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Swedish Organic Market

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Report Highlights:

Swedish consumers' interest in organics continue to increase and is gaining market shares on behalf of conventional food products. Imports account for about 50% of the organic sales in Sweden. Best opportunities for U.S. organic products lie in products not produced domestically, such as coffee/tea, wines, some fruit and vegetables and dried fruits and nuts. Moreover, there is also a growing demand for more organic processed products such as canned beans, corn, chili etc., where the variety and availability in Sweden is still much more limited than that found in the United States.

General Information:

I. MARKET OVERVIEW

In Sweden, sales of organic products reached record levels of 9.2.billion SEK (US$ 1.4 billion) in 2011, an increase of 11% from the year before. Despite a restrained behavior in the consumption, Swedish consumers' interest in organics continues to increase and is gaining market share on behalf of conventional food products. The demand for organic food is so high in Sweden that producers report that they are struggling to keep up with demand. A greater variety of products and the concern for the environment is the explanation for the big interest.

Although self-sufficiency in many types of organic products in Sweden is high, export opportunities exist for a number of products, especially those not grown in Sweden, e.g., coffee/tea, fruit and vegetables, dried fruits, nuts and wines. Imports account for about 50% of the organic sales in Sweden and is expected to increase due to domestic demand being much greater than production.

Even though the market share for organic products in general is still a modest 4% in Sweden, organics have made important in-roads for certain commodities such as milk, egg and bananas. For these products, where organics enjoy a market share of around 40 percent, market gains are expected to continue but at a somewhat lower rate. In 2011, products such as baby food, coffee, wines, fresh spices, bread and food ingredients showed strong growth.

The major retailers in Sweden are actively promoting organic products and their own organic labels have gained broad recognition. According to Ekoweb, an online independent organization, food retailers accounted for 53% of the organic market in Sweden in 2011, the public service sector had 15% share, the Swedish alcohol monopoly Systembolaget 12%, hotels and restaurants 8% and other channels 12%.

The Swedish organic sector has more or less been protected, although not in any official way. As an EU member state, Sweden adheres to EU import regulations. However, up until now, organic product imports have in practice been restricted to KRAV certification. KRAV develops organic standards and promotes the KRAV label. It has been difficult to market organic products in Sweden without the KRAV label. Although the awareness of other labels, such as the EU logo is increasing, the KRAV label is still the dominant organic label in Sweden and the majority of the organic products in the stores have a KRAV label (77%).

Since July 2010, the EU organic logo is mandatory for all pre-packaged organic products produced in EU. Organic products imported from third countries can use the EU logo on a voluntary basis. One June 1, 2012, the new EU-U.S. Organic Equivalence Cooperation Arrangement will come into force. Under the Arrangement, the EU will recognize the USDA National Organic Program (NOP) as equivalent to the EU Organic Program and will allow U.S. organic products to be marketed as "organic" in the EU using the EU organic logo. National and private labels, such as KRAV, can still be used together with the EU logo. Although it seems like KRAV has managed to maintain its market share so far, the wider use of the EU logo might weaken KRAV's dominant position on the Swedish market for organic products.

II. CONSUMPTION AND MARKET SECTORS

Sweden has among the highest consumption of organic foods. According to a recent consumer research, one in five Swedish consumers is interested in buying more organic foods. The research shows that 53% of Swedes buy KRAV-labeled organic food sometimes and 19% buy it as often as they can.

According to KRAV's recent market research, organic sales in the retail market increased between 2% and 6% in 2011. Almost all the major product groups, such as milk, egg, yoghurt, coffee, processed vegetables, juice, food oils and dairy products increased in sales in 2011. New products, such as fresh spices, baby food, bread and food ingredients showed the strongest growth in 2011.
One explanation can be the many new offerings and launches during the year, especially within the food retail chains' own private label category.

Dairy products account for a third of the organic sales in Sweden. In 2011, the dairy sector increased by 3.4%. During the year, many retailers have launched new dairy products under their own private label product category. Organic eggs increased by 7% in 2011 and account for about 17% of the market.

Organic Share of Total Retail Food Sales in 2010

Food Category	Organic Share %	Organic Sales Million US$
Food Products, total	**4.1**	**1,186**
Milk, cheese, egg	7.4	335
Fruit	6.5	122
Coffee, tea, chocolate beverages	7.8	63
Vegetables	6.1	167
Fish	7.1	109
Non-alcoholic beverages	3.7	41
Oils and fats	4.6	32
Other food products	3.9	52
Bread and other grain products	2.2	92
Mineral water, soda, fruit & vegetable juices	2.0	41
Meat	1.4	N71
Sugar, jam, honey, chocolate and candy	2.0	61

Source: Statistics Sweden (SCB)

Market Sectors

The main sectors for organic foods are the retail sector (incl. specialized organic importers), the hotel, restaurant and public service sector.

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Retail Food Sector

Three large retail groups, ICA, Coop and Axfood, dominate the distribution of food in Sweden. Together these three retail chains account for over 80 percent of the domestic food market and about 50% of the organic market in Sweden. In 2011, ICA, Coop and Axfood had a share of organic products of 4.3%, 2.1%, and 6.3% respectively.

The retail chains' comprehensive coverage of the whole country, combined with their vertically integrated structure (often imports, wholesale and retail trade are carried out within the same company), makes Sweden an interesting market for U.S. exporters seeking long-term stable and predictable sales. The shift towards more private-label brands will probably strengthen the major Swedish retail chains' willingness to compete not only with price (which would be rather difficult) but also through identification of their products with environmental benefits. This development has been hastened by the fact that some European discounters (e.g. the German retail chain LIDL) have established themselves on the Swedish market.

ICA is the leading food retail chain in Sweden. With its 2,000 supermarkets and 100 hypermarkets, ICA has a market share around 50 percent of Sweden's food retail sales. Moreover, it is also active in Norway and the Baltic countries. In 2008, ICA successfully launched its own organic product line "I Love Eco". In the first half of 2011, "I Love Eco" products rose by 27% and ICA's total organic sales increased by 7%. The big organic sellers are milk products, buttermilk, natural yogurt, coffee, eggs, and bananas. Organic products showing the strongest growth in the first half of 201 were: beef (+245%), fresh spices (+110%), citrus fruit (+93%), other dairy products (+85%) and baby food (+73%).

Coop, with its 800 food stores, has the highest market share of organic products, about 7 percent. In 2011, Coop's sales of organic products increased by only 1.5% percent, which is a significantly lower increase compared to the year before. However, Coop has many new products in the pipeline for 2012 and foresees a continued increase in the sales 2012. Among the various business units within the Coop retail chain, Coop Konsum is the one most specialized in marketing and promoting environmentally friendly products. Coop's organic private label "Änglamark" has been in the market for 20 years and is the leading trademark for organic products in Sweden. All Coop food stores are KRAV-certified. Overall, COOP accounts for about 20 per cent of total sales of all product types within the Swedish grocery retailing trade.

In 2011, **Axfood** sold organic products for US$ 0.1 billion and has a market share of 2.6% of organic products. Demand for organic products continued to rise at Axfood's store chains – Willys, Hemköp and PrisXtra – in 2011. Axfood's organic private label "Garant Ekologiskt" was launched in 2008. The label is available in all Axfood's chains and the assortment covers the whole range of groceries. In 2011, the number of "Garant Ekologiskt" items doubled.

The Swedish Alcohol Retail Monopoly – Systembolaget

In Sweden, retail sales of wine and liquor are restricted to a government agency, Systembolaget, which handles all over-the-counter sales of wine, spirits and full-strength beer through over 400 shops of its own throughout Sweden.

Swedish consumers' interest in organic wine and beer continue to increase. In the past few years, Systembolaget has become one of the largest sellers of organic products. In 2011, Systembolaget's sales of organic products increased by 23% (of which organic wines increased by 24%), while Systembolaget's overall sales grew by only grew 0.3%. There are 150 organic products available, 30 more than in 2010. Wine accounts for the major part, almost 75%, beer 18% and cider and spirits 4% each.

Hotel, Restaurant and Public Service Sector

Although the HRI sector accounts for 20% of food consumption in Sweden, the availability of organic foods on the menus have been rather limited in the past. However, according to Ekoweb, organic food sales in this sector amounted to SEK 2.1 billion (US$ 0.3 billion) in 2011, an increase of 24% from 2010. An increasing number of restaurants are offering organic foods. Today, all train restaurants serve organic meals and many hotels serve organic coffee and milk exclusively.

The Swedish Government's target that 25% of public consumption of food in schools, hospitals and other institutions should be organic in 2010 was not met. However, many municipals and institutions have started to provide organic menus and many Swedish cities are setting their own targets. For example Malmö (302,900 inhabitants) – 100% organic foods by 2020 and Södertälje (87,700 inhabitants) - 50% by 2012. Sweden's two major distributors to the food service sector, Servera and Menigo, both report an increased interest in organic foods in the past few years. In 2011, organic sales rose by 8% and 7.2% respectively.

Food Processing Sector

Almost all major food processors in Sweden have taken up organic products. There are over 500 KRAV-certified food processing units in Sweden.

Dairy products that have been the driving force when it comes to the development of the organic market in Sweden and it is also here that most producers are found. Arla is the largest producer of organic products and has the largest assortment of organic dairy products in Europe. Arla accounts for about 80% of the organic milk in Sweden today, and has a target to double sales by 2015.

Lantmännen is, by far, the largest player on the organic grain market in Sweden and handles about 90% of all organic grains. The company belongs to 37,000 Swedish farmers. Lantmännen exports and imports organic grain and proteins. Also, it supplies organic compound feed for the growing organic egg and milk production. The main part of all organic grains, about 65,000 ha (6% of total area) goes to animal feed. Reportedly, it is estimated that about 50,000 new hectares of organic grains will be needed to supply the growing market.

New targets for organic production in Sweden are being developed by the Board of Agriculture and will be included in the Rural Development Program 2014-2020. It will be presented to the government by May 30, 2012. The previous target – at least 20% of agricultural lands in Sweden to be organically cultivated in 2010 – was never met. Today the figure is only 14%. At the same time, domestic demand is much greater than production, which has led to increased imports of organic food. How the targets will be met and which political tools shall be used is still unclear.

III. MARKET ACCESS

The EU rules governing imports and production of organic products are fully applicable to the Swedish market. For more information about EU import and labeling regulations on organics, please refer to USDA Gain Report No. NL0022 EU-27 Organic Products Market Report at www.fas.usda.gov.

More details on the new EU-U.S. Organic Equivalence Cooperation Arrangement can be found in USDA Gain Report No. NL2006 The EU-U.S. Organic Equivalence Cooperation at www.fas.usda.gov.

For more information about the KRAV label, please refer to:
http://www.krav.se/System/Spraklankar/In-English/KRAV-/

BEST MARKET PROSPECTS FOR U.S. ORGANIC PRODUCTS

There is an increasing market in Sweden for imported organic products, which can open new opportunities for U.S. exporters. Clearly, business opportunities to export organic commodities that are not produced in Sweden, e.g., coffee/tea, wine, dried fruits and nuts and certain fruit and vegetables exist. The demand for organic wines is currently one of the most rapidly expanding products in Sweden. Moreover, there is also a growing demand for more organic processed products such as canned beans, corn, chili etc., where the variety and availability in Sweden is still much more limited than that found in the United States. Regarding packaging, U.S. suppliers should be aware that Swedish retailers are more and more looking to switch from canned products to tetra pack cartons. At least 95% of the product’s ingredients of agricultural origin have to be organically produced in order to be labeled organic.

In the long run, the best market opportunities will be provided for high-value processed food. While U.S. exporters will have to meet this growing demand in competition with the domestic food industry as well as the food industry in the EU, the wide range of organic products produced in the U.S. today gives the U.S. some advantages and opportunities in this market if it is seriously explored. High-value products which cater to the rapidly increasing market for convenience, healthy and ethnic foods have the potential to do well in this market.

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