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Plenty of opportunities for U.S. organics in the EU market

Report Categories:

Beverages

Coffee

Dried Fruit

Citrus

Fresh Fruit

Special Certification - Organic/Kosher/Halal

Market Development Reports

Product Brief

Tree Nuts

Approved By:

Kelly Stange

Prepared By:

Marcel Pinckaers, Kelly Strzelecki, Roswitha Krautgartner,
Karin Bendz

Report Highlights:

The organic arrangement between the U.S. and the EU in combination with growing demand for organic products in the EU creates opportunities for U.S. companies. Export opportunities are to be found in fresh produce, dried fruit and nuts, specialty grains and processed products.

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 are not official USDA data.

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

Karin Bendz	USEU/FAS Brussels covering EU policy
Dana Biasetti	FAS/Rome covering Italy
Laurent Journo	FAS/Paris covering France
Roswitha Krautgartner	FAS/Vienna covering Austria and Slovenia
Arantxa Medina	FAS/Madrid covering Spain and Portugal
Jana Mikulasova	FAS/Prague covering Czech Republic
Marcel Pinckaers	FAS/The Hague covering the Netherlands, Belgium, Luxemburg, Denmark, Sweden, Norway, Finland and Iceland.
Leif Erik Rehder	FAS/Berlin covering Germany
Andrew Sowell	FAS/Washington D.C.
Kelly Strzelecki	FAS/Washington D.C.
Jennifer Wilson	FAS/London covering the U.K. and Ireland

Summary

Beginning June 1, 2012, organic products certified in the United States or European Union (EU) can be sold as organic in either market, streamlining trade between the two largest organic markets in the world. All products traded under the partnership must be shipped with an organic import certificate. In 2013, the EU market for organic products was USD 28.3 billion, up by seven percent compared to 2012. The largest market is Germany and, together with France, they represent over half of the EU-28 organic market. The growing market for organics in the EU in combination with the partnership creates more trade opportunities for U.S. exporters. The EU offers market potential for U.S. organic fresh produce, dried fruit and nuts, specialty grains and processed products.

Section I. Overview of the EU-U.S. Organic Equivalence Cooperation Arrangement and implications for the trade

By Kelly Strzelecki

Signed in February 2012, the arrangement was fully implemented on June 1, 2012. Since then organic products certified in the United States or EU have been sold as organic in either market. This partnership streamlines trade between the two largest organic producers in the world, and provides organic farmers and businesses access to an over USD 50 billion growing combined market. Although there are small differences between the U.S. and EU organic standards, both parties individually determined that their programs were equivalent except for the prohibition on the use of antibiotics. The USDA organic regulations prohibit the use of antibiotics in animal production, and in 2014 eliminated a previous allowance for certain antibiotics to control invasive bacterial infections (fire blight) in organic apple and pear orchards. The EU organic regulations allow antibiotics only to treat infected animals. For all products traded under this partnership, certifying agents must verify that antibiotics were not used for any reason.

Import certificates

All products traded under the partnership must be shipped with an organic import certificate. This document lists the production location, identifies the organization that certified the organic product, verifies that prohibited

substances and methods were not used, certifies that the terms of the partnership were met, and allows traded products to be tracked.

Both parties are committed to ensuring that all traded organic products meet the terms of the partnership, retaining their organic integrity from farm to market. The European Commission's Directorate General for Agriculture and Rural Development and the USDA National Organic Program—which oversees all U.S. organic products—both have key oversight roles. This arrangement only covers products exported from and certified in the United States or the EU.

For USDA organic products exported to the EU: A USDA-accredited certifying agent must complete an EU import certificate for all USDA organic products traded under the arrangement. The following are links to guidance for certifying agents and a link to the EU certificate:

- Memo to NOP-Accredited Certifying Agents: <http://bit.ly/eu-trade-nop-certifiers>
- EU Import Certificate: <http://bit.ly/eu-organic-import-cert>

For EU organic products exported to the United States: An EU-accredited certifying agent must complete a U.S. import certificate for all EU organic products traded under the arrangement. The following are links to guidance for certifying agents and a link to the U.S. certificate:

- Memo to EU-Authorized Control Bodies and Authorities: <http://bit.ly/eu-trade-eu-bodies>
- NOP Import Certificate: <http://1.usa.gov/nop-import-certificate>
- Instructions for Completion: <http://1.usa.gov/nop-import-instructions>

Organic Working Group

The United States and the European Union continue to have regular discussions and review each other's programs periodically to verify that the terms of the partnership are being met. In order to formalize this process an Organic Working Group (OWG) was created. The OWG meets at least once a year to address and resolve implementation and other issues with the arrangement. In addition, the OWG also works to enhance the integrity of both market's organic production systems by sharing information and reviewing one another's proposed regulatory changes. Members of the OWG include: from the United States, the Office of the United States Trade Representative, the United States Department of Agriculture, National Organic Program and Foreign Agricultural Service; from the EU, the European Commission's Directorate General for Agriculture and Rural Development.

Further guidance for accessing the EU organic market can be found at:

<http://bit.ly/access-us-organic-market>

Further guidance for accessing the U.S. organic market can be found at:

<http://bit.ly/access-us-organic-market>

For additional details on the trade partnership, please visit the:

<http://www.ams.usda.gov/NOPTTradeEuropeanUnion>

Section II. EU Commission proposal for a new regulation on rules for organic production and labelling

By Karin Bendz

With the fast development of the EU organic sector it is imperative to keep consumer confidence high to maintain this positive trend. Since there have been a few cases of fraud in the organic food sector the Commission fears that lost consumer confidence due to fraud would be very hard to regain. Therefore, on March 24, 2014, the European Commission adopted its [proposal](#) for a new regulation on organic production and labelling of organic products to the European Parliament and the Council for their consideration under the co-decision procedure.

The proposal

The Commission proposal focuses on three objectives:

- Maintaining consumer confidence by strengthening rules on production in line with consumer concerns, and reinforcing and improving the control system so that European consumers have better guarantees on organic products in the EU.
- Maintaining producers' confidence in the system by applying the same production rules throughout the EU, thereby guaranteeing fair competition for organic producers and uniformly high standards.
- Removing obstacles to developing organic farming in the EU. These obstacles include complex, unclear legislation; technical and structural obstacles to switching to organic production or maintaining organic methods; high certification costs and the administrative burden.

The proposal has been heavily criticized by both producer organizations and industry for a number of reasons. Some of them even go as far as to say it is counterproductive for the sector. The Commission is also being criticized for transferring important powers to itself by introducing many [delegated acts](#) and not enough [implementing acts](#).

Some of the effects of the Commission's proposed changes to the organic sector include:

- **Parallel Production:** Farmers would not be allowed to produce organically and conventionally on the same farm. Currently, it is quite common in the EU to have both types of production and this new requirement would likely cause many farmers with parallel production to stop producing organics.
- **Seeds:** Introduction of stricter rules concerning the origin of seeds and vegetative propagating material. Only organic seeds will be allowed to be used on organic farms. This would put a lot of pressure on organic vegetable production. This could be problematic given the lack of adequate supplies of organic seeds.
- **Animals for breeding:** Organic farms would only be allowed to use organic animals for breeding purposes. Currently, conventional animals can be used for breeding purposes on organic farms. This would dramatically reduce the genetic variation.
- **Dehorning:** Dehorning dairy or beef cows would not be allowed. This would increase the risk for injuries on both animals and farmers working with the herds.
- **Feed:** There would be higher demand for self-sufficiency in feed production. For bovine and caprine animals the proposal increases the percentage from 60 to 90 percent of feed originating from the same farm entity or region. In pig and poultry production, the rate of feed produced on the own farm entity, or in the same region, would rise from 20 percent to 60 percent. This could be difficult for some producers and areas given that, for example, protein crops are not possible to grow everywhere.
- **Pesticide Threshold:** The introduction of a pesticide residue threshold for non-authorized substances at levels exceeding the lowest levels for any food category, namely those applicable to baby food is causing concern among organic producers as contamination from surrounding conventional farms is sometimes unavoidable. As such, although the organic producer may have taken all reasonable attempts to ensure compliance, he or she may be held responsible for adventitious contamination and become decertified as a consequence. The Commission's reason for introducing the threshold is to decrease the incentive for fraud. However, the industry claims that the measure would not have that effect.

Industry reactions

The EU International Federation of Organic Agriculture Movements (IFOAM EU) is the European umbrella organization for organic food and farming and concludes in its position paper that the Commission's proposal is inadequate, and rejects the proposal in its current form, unless substantially changed. More detailed information on IFOAM EU's concerns can be found in its [position paper](#).

Copa-Cogeca, the umbrella organization for EU farmer unions and cooperatives, believes that even though some changes introduced in the Commission's proposal are heading in the right direction, changes to several areas of the regulation could lead to a drop in organic production within the EU. Copa-Cogeca emphasizes the importance of farms with parallel production and the possibility for farmers who want to convert to organic farming to be able to do that in a step-by-step manner. Additional concerns can be found in its [position paper](#).

The proposal has received such heavy criticism from Members of Parliament (MEPs) and Member States that the Commission announced in its [Work Program for 2015](#) that if there is no agreement in the next six months, the proposal will be withdrawn and replaced with a new initiative. However, the Latvian presidency, which took over the Italian presidency as of January 1, 2015, has indicated its hope to negotiate an informal deal among the MS by May 2015. The draft agenda the Council indicates that Ministers of agriculture will debate the proposal on March 16, and vote in May 11, 2015. AGRI Committee MEPs are expected to hold a first exchange of views on the proposal at a meeting to be held on 23 February 2015.

Section III. The EU organic agricultural production and market

By Marcel Pinckaers

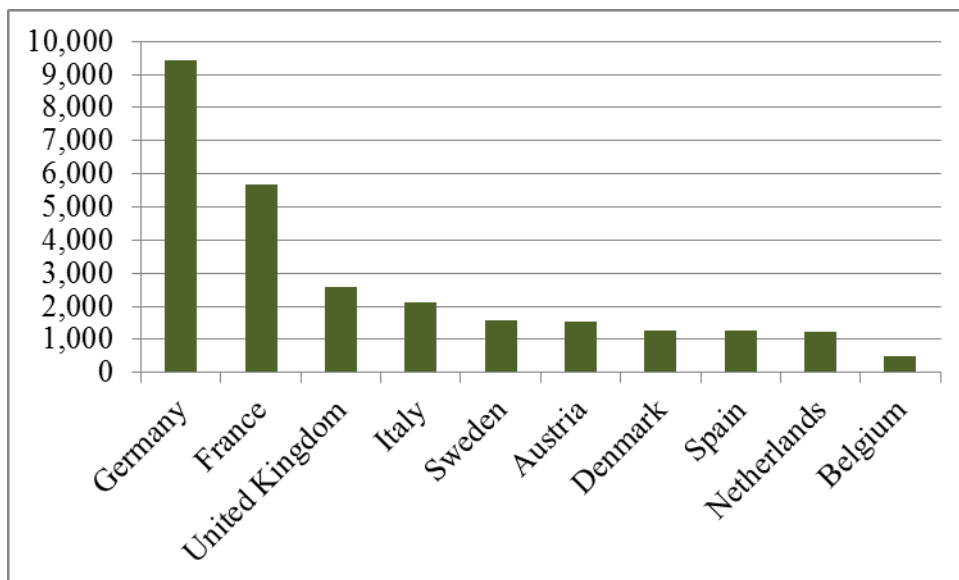
Over the past decade, the organic agricultural land in the EU-28 doubled. The largest areas are in Spain, Italy, France and Germany and together account for roughly half of the EU-28 organic area. Data from FiBL (the Research Institute of Organic Agriculture), based on Eurostat and national data, show that in 2013, slightly more than 10.2 million hectares were under organic agricultural management or 5.7 percent of the total EU-28 agricultural land. This is an increase of 3 percent compared to 2012.

The data also shows that about forty-five percent of this organic land is used for permanent grassland. Spain, Germany and the UK have the largest areas of organic permanent grassland. Another forty percent of the organic area is used for arable crops. The largest arable crop groups are green fodder and cereal production. The largest areas are to be found in Italy, Spain and France. Finally over ten percent is being used to grow permanent crops of which two-third is in Spain, Italy and France. Most of this land is used for the production of olives, grapes and nuts.

In 2013, the EU market for organic products in 2013 totaled USD¹ 28.3 billion, or € 22.6 billion, an increase of seven percent compared to previous year. Between 2009 and 2013, the organic market grew by almost thirty percent. All leading organic markets in the EU demonstrated growth in 2013. The largest market by far continues to be Germany. Together with France they represent over half of the EU-28 organic market.

Figure 1. Top 10 largest organic markets in the EU, million USD, 2013 figures

¹ 1 USD = 0.8 EURO



Source: USDA/FAS, FiBL and Agricultural Market Information Company (AMI)

Organic sales in the EU's largest market Germany increased in 2013 by seven percent to over USD 9.4 billion, and accounts for one-third of the total EU market. The increase in 2013 was the result of more dry products sold coupled with higher prices for fresh products. Germany is also one of the largest producers of organics and has over 1 million hectares of organic agricultural land. However, the country imports large quantities of soybeans, wheat, corn, rice, potatoes, dairy products, meat and fresh produce. Additional information on the German organic market can be found in the following report,

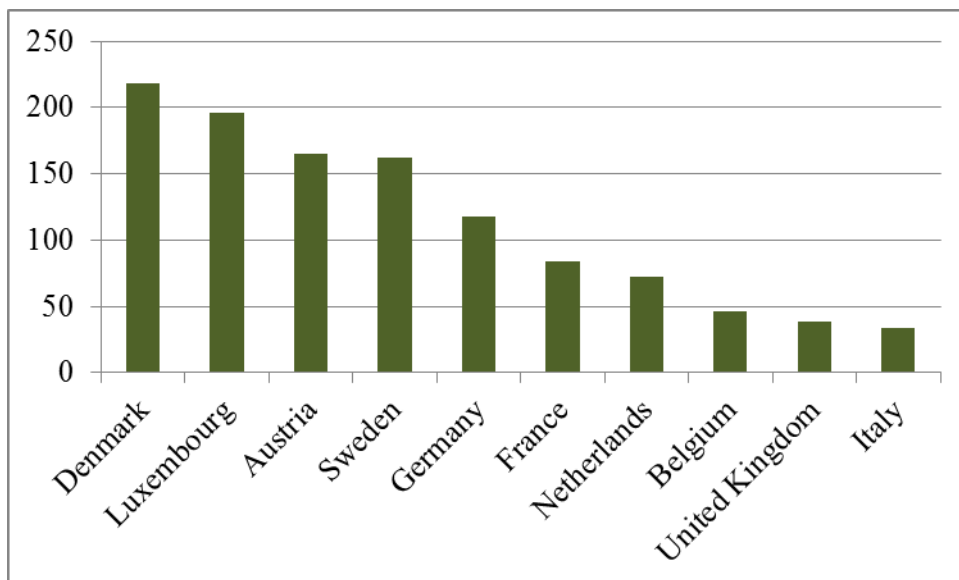
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Organic%20Food%20Retail%20_Berlin_Germany_1-6-2015.pdf.

France is EU's second largest market for organics and accounted in for USD 5.7 billion. France also has around 1 million hectares of organic agricultural land and is a large producer of organic products. Roughly a quarter of all consumed organic products are imported. Main imported products include exotic produce, soy, fruit juices, seafood and a variety of grocery products.

An important driver behind the growing organic market throughout the EU is the predominance of large full service supermarket chains. They have embraced organic products and placed them on the shelves next to conventional products. This has resulted in a greater availability of organic products for a larger audience. Specialty stores of organic products also play an important role as they become more professional, operate on more shop space 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, Austria and the U.K., full service supermarkets nowadays dominate the distribution of organic products. In Italy, the Netherlands, France, Belgium and Germany the share of full service supermarkets and organic specialty shops is more evenly divided.

The highest sales per person of organic food and drinks, USD 100 or more per year, were reached in Denmark, Luxembourg, Austria, Sweden and Germany. At the same time there are a dozen Members States, mainly in Eastern Europe, with sales of less than USD 10 per person.

Figure 2. Top 10 EU countries with the highest organic sales USD per person, 2013 figures



Source: USDA/FAS, FiBL and Agricultural Market Information Company (AMI)

Consumers of organic products in Europe can roughly be divided in two groups. The first group, the so-called ‘regular buyers’, is a rather small group that has been buying organic products for decades. This group includes environmentalists, lovers of nature, and socially conscious people. Although this group is small, they are responsible for almost half of EU’s organic sales. Regular buyers tend to buy at organic specialty shops or farmers’ markets. For them price is not an important purchasing decision factor.

The second and much bigger group is quite different. Double-Income-No-kids households, older consumers (aged 50-75) and New-Trends seekers will fall in this group. They buy organic products for various reasons, including healthy lifestyle, food safety concerns, animal welfare, sustainability, quality and taste of food, innovative packaging. This so-called ‘light buyers’ group buys organic products at full service supermarkets and also in specialty shops. Due to its size and diversity, it is this group that the organic industry will focus on to generate further growth in the near future.

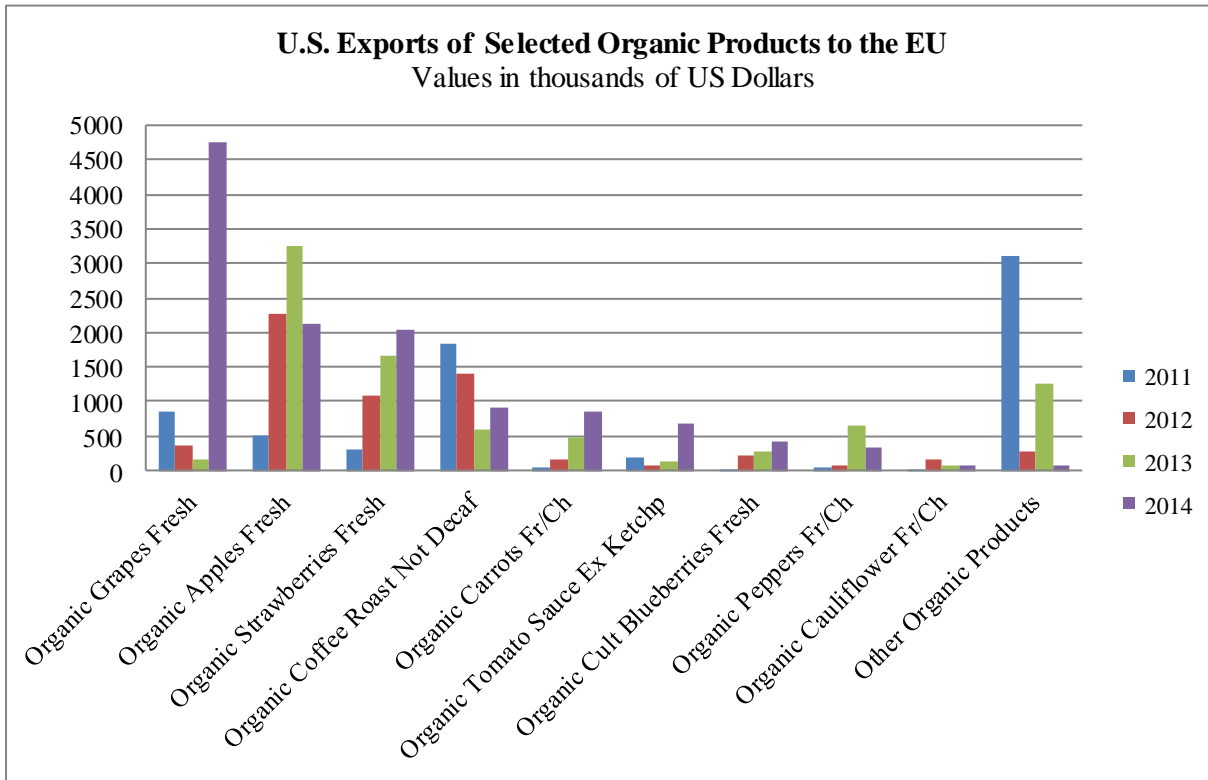
Section IV. Trade in organic products between the U.S. and the EU

By Roswitha Krautgartner

U.S. exports to the EU of organic products which are covered by HS codes (introduced in 2011) reached USD 12.3 million in 2014. This compares to an increase of 77 percent from 2011 to 2014. The largest increase in exports occurred in fresh grapes and reached USD 4.7 million in 2014 (2011: USD 0.8 million). In 2014, the value of U.S. organic grape exports to the EU exceeded the export value of organic apples which used to be the most important U.S. organic export commodity in 2012 and 2013. Other important U.S. organic export products to the EU after grapes and apples include strawberries, coffee, carrots, tomato sauce, blueberries, peppers, and cauliflowers.

In 2014, most U.S. organic exports to the EU occurred during October (grapes and apples) and November (grapes).

Figure 3. U.S. exports of selected organic products to the EU by product group
 Values in thousands of USD, 2011 - 2014 figures

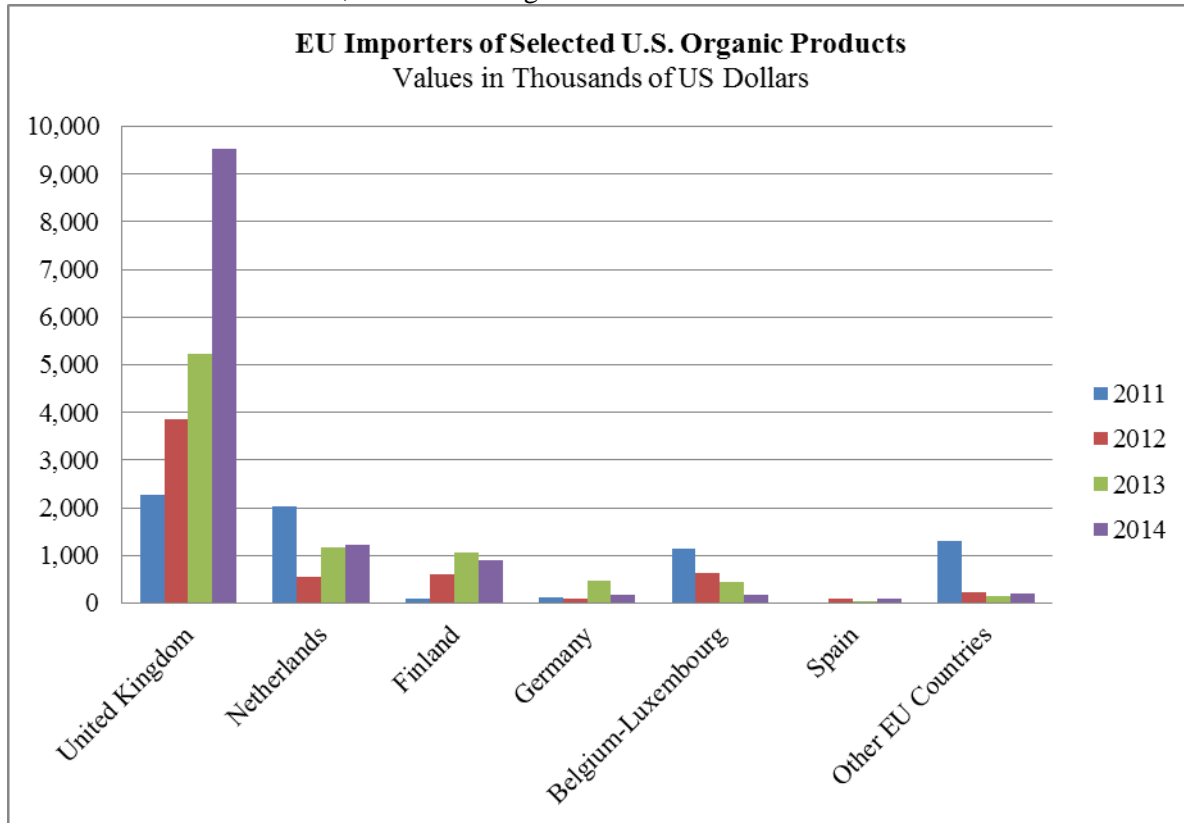


Source: U.S. Census Bureau Trade Data (USDA’s Global Agricultural Trade System Online – GATS)

Major EU-28 importers of U.S. organic products

The most important European Union port of entry for U.S. organics is by far the United Kingdom. By value 77 percent of organics covered by HS codes entered the EU in 2014 via the United Kingdom. Further important import countries for U.S. organics are The Netherlands, Finland, Germany, and Belgium. These five countries imported 98 percent of selected U.S. organic products during 2014. Major EU importers act as distributors and transship organic products to other EU Member States.

Figure 4. Top EU importers of selected U.S. organic products,
 Values in thousands of USD, 2011 - 2014 figures



Source: U.S. Census Bureau Trade Data (USDA’s Global Agricultural Trade System Online – GATS)

Source Notes:

United States’ export and import statistics on the above mentioned organic products can be obtained through the USDA’s [Global Agricultural Trade System Online \(GATS\)](http://www.gats.usda.gov) by running a standard query and selecting “Organics-Selected” under “Product Groups”.

A list of current organic trade HS codes can be obtained at:

<http://www.fas.usda.gov/organic-trade-hs-codes>

Please note that the HS coding for organic products does not fully capture existing organic trade with the EU but it is a useful tool for tracking covered products and to look for changes in trade that may be due to the 2012 EU-U.S. organic trade arrangement.

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

By Marcel Pinckaers

The growing market for organic products in the EU in combination with the U.S.-EU partnership will create more trade opportunities for U.S. exporters. Although trade generally speaking is primarily determined by quality, price and local availability and demand, there are opportunities for U.S. exporters in the following market:

- The market for sweet potatoes is growing. EU demand for potato varieties is up. The U.S. is the best year round supplier of sweet potatoes at competitive prices. In the especially the U.K. there is a market

for fresh vegetables like onions, broccoli and lettuce. Processed vegetables are in demand in the Nordic region due to its limited locally availability. Pulses, especially beans and lentil, are increasingly becoming popular in NW Europe because of a growing demand for healthy food products. Local supply is not meeting demand.

- Especially in those 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 pears in north-western Europe. Demand in the same region is also strong for U.S. citrus (grapefruit and minneola). There is year round demand for fresh, dried, sweetened cranberries and demand continues to grow. Growing demand for other fruits includes grapes, strawberries and cherries.
- Driven by the (healthy) snack and bakery industry there is a growing strong demand for tree nuts from the U.S. Demand is especially high for hazelnuts, almonds, walnuts and pistachios. Groing consumer awareness and therefor demand for specialty grains is also increasing. Interest from the baking industry adds to this demand.
- Demand for U.S. organic processed products is especially high in the U.K. and the Nordic region. The consumer is more and more looking for healthy snacks (cereal/nut bars), organic confectionary products, maple sugar and syrup and organic beverages.

The following country reports on organics can be downloaded from the FAS website and contain country specific market information:

- [Germany](#)
- [Italy](#)
- [Bulgaria](#)
- [EU](#)
- [Poland](#)
- [Netherlands](#)
- [UK](#)

Market development

The Organic Trade Association (OTA) has a wealth of information and experience in helping U.S. companies in their endeavors expanding business overseas. Information about the OTA and how they can help the U.S. organic industry can be found on <http://www.ota.com/index.html>.

In addition to the OTA, there are various other Cooperators that can be of assistance in promoting your organic commodities in the EU. An overview of U.S. commodity cooperators can be found at <http://www.fas.usda.gov/pcd/PartnersSearch.aspx>. Be aware however that not all U.S. cooperators have programs for the EU.

Trade shows are excellent venues for U.S. exporters to make contact with potential business partners, to conduct product introductions and to gauge buyers' interest. BioFach is the largest international trade show for specifically organic products in the world. BioFach is USDA endorsed which means that the show organizer works with the OTA and FAS to create a U.S. pavilion. More information about BioFach can be found at www.biofach.de.

Fruit Logistica is a regional (European) trade show that also attracts buyers of organic fresh produce, nuts and dried fruits. This show is also USDA endorsed and has an excellent U.S. pavilion. U.S. exporters of organic food ingredients should consider exhibiting or visiting the Health Ingredients, Food Ingredients or Vitafoods trade show. These shows attract decision makers from the food processing industry.

Finally, fairs like SIAL, Anuga and ISM attract mainly buyers of specialty and retail-ready products and therefore very suitable for exporters of U.S. organic processed products like confectionary products, snacks and baby food. More detailed information about the USDA endorsed shows in Europe this year can be found at <http://www.fas.usda.gov/international-trade-shows-2015>.

The growing market for organic products, the close cooperation between the OTA and Posts in Europe and the partnership between the EU and the U.S. has resulted in export accomplishments, including below example:

A Swedish importer of specialty foods participated in a buyers mission organized around the Natural Products Expo East in Baltimore, Maryland. FAS/The Hague worked closely with mission organizer in arranging meetings between U.S. producers and the Swedish importer. After the mission, FAS Post in The Hague was informed that the importer placed the first order valued at USD 23,000 buying from producers met during the mission. The 12 month projected sales of were estimated at USD 276,000.