Organic Food Products – A Study on global and Indian consumer perspective

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Abstract

This study sincerely attempts to demystify how consumers perceive organic food products globally and as well as in our country. The concern for food safety is at its peak throughout the globe. Consumers perceive organic food healthier than conventional food due to the threat of continued food scares, especially from past decade. The market for organic food products is developing and is at upward trajectory. European countries has highest annual growth rate sales of organic food. Many developed countries who has higher levels of income and spends less on food has the alternative for satisfying the necessities. The developing countries are grabbing the opportunity of exporting the organic food products. Globally, Consumers knowledge level and their intention about organic food products are studied.

Key Words
Organic Agriculture, Organic food products, Consumer interest, Consumer perspective.

Introduction

Organic food universally defined as “the foods produced by using Organic Agriculture practices”. Organic Agriculture, however, has also been defined in many ways by different experts. One of the most widely accepted description by International Federation of Organic Agriculture Movements (IFOAM) states as follows: “Organic agriculture includes all agriculture systems that promote the environmentally, socially and economically sound production of food and fibbers’. These systems take local soil fertility as a key to successful production. Organic agriculture dramatically reduces external inputs by refraining from the use of chemosynthetic fertilizers, pesticides, and pharmaceuticals. Instead it allows the powerful laws of nature to increase both agriculture yields and disease resistance. Organic agriculture adheres to globally accepted principles, which are implemented within local social-economic, climatic and cultural settings.”

Almost, every consumers who becomes aware of organic foods, accepts that it is the right thing to eat. Consumers who have somewhere established a link between the poor health/disease with the quality of food, is a prospective organic consumer. The organic consumer base in increasing very rapidly in metros and class A towns.

In certified organic foods, monitoring starts from preparing the field to plant the crop, to cultivation, harvesting, cleansing, processing and packaging. So, while the entire process is screened for non-usage of any chemical based fertilizers, pesticides (allowed in conventional farming), it by default strictly disallows adulteration of food.
Different benefits of organic food

Consumer prefer organic food as it tastes better, feels better and it is healthy, giving it keen taste, flavour and nutrition. Organic food is free from additives which can cause health problems such as heart disease, osteoporosis, migraines’ and hyperactivity. Organic food contains natural phenolic compounds, which protect our heart from cardiovascular diseases and reduce the risk of cancer. It also protects health of future generations: Studies suggest that organic foods contain 10-50% higher amount of phytonutrients and also found to have more antioxidants as compared to those grown by the

Farmer benefits with certification agencies and training institutes train and ensure compliance to food production standards by farmers and processors. It creates healthy rural community: Farming fraternity can breathe easy, by escaping from yield laden with agriculture pesticides and fertilizers. Also helps in long term sustainability: With home grown inputs, and continuous soil enrichment, the farmers cost of cultivation will go down over years and get them out of the vicious loan cycles.

Advantages of Organic Food

Organic products have indisputably entered the food market while market demand for such products has expanded rapidly over the past decade. People throughout the world, especially those with high standards of living, seem to prefer foodstuffs that are produced and processed by natural methods. Consumers are becoming more and more sensitive and, at the same time, demanding, when it comes to their nutrition. Moreover they are beginning to pot for products of organic origin, where available (Nucifora and Peri, 2001).

Study Objectives
1. To conceptually study the global consumer perspective about organic food products.
2. To explore the various attributes of organic food products globally vis-a-vis Indian markets.

Methodology

This study is based on the organic food and its perspective both in Indian as well as globally. A Conceptual study of consumer’s different perceptions and attitudes towards organic food globally and also to analyze the relationship between the consumer and the organic product. Basically, this is a secondary research paper where the argument has been supported by rich literature review by authenticated research papers, articles, like British Food journal, Indian journal of Agricultural Economics, American journal of Agricultural Economics, Journal of food science, and Journal of international food and Agribus Marketing. In nutshell, this study has referred extensive number of
journals, reports and information from reliable sources across the globe. The study provides an opportunity for me to work on consumer’s different perceptions about organic food which is a booming topic in Food Retail industry.

Literature Review

Global Consumer Outlook for Organic Products

Organic products first appeared in Europe in the 1920’s, but at the same time the financial difficulties constituted a barrier to entry in the market. It was not until the 80’s that organic agriculture started to gain acceptance and international standards were set. Consumer demand for quality and natural products increased and, thus, the number of farmers increased considerably, not only in Europe, but also in the United States (Lampkin and Padel, 1994).

As the International Trade Centre (ICT) revealed, the retail sales of Organic products throughout the world reached $20 billion in 2000 (IFOAM, 201). The European Union, the USA and Japan are currently the market leaders. Since the mid-1980, France, Japan and Singapore have been experiencing annual growth rates that exceed 20%. Developing countries such as India, China, Egypt and Brazil, have also started showing interest in the organic industry (De Haen, 1999).

Organic Products in Europe showed an increasing trend during the 90’s. The greatest development was observed in the Scandinavian and Mediterranean countries, with Italy holding the first place. In most European countries, the market of Organic products has not yet been developed. It is estimated, nevertheless, that organic products will gain a market share of 5-10% by 2005 (Sgouros and Laskari , 2000).

In U.S, Organic products have been growing at a fast pace and they would probable continue do so in the future. Available evidence points out that there is a potential demand for organic products, although, in contrast to the initial demand for organic products, this demand seems to be not only interested on the “organic” attribute but also on the product presentation, flavour, etc. Conventional processors are looking organic products as an attractive niche. With respect to the marketing margins in the organic processing industry, evidence seems to point out that they are higher than in the conventional processing industry. The main factors seem to be the small operation scale of organic processors and the cost associated with handling organic raw materials. It is important to acknowledge that if the organic industry expands, a major constraint would be the availability of the raw materials of homogeneous quality and prompt delivery as required by manufacturers. In this sense on should expect more manufacturers’ engaging in production contracts to secure them a steady supply of raw materials, and to see price premiums paid to farmers to motivate them to adopt organic practices 1.

In Boston area “Buying organic” may represent a lifestyle choice. Organic buyers have somewhat different lifestyle patterns and behaviours than conventional buyers. For example, organic buyers were more likely than conventional buyers to be a vegetarian grow their own fruits and vegetables, recycle, and purchase “environmentally friendly products”. Organic buyers value safe food. Organic buyers are willing to pay a higher price than the conventional buyers to reduce perceived food safety risks. Conventional buyers however may also value for safer food but may not be willing to pay higher prices for such risk reductions 2.

In the state of Vermont, as reflected in the increasing number of healthy and natural food stores and increasing availability of organic foods in the mainstream supermarkets, more and more Vermont consumers have started purchase organic food, especially organic fruits and vegetables. However, on the production side, many farmers are still hesitant to adopt organic farming due to the lack of information on market demand and the profitability of organic farming. Their is quite a large consumer
base for organic food and market potential is promising. Demographic variables indicate that young people with higher income, smaller household size and fewer children were willing to pay more for organic food (Bazilchuk 2000).

In Northern Greece, according to the empirical evidence revealed that important factor that affects the choice of a consumer to consume organic food products is the level of household income. Consumers have a positive effect on the organic products. Factors relevant to attitudes towards the environment and organic products that positively influence consumers choice to participate in the market of organic products are satisfaction from the quality attributes of organic products, attention to food labels and interest in the existence if chemical residues in food products. The other factors are level of education, occupation ecological awareness. The income elasticity estimated, reveals that organic products as classified as luxury goods with an elastic demand. That means that an increase of consumer income will have positive effects for the demand of organic products despite the higher prices of these products in comparison to their conventional counterparts.

In Denmark, the Danish Association of Organic Agriculture, the Danish organic movement was organised in 1981. The movement, which consisted of farmers, consumers and processors, established a list of guidelines for organic farming in Denmark. From the late 1980’s organic products become more visible element in food production and consumption. An important factor in this development was the introduction of the first Act on Organic farming in 1987, which supplied the legal foundation for the organic standards and the necessary administration basis for controlling the system. This act also formed the basis for the introduction of the state controlled logo, which can be used on domestically produced organic products and on foreign produced products on which the last economic activity is performed in Denmark. The impact on the market was huge, and contributed to making the market and the future development demand-driven. A number of food and environmental scandals damaging the trust in conventional food products could also be seen to have contributed to the expansion of the organic market.

In UK the organic food product are perceived according to their willingness to buy environmentally friendly products and health consciousness. Consumers have become more sceptical and worried about what they and their families eat, to extent that UK consumers are said to have an almost obsession demand for ‘safe’ food. Increased living standards may also have played a part in the development of the market. UK sales of Organic food are now the second highest in Europe, being strongest in south-east and north-west England, and lowest in the south-west and in Scotland. Retail sales in UK rose from $121 million in 1994 to $770 million in 2000. In 2002 the market was valued at £1 billion, and organic produce now accounts for 2-3 percent of food scales. The UK, Switzerland, Denmark and Sweden have recorded the highest annual growth, with growth particularly high in Denmark, which also has the highest per capita consumption worldwide. By comparison, Italy has a relatively low consumption of organic produce-although this varies with geographic reason, and Greece is logging behind more developed markets, thought to be the results of low availability.

Their was mainly women and children, who are more influenced by quality rather by price. The lack of supply will be the main problem rather than lack of demand. This could open up opportunities for producers and exporters in developing countries. Nevertheless there are a number of potential risk factors: other forms of environmentally friendly and sustainable agriculture could provide stiffer competition in the future and it would be very dangerous to assume that producers will always have price premiums.

Consumption is still linked to an alternative lifestyle in Italy, however, possibly reflecting the lower level of development of this market. Organic foods are set to be rapidly becoming the normal purchase of mainstream shoppers who harbour concerns about food safety and damage to the environment. The director of communications for a major UK retailer, however, suggested that in terms of product
choice, organic food is still essentially a niche market. He insisted that for most consumers’ price relative to perceived quality (taste, appearance) and product lifecycle (best buy/use by date) are the main influences over purchasing decisions.

Educational level has been found to be positively related to consumption of organic food, and in Greece, was found to be the main factor discriminating between consumers with different levels of awareness of organic foods, and to be related to intention to purchase. Other positive influences on consumption of organic foods include the presence of a family or children, and whether the consumer is a professional.

Authors have characterized consumers in relation to organic food consumption. For instance four groups of Sicilian consumers were identified: ‘Deeply rooted’ – Consumers who have been eating organic foods for more than 2 years, they are health conscious and perceive organic foods to be healthier. They are willing to pay a premium price. ‘Pioneer’ – Occasional consumers, motivated by curiosity. This group was most likely to be influenced by marketing. ‘Pragmatist’ – Concerned about price, with price being an obstacle to purchase. ‘Nostalgic’ – Elderly consumers associating organic with genuineness and tastes of the past.

In Ireland, the organic food is valued between €25 and €34 and represents less than 1% of the total Irish food market. This is small in the EU context where on average organic foods hold about a 2% share of the market. However, the Irish market is growing at a faster rate than the average EU market, with predictions of 20 to 30% annual growth over the next three years. Consumer’s interest in organics has undoubtedly been fuelled by health scares of recent years, such as BSE and E.-coli, which continue to raise public concern. Growing awareness and antipathy to the introduction of genetically manipulated foods adds to consumer’s fears. All these factors have combined to generate an extremely buoyant organic food market in the second half of the 1990’s.

In Ireland, the key drivers that are influencing certain consumers to choose organic food include: food safety, healthy eating, and sensory qualities and to a lesser extent environmental concerns and animal welfare. Two recent studies have highlighted the importance of these issues to purchasers of organic foods. A study of Irish meat consumers highlighted the importance of food safety and health in their food choice. Not only were these factors important to them but they believe that organic meat was superior to conventional meat in terms of quality, safety, labelling, production methods and value. In another study, this examined the purchase of organic yoghurt; a means-end chain method examined the importance of values and consequences associated with product attributes. The main end values identified were ‘pleasure’, ‘family security’ and ‘equality’. Health benefits associated with Organic yoghurt were important as respondents believed that organic yoghurt was free of many hazardous ingredients. Purchasers of Organic yoghurt displayed high levels of environmental consciousness; however few linked the product attribute ‘organic’ to improving the environment.

As a percentage of total agriculture area, Ireland lags behind the EU average since, in 2001, about 3.24% of agricultural land and 2.04% of farms in the EU were involved in organic production compared to 0.68% and 0.69%, respectively, in Ireland. Other countries with a similar share as Ireland include: Greece, Norway, and Portugal. Vander Grijp and den Hond categorized EU countries on the basis of both share of agriculture area and growth. Due to their high share but slowing growth rate they grouped Austria, Germany and Sweden together and labelled them as stabilisers where as they labelled Denmark, Italy, Finland as Boomers due to their high share and growth rate. Ireland together with Greece, Norway, Portugal and Spain were classified as potential countries due to low share but strong growth rate. The rest they labelled as laggards due to low share and growth rate.

In Spain, Organic food production and consumption has grown more slowly than in other “northern” European countries. One of the main obstacles to organic food expansion in Spain is the existing gap...
between the conventional and Organic food prices. Approximately 75% of organic productions are exported to foreign countries where food prices are higher than in domestic market. The main obstacle with organic production seems to be the difficulty in selling organic products in retail food markets. Although consumer search for more diverse, higher quality, and healthier food products, organic products face problems related to consumer product acceptability (new product, high price, and deficiencies in distribution channels (Roddy et al., 1996)). On the production side, high costs, especially labour costs, and the difficulty of shifting from conventional to organic farming are also limiting factors (Vetter and Christensen, 1996; Hamiti et al., 1996). Higher costs of production and retailer margins jointly may result in higher prices than consumers are willing to pay for organic food attributes. On the demand side, consumers have positive attitude towards organic products, since they perceive them as healthier than the conventional alternatives (Beharrel and MacFie, 1991).

Consumer market segments based on consumer’s lifestyle are defined and characterized, taking into consideration both socioeconomic characteristics and attitudes towards organic food products and environmental concerns. This is followed by calculations of the willingness to pay of each segment and by product. Marketing strategies should be targeted towards increasing consumption among those segments most appreciative of the positive attributes of organic food. However, to increase consumption, the existing gap between conventional and organic food prices should be reduced.

In Italy Organic market is estimated worth around 1400 millions euro and a 1.5% share of the whole food market turnover. The growth rate of the organic demand in Italy is about 5-15% per year, and Italian organic market is estimated to be the third largest in value in the EU, after Germany and UK. Organic products are put on the shelves of 95% of supermarkets and many of them have their own private label for organic products. On the consumer side, surveys show that the level of product awareness of organic food is relatively high (90%), while the level of information and product knowledge is still quite low even among organic consumers: there is still a lack of information about product’s characteristics, certification bodies, labels, etc. All recent studies reveal that consumers ask for more information. They want to choose with more freedom, and knowledge is an instrument, but reach they are also interested in more “natural” products: certification and labelling are seen as a starting point, food safety is a desirable target, but most of all they desire to understand and to be aware about how organic production and processing is indeed different from the conventional entity one, and how organic products can be distinguished. Lower prices and better distribution, of course, would help to consumers want good tasting products as well as easy-to-use products which aren’t perishable. In terms of product development, better packaging and organoleptic quality standards appear to be a target for organic farmers and processors.

In Norway 3 percent of the fields are grown organically in the advent of the 21st century, only a small share of the resulting products reaches the consumers as organic food. A number of factors explain the relative lack of success of organic products through the value chain. Lack of differentiation from conventional foods may discourage consumers. Extra costs limit the interest of processors and retailers. Demand side has not expanded as fast as production, may be due to lack of concerted efforts at prompting organic products, a limited range of products, lack of availability and relatively high prices. In a recent study of consumer’s buying strategies with respect to organic products Torjussen et al. Argue that a “segment approach” to the understanding of organic consumers may be a fallacy. Rather, the group of potential consumers should be conceived of as large and liable. Multiple attributes may play a decisive role for consumers; ethical aspects, environmental aspects, animal health, personal health, as well as the identity and experience that may encompass the product.

Consumers buy their food primarily in retail outlets. The lack of availability of organic products is cited as a much more important reason for non-consumption by consumers in Norway compared to Denmark. Government intervention has pushed conventional market actors and especially the processing cooperatives to become involved, but the producer cooperatives have been relatively
reluctant in their attitude towards organic products. To move towards a larger market share for organics the government would have to take a more active role in stimulating demand. So far organic food has a niche product character and is therefore of limited interest for a highly concentrated retail sector25.

In Portugal the importance of the agriculture sector has been dramatically reduced in terms of growth and employment in the economy since last decade. Domestic supplies are still poorly developed and characterized by low diversity of products, small-scaled farmers, and lack of professionalism. Labels should be simple and based more on symbols than text. Organic consumers are keener on information than other consumers. Extra information is provided in booklets to keep the labels simple. Some supermarket chains emphasize the organic products on the shelves26.

Producers cannot claim to have organic products on their label. They ought to claim instead they have products that come from the organic mode of production. This makes consumers uncertain about the organic nature of the product. The compulsory use of the same font size for all the words in the label doesn’t allow the word organic to be emphasized. All these are incentives for some farmers to sell their organic products as conventional. Most consumers do not recognize the EU organic symbol as it is too similar to other quality European symbols and might mislead consumers26.

Indian Consumer outlook for Organic products

In India, Organic food markets are still in the early phase of its growth, comparatively have low level of awareness (Squires, 2001). The demand for environmentally friendly products such as organic foods has significantly increased due to increasing awareness on health, food safety and environmental concerns (Loureiro et al., 2001; Nair, 2005; Briz and Ward, 2009). Awareness and knowledge has become critical factor in changing the attitude and behaviour of consumers towards organic foods, which in turn is expected to drive the growth in the organic food markets (Soler et al., 2008; Freeland-Graves and Nitzke, 2002). Several studies have investigated the knowledge, awareness, attitude and behaviour of consumers towards organic food in both developed and developing countries (Chakrabarti, 2007; Compagnoni et al., 2000; Cunningham, 2002). It has been argued that the consumer awareness and knowledge as well as consumption of organic foods are significantly higher in developed countries as compared to developing countries. In general, consumer have positive attitudes towards organic products and perceived as healthier than conventional alternatives (Chinnici et al., 2002; Harper and Makatouni, 2002; O’Donovan and McCarthy, 2002; Radman, 2005). However market size for organic foods remained low due to both supply and demand side constraints. The market for organically-produced food has expanded considerably in recent years. India has experienced phenomenal growth in production of organic foods in the recent decade and primarily focusing on the export markets. Organic agricultural export market is one of the major drivers of organic agriculture in India. The country is best known as an exporter of organic tea, organic fruits, organic spices and organic rice. Over the past several years, the organic food industry in India has been experiencing an annual growth between 20-22 percent. The nation has the potential to be largest organic producer. In India, the area under organic agriculture has reached about 1.03 million hectares in the year 2007, of which 0.456 million hectares (about 44%) are fully converted and the rest is under conversion (Menon, 2009). In India, there are over 15,000 certified organic farms and the number is growing fast over the year. Apart from this, there are many small farmers growing organic food by using the organic practices. Over 70% of the 120,000 tons of organic products grown in the country are exported to many countries worldwide each year. However, Indian domestic markets for organic products particularly metro cities such as Delhi, Mumbai and Bangalore are witnessing significantly growth in the recent years.
There are several factors which affect the awareness level on organic foods among the consumers. It has been empirically investigated that socio-demographic profiles, food buying behaviour and nutritional knowledge of the consumers are most likely to affect the awareness level and purchase decisions of organic foods (Gracia and Magistris, 2007; Taskiridou et al., 2006; Lockie et al., 2004; Millock et al., 2004; Briz and Ward, 2009). Consumers with high income often buy organic food to reflect on their awareness and status (Gracia and Magistris, 2007; Santucci, 1999).

The age factor does not seem to play an important role however, few studies have resulted that younger are more aware of organic food and seeming slightly more willing to pay for purchase the same (Stevens-Garmon, 2007). Education is described by various researches as important factor of awareness and purchase motive of organic food. It is women who buy organic food in larger quality and more frequently than men (Arvanitoyannis and Krytallis, 2004). Households with smaller family size are found to more aware of organic food and showing attitude of willingness to pay for organic purchase (Idda et al., 2008). Presence of children in family positively influences the organic food purchase (Solar and Sanchez, 2002; Thompson and Kidwell, 2008).

In developing countries consumer awareness and preferences for organic food is mostly unknown. Therefore, there is a need to investigate the demand status of organic food particularly in developing countries like India. Thus, government should take initiative to design strategies for both consumers as well as farmers regarding the various benefits of organic food.

Conclusion

The results of the study clearly states that organic food products are perceived as healthier products than conventional products throughout the globe. Organic food products have been growing at a fast pace and they would probably continue to do so in the future. Consumers are more sensitive, concerned and demanding when it comes to their nutrition. Conventional food cause health problems like migraines, heart diseases and hyperactivity. Organic food contains natural phenolic compounds, which protects our heart from cardiovascular disease and reduce the risk of cancer. Globally, the demand for organic products are increasing due to its various attributes like free from additives, environmentally friendly products, safer and profitable to farmers, tastes better etc.

Demand for Organic food products mainly based on socio-economic conditions, education level, demographic conditions. Though it is perceived to be healthier than conventional food, many couldn’t adopt due to its premium price and sometimes lack of availability in nearest stores. Multiple attributes play a decisive role for consumers; ethical aspects, environmental aspects, personal health, constraint for organic food products in animal health, as well as the identity and experience that may encompass the product.

The major constraint for the organic food products in developed countries are lack of availability, price premiums higher than 20% to conventional products. In developing countries lack of awareness and information about the organic products both to the consumers as well as farmers. Awareness and knowledge has become critical factor in changing attitude and behaviour of consumers towards organic food products. However, the government should take initiative to create awareness and knowledge about the organic food products for both the well being of consumers and farmers.

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