



Staying Green When The Economy's In The Red

Demand for organic foods continues to grow despite the world economic crisis according to the United Nations Trade and Development Agency (UNCTAD)¹. Sales from certified organic products are expected to reach \$67 billion in 2012, up from \$46 billion in 2007 and about \$23 billion in 2002.

For consumers the current economic downturn has meant thinking carefully about how each food dollar is spent.

Whilst some specialist organic retailers are experiencing consumer resistance to paying more for organics, it appears that many consumers have weighed the cost of organic food against its benefits - better taste, no synthetic additives or GMOs, better outcomes for the environment and up to 25% more nutrients in fresh produce² - and have decided on the side of organic.

Benefiting from this seemingly anomalous hard-times swing to organic are Australian organic producers who are recording record sales in some markets, especially meat and dairy produce.

Australian Certified Organic meat wholesaler Cleavers Organic Meat Company has just recorded its highest ever sales season for organic lamb. Lamb wholesalers have reported a sales jump of more than 20% over the past two months.

Similarly, Alister Ferguson, National Sales Manager for the Australian Organic Meat Company says that Australian consumers are staying loyal to organic beef, and that the company is still seeing good, steady growth in orders.

"In fact, the outlook for organic beef is rosy; the domestic retail market has grown by about 40% in the past four months and a lower dollar has strengthened export opportunities."

One explanation for increased beef sales could be that in the good times consumers became used to eating out at top-end restaurants and while the fiscal blowout has meant more home-cooked meals, consumers are reluctant to give up the last vestiges of high-quality, gourmet food; "They want something a bit more interesting than your standard meat and three veg."

Organic is attracting a much wider demographic than previously and this in turn puts on the pressure for more farmers to start supplying organic. Because organic certification takes three years there is a very present need for new farm recruits to organic.

Organic dairy producers in North Qld have sold record levels of organic dairy products in past months, a result they put down in part to increased product availability and increasing public awareness of organic dairy quality and taste.

The jury is still out on organic fruit and vegetables.

This is one area of the marketplace where there is still shopper resistance to organic produce if there is a perceived excessive price difference between organic and conventional products.

Bigger producers report that stock is still moving well, but to compete successfully in a tightening market, produce will have to be high quality.

References

1 The Organic Centre, "New Evidence Confirms the Nutritional Superiority of Plant-Based Organic Foods" State of Science Review, March 2008, www.organic-center.org/science.nutri.php?action=view&report_id=126

2 United Nations Trade and Development Agency (UNCTAD), SUSTAINING AFRICAN AGRICULTURE, UNCTAD Policy Briefs, N° 6, February 2009, www.twinside.org.sg/title2/susagri/susagri071.htm

Surviving the heat in the meltdown of the economy

With the economy facing its' worst downturn since the Depression, we decided to ask a few certified organic companies how they are faring in these tough times...



Rosemary Dunn of Four Leaf Milling (SA)

comments that compared to 2008 their sales have nearly doubled this year and that the economic downturn has had no effect on their business.

"We have felt no direct effect from the fall in the economy - our biggest problem is the unpredictability of the seasons.

"Last year we had a large supply of white chickpeas. This year we will have none due to crop failures. On the other hand, we will have a larger supply of mung beans this year compared to 2008 due to improved crops."

Rosemary believes the future will only see continued growth - "this year we have introduced a new product which is a sign of keeping up with increased consumer demand."



Duncan Allsop from certified organic butcher Allsop & England (Qld)

says that while sales of certain meats have slowed down, the economic downturn has not had a great effect on his business.

"I was predicting a downturn in sales,

however prices have remained consistent from our wholesaler and we have not had to lay off staff."

What could be in Allsop's favour is supply of organic goat - a niche market product.

"Our goat sales have increased - we sell all cuts of goat, an incredibly lean meat and the most widely eaten meat in the world."

"Certified organic poultry is also still well sought after and prices have been consistent for the last 12 months."



Suffering the financial effects of the economic downturn is organic retailer and wholesaler, Uwe Wullfen, who has seen his sales drop by 45% at his store in the Queen Victoria Markets (Vic).

"Since these tough financial times have arrived I have seen a lot of my regular customers fall away; people have had to rethink their spending habits and simply cannot afford the price premiums of organics.

"A couple of months ago I was comparing the price difference of bananas. Organic bananas were 60% dearer than conventional - people simply cannot afford this.

Wholesalers are only now bringing their prices down - which to me is a little too late, as businesses like mine have already suffered significantly.

"In the certified organic sector we really need to work together - organic is still a niche market in the main, and with the economy struggling like it is, we all need to pool together our resources and knowledge so we can offer our customers competitive prices."



Tenay Barker, Strategy & Business Development Manager for Eco Farms reports that sales figures have been mostly consistent this year, with the last few weeks seeing higher than usual sales.

"We are a large organic wholesaler, importer and exporter. To date we have not seen a dramatic drop in our sales however the economic downturn has been a wake-up call for everyone to become more cost effective.

"Our major concern this year has been more directed towards climate with the effects of the bushfires and floods leaving us with a complete loss of certain produce.

"We have seen limited supplies of beans and snow peas because of the Victorian bushfires and sweet potatoes have been scarce because of the floods in Queensland."

Tapping into organic consumers in tough times

Dr. Angela Paladino, Senior Marketing Lecturer and CASPI* Research Fellow from University of Melbourne Marketing, is helping uncover the secrets of the Australian organic consumer.

One of few researchers to look at the emergence of a new kind of ethical eater, Dr Paladino says the commitment of the Australian organic consumer is not 'set in concrete'.

"There *are* groups in Australia who will forfeit other purchases to continue to buy organic, placing the value of health or other priorities above the appeal of (usually cheaper) substitute products," she says.

"However these are the 'bare bones' of consumers and may not constitute a large percentage relative to those consumers who engage in the purchase of competing and substitute goods."

She says growth in organic purchases "down under" is connected to income for the large majority. "If the spending power (of borderline organic consumers) declines, they are likely to switch to non-organic alternatives."

But she says organic operators should not give up hope yet.

If consumers can be convinced to trial organic, she says a very positive product experience which addresses the exact criteria of current consumer needs, could put repeat purchases on the menu.

She says health messages are important.

"Given that many consumers value health more so than the environment (as it has a more immediate effect on them), health appeals should primarily be used by organic operators.

"This is not to suggest that environmental claims should be avoided but these should be secondary to health claims."

She says relationship building between vendors and customers or the communication of a good 'organic story' can also help.

"Our research shows that developing familiarity between the organic product and the consumer is important."

But she says it is essential all messages be clear cut - "there is still evidence of some confusion from consumers over what organic actually means - and a lack of understanding of what certified organic labels represent."

She says demystifying organic in the marketplace - "for example, by educating through direct communication with the



consumer" - will be vital for sustained organic sales growth.

She says direct communication is aided by an organic presence on mainstream retail shelves and in supermarkets.

"Consumers need to be exposed to goods to consider them.


"Supermarkets can be a convenient and important access point for many shoppers, bringing organic to their attention, and encouraging them to seek more information and advice on organic generally."

She says this is one step towards accessing a wide range of consumers who have as yet, had no stimulus to consider organic food purchases.

She says research to date has shown no difference in the attitude of consumers who shop at supermarkets from those who shop at farmers markets.

"Some consumers place a perceptual value on the more 'authentic' (market) experience. But this is related to service received at an outlet and if high service levels are provided at similar outlets, consumers can still be convinced to purchase the products."

And she says the power of peer acceptance should not be underestimated.

"Our study shows that subjective norms (the influence of significant others such as peers, friends and family) have one of the largest effects on organic consumption through the persuasion of attitudes." 

*Climate Adaptation: Science & Policy Initiative