



Organic Food - Autumn 2006

## Organic Products – Premier in Italy

By Sabine Geissler



*Shown here is organic milk chocolate from Auchan.*

*Recently, retailers in Italy, such as Conad, Pam/Panorama, Auchan and Carrefour have created more organic private label ranges in order to compete in an increasing market.*

Italy is the first producer in Europe of organic products, but is still among those markets with the lowest consumption rates of organic products in the EEC.

In Italy, the issue of being certified as “organic,” “quality products,” or as “environmentally friendly,” is an important topic in the Agricultural Ministry’s promotion of Italian products. However, the “Made in Italy” title, and the constant attention from the institutional point of view is helping to get the sector moving. In fact, after two static years in Italy, the organic market is growing again. According to Federbio, the number of trade professionals has recorded a 19% growth, from 40,965 in 2004 to 47,667 last year.

Organic Production is a sector which includes a range of industries, the first being the Agri-Food/Nutrition sector, which is governed by precise rules and regulations (in Italy/Europe this is the EEC Law nr. 2092/91 and has successive modifications), but also the sector of Cosmetics (first drafts of a specific European Law for organic Cosmetics are in production), Natural Health products, Fashion,

Household/Cleaning products, Architecture and Packaging.

However, for consumers, the certification statement that the products are organic does not play a large role anymore in buying organic, but rather shoppers are taking into account the trend that advertises the benefits of wellness products that are of high quality, natural, health focused, and environmentally friendly (sustainable development).

In Italy, the growth rates of organic sales is not comparable to the Northern European Markets (organic in Germany has been growing +15% in 2004/2005, with a turn over of organic food sales of about 4 billion Euros in 2005, which means 30% of the organic sales in EEC). Nonetheless, the organic market is growing in Italy: during 2004/2005 organic food sales have been growing globally, in Italy 3%-4%, with a positive outlook for 2005/2006.

The share of organic private labels is about 3% of the total private label sales of the big retailing chains in Italy: in 2005, the total private label sales have been €3,743.4 million, of which the organic private label sales

achieved a value of €109.2 million.

The growth rates of organic private labels are lower in the big retailing chains because more attention is given to the development of the non-organic premium store brands; however, in general, the growth rates of organic sales in the big retailing chains, under national and international brands have been “flat.”

### NaturaSi–Truly Natural

The growth rates of organic sales in Italy are higher in those distribution channels, which are specializing in organic & natural products, such as organic & natural specialty shops. In addition, direct sales from production to consumer (in the case of agricultural products) are growing, as well as sales of NaturaSi, an organic & natural supermarket franchising chain, which features a NaturaSi brand.

NaturaSi was founded in 1992 by a group of entrepreneurs based in Northern Italy (Milan and Verona), anticipating an important market trend, creating in the town of Verona the first NaturaSi supermarket, specializing in the distribution of organic and ecological products.

In 2000, NaturaSi opened their first supermarket in Spain. Today, NaturaSi has 48 organic supermarkets in Italy (mainly in the North and in the Center of Italy) and 4 organic supermarkets in Spain (Madrid).

With the aim to promote organic food and natural wellness, NaturaSi has also created “CarneSi” (organic meat), “BenessereSi” (wellness centers & natural beauty farms) and “NaturaSi cucina biologica” (organic restaurants).

On July 27, 2006, NaturaSi and Ecor, the major distribution group of organic products and natural cosmetics to the organic trade in Italy, have agreed the exchange of shares: NaturaSi has bought 49% of the Ecor shares and Ecor has bought 49% of the NaturaSi shares.

Ecor, with 3100 items in the catalogue and a turnover of €70million, is the major Italian distribution company of organic & natural products. 70% of Ecor shares is detained by the Libera Associazione Antroposofica Rudolf Steiner, located at Conegliano (Treviso), in the Veneto Region (very North of Italy, near Austria). The company philosophy is inspired by the antroposophical thought of Rudolf Steiner and therefore, the major part of the gains is due to social projects in the area of organic agriculture and education/sustainable development.

This operation of shares exchange will improve the synergies already existing between these two groups, and strengthen the network of the distribution and promotion of organic products in Italy.

Both Ecor and NaturaSi focus very much on the distribution of products also under their private label.

The group has gained the confidence of Italian consumers looking for organic products, both for the assortment (Shoppers at NaturaSi can find all food and non food products needed daily, but exclusively in organic/ecological quality) value and savings.

NaturaSi periodically clearly states how they determine the sale price including the production of the raw materials, processing, packaging, transport. Such actions have earned the loyalty from the



*Pictured here is Coop organic fairtrade coffee.*



*The NaturaSì brand features healthy biscuits without milk, butter or eggs.*

consumer. In the past loyalty was hard to come by because for a long time organic products were sold with huge mark-ups, with an unbalanced proportion between production cost and distribution/retail cost. This type of policy helped the Italian consumer to become prejudiced.

For a long time, organic products were thought to have an unappealing taste, and very expensive, and was bought only by a small group of shoppers. This negative image was hard to correct and the fact that the market shares of organic products in Italy are still low is probably partly due to the initial marketing errors made by the distributors of organic products.

On the other hand, NaturaSì has a policy of loyalty towards the suppliers.

For example are its promotional efforts: if the supplier agrees to a promotion of 10%, and this 10% is used entirely by the chain in the supermarkets to effectively promote the product, with a very effective return in terms of sales increase (on the contrary, many other retailing chains keep a big part of the discount profits and the promotions are far less effective in terms of sales increase).

Additionally, new products are created by small/medium suppliers with a low advertising budget. For example, a small producer of breadsticks in Piedmont has created the first completely “yeast-free organic” breadsticks. Yeast is an allergen and there is potentially a market for such products, but the consumer has to become acquainted with any product specifically studied for nutritional benefits through information and advertising campaigns. These unique, yeast-free breadsticks were launched in NaturaSì in February 2005 with a small advertising campaign. After 18 months, the volumes have exceeded any expectations and important retailers are becoming interested in this “niche product,” in which they did not show interest a year ago.

In less than 15 years, NaturaSì has been able to create an authentic “success story” while the major retailers in Italy have been moving slower, even if there have been two big players working with organic products already since the late 1980s/early 1990s.

### **Big Players, Big Results**

The Italian “big players” who first have paid attention to organic products and created organic private labels are Esselunga and COOP Italia.

In the middle of the (1990s) nineteen nineties, Esselunga launched a big nationwide campaign to promote the organic brand “Bio” with the slogan “Bio Bio Bio” said by a baby chicken (in Italian, “Bio Bio Bio” is a word to imitate a baby chicken and, at the same time, it means “three times organic”).

Today, Esselunga is well positioned as a specialist in high quality fresh products (fruits & vegetables) and with a wide organic segment in all product categories: fresh fruits & vegetables, milk products, cheese, meat related products and grocery such as pasta, cookies, rice, condiments, olive oil and more. The name of the organic private label by Esselunga is simply Bio Esselunga.

COOP Italia was the first retail chain to introduce in the 1980s, the concept of “lotta integrata” (which means the lowest use of pesticides possible and the use of natural farming and

storage techniques) in the fruit and vegetable department and the concept of sustainable farming and natural breeding in the meat department. For instance, there are no hormones in the Coop brand of meat.

Today, COOP Italia carries a full range of organic products under the line “Coop–Bio-Logici” (Bio-Logici means both “organic” and “logically organic”). When possible, products such as coffee or bananas are produced both organically and by fairtrade. For example, COOP Italia has a 100% arabica espresso under the the range Solidal, which is both organic and uses fair trade-but, the fairtrade claim is more visible than the organic certification of the product.

COOP Italia has also created a private label range, Eco-Logici for environmentally friendly non-food products, such as items with high degrees of bio-degradability and with recycled, low-impact packaging.

Both retailers Esselunga and COOP Italia traditionally participate at the SANA trade show in Bologna, which has been a promotional opportunity to promote their organic private label ranges, both to suppliers and consumers. The last two days of the trade show are open to the public. This year at SANA there was a notable turnout, with 1,500 exhibitors, of which 400 were from abroad, along with 67,000 visitors of which 4,000 were from abroad–14% more than 2005.

### **More Retail Chains Catch On**

More recently, other retailing chains in Italy, such as Conad, Pam/Panorama, Auchan and Carrefour have created organic private label ranges.

The Carrefour Italy brand for organic products is ScelgoBio (which means: “I select organic”). The range includes a complete assortment. With a similar philosophy as COOP Italia, the Carrefour Groupe France created in the early 1990s the a certification that the production chain from the field to the finished products had been confirmed. This type of approach is at the base of a wide assortment of ScelgoBio organic products.

The Conad brand for organic products is simply Conad–Da Agricoltura Biologica, (which means Conad–Product from Organic Farming). The range includes pasta, jam, fruit juices, olive oil, honey, rice, coffee, dairy products such as mozzarella, as well as fresh fruits and vegetables.

The organic private label of Auchan is simply BIO (Sma/Auchan), with a wide variety of organic products such as milk, coffee, eggs, jams, fruit juices, pasta, rice, fresh fruits and vegetables. In Italy, Auchan has 42 hypermarkets and 219 supermarkets, mainly concentrated in the North of Italy, in the regions Lombardia, Piemonte and Veneto.

In the non-food sector, Auchan has a centralized buying structure, which buys non-food products in Far-East with low-cost productions. In the food sector, Auchan has the policy to buy mainly from Italian suppliers, leaving a big decisional margin to the directors of the single hypermarkets, generating a variety of products.

Additionally, Auchan offers a huge selection of seasonal products, creating specific promotion weeks dedicated to seasonal products all the year. This policy facilitates a great range of opportunities for small/medium producers of regional food products to supply Auchan, in particular with organic products.

While CONAD, Carrefour and Auchan have a extensive range of organic private label products, both in the fresh fruit & vegetable segment, in dairy products and in the grocery, PAM/Panorama still has a limited range of organic private label products, including some fresh fruits & vegetables (but not throughout all stores) and a small range of cookies and rice/corn crackers.

In all retail chains, the organic products are positioned together with the non-organic products, so the consumer looking for a specific product family will find organic and non-organic together and can decide according to their preferences.

The organic/ecological private label can be a business opportunity for small and medium manufacturers, due to the growing demand for certified, quality private label products and certified environmentally friendly products at a fair price.

The limited presence of organic products in private label ranges confirms the notion that in Italy, as well as in many other European Markets, private labels today have become relatively inexpensive high quality products, and have achieved a significant role within distribution chains due to demand for organic products and the ability to make a profit.

The private label organic, healthy, and environmentally friendly trend in the Italian market, initiated among the big retailing chains by COOP Italia, also has its share of problems; many arguments have taken place due to conflicting views of certain ethical and environmentally correct qualifications of the products under private label. Retailers must meet certain standards in-order to market products that are labeled, organic, natural, sustainable economy or fair trade, but these standards are not always black and white.

Therefore, in the future, rules and regulations in terms of defining organic, natural, sustainable economy and fairtrade may become stricter.

PRIVATE LABEL MAGAZINE is published by EW Williams Publications Company 2125 Center Avenue, Suite 305, Fort Lee, NJ 07024-5898  
USA Phone: 1-201- 592-7007 Fax: 1-201-592-7171