Review of organic market development in Europe - from OFCAP to QLIF

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***Abstract* - During the last decade the organic market in Europe has increased enormously, more than doubling the value of its turnover. At the end of the 1990s, the OFCAP publication 'The European market for organic products: growth and development' identified five main constraints for the organic market development: 1) the lack of professional marketing, 2) the weak role of conventional supermarket chains as potential drivers of organic market development, 3) the absence of public support of marketing activities, 4) the limited size of supply batches and 5) a lack of market transparency. Recommendations included improving the availability of organic food, encouraging conventional retail chains to promote organic ranges, reducing the additional premiums on consumer prices and developing well-balanced marketing plans to promote the development of the organic market.**

As a consequence several European research projects incorporated elements of the OFCAP analysis into new research topics and went on to recommend further ways in which the European organic market might be led out of its niche and consumers' expectations of organic food might be satisfied. Both policy and market actors have taken on board fundamental ideas and concepts from the research projects in order to draw up marketing plans for the promotion of market development.[1]

INTRODUCTION

During the last decade the organic market in Europe has increased enormously, more than doubling its market value from $ 5.2 billion in 1997 (ITC 1999) to $ 13.7 billion in 2004 (Willer and Yuseffi 2006). The German market alone – the biggest national organic market in Europe – was worth $ 4.2 billion in 2004. In the mid-1990s - before the organic boom spread through Western Europe - the majority of organic food was being sold through alternative sales channels and retail chains were beginning to stock their first small organic ranges (Michelsen et al., 1999). Today the majority of supermarkets and discounters offer at least basic assortments of organic food, while some retailers stock more than 1,000 organic items. In Western European countries at least, organic food can therefore be purchased without difficulty by interested consumers and organic food ranges have become established as a mainstream food line in retailers' assortments. New specialized organic supermarkets stocking between 3,000 and 8,000 organic items are opening week by week. The pioneer or emerging phase of the development of the organic food market has drawn to a close in Western Europe, while in Central and Eastern European a market development can be observed similar to that which took place in Western Europe 10 years ago.

In Western European countries this emerging phase has now led on to phases of growing or maturing markets depending on specific national market environments. In this process the organic market and its actors are becoming more professional - by, for example, implementing the sales techniques of conventional food marketing. As a consequence consumers in many Western European countries now have easy and convenient access to organic food and spend more than € 20 per capita per year on organic food; in countries such as Germany, Austria, Sweden and Denmark this figure is above € 40 and in Switzerland it is more than € 100 (Willer and Yuseffi 2006).

RESEARCHING THE ORGANIC MARKET

This last decade of organic market development was marked by several European research projects which focussed on the methodological fundamentals of organic market data access as well as on the related factors of organic food purchase on the consumer side and the development of the organic food market on the supplier, trader and retailer side (OFCAP / FAIR3-CT96-1794; OMIaRD / QLK5-2000-01124; EISfOM / QLK5-2002-02400; CEE-OFP / QLK5-2002-00917; CONDOR / QLK1-2002-02446; QLIF / QualityLowInputFood). The main finding of OFCAP (1996-1999) relating to organic market research at the end of the 1990s was that the market (supply and demand side) had potential for further growth depending on the stronger entry of conventional supermarkets into the organic market, a drop in consumer prices for organic food, the broadening of EU regulations to cover livestock standards and the focussing of public support on market development rather than on detailled production support (Michelsen et. al 1999). Most of the recommendations made have been taken up and implemented by governmental and market bodies. In consequence the organic market has grown mainly by improving access to organic food and through the public support given to market promotion and information campaigns in many

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European countries.

OMIaRD (2000-2004), focusing mainly on Western European countries, and CEE-OFP (2002-2005) for Central and Eastern European countries continued the pan-European organic market analysis started by OFCAP. Hamm and Gronefeld (2004) recommended - based on an analysis of comprehensive market data from 2000 and 2001 - a well-balanced push-and-pull strategy to promote market growth. This responds to the often observed imbalance in national organic markets during period with situations of strong surplus or shortage. In the meantime a Europe-wide Organic Action Plan has been established, as well as national action plans in countries such as Denmark, Germany, the Netherlands, the United Kingdom, the Czech Republic and Slovenia. Such plans aim to promote and balance organic market development and address other issues such as the support of information and knowledge transfer.

In addition to organic market analysis OMIaRD also focussed on consumer values and attitudes underlying the consumption or rejection of organic food and on the different characteristics of occasional and regular organic buyers. The CONDOR project (2002-2005), comparable in scope, identified similar explanations of consumer behaviour (Zanoli 2004; Shepherd et al. 2005). Decisions to buy or reject organic food are determined more by the customer's personal attitude structure than by socio-demographic criteria. The main motives for buying organic food are related to health, animal husbandry or quality issues. The principal reasons for rejecting organic food are high consumer prices, distrust of organic farming, or doubt of the additional value of organic food. Motives for buying and rejecting organic food are similar across European countries.

Both projects also identified a much more complex cognitive structure for regular buyers than for occasional or non-buyers. The latter group typically exhibits much less consumer involvement in food matters. Low involvement - often linked with a lack of knowledge about (organic) food and farming - is closely connected to distrust in organic food chains or a lack of perception of the additional value of organic food. This is an obstacle to increasing organic consumption in the group of occasional and non-buyers. Last but not least the OMIaRD consumer studies found that attitudes and buying motives for organic food differ from product to product. The marketing of organic food therefore needs to turn away from the communication of basic information about organic food and farming and instead address factors relating to the product itself and its quality. EISfOM (2002-2005) analysed the existing structures for the collection of data relating to organic production and markets. In most countries there are no comprehensive official statistics about the organic sector, but in many European countries work is now under way to collect data at different levels along the organic supply chain. The major obstacle is the lack of data quality and the absence of a Europe-wide approach which would harmonise the heterogenous sets of national data at European level.

QLIF (QualityLowInputFood; 2004-2009) is an integrated project which, among other things, is analysing consumer and supply chain obstacles relating to organic food consumption and food quality. Based on the OMIaRD results, the consumer and market related workpackages in this project concentrate on product-specific issues of organic food and the expected quality and safety characteristics from a consumer point of view.

Conclusions

The different European markets for organic food are presently at different stages of development (emerging, growing, maturing). While the majority of Western European countries are currently in the growing or maturing phase, in many Central, Eastern and Southern European countries organic markets are now emerging. Experiences in Western European countries and studies in new EU member states indicate that in emerging organic markets limited access to organic food and a lack of consumer awareness are the major barriers to market development. In countries such as Switzerland and Denmark, on the other hand, where the organic market is fairly well established and the potential of highly committed organic consumers is already fully tapped, occasional consumers with their specific requirements are now becoming the target group for further market growth.

In future, therefore, organic market research will need to analyse how marketing approaches can match the mega-trends of consumers in general throughout Europe: their wish to save time spent on purchasing and cooking food, to save money while having excellent food quality, to procure healthy, emotionally laden, locally based and reliable food. These trends drive the purchase behaviour of occasional organic buyers and therefore need to be considered for product development as well as for communication and distribution approaches.

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