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INTERNATIONAL TASK FORCE ON HARMONIZATION AND EQUIVALENCE IN ORGANIC AGRICULTURE

REVIEW **of the ITF Consumer Research Question**

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Introduction

The purpose of this paper is to review and hopefully to satisfy the longstanding interest of the ITF in organic consumer research.

The paper undertakes the following three objectives:

1. Review the history ITF discussions and decisions on research on consumer sensitivity to organic standards.
2. Present a general overview of the body of recent organic consumer research.
3. Characterize the conclusions of the existing research on the topics that are most closely related to the ITF issue of consumer sensitivity to organic standards.
4. Provide references to major studies and reports, some of which are now posted on the ITF website, in order to give ITF members convenient access to detailed results of organic consumer research.

Methodology: The review was limited to that which could be done by the ITF in 2006 through the available resources. The ITF Secretary conducted an English language web-search of organic consumer research and contacted selected resource people to supplement and clarify the results of the web-search. The result is a report on the most recent, robust and relevant English language research, which it turns out, has been conducted in North America and Europe. This does not signify that other regions and consumers are not important, nor even that research in other regions does not exist. It merely indicates the preponderance of research that was discovered, which not coincidentally are in the two major consuming and importing regions for organic products.

History of the Consumer Research Topic in the ITF

Meeting	Date & location	Discussion & Decisions
1st	February 03 Nuremberg	Participants raised the point that government organic standards were often said to reflect and protect consumer expectations. Participants questioned the degree to which consumers are sensitive to standards. The ITF member from Consumers International agreed to coordinate a research study on the topic. The workplan from that meeting included a paper on “Consumer Sensitivity to Differences in Standards and Compliance Systems.” The ITF accepted that this would be a major undertaking, which would need considerable funding and would be on a longer timeline than the next meeting.
2nd	October 03 Geneva	The Steering Committee reported that funding constraints prevented the consumer research from moving forward. ITF expressed support to develop the Consumer Sensitivity research as funding permits. The member from CI did not attend this meeting and Steering Committee was subsequently informed that he would no longer participate in ITF due to reorganization at CI. Steering Committee expressed that perhaps OECD could assist with implementing this project, but this avenue did not materialize.
3rd	November 04 Rome	During the discussion of the paper on Impacts of Organic Systems on Organic Production and Trade, it was mentioned

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		<p>that harmonization may lead to a loss of consumer faith in labels. ITF reaffirmed that the Consumer Study should continue as a priority. The project was slightly re-framed to assess the level of consumer awareness of the differences in the norms, as well as their sensitivity to the differences.</p> <p>Furthermore, the comparative database project will give results that can be used to plan the study. A Terms of Reference for the research should be written and a budget prepared for ITF feedback. ITF SC to initiate contact and consultation with consumer research experts. ITF members were asked to give input to the contents of the study.</p>
4th	February 05 Nuremberg	<p>A consumer research expert from the University of Kassel in Germany was invited to this ITF meeting. During a long discussion, some attendees reasoned that although the aim of the report had been to identify consumer sensitivity to difference in standards, the study objective should shift to assess consumer values and reasons for buying organic products. And should include research in developing countries in addition to importing countries. The research expert responded that this type of research already exists and results are known. This was followed by a suggestion to compile the primary research. High costs of original research were discussed. The group did not come to a firm reconciliation of this conversation and the different views. Next step is to propose a methodology based on the original objective about consumer sensitivity and postpone commissioning until the next funding cycle.</p>
5th	December 05 Tunisia	<p>Steering Committee reported that it had issued to 6 experts, a request for tenders for the consumer research not to exceed 75,000 Euro for studies of consumer sensitivity in the three major importing markets. Of the three responses received, two declined saying that the funding was insufficient for the project. One proposal was received but changed and scaled down in order to meet expectations and budget. ITF concluded that by this time, the results of the consumer study are a lower priority for achieving results on the ITF objectives.</p> <p>Alternatively, the ITF agreed that a situation analysis of existing studies should be commissioned. It was also agreed that ITF members should contribute studies from their countries if available. ITF members expressed the prevailing view that consumers are neither aware of nor sensitive to differences in standards.</p>
6th	October 06 Sweden	<p>The late timing of new funding for ITF in 2006 precluded the commissioning of a full review and situation analysis. However, the ITF Secretary agreed to prepare a limited review of existing research on consumer expectations and values relative to organic products.</p>

Overview of Recent Consumer Research

Spheres of Research

The preponderance of consumer research on organic products is conducted in North America and Europe. However sources and resources for the research differ markedly. In Europe, the European Commission has allocated significant financial resources toward the execution of consumer research by academic experts from universities and other experts in EU member states. In North America, primarily the US, most of the comprehensive national consumer research is prepared in the private sector by commercial market research firms and targeted at industry. This difference may reflect the policy differences between the US and EU. According to a USDA report, “the EU actively promotes the growth of the organic sector with a wide variety of policies designed to increase the amount of land farmed organically. From the perspective of many EU countries, organic agriculture delivers environmental and social benefits to society, and is regarded as an infant industry requiring support until it is able to compete in established markets. This view of organic farming as a provider of public goods affords an economic rationale for government intervention in the market.”¹ The same report, observes that, “The US takes a free market approach. The U.S. Government’s approach, while acknowledging organic agriculture’s positive impact on environmental quality, treats the organic sector primarily as an expanding market opportunity for producers and regards organic food as a differentiated product available to consumers.” Although the US government provides grants for decentralized agronomic and market research, the work does not result from policy initiatives as in the EU. A 2006 report by the USDA Economic Research Service (ERS), *Market Led vs. Government Facilitated Growth: Development of the US and EU Organic Agricultural Sectors*, is published on the ITF website in the section “Related Reports.” (The ERS has also made a comprehensive inventory of market and consumer related research on organic agriculture and organic products, and this is also on the ITF website.)

However, the topics addressed by market and consumer research in the US and the EU is similar. It includes market demographics, market size and channels, growth and segmentation, purchasing patterns, price sensitivity, and consumer attitudes and values. In both markets some of the research measures the degree of correlation between consumer attitudes and perspectives and their actual purchasing behavior.

A review of organic consumer research found that virtually none of it is directly aimed to answer the ITF’s main question of consumer sensitivity to differences in organic standards and technical regulations. However, there is some research on the attitude and awareness of consumers about standards, inspection and government regulations. Also of interest are some aspects of the research that address the general values attitudes and perceptions of consumers concerning organic food. This includes a topic that has arisen in ITF discussions – the value placed on local sources. This review concentrates on studies or portions thereof that focus on these topics, and their results.

North American Studies

¹ USDA Economic Research Service, *Amber Waves*, February, 2006

Two market research firms in the US specialize in the natural products market, which includes organic products. They are the Natural Marketing Institute (NMI) and the Hartman Group. Both of these groups conduct quantitative and qualitative market research, which is then sold. The Hartman Group study, *Organic:2006* is based on a nationwide online survey of 2,109 US consumers. Additional qualitative and ethnographic methods are employed to add depth to the research including case studies of individuals about their use and adoption of organic product. The analysis includes segmentation into three attitudinal categories of consumers. The attitudinal categories describe the degree to which consumers are oriented toward certain values and lifestyles. The report provides comprehensive analysis of attitudes and behavior by organic consumer segment, as well as insights on perceptions and language about organics, motivators and barriers to purchase, pricing factors, purchase and use by channel, and consumer familiarity and usage of over 60 organic brands. The NMI study, *Organic Consumer Trends Report:2005*, is based on a study of 2000 consumer households, and also segmented into attitudinal categories. Access to copies of these two reports, or portions thereof, is restricted to purchasers, who pay in the range of \$500 to \$17,500. However, both firms have cooperated with the Organic Trade Association in North America to make general results and conclusions from the research available to a wider audience. In addition to these groups, universities (often their graduate students) and other institutions conduct consumer research regarding organic products, but these are mostly on a regional or local scale and will not be addressed here.

A public summary of some aspects of the Hartman and NMI reports, prepared by the Organic Trade Association in Power Point format, is published on the ITF website under “Related Reports.”

European Studies

A literature review relating to studies of organic consumption concluded that research comes from several different sources.² According to this review, these investigations are undertaken by public national organic bodies and stakeholder organizations, and academic establishments (including research students’ studies). A second source derives from national government funded research reports and associated documentation. Thirdly, individual country contributions to EU-wide research projects also contain relevant material and are a main source of the comprehensive reports cited here.

The current comprehensive European studies have evolved since 2001. Research initiatives in individual countries have been used in a building block approach to create a comprehensive picture of the relevant consumer research questions and answers. The studies have been refined, re-analyzed, aggregated, and meta-analyzed. The most recent, comprehensive and synthesized result of this ongoing work is found in *Consumer Attitudes to Quality and Safety of Organic and Low Input Foods: A Review (QLIF)*, published in September, 2005. This is part of an integrated project on Quality and Low Input Foods, funded by the European Commission to further the implementation of policy agendas. QLIF emphasizes previous research of three EU funded projects:

² Midmore, Peter et al., *Consumer Attitudes Toward Quality and Safety of Organic and Low Input Foods*, September, 2005 (Integrated Project No 506358, ‘Improving quality and safety and reduction of cost in the European organic and “low input” food supply chains’).

1. OMIaRD Vol 4 is from *Organic Marketing Initiatives and Rural Development*. It is financed under the Research and Technological Development Program of the EU's Fifth Framework. The consumer research is one component of a range of research and recommendations. It includes consumer studies from eight European countries, Switzerland, Germany, Denmark, France, Italy, United Kingdom, Austria and Finland. This research used a laddering approach and means-end questioning of subjects.
2. Organic HACCP (Torjusen, 2004), as the project is commonly known, is part of the larger project, *Recommendations for Improved Procedures for Securing Consumer Oriented Food Safety and Quality of Certified Organic Foods from a Consumer Perspective*, which is supported by the European Commission as part of a policy-oriented program on Quality of Life and Management of Living Resources. The market research report, published in 2004 as *European Consumers' Perceptions of Organic Food*, features a literature review on consumer research and case studies from the UK, Denmark, Italy and Hungary. The material from the UK and Denmark reflects work previously done by the DARCOF in Denmark.
3. The DOLPHIN project is formally, *Development of Origin Labelled Products: Humanity, Innovation and Sustainability*. According to QLIF, this was a Concerted Action project funded under the Fifth Framework Programme's Quality of Life and Management of Living Resources theme. Its objective was to consolidate current knowledge on socio-economic aspects of typical and traditional agri-food products, described as "origin labeled products" or OLPs. Although it is less central to the ITF interest, it helps to support the conclusions of the other studies on the topic of local organic food.

An annotated bibliography at the end of the QLIF report contains key references to comprehensive reports and also tables of all the relevant national research in the participating countries.

The QLIF, OMIaRD, and Organic HACCP reports are posted on the ITF website under "Related Reports."

Conclusions of the Research Relevant to the ITF Question and Related Issues

Does the existing research indicate consumer awareness of and confidence in standards and regulations, and their enforcement?

The QLIF report observes that knowledge of European consumers about standards and technical regulations for organic products varies considerably across Europe. However, it concludes that overall, knowledge of the standards is low. The researchers unexpectedly found little difference in the knowledge of the rules between groups of organic products users and non-users. Most often, consumers exhibit the knowledge that organic involves a reduced use of synthetic chemicals. The research indicates that the knowledge of organic practices and standards is mainly on the level of vague concepts rather than specific details. These include no GMO use, and natural methods of growing crops and raising animals.

In general, European consumers are not highly confident in certification labels, especially overseas labels. There are exceptions. For example, the Danish studies conclude that there is high awareness and confidence in the Danish rules and inspection system. Organic

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regulations may be perceived by consumers as ensuring better overall food safety, even in relation to risk that are not covered by the rules. Consumers expressed a desire for more information about organic products, particularly through labelling. This is especially true for products coming from more industrialized systems and distant origins.

In the US, the private research has addressed the issue of consumer awareness of the US organic regulation. According to the study by the Hartman Group, Inc. ,*Organic 2006: Consumer Attitudes & Behavior, Five Years Later & into the Future*, Spring 2006, as summarized by the Organic Trade Association:

The majority of Americans (56%) are aware that the use of organic labels is regulated. People who use organic products the most are the most aware (68%); people who do not use organic products are the least aware (41%).

Awareness does not necessarily mean that people understand what the regulations mean. Most core users* say they have a clear or increasingly clear understanding of organic standards (62%). Only 45% of mid-level* and 41% of periphery* users report the same thing.

Only about 10% of all respondents know the correct meaning of the “USDA Organic” label; 43% admit they do not know what it means. Only 24% of core consumers know the correct meaning of the USDA Organic seal, but over half think it indicates a 100% organic product. Non-users (7%), even more than periphery users (2%), knew the correct meaning.

58% of core and 74% of midlevel users distinguish between USDA and more generic organic labeling when making food/beverage purchasing decisions, with high percentages favoring USDA organic.

Consumers are mostly looking for the word organic, rather than searching for the USDA seal, but the seal does serve to indicate authenticity for skeptics. The report states “while the USDA seal is not a purchase driver for most, it does reinforce decisions consumers are making at the shelf and provides a layer of comfort as they continue seeking new organic products. . .”

* the study classifies organic product users into three categories – core, mid-level, and periphery - according to their usage and purchasing patterns for organic products.

Does the existing research address consumer sensitivity to differences in standards?

Based on the review, there is no existing consumer research that addresses the question of sensitivity to differences in standards. Given the conclusion above that consumer knowledge of standards is generally low, one can conclude with some confidence that consumers are not sensitive to the differences in the various standards and technical regulations.

What are the values, attitudes, and expectations of consumers relative to their consumption of organic products?

Studies in both Europe and North America yield a consistent result. Consumers associate organic food with the three categories of values and attributes in order of importance:

1. their health, safety and well-being
2. food quality, including taste and freshness

3. environmental quality , which is linked to consumers' desire for an environmentally friendly lifestyle.

During general interviews, the Danish and British researchers found strong associations of organic with environmental qualities such as lower environmental pollution and animal welfare, but when actual purchase behavior was paired with values and perceived attributes, qualities linked to personal benefit were of higher importance than qualities linked to public benefit. The importance and attribution of animal welfare in organic consumption varies significantly in different European countries, according to the OMIRaD studies.

According to the Organic Trade Association, the research concludes that the number one reason that all types of US consumers purchase organic food is for health reasons - to avoid products that rely on and may be affected by chemicals, antibiotics and growth hormones - and secondly to support the environment. Consumers in the "core" category also want to avoid GMOs. Consumers who are newer and less frequent purchasers, "peripherals," buy organic products to try new things, as a reflection of trends. The Hartman report concluded that US organic consumption is a function of the forces of two market segments, the natural foods segment and the gourmet segment.

What is the attitude of consumers toward local/regional vs imported organic food?

This question is addressed strongly in the European research. The research shows that consumers strongly prefer local and regional organic products to those coming long distances from overseas. The preference is related to all three main values and attributes: health and safety, product quality, environmental protection. Overall, the preference is also associated with the trust in the labels and controls. Researchers in Austria, Italy, the UK and Germany found a strong link between purchasing locally/regionally and concerns about environmental factors such as food miles and pollution. Product quality was found to be strong drivers of local preference in Austria, Italy, the UK, Finland, Germany and France. Local and regional food is linked with the perception of freshness. Respondents in some countries also expressed pride in their local agriculture and its products and a sense of identity with it. Local production is also associated with stronger personal relationship with farmers and sellers and smaller scale products, which is in turn related to higher trust. The research did not offer any comparisons on this topic for conventionally produced products.