

MARKET SURVEY

FOR

ORGANIC FOODS FROM CARICOM COUNTRIES

IN

SELECTED EUROPEAN COUNTRIES
(United Kingdom, France and Germany)

Prepared for Emerging Market Economics Ltd.,
on behalf of the Caribbean Regional Negotiating Machinery

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I EXECUTIVE SUMMARY

Organic food production for the European markets of the United Kingdom, France and Germany provides an opportunity for assisting in the diversification and sustainability of agricultural production in the CARICOM region.

Organic food consumption in these three markets is forecast in 2000, at US\$975 million, US\$1.0 billion, and US\$2.5 billion. With annual growth rates of 20%, 20% and 10% respectively, consumption is estimated to rise by the year 2005, to US\$2.4 billion, US\$2.5 billion and US\$4.0 billion, respectively.

This growth in demand is fuelled by an ever increasing consciousness on the part of consumers in these countries for healthier and more environmentally – friendly foods.

Imports into the United Kingdom account for over **70% of total retail sales of organic foods**, approximately 35% in Germany and 10% in France. Products imported are those that are seasonal, or which cannot be produced at all, for example tropical products, sourced mainly from suppliers in Africa, Latin America, India and South East Asia. While these countries are the region's main competitors, the trade is adopting a more holistic view in their sourcing requirements and is in search of alternative sources of supply, and 'different' products.

Opportunities therefore exist in these three markets for the sale of high quality, unique, high value, attractively packaged organic:

- Coffee (Blue Mountain),
- Bananas,
- Fermented cocoa beans,
- Ginger root
- Cane sugar
- Palm oil
- Pulp and puree of mango and papaya
- Dry spices and condiments
- Banana chips and
- Pineapple chunks

The following are estimates of annual consumption in metric tonnes (mt) of a selection of these products in the respective markets arising out of the research that informed this survey:

Product	United Kingdom	France	Germany
Coffee	600 mt	400 mt	1,300 mt
Bananas	4,500 mt	2,000 mt	7,000 mt
Cocoa	1,200 mt	150 mt	1,800 mt
Cane Sugar	6,200 mt	n.a.	7,000 mt
Ginger	100 mt	n.a.	400 mt
Banana Chips	n.a.	20 mt	n.a.
Palm Oil	n.a.	7,000 mt	9,000 mt

n.a. – not available

Taste, quality, image and the organic nature of these products are the attributes that should be promoted, as the region cannot compete on price with well-established suppliers with longstanding relationships with importers and wholesalers.

It is being suggested that these products should be presented to the market initially under the Fair Trade label as it provides an opportunity for effectively managing the 2 - 3 year period of transition it takes from conventional to organic production, while allowing farmers and processors to continue to develop/maintain export sales

In the United Kingdom and France, organic foods are retailed predominantly by supermarkets, while in Germany, sales are channelled through specialty shops and health food stores.

The logistics associated with transportation of relatively small volumes of production to these markets, as well as the trend towards smaller price premiums over conventional products are challenges that have to be addressed by exporters wishing to target these markets.

A regional approach should be adopted in the design and implementation of an action plan arising out of the results of this survey. Such a plan would include:

- further definition of the market for the identified products,
- the undertaking of a supply capability study in the CARICOM for the goods with market potential,
- co-ordinating support at the international, regional and national levels for
 1. funding of research,
 2. provision of technical assistance,
 3. marketing and market intelligence information
- establishment of a regional certification body
- compensation for any loss of export earnings incurred during the conversion process and
- establishing an institutional arrangement for facilitating producers who can immediately qualify for access to the markets

2. INTRODUCTION

Background

Organic agriculture, though relatively small at present, and accounting for between 0.12% to 7% of total farm production in the developed countries, is of growing importance in the world agriculture sector, and is increasing its contribution to the international food system as one of several approaches to sustainable agricultural production. While the explicit goal of organic agriculture is to contribute to the enhancement of sustainability, it is however not an exclusive method of sustainable farming.

Increasing consumer awareness of health and environment issues has created a strong demand for organically produced foods providing potential lucrative market opportunities for farmers and businesses throughout the world.

The term “Organic” used within the context of the world food commodities market, refers to food from systems where almost all synthetic inputs are prohibited and ‘soil building’ crop rotations are mandatory.

International guidelines on organically produced food products are important for consumer protection and information, because they facilitate trade. They are also useful to governments wishing to develop regulations in this area. Certified organic foods are produced with techniques and materials, under standards and guidelines set by recognised certifying agencies. Annual inspections are used to verify adherence to the regulations in the marketplace. Within established organic industries, the term “organic” when applied to food and food production must, by law, be associated with systems under the purview of recognised agencies.

As the “Organic” label is finding favour among a growing segment of the world’s population as a product produced using certain production methods, the FAO/WHO/WTO have adopted the following as the universally accepted definition of organic agriculture:

“Organic agriculture is a holistic production management system which promotes and enhances agro-ecosystem, health, including biodiversity, biological cycles, and soil biological activity. It emphasises the use of management practices to the use of farm inputs taking into account that regional conditions require locally adapted systems. This is accomplished by using where possible, agronomic, biological and mechanical methods as opposed to using synthetic materials to fulfil any specific function within the system. In other words, organic agriculture is based on minimising the use of external inputs avoiding the use of synthetic fertilisers and pesticides”.

These guidelines as well as most national and private organisation standards, disallow genetically engineered organisms (GEOs) in organic production.

While production of organic products is growing in major developed markets themselves, demand far outstrips supply and this has created new export opportunities for developing countries. While some consumers express a preference for locally-grown organic foods, the demand for a variety of foods year round, makes it impossible for any country to source organic foods entirely within its own borders. Moreover, a significant part of the organic food consumption basket can only be produced in tropical country regions, providing a strong incentive for many of these countries to produce and export organic products successfully.

Much of the growth in organic food consumption has occurred in recent years in the major markets of Western Europe, in particular the European Union (EU), which is the world’s largest market, followed by the USA and Japan.

Although European production has developed well, imports remain massive since many mainstream food companies with production and processing facilities have not yet joined the organic bandwagon. Suppliers from third countries can therefore realise high value added if they can operate their production and processing facilities in line with (stringent) European quality and service criteria.

According to a 1999 ITC Study, organic food sales could increase from 0.3% to 10% of total retail food sales in EU country markets over the next few years. It is estimated that annual sales growth over the medium term can range between 5 and 40% depending on the market in question.

Typically, organic products are sold at impressive premiums, often at prices that vary from 10% to 130%, and in some cases hundreds of percent higher than identical products produced by conventional means.

Entering the lucrative organic market is not easy however. Farmers need 2 to 3 years after beginning organic production, before land and livestock can be certified as organic. Farmers are therefore denied access to markets before that time, as it is necessary to purge the farm of chemical residues. **During this period however, Farmers can take advantage of the market for Fair Trade products while preparing their farms for organic production.**

In order for farms and post-harvest businesses to be officially classified as “organic”, they must be inspected and certified by a recognised certifying agency. Inspection and confirmation are carried out annually to ensure that farmers and businesses adhere to the standards established by the market. The importing country must recognise the certifying authority and the certification, the cost of which could be a constraint to small Caribbean farmers. In all major markets, state agencies delegate the certifying authorisation to private organic farmers’ associations who develop and administer the specific guidelines for organic farming, handling and processing systems.

A number of products produced within the region offer good prospects as organic products. These include fresh produce such as, cocoa beans, coffee, bananas, root crops, vegetables, fruits and condiments (herbs and spices). Processed commodities with good prospects include, cocoa powder, chocolate bars, ground coffee, coconut water, coconut oil (cooking), jams and jellies, pepper sauces, etc.

One of the most crucial issues facing organic farmers and post harvest businesses, is the paucity of reliable market data. Feedback from farmers and businesses has revealed that lack of market intelligence information is a major obstacle to organic conversion. There is no detailed systematic production or market survey data being collated with which to assess the rate or pattern of organic food market growth in order to support the transformation of production facilities towards catering to market opportunities. The success of any efforts aimed at capitalising on the organic food market will require that this obstacle be removed.

Organic foods production is viewed as a potential area in which Caribbean agricultural diversification could be directed. Its potential for sustained international competitiveness, also increases the attractiveness of this avenue of development. Decisions on organic food production must of necessity reflect market demand and investor interest, both of which need to be identified.

Scope of the Survey

The purpose of this survey therefore, is to identify with a view to exploiting existing and potential export opportunities for organic products from CARICOM countries, in selected European Union countries, viz the United Kingdom, France and Germany.

Specifically, the Survey, **which was conducted over the period, October – November 2000**, provides:

1. A brief overview of the market size and growth trends for organic foods in the United Kingdom, France and Germany.
2. An identification of those organic foods consumed in the above markets that can be produced in the Caribbean region, with emphasis on CARICOM countries.
3. An identification of the markets for these products in terms of:
 - i) quantities consumed and the rate of growth of consumption
 - ii) factors influencing consumption/market growth
 - iii) channels of distribution
 - iv) pricing(wholesale and retail)
 - v) shipping/transportation considerations

- vi) minimum quantities required by importers and the frequency of resupply
 - vii) competition
 - viii) market entry requirements (business practises, import regulations, certificates of registration, etc.)
 - ix) packaging and labelling requirements and
 - x) An identification and description of trading or other arrangements that may positively or negatively influence the export of organic foods from the Caribbean.
4. An identification of prospects for developing joint ventures between the major players in the organic foods market (brokers, importers, retailers) and producers in the Caribbean, including:
- i) entering into co-operation arrangements through firms/producers in the Caribbean
 - ii) providing venture capital
 - iii) some form of contractual arrangement
 - iv) direct investment

3. MARKET SIZE AND GROWTH TRENDS

3.1 Introduction

Europe is the second largest (after the United States) consumer and producer of organic foods in the world. Consumption in 1998 was US\$6.5 billion, estimated to rise to US\$9.0 billion in 2000 and at an annual growth rate of 15-25%, is expected to exceed US\$22.5 billion in the year 2005.

Individual certification initiatives and government policy support for organic production in the European Union (EU) increased the area under organic cultivation thirty times from approximately 100,000 hectares in 1983 to over 3.0 million hectares in 2000. This growth coincided with the implementation in 1993 of EC Regulation 2092/91 and its subsequent amendments that define organic production, processing, handling and distribution. Additionally, the implementation of policies in support of conversion to organic farming as part of the EU-sponsored agri-environment programme, also assisted in the growth of this system of food production.

In most markets, organic productions (and sales) account for less than one percent of total food production (and sales). However, in Austria, Denmark, Germany, Sweden and Switzerland, the share is between 2-3 percent and trade estimates indicate that by the year 2005, organic production (and sales) could account for at least 10 percent of the total food market in most countries.

3.2 United Kingdom

The United Kingdom retail market for organic foods was valued at over US\$625 million in 1998 and is expected to exceed US\$ 975 million in 2000.

The trade estimates that while the future appears bright as more organic products enter the market and consumer demand continues to rise, the growth of 20-40% experienced over the past five years would slow somewhat and average 20% over the next five (5) years. The retail value of the market in 2005 is projected at US\$2.5 billion, an expansion from the existing 0.3-0.4 percent of the total food market, to over 8 percent.

This estimate will depend on the following:

- availability of steady supplies as more conventional farms convert to organic production,
- the price differentials vis -à-vis conventional products are narrowed,
- greater governmental support is given to the sector and
- the retail distribution system in particular the supermarkets, become increasingly committed to expanding their range and sales of organic products.

On the demand side, consumers have become increasingly concerned about the quality of the food they are eating, especially following several food scares including Ecoli and salmonella and more recently, bovine spongiform encephalopathy (BSE).

The upsurge in demand has also been fuelled by the widespread concern and resistance to the introduction of genetically modified organisms (GMOs) into the food chain, and their appearance in such a wide range of foods.

To this end, organic foods have moved from niche to mainstream in this market. In a survey conducted by the Soil Association Ltd among the one third of the public in the UK who buy organic food, over 50% of them perceive it to be better (healthier) for them, 40% indicated that it tastes better, 30% because it is GMO-free, and approximately 25% regard it as more environmentally and animal welfare friendly.

The major product groups consumed in the market are:

Fresh vegetables	-	45%
Fresh Fruit	-	15%
Meat	-	15%
Dairy and dairy products	-	10%
Grocery items	-	15%

Despite this healthy trend, limited availability and range of products as well as relatively high prices were cited as factors most likely to negatively influence an increase in the purchases of organic foods. This is expected to slow the growth in consumption and the trade anticipates current annual growth to slow in the short to medium term to 20%.

3.3 France

The retail market for organic products in France, amounted to US\$700 million in 1998, and growing at a rate of 20% per annum, is expected to exceed US\$1.0 billion in 2000.

Sustained demand, coupled with a government action plan designed to encourage increased conversion from conventional farming and to stimulate new production, as well as improved distribution are expected to maintain the growth rate in the coming years at 20 percent per year increasing organic food sales to US\$2.5 billion by the year 2005, increasing the sector's proportion of total food sales from 0.5 percent to over 5 percent.

The market is currently differentiated in terms of

Cereal products	-	42%
Vegetables	-	25%
Dairy	-	9%
Fruit Juices	-	5%
Meat and poultry	-	3%
Soya products	-	6%
Wines	-	2%
Other	-	8%

Although France is a major producer of most foods and a very important food and beverage exporter, its organic farming is relatively less well developed than in other EU countries.

As a consequence, organic consumption is still a niche market in terms of value, as it represents only 0.5 percent of total retail food sales, in comparison with other countries in the EU.

Market growth is expected to continue and be driven by consumers' concerns about their health, (the recent BSE and dioxin-contaminated animal feed food scares and the discovery of waste water in pig and chicken feed), are leading a growing number of them to purchase foods grown by natural means.

Among the factors which can inhibit growth are:

- high prices - organic foods are expensive in France and can be several hundred percent more expensive than conventional products. However, it is projected that as organic products become more available and gain more exposure through increased sales in large retail chain stores, prices will become increasingly comparable to conventional foods, and organic foods will steadily gain a larger market share;
- confusion as to the difference between organic, natural, farm produced, dietetic, etc.;

- limited product range and
- appearance.

It is estimated that approximately 60% of France's 59 million consumers can now correctly define organic products (despite a feeling among a significant percentage that organic foods are a passing trend) and this awareness could lead to an increase in consumption of these products in the future.

3.4 Germany

Germany is the largest market in Europe for organic foods, and the second largest in the world after the United States.

The German market for organic foodstuffs stood at US\$2.0 billion in 1998, is expected to exceed US\$2.5 billion by 2000 and to grow at a rate of 10%, down from 20%, to US\$4.0 billion by the year 2005.

Retail sales of organic foods currently account for approximately 2% of total food sales, the highest among the three countries surveyed. It is predicted by the trade that growing consumer interest in health arising from food scares, convenience, enjoyment and environmental concerns will increase this to 10% of the total market, from as early as the year, 2005.

The percentage share of the market by product sector is identified as

Fresh produce	-	25%
Bakery/cereal products	-	20%
Dairy and dairy products	-	20%
Meat	-	15%
Other items	-	20%

It is estimated that approximately 60% of the German public purchase organic foodstuffs and over 90% of all German families are aware of the significance of organic agriculture and organic food production.

Seventy-five percent of consumers claim that health reasons were the key influences in their purchases. Other important factors included environmental concerns (by 50% of those surveyed), better nutritional value (30%) and better taste (20%). Only 20% however, were prepared to pay a premium price for organic foodstuffs.

Factors which currently and could continue to negatively impact on the growth of the market include:

- consumer confusion arising from the multiplicity of organic labels;
- the need to distinguish between organic products and non-organic ones – the question of authenticity;
- the availability of fresh produce - freshness is a primary requirement among the German consuming public particularly for perishables and
- the lack of an effective promotion and communication campaign.

A major influence in the market is the Fair Trade movement. While the primary concern of fair trade is the improvement of the social and economic situation of farmers and producers rather than with organic production, the two are converging as the major distributors of fair trade products are placing increased emphasis (including time lines) on these products phasing into conformance with organic production criteria.

4. MARKET OPPORTUNITIES

4.1 **Introduction**

Market demand for organic food in the countries surveyed is met from domestic production, imports from other European Union (EU) member states and from third countries. In the three countries surveyed, domestic production cannot fulfil demand with the result that imports have been growing, particularly in those areas where shortfalls in domestic production are seasonal and where the market requirements cannot be produced at all in the country, e.g. tropical products.

The following is an analysis of the potential that exists for organic products from CARCOM countries in each of the respective markets.

4.2 United Kingdom

While domestic production is in its relative infancy in the United Kingdom as a result of inappropriate production conditions and inadequate support for conversion from the government, many of the goods demanded by consumers are not produced locally in sufficient quantities. As a result, some 70% of this demand is currently being met by imports. Imports have been increasing at the average annual rate of 15% to 20%, for such products as fresh fruit and vegetables, herbs and spices, cereals, beverages, baby foods and dairy products.

The following is an indication of the relative % share of imports of organic foods into the UK:

Fruit, Vegetables And Herbs	-	82%
Baked Cereals	-	70%
Dairy And Dairy Products	-	40%
Meat	-	5%
Baby Foods	-	70%
Beverages	-	90%
Other Grocery Items	-	80%

Overall, demand is growing faster (40% per annum) than the increase in domestic supply (25% per annum), despite a degree of government-sponsored production-oriented subsidies and legislation favouring large-scale agri-business. The view is held among some importers that this reluctance on the part of British farmers to convert to organic production is due to the long period it takes to achieve certification, and the resistance by them to adopting revised agronomic practices in a market where foods produced by conventional methods still command a very large and lucrative share of the domestic market.

This rapid growth in demand has provided opportunities for many non-UK producers to exploit the market. While Denmark, Sweden, Spain, and Germany are the main EU suppliers to the market, trade statistics on third country imports reveal overall growth in imports of approximately 20%, for such tropical products as,

- Exotic fruits (mangoes, paw paw, pineapples, passion fruit, bananas, avocados)
- Vegetables
- Desiccated coconut,
- Tea,
- Coffee,
- Cocoa beans
- Cocoa powder,
- Ginger,
- Exotic fruit juices, pulps and purees,
- Herbs and spices.

4.3 France

Imports of organic foodstuff into France was estimated by the trade, to account for approximately 10% of the total organic food market in 1998, or just over 35,000 metric tonnes (mt) of organic foods consumed in the country, and valued at approximately US\$20 million.

Domestic production will not be able to meet demand (which is growing at an average rate of 20%) for a large number of products that cannot be produced locally in sufficient quantities, at certain times of the year or not at all, e.g. tropical products.

As domestic production has not kept pace with this demand, trade officials indicated that there has been a sharp rise in imports, in particular those products not found on the French market. These include, certain fruit juices, exotic fruits, cereal-based products and processed new-to-market organic products (i.e., ready-to-eat frozen foods and vegetarian meals). While the majority of these are sourced from Germany and Scandinavian countries, 40% of total imports are derived from third countries.

The increase in imports from third countries can be seen from the fast growing number of requests to the French certification bodies for authorisation to import organic produce. Information derived from the trade and from published sources indicates that in 1998, non-EU imports amounted to 15,000 mt and estimated at 20,000 mt in 2000. The range of products also increased from 6 in 1993 to over 100 in 2000.

The main products and/or product groups showing the most dynamic import growth potential are:

- Fresh tropical fruit (incl. mangoes, avocados, banana)
- Vegetables
- Concentrates, juices and nectars of exotic tropical fruits
- Exotic fruit purees
- Dried tropical fruits and nuts
- Spices and edible oils
- Tea,
- Coffee
- Cocoa beans
- Rice and
- Cane sugar

4.4 Germany

Notwithstanding the steady growth in domestic production of organic foods in Germany over the past decade, Germany remains the largest importer of produce in Europe of a very wide range of organic products.

Approximately US\$700 million of produce was imported in 1998 or the equivalent of 35% of retail sales and it is estimated that this will grow to over US\$1.2 billion in 2000 and expected to exceed US\$1.9 billion in 2005.

While it is estimated by the by the trade., that over 70% of imports originate from countries within the EU, mainly in respect of fresh fruit and vegetables, Mediterranean dried fruits, dairy products, the growth according to trade sources is in the area of tropical fruits and vegetables in both primary and processed form. This growth is apparently influenced by increased travel by the population to destinations such as, Africa, Latin America and the Caribbean, where exposure to products from these countries including cuisine, have led to consumers seeking supplies from retail outlets, particularly supermarkets.

Trade experts forecast that the increasing infusion of EU, German government and Lander funds for supporting existing organic producers and for promoting further development of organic farming in the country, could have the effect of tripling the land used for organic farming within the next five years.

It is believed that while this would increase the production and reduce the imports of organic produce that can be grown in the country, import growth will be sustained for those items that cannot be produced in the country viz. tropical products.

Approximately 45% of imports are fruit and vegetables (fresh, dried and canned), fruit juices and preparations, dairy products (e.g. yoghurt), jams and fruit spreads, nuts and nut butter, organic tea, coffee, cocoa (utilised in the production of chocolate), spices, oils, fats, sweets, sweeteners and palm oil.

Opportunities exist in the market for products from the CARICOM such as:

- Cocoa beans,
- Coffee,
- Honey,
- Bananas,
- Spices,
- Fruit juices,
- Cane sugar,
- Exotic fruits e.g., pineapples, avocados, mangoes,
- Citrus and
- Palm oil.

4.5 Importers/Wholesalers Views

Discussions held with a number of importers and wholesales on the potential that exists for the products identified in each of the markets revealed that the region's ability to access a market in which a number of large suppliers have had a 15-20 year head start, should be in its capability to offer "different" or "unique" products.

Indications are, that there is no incentive offered to an importer from a supplier who is new to the industry, is a much smaller producer than those in Africa, Central America, Israel, India or South East Asia, which have larger economies of scale in production and who can offer much the same products at comparable or even better prices.

Regional producers are being advised not to offer products that are already sourced from established suppliers. In some identified product areas for example, the variety required by the market may not accord with what is or can be produced and supplied in the region, for example, tomy atkins mangoes, hass avocados, paw paws not exceeding 1 kilogram in weight, etc.

It should be remembered that the organic products market is seen as a variant of the conventional market in terms of taste, freshness and health attributes. Consumers still, therefore, continue to associate the appearance or basic configuration of the product with that obtained from conventional production. In other words, a large, green, smooth-skinned pollock avocado produced in the Caribbean cannot replace the small dark, rough-skinned hass variety.

However, Blue Mountain coffee from Jamaica with its better taste can replace an Arabica coffee from Ghana or Cote D'Ivoire or a Jamaican gingerroot could replace an Israeli counterpart with its higher oleoresin and lower fibre content.

It was further assessed that a growing number of consumers from the three countries and from Europe in general have increased their propensity for travel and the Caribbean is a favourite destination. Packaging and labelling organic products to include the Caribbean as a source of the raw material provides a strong fillip in the marketing of the product.

Taste, quality, image and the organic nature of the product were therefore seen as more important characteristics than price in targeting the selected markets.

The following, therefore, were identified as items that presented themselves as opportunities for production in the CARICOM and for marketing as organic products to the selected markets:

- Coffee
- Ginger root and its derivatives
- Fermented cocoa
- Cane sugar – golden crystals in 500 gm and 1 kilo bags
- Palm oil

- Dried spices and condiments
- Pulp and purees of exotic fruits, in particular mangoes and papaya
- Pineapple chunks
- Bananas; and
- Banana chips

5. MARKET DEFINITION AND CHARACTERISTICS

5.1. Quantities Consumed, Growth Rate and Factors Influencing Growth

5.1.1 Introduction

Trade statistics do not distinguish between organic and conventional food products as the two categories are classified within the same customs tariff heading.

Further, imports of third country products into an EU country can be either directly consigned, in which case they would be recorded in the trade statistics, or could be imported through another EU country for example the Netherlands, which is a significant importer and re-exporter to the EU market. Free circulation within the EU would therefore not allow these indirect imports to be registered in the official trade statistics as originating in a third country, but as 'imports' from that EU country through which it was transhipped. Import-export traffic between member countries of the EU is not recorded in the official trade statistics.

In terms of market size therefore, there are no official statistics available on the import or export of organic foods for the individual countries. Estimates of consumption for the products for which the trade indicates opportunities exist for CARICOM producers, were obtained from a combination of the official trade statistics of direct third country imports, individual discussions with importers and wholesalers and the most informed players in the market, and information available on the approvals granted by the various certifying authorities in the country.

A summation was made of the individual figures and cross-referenced between them. The quantities consumed are at best, rough estimates for the individual markets.

5.1.2 United Kingdom

Quantities Consumed

Estimates of consumption of a range of organic products imported from third countries into the United Kingdom for which information was available would place volumes in 2000 at:

Product	Consumption (metric tonnes)
Bananas	4,500
Ginger	100
Cocoa beans	1,200
Cane sugar	6,200
Coffee	600

Growth Rate

The rate of growth in consumption has been estimated by the trade at approximately 20%, and is expected to continue at this level, shaped by consumer perception and attitudes and their purchasing patterns and buying behaviours and in line with the overall rate of growth for all organic foods consumed in the country.

Influencing factors

In the United Kingdom, health concerns will continue to be the primary influence for consumers purchasing these organic foods. Awareness of food safety and environmental issues has increased significantly during the past few years and the highly publicised food scares will continue to lead to growing concern about the food eaten.

Consumers are also sensitive and supportive of environmental issues and so are in favour of schemes that combine the concept of food production with environmental concerns. It was reported in the media, that it was consumers who influenced the decisions of supermarkets to act to remove GM ingredients from their own brand lines.

One industry source revealed that the average consumer wants more information about organic food. They are interested in accurate and accessible information, which would lead to increase in purchasing, as an informed consumer is a committed consumer.

Prices as well as the availability and range of products offered are factors most likely to negatively influence the rate of growth in consumption.

Price remains the major barrier to significant increased purchases of organic foodstuff. According to a recent survey, although there has been an increase in the interest in organic food, people are reluctant to spend more. A decrease in price would benefit and sustain the growth of organic sales, as long as the unavoidably higher costs of production by the producer are met. The retail outlets are aware of this and are tackling this issue by reducing their margins on some lines in order to deliver at more affordable prices.

Organic and health food shops are still believed by consumers to be the major outlets for organic foods. However, the supermarkets are increasing the availability and variety of organic foods they offer, giving consumers another option, and moving organic foods away from the concept of catering to a niche market into the mainstream.

5.1.3 France

Quantities Consumed

On the basis of available information, the following are estimates of annual consumption of the products identified as candidates for export to this market:

Product	Consumption (metric tonnes)
Cocoa beans	150
Palm oil	8,000
Banana chips	20
Coffee	400
Bananas	2,000

Consumption Growth Rate

Market growth has been estimated by the trade at 20 % and will be determined in the future by the evolution in the attitudes and buying behaviours of consumers, as well as their socio-demographic profile.

Influencing Factors

It is the established consumers who are middle-aged, urban, high-income families who maintain the current growth. They closely associate consumption of organic products with an overall socio-political and ethical position and accept high price differentials compared with conventional products. This consumer group makes their purchases from the health food stores where such items as fruit juices, dried fruits and nuts, spices and processed coffee and cocoa predominate.

The 'New' consumers are occasional not very loyal consumers, are sociologically closer to the average, are demanding in terms of product quality, are generally professionals in the 25 to 49 age group, are not very aware (or maybe do not really care) of organic ethics and are unwilling to accept high price differentials (35% on average, varying by product).

This group makes their purchases from the supermarkets and hypermarkets, which are increasing their share of the market as an equally important channel of distribution. All the selected products are sold in these retail outlets, where competition for market share with the health food stores is driving prices down.

5.1.4 Germany

Quantities Consumed

The following are estimates of the consumption of the products that are candidates for export to this market from the CARICOM:

Product	Consumption (metric tonnes)
Coffee	1,300
Cocoa beans	1,800
Bananas	7,000
Cane sugar	7,000
Ginger	400
Palm oil	9,000

Consumption Growth Rate

The trade has estimated growth in the market for these products at approximately 10%, in line with the projected growth for organic products in general.

Influencing Factors

A recent survey among German consumers concluded that the major factor influencing their purchases of organic produce from third countries is the growing availability of these products. More and more supermarkets are now offering these products which were originally viewed as the purview of the specialist/health food stores with their inclination to stock only those items with which they were themselves familiar and which were available from domestic or EU production.

Generally, consumers are willing to buy more organic products in the future, mainly for health and environment reasons (the Germans are very strongly environment conscious), and **because of the perceived better taste of these products**. The main reasons cited as why they do not buy more organic foods are the lack of availability, the lack of processed products, and too high premium prices being demanded by the main outlets - the specialty/health food shops.

5.2 Channels of Distribution

5.2.1 **Introduction**

The penetration of the organic foods market, and the development in consumption bear a direct relationship to the distribution system in place in the countries surveyed.

A supplier to the market for organic food in Europe would enter the market through a few specialised importers who may be solely an importer or an importer/wholesaler or importer/processor, depending on the type of product or the link in the distribution/processing chain.

Raw materials for onward processing would be imported by an importer on behalf of a processor or through a processor who imports directly from a supplier for his processing needs.

Importers/wholesalers would purchase for distribution to other wholesalers or to retailers. An important consideration is the fact that not all importers servicing the market are located in the market itself. The Netherlands is a major importer and re-exporter of organic food to the European market and is therefore a significant supplier to the three countries surveyed. It accounts for over 50% by trade estimates of the volume of product imported into these countries.

Some wholesalers are also packers and would pack/package for direct sales to consumers (e.g. box schemes) on to retail outlets to their specifications.

Some experts in the trade have suggested that as a new entrant on the organic food market, the region should utilise the marketing channels and distribution network of established importers of conventional products from the Caribbean.

In this way, the importer would in addition to his offer of conventional product, would also be offering an organic alternative to the market. This would have the benefit of piggybacking on the already established importation and distribution system of the conventional food importer, leading to reduced cost to the farmer/processor.

The systems in place in each of the three countries selected for this survey are described below:

5.2.2 United Kingdom

Marketing channels

In the United Kingdom, importers and wholesalers/distributors are the main suppliers of the market for imported product.

While a number of these specialise in particular products and product ranges, some do cover a fairly wide range of products. They purchase both primary and finished products to sell through their marketing organisations to wholesalers, retail outlets and processors.

There are a number of importers who are also wholesalers and who service specific market areas. It has been represented that for anyone wishing to enter the market and interested in national distribution, it may be necessary that they utilise the services of more than one distributor, although the distributor may of course want exclusivity.

Many wholesalers 'import' their products from large Netherlands importers/distributors such as Tradein, Eosta, Euroherb, Trabana BV, and Simon Levelt BV.

A number of health food stores, specialist shops and some independent supermarket chains are contemplating securing some of their supplies of imported finished products directly from suppliers. It is not certain whether this is an activity that will catch on, as these retail outlets prefer not to hold large inventories, or take the risk in respect of items with short shelf lives or which require special storage facilities. It is quite common however, for some large retailers to have direct contact with producers in terms of production planning and scheduling, then use a wholesaler/packer to handle the logistics of importation.

Interest could also possibly develop in obtaining product that is already pre-packaged at source to the retailer's specifications, are available in low volume lots and do not require special storage facilities.

The upsurge in consumer demand for organic produce has led the retail sector to recognise this potential. The grocery multiples have increasingly dominated the retail distribution of organic foods in the country, accounting for over 70% of sales in 1998/1999. As organic foods have become mainstream purchases, these outlets have facilitated this trend, and have accordingly captured market share away from the independent supermarkets, health food stores and with respect of local produce, farmers' markets and box schemes.

This trend is expected to continue and expand, as consumers move increasingly toward one-stop shopping, and these outlets offer more products and expand their use of e-commerce to conduct business.

Considerations for CARICOM exporters

The independent retailers and health food shops are still important distribution channels for consumers who are in the market for specialised or unique products, and for suppliers who cannot offer the volumes required of the supermarket chains, as could be the case with CARICOM suppliers.

The best way for a CARICOM exporter to penetrate or access this market and introduce new product would be to deal with an importer/wholesaler, as local representation and personal contacts are essential entry factors. These

traders are sources of market intelligence information and are ultimately responsible for ensuring compliance of their products with European and national legislation

The major importers and wholesalers of the items for which specific opportunities exist in the market are listed in ANNEX 1.

Importers/wholesalers have indicated that CARICOM exporters must ensure that they have complied with EC Regulations before any approach is made to represent them in the market.

Also of importance for exporters, is participation in food trade shows such as the International Food and Drink Exhibition (IFE), the Birmingham Ethnic Food Show, Organex, Natural Products Europe, and Taste 2000. UK food importers/wholesalers/processors attend these shows.

Seminars and conferences such as the International Federation of Organic Agricultural Movement (IFOAM), Organic Business 2000 etc., provide an independent and accurate outlook at the latest intelligence enabling exporters to take full advantage of the opportunities emerging in the organic industry.

5.2.3 France

Marketing channels

In France, importers, wholesalers/distributors and processors are the main buyers of imports. They buy both primary and finished products to sell through their marketing organisations. There are over 40 specialised importers (importing one or not more than two items), small to medium sized organisations with total sales of approximately US\$8.0 million. These importers sell only through processors or wholesalers, as they do not have the marketing capacity to reach retailers.

Many wholesalers 'import' their products from three Netherlands importers/distributors, that are themselves importers.

8,000 specialty/health food shops and over 300 supermarkets/hypermarkets outlets dominate the retailing system and are supplemented by small grocery outlets and farmers markets.

The specialty/health food shops account for approximately 35% of the retail organic food distribution market, while the super/hypermarkets cater to 45% of the share.

Super/hypermarkets have embarked on programmes to increase their share of the market, by expanding the variety of organic foods they stock. In this regard, they are developing their infrastructure for displaying and promoting organic products especially for fresh fruits and vegetables, in an attempt to capitalise on the fact that the average consumer still prefers to do a major part of their grocery shopping in one location.

The Specialty/health food shops are countering this, by providing a more personal service, menus, higher quality products and actively promoting the attributes of organic foods.

This rivalry is 'healthy' for the industry as more products become available, prices decrease and opportunities are expanded for new suppliers.

Considerations for CARICOM Exporters

The best way for a CARICOM exporter to penetrate or access the market is to deal through an importer, as local representation and personal contacts are essential entry factors.

Importers of conventional products are increasingly expanding their contribution to the organic market, and where CARICOM exporters have traditionally been accessing the market with conventional products, this is an ideal established medium for advantage to be taken of potential opportunities in this most demanding and competitive market.

Potential importers have indicated that suppliers from the CARICOM must ensure that they have complied with EC regulations as well as any local standards before any approach is made to them for possible representation.

The majority of these importers have a distinct preference for 'shopping the world' for supplies. However, a number of smaller more conservative importers who have long (15-20 year) 'monopolistic' relationships with certain suppliers are in the market for other suppliers in order to provide their traditional suppliers with some degree of competition.

The major importers and wholesalers of the items for which specific opportunities exist in the market are listed in ANNEX 2.

Also of importance for CARICOM exporters, is participation at food trade shows such as the Food/Health Ingredient Show (FIE), the Health food/Dietetic/Organic Show (DIETEXPO/FILABIO), and the International Food Show (SIAL). French food importers/wholesalers/processors attend these shows.

5.2.4 Germany

Marketing channels

The major suppliers of organic foods to the retail trade in Germany are wholesalers/packers. The larger companies tend to import directly from organic units abroad, others may obtain their suppliers from specialised importers. Major organic food manufacturers are often directly involved in organic production projects abroad for the supply of raw material, but many manufacturers obtain their imported supplies from importers and specialised wholesalers and processors. The latter companies provide requirements in accordance with the manufacturers specifications and ensure continuity of supply.

The health food shops (called Reform shops) and the supermarkets dominate the retail market for imported (other EU and third country) organic products, with shares of 20% and

25% respectively, with Natural food shops and organic supermarkets accounting for about 35% of the total.

Natural food shops and organic supermarkets will continue to dominate the retail sector for organic foods as they attempt to supply their customers with as full a range of products as possible. Their numbers are increasing and the majority of their clients are new organic consumers.

The Reform shops provide a health food advisory service along with their sales of organic food. It has been reported that their high prices have tended to give the perception that organic food is too expensive and has led to a decline in sales from these outlets and a decrease in their share of the market.

The increasing demand for organic products coupled with the reaction by consumers for increased availability, choice and lower prices led the multiples (supermarket chains) to embark on programmes that not only include organics as a major component in their retail distribution arrangement, but to develop new and innovative products, especially in chilled and frozen meals. Rewe, Edeka, Tengelmann, Aldi and Metro – the five largest suppliers to the market account for over US\$12 billion annually in general food sales in Germany, but together supply a mere US\$125 million of the organic market. It is projected that these large retail outlets will garner a larger share of the organic market, as consumers will be able to purchase a wider selection of productions in a single location.

Many of the processing and all of the marketing firms created their own brands and logos resulting in confusion among consumers as to the guarantee of the organic quality of their products.

The common logo, the OKO-Prüfzeichen, was created to help consumers distinguish among the many logos as to the authenticity of the various products marketed. This logo is also carried along with the private labels to enable consumers to recognise the genuine organic product.

Considerations for CARICOM Exporters

Engaging the services of importers/wholesalers is an excellent way to introduce a product to the German market. Given the concerns about GMOs and the other health and environmental issues, these operators are legally

bound to ensure that all imported products adhere to the EC Regulations, as well as German national standards, and are therefore an important source of market intelligence information.

Given the size of the country, it may be necessary, depending on the product, to use more than one importer/wholesaler to ensure national distribution.

The major importers and wholesalers of the items for which specific opportunities exist in the market are listed in ANNEX 3.

5.3 Pricing

5.3.1 Introduction

The price of organics is generally higher than that of conventional products with the main reason being that there are lower yields and scales of production and hence higher (10% to 40%) cost of production in organic farming. That notwithstanding, there is also the view held that given the supply/demand imbalance, consumers are paying extraordinarily high premiums as retail outlets capitalize on this situation by increasing margins beyond what is generally acceptable in the trade and in relation to what is paid for conventional products.

A reduction in the price differential arising out of an increase in supply from producers would have the effect of increasing demand. This in turn would reduce the incentive for farmers to convert to organic production and stifle supply, raising the price differential once more.

Up-to-date price information for selected products can be obtained in the United Kingdom, by accessing the websites of the various supermarkets which are on-line, eg www.tesco.com, in France at www.ooop.org and in Germany from ZMP, which is setup to collect data on organic production and prices at www.zmp.de.

Information on prices and the pricing mechanisms employed in the three countries surveyed is set out below.

5.3.2 United Kingdom

The price of organic foodstuff in the United Kingdom has been identified by almost 60% of the respondents in a Consumers Survey conducted by Soils association, as the greatest single factor influencing any likelihood of an increase in their purchase in the future.

The health foods stores have traditionally been the price leaders in this regard, but processors and in particular the supermarkets are playing an increasing role as contributors to this potential market growth-stultifying situation.

It is uncertain whether the high import content of the organic foods sold on the market or too high margins taken up by importers and/or retailers are the contributing factors to this situation.

While not wishing to provide detailed commercial information, a number of importers have indicated that on the basis of the production and marketing plans they work out with their suppliers, and the recognition that cost of production could be 10% to 30% higher than that of conventional farms, they offer what they consider to be fair prices.

Pricing information obtained in the conduct of this survey revealed differentials over conventional goods of between 25 % and 85%, depending on the item in the list of selected products, in one particular supermarket. Prices also vary among the supermarkets as there were variations of – 20% to + 80% among the chains, for the same item.

Average retail prices (in US\$) obtained from visits to a number of the major supermarkets for the range of products with market potential are illustrated hereunder:

Product	Price (conventional)	Price (organic)
Coffee-instant (100gm)	3.00	7.77
Coffee-percolated (250gm)	4.29	4.72
Cocoa (250gm)	3.68	n.a.
Sugar (500gm)	1.95	3.18
Mixed spices (26gm)	2.06	n.a.
Bananas (kg)	1.58	2.32/2.24(fair trade)
Pineapple chunks (250gm)	1.87	2.58
Banana chips (65gm)	2.08	2.80
Ginger (kg)	3.49	7.98

The average margin taken by retailers over the prices offered by wholesalers for the range of domestically produced goods is 50%. It was not possible to obtain similar information in respect of their imported counterparts.

The trade expects that the premium of organic over conventional food prices will eventually stabilise at approximately 20%.

Tesco and Iceland have publicised that it is their intention to influence the market price by adopting a holistic approach to their sourcing requirements in order to bring prices to the level of that offered for conventional foods.

Safeway has responded by embarking on a programme to take a smaller margin on organics than on conventional products as an investment of their profit margin in order to grow a market. This is a relatively common tactic in the ongoing battle among supermarkets for new customers. The net result and negative effect of this action could be the reduction in prices paid particularly to farmers, who without some form of financial support could go out of business.

Producers and governments in the Caribbean would need to recognise this move by the multiples in the development of any plan to target this market to include some form of direct financial support to producers to compensate for any potential loss of export earnings.

5.3.3 **France**

The prices of organic products in France have traditionally been set by the specialty/health food stores and have been determined by the supply/demand relationship in the market.

As France has not been a major supplier of organic foods to the market, these stores have taken advantage of this situation and price premiums over conventional foods have ranged from 25% to 80%, and can be as much as 100% for certain products/product groups and the type of store. In a large number of cases, these have been too high for consumers to pay.

With the super/hypermarkets playing an increasing role in the retail distribution of organic foods, premiums in these outlets are lower, and range from 10% to 50%.

Importers/Wholesalers have recommended to retailers, margins of 50% to 70% over wholesale prices, depending on the product, but these have been as high as 300% for a number of products.

Average retail prices in US\$ per kilogram, obtained from visits to a number of major supermarkets for a selected range of products for which market potential exist are illustrated hereunder:

Product	Price (conventional)	Price (organic)
Bananas	1.31	2.00
Banana chips	6.01	8.17
Ginger (fresh)	4.11	6.50
Ginger (dried)	13.55	15.93
Cane sugar (white)	1.17	2.11
Cocoa (unsweetened)	7.11	12.02
Cocoa (sweetened)	11.66	15.00
Coffee	7.66	10.37
Spices	32.32	53.25

Increased competition between the two major retailing groups, higher turnover volumes resulting from increase in the variety of products offered, and the increase in private label arrangements by super/hypermarkets have already begun to reduce the differential for some product groups, e.g., fresh fruit and vegetables.

For the other products on the list for which opportunities exist for CARICOM exporters, the reduction in the price premium would be more gradual as the supermarkets slowly expand their range of organic products and consumers become more aware of the expanded offer from this alternative source.

The trade anticipates that price premiums would eventually be reduced to 10% to 15%, as 'new' consumers increasingly dominate the market in the future.

5.3.4 Germany

Until recently, the Reform (health food) and organic food shops that have been the price leaders in the market dominated the retailing of organic foodstuffs in Germany. The supermarket chains are increasing their presence in the market and offering greater availability and a wider variety of products to the consumer. The intense competition among them for market share has resulted in prices being reduced down from the levels that have branded organic products as high priced commodities affordable only by the "well off".

There is, however, the feeling among some in the trade that the prices of conventional products are too low, and reflect the various production subsidies offered farmers. There will therefore always be a price differential between the two categories of products, exacerbated by the higher cost of production for organic products.

Distribution margins between wholesalers and retailers vary 45% to 60% depending on the product with the margin between the importer and the wholesaler averaging 50%.

The intense competition among the supermarkets has led to a reduction in margins taken by both the supermarket and the wholesaler, as the supermarkets woo customers through lower prices, in order to gain market share.

As the market is still unsettled, prices fluctuated widely during the survey and it was not possible to secure reasonable indicators for presentation. Trade sources have indicated that the price differential would eventually settle at around 10% to 15% above that paid for conventional foodstuff.

The premise appears to bear out the results of a recent survey conducted among consumers in the country that showed that only 20% of consumers were willing to pay premiums for organic foods. This is in contrast with a survey conducted four years ago, the results of which showed that over half of the respondents were willing to pay a premium of more than 15% while just over 45% were prepared to pay a premium of less than 15%.

Considerations for CARICOM Exporters

It could be particularly challenging for a regional producer with diseconomies of small scale production and high transportation costs to actively compete in a market when the price of organic is approaching that of the

conventional product which is not being charged the true cost of production. It is difficult to say whether organic production as a whole can remain a financially attractive proposition for producers if the price premium which organic produce currently enjoys was lost. In order to retain this premium with an increased volume of organic sales, the retail outlets may have to change their philosophy of providing a wide choice at a low price, and attempt to persuade consumers that they should be paying more for tastier, healthier and more environmentally friendly organic food.

CARICOM producers should monitor price movements in the respective markets through the detailed price lists published by major wholesalers who give recommended retail prices and trade discounts, as well as the on-line facilities offered by major supermarkets.

5.4 Shipping/Transportation Considerations

Timelines in meeting importers and wholesalers requirements was identified as one of the key factors in accessing and retaining the market in all of the three countries surveyed.

As the markets are taste, appearance and freshness sensitive, the transportation times associated with exporting to these markets will therefore limit producers to supplying those items that have a comparatively long shelf life. The alternative of air freighting for certain products, could be considered as an alternative for getting product to the markets as is currently done in respect of peppers, paw paw, mangoes etc.

Discussions with importers and wholesalers have revealed that logistics continues to be a significant impediment to the export of products from the region, even for those products such as bananas that are well established in the market. Any requirement for specially constructed or refrigerated containers increases the cost to the producer and hence the importer/wholesaler in comparison with products from African suppliers, some of whom are able to airlift similar produce to their consuming destinations and still remain competitive.

Importers have indicated that appropriate packing and packaging, quality preservation during transit and storage, frequently present the major obstacles to overcome by new entrants to the market. This is compounded by the fact that organic food suppliers cannot use many of the facilities available to conventional food exporters for quality preservation as environmental protection and certification bodies disallow them.

Producers in the region would have to contend with relatively small volumes of production and thus higher freight charges. The effect of shipments awaiting sailings carrying other non-organic items and countries not on regular shipping routes will provide producers with even greater burdens.

Any plan to take advantage of opportunities in the markets must take this major issue into consideration, including the possibility of airfreight rationalisation, as exporters of conventional products currently encounter problems associated with limited availability of cargo space.

5.5. Minimum Order Quantities and Frequency of Resupply

Importers and wholesalers are loath to keep inventory for products that they cannot sell. This is of course particularly critical in respect of fresh fruit and vegetables or where a 7 to 10 days turnover, or the equivalent of a 20' container, is the norm, for a small to medium sized wholesaler.

In respect of processed goods, which are slower moving and have a longer shelf life, supplies that cater to 1 month's turnover or the equivalent of a 10' container are acceptable to importers/wholesalers.

5.6. Competition

CARICOM producers of organic foods are relatively new to this system of production.

The ability of any exporter to compete in the markets surveyed, must first be assessed in terms his readiness to take advantage of the opportunities before him, as well as the capacity of the product to capture and retain market share away from other competitors.

Questions of quality, price and reliability of supply are important factors that have been dealt with in other sections of the report.

As far as it is known, producers in the region are at different stages in their compliance with EC regulation 2092/91, which governs access to the markets in the EU. Until regional producers are certified to this Regulation, market access will be denied and their products will not compete.

Discussions with importers and wholesalers in each of the markets surveyed, revealed that the majority of them have long (10 to 25 year) relationships with suppliers of the same or similar products identified as having export potential. Imports from these suppliers have grown substantially over the last five years, catering to the increased demand in the three countries.

The following list provides an overview of the key competing sources of supply mentioned by Buyers:

Product	Major competing sources of supply
Cocoa	Cote d'Ivoire, Bolivia, Brazil, Dom. Republic.
Coffee	El Salvador, Guatemala, Mexico, Nicaragua
Bananas	Costa Rica, Dom. Republic, Cameroon
Palm oil	Benin
Purees of exotic fruits	Puerto Rico, USA
Spices and herbs	India, Sri Lanka, Zimbabwe, Egypt, Indonesia, Morocco, Peru

This list is by no means complete as the number of suppliers is increasing all the time and there is no official statistical information available.

Very few importers/wholesalers/processors surveyed have formal relationships with their suppliers, preferring to "shop the world" for the best prices and supply terms, and for different and unique products. This presents an opportunity for CARICOM producers who may wish to offer an alternative source of product to these importers.

The provisions of the Lome/Cotonou Trade Agreements provide CARICOM suppliers with preferential access advantage over non - ACP suppliers to the market. The true extent of this advantage would need to be assessed as the EU has established multilateral and bilateral arrangements with a number of Latin American and other countries allowing reduced or tariff-free access on terms and conditions not to dissimilar to those offered in the ACP-EU Agreements.

CARICOM producers do have available to them, technical and financial assistance programmes through the Caribbean Development Bank and the Caribbean Export Development Agency, which they can take advantage of to build their competitiveness in the respective markets.

5.7. Market Entry Requirements

5.7.1. Certification

Introduction

The production, processing, handling, storage, distribution, inspection and labelling of organic foods for the European Union market is governed by Council Regulation (EEC) No. 2092/91 of June 24 1991 and its various amendments. This is set out in ANNEX 4 and applies to processed and unprocessed products of plant and animal origin.

The Regulation requires the exporting country to implement this legislation, and to arrange for the relevant institutional and administrative arrangements to be put in place for inspection and certification. To be recognised as organic, products from third countries must meet the current regulations, and be subject to a system of inspection and rules of production, which are recognised as equivalent. Monitoring organisations in each of the countries are responsible for checking and certifying the products imported from Third countries.

Generally, farmlands, which are in conventional food production, must undergo a 2-3 year process of conversion to organic production. However, land that has not been worked or has been abandoned for over 3 years can be an immediate candidate for organic food production.

In addition to the assistance provided by the certification bodies identified in each of the countries, the FAO has developed a programme for providing technical information on production requirements, development of the appropriate national legislation, certification capabilities, research and extension facilities and the promotion of the exchange of experiences among countries.

United Kingdom

In the United Kingdom, assistance is available from any of the following eight organisations accredited by the United Kingdom Register of Organic Food Standards (UKROFS) (www.maff.gov.uk), the control body within the Ministry of Agriculture, Fisheries and Food (www.maff.gov.uk) with responsibility to regulate organic food imports:

- Soil Association Certificate Ltd (www.soilassociation.org)
- Organic Food Federation
- Scottish Organic Producers Association (contact@sopa.demon.co.uk)
- Biodynamic Agricultural Association
- Organic Farmers & Growers Ltd
- Irish Organic Farmers and Growers Association
- Food Certification Ltd; and
- Organic Trust Ltd

The Soil Association is the largest inspection body, and its standard is the one most widely recognised with over 70% of the organic food sold in the United Kingdom falling under its inspection system.

Each certifying body issues its legally designated symbol/logo or certification mark, which is used to signify that the product qualifies as 'organic', in accordance with the EEC Regulation and was certified by the inspection body. They can also be called upon to provide assistance and supervision in setting up national certifying bodies.

France

In France, assistance is available from any of the following five organisations accredited by the Ministry of Agriculture, Fisheries and Food (www.agriculture.gouv.fr.htm) and the Ministry of Economic Affairs, Finance and Planning (<http://www.finances.gouv.fr.htm>) in the French government to regulate organic food imports:

- Ecocert SARL (www.ecomarket.net)
- Qualite France (bio@qualite-fran.asso.fr)
- Afaq-Ascert International
- Qualite Nord-Pas de Calais
- Usale

Ecocert is the only one of the five, which carries out certification in third countries. There is one legally designated symbol/logo or certification mark – the AB-logo (AB= Agriculture Biologique), which is used to signify that a product qualifies as organic in accordance with the EEC Regulation and was certified by one of the inspection bodies.

The symbol is the property of the French government and the control of its use is entrusted to the above-listed certification bodies.

A Caribbean supplier desirous of carrying the logo on his/her product applies to any of the certifying bodies, providing the relevant information.

Germany

In Germany, assistance is available from any of nine (9) organisations accredited according to Council Regulation (EEC) No. 2092/91. Several of these provide assistance and supervision in the setting up of national certifying bodies in third countries. The most active of these are:

- BCS OEKO-Garantie GmbH (bcsgermany@aol.com)
- Ecocert International (<http://www.ecocert.de>)
- Naturland Verband (<http://www.naturland.de>)
- Lacon
- Bioland (<http://www.bioland.de>)
- Biopark (<http://www.biopark.de>)
- Demeter; (<http://www.demeter.de>) and
- INAC (International Nutrition and Agriculture Certification) (inacgmbh@aol.com)

While these bodies carry out inspection to the EC Regulation, they are also authorised to meet the requirements of the Regulation.

A common organic seal, the OKO – Pruefzeichen, (<http://www.oekopruefzeichen.de>) was introduced at the beginning of the year 2000 for designating a product or production unit as organic. This initiative was designed to reduce, if not eliminate, the confusion in the minds of consumers of the authenticity of the many labels currently on the market.

A producer can apply to any of the above bodies of which Ecocert and BCS Oeko are the most active internationally, for assistance in inspection and certification.

5.7.2. Business Practice

United Kingdom

Understanding the cultural behaviour and following the accepted practices are necessary in establishing successful business relationships in the market.

The business climate in the United Kingdom is one of conservative formality. The British have developed a reputation for being reserved on both a personal level and in their business relationships. Developing more casual or personal relationships with counterparts can be a slow process. Contacts play a key role in the business community, since many business people feel more comfortable being introduced by a mutual business associate.

CARICOM exporters are encouraged to use the services of a third party to introduce themselves to a potential business partner.

France

Attention to detail is key to success in France. Speaking the language and knowledge of French history and culture can help exporters establish their product within the market.

Bureaucracy is a factor in almost all business conducted in France, as there is a penchant for technical details and few business people will break with this tradition in order to complete a deal.

Caribbean exporters will need to exhibit patience and understanding in order to avoid frustration.

Germany

A reputation for being punctual is a hallmark in Germany. All aspects of conducting business from arriving on time for meetings to carrying out all details of a contract are considered to be of utmost importance. Personal relationships tend to be conducted separately from business relationships and potential exporters may need years of contact with German associates before meaningful relationships could develop.

Commitment is the key to success in the German market as business people are wary of anyone who only appears to be interested in short term gains. New products require 12-18 months before success can be assessed.

5.7.3 Documentation

CARICOM, as a member of the ACP group of countries would benefit from customs tariff free entry into the EU market, once the products meet the qualifying criteria under the Origin Rules governing such entry. The Certificate of Origin or EUR 1 Form must accompany the shipment.

All products exported to the countries in the survey must be accompanied by a standard set of shipping documents including:

- Commercial Invoice
- Export declaration form
- Packing List
- Bill of Lading and
- Certificate of Origin

Additional documentation may be required to expedite the processing of the shipment, and exporters should request any additional information from the importer prior to shipping.

The services of a customs broker, importer, agent or distributor are highly recommended to ensure that all documentation is correctly prepared and arrives with the shipment.

All documentation must be completed in English, French or German as the circumstance dictates.

5.8. Packaging and Labelling Requirements

5.8.1 Labelling

All organic products to be sold in the European Union must conform to the provisions in Council Regulation (EEC) No. 2092/91 as it relates to labelling, and applies to processed and unprocessed products of plant and animal origin.

Labelling falls into one of three categories depending on the degree of conversion:

- Unprocessed agricultural crops or processed products comprising at least 95% of organic ingredients.
- Processed products comprising more than 70% and less than 95% of organic ingredients; and
- Products in transition to organic production.

In addition, the other aspects of the label are identical to those for conventional products. The labelling should be in the language of the country in which the product is to be sold and must contain the following information:

- Name and type of product
- Country of origin
- Importer's or vendor's name in the importing country

- ❑ Manufacturer's lot or batch number
- ❑ Shelf life (perishables must indicate their dates of expiration)
- ❑ Statement of contents (i.e. list of ingredients, including nutritional information expressed in metric units).

The relevant logo from the institution certifying the product must appear on every product in order to verify to the consumer its authenticity, as well as to show that the producer, importer or distributor/wholesaler is registered with the importing country's organic food association.

5.8.2. Packaging

Introduction

Packaging requirements for organic products must conform to the specifications of the processor, distributor or retailer, as well as to any regulation(s) that may be in force at the national level.

Packaging for the retail market is undertaken by wholesalers/packers/distributors to the specifications provided by the retailer. Pre packaging is very much preferred in the major supermarkets, as bulk presentation poses problems in terms of weight, price and/or identification at point of purchase.

Given the relative 'newness' of the industry, retailers are concerned at the risk to sales of countering the organic image by using packaging that is viewed as detrimental to the environment. Plastic for example, has a bad image, and its cost adds to the price disparity with other produce.

Labelling terminology must not be complex as organic produce is viewed in the market as produced from simple production structures. Some outlets are laying emphasis on simple shapes, suggesting roundness or wholesomeness.

France

In France, consumers prefer old-fashioned packaging in traditional, environment-friendly material such as paper, board and glass. Supermarkets do not use bulky packaging material conventionally found in specialised stores. Pre-packaging is the preferred option.

Also in vogue, is the following colour-coding practise:

- ❑ Green, to represent - nature, political commitment
- ❑ Yellow - summer, ripeness, health
- ❑ Blue - freshness, health and
- ❑ High Blue - durability, freshness

Germany

In Germany, packaging legislation requires packaging to display the Green Dot recycling symbol. The Duales System Deutschland (DSD) issues licences to German producers to use the Green Dot symbol, and it is almost impossible to sell food products of any kind without it.

German consumers are very environmentally conscious and quite often products sold or packaged in non-recyclable materials encounter problems in the market.

There also technical restrictions concerning weight, volume and labelling that are also applied.

5.9. Trading and other arrangements which can positively or negatively influence exports from the Caribbean

5.9.1 Positive influences

A trading arrangement, which if properly managed, can positively influence exports of organic products from the Caribbean is the Fair Trade movement.

Fair Trade (also called alternative trade) is a means of assisting small producers in developing countries improve their quality of life by providing them with a more profitable and stable trade relationship. The primary concern of the movement is with the social and economic situation of farmers and other small-scale producers rather than with organic farming with its legislative base as an ideal, but the two movements are converging as they both contribute to sustainability.

The Fair Trade movement provides:

- Direct marketing links between producers and the trade
- Guaranteed minimum prices to producers
- Price premiums for products marketed
- Credit allowances or advance payments
- Direct technical assistance for productivity and yields improvements and promotion to organic certification.

The movement has as its basic criteria for qualifying for assistance, the right of organisation in trade unions, the right of collective bargaining, non-use of exploitive forced labour, non discrimination, adequate payment and humane working conditions.

The movement has provided support to small producers of coffee, cocoa, honey, tea and bananas (its most successful product from a marketing stand point).

The movement has direct relationships with trading or marketing organisations such as OXFAM, Gepa, El Punte, etc and has the capacity to open up further market potential for fair trade products for the benefit of the producer.

In Germany, for example, Fair Trade has a direct relationship with Gepa, one of the largest wholesalers/distributors in the country with just over 20% of the share of the retail market. The movement will provide assistance to a producer towards ensuring that the product meets the requirements for sale by Gepa and then pass the products and producer over to Gepa for the development of the requisite commercial arrangements.

Many producers have utilised the Fair Trade concept to access and familiarise themselves with the German and French markets while they undergo conversion to organic production.

This model is one that could be applied by Caribbean producers who would avoid the loss of revenue they would normally earn from their conventional farming practice while they convert to organic production.

Care must be taken, however to ensure that the producers selected for this transition to organic production do maintain the commitment to convert. This can be done by providing a financial subsidy for assisting farmers only when specific targets are met in an agreed programme for conversion.

5.9.2 Negative influences

Trade liberalisation policies arising out of the results of the GATT Uruguay Round and established within the WTO, would have the effect of nullifying the preferential access for organic foods that CARICOM producers currently enjoy within the ACP-EU Trade Agreements. This development, coupled with the diseconomies of small-scale production in these countries in comparison with suppliers from Latin America, Africa, and South East Asia, will have the effect of putting the region's exports at a distinct competitive disadvantage.

Additionally, the recently announced proposal by the European Commission to provide market free access to products from 48 of the worlds least developed countries could further contribute to the removal of the trade

preferences currently enjoyed by Caribbean producers in the EU market for conventional, fair trade and organic products.

This would have the effect of further placing the region's products at a competitive disadvantage for the limited range of products for which it has some distinct market potential.

6. PROSPECTS FOR JOINT VENTURES BETWEEN MAJOR PLAYERS IN THE MARKET AND PRODUCERS IN THE CARIBBEAN

Importers and some large supermarket retailers are the only ones who have traditionally engaged in any type of arrangement with producers for the supply of organic product to any of the markets surveyed. These arrangements have in almost all cases been very informal undertakings and developed only after the importer had a long relationship with the producer, where mutual trust would have developed, based on a track record of producing in accordance with a specific plan, and to a price/quality formula developed with the importer.

A number of importers who indicated that they have had relationships with suppliers for 10 to 15 years, identified the following as critical to the development of any arrangement with a new supplier:

- a proven track record in the production of organic food in accordance with Council Regulation 2092/91,
- consistency of supply in terms of output and quality
- demonstrated sound business practice,
- possession of the requisite financial resources,

Only one importer in the twelve (12) surveyed had a financial commitment in the arrangement with the supplier and this was a rarity.

As indicated earlier, some UK retailers are exploring the feasibility of some form of arrangement with local (UK) producers in order to secure suppliers for their respective outlets, particularly in the area of fresh fruits and vegetables.

No importer or importer/wholesaler or processor surveyed was willing to invest in production facilities, citing as reasons for not doing so, having had unfortunate previous experiences or "not in the farming business" or "not

in business to get in bed with a producer”. One importer indicated that in addition to the above criteria for entering into a form of cooperation arrangement he would require that the Government of the country be a party/partner in the arrangement.

Importers are increasingly adopting a very holistic view in their sourcing plans, and would work with a producer, providing technical assistance in the form of the relevant market intelligence information on developments in the market place, in terms of consumer/retailer preferences, new production or import regulations etc.

Some traders it was reported had experiences in working with producers from the initial stages of conversion and certification to the final supply of product, providing consultancy and advice on the requirements of the specific market sectors, and on obtaining certification based on their own experiences on similar projects. These importers would then contract to buy and distribute as certifiable supplies become available.

7. CONCLUSIONS AND RECOMMENDATIONS

The organic food market in the United Kingdom, France and Germany provides opportunities for farmers and processors in the region to capitalize on the growing demand for a number of unique, high quality, high valued, exquisitely packaged specialty products.

Producers desirous of taking advantage of these opportunities must undertake conversion of their production units from conventional to organic processing in accordance with the provisions of Council Regulation (EEC) No. 2092/91 and any other standards/requirements in place in the respective markets.

It may be necessary that during the transition from conventional to organic production, producers make arrangements to market their products under the fair trade label. This would allow them to secure market acceptance for their products, while reducing the expected income loss resulting from the change in production systems.

Access to the markets in the countries surveyed must be gained through specialised importers/wholesalers who distribute to retailers and processors.

It is recommended that action be taken at various levels towards developing the capability of regional production to take advantage of opportunities in the markets.

1. A detailed market study is carried out on each of the products identified as having opportunities in the three markets.
2. A study of CARICOM's supply capability of the products identified be undertaken.
3. A certifying body, from the United Kingdom (e.g. Soil Association), France or Germany (e.g. ECOCERT) is selected to provide assistance in the development, establishment and recognition of an organic certification institution in the Region.
4. A programme of technical and financial assistance/support is designed for regional producers and exporters to assist them in converting from conventional to organic production.
5. Sources of funds are identified to finance the programme in 4. above. The use of STABEX funds should be explored, as well as those available through the CDB, DIAGNOS, and Caribbean Export etc.
6. International and regional organisations such as the FAO., IICA, the University of the West Indies and CARDI, along with national Ministries of Agriculture, be mandated to provide the requisite technical assistance and extension service support to producers in facilitating the conversion from conventional to organic farming.
7. International and regional organisations such as FAO, ITC, Caribbean Export and the CDB along with national trade promotion organisations such as NAMDEVCO, JAMPRO, TIDCO, EDADU *et al*, be mandated to provide the requisite market support assistance to the producers to facilitate their gaining access to the markets.
8. A presence be established in the respective markets in order to provide market intelligence /information to producers in order that they can maintain a competitive edge in the market.
9. An institutional arrangement be immediately established to facilitate the development of expertise in the area, as well as to assist those existing producers who are already exporting.

ANNEX 1

MAJOR IMPORTERS AND WHOLESALERS TO THE UNITED KINGDOM MARKET

Organic Farm Foods

Llambled Estate
Lampeter
Carmarthenshire SA48 8LT
UK

Euroherb Bio BV

Dynamostraat 12
3903 lk Veenendaal
The Netherlands
(Major European importer/distributor)

(Importer/wholesaler of all types of products)

Community Foods

Brent Terrace
London NW2 1LT
UK

(Importer/packer/distributor of all types of organic produce)

Hider Foods Imports

Wiltshire Road
Kingston Upon Hull HU4 6PA
UK

(Importer/wholesaler of coffee, spices)

Whole Earth Foods

292 Portabello Road
London W11 1LR
UK

(Wholesaler of all types of organic foods)

Westrust Ltd.

UK

(Importer/wholesaler of tropical organic products)

of organic herbs and spices, coffee, sugar organic and cocoa)

Sunjuice Ltd

Wales
(Importer of organic fruit juices, pulps and purees)

Tradein Organic Agriculture BV

Latexweg 12
1047 BJ Amsterdam
The Netherlands

(Major European importer of coffee, cocoa, herbs and bananas and dried fruit)

ANNEX 2

MAJOR IMPORTERS AND WHOLESALERS TO THE FRENCH MARKET

Distriborg France

217 Chemin du Grand Revoyer
69561 St-Genis-Laval
Lyon
France

(Importer/wholesaler of a wide range of organic products)

Tradein Organic Agriculture BV

Latexweg 12
1047 BJ Amsterdam
The Netherlands
(Major importer of coffee, cocoa, bananas, and dried fruit)

Le Gout De La Vie s.a.

83 Boulevard Montparnasse
75006 Paris
France

(Importer/wholesaler/processor of

Euroherb Bio BV

Dynomstraat 12
3903 LK Veenendaal
The Netherlands

(Major European importer/distributor

organic processed products)

of herbs and spices, sugar, coffee and cocoa)

Ste Bonnterre

1 Place des Planteurs
94538 Rungis Cedex
France
(Wholesaler/distributor of fruits and vegetables and a wide range of grocery items)

Bioprim

530 Avenue de Milan
Z1 du Grand Saint Charles
France
(Importer/wholesaler of organic fruits and vegetables)

Dynamis France

54 Avenue de la Vilette
94637 Rungis Cedex
France
(Importer/distributor of a wide range of fruits and vegetables)

ANNEX 3

MAJOR IMPORTERS AND WHOLESALERS TO THE GERMAN MARKET

Rapunzel Naturkost Ag

Haldergasse 7
D- 87764 Legau
Germany

(Leading importer/wholesaler of sugar, cocoa, chocolate and coffee)

Tradein Organic Agriculture BV

Latexweg 12
1047 BJ Amsterdam
The Netherlands
<http://www.tradinorganic.com>

(Major importer/distributor of coffee bananas, cocoa and dried fruit)

Gepa GmbH

Bruch 4
D - 42279 Wuppertal
Germany
(Major importer of organic and coffee, of fruits and vegetables) cocoa, chocolate and bananas)

Dennree Versorgungs GmbH

Hofer Str.11
D-95183 Topen
Germany
(Importer of full organic range specialising in fair trade

Lebensbaum U.Walter GmbH

Maschstr 31
D - 49356 Diepholz
Germany
(Importer/wholesaler of herbs and

spices and coffee)

Hipp - Werk

Munchener Str. 58

D - 85276 Pfaffenhofen a.d. Ilm

Germany

(Major importer of pulps and purees
of exotic fruits)

ANNEX 4*COUNCIL REGULATION (EEC) No. 2092/91

- ❑ European Union/European Commission, **Collection of consolidated texts: Council Regulation (EEC) No. 2092/91 of June 1991 on organic production of agricultural products and indications referring thereto on agricultural products and foodstuffs**, Luxemburg, EUR-OP, 1999...348 p, ISBN 9282799298.
- ❑ European Union/European Commission, **Council Regulation (EC) No. 331/2000 of December 1999, amending Annex V to Council Regulation No. 2092/91 on organic production of agricultural products and indications thereto on agricultural products and foodstuffs**, Luxemburg, EUR-OP, 2000...28 p.

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