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## Foreword

The successful export of organic products to the European Union and the USA requires exact knowledge of the „organic market“, which is a very specific and very dynamic market, and one requiring considerable sensitivity. It is a market with enormous potential - still. With enough experience and creativity to seize opportunities as they arise, chances for success are good.

There are no marketing data specifically for organic products, so most of the statements in this book are derived from the views of a variety of authors. Forecasts of future trends were based on interviews with leading importers and wholesalers in Germany, the Netherlands, and the USA, whom we would like to take this opportunity to thank for their help and cooperation. We supplemented the market knowledge of these traders with our own experience in retailing and wholesaling organic products and what we have learned through daily occupation with inspection and certification processes throughout the world.

This marketing guide is intended to assist exporters in emerging countries. If the market for organic products is developed cooperatively and responsibly, the familiar mistakes of the conventional grocery trade may be avoided and consumer needs met. The superior quality of organic products should lead to the satisfaction of all concerned: customers, producers and traders alike.

The authors



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# A THE MARKET FOR CERTIFIED ORGANIC PRODUCTS

## 1. What are certified organic products?

### 1.1 Europe

TV and press reports have increased general health and environmental awareness, which in turn has fueled consumer interest in organic products. Food scandals have also played a role. **However, more often than not, the consumer does not know what exactly is meant by terms like „biological“, „ecological“, „green“, or „organic“ products, which are often considered synonymous. Considerable confusion is caused by product labels like „controlled“, „integrated“ or „untreated“ on products deriving from conventional agriculture.**

**True organic products are those certified as produced with clearly defined organic cultivation methods. At the least - and in order to be imported into or traded as organic in Europe - they must meet the standards of EU Organic Agriculture Regulation No. 2092/91 and its annexes.**

**Organic agriculture** means cultivation which not only excludes the use of synthetic agents or agri-chemicals but which maintains or even improves the fertility, organic quality, and sustainability of the soil. Such improvement is attained through the cultivation of legumes, green manure or deep-rooting plants in an appropriate, multi-annual rotation program and through the incorporation of organic material - ideally of manure from farm animals. Plant diseases, pests and weeds are prevented and combated through the careful selection of varieties and species, appropriate rotation, mechanical working of the soil, biological or mainly natural substance plant protection, and flame weeding. Permitted fertilizers, soil conditioners and pesticides are listed in Annex II of the EU Council Regulations (see text of EU Regulation in appendix).

Labeling may make other products appear to be organic, but if they were not produced in accordance with the EU guidelines, they must be classified as conventional. In the past, consumers were often unable to differentiate between these „pseudo bio-products“ and genuine certified organic ones, as there was no obligatory or uniform labeling system for them either in Germany or in Europe as a whole.

Before implementation of the EU Regulation in 1993, organic agriculture and its products had been defined by **organic agriculture associations** on either the national or international level. These systems worked well for the most part, and thus provided an important basis for the EU Regulation.

The disadvantage of these association-generated regulations was that their standards - however strict and consistent - were binding only for association member producers and processors and did not control the market as a whole. As a result, the general definition for „bio“ was the mere absence of chemical residues - an inadequate criterion in two significant respects: conventional producers could sell any „residue-free“ product as organic; and an organic farmer could be penalized for products containing residues which he had not engendered (from neighboring fields, etc.).

The EU Regulation made a notable change in providing that any producer, processor or importer who met the certification requirements of an accredited memcontrolling body could market their products as organic, with the product's residue status as a separate criterion.

**IFOAM, the International Federation of Organic Agriculture Movements**, has paved the way for a clear and consistent definition of „organic“. Established in 1972 as a worldwide volunteer umbrella organization for organic agriculture, IFOAM has constructed a framework of basic standards for its members - the national organic agriculture associations.

Information on the activities of IFOAM members in individual countries are available from IFOAM, and addresses all over the world are listed in the *Directory of the member organizations and corporate associates of IFOAM*, available from:

**IFOAM**

c/o Ökozentrum Imsbach  
66636 Tholey-Theley  
Germany  
Tel.: + 49 - 6853 - 51 90  
Fax: + 49 - 6853 - 30 110

In Germany there are nine organic farming organizations at present: **Demeter, Bioland, Naturland, ANOG, BÖW, Gäa, Biokreis Ostbayern, Ökosiegel and Biopark**, and until now, a farmer had to be a member of one of these organizations to have his products recognized as organic. **Demeter** and **Naturland** operate at international level, ANOG at European level and the remaining six at national level. These nine associations, in turn, belong to **AGÖL** (Arbeitsgemeinschaft Ökologischer Landbau).

Ever since the EU Organic Agriculture Regulation came into force, the EU inspection and certification system, which basically corresponds to IFOAM guidelines, has in itself been sufficient for organic classification, although as yet it applies only to plant production and vegetable (not animal) products. An official draft for the animal production sector is currently (December 1996) being discussed.

The majority of organic farmers belong to a national farming association that offers advisory services - not only for purposes of inspection and authorized use of the associations' brand names, but also - chiefly - for marketing benefits. Most German organic farming association standards are stricter than the those of the EU Regulation, requiring, for example, conversion of the entire production unit in all areas (e.g., animal husbandry).

Both the EU guidelines and German organic farming association standards apply not only to cultivation but also to the handling and processing of organic products. The entire product route, from the field through processing and trade to

market, is subject to inspection, as is the importing of organic products, the idea being to ensure that the customer is not misled by pseudo-organic products.

The terms „**whole food**“, „**diet**“ or „**reform**“ are also mentioned in the organic product context and refer to specific forms of nutrition or to foodstuff characteristics which are **not necessarily organic**. Strictly speaking, the term „**organic product**“ may be applied only to products originating from certified organic cultivation.

According to von Koerber, Männle and Leitzmann (1988), a **whole food diet** consists mainly of eggs, milk and plant products, which should be of organic origin and should have been subjected to a minimum of processing. In a whole food diet, isolated, refined products are avoided, and meat is eaten in small quantities only.

Some years ago, most organically produced raw materials were processed in accordance with whole food principles, which were viewed as harmonizing with a „natural“ diet and lifestyle. Nowadays, despite a certain trend to organic raw material for most convenience products, the health food retail trade still sells products that generally correspond to whole food requirements. For this reason, products sold in health food shops are often referred to as „**health food**“, which for an increasing number of products refers only to origin and less to classic whole food principles.

#### **ORGANIC PRODUCTS**

(INCLUDING BIO PRODUCTS, ECO PRODUCTS, ETC.):

Production and processing according to the specifications of EU Organic Agriculture Regulation No. 2092/91 and annexes

#### **PSEUDO-ORGANIC PRODUCTS**

Products originating from conventional production and processing but advertised to suggest an organic product

## **1.2 United States**

**Organic food production in the United States has evolved over four generations of organic farmers.** The first generation were farmers who never adopted the chemical farming methods which spread so quickly after World War II. The second generation emerged from the „**back-to-the-land**“ **movement of the 1960s and 1970s**. Many of these farmers rejected the commercial food retail system and created alternatives in the form of purchasing clubs, cooperatives, and direct sales to consumers. Organic farming was more of a philosophy than a business for this generation.

When US agriculture encountered hard times in the 1980s, some **conventional farmers turned to organic farming to avoid high-cost input, which threatened to squeeze them out of farming altogether.** These farmers also recognized an important trend. Since the late 1980s, consumer demand for chemical-free and healthy foods has driven expansion of organic farming, attracting many farmers to its evident market potential (Baker, 1996). During this period, too, many farmers saw the environmental consequences of large amounts of agri-chemicals and turned to organic production to reduce the use of chemicals on their land.

Although the philosophy of organic farming has been understood since the 1940s, the term „organic“ was not defined in the United States until California Certified Organic Farmers (CCOF) developed uniform production standards in 1973. At the same time, CCOF established an organic certification program to verify farmer production practices. In 1979 the California Organic Foods Act became the first law in the United States to set standards for organic production.

Following the establishment of CCOF, organic farmers formed other certification organizations around the country. **By 1995, 30 states had passed laws governing the production of organic foods.**

In 1990, Congress passed the federal **Organic Foods Production Act (OFPA)**, the purpose of which was to establish national organic product standards, assure consumers that such products meet a consistent standard, and facilitate interstate commerce in organic foods.

The OFPA could not, however, be implemented until the United States Department of Agriculture (USDA) adopted final regulations. As required by OFPA, the National Organic Standards Board (NOSB), with considerable advance input from the public, wrote recommendations for regulations which the USDA is expected to publish in 1997. Following publication, at least 90 days will be allowed for public comment. The USDA will then consider these comments, revise the regulations, and publish the final result, which will then constitute the standard for organic foods in the United States. It is not known when these regulations will be finalized.

**Until such time as national standards are adopted, state laws will continue to govern the standards for organic products in the United States.** About 30 states currently have laws on organic products, though not all have adopted regulations for enforcing these laws. Certified organic products must also be grown according to the standards of the organization which certifies them. Currently in the US there are 44 certification bodies, of which 33 are private and 11 are state organizations. Most are members of the Organic Certifiers Council (OCC), which is a sector group of the Organic Trade Association (OTA).

**OTA**, formerly known as the Organic Foods Production Association of North America (OFPANA), was established in 1984 and serves as the trade association

for the entire organic industry in the United States, from farmers through manufacturers, wholesalers, retailers, and importers. A membership directory may be obtained at a nominal fee from:

**Organic Trade Association**

PO Box 1078

Greenfield, MA 01301

USA

Tel: +1 - 413 - 774 7511

Fax: +1 - 413 - 774 6432

In the United States „organic“ is the only term with the force of law for foods that have been raised without the use of most synthetic fertilizers and pesticides. Other terms, such as „pesticide-free“, „no sprays“, „IPM“ (Integrated Pest Management), and „reduced pesticides,“ are sometimes used in the marketplace, but they have no particular meaning. Only certified organic products consistently sell at a premium price.

**LAWS AND STANDARDS REGULATING CERTIFIED ORGANIC PRODUCTS IN THE UNITED STATES**

**Currently:**

\*Thirty states have laws for production and processing.

\*Forty-four certification organizations have standards.

**Future:**

\*USDA regulations will establish national standards which apply to all organic food sold in the United States.



## 2 The current market situation

### 2.1 Consumer trends

#### 2.1.1 Europe

Of the entire German foodstuffs market for 1996 - around DM 250 billion - **the proportion of organic products is estimated at roughly DM 2.5 billion, a market share of about 1%** with an upward trend: the estimated share for 1997 should amount to approximately 1,5%.

All market partners agree that the organic market will continue to grow in coming years. An **increase to 3% to 10% market share for organic foodstuffs by the year 2000** seems realistic, depending on developments in the trade (Coopers and Lybrand Deloitte [1990] quoted by C. Thimm, 1991, Hamm, 1995, Lünzer 1995).

No exact figures exist for organic products because they are not listed separately in official statistics but are included in individual product groups. Data in the literature and in this book, too, are based mainly on estimates. Numerous leading importers, processors and wholesalers in Germany and Holland were interviewed in order to establish trends for this marketing guide.

What is at the root of **the demand** for organic products?

According to R. Langerbein (1992), increasing environmental awareness in the Federal Republic of Germany has led to increasing demand for foodstuffs from environmentally friendly production which can be categorized as natural or unprocessed. Public discussion of **environmental issues and food scandals** has given rise to growing distrust of conventionally-produced foodstuffs, to growing concern and dissatisfaction with the quality of the foodstuffs available, and a demand for "natural" nutrition. Younger consumers, in particular, associate conventionally-produced foodstuffs with the industrially affluent society of which they are critical. The anonymity of mass consumption further nurtures the demand for organic products. The marketing of organic products aims to satisfy a desire for a generally more personal shopping environment.

The consumer - alerted to health and environmental issues - turns to organic products expecting very high quality and substantially fewer chemical residues than he would find in foodstuffs produced conventionally. Numerous consumers also buy "green" products because they taste better (especially fruit and vegetables)!

However, not only the reasons for consumer enthusiasm but also the **reasons for consumer rejection** of organic products must be learned: new demand may be created through the elimination of such barriers.

According to Hillringhaus (1992) and Hamm (1995, 1996), **high prices are** the most significant of four main reasons for rejection of organic products. The second reason is that the **number of outlets for organic products is low**, which means that customers often have to go out of their way to buy organic. The product **range is often limited**, too, and fresh produce in particular is not available in sufficient quantities. And finally, the **consumer often has doubts about the origin** and genuineness of organically-cultivated products. Although the introduction of a smoothly-functioning officially supervised inspection system such as the EU Regulation may allay some of these doubts, information about this monitoring system is not widely available to consumers.

The consumer's *willingness* to support environmental protection by buying organic - documented in numerous market research studies - does not tally with *actual* purchasing behavior. Many more consumers claim that they want to buy organic products or already do so than is actually the case. Demand does exist but certainly not as much demand as reported in market research - not by a long shot.

**Several market studies have shown that some population groups prefer organic products more than others do.** Although individual studies produce different results, the clearest trend in favor of organic products seems to be among people under 35. Buyers from single households and households with more than three members also predominate, particularly when these households include children under six, the parents presumably being concerned about their children's health. This may also explain why the **baby food industry** is a major buyer of organically produced fruit, vegetables, milk and meat. A rise in the number of **food-related allergies** is also influencing parents to choose organic products. And there is, as well, a greater demand for organic products among more highly educated people (e.g. university graduates), apparently regardless of income.

People are also motivated to purchase organic products because of anticipated quality. According to C. Thimm (1991), the most important product features are:

- confidence in the natural origins of the product
- flavor
- freshness

"Organic product households" consume more vegetables, grain and pulses than do "conventional households", and only around one third of the meat of conventional consumers. In such households, sugar is often replaced by honey, margarine by butter and coffee by tea (Brombacher, J.; Hamm, U., 1990). These preferences must be taken into account in introducing product ranges to the health food market.

At present, **prices** for organically cultivated products are clearly higher than prices for conventional products: consumers pay premiums of 50% to 150%, producers get premiums of 10% to 50%.

There are a number of reasons for these higher price levels:

- For farmers in industrialized countries, production costs - mainly labor - are higher and yields lower, resulting in higher producer prices. But in emerging countries, where labor is generally cheaper and chemical or synthetic raw materials relatively expensive, production costs in organic agriculture are not necessarily higher.
- Processing costs are also higher, since at present there are comparatively few production units, which in any case can often produce in small lots only because of their varied product range.
- The low number of outlets for the sale of organic products (compared to conventional trade) makes distribution costs higher, too, though this is changing as organic products join the mainstream.
- The costs of inspection, particularly abroad, are currently relatively high, which is why more and more responsible certifiers are trying to see that certification systems are developed on the national level.

**Thus, labor-intensive production methods, lower yields, cost-intensive logistics and trade structures, and the costs of inspection and certification all lead to higher costs for consumers.**

#### **CONSUMER TRENDS:**

- The **market share** for organic products currently (1997) amounts to approximately 1,5%.
- **Potential** for an increase in **market share** is estimated at up to 10% (5% - 30% depending on product group) by the year 2000, assuming that consumer prices for organic products do not rise above 20%-30% over prices for conventional products.
- **Purchase motives:** health, environmental protection, confidence in product origin, quality.
- **Rejection motives:** high prices, too few outlets, lack of confidence, limited variety, poor optical quality

### 2.1.2 United States

In the United States, **organic food is one of the fastest growing sectors in the industry**. In each of the past six years, organic sales **increased by over 20%**. In 1995, sales of fresh and processed organic foods in the United States reached \$2.8 billion (Mergentime and Emerich 1995).

Nevertheless, at about 2%, organic products remain but a small portion of total food sales (Hartman 1996). Market share varies by product, being slightly higher for some products, such as fresh table grapes, and lower for others.

The variety of organic products on the market has increased to include almost the same range as conventionally grown products and crops. The markets for fresh organic grains, fruits, vegetables, nuts, and herbs are well established. Organic dairy products, though a newer market, nevertheless brought sales of \$30 million in 1995 (Mergentime and Emerich 1995). New and unusual varieties of some crops are sold on the organic "gourmet" market.

Other products, such as organic wines (wines made from organic grapes) and maple syrup are also available. Organic herb sales increased 33% in 1995 because of demand for fresh herbs for cooking and use in vitamins and supplements (Mergentime and Emerich 1995). Markets for organic non-food items, such as nursery and floral products, cotton and wool, are also opening up. US federal law forbids the sale of meats and poultry as "organic" in the United States until USDA regulations on organic products are adopted.

**Markets for value-added organic products are also growing rapidly.** Processed organic products like tomato sauce, oil, cereals, frozen vegetables and frozen meals are relative newcomers to the organic market.

No figures are available for the totality of imported organic foods. However, **about 10% of the American diet - 25% to 40% of fruits and vegetables - consists of imported foods**. More than half of all fresh and frozen produce imported into the United States comes from Mexico (NNFA 1995).

Consumers **purchase organic food for reasons of health and safety**, because it is appealing, and because organic foods are increasingly visible and available. Government agency and private organization reports documenting problems resulting from pesticide use - health risks for children, hormonal disturbances, immune system deficiencies and poor water quality - produced short-term peaks in organic product sales. The scare involving Alar on apples in 1989 is one example. Although these peaks do not last, long-term trends indicate that health concerns are becoming a reason for buying organic (Parkwood Research Associates 1994: CMF & Z 1996).

According to the New York Times, increased consumption of organic foods shows that people want a **“clean food diet”**, i.e., **“foods free of artificial preservatives, coloring, irradiation, synthetic pesticides, fungicides, ripening agents, fumigants, drug residues and growth hormones”** (Burros 1996).

Other consumer surveys, however, report that the special appeal of fresh organic produce is the main reason people buy it. A 1996 survey (Fresh Trends 1996) found that **appearance and freshness** were the two main reasons that consumers bought organic produce. Further down the list were that organic foods are healthier and have no residues from pesticides and chemical fertilizers. **Taste** is also a factor (Fresh Trends 1996).

Members of the organic food industry attribute increased consumer demand to the greater visibility of organic products and more probing media coverage. Aggressive expansion by natural product retailers and the increasing availability of organic products have also helped the market grow (Mergentime and Emerich 1996). **Most industry analysts expect the adoption of national organic standards by the USDA to produce a significant increase in organic food sales.**

Hartman (1996) finds the key barriers to increased purchases of organic foods to be inconvenience, lack of availability, and price, to which may be added unawareness of the link between organic foods and environmental concerns.

Only a limited number of organic products are available in conventional supermarkets, where most Americans do all of their food shopping. Most natural food stores, which carry more organic products, did not until recently carry a full range of the products normally found in US supermarkets, so that consumers had to make an extra stop to buy organic products.

As in Europe, organic foods can cost significantly more than conventional foods, over 50% more for many items. A 1994 Rodale study found that 87% of shoppers would purchase organic fruits and vegetables if they cost the same as conventional ones (Parkwood Research Associates 1994).

Higher prices result from a number of factors. As in Europe, the US market for organic products is much smaller than the conventional market, so that there are fewer economies of scale. Organic crop production can cost more, less or the same as conventional farming. In the United States, yields from organic production can also be lower, the same, or even greater than conventional yields, depending on crops and region.

In the United States, there are no subsidies or incentives programs for growing crops organically, and a number of United States government programs even put organic farmers at a disadvantage compared to conventional farmers. Because of the crops they grow or the production methods they use, few organic farmers

receive subsidies from the commodity programs. They have received but little assistance from agricultural research programs, most of which focus on chemical agriculture. Sometimes supply controls in marketing orders, which were devised for conventional crops, block market access for organic products.

The new law requires certification for organic farmers and handlers, so that they will have to pay inspection and certification costs in addition to the expense of maintaining organic product integrity throughout the distribution chain.

Recent studies have isolated consumer groups to identify the **market potential for organic and health foods**. Two studies found that 48% of the population are unlikely consumers of organic foods because either they do not care about the environment or the food they eat, or they are preoccupied with personal economic survival (Princeton Survey Research Associates 1996; Hartman 1996).

Both studies, however, also identified a core group of healthy eaters - 7% to 27% - that have already changed their lifestyles. These healthy eaters may be from either upper or lower income groups, but tend to be among the most highly educated segment of the population (Parkwood Research Associates 1994).

**The most significant market opportunity for organic and health products was found to be the newcomers to healthy eating and environmental concerns.** At about 25% of the population, this group offers great potential for organic producers (Princeton Survey Research Associates 1996; Hartman 1996). It does not differ significantly from the overall population in terms of socioeconomic status or age, although women tend to predominate somewhat (Princeton Survey Research Associates 1996; Parkwood Research Associates 1994). The "newcomers" do not know very much as yet about nutrition and the environment, so added value will have to be clear to them before they will pay a premium price or go to the trouble to buy organic foods (Hartman 1996). Hartman also sees a potential market among "young recyclers", ca. 10% of the population and the first generation to grow up with recycling programs. These mostly young and unmarried people are concerned with the environment and sensitive to product packaging, but have not yet translated their environmental concerns into food and nutrition choices.

#### **CONSUMER TRENDS**

- The market share for organic products in the United States is about 2% (1995).
- Potential exists for increased sales to new consumer segments amounting to 25% to 35% of the population.
- Criteria for purchasing organic foods are appearance, freshness, health and safety concerns, and taste.
- Criteria for rejecting organic foods are inconvenience, lack of availability, high prices, lack of information about environmental benefits.

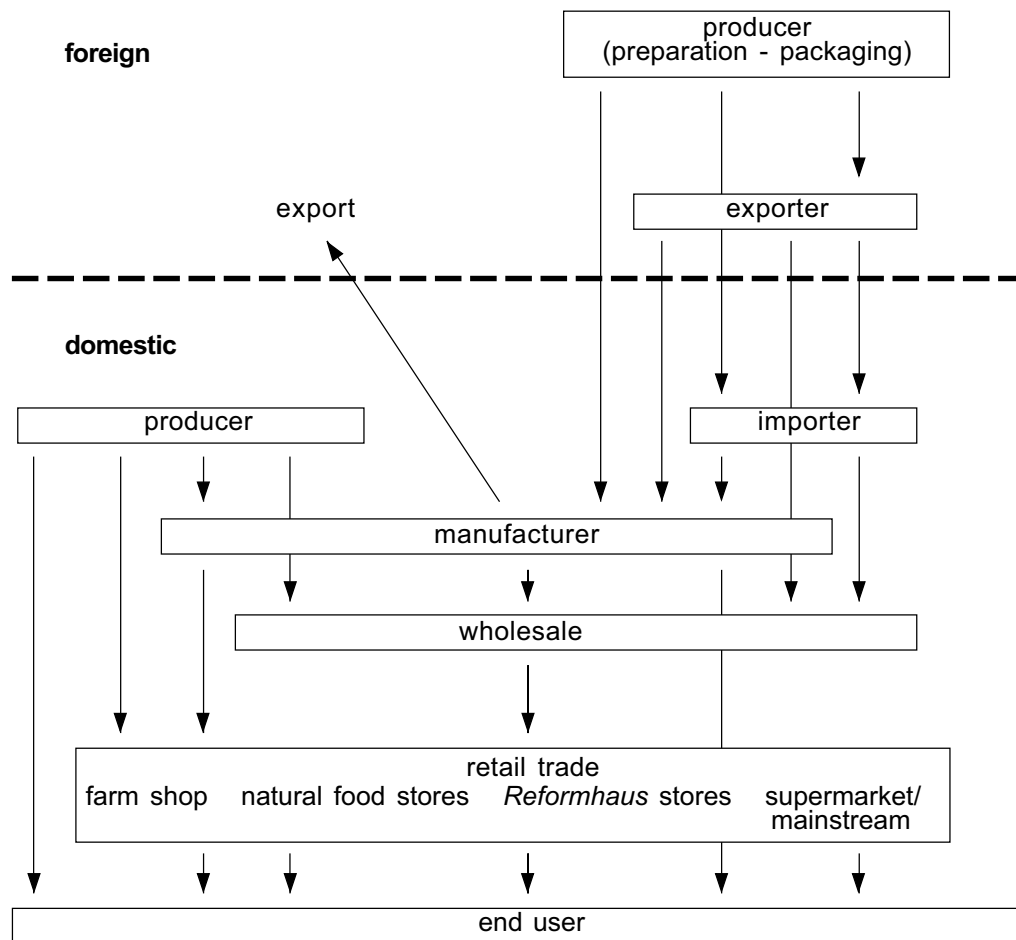
## 2.2 Trading structure

### 2.2.1 An overview of distribution channels

#### 2.2.1.1 Europe

Consumers buy organic products from the producer, natural food stores, the *Reformhaus* (traditional health-food shop in Germany) and, increasingly, the conventional retail grocery trade (supermarket, mainstream stores). The trading structure in the “organic trade” - from production to processing and on to sales and the final customer - appears as follows:

#### Illustration: Sales channels for organic products: production to consumer



Source: own figures

The three most important **outlets for organic products at retail level** are the **natural food store, the *Reformhaus* and conventional mainstream trade**, each of which has its own trade structures and characteristics.

**Producers** can market their products **directly** or **indirectly** at various levels.

Local producers sell some of their products right on the farm, often in “**farm shops**”, and the consumer frequently travels considerable distances to buy there. Direct contact between producer and consumer builds trust easily, and besides, prices are usually lower than in specialty stores. Farmers can also market directly at **stands at weekly farmers’ markets**, or they can drive around the area selling their products directly from trucks or delivering directly to the consumer. Closely related to this is the very successful **subscription concept**, where farmers regularly deliver a certain range of seasonal products directly to private households at a fixed price.

A significant proportion of organic products are refined or processed (in bakeries, butchers or dairies, for example) before being sold to the consumer, so that the range of processed organic products, right up to deep frozen vegetables and precooked or quick-cooking convenience products, is wide indeed. Some of these products, like banana puree, have already been processed in the country of origin; others, like coffee, are processed in the consumer country.

The step following importing and processing is the **wholesaler**, who buys and sells both fresh products (fruit, vegetables, milk and dairy products, bread and cake, etc.) and dried products (including all other untreated products, whether processed or not) and distributes these to specialty shops - natural food stores and *Reformhäuser* (plural of *Reformhaus*). The natural food and *Reformhaus* trade have an entirely distinct wholesale trading structure, while mainstream outlets can use existing distribution logistics. In individual cases, the shops order from and receive deliveries directly from farmers or manufacturers.

**The wholesaler’s role in the natural food and *Reformhaus* trades involves more than just distribution.** Wholesalers often assist the retailer with **training, advisory services** or tips on product range, presentation and care of goods, budgeting, etc. They pass on to the retailer whatever advertising material the manufacturer supplies and conduct some **advertising measures** on their own, for example, in the form of brochures for consumers.

The **conventional retail grocery trade, e.g., supermarket and mainstream chains**, usually buys organic products directly from the **manufacturer / processor** or from special **wholesalers and/or importers** who generally offer a wide range of dry, and increasingly also fresh goods. These wholesalers even compensate for the shortage of staff in conventional retail trade structures by taking care of shelf-stocking and staff training, and they provide advertising material. In the past, the conventional retail grocery trade purchased only some of their fresh goods directly from

local organic farmers. Nowadays, supermarkets stock quantities of fresh organic goods from all over the world, importing bananas, mangos, lychees, avocados, tomatoes and other fruits and vegetables.

So far, sales of organic products to the gastronomic trade - restaurants and cafeterias - play a fairly minor role, since the additional handling required for the usually untreated produce (sorting, washing, peeling, etc.), and the higher price are major inhibiting factors. There have been some encouraging signs recently: some university cafeterias buy organic, and some European airlines offer organic meals and snacks (like peanuts, etc.).

#### **SALES CHANNELS:**

At retail level, organic products are sold mainly in:

- ☐☐ **natural food stores**
- ☐☐ ***Reformhäuser***
- ☐☐ **conventional outlets**

Products are distributed to outlets through **trade channels** which are **mainly independent of one another**. Import and processing specialists cover all trade channels.

#### **2.2.1.2 United States**

**Retail sales of organic foods in the United States have increased more than 20% in each of the last 6 years**, reaching \$2.8 billion in 1995, with **natural product stores occupying the largest share**. These stores - supermarket chains, cooperatives and independents - accounted for two-thirds of all organic sales in 1995.

**Conventional markets accounted for only about 1% of organic sales**, but their share is likely to increase with the growing mainstream interest in organic foods. The remainder of organic sales was in exports and direct marketing from farmer to consumer. Distribution channels for organic foods in the United States are generally the same as noted above in section 2.2.1.1.

## **Retail sales channels for organic foods in the United States**

- natural food stores
- cooperatives (natural food stores owned by the members)
- conventional supermarkets

### **2.2.2 Distribution through various retail outlets**

#### **2.2.2.1 Europe**

##### **2.2.2.1.1 The natural food store**

### **History**

The first natural food stores appeared in major European cities at the beginning of the 1970s. Often launched on the basis of an ideology, they were one form of criticism of the affluent industrial society and provided an alternative to the conventional grocery trade.

They stocked mainly dry goods (muesli, grain, dried fruit, nuts, tea, etc.); the question of how these goods were produced - that is, with or without organic cultivation methods - did not play the role it does today.

**The number of shops rose dramatically, particularly in the 1980s**, and the owners often achieved double-figure annual growth rates even without advertising. According to C. Thimm (1991) there were at that time about 2000 shops in Germany, 1600 in Great Britain, 400 in the Netherlands and 100 in Denmark (in Denmark organic product marketing in supermarkets played a major role).

In the Netherlands and Germany most organic products are sold through natural food stores, in Germany 70% of all organic products according to P. Grosch (1991).

### **Appearance and range stocked by natural food stores**

**In the opinion of P. Grosch (1991), the appearance of natural food retail outlets is very varied and individualistic**, shopping areas ranging from fifteen sparsely-equipped to several hundred very trendy square meters. Competition has made businesses more professional, as is evident in improved presentation, increased advertising and better management. A number of natural foods have found a market in this setting, with its complete range of health foods in spacious surroundings. The strength of the natural food store is product credibility, which is based in turn on personal commitment. The customer expects to find both advice and a personal word at the natural food store.

However, there is often potential for better presentation and better care of fresh goods like fruit, vegetables and milk products.

In Holland the two franchising systems Gimsel and De Natuurwinkel, have successfully banked on bright, friendly, relatively large shops, a concept which appears promising even in the face of strong competition from supermarkets.

In Germany, the **Bundesverband Naturkost Naturwaren e.V. (BNN)**, with around 550 members, is the federal association for manufacturers, wholesalers and retailers. These natural food retailers try to organize their stock according to the quality standards set by the **BNN**. The **BNN “identification list”** supplies organizations and projects in organic agriculture with ID abbreviations to be used by manufacturers, wholesalers and retailers to classify their goods. At present, this list is not up-to-date and is therefore no longer a valid orientation instrument. There is in any case a common understanding of which associations and certifiers are acceptable.

**In Germany, focus is on products from organic agriculture** wherever they're available, and **criteria for whole food** must be observed in processing. **Packaging should be environmentally friendly, and refill packaging is preferred.** The bulk of milk products, for example, is sold only in returnable bottles and jars.

In other European countries, the focus of natural food merchandise is not necessarily on products from organic cultivation. In the Netherlands, for example, almost half of natural food merchandise is conventionally raised, and whole food criteria need not be adhered to. Organic whole-grain pasta is just as much a part of the well-rounded range of merchandise there as are frozen organic products.

In Europe, the merchandise in natural food stores consists mainly of food-stuffs, i.e.:

- **fresh products:** bread and cakes, fruits, vegetables, dairy products, meat and sausage;
- **dried goods:** grain, muesli, nuts, seeds, dried fruit, pasta, oils, spices, confectionery, beverages, tea, coffee, cocoa, etc.;

but it also consists of:

- **non-food articles:** cosmetics, medical remedies, ethereal oils, detergents and household cleaners, books, non-bleached paper, clothing and shoes as well as some paint and wood treatment products.

In Germany BNN regularly checks on all its members with respect to quality in an effort to make the natural food trade more transparent from field to shop. EU-system inspection is also necessary for companies that process or package goods.

In October 1993, BNN-associated manufacturers decided to register their own trademark for natural food and natural goods. They felt that EU guidelines, particularly with respect to processing quality, guaranteed only a minimum standard for organic products, and the BNN was and is aiming for higher quality. This logo is to be seen at member stores.

The **BNN** also coordinates marketing for its members but not as extensively as does the Neufarm Association (see Chapter 2.2.2.1.2: The *Reformhaus*), where advertising campaigns using printed material are conducted for members nationwide. Window dressing and handbills are frequently designed by the shop owners themselves, as manufacturers often fail to provide sufficient advertising material, but such “home-made” materials often lack professional flair. Professional, well-researched articles do appear, however, in the very well-designed independent magazines, such as Schrot & Korn (publisher: verlag gesund essen gmbh, Schaafheim).

### **Trading structure in the natural food sector**

Specifications for organic goods have given rise to a **trading structure** from producer to processor and wholesaler to retailer that is unique to the health food sector.

As the organic food market share is relatively small, there are relatively few importers, manufacturers and wholesalers, and of these few, many are **small or very small units, so that** the trading links are closely interwoven. **There are very few large dealers in health-food products.**

For all of the organic food products in Germany there are only about 60 importers, 1400 manufacturers (including the bakeries) and 100 wholesalers. Each retail outlet uses a relatively large number of suppliers in proportion to the range of merchandise: a reduction here would benefit all trading partners by reducing logistics costs.

### **Customer structure in the natural food store**

Customer structure varies greatly depending on the type of outlet, so that no blanket statements can be made about it. Although customers in health-food shops tend to be **young and environmentally-aware**, there are a remarkable number of **older consumers, too, who are concerned with health issues.**

Many consumers still have qualms about patronizing natural food stores. For many, “organic” still has a negative resonance varying from “shabby shops with poorly-groomed shopkeepers” to “expensive, unattractive products”. Sometimes there are even political implications, as in the case of the “Green Shop”, and such.

This image is slowly changing, however, with the establishment of more modern shops which, it is hoped, will lower the reluctance threshold and attract new groups of customers.

In the “anonymous” mainstream, of course, consumers find organic goods in the neutral environment familiar to them. In this setting, they are less likely to be troubled by negative associations but more likely to miss the credibility and personal advice they value.

Since such a small number of consumers has been won over to traditional natural food stores so far, companies like ALNATURA have tried another approach. ALNATURA currently operates four specialty shops or markets with between 300 and 500 sqm. of sales area and an integrated snack bar section. The idea is to attract a wide cross-section of consumers to a more common “ideology-free” type of shop with a small sales staff. Some of the same products are also sold in conventional retail grocery outlets under the brand name ALNATURA. In these conventional grocery stores, ALANATURA products are displayed in blocks (i.e., all organic products are presented together on one shelf, regardless of product category), a concept that appears to be well-received by consumers.

Despite the recession, efficient modern shops did increase their rates of growth in 1996.

#### **THE NATURAL FOOD STORE:**

**STRENGTHS:** Clear positioning as “organic”, credibility, commitment, cutting edge role, customer information service.

**WEAKNESS:** Negative “eco” image; range and freshness of “fresh” goods could often be improved.

#### **2.2.2.1.2 The *Reformhaus* (German health-food store)**

##### **History**

*Reformhaus* health-food stores have the longest tradition for handling “healthy” foodstuffs in Germany: the first *Reformhaus* was established in Berlin in **1887**.

In response to increasing industrialization, a reform movement developed as early as the turn of the century and included the issue of natural lifestyles. Max Bircher-Benner and Prof. Werner Kollath closely pursued the study of natural nutrition, and it was their scientific experience that formed the basis for the German

trade in *Reformhaus* goods.

**“Reform” symbolized progress in all aspects of life and nutrition.** More and more *Reformhäuser* sprang up: today there are 1258 *Reformhäuser* and 714 shops with organic shelves or an “organic corner”. In the new states in Eastern Germany there are 128 licensed sales outlets (GOLL, situation 31 December 1996). They belong to the Neuform association of *Reformhäuser* and Neuform organic associates, i.e., chemists, drugstores and (more rarely) grocery stores, in which a range of “reform” goods complements the standard range of merchandise.

*Reformhäuser* have also been established in other countries. According to C. Thimm (1991), there are 1600 in Great Britain, 50 in Denmark, about 700 in the Netherlands and 85 in Austria.

### **Appearance and range of merchandise in the *Reformhaus***

In Germany, the vast majority of *Reformhaus* stores belongs to the Neuform Association, a cooperative, and the following refers exclusively to these. Neuform stores are identified by the Neuform emblem on the shop sign.

**The *Reformhaus* today is a specialty shop for health food and related products.** It generally covers between 30 and 300 sqm. and has a good central location. It has modern infrastructure - freezer cabinets, electronic cash registers, etc. - and the trend is towards larger, more modern shops. Staff are usually well-informed on diet and nutrition, cosmetics and herbal products.

For some years, growth in the number of *Reformhäuser* stagnated. Then, in autumn 1993, the somewhat dusty *Reformhaus* image as something of a “specialty shop for invalids and senior citizens” was freshened with a new logo and a magazine advertising campaign showing *Reformhaus* products in an more attractive atmosphere. This campaign presented the *Reformhaus* as a sort of center for healthy living, with high-quality products and the kind of staff expertise that could be expected to bring customers greater overall enjoyment in life.

The product range in *Reformhäuser* covers so-called “health products”, i.e., health foods and related products, which are included as follows in the compendium of leading German manufacturers of health products of the *Absatzförderungsgesellschaft für Reformwaren (AfR m.b.H.)* “Health Products Made in Germany”:

- Foodstuffs that can be defined as whole foods, such as unprocessed grain, whole-grain bread and muesli
- Food supplements such as vitamin supplements to prevent or compensate for deficiencies

- Special diet foodstuffs, for example, for diabetics
- Herbally-based cosmetics, tonics and remedies.

Health products are to be processed as little as possible and must correspond to the **Neuform quality guidelines** with regard to harmful substances, etc. Artificial additives and preservatives are not permitted. Preservation, when necessary, should be natural.

The *Reformhaus* carries a considerable amount of non-food merchandise.

For a long time the organic origin of the products was not so much emphasized as the residues of harmful substances in raw foodstuffs, which Neuform regulated much more strictly than the law required.

Neuform's declared objective from the early nineties on was to boost the proportion of organic products on the shop shelf. Currently, of the entire range of articles sold in *Reformhäuser*, 1250 are certified organic products, not including regional products purchased directly from organic farmers.

### **The structure of the Reform product trade**

There are two central organizations in the Reform-products trade:

- for the retail area:  
The Warenvermittlungsgenossenschaft *Neuform* - Vereinigung Deutscher Reformhäuser eG
- for the manufacturing area:  
Der Verband der Reformwaren-Hersteller (VRH) e.V.

Currently (1996) 87 manufacturers of Reform-products are associated as companies under contract to the VRH; i.e., the manufacturer sells his products exclusively to *Neuform* outlets and according to *Neuform* quality criteria.

Neuform, in turn, promotes sales of contracted goods and permits manufacturers to use the *Neuform* emblem, a registered, proprietary trademark representing the concept of all *Neuform* stores as specialty shops for healthy nutrition.

The retail trade gets marketing support from the **Absatzförderungsgesellschaft für Reformwaren (AfR) mbH**, whose activities include:

- Promotion of the establishment of new *Reformhaus* stores
- Improvement and modernization of existing *Reformhaus* stores

- Promotion of training for staff at the Reformhaus Fach Akademie
- Organization and realization of participation at international fairs and exhibitions for health products.

The **Förderungsgesellschaft der Reformwarenwirtschaft (FdR)** mbH is responsible for public relations. In this context, the Deutsche Reform Verlag issues one of the largest magazines, the “*Neuform Kurier*” with a circulation of 1.1 to 1.8 million copies distributed free of charge in *Reformhäuser*.

### **Customer structure in *Reformhäuser***

In the opinion of C. Thimm (1991), and as experience shows, the main clientele of the *Reformhaus* are older, health-conscious customers, who will be a very interesting customer group as the proportion of senior citizens in the population of northern Europe rises. However, *Reformhaus* clientele is also coming to comprise a greater cross-section of the population, so that there is an increase in the number of younger customers, too.

In an effort to get their message across to all of these target groups, *Reformhäuser* are aiming to become modern stores which will attract the health-conscious in general. Merchandise is to be more oriented towards everyday food needs, even though at present the range of fruit and vegetables is still a weak point.

#### **THE *REFORMHAUS*:**

**STRENGTHS:** Staff competence, good location, outlets well-furnished and -equipped, good marketing through support from the Absatzförderungsgesellschaft für Reformwaren (sales promotion organization)

**WEAKNESSES:** Image (“for invalids and senior citizens”), still not exclusively organic products (though remarkable growth), often too little fresh fruit and vegetables.

### 2.2.2.1.3 The conventional retail grocery trade in Europe

#### Reasons to stock organic products in the mainstream

Over the last few years, the conventional retail grocery trade has begun to include organic products - in the beginning pseudo-organic products, too - in its range of merchandise. At present, almost all companies stock a range of merchandise geared to "organic", whole food or diet products.

What advantages do supermarkets gain from selling products from such a, for them, relatively insignificant and peripheral range of merchandise? According to C. Thimm (1991), an organic range of merchandise **enhances company image** (innovative, dynamic, environment-conscious). The **securing of market shares in the new markets** is also an important aspect. By offering organic products, supermarkets seek to **gain environmentally- and health-oriented clientele**. Many companies already have a foot in the door: some are still studying the field, while others are trying to compete. Profit and sales still play a secondary role.

#### Presentation and range of organic products in the conventional retail grocery trade

Organic products comprise but a small portion of the overall range of merchandise in the conventional retail grocery trade. They are presented either in blocks - i.e., all together on one shelf or in one area ("the green corner") - or sorted into product groups and presented alongside conventional products (rarer), or some combination of the two. When positioned by product group, organically produced cooking oil, for example, is placed alongside other cooking oils and not among the organic products.

Generally, a range of **dry products** is stocked, including grains, pasta, muesli, dried fruit, nuts, etc. Fresh organic products require an enormous amount of special care and are thus uncommon on the shelf: when stocked at all, sturdy **vegetables such as carrots, onions and potatoes** are selected. Organically-grown fruit, which is much less attractive than conventional products, is a rarity. Fruit and vegetables must be pre-packed or individually marked for clear identification and to separate them from conventional produce.

**According to C. Thimm (1991), supermarket marketing has developed differently in the various European countries.** In most European countries, dried goods still dominate the supermarket shelf. In Denmark, massive state support, such as consumer information campaigns, have made organic sales in Danish supermarkets the most successful. The supermarket chain Superbrugsen includes a complete organic line in its range of merchandise, and a "green discount" policy has brought about a commercial breakthrough for organic food. In England, many su-

permarket chains stock both fresh and dried organically-grown products, and the wholesale structure meets supermarket standards for consistent product quality, pre-packaging, availability and punctuality.

For C. Haest (1991) the most important European distributors in the supermarket area were Céréal (Wander-Sandoz) in France and Belgium, Bjorg (Distriborg) in France, Italy and Belgium and Zonnatura (Smits Reform) in Holland, Belgium and Germany. At that time, however, not all of these brand products were organically grown, so that customer confidence was weakened. But this situation has changed considerably since the EU Regulation introduced a clear line and position on organic merchandise.

Nowadays none of the well-known mainstream brands, such as German Tengelmann's "Naturkind", may carry any product not conforming to the EU Regulation: if they did, the response would be immediate not only from the competition, but also from consumers, consumer organizations and the organic certification authorities.

### **Trading structure**

In Germany, Tengelmann and Rewe are the main companies marketing organic products. In 1992 **Tengelmann** completely revised its **Naturkind** brand in favor of 100% organic merchandise, which now includes over 90 products. Its "Weiße" (white) milk-and-cheese line was introduced with considerable success, and fruits and vegetables have since been introduced as well. In autumn 1993, Tengelmann attempted to reach new consumers for organic products through its first radio advertising campaign which, incidentally, might draw attention to other distribution channels.

At present, **Rewe** sells not only organic dried goods but with increasing success also fresh fruits and vegetables under the brand names **Füllhorn** and **gut & gerne**. **Metro** sells under the trade name **Grünes Land**. Rewe's attempt at marketing fresh products in 1994 on a test basis in selected Cologne supermarkets met with considerable success, and has expanded successfully since then. Now, in 1997, Rewe's international demand for organic goods is giving marked impetus to production.

Manufacturers, processors and specialized wholesalers are the main suppliers of organic products to the conventional retail grocery trade. ALNATURA, which provides this market with dried goods, is one of these. Fresh products are frequently bought from local farmers.

Actually, mainstream brand names and concepts for organic food created in the early 1990s are working more or less successfully in Germany. Names worth

mentioning are Tengelmann's Naturkind, Rewe's Füllhorn, METRO's Grünes Land, Gut und Gerne, Biolabor, Auris, Biohof and others.

Sweden and Denmark also report interesting developments in this sector. The 1995 action plan of the Danish Ministry of Agriculture predicts a market share of 15%-20% for organic products or a share of 7% of total Danish agriculture for organic production (there mostly sold in supermarkets).

Western European organic production, which grew from 0.12 million ha. in 1986 to 1.25 million ha in 1996 (an annual increase of 25%), calls for stronger marketing of organic products in supermarkets. The number of organic farms has increased from 7800 to 55,000 during the same period. (Lampkin / Weinschenck, 1996).

While Denmark is probably the world leader in sales of organic milk, Austria, followed by Sweden, is the leader for organic acreage. With more than 23,000 organic farmers, Austria is considered *ÖKO-LAND Nummer Eins* - the leading country in organic production in the world. Giant supermarkets like BILLA/Merkur - with the brand JA! Natürlich (Yes! Naturally) - and SPAR (a Natur Pur brand) show progress to be proud of, and Austrian products are exported all over Europe. The Austrian market also absorbs imports from emerging countries. Over 50% of Austrian consumers say that the environment and organic products are matters of conviction with them. In 1995, 34% answered "yes" when asked if they considered buying organic a matter of conscience, and 29% responded "yes, primarily". Billa's research has however shown, significantly, that advertising on the basis of organic classification alone is not particularly successful. Consumers need the further encouragement of slogans like "You will taste the difference" or "Honestly Organic".

The marketing of organic products in supermarkets is not easy, according to C. Haest (1991), seconded by P. Grosch (1997). There are a number of problems to overcome:

- A major drawback remains the **limited ability** of wholesalers or producers **to supply consistent quality and quantity (also a typical problem in trade with emerging countries)**.
- **Organic wholesalers generally still (in 1997) are not technically equipped for the dimensions of supermarket delivery.**
- Supermarkets are still struggling with the problem of **credibility** vis-à-vis customers who distrust the origins of the organic products sold there, although this problem is diminishing with standards like the EU Regulation and a well-functioning monitoring system.

- **Higher pricing** of organic compared to conventional products can pose an obstacle if there is no personal service to explain the difference, as the customer can easily compare prices but not quality.
- A major problem in marketing organic products is the **lack of staff information and motivation in the conventional retail grocery trade**. Many projects appear to have failed in the past for this reason. Actually, this is still a risk with new concepts: the prices need some personal explanation, which also appears necessary to build confidence in the origin and the organic identity of the products.

### **Customer structure**

The conventional retail grocery trade reaches many consumers, so that organic merchandise may reach the broadest public through such outlets. Organic products in conventional outlets are mostly there for customers who, for a variety of reasons, do not wish to buy these products through specialty outlets, i.e., in the *Reformhaus* or health-food store.

If supermarkets, with their large numbers of customers, start carrying organic products, major changes in demand could result.

#### **THE CONVENTIONAL RETAIL GROCERY TRADE**

**STRENGTHS:** Reaches many consumers, uses professional logistics for a good fresh product range, adds organic consumers through association with the convenience products they are used to, good infrastructure

**WEAKNESSES:** Lack of staff motivation and knowledge of organic products, some lack of credibility vis-à-vis customers concerning product origin.

## 2.2.2.2 United States

### 2.2.2.2.1 Natural food stores

#### History

Most natural food stores are founded on a philosophy of commitment to health and nutrition. The antecedents of present-day natural food stores are “**health-food stores**”, which date from the 1800s. K. Mergentime (1992) traces the origin of natural food stores to the Original Health Food Store, which opened in New York in 1869 and stocked whole grains, dried fruits, nuts, naturally-based remedies and the new processed “health foods”, such as cornflakes.

During the 1920s and 1930s, more health food companies sprang up, supplying such products as yoghurt, whey, and brewer’s yeast. Health food stores often hosted lectures by pioneers in nutrition to attract and educate consumers. An increasing number of retail health food stores started up, including Nature Food Centre which opened in Boston in 1929 and grew into a chain of 101 stores, which still operates today on the East Coast.

By the end of the 1930s, an estimated 150 health food stores were in existence. World War II brought meat shortages, which gave rise to the production of soy products as meat substitutes. By 1945, vitamins and supplements were a large component of the health food store range. In 1942, J.I. Rodale began publishing the Organic Farming and Gardening Magazine, which was instrumental in launching the organic foods industry.

Natural food stores enjoyed innovations in retailing concepts from the 1950s through the early 1980s, when the first natural foods supermarkets were started. From 1981 to 1991 total sales more than doubled. In 1991 there were 195 natural food supermarkets with more than 465 sqm. By the end of 1994 there were 650 (Burros 1996).

#### Appearance and product range

Natural food stores range from small independents, some with 100 sqm. or less, to superstores with more than 5000 sqm. Some small stores specialize in vitamins and supplements and offer only a few shelves of fresh organic produce and processed organic foods. Many are based on a **vegetarian philosophy** and sell neither meat nor poultry products.

Natural foods stores offer a wider selection of organic foods than conventional markets. The natural foods superstores have expanded to offer a wide range of

grocery items - meat and poultry, seafood, fresh produce, wine and beer, health supplements, and body care products. Most products are organic or natural, but some stores also sell conventional products to attract mainstream customers. Many of the natural supermarkets have expanded to include deli sections, juice bars, and even cafes and full-service restaurants. Some also offer books, household items and home-garden supplies. Whole Foods, the largest national natural foods chain, averages about 1860 sqm per store, but is opening new stores of more than 3000 sqm.

**Natural food stores differ from conventional stores by the quality of food and customer service and their understanding and commitment to organic and natural foods.** Customers usually find personal service in natural foods stores and an opportunity to learn from staff and special events about foods and other items. While most natural foods stores offer a high level of service, customers are likely to find more personal service at the smaller stores.

The appearance of natural foods stores also varies widely. Many independents and chains offer a very attractive setting, with professional presentations and signs, and gourmet foods.

### **Trade structure**

**The natural foods retail structure includes a large number of independent stores, as well as regional chains, and two national superstore chains which resulted from mergers and buyouts.** Despite fears that the superstore chains would take over, they still have only a small share of the market. Whole Foods (based in Austin, Texas) bought the Fresh Fields and Mrs. Gooch's chains and has 46 stores and an estimated 10% of the total natural foods market. Its projected sales for 1997 are more than \$1 billion. Wild Oats (based in Boulder, Colorado) merged with Alfalfa's and has an estimated 3% of the market (Slama, J. 1996; Esterson, E. 1996).

Natural foods retailers purchase products from four kinds of suppliers. The majority are purchased from **specialized natural foods wholesalers**, some of which only sell to natural foods stores. Most natural food retailers also purchase a small number of items from specialty/gourmet distributors and directly from food manufacturers. A few also purchase from conventional wholesalers (Food Marketing Institute 1995).

Mergers have enabled the natural foods supermarkets to obtain economies of scale. Natural foods distributors have also experienced mergers and buyouts. The larger distributors have developed **economies of scale** which enable them to compete with conventional distributors. Nevertheless, some of the largest natural food retailers and distributors still purchase locally, and do not need suppliers who can offer large quantities for national distribution.

## Customer structure and service

Traditionally, the customers of natural food stores have been only that small segment of the population that is concerned with health and nutrition and is willing to pay higher prices for food. **About 3% of the population does 90% of its food shopping at natural food stores.** Another 10% buys a quarter to half of its food in these stores (Burros 1996).

Larger stores have expanded their stores and range of products to attract more mainstream customers. They are beginning to compete with conventional supermarkets by offering a wide variety of items and **one-stop shopping**. These stores are rushing to open new outlets in locations with the right demographic mix of high income, well-educated consumers, often in college towns. Smaller stores maintain their local customer base, which is usually highly committed to organic and natural foods.

Most natural food stores offer expertise and personal service to educate their customers. In addition to food sampling and promotional activities, most offer brochures about organic foods, newsletters, community classes, and special events.

### 2.2.2.2 Cooperatives

#### Description and history

**Retail cooperatives are stores that are owned by their members.** The origins of cooperatives are based on a **philosophy of democratic ideals**, including shared ownership, community activism, healthy foods and social justice. Most cooperatives offer products similar to natural food stores, the difference being the form of ownership. **To become a member-owner, one invests a specified amount of money, ranging from \$25 to several hundred dollars.** All members are shareholders and can vote for the Board of Directors and participate in running the cooperative. Many cooperatives have volunteer members who work in the stores. A few co-ops require members to donate hours, but a greater number offer discounts to members who work in the store. Most stores welcome non-members to shop at the stores, but charge them slightly higher prices than members have to pay.

The first cooperatives were formed during the depression of the 1930s. “New wave” co-ops began appearing in the 1960s and early 1970s as people sought the natural and organic unprocessed foods that conventional grocery stores didn’t carry. Many of these co-ops started as buying clubs which eventually expanded to a retail location.

These “new wave” retail cooperatives were also pioneers in many ideas which

natural foods markets have now adopted. Their numbers are now decreasing, however, as competition increases from the many privately-owned natural foods supermarkets. In 1997 there are over 300 natural foods retail co-ops across the country, down from 400 a few years ago (Halton and Southworth 1997).

### **Appearance and range of products**

**Natural foods cooperatives range from small neighborhood stores to large supermarkets.** Some still offer only a limited supply of products with emphasis on bulk bins. Others have expanded to full service, rivaling the large natural foods chains with a meat and seafood counter, deli, and full-service restaurant. Many have recently expanded to new stores in the 2300 - 2900 sqm range, with innovative designs that provide pleasant one-stop shopping.

**Many co-ops continue to base product selection on an underlying philosophy of healthy foods and (sometimes) a vegetarian diet.** While many have expanded to offer a meat and poultry counter, some do not carry red meat. In general, co-ops are more active in screening products than other retail stores are.

### **Trade structure**

Most retail cooperatives purchase products from more than one source, but **cooperative distributors** are a major source of dried goods. In many cases, co-op retailers also own cooperative distributors, wholesalers, or warehouses.

About seven cooperative distributors offer full lines of products to retail co-ops in the United States, but only one offers fresh produce. Most organic produce is supplied to co-ops by the organic distributors and brokers that supply natural foods stores. Cooperatives also purchase organic produce from local farmers more often than natural foods stores and conventional supermarkets do.

### **Customer structure and service**

Cooperatives were founded to serve their member-owners and are still democratically run by members. Some remain small, filling just the niche defined by the founders. Others have grown into supermarkets serving their members while attracting large numbers of non-member customers. Personal service and friendliness are ideals still pursued in most cooperatives.

### 2.2.2.2.3 The conventional retail grocery trade

**Sales of organic foods in conventional supermarkets is steadily increasing. However, conventional markets have had an off-and-on relationship with organics in the past.** In the mid- and late 1980s some mainstream supermarkets began selling organics, but with little success. Problems arose because of inadequate, undependable supplies, and high prices. On the retailer side, many of the stores did not know how to handle organic produce correctly, or how to promote it to consumers and educate them about the difference from conventional foods.

Some conventional stores jumped into selling organics at times when media attention was focused on the dangers of pesticides, such as the Alar-on-apples scare in 1989. Reaction to these sudden alarms was not properly planned and did not result in solid ongoing sales. In the mid-1990s, however, conventional retailers began feeling the competition from natural foods supermarkets, which are growing about 14% a year, compared to conventional retailers' growth of 3.3% (Fresh Trends 1996). **Some conventional retailers estimate that they can increase their profits from 10% to 15% by carrying organic foods (Bucco 1996).** Additionally, the organic market is now better able to match supply and demand, although consistency of supply can still be a problem.

About 54% of the public reports that their supermarkets now sell organic produce (Bucco 1996). Mass market sales of organics increased 22% in 1994.

The Food Marketing Institute (1995) reports that the main motive for conventional markets to offer organic foods is financial gain, whereas natural food stores are often in business out of philosophical commitment.

### **Presentation and range of organic products**

As in Europe, the range of organic products in conventional supermarkets is limited and constitutes only a small proportion of overall sales. The Food Marketing Institute reports that on the average, mainstream markets which carry natural products offer only 12 organic produce items comprising 2% of the produce department. Natural food stores, on the other hand, offer an average of 100 organic produce items that comprise 50% of the produce department. Just 4% of coffee sold in mainstream markets with natural products is organic, compared to 50% in natural food stores.

Conventional markets vary in their presentation of organic products. Some put organic products alongside conventional and some place organic in a separate section. Several supermarkets use the "store within a store" concept to set organic and natural foods apart from mainstream products.

## Trading structure

Some of the conventional markets which carry organic products are Kings Super Markets in New Jersey, King Soopers in Colorado, Copps Corporation in Wisconsin, and Lund's, Byerly's, and Cub Foods, the three primary mainstream markets in Minneapolis/St. Paul. Giant Foods, which operates 165 stores in the Baltimore-Washington area, carries a line of organic foods in 100 stores and organic produce in 12 stores. Giant Eagle, which operates 140 stores in Pennsylvania, Ohio, and West Virginia, sells organic produce and packaged foods in over 20 stores. In California, organic foods can be found in several mainstream chains, including Albertsons, Bel Air, and Raley's.

Most conventional retailers do not have specially trained buyers to purchase organic food. Mainstream retailers usually purchase organic products from natural food wholesalers. These wholesalers, who sell only natural and organic foods, also supply natural food stores. Specialty/gourmet food distributors also purchase organic foods. About one quarter of conventional retailers that sell organic foods purchase them directly from the manufacturer (Food Marketing Institute 1995).

The high cost of **slotting fees - fees that manufacturers pay for access to shelf space - in conventional supermarkets sometimes limits the number of organic items they carry**. In some cases, conventional supermarkets waive slotting fees for organic products such as breakfast cereals because of high consumer demand.

Most distributors of organic produce specialize in organics and carry no conventional produce. However, a new trend is starting among some conventional distributors that also carry organic produce. A primary concern for distributors that offer both conventional and organic is product identification at the checkout stand. Small stickers or special tags or twists are helpful in identifying fresh organic produce.

## Customer structure and service

Until recently, customers in conventional markets have had little interest in or knowledge about organic foods. However this is changing with increased public awareness of organic foods. Many conventional stores have started to offer organic foods in response to requests from their customers. Now some of these stores are expanding their natural product lines to try to woo customers from natural foods stores. Competition will probably increase between conventional retailers featuring organic products and natural foods stores offering some mainstream items.

**Most conventional retailers cannot compete with natural foods stores in terms of knowledge of organic foods, store promotion activities and customer service.**

Almost three quarters of conventional retailers handling natural products offer no formal training to their staff on natural and organic products and only 10% include such training in new employee orientation (Food Marketing Institute 1995). Conventional stores offer fewer promotional and educational activities about organic foods than natural foods stores do.

## **2.3 Market trends in certified organic products**

### **2.3.1 Europe**

In 1991 C. Thimm developed “**10 theses on new sales channels and consumer trends for organically-grown products in northern Europe**”. The main trends have been confirmed and can be supported by the authors on the basis of their own experience.

#### **1. Demand is outstripping the number of sales channels**

*For a variety of reasons, supply does not keep up with demand in various regions and at various levels: the products are not available where the consumer shops; the farmers do not produce what the consumers want to buy; there are logistics bottlenecks; or lack of economies of scale make logistics too expensive. Promotion of production without corresponding promotion of sales aggravates this dilemma.*

#### **2. Organic products in all sales channels**

*In the next few years, organically-grown products will make their way into all the foodstuffs sales channels in northern Europe, with the main focus on the upper price range and merchandise for particular target groups.*

#### **3. A market share of 3% - 10% by the year 2000**

*All the market studies show that the achievable market share will lie considerably below the substantial number of consumers interested in organic products. This is because consumers are quicker to pay lip-service than cash for organics and because an attractive and comprehensive range will first have to be built up from the current 1,5%.*

#### **4. Freshness: a challenge**

*The fresh foods - milk and milk products, vegetables, fruit, bread and meat - are key to market expansion for organic products. This segment requires the greatest effort in terms of logistics, production (fruit and less hardy vegetables), and the labeling of unpackaged goods.*

## **5. Consumer confidence in organic quality must be raised.**

*Some consumers can be convinced of organic standards and the healthiness of organic food at the point of sale (direct marketing, specialty shops for organic products). In the retail grocery trade, however, which serves the general public, consumer confidence can only be built up through well-known brands. The amount of seed capital for such investments is too great for all but large companies or the state.*

## **6. Organic products must have excellent flavor.**

*Since organic products must differ clearly from mass-produced goods in terms of flavor, they must be carefully handled during production, processing and transport. The appearance of organic products is also important.*

## **7. The price of organic products is significant.**

*Organic products must be priced to interest both the producer and the trade. Consumers make a rough comparison between organic and conventional prices. Competition will ensure that producers, processors and middlemen rationalize and lower costs.*

## **8. Producer cooperatives coordinate sales and cultivation.**

*Producer cooperatives pass on consumer and trade demand to the producer, suit quantities to markets and carry out active marketing for their own part.*

## **9. The development of new sales channels costs time and money**

*Quality-oriented and rationalized logistics, handling and processing make heavy demands on every grocery trade, particularly in the area of fresh goods. Sales channels for organic products are particularly work-intensive because they involve scattered producers and relatively small quantities, which must be nevertheless be clearly separated from conventional products at all levels.*

## **10. The state should promote organic brands and producer cooperatives.**

*The state should finance transparent monitoring systems and an intensive media campaign to create public awareness of the inspection seal. It should offer initial turnover-related assistance for producer cooperatives, promote sales-related advisory services for producers, and develop sales channels. Only a long-term comprehensive state concept can help organic agriculture contribute to solving environmental problems and reduce the glut of organic products on the market. The EU should provide the framework for this.*

LÜNZER (1995) basically confirms these ideas and believes that organic products should preferably be sold in the region that produces them. He also proposes increased promotion in the public sphere and faster reaction to new challenges. Seeing organic agriculture as a worldwide need, he demands more scientific input and incentives for greater sympathy with community efforts.

HAMM (1995), seeing potential for real market changes, proposed eight theses:

- 1. Organic sales could be doubled if products were more readily available to consumers.**
- 2. Lower consumer prices would lead to marked increase in demand.**
- 3. The majority of consumers want the offer of organic products to very nearly equal that of conventional ones, including overall quality and convenience.**
- 4. A drastic reduction in the number of brand names for organic products would create a marked increase in demand.**
- 5. The greatest danger to the influence of the organic movement is that the many steps of its sales structure may cause it to split into too many associations and sales organizations.**
- 6. The last hope for stopping the diminishing importance of producers' associations is a wide-spread communication initiative.**
- 7. There is a vital need to increase the performance-price ratio for organic products. Price policies must result in radically reduced consumer prices, and quality assurance systems must be put in place.**
- 8. Competition in the organic market will increase considerably despite high rates of growth, leading to marked selection on all levels from production to retailing.**

The different experts see similar prerequisites for improving the market for organic products: mainly not to set prices too high and to work on quality. Competition is indeed becoming tougher, and it makes sense to cooperate.

According to HAMM (1996), in the 1990s Germany has lost the lead in the organic food market. He even expects that if government and farmers do not respond better to demand, a large number of German organic farms will reconvert to conventional agriculture. Demand depends strongly on prices, availability and quality, and marketing strategies have always had to focus on the "four p's": price, product, place and promotion.

### **2.3.2 United States**

The market for fresh and processed organic food is experiencing continuous growth and is becoming more mature, developed and professional. A number of different writers and analysts have observed the following trends in demand and supply for organic foods in the United States:

#### **Demand trends**

##### **1. Sustained and increased growth in demand for high-quality organic foods**

Led by the middle- and upper-middle class, demand for high quality and healthy foods, such as organic foods, will continue to increase (Burros 1996). As availability of organic products increases, retailers and consumers will tolerate poor or inconsistent quality less and less.

##### **2. Increased demand for organic convenience foods, such as frozen meals**

Convenience foods are the fastest growing segment of the organic foods industry. Americans have historically demanded convenience, and the next generation of consumers, now in their twenties and thirties, are the biggest buyers of natural frozen meals. Singles account for a big part of this market. Most of these consumers are highly educated, have high incomes, and are looking for healthy alternatives with outstanding taste. Besides frozen meals, organic convenience foods include prepared soups, pasta sauces, baking mixes, and baby foods. For exporters, this demand opens opportunities to sell many different types of ingredients to manufacturers (Spence 1996; Peterson 1996).

##### **3. New markets among the Hispanic population**

Approximately 27 million people of Hispanic origin live in the United States, and the Hispanic population is growing at a rate several times faster than the non-Hispanic population. Many Hispanics want healthy foods with good taste and no chemicals, but few organic foods are packaged and marketed to Hispanics (Bronner 1996).

##### **4. New markets in mainstream discount stores**

The largest retail chain in the United States, Wal-Mart, is test-marketing organic granola in its home state of Arkansas (Blank 1996). If this pilot program is successful, a huge new market among cost-conscious and lower income consumers could open up. Several discount supermarket chains are also beginning to carry a limited number of packaged organic foods.

## **5. Increased demand for organic foods certified by reputable certification organizations**

United States processors and retailers will feel increased pressure from consumers and enforcement agencies to offer products that are verified to be genuine organic. Buyers will be less willing to take a chance on products that either are not certified by a recognized certification organization or are not organic at all. When the US law has been implemented, only products certified by a USDA-accredited or -recognized certification body may be sold in the United States.

### **Supply trends**

#### **1. Increased mass marketing of organic foods**

The mergers and buyouts which have consolidated medium-sized organic retailers and distributors will continue and will enable the organic market to expand. On the production side, organic farmers are organizing cooperatives to assemble and sell their products in larger quantities.

#### **2. New sub-niches among independent retailers and small-scale producers**

As medium-sized companies grow larger, the niches they formerly filled will open up. Independent retailers and small-scale producers can offer the kind of expertise, personal service, sense of community, and diversity of products which cannot be achieved in large-scale marketing (Esterson 1996, "Independents").

#### **3. Increased production of organic foods in the United States**

As the market for organic foods expands, production will expand as well. New operations will complete the required three-year transition to organic, and many organic farms will expand their organic production. For exporters, this may mean that smaller quantities of the crops that supplement US production will be imported unless there is a significant price differential. Demand will increase for crops that cannot be grown in the United States.

#### **4. Increased imports of high-quality organic foods**

Imports of high-quality organic foods and organic ingredients for processed foods will increase to meet market demand. Low-quality products will be replaced by the high quality that the market demands.

#### **5. Leveling out of prices**

During the next several years, while supply is greater than demand and the market is expanding to mainstream consumers, organic food premiums will remain high. As more farmers increase production in the United States and throughout the world, competition will increase and price premiums will begin to decrease, benefiting low-quality products first.



## 3 Framework for trade with certified organic products

### 3.1 Restrictions on market entry

#### 3.1.1 Europe

At present, the European Union is made up of 15 member states with a total of 370 million inhabitants. The “**4 freedoms of movement**” - for people, goods, services and capital - became a reality when **the Single European Market came into being on 01.01.1993** and abolished internal frontiers. In order to counteract the distortion of competitive positions, the VATs of individual countries were harmonized. With the signing of the **Maastricht Agreement**, a path was cleared for a more **comprehensive economic and currency union**, which will become reality in 1999.

The European Union has a **joint customs and trading policy**: rules governing exports to EU countries - for example, on customs duties - are uniform, and there are no customs duties within the EU. **EU agricultural policy** also influences trade, since market regulations govern numerous agricultural products.

The Lomé IV agreement aims for long-term development cooperation among the **69 Africa-Caribbean-Pacific (ACP) countries** and EU member states. The terms of this agreement grant **tariff privileges** to ACP countries, and existing trade barriers for agricultural products are to be further reduced.

**Preference systems for emerging countries** were suggested at UNCTAD in 1968, including tariff reductions without quantity-related restrictions for certain processed products within the agricultural sector. In accordance with the *Allgemeinen Zollpräferenzen für Entwicklungsländer*, the preference regulations are independent of the EU-ACP agreement; i.e., ACP countries may take advantage of the tariff advantages of both systems, and the importer is free to choose the more advantageous alternative. Product origin must be proved with a “**declaration of origin**” (movement certificate).

Quantity restrictions on imports and the level of customs duties depend on:

- the country of origin
- the product
- the season when the import (for some products) takes place

Special regulations apply for agricultural products. The EU's common agricultural policy aims to protect domestic agriculture from cheaper imports of competing products from third countries. Numerous agricultural products in the EU are subject to market regulations such as price fixing, intervention, allowances and agricultural levies and customs duties upon import. The importer must apply for an **import license** for some agricultural products, and special permits are often needed to import organic products (see chapter 3.2.1).

**Agricultural levies and customs duties are subject to seasonal fluctuation. When**

products are offered out of season, i.e., not at the time of the EU harvest, and thus do not compete with local products, the levy may be lower (e.g., on tomatoes).

Tariffs and agricultural levies are subject to constant change. Information on current stipulations is available from the customs authority, chambers of industry and commerce, export associations and importers.

#### **RULES FOR MARKET ENTRY IN THE EU:**

ACP countries and emerging countries enjoy trade preference.

For certain agricultural products, agricultural levies are charged in addition to tariffs, and import licenses are required.

### **3.1.2 United States**

The United States Customs Service is the agency which controls entry of all products into the United States. It administers the various tariff laws; assesses and collects duties, taxes, and fees on imported merchandise; enforces customs laws; and enforces the import regulations of other federal agencies. Two primary restrictions on entry into the United States are **duties and quotas**.

**Rates of duty** on goods imported into the United States are based on classification of the items in the US Harmonized Tariff Schedule. Duty rates usually vary according to the **country of origin** of the imported product. If the country of origin has no special status, the full or "statutory" rates of duty apply to the goods it imports into the United States. Most countries, however, have special status under at least one of the following:

- a. Most Favored Nation rates (MFN): general rate applied to industrialized countries
- b. General System of Preference (GSP): exempts qualifying merchandise from the emerging countries of Africa, Asia, South America and Eastern Europe and from a number of non-independent countries and territories
- c. North American Free Trade Agreement (NAFTA): phases out tariffs on goods from Mexico and Canada
- d. Caribbean Basin Initiative (CBI): allows duty-free entry for qualifying merchandise from 24 countries and territories of the Caribbean and Central America

- e. Andean Trade Preference Act (ATPA): allows duty-free entry for qualifying merchandise from Bolivia, Colombia, Ecuador, and Peru
- f. US-Israel Free Trade Area Agreement: allows duty-free or reduced rates of duty for qualifying merchandise from Israel
- g. Compact of Free Associates (FAS): allows duty-free entry for qualifying merchandise from the Marshall Islands and Federated States of Micronesia.

For products entering the United States under NAFTA, the importer should have a Certificate of Origin supplied by the exporter. Certificates can be obtained by calling 800 829 1906 from Mexico or 972 574 4061 from the United States.

To receive special duty-free status, a claim for preferential treatment must be filed on Customs Form 750. The latest edition of the Harmonized Tariff Schedule of the United States should be consulted to determine the current list of exempt countries and categories of merchandise. This document can be obtained from:

**US Government Printing Office**

Washington, DC 20402, USA

**The amount of duty** is established at the time of import. However, advanced informal information and non-binding rulings on duty levels can be obtained by writing:

**US Customs Service**

Attn.: Office of Regulations and Rulings

Washington, DC 20229, USA

**Import quotas** control the quantity of merchandise which can be imported during a certain period of time. US import quotas are divided into two types:

**Absolute quotas** are a limitation period on the total amount of a product which may be imported during a certain time period. Absolute quotas may be **global**, applying to all imports of the product from all countries, or they may apply to **specified foreign countries**.

Some absolute quotas apply to: animal feed containing milk or milk derivatives; certain butter substitutes; cheeses; dried milk; meat (Australia and New Zealand); milk and cream (New Zealand).

**Tariff-Rate quotas** provide for entry of a specified quantity of the quota product at a reduced duty rate during a given time period.

Quantities in excess of the quota are subject to higher duty rates. Tariff-rate

quotas apply to: whole milk and cream, anchovies, satsuma mandarin oranges, olives, tuna, sugars, syrups, molasses. NAFTA applies additional tariff-rate quotas to certain products imported from Mexico.

Additionally, the United States Department of Agriculture assigns annual import quotas to certain dairy products which may be imported only under USDA import licenses, including butter, certain types of dried milk, certain cheeses and cheese substitutes. Information on these USDA quotas and licenses may be obtained from:

**Dairy Import Group**

Foreign Agriculture Services  
US Department of Agriculture  
Washington, DC 20250, USA  
Tel.: +1 - 202 - 720 1342

**Country-of-origin marking** is required on each imported article. It must be legible and permanent, and must state the English name of the country of origin. Articles or containers that are not properly marked are assessed a marking duty of 10% on the value.

Unprocessed foods, such as fruits, nuts, vegetables, meat, and poultry, need not be individually marked. However, the outermost containers for these articles read: *the consumer must be advised of the country of origin*. Foods to be processed by the importer - and not simply repacked - are not required to be marked with the country of origin.

To import goods into the US, the importer of record must follow the proper entry process including the filing of entry documents. The exporter or seller of the goods can assist the importer in clearing customs by preparing invoices carefully and properly. The importer should provide the exporter with a list of the types of information required on invoices by the United States Tariff Act.

## 3.2 Legal requirements governing organic production

### 3.2.1 EU Council Regulation No. 2092/91 on organic production and labeling

On 22 July 1991, the **EU Council Regulation No. 2092/91 regarding organic production of agricultural products and indications referring thereto on agricultural products and foodstuffs** entered into force. Since then, uniform EU stipulations apply to production, processing, labeling and inspection of agricultural products and foodstuffs from organic agricultural production.

In the 1920s, private **farmers' and processors' organizations** and a number of private persons with convictions on the subject of organic, ecological and biological agriculture set about turning their ideas into a reality. Because of the number and variety of players involved, **product quality tended to vary**. But from that time on, these groups elaborated well-defined **standards** and monitoring systems that functioned to varying degrees. The problem with these mainly credible systems was that their standards **committed only association members** by means of private contracts. The rest of the market didn't conform to these standards, warranties for imports often lacked credibility. So it came as no surprise that this classification of attractively-priced products was subject to **misuse**, and a number of pseudo-bioproducts appeared on the market.

It was clear that legal protection for organic products was urgently needed to:

- **protect serious, honest producers, processors and dealers against fraud, and thus protect organic agriculture itself**
- **supply increasing consumer demand for these products and protect consumers against misleading labeling and fraud**
- **create a clearly defined and consistent system for organic production and obligatory processing standards for all market partners**
- **establish a fair and independent monitoring and certification system that is obligatory for all products designated as organic or by related terms**
- **set equitable rules for labeling organic products, designed for clear consumer orientation and differentiation from other products**
- **assist the formation of a new market to ensure a future for new producers and the worldwide increase of environmentally-friendly agriculture.**

The EU Regulation, even with all its amendments, changes and corrections, is still not adequate to meet all of these aims, but it is evolving daily.

Since the original text of the Regulation itself and all additional official publications referring to it are included in the appendix, at this place we will give only a rough overview of its main points. Detailed information on EU export-import procedures for organic products will be provided later on.

### **Main contents of the EU Regulation on organic agricultural products:**

The Regulation includes 16 articles and six annexes; the 25 amendments, corrections and additional regulations so far refer to the “original” (1997).

- Article 1** deals with the scope of the Regulation - for “unprocessed agricultural crop products” and for “products intended for human consumption composed essentially of one or more ingredients of plant origin”. Animal products are generally included, but specific standards have yet to be supplied.
- Article 2** gives the official terms mainly applied for labeling organic agricultural products in the languages of EU member states. The most important terms are “organic” in English, “biologique” in French and “ecológico” in Spanish.
- Article 3** ensures that this Regulation applies within the framework of other legal determinants.
- Article 4** gives definitions of important terms used in the Regulation.
- Article 5** may be seen as the heart of the Regulation because it lays down the rules for labeling.

### **In summary, the following rules apply to Article 5:**

- A product may be labeled “organic” in the **sales description** (product name), only if **all (100%) ingredients of agricultural origin, non-agricultural origin and additives meet the requirements of the Regulation, including annexes.**

**The same labeling will still be allowed at levels of 95% of agricultural ingredients of organic origin, providing that the remaining 5% of conventional ingredients are not available from organic production and are listed in Annex VI C.**

- For a **period ending on 31 December 1997**, products with **50% to 95% of ingredients from organic agricultural origin can only list these as ingredients, without any particular optical emphasis.**
- **Starting on 1 January 1998, the minimum level of organic agricultural ingredients for designation as *organic* will be 70%. This does not mean that products with ingredients between 70% and 95% will be allowed to carry an organic label. The percentage of organic agricultural ingredients may be quantified only in additional information. This kind of labeling is actually already allowed.**
- **For products produced during the conversion period - normally until the third harvest after the most recent chemical input - the designation *organic production* may only be made if the product consists of a single agricultural ingredient.** In this case, the requirements of the Regulation must have been met for at least **12 months before harvest.**
- **In each case, all steps, levels and measures must be subject to the EU monitoring system.**

**Articles 6 and 7** together with Annexes I and II, determine the rules of production. Lists in the annexes are “positive” in orientation; that is, what is listed is permitted for use, and what is not listed is prohibited. Third countries, including emerging countries, should note that most of the substances permitted are generally unavailable in third countries, while at the same time *comparable substances* do exist there. The acceptability of such *comparable substances* must be agreed with the certifier.

**Articles 8 and 9** set the terms of an inspection system and formulate the conditions for the admission and accreditation of private inspection bodies. A hierarchy thus is established, as illustrated with Germany as an example (GROSCH, P.: Materials for Inspector Training. Unpublished, 1997):

## Hierarchy of the European Monitoring System



**Article 10** includes the formulation of equal designations for all EU organic products covered by the inspection scheme, setting the rules for both authorization and withdrawal of authorization. **This designation - in English, “Organic Farming - EEC [EU] Monitoring System” - is to be used only for “95%-100%-products” from the EU without third country ingredients.**

**In the context of this book, Article 11 - “Imports from third countries” - is the most important one.**

**Article 11** sets the frame for importing organic products as organic products from countries outside of the EU. The most important condition is that, wherever an organic product may have been produced, it meets

the requirements of the EU Regulation. As organic or ecological agricultural methods cannot by definition be everywhere identical, it is necessary at least to have the same basic understanding of the term “organic”. Natural conditions differ throughout the world, and not all of the world’s organic fertilizers and substances for plant health care necessarily occur within the EU.

**At present, there are two ways to gain authorization to export organic goods to the EU.**

**The first is:**

According to Article 11, Nos. 1 to 5 of Regulation No. 2092/91, the following steps are required of non-EU member states (“third countries”) when they label products as organically produced in trade with the EU.

- 1) A country - or certification agency representing a country - applies to the EU Commission through its diplomatic representation in Brussels for inclusion in the **EU Third Countries List** of accepted countries for organic export.
- 2) The state applying must prove convincingly that a smoothly-functioning system of standards and monitoring procedures (laws or regulations) exists, and must present **warranties for equivalence** to EU regulations concerning production and processing standards and system monitoring and supervision.
- 3) All **important, current and complete information**, such as producers, types of products, areas of cultivation (site and extent) and quantities of unprocessed and processed products must be listed, as must processing and exporting units. Local authorities can assist producers, processors and exporters in drawing up the documentation.
- 4) The **EU Commission** will review the application and may request additional information.
- 5) The **Commission decides on the application** with a qualified majority. Positive decisions are published in the Official Journal of the European Community.
- 6) According to Article 11 of the Regulation, which will be updated as soon as more countries meet the requirements for admission and are accredited, **only five countries** (Argentina, Australia, Hungary, Israel and Switzerland) are included in the “Third Countries List”.

7) Listed country exporters need only provide such information **on exports** as is requested on a **specific form**, which must accompany the goods. (This form has come to be used generally for all shipments.)

**The second way to attain authorization to export organic goods to the EU is:**

At present, importers in EU states, according to Article 6, No. 6, have to apply for **individual permits for imports from all other, non-listed countries** until admission to the Countries List is granted. As admission usually does ensue, certification agencies authorized to check on importers normally help to prepare the application forms.

In Germany, government authorities require for the usual procedure valid **certificates, confirmation by a recognized certifying authority and the current specific inspection report**, with at least a summary added in German.

In 1996 most imports of organic products into the EU still were based on **individual permits. A typical procedure might be as follows:**

The exporter commissions an **accredited and recognized European certifier** with the initial inspection, if possible with local inspectors, which is carried out according to the EU country monitoring system. An **inspection contract** is then drawn up with the inspection authority, which must conduct **follow-up inspections on an annual basis**.

Of course, not only authorized European certifiers work in this field. American or Australian agencies, for example, as well as **national certifiers**, also offer inspection and certification services, which are normally based on their own standards: the European Regulation is often unknown or only slightly known.

However, often no independent monitoring system exists in the countries of these certifying authorities, so that **equivalencies** for the certifiers' production and processing standards, as well as the system of independent and credible monitoring, also have **to be tested**.

An **accredited EU certification agency - under the aegis of its national state authority** - may **evaluate** this third country entity, **or** the **accreditation program branch of IFOAM** may evaluate according to its criteria. The EU member state authorities will accept both. An annual update is required until this country is included in the official EU Third Countries list.

Once the **import permit** has been awarded, the exporter into the EU must present the importer with an **individual export form** with each delivery (**see Annex: EU Regulation No. 3457/92**), showing sender, receiver, type and quantity of goods, individual lot/container number and the certifier's code number or company name.

**If this import authorization or the individual export certificate is not provided, the goods do not qualify to be labeled “organic”, so it is vital for business that all of the steps be thoroughly prepared!**

**Article 12** guarantees the free movement of organic goods within the EU.

**Articles 13 and 14** deal with further administrative measures and implementation. Article 14 provides for the foundation of a committee as an authority to propose changes and amendments to the Regulation.

**Articles 15 and 16** set dates and conditions for the validity of the Regulation.

### **Elucidation of Annexes I and II of EU Regulation 2092/91: principles and “positive lists” for production at farm level**

In Annexes I and II, organic field production - and later the organic husbandry production - are determined in two ways:

□ **Annex I** is basically a short summary of the fundamental principles of organic agriculture as developed by organic farmers’ associations over decades. While some of these associations’ standards have come to be nothing short of encyclopedic today, this annex attempts to reduce the **essential criteria to an extract of the main ideas of how organic agriculture is to be understood and practiced.**

In terms of concept, the organic agricultural movement views organic agriculture as a system of elements oriented towards sustainability and based on the ecological laws governing the relations and interactions between plants and their natural environment. The farm is understood as a living organism; in the Regulation, the second part of this organism, animal production, still is not fully included, a point often criticized as a deficiency of this Regulation. On the other hand, a careful reading of the text as a whole shows that ecological balance and cycles are well respected. For example, animal manure as organic fertilizer must generally originate from organically raised livestock, and all substances listed in Annex II are to be used only when all the measures described in Annex I - rotation, green manure, etc. - have been established.

□ **Annex II** currently contains two parts. Part A lists permissible fertilizers, Part B permissible plant protection substances. Others - such as permissible animal foodstuffs, medicines and detergents - have yet to be defined.

These “positive” lists include only items that are permitted: items not listed are not permitted. Other categories of “recommendations” or special lists of restricted or prohibited inputs, which American associations or certifiers use, do not exist. Restrictions and many permissible items must be agreed upon with certifiers (see appendix).

## **Elucidation of Annex III of the EU Regulation:**

### **The monitoring system**

**Annex III** describes monitoring procedures for farms (including the gathering of wild plants; see “Digression” below), processing and packing units and import firms, the aim of which is to establish a permanent and efficient monitoring system on all levels where fraud or manipulation might arise.

The first step is always to describe the production unit, whether it be a farm with a field and parcel list and map, or a processing or packaging plant with a floor plan. At the first inspection, current conditions are documented and the certifying agency clearly defines all measures necessary to meet the Regulation requirements.

Separate books must be kept for all incoming and outgoing goods produced organically. The most important elements to be monitored are the organic origin of the goods and their identification: producer name, site of origin, certifier. Processing/packaging and importing companies, which for the most part deal not only with organic but also with conventional products, must show organic products to be clearly segregated on all levels. Another pillar of the monitoring procedure is cross-checking the quantities of the input-output ratio for credibility. Finally, labeling must be checked: that formula/content correspond to the declaration, the origin of the ingredients, and that they are listed in Annex VI (see below).

Following each inspection, a report is drawn up stating conditions for any changes required and signed by the designated representative of the monitoring unit. Inspections may either be part of a scheduled annual routine or take place on a surprise basis. The farm or firm pays for these inspections itself.

In case of irregularity, a differentiated system of sanctions is applied. A private monitoring body must present its catalogue of sanctions as part of the application procedure for its own authorization. Such sanctions range from a written warning to further inspection to a temporary (or even permanent!) ban on the marketing of organic products.

For details of Annex III, see the EU Regulation in the appendix.

## **Digression:**

### **Group monitoring and organic certification of wild plants**

#### **A: Group monitoring**

Since physical, social, administrative and political conditions in third countries often differ from those in Europe, monitoring systems must be modified to suit them while maintaining their efficiency their and equivalence to the monitoring systems of EU countries. Special procedures, using the monitoring systems of reliable international certifiers in existence before the EU Regulation, are being applied in many third countries.

Group monitoring - the inspection of large groups of small farmers - and the inspection of wild plants play an important role in organic certification, especially in emerging countries.

For example, often no official maps are available, so that the inspector himself has to sketch a map of each farm. What is more difficult is that producer groups often consist of hundreds - sometimes even thousands - of small farmers, each cultivating not more than half a hectare. It is often perfectly clear that economic conditions would not permit chemical input on such small plots. Traditional rotation systems or natural plants are common in such cases, as is simple mechanical weed control.

But since these factors alone do not ensure organic management or justify classification as organic, monitoring systems must be established that take both structural and socio-economic conditions into account.

There has been much discussion about what size sample would be appropriate, since in the case of farmers' groups it is clearly neither necessary nor economically possible to inspect each small producer every year. In the end, the certifier must decide on sample size. Much depends on the collaboration the buyer/exporter, who may provide the documentation and paperwork enabling the certifier full transparency on areas, surface and harvested quantities (yield) per producer - always in relation to quantities sold or exported. Where transparency is high, the monitoring sample may be lower, so that the local certifying process is cheaper.

Without this kind of clear and complete information there can be no equivalence, and, of course, where irregularities crop up, individual inspections must be intensified.

#### **B: Conditions for organic certification of wild plants**

A wild plant may be certified as organic when there is no human influence but the harvest. Wild berries and many herbs have not been planted, while coconut

palms, mangos, lychees and similar trees and plants have been subjected to some human influence, at least at the beginning. The trees were planted, but then grew without further cultivation.

The steps to be completed for inspection and certification are:

- definition of sites/zones/regions (Map!)
- definition of an average harvest (+ minimum/maximum yield), with assurance that the environment is not being damaged by overuse
- list of intermediaries/gatherers of the organic product
- gatherers' list with the following elements:

Product	Place	Seller	Surface	No.of trees	Quantity	Date	seller's signat.
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**This list (or equivalent) is obligatorily for each delivery.**

Backyards, orchards and single trees may be accepted for certification so long as:

- ☐ there has been **no use whatever of chemical** fertilizers, insecticides, fungicides or herbicides or similar substances for at least three years
- ☐ **trees alongside roads or exposed to other potential sources of contamination are excluded:** minimum distance from main roads is 50 meters
- ☐ trees near **conventional crops produced on the same parcel** using agro-chemicals are excluded
- ☐ the **greater general air pollution** is taken into account for trees in **urban** orchards

**In the warehouse**, starting with the arrival of the fruit and continuing on all processing levels until final packaging, **organic fruit must be clearly and permanently segregated**. Every possible measure must be taken to avoid mixing with fruits of non-organic, non-certified origin.

**Bookkeeping** for organic products must be up to date, complete and **entirely separate**, showing incoming and outgoing quantities, their origin and the list of customers.

Outgoing organic fruit must be **labeled** as follows (in addition to the usual legal requirements):

- product (for example, lychee, mushrooms, wild strawberries...)
- amount
- seller and receiver (exporter/importer)
- with the phrases
  - “Organic Product” (Name of product)
  - “Monitored in the country of origin according to EC Regulation No. 2092/91 by “certifier name”.The certifier’s logo may be used.

Before labeling, all of these steps must be followed and certified by the agency responsible as being in accordance with the EU Regulation.

**(For Annexes IV [requirements for registration] and V of the EU Regulation [indication of conformity] see appendix)**

## **Elucidation of Annex VI of the EU Regulation:**

Annex VI has been added as a specific Regulation (No. 207/93) and follows the same positive list system as Annex II for defining ingredients, processing agents and other details for the processing of organic foodstuffs. It consists of three parts:

### **A: Substances permitted as ingredients of non-agricultural origin**

(such as preservatives and antioxidants)

### **B: Substances permitted for use during preparation**

(processing agents)

### **C: Ingredients of (conventional) agricultural origin**

(in the “70%” and “95% categories”)

If certain agricultural products or certain preprocessing methods and ingredients are currently unavailable, this should be made clear, so that products of conventional origin may be substituted within the allowed 5%. (This also applies to “70% products”.) It is difficult to keep this list up to date, and even organic products available in abundance may remain on it, such as at present coconuts, dates, mango and cacao. It will be a major challenge for organic producers worldwide to document changes in the availability of goods as they occur, so that they may be struck from the list and become part of the organic market.

Article 14 allows for temporary exemptions or additions to be made on all of these lists.

Detailed information and comments on the EU Council Regulation are available (in English) in *EU Regulation on “Organic Agriculture”: Market Access for Third Countries and a Comparative View of Codex Alimentarius, EU and USA Regulations*, by H. P. Schmidt and M. Haccius (1993/1995), published by IFOAM, from whom it may be obtained.

#### **THE EU REGULATIONS (2092/91)**

Products destined for sale on the EU “organic” market must be manufactured and processed in accordance with EU Council Regulation 2092/91.

Third countries must submit an application in Brussels to be listed as a recognized country. The current (1997) list comprises Argentina, Australia, Hungary, Israel and Switzerland.

Interim regulation:

At present, most organic imports are based on individual import permits issued to the importer.

### 3.2.2 United States requirements on organic production

**The Organic Foods Production Act sets out a framework for national organic standards.** However, the law will not be implemented until USDA issues regulations for organic production, processing and handling. The law and regulations will apply to all foods labeled as organic, including raw and processed foods, wild crops, and livestock products. It is not known when the federal standards will be implemented, but possibly not until the end of 1998 or later. Until these national standards are in force, meat and poultry may not be sold as organic in the United States.

**State organic laws will continue to govern organic imports until the national organic regulations are implemented.** About 30 states have organic laws, although not all are implemented. Exporters to the United States should check the laws of the states where their food will be sold.

In general, organic food may not be produced, processed or handled with any prohibited materials for at least three years prior to being sold as organic.

Most natural fertilizers and pest controls are allowed, and most synthetic inputs are prohibited, although there are exceptions in both cases. Organic certifiers in the United States have lists of both permitted and prohibited materials, and these lists correspond closely among one another. Several states also have official lists of permitted and prohibited materials. When the federal program is implemented, USDA will publish a national list of permitted synthetics and prohibited natural materials.

The federal law and some states also require additional **production practices** for products sold as organic, such as crop rotation, cover-cropping and proper manuring practices. State laws should be consulted on required state production practices.

**Labeling** of organic products is regulated in many states. The federal law will require that any processed product labeled as "organic" (such as "organic bread") must contain at least 95% organic ingredients. There will also be restrictions on ingredients that can make up the remaining 5%. If a product contains 50% to 95% organic ingredients, the front label may indicate the product's major organic ingredients, for example, "Made with organic wheat". If a product contains less than 50% organic ingredients, only the ingredients list may indicate that ingredients are organic.

Some states require that organic foods be **certified** by an independent third-party certifier. In these states, certification is required for the farms where crops are grown and for the manufacturing plants where foods are processed. Several

states require that foreign certifiers be approved, accredited or licensed in the state. The national law will also require certification of all handlers and distributors of organic foods. Many retailers and processors only purchase certified organic foods.

Certification involves inspection of the farm or processing plant and of the records. Records must be kept of all fertilizers and pest controls that have been applied and all ingredients used on processed foods.

Many states and certifiers require farmers and processors to keep records of each sale of organic products, including the amount sold, the buyer and the date. Many also require farmers to keep records of all substances applied to organic crops, soil, or water used in irrigation. Some require records on dates of harvest and yield from each field.

California does not require organic products to be certified, but if they are certified, the certifier must be registered or recognized in California, and the certifier's standards must be equivalent to California standards. If the label says that an organic product is certified, the name of the certifier must appear on the label as well. Organic foods that are not certified must be grown and processed according to California standards. All organic foods sold in California must be labeled as the law requires.

When the national law is implemented, all organic products will have to be certified by a USDA-accredited certifier. If the certifier is from outside the United States, other options will be available for USDA approval of the certifier. The National Organic Standards Board has recommended that USDA evaluate foreign certifiers to determine if their standards are at least equivalent to the standards of the United States. The certifier may also qualify through regulation by a foreign government, a regional entity, or an international organic standards organization, such as IFOAM, which has been recognized by USDA as having equivalent standards.

An overview of the United States and California organic production laws is given in **“What the Farmer Needs to Know: A Summary of California and Federal Organic Production Laws”** (3rd Edition). This publication is available for a reasonable price from:

Suzanne Vaupel,  
Attorney at Law  
1006 Fourth Street, Suite 240  
Sacramento, CA 95814, USA  
Tel./Fax: +1 - 916 - 444 1877

A summary of the standards recommended by the National Organic Standards

Board to USDA is available from:

**Organic Trade Association**  
PO Box 1078  
Greenfield, MA 01301, USA

Tel.: +1 - 413 - 774 7511

Fax: +1 - 413 - 774 7432

For information on the implementation of national standards, contact either of the above sources or:

**National Organic Program**  
USDA-AMS  
Room 2510 South Building  
14th and Independence  
PO Box 96456  
Washington, DC 20090-4456, USA

Tel.: +1 - 202 - 205 7804

#### **REQUIREMENTS FOR IMPORTING ORGANIC FOODS INTO THE UNITED STATES**

- Until the national organic program is implemented, the organic laws of the states where imported organic products will be sold apply.
- When the national organic program is implemented, all organic products must be certified, and the certifier must be approved by USDA.

### 3.3 Further legal stipulations

#### 3.3.1 Further legal stipulations for the foodstuffs trade in Europe

Specific regulations exist for the trade in foodstuffs and must be observed when importing.

**The importer is liable for observation of the regulations**, which apply to areas such as:

- labeling
- packaging
- details on weight or quantity
- additives
- content of harmful substances
- grade

All of these regulations aim to **protect the consumer from health risks and deception**. Foodstuffs are constantly monitored by government inspection authorities. In order fully to observe their obligation to be vigilant, importers have import goods tested by food chemists. Foodstuffs in particular are tested with regard to:

- pesticide residue
  - unauthorized additives
  - harmful substances
  - radioactivity
  - microbiological contamination
- etc.

In Germany, quality norms, guidelines and stipulations have been set down. These "Leitsätze des deutschen Lebensmittelbuches" (Situation 1992) are available at a reasonable price from:

**Bundesanzeiger Verlagsgesellschaft mbH**

Postfach 10 05 34  
50445 Cologne, Germany

Tel.: + 49 - 221 - 2029 0  
Fax: + 49 - 221 - 2029 278

A good overview is offered by the brochure "Food Exports to the Federal Republic of Germany. Requirements regarding Quality, Packaging and Labeling", which is issued by the Federal Ministry for Economic Cooperation and Development and the Chamber of Industry and Commerce for Munich and Upper Bavaria. This brochure is available in German, French, English and Spanish from:

**PROTRADE / GTZ GmbH**

(German technical cooperation)

Postfach 5180

65726 Eschborn, Germany

Tel.: + 49 - 6196 - 79 0

Fax: + 49 - 6196 - 79 7414

Information on quality norms and grading is available from:

**AID**

Auswertungs and Informationsdienst

für Ernährung, Landwirtschaft und Forsten e.V.

Konstantinstr. 124

53179 Bonn, Germany

Tel.: + 49 - 228 - 8 49 90

Fax: + 49 - 228 - 8 49 91 77

As the stipulations relating to foodstuff regulations are subject to alteration, particularly as a result of international alignment, it is vital to request up-to-date information from the exporter. In order to avoid problems and difficulties, it is also important that there be a contract between exporter and importer that clearly stipulates the exact requirements on the goods being exported.

**STIPULATIONS RELATING TO FOODSTUFFS REGULATIONS  
IN EUROPE**

Stipulations on foodstuffs regulations must be complied with:  
the importer is liable.

Information on stipulations relating to foodstuffs regulations can  
be requested from the importer.

**3.3.2 Further legal stipulations for importing food into the United States**

Many imports into the United States are subject not only to customs requirements but also to the laws and regulations of other US agencies, and customs clearance will not be given until these requirements are met. All foods except meat

and poultry are subject to examination by the Food and Drug Administration (FDA) when they arrive in the United States. Imported food products must meet the same standards as domestic goods. All foods must be pure, wholesome, safe to eat, and produced under sanitary conditions. All labeling and packaging must be informative and truthful. Labels must be printed in English and meet FDA requirements for weight declaration, contents and nutrition. FDA inspectors look for signs of filth, spoilage, contamination, or mislabeling.

Sometimes FDA inspects foreign plants to be sure that food processing meets US standards. The exporter and the US importer should consult the agencies mentioned below for detailed information on current requirements. A phytosanitary certificate from the country of origin is required for certain crops from certain countries. The importer knows if this certificate is required, as does the American Embassy on site in the respective country. The agriculture department in the country of origin will issue a phytosanitary certificate after inspection.

Certain fruits, vegetables, and nuts must meet US import requirements for grade, size, quality, and maturity. These products must be inspected by the Food Safety and Inspection Service of USDA (FSIS) before being admitted. Commodities affected by these requirements include tomatoes, avocados, mangoes, limes, oranges, grapefruit, green peppers, Irish potatoes, cucumbers, eggplants, dry onions, walnuts, filberts, processed dates, prunes, raisins, and olives in tins.

For more information, contact:

**Agricultural Marketing Service**

USDA - Washington, DC 20250, USA

Additional restrictions on fruits, vegetables, and nuts may be imposed by the Animal and Plant Inspection Service of USDA (APHIS) and by the Food and Drug Administration. APHIS inspects imports for insects and other organisms. These agencies may be contacted at:

**Animal and Plant Health Inspection Service**

USDA - Washington, DC 20782, USA

**Food and Drug Administration**

Division of Import Operations and Policy (HFC-170)

5600 Fishers Lane

Rockville, MD 20857, USA

**Cheese, milk, and dairy products** are subject to additional restrictions. Most cheese imports require an import license from USDA. For specific information, contact:

**Foreign Agriculture Service**

USDA - Washington, DC 20250, USA

Imported milk and cream is subject to the Food, Drug, and Cosmetics Act and the Import Milk Act. Permits for import must be obtained from:

**Food and Drug Administration**

Center for Food Safety and Applied Nutrition

Office of Food Labeling (HFS-156)

200 C Street, NW

Washington, DC 20204, USA

and from:

**Foreign Agriculture Service**

USDA - Washington, DC 20250, USA

Most imported meats must be inspected by APHIS and FSIS. Wild game is subject to inspection by APHIS and FDA. As noted above, meat and poultry cannot be sold as organic in the United States until national organic standards are implemented.

**Poultry and poultry products**, including eggs, must also meet APHIS and FSIS requirements. Permits are required for importing, and in some cases foreign inspection certification is required, as is special marketing and labeling.

Certain food processing establishments must register with the Food and Drug Administration and meet additional requirements. Processors which manufacture low-acid canned foods (such as green beans, mushrooms and tuna fish), and acidified foods (such as pickles, pimientos, and marinated artichokes) must register and obtain a Food Canning Establishment Number (FCE#) from:

**FDA Registration Coordinator (HFS-618)**

Center for Food Safety and Applied Nutrition

ACF Registration Coordinator (FCE#)

200 C Street, SW

Washington, DC 20204, USA

**STIPULATIONS RELATING TO FOODSTUFFS REGULATIONS IN THE US**

- \* All foods except meat and poultry are subject to examination by the Food and Drug Administration (FDA) when they arrive in the United States
- \* Imported food products must meet the same standards as domestic goods

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Available directly from the author: (DM 200 plus p&p)

Walsroder Str. 12, D-29683 Fallingb. ostel.

Tel.: +49 51 62 59 44

Fax: +49 51 62 58 05

A short version in English can be ordered free of charge from the:

EC Commission

DG VI

Attention M. Rosetto

220 rue de la Loi

2048 Brussels, Belgium

### **Personal Communications for Part A**

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## B PLANNING AND REALIZATION OF EXPORTS

Part B concerns the individual steps in the planning and realization of export business with organically-grown products. The chapters will be supplemented with a series of questions for companies, which can serve as a checklist for planning and carrying out export marketing.

### 1. Company objectives

In Europe, organic products have become such an interesting market niche that many companies are now considering producing and exporting them.

A change-over to production or trade with organic products has far-reaching consequences for a company, with demands that go beyond conventional objectives.

The **usual economic objectives** of a company can vary considerably and can focus on:

- profit
- turnover
- profitability
- investment
- production
- etc.

Economic objectives are important for exporting organic products, but **ecological aspects count, too**, for the sake of credibility vis-à-vis customers and morale within the firm. At present, trade with organic products can lead in the short term to higher costs or a drop in turnover if the required quality is to be guaranteed. **A top priority is, therefore, the honest intention to declare as organic only those products which fully conform to EU Council Regulations.**

Dishonest or irresponsible businesspeople have attempted often enough to sell conventional goods in the guise of organic products, weakening consumer confidence and damaging the work of serious organic producers, processors, wholesalers and retailers. Consumers are understandably unwilling to pay higher prices for conventional quality and often regard goods of foreign origin, in particular, with distrust. **For this reason, it is of fundamental importance for producers in emerging countries to build consumer confidence in the trade and to create a good image among end-users through transparency and certification systems with solid credibility.**

A further important point for the purchaser is the **company's social profile**. With regard to products from emerging countries, particularly, the consumer often wants to know whether employees in production units are receiving fair wages and working under humane conditions.

**The production of and trade with organic products requires a kind of management which is not restricted to economic objectives but gives due consideration to ecological and social principles.** This is a prerequisite for creating a long-term consumer confidence and success.

**Organic products require long-term planning and - because of the transition period to organic agriculture, production and processing, etc. - normally do not lead immediately to higher turnover and profit.**

Advantages for the company may result from the positive image associated with “environmentally aware” or “socially committed”, aspects which may be exploited in marketing. More and more consumers - on the German market, for example - are becoming aware of these criteria and set priorities according to them when they choose what and where they buy. Long-term advantages for emerging country producers are the maintenance of natural resources, possibly higher prices, and freedom from the price fluctuations that accompany chemical input.

In line with these points, the following priorities - supported by sales, profit and motives of corporate security - may be set for the trade with organic products:

1. Ecological (and social) objectives that ensure quality that meets EU Regulation standards
2. Occupying market niches (overseas), always testing first whether or not a market really exists for each product (perhaps only the producer finds it exciting...)
3. Gaining and keeping long-term customers

If the company's products are not yet being produced according to EU regulations, consideration should be given to whether a change-over to organic agriculture and processing is possible and feasible, given the company's resources.

Information on the requirements for field production and processing of organic products is available from PROTRADE at GTZ. IFOAM also offers information, as do national organic agriculture associations, which offer advisory services as well. Such associations authorize use of their emblem or logo, which in some cases has already been introduced to the market and thus fosters (but doesn't guarantee) higher market security and a higher price level.

In addition to the associations, independent certifying agencies, accredited by the EU and supervised in turn by state authorities, conduct inspections and certification on the international level, partly in collaboration with local staff. At present, goods receive equal treatment whether they are certified according to the EU Council Regulation standards or by a certifier with a good reputation on the market. Often

these latter come at prices that are more attractive to buyers, because they do not have to pay for the use of a brand.

Some experienced organizations which are permitted to carry out EU inspection and certification on the international level are mentioned in the annex.

#### **QUESTIONS ABOUT COMPANY OBJECTIVES:**

- Could ecological and social aims be added to the company's catalogue of objectives? Is the company willing to do this?
- Does the company have the resources to realize ecological objectives? Is conversion to organic cultivation and processing possible?

## **2. Motives for exporting organic products**

In emerging countries, companies generally export their organic products, as the domestic market for such products has generally not yet been developed and will be hard to establish. Demand comes primarily from abroad - Europe, America, Japan or Australia - where these products can be sold at higher prices.

Export motives, therefore, can be summarized as follows:

- **At present, a market for organic products exists mainly in industrially highly-developed countries: (Northern) Europe, USA, Canada and Japan.**
- **The demand for products originating in emerging countries is rising along with the current growth of the organic market. This could be an opportunity, although this opportunity is well recognized, and competition is growing as well.**
- **Organic products can often (though not always) be exported with an "organic premium", i.e., at prices higher than comparable conventional products or higher than these products would get on the domestic market.**

### 3. Assessment of export potential

For a realistic assessment of export potential, the company must analyze:

- 1) its own potential - expertise and resources - for exports: its managerial and organizational strengths and weaknesses (Chapter 3.1, Part B)
- 2) the market potential for its products in foreign target markets (Chapter 3.2 in Part B)

#### 3.1 Export potential of the company

##### **QUESTIONS ON CORPORATE EXPORT POTENTIAL (COMPANY STRENGTHS AND WEAKNESSES):**

###### **Management and organization**

- Are management and employees trained in export matters? Do they have sufficient experience and market know-how?
- Where and how could staff be trained for export or acquire the information they need?
- Do employees have sufficient (foreign) language skills?
- Is the office equipped for effective communication with foreign countries (viable telephone connections, fax, e-mail)?
- Does the company present a uniform corporate image, i.e.; letter heads and other materials with company name and logo?
- Are well-designed export price lists with exact product specifications and background information on the company (ecological/ social objectives, etc.) available in English or another relevant foreign language?

### **COMPANY PLANT AND PRODUCTION FACILITIES**

- Do production methods meet foreign customer requirements for quality, product purity, etc?
- Are production facilities in good condition?
- Exports could lead to considerable increase in demand. Can production increase rapidly enough to fill large numbers of new orders?

### **FINANCIAL SITUATION OF THE COMPANY**

- How much capital is required to make the investments necessary for export?
- How much of this capital can/must the company itself provide?
- Where can the company obtain the remainder?
- How high are the costs of loans, and what is the framework for obtaining them?

Organizations like PROTRADE at GTZ assist companies in emerging countries that require training for exports by means of seminars, visits by advisors and useful literature.

### **3.2 Assessing opportunities in foreign markets**

In addition to an analysis of the trade, a rough assessment of **sales potential abroad** is required. To this purpose, two analyses should be conducted:

1. a **country analysis**
2. a **market analysis**

### 3.2.1 Country analysis

**It is relatively easy to list target countries for the export of organic products. The only organic markets of any size are Europe, the USA, Canada, Japan and Australia, where organic products are specifically labeled and often sold at higher prices than comparable conventional products.** In these countries, certain stores specialize in selling health food and *Reformhaus* foodstuffs. In Europe, the market for organic produce is largest in the north, in Germany, Holland, Great Britain, Denmark, Sweden and Belgium. Nevertheless, a positive trend toward health food is emerging in Spain, France and Italy, where trade with organic products is picking up.

The largest market volume will probably be in Germany, with an estimated turnover of DM 2.5 billion. Organic sales in the USA will have passed this level by now.

General data can provide background information on the countries with organic market potential, and help in decision-making on exports. **Selected basic data on potential target countries give a first impression of the economic and social conditions of the foreign culture.**

For purposes of comparison, the data collected on all countries should be represented in chart form.

#### **COUNTRY ANALYSIS FOR SELECTING A TARGET MARKET**

Generally useful basic data for comparing countries are:

##### **General economic data:**

- gross national product
- unemployment rate
- inflation
- etc.

##### **Demographic data:**

- population
- degree of urbanization (Rural people tend to have less interest in buying organic products like fruit, vegetables, eggs, milk, etc., and often produce such products themselves.)
- percentage of the population with higher (third level) education
- family status and households

- percentage of families with children under 6 years of age
- percentage of people under 35 years of age
- percentage of health-conscious senior citizens
- state of health of the general population
- per capita income
- income distribution

Consumer trends and motives for buying organic products should be considered in selecting demographic data.

Statistical authorities like Germany's Federal Statistical Office (*Statistisches Bundesamt*) compile **data on their country on an annual basis and make it available through official government bodies such as foreign trade boards**. The statistical office of the EU, EUROSTAT, also collects statistical data on EU-member countries in an attempt to reduce national statistics to a common denominator for purposes of comparison.

Another important group of questions concerns market access. The Single European Market has standardized access conditions for European countries, so that a comparison with the USA is readily possible. Such a comparison will be particularly interesting when the resolution of NAFTA creates a very large market including the USA, Canada and Mexico.

#### **MARKET ACCESS CONDITIONS:**

- Customs and levies
- Volume restrictions (for the EU, e.g., import licenses are required for some products)
- Legal stipulations for foods
- Legal requirements for trade in organic products

Not only this general national summary, but also a detailed analysis of market operations is necessary.

### 3.2.2 Market analysis

#### 3.2.2.1 Europe

Products from emerging countries are often imported into Europe as raw goods and only then processed and packaged. Among overall imports, the percentage of organic products is steadily increasing. The products imported

- cannot be cultivated or produced in Europe
- are not available in season (fruit and vegetables).

Dutch importers were the first to import organic and related products, both fresh and dry, which they then resold to their European neighbors, but German and French importers have since become involved in the direct business as well. Several importers manage their own projects in emerging countries to ensure good product quality.

Producers often sell directly to importers, who are themselves often producers or wholesalers, and they then resell the goods to processors. When the importer is not a wholesaler as well, the next trading stage is the wholesaler, who then delivers to the retailer. The wholesaler sells fruit and vegetables directly to the retailer.

The following list of organic imports into Europe from emerging and other countries provides an overview of the market, even though it is in no way complete and provides no figures on import quantities. Dried and fresh products are classified according to product group and country of origin.

#### **DRIED PRODUCTS:**

<b>Product</b>	<b>Processed product</b>	<b>Country of origin</b>
<b>Grain:</b> Amaranth	unprocessed/popped	Mexico USA Peru
Buckwheat	unprocessed	USA, Russia
Corn	processed (cornflakes)	Switzerland
Quinoa	unprocessed	Bolivia
Rice	unprocessed	India, USA
Wheat	unprocessed	Hungary

<b>Product</b>	<b>Processed product</b>	<b>Country of origin</b>
<b>Beans</b>	soy, kidney, mungo, azuki etc.	USA, Nicaragua Zimbabwe Paraguay Mexico, Brazil
<b>Nuts:</b> Brazil-nuts (wild)		Brazil Bolivia
Cashews	unprocessed/nut paste	Moldavia China, S. Africa Brazil Mozambique India, Sri Lanka
Hazelnuts Peanuts	unprocessed/cracked unprocessed/nut paste	Turkey Mexico Paraguay Israel China
Walnuts	unprocessed/cracked	Turkey
<b>Dried fruits/ mushrooms</b>		
Apricots Dates	processed and unprocessed	Turkey Tunisia Morocco Israel
Figs	special pack (i.e. Lerida)	Turkey
Mango	processed and unprocessed	Togo Burundi Burkina Faso Dominican Rep. Costa Rica Senegal Colombia
Mushrooms Papaya	dried	China Togo
Pineapple	processed and unprocessed	Togo, Ghana Honduras
Raisins		Turkey

<b>Product</b>	<b>Processed product</b>	<b>Country of origin</b>
<b>Oil seeds:</b>		
Coconut	chips/dried/flakes/oil	Dominican Rep. Madagascar
Safflower seeds	safflower oil	Paraguay
Sunflower seeds	sunflower oil	USA
Pumpkin seeds		China
Sesame	unprocessed/nut paste/oil	Mexico Burkina Faso El Salvador Guatemala Turkey Uruguay Nicaragua
<b>Herbs and spices:</b>		
Aniseed		Egypt
Basil, marjoram		Morocco
Cardamom		Mexico Sri Lanka
Chamomile		Egypt
Chili		Egypt
Cinnamon		Madagascar Sri Lanka
Cloves		Brazil Madagascar Sri Lanka Tanzania
Hibiscus		Tanzania Egypt Mexico
Lemon grass		Egypt
Pepper green/black/white		Brazil  Madagascar Sri Lanka
Peppermint		Egypt
Vanilla		Madagascar India, Tonga

<b>Product</b>	<b>Processed product</b>	<b>Country of origin</b>
Ginger		Papua New Guinea. Tanzania, India Togo
<b>Other:</b> Olives		Morocco
<b>Sweetening agents:</b> Demerara (cane sugar) Honey		Madagascar Mexico, New Zealand, Uruguay and various South-American countries
Rapadura (full cane sugar)		Brazil Uganda Paraguay Jamaica South Africa Mauritius
<b>Tea:</b>		
Black tea		India, Darjeeling Assam, Dooars Sri Lanka Tanzania, Kenya China
Green tea		Nepal, Japan, China

**Coffee:**

Organic coffee is imported from Mexico, Guatemala, Bolivia, the Dominican Republic, Costa Rica, Nicaragua, India, Peru, Venezuela and Papua New Guinea. Current figures for Germany show that an estimated 2500 tons of organic coffee are consumed. Organic coffee is subject to the same market pressures as conventional coffee, and if the entire amount produced cannot be sold, prices may fall. Depending on conventional companies stepping in as well the demand for organic coffee might rise.

**Cacao:**

Cacao from certified organic cultivation comes from Brazil, Bolivia, the Dominican Republic and Ecuador and is processed into, among other things, cocoa, chocolate, desserts and spreads. Rapunzel is one of the leading importers of cacao in Germany.

**FRESH PRODUCTS:**

<b>Product</b>		<b>Country of origin</b>
Apples	fresh fruit	Madagascar Chile New Zealand Canada, Turkey
Apricots	fresh fruit	Turkey, Japan Uruguay
Avocados	fresh fruit	Australia, Israel Burundi
Bananas	fresh fruit	USA, Uganda Dominican Rep. Bolivia Colombia Togo, Cameroon Australia Burundi Uganda
Lychees	fresh fruit	South Africa Mauritius
Mangos	fresh fruit	Dominican Rep. India, USA Burundi Ghana, Togo Venezuela Costa Rica Colombia Burkina Faso
Papaya	fresh fruit	Togo, Ghana Cameroon
Pears	fresh fruit	New Zealand USA, India
Pineapples	fresh fruit	Burundi, Togo Uganda, Ghana Colombia Cameroon, India
Red and baby bananas		Ecuador

Fresh products from certified organic cultivation, i.e., fruit and vegetables, are still not exported on a large scale from emerging countries to Europe. This is partly due to logistics problems, since organic products are not chemically treated and are thus difficult to handle. Another factor is that the trade in fresh products was formerly restricted to the home market (principle of regionality for ecological reasons). Today, more and more fresh organic products are imported.

Israel is an important supplier of exotic fruit and vegetables, as well as early vegetables. A parastatal export cooperative of Israeli agricultural producers (including 200 organic producers) handles exports in exemplary fashion, taking care of packaging, logistics and distribution for the whole range of agricultural fresh products (fruit, vegetables, flowers, fish, etc.) so that the goods are usually of very high quality when they arrive in Europe. Trade is promoted through brochures for end users, and outlet owners are offered training courses on tropical fruit and vegetables.

The organic product range of fresh goods from **Israel** includes:

**Vegetables:**

Tomatoes, Chinese cabbage, celery, cucumber, iceberg salad, early potatoes, carrots, onions, garlic, sweet corn, sweet potatoes, fennel, cherry tomatoes and zucchini. The product range is constantly being extended.

**Fruit:**

Bananas, papaya, mangoes, melons, grapes, avocados, oranges, grapefruit, lemons, sweets and easy peelers, fresh and dried dates and peanuts.

Although exotic fruit like pineapples, mangoes and coconuts does not have a large market share, this share is rapidly increasing. Prices for this fruit, however, often remain very high, and problems with quality are fairly common.

**Non-food products:**

Food crops are by no means the only products in the organic sector. There is a growing market for "natural clothing" made of organically produced fibers like cotton (from Egypt, Turkey, Peru, Ecuador and USA, for example), silk (from India) and hemp (for example from Hungary). Vegetable oils (e.g., cotton-seed or sesame oil) are not only used as food, but also in the production of detergents or other products. Henna from organic cultivation in Egypt is used for hair care and coloring.

A whole range of organically grown products is used to manufacture cosmetics, e.g., fatty or essential (aromatic) oils. Aromatic oils are also used directly in aroma therapy, or in the household sector in scent lamps and as room incense. At present many certifiably organic essential oils - citrus oils (lime, mandarin, orange,

lemon), thyme, basil, oregano, vetiver, moringa and others - are being readied to meet increasing demand. Organic basil and lemon grass are imported from Egypt, organically certified vetiver oil from El Salvador, organic ylang-ylang oil from Madagascar, and organic lemon grass from Tanzania.

Since no statistics are generally available on the market for organic products, the best means of obtaining such data is directly from importers (see address list in this chapter and in the appendix) or from organizations like GTZ's PROTRADE.

For Germany, in addition to the listing of some major importers in the appendix, most of the addresses of natural food manufacturers and importers may be obtained from:

**Bundesverband Naturkost Naturwaren Hersteller e.V. (BNN-He)**

Robert-Bosch-Str. 6  
50354 Hürth, Germany  
Tel.: + 49 - 2236 - 6 81 02

The addresses of *Reformhaus* (i.e. health product) manufacturers may be obtained from:

**Verband der Reformwarenhersteller e.V.**

Schwedenpfad 2  
61348 Bad Homburg, Germany  
Tel.: + 49 - 6172 - 2 40 64

*Das Alternative Branchenbuch* (The Alternative Yellow Pages) can be used as a further source of information. It contains a list of more than 21,000 suppliers of environmentally-friendly products and services from various sectors and gives a very good overview of the activities of the "alternative" sector primarily in Germany. All importers of products from certified organic cultivation are also listed. *Das Alternative Branchenbuch* can be ordered at a reasonable price from:

**ALTOP-Verlag**

Grotzinger Str. 48  
81371 Munich, Germany  
Tel.: + 49 - 89 - 74 66 11 0  
Fax.: + 49 89 7 25 62 46

**International addresses:**

IFOAM member importers and producers are listed in the Directory of the Member Organizations and Corporate Associates of IFOAM, which contains addresses in countries throughout the world (see chapter 1 in part A).

A useful contact address for the European market is:

**Carol Haest**

Kouterstraat 15/1  
3200 Aarschot  
Belgium  
Tel.: + 32 - 16 - 57 12 27  
Fax: + 32 - 16 - 57 12 64

A useful contact address for the Dutch market is:

**Marta Jeuken**

Marketingbüro DE GROENE RAAD  
PO Box 1883  
5200 BW s'Hertogenbosch, Netherlands  
Tel.: + 31 - 73 - 13 35 99  
Fax.: + 31 - 73 - 13 12 86

**QUESTIONS FOR MARKET ANALYSIS:**

- Which importers/producers buy or process the products the company can supply?
- Through what trade channels are these products sold?
- Are there other trade channels with potential interest in the product?
- Is there still a demand for this product?
- How competitive is the market environment (other producers)?
- What prices do exporters get?
- What quality requirements are there?
- What labeling requirements?
- What are the terms of delivery and payment?

Contacting several importers, manufacturers, etc., helps give an overall idea of the market and identify good potential buyers.

A good overview and general impression of what is happening in the “organic scene”, as opposed to the conventional market, can be gained by **visiting trade fairs**. BIOFACH in Germany is to be recommended as the most complete “market-place”, with a very broad and international attendance including firms of high standing. This trade fair is visited by all important purchasers on the European market.

For Latin-America, BIOFAIR in San José, Costa Rica, which started in 1995, has become an interesting address for both products and purchasers. This fair is more oriented to the market in USA, but European exhibitors and visitors attend as well.

Since the organic sector is small and easily surveyed (many players know one another personally), the large-scale measures that apply in other sectors - country analysis or extensive market research - are not so essential here to market entry strategy. Given their size and financial resources, the average organic firm cannot afford such heavy expenditure in any case.

As the **market is very dynamic, close observation** is recommended. There is considerable movement in countries like Spain, where the organic movement is beginning to gain momentum. In Germany and Holland, for example, it is worth asking to what extent conventional food outlets will be willing to participate in marketing organic products, extend their range of products, and fuel further growth.

### 3.2.2.2 United States

As in Europe, most foods imported from emerging countries are imported as raw goods. However, a few processed organic food products are now imported from emerging countries, and more are imported from Europe. Some raw organic products are also imported from emerging countries into Europe, where they are processed and then imported into the United States.

The United States imports three categories of product:

- products that cannot be grown in the US
- products that are only seasonally available in the US
- products that are not grown in sufficient quantities to meet US demand

Importers are either:

- distributors who sell to wholesalers, retailers or processors
- manufacturers who import ingredients to use in their processed foods
- distributors who import products from companies they own in emerging countries

The following overview of organic food imports from emerging countries was compiled from interviews with importers. Since no statistics are kept for organic food imports, this information reflects only the opinions of the importers interviewed. The list is not complete, but does provide a starting point for understanding the current market. The estimated number of importers and their predictions of future trends in import quantities and prices are also included wherever available.

## DRY AND PROCESSED PRODUCTS:

Product	Processed product	Country of origin
<b>Grains:</b>		
Amaranth		Bolivia Mexico, Peru
Quinoa		Bolivia Chile, Peru
<b>Beans:</b>		
Garbanzo		Mexico Turkey,
Mung		Australia China
Red lentils		Turkey
<b>Nuts:</b>		
Brazil Nuts		Brazil Bolivia
Cashews		Brazil Guatemala Madagascar Nicaragua
Hazel nuts		Turkey
<b>Dried fruits:</b>		
Apricots	dried	Turkey
Banana	dried	Costa Rica Honduras Mexico
Mango	dried	Costa Rica Honduras Mexico
Pineapple	dried	Costa Rica Honduras Mexico
Raisins	dried	Argentina

<b>Product</b>	<b>Processed product</b>	<b>Country of origin</b>
<b>Processed Fruits:</b>		
Apple	concentrate	Argentina Chile, Mexico
Banana	puree	Brazil Costa Rica Ecuador
Berries	frozen puree	Chile Guatemala
Guava	processed	Fiji
Mango	processed	Fiji, Mexico
Pear	puree	Argentina
Pineapple	puree	Fiji Honduras
<b>Seeds/oils:</b>		
Sesame seeds & oils		Bolivia Guatemala Mexico Nicaragua
Olive oil		Argentina
<b>Herbs and Spices</b>		
Basil		Mexico Turkey
Black pepper		Madagascar Philippines Sri Lanka
Chamomile		Chile Egypt
Cinnamon		Costa Rica Indonesia Madagascar Mexico Philippines Sri Lanka
Cloves		Indonesia Madagascar Philippines
Hibiscus		Sudan
Oregano		Mexico
Parsley		Israel, Mexico

<b>Product</b>	<b>Processed product</b>	<b>Country of origin</b>
Rose hip		Southern Hemisphere
Turmeric		Madagascar
Vanilla		Indonesia
		Madagascar
		Mexico
<b>Sweeteners:</b>		
Honey		Australia
		Mexico
Sugar		Jamaica
		Madagascar
		Mauritius
		Paraguay
<b>Tea:</b>		
Black tea		East Africa
		India
		Sri Lanka
<b>Coffee:</b>		
Coffee		Columbia
		Dominican Rep.
		Guatemala
		Mexico
		Nicaragua
		Timor
<b>Cacao:</b>		
Cacao		Brazil
		Costa Rica
		Dominican Rep.
		Panama
<b>Other:</b>		
Aloe vera		Honduras
Blue corn		Mexico

**Grains:** Approximately 100-150 tons of amaranth and 400-450 tons of quinoa were imported into the United States in 1996. Quantities of imported amaranth are limited because amaranth cleaning facilities are difficult to access. Most amaranth is imported first into Europe, where cleaning facilities are more accessible, and then re-exported to the United States. The price for amaranth was projected to decline slightly while that for quinoa was expected to be stable.

**Beans:** An estimated 375-500 tons of garbanzo beans, 87-100 tons of mung beans, and 40-50 tons of red lentils were imported into the United States in 1996. Organic mung beans and red lentils are not grown in the United States, and only a small amount of acreage is planted in garbanzoes. There are estimated to be at least 10 importers of each of these products.

**Dried fruits:** Approximately 30-45 tons of dried apricots, 105 tons of dried bananas, and 70 tons each of dried pineapple and mango were reported to have been imported into the United States in 1996. Organic apricots are grown in large volumes in California but sell for around two or three times the price of those from Turkey. As a result, Turkish apricots are in high demand and the market is growing rapidly. The prices of dried banana, pineapple and mango are expected to decline as the number of suppliers increases. Growth in imports of these tropical fruits is expected to be rapid. There are four to five major importers of dried fruits in the United States and many smaller importers.

**Processed fruits:** Processed banana, pear, apple, berry, mango, pineapple, guava, and other fruits were imported into the US in 1996. Processed bananas are imported in very large volumes, which may cause the price of banana to decline. The premium paid for organic bananas was reported to be small and closely related to the conventional market price for bananas. For apples, berries, pears, and other fruit, the premium paid for organics is volatile, usually between 25% to 35% above the conventional market, but both demand and supply are growing rapidly. US tariffs on some fruit may reduce the quantities imported. There were estimated to be more than a dozen importers of processed bananas, but only a few major importers of processed berries, apples, pears, mangoes, and other fruit. Food manufacturers are among the largest importers.

**Sesame Seeds and Oils:** An estimated 1000 - 1250 tons of sesame seeds and sesame oil were imported into the United States in 1996, a large proportion of which was used to manufacture tahini. In 1996, the premium for organic sesame was estimated to be 20% to 30% above the conventional price.

This premium is expected to decrease slightly as the number of suppliers increases. Growth in the organic sesame market is expected to be lower than in the organic industry overall. Roughly 50% of imported sesame comes from Mexico, where there are thought to be only a few major importers and many minor ones.

Approximately 250 tons of organic olive oil was reported to be imported into the United States in 1996 from Argentina. The price of organic olive oil is projected to remain the same, and growth in olive oil imports was projected at about 20%.

**Herbs and spices:** A number of different herbs and spices were imported into the United States in 1996. Estimated quantities in 1996 ranged from 7 to 9 tons each of cloves and cinnamon to 175 to 250 tons of basil. Other herbs and spices

reported by importers included turmeric, chamomile, hibiscus, black pepper, oregano, vanilla, and rose hips. Prices of imported herbs and spices are volatile. As more companies switch from conventional to organic herbs and spices in processed organic foods, imported quantities are expected to rise. The market for organic herbs and spices is not firmly established, and quantities supplied or demanded change quickly and are difficult to predict. In general, growth in the culinary herbs market is expected to be greater than growth in the medicinal herbs market. There are probably fewer than ten importers of organic herbs and spices.

**Other organic dried and processed imports:** Among the other products that were reported as being imported were aloe vera and blue corn. An estimated 1800 gallons of aloe vera were imported into the United States in 1996. Aloe vera gel is used in the manufacture of personal care, non-food products, and is imported by one manufacturer from Honduras in plastic drums.

An estimated 500-750 tons of blue corn were imported from Mexico in 1996 by approximately 10 importers.

**Sweeteners:** An estimated 11,000 - 16,000 tons of organic sugar were imported into the United States in 1996. Growth of sugar imports was projected at 20%. However, the US sugar quota may limit the amount of sugar that may be imported. An estimated 80 - 90 tons of organic honey from Australia and Mexico was reported as having been imported into the United States in 1996.

**Black tea:** An estimated 25 - 50 tons of black tea were imported into the United States in 1996. Black tea continues to be more popular in Europe than in the US. About 20% of total black tea in international trade goes to the US and approximately 80% is imported into Europe. The "caffeine factor" has biased health food stores in the United States in favor of herb teas and against black teas, although this is changing. There are few importers of organic black tea: a significant portion is imported by brokers of conventionally produced black tea.

**Coffee:** An estimated 1000 - 2000 tons of organic coffee were imported into the United States in 1996. The projected annual growth rate for coffee imports was between 10% and 20%. As the supply of organic coffee increases, the organic premium paid to producers is expected to decline to roughly 10-15 cents per pound. There are many importers of organic coffee.

**Cacao:** An estimated 900 tons of organic cacao was imported directly into the United States in 1996. Additional cacao was exported from emerging countries to Europe, where it was processed into chocolate and then exported to the US. Importers reported that premiums paid for organic cacao are likely to fall as more suppliers come on line, and the market will be increasingly intolerant of low quality cacao. Good quality cacao will experience rapid growth as the number of retailers of organic chocolate continues to grow. There are probably fewer than three importers of organic cacao, while there are many of organic chocolate.

## FRESH PRODUCTS:

<u>Product</u>	<u>Country of origin</u>
Apple	Argentina
Banana	Dominican Rep. Mexico
Ginger	Guyana Indonesia Jamaica Mexico
Mango	Haiti, Mexico
Pear	Argentina Chile
Pineapple	Honduras Mexico
Tomato	Mexico

**Fresh fruits, vegetables, and spices:** Bananas are the largest imported fresh product by weight. An estimated 7500 - 8000 tons of fresh banana were imported into the United States in 1996. Quantities of other imported fresh products were estimated at approximately 2000 to 2300 tons of apples, 40 to 60 tons of pears, 30 to 50 tons of mangoes, and 125 to 250 tons of ginger. Fresh tomatoes, pineapple, and coconut are also imported.

In general, prices for organic produce can be very volatile and depend on seasonal scarcities. Organic produce prices have little correlation to the conventional market price because many fresh imported products are out of season during the period they are imported. As the supply of fresh products increases, the prices are generally expected to decline. Growth rates of banana imports are expected to be greater than 20%, while growth rates of other imported produce are expected to be around 20%. The United States requires that imported grapes and melons be sprayed with methyl bromide, so these products cannot be imported as organic. There were probably fewer than five major importers of each of the fresh products in 1996.

The number of importers of organic food in the United States is too great to list here. The most complete listing of businesses in the organic trade is the National Organic Directory which gives names, addresses and services of over 800 business in the organic food industry. The Directory can be purchased from:

**Community Alliance with Family Farmers**

PO Box 464  
Davis, CA 95617, USA

Tel: +1 - 916 - 756 8518  
Fax: +1 - 916 - 756 7857

#### 4. Use of marketing instruments

In the early days, the market for organic products was unique in that demand far exceeded production. But this has changed fundamentally. Organic products are now available in abundance, so that **a need for better marketing has** arisen in several areas and is recognized across the board. “Good marketing” applies to product quality and design, pricing, logistics, and store management. Advertising is becoming increasingly prominent in newspapers and, more recently, on the radio. Many firms are also attempting a modified, i.e., more attractive, appealing package design. Customer preferences are taken more carefully into account than was usual in the past.

**To export successfully, one must focus primarily on importers, whose sales statistics tell them what retailers - the mirrors of consumer preference - really want and need.** In many cases the exporter, therefore, must direct his offer to two target groups: importers and end users. Marketing measures must address the wishes and needs of both of these groups.

Market information must be sufficient to serve as a basis for product adjustment, pricing, selection of the trade channels/partners and advertising/communication.

##### 4.1 Product adjustment

###### 4.1.1 Europe

To analyze a product and modify it as needed, one must first take careful stock of product attributes. These must then be matched to importer preferences, if possible as defined in a product specification. Quality, taste and delivery problems must be brought to light and adjustments made as indicated: what factors - besides **price** - distinguish the product, and how can that product be adjusted to meet demand?

#### **FOOD AND AGRICULTURAL PRODUCTS ARE CHARACTERIZED BY:**

- **quality** (optical criteria [“nice and clean”], freshness, size, taste, shelf-life, freedom from residues and other contaminants, **composition and ingredients** for processed goods must be up to EU Regulation standards)
- **availability** (total quantities and seasonal availability)

- **packaging** (weight and/or items per unit, packaging material, presentation (frozen, aseptic, dried [flakes, powder], etc.)
- **transport options and conditions** (sea, air)
- **environmental aspects** (protection of natural resources, energy use, water management, packaging, etc.)
- **socio-economic aspects** (fair wages, health care for workers, fair trade criteria, at least part of value added [processing] in country of origin, etc.)
- **labeling** (own brand, showing origin, buyer's brand, combination) **etc.**

The following examines in more detail these product characteristics as they relate to the organic market.

#### **Quality:**

**Quality is many-faceted and cannot be clearly defined:** this is why product requirements should be agreed in detail with the importer. A long-term trade relationship with an importer allows time for quality to adjust to the requirements of the importer and the end user. **The exporter should focus on producing and delivering the quality agreed upon with the importer as the only way to ensure long-term successful export to increasingly competitive markets.**

Many importers stress that products that meet market quality requirements will always find a buyer, but that products are often hard put to do exactly that. Exporters often do not know what quality requirements are, or they lack adequate processing facilities. **Good product quality is fundamental: the customer will only pay more if his demands for quality are satisfied.**

**The first obligation of an organic product in terms of quality is to conform to the production and processing standards of EU Regulation No. 2092/91.** But there are a number of other criteria that contribute to good quality as well.

Tea processing is a good example of the variety of quality requirements. In African tea-growing areas, tea is usually processed according to the crushing-teasing-curing (CTC) method, which produces the fine leaf grades so highly regarded in North Africa and England. In Germany, however, where demand for tea

produced by the orthodox method is greater, such high quality tea is difficult to sell. This is why African organic tea producers who wish to sell in Germany must adjust to customer demand and change over to the somewhat more complicated orthodox method.

Other quality issues are the **purity** of, for example, spices, where weaknesses in processing and storage persist and need to be eliminated. Measures must also be taken against **residues of pesticides or other contaminants**. Laboratory analysis is often recommended to prevent product rejection on the basis of such residues.

**Processing plants demand goods of uniform quality, as do consumers. Exporters from emerging countries often do not realize the importance of this factor, so that differences in product quality and weight, damage through inappropriate packaging, overripe fruit and similar defects right on up to absence of or unclear labeling create the most frequent problems between importers and exporters.**

**Only the best quality products should be selected for export.** Since organic products can't be chemically treated for transport, they must be handled more carefully than treated produce: small blemishes on fruit and vegetables can quickly lead to rotting and customer rejection. The commercial grading system must also be taken into account in selecting and labeling fruit and vegetables. Quality requirements and product preferences do vary somewhat depending on individual trade channels.

The conventional food trade, having little margin for individual care, prefers goods that are robust and easy to handle, with consequences for the composition of the product range. Potatoes, carrots and onions thus dominate the fresh sector for organic produce. Organic fruit has always been difficult to market because it can't compare with conventional products in appearance. This is why, for example, organic bananas, with their often poor appearance (blemishes), differing degrees of ripeness, and large proportion of rejects, were uninteresting to supermarkets for some time. In the last three years this has changed quite a bit, and nowadays up to 250 tons of organic bananas a week are imported to Europe alone. They are distributed via both channels: health food shops and supermarkets.

The supplier usually has to deliver the (fresh) goods pre-packed and clearly labeled as organic to ensure that they are not mistaken for conventional products.

The Neufarm association regularly conducts very strict inspections for rejects among products in **Reformhäuser**. Each product must first be approved by Neufarm before being accepted into the Neufarm range.

European consumers often have different **taste preferences** and eating habits than consumers in the product's country of origin, and producers must, therefore, inform themselves of these. Such differences are becoming increasingly significant, especially in conventional trade channels.

### **Availability:**

Availability is nearly as important as quality. Consumers are accustomed to obtaining most of what they need at any time from their conventional retail outlet. Customers are willing to accept some inconvenience in this regard in the organic sector, although a change is also perceptible here. The exporter must clarify what quantities of his product can be delivered in what periods - an issue of particular importance to the conventional food trade. **Ability to deliver and dependability** are fundamental criteria for keeping this kind of customer.

### **Packaging:**

Often the health food industry still lags behind the conventional trade in regard to packaging. Packaging must both preserve and protect the goods. It must be functional for both the trade and the end user. In the health food sector packaging must be environmentally friendly. As a **medium of communication** between producer and consumer, it should be **informative** and **optically appealing**. More professional package designs are called for in the organic sector.

### **Transport options and conditions:** (see Chapter 7 below)

Transport conditions must be clear between exporter and importer. Shelf life and cost are not the only determinants in regard to transport: many companies and consumers reject air-shipped goods for environmental reasons.

### **Environmental aspects:**

An increasing number of conscientious consumers wants greater quality impact than the end product alone can provide. To them, part of product quality is knowing that only environmentally friendly materials and technologies have been used on all levels. Thus awareness of wide-ranging issues becomes important, such as possible pollution by processing plants or through packaging materials, or effective water management, or use of renewable energy sources.

### **Socio-economic aspects:**

On the same level, consumers inquire into socio-economic conditions, especially of women, children and workers in emerging countries. Successful concepts like from "Transfair" or Rapunzel's "Hand in Hand", which combines both socio-economical and organic criteria, show clearly that here, too, a new view of quality selection and new priorities are emerging. It is surely worthwhile to take this into account when designing product profile.

### **Brands:**

Depending on marketing channels, traders sometimes support well-known brands in the belief that they will give them a leading position in the market. The positive image of strong brands and the fact that the consumer is more confident of the quality of the product he is buying make them easier to sell. As mentioned above, brands can include an organic association logo as well as the logos of well-known independent certifying agencies with strong market reputations.

**The trend in the range of the retail trade is increasingly toward luxury and convenience products.** In more and more countries, for example, deep-frozen organic products are a regular feature of a well-rounded range.

#### **QUESTIONS FOR MARKETING THROUGH PRODUCT ADJUSTMENT:**

- What are the product's strengths and weaknesses?
- Who wants to buy the product?
- What are the product requirements of importers and consumers?
- What measures, if any, are necessary for product adjustment?
- What outlay/expenditure will be required for product adjustment?
- What alternative markets are there for the product, so that product adjustment might not be necessary in the first place?

#### **4.1.2 United States**

Because organic foods are sold at high prices, most consumers in the United States expect both fresh and processed organic products to be of high quality. Fresh produce must be at least as appealing as conventional, and often organic produce is in fact more attractive and appealing. Unusual varieties of fruits, vegetables, and other products can sometimes be sold in the specialty/gourmet market at exceptionally good prices. As the organic market matures, importers will be less willing to accept products that do not meet high quality standards.

## **Problems importers encounter in the United States**

The most common problems importers encounter have to do with product quality. Product quality in coffee and cacao, for example, relate to growing and post-harvest handling, which affect the taste and color of the product.

**Consistency in quality** is also a common problem. Since one importer may purchase products from many growers, product quality may not be uniform. The larger the quantity purchased and the larger the number of growers, the truer this is. Some importers have processing operations in emerging countries which allow them better control of product quality and consistency.

Other problems include **lack of cleanliness, mold, and insect infestation**. Lack of cleanliness and insect infestation may occur if processing and storage conditions are inadequate, if packing is careless, or if the product has been stored too long.

**Inadequate packaging** has also been a problem. When cartons are not packaged properly, they can tear, break, and cause damage to other nearby packages.

**Inadequate documentation** for the product can be another problem. Documentation of lot numbers, harvest dates, grower, purchaser, etc. may be important to certify that the product is organic and of a specific quality.

**Organic certification** by a reliable certification organization is increasingly important. Even though the United States does not yet require certification at the federal level, many states do. Most wholesalers and processors will only buy certified organic products, and importers are also concerned that certification be reliable and that it will be accepted in the states where the product is sold. To avoid any problems in this area, the exporter should discuss the entire certification procedure with the buyer.

Importers in the United States identified a number of desirable quality and packaging characteristics for specific categories of organic foods, and also a number of problems, as we see in the following.

### **Desirable characteristics, preferences, and problems**

**Grains:** Imported amaranth and quinoa, which are packed in 50-pound bags, must be clean and pure. Some grain importers have had problems with sanitation and insect infestation, especially in amaranth.

**Nuts:** Desirable characteristics of imported nuts are cleanliness, whole, unbroken nuts, and consistency in size and color. Cashews are generally imported in

vacuum-packed 50-pound cartons, Brazil nuts in 44-pound cartons. Some importers have had problems with lack of cleanliness and sanitation due to improper storage and lack of uniformity in the sizing and quality of the nuts.

**Dried Fruits:** For tropical dried fruits, cleanliness and consistency in quality, quantity, and price are reported to be desirable characteristics. Imported dried apricots should be sweet, light colored, clean, and unsugared. Imported dried fruits are commonly frozen and packed in three-pound boxes. Importers have reported problems with insect infestation and poor sanitation resulting from poor storage conditions, and a lack of proper certification procedures and poor producer records.

**Processed Fruits:** Processed banana should be sweet tasting and have a nice consistency and color. Most processed bananas are used in the manufacture of baby food and are imported as aseptically packed puree in 300-gallon totes. Processed pear, apple, berry, and other fruit products should have a high sugar content and should be clean, with a pleasing color. Pear is aseptically packed as juice in 55-gallon drums, while apple is imported in concentrated form in drums. Berries and other fruit are imported as frozen puree, either block frozen or in 28-pound pails. Importers have had problems obtaining sufficient quantities, consistency in quality, and adequate labeling and packaging.

**Sesame Seeds & oil:** Desirable characteristics of imported sesame are consistency in quality and cleanliness. Sesame seeds are packed in 25- and 50-pound sacks, while the oil is packed in 55-gallon drums. Extra virgin olive oil should have less than 1% acidity. Olive oil is imported in 55-gallon drums and bottled in the United States.

**Herbs & Spices:** Herbs and spices require good sanitation practices. Some importers have had problems with insect infestation and lack of sufficient quantity. Sugar should be consistent in grain size and color: it is packed in 25-kilogram sacks.

**Black tea:** Importers have had difficulty obtaining proper organic certification for the production, processing, and storing of black tea.

**Coffee:** Desirable characteristics of imported coffee are uniformity in size, moisture content, and flavor. Some importers have found imported coffee to be of inconsistent quality, which results from the large number of producers and decentralized processing. Centralized processing is more likely to yield uniform product quality.

**Cacao:** Cacao, packaged in 60-75-kilogram natural fiber sacks, should be uniform in quality, properly sun-dried, fermented, and mold free. Importers have had some problems with mold and inconsistent quality.

**Fresh Fruits & Vegetables:** Desirable characteristics for fresh produce are uniformity in ripeness, size, and cosmetic grading. Quality is improved with appropriate cooling. Some importers have had problems with bruising on the fruit, uneven ripeness and cosmetic grading, lack of cooling, and incomplete labeling. Since fresh organic produce can be extremely perishable, the need for expeditious processing through United States Customs is imperative.

## 4.2 Pricing

### 4.2.1 Europe

The hotly-discussed pricing issue in regard to organic products comes down to one question in the end: how much is the customer prepared to pay for organic products? Opinions diverge on this issue. The health food sector is often accused of appealing to only a select clientele by setting its prices too high. The detractors of this policy argue that lower prices would attract a wider range of consumers to organic products.

Customers who shop in health food store or *Reformhaus* are used to high prices, yet demand for some products could still be dramatically increased if prices for certain basic products were brought below specific threshold levels (e.g., for milk and coffee). Certainly there is some price elasticity here: lowering prices would increase demand. Some products, such as organic bananas, are still much more expensive than conventional products. In such cases, too, price reduction would lead to notable market expansion. Experience has also shown, however, that a small group of committed consumers will buy organic products whatever the price.

In conventional food outlets, customers are clearly more aware of price, since in the same shop they can compare organic and conventional prices directly. In these stores, therefore, the premium for organic products should not exceed the price of conventional products by more than 10% - 30% in most cases. Nevertheless, the opposite can also be true, as examples show.

In calculating realistic prices, the export company should take two aspects into consideration:

- \* **Market conditions (demand/competition)**
- \* **Operating costs in producing the product**

Generally the emerging country exporter is confronted with the reality of having to accept the given market price. In such cases the exporter must work backward from this market price in order to establish the profit margin that will remain for himself after expenses.

The price is made up in according with standard **INCOTERMs**, that is, the usual **terms of delivery in international trade. These terms have to be contractually agreed and complied with.** (See below).

**Price DDP (delivered duty paid)** => the buyer bears all costs for transport, fees, customs, insurance, etc., right up to destination)

- import duty
- port charges, unloading charges, etc.

---

= **price CIF (cost, insurance, freight <port of destination>)**

- transport costs
- insurance

---

= **price FOB (free on board <port of shipment>)**

- transport/insurance costs (warehouse - port)
- port charges etc.

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= **selling price EXW (ex works)**

The producer's selling price must be calculated in such a way that the quantities sold cover costs and still allow for some profit.

Pricing can be oriented to market conditions and operating costs. Cost-oriented pricing can be based on either a full-cost or variable principle.

According to the full-cost principle, all costs including the profit are contained in the price calculation. The selling price is determined by adding a markup to the costs. This method is very widespread in the trade. Problems can arise from the fact that this method leaves market prices out of consideration and can set prices too high.

According to the variable cost principle, the pricing is broken down into fixed costs (costs independent of product quantity) and variable costs (dependent on production quantity). Only the variable costs and a markup are calculated in a variable cost calculation. In this case, a certain quantity of the product must be

sold to cover fixed costs and make a profit from the difference between the earnings and variable costs. Prices determined using the variable cost principle are more often in line with the market situation and more competitive.

Products that are new on the market will have a good chance only if their price level does not exceed that of comparable products. If market prices are not in line with the producer's costs, it may nevertheless be possible to analyze areas where costs can be cut or rationalization introduced (with no negative effect on quality).

#### **QUESTIONS REGARDING THE MARKETING INSTRUMENT OF PRICING:**

- How high are the import prices (what Incoterms apply) for the respective product?
- Can costs be covered and a profit earned at this price?

#### **4.2.2 United States**

Prices for different products are set in different ways, but the exporter must always be aware of market prices and must set prices in line with comparable products. Importers report the following customary practices in setting prices.

**Grains:** Prices for organic amaranth and quinoa are usually set by the mills in the country of origin.

**Nuts:** Prices are generally set by the exporter, but there is substantial competition, especially among cashew exporters.

**Dried Fruits:** Prices for dried apricots are usually set by the exporter. Often United States importers of tropical dried fruit own the production and exporting operations in Central America, so pricing is an internal matter.

**Processed Fruits:** Prices are generally determined by demand, and supply and can be volatile.

**Sesame Seeds & Oil:** Prices are set by the mills, but there is substantial competition among them.

**Herbs & Spices:** In general prices are determined by supply and demand.

**Sweeteners:** Sugar prices are usually set by the mill.

**Coffee:** The organic premium for coffee is usually determined by negotiation between importer and exporter and varies according to current supply and demand.

**Cacao:** The organic price premium is usually determined through negotiation between importer and exporter.

**Fresh Fruits & Vegetables:** Prices of bananas are usually set by the exporter. Prices of other fresh produce are negotiated between importer and exporter and are influenced by supply and demand.

#### **4.3 Selection of the trade channel/sales partner**

The trade channel is the path the product takes from the producer to the end user. Trade is based on the purchase of large consignments, which are successively broken up into smaller lots in subsequent trading stages and distributed in smaller and more diverse units to more sales outlets. The last trading stage for consumer goods is the retail trade.

An export product can arrive at its foreign target market through various trade channels.

##### **The product can be exported directly or indirectly.**

Direct exporting is the term applied when the producer himself does the exporting.

Indirect exporting is when the producer commissions an exporter to handle the export for him. Companies usually opt for this method of exporting if they do not have sufficient know-how in this area or lack the export connections.

Organic products are mainly exported to importers, producers or importing wholesalers. **It is very important to choose the correct trade partner, as the exporter/producer's success essentially depends on how well the importer is established and able to market the goods in the target market.** This partner must also be **conscientious and honest:** only such partners bring long-term success to the exporter/producer.

### **QUESTIONS REGARDING THE CHOICE OF TRADE CHANNEL/PARTNER:**

- ☐☐ How strongly is the importer represented in the market?  
(Number of clients and turnover)
- ☐☐ What range of products does he sell?
- ☐☐ How is the sale of these products developing?
- ☐☐ Through which distribution channels does the trading partner sell the products?
- ☐☐ How are these trade channels developing?
- ☐☐ What image does the importer have?
- ☐☐ What service does the importer offer his customers?
- ☐☐ Does he advertise?
- ☐☐ How effective are the importer's operations in the fields of logistics, storage, business dealings, customer service etc.?
- ☐☐ What prices does he offer the exporter?
- ☐☐ What are his standards regarding payment behavior?
- ☐☐ Can he be trusted, i.e., are his business dealings in the health-food trade said to be respectable and honest?

## **4.4 Advertising/communications**

### **4.4.1 Europe**

It is characteristic of the health food trade is that there is little advertising / communication. Although this has changed somewhat in recent times, advertising in the organic sector comes nowhere near that in the conventional food trade. As advertising/sales promotion and public relations are very expensive, most organics firms do not have the funds to engage in extensive advertising campaigns. It belongs also, at least in some cases, to a different consciousness not to advertise the way the conventional market does: some of the people in organics prefer to avoid the extremes of commercialism.

However, customer information is the basis for all sales. No one will order a product if they have no clear idea of what it is or if they don't even know it exists! So, the basic level of communication for sales is simply information.

Advertising and communication are not actually among the exporter's obligations. Nevertheless, market development is clearly affected by:

- **advertising**
- **sales promotion**
- **public relations**

#### **Advertising:**

Advertising, such as newspaper advertisements, handbills, posters or shop-window displays, are aimed at the end user, who is thus made aware of the product or the point of sale. Newsletter and radio advertising are not widespread in the organic sector, but there are exceptions like the Denree, Biogarten and Rapunzel newsletters in Germany.

#### **Sales Promotion:**

Sales promotion can be aimed at the trade generally or at end users at the point of sale. While dealer promotion aims to convince retail dealers to buy the product, sales-promotion measures at the point of sale aim to convince the end user. For the latter, numerous sales promotion measures may be effective - sample tasting, newsletters or product information. Many producers supply the retailer with displays, posters and information that support such activities.

If customers are unfamiliar with a product, they will want to know how to prepare it, for instance, or what health benefits it might have, and these should be made clear on product packaging.

### **Public Relations:**

Public relations work has until now served mainly to polish tarnished images, when, for example, food scandals have resulted from the discovery of harmful residues where monitoring was inadequate. These PR measures were mainly carried out in the form of information for dealers, which was then passed on to the customer.

#### **QUESTIONS REGARDING ADVERTISING/COMMUNICATION:**

- Will the importer supply the wholesaler/retailer with enough information on the imported product?
- Need the exporter supply product or project information for the dealer or end user?
- Can the end user easily understand the information on packaging, and is this information attractively designed?
- Is there too much information on the product or not enough?

#### **4.4.2 United States**

In the United States, the organic industry has found that the best strategy for promoting long-term, steady growth of sales is to emphasize the positive benefits of organic farming rather than using scare tactics about pesticides in foods. The peak in consumer demand for organic foods after the Alar scare in 1989 did not last. On the other hand, increased consumer concern for the environment is a long-term trend which has slowly and steadily increased sales in the organic market since 1989. Quality, flavor, and appearance of organic foods are also increasing sales.

The organic marketplace in the United States has developed into a relatively sophisticated and competitive arena. Hundreds of new organic products are introduced every year, and many fail. With growth in the number of organic manufacturers and retailers, a great deal more money is being invested in advertising, promotion, and public relations. Consumers who are new to organic foods expect the same slick and appealing labels and ads that they find in conventional stores.

While most product advertising, communications and public relations are carried out by the importer or retailer, the exporters should ask importers what types of advertising will be used so that they can supply them with basic information about the product and its unique aspects.

New and unusual foods must be described and recipes provided for them. Some consumers want to know how the food is used in the exporting country, or to learn more about the farmers who grow the food. Consumers also like to know how the organic and sustainable growing practices used benefit the environment.

Most important, however, is the basic quality of the product itself. The label and all other advertising and promotion for the product must project high quality.

## 5 Making new business connections

The first step toward making new business connections is to get into touch with prospective trading partners, which can be done through:

- writing (fax/post), telephoning, personal contact (e.g., at trade fairs)
- **Persuasive, informative, well-designed documents** are most likely to convince prospective business partners of the quality of one's goods. **Data on production, amounts deliverable, and time for delivery (which must be met punctually!), estimated prices and product specifications must all be included.**  
All lists and brochures should make clear that goods are produced in accordance with the EU Regulation on organic production and indicate the certifying organization.
- **Samples and specimen goods** enable the customer to form his own impression of the product: **samples must be typical of the product to be delivered.**
- **Trade fairs** are good opportunities for producers to introduce their product to prospective customers, and a number of organizations offer grants for companies from emerging countries to participate in European trade fairs.

Information on important European trade fairs is available through:

### In Germany:

#### **BIOFACH**

Contact:

Ökowelt

Industriestraße 12

91186 Büchenbach

Tel.: + 49 - 91 71 - 96100

Fax: + 49 - 91 71 - 4016

## **PRO SANITA**

Contact:  
Stuttgarter Messe- und Kongressges. m.b.H.  
Pro Sanita, Am Kochenhof 16  
70192 Stuttgart, Germany  
Tel.: + 49 - 7 11 - 2 58 90

### **In France:**

## **MARJOLAINE**

Contact:  
Organization Sadema  
25, Quai de la gare  
75013 Paris, France  
Tel.: + 33 - 1 - 45 85 01 85  
Fax.: + 33 - 1 - 45 85 22 66

### **In the Netherlands (Holland):**

#### **Trade fair for health food and *Reformhaus* goods in Bunnik**

Contact:  
Vakcentrum  
Voorstaat 91/a  
3441 CK Woerden, Netherlands  
Tel.: + 31 - 34 80 - 1 97 71  
Fax: + 31 - 34 80 - 2 08 01

### **In Spain:**

## **BIOCULTURA (Madrid)**

Contact:  
Vidasana  
Calle Clot 39  
08018 Barcelona, Spain  
Tel.: + 34 - 3 - 2 65 25 05  
Fax.: + 34 - 3 - 2 65 24 45

**Important trade fairs in the United States are:**

- Natural Products Expo-East (held in Baltimore, Maryland, in the fall)
- Natural Products Expo-West (held in Anaheim, California, in March)

Contact:

New Hope Communications  
1301 Spruce Street  
Boulder, CO 80302, USA  
Phone: +1 - 303 - 939 8400  
Fax: +1 - 303 - 939 9559  
Web Site: <http://www.newhope.com>

In dealings with potential business partners, the company should appear professional and give an impression of good business organization. **This impression is fostered through a uniform corporate image complete with consistent use of a company logo.**

Other factors that help turn initial contacts into satisfied customers are:

- ☐ ensuring that all transactions are dealt with promptly, on time (!!)  
and reliably
- ☐ booking the order properly, assembling the goods in the warehouse  
in accordance with customer purchase order specifications, and  
seeing that the goods leave the warehouse on schedule
- ☐ informing the customer of any delays in delivery, problems with  
quality, or other irregularities.

In addition to winning customers, **customer support** ensures that business connections become long-term, permanent relationships. To this end, trading partners must be kept up to date on new developments such as new products and production methods in the company. The importer must be promptly and accurately informed of any changes in price or product range.



## 6 Handling the export business

A customer who expresses interest in the company's products should be sent

□ **a quotation** with the following information:

- recipient of the quotation
- product name and exact description
- delivery quantity and possible delivery date
- price
- terms of payment and delivery (Incoterms)

**Terms of payment** regulate when and how the purchase price is to be settled; they vary with the exporter's confidence that the importer will pay. Since trust is strong in the organic sector, payment is usually:

□□ **by bank transfer after receipt of goods.**

However, since this method does not guarantee that the exporter will be paid, the exporter may request from a new importer a

□□ **down or advance payment.**

Another standard form of payment is

□□ **payment against documents.**

In this case, the importer pays the purchase price upon receipt of the trading documents, whereupon he gains access to the goods.

The safest but also most expensive - and thus most seldom - method of payment in health food trade, is the

□□ **letter of credit (irrevocable or revocable).**

The letter of credit (L/C) is issued by a bank, which promises to pay the exporter independently of the purchase contract. The importer, as bank customer, gives his bank the order to pay from his balance the agreed amount to the exporter upon receipt of certain documents (e.g., commercial invoices, insurance documents, etc.). That is, the importer does not pay until he has received the documents and thus the goods. Both buyer and seller are safeguarded by the letter of credit.

The **terms of delivery** usually conform to the **Incoterms - the standard international trading terms**. Incoterms regulate, for example, who (exporter or importer) bears freight and insurance costs to which destination (see also chapter IV.2 in Part B).

Exporters may supplement the offer to potential customers by forwarding samples or specimen goods.

If the customer accepts the offer, he sends an  
☐ **order**  
in which the order specifications are listed once again.

If the exporter can fill the order he sends an  
☐ **acknowledgment of order.**

The customer's order and the exporter's acknowledgment are regarded in many countries as admissible purchase contracts. Nevertheless, a separate  
☐ **purchase contract**  
may be concluded as well.

To fulfill the purchase contract on time,  
☐ **transport**  
must be regulated and agreed upon in good time.

Prior to leaving the warehouse the goods must again be subjected to  
☐ **quality control**  
and properly packed for transport.

The transport must also be covered by  
☐ **transport insurance**  
as agreed in the terms of delivery.

#### **Important documents in foreign trade are the:**

- ☐ commercial invoice
- ☐ packing list
- ☐ certificate/declaration of origin (required for import of certain goods)
- ☐ phytosanitary certificate, if required
- ☐ bill of lading/air consignment note
- ☐ insurance policy
- ☐ certificate for the import of products from organic cultivation  
(see directive 3457/92 on organic cultivation in the appendix).

In addition to actual transport, a **forwarder** often handles other services connected with the export process, including:

- ☐ packaging
- ☐ intermediate storage
- ☐ customs clearance / etc.

Upon receipt of the goods, the importer normally carries out a

- **quality inspection**

to determine whether there are any defects in the shipment, which may have occurred either during production or transport. If goods are defective, the importer may demand a price reduction from the exporter.

## **7 Logistics: packaging and transport**

The successful export of organic products depends on well-organized logistics that are adapted to the product and ensure good end-product quality. Organic products, having no chemical or synthetic post-harvest treatment, are less robust than conventional products.

Suitable and reliable partners must be selected for transport, and preliminary planning must ensure that shipment dates and other deadlines are met.

Important considerations in the logistics chain are:

- **adequate storage:**

- **Storage areas must not be treated with chemicals, which might contaminate the goods. If chemical residues are discovered, the goods may lose their qualification as organic and be rejected!**

- **Storage areas must be maintained at a temperature and humidity that maintain product quality. Goods requiring different storage conditions may not be stored together!**

- **Post-harvest cooling of fruit and vegetables should be at the temperature and humidity levels recommended for each individual product.**

- **The cooling chain should be unbroken.**

- **Packaging should be good quality, even if expensive!**

The packaging must be sturdy enough to protect the product, i.e., to withstand outside pressure and high humidity. Packaging sizes are standardized and adjusted to the respective pallet systems. Packaging must allow for sufficient ventilation, as untreated fruit and vegetables are more prone to mold formation than are conventional goods. Environmental aspects should also be taken into consideration: as little packing material should be used as possible, and all materials should be recyclable.

**Packaging material, too, must be free of pesticides, colors, solvents or cleaning agents that might contaminate the products. For this reason new products should never be packaged in used sacks.**

□ **Adequate transport**

must be ensured: i.e., sea/air freight with cooling adapted to the perishability of the product. Containers must be clean and not treated with chemical or synthetic agents, but only with substances permitted in the annex list of the EU Regulation, such as common pyrethrum or neem. One common problem is that containers are often leaky, so that moisture-sensitive goods are damaged. Dry products should therefore be packed in airtight packaging as well.

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4.12	Commission Regulation No 688/94 of 28 March 1994	
4.13	Commission Regulation No 1468/94 of 20 June 1994	
4.14	Commission Regulation No 2381/94 of 30 Sept. 1994	
4.15	Commission Regulation No 2580/94 of 24 Oct. 1994	
4.16	Commission Regulation No 529/95 of 09 March 1995	
4.17	Commission Regulation No 1201/95 of 29 March 1995	
4.18	Commission Regulation No 1202/95 of 29 May 1995	
4.19	Commission Regulation No 1935/95 of 22 June 1995	
4.20	Commission Regulation No 418/96 of 07 March 1995	
4.21	Commission Regulation No 522/96 of 26 March 1996	
4.22	Commission Regulation No 314/97 of 20 Feb. 1997	
4.23	Commission Regulation No 345/97 of 26 Feb. 1997	
4.24	Commission Regulation No 1448/97 of 29 July 1997	
<b>5</b>	<b>The Organic Foods Production Act (USA)</b>	

## 1 Questions for planning and conducting export marketing

### QUESTIONS ABOUT COMPANY OBJECTIVES:

- Could ecological and social aims be added to the company's catalogue of objectives? Is the company willing to do this?
- Does the company have the resources to realize ecological objectives like conversion to organic cultivation and processing?

### QUESTIONS ON CORPORATE EXPORT POTENTIAL (COMPANY STRENGTHS AND WEAKNESSES):

#### Management and organization

- Are management and employees trained in export matters? Do they have sufficient experience and market know-how?
- Where and how could staff be trained for export or acquire the information they need?
- Do employees have sufficient (foreign) language skills?
- Is the office equipped for effective communication with foreign countries (viable telephone connections, fax, e-mail)?
- Does the company present a uniform corporate image, i.e.; letterheads and other materials with company name and logo?
- Are well-designed export price lists with exact product specifications and background information on the company (ecological/social objectives, etc.) available in English or another relevant foreign language?

#### Company plant and production facilities

- Do production methods meet foreign customer requirements for quality, product purity, etc?
- Are production facilities in good condition?
- Exports could lead to considerable increase in demand. Can production increase enough to fill large numbers of new orders quickly?

#### Company's financial status

- How much capital is required to make the investments needed for export?
- How much of this capital can/must the company itself provide?
- Where can the company obtain the remainder?
- How high are the costs of loans, and what is the framework for obtaining them?

## **COUNTRY ANALYSIS FOR SELECTING THE TARGET MARKET:**

Useful general information for comparing potential target countries includes:

### **General economic data such as:**

- gross national product
- unemployment rate
- inflation rate

### **Demographic data:**

- population
- degree of urbanization (Rural people appear to have less interest in buying organic products like fruit, vegetables, eggs, milk, etc., and often produce such products themselves.)
- percentage of the population with higher (third level) education
- family status and households
- percentage of families with children under 6 years of age
- percentage of people under 35 years of age
- percentage of health-conscious senior citizens
- state of health of the general population
- per capita income
- income distribution

Consumer trends and motives for buying organic products should be taken into consideration in selecting demographic data.

### **Market access conditions:**

- customs and levies
- volume restrictions (for the EU, e.g., import licenses are required for some products)
- legal stipulations for foods
- legal requirements for trade in organic products

#### **QUESTIONS FOR MARKET ANALYSIS:**

- Which importers/producers buy or process products the company can supply?
- Through which trade channels are these products sold?
- Are there other trade channels with potential interest in the product?
- Is there still a demand for this product?
- How competitive is the market environment (other producers)?
- What prices do exporters get?
- What quality requirements are there?
- What labeling requirements?
- What are the terms of delivery and payment?

#### **QUESTIONS FOR MARKETING THROUGH PRODUCT ADJUSTMENT:**

- What are the product's strengths and weaknesses?
- Who wants to buy the product?
- What are the product requirements of importers and consumers?
- What measures, if any, are necessary for product adjustment?
- What outlay /expenditure will be required for product adjustment?
- What alternative markets are there for the product, so that product adjustment might not be necessary in the first place?

#### **QUESTIONS ON PRICING AS A MARKETING INSTRUMENT:**

- How high are import prices for the product?  
(What Incoterms apply?)
- Can costs be covered and profits earned at these prices?

#### **QUESTIONS ON CHOOSING A TRADING CHANNEL/PARTNER:**

- How strongly is the importer represented in the market?
- What range of products does he sell?
- How are sales developing for these products?
- What distribution channels does the trading partner use to sell his products?
- How are these channels developing?
- What image does the importer have?
- What service does he offer his customers?
- Does he advertise?
- How effective is the importer in regard to logistics, storage, general business dealings, customer service, etc.?
- What prices does he offer the exporter?
- How reliable and quick is he in regard to payment?
- Can the importer be trusted? Are his business dealings known to be respectable and honest?

#### **QUESTIONS ON ADVERTISING/COMMUNICATION:**

- Will the importer supply the retailer enough information on the imported product?
- Should the exporter make product or project information available for the dealer or end user?
- Is the information on packing well designed and comprehensible to the end user?

## Addresses

### **Umbrella organizations in the area of organic farming:**

#### **Germany:**

IFOAM  
INTERNATIONAL FEDERATION OF ORGANIC FARMING  
c/o Ökozentrum Imsbach  
66636 Tholey-Theley  
Germany

Tel.:+ 49 - 6853 - 51 90  
Fax:+ 49 - 6853 -30110

AGÖL  
ARBEITSGEMEINSCHAFT ÖKOLOGISCHER LANDBAU  
Baumschulenweg 11  
64295 Darmstadt  
Germany

Tel.:+ 49 - 6155 - 20 81  
Fax:+ 49 - 6155 - 20 83

#### **United States**

OTA  
ORGANIC TRADE ASSOCIATION  
P.O. Box 1078  
Greenfield, MA 01302, USA

Tel.:+1 - 413 - 774 7511  
Fax:+1 - 413 - 774 6432

### **German farming associations that advise and certify internationally:**

DEMETER  
FORSCHUNGSRING FÜR BIOLOGISCH-DYNAMISCHE  
WIRTSCHAFTSWEISE E.V.  
Baumschulenweg 11  
64295 Darmstadt  
Germany

Tel.:+ 49 - 6155 - 846 90  
Fax:+ 49 - 6155 - 846 911

NATURLAND  
VERBAND FÜR NATURGEMÄEN LANDBAU E.V.  
Kleinhaderner Weg 1  
82166 Gräfeling  
Germany

Tel.:+ 49 - 89 - 854 5071/2  
Fax:+ 49 - 89 - 855 974

**European Union-approved independent, international certifying organizations:**

**BCS ÖKO-GARANTIE GMBH**

Peter Grosch  
Cimbernstr. 21  
90402 Nürnberg  
Germany

Tel.: + 49 - 911 - 491 73/76  
Fax: + 49 - 911 - 492 239

**ECOCERT**

Michel Reynaud  
Sülte 20  
37520 Osterode  
Germany

Tel.:+ 49 - 5522 - 95 11 61  
Fax:+ 49 - 5522 - 95 11 64

**IMO**

institut für marktökologie gmbh  
Paradiesstraße 13  
78462 Konstanz  
Germany

Tel.:+ 49 - 7531 - 915 273  
Fax:+ 49 - 7531 - 915 274

**B. United States certification organizations that certify internationally**

There are 44 certification organizations in the United States.  
The ones that certify internationally are:

**THE DEMETER ASSOCIATION, INC.**

Britt Road  
Aurora, NY 13026  
USA

Tel.: +1 - 315 - 364 5224  
Fax: +1 - 315 - 364 5224

**FVO**

**FARM VERIFIED ORGANIC, INC.**

RR1, Box 40A:  
Medina, ND 58467  
USA

Tel.: +1 - 701 - 486 3578  
Fax: +1 - 701 - 486 3580

**FOGC**

**FLORIDA ORGANIC GROWERS AND CONSUMERS, INC.**

P.O. Box 12311  
Gainesville, FL 32604  
USA

Tel.: +1 - 904 - 377 6345

OTCOG  
OREGON TILTH CERTIFIED ORGANICALLY GROWN  
P.O. Box 218  
Tualatin, OR 97062 Tel.: +1 - 503 - 692 4877  
USA Fax: +1 - 503 - 691 2514

OCIA  
ORGANIC CROP IMPROVEMENT ASSOCIATION  
1001 Y Street, Suite B  
Lincoln, NB 68508-1172 Tel.: +1 - 402 - 477 2343  
USA Fax: +1 - 402 - 477 4325

OGBA  
ORGANIC GROWERS AND BUYERS ASSOCIATION  
1405 Silver Lake Road  
New Brighton, MN 55112 Tel.: +1 - 612 - 636 7933  
USA Fax: +1 - 612 - 636 4135

QAI  
QUALITY ASSURANCE INTERNATIONAL  
12526 High Bluff Drive, Suite 300  
San Diego, CA 92130 Tel.: +1 - 619 - 792 3531  
USA Fax: +1 - 619 - 755 8348

**Farming associations that advise and certify internationally:**

**Australia:**

NASAA  
NATIONAL ASSOCIATION FOR SUSTAINABLE  
AGRICULTURE AUSTRALIA  
P.O. Box A 366  
Sydney South Tel.: + 61 - 44 651 129  
Australia Fax: + 61 - 44 651 053

**France:**

NATURE ET PROGRES  
1, Ave. du General De Gaulle  
84130 Le Pontet Tel.:+ 33 - 490 - 310042  
France Fax:+ 33 - 490 - 324391

**Spain:**

VIDASANA  
Clot, 39  
08018 Barcelona  
Spain

Tel.: + 34 - 3 265 2505  
Fax: + 34 - 3 265 2445

**United Kingdom:**

SOIL ASSOCIATION  
86 Colston Street  
Bristol BS1 5BB  
United Kingdom

Tel.: + 44 - 272 - 290661  
Fax: + 44 - 272 - 252504

**United States:**

OCIA  
ORGANIC CROP IMPROVEMENT ASSOCIATION INTERNATIONAL  
3815 TWP Rd. 179  
Bellefontaine, Ohio  
USA

Tel.: + 1 - 513 - 5924983  
Fax: + 1 - 513 - 5933831

QAI  
QUALITY ASSURANCE INTERNATIONAL  
12526 High Bluff, Suite 300  
San Diego, California 92130  
USA

Tel.: + 1 - 619 - 7923531  
Fax: + 1 - 619 - 7928665

**Marketing consultancy in Europe:**

protrade  
ORGANIC PRODUCTS AND FINE FOODS  
Postfach 5180  
65726 Eschborn  
Germany

Tel.: + 49 - 6196 - 793 172  
Fax: + 49 - 6196 - 797 414

PROTRADE advisors are:

BIOHERB

Birgitt Boor

Postfach 1216

37202 Witzzenhausen

Germany

Tel.: + 49 - 5542 - 6466

Fax: + 49 - 5542 - 72891

CAROL HAEST

Kouterstraat 15/1

3200 Aarschot

Tel.: + 32 - 16 - 57 12 27

Fax: + 32 - 16 - 57 12 64

**Netherlands:**

Marketingbüro de groene raad

Marta Jeuken

Postfach 1883

5200 BW s'Hertogenbosch

Netherlands

Tel.: + 31 - 73 - 133599

Fax: + 31 - 73 - 131286

**Production and marketing consultants in the United States:**

**Listings in:**

Membership Handbook and Directory; available from:

OTA 0

ORGANIC TRADE ASSOCIATION

P.O. Box 1078

Greenfield, MA 01302

USA

Tel.: +1 - 413 - 774 7511

Fax: +1 - 413 - 774 6432

National organic directory; available from:

CAFF

P.O. Box 464

Davis, CA 95617

USA

Tel.: +1 - 916 - 756 8518

Fax: +1 - 916 - 756 7857

**Legal and Regulatory Requirements:**

SUZANNE VAUPEL

Attorney at Law and Consultant

1006 Fourth Street, Suite 240

Sacramento, CA 95814

USA

Tel.: + 1 - 916 - 444 1877

Fax: +1 - 916 - 444 1877

**Trade Associations:**

**Germany:**

BUNDESVERBAND NATURKOST NATURWAREN

HERSTELLER E.V. (BNN-HE)

Robert-Bosch-Str. 6

50354 Hürth

Germany

Tel.: + 49 - 2233 - 9633811

Fax: + 49 - 2233 - 9633810

**United States:**

OTA

ORGANIC TRADE ASSOCIATION

P.O. Box 1078

Greenfield, MA 01302

USA

Tel.: +1 - 413 - 774 7511

Fax: +1 - 413 - 774 6432

**Addresses of manufacturers of Reformhaus goods can be obtained from:**

VERBAND DER REFORMWARENHERSTELLER E.V.

Schwedenpfad 2

61348 Bad Homburg

Germany

Tel.: + 49 - 6172 - 40680

Fax: + 49 - 6172 - 406899

**A selection of importers:**

**Germany:**

DENNREE VERSORGUNGS GMBH

Hofer Straße 11

95183 Töpen

Germany

(fresh assortment)

Tel. + 49 - 9295 - 180

Fax: + 49 - 9295 - 1849

RAPUNZEL NATURKOST AG

Haldergasse 9

87764 Legau

Germany

(dry assortment)

Tel.: + 49 - 8330 - 9100

Fax: + 49 - 8330 - 910188

NATURKOST ÜBELHÖR KG IMEX

Friesenhofen-Bahnhof 23-25

88299 Leutkirch

Germany

(dry assortment, grains, seeds)

Tel.: + 49 - 7567 - 820

Fax: + 49 - 7567 - 834

EURO-BIO-KORN

Gottschedstraße 4

13357 Berlin

Germany

(dry and processed)

Tel.: +49 - 30 - 4613005

Fax: +49 - 30 - 4613060

LEHMANN NATUR

Am Churkamp 20

47059 Duisburg

Germany

(fresh assortment)

Tel.: + 49 - 203 - 932550

Fax: + 49 - 203 - 9325599

WEBER NATURKOST

Postfach 750954

81339 München

Germany

(fresh and dry assortment)

Tel.: + 49 - 89 - 7469438

Fax: + 49 - 89 - 7213860

ALLOS

Walter Lang Imkerhof GmbH

Zum Streek 5

49457 Mariendrebber

Germany Tel.: + 49 - 5445 - 98990

(grains, amaranth, honey)

Fax: + 49 - 5445 - 989914

CARE NATURKOST GMBH & CO.

Rudolf-Diesel-Str. 30

28876 Oyten

Germany

(dried fruit, grains,  
seeds, dry assortment)

Tel.: + 49 - 4207 - 914444

Fax: + 49 - 4207 - 7185

GRÜNER PUNKT (BAYERNWALD)

NATURKOST GMBH

Schwanenkirchnerstr. 28

94491 Hengersberg

Germany

(fruits, wild berries

for fruit preserves)

Tel.: + 49 - 9901 - 1842

Fax: + 49 - 9901 - 1875

MÜHLDORFER NATURKORN-MÜHLE GMBH

Mühlenstraße 15

84444 Mühldorf

Germany

(grains, seeds)

Tel.:+ 49 - 8631 - 37730

Fax:+ 49 - 8631 - 377349

U. WALTER GMBH (EUROHERB/LEBENSBAUM)

Postfach 61

49342 Diepholz

Germany

(tea, coffee, cocoa,

herbs and spices)

Tel.:+ 49 - 5441 - 98560/27

Fax:+ 49 - 5441 - 9856 22

GEPA - AKTION DRITTE WELT HANDEL

Talsstrasse 20

58332 Schwelm

Germany

(coffee, tea)

Tel.: + 49 - 2332 - 919820

Fax: + 49 - 2332 - 919898

OASIS TEEHANDEL GMBH

Weilindestrasse 20-22

72186 Empfingen

Germany

(tea)

Tel.: + 49 - 7485 - 999 00

Fax: + 49 - 7485 - 999 049

REGENBOGEN MICHAEL KRAUS

Ätherische Öle, Naturkosmetik

Borsigallee 55

60388 Frankfurt

Germany

(essential oils)

Tel.: + 49 - 6109 - 32848

Fax: + 49 - 6109 - 32812

SCHWARZBROT NATURSPEISEWAREN

Appelhoff 5

22309 Hamburg

Germany

(fresh/dry assortment)

Tel.: + 49 - 40 - 6332 20

Fax: +49 - 40 - 6332 2250

CARL ULLMANN GMBH

Carl-Zeiss-Straße 8

21465 Reinbek

Germany

(dry assortment)

Tel.: + 49 - 40 - 727 7900

Fax: + 49 - 40 - 727 79090

HPT

HAMBURG PACIFIC COFFEE TRADE GMBH

Am Sandtorkai 4

20457 Hamburg

Germany

(coffee)

Tel.: + 49 - 40 - 373 3679

Fax: + 49 - 40 - 373 123

HACOFKO HAMBURG COFFEE COMPANY

Zippelhaus 5

20457 Hamburg

Germany

(coffee)

Tel.: + 49 - 40 - 309 6160

Fax: + 49 - 40 - 338 200

### **Netherlands**

DO-IT

DUTCH ORGANIC INTERNATIONAL TRADE

Prins Hendrikweg 19

3771 AK Barneveld

Netherlands

Tel.: + 31 - 342 - 423571

Fax: + 31 - 342 - 423571

EOSTA BV

INTERNATIONAL DISTRIBUTORS ORGANIC  
AND BIODYNAMIC AGRICULTURE

Regulierenring 12B

P.O. Box 132

3980 CC Bunnik

Netherlands

(fresh assortment)

Tel.: + 31 - 30 - 6566000

Fax: + 31 - 30 - 6566040

TRADIN

AGRICULTURAL INTERNATIONAL

Huizermaatweg 17

1273 NA Huizen

Netherlands

(fresh/processed food)

Tel.: + 31 - 3552 - 87000

Fax: + 31 - 3552 - 43666

SIMON LEVELT BV  
Koffie & Thee  
A. Hofmanweg 3  
2031 BH Haarlem  
Netherlands

Telex: 17143 snlev nl  
Tel.: + 31 - 23 - 5122502  
Fax: + 31 - 23 - 512205

**France:**

PRO NATURA S.A.  
Patrice Brechette  
M.I.N. 68  
84953 Cavaillon Cedex  
France  
(fresh assortment)

Tel. + 33 - 4 - 90787300  
Fax: + 33 - 4 - 90787310

**Austria:**

steirerobst ag  
Mühlwaldstr. 1  
8200 Gleisdorf  
Austria  
(fruits, berries for fruit preparations)

Tel.: + 43 - 3112 - 2226 0  
Fax: + 43 - 3112 - 2226 29

**United States:**

**Listings in:**

Membership Handbook and Directory; available from:

OTA  
ORGANIC TRADE ASSOCIATION  
P.O. Box 1078  
Greenfield, MA 01302  
USA

Tel.: +1 - 413 - 774 7511  
Fax: +1 - 413 - 774 6432

National organic directory; available from:

CAFF  
P.O. Box 464  
Davis, CA 95617  
USA

Tel.: +1 - 916 - 756 8518  
Fax: +1 - 916 - 756 7857

## **Glossary**

### **Biological/ecological products /organic products / natural products / products from certified organic farming:**

Products from certified organic farming which are processed in accordance with the EU Regulation on organic production No. 2092/91

### **Direct marketing:**

The producer sells directly to the consumer (farm stores, market stands, mobile shops).

### **Health foods:**

Organic products that are processed in accordance with the principles of a whole food diet

### **Health food shop:**

Specialty shop which sells mainly products from organic farming (health food)

### **Organic farming (see EU Regulation):**

Environmentally friendly agricultural production using almost no chemical or synthetic substances

### **P.O.S.:**

point of sale

### **Pseudo organic products:**

Products from conventional production and processing, whose advertising lends them the appearance of being organic products

### **Reformhaus:**

A specialty shop for Reformhaus goods

### **Whole food nutrition:**

Form of nutrition that consists mainly of eggs, dairy products and vegetable products. The products should be subjected to the least possible processing and come if possible from certified organic cultivation.