

## **Project title**

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Master's degree: Agricultural Economics/ Environmental and Natural Resource Economics

### **Background**

Organic agriculture is frequently heralded as one of the frontiers of a 'new' environmentalism where concerns about food safety, land use and social justice are converging with a politics of relocalization. These values have also been identified as three fundamental principles in organic agriculture: 1) The principle of circulation 2) the precautionary principle, and 3) the principle of subsidiarity. Indeed the provision of organic food - from farm to table - would appear to countervail many contemporary trends in the production, processing, distribution and marketing of food in general. Yet, explosive growth since the 1980s is both cause and effect of a proliferation of new entrants who are attempting to capture the lucrative niche markets lurking behind organic products and the organic label. Consequently, the field is experiencing rapid changes in production and marketing strategies, and a restructuring of economic imperatives. And while a plurality of economic and ideological actors continue to thrive within the organic sector, large agribusiness firms - or successful start up firms which increasingly mirror agribusiness practices - are penetrating the most dynamic and profitable segments.

### **Objective**

The objective of this research project is to analyse the future development of the Danish organic food sector with two commodities as case studies: organic vegetables and organic pork.

Emphasis has been placed on identifying the economic forces and changes within the investigated chains in combination with the macro-social foundations, which sets the regulatory framework for the economic behaviour among individuals, firms and consumers along the network of the chosen chains.

By linking the research results of the economic and production dynamics within the organic food chains together with the various social movements that are at stake in the consumption of organic food, the aim has been to identify and explain the diversification of the organic chain and provide useful supply strategies for further growth in a ten-year perspective.

The expected achievements from the project:

- A new methodological approach towards chain management analysis in organic foods and production
- Scientific contributions to new institutional economic chain management analysis in agribusiness and the food industry
- Development of organic supply and market strategies in Denmark in a ten year perspective

The achievements obtained:

- A new theoretical framework explaining how and why the connection between economic forces in a dynamic market economy advocating for growth has inherent potentially social and environmental conflicts with agriculture and the surrounding society over time
- Empirical studies showing how the organic pioneers understood organic farming as a social counter reaction to these social and environmental conflicts as well as a potential solution for a new procurement system. At the same time a new generation of more 'professional' and market oriented producers are entering the organic market accepting the conditions of supplying through the main stream procurement system
- The theoretical question of power in economics has been used in the supply chain analysis to describe how supermarkets have been increasing their bargain power towards the organic vegetable producers as well as the mechanisms that they use
- The monopoly position of the organic pork producers in terms of controlling processing have so far left them in a fairly good bargain position delivering products highly valued in utility terms and in the same time relatively scarce or unique in ownership. The 'first mover' position, in terms of obeying EU rules before other countries concerning restrictions on using conventional inputs, have today given the Danish organic pork producers competitive advantages on the export markets where demand is growing. Diffusion in European networking between the Danish pork processors and European wholesalers has increased the economic value in utilizing the different parts of the organic pork. This could, together with a growing export market, become an economic 'buffer' spurring growth in the home market.
- The concept of the 'Organic basket' as a future marketing strategy or concept supplying through supermarkets or food service has been put forward using the case story from the National organic association's cooperation with the discount chain 'Netto' during 2005. Also the future perspective of organic producers/packagers going trans-national with other packagers to countervail the bargain power of the Pan-European supermarket chains, have been researched.

Because of the fulfilment of specific Ph.D. requirements the completion of the final Ph.D. thesis will be delayed 2 months.

### **Progress – 2005**

The main results from the project are:

- a new theoretical framework showing that the need for growth inherent in a market economy system, affects time and space in the environmental system and has a constant relationship of antagonism and potential conflicts between agriculture and the surrounding society
- empirical findings explaining and documenting organic farming as social countermovement to various societal and environmental conflicts connected to agriculture, and showing that its rules and regulations are designed to solve these conflicts
- empirical findings implying that organic farming itself is part of the same economic market system, and therefore will encounter the same pressures as the conventional farm system on

- prices, production and distribution systems as well as a need for growth in scale and scope
- The pressure for “conventionalization” in organic farming is stated by the organic producers in this research as coming more and more from the end of the food supply chain, i.e. the retailers/supermarkets, through their increasing bargain power. The mechanisms and the various tools the retailers/supermarkets employ to achieve this bargain power have been documented
- Since the majority of all organic food is sold through retailers/supermarket chains the concept of the ‘Organic basket’, as a countermove and marketing strategy for the organic producers have been developed. To illustrate the meaning of the organic basket, the case story from the National Organic Association and its collaboration with the discount chain ‘Netto’ during 2005 promoting organic products and companies have been put forward. Suggestions of a similar approach towards the food service sector, both the public and private market, has also been put forward
- The ‘Organic basket’ as a future perspective where organic producers/packagegers collaborating trans-national to countervail the bargain power of Pan-European supermarket chains have been proposed as well.

### **Plans - 2006**

The results and conclusions from the research have so far generated publication of articles, lecturing and teaching. Equally the research has built up competences on producer - retailer relations and governance structures concerning types of transactions and modes of procurement. These competences are some of the major back bones in the new DARCOF III project: Organic farming in a global perspective, where they will be used and elaborated.

### **Publications**

#### **Peer-reviewed and accepted**

##### **English**

Kledal, Paul Rye; Kjeldsen, Chris; Refsgaard, Karen and Söderbaum, Peter (2006) [Ecological economics and organic farming](#), in Halberg, Niels; Alrøe, Hugo; Knudsen, Marie and kristensen, Erik Steen, Eds. *Global Development of Organic Agriculture*, chapter Chapter 4, page pp. 113-133. CABI Publishing.

Kledal, Paul Rye (2006) [The Danish Organic Vegetable Chain](#). Report, Production and technology Division, Institute of Food and Resource Economics.

#### **Submitted for peer-review but not yet accepted**

##### **English**

Kledal, Paul Rye (2006) [The Danish organic vegetable chain: Power assets and development prospects](#). [preprint]

## Not peer-reviewed

### English

Kledal, Paul Rye (2005) [Growing bargain power of supermarkets presses organic vegetable producers](#). *DARCOFenews*(3). Online at <<http://www.darcof.dk/enews/sep05/vegetable.html>>

Kledal, Paul Rye (2005) [Organic food and farming: Between market subordination and retailer growth prospects](#). Paper presented at International Farm Management Association nr. 15: Developing Entrepreneurship abilities to Feed the World in a Sustainable Way, Sao Paulo, Brazil, 14 - 19th of August 2005.

Kledal, Paul Rye (2004) [Resistance, globalization and "conventionalization"](#). Paper presented at XI World Congress of Rural Sociology ay, Trondheim, Norway, July 25-30, 2004; Published in *Book of abstracts*.

Kledal, Paul Rye (2003) [Analysis of Organic Supply Chains - A theoretical framework](#). FØI Working Papers no. 15/2003, Farm Mangement and Production System Division, Danish Research Institute of Food Economics, KVL.

Kledal, Paul Rye (2003) [Analysis of Organic Supply Chains - A theoretical framework](#) [Analyse af økologiske fødevarer kæder - en teoretisk tilgang]. FØI - Working Paper no. 15/2003, Farm Management and Production System Division, Danish Research Institute of Food Economics.

Kledal, Paul Rye (2003) [Organic production in the Third Food regime](#). Paper presented at Northern consumption/ Southern production. A mini-conference on cross-continental food commodity chain systems, Institute of Geography, University of Copenhagen, Denmark, 10-11 October, 2003.

Kledal, Paul Rye (2003) [The Political Economy of Organic Foods](#). Paper presented at SAFO: Sustaining Animal Health and Food Safety in Organing Farming. "Socio Economic Aspects of Health and Food Safety in Organic Livestock", Florence, Italy, 5-7th of September 2003.

### Dansk - Danish

Kledal, Paul Rye (2006) [Voksende forhandlermagt til supermarkederne presser de økologiske grøntsags producenter på pris og leverance vilkår](#) [Growing bargain power to the supermarkets are putting pressure on the organic vegetables producers in terms of price and deliverance conditions]. Paper presented at Gulerodskonference, Backaskog slott, Sweden, 01-02 March 2006; Published in *conference magazine*.

Kledal, Paul Rye (2006) [Øget pres på grøntsagsavlere: Voksende forhandlermagt til supermarkederne presser de økologiske producenter af grøntsager](#) [Increasing pressure on the vegetable producers: Growing bargain power to the supermarkets increases pressure on the organic vegetable producers]. In *Økologisk Jordbrug*, 13. May, No 352, page 4. Økologisk Landsforening (National Organic Association).

Kledal, Paul Rye (2004) [Naturens tid, landmandens tid og agrokapitalens cyklus](#) [Nature's time, the farmer's time and the time circuit of the agri-capital]. In *Økologisk Jordbrug*, 9. January, page 8. Økologisk Landsforening, Frederiksgade 72, 8000 Århus.

Kledal, Paul Rye (2003) [Nye forskningsmodeller og et anderledes helhedssyn](#) [New research models and a different holistic approach]. *Forskningsnytt nr. 1/2003*. Online at <<http://www.cul.slu.se/information/publik/index.html#fnytt>>

Mogens, Lund; Jesper, Graversen; Janus, Søndergaard and Paul, Kledal (2003) [Analyse af fødevarekæder](#) [Analysis of food chains]. FØI working papers no. 16/2003, Farm Management and Production System Division, Danish Research Institute of Food economics.

## **2. Other products (oral presentations, public meetings, field days, etc.)**

Kledal, Paul Rye (2005): Præsentation af markeds- og udviklingstendenser i den økologiske gulerodsproduktion for danske gulerodsproducenter (i samarbejde med Frugt og Grønt Rådgivningen, Skejby)

Kledal, Paul Rye (2004): Presenting concepts from Political Economy and the historical changes connected to industrial food manufacturing and processing relating it to the development of Organic foods, at a DTU Ph.D. course September 2004

Kledal, Paul Rye (2004): "Fortid og fremtid for EU's landbrugspolitik", Tidskriftet SALT nr. 4 aug/sept. 2004 årgang 13, tema nr. "Bønder i bevægelse".

Kledal, Paul Rye (2004): Presenting concepts from Political Economy in relation to Organic farming at the SOAR Ph.D. course: "Modernisation processes in organic food networks" January 19-22 2004

Kledal, Paul Rye (2004): "Rekordfald i økologiske mælkeproducenter", Børsen 12 januar 2004, interview for kommentarer vedr. frafaldet i økologiske mælkeproducenter

Kledal, Paul Rye (2003): "Mælk på den opfindsomme måde", Samvirke dec. 2003