

18th Organic World Congress

Written inputs from panelists of the Main Track Session

4B: [Market Advancement](#)

Developing national Organic sectors: the key lessons

Tuesday, 13 October 2014 (16:30-18:00)

18th Organic World Congress, October 13-15, 2014,

Istanbul, Turkey

Market Advancement: Acceleration of developments for tomorrow's Organic markets

Background

The global Organic market for food has expanded to upwards of US\$ 60 billion in consumer purchases annually. However, the market is concentrated in only a few countries, mostly in Europe and North America, and the global market share is far below 1%. We need further developments if the aspirations of the Organic World to provide solutions to global challenges are to be realized. The market and the attractiveness of Organic products on the market are changing, so that we need to adapt. The positioning of Organic products in the various markets, the responses of the Organic Sector to upcoming concerns, the transparency of processes and products, and the reporting of impacts are issues to which marketers need to be up to date.

Session Objectives

Based on the goal of further increasing the Organic Sector's market share, strategies will be developed for different parts of the world. Positioning of Organic Agriculture to improve consumer perceptions, as well as messaging for the promotion of organic food and other products in the market will be coordinated, and a consensus will be sought on overall strategies.

Leading Questions

- What are the main engines and inhibitors of growth in different parts of the world?
- Which strategies worked well in the past in some parts of the world? What were growth killers?
- Which market structures do we need for optimal market developments?
- What are upcoming trends, technology innovations and consumer concerns, and how can they be turned into opportunities rather than threats?
- What are affordable and effective communication and promotion strategies?
- Which messages will be important for 2014-2017?

Methodology: Panel discussion with 4-5 panelists. Each panelist makes an opening statement of 4-5 minutes with max 5 slides.

Moderator/Rapporteur: Frank Eyhorn/Patricia Flores

Speakers

- Thomas Bernet, FiBL, Switzerland
- Volkert Engelsman, IFOAM WB & Eosta, The Netherlands
- Atila Ertem, ETO, Turkey
- Matthew Holmes, IFOAM WB & OTA Canada, Canada
- Manoj Kumar Menon, ICCOA, India

Atila Ertem¹

- Ekolojik Tarım Organizasyonu ETO: president
- German-Turkish Bilateral Cooperation Project – Organic Agriculture: national long-term expert
- UNDP / GAP: short term expert
- 20 years general manager of Rapunzel Organik Tarım Ltd., Turkey

Turkey has a long way to go organic !

Summary

Turkey is an excellent example for the challenges of establishing a national organic market and the struggles going with it.

As in so many other emerging countries, export has been the major stimulation for the growth of the organic production in Turkey for many years with only little effect on the home market. Although the Turkish Government has passed an organic law, harmonized with the EU-legislation, in a very early stage, this did not substantially affect the growth of the national market for a very long time.

The first real creation of a Turkish organic market was via an entrepreneur who formed a 100% organic retail chain. Since then growth has been dictated largely by distrust in conventional food. Some scandals such as excessive residue in organic vegetables or media attention to antibiotic use in poultry have initiated people to seek organic alternatives. Also growing prosperity and emergence of a new generation of highly educated, young parents especially in the big cities have increased demand for organic. Nevertheless, high prices of organic products as well as continued limited access are restricting the market size. In addition to this, there is a growing distrust in “organic” as the label is being used freely by “natural” or “pure” labels as well due to ineffective government control.

Original inception in Turkey was aimed at the high income segment via specialized stores. In recent years farmers markets made products accessible to consumers at lower prices. This grew the market beyond the business created in these markets as it provided increased visibility and public awareness. The interest of celebrities in these markets was also a positive factor. On the other hand, the same markets are now limiting growth by creating ineffective distribution chains via farmers becoming retailers in markets hundreds of kilometres away from their farms and restricting further reductions in prices.

Turkish organic movement first started as an export oriented economy.

Only 15 years after its original start, the domestic market started in any form. Market size became of any importance only in the past 5-10 years. Therefore, market structures are aligned towards export and this is inefficient in many cases for the domestic market. For instance, domestic markets are ruled by multiple small

¹ Atila Ertem: atilaertem@eto.org.tr. Özge Cicekli (ETO General Secretary): info@eto.org.tr

transactions of small value. The requirements for certification of these transactions may in some cases exceed the worth of the transaction itself. Moreover, the coordination among certification bodies is cumbersome and cannot respond to a fast moving consumer market. I believe there are lessons to be learned from developed markets with regard to how they handle these issues and enhance existing structures in emerging markets to better accommodate domestic requirements.

E-commerce is of particular importance as it attracts a part of the population that is above average in terms of income, education and awareness. Therefore, many conventional online shops report higher percentages of sales share when they add organic products to their portfolio compared to their brick and mortar counterparts. However, with internet sites counterfeiting is a bigger issue as there is decreased auditing as well as less exposure to customer scrutiny. Moreover, the low cost of investment in an online site encourages more “false” organic sales since there is less at stake if non-conformity to organic standards occurs.

The best way to prevent this is first by educating the public on how to separate organic from others rather than why organic is better. Secondly, auditing should be extended beyond the most visible sales channels such as farmers markets and national chains.

Manoj Kumar Menon

What are the main engines and inhibitors of growth in different parts of the world?

The organic sector is still divided largely in two worlds –

The Organic production world (producers): Asia, Africa, South America.....and the Organic consumption world (markets): EU, USA and small parts of other world!

The main inhibitors of growth are this paradox that the producing world is not consuming, i.e. the markets in the South are not developed.

Therefore one main engine of growth will be the development of markets for organic products in all parts of the world.

Which strategies worked well in the past in some parts of the world? What were growth killers?

In the past the movement was initiated and propelled by the producers/farmers. They initiated the production as well were initial marketers e.g. from the farm-gates, small exhibitions, etc. Very importantly they are the standard setters and the standards were made for the organic movement – and not the vice versa! Perhaps too much of standards and regulations are the growth killers.

Which market structures do we need for optimal market developments?

We actually need a range of market structures. Farmers led, supply chain players, organized retailers, stand alone stores, direct-to-consumers, online and others.

What are upcoming trends, technology innovations and consumer concerns, and how can they be turned into opportunities rather than threats?

Community supporter agriculture, online stores, mass consumer events through PR campaigns (as opposed to expensive advertisements). Every threat is always an opportunity.

What are affordable and effective communication and promotion strategies? Which messages will be important for 2014-2017?

Strategies to move organic movement from still-a-niche to mainstream is the most crucial challenge- and still be possible only if the organic movement becomes grass-rooted and not just by standard-setting and regulatory mechanisms.

Thomas Bernet²

What are the main engines and inhibitors of growth in different parts of the world?

First, we need to understand that organic market development has 3 main different development stages: emerging market, growing market, mature market (see figure below). The drivers vary according to these stages – and there are clear differences between developed and developing countries. In developing countries, export opportunities are a key driver; in developed countries, supermarket chains are key drivers, with own investments to upgrade their image and expand their product portfolio. Overall, as supermarkets expand very fast worldwide, and are the reference retailers for richer consumers who increasingly care about health & sustainability, retailers' impact on awareness creation for organic produce is key to boost market growth. However, to be efficient in this work, the basic sector conditions must be in place: organic regulation and organic certification structures, availability of organic quality produce, organic sector organization etc. Thus, at the emerging stage, most efficiently are development projects that aim to develop such favourable conditions by involving both interested private and public actors. Increasingly, social media play a central role in awareness creation activities and driving directly or indirectly organic sales.

Which strategies worked well in the past in some parts of the world? What were growth killers?

In many developing countries, organic was introduced as an export opportunity. In this context, mostly with foreign capital, organic production and certification structures were implemented aiming to produce high quality produce at relatively low cost (given the lower wages in these countries). This quality production is many times an excellent starting point for awareness creation within the country and to start placing these products also within the domestic market. In different cases, food scandals created optimal publicity for organic production and products! Harming factors have been the marketing of products that are either sold as organic but were/are not, or organic products with deficient quality.

Which market structures do we need for optimal market developments?

Ideal market structures vary along the market development process. In any case, most important are “trustworthy retail solutions” that help differentiate organic products from conventional production and communicate clearly their added. Here, both direct sales from producers and supermarket outlets can serve this purpose. Important is that quality of these products (including packaging and labelling) is good, and sales prices are “reasonable” for consumers.

What are upcoming trends, technology innovations and consumer concerns, and how can they be turned into opportunities rather than threats?

² thomas.bernet@fibl.org

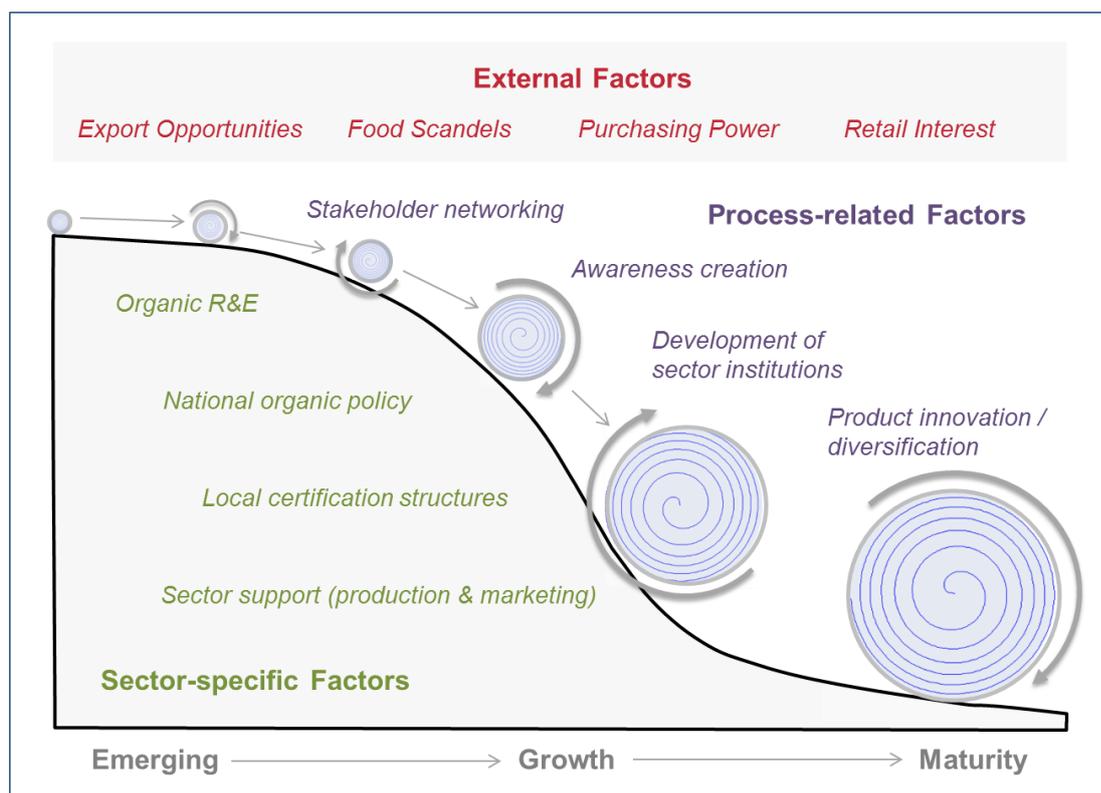
Eating will become more important again: not only in regard what is eaten but in what context. Good, nutritious and healthy organic food will become more trendy, being promoted increasingly through social media, which help promote true sustainable eating habits/practices. In this regard, locally produced organic food will receive more demand, and there will be more pressure to also source feed more locally, given the fact that consumers will be better informed and empowered through social media to share their frustration when confronting food that doesn't meet sustainability criteria. Thus, there will be room to capitalize on creativity in developing new "organic product and eating experiences"!

What are affordable and effective communication and promotion strategies?

- Partnering up with supermarket chains that see organic as a strategic investment to boost its own image, and thus promote organic in their retail outlets and all other communication channels, i.e. own newspaper and website etc.
- Most effective communication to promote organic is still "mouth to mouth propaganda". With the possibilities to expand this concept considerably with social media applications, "organic experiences" must be created through production innovations, creative catering and retail concepts, and funny promotion etc. Very effective to promote organic are also food scandals with conventional food, but this should not be pursued actively!!

Which messages will be important for 2014-2017?

Keep and strengthen the same message consumers already know: "Organic is good for you and the environment". Important: this message must be reinforced with standard adaptations, true quality products, and value adding marketing concepts – thus be a message that is true in practice, not being just a marketing message!



Volkert Engelsman

What are the main engines and inhibitors of growth in different parts of the world?

Growing awareness of a growing group of consumers who are increasingly concerned about their health, the environment and social responsibility.

Which strategies worked well in the past in some parts of the world?

1. Allocation of research & development funds to encourage more resilient forms of agriculture, such as organic farming.
2. Conversion subsidies to support converting farmers.
3. More transparency with regards to the origin and the environmental & social impact of products.

What were growth killers?

Anonymity in food supply chains that opens the door for exploitation of growers, the environment and a fair distribution of wealth.

Which market structures do we need for optimal market developments?

What is needed is a level playing field that supports sustainable food production and penalizes externalization of costs related to health, ecology and social justice

What are upcoming trends, technology innovations and consumer concerns, and how can they be turned into opportunities rather than threats?

A clear and unstoppable trend is the growing demand for sustainability by a wide variety of sectors ranging from energy, cradle to cradle, financial auditors, investment banking, food, retail, consumers. Whilst organic agriculture may no longer be the only solution, it certainly still is the best by a long way. It can capitalize on these trends provided it breaks out of its muesli ghetto and connects to other trends in the sustainability arena.

What are affordable and effective communication and promotion strategies?

Liaise and co-create with NGO's, agree on cross marketing and promotion deals; discover that the organic movement is not alone and that we have way more sustainability allies than we ever believed.

Which messages will be important for 2014-2017?

1. Keep developing organic practices, guidelines and ultimately also standards that meet sustainability expectations anno 2020,
2. Don't get caught up in fundamentalism, terms like 'agro-ecology' are not scary,
3. Demonstrate leadership by prototyping agriculture of the future,
4. Never forget that change has never come from a mainstream following majority, always from a trendsetting minority. Once tipping points will be reached, agriculture will be happily embracing working prototypes that have demonstrated proof of concept.