DEMAND FOR ORGANIC PRODUCTS FROM EAST AFRICA

Report by

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INTRODUCTION

The International Trade Centre (ITC), the United Nations Conference on Trade and development (UNCTAD) and the United Nations Environment Programme (UNEP) are jointly undertaking a research project on the potential for export development of organic products from East Africa. The present study is one of the activities carried out in this respect.

The specific aims of the study are to:

- Provide a brief overview of world trade in organic products
- Provide a brief summary of selected major markets, i.e. Germany, the Netherlands, United Kingdom, United States and Canada, and to give additional information on some other markets, e.g. Switzerland and Japan
- Provide summarized information on distribution channels in the above-mentioned markets, including lists of selected importers and traders of organic products dealt with in this study
- Provide brief product summaries of the market situation for the following organic products: fresh fruit and vegetables; spices, herbs and essential oils; dried fruits and nuts; honey; coffee; cocoa; tea; cosmetics and personal care products; cotton.

The study is expected to be of assistance to the following target audiences:

- Individual enterprises in developing countries, in particular in East Africa – whether farmers, processors or exporters – involved in organic exports
- Organic associations and export promotion offices in developing countries involved in the organic export trade
- Government agencies and ministries concerned with organic agriculture and trade development
- International organisations (such as ITC, UNCTAD, FAO and UNEP), development banks and NGOs, donor agencies and others involved in organic production and trade.

CONCLUSIONS AND SUMMARY OF MARKET PROSPECTS

After some years in the early 2000s of relative pessimism (at least in most European markets), most major markets seem again to be enjoying healthy growth with very positive outlooks for the years to come, although recent years' growth rates of about 20% in Canada and the USA and even higher in the UK, for example, are unlikely to continue. Many industry leaders seem to believe that a growth rate of about 10% annually on average is sustainable in most major markets and perhaps even possible for the world market as a whole. This is a fairly enviable situation, considering that the conventional food business is mostly stagnant or, at best, experiencing very little growth.

Several developments are likely to have a positive effect on the organic trade worldwide, including the following:

- organic agriculture continues to expand rapidly in many countries throughout the world

- several countries in Africa, Asia and Latin America are developing significant domestic markets in addition to their export sales
- organic products continue to enter the mainstream retail trade
- strong growth of specialized organic stores and supermarkets
- major food manufacturers increasingly develop organic product lines
- organic aquaculture is expanding rapidly in many countries
- food service sales is becoming important, as organic hotels and restaurants continue to increase in numbers and more and more institutional canteens (public sector and privately owned) offer organic meals
- organic non-food products, including clothing and textiles, cosmetics and personal care products and even household cleaning products, are gaining market shares
- global health and wellness (physically, emotionally, mentally, spiritually) trends and life styles that require not only healthy eating (organic food) but also healthy living (organic non-food products and services)
- Governments, international organizations, NGOs and other organizations are paying more and more attention to the development of organic farming and the promotion of international trade in organic products.

While the future generally looks bright and promising for organic agriculture and trade, there are also a number of challenges ahead, e.g.:

- stronger competition within the organic industry itself putting pressure on premiums that are usually expected by growers and producers
- stronger competition from other forms of sustainable agriculture (again pressure on premiums)
- stronger competition from so-called *natural products*, as demonstrated by the success of *natural and organic food stores*, e.g. Whole Foods and Wild Oats in the USA, but also in Europe
- consumer confusion about organic labels and "label confusion" in general, considering the existence of *fair trade* for many products, *shade-grown* and *Utz Kapeh* in the case of coffee, single-origin brands, manufacturers' brands versus own labels/private brands, etc.
- a continous development of new and tougher standards and requirements that exporters need to meet, e.g. the Europ-GAP guidelines (Euro-retailer produce working group-Good Agricultural Practice), which are becoming a must for the mainstream retail trade in Europe, in particular for fruit and vegetables.

The significance of these challenges is that developing countries and transition economies must add value to their agricultural sector, both upstream, at production level, and downstream, at processing, marketing and communication levels. Producers should not only offer buyers organic (and when feasible also *fair trade*) certification of high quality products and reliable supplies, but should also endeavour to improve their marketing edge and overall company/product attraction, for example, offering their customers HACCP/Europ-GAP/ISO qualifications.

In spite of these and other challenges, there is little doubt that the world market for organic food and non-food products will continue to offer producers in East Africa (and in other developing countries) profitable export opportunities. Most of the markets under review in this study offer good prospects for suppliers of organic products that are not produced domestically.

The most interesting markets for East Africa are considered to be the European Union (in particular Germany, The Netherlands and the UK) and Switzerland, followed – to some extent - by the USA. Although Canada is a big market, it is currently of less interest as it imports mainly from the USA (including re-exports from developing countries, mainly in Latin America). Japan is also a big market, but it is likewise believed to be of little relevance as a target market for East Africa for the time being, except perhaps for small amounts of certain products, as explained earlier.

With regard to specific products and product groups this study will hopefully be of assistance to exporters of organic products from East Africa in providing a better overview, including sources of further information. Although it is difficult to pinpoint those products which will offer the best long-term prospects, there is some indications that *spices, herbs, essential oils and oleoresins* constitute a particular interesting product group from a market point of view, and which are also well suited for production in East Africa, as already witnessed by various developments taking place. It should be noted that these products are used not only as raw materials and ingredients in the food industry, but many of them are also used in the cosmetics and personal care industry. However, the other product groups dealt with in this survey all offer business opportunities to various degrees, depending on the product in country in question.

It is strongly suggested that further market research, including field research, be undertaken in target markets in order to provide decision makers with more in-depth and up-to-date information, that can assist them in preparing export strategies and marketing plans. This may be of particular importance in the case of organic raw materials and ingredients for the non-food sectors, where relatively little information is currently available, but most other product groups dealt with in this survey also merits additional research.

GLOBAL MARKET OVERVIEW

Due to lack of official foreign trade statistics for organic products we continue to depend on trade estimates of important national retail markets in order to get some idea of the total size of the world market and the relative importance of individual countries.

According to earlier overviews compiled by ITC, world retail sales increased from about US$ 10.5 billion to about US$ 19 billion during the five-year period 1997-2001. A later ITC-estimate put world retail sales at US$ 23-25 billion in 2003.

In 2004, the world market reached an estimated US$ 27 billion (Organic Monitor) and experienced a growth rate of 8-10% (higher in North America). High growth rates were expected to continue in 2005, and the world market is likely to surpass the US$ 30 billion mark in that year (as forecast by ITC three years ago).

Although no estimates have been published on world exports/imports of organic products, it is reasonable to suggest that international trade in organics is only a relatively small fraction of the world retail market.

Estimates of market sizes (organic retail sales) and organic land areas in major markets are given in the table below.

Country	Retail sales in 2004	Retail sales in 2005	Organic land area (ha) 2004	Organic land area in %	Number of farms
World total	$ 27 billion	$30-32 billion	31,502,786		
of which:					
USA	$12.7 billion	$15 billion	889,048	0.22	8,035
Germany	€3.5 billion	€4 billion ($ 5.1 billion)	767,891	4.52	16,603
Italy	€2,0 billion	€2.2 billion ($2.7 billion)	690,270	6.22	36,639
France	€1.9 billion	€2 billion ($ 2.5 billion)	534,037	1.8	11,059
UK	£1.213 billion	£1.35 billion ($2.5 billion)	954,361	4.39	4,500
Canada	$0.85-1 billion	$1-1.2 billion	488,752	0.72	3,673
Japan (2002) */	$900 million	$1.1-1.3 billion	29,151	0.56	4,539
Switzerland	€792 million	-	121,387	11.33	6,373
Sweden	€421 million	-	206,579	6.8	3,138
Netherlands	€419 million	-	48,152	2.49	1,469
Denmark	€335 million	-	154,921	5.76	3,166
Australia	$ 205 million	-	12,126,633	2.71	1,832

Sources: FiBL, IFOAM and other sources mentioned in the text and in the bibliography of this study.

*/ IFOAM/RUTA/FAO/The World Bank study (see bibliography). Other estimates include: The OrganicMonitor with $ 400 million(2004).

NOTE: Figures are not always directly comparable, as various sources are used and sales are given in different currencies, estimated according to different systems, etc.

The table also indicates the size of the organic land area, both in terms of ha and in terms of percentage of total agricultural land, in the markets concerned. As shown, Australia accounts for about 43% of the world's total organic area, which is by far the largest share of any country. However, most of this is used for extensive beef grazing. China has the second largest land area under organic management (3,466,570 ha), followed by Argentina (2,800,000 ha) and Italy (954,361 ha), etc. Major organic producers include a number of developing countries, e.g. Brazil (887,637 ha), Uruguay (759,000 ha), Chile (639,200 ha), Mexico (295,046 ha), Bolivia (364,100 ha) and China (298,900 ha). For more information, visit http://www.soel.de/oekolandbau/weltweit.html

Germany

Supply and demand

Organic land area (2004): 767,891 ha corresponding to 4.52% of total agricultural area; 16,603 organic farms. Just over half of the organic land consists of grassland. Important crops include cereals, legumes and oil plants.

Because of very competitative prices for organic products in Germany, domestic farmers have become less interested in converting to organic, which explains why there was only a small increase in organic agricultural land in 2004.

Most organic farmers are members of one of the nine organic agriculture associations, e.g. Naturland, Bioland and Demeter. With about 38,000 members in 25 countries Naturland is of particular interest to developing countries (has a partner in Tanzania). Main products include coffee, tea, cocoa, fruit and vegetables, and shrimps. Nuts, culinary and medicinal herbs as well as cotton are also important. Visit www.naturland.com, www.bioland.de and www.demeter.de

The Social Democratic/Green Party coalition government (1998-2005) has strongly supported the organic movement and introduced a programme for organic agriculture in 2001. It set an ambitious target of 20% organic agriculture for 2010 and also supported marketing and promotional activities. It is not yet known to what extent the new government - the Christian Democratic Union/Social Democratic coalition government (in office since November 2005) - will support organic agriculture.

Market size (retail): € 3.5 billion in 2004 (BioFach newsletter) and is expected to reach about € 4 billion in 2005. Germany is the largest market in Europe and the second largest in the world. The organic share of the total food market can be estimated at 2.5%-3.%.

The German market stagnated and even declined periodically during the early 2000s, at least in some food sectors. During that period it was badly hit by organic food scandals, in particular the Nitrofen weed killer/animal feed crisis involving organic chicken and eggs, which also caused considerable concern in most neighbouring markets. High unemployment and economic (and political) crisis also had a negative effect on the organic market.

However, the market started to pick up again during the second half of 2004, as several reports on high pesticide levels in conventional fruit and vegetables (e.g. grapes, peppers and strawberries) helped increase consumer interest in organics. The market also reacted positively to new developments in the retail sector and various promotional activities undertaken by the industry and the government, e.g. Bio-Siegel (see below). With a growth rate of 13% in 2004 the market was on its way to recovery. Based on retail sales figures for the nine months of the year (an increase of 8.3%), it is likely that 2005 will be a similar successful year.

Germany is one of the top importers of organic food, the biggest product group being fruit and vegetables (mainly fresh) with a share of about 30%, followed by cereals, eggs and poultry.

Important import items include also spices and herbs, honey, dried fruit and nuts, coffee, tea and cocoa of interest to producers in East Africa.

Germany is also an important exporter of organic products, although export figures are not available. Export products include domestic production (e.g. cereals, fruit and vegetables, oil seeds, milk and wine), re-exported commodities and ingredients and a wide range of processed and packaged food products, that include raw material or ingredients from developing countries. The principal markets are other EU countries, Switzerland and USA.

Market characteristics

The main products sold on the German market are fresh fruit and vegetables and dairy products, bakery products, eggs, tofu, meat and eggs. However, like in most developed markets, consumers have a huge choice of processed, prepared and convenience food items.

One of the problems has been the large number of organic logos and brands in the German market, which has confused many consumers and potential buyers of organic products and probably had a limiting effect on growth over several years. In 2001, the government (the then Minister of Consumer Protection, Food and Agriculture was a member of the Green Party) helped create a new logo for the organic industry, the Bio-Siegel, in order to promote organic agriculture and sales of organic products. In September 2005, more than 1,400 companies are using the new state seal, and close to 30,000 products are marketed under it. The seal can be used for all products that are produced according to the Council regulation (EEC) No. 2092/91.

Bio-Siegel does not replace manufacturers' or private brands, nor does it replace certifiers' logos, but it is a *state seal*, which sends a clear message to consumers that the product in question is indeed organic, whether it has been produced in Germany or elsewhere. It helps improve transparency in the market place and create awareness amongst consumers as far as environmental and perceived health benefits are concerned.

The introduction of the Bio-Siegel has been strongly supported by a government-sponsored promotional program, and the logo appears to be a success.

Fair trade products are widely recognized in Germany and are a strong characteristic of this market. The main products include bananas, honey, coffee, cocoa and tea. Some products, e.g. spices and oils, are less suited for *fair trade* marketing, as they are mostly used as an ingredient or re-processed or re-packed together with other ingredients. In recent years, the two concepts of *fair trade* and *organic products* have become increasingly inter-linked, and many products sold in Germany carry both labels. This development should offer good opportunities for producers and exporters in East Africa. The most important *fair trade* organization in Germany is *gepa* (see below).

The German market for organic food products roughly consists of the following main sectors: a) raw materials and food ingredients for the food manufacture, b) consumer packed products for the retail sector, and c) the catering and institutional sector (food service).

According to SöL (2003), organic food products reached the final consumer through the following channels: -farmer/producer (direct sales): 17%; -bakeries, butchers, greengrocers and other smaller shops: 7%; -health food shops (Reformhäuser): 8%; -specialized organic shops and supermarkets: 26%; -conventional supermarket chains (mainly), fast food restaurants and delivery services: 35%; -others: 6%. See also section on distribution channels.

While, ultimately, almost all organic food products end up in the retail sector, the food industry is the most important one for a majority of producers and exporters in developing countries, as most of their export products are commodities and ingredients (like in the case of conventional food products).

The organic food service sector is still very small, and is believed to absorb only a minor share of total organic sales. However, the market is starting to develop and is likely to become a future growth sector within the organic trade. It is encouraging that in many cases institutional restaurants are encouraged to serve at least some organic meals and/or use some organic ingredients. It is perhaps of even greater importance that some international retail chains are starting to serve organic food, e.g. the Swedish furniture house IKEA, whose restaurants offer a choice of organic and conventional dishes. Another example is McDonald's, that uses organic milk and beef in some markets. Furthermore, by the end of 2005 about 750 canteens in Germany held an organic certificate.

It should also be noted that there is a growing organic non-food sector in Germany, which provides a market for developing countries, e.g. for organic cotton and textiles, as well as raw materials for the health and personal care industries. Sales of natural personal care products increased by 18% from July 2004 through June 2005 (Nürnbergmesse newsletter).

While Germany offers good opportunities for most organic products from East Africa, it should also be noted that it is a very competitive market with some of the lowest retail prices for organics in Europe (e.g. more than 20% lower than in France).

Key points:

- Germany is the largest market in Europe and the world's second largest
- Germany is Europe's largest import market and probably the most competitive one
- German traders are playing an important role in inter-EU trade
- Signs that organic sales by the food service industry is picking up
- A rapidly growing organic non-food sector, e.g. cotton and textiles, health and personal care products

United Kingdom

Supply and demand

According to a *Soil Association (SA)* report the organic land area was 686,101 ha (January 2005), corresponding to about 4.4% of total agricultural area. This figure included 51,879 ha of in-conversion land. There were 4,010 organic farms. Of the fully organic land (634,222 ha) grassland accounted for 561,656 ha, the balance being used for horticultural and herb production as well as other crops. Overall domestic production increased by 0.6% in 2004, while in-conversion land area fell by 10.7%, the latter being caused by competition from imports, rising production costs and pressure on farm-gate prices.

Major livestock products include dairy products, eggs, beef, lamb, pigs and poultry meat. Horticultural production included herbs, fruit and nuts, potatoes and vegetables, e.g. peas and beans. Other crops are wheat, barley, maize, oil crops and sugar beets. It should also be noted that there is a considerable production of organic salmon in Scotland, about 2,500 tons in 2004/2005, of which roughly 60% was sold fresh (mainly in the UK), the balance being processed (smoked). About 320 tons of organic trout were produced in England and Ireland. (Soil Association).

Processing and manufacturing of organic food has become increasingly important in recent years. According to the Soil Association, there were over 2,000 organic processors in the UK in January 2005.

One of the best-known organic brands in the UK is *Duchy Originals*, which was created by HRH The Prince of Wales in 1992. A wide range of high quality products are being processed and packaged through partnerships with a number of British manufacturers. Domestically produced raw materials are used as ingredients where possible, although imported products like cocoa, tea and some spices are also used. The Prince of Wales' involvement in the organic business has had a great promotional effect on consumer interest in sustainable farming, animal welfare and organic food.

Market size (according to SA): £ 1.213 billion in 2004 and expected to reach about £ 1.35 billion in 2005, based on 10-11 percent growth. In 2004, organic food sales were estimated at about 2% of total food sales.

The United Kingdom is the world's third largest retail market for organic products after the United States and Germany. It is also one the markets which has experienced the highest growth rates in the early 2000s; although growth has slowed down considerably the last two years, the market is expected to continue expanding, as new consumer groups enter the market and innovative products are being developed.

The size of imports is not known, but it is estimated that imports account for more than half of the total market, which is probably the highest share of any market (except Canada). However, government policy and domestic producers aim for a 2010 target of 70% self-sufficiency in organic food, which seems rather ambitious, considering that a wide range of items cannot be grown due to climatic conditions (e.g. tropical fruit, most nuts, coffee, tea, cocoa, most spices, and wine).

Exports are believed to be quite small, although the participation of British organic packers and manufacturers at food fairs in Europe and around the world suggests that a reasonable amount of business does take place.

Market characteristics

In the UK sales of organic products have largely been driven by the multiples (big supermarket chains), which together accounted for 75.3 percent (£913 million) of total sales in 2004 (down from 81 percent the previous year). Independent retailers accounted for 11.9%

(£144 million) of total retail sales, and box schemes and mail orders, etc, accounted for 12.9% (£156 million). In addition farmers markets sold for an estimated £200 million in 2004.

While food service (restaurants and caterers) sales are still very small as a percentage, there is a growing interest amongst organic consumers to eat organic meals also when eating outside the home. School meals are being promoted by the Soil Association and the famous TV-chef Jamie Oliver, and the Government has pledged $280 million to increase spending in this sector.

Like in the case of Germany and several other markets *fair trade* products are well-known amongst organic consumers, and many products are marketed both as *fair trade* and organic, typically with the Soil Association logo. These products, including coffee, tea and cocoa products, originate in developing countries and many come from countries in East Africa and other African countries. As shown in the section on distribution channels, several UK companies are involved in alternative trade. Important *fair trade* organisations include also *Traidcraft* www.traidcraft.co.uk and *Equal Exchange Trading* www.equalexchange.co.uk

It is a strong characteristic of the UK market that consumers, in particular buyers of organic products, are very concerned with animal welfare and are anti-GMO, which provide good reasons for purchasing organic products.

In terms of spending of organic food products, fruit and vegetables accounted for 31% in 2003 (Soil Association), followed by dairy products with 23%, bread and bakery products with 12%, beverages (9%), meat and fish (8%), baby food 87%), cereals and milled products (3%), ready meals (3%), sauces (2%), whole foods (1%) and snacks 1%).

Although the percentages have probably changed somewhat since then, there is no doubt that fruit and vegetables remain the most important product category. In addition to domestically and EU produce, this category also includes tropical fruit and off-season vegetables imported from developing countries. Dairy products, eggs, meat and fish are of little interest in the context (some beef imports from Latin America), whereas raw materials for beverages, chocolate and many processed food products are largely imported from developing countries. It should be noted that the grocery sector (packaged food) is growing relatively faster than the fresh sector.

It should be noted that there is a rapidly growing market for organic non-food products, including health and personal care products, clothing and home equipment.

While the Soil Association – referred to several times in this section – is perhaps best known outside the UK as an important certification body, it is also working to raise awareness about health and environmental benefits of organic food and farming, and through its promotional activities and campaigns it has played a great role in developing the UK market. Visit www.soilassociation.org

Key points:

- The UK is the second largest import market in Europe and the most import dependent
- Very strong growth in recent years
- Strong lobby to reduce import dependency, but imports expected to remain high

- Consumers are very concerned with animal welfare and are anti-GMO
- Growing market for organic non-food products

Netherlands

Supply and demand

Organic land area (2004): 48,152 ha corresponding to 2.49% of total agricultural area; 1,469 organic farms. According to Platform Biologica, 52% of the organic land was used for livestock, 17% was used for food crops, followed by animal feed crops (12%) and open air horticulture (6%). The government is supporting the organic sector under the *Organic Agriculture 2005-2007* programme,

Market size: € 419 million in 2004. The organic share of the total food market is estimated at about 1.8%.

While the Netherlands is only the sixth largest retail market for organic products in Europe, it is amongst the three biggest importing countries, as Dutch companies play an important role as traders and re-exporters of organic products from third countries, including developing countries. 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, etc.; however, increasingly further processing, including re-packaging, also takes place before the products reach their final destination in other European markets.

Thanks largely to its re-exports the Netherlands is one of the largest EU-exporters of organic products, although neither official figures nor trade estimates are available. Germany and the UK are the two major destinations, but most major European markets obtain part of their import requirements from Dutch companies.

Market characteristics

The principal product groups sold on the Dutch market are: fruit and vegetables (including potatoes) with 39% of sales and dairy products with 26%, followed by meat (19%) and others (6%), the latter including grocery products, frozen food, ready meals, eggs, etc. While the percentage share of processed organic food is still small, the Dutch consumer benefits from a wide range of such products, which include numerous cooking ingredients, including many originating in developing countries.

While organic food has traditionally been sold mainly through health food and specialty shops, the Dutch market has undergone a considerable change in recent years in that conventional supermarkets have increased their assortments of organics significantly. 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%. Others, e.g. organic farmers' markets, box schemes, etc. accounted for the rest (12.9%).

Key points:

- The Netherlands is a medium size EU market
- Major (amongst three largest) import market in Europe
- Major EU-trader (re-exports) of fresh produce, raw material and semi-processed organic food

Other EU countries

Although other EU countries are not covered in detail in this study, the following information on selected countries may be useful:

Italy
Organic land area (2004): 954,361 ha corresponding to 6.22% of total agricultural area; 36,639 organic farms
Market size: € 2 billion in 2004 and might have reached about € 2.2 billion in 2005

France
Organic land area (2004): 534,037 ha corresponding to 1.8% of total agricultural area; 11,059 organic farms
Market size: € 1.9 billion in 2004 and is expected to reach about € 2 billion in 2005

Sweden
Organic land area (2004): 206,579 ha corresponding to 6.8% of total agricultural area; 3,138 organic farms
Market size: € 421 million in 2004

Denmark
Organic land area (2004): 154,921 ha corresponding to 5.76% of total agricultural area; 3,166 organic farms
Market size: € 335 million in 2004

Austria
Organic land area (2004): 344,916 ha corresponding to 13.53% of total agricultural area; 19,826 organic farms

Spain
Organic land area (2004): 733,182 ha corresponding to 2.87% of total agricultural area; 16,013 organic farms

Czech Republic
Organic land area (2004): 260,120 ha corresponding to 6.09% of total agricultural area; 836 organic farms

Greece
Organic land area (2004): 249,488 ha corresponding to 2.72% of total agricultural area; 8,269 organic farms

It is interesting to note that former communist countries in Eastern Europe, in particular the Czech Republic, Hungary and Poland, are becoming increasingly important in organic farming and are also developing into small but promising markets. Poland has been selected for the *BioFach Country of the Year 2006.* See www.biofach.de

Switzerland

Organic land area (2004): 121,387 ha corresponding to 11.33% of total agricultural area; 6,373 organic farms.

Market size: about € 792 million in 2004 (FiBL), which made Switzerland the fifth largest market in Europe and the biggest outside the EU. It probably has the largest organic share of the food market in the world, estimated at around 3.5% in 2003.

Like in Denmark, Sweden and the United Kingdom, the organic market has been driven mainly by the major food retailers, in this case, Coop Schweiz and Migros, which together account for about half of total organic sales. Both retail groups offer a wide range of organic products, and, as opposed to most other major retailers worldwide, they own several food processing plants, including some that produce organic food. The two companies import part of their requirements direct, but also buy through intermediaries in Switzerland and other European countries. Visit www.coop.ch and www.migros.ch. Several other retailers, importers and traders are involved in organic products from developing countries.

In addition, the following two organisations should be noted:

FiBL (Research Institute of Organic Agriculture), which is the world's largest research establishment for organic agriculture. It is strongly involved in the global development of organic agriculture. FiBL also carries out research on organic markets and food processing and carries out advisory activities, including in developing countries. It runs projects in Africa, Asia and Latin America. Visit www.fibl.ch

SIPPO (Swiss Import Promotion Progamme) provides various forms of technical assistance to developing countries, including in the area of trade development in organic products and has published a number of studies on organic markets. See www.sippo.ch

The United States of America

Supply and demand

Organic land area (2004): 889,048 ha corresponding to 0.22% of total agricultural area; 8,035 organic farms (IFOAM/SöL/FiBL).

According to USDA figures (updated November 2005), total certified farmland more than doubled from 935,450 acres in 1992 to 2,196,874 acres in 2003. The biggest increase took place in cropland, which reached 1,451,601 acres in 2003, while pasture and rangeland amounted to 745,273 acres. The most important crops in terms of acreage were grains (mainly corn and wheat), beans (mainly soybeans), hay and silage, followed by fruits (citrus, grapes, tree nuts and apples), oilseeds (sunflowers and flax), and vegetables (tomatoes, lettuce, carrots, etc.).

Market size: With retail sales of organic products (food and non-food) amounting to about $ 12.7 billion in 2004 (OTA), the United States is the world's largest market for organic products. According to the Natural Marketing Institute (NMI), food and beverages retail sales reached $ 10.9 billion in that year, which indicates non-food organic sales of $ 1.8 billion. The organic industry has experienced very strong growth (about 20 per cent annually) over the last decade or more. Trade sources expect strong growth to continue over the short to medium term. Retail sales of organic products are likely to reach $ 15 billion in 2005. In 2004, organic food sales were estimated at 2-2.5% of total food sales.

Imports of organic products were estimated at between $1-1.5 billion in 2002 (USDA). The principal sources include Mexico, Brazil, Argentina, Uruguay and other Latin American countries, China, India and Thailand, as well as European countries. While Latin America and Asia supply mainly fresh produce (Latin America) and raw materials/ingredients (Latin America and Asia), Europe is supplying mainly processed products, incl. packaged food. Very little seems to be imported from East Africa, while there are some imports from other countries in Africa. The main reasons for the lack of African products seem to be strong competition from Latin America combined with a long geographical distance.

In 2002, exports of organic foods were estimated at between $125-250 million. According to the USDA report, more than half of this went to Canada. However, research carried out by ITC suggests that imports into Canada are much higher than the USDA estimates. Other major markets are Japan, EU, Taiwan, Republic of Korea, Australia and New Zealand.

More recent estimates are not available, but exports to Canada, in particular (but also to other markets) are likely to have increased considerably as these markets have increased rapidly since 2002, e.g. annual growth rates around 20% in Canada.

Market characteristics

In 2003, the three main categories of organic sales were fruit and vegetables, fresh (mainly) and frozen with 41.4% of the total, animal products (dairy, meat, fish, poultry, eggs) with 14.4% and processed and packaged food (bakery products, juices and other beverages, cereals, snacks, baby food, sauces, etc.) with 44.2%.

According to The Nutrition Business Journal 2003 (NBJ), the top ten product groups were as follows :

> -produce (38.6% of total sales), followed by soy beverage, milk, frozen meals, yoghurt, chips/snacks, bread, cereal, aseptic juice and baby food

NBJ also listed the ten fastest growing product groups:

> -poultry (112% growth), nut bars (50%), tea (54%), aseptic juice (49%), canned fruit/vegetables (46%), nut butter (41%), coffee (34%), oil/shortening (27%), sweeteners (27%), frozen dessert (26%)

Import demand for organic products includes *tropical* and other products that are not grown in the United States; *off-season products* that are grown domestically, but where there is unmet demand outside the US season; and *in-season products*, also grown domestically but for which there is a temporary or more permanent shortage because of strong and increasing demand; and finally *novelty* or *specialty products,* like certain ethnic food products or retail-packed food products. The best export possibilities for East Africa fall into the first category. The high growth rates for coffee and tea, as indicated above, should be noted.

National standards on organic agricultural production and handling, labeling and certification, etc. (National Organic Program of the USDA), implemented in October 2002, are having a significant impact on the development of the United States organic industry. Throughout the value chain, from the domestic or foreign farmer to the final consumer, the standards and, not least, the *USDA ORGANIC* seal help increase the focus on organic products and regulate and promote the trade.

Consumer interest in health and environmental issues, and greater accessibility of organic food and bigger choice will also help the market continue growing. Many consumers buy organics to avoid GMO food. Like in many other markets, new developments in the retail sector are having a positive impact on sales. Strong growth in the organic textile and personal care sectors should also be noted.

Key points:

- The USA is the world's largest market for organic products with almost half of total sales (retail)
- Its organic land area is small (in percentage terms) compared with other major markets (0.22% of total agricultural land compared with, for example, Germany (4.5%) and the UK (4.4%)
- Huge import market for raw materials, but also for fresh produce (tropical and off-season) and packaged food
- Organic food-service sales small but with great potential
- Rapidly growing sales of organic non-food products, e.g. textiles and personal care
- East Africa will face strong competition from Latin America

Canada

Supply and demand

Organic land area (2004): 488,752 ha corresponding to 0.72% of total agricultural area; 3,673 organic farms. The main crops are grains (mainly wheat), oilseeds, dried legumes (pulses), fruit and vegetables, wild rice and maple syrup.

Market size: With retail sales estimated at US$ 850-1,000 million in 2004 Canada was ranked as the sixth largest market in the world for organic food and beverages. The market appears to be growing rapidly, probably by about 20% annually. Growth rates are likely to remain between 10-20% over the next few years, according to some trade sources, although they may be considerably higher for certain product groups. Retail sales may reach about US$ 1-1,2 billion in 2005.

According to trade sources, 80-90% of retail sales are imported products, mostly from the USA (fresh produce and packaged food). Although the USA is, by far, the largest exporter to Canada, it must be noted that much of this trade consists of non-USA products, e.g. fresh produce originating in Latin America and packaged food from Europe, being re-exported by American companies who have fairly easy access to the Canadian market. Major Canadian distributors also import some products direct from foreign suppliers other than the USA. However, very little, if anything, is imported from East Africa or other African countries, although some initiatives are being taken by the Canadian International Development Agency (CIDA) through organic projects.

A growing number of natural food stores are promoting organic foodstuff, whether fresh produce or packaged food, which is helping to boost sales of organics throughout the retail sector. It is significant that the major retail organizations, in particular the largest of them, Loblaws, are also moving aggressively into organics.

Market characteristics

Like in the USA, import items include tropical and other products that are not grown domestically, as well as off-season products and other items where there is a temporary or more permanent shortage. There is also a strong interest in items that are new to the market or fairly unknown. A major distributor, for example, was recently looking for baby vegetables (e.g. baby corn), Asian and Caribbean vegetables, ginger, etc. Thanks to a high degree of ethnic diversity in Canada, there is a strong demand for exotic produce and ethnic products.

With the exeption of the province of Quebec there are currently no legal requirements for organic certification in Canada, although the (voluntary) National Standard for Organic Agriculture was introduced in 1999. Since 2004, an *Organic Task Force (OTF)* has been working to propose a federal regulation of organic production systems; after a year of public consultation with the organic community the OTF is now moving into the implementation phase. It is expected that a set of mandatory organic regulations and an organic programme will come into place during 2006.

In the meantime, the Quebec standard (see www.caqbio.org.) or other recognized certification will be required by most importers and traders. As a minimum the National Standard for Organic Agriculture of 1999 should be complied with, when exporting to Canada. It is important to note that all documentation and labelling must be in the two official languages, English and French.

Key points:

- Canada is the world's six largest retail market for organic food
- High growth rates (about 20%) in recent years, although likely to decrease somewhat next few years
- Probably world's highest import ratio of organic food
- USA is biggest supplier, including of packaged food and large re-exports (fresh produce and raw material)
- Growing interest in direct import from producing countries
- East Africa will face strong competition from Latin America

Japan

Supply and demand

Organic land area (2004): 29,151 ha corresponding to 0.56% of total agricultural area; 4,539 organic farms.

Domestic production (crops) increased from 33,734 tons in 2001 to 46,623 tons in 2002 (April through March). Vegetables were the biggest crop (58.9%) in 2002, followed by rice (26.4%), fruit, Japanese tea, soybean, wheat and "other".

Domestic processing of organic food (with domestic and imported organic ingredients) increased from 93,638 tons in 2001 to 96,234 tons in 2002. Processed soybean products, incl. tofu, accounted for two-thirds of this. Other products included beverages, processed vegetable products, Japanese green tea, etc.

Market size: In 2002, the estimated retail sales of organic food products amounted to Yen 114 billion or US$ 898,000 million (1$=Yen 127), according to a FAO/WORLD BANK study (2004). Domestic products accounted for 82.4% of this, while imported products accounted for 17.6%. Based on an annual growth rate of 5-10%, the market may be estimated at Yen 132-152 billion or US$ 1.1-1.3 billion (1$=Yen 116.8) in 2005. It should be noted that other estimates put the Japanese market as low as $ 400 million (see note below).

The principal domestic products included *natto* (11.8% of total retail sales), Japanese tea (10.5%), vegetables (10.1%), tofu (9.4%), rice (8.1%), beverages (2.4%) and miso (1.8%). Other products include soybean, fruit, soy sauce, frozen vegetables, dried noodles and processed and packaged food.

The imported products included frozen vegetables (Yen 8.25 billion or 7.2% of total retail sales), fruit, mainly bananas (Yen 5.87 billion or 5.1%), dried noodles (Yen 0.7 billion or 0.6%) and "other" (Yen 5,25 billion or 4.6%).

Limited information is available on individual organic products. However, the following information may be of interest to East African producers and exporters:

Estimates of organic coffee (green beans) imports ranged between 1,800-5,000 tons for 2003, almost all of it from Latin America. It should be noted that imports of FLO *fair trade* labelled coffee amounted to 90 tons the same year, which were supplied by Mexico (46%), Peru (22%), Colombia (20%), Bolivia (8%) and Guatemala (3%).

Although Japan, is the world's second largest importer of honey, very little, if any, organic honey appears to be imported. It should be noted that honey is not included under the JAS scheme (see below). While there may not be much, if any, organic honey on the market, honey is frequently sold as *natural honey* or *health products.*

No figures are available on imports of organic spices and herbs, but the market seems to be extremely small. According to the FAO/WORLD BANK survey, only one out of twelve major retailers stocked organic spices. UR Tanzania is exporting non-organic cardamom and could perhaps explore the market for organic spices.

While non-organic cocoa is mostly imported in the form of beans, butter, powder and cake, organic cocoa is imported as cocoa mass. It is used to manufacture bitter chocolate (e.g. by Nisshin Kako). Quantities are small, estimated at max. 30 tons. While African producers are the main suppliers of cocoa to the Japanese market, only Ghana was explicitly identified as the source of cocoa (for a conventional chocolate bar produced in Japan). Some organic chocolate is imported from Europe.

Japan is the world's largest importer of (conventional) sesame seeds and also imports some organics. The main supplier is China, but Guatemala is also known as a supplier. Although the market is still very small, 300-500 tons at the most, it may offer some opportunities for East Africa, in particular if the quality were superior to the Chinese product.

<u>Note</u>
It should be noted that Japan is a particularly difficult market to quantify as far as organic food is concerned. It is well known that there is a large market for "specially cultivated crops" or "green products" (grown with reduced use of chemical pesticides and fertilizers), which was considered as organic food until recently. In 2000, the market for "green products", including organic food, was estimated at US$2-2.5 billion. However, thanks to new standards for organic products (JAS), applied since 1 April 2001, the above figures of Yen 114 billion (US$ 896,000 million) - compiled by MAFF - include certified organic products only. It should, nonetheless, be noted that other sources, have come up with quite different estimates for 2002 (ranging between US$ 0.4-2.3 billion).

Market characteristics

While Japanese consumers have been familiar with "green products" or "specially cultivated crops" for a long time, the concept of organic products is more recent. However, new standards for organic products (JAS) have been introduced by the Japanese Ministry of Agriculture, Forestry and Fisheries (MAFF) and applied since 1 April 2001.
This is expected to create greater awareness in the Japanese market place of what organic food is, both amongst consumers and in the food trade, whether it be importers, food manufacturers and processors, wholesalers or retailers.

Although Japan is probably the seventh largest market in the world for organic food, it is still relatively little developed compared with the major markets of Europe and North America. It is believed to offer very considerable growth possibilities in the future. While the JAS organic standard is likely to help promote growth in the longer run, it seems not to have had much effect yet. The Japanese economy has suffered from economic depression and deflation, resulting in a stagnating food marketing in general. The organic market has shown some growth in recent years, but apparently much less than expected and also less than in other major markets. However, the economic situation has started to improve and organic sales are expected to do likewise.

As domestic production is fairly small or non-existent for many products, an increase in demand will, to a large extent, have to be met by foreign suppliers. According to the above-mentioned FAO/WORLD BANK report, "sugar, cocoa, fruit juices and honey have growth potential in the Japanese market, while coffee, banana, sesame, citrus, pineapple, tropical fruit jam and jelly, mango and spices seem to face various difficulties.…"

In any case, exporters should be aware that the Japanese market is difficult to penetrate, and that a top quality product and a careful selection of distribution channels are of the greatest importance.

Key points:

- Japan is amongst the world's ten largest markets, although imports are relatively small
- Consumers familiar with "green products" becoming more aware of organic products
- Distribution channels are complicated
- Immediate potential small for East Africa – interesting long term potential

Oceania

Australia

Organic land area (2004): 12,126,633 ha corresponding to 2.71% of total agricultural area; 1,832 organic farms

Although Australia has the world's largest area of certified organic farm land (mainly for grazing), it is fairly small as a market for organic products. Most of its production (mainly meat products) is being exported. Other important categories are grains, fruit (mainly apples) and vegetables, wine and dairy products, and herbs. The market is reported to be growing rapidly, albeit from a small base.

New Zealand

Organic land area (2004): 45,000 ha corresponding to 0.26% of total agricultural area; 820 organic farms

New Zealand is another important producer of organic food, and exports (mainly fresh fruit, but also fresh and frozen vegetables, honey and some meat) are significant. The market appears to be growing rapidly, again from a small base.

In both Australia and New Zealand import items are mainly those products that are not produced domestically. Total retail sales in Oceania (including also Papua New Guinea, Fiji, Tonga, Vanuatu, etc.) are very roughly estimated to be in the range of US$ 200-300 million (2004).

Developing country markets

Several developing countries, including Argentina ($35 million), Bolivia, Brazil ($200 million), Chile ($13 million), China, Egypt, India, Malaysia, Mexico ($280 million), Peru, the Philippines and South Africa, are developing significant domestic markets (in some countries pushed by big European retailers, like Ahold (Dutch) and Carrefour (French), in addition to their export sales. Sales in these and other developing countries are expected to add considerably to the size the world market in the future. (Estimates in this paragraph by Pipo Lernaud).

DISTRIBUTION CHANNELS

European Union

While distribution channels obviously may vary considerably from one EU country to another, the supply chain for organic products from developing countries, including East Africa, is identical or similar for most major markets. Most of the import trade is done by relatively few specialized companies that do a lot of cross border trade within the EU. The retail trade is still dominated by large national supermarket chains, although the major ones have also moved into international markets, including other EU countries. The following companies are those believed to be of most relevance to producers and exporters in developing countries, including East Africa.

Germany

Major importers, packers, distributors include (list not exhaustive):

Alnatura (See below).

Care Naturkost GmbH & Co KG is an importer of dried fruit and nuts, coffee,cocoa, grains and seeds, etc.Visit www.care-natur.de

Davert GmbH importer and packer of a wide range of goods, including dried fruit, spices and herbs, honey and nuts. (www.davert-muehle.de)

Dennree Versorgungs GmbH is a major importer and distributor of fresh produce and dairy products. It is also involved in packaged food. See www.dennree.de

gepa in Wuppertal is Europe's biggest *fair trade* company: It has more than 150 trading partners in developing countries, including close to 30 in Africa, and buys food products, handicrafts and textile. Visit www.gepa3.de/

Lehmann Natur GmbH is a major importer and distributor of fresh fruit and vegetables. Visit www.lehmann-natur.com

Naturkost Ernst Weber Gmbh isa big importer and distributor of fresh produce, semi-processed products, dried products and frozen food. See www.naturkostweber.de

Rapunzel Naturkost AG is one of the most important organic companies in Germany. It is an importer, packer and wholesaler of most of the products exported from East Africa. It also has a subsidiary in the USA. Visit www.rapunzel.com

Ulrich Walter GmbH/Lebensbaum is an importer and packer of spices and herbs, coffee and tea. See www.lebensbaum.de

Worleé Naturprodukte GmbH is an importer and processor of raw materials for the food industry. The product range includes dehydrated vegetables, culinary and medicinal herbs, dried fruit and nuts, spices, onions and garlic, fruit and herbal teas. Visit www.worlee.de/

The retail sector

The German organic market has traditionally been supplied through natural food shops (Naturkostläden) and traditional health food shops (Reformhäuser) as the main outlets, whereas the mainstream supermarket chains were less important, in particular when compared with the Danish and Swiss markets, and more recently also the UK market. However, in recent years, two major developments have taken place: firstly, there has been a continuous rise in the number of organic supermarkets, and, secondly, the major retail chains have become more involved in the organic business. These developments have had a very positive effect on sales of organic products, in particular the last couple of years.

The following describes some of the most important retail outlets for organic products

Organic supermarkets

There are two major organic supermarkets:

Alnatura currently operates 22 stores in the former "West Germany" and claims to be the biggest organic retailer in Germany. It offers a full assortment of Alnatura brand products sold through its own stores and also through conventional supermarkets, e.g. Tegut, and drugstores, e.g. Budnikowski and dm-Drogeriemarkt. Alnatura offers an organic baby and childrens' textile assortment (Kollektion), *Cotton People organic.* Its turnover was expected to reach €135 million in 2005. Alnatura is also an importer of most products exported from East Africa.Visit www.alnatura.de

BASIC AG currently (end of 2005) operates 12 Supermärkte in major cities in the former "West Germany" and offers a full range of organic products, from fresh fruit and vegetables and meat to packaged food and delicatessen to natural health care. It markets its own very large *BASIC* brand assortment, but it also sells other brands, e.g. *Allos* for honey and jelly, *Rapunzel* for a range of packaged products, *Lebensbaum* for tea. Its turnover was € 39 million in 2004. Visit www.basic-ag.de

Major retail chains

Amongst the major retailers the following are important for organics:

REWE, Germany's largest food supermarket chain, owns the private organic label *Füllhorn* ('cornucopia' in English), which is used for about 200 items. It also sells manufacturers' organic brands. REWE owns two organic supermarkets, *Vier Linden.* Visit www.rewe.de

EDEKA, the second largest retail chain, markets its own *Bio-Wertkost* organic branded products, but also sells manufacturers' brands. Visit www.edeka.de

Other major retail chains include *Tengelmann AG* with its own organic brand *Naturkind* (www.tengelmann.de), *Metro Group* with its *Grünes Land* organic brand (www.metro.de), and *Aldi* (www.aldi.de).

The United Kingdom

Major importers and packers of organics (list not exhaustive)

The UK organic trade obtains a major part of its import requirements from importers and traders in other EU countries, notably the Netherlands and Germany. However, several UK-based companies, including the below-mentioned, import direct and many are involved in *fair trade* and other alternative trade.
Community Foods Ltd. Claims to be the largest importer and exporter of whole foods in the UK. It is trading in commodities and branded goods, including organics. See www.communityfoods.co.uk

Eco Organic Foods is an importer and distributor of organic foods, specializing in pulses, beans and edible seeds. Visit www.ecoorganicfoods.com/

FM Foods (merged with *Tropical Wholefoods* which was retained as a brand name) is an importer and a packer of, for example, dried fruit and vegetables. It is strongly involved in *fair trade*, in particular in co-operation with partners in Africa, e.g. Burkina Faso, UR Tanzania, Uganda and Zambia. See www.fmfoods.co.uk

Organic Farm Foods is a major UK and European importer and distributor of fresh organic produce and is sourcing its requirements worldwide. *www.organicfarmfoods.co.uk/index.html*

The Organic Herb Trading Co. is the UK's largest importer and processor of organic herbs and spices. It is also dealing in organic herbal tinctures, oils, flower waters and essential oils. It supplies the food and beverage industry as well as the body care and cosmetic sector, etc. Visit www.organicherbtrading.com

Twin Trading ltd. Is a leading alternative trading company with focus on *fair trade*, but it is also involved in organics, *inter alia*, through its *organic advisory service.* It is particularly strong in coffee, but is also strong in cocoa and tea. See www.twin.org.uk

Steenbers Limited is an importer, packer and wholesaler of organic spices, herbs and teas. It is also involved in *fairtrade.* Visit www.steenbergs.co.uk

Wealmoor Ltd. Producers, importers and distributors of organic vegetables, including from Africa. See www.wealmoor.co.uk

Windmill Organic Foods. An importer of bulk ingredients for sale to food manufacturers.

Trade association

Phyto Trade Africa is a membership-based trade association representing Southern African producers in the natural products industry, and is involved in *fair trade.* It has offices in Harare and London. Visit www.phytotradeafrica.com

Organic and natural food supermarkets

Fresh n'Wild (owned by Whole Foods Market, USA since January 2004) currently has six organic and natural food stores in London and one store in Bristol with a full organic range. *http://wholefoodsmarket.com/stores/freshandwild/index.html* and *www.wholefoodsmarket.com*

Planet Organic was established in 1995 and now runs three stores in London. It stocks a wide range of organic products, including fresh produce,meat, fish, processed and packaged products. See www.planetorganic.com

Major retail groups (involved in organics)

Asda UK – a subsidiary of Wal-Mart Stores Ltd- is a large food, clothing, home and leisure group with about 295 stores in the UK. It promotes healthy living groceries, which includes a range of organic food products. See www.asda.co.uk

Marks & Spencer is a major department store chain and up-market food retailer. It has about 400 stores in the United Kingdom, about 30 *Kings* supermarkets in the USA and close to 200 franchises worldwide. It offers a wide range organic products. Visit *www.marksandspencer.com/thecompany*

Sainsbury's is a major supermarket in the UK with about 465 main stores (in addition to about 260 convenience stores) and remains one of the retail leaders in organics, promoting its SO organics. In 2004 it sold £130 million of organic products, and was named *Organic Supermarket of the Year* for the third time. It is strongly committed to buying seasonal and British organic food and expects to source 70 percent of its organic primary agricultural products by the end of 2006. See www.sainsbury.co.uk and www.jsorganic.co.uk

Tesco PLC is the largest supermarket chain in the United Kingdom and amongst the five largest in the world with over 2,000 stores worldwide, including close to 1,800 in the UK. In 2004 organic sales increased by 22 percent to reach about ……Tesco sells more than 1,200 organic product lines. Visit www.tesco.com

Waitrose is part of the John Lewis Partnership (worker co-ownership) and has 173 supermarkets in the UK. It is strongly involved in organics and offers a full range (more than 1,200 organic lines), including fresh produce, with an organic market share of 12 percent. It won the first ever *Organic Supermarket of Year* title in 1998 (and again in 1999). Visit www.waitrose.com

The Netherlands

Importers and packers of organic products include (list not exhaustive):

Doens Food Ingredients b.v. is a leading importer, processor and exporter of most organic products, including cocoa, dried fruit and nuts, spices and herbs, teas. (www.doensfood.com)

Do-it bv (Dutch Organic International Trade) is an important Dutch organic company with a large assortment of products, including cocoa, dried fruit and nuts. It is also involved in Fair Trade projects in developing countries. (*www.organic.nl*)

Eosta B.V. This is a major importer of fresh fruit and vegetables from sources worldwide. Most of its trade is re-exports to other European countries, but it also supplies the Dutch market. See *www.eosta.com*

Euroherb BV (part of *Organic Flavour Company BV)* is a leading international supplier of organic herbs and spices. It also deals in tea, dried vegetables, essential oils and seasonings. *www.euroherb.nl*

Horizoon Natuurvoeding BV is an importer of dried fruit and nuts, oil seeds, etc. It is member of the Good Food Fonundation. Visit www.goodfood.nl/horizon.htm

Organic Flavour Company BV (previously *Euroherb Bio BV*) is an importer, processor and packer of herbs and spices, and herbal teas. It is also involved in projects in developing countries, e.g. Egypt and Vietnam. It supplies bulk products under its *Euroherb* brand and does retail packing of herbs and herbal teas under its *Piramide* label. See *www.ofc.nl*

Rhumveld Winter & Konijn B.V. is an importer of both conventional and organic products, the latter including dried fruit and nuts, dehydrated tropical fruit, and seeds. Visit www.rhumveld.com

Tradin Organic Agriculture B.V. is one of the biggest organic importers and traders in Europe and deals in a wide range of organic commodities, including dried fruit and nuts, cocoa, coffee, honey. It is based in Amsterdam and has offices in Austria, France, Germany, Mexico and the USA. See www.tradinorganic.com

Simon Levelt BV is a specialist coffee and tea trading company with its own roasting, blending and packaging facilities. It is the largest Dutch importer of organic coffee and tea, and it helped initiate the establishment of Max Havelaar and the *fair trade* mark. See www.simonlevelt.nl

Major retailers of organic food include:

Albert Heijn, which is part of the Ahold group and the largest supermarket chain, has introduced its own organic label and offers an assortment of 150 organic products. The Ahold group also has retail operations worldwide, including in several countries in Central Europe, the USA and Latin America. See www.ahold.com

NOW (De Natuurwinkel/Gimsel/De Groene Winkel) – a chain of organic supermarkets and health food shops. See *www.denatuurwinkel.com*

Switzerland

It is beyond the scope of this survey to study the Swiss distribution channels for organic products. Reference is made to the study, entitled *The organic market in Switzerland and the European Union (FiBL/SIPPO, 2004).* It can be downloaded from www.sippo.ch Click *Publications.* It includes information on distribution channels for organic products and lists major importers, supermarket chains and other operators in the organic business.

North America

Traditionally, organic food products have been sold outside the conventional distribution system through alternative channels, e.g. farm gate sales, open-air markets, specialized grocery shops and independent health food stores or natural products retailers. Likewise, most processing and packaging was done by small and medium-sized companies rather than by major food manufacturers.

However, as the organic food market has grown strongly in recent years, sales have also moved into the mainstream retail trade, and the conventional food industry is also becoming increasingly involved. The organic food sector is furthermore undergoing a consolidation process through acquisitions, mergers and alliances.

Imported products (including those of interest to East Africa) usually reach the final consumer through the channels described below. The specific companies mentioned tend to be amongst the best known in the industry, many other firms can likewise claim to be important in their field. Additional names of companies may be obtained from other ITC studies (see selected bibliography), various trade directories, including the Organic Trade Association's *The Organic Pages Online* www.theorganicpages.com/topo/index.html

United States

Importers and ingredients suppliers

Several importers, including the following, are trading in products of interest to East Africa, e.g. dried fruit and nuts, spices and herbs, coffee, cocoa, tea, etc.

American Health & Nutrition, Inc., Ann Arbor, MI. Is a major supplier of organic commodities and ingredients, mainly of domestic origin, but it also imports a number of products, including cocoa, dried fruit and nuts, beans, sesame seeds, amaranth, quinoa, sunflower oil and seeds and similar products. Visit www.organictrading.com

Ciranda, Hudson, WI. Another supplier of organic food commodities and ingredients (starches & thickeners, grains and pulses, soybeans, nuts and seeds, oils & fats, fruit products (dried, juice and pulp), cocoa products, sugar and honey, many of which are sourced abroad. Visit www.ciranda.com

Eco-Prima, Inc., Ossining, NY. Imports organic and *fair trade* teas and spices.

Forestrade, Inc., Brattleboro, VT. Is an important importer, processor and distributor of coffee, spices and essential oils, and it works with thousands of smallholders in Indonesia, Guatemala and Grenada. The company is also involved in imports of coffee for *fair trade*. Visit www.forestrade.com

Global Organics, Ltd., Arlington, MA. Is an importer and exporter of organic and natural ingredients (cocoa products, coffee, dried fruits and nuts, coconut oil and palm oil, spices, sugar and cane products, etc.). Visit www.globalorganicsltd.com

Herb Trade, Reno, Nevada . Is an importer and exporter of organic botanicals, herbs, spices, essential oils and dehydrated vegetables. www.organicherbtrade.com

Hershey Import Co., Inc., Rahway, NJ. A division of United Natural Foods (see below), it is an importer, processor, packager and wholesale distributor of nuts, dried fruit, seeds, trail mixes, natural and organic products. See www.unfi.com

Marroquin International Organic Commodity Services, Inc., Santa Cruz, CA. Is working with farmers and suppliers globally to provide ingredients to the natural foods industry. Its product groups include dried tropical fruit, dried/dehydrated vegetable products, essential oils, herbs and spices. Visit www.marroquin-organics.com

Mercantile Food Company, Philmont, NY. Is a supplier of beans, grains, flours and flakes, dried fruits and nuts, cocoa, green coffee and desiccated coconut. Some products are imported. Visit www.mercantilefood.com

Organic Commodity Products, Inc./OCP Chocolate, Cambridge, MA. It has offices in Costa Rica, USA and Europe and undertakes field development in cocoa origin countries. Visit www.ocpchocolate.com

Organic Planet, San Francisco, CA imports in bulk and supplies processors and food manufacturers with ingredients. Product range includes edible seeds, e.g. sesame, sunflower, pumpkin, poppy, and flax; beans/legumes, e.g. garbanzo, black, pintos and lentils; dried fruits and nuts, e.g. apricots, figs, almonds and peanuts; oils, e.g. palm, safflower, olive and soybean. Visit www.organic-plant.org

Tradin Organics USA, Inc., Amherst. Is the American subsidiary of the Netherlands-based trading company, Tradin Organic Agriculture B.V. The company is a major importer and trader in organic foodstuff from developing countries. It has a wide product range, e.g. honey and other sweeteners, oil seeds, seasonings, rice, starch, oils, coffee, cocoa, grains, beans, seeds, dried fruit and nuts, etc. Visit www.tradinorganic.com

Worlee Naturprodukte USA, Benicia, CA - a division of Worlée Hamburg, Germany imports organic tea, spices and herbs. See www.worlee.de

Importers/distributors of fresh fruit and vegetables

Organic fresh produce importers/distributors are responsible for importation, warehousing and distribution of the product. They supply retailers, wholesalers and the food service industry, though the latter sector is still small for organic produce. Most of them tend to focus on regional markets. Important companies include:

Albert's Organics, Los Angeles, CA . A division of United Natural Foods (see below). Is the biggest "coast to coast" wholesale distributor and has warehouse centres in Los Angeles, CA, Bridgeport, NJ, Winter Haven, FL and Denver, CO. It delivers to all major metropolitan areas and most regions in the continental U.S. and Canada. Visit www.albertsorganics.com

CF Fresh, Sedro-Woolley, WA. It is one of the leading organic produce sales agencies in North America and the leading importer of fresh organic produce from South America, mainly Argentina and Chile. Visit www.cffresh.com

R-Best Produce, Inc., New York, NY. Imports and distributes organic fresh produce. It is the largest such company in the northeastern region and supplies supermarket stores and smaller gourmet and organic stores. See www.rbest.com

Other categories of importers

In addition there is a large number of other organic importers, including those specializing in packaged food/specialty foods (retail packs) and non-food products. See www.ota.com

Natural foods distributors and wholesalers

There are numerous wholesalers, distributors and traders involved in the distribution of organic food and beverages throughout the country. However, a few major companies, including *natural foods distributors*, are playing a leading role, in particular for processed and packaged food. They may import some products direct or through associated companies but they obtain most of their products from specialized organic importers (see above) or from domestic processors and manufacturers

- *United Natural Foods, Inc.* is the largest natural foods distributor (including organics) in the US and supplies retail stores nationwide with natural groceries, body care products, supplements, and frozen foods. Its subsidiary *Albert's Organics* distributes organic products, including fresh produce, to retailers. It also owns *Hershey Import Co.* and runs a number of natural food stores (the *Natural Retail Group*). Visit www.unfi.com

- *Tree of Life, Inc.* (owned by the Dutch food company *Koninklijke Wessanen*) is another major national natural food distributor and supplies food retailers in the US and Canada through about 20 distribution centres. It has recently acquired *AMCON*'s natural foods distribution business (regional). Visit www.treeoflife.com

In addition to the above companies, there are a number of other wholesalers and organic manufactures/packers that play a similar role in marketing and distribution of organic food, including the following:

- *Eden Foods* operates as an organic manufacturer and wholesaler, which supplies a wide range of retail-packed organic products under the Eden brand, packaged by the company itself or by its business partners, and it works direct with organic farmers. Eden Foods is also an importer. Visit www.edenfoods.com

- *Frontier Natural Products Co-op* is a member-owned cooperative, which consists of retailers, distributors, manufacturers, buying clubs and organizations. It specializes in organic spices and herbs, organic and *fair trade* teas, aromatherapy, natural personal care products, etc. and supplies bulk products as well as retail and foodservice packs. Visit www.frontierherb.com

Food processors and manufacturers

Traditionally it is small and medium-sized companies that have been involved in processing and manufacturing organic food products (pioneers), often located close to the relevant farming community. Smaller companies still play a major role in the organic industry, but it is significant that more and more major food manufacturers and mainstream food marketers, including big multinational companies, are now developing and marketing organic product lines. Most of these companies have expanded into organics through mergers and acquisitions. They use both domestic and foreign ingredients. Some imports are done direct, but generally imports are done through specialized importers and ingredients suppliers, including those mentioned above. Important manufacturers of organic food include the following companies:

- General Mills, one of the country's major food manufacturers, owns, through Small Planet Foods, Cascadian Farm, one of the pioneers in the organic business (produces a range of processed fruit and vegetable products, prepared meals, etc. and Muir Glen (a manufacturer of organic tomato products and sauces). Another General Mills company, Sunrise, packs organic breakfast cereals. The group also produces organic flour and sugar. It uses mainly domestic raw material, but imported ingredients are also needed. Visit www.GeneralMills.com

° *The Hain Celestial Group* is involved in organic food, e.g. through its ownership of *Earth's Best* (baby food) and *Celestial Seasonings*, the biggest packer of specialty teas, including a range of organic teas and herbal teas. Celestial usually goes direct to source for its raw material requirements, whether domestically or abroad; imports through brokers, when quantities are small, or for other reasons. The Hain Celestial Group also produces a range of other organic products, including organic pasta and organic potato chips, under several well-known brands, e.g. Garden of Eatin'. The multinational *H.J.Heinz Co.* has acquired a significant share of the Group. Visit www.hain-celestial.com

The retail sector

Although organic foodstuff is sold through most types of food stores, the largest share of sales, by far, takes place through two major channels, i.e. *natural products retailers* and *conventional supermarkets* (the latter also referred to as the *mainstream market*).

Both the natural food store sector and the conventional stores sell organic produce, but approach the sector differently. For example, in the case of fresh fruit and vegetables, the natural food stores usually focus on organic produce and will offer conventional produce only when organics are not available. Most mainstream supermarkets, on the other hand, feature conventional produce and provide limited organic produce to complement their conventional range. However, some conventional supermarkets are opening their own natural *food departments.*

Natural products retailers

According to the publication *Natural Foods Merchandiser*'s annual *Market Overview* (June 2005 issue), the natural products market amounted to $45.8 billion in 2004 ($42.8 billion in 2003), of which *natural products retailers* sold 48%, corresponding to $22 billion. This figure includes sales of organic foodstuff (mainly) and organic supplements (vitamins, minerals, etc.) worth $5.6 billion.

As defined by NFM, *natural products retailers* include the following categories:

- natural food stores (outlets with 40% or more of sales in natural foods)
- health food stores (outlets with 40-80% of sales in supplements)
- VMS (vitamin and mineral supplements) stores (with 80% or more of sales in supplements)

Although the sub-sector *organics* is not referred to in this classification, the first category, *natural food stores*, including the two most important chains (see below) , are the most important for organic foodstuff.

° *Whole Foods Market, Inc*., based in Austin, Texas, is the largest retailer of natural and organic foods with about 180 food stores the USA, Canada and the UK and a turnover of $ 4.7 billion in the fiscal year 2004/05. It offers a broad range of packaged organic food and fresh organic produce. Its packaged range consists of well-known manufacturers' brands and its private labels, e.g. *Whole Foods* and *Whole Kids Organic.* Visit www.wholefoodsmarket.com

° *Wild Oats Markets, Inc*., based in Boulder, Colorado, the other major nationwide chain of natural and organic markets with 113 stores in 24 states and British Columbia, Canada. It had annual sales of more than $ 1 billion in 2004. It also offers a wide range of organic food and beverages, both fresh produce and packaged products, the latter comprising manufacturers' brands and *Wild Oats* private labels. Visit www.wildoats.com

As a rule the natural food stores, including the two major chains, do not import organic products direct but obtain their requirements from "primary distributors" or "regional distributors", e.g. United Natural Foods, Inc.

Conventional supermarkets

While mainstream supermarket chains and traditional grocery stores account for the major part of overall food sales, there are no official figures on their sales of organic foodstuff. However, the mainstream retail sector's sales of organic food may be estimated at between $ 4-4.5 billion, and their share is growing rapidly.

The conventional retail stores represent over 120,000 individual stores, although not all of them handle organic products. The top conventional food stores are: *The Kroger Co.* group, the nation's largest food retailer (www.kroger.com), *Albertson's* (www.albertsons.com), *The Safeway* group (www.safeway.com) and the Dutch-owned *Ahold USA* group (www.ahold.com). The world's biggest retailer, *Wal-Mart* (www.walmartstores.com) should also be mentioned, in particular its warehouse club. *Sam's Club (www.samsclub.com)*

The food service sector

While this sector is extremely important in the U.S. with consumer spending in the food service section now equal to or exceeding household food expenditures at retail stores, so far very little of sales appear to be organic. In reality, very few restaurants use organic raw material, although specialized restaurants do exist throughout the country, e.g. the well-known *Restaurant Nora* and *Asia Nora*, both in Washington, DC (visit www.noras.com).

The food service sector is usually supplied by specialized food service distributors (the top 10 companies account for about 20% of the market), but, until now, these companies do not seem to offer much in terms of organic products.

Foodservice is still extremely small in organic products, but some companies, including the above-mentioned natural distributors, United Natural Foods and Tree of Life, are starting to realize that there is a huge business potential. Even some fast-food restaurants are including organic items on their menu. As more and more consumers, including school feeding systems and student campus dining services demand organic food, we shall see this sector develop.

It should be noted that the two major natural food store chains, i.e. *Whole Foods Market* and *Wild Oats Markets,* both operate in-store salad bars and eateries serving natural food and beverages. These might eventually give organic food a substantial boost.

Canada

Distribution channels in Canada are characterized by the enormous territorial size of the country, i.e. regional distribution is commonplace. It should also be remembered that the country consist of the English speaking part (western and central Canada) and the French speaking part (eastern Canada), which are quite different when it comes to consumer behaviour, market requirements, etc.

Importers and brokers

While importers of organics are found throughout the country, many of them seem to be based in or around one of the three principal centres, i.e. Vancouver in British Columbia, Toronto in Ontario and Montreal in Quebec. Organic importers, of special interest to East Africa, include:

- Bianca International Organic Inc. (Montreal) imports a wide range of organic products, including spices, herbs and essential oils, dried and processed fruit and vegetables, nuts, oils & fats, culinary ingredients, grains, teas and herbal teas. Its clients are processors and packers of organic food items. (www.biorganic.ca)

- Organic Products Trading Company (Vancouver) is an importer and broker of organic and *fair trade* green coffee. The company works direct with coffee growers in Latin America, Asia and Africa (www.optco.com)

- Organics Now (Surrey, BC) imports organic spices (www.organcsnow.ca)

- Green Land (Coquitlam) is an ingredient supplier (organic tea, dried fruit and ginger).

Distributors

There are numerous wholesalers, distributors and traders involved in the distribution of organic food and beverages, including fresh produce and packaged food. They may occasionally import direct from developing countries, but mostly they do not. They usually obtain their requirements through brokers/importers and direct from domestic and US producers and manufacturers. The following companies are amongst the best known:

- While SunOpta Inc. is of relatively little immediate interest to East Africa, it should be mentioned because of its vertically integrated operations throughout North America. It is involved in natural, organic and specialty foods as well as ingredients. See www.sunopta.com. It owns about 20 companies, inter alia, the following:

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    -Pro Organics, Canada's leading distributor of organic fresh produce with distribution centres in Vancouver, Toronto and Montreal. The product range also includes other organic products like dairy products, grains, nuts and seeds, rice, sugar, dried fruit, honey, syrup, etc.

- Tree of Life Canada (owned by the Dutch group Wessanen) is heavily involved in the distribution and marketing of natural and specialty foods, including organic products. It has distribution centers in Alberta and British Colombia. Tree of Life is one the top distributor of organic food in North America. Visit www.treeoflife.com

- Westpoint Distributors Ltd. is a natural whole food distributor of dry food products, including organics, e.g. flour, grains, dried fruits and nuts, spices and herbs, and tea. www.westpointnaturals.com

Food processors and manufacturers

While the principal business of these companies is processing and manufacture of final products, most of them use some imported raw material or ingredients. Some of them import, at least part of their requirements, direct, while others usually go through brokers.

- Abénakis Milling is in processing and private label packaging of certified organic and kosher foods for the Canadian market as well as USA, Europe and Australia. It sources a range of organic food ingredients, including cereals, rice, grains, beans, kernels, fruit, seeds and nuts, cold-pressed oils, coffee (including *fair trade*), cocoa and cane sugar. The company imports many of these products. Visit www.moulinabenakis.ca.

It should be noted that several big US food manufacturers operate in the Canadian market for organic products, and many own facilities in Canada, e.g. Hain Celestial Canada. Visit www.hain-celestial.com (important in organic tea). See also section on the USA.

The retail sector

Organic foodstuff is sold at the retail level by two main groups of retailers, i.e. natural (and health) food stores or similar and conventional/mainstream retail organizations, incl. the big supermarket chains. The two retailer types are probably accounting for a similar share of organic sales, slightly less than 50 percent each, with farmers' markets, online retailers and box schemes selling the balance, say 3-5 percent

Natural food stores / specialty stores

This group consists of a large number of small and mostly independent stores and co-ops as well as some important retail chains. The following companies are amongst the most important stores in this category:

- Thrifty Foods is a regional grocery chain with 20 stores in British Colombia. Its wholesale warehouse also supplies 60 independent grocers in the province. See http://www.thriftyfoods.com.

- Planet Organic Health Corp operates natural food supermarkets (Planet Organic Market) in Edmonton, Victoria, Calgary, Port Coquitlam and Halifax and operates a chain of natural health outlets (Sangster's). Visit http://www.planetorganic.ca

- Whole Foods Market (with HQs in the US) currently has two stores in Toronto and one in West Vancouver; it is believed that the company plans to open more stores across the country. Visit http://www.wholefoodsmarket.com.

- Capers Community Markets (owned by Wild Oats Markets, Inc. in the US) currently has three stores in British Columbia and plans to open more in the future. See http://www.wildoats.com.

Generally speaking these stores do not import direct, in particular not from (geographically distant) developing countries. They normally get their supplies from specialized organic distributors, or direct from organic food manufacturers, including many based in the USA.

Conventional supermarkets

- Loblaws is the largest grocery chain in Canada with a very strong private label programme, including one for organic products, i.e. *President's ChoiseOrganics*. It owns or franchises more than 1,000 stores and has about 600 associated stores. The company has developed a clear strategy with specific sales targets, etc. for organics. Visit http://www.loblaws.ca.

- Sobeys, the second largest retail grocery chain in Canada, owns or franchises over 1,300 stores throughout all ten provinces, and operates over 25 distribution centres and about 20 foodservice operations. See http://www.sobeys.com.

- Canada Safeway Ltd. is a leading supermarket chain in western Canada with about 220 stores. See www.safeway.com.

- Metro Inc. (http://www.metro.ca) runs more than 240 stores in Quebec. In July 2005 it bought A&P Canada (www.apcanada.ca) with over 235 stores in Ontario.

While the big retail chains are not usually importing organic products direct but rather through brokers and distributors, it is useful for exporters to have direct contact with them in order to discuss their quality and other requirements.

Japan

It is beyond the scope of this survey to study the Japanese distribution channels for organic products. Reference is made to the study, entitled *The Japanese market for environmentally and socially certified agricultural products from Central America (IFOAM/RUTA/FAO/The World Bank, 2004).* It can be downloaded from the FAO web site www.fao.org/organic. Click *FAO documents.*

The study includes valuable information on the value chain and distribution channels for organic products. It also lists a large number of certified importers, manufacturers/processors and other operators in the organic business.

PRODUCT BRIEFS

The following sections provide a brief summary of nine products or product groups of special interest to producers and exporters in East Africa as well as several other developing countries in Africa and elsewhere. The following product briefs have been prepared:

- Fresh fruit and vegetables
- Spices, herbs and essential oils
- Dried fruits and nuts
- Honey
- Coffee
- Cocoa
- Tea
- Cosmetics and personal care products
- Cotton

FRESH FRUIT AND VEGETABLES

While there are no official figures on world trade in organic fruit and vegetables, numerous studies (published and unpublished) have been carried out over the years to help shed some light on the market for this product group. Based on such information, world retail sales in organic fresh fruit and vegetables can be roughly estimated at around $ 10 billion in 2004, which is more than one third of total retail sales in organic products worldwide. Fresh produce is thus the most important product group.

However, this does not mean that foreign trade in this product group enjoys a similar dominant position, as all major markets, whether it be the European Union, the United States, Canada, Japan, Switzerland, etc., have an important domestic production, and only import certain items, typically tropical fruit and off-season vegetables from developing countries and other items from neighbouring countries. Nevertheless, foreign trade in organic fruit and vegetables is no doubt substantial, both in relative and absolute terms. In Western Europe, for example, imports represented 22% of total sales of organic fruit and vegetables (by quantity) in 2004, most of it being fruit (Organic Monitor). This is a strong indication that organic fruit and vegetables, taken as a group, are amongst the top import organic categories.

According to trade sources and various studies, important producers/exporters of organic fruit and vegetables include the following countries and items (list not exhaustive):

Fresh vegetables:

- Africa: Egypt, Morocco, South Africa, Tunisia, Zambia
- Asia: Israel, Malaysia, Thailand
- Latin America: Argentina, Brazil, Chile, Guatemala
- Australia, Canada, EU, Japan, New Zealand, Switzerland, USA

Types of vegetables: asparagus, broccoli, beet root, cabbage, capsicum, carrot, cauliflower, cherry tomato, corn, cucumber, fennel, garlic, green bean, leek, mushroom, onion, potato, salads, spring onion, squash/courgette, tomato. Except some supplies from Argentina (asparagus, garlic), Egypt (capsicum, chillies, garlic, green beans, potato, spring onion), India (garlic), Morocco (cucumbers, tomato and cherry tomato), Zambia (baby corn, carrot, green bean, mange tout) and possibly a few others, fairly little is coming from developing countries.

Fresh fruit (non-citrus):

- Africa: Burkina Faso, Cameroon, Cote d'Ivoire, Egypt, Ghana, Guinea, Kenya, Madagascar, South Africa, Tunisia, Uganda, Zambia
- Asia: China, India, Israel, Papua New Guinea, the Phillipines, Thailand
- Latin America and the Caribbean: Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Honduras, Mexico, Peru
- Australia, Canada, EU, Japan, New Zealand, Switzerland, USA

Type of fruit (non-citrus): apple, avocado, banana, date, grape, kiwi, mango, melon, papaya, passion fruit, peach, pear, pineapple, plum. Of these, banana is, by far the most important fruit from developing countries, but other tropical fruit are also sold in increasing quantities.

Citrus (fresh and juices):

- Africa: Egypt (limes), Morocco (oranges), South Africa (oranges, grapefruit)
- Asia: Israel (grapefruit, orange juice, grapefruit juice), Turkey (lemon)
  Latin America: Argentina (oranges, lemon, mandarins), Brazil (orange juice), Costa Rica (orange juice), Cuba (orange juice, grapefruit juice), Mexico (oranges, limes, orange juice), Uruguay
- Australia, European Union (oranges, tangerines, lemons, clementins, grapefruit, mandarins), USA

The major import markets are the United States, the United Kingdom, Germany and the Netherlands, followed by Canada, France and Japan. In addition, there are a number of smaller, but important, import markets, e.g. Switzerland, Denmark, Sweden, Belgium.

As shown above, fresh fruit and vegetables is the most important product group in the organic trade, both in terms of market size, number of producing countries, including many developing countries, and the level of consumer interest in the target markets. Organic fruit and vegetables are very important in the organic trade, as they are usually – together with dairy products – "entry products" when consumers start buying organic food.

Developing countries should continue to supply organic produce to target markets. The best prospects will be in tropical fruit and off-season vegetables; however, other items may also offer opportunities, for example when there is a temporary shortage of a fruit or vegetable grown locally in the target market. Exporters should be aware that there is an interest amongst consumers in trying new types and varieties of fruit and vegetables: They should also keep in mind that an important outlet may develop in the food service sector, which may require other forms of packaging and presentation, e.g. pre-cut produce.

Although not included in this product summary, it should be noted that there is an important market for processed organic fruit and vegetable products, like citrus and other fruit juices, canned fruit and vegetables, frozen vegetables, and fruit and vegetables used as ingredients in prepared food, e.g. baby food, jams and marmalades, dairy products and desserts.

Web sites:

www.fao.org/organicag/ - Organic Agriculture at FAO (several studies on fruit & vegetables)
www.ers.usda.gov - USDA Economic Research Service (an electronic *briefing room* and various studies, e.g. *Price Premiums Hold on as U.S. Organic Produce Market Expands, 2005*)
www.organicmonitor.com - Organic Monitor, UK (has published several studies on fresh fruit and vegetables, fruit juices and many other organic products)

Studies:

Production and export of organic fruit and vegetables in Asia. Earth Net Foundation/IFOAM/FAO, 2004.
The organic market in Switzerland and the European Union. FiBL/SIPPO, 2004.
Organic fruit and vegetables from the tropics. UNCTAD, 2003.
World markets for organic fruit and vegetables. CTA/FAO/ITC, 2001

SPICES, HERBS AND ESSENTIAL OILS

As is the case with almost all other organic products, official world production and foreign trade statistics are non-existent. There are likewise no comprehensive trade estimates of this product group, which consists of a very large number of various crops and species.

Organic spices, herbs and essential oils probably account for just over 1% of the total market for these products (conventional and organic). Applying this percentage to published trade statistics (see below) would give an approximate basis for the estimation of organic trade volumes. A good statistical source is the ITC publication *Global Spice Markets – Imports 1998-2002*, which can be downloaded from www.intracen.org/mds - click *Spices & Herbs* Another good source for statistics is FAOSTAT http://faostat.fao.org/ , an on-line database. It gives production and trade statistics for certain items, e.g. clove, vanilla, chillies and peppers, although most items are grouped together, e.g. *Spices nes* and *essential Oils nes.*

According to trade sources, important producers/exporters of organic spices, herbs and essential oils include the following countries (not exhaustive):

- Spices: Egypt (hot peppers), India, Uganda (vanilla, ginger), Argentina, Sri Lanka, Paraguay, Mexico, Vietnam (pepper, star-anise, cinnamon), Cambodia, Laos, Chile, Guatemala, Hungary (paprika), UR Tanzania (cinnamon, black pepper)
- Herbs: Bosnia Herzogovina, Bulgaria, Bolivia, Brazil, Paraguay, Vietnam, Nicaragua, Argentina, Uganda, Egypt, China, El Salvador (lemon grass), Chile, Burkina Faso (lemon grass, hibiscus flower), Zambia (lemon grass), Malawi (chillies and lemon grass), UR Tanzania
- Essential oils and oleoresins: Bosnia Herzogovina, Brazil, Bulgaria, Ethiopia, Ghana, Uganda, China, India, El Salvador, Egypt, Indonesia, Madagascar, Sri Lanka, Zambia
- Medicinal herbs: Bosnia Herzogovina, Brazil, India, Chile

The major importing countries are the United States, Germany, United Kingdom, France, the Netherlands Japan and Canada. Denmark and Switzerland are also important for suppliers to the flavour and food ingredients industry.

Spice and herb crops (in particular essential oil crops) use relatively modest amounts of plant nutrients compared to grain crops, and yield differentials between organic and conventional crops are usually small. Furthermore, plant pests and diseases are not generally a major problem. Costs for organic production are thus often lower than in conventional production. Consequently, it often makes economic sense to produce spices, herbs and essential oils using organic farming methods even if some or all of the produce has to be marketed initially as conventional without premium even if certified. Although this makes expansion of the supply of organic spices, herbs and essential oils relatively easy, the usual problems related to certification, quality, etc. cannot be ignored.

Spices and herbs
In the major markets, dried spices and herbs (conventional and organic) are sold in three main sectors: retail, catering/foodservice and food manufacturing. The latter category is the most important, accounting for 50-60% of trade in both conventional and organic spices and herbs in the EU, for example.

The conventional *retail* market for organic spices and herbs is likely to remain relatively small until supermarket chains offer a full range of organic spices and herbs. Natural food stores are currently more likely to stock a complete range of organic spices, and probably account for the largest share of retail sales. However, increased availability of and reduced premiums for organic supply will lead to greater sales in other retail outlets, as well. The retail trade usually obtains its supply direct from manufacturers or through whole food/organic wholesalers.

However, in the UK, for example, some niche marketing of organic spices packed at source for retail sale has been achieved on a small scale, e.g., spice jars with an integral grinder packed in South Africa, and packaged spices and herbs from Zimbabwe and India for the specialist organic trade.

The *foodservice/catering* sector offers good potential in the longer run for increased demand for organic spices and herbs, although sales are still very small.

Food manufacturers use dried organic spices and herbs as ingredients in a wide range of products (only a few non-organic spices can still be used in the manufacture of organic food and beverages). This is the market segment, where most developing country suppliers will need to focus, at least initially. Options for value-adding are generally limited to grinding and leaf processing, e.g. tea bag sizing for herbal teas.

Nevertheless, certain opportunities also exist for export of packaged food from developing countries, such as condiments (garlic paste, basil pesto, mustards, pasta sauce, etc.), which incorporate organic spices and herbs.

Essential oils and oleoresins

The main outlets for organic essential oils include the following: aromatherapy/natural medicine, perfumery and cosmetics, flavourings and food ingredient markets. The aromatherapy and cosmetics categories overlap, with many suppliers offering both types of product. It should be noted that the EC regulation on organic agricultural products and food stuff (No. 2092/91) is not applied to the aromatherapy/natural medicine, perfumery/ cosmetics industries, although regulations are currently being elaborated.

Traditionally, essential oils used in *aromatherapy* were seen as “natural” and more or less organic anyway, and this perception has limited the use of organic certified oils for this end-use. However, many aromatherapy companies now offer a full range of organic essential oils in major markets. Organic oils, with an audit trail required to be in place under certification rules, are often perceived by company buyers as having a reduced risk of adulteration. Furthermore, it is easier for larger aromatherapy companies to have direct links to producers, thus having more influence on consistent quality and regular supply.

Perfumery and *cosmetics* form the largest market for organic essential oils and extracts. Regulations covering organic cosmetics are being elaborated in the EU. When questions such as whether synthetic chemical preservatives may be used in organic cosmetics are resolved (through regulations), demand for organic oils should increase. Some individual certification agencies have developed their own health and beauty product standards, e.g. the Soil Association in the UK. However, more stringent labelling regulations in the EU might lead to reduced use of natural essential oils with their multiple constituents and favour synthetic single chemical alternatives.

Cosmetics are probably the most promising sector for the development of the organic essential oils and extracts business. However EU labelling regulations and the lack of mandatory standards for organic cosmetics is holding back rapid development of this market.

In *flavourings*, the market for organic essential oils and oleoresins has grown slowly and is limited by current regulations, which in the EU, for example, allow organic foods to contain natural (but not necessarily organic) flavours as long as less than 5% is used. For example, non-organic essential oils like bergamot can currently be used in organic tea to make an Earl Grey mix that qualifies as organic. The essential oils in demand for the flavour industry are mainly spice oils, produced largely in Sri Lanka and Madagascar, and the herb oils from the Mediterranean countries.

The flavourings market is expected to grow fairly slowly, mainly due to the following constraints: lack of reliability of suppliers, high price premiums, and legislation allowing non-organic flavourings in organic products. However, it should be noted that the market for organic oleoresins is on the increase.

Market prospects

Most spices, herbs and essential oil crops are labour intensive and are produced mainly in the tropics, and so provide export opportunities for developing countries. Interest in organic spices, herbs and essential oils continues to grow along with the overall market for organic food and beverages.

As value adding requires investments of money, skills and time, the immediate marketing opportunities currently are in increasing the supply of bulk spices, herbs and essential oils for re-packing or as ingredients for caterers and food manufacturers.

While there are excellent opportunities for producers of organic spices, herbs and essential oils, recommendations for production of specific crops are difficult to make. Markets are often niche rather than broad-based and can be flooded by produce from newly certified large producers changing the balance of supply and demand for specific crops in these dynamic markets. It is therefore important that producers keep themselves well informed of market developments, through information sharing, reading trade journals, visiting the target markets, etc., in order to determine what crops to grow, and for which markets.

www.intracen.org/mds (click *Spices & Herbs*) - International Trade Centre UNCTAD/WTO (see e.g. *Marketing Manual and Web Directory for Organic Spices, Herbs and Essential Oils*)
www.astaspice.org - American Spice Trade Association (USA)
www.herbs.org - Herb Research Foundation
www.epopa.info - The Natural Vanilla Markets
www.euroherb.com - European Herbal Practitioners association

DRIED FRUIT AND NUTS

This product group includes a large number of dried fruit and nuts from all over the world, produced in a variety of climatic zones. The FAOSTAT provides production statistics for the most important fruit and nuts as well as *fruits fresh nes* (others) and *nuts nes* (others). In 2005, total world production of the major tropical fruit (fresh) were, as follows:

- bananas: 72.5 million tons (of which Africa : 7.4 million tons)
- manogoes: 28 million tons (of which Africa : 2.7 million tons)
- pineapples: 15.9 million tons (of which Africa : 2.6 million tons)
- papayas: 6.8 million tons (of which Africa : 1.1 million tons)
- other tropical fruit: 16.5 million tons (of which Africa : 0.5 million tons)

FAO publishes production figures for fresh fruit but not for dried fruit. However, drying of fruit takes place in almost all tropical countries, although not always in commercial quantities or of export quality.

World production of cashew nuts (organic and (mainly) non-organic) amounted to 2,3 million tons in 2005, of which Africa produced about 600,000 tons. The biggest producers were Vietnam, India, Brazil, Nigeria, UR Tanzania, Cote d'Ivoire, Guinea-Bissau and Mozambique (order of size). In total there were 15 producers of cashew nuts in Africa, including also Kenya. World production of groundnuts (in shell) amounted to 36.5 million tons in 2005 (of which Africa: 8.9 million tons). FAO statistics for macadamia nuts do not exist.

As in the case of other product groups, organic dried fruit and nuts are not shown separately in FAO production statistics, but normally account for a very small percentage of the total. Cashew nuts and tropical fruit (pineapple, mango, papaya, banana) are of special interest to organic producers in East Africa. Other nuts, like macadamia nuts and peanuts (groundnuts), may also be of interest. Reliable trade figures are non-existent, but EPOPA has come up with the following rough estimates: dried organic mango and pineapple: 500 tons (2003), organic shelled cashew nuts 2,000 tons (2001) and peanuts (shelled groundnuts): 4,000-8,000 tons (2001). Although the trade may have grown since then, it is clear that the market is still very small.

As far as organic dried tropical fruit and organic nuts are concerned, the following countries are believed to be producers and exporters (list not exhaustive):

- Dried tropical fruit: Bolivia, Brazil, Burkina Faso (mango), Cameroon, Colombia, Costa Rica, Ecuador, Ethiopia (pineapple), India, Peru, the Philippines, Sri Lanka, Thailand, Togo, Uganda (apple bananas, papaya, mango, pineapple, ginger) and Zambia. However, many other tropical countries export dried tropical fruit and may enter the organic trade.
- Cashew: Brazil, Burkina Faso, El Salvador, India, Sri Lanka, UR Tanzania, Vietnam,
- Macadamia nuts: Australia, Ecuador, Guatemala, USA,
- Peanuts: China, Egypt, Spain, Uganda, USA

The main import markets for nuts, including cashew nuts, and tropical dried fruit are the USA, Germany, the UK, France and the Netherlands (mainly for re-exports).

Dried tropical fruit and nuts enjoy a large number of different end-uses. The following industries form the most important market segments:

- Retail packing: single-cashew packs, single-macadamia packs, single-peanut packs, mixed nuts packs, single-fruit packs (pineapple, mango, papaya, banana), mixed tropical fruit, mixed fruit (tropical and non-tropical), and mixes of different fruit and nuts
- The breakfast cereal industry: tropical fruit is often used with other fruit and nuts (e.g. because of their strong colours). Cashew, macadamia and peanutss are little, if at all, used in breakfast cereals.
- The confectionary industry: health bars, snack bars, müsli bars, fruit bars, nut bars, chocolate bars, etc.
- Other food manufacturers: bakery, dairy and baby food products. Dehydrated and even freeze-dried fruit (as opposed to sun-dried) is used in some products like instant desserts and various prepared meals.

While the market for organic cashew and other tropical nuts and tropical fruit is small, opportunities do exist for producers who can deliver good quality and certified products. In most cases it may be best to develop products and markets in close co-operation with an importer or packer in the target market from the very beginning, including possibly the alternative trade, which might also facilitate *fair trade* labelling.

www.epopa.info - The European Market for Organic Cashew Nuts (summary)
www.epopa.info - Organic and Fairtrade Peanut Markets in Europe (summary)
www.epopa.info - The Market for Organic Dried Fruits from Tropical Origins (summary)

HONEY

In 2004, total world production of honey (non-organic (mainly) and organic) amounted to 1,345,672 tons, of which 152,385 tons were produced in Africa (FAO). Main African producers were Ethiopia, UR Tanzania, Angola, Kenya and the Central African Republic.

While most African honey (or at least a major part of it) may be organic by default, only a small fraction of it is certified organic.

Total world trade (exports) amounted to $ 946 million (2003). Main exporters were Argentina, China, Germany, Mexico and Hungary. Main importers were Germany, USA, UK, Japan and France.

In 2003, Africa exported $ 3.1 million worth of honey (mainly Egypt ($ 1.1 million)), UR Tanzania ($ 1.0 million) and Zambia ($ 0.7 million). Very little of this is believed to be certified organic honey. However, in recent years Zambia has developed an important export business in organic honey. According to one source, exports amounted to over 350 tons in 2004 or $ 0.75-0-85 million (virtually all its exports of honey). Previous ITC work (2004) has indicated a good potential for organic beekeeping in East Africa. (see, for example, Kenya supply report prepared by EPC in 2004).

According to EPOPA, the German market for organic honey amounted to about 2,500 tons in 2004, whereas the UK market was close to 1,000 tons. It may be roughly estimated that in 2005, the total European market for organic honey was around 5,000 tons, and that the total world market may be around 10,000 tons.

Honey (including organic) is sold either as table honey (usually in glass or plastic jars or bottles), either as monoflora or as blended honeys, or as industrial honey, e.g. for the bakery industry, the dairy-, beverage-, and confectionery industries. There is a growing market for both organic table honey and for organic industrial honey. Both categories are usually exported in bulk, typically in 300 kg metal drums, the main reasons being high freight costs (e.g. glass containers are heavy), poor and/or expensive packaging material and labelling, quality and type of honey (if in need to be blended with honeys of other origins), poor marketing, etc.

In recent years, contaminated honey, imported, *inter alia*, from China, has become a major problem in the honey trade. Such honeys may include antibiotics, insecticides and/or other veterinary residues. An additional problem, partly as a result of the contamination problem, is the appearance of ultrafiltered honey or “UF honey”, which is a technical process whereby not only impurities but also the valuable properties of honey have been removed. This new situation has resulted in: a) that consumers have become worried or scared and b) that in the food industry some companies may have started to use “UF honey” instead of real honey, because that it is much cheaper. This whole development is obviously detrimental to a sound honey trade, although it also offers new opportunities to producers and traders of organic honey: yet another example of a food scare benefiting the organic industry.
Suppliers of organic honey (not exhaustive):

Latin America: Argentina, Brazil, Chile, Guatemala, Mexico, Uruguay,
Africa: UR Tanzania, Zambia,
Asia: India, Vietnam, Turkey
Oceania: Australia, New Zealand
Europe: Several EU countries and Switzerland

While East African honey is little known amongst consumers (outside its home market), the European honey trade is quite familiar with it, in particular Tanzanian honey, which has been exported – on and off – for many years. However, the quality has usually been considered poor (problems with HMF and humidity content) and has therefore mostly been sold as industrial honey at low prices.

If East African honey can be sold as organic (and/or *fair trade*) it should not only attract a premium price, but should also be able to distinguish itself more easily in the marketplace. Efforts should be made to develop flavours (floral sources) that appeal to European consumers, because they know them already (e.g. acacia) or because it is a new flavour (e.g. coffee). It should be noted that both these flavours are already being produced in East Africa.

By providing high quality honey, both in terms of intrinsic quality and floral source (monoflora and even polyflora), producers should be able to aim for the table honey market (initially in bulk for re-packing). When quantities are sufficient, producers should also investigate possibilities to do *co-packing* with a packer in the target market. Some producers should be able to benefit from both organic and *fair trade* marketing of honey. It should also be noted that the local markets in East Africa have a good potential for honey (mainly non-organic for the time being), thus forming a solid basis for export development.

www.honeyassociation.com - The Honey Association (UK)
www.beesfordevelopment.org - Bees for Development (information source for DCs)
www.beekeeping.com/databases/eu_organic_honey_standard.htm - EU Organic Honey Standard
www.beekeeping.com/articles/us/organic_standards.htm - QAI Organic Honey Standards (USA)
www.hipa.org.uk - Honey International Packers association (Europe)
www.apimondia.org - International federation of Beekeepers' Associations (International)
www.nhb.org - National Honey Board (USA)
www.ibra.org.uk - International Bee Research Association (International)
www.epopa.info - Export opportunities for African Organic Honey (summary)

COFFEE

In 2004, total world production of green coffee (non-organic (mainly) and organic) amounted to 7,761,397 tons, of which 1,017,736 tons were produced in Africa (FAO). Main African producers were Ethiopia, Uganda, Cote d'Ivoire, Madagascar, Kenya, Cameroon and UR Tanzania. FAO lists a total of 37 producers in Africa.

In 2003, total world trade (exports) in coffee amounted to \$ 7.3 billion (green, \$ 5.55 billion and roast, \$ 1.74 billion), making coffee (together with cotton) the most important commodity in world trade after oil. Main exporters of green coffee are Brazil (\$ 1.3 billion), Colombia (\$ 812 million), Vietnam (\$ 330 million), Germany (re-exports) (\$ 313 million), Guatemala (\$ 299 million), followed by Indonesia, Ethiopia, Peru, Honduras and Mexico. Main importers of green coffee are USA (\$ 1.7 billion), Germany (\$ 1 billion), Japan (\$ 539 million), Italy, France, Belgium, Spain and the Netherlands.

In 2003, Africa exported \$ 611 million worth of green and roast coffee (mainly Ethiopia (\$ 184 million), Kenya (\$ 91 million), Cote d'Ivoire (\$ 79 million), Cameroon (\$ 69 million), UR Tanzania (\$ 49 million) and Uganda (\$ 37 million). Very little of this is believed to be certified organic coffee. However, in recent years Uganda has developed an important export business (has more than 20,000 organic coffee small holders), and others, e.g. UR Tanzania, are starting to do so.

While FAO trade figures are not yet available for 2004, ICO (International Coffee Organization) figures put total exports of coffee (in terms of bags – one bag is 60 kg), as follows: 88.95 million bags for the year 2004/05 (October to September) compared to 88.74 million bags in 2003/04, corresponding to a small increase of 0.24%. *Arabica* accounted for two-thirds of this, whereas *Robusta* accounted for one third.

According to the ITC coffee guide, the first organic coffee cultivation was recorded at the Finca Irlanda in Chiapas, Mexico (1967), and the first organic coffee to be imported into Europe from a small farmers' cooperative came from the UCIRI cooperative in Oaxaca, Mexico (1985). The cooperative converted and marketed its coffee with the help of a joint venture formed by a Netherlands commercial roaster, Simon Lévelt, and GEPA, a German NGO specializing in alternative trade, both of which are still important players in the organic coffee business.

In 2001/02 trade sources estimated world production of organic coffee at some 48,000 tons or 800,000 bags (ITC), which was probably ten to fifteen percent higher than consumption. Trade estimates for consumption in 2002/03 are given in the table below.

Estimated consumption of organic coffee in 2002/03 in major consumer countries		
Country	**Bags**	**Market share organic coffee (%)**
United States	200,000	1.1
Canada	27,000	1.1
Japan	33,000	0.5
Germany	110,000	1.2
France	58,000	1.2
Italy	48,000	0.9
United Kingdom	23,000	1.0
Denmark	22,000	2.8
Spain	22,000	0.7
Switzerland	29,000	2.4
Austria	15,000	2.0
Netherlands	15,000	0.8
Sweden	12,000	1.0
Finland	9,000	0.9
Belgium/Luxembourg	7,000	0.9
Norway	7,000	0.9

Other Europe*	33,000	0.4
Unspecified	20,000	-
Brazil	30,000	0.2
Total	**720,000**	-

Source: Various trade estimates * including Eastern Europe * 1 bag is 60 kg

Extract from ITC's *The Coffee Guide Website.* Visit www.thecoffeeguide.org

As shown, the three largest markets, the USA, Germany and France, together accounted for about half of the total consumption of organic coffee. However, several other markets are also important.

Assuming annual growth rates of between 5-10%, the 2004/2005 consumption can be estimated at between 830-960,000 bags, or between 49,800-57,600 tons. (Note: this figure may even be too high according to some sources. For example, a figure of 20,000 tons of trade in organic coffee was discussed during the 2004 IFOAM Conference on Organic Coffee (held in Uganda)). In any case, organic coffee constitutes only a very small fraction of the total coffee business.

Few, if any, reliable estimates are available with regard to production and exports of organic coffee, but suppliers include the following countries:

- Latin America and the Caribbean: Bolivia, Brazil, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Peru, Trinidad and Tobago, Venezuela
- Africa: Cameroon, Ethiopia, Ghana, Madagascar, Malawi, Togo, UR Tanzania, Uganda,
- Asia: China, India, Indonesia, Nepal, Papua New Guinea, the Philippines, Sri Lanka, Vietnam

The international coffee business is dominated by a few very large multinational companies on the roasting and processing side, and at the retail level most coffee is sold through the major retail group. Until relatively recently, however, the organic coffee market was developed mainly through alternative trade channels - similar to those promoting *fair trade* products - with close links between grower communities and distribution channels and consumers in the target markets. Now organic coffee is increasingly sold through the mainstream retail channels.

It is also significant that some foodservice companies have started to offer clients a choice of organic and non-organic coffee. Starbucks, for example, serves organic coffee in many of its stores and also sells it in retail packs. McDonald's is currently introducing a blend of *fair trade* and organic coffee in its restaurants in New England (USA). Similar developments are taking place in other companies in the foodservice sector.

Prospects

As the world market for coffee is highly competitive and largely oversupplied, many producers are trying to take advantage of the growing market interest in high-quality and specialty coffees, as mentioned above. For a growing number of consumers sustainability is very important, a feature that organics share with other forms of certified coffees, e.g. *fair trade, shade grown and Utz Kapeh*. While these different categories of coffee may compete against each other, it is also noteworthy that they are increasingly being promoted together, like in the above example with McDonald's serving a blend of *fair trade* and organic coffee. At retail level, there is usually a range of *fair trade* and/or organic coffees available.

While it is advisable, that producers try to obtain premium prices through the production and marketing of organic and other forms of sustainable coffees, they should be aware that this segment of the coffee market is also becoming increasingly competitive. It is therefore paramount that the intrinsic quality of the coffee is high, and that production systems and marketing arrangements are based on solid feasibility studies and realistic marketing plans, whether this involves the mainstream coffee business or alternative trade channels.

www.thecoffeeguide.org - The ITC's *The Coffee Guide Website* (International)
www.ico.org - The International Coffee Organization (International)
www.ota.com/about/sectorcouncils/coffee/index.html - OTA's Coffee Council (USA)
www.ota.com/organic_and_you/coffee_collaboration.html - Organic Coffee Collaboration
www.cafedirect.co.uk/ (United Kingdom)
www.utzkapeh.org - Certified responsible Coffee (International)
www.tcworldcup.net - Tea & Coffee World Cup Exhibitions (International)

COCOA

Although a Google search revealed more than 43,000 results on "organic cocoa", there does not seem to be any recent attempt (at least not published) to quantify the production of and foreign trade in this product group. Even the International Cocoa Organization (ICCO) refers to relatively old figures (estimates) in the study, *Organic Coffee, Cocoa and Tea* (published 2002 by SIPPO, FiBL and Naturland).

According to this study, the 1999/2000 production of certified organic cocoa beans amounted to 11,800 tons, produced by the following thirteen countries: Madagascar, UR Tanzania, Uganda, Belize, Bolivia, Costa Rica, the Dominican Republic, Mexico, Nicaragua, Panama, Peru, Fiji, and Vanuatu, the three largest being the Dominican Republic (6,000 tons), Madagascar (1,200 tons) and UR Tanzania (1,000 tons). (Note: This is neither an exhaustive nor an up-to-date listing of suppliers. Other countries also mentioned by the trade include Brazil, Costa Rica, Cuba, Ecuador, El Salvador, Ghana, Togo, Venezuela, etc.)

In the calendar year 2000, imports of certified organic cocoa beans into eight European countries amounted to 11,000-14,000 tons (including some re-exports), according to the same study. Germany and the Netherlands were the two largest importers (accounted for well over half of the total), followed by Switzerland, France, Italy, Spain, United Kingdom and Belgium.

The above-mentioned study does not indicate figures for other producers or import countries, e.g. the USA and Japan (the former now being a large market for coffee, while the latter seems to be insignificant), but again the listing is not exhaustive.

A later study (EPOPA) estimated imports into Europe at 14,000 tons of cocoa bean equivalents (2003), including about 2,000 tons re-exported to the USA. USA also imports this item direct, although no estimates are available. A very rough estimate might put total world trade at about 30,000 tons in that year, which is little compared to total world imports of cocoa beans (non-organic and organic) of 2,691,723 tons.

There are several indications in the market that sales of organic chocolate and other cocoa-based products are on the increase, and that world demand for organic cocoa is becoming stronger. For example, the fast-growing UK organic chocolate maker *Green & Black's* was recently taken over by Cadbury Schweppes, a major international confectionary group, which will no doubt result in intensified marketing of organic chocolate, both in the UK and elsewhere.

Store observations - whether made in Coop (Switzerland), Waitrose (UK), Whole Food (USA) or in many other retail outlets and countries – indicate a growing consumer interest, stimulated by new products being developed, including beverages and even body creams and other personal care products. The trend to offer consumers products that are both *organic* and *fair trade* is also evident for cocoa-based products, chocolate in particular.

Although the demand appears to be on the increase, the organic cocoa trade still faces several problems, e.g. insufficient quality and lack of continuity in supply, fear of oversupply, certification issues, and administrative procedures. Co-operation and partnerships between producers and serious companies in the target markets, whether importers, manufacturers or retail groups, continue to be of the greatest importance in fully exploiting the organic potential.

www.icco.org/ - International Cocoa Organization (ICCO)
www.worldcocoafoundation.org/ - World Cocoa Foundation
www.epopa.info - Export Promotion of Organic Products from Africa (epopa)
www.sippo.ch/files/publications/bio-kakao_a.pdf - *Organic Coffee, Cocoa and Tea*
www.greenandblacks.com/ - Green & Black's
www.epopa.info - The Organic Cocoa Market in Europe (summary)

TEA

In 2004, total world production of tea (non-organic (mainly) and organic) amounted to 3,295,287 tons (FAO), the main producers being China, India, Sri Lanka, Kenya and Indonesia (about 75% of the total). Africa produced 480,274 tons, the main producers being Kenya (295,000 tons), Malawi (45,000 tons), Uganda (36,000 tons), UR Tanzania (25,500 tons), Zimbabwe and Rwanda. FAO lists a total of 43 producers in Africa.

In 2003, total world trade (exports) in tea amounted to \$ 2.6 billion, making tea one of the most important agricultural commodities in world trade. The major exporters of tea were Kenya (\$ 481 million), China (\$ 385 million), India (\$ 333 million), Sri Lanka (\$ 316 million) and the UK (\$ 240 million worth of packaged tea). As shown, Kenya has achieved an enormous success (tea is its second largest export item). Other important African exporters include Malawi ($ 47 million), UR Tanzania ($ 25 million), Zimbabwe, South Africa and Rwanda.

The same year the main import markets were the UK ($ 272 million), the USA ($ 187 million), Russia ($ 245 million), Pakistan ($ 175 million) and Japan ($161 million). Other large importers were Germany, France, Canada, Morocco, Australia, Egypt and the Netherlands (in order of size).

There is very little statistical information on production and trade in organic tea. Even the International Tea Committee's web site (largely catering to members) seems to offer little help. However, the study *Organic Coffee, Cocoa and Tea* (published 2002 by SIPPO, FiBL and Naturland) gives some useful estimates: China's production was estimated at 4,000-5,000 tons of green tea (incl. 800-1,000 tons for export), India's at 3,000-4,000 tons of (mainly) black tea for export, and Sri Lanka's at about 800 tons. The study also lists UR Tanzania, Vietnam, Japan, Argentina and Indonesia as organic tea producers/exporters. Others identified during recent store and fair observations include: China (green, Ginko), Paraguay (green tea), Kenya (black tea), South Africa (rooibus, rooibus green, honey bush), Peru, Vietnam, Israel (herbal tea), Egypt (herbal tea), Chile (herbal tea), Zambia (lemon grass), Bolivia (fruit tea).

The largest import markets for organic traditional and herbal teas are the USA, the UK and Germany, followed by other European countries, Canada, Japan and Australia.

As indicated, consumers are faced with a huge choice of different tea products, including the following main categories:

- Traditional tea varieties based on Camellia sinensis (e.g. classified according to origin, e.g. Ceylon, Darjeeling, etc.; according to fermentation, e.g. black tea or green tea; production method; period of picking; type of leaf; special teas, e.g. Oolong)
- Varieties based on other tea plants, e.g. South African Rooibus and honey bush teas, South American Yerba Mate tea and Lapacho tea
- Fruit and herbal teas

In recent years a number of developments have affected the tea business. Firstly, there has been a growing interest in tea because of real and perceived health benefits. Secondly, the market has expanded from largely black and (later) green teas to include also a wide range of other teas, like Rooibus and various fruit and herbal teas. Thirdly, new forms and types of retail outlets have made these products easier to obtain for today's consumer. Organic teas have obviously benefited greatly from these trends in terms of increased sales. On the other hand, world production of certified organic teas (both traditional and herbal ones) have increased strongly the last few years and thus put strong pressure on prices. Producers and the organic tea business, as a whole, would benefit from comprehensive market research and an up-to-date compilation of trade statistics or estimates.

www.sippo.ch/files/publications/bio-kakao_a.pdf - *Organic Coffee, Cocoa and Tea* (study)
www.intteacomm.co.uk - The International Tea Committee (ITC)
www.tcworldcup.net - Tea & Coffee World Cup Exhibitions (International)

COSMETICS AND PERSONAL CARE PRODUCTS

"After logging a stellar average yearly growth rate of 144 percent between 1996 and 2000, sales of organic personal care products increased 38 percent between 2000 and 2001, according to the Organic Trade Association's *Manufacturer Market Survey.* In 2002, the sales increase was 29 percent, according to this year's market overview ……." (the natural foods merchandicer, January 2003).

"Natural and/or organic personal care sales have rocketed to $4.3 billion, and may reach $6.6 billion in 2010 - a jump of more than 50%. Led by Baby Boomers and Gen-Xers, Americans are craving safer, non-chemical-based toothpastes, deodorants, anti-aging preps, shampoo, makeup, etc. As a result, this market has broken out from the burgeoning health food/HBC channel, and is exploding in mass retail (supermarkets, chain drugstores, mass merchandisers)……." (Packaged Facts', January 2005).

"Certified natural personal care products are getting ahead: Product variety in attractive outfits, degree of awareness and interest in the manufacturers' brands are growing continuously. This is reflected in rising sales figures at the point of sale and encouraging turnover growth for the manufacturers. The German natural personal care companies, the world market leaders, are fully satisfied with the first half of 2005. Growth is mainly in the two-digit range, with record growth figures of over 30 per cent also reported, especially for abroad……." (BioFach 2006 – Press Release, 27 October 2005).

While there are no official statistics to show the size of world market for organic cosmetics and personal care products, the above quotes from various trade journals and press releases are certainly strong indications that the business is substantial and that it is enjoying very high growth rates. If the broader definition "natural and organic" is used, the size of the business will obviously be even larger.

The sector is benefiting from the general interest in organic food and beverages, e.g. growing consumer awareness of environmental and health issues, and from the very strong wellness trend now present in most major markets. Consumers are increasingly aware that by using organic products they are not exposed to ingredients containing petrochemicals, synthetics, etc. normally used in conventional cosmetics and personal care products.

One of the problems in the industry is the lack of clear definitions and standards to determine what organic cosmetics and personal care products really are. In the US, for example, the USDA has ruled that manufacturers can use the terms "organic" and "made with organic ingredients", if ingredients are certified according to NOP standards. However, there is still a lot of controversy, and the Organic Trade Association (OTA) has established the *Personal Care Task Force* in order to explore, analyse and develop consensus standards for personal care products containing organic ingredients. Similar developments are taking place in some other markets.

The major end-uses for organic ingredients include hair care, skin care, oral care, body care, bath and sun products. The following selected organic ingredients may illustrate the type and range of products used:

Safflower oil, yucca schidigera extract, calendula extract, chamomile extract, marshmallow extract, olive extract, tea tree extract, aloe vera, gotu kola extract, hops extract, nettle extract, geranium essential oil, lemon essential oil, hazel extract, orange essential oil, lavender essential oil, plantain extract, rosehip seed oil, cocoa butter, unrefined beeswax, avocado oil, lime essential oil, sage extract, cinnamon essential oil, clove essential oil, vanilla extract, jojobo oil, honey, etc.

As shown, developing countries in East Africa and elsewhere produce many of the products mentioned above. In fact, most product summaries in this study deal with crops used as ingredients in organic cosmetics and personal care products. In addition to the well-known medicinal plants and herbs, exotic plants and new raw materials previously unknown in cosmetics are increasingly being sourced. It is worthwhile to further investigate and explore these opportunities.

COTTON AND OTHER NATURAL FIBRES

Although cotton is biodegradable, and a renewable resource, it is also one of the most chemically intensive crops to grow. According to an OTA report, cotton uses about 25% of the world's insecticides and more than 10% of all pesticides (including herbicides, insecticides, and defoliants); it takes about 150 g. of chemicals to grow enough cotton for just one T-shirt (see www.ota.com/organic/environment/cotton_environment.html). The crop consequently has a very considerable impact on the environment and on the health of people involved in growing and producing it.

Cotton is one of the most important crops and internationally traded agricultural commodities in the world. In 2003, world exports of cotton lint (almost all conventional) amounted to about $ 8 billion, slightly surpassing exports of green coffee (FAO). The main exporting countries are the USA ($ 3.4 billion), Uzbekistan ($ 698 million), Australia ($ 595 million), Greece ($ 371 million) and Egypt ($ 366 million). Total exports from Africa amounted to $ 1.56 billion in 2003. Apart from Egypt the biggest African suppliers are Mali, Cote d'Ivoire, Benin, Burkino Faso and Cameroon. The principal importing countries are China ($ 1.4 billion), Indonesia ($ 644 million), Mexico ($ 594 million), Thailand ($ 526 million) and the Republic of Korea.

Few reliable estimates are available with regard to production and exports of organic cotton, but the following estimates may be useful:

According to *Agricola Partners,* world organic cotton production (19 countries) increased steadily from 3,408 tons in 1992 to a peak of 12,864 tons in 1995, thereafter declining to 7,967 tons in 1997. In 2000/2001, world production (12 countries) reached about 6,400 tons (OTA). As shown, this is an extremely small fraction of total cotton production.

The *Organic Exchange Update* estimates the market (mill/spinner demand) for "organic cotton contained in finished products" at about 10,000 tons, while the supply of organic cotton lint was estimated at about 20,000 tons (2005). The 2005/2006 production is expected to be around 29,000 tons. According to a *Helvetas/SECO* fact sheet, the export value of organic cotton fibre was $ 32 million in 2004.

Organic cotton producing countries include the following:

- Africa: Benin, Burkina Faso, Egypt, Mali, Mozambique, Senegal, UR Tanzania, Togo, Uganda, Zambia and Zimbabwe
- Latin America: Argentina, Brazil, Nicaragua, Paraguay, Peru
- Asia: Azerbaijan, China, India, Israel, Kyrgyzstan, Nepal, Syria, Thailand, Pakistan, Turkey
- North America: USA
- Europe: Greece
- Australia

The main suppliers are Turkey, India, the USA, China and UR Tanzania, followed by Pakistan and Uganda. Some of the other countries mentioned produce only small quantities, while yet other countries again have started to grow organic cotton, e.g. Kenya, Mozambique, Togo, Zambia and Zimbabwe. In most developing countries the organic cotton industry is heavily project-oriented (external technical assistance through foreign donor, NGOs, etc.).

In the USA - both a producer and a major market for organic cotton - domestic growers produced about 4,700 bales in 2003. The total acreage was just over 4,000, compared with more than 9,000 the previous year. The decline in production was caused by foreign competition and low prices, according to OTA. However, in 2004 the production increased to about 6,800 bales harvested from 5,550 acres. Texas produces the biggest share, but organic cotton is also grown in California, Missouri and New Mexico. The U.S. market for organic fibre finished products (mainly made from cotton) increased by 23% in 2003, to $ 85 million. Market size estimates are not yet available for 2004. In addition to the USA, main import markets include Germany, the UK, Switzerland and Sweden and possibly others.

Organic fibres are used in a variety of end products, including clothes (children, sports, workplace, etc.), personal care items (sanitary products, make-up removal pads, etc.), home furnishings (blankets, bedding, towels, rugs, etc.) and children's products (e.g. diapers and toys). Some manufacturers, e.g. of sportswear, use 100% organic fibres, others blend organically and conventionally grown cotton, and some companies may blend organic and synthetic fibres. Important manufacturers and retailers of organic cotton products include:

> Manufacturers: *Nike*, USA (a line of clothing), *Patagonia*, USA (sports clothing), *GAIAM*, USA (blankets, pyjamas, sheets), *Otto Ocho,* USA (baby, children's, men's and women's clothing)
>
> Retail organizations: *Sam's Club*, USA (a Wal-mart division with an organic apparel line for women), *Coop,* Switzerland (with its Naturaline of textiles), *Whole Food Market, Wild Oats and Trader's Joe* - all three in the USA (home and personal care products)

Although world production and trade in organic cotton is still small, the market for organic fibre-made (mainly cotton) consumer products appears to be growing strongly. Estimates of annual growth rates range between 20-40%, depending on product sectors and markets. In spite of this, one of the main problems in the trade is artificially low world market prices for cotton, mainly as a result of very high government subsidies in the USA. Other problems include high duties and quotas in addition to the obvious problems in the organic farming itself, which is extra complicated in the case of organic cotton. Nevertheless, the world market for organic fibre products, in particular cotton, is here to stay and is being promoted heavily by the organic movement, traders and manufacturers, NGOs, trade associations and consumer organizations, etc.

It should be noted that cotton was a crucial component of the WTO ministerial negotiations, which took place in Hong Kong in December 2005. A compromise ministerial declaration on cotton include, *inter alia,* the following two points

- All forms of export subsidies for cotton will be eliminated by developed countries in 2006

- On market access, developed countries will give duty and quota free access for cotton exports from least-developed countries (LDCs) from the commencement of the implementation period

The declaration also comments on domestic subsidies for cotton production, development assistance aspects of cotton, South-South cooperation, including transfer of technology, etc. See www.wto.org/english/thewto_e/minist_e/min05_e/final_text_e.htm

It should also be noted that ITC is planning to produce a *Cotton Exporter's Guide* on how to find new business partners in world markets. It will be a reference book for cotton exporters, especially smallholders and traders, on how to finalize orders and how to manage the overall export process of cotton. It is suggested that a chapter be included on organic cotton. See ITC press release of 14 December 2005.

Finally, developing countries should be aware that there is also a market for other organic fibres, including wool, hemp, flax/linen, soybean plant, bamboo, jute and silk, many of which many can be produced in developing countries.

www.sustainablecotton.org - The Organic Cotton Site
www.organiccottondirectory.net - International Organic Cotton Directory
www.intercot.org - Conference on Organic Textile
www.coromo.com - Japan Texas Organic Cotton Association
www.pan-uk.org - Pesticide Action Network UK (note: the Market Guide)
www.organicconsumers.org/organiccotton.html - Organic Consumers Association
www.organicexchange.org/ - Organic Exchange
www.ota.com - The Organic Trade Association
www.aboutorganiccotton.org) - Organic Cotton – Woven Through Life
www.icac.org - International Cotton Advisory Committee
www.helvetas.ch/wEnglish/organic_cotton/welcome_page.asp?navid=36 - Helvetas/SECO (*the organic cotton pages* and free subscription to the *Cotton Newsletter*)

Selected sources of information

The world of organic agriculture – statistics and emerging trends 2006. IFOAM/ SöL/ FiBL, BioFach, 2006.

EU market survey 2005: Organic food products. CBI, 2005.

The Canadian market for organic food and beverages. ITC, 2004.

Marketing manual and web directory for organic spices, herbs and essential oils. ITC. 2004.

The Japanese market for environmentally and socially certified agricultural products from Central America. IFOAM/RUTA/FAO/The World Bank, 2004.

Production and export of organic fruit and vegetables in Asia. Earth Net Foundation/IFOAM/FAO, 2004.

The organic market in Switzerland and the European Union. FiBL/SIPPO, 2004.

Organic fruit and vegetables from the tropics. UNCTAD, 2003.

The United States market for organic food and beverages. ITC, 2002.

Organic coffee, cocoa and tea. FiBL/IFOAM/SIPPO/Naturland, 2002.

World markets for organic fruit and vegetables. CTA/FAO/ITC, 2001

Organic food and beverages: world supply and major European markets. ITC, 1999.

In addition: numerous trade journals, papers, newsletters, web sites, etc. including those mentioned in the text or the boxes in this study.