



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 11/10/1999

GAIN Report #AU9046

## **Austria**

# **Organic Production and Marketing of Organic**

## **Products**

### **1999**

Prepared by:

**Allan Mustard**

**U.S. Embassy**

Drafted by:

Walter Krucsay

---

#### **Report Highlights:**

**As there are probably opportunities for Austrian organic products on the EU market, agricultural representatives are interested in the expansion of organic agriculture. About two thirds of organic production is sold on the domestic market and the rest is exported. Imports include mainly fruits, vegetables and feed. Of U.S. products, best opportunities are for tree nuts and dried fruits.**

---

Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Vienna [AU1], AU

## Organic Production and Marketing of Organic Products

### Summary

Austria is relatively the largest organic producer within the EU. Most organic farmers are feed producers. Organic farming can be particularly profitable for unspecialized low input entities. As there are probably opportunities for Austrian organic products on the EU market, agricultural representatives are interested in the expansion of organic agriculture. Thus, domestic support for this line will probably be increased. In addition, the Austrian Agriculture Minister is pushing for support for marketing of organic products and research in organic agriculture. At present, about two thirds of organic production is sold on the domestic market and the rest is exported. Imports include mainly fruits, vegetables and feed. Of U.S. products, best opportunities are for tree nuts and dried fruits. End summary.

### Organic Production

Organic production developed in Austria from a niche branch to a fixture of Austrian agriculture. While in 1988 only 1,000 farms were registered, in 1999 the number of organic farms rose to almost 20,000 (half of the total EU). Around 8% of the total farm number is committed to organic production. Organic farmland covers 300,000 ha which is about 10% of total agricultural area. Most organic farmland is meadows belonging to dairy farms. Austria is the most important organic producer within the EU, where the average organic area is only 2%. Farm representatives and Agriculture Minister Wilhelm Molterer are proud about Austria's leading role in organic farming, which is attributed to the rising environmental awareness of farmers and consumers.

According to some calculations, organic farming can be more profitable than conventional farming. In particular low input, unspecialized, tillage farms may achieve even in the transitional period higher profits than by conventional farming. However, the relatively low number of tillage farms shows that despite economic attractiveness, farm managers are reluctant to step into the new system. The reason is probably lack of know-how and potential risks connected with transition. A different situation is encountered in mountainous regions where a large number of farms is already producing according to the organic system. Due to marketing problems of organic dairy products, the economic sense of this line is questionable. (Of 300 million liters organic milk only 150,000 can be sold for the higher organic milk price; the rest is sold as conventional milk.) However, organic beef, produced in the framework of cow-calf husbandry, plays an important role in mountainous areas and is frequently a useful alternative.

In hog production, specialization in the conventional sector has gone very far and production is carried out with high input. The turn to organic production requires significant changes (husbandry, feeding, hog numbers, etc.) and therefore is connected with risks. Many organic organizations produce under contract at fixed prices.

According to a survey carried out in 1995, the proportion of various organic farm types of corresponding conventional entities is as follows (in %): crops 3.4, feed production 63.2, livestock 0.2, permanent crops 1.2, mixed agriculture 1.8, gardening 0.1, forestry 2.4, agriculture and forestry 27.6, no special type 0.2.

## Policy

Due to the small structure of domestic farms, their competitiveness on the EU market is not satisfactory when it comes to mass products. However, agricultural interests believe that Austrian organic products have opportunities on the EU market. Thus, Minister Molterer is very interested in further growth of organic farming, which however slowed in recent years. To expand organic agriculture, Austrian support to this sector will probably be increased.

In addition, Molterer is asking that Brussels support marketing of organic products because organic agriculture is a relatively young sector and still in the phase of introduction. Furthermore he wants agreements between organic associations and large European retail chains to be concluded to avoid organic products being used as sale items and consequently cause heavy price pressure on organic farmers.

Since research in the organic sector has been so far more or less neglected, Molterer supports intensive research on an EU-wide level in regards to production and nutritional respects. New scientific information may increase consumption of organic products and consequently increase the attractiveness of organic farming.

As for long-time growth of organic agriculture, national strategies are regarded as insufficient, Molterer worked hard to achieve a common European regulation for organic livestock production during the Austrian presidency.

Due to higher input costs, payments to organic farmers to maintain public goods such as healthy soil and water are widely accepted by the population. Molterer regards support in the framework of ecological concepts as justified and fully WTO compatible.

All agricultural interests and Environment Minister Martin Bartenstein categorically exclude genetically modified (GM) products from organic agriculture.

## Processing of Organic Products

Organic milk is usually processed in certain conventional dairies but separated from normal milk lots. However, recently the first dairy intended for organic milk only opened in Upper Austria.

As with milk, organically raised livestock are slaughtered in conventional slaughter plants. In November 1999, Billa will open a meat plant destined only for organically raised Pinzgauer cattle.

Organic grain is milled in conventional mills and organic starch and sugar are processed in conventional factories.

### Trade in Organic Products

One third of total organic output is exported, particularly to Germany, Great Britain and Sweden. However, processed baby milk products find their way as far as Russia and Arabia. Main export items are dairy products, particularly cheese, and some meat products. While dairy and meat products are exported, requirement of soybean meal, grains, vegetables, and fruits cannot be covered by domestic production. They are imported from EU countries, primarily from Mediterranean regions and Central Europe where they are frequently grown under contract. Tropical organic fruits are increasingly imported. Among organic U.S. products, tree nuts, rice, and dried fruits have the best chances on the Austrian market.

### Market of Organic Products

Marketing of organic products is key. In the earlier days of organic production in Austria, on-farm sales and sales at farmer markets were the most important distribution method. Later, the two main supermarket chains, Billa and Spar, began to sell organic foods which resulted in greater consumption. In the meantime, some organic products are available in most supermarkets. The large food chains sell organic products under their special brand names. At present, about two thirds of organic production is sold in the domestic market, 90% through the retail trade, mainly the two largest supermarket chains, and 10% directly by producers. The turnover of organic products is estimated at AS 3 billion. In general, these products are 25 - 30% more expensive at the wholesale and retail level than conventional products.

In addition to conventional supermarkets, organic foods are available in special health food stores. In summer 1999, the first "bio market" opened in Vienna. In this special supermarket, only organic products (foods, cosmetics, cleaning material) are sold. In the near future, several such organic supermarkets will open in provincial capitals.

A new outlet line for organic products will probably be catering firms. After the leading supermarkets, large catering organizations are stepping into the organic business. Since June 1999, in 28 Viennese hospitals and casemaking homes with 16,000 consumers, a pilot test with organic foods has been carried out. It is expected that in the next two years, one third of the raw material to be used in these kitchens will be organic. This means that the turnover of organic products will rise by at least AS 100 million. Other catering companies may follow.

Agricultural interests welcome any outlets which contribute to the increase in turnover of organic products. However, their main task is the increase of direct marketing as this is most lucrative for farmers. For this reason, the Agriculture Ministry together with organic farmer organizations sponsor an Internet program which allows consumers to order directly from farms.

According to a poll, more than 95% of the Austrian population is informed about organic foods,

70% are interested in buying such products, the same share regards them as more healthy, and 40% find them more tasteful. Despite the great interest in organic foods shown in polls, only a small share of the population is actually ready to pay a higher price for such products.