

Strategies for marketing organic food products



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There is a global growing demand and supply for organic foods. This has resulted from increased health awareness and food safety, a growing demand to protect the environment and animal welfare. The International Federation of Organic Agriculture Movement (IFOAM) defines organic production as a process “ that relies on ecological processes, biodiversity and cycles adapted to local conditions rather than the use of inputs with adverse effects” (IFOAM, 2010). Marketing the product will provide the link that will satisfy both the demand and the supply. Thus marketing the products will provide the link between the producers and the consumers. While the marketing of these products is developed in the U. S. A, the Asian marketing is just developing. This essay will analyze marketing of organic food products in the U. S. and in Asia. The organic food production in the Asian countries is mainly done for the export market as the domestic consumption is still emerging (IFOAM, 2004). This is in contrast with the U. S. market where the number of organic food product consumers has been increasing gradually (Dimitri & Oberholtzer, 2009).

Production

In most Asian countries organic production is mainly for small farmers in order to assist them to be self sufficient and improve the quality of the soil. It is mainly done for export. Organic food production in Asia is yet to develop. Though the Asian countries form 25 percent of the members of (IFOAM) the area engaged in organic farming is still very small as by 2003 all the Asian countries had only utilized less than 1 percent of all agricultural land in organic farming with the exception of china IFOAM, 2004). The local markets

in Asia are not established and are only emerging. Marketing initiatives are in the process of being launched.

There are National Initiatives to develop the organic sector. There are initiatives by NGOs supporting to practice organic agriculture and training them on how to market the organic food products. Most of the organic farming has support from the grassroots level. In most Asian countries there are very rare national scale of organic production and only India has a government initiative. The Indian government (Agricultural and Processed Food Products Export Development Authority (APFEDA)) initiative is only meant to assist in exporting of the organic food and not to develop the domestic market. APFEDA offers training to producers and certification agencies, research and development services: promoting certification programs, developing policies, improving quality of services, promoting Indian organic foods.

Lack of proper regulations and certification processes has hindered the development of the organic food production and marketing. However this trend is changing as there are already several countries that have developed National Organic Regulations to promote both export and domestic production. The regulations are responsible for setting the standards. Currently most of the Asian organic foods are certified by foreign bodies, with only China, Israel, Japan, Thailand, India and Philippines being the only Asian countries with their own certification (IFOAM, 2004).

As one of the largest consumers and one of the countries with a high per capita income, any change in the U. S consumption trend will have an effect.

Thus organic food production and growth has been affected by the U. S consumption. The organic food production industry noted an increase of 16-21 percent in 2008. The industry receives government support both in monetary terms and in developing policies. This contrasts with the Asian industry which is still in the process of setting policies (Report buyer, 2010). The 2008 Farm Act allocated \$5 million to do further research on the marketing system of organic food products in U. S. There are regulations in the U. S. which are provided by the 2002 USDA National Organic Standards.

Challenges

The main challenges facing the organic food marketing are the pricing competition and logistics arrangements. The organic foods have to compete with other non-organic foods in terms of pricing, varieties and the frequency of production. The organic food products are expensive to produce. Their infrastructure is yet to be developed and thus it is hard for the marketing organizations to sell them at a competitive price. The organic food products are expensive both in the Asian countries and in US. In US organic foods are 10 to 30 percent more expensive than the conventional food products (Dimitri & Oberholtzer, 209).

The domestic consumers are not informed on the benefits of using organic products. Consumers have little information on organic food products and most consumers will only compare the prices of the food products as they do not know the benefits of organic foods to themselves and to the nature. Apart from this, the organic foods have faced competition with the already developed conventional food products. Since there are only a few informed

consumers, the organic food companies have to compete for this small number of consumers. There is a need to create consumer awareness. There is therefore a need for the relevant authorities to device ways to first develop a domestic market for organic foods. There is potential of growth that results from the fact that there are concerns by most consumers with the high chemical such as pesticides remnants in many foods. In addition to this organic foods are also preferred by those who are been sick.

Another challenge faced in Asia is that the producers lack in marketing skills. This leads to the producers facing challenges from having to compete with supermarket chains. Most of the organic suppliers are smaller as compared to the conventional food suppliers. This leads to discontinuation of those organic foods that are slow moving, thus disrupting the already developing trend. In addition to this, most of the countries have not developed labeling laws. Consumers will have more confidence when purchasing labeled products. This is crucial for assurance of quality considering there are many self proclaimed “ organic products” in the market. In the U. S the organic foods are sold in branded product lines as well as private-label organic products, whereby this has resulted to an increase of the private-label products from 35 in 2003 to 540 in 2007 (Dimitri & Oberholtzer, 2009) .

There is a high consumption of organic products in the U. S. The consumption rate continues to increase. As a result of this increase, the retail prices of organic food products increased from \$3. 6 billion in 1997 to \$21. 1 billion in 2008, (Dimitri & Oberholtzer, 2009). The growth rate was partly as a result of the United States Department of Agriculture (USDA) efforts of setting standards that gave consumers confidence in using the <https://assignbuster.com/strategies-for-marketing-organic-food-products/>

products. USDA also gave a guideline on how one would recognize that a product is an organic product. The consumption rate has however increased at a higher rate than the growth of the organic foods, thus creating a shortage in the supply of the products. This has mainly been attributed to the regulations that are required in converting and certifying a farmland to an organic farm.

Product and marketing development

In the Asian countries the farmers lack confidence in the organic food production. Again, the supply of the products has been growing at a higher rate than the demand, thus farmers have been left with surpluses of their produces. The marketing organizations will at times fail to buy all the produces from the farmers, thus the farmers have to look for their own markets. This frustrates the farmers who will shift to other farm produces.

Being a new and young developing market, the producers have had to compete with unscrupulous traders. Again, the structure of marketing organization has had an effect in developing the market. Most of the marketing organizations were small organizations and they faced challenges, e. g. recruiting and retaining quality staff. Again due to the challenges of shortage of investments funds, they will go for direct marketing, such as home deliveries and mobile markets. There is a need for the producers and markets to unit and cooperate in order to fight these unscrupulous traders.

The Asian market is in the same position as the U. S. market in the 1990s where independent small chain outlets and food-cooperatives were the sole distributors of the organic food products. Currently these food products are <https://assignbuster.com/strategies-for-marketing-organic-food-products/>

mainly supplied in the supermarkets. This is a trend catching up in the Asian markets.

There are ways to develop and help support the marketing organizations for the organic food products in Asia. The local initiatives should provide those strategies that eliminate intermediaries, thus reducing the prices of the products and thus encouraging more buyers, while at the same time promoting the producers. Any non-commercial external funding should accompanied with organizations own increase in capital investment. This assures continuity after the external funding is pulled out. Most of the marketing organizations start small whereby some do not even have an office, and operate from home. This may be satisfactory to start with, but as the company grows, it should have an official location of operation.

The location chosen is very important. It should be close and easily accessible to the customers and close enough to the producers. This gives it a professional appearance. The company should be particular on the choice of produce it starts with, e. g., vegetables, and then add the products as it grows. Pricing is crucial for the marketing organization, thus it should come up with the preferred pricing strategy. Most organic food products marketing organization prefer price differentiation. Another point to be considered is the connection between the producer and the consumer. This should be discussed so as to reduce disagreements between the two. The marketing organizations should learn to market themselves through the press. The marketing organization should learn the target market and stay updated on any new products that they may require.

Conclusion

The marketing of organic food products is more advanced in the U. S than it is in the U. S. The success in the U. S. market can be attributed to development of policies and guidelines that especially encourages the domestic consumption. The Asian countries should learn from the U. S. and develop their own domestic market. In addition to this, there is a shortage in the U. S of the organic products. Proper marketing strategies in Asian countries should satisfy this demand in the US market. Something the Asian authorities should think about and act on.