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# Demand for organic products from East Africa


by  
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## What do you find in the study ?

- Overview of world trade in organic products
- Brief summary of selected major markets:  
Germany, UK, Netherlands, USA and Canada
- Overview of distribution channels in:  
EU, USA and Canada
- Briefs on nine product groups from East Africa
- Conclusions and recommendations

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## Who are the target audiences ?

- Farmers, producers, exporters of organic products
- Organic associations and export promotion offices  
in East Africa and other developing countries
- Government agencies and ministries
- International organizations, NGOs, banks, donors

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## Global market size (retail sales)

- 1997: \$ 10.5 billion
- 2001: \$ 19 billion
- 2003: \$ 23-25 billion
- 2004: \$ 27 billion
- 2005: \$ 30-32 billion

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## Germany - market size/trends

- Largest market for organic food and beverages in Europe
- Retail market estimated at \$ 5.1 billion in 2005
- Biggest import market in Europe for most products
- German traders play important role in inter-EU trade
- Organic food service sales starting to develop
- Organic non-food products growing rapidly
- Competition keen at all levels
- Good prospects for most organic products from East Africa

## UK - market size/trends

- Retail market estimated at \$ 2.5 billion in 2005
- Second largest import market for organics in Europe and the most import dependent
- Strong lobby to reduce import dependency, but imports expected to remain high
- Consumers concerned with animal welfare and anti-GMO
- Growing market for organic non-food products
- Organic food service sales starting to develop
- Good prospects for most organic products from East Africa

## Netherlands - market size/trends

- The Netherlands is a medium size EU market for organics
- Retail market estimated at about \$ 500 million in 2005
- Amongst largest import markets in Europe
- Major EU-trader (re-exports) of fresh produce, raw material/ingredients and semi-processed food
- Good prospects for most organic products from East Africa

## USA - market size/trends

- World's biggest market for organic food and beverages
- Retail market estimated at \$ 15 billion in 2005
- Big import market for raw materials/ingredients, but also for fresh produce (tropical and off-season)
- Organic food sales small but with great potential
- Organic non-food sales growing rapidly
- East Africa will face strong competition from Latin America (raw material and fresh produce) and Europe (packaged food)

## CANADA – market size/trends

- **Sixth largest market for organic food and beverages**
- **Retail market estimated at US\$ 1-1.2 billion in 2005**
- **High growth rates in recent years (20%)**
- **Amongst world's highest import ratios**
- **USA is biggest supplier of packaged food and (re-exports) fresh produce and raw material/ingredients**
- **Growing interest in direct import from DCs, including Africa**
- **East Africa will face strong competition from Latin America**

## Other markets

Study also provides some information on:

- Other EU countries
- Switzerland
- Japan

## Distribution channels:EU

- The EU now consists of 25 member countries (15+10)
- Most import trade done by specialized importers
- Important inter-EU or cross-border trade, e.g.
  - packaged food from Germany and France to the UK
  - fresh tropical fruit from Africa imported by the Netherlands and re-exported to Scandinavia
- Major markets dominated by large supermarket chains
- Organic supermarkets becoming more important
- Most companies experienced in trade with Africa

## Distribution channels:USA

- Large number of specialized importers, e.g. fresh produce, dried fruit and nuts, spices and herbs, etc.
- Major food manufacturers increasingly involved in production of organics
- Retail trade dominated by
  - natural and organic food stores, e.g. *Whole Foods* (about 180 stores) and *Wild Oats* (about 115 stores), and
  - conventional supermarket chains, e.g. *The Kroger Co.*, *Albertson's*, *Safeway Group* and *AHOLD USA* (Dutch firm)

## Distribution channels:Canada

- Huge territorial size of country – regional distribution
- Importers/distributors mainly in:  
Vancouver, Montreal, Toronto
- Big retailers, e.g. *Loblaws*, going into organics aggressively
- Growing number of natural food supermarkets
- Big involvement of US companies at all levels

## Nine product briefs

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

## What is covered in product briefs ?

- Statistics on conventional products
- Estimates of production of and/or trade in organics
- List of competing countries
- List of major markets
- Market information
- Relevant Web sites for product in question

## Conclusions: positive developments

- Organic agriculture continues to expand rapidly worldwide
- Many DCs are developing important domestic markets
- Organic products continue to enter the mainstream retail trade
- Strong growth in specialized organic supermarkets
- Major food manufacturers are developing organic product lines
- Food service sales (restaurants, canteens, institutions) are increasing
- Non-food products (clothing and textiles, cosmetics and personal care, household products, etc.) are gaining market shares
- Health and wellness trends and life styles are becoming global
- Governments, international organizations, development banks, NGOs, donor agencies increasingly promoting international trade in organics

## Conclusions: challenges ahead

- Stronger competition within the organic sector itself: putting pressure on premiums
- Stronger competition from other forms of sustainable agriculture: again pressure on premiums
- Global competition in the food business is intensifying overall
- Consumer confusion regarding organic labels, fair trade labels, single-origin brands, manufacturers' brands versus own labels/private brands, etc.
- Ever higher quality requirements from consumers
- Continuous development of new and tougher standards that producers and exporters have to meet

## Opportunities for East Africa

- Most important markets continue to expand
- Markets of major interest to East Africa:
  - Germany, the Netherlands and the UK
  - Other EU countries and Switzerland
  - the United States
- East Africa in good position to exploit potential
- Most products covered by study find markets

## Some recommendations

- Producers must try to add value to their organic products, i.e.
  - at production level
  - processing, including packaging
  - marketing, promotion and communication
- Careful selection of distribution channels
  - find the right importer and co-operate closely with him over the long term
- Offer *organic* and *fair trade* products when feasible
- Monitor market developments closely and visit markets regularly

## Some ideas for follow-up activities

- More extensive (field) research on selected target markets
- Research on additional markets, e.g. France, Belgium, Scandinavia, Switzerland
- In-depth (field) research on selected products
- Market development tours for groups of exporters to target markets
- Export marketing assistance to individual companies or sectors

Hello  
from  
Rudy Kortbech-Olesen  
&  
Thank you!