Thematic Group on Strengthening the position of farmers in the Organic Food Supply Chain

Organic policies in Denmark

Case study

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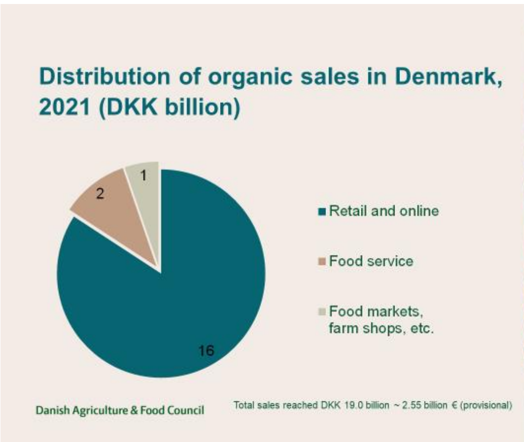
Introduction

Denmark has the highest market share in the world of organic food and beverages (13,0% in 2021). Danes are proud to have a shared vision to be the world leaders in developing sustainable organic production. Denmark is a small country with a high proportion of agricultural land (good soil, good climate). Danish agriculture is rather intensive with conventional pig production accounting for 22% of the total area. Some people take pride in 'efficient' Danish agricultural production but there are also some concerns; hence the parallel promotion of organic agriculture. It is widely accepted that organic agriculture provides the best balance regarding sustainability issues, animal welfare and environmental problems. The more critical NGOs are, the more these raised issues have pushed consumers towards purchasing organic products. When consumers are asked why they buy organic food, what first comes to mind is protection of the environment, drinking water quality, and good animal welfare (access to outdoor areas). Other motives are food safety and confidence in state certification[1].

Market developments in organics

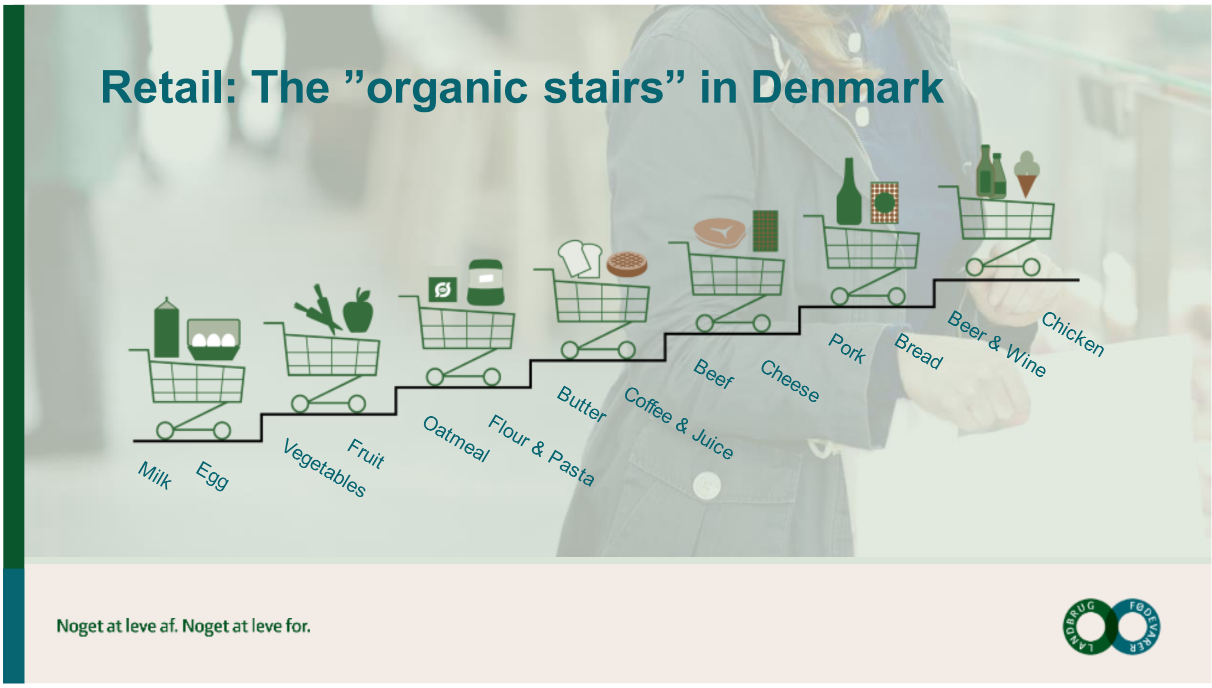
Organic produce is broadly accepted in Denmark. Nearly all Danes (93%) buy organic products from time to time. 55% of all Danes bought organic food every single week in 2020. There is a common understanding among Danish stakeholders including farmers, retailers and politicians that they should cultivate their top position in organic consumption - *We want to be world champion. It is motivating us a lot. We are a small country, so we need these success stories.*



Supermarkets are driving the development of the organic market. Almost 85% of organic sales are through supermarkets, about 10% is in food service and 5% is in food markets, farms shops etc. Open markets barely exist in Denmark. The supermarket is the dominant sales outlet in Denmark[2].

[1] https://www.organicdenmark.com/the-danish-model
[2] https://agricultureandfood.dk/danish-agriculture-and-food/organic-farming

Supermarkets have adopted a clear strategy over the last 10 years to offer a wide range of organic products and to offer organic products cheaper than competitors. Some organic products are comparable in price to conventional products. Organic carrots, oatmeal, potatoes, and milk have a limited price differential from conventional. Organic eggs are often in promotion. Supermarkets are using organic products to attract consumers. In 2005 discount retailers such as Netto entered the organic market and boosted the sale of organic products as part of their strategies.
Before that, only high-end supermarkets were promoting organic produce.



There has been a fairly constant growth of organic market share in retail. The previous financial crisis (2008-2009) did not affect the Danish organic market share despite higher prices. Supermarkets in Denmark have done a lot of research about consumer behaviours. Organic chicken is about three times more expensive than conventional chicken. For milk and eggs, the price differential is not so high. So, people embarking on organic consumption begin by buying organic milk and gradually move up the ‘organic stairs’, via organic vegetables and fruits to organic beer and wine and finally the more expensive organic meat. It is unlikely that consumers will ever suddenly stop buying organic food, rather they will move up or down the 'organic stairs'.

The domestic market for organic food in Denmark has now levelled out and is stable. Given the present situation crisis a reaction in the market is expected to follow that of Sweden, where recent research suggests that if prices increase people substitute expensive organic products for cheaper organic ones. E.g. substituting organic meat for organic vegetables, whilst maintaining the level of the overall family food budget for organics.

The organic market share in food service is increasing. The food service includes serving food from kitchens in institutions, restaurants, canteens, cafes, take-aways etc. There is a target that 60% should be organic (Organic Action Plan 2020). Denmark has looked to increase market share, for example by setting up an ‘’eating out’’ label for various levels of organic ingredients widely used in large kitchens. It indicates the percentage of procured goods that are organic.

The food service sector is, however, a minor player when it comes to the consumption of organic. Even if Denmark converted all public kitchens (hospitals, schools, etc.) to organic consumption, the impact on organic land conversion would be limited. Therefore, the conversion to organic in Denmark is not driven by the out-of-home market but rather by what is eaten at home combined with export opportunities. In some markets, much of the Danish organic production is exported.

History of organic policies in Denmark

Organic agricultural land conversion started in the early 1990s, with substantial growth for quite a few years. In the late 1990s, however, too many farmers converted to organic land partly because of good subsidies (five-year commitment). With conversion well ahead of consumption, farm prices collapsed resulting in a decrease in organic farmland by the early 2000s and many farmers switched back to conventional. It is a clear and expensive lesson from that period that land conversion must go hand in hand with market development of organic produce. If there is no market demand for organic produce, prices will drop, and farmers will return to conventional farming. The market share for organic land is now about 12%. Over the last two years the share of organic land has stagnated. This is partly due to stricter regulations on the use of husbandry manure and partly due to reduced export possibilities.

The history of organic farming in Denmark shows that it has been able to adapt to new circumstances efficiently and initiate developments. In 1985 the first political interest rose in environmental issues related to food production, leading to the establishment of organic advisory services shortly thereafter. In the late 1980s water protection actions plans were put in response to issues around low oxygen levels in water courses due to farming practices.

In 1987 MD Foods (Arla) began collecting organic milk separately from organic milk producers. This was a major step into accepting that organic production was something to be taken seriously. In 1993 there was the first commercial breakthrough for organics in cooperative food stores, and high-end retail outlets. This was thanks mainly due to the introduction of an authorized label for organic products. This state-owned organic label led to a high level of consumer confidence in the control system.

In 1995 the Danish government developed an organic action plan, again signaling that organic agriculture was important and to be taken seriously by all, including policy makers. In 1996 Denmark developed detailed rules for organic livestock, three years ahead of the EU. The conventional slaughterhouses skilled in selling conventional pigs also picked up the market for organic pigs at home and abroad.

In the period 2005-2008 the home market grew tremendously; so much so that production could not meet demand. Ultimately, land conversion to organic grew too rapidly, and in 2005 the land market share decreased again as margins declined. In 2005 Netto supermarkets (a discount chain) started to campaign for affordable organic produce: 'everyone can afford to buy organic'. In 2009 the Danish Government for the first time set out objectives to double organic land by 2020. In 2012 these objectives were embedded in the first Organic Action Plan 2020, aiming for 60% organic food in kindergartens, school kitchens, nursing homes etc. In 2020 a national growth plan for organics was adopted with 39 initiatives funded by the government, and a new target of doubling the organic land area, sales and export by 2030.

The conclusion to be drawn from this short overview is that **there was a common desire, with common long-term strategies and commonly accepted targets to realise this desire**, even with changing governments every four years. There was a strong political belief across the political spectrum that Denmark should prioritize organic agriculture. This policy stability has been key to creating growth in the organic sector.

Current policies including CAP instruments

Current policies to promote organic farming in Denmark include the National growth plan for organics adopted in 2020. The Growth Plan sets out how the Danish Government offers organic conversion checks free of charge as well as support for public kitchens to convert to organic food. The Action plan also includes marketing and information campaigns alongside export promotion.

Investments for organic production fall under the national Finance Act with national funding sitting alongside investments from the Common Agriculture Policy. The funding supports research as well as development projects (conversion of land and conversion of kitchens). There are grants for cultivating organic (conversion and maintenance) which are comparable to other EU member states. However, **the real drivers are not the grants but market demand**. The Organic Agriculture Fund recently received 6 million euros to set up development plans under 6 support areas during 2023:

- agricultural production (increase organic yields)
- export promotion
- national market
- knowledge and competences

- conversion of kitchens
- plant-based foods.

Promotion and market development are key issues. The aim is to stimulate the demand both in Denmark and abroad. Certifications and inspections are free for businesses. It is made as easy as possible to enter organic production. The Danish organic supply chain development is based on cooperation with many stakeholders supporting it (food companies, farmers, consumers, and policy makers). Experience suggests that success relies on policy, regulation and the supply chain all pointing in the same direction.

Considerations for policy and practice (based on Denmark's experience)

1. Create a common vision

The Danes have a shared vision to be world-leading in developing sustainable organic production. There is a common understanding among Danish stakeholders including farmers, retailers and politicians, that they should cultivate their position at 'the top' of organic consumption. This belief is held by both the left and right of the political spectrum.

2. Create a common agenda

The history of organic farming in Denmark shows that there is a ''well-functioning organic machine'' being able to adapt to new developments efficiently and sometimes initiating these developments. To ''lock in'' organic production and consumption as the self-evident option, successive steps are needed in the public domain (action plans) as well as in the private domain (initiate land conversion, separate conventional processing from organic processing, make organic products widely available and affordable). The Danish model of organic development is based on cooperation with many stakeholders supporting it (food companies, farmers, consumers, and policy makers). Policy and market should point in the same direction. The government makes plans and retail partners support these plans.

3. Make it market driven

It is clear from the Danish experience that organic land conversion must be driven by market development, rather than the other way around with market development being largely driven by retail. Exports of organic produce can be included as a deliberate market development strategy. Market research can help to understand and influence consumer behavior, both the niche as well as mainstream segments of the consumer market.

4. Be pragmatic

There is a shared perspective in Denmark between conventional and organic farmers. There is acknowledgement that today's conventional farmer might be tomorrow's organic farmer and vice versa, depending on the market situation. The choice for organic agriculture and organic consumption is not only framed ideologically, but it is also seen as a rational response to financial incentives on the production side (land conversion and organic production premiums) and the consumption side (availability and affordability).

Cooperation between conventional and organic elements of the marketing chain is important when promoting development of the organic sector. In Denmark marketing of organic is not seen as a stand-alone activity. There are pure organic organisations in Denmark, and the Danish Agriculture and Food Council represents most organic farmers as well as conventional production. This makes it easier for operators to switch from organic farming to conventional farming and vice versa.

5. Think beyond organic

Communicate the benefits of organic agriculture within a wider frame of sustainable agriculture, agro-ecological agriculture and the circular economy. Act on issues other than banning artificial fertilizers and chemical pest and disease control. Go 'beyond organic', hence include circularity, seasonality, fair pricing, biodiversity.

Disclaimer

This paper has been developed with the involvement of members of the EU CAP Network Thematic Group on Strengthening the position of farmers in the Organic Food Supply Chain from several EU Member states as part of the work carried out by the CAP Implementation Contact Point during the 2 thematic group meetings. Particular thanks go to Lars Holdenson from the Danish Agriculture and Food Council for supporting the development of this case study. The information and views set out in this document do not necessarily reflect the opinion of the European Commission.

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