Organic Monitor

The South-East Asian Market for Organic Food & Drink

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I. Introduction

This report analyzes the South-East Asian market for organic food & drink. The countries covered in the South-East Asia region are Singapore, Malaysia and Thailand. The three countries are three of the most affluent in the region; a reason for them to have the most important markets for organic products in South-East Asia.

This report has been prepared by a combination of primary and secondary research. About 95 percent of the data was derived from primary research, which was in the form of trade interviews with leading producers, wholesalers, importers and retailers of organic products. Interviews were also conducted with industry organizations, academics and government officials. Over 60 organizations were contacted in total. Information was also gathered from Organic Monitor reports as well as secondary sources, which include magazines, trade journals, CD-Roms, conference proceedings, company web sites and trade literature.

The definition of organic food & drink refers to products that are made according to organic standards. Many products, especially imported products, are certified. Malaysia and Thailand have national standards for organic products, however the standards are voluntary. As a consequence, significant amounts of organic products are made according to organic production methods in Malaysia and Thailand but are not certified. Such products, which are marketed as organic, are included in the definition. Non-food products like organic cosmetics and textiles are excluded in the project scope.

The arbitrary definition of organic food & drink makes it difficult to accurately collect data. Thus, data like market size, growth rates and sales channel breakdown are estimates based on trade interviews. It is also difficult to accurately measure the level of imports into South-East Asia since official statistics do not differentiate between organic and conventional agricultural products. Thus, the aforementioned market data should be considered industry estimates and not definitive values.

This report takes the base year as 2006 for all data analysis. Market revenues are based on estimated retail sales of organic food & drink throughout the forecast period, 2007-2013. All years are calendar years, January to December. Revenues are in US dollars with the exchange rates given in figure 1.

Figure 1

The South-East Asian Market for Organic Food & Drink: Exchange Rates, 2006

	Currency (unit)	**Equivalent of USD 1**
Singapore	Singapore Dollar (S$)	1.58
Malaysia	Malaysia Ringgit (M$)	3.68
Thailand	Thai Baht (Bt)	37.9

Source: The Economist, 2nd August 2006

II. Market Overview & Summary

The South-East Asian market for organic food & drink is one of the most important in Asia. The market is expanding by over 15 percent a year with revenues projected to reach $71 million in 2006. Although the market size is small compared to North America and Europe, the market holds many business opportunities.

The region has very low production of organic foods. Less than 0.1 percent of agricultural land in South-East Asia is certified for organic crops[1]. Most production is of organic rice and vegetables. The market is highly dependent on imports with about 80 percent of organic products sold in the region imported. Australasia, Europe and North America are the major sources.

Opportunities exist in almost every product category because of the dearth of organic food production. American producers have already made inroads in categories like organic beverages, cereals & grains and processed foods. The Singaporean market is the most prospective because of its large market size and strategic location at the heart of the region. The least openings are in the Thai market because of high barriers to entry and the low purchasing power of Thai consumers.

High growth rates are expected to continue as retail distribution increases and as consumer awareness of organic foods rises. Most growth is expected in the Singaporean and Malaysian markets. Although production levels are rising, much of the increase in demand will be satisfied by imports. Asian farmers show little interest in organic production methods whilst food processors cannot find adequate supply of organic ingredients. Organic Monitor projects the South-East Asian market to report 17 percent compound annual growth rate between 2007 and 2013. Market revenues are expected to increase three-fold to $213 million at that time.

III. Industry Analysis

Organic Farmland

The amount of organic farmland is increasing at a steady rate in South-East Asia. The amount of organic farmland in the region is given in figure 2. About 60 percent of the organic land area is in Indonesia, the largest country in the region[1]. The next most important countries are Thailand and the Philippines, which have about 14,000 hectares each.

Figure 2

The South-East Asian Market for Organic Food & Drink: Organic Farmland in Countries, 2005

	Organic Farmland (hectares)	% of Total
Indonesia	52,882	0.12%
Malaysia	600	0.01%
The Philippines	14,134	0.12%
Thailand	13,900	0.07%
Vietnam	6,475	0.07%
TOTAL	87,991	-

Note: All figures are rounded *Source: SÖL / IFOAM / FiBL*

Thailand has about 2,500 organic farms that manage almost 14,000 hectares of agricultural land. Although the country has high amounts of organic farmland compared to other countries, just 0.1 percent of total agricultural land is certified. Organic rice, vegetables and fruit are mainly grown in the country.[2] A large portion of certified organic crops are destined for export markets, whereas significant volumes of non-certified products are sold in the domestic market. Many growers are export-geared, producing organic rice, baby corn, asparagus, and okra, mostly for the European market.

Most of the organic farmland in **Malaysia** is in the Negeri Sembilan and Johor states.[3] Organic vegetables are mainly grown on the 600 hectares of organic farmland. Leafy vegetables like spinach, kale, lettuce and cabbage are the most popular with Malaysian organic farmers. Some farmers produce organic fruits like bananas as well as vegetables like cucumbers, tomatoes and courgettes.

Imports play an important role in the South-East Asian organic food industry because of low production of organic crops. Organic Monitor estimates that about 80 percent of organic products sold in the region are imported. The **Singaporean** market is almost entirely dependent on imports. The country has no organic farmland and only some organic processed foods and beverages are domestically produced. Imports comprise about 70 percent organic product sales in Malaysia, and imports have about 57 percent share in Thailand. Organic rice, vegetables, fruit and some processed foods are produced in Malaysia and Thailand. The relatively low level of imports in the Thai market is because of the exceptionally high prices of imported products.

Standards & Regulations

In **Thailand**, the government introduced national standards for organic farming in August 2001.[4] A national logo for organic foods, Organic Thailand, was also launched at the same time. The national certification program is operated by the Department of Agriculture and National Bureau of Agricultural Commodity and Food Standards.

Adoption of national standards is voluntary, resulting in a low take-up rate. Many farmers practice organic agriculture but sell non-certified products. Organic food exporters make products according to foreign organic standards since Thai national standards are not internationally recognized. The most common private standards are Organic Agriculture Certification Thailand (ACT), BioSuisse (Switzerland) and Bioagricert (Italy). Products destined for the American market have the USDA logo, whilst products for the Japanese market have the JAS logo.[5]

The **Malaysian** government has also introduced national standards for organic farming and organic foods. In August 2002, the Malaysian Department of Agriculture outlined national standards and the government certification program.[6] The scheme was revised and renamed the Malaysia Organic Scheme (MOS) in July 2003. Organic products produced according to the MS 1529 national standard are able to display the Organic Malaysia logo. The MOS is limited in that it only covers plant-based products, whereas livestock products and processed foods are not yet included.

The MOS is also a voluntary standard and the adoption rate is low. However unlike Thailand, there is also a low take-up rate of foreign standards since Malaysian producers are not export-oriented. Consumers have greater trust in organic products made according to non-Asian standards even though Malaysian organic standards are based on IFOAM regulations. Consequently, many Malaysian organic producers sell non-certified organic products.

Singapore has no regulations or standards, private or public, for organic farming and food production. There are therefore no regulations on the labeling of organic foods. Although most organic products marketed in the Singaporean market are produced according to formal organic standards, some products are not. Some food manufacturers are marketing their products as organic when they contain some organic ingredients or low amounts of chemicals.[7] The lack of national regulations and labeling laws erodes consumer confidence in organic products.

In Malaysia and Thailand, there are also no restrictions on the labeling of organic products. The large number of imported organic products in all three countries has led to a large number of organic logos in the marketplace, which are confusing consumers. Consumers generally have greater trust in organic products that are produced in Europe, North America or Australasia. [4]

IV. Market Analysis

Market Forecasts

Figure 3 and chart 1 give revenue forecasts for the South-East Asian market for organic food & drink. Market sizes and growth rates are estimates based on trade interviews.

Figure 3

The South-East Asian Market for Organic Food & Drink: Revenue Forecasts, 2003-2013

Year	*Revenues ($ million)*	*Revenue Growth (%)*
2003	44	-
2004	51	15.0
2005	59	16.4
2006	71	20.3
2007	86	21.1
2008	106	23.3
2009	128	20.8
2010	150	17.2
2011	172	14.7
2012	193	12.2
2013	213	10.4
CAGR:		17.0%

Note: All figures are rounded, *Source: Organic Monitor*

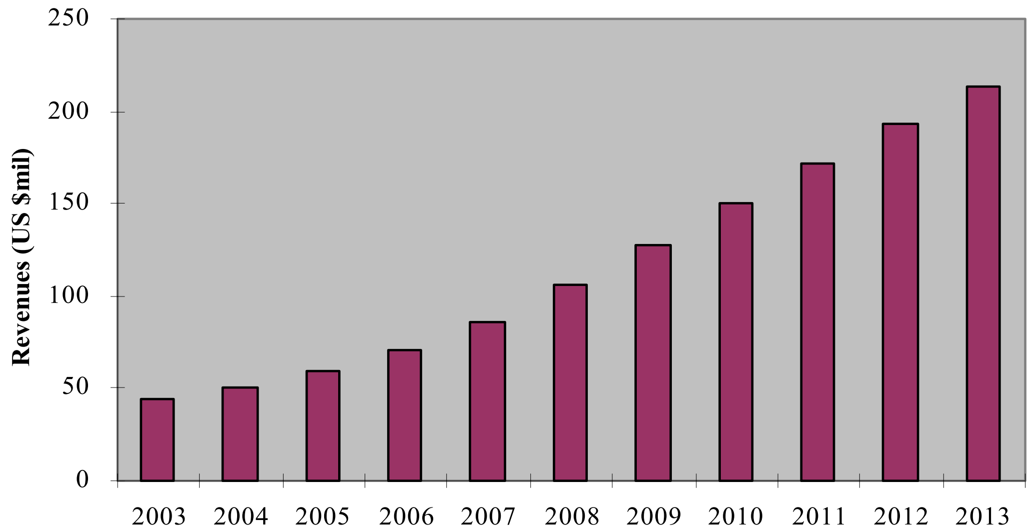
Organic food & drink sales were estimated at $44 million in 2003. Revenues increased by about 15 percent in 2004 and 2005. The major drivers of market growth were growing consumer awareness of organic products and increasing retail distribution. Most growth was observed in the Singaporean and Malaysian markets where the leading food retailers have stepped up marketing efforts for organic food & drink.

Revenues are expected to increase by 20 percent in 2006 because of the following factors:

- Widening availability of organic products in conventional grocery channels
- The growing number of dedicated organic food retailers

Mainstream retailers in Malaysia and Singapore expanded their organic product ranges this year, with some introducing organic items for the first time. Marketing efforts have also been stepped up with some retailers actively promoting organic products via in-store promotions and educational newsletters. Many new organic food shops have opened up this year.

Chart 2 The South-East Asian Market for Organic Food & Drink: Revenue Forecasts, 2003-2013



Note: All figures are rounded *Source: Organic Monitor*

High growth rates are projected to continue in the coming years with revenues projected to increase by over $15 million a year. Widening availability of organic products in conventional grocery channels and strengthening consumer demand for organic food & drink are expected to drive market growth. Government initiatives and private investment is envisaged to boost production in the region, resulting in more consumers buying organic products as prices decline.

Organic Monitor projects market revenues to surpass the $210 million mark in 2013, a three-fold increase from 2006. The compound annual growth rate is 17 percent.

Market Drivers

Figure 4 lists the major factors driving growth in the South-East Asian for organic food & drink.

Figure 4

The South-East Asian for Organic Food & Drink: Market Drivers

Rank	Driver
1	Rising Consumer Awareness of Organic Foods
2	Increasing Retail Distribution of Organic Foods
3	Growing Government Support for Organic Agriculture
4	Increased Investment in Organic Sector
5	Expanding Number of Organic Food Retailers
6	Health Scares Raising Awareness of Food Issues

Source: Organic Monitor

Rising Consumer Awareness of Organic Foods

Rising consumer awareness of what organic foods are and how they differ from conventional products is driving market growth in the South-East Asian region.

Consumer demand is on the rise because of media reports and educational campaigns by organic food companies. Media stories on organic foods have raised consumer awareness of these products and their production methods. Organic food growers and retailers are educating consumers on the differences between organic and conventional products via farm visits, educational seminars and workshops.

These initiatives have increased consumer awareness and expanded the consumer base. Most organic products were initially bought by consumers who suffered from food allergies and illnesses like cancer, however consumers are now buying for a number of reasons. Many consumers are opting for organic foods as they are perceived to be healthier and more nutritious than conventional foods. Some are buying them because they are believed to be safer than conventional foods. Other consumers are doing so because they seek high quality food products. The consumer base is expected to continue to expand as awareness of organic products continues to rise.

Increasing Retail Distribution of Organic Foods

Increasing retail distribution is making organic foods widely available in South-East Asian countries. Most sales have traditionally been from health food shops, however dedicated organic food retailers are springing up and mainstream retailers are stepping up marketing activities.

Most developments have been in conventional grocery channels, with leading supermarkets devoting dedicated areas to organic products. In Singapore, the two leading supermarkets in Singapore have been marketing organic food & drink in stand-alone sections. The Just Healthfood section in NTUC Fair Price supermarkets and Food 4 Life section in Cold Storage supermarkets offer a wide range of organic products. In Malaysia, leading supermarkets like Cold Storage and Jaya JUSCO have also set up dedicated sections for organic products in some of their stores. A leading Malaysian pharmacy chain, Eon Pharmacy, has also given separate sections in its stores to organic products. Thai supermarkets like TOPS Marketplace also showcase organic products in dedicated areas.

Asian supermarkets with dedicated areas for organic products are highlighting these products in their stores by clear signage. Some supermarkets are explaining the differences between the organic products and conventional products via information leaflets and in-store posters. Some even have certificates of authenticity to assure consumers on the organic production methods.

Department stores like Marks & Spencer and Sogo are also marketing organic food & beverages in their food retailers. The growing number of organic food retailers is also making organic foods more accessible to consumers in South-East Asia.

Growing Government Support for the Organic Food Industry

The organic food industry is receiving a boost from the Malaysian and Thai governments. These governments have recognized the environmental and economic benefits of organic farming and are introducing several initiatives to boost production and sales.

Under the 9th Malaysian Plan (2006-1010), the government plans to increase organic food consumption by 20 percent a year, expecting sales to reach $210 million in 2010.[8] The Ministry of Agriculture plans to increase organic farmland by 4,000 hectares a year so that an additional 20,000 hectares are added by 2010. Such initiatives are being backed by additional government spending on organic farming and organic food production.

The Thai government is also encouraging farmers to adopt organic farming methods. It has earmarked $26.6 million for the organic food industry as part of its National Agenda for a Self-Sufficient Economy in January 2005.[1] Funds are proposed for public awareness campaigns, research, marketing, and certification of organic products. The Thai King is also endorsing organic farming because of its impact on the environment.

Government support is strengthening industry confidence and raising consumer awareness of organic production methods.

Increased Investment in Organic Sector

The South-East Asian organic food industry is receiving considerable investment. Leading food retailers in the region like NTUC Fair Price (Singapore), Dairy Farm Group (Singapore, Malaysia), and Capital Food Retail (Thailand) have invested considerably in sourcing and marketing organic products.[4]

Investment is also coming in from other sectors. Important developments in recent years include:

- Hain Celestial, the largest organic & natural food company in the world, entered an investment deal with Yeo Hiap Seng in July 2005. Yeo Hiap Seng is a leading food & beverage company that is publicly listed in Malaysia and Singapore. The two companies are working on product development and marketing initiatives to introduce organic foods in the region.
- NTUC Fair Price, the largest co-operative and food retailer in Singapore, taking majority ownership of Origins Healthcare, the leading organic food company in the region.
- The Berjaya Group, a leading Malaysian conglomerate, investing in Country Farm. Country Farm has become the fastest growing organic food company in Malaysia, operating import, wholesale and retail businesses.
- Bunalun, a leading Irish organic food company, moved its headquarters to Singapore in 2004. The company plans to use Singapore as a regional hub to expand operations in Asia.

Investment into the organic food industry is encouraging producers to develop organic products and retailers to introduce organic food & drinks. Consumers also benefit from a wider product range and lower prices.

Expanding Number of Organic Food Retailers

The number of dedicated organic food retailers in South-East Asia is increasing. Organic food companies, usually wholesalers, are opening new stores as well as new investors.[9]

The leading organic food retailers in South-East Asia are expanding. Country Farm, the leading Malaysian organic food company, is embarking on an expansion program. It is planning to open a chain of Whole Foods-style organic supermarkets in the region. It was operating 12 licensed Country Farm retailers in 2006.

Other Malaysian companies like Blue Oasis and FMC Greenland are also planning to expand their number of chained outlets. United Nature, a leading Singaporean organic food company, is expanding its number of Yogi House retailers; 12 franchised outlets were in the chain in 2006. Bunalun opened its second organic food retailer in Singapore in 2006; it has plans to open more retailers in the region.

The growing number of organic food shops is strengthening demand for organic products from domestic producers and importers. The retailers are also making organic foods more accessible to consumers.

Health Scares Raising Awareness of Food Issues

A number of health scares have afflicted Asia in recent years. The scares, some involving foods, are raising consumer awareness of health issues and stimulating consumer demand for organic products. [10]

Avian flu has killed more than 100 people in Asia since 2003. It has led many consumers to turn to vegetarian products and health foods because of fears for food safety. Severe Acute Respiratory Syndrome (SARS), which took about 800 lives in 2003, has also raised consumer awareness of health issues.

These health scares are making Asian consumers more discerning when purchasing food products. Organic food & drink have become popular as they are perceived to be healthier and more nutritious than conventional products.

Market Restraints

The major factors that are preventing growth in the South-East Asian for organic food & drink are listed in figure 5.

Figure 5

The South-East Asian for Organic Food & Drink: Market Restraints

Rank	Restraint
1	High Retail Prices Deterring Consumer Demand
2	Low Consumer Awareness of Organic Foods
3	Lack of Regulations for Organic Products
4	Low Interest in Organic Food Production
5	Plethora of Organic Logos Confusing Consumers

Source: Organic Monitor

High Retail Prices Deterring Consumer Demand [7]

High prices of organic foods deter Asian consumers from buying these products. In Malaysia and Thailand, many organic foods are priced up to 4-5 times as much as conventional foods, making them unaffordable to most segments of the population. Organic products are usually priced 40-100 percent more than conventional products in countries like the US, however the price differential is generally about 300 percent in South-East Asia.

The exceptionally high price premium is because of high import and distribution costs; most organic products are imported from Australasia, Europe and North America. High import duties in Malaysia and Thailand also hike prices of imported food products. Regionally produced organic crops have a lower price premium, however production is limited to rice, vegetables and some processed foods.

High prices of organic foods are expected to remain the major barrier to higher product adoption in the coming years.

Low Consumer Awareness of Organic Foods [4]

Many Asian consumers, especially in Malaysia and Thailand, are not fully aware of what organic foods are and how they differ from conventional foods. Although awareness is increasing, very few consumers have a good understanding of what organic foods are and what the production method involves.

Many consumers are unable to distinguish organic foods from competing products like low-pesticide foods. In Thailand, there is also competition is from hygienic foods, which can be grown with synthetic pesticides & herbicides but cannot have toxic residues. It is common for Thai fresh produce to have labels like quality, non-toxic, pesticide-free, and hygienic / safety food.[2] These labels confuse consumers, with many unable to differentiate between them.

Low knowledge of organic foods and their production methods is preventing higher sales of organic food & drink in the region.

Lack of Regulations for Organic Products

Malaysia and Thailand have national standards for organic farming, however there is no enforcement. The voluntary nature of standards allows agricultural products to be marketed as organic even if they are not produced according to formal standards. As a result, consumers become confused when they see a large number of products labeled as organic but without organic logos. Further confusion is caused by legitimate organic farmers not certifying their organic products. Indeed, leading supermarkets in the region market organic vegetables that are not certified.

Countries need to have mandatory organic standards to prevent non-certified products to be marketed as organic. Imported products need to also comply with national standards so there is some conformity in organic products. These initiatives would strengthen consumer demand for organic products. They would also encourage more farmers and food processors to consider organic production methods.

Low Interest in Organic Food Production

Organic farming represents less than 0.1 percent of total farmland in South-East Asia. Whilst Malaysia and Thailand are two of the leading food producers in the region, organic farming is insignificant. Less than 15,000 hectares of agricultural land is organically farmed in these countries. [1]

Asian farmers are not interested in organic farming because they are not convinced of the long-term viability. Although national governments are encouraging organic farming, few producers are interested because of the lack of incentives. Incentives in the forms of conversion grants or market access support are deemed necessary to encourage farmers to take the organic route. Unless such incentives are provided, low domestic production levels will continue to hinder market growth. Consumers find it difficult to pay exceptionally high prices for imported organic products, whilst food processors struggle to source organic ingredients.

Plethora of Organic Logos Confusing Consumers [4]

Since very few organic crops are produced in the South-East Asian region, organic products are coming in from across the globe. And because there is no unifying organic logo, these products have a plethora of organic logos. Asian consumers are becoming confused by these organic logos, not knowing what the logos mean or represent.

Malaysia and Thailand have national logos for organic products, however these are not compulsory. Furthermore, there is greater confidence in foreign organic logos – especially European, American and Australian ones – than Asian ones. The plethora of organic logos is expected to continue to confuse Asian consumers unless countries introduce mandatory national logos as the US and Japan have done.

Country Analysis

Figure 6 give the size of the organic food & drink market and expenditure per capita in each country. Singapore has the largest market for organic food & drink in South-East Asia. Valued at $39 million in 2006, the Singaporean market comprised 55 percent of total revenues.

F i g u r e 6

The South-East Asian for Organic Food & Drink: Market Size and Spend Per Capita of Country Markets, 2006

USD	**Value (m)**	**Exp. Per Capita**
Singapore	39	$9.07
Malaysia	25	$1.02
Thailand	7	$0.11
TOTAL	71	$0.78

Note: All figures are rounded *Source: Organic Monitor*

With $9.07 expenditure per capita, Singaporean consumers are some of the highest spenders on organic products in Asia. The relatively large market size is because of high consumer purchasing power; the GDP per capita of $21,490 is one of the highest in Asia and about two-thirds that of the US.[11] High disposable incomes make organic foods affordable to most Singaporean consumers. Another factor behind the large market size is the large expatriate community. European and American consumers who have become accustomed to buying organic food & beverages in their home countries are demanding organic products when going overseas. Many organic food shops are located in expatriate areas because of this factor.[4]

The Malaysian market, valued at $25 million, is the second most important in the region. The average spend per capita, at $1.02, is much lower than in Singapore because of the low spending power of Malaysians. Malaysia has GDP per capita of $4,250, which translates into low affordability of organic products. Most demand for organic foods is in the major cities like Kuala Lumpur, Johor and Penang where consumers are more affluent.[7]

The Thai market for organic food & drink was valued at $7 million in 2006. The small market size is because organic foods are too expensive for the majority of Thai consumers. Thailand has GDP per capita of $2,280. Although domestically made organic products are more affordable, imported products are usually priced 4-5 times as much as conventional products. Thus, demand for organic foods is largely restricted to the higher social classes and expatriates. The average spend on organic foods at $0.11 per capita is also exceptionally low partly because many sectors of the population, 63 million, live in rural areas.

The consumer expenditure rate on organic foods in the South-East Asia region is $0.78 per capita. Compared to the American expenditure rate of about $48 per capita, the South-East Asian market appears insignificant. However, the total spend is brought down by the large population in Thailand.

With consumer purchasing power continuing to rise in Singapore and Malaysia, there is large scope for growth in the organic food & drink market. Organic Monitor projects the average consumer spend on organic food & drink to increase to $2.33 in 2013.

Product Categories

The breakdown of organic food & beverage sales by product category is given in figure 7. These are estimated market sizes based on trade interviews with importers, wholesalers and retailers.

Figure 7

The South-East Asian for Organic Food & Drink: Estimated Sales Breakdown by Major Product Categories, 2006

	Sales (USD m)	Share (%)
Fresh Produce	18.1	25%
Cereals & Grains	14.8	21%
Beverages	14.2	20%
Others	24.0	34%
TOTAL	71.0	100%

Note: All figures are rounded *Source: Organic Monitor*

Worth about $18.1 million, **fresh produce** is the leading category in the organic food & beverage market. The prominence of organic fruit & vegetables is because their fresh nature appeals to consumers seeking healthy and natural products. Fresh produce comprises most organic food sales in Malaysia and Thailand partly because many farmers grow these products. In both countries, leafy vegetables like lettuce, cabbage, and spinach are the most popular. Other vegetables like cucumber, okra, tomatoes and baby corn as well as fruits like papaya and mango are also grown.

Since organic fresh produce is domestically produced in Malaysia and Thailand, these products have lower price premiums compared to imported products. Locally produced organic fruit & vegetables are typically priced twice as much as conventional products, whereas imported products like apples, oranges and bananas are priced 3-4 times as much. Imports mainly come from Australia, New Zealand and the US.

The **organic cereals & grains** market was valued at about $14.8 million in 2005. It is the second most important category in all three countries. Organic breakfast cereals as well as grains like wheat, oats, buckwheat and rye are popular with consumers seeking health foods. All organic cereals & grains are imported into the region; the major sources are Australia, the US and Europe. Some food processors in Malaysia and Thailand import cereals & grains to make organic products like noodles and cereal drinks.

Organic beverage is the third leading category, valued at about $14.2m. The category is the most important in the Singaporean organic food market because of the success of organic beverages like cereal drinks, juices and tea. Organic coffee, apple cider, milk, wine and soft drinks are also available. Apart from some cereal drinks, juices and herbal teas, all are imported.

Other products accounted for about 34 percent share of total revenues. In this category are processed foods, herbs & spices, oils and meat products.

Organic processed foods comprise most revenues in the other category. Important products include baby food, cookies, noodles, pasta, sauces, soups and jams. Apart from some minor food processing in Malaysia and Thailand, most products are imported. Organic noodles, soups, cookies and sauces are some of the organic products made by Asian producers in the region.

Organic rice is in the other category. Thailand has become one of the leading producers of organic rice in Asia, exporting to Europe, North America as well as to other Asian countries. Jasmine rice and fragrant rice are the most common. Some organic rice is imported from Australia and the US.

Organic oils like olive oil, sunflower oil, and sesame seed oil are imported into South-East Asian countries. Important organic sauces include ketchup, mustard, and salad dressing.

Some organic meat products are imported into Singapore and Malaysia. Limited amounts of organic beef and poultry come into these countries, with Australia the major source. No organic dairy products are produced or imported into the region. There is limited demand for organic meat & dairy products, except milk, in these countries.

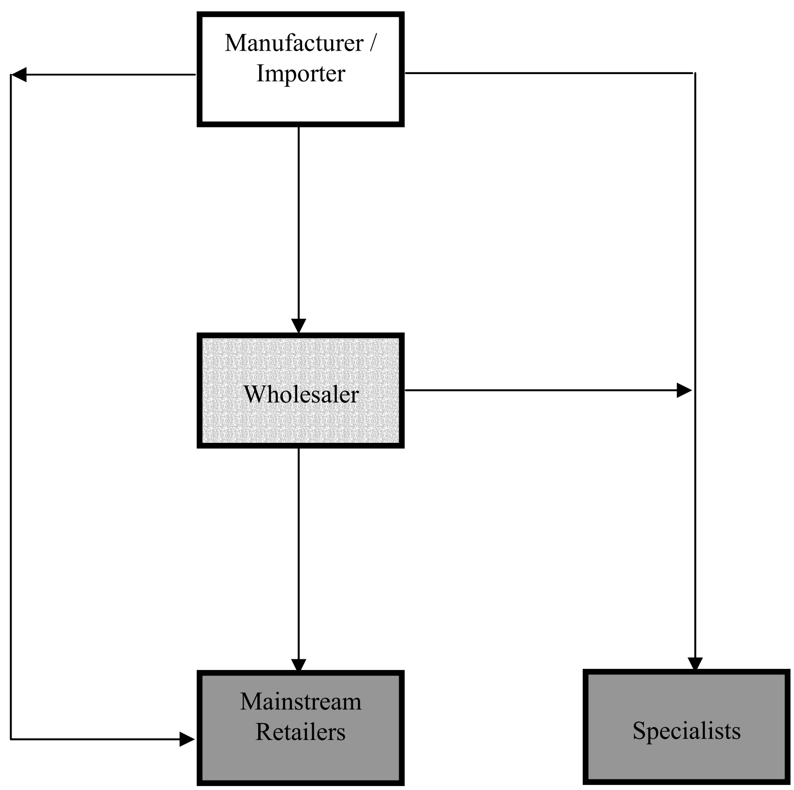
V. Sales Analysis

Distribution Structure

Chart 2 gives a general illustration of the distribution structure for organic products in South-East Asian countries.

Organic rice, vegetables and fruits are mainly grown in South-East Asia. Although there is some organic food processing in Malaysia and Thailand, the majority of processed foods & beverages are imported into the region. Europe, Australia and the US are the main sources of imported products.

Chart 2 The South-East Asian for Organic Food & Drink: Distribution Structure, 2006



Source: Organic Monitor

Although some producers supply consumers direct via farm shops and home delivery schemes, most organic products go to the retail trade. The supply chain for imported products and domestic products is similar in that suppliers deal with retailers direct as well as use wholesalers. Supermarkets and large organic food retailers usually buy direct from importers and producers, whereas smaller retailers rely on wholesalers.

Since Singapore is the trading hub of South-East Asia, many Singaporean importers have regional coverage. Importers like Origins Healthcare and United Nature import organic products and re-export to neighboring countries like Malaysia and Indonesia. Importers in Malaysia and Thailand usually have national coverage, although some companies like Country Farm and Blue Oasis are developing a regional presence.[4]

Importers of organic foods usually double up as wholesalers, supplying specialist retailers and supermarkets. In Malaysia and Thailand, there are many regional wholesalers that do not import. These companies are intermediaries between importers and specialist retailers. They play an important role because many importers do not have national coverage.

Most importers are vertically integrated enterprises in that operate import, wholesale and retail businesses. Some companies like Nature's Glory and Super Nature import especially for their retailers. Other importers, like Dairy Farm Group, are large food retailers.[7]

Organic food sales are mostly from supermarkets in South-East Asian countries. Specialist retailers, which refer to organic food shops, health food retailers and similar shops remain important although their market share is in decline.

Supermarkets source organic products from producers and importers. Some, like Central Food Retail in Thailand and Dairy Farm Group in Singapore and Malaysia, import organic foods direct. These retailers usually import organic products via a consolidator.

Specialist retailers generally are not involved in importing, except the retailers that are operated by organic food importers & wholesalers.

Sales Channels

The sales breakdown of organic products by marketing channels is shown in figure 8 and chart 3. It is shown that there is little difference between the market shares of mainstream retailers and specialists.

Figure 8

The South-East Asian Market for Organic Food & Drink: Market Shares by Sales Channels, 2006

Sales Channel	**2006 (%)**
Specialist Retailers	46.1%
Mainstream Retailers	45.2%
Others	8.7%
TOTAL	100.0%

Note: All figures are rounded *Source: Organic Monitor*

Specialist retailers refer to organic food retailers, health food shops, and similar retailers. There are over 600 such retailers in South-East Asia. The majority are health food shops that specialize in health foods and natural products. Singapore and Malaysia have the largest number of dedicated organic food shops, about 30 each; whereas there are less than 10 in Thailand. As more consumers become aware of organic foods, more dedicated retailers are opening in the region.

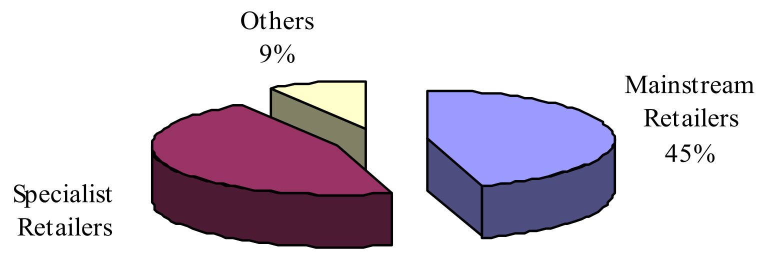
Organic food shops tend to have a large number of organic products, typically over 200. Health food shops tend to have fewer organic products, usually fresh fruit & vegetables and / or cereals & grains. Some health food shops, especially in Thailand, do not have any organic products at all. Large store formats like Country Farm have in-store restaurants and cafeterias where consumers can have freshly made products.

The largest number of organic food retail chains is in Malaysia. **Country Farm**, owned by The Berjaya Group, operates 11 organic food shops in Malaysia and 1 in Singapore. It plans to open new retailers as well as expand the Country Farm concept to neighbouring Asian countries. Blue Oasis, another leading organic food company has 5 **Just Life** organic food retailers in Malaysia. FMC Greenland also operates a chain of organic food shops under the **Body, Mind and Soul** name.

Singapore has regional organic food retailers whilst there are no chains in Thailand. **Yogi House**, a franchised chain of organic food shops is operated by Singapore-based United Nature. There are 12 Yogi House retailers in Singapore, Malaysia and Indonesia. **Bunalun**, another Singaporean company, operates 2 Bunalun stores in Singapore. It plans to open new stores in other Asian countries. Other important organic food shops in Singapore include **Super Nature**, **Essential Living** and **The Organic Paradise**.

Aden and **Baby Garden** are two leading organic food shops in Thailand. Both have large supermarket-style stores with in-store restaurants and cafeterias.

Chart 3 The South-East Asian Market for Organic Food & Drink: Sales Breakdown by Channels, 2006



Note: All figures are rounded *Source: Organic Monitor*

Mainstream retailers have about 45 percent market share. Supermarkets, hypermarkets, department stores and pharmacies are in this sector. Most sales are from supermarkets, with organic foods now found in the leading supermarkets in South-East Asia. Hypermarkets and supermarkets in the major cities like Singapore, Kuala Lumpur, Johor, and Bangkok tend to have a wide range of organic products. Smaller supermarkets and those in the rural areas have few, if any, organic products.

NTUC Fair Price and **Dairy Farm Group** are the leading food retailers in Singapore. Both retailers have dedicated sections in their stores for organic food & beverages. NTUC Fair Price, owned by the NTUC Co-operative, has organic products in its Just Healthfood section. Cold Storage, the second largest supermarket chain and owned by Dairy Farm, has organic foods in its Food 4 Life section. The supermarkets also have organic products within their category aisles. Although the number of organic products varies between stores, most Cold Storage and NTUC Fair Price supermarkets have about 200 organic products. Organic beverages and cereals & grains are some of the most popular organic products. Dairy Farm imports organic food & beverages direct whereas most of NTUC Fair Price's products are supplied by its two subsidiaries, Origins Healthcare and Inter States Marketing.

Dairy Farm Group is the leading food retailer in Malaysia, operating Cold Storage supermarkets and Giant hypermarkets. Organic foods are found in all its Cold Storage supermarkets. The large stores have a wide product range that includes fruit & vegetables, beverages and cereals. Fresh vegetables are the most successful, partly because they are sourced from Malaysian producers. Separate sections are given to organic products in the fresh produce sections, which have special signage and information leaflets. Dairy Farm imports organic products directly from producers via consolidators. It also sources from Malaysian producers and importers like Country Farm.

Jaya JUSCO is the second leading food retailer in Malaysia. Organic products are all in its 14 supermarkets. The stores have dedicated sections for organic products, which are operated by Country

Farm. Domestically sourced vegetables are the most successful organic products in its stores. A wide range of organic products are found in the dedicated counters that include juices, dairy alternatives, breakfast cereals and baby food. Jaya JUSCO sources organic products from Malaysian producers and wholesalers.

Central Food Retail, The Mall and Tesco Lotus are some of the leading food retailers in Thailand. **Central Food Retail** is highly active in marketing organic food & beverages in its Tops Marketplace and Food Hall supermarkets. Large supermarkets have a wide product range that includes fruit & vegetables, breakfast cereals, juices and cookies. Organic fruit & vegetables are sourced from Thai producers, whereas imports are brought into Thailand via consolidators. **The Villa** supermarkets have a similar organic product range. **Tesco Lotus** retailers have a relatively narrow assortment, mainly comprising organic vegetables.

A growing number of **hypermarkets** in the region like Carrefour and Giant are also marketing organic products. The organic products are usually supplied by wholesalers, although some import direct. **Department stores** are also becoming important. Organic products are increasingly found in the food sections of department stores like Marks & Spencer and Sogo in South-East Asia.

Other channels comprise about 9 percent of organic food & beverage sales. Most sales are via direct marketing, with many Malaysian and Thai producers marketing organic fruit & vegetables direct to consumers via farm shops, farmer markets and home delivery schemes.

Sales to the **Catering & Foodservice Sector (CFS)** are also included in the other category. There is growing demand from foodservice establishments, especially vegetarian restaurants, in Singapore and Malaysia. Some organic products also go to universities, schools, hospitals and airlines.

Organic Monitor expects the market share of mainstream retailers to overtake that of specialists in 2007. Increasing penetration of organic food & beverages in supermarkets & hypermarkets, especially in Singapore and Malaysia, is making this channel more important than specialist retailers. In 2006, almost half of all organic product sales were from mainstream retailers in Singapore. The market share was about 70 percent in Thailand and a third in Malaysia. Only in Malaysia, do specialist retailers still comprise most organic food & beverage sales, with about 52 percent market share.

VI. Competitive Profiles

Producer Analysis

There is little production of organic foods in South-East Asia. The Singaporean market is almost entirely dependent on imports, whereas mostly organic fruit & vegetables are grown in Malaysia and Thailand. Very few companies undertake organic food processing; producers are discouraged by the lack of organic ingredients produced in the region and high prices of imports. Some of the leading organic food companies are listed in figure 9.[4] Most organic food producers are in Thailand.

Figure 9

The South-East Asian Market for Organic Food & Drink: List of Leading Organic Food Companies, 2006

Company	Country	Details
Bunalun	Singapore	Leading Irish brand of organic products
Yeo Hiap Seng	Singapore	A leading beverage producer in South-East Asia
FMC Greenland	Malaysia	Produces organic dairy alternatives
DC Organics	Malaysia	Manufacturers organic grain products like noodles
Orient Biotech	Malaysia	Health food manufacturer is expanding organic range
GK Organic Farm	Malaysia	Established Producer of organic fruit & vegetables
Top Organic Products & Supplies	Thailand	Owned by STC Group conglomerate
Capital Rice	Thailand	A leading exporter of organic rice
Rangsit Farm	Thailand	A major producer of organic fruit & vegetables
APZ	Thailand	A leading producer of rice & related products
Green Net	Thailand	Largest co-operative of Thai organic farmers
River Kwai International	Thailand	Leading exporter of organic canned vegetables
Swift	Thailand	Exporter of organic fresh produce

Source: Organic Monitor

Bunalun aims to become a leading brand in the Asian organic food industry. The company was originally established in 1997 in Cork, Ireland where it has its own organic farm. Although still an Irish company, the headquarters moved to Singapore in 2004. The first Bunalun organic food retailer opened in Singapore in 2005 and a second opened the following year. It has plans to open organic food shops in Taiwan and South Korea in 2007.

A range of over 250 organic products are marketed under the Bunalun brand. The organic products have traditionally been made by artisan producers in Europe, however production has now become global. Some organic products like juices have started to be produced in Singapore. Bunalun actively imports organic finished products under its brand name as well as organic ingredients for production.

Bunalun organic products are marketed by its retailers in Singapore as well as an online shop. Its products are also sold in various countries like the UK, Canada, Japan, Hong Kong as well as in Ireland.

Yeo Hiap Seng, a leading Singaporean food & beverage company, is poised to become an important producer of organic beverages. The publicly listed company also has a Malaysian subsidiary that makes Asian food & drink products. Although not currently producing organic beverages, it is planning to do so towards the end of 2006. Yeo Hiap Seng entered a strategic partnership with Hain Celestial in August 2005 in which both companies have started working on product development and marketing. Its first organic beverage, a soya drink, is planned to be launched in November 2006. Yeo Hiap Seng also distributes Hain Celestial's brands like Rice Dream in Singapore.[7]

DC Organics and **FMC Greenland** are Malaysian organic food importers that also make processed foods. DC Organics imports organic ingredients like grains to make products like cookies, noodles and bread. These products are marketed under the Anzen brand. FMC Greenland makes organic dairy alternatives in powder form. Marketed under the Bio Green brand, products include soya milk and oat drinks. Both companies export their products. More detailed profiles are in the importer analysis section.

Orient Biotech is a manufacturer of health foods and nutraceuticals. It was established in 1995 and started producing organic beverages in 2004. It sources organic ingredients like dairy milk powder and soya from New Zealand and the US to make products like instant formula milk, honey, powdered dairy milk and soymilk. Most of its organic products are marketed under the Bonlife brand and are mainly found in health food shops, pharmacies and specialist clinic.[12]

There are many growers of organic vegetables in Malaysia. Most are small producers that supply direct to consumers or to retailers in their area. **GK Organic Farm** is a leading producer of organic vegetables. The company started production in 1994 and produces a wide range of organic vegetables, fruits and herbs at its 40 acre farm near the country capital. It specializes in organic leafy vegetables like spinach, lettuce, kale and cabbage.

Most organic food companies are in Thailand, which is not surprising considering the country is a leading agricultural producer in South-East Asia. Some organic food companies are export-oriented since they can generate more revenues by exporting to Europe and North America than from the home market.

Top Organic Products & Supplies is a leading producer and exporter of organic products. The company was established in 2001 and is owned by the STC Group, a leading conglomerate of Thai food producers and traders. Top Organic Products & Supplies works closely with **Capital Rice**, another member of the STC Group, in marketing organic products. Capital Rice produces organic rice whilst Top Organic Products & Supplies produces organic vegetables, coffee, coconut milk and related products. The organic products are marketed under the Great Harvest brand in Thai retailers. About 90 percent of its organic products are exported to Europe, the US and Asian countries like Singapore and Hong Kong. Organic rice is exported to Europe via a partnership with Italian company Riseria Monferrato.[13]

Rangsit Farm is the leading supplier of organic fruit & vegetables in Thailand. Formed in the mid-1990s, the company grows organic fresh produce and wholesales to retailers and other channels. It mainly deals in organic leafy vegetables like lettuce, spinach and cabbage. Other organic products include fruit like bananas, jack fruit, and papayas; vegetables like cucumber, tomatoes, beans; herbs & spices like lemongrass and chilies. Marketed under the Organic Siam brand, its products are mainly found in supermarkets. It also supplies health food shops, hotels, cafés, as well as direct to consumers. Rangsit Farm does not export.

APZ Corporation is an important producer and exporter of organic rice. The company started producing organic rice in 2001 and has since expanded into related rice products that contain fruits, vegetables and herbs. Its products are marketed under the Be The Chef brand. About 80 percent of its organic products are exported, with the bulk going to Europe. Its organic rice products are found in supermarkets like Tops Marketplace and The Villa in Thailand.

Green Net, a co-operative of organic farmers, was formed in 1993. It wholesales organic products made by Thai farmers to retailers, as well as exports. About 80 percent of its products are exported, mainly to Europe. In the domestic market, it supplies supermarkets and health food shops. Its product range comprises organic rice, fruit, vegetables, herbs & spices, shrimps, and herbal tea.

River Kwai International Food Industry is a leading Thai producer of canned vegetables. The company also produces organic vegetables like sweet corn, baby corn, and asparagus. The products are exported to Europe and North America. Its organic vegetables are found in leading British supermarkets.

Swift is a leading Thai fresh produce company. Formed in 1986, the company started dealing in organic products in 2004. It specializes in organic asparagus and baby corn. Other organic products in its range include vegetables, fruit, herbs & spices. The majority of its organic products are exported, although it opened its first retailer of organic vegetables in Thailand in 2005.

Many other Thai companies make organic products, however most are small enterprises. **Thai Organic Agri** produces organic fresh produce as well as dehydrated fruit, herbs and herbal teas. It sells these products to the home market as well as exports to Singapore and Malaysia. **Southeast Asia Organic Company** is a producer of organic sugar and tapioca starch.

Importer Analysis

A relatively large number of companies are involved in importing organic products in SE Asia. Although about 40 companies import organic foods, only about 12 are important. The leading importers of organic products are listed in figure 10. Since Singapore is the regional hub of SE Asia, Singaporean importers play a regional role. Significant volumes of organic products are imported into Singapore and re-exported to neighboring countries like Malaysia, Indonesia and Thailand.[4]

Importers are active in more than one level of the supply chain. Some double up as wholesalers, distributing to specialist retailers as well as supermarkets. Many importers also operate organic food retailers. Large food retailers like Dairy Farm Group import organic products for their supermarkets and hypermarkets.

A growing trend is that the leading importers are developing private labels for organic products, which are distributed in their retailers as well as others (specialists and supermarkets). Origins Healthcare, Country Farm and Blue Oasis are the frontrunners in this development.

Figure 10

The South-East Asian Market for Organic Food & Drink: List of Leading Organic Food Importers, 2006

Company	**Country**	**Details**
Origins Healthcare	Singapore	The leading importer of organic products in the region
Inter States Marketing	Singapore	Part of the NTUC Fair Price retail group
Dairy Farm Group	Singapore	The second largest food retailer in Singapore
United Nature	Singapore	Operates Yogi House franchised retail chain
Nature's Glory	Singapore	Highly established organic food retailer / importer
Country Farm	Malaysia	Owned by the Berjaya Group
Dairy Farm Group	Malaysia	Largest food retailer in Malaysia
Blue Oasis	Malaysia	Mainly imports organic products from Europe
Radiant Code	Malaysia	Specializes in organic dried foods & processed products
DC Organics	Malaysia	Specializes in organic cereals & grains
Central Food Retail	Thailand	The largest food retailer in Thailand
Sampran Food Company	Thailand	A leading importer of organic products

Source: Organic Monitor

Origins Healthcare was formed in 1990 and has grown to become one of the leading importers and distributors of organic and natural products in the region. The company imports a wide range of organic products and distributes to specialist retailers and supermarkets in Singapore, as well as specialist retailers in Indonesia, Brunei and Malaysia. NTUC Fair Price, the leading food retailer in Singapore, invested in Origins Healthcare in 1992; it now has the majority share in the company.[7]

Origins Healthcare is a leading supplier of organic products to Singaporean supermarkets. It operates a stand-alone Just Healthfood section in many Fair Price supermarkets. It also supplies Cold Storage supermarkets of the Dairy Farm Group. Apart from specialist retailers, it supplies organic products to hotels, hospitals and universities.

The company imports a wide product range that includes fruit & vegetables, rice, cereals, juices, nuts, seeds, cereals and dairy alternatives. Country sources include Australia, USA, Sweden, China and Thailand. Many organic products like nuts, beans and rice are imported in bulk, re-packaged and marketed under the Origins Healthcare brand. Leading American brands it distributes include Dr. Bragg, Santa Cruz, RW Knudsen, and Lundberg.

Inter States Marketing is a trading division of NTUC Fair Price, the leading Singaporean food retail group. The company imports organic products for NTUC Fair Price supermarkets, Liberty Market supermarkets and Cheers convenience stores. It only supplies retailers in its food retail group.

The company mostly imports processed organic foods & beverages. Its product range includes milk, dairy alternatives, breakfast cereals, juices, jams, pasta and sauces. The products come from various countries like Australia, the US, Germany and Italy.

Dairy Farm Group is the second largest food retailer in Singapore. It operates Cold Storage supermarkets, Giant hypermarkets, G'Value retailers and 7-Eleven convenience stores. The food retailers imports organic products via consolidators in various countries. Organic food & beverages are imported along with conventional food & beverages for its retailers. Most organic product sales are from Cold Storage and Liberty Market supermarkets.

Dairy Farm's buyers in Singapore, Malaysia, Taiwan and Hong Kong work together to select organic products, which are imported in bulk and distributed to its retailers. A wide range of organic products are imported for its Singapore retailers. Products include organic fruit & vegetables, salads, cereals, milk, juices, breakfast cereals, beans and nuts. Country sources include the UK, US, Australia and Canada.

United Nature is a leading importer of organic & health foods. The company was established in 2000 and now operates a chain of franchised retailers as well as its import and wholesale business. The company has a close relationship with Kanty Corporation in Taiwan, with which it sources products and operates the Yogi House retail franchise in South-East Asia. There is one Yogi House retailer in Singapore, 4 in Malaysia and 7 in Indonesia.

Organic products like juices, herbal teas, coffee, cookies, and oils are mainly sourced from Australia and Europe. It also imports organic products like rice and cereal powder from Taiwan. United Nature distributes to specialist retailers, traditional Chinese medicine shops, and pharmacies in Singapore, Malaysia and Indonesia.

Nature's Glory is one of the most established organic food companies in SE Asia. Formed in 1991, the company has been actively involved in importing, distributing and promoting organic products since. The company imports a wide range of organic products from countries like Australia, New Zealand, and the US. It supplies specialist retailers in Singapore, Malaysia, Thailand, Brunei and Indonesia. It also has its own organic food retailer in Singapore.

A number of other companies import organic products in Singapore. Important companies include Essential Living, Super Nature and The Organic Paradise. **Essential Living** is an importer and wholesaler of organic & natural products. The company was formed in 1991 and imports organic products for wholesale to Singapore, Malaysia and Indonesia. **The Organic Paradise** and **Super Nature** mostly import for their organic food retailers.

Country Farm is the fastest growing organic food company in Malaysia. The company started as a wholesaler-retailer in 1998. It was acquired by The Berjaya Group, a leading Malaysian conglomerate, in 2004. Since then, it has grown to become a major importer and wholesalers of organic foods as well as organic food retail chain. Under a licensing arrangement, there are 11 Country Farm organic food supermarkets in Malaysia and 1 in Singapore. It has plans to convert the licensing arrangement to franchising in the future.

Country Farm also operates stand-alone sections in Malaysian supermarkets and pharmacies. The Country Farm sections have a wide range of organic products that are supplied by the company. Such concepts started in 2005 and are in Jaya JUSCO supermarkets and Eon pharmacies.

About 80 percent of the company's organic products are imported; the main sources are Europe, North America and Australasia. It also sources organic products like coffee & chocolate from Brazil and vegetables from India. Many organic products are imported in bulk, packaged and marketed under the Country Farm brand. Organic ingredients like oats and sugar are imported to make products like noodles, which are also marketed under this brand. Country Farm also exports organic products to Singapore and Indonesia.

The Dairy Farm Group in Malaysia also imports organic products under the same arrangement as its Singaporean counterpart. The company is the leading retail chain in Malaysia, operating Cold Storage supermarkets and Giant hypermarkets. Organic products are imported by consolidators and distributed to its retailers. Many organic products in its Malaysian stores are marketed under the Waitrose brand, which is imported from the UK.

Blue Oasis is an importer and wholesaler of organic food & beverages. It specializes in organic processed products like breakfast cereals, baby food, juices and dairy alternatives. A growing number of organic products are produced for its private labels like Why Not? The bulk of its organic products are imported from Europe. Its distribution is mainly to specialist retailers. Its parent company also operates a chain of 5 organic food shops under the Just Life banner.

Radiant Code is a leading importer and wholesaler of organic products in Malaysia. The company was established in 2000 and it specializes in importing organic dried products and processed food & beverages. Products include organic grains, nuts, oils, tea, juices, dairy alternatives, jams and spreads. It does not deal in organic fresh produce. Many products, especially grains and nuts, are imported in bulk, packaged and marketed under the Radiant Wholefoods brand. The company distributes organic products to specialist retailers and supermarkets. It is a major supplier to Jaya JUSCO and Cold Storage supermarkets in Malaysia.

DC Organics is involved in importing, wholesaling, retailing and food processing. Formed in 1996, the company specializes in organic cereals & grains. It sources organic products from countries like

Australia, Canada, the US and China. Organic cereals & grains are imported in bulk, packaged and marketed under the Anzan brand. Its sister company manufactures organic foods like cookies, noodles and bread, which are sold in the Australian and Singaporean market as well as the home market. In Malaysia, it supplies specialist retailers and supermarkets. The company also operates three organic food shops.

FMC Greenland is another company that is involved in import, wholesale, retail and food processing. The Malaysian firm imports organic products like fruit, vegetables, cereals, grains, beverages and baby food. It wholesales to specialist retailers and supermarkets like Carrefour. It also operates organic food retailers under the Body, Mind and Soul banner. It produces organic beverages like soymilk, oat drinks and cereal drinks, which are marketed under the Bio Green name. It also exports these organic products to Asian countries like Singapore and Taiwan as well as to Europe.

Other Malaysian companies mostly import low volume of organic products. Such companies include **The Health Paradise**, an importer, wholesaler and retailer of organic food & beverages. It operates two organic food retailers, as well as distributes to other specialist retailers.

Central Food Retail is the largest food retailer in Thailand, operating supermarkets under the Tops Supermarket, Tops Marketplace, City Market and Food Hall banners. The retailer imports a wide range of organic foods & beverages via consolidators. Most organic products are from the UK; the Waitrose brand is highly evident in its supermarkets. Organic vegetables are mainly sourced from domestic producers.

Sampran Food Company is a leading importer and producer of organic products in Thailand. The company was established in 2003 and specializes in health foods. It imports organic products like juices, oils and ingredients. Most are re-packaged and marketed under the Healthy Mate brand in Thailand. It sources organic ingredients to make products like organic spreads, beverages and sauces. The US and New Zealand are two country sources of imported products. Sampran Food Company distributes to supermarkets like The Villa and specialist retailers. It also exports organic products to Asian countries.

Few **other Thai companies** import organic products. Some large food retailers like Tesco Lotus import, large organic food shops like Aden sometimes import organic products, as well as some processors of organic foods that require organic ingredients.

VII. Pricing Analysis

This section gives sample retail prices of organic products in South-East Asian countries. Three sets of prices are given, one for each country covered in this report. The variation in product prices between countries is mainly because of import tariffs and distribution costs. This is the reason why many organic products in Singapore are priced lower than those in Malaysia and Thailand; Singapore has no import tariffs for agricultural products and many organic products come into the country before being re-exported to neighboring Asian countries.

Figure 11

The South-East Asian Market for Organic Food & Drink: Typical Retail Prices in Singapore, August 2006

	S $	**(US $)**
Baby Organix Animal Biscuits (125g)	7.95	($5.03)
Kallo Rice Cakes (130g)	4.45	($2.82)
Purity Apple Juice (480ml)	3.15	($1.99)
Organic Valley Full Cream Uht Milk (1l)	3.95	($2.50)
Waitrose Organic Unsweetened Soymilk (1l)	4.95	($3.13)
Rice Dream Rice Drink (946ml)	5.15	($3.26)
Oatly Oat Drink (1l)	5.20	($3.29)
Planet Organic Earl Grey Tea (25 bags)	6.10	($3.86)
Boncafe Roasted Coffee Beans (200g)	10.45	($6.61)
Familia Fruit & Nut Muesli (375g)	5.60	($3.54)
Waitrose Organic Baked Beans (420g)	3.95	($2.50)
Bragg Apple Cider Vinegar (946ml)	10.50	($6.65)
Harmonie Spread (250g)	5.70	($3.61)
Waitrose Organic Oven Chips (750g)	5.95	($3.77)
Waitrose Organic Whole Wheat Spaghetti (500g)	5.95	($3.77)
Garden of Eatin' Nacho Tortilla Chips (255g)	5.40	($3.42)
Pure Chill Vanilla Ice-Cream (1l)	12.35	($7.82)
Gold Medal Flour (2.27 kg)	8.35	($5.28)
Eden Food Kidney Beans (150oz)	3.85	($2.44)
Minerva Extra Virgin Olive Oil (500ml)	18.50	($11.71)
Bamboo Hill Thai Fragrant Rice (750g)	5.20	($3.29)
Apples, Red Delicious (4 pack)	6.99	($4.42)
Kiwifruit, Gold (1)	1.25	($0.79)
Earthbound Organic Mixed Baby Greens (77g)	8.99	($5.69)
Earthbound Organic Asian Salad (227g)	8.60	($5.44)

Source: Cold Storage

Figure 11 gives sample retail prices of organic products in a leading Singaporean supermarket. Since hardly any organic food & drink is produced in the country, almost all products are imported. The price premium for organic products is typically between 100 and 300 percent. Organic foods can be even priced up to 4-5 times as much as conventional foods made in Asian countries like China, Malaysia and Thailand.

Figure 12

The South-East Asian Market for Organic Food & Drink: Typical Retail Prices in Malaysia, August 2006

	RM	(US $)
Golden Temple Peace Cereal, Cinnamon Apple (10.5 oz)	18.90	($5.14)
Organic.6 Grain Cereal (500g)	7.80	($2.12)
Organic Wheat Bran (250g)	2.70	($0.73)
Earth's Best Baby Food, Carrots (4oz)	4.90	($1.33)
Apple Cider Vinegar, Aged in wood (946ml)	15.50	($4.21)
Eden Soy Carob Drink (946ml)	13.40	($3.64)
Santa Cruz Organic Apple Juice (907ml)	11.90	($3.23)
Knudsen Cranberry Juice (32oz)	34.50	($9.38)
Knudsen Lemon Ginger Echinacea (8oz)	5.80	($1.58)
Herbal Tea (16 bags)	14.90	($4.05)
Eden Sauerkraut, Fine Cut (907g)	15.20	($4.13)
Newmans Milk Chocolate Bar (1.2oz)	5.50	($1.49)
Muir Glen Chunky Pasta Sauce (26oz)	19.30	($5.24)
Walnut Acres Tomato Basil Sauce (25.50z)	19.30	($5.24)
Lundberg Brown Jasmine Rice (500g)	12.60	($3.42)
Short Grain Brown Rice (1 kg)	17.00	($4.62)
Corn Flour (250g)	3.10	($0.84)
Yellow Popcorn (500g)	6.40	($1.74)
Green Lentils (300g)	6.40	($1.74)
Black Beans (398g)	6.60	($1.79)
Organic Brown Sesame (300g)	8.40	($2.28)
Red Apples (1 kg)	14.50	($3.94)
Oranges (1 kg)	15.00	($4.08)
Red Seedless Grapes (1 kg)	31.50	($8.56)
Carrots (1 kg)	9.60	($2.61)
Potatoes (1 kg)	13.00	($3.53)
Red Cabbage (1 kg)	16.00	($4.35)

Source: Country Farm

Figure 12 gives sample retail prices of organic products in Malaysia. Prices are from a leading organic food retailer. The price premium of organic products in Malaysia can be 4-5 times as much as domestically made products. Import tariffs for agricultural products and high distribution costs inflate prices of imported products. Domestically produced organic foods, especially vegetables, have low price premium of about 100 percent.

Figure 13 gives sample retail prices in Thailand from two leading supermarkets of organic foods & beverages. Prices are exceptionally high in the country because of import duties. High import and distribution costs, partly because of the low volume imported, also hike organic food prices. As a consequence, imported organic products are some of the most expensive in the region. The price premium of products like breakfast cereals and coffee is about 3-4 times as much as conventional products. Domestically produced organic foods like rice and vegetables are typically two to three times more expensive than conventional products.

Figure 13

The South-East Asian Market for Organic Food & Drink: Typical Retail Prices in Thailand, September 2006

	Baht	(US $)
Waitrose Organic Muesli (1kg)	485	($12.80)
Nature Path's Cereal (300g)	250	($6.60)
Oat Bran O's Cereal (283g)	210	($5.54)
Amaranth Flakes (312g)	195	($5.15)
Health Valley Fiber Wise Weight (11oz)	225	($5.94)
Pure Harvest Nature's Soymilk (1l)	139	($3.67)
Pure Harvest Oat Milk (1l)	139	($3.67)
Clipper Organic Tea (125g)	295	($7.78)
Claridges Green Tea (125g)	195	($5.15)
Clipper Instant Coffee (227g)	550	($14.51)
Waitrose Organic Biscuits (150g)	125	($3.30)
Kallo Cookies (130g)	135	($3.56)
Pitango Organic Soup (600g)	250	($6.60)
Claridges Manuka Honey (250g)	400	($10.55)
The Grove Avocado Oil (250g)	330	($8.71)
Whole Grain Bar; Carrots & Raisins (126g)	175	($4.62)
Whole Grain Wheat (793g)	130	($3.43)
Waitrose Organic Flour (1.5kg)	250	($6.60)
Waitrose Organic Spices & Beans (4g)	160	($4.22)
Pastry Flour (907g)	155	($4.09)
Baby Carrots, Classic Peeled (240g)	135	($3.56)
Valencias (1kg)	350	($9.23)
Driscoll Raspberries (170g)	280	($7.39)
Red Lentils (452g)	165	($4.35)

Source: Tops Market Place, The Villa

Rising fuel prices have increased import & distribution costs in recent years, putting upward pressure on prices. Retail prices of organic products are expected to decline in South-East Asia in the coming years. Increased production in countries like Thailand and Malaysia as well as neighboring countries like Philippines, Vietnam, China and India will enable importers to source organic products at lower prices. Economies of scale in purchasing, distribution and marketing are also to reduce prices, narrowing the price premium over conventional foods.

IX. Business Recommendations

This section gives recommendations to American companies looking to export organic food & drink to South-East Asia.

Country Markets

Most business opportunities for American exporters are in the Singaporean market for the following reasons:

- Market size – valued at $39 million, the Singaporean market comprises over half of all South-East Asian revenues.
- Strategic location – Singapore is the trading hub of South-East Asia. By targeting importers in this country, exports gain market access to the region, albeit via Singaporean companies.
- Trade barriers – Singapore entered a Free Trade Agreement (FTA) with the US in 2004. Agricultural products are therefore not subjected to any import tariffs, unlike Malaysia and Thailand. American exporters will also face little, if any, non-tariff barriers when exporting to Singapore.

The Malaysian market is the second most attractive to exporters. The sizeable market for organic products and relatively high consumer purchasing power make it prospective. Whereas the Thai market is deemed the least prospective because of the small market size, low consumer purchasing power and high trade barriers. There is also growing competition from domestic producers of organic products in Thailand. Mostly organic vegetables and rice is grown in the Siam kingdom, however organic food processing is increasing.

Organic Products

Since all types of organic products are imported into the region, there are very good prospects for American companies to export to South-East Asia. The least attractive product categories are those where American companies will face competition from domestic producers. In the organic fresh produce sector, there are few opportunities to export leafy vegetables like spinach, lettuce and cabbage since growers in Malaysia and Thailand focus on these crops. There are also few opportunities for organic rice because Thailand is becoming a major producer and exporter.

There are also low prospects in the organic meat & dairy categories. Australian companies have tried to export organic meats and dairy products, however they have achieved low success. Religious reasons and perceptions of organic foods make the organic meat market almost non-existent in the region. Since Malaysia is a Muslim country, meat products have to prepared according to halal requirements. In Singapore and Thailand, many consumers who eat organic foods are Buddhist; these consumers are typically vegetarian and avoid meat products.

Dairy products hold low potential since Asian consumers are not very keen on products like yoghurts and cheese. Some organic milk is imported into Singapore from Australia, however the volume is low.

There are good prospects in all other organic product categories. Indeed, organic foods in all categories are coming into the region from across the globe. American companies have already made inroads with beverages and processed foods. Organic drinks like juices, soymilk, cereal drinks and herbal teas from the US are already established in these countries. Organic processed foods like breakfast cereals, cookies, snack bars, pasta, sauces and baby food are also successful.

American companies should be mindful of competition from European and Australasian producers when exporting to South-East Asia. Most competition is from Australian producers because of the close proximity of the country, especially to Singapore. This is a reason why Australia is the major source of organic fresh produce. Australian companies are also successful in exporting organic beverages, cereals & grains, and processed foods. European companies have made significant inroads in exporting organic processed foods.

Certification & Standards

Singapore has no regulations for organic foods. Malaysia and Thailand have national regulations for organic foods, however there are no guidelines for imported organic products. Thus, no re-certification of American organic products is required in these countries. Organic products not meeting USDA standards can be sold as organic as long as they are certified by a recognized organization like QAI and OCIA.

Import Partners

Prospective exporters are advised to tie up with the leading importers listed in figure 10. Most imports come into Singapore and Malaysia via organic food wholesalers. Exporters should also target the leading retailers of organic foods. Large food retailers like Dairy Farm Group in Singapore and Malaysia, and Central Food Retail in Thailand import direct. NTUC Fair Price, the leading supermarket chain in Singapore, imports organic products via its two subsidiaries.

Import Regulations

Imported organic products must meet import regulations for food & beverages; there are no separate import regulations for organic products. Fresh fruit & vegetables must meet each country's phytosanitary and pesticide residue standards. Meat and seafood products have to meet quarantine and food health requirements. Processed foods must meet labeling and food additive requirements.

Trade Shows

There is just one dedicate trade show for organic products in South-East Asia. The Natural Organic Products (NOP) Asia trade show is organized by HQ Link, a Diversified Business Communications company. NOP Asia has been held every two years since 2003; the next trade show is scheduled for November 2007. The trade show provides opportunities for American companies to meet buyers and wholesalers of organic products in South-East Asia.

X. References

The majority of the report has been prepared from primary research, however here is a list of references for secondary data.

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XI. List of Key Companies

Producers and Importers

APZ
191/86 CTI Tower 10th Floor
Ratchadapisek Road
Klongtoey
Bangkok 10110
Thailand
Tel: (66) 2 564 7970 3
Fax:(66) 2 564 7974
www.apz.co.th

Blue Oasis
11 Jalan pju 3/44
47810 Sunway Damansara Petaling Jaya
Selangor
Malaysia
Tel: (60) 3 7804 9626
Fax: (60) 3 7804 9466
www.blue-oasis.biz

Bunalan
Block 43
Jalan Merah Saga #02-76
Workloft @ Chip Bee
Singapore 278115
Singapore
Tel: (65) 6479 2598
Fax:(65) 6479 2981
www.bunalun.com

Capital Rice
126/104 – 113, 115 CM Tower
Krungthonburi Road
Klongsan
Bangkok 10600
Thailand
Tel: (66) 2 439 4848
Fax:(66) 2 439 4883 4
www.capitalrice.com

Country Farm
26 Jalan PJU 3/49, Sunway Damansara
47810 Petaling Jaya,
Selangor
Malaysia
Tel: (60) 3 7880 9936
Fax:(60) 3 7803 9220
www.countryfarmorganics.com

DC Organics
GA/6 Anzen Business Park
No. 3-9 Jalan 4/37A
Taman Bukit Maluri Industrial Park
52100 Kepong
Malaysia
Tel: (60) 3 627 333 51
Fax:(60) 3 627 663 30
www.dcgroup.com.my

FMC Greenland
39C Jalan Kenari 21
Bandar Puchong Jaya
47100 Puchong, Selangor
Malaysia
Tel: (60) 3 8070 8310
Fax:(60) 3 8070 8304
www.greenimage.com.my

GK Organic Farm
P.O. Box 49
43000 Kajang
Selangor
Malaysia
Tel:(60) 3 8925 6434
Fax:(60) 3 8925 6434
www.geocities.com/gankaz2000

Green Net
6 Soi Wattana Nivej
7 Suthisarn Road
Sam-saen-nok, Huay-Kwang
Bangkok 10310
Thailand
Tel: (66) 2 277 93801
Fax:(66) 2 277 9654
www.greennetorganic.com

Inter States Marketing
680 Upper Thomson Road
Singapore 787 103
Singapore
Tel: (65) 6424 7864
Fax:(65) 6458 8975

Nature's Glory
315 Outram Road
#11-03 Tan Boon Liat Building
Singapore 169 074
Singapore
Tel: (65) 6227 1318
Fax:(65) 6227 0868
www.natures-glory.com

Orient Biotech
No. 37, Jalan PS 3
Taman Industri Prima Selayang
68100 Batu Caves
Selangor Malaysia
Tel: (60) 3 6138 8306
Fax:(60) 3 6137 0691
www.orient.com.my

Origins Healthcare
55 Ubi Ave 1, #08-07
Singapore 408 935
Singapore
Tel: (65) 6745 2402
Fax:(65) 6745 2243
www.originshealth.com.sg

Radiant Code
10, Jalan Industri USJ 1/5
Taman Perindustrian USJ 1
47600 Subang Jaya, Selangor DE
Malaysia
Tel: (60) 3 563 870 61
Fax: (60) 3 563 774 60
www.radiantwholefood.com.my

Rangsit Farm
15 Moo 1 Thumbon Bungkumploy Lumlukka
Pathumthanee 12150
Thailand
Tel: (66) 2 577 2682
Fax:(66) 2 577 2782

River Kwai International
21st Floor
Thaniya Plaza Building
52 Silom Road
Bangkok 10500
Thailand
Tel: (66) 2 2312 934
Fax: (66) 2 2312 9445
www.rkifood.com

Sampran Food Company
18/4 Om-Yai, Sampran
Nakornpathom 73160
Thailand
Tel: (66) 2 8115 2013
Fax: (66) 2420 6078
www.healthymate.com

Southeast Asia Organic Co.
89/170 Moo3, Chutamard Building
Vibhavadee-Rangsit
Talad bangkhen, Laksi
Bangkok 10120
Thailand
Tel: (66) 2 551 2057
Fax: (66) 2 552 7222
www.sea-organic.com

Swift
65/2 Moo 6
Donkhoi Khampaengsaen
Nakornpathom 73140
Thailand
Tel: (66) 3 435 1025
Fax:(66) 3 435 2639

Thai Organic Agri Co.
368/2 Superhighway Chiangmai
Lampang Road
T.Fa-Ham, A.Maung
Chiangmai 50000
Thailand
Tel: (66) 5 3248 1379
Fax: (66) 5 330 6281
www.thaiorganic.com

Top Organic Products & Supplies
126/106 C.M Tower
Krung Thonburi Road
Banglampoo–Lang
Klong Sarn
Bangkok 10600
Thailand
Tel: (66) 2 439 4848
Fax:(66) 2 860 9020
www.stc-group.com

United Nature
362 Upper Paya Lebar Road #05-09
Da Jin Factory Building
Singapore 534 963
Singapore
Tel: (65) 6858 2322
Fax:(65) 6858 2344
www.unitednature.com.sg

Yeo Hiap Seng
3 Senoko Way
Singapore 758057
Singapore
Tel: (65) 6752 2122
Fax: (65) 6756 5625
www.yeos.com.sg

Retailers

Aden
9/89 Moo 34 Rachadapisek Road
Bangsu
Bangkok 10800
Thailand
Tel: (66) 2 913 65713
Fax:(66) 2 913 6575
www.adenshop.com

Baby Garden
21/139 Ladprao 15
Jompol, Jatujak
Bangkok 10900
Thailand
Tel: (66) 1 920 3557
Fax:(66) 2 938 7402
www.babygarden.co.th

Body, Mind and Soul
Bukit Puchong
18, Jalan BP5/11
47100 Bandar Bukit Puchong
Selangor
Malaysia
Tel: (603) 8 060 82578
Fax:(603) 8 060 8259
www.bmsorganiccentre.com

Central Food Retail
Central Plaza Office Tower 6th Floor
1693 Paholyothin Road
Chatujak
Bangkok 10900
Thailand
Tel: (66) 2 937 1700
Fax: (66) 2 937 1714
www.tops.co.th

Dairy Farm Group
1 Sophia Road
#06-38 Peace Centre
Singapore 228149
Singapore
Tel: (65) 6337 2766
Fax: (65) 6339 0398
www.coldstorage.com.sg

Dairy Farm Group
2 Persiaran Sukan
Sec 13, Mezz 9th Floor
40100 Shah Alam
Malaysia
Tel: (603) 5 544 8888
Fax: (603) 5 511 0164
www.dairyfarmgroup.com

Essential Living
194 Pandan Loop
#01-01 Pantech Industrial Complex
Singapore 128383
Singapore
Tel: (65) 6276 1380
Fax:(65) 6276 1370
www.essliv.com

Jaya JUSCO
4th-5th Floor, Menara Kausar
Jalan 3/27A, Seksyen 1
Bandar Baru Wangsa Maju
53300 Kuala Lumpur
Malaysia
Tel: (60) 3 414 3288
Fax:(60) 3 414 9022 2
www.jusco.com.my

Just Life
Lot G28 & G31 Ikano Power Centre 2
Jalan PJU 7/2
Mutiara Damansara
47800 Petaling Jaya, Selangor
Malaysia
Tel : (03) 7 728 5503
Fax :(03) 7 728 5502
www.blue-oasis.biz

NTUC Fair Price
680 Upper Thomson Road
Singapore 787103
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Fax:(65) 6458 8975
www.fairprice.com.sg

Super Nature
21 Orchard Boulevard
#01-21 Park House
Singapore 248645
Singapore
Tel: (65) 6735 4338
Fax:(65) 6735 0366
www.supernature.com.sg

Tesco Lotus
699 Modernform Tower 20th Floor
Srinakarin Road
Suanluang,
Bangkok 10250
Thailand
Tel: (66) 2 722 9640
Fax: (66) 2 722 9680
www.tescolotus.net

The Organic Paradise
160 Orchard Road
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Yogi House
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www.unitednature.com.sg

Villa Market
Villa Sukhumvit Soi 49
Bangkok 10110
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Tel: (66) 2 258 5072
Fax: (66) 2 259 1077
www.villamarket.com

Industry & Government Organizations

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Tel: (66) 2 277 93801
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Muang District, Nonthaburi 11000
Thailand
Tel: (66) 2 580 0934
Fax:(66) 2 580 0934
www.actorganic-cert.or.th

Thailand Department of Agriculture
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Chatujak
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3 Second Hospital Avenue, #06-00
Singapore 168937
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Organic Monitor

Company Profile

Organic Monitor (www.organicmonitor.com) is a business research company that specializes on the global organic & related product industries.

With our headquarters are in London, we have consultants and analysts who are tracking developments in the organic food industry in the major geographic regions of the world.

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#7002-40	Global Market for Organic Food & Drink
#5001-40	Asian Market for Organic Food & Drink
#1001-40	European Market for Organic Food & Drink
#3002-44	North American Market for Organic Meat Products
#3001-47	North American Market for Organic Juices
#5202-50	South-East Asian Market for Non-Dairy Drinks

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