

Working Paper: Organic Marketing Opportunities and Obstacles in the Great Lakes States: Toward a Research Agenda, David Conner, Jim Bingen
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Introduction

The markets for both organic and locally grown foods are growing. Sales in organic products in the US have increased approximately 23 fold from 1990-2008. The nature of products sold and supply have changed as well: the portion of fresh produce continues to decline while conventional supermarkets have caught up with health food stores as prominent sources. Finally, the quantity of imports has increased dramatically, suggesting that domestic supply has trouble meeting demand.

These changes present challenges for farmers like those in the Great Lakes (GL) region. According to one study, smaller organic farmers are increasingly unable to gain access to the mainstream buyers that represent an increasingly large portion of the growing market. As scholars at a GL Land Grant University, we are concerned that while local and organic markets are growing, farmers in our region are not fully meeting these opportunities. A cursory look at grocery shelves even in summer suggests little local organic produce, for example, is for sale.

This working paper reports on a review of literature on the market for organic produce, with an eye toward what kinds of research has been done, what have we learned and what further research is needed to guide private strategy and public policy which will increase opportunity for GL organic farmers. We begin with a macro-level view of the market and how it has changed over time, followed by a discussion of key policy issues shaping the market. Next, we discuss studies on the attitudes, values and market behavior of farmers and consumers, followed by research on product handlers and implications for market access. We conclude with elements of a research agenda focusing on initiatives to increase market opportunities for GL farmers.

Market change and policy

We draw on several models from the US and Europe to sketch the changing organic market, marked by four phases, marked by: (i) dedicated farmers serving local direct markets; (ii) increases demand marked by formal certification; (iii) supply response; (iv) mass markets and commoditization/globalization.

We discuss a handful of key policy issues, beginning with comparison of US and EU policies: despite different approaches, market forces appear to trump policy, resulting in globalized/commoditized systems in both areas. This is explained in part by the choice of organic standards which meet purely economic goals.

Farmer values and behavior

Our review of studies on organic farmer values suggests two possible ideal types, with very different values: pragmatic organic farmers are mostly attracted to organics for economic reasons; they have faith in and are well-served by mainstream institutions. Committed or reflexive farmers hold strong environmental and social values, believe in the efficacy of methods and quality of products, and are mistrustful (or finding little use in) traditional agricultural support services and institutions (extension, co-ops, crop insurance, mass markets). Most of the data on market behavior comes from Organic

Farming Research Foundation studies; most of the remaining data come from secondary sources which poorly represents smaller farmers. We close with a set of research questions.

Consumer behavior

We find that most studies have focused on two broad questions: who buys organic products, and why. Research on who buys tends to look at demographic attributes of buyers: gender, age, race, income, ethnicity and household composition. This approach is common for research aimed at guiding marketing strategies for firms wishing to sell products. Further studies highlight on factors affecting purchase, frequency etc.

Handlers

We find few studies on intermediary behavior in line with those of farmers and consumers. We find an abundance of outreach-oriented how-to studies which try to address market access problems for farmers. The challenges posed to farmers wishing to sell into mass markets are tied to intermediaries need for dependable supply with minimal transaction costs.

Discussion and Conclusions

We conclude by posing a few market strategies and policy options to address problems discussed above, followed by research needs to test and bolster their success. We conclude that greater access to mass markets will be accomplished by one of three broad ways

Increasing the production and local consumption of Great Lakes organic products, at least in the short term, will likely occur in some combination of the following ways:

1. Increase prevalence of consumer direct, direct-to-retail and direct-to-institution sales by small and medium sized farmers.
2. Cooperative efforts by small and particularly medium sized farmers to provide planning, brokering, aggregating and delivery services for direct to retail/institution and wholesale markets.
3. Transition to organic by large scale farmers already accustomed and equipped (with production and cooling capacity, insurance, food safety certification), selling to wholesale markets.