JOB SUMMARY REPORT

"CHARACTERIZATION OF THE SPANISH ORGANIC PRODUCTION SECTOR IN TERMS OF VALUE, VOLUME AND MARKET"

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"DESCRIPTION OF SPANISH ORGANIC PRODUCTION SECTOR IN TERMS OF VALUE, VOLUME AND MARKET"

The Ministry of Agriculture, Food and Environment (MAGRAMA) provides substantial support to the Spanish organic sector through the provision of sectoral information regularly collected, analyzed and processed by the Ministry, and complemented by investigations and assessments on certain aspects, magnitudes and characterization of the Spanish organic production. The aim is to identify, update and assess the performance of different areas of sectoral activity in producing, processing and marketing, both in volume and value.

This contribution through complementary analysis and assessments provides the Ministry with useful tools to enable sector stakeholders to plan strategies and make decisions. The special circumstances of change in the *agrifood* environment and in the CAP regulation make it even more important, necessary and convenient to review, update and expand the information about the description of the Spanish organic sector.

The work presented by the MAGRAMA, based on the characterization of Spanish organic production in 2011, was carried out between April and September 2012 and the analysis and evaluation methodology used in this work is the same employed in previous works of sector characterization, in order to provide uniform and comparable statistical series.

The main objectives of the work were the following:

- Reviewing and updating the main aspects and factors that define and characterizing the Spanish Organic Sector.

- Analyzing other interesting aspects in order to understand the sectoral situation and future, such as internationalization situation and the configuration of value chains of organic products.

The submitted report contains four main subjects:

- **Characterization of Spanish organic production in 2011.**

(Surface, farms, industrial producers and processors, domestic production, structure by sectors and structure by region)

- **Evaluation of the organic products internal market in 2011**.

(Consumption of organic products and its structure by products and channels)

- **Analysis of foreign markets and level of internationalization of the Spanish organic sector.**

(Situation of worldwide organic production, global market trends and analysis of major markets. Foreign trade of the Spanish organic products)

- **Description of the value chain of the Spanish organic production.**

(Structure of the value chain and its analysis in some specific cases: beef, eggs and tomatoes)

In order to provide a wide set of databases explaining and justifying the real importance of organic production in Spain, within the context of global organic production, the approach of the work was mainly quantitative.

To briefly summarize some general conclusions, the following can be pointed out:

- The organic production in Spain and in the most developed countries has become a reality as a **relevant agrifood activity at the economic and social level;** it is consolidated and clearly distinctive, provides a significant contribution to employment, agricultural production and food trade, and shows attractive future perspectives.

- The organic production **thrives** in Spain, in all aspects and links of the value chain, but this growth is less pronounced when it affects consumption in the **domestic market.**

- Within the **global context**, the organic production also grows strongly, in all its aspects, and the continuous growth in consumption of organic products in the main developed markets is especially remarkable.

Focusing more specifically on the Spanish organic production – and with a view at advancing and summarize conclusions – the following general aspects can be highlighted:

- The growth in organic production in Spain persists (in terms of structures and production volume).

- The concentration of the organic production in some specific regions remains.

- An increased importance of organic production of vegetable origin can be detected.

- The organic products industrializing structure expands.

- The organic products domestic market grows, but slower than in 2011.

- Spain maintains and reinforces its leadership position as regards organic production in the EU.

- A significant increase in Spanish exports and imports of organic products can be detected, as a result of the continuous development of the international markets for these products (mainly in developed countries).

- It is important to deepen the analysis of the organic products value chains in order to promote their balance.

The main feature or characteristic of the organic production in Spain is, undoubtedly, its strong and uninterrupted growth over more than a decade, which has resulted in the consolidation of a genuine and differentiated economic *agrifood* reality:

- The basic structure supporting the organic production has grown strongly in Spain:

	2000	**2011**	**Δ 2011/2000 (*)**
Registered organic area (000 Ha)	380.92	1,845.04	384%
Total number of growers (*)	13,394	32,206	141%
Total number of processors (*)	899	3,697	311%
(*)Activity criterion			

- In Spain, organic production is fairly concentrated geographically, and much of the sector activity is located in a few autonomous regions:

Year 2011/Region	**% registered organic area**	**% of growers**	**% of industrial establishments**
Andalusia	52.7%	44.8%	26.2%
Castile La Mancha	16.7%	18.3%	6.3%
Catalonia	5.0%	3.8%	17.8%
Extremadura	4.9%	9.6%	2.1%
Community of Valencia	3.5%	5.1%	12.3%
Other regions	17.2%	18.4%	35.3%
TOTAL	**100%**	**100%**	**100%**

- The value of organic production at source (calculated in loading dock) has increased by 442% between 2000 and 2011 (150 million euros and 813 million euros, respectively)

- The Spanish organic production is highly focused on products of vegetable origin, and much less on animal products:

Year 2011	Production value at source (million euros)	% over total value of production at source
Vegetable origin production	667	82%
Animal origin production	146	18%
TOTAL	**813**	**100%**

- Within the production of vegetable origin, a few crops clearly prevail:

Year 2011	% over total value of production at source
Fruits and vegetables	34.7%
Cereals	17.2%
Olive	11.4%
Vine	8.2%
Nuts	4.9%
Other crops	5.6%
TOTAL	**82%**

- And as regards the organic production of animal origin, only one or two product lines can be mentioned, as others are not relevant:

	% over total value of production at source
Beef	10.6%
Sheep meat	3.1%
Goat meet	0.8%
Cow milk	0.6%
Fish farming	0.4%
Other livestock products	2.5%
TOTAL	**18%**

The domestic market of organic food and drinks has also grown significantly over the last decade; however, its level of development is still not in line with the importance of its production structure:

Year	Domestic market value (million euros)	% of total expenditure in F&B in Spain
2000	250	0.25%
2011	965	1.0%
Δ 2011/2000 (%)	**286%**	**300%**

Undoubtedly, these high growth rates of the organic market in Spain are mainly due to the fact that 15 or 20 years ago such market hardly existed; this explains such a strong initial development. However, this pace has been slowing and declining over the last four or five years and has almost stabilized during the last year. Therefore, projections for the market value in the medium or long term show much more limited growth rates.

In fact, the share achieved by organic products within the total F&B Market in Spain is still quite limited if compared with the situation of other developed countries.

Country	Per capita consumption (Euro/person/year)	% of organic spending over total F&B spending
USA	65	2.5%
Canada	57	3.5%
Germany	74	3.5%
France	52	2.0%
United Kingdom	34	2.6%
Italy	33	3.0%
Switzerland	153	5.7%
SPAIN	**20**	**1,0%**

These data seem to suggest future scenarios for the period 2014-2020, when it might be possible to expect a new stage of renewed growth for the Spanish Market of organic products. According to these projections, should Spain show initial signs of economic and financial recovery, similar market shares to those of other European markets could be achieved. In this case, should the hypothetical percentage of ecological spending reach approximately 3% of total Spanish F&B spending, it may be possible to take into consideration – in theory - the existence of a valuable internal market of approximately 3 billion euros; this would represent an important consolidation for the Spanish organic sector, and offer interesting expectations of evolution and level of competitiveness.

The structure of organic F&B retail network is essentially different from the conventional one, as the weight of specialist distribution channels is very important in the case of organic food:

Years 2010/2011	% of sales
Modern distribution (hyper, super, discount)	36%
Specialist distribution (organic shops, herbalists, consumer groups and others)	45%
Other formats (direct sales, street markets, self-supply, etc.)	19%
TOTAL	**100%**

Consumption of organic foods and beverages in the food services channel is extremely low (around 2%), while in conventional F&B is very high (between 30% and 35%). In this perspective, there is no doubt that significant trade chances and challenges await the organic production sector.

The consumption structure of organic F&B is also quite different from the conventional one. Concerning organic products, the structure is as follows:

	% over total spending
1. Fruits and vegetables	40%
2. Oil	12%
3. Wine	8%
4. Meat and meat products	7%
5. Bakery and pastries	5%
Other products	28%
TOTAL	**100%**

The Spanish organic production sector is characterized by its significant contribution to the Spanish Agrifood positive trade balance and is supported by an intensive export activity, which has been continuously growing. Nevertheless, it is also true that the presence of imports within the Spanish organic F&B domestic market is growing (mainly in the form of finished products with greater value-added).

Foreing Trade (millon euros)	Year 2009	Year 2011
Exports	454	515
Imports	190	219
Foreign trade balance	**264**	**296**

Fresh, unprocessed products - with lower value-added- represent more than 63% of the Spanish exports. Furthermore, they are mainly exported to a few EU countries (Germany, France, Italy, UK and the Netherlands), where the presence and competition from third countries is increasing, and this is creating uncertainty as regards the future of Spanish organic sector.

To sum up, concerning the global activity of the Spanish organic production sector, the following theoretical balance of the sector self-supply can be drawn:

Year 2011	Million euros
Production (in terms of final market value)	1,261
Imports	219
Exports	515
Domestic consumption	965

In conclusion, the Spanish organic production is expected to become a genuine productive, economic and business reality, with a high potential for future growth, including the creation of employment and wealth, as well as the support to rural areas and environmental protection.

Moreover, the Spanish organic production is listed within the leading group of the main European producers, consumers and exporters market, and has a privileged position in the global market of these products, which is characterized by its dynamism and development in all its aspects.

Concerning the global market of organic products the following key features can be highlighted:

- The **global market** of organic products grows steadily, although consumption is concentrated in very few developed countries.

- It represents an activity of **great dimensions**.

- In 2010 there were **160 countries** with organic production in the world.

- Out of them, **84 countries** had **a regulatory framework** for the organic production.

- In 2010, there were **549 certification and control bodies** working in the world.

- The **global area registered** as organic surface includes **37 million hectares** (0.9% of the global cultivation crop); however these figures do not include other organic surfaces not intended for crops or pasturage.

- In 2010, there were, worldwide, **1.6 million** organic **producers** and about 49,000 **processors**.

- In 2010 the organic products **global market** reached **44,500 million euros** (46,150 in 2011).

- International organic product **exchanges** surpass **8,000 million euros annually**.

SUMMARY TABLE OF BASIC MAGNITUDES

Basic magnitudes of the organic production in Spain (2011):

- Organic registered surface: 1,845,039 hectares.
- Total number of organic growers: 32,206 (agricultural and livestock, activity criterion)
- Total number of manufacturers - processors establishments: 3,697 (processor establishments, activity criterion)
- Total employment in the organic sector: 49,867 workers (data 2010 according to OSE/FB))
- Expenditure in organic F&B: 965 million Euros.
- Exports of organic products: 515 million Euros.
- Positive foreign trade balance: 296 million Euros.

Basic magnitudes of the organic production in the world (2010 ó 2011)

- Organic inscribed surface: 37,000,000 hectares.
- Total number of growers: 1,600,000 (farmers and ranchers)
- Total number of processors: 49,000 (manufacturing establishments)
- Organic product global market: 44,500 million Euros.
- Foreign commercial exchanges: over 8,000 million Euros.