Regional production’ and ‘Fairness’ in organic farming: Evidence from a CORE Organic project

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Abstract: The CORE Organic pilot project ‘Farmer Consumer Partnerships’ aims to strengthen the partnership between producers and consumers through better communication. To achieve this the project first mapped concerns of organic stakeholders in relation to a broad range of ethical values and then compared them with European regulations for organic food before testing a limited number of communication arguments related to those concerns with consumers. Stakeholders of organic supply chains refer to a broad range of values that include concerns about systems integrity, regional origin, fairness issues as well as impact on the environment, on animals and other social impact. Several concerns including regional origin of products and fairness issues are not directly covered by the European Regulation for organic food. Seven different ethical attributes were tested with about 1200 consumers in relation to product prices and additional premiums by means of an Information-Display-Matrix (IDM) in five European countries. In all countries the most important ethical attributes to consumers turned out to be ‘animal welfare’, ‘regional production’ and ‘fair prices for farmers’. It is concluded that communicating ethical quality of organic products that are produced in ways that go beyond the requirements of the European Regulation represents an opportunity for differentiation in an increasingly competitive market. Increasing transparency could be the first step in facing the difficulties in defining mandatory standards, particularly regarding ‘fairness’ and ‘local/regional production’.

Keywords: Ethical attributes, stakeholder concerns, communication, Information Display Matrix, consumer research

Introduction

The global market for organic food has tripled in value in the last eight years and was estimated to be worth 46 billion US Dollars in 2007. The vast majority of sales are concentrated in Europe and in the US. The European market was estimated to be worth €16.2 billion and several countries reported growth rates of more than 10%. Growth since the 1980s has occurred as a result of increased consumer demand as well as increased policy support that includes a European Regulation defining organic production (Willer and Kilcher, 2009).

However, the strong growth of the market and globalisation are seen as problems by many organic farmers and consumers and this is reflected in the debate about the conventionalisation of organic agriculture in social science literature (e.g. Darnhofer, 2006; de Wit and Verhoog, 2007; Guthman, 2004). Producers of organic food are concerned about globalisation because they fear competition from countries where production costs may be lower due to more favourable climatic conditions, lower costs of land and/or labour and lower production standards. Many are looking to identify special product qualities that allow them to differentiate their organic products.

On the other hand, consumers increasingly criticise food products which are produced under unsatisfactory social and environmental conditions. Ethical considerations are becoming more important (Browne et al., 2000; Carrigan et al., 2004; IGD, 2008) and food retailers are increasingly engaging with issues of Corporate Social Responsibility (Schmitt 2005; Williamson et al. 2006)). European organic consumers appear willing to pay a higher price for regionally or locally-produced food, or to directly support small farmers in disadvantaged (mountainous) areas (e.g. Zanoli, 2004). Very successful ‘fair milk price’ projects have been initiated by dairy farmers in Germany and Austria (IG-Milch, 2006; Thiele and Burchardi, 2006). Other ethical arguments could also be used to
differentiate organic products in a growing market, where organic products compete with other ethical claims, such as local foods and ‘Fairtrade’, especially if they relate to what is important to consumers and are communicated well. However, preferences of consumers for certain additional ethical attributes and willingness to pay additional premiums have not widely been tested.

The CORE Organic funded project Farmer Consumer Partnerships (FCP) aims to strengthen the link between producers and consumers in the European organic sector with particular emphasis on additional ethical values. By developing innovative communication strategies, consumers can gain awareness of the conditions of organic food production and food culture.

The aim of this contribution is to present some of the results of the CORE Organic FCP project on the role of additional ethical values in the organic farming and food sector. The first part describes the identification of ethical values beyond the European Regulation for organic food from the literature. The categorisation of concerns and values and examples of communication activities of organic farmers resulted in the selection of communication arguments conveying specific organicPlus activities. The second part presents some results of a survey testing additional ethical values of organic food with consumers. The final discussion relates the result to the topical debate about ‘fairness’ and ‘regional production’ in organic farming.

Ethical concerns of organic stakeholders compared with the European Regulation for organic food and other standards

Approach

Stakeholders interested in organic food include consumers/citizens, farmers and growers, processors, traders, as well as researchers, standard-setting bodies, policy-makers and regulators. The first stage of identifying and exploring concerns expressed by these stakeholders was based on the assumption that concerns can be seen as an indication of ethical values perceived to be under threat from current developments (Brom et al. 2006). Concerns and values of stakeholders identified from the literature, including the four principles of organic agriculture (health, ecology, fairness and care, IFOAM, 2005) were summarised. The main categories were compared with the European Regulation (EC) 834/2007 for organic food to identify so called organicPlus values referring to issues beyond minimal organic standards. Additionally, areas covered by private organic standards and by other certification schemes were noted.

Written communication activities (internet, product labels and flyers) of about 100 organic SME companies and farmer groups in five European countries (AT, CH, DE, IT, UK) were screened in a qualitative approach to select suitable communication arguments conveying specific organicPlus activities that could be tested with consumers (see Padel and Gössinger, 2008 for further details of this work).

Results

Values are part of the core concept of organic farming but different people associate various meanings with these values. Many producers act on the basis of values that are not part of the European standard requirements (Padel et al. 2009) but communication about related activities can get lost, especially in long supply chains and more complex trading structures.

Values and concerns of producers and consumers are widely discussed in the literature, but fewer references report on the concerns of traders, processors, certification bodies and other actors (for details of references see Padel and Gössinger, 2008). The majority of concerns can be summarised according to the area of effect such as economic and social impact on people, impact on animals, impact on the environment. However, there appear to be differences in emphasis between the stakeholder groups (see Table 1). The CORE organic FCP project considered a wider range of ethical arguments included in Table 1, but this contribution focuses specifically on the review of concerns related to fairness and regional organic production.
Concerns about fair prices are mentioned both by producers and by consumers, i.e. are raised mainly (though not exclusively) by the stakeholders that might benefit from related activities. The issue is not covered by the European organic regulation which aims for a level playing field for all producers through a common standard and for protection of consumers. The organic regulation does not address other issues of fairness, but growing number of organic products from developing countries carry also Fairtrade certification and several fairness related initiatives are documented in the European dairy sector (IG-Milch, 2006; Thiele and Burchardi, 2006).

Other social concerns were raised by producers and other stakeholders, for example relating to the workplace. The European organic regulations do not contain specific rules about skills and knowledge and about the workplace, but general labour laws apply in most European countries. Fairtrade standards include detailed provisions about working conditions, as well as about workers and community development. The IFOAM basic rules and some other organic standards (mainly of standard-setting bodies that operate overseas) address working conditions as part of the general provisions.

A preference for local supply chains and structures is expressed for a number of reasons including to achieve greater social justice/fairness for farmers and consumers, increased economic prosperity of the local community and because of environmental benefit through reduced use of energy for transport and closing of nutrient cycles. The values this relates to are closely related to the whole systems perspective at the core of organic farming, but because of the range of expected benefits the ‘local/regional’ concern cannot easily be categorised in relation to social, environmental or economic impact.

The same is true for concerns about transparency and integrity of the organic supply chains. These remain despite a strong tradition of democratic and bottom-up processes in the development of organic ideas and standards e.g. illustrated by the participatory process in developing the IFOAM Principles (Luttikholt, 2007), For example Vogl et al. (2005) state the view that as a consequence of

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**Table 1.** Summary of ethical concerns and values of organic stakeholders compared with the Regulation (EC) 834/2007 for organic food

<table>
<thead>
<tr>
<th>Ethical concerns and values</th>
<th>Expressed by</th>
<th>Principle of</th>
<th>Regulation EC/834/07</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic impact</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair and equitable financial returns for farmers</td>
<td>P,O</td>
<td>Fairness</td>
<td>Only indirectly covered</td>
</tr>
<tr>
<td>Availability and affordability to consumer</td>
<td>C</td>
<td>Fairness</td>
<td>Not covered</td>
</tr>
<tr>
<td><strong>Social impact</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food quality and safety contributing to human health</td>
<td>C,P,O</td>
<td>Health</td>
<td>Largely</td>
</tr>
<tr>
<td>Safe and equitable working environment</td>
<td>C,O</td>
<td>Health &amp; Fairness</td>
<td>Not covered</td>
</tr>
<tr>
<td>Skills, knowledge and information</td>
<td>C,P,O</td>
<td>Care</td>
<td>Not covered</td>
</tr>
<tr>
<td><strong>Whole systems focus</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local and regional supply chains and markets</td>
<td>C,P,O</td>
<td>Ecology</td>
<td>Not covered</td>
</tr>
<tr>
<td>Transparent and trustworthy organic food systems</td>
<td>C,P,O</td>
<td>Fairness</td>
<td>Partly covered</td>
</tr>
<tr>
<td>Civic responsibility and care</td>
<td>C,P,O</td>
<td>Care</td>
<td>Limited</td>
</tr>
<tr>
<td>Integrity of supply chain</td>
<td>C,P,O</td>
<td>All</td>
<td>Limited</td>
</tr>
<tr>
<td><strong>Impact on animals</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health and welfare</td>
<td>C,O</td>
<td>Health &amp; Fairness</td>
<td>Covered in principles, but limited direct provision</td>
</tr>
<tr>
<td><strong>Environmental impact</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimise pollution</td>
<td>C,P,O</td>
<td>Health</td>
<td>Detailed provisions</td>
</tr>
<tr>
<td>Sustainable resource use</td>
<td>C,P,O</td>
<td>Ecology</td>
<td>Limited direct provision/indirect impact</td>
</tr>
<tr>
<td>Protection of ecosystems/biodiversity</td>
<td>C,P,O</td>
<td>Ecology</td>
<td>Limited direct provision/indirect impact</td>
</tr>
</tbody>
</table>

1) C = Consumers, P = producers O = Others;
2) See IFOAM 2005 for details

Source: based on Padel and Gossinger (2008.)
market growth, organic farmers have lost ownership of the process of defining what organic farming stands for.

The mapping of communication activities of over 100 organic farmer groups and SMEs in five countries resulted in the identification of about 70 different communication arguments, many of them used by more than one company. More than half of the companies used arguments relating to regional development issues, regional supply chains or food miles. Arguments stressed the local availability of food, the preservation of small structures, support for local agriculture and the development of the region, using regional supply chains to reduce food miles and linking consumers with farmers. Regional development issues and regional supply chains in combination with low food miles appear to be very important for companies involved in organic farming in all participating countries.

The issue of fairness was less widely used and often referred to in the context of the region. For example the German dairy company ‘Upländer Bauernmolkerei’ used the specific argument of “paying five cents additionally to the local farmers to ensure their existence and future”. Others referred to a fair price for regional farmers in a more general way.

The majority of companies (65%) used several different communication arguments, but some arguments occurred more frequently in relation to certain products. The fair price argument for example was often used in the context of milk, whereas traceability was used in relation to meat and vegetables. A more detailed analysis of the communication activities can be found in Padel and Gössinger (2008) and Gössinger and Freyer (2009).

Finally, the partners selected a limited number of arguments for the research with consumers representing the broad spectrum of activities and the different product. Selected arguments had to refer to an organicPlus activity, had to be used in the communication between farmers and consumers and had to be verifiable, even if the company from which this argument originated did not verify the activity.

Consumers and additional ethical attributes of organic food

Method of testing attributes with an Information-Display-Matrix (IDM)

Based on the outcome of the literature review and the analyses of existent farmers’ initiatives (see above) seven attributes were selected representing different areas of impact: biodiversity, animal welfare, regional production, fair prices to farmers, care farms providing opportunities for disadvantaged people working on farms, social aspects of production, and the preservation of cultural features. The attributes were tested with the product organic milk. For each attribute two different arguments were used. Additionally, the attribute product price was included at two levels. The lower price of 1.00€/litre was the average price for organic milk in each of the study countries. The price was only assigned to the one product alternative without any additional ethical characteristic. All other product alternatives with additional ethical attributes were assigned to the higher price of 1.20€.

Consumer preferences regarding these ethical attributes were tested by means of an Information-Display-Matrix (IDM; see Figure 2). IDM is a process tracing method aiming at monitoring the information acquisition and decision behaviour of consumers (Mühlbacher and Kirchler, 2003). The two-dimensional matrix lists alternative product stimuli in columns, while product attributes are listed in rows. Each cell contains concealed information about a product-related attribute, which has to be accessed one after another by the participant in order to obtain the information (Jasper and Shapiro, 2002; Jacoby et al. 1987, Mühlbacher and Kirchler 2003).
Figure 1. Information-Display-Matrix and additional ethical attributes of organic food.

The farmers get a fair price that allows them to secure their livelihood and future

Source: Own presentation

The computer based survey tool consisted of two parts: first, the Information-Display-Matrix (IDM) aiming at identifying the information search behaviour of test persons and the purchase decision for one of the hypothetical products; second, a questionnaire which aimed at the validation of the results obtained by the IDM by eliciting the ‘real life’ information behaviour concerning organic food, attitudes regarding organic food and ethical values and socio-demographic indicators.

The survey locations or types of shops were chosen according to their share in the national organic market. In all countries customers of organic and of conventional retailers were interviewed and participants were recruited and immediately interviewed at the point of sale. Only consumers of organic milk were included in the survey. The interviews took place between May and July 2008 with about 240 consumers in each of the five countries.

As part of the interview the test persons were asked to estimate the share of organic products in their total expenditures for food and beverages on a 10-class scale. This was converted into two categories of occasional buyers (≤ 50% organic share) and regular buyers (> 50% organic share in total expenditures). Across all countries 37% of participants classified themselves as regular consumers with some variation between countries. About two thirds of the participants were women.

Preferences for additional ethical values of organic food

The emphasis of the analyses was the identification of consumers’ preferences for a range of additional ethical values of organic food. Following economic theory, attributes most important will be considered earlier and more frequently than attributes less relevant for the purchase decision. The IDM provides various indicators in this respect, e.g. the share of accession incidents per attribute in all accession incidents and the share of each attribute in all first accessions (Zander and Hamm, 2010). In this case the importance of the different attributes for the choice of the organic product...
was determined by the share of each attribute in all first accessions of information fields. According to this indicator, the most important attributes were ‘animal welfare’, ‘regional production’ and ‘fair prices for farmers’, followed by ‘product price’. Only minor differences regarding the order of importance were observed between the countries (Figure 2). Information about the product price (listed in € per litre) appeared to be more important for the purchase decision than the other ethical attributes considered in this research except the above mentioned ones.

**Figure 2.** Relevance of ethical attributes: Share of each attribute in all first accession incidents (%)

Some factors impacting on the frequency of first accession could be identified. Bi-variate analyses showed that women looked more frequently first for information on the attribute ‘fair prices for farmers’ than men (Table 2). Information on the product price was more frequently accessed first by occasional than by regular organic consumers. This may indicate that occasional consumers of organic food are more sensitive to prices than regular ones. Participants stating to be active in environmental protection (member of such an organisation or donating to such causes), accessed more frequently information on ‘regional production’ first and less frequently on product price, than those not engaged that way.

**Table 2.** Impact factors on first accession of different attributes (%)

<table>
<thead>
<tr>
<th></th>
<th>All (N = 1191)</th>
<th>Gender</th>
<th>Organic purchase intensity</th>
<th>Active for environment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Women (N = 821)</td>
<td>Men (N = 361)</td>
<td>Regularly (N = 443)</td>
</tr>
<tr>
<td>Animal welfare</td>
<td>21.4</td>
<td>22.0</td>
<td>19.9</td>
<td>21.0</td>
</tr>
<tr>
<td>Regional production</td>
<td>21.2</td>
<td>20.5</td>
<td>23.5</td>
<td>23.3</td>
</tr>
<tr>
<td>Fair prices for farmers</td>
<td>13.8</td>
<td>15.1</td>
<td><strong>10.8</strong></td>
<td>14.7</td>
</tr>
<tr>
<td>Product price</td>
<td>13.2</td>
<td>12.5</td>
<td>14.7</td>
<td><strong>9.5</strong></td>
</tr>
<tr>
<td>Care farming</td>
<td>8.2</td>
<td>8.2</td>
<td>8.3</td>
<td>9.5</td>
</tr>
<tr>
<td>Social criteria of production</td>
<td>7.8</td>
<td>8.2</td>
<td>6.6</td>
<td>7.7</td>
</tr>
<tr>
<td>Biodiversity</td>
<td>7.3</td>
<td>7.2</td>
<td>7.8</td>
<td>6.8</td>
</tr>
<tr>
<td>Cultural features</td>
<td>7.0</td>
<td>6.3</td>
<td>8.3</td>
<td>7.7</td>
</tr>
</tbody>
</table>

Numbers in bold indicate significant differences between groups (p<0.05); Source: Own calculations

Source: based on Zander and Hamm (2009)
The choice decision for the hypothetical product showed that on average only 6% of the respondents preferred the cheaper organic product that did not have any additional ethical attributes. The share was lower in Germany (only 3%) but higher among Austrian (9%) and Italian (7%) respondents. This allows the conclusion that a large share of regular consumers of organic food would be willing to pay a price premium for organic food with additional ethical attributes.

In order to relate the results obtained with the IDM to other survey tools the questionnaire part of the same survey included a question about the relevance of different criteria for the purchase decision on organic food. The responses to the direct question ranked social production criteria like ‘good working conditions for farm workers’ and ‘support for family farms’ as well as ‘preservation of cultural landscape’ higher than ‘regional production’ and ‘fair prices for farmers’. Also, consumers ranked the price lowest (AT respondents second lowest) of all arguments when asked directly, while in the IDM it was ranked at the third or fourth position in close competition with the ‘fair price’ argument. Similar results with respect to revealed preferences for prices were reported by Aschemann and Hamm (2008), who also compared results of an IDM with those obtained by direct questioning in a single source approach. It appears that the IDM survey tool has potential to reduce socially-desired answers in consumer surveys. Preliminary results of further research within the CORE Organic project using ‘Consumer Choice Tests’ indicate preference like the ones obtained by means of the IDM.

Discussion and conclusions

Since the beginning, organic food production has included a broad range of values such as care for soil fertility and human health, for the environment and animal welfare and also social aspects like closer relationship between consumers and producers. Values of regional supply and fairness remain part of the core concept of organic farming for producers and consumers today, but are not covered by the European regulation for organic food.

A considerable number of organic food and farming-related businesses in Europe produce in ways exceeding the minimum standards of the EU regulation. This usually goes along with higher production costs and will therefore have negative impacts on competitiveness. Thus, the crucial question is whether consumers are willing to compensate organic food producers for additional production costs caused by higher ethical production standards by paying higher prices.

The results presented here show that consumers are particularly interested in arguments related to ‘animal welfare’, ‘regional production’ and ‘fair prices to farmers’ and exhibit a positive willingness-to-pay for these issues. They confirm that, given target-oriented communication, producing organic food with higher ethical standards is a promising strategy to differentiate a product in the organic market and to gain and/or secure market shares and premiums.

The results were produced in a test environment, so that there might be some differences compared to real life behaviour. However, the aim of this research was to elicit relative preferences of consumers. There is no reason for assuming that relative preferences obtained in an experimental setting differ considerably from real behaviour, given that similar information is provided to consumers. Moreover, contrasting the results of the IDM with those from direct inquiry within the survey part, the IDM proved to be a valuable tool to elicit consumer preferences by reducing biases due to social desirability of answers. However, there are clear limitations to the use of the IDM. In order not to cause information overload, the number of products, attributes and arguments used in an IDM has to be restricted. Nevertheless, the IDM turned out to be suitable to rank different ethical values according to consumers’ point of view within this research.

In discussion about future perspectives of organic farming the terms ‘fair’ and ‘regional’ have become popular. ‘Fairness’ makes people feel good because it implies not only well-being for farmers but also for customers, and high expectations rest on local or regional organic food as new way to connect producers and consumers. However, both terms are not clearly defined or protected and thus might be understood differently by producers and consumers. The potential for misleading
claims and confusing is illustrated by the fact that a test case on the potential of consumer fraud by using the term ‘fair’ is coming up in Germany (LZ, 2010).

‘Fairness’ is hard to define and therefore hard to express in the form of clear criteria that can be tested. A level playing field created through common rules and regulations can be seen as contributing to fairness and different ethical traditions would result in different ways to define a fair income’ or a fair price. The relative weight of each issue depends among other things on the moral concepts of the society in general, on culture and on price relations. Thus, the definition of ‘fairness’ by means of specific criteria will vary depending on the general framework.

Local and regional supply chain structures are seen as one way to rectify the problems of distrust and the disconnection between food producers and consumers in developed economies in contrast to improved consumer information through certification (Eden et al., 2008). Local food is seen as improving well-being of and fairness for producers and consumers and to future generations in terms of having equal access to scarce resources. The association of organic food with ‘local’ takes on the character of an ethical argument in itself, through the expectation that local structures will bring benefits in terms of ecology, social relationships, care and resistance to globalisation. Buying ‘local’ is almost considered to be a rule in itself, in the sense of rule based (deontological) ethics. But the associated ethical values may well be internally contradictory and the action prioritises one over the other, such as ecology over social justice (Clarke et al., 2008). There is limited evidence that reducing the distance that food travels delivers benefits in relation to the various the expectations that rest on it (Coley et al., 2009; Smith et al., 2005). However, it is difficult to argue why preferring products from the neighbour over products from a farmer in a distant region has anything to do with justice.

This lack of accepted definitions about the meaning of the terms ‘fair and regional’ stands in stark contrast to other areas of organic farming, that have clearly defined standards and rules. Given the different ways in which both terms can be interpreted, the organic farming sector should be very cautious in its claims. Claiming to be ‘fair’ while producing in a way consumers might not perceive to be really ‘fair’ could results in loss of trust. Similarly, undefined claims about local or regional origin without clearly defined criteria may lead to a loss of the sector’s credibility.

A promising first step out of this dilemma could be increased transparency through improved communication. Ethical reasoning for transparency related to the rights and responsibilities of all actors. Producers and partners in the supply chain should increasingly enter into an open discussion with consumers and with each other by opening their books to the public. Transparency about which ethical values are (and are not) part of the rules, where products come from, and what incomes are achieved could be one step in improving fairness.

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