The Swedish Market for Organic Foods

The market

History

The organic market is Sweden has developed rapidly from the early eighties. At that time organic sales were confined to farm shops and special health food shops. 1983 the first large-scale supermarket sales of organic products started based on a close co-operation between the organic farmers' marketing co-operative - Samodlarna and the consumer co-operative Konsum chain. At that time the product range was constituted by simple unprocessed foods like vegetables, potatoes and flours and flakes. The establishment of an independent certification mechanism and a distinct labeling of organic products (KRAV) 1985 made a further expansion possible.

Current situation

Consumer surveys

There are a number of consumer surveys conducted regarding organic foods. They all show the same picture: There is a great willingness by the consumers to buy organic foods. A small proportion (>5%) of the consumers will by organic foods even with very high premium prices and low availability, and a large proportion (>50%) will by organic foods if these are of good quality, easily available and to reasonable premium prices (5-10%). 25% of the consumers claim that they regularly buy organic products and 66% that they do it occasionally[1].

The Swedish organic consumer

The Swedish organic consumer differs not so much from the average Swedish consumer. Well-educated females would be the most enthusiastic group, while men in the age 40-60 the least interested. The Swedish organic consumer is less oriented to ”Natural” or ”Healthy” than their counterparts in continental Europe. In Sweden there is a good market for products like organic white bread or organic white (refined) sugar, while these products are very difficult to market in e.g. Germany.

Retail market

All major retailers are distributing organic products. The market shares differ a lot between the retailers and in different areas. The product groups that have reached highest market shares are vegetables, grain products, milk and baby food, but the development is rapid in most areas. Meat sales are not very well developed, due to lack of supply.

Gröna Konsum - consumer co-operative retail chain with 450 shops. Gröna Konsum claims to have the highest share of organic foods in any supermarket chain in Europe: 4,5%. They have

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[1] It is quite clear that willingness to buy organic porducts is much bigger in surveys than in reality.

been pioneers and are currently substituting the best selling bread to a fully organic version. KF has developed the ”Änglamark” private brand for organic products for all the chains affiliated to the consumer co-operative movement (Gröna Konsum, Konsum, OBS, B&W etc.).
Market shares for various products in Gröna Konsum

Product	Percent of sales (1998)
Bananas	3,5%
Coffee	6%
Milk	11%
Potatoes	6%
Wheat Flour	11%

Source: Grolink

ICA - shop owners' co-operative with 2100 shops - the largest retail chain in Sweden has the goal to have 10% organic products by the year 2000. Market shares for different categories of products 1999 were:

Product	Percent of sales (1998)
Potatoes	3%
Fruit and veg.	1-8% depening on season
Wheat Flour	3%
Coffee	1%
Baby Food	6%

Source: Grolink

A rather high proportion of the sales is under the private brand ”Sunda”.
In the ICA shops there are big differences between the shop in what extent they are supplying organic products, since the product range is not centrally decided. Basically it depends on the interest of the individual shop owner.

The small chain Hemköp (90 shops) has last yearw made major efforts to become a leader in the marketing of organic products. They sell 8% organic bananas and around 10% organic milk.

Most other retailers, including many convenient stores, will have a limited supply of organic foods.

Restaurants, catering

This sector is less developed than the retail market, but last year there has been a strong development. Some examples:

- 27 percent of the municipalities have started to serve organic foods in schools or hospitals. An additional 33% are planning to start. This doesn't mean that they serve only organic foods, but that some organic products are purchased.
- McDonald's in Sweden has changed all their milk to organic as well as all the coffee. They also buy organic meat, but there is not sufficient supply.

- The train restaurant cars are serving organic coffee and milk and occasionally organic dishes.
- An organic restaurant chain - Meaning Green is opening 7 restaurants in Sweden autumn 1998. They have plans to establish themselves in Europe and the USA.

Limiting factors

There are several factors that are limiting the market for organic products among others:
- limited supply
- high prices
- wrong qualities

Production, distribution and trade channels

Product Range

KRAV publishes a catalogue of all certified products, in total more than 1 500 products.

Farming

The Swedish production of organic products has increased very rapidly, see Annex 4. The KRAV certified acreage now represents 4 percent of Swedish farmland. In addition to that there is another 3 percent of the land that get support for organic production without being certified, meaning that in total there is more than 7 percent organic agriculture in Sweden. The proportion of the production will be considerably lower because:
- the proportion organic is high (up to 20%) in the extensive areas and low (down to 1,5%) in the more intensive areas in the South
- the organic production of chicken and pork is very small
- the yield levels on organic farms are lower than on conventional farms.

Further data for the Swedish organic production is found in Annex 4.

Marketing primary products

Vegetables and potatoes are marketed either directly from the growers to distributors, or more commonly through the organic co-operative Samodlarna. Milk is sold to the (conventional) diary co-operatives. Eco Trade, a company owned by the farmers co-operative buys almost all grains. Most meat will be sold to Scan, also a farmers co-operative.

State support

Governmental policies have been favorable to organic production for a decade. 1989 there was a conversion support for organic producers. Then again a small support scheme was introduced 1994. 1994 also the Parliament decided that 10% of the agricultural land should be organic by the year 2000. With the membership of Sweden to the European Union 1995 Swedish Farmers could benefit from the Agri-Environmental scheme of the EU, giving farmers subsidies in the range of 700-1500 SEK/ha for organic production.

Limiting factors for the primary production

In the pig and poultry sector the major hurdle is for the producers to be able to fulfil the organic standards, especially animal welfare standards and limitations in medication. Even if there is a market, most of the producers are afraid of taking the risks involved or assume costly rebuilding of stables and other investments needed to comply with the standards.
Also in fruit production technical difficulties (pests) are limiting.

Processors

Almost all major food processors in Sweden have taken up organic products. KRAV has almost 500 processing units within its control. Some examples:

- Wheat flour from the major mills has been available since mid eighties.
- The market leading crisp bread manufacturer Wasa (owned by Sandoz) started organic crisp bread in the early nineties.
- The company with the largest share of the total organic production is the dairy Arla (having approx. 60% of the total Swedish milk market). A total of 3,5% of all milk they sold 1997 was organic. In some regions organic milk is over 10%. Because of lack of raw materials the range of products has not been so large, but they are now offering butter, cheeses and some yogurts.
- The company Göteborgskex- market leader in biscuits and wafers - introduced organic ”Digestive” June 1997. It had by April 1998 taken 15% of the market. The organic sales came on top of the earlier sales, resulting in a total expansion of sales.
- Danisco, a Danish company having monopoly in the Swedish and Danish sugar production, has had an organic sugar project (from beet root) for four years. Because of supply problems they have increased the organic premium to the growers from 50% to 80%.
- All but one of the Swedish coffee roasters are marketing organic coffee.

Specialized organic companies

Initially specialized companies did all organic processing. Some of these companies have developed themselves along with the development of the market and has managed to keep a large market share, even after the entrance of large companies in the market.

Limiting factors in organic food processing

The organic standards themselves limit the use of certain additives and processing aids and methods, which may be a restriction. The requirements for separation of organic and conventional products may also create problems. The major problem in most sectors is still the lack of reliable sources of raw materials.

Wholesalers

Significant for the Swedish market is the high degree of integration in the daily consumption goods trade and distribution. Three organizations, ICA, KF and Dagab control around 80% of the market. All major wholesalers will offer organic products to their clients.

There are also some specialized ”organic” wholesalers. Most important of these are Biodynamiska Produkter, Kung Markatta and Samodlarna. The specialized organic wholesalers have played an important role for the development of the organic market, especially Samodlarna.

Imports

Imports of organic products have been taking place for more than a decade. The imports are oriented to products that are not produced or not available in sufficient quantity in Sweden. In the pioneer phase all imports went through a couple of specialized firms, but currently organic imports are often taking the same channels as non-organic products. Major exporting countries to the Swedish market are the Netherlands, Denmark, Italy, USA, Israel and Argentina. American organic products that have been imported for a longer time are raisins, seeds, beans, small grains and apples.

Main importers are

Company	Products
ASK centralen	Fresh produce
Banankompaniet	Bananas
Biodynamiska Produkter	Processed Food, Fresh produce, Grains
Dagab Unil AB	Processed food
Direkt Frukt och Grönt	Fresh produce
Eco Trade	Grains
ICA F&G / Viking Fruit	Fresh produce
ICA Handlarnas AB	Processed food
Karlshamn Sweden AB	Oil seeds, oils
KDAB	Processed Food
Kung Markatta	Processed Food, Cereals
Samodlarna	Fresh produce, processed food, wine

A list of all KRAV-certified importers is found in Annex 1 b.

Exports

The total export of organic products is smaller than the total import. Exports of grain, mainly oats, rye and wheat has been going on for a longer time. 1997 40% of the grain was exported, while the domestic consumption likely will balance the production 1998. Other products that are exported are crisp bread, marmalades, pork meat and UHT-milk. Major export markets are Denmark and United Kingdom.

Trade Margins and Pricing Structure

Premium prices

Almost all organic products will have a premium price. The following tables of such premium prices will give an indication. For processed products a comparison is more difficult to make since pricing is less transparent and products more difficult to compare. Generally there will be less price difference for processed products.

For some of the agricultural products, especially milk the producer prices are linked to the conventional prices with a fixed premium in crowns or percent. For other products like grains most of the production is contracted in advance with an agreed price. For other products, especially fruits and vegetables, prices are fluctuating very much.

For processed products there is a wide span in the pricing. Some products may have more or less the same price in organic or conventional quality, and occasionally they are cheaper. This is especially the case for products with low costs for raw materials. Sometimes also the pricing policy of the retailers may favor an organic product. Other products may be very costly.

Consumer prices of a sample of processed products (June 1998)

Product	KRAV-certified (SEK/Unit)	Conventional (SEK/Unit)
Orange marmalade	(320g) 20.90	(360g) 19.00
Peanut butter	(360g) 40.00	(340g) 28.80
Ketchup (500g)	16.50	12.50
Apples Golden 1kg	35.50	17.90
Cheese 1kg	81.00	73.00
Yogurt 1l	20.90	16.90
Frozen Broccoli 500g	28.50	11.90
Frozen peas 500g	14.90	14.90
Hamburgers 1kg	98.00	61.25
Bread ”formbröd” 1kg	31.25	31.25
Bread ”grovt” 1kg	33.60	29.80
Biscuits, ”digestive” 400g	19.50	16.90
Corn Flakes 500g	19.90	20.50
Canned tomatoes 400g	9.90	4.40
Spaghetti	14.90	10.90
Coffee 500g	39.90	33.90

The prices are from shops of the Hemköp and the Gröna Konsum chains

Producer prices and consumer premium prices for agricultural products (June 1998)

Product	Producer price (SEK/kg)	Producer Premium price	Consumer Premium Price
Milk		25%	15-25%
Carrots		20-80%	20-100%
Pork		50-100%	30-50%
Beef		+3-5 SEK/kg	
Wheat	1,40-1,80		
Rape seed	3,50		
Bananas			0-50%