HANDLERS PERSPECTIVES ON SOURCING ORGANIC PRODUCE FROM THE GREAT LAKES REGION

Lourdes Martinez, Jim Bingen, and David Conner

Organic food sales continue to grow despite the current economic downturn. The Organic Trade Association predicted sales of organic food and beverages to top $23 billion in 2008 (OTA, 2007). Of this, fresh produce account for approximately $1 billion (Mintel, 2008). Despite the significance of organic fresh produce sales, there is little information on the retail and wholesale demand for regionally produced organic fresh fruit and vegetables in the Great Lakes region (GLR). Similarly, organic farmers in the GLR still find it challenging to participate in this rapidly expanding market.

Recent reports on organic agriculture in three Great Lakes states (Bingen, Osborne, and Reardon, 2007; Miller, Carusi, Vatovec, and Foltz, 2006; Minnesota Department of Agriculture, 2006), indicate that certified organic produce farmers rely largely on a mix of direct to consumer, retail and restaurant marketing strategies. At the same time, the 2004 ERS survey of organic handlers found that 16% of fruit and vegetable handlers experienced critical shortages of their products for sale (Dimitri and Obelholtzer, 2008). These shortages of organic produce reported nationally by organic handlers present an opportunity for farmers and handlers to explore strategies which could help organic farmers move from a mostly direct marketing strategy to including wholesale and retail sales in their production and marketing portfolio.

Figure 1 U.S. Sales of Organic Fruit and Vegetables, 2003-2009

$ million

2008—2009 are estimated
Source: Mintel, 2008
Porter’s (1991) position on competitive advantage can be applied to organic farmers. In order to gain competitive advantage they need to be either low cost providers or become unique in the marketplace. Producing organic products for the GLR markets could contribute to either strategy: offering differentiated products not currently available or scaling up to increase sales volume. Dobbs, Shane, and Feuz (2000) recommended that more regionalized strategies would be needed in the United States to encourage and preserve organic farming and marketing by small-scale, independent and entrepreneurial family farms. Consistent with this recommendation, we suggest that the development of a successful strategy for expanding organic production and marketing in the GLR needs to be based on a better understanding of the challenges and opportunities identified by produce buyers for sourcing organic produce from small-scale family farmers.

As a first step in developing such a strategy, we address the following questions: a) are noncertified organic handlers interested in sourcing and selling organic produce from the GLR? If they are interested, b) what do they identify as constraints on, and opportunities for doing so? and c) What is their perception about relying on farmers in the region to supply them with fresh produce? To answer these questions, we contacted 115 produce handlers who were registered in a directory of fresh produce handlers in Michigan. The handlers we contacted ranged from growers, shippers, wholesale distributors to food service buyers (Table 1). This article reports on the answers of Michigan-based fresh produce handlers about what they identify as opportunities for, and barriers to, sourcing more organic produce from the GLR. Their views represent an important starting point to develop a Great Lakes strategy to supply quality organic produce in the region.

### Table 1

<table>
<thead>
<tr>
<th>Category of Business</th>
<th>No. of Participants</th>
<th>% of Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale Distributors</td>
<td>69</td>
<td>60</td>
</tr>
<tr>
<td>Growers/Shipper</td>
<td>20</td>
<td>17.4</td>
</tr>
<tr>
<td>Direct-retail Buyer</td>
<td>7</td>
<td>6.1</td>
</tr>
<tr>
<td>Food Service Buyer</td>
<td>7</td>
<td>6.1</td>
</tr>
<tr>
<td>Packer and Repackers</td>
<td>3</td>
<td>2.6</td>
</tr>
<tr>
<td>Processors</td>
<td>3</td>
<td>2.6</td>
</tr>
<tr>
<td>Brokers and Agents</td>
<td>3</td>
<td>2.6</td>
</tr>
<tr>
<td>Others</td>
<td>3</td>
<td>2.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>115</strong></td>
<td><strong>100</strong></td>
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</tbody>
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**Experience and Importance of Handling Organic Produce**

While very experienced in handling conventional fresh produce, most handlers started handling organic produce only recently and only one had more than 20 years of experience in the organic market. The relatively recent interest by handlers in organic produce is consistent with the growth in organic consumption during the 2000s. Sixteen handlers (14%) indicated they deal with organic produce only “on demand” in response to customer requests; as a result they do not have specifically assigned organic marketing personnel. Organic produce represents less than 5% of their sales, but 13 handlers (11%) consider that organic produce is important for their business, and for three handlers, organic represents a ‘critical’ product needed to satisfy customer demands.

Handlers would probably not expand their product line if they were to handle more organic produce from GLR growers, but they expressed interest in handling more organic produce from the region. California, Florida, Washington and Chile continue to be their main sources of fresh produce supply throughout the year. Three handlers stated that they have started to purchase ‘in-season’ organic produce from Ohio and Michigan farmers. But most handlers report that an insufficient supply of organic produce is their main limitation to
sourcing directly from Michigan or Great Lakes growers.

Despite the continuing demand for local organic produce, many handlers are uninterested in handling organic produce. Fifty-four handlers, from wholesale distributors to grower-shippers, brokers, food service suppliers and packers, reported that for various reasons their customers are not asking for organic produce. According to these handlers, their customers do not demand produce due to its relatively high price compared to conventional produce.

**Relationships with Farmers**

Verbal agreements, based on trust and reputation govern the relationships with GLR growers. These agreements stipulate products, delivery date, payment terms, as well as any cooling and packaging requirements that are important to meet food safety standards. While these agreements allow handlers to plan ahead, specific prices are agreed upon weekly or even at delivery time. Only one handler specifically mentioned category management, the practice of selection, placement, promotion and pricing of products, as a way of conducting business with suppliers. Organic farmers remain responsible for delivery to the handlers. Two handlers expressed a willingness to arrange transportation to their warehouses, but only if the farmers were in the same area and if the volume justified the transportation. Some handlers would consider acting as consolidators or aggregators from several farms in order to meet the standard demand for organic produce from retail grocery chains.

Communication is key in GLR fresh produce chains. In an industry with great potential for fraud, it is too costly to monitor and enforce contracts. Trust requires time to build among handlers and farmers. Cases of farmers who do not meet agreed-upon volumes and delivery times, or who do not respect their verbal agreements make it difficult to build close relationships. Handlers commonly talk with their conventional suppliers at least once a week, if not every day. Two handlers also organize meetings with their suppliers before the beginning of the season to discuss packaging and delivery requirements. In addition, conventional farmers usually send information about product availability and prices to handlers. Handlers expect the same behavior from their Great Lakes organic suppliers. While most handlers have built trust and communication with conventional farmers over years of working together, communication with Michigan organic farmers started only recently. Three handlers who source organic produce have been in business with Michigan organic farmers for less than three years and they indicate that communication remains an issue for them. Handlers see ‘organics’ as a business and they expect organic farmers to understand their business expectations. But as one handler noted, “Some [farmers] see organic as a hobby; for some growers this is not a business. For [us] it is business, a way of living and making money.”

Sixteen handlers cited several challenges for sourcing from small-scale farmers in the GLR (Table 2). First, handlers require that organic produce be USDA-certified. Since many smaller scale organic farmers who rely largely on various types of direct marketing are not certified, they would need to certified or recertified in order to sell to handlers.
Second, handlers need products year round and in quantities that surpass the capacity of smaller scale growers. Consistent or uniformly sized produce, often difficult to achieve by small-scale growers in the uncertain growing conditions around the Great Lakes, is also important. Fifteen handlers said that in order for them to handle organic fresh produce they needed sufficient volume, which in some cases represents a truckload each week. In fact, handlers state that the inability to meet this requirement in the GLR provides one of the main reasons why they continue to work with large grower-shippers in California or elsewhere. Nine growers reportedly bought just from California shippers because it continues to be more cost effective than buying organics from the GLR. According to a handler, his company did not buy from Michigan because they needed volume to justify the cost of shipping a truck-load of fresh produce. Another handler observed that they save around $200 per trip when they brought products directly from shippers in California.

Third, handlers feel that smaller scale farmers who are accustomed to direct consumer sales find it difficult to accept that sales prices to handlers will (or must be) lower. At the same time, most handlers do not negotiate preseason prices—thereby requiring farmers to manage this risk. In contrast to large organic produce growers, this approach is difficult for smaller organic growers to accept since they commonly lack a reference price to use in their negotiations with handlers. These smaller organic growers, at least initially, also may under appreciate the services and access to different markets that handlers can offer, even though their prices may be lower than those through direct marketing. For example, nine handlers reportedly provided some form of assistance to farmers to meet packaging, labeling, and general cosmetic standards. Some also organize seminars for farmers, visit farmers to check their harvest and provide free consultation.

Handling Organic Produce: Opportunities

At the time of our interviews, 37 handlers were already dealing with some organic fresh produce, and 30 handlers expressed interest in receiving more information about the availability of fresh organic produce from the GLR. Sixteen respondents specifically acknowledged the growth in the market for organic products in the region (Table 2). In addition, four handlers emphasized that the demand for locally produced organic produce was the main driver to expand their markets to add organics. Some recognized this as an opportunity for farmers who are transitioning into organic production. As the demand continues to increase, many handlers expressed an interest in working more closely with farmers. Three handlers indicated that their relationship with Michigan farmers was “good” and that Michigan farmers are doing better than others in the GLR with respect to organic certification and the production of quality produce. While some handlers were unaware of organic production in the region, some handlers mentioned specific examples of efforts that would help expand the organic market in the GLR. In the case of Michigan, such efforts include food cooperatives which organize specific programs to educate consumers, or the “Select Michigan Organic” program which labels Michigan grown organic products and is designed to help farmers reach highly competitive produce markets.

The Way Ahead for GLR Organic Farmers
This project was designed to understand the perception of fresh produce handlers about structural constraints facing small-scale GLR farmers as well as their opinion about GLR organic production and their willingness to source from the region. We found that while many of them already sourced organic produce, most did not buy organic produce from the Great Lakes region. Overcoming barriers to accessing retail, wholesale and food service market outlets requires organic farmers to constantly establish relationships with produce handlers. Small to medium scale organic farmer’s limited production capacity and inability to supply year round requires them to explore some collective marketing strategy to decrease transaction costs in the GLR industry and possibly forming relationships with out-of-region suppliers.

On the policy side, the needs include developing effective communication networks that can help both farmers and traders know more about volume availability and prices. This may also contribute to educating farmers about the benefits and risks of organic agriculture and help them better assess their marketing options.

We suggest the following steps to foster more supply from GLR organic farmers to wholesale, retail and food service in the region: a) use a regional organic label as a differentiation strategy to increase competitive participation in local and regional markets, and b) design and test efforts such as cooperatives, limited liability partnerships or contracts to aggregate supply from farmers. Cooperation may allow farmers to take advantage of current opportunities and deal with challenges related to their limited scale of production. Once in place and coordinated, these steps will allow development of a Great Lakes region strategy of benefit to farmers, handlers and consumers.

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THE FARM ANIMAL WELFARE DEBATE

F. Bailey Norwood and Jayson L. Lusk

Why should you care about farm animal welfare? If the passage of Proposition 2 in the November 2008 California election is an indication of things to come, livestock producers and consumers would benefit from an improved understanding of the issue. The purpose of this article is to characterize the current state of the farm animal welfare debate and share some results from consumer studies we have conducted on the issue.

We argue that the issue of farm animal welfare is increasingly being debated in the general public, and that animal production industries have often refrained from meaningfully entering the debate, perhaps to their own detriment. We also emphasize the public good nature of animal welfare, which makes market-based solutions less likely and increases the likelihood for such debates to play out in the ballot box, state and federal legislatures, and courtrooms.

Contrasting Approaches

Animal rights groups and livestock industries have adopted very different strategies in debating farm animal welfare. Animal rights groups tend to focus on the farm animals and how they live. For example, numerous publications by the Humane Society of the United States (HSUS), which along with Farm Sanctuary and the Animal Welfare Institute are the major animal advocacy groups concerned with farming, discuss specific farm practices and go into great detail about the consequences for animal welfare. Their claims are carefully documented by scientific studies while also appealing to emotions with pictures and videos of miserable-looking animals in small cages. These publications go into great detail documenting and articulating practices that they believe the public will deem undesirable. Although some of these pictures and videos do not represent the average farm, they are real events and that matters. While they are adept at stirring emotions it should also be noted that the HSUS has written a number of informative white papers concerning animal welfare. These white papers are not emotional arguments but carefully constructed positions supported by scientific publications. The point is that HSUS concentrates on what happens to the animal and makes an ethical argument that animal care should be improved. The livestock industry does not.

The livestock industry has tended to focus less on what happens on the farm and instead has relied on two red herrings. First, many industry groups quickly dismiss animal rights arguments on the basis that their ultimate goal is not improved animal welfare but to impose veganism for everyone. This is the slippery slope argument; if we take one step down the road of animal welfare concessions we may slip into veganism. The second red herring is the concept of science-based practices; they argue that current livestock management is based on science while animal advocacy groups make arguments based solely on emotion.

Industry groups, especially the United Egg Producers (UEP), assert that their welfare standards are based on "sound" science whereas the farm practices sought by HSUS are not. It is true that the UEP standards are based on recommendations set forth by an independent scientific committee. The committee made a number of suggestions based on scientific evidence that would improve animal welfare. Two examples are increasing space per hen from 48 to 67 square inches and the elimination of forced molting. All recommendations made by the committee were accepted by the UEP and were applauded by many.

The science red herring is misleading though. It is true that the UEP standards are based on scientific
studies, but there are many studies backing HSUS’s claim that cage-free eggs are superior to cage eggs in terms of animal welfare, and the ranking of a system depends on the rankers’ particular values and perceptions (Fraser, 2002). In fact, every study we know that ranks egg systems in terms of animal welfare ranks cage-free systems ahead of cage systems in terms of providing animal care (De Mol, 2006; LayWel, 2004). Our research has discovered that consumers believe confining animals to small cages is inhumane and that they believe cage-free systems provide higher levels of well-being (Lusk and Norwood, 2008; Norwood, Lusk, and Prickett, 2007). This is true for uninformed consumers who answer survey questions on the phone and consumers who receive extensive information via in-person sessions. The red herring strategy asks consumers to disregard their beliefs and intuitions and accept the contention that “science” shows that animals do not suffer in cages barely larger than the animal’s body. For consumers who research the issue, the strategy asks them to disregard most of the “science” that they can find as well. The red herring strategy then tries to persuade the consumer that no attempt should be made to improve the animal’s state of well-being because that would please groups who promote veganism. In this context, the effectiveness of the red herring strategy seems dubious.

Animal welfare can be improved from its current state, especially for laying hens, hogs, and broilers (Bracke 2002a, 2002b; De Mol, 2006; Laywel, 2004). This improvement will cost money. Will consumers really pay the cost? That, in our view, is the real debate that should be held. So let us take a closer look at what consumers want in terms of animal welfare.

The American Food Consumer

In the summer of 2008, we traveled to Wilmington, No. Car.; Dallas, Tex.; and Chicago, Ill. where we randomly recruited 288 subjects from the surrounding population for in-person research sessions. The subjects participated in groups of 25 and were given objective information about pork or egg production systems, after which they were asked to answer a series of questions. The subject pool is diverse and is a good—though imperfect—representation of U.S. consumers. To be sure these people were no experts in animal welfare, but neither were they people naively answering questions on the phone; they received extensive information on animal production systems including pros and cons of various production methods. Their answers provide some insight into the farm animal welfare debate and in what manner it may be resolved.

Consumers were asked a question to determine whether they think farm animal feelings are important, and if so, to what degree animal feelings should be considered. Almost a third of the subjects state they do not believe the feelings of farm animals are important (Figure 1). This indicates that for almost a third of U.S. consumers, farm animal welfare is of very little importance. A majority, 69%, indicate they believe farm animals should not suffer, but society has no obligation to ensure they are “content and happy.” Only 1% thought that farm animals should be guaranteed a happy and content life. These results alter the context in which the farm animal welfare debate takes place. Although there are alternatives to the current egg and hog production methods that would improve animal welfare, the question is not whether it will make the animals happier, but whether the animals “suffer” in the current system and would “not suffer” in the alternative system.
Consumers were also asked about the means by which animal welfare improvements are sought and enforced. For example, consumers were asked a series of questions regarding their views on the role of government in regulating animal welfare. The results indicate that people generally oppose the banning of certain practices (Figure 2). Why, then, do they vote for cage bans so enthusiastically? The difference between our findings and the results of actual ballot initiatives in many states where a majority of people vote for bans can be explained, in part, by (1) the fact that people self-select into voting booths (i.e., a random sample of voters is not the same thing as a random sample of consumers); and (2) the fact that our respondents received objective information on farm animal welfare. More importantly, however, is the fact that our subjects indicated a belief that government should pass and enforce anti-cruelty legislation. If voters in real referendums thought the practices they were banning were indeed cruel, then our results and the referendum results are not in conflict. If the subjects in our study resemble the Californians who voted on Proposition 2, then they may have approved of the proposition because they felt the animals were suffering on the conventional livestock farm.
A slight majority of our respondents approved of the labeling of food raised under higher welfare standards, and almost as many thought the government should force companies to indicate the level of animal welfare on their products (how they would do this is unknown). What these results show is that our subjects generally favored allowing consumers the right to determine the level of animal welfare on products they purchase, but they favor banning cruel practices. Again, how consumers believe the farm animal welfare debate should be resolved likely depends on whether they think farm animals are suffering. Differentiating food products according to animal welfare allows consumers to decide what practices cause “suffering”, which is the central consumer concern. Another advantage of labeling is that allowing product differentiation in the attribute of animal welfare takes advantage of an established and growing institution supporting cage-free production for eggs. The UEP has spent considerable time formulating standards for cage-free egg production in their UEP Certified Program, which is an animal welfare standard and auditing program for cage and cage-free production. The UEP has demonstrated a willingness to work with scientists to ensure their systems do not just look like high welfare, but are indeed good for the birds. Over 80% of egg producers participate in the UEP Certified Program, so it has broad producer support.

Perhaps if the agriculture industry engaged HSUS in an effort to promote food differentiated by animal welfare, the two groups could reduce the resources spent engaging in media and legislative battles, and redirect resources to developing markets for higher animal welfare. It is perhaps a bit Pollyannaish to assume the two groups will converge on mutually agreed outcomes, but there is certainly room for improvement; we know of no formal mechanism or institution in which the HSUS and the agricultural community (including agricultural scientists) intersect in any meaningful manner. At a minimum, some form of formal communication other than political lobbying or television ads would seem desirable. Indeed, faculty at Land Grant Universities can help fill this role, and economists, in particular, bring a disciplinary perspective to the table that can help facilitate communication among parties with divergent preferences.

Farm Animal Welfare as a Public Good

The discussion thus far may neglect the most important aspect of farm animal welfare: that animal welfare is a public good. Animal suffering is a key issue for consumers. The reduction of suffering is a public good because anyone can experience pleasure from better animal care, even if they did not consume the food. Moreover, private labeling initiatives for eggs and meat often cannot fully solve the public good dilemma because many people who care about animal well-being do not purchase eggs or meat. That is, spending to improve animal well-being by buying eggs requires purchasing the private good as well as the public good, and those only interested in the public good may not be interested in the private good. Private labeling also suffers from the free-rider problems—even if a person cares about animal well-being they may not purchase the more expensive certified products because they can benefit from the certified purchases of others.
The public good nature of farm animal care helps explain why many prefer the complete prohibition on practices they deem cruel, regardless of who consumes the food from the animals affected. The consumers we studied in the summer of 2008 were asked whether they favored bans on animal practices they do not approve of even if they could easily find food using practices they do approve. As shown in Figure 4, of the 70% who expressed an opinion, almost two-thirds (69%) favored such a ban. Due to the public-good nature of farm animal welfare, differentiating food by the level of animal welfare provided is not likely to resolve the issue.

Figure 3

Public Good

A public good is a good that is non-rival (meaning many people can consume the good simultaneously) and non-exclusive (meaning no one can be prevented from consuming the good).

Figure 4 Percent of Consumers (N = 288) Who Agree with Statement: "Even if I could easily find egg or pork products that meet my standards of animal care, I would favor government bans on egg products produced under lower standards of care."

The farm animal welfare issue is one of ethics—public ethics. The choice of how animals are raised affects not just the consumer but reflects the social norms of everyone. Because people have conflicting views on this matter there is no reason to believe the matter will be settled soon, or settled without a long, bitter battle in the public, legislative, and judicial arena.

There is general support for laws banning "cruel" practices, and while there are always arguments about what constitutes cruelty, surveys indicate that battery cages and gestation crates are considered inhumane by
When roughly one-third of consumers who do not care about animal feelings confront the other sector of America who feels modern farm practices should be banned, there is no market solution, only public battles.

The Bottom Line

Given the positions and experience to date, what can be expected in the future? Expect HSUS to introduce new referendums, target new food retailers, bring new lawsuits, and appeal to public sympathy for animals. Expect animal agriculture to fight back, for example, by introducing legislation prohibiting the use of referendums for farm animal issues. Expect a patchy, incoherent set of laws and court rulings to emerge. Livestock industries are currently protected from anti-cruelty laws because they are “customary” practices. Should a court rule that cruel practices cannot be justified based on their popularity livestock producers could face stiff animal cruelty charges. This would lead to a series of precedents, and also motivate new legislation that would alter the farm animal welfare conversation.

The farm animal welfare debate will not converge to a simple struggle for market share between cage and cage-free eggs. That battle for market share will take place, but it is a skirmish compared to the real farm animal welfare debate. The majority of the debate will take place in the voting booth, the courtroom, the public arena, perhaps in newly designed markets, and most importantly, in the heart and mind of the American consumer.

For More Information


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