caledonian organics

Organic Export Feasibility Study 2013
Executive Summary

- The market for organic products in Scotland has been adversely affected by the general economic downturn and while it is not possible to obtain explicit Scottish data, the consumption of organic food in the UK declined in the period 2008-2012.
- Over the last 10 years organic consumption has grown significantly within other countries in Europe.
- Europe is the second largest market for organic products.
- The organic market has grown in Europe from €10.8 billion in 2004 to €21.5 billion in 2011.
- Switzerland has the highest consumption per capita at €177.4 with Denmark at €161.9.
- Within Europe, Germany has the largest market for organic products at €6,590 million in 2011 and accounts for 30% of sales alone. France had sales of €3,756 million while the UK with a similar population had just over half that amount with sales in 2011 of €1,882 million. (down from €1.9 million in 2004).
- The countries with the highest growth rates for organic products in 2011 were Croatia with an impressive 20% increase. The Netherlands at 15% growth and Denmark at 13% were also worthy of note.
- London alone accounts for 32.2% of all organic sales in the UK.
- Many of the big markets in Europe are dependent on imports of organic products.
- The land used for organic production has increased at lower levels than the increase in consumption in Europe.
- **Key features of the Potential Markets studied**

  <u>Key features of the market in London include:</u>
  - Premium independent and specialist retail outlets such as delicatessens and high end butchers as well as higher end restaurants in London and the South East of England have been identified by Scotland Food and Drink (SF&D) as showing potential for increased growth for Scottish food and drink companies.
  - The speciality food and drink market in London and the South East is estimated to be around £2.6 billion of which around 1-2% could be made up of organic produce.
  - No currency exchange would be required.
  - Although the organic market in the UK has been in the doldrums there is evidence to indicate that the organic market is increasing once again.

  <u>Key features of the market in France include:</u>
  - France, with similar size of population to the UK, consumes double the amount of organic produce than the UK.
  - France imports around 30% of its organic products.
  - “Scotch” branded beef and lamb has an established reputation and image.
  - The market for organic meat in France is estimated to be worth €263million annually.
  - The size of the market for organic food in France quadrupled in the ten years to 2011.

Key features of the market in Germany:

- Germany is the biggest consumer of organic products in the EU.
- Sales of conventional "Scotch Beef" are well established in Germany through the activity of QMS in the conventional market.
- The market for organic meat in Germany is estimated to be worth €264 million annually.
- Scotland Food and Drink have identified that there is demand for foreign and exotic foods products in the German food and drink industry.

Key features of the market in Denmark include:

- Denmark has a similar size of population to Scotland.
- In 2011 the annual per capita consumption in Denmark was €162 per person, the highest in the EU and second highest in Europe after Switzerland.
- The market for organic meat in Denmark is estimated to be worth around €120 million annually.
- Denmark is a net importer of organic food with the value of the imports at €195.7 million in 2012.
- It is estimated that over 70% of organic sales in Denmark are in multiple retailers.
- The organic sector accounts for 7.6% of the total food market (1.3% in the UK).

- **Barriers to overcome**
  - The method of transporting and delivering products to their ultimate market would have to be considered.
  - The issue of carcass balance would require to be considered.
  - As the numbers of both organic cattle and sheep in Scotland have reduced in recent years there could be an issue with supplies.
  - The issue of consistent quality could also present a problem.
  - Uncertainty regarding the future of the CAP has caused producers to be wary of investing in their businesses and the future development of the organic sector is unclear at this stage.
- **Recommendations**
  - There are undoubtedly export opportunities for organic produce from Scotland.
  - More in depth investigation and discussion of one or, but no more, than two, initially selected target markets would be required to fully determine the relative merits and opportunities of the potential markets in London and Europe.
  - To support the above activity a programme of promotional activity including a website should be developed to promote organic red meat from Scotland and act as a source of information and point of contact to potential buyers.
  - A valuable way of raising the profile in the export arena of not only "Scotch" organic red meat but Scottish organic produce in general, would be to take a trade stand at Biofach (the world's largest dedicated organic trade show
  - Similarly, trade shows in London should be identified as potential showcases and promotional opportunities.
  - Working in partnership with other organisations such as QMS, Scotland Food & Drink and SDI to support the development of the export opportunities would greatly enhance the likelihood of achieving success in the export markets.

- Scotland has a reputation for producing top quality beef and lamb. Developing new promotional materials that build on this reputation and combine the wildness of Scotland's farming environment combined with the naturalness organic product will help to build on this reputation.