Organic Food and Beverage Market Brief [1] - Sweden

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Secteur Overview

Since the first litre of Swedish organic milk was produced in 1991, the production and consumption of organic food in Sweden have been steady growing, reflecting increased concern for a more sustainable society and a healthy lifestyle. The increased demand for organic products has been met by the Swedish government by, for instance, providing support to Swedish producers that are willing to switch from conventional to organic methods.

1.1 Manufacturing of organic food

The total turnover of the food products, tobacco and beverage manufacturing sector was in the order of SEK 163 billion (CAD 22 billion) in 2010, and is, when combined, the third biggest industry sector in Sweden. The sector consisted of approximately 3,500 companies and employed ca 52,000 persons in 2010 (www.scb.se). In addition, the number of companies that are involved in organic production to some degree is estimated to be of the magnitude of 3000, ranging from farmers, manufacturers to retailers.

The value of the export of food products, tobacco and beverages amounted to SEK 38.5 billion (CAD 5.2 billion) in 2010 with organic products accounting for SEK 0.7 billions (CAD 94.5 millions) (ca 2 %). The main countries that Sweden exports organic products to are Denmark, Germany and England.

The Swedish import of food products, tobacco and beverages amounts to a total of SEK 67.5 billion (CAD 9.1 billion) in 2010, and the import of organic products is estimated to be in the order of SEK 4 billions (CAD 540 millions) (ca 6 % of the total import value). The main products that are imported are fruits and vegetables, coffee, tea and alcoholic beverages, products that usually cannot be produced domestically. Similar to the experience in Denmark, the main exporters of organic food to Sweden are Italy, Germany and Holland.

1.2 Major producers

The organic food, tobacco and beverage sector in Sweden is dominated by Swedish companies or subsidiaries, and is characterised of a mix of a number of large-scale producers that control a major part of a particular segment of the sector, and a greater number of smaller producers that are more specialised and active on a more regional or local basis. The organic food sector (including tobacco and beverages) in Sweden covers the whole range of products such as milk, egg and dairy products; cereal based products; meat products; fruits and vegetables; beverages including alcoholic beverages and products such as fruit, coffee, tea and spices.

Major producers and wholesale dealers are:
In the dairy sector, the Danish/Swedish owned Arla is the biggest producer, estimated to control some 54% of the dairy market. Other main producers of organic dairy products include Milko (currently being taken over by Arla), Skånemejerier and Normmejerier. The organic egg market is largely dominated by three actors, Svenska Lantägg, Stjärnägg och Kronägg that control ca. 90% of the organic egg market. The organic cereal sector is largely dominated by Lantmännen, a cooperative owned by Swedish farmers, which in 2007 controlled some 90% of the cereal based organic production and has a range of well established brands under its control. Besides Lantmännen is Saltå Kvarn, a relatively dominant and influential producer of more niched cereal based organic products.

As it is in the dairy and cereal market, the organic meat market is largely dominated by two companies, Scan and Stockholms Butikskött. The organic fish market is relatively new, but growing. Major actors on the fish market include Findus, Abba and Swedish/Norwegian Enghav. Furthermore, the organic fruit and vegetables market is dominated by a number of wholesale dealers and producers such as Saba frukt och grönt, Everfresh AB and Ewerman AB. Major producers are Findus, Felix, Björnekulla (juice and jam) and Santa Maria (spices). Considering colonial products such as coffee and cocoa (chocolate) there are some major producers. The organic coffee market is dominated by Gevalia (Kraft), Zoégas (Néstle) and Arvid Nordquist, while the organic chocolate market is dominated by Marabou (Kraft).

Wholesale of organic products

The total turnover of the Swedish wholesale sector of food, tobacco and beverages in 2010 amounted to SEK 243 billion (CAD ca 33 billion) and employed a total of 26,345 employees. The wholesale sector in Sweden is characterised by a handful of large grocery chains, of which Ica AB, Coop AB and Axfod AB are the largest. In 2010, Ica AB, Coop AB and Axfod AB generated a turnover of SEK 94.5 billions (CAD 12.5 billions), SEK 22 billions (CAD 3 billions) and SEK 34.5 billions (CAD 4.5 billions) respectively. In addition, Systembolaget AB, the sole retailer of alcoholic beverages in Sweden, had a turnover of SEK 24.5 billion (CAD 3.3 billions) and employed 3,255 in 2010.

Organic products was sold for a value of SEK 9.2 billion (CAD 1.2 billion) in 2011, an 11% increase compared to 2010 (SEK 8.3 billion; CAD 1.1 billion), and constitute 3.5% of the total turnover in the sector in 2011. In the cases of the three grocery chains mentioned above and Systembolaget, the organic shares of the total turnover in 2011 broke down as follows:
- Ica AB – ca 3 % (2.5 % 2010)
- Coop AB – 5.7 % (7.1 % 2010)
- Axfood AB – ca 3.5 % (2.4 % 2010)
- Systembolaget AB – 3.8 % (3.1 % 2010)

**Biggest segments**

Dairy products and eggs are by far the biggest segment of the organic market and constitute 25 % of the total turnover in 2010 (SEK 2.2 billion) followed by fruits and vegetables at 13 % (ca SEK 1.1 billion). Worth mentioning is that almost all segments have been growing since 2008. Furthermore, fish products, ice cream, and sweets have been particularly successful, growing by some 100 % since 2008.

**Maturity of the sector**

The organic food sector in Sweden is well established. The main organisation that certifies organic food in Sweden, KRAV, was established in 1985, while organic milk was introduced in the market in 1991. Since then, the market has grown, as shown, and accounts for 3.5 % of the total food market in 2011.

**Research**

Research related to organic food production is mainly concentrated in the Swedish University of Agricultural Sciences (SLU), which are located in Alnarp and Uppsala. Research on organic food production is funded by the Swedish Government as well as private actors, such as the Swedish Farmers’ Foundation for Agricultural Research (SLF). Furthermore, the city of Järna, located south of Stockholm, is known as an organic centre in Sweden, where, for instance, the Biodynamic Research Institute and Saltå Kvarn are located.

**Market and Sector Challenges (Strengths and Weaknesses)**

**Consumer behaviour**

The Swedish market for organic products is well established and is, per capita, the 4th biggest market in Europe for organic food products. A general trend toward healthier eating and an increased concern for sustainable development among Swedish consumers makes Sweden a promising market for organic food products. A survey conducted in 2009 by the market survey institute Synovate on behalf of the grocery chain Axfood found that the major reasons for buying organic food include:

- Concern for the environment – 72 %
- Healthy lifestyle – 44 %
- Concern for the wellbeing of animals – 38 %

The consumer behaviour reported here suggests that it might be problematic for Canadian producers to export organic food products to Sweden. Consumers of organic products are highly environmentally aware and might find it hard to justify the purchase of products that have been shipped from Canada. However, this is more likely a concern for products that are possible to produce in Sweden. Products that occupy a niche and that have no domestic substitutes might have better success on the Swedish market.

Brands are important factors when consumers make their consumption choices. A brand indicates the quality of the product, but also other information such as origin and health. Canadian companies or producers seeking to export organic products to Sweden might benefit by cooperating with existing companies that are already well
known in the market. A general trend is that retailers are establishing their own labels, such as Ica’s *I Love Eco* label or Coop’s *Änglamark* label. By cooperating with one of these actors, an exporter would likely achieve more direct access into the Swedish market.

**Expected growth of the organic sector**

Organic food is mainly channelled through the wholesale sector. Some 80 % of all organic food, and the three major grocery chains described earlier, are the main actors in the sector. The market for organic food products grew by 11 % in 2011 and is expected to show the same growth rates until 2020, when it is estimated to grow to approximately SEK 18 billion (CAD 2.4 billion) and constitute a 6 % share of the total turnover in the food sector.

Another consumer behaviour survey conducted in 2010 by the research company SIFO on behalf of KRAV found that 22 % of all consumers purchase organic products as often as they can, while 50 % answered that they sometimes purchase organic products, and 20 % stated that they would like to purchase more organic products in the future (www.krav.se). In 2009, a Swedish consumer spent on average approximately EUR 76 (CAD 117) on organic products, putting Sweden in the 4th position in Europe. This information further suggests that the Swedish market for organic products is well developed, yet growing, and thus a promising new market for Canadian organic products.

**Trade policies**

In July 2011 Canada and the EU agreed upon a free trade arrangement of organic products, called the Canada—European Union Organic Equivalency Arrangement. The arrangement will make it easier for Canadian producers of organic food products to gain access to the Swedish, and, of course, the European organic food market. Effectively, the agreement stipulates that Canadian organic food products need to carry the Canadian and/or the EU organic logo, and no further certification will be needed.

**Controlling organisations of organic products in Sweden**

There are four organisations responsible for the production and importing of organic food products in Sweden. These are Kiwa Aranea, SMAK AB, HS Certifiering AB och Valiguard AB. Food products that have been approved by these organisations are entitled to use the label *KRAV*, which is the main Swedish label for organic food and was established in 1985. Another well known label, for biodynamic products, is Demeter, which is an international organisation for controlling products that follows the biodynamic standards of production.

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[1] The Government of Canada has prepared this report based on primary and secondary sources of information. Readers should take note that the Government of Canada does not guarantee the accuracy of any of the information contained in this report, nor does it necessarily endorse the organizations listed herein. Readers should independently verify the accuracy and reliability of the information.