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Report Name: Austrian Organic Market Growth Loses Momentum

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Post: Vienna

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Report Highlights:

After several years of dynamic growth, expansion in Austria's organic market is slowing down. Organic sales increased slightly by quantity and stagnated by value in the first half of 2024. Austria's organic market is expected to grow slightly or stagnate over 2024 and 2025. Austria is still one of the leading countries in organic production and consumption within the EU and the world. There are good market prospects for U.S. organic products which are not locally produced.

Summary

Growth in Austria's organic market slowed in 2023 due to high inflation and increasing living costs. In the first half of 2024, organic sales increased almost 2 percent by quantity but stagnated by value year-on-year. Sales of organic products are expected to either stagnate or grow slightly over 2024 and 2025. According to local marketing firm RollAMA,[1] Austria's overall organic sector (including food retail, direct sales, organic specialist retailers, and catering) totaled $3.13 billion (€2.89 billion) in 2023.

While land under organic cultivation has increased since the 1970s, organic area and the number of organic farms declined slightly in 2023. Austria has the highest percentage of agricultural land under organic management within the European Union, and organic production remains an important sector of Austrian agriculture.

Organic Production

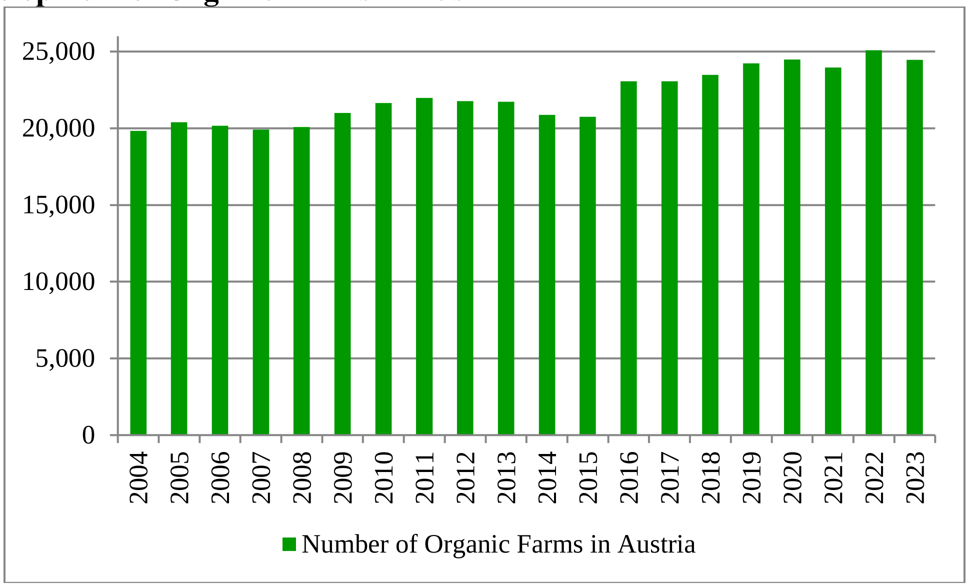
Austria has the highest percentage of agricultural land under organic management within the European Union. The government first recognized "organic" as a production method in 1927. Due to changing government support measures in the 1990s, a large number of farms shifted to organic production. Austrian organic production and consumption has grown steadily for many years. Within the last twenty years, the number of certified organic farms increased by 23 percent. During the same period, organic acreage increased by 39 percent. In 2023 (latest available data), 27.4 percent of Austrian agricultural area and 24.5 percent of all Austrian farms were managed organically. This amounts to 701,161 ha of organic farmland (including area used for row crop, horticultural, and livestock production) and 24,450 farms. In 2023, Austria's upward production trend was reversed with declines in organic area (0.7 percent) and organic farms (2.5 percent) compared to 2022. This decline can be explained by stagnating consumer demand due to high inflation as consumers are less willing to purchase premium-priced organic food, and stricter requirements by the EU Organic Regulation (EU) 2018/848 and the EU Common Agricultural Policy (CAP). These requirements include extended grazing requirements, a minimum of 7 percent biodiversity areas for organic farms, and lower basic premiums for organically managed farms. These conditions motivated some farmers to turn to conventional production or produce organically without certification or without subsidies. A stagnant to declining trend of the organic sector is expected for 2024 and also forecast for 2025.

Despite an overall decline in organic area, arable land (area in crop production) under organic management increased somewhat. The most important organic crops are winter soft wheat, soybean, corn, spelt wheat, rye, oil pumpkin, and winter triticale. Fodder production is also an important sector in organic farming. Almost 40 percent of fruit orchards, about one third of pastures, and almost a quarter of vineyards are under organic management. Organic wine production is growing. About a quarter of cattle, including dairy cattle, were raised using organic production methods. Organic pig production is still minor and accounts for about 3 percent of all pig production, whereas over 50 percent of goats, 30

[1] RollAMA is a quarterly agricultural and food marketing study conducted by keyQuest by order of Agrarmarkt Austria Marketing – "AMA" Marketing.

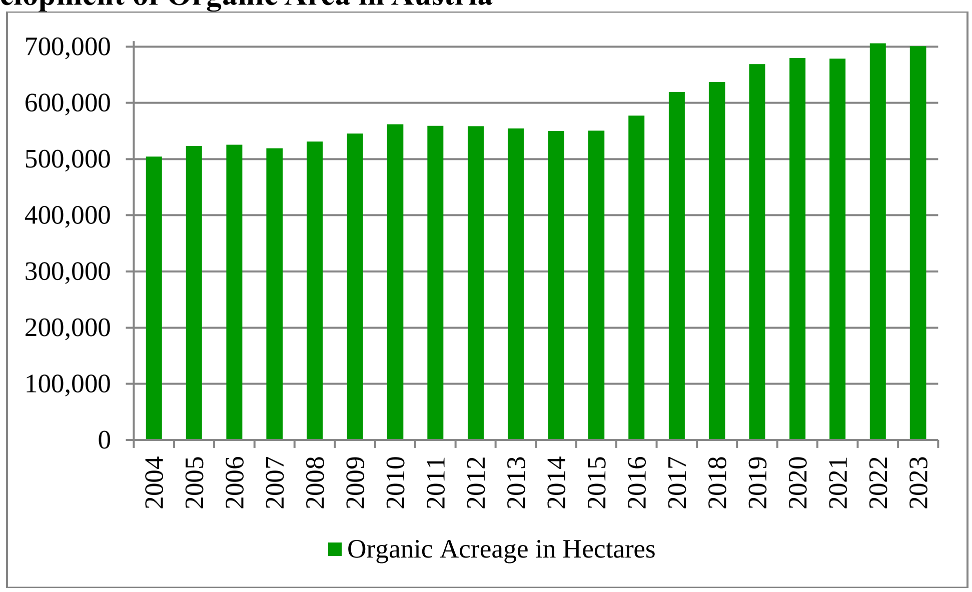
percent of sheep, and about 30 percent of poultry operations are organic. Organic poultry production is on a rising trend.

Figure 1: Development of Organic Farms in Austria



Source: Federal Ministry of Agriculture, Forestry, Regions, and Water Management (BML)

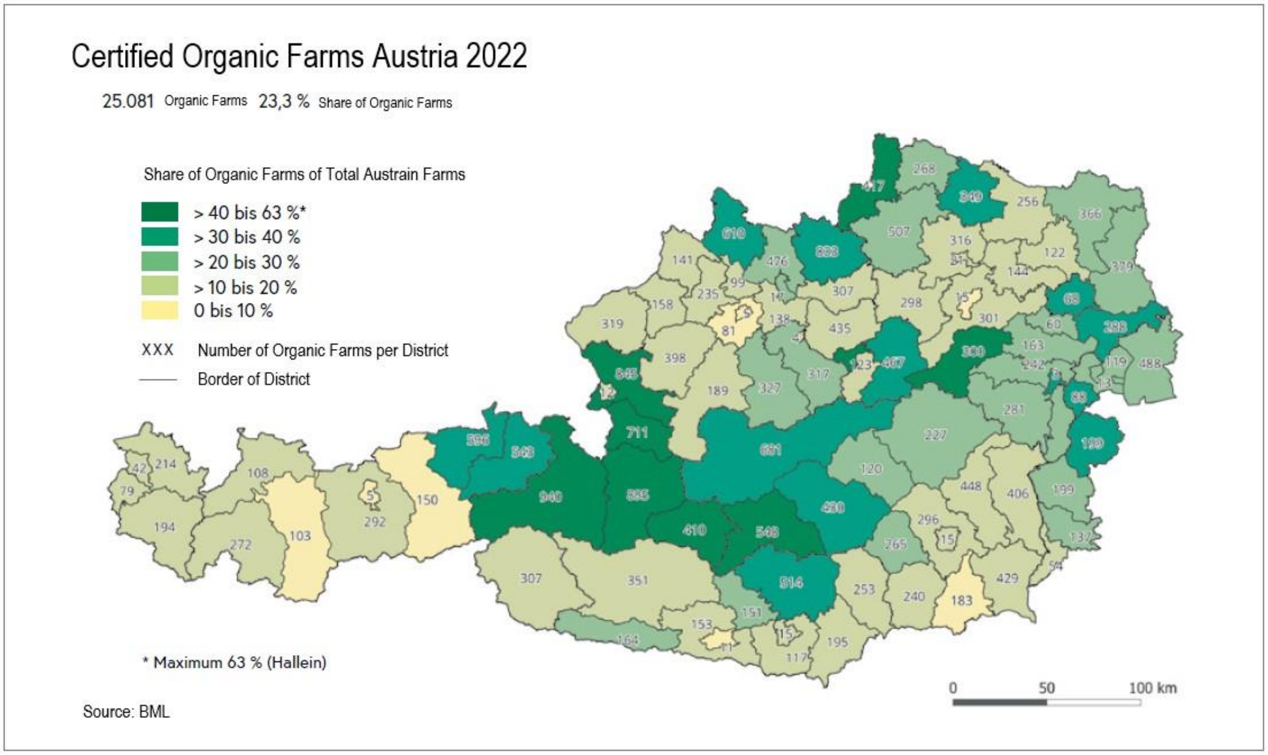
Figure 2: Development of Organic Area in Austria



Source: Federal Ministry of Agriculture, Forestry, Regions, and Water Management

At 50 percent, Salzburg is the federal state in Austria with the highest share of organic farms, followed by Vienna (33 percent), and Burgenland (29 percent).

Figure 3: Distribution of Certified Organic Farms (by Political Districts)



Source: Federal Ministry of Agriculture, Forestry, Regions, and Water Management

Organic Consumption

Austrian organic production is fueled by high domestic demand (i.e., consumption). Per capita expenditures on organic sales in Austria are among the highest world-wide. Organic food products have developed from a niche market to having significant market share.

Despite a difficult market environment due to high inflation and increasing cost of living, organic sales by quantity increased by almost 2 percent in the first half of 2024 compared to the first half of the previous year, according to RollAMA. Due to lower average prices, organic total sales by value did not increase but remained roughly the same year-on-year during that same period. Overall, there is a trend of shrinking price premiums for organic food compared to conventional food. According to RollAMA analysis, almost all Austrian households purchase organic products at least occasionally. Frequency of organic purchases and quantity of organic purchases per Austrian household are still on an upward trend. The RollAMA survey shows sales (including food retail, direct sales and organic specialist retailers, catering) of $3.13 billion (€2.89 billion) for the overall organic Austrian market in 2023. While most Austrian consumers make their food purchase decisions based on price, there is also an important group of loyal organic consumers who purchase organic food products for perceived quality, health, and environmental benefits, regardless of price.

With a share of 11.5 percent, organic purchases in the food retail sector remained stable in the first half of 2024 compared to 2023. The dynamic growth of organic food products has weakened somewhat, but, overall, organic's share of the sector remains largely stable. Growth is stagnating for organic bakery products, flour, and dairy products but the share of organic vegetables and fruits is growing. Consumption of organic meat has increased while consumption of organic eggs is declining.

Policy

Austria's farm policy favors small-scale and sustainable agriculture. Organic farming has received financial support since the 1990s. Austria supports EU policies that limit subsidies for large farms, benefit environmental programs, and promote lifestyle concepts such as "sustainable," "organic," "range-fed," "alpine," and regional farming. In Austria, there is considerable political support for environmental ("green") interests and issues to dominate the agricultural agenda. Organic farm management is in line with these aforementioned, highly promoted concepts.

The current coalition (which is still in place after general elections in September 2024) leading the Austrian Federal Government has anchored the strengthening and further development of organic agriculture in its coalition agreement. Agriculture Minister Norbert Totschnig emphasized in a press release that Austria already has 25 percent of its agricultural lands in organic production, meaning that it already met the EU target for 2030. As a result, he has expanded this goal for Austria by aiming to have 30 percent of agricultural land under organic management by 2027. The increase of organic land would be supported by the so-called "Action Program Organic Agriculture 2023." The action program includes supporting the EU Green Deal goals for Agriculture, considering the measures of the EU organic action plan, implementing the organic regulation 2018/848, and increasing demand for organic products. However, with the result of the general elections in September 2024, the leading political forces in Austria are very likely to change and the green agenda, including organic production, might lose importance. Currently it cannot be foreseen if the coalition talks between the Austrian right wing Freedom Party and the center-right People's Party will lead to a coalition government or if new general elections will take place.

The "Organic Farming" measure remains the most significant financial support measure of the Austrian agricultural environmental program (ÖPUL). Slightly over a quarter of ÖPUL payments go towards organic farming.

Market Outlets

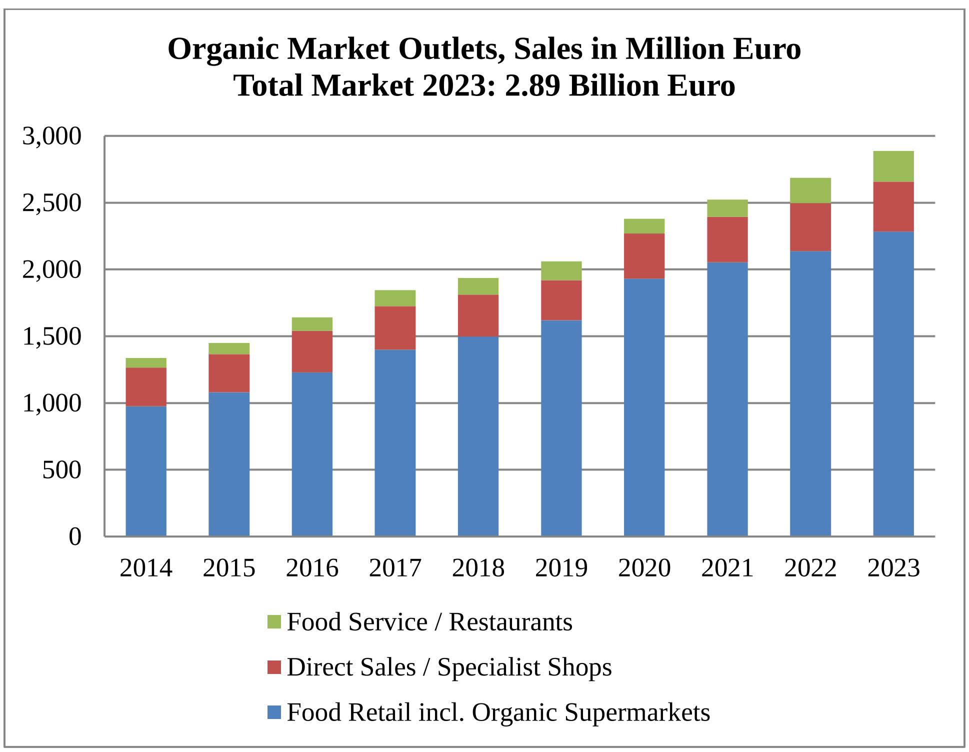
Conventional supermarket chains and discounters dominate the Austrian organic market. About 80 percent of organic sales originate from this category. All big food retail chains have their own organic label. In 1994, the food retailer REWE group Austria started with the organic brand name "ja! Natürlich" in its "BILLA" supermarket outlets. Several supermarket chains followed this example. The second-largest food retailer in Austria, "Spar," launched the brand name "Natur*pur" and the third-largest food retail player in Austria, the discounter "Hofer," introduced its brand "Zurück zum Ursprung."

Image 1: Most Important Organic Brands

Specialized organic shops also play an important role. Food catering in the public and private sector are an additional growing marketing channel for organics. Organic sales in the catering industry in particular are showing positive growth. The share of total sales increased from 7 to 8 percent from 2022 to 2023, this corresponds to sales of $249 million (€230 million).

In 2023, the total Austrian organic market is estimated at $3.13 billion (€2.89 billion - latest available data).

Figure 4: Organic Market Outlet Sales (Euro Millions)



Source: AMA Marketing

Organic Seals

AMA Marketing, among other things, licenses the AMA organic logo which is the official Austrian organic seal. The AMA organic logo exists in two versions: one is colored red, white and black and indicates that the majority of its ingredients are of Austrian origin. The other is black and white and indicates that the ingredients originate mainly from foreign countries. On packaged organic products, it is mandatory to also include the European Union's (EU) Organic Logo on the label. The EU logo may voluntarily be used on non-packaged organic products.

Image 2: Official Austrian and EU Organic Seals

The official Austrian organic seal

EU official organic seal

Trade

Data regarding Austria's organic trade volume is incomplete. The tariff codes of the European Union do not distinguish between organic and conventional products. There are also difficulties tracking transshipments. Austria's most important organics trading partners are its neighboring European countries. Exports mainly go to Germany, Italy, the United Kingdom, and the Netherlands. Imports are increasingly sourced from Eastern European countries.

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.

Import Regulations

In 2012, the United States and the European Union signed and implemented an organic equivalence arrangement. The arrangement broke down most of the trade barriers for organic foods created by two different certification schemes for the United States and the EU market. With the mutual recognition of the EU and the U.S. schemes, market access for both the European Union and the United States has been simplified to the benefit of both partners. The arrangement has proved to be a good example of how the United States and the EU can recognize each other's systems and work together across borders. With the new EU Organic Regulation (EU Regulation on Organic Production and Labeling of Organic Products: Regulation (EU) 2018/848), which came into force at the beginning of 2022, the EU now requires trade agreements in place of equivalence arrangements. With these EU regulatory changes, the U.S.-EU equivalence arrangement will expire by January 1, 2027, five years after the entry into force of the new regulation. To avoid trade disruptions, all non-EU countries, including the United States, that are currently recognized as equivalent may revise the terms of their arrangement with the EU. The new version of the arrangement will aim to recognize that the non-EU country has a "system of production meeting the same objectives and principles by applying rules which ensure the same level of assurance of conformity as those of the Union."

All organic products traded under the partnership must be shipped with an organic import certificate. This document lists the production location, identifies the organization that certified the product as organic, verifies that prohibited substances and methods were not used, certifies that the terms of the partnership were met, and allows traded products to be tracked.

Both parties are committed to ensuring that all traded organic products meet the terms of the partnership, retaining their organic integrity from farm to market. The European Commission's Directorate General for Agriculture and Rural Development and the USDA National Organic Program—which oversees all U.S. organic products—both have key oversight roles. This arrangement only covers products exported from and certified in the United States or the EU.

Please use the following link for more information on the arrangement including requirements, certifying agents and the import certificate: https://www.ams.usda.gov/services/organic-certification/international-trade/european-union

U.S. Market Opportunities

For many in-demand organic commodities, Austria and the European Union are largely self-sufficient. There are even some areas where organic foods are in surplus and sometimes must be disposed of through conventional marketing channels. However, for some commodities which are not locally produced, there are good market prospects. For instance, demand for organically produced dried fruits and nuts, mostly as an ingredient for cereals, bakeries, and snacks, is on the rise. U.S. producers already dominate the market for conventionally produced dried fruits and nuts (almonds, prunes, raisins); there is a parallel opportunity for organic exports. Other organic products with good prospects include, but are not limited to, organic soybeans, popcorn, snack foods, tropical fruits, and chocolate.

The Organic Trade Association (OTA) has a wealth of information and experience in helping U.S. companies in their endeavors expanding business overseas. Information about the OTA and how they can help the U.S. organic industry can be found on https://ota.com/.

Trade shows are excellent venues for U.S. exporters to make contact with potential business partners, to conduct product introductions, and to gauge buyers' interest. Since Austrian buyers go to the big European food trade shows, it is recommended that U.S. exporters attend those shows.

BIOFACH (https://www.biofach.de/en) is the largest international trade show for organic products in the world. BIOFACH is USDA-endorsed.

Fruit Logistica (www.fruitlogistica.com/) is a regional (European) trade show with a global audience that attracts buyers of organic fresh produce, nuts, and dried fruits. This show is USDA-endorsed.

U.S. exporters of organic food ingredients should consider exhibiting or visiting the **Food Ingredients Europe** (https://www.figlobal.com/europe/en/home.html USDA endorsed), or **Vitafoods** (https://www.vitafoodsglobal.com/en/home.html) trade shows. These shows attract many in the food processing industry.

Finally, trade shows like **ANUGA** (https://www.anuga.com/**)** or **SIAL (**https://www.sialparis.com/**)** attract buyers of specialty and retail-ready products and are therefore best suited for exporters of U.S. organic processed products like confectionary products, snacks, and baby food.

More detailed information about the USDA-endorsed shows in Europe can be found at: https://www.fas.usda.gov/topics/trade-shows.

Post Contact and Further Information

Internet home pages of potential interest to U.S. food and beverage exporters are listed below:

FAS Homepage: https://www.fas.usda.gov/
U.S. Mission to the European Union https://www.usda-eu.org/

If you have questions or comments regarding this report, please contact the U.S. Agricultural Affairs Office in Vienna at the following address:

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Attachments:

No Attachments.