

# ORGANIC Marketing Strategies and Systems

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At the end of the workshop you will:

- Have an appreciation of the importance of customer/supplier relationships
- Have an understanding of the importance of quality
- Have a clearer understanding of trends and changes in the market place
- Have an understanding of a range of marketing concepts, organisations and tools.
- Think about how these can be used to improve your business

## Program

- Introduction - *marketing one of the keys to success*
- Marketing - *Satisfying the Customer*
- Quality is King
- Who is the Customer?
- Marketing trends - *The Present situation*
- Organic Trends
- Marketing concepts and tools for analysis
- Traditional Organic Markets
- Marketing plans
- Review and resolutions

There is no point of going to the  
**expense of growing and harvesting a crop**  
if it cannot be  
**sold at a price**  
**that makes the farm economically viable.**

## Marketing: *Satisfying the Customer*

The most important Rule in marketing:

*Find a need in the market and fill it.*

Successful producers  
**work**  
**from the market backwards**

## Quality is King

Consistent Quality

Presentation

*People buy with their eyes - they return for the taste*

Quality Assurance

## Who is the Customer?

### Marketing is a Supply Chain

The wholesaler, The retailer and The consumer.

Each of these are customers

Each of these customers has different needs

### Marketing Trends - *The Present situation*

2 supermarkets 85% of retail shelf space for sale of products.

Have about 40% of the fresh fruit, vegetables and meat

Increase significantly as consumers find it convenient

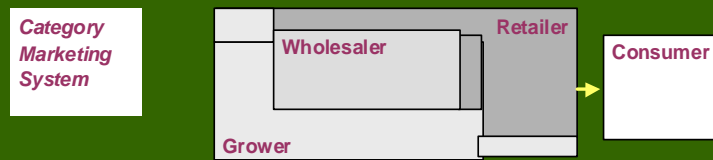
Require products that will sell to as many people as possible.

No longer content to just purchase what is available on the market and hope it sells.

Restructured their businesses to reflect this change in thinking.

They are calling it ***category management***.

# Changing marketing systems





### **World Overview of Organic Markets**

- Worth 59.1 billion US dollars or 44.5 billion euros.
- 8% growth over the 2009 figures of 54.1 billion US dollars.
- The United States of America was valued at US \$26.7 billion or 20.2 billion euros
- Europe was valued at US \$26.2 or 19.6 billion euros.
- Global organic sales were \$15.2 billion in 1999
- \$33.2 billion in 2005.

Source: Organic Monitor

## World Overview of Organic Markets

- Certified organic wild collection – over 41 million hectares in 2009
- 2008 – 31 million hectares
- Emerging as a major part of organic production and organic land use - certified for these activities
- The majority of these areas are in developing countries
- Finland, Brazil, Cameroon and India have the largest certified areas of wild collection

## World Overview of Organic Markets

### Italy

- The 2008 survey
- 20% increase in sales of fresh and processed fruit and vegetables
- baby food rose by 16%
- bread, pasta, rice and eggs by 14 %
- packaged organic products rose by 5.4 % in value.
- Sales of coffee, tea, biscuits and sweet snacks, however, dropped by 14%.

## World Overview of Organic Markets

### Italy

- 2009 survey
- The average growth in organic foods has been at 7.5% per year since 2004
- 32% increase in the sales of fresh fruit and vegetables
- 24.7% for eggs
- 7.5% bread
- 4.5% increase in beverage sales
- Italians bought 6.6% more organic packaged foods in 2009 an increase on 5.2% in 2008.

## World Overview of Organic Markets

### Germany

- The first three quarters of 2009
- Wholesale organic food trade 6 % growth to 628 million EUR
- The fresh segment grew by 6.2 % (395 million EUR)
- Groceries 5.6 % (233 million EUR),
- The first three quarters of 2008, 7.7 % growth
- Source: [www.n-bnn.de](http://www.n-bnn.de)

### Switzerland

- The Swiss organic market grew 7 % to 1.545 billion Swiss francs in 2009.

## World Overview of Organic Markets

### USA

- 2009 OTA survey
- Grew by 5.3% to reach \$26.6 billion.
- Total U.S. conventional food sales grew by only 1.6%
- Organic food sales grew by 5.1%

## World Overview of Organic Markets

### USA

- Non-food organic sales (cosmetics, body care, fibre, clothes etc) grew by 9.1%
- Conventional non-food sales which had a 1% decline.
  
- Organic fruits and vegetables were 38 % of total organic food sales and were valued at \$9.5 billion in 2009, up 11.4% from 2008 sales.

## World Overview of Organic Markets

### USA

- The 2008 OTA survey of U.S. sales of organic products
- reached \$24.6 billion by the end of 2008
- growing an impressive 17.1% over 2007 sales despite tough economic times.

## World Overview of Organic Markets

### China

- Organic Food Development Center (OFDC) estimates domestic sales of organic products at around \$US 500 million.
- Organic certification organizations estimate that production will increase by 30 to 50 % in the coming years
- The exports of organic products could rise to 5 % of total food exports by 2020.
- Source: Organic monitor

## World Overview of Organic Markets

### Peru

- Peru's exports of organic food rose by 13% in 2009 to US\$225 million
- Organic coffee is the major revenue earner.
- Peru is the world's leading exporter of certified organic coffee beans.
- It also exports organic cocoa and bananas among other products.
- Source: Teatro Naturale

## The Four P's

### Price, Place, Product and Promotion

- **What is my Product?**
- **Where is my Place?**
- **What Price do I receive for my product?**
- **How is my product Promoted?**

## Product and Market Diversity

"Never put all your eggs in one basket"

- Successful farming needs good business principles.
- Always utilise a range of markets.
- Diversity is the key to marketing.

Strengths		Weaknesses	
<i>General:</i> Many years experience in vegetable production No major disease problems Family business	<i>Tomatoes:</i> Close friend is a tomato grower Family business No major disease problems	<i>General:</i> Don't understand current market changes No quality assurance system in place	<i>Tomatoes:</i> Limited capital available for grading equipment Difficulty in obtaining reliable staff
Opportunities		Threats	
<i>General:</i> Contacts with large packing shed operation Son is keen to try new crops	<i>Tomatoes:</i> Increasing market for speciality tomatoes Supplying central packing shed operation	<i>General:</i> Food safety issues (lack of QA system) Power of supermarkets want consistent, volume supply	<i>Tomatoes:</i> Volatile prices High costs of production Oversupply

## Organic Marketing Models

- Relationship marketing
- Competitive advantage
- Product differentiation
- Niche marketing

## Traditional Organic Markets

- Local markets
- Farmers markets
- Local shops, restaurants, hotels etc
- Farm Gate Sales
- Home delivery
- CSA
- Food Coops
- Agents and Merchants at Wholesale Markets

## Producer Marketing Organisations

The key to developing successful supply chains is establishing successful producer marketing organisations

### Marketing groups

This is a method used by a number of farmers and producers to market commodities

### Marketing Coops

Consist of producer members and are oriented towards national and international marketing.

Can be multi commodity

### Organic Valley Family of Farms

1992 \$2 million US Dollars

1997 \$20 million

2002 \$125 million

2003 \$200 million

Organic Valley was able to pay price of \$20.02 per hundredweight while the conventional pay price was about \$11 per hundredweight

### Organic Valley 2002 Accomplishments

- Brought 94 farmers into the Cooperative,
- a nationwide total of 515 farmers.
- Added 3,810 cows being raised organically
- a national total of 17,800 cows.
- Added 15,000 acres into the organic system
- a national total of 75,000 acres.



## Emerging Markets

- Marketing groups
- Marketing Coops
- Internet
- Supermarkets
- Agribusiness Chains
- Exports

## The Ansoff matrix

Ansoff's matrix provides a framework for analysing market and growth opportunities.

		PRODUCTS	
		Existing	New
MARKETS	Existing	<b>Focus on current business</b> <i>Cut production costs, increase yields, become more effective, increase scale of production, shorten marketing chain</i>	Product differentiation <i>Introduce new varieties, change packaging to suit customer, branding, extend seasons (by linking with others)</i>
	New	New markets for existing product Export markets, food processing, niche markets, food service sector	Try something new Farm stays, chutneys, yabbies

## Window of Opportunity

The window of opportunity is another tool

- Market growth, market size, and positive trends
- Business capabilities, quality, packaging
- Capital available, natural resource base

## Marketing Plan

A marketing plan should be a living document. This means that it should be adaptable to change and a process of continuous improvement.

What products are needed by the market?

What are the prices being paid for those products?

Who are my customers?

What are the quality specifications they require so that I will get the best prices?

Can I produce it to these quality specifications?

Can I get the product to the customer without a deterioration of quality?

Most importantly - after doing all this - Can I produce it profitably?

The four most important things  
to obtain a benefit from these workshops

1 Do

2 Do

3 Do

4 Do

**Start doing it today**

The information from these workshops is worthless  
unless it is put into practice

## World Overview of Organic Markets

- Organic product sales continue to increase despite the global slowdown trade
- Market information from most countries showing a consistent trend of a dynamic and growing industry
- Asia is the fastest growing region in the world
- China and India are fuelling Asia's growth

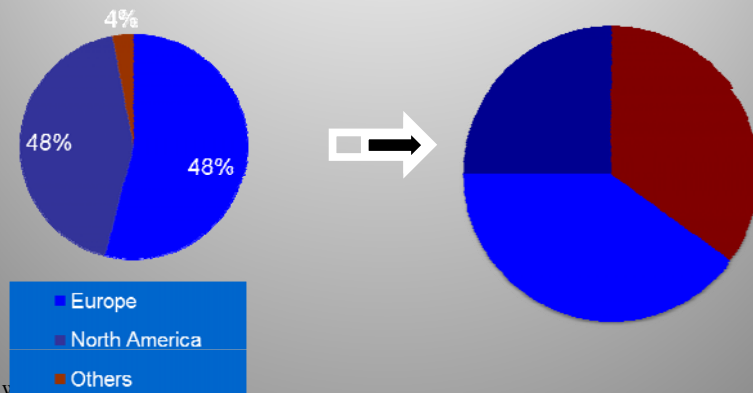
World Overview

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## World Overview of Organic Markets

### Future Trends

- The rest of the world, particularly the Asia Pacific Region will grow rapidly as organic markets



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## Main Growth Areas

- Alcoholic beverages (wine, beer)
- Whole meals (ready to eat takeaway and restaurants)
- Kids food, especially prepared children's snacks
- Fibre products
- Cosmetics and body care products

## Potential for High Value Markets

### Organic Laos as a Brand

- Sell the concept of an Organic Country – clean environment
- Will have much appeal, credibility and brand recognition

### Exports

- Find high value niche rather than low value commodity
- Research products that can be grown easily with high market value

## Potential for Laos to Export

- Rice – especially Red Rice and Black Rice
- Fruit &Vegetables - processed and in season
- Fibre products (cotton, alternative fibres including bamboo)
- Essential oils
- Food Herbs and Spices
- Medicinal Herbs
- Coffee, Tea and Wine
- Wild collected – honey, herbs, spices, bamboo shoots, flowers etc
- Organic timber
- Whole prepared meals
- **Main limiting factor: Quarantine restrictions**

## Potential for High Value Markets Laos

- Import replacement – local food at local markets stop foreign debts
- Local Markets – lower costs for producers
- Hotels and restaurants
- Incoming ecotourism opportunity (visitors to food producing areas, farm stays and food markets)

## Producer Marketing Organisations

**The key to developing successful supply chains is establishing successful producer marketing organisations**

### Marketing Coops

Consist of producer members and are oriented towards national and international marketing.

Can be multi commodity

### Marketing groups

Tend to be less formal/complex than Coops

This is a method used by a number of farmers and producers to market commodities

# Farmer Cooperatives



## **Organic Valley –the worlds largest organic business**

- Starts January of 1988—a time when family farms were on the brink of extinction.
- A handful of farmers in Southwestern Wisconsin's coulee region

### **Farmer-Owned Cooperative**

- The key to their success is the cooperative business model

## **Organic Valley Family of Farms**

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2003 \$200 million - Organic Valley was able to pay price of \$20.02 per hundredweight while the conventional pay price was about \$11 per hundredweight

**2010 More than \$1 billion**

### **Organic Valley 2002**

- nationwide total of 515 farmers.

### **Organic Valley 2010**

- The 1624 farm families who produce premium quality food products share a voice in the future of the business—because they own it

## **Conclusion**

- Fast Growing Market
- High Value Market
- Need for Multiple Markets
- Domestic, Retail, Local and Export
- Need Multiple Products
- Find high value niche rather than low value commodity
- Research products that can be grown easily with high market value
- Need to identify customers

# **Thank You**

