Organic Market Update

Organic Markets & trends in EU and the UK

Lee Holdstock
Senior Business Development & Trade Manager
Soil Association Certification

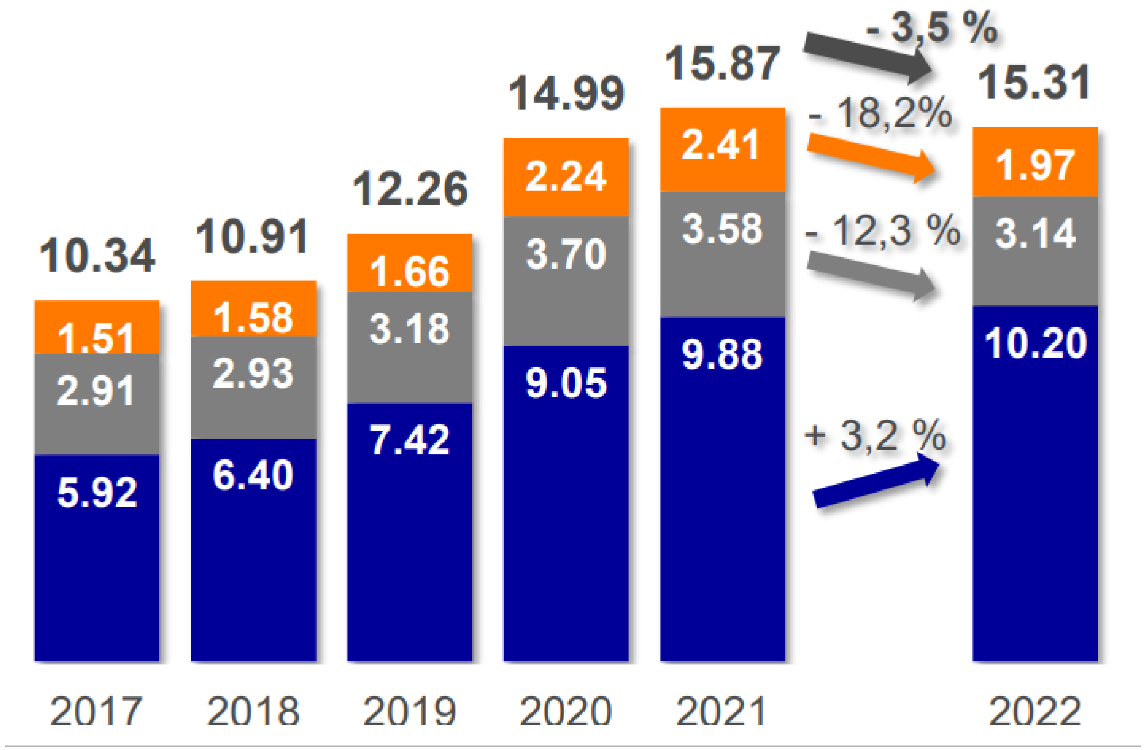
Organic Markets

Germany 2022 still exceeding 2019 levels

- Despite sales decreasing by **-3.5%** between 2022 and 2021, growth still exist compared to 2021

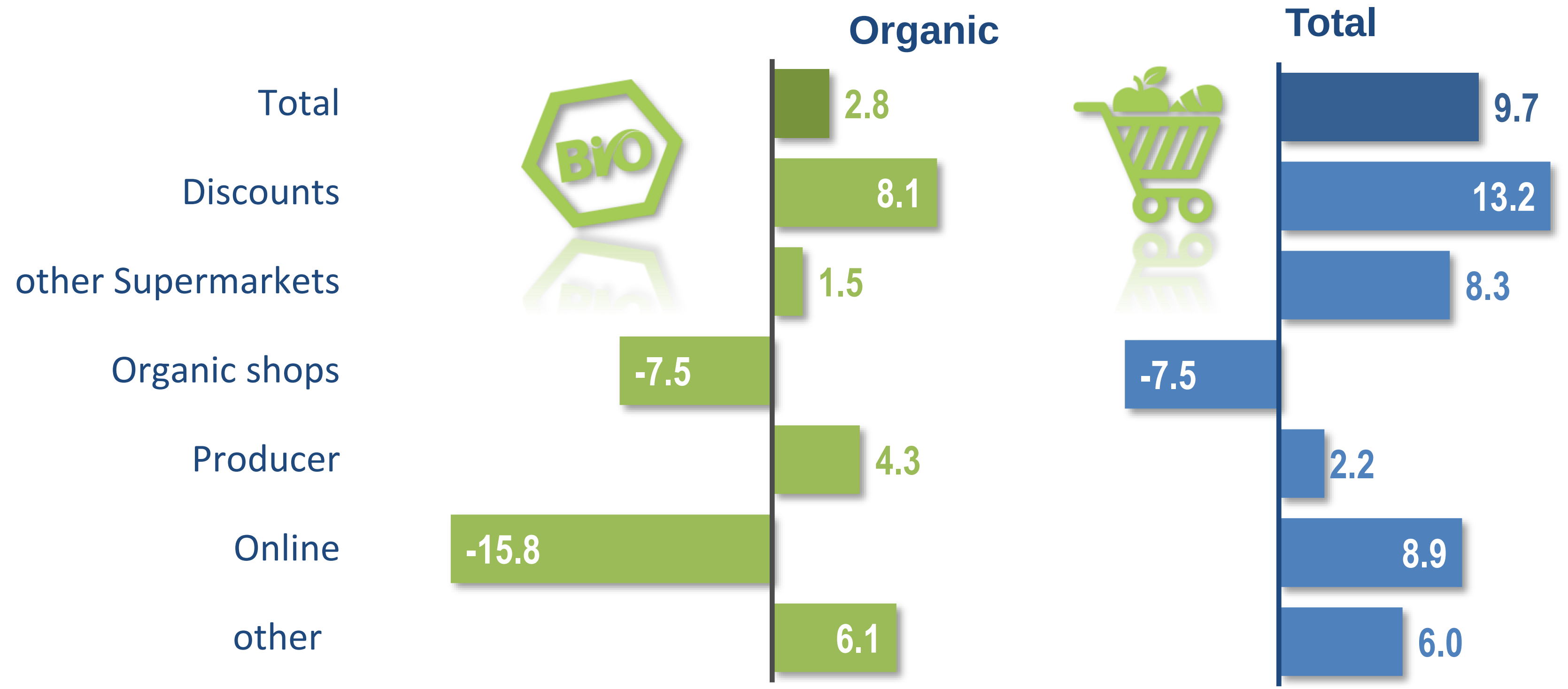
- Further growth compared to 2019 where the retail sales were **€12.0 billion**.

- Larger format food retailers took advantage of the crisis to increase their share in the organic distribution at the expense of specialized shops.



Source: AMI 2023/OL-275 | AMI-informiert.de/ Arbeitskreis Biomarkt

Germany Value growth in 2023, with discounters taking share.



- Change of Consumer Expenditure for Fresh Products *, Organic and Total by place of purchase, in %, Jan-Sep 2023 versus Jan-Sep 2022 shows **+2.8%** value growth (but laging behind wider food and drink)

*Meat, meat products, Poultry, Eggs, Fresh Fruit, Fresh Vegetables, Potatoes, Cheese, Bread, other Bakery, Milk, Joghurt, Sojadrinks, Flour, Milkdrinks, White Cheese, Butter, Vegetable oil

Source: AMI nach GfK

France Decline reducing, but a loss of clarity on organic meaning?

12 milliards €

Valeur du marché BIO en france en 2022

-4,6 % / 2021

Millions d'euros	Chiffres d'affaires TTC			Croissance			Parts de marché		
	2020	**2021**	**2022**	**20/19**	**21/20**	**22/21**	2020	**2021**	**2022**
Grandes Surfaces Alimentaires (GSA) **Y compris E-commerce**	6 936	6 668	**6 358**	12%	-3,9%	**-4,7%**	54,1%	52,7%	**52,7%**
Total Circuit Spécialisé Bio	3 618	3 552	**3 247**	13%	-1,8%	**-8,6%**	28,2%	28,1%	**26,9%**
Dont réseaux bio spécialisé y compris E-commerce	*3 161*	*3 110*	***2 849***	16%	-1,6%	**-8,4%**	24,6%	24,6%	**23,6%**
Dont Distribution Spécialisée bio indépendante	*457*	*442*	***398***	-3%	-3,4%	**-10,0%**	3,6%	3,5%	**3,3%**
Artisans-Commerçants	906	959	**934**	16%	5,8%	**-2,6%**	7,1%	7,6%	**7,7%**
Vente Directe	1 371	1 480	**1 538**	12%	7,9%	**3,9%**	10,7%	11,7%	**12,6%**
TOTAL	**12 831**	**12 659**	**12 076**	13%	**-1,3%**	**-4,6%**	**100%**	**100%**	**100,0%**

Élaboration AND international pour l'Agence BIO

715 millions €

Achat bio de la restauration (HT)

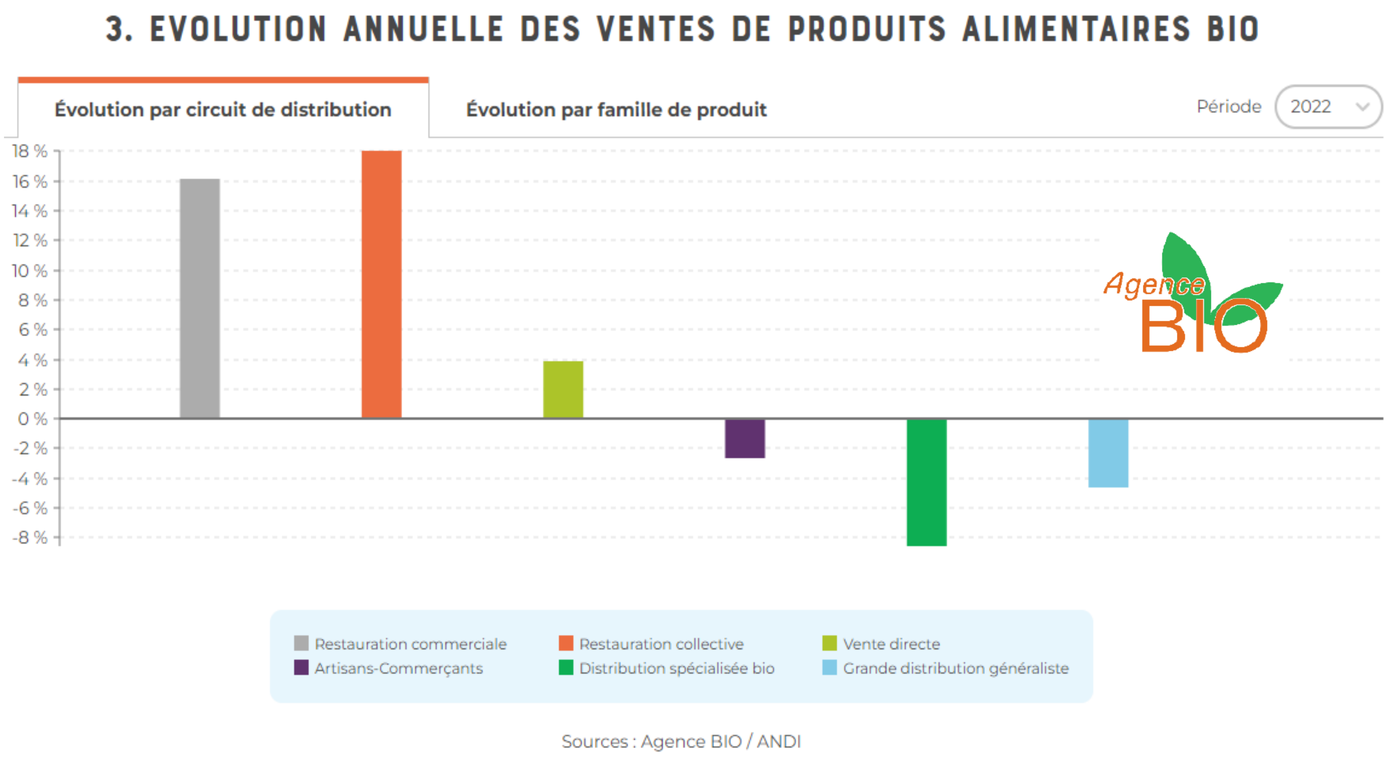
445 millions € en restauration collective

270 millions € en restauration commerciale

Source:Agence-Bio

- Decline of **-4.6%** in 2022 is expected to reduce to a **-2.7%** in the first half of 2023
- Loss of definition of organic and ongoing lack of understanding (62% believe a marketing tool, over 1/3 unsure about meaning)
- Previous growth (2015-2021) driven by store expansion and product launch - less through improved consumer understanding.
- Retailers delisting as part of cost-of-living cost-cutting strategy. Organic PL brands launched but not effectively communicated Competition from simpler 'without' labels (no pesticides, no additives) – which can be less costly

France Restaurants expected to see growth



- The organic sales decreased in all channels, except the direct sales and the collective/commercial foodservice
- Outlook? Inflation maintaining value growth, but decreases appear to be slowing. Food service expected to see growth.

Denmark Declines- but return to growth expected in this high share market

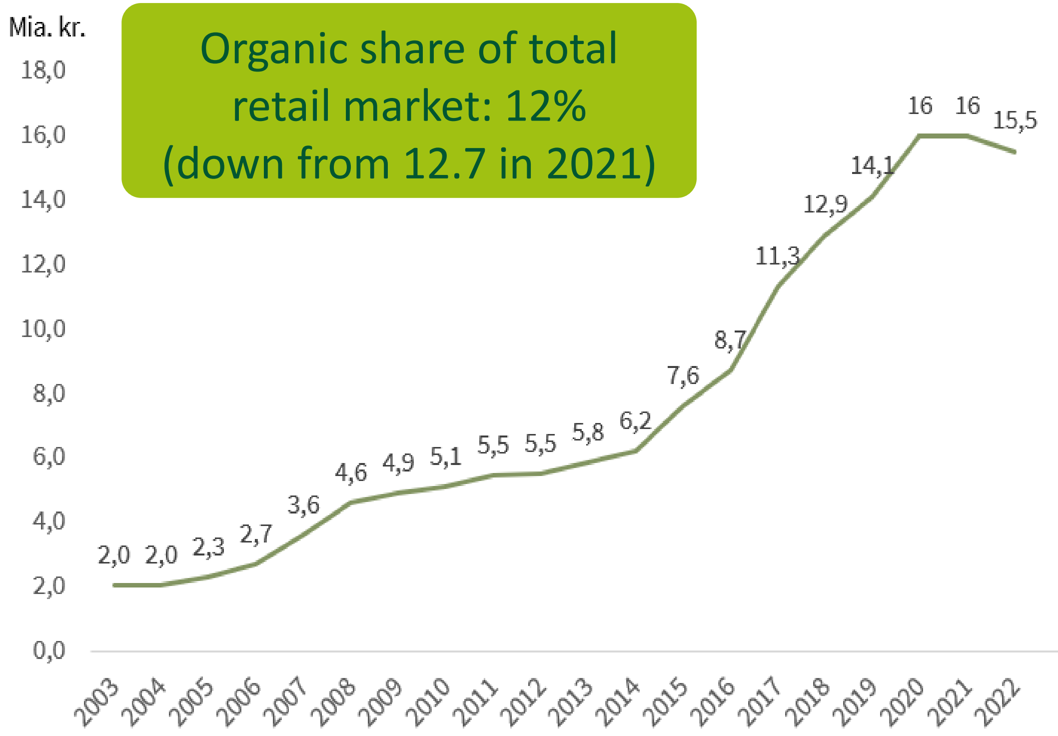
- Smaller size of the organic assortment in retail and increase of private labels share.

- Larger share of sales is taking place in discount stores not offer organic led to first decline in many years

- Retail sales of organic food decreased but just under **-3%** value and **-9%** in volume.

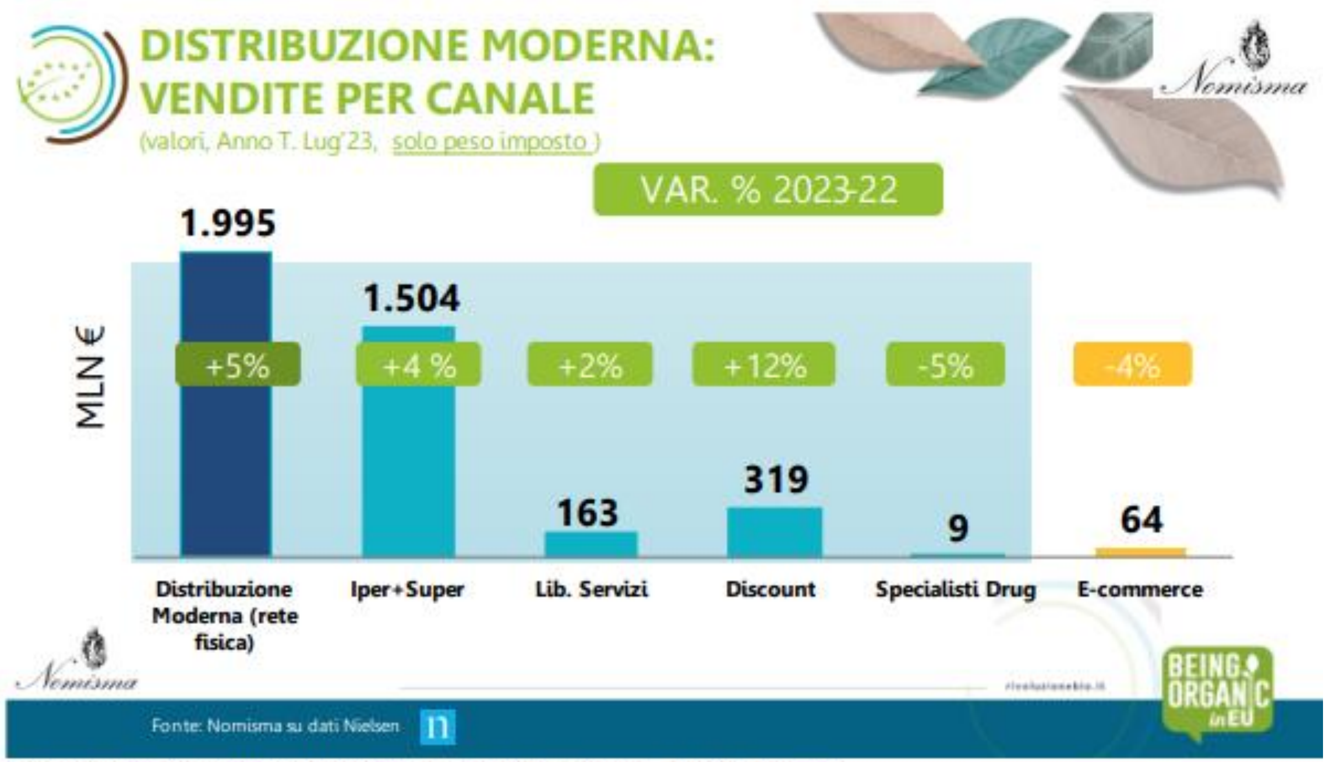
- **Growth expected for 2023**

Organic share of total retail market: 12% (down from 12.7 in 2021)



Sales in Billion DKK- Source: Organic Denmark

Italy out-of-home, discount and export success story

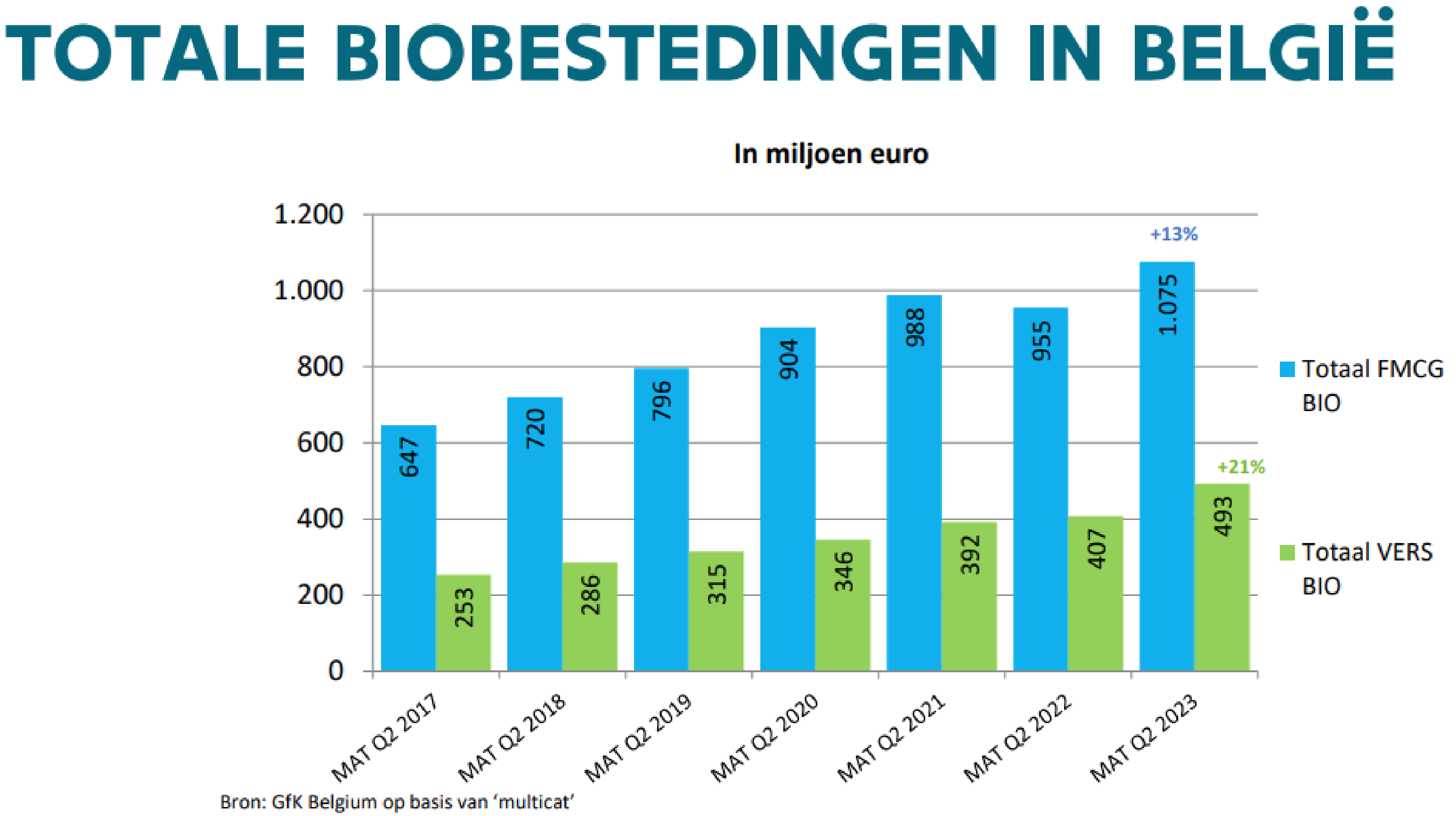


Fonte: OSSERVATORIO SANA 2023 a cura di Nomisma – dati NielsenIQ

- Organic sales exceeded **5.4 billion** euros in 2023 growing by **+7%** in July 2023 compared to 2022
- Hyper and supermarkets represent the primary channel for organic purchases with combined sales value of 2.4 billion a **+5%** increase compared to 2022.
- Discount stores are in second place in size, with organic sales of 319 million euros, **+12%** compared to the previous year.
- Out of home increased from **+18%** in July 2023 v's 2022
- Export 3.64 billion euros and great t **+8%**

Source: https://chilealimentos.com/wp-content/uploads/2023/09/CSOsservatorioSANA-NomismaRivoluzioneBio2023.pdf

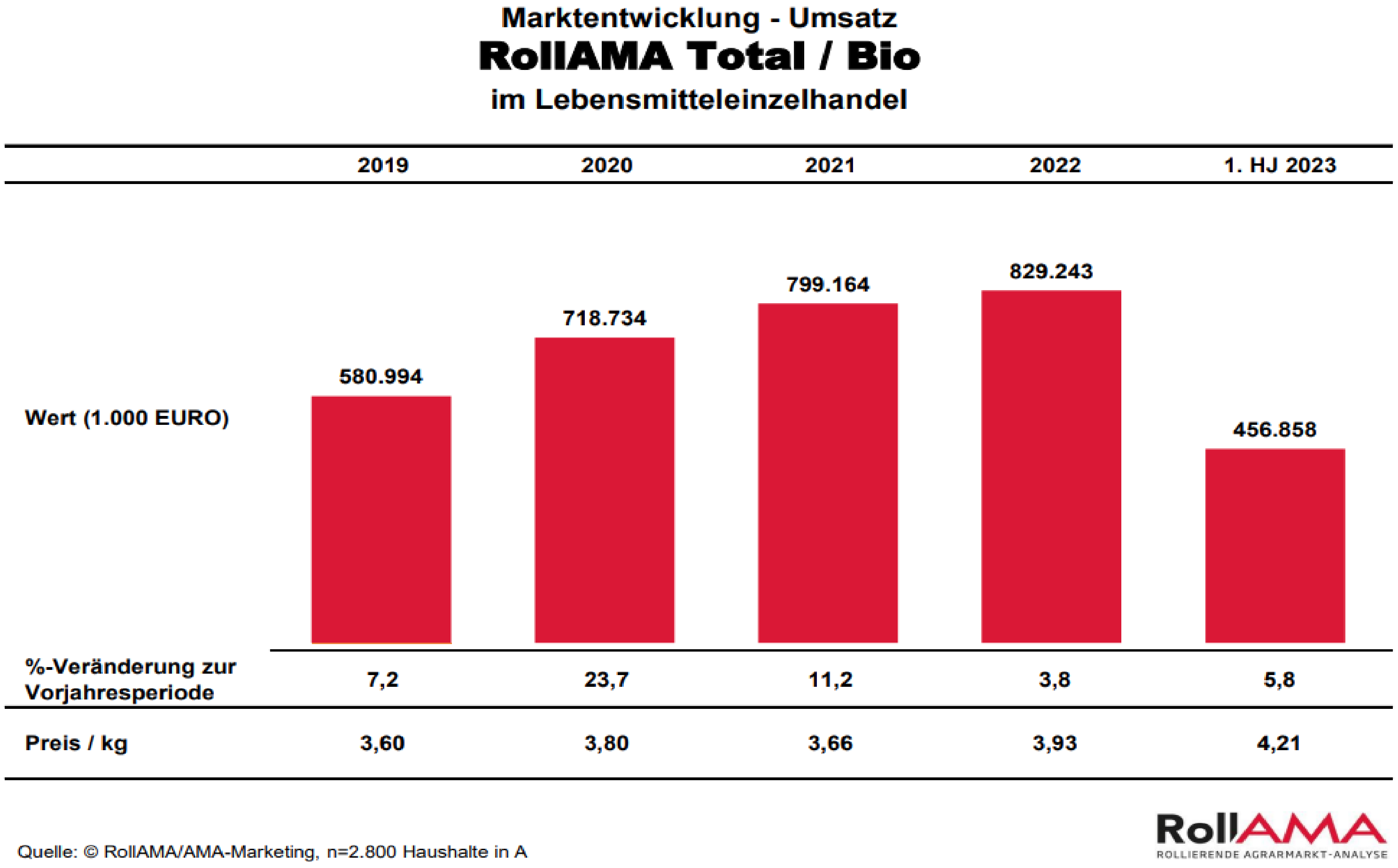
Belgium Continued growth in organic spend



*FMCG: fast moving consumer goods incl verse voeding
Verse voeding: zuivel + eieren + vers vlees, gevogelte, wild + verse vis, week- en schaaldieren + vleeswaren + brood + aardappelen + fruit + groenten

- Following a decline in 2022, organic spend increased by **+13%** (21% for fresh food) in 2023
- Stronger growth than total food and household spending
- Organic share grew from **3.4** to **3.5%**

Austria Organic deflation and rising household volumes

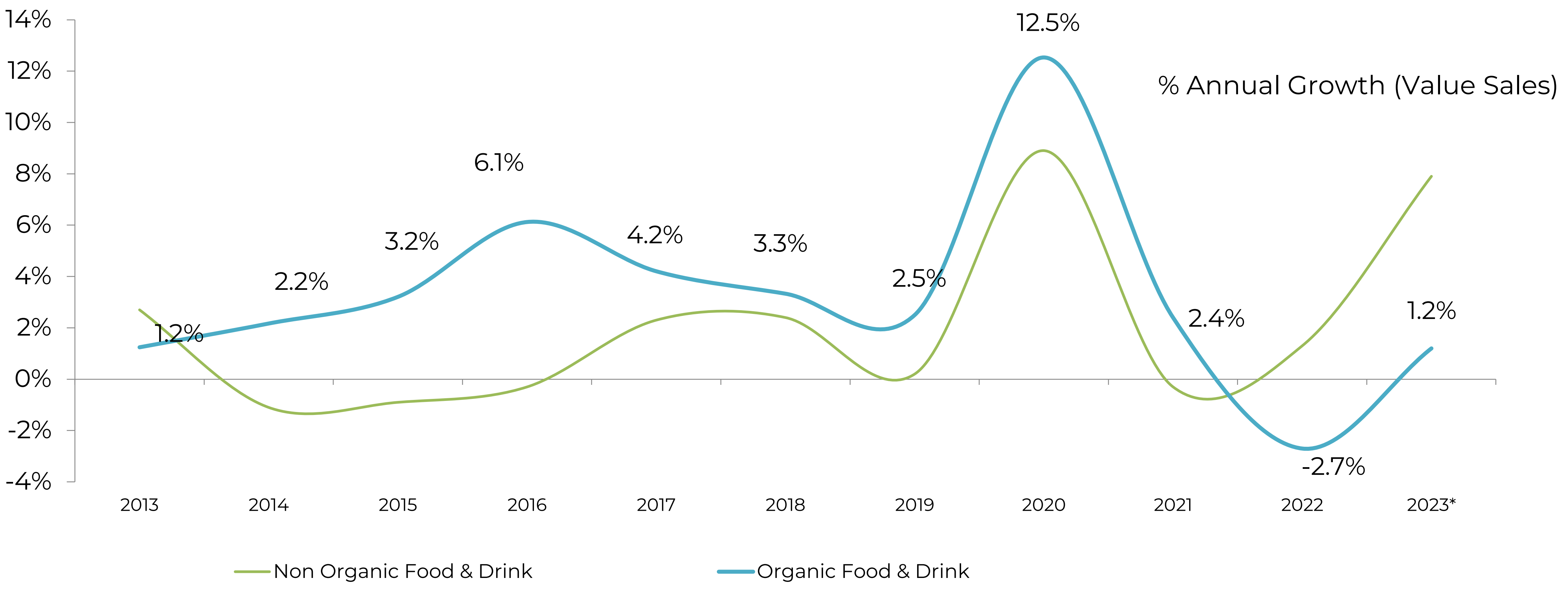


Source: https://amainfo.at/fileadmin/user_upload/RollAMA_Marktentwicklung_Bio_1._Halbjahr_2023.pdf

- Organic sales value increased in by +**5.8%** the first half of 2023 compared with same period in 2022
- The organic share of sales in supermarket continues its increase 2023.
- Organic deflation - **Same share** in % for the first half of 2023 while **volumes are increasing**.
- Frequency of organic purchases and quantity of organic purchases per Austrian household are rising.

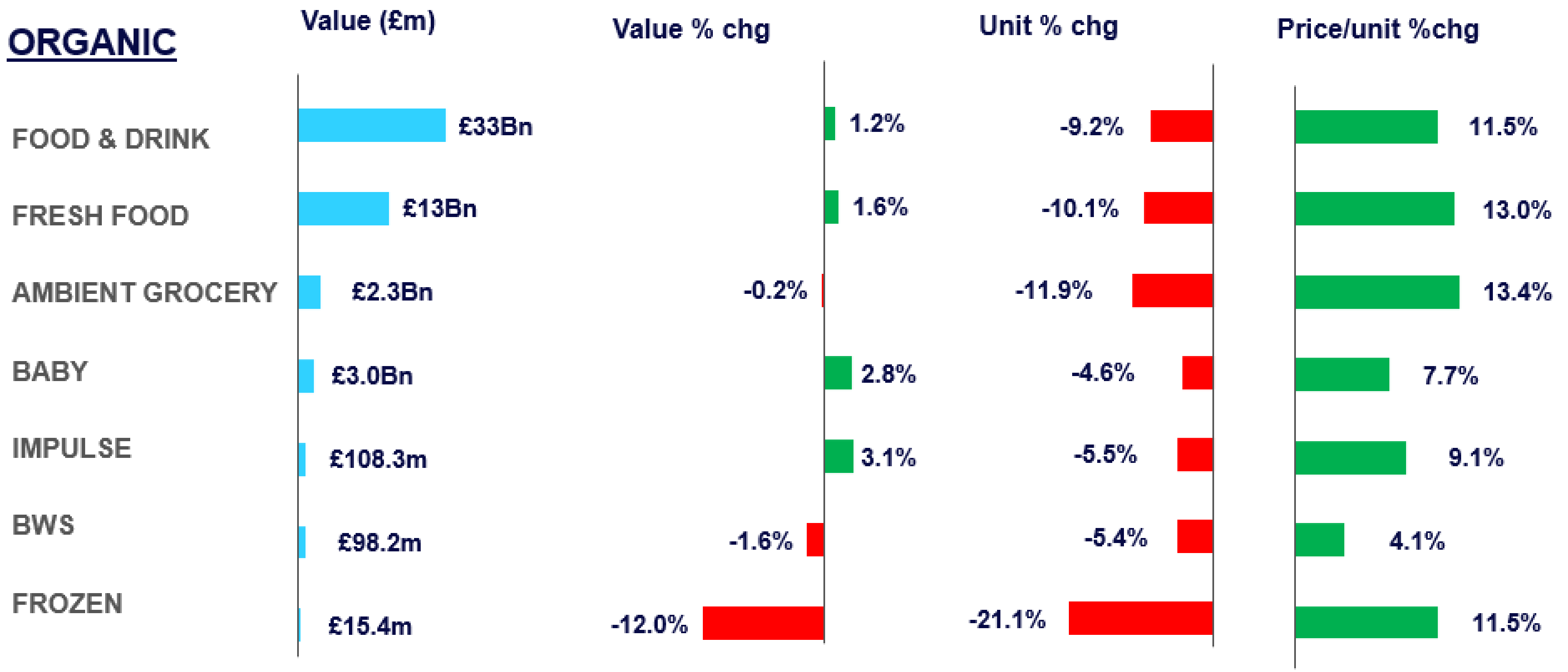
IFOAM ORGANICS EUROPE MEETS BUSINESS

UK Organic still showing value growth



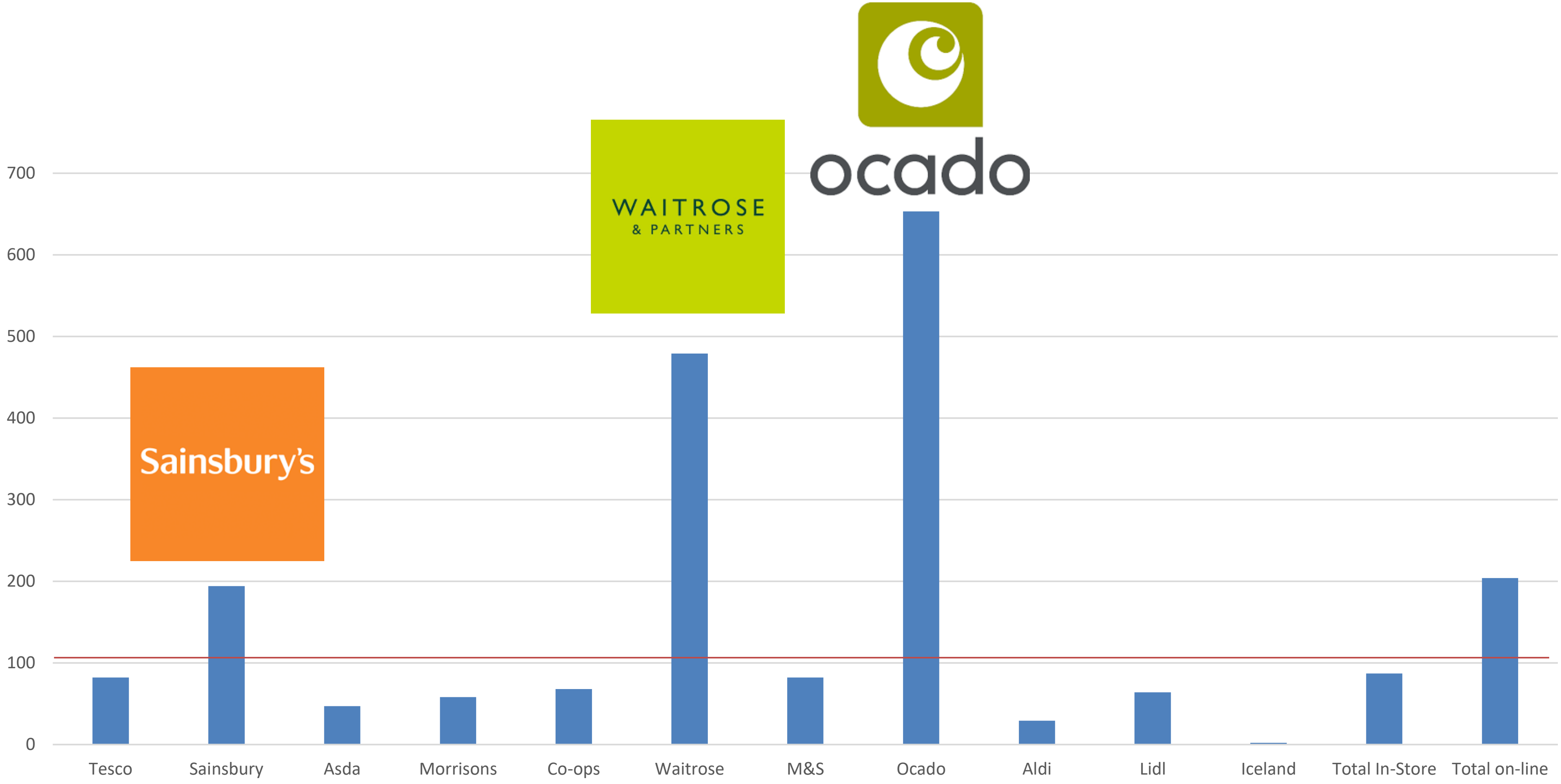
Source: NIQ Scantrack Organic v non Organic Food & Drink

UK Price/Unit difference reveals inflation – and slightly higher in organic



NIQ Scantrack Total Coverage | Value, Unit & Item Price % Chg YA | 52we 23Sep23

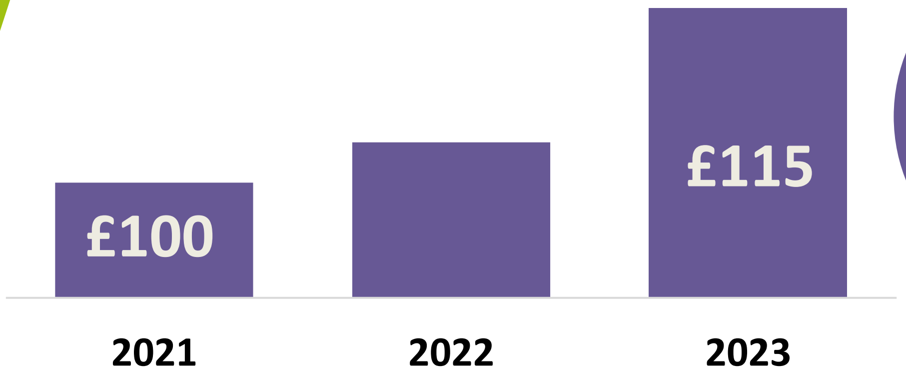
UK Only three retailers overtrade in organic



Source: NielsenIQ Homescan – Share of Trade Report April 2023

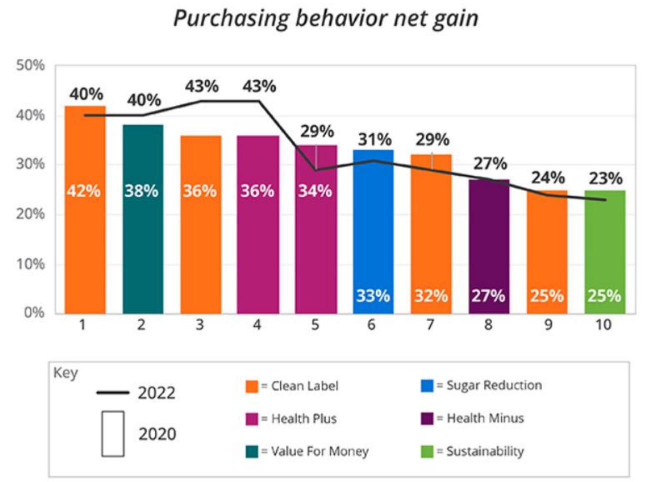
Organic Consumers

Consumers Still willing to pay for organic



UK Consumers are spending 15% more on FMCG vs. 2021

- Source: NIQ UK Scantrack | Total Coverage incl. Discounters | FMCG (excl. Tobacco and NonFood)
- Price per Item % Change, Latest 52 weeks 19 August 2023,



Top 10 purchasing behaviours

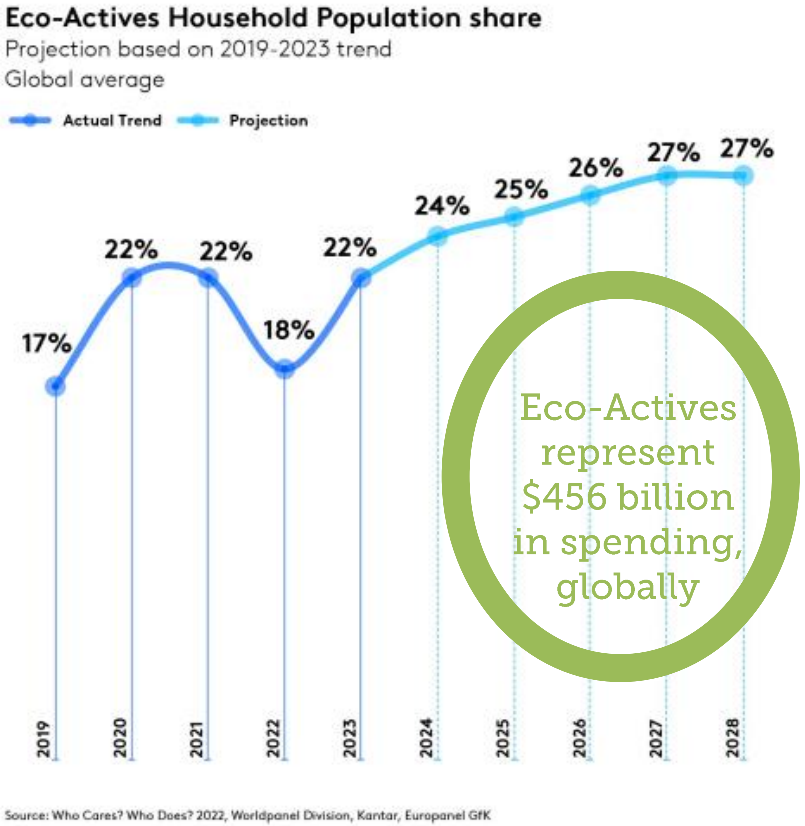
1. Clean label / natural ingredients
2. Looking for sales / lower prices
3. Checking ingredient labels
4. Checking nutritional labels
5. Health claims such as digestive health
6. Reduced sugar or no added sugar
7. No additives or artificial ingredients
8. Reduced or zero fat claims
9. Organic products
10. Sustainability or environmental claims

Source: ATLAS 2023

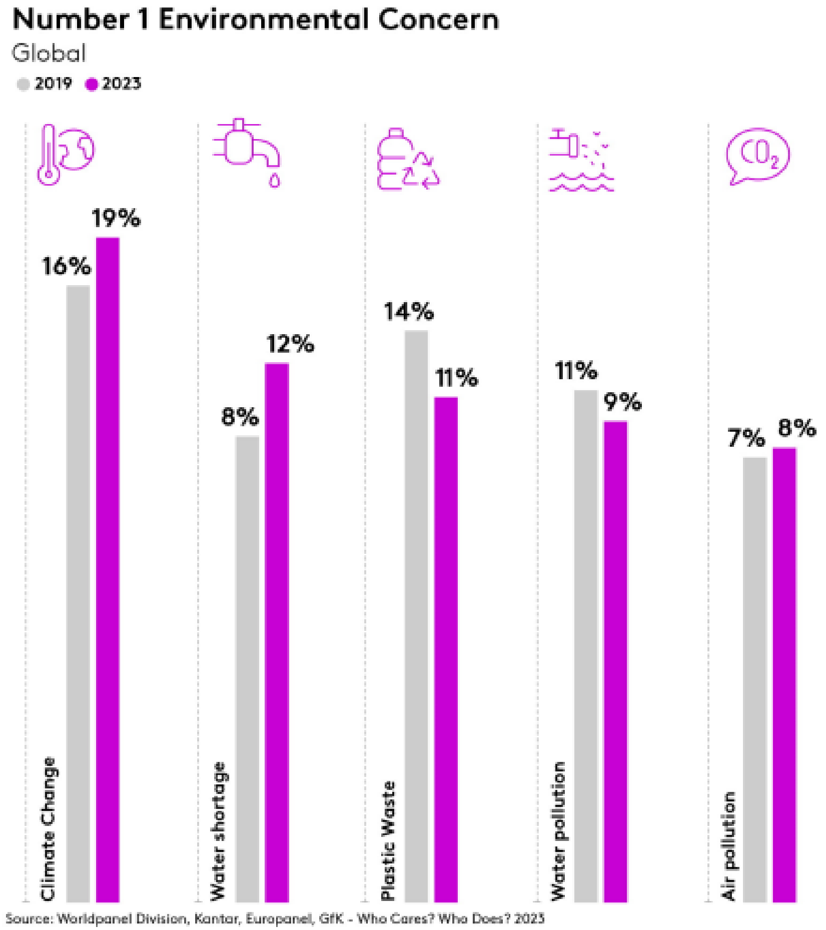
- The compound impact of inflation is reducing purchasing power
- Organic remains in top 10 claims when it comes to purchase behaviors in 2022 (<1%)
- Big increases in ingredients checking and looking for nutritional info – Opporunuity?

Source: https://www.ingredion.com/emea/en-uk/be-whats-next/2023-consumer-food-preference-trends.html#claims

Consumers UK: Eco-actives bounce-back as concerns shift



- Climate change is at the forefront of people's minds and concerns about water shortages have now leapfrogged plastic waste as the primary concern
- Consumers expect more action on environmental, social, and governance (ESG) efforts
- Investors too?



Source : Who Cares? Who Does? Kantar, September 2023

Takeouts

IFOAM ORGANICS EUROPE MEETS BUSINESS

Takeouts Evolution of European markets

- European consumers are willing to buy more organic products but the cost-of-living crisis has impacted spending power

- Although global food commodity prices fell in the first quarter of 2023 compared to the previous year, many regions experienced a rise in domestic food prices: high food price inflation was more prevalent in Europe.

- European consumers spend less on food overall, and organic consumers in the EU tend to choose a cheaper version of the same product (e.g. retailer brand, discounter)

- Competition from “local” products: 87% of European consumers state that short supply chains are an important factor in their motivation to buy.

- Competition from green offer which lack the regulatory rigor of organic

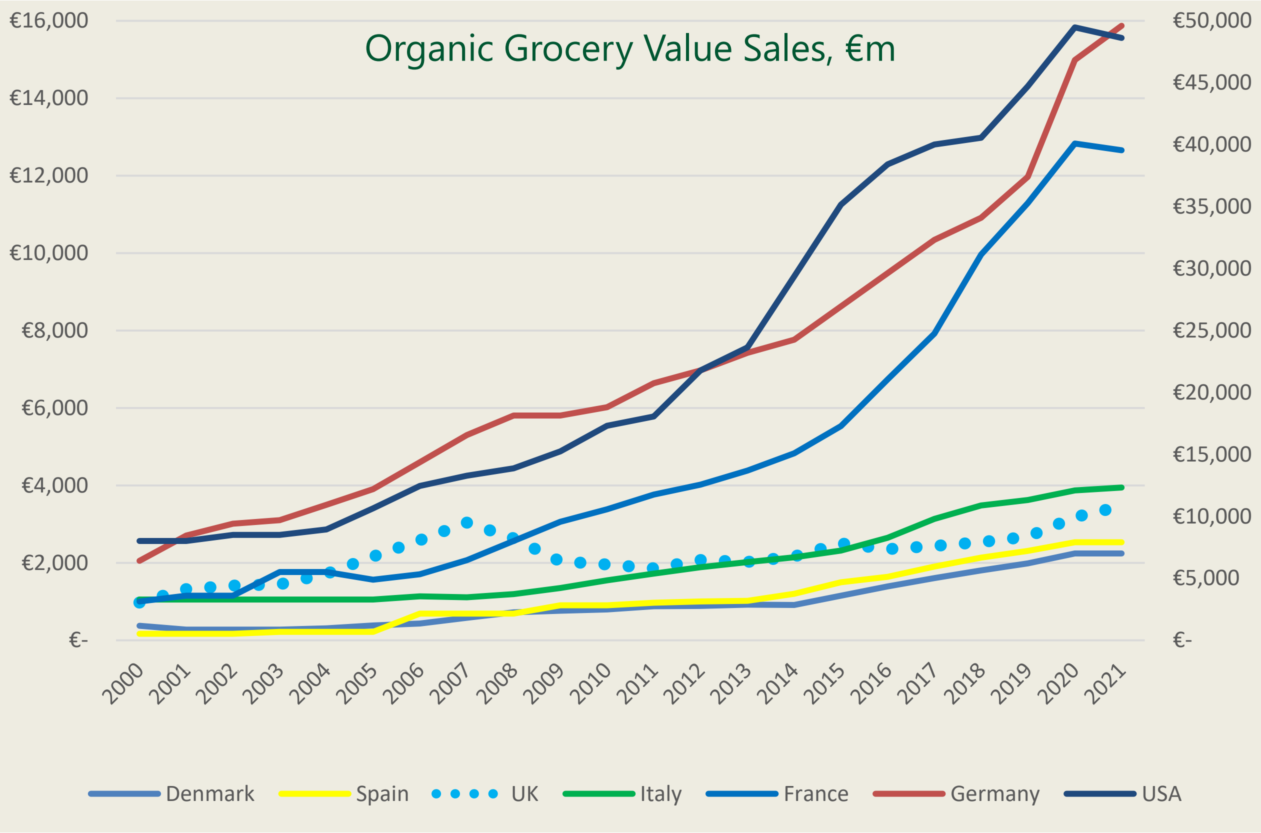
Takeouts Declines need to be taken in context

- The "decline" of 2022 of the organic market is to be put in perspective

- Extraordinary growth during the Covid period because of external factors.
2020 cannot be taken as a reference year

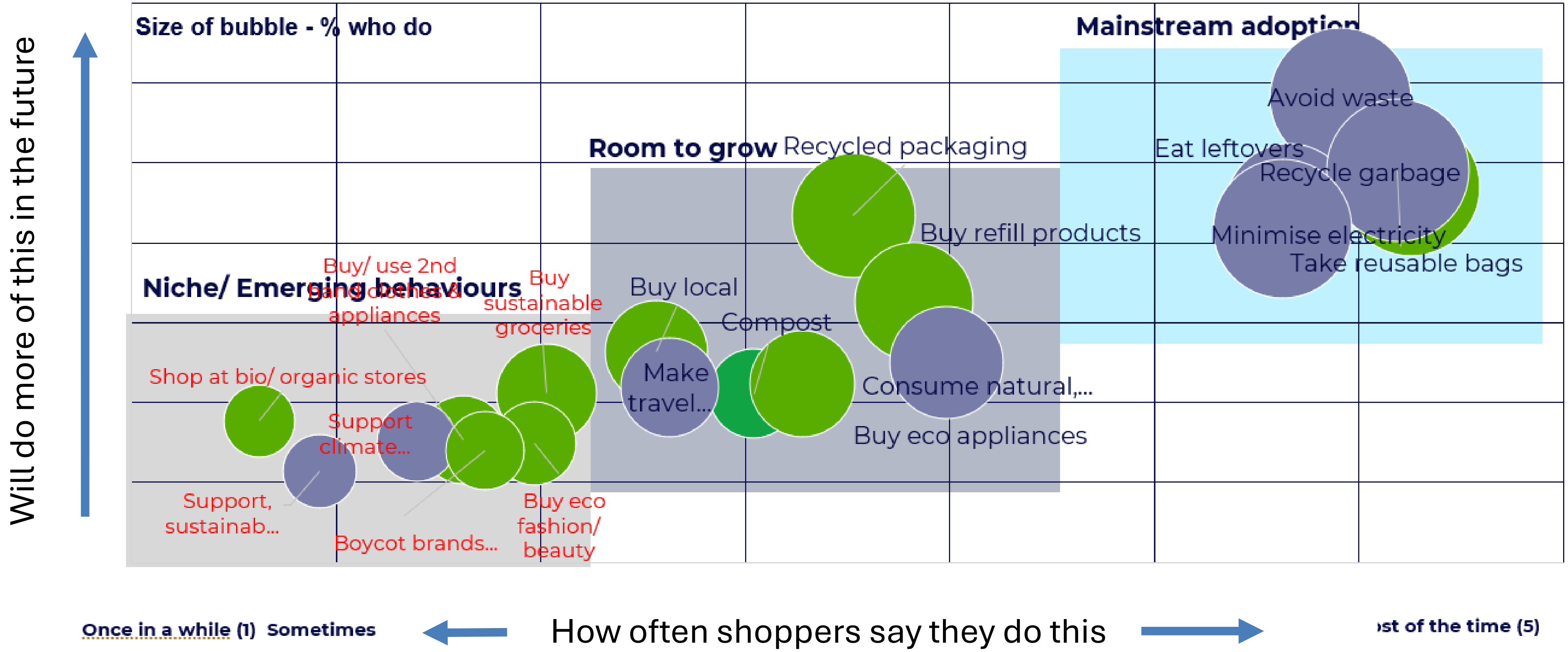
- We see signs of recovery and certainly when comparing to the pre-Covid levels in many markets .

- Many markets are still seeing value growth



Source: Eurobaromètre Les Européens, l'agriculture et la PAC, juin 2022
https://blogs.worldbank.org/opendata/falling-food-prices-yet-much-higher-pre-covid

Consumers Globally we are embedding some behaviors



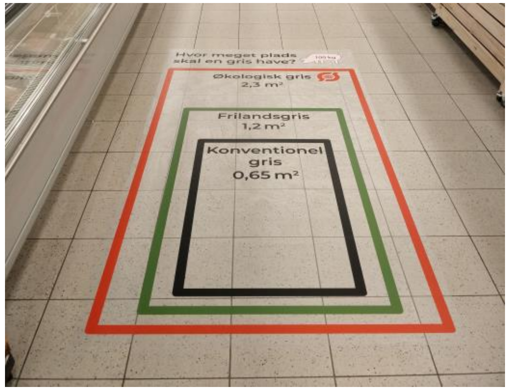
- Shopping at Bio stores is a niche action currently but others are growing. How do we shift this to the right ?

Source: NielsenIQ 2023 Sustainability Report - What actions, if any do you currently do to live a sustainable lifestyle? Which of these do you personally see yourself doing more often in next 6-12 months?

Takeouts Support for markets

Organic producers are hit hard by the economic crisis and should be supported to limit the risk of deconversion.

Discounters have grown their organic offer across Europe. This growth could be leveraged further using nudging techniques to stimulate their customers to buy more organic products and create food environments favorable to sustainability.



Whether led retailers, certifiers, Trade organisation or NGO's consumer-facing communication is key - impactful campaigns with clear messages for confused consumers showing how organic addresses the issues they care about - e.g. health/nutrition and climate.

Takeouts Support from policy makers (and finance?)

Double the amount of organic land by 2026

Triple the amount of organic land by 2030

30% organic land by 2030

75M Euros in organic support market & agr- - support

25% organic land by 2030

$300 million Organic Transition Initiative (OTI)

- Whether nitrate pollution, antibiotic over-use, biodiversity loss or climate mitigation, policy makers are increasingly looking to organic as a solution

- Food and agriculture are the next gas and oil. Financial institutions becoming increasingly risk-averse and looking to divest from intensive agriculture. Opportunity for agroecological and truly regenerative?

“ With unprocessed and sustainable food rising up the shoppers` agenda, Organic has an opportunity to widen its customer base as inflation subsides

And continue to message that Organic has a bigger role to play in ensuring that our food is safe, secure and socially responsible and is also natural and biodiverse “

Mike Watkins, Head of Retailer and Business Insight UK - NiQ

IFOAM ORGANICS EUROPE MEETS BUSINESS

Thank you

Lee Holdstock
Senior Business Development & Trade Manager
Soil Association Certification
lholdstock@soilassociation.org

SOIL ASSOCIATION ORGANIC