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Austria

Organic Products

Opportunities for U.S. Exporters and Market Information

2003

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Report Highlights:

History, consumer acceptance, and government support have worked together to transform organic foods in Austria from a niche market to a market segment of considerable importance. Production, imports and exports are still growing and the Austrian government is supporting programs designed to increase organic consumption by one third in the next two years. Total organic sales in Austria are about 200 million Euro (US\$ 188 million) and organic imports are about 72 million Euro (US\$ 68 million). There are especially good market opportunities for U.S. organic dried fruits and nuts. U.S. exporters should work through Austrian importers for import permits.

Includes PSD Changes: No
Includes Trade Matrix: No
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Vienna [AU1]
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Organic Production

Austria has the highest percentage of organically farmed agricultural land in Europe and organic production has been a recognized production method since 1927. In 2002 there were 18,790 certified organic farms, or about 10 % of all farms. Approximately 270,000 ha (666,900 acres) are under organic management, this corresponds to 8.3 % of the total agricultural area.

The rate at which farms shift into organic production slowed in the late 1990's but is growing again. Five hundred more farms were certified as organic in 2002 than in 2001, representing a 22% increase in organic arable land, a 5% increase in grassland, and a 13% increase in specialty crops such as fruits and vegetables.

On average, organic production has more than doubled over the past five years for all product groups. The biggest increases are for pork and non-perishable vegetables (potatoes, onions, carrots).

Policy

Austria has a multi-layered system of support for organic farmers. In the early 1990's, prior to Austria's EU membership, the Austrian government began promoting organic farming as one part of what it views as an environmentally friendly and sustainable agricultural policy. This 'national level' support for organics is in addition to support programs that fall under the EU's Common Agricultural Policy (CAP).

In 1995, under an EU regulation (EC Regulation 2078/92) program titled, 'the Austrian Program for Environmentally Friendly Agriculture,'¹ payments for organic production range between 250 Euro/ha for meadows and 799 Euro/ha for horticultural crops. (Roughly between US\$ 95/acre and US\$ 305/acre.)

In 2001 the Austrian government outlined further plans to stimulate organic farming in the so-called "2001-2002 Action Program for Organic Agriculture."² Under this program there are subsidies for consulting services, education, research and marketing. A new 'center of expertise' for organic farming is also planned. This new organization, called "BioAustria," will act as umbrella organization covering all Austrian organic companies and associations. BioAustria promote organic products generally, promote quality assurance, and conduct public relations on behalf of the industry.

For 2002 through 2004, a 4.8 million Euro (US\$ 4.5 million) marketing project is being financed both by Austria and the EU. One half the money comes from the EU with the rest coming from the Austrian government (60%) and provincial governments (40%). half of the money comes from Austria (60 % federal government and 40 % provincial governments). This project is strictly limited to marketing activities.

In Europe in general, there is a strong political movement to promote organic production for social and environmental reasons. It is the aim of the Austrian government to lead Europe in production and organic-friendly policies. The government's stated goals are to increase the acreage under organic production and to increase consumer demand for organic products by a third in the next two years through the use of marketing programs.

¹ In German, "Oesterreichisches Programm fuer umweltgerechte Landwirtschaft" (Oepul).

² In German, "Ationsprogramm 2001-2002 biologische Landwirtschaft".

Trade

No official statistical data is available for imports or exports of organic products. However, trade groups estimate the value of Austrian imports to be roughly 72 Million Euro. annually. Considering total annual sales of organic products are about 200 Million Euro, this means that imports account for roughly 30 % of the organic products consumed. The main suppliers of organic products are the Netherlands, France, Germany and Italy. The highest proportion of imports are for fruit and vegetables (see figure 1).

The main marketing channels for importing organic products are direct imports by supermarkets, imports by a wholesaler under a contract with a supermarket, and specialized importers for organic products.

Some of the big supermarket chains, such as "Spar," conduct their own import business. "Billa" (a.k.a. "REWE Austria") imports through wholesalers who are also in the conventional food import business. Specialized importers of organic products supply other distribution channels like natural food stores, specialized organic shops, and health food stores. Most of the specialized importers are either subsidiaries of German importers (e.g., "AL Naturkost" in eastern Austria), or they operate directly from Germany (e.g., Dennre, Bodan). Conventional importers have a very limited share of organics market but there is a growing interest among these importers.

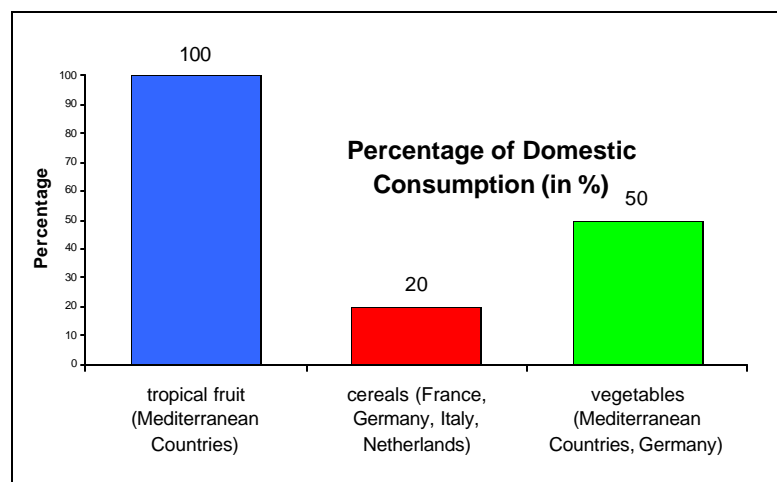


Figure 1: Austrian organic imports (2001, numbers estimated)

The biggest organic exports are non-perishable vegetables (e.g. potatoes, onions, carrots) and dairy products. It is estimated that exports of organic milk and dairy products grew 10% in 2002. Cereals, eggs and egg products are also important export commodities (see figure 2). The most important export markets are Germany, the United Kingdom, France, Italy, Denmark and Switzerland.

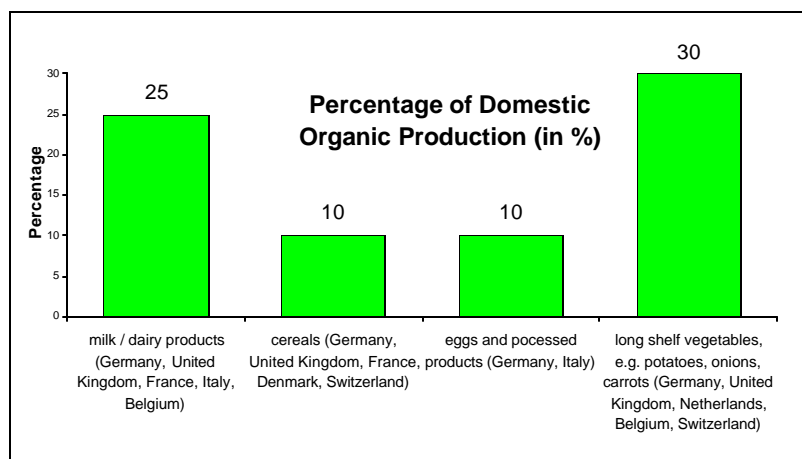


Figure 2: Austrian organic exports (2001, numbers estimated)

Import Regulations

There are ongoing negotiations between the EU and the United States on equivalent standards for organically produced products (for the current status of these negotiations see: <http://www.useu.be/AGRI/usda.html>). If an agreement is reached, it could ease import procedures for U.S. organic products into Austria. Currently, U.S. exporters seeking to export directly to Austria should ask an Austrian importer to apply for an import permit. The permits are issued by provincial governments and authorize the importer to import and sell organic products from the United States. The application has to be accompanied by documentation on the equivalency of standards and control measures. The producer and the exporter will have to be certified in accordance with EC procedures, which has to be done in co-operation with an accredited certification body.

It should be noted that a high percentage of the U.S. organic products sold in Austria clear customs in another country (often Germany) and then are shipped to Austria for sale outside of Austrian import procedures.

The Market for Organic Products

The Austrian market for organic products is dominated by supermarket chains, all of which have their own organic labels. In 1994 the REWE Group Austria started with the organic brand name "ja natuerlich". Several supermarket chains followed this example. Perhaps unique to Austria, food retailers focus their marketing resources on organic foods in an effort to shape the overall image of the store. Organic foods are promoted in an effort to build consumer confidence in all of the food products sold by the chain.

Over 70 % of the total organic sales are made in food retail stores. Direct sales from farms and restaurants accounts for 18% of organic sales. Health food stores account for 9 % of the total organic sales. About 70 % of the turnover is made in urban areas.

In 2002 the total organic turnover was estimated at 3 % of the total food market (in 1999: 1.8 % or 220 Million Euro), it is expected that this share is rising to 4 % in 2004. The demand for organic products in restaurants, hospitals, kindergartens and other public facilities is expected to grow.

Prior to 2001, retail organic sales were growing but in 2002 sales stagnated. A new organic brand label ("Natur Aktiv") was introduced in autumn 2002 by the large discounter Hofer and this should help to increase overall sales growth for 2003.

By value, the most important retail organic products in 2002 were potatoes (11.9 %), fresh milk (8.9 %), yogurt (5.5 %) and butter (6.3 %). Organic cheese, fresh vegetables, meat and poultry and fresh fruits have a market share of 3 to 4 %. Fresh fruit and pork sales are rising.

U.S. Market Perspectives

Lingering food safety and image concerns (e.g., BSE, Foot and Mouth Disease, dioxin, pesticide residues, GMOs, etc.) coupled with private and government sponsored marketing campaigns, and production subsidies have ramped up both consumption and production. However, on a macro level, Europe is largely self sufficient in organic production and there are some areas where organic foods are in surplus and must be disposed of through conventional marketing channels (e.g., milk).

Nevertheless, demand for organically produced dried fruits and nuts, mostly as an ingredient for cereals or dried fruit and nuts mixtures, is also steadily rising. Since U.S. producers already dominate the market for traditionally produced dried fruits and nuts (almonds, prunes, raisins) there is a parallel opportunity for organic exports. Austrian production of dried fruits and nuts is limited to locally grown species like apples and walnuts.

Other organic products with good prospects are organic soybeans, popcorn, chocolate and snack foods.

Annex

Exchange rates:

2001 (base year) exchange rate: \$1 = EUR 1.11
2002 (base year) exchange rate: \$1 = EUR 1.06

Important addresses:

Import Firms Specializing in Organic Products

AL Naturkost

Jahnstrasse 1

8220 Fuerstenfeld

Austria

Tel.: +43-3382-54877-0

Fax: +43-3382-54877-9

Contact: Mr. Daurer

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Organic Umbrella Organizations

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Wickenburggasse 14/9

1080 Wien

Austria

Tel.: +43-1-4037050

Fax: +43-1-4027800

Email: HYPERLINK "mailto:service@bioinformation.at" service@bioinformation.at

Internet: HYPERLINK "http://www.bioclub.at" http://www.bioclub.at

Oesterreichische Interessensgemeinschaft fuer biologische Landwirtschaft
 (Austrian Association for Organic Agriculture)
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 4132 Lembach
 Tel.: 07286/20022
 Fax: 07286/20033
 Email: HYPERLINK "mailto:igbiolandbau@oekoland.at" \t "_blank"
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 Internet: HYPERLINK "http://www.oekoland.at" http://www.oekoland.at

Other Useful Sources of Information – Internet Addresses

www.lebensministerium.at
 www.ama.at
 HYPERLINK http://www.oekoland.at www.abg.at
 www.biko.lk-tirol.at
 www.bios-kontrolle.at
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 HYPERLINK http://www.arch -noah.at www.arche -noah.at
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 HYPERLINK http://www.dinatur.at www.dinatur.at
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 HYPERLINK http://www.freiland.or.at www.freiland.or.at
 HYPERLINK http://www.hofmarke.at www.hofmarke.at
 HYPERLINK http://www.oekowirt.at www.oekowirt.at
 HYPERLINK http://www.boku.ac.at/oekoland www.boku.ac.at/oekoland
 HYPERLINK http://www.fibl.de www.fibl.de
 www.geocities.com/bioqualitaet
 HYPERLINK http://www.organi -europe.net www.organic -europe.net
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