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The Netherlands

Organic Products

Market for U.S. Apples & Pears

2000

Approved by:
Phil Letarte
U.S. Embassy, The Hague
Prepared by:
Wendalin Kolkman

Report Highlights:
The U.S. export of organic apples and pears to the Netherlands offers opportunities as long as U.S. growers can meet the Dutch national organic standard.

Includes PSD changes: No
Includes Trade Matrix: No
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Executive Summary

Of the total organic fruit production (4 million kilograms), apples have the largest share (2.5 million kilogram by pears. Since organic apple and pear production in Europe is low, exports of U.S. organic apples and pears t Netherlands offer opportunities if U.S. growers can meet the Dutch national organic standard. U.S. organic ap pears could probably fill some seasonal holes in the total Dutch trade. Exotic apple and pear varieties and priv labels also offer opportunities.

Exchange Rate			
Year	**U.S. $**	**EURO**	**Dutch florin (guilder)**
1998	1	-	1.98
1999	1	0.94	2.07
2000	1	1.04*	2.29*

Note: For 2000 exchange rates are only available for the first six months

Organic Production

In the Netherlands, the number of firms involved in the production and processing of organic products increas percent in 1999. The total Dutch market for organic food increased 17 percent to almost US$ 250 million. T growth is especially driven by increasing promotion activities and rising sales of organic products by superma

Organic vegetables and fruit are provided with control marks like "EKO" or trade marks like "Demeter". Proc organic products have to meet specific conditions for organic production. SKAL, still the only Dutch quality organization for organic products, certifies organic farmers that comply with these conditions. It takes three farm to get full organic status by SKAL, which means that products can be sold under the EKO-mark. Howeve the second year products could be sold as "conversion products".

Number of Organic Farms in the Netherlands

	1998	1999	2000
Total number of farms **% of total**	970	1,216 1.18%	1,277 1.24%
Amount of acreage **% of total**	19,300 0.90%	22,997 1.15%	24,217 1.21%
Number of farms: **- Certificated** **- Under conversion**	 787 155	 936 280	 989 288
Share of farms per sector: **- Vegetables** **- Fruit** **- Arable Products** **- Livestock** **- Other**	 28% **0.0%** 24% 39% 9%	 24.5% **6.0%** 24.0% 42.0% 3.5%	 24.3% **5.0%** 24.1% 43.1% 3.2%

Product Board for Horticulture

In 1999, the number of organic farms increased 25 percent to more than 1,200. In contrast, there were only 4 organic farms in 1993. The Dutch organic acreage increased 20 percent to approximately 9,308 acres in 199 However, this is only 1.2 percent of total agricultural acreage. It is expected that about 10 percent of the total agricultural acreage will be used for organic farming by 2010.

Number of Organic Farms per Sector		
	1999	**2010***
Livestock	471	3,000
Vegetables	275	2,350
Arable Products	269	1,400
Fruit	**67**	**500**
Other	39	250
Total	1,120	7,500

Product Board for Horticulture
* Estimates

In 1999, Dutch production of organic vegetables and fruit amounted to approximately 65 million kilograms, w about US$33.8 million. The total acreage under organic vegetables and fruit was almost 850 acres, with more acres in conversion. Of the 105 acres devoted to organic fruit, almost 73 acres were used for growing organi In the last couple of years the Dutch supply of organic fruit accounted for approximately 1 percent of the tota supply. Of the total organic fruit production (4 million kilograms), apples have the largest share (2.5 million followed by pears. In 1999, the total value of Dutch organic fruit production was almost US$4 million. Since pear production in Europe is low, organic pear production offers opportunities for Dutch growers.

Dutch organic apple production is rising but still lags behind other EU countries like Italy and Germany. In 1 farms began growing organic apples with a once-only subsidy of US$884 per acre, and this year, there are a to 40 in production. In the Netherlands, the production of organic apples ranges 4 to 8 tons per acre, about half t volume of non-organic apple harvests. Approximately 70 percent of the organic apple production consists of and Jonagold varieties, which also have the largest shares of total Dutch apple production.

Acreage, Production and Value of Organic Vegetables & Fruit in the Netherlands for 1999			
	Acreage (acres)	**Production** (x 1,000 kg)	**Value** (x US$ 1,000)
Vegetables:	745	60,000	28,986
- open field	728	50,000	19,324
- glasshouse	16	10,000	9,662
Fruit:	**105**	**4000**	**3,865**
- apples	**73**	**2,500**	**n.a.**
Total	850	64,000	32,851

Product Board for Horticulture

Dutch growers of organic fruit face certain difficulties:

- Technical problems. The tools to combat diseases, like scab, are insufficient. The use of some organ insecticides and pesticides is still not allowed.
- Since March 1, 2000, the use of copper has been forbidden.
- Business-economic problems during the "conversion period". In the last couple of years, apple prices low, while investment costs, especially for the "conversion period," have been high. Therefore, subsic needed.
- The three-year conversion period hinders growers to concert to organic fruit.

Government Support

In 2000, the Dutch Ministry of Agriculture, Nature Management and Fisheries made US$9.7 million available organic farmers to continue, expand, and convert to organic production. Because of this "Regeling Stimulerin Biologische Productiemethode (RSBP)" organic fruit growers could get almost US$2,200 per acre. Every ye can receive one/fifth of the total amount. In addition, for the period 2001-2004 the organic sector will get ad financial support of US$35 million. In total the value of subsidies for the 2000-2004 period is more than US million. The subsidies should stimulate:

- the cooperation between market parties. Organic chains should be developed.
- optimal transparence of the sector and the market. Traceability should be improved.
- development and diffusion of knowledge, expertise and skills.
- a transformation from supply driven to demand driven production.

The general purpose of the Dutch government is to increase the share of organic production in the total agricu production to 5 percent in 2005 and to 10 percent in 2010. To reach this goal, farmers are eligible for tax reb addition, the Dutch government is looking for ways to exclude organic products from V.A.T. So they can com better with non-organic products. However, the European Commission and the WTO have to agree on this pro first. The price for organic products currently is 20 percent above the price of similar non-organic products. 40 percent of the Dutch customers take price into account when they do their shopping, so most Dutch superr chains are only interested in selling organic apples and pears if prices are competitive.

Market for Organic Fruit

Approximately 65 percent (42,000 tons) of Dutch organic vegetable and fruit production is exported, while 35 (22,000 tons) remains in the Netherlands. Although Dutch supermarkets face serious shortages in the supply vegetables and fruit, foreign markets still offer the best opportunities. This is due to the significantly higher p consumers of those countries are willing to pay for organic products. The United Kingdom, Germany and Sca are the main export destinations for Dutch organic vegetables and fruit. The demand from the U.K. has especi increased in the last couple of years. It is expected that Southern Europe will also offer good export opportur the short run. In the countries mentioned above, supermarkets are the main outlets for organic products.

Distribution Channels of Dutch Organic Vegetables and Fruit for 2000 (Volume)			
Export markets:	**65%**	**Domestic market:**	**35%**
- United Kingdom	60%	- Health food stores	45%
- Germany	20%	- Subscription schemes	30%
- Other	20%	- Supermarkets	20%
		- Other	5%

Product Board for Horticulture

In the European Union, much less organic fruit is grown than organic vegetables. Because of the insufficient s the EU, especially of organic pears, the Netherlands has to import organic fruit from countries such as Israel, Chile, New-Zealand and South Africa. The majority of imports is re-exported. The main destinations for orga from the Netherlands are Germany, the United Kingdom, Austria and Switzerland. For example, because of th supply of Dutch organic yellow apples from July to September, the distributor "Odin" imports organic apples for re-export to the United Kingdom.

Export of Dutch Organic Fruit in 1997/1998	
Volume (x1, 000 kg)	NA
Share in production	50%
Destination	Germany, United Kingdom, Austria and Switzerland

Product Board of Horticulture

The total Dutch retail sales of organic foods is estimated at US$242 million. Health food stores are the main organic vegetables and fruit. In 1999, Dutch health food stores had a total turnover of US$ 124 million in org However, the market share of supermarkets is increasing. In the last couple of years, the supermarket chains especially Albert Heijn, Dekamarkt, Nieuwe Weme, Groenwoudt and Konmar have increased their organic assortments. In 1999, the supermarket chain A&P had the largest increase in organic food. It is expected that Heijn and Konmar will become the new leaders in Dutch organic food. Both chains have at least 20 types of E vegetables and fruits in their assortment. Dutch supermarket chains, however, will only sell organic apples an the price decreases.

Compared to other supermarket chains, Albert Heijn is taking the lead in selling organic products, with a 78 pe market share (which is almost 20 percent of total sales in organic food). Albert Heijn sells 200 organic produ the end of this year the organic assortment should have grown to 300 products. The products are sold under th "EKO" control label and the private label "AH Biologisch". Approximately 70 percent of all supermarkets off organic assortment. However, organic products account for only 0.7 percent of the total supermarket turnove According to CBL, organic vegetables and fruit account for 5 percent of the total vegetables and fruit assortm Dutch supermarkets. It is expected that this share will increase to 10 percent in the near future. To broaden th organic assortment and to increase sales of organic products, supermarkets try to stimulate farmers to grow o products by increasing promotional activities and reducing delivery time. As mentioned before, Dutch supern still face serious shortages in supply of reasonable priced organic vegetables and fruit. Despite the interest in products, supermarkets do not have much interest in "conversion products" (Those products in the 2nd year of year of acquiring organic certification).

The Six Largest Food Buying Organizations in the Netherlands in 2000			
Retailer/Wholesaler - type of outlet	**Sales/ Market share**	**Number of Outlets**	**Purchasing**
Albert Heijn, Retailer, National Multiple	US$ 5.5 billion 27.8 percent	1,790 nation wide	Direct, Imp./ wholesaler
Laurus Group, Buying organization for supermarket chains Super De Boer, Edah, *Konmar*, Spar, *Groenwoudt Supermarkten* and Basismarkt	US$ 4.7 billion 23.8 percent	1,908 nation wide	Direct, Imp./ wholesaler
Trade Service Nederland, (TSN) Buying organization for wholesalers Schuitema, Sperwer, *A&P*, Prisma Food Groep, Boon Sliedrecht and Codis	US$ 4.2 billion 21.0 percent	1,730 nation wide and regional	Direct, Imp./ wholesaler
Superunie, Buying organization for 14, usually family owned, regional supermarket chains	US$ 3.5 billion 17.8 percent	1,240 regional	Direct, Imp./ wholesaler
Aldi, Retailer	US$ 1.3 billion 6.3 percent	359 nation wide	Direct, Imp./ wholesaler
Koopconsult, Buying organization for the regional wholesaler Samenwerkende Dirk van den Broek Bedrijven	US$ 0.4 billion 2.1 percent	173 regional	Direct, Imp./ wholesaler
IN TOTAL	**US$ 19.6 billion 98.8 percent**	**7,200**	**Direct, Imp./ wholesaler**

Source: Elsevier Bedrijfsinformatie, 2000

The organic fruit and vegetable buying clubs, Odin (65 percent market share), Bljor (11 percent) and Vita (2 p are losing members. For example, Odin lost 4,000 of its 29,000 members last year, partly due to increasing a of organic products in local supermarkets.

According to the Product Board for Horticulture, the price difference between organic products and similar n organic products may not exceed 20 percent. The relatively high price of organic products is the main reason reluctance of Dutch consumers to buy. Dutch consumers feel that the main reason to purchase organic food, and safety aspects, followed by taste and environmental issues.

Market for Residue-free Fruit

Although only a small part of Dutch apple and pear growers are organic farmers, more than half of the apple ar orchards in The Netherlands are managed using 'environmentally friendly' methods that minimize the use of c and encourage pest control through natural methods. This share will probably increase, due to the announcem Albert Heijn to sell only residue-free food within a couple of years. According to Albert Heijn, consumers wa healthy products without residues from pesticides and insecticides. However, this does not mean that Albert I switch to organic food, because the conditions for organic food are much stricter. Therefore, residue-free fru become a substitute for organic fruit, especially when the prices are lower.

Market for U.S. Organic Fruit

The main trade barriers for U.S. organic apples and pears at this time are high freight costs, due to high oil pri precipitated by the high US dollar. In general, Dutch consumers do not want to pay a price difference of more percent for organic apples and pears compared to similar non-organic apples and pears. However, within the I is a shortage of cheaper organic fruit, especially of organic pears. Therefore, organic apples and pears have to imported from countries like Israel, Argentina, Chile, New Zealand and South Africa, where production costs relatively low. If U.S. growers can meet the Dutch national organic standards, opportunities exist to enter the market as well. This is especially the case when low production costs could compensate for the high dollar. I addition, a U.S. national organic standard will help to catch the attention of Dutch importers of organic fruit.

Dutch supermarkets want to offer the same organic apples and pears the whole year through. Therefore, U.S. apples and pears could probably fill some seasonal holes left by other (southern hemisphere) suppliers who ca supply during the entire year. Private label apples and pears could also offer opportunities because many supe chains want to profile their specific supermarket formula by carrying their own brands. In addition, 'exotic' ap pear varieties could offer opportunities too. The demand for exotic apple varieties as the Braeburn, Gala and t increasing.

The Dutch trading company Eosta is the main importer of organic fruit in the Netherlands. For detailed inforn please contact:

Eosta
Mr. Volkert Engelsman, General Manager
P.O. Box 132
3980 CC Bunnik
The Netherlands
Tel: +31.30.656.6000
Fax: +31.30.656.6040

Other Dutch trading companies in organic fruit are:

Green Organics
Mr. Jan Groen
Het Zwarte Water 75
8253 PD Dronten
The Netherlands
Tel: +31.321.385340
Fax: +31.321.385341

Odin Holland CV
Mr. Koos Bakker, General Manager
De Panoven 1
4191 GV Geldermalsen
The Netherlands
Tel: +31.345.577133