs and for the collection of international trade statistics. Organic trade is not recorded separately in the HS system and is not registered by Customs. Consequently data on organic trade are scarce. As trade data is rough estimates, it must be interpreted and used with caution.

4.1 Tropical fruit – fresh

4.1.1 Product description

Fresh tropical fruit consists of an extremely varied number of products, which are known in the European market to various degrees. The group comprises banana; date, fig, pineapple, avocado, guava, mango and mangosteen; melon and papaya; other fruit like kiwi, durian, litchi, jackfruit and carambola.

Products like pineapple, banana and kiwi, for example, have gained a common place in the market, whereas others are much less known. Tropical fruits, which are very little known in the European market, are for instance rambutan, durian, mangosteen and litchi. Although they are well known in producing countries, they are not generally known to European consumers, therefore referred to as exotic tropical fruit.

4.1.2 Market size and trends³³

About 10,000 tons of organic tropical fruit was sold in 2004. Although the market is small, mangoes, papayas and pineapples generate higher revenues than other organic fruit. The German and British markets are the most important for organic tropical fruit.

Kiwi is an important fruit in the EU market. Italy and Greece are the main producers of organic kiwi fruit with imports mainly coming in from New Zealand and Chile. Avocado is also important, with Spain, France and Italy as important producers and Israel as a major non-European source.

Other organic fruit comprises organic melons, coconuts and grapes. Important markets for these products are in the UK, Germany and France.

The organic fruit market is expected to show the biggest growth in the EU market for organic food. In general, there is an increasing interest among consumers for tropical fruit, and increased shelf space for these fruit is expected to provide the biggest impetus for future market growth. Bananas are showing especially strong demand, as consumers seek both organic and fair trade products.

The UK has the largest market for organic fruit in Europe. This market expanded to EUR 330 million in 2004. Half of the 80,000 tons of organic bananas sold in Europe are sold in the UK³⁴. It is estimated that about 4% of the organic fruit is produced in the UK, with the remainder being imported. Around 30% of this imported fruit includes crops such as apples,

³³ Unless otherwise stated, figures in this section are based on Organic Monitor (2005): *The European Market for Organic Fruit and Vegetables*.

³⁴ Source: <http://www.packwire.com/news/ng.asp?n=61874-organic>

pears and strawberries, the remainder consist of tropical and citrus fruits, which cannot easily be grown in the UK temperate climate³⁵.

The British market is characterized by an exceptionally high consumption rate of tropical fruit, especially organic bananas.

The German organic fruit market is the fastest growing in Europe. Increasing penetration of organic fruit in mainstream retailers and strengthening consumer demand for organic products fuelled market growth. The tropical fruit market is experiencing the highest growth due to retailers broadening their product range in their stores. In 2005, sales of organic fresh fruit increased by 42%. Consumers primarily bought bananas, apples and citrus. However, organic fresh fruit still accounts for 2% only of total fruit sales in Germany³⁶.

The Italian market is the third largest in Europe. The market is estimated to have shrunk by 2% in 2004 due to a major supermarket reducing its range of organic fruit in its retailers.

High growth continues in the French market as mainstream retailers continue to broaden their range of organic products. The growing number of organic food shops is also stimulating market growth.

In the Netherlands consumer demand for organic fruit has stabilised with revenues expanding by 3% in 2004. The highest growth was observed in the organic top fruit category, which include apples, pears, plums and cherries.

Pineapple

Statements made by organic trade experts indicate a demand in the European market for pineapple of about five containers per week or 4 000 metric tones annually. Estimations of the actual market volume of fresh organic pineapple vary between one container (16.8 tons) per week for Europe, *i.e.* 840 tons annually, and the same amount for Germany alone³⁷.

The demand for pineapple is highest around May and into June, and is higher again around Christmas. Pineapple is already expensive, so quality must be high. The most used variety is Smooth Cayenne.

*Mango*³⁸

As consumers have become more familiar with mangoes, the market has grown. Among tropical fresh fruit, mango volumes are by far the fastest growing. However, the fruit is still not as well known as pineapple.

In 2003, 160 tons of fair trade mangoes were exported and 72 tons of fresh certified fair trade mangoes were sold in Switzerland. Trade sources estimate a six fold increase in fair trade mangoes during 2004, or one container of 20 tons per week or 1,000 tons per year. Estimates for organic mangoes are in the range of five container a week or 5,000 tons per year. The upward trend indicates people are becoming more familiar with mangoes.

³⁵ Source: Firth and Cubison (2004): *Economics of organic top fruit production in the UK*. Intervitus Interfructa conference 12-14 May 2004 Stuttgart Germany. Available at http://www.gardenorganic.org.uk/organicveg/research/show_project.php?id=12

³⁶ Source: Royal Danish Embassy, Berlin (2006): *Oekologirapport Tyskland*. (Un-official translation: Organic Report Germany)

³⁷ Source: FAO (2004): *The European Market for Organic and Fair Trade Products*. Unpublished

³⁸ Source: FAO (2004): *The European Market for Organic and Fair Trade Products*. Unpublished

Consumers prefer varieties with red-yellowish color, fibreless, juicy and tasty. Because consumers like the taste but wish to avoid the peeling and cutting, mango sells best as convenience food or served ready to eat by a food service.

Coconut

The main opportunities are in the UK market. The German market is very limited. This also applies to coconut oil, where most opportunities seem to be in the Netherlands. Consumers seem not to know the difference between organic and non-organic coconut or believes that the difference is minor. Therefore it is difficult to sell organic coconut.

Other tropical fruit

Interest in new types and varieties of fruit is increasing. Some importers are interested in this produce and are looking for suppliers. However, the market is very limited for the time being.

4.2 Tropical fruit – processed

4.2.1 Product description

Tropical fruit may be processed into various products, main ones being

- dried/de-hydrated fruit
- fruit juices, concentrates, and pulp/purée
- canned fruit

In canned fruit, micro-organisms are inactivated through pasteurization. (For vegetables, sterilization is required. Vegetables can also be preserved as 'pickles', through acidification, which is often included in trade statistics for canned vegetables.)

Fruit juice concentrate is what remains from the extraction of water from the fruit juice. The fruit juice is then restored by adding water. The preparation of fruit juice concentrate and its freezing prolongs the shelf life and reduces costs of transport and storage of fruit juice. Besides the beverage industry, the dairy, jam and confectionery industry uses fruit juices and concentrates.

According to EU Directive 2001/112/EC, fruit juice consists of juice without the addition of water. The fruit juice industry in particular uses (frozen) fruit juice concentrate. The directive also states that fruit nectar consists partly of fruit juice and partly of added water and sugar. The minimum share of fruit juice in the nectar depends on the kind of fruit and varies between 25% and 50%. The directive has been incorporated in the legislation of all European countries.

Dried fruit is fruit that has been dried, either naturally or through use of a machine. Water is usually removed by evaporation (air drying, sun drying, smoking or wind drying) but, in the case of freeze drying, food is first frozen and then water is removed by sublimation.

Dried tropical fruits include bananas, mangoes, papaya, pineapples and coconut.

Dried fruit is mainly used as a snack or a constituent for breakfast cereals, muesli, bakery products, dairy products and desserts.

For freezing and deep-freezing microorganisms are deactivated by turning water into ice. Exporting frozen fruit increases transport and storage costs. However, freezing of fruit and vegetables is increasing in popularity. Frozen vegetables are mainly processed for ready meals, vegetable preserves and salads. Frozen fruit is processed into jam, bakery products and dairy products.

4.2.2 Market size and trends

Dried fruit

The principal end users of dried fruit can be divided into two segments: the retail and the industrial sector. The demand for dried fruit is positively influenced by increased usage as an ingredient in the food industry for breakfast cereals, healthy ready-to-eat bars or snacks and desserts. In most markets, the ratio is moving towards higher relative usage by the industrial sector, reflecting the growing popularity of ready-to-eat healthy snacks, muesli, and processed foods using more healthy ingredients like dried fruit.

A wide range of organic dried fruits is on offer. Tropical dried fruit include dried banana, mango, papaya and pineapple. Health food stores demand fruit that does not have any additives and is dried using natural processes. Health food stores sell more dried tropical fruits than conventional stores.

The market consists primarily of natural dried mango, pineapple and banana, as well as desiccated coconut. Candied tropical fruit, which include especially pineapple and papaya, was not found in organic quality and interest was expressed by the trade.

The category is characterized by market increase, high prices, an increasing number of suppliers and price pressure. Products are often presented in a simple way. Dried tropical fruit face competition from, among others, dried fruits from the Mediterranean area. Distribution through supermarkets is still rather limited.

Juice and concentrate

The demand for fruit juices is dominated by organic orange and apple juice. Lesser known juices include mango, pineapple, passion fruit and acerola, which may account for maximum 5% of total organic fruit juice volumes in 2003/2004. Annual sales in Europe of mango puree may be around 2,000 tons, and for organic pineapple juice about 3,000 tons³⁹.

However, as there is increasing demand for organic fruit and vegetable juices, juice concentrates of for instance guava, mango, pineapple and papaya are of interest. The European organic juices industry is fragmented with over 100 companies involved in the production and bottling of organic juices. Many of these are in Italy where a large number of juice companies supply regional markets. The most concentrated organic juice sector is found in the United Kingdom, with the leading companies controlling a very large proportion of the market. The European organic juices market seems to be dominated by some large companies, though none with significant presence in more than one country.

Germany has the largest market for organic juices in Europe, comprising over 40% of total volumes. The market share of organic juices is low however, 0.42% only. In 2001, sales of organic juices increased at more than 20% annually⁴⁰. As retailers increase their product range, and new juice varieties are introduced, the market is likely to grow further, offering good potential for tropical fruit juices.

High growth has also occurred in the Italian market with widening availability of organic juices in major retailers.

Organic fruit juice is much more popular than vegetable juices. Because of its strong juice culture, most demand for organic vegetable juices is in Germany. A few years back the country accounted for more than 70% of European volumes⁴⁰. Organic vegetable juices are found mainly in health food shops and food retailers carrying organic products only.

³⁹ Source: FAO (2004): *The European Market for Organic and Fair Trade Products*. Unpublished

⁴⁰ Source: Extract of Organic Monitor (2002): *The European Market for Organic Juices*. Available at <http://www.organicmonitor.com/100147.htm>

The European organic juices market is becoming increasingly competitive. Another trend is increasing popularity of freshly squeezed juices.

*Canned*⁴¹

Retail sales of canned tropical fruit are very limited. Around 2001, the market for organic canned pineapple was estimated at 274 tons (gross weight). The market consists of 3 different segments:

- The food industry, which uses pineapple in sauces, pizzas and bakery products. This segment constitutes 2/3rds of the total market. It is served with pineapple chunks in 3.2 kg catering cans.
- The British retail segment, which is supplied by several British importers and is based on (retail) tin cans. Distribution of this product is mainly through supermarkets.
- The Dutch and German retail segments, which each depend on glass jars, and are supplied by specialized organic wholesalers. Distribution in these countries is limited to organic food stores.

On the European continent, canned organic pineapple seems in general not to be available in supermarkets. In most countries, the product is not available at all. The main reason for this seems to be lack of adequate supply. Traders and supermarkets have expressed interest in supplies, and preserved fruit products are becoming increasingly available in the product range of wholesalers. The market is growing and representing future growth potential. Conventional traders might also be interested in organic canned tropical fruit.

4.3 Vegetables – fresh

4.3.1 Product description

Fresh vegetables may be grouped according to the Harmonised Commodity Description System (HS), comprising tomato; onions, leek, garlic and other alliaceous vegetables; cabbages, cauliflowers and other similar edible *brassic*as; lettuce and chicory; edible roots like carrots, turnips, salad beetroot and radish; cucumbers and gherkins; leguminous vegetables like peas and beans; other vegetables like asparagus, eggplant, artichokes, celery, mushrooms, capsicum, spinach, capers, fennel and sweet maize, and salad vegetables other than lettuce and chicory; olives not for oil production.

4.3.2 Market size and trends⁴²

Alpine and Scandinavian countries have the highest market share with organic vegetable sales accounting for less than 2% of vegetable sales in most other European countries. In general, fruit and vegetable consumption is increasing in European countries. Organic Monitor forecasts organic vegetable sales to represent 2.9% of total vegetable sales in 2011.

The four large European countries UK, Germany, Italy and France, represent over 70% of total revenues, with Germany and the UK comprising over a half.

The market for organic vegetables is larger than the organic fruit market in all EU countries with the exception of the UK and Italy. This is because the organic vegetables market is less

⁴¹ Primary source: EPOPA (2005): *The European Market for Organic Canned Pineapple. Summary of a market study*. February 2002

⁴² Unless otherwise stated, figures are from Organic Monitor (2005): *The European Market for Organic Fruit and Vegetables*, except for the UK market. UK market data is from HDRA (2006): *The Organic Vegetables Market (2004-05 Season)*. Available at www.hdra.org.uk

reliant on imports than the organic fruit market and consumers often prefer to buy regionally produced organic products rather than imported products.

High consumer demand for organic products led many supermarkets to introduce organic vegetables in their stores. High growth was due to increasing retail penetration of organic vegetables in countries like France and Germany and broadening sales.

A large rise in production since the turn of the millennium has been responsible for imports to comprise below 8% of total volume. Off-season organic vegetables are mainly imported and the main country sources are Israel, Egypt and Argentina.

The organic vegetables market showed exceptionally high growth between 1997 and 2002. Slower growth rates have been observed since with organic vegetable volume expanding by 7% until end 2004.

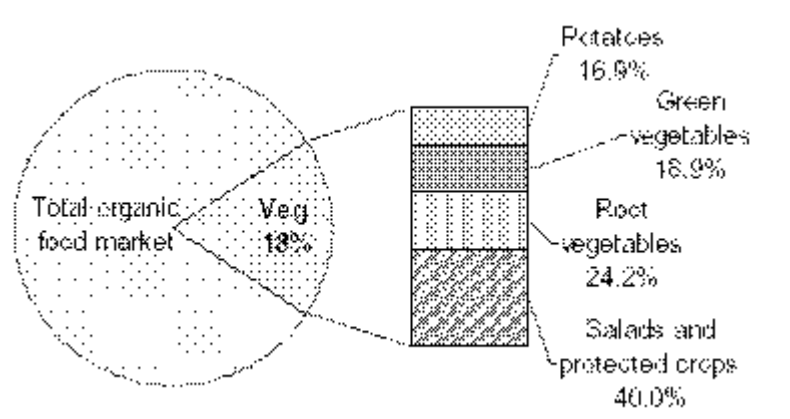
Vegetables were the product group with the highest growth rate in turnover during 2005. 31% more organic vegetables were sold in Germany in 2005 compared with 2004. Sales of organic carrots particularly increased. The organic market share for vegetables in Germany is 4%⁴³. Organic vegetable sales are expanding due to widening availability in retailers. A growing number of supermarkets and discount stores are offering organic vegetables. It is estimated that 70% of the organic carrots are sold through discounters.

Prices are under pressure because of increasing competition among and entrance of supermarkets and discounters, resulting in increased sales.

Mainstream retailers account for 44.8% of organic vegetable sales. The difference in market share of specialist retailers is less than 5% due to significant volume sold by organic food retailers and health food shops. Specialist retailers have highest market share in France and Germany.

In UK, the organic vegetables market is estimated at EUR 326 million in the 2004-05 season. This was comprised of 152,100 t of produce, of which 97,600 t were from the UK. When compared to the 2003-04 season this represents a 23% increase in tonnage (from 123,500 t) and a 13 per cent increase in retail value (from EUR 288 million). This growth rate exceeded the relative growth rates of both the conventional vegetable and total organic food markets.

Vegetables accounted for 18.4 per cent (by value) of the total UK organic market, which is specified further in the figure below.



⁴³ Source of this section: Royal Danish Embassy, Berlin (2006): *Okologirapport Tyskland*. Un-official translation: Organic Report Germany

Figure 5: Structure of the organic market by value, 2004-05, by value

Source: HDRA (2006): *The Organic Vegetables Market* (2004-05 Season). Available at www.hdra.org.uk, p. 8

The area of land used for the production of organic vegetables in the UK increased 7% from 5,956 ha in 2003-04 to 6,364 ha in 2004-05. The area with organic other green vegetables like asparagus, sweet corn, marrow and artichoke was 106 hectares.

Downward price pressures continued in the 2004-05 season. Price pressures were reported to be most severe in the supermarket supply chain. There was much competition between supermarkets but also from conventional vegetables produced using environmentally friendly methods and locally produced conventional vegetables.

The relative share of the organic vegetable market held by various outlets changed slightly when compared with the previous year. Pre-packers continued to dominate the market, direct sales and whole sale increased their share. Processing accounted for 5% of tonnage traded.

Looking to the future, in the short-term, produce availability and poor continuity of supply were thought to be the greatest constraint to the sector.

On average packers and wholesalers expect the organic vegetable market to grow about 14% in the 2005-06 season.

There have been suggestions that the organic vegetable sector could be splitting into two: organic vegetables produced for the multiples and; locally produced vegetables for box schemes, farmers' markets, independent retailers etc.

In France, organic vegetable sales increased during 2004. Much of the growth occurred from mainstream retailers with retailers like Carrefour, Auchan and Monoprix expanding their product ranges.

In the Netherlands organic potatoes have large sales share with significant volume going to food processors. The organic vegetables market showed minimal growth in 2004.

Baby corn and asparagus

The market for green asparagus and baby corn is growing in the UK. The products are sold mainly in supermarkets. Consequently the appearance and packaging is very important. During summer sales decrease. Baby corn seems to be less known in the German market.

Processed vegetables

As food consumption patterns are changing towards more convenient foods, the demand for products like pre-packed salads, frozen vegetables etc. are increasing. New product lines, for example mixed products, seem to be of interest. Dried vegetables are used mainly in the industry.

4.4 Other Potential Product Groups

4.4.1 Shrimps

The EU market for organic shrimps is growing. According to BioFach Newsletter, the German based company Ökofrost is expecting growth of 200% in turnover from shrimps for 2006⁴⁴. However, price premiums are declining as prices are under pressure. Organic shrimps

⁴⁴ BioFach Newsletter, 22 May 2006

are increasingly supplied, *e.g.* from Equador and Madagascar, and many suppliers are looking for markets. They can be supplied in different forms, *e.g.* quick frozen, chilled fresh, salted, seasoned, etc. and offered for instance directly to supermarkets consumer packed, or to importers deep-frozen.

4.4.2 Cotton

Organic cotton covers less than 1% of world cotton production, main producers being Turkey, India, the USA and China. These four countries are projected to cover 79% of the global production. Demand seems to be growing rapidly, and some large textile companies have become involved. BioFach Newsletter reports from other sources that the global organic cotton fiber supply has increased 392 % since the 2000/01 harvest to 25,394 metric tons during the 2004/05 crop year. Supplies are projected to grow to 31,017 tons by the end of the 2005-06 harvest, reflecting an annual growth rate of 22 %. As the market is becoming more global, fiber quality is improved and supply chains more integrated.

The Swiss company Remei is a main supplier of organic cotton, which is marketed by, among others, the Swiss Coop chain.

4.4.3 Coffee

Approximately 20,000 tons of organic coffee is traded worldwide, representing about 1.5% of the world's coffee. 80% of the organic coffee is sold under a fair trade label. There may be around 324,000 hectares of organic coffee worldwide, main producers being Mexico and Peru. Ethiopia, Uganda, Kenya and Madagascar are the main producer countries in Africa. In Asia, East Timor is the largest producer with 9,000 tons of green coffee⁴⁵.

A few years back coffee prices dropped, but the market is recovering. Information on trade in coffee is available at the ITC web page www.thecoffeeguide.org

4.4.4 Rice products⁴⁶

High growth has been seen in the market for non-dairy drinks. Consequently competition has increased with many new actors in the market. There are a number of rice drink producers in Italy, of which many are developing regional presence. Improvements in taste and quality have broadened consumer demand. Companies focus on product development to expand the sector. Companies like Alpro and Hain Celestial (Imagine Foods) dominate the sector, with focus on large volumes mainly marketed by mainstream marketing channels. Opportunities may occur in niches, especially in terms of new products.

The supermarkets have responded to greater consumer interest by providing more shelf-space to non-dairy drinks. Traditionally most sales have been from specialist retailers like health food shops however the market share of the supermarkets exceeded that of the specialists for the first time in 2002. Soya drinks are most evident in the multiples with rice drinks the second most common. Oat drinks and nut drinks are rarely found in the supermarkets.

Some traders have expressed interest and market opportunities for rice cakes.

⁴⁵ Willer, Helga & Minou Youssefi, (2006): *The World of Organic Agriculture. Statistics and Emerging Trends 2006*. IFOAM, Germany, and FiBL, Switzerland p. 55-57

⁴⁶ Source regarding non-dairy drinks: Extract from Organic Monitor (2002): *The European Market for Non-Dairy Drinks*. Available at www.organicmonitor.com

5 Opportunities and Constraints for Thailand

5.1 Opportunities

The market for organic products is growing at high rates, especially in Germany and the UK. In itself this represents an export opportunity. Though domestic production of organic products in the EU is expected to rise, it is unlikely to meet demand for most products in the shorter term. As distribution channels and product ranges increase, there is an increased opportunity for new organic products. In particular, high growth potential is borne by the crossover trend between health and convenience.

Importers seem to be working towards broadening their supply base in order to meet increasing demand and ensure continuous supplies and consistent quality.

The fact that some Thai exporters of non-organic tropical fruit and vegetables have already well established export trade with several EU countries, based on supplies of a large range of produce, high quality, availability and cold chain by air, represent a very good opportunity for Thailand also to serve the organic market. As organic products move into the mainstream distribution channels, including conventional supermarkets, these are likely to use the existing conventional suppliers and distribution channels to source organic produce.

There is an increasing demand for organic tropical fruit, especially established tropical fruit like pineapple and mango, while traders seem to be developing their tropical fruit lines further. Concrete opportunities for Thailand depend on the price quality ratio of individual fruits. While the market for coconut and coconut oil is very small, most opportunities seem to be in the UK and Dutch markets.

Exotic tropical fruit like durian, mangosteen, litchi, etc. represent a concrete export opportunity for Thailand. The market is very limited, but some importers are looking for these fruits in organic quality.

Products with best commercial opportunities are believed to be processed fruit and vegetables for which Thailand already has a renowned production and export experience, and Thai specialties. The processing of fruit and vegetables represent an opportunity for in-country value adding and long shelf-life, an advantage considering the long transit time.

There seems to be good possibilities for canned tropical fruit, for instance pineapple, as little seems to be available in the market. The increasing role of supermarkets represents ample room for expansion into new markets and channels, as the need to offer complete product ranges, increases. There is also potential for the introduction of new and additional canned pineapple products, other canned tropical fruits and especially canned mixes of tropical fruit. The fact that Thailand has experience with the production of canned and glass juices, increases the opportunity further as this experience could be built upon in developing organic processed tropical fruit products.

Opportunities seem also to exist for dried tropical fruit. The market for dried tropical fruit and vegetables is developing and there is potential for further development. Some importers are looking for new and additional suppliers, *e.g.* for desiccated coconut. However, competition is also increasing as the number of suppliers and products increases. Concrete opportunities would depend on price quality ratio. A new product coming in are soft dried fruit, softer bites. Another opportunity is new dried products. For instance, dried exotic tropical fruit, *e.g.* durian, was not observed in the market, but some importers would be interested in such a product if it exists or is possible to produce. Dried mushroom could also be an opportunity.

There are increasing market possibilities in the food industry. Diced frozen tropical fruit seem to have a market potential, *e.g.* for marmalade, yoghurt and ice cream. It is important that the fruit itself is of good quality, in terms of taste and colour, for example.

Some products produced and well known in Thailand are not known in Europe and regarded as Thai specialties. Several traders have expressed interest in Thai specialties, without mentioning specific products. There seems to be an interest in new and for Europeans “exotic” products.

A concrete example of products, which could be marketed as Thai specialties, and which were particularly asked for by an importer, is dried, sugared tropical fruit, including coconut. It could be any tropical fruit, *e.g.* guava, papaya, mango, pineapple.

In general, new product lines represent opportunities, this could be mixed products and ready meals.

Fresh vegetables like baby corn and asparagus have good opportunities in supermarkets. Especially in the short term, where demand seems not to be met. Some importers have expressed interest in specific vegetables and herbs like coriander, basil leaves, peppermint, spring onions, lemon grass, morning glory, chili, green asparagus, long bean and baby corn. Again, price quality ratio is determining. The fact that Thailand has an existing production base for baby corn and asparagus of high quality, complying with market requirements, represent an opportunity for Thailand.

Some supermarkets are interested in campaigning for new products to test market prospects. Thailand already has exporters with relevant certifications, which is an important competitive advantage. Vegetables with increased exotic taste seem to attract interest in the market.

Processed vegetables, *e.g.* frozen vegetable mixes, canned or pickled vegetables also represent market opportunities. The latter would require more development and marketing efforts.

For products to be sold directly to supermarkets, branding and packaging are important issues. Thailand is well known by Europeans, which provides good opportunities for branding. In general, packaging and presentation is increasing in importance and represent opportunities for marketing of new products. According to some traders this represents a concrete opportunity for improving competitiveness.

Several importers prefer to establish long term trade relationships with reliable suppliers. The establishment of close and long-term trade relationship offers an opportunity for co-operation round product development as well as market development for new products.

5.2 Constraints

Distance is seen as a main constraint in the development of export of organic products from Thailand. One aspect is that often consumers prefer locally produced products, especially for fresh produce, another that it increases costs as well as risks of decay. This should be seen against a market, where the price quality ratio is the main determining factor for sales. Shipping is an alternative only for those products, for which the quality does not deteriorate because of long transport time and/or ripening on the route.

It may be important to trade in certain volumes before it is financially viable. It is relatively costly to handle small amounts. It is a constraint that the organic market for specific products is small. This represents a constraint to growth in EU imports of tropical fruit and vegetables,

which are generally not known by the EU consumer, such as mangosteen, durian, litchi, rambutan, as well as of specific vegetables and tropical fruits, which are small items in terms of volumes, *e.g.* baby corn and coconut. A second consequence is that it increases risk of market saturation and price fluctuations.

Developing markets and trade in less known or new products requires high marketing costs.

While many importers expressed interest in trading with Thailand and knowing what products were available, only few had any knowledge of what organic products were (potentially) on offer or who to contact to find out.

It is not easy to obtain up-to-date and exact information on the market for organic products in the EU. While various initiatives are underway, detailed and reliable statistics on individual market segments are not available. It is similarly difficult to get detailed information on importers and import channels.

EU regulatory requirements relevant for trade in food products are increasing. The same applies to non-regulatory requirements. And requirements are increasingly extended to export countries. It is not easy to keep track of and obtain detailed information on and overview of all relevant requirements.

The number of suppliers from developing countries seems to be increasing, resulting in increased competition and price pressure. This was particularly mentioned for dried tropical fruit. In general premiums are reduced as the market develops and sales channels broaden.

6 Conclusions

The market for organic products is increasing with high growth rates, especially in Germany and the United Kingdom. Fruit and vegetables show particularly high growth rates, and tropical fruit may be an important impetus for further growth in the organic market. While the organic area in the EU is still growing, growth rates are declining. It is likely that local supplies cannot fully meet the demand in the short and medium term. Markets for organic convenience products, aquaculture products, health care products and ingredients are increasing. Consumers seem to have a preference for fair trade and locally produced products and are interested in new products.

Supermarkets are playing an increasing role in distribution of organic products. Supermarkets offering organic products only are opening at high rates in Germany. Also large food manufacturers are developing organic lines and brands. Direct sales from European growers are also increasing.

Healthy growth rates were projected to continue as sales channels for organic products are broadened. However, the organic food segment is still relatively small, for which reason fluctuations can easily occur.

The market with high growth rates, improved distribution, reduced growth rate in European production, increases opportunities for import. However, prices are under pressure as the number of suppliers increase and conventional supermarkets compete on price. Organic products must be of at least as high quality as non-organic products. The price quality ratio is the determining factor for competitiveness.

Regulatory as well as non-regulatory requirements in terms of food quality and safety, traceability and professionalism in handling, as well as social, quality and environmental management, are increasing. Buyers have their own quality and product specifications, which should be complied with, just as well as the general EU Food Safety Regulations must be complied with. Exporters must demonstrate good HACCP system, and products must comply with the safety and hygiene regulations regulating microbiology, pesticides and heavy metal content etc.

Certifications improve the competitive advantage. EUREP-GAP is widely believed to become a precondition for market entrance in the future. For processors, HACCP and ISO 9000 are increasing in importance, so may ISO 22000.

The EU regulation on organic production and trade is being revised and is still under revision. It is most likely that the EU import regime based on approval of export countries' standards and certification systems will continue, but the temporary regime based on issuance of import permits will most probably cease. It is likely that the EU Commissions' proposal as to the approval of individual certification bodies for certifications in export countries will be approved. No problems are foreseen as to future approval of ACT.

Importers are looking for reliable supplies of high and consistent quality. Importers seem to be strengthening their supply base. Some importers have expressed interest in broadening their supply base for tropical fruit. Some interest has also been expressed for exotic tropical fruit. Both represent opportunities for Thailand in developing export in organic products. However, detailed product specific feasibility analysis would be required to make a final conclusion. Main opportunities for baby corn and asparagus are in the supermarket retail outlet, primarily in the UK, in counter seasons and during short term inland supply deficiencies. With the downward pressure on prices and slowing growth rate in EU organic

land, availability of EU produced vegetables may be reduced, representing an increasing export opportunity.

Some importers are particularly interested in establishing long term trade relationship with small scale farmers so that the export development contains a social element in terms of improving the livelihood of the farmers. The social aspect may be used in the marketing of the products and the import company in the European market.

Thailand is constrained by its distance to the EU market, making transport costly and risky in terms of product quality. Processed tropical fruit seem to represent the largest opportunity for Thailand: Thailand already has a well developed processing and export of non-organic processed tropical fruit and it represents value added in-country. Specific potential market opportunities were identified in canned tropical fruit, dried sugared tropical fruit and frozen diced tropical fruit. Dried fruit may also represent an opportunity, but the number of suppliers seems to have increased considerably, again the price quality ratio would be a determining factor. There are definitely market opportunities for Thai specialties, convenience products and new products, *e.g.* fruit or vegetable mixes. For this category, the challenge is to find reliable partners in the EU market in order to develop products and volumes.

Marketing prospects may be increased through branding, improved packaging and professional handling of products as well as contacts in the EU market.

7 Recommendations

Although market opportunities are identified within fresh tropical fruit, it is recommended to focus primarily on processed tropical fruits, especially canned tropical fruit, frozen tropical fruit for the fruit industry, sugared dried tropical fruit and other Thai specialties. These represent in-country value added, Thailand has much experience to build upon already, and there seems to be relatively large market opportunities. Additionally, risks of product deterioration during long transport time are reduced.

Product opportunities are identified from a market perspective and trends only. Detailed feasibility studies, taking into account the full supply chain, would be required for each product for which market opportunities have been identified, in order to determine financial feasibility and detailed market prospects. This would also apply to shrimps.

It is recommended that a differentiated strategy be adopted on export development. One possibility is to target supermarket retailers, directly and/or through wholesalers or importers, in order to reach large volumes of single products. Packaging and compliance with EU regulatory and non-regulatory requirements would then be of utmost importance. This could be an option for canned tropical fruit. A supermarket may run a test campaign for the product. Interest was expressed by some supermarkets for doing so for canned tropical fruit as well as shrimps, readily using a Thai brand. It would then be an advantage to form strategic alliances with large companies or specialized importers.

Another possibility is to focus on product and market development in a long-term close co-operation with an importer. The challenge would be to find a suitable and reliable partner as well as to get the potential partner interested. A close partnership has many advantages: access to established distribution network, advice on how to comply with market requirements and assistance in implementation of required tracing and quality management systems, assistance in marketing and product development, reduced risk of not receiving payments, etc. This option is recommended for the development of new products and Thai specialties, including fresh exotic tropical fruit. For ready meal Thai specialties, adaptation to the tastes of selected target markets using seasonings, souring, sweetening, etc. would be required. Reputed companies, who imports ready meals, should be contacted for product opportunities and development.

It is difficult to say exactly which canned products may or may not be successful in the EU market. Importers are mainly interested in having products presented and do seldom propose specific products themselves. However, they could present certain products to their clients and thereby be an important facilitator of the development of a market for a specific product. Hence, it is recommended that in order to find suitable partners and buyers, product samples be presented, together with detailed product specifications and presentation material. It would be important also to focus on which other services are offered. The best place to find and meet with potential partners is at BioFach, as well as other relevant fairs. Here, it may also be possible to get updated information on market requirements and standards.

In general, it is recommended that potential importers and partners be contacted based on careful selection and a strategy as to how to enter the EU market. Business support organizations, like import promotion offices, in EU countries, could be used.

Close co-operation among exporters of Thai organic products is recommended. The formation of the Thai organic exporters association seems to be an initiative with good prospects. Co-operation between exporters in Thailand improves the chances of offering consistency of quality and quantity of supplies, reduce costs of marketing and obtaining information, sharing

experiences, getting volumes and customer satisfaction through improved product ranges, and improved branding in export markets.

Product presentation is increasingly important. Professional packaging and product presentation, as well as branding, would improve competitiveness, *e.g.* when competing with some African countries. Thailand has a great advantage in being known by Europeans, this should be utilized in marketing. In general, Thailand could experiment with development of new organic processed tropical fruit products, focusing on products which people easily identify with Thailand, and building on existing knowledge and expertise on individual fruits and vegetables.

Detailed knowledge of the origin of products is becoming an important marketing tool, as well as social aspects of the trade. It is recommended that in order to ensure small scale producers' future possible participation in export to the EU, development and implementation of comprehensive international control systems, based on HACCP principles and quality management, or ISO 22000, and complying with EUREP-GAP as well as fair trade principles, be implemented.

It is recommended that Thailand officially apply for approval by the EU Commission of its standards and certification system. This would initiate an evaluation process, during which the EU Commission would point out any potential areas, where equivalency should be ensured. Experience from other so-called third countries, which have been approved by the EU Commission as having equivalent standards and certification systems, could be obtained, *e.g.* from the Competent Authority in Costa Rica.

It is recommended that regional markets be explored. Some European traders are already exporting organic products to Asian markets. Also, Asian markets have better knowledge of Thai specialties, for which reason the products might require less marketing efforts. Transport costs and risks of quality reduction are naturally reduced.

It is also recommended that the local market be developed. Local market development is an important base for export development. With many Europeans visiting Thailand as tourists, they could be targeted while in Thailand and act as an impetus for local market development.

Annex I Internet sources on market information

www.intracen.org/organics

<http://organic-market.info>

www.epopa.info

www.organic-europe.net

www.eisfom.org

<http://orgprints.org>

www.fibl.org

www.linksorganic.com

www.cbi.nl

www.irs.aber.ac.uk/omiard/

www.organicts.com

www.greentrade.net

www.organicmonitor.com/

www.researchandmarkets.com/

www.foodanddrinkeurope.com/

www.mintel.com

www.nutraingredients.com

www.datamonitor.com

www.euromonitor.com

www.naturalfoodnet.com

www.sippo.ch

www.green-tradenet.de

www.organic-planet.org

www.biofach.de

www.fas.usda.gov/agx/organics/

www.fas.usda.gov/agx/organics/international.htm

www.agra-net.com

www.gardenorganic.org.uk/organicveg/index.php

www.zmp.de

Annex II Selected Importers and Traders

1 Germany

Allos Walter Lang

www.allos.de

Alnatura Produktion- und Handels

www.alnatura.de

Auris Naturkost Vertriebs GmbH

Parallelweg 12

DE-28219 Bremen

Tel.: +49-421 382 041

Bela Foods

www.belafoods.de

Biotropic

www.biotropic.com

Bode Naturkost

www.bodenaturkost.de

Care Naturkost GmbH & Co KG

www.care-natur.de

Davert-Mühle

www.davert-muehle.de

Delphi Organic

www.delphiorganic.com

Denree Versorgungs

www.dennree.de

De Vau Ge Gesundkostwerk

www.de-vau-ge.de

Ernst Rickert Trockenfrucht Import Handelsgesellschaft

www.erik.de

Ernst Weber Naturkost

www.naturkostweber.de

Georg Rösner Vertriebs

Grell Naturkost

www.grell.de

Internaturales

www.inter-naturales.de

Kipepeo

www.kipepeo.com

Landlinie Lebensmittelvertrieb
GmbH & Co KG

www.landline.de

Lehmann Natur GmbH

www.lehmann-natur.com

Naturkost Schramm

www.naturkost-schramm.de

Naturkost Übelhör

www.organic-germany.com

Pripa Exotic Fruchtimport

www.pripa-exotic.de

Rapunzel Naturkost

www.rapunzel.de

Rila Feinkost-Importe GmbH &
Co KG

www.rila.de

T-Port

www.tport.de

Worlee Naturprodukte

www.worlee.de

2 United Kingdom

Community Foods Ltd.
www.communityfoods.co.uk

English Village Salads
Camblesforth Grange
Brigg Lane
Selby, Yorkshire YO8 8ND
Tel: 00 44 1757 617161
Fax: 00 44 1757 614109

Exotic Farm Produce
www.exoticfarm.com

Free World Trading
www.freeworld-trading.co.uk

Harley Foods
Blindcrake Hall
Blindcrake
Cockermouth GA13 0QP
Tel: 00 44 1900 823037
Fax: 00 44 1900 828276

Hider food imports
www.hider-foods.co.uk

Infinity foods
www.infinityfoods.co.uk

Mack Multiples
www.mwmack.com

Organic Farm Foods
www.organicfarmfoods.co.uk

Tropical Wholefoods
www.tropicalwholefoods.co.uk

Wealmoor
www.wealmoor.co.uk

3 The Netherlands

Agrofair
www.agrofair.com

Bocchi www.bocchi.nl

Doens Food Ingredients b.v.
www.doensfood.com

DO-IT
www.organic.nl

EOSTA International
www.eosta.com

Euroherb BV
www.euroherb.nl

Horizon Natuurvoeding BV
www.goodfood.nl/horizon.htm

Natudis
www.natudis.nl

Odin International BV
www.odin.nl

Organic Trade Company Holland
www.otcholland.com

Rhumveld Winter & Konijn B.V
www.rhumveld.com

Tradin Organic Agriculture B.V.
www.tradinorganic.com

Bio-Center Zann
www.zannorganics.com

Annex III Food Management Systems

Management system Criteria	BRC Global Food Standard	EUREPGAP (Good Agricultural Practice)	Q & S	IFS	SQF
Requested by:	Retailers in the UK, as well as other countries including The Netherlands and Belgium.	Food suppliers/retail in Europe, Africa, and Latin- America. (in Europe, 80% of the food suppliers request EUREPGAP)	German food sector	Retailers in Germany and France, discussions with several other European countries	Retailers in Australia, the USA and some Asian countries and EU countries to a lesser extent.
Applies to:	Food processing industries (including transport etc.)	Agricultural, floricultural and aqua cultural products (E.g. fruits, vegetables, potatoes, cut flowers and nursery stock)	The entire food chain for Fruit & vegetables, meat and feed.	All steps of the processing of foods subsequent to their agricultural production	Primary producers, manufacturers and distributors
HACCP?	Yes	No	No	Yes	Yes
Compatible with ISO 9001/2?	Yes	Yes	No	No, EN 45011	Yes
Is use of checklist required during audit?	Yes	Yes	Yes	Yes	No
Criteria available on website?	No, but can be purchased via the website	Yes	Yes	Partly	Yes

Source: CBI Market Information Database: International management system: BRC on food safety management. Available at www.cbi.nl



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