

# Department of Agricultural Economics

## Project on Organic Agriculture



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By Shon Ferguson, Simon Weseen and Gary Storey

### Organic Producer Perceptions of Market Information Availability

*This document is based on the preliminary results of a producer survey that was administered as part of the marketing study being conducted by the Project on Organic Agriculture in the Department of Agricultural Economics. In addition to the producer survey, marketers, processors and wholesaler/retailers are also being asked to complete similar surveys. The objective of the study is to examine the issues, opportunities and challenges in organic grain marketing and to provide insight to the organic grain industry on what can be done to improve the organic marketing system for the benefit of all participants. These papers are designed to provide industry participants with a brief summary of this information. This document is one of a series that will contribute to the complete marketing study.*

#### 1. Introduction

The organic grain sector is characterized by a lack available data on supply and demand in Canada and around the world. This situation contrasts the large amounts of data available for conventional grains such as wheat and canola. Such data can help producers and other supply chain members to make forecasts of price changes and thus make more informed decisions on when and where to sell their organic products.

In the mid to late 1990's, the Saskatchewan Research Council (SRC) created an entity called the Organic Product Information Service (OPIS) to conduct surveys on a bi-monthly basis for the purpose of obtaining price information and to determine the availability of organic crops. Data was collected from all three Prairie Provinces, with the majority being collected from Saskatchewan (~ 70%). The mandate of OPIS was to establish linkages between producers and buyers of organic commodities. Survey information was tabulated, summarized, and made available to all entities holding OPIS membership. OPIS has since ceased to exist, as buyers have developed their own producer lists and price databases (SRC 2002).

Although organic wheat transactions occur every day, this information is privately held by individuals and is not shared unless the buyer or seller choose to share

this information with others. Organic grain producers currently rely on personal communication with other producers and buyers in order to determine current and future prices. Grain marketers, processors and other downstream buyers may have superior information on organic markets compared to organic producers because they perform more transactions and have superior information-gathering expertise and resources. This situation of uneven information is known as a problem of "information asymmetry".

A survey was undertaken as part of the University of Saskatchewan Project on Organic Agriculture that attempted to find out what organic producers in Saskatchewan think about their access to information on organic markets. Questionnaires were mailed to 90 organic grain producers randomly picked from across Saskatchewan. The sample included producers from 4 CBs (OCIA, Pro-Cert, COCC and SOCA<sup>1</sup>). The membership of OCIA is divided into 8 chapters, of which 5 participated in the study.<sup>2</sup> The sample yielded 52 respondents that answered the questions relating to information asymmetry in wheat.

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<sup>1</sup> OCIA – Organic Crop Improvement Association  
COCC – Canadian Organic Certification Cooperative  
SOCA – Saskatchewan Organic Certification Association  
<sup>2</sup> Of the three excluded OCIA chapters, one was excluded because it did not certify organic wheat producers, one could not be successfully contacted, and one declined to participate.

This paper describes three sections of the survey that collected data on producer perceptions of marketing problems, marketing information sources and producer interest in price information. For each section of the survey, this paper describes the questions and summarizes the results of the survey. A discussion of the results and their implications follows.

## 2. Producer Problems

### Survey Questions

Section 6.2 of the survey was titled “Marketing Problems” and contained a list of potential marketing problems and asked producers to indicate the extent to which each was a problem to them when selling organic wheat. The responses were reported on a scale of 1 to 5, where 1 indicated that there was “not a problem” and 5 indicated that there was a “major problem”.

The list of producer marketing problems and the average producer response is reported in Table 1. Problems 1 and 2 measure producers’ perceptions of a grain company and processor exhibiting opportunistic behavior with respect to disputing quality upon delivery. Problem 3 measures producers’ perceptions of quantity uncertainty. Problems 4 and 5 measure producers’ perceptions of the general uncertainty of buyers fulfilling contractual obligations. Problem 6 measures producers’ perceptions of price uncertainty, while problems 7 and 8 measure producers’ perceptions of price information asymmetry. Problem 9 measures producers’ perceptions of transaction barriers. Problems 10 and 11 measure producers’ perceptions of information asymmetry regarding downstream market conditions. Problem 12 measures producers’ perception of the increase in uncertainty that may come with processor transactions.

## Results

Producer perceptions of marketing problems are given in Table 1. Problems 7 and 8, which measure producers’ perceptions of price information asymmetry, rank highest and second highest respectively as potential marketing problems. Problem 6, which measures producers’ perception of price uncertainty, ranks third highest. This result suggests that price information asymmetry is “a problem” for producers. The ratings were not very high for any of the questions, indicating that producers do not perceive any of these as a “major problem”.

**Table 1 – Producer Marketing Problems, Wheat Marketing**

<b>Problem</b>	<b>Average Response* (1-5)</b>
1) Processors dispute quality upon delivery	1.16
2) Grain companies dispute quality upon delivery	1.18
3) Difficult to provide enough high quality grain to meet requirements	1.77
4) Buyers do not honour contracts	1.24
5) Buyers do not pay on time	1.59
6) Prices are volatile	1.95
7) Buyers have much better information on prices than I do	2.44
8) I do not get the best price possible when I sell	1.98
9) Not being able to find a buyer when I want to sell	2.05
10) I have a poor understanding of the final market for the products resulting from my crops	1.74
11) I have a poor understanding of my buyers’ business situation and problems	1.77
12) Having problems/disputes with buyers when I try to market “on my own.”	1.32
Average	1.68

\* a higher rating indicates that the problem is greater

Source: Organic Producer Survey

### 3. Marketing Information Sources

#### Survey Questions

Question 2.2.4c in the survey asked producers to estimate the amount of money they pay per year for marketing publications, etc. Question 2.2.4d asked producers to describe the type of marketing information that they purchase. These questions were asked in order to find out how much marketing and price information they can access for a fee.

#### Results

Producers bought an average \$26.23 of marketing information per year. Several producers responded that they spent no money on marketing information, while the highest response was \$300 per year. The marketing information that was described by the producers included farm papers, newsletters and books. However, organic producers do not appear to have access to organic price information. The authors of this study are not aware of any price information for organic grains that is available for purchase or free of charge, other than the Organic Agriculture Centre of Canada (OACC) that reports wheat flour prices weekly on their website, the University of Saskatchewan Organic Information Website that reports historical grain prices. The results suggest that there is almost no public or private price information available to organic grain producers.

### 4. Producer Interest in Price Information

#### Survey Questions

Part 4 of the survey asked producers for their thoughts on hypothetical price information. The survey asked producers to rate the value of different types of price information and their willingness to pay for that price information, as well as the amount of time that price information would save them. Producers were asked to rate four hypothetical types of price information, including:

- 1) monthly prices that other farmers have received, plus their inventories
- 2) monthly market outlook and future price forecasts
- 3) daily price quotes from organic grain buyers
- 4) weekly price quotes from organic grain buyers.

The rating of each option was given on a scale of 1 to 5 where, 1 represented a poor rating and 5 represented a very good rating. The willingness to pay question asked for the amount that the respondent would be willing to pay per year for the information. The time saving question asked producers to provide an estimate of the time that the information would save them per sale. These questions were asked in order to find out the kinds of information that organic producers would be interested in receiving.

#### Results

The results of the price information questions are given in Table 2. The ratings on a 1-5 scale were all within a range between 2 and 3, indicating small differences in preferences among the information options. Producers rated weekly price offers from organic grain buyers the highest, and also perceived this option to result in the highest time saved per week and were willing to pay the highest annual fee for this service. Monthly market outlook and future forecasts and monthly prices received plus inventories ranked second on the rating scale. Daily price offers from organic grain buyers were rated the lowest. The results suggest that weekly price offers is the price information service that these organic producers would value the most.

**Table 2 – Price Information Ratings**

Information service that is provided	Average Response		
	Rate 1-5*	\$ you would pay**	Time Saved (hrs/sale)
1) Monthly prices that farmers have recently received plus their inventories	2.42	21.45	0.84
2) Monthly market outlook and future forecasts	2.51	18.54	1.03
3) Daily price offers from organic grain buyers	2.18	17.30	1.01
4) Weekly price offers from organic grain buyers	2.84	23.57	1.34

\* a higher rating indicates that the problem is greater

\*\* \$ paid per year for the information service

Source: Organic Producer Survey

Overall, results indicate that producers are not willing to pay more than \$20 per year for price information, which is not enough to pay for market research. If 1000 organic farmers (approximately the number of organic farmers in Saskatchewan) each paid a \$20 subscription for price information, the revenue from subscriptions would be \$20000 annually, which is less than one market analyst's annual salary and expenses. It is important to note, however, that willingness-to-pay questions typically underestimate the actual value of goods or services.

## 5. Discussion and Implications

The results from the producer marketing problem data suggest that producers are somewhat aware that price variability exists and that they have very little information on prices compared to those who buy their grain. Furthermore, producer responses in the survey indicate that almost no public or private price information exists for organic producers. This situation is very different from conventional grain producers who have access to a large amount of public and private information. Given this situation of asymmetric information, the survey indicates that producers are interested in having more price

information and they perceive substantial time savings if they had such information.

One can conclude from the results that there may be a role for public or private price information organizations in the organic wheat sector. The lack of willingness to pay for price information suggests that the role of private firms to provide price information may be limited. Publicly available price information may be the most viable organization to transmit price information to firms in the organic grain sector at the present time.

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The authors can be contacted at:

Department of Agricultural Economics

University of Saskatchewan

51 Campus Drive

Saskatoon SK S7N 5A8

Ph: (306) 966-4008; Fax: (306) 966-8413

Electronic versions of these papers are available at <http://organic.usask.ca>.

**The Authors:** Simon Weseen is the Organic Trade and Market Analyst in the Department of Agricultural Economics at the University of Saskatchewan. Shon Ferguson is a Research Associate in the Department of Agricultural Economics at the University of Saskatchewan. Professor Gary Storey is a Professor Emeritus in the Department of Agricultural Economics at the University of Saskatchewan.