

» By Madeline Cooper

# European organic market

## a strong (culinary) temptation for Australians

With the global organic spotlight focused on Germany in February this year for the world's largest organic trade fair BioFach, ACOM takes a look at the potential market for Australian organic in the world's second largest market for organic products.

Germany has one of the longest and richest traditions of organic farming and marketing of health food products in the world dating back to the first reform stores which appeared more than 100 years ago. Today, the region is the largest single market for organic foods in Europe with a 30% share of all organic sales and on a global scale is second only to the US.

Although Germany imports more than 40% of its organic products (– it is the largest importer of organic products in Europe), to date Australia's market presence in Germany has been minimal. Despite many challenges to entering this complex market, potential exists for exporters who are determined and willing to consolidate and pool resources in order to gain greater "market pushing power" says Herman Claassens, CEO of export-oriented food marketing company Australian Culinary Foods.

"It can be a very worthwhile market – but it's a difficult one to break into. There are many opportunities for Australian organic products to do well within the German market but we face huge challenges when marketing our products individually as they have little strength and competitiveness in comparison to other products on the European market."

According to Herman's business partner Kim Morgan, Managing Director of mOrganics-baby 'O', Australian products are perceived well in Germany as there is a high level of trust in Australia as a clean and green nation. Trade fairs such as the recent BioFach allow Australia to put this on display for the world to see.

"Trade fairs generate leads and help to raise the profile of Australia's organic export potential and capability. It is about laying the foundation stones but then working on these to build the business model of export driven results." says Kim.

German organic and 'green' consumers are characteristically well educated, highly informed and expect high quality, well



packaged products at low prices. According to Herman, along with Germany, the UK, France and Benelux (Belgium, Luxemburg and the Netherlands) represent the greatest potential for Australian organic products.

"There is a large consumer demographic in these regions that is well educated, discerning and green minded. These consumers value high-quality goods and innovation in health, wellness and functional foods – but at the right price." The German organic consumer also values unique propositions that are price competitive, have a story to tell and are innovative in terms of

the product and packaging.

While organic and fair trade products have enjoyed considerable success in Germany, Herman says the global financial crisis has had a large impact on organic sales in Europe.

Germany's organic food federation, BÖLW reported "stagnant" sales figures in 2009. Despite sluggish sales the sector still outperformed the wider food market in Germany and makes up three percent of total food consumption in the country.

"Although people have tended to reduce their spending on premium-priced organic foodstuffs, at the same time the growth and interest in organic products has been steadily rising – making the effects of the global financial crisis not as drastic as it has been for other boutique food sectors.

"Challenges such as this make it all the more important to maximise the value of organic food products through clever marketing, and the only way we can achieve this is by consolidation of resources to compete."

For Australian organic companies looking to export into Germany it is interesting to note that from a regulatory point of view it can be relatively simple and less costly in comparison with other large organic markets including the US and Japan. The EU and Australia's export department AQIS have an equivalency agreement on organic standards reducing the need for further compliance requirements when exporting to Germany and the EU.

While demand for organic raw materials exceeds supply in Germany, Herman says the market is still not an easy one to enter. "The country has a far lower price structure to the UK but high quality is mandatory," he says.

According to Austrade this presents numerous challenges for Australian suppliers to "meet the stringent volume and consistency requirements of German importers".

Austrade recommends companies pool their resources and work with a specialised export consolidator with experience and knowledge of the foreign market in order to reduce shipment and storage costs and create greater economies of scale and pushing power.

Herman and Kim agree, pointing to price and transport as the two greatest issues to



consider when entering the European market. Consistent with global trends, European consumers are becoming more aware of the carbon footprint caused by bringing in products from the other side of the world and the associated food miles. For this reason, it is very important to market the uniqueness of Australian organic products while emphasising Australia's clean and green environment.

Competition from within Germany, other EU countries, Africa, South America and New Zealand (they have so far successfully supplied off-season produce to Germany) can make it difficult for Australian companies to compete.

"The German food sector, including organic, is highly innovative and forward thinking, with the country dedicating a high level of spending on research and development," Herman says. "For this reason it can be difficult for Australian exporters to be price competitive and effectively market that all important point of difference."

Herman cites the increasing quality focus on retailers' private label product ranges, together with higher consumer acceptance of these products, as one of the greatest threats to organic brand name products entering the market. "These lower-priced retail-branded products threaten to undermine other brand products – including those from Australia."

## Top five tips for entering the European market

- Be realistic and know why your product is unique
- Make sure your price is right
- Apply for BTIs (Binding Tariff Information) and find the right business partner/s (who have knowledge on the EU/UK market).
- Have a marketing plan in place that is realistic and relevant for the EU/UK markets.
- Align yourself with companies such as ACF, who have contacts in the EU/UK and warehousing in the EU and who can consolidate and sell products into the various EU countries.

"This has increased the need for independent labels to consolidate resources in order to bring down costs and increase economies of scale. This is the only way Australia can compete on this level."

**For more information contact Herman Claassens or Kim Morgan at Australian Culinary Foods on 02 9450 2571 or email [herman@culinaryfoods.com](mailto:herman@culinaryfoods.com).** ◆◆

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