Partnership

ORGANIC FOOD AND SOURCING

Present status and future opportunities

Dr. Klaus-Jürgen Holstein. Odessa 15.3. 2019

To make you understand, what I´m explaining I have to tell you, what I´m doing

There hat been a small fact in my life making a difference
I started to eat organic to try out vegetarian food 45 years ago
At that time I have been working in big international marketing agencies
And my personal lifestyle and my job were just two things

20 years ago we got the situation in Germany, that this lifestyle got more and more important for the offer of retail, a lot of food had to be imported and example to built up organic shop brands in Germany there has been only one player providing Edeka, Rewe, Metro and Tengelmann with their organic assortment and there were other pioneers of organic offer like Alnatura with tegut, and dm as a partner and independent offers like Rinatura. They all just had a similar basic offer bought organic food outside, did put together a complete offer under the brand and we had a low level of real organic food production

To make you understand, what I´m explaining I have to tell you, what I´m doing

At that time, when organic sales gave the first push to retail in an overall saturized market situation. Since then organic food is the key innovation in food-retail in Europe and in the US as well.
Since that time germain retail and a selection of organic food providers choose me as an intermediate to find out, where to get the best solutions to source the organic and new lifestyle food consumers want.
Since that time I have been asked by major players to find out solutions for a complete offer of organic food or parts of this assortment
My concern in that has almost been to find out the most direct path from the origin of product to the finished product on the shelf and was the reason why I have been looking inside the process of production to understand these processes in the different ranges of food products





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To tell the story from an other perspective:
With the retail I worked since then on the question where to get new sales by new ranges of products to feed the demand of consumers
How to produce new offers in the major innovation fields, ready-made convenience food, new plant-based or superfood based receipes, low-carb and high-protein-products

And to find good partners to source the raw-material and process it. To pre-organize this process you have to look deeply into production units to see, what are the real production processes and where are key points for best quality within all these ranges of products like fresh fruit and vegetables, dairy products, meat-products, the whole range of basic food, dry-food to new convenience stuff.

To make you understand, what I´m explaining I have to tell you, what I´m doing

What I´m doing today?
I just finished to build up one of leading organic shop-brands with a concept of sourcing best quality organic products most directly from the different points of origin

I´m working with brand innovators finding out innovation food-products for retail
I´m working together with industrial partners to develop new technologies to bring innovative food ideas into industrial food-production

I´m bringing together constantly partners for sourcing and processing food-concepts by an annual networking conference called Sourcing Trends held in Hamburg





So first of all there is to be seen, that there are good opportunities

Ukraine shows a lot of very favourable conditions to be a very interesting partner concerning food and overall a good potential for the growing consumer market of organic food

The fruitful soil of Ukraine

The positive climate for a lot of crops

The huge and partly unspoiled units of agricultural land

The geographic situation

The pioneer chance to develop new sources and new possibilities





So first of all there is to be seen, that there are good opportunities

During the last five years there has been a positive development

There were more direct contacts with companies of the Ukraine

More exchange of knowledge did create more transparency of the market

Common quality standards have been developped





But there are also things blocking the development

So get to continous sales we need a consense on price policy. The communication on this item has been not clear enough concerning the side items to be included inbthe delivery of goods like the status of cleaning and pre-selection of crop-material the extension of analysis being necessary.

We had problems with buyers going around not telling the truth about price and sales situation

And on the other hand, when there was the wish to complete contracts there was a very insecure situation on export delivery, on customs handling und the time-table of all that.

These facts did block a common planning with german and ukrainian partner to come to a normal planning and development of sales





And there is another item blocking the use of Ukrainian food and food ressources

The experience with untrustful partners and fraud in the sense of organic food beeing not truely organic for a lot of retail-chaines the origin Ukraine is not acceptable

They judge Ukraine as a not trustful delivery partner like they do with China

So concerning organic grains they want a price 15 to 30 Euro less per ton than EU-organic
Concerning organic oil seeds they sometimes want even a price 100 Euro less per ton than EU-organic

So the urgent thing is to get into a trustful partnership and to do everything to support connections





Germany is the second-biggest organic market in the world

Last year the organic food market in Germany has been 2018 close to 11 billion euro

The majority of those products being the focus for delivery from ukraine at the moment tend to be more and more distributed in discount-shops as for instance oil-products, flour etc

In this market there exist a sample of brokers and packing and service units doing the job with small margins for them. These intelligent agents get more and more important in the market because in the end retail does refuse to handle these procurement things by themselves.

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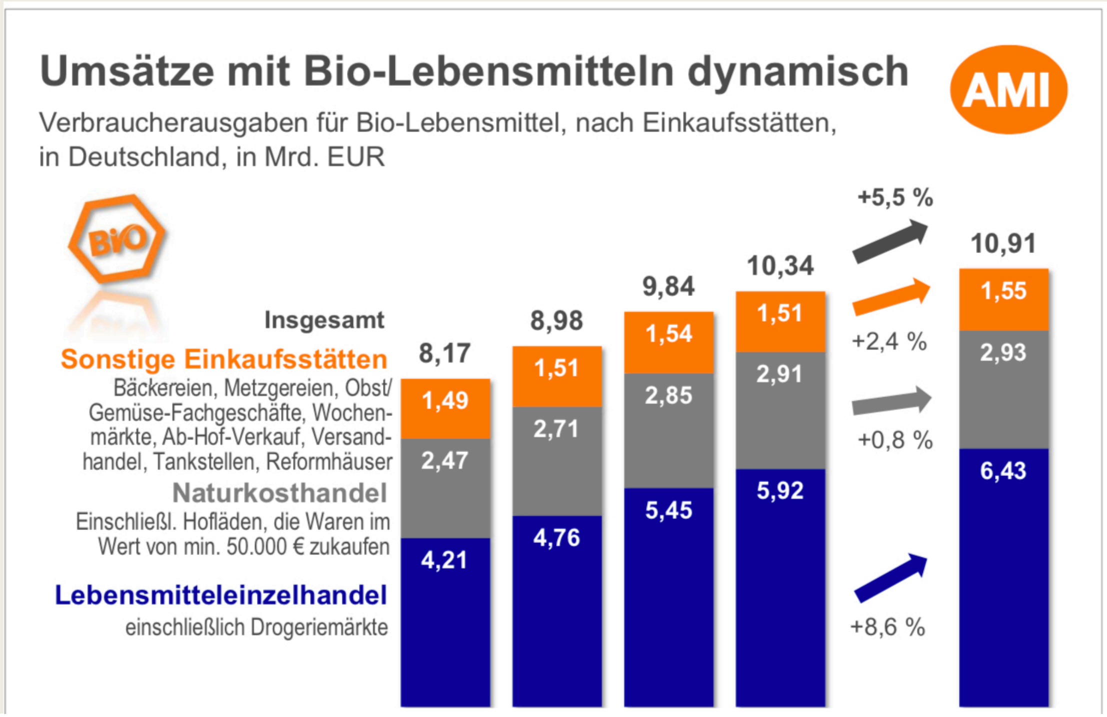
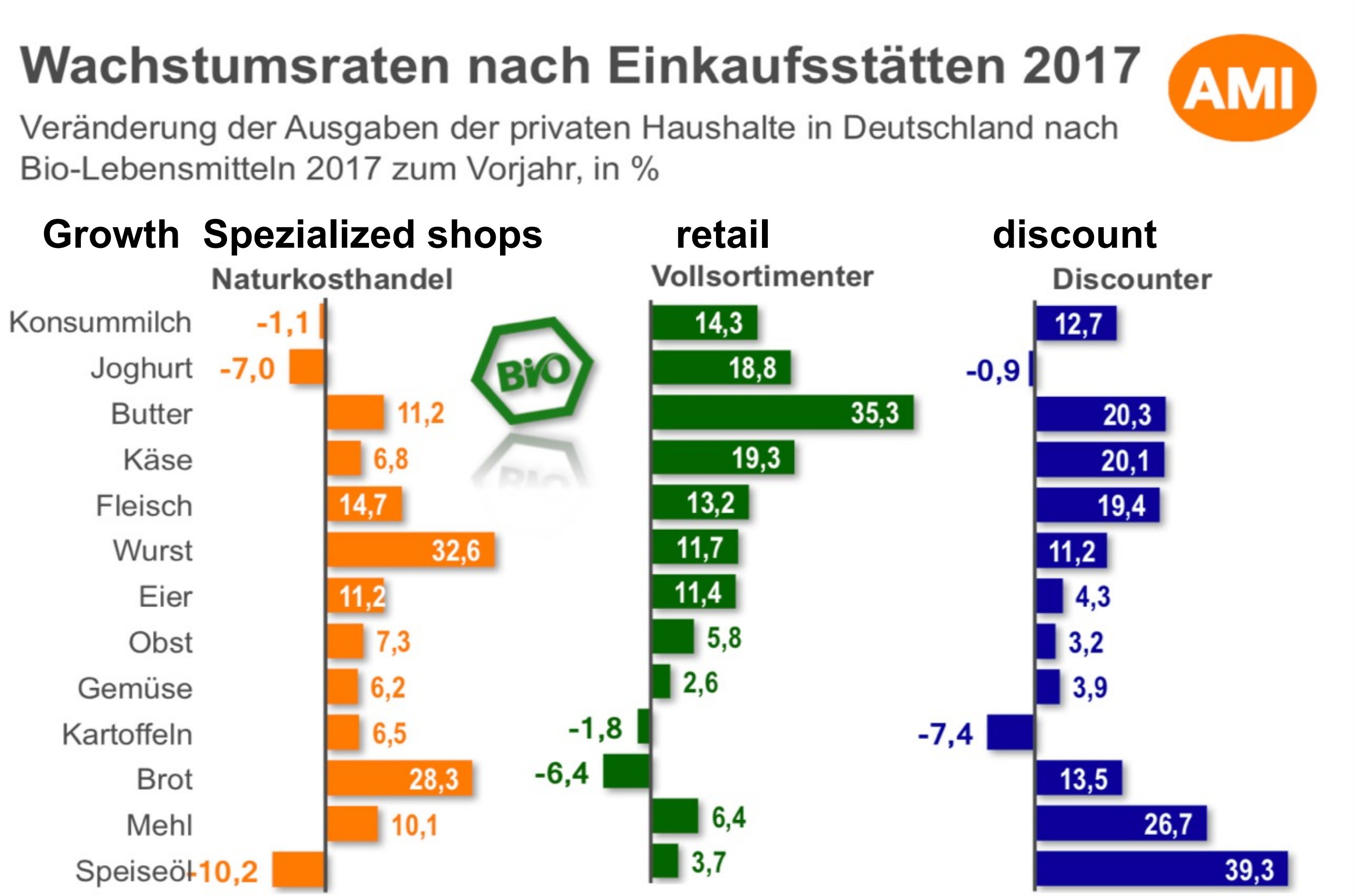


Total organic part

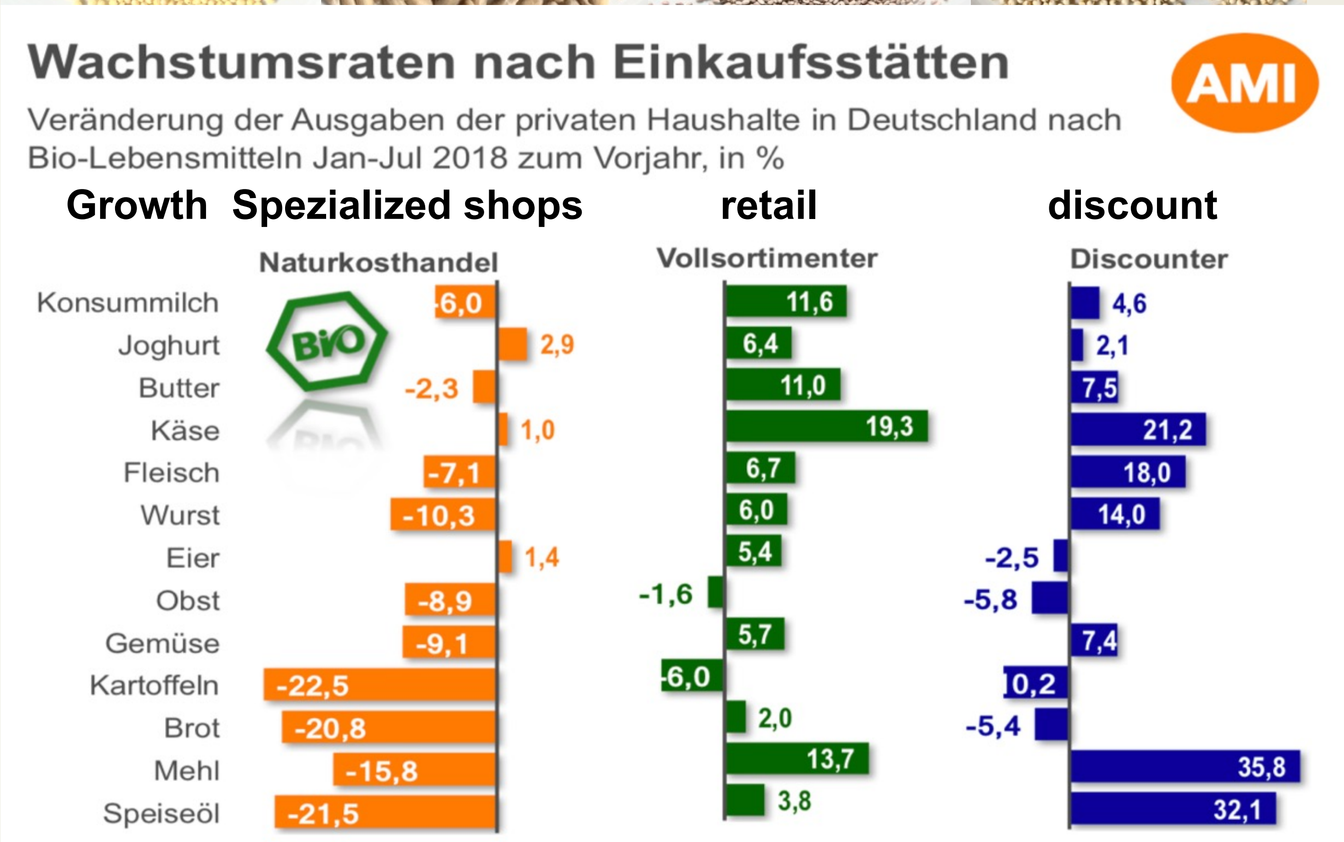
Other distribution channels

Spezialized shops

Conventional retail



Drinking milk
Joghurt,
Butter
Cheese
Meat
Sausages
Eggs
Fruit
Vegetables
Potatoes
Bread
Flour
Edible oil



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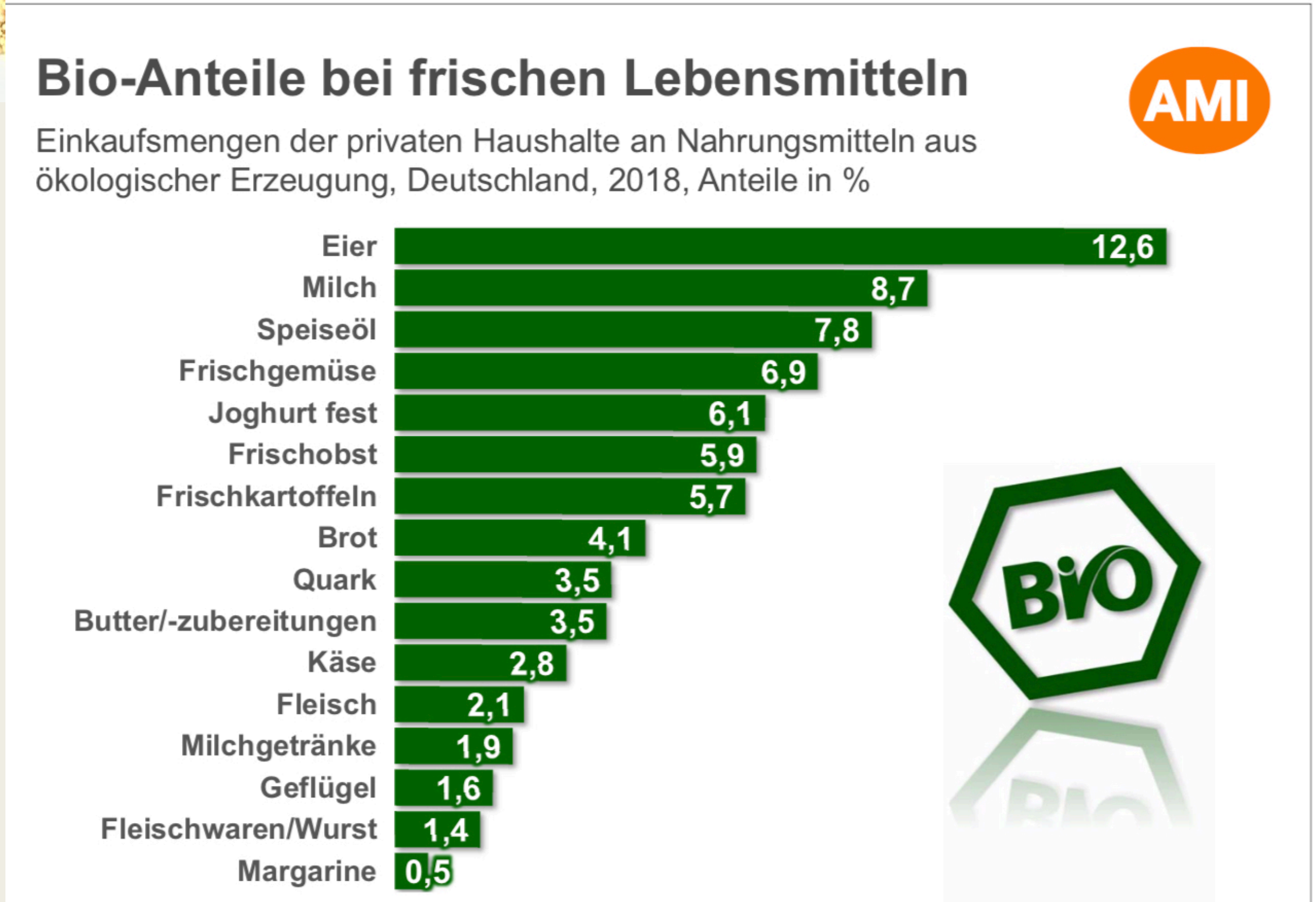
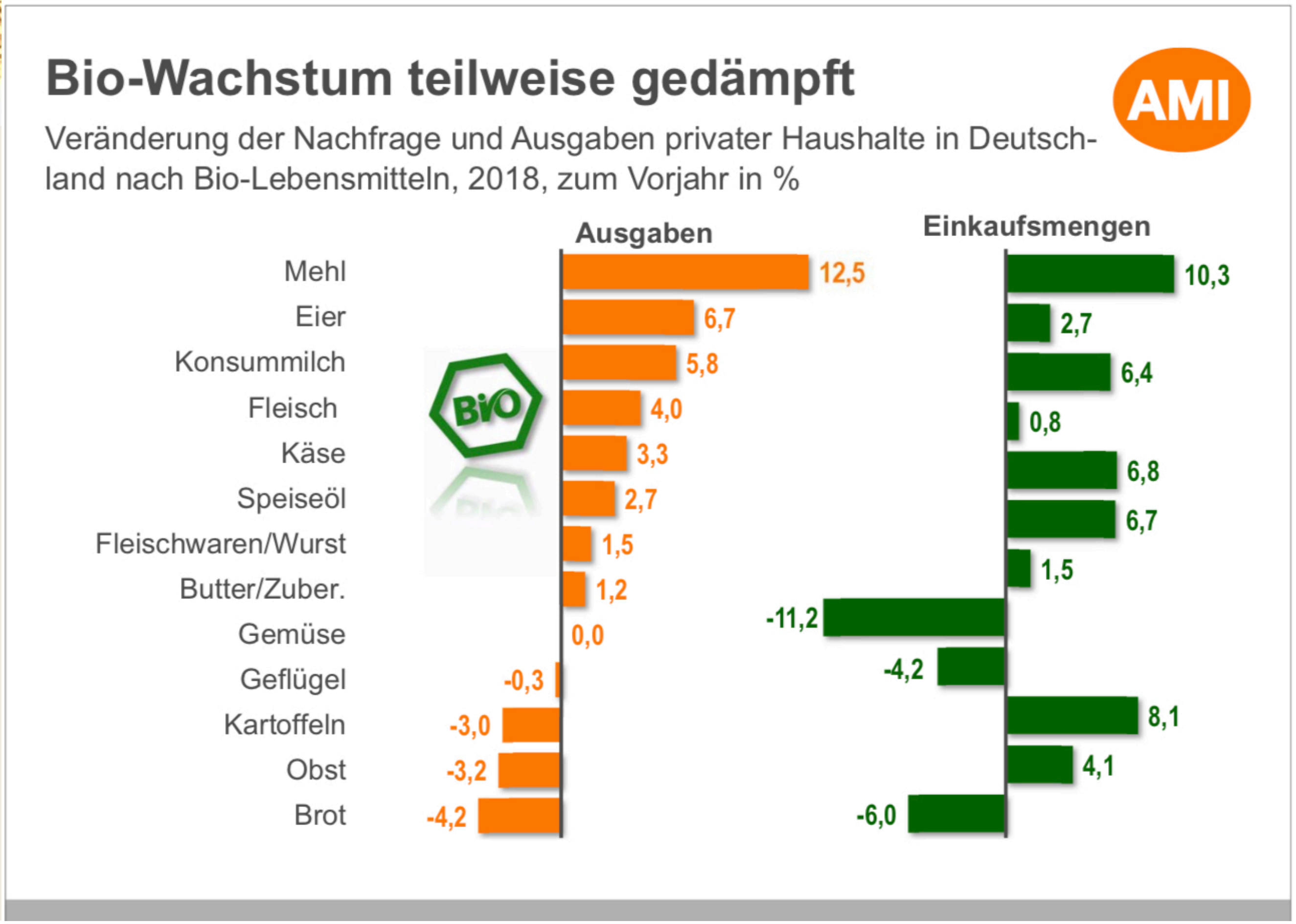


Organic share 2018

Eggs 12,6 %
Drinking milk 8,7%
Edible oil 7,8 %
Fresh fruit 6,9 %
Joghurt. 6,1 %
Fresh potatoes. 5,7 %
Bread. 4,1 %
White cheese. 3,5 %
Butter. 3,5 %
Cheese. 2,8%
Meat 2,1 %
Milk Drinks. 1,9 %
Poultry 1,6 %
Meat products/sausages 1,4%
Margarine. 0,5%



Growth 2018

Flour
Eggs
Drinking milk
Meat
Cheese
Edible oil
Meat prepations, sausages
Butter
Vegetables
Poultry
Potatoes,
Fruit
Bread





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In same way like retail chains also the packers and producers like to use agents with good local connections to get the raw material in the size selection, in a cleaning-status and with stabilized and steady product parameters

A close cooperation with those partners is the key to the market because it is giving know-how how the real market does work

This type of working together is including whole food-chain from crop to product on the shelf





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In the last five years we have seen a fundamental change of the organic market
In the startingtime twenty years ago organic product consumption was driven by a generation of Mysli-lovers and the preserving-nature movement

The growth today is coming more and more from a new generation of health orientated younger people looking for vegan, clean and gluten-free food, for superfood and all the latest nutrition stuff being just fashionable

By this we see a change of assortments demanded and we see the necessity of much quicker adaptation on the demand than before





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The sourcing situation is changing every year due to climate, crop situation and consumer-trends
So that means producer of agricultural goods should have a good sample of stand-by network-connections to follow the situation

Long before crop a lot of professional buyers try to buckle-up all the needed contacts of their favour-origin-crops
But we see every year that the truth beeing clear in germany with Biofach february is changed perhaps by real harvest situation in july or new figures on demand till august
So that makes us learn, that a „no“ in march may get to a „yes“ in septembre

But the aim of that should be of course to come from this to more planning together as far as possible.





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Opportunities in sales
First and foremost value-added quality: organic in addition to mainstream
also to grow specialties
To offer a transparent information, how harvesting and crops and further treatments are done

Offer through brokers from Germany or Austria
Planning the logistics chain together with the provider
Also to have somebody inbetween in case better selection of product-size, better cleaning, further treatments, analytics or other feature will be demanded.

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Middle-term trends
The market is demanding more pulses and high-protein products
More organic raw material for processed food
Opportunities even with vegetables and dried fruits
Specially with all the dry material needed for mysli or porridge

soybean oilseeds at a discount
Conversion commodity crops for feeding

Finishing and a lot of post-crop treatment to prepare for production demands





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Middle-term trends

little chance for organic meat or poultry becauce this section is seen as high security-section like eggs as well

For commodities we see no general demand of commodities in consumer packaging because packaging is done in a global look as part of bigger assortments





Thank you for listening
And whenever you need
Information or contacts,
feel free to
Contact me

And think about the
Opportunities with
Sourcing trends 2019
In Hamburg
11th and 12th sept

FoodExpertise

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