

# The need for a European harmonised data collection on private organic consumption – methodological and economic issues -

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*Abstract* - European markets for organic products are growing rapidly, but the market information available in most European countries is seriously limited as a basis for investment and policy decisions. The EU was therefore funding a three-year concerted action EIS-FOM (European Information System of Organic Markets) to analyse the current situation in 32 countries and to develop proposals to improve the quality and the volume of a European wide organic production and market data collection to support the development of a sector which offers significant potential for further growth as well as environmental and economic benefits.

One scope of data collection is related to the consumption of organic food. Presently no official organic consumption and consumer price statistics does exist at European level. However, there are manifold national approaches to get access to organic consumption data in terms of volumes and values mostly operated by private household panel approaches. The main barrier is related to a missing European approach to harmonise the different specifications and classifications which would be enable a cross country comparison of data. As user requirements and costs for different approaches differ as a minimum standard a European wide definition of key indicators for organic consumption and methods for national data output harmonisation should be developed.<sup>1</sup>

## INTRODUCTION

There is a manifold clear defined need to get access to more and quality proofed data about the organic market by different actor groups from policy, statisticians, science and organic market players (Recke et al., 2004). However in detail, actor requirements concerning data differ with regard to completeness, accuracy, timeliness and punctuality, data comparability and data coherence. Focussed on consumption and consumer price data of organic food the paper describes the present used instruments to measure organic consumption and consumer prices which presently not allows comparisons between European countries. Moreover it discusses within the given political and budget frames approaches to get a minimum set of most

relevant organic consumption and consumer price indicators which would fulfill minimum quality requirements.

## UTILITY FUNCTION OF ORG. MARKET DATA COLLECTION

The requirements for organic consumption and consumer price data of different user groups can be drawn by a microeconomic utility function as presented in figure 1. The three utility levels (u1 'lowest utility', u2 'medium utility', u3 'highest utility level') represent different actor group utilities and requirements with regard to organic consumption and consumer price data. The utility depends on the data availability and quality as represented in the x-axis. The x-axis comprises the whole range of possible sets on available data differing by quality and quantity parameters (q1 'basis data set' - small set of non quality proofed and not harmonized data', q2 'advanced data set' - quality proofed and harmonized data for key indicators, q3 'comprehensive data set' - quality proofed and harmonized set of data which cover the entire scope of common consumption and price statistics).

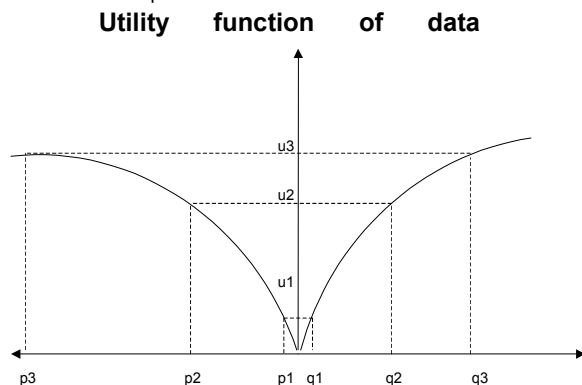
While researchers or product category/sales managers demand comprehensive, detailed and accurate data sets (u3;q3 - 'maximum data requirements'), politicians, journalists, trade promotion agencies and lobby groups mostly demand certain time series of key indicators which draw the development path (e.g. consumer expenditures in volume and value, market share, price index for a defined food basket,), as represented in u2;q2 ('medium data requirements'). Other groups of market decision makers or representatives of NGOs mostly require just rough estimations and general market descriptions, as represented in u1;q1 ('minimum data requirements'). In situation of high market competition there is even the explicit wish of many market actors or lobby groups to publish no statistic data about price or consumption development in order to keep further competitors out of the organic market.

The utility function (U) doesn't follow a linear curve. The marginal utility decreases by growing access of data sets and data quality because the general direction of data probably will not change.

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The derived cost function curve (P) in figure 1 indicates no linearity as well. While the cost of a minimum data set availability (p1;q1) is quite reasonable, the cost for more comprehensive, quality proofed and harmonized data sets (p2;q2 till p3;q3) increases disproportional due to methodological and organizational issues.

**Figure 1.** Utility and cost function for organic consumption and consumer price data collection



#### STATUS QUO OF DATA COLLECTION

Presently there are no official statistics on the private consumption (volumes/values) and consumer prices within the organic sector in a common European format. Several approaches are used on national level. Published consumption and price data mostly are derived by using different methods. Consumption data mostly are gathered by private household panels (e.g. Germany, Netherlands, Switzerland, Austria, UK) – conducted by market research companies TNS or GfK, consumer surveys or enlarged household budget surveys (e.g. Switzerland). Consumer price data often are derived from the scanned purchase data within the frame of a private household panel.

All currently used approaches indicate bias mainly based on failure in correct (organic) product recognition of consumers. As well over as under counting of organic food purchases are consequences of difficulties to recognise organic food clearly. While for frequently purchased organic product groups data can be expected as relative robust at least for poor distributed or seldom purchased organic product groups consumption volumes/values and derived consumer price data have to be checked critically before publishing due to referred bias reasons. Furthermore even national data from the same source (e.g. GfK or TNS) can not cross-compared between European countries due to different classification systems which are tailored in accordance to the requirements of national main customers.

#### CONCLUSIONS

Experiences in the last decade indicate that:

⇒ in many European countries just basic data sets are available which presently fulfil requirements of u1;q1 (figure 1), however the expectations of

many actor groups would be met at a higher level of u2;q2;

⇒ published organic consumption data today represent probably in seldom cases the exact picture of the private organic consumption and consumer prices;

⇒ without the approach of a European output harmonization, it would be impossible to aggregate and compare existing national organic consumption or consumer price data on a trans-national aggregation level.

#### RECOMMENDATIONS

The problems which are related to the different levels of actor group data requirements, predetermined financial and political frames as well as the described reasons for methodological biases lead to the following recommendation set:

1. Connect official statistic providers with commercial market researchers and organic market expert groups on a national level.
2. Definition of roles and responsibilities among DG Agri and Eurostat and their units concerning the steering process of European wide data collection and harmonization for organic consumption and derived consumer price data. Identify sources for grants to implement at least a European wide data harmonization for organic consumption data for those countries where presently data collection already runs at national level.
3. Establish a European wide expert group for exchange of data and information concerning national organic consumption and consumer price data collection.
4. Definition of a European wide set of relevant variables and product groups to measure organic consumption in terms of volume and value as part of the further development of the EU Organic Action Plan. The decision to make this minimum set of data available should be agreed by all EU member states.
5. Review national availability, methods and classification systems of private household panels as a methodological pre-condition for a data output harmonization.
6. Harmonization of reported national consumption and retail data at a trans-national level.

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