SPANISH ORGANIC SECTOR

2018

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About this report

EcoLogical generates this biannual report to provide a thorough update and a 360º vision of the current situation in the Spanish organic sector. It has been compiled using data from a number of sources including Ministerio de Agricultura y Pesca, Alimentación y Medio Ambiente (Spanish Agriculture Ministry, hereinafter MAPAMA), Prodescon SA, GfK & Tomas Camarero, Kantar World Panel, IRi, FIBL & IFOAM, Biofach 2018, Organic Trade Association, Demeter International, as well as contributions from experts within the organic industry and own research.

We thank all those who have contributed to the development of the report, particularly Olga Colom and Juan Llorca, as well as advertisers who have sponsored this issue.

This report is available to download for free at:
www.ecological.bio/es/sectorbio2018

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EcoLogical

Spain's first organic consultancy business. We provide consulting services within the organic food and distribution sector in Spain from a strategic, marketing and commercial point of view, with the final aim of improving organic operators.

Should you require additional information, please contact us at info@ecological.bio.

Executive Summary

The Spanish organic market has maintained its growth rate in the last year, with an increase of 12.52%. The recent trend for double-figure growth continues, meeting expectations and contrasting with the flat growth of overall food retail sales.

For the first time, Spain is in the world's top 10 in terms of national market volume and year-on-year growth driven by a significant increase in the number of consumers and national per capita consumption. The sector is facing the future from a very positive perspective which looks very likely to continue the growth trend and reach €2.000 mill. market volume next year.

More availability One of the main obstacles in the development of the internal market, derived from the lack of availability and accessibility of organic products, is now being corrected in two main ways. The first has to do with the growth and development of the independent and specialized channel and the second with the better implementation of the category in modern trade companies. Likewise, other channels such as catering, direct sales and online have also experienced notable growth.

Development of bio categories by the agri-food industry The initiatives of large food multinationals with a new organic assortment culminates the process initiated not many years ago by the national agri-food industry. The growth in consumption and above all, the growth forecasts, encourage the transformative industry to explore new niches.

Organic domestic market value

1.686 Mill. €

up 12.55% from 2015

Per capita expenditure in Spain

36,33 €/year

up 12.58% from 2015

Organic agriculture area

2,01 mill. hres.

(ranked 1st in terms of size in EU, 5th globally)

Organic market share

1,69%

of the total food market

Executive Summary

Governmental initiatives and development plans With the aim of supporting development of the sector in 2018, the "Strategy for Organic Production 2018-2020" was launched by MAPAMA, complementing other regional plans that have already been developed. The main ideas shared by all these plans include consolidating growth, strengthening business competitiveness of operators, increasing awareness of the population and improving marketing and consumption channels.

Millennials, the main bio consumer Millennials have become the main bio consumer in Spain. Their greater consciousness for healthier shopping habits and consumption, the fact that they now have their own families and their foreseeable higher disposable income will positively influence consumptions.

However, the organic sector faces some major challenges, which include:

Consolidation of growth
The main challenge is for the growth forecast to materialize into real growth. The development of retail chains as well as the launch of new organic ranges by the agri-food industry are positive factors. However, the reality of consumption can make some of these initiatives unsustainable by not reaching the breakeven point to keep them in the market.

Reorganization of sales channels
Part of the specialized and independent channel is undergoing an important restructuring process. The smaller and more specialized establishments, mainly ecoshops and regional distributors, are facing new competitors both physically and online.

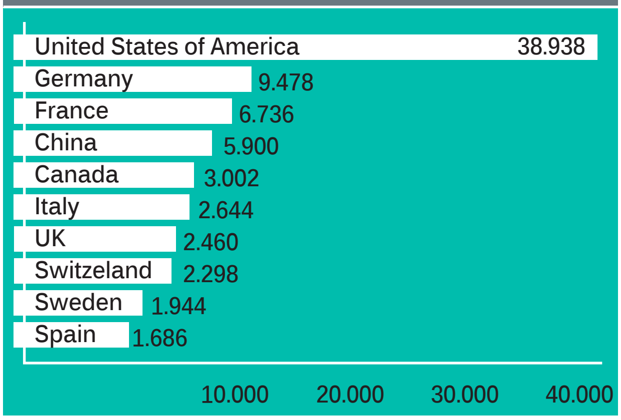
Trade balance Imports are growing faster than exports and at the same time there is an imbalance between the type of imported /exported products. Imports present higher added value than exports, which may generate a competitiveness problem in the long term.

Diego Roig
CEO

Spanish organic market

FOR, For the first time in history, Spain has come on to the world stage both by domestic market volume, with almost €1.700 million, as well as the annual growth rate, with 13%. These factors have put Spain in tenth position worldwide. Market volume ranking is led by the US with a total market volume of € 38.938 million. Ireland and France lead the annual growth rate rank, reaching 22%.

TOP TEN COUNTRIES WITH LARGEST MARKET FOR ORGANIC FOOD 2016
(RETAILS SALES IN MILLION EUROS)



Source: FIBL

Key Spanish economic indicators

Organic market volume

Organic sales in Spain increased by 12.52% between 2015-2016, with a total consumption volume of €1.686 million according to the latest data presented by MAPAMA. These figures follow the trend of the last five years of double-figure annual growth.

EUROPE: HIGHEST GROWTH OF THE ORGANIC MARKET 2015-16

Ireland	22%	Luxenbourg	15%
France	22%	Italy	14%
Denmark	20%	Finland	14%
Norway	20%	Austria	13%
Liechtenstein	15%	Spain	13%

Source: FIBL

EVOLUTION OF NATIONAL MARKET

YEAR	Organic Annual	▽/△	Conventional Annual	▽/△	% Organic products/ Conventional prod.
2012	998	3,4%	100.678	-1,3%	0,99%
2013	1.018	2,0%	101.250	0,6%	1,01%
2014	1.203	18,2%	98.052	-3,2%	1,23%
2015	1.498	24,5%	99.037	1,0%	1,51%
2016	1.686	12,5%	99.730	0,7%	1,69%

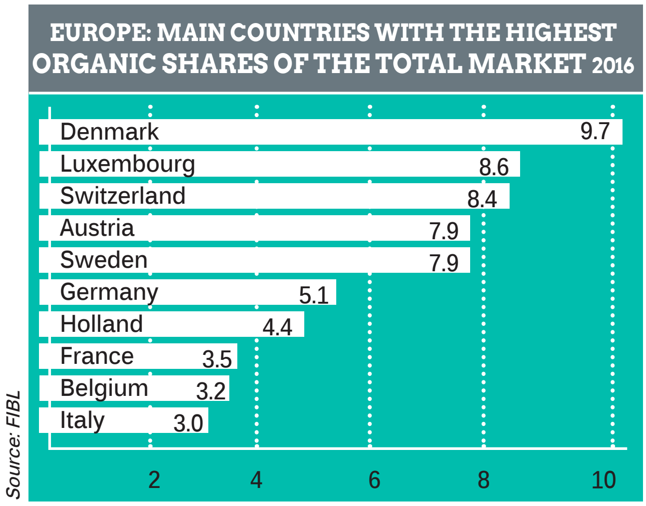
Spanish organic market

Organic share of total market

As a result of the increase in domestic consumption, the growth of the organic share in Spain rose by 11.73% in the period between 2015- 2016, accounting for 1.69% of the global Spanish food market.

This figure, although positive, remains far from that of other countries.

Currently, Denmark continues to be the country with the highest organic shares leading the international ranking and followed by Luxembourg, Switzerland and Austria. In Denmark 9.7% of total food sales are organic.



Spanish organic market

Per capita consumption

During the same period, per capita consumption rose by 12.58% from € 32.27 to € 36.33 per person, which contrasts with the decrease of 0.01% in the total volume of the national food and beverage market.

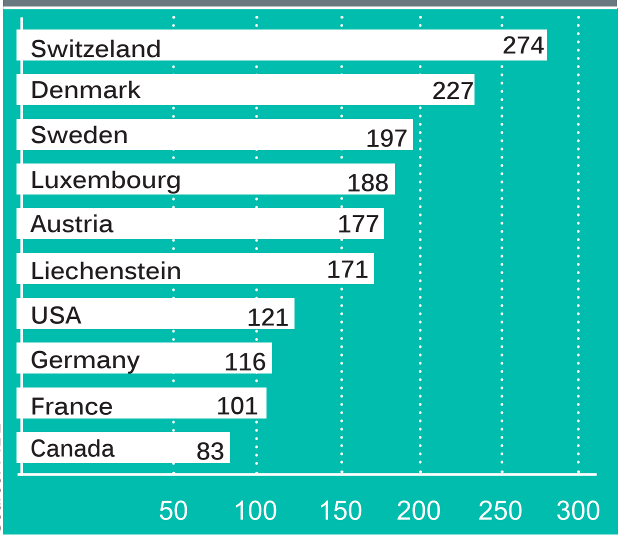
These figures reveal that local consumption is far less than that of other countries around us and put us in the 18th position in the worldwide ranking led by Switzerland (€ 274/p), Denmark (€ 227 / p) and Sweden (€ 197/p).

PER CAPITA CONSUMPTION IN SPAIN (€/p)

YEAR	Organic Products	Total food market
2012	21,34	2.152,6
2013	21,85	2.173,2
2014	25,89	2.110,5
2015	32,27	2.133,5
2016	36,33	2.151,8
▽/△ 2016/2012 %	14,05%	-0,01%

Source: MAPAMA-Prodescon

HIGHEST PER CAPITA CONSUMPTION TOP COUNTRIES 2016 (€)



Source: FIBL

Spanish organic market

National and regional new organic policies

Development within the sector is being accompanied by public and governmental initiatives, both nationally and regionally. The main objective is to help strengthen the sector by supporting steady growth and the evolution of the national market.

Recently, the Ministry of Agriculture has introduced the "**Strategy for Organic Production 2018-2020**" which contains four main lines of action:

1. Foster internal consumption and improve sales channels of organic products.

2. Promote a better structure of organic production.

3. Support the growth and consolidation of organic production, paying special attention to organic livestock and manufacturing.

4. Analyze the role of organic production in environmental policies and climate change.

Moreover, besides the ministerial initiative, different regions have developed, or are undergoing development of promotional plans and organic production plans at a regional level.

Financial and corporate investments

Both the increase in consumption and the sector's growth forecasts have not gone unnoticed by the food industry, investors and venture capital. This has led to large companies within the agri-food sector, at a national and international level, to make worthwhile financial investments in organic companies with the aim of positioning themselves in a sector that has a high potential growth rate.

The main financial operations began in 2011 with the acquisition of the Catalan company Natursoy by Nutrition & Santé, a European manufacturer of food, dietetic and organic products. More recently, in 2015, Nazca Capital acquired 100% of the shares of the founders of the company Biogran S.L., which operates in Spain under the brands El Granero Integral and Ecocesta. This organization experienced another change when the Dutch food group, Wessanen, bought it in 2016. During that same year, Sorribas S.A. was also acquired by Idilia Foods.

2017 was also an active year in terms of financial movements, Ebro Foods confirmed its purchase of Vegetalia in January and the acquisition of the majority of shares of the family company Biosurya was announced by the French company Compagnie Biodiversité in October.

Spanish organic market

MAIN INVESTMENT OPERATIONS IN SPANISH COMPANIES

Company	Natursoy	Biogran	Sorribas	Vegetalia	BioSurya
Former owner	Family-owned	Nazca Capital	Family-owned	Family-owned	Family-owned
New ownership	Nutrition & Sante	Wessanen	Idilia Foods	EbroFoods	C. Biodiversite
Year	2011	2016	2016	2017	2017
Amount (€)	N/d	67 Mill€	N/d	15 Mill€	N/d

Source: ECOLOGICAL.BIO

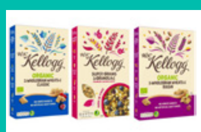
Food industry moving towards organics

There have been many national and international agri-food companies that have entered the organic category in the last two years.

Traditional organic manufacturers have extended their assortment, without exception, expanding the range. Additionally, important players have joined the category.

The most representative are:

MAIN ORGANIC PRODUCT LAUNCHES

2016	2017	2018
Las 2Vacas Danone	 Asana Corp. Alimentaria Peñasanta	 Honest Coca-cola
Mi menu Bio Dulcesol	 Knorr Eco Unilever	 Naturness Bio Nestle
 Antica Gelateria del Corso Nestle	 Gullón Eco Galletas Gullón	 WK Kellogg Kellogg

Organic Consumers

YOUNGER, more concerned about health and with an increased social and environmental awareness, are the main characteristics of Spanish consumers. Organic consumption starts with fresh produce and as these consumers secure their consumption habits, they buy from an increasing range of bio categories. Health and the absence of chemical substances are the main reasons to consume.

Spanish Organic Consumer

Latest research carried out by MAPAMA in 2016 analyzing the organic consumer profile, identifies little variation compared to the previous one released in 2014. The motivations for consuming remain the same but there are certain changes in purchase habits.

The consumer is a well-informed buyer and the percentage of those who consume organic products on a daily basis has increased.

Fresh produce still leads consumption

The product categories that attract the new consumer are mainly eggs, vegetables, fruit and dairy products. While consumption is reinforced, organic purchases extend to new categories such as honeys, jams, pastries, pulses and organic meat.

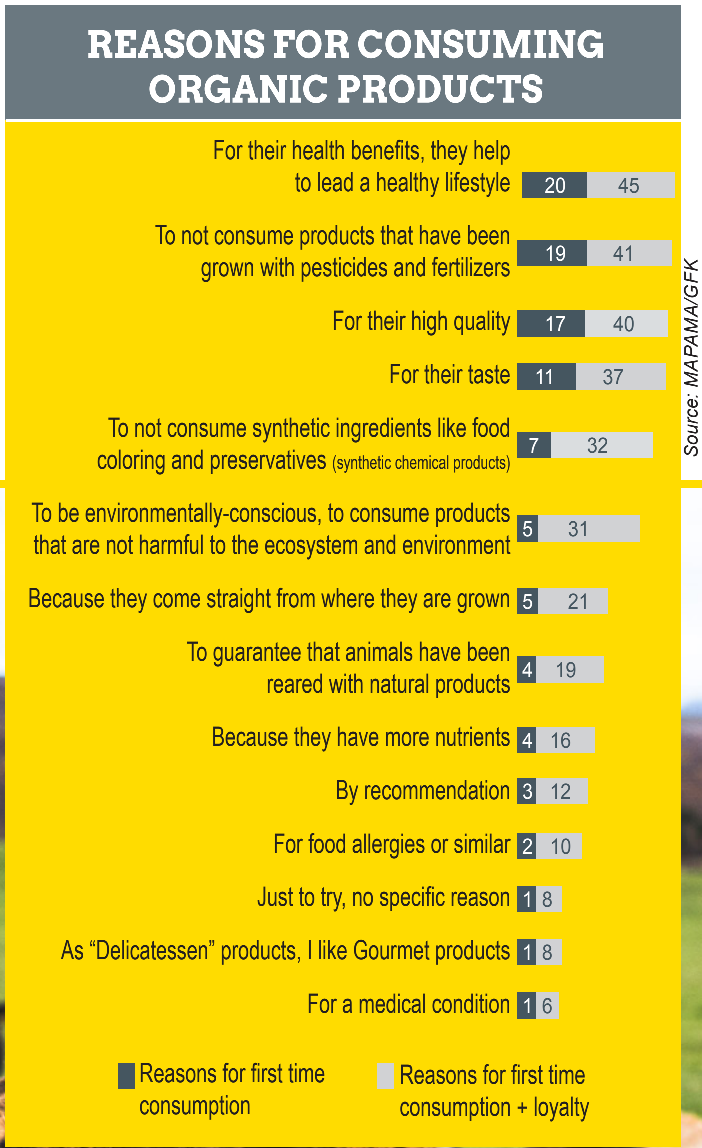
Research carried out by Iri in 2017 about “**Consumo Eco y Bio 2017**” indicates that the main categories of consumption, in addition to those already mentioned, are vegetable-based drinks and vegetarian food.

Organic Consumer

Health, chemical free and better quality

The main reason for consuming organic products is due to the understanding that they help to lead a healthier lifestyle.

The absence of synthetic chemical substances, the high quality and taste of the product also constitute important reasons for consumption.



Organic Consumer

Expensive, but availability is improving

Once again, the main obstacle for consumption identified in the 2016 research is price.

The improvements in the supply chain, both in the specialized channel and in modern trade, made the lack of availability identified in the previous studies less relevant, causing it to go from the second to the third reason for non-consumption.

Millennials, main organic consumer

The characterization of the organic consumer carried out in 2016 shows that 30% are less than 35 years old. This generation of people born between 1980 and 2000, also called millennials, has become the main national consumer.

The expected market growth is likely to come from these buyers for two reasons. The first derives from a foreseeable increase in their disposable income and, and second from the fact that they are beginning to create new families.

This situation leads to the development of new attitudes, priorities and motivations that will influence their purchasing behavior by actively seeking healthier and more nutritious products.

This structure coincides with other developed countries, as a study conducted by the Organic Trade Association in USA in 2017 also concluded that millennials were the main buyers of organic products.

Currently, 25% of millennials are already parents and in the next 10-15 years the percentage of families will be around 80% causing a great boost in bio consumption.

It also reveals that there is a direct relationship between having family and consumption of organic products, as the main motivation of buyers is the belief that buying organic products makes them better parents.

ORGANIC CONSUMER AGE

	2014	2016
Under 35 years	26%	30%
35-44 years	24%	26%
45-54 years	26%	21%
Over 54 years	23%	23%

Source: Own compilation based on MAPAMA, GFK database

Spanish Organic Agriculture

Spain leads organic agriculture in Europe by area

Spain is the leader of organic agricultural area in Europe and occupies the fifth place in the global ranking of largest areas for organic agriculture with 2.01 million hectares.

LARGEST AREAS OF ORGANIC AGRICULTURE WORLDWIDE
2016-MILL. DE HECTARES

Source: FIBL-IFOAM

Organic agricultural area and crops

After a year of strong growth in the registered organic agricultural area in 2014-2015 with an increase of 18.34%, this trend slowed down in the 2015-2016 period, with a growth of just 2.5%, the equivalent of 50,000 hectares.

The 2.01 million hectares have ranked Spain as the European leader in production, followed by Italy with 1.80 million hectares and France with 1.54 million hectares.

However, this figure contrasts with the growth of the agricultural area compared to the previous year. According to FIBL data, the 50,000 recently created hectares in Spain contrast with the more than 300,000 hectares in Italy and 215,000 hectares in France that have been incorporated in the last year and that threaten Spain's European leadership.

EVOLUTION OF ORGANIC AGRICULTURAL AREA

	2014	2015	2016
Surface (hes.)	1.663,2	1.968,6	2.018,8

Source: MAPAMA-Prodescon

Spanish Organic Agriculture

The land distribution of the organic agricultural area nationally shows that production is mainly concentrated in Andalucía, with 48.4% of the total, almost half of the total area devoted to organic production, followed by Castilla-La Mancha with 19.4% and Cataluña with 8.5%.

The main crops are permanent pastures, that represent 52% and occupy 1.05 million hectares, which is more than half of the available agricultural area, followed by grains with 0.21 million hectares, olives with 1.96 million hectares, nuts with 1.35 million hectares and vineyards 1.06 million hectares.

ORGANIC AGRICULTURE AREA BY REGION IN SPAIN

	2014	2015	2016
Andalucía	51,3%	51,4%	48,4%
Castilla-La Mancha	17,1%	18,6%	19,4%
Cataluña	6,4%	7,2%	8,5%
Extremadura	4,9%	4,7%	4,1%
C. Valenciana	3,1%	3,9%	4,0%
R. Murcia	3,5%	2,9%	3,9%
Aragón	3,2%	2,6%	2,8%
Navarra	3,9%	2,1%	2,4%
Resto CCAA	6,6%	6,6%	6,6%
TOTAL ESPAÑA	100%	100%	100%

Source: MAPAMA-Prodescon

Organic certified operators

During the 2014-2016 period, the consolidation process of the operators of the Spanish organic sector has been steady. The global figures of operators that comprise national producers exceeds 41,700, increasing by 19.7% in two years.

ORGANIC OPERATORS BY REGION IN SPAIN

	2014	2015	2016
Andalucía	10.612	13.495	14.489
Castilla-La Mancha	6.747	7.443	7.128
Cataluña	3.286	3.667	3.942
Región de Murcia	2.534	2.582	3.167
Extremadura	3.068	3.063	2.937
C. Valenciana	2.255	2.420	2.642
Islas Canarias	1.124	1.390	1.390
Galicia	638	724	913
Aragón	796	771	855
Islas Baleares	625	665	774
Resto CCAA	3.206	3.377	3.534
TOTAL ESPAÑA	34.891	39.597	41.771

Source: MAPAMA-Prodescon

Spanish Organic Agriculture

Demeter

One of the international trends already used by the organic market is biodynamic agriculture. Although it is still a niche in Spain, it is gaining followers and consumers, especially on an international level, where it has already been implemented in 63 countries.

Biodynamic agriculture, according to its promoters, is a holistic agricultural approach and there is a regulation to obtain international certification; Demeter.

Germany leads the production and sales of products from biodynamic agriculture, followed by France and Italy. In Spain, the presence of Demeter products is currently poor in the domestic market; however, for production, the evolution is very positive.

According to Demeter Spain, there has been a 223% growth in the number of registered operators in the last 5 years, representing 165 operators, and there was also growth on a productive level of 191%, going from 2,796 hectares to 8,159 hectares. Products are mainly for export, and the most produced and demanded products are fresh produce, fruits, vegetables and wine.

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External Trade

ONE of the main features of the Spanish organic sector is the high level of internationalization which has allowed large increases in both exports and imports. Exports of Spanish organic products reached €890 million in 2016 and imports reached €596 million. These statistics represent an export growth rate of 51% in the last five years and 196% in the case of imports.

In the last year, exports grew to around 14.5% compared to the previous year, from €778 million in 2015 and €891 million in 2016, while imports continue an even higher growth rate with an increase of 38.3% in the same period.

EVOLUTION OF EXTERNAL TRADE

YEAR	EXPORTS MILL €	IMPORTS MILL €	TRADE BALANCE MILL €	COVERAGE RATE (%)
2012	590,0	201,0	389,0	239,5%
2013	671,5	298,0	373,5	225,3%
2014	724,0	365,0	359,0	198,4%
2015	778,0	431,0	347,0	180,5%
2016	890,8	596,0	294,8	149,5%

Source: MAPAMA-Prodescon

What do we sell abroad?

There are four main categories that dominate Spanish organic exports: vegetables, wines, oils and fruits, which in total account for around 72% of Spanish organic exports.

The main recipients of these exports were countries in the European Union (Germany, France, United Kingdom, Italy, Sweden and the Netherlands, among others); and to a lesser extent (less than 10%) to non-EU countries (USA, Mexico, China, South Korea and Australia).

SPANISH ORGANIC EXPORTS

SPANISH ORGANIC EXPORTS	% EXPORTS	
1. Fresh vegetables, potatoes, pulses and derivatives	25%	**Plant based** 94.2%
2. Other vegetable products	20.2%	
3. Wines and alcoholic beverages	16.3%	
4. Olive oil and sunflower oil	16.2%	
5. Fruit and derivatives (including nuts)	14%	
6. Grains, rice and derivatives	2.0%	
7. Meat and derivatives	2.5%	**Animal based** 5.8%
8.Other animal products	1.5%	
9. Fish and derivatives	1.4%	
10. Milk and derivatives	0.4%	
TOTAL	**100%**	**100%**

Source: MAPAMA-Prodescon

External Trade

So, what do we import?

The main imported organic products are grains and soybean derivatives; seasonal fruits and vegetables, tropical fruits; baby food; dietary products; dairy products and milk drinks; coffee, tea, infusions, cocoa derivatives; as well as animal feed and raw materials for organic farms or industries.

Our main suppliers are mainly from the European Union (Germany, France, the Netherlands and Italy); as well as the United States, South America or India.

SPANISH ORGANIC IMPORTS

PRODUCTS	% IMPORT.
Derivatives of grains and soybeans (beverages, pasta, flour, sauces, rice, broths, condiments, seeds, etc.)	25-30%
Bulk, feed for organic farms or processors	20-25%
Baby food, dietetic, nutraceutical and energy drinks	15-20%
Coffee, tea, infusions, cocoa derivatives, sweeteners... etc	10-15%
Fruits and vegetables (tropical, exotic, out of season...)	5-10%
Dairy and milk drinks	5-8%
Take away, special canned products, snacks, etc.	5-8%
Other	1-5%

Source: MAPAMA-Prodescon

External Trade

Challenges of Spanish organic sector

Despite the positive export figures, the greater growth rate of imports and the imbalanced behavior compared with conventional exports constitute the main challenges of the organic external sector.

The first challenge is the gap between the type of product that we export compared with what we import. The Spanish export offering is mainly fresh produce, wines and oils. However, the demand for organic products with high added value by the Spanish consumer raises the imports. This issue may have been caused by the lack of development in the industry unable to meet the needs of local consumption.

Additionally, analyzing the behavior of the conventional trade market, it is observed that the growth rate of trade balance during 2015-2016 was 15.47% compared with -15.04% of the organic trade balance rate.

The structure of the national organic sector, where SME's mainly operate may be generating a lack of competitiveness regarding the conventional agri-food sector.

FOREIGN TRADE (Mill. €)

MILL. €	ORGANIC PRODUCTS			TOTAL FOOD MARKET			% ECO/TOTAL	
	2015	2016	Δ2015/2016	2015	2016	Δ2015/2016	2015	2016
Export Mill €	778	891	14.50%	44.192	46.781	5.86%	1.76%	1.90%
Imports Mill €	431	596	38.28%	34.185	35.226	3.05%	1.26%	1.69%
Trade Balance Mill €	347	295	-15.04%	10.007	11.555	15.47%	3.47%	2.55%

Source: MAPAMA-Prodescon

External Trade

New marketplaces

Even though European growth is expected to be impressive in coming years there is a lot of room for growth internationally; emerging economies present numerous opportunities where there is an increasing interest in organic consumption.

With the implementation of the new regulatory framework and certification standards in place since 2015, China has had astounding growth both in the productive sector and the internal market.

According to official statistics, in terms of production, China has hold the third position globally for the amount of area used for organic agriculture with a 42% growth rate last year; from 1.6 to almost 2.3 million hectares.

The absence of mutual organic regulations between the EU and China forces European operators to obtain a local certification to be able to export to China. However, the development of the Chinese local market reflects an important evolution with a 26% growth rate last year from € 4.700 million to € 5.900 million and provides an interesting commercial opportunity for Spanish operators as well as others, such as Italian, French and Greek companies that are currently operating there.

Organic Sales Channels

PERHAPS the greatest impact in the national sector is taking place in the sales arena.

Several recently published reports analyzing the distribution of market share identify the existence of two major channels; the traditional independent or specialized channel and conventional or modern trade channel.

RETAIL SHARE BY CHANNEL

	2015	2016	2017
Independent Retail	63-73%	58-72%	37,1%
Specailized Supermarket/Shop	40-45%	36-45%	37,1%
Cooperatives	14-16%	13-15%	
Direct Sales/Online	7-9%	7-9%	
Catering/Restaurants	2-3%	2-3%	
Modern Trade	27-37%	27-37%	61,3%
Hypermarkets	14-18%	14-18%	18,9%
Discount	4-7%	4-7%	24,4%
Supermarkets	7-8%	7-8%	18,0%
Traditional Shop	2-4%	2-4%	
Source	MAPAMA	MAPAMA	KANTAR

Changes in the specialized distribution channel

An evolution of sales formats has been identified in specialized channel. The traditional sales format of mainly small specialized stores (herbalists and ecoshops) is evolving towards bigger organic stores, with a greater product offering.

The size of a specialized store is increasing from a format of small stores with about 100 square meters to one with an average of 200-250 square meters of sales area. However, there are exceptions, with stores of up to 800 square meters.

The organic assortment in a large specialized store can be between 3,000-4,000 products on average, and about 1,000-1,500 in small stores.

The main way to achieve differentiation is via specialization with high product quality and range. In these formats, the categories that stand out the most are fresh produce, fruit, vegetables, bulk, dairy and meat.

According to the different reports, carried out by different sources, the consumption share of this channel varies between 30% and 45%.

Organic Sales Channels

Growth of independent specialized chains and entry of international organizations

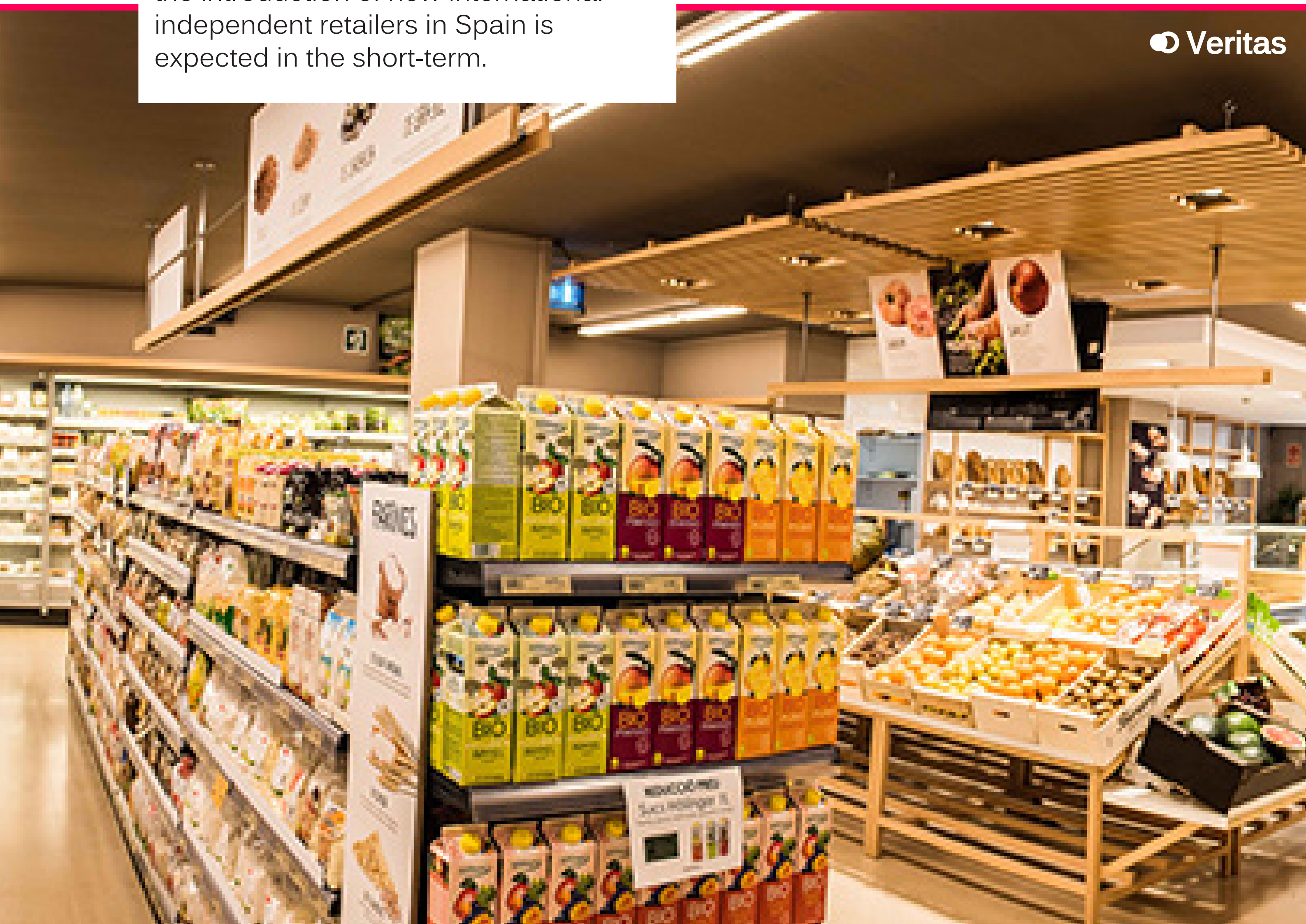
In the last two years there has been notable growth in the leading independent organic chains due to their increase in the number of stores. Their expansion strategies are focused on large cities and tourist areas with the aim of catering for foreign customers who constitute an important target of organic products.

Besides national initiatives, international bio chains are gaining strength and the introduction of new international independent retailers in Spain is expected in the short-term.

MAIN INDEPENDENT RETAILERS

CADENA	HEADQUARTERS	POS
Veritas	Barcelona	60
Navarro Herbolario	Valencia	33
SuperSano	Alicante	13
Tribu Woki	Barcelona	9
ecorgánic	Valencia	7
GranBio	Murcia	5
Bio c' Bon	Madrid	5

Source: ECOLOGICAL.BIO (April 2018)



Organic Sales Channels

Modern Trade

While specialized independent retail is growing, modern trade has also shown itself to be committed to increasing the offer and assortment of organic products on its shelves. In the last two years the vast majority of supermarket chains have implemented the organic category, joining hypermarkets and hard-discount stores.

The pioneers Aldi and Lidl are continually innovating and incorporating new organic products. El Corte Inglés started to implement Biosfera in their department stores in 2017. Biosfera is the new specialized commercial format placed in its supermarkets putting the full organic assortment together in a differentiated section.

In recent years, supermarkets have also begun to offer a limited range of organic products including fruit and vegetables. Some examples are Dia and Consum, among others.

However, the most innovative organization in the national market regarding the bio category is Carrefour, following the group's strategy implemented in France. In 2017,

Organic Sales Channels

Carrefour introduced 1,500 bio products in their new convenience supermarket concept; Carrefour Market. They are also deploying a new specialized channel, Carrefour Bio, which already has two stores in Madrid. Company sources recently announced that the organic category already represents 1.5% of the company's turnover with a year-on-year growth of 35%

Carrefour Bio


La Biosfera (El Corte Inglés)

Organic Sales Channels

Other sales formats

Consumer cooperatives

One of the traditional formats of commercialization, consumer groups, is also evolving towards consumer cooperative formats where the partners work in management and organization. The main consumer of this segment is the “consumer-actor”; an environmentally and socially-conscious consumer who engages in commitment to various issues through consumption. Around 13% -15% of sales are made through this channel.

Direct sales

Direct sales and local market channels between producers and consumers maintain their market share of between 7% -15%.

The catering & hospitality sector

There are two main driving forces developing catering channels. On the one hand there is a higher number of organic catering establishments nationally and on the other hand, the development of municipal and regional policies, promoting the consumption of organic products in school canteens, is encouraging catering companies to search for local and organic suppliers for school menus. This channel maintains its share between 2-3% of total sales.

Online y Marketplaces

According to the MAPAMA research, food products bought via e-commerce accounted for only 0.9% of total sales in Spain in 2016 (around €620 million).

Nevertheless, there are multiple online initiatives from retailers that launched online shops and marketplaces, which are continually increasing their organic assortment.

For this study, we analyzed Amazon’s best-sellers in the Spanish marketplace within the category of food and beverages. The research concluded that 10% of the top 100 best-selling products were organic.

Organic Sales Channels

Retail Sales by channel in selected European countries

There are two main models of sales channels worldwide. On the one hand, the Anglo-Saxon model, where the near inexistence of specialized retailing pushes the sale of organic products towards modern trade (hypermarkets, supermarkets, hard-discount stores).

On the other hand, Germany, France and Italy reflect a different model, where the specialist retail channel has been developed with capillarity to meet consumers' needs.

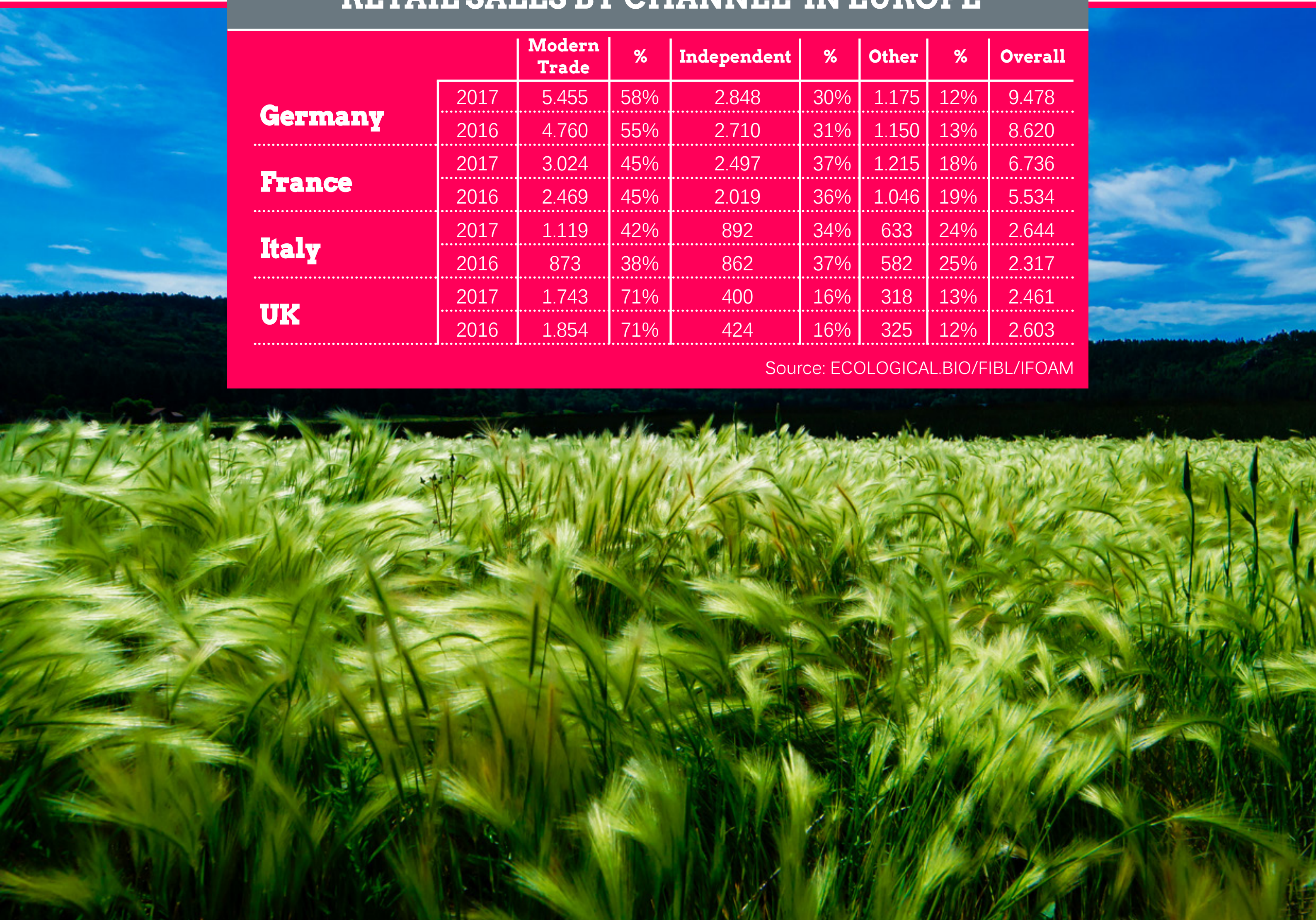
For example, according to Challenge magazine in 2017, in France the main organic retailer is Carrefour with €1.200 million followed by the first organic supermarket chain Biocoop, whose more than 500 stores reached €1.100 million in the same period.

However, all European markets have experienced a significant increase in the level of overall sales.

RETAIL SALES BY CHANNEL IN EUROPE

		Modern Trade	%	Independent	%	Other	%	Overall
Germany	2017	5.455	58%	2.848	30%	1.175	12%	9.478
	2016	4.760	55%	2.710	31%	1.150	13%	8.620
France	2017	3.024	45%	2.497	37%	1.215	18%	6.736
	2016	2.469	45%	2.019	36%	1.046	19%	5.534
Italy	2017	1.119	42%	892	34%	633	24%	2.644
	2016	873	38%	862	37%	582	25%	2.317
UK	2017	1.743	71%	400	16%	318	13%	2.461
	2016	1.854	71%	424	16%	325	12%	2.603

Source: ECOLOGICAL.BIO/FIBL/IFOAM



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Bio category vs Integration in existing offering

One of the main issues modern trade has had to face is making decisions concerning a new approach of integrating organic products into the corporate assortment at points of sale.

It can be said that, depending on the sales format (hypermarkets vs supermarkets), the strategy adopted is different. Carrefour, Corte Inglés, Alcampo and even Aldi and Lidl have developed special areas in their supermarkets/hypermarkets where the entire organic assortment is concentrated. Whereas the integration of organic products on the same shelves as similar categories has been implemented by supermarkets like Consum, Mas and Mas, Dia, among others.

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