REPORT

THE EUROPEAN MARKET FOR ORGANIC FRUITS AND VEGETABLES FROM THAILAND

International Trade Centre

ABSTRACT FOR TRADE INFORMATION SERVICES

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Report providing an overview of EU market trends, as well as market potential and distribution in the German, British and Dutch markets for organic products in general - describes main EU regulatory and non-regulatory requirements of relevance for Thai exporters of organic fruit and vegetables; presents an overview of the EU market for selected product groups representing main opportunities for export of organic products from Thailand, i.e. tropical fruit, fresh and processed, as well as vegetables; includes a list of sector related web resources, as well as a list of selected importers and traders in the countries under review.

Descriptors: **Tropical fruit, Fruit, Vegetables, Cotton, Coffee, Rice, Textiles, Fishery products, Organic Products, Organic Food, European Union, Labelling, Food standards, Thailand, Fair Trade.**
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ITC supports the development of exports in organic and natural products from developing countries through technical assistance to trade support institutions, government bodies, the private sector and producer organization.

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Photo
Organic rice paddy and papaya in foreground, Thailand (Courtesy of Vitoon R. Panyakul)

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Executive Summary

The EU market for organic products is growing. Particularly high growth rates are observed in Germany and the United Kingdom. In most European countries highest growth is seen in the fruit and vegetables, as well as the meat and diary product categories.

In the short and medium term, demand is foreseen to strengthen and growth is expected to continue. The growth is primarily driven by increasing availability and assortment of organic products through the broadening of sales channels, especially the opening of many new so-called organic supermarkets as well as increasing assortment of organic products in conventional supermarkets. Prices are under pressure with increasing involvement of supermarkets and import. Importers are broadening their supply base and showing interest in new potential suppliers and products.

The organic fruit market is expected to show the biggest growth, with interest in organic tropical fruits expected to be the biggest impetus for the overall growth of the fruit segment. Consumers are interested in health, convenience and new products. Trade in fair trade products are showing high growth rates.

In both Germany and the United Kingdom, growth in demand is outstripping in-country production, leaving room for increased import. Price pressure challenges the financial viability of local production. However, initiatives to strengthen local supplies are taken.

Conventional retailers are now in both Germany and the United Kingdom the largest distribution channel for organic products.

Requirements for EU market entry are increasing. The most important regulatory requirements, which must be complied with in order to enter the market, are the regulation on organic production and trade, as well as the general food regulations. General food regulations are being harmonized in the EU and focus on food safety and quality is increasing. Most important quality standards are HACCP, which exporters in third countries also have to comply with, ISO 9000 and EUREP-GAP. The latter is relevant for primary producers and is widely believed to become very important in the future, even for organic products. Certifications are competitive advantages. Small scale farmers are advised to already now start working with comprehensive International Control Systems, including compliance with EUREP-GAP and the principles of HACCP and ISO 22000 – the latter covering both ISO 9000 and HACCP.

The EU regulations on organic production and trade are presently under revision and the process is not finalized as yet. It is proposed that aquaculture be included in the new regulation, and that the EU logo will become accessible also for imported products. The import regime on approval of export countries will continue, while the regime with issuance of imports will cease. Instead it is proposed that the EU Commission establishes a list of certification bodies, which are approved for carrying out certification against the EU regulations or equivalent standards. Any certification body complying with the requirements in the EU regulations on organic production and trade may be approved. Detailed procedures are to be laid down. It is recommended that Thailand officially applies to be recognized by the EU Commission and adopted onto the so-called third country list.

The market for tropical fruit, including pineapple and mango, is growing. So are the quality requirements. Fruit and vegetables must comply with at least same quality requirements as for non-organic food. Considering fresh tropical fruit, Thailand is at a disadvantage because of its distance from the EU market, but detailed and fruit specific feasibility and competitive analysis would be required in order to make final conclusions as to competitiveness. From a market perspective there are opportunities, but the price quality ratio is the determining factor. Some interest has been shown in exotic tropical fruit, but the market is very small. A strategy is to get more volume through broader product range, another to develop a long-term partnership with a specialized importer, who can assist in product and market development.

As the market is interested in convenience as well as new products, there is an opportunity for Thai specialties in for instance Thai ready-meals. Importers specializing in such products could be interesting partners for the development of products and markets.

Processed tropical fruit is believed to be the product group representing the most opportunities for Thailand. Demand is increasing, for direct consumption as well as for use in the food industry. Areas where Thailand already has ample experience and superior expertise are good grounds for starting product and export development. Opportunities are believed to exist in tropical fruit canned or in glass, and supermarkets expressed interest, for instance combined with a Thai brand. Some conventional supermarkets would be interested in running a campaign in order to test consumer interest. This could be developed in co-operation with an importer supplying supermarkets. Other opportunities might exist in diced frozen tropical fruit for the food industry, as well as sugared dried fruit, including coconut.

For fresh vegetables, including asparagus and baby corn, most opportunities were believed to be in the United Kingdom, with high growth, increasing imports and supermarkets playing an important role in distribution.

Market opportunities are also believed to exist for shrimps and cotton. However, identification of concrete opportunities for Thailand in these sectors requires detailed feasibility studies.

In general, it would be a great advantage for Thailand making products, expertise, exporters known to the (potential) buyers in the EU market as the market is growing and importers are looking for additional and new suppliers. A common marketing effort among exporters of organic products and readily available information on products on offer, expertise and ideas, would be an advantage. A strategy for the entrance of the EU market should be formulated, differentiated according to distribution channel and products. Production development is best done in co-operation with an importer in long-term partnership.

1 Introduction

Thailand has always been a major exporter of tropical fruit and vegetables to European markets and is recognised as a source of reliable and quality products. However, during the past five years, the value of exports has decreased.

Organic produce still represents a relatively small niche market, with limited penetration on the export markets. The Thai organic sector is at a fairly early stage in its development, concentrating mainly on production of rice and fresh vegetables.

The most recent data indicate there are approximately 13,900 ha certified organic farmland in Thailand, or 0.066% of total farmland. The Thai Government has reiterated its policy of support for organic farming, announcing in a Cabinet resolution on 4 January 2005 its goal to transform Thailand's agriculture and to increase the importance of organic production systems.

With the overall aim of developing a National Strategy for organic agriculture in Thailand and thus facilitate the development of organic agriculture and trade with a special focus on access to EU markets, this report aims at identifying main opportunities and constraints for Thai organic products. It is written as part of the project *Strengthening the Export Capacity of Thailand's Organic Agriculture*. The project is executed by the International Trade Centre (UNCTAD/WTO) (ITC) in close co-operation with the National Innovation Agency, Ministry of Science & Technology, in Thailand.

The report provides an overview of EU market trends, as well as market potential and distribution in the German, British and Dutch markets. Main EU regulatory and non-regulatory requirements of relevance for Thai exporters are described. An overview of the EU market is presented for those product groups, which are believed to representing main opportunities for export of organic products from Thailand, *i.e.* tropical fruit, fresh and processed, as well as vegetables. These chapters form the background for identification of main opportunities and constraints for the development of export trade in organic products from Thailand to the EU.

The report serves as a background document for and input into the formulation of a National Strategy for organic agriculture in Thailand.

Data has been collected from literature, primarily studies and press releases freely available at the internet, as well as personal interviews with several traders and resource persons active in the organic sector in the EU. Data was collected during May, June and July 2006.

The study may also be of assistance to the following target audiences in Thailand: