

Understanding the market for organic food

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Introduction

By 2002, the international market in organic foods and beverages was estimated to be worth US\$23 billion (Sahota 2004). This brought the market share of certified organic food in the developed countries where it is predominantly consumed to somewhere between 1% and 2% of total food sales (Sligh and Christman 2003). According to critics, this small percentage proves organics to be little more than an overhyped Western food fad (see Lockie 2006). Yet with ongoing sales growth in developed countries of between 8% and 20%, organic foods have attracted the interest of a growing number of farmers, food processing firms, retailers and governments (Burch *et al.* 2001). Along with fair trade goods, organics has become one of the fastest growing sectors of a global food market characterised more generally by oversupply and falling terms of trade (McCoy and Parlevliet 2000, Reynolds 2000, Sligh and Christman 2003). Indeed, it has been estimated that the international market in organic foods could reach US\$100 billion as early as 2006 (McCoy and Parlevliet 2000) with the organic sector in the United States of America (USA) alone worth over US\$30 billion by 2007 (Haumann 2004). From an insignificant niche market as recently as the mid-1990s (Sahota 2004), organics has leapt into the mainstream.

This is not to say that this growth will continue indefinitely. The expansion of larger European markets appears to be slowing as they approach what some commentators refer to as 'maturity' (Sahota 2004). And as expansion slows, price premiums come under pressure, as reflected in a dramatic fall in the farm gate prices paid to organic dairy farmers in the United Kingdom (UK) in 2001 as a result of apparent oversupply (Franks 2003). In other markets, the issue appears to be less one of demand slowing than of producers failing to supply produce of sufficient consistency in quantity and quality to secure a sound distribution and retail base (Hassall and Associates 1990, Conacher and Conacher 1991, Hudson 1996, Dumaresq and Greene 1997, Baecke *et al.* 2002). This limits opportunities to sell certified organic produce as much as it reduces opportunities to purchase it! In fact, despite conditions of apparent under-supply, around 35% of certified organic produce grown in Australia is sold as conventional (Halpin 2004a) while 40% of organic beef and 25% of organic milk in Belgium is sold as conventional (Baecke *et al.* 2002). Compounding these demand and supply-side constraints on the continued expansion of the organic market is the simple issue that the organic industry knows little about who purchases its products or why they purchase them (Hassall and Associates 1990, Conacher and Conacher 1991, Hutchins and Greenhalgh 1995, Hudson 1996, Dumaresq and Greene 1997).