



# Organic Food Market Set for Growth



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 **Quick read**

## Introduction

With the rise of health and environmentally conscious consumers, niche markets such as organic are set to debut in the mainstream...

## Organic Food Market Trends

Currently only one percent of the world's agricultural land is organic. However, this figure is forecast to grow in the long term. Organic food production emphasises conservation of water and soil and focuses on environmental concerns, resource use, and limiting the use of harmful pesticides and chemicals in food. The positive trend towards healthy eating behaviours seen in the past number of years is expected to continue fuelling growth of the organic food market. Consumer demand for organically produced food worldwide is growing, reflected in the significant market growth of 11% in the United States, the world's largest organic market.

**Consumer demand for organically produced food worldwide is growing, reflected in the significant market growth of 11% in the United States, the world's largest organic market.**

Global retail sales of organic food and drink reached 81.6 billion US dollars in 2015 according to Organic Monitor, expanding at about 10% compared to the previous year. Regional markets are taking roots in Asia, Latin America and Africa, illustrated in the figure below, which in turn are decreasing the global market share of the leading North American and European markets.

## The "organic" consumers

Increased consumer demand for organic products in 2015 could be attributed to greater access to these products especially in the US and Europe. Supermarkets and stores are increasingly conscious about the importance of displaying organically produced labels in their aisles and are capitalising on consumer demand for these products.

However, only a small consumer base is responsible for organic purchases. This becomes more prevalent in developing countries due to limited attempts to develop the market and sale of most organic produce being restricted to small or specialised retailers, at farm gate level and at local markets. The lack of standards around organic food production systems

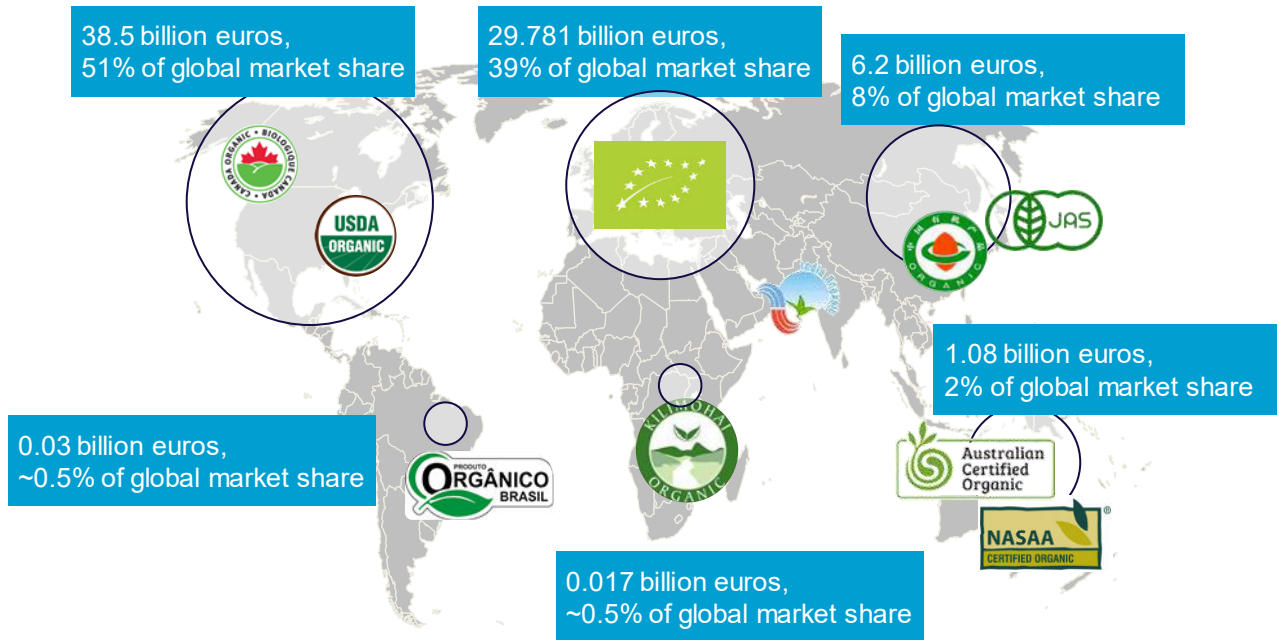
- The emergence of a more health and environmentally conscious consumer is impacting on the mainstream
- The positive trend towards healthy eating behaviours seen in the past number of years is expected to continue fuelling growth of the organic food market
- Increased consumer demand for organic products in 2015 could be attributed to greater access to these products especially in the US and Europe
- Significant demand for organic foods is concentrated in countries where consumers have higher purchasing power
- High prices and lack of information on availability of products, undeveloped infrastructure and logistics and monetary resources required to get certified in emerging economies are factors restricting market growth
- There are more than 2 million organic producers around the world. Topping the list is India with 585,200 organic farmers, followed by Ethiopia with 203,602 organic producers, and Mexico with 200,039 organic producers
- Product innovation, increasing earning capacity and addressing concerns for overall health and development in the retail sector are the optimal pathways to help the organic market to achieve significant growth

also means that the organic sector in developing countries has relatively low entry barriers compared to developed markets.

Therefore, significant demand for organic foods is concentrated in countries where consumers have higher purchasing power. In addition, high prices and lack of information on availability of products, undeveloped infrastructure and logistics and monetary resources required to get certified in emerging economies are factors restricting market growth.



**Distribution of retail sales value in Billion € (statistics and estimation)**



Source: FIBL-AMI survey 2017 & Farrelly and Mitchell Research

**Global Production**

There are more than 2 million organic producers around the world. However, it is interesting to note that India with 585,200 organic farmers tops the list. India is followed by Ethiopia with 203,602 organic producers, which is in turn closely followed by Mexico with 200,039 organic producers. However, the land under organic production is increasing rapidly in Oceania. Australia added more than 4,000ha of arable land to organic production in 2015. The increasing trend for organic produce can be attributed to growing exports to foreign premium markets such as Europe, where the growth in production has lost pace with growth in demand for organic produce. The domestic market in Oceania is also growing with schemes such as Organics Aotearoa New Zealand and the Organic Advisory Programme in New Zealand increasing consumer understanding of organic products. Oceania countries are also using organic farming as a development tool to promote tourism.

Arable crops such as cereal and permanent crops such as coffee are rapidly increasing the land under organic cultivation.

Therefore, this trend has implications for the major cereal and coffee growing regions of the world in the future, with countries such as Cuba, which converted

to organic production out of necessity, claiming price premium on their agricultural exports.

**Looking Ahead**

Developing the organic value chain, success in product innovation, focusing especially on product quality and packaging, increasing earning capacity and addressing concerns for overall health and development in the retail sector are the optimal pathways to help the organic market to achieve significant growth.

Governmental institutions around the globe have already started to play a key role in the promotion of organic agriculture. The support can range from organic agriculture promotion programmes to market access support by export agencies. Financial aid could be developed to pay certification costs during the conversion period and ensure appropriate standards are met.

There are many positive secondary spillover effects of organic agriculture such as the reduction of inputs and limiting of fertiliser and pesticide contamination of water resources. With consumer awareness around organic food growing, and positive consumer perception, the future of organic production looks bright.



## Conclusion

The positive trend towards healthy eating behaviours seen in the past number of years is expected to continue fuelling growth of the organic food market. Significant demand for organic foods is concentrated in countries where consumers have higher purchasing power. High prices and lack of information on availability of products, undeveloped infrastructure and logistics and monetary resources required to get certified in emerging economies are factors restricting market growth. Product innovation, increasing earning capacity and addressing concerns for overall health and development in the retail sector are the optimal pathways to help the organic market to achieve significant growth.



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