

Study

Organic food, a growth driver?



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A response to societal concerns

The market for organic products has been enjoying double-digit growth since 2000, representing global sales of €8 billion in 2017. It is driven by strong, resilient demand, even in times of economic crisis, despite the higher cost of organic products.

Organic products have become increasingly popular in France, because this mode of agricultural production picks up on today's concerns and societal expectations: consideration of environmental issues, traceability and transparency, awareness of the importance of good food, willingness to support the local economy.

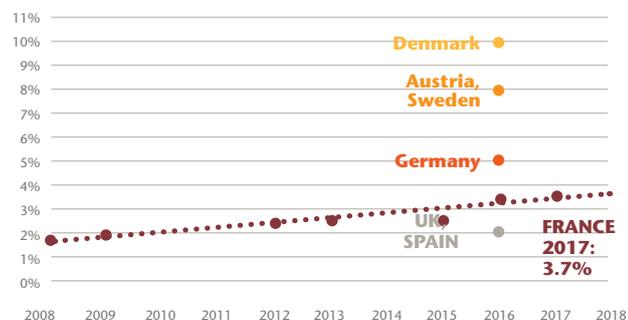
By 2020, the French market for organic products could reach €12 billion, or 5.5% of total food consumption.

Large retailers have moved resolutely into this segment, boosting production

In order to meet growing demand, organic distribution channels are in a sustained development phase: expansion of specialty stores, increase in retail space dedicated to organic products. The market's growth is currently enabling these channels to develop, thus improving the availability of organic products across France.

In 2017, large retailers reaffirmed their commitment to the organic market, announcing they would apply their significant sales capabilities to achieving ambitious sales targets. The race to win over consumers is on.

SHARE OF ORGANIC PRODUCTS IN FOOD PURCHASES IN FRANCE AND OTHER EUROPEAN COUNTRIES

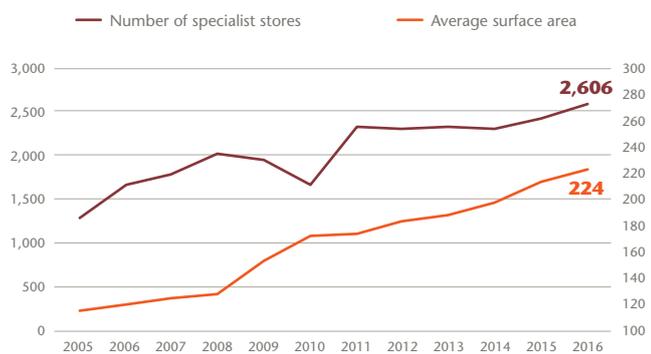


SOURCE: PLANETOSCOPE – AGENCE BIO – PROJECTIONS: UNIGRAINS BASED ON INTERVIEWS

Study

In terms of supply, organic producers and processors will have to keep up the pace of conversions and of industrial capacity development. Raw material imports remain essential in the short term, however, particularly in a number of structurally loss-making sectors. An offering of 100% French origin organic products is not for tomorrow, even though many organic players are reaffirming their commitment to creating strong French production channels capable of supporting the market's growth.

TREND IN SURFACE AREAS OF ORGANIC SPECIALIST STORES



UNIGRAINS BASED ON





The organic market is moving out of its niche

Organic food is currently in the process of scaling up from an activist social engagement to a market rationale, with consequences in terms of corporate competitiveness and profitability.

The market is starting to structure itself as a result of various trends:

- Incumbent market players, often small, medium or very small enterprises, are joining forces in a bid to reach a critical size enabling them to create synergies and increase their investment capacity.
- Vertical integration, involving acquisitions and long-term partnerships, is often the preferred method to secure supplies and opportunities.
- Non-specialist players are entering the organic food market, with different growth rationales.

The number of financial transactions involving organic businesses is rising sharply and companies are typically very well valued in these deals, evidence of investor interest in a market that can no longer be considered as a niche.

Unigrains' opinion

- Organic products have carved out a share in French food consumption, the market's growth prospects are good and in the long term, it could achieve a significant share.
- Players in organic sectors will have to face specific challenges in the years ahead: securing supplies, growing volumes, boosting their competitiveness to face international competition, maintaining consumer confidence.
- This market development phase goes hand-in-hand with significant funding needs, and this is where the investment community can play a supporting role.

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