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**What about the food ‘quality turn’ in South Africa?
Focus on the organic movement development**

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What about the food ‘quality turn’ in South Africa? Focus on the organic movement development

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Summary

This paper depicts how the general turn from mass consumption toward increased qualitative differentiation of products - the ‘quality turn’ - manifest in the South African agro-food system. The strong influence of these quality trends on agro-food systems evolution has been widely discussed in Europe and North America. We show that identifying quality related dynamics is bringing an interesting perspective into understanding some of the evolution of the local agro-food system.

The discussion is mainly based on the perspective of the organic sector. Most domestic retailers' food quality positioning is in line with consumer trends, being general and price orientated. However, the retail sector has been entering and driving quality related niche markets, especially organics, fostering new organizational arrangements through certification schemes development. Price premiums and consumer behavior analysis associated with organic production reveal significant consumers' willingness to pay for immaterial product attributes (e.g. health) and reflect the current supply and demand imbalance in the organic sector. The leading role of the retail sector in conveying quality movements is instrumental in understanding the discussed evolution. Pointing out the growing interest in farmer's markets provides elements to foresee new development in the agro-food system and departure from the retail driven quality movement.

KEYWORDS: Quality, Organic food, Retail sector, South Africa, Consumer behaviour

1. Introduction

The general food quality trends of the last decade (e.g. convenience food, organic food, fair trade, local food...), that resulted in product and market proliferation and differentiation had a strong influence on the evolution of the agro-food systems. These have been widely described and analyzed especially in the European and North American context where it mainly resulted from endogenous dynamics. However, little has been written on an emerging country such as South Africa. The purpose of this paper is to depict this ‘quality turn’ in the South African food system where it is much more influenced by the global and external expansion of the trends mentioned above.

The structure of the paper is as follows. After shedding more light on the main characteristics of the general global food quality trends, we highlight how they manifest in the South African agro-food system. As part of the background, we present the main characteristics of the South African agro-food system at its different stages: distribution, consumption and production. We focus our analysis mainly on the development of the organic food sector, which has known a very recent but huge growth in South Africa, and which is also one of the most prominent trends in the alternative food quality movement globally. By pointing out the prominent role of the retail sector in this growth, we highlight the evolution of the different stages of the agro-food system. Building upon another interesting new trend in the South African agro-food sector - the growing interest in

farmer's markets -, we conclude with some final thoughts on possible future development in the agro-food system.

2. Background

2.1 General agro-food quality trends

It is a well established fact that the agro-food system has been evolving in many parts of the world in the last decades based on the industrialization of agriculture and agro-food processing. This has resulted in an increased offering of standardized products and a commoditization of food products, which have been underlying the development of the mass consumption model. However this Fordist regime of mass production/ consumption has been characterized by a pronounced decline triggered by a movement towards market diversification and product proliferation.

Recent developments in food science and technology have supported the growing offer of convenience food by adding services to products (such as prepared food, pre-cut fruits and vegetables, ready to eat food...) and of functional food that integrates dedicated health services. Simultaneously, the emergence of place-based and socially embedded food practices and products have given rise to the proliferation of alternative agro-food networks (Goodman, 2003; Murdoch et al., 2000). The combination of these developments constituted a turn from the mass consumption model toward an increasing qualitative differentiation of products and demand (Allaire, 2002) referred to by Allaire (2003), among others, as the 'quality turn'.

This focus on quality and the associated proliferation of products arose, at least partly, in response to evolving forms of consumptions based on food origin and quality (Renard, 2005). Changes in food demand and consumption have been driven by recurrent food crises, which triggered consumers' distrust and their increased food safety awareness, by growing social and environmental concerns as well as some forms of local food activism that developed in reaction to globalization trends (Ponte and Gibbon, 2005). The quality turn is clearly related to the globalization of food networks and by the market saturation for 'commodity' type products (Allaire, 2003; Ponte and Gibbon, 2005).

This product proliferation and differentiation is associated with what Allaire, (2003) describes as "*the immaterialization of food and institutionalization of quality*", which is translating into an increasing complexity of quality and new quality conventions. Other factors, in addition to price, are gaining importance in transmitting knowledge about product quality to consumers as well as in the competition among actors in the supply chains. As stated by Sauvée and Valceschini (2003), "*In the current competitive universe, the definition of quality and the information on qualities are from now on at the heart of the competitive strategies of economic actors.*"¹ New regulatory models and new forms of coordination in agro-food networks are emanating from the diverse notions of quality and practices that have emerged (Ponte and Gibbon, 2005). The institutionalization of quality is often associated with the development and implementation of new certification frameworks. These practices of certification define mechanisms of market entry and often create strong barriers to entry, constituting source of power for those controlling them (Renard, 2005; Ponte and Gibbon, 2005). As stated by Raynolds (2004: 738), "... *certification represents a powerful new form of network governance...*".

¹ « *Dans l'univers concurrentiel contemporain, la définition de la qualité et l'information sur les qualités sont désormais au cœur des stratégies compétitives des acteurs économiques* »

As noted by several authors and in particular Renard (2005: 423), the large retail sector has taken the lead and is now playing a significant role in the development of these certification schemes: *“The proliferation of quality seals and certifying organizations has coincided with big retailers’ appropriation of the quality-label strategy, and self presentation to consumers as protectors of food quality.”* In addition to contributing to their image, selling specific quality type products is used by retailers as part of their strategies to better target specific consumer segments, as stated by Tim Harford that is quoted in the Economist (2006:72): *“Fair trade coffee, like the organic produce sold in supermarkets, is used by retailers as a means of identifying price-insensitive consumers who will pay more, [Mr Harford] says.”*

On the other hand, with the growing importance of quality foods, other practices and institutional innovations have been emerging, reemerging, and/ or enhanced, such as *“direct marketing, short food supply chains, local food systems and the renewed legitimization of artisanal food practices and regional cuisines.”* (Goodman, 2003: 2.

It is thus interesting to understand if and how these quality trends have been developing in South Africa and how they have been affecting the South African agro-food sector. As our main focus in depicting the quality turn in the South African context will be on the organic sector, we conclude this section by briefly describing key features of the international dynamics in this segment, mainly based on Raynolds (2004) who gives a comprehensive overview of the evolution of organic agro-food networks. The organic sector that was initially built on alternative movements did not escape from the large retail movement toward appropriating the different alternative labeling schemes. *“Once supplied by alternative movement venues such as farmers markets, box schemes, and small food coops, organic products have made dramatic inroads in conventional distribution channels. Most major supermarket chains and many institutional suppliers now offer organics, taking advantage of their popularity and their 20-40% price premiums.”* (Raynolds, 2004: 733) This increasing retail control over mainstream Northern organic markets goes along with the enforcement of standardized certification procedures that impose huge administrative and technical burdens on producers, and, in some cases at least, with the development of preferential procurement arrangements as has been observed in different regions and countries (Reardon et al., 2001; Reardon et al., 2003). This especially impact on small and peasant producers, which practices are generally not adapted to these requirements, and consolidates the position of large scale farmers that are more likely to ensure consistent supply of standardized products (See among others Reardon and Berdegue, 2002; Weatherspoon and Reardon, 2003). According to Raynolds (2004: 737), *“the mainstreaming of organic foods in Northern markets has critical implications for the governance of domestic and international supply networks, delimiting acceptable production processes, product specifications, and types of enterprise participation.”* (Raynolds, 2004: 733)

However it is interesting to note that the dominance of the retail sector over mainstream growing organic markets has not caused the disappearance of alternative organic markets, which are supported by dedicated consumers, giving rise, according to Raynolds (2004: 734) to *“...a bifurcation between market- and movement-oriented organic distribution systems and consumers.”*

2.2 The South African agro-food system

2.2.1 The South African marketing system: prominence of the retail sector

South Africa is characterized by two parallel economies, with a clear wealth and rural/urban divide: the so called first or 'modern' economy consisting of established consumers who represent 25.5%, and are mostly urban and emerging consumers representing 42.7%, and the second or marginalized economy, which accounts for 31.8% of the population and is mostly rural (SAARF, 2005).

From an agribusiness perspective, the South African agro-food sector is dominated by the large retail sector, notwithstanding a still clear divide between urban and rural food system. Indeed, this domination is much more pronounced in urban areas. The supermarket phenomenon has played an important role in food distribution in South African food since the 1980's. The growing urbanisation process and development of suburbs far away from the central business district has been accompanied since the 60's by the development of suburban shopping centres and hypermarkets marking clear retail outlet growth in size. The small corner shop format progressively evolved into larger scale supermarket format. Recently, supermarket format has been diversified with retail stores ranging from convenience stores and forecourts to hypermarkets. Botha and Van Schalkwyk (2006) describe the formal retail sector as a wide spectrum of neighbourhood convenience stores, speciality stores, boutiques, chain supermarket stores, department stores and large wholesale and retail outlets. Supermarkets account for more than 55 % of national food retail (Weatherspoon & Reardon, 2003). South Africa has a mature formal retail market, solely occupied by domestic retailers and highly concentrated, with four dominant players: Shoprite/Checkers and Pick 'n Pay, both with 33% market shares, SPAR with 26% market shares and Woolworths with 8% (personal interview with retailers during 2006).

In parallel to these well developed retail chain groups, a very large and growing informal market, especially for fresh fruit and vegetables, also exists in South Africa. It is generally prevalent in many rural regions (especially former homeland areas), townships, taxi ranks, train stations and street corners where supermarket retail outlets are absent or have been absent. The informal market includes traditional independent stores such as general dealers, cafes, spaza shops, street vendors, hawkers and tuck shops as well as primitive little street corner stalls (United States Department of Agriculture, 2005). On the two largest Fresh Produce Markets in South Africa, in Johannesburg and Pretoria, purchases by informal traders represent significant portions of about 50% and 29% of fresh produce trade respectively². The level of consolidation in the informal sector has proven difficult to ascertain since very little information is available for this sector.

The third marketing format in South Africa is that of direct sales by producers. Direct sales include sales through roadside or farm stalls near large cities, sales to hawkers and informal traders. In general, South African consumers do not have a deep-rooted tradition of food purchasing at farmers' markets. However, farmers' markets (e.g. in the Western Cape) are becoming increasingly popular among wealthy consumers. More emphasis will be put on this aspect later in this paper.

Given the focus of the paper on the recent international food quality trends and their manifestation in South Africa, we will mainly deal with the formal South African

² Source: Personal interview with the senior manager of commission business at the Johannesburg Fresh Produce Market and with the marketing manager of the Tshwane Fresh Produce Market in August 2004, for the Regoverning Markets project.

marketing system as it is unlikely that these quality trends will affect the informal sector directly. Furthermore it would be very difficult to capture influences on the informal sector based on the limited secondary data available.

2.2.2 General consumer trends

Some of the major global trends in food consumption - consumers' focus on health, convenience and the growing impact of private supermarket labels (ACNielsen, 2005a, 2006a) - are taking stance in the South African context. Health foods are usually associated with a price premium which only wealthier consumers can afford. However, the movement towards healthy staples in the form of consumption of larger quantities of fruit and vegetables, which is a more affordable health movement, is the fastest growing health activity across all the consumer wealth groups in South Africa. Local consumers also express increasing needs for convenience foods due to factors such as longer working hours, more women entering the work force and the current lack of efficient public transport. Affordable convenience is important for consumers in the lower wealth groups as confirmed by a study by ACNielsen on retail dynamics (ACNielsen, 2006b) indicating that the retail shopping behaviour of South African consumers are mainly driven by lowest overall price (39% of survey respondents) and convenient store location (36% of survey respondents). Since South African consumers are extremely affected by price constraints, private supermarket labels are important and growing in South Africa, but are usually associated with discount / value for money brands.

In addition to these major food trends in South Africa, there are not yet strong alternative food quality movement. However, there is a small but growing interest especially for organic food, but also for free range produce and food purchased at local markets (instead of supermarkets). It is interesting to note that more general quality considerations were some of the very important considerations of consumers when selecting a grocery purchase location, especially in terms of the availability of high quality fresh food, better selection of high quality brands and products and quality in-store service as revealed by ACNielsen retail dynamics study (ACNielsen, 2006b).

Even though wealthier consumers are the main target group for alternative quality foods (mainly due to the price premium associated with the products), there is a movement among less wealthy consumers to spend on selected luxury items within their budget constraints. Furthermore, the emerging middle class is a large portion of the population and is moving into wealthier consumer groups over time. South Africa's growing middle class has the income, education and potential interest in alternative quality food products and could contribute to further growth in these markets, especially for the organic food sector in South Africa, thus constituting a significant target group for large retailers.

2.2.3 The structure of South African primary agricultural sector

South Africa is characterised by very prominent dualism in its agricultural production. On the one hand there is a very well developed commercial agricultural sector characterised by a relatively small number of producers (about 60000 commercial farmers) owning 87% of the total agricultural area and producing more than 95% of the marketed output (Vink and Kirsten, 2003). On the other hand a subsistence and/or small scale agricultural sector characterised by a very large number of producers (about 3 million small-scale farmers), of whom a majority is settled in the communal areas, making up about 13% of the agricultural land area. Their production levels are generally low due to a traditional land tenure system, a lack of physical infrastructure, a lack of credit facilities, a low access to input markets and

a high level of emigration of the active population. In most rural households the farmers who remain on the farm are those with the lowest opportunity cost, which is defined by the external labour market which favoured adult man (notably for mines and industry). As a consequence, many rural households are headed by women or pensioners (D’Hease and Kirsten, 2003). They produce food primarily to meet their families’ subsistence needs (NDA, 2001). In these less-developed rural areas of South Africa, which have historically been neglected, agriculture is an important contributor towards food security and rural incomes. Historically, the level of commercialisation has been limited and agricultural activities have tended to be small-scale with a restricted contribution towards the household livelihoods (Lahiff and Cousins, 2005). Some of the implications of the growing organic sector in South Africa, especially for small-scale agriculture, will be discussed later in this paper.

3. Research objectives and approach

The main objective of this paper is to investigate the ‘quality turn’ in the South African food system and its influencing factors. The specific research objectives are to:

- Identify the manifestations of the general food quality trends, outlined in the background section, within the South African context.
- To discuss the impact of alternative food quality trends on South African agro food systems in its different stages –production, distribution and consumption - through a perspective on the organic food sector in South Africa given its evolution, present status and future prospects.

The analysis in the paper is mainly focused on the development of the organic food sector, which has known a very recent but huge growth in South Africa, and which is also one of the most prominent trends in the alternative food quality movement globally. Furthermore, given the prominence of South African retailers in the South African formal agro-food sector, especially in the urban and wealthy part of South Africa, and in particular in driving growth in the local organic sector, the analysis stresses the retailer sector’s behaviour and its implications. Various issues related to the South African organic industry are discussed and argued, based on literature and some empirical data. The empirical data specifically refer to retail prices that were used to calculate the price premiums associated with organic food in the South African context.

4. Results

In this section, an interesting perspective into the understanding of the evolution of the agro-food system in South Africa is presented by pointing out that the quality turn is mainly conveyed through the large retail sector.

As detailed below, from a retail perspective, organic food is the most significant food quality movement in South Africa. Selected major South African retailers are the dominant purchase outlets for organic food in South Africa. Even though the organic food industry is still a very new phenomenon and lags far behind the developed world, the sector has shown exceptional recent growth. Contrary to the organic movement in European and North America countries, the food organic industry in South Africa did not start from *‘loosely coordinated local networks of producers and consumers’* (Raynolds, 2004). The substantial growth of the South African organic food sector is mainly attributed to the entrance of major retailers. According to Mead, the chairman of SA organics (2006:1), *“The entrance of the major retailers has heralded substantial growth for organics in South Africa.”*

Before focusing on the various issues related to the South African organic industry, we first briefly present an interpretation of the current state of development of food quality differentiation trends in South Africa through the quality positioning of the dominant South African supermarket chains.

4.1 Main retail chains quality positioning

As evident from corporate marketing information on the major retailers' websites, most supermarket chains' positioning on food marketing and quality strategies are still very general and price orientated. The Pick 'n Pay retail group, whose target markets are consumers in the middle and high wealth categories, focuses on a wide range of quality products at competitive prices. However its website contains a lot of information for customers regarding organic and free range products (www.pnp.co.za). Shoprite, which target groups are lower and middle wealth groups, (www.shoprite.co.za) advertises its convenient range at the lowest prices. Checkers, which is part of the same retail group and is more oriented towards satisfying the needs of the middle and upper wealth groups, emphasises "...lowest prices, regular special offers..." (www.shoprite.co.za). Emphasis in Checkers has been placed on specialist departments such as the bakery, meat market, cheese and delicatessen counter, and wine store. Over the past year the focus on convenience has seen a strong increase in prepared food while the fruit and vegetable departments were expanded. SPAR, which has a broad geographical base and the largest rural footprint in SA among the major retail groups, targets a wide range of consumer wealth groups and focuses on "...convenience and differentiation in terms of service and quality...", as well as on matching competitors' price and product ranges (Source: www.spar.co.za). SPAR is not a major player in the organic retail market in South Africa. Thus, it is evident that the quality positioning of Pick 'n Pay, Shoprite / Checkers and SPAR are still very general.

However, the exception in this regard is the retail group, Woolworths - the market leader in superior quality food products (www.woolworths.co.za). Examples of Woolworths quality food products are free range eggs, lamb, chicken; products linked to origin - Karoo lamb; organic food; badger friendly honey and hormone free dairy products. Their advanced quality positioning is also evident from their market positioning statement on health and superior taste experience, and with environmental sustainability and animal welfare taken into consideration: *"The good food journey is the name we've given to our ongoing quest to bring you food that's better for your **health**. It's produced by people who regard **animal welfare** as deeply important; believe that a **healthy sustainable environment** is vital; and are absolutely passionate about bringing you the **best possible taste experience**."*³

An important part of Woolworths' quality strategy is the communication of quality issues to consumers (especially in terms of organic, free range and food additive issues), on their website as well as through in-store advertising (e.g. posters and labelling information with special quality messages to consumers). In terms of food safety assurance, Woolworths' information, as provided on their website, is also much more detailed than other major retailers. Product development and traceability based on technology and science are clearly at the heart of their communication strategy: *"We are on a never ending quest to bring you more variety and more ways to delight your senses with great flavours - and good conscience. By carefully considering each ingredient, subjecting every product to **ongoing analysis** and providing all the **on-pack information** you need to make informed choices, you can be sure that food from Woolworths is food you can **trust**."*

³ Source: www.woolworths.co.za. Emphasis has been added to the quotation.

Even though there is already a social responsibility component (notably farm worker welfare) in Woolworths' engagement with farmers, ethical and social considerations are still not communicated to consumers as part of the marketing strategy.

Overall, as could be expected, retailers' positioning is very much in line with the general consumer trends depicted in the background part. Price still represents the main vector for communication as being still, for the vast majority of the consumers, the main purchase determinant, and convenience is also emphasised. The main quality trends that are taking stance in South Africa, that is mainly organic production and general quality considerations such as the importance of freshness, are present in at least some of the retailers' positioning.

This overview also shows, on the other hand, that even the market leader in quality strategies, which positioning is reflecting the global quality trends, do not yet emphasise place based and socially embedded food products. These are still very much absent from the formal markets.

4.2 Quality trends and changes in the agro-food system: insights from organic sector in South Africa

4.2.1 Growth and retail perspective

In South Africa, organic food is a niche market aimed at consumers in higher wealth groups. Even though the organic food industry in South Africa is still far behind the rest of the world, the sector (local consumption and exports) has shown exceptional recent growth from R5 million in 2003 to R155 million in 2005, of which at least 80% was fresh produce (Mead, 2006⁴).

The phenomenal growth mentioned in the background section is mainly attributed to the entrance of major retailers (Mead, 2006). It is expected that growth will continue exponentially for the next few years. The prominent role of South African retailers (specifically Woolworths and Pick 'n Pay) in driving the growth in the sector is emphasized by the following statement by Leonard Mead (as reported by Hall, 2005): *"Woolworths has driven growth in organic foods demand, and with Pick 'n Pay clearly stating its intention to expand its organic product range we expect to see a leap in this figure in the next few years."*

Woolworths views organic food as a significant 21st century lifestyle trend. In 1999, they introduced an organic product range of 10 products, which expanded to a present range of over 200 products (Hall, 2005). This retailer experienced growth in organic food sales of more than 50% year-on-year during the period 2003 to 2005. According to Pick 'n Pay CEO Sean Summers (as reported by Hall, 2005), Pick 'n Pay has predicted that the potential market for organic produce will be 5% of total produce sales in the short term, 10% in the medium term and up to 20% in the long term.

At present the organic product ranges of the local retailers include a wide range including vegetables, fruit, herbs, dairy products, breakfast cereals / bars, mayonnaise, salad cream / dressing, rooibos tea, instant coffee, pasta and wine. Pick 'n Pay offers a wider selection of organic fresh produce than Woolworths.

⁴ In the absence of official data monitors, Organics SA (the umbrella body for organic agriculture in SA) pulls together figures from the biggest players in the organic industry: retailers, producers and certifiers. Leonard Mead is the chairman of Organics SA

4.2.2 Legislation and certification

At present there is no organic food legislation in South Africa and consequently products have to be certified organic by a third-party ISO 65-accredited certifier. South Africa's draft regulations on organic production within the Agricultural Products Standards Act of 1990, has been a work in progress since 2000 (Africa Research Bulletin, 2006). However, consumers in the formal markets are asking for assurances that everything marketed as organic follow the standards of organic production. Currently certification schemes are privately driven and imposed on producers as a market entry requirement by local retailers and/or international importers.

According to Organics South Africa there are five third party organics certification bodies in South Africa: Afrisco / Ecocert, BCS, BDOCA / Debio, SGS and SKAL/Controlunion. All legitimate organic farmers / packhouses / manufacturers / box schemes are subjected to a comprehensive annual inspection, where the farm and all farm records are examined. Retailers are exempt from this requirement if they only sell pre-packaged food provided by a certified supplier. Annually, a certificate is issued to the producer who successfully passed the inspection. Any organic produce sold by the farmer must be labelled as organic and must include a reference to the name of the Certifying Body. Globally there are more than 70 sets of standards setting the rules and regulations of organic production. A producer have to engage in organic production in accordance with the standards of the country where the produce will be sold, e.g. for South Africa – the draft South African Standards, or the SGS Organic Production Standard, EU - EC-Regulation 2092/91, USA - USNOP standards, Japan – JAS (www.organicsouthafrica.co.za).

Pick 'n Pay only procures organic produce from farms / packhouses that have been certified by an accredited certification body (specifically SGS, Ecocert, British Soil Association, BDOCA and Afrisco). Organic produce have to be clearly labelled as “organic” and the supplier's certification number must appear on the food label. Certification is an annual process. In addition to the role of the certification bodies, Pick 'n Pay food technologists also regularly inspect all organic suppliers (www.pnp.co.za).

Woolworths has had its own distinctive organic logo since 1999. In addition to the logo the certification number or logo of organic certifying authorities such as Ecocert, Afrisco, SGS, BDOCA, Soil Association and BCS, should also be on the product label. Woolworths adhere to International Organic Standards, and procure organic produce only from organic farmers who are regularly audited and certified by specific certification bodies. For processed products a minimum of 95% of the ingredients of agricultural origin in the product are certified organic. When a product is labeled 'organic in conversion' it is / contains a crop of agricultural origin, from a farm that has been farming organically for one to three years, but has not yet reached full organic certification. For products labelled as 'Made with organic...' between 70% and 95% of the agricultural origin ingredients are certified as organic (www.woolworths.co.za).

4.2.3 Price premiums analysis

In order to get insights into the functioning of organic markets in South Africa, the price premiums associated with a range of organic products offered by Woolworths were calculated by comparing the prices of organic products with similar conventional food products. This gives an initial understanding of the price premiums associated with organic produce in South Africa. The analysis was based on price data from the Woolworths on-line shopping systems during February 2007. The results are shown in Table 1.

Table 1: Calculated price premiums for organic food sold at Woolworths (February 2007)

Food type:	Price premium:
Vegetables	18%*
Yoghurt	26%
Greek feta cheese	31%
Mixed processed vegetables	44%
Breakfast cereals / bars	47%
Bananas	72%
Salad dressing / mayonnaise	110%
Tea / coffee	112%

The vegetables premium (*) has been calculated as an average of the price premiums of the whole range of vegetables available for purchase during February 2007 (onion, spring onion, beans, garlic, baby marrow, sweetcorn, butternut, pumpkin).

According to Raynolds (2004), prices premiums typically range between 20 and 40%. South African price premiums thus appear to be in the high range for most products, except for some vegetables. As revealed by the high price premiums, consumers' willingness to pay for immaterial product attributes associated with organic food appears to be significant among the entire range of available organic produce. Premiums for processed products are much higher than for unprocessed food such as vegetables. Even within the range of vegetables, ready-to-cook mixed vegetables benefit from a price premium 16 percentage point higher than the average price premium for organic vegetables. These differences in premiums among processed and unprocessed organic products tend to support the idea of the retailer being the price maker and thus setting a higher price premium for value added products. However, many other factors probably enter into play in these price settings, such as the convenience service in addition to the organic attribute which is another valuable asset from a consumer point of view and the relative price insensitivity of the relatively small consumer segment that purchases this specific type of products.

4.2.4 Consumer perceptions towards organic food

Given this exceptional growth and high price premiums, questions arise regarding the organic purchasing behaviour of consumers. A global survey by ACNielsen on consumers' attitudes towards organic foods (ACNielsen, 2005b) provided some comparative results in this regard between South Africa, Europe and North-America. The organic food types purchased regularly by consumers in these different regions are summarized in Table 2.

Table 2: The organic food types purchased regularly by consumers in South Africa, Europe and North-America

Food product category:	% of respondents in country / region:		
	South Africa:	Europe:	North-America:
Fruit	37%	28%	17%
Vegetables	37%	25%	17%
Poultry	35%	17%	14%
Eggs	42%	34%	19%
Dairy	31%	21%	14%
Processed foods	14%	7%	9%

Source: Compiled from data reported in ACNielsen (2005b)

Interestingly, according to this survey, despite being a very new phenomenon in South Africa, the proportion of consumers regularly buying organic foods is higher than in the

two main Northern organic markets. The importance of organic fruit, vegetables and eggs is also evident, confirming observations of the organic product offering of South African retailers. Processed foods appear to be less popular in the different regions, which can be related, at least partly, in South Africa to the high prices associated with them.

The data in Table 3 indicates that health is a major consumption motivation in all three regions, even if very recent emphasis toward environmental concerns driving organic food purchasing may be currently manifesting in Northern countries, as in the United Kingdom as revealed by The economist (2006: 71): *“Peter Melchett of the Soil association, Britain’s leading organic lobby group says that environmental concerns, rather than health benefits are now cited by British consumers as their main justification for buying organic food.”*

Table 3: A summary of consumers’ main reasons for purchasing organic food alternatives in South Africa, Europe and North-America

Purchase reason:	% of respondents in country / region:		
	South Africa:	Europe:	North-America:
Healthy for me	53%	41%	57%
Healthy for my children	16%	16%	19%
Better for the environment	17%	19%	11%
Kinder to animals	8%	12%	2%

Source: Compiled from data reported in ACNielsen (2005b)

The growing organic food consumption in South Africa is strongly motivated by the general category of healthy food and healthy food alternatives as in Northern countries.

Interestingly, while in Europe and North America, high prices are the main factor preventing consumers from purchasing organic food, the main reason expressed by consumers in South Africa for not purchasing organic food, is the lack of availability (37% of respondents), even though high prices are also a problem (26% of respondents) (ACNielsen, 2005b). This lack of availability arises from a great imbalance between supply and demand, as confirmed by Mead (2006) and discussed in the next section.

4.2.4 Supply and demand imbalances

The domestic and international demands for organic products are dramatically higher than the supply. On an international level the demand for organic produce in Europe and the US is increasing and with it the demand for organic produce supplied by producers from Africa (including South Africa) (Africa Research Bulletin, 2006). The export market is well established in South Africa and looking for professional growers.

On a national level, the tremendous growth in the sector shows a big reactivity from the consumer side. However, *“Local retailers are failing to find reliable and sustainable suppliers of natural and organic products locally”* (David Wolstenholme, exhibition director of the Natural and Organic Products Exhibition 2006, reported in Farmers Weekly of 31 August 2006).

South Africa has only about 515 000ha of certified organic land divided into 97.1% pastureland, 2.1% land for rooibos production, 0.38% for fruit, 0.33% for vegetables, 0.03% for wine and 0.02% for essential oils. This is significantly less than Australia’s ten million hectares according to the SOEL survey released in November 2004 (Benno, 2005). South Africa has about 230 certified organic operations of which about 77% have gone into conversion during the period 2003 to 2005 (Mead, 2006, as reported by Food Review and Africa Research Bulletin). According to Diana Callear, the managing director of Ecocert-afrisco, there is about 400 to 500 organic farms in SA.

Supply and demand imbalance is to be related to the retail driving the organic food movement in South Africa. They have stimulated a significant demand, which is rapidly growing. Local retailers cannot rely on an endogenous social and farming movement as observed in Northern Countries, since it is almost non significant or at least invisible in South Africa. South African commercial farming production systems are based on a very sophisticated model of technology intensive agriculture, which basically rely on economies of scale associated with very large scale farms. Thus adaptation to organic standards represents a major shift from this type of farming system as emphasised by Hall (2005): *“Organic farming is more expensive than conventional farming, due to start-up costs, conversion and accreditation. Organic farmers are vulnerable to adverse weather and pests because chemical pesticides may not be used, often resulting in lower yields and erratic supply. The factors add to the cost of the produce, which can be between 20%-30% more expensive than conventionally grown products...”* Organic farming systems in South Africa still need major research inputs on soil fertility, integrated pest management, potential problems arising from cross-pollination by GMO's and industrial pollution as well as compatibility with profitability.

The organic production could thus appear to offer an interesting comparative advantage for resource poor farmers as, as pointed out by the Africa Research Bulletin (2006), most of them have been practicing organic like farming for centuries given their lack of resources: *“African farmers have grown organic produce for centuries – by default, through not being able to afford agro-chemicals or machines. Their fortune seems reversed as this type of ‘poor man’s farming’ is gaining respectability – a fact that conventional commercial farmers are slowly waking up to”*

It is interesting to note that a few, initiatives are taking place at the small-scale farmers level, notably in Kwazulu Natal and the Western Cape, where farmers in addition to NGO technical support can also benefit from provincial state support. This is the case of the Ezemvelo Farmers Organisation (EFO), which benefited of support from organic and agricultural experts, and supplies Woolworths with organic production (www.woolworths.co.za). In 2001, this group of small-scale, subsistence farmers was the first one to convert from traditional agriculture to certified organic farming. EFO members use traditional farming knowledge to produce traditional root crops (organic taro, sweet potatoes and baby potatoes produced using an old landrace) for a high-value organic niche market that granted access to increased sales. This group has become a model of Black Economic Empowerment in South Africa.

Other initiatives can also be mentioned such as, in the Limpopo Province at Makhado, the Letaba Organic farmers' Association, a certified organic Black Economic Empowerment farming project supported by the Organic Farmers Group continued mentorship and marketing programme, which supplies Pick'n Pay and Spar.

However if we consider the way the organic sector has been developing in South Africa through the retail sector, the capacity of small farmers, and more generally of rural populations, to successful enter and on a significant scale this market remains questionable contrary to what the Africa Research Bulletin (2006) suggests: *“Converting existing agricultural land into organic farmland or starting new organic farms could create jobs and generate income for the masses of rural unemployed who are making a meagre existence across the continent”*. As has been shown in particular by Louw et al. (2007), general supermarkets requirements create high market entry barriers for small scale farmers in South Africa as in many other developing countries. And in addition to these, supplying organic products also implies adopting the certification procedures imposed by the retailers.

It is thus very likely that, as stated by Raynolds (2004) in particular with regard to South/North organic trade and already mentioned in the first part of the paper, most small scale farmers will be excluded from the formal organic market in South Africa.

Furthermore, organic production entails a real long term commitment from farmers (e.g. producers face a three years organic compliance process before being fully certified), which seriously constraints retailers' capacity to incentive producers towards organic production. However, long term contractual arrangements that have been established in many cases as part of retailers' preferential procurement systems (Louw et al., 2006) can support large scale farmers' investments in shifting toward organic farming. Given the huge imbalance between supply and demand, some direct investments in organic production from the retail sector are underway.

In addition to the technical and financial constraints associated with the shifts toward organic production in South Africa as discussed above, an additional factor to consider in explaining the supply and demand imbalances is the procurement competition between the local and export markets, both expanding tremendously as mentioned earlier.

The high price premiums associated with organic food, allowed by the existence of high consumers' willingness to pay for immaterial product attributes associated to organic food, reflect the current supply and demand imbalances, and thus the structure of the South African organic sector, which is strongly shaped by the formal retail sector.

5. Final thoughts

Given the prominent role of the retail sector in the evolution of the organic sector, it is interesting to consider the development at the local level of an alternative quality related market outlet - food purchasing at local farmer's markets. This is a common phenomenon among European consumers but, as described in the background part, is still in its infancy stage in South Africa. As confirmed by the up market South African lifestyle magazine House and Leisure (Buitendach, 2007), the 'market movement' is becoming more popular, even though it is still far from a main stream food trend: *"Markets are the new malls"; "The 'market movement' is a reaction to confined, commercial, artificially lit, air-conditioned shopping centers and is in line with the international trend towards meaningful living. An antidote to malls, markets offer a laid-back, sociable outing. Plus they provide the opportunity to buy from small, specialized stores that offer great products..."*

There are currently at least 16 of these local markets in South Africa, providing an alternative food purchase experience for consumers. The food offering of these markets encompasses a number of new quality trends such as organic food, fresh farm produce, South African culture food (e.g. koeksisters, milk tart, potjiekos), free-range produce, boutique cheeses, gourmet food, home-industry style baked goods and home-made processed fruit products (such as jams and preserves).

In the last decades, the South African retail sector established as the main actor in the formal agro-food sector. It has been capturing most of consumer purchasing power and setting the rules governing this system. The 'quality turn' largely conveyed by the retail sector, which has been highlighted through the discussion of the organic sector evolution, is associated with organizational changes in the formal agro-food system, and is influencing the positioning of producers, retailers and consumers in the agro-food system. As has been described and analysed globally, the establishment of new certification schemes largely driven by the retail sector has been the main vehicle of the institutionalization of quality in South Africa. From what has been depicted in this paper, it can be foreseen that the

growing interest in new food quality trends, as underpinned in the organic sector development, will support further development of innovative organisational forms that have recently taken importance in the South African agro-food system, such as contractual arrangements with farmers. These arrangements were primarily driven by the consolidation of the retail and processing industries and their re-organization of procurement schemes (Sautier et al., 2006). Commercial farmers have been the main beneficiaries of these arrangements. New quality trends such as organic production appear to be far removed from conventional South African farming practices. They could be more compatible with small holder farming practices. However, certification procedures create high entry barriers, in particular due to asset specific investment requirements. Contractual arrangements can provide farmers with the incentives to commit to the certification process. Under current procurements systems, large scale farmers are more likely to benefit from new quality trends development driven by the retailers.

In contrast to this retail driven quality movements, the 'market movement', mentioned above, that is supported by new consumer purchasing behaviours could create an alternative market channel for and conveys further development of new quality food trends. Furthermore, the flourishing of alternative food movements in South Africa - especially development oriented toward place based and socially embedded products - could consolidate this rise of farmers markets. By providing scope for trust based on proximity rather than on formal certification schemes, these new developments of the quality turn through alternative marketing schemes could be more inclusive for small-scale farmers. They could create new opportunities for those that struggle accessing formal organic channels governed by the retail sector.

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