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Market strategies in different stages

How to stimulate organic market development

Organic agriculture generates tangible benefits for both producers and consumers. But it also produces wider public benefits, and it should therefore be a common concern to help the organic sector develop better and faster, rather than just leaving it to market forces.

The global organic food market was worth € 45 billion in 2010. The market for organic food has been growing at double-digit rates in many countries over the past decade, although the recent financial crisis has caused a certain slow down in some places. The largest markets are the United States and Germany with € 21 billion and € 6.6 billion respectively in 2011, both showing a growth rate of 10 per cent growth within that year. Other countries, like Denmark and Switzerland, have reached considerable organic market shares, with 6 per cent and more of the total food market. There are other countries where the organic market is still relatively undeveloped although it has a high potential. Yet, for all countries, the same question comes

up: How can we most effectively develop organic markets so as to multiply the benefits for producers and consumers? Here are some principles and tips for this endeavour.

**Understanding the market development process**

It is important to remember that markets develop and undergo important changes over time. We can differentiate four main stages in organic market development, which relate to different levels of maturity and are characterised by specific external and internal factors (see Figure 1):

Stage 1: The development of organic systems

Organic production systems are established within a country. Pioneers establish not only a new production system but also distribution and sales channels to target specific customers. In richer countries (e.g. Western Europe, North America, Australia, the Arabian Gulf), these

pioneers are often farmers with a strong commitment to implementing and promoting more sustainable farming practices. In poorer countries (i.e. Africa, Asia, South America), foreign companies often act as pioneers, establishing organic farming in response to international market demand for organic produce. Since any start-up is difficult, these pioneers face plenty of challenges in developing not only their own business, but also the services needed to make their businesses prosper in the future.

Stage 2: An emerging organic market
The supply of organic products is expanding slowly but steadily. In countries, where produce is primarily domestically sold, direct selling systems (e.g. farmers selling directly to consumers) often appear alongside organic food shops. The latter are often specialised health food stores selling other healthy products, including non-food items. As consumers request a more continuous supply of a growing number of organic products, there is a clear incentive to broaden and expand production. This can encourage the launch of an early range of organic processed products, which help to upgrade the image of organic products (e.g. through improved labelling and packaging). In countries where organic production is export focused, the incentive to expand organic production mainly comes through demand from the international market. Since this demand is usually much bigger than the supply, there is a clear incentive to strengthen the different support services (i.e. organic extension, input provision, and certification).

Stage 3: A growing organic market
As consumer awareness and market demand grows in countries that have developed an internal niche market for



organic products, organic retailing develops further. Supermarkets introduce organic product lines and more specialised trading and processing companies emerge, further boosting organic market development. At this stage, organic production is clearly stimulated by growing demand. Organic produce is clearly differentiated in the market as superior, and becomes more widely promoted in the retail sector, especially supermarkets, whose market share grows especially fast in countries where the organic market is developing. This leads to a mainstreaming as the volume, continuity of supply and diversity of available products increases considerably. In countries, where export has been the main driver for organic production, the domestic retail sector often starts to 'discover' and sell organic products. This is especially true for countries that produce final retail products i.e. labelled products for final consumption. For example, in Serbia, one can often find frozen organic berries and fruit juices in ordinary domestic supermarkets: both of which are important exports.

Stage 4: Maturing organic market
As organic food gains in reputation it becomes an integral of the national retailing scene. High-end supermarket chains often include organic products as part of their own differentiation strategy and to boost the company image. Such retail competition helps to consolidate the market for organic products at the top end of the market, involving both fresh produce and a wide range of convenience products. In some supermarkets, some organic products (e.g. eggs, fruits,

vegetables, dairy products) may reach 15 or 20 per cent of the share of total produce sold. At the same time many food catering services and restaurants look to integrate organic produce as part of their standard portfolio in order to satisfy consumers' search for top quality food.

Approaches for stimulating the development of the organic sector

Strategies to stimulate the organic market should consider the specific developmental stage in order to target those factors that most constrain the organic sector. But there is no single way 'to do' market development, it only can be stimulated. In practice, this translates into a need to coordinate different actors within specific actions that can create a 'snowball effect', by efficiently working on those factors that add the most momentum to the development process. The key intervention areas that will need to be targeted will vary at different stages of the development process. Nevertheless, efficient stakeholder networking is of highest priority to boost capacity development within the sector.

Facilitating capacity development through efficient stakeholder networking
Whereas in many of the pioneering countries, the organic market has gradually developed through the initiative of individuals or groups of farmers or other market actors, there are cases where the government or international donors have promoted the development of the organic sector. In developing countries with good export potential, bigger companies involved in trading and processing organic foodstuffs also are sometimes active in stimulating organic sector development.
When comparing different organic market development processes and con-

Figure 1:

Main stages in organic market development.

texts in different countries, one common factor that influences successful organic market development is meaningful capacity building among the actors directly involved in the organic business (e.g. farmers, traders, processors, retailers), stakeholders who provide essential services (e.g. extension, certification, inputs) and policy makers. Experiences in different countries show that this is best achieved when there are institutional arrangements in place that promote efficient stakeholder involvement and networking. Such stakeholder platforms go far beyond knowledge and skill development. Interactions between chain actors not only lead to the sharing of business-relevant information but also generate other essential insights, trust-based relationships, and collective action. All these aspects contribute to creating a prospering organic sector.

The impetus for creating such a networking structure can come from different actors. In pioneer countries, it is usually the 'organic actors' who form their own platforms using them not only to learn from each other but also to build an advocacy platform for the organic sector. In other countries, (such as Saudi Arabia) the government takes a clear lead in initiating such a stakeholder platform, (in this case financially supporting different networks and the creation of the Saudi Organic Farming Association - SOFA). In other countries, such as Uganda, Tanzania, Albania, Ukraine and Serbia, international donors (e.g. Sida, SDC, GIZ) have stimulated such stakeholder interactions as part of special organic sector development projects.

Conclusions

The demand for organic products has grown considerably, and is likely to grow further. Stakeholder platforms, able to plan and coordinate joint actions, can

Market size



accelerate this process. Good facilitation of such stakeholder platforms is essential to focus and guide the definition and implementation of interventions in such a way that the different sector stakeholders are involved and have a sense of ownership. One very practical way to start this process is to undertake a survey of the organic sector and market chains. The findings of such a survey, together with the contacts established in undertaking it, can serve as an entry point for starting such stakeholder platforms. Where government officials can be involved, such survey findings can ideally be transformed into a National Action Plan for Organic Agriculture. Such an agreed action plan prioritises and guides the needed interventions and specifies the roles and responsibilities of the different stakeholders involved in the stakeholder platform. Ideally, such stakeholder platforms are implemented in an early

development stage of the organic sector, facilitated by a rather neutral government or non-governmental entity (Albania and Saudi Arabia are good examples here). When the organic sector is more developed, such stakeholder platforms might grow out of the initiative of key actors present in this sector, such as organic producer associations, committed supermarkets, research institutes and governmental entities (Switzerland is a good example here). ■

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