

## Farmer Consumer Partnerships - FCP

### Annual abstract

Project title and Acronym:	Farmer Consumer Partnerships (FCP)
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The main objective of the CORE Organic project 'Farmer Consumer Partnerships' is to determine how the commitment of organic small and medium sized enterprises (SME) to ethical values can be reflected in the communication with customers and thus strengthen the positioning in the market. This will be achieved by developing and testing different ethical communication arguments. The project is run by six universities and research institutes that have a strong involvement in the organic sector in five partner countries (Austria, Germany, Italy, Switzerland and the UK) under the coordination of Prof Ulrich Hamm from the University of Kassel, Witzenhausen. It is funded by the CORE Organic ERAnet partnership (<http://www.coreorganic.org/>). For further details see <http://fcp.coreportal.org/>.

Motives for ethical food choices of consumers relate to the impact of farming on the environment, to the concern for fair prices to producers, and working conditions of labourers as well as the impact on animals regarding husbandry conditions and animal welfare. The first work packages explored the relevance of ethical and philosophical traditions, concepts like Corporate Social Responsibility (CSR) and ethical tools, such as the Ethical Matrix for the organic sector. Similar to SMEs in other sectors, the organic sector is so far not widely engaged with such formal ethical management systems.

A comparison of values – as for example expressed in the IFOAM Principles of Organic Agriculture – and concerns of stakeholders with the European Regulations on organic farming<sup>1</sup> indicates that the organic sector considers a broader range of ethical issues than the statutory rules. Apart from the main production rules, the EU regulations address some aspects of food quality and environmental protection. So called 'organicPlus' values that are not or only partly covered by organic standards are identified in relation to the sustainability of resource use, the protection of biodiversity, animal welfare, and the desire for full transparency along the whole supply chain. Most organic standards in Europe also do not address many fairness-related socio-economic concerns, such as the impact on farmers or farm workers. Preferences for local food and concerns about the integrity of the organic supply chain touch on a number of these issues. This difference between organic principles and expectations of stakeholders on the one hand and the European organic regulations on the other hand is frequently seen as a threat to the integrity of organic farming. However, this may also serve as an opportunity for organic companies that implement 'organicPlus' activities and communicate them to consumers.

An analysis of the 'organicPlus' approaches and the 'communication arguments' used by more than 100 organic companies in leaflets, labels and websites shows the issues that are addressed by organic SMEs and how they are communicated to consumers. Communication arguments refer to environmental, economic, social and many also to a cultural dimension. Arguments relating to regional development issues, regional supply chains or food miles appear to be very important for organic companies in all participating countries.

The activities behind such communication arguments clearly have the potential to improve the company's image and to strengthen the relationships between farmers, processors and consumers. Communication arguments offer more transparency, make knowledge more accessible and enhance the awareness of product quality and its origins. However, the majority of companies have not considered general concepts (such as CSR, sustainability dimensions) or the IFOAM principles when developing their activities and communication arguments. A more detailed analysis of 20 case studies illustrates that ethical engagement is often driven by personal commitment. Companies use the internet, product labels, leaflets/brochures and newspaper articles, as well as the word of mouth to communicate with their customers. Some arguments are specific to certain sectors. For example, arguments focussing on a fair price for farmers were mainly used by dairy companies, whereas meat producing companies focus on animal welfare issues.

In bringing together concepts with the results of the survey of companies, it becomes obvious that implementing and communicating ethical values in the organic market is a considerable challenge for all stakeholders involved.

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<sup>1</sup> Regulation (EEC) 2092/91 on organic production to be replaced by Council Regulation (EC) 834/2007 and Commission Regulation (EC) 889/2008

The first two work packages resulted in the selection of prominent and promising communication arguments for further testing in the subsequent work package. This selection was finally decided on by an expert rating of project partners. It includes two arguments each under the headings of 'biodiversity', 'animal welfare', 'regional production', 'fairness for farmers', 'care farms', 'social aspects of production' and 'preservation of cultural features'.

The next task was to confront consumers with these ethical concerns and to narrow down the range of concerns from consumers' perspective for further analyses within the next work packages. It was to be determined which ethical information is most interesting for consumers in the partner countries with respect to the purchase decision on organic food.

There are different methods for evaluating consumer behaviour regarding information acquisition and processing. For the analyses within this research, the Information Display Matrix (IDM) was used. The IDM is a process tracing method aiming at monitoring the cognitive processes underlying information search, judgement and choice. The two-dimensional matrix lists alternative product stimuli in columns, while product attributes are listed in rows. Each cell contains concealed information about a product-related attribute, which has to be accessed one after another by the subject in order to obtain the information.

Within this research, the information search regarding ethical values of organic food was analysed and those ethical attributes most relevant for decision making were identified. The ethical attributes were tested by means of organic milk. The IDM was accompanied by a questionnaire aiming at the validation of the IDM results, at an explanation of the information acquisition behaviour and at giving answers on the 'real life' information behaviour concerning organic food.

With respect to 'real life' information behaviour, the results show that 'articles in newspapers etc.' are preferred sources for information on organic food, followed by 'conversation with family and friends' and 'product packaging'. 'Information by sales personnel' is rather frequently mentioned in Italy but quite rarely in Switzerland and the UK. 'Reports on radio or TV' seem to be less important in Italy than in all other countries. When asked for the kind of information they had actively been looking for within the last two months, 'product origin' was mentioned most often, followed by information on 'ingredients'. In Switzerland and Germany, on the other hand, information on 'organic certification' and 'production and processing methods' are ranked higher than information on 'ingredients'. In Italy, information on 'product quality' is more frequently asked for than on 'ingredients' while in the UK, information on 'food miles' is more important. Information on 'prices' seems to be much more important in Austria than in all other study countries.

On average, respondents spent 4:28 minutes for their information search and opened 34 information fields within the IDM. There were marked differences between the countries. Besides socio-demographic factors like age and the level of education, attitudes regarding organic food consumption had an impact on the amount of information looked for preceding the product choice.

The importance of different attributes for the consumers' choice was analysed via the share each attribute has in all firstly accessed attributes and the frequency of accession of each attribute. According to these indicators, the most important attributes are 'animal welfare', 'regional production' and 'fair prices for farmers'. These attributes were followed by 'product price', indicating that consumers prefer cheap products over ethical products with attributes like 'care farming', 'social criteria of production', 'protection of biodiversity' and 'cultural aspects'. There are only minor differences between countries in the order of the most important attributes. Only in Italy 'product price' seems to be more important than 'fair prices' and 'animal welfare'.

The choice shows that the cheap organic product without any additional ethical values was preferred by only 6% of the respondents. While in Germany only 3% decided on the cheap product, 9% of the Austrian respondents chose the cheaper one. This result allows the conclusion that a large share of consumers of organic food would be willing to pay a price premium of at least 20% for organic products with additional values.

These results entered in the initial discussions of the following work package during the third project meeting. Since the most important ethical attributes were almost the same in all study countries, it was decided to have a joint call to advertising companies for the production of communication tools. The joint tender was sent out in December.

<b>References and links to papers/reports which have been published in the period:</b>	
Padel, S., Nicholas, P., Jasinska, A. and Lampkin, N. (2008)	Ethical concerns associated with organic food in Europe 16th IFOAM-conference, Modena. Juni, 19 2008. <a href="http://orgprints.org/12132">http://orgprints.org/12132</a>
Zander, K. and Hamm, U. (2008)	Communication of ethical values in organic farming 16th IFOAM-conference, Modena. Juni, 19 2008. <a href="http://orgprints.org/14001/">http://orgprints.org/14001/</a>
Zander, K. and Hamm, U. (2008)	Präferenzen von Konsumenten für ethische Werte ökologischer Lebensmittel. Proceedings of the 18th Annual conference of the Österreichische Gesellschaft für Agrarökonomie: Neue Impulse in der Agrar- und Ernährungswirtschaft?! Wien, p. 95f.