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SUSTAINED GROWTH WITH A FOOTHOLD IN REGIONS
2018 figures for the organic sector

EDITORIAL

2018 marked a strong year for the organic sector…

Whether for health reasons, quality and taste, or to protect the environment, everyone has their own reason for consuming organic products. One thing is certain: French citizens are committed to organic produce, particularly younger consumers, as the results of our *Consumption and perception barrier of organic products in France,* released in February, demonstrate.

A commitment confirmed by the 2018 figures for the organic sector.

The verdict is clear: French companies and farmers have risen to the challenge to satisfy consumer demand! With an additional 5,000 in 2018, 41,600 farms have converted to organic agriculture, representing nearly 9.5% of French farms in total. French organic production has doubled in the past 5 years, reflecting the strongest growth ever recorded.

2018: even better! The symbolic milestone of 2 million hectares of organic crop areas was reached, representing 7.5% of the total French agricultural area compared to 6.5% in 2017. This spectacular growth was mainly due to the rise in cereal, wine, and fruit and vegetable production, which was particularly strong this year.

This boom benefits not only producers but also the entire organic sector! Organic food processing companies, which form a veritable network of SMEs and very small businesses in the heart of French regions, are multiplying at the same rate, up 12% in the past year and 49% in the past 5 years.

This phenomenal success has had a real impact in terms of job creation. In 2018 alone, the organic sector created 18,714 new jobs in production, processing and distribution, and now represents 14% of total agricultural jobs. By the end of 2018, there were over 155,347 full-time direct jobs in the organic sector, more than twice the figure recorded in 2012!

The year was generally marked by a strong increase in the consumption of organic products. The organic market was estimated to be worth 9.7 billion euros, representing a 15% increase compared to the previous year and nearly 5% of French citizens' food purchases. At the same time, the market share of imports for consumption remained stable, representing 31% of total consumption – and 18% if exotic products are not taken into account. Consumer demand for French organic products is expected to be consolidated in the next few years thanks to multiple conversions to organically certified production in 2018.

These significant and promising results for organic, "made in France" products have only been made possible thanks to the efforts of operators in the organic sector. With a particularly strong conversion rate for field crops in 2018, the entire French agricultural sector is undergoing a transformation!

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• ORGANIC PRODUCTION IN FRANCE

2018 – A RECORD YEAR FOR FRENCH ORGANIC PRODUCTION

In 2018, the symbolic milestone of 2 million hectares of organic crop areas was reached, representing 7.5% of France's utilised agricultural area (UAA) compared to 6.5% in 2017.

Today, nearly 9.5% of French farms have obtained organic certification, while the number of organic processing and distribution companies undergoing a conversion to organic production have witnessed double-digit growth. All sectors are being developed and organic crop areas rapidly increasing across the country. French organic production is on the rise!

1. Operators remain committed to organic production

The total number of operators, i.e. farms, processing and distribution companies which have obtained organic certification, increased from 54,044 in late 2017 to 61,768 in the same period in 2018, representing a rise of + 14.3%.

Among these operators, who may carry out multiple activities:

- 41,623 are organically certified, representing an additional 4,932 farms compared to 2017 (+ 13%). 9.5% of French farms are committed to organic agriculture. N.B.: only 3% of these farms committed to organic agriculture in 2017 have now ceased organic production.
- 16,651 are certified for processing (+ 12%)
- 7,114 are certified for distribution (+ 41%)
- 545 are certified for imports (+ 30%)

2. 14% of jobs in the agricultural sector

In 2018, the organic sector was estimated to have generated 155,347 direct full-time equivalent jobs, representing an increase of 18,714 compared to 2017. Since 2012, the number of jobs has almost doubled, representing an average annual growth of + 10.3%. Jobs in the organic industry cover a wide variety of sectors and all stages of production. The estimated 155,347 direct full-time equivalent jobs in 2018 can be broken down as follows:

- 100,300 direct jobs in farms, i.e. + 13% compared to 2017. Organic agriculture thus represents 14.3% of jobs in the agricultural sector.
- 19,900 direct jobs in processing organic products, i.e. + 19% compared to 2017
- 32,490 direct jobs in distributing organic products i.e. + 13% compared to 2017
- 2,250 service industry jobs in consulting, research and training, development, administrative services, and inspections specific to organic production

Organic farms employ more agricultural labour than their conventional counterparts: the replacement of chemical input products with labour-intensive practices, the growing number of farming operations for fruit and vegetables and organic vineyards, combined with the high proportion of farm-based food processing and short distribution channels, has increased the average employment content.

According to the 2010 agricultural census, organic farms employ on average 2.41 AWU (Annual Work Units) compared with 1.52 AWA in traditional farms. The upcoming 2020 agricultural census will reveal updated statistics in line with current agricultural businesses. Furthermore, taking into account all types of organic production, organic farms have more self-employed team members (farm owners, etc.) and permanent employees and have fewer temporary workers than conventional agriculture, suggesting more skilled and less precarious employment.

In addition to environmental and animal welfare benefits, organic production and processing contributes to the socio-economic viability of regions where these activities take place. Furthermore, organic farms are more economically efficient overall. Thanks to a dynamic market, with 69% of supplies coming from French production, by purchasing organic products, French consumers help support French jobs.

3. Organic sectors are on the rise

Fast-growing crop areas

Crop areas dedicated to organic agriculture reached over 2 million hectares in 2018, representing 7.5% of the utilised agricultural area of French farms.

- The percentage of organic crop areas has risen by + 17% since 2017, a faster growth rate than 2016-2017.
- The proportion of crop areas in the first year of organic conversion increased by + 31%, reaching over 268,000 hectares.
- Meanwhile, organically certified crop areas rose by + 22%, reaching 1.5 million hectares.

Field crops, fruit, vegetables, vineyards: the four fastest growing organic crops

In 2018, all organic crop areas expanded at a faster rate compared to 2017. Organic field crops continued to increase while the growth of organic fruit, vegetables and vineyards intensified in line with the shift towards organic crop production, which began in 2017.

- In the past ten years, organic crop areas devoted to fruit and field crop production have quadrupled, while animal fodder and vegetable production have tripled.
- Over the past five years, these dynamic markets have continued to expand. Organic field crops witnessed very strong growth throughout the entire five-year period, recording a slight decline between 2016 and 2017.
- Field crops experienced unprecedented growth, up + 31% between 2017 and 2018, with a more balanced distribution over the whole of France compared to previous years.
- Crop areas dedicated to fruit, vegetable and wine production have witnessed very strong growth (+ 24%, + 20% and + 20% respectively) since 2017. Meanwhile, in the fruit growing sector, crop areas devoted to the production of stone fruit have experienced phenomenal growth: + 40%, particularly prunes for processing and peaches
- Since 2012, crop areas devoted to aromatic, and medicinal plants (AMP), as well as animal fodder (which alone represent 2/3 of hectares grown organically) have witnessed steady growth, in line with the expansion of all organic crop areas.

The percentage of organic crop areas continues to increase for all types of production, reaching 7.5% of the utilised agricultural area. This percentage is higher for perennial crops: over 23% of orchards, 21% of fragrant plants (mainly lavender and lavandin) and 12% of vines are grown organically. Despite experiencing strong growth since 2014, organic field crops represent less than 5% of France's total utilised agricultural area devoted to field crops.

Development prospects for organically certified crops:

In light of crop areas that underwent an organic conversion in late 2018, organically certified crop areas are expected to increase more rapidly in the near future: around 250,000 to 300,000 hectares per year. The rise in organic crop areas will help meet growing consumer demand for French organic products.

Conversions to organic breeding are in full swing

Organic breeding continued to witness strong growth for all species in 2018.

Non-ruminant breeds, witnessed record conversions to organic production, between 2017 and 2018, with a + 31.3% increase in the number of organic laying hens (+ 17 points compared to 2017) and a

+ 20% increase in organic sows. The growth of the organic laying hen sector was undoubtedly boosted in 2017 in view of the bird flu crisis and the decontamination process that ensued.

- In 2018, the number of organic laying hens represented 13.3% of the total hen population in France, thus helping farmers meet strong consumer demand: according to the IRI InfoScan Census, 28% of eggs purchased in supermarkets in 2018 were organic.
- Meanwhile, organic sow livestock represented just 1.3% of total sow livestock, despite the efforts of abattoir workers and manufacturers to relocate sources of supply. The pork market, in particular delicatessen meats, remains dependent on imports (representing 25% of the organic delicatessen and dry cured meat market in value).
- The chicken meat market has experienced slower growth (+ 13.6%), accounting for a lower market share overall (1.6%).

Ruminant breeds: growth is more contrasted between organic dairy and lactating breeds.

- Dairy cows, sheep and goats have witnessed double-digit growth, up + 14%, + 20%, and + 15% respectively (N.B. dairy cows experienced a 13-point decline in growth compared to 2016-2017 trends). The percentage of organic livestock thus reached 6.2% for dairy cows, 10.8% for sheep, and 9.1% for goats.
- The number of dairy cows and sheep increased by + 8% and + 6% respectively.

The commitments of the laying hen and dairy sheep sectors are particularly strong, driven by recognised quality labels, including organic labels, labels rouges (red labels) and AOP (protected designation of origin).

In recent years, French organic aquaculture has expanded: the Interprofessional Committee for Aquaculture Products (CIPA) indicates that 6.5% of rainbow trout and 15% of sea bass and sea bream are organic. France is therefore the leading European producer of organic freshwater trout.

4. A significant increase in organically certified crop areas throughout France

As in previous years, almost 60% of organic farms and crop areas are located in four regions:

- Occitanie: 9,403 farms, 507,242 ha
- Nouvelle-Aquitaine: 6,157 farms, 275,953 ha
- Auvergne-Rhône-Alpes: 5,858 farms, 251,976 ha
- Pays de la Loire: 3,270 farms, 192,211 ha

These four regions represent 45% of organically certified processing and distribution companies. The densely populated regions of Ile-de-France and Provence-Alpes-Côte d'Azur also strongly influence the downstream organic sector (12% and 9% of downstream organic companies respectively).

Organic crop areas are stabilising or increasing in all regions, with an additional 70,700 ha in Occitanie (+ 17.4%) and a further 58,700 ha in Nouvelle-Aquitaine (+ 27%). In these two neighbouring regions, growth has spread to field crops, fruit, vegetables, and vineyards. The Corsican and Centre-Val de Loire regions experienced more than + 20% growth while Ile-de-France witnessed more than + 40% growth.

In French overseas territories, growth was particularly strong in Guadeloupe (+ 36%) and Réunion (+ 21%).

Provence-Alpes-Côte d'Azur remains the French region with the highest percentage of agricultural land dedicated to organic production (25.6%), boosted in 2018 by the increase in the organic fruit growing sector. This is followed by the Occitanie region, which represents over 20% of organic French farms and crop areas alone. Here, 15.1% of the utilised agricultural area is dedicated to organic agriculture; followed by Corsica (13.6%).

Over 1,000 farmers are committed to organic production in each of the following departments: Gers, Drôme, Gard and Hérault, which maintain their leading position at the top of the 2018 rankings. Gers, Aveyron and Loire-Atlantique are home to over 60,000 hectares of land grown organically. Alongside Yonne, these departments also feature a large number of crop areas undergoing conversions to organic agriculture (+ 15,000 ha). The majority of these farms are dedicated to field crops and ruminant breeds.

Nine other departments have experienced strong growth in the organic sector, with over 9,000 hectares of crop areas undergoing a conversion to organic farming, demonstrating the significant growth potential of organic production in France. Six departments have devoted at least 25% of their utilised agricultural area to organic agriculture, compared with four departments in 2017.

Downstream operators are mainly located in densely populated departments, illustrating how the distribution and processing of organic products is directly linked to consumer demand.

5. Trends in organically certified crop areas in the European Union

In 2017, organic crop areas in the European Union increased by + 5.9% to reach over 12.8 million hectares. Between 2007 and 2017, organic crop areas in the European Union almost doubled. France (1,744,411 ha) occupies third place, behind Italy (1,908,570 ha) and Spain (2,082,173 ha). These three countries represented nearly 45% of organic crop areas in the European Union in 2017. The number of organic farms has also increased by + 6.1%, exceeding 310,000 in total. Once again, France came 3rd in 2017, behind Spain (37,712) and Italy (66,788).

• THE FRENCH ORGANIC MARKET

THE ORGANIC MARKET IS BECOMING WIDESPREAD AND BENEFITING FRENCH PRODUCTION

The consumption of organic products in France has witnessed unprecedented annual growth in value, exceeding 1.2 billion euros for the third consecutive year. This strong growth reinforces French consumer demand for more organic products in stores, in turn benefiting the boom in French organic production.

1. Nearly 5% of French household food purchases are organic

In 2018, the organic food market was estimated to be worth 9.7 billion euros, representing an increase of + 15.7% compared to 2017. Organic product purchases are broken down into household purchases and the out-of-home catering market:

9.139 billion euros of household purchases (including VAT) were devoted to organic products, representing almost 5% of food purchases. In 2018, French citizens spent on average 136 euros per inhabitant per year on organic products. For the third year running, organic purchases increased by 1.2 billion euros, rising by + 15.4% between 2017 and 2018.

555 million euros (excluding VAT) of organic products were purchased by the out-of-home catering market, including 319 million euros in the mass catering sector, which witnessed record growth (+ 28% since 2017), reflecting the objectives of the EGalim bill and growing consumer demand. Meanwhile, 236 million euros of organic products were purchased by the commercial catering sector (+ 14%).

2. Supermarkets are gaining ground

Between 2011 and 2016, sales grew faster in organic stores than in general stores, witnessing a record year between 2015 and 2016 with +25% growth. However, new trends began to emerge in 2018. Supermarket sales accounted for almost half (49%) of French household organic product purchases. This record market share is the result of the development of organic ranges under both private labels and national brands since 2017.

Turnover in general stores increased by nearly 50% between 2016 and 2018 (+ 22.6% between 2017 and 2018). According to the IRI InfoScan Census, French supermarkets account for 75% of this turnover, with the strongest growth recorded in click and collect services (+ 77% between 2016 and 2018, occupying 9% of the market share), local stores (+ 62%, reaching 11% of the market share) and, to a lesser extent, discount stores.

Sales in specialist organic stores continued to increase, although at a slightly slower pace (+ 7.7%), with their market share declining by 2 points to reach 34%. Even if specialist organic store networks still expanded as a result of new store openings, independent stores nevertheless experienced a slight decline in turnover.

Direct sales retained 12% of the market share in 2018, and experienced double-digit growth (+ 12%), which did not stem uniquely from wine as in 2017. Artisanal stores and retailers benefited from the rise in craft bakeries (+ 10.3%).

3. Growth in all product ranges

In the organic food market, over half of sales in value of organic products take place in the fresh food aisle. The distribution of sales for the main product ranges remains relatively unchanged. Over the past three years, organic product ranges have experienced double-digit growth.

- 2018 marked a turning point, with organic animal products witnessing stronger growth compared to previous years. Sales in meat aisles (+ 21%), particularly pork (+ 33%) and poultry (+ 22%), as well as milk, eggs, and dairy products (+ 20%), especially dairy products (+ 25%), continue to increase. The emergence of larger organic volumes in 2018 was made possible thanks to sectors successfully adapting to organic requirements and consumer demand for more diverse dairy product ranges: butter, cream, cheese and dairy desserts have increased both in terms of production and sales.

While produced in smaller quantities, frozen food and ready meals are also rapidly developing (+ 29% and + 22% respectively). Produced in smaller quantities, sales of beer and cider (+ 27%) continued to increase since their boom in 2017, reflecting the success of premium alcohol ranges.

Pork, poultry, ready meals, groceries and alcoholic beverages in supermarkets also experienced very strong growth, recording a 9-point increase in all distribution circuits combined, surpassing bakeries, delicatessen meats, and dairy products by 5 points. These results reflect the efforts of supermarkets and national brands to secure supplies and create new sectors, as well as the expansion of product ranges in click and collect services and local stores.

4. Imports are stagnating thanks to the rise in French production

As in 2017, in 2018, 69% of organic products consumed in France are produced in locally. Imports remain relatively stagnant, but thanks to strong market growth, imports of organic products in value are increasing at the same rate, with the market value of wholesale distribution rising from 1.64 to 1.89 billion euros.

Imports in response to consumer demand for diversity

Certain foodstuffs, such as bananas and citrus fruit, sugar for bakeries/patisserie and groceries including olive oil, coffee etc. are difficult to produce in French climates. At the same time, some countries have a climatic advantage over French production, particularly industrial tomatoes and durum wheat used to make pasta, etc.

French sectors are undergoing a transformation

Supplies of organic dairy and meat products, which have recorded strong growth, are able to be maintained thanks to the production of larger organic volumes. The increase in grocery imports (sugar, oils, coffee, etc.) has been thwarted by the strength of the French organic cereal sector.

The rise in exports

Exports continue to develop, even if France's main product, organic French wine, failed to witness strong growth following a poor harvest in 2017.

5. The organic market in the European Union

In 2017, purchases of organic products in the European Union rose to 36.8 billion euros, representing an annual growth of + 11.3% compared to 2016. Over half of purchases were made in Germany (10.3 billion euros) or France. The European Union's third largest organic market, Italy, remains a long way behind, estimated to be worth 3.6 billion euros.

In 2018, the German market grew at a slower rate compared with France, increasing + 5.5% to reach 10.9 billion euros (excluding the out-of-home catering market), representing 5.5% of household food purchases. Experiencing double-digit growth (+ 15.7%), French organic food purchases are rapidly catching up with German figures.

FOCUS ON DISTRIBUTION CIRCUITS IN THE EUROPEAN UNION

In recent years, and in most countries in the European Union, the development of organic product ranges in supermarkets, particularly supermarket own-brands, has helped increase the organic market share of supermarkets at the expense of specialist organic stores. These trends reveal the various challenges posed by the organisation and commercial strategy of distribution channels. In numerous countries where this trend is emerging, such as in Spain and Eastern Europe, the growth of the organic market relies on the development of organic products in supermarkets.

In Germany, the market share of supermarkets has witnessed strong growth, reaching 58.9% of organic product purchases in 2018 (vs. 33.2% in 2000), with an + 8.6% increase in sales between 2017 and 2018.

In the late 2000s, supermarkets dominated by discount stores adopted a more quality-oriented approach with less emphasis on low prices. Stores have been refurbished and modernised, with marketing campaigns focussing on sustainable development and fair trade with organic products taking centre stage. Supermarkets are keeping a close eye on market trends thanks to predictive marketing all whilst securing supplies and credibility with attractive contracts, sometimes with support from 100% organic organisations.

In contrast, specialist organic stores witnessed stagnant growth in terms of annual turnover, representing only 26.9% of the German organic market in 2018 (compared to 38% in 2000). Specialist organic stores suffer from a lack of market differentiation from general stores, commercial strategies to build customer loyalty (staff training, work in supply chains), as well as fierce competition in terms of prices and store locations between organic networks (resembling "organic supermarkets") and independent stores. Despite the dreary outlook, it's not all bad news.

In Italy, even if specialist stores have long dominated the organic market, sales have increased faster in supermarkets since 2011. Italian supermarkets have been slow to invest in the organic sector, in terms of allocating dedicated spaces and introducing private label ranges. This rapid increase in sales has come as a surprise to specialist organic distribution circuits, made up of smaller stores with less bulk and fresh products than in France, and largely independent stores (40% of organic stores). These stores, which place an emphasis on local, high-quality products, lack the scale and organisation to compete with market competition.