The Market for Organic Products: Issues and Prospects

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Discussion
4 questions on the future of organic markets

1. Will rapid market growth continue?

2. Effects of the current commodity price surge?

3. Will big business take over the organic market?

4. Can the ‘eat local’ trend slow the globalization of the organic market?
1. Will rapid market growth continue?

- Organics = 2-3% of food sales in EU, US
- Sales trebled in 7 years and are expected to reach $60 bn in 2010
Will rapid market growth continue?

- Current drivers likely to remain prominent
  (health, environment, ethics, small farms, CSR,...)

- Can OA respond to consumers’ new demands?
  ⇒ Competition from other sustainable ag. labels (fair trade, RA, SA-8000, animal welfare...)
  ⇒ organic stds will need to be broader

- Market spreads to new areas (Asia, East Europe, Lat Am)
Geographical concentration of markets

Main markets for organics (% of global retail sales, 2006)

- > 95% of sales in developed countries
- but developing countries account for substantial share of organic production (27% of land)
2. The food price surge: curse or blessing for OA?

- OA = intensive in labour, uses more local resources
- OA uses less fossil fuels

=> oil price surge may cut price gap w conventional foods

- But what if prices rise too high?
  - Organic prices may reach an absolute level that is too high
  - Credit crunch, higher expenditure on food may dent OA sales
3. Will big business take over the organic market?

- Market pull: rising involvement of large retailers
  => effect on supply chain (processors, farmers)
- Up side: scale economies, rationalization, efficiency
  => retail prices fall, market expands
- Down side: a dilution of OA std, image?
  - Can a 3000-cow farm still be called organic?
  - Are heavily mechanized organic monoculture farms sustainable?
  - Risk: consumers may become disoriented
4. Will the globalization of the organic market slow?

Conflicting trends:

1. Rising reliance on imports in all markets
   - Rising involvement of supermarkets
   - Mainstreaming of organic products ("all products year-round")
   - Diversification of diets

2. Trend for eating local
   - CSA, farmer markets, box schemes, ...
   - The food miles debate