Strengthening organic food value chains in Germany

First results of the EU-project HalthyGrowth – From niche to volume with integrity and trust

- Funded by the German Ministry of Food, Agriculture and Consumer Protection with the Federal Program for Organic Agriculture and other forms of Sustainable Agriculture (BÖLN) -

Kristin Schulz, Susanne von Muenchhausen, Anna Maria Haering
Outline

• Background - organic food market in Germany
• Weaknesses and challenges of the organic food market in Germany
• Conclusions
• Outlook
Development of the organic food market in Germany

- Beginning in the 1920s (A, DE, CH)
- Since the 1950s, establishment of two directions: Biodynamic and organic-biological agriculture
- In the 1970s and 1980s, rising interest in “green” issues by an increasing proportion of the German population
- In the 1990s, conventional retailer started organic marketing (new organic retail brands)
Today: Key figures of the organic market in Germany

• Due to significant growth rates: German food and organic market is the largest in Europe!
• Volume of organic sales 7 billion € (2012)
• Several organic associations (8) (mainly above EU-standard)
• 8% of farms and 6.3% of agricultural area under organic cultivation (2012)
• About 60% of national demand for organic products is satisfied by domestic production (but: falling share of domestic production!)
How much organic do German consumers buy*?

- „We only/often buy organic food.“ 22 %
- „We sometimes buy organic.“ 52 %
- „We never buy organic.“ 26 %
- „We will never buy organic.“ 19 %

„I only/often buy organic“
- Consumers < 30 years 23 % (+ 9%)
- Consumers > 50 years 19 % (- 7%)

* BMELV Ökobarometer 2013
German demand for organic food

Top-arguments
• Regional origin (87%)
• Animal welfare (85%)
• Less pesticides (83%)
• Less food scandals (59%)

Increasing turnover in bn €

Source: FAZ Finanzen online (15 June 2013)
Places of purchase for organic food in Germany

- **2012**: 2,346 organic shops, thereof 1,644 health food shops “Naturkostladen”; shrinking market shares
- **400** organic supermarkets und 302 farm shops

**Source:** BMELV Ökobarometer 2013
Organic shops

- High density of organic shops in university cities in the south
- Density = proxy indicator for high proportion of organic consumption

Source: Zeit online, 28 October 2009
### Turnovers and their percentages for organic food in Germany

**Turnover without dining out consumption**

<table>
<thead>
<tr>
<th></th>
<th>Turnover 2011 (in bn €)</th>
<th>Percentage 2011 (in %)</th>
<th>Growth 2011 (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health food shops 1)</td>
<td>2.07</td>
<td>31%</td>
<td>10%</td>
</tr>
<tr>
<td>Food retail market 2)</td>
<td>3.53</td>
<td>54%</td>
<td>8%</td>
</tr>
<tr>
<td>Other matters 3)</td>
<td>0.98</td>
<td>15%</td>
<td>11%</td>
</tr>
<tr>
<td>Altogether</td>
<td>6.59</td>
<td></td>
<td>9%</td>
</tr>
</tbody>
</table>

References: BÖLW 2013

**Notation:**
1) Including farm shops with additional purchase in wholesale and turnover of > 50.000 €
2) Including drugstores
3) Bakeries, butcheries, specialised fruit/vegetable shops, farmers markets, yard sale, box-schemes, mail order business, petrol stations, Reformhaus
Diversity of organic food chains

- High variety of organic markets: numerous partnerships between farmers/producers, processors, retail/wholesale businesses and consumers
- Specific partnerships in the organic food chains

<table>
<thead>
<tr>
<th>Food chain examples</th>
<th>Characteristics of the partnership</th>
</tr>
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<tbody>
<tr>
<td><strong>Producer cooperatives</strong></td>
<td>• Common production, pooling and marketing of products - adequate assortment</td>
</tr>
<tr>
<td></td>
<td>• Additional marketing opportunities</td>
</tr>
<tr>
<td></td>
<td>• Price advantages for individual producer</td>
</tr>
<tr>
<td><strong>Consumer cooperatives</strong></td>
<td>• Incorporation of consumers for common purchase</td>
</tr>
<tr>
<td></td>
<td>• Common administration of purchases</td>
</tr>
<tr>
<td></td>
<td>• Different marketing forms like associate shops, distribution spots, box-scheme,</td>
</tr>
<tr>
<td></td>
<td>private pick-up</td>
</tr>
<tr>
<td><strong>New trends</strong></td>
<td>• CSA - contract between farmer and consumer (“good” production – financial/labor</td>
</tr>
<tr>
<td></td>
<td>contribution</td>
</tr>
<tr>
<td></td>
<td>• Family and community gardens – “growing own food”</td>
</tr>
</tbody>
</table>
Weaknesses of the German organic food market

- Establishment of “2-class-organic”: “good” and “bad” organic
  - EU-label versus organic association´ labels
  - Communication and distribution issues (e.g. direct marketing vs. discount stores)

- Declining demand of certain consumer groups (e.g. 50-59 years) due to scandals and critical statements in publicity

⇒ Trust became a major issue for organic!
Growth of market volumes and share of cultivated organic land area in Germany

⇒ Growth rates of domestic consumption much higher than increase in production!

Source: Koepke and Kuepper 2013
Challenges of the German organic food market

- Adequate pricing – acceptance of premium prices
- Integration of organic products in conventional logistic/distribution system by simultaneously maintaining trust (transparency, short transport, regional origin etc.)
- Change of organic market from “acting by persuasion” to “mainstream profitability”

⇒ The issue is present in high level discussions such as BioFach 2013 titled “Shared values. Action for a future world.”
Conclusions

- Long tradition of organic production and consumption
- Significant volumes – highly diversified market
- Major issues for organic food production in Germany:
  - Organic food lost consumer trust
  - Unequal growth rates of consumption and production
  - Relatively low prices for imported organic products (international standards versus Demeter, Bioland etc.)
  - Relatively high costs for labor and land
Action is needed!

• Need to (re-)gain trust
• Need to link organic volume markets with values – mainly trust
• Strengthening of domestic organic food production

⇒ Approach: Development or establishment of alternative food chains such as mid-scale value-based organic food chains
EU-Project HEALTHYGROWTH (2013-2015)

• Hypotheses
  – Mid-scale value chains have different marketing logics and therefore able to combine volume growth with high level of organic value
  – Organizational forms constitute potentials for further development and growth of organic markets

• Objectives
  – Deduction of generalizable principles of successfully growing food value chains
  – Lessons learned from case studies provide new perspectives for expanding small-scale producers
  – Development of locally adopted best practice and policy recommendations
Questions?
Recommendations?

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### Imports of organic food in Germany: share (%) and origin

<table>
<thead>
<tr>
<th>Imported crop</th>
<th>2009/10 in %</th>
<th>Main export nations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potatoes</td>
<td>28</td>
<td>Austria, Israel, Egypt</td>
</tr>
<tr>
<td>Carrots</td>
<td>48</td>
<td>Netherlands, Israel, Italy</td>
</tr>
<tr>
<td>Onions</td>
<td>35</td>
<td>Netherlands, Argentina, Egypt</td>
</tr>
<tr>
<td>Apples</td>
<td>~ 60</td>
<td>Italy, Austria, Argentina</td>
</tr>
<tr>
<td>Eggs</td>
<td>30</td>
<td>Netherlands, Italy</td>
</tr>
<tr>
<td>Pork</td>
<td>22</td>
<td>Netherlands, Austria, Denmark</td>
</tr>
<tr>
<td>Milk and dairy products</td>
<td>16</td>
<td>Denmark, Austria</td>
</tr>
</tbody>
</table>

Source: Koepke and Kuepper 2013