

The bio-report 2016



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Sales of organic products in Germany have continued to increase significantly over the last few years, highlighting a clear change in German consumption habits. >>



Between 2013 and 2014 overall sales of organic produce climbed from €7.55 billion to €7.91 billion as the average German household spent 4.8% of its total income on food, drink and other organic goods. Sales in specialist organic trade shops grew by 9%, and while there was a slight decline (1%) in organic sales in discount stores and other smaller operators, the chilled, milk and dairy categories helped sales of organic products in supermarkets and drugstores increase by 6% and 5% respectively.

Undoubtedly, this trend has been driven by a growing number of health conscious consumers in Germany who increasingly

associate organic goods as offering a "high quality" alternative to non-organic food and drink – quality being a key selling point for those concerned about their health and wellbeing. These changing consumption habits are also reflected in the fact that meat alternative products experienced 10% growth in 2014. Significantly, this growth was largely due to the fact that two thirds of the overall sales of meat alternative products are now attributed to organic food and drink brands.

With more and more Germans swapping traditional meat-eating diets to become dedicated vegetarians or vegans – there are already around

"Bio-Zentrale continues to invest in developing its export capability by hiring the best available talent while offering existing employees training in key areas."

Internationalisation is very much on the agenda for German based organic companies in 2016. What is your business doing to strengthen its operations as it seeks to further expand overseas?

- **Andreas Plettker, Managing Director at Bio-Zentrale**

Bio-Zentrale continues to invest in developing its export capability by hiring the best available talent while offering existing employees training in key development areas such as languages.

The business also leverages the combined expertise of Bio-Zentrale and the wider KTC Foods Group, seeking out synergies where both companies can benefit through collaborative efforts.

- **Johannes H. Mauss, former CMO and Managing Director at Haus Rabenhorst**

Haus Rabenhorst distributes its products, which include specialist organic juices and to a lesser extent with drugstores. The Bio-Zentrale brand has grown disproportionately in food retail and there is still growth potential for Bio-Zentrale in that sector through developing and launching new and innovative products.

For our three main brands: Rabenhorst, Rotbackchen and 3Pauly.

Quality is an important attribute for people who buy organic food and drink. As the market continues to grow rapidly, how is your business seeking to maintain the high quality of its products?

- **Heiko Hintze, Vice President Europe Sales at Yogi Tea GmbH**

All Yogi Tea products are marked with the EU Eco Label. This means that they are certified high-quality herbal and spice teas; produced, processed and stored in a strictly controlled organic environment. Similarly, the suppliers of our organic ingredients are certified companies of organic farming and verified by official inspection bodies such as the IMO. Yogi Tea's own internal quality requirements for raw materials are actually higher than those required by the specifications. In addition, we have increased the safety of raw materials

stocks to better defend against fluctuations in the market.

- **Liane Maxion, Board Member at Naturata AG**

When raw materials are scarce it is very difficult; often the raw materials for some products are not available at all. Despite these challenges, however, Naturata is able to maintain the high quality of its products. When people buy Demeter certified products, they expect the very highest quality and to not meet the expectations of consumers in this regard would be fatal for the Naturata brand.

What have been the most effective sales channels in recent years? Which channels represent the biggest opportunity for future growth?

- **Andreas Plettker, Managing Director at Bio-Zentrale**

Historically, Bio-Zentrale has developed distribution channels with food retailers and to a lesser extent with drugstores. The Bio-Zentrale brand has grown disproportionately in food retail and there is still growth potential for Bio-Zentrale in that sector through developing and launching new and innovative products.

- **Heiko Hintze, Vice President Europe Sales at Yogi Tea GmbH**

Yogi Tea is currently sold in specialist organic food and health food retailers, drugstores, selected supermarkets and hypermarkets. There continue to be interesting growth prospects in these areas, particularly in the specialty trade, as well as within food services. In other European countries outside of Germany, pharmacies and parapharmacies also offer interesting points of entry for distribution expansion.

- **Liane Maxion, Board Member at Naturata AG**

Naturata is active in Germany, Austria and Switzerland through its online store. The natural food market still represents the biggest potential growth area for the business and we plan to continue investing in this area in the DACH region.

- **Johannes H. Mauss, former CMO and Managing Director at Haus Rabenhorst**

Market snapshot

GERMANY

While battling against the negative impact of Chinese and emerging market decline, Germany's usually strong domestic demand took an unexpected hit leading up to Christmas, with unemployment also rising slightly in line with a drop in exports. These factors were undoubtedly exacerbated by the VW emissions scandal. Despite this particularly challenging economic period, Germany's economy began 2016 favourably, surprising many analysts. However, global vulnerabilities have finally caught up with Germany and forced some agencies to offer more pessimistic growth projections than previously stated for the year. While exports have indeed declined, private consumption, spurred on by high employment and low fuel costs is being heralded as the country's new mainstay of growth. Consequently, consumer confidence is expected to remain high over the year and this will undoubtedly continue to have a positive impact on Germany's FMCG market.

In Germany, Haus Rabenhorst products are market leaders within pharmacies and health food stores and are also available in drugstores and selected food retailers, as well as through our own online store. Growth within drugstores and food retailers is very dynamic. We are not currently looking at any other channels.

Do the different channels need to be managed in different ways?

- **Heiko Hintze, Vice President Europe Sales at Yogi Tea GmbH**

Yes, Yogi Tea's retail partners all have different



expectations and therefore we must utilise channel-specific concepts to make sure that we meet those diverse expectations' head-on. An example would be to avoid using aggressive promotional activities in some circumstances. In addition, we have a targeted approach to selecting our distribution partners. Significantly, they must be willing to be flexible with regards to volume expansion. In some instances, we reject any volume expansion options if we think they could jeopardize our long term growth.

How do you achieve a healthy profit margin amidst the rising costs of raw materials and the growing demand from consumers for high quality products at reasonable prices?

• **Andreas Pletker, Managing Director at Bio-Zentrale**

Bio-Zentrale's association with KTG Foods Group means our supply of raw materials is guaranteed at a low cost. We are therefore able to offer retailers high quality, acceptable prices and good profit margins.

• **Heiko Hintze, Vice President Europe Sales at Yogi Tea GmbH**

Yogi Tea is a premium brand and as such we are completely focused on delivering

superior quality as well as environmentally friendly products. The business is constantly trying to improve productivity and reduce inefficiencies in the manufacturing process, and we have a continuous programme of technical optimisation and investment in new technologies. All of this ensures that Yogi Tea maintains its high quality while enabling us to offer retailers and consumers stable prices.

• **Johannes H. Mauss, former CMO and Managing Director at Haus Rabenhorst**

If an ingredient is too expensive and would lead to us not being able to offer retailers a fair price, we wouldn't invest in it. Our customers rely on us to always offer the highest quality products though, so we would instead seek an alternative while maintaining 100% quality. There are no exceptions.

• **Liane Maxion, Board Member at Naturata AG**

This is currently the biggest challenge for Naturata. The cost of raw materials is rising and it's becoming increasingly difficult to keep prices low. We counteract this by optimising our supply chain and working closely with suppliers to develop workable solutions. Compromising on quality is never an option for us.

Does your business have any private label agreements? If not, is that an

option in the future?

• **Andreas Pletker, Managing Director at Bio-Zentrale**

Bio-Zentrale already has established private label agreements in place and recognises further opportunities in this industry, particularly through leveraging the potential of our advanced manufacturing systems and additional bottling facility, as well as through logistics. It's good for the Bio-Zentrale brand and good for business.

• **Heiko Hintze, Vice President Europe Sales at Yogi Tea GmbH**

Our main priority is to continue growing the Yogi Tea brand; there is still a great deal of potential to develop Yogi Tea and we believe concentrating resources on maximising our efforts in this area is best for the business moving forward.

• **Liane Maxion, Board Member at Naturata AG**

Naturata is not currently active in the private label industry and has no plans to develop opportunities in that area.

• **Johannes H. Mauss, former CMO and Managing Director at Haus Rabenhorst**

Haus Rabenhorst has experimented with private label agreements in the past, but has

since formed the view that private label doesn't really fit with our business model.

In terms of hiring, what are the most important characteristics your business seeks to identify in potential candidates?

• **Heiko Hintze, Vice President Europe Sales at Yogi Tea GmbH**

Yogi Tea is a special brand with a long history and determining someone's cultural fit is vitally important for the business when it makes a new appointment. Candidates, therefore, must have an affinity with the key attributes of the brand such as 'organic quality', 'Ayurveda' and 'Yoga'. Being able to demonstrate a genuine openness towards other cultures is also important. In addition to these personal qualities, candidates must have relevant job experience and functional expertise, a team-orientated approach, hands-on mentality and good initiative.

• **Liane Maxion, Board Member at Naturata AG**

Cultural fit and the ability to develop good working relationships in a small team environment are key factors for us.

• **Johannes H. Mauss, former CMO and Managing Director at Haus Rabenhorst**

Rabenhorst has been an established family-run

business for more than 210 years and has 120 employees who are proud to call themselves 'Rabenhorsters'. New employees must be able to fit into this strong culture, which means being adaptable and having good social skills while not being too 'career-minded' in their attitude.

"The cost of raw materials is rising and it's becoming increasingly difficult to keep prices low. We counteract this by optimising our supply chain and working closely with suppliers."

How does your business deal with the issue of skill shortages in the organic sector? Are you able to identify and attract the right kind of people from the wider food industry?

• **Andreas Pletker, Managing Director at Bio-Zentrale**

Skill shortages are a reality in the organic sector, but we are able to overcome this issue by hiring people from the so-called 'conventional' food industry who we deem to have an affinity with what we stand for as a business. We then integrate these people with our more experienced staff and quickly bridge any gaps in their knowledge. We also have dedicated in-house training programmes and take pride in bringing young people up through the ranks.

• **Liane Maxion, Board Member at Naturata AG**

Our recruitment policy is not in any way rigid, we will consider any motivated candidate regardless of which sector they're from. What's important for us is finding people who have a genuine desire to make a difference. Often, those people are moving from larger companies into smaller businesses like ours.

• **Johannes H. Mauss, former CMO and Managing Director at Haus Rabenhorst**

A lot of people, including myself, have joined the organic sector from the conventional food industry. Consequently, the organic sector has grown and become more professional. So, hiring people from outside the organic sector should definitely be encouraged.

• **Heiko Hintze, Vice President Europe Sales at Yogi Tea GmbH**

It's important that our employees identify with the Yogi Tea brand as well as the wider organic food and drink industry. Professional experience in that industry is obviously advantageous but if candidates can demonstrate a genuine affinity with our brand and our sector then they're welcome to apply. Experience working in smaller companies is another important attribute we look for in potential candidates.



What is your business doing to adapt to people's changing diets and in particular the growing number of vegans in Germany?

- **Andreas Plettker, Managing Director at Bio-Zentrale**

The majority of our products are already vegan and we work alongside our retail partners to develop targeted 'point of sale' promotional activities to increase sales such as creating engaging displays, writing recipes and analysing shelf placement performance. We also seek to integrate any relevant emerging nutritional trends into new products.

- **Johannes H. Mauss, former CMO and Managing Director at Haus Rabenhorst**

We analyse trends very closely and if they are relevant to our brand we are able to react very quickly to integrate them into our product range.

- **Liane Maxion, Board Member at Naturata AG**

The Naturata product range is 100% vegetarian and around 90% vegan. This is not because we are reacting to any emerging nutritional trends, however, but rather because the principles of vegetarianism and veganism have always been central to Naturata. To help consumers, our vegan products are clearly labelled with the well-known Vegan Society seal.

How does your business work with retailers to ensure organic products are visible at the point of sale and that communication to the customer is clear?

- **Andreas Plettker, Managing Director at Bio-Zentrale**

We spend a lot of time analysing shelf placement performance and work closely with our retail partners to make sure displays are interesting and engaging. Nationally, in 2015, there were around 15,000 active in-store displays and we also conducted 1,700 in-store taste tests with consumers.

- **Heiko Hintze, Vice President Europe Sales at Yogi Tea GmbH**

With each retailer there are different opportunities to be leveraged. Generally



though, we promote product offers through creating engaging displays as well as via adverts and other marketing materials. These all help retailers at the point of sale.

Your business has an established and, one could say, fairly niche customer base. What are you doing to try and reach a more mainstream audience?

- **Johannes H. Mauss, former CMO and Managing Director at Haus Rabenhorst**

We've been established for a long time and have consequently built up a large customer base. Because we sell very niche and premium health products, however, we're never going to be a mainstream brand and therefore don't target the mainstream market.

What are the main challenges your business has faced during the last 12 months?

- **Andreas Plettker, Managing Director at Bio-Zentrale**

The rising cost of raw materials and the knock-on effect this has had on prices has certainly been a major issue for us. This could

"There is a growing demand for convenience organic food, so you will see more product ranges in smaller containers specifically designed for the mobile consumer who wants to eat on the go."

- **Liane Maxion, Board Member at Naturata AG**

In addition to rising commodity prices, the general availability of raw materials has been a constant challenge for Naturata and has made it difficult for us to maintain our large range of products. For example, spelt, which is used in our pasta, was in short supply and we were forced to discontinue some of our pasta products. Thanks to our close relationship with the supplier, however, we didn't have to discontinue the full range. Many other organic brands on the other hand had to completely discontinue spelt-based products. We communicated directly with retailers and consumers and made them aware of the issue early on.

What trends do you expect to see in 2016?

- **Andreas Plettker, Managing Director at Bio-Zentrale**

In addition to the growth of veganism and vegan products, I expect retailers will likely increase the number of 'superfoods' they stock. We will also continue to see the further development of regional food standards and the importance of the issue of transparency.

Bio-Zentrale aims to be at the center of these emerging trends. Together with KTG Foods we are the largest grower of soybeans in Germany and already have a number of

exciting superfoods, a range we plan to expand further. We also firmly believe in the 'from farm to plate' agenda and are a strong advocate for driving change with regards to how raw materials are sourced, processed and marketed.

- **Heiko Hintze, Vice President Europe Sales at Yogi Tea GmbH**

Living a healthy lifestyle and being conscious of your body are trends that will continue to impact the tea market, with herbal as well as spiced teas being obvious growth areas. Yoga continues to be a sporting phenomenon and another area where our brand can seek to leverage opportunities. Consumers also continue to seek out natural, organically farmed products and, again, our brand is well positioned to meet these demands.

- **Johannes H. Mauss, former CMO and Managing Director at Haus Rabenhorst**

There is a growing demand for convenience organic food, so you will see more product ranges in smaller containers specifically designed for the mobile consumer who wants to 'eat on the go'. The flexitarian diet - one that is plant based with the occasional inclusion of meat - will also become more prevalent.

- **Liane Maxion, Board Member at Naturata AG**
Vegan as well as 'free-from' foods will become more and more widespread.

What activities are you most excited about in 2016?

- **Andreas Plettker, Managing Director at Bio-Zentrale**

In 2016 we're further investing in the power of innovation as we seek to bring more new products and product lines to the market, in co-operation with other great organic brands.

- **Heiko Hintze, Vice President Europe Sales at Yogi Tea GmbH**

We're launching some great new products as well as offering some attractive promotions in 2016 as we seek to further inspire consumers and improve their overall experience of our brands. We expect to continue the success we've had in our target markets and distribution channels in Europe.

- **Liane Maxion, Board Member at Naturata AG**

Naturata is 40 years old in 2016. We're very proud of this and the fact that we've continuously grown in the fast-changing and often turbulent organic market. The business is confident about the next 40 years of its journey.

- **Johannes H. Mauss, former CMO and Managing Director at Haus Rabenhorst**
There's definitely some surprises in store: for example, the Robackchen brand has an exciting new range coming out in 2016.

