

Ekoweb's 2014 Half-year Report For The Organic Food Market in Sweden

Internationally unique boom in sales of organic products in Sweden, 2014: the foundation of the increase is Swedish-produced KRAV products.

Sales of organic products in the first half of 2014 have broken all records, even from an international perspective. Never before have Swedish consumers purchased as much organic food. Ekoweb* estimates an increase of 30% for the first half of 2014 which is probably conservative.

The forecast for organic food sales, presented by Ekoweb at the market seminar at the Grand Hôtel in Stockholm 30 January 2014 was way off. Based on the conditions at that time, Ekoweb's estimate was that sales of organic products would increase by 10% in 2014. Historically, Ekoweb's forecasts usually only differ a few per cent from the final result. Thus, 2014 is a unique year for sales of organic products. According to Ekoweb's estimate in a half-year report, commissioned by KRAV, the increase is about 30% for the total organic food market in Sweden. The estimate should be seen as conservative as several small actors do not provide half-year results, and the estimate does not otherwise try to be comprehensive. The estimate does however give a clear picture of how sales have developed so far in 2014.

Sales of organic food has grown every year since Ekoweb started making estimates in 2008-2009. In 2008 there was a similar percentage increase, but from a much lower level and the increase in value was close to 1.6 billion SEK. If this year's increase continues, the increased value will be about 4 billion SEK.

Sales development in previous years (source: Ekoweb's market reports)

2013: +13%
2012: +3%
2011: +11%
2010: +14%
2009: +18%
2008: +36%

The reason that sales of organic products took this large positive jump is considered to be due to several factors: focus on the origin of food, focus on pesticide residues in conventional food (an aftermath of several studies in 2013 that found pesticide residues in conventional food), a positive media image, an increased interest in the environment and animal welfare, as well as a general health trend. Of all these factors, the strongest is considered to be the health trend.

Growth rates for some of the most important actors in the food sector

- ICA: +52%
- Coop: +37%
- Axfood: +44% (of which Axfood's discount chain Willys increased by 57%)
- Bergendahls: +44%

- Systembolaget (The Swedish Alcohol Retailing Monopoly): +82%
- Lidl: no data, but they report a positive development in sales.
- Martin & Servera +20%

The retail sector accounts for almost two thirds of the total sales of organic food, according to Ekoweb's estimate. The remaining sales are in the restaurant and catering sectors. Total sales of organic food in Sweden in 2013 was 4.3%. In the retail sector the share of organic food was 3.8%, which is not an especially high level by international standards and can be compared to Denmark, where the share was 8%.

In Sweden in 2014 there is a chance that the market share of organic products will increase greatly. Provided that the total food market remains at about the same level as in 2013 and development continues throughout the rest of 2014, the total market share of organic food would be about 5.6%.

During the first half of 2014, sales of organic food in Sweden is a bright, shining star in the retail sky. Never before has so much organic and KRAV-labelled food been purchased by Swedish consumers.

Approximately 80% of organic food products in the consumer sector are KRAV-labelled. All the rest are certified according to EU regulations for organic food.

Comment by Cecilia Ryegård Ekoweb: "The forecast made in January for sales of organic products was an increase of about 10%. Various factors such as positive media coverage, a strong health trend and a growing interest in the importance of food for well-being, as well as an increased interest in the environment, is why the increase was even greater, and not least the alarms a year ago on pesticide residues in various foods. It is a fantastic increase and probably conservative."

The Foundation of Sales of Organic Food: Swedish-produced Organic Products

The reports from the various market actors show that the increase is spread fairly evenly over the entire product range. However, fruit/vegetables, beer/wine, eggs, dairy products, baby food and meat stand out as categories that sales are especially good in.

A large proportion of the Swedish boom in sale of organic food is made up of products grown and produced in Sweden. For example, all fresh KRAV meat available for retail purchase is from animals raised in Sweden. This can be compared with ICA's share of all fresh meat, which is 10% of all meat produced in Sweden. Just about all of the KRAV-certified eggs available in stores come from Swedish chickens. Dairy products account for a quarter of all organic food sales, and just about all of this volume comes from Swedish dairy farmers.

"Everyone" in the Retail Sector has Double Digit Increases

According Ekoweb's calculation, ICA is clearly the largest actor in the organic food market, with more than a quarter of total sales. During the first six months ICA's sales of organic food in its main selection increased 52% compared with the same period in 2013.

Milk, soured milk/yogurt, and eggs, in that order, are the most important products at ICA. Organic milk is also the product that is increasing the most at ICA.

Comment by Mary Smith, Senior Manager Environment & Social Responsibility, ICA: "Interesting to note is that the second quarter is even better than the first, where sales increased by 62%. Thus, there is an upward trend. As well, in ICA's customer panels we see that more consumers think they will buy more organic food in the future. As for eggs, and also for some other organic products, the increase could be even bigger if there were more KRAV eggs and organic products"

to replenish the shelves with.”

At Coop, there is an upward trend in sales of organic food. Comparison of the first half of 2014 with the same period last year shows that Coop's sales of organic products increased by 37%. Coop is the retail chain with the highest organic share of total food sales. The products with the highest share of organic sales at Coop are organic baby food and eggs. Every second baby food product sold at Coop is organic and 28% of all eggs sold are KRAV certified. Otherwise, it is fruit and vegetables that increase the most.

Comment by Louise König, Sustainability Manager, Coop: “After the second quarter, we reached a proportion of 7.6% organic products, which compares with 5.5% in 2013. Our goal for 2014 is that the share of organic products will increase to 8%. And it looks very promising that we’ll reach it, despite the challenge that there are not always enough organic products to meet the demand. Our long-term goal for 2020 is 20% organic. As we worked a lot with price cuts, the volume of sales of course increased even more, which is something for Swedish farmers to be aware of when they think about investments. Our efforts in the ‘organic product of the week’ campaign, where we lower the price of organic fruit and vegetables, is a great success. In terms of sales volume, the discounted goods often increase several hundred per cent during the campaign week.”

Sales by Axfood, with stores such as Hemköp and Willys, increased 44% during the first six months of the year. Sales were best for Axfood's discount chain Willys, where sales increased by 57%. Products that increase in sales the most at Willys are KRAV bananas (which doubled in sales), KRAV milk (which increased by 58%) and KRAV eggs (which increased by 42%). A product that is becoming very popular at Willys is KRAV meat, which increased greatly, though from a low level.

Comment by Åsa Domeij, Head of Environmental Affairs, Axfood: “These sales figures are fantastic and we’re continuing to invest in organic products. Hemköp has an internal target of 6% in 2014 and 10% in 2017. Willys had 3% in 2014, but is far too low and has already been exceeded. In the fall, we will set new goals. We will continue to work with the product range and offer more organic products at lower prices. It’s great that it is going so good for organic meat, which is also always Swedish. The Danish pig debate has had a positive affect on sales of organic products. KRAV-labelled meat has a distinct certification and inspires confidence in consumers. The KRAV label is associated with very good animal welfare.”

Bergendahls, with the City Gross stores, is also increasing its sales of organic products.

Comment by Carola Grahn, Manager Organic Products, Bergendahls: “During the period from January to August, sales of organic products increased by 44%. We will increase our efforts with organic products.”

In the spring, Lidl invested heavily in Swedish organic and KRAV-labelled products in their milk and meat range. They also noticed the boom in sales of organic products.

Comment by Katarina Rosenqvist, Manager Corporate Social Responsibility, Lidl: “We launched several new organic products in the spring and there is a positive trend. For example, our new organic milk and ground beef are selling well as are our organic Fairtrade bananas. We continue to invest in organic products and will have more new products in the fall.”

According to Ekoweb's calculations organic dairy products make up a quarter of the total sales in the organic market. Thus, development of that segment is very important for the overall development of sales of organic products. Arla is the world's, and Sweden's, largest supplier of organic dairy products.

Comment by Ann Freudenthal, Organic Products Manager, Arla: “We have made major

investments in the organic range. Among other things, we started with a screw cap on KRAV milk during the spring, something that really had a boost on sales. But sales growth is otherwise fairly uniform over the entire range. We increased 37% during the first six months.”

Organic meat is one of the products that sales increased the most in the retail sector, though from small volumes. Almost all organic fresh meat available on the consumer market is Swedish. The organic pig slaughter has been essentially unchanged for several years, about 25,000 pigs (KRAV and EU organic). The increasing demand for organic pork has led to HK Scan now actively working to increase the number of organic producers.

Comment by Torbjörn Lithell, Purchasing Manager, HK Scan: “There is a boom taking place, which is great. We sell more organic meat than we have ever done before and we have seen interest from producers. We get a lot of inquiries and we are working on some new products, but it's still a pretty big step for producers to finally take. Already existing producers can quickly increase production, and we are also working on that.”

So far in 2014, about 21,000 KRAV-certified pigs were slaughtered, a volume that has remained fairly constant in recent years, but there may be an increase in 2015. Svenskt Butikskött is Sweden's largest KRAV cut meat provider.

Comment by Thomas Östlund, CEO, Svenskt Butikskött: “We have struggled with this for 10 years and it finally looks like it is about to really take off for KRAV meat. There's starting to be a lot of sales. The chains have begun working with regular promotions of KRAV meat and promotion increases sales. For the first time there is more demand for KRAV pork than we can meet. In 2015, there will be some new producers and existing producers will increase production. We expect an increase of 15-20% in the number of KRAV pigs during 2015. We have also hunted for more KRAV beef raw material, but in that area there is still an amount sold conventionally that can be used.”

The World Market is Increasing About 10%

Although it seems that this year's boom in Sweden in sales of organic food is unique in an international perspective, sales of organic food is going well in many of the world's largest markets. A rough estimate is that the global market for organic food is worth somewhere between 450 and 500 billion SEK. Most markets have no half-year statistics, but figures for 2013 are available. The forecast for the organic world market development in 2014 is an increase of about 10%. Ekoweb has however received estimates from some actors for a number of markets on how sales of organic food has developed so far in 2014. The German market, the world's second largest, is expected to increase approximately 8-10% in the first half of the year, which is the largest increase since 2011. The American market is estimated to have increased by about 10% so far in 2014. There are currently no reliable statistics for the Danish market, but a cautious estimate is an increase of between 5 and 10%. The British market, which for years struggled with declining sales figures, shows an increase in sales of 0.9% so far in 2014.

Some market shares for organic food in 2013:

- Denmark: 8%
- Sweden 4.3%
- Germany: 3.9%
- USA: 3.5%
- England: 2.4%
- France: 2.3%
- Norway: >2%
- Finland: >2%

A full-year report with complete statistics for the organic market in 2014 will be presented

by Ekoweb 29 January 2015 at the Grand Hôtel in Stockholm.

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** Ekoweb is an independent, apolitical market analyst with expertise in organic farming, production, sales and marketing. Ekoweb was founded in 2000 and is now run by the company Agroidé, after various financing constellations by amongst others The Federation of Swedish Farmers (LRF) and the Swedish Board of Agriculture.*

Comments by Miles

- It would be good to add a footer with page numbers.

- The report should be dated.

- The plus symbol is missing in the Swedish version for the 82% increase in sales by Systembolaget.

- Near the beginning in the sentence "Thus, 2014 is a unique year for sales of organic products." it would be better to change "unique" to "unusual".

- For 2012 and 2010 the numbers listed for sales development in previous years are not the same in the full report and the press release.

- The translation of the titles of the people mentioned should be checked.

- It would be good to have the same category of statistics for ICA and Coop so they can be compared to each other. As it is now, both are said to be best in a category but it is not given how the other is rated in that category.