

# EMERGING ISSUES IN THE MARKETING AND TRADE OF ORGANIC PRODUCTS<sup>1</sup>

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## Abstract

*The paper begins with a macro view of the shifting regulatory, business, and consumer environments that are inducing fundamental changes in the global trade regime and increasing the demand for standards. This in turn has profound implications especially for small and medium producers. It discusses how in the case of organics, emerging trade standards may actually benefit the producers rather than being a barrier to entry. In order for organics to expand their appeal and enter mainstream distribution channels they will likely have to adapt some aspects of modern industrial agribusiness. However, a more industrialized approach means walking a fine line because this very approach may in some ways contradict the core organic values and risk alienating a loyal customer base. Recent research and examples, drawn primarily from the coffee industry, outline the key issues like the certification process, quality, and consistency that will require attention. The paper considers that further growth and meeting these demands and those of mainstream distribution channels will be difficult for most producers and will require a combination of public and private support.*

**Keywords:** *organic, standards, certification, differentiation, small producers*

According to the International Trade Centre UNCTAD/WTO (ITC) estimates of the global retail market for organic food and beverages grew from approximately US\$ 10 billion in 1997 to US\$ 17.5 billion in 2000. For 2001 the less conservative calculations of the Organic Monitor for global organic retail sales are estimated to be about US\$26 billion. Almost all of the certified organic production is sold in OECD countries with approximately 46% of these sales are in Europe, 37% in North America and about 16% in Asia (Yussefi & Willer 2002) . Worldwide, nearly 130 countries produce certified organic products in commercial quantities, including more than 90 developing countries (Kortbech-Olesen, 2000). With approximate industry growth estimates still in the 20% range, the organic product market may become a powerhouse segment in world food trade. Yet, behind the upbeat estimates are some issues that could stall or derail growth if they are not addressed.

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## Macro trends in established consumer markets

To understand some of the current issues in organic trade it is important to be aware of the underlying framework that is quickly changing the nature of agricultural trade. Industry concentration and novel uses of grades and standards form the basic architecture of this change.

Increasing food safety concerns<sup>2</sup> stimulate strong market responses and are driving a set of quality-oriented and process-oriented changes in many markets (Giovannucci 2000), particularly in the United States and Europe and even the advanced Asian and Latin American economies. This implies a fundamental shift in the role of grades and standards from simply reducing transaction costs as they have traditionally done. This shift is furthered by changes in the regulatory, business, and consumer environment (Giovannucci and Reardon 1999).

These increasing concerns about the food supply and, to a lesser extent, industry concentration are being driven by these three sets of changes in the global trade regime:

1. There is a new *consumer* environment that features increased food safety concerns, a focus on health and diet, and increasingly globalized consumer tastes. In more developed markets, experts predict that social and environmental concerns, especially ethical ones will continue to emerge as not only competitive differentiators but as basic rules of the game and prerequisites for participation.
2. A new *regulatory* environment, with the World Trade Organization and its Sanitary and Phytosanitary/Technical Barriers to Trade agreements, regional trade agreements, and even governmental requirements (EU standards for aflatoxin, maximum residue levels, and so forth) make entry into fast-globalizing markets more demanding than ever for products across the agricultural spectrum.
3. A new *business* environment features increased legal liability and requires “due diligence,” such as the International Standards Organization (ISO) and Hazards Analysis at Critical Control Points (HACCP) regime, that are some of the institutional methods of standardizing. Supply chain concentration also demands ever-increasing levels of standards and performance measured by global rather than local performance standards. Individual firms and chains (supermarket, fast food, and so forth) are increasingly creating their own standards that they impose on the agrifood chains that they dominate in developing countries (the Ethical Trade Initiative and Euro Retailer Produce Working Group).

These changes are stimulating new standards and so is the phenomenon of business concentration. Concentration is occurring at several levels as increasing requirements for knowledge, logistics, technology, financing make it difficult for all but the most competitive companies to meet the new trade standards. In the coffee industry Oxfam (2002) confirms that 5 coffee roasters, Kraft, Nestlé, Procter and Gamble, Sara Lee, and Tchibo buy half of the world’s coffee beans. The same has happened in other commodities like sugar and cacao and industries as diverse as grain and flowers. Perhaps the most interesting area of concentration is downstream at the retail level where supermarkets and other large multiple retailers are enjoying unprecedented rates of growth and gaining dominant positions in the food distribution chain in most developed markets even in many developing countries (Reardon and Berdegue 2002).

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<sup>2</sup> Bovine spongiform encephalopathy [BSE, or “mad cow” disease], hoof and mouth disease, pesticide residues, cyclospora, and mycotoxins among others.

Organic products have a unique advantage in that they intrinsically incorporate some of these standards and safety verifications. But the majority of these products, perhaps because of their differentiated nature, have not until recently lent themselves to smooth integration into industrial processes or large-scale mass distribution channels.

### **Emerging agro industry models**

Standards have shifted from being neutral market lubricants to serving as new tools of product differentiation. We are witnessing a fundamental shift in their role from reducing transaction costs to serving as strategic tools for market penetration, system coordination, quality and safety assurance, and even product niche definition (Giovannucci and Reardon 1999).

As these trends emerge in many of the consumer markets we likewise have a new model for conducting the business of agriculture trade. This model has distinct industrial characteristics evident in its push to standardize product inputs, processes, and outputs. Here we have supply chain coordination as a critical factor in achieving efficiencies that are well beyond the simple efficiencies of scale economies. Like other industrial models, agroindustries are fast adopting Just in Time inventory systems, electronically monitored low-tolerance product specifications, Total Quality Management processes, and fully integrated input and output systems.

For the small and medium enterprises that comprise the bulk of today's organic industry this presents a challenging situation. Handling it successfully requires managing a set of complex issues that range from cultivation technology to adequate financing to shipping logistics. Without considerable external support, in the form of business alliances or a supply chain, only the largest and most sophisticated producers will advance.

By potentially reducing some of the inherent asymmetries that put producers at a disadvantage, coordinated supply chains can serve as channels to improve the sustainability of differentiated or higher value production. The ability to reformulate the supply chain wherein information, finance, and sometimes even risk is more readily transmitted between the participants may ultimately help producers more than anything else. Modern supply chains that add considerable value such as the automotive and fast foods industries are tightly integrated and profoundly understand The Three Musketeers' motto, "one for all and all for one". An automobile manufacturer helps to sustain and reward its steel mill just as McDonald's supplies genetic material, growing guidelines, and long-term contracts to its potato growers in order to ensure french fry potatoes that meet its standards. The tendency in such closely coordinated supply chains is to develop consistent working relationships that promote continuity as a result of continuing improvements. These relationships can help commodity producers to understand and more readily meet the buyer's demands and they can therefore participate proactively in the market. (Giovannucci and Jaffee forthcoming 2002)

Essentially, the world is demanding a new set of standards. While standards and the corresponding regulations or policies may sometimes be a burden to the average business person, in this case they probably constitute a singular opportunity. And this opportunity is available even for small producers.

Organics provides a useful understanding and application of some of the most basic agricultural standards that are increasingly required for small and medium producers to compete in high-value or global supply chains. Detailed recordkeeping of production inputs, field to table traceability, and third party monitoring are basic to implementing the advanced standards necessary to effectively participate in agricultural trade with more lucrative developed markets. Participants in the organic industry may even have an advantage over

many producers of commodities or undifferentiated products because of the more face-to-face nature and arm's length transactions of the organic chain. There are also other differences between conventional or commodity-oriented markets and the differentiated markets that exist for many organic products. See Table 1.

**Table 1**

<b>Comparison of Conventional and Differentiated Markets</b>	
<b>Conventional</b>	<b>Differentiated</b>
1. Commodity price pressures	1. Consistently higher prices
2. Reward for quality and price	2. Reward for quality and process
3. Easy market access	3. Limited market access
4. Intense competition	4. Moderate competition
5. Gov support: subsidy, ext, R&D	5. Limited government support
6. Broad market size	6. Very limited market size
7. Short learning & cost curve	7. Longer curve: certification, etc

*Source:* Daniele Giovannucci

### **Market requirements**

As noted above, the differentiated and more standards-oriented nature of the organic industry correlates well to some of the emerging paradigms that set the rules of the game. However, there are emerging aspects of the organics trade that pose specific challenges.

Rather than generalize about agriculture, coffee can serve as a useful case study that is indicative of the issues, both international and domestic, faced by many other organic products. Coffee is also particularly relevant because it is one of the world's primary agricultural commodities. Until its recent price crash the global value of the coffee trade was second only to petroleum. Its trade is ubiquitous; grown in more than 50 countries and exported everywhere. The OECD countries are its primary processors, consumers, and on-sellers.

Coffee was also one of the first agricultural products to enjoy the use of third party certification for international trade<sup>3</sup>. Coffee, because of its popularity and its important role in the rural areas of countries where it is grown can serve as a spearhead for the organic production and certification of other crops. Coffee also has a positive environmental potential since it is an evergreen that can grow as part of an integrated forest canopy and responds well to eco-friendly cultivation.

<sup>3</sup> First recorded certification, by Demeter biodynamic, is Finca Irlanda in Chiapas, Mexico.

Over the last three years new research has been conducted to ascertain the characteristics of the market for organic and other "sustainable" coffees in a number of OECD countries (Giovannucci 2001; Giovannucci and Koekoek 2003).<sup>4</sup> Many of the data and findings that follow have emerged from this recent research.

### **Constraints to growth and glass ceilings**

More than nineteen million kilos of certified organic were sold in the major markets in 2001<sup>5</sup>. While that may sound like a lot of coffee, it represents less than 1% of the total global coffee trade. It should be noted however the as a viable market entity, organic coffee is a relative newcomer. Although it has historically been available in small quantities through some specialty retailers in a few countries, it has only been broadly available in commercially significant quantities for less than five years in most countries. In that time organic coffee has enjoyed an average growth rate of close to 20%, far greater than the overall coffee industry's 1.5% average growth.

While organic coffee now has some retail visibility, it is by no means available everywhere. Like many new products, it was first introduced to its most receptive niche audience (health food shoppers) and has expanded to cause-conscious consumers whose buying habits are motivated by concern for the environment or the welfare of a farmer. By the mid to late 1990s it had also reached some of the specialty and gourmet segments. Although significant, these clients still represent a fairly limited segment of the overall food industry. Its expansion has occurred almost exclusively within its core audience and it is now facing the challenge of whether it can successfully transition to a more mainstream consumer base.

Although it is difficult to generalize about all organic products, it may be fair to characterize them in terms of product lifecycles theory. Organic market characteristics indicate that these products have gained considerable consumer awareness and are beginning to move out of the introductory stage and into a growth stage. The growth stage is typically characterized by increasing product variations and competition that begins to stress competitive differences. The tendency of this stage is of course to dramatically increase distribution and begin to shift the pricing strategy away from price skimming to more competitive pricing in order to gain market share. Until now organics have typically been "pull" products that have enjoyed a strong niche demand. Will many of these organic products have a potential market among the great majority of today's consumers or will the industry reach a glass ceiling not far beyond its core group of ideological supporters?

Costs, promotion, and distribution channels will likely be the key deciding factors if organics are to reach a larger audience, especially a mass audience. Research shows that consumers will choose an ecologically friendly product over a conventional one if the price is the same or only marginally different and most other factors are equal (Rice and McLean 1999). But for many organic products costs are considerably higher than their conventional counterparts.

A part of these higher prices does reach farmers but the downstream supply chain typically accounts for a large share of the higher price. There are several possible reasons for this. One is higher production costs, including certification. Another is distribution channels that may be limited or involve very little competition among exporters, traders, processors, importers, or distributors thereby creating oligopsony. A third reason is that retailers have relatively little organic brand competition and can afford to keep prices relatively high especially since lower prices might only cannibalize their existing business in parallel conventional products. Fourth, comparatively slower sales for some products results in slower inventory

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<sup>4</sup> The countries primarily covered are: US, Canada, Germany, Italy, France, The Netherlands, The UK, Sweden, Denmark, Finland, Norway, Belgium, Switzerland, and Japan.

<sup>5</sup> Considerably more was shipped from origin but for various reasons did not go out to the final consumer as a certified organic product.

turnover and correspondingly increased carrying costs. Finally, the higher costs of maintaining segregated and sometimes parallel systems as required for certification is usually reflected in increased prices (Giovannucci and Koekoek 2003).

Although promotion for organic products has improved considerably in some markets like the U.S. it is still minimal and sometimes ineffective in other countries<sup>6</sup>. There is further cause for concern that the consumers' perceived value is not necessarily the result of what the organic industry does in terms of education and marketing but more likely caused by the food safety fears identified earlier. Although the continued globalization and increasing volume of agricultural trade will likely keep food scares in the news (Giovannucci and Reardon 1999), for the organic industry this can be a precarious thread on which to depend for its growth.

Mass distribution channels<sup>7</sup> have already begun to pick up a variety of organic products. Recent research noted that in 2000 although many North American supermarkets either did not stock organic coffee or had only one variety, this dynamic was already changing (Giovannucci 2001) and the same is happening in many European markets. The wider availability that broad distribution offers could stimulate competition and result in improved pricing for consumers as well as more volume and growth for the industry. However, moving quickly to mass distribution can be a two-edged sword. If organics do not meet the high volume sales and profitability requirements of these channels, they could promptly be dropped. Once that happens, it could take years to be reconsidered and in today's retail environment there is no other feasible way to achieve broad distribution outside of the mass channels. Another risk is that mass-market distribution may significantly reduce the quality-oriented reputation that many organic products currently enjoy in their existing market channels, a reputation or prestige that once lost will be difficult to recover.

The concentration of market power in the hands of retailers has enabled them to charge suppliers, not just organic suppliers, a variety of fees for the privilege of doing business with them. These include slotting fees, positioning fees, sellthrough fees, promotional fees and other chargebacks. In essence, these charges amount to considerable discounts that are often paid upfront by the supplier. In some cases retailers actually hold suppliers responsible for minimum charges if adequate sales of the supplier's product do not materialize. These conditions for participation clearly require that a supplier be well-financed and have a certain tolerance for risk. Consequently, these barriers to entry will tend to limit the participation of small and midsize companies especially unproven ones in the organic field. In the U.S. markets, where these practices are more advanced, mergers and acquisitions have helped formerly small and midsize companies to successfully access some of the mass market channels although not without controversy (Pollan 2001).

### **Identification and certification confusion among producers, the industry, and consumers**

In recent years the EU, U.S., Japan, and others have made great strides with the codification of organic standards that have helped to clarify the industry's guidelines. The efforts of IFOAM and Codex Alimentarius to harmonize the international guidelines and certifications have also been laudable. In the EU countries for example organic regulation (No. 2092/91), has been implemented in national legislation to protect the use of words like *organic*, *ecological*, *eko*, *biological* and *bio*, limiting their use to products that have complied with a specified external certification process. Nevertheless, the details of these processes and the bodies that are accredited for certification and inspection, still vary from country to country. Our research indicates that this codification work, although necessary and useful, has not been

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<sup>6</sup> Unpublished 2002 research on four European countries (Remarc) and Japan (Hayashi Coffee Institute).

<sup>7</sup> Defined here as supermarkets, hypermarkets and large multiple store operators (chains) including discounters.

sufficient to dispel the confusion about organics. This confusion exists at the industry level, the producer level, and the consumer level.

Labeling guidelines and the new government seals in countries like Germany and Japan will undoubtedly help consumers to more readily identify and develop a trust for certified organic products. Despite the introduction of regulations, the lack of unified standards concerning organic certification among different certifiers still causes confusion and inefficiencies in the trade making it a source of conflict that comes up repeatedly in the industry surveys of different countries (Giovannucci and Koekoek 2003).

Apart from organic certifications there are also a number of competing certifications, labels, and brands that compete for the same consumer's attention. Some of these are, like organic, also "cause-related" and may have been successful in part because they respond to perceived shortcomings in the standards for organic certification. The two most popular are a) Fair trade that are more focused on the human socio-economic aspects of agriculture and b) Eco-friendly that are typically more comprehensive in their support for biodiversity and ecological processes.

Both European and North American markets have registered their distaste for the confusion of different certifications. More than one major European vendor has responded by issuing its own brand as a surrogate for third party certifications. The 2001 North American industry research (Giovannucci 2001) notes: "... it is not clear to what extent the support for a unifying super seal is a surrogate for the desire to have simpler sourcing criteria and/or clearer marketing messages rather than the complex issue of combined certification criteria. In either case, the market's interest in having clear and concise certification appears clear."

A recent study undertaken by IUCN and Sustainable Harvest notes that agriculture is the number one threat to biodiversity on the planet (IUCN and Future Harvest 2001). The precepts of organic agriculture dictate working in harmony with the biodiversity of the farm and the surrounding areas. In some parts of the world, and for certain crops, guidelines have already been established in order to support the majority of a farm area's biodiversity. The growing popularity of other ecologically friendly certifications results from the failure of current organic regulations that permit a form of agriculture that does not sufficiently account for biodiversity. In all of the major national and international regulations for organic agriculture<sup>8</sup>, for example, biodiversity guidelines are only suggestions and are sometimes vague.

An opportunity to give some of the world's poorer farmers a place in our global system of trade will be lost if biodiversity guidelines cannot be strengthened. If maintaining and recovering biodiversity is a clear criterion for organic agriculture, then a number of rural farmers that do not over-exploit their land may be able to participate competitively in organic trade. If instead industrialization of this agriculture is a priority, then these farmers and consequently many developing countries will be marginalized.

The modern organic industry can also sometimes be faulted for its inadequate attention to the human and global ecology of agriculture. One example is the support for localized agriculture that requires fewer external inputs such as fuel, extra packaging, or refrigerated transport and also supports local farm communities. Early proponents of organic agriculture understood the value of sharing the bounty with producers and farm laborers. Michael Pollan's exposé on the organic food industry (2001) points out that some of the same large agribusiness firms that have been the target of the organic movement are now acquiring organic companies and following only the letter, but not the spirit, of organic law. Pollan points out General Mills' U.S. takeover of Cascadian Farms, an industry pioneer, as such an example. He further elaborates that this trend parallels recent organic industry developments toward foods that are not what some organic consumers expect: foods that are less processed, locally grown, and feature more humane treatment of poultry and livestock.

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<sup>8</sup> IFOAM, Codex, EU, US.

Apart from the absence of synthetic agrochemicals, there appear to be increasingly fewer differences between this new industrial type of organic agriculture and conventional agriculture. The organic industry could suffer if it can no longer be clearly differentiated, a factor that is critical in the growth and maturity stages of an industry. Conventional agriculture has been steadily improving agrochemical compositions and their applications in terms of target specificity, reduced persistence in the environment, and Integrated Pest Management (IPM). Given such convergence, will there be enough of a clear difference for consumers to support a growing future organic industry whose primary distinction is the use of organic rather than synthetic agrochemicals?

The developments have brought us to a crossroads that will determine the future development of organic agriculture. From a business standpoint a more industrialized form of organic agriculture enables organic products to be more cost competitive. Adapting to these industrial models will enable it to enjoy faster growth and more widespread distribution. However, this is the same argument used to justify the disregard for good environmental practices evident in many conventional agriculture systems. Such adaptations can also result in rapid and potentially devastating consequences for the organic industry. If consumer perceptions of what organic products ought to be are not met, they may feel disillusioned or betrayed and may consequently abandon their loyalty to this entire category. Unlike some food products, organics are perceived as having a distinct commonality and are therefore vulnerable not just as distinct products like apples or grapes but also as a group.

Producers are certainly not immune to the organic confusion. Indeed they may suffer the most from lack of information. For them it is often surprising to discover the different certifiers have different requirements and different standards of verification. Learning which certifiers are accepted in different markets is another sometimes costly rite of passage. In developing countries, where a shortage of certification bodies is only surpassed by the shortage of information, farmers are often at the mercy of information from traders and exporters. Sometimes these companies even hold title to the organic certificates used by these farmers who therefore cannot choose an alternative organic buyer.

For developing country producers especially, learning and preparation, conversion time, and certification are costly and sometimes difficult. Occasionally NGOs and some donors support these processes but these are hardly enough. Very few countries have put in place the institutional framework to help support farmers through these processes. At the same time, other certifications such as fair trade or eco- friendly are potentially available to small farmers but achieving and maintaining more than one is beyond the economic capacity of most.

### **Quality is Job 1**

There are many ways to measure quality but the most common methods for agricultural products are flavor and appearance. Appearance is the most obvious, especially for unprocessed products like fruits and vegetables, and is perhaps the category for which organics are most faulted. Uniform size, even coloration, and the absence of blemishes are somewhat more difficult to control under the organic system. Some vendors have even made a virtue of this in the Italian tradition of *brutti ma buoni*<sup>9</sup>. Flavor is a more subjective criterion but, at least in the case of coffee, is ultimately the most important.

For a number of years many certified organic coffees could claim neither flavor nor appearance as assets. With little else to recommend it other than organic certification, the volume remained very small and was fueled only by people who supported the concept of organics. Many these coffees were of low quality and

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<sup>9</sup> Literally "ugly but good".

most were inconsistent due primarily to rustic post-harvest and processing methods used by relatively poor small farmers. These farmers who were already accustomed to low or no input farming were the easiest to certify and therefore among the first to supply the organic market. Unfortunately, this poor quality quite literally left a bad taste in the mouths of the coffee industry; a memory that in many countries continues to this day.

In Japan this has been identified as the primary constraint to growth. European countries agree that quality is very important and some are already finding that recent improvements are changing people's minds about how good organic coffee can be. Starbucks buyers acknowledge that there is much more certified organic coffee available and has increased its organic sales exponentially in the last two years yet it still cannot find enough of the high-quality coffee that it needs<sup>10</sup>. In the U.S. 92% of the 2000 firms surveyed agreed that flavor quality would be the most important factor in the success of organic coffee (Giovannucci 2001). In fact when asked to rate the importance of each of the following 7 factors, no other one came close.

1. Specialty quality or taste
2. Opportunity for differentiation
3. Customers are asking for it
4. Better profit margins
5. Personal beliefs about chemical-free agriculture
6. Personal beliefs about biodiversity or the environment
7. Personal ethics about fair trade for the growers

Customer demand is usually the primary driver for business, especially socially responsible business (Blowfield 2000). Quality was even far ahead of demand (#3 on the list, customer requests), that was rated very important by only 51% of those surveyed. A similar response was given for quality attributes in a related inquiry about what characteristics or attributes are important when a firm selects organic coffees. See Figure 1 below.

For some organic products like nuts, coffee, and cacao the premiums linked to better quality have become more valuable than premiums paid for certification. Premiums for being certified are currently a reward for scarcity and as certification becomes more common, these will likely transform into an aspect of competitive advantage and may be compensated only minimally or not at all. While many firms currently expect these premiums to continue, there is evidence that they are already shrinking. In the mid-1990s premiums for organic coffee could easily reach 100% and more. Today's organic premium ranges from 15% to 50% (IDB, USAID & WB 2002).

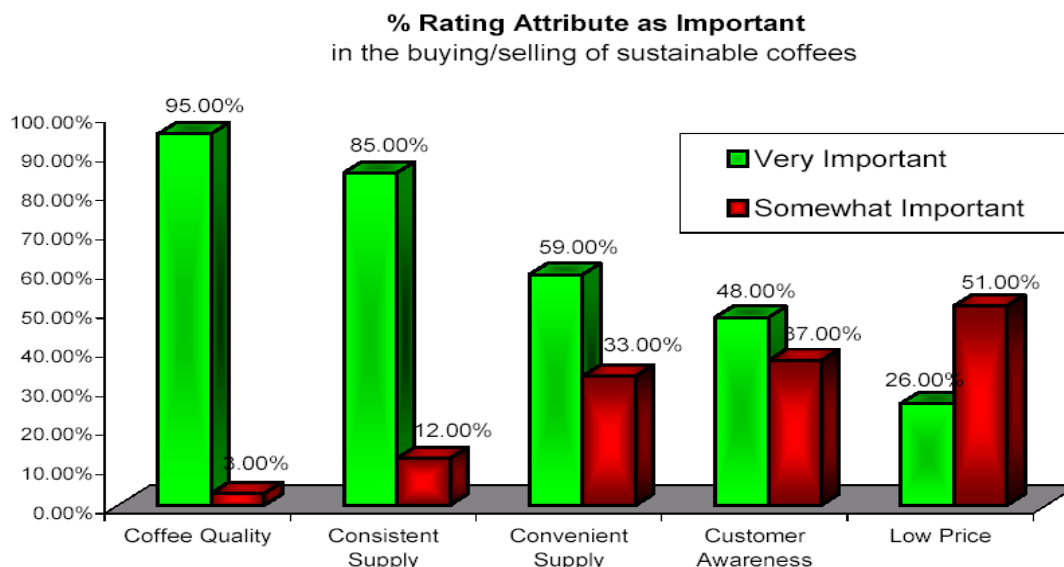
As with many commercial products, consistency of both the product and its delivery is vital for long-term trade relationships. Consistency is important not only for logistical processes and supply chain efficiencies but also in terms of the specific quality characteristics of a product. Although this is difficult to achieve with any agricultural products, it is becoming more of a requirement as many products are used as ingredients in industrial processes that can only tolerate a limited range of variation. Such consistency is likely even more difficult with organic products and achieving it in developing countries presents further challenges. Consistency is however one of the most important characteristics indicated by the industry (see

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<sup>10</sup> Personal communication with Vice-President for Coffee and the public speech of the founding chairman at the National Coffee Association annual conference 2002.

Figure 1) and it reflects the increasing economic, logistical, and time costs of switching suppliers. This challenge has long been acknowledged as a key factor preventing many producers, and even producer countries, from effectively competing in global trade. Its importance will likely be vital in the growth of organics as well.

**Figure 1. Importance of five attributes in a firm's choice to sell organic (& other sustainable) coffees**



### Tools for participation

Organic products appear to be increasingly diminishing their local identity and participating more in the global marketplace. To compete effectively as the field grows they have to meet increasingly higher standards of quality and consistency. Most small and medium producers will have to upgrade their production and post-harvest systems as well as the business skills to manage the logistics, marketing, finance, and risk. This is necessary if they are to participate effectively in a supply chain. However, this is a very difficult task for any individual farmer. It will require participation and strengthening of cooperatives and trade associations. For many, this is the only way in which they can rapidly develop or contract the necessary organizational and managerial capacities.

Many organic products because of their differentiated nature are not traded as commodities. The growers and the end-user therefore often know each other and sometimes have direct communication that facilitates personal relationships and business transactions. A number of organic products enjoy the advantage of supply chains that tend to be shorter and through which they can more readily exchange firsthand information and resources. This provides excellent opportunities but will likely change as more players enter the field and competition heats up.

Many of the supply chains for organic products have only developed in the last five to ten years but are becoming increasingly sophisticated and demanding. To participate in an integrated supply chain many organic producers need a measure of support. While governments can help to supply some of the necessary regulations as well as basic infrastructure and farmer extension services, these are not enough.

Producer countries must look beyond the old standard formulas. Although still important, factors like land and labor costs and are not as critical to competitiveness as they once were. In order to be competitive in the future producers will need to partner with each other as well as with other enterprises to develop these key factors:

1. More agile enabling environment in the form of supportive policy, regulatory, and judicial frameworks that can respond to the changing needs of business
2. Integrated supply chains and strong distribution capabilities
3. Improved business skills and market orientation
4. Knowledge systems that go beyond market information so that producers can adapt to changing needs and learn to both assess and access the potential buyers for their products

## **Conclusions**

A number of macro trends, particularly in food safety, are driving the demand for organics beyond the niche segment of their core supporters. Reaching a broader audience may mean adapting to more industrial forms of agriculture some of which may be inherently contradictory to organic principles. These choices must be considered in light of the long-term implications and not just the short-term business gains.

The markets for a number of organic products are relatively new and still in the formative stages. Research and examples, particularly from the coffee industry, indicate that clarity in the certification process, quality of delivered product, and consistency of both the quality and the delivery are vital for the broader success of organics and yet many producers will require specific support to fulfill the demands. Government can provide some of the support but market linkages via producer organizations and supply chains will be vital for long-term success.

The many differentiated markets represented by the organic industry offer viable alternatives to typical commodities trade. The new global trade regime and its standards appear to be a positive opportunity for the development of organic markets. Rigorous standards not only help to protect the industry but also help to strengthen the necessary skills among producers for whom organics presents an opportunity to participate in ever more globalized and competitive trade. Rather than shy away from rigorous organic standards, these can be useful in helping smaller producers to participate competitively in agricultural trade.

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