United States Department of Agriculture
Foreign Agricultural Service

GAIN
Global Agricultural Information Network

Voluntary Report – Voluntary - Public Distribution **Date:** January 26, 2023

Report Number: E42023-0005

Report Name: EU Consumers save on food and buy less organic in 2022

Country: European Union

Post: Berlin

Report Category: Agricultural Situation, Agriculture in the News, Special Certification - Organic/Kosher/Halal

Prepared By: Leif Rehder

Approved By: Kirsten Luxbacher

Report Highlights:

The COVID-19 pandemic boosted organic food sales in the EU, enabling it to overtake the U.S. market in 2021. However, spiraling inflation combined with high food and energy prices will likely reduce organic food sales in most EU markets in 2022. Despite this, there continues to be good prospects for U.S. organic product exports to the EU. Trade shows like BioFach, the world's largest organic trade fair, provide an excellent gateway for U.S. companies to establish contact with business partners. This report provides an overview of the EU market, policy, and trade related to U.S. organic exports.

General Information:
Disclaimer: This report presents the views of the authors and does not reflect the official views of the U.S. Department of Agriculture (USDA). The data is not official USDA data.

Unless otherwise noted, "EU" in this report refers to the EU-27. Please note, that the United Kingdom (UK) left the EU Customs Union on January 1, 2021.

This report was a group effort of the following FAS analysts:

Ornella Bettini FAS Rome covering Italy
Sophie Bolla USEU/FAS Brussels covering EU policy and covering Belgium and Luxembourg
Mila Boshnakova FAS Sofia covering Bulgaria
Monica Dobrescu FAS Bucharest covering Romania
Dimosthenis Faniadis FAS/Rome covering Greece
Anna Galica FAS Warsaw covering Poland, Latvia, Estonia and Lithuania
Golya Gellert FAS Budapest covering Hungary
Martina Hlavackova FAS Prague covering Czech Republic and Slovakia
Laurent Journo FAS Paris covering France
Steve Knight FAS London covering Ireland
Roswitha Krautgartner FAS Vienna, covering trade and covering Austria and Slovenia
Arantxa Medina FAS Madrid covering Spain and Portugal
Andreja Misir FAS Zagreb covering Croatia
Marcel Pinckaers FAS The Hague covering the Netherlands, Denmark, Sweden, and Finland
Leif Rehder FAS Berlin report coordinator, lead author and covering Germany,

Summary

The United States (U.S.) - European Union (EU) organic equivalency arrangement went into effect on June 1, 2012. This streamlined trade between the world's two largest organic markets as it enabled organic food and agricultural products certified in the United States or EU to be labeled and sold as organic in either market. In 2021, the EU market for organic food products increased by 12 percent reaching $58.6 billion. Germany and France remain the largest organic markets in the EU, representing more than 60 percent of its organic market. The growing demand for organics in the EU, combined with the equivalency arrangement, creates trade opportunities for U.S. exporters. The EU offers market potential for U.S. organic sweet potatoes, fresh produce, dried fruit and nuts, specialty grains, and processed products. U.S. exporters will compete primarily on quality and price, but there are also good opportunities for innovative and premium products.

The COVID-19 pandemic was an important driver that boosted organic sales. Starting in 2020, consumers changed their food purchasing and consumption habits during periods of "lockdown" when restaurants were closed, and home cooking became the norm. The situation changed in 2022 with the knock-on effects of the Russian invasion of Ukraine which substantially impacted the economies of in EU member states. Trade disruptions and surging inflation driven by energy costs and food prices affected every consumer. To save money, many consumers opted to buy cheaper food products.

Without question, U.S. companies are profiting from the long-term growth of the EU organic market. Unfortunately, official trade data covers just a fraction of traded organic products as organic-specific Harmonized System (HS) codes are limited and exist for only specific commodities. Existing HS codes primarily cover organic fresh products like milk, fruits, and vegetables, but do not currently exist for most processed products or organic nuts. In general, the actual total of U.S. exports of organic products to the EU is much higher. Total tracked U.S. organic exports to the EU reached a high point in 2017 and since then have declined slightly over the years.

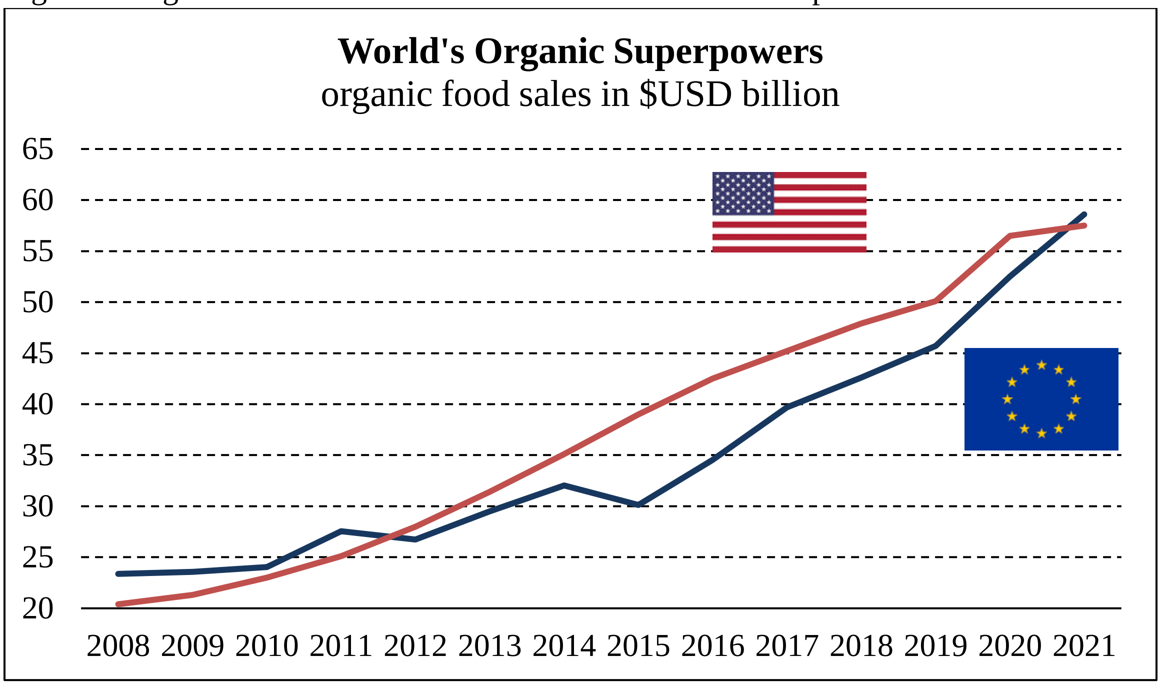
BioFach, the world's largest organic trade show, offers a unique opportunity for both new-to-market players and established companies to meet new contacts, gather trade leads, and learn about the global organic market. *BioFach* 2023 will be held in Nuremburg Germany, February 14-17, 2023. *BioFach* is an USDA-endorsed trade show.

Table of Contents

Section I. The EU Organic Agricultural Market and Production

The United States and the EU are the world's largest organic markets. Both have shown tremendous growth rates in the last few years with the United States becoming the leading global organic food market in 2012. In 2021, the EU retook the top position as growth rates in its member states were more dynamic than the development in the United States. FAS offices in the EU estimate that the EU market totaled $58.6 billion in 2021, with a strong 12 percent increase over the previous year. According to the Organic Trade Association (OTA), organic food sales in the United States increased by a moderate 2 percent to $57.5 billion in 2021. For more information on the U.S. organic market please visit [OTA's webpage.]

Figure 1: Organic Food Sales in the United States and the European Union



Source: Organic Trade Association (OTA), USDA/FAS Posts in EU-,
FiBL and Agricultural Market Information Company (AMI)

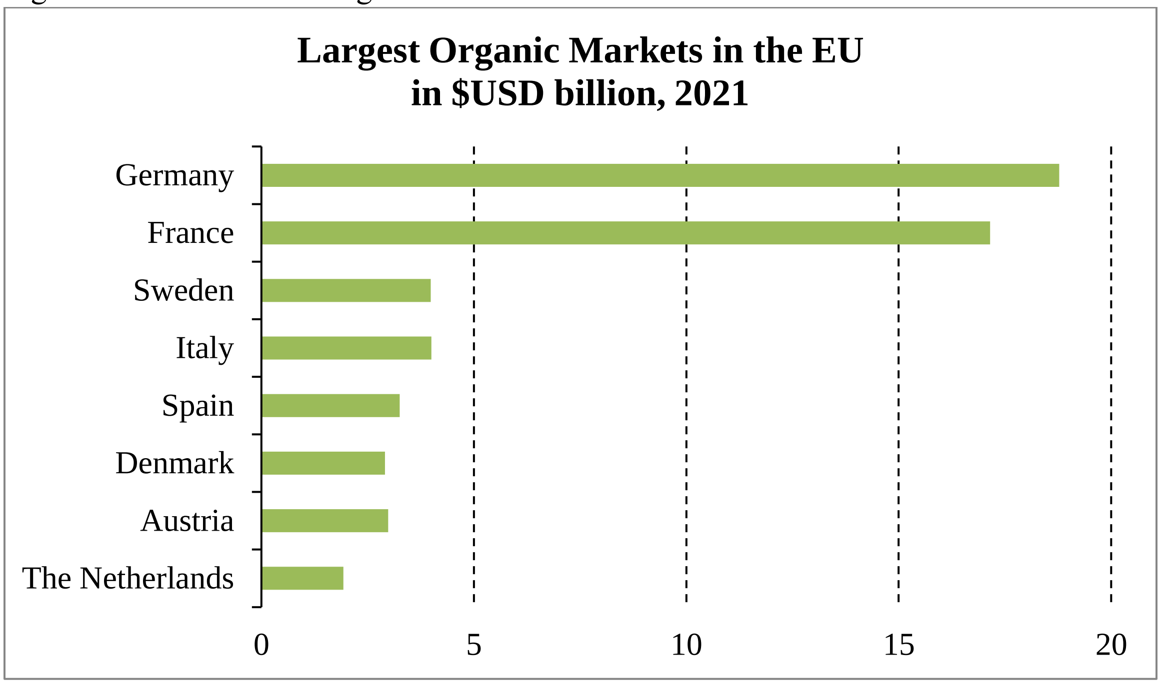
Most organic markets in the EU demonstrated growth in 2021. Countries like Germany, France, Hungary, Austria, Ireland, Greece, Romania and Slovakia showed double digit growth rates. The COVID-19 pandemic continued to be an important driver further boosting organic sales in these countries. Starting in 2020, consumers changed their food purchasing and consumption habits during periods of "lockdown" when restaurants were closed, and home cooking became the norm. To take better care of themselves, when purchasing food at retail locations, consumers tended to purchase foods they viewed as good for their health. Surveys show that they also increasingly took into account sustainability when making their purchasing decisions. These factors positioned organic foods well during this time.

The trend is not expected to last in 2022. High inflation rates across Europe fueled by increasing food and energy prices, caused many consumers to save money by buying cheaper food products. FAS posts in the EU estimate that organic food sales might decrease by about 5 percent in 2022. Together with the currency effects of the weaker Euro, the EU organic food market could decrease to $50 billion in 2022.

Sales in France and Germany, the two biggest organic markets in the EU, are forecast down. Together both represent more than 60 percent of the total EU organic market. Note that France and Germany's share has increased considerably since the United Kingdom (UK) left the EU Customs Union on January 1, 2021.

Long-term growth of the EU organic market is supported by Green Deal strategies of the European Commission. Among other things, the Green Deal aims to fundamentally change the way EU agriculture operates and food is produced for EU consumers. Under this strategy, the EU plans to boost production and consumption of organic products to reach a target of 25 percent of organic agricultural land in the EU by 2030. More information can be found in Section IV – Organic Policy in the EU.

Figure 2: EU Countries' Organic Market

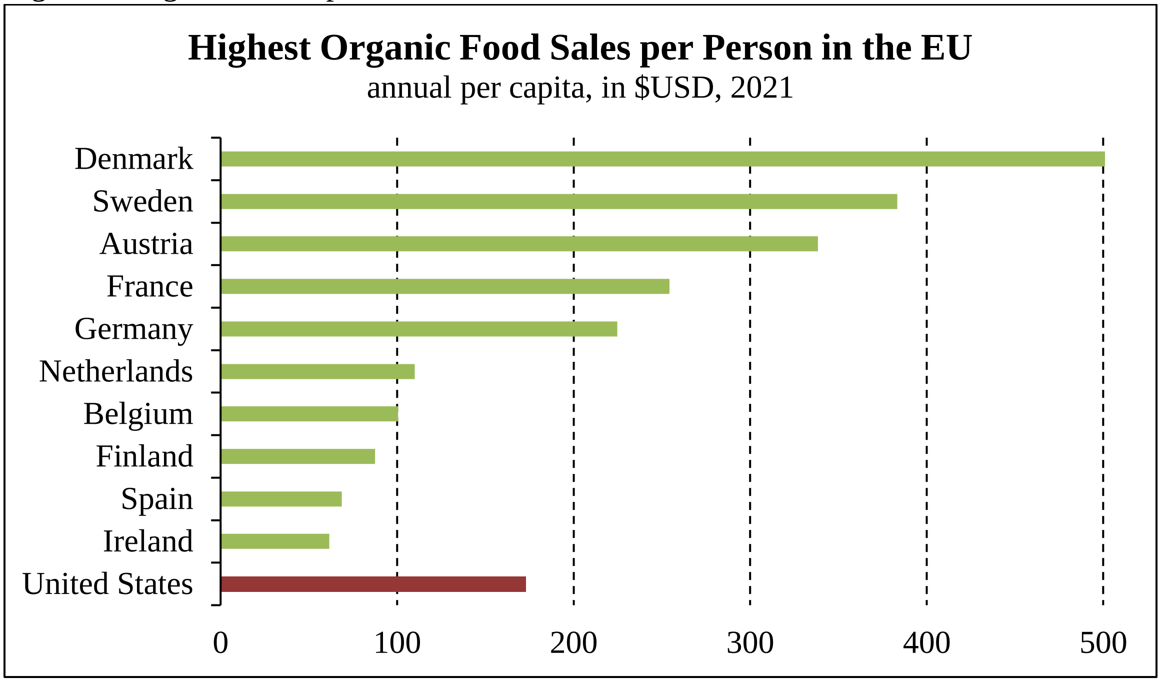


Source: USDA/FAS Posts in EU, *FAS estimate

An important driver behind the growing organic market in the EU is the predominance of large full-service supermarket chains. These chains place organic products on the shelves next to conventional products, resulting in a greater availability of organic products for a larger audience. Specialty organic stores also play an important role as they become more professional, open more storefronts, and offer a wider assortment of organic products than regular full-service supermarkets. The distribution of organic products differs considerably between member states. In Denmark, Sweden, and Austria, full-service supermarkets dominate the distribution of organic products. In Italy, the Netherlands, France, Belgium, Poland, Lithuania and Germany, the share of full-service supermarkets and organic specialty shops is more evenly divided.

In 2021, the countries with the highest sales per person, per year of organic food and drinks (totaling $100 or more) were Denmark, Sweden, Austria, France, Germany, and the Netherlands. At the same time, there were a dozen members states, mainly in Eastern Europe, with sales of less than $10 per person.

Figure 3: Organic Per Capita Sales



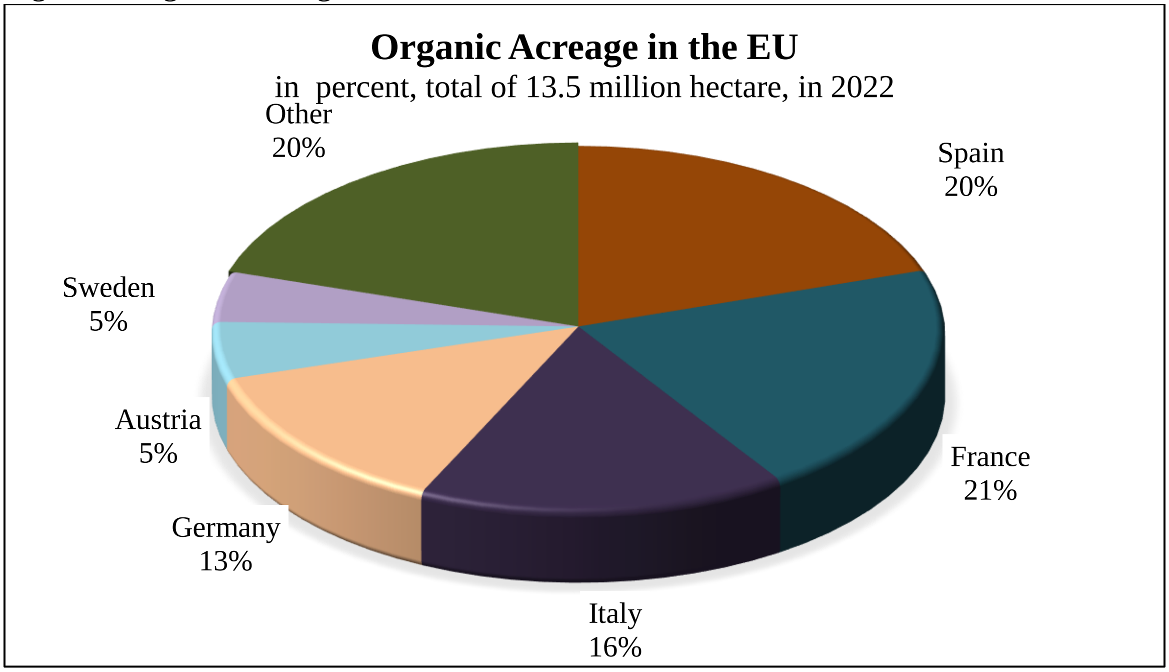
Source: USDA/FAS Posts in EU

Consumers of organic products in Europe can be roughly divided into two groups. The first group, the so-called ‘regular buyers,’ is a rather small, committed group that has been buying organic products for decades. Although this group is small, it grew during the COVID-19 pandemic, and it is responsible for almost half of the EU’s organic sales. They tend to buy at organic specialty shops or farmers’ markets and price is not an important factor in making a purchasing decision.

The second, and much larger group, represents a different demographic. Double-income households with no children, older consumers (aged 50-75), and new-trend seekers fall into this group. They buy organic products for various reasons, including healthy lifestyle, food safety concerns, animal welfare, sustainability, quality, perceived taste, and innovative packaging. This so-called ‘light buyers’ group purchases organic products both at full-service supermarkets and in specialty shops. This is the group that shifted consumption patterns the most in 2022, buying less organic food than the year before. However, due to its size and diversity, it is this group that the organic industry should focus on to generate future growth.

The growing demand for organic products has led to an increase in organic production. Organic agricultural land in the EU has more than doubled in the past decade. The largest areas are in Spain, France, Italy, and Germany and together account for more than half of the EU organic area. The latest estimates show that in 2022, 13.5 million hectares or 33 million acres were under organic agricultural management in the EU.

Figure 4: Organic Acreage in the EU



Source: USDA/FAS Posts in EU

About 45 percent of organic agricultural land in the EU is used for permanent organic grassland, with France, Spain, and Germany comprising the largest areas. Another 40 percent of the organic area is used for arable crops. The largest arable crop groups are green fodder and cereal production with the largest areas found in Italy, Spain, and France. Over 10 percent is being used to grow permanent crops, of which two-thirds is in Spain, Italy, and France. Most of this land is used to produce olives, grapes, and nuts. The proportion of agricultural land farmed organically differs widely between EU Member States. The highest share of area dedicated to organic farming is reported in Austria, followed by Estonia, Sweden, Italy, Czech Republic, Finland, Latvia, and Denmark.

Section II. Exports of U.S. Organic Food

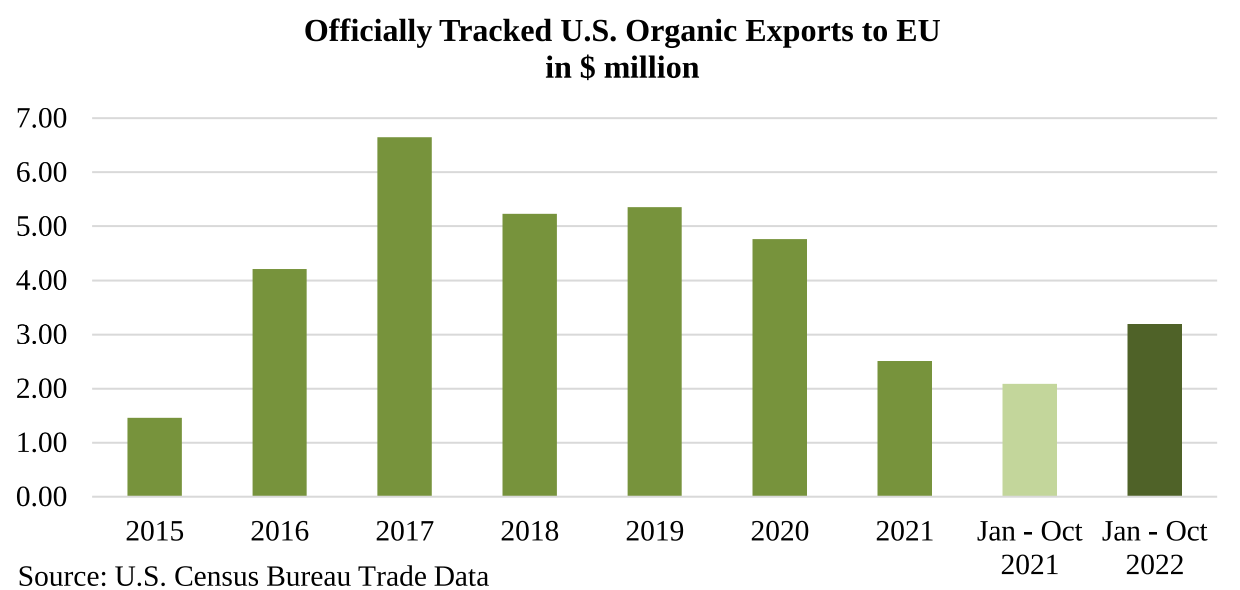
In 2021, global U.S. organic food exports were officially valued at $702 million. Canada and Mexico are still by far the largest markets followed by Japan, Taiwan, and South Korea. Note that tracking of organic food exports only began in 2011 and the current “Harmonized System” (HS)[1] codes for organic products cover only a fraction of total organic trade (in the following text referred to as “select U.S. organic exports”). Existing HS codes primarily cover organic fresh products like milk, fruits, and vegetables, but do not currently exist for most processed products or organic nuts. Actual U.S. exports of organic products globally are estimated to be much higher.

The source of the following trade data is the U.S. Census Bureau Trade Data retrieved from USDA’s Global Agricultural Trade System Online (GATS). Please see the Annex for further information on the HS tariff codes for organic products.

[1]The Harmonized Commodity Description and Coding System, also known as the Harmonized System (HS) is a standardized international system to classify traded products.

Select U.S. Organic Exports to EU
After a decline in 2021, exports of U.S. organic tracked products are expected to rebound in 2022. In the first ten months of 2022, select U.S. organic exports to the EU increased by about 52 percent.

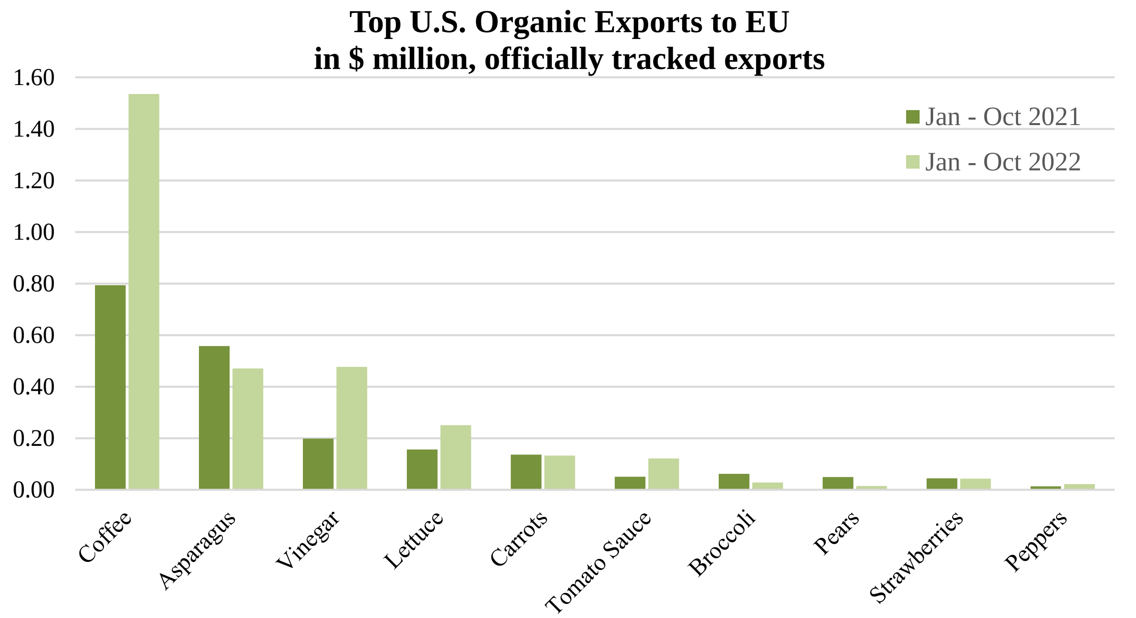
Figure 5: U.S. Organic Exports



Source: U.S. Census Bureau Trade Data

During this period, the top U.S. organic products exported to the EU were organic coffee, asparagus, vinegar, lettuce, carrots, tomato sauce, broccoli, pears, strawberries, and peppers. Exports of organic coffee almost doubled in terms of value. Organic vinegar, lettuce, and tomato sauce also showed increases in export value compared to the same period in 2021. The United States' top organic product exports to the EU change every year. This is due to price fluctuations and the supply situation in the United States, as well as the demand situation in the EU. In general, this is also more characteristic of the fresh food market than for processed food. Good opportunities exist for fresh produce during the European winter when local supply is lower.

Figure 6. Top U.S Organic Exports



Source: U.S. Census Bureau Trade Data

The Netherlands, and Belgium are the most important EU importers
As of January 2021, the UK, who used to be the largest importer of select U.S. organic products, exited the European Customs Union. In 2021, the Netherlands and Belgium are the largest importers of U.S. organics within the remaining EU-27 followed by Germany and Spain. These four countries together accounted for some 80 percent of U.S. organic imports by the EU in this year. Major EU importers act as distributors and transship organic products to other EU Member States.

Section III. The EU-U.S. Organic Equivalence Cooperation Arrangement
The EU and the United States signed the EU-U.S. Organic Equivalency Arrangement in 2012. Under the Arrangement, the EU recognizes the USDA National Organic Program (NOP) as equivalent to the EU Organic Program (under applicable EU regulations) and allows U.S. organic products to be marketed as "organic" in the EU using the EU organic logo. The Arrangement is limited to organic products of U.S. origin, either produced within the U.S. or where the final processing or packaging occurs within the United States. Since 2012, this partnership has streamlined trade between the two largest organic producers in the world. It provides organic farmers and businesses with access to a $116 billion and growing combined market. More information can be found here: https://www.usda-eu.org/trade-with-the-eu/trade-agreements/us-eu-organic-arrangement/

With the new Organic Regulation (more details in Section IV), the EU now requires trade agreements in place of equivalence arrangements. With these EU regulatory changes, the U.S.-EU equivalence arrangement will expire by January 1, 2027, five years after the entry into force of the new regulation. To avoid trade disruptions, all non-EU countries, including the United States, that are currently recognized as equivalent may revise the terms of their arrangement with the EU. The new version of the arrangement will aim to recognize that the non-EU country has a "system of production meeting the same objectives and principles by applying rules which ensure the same level of assurance of conformity as those of the Union." Currently, Chile is the only country that has signed an Agreement with the EU on trade in organic products.

Section IV. Organic Policy in the EU

On January 1, 2022 the EU Regulation on Organic Production and Labeling of Organic Products: Regulation (EU) 2018/848, entered into force. This Regulation outlines the objectives and principles of organic agriculture in the EU, fixes general production rules, and describes the EU's organic production standards, control system, and labeling requirements. This new Organics Regulation was supposed to enter into force on January 1, 2021. However, due to difficulties faced by the sector because of the COVID-19 outbreak, the EU decided to postpone the entry into force by one year. The new Organic Regulation introduces regulatory changes for both the production of organic products in the European Union and for imported organics.

Scope

The scope of the organic rules is enlarged to cover a wider list of products than the previous legislation. New products include salt, cork, beeswax, maté, vine leaves, essential oils, and palm hearts. The full list can be found in Annex I of the Regulation. It also lists additional production rules for livestock farming for deer, rabbits, and poultry.

Labeling

There are no significant changes to the labeling rules in the 2018 Regulation. The term "organic" and all its derivatives or diminutives such as "bio" and "eco" may be used only to label products that comply with EU organic production rules and if at least 95 percent of the ingredients of agricultural origin are organic. For products containing less than 95 percent organic ingredients, the term "organic" may be used only to indicate individual organic ingredients in the list of ingredients. When reference is made to the organic production method in the ingredients list, the total percentage of organic ingredients must be indicated. Products containing genetically modified organisms (GMOs) or produced with GMOs cannot be labeled as organic.

The use of the EU organic logo is mandatory on all pre-packaged organic products produced in the EU. Organic products imported from non-EU countries may carry the EU organic logo if they comply with EU production rules. When the EU organic logo appears on the label, the indication of the place of farming is required. This indication may be classified as 'non-EU Agriculture,' where the agricultural raw material has been farmed outside of the EU. However, 'non-EU' may be replaced or supplemented by the name of a country, or by the name of a region if all of the agricultural raw materials of which the product is composed have been farmed in that region.

Figure 8: EU Organic Logo

Food production

The 2018 Organic Regulation introduced stricter rules for the use of natural flavoring in organic food preparations. Under Regulation 2018/848, only natural flavorings originating from the mentioned ingredients can be used in organic processing. For example, only 'natural strawberry flavoring' is allowed, which means that the flavoring must be at least 95 percent obtained from strawberries. In this case, strawberry extracts are allowed. Under the new Organic Regulation, flavorings are regarded as agricultural ingredients. This means that the maximum permissible amount of conventional flavorings in an organic product, together with all other non-organic ingredients, shall not exceed 5 percent of the total agricultural ingredients.

Regulation 2018/848 also limits the use of additives and processing aids to produce food and feed. Only certain products and substances are authorized for use in the production of processed organic food and feed, alongside yeast. The list of products and substances that may be used in the production of organic processed products is listed in Part IV of Annex II of the Regulation.

Certification
The EU has implemented a system of electronic Certificates of Inspection (COI) for imports of organic products in the EU. The COI has to be issued by the relevant control authority or control body before a consignment leaves a third country of export or origin, but Commission Regulation 2021/2306 allows that the information contained in the transport document is checked and included in the certificate of inspection by the relevant control authority or control body within maximum 10 days from the issuance of the certificate, as long as it is before the endorsement of the certificate by Member State's authorities.

More information here:

- European Commission: Trade in Organics - Importing Organic Produce
- Commission Notice Questions and answers on the application of EU rules on import controls on products from third countries intended to be placed on the EU market as organic products or in-conversion products

EU Action Plan for the Development of Organic Production
On March 25, 2021, the Commission published the EU Action Plan for the Development of Organic Production. As part of Europe's Farm to Fork Strategy, the aim of the Action Plan is to boost the production and consumption of organic products to reach a target of 25 percent of organic agricultural land in the EU by 2030. To do so, the Commission encourages Member States to develop national organic action plans as part of their National Strategic Plans under the Common Agricultural Policy. The Commission, however, does not require national targets for organic production. Success of the Action Plan will depend on implementation at the Member State level and how the EU Member States encourage increased production and promotion of organic products as well as consumer willingness to buy organic. For more information on the Action plan, please see GAIN Report EU Commission Unveils EU Organic Action Plan.

Section V. Trade Opportunities for U.S. exporters on the EU organic market

The growing market for organic products in the EU combined with the U.S.-EU arrangement has created more opportunities for U.S. exporters. Generally, U.S. commodities and ingredients compete on price and quality, however, finding niches for innovative and premium packaged products is also possible. There is a strong preference for local and regional foods over imported food in the EU. As a result, commodities where there is no local/regional alternative may be more successful. There are opportunities for U.S. exporters in the following markets:

- The market for **sweet potatoes** and sweet potato products is growing. EU demand for potato varieties is high. The United States is a good year-round supplier of sweet potatoes at competitive prices.
- There is a market for **fresh vegetables** like carrots, onions, broccoli, and lettuce, particularly in the Netherlands.
- **Processed vegetables** are in demand in the Nordic region due to limited local availability.
- **Pulses**, especially beans and lentils, are increasingly becoming popular in north-western Europe because of a growing demand for vegan and healthy food products. Local supply is not meeting the demand.
- In countries with no local availability, there is demand for a great variety of **fresh fruit** from the United States. There is seasonal (October through March) demand for apples and, to a lesser extent, pears in north-western and central Europe. Demand in the same region is also strong for U.S. citrus (grapefruit and tangelos). There is year-round growing demand for fresh, dried, sweetened cranberries. There is also growing demand for other fruits such as grapes, strawberries, and cherries.
- Driven by the healthy snack and baking industry, there is a strong growing demand for **tree nuts** from the United States, especially for hazelnuts, pecans, almonds, walnuts, and pistachios.
- Growing consumer awareness and, therefore, demand for **specialty grains** is also increasing. High interest from the baking industry adds to this demand.
- Demand for U.S. **organic processed products** is especially high in Germany and the Nordic region. Consumers are increasingly looking for healthy snacks (cereal/nut bars), organic confectionary products, maple sugar and syrup, and organic beverages.

VI. Market Development

The Organic Trade Association (OTA) has a wealth of information and experience in helping U.S. companies in their endeavors to expand business overseas. Information about the OTA and how it assists the U.S. organic industry can be found at https://ota.com/.

In addition to OTA, there are various other trade associations that can be of assistance in promoting your organic commodities in the EU. An overview of U.S. commodity cooperators can be found at https://apps.fas.usda.gov/pcd/PartnersSearch.aspx. Note that not all U.S. cooperators have programs for the EU.

Trade shows are excellent venues for U.S. exporters to connect with potential business partners, to conduct product introductions and to gauge buyers' interest. *BioFach* is the largest international trade show for organic products in the world. *BioFach* is USDA-endorsed. More information about *BioFach* can be found at https://www.biofach.de/en.

The *Nordic Organic Food Fair*, which takes place in Malmö, Sweden provides an excellent platform for U.S. companies that wish to sell organic, as well as sustainable certified food products and beverages to buyers based in the Nordic region. Detailed information about the trade show as well as dates for 2023 can be found at www.nordicorganicexpo.com.

The *Free From Food Expo* which takes place in Amsterdam, the Netherlands and Barcelona, Spain also focuses on organic products. It attracts buyers from not only the Netherlands and Spain but also from other European countries. The product focus ranges from ingredients to finished products. More information can be found at www.freefromfoodexpo.com.

Fruit Logistica (https://www.fruitlogistica.com/en/) is a regional (European) trade show that also attracts buyers of organic fresh produce, nuts, and dried fruits. This show is also USDA-endorsed with an U.S. pavilion.

U.S. exporters of organic food ingredients should consider exhibiting or visiting the *Food Ingredients* (https://www.figlobal.com/fieurope) or *Vitafoods* (https://www.vitafoods.eu.com/) trade shows. These shows attract many in the food processing industry.

There are also numerous regional organic shows throughout Europe. For example, *Bio Beurs* is the leading organic event in the Netherlands where mostly Dutch suppliers exhibit their latest food products and technologies. If you are interested in one of the regional shows, please contact the responsible FAS office for more information (www.fas-europe.org/countries/).

Finally, trade shows like ANUGA or SIAL attract mainly buyers of specialty and retail-ready products and are therefore best suited for exporters of U.S. organic processed products like confectionary products, snacks, and baby food. More detailed information about the 2023 USDA-endorsed shows in Europe can be found at www.fas-europe.org.

VIII. Post Contact and Further Information

Internet home pages of potential interest to U.S. food and beverage exporters are listed below:

FAS/Washington http://www.fas.usda.gov/
USDA/FAS/Europe http://www.fas-europe.org/
U.S. Mission to the European Union https://www.usda-eu.org/

If you have questions or comments regarding this report, please contact the U.S. Agricultural Affairs Office in Berlin at the following address:

Foreign Agricultural Service
U.S. Department of Agriculture
Embassy of United States of America
Clayallee 170
14191 Berlin
Germany Tel: (49) (30) 8305 – 1150
Email: AgBerlin@state.gov
Home Page: www.fas-europe.org

Attachments:

Current list of U.S. organic export HS codes.docx

EU Single Country Markets.docx