Export opportunities on the French organic market

Presentation June 2012

Elsje Oosterkamp, Karin de Grip and Robert Hoste

LEI
WAGENINGEN UR

Contents

Part 0: The study

- Assignment
- Primary question
- Method

LEI
WAGENINGEN UR

Assignment

- Assignment from the Ministry of Economic Affairs, Agriculture and Innovation
- Steering Committee: Didi Wortelboer (Greenery), Elise Bouquet (Hoogsteder), Michael Wilde (Eosta), Henk Gerbers (De Groene Weg), Edwin Crombags (Ecomel), Arend Zeelenberg (Process Manager), Evert-Jan Krajenbrink (Ministry of Economic Affairs, Agriculture and Innovation, Agenda member) and the researchers
- Study carried out in the period April-November 2011

Primary question

Could Dutch suppliers of organic products acquire a structural position on the French market?

Delineation: export of vegetables and fruit, pork, milk protein and fat (as bakery ingredients)

Method

- Desk study
- Store checks (10)
- Interviews (15)
- Visit to ‘Oh my food’ Salon (3 interviews)
- Visit to Rungis wholesale market (6 interviews)

Part 1: Sustainability policy

- Government policy
- Umbrella organisation's policy

Government's sustainability policy

- Sustainability policy falls under *Grennelle de l'environnement* and is laid down in two acts: Grennelle 1 and 2
- Mr Sarkozy, the current President, was the initiator: what are the prospects for this policy after the 2012 elections?
- Organic is an important element of this sustainability policy
- The following are of importance to agri & food:
  - Environmental certification of agricultural holdings
  - Multi-criteria environmental labelling on packaging
- The environment is on the French map due to *Grennelle*

Environmental certification of agricultural holdings

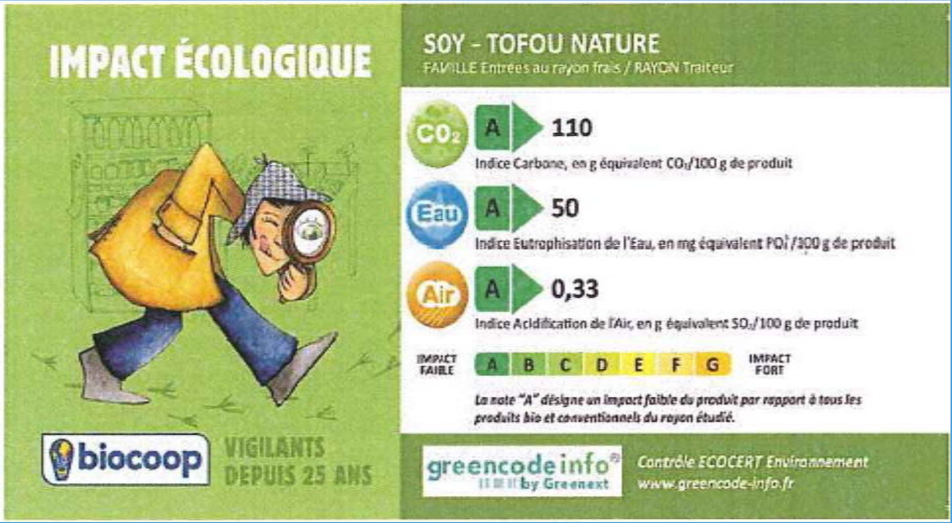
- Voluntary environmental certification since 1 November 2011. Target: 50% of all holdings in 2012
- Four themes: biodiversity, phytosanitary policy, water consumption, use of artificial fertilisers
- Holdings can attain 1 of 3 levels:
  - Level 1: statutory standards; self-diagnosis
  - Level 2: environmental management (individual or group)
    - E.g. Natura 2000 measures or fertilisation plan
  - Level 3: result measurements,*Haute Valeur Environnementale*
    - Indicators in ministerial order
    - E.g. fallow land, bee populations, wealth of species or nitrogen dosage per hectare.

Multi-criteria environmental labelling

- Subsidy for testing of labels
  - For all types of products
  - Information also in stores and via Internet and Apps
- Project began on 1 July 2011, and will be completed in 2012
  - 168 food companies, 500 products, various sectors
  - Criteria include greenhouse gas effect, water consumption, biodiversity and natural resources

Examples

- Label on a product in BioCoop stores with information about the emissions of greenhouse gases and sulphur oxides, as well as the eutrophication of water
- Information in the Picard stores. The life cycle analysis provides information about biodiversity, emissions of gases and water quality



Government policy for the organic sector

- Targets:
  - Organic area under cultivation in 2012: 6%; in 2020: 20% (situation in 2010: 3%)
  - Organic share in public catering; in 2012: 20% of turnover (actual in 2010: 2%)
- Promotion and incentive plan:
  - Subsidies for switchover, maintenance, certification and promotion
  - Subsidies for chain development (*Fonds Avenir Bio*)
  - Options after 2012 uncertain
  - *State* label for organic production: AB (*Agriculture Biologique*)

AB label (*Agriculture Biologique*)

- Based on EU rules since harmonisation (1 January 2009)
- The AB label is a very well-known ‘brand’ to consumers. For this reason the AB label is used alongside the EU logo. Solely supermarket organisations advocate the use of the EU logo instead of the AB logo
- French interpretation of the EU rules in the *Guide de lecture*
  - Requirements govern the entire French sector
  - More stringent than Dutch interpretations, for example: CO_2 fertilisation (horticulture) and multi-level poultry houses prohibited
- Supplementary rules for specific French products (such as snails)
- Certification rules for organic catering are being developed
- SKAL recognition grants entitlement to AB logo

Marque de communication

Marque de certification

Umbrella organisation policy: Agence Bio

- Organisation of organic producers and consumers, supervised by the authorities
- Objective is to develop and promote the sector
- Spearhead is organic products in the catering segment
- Manager is the *Fonds Avenir Bio* (2008-2012): €3 million incentive projects for chain development and improvements in logistics
- Sees organic as an integral sustainability approach: transparency, fair economy, regional production and consumption of importance. Little interest in multi-criteria environmental labelling

Umbrella organisation policy: Synabio

- Private organisation
- Represents the interest of the organic product processing industry
- Provides information
- No active policy for ingredients of French origin
- *Bio-enterprise-durable* initiative: self-diagnosis and method for the integral sustainable development of companies, such as social responsibility in the chain, promotion of the switchover to organic agriculture, transparency in the supply of ingredients and quality management systems
- Also sees organic as an integral sustainability approach

Conclusions - Part 1: Sustainability policy

- French government is making great sustainability efforts
- The government has set ambitious organic production targets
- The exports of the Dutch sector (both organic and conventional) need to take account of supplementary private sustainability requirements[1] and certification and labelling requirements

1) For example, requirement for carbon footprint calculations, water consumption. Some French private parties have also increased the stringency of organic requirements
(see sheet 28)

LEI
WAGENINGEN UR

Part 2: Market developments

- Growth in consumption
- Supermarkets
- Health food stores
- Catering

Organic consumption is increasing but levelling off

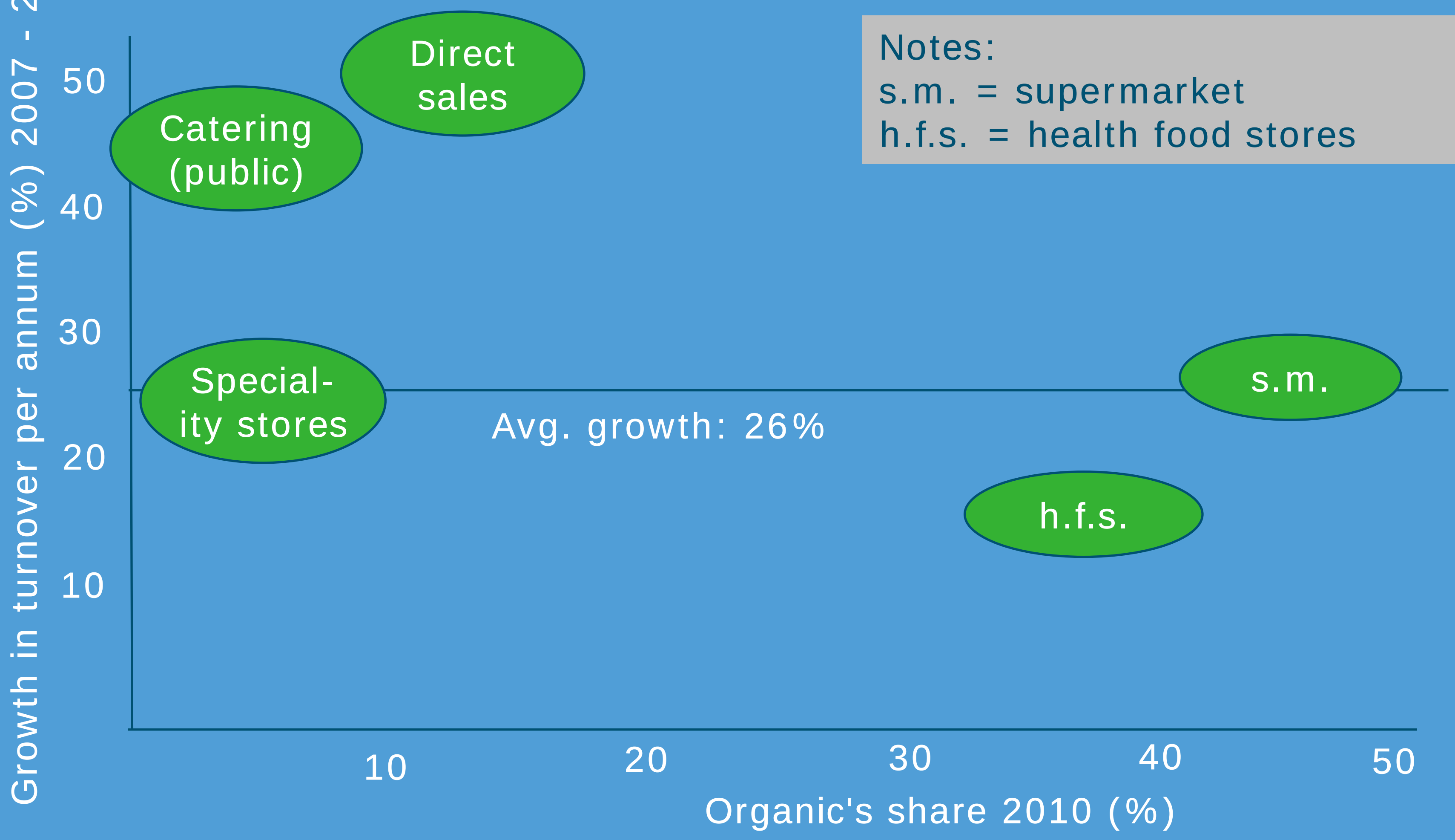
- Growth in organic turnover in 2009: 19%, over 2010: 11%
- Organic's share of food turnover: 2%
- Largest product group fresh fruit/vegetables, growth: 9%
- Largest increases in turnover: pork (growth: 36%) and cooked meats (growth: 29%)
- Growth in bread turnover: 4%
- Growth in milk turnover: 3%

Organic turnover by product group and sales channel 2010 (channel shown in bold has largest

Product group	Sales (million euros)	Super-markets (%)	Health food stores (%)	Speciality stores (%)	Direct sales (%)	Growth from 2009 (%)
beef	146	**64**	5	16	14	8
pork	48	**60**	23	15	2	36
lamb	32	**44**	6	31	19	10
poultry	109	**53**	28	2	16	18
eggs	209	**61**	33	1	5	7
cooked meats	65	**66**	32	2	0	29
fish/shellfish	49	**84**	14	2	0	39
milk	249	**81**	16	0	4	4
dairy products	269	**61**	25	0	13	14
dom. caterer/deep-freeze	142	**41**	35	25	0	19
grocery products, sweet	356	40	**60**	0	0	13
grocery products, savoury	312	45	**55**	0	0	15
wines	322	20	31	16	**33**	8
beverages (vegetable)	60	**50**	**50**	0	0	5
fruit/vegetable juices	90	**67**	28	0	6	17
other beverages	9	**56**	33	0	11	53
bread/flour	349	37	**40**	12	11	3
fruit and vegetables	569	32	**42**	1	25	9
Total	3,385	**47**	36	5	12	10.8

Source: Agence Bio (2011a)

Competitive position of organic sales channels



Notes:
s.m. = supermarket
h.f.s. = health food stores

Source: LEI, based on: Agence Bio (2010; 2011a)

LEI WAGENINGEN UR

Market development, supermarkets

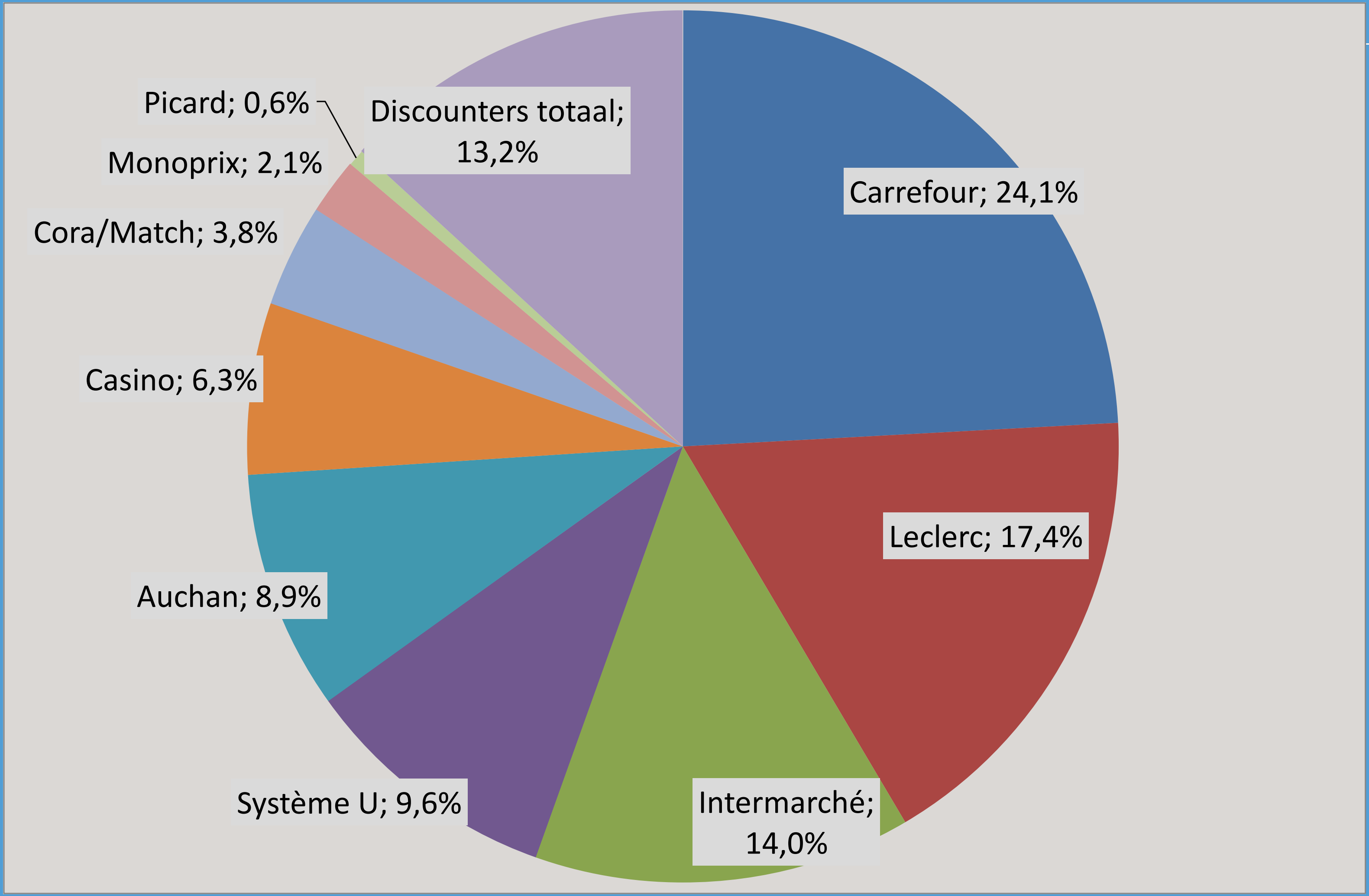
- Growth in organic turnover varies by supermarket:
  - Between 25.1% and 35.5% (2009)
- Growth in number of organic private labels:
  - Private label share in organic turnover: 44% (2010)
  - Growth in private label turnover: 30% (2010), private labels' share in turnover is at the cost of the share of organic premium brands
- Range available throughout the year
- Preference for local/French procurement
- Dairy forms base range
- Distinctions from health foods:
  - Ready-to-use, meat cooked meats, deep-freeze

Popular organic products in supermarkets (2009)

Product	Share in total organic turnover (%)
milk	15
eggs	10
starch products (bread, flour)	4
Baby food	3.5
Butter	3.5
soups and sauces	3.5
fruit and vegetables	3
breakfast (coffee, tea, cereals, crackers)	2.5
sweet baked goods	2
ready-to-use (‘traiteur’)	2
yoghurt/quark/desserts (‘ultrafrais’)	2
herbs	2
cooked meats	<1
Average	1.6

Source: Linéaires (April 2010)

Supermarkets' share in *total* turnover of €186 million (including organic)



Source: L'Atlas de la Distribution (2010), adapted by LEI

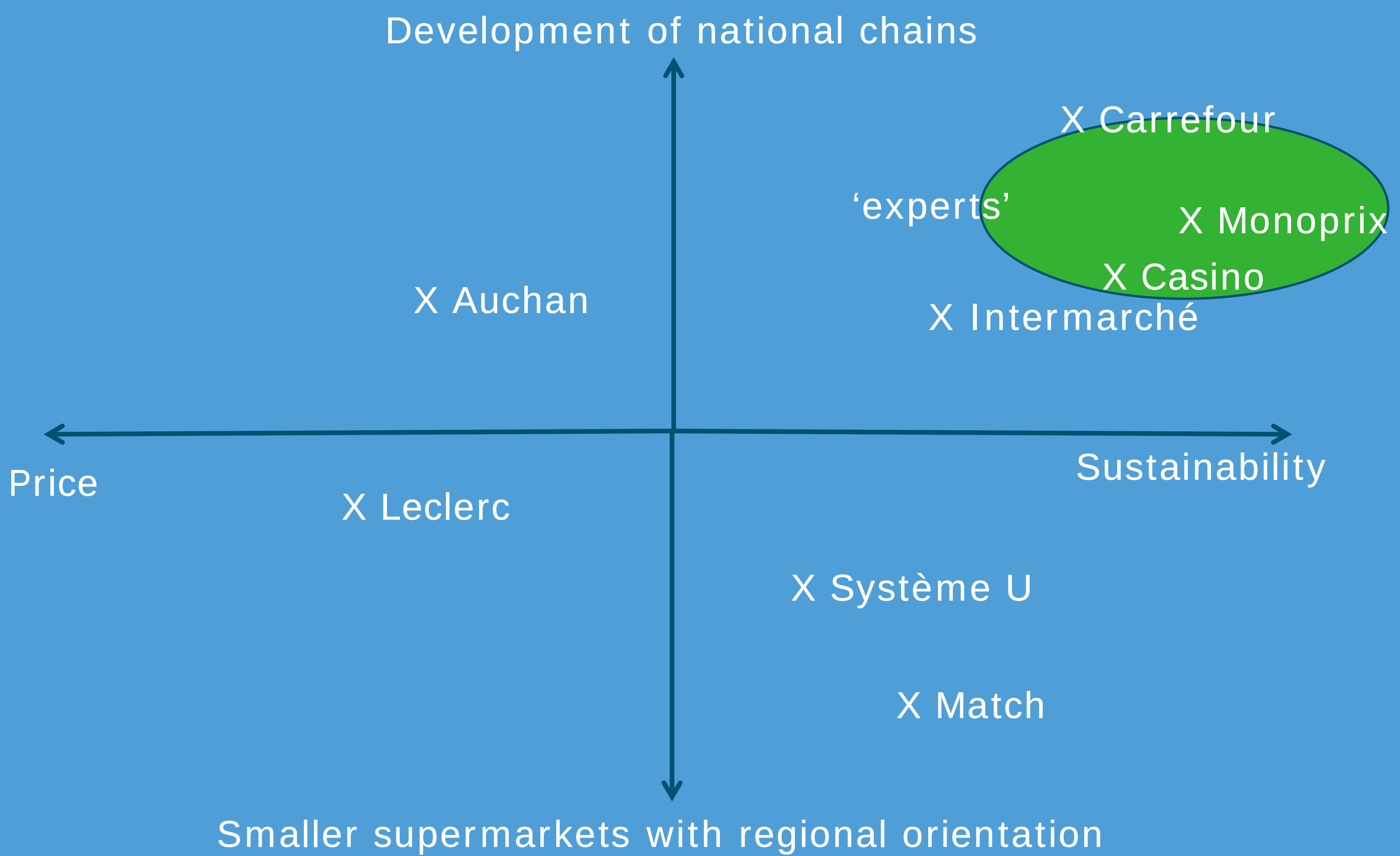
LEI WAGENINGEN UR

Organic's positioning in supermarkets

Segmentation (see chart on next sheet):

- Sustainability via organic and promotion of French origin/chains: Carrefour, Monoprix, Casino, Intermarché. The first three have been pioneers in organic for years: ‘experts’
  - Carrefour: developed self-diagnosis for environmental impact, attention to packaging
- Sustainability and emphasis on small supermarkets with supplies from the locality (*proximité*: proximity): Système U, Match (Cora)
- Price and promotion of French chains: Auchan
- Focus on price: Leclerc

Organic's positioning



Source: Eurostaf, 2010

Supermarkets' share in organic turnover

- The supermarkets' share in organic turnover is unknown, but:
  - Carrefour has the largest share in the conventional market, is an organic ‘expert’ and has the most EAN numbers, Carrefour has the largest share
  - Intermarché and Leclerc, the major players, follow

Market developments, health food stores

- Some 1,700 health food stores
- Largest three: BioCoop (322 stores), La Vie Claire (207), Biomonde (160)
- Distinctions:
  - ‘Purists’ (BioCoop, Biomonde): local procurement, relationships with producers, development of new ‘BioCoherence’ organic label
  - ‘Pragmatists’ (Bonnetaire network, La Vie Claire)
- BioCoop and La Vie Claire supplied by own wholesalers; other via Bio Distrifrais (Bonnetaire network)
- Growth in sales in this channel is lower than forecast
- Scope/need for specific ‘county specialities’ to supplement range

BioCoherence Label

- Private initiative
- Initiators: BioCoop, Biomonde, Pronatura (vegetable/fruit wholesaler) and FNAB (national organic agriculture federation)
- More stringent requirements on organic production than AB, e.g.:
  - GMO-free when GMO concentration < 0.01% (ingredients) and 0.1% (processed products); EU: 0.9%
  - No combination of organic/non-organic in company
- The Synabio umbrella organisation is not pleased

Source: www.biocoherence.fr

Market developments in the catering sector

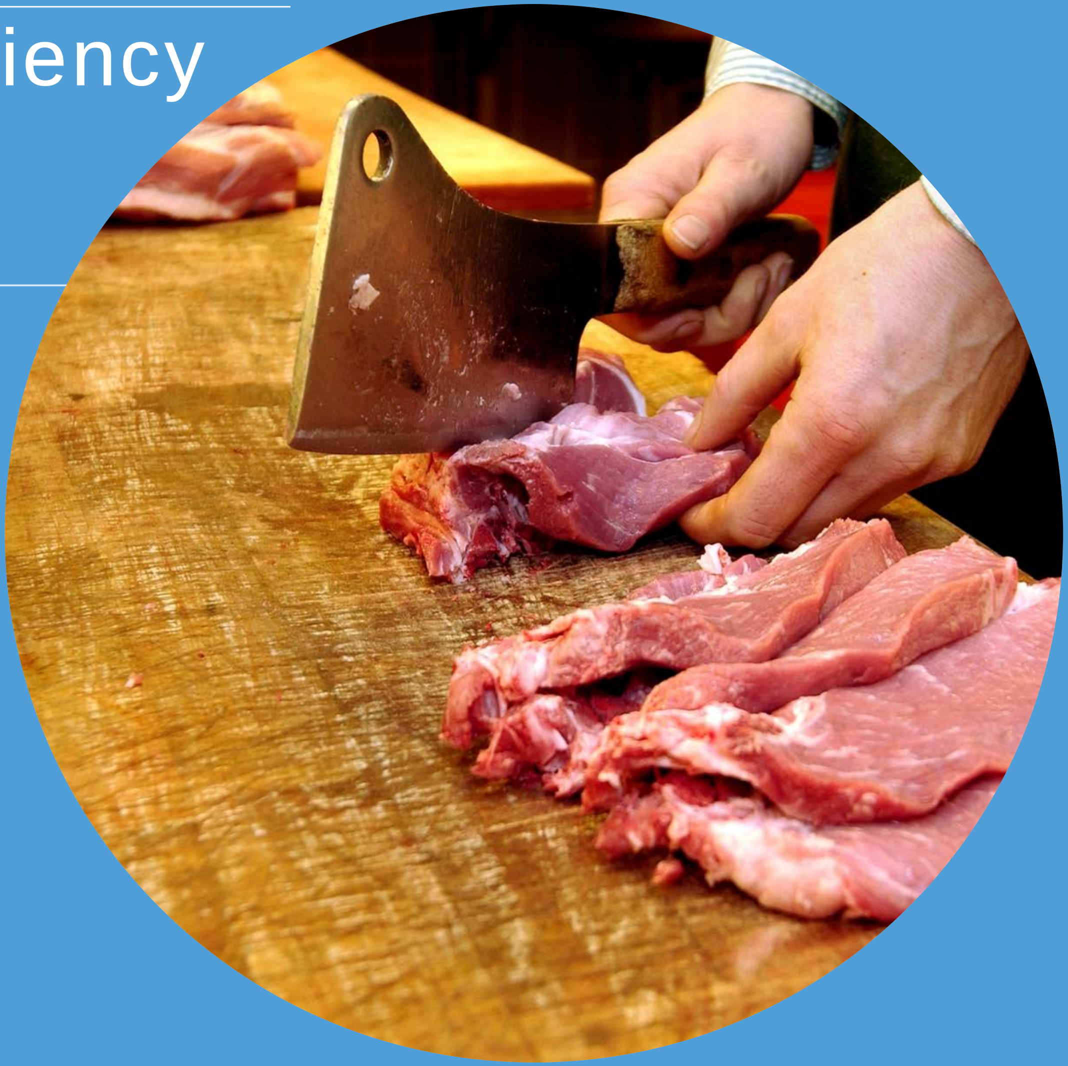
- Purchase value of organic in public canteens (2010): 1.8%
- Share is lower at non-public than public canteens
- Largest caterers with organic: Sodexo, Elior and Compass
  - Sodexo prefers French origin and seasonal products
- Largest fruit/vegetable wholesaler for caterers: Pomona
- Caterers and wholesalers are confronted with price considerations versus sustainability. Local supplies often beat organic in the choices

Conclusions - Part 2: Market developments

- Consumption is increasing but levelling off
- Supermarkets' share in organic turnover is increasing; health food stores' share is decreasing
- French supplies are preferred by all sales channels. The focus on the relevant region varies with policy

Part 3: Self-sufficiency

- General
- Vegetables and fruit
- Pork, ham
- Dairy



General trends in organic production

- Has caught up greatly in the past two years
- Stagnation of growth from the turn of the century
- 55% increase in number of products in 2010 as compared to 2008

Self-sufficiency and growth in turnover; %

Product group	Turn-over growth, 2009	Turn-over growth, 2010	Imports in 2009	Imports in 2010	French share in turnover	Degree of self-sufficiency [1] compared to share (column 6)
Beef	21	8	1	0	100	Unchanged
Pork	10	36	8	2	98	Unchanged
Cooked meats	48	29	30	15	85 ?	Unclear
Milk	21	4	25	26	74	Slightly lower (imports for processed dairy)
Dairy products	12	14	25	24	76	
Dom. catering and deep-freeze	45	19	47	41	59	Much lower (import of ingredients)
Groceries, sweet	29	13	68	70	30	
Groceries, savoury	22	15	53	50	50	
Fruit/vegetable juices	42	17	75	75	25	Bread/flour
Bread/flour	3	3	40	40	60	Fruit, vegetables
Fruit/vegetables	16	9	65	50	50	Total
Total	19	10.8	38	35.3		

Source: Agence Bio (2010a; 2011a); LEI (column 7)

1) Explanation in the following sheets.

LEI WAGENINGEN UR

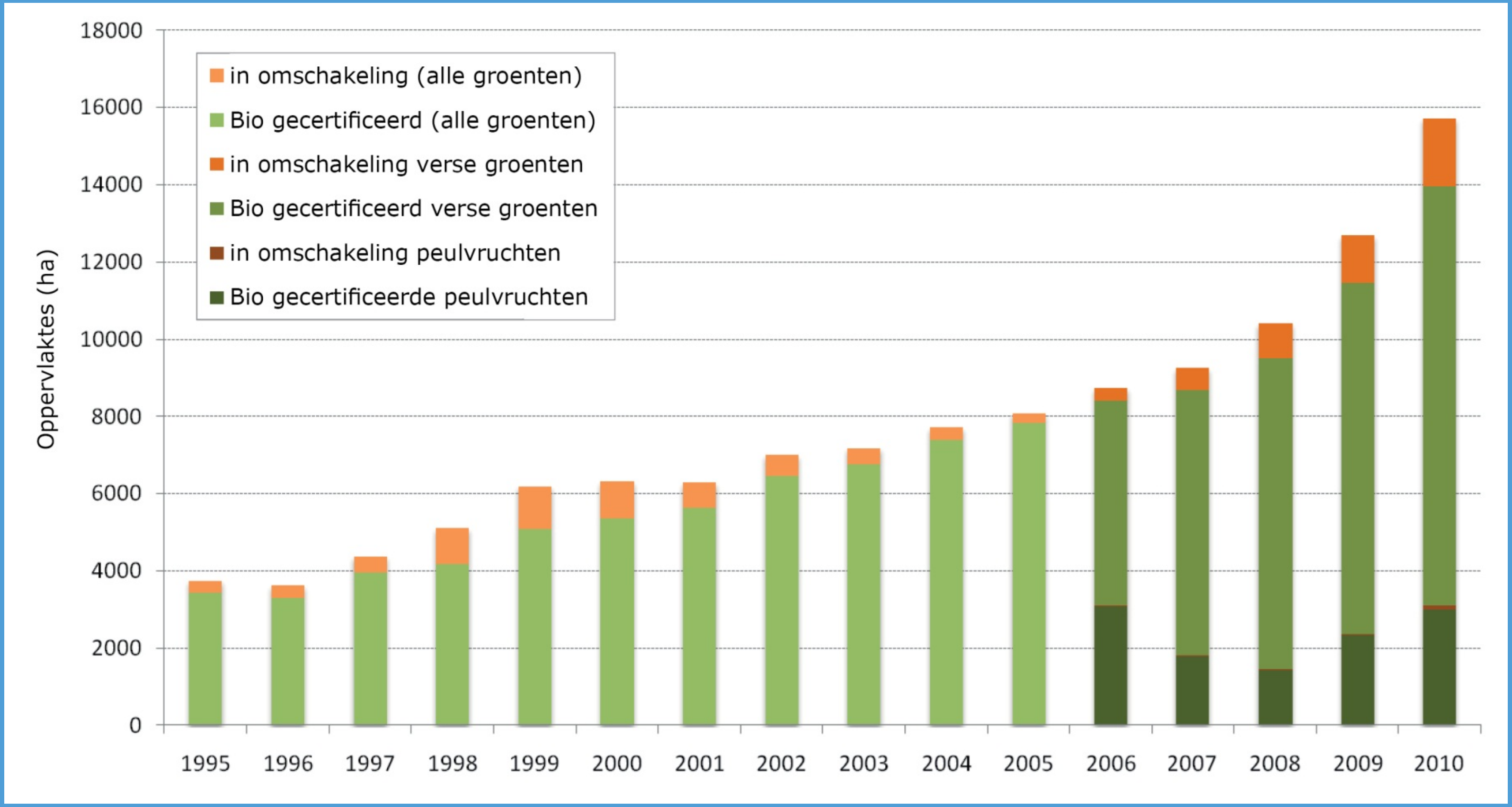
Self-sufficiency in vegetables and fruit (1)

- Degree of self-sufficiency has increased
  - French share in turnover: 2009: 35%, 2010: 50%
  - in view of the French exports of vegetables and fruit the degree of self-sufficiency is actually higher/much higher
- Imports of:
  - Exotic vegetables and fruit
  - Products outside the French season, grapes, tomatoes, onions (Spain, Italy, Egypt, South America)
  - Special range (such as special tomato varieties)

Self-sufficiency in vegetables and fruit (2)

- Overproduction of field vegetables identified:
  - Larger holdings switched over, yields/hectare increased
  - Exports to Germany were disappointing
  - Improvement of chain structure required

Developments in area of organic vegetables



Source: Agence Bio (2011b)

LEI WAGENINGEN UR

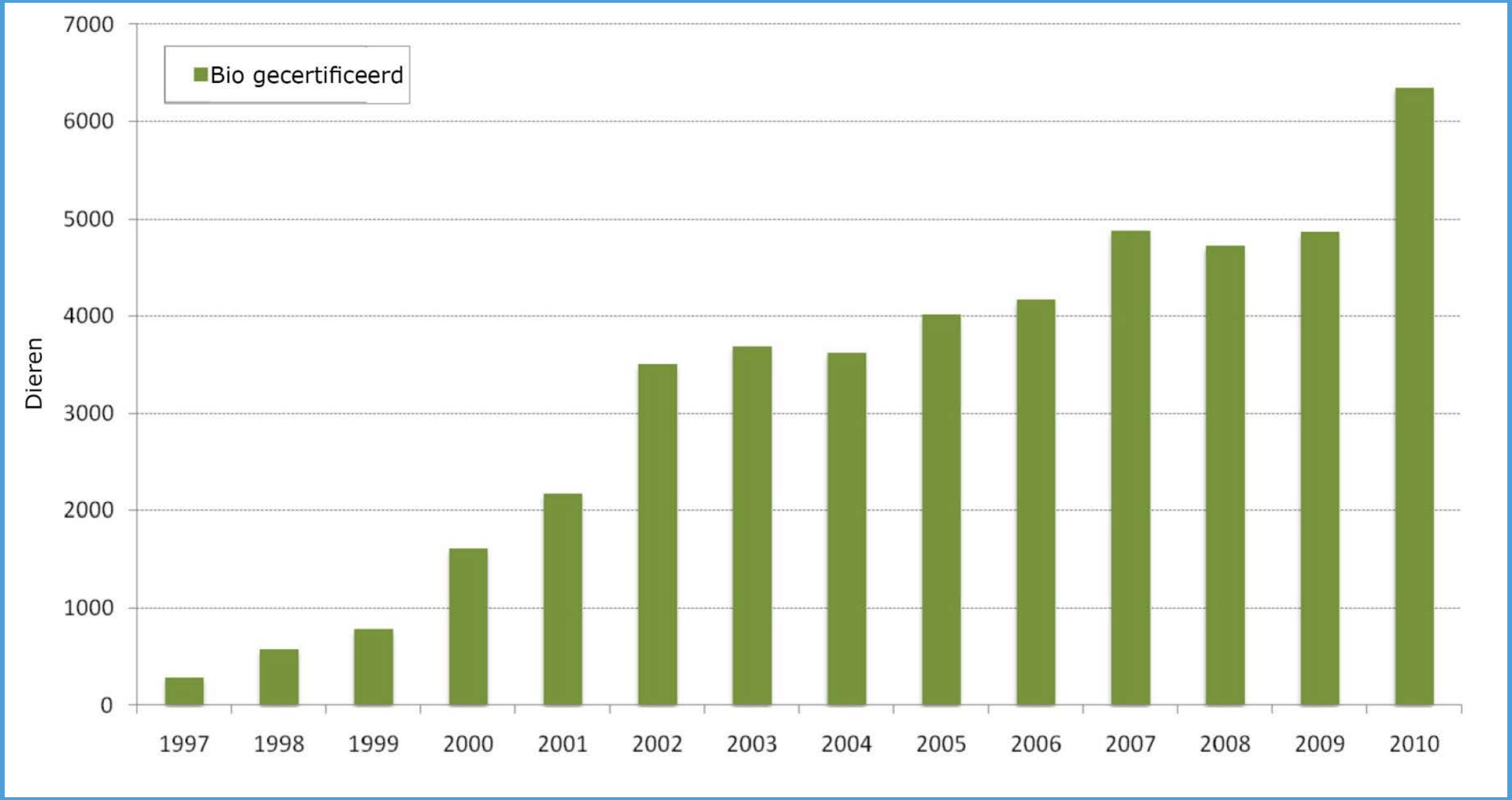
Self-sufficiency in pork, ham (1)

- Degree of self-sufficiency has increased:
  - French share in turnover of pork in 2009 is roughly equal to the degree of self-sufficiency: 92%; 2010: 98%
  - Fresh meat is marketed with the VPF label: *Viande de Porc Français*
  - Production has increased (approx. 26% by volume)
  - Professional chains have developed

Self-sufficiency in pork, ham (2)

- Ham and cooked meats
  - Most sold in 2010: ham (376 tonnes), followed by bacon, dry sausages, pâté and rillette
  - I.e. 'skewed' consumption (preference for ham)
  - French share in cooked meats turnover in 2009: 52%, and in 2010: 85%
  - Exports of specialities such as 'Jambon de Bayonne' (ham)
  - Imports from countries including Denmark, Germany and the Netherlands for the production of ham

Developments in number of organic sows

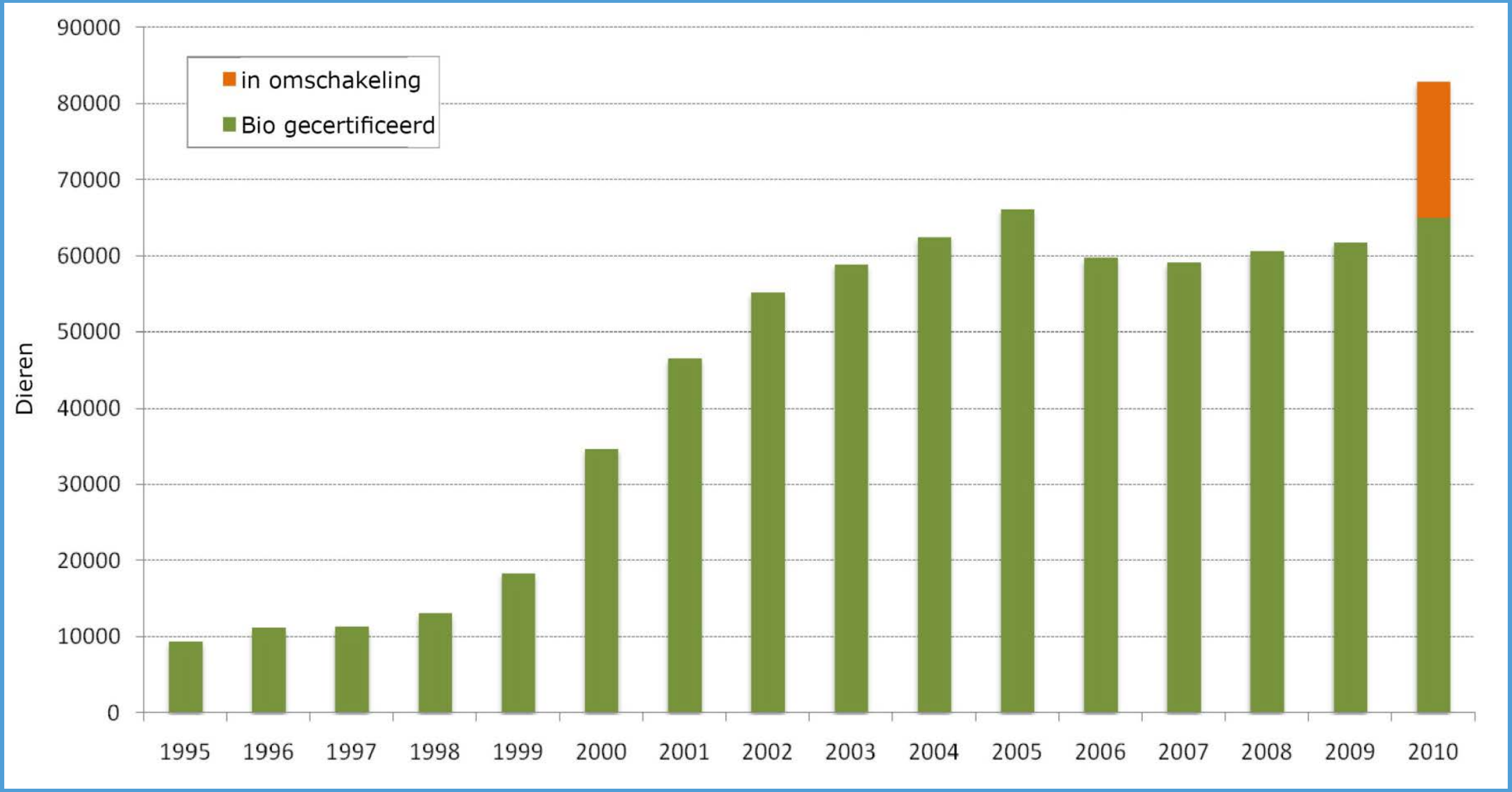


Source: Agence Bio (2011b)

Self-sufficiency in organic dairy products

- Stagnation in degree of self-sufficiency:
  - French share in milk/dairy turnover in 2009: 75%, 2010: 75%
  - Self-sufficiency may be slightly lower
  - Agence Bio: milk shortage is temporary
  - Many farmers switched over in 2010
  - Forecast for medium term 100% self-sufficiency in milk; possibly still imports of processed products
- Dairy imports from the UK, Belgium, Germany and Denmark

Developments in number of organic dairy cattle



Source: Agence Bio (2011b)

LEI WAGENINGEN UR

Conclusions - Part 3: Self-sufficiency

- Many holdings are switching over
- Degree of self-sufficiency is approx. 100% in pork (and beef) and, once the chains are in order, also in fresh seasonal vegetables. In the longer term, France will also be self-sufficient in milk

LEI
WAGENINGEN UR

Part 4: Image of Dutch organic products

- Strengths
- Weaknesses

Image: strengths

- Efficient, professional production and logistics
- Lower price of products (such as tomatoes)
- Good price/quality ratio
- Meet organic requirements
- Good/reliable delivery contracts
- Producers are interested in packaging

Image: weaknesses

- Industrialised sector
- Occasional excessively broad Dutch interpretation of EU Regulation[1]
- Trade focused on large volumes/standards, less on service/product development
- ‘I miss the warmth of the Southern countries’ (in trade relations)
- Mistrust of Dutch certification of transit products
- Less well-known than the Danes

1) The major French objections are listed on Sheet 13, under ‘Guide de lecture’: CO_2 fertilisation(greenhouse horticulture) and multi-level poultry houses are prohibited in France but permitted in the Netherlands.

Conclusions - Part 4: Image of Dutch organic products

- The French have a different appreciation of the Dutch organic sector's industrial and professional approach

Part 5: Export opportunities

- General
- By ingredient

General opportunities

- While French self-sufficiency is low
- Prolongation of the French season (vegetables, fruit)
- Distinctive products to supplement the range
- When a balance between the economy and sustainability/ecology is sought
- With price competition
- For processed products and ingredients for processed products
- In customary chains (catering wholesalers)
- Supermarkets in Northern France

Export opportunities, vegetables/fruit – fresh

- To important wholesalers: Pronatura, Pomona, BioDistrifrais / Bonneterre (part of Wessanen)
- Preference for French, unless added value:
  - to prolong season
  - supplement to range (chicory, salads/fruit salads (preprocessing!), tomatoes with special colour)
- Export opportunities with:
  - Supermarket chains in Northern France - volumes
  - Bio Distrifrais
  - Catering suppliers (Pomona) offer more opportunities for foreign fresh vegetable and fruit supply lines

Export opportunities, vegetables/fruit – canned

- Largest players: Lea Nature Groupe (Jardin Bio), Distriborg with Bonneterre private label, Danival
- They serve different market channels
- Danival and Jardin Bio have strongly French-oriented procurement policy, but still imports of ingredients
- Export opportunities for private labels of supermarkets and, for example for Distriborgs' Bonneterre and Bjorg brands

Export opportunities, vegetables/fruit – deep-freeze

- Major players: Ardo, Picard, FRDP (Bioregard), Cecab Groupe
- Deep-freeze product manufacturers also supply the processing industry, caterers and restaurants
- Manufacturers produce their own brand or supermarket private labels
- All manufacturers import vegetables, some as much as 95%(!); Ardo Frankrijk prefers French products

Export opportunities, pork and ham

- For ham production:
  - Largest ham players: Fleury Michon, Herta, Madranges
  - All these manufacturers import pork
  - Madranges also manufactures for supermarket private labels
- For fresh meat and processed products:
  - few export opportunities for fresh pork,
  - Possibly opportunities for industrial production (deep-freeze, ready-to-use)

Export opportunities, milk protein/butter fat - bread/confectionery

- Organic bread's share small (2-3%)
- Largest players:
  - Moisan - chain of organic bakers
  - Paul, La Mie Claire bakery chains (5% organic bread)
  - Industrial premium brands: Biofournil, Briogel
- Greatest shortage is on organic flour
- Organic *viennoiserie* and *patisserie* market is minimal; decreasing demand (health), few opportunities for butter exports
- Preference for French but price is important
- Few opportunities for export growth

Export opportunities, milk protein/butter fat – biscuits

- Biscuits: biscuits and baked products
- Largest players: Distriborg (Bjorg/Bonneterre), Nutrition & Sante SAS (Cereal Bio)
- Distriborg is part of Wessanen, some of Bjorg's production is in the Netherlands
- Also a lot of production under private labels, identity of the manufacturers uncertain
- There may be opportunities for private labels and Distriborg brands

Export opportunities, baby food

- Premium brands dominate the market, also in organic
- Largest organic players: Hipp (German manufacturer), Vitagermine (BabyBio brand - French manufacturer), Distriborg/Wessanen with the Bjorg Bebe brand
- Also private labels, identity of the manufacturers uncertain:
  - Monoprix and Carrefour (vegetable jars, cereal, milk)
  - Auchan (milk)
- The Netherlands already supplies Hipp via Germany

Conclusions - Part 5: Export opportunities

- A structural position for sales of Dutch fresh vegetables and fruit, pork, milk fat or protein is infeasible on the French market, although there are specific opportunities

Selection of sources

Most important literature

- Agence Bio, 2010. *Chiffres clés - Edition 2010*, Paris
- Agence Bio, 2011a. *La Bio accentue son rayonnement en France*. Dossier de Presse, June 2011, Paris
- Agence Bio, 2011b. *Chap. 6, 7, 8 Chiffres clés 2011*. Via www.agencebio.fr (8 August 2011), Paris
- Euromonitor International, 2010a. *Organic Packaged Food - France*. Euromonitor International: Country Sector Briefing, London
- Euromonitor International, 2010b. *Fresh food, Fruits, Meat, Vegetables, Baby Food*. Passport – Country reports France
- Eurostaf, 2010. *Produits bio: stratégie comparées de la grande distribution en France*. Eurostaf, Paris
- Linéaires, 2011, *Les nouveaux supermarchés du bio poussent comme des champignons,* No. 269, May

Most important websites

- www.synabio.fr
- www.agencebio.fr
- www.biocoop.fr
- www.biocoherence.fr

(A complete list of references is available on request)

LEI WAGENINGEN UR

Publisher's imprint

Project BO-08-017.02-004, Opportunities on the French market?

This study was carried out within the scope of the Ministry of Economic Affairs, Agriculture and Innovation's Policy Support Research; Cluster: Cluster Increasing the Sustainable Food Market Share, Organic Covenant.

We are particularly grateful to Alexandra Feekes, Agricultural Council Bureau, Royal Netherlands Embassy in Paris.

LEI
WAGENINGEN UR

Information

More information about
this study or
follow-up study is available
from:
informatie.lei@wur.nl

Elsje Oosterkamp
Karin de Grip
Robert Hoste

LEI publication 11-140
Project code 2273000192

LEI, part of Wageningen UR
(University and Research Centre),
The Hague

Photos: Shutterstock, EOSTA, Bionext, Nationale Beeldbank,
The Greenery, Wageningen UR

LEI
WAGENINGEN UR