

# Department of Agricultural Economics

## Project on Organic Agriculture



Number 1

March 2005

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### Organic Marketing Study – Introduction

#### 1. Introduction

The organic sector is growing in Saskatchewan, in Canada, and around the world. As the Saskatchewan organic sector grows in importance, it is increasingly vital that all stakeholders understand the status of the sector, including the structure and functioning of its supply chains, its final markets, its institutions and its regulatory environment. Understanding the organic sector is the first step in discussing the role of companies, organizations and government in facilitating the sector's continued growth.

The purpose of this document is to introduce the reader to the marketing study carried out by the Department of Agricultural Economics Project on Organic Agriculture. The problem situation is explained in section two. The purpose and objectives of the organic marketing study are described in section three. The approach to the study is summarized in section four. The organization of the study is outlined in section five.

#### 2. Problem Situation

One of the goals of the organic sector in Saskatchewan is economic viability and sustainability. It is thus important that the supply chain evolves to become as efficient and effective as possible. It is important that the organic supply chain be as cost efficient as possible, while at the same time providing high quality organic products that consumers want. The supply chain in Saskatchewan must be able to compete with organic products produced in other countries, and it must compete for consumers that have a choice of purchasing non-organic products,

often at lower prices. The supply chain in Saskatchewan must also be able to provide a reasonable profit to producers, marketers, processors, and any other firms in the supply chain. If the organic marketing study is to address the various issues identified, it is necessary that there be an understanding of the vertical supply/demand system. While market forces continue to direct the organic sector, there may be areas where the market fails to provide certain services or institutions that are important for its continued development.

#### 3. Purpose and Objectives

The overall purpose of the study is to examine in detail the current supply chains for four organic commodities produced in Saskatchewan. The specific objectives are:

- To describe in detail the current vertical supply chain system for organic wheat, oats, flax and lentils. This includes an understanding of organic producers, marketers, processors, distributors, retailers, consumers and institutions that have a bearing on certification, quality measurement and regulation.
- To identify the issues, opportunities and challenges for organic industry development, either overall or for a specific organic commodity, as seen by the current participants in the sector.
- To provide insight to the organic grain sector on steps to be taken collectively or individually in order to facilitate continued viability and growth. The goal is to facilitate the improvement of the marketing system for the benefit of all participants.

- To identify those areas for further research and extension that will be necessary for future viability and growth.

#### 4. Approach the study

The following are the steps that were followed in carrying out the organic marketing study:

*Step 1: Identify wheat, oats, flax and lentils as the four organic commodities to be studied.*

These particular commodities were chosen because they are commonly grown organic crops in Saskatchewan, yet the market characteristics and end-uses of these four grains is very diverse. The study was limited to four grain commodities in order to make the study a reasonable length and because it was felt that analyzing these four commodities would be sufficient to gain an understanding of the main issues confronting the organic sector.

*Step 2: Gather readily available data and information relating to the organic grain supply chain.*

There is a limited amount of available literature on the organic grain sector. Federal and provincial governments have published a few studies on organic markets and economics, and some statistics on organic production are available. Information on organic food sales at the retail level are also available from private companies. The Canadian Wheat Board also provides information about their involvement in the organic sector.

Preliminary interviews of producers and marketers were also undertaken in order to learn more about the organic grain supply chain. These interviews were instrumental in creating questionnaires used to collect more data and information.

*Step 3: Develop questionnaires to acquire specific information from organic producers, marketers, processors, distributors and retailers.*

Since very little information on the four selected organic commodities is readily available, it was deemed necessary to survey participants in the organic grain supply chain. Questionnaires were mailed to 90 organic grain producers randomly picked from across Saskatchewan. The final sample included 58 producers from 4 Certification Bodies (OCIA, Pro-Cert, COCC and SOCA). Organic producers provided details on 76 wheat transactions, 56 flax transactions, 29 oat transactions and 25 lentil transactions. Five organic marketers, 9 organic processors, 2 organic distributors and 4 retailers also completed questionnaires.

The questionnaires given to producers, marketers and processors asked questions on several aspects of organic agriculture, and collected data and opinions on:

- Marketing activities – characteristics of transactions between buyers and sellers
- How to make the marketing system more efficient
- Comparing the costs of organic and conventional systems
- Price information availability
- The involvement of the Canadian Wheat Board
- Relationships between buyers/sellers – what buyers want, marketing problems and the importance/performance of various marketer services
- The importance/importance of various organic certifier services
- Organic Regulation in Canada
- Industry structure – market shares, market strategies
- Personal Information – age, income, etc.

The information from the questionnaires was used to understand the situations and opinions of the stakeholders, and to learn where problems and

inefficiencies exist in the supply chain. The producer survey was completed in March 2004, and the marketer and processor survey was completed in December 2004. Distributors and retailers of organic products were also surveyed to find out about their businesses and to find out how they source organic products.

*Step 4: Analyze the surveys and write the results.*

A series of papers were written that reflect the results of the surveys, interviews, and information from other sources. The goal was to provide a detailed picture of the organic supply chain and many of the issues that surround it.

## **5. Organization of the Study**

The study is organized into twenty short articles. There are six main groups of articles: producer perceptions, supply chain transactions, producer/marketer/processor perceptions, other issues, commodity profiles and conclusions.

### Producer Perceptions (2-5)

Papers two through five focus on the perceptions of producers on various issues. Papers two and five examine producer satisfaction with companies that buy or market their grains and producer satisfaction with companies that certify them as organic. Papers three and four examine producer opinions and knowledge on organic regulation and organic market information.

### Supply Chain Transactions (6-7)

Papers six and seven focus on the nature of transactions between producers, marketers and processors in the organic grain supply chain. *Number 6: Analysis of Organic Wheat Buyers in Saskatchewan: A Vertical Coordination Approach* examines the different types of companies that producers sell their organic grain to. *Number 7: Contracting in Organic Grains* examines the different

types of contracts that organic producers enter when they sell grains.

### Producer/Marketer/Processor Perceptions (8-11)

Papers eight through eleven examine the perceptions and opinions of businesses regarding issues of marketing relationships, regulation, marketing information and certification. These papers are similar to papers two through five, but expand the focus to three groups: organic producers, marketers and processors. The responses of the three groups are compared in the analysis, which reveals differences in opinions, information or knowledge between the groups in the chain.

### Other Issues (12-14)

*Number 12: Costs in the Organic Grain Supply Chain* examines the costs of production, marketing, transportation and handling for organic spring wheat and organic flax. *Number 13: Organic Grains and the Canadian Wheat Board (CWB)* examines the involvement of the CWB in organic wheat and barley markets. *Number 14: How Retailers Procure Organic Products – Opportunities for Saskatchewan* examines the roles, requirements and procurement methods of retailers and distributors.

### Commodity Profiles (15-18)

Papers fifteen through eighteen provide profiles of the supply chains for organic wheat, oats, flax and lentils. These papers give the reader a description of the companies, organizations and institutions in each supply chain. The profiles also examine issues of market access and market acceptance. *The authors suggest reading at least one of the commodity profiles before reading other papers in the study.*

### Conclusions (19-20)

The last two papers in the marketing study summarize the results and present the conclusions and recommendations. The summary (Number 19) provides a brief abstract of each paper in the marketing study. The summary gives the reader a

quick way to examine the purpose, results and major conclusions of each paper in the study. The SWOT Analysis, Conclusions and Recommendations (Number 20) first examines the strengths, weaknesses, opportunities and threats facing the Saskatchewan organic sector. The major conclusions of the marketing study are then given, followed by a list of recommendations addressed to different stakeholders in the organic grain sector.

***Note: The authors would like to acknowledge the financial support of Saskatchewan Agriculture Food and Rural Revitalization (SAFRR) for this project. The authors would also like to acknowledge the Canadian Wheat Board (CWB) and the Social Sciences and Humanities Research Council of Canada (SSHRC) for their support of graduate student research related to this project.***

***The authors would also like to thank everyone who filled out questionnaires or agreed to be interviewed. Their participation is very much appreciated.***

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

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The marketing study consists of the following papers:

- Number 1: Introduction*
- Number 2: Organic Producer Perceptions of their Marketers*
- Number 3: Organic Producer Perceptions of Organic Regulation in Canada*
- Number 4: Organic Producer Perceptions of Market Information Availability*
- Number 5: Organic Producer Perceptions of the Role of Certification Bodies*
- Number 6: Analysis of Organic Wheat Buyers in Saskatchewan: A Vertical Coordination Approach*
- Number 7: Contracting in Organic Grains*
- Number 8: Priorities and Problems in the Organic Grain Supply Chain*
- Number 9: Organic Regulation in Canada: Opinions and Knowledge of Producers, Marketers and Processors*
- Number 10: Information in the Organic Grain Market*
- Number 11: The Performance and Role of Certification Bodies*
- Number 12: Costs in the Organic Grain Supply Chain*
- Number 13: Organic Grains and the Canadian Wheat Board*
- Number 14: How Retailers Procure Organic Products – Opportunities for Saskatchewan*
- Number 15: Organic Wheat Supply Chain Profile*
- Number 16: Organic Oats Supply Chain Profile*
- Number 17: Organic Flax Supply Chain Profile*
- Number 18: Organic Lentils Supply Chain Profile*
- Number 19: Summary*
- Number 20: SWOT Analysis, Conclusions and Recommendations*