



Foreign Agricultural Service

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## **The Netherlands**

### **Organic Products**

## **Retail Restructuring May Spur Sluggish Organic**

### **Food Sales**

## **2001**

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#### **Report Highlights:**

**Due to the food scares during the past two years, interest in organic foods is rising, but still remain a minor part of total food sales. Dutch retailers are making serious attempts to capitalize on current consumer attitudes by restructuring and offering a greater variety of organic foods.**

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### Total Organic Sales

Worried by a series of food scares, Dutch consumers are increasingly turning to organic food. Total sales of organic foods here are estimated to be US \$293 million. The total turnover for organic food in natural food shops is estimated at US \$147 million for 2001. At the moment, there are about 200 natural food stores in The Netherlands. Only 25 stores are larger than 200m<sup>2</sup>. In 2000, there was a big boost in the number of organic food stores, most of them under the name "Natuurwinkel," a franchising system for Dutch natural food shops. However, supermarkets already account for 45 percent of total organic food sales and their market share is still increasing. Like bakers and butchers, natural food shops will increasingly be hit by the trend of one-stop shopping.

The total supermarket turnover in organic food is expected to be US \$132 million in 2001, which is about the same as total supermarket sales of magazines. By 2010, organic foods will account for 2.4 percent of supermarket sales on average, up from 0.6 in 2001. Supermarkets which actively promote organic products could boost that share to 5 percent of total sales. Within ten years, organic food supermarkets with a floor space of 500-1000m<sup>2</sup> will begin to appear in The Netherlands.

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

Source: Elsevier Bedrijfsinformatie, 2000

\* *Nieuwe Weme* is part of *Groenwoudt Supermarkten* (Laurus Group)

### **Organic Sales by Supermarkets**

Albert Heijn (AH) the largest food retailer in The Netherlands and part of the world's third largest supermarket organization AHOLD, has reported that their "AH Bio" private label organic foods constitutes 78 percent of total retail organic food sales. At the moment, AH stocks organic foods in all of its 670 supermarkets in The Netherlands.

AH has been described by some industry participants as having a reactionary attitude toward organic foods since it initially introduced them in response to consumer requests. The range of products currently covers all conceivable product categories, from vegetables through bread to tea and coffee, and numbers more than 100 different products. By 2003, they are reportedly planning to increase this to 200. Other important organic food retailers are Konmar with 108 different products and Nieuwe Weme with 98. In 2000, Konmar was chosen by Greenpeace and the Dutch environmental organisation, "Milieudefensie," as the best organic food supplier in The Netherlands. Despite these developments, the number and range of products is minor compared to the UK, Germany and Denmark, where organic product lines in some major supermarkets number between 750 and 1,000. About 1,200 Dutch supermarkets now sell organic produce, up from 70 in 1995.

Apart from supermarket chains Albert Heijn, Konmar and Nieuwe Weme, most Dutch supermarkets have not changed their marketing and product mixes to feature more organics. In many stores, health food products occupy two or three meters of supermarket shelving and only account for about 0.2 percent of sales. Organic foods, however, which generate about 0.6 percent of today's supermarket sales, often have little or no space at all. With sales rising 15 - 20 percent per year from an albeit small base, organic products are the fastest-growing product group in Dutch supermarkets. In general, people are becoming more and more conscious of what they eat. Dutch consumers feel that the main reason to purchase organic foods, is the health and safety aspects, followed by taste and environmental issues. In addition, rising per capita income is also partly contributing to demand for higher-priced foods. High prices of organic relative to conventional foods is, nevertheless, the main reason for limited demand in The Netherlands, where demand is very price sensitive.

### **Increasing Competition for Organic Foods**

The Dutch organic food industry will reportedly be given a boost by restructuring and consolidations. The Laurus Group of supermarkets has announced their plans to increase the number and type of organic products. The Laurus Group is consolidating its group of about 800 different supermarkets changing all of them to "Konmar" stores. Konmar has been widely regarded as the pioneer in organic food, but its market share has been limited due to a low number of outlets. It first started stocking organic foods as early as 1991. The new Konmar supermarkets will all stock organic foods and a private label will be introduced to rival that of Albert Heijn. The company has announced an aggressive promotional campaign as well.

Further consolidation and, consequently, more competition as well as a wider variety of products are expected from the natural food store sector. Three retailers Natuurwinkel, Groenewinkel and Gimsel are merging to become one under the name "Natuurwinkel." As a result, over 100 natural food stores are being refurbished and standardized as "Natuurwinkels." Natural food stores were the principal outlet for organic foods prior to the entry of Albert Heijn.

**Constraints on Organic Food Sales**

As in most European countries organic food sales in The Netherlands have risen sharply in recent years. The Dutch organic food industry has shown much promise, but has not performed as expected for a number of years. Several attempts have been made to revive the industry, which include government incentives and marketing programs. With organic farmland at 1.39 percent of total farmland, and organic food sales stagnating at 2 percent of total food sales, the Dutch organic food industry is reportedly a laggard compared to others in Europe. The intensive nature of the agricultural sector is seen as a barrier to increased organic sales. Farmers are reluctant to change to less efficient farming techniques.

**Opportunities for U.S. Organic Food**

The current demand for organic fresh produce far outstrips that for processed organic foods in The Netherlands. A significant proportion of these fresh products, however, are imported from other EU countries, rather than from third countries. Dried fruits and tree nuts are also popular imported organic products. The Netherlands has the highest per capita consumption of tree nuts in the European Union. Other product areas in demand and of interest to US exporters are vegetable oils and fats, pulses, rice, wine, breakfast cereals, and honey. As the demand for manufactured organic food products increases, the opportunities will rise as well.