The Organic Food Market in New Zealand: 2002

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STUDIES IN RURAL SUSTAINABILITY:  


DISCUSSION PAPERS  

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Executive Summary

The following report presents the findings of a retail survey of the organic market in Dunedin, New Zealand. The survey was conducted in February/March 2002 and replicated earlier surveys in the Dunedin market which were conducted in 1997 and 2000.

Key findings were:

- There was an overall increase in the Dunedin certified organic retail market of around 600% between 1997 and 2002.

- There was average annual growth of 42% in certified organic retail for 1997–2002.

- There was a significant shift in the balance between supermarket and specialist retailing of organic produce.

- Supermarkets moved from 27% to 57% of retail value between 2000 and 2002.

- Specialist organic shops, health food shops and specialist bakeries and butcheries in Dunedin, at best, remained static in terms of retail value—despite a major increase in the overall value of the market.

- Specialist organic shops, health food shops and specialist bakeries and butcheries in Dunedin declined from 57% to 22% of retail market share between 2000 and 2002.

- Despite rapid growth, this survey indicates a period of instability for retailers of organic produce.

- Extrapolations to the total New Zealand domestic retail market for certified organic produce indicate 2002 market value of NZ$71 million—up from NZ$32.5 million in 2000.

- Domestic sales of organic produce have increased relative to exports over the last two years. The 2002 domestic figure now equals the 2001 export figure (NZ$70m).

- Increasing volumes of organic food consumed in the domestic market are being imported.

- A range of data sources now coincide in predicting a world organic market of just over US$20b in 2001.

- Per capita consumption of organic food in New Zealand is around US$9.00 per annum.

- New Zealand per capita consumption is on a par with Australia, but still well behind EU consumption.

- Comparative per capita consumption data indicates that New Zealand is likely to head towards a domestic organic market of NZ$150m in the next few years.

- Dramatic shifts in the balance of retailing between specialist shops and supermarkets reflect broad trends in many EU countries.

- There are a range of reasons why this trend towards supermarkets is unlikely to completely overwhelm specialist retailers, although specialist shops are clearly in for a challenging few years.
Introduction

While the general area of organic agriculture and food consumption has become a major point of interest for industry, policy bodies and the general public, it is not an area that has traditionally been well served with economic data. Commenting in 1997, Saunders et al. (1997) noted that the volume and comparability of organic economic data was of very poor quality. Since that time, however, a number of data sources have emerged. The Foreign Agricultural Service of the USDA has commenced a compilation of organic market data on over 20 key markets for US agricultural exports. Yussefi and Willer (2002) also commenced a global analysis of the organic food market. This has considerably strengthened knowledge of growth trends in the global organic market.

In New Zealand there are two key bodies of data collection that have emerged since 1997. First, the Organic Products Exporters of New Zealand (openz – formerly OPEG) has commissioned an annual survey of certified organic food exports among its members. This provides some data on the volume and growth rate of organic food exports in New Zealand. A second body of data is reported here and represents the ongoing findings of a repeated survey of organic food retailing in Dunedin (and by extrapolation New Zealand) conducted by csafe at the University of Otago. This survey was first conducted in March 1997 (see Campbell 1999), and then repeated in December 1999/January 2000 (see Ritchie et al 2000), and again in January/February 2002. This report will discuss these new survey results, and briefly review how the changes that are occurring in Dunedin relate to the national organic market and to trends in the international organic food market.

The Dunedin Retail Survey

Methods:

While the choice of Dunedin as the sample retail market was partially pragmatic for researchers based at the University of Otago, it was also useful in representing a ‘middle ground’ market for organic produce. Dunedin is neither a recognised area where organic food has a high profile (as is the case in Nelson) nor is it a remote rural area with limited access to organic food. It can be argued to represent the average food consumer in New Zealand.

The volume of organic produce occurring in fresh fruit and vegetables – either in supermarkets, health food shops, dedicated organic retail shops or direct sales – made it infeasible to simply purchase bar code information for identified organic product lines.

Instead, a direct retail survey was conducted in Dunedin in March 1997, and then repeated in December 1999/January 2000, and again in January/February 2002. First, the greater Dunedin area was searched for producers, wholesalers and retailers of organic food. This search was extensive and comprehensive (and carried out by the same researcher in each of the three sample years in order to assist in replicating data collection patterns across the time periods). These included supermarkets, dedicated organic shops, health food stores, direct sales, as well as businesses that added value to organic products such as bakeries, cafes, restaurants and liquor outlets. We were interested in retail value; the price that the ultimate consumer paid for an organic food item. We ignored products that were not foodstuffs, such as soap and wool. We also ignored uncertified produce that was sold by uncertified growers through gate sales. The managers of all the businesses involved were contacted by phone and asked about their previous year’s sales under a promise of absolute confidentiality. In 1997 this involved a calculation of total organic retail value. In 1999/2000 and 2000/2002 respondents were also asked to calculate how much money was spent on different categories of organic products (e.g. dry goods, fruit and vegetables and so on).

The great majority of retailers were able to provide a considerable amount of information on organic product sales. Others provided estimates, and a small number did not cooperate, but their retail volume was estimated through comparison to other known retailers in the same types and size of business. Some people were exceptionally helpful, others less so. Consequently, the 1997 figures contained more estimates than the later data. By 2002 there were very few estimated figures in the data. We noted that in the 2001/2002 survey, supermarkets had become much more interested in organic sales figures than in previous years and were generally very cooperative in providing data. A few of the large supermarkets agreed to divulge quite detailed information from their computerised inventories of product sales. These enabled us to form a very accurate picture of weekly sales of itemised organic products. While the specific data from these records are not reported here (due to confidentiality agreements with the supermarkets involved), they did provide invaluable information that improved the rigour of the aggregate data presented in this report.

Overall, the response to the questioning in each of the surveyed years was sufficient to build up a picture of the sales of most organic foodstuffs, especially the larger volume products in the market. We concentrated on including real retail values that were reported to us, and were very conservative in any estimate of goods that we could not track down. Consequently, these figures represent the lowest possible figure for the market. The real value is likely to be higher as, despite our best efforts, there will be organic products that will reach the Dunedin market without our knowledge of their point of sale.

Results: Dunedin Retail Market

While there is no possible way to be completely accurate in calculating the movement of a group of products through multiple outlets (including direct sales from growers), our intention was to reproduce the methods from 1997 as accurately as possible in 2000 and 2002. Therefore, the relative size of the market is quite accurate even if the absolute size of the market is likely to be slightly larger than these figures represent.
The following figures are based on retail data for the 12 months preceding the date of the survey. Thus the March 1997 survey represents results for 1996/1997 etc.

Table 1. Total Value of Organic Retail in the Dunedin Market (% increase since prior sample)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$350–380,000</td>
<td>$1,009,767</td>
<td>$2,179,205</td>
<td>(+116%)</td>
</tr>
<tr>
<td></td>
<td>(+165%)</td>
<td>(+116%)</td>
<td></td>
</tr>
</tbody>
</table>

The overall increase in the market from 1997–2002 is around 600%. This large increase is indicative of the very low base from which the market has grown. Consequently, the general trend that has been sustained over the entire 5 year period of the survey is that the market has increased by 42% per annum. This is an impressive sustained growth rate, and demonstrates a market segment that is growing very rapidly indeed. Later results from overseas markets discussed in this report suggest that this would place New Zealand among the highest group of countries for sustained growth in the organic market segment. This contrasts strongly with the prior record of very low market demand for organics in New Zealand. Within the detail of the surveys, it appears that the period from 1997 to 1998 was a significant period of take-off in the New Zealand market.

Table 2 shows how the total organic market in Dunedin is built up from the money spent on different categories of food. Table 2 also gives an overview of the proportions of each type of food that is organic in relation to the total food purchases. The total food figures were obtained by calculation on a population basis from the lists of average household expenditure and retail sales published by Statistics New Zealand (Statistics New Zealand 1997/98).

The first notable result in this data is the high degree of variability by category. Growth was very high in all the grocery categories except short life baking goods. Solid growth was evident in alcoholic beverages and fresh fruit and vegetables, while negative growth was apparent in short life baking and fresh meat. This later result is almost certainly due to the changing nature of product distribution in the Dunedin market. There was a significant increase in the number of supermarkets retailing organic food, and dedicated shops, butcheries, and baking activities – which had formed an important part of the retail picture in 1999/2000—decreased their market presence in relation to the large multiple retailers.

Figure 1 demonstrates this dramatic shift in the distribution patterns for organic food retailing between 2000 and 2002 (see also Appendix 1).

There are two very significant and clearly related trends in this data. They relate to two features: the relative proportion of the market held by different retail outlets, and the actual volume of produce going through different retailers.

First, the proportion of the retail market being held by supermarkets has dramatically increased over the last two years. In 2000, supermarkets held just over a quarter of the Dunedin retail market. Only two years later they held between one half and two thirds of retailing. This is a remarkable shift. When the authors commenced gathering data in 2002, the overwhelming anecdotal claim among retailers was that supermarkets had dramatically increased their volume of organic produce. The actual retail data strongly confirmed this impression of the marketplace.

Accordingly, more specialised retailers proportionately experienced a sudden decline in market share. Due to the changing nature of the Dunedin retail scene, the previously separated categories of Bakery, Dedicated Organic Shop and Health Food Shop were aggregated in the 2002 survey to preserve the anonymity of individual retailer’s figures. In 2000 these three categories comprised 57% of the retail market. By 2002 this had declined to 22.2%. Within this data there are several conflicting trends. Across the different categories in this group, established retailers seemed to hold onto their overall product turno-


<table>
<thead>
<tr>
<th>Type of product</th>
<th>1999/2000</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All Food</td>
<td>Organic Food</td>
<td>Organic as % of All Food</td>
<td>All Food</td>
<td>Organic Food</td>
<td>Organic as % of All Food</td>
<td>Organic % change</td>
<td></td>
</tr>
<tr>
<td>Eating Out</td>
<td>65,295</td>
<td>96,335</td>
<td>0.15</td>
<td>61,597</td>
<td>231,581</td>
<td>0.38</td>
<td>+93</td>
<td></td>
</tr>
<tr>
<td>Alcoholic drink</td>
<td>28,113</td>
<td>270,052</td>
<td>0.96</td>
<td>27,376</td>
<td>428,096</td>
<td>1.56</td>
<td>+59</td>
<td></td>
</tr>
<tr>
<td>Fresh Fruit+Veg</td>
<td>18,818</td>
<td>87,362</td>
<td>0.46</td>
<td>18,393</td>
<td>186,207</td>
<td>0.49</td>
<td>+93</td>
<td></td>
</tr>
<tr>
<td>Baked (short life)</td>
<td>2,040</td>
<td>47,738</td>
<td>2.30</td>
<td>14,116</td>
<td>204,708</td>
<td>1.45</td>
<td>+329</td>
<td></td>
</tr>
<tr>
<td>Grain+G/derived</td>
<td>26,526</td>
<td>96,089</td>
<td>0.36</td>
<td>34,862</td>
<td>444,810</td>
<td>1.28</td>
<td>+363</td>
<td></td>
</tr>
<tr>
<td>Dairy+Chilled</td>
<td>118,574</td>
<td>373,654</td>
<td>0.31</td>
<td>75,071</td>
<td>531,477</td>
<td>0.71</td>
<td>+42</td>
<td></td>
</tr>
<tr>
<td>Other Grocery</td>
<td>206,879</td>
<td>1,009,767</td>
<td>0.35</td>
<td>322,313</td>
<td>2,179,205</td>
<td>0.70</td>
<td>+116</td>
<td></td>
</tr>
</tbody>
</table>

NB. Stats NZ product categories appear to have changed criteria between 2000 and 2002
ver, or experienced slight increases in turnover. Others actually lost ground in terms of product volume. Some shops clearly lost considerable business to supermarkets while others considered a high degree of customer loyalty was the main reason for their ability to hold onto their existing turnover.

The specific nature of the Dunedin retail scene – with the small scale exaggerating the influence of events like the potential closure of a single shop – makes the internal data for the specialist organic, bakeries and health food shops slightly unreliable for extrapolation beyond Dunedin. While it is evident from the Tables in Appendix 1 that the overall turnover in this group of categories has experienced a real decline in market volume, this is probably deceptive. In reality, some shops have closed due to non-market reasons like retirement. The existing retailers have generally reported that they held their own. Nevertheless this is still a very concerning result given that the total volume in the market increased dramatically. What is very clear from these results is a significant general shift towards supermarkets as the primary retailers of organic produce and a relative decline in the importance of more...
specialised shops. The once predominant style of organic retail outlet is under considerable pressure from supermarkets and some may not be viable in the future.

These latest figures represent two years of dramatic change in the organic retail market. The broad scale movement of supermarkets into organic retailing has been highly significant, and the generally rapid increase in organic volume in the market has been even more dramatic in the supermarket sector. This will present a number of challenges to sustainable growth in the organic sector. Many supermarkets found that despite this rapid growth in demand, the organics segment was still ‘high maintenance’, and didn’t necessarily provide enough turnover to justify the effort. This differs from trends in other countries like the UK, where some supermarket chains made a heavy investment into organics while others stayed away. For those who made the commitment to organics, the value was two-fold: both securing a lucrative niche, and using organics as a ‘hook’ to bring shoppers into their stores to buy all their requirements, organic or otherwise. The fact that all supermarkets in Dunedin are now moving into organics has eroded the ‘market hook’ appeal of organics.

With so many supermarkets now providing organic products, it is likely that some degree of competition will emerge over the next few years. It is possible that some chains will find organics to be less appealing than first thought, leaving the organic segment to only some supermarket retailers.

In conclusion, the very rapid emergence of many new retailing outlets signals a time of instability in the retail market. While the volume of organic products continues to dramatically rise, this does not necessarily correspond with stable growth for some retail outlets. While the next two-yearly survey will give a better indication of the long term strength of the specialist niches relative to supermarkets, it is possible that product information services, customer service, and customer loyalty will be important for smaller retailers. The relationship between international trends and these developments will be discussed at the end of this report.

**Calculating the National Domestic Market**

The comprehensive nature of the retail survey in Dunedin gives some grounds for extrapolation of market volumes in the total New Zealand market.

The 1997 results were used to attempt an extrapolation of the total New Zealand domestic market (Campbell, 1999). This exercise was repeated for the 2000 data (Ritchie et al. 2000) and then for the most recent 2002 data. The results are displayed in Table 3.

The per capita extrapolation is based on a valuation of the Dunedin per capita figure based on the greater Dunedin area. This per capita figure is then multiplied by the most recent Department of Statistics figures for the New Zealand population to achieve a total market estimate for New Zealand.

**Table 3. Extrapolations of the Total New Zealand Market for Organic Foods**

<table>
<thead>
<tr>
<th>Per capita expenditure on organic food in New Zealand</th>
<th>Extrapolation to total New Zealand market¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997 $3.00</td>
<td>$10.5 million</td>
</tr>
<tr>
<td>2000 $8.50</td>
<td>$32.5 million</td>
</tr>
<tr>
<td>2002 $18.50</td>
<td>$71.0 million</td>
</tr>
</tbody>
</table>

It needs to be pointed out that whereas the figures for the Dunedin organic market are relatively securely based; those for the whole country extrapolated from Dunedin are more speculative. The key issue is whether Dunedin is representative of overall organic purchasing patterns. There are four points that can be made in relation to this issue:

- organic distributors consider Dunedin to experience low demand for organic produce relative to more northern urban areas, or regions like Nelson.
- premiums for fresh organic produce in Dunedin are high relative to other urban markets which are more proximal to organic suppliers.
- nevertheless, Dunedin does have organic food available, and is therefore likely to have a higher level of consumption than some rural areas which still don’t have access to much organic food.
- there are variable levels of access to home gardening and self-provisioning around New Zealand.

Some of these reasons may cancel each other out. We would be even more hesitant about extrapolating a national figure based on the per capita consumption in one of New Zealand’s more active organic markets like Auckland or Nelson. With this in mind, we can suggest that the New Zealand domestic market in each of these three years was likely to have been greater than the values calculated above. Therefore, our national figures, like our retail figures for Dunedin itself, are likely to provide an absolute bottom limit for the size of the New Zealand market, with the real figure likely to be higher. This would be much higher again if uncertified produce was included.

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¹ It should be noted that the extrapolation was undertaken differently in 2002 and 2000 compared to 1997. In 1997, per capita expenditure was extrapolated by the total urban population of New Zealand assuming that organic food outlets were not prevalent in rural areas. However, this was not correct, and certainly in the ensuing three years a number of rural organic food outlets have become established. Thus, the 2000 figure is extrapolated by the total New Zealand population. A second change is that the Dept of Statistics has produced a revised estimate of the New Zealand population in 1997, 2000 and 2002.
Comparison: Organic Exports from New Zealand

Campbell (1999) compared the domestic sector to the much larger export sector in New Zealand, and suggested that the domestic market could emerge to play a significant part in the development of organics in New Zealand. This section briefly reviews the extent to which that has indeed become the case.

The Organic Products Exporters of New Zealand (openz – formerly open) has conducted an annual survey of its members since 1996. This survey provides export returns for the companies that belong to openz – generally representing about three-quarters of organic exporting companies and over 75% of the exports by value. The results are presented in Table 4.

<table>
<thead>
<tr>
<th>Year</th>
<th>Certified Organic Exports (NZ$m)</th>
<th>Domestic Retail Market (NZ$m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>$12</td>
<td>–</td>
</tr>
<tr>
<td>1997</td>
<td>$20</td>
<td>$10</td>
</tr>
<tr>
<td>1998</td>
<td>$28</td>
<td>–</td>
</tr>
<tr>
<td>1999</td>
<td>$35</td>
<td>–</td>
</tr>
<tr>
<td>2000</td>
<td>$60</td>
<td>$32.5</td>
</tr>
<tr>
<td>2001</td>
<td>$70</td>
<td>–</td>
</tr>
<tr>
<td>2002</td>
<td>N/A2</td>
<td>$71</td>
</tr>
</tbody>
</table>

Source: Organic Products Exporters of NZ—www.organicsnewzealand.org.nz

These data show that the domestic sector has actually caught up to some considerable degree with exporting over the last two years. This, however, should be interpreted with caution. Campbell (1999) reviewed the then debate over the merits of domestic local organic production relative to export-led growth. The figures reported above do not suggest a direct correlation between the size of the domestic market and the health of the domestic organic production sector. All the supermarkets surveyed demonstrated that a considerable amount of their new organic produce was imported from overseas. Clearly, the close relationship between domestic organic producers and domestic organic consumers that existed even 6 years ago, has been ruptured. New Zealand is following the profile of countries like the UK and is leveraging strong domestic market growth off imported organic produce.

At the same time, New Zealand is still not experiencing significant take-off in farmers’ markets, box schemes and other direct sales schemes. These have become very popular in the US and UK, but still have only a low level of growth in the New Zealand retail scene.

Comparison: The International Organic Market

The growth rate in the New Zealand market, and the interesting dynamics between domestic and export markets raises questions as to how New Zealand is situated relative to broader trends in the global market.

Since 1997, increasing interest in organic agriculture within the USA, and a responding move by the USDA to quantify the global organic market, have resulted in new bodies of data which provide some more reliable data. This USDA data now stands alongside a global survey of organic agriculture by Yussefi and Willer (2002) to provide two recent data sources on the world market for organics.

USDA: FOREIGN AGRICULTURAL SERVICE DATA

The USDA has requested that the Foreign Agricultural Service (FAS) – operating through US embassies – provide data on local organic food consumption. Table 5 provides a compilation of these FAS reports up to the year 2000. These data were reported in detail in the conference paper by Ritchie et al. (2000).

For this group of 23 countries, the organic market in 2000 exceeded US$14 billion and was growing annually at an average rate of 32%. The biggest organic markets were in the United States, Europe and Japan.

YUSSEFI AND WILLER (2002) GLOBAL DATA

A comprehensive report by Yussefi and Willer (2002) was compiled on the basis of a survey of all member organisations of ifoam. These organisations were asked to provide data on organic land area, certification and markets. These were supplemented by data from:

- FAO
- International Trade Centre
- USDA
- Greenpeace
- Other published sources

These authors, in evaluating the range of data sources available, suggest that the global market for organic produce is over US$20b in 2001. The most conservative credible data source (ITC) suggests a market worth US$21b while the most optimistic research suggests US$26b (Organic Monitor).

All these figures accord closely with the results of aggregate FAS data reported in Ritchie et al. (2000) which suggested a world market of between US$15–US$20b in 2000. Similarly, ITC estimated the world market at US$17.3b in 2000.

Yussefi and Willer (2002) also report an annual growth rate of 20% per annum. They suggest that the general growth rates in markets vary from 10% to 40% per annum. The survey reported here places New Zealand at the very top end of this growth rate (sustained at 42% per annum for five years).
The EU countries vary enormously in terms of the proportion of retailing undertaken by supermarkets. The two extremes are marked by Denmark/Portugal/Sweden where over 90% of organic foods are sold through mainstream retail outlets like supermarkets. In stark contrast is the Netherlands where over 90% of organic food is sold through specialist shops. In the middle are mature markets like Germany (33%) and Switzerland (69%) where only a proportion goes through supermarkets. Hamm and Michelson (cited in Yussefi and Willer, 2000) argue that high per capita consumption and rapid growth is correlated with a high proportion of organic retailing through supermarkets. This, however, seems to be confounded by the single case of the Netherlands which has the fifth highest per capita consumption, but the lowest level of supermarket retailing of organic food.

Discussion: The Organic Market in New Zealand and International Trends

The above data provides some much needed benchmarks for the New Zealand market.

Market Size

New Zealand is experiencing rapid market growth, but on global terms it is an insignificant player. The total world market of US$21b in 2001 dwarfs the NZ$71m of organic food sold in New Zealand. Even the combined domestic and export figures for New Zealand would only satisfy 0.33% of the global market for organics.

Market Growth

The New Zealand market has grown at a steady rate of 42% per annum. This is an extremely high growth rate. While New Zealand is still emerging off a low base, this is no longer a sufficient explanation for the rapid rate of growth over a full five year period. New Zealand is clearly experiencing a sustained upsurge in interest in organic food.
Table 6: Importance of Marketing Channels (%) 1997/98

<table>
<thead>
<tr>
<th>Country</th>
<th>Retail Trade</th>
<th>Specialised Shops</th>
<th>Direct Marketing</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portugal</td>
<td>91</td>
<td>1</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Sweden</td>
<td>91</td>
<td>0</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>Denmark</td>
<td>90</td>
<td>2</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td>Finland</td>
<td>89</td>
<td>5</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>74</td>
<td>15</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Austria</td>
<td>75</td>
<td>10</td>
<td>10</td>
<td>5</td>
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<tr>
<td>Switzerland</td>
<td>69</td>
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<td>5</td>
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<td>Norway</td>
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<tr>
<td>Luxembourg</td>
<td>40</td>
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<td>France</td>
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<td>Spain</td>
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<td>Germany</td>
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</tbody>
</table>

† Natural food shops and health food shops
§ Including butchers, bakeries, drug stores, mail order services

(source: Yussefi and Willer, 2002)
These EU figures are premised on varying levels of supply and cost. Within the high band of per capita consumption, Denmark has a very high number of domestic organic producers, strong subsidisation of production, and accordingly, lower priced organic products. This scenario of domestic production is very unlikely for New Zealand. At the other end of the scale, the UK has low levels of domestic production, high levels of imports and relatively expensive organic food. This configuration more closely reflects the New Zealand situation. Barring a major policy change by governments or industry, New Zealand’s domestic market is more likely to head towards this lower target of NZ$150m over the next few years.

**Retail Configuration**

The most intriguing finding of this latest set of figures is the dramatically changing retail configuration. As Hamm and Michelson (cited in Yussefi and Willer, 2002) predict for Europe, New Zealand has experienced high growth in direct relationship to the rapid expansion of market share by supermarkets. This situates New Zealand somewhere in the upper half of EU countries in terms of the balance between specialist and supermarket retailing of organics.

This variability in figures across the EU countries hides some interesting trends over time. In contrast to the positive outlook taken by Hamm and Michelson (cited in Yussefi and Willer, 2000), many organic commentators have observed this retail shift as a negative trend: citing the examples of Germany, the UK and the USA as countries where specialist retailing outlets for organic produce have been squeezed by the entry of supermarkets into organic retailing. It is clear that specialist shops have provided a more knowledge-intensive service to organic consumers, with specialist shops able to provide complex information about the supply, status and provision of organic produce. However, the continued internationalisation and harmonisation of organic standards and certification (see Campbell and Liepins, 2001) is clearly shifting the sites where organic knowledge is constructed and legitimised. The ascendancy of the supermarkets is strongly premised on the legitimacy of third party certification and represents the final diminution of the ‘on-trust’ system of organic purchasing that formed the primary rationale of early organic food co-ops and specialist shops prior to the establishment of widespread certification systems.

This trend towards supermarket domination of organic retailing and a smaller niche role being retained in specialist shops is now clear both at home in New Zealand and in some key EU cases. The final question is what balance might be achieved, or will supermarkets totally capture the organic market? We would argue that the pessimistic scenario involving the total elimination of specialist suppliers is unlikely to happen. If our assumption is correct that specialist retailers play an important information and legitimation function for the organic food market, then this role is unlikely to be entirely superceded by systems of certification. Recent qualitative research into organic retailing (see Fitzgerald et al. 2002) shows clearly that consumers at specialist organic shops in their research locale are still motivated by high levels of concern, uncertainty, and suspicion towards mainstream and conventional food. They still want to go to specialist shops to access detailed knowledge about organics, even though many of them also purchase certified produce from supermarkets. Further, Fitzgerald et al. (2002) identify a range of other reasons why some organic shoppers want to continue patronising specialist organic shops, including: the desire for greater certainty about food safety than can be provided by certification, a variety of social exchange relations, a sense of nostalgia, and a philosophical commitment to the idea of small organically-committed retailers. These reasons are all unlikely to be overcome by supermarket-based provision of certified products.

While the specific attributes and desires of the organic consumer provide some reasons why supermarkets will not completely capture organic sales, there are also a number of reasons stemming from the physical attributes of organic retail products themselves. Coombes and Campbell (1998) suggested that a division between fresh and durable foods provided a strong point of differentiation between export production and domestic production of organic foods: with exporters concentrating on durable products. They argued that this division suggested that exporting would not entirely eliminate small domestic organic producers. A similar dynamic is evident between specialist retailers (and direct sellers or co-ops) and the supermarket sector. While supermarkets do retail fresh fruit and vegetables, they are nevertheless strongly concentrating on large volume, durable and processed foods. Most avoid organic fresh meat entirely. Thus the dynamic noted by Coombes and Campbell (1998) at the level of farm production, also holds to some degree for local retailing. In short, there are clear distinctions between the style of retailer carrying large scale processed organic goods and those servicing the market for other perishable, small scale and unprocessed organic products.

Consequently, we argue that there will always be a niche sector of organic specialist retailers. The size of that niche will be the subject of interested observation over the next sampling periods in this research programme.
References


Table 1. Organic Food Purchasing by Type and Outlet (1999/2000)

<table>
<thead>
<tr>
<th>Outlet Type</th>
<th>Dry Goods ($)</th>
<th>Dairy ($)</th>
<th>Fresh Fruit &amp; Veg ($)</th>
<th>Grains ($)</th>
<th>Meat ($)</th>
<th>Alcoholic Beverages ($)</th>
<th>Bakery ($)</th>
<th>Total ($)</th>
<th>% of total market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dedicated Shops</td>
<td>161,431</td>
<td>77,780</td>
<td>124,446</td>
<td>11,909</td>
<td>5,237</td>
<td>—</td>
<td>50,221</td>
<td>361,025</td>
<td>35.8</td>
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<tr>
<td>Health Food Shops</td>
<td>178,811</td>
<td>2,472</td>
<td>6,519</td>
<td>11,275</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>199,077</td>
<td>19.7</td>
</tr>
<tr>
<td>Supermarkets</td>
<td>33,412</td>
<td>85,837</td>
<td>139,087</td>
<td>16,973</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>275,310</td>
<td>27.3</td>
</tr>
<tr>
<td>Direct Sales</td>
<td>—</td>
<td>—</td>
<td>7,580</td>
<td>33,000</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>40,880</td>
<td>4.0</td>
</tr>
<tr>
<td>Bakeries</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>14,833</td>
<td>1.5</td>
</tr>
<tr>
<td>Cafes &amp; Liquor Outlets</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>96,334</td>
<td>22,308</td>
<td>118,642</td>
<td>11.7</td>
</tr>
<tr>
<td>Total</td>
<td>373,654</td>
<td>96,089</td>
<td>270,052</td>
<td>47,737</td>
<td>38,537</td>
<td>96,334</td>
<td>87,362</td>
<td>1,009,767</td>
<td>100.0</td>
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</tbody>
</table>

Table 2. Organic Food Purchasing by Type and Outlet (2001/2002)

<table>
<thead>
<tr>
<th>Outlet Type</th>
<th>Eating Out ($)</th>
<th>Liquor ($)</th>
<th>Fresh Fruit &amp; Veg ($)</th>
<th>Bakery ($)</th>
<th>Meat ($)</th>
<th>Grain+ Derived ($)</th>
<th>Other Grocery ($)</th>
<th>Dairy/ Chilled ($)</th>
<th>Juices ($)</th>
<th>Total ($)</th>
<th>% of total market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major Supermarkets</td>
<td>0</td>
<td>5,194</td>
<td>242,969</td>
<td>1,088</td>
<td>5,252</td>
<td>147,502</td>
<td>300,978</td>
<td>320,338</td>
<td>70,207</td>
<td>1,093,527</td>
<td>50.2%</td>
</tr>
<tr>
<td>Neighbourhood Supermarkets</td>
<td>0</td>
<td>2,607</td>
<td>6,571</td>
<td>3,992</td>
<td>50</td>
<td>16,552</td>
<td>37,948</td>
<td>77,685</td>
<td>4,025</td>
<td>149,430</td>
<td>6.9%</td>
</tr>
<tr>
<td>Specialist + Bakeries + Health Food Shops</td>
<td>0</td>
<td>0</td>
<td>171,075</td>
<td>32,898</td>
<td>25,763</td>
<td>22,118</td>
<td>177,551</td>
<td>44,708</td>
<td>7,087</td>
<td>481,198</td>
<td>22.2%</td>
</tr>
<tr>
<td>Cafes + Restaurants</td>
<td>231,581</td>
<td>20,393</td>
<td>0</td>
<td>1,664</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>268,638</td>
<td>12.4%</td>
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<tr>
<td>Liquor Outlets</td>
<td>0</td>
<td>148,013</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>148,013</td>
<td>6.9%</td>
</tr>
<tr>
<td>Direct Sales</td>
<td>0</td>
<td>10,000</td>
<td>7,482</td>
<td>300</td>
<td>0</td>
<td>18,536</td>
<td>0</td>
<td>2,080</td>
<td>0</td>
<td>38,399</td>
<td>1.4%</td>
</tr>
<tr>
<td>Total</td>
<td>231,581</td>
<td>186,207</td>
<td>428,097</td>
<td>39,942</td>
<td>31,065</td>
<td>204,708</td>
<td>531,477</td>
<td>444,811</td>
<td>81,319</td>
<td>2,179,205</td>
<td>100.0%</td>
</tr>
</tbody>
</table>