The World of Organic Agriculture

Statistics and Emerging Trends 2011

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The Organic Standard in the Market for Sustainable Products

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The organic sector has grown fast in response to strong consumer concern over food safety and the environment. However, while sales of organically certified products have grown, the sector has had to face new market entrants making green and ethical claims. This is particularly the case when it comes to certified tropical commodities (Potts et al. 2010). This paper outlines the nature of competition to organic from other sustainability labels and initiatives and the strategic responses the sector is making.

The growth in the sustainability market

Despite the economic downturn, the market for products compliant with quality, safety and sustainability standards has continued to grow. This growth applies to both:

- Business to business (B2B) standards that mainly relate to quality or product safety issues (e.g., ISO, GlobalGAP or HACCP) and
- Business to consumer (B2C) standards making sustainability claims (Fairtrade, organic or Rainforest Alliance for example).

Products that comply with business to business standards accounted for 22 percent of global retail food sales in 2010 (GFSI, 2010). Products compliant with business to consumer standards range between 20 percent market share for bananas[3] (2009) to 8 percent of exported green coffee[4] (2009) and 3 percent of global cocoa sales[5] (2009).

The number of business-to-consumer standards has proliferated due to greater consumer demand for products fulfilling sustainability requirements and retailers' strategy to differentiate their product range according to their brand or choice of sustainability scheme.

Whilst the overall trend is towards competition, there has been some mutual recognition among standards based on benchmarking[6] exercises and the establishment of codes of good practice for standard setting (e.g., ISO, ISEAL Alliance).

In the last decade, business to consumer standards have shown *yearly* double-digit growth rates. This is driven by:

- Multinational corporations who use green and ethical certification and verification as a means to differentiate products and to comply with Corporate Sustainability Reporting requirements (e.g., Unilever, Nestlé or Kraft Foods).

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[1] Oliver von Hagen, International Trade Centre (ITC), Geneva, Switzerland, www.standardsmap.org/
[2] Dr. Alexander Kasterine, International Trade Centre (ITC), Geneva, Switzerland, www.intracen.org/organics
[3] The State of Sustainability Initiatives Review 2010: Sustainability and Transparency (SSI Report). This number is based on export data.
[4] Based on green coffee exports in 2009 (SSI Report). Adjusted for double and triple certification.
[5] Tropical Commodity Coalition (TCC) Cocoa Barometer 2010. Numbers not adjusted for multiple certification.
[6] Benchmarking is a process whereby standard setting organizations evaluate various aspects of their standard in relation to another standard. This allows comparisons between the respective standards and provides the basis for the recognition of the benchmarked standard as equivalent standard.

- Increasing consumer demand for assurance of green production processes and food safety.

Challenges to the organic standard and responses

Organic is distinct from other sustainability standards in two respects. Firstly, as described by the Codex Alimentarius, it is a "holistic production management system" and is unrestricted in product scope; the system is practiced and promoted by private and public organizations in over 160 countries of the world. Secondly, it is the only standard that is defined by public regulations, such as in the EU and US. However, despite this, organic standards compete for market shares with other sustainability standards such as Rainforest Alliance, UTZ Certified or Fairtrade. This mainly results from the undifferentiated perception of these standards by the majority of consumers.

Competing claims for environmental sustainability

Organic has long been the market leader in sustainability standards, but this position is under threat particularly in tropical commodities. Despite continuous growth of the market of organic products in absolute terms, new market entrants show stronger growth and compete with organic labels (Pierrot et al. 2011). Organic has taken a non-confrontational approach with competing green standards, perhaps confident of holding the position of delivering strong environmental benefits.

Threats from green claims extend beyond competing standards to corporations some of whom are accused of greenwashing[1] in their marketing and communication. Greenwashing is damaging to organic in so much as it undermines consumer confidence in sustainability products in general.

Multiple sustainability issues

"Sustainable" consumerism no longer encompasses just organic. Consumers demand evidence of sustainable practices beyond what organic can offer, including "ethical" labor practices, the exclusion of child labor, buying local products, reduced carbon emissions, conservation of flora and fauna, and so on.

A key response of private organic standard setters has been to integrate other sustainability criteria which do not relate directly to organic production, for example stricter rules on animal welfare than provided by the EU regulation and setting ceilings on carbon emissions from transport.

Alliances between brands have formed, which may eventually have negative implications for the organic standard and its ability to withstand competition. For example, the Rainforest Alliance standard for coffee has been benchmarked against the Common Code for the Coffee Community (4C) Association standard, making Rainforest Alliance certification of coffee equivalent to 4C Association certification and thus easier for producers to attain double certification.

The organic sector has also accepted double and triple certification with complementary schemes. In cocoa, 15 percent of organic and Fairtrade certified produce is double or triple

[1] For a definition see Greenpeace's www.stopgreenwash.org for example.

certified.[1] In coffee, 50 percent of Fairtrade certified produce is also organic certified.[2] In coffee, organic has also double certified with Rainforest Alliance. The UK high end retailer Marks and Spencer, has announced it will sell only triple certified coffee (Fairtrade, organic, and Rainforest Alliance).

Premium labels

Manufacturers and retailers have developed premium labels to convey sustainability and food safety qualities to the consumer instead of using the organic standard. This is observed in the coffee sector with the coffee brand Nespresso[3] who promote sustainability through other means than the use of the organic label.

Whilst the term "organic" is protected by law, similar claims like "natural" act as competition. For example, market research in the US from Shelton[4] shows that many consumers misunderstand the terms "natural" and "organic," and believe that natural is the more regulated term. Their focus groups also revealed that lower-middle income groups found the term organic "elitist" and a way simply "to extract more money" from the consumer.

Local claims

"Local" food is widely promoted by retailers, celebrity chefs, and politicians for its diversity, freshness and low "food miles". Locally produced products appear to be an alternative for consumers who would otherwise buy organic. Some organic labels give clear preference to local food and ban air transport, ostensibly to reduce carbon emissions (e.g., Bio Suisse).

Conclusion

The organic sector faces the challenge of an increasing number of other standards and brands competing for green and ethical segment of the consumer market. Sustainability as a term has broadened and corporations are introducing sustainability objectives across the whole value chain. The organic sector is heterogeneous and private standard setters have responded differently. Some like KRAV and the Soil Association include broader sustainability objectives than just organic, whilst the majority of standards remains focused on organic production and processes.

Whilst the market grows, it appears the organic sector is unconcerned about competing standard setters and brands making claims on sustainability. This position is strengthened by the protection that the EU, US, and other countries' regulations provide to the organic name and thus supports consumer confidence. The sector perceives larger threats to its growth from policies that favor GMOs and the agrochemical industry.

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[1] Tropical Commodity Coalition, Cocoa Barometer 2010.

[2] Tropical Commodity Coalition, Coffee Barometer 2009.

[3] The Nespresso Sustainable Quality was developed by Nespresso in collaboration with the Rainforest Alliance in 2005, this collaboration looks to serve the growing demand for sustainability standards across the specialty coffee sector (Potts et al., 2010).

[4] http://www.foodnavigator-usa.com/Financial-Industry/US-consumers-think-natural-is-greener-than-organic-says-survey

Table 17: Challenges for organic production from other standards and brands

Challenges for organic	Examples	Risks to organic	Response of organic sector
Competing green claims	Rainforest Alliance, UTZ Certified	Losing market share, particularly in tropical commodities	Passive; accepting multiple certification
Corporate greenwashing	Regarding beef /soya and associated deforestation	Damage to growth due to lost credibility of green claims	Advocate sustainability of organic production systems
Multiple sustainability issues	Fair labor practices	Higher risk in produce from developing countries	Double/ triple certification with complementary standards (Fairtrade)
	Carbon emissions	Increasing risk, but an opportunity	Inclusion of criteria on transport (KRAV): risks of damage to trade Advocate climate benefits of organic in general
	Animal welfare	Low	Inclusion of criteria on welfare (Soil Association)
Premium labels	Nespresso	Risk of losing market share given corporate power behind claims	Passive Advocate benefits of organic
Local production claims	Local food movement in US and EU	Restricts trade and market growth	Embrace localism in Europe and US. (Rejection by developing country exporters.)

Source: Authors' elaboration

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