

Organics in Austria: From Niche Market to Mainstream

By Roswitha Krautgartner

Austria, where organic production has been used since 1927, now has the highest percentage of organically farmed agricultural land in Europe. Today, about 10 percent of Austrian farms are certified organic. Approximately 66,900 acres, 8.3

percent of Austrian agricultural land, are under organic management.

On average, organic food production has more than doubled in Austria over the past five years. The biggest increases are in pork, potatoes, onions and carrots.

Strong Government Support

There is strong governmental support for organics in Austria under both national policies and the EU (European Union) Common Agricultural Policy. In addition, the Austrian government subsidizes

organic consulting services, education, research and marketing. The government also plans to create a new center of expertise on organic farming called BioAustria, an umbrella organization serving all Austrian organic companies and associations. It will conduct product promotion, quality assurance and public relations activities.

For 2002 through 2004, both the Austrian government and the EU are spending a combined \$4.5 million on an organic marketing campaign. This amount

EVEN WITH THE EXPANSION OF AUSTRIA'S ORGANIC ACREAGE, IMPORTS ACCOUNT FOR ROUGHLY 30 PERCENT OF ORGANIC FOODS CONSUMED HERE.



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is in addition to subsidies organic producers receive, which in 2002 amounted to \$242 million. This includes subsidies that are not specific to organic farming but can be received by conventional farmers as well.

The Austrian government aims to lead Europe in organic production and organic-friendly policies. Through marketing programs, the government is trying to increase acreage under organic production (acreage increased by 50 percent in 2002) and to boost consumer demand for organic products by 33 percent in the next two years.

Market Demands

Even with the expansion of Austria's organic acreage, imports account for roughly 30 percent of organic foods consumed. The primary organic suppliers are the Netherlands, France, Germany and Italy. Fruits and vegetables are the most popular organic imports.

The main marketing channels for importing organics are direct imports by supermarkets, imports by a wholesaler under contract with a supermarket and specialized imports. Some big supermarket chains such as SPAR conduct their own import business. REWE Austria sources through wholesalers who also import conventional foods. Specialized organic importers supply natural food stores, organic shops and health food stores. Most specialized importers are either subsidiaries of German importers or operate directly from Germany. Conventional importers have a very limited share of the organic food market, but their interest is growing.

The large supermarket chains, all of which have their own organic labels, dominate the Austrian organic market.



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Perhaps unique to Austria, retailers focus their marketing resources on organic foods to shape the overall image of the chain. In short, organic foods are promoted to build consumer confidence in all products the food chain sells.

In 2002, organic foods accounted for about 3 percent of the total Austrian food market sales and are expected to reach 4 percent in 2004. The demand for organic products in restaurants, hospitals, kindergartens and other public facilities is growing.

Opportunity for U.S. Organic Suppliers

Although Europe is largely self-sufficient in organic production, there are some opportunities for U.S. organic exporters. Demand for dried fruits and nuts, mostly as ingredients for cereals or dried fruit and nut mixtures, is steadily rising. Since U.S. producers already dominate the market for conventional dried fruits and nuts (almonds, prunes and raisins), there is a parallel opportunity for organic counterparts. Austrian production of dried fruits and nuts is limited to apples and walnuts. Other U.S. organic products with good prospects are soybeans, popcorn, chocolates and snack foods.

Import Regulations

Ongoing negotiations between the EU and the United States on equivalent

standards for organically produced products could result in an agreement that would ease import procedures for U.S. organic foods.

U.S. organic exporters seeking to enter the market should use Austrian importers to apply for permits. Provincial governments in Austria issue these permits, which authorize importers to bring in and sell U.S. organic products. The permit application has to be accompanied by documentation on the equivalency of standards and control measures. The producer and exporter must be certified in accordance with EU procedures. Today, many U.S. organic products sold in Austria clear customs in another country (often Germany) and then are shipped to Austria for sale outside of Austrian import procedures. ■

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