

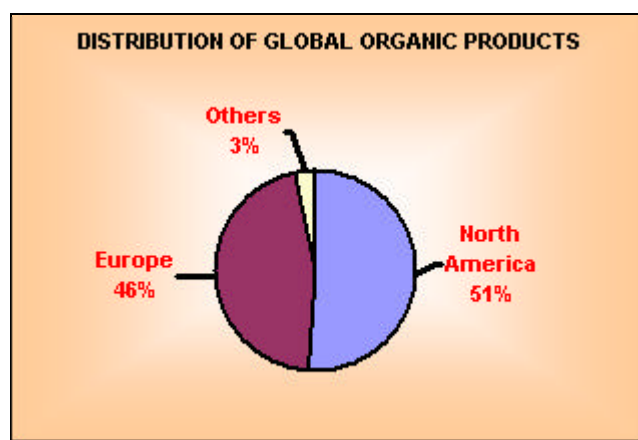
OVERVIEW OF THE GLOBAL MARKET FOR ORGANIC PRODUCTS

ORGANIC PRODUCTS' TRADE IN THE WORLDWIDE

Global market size is estimated as 25 billion US\$ in 2003 and average growth rate is approximately 20-25%.

Although production of organic crops is increasing across the globe sales are concentrated in the industrialized parts of the world. As we can see from Figure 3 North America and Western Europe comprise the bulk of global revenues, however consumer interest is growing in other regions. Other important markets are in Japan and Australia. Over 20 to 30 % of consumers surveyed across Europe, North America and Japan claim to purchase organic foods regularly. So it can be said that consumers in US, Europe and Japan drive the demand expansion.

Figure 3:



First and the most important reason of consumer focus demand to the industrialized world is the price premium of organic products. Many developing countries have large sections of their populations below the poverty line and this makes it difficult for a market for organic products to develop. Second reason is the education. As consumers become more educated and informed of food issues, they are more inclined to buy organic products whether it is because of factors like food safety, concern for the environment and health reasons. As more countries develop economically and as their populations become increasingly educated and more affluent demand for organic products is to rise. This is to cause sales of organic products to become less concentrated in the world.

In other regions, there is an increase, in organic farming because of farmers being attracted to the export benefits of organic production. Although most production in Asian and African countries will be for export markets, it is also creating regional markets to develop in which organic farmers market their organic crops to consumers in their region.

MAJOR ORGANIC MARKETS & TRENDS

North America

The North America market for organic products is reporting the highest growth worldwide. Organic food and drinks were estimated to have expanded by 12 percent. Consumer demand for organic products remains buoyant and the region is expected to account for most global revenues in the foreseeable future.

The United States Department of Agriculture USDA implemented the National Organic Program NOP in October 2002. The NOP only allows organic products that meet USDA regulations to be marketed as organic products in the American market place. This has given the industry a boost by making organic products more visible in the market place and raising consumer awareness. Organic products must meet national standards in order to obtain the official organic logo and this strengthened consumer confidence in organic products.

Europe

The Western European market for organic food and drink was traditionally the largest in the world, however it has now been overtaken by North America. The market has enjoyed rapid expansion since the mid 1990s and is now reporting slowing growth rates as certain sectors approach maturity. Supply-demand imbalances have become a characteristic of the European organic food industry. A number of countries are showing oversupplies in sectors like organic meat and dairy whilst other sectors like organic cereals and grains continue to suffer from product shortages. Because much of the early converts to organic agriculture were dairy and cattle farmers whilst the conversion rate for arable farmers has typically been low.

The British market for organic food and drink is the third largest in the world. The Italian and French markets are the next most important, each valued at about USD 1.3 billion. Other important markets for organic food and drink are in Switzerland, Denmark, Sweden, Austria and the Netherlands.

The Swiss expenditure rate on organic products is the highest in the world with the average Swiss consumer spending about USD 105 on organic products per annum. The Danes are the second largest consumers of organic food and drink with an average spend of USD 71 per annum.

The average European expenditure rate on organic food and drink is USD 27.2 per annum. It is shown that there is much variation in the expenditure rate between European countries, ranging from USD 7.3 (Spain) to USD 105 (Switzerland) per ca pita.

Countries like Switzerland, Denmark and Sweden have expenditure rates above USD 40 per annum and if these are seen as aspirations for other European countries then there is much scope for further market growth. An increase in the average consumer spends to USD 40 would raise the organic food and drink market value to USD 15.4 billion in Western Europe.

Asia

The Japanese market for organic food and drink is the most important in the Asian region. This is perhaps not surprising considering Japan has the second largest economy in the world and it is the most affluent (and) country in the Asian region. The International Trade Center (ITC) estimated a value of US\$ 350-450 million for the Japanese organic market in 2003. The market is expected to continue growing by 20% per year, supported by an improving Japanese economy.

The introduction of government regulations on organic farming and organic foods caused revenues to shrink over ten-fold in 2001. The Japanese Agricultural Standards JAS only allows organic foods that are certified by an accredited organization to be marketed as organic foods. This caused many organic products to lose their organic status in 2001 and the market size shrunk as a result. Get in details in chapter 4.

Other important markets for organic products are in China, South Korea, Singapore, Hong Kong and Taiwan. There is a small but growing market for organic food and drink in these countries. Countries like Malaysia, Thailand and India are expected to show growing markets for organic products as organic farmers in step up production in these countries

Latin America

Latin America has the second largest amount of organic farm land in the world with 5.8 million hectares, however it has a small market for organic food & drink. Most of the organic farmland is used to produce organic products for the export market with about 10 percent sold within the region. The region is an important source of high quality organic fresh produce to northern hemisphere countries, especially to the United States and Europe.

Oceania

Although the Australasian continent comprises almost a half of global organic farmland, the market represents a fraction of the global total. The Australian organic food industry is export-oriented with significant quantities of primary products like organic fruit, vegetables and beef going to other countries. Sales of organic products within Australia are growing at about 15 to 20 percent per annum and consumer demand continues to strengthen.

The organic food industry in New Zealand is highly export-oriented. There are high volumes of organic kiwi fruit, lamb, fruit and vegetables exported to northern hemisphere countries and relatively low amounts are sold in the domestic market.

Prepared by Egebirlik, Department of Turkish Treasury and Foreign Trade,
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