Assessment of the European market for the main organic export products from Armenia, Moldova, Ukraine
• Organic agriculture is catalyst for Green Economy
• Organic market in EU is growing, faster than local production
  = shortage of raw materials/finished product
• Imports from around the world, preference for nearby
• Favourable conditions for organic production in SE Europe
  – Soil, climate, scale
• Are economies in transition
• Opportunity for trade, introduce resource efficient agriculture, employment creation, rural development, biodiversity conservation
• Opportunity to develop domestic market, creating consumer awareness, changing consumer behaviour
• MD and UA signed free trade agreement with EU
• AM is part of Eurasian customs union
Target group

• Companies interested in organic production, processing, and export to EU

• Plus
  – Organic sector organisations, chambers of commerce, export promotion agencies
  – Financial institutions, investors
  – Ministries of Trade, Agriculture, Environment
  – Promoters of Green Economy
  – Promoters of EU trade with SE Europe
Process

• Product selection; 3 product categories
  a) cereals, oilseeds and pulses
  b) fruits, berries and nuts
  c) herbs and honey

• International trade statistics
  Existing trade, substitution

• Interviews EU organic importers
  Experiences, requirements, potential demand

• Report, conclusions, challenges
## Priority crops

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Selection Armenia:</th>
<th>Selection Moldova:</th>
<th>Selection Ukraine:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cereals, oilseeds and dried pulses</strong></td>
<td><em>(potential future unique selling proposition: ancient tradition &amp; unique endemic / autochthonic varieties of triticum /wheat, spelt and other cereals)</em></td>
<td><em>Sunflower (oil and grains)  Soft wheat  Rapeseed  Soybean  Corn</em></td>
<td><em>Sunflower (oil and grains)  Soft wheat  Rapeseed  Soybean  Corn</em></td>
</tr>
<tr>
<td></td>
<td><strong>Processed fruits, berries, Apricots, peaches  Pomegranate</strong> <em>(juices, purees, canned, IQF (Individually Quick Frozen), dried non-sulphurised, incl. raisins, kernel/shell for cosmetics)</em></td>
<td><strong>Processed fruits</strong> <em>(dried prunes/plums, dried apples, cherries dried and preventively preserved, jams, juices)</em></td>
<td><strong>Pre-processed berries</strong> <em>(wild collection and farmed)</em></td>
</tr>
<tr>
<td><strong>Fruits, berries and nuts</strong></td>
<td></td>
<td><strong>Walnuts</strong></td>
<td><strong>Walnuts</strong></td>
</tr>
<tr>
<td><strong>Herbs and honey</strong></td>
<td><strong>Farmed herbs</strong> <em>(condiments: black basil, tarragon)  &amp; wild collection  Thyme, mint, St John’s wort, rosehip, sea buckthorn</em>* <em>(Focus herbal teas (max. semi-finished)</em></td>
<td><strong>Farmed herbs</strong> <em>(dried rosehip)</em></td>
<td><strong>Farmed herbs</strong> <em>(&amp; wild collection)</em></td>
</tr>
<tr>
<td></td>
<td><strong>Honey</strong> <em>(bulk export  Multi-flower mountain  Mono-flower / -origin)</em></td>
<td><em>(Honey needs further conversion)</em></td>
<td><em>(Honey – there is not enough production for the domestic market yet)</em></td>
</tr>
</tbody>
</table>
The global and EU organic market

- Grew from €10 (1999) to €50 billion (2012)
- Despite economic crisis, scandals, attacks
- + Consumer concern about local, global environmental and social issues
- + 10%+ growth/year
- Regulation, implementation, ongoing development

- US = €23 billion, EU = €23 billion
- DE €7.5 billion, FR €4.2, UK €2.0, IT €1.9 billion
- Emerging consumer markets CZ, PL, HU
  - (tea, sugar, spices, fruit, vegetables, pasta, oils, wine)
- EU market growth is fuelling global production
- Big exporters: India, China, Brazil
  - Domestic market: middle class
    - Local food scandals
- US and EU exporting to China, S-Korea and Brazil
Market requirements

- All EU laws and regulations on the website of the EU DG Health and Consumers
- Food packaging, labelling, residue levels for pesticides, microbial contamination, irradiation, food hygiene: [website](http://www.cbi.eu/marketintel_platform)
- Cereals: [http://www.food.gov.uk/business-industry/imports/want_to_import/tradeinfosheets#.U6Frn7GuMs8](http://www.food.gov.uk/business-industry/imports/want_to_import/tradeinfosheets#.U6Frn7GuMs8)
Private requirements

- German Association of Organic Processors, Wholesalers and Retailers BNN has lower maximum residue levels than legal requirement
- Oilseed buyers request lower than legal humidity levels, analysis of fatty acid spectrum, all other contaminants are analysed
- Some importers do audit before accepting supplier, looking at QM, understanding company dynamics
- Dutch animal feed processors require GMP certification and TRUST FEED listing besides organic certification
- Fruit juices: QMS: ISO 22000, BRC or IFS besides organic
- Choice of certification body*
- Private standards: BioSuisse, Naturland, Soil Association, Demeter
- Other standards: Fairtrade, Halal, Kosher
- New standard: FairWild
Marketing standards

Goods imported into the EU must meet specific standards concerning quality. Check the requirements applying to your product at My export.

Marketing standards for agricultural and fishery products

EU marketing standards for agricultural and fishery products supplied fresh to the consumer are designed to guarantee quality.

Under the common marketing system for agricultural products requirements vary by product, to take account of aspects like freshness, size, quality, presentation, tolerances, etc.

The marketing standards for fishery products classification by quality, size or weight, packing, presentation and labelling.

The EU countries conduct documentary and physical checks to ensure that imported products comply with these marketing standards.

Products from organic production

Products complying with the rules for EU organic farming may bear the EU organic farming logo, certifying that the product has been manufactured according to organic standards.

There is a strict certification process for producing and marketing organic products with labels and logos on the EU market.
For Ukraine main category

Cereals, oil seeds and pulses
Cereals, oilseeds and dried pulses

• Bulk commodities, large volumes, low prices, efficiency, rotations, food and feed, quality requirements, different processing techniques
• High potential for Moldova but more so Ukraine
  – conventional and organic

Example sunflower seeds
• EU production
• UA production/export: 1) rapeseed, 2) soybean, 3) sunflower
• 20% to EU (2012)
• Conventional EU import: NL, DE, FR, ES, PO, HU
• Organic importers: NL, DE, FR
Sunflower kernels

Main uses:

- **Food processing**
  - Hulled as bakery and snack ingredient
  - Cold pressed virgin oil
  - Hydrogenated oil in margarine

- **Feed industry**
  - Press cake
  - Feed oil

- **Cosmetic (same mills)**
  - Oils, creams, soap

- **Usually exported as raw material to traders, sell to feed mills, than on to processors and packers**
Product tree

Sunflower kernels

Food
  - Hulled
    - Ingredient
      - Breakfast cereals
      - Others
    - Mono-product
      - Kernels in consumer package
  - Pressed
    - Ingredient
      - Various food processing industries
    - Mono-product
      - Sunflower oil in consumer package

Feed industry
  - Feed oil
    - Press cake

Non-food
  - Cosmetic deodorized carrier oil
  - Hydrogenated oil for cosmetics

Bakery products
  - Bread
  - Snacks
Adding value

- Storage, cleaning, sorting, hulling, packing, milling, oil-pressing, marketing all components as organic
- Preference for processing in country of destination
  - Shelf life problems
- Example SunOpta sunflower oil mill Bulgaria 2013
- Why not in Ukraine in near future
Same analyses for

Wheat
Corn
Rapeseed
Soybeans
Pulses
Organic grains

- There is shortage in EU
  - Production < consumption
  - Growth in animal husbandry
    - Stricter rules on using organic feedstuff only
- Importers are looking for sources more nearby
  - Replacing India, China, Argentina
- Weak supplier image
- Search for reliable traders, transparent, sustainable set-ups
- Back to trucking, move towards integration
- Via brokers rather than from farm direct – to avoid risks
- Importers are looking for 1000 mt lots
- Storage, cleaning, continuous, just in time deliveries
- No to GMO (zero tolerance)
Considerations

• Total organic EU cereal market is (2011) 2.4 Mio mt
  – 60% used for animal feed, 40% for food
• Whether it is feed or food depends on the weather
  – Fluctuations, major negotiation after harvest
• Average annual growth 14%
• Organic bread wheat price levels, Q2 2014:
  – Conventional winter wheat 165-195 € / t CIF Germany
  – Organic 390-430 € / t CIF Germany (regional sources, certification+)
• Effort towards regional sourcing in EU
• Recommendation is to start with animal feed
• Besides wheat there is a future in crops that do not well in EU:
  – Feed peas, horse bean, vetch, lupine
## Price levels feed grains Q2 2014

<table>
<thead>
<tr>
<th>Product</th>
<th>Price-level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic winter wheat (feed)</td>
<td>360-390 € / t CIF Germany / Switzerland, regional sources (certification+)</td>
</tr>
<tr>
<td>Organic winter wheat (feed)</td>
<td>330, - € / t CIF Switzerland (EU certification)</td>
</tr>
<tr>
<td>Winter wheat conventional</td>
<td>191-213 € / t CIF Netherlands</td>
</tr>
<tr>
<td>Organic corn</td>
<td>310-375 € / t CIF Netherlands from China, India</td>
</tr>
<tr>
<td></td>
<td>375-440 € / t CIF Netherlands from EU (certification+)</td>
</tr>
<tr>
<td>Corn, conventional</td>
<td>192-205 € / t</td>
</tr>
<tr>
<td>Organic feed barley</td>
<td>330 € / t CIF Germany / Switzerland, from regional sources (certification+)</td>
</tr>
<tr>
<td>Feed barley, conventional</td>
<td>173-196 € / t CIF Germany</td>
</tr>
<tr>
<td>Organic rye</td>
<td>270 € / t CIF Germany (EU certification)</td>
</tr>
<tr>
<td></td>
<td>&gt; 300 € / t CIF Germany / Switzerland, regional sources (certification+)</td>
</tr>
<tr>
<td>Rye, conventional</td>
<td>170 € / t CIF Germany</td>
</tr>
</tbody>
</table>
Organic oil seeds

- Soybean, sunflower, rapeseed, sesame, linseed
- Climate Western Europe not very suitable
- Germany imports 20k mt of soy, 10K of sunflower, 5K of rapeseed and 5K of linseed
- Italy imports 80K mt soy, 30K sunflower and 15K of rapeseed.
  - From Romania, Russia, Kazakhstan, Brazil, Argentina, India, China, Hungary
- In Romania 45K hectares, 20% of organic surface
- Do not forget smaller food market
  - Bakery
  - Pumpkin seed
- Ukraine: GMO contamination
<table>
<thead>
<tr>
<th>Product</th>
<th>Price-level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sunflower kernels, conventional, hulled, bakery</td>
<td>640 €/t CIF Germany from Bulgaria</td>
</tr>
<tr>
<td>Organic sunflower kernels, hulled, bakery</td>
<td>1.750-1.780 €/t CIF Switzerland from China (certification+)</td>
</tr>
<tr>
<td>Organic sunflower kernels, hulled, bakery</td>
<td>1.460-1.530 €/t CIF CH from China (EU certification)</td>
</tr>
<tr>
<td>Sunflower oil, conventional</td>
<td></td>
</tr>
<tr>
<td>Organic sunflower oil cold pressed</td>
<td>1.600 €/t FCA</td>
</tr>
<tr>
<td>Organic sunflower oil cold pressed (for food)</td>
<td>1.450 €/t CIF Germany</td>
</tr>
<tr>
<td>Organic sunflower oil, warm pressed (cosmetics)</td>
<td>1.100-1.200 €/t CIF Germany</td>
</tr>
<tr>
<td>Sunflower press cake, conventional</td>
<td>140-151 €/t FOB Russian Federation</td>
</tr>
<tr>
<td>Sunflower press cake, conventional</td>
<td>300 €/t FOB from Austria</td>
</tr>
<tr>
<td>Organic sunflower press cake</td>
<td>240 €/t FOB Ukraine</td>
</tr>
<tr>
<td>Rapeseed oil, conventional</td>
<td>950 €/t CIF Germany, EU origin</td>
</tr>
<tr>
<td>Organic rapeseed oil, cold pressed (for food)</td>
<td>1.200 €/t CIF Germany</td>
</tr>
<tr>
<td>Organic rapeseed oil, warm pressed (cosmetics)</td>
<td>1.050-1.100 €/t CIF Germany</td>
</tr>
<tr>
<td>Rapeseed press cake, conventional</td>
<td>382-411 €/t CIF</td>
</tr>
<tr>
<td>Organic rapeseed press cake</td>
<td>632-711 €/t CIF Germany</td>
</tr>
<tr>
<td>Soybean, conventional</td>
<td>383 - 400 €/t</td>
</tr>
<tr>
<td>Organic soybean</td>
<td>850 €/t CIF Switzerland (certification+)</td>
</tr>
<tr>
<td>Soybean press cake, conventional</td>
<td>524 €/t CIF</td>
</tr>
<tr>
<td>Organic soybean press cake</td>
<td>730-900 €/t CIF Netherlands, from India</td>
</tr>
<tr>
<td>Organic soybean press cake</td>
<td>900-1.100 €/t CIF Netherlands, EU origin (certification+)</td>
</tr>
</tbody>
</table>
Organic pulses

Good trading opportunities, medium term

• EU animal husbandry sector needs high protein crops with specific essential aminoacides

• Mainly feed peas, horse beans, lupines
  – Some food: lentils, chickpeas and beans (vegan market)

• Very useful in organic rotations

• Organic price mark up is 20-30%
  – Horsebean 500 € / t CIF DE or CH, EU source and certification+

• EU importers want/have to shift from Asia to Europe

• To some extend still allowed to market in-conversion

• Little or nothing from Ukraine
  – In Lithuania 1/6 of organic surface 25.000 ha
Conclusion

• Overall strong demand in EU
  – Imports increase 10-14% year on year
  – Prices are excellent, quality is needed
• Ukraine is at doorstep of EU
  – Potentially good production conditions
  – Structural interest in sourcing in Eastern Europe
• EU importing countries are also main organic importers
• Many conventional buyers have organic side-line
  = Easy way to start

• Ukraine major opportunity: organic proteins for feed mixes
  Oil seeds, press cakes, soy beans, feed peas, horse beans, lupins
  – Soy beans: GMO (reliability of government controls)
• All other grains, oilseeds and pulses
  – Demand x price
  – Weather dependent
• Relationships to develop over time
• Adding value opportunities
• Big impact on environment, sustainable agriculture
Lessons learnt EU side

Based on interviews with importers

• Business reliability
  – Difficult to find credible and serious suppliers
  – Lack of mutual trust, tough negotiations, payment conditions, promises, some contracts not fulfilled, delayed
• Lack of interest in long-term relation, partnership
• Lack of communication skills
  – Dependence on one person in a company
• Lack of serious organic farming (healthy rotations, soil fertility)
• Lack of traceability, transparancy, professionalism
  – Storage and transport problems
  – Food safety (aflatoxin), residue analyses
• Supplier audits
• Private standards, GMP certification
• DIY
Fruits, berries & nuts
Herbs & honey
Some characteristics

• Dried fruits (apple, cherry), juice, IQF, no fresh
• Berries, wild and farmed, dried and IQF
• Walnuts, in shell, shelled and oil
Dried fruit (apple)

• Dried apple conventional € 1.80-4.20, organic +/- € 10/kg
• Prices may be volatile due to e.g. night frosts
• Traditional suppliers have advantage
• Energy efficiency, solar, hybrid systems
• Many buyers are conventional + organic
• Start buying 1 container in conversion, to 1 container/m organic
• Quality and MRL testing at source
• Supplier audits
• Have a range
• Limited opportunity for preparations
• No extra for private label certification
• Poland has 42.000 ha, Romania 4.700 ha organic apples
Processed fruit

- Juices, purees, IQF, canned, preserves
- High food safety requirements, investments
- Strong competition from around the world

Berries

- Wild collected, farmed
- Dried, IQF
- Labour costs, sustainability
- Huge potential (www.berrycongress.com)
Nuts: walnuts

- Already 50% of Moldovan export is organic
- Almost all shelled, wholes
- Cold pressed walnut oil
- Integrated (energy) processing units
- Generates employment
- Organic premium not very high (not needed)
- Existing ex/importers having organic sideline
Herbs, dried, oils

• Herbal teas, medicinal ingredient, food supplement, air refreshers, extracts for cosmetics and pharmaceutical uses
• High value, quality
• Options for value addition
  – Drying, slicing, milling, oil milling, distillation, CO2 extraction, retail packaging
• Employment generation
• Organic importers are DE, FR and UK
  – Conventional industry prefers organic too (MRL)
  – Organic lavender oil, calendula & marigold
  – Organic basil, borage, coriander, dill, fennel, lemon balm, oregano
• Strong competition from traditional suppliers
• Extreme caution with wild collected herbs (FairWild)
Honey

• Not enough production for local market
  – Still € 40 Mio exported, 80% to EU
• Series of products:
  – Food (bakery multiflower, mono-flower to specialty)
  – Cosmetics, pharmaceuticals
  – Beeswax (+ pollen, propolis, royal jelly)
• Demand for conventional and organic (many buy both)
• Organic importers are DE, UK, FR
• Demand starts with one container/month
  – Lower for specialty honeys
• Shortage/scarcity of organic beeswax
  – One importer 50-70 tons beeswax
  – Conventional 5,000-6,000; organic 9,000-18,000 €/t CIF Germany
• Avoiding contamination is critical, and difficult
## Price indications honey

<table>
<thead>
<tr>
<th>Product</th>
<th>Price-level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poly-floral / wildflower honey, conventional</td>
<td>2.50–2.60 € / kg DDP to Germany</td>
</tr>
<tr>
<td>Poly-floral / wildflower honey, organic</td>
<td>3.00 – 3.30 € / kg DDP to Germany</td>
</tr>
<tr>
<td>Mono-floral: Acacia honey, conventional</td>
<td>3.70-3.80 € / kg DDP from Moldova to Germany.</td>
</tr>
<tr>
<td>Mono-floral: Acacia honey, organic</td>
<td>4.30-4.50 € / kg DDP from Moldova to Germany.</td>
</tr>
<tr>
<td>Specialty honey: Rosemary / thyme, conventional</td>
<td>4.50 € / kg DDP to Germany.</td>
</tr>
<tr>
<td>Specialty honey: Rosemary / thyme, organic</td>
<td>5-6.00 € / kg DDP to Germany.</td>
</tr>
<tr>
<td>Specialty honey: Manukra, conventional</td>
<td>20-25.00 € / kg DDP from New Zealand to Germany.</td>
</tr>
</tbody>
</table>
Conclusions

• Fruits, berries, nuts, herbs & honey all offer opportunities
• Dried fruit, processed, not fresh
  – Extensive orchards
• Berries, IQF, dried
  – To be planted
• Walnut, hazelnut
  – Open door
• Herbs, honey
  – Market but competition
• Collection & processing = impact on rural development
• Thank you!
Conclusions

- The market is not the problem, understanding the market is difficult – communication with buyers
- First generation of successful UA producers coming
- Priority to increase their success
- Encouraging for a next generation
- Develop together, exchange information, learn from each other, be transparent
- Conditions in Ukraine are not easy, some will fail
- Is also opportunity for pioneers, heroes
- Do not take too high risks
- Do not rush, start small, learn, adapt
- Must have financial flexibility, will be disappointments
- Preferably finance with own money
- Need good management, good staff
- Be a good entrepreneur
- Opportunity for success is there