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# French Organic Market

## Report Categories:

Organic Products

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## Report Highlights:

The French organic market, valued at $2.3 billion, is the second largest in Europe. With strong consumer interest in the environmental impact of food purchases, demand is expected to continue growing. U.S. exports of dried fruits, almonds, aromatic plants and grapefruits remain in demand. Baby food, food complements and essential oils show strong growth prospects. An increase in organic retail outlets (specialty stores and supermarkets) is expected to encourage sales across a broader base.

The French government is supporting organic production by providing financial assistance for land conversion and by encouraging greater utilization of products in cafeterias and school lunches.

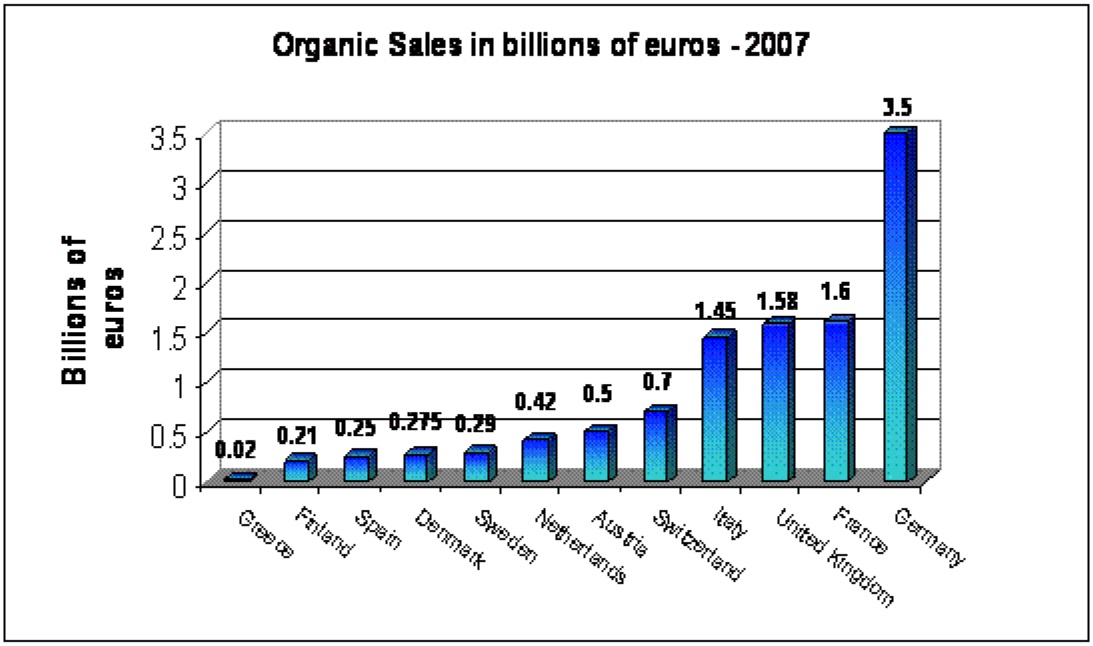
## General Information:

### Executive Summary

The French organic market, valued at $2.3 billion, is the second largest organic market in Europe. Dried fruits, almonds, aromatic plants and grapefruits remain in strong demand as do innovative manufactured products, food complements and essential oils. The French organic market has grown 10% per year since 2002. In 2007, 42% of consumers consumed at least one organic product per month, compared to 37% in 2003. France is ranked 4th in the European Union (EU) in organic production, but to encourage more production the French government has initiated a 15 million euro plan to triple the organic acreage by 2012. A growth in retail outlets for organic products is expected to continue as consumers seek additional access to organic products in restaurants, cafeterias and school lunches.

**Consumption**

The 1.6 billion Euro ($2.3 billion) organic market in France accounts for 1.1% of the total food market, with 9.5% average annual growth from 1989 to 2005. France is the second largest European market for organic products behind Germany ($5 billion), the United Kingdom ($2.2 billion) and Italy ($2 billion). According to IFOAM (International Federation of Organic Agriculture Movement), the European market is estimated at $14.2 billion or 47% of global sales.




*Sources: FIBL & Agence Bio 2007*

The environmental impact of food choices is a key purchasing consideration for French consumers. Thus, organic, local, seasonal and sustainably produced products receive strong consideration by French shoppers. French consumers overwhelmingly share a common belief that organic products are more natural, healthier, maintain more nutrients and help preserve the environment. Organic consumers are primarily educated, working women in the Paris region and in southwest France. One-third of French consumers intend to consume more organic products, particularly, fruits and vegetables, meat, dairy and bread and are looking to find more organic products in schools, restaurants and cafeterias. 37% regularly pay up to 11% more for an organic product than its conventional counterpart.

According to Agence Bio, a French organic association, fruits and vegetables have been the most popular organic food products for several years followed by dairy, eggs, grocery products (oils, pasta, rice), meat (beef, pork, lamb, pork), poultry and organic bread. Baby food, grocery (pasta, rice, cereals) and milk products are showing strong growth trends for the future as are food supplements, soy and egg products.

**Trade**

(Note:  the European Union does not segregate customs nomenclature to specifically identify organic imports thus trade statistics are provided by industry and are intended for reference only.)

While importers have consistently bought organic fruits and plants to produce beverages, aromatic and medicinal plants are also in demand by importers due to rising orders from the cosmetic and aromatherapy industries.

According to trade sources, demand for U.S. products includes medjool dates, aromatic plants, pistachios and almonds. Research indicates that French importers are unfamiliar with the OTA (Organic Trade Association) as a possible tool to identify new suppliers and partnerships in the U.S.  The best way for a U.S. exporter to penetrate the French market is to work through an importer or distributor.  U.S. companies with branded organic foods may promote them through trade shows and specialized magazines. FAS/Paris maintains a list of specialized trade shows and magazines.

**Policy**

Imports:  All non-EU exporters of organic products must register with the Agence Bio and request an import permit from the Ministry of Agriculture. However, bilateral agreements with some countries including Argentina, Australia, Costa Rica, Israel, Switzerland, New Zealand and recently India, eliminate the import permit requirement. The number of import permits increased significantly in 2007, including requests from Morocco, Turkey and Madagascar.

The U.S. does not have a bilateral agreement with the EU.  There are differences in standards. (Please see the OTA website for a comparison of EU and U.S. standards: http://www.ota.com/standards/other/eu_us.html).  There were eight permit applications from the United States in 2008, for almonds, pistachios, dates and essential oils.

An imported organic product authorized in an EU member country may freely circulate in the European Union. However, the European Union can demand product withdrawal after reviewing the product file or after a request from a Member State, generally after an allegation of fraud.  Importers must be certified by an approved certifying organization and must notify the DAF (Department Division of Agriculture and Forestry) of their import business.

French producers must notify the Department Division of Agriculture and Forestry (DDAF) of their activity before being allowed to use ‘organic’ in reference to their production method (on labels, advertising, and invoices).  This provision also applies to all operators who process, pack, preserve, or import organic products from third countries (outside the European Union).  Notification is submitted with an official form, circulated yearly.

All products seeking ‘organic product’ approval must be inspected and certified by an approved organization in France before being marketed.  Presently, six private organizations, Ecocert, Qualite France, Ulase, Agrocert, Certipaq and Aclave, can inspect organic products and provide the “agriculture biologique” (organic farming) certification.  These organizations must comply with standards of independence, impartiality, efficiency, and proficiency as defined in Community regulations and in the provisions of European standard EN 45011 pertaining to organizations in charge of product certification.  Organic products inspected in European Union countries by an appointed authority or by an approved inspection organization are deemed compliant with regulations.  Accordingly, they may be marketed as such. In addition, they can be used as raw materials.

Regulations:

The primary regulations governing organic farming and the presentation of agricultural products and foodstuffs can be found at:
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2007:189:0001:0023:EN:PDF

In addition the latest information on the legislation and the import regulations can be found at:
http://www.useu.be/agri/organic.html
and http://www.agencebio.org/pageEdito.asp?IDPAGE=33&n3=28.

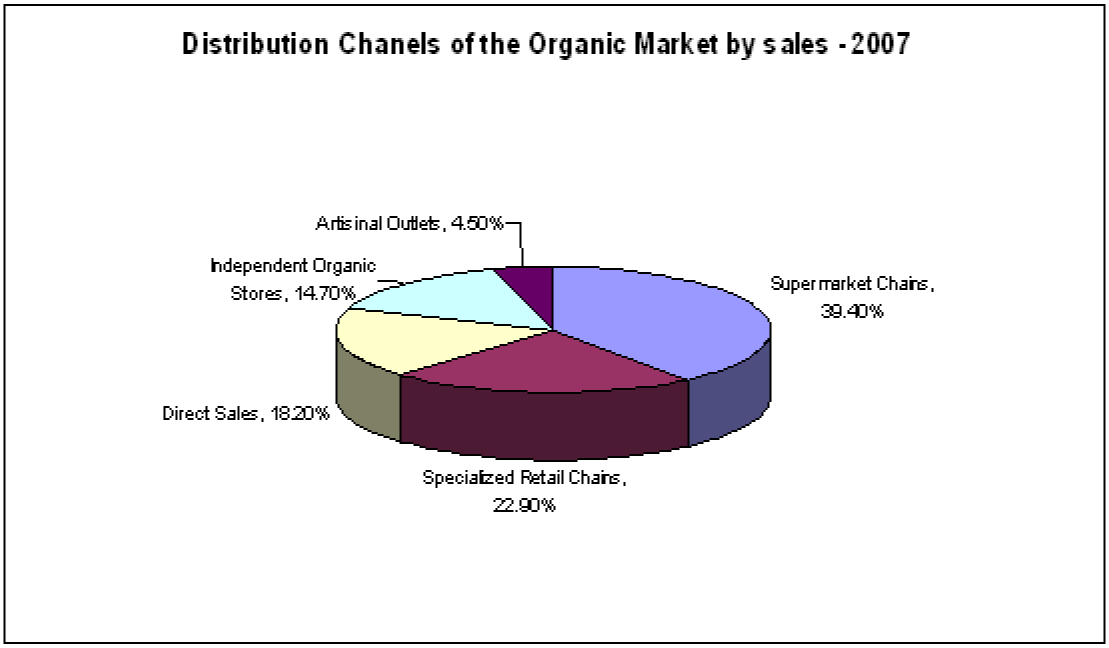
Government support:

The French government strongly supports the development of organic farming as a sustainable component of French agriculture. Since 2005, farmers switching to organic farming have received a tax credit if 40% of their income was derived from organic farming. The government makes financial assistance available to farmers who convert farmland to organic production. In 2008, the French Minister of Agriculture instituted 'Organic Agriculture: Horizon 2012 ", providing funds for research and development of the organic industry in order to triple the area devoted to organic farming by 2012.

**Marketing**

Distribution:

With 661 million euros ($944 million) in sales, supermarket chains, specialty retail stores and independent retail outlets are the primary distribution channels for organic products. 41% of organic retail outlets in France are less than 10 years old and more expansion is expected in the future.



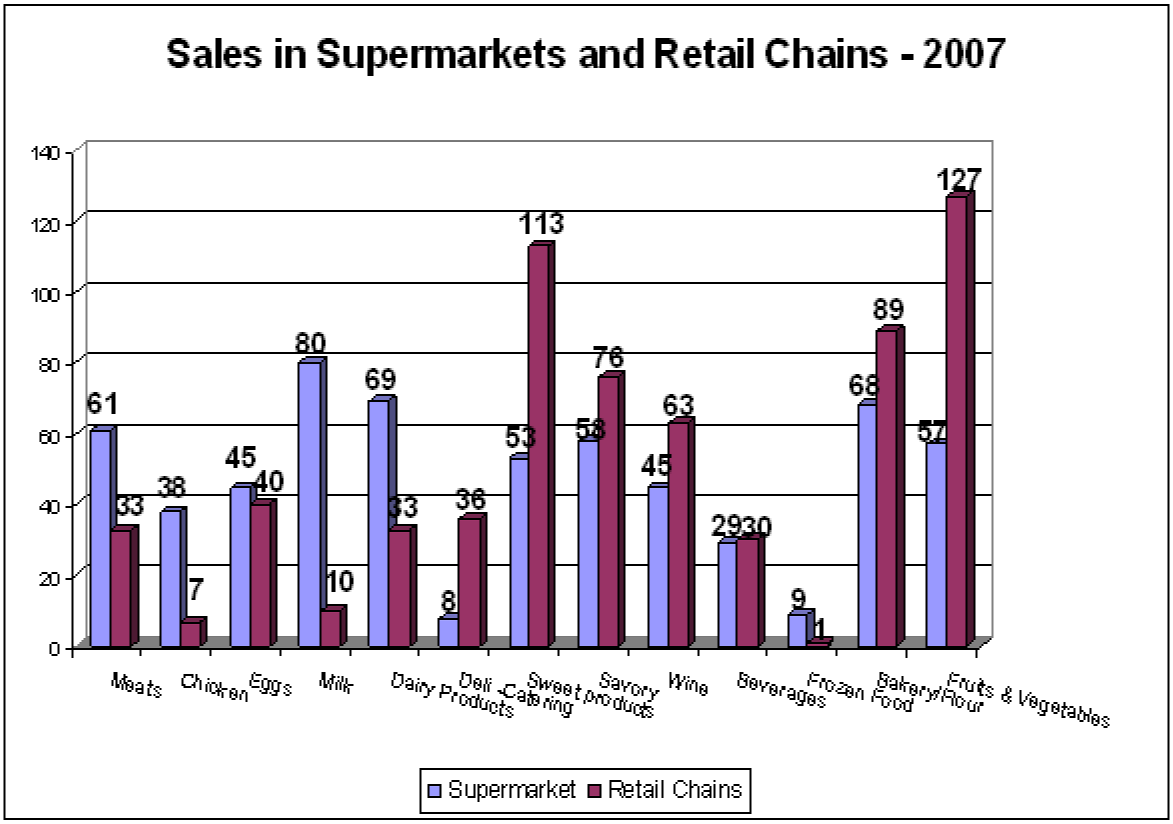

*Source: Agence Bio 2007*

The range of organic products offered to consumers varies among outlets. In general, supermarkets offer basic organic products (meat, milk, eggs and dairy products) supplied by major French food companies with their own organic brand. These products comprise 60% of total sales.  The product range is limited to around 200 products (excluding fruit and vegetables).

The top organic brands in France are:

| | **Line of Products** | |
|---|---|---|
| | **Fresh** | **Dry** |
| **Top Brands** | Biogram, Bioverde, Lima, Euronat Biochamp, Soy promavel | Celnat, Lima, Markal, Bonneterre, Priméal, La Vie Claire, Soy, Rapunzel, Danival |

In specialty outlets the range of products offered is broader and can involve more than 5,000 products. The product presentation is also different: Many specialty stores offer self-service in bulk sections. Fruits, vegetables and sweets are the most popular organic items sold by retail chains, followed by savory, bakery and wine products.




*Source: Agence Bio – in euro*

The 8 largest organic retail chains in France had $680 million in sales in 2006 and showed average growth of 24%.

<u>Food Service:</u>

The food service sector (hotels, restaurants, institutional catering) represents just 0.5% of the organic market (4 million euro in sales, equivalent to $5.7 million) but has potential for growth. A recent study showed that French consumers are very interested in having organic products in restaurants, company cafeterias and school lunches. The French government is encouraging the incorporation of 20 percent of organic foods in school menus by 2012.

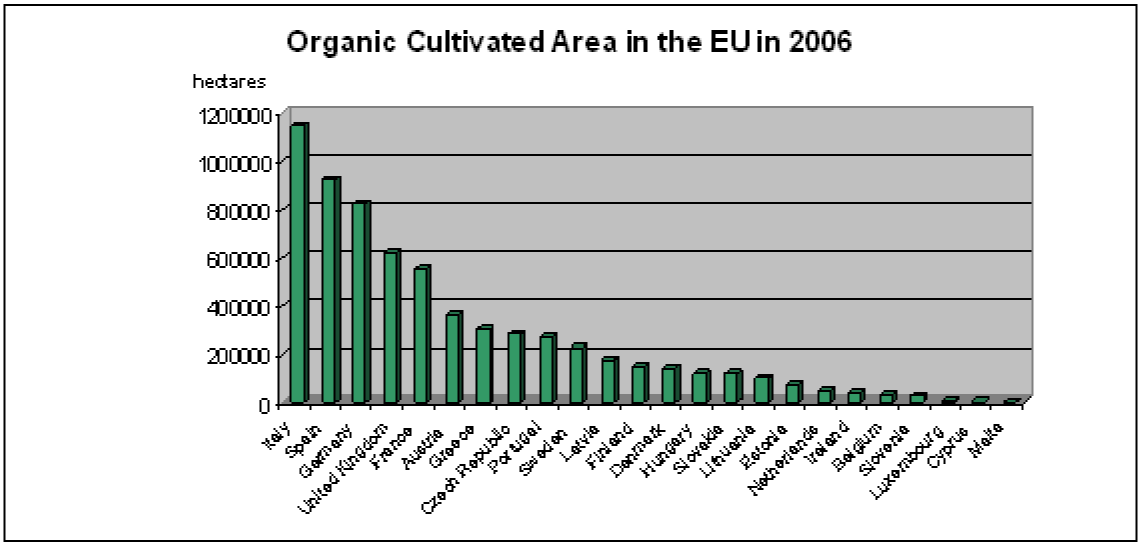
**The Main Organic Food Service Companies in 2007**

| | TEAM OUEST | BIOCOOP RESTAURATION | VIVRAO | BIOFINESSE | CENTRALE BIO | MANGER BIO DISTRIBUTION |
|---|---|---|---|---|---|---|
| Date of Creation | 1999 | 2004 | 2001 | 2000 | 2004 | 1993 |
| Sales | N/A | 900,000 | 1,250,000 | 1,600,000 | 50,000 | 450,000 |

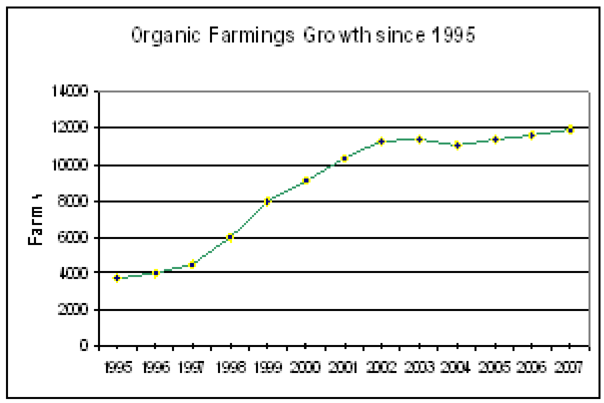
*Source: Synabio*

## Production

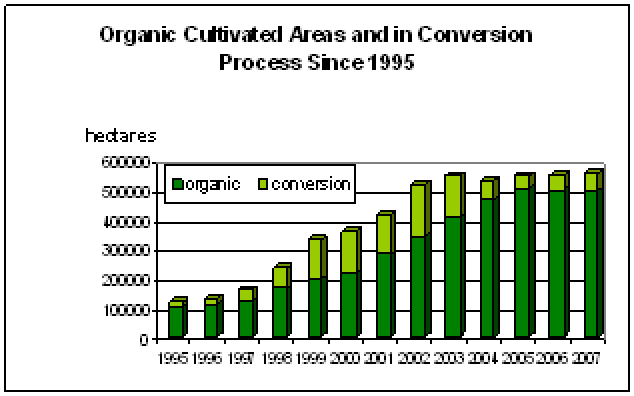
Even though France is a dynamic market for sales of organic products, its development of organic agriculture is lagging behind other European countries. While France ranks first in agricultural production in the EU it ranks 5th in area dedicated to organic production.




*source: FIBL 2008*



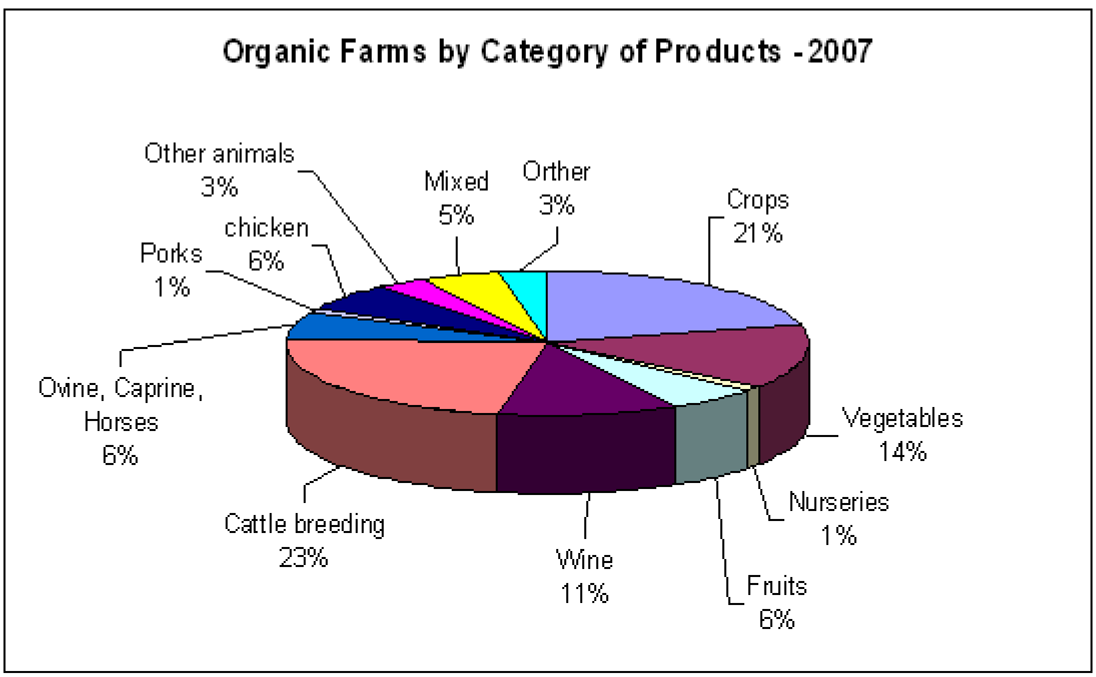

While the number of organic farms grew dramatically between 1995 and 2002, subsequent growth has been more modest, rising just 3% in 2007. Area under organic conversion has followed the same trend, with a more robust increase of 12.4% in 2007.




*source: Agreste 2007*

The distribution of products produced by organic farms varies somewhat from conventional farms:

- 14% of organic farms are devoted to vegetables; 5% for conventional agriculture
- 21% are sown in field crops; 26% for conventional
- 11% are organic winemakers;16% for conventional
- 23% are in cattle (milk and meat);34% for conventional

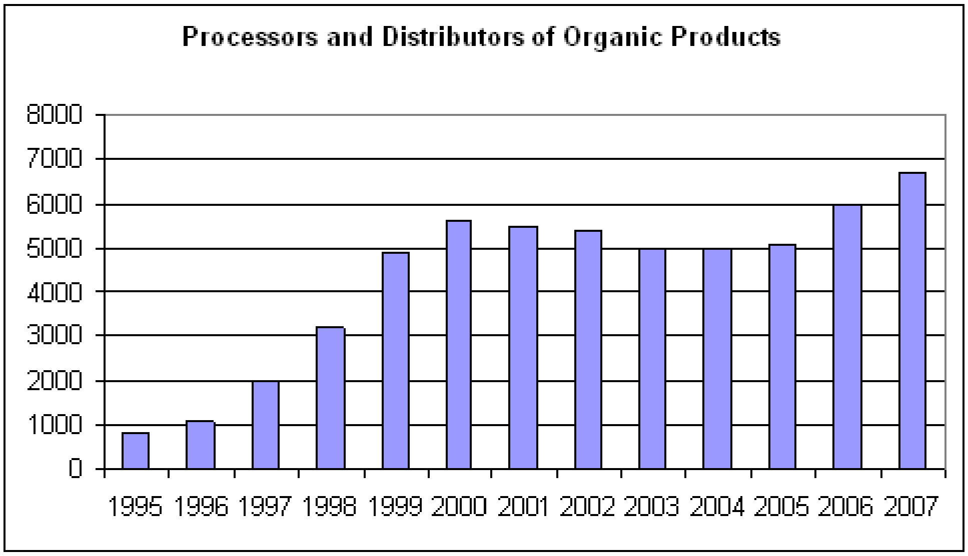



*Source: Agence Bio 2007*

In 2007, there were several notable production developments: Organic oilseed area fell 18%; cultivation of vines rose by 20%; vegetable area grew 32% and fruits 5%, and in scented plants increased by 28% in response to the growing need of the cosmetic industry. With the exception of the pork sector, which grew strongly (+17%), production in other meat sectors remained stable.

Organic Processors:

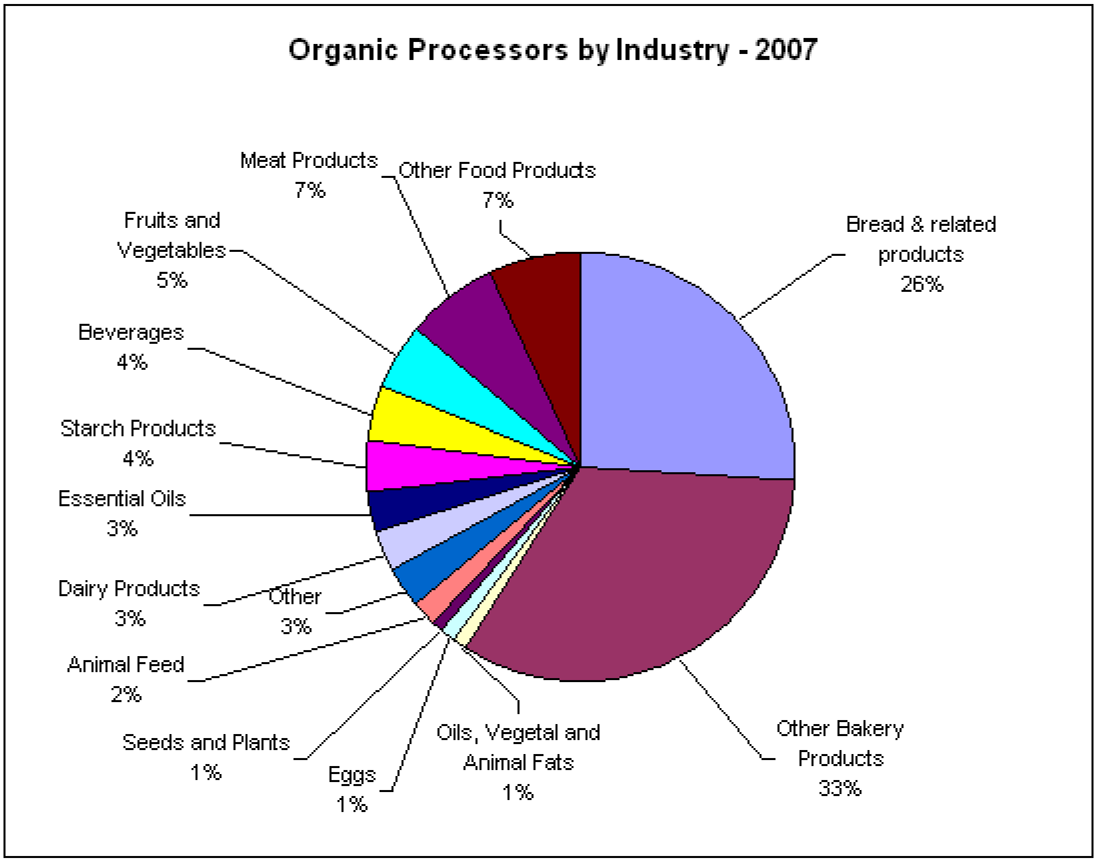
In 2007, there were 6402 organic processing and distribution companies operating in France.
Since 2005 both processors and distributors have been required to be certified.




*Source: Agence Bio 2007*

Companies processing, packaging and storing organic products are varied - the bakery industry dominates the processing sector.

*source: organismes certificateurs 2007*




**POST CONTACTS AND FURTHER INFORMATION**

***Governmental Regulatory Agencies***

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**DGAL** (Direction Générale de l'Alimentation)
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