THE ORGANIC REVOLUTION 2021 – THE ORGANIC SECTOR IN THE PRESENT AND THE FUTURE 9-10 September 2021 – Third Edition

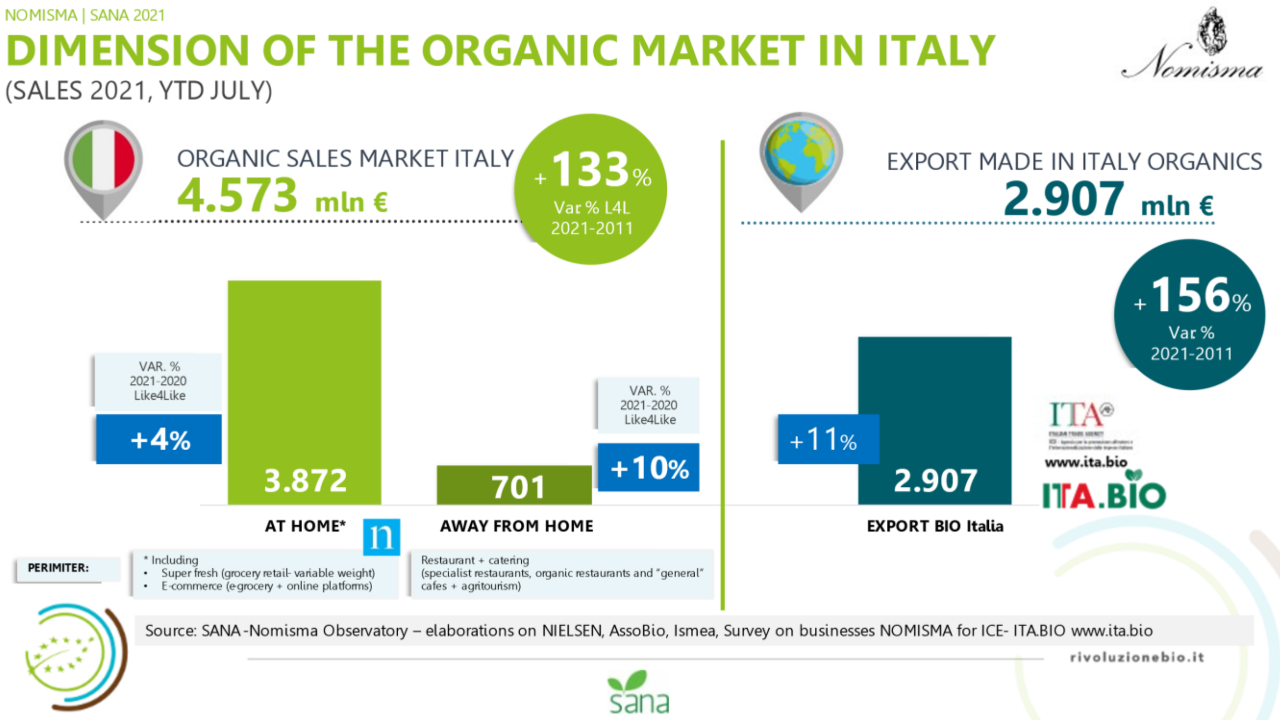
THE SANA OBSERVATORY 2021

Today sees the presentation of the data from the SANA Observatory 2021, the sessions dedicated to the market at the Organic Revolution – the leading event at SANA, promoted by BolognaFiere and organized by Nomisma, with the support of FederBio and AssoBio and the support of Agenzia ICE

THE DIMENSIONS OF THE ITALIAN ORGANIC MARKET

In 2021 sales of organic food in the domestic market – taking into account all sale channels – reached 4.6 billion euros (source: SANA Observatory 2021 conducted by Nomisma through a direct survey, data from Nielsen, AssoBio, Ismea, Agenzia ICE), registering an increase of +5% compared with last year[1].

[1] The variation is calculated based on the reference period to the year ending July 2021 (compared with the same period of the previous year) with the same perimeter relating to sales channels and product types.



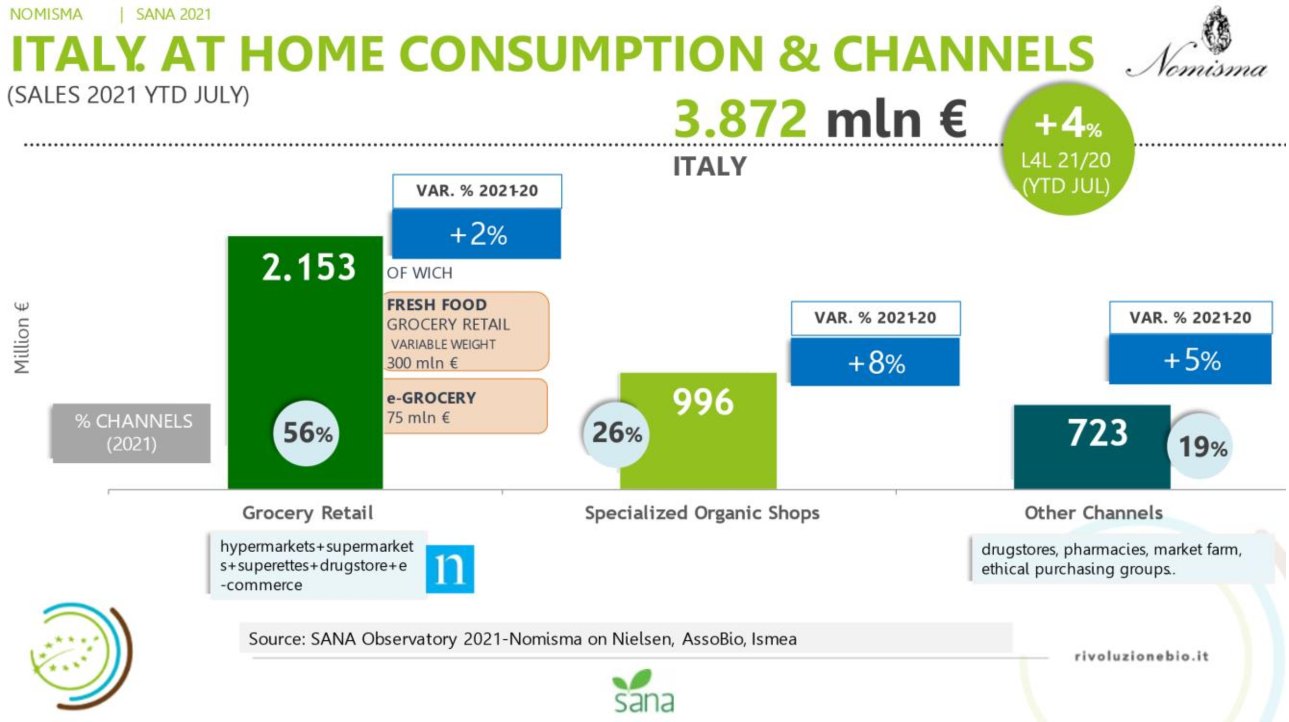
Household consumption (at home), with a value in excess of 3.8 billion euros, represents the largest portion of the market (+4% compared with 2020, year ending July). The performance of the "away from home" segment reflects the gradual reopening of restaurants and food and drink establishments, the return to regular mobility and the progressive reduction in remote working: in the first months of 2021 these were the main reasons for the growth of organic products in the "away from home " channels (+10% compared with the same period last year) and a market size of just over 700 million euros.

In the domestic market, Grocery Retail is the reference channel: in 2021 (year ending July - Source: Nielsen) organic sales reached 2.2 billion euros[2], accounting for 56% of total "At Home" consumption, with a growth of 2% compared with 2020. In second place was the network of specialist shops, which generated sales of almost 1 billion euros and continue to grow, marking an increase of 8% on the previous year. Sales in other channels (neighbourhood shops, pharmacies, mini markets, ethical purchasing groups, etc.) are also expanding, registering sales of €723 million (+5% compared to the same period last year).

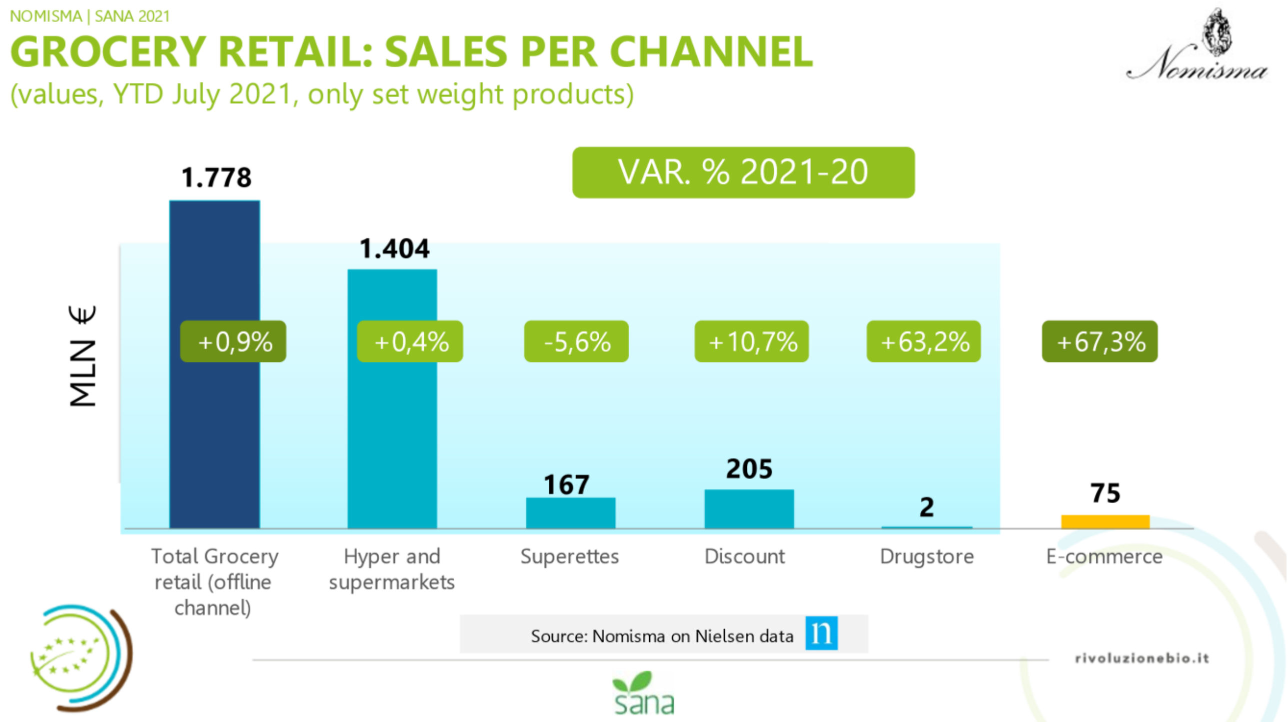
Within Grocery Retail, in 2021, the Hypermarket +Supermarket channel accounted for €1.4 billion in sales of organic products (perimeter: fixed weight packaged products - period: year ending July 2021; Source: Nielsen), with a stable size compared to the same period in 2020. This was followed by the Discount supermarket channel (€205 million euros), which is also growing strongly (+11%). But it is e-commerce in particular that has seen the most significant increase: +67% compared to the same period last year, with sales of €75 million. Lastly, specialist retail points for home products, which, despite still representing a small share of Grocery

[2] This figure includes sales of set weight products at Hyper, Supermarkets, discount supermarkets, specialist home product stores, minimarts and e-commerce, to which can be added the sales of super fresh products of variable weight (referring to the physical network) .

Retail sales (2 million in 2021), are experiencing strong growth compared to last year: +63% (year ending July 2021).



Source: The SANA Observatory 2021 conducted by NOMISMA – processing data from Nielsen, ISMEA, AssoBio



Source: SANA Observatory 2021 conducted by NOMISMA – processing data from Nielsen

The composition of organic purchases in Grocery Retail identifies grocery products (pasta, bakery products, preserves, sauces, etc.) as the top category in terms of sales value, accounting for 57% of the total in the shopping basket; this is followed by fresh produce – cheese, cured meats, yoghurt, eggs, etc. – (21%) and fruit and vegetables (12%). In terms of specific items, eggs, fruit jams and spreads and plant-based drinks are the most sold products.

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THE BEST SELLING PRODUCTS

CHANNELS: hyper/supermarkets, superettes, discount supermarkets, drugstore, ecommerce (omnichannel- online+offline) ytd July 2021

N.	PRODUCT	SALES (MLN €)	TREND % (21/20)
1	EGGS	137,7	-5,2%
2	PRESERVES AND FRUIT -BASED SPREADS	106,5	-2,5%
3	VEG DRINKS	69,0	+4,5%
4	PUFFED GRAIN CRACKERS	65,9	+5,4%
5	FRESH MILK	53,1	+2,6%
6	EXTRA VIRGIN OLIVE OIL	47,6	-1,7%
7	BREAKFAST CEREAL	40,5	+14,0%
8	WHOLEMEAL/SPELT/KAMUT/ LEGUME -BASED PASTA	39,7	-2,5%
9	CLEANED AND PREPARED VEGETABLES	38,5	+6,8%
10	WHOLE YOGHURT	34,7	-1,6%

Source: Nomisma on Nielsen data

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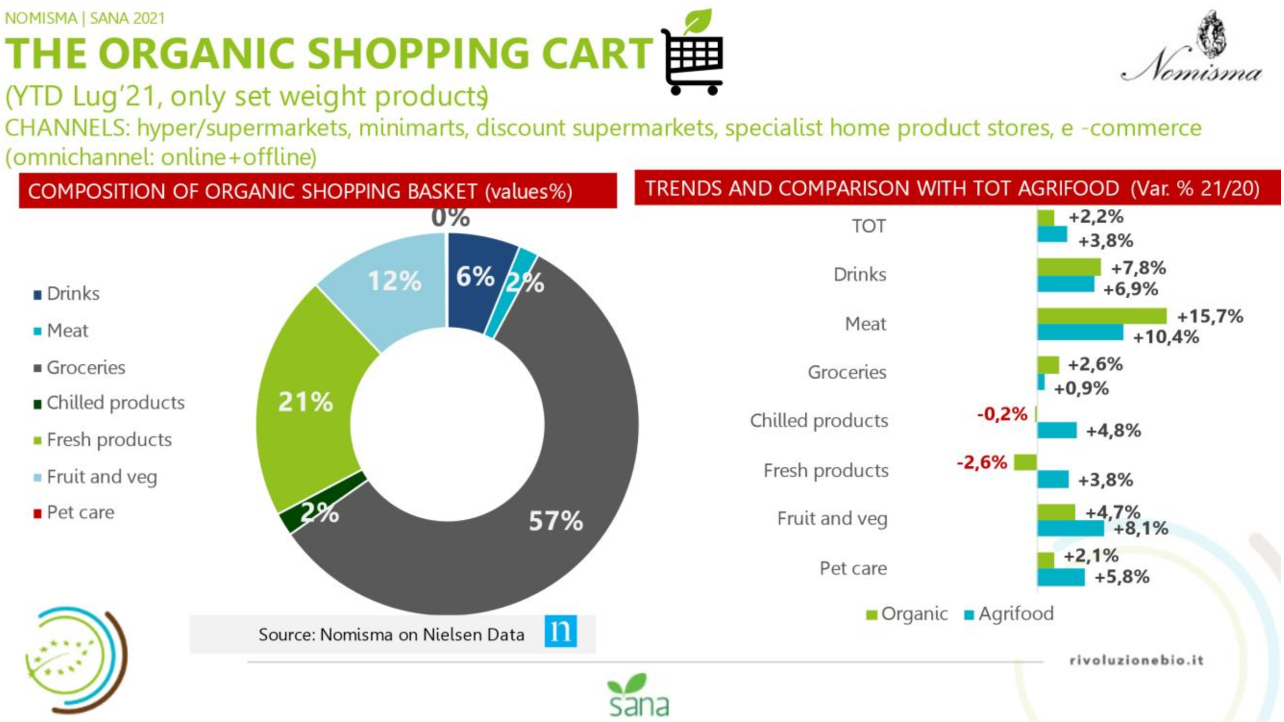
Source: The SANA Observatory 2021 conducted by NOMISMA – processing data from Nielsen

A comparison between the trend in food and beverage expenditure in general and organic expenditure shows widespread growth in the organic sector, with the exception of fresh and chilled food, which have declined in 2021. Considering only set weight sales in grocery retail, organic meat and food groceries have grown more than total food, growing by 15.7% compared to 10.4% for food (year ending July 2021: Nielsen) and by 2.6% compared to 0.9% for food (year ending July 2021: Nielsen). In line with the growth of the sector, organic beverages showed a positive trend: +7.8% (year ending July 2021 - Source: Nielsen), followed by fruit and vegetables: +4.7% (year ending July 2021 - Source: Nielsen).

In spite of the fact that almost all compartments see the most sales in Hyper and Supermarkets, in 2021, for the compartment of pet care the most sales were via the online channel (23%) while discount supermarkets led the way for drinks products (17%).



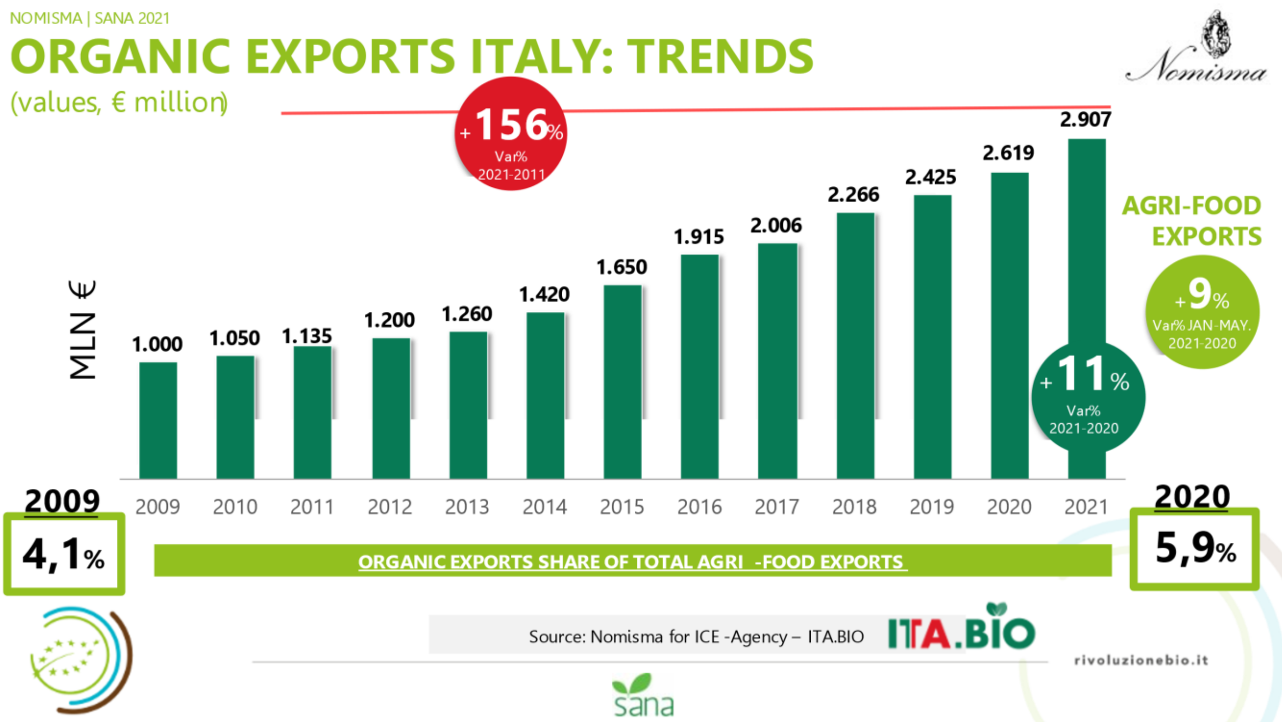
Source: The SANA Observatory 2021 conducted by NOMISMA – processing data from Nielsen

EXPORTS OF ITALIAN ORGANIC PRODUCTS

The performance of Italy's organic exports has been particularly positive. In 2021, sales of Italian organic food products on international markets reached 2.9 billion euros, an increase of 11% compared to the previous year, in line with the trend of agri-food exports as a whole (+10% in the first six months of this year). This data was obtained from a direct survey of companies – interviewed by Nomisma for Agenzia ICE and FederBio as part of the ITA.BIO project – the only tool available for estimating this important part of the market due to the lack of customs codes that provide an accurate and constant identification of the trade flows of Italian organic products on international markets.

Approximately 6% of total Italian agri-food exports, 76% of the value of our PDO/PGI food products abroad and 42% of wine exports: numbers that once again confirm the significant role of organic products in the basket of Made in Italy products on international markets.

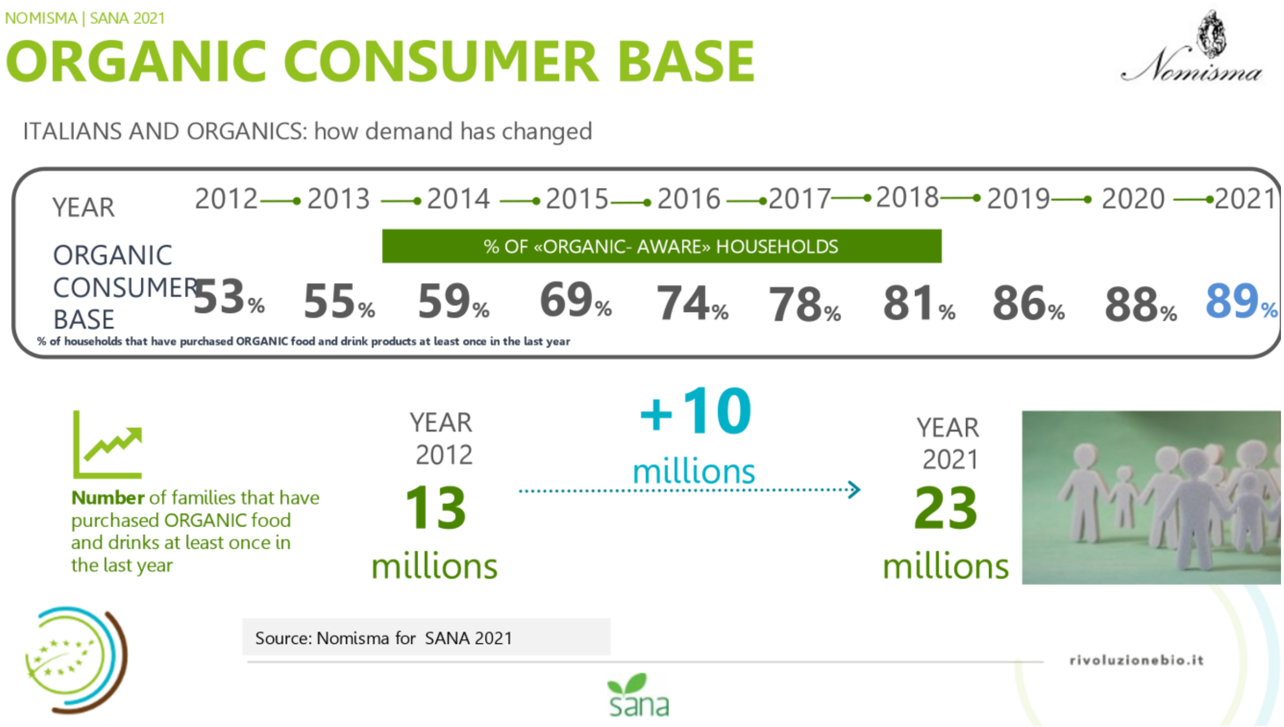
Italy's strength in the organic sector is reflected by its position of second in the global value ranking of organic product exporters: in 2021, Italy is the world's second largest exporter of organic products after the USA.



Source: Nomisma for ICE Agency – ITA.BIO

ITALIAN CONSUMERS AND ORGANIC PRODUCTS

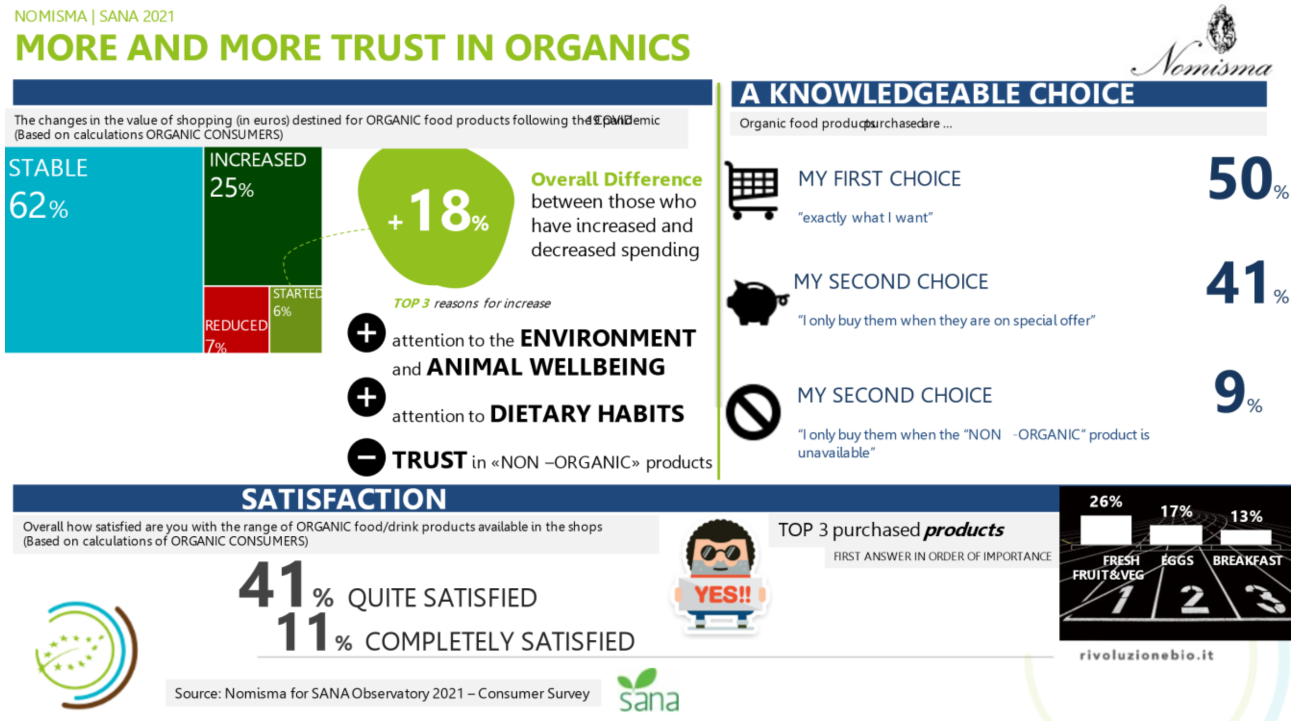
The growth in domestic consumption reflects the progressive expansion of the consumer base (at least one purchase in the last 12 months), which in 2021 has now reached 89% of households (in 2012 this percentage was 53%). This means that today almost 9 out of 10 households have purchased an organic product at least once in the last year and that in just 9 years the number of purchasing households has increased by around 10 million.



Source: The SANA Observatory 2021 conducted by NOMISMA – processing data from Nomisma Consumer Survey

Organic products are by no means a passing trend: in more than half of Italian households (54%), organic food and drink is consumed at least once a week and for 50% of food purchasers, organic food is always the first choice in the shopping basket, especially for certain categories of products such as fruit, vegetables and eggs. But what is the profile of the frequent organic user? Several factors influence the interest in organic products: first of all income and education (the share of frequent users is higher among purchasers with a medium-to-high monthly income and educational level), but also the composition of the household (where there are children and, in particular, children under 12 years old, the percentage of frequent users increases up to 62%). Dietary habits also influence the frequent consumption of organic products: in households where there are vegetarians or vegans, the rate of frequent organic users rises to 76%.

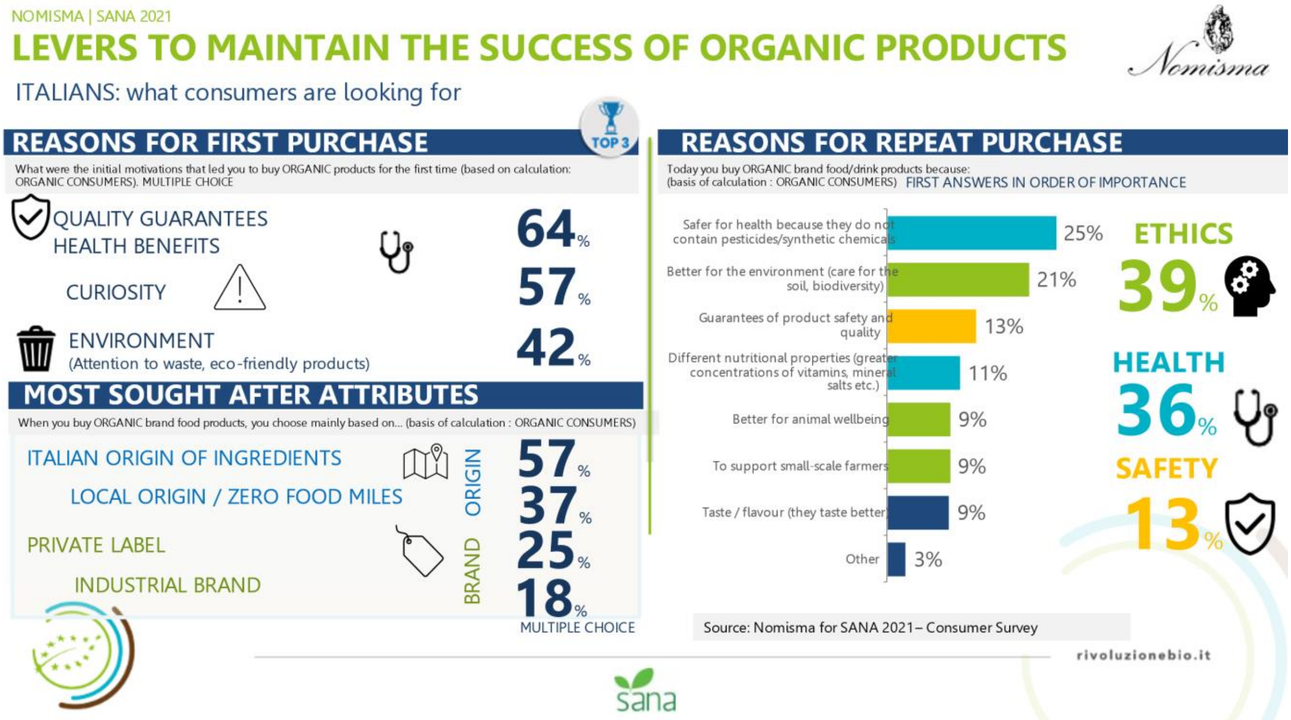
The performance of consumption and sales in the various channels has been made possible by the evolution of product assortments, especially as 52% of consumers say they are satisfied with the on-shelf offer (although only 11% are completely satisfied). This has created customer loyalty among many Italian households, who did not change their organic purchasing habits even during the pandemic: 62% of organic users, in fact, continue to buy organic as they did in pre-Covid times and 25% have even increased their spending, driven by health requirements and increasingly compelling motivations to make sustainable choices.



Source: The SANA Observatory 2021 conducted by NOMISMA – processing data from Nomisma Consumer Survey

Overall, among the attributes that encourage the purchase of organic products is origin: 57% of consumers choose to buy an organic product if its ingredients are of Italian origin and 37% if it is locally sourced or zero food miles.

But what is the lever that drives the first purchase? Certainly curiosity (for 57%), but even more so is the desire to bring to the dinner table high quality products that guarantee health benefits (64%) as they are free of pesticides and synthetic chemicals. Among the factors that continue to attract regular consumers are the other values that organic food conveys, first of all sustainability, respect for biodiversity, soil and animal welfare but also fair remuneration for agricultural workers are viewed as are persuasive reasons to buy an organic food product according to 39% of consumers.



Source: The SANA Observatory 2021 conducted by NOMISMA – processing data from Nomisma Consumer Survey

Packaging characteristics are also important in determining purchasing decisions: the packaging of organic products must be sustainable, which for 52% of consumers means 100% recyclable and for 27% means fully compostable packaging.

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